

Daiwa House REIT

Leveraging comprehensive strengths of Daiwa House Group
and aiming to continuously increase unitholder value



Sustainability Report 2022



Daiwa House[®] Group

Creating Dreams, Building Hearts

Daiwa House Group symbol - the Endless Heart - represents the group's vision of building endless emotional connections with each and every one of its customers, as well as the solidarity of the Daiwa House Group.

As a group that co-creates value for individuals, communities and people's lifestyles, the Daiwa House Group aims to think outside the box and always to create new value in each successive generation. The Daiwa House Group will continue to pass on the ideals on which Daiwa House was founded, and work to help realize a sustainable society.

DHR will work to continuously increase unitholder value by ensuring stable revenue and steady growth of its assets under management over the medium to long term.

Characteristics of Daiwa House REIT Investment Corporation

Diversified REIT primarily investing in four core asset classes

- ▶ The core assets are logistics properties, residential properties, retail properties, and hotel properties
- ▶ Invests mainly in the three metropolitan areas: the Greater Tokyo area, the Greater Nagoya area, and the Greater Osaka area
- ▶ Builds a diversified portfolio, consisting of assets with various risk-return profiles

Collaboration with Daiwa House Group

- ▶ Leverages the value chain built on Daiwa House Group's well-rounded strengths
- ▶ Receives Daiwa House Group's pipeline support such as preferential negotiation rights
- ▶ Expands asset size mainly through the acquisition of properties developed by Daiwa House Group
- ▶ Cuts administration and operation costs through cooperation with Daiwa House Group

Enhanced financial stability

- ▶ Lengthens and diversifies debt maturities and fixes interest rates
- ▶ Controls LTV (based on total assets including goodwill) within a range from 40% to 50% to maintain stable financial operation
- ▶ Builds solid lender formation

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Editorial Policy

This report describes the overall efforts of Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") and its asset manager, Daiwa House Asset Management Co., Ltd. (hereinafter referred to as the "Asset Manager") to contribute to the realization of a sustainable society and to maximize unitholder value over the medium to long term.

This report has been prepared based on information on the website as of June 2022. For the latest information thereafter, please refer to the website, which will be updated as needed.

This report contains forward-looking statements, but these statements are based on judgments made with information available at the time each material was prepared, and are not guarantees of future financial results.

Yen amounts of less than the units indicated are truncated in this report.

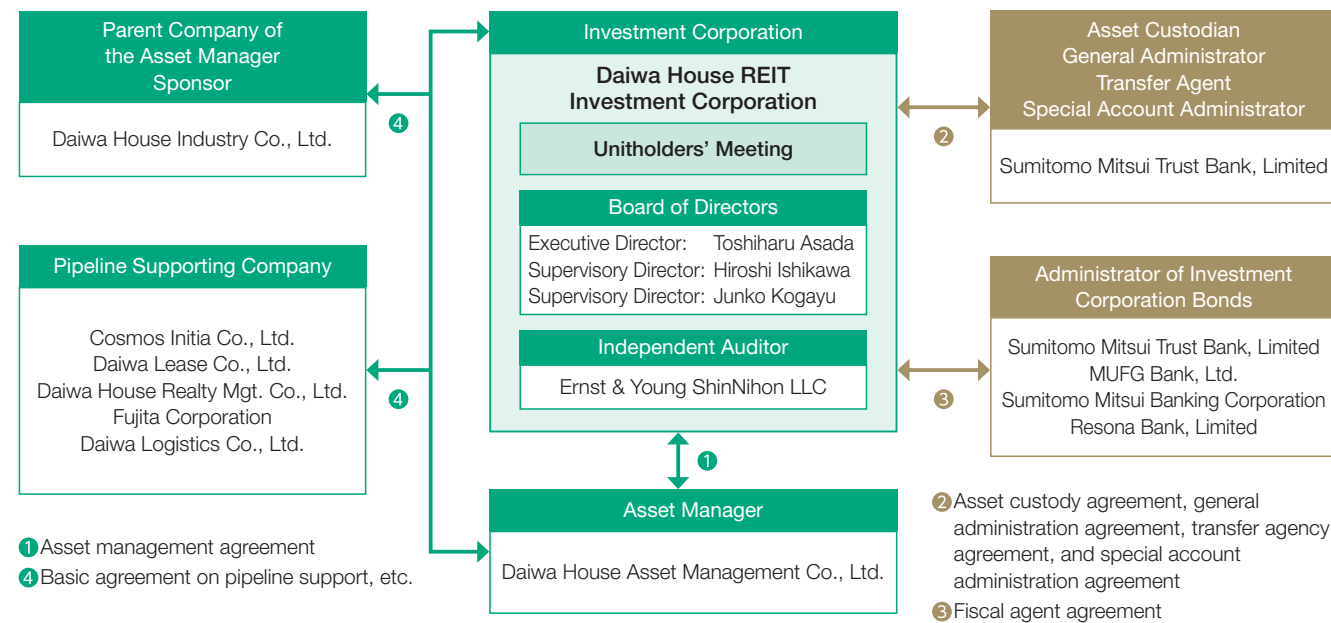
Issue Date: July 2022 Issue Frequency: Annually

Outline of DHR

Overview

Name of investment corporation	Daiwa House REIT Investment Corporation
Representative	Toshiharu Asada, Executive Director
Location	2-4-8, Nagatacho, Chiyoda-ku, Tokyo 100-0014
Asset Manager	Daiwa House Asset Management Co., Ltd. Tel: +81-3-3595-1265 (Inquiries)
Accounting period	6-month period from March 1 to the end of August and 6-month period from September 1 to the end of February of the following year

Investment Corporation Structure



History

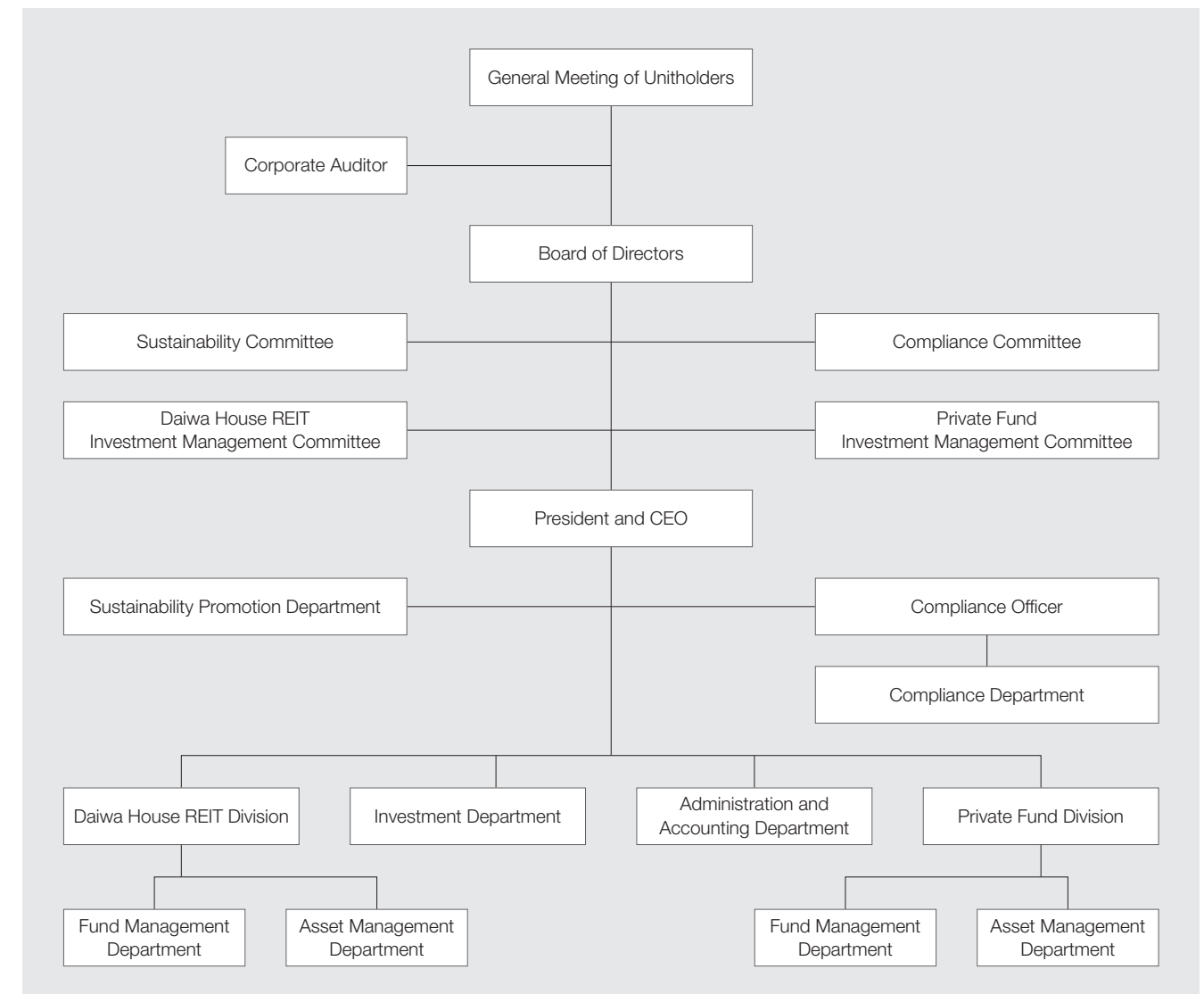
June 1, 2005	Promoter (Morimoto Asset Management Co., Ltd. (currently, Daiwa House Asset Management Co., Ltd.)) submitted notification of establishment of BLife Investment Corporation under Article 69 Paragraph 1 of the Act on Investment Trusts and Investment Corporations (the "Investment Trusts Act")
June 7, 2005	Commercial registration of establishment under Article 166 of the Investment Trusts Act; incorporation of BLife Investment Corporation
June 16, 2005	Application for registration as BLife Investment Corporation under Article 188 of the Investment Trusts Act
July 4, 2005	Prime Minister registered BLife Investment Corporation under Article 187 of the Investment Trusts Act (Registration Number: Director of Kanto Local Finance Bureau No.38)
February 6, 2006	Application for approval to be listed on the Japan real estate investment trust (J-REIT) market of Tokyo Stock Exchange
February 15, 2006	Approval granted for listing on the Japan real estate investment trust (J-REIT) market of Tokyo Stock Exchange
March 22, 2006	Listing on the Japan real estate investment trust (J-REIT) market of Tokyo Stock Exchange (Securities Code: 8984)
April 1, 2010	Merger with New City Residence Investment Corporation
December 1, 2011	Change of the corporate name from BLife Investment Corporation to Daiwa House Residential Investment Corporation
March 1, 2013	Split of investment units (2-for-1 split)
March 1, 2015	Split of investment units (2-for-1 split)
September 1, 2016	Merger with Daiwa House REIT Investment Corporation Change of the corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation

Outline of the Asset Manager

Overview

Company name	Daiwa House Asset Management Co., Ltd.
Representative	Koichi Tsuchida, President and CEO
Location	7th Floor, Nissei Nagatacho Building, 2-4-8, Nagatacho, Chiyoda-ku, Tokyo 100-0014 Tel: +81-3-3595-1151 (Main line)
Established	September 1, 2004
Paid-in capital	¥300 million
Shareholder	Daiwa House Industry Co., Ltd. (100%)
Licenses/authorizations	Building Lots and Buildings Transaction Business License: No. (4) 83758, issued by Governor of Tokyo Discretionary Transaction Agent: No. 32, issued by the Minister of Land, Infrastructure, Transport and Tourism Financial Instruments Business License: (Kinsho) No. 409, issued by Director of Kanto Local Finance Bureau

Management Structure of the Asset Manager



Message from the Management

DHR will work to continuously increase unitholder value by ensuring stable revenue and steady growth of its assets over the medium to long term through fully utilizing Daiwa House Group's comprehensive strengths and knowhow regarding real-estate development.

Toshiharu Asada

Executive Director
Daiwa House REIT
Investment Corporation



Koichi Tsuchida

President and CEO
Daiwa House Asset
Management Co., Ltd.



Daiwa House REIT Investment Corporation's Sustainability Policy

Aiming to ensure stable revenue and steady growth of assets over the medium to long term, we will strive to manage assets in a manner that embraces ESG considerations while appropriately disclosing such performance

Daiwa House REIT Investment Corporation and its asset manager Daiwa House Asset Management Co., Ltd. share the Daiwa House Group's basic approach of "Creating Dreams, Building Hearts." To attain a sustainable society, it is essential that we include environmental, social, and governance ("ESG") considerations in real estate investment management operations. We also believe that this will contribute to DHR's basic policy of ensuring stable revenue and achieving steady asset growth over the medium to long term. As such, the Asset Manager established the Sustainability Policy in April 2017, and has been applying it to its real estate investment management business. This constitutes our Sustainability Report, prepared for providing an opportunity for unitholders and other stakeholders to learn more about the various ESG initiatives and approaches implemented by DHR and the Asset Manager thus far. Going forward, DHR will keep striving to enhance its ESG initiatives further with respect to its real estate investment management business, while endeavoring to appropriately disclose such performance.

Leading-edge Sustainability Initiatives

We are committed to promoting leading-edge sustainability initiatives by reflecting it in the remuneration

The COP26 summit held in the United Kingdom in October 2021 revealed a mounting commitment of countries around the world to more widespread use of renewable energy.

In October 2020, the Japanese government declared that Japan would realize carbon neutrality by 2050, and in October 2021, revised its target for the fiscal year 2030 to an ambitious 46% reduction in greenhouse gas (GHG) emissions compared to the fiscal year 2013. Companies and other organizations now face the crucial task of actively shifting to renewable energy sources.

Supporting these trends, DHR and the Asset Manager have set targets for reducing GHG emissions by 2030, and DHR has become the first J-REIT to receive certification from the Science Based Targets initiative (SBTi) that these targets are consistent with the levels required by the Paris Agreement and are based on scientific evidence.

DHR was the first J-REIT to introduce a sustainability index-linked fee whereby asset management fees are paid to the Asset Manager by linking the fees to sustainability indices. The purpose of the sustainability index-linked fee is to improve unitholder value by prompting reductions in GHG emissions of properties in DHR's portfolio and by facilitating improvement with respect to external evaluations related to DHR's sustainability initiatives. DHR was also the first J-REIT to introduce a sustainability index-linked remuneration with respect to the Executive Director of DHR and the Directors of the Asset Manager.

Acquiring External Evaluation

We aim to acquire external evaluation and improve assessment results in order to achieve greater objectivity and reliability with respect to our sustainability initiatives

DHR became the first J-REIT ever to gain recognition as a climate change A List company under the 2021 CDP Climate Change Program, upon having received the highest-rated "A" score in recognition of exhibiting high standards internationally when it comes to addressing issues of climate change and disclosing information in that regard.

DHR has been named on the CDP Supplier Engagement Leaderboard, the highest rating, for two consecutive years as a company that engages in initiatives deemed particularly outstanding in terms of the CDP Supplier Engagement Rating. The ratings have been determined based on assessment of DHR's initiatives to address climate change throughout its supply chain, based on its responses to questions across the four categories, "Supplier Engagement," "Governance," "Scope 3 Emissions," and "Targets," and based on an overall CDP Climate Change Program score.

Information Disclosure Based on TCFD Recommendations

We have pledged our support for the TCFD recommendations, and accordingly disclosed information based on the TCFD recommendations in March.

Such disclosure will remain in effect going forward.

The TCFD (Task Force on Climate-related Financial Disclosures) publishes recommendations for companies to identify and disclose their "Governance," "Strategy," "Risk Management" and "Metrics and Targets" with respect to climate change-related risks and opportunities. The Asset Manager has pledged its support for the TCFD recommendations, and accordingly disclosed information based on the TCFD recommendations in March 2022. Such disclosure will remain in effect going forward.

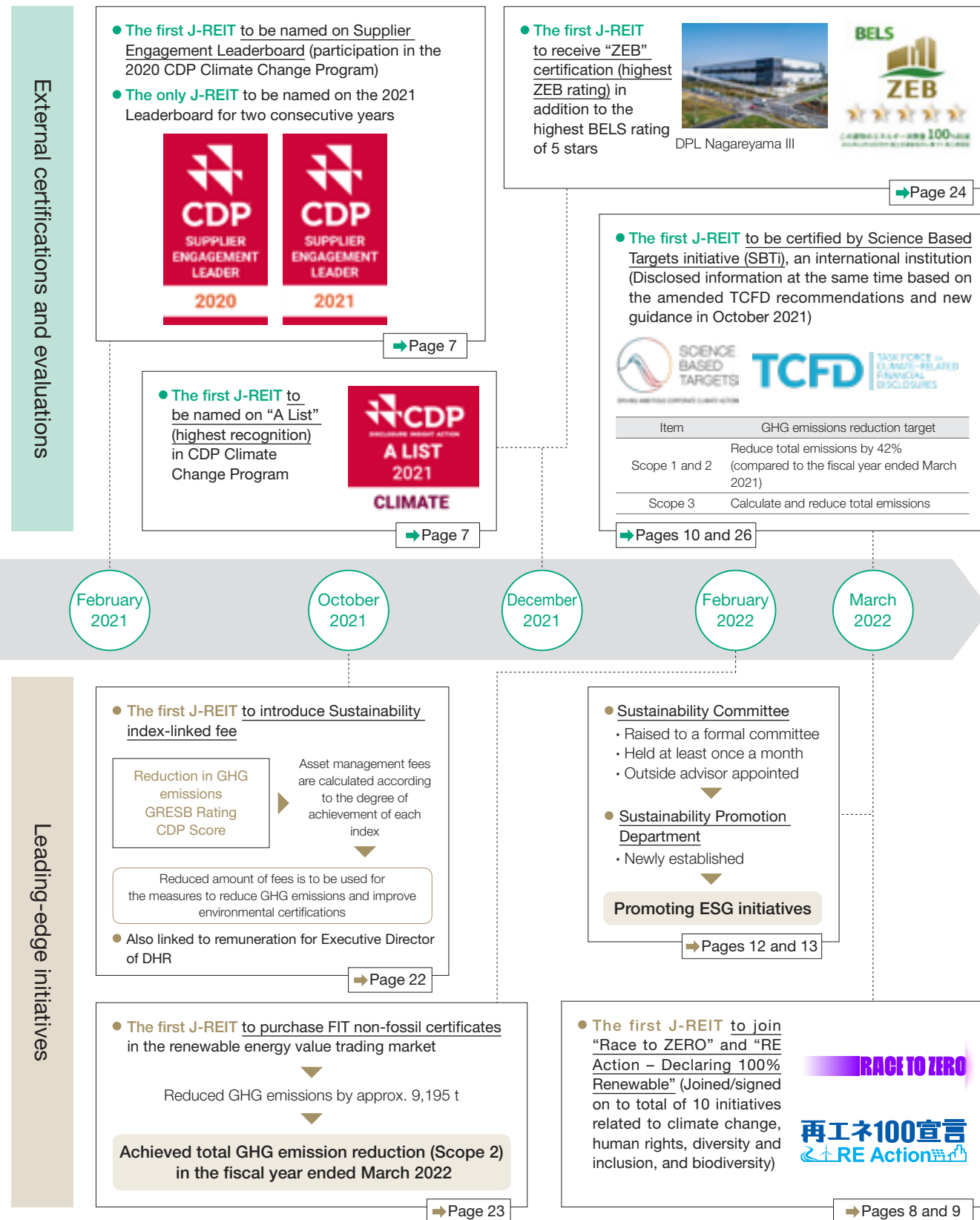
Initiative Support and Participation

We will actively work on solving social issues by supporting and joining the sustainability initiatives.

Underpinned by a commitment to addressing important social issues involving climate change, human rights, diversity and inclusion, and biodiversity, DHR and the Asset Manager will continue to actively work on solving social issues going forward by taking part in such initiatives. In February and March 2022, we supported and joined in ten initiatives involving important social issues. One such initiative was the "Race to Zero" international campaign calling for immediate action in alignment with our commitment to achieving net zero GHG emissions by 2050. Another such initiative was that of DHR becoming the first-ever J-REIT participant in the new "RE Action – Declaring 100% Renewable" initiative for conveying intent and taking action in terms of transitioning to use of renewable energy exclusively, and accordingly promoting such transition.

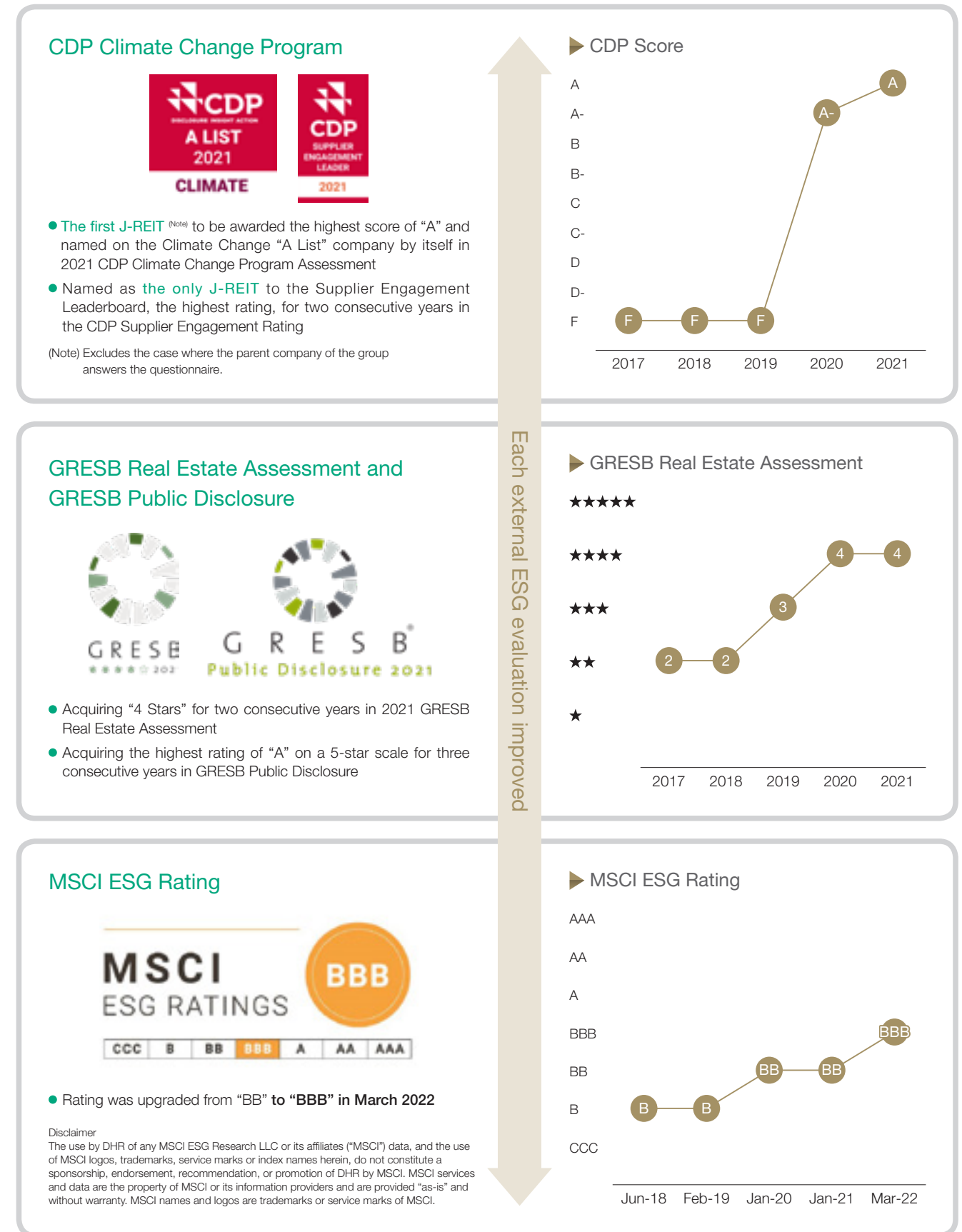
Leading-edge Sustainability Initiatives

Obtained various external certifications and evaluations as the First J-REIT and implemented leading-edge sustainability initiatives



(Note) In chronological order of the date of announcements

Improved External Evaluations by Promoting Sustainability Initiatives

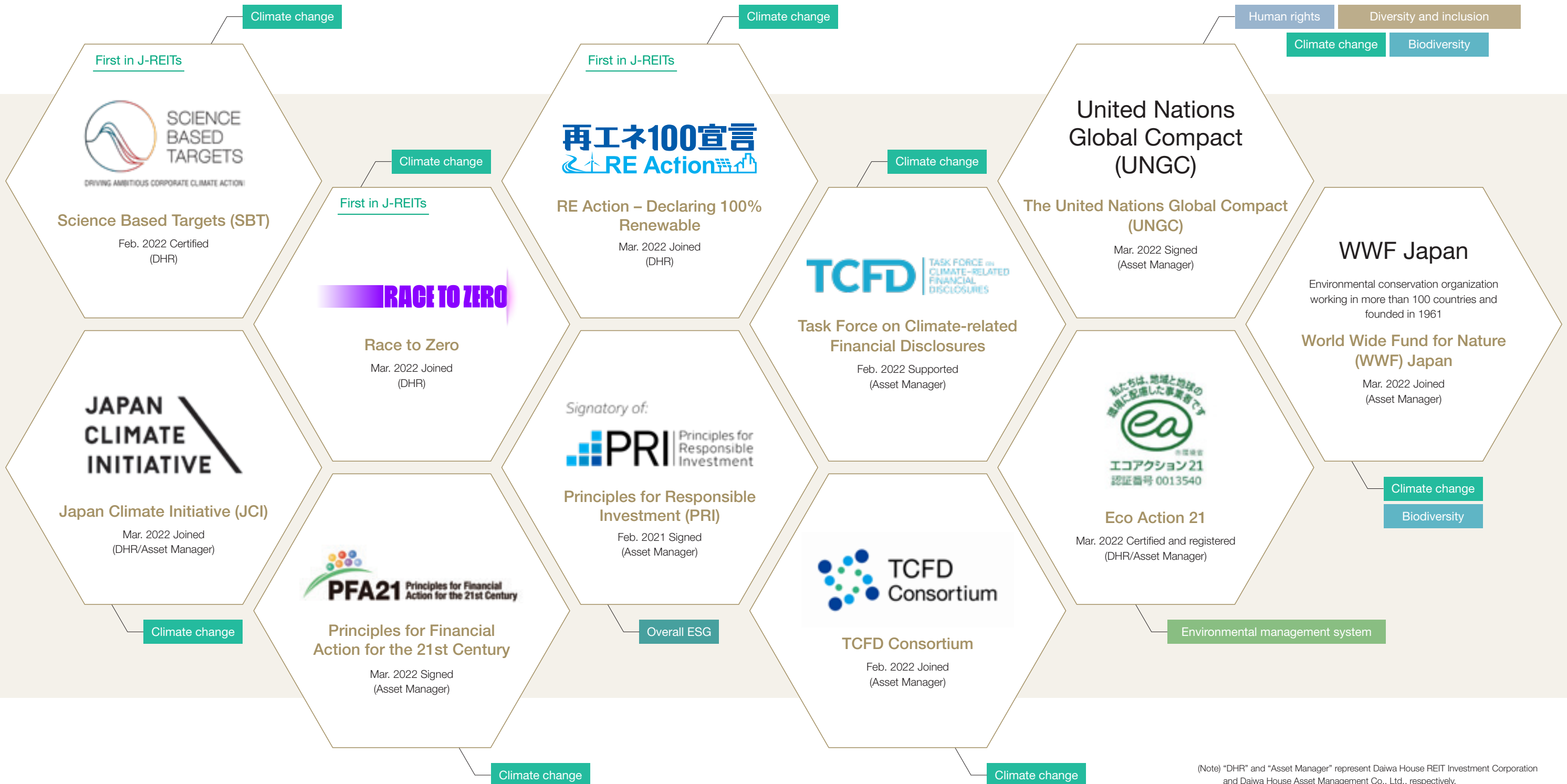


Supported Initiatives

Initiative Support and Participation Policy

Most important social issues ● Climate change ● Human rights ● Diversity and inclusion ● Biodiversity

We have signed and joined the initiatives listed on this page. By joining the initiatives related to the above, we will continue to actively work on solving social issues.



