

**PRE-CONTRACTUAL DISCLOSURE FOR THE FINANCIAL PRODUCTS REFERRED TO IN
ARTICLE 8, PARAGRAPHS 1, 2 AND 2A, OF REGULATION (EU) 2019/2088 AND ARTICLE 6,
FIRST PARAGRAPH, OF REGULATION (EU) 2020/852**

Product Name: Nippon Accommodations Fund Inc.

Nippon Accommodations Fund Inc. (“NAF”) promotes environmental or 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”). NAF 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 Fudosan Accommodations Fund Management Co., Ltd. (the “Asset Manager”), to manage and operate the properties in NAF’s portfolio. NAF and the Asset Manager are hereinafter referred to collectively as “we,” “us” or “our.” 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, unless noted otherwise.

Does this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective : __% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective : __%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

What environmental and/or social characteristics are promoted by NAF?

We invest in “accommodation assets”, which include rental apartments, dormitories, serviced apartments, senior residential properties, corporate housing and hotels; in particular, NAF’s current investments are focused on newly developed residential properties that address ongoing social and lifestyle changes. By region, approximately 80 percent of NAF’s properties are in the 23 wards of Tokyo.

As we increasingly confront environmental issues such as climate change and socio-structural changes in Japan such as a shrinking and rapidly-aging population due to declining birthrates, ESG initiatives have become essential to our asset management activities and achieving sustainable growth. In April 2016, we established a Sustainability Policy in line with the environmental policy and policy for social contribution initiatives of the Mitsui Fudosan Group, to which we belong. Since then, we have implemented various environmental, social and governance (“ESG”) initiatives. In addition, to contribute to the United Nations’ Sustainable Development Goals (“SDGs”), in 2020 February, we identified for ourselves a set of material ESG issues that we believe must be addressed to meet global standards.

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

- *Addressing climate change.* We aim to reduce CO₂ emissions intensity of common areas of NAF’s properties by 50% by 2030 from the level in 2015. We also aim to maintain water consumption intensity of common areas of NAF’s properties at the level in 2015 through 2030.

- *Supporting TCFD.* In September 2021, the Asset Manager expressed its support for the recommendations by the Task Force on Climate-Related Financial Disclosures (“TCFD”), which was established by the Financial Stability Board in December 2015 to develop recommendations for more effective climate-related disclosures. In September 2021, the Asset Manager also joined the TCFD Consortium, an organization made up of Japanese companies that support the recommendations by TCFD.
- *Energy saving and reduction of CO₂ emissions.* We seek to reduce CO₂ emissions with measures that promote efficient use of energy in asset management activities, including installment of energy-saving equipment at NAF’s properties. These measures include monitoring and management of energy consumption (including electricity consumption) and CO₂ emissions in the common areas of NAF’s residential properties, installment of energy-efficient equipment, such as LED lighting in the common areas of NAF’s properties, and improvement of air-conditioning systems. We have steadily installed LED lighting in the common areas of NAF’s properties to promote energy-saving and reduce CO₂ emissions, and as of August 31, 2023, LED lighting was installed in the common areas of 117 properties (88% of NAF’s 133 properties as of August 31, 2023). Energy consumption of the common areas of NAF’s residential properties in 2022 decreased by 13.42% compared to that of 2015, of which electricity consumption of the common areas of NAF’s residential properties in 2022 decreased by 13.88% compared to that of 2015; and CO₂ emissions of the common areas of NAF’s residential properties in 2022 decreased by 29.69% compared to that of 2015.
- *Preserving water environment and promoting resource saving and waste reduction.* We aim to preserve our water environment with water saving initiatives and water-saving devices. Water consumption in 2022 decreased by 16.86% compared to that of 2015. We also promote reduction of harmful substances, resource saving, and waste reduction. We are trying to reduce water usage in common areas and provide tenants with information on waste separation rules set by the government so that resources can be recycled efficiently.
- *Introduction of renewable energy.* We utilize renewable energy from solar panels. As of August 31, 2023, two of NAF’s properties were equipped with solar panels.
- *Collaboration with the Asset Manager and tenants.* We outsource property management of NAF’s properties to Mitsui Fudosan Residential Lease Co., Ltd. (the “Property Manager”), which observes the Mitsui Fudosan Group’s environmental policy and collaborates with us in implementing environmental initiatives. Through this collaboration, we have raised tenants’ awareness of environmental issues by providing tenants with energy saving techniques with guidebooks and other information available on our website, and have implemented other measures to reduce the environmental load of NAF’s properties. Also, under lease agreements with NAF’s tenants of rental apartments, which as of August 31, 2023, accounted for over 90% of NAF’s entire portfolio, we require the tenants to save energy and water to mitigate the burden on the environment.
- *Environmental consideration in supply chain.* We promote sustainability throughout our supply chain by reviewing our suppliers’ environmental and social initiatives and conduct periodic review of the status of such initiatives. Specifically, we evaluate the Property Manager once a year to confirm if the Property Manager has an organizational structure to carry out its property management business appropriately. We review our business partners once a year to ensure that they are not using any child labor and that they are not engaged in any unfair transaction.
- *Rules concerning structure for promotion of sustainability.* To make sustainability efforts practicable, the Asset Manager has established basic policies and specific procedures for continuous monitoring and reduction of energy consumption, greenhouse gas emissions, water consumption and waste, as well as basic policies and specific procedures for cooperation (e.g., green procurement) with third parties on sustainability matters.

