Daiwa House REIT Investment Corporation

(TSE code: 8984)

January 31, 2024

Supplementary Material for Registration as TNFD Adopter and Nature-related Information Disclosure Aligned with TNFD Recommendations as the First J-REIT

This supplementary material is based on the contents disclosed in the press release "Notice Concerning Registration as TNFD Adopter and Nature-related Information Disclosure Aligned with TNFD Recommendations as the First J-REIT" dated today and summaries the related information.

This material includes forward-looking information that reflects the plans and expectations of Daiwa House REIT Investment Corporation ("DHR") and Daiwa House Asset Management Co., Ltd. (the "Asset Manager") to which DHR entrusts the management of its assets. Such forward-looking information is based on certain assumptions and beliefs of DHR and the Asset Manager in light of the information currently available. Actual figures may fluctuate and DHR and the Asset Manager cannot guarantee the forecasted figures.

1. Membership in TNFD Forum and Registration as TNFD Adopter

Membership in TNFD Forum and Registration as TNFD Adopter

Daiwa House REIT Investment Corporation

Membership in TNFD Forum

First in J-REIT asset managers (Note)

Task Force on Nature-related Financial Disclosures (TNFD)

- In August 2023, the Asset Manager became the first J-REIT asset manager (Note) to join the TNFD Forum, which endorses the philosophy of the TNFD and supports its activities.

About TNFD Forum

TNFD is an international organization that establishes a framework for disclosing the impact of nature-related risks and opportunities on corporate finance. It aims to encourage companies and financial institutions to disclose information on natural capital and to shift the global flow of funds from negative consequences for the natural environment to positive ones.

The TNFD Forum is a group of companies, government agencies, and academic institutions with expertise in a wide variety of fields, providing support for the development of disclosure frameworks and sharing information related to the TNFD.

TNFD Forum Member

Registration as TNFD Adopter

First in J-REITs

TNFD Adopter

- In December 2023, DHR became the first J-REIT to register as a TNFD Adopter, indicating its intention to disclose information aligned with the TNFD Recommendations.
- As a TNFD Adopter, DHR will improve its framework, promote initiatives, and enhance the disclosure aligned with the TNFD Recommendations.

About TNFD Adopter

TNFD Adopter refers to a company or organization that has registered on the TNFD website their intention to disclose information aligned with the TNFD Recommendations. TNFD Adopters are required to make public disclosures aligned with the TNFD Recommendations in their corporate reporting in respect of their financial years 2024 or 2025.

(Reference) Joining in Biodiversity Initiatives

Joining the Japan Business Initiative for Biodiversity (JBIB)

First in J-REIT asset managers

The Japan Business Initiative for Biodiversity (JBIB)

- The Asset Manager agrees with the significance of the activities of the Japan Business Initiative for Biodiversity ("JBIB"), and in January 2023 became the first asset manager of a J-REIT to join the initiative.

About JBIB

JBIB, established in April 2008 is a group of Japanese corporations actively working to conserve biodiversity, and through the following five activities aims to contribute to the conservation of biodiversity in Japan and abroad by promoting joint research among various corporations to produce results that cannot be achieved by a single corporation.

5 Objectives of JBIB

1. To explore links between business and biodiversity and to use that knowledge in our business practices
2. To promote dialogues and collaborations with stakeholders
3. To share good practices within Japan and abroad
4. To advocate and undertake educational efforts for the promotion of biodiversity conservation
5. To conduct projects to fulfill the aforementioned objectives

JBIB
企業と生物多様性イニシアティブ

Joining the 30 by 30 Alliance for Biodiversity

First in J-REIT asset managers

30 by 30 Alliance for Biodiversity

- The Asset Manager agrees with the significance of the activities of the 30 by 30 Alliance for Biodiversity (the "Alliance"), and in December 2022 became the first asset manager of a J-REIT to join.