(Note) "DHR" and "Asset Manager" represent Daiwa House REIT Investment Corporation and Daiwa House Asset Management Co., Ltd., respectively.

Information Disclosure Based on TCFD Recommendations

Support for the TCFD Recommendations and Joining the TCFD Consortium

The Asset Manager has shown its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and has joined the TCFD Consortium, an organization consisting of domestic companies supporting the TCFD recommendations.

About TCFD

TCFD is an international initiative established by the Financial Stability Board (FSB) at the request of the G20 to examine how climate-related information should be disclosed and how financial institutions should respond. The TCFD publishes recommendations for companies to identify and disclose their "Governance," "Strategy," "Risk Management" and "Metrics and Targets" with respect to climate change-related risks and opportunities.



About TCFD Consortium

The TCFD Consortium was established as an organization to promote initiatives in which domestic companies that support the TCFD recommendations, financial institutions, etc. work together, and to discuss initiatives that will lead to effective information disclosure by companies and appropriate investment decisions by financial institutions, etc. based on the disclosed information.



First J-REIT to Be Certified by SBTi

DHR set targets for reducing GHG emissions by the fiscal year ending March 2031 and became the first J-REIT to acquire certification for its emission targets from SBTi, which certified that the targets are science-based targets consistent with the standards required by the Paris Agreement.

About SBT

The Paris Agreement aims to keep the global average temperature well below 2°C above pre-industrial levels and pursue efforts to limit global warming to 1.5°C. Science Based Targets ("SBT") refer to GHG emissions reduction targets set by companies with a target year of 5 to 15 years ahead, which is consistent with the level required by the Paris Agreement. SBTi is an international initiative, which certifies companies that set the SBT and jointly run by the CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).



Targets Certified by SBTi

Item	Coverage	Base year	Target year	GHG emissions reduction target
Scope 1 and 2	All properties	2020	2030	Reduce total emissions by 42%
Scope 3	Properties with data available	2020	2030	Calculate and reduce total emissions

Information Disclosure Based on TCFD Recommendations

- The Asset Manager supports TCFD recommendations and promotes risk management and initiatives related to climate change.
- Information disclosure is based on the amended TCFD recommendations and new guidance in October 2021.

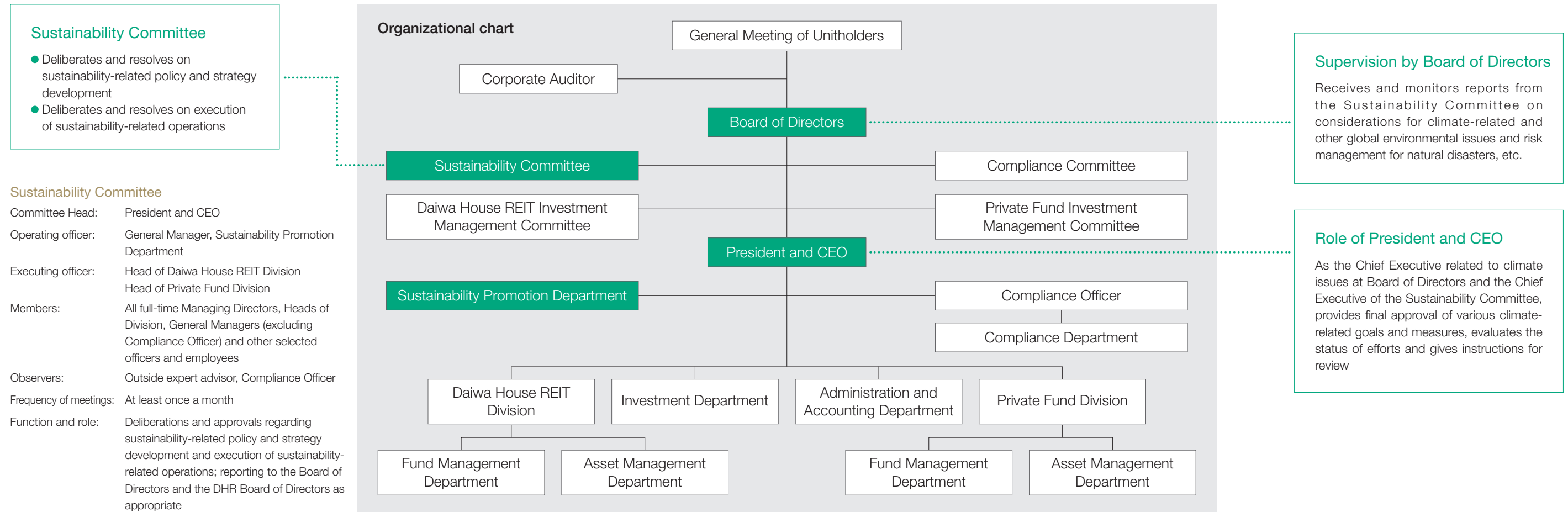
Item	Contents
Governance	<ul style="list-style-type: none"> The Asset Manager established the "Regulations Concerning the System for Promoting Sustainability" and rules on topics such as internal framework, collaboration with stakeholders and information disclosure policy to secure an appropriate system for promoting sustainability. The Board of Directors receives and monitors reports from the Sustainability Committee on considerations for climate-related and other global environmental issues and risk management for natural disasters, etc. As the Chief Executive related to climate-related issues at the Board of Directors and the Chief Executive of the Sustainability Committee, the President and CEO of the Asset Manager provides final approval of various climate-related goals and measures, evaluates the status of efforts, and gives instructions for review. <p>For governance → Pages 12 and 13</p>
Strategy	<ul style="list-style-type: none"> Understanding the risks and opportunities for DHR in the future due to unusual weather caused by climate change and increasing social demands for climate change measures, the Asset Manager verified and analyzed the effectiveness of the current climate change measures. <p>For scenario analysis → Pages 14 to 17</p> <p>In accordance with the TCFD recommendations, the Asset Manager conducted analysis based on multiple scenarios of below 2°C scenario and 4°C scenario and formulated a roadmap for achieving the targets certified by SBTi.</p> <p>For roadmap → Pages 18 and 19</p>
Risk Management	<ul style="list-style-type: none"> While recognizing climate change risk as one of the risks that could pose a significant impact on business in the medium to long term, the Asset Manager sees such risk as areas of potential and manages the risk by incorporating it in our overall risk management process. The Asset Manager has established the "Risk Management Regulations" and "Risk Management Implementation Guidelines" as internal regulations in order to accurately identify risks and opportunities inherent in business, develop a system for appropriately managing potential losses and profits when the identified risks and opportunities are realized, ensure the soundness of management and operate business in a fair manner. The Board of Directors shall oversee the development of an appropriate risk management system based on the "Risk Management Policy" after considering where and what the risk is based on the strategic goals set separately by the Board of Directors. The President and CEO shall be responsible for all risks in accordance with the provisions of the "Daiwa House Group Risk Management Regulations," develop an appropriate risk management system and be responsible for promoting and implementing risk management. The Compliance Officer, who is responsible for risk management, shall establish methods including measurement, monitoring and management based on the type of risk along with the risk management policy and shall develop internal regulations to ensure the effectiveness of these methods. <p>For risk management → Page 20</p>
Metrics and Targets	<ul style="list-style-type: none"> DHR set targets of reducing total GHG emissions by 42% in the fiscal year ending March 2031 compared to the fiscal year ended March 2021 as the first J-REIT certified by SBTi for its SBT 1.5°C targets. In addition, DHR set long-term targets of net zero emissions in the fiscal year ending March 2051. Internal carbon price is set at ¥10,000 / t-CO₂ and used as an incentive for low-carbon promotion works, guidelines for investment decision making and a reference index to identify risks of rising costs. We are promoting the acquisition of third-party external certifications and evaluations to increase the objectivity and reliability of our sustainability initiatives at portfolio properties and improve the asset value over the medium to long term. Our policy is to increase the percentage of properties with environmental certification (based on gross floor area) to 70% or more by the fiscal year ending March 2031. <p>For metrics and targets → Pages 21 to 23</p>

Information Disclosure Based on TCFD Recommendations (Governance)

Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management

On April 1, 2022, the Asset Manager made the organizational change to further improve asset management operations and sustainability initiatives.

- Establishment of the Sustainability Promotion Department responsible for the duties related to sustainability
- The Sustainability Committee, which was established in May 2017, was raised to a formal committee and must be held at least once a month
- Appointment of an outside expert advisor to the Sustainability Committee who has a high level of insight and expertise in sustainability



Sustainability Committee

Committee Head: President and CEO
 Operating officer: General Manager, Sustainability Promotion Department
 Executing officer: Head of Daiwa House REIT Division, Head of Private Fund Division
 Members: All full-time Managing Directors, Heads of Division, General Managers (excluding Compliance Officer) and other selected officers and employees
 Observers: Outside expert advisor, Compliance Officer
 Frequency of meetings: At least once a month
 Function and role: Deliberations and approvals regarding sustainability-related policy and strategy development and execution of sustainability-related operations; reporting to the Board of Directors and the DHR Board of Directors as appropriate

Number of Sustainability Committee meetings held	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
	6	6	6	5	9

Revision of Rules of the Board of Directors

● The following content was added to the rules with reference to Principle 2-3 of the "Revised Corporate Governance Code" published by the Tokyo Stock Exchange in June 2021

<Rules of the Board of Directors>

● Items reported to the Board of Directors
 Among the items deliberated by the Sustainability Committee, matters related to the following items are deemed to require reporting to the Board of Directors: consideration of global environmental issues such as climate change, respect for human rights, consideration and fair and appropriate treatment of employees' health and working environment, fair and appropriate transactions with business partners, and crisis management in response to natural disasters, etc.

Remuneration for Executive Director of DHR and Directors of the Asset Manager

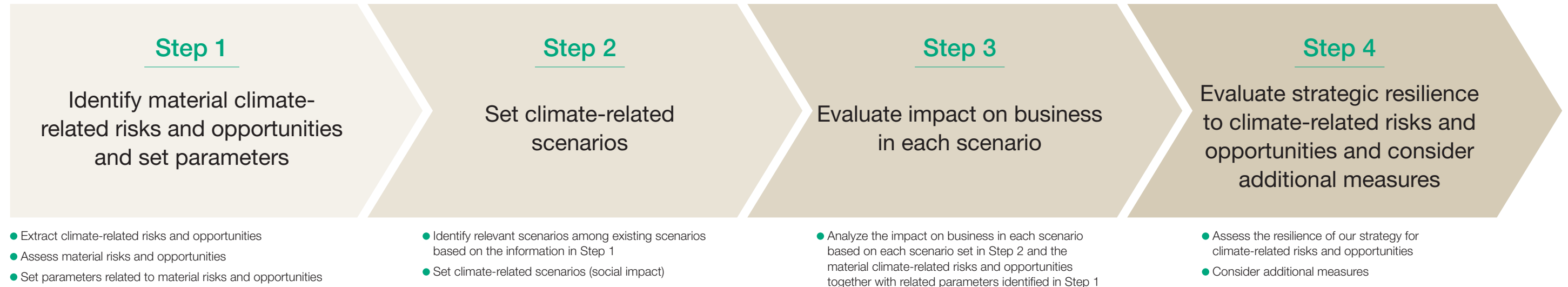
- In November 2021, DHR became **the first J-REIT to introduce a provision to fluctuate the asset management fees paid to the Asset Manager by linking the fees to sustainability indices.**
- Sustainability indexed-linked fee (sum of indexed GHG emissions reduction ratio, GRESB Rating and CDP Score multiplied by the total assets of DHR) is aimed at strengthening the commitment to ESG issues and improving governance.
- **Remuneration for the Executive Director of DHR and for directors of the Asset Manager are now linked to sustainability indices including GHG emissions reduction ratio, GRESB Rating and CDP Score.**

Information Disclosure Based on TCFD Recommendations (Strategy)

Scenario Analysis

- We evaluate impact on business under several scenarios and conduct scenario analysis according to the following steps to assess strategic resilience to climate-related risks and opportunities.

Scenario analysis process



Step 1 Identify material climate-related risks and opportunities and set parameters

We have identified the risks and opportunities for DHR in the future due to unusual weather caused by climate change and increasing social demands for climate change measures.

Category	Type	Contents
Risks	Policy and regulation	Increased costs due to introduction of a carbon tax and expansion of emissions trading system, increased procurement costs for construction materials
	Technology	Increased installation and maintenance costs due to installation of solar power generation equipment
	Market	Decrease in rent income due to changes in tenant demand (declining needs for properties not responding to climate change)
	Reputation	Increased funding costs due to growing stakeholder concerns or negative feedback by delayed response to climate change risks
Physical risk	Acute	Loss of business opportunities and increased repair costs and non-life insurance premiums due to inundation of buildings caused by increased torrential rain, typhoons / floods, landslides and storms
	Chronic	Increased utility charges due to rising average temperature
Opportunities	Products and services	Increase in rent income (high occupancy, high rent) by providing low-carbon emission equipment and services to tenants

Step 2 Set climate-related scenarios

The scenarios on climate change referenced to formulate our own climate-related scenarios are outlined below.

Reference scenarios

Category	Summary of scenario	Main reference scenarios
Below 2°C scenario	The scenario that assumes policies and regulations to realize a carbon-free society are implemented and the global warming from pre-industrial levels will stay below 2°C. While the transition risk is high, the physical risk is low compared to the 4°C scenario.	<ul style="list-style-type: none"> ● IEA Sustainable Development Scenario (SDS) ● IEA Net Zero Emissions by 2050 Scenario (NZE) ● IPCC RCP2.6
4°C scenario	The scenario that assumes announced goals such as national goals under the Paris Agreement will be achieved. No new policies or regulations will be introduced, and global energy-derived CO ₂ emissions will continue to increase. While the transition risk is low, the physical risk is high.	<ul style="list-style-type: none"> ● IEA Stated Policy Scenario (STEPS) ● IPCC RCP8.5

Information Disclosure Based on TCFD Recommendations (Strategy)

Step 3 Evaluate impact on business in each scenario

Step 4 Evaluate strategic resilience to climate-related risks and opportunities and consider additional measures

Assuming 2030, we analyzed the impact of climate-related risks and opportunities on the business of DHR and formulated countermeasures and resilience.

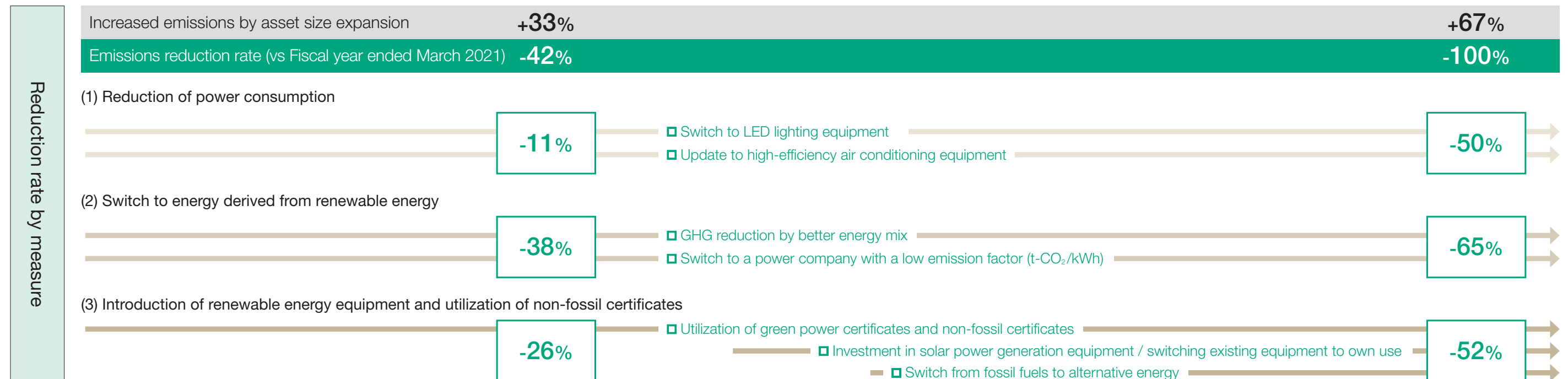
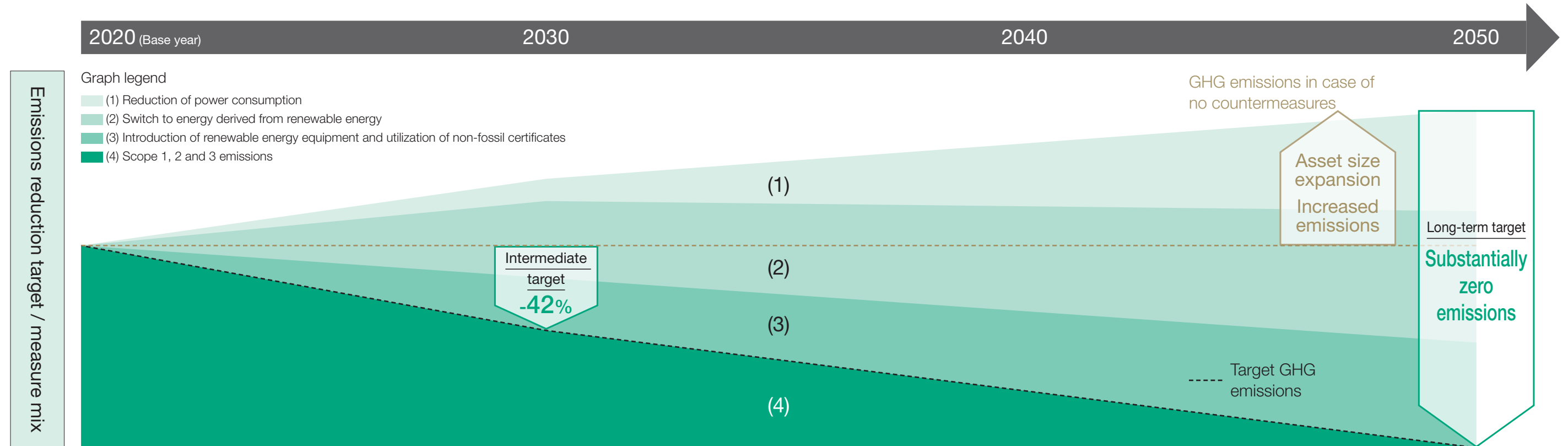
Category		Summary of scenario analysis results	Impact on business ^(Note)		Response / Resilience of DHR
			Below 2°C scenario	4°C scenario	
Transition risk	Policy and regulation	Indirect costs increase related to GHG emissions in business activities due to introduction of a carbon tax	¥35 million	¥29 million	<ul style="list-style-type: none"> ● Increase renewable energy (including green power procurement) ratio ● Introduce energy-saving equipment and energy management system ● Set energy consumption / GHG emissions targets (SBT) for portfolio properties ● Promote GHG emissions reduction by introducing internal carbon pricing
		Service purchase costs indirectly increase related to GHG emissions in repairs and renovation work due to introduction of a carbon tax	¥94 million	¥42 million	Same as above
	Technology	Installation and maintenance costs increase due to installation of solar power generation equipment	¥798 million	¥798 million	<ul style="list-style-type: none"> ● Implement planned renovation work ● Acquire new properties with new technology introduced
	Market	Rent income decreases if the acquisition of environmental certification does not proceed as planned	¥914 million	¥914 million	<ul style="list-style-type: none"> ● Obtain green building certification for portfolio properties ● Disclose information on environmental performance
	Reputation	Investment unit prices fall and funding costs increase due to delays in ESG compliance	¥48 million	¥48 million	<ul style="list-style-type: none"> ● Improve ESG ratings ● Implement sustainable finance
Physical risk	Acute	Building repair costs increase due to increased natural disasters such as floods	¥427 million	¥854 million	<ul style="list-style-type: none"> ● Take appropriate measures such as insurance coverage based on risk assessment ● Perform waterproofing, exterior wall and sealing work ahead of schedule ● Own or replace properties with high resilience by using the check system for climate change, etc. ● Install sandbags, water stop plates and tide plates
		Rent income decreases due to increased risk of flooding of buildings	¥42 million to ¥1,000 million	¥84 million to ¥2,000 million	Same as above
		Non-life insurance premiums increase due to increased risk of water damage	¥22 million	¥45 million	Same as above
	Chronic	Water charges and power charges for tenants increase due to rising average temperature	(1) Increase in water charges ¥42 million (2) Increase in power charges ¥271 million	(1) Increase in water charges ¥45 million (2) Increase in power charges ¥272 million	<ul style="list-style-type: none"> ● Introduce energy-saving equipment and energy management system ● Introduce irrigation equipment and water-saving equipment ● Choose native plants for planting ● Promote energy conservation activities in collaboration with tenants ● Promote green leases

(Note) The figures shown are the annual amount of impact estimated by the Asset Manager based on the past results and other factors with reference to the parameters general disclosed; therefore, accuracy of the figures are not guaranteed.

Information Disclosure Based on TCFD Recommendations (Strategy)

Roadmap for Reduction of Emissions and Achievement of Targets Certified by SBTi

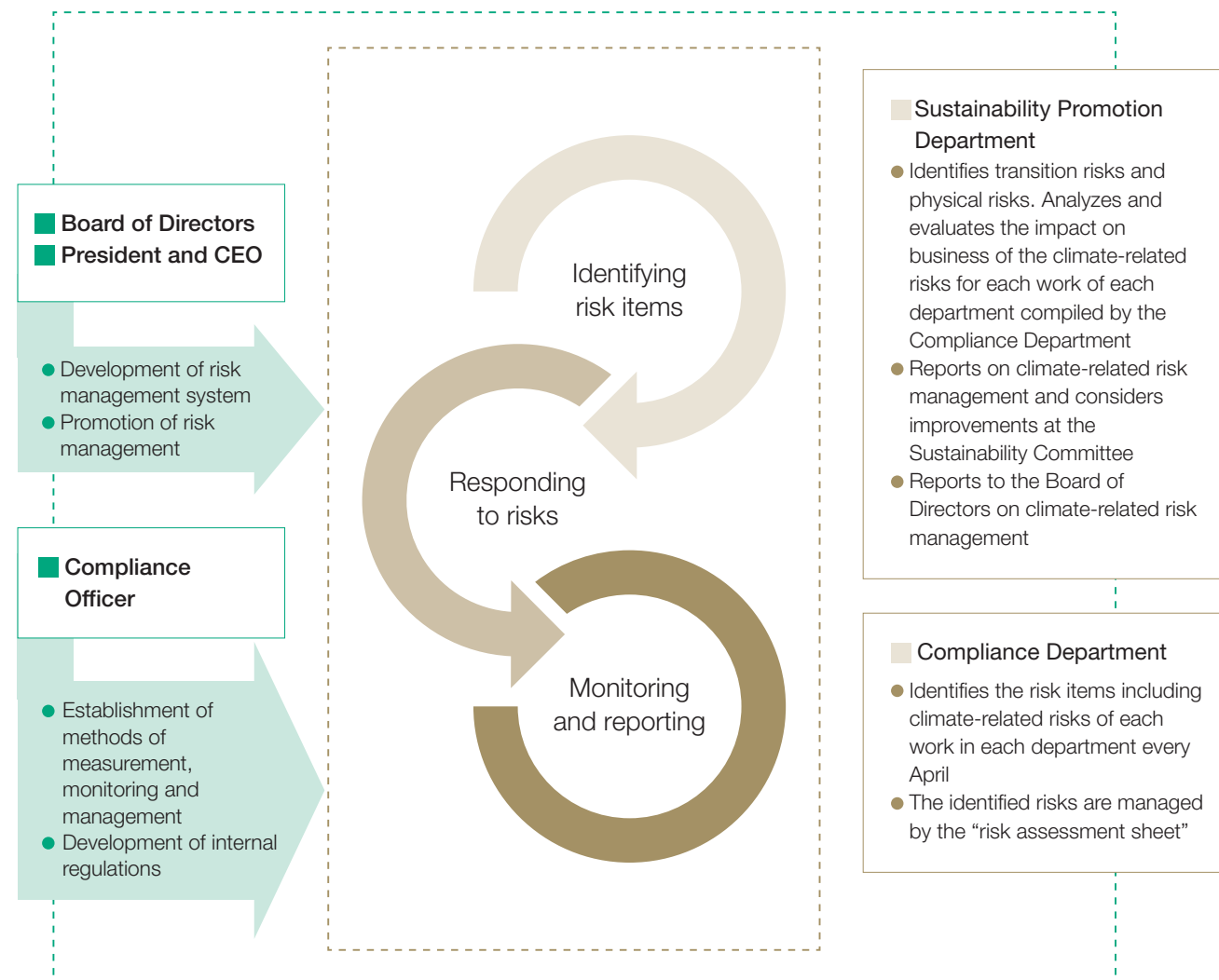
DHR has set long-term targets of reducing total GHG emissions by 42% in the fiscal year ending March 2031 compared to the fiscal year ended March 2021 and net zero in the fiscal year ending March 2051 and formulated a roadmap that includes reduction rates by measure to achieve the goals.



Information Disclosure Based on TCFD Recommendations (Risk Management)

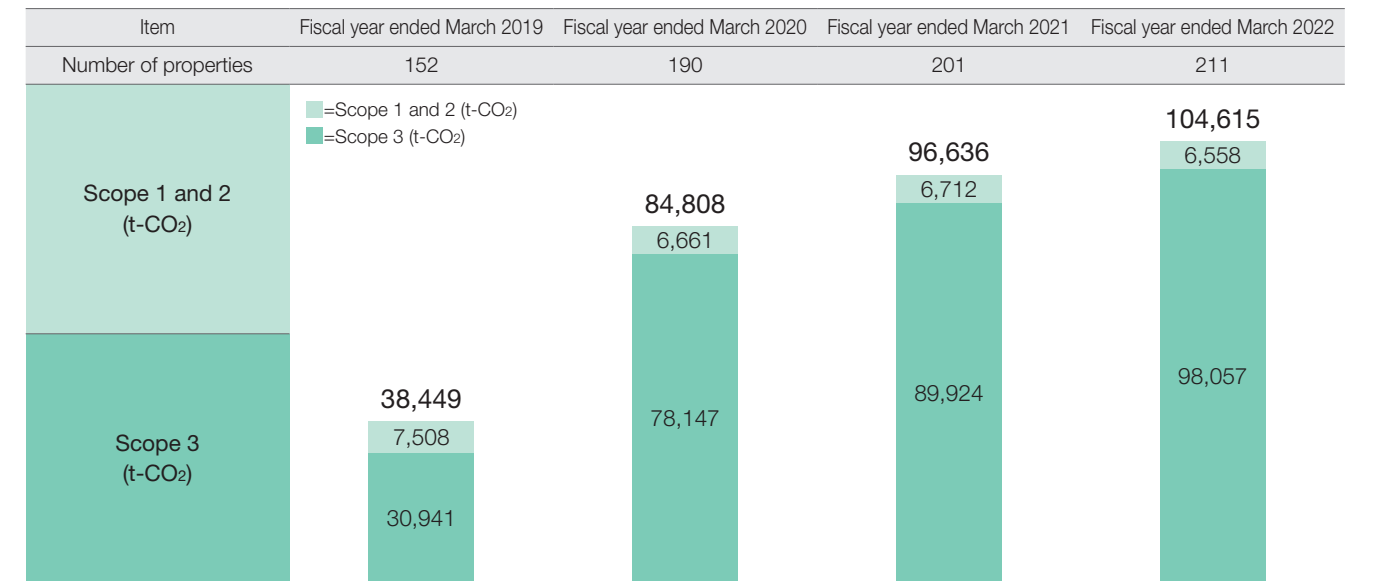
Risk Management System

- While recognizing climate change risk as one of the risks that could pose a significant impact in the medium to long term, the Asset Manager sees such risk as areas of potential and manages the risk by incorporating it in our overall risk management process. The Asset Manager has established the "Risk Management Regulations" and "Risk Management Implementation Guidelines" as internal regulations in order to accurately identify risks and opportunities inherent in business, develop a system for appropriately managing potential losses and profits when the identified risks and opportunities are realized, ensure the soundness of management and operate business in a fair manner.
- The Board of Directors shall oversee the development of an appropriate risk management system based on the "Risk Management Policy" after considering where and what the risk is in accordance with the strategic goals set separately by the Board of Directors. The President and CEO shall be fully responsible for all risks in accordance with the provisions of the "Daiwa House Group Risk Management Regulations," develop an appropriate risk management system and be responsible for promoting and implementing risk management. In addition, the Compliance Officer, who is responsible for risk management, shall establish methods including measurement, monitoring and management based on the type of risk along with the risk management policy and shall develop internal regulations to ensure the effectiveness of these methods.



