

Information Disclosure Based on the TCFD Recommendations

June 26, 2024
Sun Frontier Fudousan Co., Ltd.

Sun Frontier Fudousan Co., Ltd. (“the Company”) established the “Sustainability Committee” on October 1, 2021, to more strongly promote activities of contributing to the resolution of social issues, the realization of a sustainable society, and aim to improve mid- to long-term corporate value based on its mission and corporate philosophy. On the “Sustainability Committee,” the Company established the “Sustainability Vision,” and sets forth specific measures and KPIs in response to each important issue and promotes sustainability management.

■ Sustainability Vision

We will contribute to the realization of a sustainable society through our business activities while respecting the heart of altruism, the company policy.

■ Important Sustainability Issues (Materiality)

Important issues that we should address to realize our Sustainability Vision

Environmental Protection, Regional Revitalization, and Human Resource Development

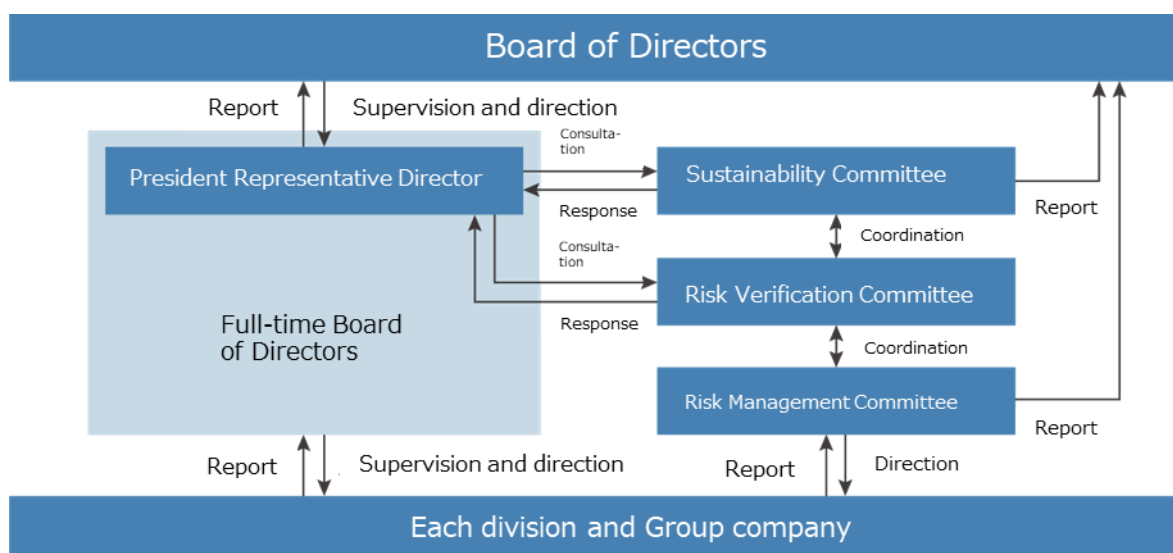
This document explains the items related to climate change and the environment among the Company's sustainability activities in accordance with the “Information Disclosure Recommended by the TCFD Recommendations.” TCFD Recommendations recommends that information shall be disclosed in line with four disclosure elements of “governance,” “strategy,” “risk management,” and “metrics and targets,” to accurately understand how risks and opportunities associated with climate change affect corporate management including fiscal management. The Company will work to further expand information disclosure based on these four disclosure elements recommended by the TCFD Recommendations.

i. Governance

The Company recognizes addressing climate change and environmental issues as a critical management priority at our company. In coordination with Risk Verification Committee, Sustainability Committee compiles information of risks and opportunities associated with climate change, examines response measures, and makes periodic report to the Board of Directors. The Board of Directors oversees the progress of initiatives related to climate change issues discussed and reported by executive departments, and discussed issues related to these initiatives at least once a year.

The President Representative Director receives reports on the status of initiatives related climate change from the advisory bodies, the Sustainability Committee, and the Risk Verification Committee, and assumes the highest responsibility for risk assessment and management including risks of climate change.

System of Sustainability Promotion



Meetings and Roles in the System of Sustainability Promotion

Organizations and committees	Roles
Board of Directors	Receiving reports from the Sustainability Committee on the status of the risk management related to climate change and overseeing the progress of measures.
President Representative Director	Receiving reports on the status of overall sustainability activities, including the one related to climate change, from the Sustainability Committee as an advisory body. Assuming the highest responsibility for risk assessment and management including risks of climate change.
Risk Verification Committee	As an advisory body to the President Representative Director, discussing assessment of comprehensive risk, including climate change. Examining the risks reported by Risk Management Committee and instructing the business divisions to take measures through the Risk Management Committee.
Risk Management Committee	Discusses comprehensive management and measures against risks in operations, including climate change. Meetings held once a month.
Sustainability Committee	As an advisory body to the President Representative Director, promoting sustainability activities including climate change countermeasures. In coordination with the Risk Verification Committee and the Risk Management Committee, summarizing risks and opportunities related to climate change, etc. from each division and group company, considering measures shall be taken, and making periodic reports to the Board of Directors. Meetings held four times a year.

ii. Strategy

Based on the TCFD recommendations, we analyzed scenario of risks and opportunities related to climate change. Through the scenario analysis, we defined 1.5°C and 4°C scenarios based on scientific evidence from IEA (International Energy Agency) and assessed the importance of risks and opportunities related to climate that might affect operations as of 2030.