About 30 by 30

30 by 30 is an initiative to halt the loss of biodiversity and put it on a recovery track (nature positive) by 2030. The goal is to effectively conserve at least 30% of land and sea as healthy ecosystems by 2030. In April 2022, a coalition of volunteers formed to promote efforts to achieve this goal. The coalition is known as the 30 by 30 Alliance for Biodiversity.

As a specific action to achieve 30 by 30, the Asset Manager will provide assistance in managing protected areas and areas registered (or expected to be registered) in the global database of OECMs (Note).

(Note) Other Effective area-based Conservation Measures (OECMs):
Areas outside of national parks and other protected areas in which biodiversity can be conserved effectively and over the long term.

30by30

2. Nature-related Information Disclosure Aligned with TNFD Recommendations

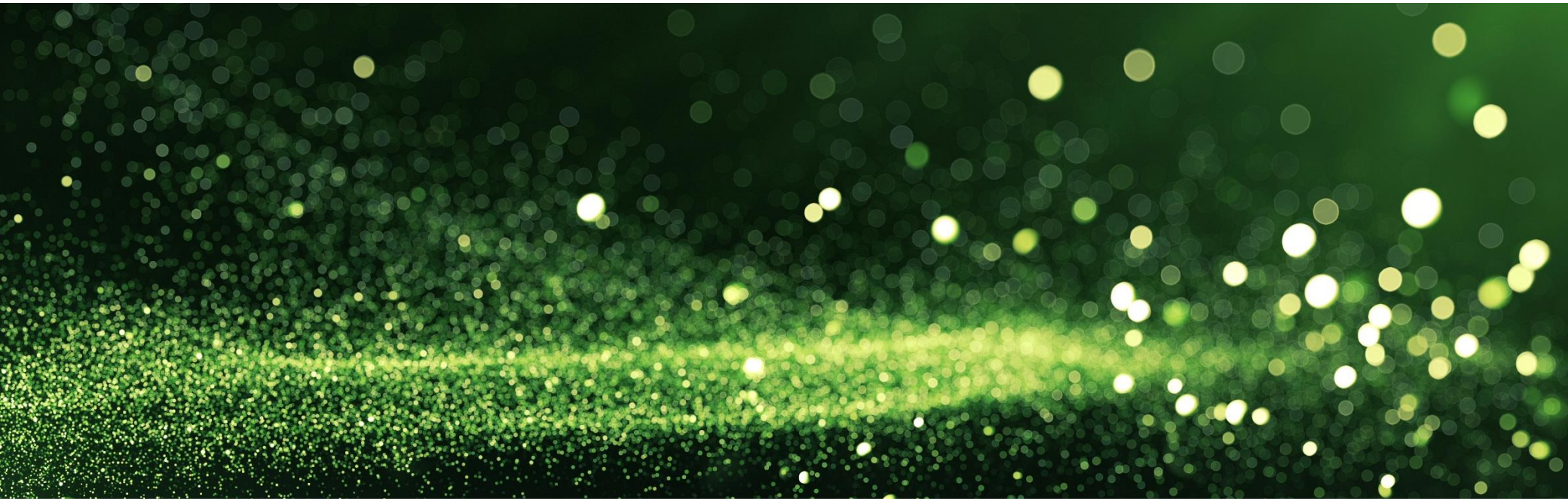
- As described in the preceding page, DHR registered as a TNFD Adopter in December 2023 to declare its intention to promote information disclosure aligned with the TNFD Recommendations.
- Major biodiversity-related initiatives of DHR and the Asset Manager include membership in JBIB and participation in 30 by 30 Alliance.
- In order to further promote information disclosure, DHR and the Asset Manager have prepared this document as a description of our approach and current initiatives regarding natural capital and biodiversity, with reference to the final TNFD Recommendations Version 1.0, which was released in September 2023.

Table of Contents Nature-related Information Disclosure Aligned with TNFD Recommendations

I. Policy and Approach to Natural Capital

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 considerations in real estate investment management operations. We also believe that this will contribute to ensuring stable revenue and achieving steady asset growth over the medium to long term, which is DHR's basic policy. As such, the Asset Manager established the Sustainability Policy in April 2017, and has been applying it to its real estate investment management business.