Information Disclosure Based on TCFD Recommendations (Metrics and Targets)

GHG Emissions of Portfolio Properties (Scope 1, 2, and 3)



Asset Class	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Logistics	6,540	41,266	51,727	62,650
Residential	5,466	6,295	6,490	6,292
Retail	20,811	30,344	30,415	29,481
Hotel	854	2,100	1,828	2,164
Other	4,778	4,803	6,176	4,028
Total	38,449	84,808	96,636	104,615

Unit: t-CO₂

(Note 1) This table shows GHG emissions of the properties for which data of emissions by tenants were obtained among the properties owned by DHR.
 (Note 2) GHG emissions from tenants' energy use are calculated as Scope 3 figures.
 (Note 3) Increase in emissions data in fiscal year ended March 2020 to fiscal year ended March 2022 compared to data for the fiscal year ended March 2019 is mainly due to the increase in the number of properties for which emissions data were obtained.

GHG Emissions by Category (Scope 3)

Boundary: DHR, owned properties

Category	Fiscal year ended March 2021	Fiscal year ended March 2022
1. Purchased goods and services	160	185
2. Capital goods	18,310	29,477
3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	1,067	1,068
5. Waste generated in operations	130	142
6. Business travel	0	0
7. Employee commuting	0	0
Downstream	95,263	104,955

13. Downstream leased assets *owned properties (Note 2)

(Note 1) Calculated based on "Guidelines for Accounting of Greenhouse Gas Emissions of Organizations through the Supply Chain" by the Ministry of the Environment. Categories not listed above have no emission sources or are included in Scope 1 or Scope 2.
 (Note 2) GHG emissions from tenants' energy use and waste disposal are calculated.
 (Note 3) Figures are verified by a third party based on "ISO 14064-3:2019 Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements."

Information Disclosure Based on TCFD Recommendations (Metrics and Targets)

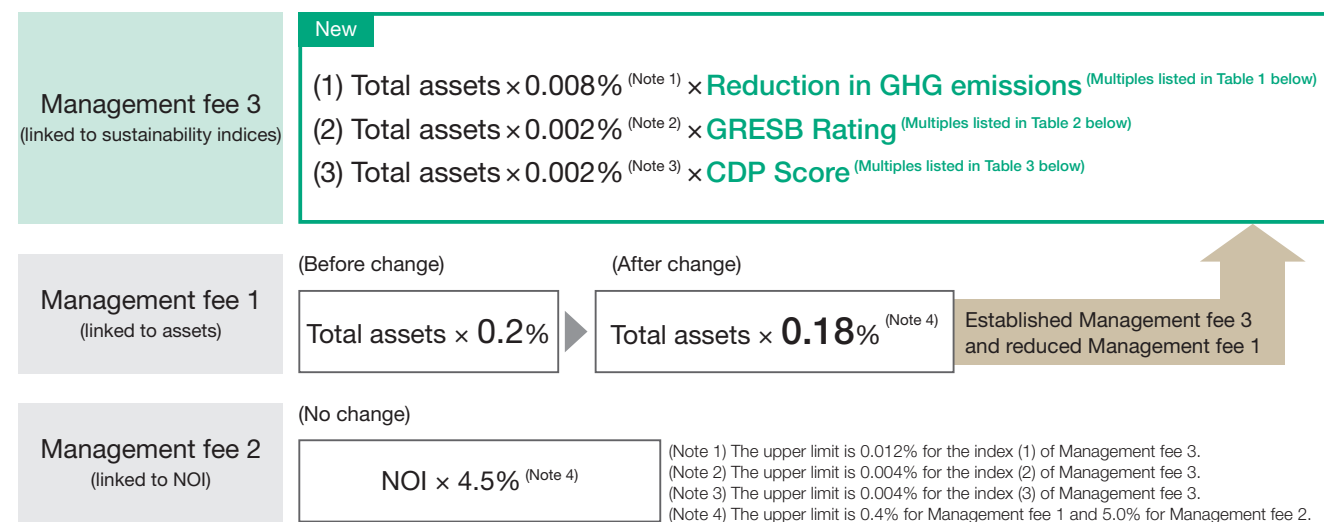
Remuneration for Executive Director of DHR and Directors of the Asset Manager

In November 2021, DHR introduced a provision to fluctuate the amount of asset management fees to the Asset Manager in conjunction with the sustainability indices as the first initiative in J-REITs for the purpose of increasing unitholder value by encouraging the reduction of GHG emissions of DHR properties and enhancing the external evaluations of its sustainability initiatives.

This is to increase or decrease the amount of asset management fees based on the sum of indexed GHG emissions reduction ratio, GRESB Rating and CDP Score multiplied by the total assets of DHR, and is aimed at strengthening the commitment to solving ESG issues and improving governance.

Furthermore, remuneration for Executive Director of DHR and remuneration for directors of the Asset Manager are now linked to sustainability indices including GHG emissions reduction ratio, GRESB Rating and CDP Score.

Asset Management Fee Structure



<Table 1> Recent assessments

Multiple	1 - GHG Emissions Reduction Ratio
	* -32.2% in fiscal year ended Mar. 2021 (applied multiple is 1.322)

* GHG emissions reduction ratio: ((b) - (a)) / (a)
 (a): GHG emissions intensity in fiscal year ended March 2018 (April 2017 - March 2018) 0.0556 (t-CO₂/m²)
 (b): GHG emissions intensity in the immediately preceding fiscal year (April - March) (t-CO₂/m²)

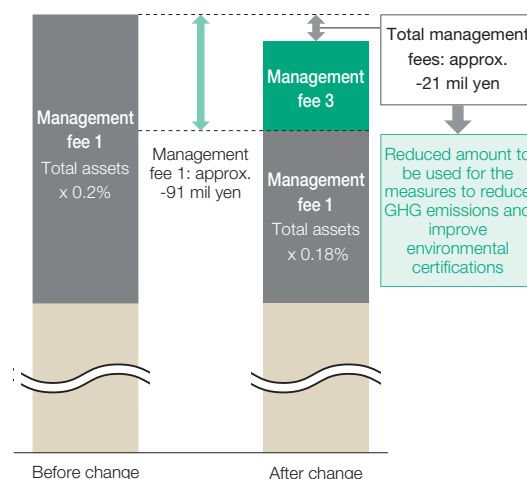
GRESB Rating	★	★★	★★★	★★★★	★★★★★
Multiple	0.8	0.9	1.0	1.1	1.2

* Multiple is determined based on the rating in the immediately preceding fiscal period.

CDP Score	D-	D	C-	C	B-	B	A-	A
Multiple	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3

* Multiple is determined based on the score in the immediately preceding fiscal period.

Calculation simulation (based on fiscal period ending August 31, 2022)



(Note) Calculated based on GHG emissions for the period from April 2020 to March 2021, 2021 GRESB Rating and 2021 CDP Score.

Purchase of Non-fossil Certificates

DHR participated for the first time in the third auction in the renewable energy value trading market in fiscal year ended March 2022 and procured 13 million kWh of fiscal year ended March 2022 FIT non-fossil certificates through an intermediary (Whole Energy, Inc.). This was the second test run of trading allowing consumers and intermediaries to purchase FIT non-fossil certificates. DHR also participated in the fourth auction in fiscal year ended March 2022 and procured 5 million kWh of fiscal year ended March 2022 FIT non-fossil certificates (total amount of 18 million kWh for fiscal year ended March 2022 (hereinafter referred to as the "Procurement")).

Expected reduction effect of CO₂ emissions by the Procurement was approx. 9,195 tons (t-CO₂ equivalent), and all of the DHR's electricity-derived GHG emissions (Scope 2) for the fiscal year ended March 2022 were offset alongside the introduction of 100% net zero renewable energy at the properties owned by DHR.

Mechanism for procuring FIT non-fossil certificates by auction in the renewable energy value trading market



Internal Carbon Pricing

We have set the internal carbon price at ¥10,000 / t-CO₂ and use it as an incentive for low-carbon promotion works, guidelines for investment decision making and a reference index to identify risks of rising costs.

(1) Incentives for low-carbon promotion works

If GHG emissions are expected to be reduced by LED lighting and air conditioning renewal, we apply the internal carbon price and use the data as a reference to decide whether to perform construction work.

(2) Guidelines for investment decision making

After calculating the profit and loss by applying the internal carbon price to the GHG emissions of the target property, we use the data as a reference for investment decisions (when emissions can be calculated).

(3) Identifying risks of rising costs in the future

By selecting suppliers with low emissions, we aim to reduce the risk of increased procurement costs when a carbon tax is introduced in the future.

Information Disclosure Based on TCFD Recommendations (Metrics and Targets)

Climate-related Opportunities

(Status of Environmental Certification of Portfolio Properties)

- Improved the ratio of properties with environmental certification to 67.7% (based on gross floor area)

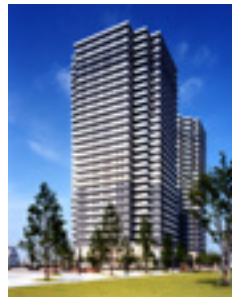
DPL Nagareyama III

Awarded the highest ZEB (Net Zero Energy Building) certification of "ZEB" in addition to the highest BELS rating of ★★★★★



Pacific Royal Court Minatomirai Urban Tower

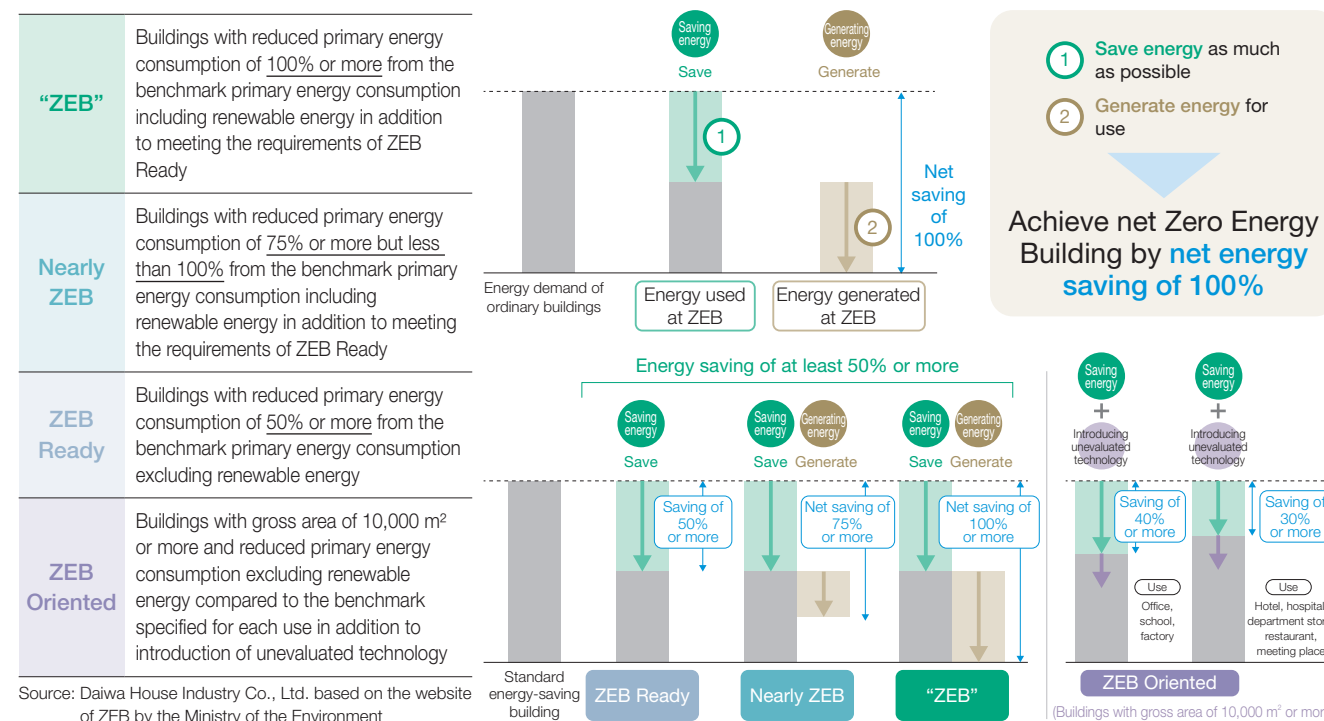
In renewal of DBJ Green Building Certification, the rating improved from ★★ three years ago to ★★★ ★★



	BELS	DBJ Green Building 2021	CASBEE
★★★★★ "ZEB"	1 property	-	-
★★★★★ ZEB Ready	6 properties	-	-
★★★★★	6 properties	6 properties	14 properties
★★★★	7 properties	6 properties	6 properties
★★★	6 properties	9 properties	
★★	14 properties	4 properties	
★	6 properties		
Number of certified properties	46 properties	25 properties	20 properties
Certified ratio (based on gross floor area)	57.7%	37.8%	35.2%

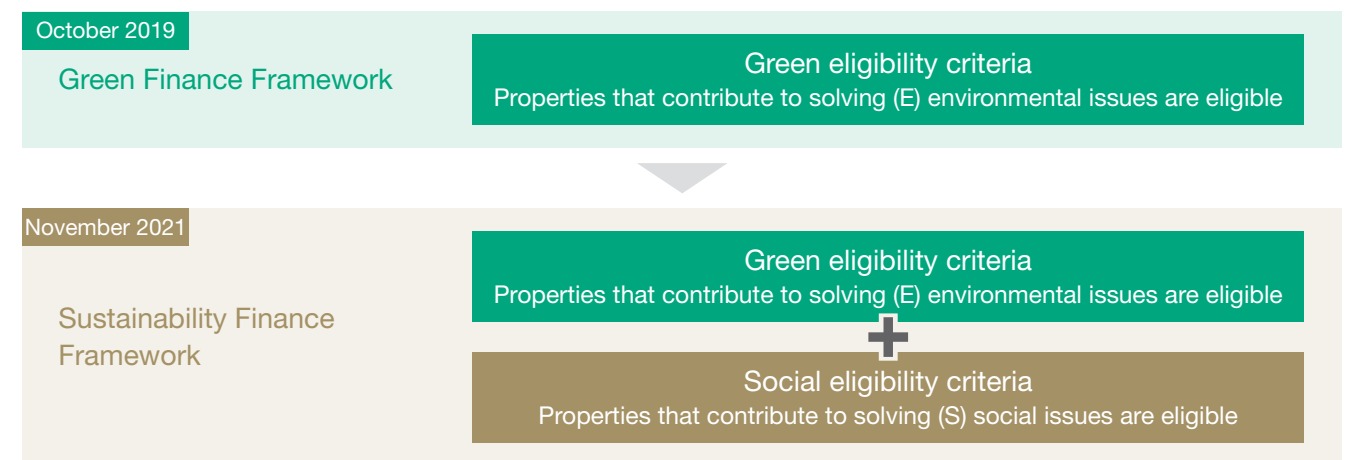
*1 The number of certifications is as of March 31, 2022.
*2 Total floor area is based on the floor area provided on the inspection certificate of each property.
*3 Excludes land properties.
*4 The percentage of properties that have obtained environmental certifications is rounded to the first decimal place.

Concept and Definition of ZEB



Formulating Framework for Sustainable Finance

- By raising funds through sustainable finance, DHR aims to further promote sustainability initiatives, expand the investor base interested in sustainability investment and lending, and ensure stable financing.
- In October 2019, DHR formulated a Green Finance Framework for implementing green finance. In November 2021, DHR formulated a Sustainability Finance Framework for implementing sustainability finance. In this way, DHR is developing initiatives for sustainable finance and making steady progress in raising funds through sustainable finance.

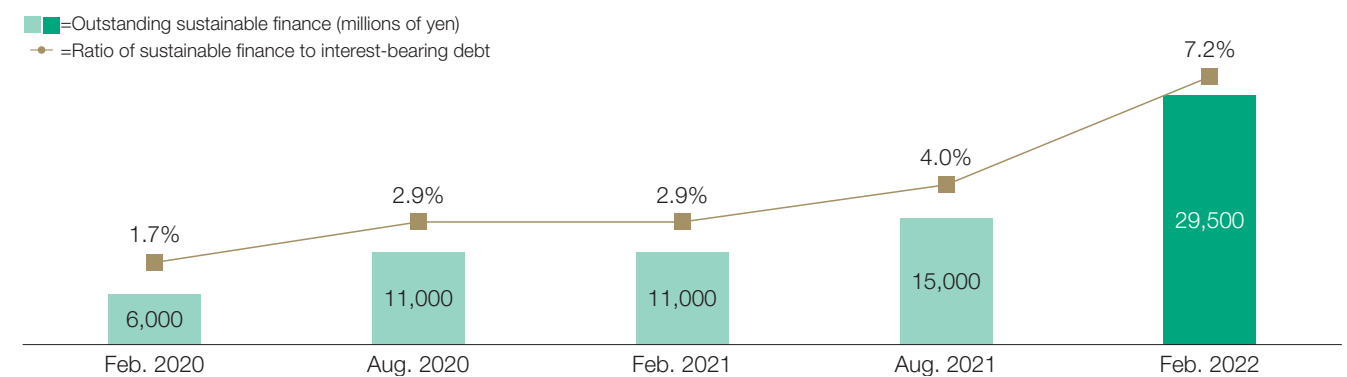


Aims to realize more competitive, stable, and sustainable financing arrangements by making not only green finance but also sustainability finance feasible

Implementation of Sustainable Finance

- DHR has implemented sustainable finance of ¥29.5 billion as of the fiscal period ended February 28, 2022 through green bonds, green loans, and sustainability bonds based on the frameworks shown above.
- The ratio of sustainable finance to interest-bearing debt has also increased by continuously implementing sustainable finance.

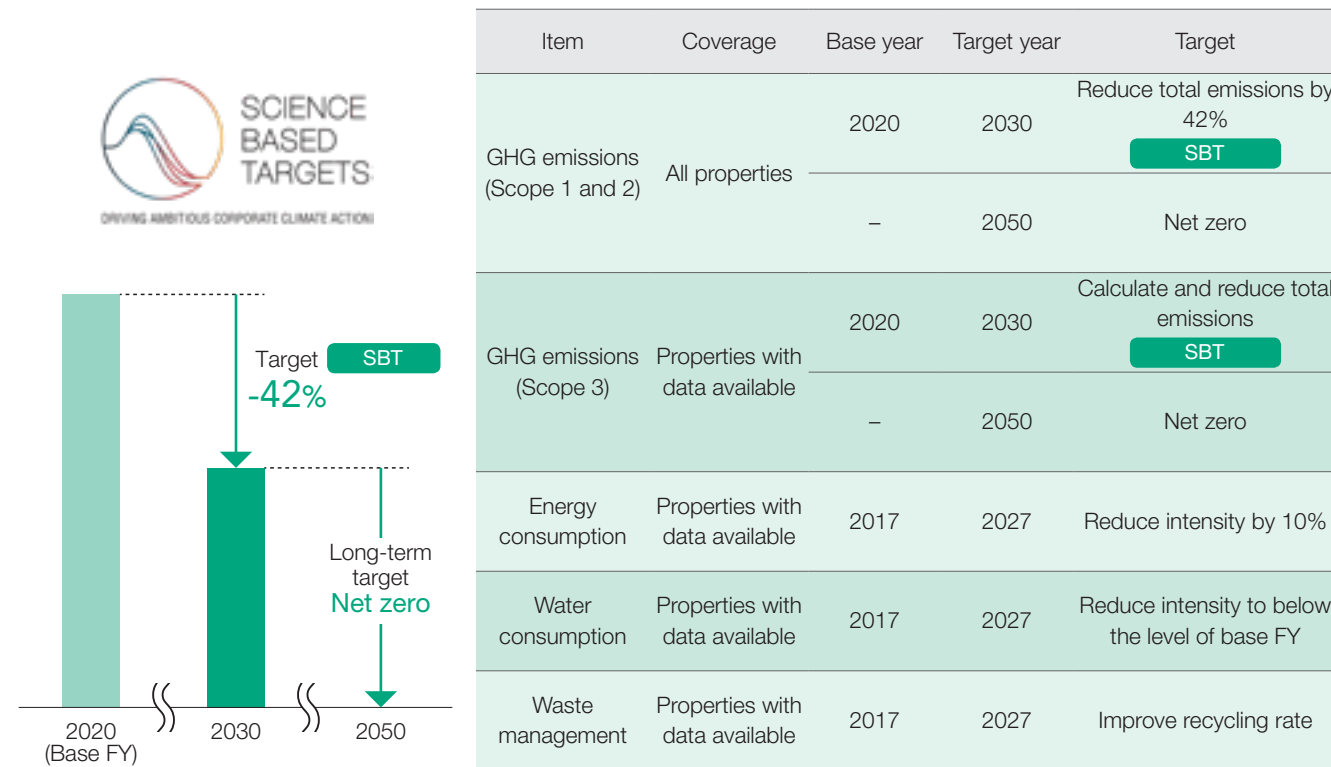
Outstanding balance and ratio of sustainable finance



Information Disclosure Based on TCFD Recommendations (Metrics and Targets)

GHG Emissions and Energy-related Targets

- DHR set targets of reducing total GHG emissions by 42% in the fiscal year ending March 2031 compared to the fiscal year ended March 2021 and became the first J-REIT certified by SBTi for its SBT 1.5 °C targets. DHR also set long-term targets of net zero emissions in the fiscal year ending March 2051.



Climate-related Opportunities (Targets for Obtaining Environmental Certifications of Portfolio Properties)

- We are promoting the acquisition of third-party external certifications and evaluations to increase the objectivity and reliability of our sustainability initiatives at portfolio properties and improve the asset value over the medium to long term.
- Our policy is to increase the percentage of properties with environmental certification (based on gross floor area) to 70% or more by the fiscal year ending March 2031.

Physical Risk

- We will take risk reduction measures and reduce the percentage of properties owned that are exposed to acute and chronic physical risks.

Capital Deployment (Purchase of Non-fossil Certificates and Investment in Solar Power Generation Equipment)

- We will reduce GHG emissions (Scope 2) by procuring FIT non-fossil certificates, etc. by participating in auctions in the renewable energy trading market.
- We will reduce GHG emissions by investing in solar power generation equipment and switching existing equipment to own use.

Internal Carbon Pricing

- We have not set a target for the internal carbon price. We will review the price as appropriate to reflect potential changes in government policy.

Remuneration

- We have not set a target for the amount of remuneration for the executive officer of DHR and directors of the Asset Manager that is linked to climate-change indicators, but will review the remuneration structure as appropriate.

Physical Risk (Risk of Flooding)

- Responding to risks by implementing construction countermeasures and adding fire insurance coverage to avoid economic damage.

Flood depth	Number of properties	Acquisition price (millions of yen)	Ratio (based on acquisition price)
Over 20 m	0	0	0.0%
10 m to 20 m	0	0	0.0%
5 m to 10 m	4	78,750	8.8%
3 m to 5 m	13	81,497	9.1%
0.5 m to 3 m	91	253,850	28.4%
0.5 m or less	14	56,510	6.3%
0	108	424,546	47.4%
Total	230	895,153	100.0%

(Note) Method: Based on the estimated flood prone areas (estimated maximum size) (source: Ministry of Land, Infrastructure, Transport and Tourism), compiled by the Asset Manager from April to May 2022.

- For Royal Parks SEASIR (residential facility), we installed waterproof panels and waterproof doors at the entrance, electrical room, elevators, and management office to reduce the impact of water damage from torrential rains and large-scale typhoons.



Waterproofing panels



Waterproofing doors

Greening and Countermeasures Against Heat Island Effect

Out of consideration for climate change, we carry out efforts such as those below at our properties.



Large-scale green area



Rooftop greening



Exterior greening/water-permeable paving

Sustainability Policy

Sustainability Policy

The Daiwa House Group's basic approach is "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the Daiwa House Group aims to build trusting relationships with stakeholders and contribute to society through its businesses, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts." Daiwa House Asset Management Co., Ltd. shares the Daiwa House Group's basic approach as DHR's asset manager, and considers that including consideration for ESG in its real estate investment management operations contributes to DHR's basic policy of ensuring stable revenue and steady growth of assets over the medium to long term. Therefore, we have established the following "Sustainability Policy" to guide our real estate investment management.

1. Prevention of global warming

We will promote energy conservation measures through the installation of energy conservation equipment and so forth to realize a carbon-free society. We will also consider introduction of renewable energy power generation facilities and acquisition of properties that have such equipment installed.

2. Harmony with the natural environment (preservation of biodiversity)

We will aim for a society that is able to pass on abundant natural resources to future generations in order to protect and improve natural capital. We will also promote planting and management considering harmony with the surrounding environment.

3. Conservation of natural resources (protecting water resources, reducing waste)

We will work towards the realization of a recycling-oriented society by promoting water conservation measures through the installation of water conservation equipment. We will also promote 3R activities (reduce, reuse, and recycle) for resources.

4. Prevention of chemical pollution

We will aim to realize a society where people and ecosystems do not suffer adverse effects from chemical substances by promoting reduction, substitution and appropriate management of harmful chemical substances when managing real estate, and taking efforts to minimize risks.

5. Establishment of an internal framework and initiatives for employees

We will establish an internal framework for promoting sustainability and take steps to develop human resources by conducting regular education and training for officers and employees. We will also aim to create workplaces where people can work safely and healthily, and workplaces where diverse employees can work flexibly.

6. Building of trusting relationships with external stakeholders

We will aim to build trusting relationships with external stakeholders and we will work on our suppliers to enhance the satisfaction of tenant customers and promote CSR in our supply chain. We will undertake neighborhood co-existence activities with local residents.

7. Promotion of communication through information disclosure

We will proactively disclose ESG-related information and utilize dialogues with stakeholders, such as investors, in our future business activities. Furthermore, we will aim for continuous acquisition of Green Building Certification.

