Nature-Related Financial Disclosures Based on TNFD Recommendations

June 2025

Mitsubishi Estate Logistics REIT Investment Corporation

Introduction

Awareness of Biodiversity

Biodiversity provides countless benefits that are essential to human life and the functioning of modern economies. However, due to human activities, the loss of biodiversity has already become a serious issue, raising concerns about its impact on the sustainability of societies and their economies. The Kunming-Montreal Global Biodiversity Framework was adopted at the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15) held in December 2022. As part of this framework, a new international target was set: to halt and reverse biodiversity loss—known as “nature positive”—in order to put nature on the path to recovery by 2030. The biodiversity crisis is now recognized as a crucial global issue, on par with the climate crisis, and it is also acknowledged as a significant management risk for real estate fund management, which operates in close relationship with society.

Approach to Biodiversity

Mitsubishi Estate Logistics REIT Investment Corporation (MEL) and Mitsubishi Jisho Investment Advisors, Inc. (MJIA) base their operations on the two strategic drivers of “enhancing investor value” and “enhancing social value” as outlined in Mitsubishi Estate Group’s Sustainability Vision 2050: Be the Ecosystem Engineers. We believe that responsible investment management with a forward-looking perspective is essential for the continued sustainable development of MEL.

With regard to biodiversity policy, the Mitsubishi Estate Group Basic Environmental Policy sets forth the principle of “fostering harmony between nature and human society” by striving to mitigate and avoid biodiversity impacts arising from business activities to help build a vibrant society in harmony with nature. MJIA also identifies contribution to biodiversity and coexistence with nature as a key element of its own Sustainability Policy.

Against this backdrop, in September 2023, the final recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) were released, and public interest in nature positive initiatives has surged. Recognizing biodiversity loss as a material issue that adversely affects economic activity and poses a significant impact on our management and operations, MJIA has established a Policy on Biodiversity Initiatives. MEL has long engaged in environmentally conscious real estate fund management, not only addressing climate change, but also promoting efficient water usage and recycling of waste. Going forward, we will place even greater emphasis on the relationship between our business activities and biodiversity.

In addition, MEL has begun information disclosure based on the TNFD framework, identifying and assessing its dependencies and impacts on biodiversity, as well as the associated risks and opportunities. While its analytical methods are still evolving and will require ongoing updates and refinements, MEL—working closely with MJIA—will continue to explore activities that contribute to a nature-positive future. Through these efforts, we aim to support the continued development of a prosperous society in tandem with our sustainable corporate growth.

Six General Requirements Covered by This Report

Application of Materiality

MEL has identified its material issues based on a dual-axis approach: (1) the expectations of society and stakeholders, and (2) the impact on MEL's business. This process references international standards such as the GRI Standards and the requirements of major ESG rating agencies. In this report as well, we have focused on both the societal demands related to nature and their impact on MEL's business when determining materiality.

Scope of Disclosures

This report covers logistics facilities, which are the primary investment assets of MEL. The disclosure coverage includes analysis and evaluation of direct operations, as well as upstream and downstream business processes in the value chain.

- MEL's business process

  Upstream: Activities related to real estate development

  Direct operations: Activities related to real estate fund management

  Downstream: Activities related to tenant companies (logistics operators)

Location of Nature-Related Issues

This report includes analysis and evaluation of the areas surrounding the logistics facilities owned by MEL as of September 2024.

Tokyo Metropolitan Area	14 properties
Kinki Area	10 properties
Chubu Area	3 properties
Kyushu Area	2 properties

The logistics facilities under the scope of this disclosure report are all located in Japan, specifically within urban areas where ecosystem integrity is presumed to be relatively low. At the same time, these facilities generally have larger site areas compared to typical real estate properties like office buildings. For an assessment of ecologically sensitive locations, we took into account these facilities' location-specific characteristics and their positioning within the area and considered and adopted more appropriate evaluation methods. For example, recognizing that using globally standardized metrics alone could result in uniformly low assessments of ecosystem integrity, we instead adopted an evaluation approach that considers the potential for biodiversity conservation based on the quantity, quality, and connectivity of surrounding green spaces and water resources.

Integration with Other Sustainability-Related Disclosures

This report reflects disclosures based on the TNFD final recommendations. Going forward, we will explore integrating this with our climate-related disclosures.

Time Horizons Considered

The timeframes considered in this report are: short-term (within 1 year), medium-term (through fiscal 2030), and long-term (through fiscal 2050).

Engagement of Indigenous Peoples, Local Communities and Affected Stakeholders

The Mitsubishi Estate Group is committed to respecting the fundamental human rights of all stakeholders based on its Human Rights Policy. In line with the Mitsubishi Estate Group Code of Conduct, MEL strives to build forward-looking, trust-based relationships not only with employees, but also with unitholders, tenant companies, business partners, and local communities. MEL actively engages in communication with all stakeholders as part of its daily operations.

Governance

Sustainability Promotion Framework

MJIA has positioned its Sustainability Policy at the core of its management philosophy, aiming to maximize investor value while advancing together with the environment and society. To this end, it has established a sustainability promotion framework. The Sustainability Committee, chaired by the President and CEO, is, in principle, held quarterly. The committee deliberates on and reports the status of important sustainability issues, goals, and initiatives, including the results of risk analyses related to environmental issues. Furthermore, the boards of directors of MJIA and MEL receive regular reports from the Sustainability Committee and oversee sustainability management, including responses to environmental challenges.

MEL's Governance System

MEL aims to establish a governance system that ensures independent oversight and diversity. The board of directors, consisting of one executive director and three supervisory directors, regularly receives reports on relevant deliberations and outcomes of the Sustainability Committee. The appointed officers possess expertise in fields such as law, accounting, taxation, real estate, and sustainability, enabling them to provide appropriate oversight on sustainability issues pertaining to MEL, including nature-related matters.

Respect for Human Rights in Nature-Related Issues

Human rights violations that have emerged alongside market-driven economic development are closely linked to environmental destruction. Companies are therefore expected to clearly articulate their human rights policies and act responsibly. As a corporate member of society, the Mitsubishi Estate Group recognizes the renewed importance of human rights and has established the Mitsubishi Estate Group Human Rights Policy to fulfill the Group's responsibility to respect the fundamental human rights of all stakeholders. Accordingly, MEL is committed to avoiding human rights violations, minimizing potential negative human rights impacts through its business activities, and actively upholding respect for human rights in its daily activities.