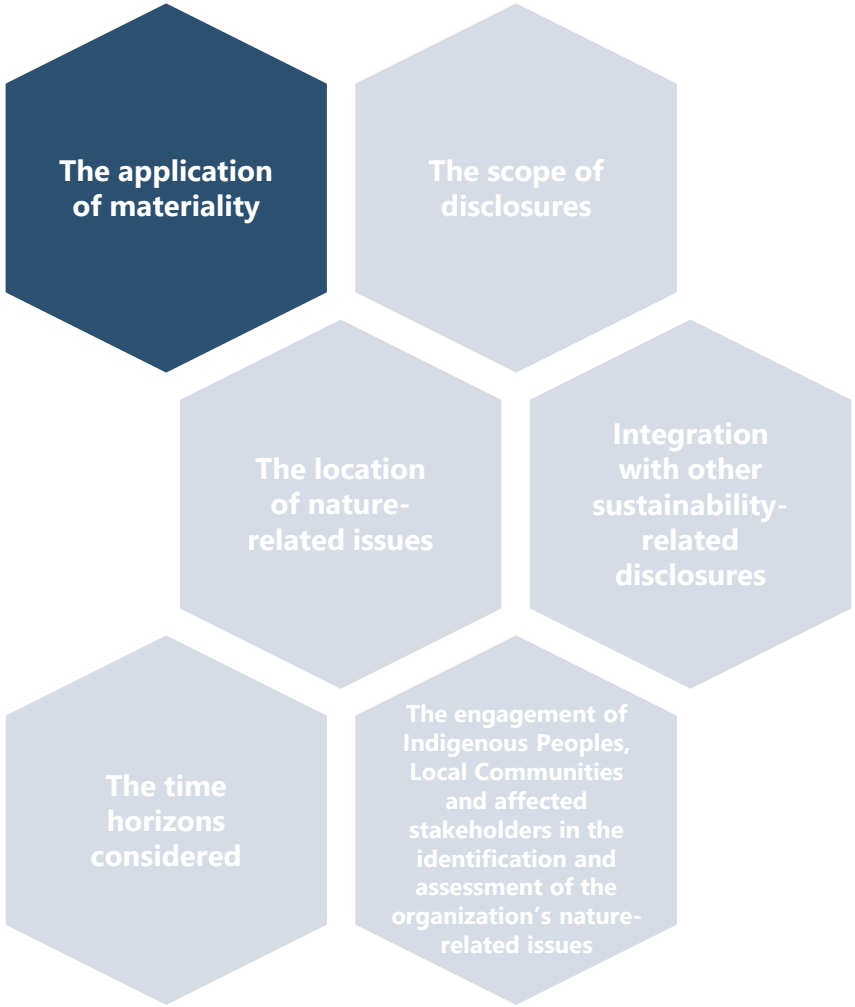
Our lives and economic activity are underpinned by the gifts of nature, which we receive through the ecosystem—the foundation of biodiversity. The earth's biodiversity is under threat by modern human activities which are accelerating extinction of species at an alarming and unprecedented speed.
Addressing climate change, reducing overconsumption, engaging in sustainable production, investing in biodiversity, and promoting other initiatives in the context of the business activities of DHR and the Asset Manager should contribute to the pursuit of nature positivity and increase our competitiveness.



II. General Requirements (1/3)

General Requirements

- In the TNFD framework, the following “General Requirements” have been added to the TCFD framework.



Application of Materiality

- Key issues (materiality) related to sustainability including natural capital are identified through the following process.