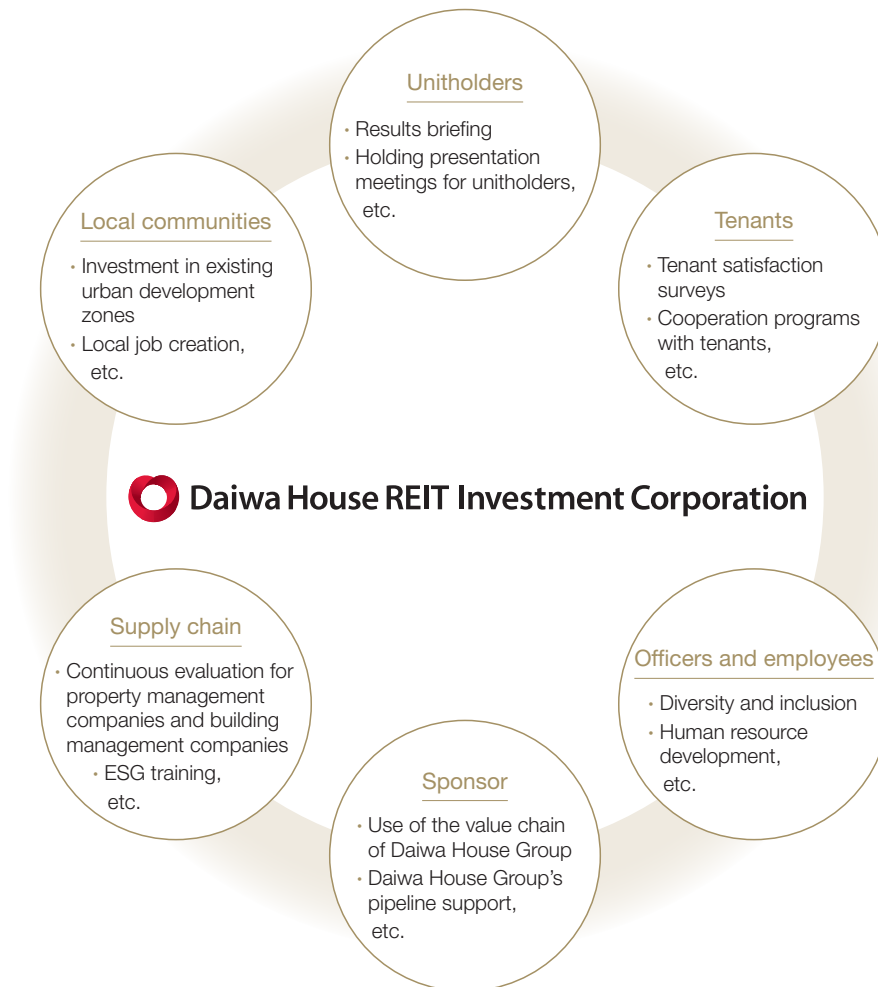
8. Compliance with laws and regulations, and risk management

We will comply with ESG-related laws and regulations. Moreover, we will strive to implement appropriate risk management, such as giving consideration for the environmental and social impacts in risk evaluations when acquiring real estate and promoting awareness of human rights.

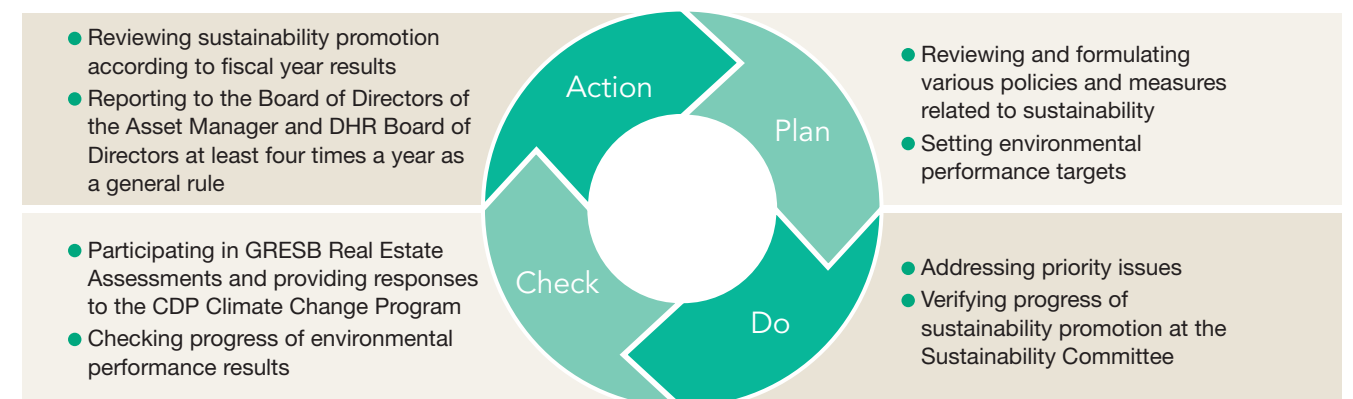
Stakeholder Engagement

Basic Approach

DHR conducts its business and other activities through interactions with its various stakeholders, including not only unitholders, tenants of properties, local communities, supply chains, etc., but also officers and employees of the Asset Manager and the sponsor. DHR aims for sustainable growth by building long-term relationships and actively communicating with stakeholders.



Concept of Sustainability Promotion Based on the PDCA Cycle



Materiality and SDGs

Materiality Identification Process

In 2021, DHR identified sustainability-related materiality through the following process.

Step 1 Extracting sustainability issues

Sustainability issues related to DHR were extracted using various global ESG assessments, sustainability disclosure standards, and the SDGs.

Step 2 Setting priority rankings

We set priority rankings from the extracted issues by verifying the state of DHR's disclosure and response and through interviews with management of the Asset Manager.

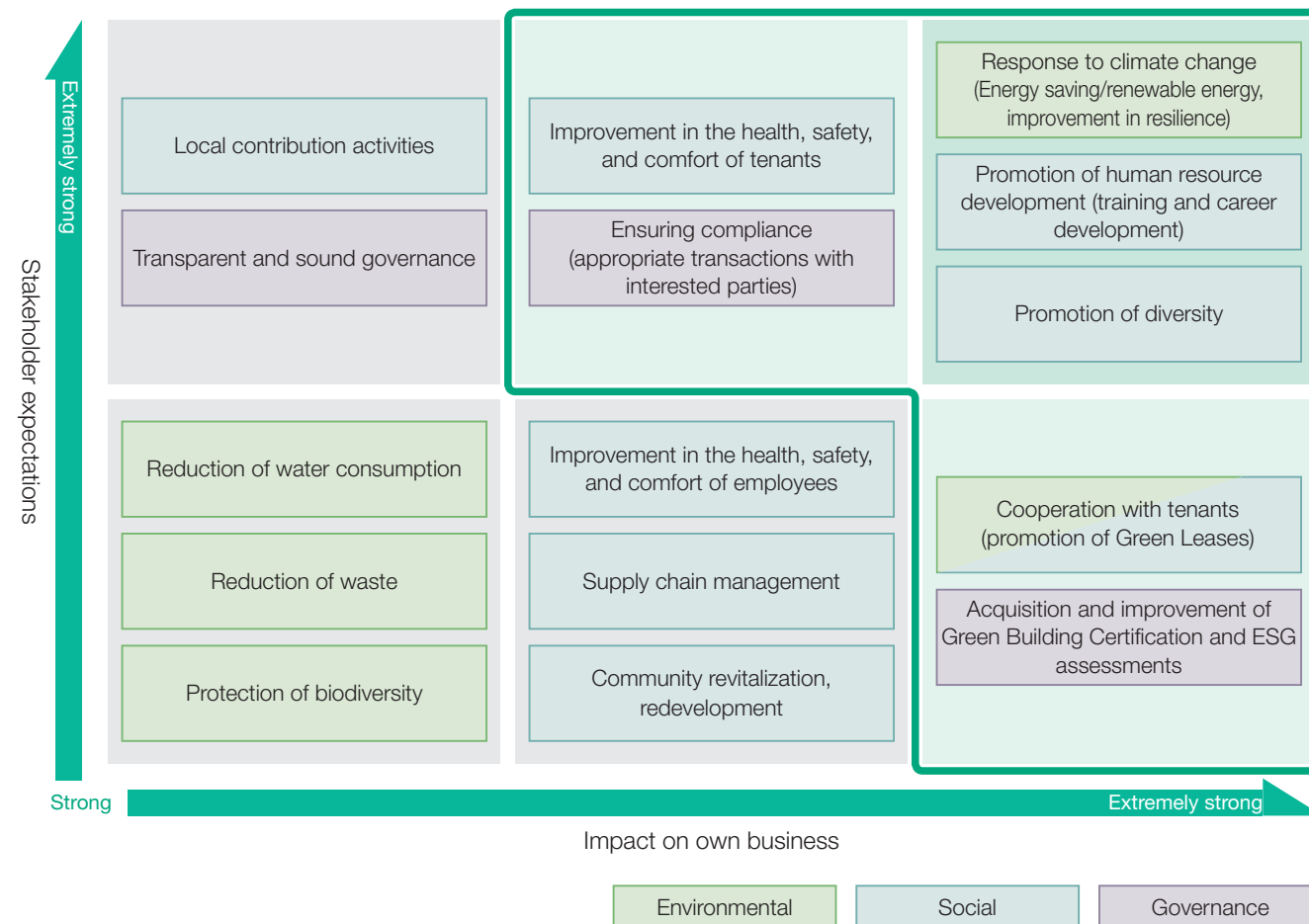
Step 3 Confirming validity

To ensure objectivity, CSR Design Green Investment Advisory Co., Ltd. reviewed our "selection process" and "identified materiality."

Step 4 Discussions and approval by management

Discussions were held and approval was made by the Sustainability Committee.

The items below are deemed important by DHR in terms of DHR's asset characteristics and management policy, and do not signify importance as social issues.



Identified Materiality

Materiality	Goals related to the main SDGs	Goals indirectly related to the SDGs
Environmental Climate Change <ul style="list-style-type: none"> Energy efficiency (energy savings) Promotion of reduction of greenhouse gas emissions (renewable energy) Improvement of building resilience Cooperation with tenants (promotion of Green Leases) 		
Social Employees and tenants <ul style="list-style-type: none"> Human resource development (training and career development) Promotion of diversity Improvement in the health, safety, and comfort of tenants Cooperation with tenants (promotion of Green Leases) 		
Governance Employees and tenants <ul style="list-style-type: none"> Ensuring compliance (appropriate transactions with interested parties) Acquisition and improvement of Green Building Certification and ESG assessments 		

Third-party written opinion on materiality with respect to Daiwa House REIT Investment Corporation

Daiwa House REIT Investment Corporation, which serves as a J-REIT of the Daiwa House Group and its asset manager Daiwa House Asset Management Co., Ltd. (hereinafter collectively, "DHR") have established issues of materiality associated with preparation of this Sustainability Report. Having already put in place its Sustainability Policy and a system for promoting sustainability, DHR has been steadily promoting ESG initiatives, which has culminated in it having gained "4 Stars" rating under the GRESB Real Estate Assessment for 2020. Meanwhile, DHR is now opting to specify issues of materiality in order to clarify orders of priority for implementing initiatives going forward. This involves assigning levels of importance to ESG issues based on stakeholder expectations and the impact of such initiatives on the company's business.

The process of establishing issues of materiality was carried out as follows.

- Prepared a long list of issues derived from various ESG assessments, sustainability disclosure standards, and SDGs
- Verified the state of DHR's disclosure and response with respect to each item on the long list
- Prepared an intermediate list upon analyzing content in terms of item redundancy in the ESG assessments and the state of DHR's response
- Conducted interviews with three of DHR's C-level executives (CEO and officers in charge of sustainability-related domains) based on the intermediate list
- Prepared a short list and issues of materiality taking into account managerial perspectives gained in the course of conducting the interviews

There were certain distinguishing characteristics of this process. For instance, step (3) enlisted an approach whereby those items for which the company had not made progress were assigned high degrees of materiality from the perspective of risk exposure, which extended beyond the notion of gaining an understanding of stakeholder expectations from ESG assessments and other external benchmarks. Meanwhile, step (4) involved interviewing three C-level executives on an individual basis (CEO and officers in charge of sustainability-related domains), which explicitly revealed priority matters from the perspective of management, particularly in terms of developing human resources, addressing climate change, and cooperating with tenants. Under step (5), the issues of materiality were ultimately narrowed down to seven items, but another eight items will require attention on par with that placed on the issues of materiality.

In terms of ESG content, addressing climate change under environmental (E) component involves the worthy aim of taking action by making buildings more resilient, beyond merely reducing CO₂ emissions. Meanwhile, efforts under social (S) component are distinctive in that DHR will place top priority on developing human resources with emphasis on "develop people through business," serving as a member of the Daiwa House Group. Efforts under governance (G) component are important given that the notion of engaging in appropriate business dealings with interested parties under a J-REIT structure is a matter of high priority from the perspective of stakeholders.

Going forward, it will be desirable to track progress upon having set quantitative KPIs and targets for each item of the issues of materiality to the extent possible. In particular, it is hoped that DHR will consider options that involve setting more aggressive reduction targets looking toward the years 2030 and 2050, serving as a member of the Daiwa House Group which is committed to taking swift action with respect to efforts such as the RE100, TCFD and SBT initiatives, in alignment with Japan's carbon neutral declaration.

CSR Design Green Investment Advisory Co., Ltd.
Co-founder and CEO
Ryuichi Horie

Supported Initiatives and External Evaluations

Policy on Participation in Initiatives

DHR and the Asset Manager share the Daiwa House Group's basic approach of "Creating Dreams, Building Hearts." To attain a sustainable society, it is essential that we include environmental, social, and governance ("ESG") considerations in real estate investment management operations. We also believe that this will contribute to DHR's basic policy of ensuring stable revenue and achieving steady asset growth over the medium to long term. As such, DHR has been applying the above matters to its real estate investment management business.

DHR and the Asset Manager believe climate change, human rights, diversity and inclusion (the respect for diversity) and biodiversity are particularly important social issues to address. By joining the initiatives related to the above, we will continue to actively work on solving social issues.

Signing on to the Principles for Responsible Investment (PRI)

Overall ESG

The "Principles for Responsible Investment (PRI)" is a network of international investors endorsed by the United Nations Environment Programme Finance Initiative (UNEP FI) and the United Nations Global Compact (UNGC). The investors who are signatories to the PRI declare to include ESG issues into investment decisions, and while helping the beneficiaries enhance long-term investment performance and fulfilling their fiduciary duty as responsible investors over the long term, they aim to create an abundant world for all stakeholders.

The Asset Manager agreed with the basic approach of the PRI and became a signatory.



Support for the Task Force on Climate-related Financial Disclosure (TCFD) Recommendations

Climate Change

The Financial Stability Board (FSB) launched the Task Force on Climate-related Financial Disclosures (TCFD) for the purpose of examining how climate-related information is to be disclosed and the how financial institutions should respond. The TCFD considers that climate change presents a serious risk to the world economy, and publishes recommendations for companies, etc. to grasp and disclose climate-related financial data around the thematic areas of "Governance," "Strategy," "Risk Management" and "Metrics and Targets."

The TCFD Consortium was established as an organization to promote initiatives in which companies that support the TCFD recommendations, financial institutions, etc. work together, and to discuss initiatives that will lead to effective information disclosure by companies and appropriate investment decisions by financial institutions, etc. based on the disclosed information.

The Asset Manager has shown its support for the TCFD recommendations and has joined the TCFD Consortium, an organization consisting of domestic companies supporting the TCFD recommendations.



Certification as Science Based Targets (SBT) by the International SBT initiative

Climate Change

DHR has set targets to reduce GHG emissions by the fiscal year ending March 2031. These targets are science-based targets following the goals of the Paris Agreement that "aims to keep the global average temperature well below 2°C above pre-industrial levels and pursue efforts to limit global warming to 1.5°C." DHR has received the Science Based Targets (SBT) certification from the international SBT initiative as the first J-REIT.



Participation in Race to Zero

Climate Change

Race to Zero is a global campaign to call for immediate action from businesses, local governments, investors, universities and other non-governmental actors worldwide to realize the goal of substantially zero GHG emissions by 2050.

Globally, 1,049 cities, 67 regions, 5,235 businesses, 441 investors, and 1,039 higher educational institutes participate in the Race to Zero, and they account for nearly 25% of CO₂ emissions and over 50% of the GDP worldwide. DHR aims to achieve substantially zero GHG emissions by 2050 and became the first J-REIT to join the Race to Zero.



Participation in RE Action – Declaring 100% Renewable

Climate Change

RE Action – Declaring 100% Renewable is a new framework for Japanese companies, local governments, educational institutions, medical institutions, and other organizations to express their willingness and action to transition 100% of their electricity use to renewable energy and promote this transition.

DHR has set a target to transition to 100% renewable energy by 2050 and participated in the RE Action – Declaring 100% Renewable as the first J-REIT.



Participation in the Japan Climate Initiative (JCI)

Climate Change

The Japan Climate Initiative ("JCI") is a network of Japanese companies, local governments, and NGOs that are actively working to prevent climate change, established in response to the 2015 Paris Agreement, aiming independently to realize a decarbonized society. JCI has created a nationwide movement in Japan to achieve a decarbonized society by supporting the activities of participating members, working on the governments, and partnering with the international society. DHR and the Asset Manager joined the JCI as we agreed with this mission to realize a decarbonized society and joined the JCI after satisfying the participation requirements.



Signatory of the United Nations Global Compact (UNGC) and Joining the Global Compact Network Japan (GCNJ)

Human Rights
Climate Change
Diversity and Inclusion
Biodiversity

The United Nations Global Compact ("UNGC") is the world's largest sustainability initiative for bringing together the United Nations and private organizations (companies/associations) and building a sound global society. The UNGC is an independent initiative for companies and associations to act as a good standing member of society and achieve sustainable growth by exercising responsible and creative leadership.

Companies and associations who are signatories to the UNGC are making ongoing efforts to realize the ten principles related to the protection of human rights, elimination of all forms of unfair labor, response to the environment, and the prevention of corruption based on a commitment from top management at each supporting company.

Local UNGC networks in each country around the world act as a platform aiming to foster sustainable development. The Global Compact Network Japan ("GCNJ") was launched in Japan in December 2003 as a local Japan network. The GCNJ supports member companies and associations in Japan to take independent and strategic action toward the UNGC's Ten Principles and engages in activities to realize a sustainable society, such as holding seminars and subcommittees made up primarily of member companies.

The Asset Manager agrees with the UNGC's Ten Principles and has become a signatory. Furthermore, it has joined the GCNJ to take active action.



The Ten Principles of the United Nations Global Compact

Human Rights	Principle 1	Support and respect of the protection of human rights
	Principle 2	Not to be complicit in human rights abuses
Labour	Principle 3	Freedom of association and the effective recognition of the right to collective bargaining
	Principle 4	Elimination of all forms of forced and compulsory labour
	Principle 5	Effective abolition of child labour
	Principle 6	Elimination of discrimination in respect of employment and occupation
Environment	Principle 7	Precautionary approach to environmental challenges
	Principle 8	Initiatives to promote environmental responsibility
	Principle 9	Development and diffusion of environmentally friendly technologies
Anti-Corruption	Principle 10	Working against corruption in all its forms, including extortion and bribery

Supported Initiatives and External Evaluations

Signing on to the Principles for Financial Action for the 21st Century

Climate Change

Financial Behavior Principles for the Formation of a Sustainable Society (Principles for Financial Action for the 21st Century) are action guidelines for financial institutions that want to fulfill the responsibilities and roles necessary for the formation of a sustainable society. They were put together by the Drafting Committee with the participation of diverse financial institutions in October 2011 and subsequently revised in June 2022.

Each signatory financial institution implements efforts according to the seven principles below as much as possible based on its business content. One of the features is that it is positioned as a starting point for collaboration without being restricted by factors such as format, scale and region.



Financial Behavior Principles for the Formation of a Sustainable Society (The Seven Principles)

Principle 1	Basic posture	Recognizing the responsibilities and roles that financial institutions themselves play for the formation of a sustainable society, we will take the initiative in implementing best practices through our businesses, aiming to create positive impacts on the environment, society and economy, and mitigate negative impacts.
Principle 2	Contribution to a sustainable global society	We will lead the formation of a sustainable global society by developing and providing financial products and services that contribute to the creation and development of industries and businesses through innovation, toward steady and fair transitions in society.
Principle 3	Contribution to the formation of sustainable communities	We will support the solution of environmental, social and economic issues based on regional characteristics, and lead the formation of sustainable local communities by improving the inclusiveness and resilience of the region.
Principle 4	Human resource development	We will recognize the importance of human capital in financial institutions, and develop human resources who can think for themselves and take action on environmental and social issues.
Principle 5	Collaboration with various stakeholders	Recognizing the importance of cooperation among various stakeholders, including financial institutions, in order to form a sustainable society, we will not only participate in such efforts but also play an active role.
Principle 6	Building a sustainable supply chain	We will actively address environmental issues such as global warming and biodiversity and social issues such as human rights, and build a sustainable supply chain through constructive engagement with business partners including investees and borrowers.
Principle 7	Information disclosure	Recognizing that activities to enhance the sustainability of society are management issues, we will disclose our efforts to a wide range of stakeholders and make constant improvements based on domestic and international trends and disclosure frameworks.

The Asset Manager agrees with these seven principles and has become a signatory.

Joining the World Wide Fund for Nature (WWF) Japan

Climate Change

Biodiversity

World Wide Fund for Nature (“WWF”) was established in Switzerland in 1961 and is an environmental conservation organization active in over 100 countries. With the goal of people living in harmony with nature, the WWF is propelling efforts to realize a sustainable society. The organization promotes the conservation of endangered wild life in addition to sustainable production and consumption as a means to restore the richness of biodiversity, which is rapidly being lost, and to achieve a decarbonized society that prevents global warming.

World Wide Fund for Nature Japan (“WWF Japan”) was established in Tokyo as the 16th WWF organization in the world in 1971. The WWF Japan mainly engages in (1) activities, survey research, policy proposals, and the dissemination of ideas on environmental conservation to conserve biodiversity and reduce the environmental impact of humanity on the natural environment, (2) cooperation with the World Wide Fund for Nature Secretariat (WWF International) and coordination with other relevant organizations, and (3) other projects necessary to achieve its objectives.

The Asset Manager agrees with the significance of the activities of WWF Japan and supports WWF’s environmental conservation efforts as a corporate member.

EcoAction 21 Certification and Registration

Environmental Management System

EcoAction 21 is a third-party evaluation program to certify and register organizations which implement appropriate environmental initiatives, establish, operate, and maintain an environmental management system, and promote environmental communication in accordance with the EcoAction 21 Guidelines^(Note) formulated by the Ministry of Environment.

The Asset Manager received the EcoAction 21 certification and registration in March 2020. Following the expiration of the certification, DHR and the Asset Manager underwent a subsequent review and received certification and registration once again.

(Note) These guidelines formulated by the Ministry of the Environment define 14 action items (requirements) based on a PDCA cycle consisting of three factors: “environmental management system,” “environmental performance evaluation,” and “environmental reporting.”



Participation in CDP Climate Change Program

CDP Climate Change Program Assessment

CDP Score is provided across four levels and nine-tier score bands: Leadership level (A and A-), Management level (B and B-), Awareness level (C and C-), Disclosure level (D and D-) and Failure to provide sufficient information to be evaluated (F). DHR participated in the CDP Climate Change Program for the first time in 2020 and achieved an “A-” score of the highest Leadership level. In the 2021 assessment, the CDP gave DHR an “A” score of the highest level recognizing the high international standard of its initiatives to combat climate change and its approach to informational disclosure. This is the first time CDP recognized J-REIT independently as a climate change A List company^(Note). For the 2021 Climate Change A List, CDP selected 200 companies (55 of which were Japanese companies) out of roughly 12,000 companies, which were subject to evaluation.

(Note) Excludes the case where the parent company of the group answers the questionnaire.

CDP Supplier Engagement Rating

The CDP Supplier Engagement Rating is determined through responses from companies engaged in corporate initiatives against climate change throughout their value chain in the four areas of “supplier engagement,” “governance,” “Scope 3 emissions” and “targets,” as well as their overall CDP Climate Change Program score. In 2021, over 500 companies (including 105 Japanese companies), which is equivalent to the top 8% of the evaluated companies, were listed on the Supplier Engagement Leaderboard as recognition of their particularly excellent initiatives. DHR has been participating in the CDP Climate Change Program since 2020, and has made it onto the Supplier Engagement Leaderboard with the highest possible rating for the second consecutive year in the 2021 evaluation.



Participation in GRESB Real Estate Assessment

GRESB Rating

In the 2021 GRESB Real Estate Assessment, DHR received a GRESB “4 Stars” on a 5-star scale evaluation of the overall score relative to global participants for the second consecutive year. Furthermore, DHR has received a “Green Star” assessment for four consecutive years as an excellent participant in both the “Management Component,” which evaluates policies and organizational structures to promote ESG, and the “Performance Component,” which evaluates the environmental performance of properties and initiatives with tenants. DHR also received an “A” rating, the highest rating given on a 5-grade scale in the GRESB Public Disclosure evaluation scheme for three consecutive years based on its proactive information disclosure practices related to ESG initiatives.



SMBC Environmental Assessment Loan

DHR received an “A” rating for its environmental initiatives, having earned high evaluation in the areas of “environmental management,” “environmental communication” and “environmental conservation policy initiatives.”



MUFG ESG Rating Certificate for J-REITs supported by JCR

Our broad-based initiatives in all areas of ESG were highly evaluated in the assessment, and DHR and the Asset Manager acquired an “S” rating (the highest).

Environment

Long-term Environmental Vision of “Challenge ZERO 2055”

Looking ahead to 2055, which marks the 100th anniversary of the foundation of Daiwa House Industry Co., Ltd. (hereinafter referred to as “Daiwa House”), the Daiwa House Group formulated a long-term environmental vision of “Challenge ZERO 2055” in fiscal year ended March 2017. The Daiwa House Group aims to realize a sustainable society in accord with its Group Management Vision of being a Group that co-creates value for individuals, communities and lifestyles. It will challenge to reduce its environmental impact to zero with respect to four environmental priority themes (mitigation of and adaptation to climate change, harmony with the natural environment, conservation of water and other natural resources, and prevention of chemical pollution) through the three stages of procurement, business activities, and products/services.



Establishment of EMS (Environmental Management System) Operation Manual

In managing DHR’s properties, the Asset Manager continuously endeavors to reduce environmental burden by setting environmental targets related to energy consumption, GHG emissions, water consumption and waste, obtaining results, analyzing the results against targets and implementing corrective measures and improvements through a PDCA (plan-do-check-act) cycle in accord with an EMS Operation Manual that provides detailed instructions on implementing policies on objectives such as saving energy, reducing GHG emissions, conserving water and managing waste.

In operating the environmental management system, the Asset Manager complies with applicable environmental laws and regulations and other environmental requirements.

Commitments Related to Greenfield Developments

The Daiwa House Group is involved in a wide range of development throughout Japan, which has a high impact on the natural environment. In development business, the Daiwa House Group is thorough in its efforts to assess the impact of development projects on the natural environment of the site beforehand and is committed to minimizing the loss before commercializing the business.

Violations of Environmental Laws and Regulations and Environmental Accidents

There were not any significant violations of environmental laws and regulations or significant environmental accidents at DHR’s properties that would affect stakeholders. There were also no environment-related fines or penalties. (Fiscal year ended March 2022)

GHG Emissions

GHG Emissions

Target (KPI)

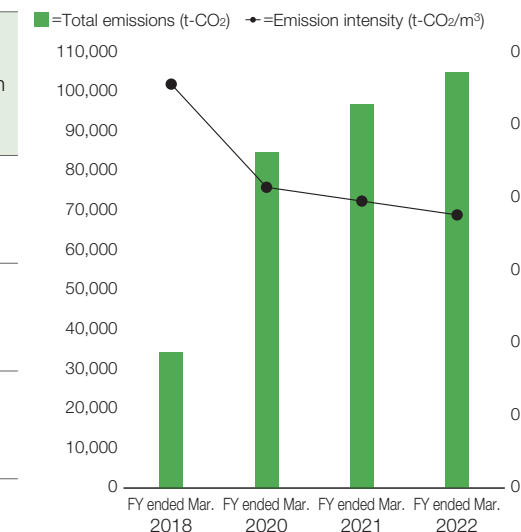
Index	Yearly target	Long-term target (10-year period from 2018 to 2027)
GHG emissions	Reduce consumption intensity by 1%	Reduce intensity by 10%

Targets (KPI) certified by SBTi

Item	Coverage	Base year	Target year	GHG emissions reduction target
Scope 1 and 2	All properties	2020	2030	Reduce total emissions by 42%
Scope 3	Properties with data available	2020	2030	Calculate and reduce total emissions

GHG emissions

	Fiscal year ended March 2018 (Base year)	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Number of properties	143 properties	190 properties	201 properties	211 properties
Total emissions (t-CO ₂)	34,336	84,808	96,636	104,615
Emission intensity (t-CO ₂ /m ³)	0.0556	0.0414	0.0394	0.0375
Reduction rate of intensity (%)	-	-25.6%	-29.1%	-32.5%



*1 Aggregation period: The aggregation period is from every April to the following March. Results are updated annually in principle.