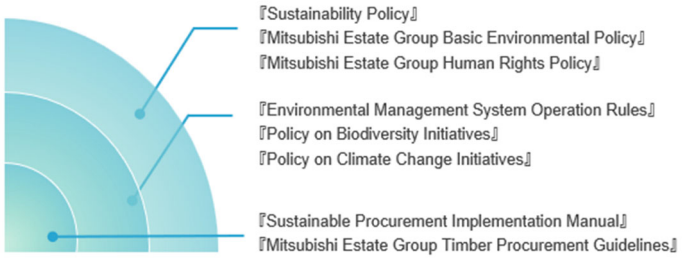
Sustainable Procurement Policy and Engagement

To integrate nature-related issues and human rights responsibilities into its business processes, MJIA has developed a Sustainable Procurement Implementation Manual. This serves as a guide for conducting real estate management consignment and procurement of goods in a manner that can ensure biodiversity conservation, environmental impact reduction, strong engagement with local communities, proper labor conditions, occupational health and safety, and respect for human rights.

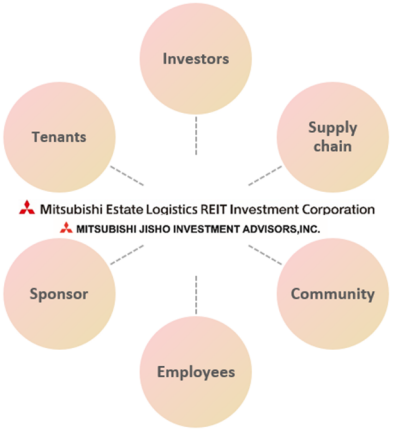
In addition, the Mitsubishi Estate Group has established its Timber Procurement Guidelines to promote the conservation of natural ecosystems and the prevention of deforestation and forest degradation in the Group's timber procurement activities across the value chain. As MEL's sponsor, Mitsubishi Estate has set goals for promoting the sustainable use of wood and ensuring the traceability of wood used in business activities. It will continue working for sustainable uses of wood giving consideration to respecting human rights and protecting natural resources in areas where imported timber is harvested.

MEL also upholds these policies, working in cooperation with stakeholders involved in its business activities, as well as with local communities. Through such engagement, it aims to promote an inclusive society where people can live comfortably, while taking action to protect the environment.

■ Main Policies to Address Nature-Related Issues



■ Major Stakeholders of MEL



Strategy

MEL has identified and assessed its dependencies and impacts on nature in accordance with the LEAP approach proposed by the TNFD. In addition, MEL conducted assessment to evaluate ecologically sensitive locations in areas where its managed real estate properties are located, taking into account local natural characteristics, and analyzed how its properties depend on and impact nature. Building on these assessments, MEL has identified key impact drivers affecting nature and used these insights to evaluate potential risks and opportunities.

The LEAP Approach

Locate	Evaluate	Assess	Prepare
The interface with nature	Dependencies and impacts	Risks and opportunities	To respond and report
L1: Span of the business model and value chain	E1: Identification of environmental assets, ecosystem services and impact drivers	A1: Risk and opportunity identification	P1: Strategy and resource allocation plans
L2: Dependency and impact screening	E2: Identification of dependencies and impacts	A2: Adjustment of existing risk mitigation and risk and opportunity management	P2: Target setting and performance management
L3: Interface with nature	E3: Dependency and impact measurement	A3: Risk and opportunity measurement and prioritization	P3: Reporting
L4: Interface with sensitive locations	E4: Impact materiality assessment	A4: Risk and opportunity materiality assessment	P4: Presentation

（Relationship with MEL's TNFD Disclosure）

・Overview of nature-related dependencies and impacts by business sector ・Relationship between managed real estate and nature	・Risks and opportunities	・Metrics and targets

Overview of Nature-Related Dependencies and Impacts by Business Sector

MEL conducted a qualitative analysis of nature-related dependencies and impacts associated with the sectors of its direct operations, as well as of businesses involved in its upstream and downstream value chain. As a reference it utilized ENCORE—a tool developed by the United Nations Environment Programme (UNEP) to assess exposure to nature-related risks. The results were categorized into four levels, from “very high” to “low / very low.”

As a result, when examining the business activities across MEL’s entire value chain, it was found that the most significant dependencies on nature are surface water (above-ground body of water such as rivers, lakes and wetlands) and climate regulation. In terms of impacts, the most significant were found to be land ecosystem use and greenhouse gas (GHG) emissions.

It should be noted that upstream activities—such as real estate development and the procurement of construction materials—often have direct impacts on nature and ecosystem services. As a point of reference, it is known that the procurement of construction materials involved in the upstream activities in particular has a very high dependency on water sources such as surface water and groundwater.

Additionally, downstream activities are related to logistics operations, such as truck transportation, which can have broad environmental impacts. Therefore, in developing future strategies, it is important to not only consider direct operations but also incorporate assessments of nature dependencies and impacts for each segment of the value chain.

Very high　High　Medium　Low,Very low

Value chain classification	Main business activities	ENCORE industry classification*2	Impacts										
			Land, freshwater and ocean use change			Climate change	Resource use	Pollution/pollution removal					Invasive alien species
			Land ecosystem use	Freshwater ecosystem use	Ocean ecosystem use	Greenhouse gas (GHG) emissions	Water use	Solid waste	Non-GHG air pollutants	Soil pollutants	Water pollutants	Disturbances	Introduction of invasive alien species
Upstream	Real estate development	Construction and engineering											
Direct operations	Acquisition of investment real estate Real estate management and operation	Real estate companies Industrial REITs											
Downstream	Activities of tenant companies (logistics companies)	Trade and distribution											

Value chain classification	Main business activities	ENCORE industry classification*2	Nature-related dependencies					
			Provisioning services		Regulating and maintenance services			
			Surface water	Groundwater	Noise attenuation	Climate regulation	Regulating and maintenance services	Soil and sediment retention
Upstream	Real estate development	Construction and engineering						
Direct operations	Acquisition of investment real estate Real estate management and operation	Real estate companies Industrial REITs						
Downstream	Activities of tenant companies (logistics companies)	Trade and distribution						

*1 ENCORE Ver.1 was used in this analysis.