Definition of Scenarios

Scenario configuration	1.5°C scenario	4°C scenario
World view	The Japanese government will promote severe measures against climate change, including the introduction of a carbon tax, which will lead to drastic social changes, and regulations on plastic and climate change-related information disclosure will be required. Damage from natural disasters such as flooding is limited.	There will be no climate action by the government beyond current measures and no climate change action is required. Abnormal weather such as droughts and floods due to rising temperatures will become apparent, sites will be damaged, and response costs and recovery costs at the time of the disaster are expected.
Reference scenario	IEA The Net-Zero Emissions by 2050 Scenario (NZE) / IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP1-1.9	IEA World Energy Outlook 2021/ IEA World Energy Outlook 2018/ IPCC AR6 SSP5-8.5
Characteristics	Transition risks related to policies, etc. are likely to become apparent.	Physical risks associated with abnormal weather, etc. are likely to become apparent.

Identification and assessment of risks and opportunities

We assessed the impact of transition and physical risks related to climate change on our Real Estate Revitalization

Business and Real Estate Service Business. Regarding the transition risks, we considered a variety of items from policy and legal regulations to market changes such as acute risks and chronic risks for physical risks. We will respond to these risks and opportunities that judged as particularly significant impact on our company.

Scope : Real Estate Revitalization Business and Real Estate Service Business

Impact : High : Very significant impact (> 19% of net sales)

Medium: Significant (10-19% of net sales)

Small : Limited impact (<10% of net sales)

Term of risk occurrence: Short term : Within one year

Medium term : Within 1 to 5 years

Medium to long term : Within 5 to 10 years

Long term : Over 10 years

List of risks and opportunities

The list includes the risks and opportunities recognized by the Company whose impact on the business is “medium” or above.

Main category	Sub-category	Details of risks and opportunities	Impact on business and financial results		Timing of risk occurrence
			1.5°C	4°C	
Company-wide					
Transition risk	Reputation	Stakeholder Concerns about Passive ESG Responses	Medium	–	Medium to long term
Real Estate Revitalization Business					
Transition risk	Policy regulation	Additional capital investment costs due to increased energy efficiency standards to be met in repairs	Medium	–	Short term
Physical risk	Chronic	Increase in cost of air conditioning equipment and increase in energy cost at owned properties	Small	Medium	Medium term
Opportunity	Products and Services	Increase in selling price to property owners and building owners by improving the environmental performance of properties in redevelopment	Medium	Medium	Short term
Hotel and Tourism Business					
Transition risk	Policy regulation	Increased trend toward trial construction of buildings with high environmental performance, shortages of materials with high environmental performance and rising labor costs due to the concentration of construction work	Medium	–	Medium term
Opportunity	Products and Services	Contribute to the local community by conserving and coexisting with nature in the area where the hotel is located, thereby improving the image of the hotel and increasing the number of guests	Medium	Medium	Medium term

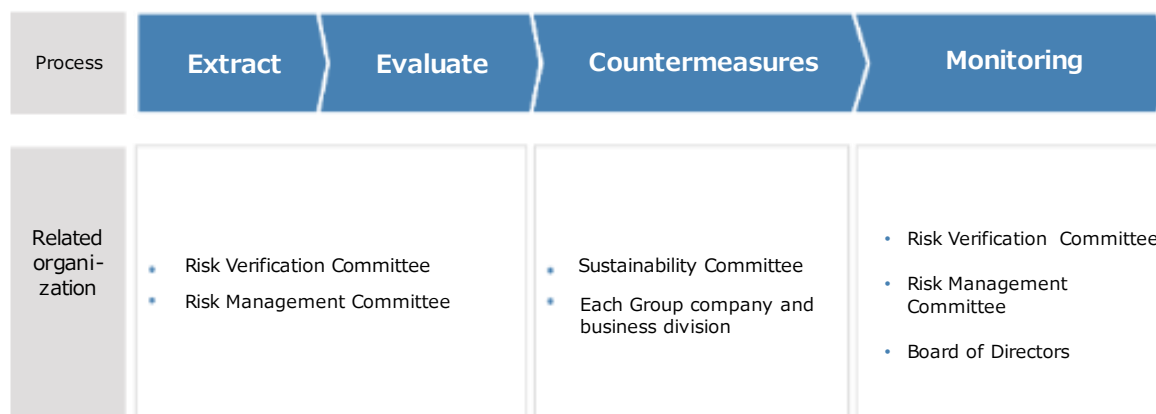
Financial impact

The list includes the results of calculating the financial impact of the risks and opportunities recognized by the Company.