*2 Calculation method: Calculated using only DHR’s properties for which the requisite data are available. Emission intensity is calculated by dividing total electricity usage and CO₂ emissions by intensity denominator (gross floor area (m²)).

*3 Except for certain ones, these figures are verified/assured by a third party based on International Standard on Assurance Engagements (ISAE) 3410 “Assurance Engagements on Greenhouse Gas Statements.”

GHG Emissions

Solar Power Generation

Introduction of solar power generation systems

Solar panels have been installed on the rooftops of logistics and retail properties owned by DHR, and DHR utilizes the renewable energy they generate.

	Number of properties	Power generated in fiscal year ended March 2022
Solar power generation equipment installations	18 properties	17,866 MWh

*Amount of power generated is calculated only for properties with solar power generation equipment for which the requisite data are available.

Main properties with solar power generation equipment installed



Promotion of LED Lighting

DHR is promoting conversion to LED lighting at its properties, in an effort to reduce energy consumption.

Example of conversion to LED lighting

Conversion to LED lighting at D Project Tsuchiura

Estimated CO ₂ reduction	Estimated running cost reduction
-55.3% -165.7 tons/year	-63.6% -¥9,274 thousand/year

Energy

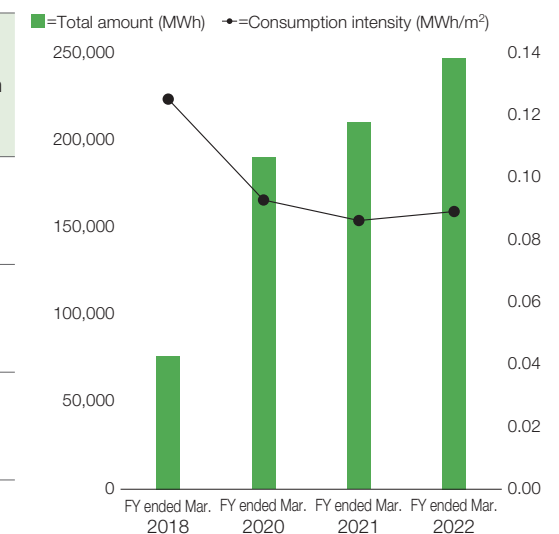
Energy Consumption

Target (KPI)

Index	Yearly target	Long-term target (10-year period from 2018 to 2027)
Energy consumption	Reduce consumption intensity by 1%	Reduce consumption intensity by 10%

Energy consumption

	Fiscal year ended March 2018 (Base year)	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Number of properties	143 properties	190 properties	201 properties	211 properties
Total amount (MWh)	76,440	190,299	209,212	247,383
Consumption intensity (MWh/m ²)	0.1253	0.0929	0.0859	0.0892
Reduction rate of intensity (%)	-	-25.9%	-31.5%	-28.8%



*1 **Aggregation period:** The aggregation period is from every April to the following March. Results are updated annually in principle.
 *2 **Calculation method:** Calculated using only DHR's properties for which the requisite data are available. Consumption intensity is calculated by dividing total electricity usage and CO₂ emissions by intensity denominator (gross floor area (m²)).
 *3 Except for certain ones, these figures are verified/assured by a third party based on International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

Introduction of Smart Meters

Smart meters* are installed at "Royal Parks Toyosu" and other properties.

*A smart meter is a next-generation watt-hour meter equipped with telecommunications functions for digitally measuring electricity. This provides a detailed grasp of patterns in power consumption data to analyze optimal consumption behavior using the aggregated data.

Energy Saving Measures

DHR is taking the measures at its properties in consideration of the environment as shown to the right.



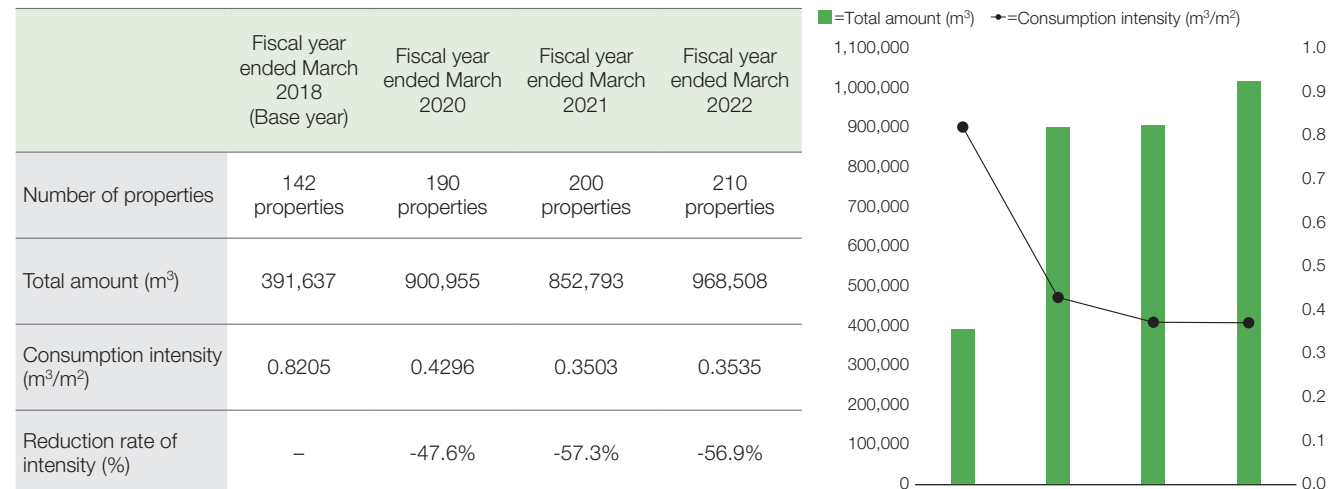
Water Consumption/Waste Management/Pollution Prevention

Water Consumption

Target (KPI)

Index	Yearly target	Long-term target (10-year period from 2018 to 2027)
Water consumption	-	Reduce consumption rate to the consumption intensity of fiscal year ended March 2018 (base year) or less

Water consumption



*1 Aggregation period: The aggregation period is from every April to the following March. Results are updated annually in principle.
*2 Calculation method: Calculated using only DHR's properties for which the requisite data are available.
*3 Except for certain ones, these figures are verified/assured by a third party based on International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

Effective Use of Rainwater, Groundwater, and Greywater

DHR reduces tap water use and the environmental impact of its owned properties by effectively using rainwater, groundwater, and greywater.

At "DPL Nagareyama I" and "DPL Misato," irrigation systems that use rainwater and automatic irrigation timers to conserve water and improve landscape management are installed.

The grounds around the "ACROSSMALL Shinkamagaya" is stable with plenty of good quality water. DHR implemented construction to switch from tap water to groundwater, which suppressed the tap water consumption by supplying water to the sports club with a pool and other such facilities.

At "Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)," greywater (used tap water reclaimed for reuse in sprinklers, toilets, and various other amenities before drainage into the sewer system) are used.

Adoption of Water Conservation Equipment

DHR is furthering the adoption of water conservation equipment at the time of renewal of facilities or equipment at its properties in an effort to reduce water consumption.

Water Stress

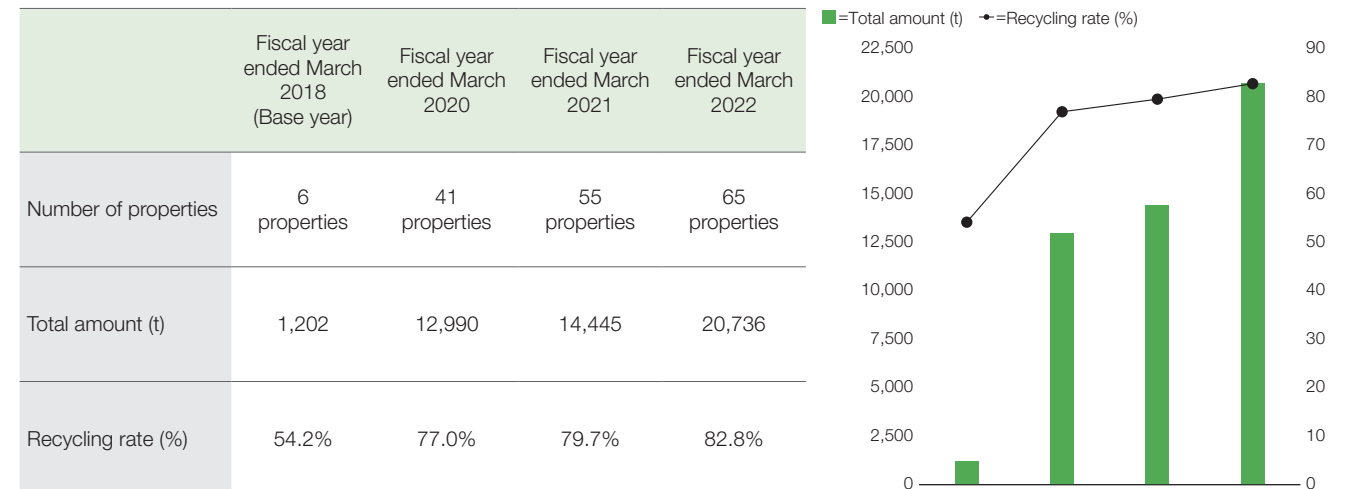
DHR does not own any properties in regions where the water stress is "high" or "extremely high."

Waste Management

Target (KPI)

Index	Yearly target	Long-term target (10-year period from 2018 to 2027)
Waste management	-	Improve recycling rate to the rate of fiscal year ended March 2018 (base year) or higher

Waste management (recycling rate)



*1 Aggregation period: The aggregation period is from every April to the following March. Results are updated annually in principle.
*2 Calculation method: Calculated using only DHR's properties for which the requisite data are available.
*3 Except for certain ones, these figures are verified/assured by a third party based on International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

Pollution Prevention

Before acquiring any property, DHR shall conduct detailed environmental due diligence on the matters listed below. During the due diligence process, DHR comprehensively assesses the property's investment value, weighing its impact on DHR's overall portfolio, contribution to expected increase in value and other relevant considerations while consulting a fair real-estate appraisal by a third party with sufficient skill and experience in due diligence studies.

- Soil and ground conditions, buried objects, soil contamination, etc.
- Status with respect to hazardous substances (asbestos, PCBs, etc.)

Furthermore, DHR maintains the proper processing and procedures in accordance with laws and regulations for any chemical substances present on its properties to strictly handle all chemical substances in the most thorough manner to ensure no leaks or emissions.

Soil Contamination Countermeasures

"FOLEO Ome Imai" was built on the land of a former electronic component production plant. Even though the soil contamination had been verified, construction work was conducted by properly excavating and removing the soil. DHR acquired the property after confirming that the topsoil survey for all specific hazardous chemicals after the construction work showed none of the substances were detected and all were in compliance with regulatory standards.

Biodiversity

Social Issues

In 2015, the United Nations Summit adopted the “2030 Agenda for Sustainable Development,” reaffirming the importance of conserving ecosystems. Roughly, 4.1 billion hectares of forest area, which accounts for approximately 31% of the land worldwide in 2020, has been gradually decreasing year by year ^(Note 1). That is why the use of sustainable timber while preventing deforestation is essential. The state of biodiversity and ecosystem services in Japan has been showing a long-term trend of loss and deterioration over the last 50 years ^(Note 2). In recent years, it is estimated that more than several million tons of plastic waste flows into the ocean annually worldwide ^(Note 3), and improper management of plastic waste is exacerbating marine pollution issues. Therefore, it is essential to reduce single-use plastics, which are the primary cause of marine pollution.

(Source) (Note 1) Annual Report on Forest and Forestry in Japan Fiscal Year 2020; (Note 2) Ministry of the Environment’s “2021 Report of Comprehensive Assessment of Biodiversity and Ecosystem Services in Japan”; (Note 3) Ministry of the Environment’s “Report on the State of Marine Plastic Litter”

Risks, Opportunities, and Responses

Any development business comes with the potential risks of losing business opportunities or incurring costs to revitalize that ecosystem if any loss of the ecosystem occurs in the region. In the long term, there are concerns that, if demand for timber, one of the materials handled by the Daiwa House Group, grows with a focus on legality and sustainability, there will be difficulties in the procurement of such timber. Therefore, based on the environmental and social standards outlined in the “Biodiversity Guidelines” [Timber Procurement] which is part of the Daiwa House Group’s “CSR Procurement Guidelines” for goods (construction materials, etc.) procured and delivered to DHR by suppliers, the Asset Manager works to promote the property management companies to use timber that includes (1) certified timber: timber certified by various agencies, (2) recycled timber: timber recycled from scarp construction materials, and (3) timber recommended by Daiwa House: timber determined to be above a certain level in 11 check items (three items on legality and eight items on sustainability) other than (1) and (2).

ZERO Deforestation* Policy

The Daiwa House Group will:

- procure timber from suppliers advocating a policy of zero deforestation;
- purchase from suppliers who handle timber with respect for human rights and safety of indigenous people and workers in the country of origin;
- purchase timber whose traceability can be verified; and
- expand the use of timber subject to the zero deforestation policy to plywood formwork panels, main equipment, fittings and wallpaper in addition to structural materials, base materials, batten cleats and flooring materials.

*ZERO Deforestation refers to:

(1) Timber not harming biodiversity due to clear cutting of natural forests, (2) timber planted using methods that do not damage high carbon stock (HCS) lands, and (3) 100% recycled timber

Promotion of Environmentally Friendly Tree Name Plates

DHR is using tree name plates for the properties it owns in the hope that tenants will feel closer to nature and nurture their planting with affection for many years.



Introduction of Biodiversity Protection Program

DHR is reducing the use of plastics by switching the location of provision of hair and tooth brushes from rooms to an amenities counter near the front desk at some of its hotels.

“QiZ GATE URAWA” is reducing plastic waste by using recycled trash bags made from used stretch films, which would be normally disposed of as trash, for the trash bags in common areas.

Monitoring System for Biodiversity

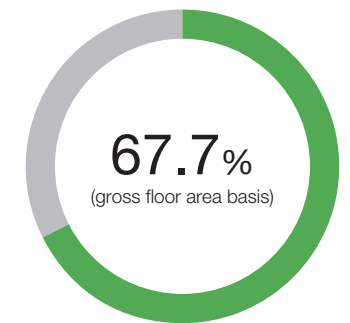
The Board of Directors of DHR and the Board of Directors of the Asset Manager have a system in place to receive reports on items related to biodiversity from the Sustainability Committee and monitor the situation.

Environmental Certifications

Environmental Certifications

To increase the objectivity and reliability of DHR’s initiatives in reducing the environmental burden of properties, DHR intends to increase medium- to long-term asset value and pursue the acquisition of third-party external certifications and evaluations. DHR’s acquisition rate of environmental certifications is as shown below. DHR plans to increase the percentage of properties with environmental certification (gross floor area basis) to 70% or more by the fiscal year ending March 2031.

▶ Percentage of properties that have obtained environmental certifications in the entire portfolio



Status of environmental certifications*1

	Number of certified properties	Number of portfolio properties*3	Percentage of certified properties (Based on number of properties)	Certified area (gross floor area*2)	Area in whole portfolio*3 (gross floor area*2)	Percentage of certified properties (gross floor area basis)
Total of properties that have obtained environmental certifications	54	223	24.2%	2,415,751.63 m ²	3,570,675.68 m ²	67.7%
DBJ Green Building	25	223	11.2%	1,348,556.95 m ²	3,570,675.68 m ²	37.8%
CASBEE for Real Estate	20	223	9.0%	1,255,574.36 m ²	3,570,675.68 m ²	35.2%
BELS	46	223	20.6%	2,061,635.40 m ²	3,570,675.68 m ²	57.7%
LEED	1	223	0.4%	120,229.08 m ²	3,570,675.68 m ²	3.4%

*1 The number of certifications is as of March 31, 2022.

*2 Total floor area is based on the floor area provided on the inspection certificate of each property.

*3 Excludes land properties.

*4 The percentage of properties that have obtained environmental certifications is rounded to the first decimal place.

Green Building Initiatives on Uncertified Properties

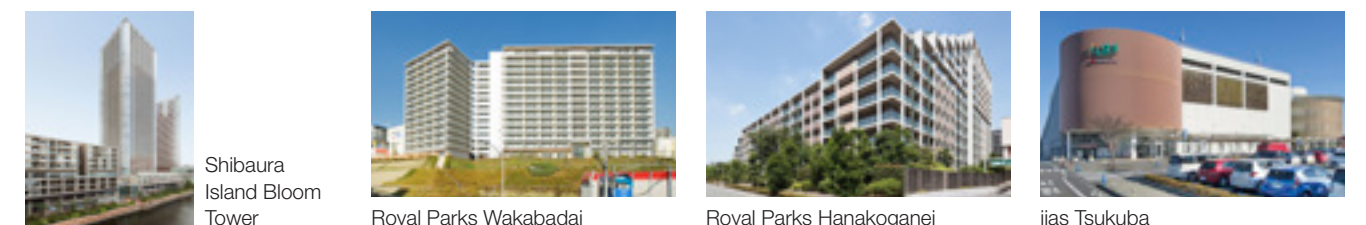
Through initiatives such as conversion to LED lighting and the introduction of energy-saving air conditioning and water saving equipment even on DHR’s properties without any environmental certifications, DHR works to reduce its environmental impact by promoting energy savings and proper sorting and disposal of waste.

DBJ Green Building Certification

DBJ Green Building certification is a certification system established by the Development Bank of Japan Inc. (DBJ) to support real estate that is environmentally and socially conscious (Green Building). It assesses and certifies properties that are required by society and the economy, based on a comprehensive assessment of environmental performance, disaster prevention, consideration of the community, and other actions taken for various stakeholders, and supports those efforts.



Main properties



Environmental Certifications

CASBEE for Real Estate Certification

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system for performing a comprehensive assessment of the overall environmental performance of buildings that is being developed and promoted in Japan under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism. CASBEE for Real Estate Certification is a system in which a third-party agency examines the CASBEE assessment of a building and certifies that it is accurate. The assessment is based on a four-scale system (S rating: ★★★★★ to B rating: ★★).



▶ Main properties



BELS Certification

Under the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Conservation Act), real estate companies are required to make an effort to display the energy saving performance of buildings. The Building-Housing Energy-efficiency Labeling System (BELS) is a five-scale system (★★★★★ to ★) in which a third-party agency assesses the energy-saving performance of a building based on the criteria established by the Ministry of Land, Infrastructure, Transport and Tourism.



▶ Main properties



ZEB Certification

Net Zero Energy Building (ZEB) refers to a building that is aimed to achieve zero primary energy expenditures in annual building consumption by working to save energy with improved heat insulation and high-efficiency equipment while maintaining a comfortable indoor environment and by creating energy using solar power generation and other renewable energies. As part of the BELS Certification System, ZEB assessments indicate the progress toward these goals with four different ratings: "ZEB" (highest rating), Nearly ZEB, ZEB Ready, and ZEB Oriented.



DHR promotes initiatives for its properties to acquire ZEB, including Nearly ZEB, ZEB Ready and ZEB Oriented. "D Project Noda," "D Project Yashio," "D Project Kakegawa," and "DPL Fukuoka Kasuya" acquired the ZEB Ready designation after their acquisition by DHR by converting to LED lighting.

Going forward, DHR will continue to promote ZEB initiatives.

▶ Main properties



LEED Certification

Leadership in Energy and Environmental Design (LEED) is a certification system developed and operated by the non-profit U.S. Green Building Council (USGBC) and examined for certification by a third party institution to assess the environmental performance of buildings and urban environments. The certification level is represented in four levels (Platinum, Gold, Silver, and Certified).

▶ Certified property



(As of March 31, 2022)

Status of Environmental Certifications for the Portfolio

■ Logistics properties
 ■ Residential properties
■ Retail properties
 ■ Hotel properties
■ Other assets

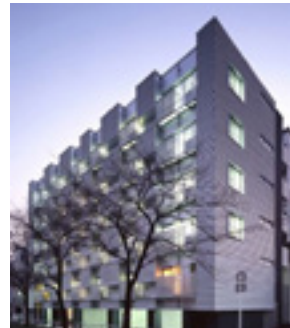
Property number	Property name	DBJ Green Building 2021	CASBEE	BELS	ZEB	LEED
LB-001	D Project Machida	★★★★	★★★★	★★★★★		
LB-002	D Project Hachioji		★★★★★	★		
LB-006	D Project Urayasu II		★★★★	★★		
LB-008	D Project Noda	★★	★★★★★	★★★★★ ZEB Ready		
LB-009	D Project Inuyama		★★★★	★★		
LB-011	D Project Neyagawa			★★		
LB-015	D Project Tsuchiura			★★★★		
LB-019	D Project Tosu			★		
LB-020	D Project Kuki I	★★★				
LB-021	D Project Kuki II	★★★★	★★★★	★★★★		
LB-025	D Project Fukuoka Hakozaiki			★★		
LB-026	D Project Kuki III			★★		
LB-027	D Project Kuki IV	★★★		★★★★		
LB-028	D Project Kuki V	★★★★	★★★★	★★★★★		
LB-029	D Project Kuki VI			★★★★		
LB-030	D Project Yashio		★★★★★	★★★★★ ZEB Ready		
LB-031	D Project Nishiyodogawa			★★		
LB-035	D Project Kawagoe III			★★		
LB-037	D Project Urayasu III	★★★		★★		
LB-038	D Project Tomisato	★★★		★★★		
LB-043	D Project Tatebayashi			★★★★		
LB-044	D Project Kakegawa	★★★	★★★★★	★★★★★ ZEB Ready		
LB-049	D Project Chibakita		★★★★★	★★★★★		
LB-050	D Project Matsudo II			★		
LB-051	D Project Tomisato II		★★★★★			
LB-053	D Project Sendai Izumi II	★★				
LB-054	D Project Kaminokawa			★★		
LB-056	D Project Tosu III			★★★		
LB-057	D Project Kitahachioji I			★★★★		
LB-059	D Project Kitahachioji III	★★		★★★		
LB-060	D Project Itabashi Shingashi	★★				
LB-062	D Project Kuki VIII			★★★★★		
LB-065	D Project Wako A		★★★★★	★★★		
LB-066	D Project Hiratsuka			★★★★★ ZEB Ready		
LM-001	DPL Misato	★★★★	★★★★★	★★★★★		
LM-002	DPL Fukuoka Kasuya	★★★	★★★★	★★★★★ ZEB Ready		
LM-004	DPL Nagareyama I	★★★★★	★★★★★	★★★★★ ZEB Ready		
LM-005	DPL Shin-Narashino			★★★		
LM-006	DPL Nagareyama III			★★★★★ "ZEB"		Certified
RE-043	Shibaura Island Bloom Tower	★★★★★				
RE-059	Castalia Tower Shinagawa Seaside			★★		
RE-081	Royal Parks Toyosu	★★★		★		
RE-094	Royal Parks SEASIR			★★		
RE-107	Royal Parks Hanakoganei	★★★★★		★		
RE-109	Royal Parks Wakabadai	★★★★★				
RE-110	Pacific Royal Court Minatomirai Urban Tower	★★★★★		★		
RE-138	Royal Parks Namba			★★		
RE-141	Castalia Ningyocho III			★★		
RM-001	ACROSSMALL Shinkamagaya	★★★	★★★★★			
RM-009	FOLEO Otsu Ichiryama	★★★★	★★★★★	★★★★★		
RM-012	ias Tsukuba	★★★★★	★★★★★	★★★		
HO-005	Candeo Hotels Nagasaki Shinchi Chinatown			★★★★		
OT-003	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	★★★	★★★★★			
OT-006	GRANODE Hiroshima	★★★★	★★★★★	★★		
Total		25 properties	20 properties	46 properties		1 property

Environment-friendly Initiatives

Specific Initiatives for Renovation

Efforts to increase attractiveness

Built in 1968, “Castalia Toritsudaigaku” is located in a popular residential area. Both the interior and exterior had become somewhat dilapidated, and its earthquake performance was designed according to the old standards. Most of the rooms were Japanese-style rooms as well, so they did not necessarily meet the needs of the tenants. Accordingly, in 2005, the floor plans were modified using the refinement method. Seismic retrofitting work was performed while leaving the existing frame in place, and the piping and housing equipment were completely replaced, making them more convenient and easy to use. With a bold and daring external design, the building was reborn as a rental property suited to modern lifestyles.



Castalia Toritsudaigaku

Environmental Certification Initiatives in Properties Developed by Sponsor

Daiwa House, the sponsor, has been promoting efforts to increase the percentage of its in-house developed properties with Green Building certification to 80% or higher in order to reduce their environmental impact. Progress is checked quarterly to improve these efforts. In particular, Daiwa House is enhancing its environmental efforts at large-scale properties by acquiring BELS and other certifications, primarily for logistics facilities that account for a large percentage of in-house developed properties.

Management of Multi-use Properties

Capitalizing on its status as a diversified REIT, DHR also owns multi-use properties. DHR believes multi-use properties help to reduce environmental burden and contribute to revitalizing neighborhoods and communities through such means as reducing travel distances between workplaces, shopping and other popular destinations.

Naha Shin-Toshin Center Building
(Daiwa Roynet Hotel Naha-Omoromachi)
(Office, hotel and retail property)



Environment-friendly Construction Work

At the large-scale residential property, “Royal Parks Hanakoganei,” DHR replaced the underutilized mechanical parking lot with a flat parking lot capable of accommodating electric vehicles. In addition to reducing maintenance costs, this also reduced energy consumption, including the electricity used by the mechanical parking system when loading and unloading vehicles and the gasoline used by idling vehicles. Moreover, the installation of charging stands for electric vehicles, the future spread of which is expected, contributes to convenience for tenants.



Acquisition of Environment-friendly Properties

The large-scale commercial complex “iias Tsukuba” was selected as an exceptional example in the “Commercial Facilities and Accommodations Category” of the “Energy-Efficient Lighting Design Awards 2012,” sponsored by the Ministry of the Environment, due to the work they underwent to change to LED lighting after opening in October 2008.

Reducing energy and maintenance with full-scale introduction of LED lighting

Switching to LED lighting for everything from the hallways and indoor parking lot to outdoor signs, work areas other than the sales floor, and the restrooms reduced power consumption by around 68% compared to the old fluorescent lighting. Compared to fluorescent and incandescent lighting, LED lighting gives off less heat, helping to suppress rising room temperatures, which also contributes to saving energy on air conditioning.

Furthermore, consideration is also given to the maintenance aspect by using the suitable LED lights in each place, such as adopting long-lasting kinds of LED lights in outdoor signs installed on the top of the buildings where changing lights is difficult.

Lighting design conscious of the brightness of the space

Warm white lights are used for indoor lighting to produce a warm and relaxed atmosphere. Furthermore, our lighting design realizes energy conservation while ensuring brightness and safety by reconsidering illuminance levels for interior walkways and giving consideration to light leakage from shops and shop sign illumination.

These lighting designs create pleasant shopping spaces while making each shop’s display stand out. As a result, they provide a high level of satisfaction not only for customers but also for each shop.



Hallways with LED lighting

About the “Energy-Efficient Lighting Design Awards”

Sponsored by the Ministry of the Environment, this award aims to spread “new energy-efficient lighting designs” that create attractive spaces while achieving excellent energy saving results, and to contribute to limiting peak demand of power consumption. The evaluation covers: (1) the results of installing energy saving lighting; (2) design, innovation, creativity, and comfort; (3) reproducibility, ability to contribute to the region, and autonomy as a model and (4) practicality, economic efficiency, etc. Furthermore, installation of solar power generation facilities and wall greening took place at this property. Going forward, DHR is promoting acquisition of environment-friendly properties.



Solar power generation equipment

Energy generation and energy saving equipment installations

DHR installs solar power generation systems as well as hybrid solar and wind power generation systems in addition to adopting ice storage air-conditioning systems that utilize midnight power.