We implement various social initiatives at NAF’s properties including the following.

- *Initiatives for employees.* The Asset Manager recognizes the value of its human resources and has implemented initiatives for its employees:

- *Support for acquisition of qualification:* We encourage acquisition of various qualifications related to our business (related to real estate, accounting, and securitization) and offer subsidies to our employees to help them acquire qualifications;
- *Support for education and training:* We encourage and support our employees to participate in a variety of internal and external education and training sessions. In FY2022, the total time of training received by our employees was 398.4 hours, which was 15.3 hours per person;
- *Goal-setting and performance evaluation:* During each fiscal year, we work with each employee to help them set their goals, check on progress from time to time during the fiscal year, and evaluate them against those goals at the end of the fiscal year. The transparency of this system has contributed to effective communication between supervisors and subordinates. Our performance evaluation system evaluates each employee from a range of perspectives, including their sustainability efforts;
- *Periodic physical examinations:* We require and pay for our employees' periodic physical exams, and subsidize influenza vaccinations. We have also established a program for older employees that allows them to take time off from work for comprehensive physical exams, which we subsidize;
- *Supporting employees to achieve work-life balance:* Every month, managers have a debriefing session to report the paid holiday acquisition rate of each department to make it easier to take a paid holiday. We also have adopted childcare leave, nursing care leave and other special leave to ensure that employees can take time off for reasonable personal reasons;
- *Support for childcare and nursing care:* We have established the following benefits to support the work-life balance for employees with children or employees who are caregivers for family members: childcare/caregiver leave programs, time off for sick/injured children or those being cared for, and reduced working hours during childcare and nursing care.
- *Introduction of system for remote work:* The Asset Manager has introduced flexible work schedule and remote work policy to support the work-life balance of individual officers and employees, and to improve the work level and productivity of the organization and each individual so that it can make further progress as an asset management company.
- *Introduction of Cumulative Investment Program:* A cumulative investment program was introduced to further raise awareness of the need to improve the performance of NAF, contribute to the improvement of medium- to long-term unitholder value of NAF, and enhance the welfare of the employees of the Asset Manager by having employees of the Asset Manager hold the investment units of NAF.
- *Periodic employee survey:* We conduct an employee survey every fiscal year to measure employees' satisfaction levels with respect to their office environment, including amenities, and to maintain and enhance their health. We have worked on the following matters to address issues raised by employees in the survey:
 - Shared office usage system: We have partnered with Mitsui Fudosan Co., Ltd. to enable our employees to use the shared offices operated by Mitsui Fudosan Co. to create a suitable environment for work outside the head office at any time. The shared offices are not only in Tokyo but all over Japan, and our employees can choose any offices;
 - Digitization of certain accounting-related work to make it easier to work from home; and
 - Increasing the number of internet providers to stabilize our online work environment;
- *Establishing rules on respect for human rights, anti-discrimination and anti-harassment:* All of our employees are required to watch a human rights training video every fiscal year to enhance

their understanding of human rights. The participation rate for the last training session held in February 1, 2023 was 100%.