Step 1 Identification of Sustainability Issues

Extract sustainability issues related to DHR from various global ESG assessments, sustainability disclosure standards, and SDGs

Step 2 Prioritization

Confirm the status of disclosure and response at DHR to the issues identified, conduct interviews with management of the Asset Manager, and prioritize the issues

Step 3 Validation

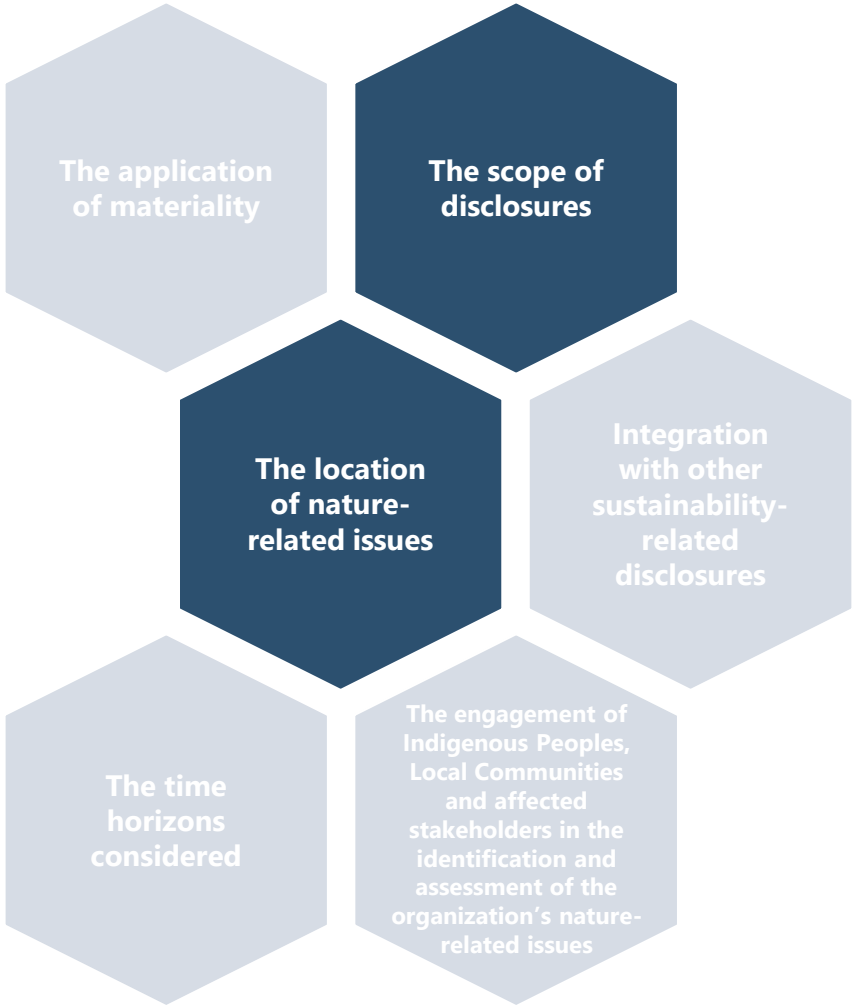
Conduct review of "selection process" and "identified materialities" by an external consulting firm to ensure objectivity

Step 4 Management discussion and approval

Report to the Compliance Committee, the Asset Manager’s Board of Directors, and DHR’s Board of Directors after discussion at the Sustainability Committee

II. General Requirements (2/3)

General Requirements



Scope of Disclosures

- Scope of assessment and disclosure related to nature

  (1) Direct operations:
  Real estate management — Top 100 properties in the portfolio based on acquisition price (80.1% coverage)
  (2) Upstream value chain:
  Construction (reference)
  (3) Downstream value chain:
  Not covered in this report

- Process for determining the scope of assessment and disclosure related to nature

  Report to the Compliance Committee, the Asset Manager's Board of Directors, and DHR's Board of Directors after discussion at the Sustainability Committee