Reduction of Truck Waiting Time With Introduction of Truck Berth Reservation System

Daiwa House, the sponsor, was the first* in the logistics developer industry to introduce an online system for truck drivers and transportation companies to reserve truck berths at all its logistics facilities. This made it easier for tenant companies in the logistics facilities developed by Daiwa House to make plans for in-facility work and movement of goods, improved the operational efficiency of the facilities, and reduced the environmental impact by shortening waiting time of trucks. We provide new services to our tenant shippers at our logistics facilities that incorporate the state-of-the-art technology. *Daiwa House survey

Green Finance

The Daiwa House Group's basic approach is "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the group aims to build trust relationships with stakeholders and contribute to society through its businesses, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts."

DHR shares the basic stance of the Daiwa House Group and engages in Green Finance to further promote real estate investment management that considers ESG.

Green Finance Framework

Third-party evaluation

DHR has obtained a rating of "Green 1 (F)" for our Green Finance Framework. This is the highest rating offered in JCR Green Finance Framework Evaluations conducted by the third party, Japan Credit Rating Agency, Ltd. (JCR).

For details on this evaluation, see the JCR website at <https://www.jcr.co.jp/en/greenfinance/>

Eligibility criteria

Funds procured through Green Bonds or Green Loans are applied to the acquisition of eligible green assets that meet the eligibility criteria below, refinancing of those funds or funding or refinancing renovation work.

1. Eligible green assets

Properties that have received or will receive one of the following four third-party certifications:

- (1) DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
- (2) CASBEE for Real Estate Certification: B+ rating to S rating
- (3) BELS Certification: 3 Stars, 4 Stars or 5 Stars
- (4) LEED Certification: Silver, Gold or Platinum

2. Renovation work

Renovation work that can reduce energy consumption, CO₂ emissions or water usage by 30% or more

Management of financing

The eligible green debt amount is calculated by multiplying the sum of the total acquisition price of eligible green assets and the total amount of renovation work that meets the eligibility criterion 2 (total amount of eligible green assets) by the interest-bearing debt to total assets ratio (LTV) as of the end of the most recent fiscal period. This is the maximum amount for Green Finance.

Period	Fiscal period ended February 28, 2022
Total amount of eligible green assets (millions of yen)	289,831
LTV	42.2%
Eligible green debt amount (millions of yen)	122,308

Reporting

Reporting on status of fund allocation

	Balance (millions of yen)
Green Finance	25,500
Green Bonds	15,000
Green Loans	10,500

*Balance as of February 28, 2022.

The following table provides information about DHR's status of fund allocation regarding Green Finance.

Green Bonds

Name	Outstanding issue (millions of yen)	Interest rate	Issue date	Maturity	Unallocated amount (millions of yen)	Third-party evaluation
9th Unsecured Investment Corporation Bonds	6,000	0.53%	November 25, 2019	November 22, 2029	–	JCR Green Bond Evaluation "Green 1"
10th Unsecured Investment Corporation Bonds	2,400	0.34%	May 27, 2020	May 27, 2025	–	JCR Green Bond Evaluation "Green 1"
11th Unsecured Investment Corporation Bonds	1,600	0.64%	May 27, 2020	May 27, 2030	–	JCR Green Bond Evaluation "Green 1"
12th Unsecured Investment Corporation Bonds	1,000	1.00%	May 27, 2020	May 25, 2040	–	JCR Green Bond Evaluation "Green 1"
14th Unsecured Investment Corporation Bonds	4,000	0.50%	April 15, 2021	April 15, 2031	–	JCR Green Bond Evaluation "Green 1"

Green Loans

Lender	Loans executed and outstanding (millions of yen)	Interest rate	Borrowing date	Repayment date	Unallocated amount (millions of yen)	Third-party evaluation
Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. Mizuho Bank, Ltd. The Development Bank of Japan Inc. Mizuho Trust & Banking Co., Ltd. Shinsei Bank, Limited The Yamanashi Chuo Bank, Ltd. Kansai Mirai Bank, Limited Shinkin Central Bank The Bank of Kyoto, Ltd. The Yamaguchi Bank, Ltd.	10,500	0.56419%	September 3, 2021	August 29, 2031	–	JCR Green Loan Evaluation "Green 1"

Impact reporting

DHR will annually disclose the following indicators on its website for as long as the funds procured through green finance are outstanding.

Number and type of environmental certifications of portfolio assets

See page 43 for details.

Water consumption

Electric power consumption (energy consumption)

CO₂ emissions (GHG emissions)

See pages 37, 39 and 40 for details.

Sustainability Finance

The Daiwa House Group's basic approach is "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the group aims to build trust relationships with stakeholders and contribute to society through its businesses, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts."

DHR shares the basic stance of the Daiwa House Group and engages in Sustainability Finance to further promote real estate investment management that considers ESG.

Sustainability Finance Framework

▶ Third-party evaluation

DHR has obtained a rating of "SU1" for our Sustainability Finance Framework. This is the highest rating offered in JCR Sustainability Finance Framework Evaluations conducted by the third party, Japan Credit Rating Agency, Ltd. (JCR).

For details on this evaluation, see the JCR website at: <https://www.jcr.co.jp/en/greenfinance/>

▶ Sustainability eligibility criteria

Funds procured through Sustainability Bonds or Sustainability Loans are applied to the acquisition of eligible sustainability assets that meet the sustainable eligibility criteria below or refinancing of those funds.

Sustainability eligibility criteria

· Properties that satisfy the following green eligibility criteria and social eligibility criteria

1. Green eligibility criteria

Properties that have received or will receive one of the following four third-party certifications:

- (1) DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
- (2) CASBEE for Real Estate Certification: B+ rating to S rating
- (3) BELS Certification: 3 Stars, 4 Stars or 5 Stars
- (4) LEED Certification: Silver, Gold or Platinum

2. Social eligibility criteria

New and existing properties that have satisfied two or more of the following four standards (however, this does not apply to facilities for senior citizens and other properties with high social value)

- (1) Local disaster prevention and resilience
A property that has functions of providing an evacuation shelter for people afflicted by a disaster in the event of a disaster, disaster supplies and emergency power as well as water services and other lifelines to local residents afflicted by a disaster, by concluding an agreement with the local government or registering to help in the disaster.
- (2) Care and medical services for senior citizens and people with disabilities
A property with tenants such as housing for senior citizens as well as nursing homes, medical facilities, which contributes to offering healthy and cultured lifestyles to nearby residents. This also includes barrier-free facilities.
- (3) Support for child rearing
A property with tenants such as a nursery school or other childcare facility to help promote social welfare activities of nearby residents.
- (4) Job creation for projects to help resolve local social issues
A property prioritizing employment of nearby residents as employees of facilities. Alternatively, a property that is creating jobs for the entire region by investing in facilities developed by the area as a whole with the aim of bringing greater prosperity to local communities.

▶ Management of financing

The eligible sustainability debt amount is calculated by multiplying the sum of the total acquisition price of eligible sustainability assets by the interest-bearing debt to total assets ratio (LTV) as of the end of the most recent fiscal period. This is the maximum procurement amount for Sustainability Finance.

Period	Fiscal period ended February 28, 2022
Total amount of sustainability eligible assets (millions of yen)	110,870
LTV	42.2%
Eligible sustainability debt amount (millions of yen)	46,787

Reporting

▶ Reporting on status of fund allocation

	Balance (millions of yen)
Sustainability Finance	4,000
Sustainability Bonds	4,000
Sustainability Loans	-

*Balance as of February 28, 2022.

The following table provides information about DHR's status of fund allocation regarding Sustainability Finance.

Sustainability Bonds

Name	Outstanding issue (millions of yen)	Interest rate	Issue date	Maturity	Unallocated amount (millions of yen)	Third-party evaluation
15th Unsecured Investment Corporation Bonds	3,000	0.40%	November 11, 2021	November 17, 2031	-	JCR Sustainability Bond Evaluation "SU1"
16th Unsecured Investment Corporation Bonds	1,000	0.66%	November 11, 2021	November 17, 2036	-	JCR Sustainability Bond Evaluation "SU1"

▶ Impact reporting

DHR will annually disclose the following indicators on its website for as long as the funds procured through sustainability finance are outstanding.

1. Environment improvement effect

- Number and type of environmental certifications of acquired assets
 - Specific consumption
 - Water usage (water consumption)
 - Power usage (energy consumption)
 - CO₂ emissions (GHG emissions)
- See pages 37, 39, 40 and 43 for details.

2. Social benefit

(1) Output index

Index	Total number of indices
Number of sustainability eligible assets	5

(2) Outcome index

	Index	Total number of indices
(i) Local disaster prevention and resilience	Number of properties that have concluded disaster prevention agreements with local governments, etc.	3
	Number of properties that provide an evacuation shelter in the event of a disaster	2
	Number of other properties contributing to local disaster prevention	3
(ii) Care and medical services for senior citizens and people with disabilities	Number of units available at facilities for senior citizens	156
	Number of medical facility tenants	11
(iii) Support for child rearing	Number of children acceptable at certified childcare facilities	19
(iv) Job creation for projects to help resolve local social issues	Employment status of local residents at applicable facilities	1

(3) Impact

- Co-creation of value for individuals, communities and people's lifestyles by revitalizing local environments and building safe and secure local communities

Developing Human Resources

Policy on and Approach to Human Resources Development

As stated in its Company Philosophy (Corporate Creed), the Daiwa House Group aims to “develop people through business.” We believe that human resources are the group’s greatest assets. To take advantage of the abilities and unique talents of our employees and develop human resources capable of contributing to society, we implement various training and programs that combine on-the-job and off-the-job training.

Initiatives for Officers and Employees

The Asset Manager sets up an internal program to promote sustainability and endeavors to develop its human resources by regularly conducting education and training sessions for officers and employees. Additionally, it aims to create workplaces where a diverse group of officers and employees can work safely, healthily and flexibly.

New Employee Training Program

To help new employees acquire operational knowledge as quickly as possible, the Asset Manager provides training on the following topics:

- Explanation of the operations of each department
- Compliance
- Insider trading regulations
- Human rights
- System-related risks
- Email use
- Etiquette
- Disaster prevention/crisis management
- CSR
- Basic knowledge related to buildings
- Basic knowledge related to J-REIT, etc.

Training on Operational Expertise

The Asset Manager provides training on the topics below to officers and employees (including fixed-term employees, temporary employees and part-time employees), by also utilizing training conducted by external experts.

Item	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Sustainability training	1 time	1 time	1 time	1 time	1 time
Training for general managers and above	0 times	0 times	1 time	0 times	0 times
Training for senior managers and group leaders	0 times	0 times	1 time	0 times	0 times
Real estate market training	4 times	5 times	5 times	5 times	4 times
New employee training	5 times	3 times	4 times	5 times	4 times
Other training	3 times	4 times	4 times	18 times	1 time
Architectural training	18 times	0 times	0 times	20 times	0 times

Violations/Accidents by officers and Employees

There were no significant violations committed by or accidents involving the Asset Manager’s officers and employees that would influence stakeholders. (Fiscal year ended March 2022)

Target Management and Performance Evaluation Program

The Asset Manager has introduced and implemented a target management and performance evaluation program semiannually to (1) foster communication between superiors and subordinates, (2) strengthen human resource development, (3) increase motivation with respect to roles and results (performance), and (4) clarify evaluation criteria and gain better understanding of evaluations. Employee performance evaluations are determined by evaluation of performance benchmarked against individualized targets, evaluation of skills/conduct and a compliance evaluation. The issues for improvement are shared through the performance review and follow-up interviews. Additionally, “ESG initiatives in response to societal demands” was added as a performance evaluation criterion from the second half of fiscal year ended March 2019.

Self-Assessment Interview Program

Interviews about target management and performance evaluations conducted by the Asset Manager tend to focus on short-term challenges, such as how targets will be achieved for the current period. Therefore, DHR has introduced and implemented a self-assessment interview program for all employees (excluding executive officers, compliance officers, general managers, and fixed-term employees) once a year for the purpose of creating opportunities as a company to understand the long-term career vision toward the future or the hope and intentions of each employee about particular work that they want to experience, which can then be reflected in the treatment, assignments and development of the employee as well as workplace improvements and other human resource policies. These interviews focus on topics other than work targets, such as career visions, health, stress, and any concerns an employee might have. It also confirms the intentions for the future of each employee, such as future work that they would like to experience and where they would like to be in that future.

Support for Operational Skills Development and Training

The Asset Manager has established a system for providing funding for the registration and renewal of professional qualifications and a system for providing congratulatory payments for acquiring professional qualifications to encourage the acquisition of knowledge, qualifications, and licenses. The purpose is to increase the motivation of all employees (including fixed-term employees, temporary employees, and part-time employees) with respect to self-development, improve their abilities and talents, continuously and steadily secure human resources with the specialized skills necessary to contribute to the achievement of business objectives, and assess the environmental friendliness of DHR’s properties.

Benefits and Welfare

The Daiwa House Group recognizes the importance of promoting good health among its workforce and thereby improving labor productivity through consistent measures to eliminate excessively long working hours and help employees manage their health. Based on such recognition, the Asset Manager has introduced employee leave/vacation programs such as the ones to the right, in addition to celebratory event leave, bereavement leave, maternity/paternity leave, parental leave*, child caregiving leave and elder caregiving leave* for all employees.

*Contract workers can also take advantage of these programs.

Number of the Asset Manager’s employees with qualifications (Total of 72 officers and employees as of March 31, 2022)

Item	Number of people with qualifications (*)
ARES (Association for Real Estate Securitization) Certified Master	28
Real Estate Transaction Agent	66
Real Estate Appraiser	2
First-Class Architect	2
Certified Real Estate Consulting Master	7
Office Building Manager	9
TOEIC score of 700+	9
CASBEE Accredited Professional for Buildings	2
CASBEE Accredited Professional for Real Estate	3

*Includes personnel who have passed the credentialing exam but are not yet credentialed.

Item	Overview
Special paid vacation	Up to five days per year separately from annual paid vacation to promote employees’ health, etc.
Accumulated paid vacation	Unused annual paid vacation days accumulate up to 20 days per year to a maximum of 100 days. Employees may use their accumulated paid vacation days as personal injury/sick leave, maternity/paternity leave, family caregiving leave or community co-creation leave
Family caregiving leave	Five days per year to care for ill family members (paid leave)
Community co-creation leave	Five days per year to participate in activities that contribute to society, training for such activities, etc. (paid leave)

Developing Human Resources

Introduction of Cumulative Investment Unit Investment Program

In December 2013, the Asset Manager introduced a cumulative investment unit investment program in the aim of increasing the price of DHR investment units and further improving growth of DHR and medium- to long-term investor value by having officers and employees of the Asset Manager (including fixed-term employees) pay close attention to investment unit prices of DHR and raising their awareness of performance.

Introduction of Investment Unit Ownership Program

In November 2019, the Asset Manager introduced an investment unit ownership program of DHR for its officers and employees (including fixed-term employees) in response to the Japan Securities Dealers Association's issuance of guidelines on investment unit ownership programs in May 2018.

*Daiwa House introduced an investment unit ownership program of DHR for its officers in November 2018 and for its employees in June 2020.

Office Environment Improvement

Seeking to provide a pleasant workplace environment for all officers and employees, the Asset Manager have introduced and installed the following:

- Telecommuting system
- Lending of laptop computers, mobile routers, and displays to employees and officers
- System for choosing working hours
- Multiple large air purifiers and humidifiers
- Large monitors in each conference room

Human Resources Dispatched from Sponsor

DHR and the Asset Manager have entered into a basic agreement regarding new pipeline support, etc. with Daiwa House, and the Asset Manager has continuously received from Daiwa House human resources with a wealth of experience in areas such as real estate sales transactions, leasing, property management, finance and IT system operations.

Graduate School Education and Practical Training Programs

As an initiative at universities for occupational and career training, Daiwa House Group has been deploying employees since the fiscal year ended March 2008 to teach about 120 second year law students about "the law alive in society" at a university in Kyoto City, Kyoto Prefecture, which invites professional instructors from companies, governments and municipal offices as well as other organizations to teach as visiting instructors. The employees participating in this program give lectures on work ethic as a student, work ethic after joining a company (career history, work content, and the necessary skills for a job), and skills earned by studying the law (skills beneficial as a corporate professional) in a course incorporating practical experience. These students rave about this course every time it is held.

Diversity and Inclusion

Sustainability Survey for Employees

The Asset Manager recognizes human resources as its greatest asset and participates in the Sustainability Survey (formerly CSR Awareness Survey) conducted by the Daiwa House Group* every year to verify how well the Principles of Corporate Ethics and Code of Conduct are being practiced in the workplace and the employment satisfaction level (100% response rate).

*Surveys and analyses are outsourced to third-party institutions.

eNPS Surveys and Satisfaction Evaluations

The Asset Manager conducts eNPS* surveys and satisfaction evaluations through third-party organizations for officers and employees, including fixed-term, temporary, and part-time employees. The Asset Manager explains the survey results to officers and employees (including fixed-term, temporary, and part-time employees), gives feedback, and encourages them to build a better workplace environment.

*The Employee Net Promoter Score is an index for visualizing the loyalty of employees. This index evaluates eleven levels of employee loyalty through the survey question asking, "How likely are you to recommend our organization to your family, friends, or other acquaintances who want to find or change jobs in the same industry as your company? Please answer by assuming that you have friends or other acquaintances who want to find or change jobs in the industry that you are working in."

Establishment of Health Committee

The Asset Manager has established a Health Committee that meets monthly to exchange opinions on the workplace environment and learn about health with the industrial physician in order to prevent health problems among officers and employees and maintain and promote their health.

In addition, stress checks are conducted once a year for the purpose of preventing mental disorders.

Promotion of Active Participation by Senior Citizens

The Asset Manager promotes a system of re-hiring employees 60 years of age and older and is working toward the succession of expertise and the development of future generations by employing persons with expert knowledge for the long term.

Personnel Data

Item	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Total personnel *1	59	61	60	59	64
Male personnel / percentage of total	44 / 74.6%	43 / 70.5%	42 / 70.0%	40 / 67.8%	30 / 60.9%
Female personnel / percentage of total	15 / 25.4%	18 / 29.5%	18 / 30.0%	19 / 32.2%	25 / 39.1%
Manager *1 *2	24	21	22	27	28
Male personnel / percentage of total	24 / 100.0%	21 / 100.0%	21 / 95.5%	24 / 88.9%	23 / 82.1%
Female personnel / percentage of total	0 / 0.0%	0 / 0.0%	1 / 4.5%	3 / 11.1%	5 / 17.9%
New hires	8	2	2	13 *5	5 *5
Male personnel / percentage of total	4 / 50 %	1 / 50 %	2 / 100 %	4 / 31 %	5 / 100 %
Female personnel / percentage of total	4 / 50 %	1 / 50 %	0 / 0 %	9 / 69 %	0 / 0 %
Job leavers	0	1	7	2	2
Turnover *3	0.0%	1.6%	11.7%	3.4%	3.1%
Monthly average overtime hours	13.7 hours	12.0 hours	12.8 hours	13.6 hours	15.4 hours
Average tenure	4.2 years	4.2 years	4.8 years	5.1 years	5.0 years
Male personnel	4.4 years	4.2 years	4.8 years	5.2 years	5.4 years
Female personnel	3.7 years	4.0 years	4.8 years	4.7 years	4.3 years
Percentage of personnel who had stress checks	100.0%	100.0%	100.0%	100.0%	100.0 %
Number of employees who took parental leave / number of employees who returned to work	0 / 0	0 / 0	1 / 1	3 / 1	3 / 2
Male personnel	0 / 0	0 / 0	1 / 1	1 / 1	0 / 0
Female personnel	0 / 0	0 / 0	0 / 0	2 / 0	3 / 2
Return rate	0.0%	0.0%	0.0%	33.3%	66.7%
M&As	0	0	0	0	0
Employee lay offs	0	0	0	0	0
Number of employees who took elder caregiving leave	0	0	0	0	0
Number of employees aged 60 and older	0	0	0	1	1
Number of employees who are foreign nationals	0	0	0	0	0
Number of employees belonging to ethnic minorities	0	0	0	0	0
Number of employees with disabilities	0	0	0	0	0
Average days of annual paid vacation taken / paid vacation usage rate	12.2 days / 68.1%	12.7 days / 68.6%	12.5 days / 66.3%	13.1 days / 71.7%	13.1 days / 71.3%
Percentage of personnel who had health checkup	100.0%	100.0%	100.0%	100.0%	100.0%
Occupational accident frequency rate *4	0.0%	0.0%	0.0%	0.0%	0.0%

*1 Headcounts are as of April 1 of each fiscal year. *2 Senior manager and above. *3 Turnover is the ratio of job leavers to total personnel as of April 1 of each fiscal year.

*4 Occupational accident frequency rate = (occupational injuries/fatalities ÷ total actual hours worked) × 1,000,000 *5 This figure includes a new graduate hired as an employee.

Human Rights

Human Rights Policy and Approach

The Daiwa House Group Principles of Corporate Ethics stipulate “We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, sexual identity, disability, age, creed, or social status.” In January 2018, the group established the Human Rights Policy of Daiwa House Group with understanding the corporate responsibility of respecting human rights as set forth in the UN Guiding Principles on Business and Human Rights. After receiving advice from outside experts, this policy was established by resolution of the Daiwa House Board of Directors in December 2017.

Human Rights Policy of Daiwa House Group

Enacted on January 1, 2018

The Daiwa House Group co-exists with society through its business and co-exists with the people living in society through its products and services. We will continue to carry ourselves with this “co-creation and co-existence” approach and believe it is imperative to build an honest relationship with society. The Human Rights Policy of the Daiwa House Group (hereinafter referred to as the “Policy”) expresses our commitment to the respect of human rights based on this concept, which complements the Daiwa House Group’s CSR Guidelines, the Principles of Corporate Ethics and the Code of Conduct.

Our Commitment to the Respect for Human Rights

As a group that co-creates value for individuals, communities and people’s lifestyles, the Daiwa House Group will contribute to the realization of a society built on the respect for human rights through its businesses.

Compliance with the Laws and Norms Pertaining to Human Right

The Daiwa House Group supports and respects the international norms on human rights, including the “International Bill of Human Rights*,” which stipulates the fundamental human rights that all people in the world should enjoy, as well as the “ILO Declaration on Fundamental Principles and Rights at Work” of the International Labour Organization (ILO), which stipulates fundamental rights at work. Furthermore, in accordance with the “Guiding Principles on Business and Human Rights” of the United Nations, we shall strive to discharge our responsibility on the respect for human rights through our response to negative impacts against human rights that may occur in our business operations and transactions.

Daiwa House Group shall observe the laws of each country and region in which we operate our business activities. Whenever there is a contradiction between the laws of such country and region and the human rights as recognized internationally, we shall pursue the way to respect the international principles of human rights, while observing the local laws.

This policy applies to all officers and employees of the Daiwa House Group (including Daiwa House and its consolidated subsidiary, the Asset Manager). We also expect our business partners and other related parties to observe the Policy while working with Daiwa House Group.

* The Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights

Approach on the Promotion of Respect for Human Rights

Continuous Execution of Due Diligence on Human Rights

Daiwa House Group shall continuously pursue our commitment to the respect for human rights, based on the “Guiding Principles on Business and Human Rights” of the United Nations, by incorporating the due diligence on human rights in our business activities as their essential process.

As such, whenever we discover that Daiwa House Group directly caused negative impact on human rights, or indirectly became involved therein, we shall adequately undertake the remedial and correctional actions through appropriate procedures in and out of the company. As to the effects of our undertaking, we shall continuously review the same and announce them.

Daiwa House Group shall be executing the due diligence on human rights by utilizing the formats based on each of the existing policies and guidelines regarding our business activities, and shall respect the human rights of stakeholders.

[Respect for Human Rights of our Customers]

Daiwa House Group is providing buildings and a variety of merchandise. Buildings are the ones to protect people’s life, health, assets and comfortable living, and it is our duty to provide safe and secure buildings.

Therefore, we strive to provide conforming articles by performing strict quality control for the safety of our merchandise. We also shall not engage in any discrimination in our sales activities and business operations, nor any conduct to facilitate discrimination. We shall cultivate a better understanding through dialogues with our customers and reflect this understanding in improvement of our merchandise, services and communications.

[Respect for Human Rights of our Employees]

Daiwa House Group shall always aim to be a company where everyone can work with high motivation, with his/her human rights respected, by stipulating the prohibition of discrimination, respect for diversity, and safe labor environment in the various policies and code of conduct about employees, and thereby realizing the responsible labor practice.

[Respect for Human Rights of our Business Partners]

Daiwa House Group considers trading counterparts such as suppliers and construction companies as our important business partners, and respects the rights of workers. We shall also require our business partners to respect the human rights of those who are influenced in the supply chains, and not to infringe upon the rights.

[Respect for Human Rights of the People in the Community]

Daiwa House Group shall engage in business activities towards the realization of the society that respects human rights, with the understanding that the company itself can contribute as a member thereof, and shall aim at coexistence with the local community. In addition, beyond ourselves, when our business partners should cause negative impacts on the human rights of the people of the local community, we shall require these partners to respect human rights and not to infringe upon them, by properly mobilizing the influence that our Group has.

Dialogue and Consultation with Stakeholders

Daiwa House Group shall strive to have dialogues and consultations with the stakeholders so as to understand the influence that our business activities may bear upon human rights from the viewpoint of those affected and to address and improve it. Furthermore, by setting up a channel through which various stakeholders can consult and report, we shall try to grasp the negative impacts on human rights.

Education

Daiwa House Group shall be conducting adequate education and training so that all relevant parties involved in the business activities understand this Policy and human rights are respected to good effect throughout our business activities.

Report

Daiwa House Group will report on its efforts to ensure respect for human rights on its website and in its Sustainability Report.

Training Program

Daiwa House Group establishes every April a policy on human rights educational activities in the name of the Daiwa House president. All employees of the Daiwa House Group are required to participate in at least one training session per year so that each employee is able to engage in business activities with respect for the dignity and basic human rights of various stakeholders.

Human Rights

Hotline

Since 2004, the Daiwa House Group has been operating a hotline for in-house whistleblowing and consultation, while implementing regulations to protect whistleblowers (current Daiwa House Group Internal Reporting Regulations). The hotline is available and the regulations are applicable to all group employees regardless of their type of employment. In 2020, the service was renamed the “Corporate Ethics and Human Rights Hotline.” The hotline accepts not only reports of suspected or confirmed cases of breach but also reports of, and request for help and advice on, a variety of workplace- or human rights-related problems, thereby contributing to early detection and resolution of such problems. In the process of working toward resolution, whistleblowing is accepted under anonymity. In the factual confirmation and investigation, privacy of not only the consulter but also employee(s) in question and third parties who cooperate in the investigation is respected. Along with such actions, hearings are held with the parties involved under strict confidentiality, and appropriate measures are taken to prevent recurrence. Once the problem has been resolved, a follow-up investigation is carried out to ensure, in some cases, that the reporter will not be subject to retaliatory treatment or that improvements have been made, thus always protecting hotline users.

As measures for recurrence prevention, information is shared among related worksites and departments via the persons in charge of the hotline at worksites to raise general awareness of the risks. Training programs are also organized to draw attention to such issues. In addition, points of contact for consultation for group employees have been put in place at the Sustainability Planning, Legal, and Human Resources Departments of Daiwa House, facilitating the detection of legal irregularities, violations of human rights, workplace problems, and the like. Several contact points are available within the company to lower the psychological barrier that employees may feel about reporting or seeking advice, thus easing the way for them to reach out at an early stage.

In addition, as with the Corporate Ethics and Human Rights Hotline, we accept issues relating to human rights via the Partners Hotline, which is a whistleblowing system for reports from business partners concerning the relationship between Daiwa House Group employees and business partners.

	Fiscal year ended March 2021	Fiscal year ended March 2022
Number of reports and corrective action taken at the Asset Manager (cases)	0	0

Response to Harassment, etc.

In the internal regulations of the Compliance Manual, the Asset Manager states that every officer and employee shall respect human rights and individuality and shall never discriminate based on nationality, gender, origin, religion, creed, health, physical traits, or for any other reason or engage in any action which can be construed as sexual, power, or any other form of harassment.