*2 The ENCORE heat map is based on the Global Industry Classification Standard (GICS), and industries that are highly relevant to MEL's business were selected and analyzed. The results of the ENCORE analysis are general scores, but they are used to recognize dependencies and impacts that have a relatively large impact, to help identify MEL's unique risks and opportunities and analyze relevant impacts on the business.

Impact Drivers of Nature Change in the Value Chain

To gain a deeper understanding of potential nature-related risks that may materialize over the medium to long term, MEL has taken a comprehensive view of how its business activities across the entire value chain relate to nature.

In identifying the key factors that bring about changes in the natural environment, MEL has adopted five impact drivers in alignment with the globally recognized Natural Capital Protocol: climate change; land, freshwater and ocean use change; resource use; pollution; and the introduction of invasive alien species. These drivers have been cross-referenced with material activities identified through the ENCORE analysis to understand where MEL's activities—across upstream, direct operations, and downstream segments—may cause negative impacts on nature or present opportunities to create positive outcomes.

When it comes to nature-related issues, each business differs in terms of activities, geographic conditions, and dependency on natural capital. Therefore, by developing multiple scenarios tailored to their own specific circumstances, they can conduct more comprehensive risk assessments.

MEL will use its understanding of these impact drivers within the value chain to better anticipate future scenarios involving complex interrelated uncertainties and to identify associated risks and opportunities using a science-based approach.

Impact Driver		Relevant Main Business Activities	Potential Negative Impacts	Opportunities for Creating Positive Impacts
Climate change 	Upstream	・Real estate construction ・Procurement of construction materials	・Rising temperatures due to GHG emissions, and increased frequency and severity of extreme weather events	・Adoption of low-carbon construction methods and equipment ・ Energy saving in buildings and facilities ・ Adoption of renewable energy, power storage batteries, and other electrification support equipment
	Direct operations	・Procurement of materials for renovation work ・Electricity use within facilities		
	Down-stream	Electricity use for storing goods (including items requiring temperature control)		
Land, freshwater and ocean use change 	Upstream	・Real estate development ・Procurement of construction materials	・Loss of nature and reduced functionality due to development	・Site management that considers the quantity and quality of greenery and rainwater infiltration ・Procurement of timber without deforestation, etc. ・Flood and inundation protection construction
	Direct operations	・Creation of green space ・Large-scale renovation involving land modification ・Procurement of materials for renovation work		
Resource use 	Upstream	・Water use during construction	・ Reduction of surface water	・Water reuse, installation of equipment with high water-saving performance
	Direct operations	・Water use within facilities and irrigation of landscaping		
Pollution 	Upstream	・Drainage during construction, vibration, noise, light pollution during construction, waste disposal, etc.	・Soil contamination due to the use of specific hazardous substances, etc. ・Soil contamination caused by illegal dumping due to the limitations of waste disposal capacity ・Water pollution due to improper wastewater management ・Impact on the life cycle of animals and plants due to noise, vibration, light pollution, etc. ・Air pollution caused by NOx and PM particles in transport emissions	・Waste separation and appropriate disposal ・Environmentally conscious construction methods and material procurement ・Waste recycling, use of recycled materials and upcycled products, etc. ・Support for EV adoption, such as installation of EV charging facilities
	Direct operations	・Waste disposal		
	Down stream	・Transportation by truck		
Invasive alien species 	Down-stream	・Transportation by truck	・Impact on ecosystems and adverse effects on human health due to inadvertent introduction and spread of invasive species by modes of transport, etc.	・Mitigation of risks concerning introduction and spread of invasive specie

Relationship Between Managed Real Estate and Nature

Based on the results of dependency and impact analyses using ENCORE, MEL conducted a study on the interface with nature for its primary operating assets, namely logistics facilities, and their surrounding areas. This study also employed methods that reflect the characteristics of these properties in terms of dependency and impact on nature, such as that they are located in urban neighborhoods and tend to occupy relatively large land areas. The insights gained from this investigation regarding relationships with nature have proved useful in identifying priority locations and in assessing medium- to long-term risks and opportunities. As such, they are being applied to MEL's entire real estate investment portfolio.

■ **Method for Analyzing Sensitive Locations**

MEL conducted an analysis of the areas surrounding its 29 logistics facilities (properties owned as of September 2024), using assessment criteria for sensitive location identification as recommended by the TNFD.

Assessment Category	Evaluation Metrics and Methods	Results Utilization
Biodiversity importance	Confirmed proximity to areas important for biodiversity conservation such as protected areas and key biodiversity areas (KBAs)	Used results to identify sensitive locations
Ecosystem integrity	Evaluated the level of biodiversity conservation potential based on the quantity and quality of natural resources such as green spaces and water bodies, as well as the connectivity of the ecosystem network	Given that the areas under evaluation are urban environments with relatively low ecological integrity, the results were also used to reflect the potential for biodiversity conservation in evaluating biodiversity importance
	Evaluated the situations concerning the shift from high to low integrity land use in surrounding areas in recent years	Given that the areas under evaluation are urban environments with relatively low ecological integrity, the results were also used to consider recent land use changes in evaluating biodiversity importance
Ecosystem service delivery importance	Confirmed proximity to areas where ecosystems and biodiversity support the local economy (including areas important to Indigenous Peoples and Local Communities)	Used results to identify sensitive locations
Water physical risk	Assessed risk from three perspectives: water stress (supply-demand balance), flood risk, and surface water pollution risk	Used results to identify sensitive locations

■ **Results of Sensitive Location Assessment**

(1) Biodiversity importance

We conducted analysis for areas within a 1.5 km radius of MEL's investment property locations to confirm the presence of zones recognized as important for biodiversity under international conventions and standards. Several properties were found to be near areas that are significant for biodiversity—albeit relatively small in scale—or adjacent to areas designated for preserving scenic and natural harmony. However, no properties were identified as being in close proximity to nationally or internationally designated protected areas, or to habitats deemed critical for the survival of endangered species.

(2) Ecosystem integrity

The assessment of biodiversity potential was conducted using aerial photographs and vegetation maps to understand the condition of green and water resources within a two km radius of MEL's investment property sites. Since logistics facilities are often constructed in suburban or coastal areas with good access to highways and major roads, many of the properties are located near rivers, wetlands, and other natural features rich in greenery and vegetation. These findings suggest that the facilities have high potential to contribute to the development of regional ecosystem networks.