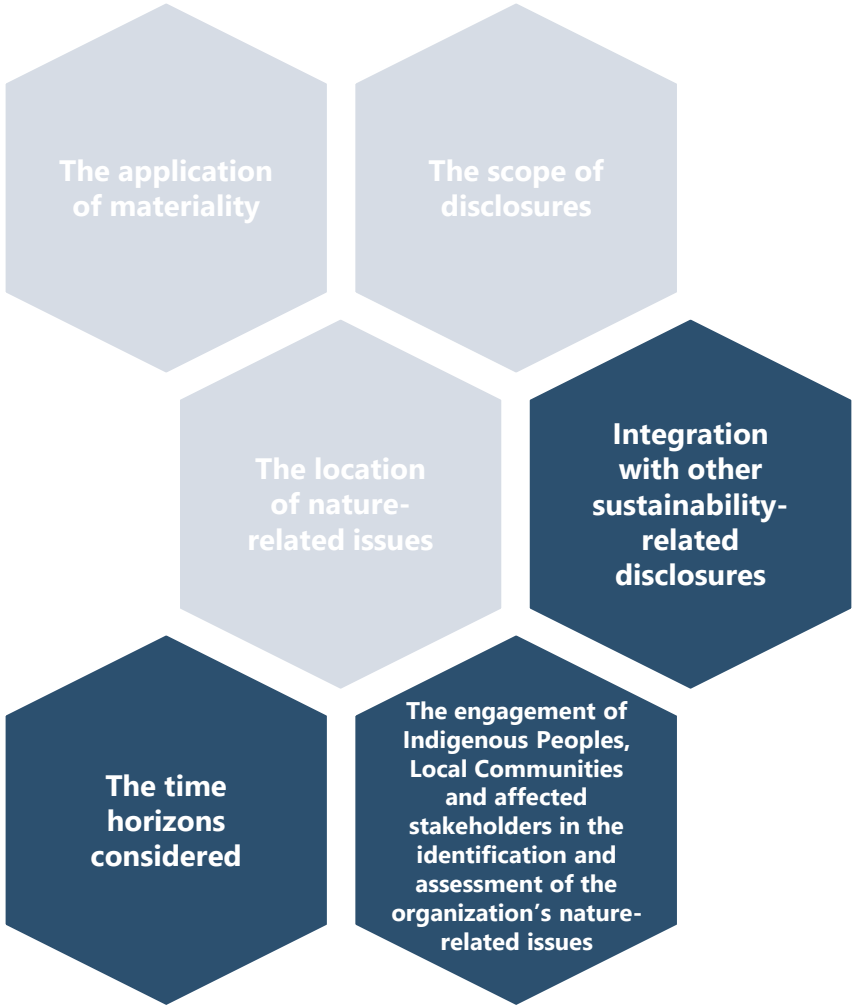
Geographic Location

- Since the risks and opportunities related to nature in DHR's direct operations depend on the geographic location of the interface between real estate and nature, consider the geographic location of the interface between the portfolio and nature throughout the value chain

- In disclosing information by geographic location, information should be segmented and aggregated, taking into account the characteristics of the information and its usefulness to users

II. General Requirements (3/3)

General Requirements



Integration with Other Sustainability Information

- The disclosure is aligned with the TNFD recommendations at this time. Going forward, integrating it with the existing disclosure aligned with the TCFD recommendations is considered
- Some of the contents of this disclosure will be updated as necessary and included in the Sustainability Report 2024 to be issued in August 2024

Time Horizons

- Given that nature-related risks and opportunities often occur over the medium- to long-term, the time horizon is set as follows:

  (1) Short-term: 1 year or less
  (2) Medium-term: 1 to 10 years
  (3) Long-term: 10 to 30 years