A consultation desk to handle any inquires or claims about harassment has been set up under the supervision of the General Manager of the Administration and Accounting Department with one male and one female staff member appointed as persons in charge of this consultation desk. Any employee, not limited to victims of harassment, can consult or submit a claim to the person in charge of this consultation desk if there is a risk of harassment. The person in charge of the consultation desk will confirm the factual nature of the information and report the incident to the General Manager of the Administration and Accounting Department and the Compliance Officer. The Asset Manager (General Manager of the Administration and Accounting Department) shall take necessary measures to improve the working conditions and environment for the victim, such as transferring the aggressor, in addition to disciplinary action to adequately prevent the recurrence of such harassment through awareness-raising and training on harassment, identifying the causes of the incident and addressing them to prevent any such harassment from happening again. Additionally, the persons in charge of this consultation desk should protect the privacy of all related parties when responding to a consultation or claim and never disadvantage anyone for reasons such as consulting or cooperating in confirming the factual nature of the incident.

Response to Human Rights

The Asset Manager further solidified this commitment by signing on to the United Nations Global Compact, which states “the elimination of all forms of forced and compulsory labour,” “the effective abolition of child labour” and “the elimination of discrimination in respect of employment and occupation” as part of its principles.

The Asset Manager also conducts regular training on human rights with the aim to realize a workplace and society free of discrimination where diverse human resources can play an active role by gaining a better understanding of minority issues, such as those related to sexual minorities (LGBT), persons with disabilities, foreign labor, and the Buraku issue. (Training results for the fiscal year ended March 2022: 1 time)

Relevant training

	Fiscal year ended March 2021		Fiscal year ended March 2022	
	Times held (days)	Total hours/person	Times held (days)	Total hours/person
Training on human rights and diversity	1	0.5	1	0.75
Training on bullying and harassment	0	0	0	0

Number of reports about labor-related issues, discrimination, harassment, etc.

Fiscal year ended March 2021	Fiscal year ended March 2022
0	0

Labor Standards

Labor/Management Relations

The Asset Manager has not yet organized a labor union but does recognize the constitutional right of every employee to have “freedom of association.” DHR has also signed and made a commitment to adhering to the United Nations Global Compact, one of whose principles is “the freedom of association and the effective recognition of the right to collective bargaining.”

Labor-management relations at the Asset Manager have been harmonious, and there have been no large-scale mergers, acquisitions, or layoffs in the past three years.

In addition, the Asset Manager has entered into a labor-management agreement on overtime work (36 Agreement) with its employees, and striven to maintain the health of its employees by appropriately managing working hours.

Overwork

The Asset Manager conducts mandatory health examinations through industrial physicians for anyone who works more than 80 hours of overtime per month.

Payment of Wages Above Minimum Wage and Equal Pay for Equal Work

The Asset Manager pays wages above the minimum wage provided for in laws and regulations and a wage that contributes to improving the standard of living by taking into account the commodity prices. Our compensation system also maintains equal pay for equal work and ensures no wage gap between genders.

The Asset Manager has established an evaluation-linked monetary compensation system by post classification and conducted appropriate assessments of performance. Bonuses are paid twice a year in the summer and the winter, and the amount is determined according to work performance. In the fiscal year ended March 2022, the average annual salary paid by the Asset Manager was ¥9,717 thousand*.

*Average for full-time employees not including officers, fixed-term employees or employees on external assignment

Establishment of Consultation Desk for Sexual Minorities (LGBT)

In order to create social value through its businesses, the Daiwa House Group operates based on “respect for human rights” of all stakeholders, including its employees, customers and business partners, with the goal of sustainable management that can continually realize diversity and inclusion.

To create an environment where diversified talented people can demonstrate their abilities by drawing on their individuality, we have established an external contact point to which all the officers and employees of the Daiwa House Group, including staffers, fixed-term employees, contract workers, and part-time employees, can contact for a consultation to relieve their anxieties caused by issues of LGBT.

- Personal information is protected even at the external consultation desk. Furthermore, we will never disclose any information inside or outside of the company without the consent of the person contacting the consultation desk.
- If an internal response is necessary, it will be handled in accordance with the Daiwa House Group Whistleblowing Regulations upon consent of the person consulted.

Labor-related Violations and Accidents

The Asset Manager had no significant labor-related violations or accidents that would influence stakeholders. (Fiscal year ended March 2022)

Investor Relations Initiatives

DHR endeavors to ensure transparency in its asset management operations and disclose information that is easy to understand from the investor's perspective in a fair, timely, and accurate manner so that investors can make investment decisions in accord with the principle of self-responsibility. DHR discloses information in compliance with the Financial Instruments and Exchange Act (hereinafter, the "Financial Instruments Act"), the Investment Trusts Act and disclosure rules prescribed by the Tokyo Stock Exchange, Investment Trusts Association, Japan, etc. It also endeavors to proactively disclose even information not legally or otherwise required for disclosure if the information is deemed likely to influence investors' investment decisions. Disclosure documents are posted on DHR's website. Furthermore, DHR implements the following initiatives:

- (1) DHR provides IR News Mail Service to notify registered person by email of updates posted on DHR's website.
- (2) In order to monitor the appropriateness of timely disclosure operations, the Compliance Department of the Asset Manager verifies the disclosure materials along with the time, date, and method of disclosure, and other relevant items immediately following timely disclosure. The result is then reported to the DHR Board of Directors.

▶ Completed IR activities (including online meetings and telephone/web conferences)

(April 2021-March 2022)

Results briefings for domestic institutional investors and analysts	2 times
IR meetings for domestic institutional investors and analysts	193 times
IR meetings for overseas institutional investors	68 times
Presentation meetings for individual investors	0 times

Initiatives for Local Community

Support of Groups Working to Resolve Social Issues

The Daiwa House Group provides support to disaster-afflicted areas and groups working to resolve social issues. As one means to provide this support, a system has been built on the intranet where employees can easily make donations. We donate two types of funds depending on the social situation in question: "Endless Funds" that support groups working to solve social issues and "Heart Funds" that collect donations when disasters strike.

We are also heavily promoting these social contribution activities for our employees to get involved in with ease, to heighten their awareness of what is happening in the world, so that we can continue offering more support.

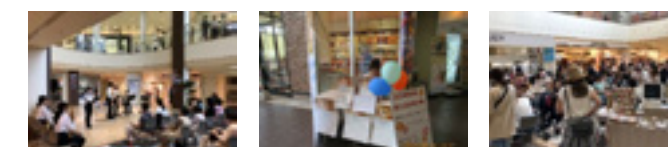
For details on our track record of donations, follow this link.

<https://www.daiwahouse.co.jp/sustainable/social/contribution/funds/pdf/ebsuui.pdf>

Support for Community Activities

Some retail properties owned by DHR host events as one form of support for community activities.

The Asset Manager supports community co-creation activities; partly through "Community Co-Creation Leave Program," it has established to facilitate employees' participation in activities that contribute to society, training for such activities and other such endeavors. Community co-creation activities supported by the Asset Manager include (1) preservation of the natural environment (litter pickup activities, recycling movements), (2) education and youth development (school visits, experiential learning programs, athletic coaching), (3) social welfare (elder/juvenile/disabled welfare), (4) international cooperation (overseas volunteering, foreign language interpreting, etc.), (5) volunteer training and required credentialing programs (classes in invalid care skills, sign language), (6) community outreach (neighborhood association events), and (7) disaster relief activities. Specific activities include litter cleanup activities in response to calls from public park and facility management offices, participation in a book donation project, and volunteering for daily conversational practice for elderly Chinese returnees to learn Japanese conversation and interact with others in Japanese.



Orchestral stage Information on foster parent recruitment Mama Marché (event for mothers and kids)

▶ FOLEO Otsu Ichiryama

"FOLEO Otsu Ichiryama," a mall-type retail property owned by DHR, supports refugee relief activities by continuously providing at no cost a space for UN refugee supporter applications and fundraising activities. In December 2020, "FOLEO Otsu Ichiryama" received a letter of thanks from Japan for UNHCR.

Additionally, DHR set up a PCR testing site (testing tent) on a surface parking lot to provide free PCR tests without appointments for the residents of Shiga Prefecture, and cooperated with the free PCR testing program of Shiga Prefecture.



▶ GRANODE Hiroshima

Hiroshima City collects entries from citizens for buildings, signs, activities, and more that make the city attractive and presents the most outstanding ones with the Urban Design Award Hiroshima. "Ekikitare," a roughly 20-meter-wide and 100-meter-long space in the event square at "GRANODE Hiroshima," a complex of office, retail and hotel facilities, received the 17th Urban Design Award Hiroshima in the Streetscapes category in 2020.

<Reasons for selection>

- (1) Located near Hiroshima Station, the land gateway to Hiroshima, the facility is a valuable space that can be utilized as an event square and creates new lively attractions, thereby contributing to the community.
- (2) It is highly convenient with the necessary infrastructure for events even though normally it is a quiet space with comfortable breezes. It is built in such a way that event organizers sense the spirit of hospitality.



Initiatives for Local Community

Local Job Creation

At some retail properties owned by DHR, local residents are given priority when applying for jobs.

Disaster Relief/Resilience

▶ ACROSSMALL Shinkamagaya

The city of Kamagaya, Chiba, where “ACROSSMALL Shinkamagaya” is located, registers as “emergency communal wells” the wells that can provide well water to local residents when tap water supply is cut off in the event of a major earthquake or other disasters. In agreement with the intent of this program, DHR has registered the groundwater used at the property as an emergency communal well.



Countermeasures Against Large-scale Flooding

▶ DPL Nagareyama I

DHR has entered into an “Agreement on Use as Temporary Evacuation Facility in Event of Disaster” with Nagareyama City, Chiba. This agreement allows the city to use DHR property DPL Nagareyama I as a temporary evacuation facility for nearby residents and others in the event of large-scale flooding or other disaster.

The purpose of this agreement is to ensure safety in the event that the Edogawa River, which runs through the city, overflows due to torrential rains, etc., by temporarily taking in nearby residents and employees of companies in the Nagareyama Industrial Park until an evacuation center can be opened.

The latest BCP measures have been implemented at DPL Nagareyama I, including a seismic isolation structure and back-up power supply. The on-site parking lot, vehicle passageways on each floor (total floor area of 3,000 m² per floor), the cafeteria, and daycare center can serve as temporary shelters for up to 1,200 people in the event of a disaster, and it also keeps emergency supplies for 500 people.

In addition, there are ramps for accessing the vehicle passageways on each floor, and these can be used by evacuees arriving by car to get to the top floors while remaining in their cars. This allows quick evacuation, and with evacuees remaining in their cars, it can prevent the spread of COVID-19.

Business Continuity Plan (BCP)

DHR has promoted an enhancement of BCP response from a wide range of perspectives so that tenants, users, and people in the local community can use these safe and comfortable facilities.

▶ D Project Machida, D Project Kuki III, DPL Misato, and DPL Nagareyama I

Seismic isolation structures* have been put in place not only to minimize load and facility damage in the event of a disaster but also to maintain building functions. These seismic isolation structures reduce vibrations to suppress shaking on upper floors and allow operations to restart in a short time.

*This seismic isolation structure installs rubber laminations or other seismic isolators between the ground and building to reduce the transmission of seismic forces to the building.

▶ GRANODE Hiroshima

In addition to the installation of a seismic structure*, GRANODE Hiroshima has emergency power generators that can supply 72 hours of power as well as a generator space for tenants.

*This seismic isolation structure installs dampers, etc., to absorb the shaking within the building to reduce vibrations.

Socially Conscious Initiatives

DHR promotes socially conscious facilities and services at its properties, such as barrier-free facilities.



Accessible restroom

Accessible elevator

Accessible parking lot

Health and Well-being

▶ Health and welfare

DHR contributes to the health and well-being of tenants and users by installing fitness gyms and other facilities at its properties.



Fitness gym

Lounge

Play space for children

▶ Safety and well-being

At some DHR’s properties, we have installed and are maintaining plazas and pedestrian walkways to enhance public spaces and promote safety and well-being.



Naha Shin-Toshin Center Building
(Daiwa Roynet Hotel Naha-Omoromachi)

Facilities for Senior Citizens

DHR owns facilities and housing (assisted living facilities, paid nursing homes, etc.) for senior citizens, which must be developed and expanded to address the progression of the aging society in Japan and for which there will continue to be a certain level of demand. In so doing, we aim to realize a society in which people can live with peace of mind.

Childcare Facilities

In June 2017, the Japanese government established the Plan for Raising Children with Peace of Mind and announced a policy for addressing the long waiting lists for childcare. DHR invites childcare facilities such as nursery schools and daycare centers to the properties as tenants to support child rearing.

Investment in Existing Urban Development Zones

DHR contributes to the renewal of urban areas and the revitalization of local communities and enhances landscapes and local residents’ convenience through investments in properties developed through redevelopment, land readjustment or other such projects.

▶ Main properties



Pacific Royal Court
Minatomirai Urban Tower



D Project Kuki I, II, III, IV, V, VII, FOLEO Shobu

Community-related Violations and Accidents

There were neither significant community-related violations nor accidents at DHR’s properties that would affect stakeholders. (Fiscal year ended March 2022)

Initiatives for Tenants and Supply Chain

Tenant Engagement Programs

DHR and the Asset Manager promote sustainability initiatives in cooperation with tenants of its properties. By distributing a sustainability guide that summarizes information such as the Sustainability Policy of the Asset Manager* and environmental certifications to tenants and posting it at the properties, we share the social issues with the tenants and promote initiatives.

At some properties for which a green lease agreement has been concluded, DHR regularly confers with tenants in the aim of sharing environmental information and reduction targets.



Sustainability Guide

*See page 28 for the Sustainability Policy.

Initiatives to Increase Tenant Satisfaction

DHR regularly conducts surveys to grasp tenants' needs and satisfaction in the belief that increasing tenant satisfaction leads to stable and improved property-operating performance. In a questionnaire given to the residents of 119 residential properties (8,386 units) through a third-party organization in February 2022, around 71% of tenants gave their property a "7" or higher out of an evaluation scale up to 11 overall, and around 62% of tenants gave their property a "7" or higher as to whether they would recommend the property to others.

The questionnaire results are shared with property management companies and used to improve building and facility specifications and services.

Supply Chain Management

Daiwa House Group conducts business with the belief that its suppliers are important business partners. Daiwa House Group believes that we can provide quality that satisfies our customers by forming an extensive supply chain that includes manufacturers of material and equipment, construction, and after-sale services.

The requirements of institutional investors and NGOs for companies to engage in environmental and social initiatives have expanded to include not only the company and corporate group but also supply chain management. Even in international rules and stock exchange guidelines, the requirements for group CSR procurement initiatives and informational disclosure are becoming even stricter. The era the world is entering demands satisfying both social factors such as human rights considerations and expectations for quality and price to be competitive.

The promotion of CSR procurement at both the Daiwa House Group and suppliers strives to realize a sustainable society.

CSR Procurement Guidelines

Our CSR Procurement Guidelines set forth seven social and environmental principles via a "Business Partner Code of Conduct." And, based on this code of conduct, our "Corporate Activity Guidelines" elucidate 20 specific social and environmental items.

The "compliance" requirement in the "Business Partner Code of Conduct" stipulates that business partners are expected to act ethically and in full compliance with laws and regulations.

Where the code of conduct requires "considerations for occupational safety and health," business partners are expected to concern themselves about health and safety, by preventing industrial accidents, assiduously managing sanitation and hygiene, and being prepared for unforeseeable events like natural disasters. Our section on "fair business activities" requires our business partners to take anti-corruption measures in order to keep business free of graft and corruption. And, the section on "respecting human rights" outright disavows forced labor, child labor, harassment and infringements of human rights by way of discrimination, etc.

The Asset Manager requires its property management companies to implement the CSR Procurement Guidelines, which is reflected in the annual assessment of property management companies.

For details on the CSR Procurement Guidelines, follow this link.

Cooperation with Property Management Companies

The Asset Manager conducts evaluations of property management companies once a year to determine whether the ongoing outsourcing of operations to the current property management companies is appropriate based on the internal operations manual, including automatic contract renewals. We provide feedback on the results of these property management company assessments to them and guide corrective actions for any items requiring improvement. These property management companies submit reports on the corrective actions for any items presenting a major problem. Additionally, DHR determines whether to change property management companies if a property management company continues to have a low evaluation on the assessments and no corrective actions can be expected.

Content of the property management company assessment

- (1) Financial results and conditions as well as other management information
- (2) Organizational structure
- (3) Facility operation management and technical management capabilities
- (4) Tenant leasing skills
- (5) Reasonable compensation standards for the property management operations
- (6) Performance of application and area management
- (7) Sustainability

Sustainability survey for property management companies from the Asset Manager

- (1) Introduction of an environmental management system or equivalent initiatives
- (2) Promotion of green procurement for subcontractors
- (3) Occupational health and safety
- (4) Health and comfort
- (5) Respect for human rights and diversity
- (6) Corporate ethics
- (7) Community involvement
- (8) Environmental and health-conscious products
- (9) Cooperation with our sustainable procurement (including re-consigned subcontractors)

Introduction of Green Leases

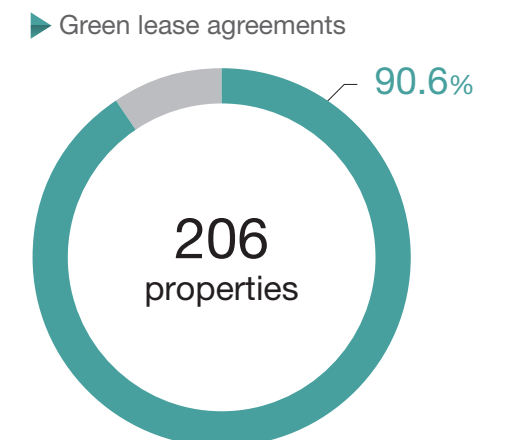
Aiming to improve the environmental performance of properties through a collaborative effort with tenants, DHR is promoting the introduction of green leases. In a green lease agreement, the building owner and the tenants jointly cooperate by proactively entering into agreements and memorandums of understanding regarding the reduction of the environmental burden of the property, such as through energy savings, and improvement of the workplace environment, and by putting the details of these undertakings into practice.

*1 The information shown is based on the status of agreements as of March 31, 2022.

*2 Agreement conclusion percentage = Total floor area of properties for which a green lease agreement has been concluded / Total floor area of the entire portfolio (excluding land properties)

*3 Total floor area is based on the floor area provided on the inspection certificate of each property.

*4 The agreement conclusion percentage is rounded to the first decimal place.



Supplier-related Violations and Accidents

There were neither significant supplier-related violations nor accidents at DHR's properties that would affect stakeholders. (Fiscal year ended March 2022)

Governance

Basic Approach to Corporate Governance

The Asset Manager has established the following governance-related guidelines in its internal Compliance Manual.

1. The Asset Manager is committed to thorough compliance as a fundamental management principle based on the realization that trust is its greatest asset and a keen awareness that compliance deficiencies can impair trust and, in turn, even undermine its management foundation.
2. Recognizing the importance of its societal mission and responsibilities in the national economy as an asset manager that manages investment corporations' assets, the Asset Manager will ensure compliance proactively and unrelentingly.
3. By putting compliance into practice, the Asset Manager will contribute to the sound development of the economy and society, thereby elevating our reputation among investors and broadly gaining societal trust.

Executive Directors and Supervisory Directors of DHR

Number of members: **3 (three)**
(1 (one) Executive Director and 2 (two) Supervisory Directors)
Female director ratio: **33%** Average tenure of **3.7** years

As of March 31, 2022

Criteria / Reasons for election

The selection of candidates is based on the premise that they are not disqualified per the reasons set forth in various laws and regulations such as the Investment Trusts Act (Article 98 and Article 100 of the Investment Trusts Act and Article 244 of the Ordinance for Enforcement of the Investment Trusts Act). They are elected by resolution of the general meeting of unitholders based on the reasons for election below. The Board of Directors is currently comprised of persons with no special interest with DHR.

In addition, the Supervisory Directors of DHR are "independent officers" who are not in conflict with the criteria for independence from Executive Officers and the Asset Manager as stipulated in the Investment Trusts Act.

Title and post	Name	Reason for election	Attendance at meetings of the Board of Directors ^(Note 1)	Number of investment units held
Executive Director	Toshiharu Asada	Toshiharu Asada has a wealth of operational experience and knowledge not only in general finance but also in real estate. We have elected him as Executive Director based on his appropriate judgment pertaining to execution of business operations as well as his character and knowledge.	100% (13 / 13)	0 units ^(Note 3)
Supervisory Director	Tetsuya Iwasaki	Tetsuya Iwasaki is familiar with accounting and tax matters as a certified public accountant and tax accountant. In addition, he has experience as an outside director at a listed company. We have elected him as Supervisory Director because we determined that he possesses the good character and knowledge necessary to supervise the execution of duties by Executive Director as a Supervisory Director and to perform his duties as a member of the DHR Board of Directors.	100% ^(Note 2) (10 / 10)	0 units ^(Note 3)
Supervisory Director	Hiroshi Ishikawa	Hiroshi Ishikawa is familiar with laws and regulations as an attorney-at-law. In addition, he has experience as an outside director at a listed company. We have elected him as Supervisory Director because we determined that he possesses the good character and knowledge necessary to supervise the execution of duties by Executive Director as a Supervisory Director and to perform his duties as a member of the DHR Board of Directors.	100% (13 / 13)	0 units ^(Note 3)
Supervisory Director	Junko Kogayu	Junko Kogayu is familiar with accounting and tax matters as a certified public accountant and tax accountant. In addition, she has experience as an outside director at a listed company. We have elected her as Supervisory Director because we determined that she possesses the good character and knowledge necessary to supervise the execution of duties by Executive Director as a Supervisory Director and to perform her duties as a member of the DHR Board of Directors.	100% ^(Note 2) (3 / 3)	0 units ^(Note 3)

(Note 1) Attendance at meetings of the Board of Directors held during the fiscal periods ended August 31, 2021 and February 28, 2022 is indicated in terms of number and percentage.

(Note 2) Tetsuya Iwasaki, a Supervisory Director, resigned as of November 30, 2021, and Junko Kogayu was newly appointed as Supervisory Director as of December 1, 2021.

(Note 3) In accordance with DHR's rules on the management of insider trading, etc., DHR's officers are not allowed to buy or sell units issued by DHR.

Compensation of Executive Directors and Supervisory Directors

The maximum monthly compensation for an Executive Director shall be ¥800,000, and that for a Supervisory Director shall be ¥350,000. The Board of Directors will determine the compensation amounts deemed reasonable in light of trends in general commodity prices, wages, and the like.

The criteria for payment of compensation of Executive Directors and Supervisory Directors are stipulated in the regulations, and any changes must be approved at a Unitholders' Meeting.

Title and post	Name of Director	Main concurrent positions	Total compensation per title	
			Fiscal period ended August 31, 2021	Fiscal period ended February 28, 2022
Executive Director	Toshiharu Asada	-	¥2,400 thousand	¥2,400 thousand
	Tetsuya Iwasaki	Certified Public Accountant and Tax Accountant, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd.	¥2,100 thousand	¥1,050 thousand
Supervisory Director	Hiroshi Ishikawa	Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC.	¥2,100 thousand	¥2,100 thousand
	Junko Kogayu	Professor, Tohoku University Accounting School Certified Public Accountant, Junko Kogayu Certified Public Accountant Firm Certified Public Tax Accountant, Ayako Takeuchi Certified Public Tax Accountant Firm Outside Director and Audit & Supervisory Committee Member, NITCHO Corporation Outside Director and Audit & Supervisory Committee Member, Nissin Corporation	-	¥1,050 thousand

(Note 1) The Executive Director and Supervisory Directors do not hold investment units of DHR under their own or another person's name. Any Supervisory Director may serve as an executive of a corporation other than those listed above, but such corporations including those listed above do not have any interest in DHR.

(Note 2) Tetsuya Iwasaki, a Supervisory Director, resigned as of November 30, 2021, and Junko Kogayu was newly appointed as Supervisory Director as of December 1, 2021.

(Note 3) In regard to the liability set forth in Article 115-6, Paragraph 1 of the Investment Trusts Act, if a Director has acted in good faith and has not been grossly negligent in performing their duties, and it is deemed necessary considering the underlying facts, the status of the Director's performance of their duties, and other such circumstances, DHR may exempt them from liability to the extent allowed by law by resolution of the Board of Directors.

Sustainability Index-linked Fees

Remuneration for the Executive Director of DHR and for directors of the Asset Manager are now linked to sustainability indices, including GHG emissions reduction ratio, GRESB Rating and CDP Score.

Additionally, "ESG initiatives in response to societal demands" was added as a performance evaluation criterion for the employees of the Asset Manager.

Outside Expert Advisor of the Sustainability Committee

The Asset Manager has appointed an outside expert advisor who has extensive knowledge and experience in sustainability to the Sustainability Committee.

Compensation of the Audit Firm

The amount of compensation for the Independent Auditor shall be determined by the Board of Directors, and the maximum shall be ¥25,000 thousand per fiscal period subject to audit.

Name	Description of compensation	Total amount of compensation	
		Fiscal period ended August 31, 2021	Fiscal period ended February 28, 2022
Ernst & Young ShinNihon LLC ^(Note 2)	Compensation based on auditing duties	¥17,500 thousand	¥17,500 thousand
	Compensation based on non-auditing duties	¥2,000 thousand ^(Note 3)	¥24,000 thousand ^(Note 3)

(Note 1) Dismissal or non-reappointment of the Independent Auditor shall be discussed at DHR's Board of Directors pursuant to the provisions of the Investment Trusts Act for dismissal, taking into full account all relevant factors for non-reappointment such as the quality of audits and compensation for audits.

(Note 2) The continuous auditing period is from June 2005 to the present.

(Note 3) Compensation is for preparation of comfort letters.

Governance

Compensation of the Asset Manager

Item	Total amount of compensation	
	Fiscal period ended August 31, 2021	Fiscal period ended February 28, 2022
Management fee 1	¥849,233 thousand	¥868,432 thousand
Management fee 2	¥926,072 thousand	¥996,349 thousand
Acquisition/disposition fees	¥32,402 thousand	¥206,675 thousand
Total	¥1,807,709 thousand	¥2,071,457 thousand

Asset Management Fee Structure (applicable from the fiscal period ending August 31, 2022)

At the Unitholders' Meeting held in November 2021, a proposal to partially amend the regulations regarding asset management fees was approved and became effective.

Management fee 1 (Asset-linked fee)	Total assets × 0.18% (Note 1)
Management fee 2 (Profit-linked compensation)	NOI × 4.5% (Note 1)
Management fee 3 (Sustainability Index-linked fee)	(1) Total assets × 0.008 (Note 2) × GHG emissions reduction (Table 1) (2) Total assets × 0.002 (Note 3) × GRESB Rating (Table 2) (3) Total assets × 0.002 (Note 4) × CDP Score (Table 3)

(Note 1) The upper limit is 0.4% for Management fee 1 and 5.0% for Management fee 2.

(Note 2) The upper limit is 0.012% for the index (1) of Management fee 3.

(Note 3) The upper limit is 0.004% for the index (2) of Management fee 3.

(Note 4) The upper limit is 0.004% for the index (3) of Management fee 3.

<Table 1>

Multiple	1 - GHG Emissions Reduction Ratio
----------	-----------------------------------

* GHG emissions reduction ratio: ((b) - (a)) / (a)

(a): GHG emissions intensity in fiscal year ended March 2018 (April 2017 - March 2018) 0.0556 (t-CO₂/m²)

(b): GHG emissions intensity in the immediately preceding fiscal year (April - March) (t-CO₂/m²)

<Table 2>

GRESB Real Estate Assessment	★	★★	★★★	★★★★	★★★★★
Multiple	0.8	0.9	1.0	1.1	1.2

* Multiple is determined based on the assessment in the immediately preceding fiscal period.