- *Consultation with the Compliance Officer:* We allow employees to consult directly with the Chief Compliance Officer directly or outside consultants when they become aware of any compliance problem. The Chief Compliance Officer or the outside consultants, as the case may be, are required to keep such communication confidential, except that they are allowed to consult each other. They investigate the facts of each case, report to the President, responsible officers and/or report to the Compliance Committee as needed, and give feedback to the employee. Employees are protected under the Whistleblower Protection Act of Japan, and may not be treated unfavorably by the Company for the fact of making such consultations; and
- *Improving tenant satisfaction.* The Asset Manager strives to improve the security, safety, and comfort of NAF's properties and continuously improve tenant satisfaction by investing in high-quality rental apartments, renovating common areas, providing security and safety and conducting tenant satisfaction surveys. For example, we collaborate with the Property Manager in the following initiatives to improve security and safety for tenants.
 - An around-the-clock, toll-free number exclusively for tenants to report problems regarding buildings such as water leakage; and
 - Proactively providing security and safety information to tenants with disaster-response handbooks and a website with information on local governments and disaster prevention measures to help tenants them prepare for earthquakes and other disasters.
- *Supply chain initiatives.* We promote sustainability throughout our supply chain by reviewing our suppliers' environmental and social initiatives and conduct periodic review of the status of such initiatives. Furthermore, the Property Manager, with a strong sense of social responsibility, has a basic policy of prioritizing business continuity and fast restoration of buildings in times of disasters. In August 2016, the Property Manager received the "Resilience Certification" from the Japanese Cabinet Secretariat, which was awarded to us for (i) having a business continuity plan; (ii) having had no scandals; and (ii) promotion of employee social contribution activities.
- *Contribution to local community.* We contribute to the vitalization and development of local communities where NAF's properties are located. For example, we have proactively participated in activities organized by NAF's properties' management associations, such as disaster prevention events. We have installed bicycle-sharing ports at some of NAF's properties, thereby contributing to reduction of CO₂ emissions as well as promoting health. We provide financial support every year to the Canal Renaissance Program for Promoting Waterfront Vitalization by the Tokyo Metropolitan Government, in which the participants study the role and history of Shibaura Canal and Tokyo Bay.
- ***What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by NAF?***

We use the following indicators to measure the attainment of the environmental and social characteristics we promote.

- *Environmental certification of properties.* To track the environmental performance of NAF's properties, we rely on certifications issued by third-party organization, such as the Development Bank of Japan's ("DBJ") Green Building Certification, Building Energy-efficiency Labeling System ("BELS") certification, Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification and other equivalent certifications. With respect to DBJ certifications, we consider a property to have sufficient environmental certification if it received three stars rating or higher out of DBJ's five-star ranking system. With respect to BELS, we consider a property to have sufficient environmental certification if it received three stars rating or higher out of BELS' 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). We consider NAF's properties that receive any such sufficient environmental certifications as

“eligible green assets”. As of August 31, 2023, we had acquired five stars out of DBJ’s five-star ranking system for three of NAF’s properties, four stars out of DBJ’s five-star ranking system for three of NAF’s properties and three stars out of DBJ’s five-star ranking system for one of NAF’s properties. As of August 31, 2023, 32.8% of the properties in NAF’s portfolio were qualified as eligible green assets based on gross floor area. We have set a goal of increasing the percentage of eligible green assets in NAF’s portfolio to 40% based on gross floor area by 2030.

- *Tracking of environmental performance data.* The Asset Manager tracks and monitors data on energy consumption (including electricity consumption), CO₂ emissions and water consumption of the common areas of the residential properties in NAF’s portfolio.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022	% Change (2022 vs. 2015)
Energy consumption (including electricity consumption)	Total (1000 kWh)	10,544	10,387	9,895	9,580	9,406	9,001	9,064	9,129	-13.42%
	Intensity (1000 kWh / m ²)	52.05	50.93	48.32	46.55	45.38	43.24	42.44	42.13	-19.05%
Electricity consumption	Total (1000 kWh)	9,800	9,650	9,111	8,839	8,659	8,434	8,414	8,440	-13.88%
	Intensity (1000 kWh / m ²)	48.38	47.32	44.49	42.95	41.78	40.52	39.40	38.95	-19.48%
CO ₂ emissions	Total (t-CO ₂)	5,038	4,958	4,509	4,183	3,297	2,646	3,355	3,542	-29.69%
	Intensity (t-CO ₂ / m ²)	0.0249	0.0243	0.0220	0.0203	0.0159	0.0127	0.0157	0.0163	-34.26%
Water consumption	Total (m ³)	24,273	23,836	23,811	24,055	22,811	19,996	20,078	20,180	-16.86%
	Intensity (m ³ / m ²)	0.1198	0.1169	0.1163	0.1169	0.1101	0.0961	0.0940	0.0931	-22.27%