Engagement

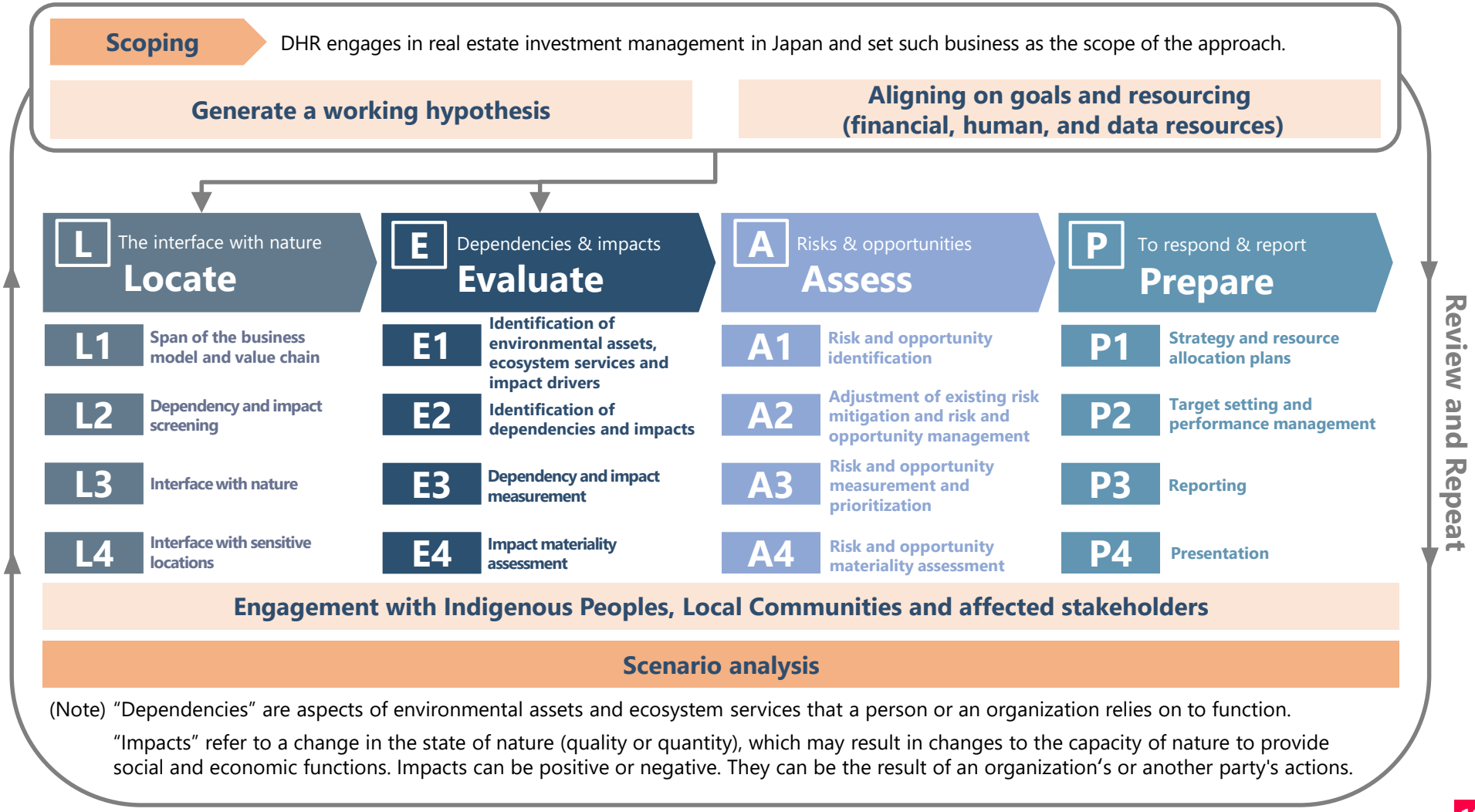
- Daiwa House Group will endeavor to engage in dialogue and consultation with stakeholders to understand the impact of its business activities on human rights from the perspective of those affected, so that they can be addressed and improved

For more information on stakeholder engagement → p. 16

III. LEAP Approach

LEAP Approach

- In line with the LEAP (Locate, Evaluate, Assess, Prepare) approach designed to assess nature-related risks and opportunities as outlined by the TNFD, DHR identified and analyzed nature-related dependencies and impacts (Note) on DHR's operations, and related risks and opportunities for DHR's operations. As a result of the assessment, DHR has considered measures to address material issues and implemented controls such as setting indicators and targets.



(Note) "Dependencies" are aspects of environmental assets and ecosystem services that a person or an organization relies on to function.