(3) Ecosystem service delivery importance

In evaluating the importance of ecosystem service delivery, the analysis considered proximity to areas where ecosystems and biodiversity support the regional economy, including areas significant to Indigenous Peoples and Local Communities.

While the LandMark database is one of the tools recommended by the TNFD for identifying locations important to Indigenous Peoples and Local Communities, it does not include any sites in Japan. Therefore, based on research using relevant materials, we surmised areas significant to the Ryukyuan and Ainu peoples of Okinawa and Hokkaido, respectively, to be representative locations of cultural importance for Japan's Indigenous Peoples and Local Communities. Since none of the investment properties subject to this evaluation were located in Hokkaido or Okinawa, no significant risks were identified from this perspective.

(4) Water physical risk

The physical risks related to water were evaluated using three metrics: water stress (ratio of water withdrawal to availability), flood risk, and surface water quality risk. While the analysis found no major water physical risks, a limited risk of inundation was identified for a few investment properties.

■**Comprehensive Assessment of Sensitive Locations and Identification of Priority Locations**

No significant risks were found in the surrounding areas of the logistics facilities owned by MEL that would classify them as sensitive locations. On the whole, the properties tend to be located in areas with high biodiversity potential. Based on these findings, and taking into account also the distribution of properties by geographic areas and operational control such as ownership ratios, MEL conducted a supplementary assessment and made a trial effort to identify priority locations and assess their priority level.

	Biodiversity importance	Ecosystem integrity (biodiversity potential)	Ecosystem service delivery importance	Water physical risk
Very high	—	45%	—	—
High	—	31%	—	6%
Medium	7%	10%	—	62%
Low / very low	93%	3%	—	12%

As a result of the assessment, MEL focused on the fact that it owns multiple logistics facilities in the Atsugi area in Kanagawa Prefecture. The nearby Sagami River, along with its surrounding wetlands and forests, is home to a wide variety of flora and fauna. By conserving these ecosystems, it is expected that MEL can contribute to the preservation and enhancement of biodiversity. In addition, the Sagami River basin is known for recreational activities such as fishing, and maintaining its beautiful natural environment can also help stimulate the local economy.

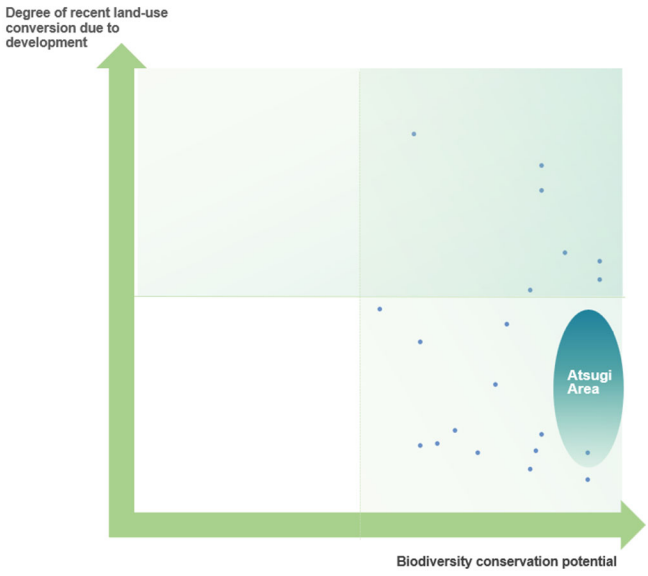
The Atsugi area is located at the intersection of major expressways such as the Tomei Expressway, the Shin-Tomei Expressway, the Metropolitan Inter-City Expressway, and the Odawara-Atsugi Road. Historically, it has developed as a key logistics hub, but it is also an area rich in green space and water resources, with high biodiversity potential. Due to the concentration of multiple properties in the area, in this analysis we assessed the Atsugi area as a priority location. As of September 2024, MEL owns Logicross Atsugi I, Logicross Atsugi II, and MJ Logipark Atsugi 1 as part of its real estate portfolio. Going forward, MEL intends to actively participate in environmental conservation efforts in the surrounding areas of these properties as part of its contribution to regional revitalization.

Ecosystem Integrity Characteristics of the Atsugi Area

In this analysis, ecosystem integrity was assessed not only by examining the green space and water resource conditions using aerial photographs and vegetation maps, but also by referencing recent changes in land use (from 2011 to 2022) in the areas surrounding the investment properties.

Logistics facilities are typically located in suburban areas, as they require large plots of land and proximity to major transportation infrastructure such as expressways and ports for efficient distribution. MEL's portfolio properties share these geographic characteristics, and it was found that recent land-use conversions have occurred relatively frequently in the surrounding areas of the properties it holds.

The Atsugi area has a history of industrial park development that began in the late 1960s, which was accompanied by regional population growth. As a result, compared to other properties in the portfolio, the degree of land-use conversion in recent years is relatively low to moderate. However, due to the area's rich natural environment, engaging in relevant activities here offers a high potential for contributing to biodiversity



Initiatives by MEL

■ Current Initiatives in the Atsugi Area

MEL is engaged in environmental conservation activities near its investment properties located in the Atsugi area. These efforts also serve as opportunities to connect and engage with local residents, and MEL is committed to continuing them as part of its contribution to a vibrant local community.

Cleanup volunteer activity after Atsugi Ayu Firework Festival (MJ Logipark Atsugi 1)

Cleanup and flower bed maintenance volunteer activity (Logicross Atsugi)

MEL's MJ Logipark Atsugi 1 incorporates a public green space on part of its site in accordance with the Atsugi City Livable Town Development Ordinance, promoting harmony with the surrounding natural environment. In addition, a rainwater retention system has been installed under the same ordinance to reduce the load on the local drainage system. This helps mitigate the growing risk of flooding from typhoons and torrential rain in recent years and contributes to building a flood-resilient community where residents can live with peace of mind.