Risk / Opportunity	Business impact	Calculation method *Base year is fiscal 2022. *The impact in 2030 is calculated by reflecting the CAGR (Compound Annual Growth Rate)	Financial impact 2030 (billion yen)		Degree of influence
			1.5 ° C	4 ° C	
Carbon tax	Increased tax burden due to large increase in carbon tax	[Company-wide] Company's CO2 emissions x carbon price per unit of emissions	3.23	—	Small
Carbon tax	Large increase in carbon tax leading to higher costs for raw materials with large unit emissions	[Real Estate Revitalization] Input cost of raw materials* x emission intensity of raw materials x carbon price per emission *For cement and ready-mixed concrete with high emission intensity, the amount of input is calculated from the total floor area of properties sold in the base year using an LCA tool.	1.93	—	Small
Sales losses due to natural disasters	Sales loss due to interruption of business activities because of damage to a business site caused by a natural disaster	[Real Estate Revitalization] (*Not calculated as the impact on rent income is difficult to calculate)	—	—	—
		[Hotel Management] Daily sales loss x maximum days of downtime* x damage ratio* *Determined by investigating the flood depth level at the time of the occurrence of a storm surge at the hotel	1.97 Probability of occurrence:1.4%	1.97 Probability of occurrence:2.8%	Small
Flood damage due to sea level rise	Occurrence of flood damage to owned real estate due to high tides and heavy rains caused by rising sea levels	[Real Estate Revitalization] (*Not calculated because the properties owned are located in Tokyo and the impact of storm surge is minimal.)	—	—	—
		[Hotel Management] Repair cost by flood depth level due to sea level rise x amount of real estate owned* *Determined by investigating the flood depth level at the time of the occurrence of a storm surge at the hotel (owned property).	0.62 Probability of occurrence:1.4%	0.62 Probability of occurrence:2.8%	Small
Improvement of selling prices of properties	Improving the selling price to the wealthy and building owners by improving the environmental performance of the property	[Real Estate Revitalization] Total floor area of BELS certified properties (*1) x difference in rent between BELS certified and ordinary properties (*2) (*1) Total floor area of BELS certified properties in the base year (*2) Difference in unit price per tsubo between the BELS certified property in the base year and the Company's RP property in the vicinity as of March 31, 2024	0.81	0.81	Small

iii. Risk management

In order to establish a sustainability system, the Company has established the “Sustainability Committee” to respond to overall sustainability issues, including climate change issues, as well as regulations on company-wide risk management. For risks related to climate change, the Risk Verification Committee evaluates the risks reported by the Risk Management Committee. The identified and assessed risks are examined by the Sustainability Committee, and the business divisions and Group companies then respond to those risks. In addition, the Board of Directors receives a report from the Risk Management Committee on the status of and responses to comprehensive risk management, including climate change risks.



iv. Metrics and Targets

The Company calculates greenhouse gas emissions as an indicator for evaluating climate change-related risks and opportunities. In fiscal 2021 and 2022, Scope1 “Fuel use (CO2)”, Scope2 “Use of electricity supplied by others (CO2)”, and Scope3 “Other indirect emissions (CO2)” were included in the calculation. We will continue to monitor our greenhouse gas emissions in the future and will establish a system and set targets so that we can expand the scope of monitoring and reduce CO2 emissions in our activities.

Greenhouse Gas Emissions

(Consolidated)

	Fiscal 2021 annual emissions (t-CO2)	Fiscal 2022 annual emissions (t-CO2)	Fiscal 2023 annual emissions (t-CO2)
Scope1 *1	4,088.5	3,237.9	3,391.9
Scope2 *2	6,692.5	7,633.7	7,281.2
Scope3 *3	194,929.0	152,744.0	148,333.7

(Non-consolidated)

	Fiscal 2021 annual emissions (t-CO2)	Fiscal 2022 annual emissions (t-CO2)	Fiscal 2023 annual emissions (t-CO2)
Scope1 *1	0.0	0.0	0.0
Scope2 *2	196.3	195.1	88.0
Scope3 *3	194,929.0	152,744.0	148,333.7

*1 Emissions from gas and gasoline use *2 Emissions from electricity use *3 Other indirect emissions

Calculation period: FY 2021 (April 2021 to March 2022), FY 2022 (April 2022 to March 2023), FY 2023 (April 2023 to March 2024)

To be disclosed: domestic and international consolidated subsidiaries (Scope1 and 2), Real Estate Revitalization Business (Scope3)

Calculation method: market-based

*Calculation methods are based on location (calculated using the average emission intensity for Japan as a whole) and market (calculated using the emission intensity of each electric power company). We adopted the latter market-based method.,

Emission factors used in Scope2: 2020 and 2021 emissions factor result for each electric utility

Greenhouse gas emissions reduction target (compared to fiscal 2022)

	2030	2050	Fiscal 2023 Results
Total of Scope 1 and Scope 2	22% reduction (annual reduction of 2.7%)	Carbon neutral	1.8% reduction