"Impacts" refer to a change in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organization's or another party's actions.

III. LEAP Approach Conducting Analysis (1/2)

Locate The interface with nature	DHR's **Response**
L1 Span of the business model and value chain	Utilizes information on the location of the properties owned by DHR
L2 Dependency and impact screening	Utilizes available mapping tools to identify if DHR's properties are located in areas of high ecological damage, areas of high biodiversity importance, areas of water stress, and areas of material dependeny or impact
L3 Interface with nature	Utilizes available mapping tools to identify the contact points between DHR's properties and nature
L4 Interface with sensitive locations	Identifies uses of properties owned by DHR that have contact with nature in priority areas

Evaluate Dependencies & impacts	DHR's **Response**
E1 Identification of environmental assets, ecosystem services and impact drivers	Identifies potential dependencies and impacts and lists 15 dependency items and 7 impact items
E2 Identifyication of dependencies and impacts	
E3 Dependency and impact measurement	Dependency → High score (high dependency) for “Resources” is confirmed
E4 Impact materiality assessment	Impact → High score (high impact) for greenhouse gas (“GHG“) is confirmed

III. LEAP Approach Conducting Analysis (2/2)

Assess Risks and opportunities	DHR's **Response**
A1 Risk and opportunity identification	Identifies physical risk, transition risk, and market, financing, and resilience opportunities
A2 Adjustment of existing risk mitigation and risk and opportunity management	Incorporates responses to nature-related risks and opportunities into the risk reduction and risk/opportunity management processes developed in alignment with the TCFD recommendations
A3 Risk and opportunity measurement and prioritization	
A4 Risk and opportunity materiality assessment	Conducts a materiality assessment of the identified risks and opportunities based on a matrix of materiality for DHR and materiality for stakeholders

Prepare To respond & report	DHR's **Response**
P1 Strategy and resource allocation plans	Develops strategies and responses to mitigate risks and seize opportunities for the identified material risks and opportunities
P2 Target setting and performance management	Sets a target for obtainment of biodiversity-related certifications in addition to climate-related targets and discloses progress in the Sustainability Report and on the website Considers setting targets based on the guidance of the Science Based Targets Network (“SBTN“) in the future
P3 Reporting	Reports to the Compliance Committee, the Asset Manager's Board of Directors, and DHR's Board of Directors after discussion at the Sustainability Committee
P4 Presentation	The disclosure is aligned with the TNFD recommendations at this time. Going forward, integrating with the existing disclosure aligned with the TCFD is considered

IV. Governance

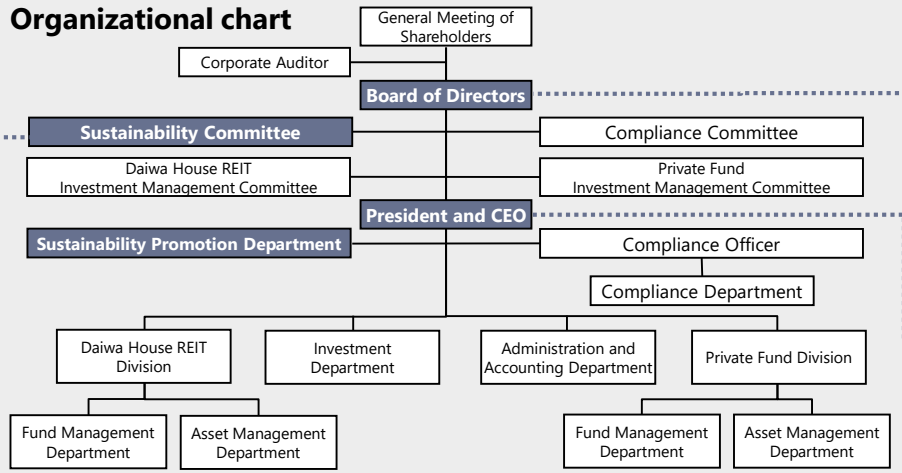
Sustainability Promotion System, Supervision by Board of Directors, and Role of Top Management