(Note1) Data for co-owned properties are based on NAF’s co-ownership interests in relevant residential properties. Figures in the tables above for intensity are adjusted based on the period of NAF’s ownership of relevant residential properties.

(Note2) We estimate the CO₂ emissions based on energy consumption (including electricity consumption) of the common areas of NAF’s residential properties by using adjusted emissions coefficient published by the Ministry of the Environment of Japan.

- *ESG assessment.* To track our ESG performance, we obtain third-party assessments, such as GRESB Real Estate Assessment (“GRESB”), which is an annual benchmarking assessment to measure the level of ESG integration achieved by real estate companies and funds. Launched in 2009 by a group of major European pension funds that played leading roles in launching Principles for Responsible Investment (PRI), the GRESB framework looks at the sustainability efforts of real estate companies and REITs, rather than at the property level. As of October 4, 2023, we received a “Green Star” rating for high environmental marks on the management component and performance component, and had acquired three stars out of GRESB’s 5-star rating system.
- *Assurance of environmental performance data.* We have received an assurance report by Deloitte Tohmatsu Sustainability Co., Ltd. with respect to our 2020, 2021 and 2022 environmental

performance data, which include energy consumption (including electricity consumption), CO₂ emissions from energy consumption (including electricity consumption) and water consumption, confirming that such data were prepared in accordance with our calculation and reporting standards and therefore that such data were reliable.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable.

Principal Adverse Impacts

Does NAF consider principal adverse impacts on sustainability factors?

Yes, we collect on an ongoing basis select information on NAF's existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through real estate assets, exposure to energy-inefficient real estate assets, greenhouse gas ("GHG") emissions and energy consumption intensity. We aim to manage the risk connected to principal adverse impacts from NAF's investment decisions in several ways, including general screening criteria and due diligence.

- *Exposure to fossil fuels through real estate assets.* NAF does not invest in real estate properties involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient real estate properties.* We consider the properties in NAF's portfolio other than eligible green assets to be "energy-inefficient real estate assets." As of August 31, 2023, 67.2% of NAF's properties were not eligible green assets and were considered as energy-inefficient real estate 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. We have set a goal of increasing the percentage of eligible green assets in NAF's portfolio to 40% based on gross floor area by 2030.
- *GHG emissions.* Scope 1 and Scope 3 GHG emissions generated by real estate assets are not applicable to NAF's properties. We estimate Scope 2 GHG emissions based on energy consumption (including electricity consumption) of the common areas of NAF's residential properties by using adjusted emissions coefficient published by the Ministry of the Environment of Japan. Scope 2 GHG emissions (and total GHG emissions) generated by the residential properties in NAF's portfolio were: 4,183 t-CO₂ (in 2018), 3,297 t-CO₂ (in 2019), 2,646 t-CO₂ (in 2020), 3,355 t-CO₂ (in 2021), and 3,542 t-CO₂ (in 2022). Based on such Scope 2 GHG emissions (and total GHG emissions), the GHG emissions intensity based on gross floor area of the common areas of NAF's residential properties was: 0.0203 t-CO₂/m² (in 2018), 0.0159 t-CO₂/m² (in 2019), 0.0127 t-CO₂/m² (in 2020), 0.0157 t-CO₂/m² (in 2021) and 0.0163 t-CO₂/m² (in 2022). We aim to reduce GHG emissions intensity of the common areas of NAF's residential properties by 50% by 2030 from the level in 2015 (0.0249 t-CO₂/m²).
- *Energy consumption intensity.* We track and monitor energy consumption intensity (including electricity consumption intensity) of the common areas of NAF's residential properties. The energy consumption intensity based on gross floor area of the common areas of NAF's residential properties was: 46.55 MWh/m² (in 2018), 45.38 MWh/m² (in 2019), 43.23 MWh/m² (in 2020), 42.44 MWh/m² (in 2021) and 42.13 MWh/m² (in 2022). We aim to reduce energy consumption intensity of the common areas of NAF's residential properties by 50% by 2030 from the level in 2015 (52.05 MWh/m²).