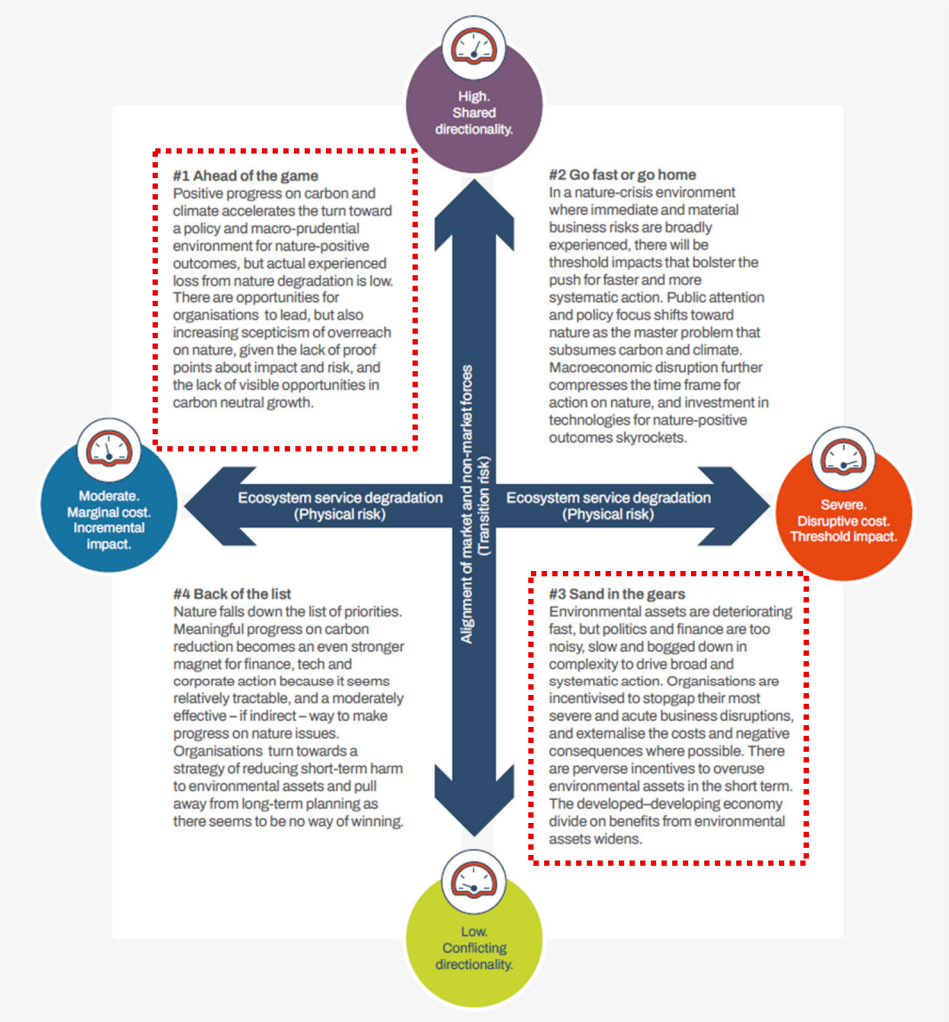
Public green space (MJ Logipark Atsugi 1)

Identification of Risks and Opportunities Using Scenario Analysis

Based on the previously identified evaluations of MEL's nature-related dependencies and impacts across its value chain, we identified nature-related risks and opportunities associated with our business operations. To further narrow down the most significant risks and opportunities, we conducted a scenario analysis. Since the TNFD framework does not offer prescriptive scenarios like those under the TCFD, it was necessary to explore potential scenarios.

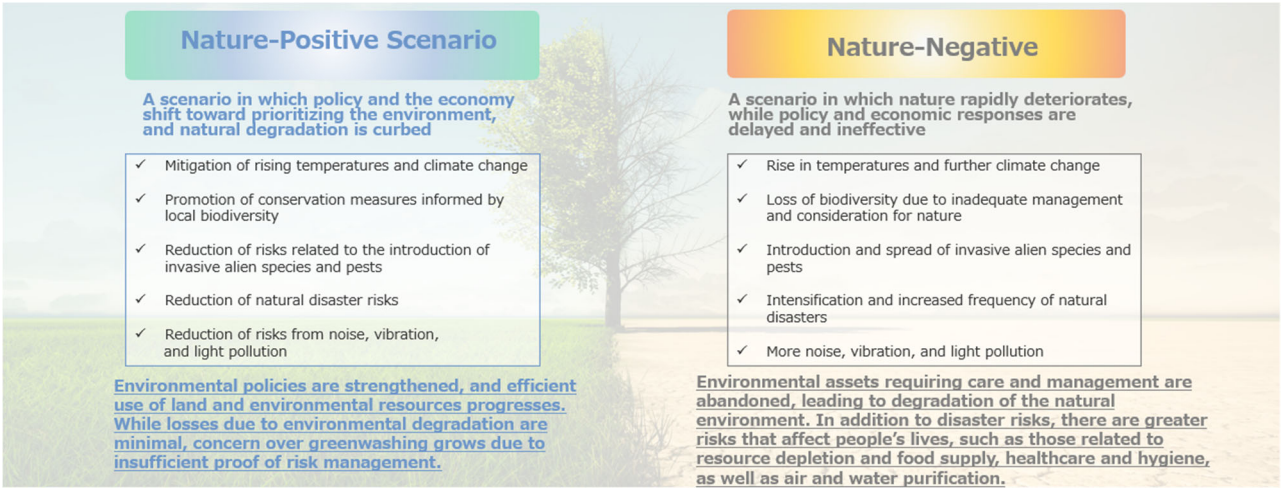
During this scenario exploration, MEL placed its focus on clarifying two types of nature-related uncertainties. The first is the uncertainty of socio-economic transition, which involves steady changes in the socio-economic landscape driven by increasing awareness of government policies that support the transition to a nature-positive society and economy, backed by the engagement of a wide range of stakeholders. The second type of uncertainty relates to changes in the usual normal ranges for natural phenomena — such as the intensification of natural disasters and shifting of their patterns.

With this starting point, we referred to two of the four scenario quadrants recommended by the TNFD. One is "Ahead of the Game" (Scenario #1), where policy and economic frameworks progress in a nature-positive direction and environmental degradation is successfully curbed. The other is the "Sand in the Gears" (Scenario #3), where societal interest in nature remains low, and natural ecosystems continue to deteriorate rapidly. With these contrasting scenarios as a foundation, we explored how nature might evolve in response to impact drivers and related pressures brought about by broader social changes, and how these environmental changes could manifest as business risks. We also examined how a future with heightened transition and physical risks might differ from our current situation, taking these uncertainties into account. We constructed two distinct future scenarios: a Nature-Positive Scenario and a Nature-Negative Scenario.



