

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Product name: MIRAI Corporation

Legal entity identifier: 353800HQCYM7P10R9D93

The following is the adverse sustainability impact statement of MIRAI Corporation (“MIRAI”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). MIRAI has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on Mitsui Bussan & IDERA Partners Co., Ltd. (the “Asset Manager”) to manage and operate the properties in MIRAI’s portfolio. MIRAI and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our” unless noted otherwise. References to “fiscal year” or “FY” are to the 12 months began or beginning April 1 of the year specified in line with the fiscal year of the Asset Manager, which we use for the purpose of collecting and compiling ESG-related performance data, unless noted otherwise.

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.

1. Summary

Pursuant to Article 4 of the Delegated Regulation C(2022)1931 supplementing SFDR (the “SFDR Delegated Regulation”), MIRAI is required to publish on its website the information referred to therein covering the period of one calendar year. MIRAI is a Japanese real estate investment trust, commonly known as J-REIT, and has no employees, relying on the Asset Manager for the management and operation of its properties. The Asset Manager does not operate based on a calendar year, but operates based on fiscal year ending in March of every year. A recalculation and translation of the data into the reference period of one calendar year would most likely lead to inaccuracies and would therefore provide a potentially less accurate overview of the required information than using the approved and validated data for the period from April 1, 2022 to March 31, 2023. This reference period is sufficiently compatible with, and shows results that do not materially differ from, those that would be produced using the calendar year-based reference period noted in the SFDR Delegated Regulation.

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 April 1, 2022 to March 31, 2023. The statement will be reviewed at least once during every twelve-month period ending on March 31 of each 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 MIRAI’s 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 MIRAI's portfolio.

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

Description of the principal adverse impacts on sustainability factors

MIRAI does not invest in investee companies, but invests in real estate. As adverse sustainability indicators 1-16 as contained in Table 1 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact in FY2022	Impact in FY2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
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	MIRAI does 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, 2023, 25.6% of MIRAI's properties did not have the requisite environmental certifications based on total floor area.	As of March 31, 2022, 39.1% of MIRAI's properties did not have the requisite environmental certifications based on total floor area.	To track the environmental performance of MIRAI's 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	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 CO ₂ emissions

					Efficiency (“CASBEE”) certification, Leadership in Energy and Environmental Design (“LEED”) certification, Building Energy-efficiency Labeling System (“BELS”) certification, and other equivalent certifications.	through installation of LED lightning and other energy efficiency equipment at MIRAI’s properties.
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Table 2

Additional climate and other environment-related indicators

MIRAI does not invest in investee companies, but invests in real estate. As additional climate and other environment-related indicators 1-17 as contained in Table 2 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Greenhouse gas emissions	18. GHG emissions We monitor and track GHG emissions by estimating GHG emissions based on the energy consumption (including gas, fuel and electricity consumption) of MIRAI’s properties (excluding properties that were sold or acquired during the relevant period and for which data is difficult to obtain) and the adjusted emissions coefficients published by the Ministry of the Environment of Japan. Based the estimated GHG emissions, we also monitor and track GHG emission intensity based on gross floor area of MIRAI’s properties by factoring in the annual average occupancy rate.	Scope 1 GHG emissions generated by real estate assets
		Scope 2 GHG emissions generated by real estate assets
		Scope 3 GHG emissions generated by real estate assets

	<p>Based on this method, Scope 1, Scope 2, Scope 3 and total GHG emissions as well as GHG emissions intensity generated by MIRAI's properties were:</p> <table border="1" data-bbox="435 315 1156 541"> <thead> <tr> <th>GHG emissions</th> <th>Unit</th> <th>FY2022</th> <th>FY2021</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>(t-CO₂)</td> <td>739</td> <td>997</td> </tr> <tr> <td>Scope 2</td> <td>(t-CO₂)</td> <td>11,877</td> <td>13,460</td> </tr> <tr> <td>Scope 3</td> <td>(t-CO₂)</td> <td>33,816</td> <td>33,018</td> </tr> <tr> <td>Total</td> <td>(t-CO₂)</td> <td>46,433</td> <td>47,475</td> </tr> <tr> <td>Intensity</td> <td>(t-CO₂/m²)</td> <td>0.08</td> <td>0.08</td> </tr> </tbody> </table> <p>We aim to reduce GHG emissions intensity of MIRAI's portfolio by 5% by the end of FY2025 from the level in FY2018 (0.11 t-CO₂/m²).</p>	GHG emissions	Unit	FY2022	FY2021	Scope 1	(t-CO ₂)	739	997	Scope 2	(t-CO ₂)	11,877	13,460	Scope 3	(t-CO ₂)	33,816	33,018	Total	(t-CO ₂)	46,433	47,475	Intensity	(t-CO ₂ /m ²)	0.08	0.08	<p>Total GHG emissions generated by real estate assets</p>
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<p>Energy consumption</p>	<p>19. Energy consumption intensity</p> <p>We monitor and track energy consumption (including gas, fuel and electricity consumption) of MIRAI's properties (excluding properties that were sold or acquired during the relevant period and for which data is difficult to obtain). We also monitor and track energy consumption intensity based on gross floor area of MIRAI's properties by factoring in the annual average occupancy rate</p> <p>Based on this method, energy consumption and energy consumption intensity of MIRAI's properties were:</p> <table border="1" data-bbox="435 1029 1156 1218"> <thead> <tr> <th>Item</th> <th>Unit</th> <th>FY2022</th> <th>FY2021</th> </tr> </thead> <tbody> <tr> <td>Total energy consumption</td> <td>(MWh)</td> <td>90,504</td> <td>102,388</td> </tr> <tr> <td>Energy consumption intensity</td> <td>(MWh/m²)</td> <td>0.17</td> <td>0.19</td> </tr> </tbody> </table> <p>We aim to reduce energy consumption intensity of MIRAI's portfolio by 5% by the end of FY2025 from the level in FY2018 (0.22 MWh/m²).</p>	Item	Unit	FY2022	FY2021	Total energy consumption	(MWh)	90,504	102,388	Energy consumption intensity	(MWh/m ²)	0.17	0.19	<p>Energy consumption in MWh of owned real estate assets per square meter</p>												
Item	Unit	FY2022	FY2021																							
Total energy consumption	(MWh)	90,504	102,388																							
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Table 3

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

MIRAI has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on the Asset Manager to manage and operate the properties in MIRAI's portfolio. Accordingly, additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters in this PAI statement pertain to the Asset Manager and the tenants of the properties in MIRAI's portfolio, to the extent available.

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse impact on sustainability factors (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>No accident involving the Asset Manager's officers or employees has occurred during FY2022 and FY2021.</p> <p>If we obtain information regarding an accident involving any of the tenants in MIRAI's properties 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>To the best of our knowledge, no accident involving any of the tenants in MIRAI's properties has occurred during FY2022 and FY2021.</p>	Rate of accidents in investee companies expressed as a weighted average

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 MIRAI's 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 MIRAI's 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 MIRAI's 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 the Asset Manager’s employees’ health and establish a safe working environment.

Engagement

We aim to include environmental provisions, which we refer to as “Green Lease” provisions, in the lease contracts with the tenants in MIRAI’s portfolio. Our Green Lease provisions include clauses requiring the 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 March 31, 2023, 108 leases with our tenants (7 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 the 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 MIRAI’s properties. In addition, we work with local governments and tenants to address issues in local communities, and provide space in some of MIRAI’s 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.

6. Historical comparison

See Table 1, Table 2 and Table 3 above.