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 NAF's 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 NAF's portfolio.

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., NAF), principal adverse impacts of NAF's investment decisions on sustainability factors. Under the Investment Trust Act of Japan, we are 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 NAF's 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 us under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes us a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

Investment Strategy

What investment strategy does NAF follow?

As mentioned above, we invest in "accommodation assets", which include rental apartments, dormitories, serviced apartments, senior residential properties, corporate housing and hotels; in particular, NAF's current investments are focused on newly developed residential properties that address ongoing social and lifestyle changes. We believe that being responsive to the diverse needs and desires of residents and others users of NAF's properties, and their satisfaction with the space and time of their stay, contributes to maximizing the value of NAF's properties.

In order to ensure that our asset management is sustainable while meeting the increasingly diverse needs and desires of our customers, we established the Sustainability Policy in April 2016 to give significant consideration to ESG factors in our investment and asset management processes. In order to implement the sustainability policy, the Asset Manager has established the Sustainability Promotion Office, which generally holds meetings every quarter to set sustainability objectives and formulate implementation plans. Objectives and implementation plans formulated by the Sustainability Promotion Office are reviewed and discussed at the Investment Committee, which includes the President & CEO of the Asset Manager, who is the ultimate decision maker on sustainability matters. The Sustainability Promotion Office is responsible for disseminating sustainability objectives and implementation plans throughout the organization. The Sustainability Promotion Office generally reports on the progress of objectives and implementation plans to the Investment Committee twice a year and is evaluated by the Asset Manager's management.

We believe that our green finance framework ("Green Finance Framework"), under which we raise funds to be applied to eligible green assets, strengthens our funding base by expanding the group of investors interested in ESG investments and financing. The key elements of our Green Finance Framework are as follows:

- *Use of proceeds.* We issue green bonds or obtain green loans (collectively referred to as "green finance") when we intend to use the proceeds toward funds for acquisition of an eligible green asset (defined below) or funds for repayment of existing loans or redemption of investment corporation bonds that were procured for acquisition of eligible green assets. As of August 31, 2023, we had eight eligible green assets in NAF's portfolio (32.8% of NAF's portfolio based on gross floor area), representing a total acquisition price of ¥ 85.6 billion.
- *Eligibility criteria.* Assets for which any of the following certifications from a third-party certification body have been or will be obtained ("eligible green assets").
 - 3, 4, or 5 Stars under the DBJ Green Building Certification,
 - 3 Stars, 4 Stars, or 5 Stars under the BELS Certification,
 - B+, A, or S rank under the CASBEE certification for Real Estate, or
 - Rating of an equivalent level to the above under another green building certification

- *Process for project evaluation and selection.* The eligibility criteria are drafted by the Sustainability Promotion Office, which is made up of members from across different department of the Asset Manager, and are determined by the Investment Committee, the members of which include the President & CEO, the Chief Investment Officer, and the Chief Financial Officer of the Asset Manager. Projects for green finance are selected by the Sustainability Promotion Office based on the eligibility criteria followed by deliberation and approval by the Investment Committee.
- *Management of proceeds.* The upper limit for green finance is set at an amount calculated by multiplying total acquisition price of eligible green assets in NAF's portfolio by the ratio of interest-bearing debt to total assets ("eligible green debt") so that the total amount invested in eligible green assets does not exceed the amount of eligible green debt.
- *Reporting.* The following items will be disclosed on our website as at the end of February of each year so long as any amount raised through green finance has been invested in eligible green assets, and such assets remain in NAF's portfolio.
 - Total acquisition price of eligible green assets
 - Ratio of interest-bearing debt to total assets
 - Amount of eligible green debt
 - Total amount invested in eligible green assets

Our Green Finance Framework received the highest rank "Green 1(F)" by Japan Credit Rating Agency, Ltd. ("JCR") on June 18, 2020. JCR evaluates green bond issuance or green loan borrowing policies for the purpose of ensuring compliance with the International Capital Markets Association's (ICMA) International Green Bond Principles, the Loan Market Association's Green Loan Principles or the Guidelines for Green Bonds established by the Ministry of the Environment of Japan.