Source: Recommendations of the Taskforce on Nature-related Financial Disclosures: https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/

Two Future Outcomes Using Scenario Analysis



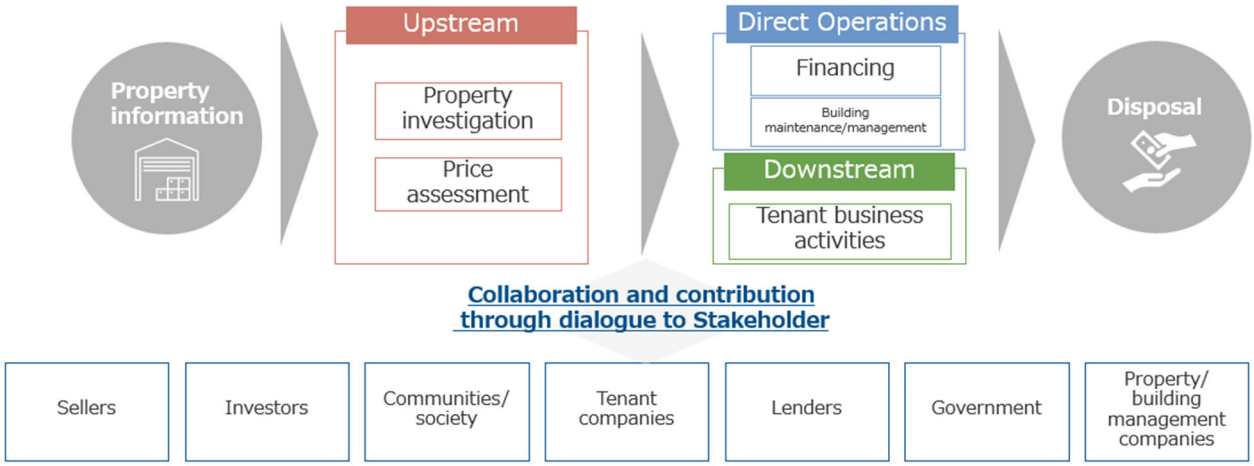
	Nature-Positive Scenario	Nature-Negative
Policy	✓ Development of policies aimed at transitioning to nature-positive societies and economies. ✓ Mandatory disclosure of information related to biodiversity.	✓ Existing policies continue, and only reactive measures are taken in response to the manifestation of physical risks such as increased wind and flood damage, pest outbreaks, and the spread of infectious diseases associated with biodiversity loss.
Technology	✓ Advances are made in renewable energy technologies and greening technologies for buildings. ✓ Measures to reduce biodiversity loss become established, and data collection and analysis on the state of nature using IoT progresses. ✓ Risk assessment for natural disasters and technologies for pest and invasive species control also advance.	✓ Technologies for maintaining life and health improve, along with enhancements in natural disaster mitigation and pest control technologies.
Investors and Financial Institutions	✓ Nature-positive initiatives are included as investment decision criteria. ✓ Concern over greenwashing spreads, leading to increased demands for information disclosure and monitoring of investment destinations.	✓ Investment in nature-positive initiatives remains passive. ✓ Safety measures such as those for reducing natural disaster risks are prioritized.
Tenants	✓ Nature-positive initiatives are included as criteria for selecting leasing properties. ✓ The environmental performance of real estate and its disaster risk mitigation measures are emphasized, and properties with reliable certifications are preferred.	✓ As environmental degradation progresses, measures for maintaining employee health and safety, as well as business continuity, become key factors in tenancy requirements.
Local Community	✓ Interest grows in the impact of logistics facility development and operations on biodiversity and the local community. ✓ Efforts to improve the local environment and contribute to the community are welcomed.	✓ If logistics facility development or operations are suspected of increasing natural disaster risks or threatening residents' livelihoods, strong public criticism is voiced.

Identification and Evaluation of Risks and Opportunities Related to Nature and Biodiversity

Based on the two future scenarios established through scenario analysis, we narrowed down relevant risks and opportunities and collected information focusing on international policy trends regarding biodiversity strategies and examples of public criticism arising from biodiversity-related issues. We then examined the potential for these risks and opportunities to materialize over the medium to long term. Ultimately, we identified and evaluated risks and opportunities that may have financial impacts on MEL.

In order for MEL to continue supporting the logistics business, a critical component of social infrastructure, and provide economic benefits to our investors, we will explore the development of a highly resilient strategy capable of adapting to any future scenario.

Business Processes Covering MEL's Entire Value Chain



Upstream Risks

Conducting thorough due diligence on properties to be acquired plays a critical role in building a long-term, stable portfolio that also integrates environmental considerations. For this reason, MEL believes it is important to understand the associated risks, including those stemming from upstream real estate development activities.

Based on the results of our scenario analysis, we identified the following nature-related uncertainties that may give rise to risks upstream.

Classification		Item	Financial Impact	Medium-term	Long-term	Overview
Transition Risk	Policy	Strengthened regulations on real estate development and land use due to enhanced biodiversity-related policies	・Reduced acquisition opportunities ・Increase in acquisition prices ・Incurrence of additional due diligence costs		●	In relation to land use regulations and property development, regulations on the creation of green spaces and the enhancement of rainwater infiltration and reuse systems are expected to be strengthened, leading to a decrease in the supply of new investment properties, an increase in acquisition prices, and additional due diligence measures.
	Technology	Advancements and widespread adoption of biodiversity-conscious construction technologies and investments	・Increase in acquisition prices		●	In line with policy trends, environmental innovations such as advancements in water circulation and water-saving functions, rooftop and wall greening technologies, and the adoption of biodiversity monitoring systems utilizing ICT are expected to lead to increased construction costs. This is also true for the development of methods to minimize impacts on the local ecosystem, such as reducing noise, vibration, and light pollution. These factors are expected to contribute to an increase in acquisition prices.
	Reputation	Reputation decline due to land use and construction material procurement becoming social issues	・Delays in acquisition timing ・Postponement of acquisition	●	●	The traceability of construction material procurement is increasingly being promoted to ensure responsible land use, landscape preservation, sustainable forestry practices, and human rights protection. If related concerns are raised during environmental or social impact assessments, they could lead to lawsuits, potentially resulting in property acquisition delays or postponement.
Physical Risk	Acute	Intensification and frequent occurrence of natural disasters	・Delays in acquisition timing ・Postponement of acquisition	●	●	Due to the impact of temperature fluctuations and the degradation of soil stability and water retention functions in forests, the risk of wind and water disasters or landslides is expected to increase. In the event of a construction schedule delay or pre-acquisition property damage, an acquisition could be delayed or postponed.
	Chronic	Spread and establishment of invasive species and pests	・Delays in acquisition timing ・Postponement of acquisition	●	●	The introduction of invasive species or pests through construction materials may disrupt local ecosystems and increase the risk of new pathogens spreading, potentially affecting human health and daily life. In such cases, property acquisition may be delayed or postponed until the invasive species or pests are eradicated or their presence is reduced to a manageable level.

