

PRINCIPAL ADVERSE IMPACT STATEMENT

The following is the adverse sustainability impact statement of MIRAI Corporation (“MIRAI”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). We have no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and rely on Mitsui Bussan & IDERA Partners Co., Ltd. (the “Asset Manager”) to manage and operate the properties in our portfolio. MIRAI and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our”.

1. Summary

We consider principal adverse impacts of our investment decisions on sustainability factors. The present statement is our consolidated statement of the principal adverse impacts on sustainability factors (“PAI”). The statement covers the reference period from May 1, 2021 to October 31, 2021. The statement will be reviewed at least once during every year.

We believe that our sustainability initiatives are essential for our sustainable growth. We improve long-term returns of investors and contribute to the realization of sustainable society and urban development by implementing initiatives that address social issues. Under our sustainability policies and framework, we, in collaboration with the stakeholders such as property managers, tenants and people locally involved, take actions on climate change, including energy conservation, and being resilient in times of disasters.

We use the definition of PAI as described in Recital 20 of SFDR being “those impacts of investment decisions and advice that result in negative effects on sustainability factors,” with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters as defined in article 2 (24) of SFDR.

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 PAI of our investment decisions throughout all major steps of the investment decision and property management process throughout the lifecycle of the properties in our portfolio.

Please note that SFDR requirements, including the scope of their application to issuers outside the European Economic Area, continue to evolve. We are therefore taking a principles-based approach to compliance with the SFDR disclosure standards, which are subject to change.

2. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various PAI indicators, both positively and adversely. We aim to manage the risk connected to PAI from our investment decisions in several ways, including general screening criteria, due diligence and our ESG initiatives. Some of the PAI indicators listed below are currently already being monitored and reported. As the availability of data improves, it is our intention that more indicators will be added.

Table 1

Principal adverse sustainability impacts statement

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact in 2022	Impact in 2021	Explanation	Actions taken
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	As of March 31, 2022, 34.5% of our properties did not have environmental certifications based on total floor area.	As of October 31, 2021, 38.0% of our properties did not have environmental certifications based on total floor area.	To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan's ("DBJ") Green Building certification, the Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification, Leadership in Energy and Environmental Design ("LEED") certification, Building Energy-efficiency Labeling	We implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications such as DBJ Green Building certification and by reducing energy consumption and CO2 emissions through installation of LED lightning and other energy efficiency equipment at our properties.

					System (“BELS”) certification, and other equivalent certifications.	
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Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Climate change	<p>18. GHG emissions</p> <p>Total GHG emissions generated by real estate assets was 46,136 t-CO₂ (from April 1, 2020 to March 31, 2021).</p> <p>GHG emissions intensity of our portfolio was 0.08 t-CO₂/m² (from April 1, 2020 to March 31, 2021).</p> <p>We aim to reduce GHG emissions intensity of our portfolio by 5% (compared to FY 2019) over five years from April 2021 to March 2026.</p>	Total GHG emissions generated by real estate assets
Energy consumption	<p>19. Energy consumption intensity</p> <p>Energy consumption of owned real estate assets was 86,136 mwh (from April 1, 2020 to March 31, 2021).</p> <p>Energy consumption intensity of our portfolio was 0.16 mwh (from April 1, 2020 to March 31, 2021).</p> <p>We aim to reduce energy consumption intensity of our portfolio by 5% (compared to FY 2019) over five years from April 2021 to March 2026.</p>	Energy consumption in GWh of owned real estate assets per square meter

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments to the Asset Manager or tenants		
Social and employee matters	<p>2. Rate of accidents</p> <p>The Asset Manager has established an effective system to respond to accidents. If an officer or employee witnesses an accident, they are required to report it to the person in charge, who may be the Compliance Officer or an executive of the Asset Manager. Upon receiving the report, the Asset Manager develops a plan to deal with the accident by consulting with lawyers and taking other appropriate means. After the accident is resolved, the results and a plan to prevent recurrence are reported to the person in charge. A serious accident is reported to the board of directors of the Asset Manager.</p> <p>If we obtain information regarding an accident involving any of our tenants through a property manager or another related party, we may make that information known within the Asset Manager upon determination by the Managing Director of the Investment Management Division. We respond to such an accident in the same way as an accident involving the Asset Manager’s officers or employees.</p>	<p>Rate of accidents in investee companies expressed as a weighted average</p> <p>No accident involving the Asset Manager’s officers or employees has occurred.</p> <p>To the best of our knowledge, no accident involving any of our tenants has occurred.</p>

For descriptions of actions which MIRAI takes and will take with respect to the PAI indicators, please refer to our ESG website: <https://3476.jp/en/esg/index.html>

3. Description of policies to identify and prioritize principal adverse sustainability impacts

Subject to data availability, we monitor the selected PAI indicators for the properties in our portfolio.