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

A binding element of NAF's investment strategy is our Green Finance Framework. Our goal is to increase the number of eligible green assets by one per year. The eligibility criteria (described above) are proposed by the Sustainability Promotion Office, which is composed of four general managers within the Asset Manager and other personnel appointed by the general managers, and decided by the Investment Committee, the members of which include the President & CEO, the Chief Investment Officer, and the Chief Financial Officer of the Asset Manager. Our green finance projects are selected by the Sustainability Promotion Office based on the eligibility criteria, followed by deliberation and approval by the Investment Committee.

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

Not applicable. However, when investing in properties using proceeds from green financing, we do not consider properties that do not meet the eligibility criteria under our Green Finance Framework discussed above. Prior to NAF's investment in a property, the Asset Manager conducts due diligence on the property, including not only profitability but also ESG-related features.

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

NAF does not invest in investee companies and have therefore opted to provide information on the governance policies adopted by NAF and the Asset Manager. While there is no third-party rating used to assess our governance practices, we, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems:

- *Compliance.* In order to establish an appropriate management structure, the Asset Manager has appointed a full-time Chief Compliance Officer to head compliance operations and has also established a Compliance Committee, which, with the Chief Compliance Officer as its chairperson,

deliberates on and approves conflict-of-interest transactions as well as important legal and other compliance matters.

- *Internal audits.* The Asset Manager's Chief Compliance Officer conducts internal audits throughout the company and its businesses to confirm whether the business and operation of each department is carried out appropriately and efficiently in accordance with applicable law as well as internal rules. The audit results are reported to the relevant departments audited and to the Compliance Committee and the Board of Directors.
- *Transparent and appropriate disclosure.* We make efforts to make our disclosure transparent to enable our unitholders to understand our businesses. We hold meetings with institutional investors using financial results briefing materials, and provide appropriate information to retail investors through seminars and other means to seek their understanding.

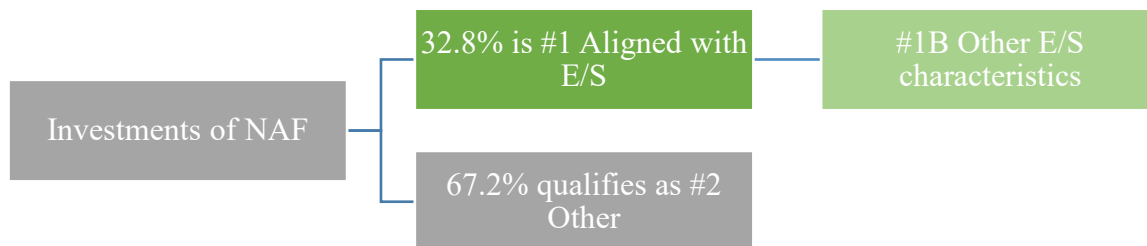
We also make the following ongoing disclosures related to our Green Finance Framework and Eligible Green Projects:

- We disclose the following information as of the end of each February on our website, as long as the any amount raised through green finance has been invested in eligible green assets, and such assets remain in NAF's portfolio.
 - Total acquisition price of eligible green assets
 - Ratio of interest-bearing debt to total assets
 - Amount of eligible green debt
 - Total amount invested in eligible green assets
- We also disclose the following matters on our website, as long as any amount raised through green finance has been invested in eligible green assets, and such assets remain in NAF's portfolio.
 - Green building certification (number of properties, floor area, and ratio of such assets based on floor area)
 - Each eligible green asset's property name, certification type, rating, and green building certification (renewal) date
 - Energy (electricity) consumption volume and intensity
 - Energy-originated CO₂ emissions volume and intensity
 - Water consumption volume and intensity

Asset Allocation

What is the asset allocation planned for NAF?