<Table 3>

CDP Climate Change Program Score	D-	D	C-	C	B-	B	A-	A
Multiple	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3

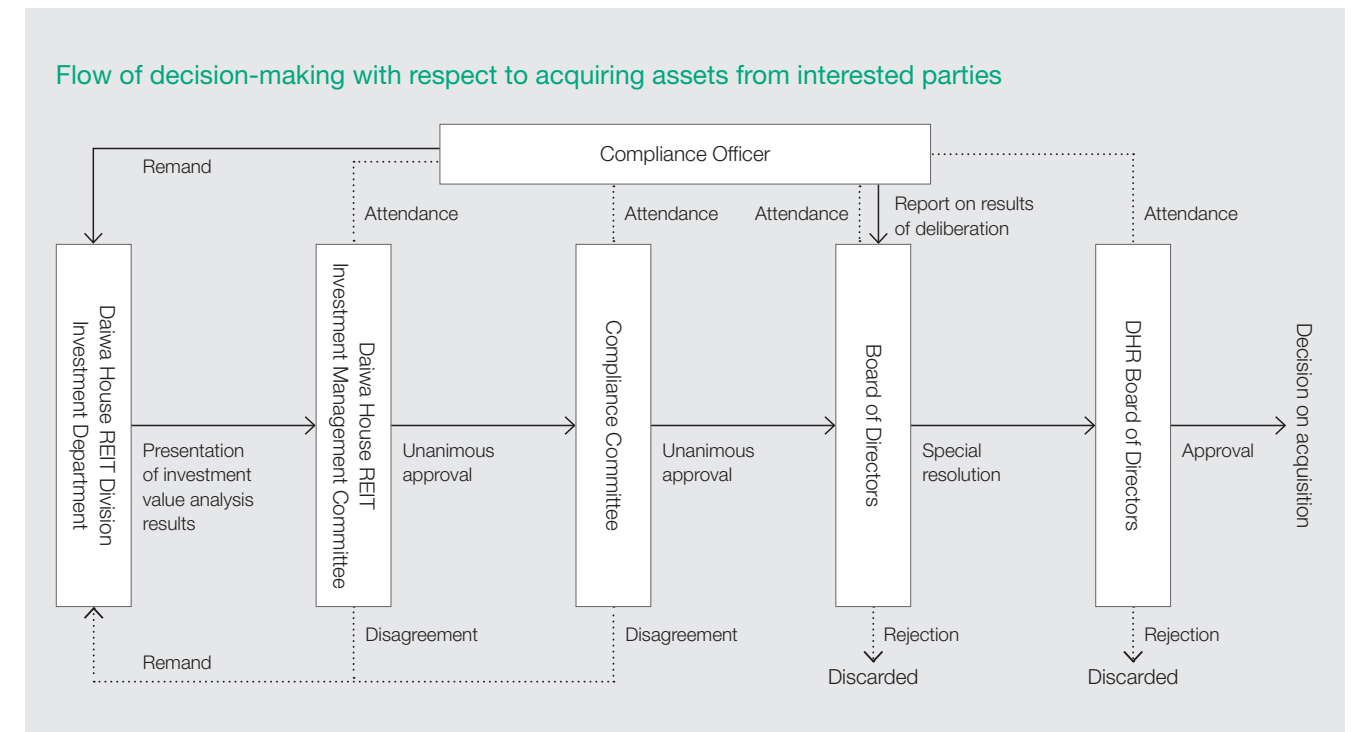
* Multiple is determined based on the assessment in the immediately preceding fiscal period.

Handling of Conflict-of-interest Transactions

Policy and management structure for addressing conflict-of-interest transactions

The Daiwa House Group could significantly influence the decision-making of the Asset Manager and DHR. It is a close partner with the deepest understanding of the basic concepts at DHR. DHR recognizes that proper coordination with these companies is a means to carry out our asset management operations more effectively.

On the other hand, close relationships among companies are in fact conducive to acts that potentially pose conflicts of interest. Recognizing that preventing conflicts of interest with the Daiwa House Group and other interested parties is one of the top compliance priorities in the asset management operations, DHR and the Asset Manager have established the following control system.



Under the regulations of the Asset Manager, when conducting transactions involving the acquisition, disposition, leasing, or outsourced management of portfolio, entering brokerage agreements related to these transactions or placing an order for construction thereof between an interested party more broadly defined than what is established by law and DHR, except when there are separate provisions for the transaction, the rule is that unanimous approval must be obtained at the Asset Manager's Daiwa House REIT Investment Management Committee and Compliance Committee and then a resolution by the Board of Directors before such a transaction can be executed. In addition, at DHR, approval must be obtained from the DHR Board of Directors, which is comprised of Directors who are not Directors or employees of the Asset Manager. When acquiring portfolio assets from an interested party, in principle, the maximum acquisition price shall be the appraisal value, and when selling portfolio assets to an interested party, in principle, the minimum selling price shall be the appraisal value. Furthermore, from the standpoint of transparency, when DHR conducts certain transactions with interested parties, information is promptly disclosed in an appropriate manner in accordance with the regulations of the Asset Manager and various provisions of applicable laws.

In addition, the Asset Manager has appointed an attorney at law familiar with the Financial Instruments and Exchange Act who possesses a solid track record as an outside expert member of the Compliance Committee. At meetings of the Compliance Committee, the outside expert member provides various on-point opinions and advice from the standpoint of a neutral expert, including in discussions on transactions carrying the risk of a conflict of interest, thereby contributing to fair and appropriate discussions, ensuring that customer interests are not unduly harmed.

Compliance

Compliance

System for promoting compliance

The Asset Manager realizes compliance through the following system.

Organization/Title and post	Main role
Board of Directors	(1) Establish and revise compliance manuals and compliance programs as the decision-making body on fundamental matters related to promoting compliance. (2) Ask for reports on progress made on compliance from the Compliance Officer as necessary.
Compliance Committee	In principle, convened monthly and as necessary by the Compliance Officer for discussion of the agenda from the standpoint of compliance.
President and CEO	(1) Supervise introduction of basic compliance policies and programs. (2) Report to the Board of Directors on progress made on compliance at least every quarter and as necessary.
Compliance Officer	(1) Conduct overall compliance planning, drafting and promotion as the head of compliance. (2) Promptly report to the President/CEO and provide necessary suggestions or instructions to relevant departments whenever problems in the context of compliance arise or are likely to arise. (3) Independently review from a compliance standpoint transactions and decisions pertaining to management of DHR's assets, as an entity independent of the Asset Manager's other internal organizations, without being influenced by other internal organizations' judgments.
Compliance Department	Engage in work related to compliance promotion, internal audits, verification of risk management, and more under the supervision of the Compliance Officer.

Establishment and practical implementation of Compliance Manual

The Asset Manager has established a Compliance Manual in the aim of increasing the soundness and reliability of its management and organization as the manager of DHR's assets and, in turn, earning the trust of unitholders and society by prescribing not only fundamental compliance-related principles by which its officers and employees should abide but also specific practical matters.

Severance of relationships with anti-social forces and prevention of money laundering

The Asset Manager's Compliance Manual requires officers and employees to categorically reject all requests, both public and private, from anti-social forces that threaten the order and safety of civil society, including those for money and goods, donations, contributions, and subscriptions to informational magazines. In addition, officers and employees are to thoroughly verify the identity of customers, etc., keep transaction records, and report suspicious transactions as stipulated by the Act on Prevention of Transfer of Criminal Proceeds in order to prevent money laundering (hiding the source of profits from illegal acts).

Compliance training

The Asset Manager works to enhance internal education and training so that officers and employees are able to pursue the best interests of investors. Specifically, when it comes to internal education, we utilize a group textbook that provides easy-to-understand explanations by means of various case studies in order to ensure that Daiwa House Group employees are able to engage in proper decisions and actions according to "With our customers" and the other elements of the Principles of Corporate Ethics and Code of Conduct in their routine operations. As for internal training, we carry out compliance training on a continual basis to ensure that all officers and employees (including fixed-term employees, temporary employees and part-time employees) are acutely aware of pursuing the best interests of investors. We also include an assessment of whether employees are taking action on compliance with a continual awareness of other social demands in their performance evaluations. In so doing, we seek to raise awareness among our officers and employees.

Item	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Compliance training	7 times	8 times	9 times	12 times	12 times

Prevention of Corruption

The Daiwa House Group has established a system to strictly prohibit and prevent corruption, such as bribery, money laundering, embezzlement, and other violations of the law. This includes the establishment of Anti-Bribery Regulations and Identity Verification Regulations. In addition, acts that encourage bribery or unfair trade or that are ethically unsound are prohibited by various policies and rules, such as our Principles of Corporate Ethics and Code of Conduct, even if they do not violate the law. In this way, we set forth rules for maintaining transparency in business operations and fairness in transactions.

The Asset Manager has established a system for consultation and appropriate handling of reports related to acts that are (or could potentially be) problematic in terms of compliance, including organizational or individual legal violations and ethically questionable acts reported by whistleblowers based on the Whistleblower Protection Act and the Cabinet Office Guidelines for Private Businesses Concerning the Whistleblower Protection Act. Both internal and external points of contact are in place.

The Asset Manager further solidified this commitment by signing on to the United Nations Global Compact, which states, "businesses should work against corruption in all its forms, including extortion and bribery" as one of its principles. Additionally, the Asset Manager's Compliance Manual stipulates the following measures for all officers and employees to prevent bribery and corruption.

- (1) Officers and employees must not provide nor accept entertainment, gifts, favors or other benefits beyond normal social etiquette under socially accepted idea.
- (2) Officers and employees must not provide any entertainment, gifts, favors or other benefits to any public servants, quasi-public servants or other such individuals.

The Asset Manager raises awareness in each and every officer and employee about these measures through compliance and other training and works to prevent, quickly discover and rectify any issues through various efforts such as an internal whistleblowing system and accordingly to the rules on protections for whistleblowers.

"Internal Protections for Whistleblowers"

- (1) The Asset Manager, officers, and employees shall never terminate or treat a whistleblower unfavorably (disciplinary actions, demotions, lower pay, etc.) because the whistleblower consulted about or reported a problem.
- (2) The Asset Manager shall establish proper measures to ensure the workplace environment does not worsen for whistleblowers because the whistleblower consulted about or reported a problem. Additionally, any person who treats a whistleblower unfairly may be subject to disciplinary action in accordance with the disciplinary provisions in the employment regulations.
- (3) Officers or other employees must not hinder anyone from making a report or taking other actions without good reason.

The Board of Directors of the Asset Manager shall receive risk reports about political contributions through a risk assessment sheet supervised by the Compliance Department and oversee the response to prevent bribery and corruption.

Furthermore, under its "CSR Procurement Guidelines" the Daiwa House Group prohibit, as part of the Business Partner Code of Conduct, any actions that are or could be constructed as the bribery of members of Parliament, government and municipal officials, or local public organizations. When concluding agreements with new business partners, we explain the purposes and outline of the "CSR Procurement Guidelines" in implementing it and ask them to submit a letter of intent.

	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Total political contributions (yen)	0	0	0	0	0
Number of incidents related to fraud or corruption	0	0	0	0	0
Number of dismissals or termination related to fraud or corruption	0	0	0	0	0
Costs of fines, penalties, and settlements related to fraud or corruption (yen)	0	0	0	0	0

Problems Related to Bribery and Corruption

There were no serious problems related to bribery or corruption at the Asset Manager that would influence stakeholders. (Fiscal year ended March 2022)

Risk Management

Development Status of Risk Management System

The Asset Manager has prescribed Risk Management Regulations and Risk Management Implementation Guidelines regarding various risks that arise in the course of managing DHR's assets. It endeavors to manage risk based on a fundamental policy of comprehensively and accurately identifying risks, qualitatively and quantitatively measuring and appropriately assessing the identified risks' impacts on operations, formulating risk prevention measures, monitoring risk management status on an ongoing basis and formulating procedures for responding to risks when they surface. Additionally, the Asset Manager conducts annual internal audits to verify the appropriateness and effectiveness of the foregoing risk management system and implementation status of risk controls. The audit results are reported to the President and CEO. The Asset Manager is committed to ensuring that operations are conducted appropriately and soundly managed through such means as reporting to the Compliance Committee and Board of Directors as the occasion demands. The risk management, improvements and other relevant matters are incorporated into the annual plan of Compliance Programs and reported to the Boards of Directors of both the Asset Manager and DHR.

Risk Management System

DHR and the Asset Manager recognize the existence of the above risks and have established the risk management system below in order to fully address such risks.

(1) Risk Management System

The Asset Manager has prescribed Risk Management Regulations and endeavors to manage risks based on a fundamental policy of comprehensively and accurately identifying risks, qualitatively and quantitatively measuring and appropriately assessing identified risks' impacts on operations, formulating risk prevention measures, and monitoring risk management status on an ongoing basis.

(2) Timely and appropriate information disclosure

DHR endeavors to maintain a system that enables timely and appropriate disclosure of information to investors in compliance with the Investment Trusts Act and the regulations of the Tokyo Stock Exchange so that information necessary for investors to make investment decisions in accord with the principle of self-responsibility can be appropriately and timely disclosed. The Fund Management Department in Daiwa House REIT Division of the Asset Manager is in charge of information disclosure.

(3) Thorough compliance

Timely and appropriate information disclosure of the above must be the result of the operations of DHR and the Asset Manager being in compliance (in other words, sincere and fair corporate activities that are fully in line with social norms in addition to strict compliance with laws, regulations, internal regulations, and market rules). DHR and the Asset Manager have made the following preparations in relation to compliance as corporations that operate legally in accordance with the Investment Trusts Act as well as the Financial Instruments Act.

The DHR Board of Directors is comprised of one Executive Director and two Supervisory Directors and supervises the execution of business by the Executive Director and the status of execution of services by the Asset Manager.

The Asset Manager's Board of Directors has established and implements Compliance Regulations and other regulations that set forth the roles of and other matters pertaining to the Board of Directors, the President and CEO, the Compliance Committee, the Compliance Officer, and the Compliance Department in order to ensure that operations are conducted in accordance with compliance requirements. In addition, various regulations are in place for systematic stipulation of the rules of conduct for officers and employees to ensure thorough compliance.

BCP

The Asset Manager establishes the necessary items for its disaster prevention and crisis management in relation to risks specified separately for natural disasters such as large-scale earthquakes, accidents, crimes, and other material facts. It has established an "Emergency Response Manual" in order to prevent and avoid risk, ensure people's safety and reduce/mitigate damage in the event of a disaster, prevent secondary accidents, resume DHR's asset management operations at an early point, and fulfill its corporate social responsibility. Furthermore, to ensure continuity of payment and disclosure operations from the standpoint of the business continuity requirements to which financial instrument business operators are subject, the Asset Manager plans to operate in accordance with a BCP Execution Plan it has formulated.

The Asset Manager has stockpiled supplies, including three days of emergency meals and drinking water for officers and employees and two storage batteries, at its office, warehouse for general affairs and elsewhere.

Safety Confirmation System

As part of corporate crisis management, the Asset Manager has adopted an online safety confirmation system to ascertain its officers and employees' safety and post-disaster status at the time of disaster swiftly. The Asset Manager conducts safety confirmation drills at least once annually. In the fiscal year ended March 2022, the participation rate was 100%.

Information Security

The Asset Manager recognizes the proper management of information as an important management challenge and has established an information security policy as a basic policy to ensure information security. This policy implements the following items:

1. Preparation of an information security management system
2. Appointment of an information security manager
3. Establishment of internal regulations
4. Information security education
5. Reinforcement of management systems of outsources
6. Implementation of ongoing improvements

Additionally, the Asset Manager has established IT management regulations, which define specific procedures for handling information devices to safely and smoothly manage information devices and secure the confidentiality and completeness of data, with an aim to fully protect the information handled by the Asset Manager.

Item	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022
Information security training	2 times	2 times	2 times	2 times	2 times

Information Security-related Problems

There were no serious problems related to information security at the Asset Manager that would influence stakeholders. (Fiscal year ended March 2022)

GRI Content Index

Disclosures		References
GRI 102: General Disclosures 2016		
1. Organizational profile		
102-1	Name of the organization	Overview (p. 2) Overview (p. 3)
102-2	Activities, brands, products, and services	Characteristics of Daiwa House REIT Investment Corporation (p. 1)
102-3	Location of headquarters	Overview (p. 2)
102-4	Location of operations	Overview (p. 2) Overview (p. 3)
102-5	Ownership and legal form	Overview (p. 2) Overview (p. 3)
102-6	Markets served	History (p. 2)
102-7	Scale of the organization	Personnel Data (p. 55)
102-8	Information on employees and other workers	Personnel Data (p. 55)
102-9	Supply chain	Overview (p. 2)
102-10	Significant changes to the organization and its supply chain	N/A
102-11	Precautionary Principle or approach	Sustainability Policy (p. 28)
102-12	External initiatives	Supported Initiatives and External Evaluations (p. 32-34)
102-13	Membership of associations	Supported Initiatives and External Evaluations (p. 32-34) Overview (p. 2) Overview (p. 3)
2. Strategy		
102-14	Statement from senior decision-maker	Message from the Management (p. 4-5)
102-15	Key impacts, risks, and opportunities	Materiality and SDGs (p. 30-31) Information Disclosure Based on TCFD Recommendations (Strategy) (p. 14-19)
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	Daiwa House Group "Creating Dreams, Building Hearts" (Table 2)
102-17	Mechanisms for advice and concerns about ethics	Compliance (p. 70)
4. Governance		
102-18	Governance structure	Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13)
102-19	Delegating authority	Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13)
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13)
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement (p. 29)
102-22	Composition of the highest governance body and its committees	Investment Corporation Structure (p. 2) Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13)
102-23	Chair of the highest governance body	Outline of DHR (p. 2)
102-24	Nominating and selecting the highest governance body	Executive Directors and Supervisory Directors of DHR (p. 66-67)
102-25	Conflict of interests	Handling of Conflict-of-interest Transactions (p. 69)
102-26	Role of highest governance body in setting purpose, values, and strategy	Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13)
102-27	Collective knowledge of highest governance body	-
102-28	Evaluating the highest governance body's performance	-
102-29	Identifying and managing economic, environmental, and social impacts	Materiality and SDGs (p. 30-31)
102-30	Effectiveness of risk management processes	Risk Management System (p. 20) Risk Management (p. 72-73)
102-31	Review of economic, environmental, and social topics	Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13)
102-32	Highest governance body's role in sustainability reporting	Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13)
102-33	Communicating critical concerns	Risk Management (p. 72-73)
102-34	Nature and total number of critical concerns	N/A

102-35	Remuneration policies	Remuneration for Executive Director of DHR and Directors of the Asset Manager (p. 22) Executive Directors and Supervisory Directors of DHR (p.66-67) Sustainability Index-linked Fees (p. 67) Compensation of the Audit Firm (p. 67) Compensation of the Asset Manager (p. 68)	
102-36	Process for determining remuneration	Remuneration for Executive Director of DHR and Directors of the Asset Manager (p. 22) Executive Directors and Supervisory Directors of DHR (p.66-67) Sustainability Index-linked Fees (p. 67) Compensation of the Audit Firm (p. 67) Compensation of the Asset Manager (p. 68)	
102-37	Stakeholders' involvement in remuneration	Compensation of Executive Directors and Supervisory Directors (p. 67)	
102-38	Annual total compensation ratio	-	
102-39	Percentage increase in annual total compensation ratio	-	
5. Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder Engagement (p. 29)	
102-41	Collective bargaining agreements	Labor/Management Relations (p. 59)	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement (p. 29)	
102-43	Approach to stakeholder engagement	Stakeholder Engagement (p. 29)	
102-44	Key topics and concerns raised	N/A	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Overview (p. 2)	
102-46	Defining report content and topic Boundaries	Sustainability Report Editorial Policy (p. 1)	
102-47	List of material topics	Materiality and SDGs (p. 30-31)	
102-48	Restatements of information	N/A	
102-49	Changes in reporting	N/A	
102-50	Reporting period	Editorial Policy (p. 1)	
102-51	Date of most recent report	https://www.daiwahouse-reit.co.jp/en/sustainability/report.html	
102-52	Reporting cycle	Editorial Policy (p. 1)	
102-53	Contact point for questions regarding the report	Disclaimer (Back cover)	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Content Index (p. 74-77)	
102-55	GRI content index	GRI Content Index (p. 74-77)	
102-56	External assurance	GHG Emission of Portfolio Properties (Scope 1, 2, and 3) (p. 21) GHG Emissions (p. 37) Energy Consumption (p. 39) Water Consumption (p. 40) Waste Management (p. 41)	
GRI 103: Management Approach			
2016	103-1	Explanation of the material topic and its Boundary	Materiality and SDGs (p. 30-31)
	103-2	The management approach and its components	Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management (p. 12-13) Materiality and SDGs (p. 30-31)
	103-3	Evaluation of the management approach	Materiality and SDGs (p. 30-31)
Standards by item			
Economy			
GRI 201: Economic Performance			
2016	201-1	Direct economic value generated and distributed	Payment of Wages Above Minimum Wage and Equal Pay for Equal Work (p. 59)
	201-2	Financial implications and other risks and opportunities due to climate change	Information Disclosure Based on TCFD Recommendations (Strategy) (p. 14-19)
	201-3	Defined benefit plan obligations and other retirement plans	-
	201-4	Financial assistance received from government	-
GRI 202: Market Presence			
2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
	202-2	Proportion of senior management hired from the local community	-
GRI 203: Indirect Economic Impacts			
2016	203-1	Infrastructure investments and services supported	-
	203-2	Significant indirect economic impacts	-

GRI Content Index

GRI 204: Procurement Practices			
2016	204-1	Proportion of spending on local suppliers	-
GRI 205: Anti-corruption			
2016	205-1	Operations assessed for risks related to corruption	Prevention of Corruption (p. 71)
	205-2	Communication and training about anti-corruption policies and procedures	Prevention of Corruption (p. 71)
	205-3	Confirmed incidents of corruption and actions taken	Prevention of Corruption (p. 71)
GRI 206: Anti-competitive Behavior			
2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A
GRI 207: Tax			
2019	207-1	Approach to tax	-
	207-2	Tax governance, control, and risk management	-
Environment			
GRI 301: Materials			
2016	301-1	Materials used by weight or volume	-
	301-2	Recycled input materials used	-
	301-3	Reclaimed products and their packaging materials	-
GRI 302: Energy			
2016	302-1	Energy consumption within the organization	-
	302-2	Energy consumption outside of the organization	-
	302-3	Energy intensity	Energy Consumption (p. 39)
	302-4	Reduction of energy consumption	Energy Consumption (p. 39)
	302-5	Reductions in energy requirements of products and services	Energy Consumption (p. 39)
GRI 303: Water and Effluents			
2018	303-1	Interactions with water as a shared resource	Effective Use of Rainwater, Groundwater, and Greywater (p. 40)
	303-2	Management of water discharge-related impacts	-
	303-3	Water withdrawal	-
	303-4	Water discharge	-
	303-5	Water consumption	Water Consumption (p. 40)
GRI 304: Biodiversity			
2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
	304-2	Significant impacts of activities, products, and services on biodiversity	-
	304-3	Habitats protected or restored	-
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
GRI 305: Emissions			
2016	305-1	Direct (Scope 1) GHG emissions	GHG Emission of Portfolio Properties (Scope 1, 2, and 3) (p. 21)
	305-2	Energy indirect (Scope 2) GHG emissions	GHG Emission of Portfolio Properties (Scope 1, 2, and 3) (p. 21)
	305-3	Other indirect (Scope 3) GHG emissions	GHG Emission of Portfolio Properties (Scope 1, 2, and 3) (p. 21)
	305-4	GHG emissions intensity	GHG Emissions (p. 37)
	305-5	Reduction of GHG emissions	GHG Emissions (p. 37)
	305-6	Emissions of ozone-depleting substances (ODS)	-
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-
GRI 306: Effluents and Waste			
2020	306-1	Waste generation and significant waste-related impacts	-
	306-2	Management of significant waste-related impacts	Pollution Prevention (p. 41)
	306-3	Waste generated	Waste Management (p. 41)
	306-4	Waste diverted from disposal	-
	306-5	Waste directed to disposal	-
GRI 307: Environmental Compliance			
2016	307-1	Non-compliance with environmental laws and regulations	Violations of Environmental Laws and Regulations and Environmental Accidents (p. 36)
GRI 308: Supplier Environmental Assessment			
2016	308-1	New suppliers that were screened using environmental criteria	N/A
	308-2	Negative environmental impacts in the supply chain and actions taken	N/A
Society			
GRI 401: Employment			
2016	401-1	New employee hires and employee turnover	Personnel Data (p. 55)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits and Welfare (p. 53)
	401-3	Parental leave	Benefits and Welfare (p. 53)
GRI 402: Labor/Management Relations			
2016	402-1	Minimum notice periods regarding operational changes	-

GRI 403: Occupational Health and Safety			
2018	403-1	Occupational health and safety management system	-
	403-2	Hazard identification, risk assessment, and incident investigation	-
	403-3	Occupational health services	N/A
	403-4	Worker participation, consultation, and communication on occupational health and safety	-
	403-5	Worker training on occupational health and safety	-
	403-6	Promotion of worker health	Establishment of Health Committee (p. 55)
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-
	403-8	Workers covered by an occupational health and safety management system	-
	403-9	Work-related injuries	Personnel Data (p. 55)
	403-10	Work-related ill health	N/A
GRI 404: Training and Education			
2016	404-1	Average hours of training per year per employee	-
	404-2	Programs for upgrading employee skills and transition assistance programs	Support for Operational Skills Development and Training (p. 53)
	404-3	Percentage of employees receiving regular performance and career development reviews	Training on Operational Expertise (p. 52) Support for Operational Skills Development and Training (p. 53)
GRI 405: Diversity and Equal Opportunity			
2016	405-1	Diversity of governance bodies and employees	Personnel Data (p. 55)
	405-2	Ratio of basic salary and remuneration of women to men	-
GRI 406: Non-discrimination			
2016	406-1	Incidents of discrimination and corrective actions taken	Response to Human Rights (p. 58)
GRI 407: Freedom of Association and Collective Bargaining			
2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A
GRI 408: Child Labor			
2016	408-1	Operations and suppliers at significant risk for incidents of child labor	N/A
GRI 409: Forced or Compulsory Labor			
2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A
GRI 410: Security Practices			
2016	410-1	Security personnel trained in human rights policies or procedures	N/A
GRI 411: Rights of Indigenous Peoples			
2016	411-1	Incidents of violations involving rights of indigenous peoples	N/A
GRI 412: Human Rights Assessment			
2016	412-1	Operations that have been subject to human rights reviews or impact assessments	-
	412-2	Employee training on human rights policies or procedures	Training Program (p. 57)
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
GRI 413: Local Communities			
2016	413-1	Operations with local community engagement, impact assessments, and development programs	Initiatives for Local Community (p. 61-63)
	413-2	Operations with significant actual and potential negative impacts on local communities	N/A
GRI 414: Supplier Social Assessment			
2016	414-1	New suppliers that were screened using social criteria	N/A
	414-2	Negative social impacts in the supply chain and actions taken	N/A
GRI 415: Public Policy			
2016	415-1	Political contributions	Prevention of Corruption (p. 71)
GRI 416: Customer Health and Safety			
2016	416-1	Assessment of the health and safety impacts of product and service categories	Disaster Relief/Resilience (p. 62) Business Continuity Plan (BCP) (p. 62) Socially Conscious Initiatives (p. 63) Initiatives to Increase Tenant Satisfaction (p. 64)
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	N/A
GRI 417: Marketing and Labeling			
2016	417-1	Requirements for product and service information and labeling	Environmental Certifications (p. 43)
	417-2	Incidents of non-compliance concerning product and service information and labeling	N/A
	417-3	Incidents of non-compliance concerning marketing communications	N/A
GRI 418: Customer Privacy			
2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A
GRI 419: Socioeconomic Compliance			
2016	419-1	Non-compliance with laws and regulations in the social and economic area	N/A



Daiwa House REIT Investment Corporation

<https://www.daiwahouse-reit.co.jp/en/>

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