Prior to our investment in a property, we conduct due diligence review of the property, including ESG due diligence, which includes selected PAI indicators. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision. In order to conduct ESG-friendly management while maximizing the value of our properties, we have taken into consideration ESG factors in our investment and asset management processes. In particular, in 2021 we established a green finance framework (“Green Finance Framework”). Funds raised through green financing will be used for acquisition of green buildings or expenditures that meet the following eligibility criteria or the refinancing of green financing bonds. The Japan Credit Rating Agency (JCR) has evaluated the appropriateness of the framework and assigned it JCR’s highest rating, “Overall Evaluation: Green 1(F)”.

- (1) *Green Eligibility Criteria 1: Green building.* Properties that have acquired or are expected to acquire certifications from third-party organizations by satisfying one of criteria (a) to (d) below.
 - (i) 3-star DBJ Green Building certification or higher
 - (ii) B+ CASBEE certification or higher
 - (iii) Silver level LEED certification or higher
 - (iv) 3-star BELS certification or higher
- (2) *Green Eligibility Criteria 2: Renovation.* Renovation work for environmental improvements (which is expected to reduce consumption or emissions by 30% or more in comparison to before renovation).

For further information, please refer to our ESG website: <https://3476.jp/en/esg/index.html>

4. Engagement policies

Due Diligence and Screening

As part of property due diligence review conducted before acquiring a property, the Asset Manager considers the property's environmental and social risks such as soil contamination, impact to biodiversity, indoor air quality, environmental impact of material and equipment used at the property, building safety and the property's impact on health. For example, we retain third-party experts to review a range of matters including environmental risk, PCBs and asbestos, soil contamination, conditions of facilities, other factors affecting human health such as exhaust air, seismic risk, flood risk and legal compliance.

In addition, we monitor and track energy consumption, GHG emissions and water consumption and waste at our properties.

We have selected PAI indicators GHG emissions and energy consumption intensity as our PAI indicators in Table 2 above with our belief that reduction of GHG emissions and energy consumption is one of the major environmental challenges confronted by the world. We endeavor to reduce GHG emissions and energy consumption based on our environmental performance targets, which we have established to manage the environmental impact of our real estate operations and to contribute to environmental conservation in accordance with our Sustainability Policy.

We also have selected rate of accidents as our PAI indicator in Table 3 above in recognition of the importance of taking initiatives to minimize social risks associated with real estate such as safety and health risks as well as to promote our employees' health and establish a safe working environment.

Engagement

We aim to include environmental provisions, which we refer to as "Green Lease" provisions, in our lease contracts with tenants. Our Green Lease provisions include clauses requiring our tenants to collaborate with us in implementing various environmental measures, including on energy savings efforts, disclosure of environmental data and educating employees on how to reduce their environmental burden. As of February 28, 2022, 22 leases with our tenants (5 out of 38 properties) contained such Green Lease provisions. At Hotel Sunroute Niigata, we have executed a memorandum of understanding with a tenant pursuant to which we cooperate with the tenant to promote environmental measures, including sharing the cost of installing high-efficiency air conditioning and lighting equipment.

The Asset Manager aims to tackle environmental and social issues together with stakeholders, while striving to achieve efficient operation and tenant satisfaction and contributing to local communities through strong

relationships with stakeholders such as tenants, local community members, property managers, operators and suppliers. For example, we distribute our Sustainability Guide to our tenants, seek their cooperation in our ESG initiatives, including for when they renovate space exclusively occupied by the tenants, and raise ESG awareness among tenants by displaying ESG-related videos and posters at our properties. In addition, we work with local governments and tenants to address issues in local communities, and provide space in some of our properties for Covid-19 vaccination sites or as treatment facilities for certain COVID-19 patients.

5. References to international standards

The Asset Manager is a signatory to Principles for Financial Action for the 21st Century (the “PFA21”) and aims to conduct responsible investment management through business activities that are consistent with the PFA21. PFA21 is a set of action guidelines for Japanese financial institutions that summarizes the responsibilities and roles necessary for the formation of a sustainable society.

The Asset Manager registered for TOKYO Work-Style Reform Declaration in September 2020 in order to improve the work-life balance of its employees. TOKYO Work-Style Reform Declaration is a program operated by the Tokyo Metropolitan Government, sets and announces targets and details of measures to be taken to reduce long working hours and promote the use of annual paid leave and other benefits.