As of August 31, 2023, 32.8 % of the properties in the portfolio were qualified as eligible green assets, and 67.2 % were not, in each case based on gross floor area. Our target is to increase the number of eligible green assets by one each year. We have set a goal of increasing the percentage of eligible green assets in NAF's portfolio to 40% based on gross floor area by 2030.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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

Not applicable.

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

Not applicable.

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

No. NAF 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 August 31, 2023, 67.2 % of NAF's properties were not eligible green assets based on gross floor area. These properties do not meet the eligibility criteria due to the cost of meeting such criteria, but we intend to increase the number of eligible green assets. With each acquisition opportunity, we review findings of due diligence on the property, including not only profitability but also environmental features, and take into account the acquisition of environmental certifications or future potential to obtain them and energy efficiency assessment.

Index as Reference Benchmark

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

Not applicable. NAF does not have a specific index designated as a reference benchmark to determine whether NAF is aligned with the E/S characteristics that it promotes.

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

Not applicable.

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

Not applicable.

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

Not applicable.

- *Where can the methodology used for the calculation of the designated index be found?*

Not applicable.

More Product-specific Information

Where can I find more product specific information online?

More product-specific information can be found on the website:
<https://www.naf-r.jp/english/esg/index.html>

Note Regarding the EU Taxonomy Regulation

As set out above, we promote 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 which are currently developed. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021. They apply as of January 1, 2022.

We invest 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 the fact that, as a result thereof, data on alignment of NAF's investments with these environmental objectives and climate related goals in line with the 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 NAF's investments technically qualify as Taxonomy-aligned or "environmentally sustainable" within the specific meaning of the EU Taxonomy Regulation. NAF'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 NAF'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 NAF (SFDR Article 6 Disclosure)

As described in further detail above, we have established the Sustainability Promotion Office, which generally meets once every three months to set objectives and formulate implementation plans concerning our promotion of sustainability. We identified for ourselves a set of material ESG issues through discussion at the Sustainability Promotion Office, and the material ESG issues identified were approved by the Investment Committee, which includes the President and CEO of the Asset Manager, who is a member of the Committee and the highest-level decision maker of the company. The material ESG issues have been communicated to all employees in the asset manager as well as board members in the investment committee. The material ESG issues are subject to periodical review and update to reflect changes in society and environment.

We have established an environment management system (EMS) and implements a PDCA (plan, do, check and act) cycle every year to manage the environmental load of NAF's portfolio and achieve our environmental targets. The sustainability risks of NAF's properties are periodically evaluated with the purpose of identifying and understanding the sustainability risks of NAF's properties. If significant sustainability risks are discovered based on the evaluation results, the office will propose improvement measures aimed at reducing such risks

Under this organizational structure, we have instituted a number of initiatives to promote the environmental and social characteristics. Such initiatives include climate change initiatives, initiatives for saving energy and reducing CO₂ emissions, and initiatives for employees' initiatives.

In order to conduct sustainable asset management while maximizing the value of NAF's properties, we have taken into consideration ESG factors in our investment and asset management processes. We also have established the Green Finance Framework in related to fund procurement.

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 NAF's investment decision process helps us make a more holistic assessment of property's risks and opportunities and is commensurate with the pursuit of superior risk-adjusted returns.

Physical risks

The assets in which the fund invests are exposed to physical climate risks. These can manifest themselves through, for example, floods, storms, heat and limited access to natural resources. This can mean that the assets in which the fund invests become worth less. Specifically for NAF, the following risks are particularly relevant. The risks are assessed by the Task Force on Climate-Related Financial Disclosures ("TCFD") 4 °C scenario. More information, including risk analysis under different TCFD scenarios, can be found on the website: <https://www.naf-r.jp/english/esg/environmental/climate-change.html>

Potential Changes in Business Environment	Emerging Risks	Our Understanding	Potential Countermeasures
Torrential rainfall, flooding due to nearby rivers overflowing and inland flooding	Reduced rental income due to lower occupancy rates Increased flood countermeasure costs	We assess such risk as large because territorial rainfall and flooding occur frequently in Japan and could affect the value of NAF's portfolio.	Monitoring physical risks, identifying high-risk properties, and either taking preventive measures or disposing of them Reflecting physical risk information in the assessment process when acquiring new properties