Direct Operations and Downstream Risks and opportunities

The risks and opportunities relating to MEL's direct real estate management operations to the downstream value chain, including the use of facilities and business activities by tenant companies, are shown in the table below.

MEL has already been implementing energy-saving measures in buildings, adopting renewable energy, installing automatic irrigation systems for landscaping, promoting water-saving measures, and advancing recycling. Going forward, we are working to increase our sensitivity to changes in the natural environment and society, while recognizing risks that may materialize in the medium to long term, and striving to prevent and mitigate these risks as much as possible.

Classification		Item	Financial Impact	Medium-term	Long-term	Overview
Transition Risk	Policy	Strengthened regulations related to biodiversity resulting in stricter real estate development and land use regulations	・Increase in facility maintenance and management costs ・Increase in renovation costs ・Emergence of credit purchase costs		●	With the strengthening of biodiversity-related regulations, an increase in management costs related to inspections and reports on green spaces and rainwater-related facilities is expected. Additionally, creating green spaces for biodiversity in existing properties, complying with the installation of related equipment, and purchasing biodiversity credits due to the strengthening of regulations are anticipated.
	Technology	Advancements and spread of construction technologies and investments that consider biodiversity	・Increase in facility maintenance and management costs ・Increase in renovation costs		●	An increase in maintenance and management costs related to facilities that take biodiversity into consideration is expected. Furthermore, the occurrence of biodiversity-related renovation work on existing properties, as well as the adoption of methods to reduce noise, vibration, and light pollution during construction to minimize the impact on the local ecosystem, would likely result in higher renovation costs.
	Market	Decreased competitiveness in the logistics rental market due to insufficient consideration for biodiversity	・Decrease in rental business income ・Increase in environmental certification costs and other property operation costs		●	If environmental certification is not obtained or if there are insufficient reporting systems and preventative measures for invasive species and pests, it is expected that tenant companies will not meet occupancy requirements, leading to decreased occupancy rates and lower rental prices.
		Reputation damage due to insufficient consideration for air pollution in transportation	・Decrease in rental business income ・Increase in renovation costs		●	With rising public awareness of air pollution from truck exhaust gases such as NOx and PM particles, and with the transition to EV trucks, there may be higher demand for EV charging equipment in logistics facilities. In this case, logistics facilities without EV charging equipment could end up with lower rent levels.
	Reputation	Decreased competitiveness in investments and financing due to insufficient consideration for biodiversity	・Decrease in investment entry prices ・Increase in funding costs	●	●	As environmental considerations gain greater emphasis in responsible investment, there is a growing risk of capital withdrawal or rising financing costs due to insufficient attention to biodiversity or inadequate disclosure of biodiversity-related information.
Physical Risk	Acute	Increased intensity and frequency of natural disasters	・Additional repair costs ・Increase in insurance premiums ・Decrease in rental business income ・Decrease in asset value	●	●	As the risk of natural disasters such as storms and landslides increases, repair costs for damage to buildings and onsite equipment, as well as higher insurance premiums, are anticipated. In addition, rising disaster risks may lead to declines in asset value, operational disruptions for tenant companies, reduced rental income due to tenants' diminished ability to pay, and the potential for compensation related to water damage to stored goods.
	Chronic	Spread and establishment of invasive species and pests	・Emergence of compensation costs for damages to stored goods or health damages to tenant company employees ・Decrease in rental business income ・Decrease in asset value	●	●	If invasive species or pests are introduced through transportation and become established in tenant-stored goods or cause health issues among employees, compensation claims may arise. Since such infestations are typically difficult to eliminate once they occur, the affected property may suffer reputational damage, potentially leading to tenant departures and a decline in asset value.
Opportuni-ties		Environmental Certification Acquisition of biodiversity-conscious properties Improvement in resilience	・Increase in real estate sale prices ・Stable acquisition of investment funds ・Preferential interest rates ・Increase in rental business income ・Obtaining subsidies and other policy supports	●	●	Potential initiatives include green space creation, rainwater infiltration measures, check systems to prevent the introduction of invasive species and pests (along with response measures if they occur), BCP measures for natural disasters, installation of EV charging facilities, and acquisition of environmental certifications. By implementing these measures, MEL could gain a competitive advantage in the financial, real estate investment, and rental markets, contributing to increased portfolio value.

Contribution to the Environment in the Development of Next-Generation Core Logistics Facilities by the Mitsubishi Estate Group

MEL's sponsor Mitsubishi Estate has initiated the development of "next-generation core logistics facilities" directly connected to highway interchanges, which are designed to accommodate new logistics systems. These facilities will integrate next-generation mobility solutions such as autonomous trucks, which is expected to alleviate labor shortages in the logistics industry through automation and labor-saving measures. Going forward, the facilities will support cutting-edge technologies such as logistics IoT, playing a central role as a core logistics hub within a wide-area logistics network and contributing to the realization of the Physical Internet that the Japanese government aims to achieve by 2040.

The "Physical Internet" refers to a collaborative and efficient joint distribution system that shares logistics resources (such as warehouses and trucks) across multiple companies through the use of networks, by visualizing information about goods, warehouses, and vehicle availability using digital technologies. Studies (Japanese only) have shown that building the Physical Internet and conducting collaborative distribution can reduce truck travel distances by about 15% and cut CO_2 emissions by 60% (source: Japan Physical Internet Center). This improvement in logistics efficiency is expected to contribute to environmental protection by reducing greenhouse gas emissions and preventing air pollution.

▲ Next-generation core logistics facility (directly connected to an expressway interchange) located in the Aodani Advance Maintenance Area situated in a hillside area east of Joyo City, Kyoto (rendering of completed project)

▲ Next-generation core logistics facility (directly connected to an expressway interchange) located in the Koriyama Kitame area, Taihaku Ward, Sendai City, Miyagi (rendering of completed project)

Risk and Impact Management

This section outlines our process for identifying, evaluating, and managing nature-related risks and impacts, as well as integrating this with our overall corporate risk management.

Identification and Evaluation of Risks and Impacts

To gain an overall understanding of MEL's nature-related dependencies and impacts across its upstream, direct operations, and downstream real estate investment activities, MEL uses the nature-related risk analysis tool ENCORE for assessment and evaluation. To better identify the interface between its business and nature, MEL conducts a comprehensive evaluation of each target property's surrounding area—considering factors such as the importance of biodiversity, the presence of natural resources such as green spaces and water systems. These insights are used to help identify priority areas and extract risks based on regional characteristics.

We link these evaluation results to the upstream, direct operations, and downstream business processes. While organizing MEL's specific dependencies and impacts on nature, we identify nature-related risks and opportunities by considering both a "Nature-positive Scenario" and a "Nature-negative Scenario." Based on this, we have compiled a long list of potential risks, including insights related to each. We then narrow down this list by examining biodiversity policy trends and past social issues, while assessing potential financial impacts on MEL. Finally, we identify and evaluate risks and opportunities, particularly those characterized by high uncertainty and a rapidly changing external environment.

Risk and Impact Management System

MJIA has established a Sustainability Committee chaired by the President & CEO, which discusses and reports on important sustainability issues, including nature-related matters, as well as goals, measures, and their implementation status. It also shares analyses, evaluations, and the latest knowledge regarding these matters. The risks and impacts related to nature-related issues are evaluated by the Sustainability Committee, and necessary measures are directed to the responsible departments.

Furthermore, the identified and evaluated nature-related dependencies, impacts, risks, and opportunities are considered during the company-wide risk analysis. The results of this analysis are discussed at the Compliance & Risk Management Committee, and finalized with approval from the Board of Directors. High-priority items are then reflected in the business plan for the next fiscal year.

Environmental Management System Certification

MEL has obtained certification under the Eco-Action 21 initiative, a certification and registration program for corporate environmental management based on guidelines set by Japan's Ministry of the Environment. Eco-Action 21 requires the establishment, operation, and maintenance of an environmental management system, including setting goals and monitoring CO_2 emissions, waste output, and water usage. Measures for these include energy conservation, waste reduction and recycling, water conservation, improving the environmental performance of products manufactured, sold, and provided, and improving services.

To meet these requirements, MEL's environmental management undergoes an annual document review and onsite inspections by a qualified expert with the Eco-Action 21 Auditor qualification. The evaluation results are shared with property management companies and other stakeholders, to promote initiatives related to environmental considerations and impact reduction in daily operations.

The status of MEL's environmental management is reported to the Sustainability Committee and is also published (Japanese only) annually in an Environmental Management Report.

Metrics and Targets

MEL has set the following environment-related goals, is promoting environmentally conscious initiatives, and is managing its dependence and impact on natural capital.

Indicator	Target Year	Target
Energy saving	FY2030	Reduce energy consumption intensity by 15% compared to FY2017
		Rational use of energy promotes sustainable use of natural resources, reduces excessive capital investment in power-related facilities and equipment, and leads to the conservation of forests and mineral resources, which is expected to contribute to maintaining the ecosystem.
GHG emission reduction	FY2030	Reduce GHG emissions (Scopes 1 & 2) by 42% compared to FY2021 SBTi
	FY2050	Achieve net zero total GHG emissions (including the entire value chain) SBTi
		By reducing GHG emissions and helping to mitigate climate change, it is expected that the adverse impact on ecosystems and biodiversity will be reduced. In addition, MEL is actively promoting the installation of solar power generation equipment on the roofs of its logistics facilities. This does not involve changes in land use, and is a means of procuring renewable energy to reduce GHG emissions.
Water use	FY2030	No increase in water use intensity compared to FY2017
		Reducing water use is expected to not only conserve water resources, but also mitigate water pollution by decreasing the amount of wastewater generated. This, in turn, helps reduce negative impacts on freshwater ecosystems and supports the preservation of a natural environment where diverse organisms can thrive.
Waste management	FY2030	Attain a waste recycling rate of 70% or more
		Properly managing waste and promoting recycling contributes to resource conservation, rational use of waste treatment facilities, and the prevention of illegal dumping, and leads to the avoidance of negative impacts and losses on the ecosystem through rational land use and the prevention of soil and water pollution.
Environmental certification	FY2030	Increase the percentage of environmentally certified properties to 100%
		Acquiring environmental certifications not only promotes environmental awareness among MEL's key stakeholders, but also contributes to environmental improvements and enhanced operational efficiency for tenant companies. Certified properties earn greater trust from tenants, increase their market value, and help foster a virtuous cycle toward a more sustainable society.

Status of Metric and Target Achievement

In order to manage our dependence and impact on natural capital, we are implementing various initiatives to consider the environment and reduce our environmental impact. Please click here to see the metrics and targets, and the progress we have made.

【Examples of Initiatives】

- Conversion of lighting to LED technology, and upgrading air conditioning to equipment with superior energy- saving performance, etc.
- Distribution of Sustainability Guide materials to raise awareness about electricity and water saving, as well as waste sorting and recycling, etc.
- Installation of solar panels on the roofs of logistics facilities
- Installation of water-saving toilets and flushing-sound simulators, as well as smart irrigation equipment
- Reuse of modular raised floor panels during office renovation
- Acquisition of comprehensive environmental certification including CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Real Estate, which takes into consideration the comfort of the indoor environment and the sustainability of the exterior environment

Looking Forward

To support MEL's sustainable growth, MJIA expressed its support for the TNFD recommendations in June 2025 and joined the TNFD Forum to contribute to its activities. MJIA also became a member of Japan's 30by30 Alliance for Biodiversity, which aims to expand protected areas and biodiversity conservation zones in pursuit of a nature-positive society by 2030. Going forward, we will continue to actively gather information on nature-related issues, remain conscious of the relationship between MEL and biodiversity, and explore initiatives that can contribute to nature-positive outcomes.