Damage to properties from typhoons	Increased repair costs and insurance premiums	We assess such risk as large because typhoons occur frequently in Japan and could affect the value of NAF's portfolio.	Same as above
Flooding of low-elevation properties, etc. due to rising sea level	Increased costs of countermeasures for high-water damage	We assess such risk as large because rising sea level is occurring and could affect the value of NAF's portfolio.	Same as above
Increase in high-water damage due to rise in abnormal weather, such as extremely hot or cold days	Increased air conditioner equipment maintenance and operation costs	We assess such risk as large because abnormal weather is increasing and could affect the value of NAF's portfolio.	Managing air conditioner equipment maintenance and operation costs

Transition risks

The assets in which the fund invests are exposed to physical transition risks. These can manifest themselves through, for example, changes in regulations, technical developments and/or social developments. Such developments may mean that the assets in which the fund invests become worthless. Specifically for NAF, the following risks are relevant. The risks are assessed by the TCFD 4 °C scenario. More information, including risk analysis under different TCFD scenarios, can be found on the website: <https://www.naf-r.jp/english/esg/environmental/climate-change.html>

Potential Changes in Business Environment	Emerging Issues and Risks	Our Understanding	Potential Countermeasures
Increased GHG emission costs due to introduction of carbon tax	<p>Increased operating costs due to introduction of carbon tax and increased carbon reduction costs to meet emission quotas</p> <p>Steep rise in current electricity prices due to carbon tax hikes</p>	We assess such risks as small because the effects of such increased costs on NAF's portfolio would be limited.	<p>Setting GHG emission intensity reduction targets and disclosing achievement status</p> <p>Considering energy-saving upgrades for properties</p> <p>Procuring renewable energy</p> <p>Acquiring ZEH (Note 2) properties and considering retrofitting of existing properties</p> <p>Sharing expertise across the Mitsui Fudosan Group</p>

Tightening of environmental standards	Increased procurement and repair costs for buildings and equipment	We assess such risk as small because the effects of such increased costs on NAF's portfolio would be limited.	Same as above
Evolution and spread of renewable energy and energy-saving technologies	<p>Increased costs of adapting to changing building specification requirements/standards as products created by technological revolution become more widespread</p> <p>Reduced environmental footprint and energy costs due to the installation of LED lighting, high-efficiency A/C equipment, etc. and introduction of renewable energy facilities</p>	We assess such risk as small because the effects of such increased costs on NAF's portfolio would be limited, and in certain cases, view such risk as an opportunity to make investments in cost reduction.	<p>Gathering information about new technologies and services and considering implementation policy</p> <p>Sharing expertise across the Mitsui Fudosan Group</p>
Impact on real estate transaction markets	Lower values for properties with poor environmental performance (stranding of assets)	We assess such risk as small because decrease in value due to poor environmental performance would be limited.	<p>Striving to gather information on real estate assessment trends and either improving properties' environmental performance or disposing of them</p> <p>Setting GHG emission intensity reduction targets and disclosing achievement status</p> <p>Considering energy-saving upgrades for properties</p> <p>Procuring renewable energy</p>

Impact on funding markets	Worse funding conditions due to climate change response being perceived as insufficient	We assess such risk as small because lack of action on climate change unlikely to worsen financing conditions.	Comprehensive climate-related financial information disclosure Ongoing implementation of green financing Pursuing the acquisition of environmental certifications (green building certifications, etc.)
Impact on rental housing markets	Avoidance of properties with poor environmental performance, leading to decreased demand	We assess such risk as small because disfavoring housings due to poor environmental performance is limited in rental housing markets.	Monitoring needs through tenant satisfaction surveys, etc. Considering energy-saving upgrades Pursuing the acquisition of environmental certifications (green building certifications, etc.)
Impact on operating costs	Increased running costs due to steep rise in energy prices Increased renewable energy costs due to changing energy mix	We assess such risk as small because the effects of such increased costs on NAF's portfolio would be limited.	Purchasing renewable energy (green power certificates, etc.)
Reduced brand reputation on financial and capital markets	Decreased investment unit value due to perceived passive response to climate change	We assess such risk as medium because investors increasingly are demanding more active responses to environmental issues and such perception may turn away environmentally focused investors.	Maintaining brand image by proactively pursuing initiatives aimed at a decarbonized society and robustly addressing climate change