- To promote awareness of ESG based on the Sustainability Policy, the Asset Manager is working to secure an appropriate system for promoting sustainability. To do this, it established the "Regulations Concerning the System for Promoting Sustainability" and rules regarding topics such as internal framework, collaboration with stakeholders, and information disclosure policy. In addition, a meeting of the Sustainability Committee must be held at least once a month, in principle, to examine goals and measures related to sustainability. The Asset Manager is working to achieve these goals and implement various measures. Moreover, in principle, the Head of the Sustainability Committee annually directs the Committee to assess the status of all sustainability initiatives and to review them as necessary.

Sustainability Committee

- Deliberates and resolves on sustainability-related policy and strategy development
- Deliberates and resolves on execution of sustainability-related operations

Organizational chart



Supervision by Board of Directors

Receives and monitors reports on the items deemed necessary to be reported to the Asset Manager's Board of Directors among the items deliberated at the Sustainability Committee with respect to the sustainability-related matters (considerations for climate-related, biodiversity, and other global environmental issues and risk management for natural disasters, etc.)

Role of President and CEO

As the Chief Executive on sustainability-related matters of the Asset Manager's Board of Directors and the Chief Executive of the Sustainability Committee, provides final approval of various goals and measures, evaluates the status of efforts and gives instructions for review

Human Rights Policy of Daiwa House Group Concerning 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 who receive the influence and to deal with it and improve it.
- 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.
- Respect for the rights of indigenous peoples is stipulated in the Daiwa House Group's Supply Chain Sustainability Guidelines (Note).

Compensation System

- 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.**
- It is designed 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.
- **Remuneration for Executive Director of DHR and remuneration for directors of the Asset Manager are also linked to sustainability indices including GHG emissions reduction ratio, GRESB Rating and CDP Score.**

IV. Governance Sustainable Procurement Policy (1/2)

Sustainable Procurement Policy

- The "Sustainable Procurement Policy" is one of the policies to put into practice the individual items set forth in the Asset Manager's "Sustainability Policy" and sets forth guidelines pertaining to the selection criteria of products, etc. to be procured for the management of the real estate portfolio held by DHR and the selection and evaluation criteria of suppliers. Based on the Sustainable Procurement Policy, the Asset Manager aims to include, to the extent possible, in its decisions on the selection and evaluation of products and suppliers to be procured.

Contents Specified in the Sustainable Procurement Policy (Excerpts)

Environmental conservation

Strive to reduce the environmental load of both “business processes” and “products and services” in order to help create a world where people can lead an affluent way of life in harmony with the environment.

A. Complying with environmental laws and regulations and responding to the demands of society
B. Challenge yourself to achieve carbon neutrality
C. Challenge yourself to achieve circular economy
D. Management of chemical substances
E. Considerations for biodiversity
F. Addressing risks to water

Co-creating a brighter future with local communities

Respect the culture and customs of areas where you engage in business operation, and strive to contribute to the sustainable development of local communities through business activities, etc.

A. Considerations for and contributions to local residents and communities where you engage in business operation.

Chemical substance management

Do not use substances, etc. prohibited by domestic laws.

Respect for human rights

Respect dignity and basic human rights for all persons involved in business activities by not acting in ways that are discriminatory or that infringe on those rights.

A. Prohibition of discrimination
B. Prohibition of forced labor
C. Prohibition of child labor
D. Prohibition of harassment
E. Respecting the rights of indigenous peoples
F. Freedom of association and right to collective bargaining
G. Payment of fair wages
H. Working hours
I. Responsible procurement
J. Access to remedy
K. Identity protection and elimination of retaliation
L. Respect the human rights of foreign workers

Biodiversity

In procuring wood, strive to use wood that has been verified as legal and sustainable, or procure 100% recycled wood.

IV. Governance Sustainable Procurement Policy (2/2)

Wood Procurement Policy

- Any development business comes with the potential risks of losing business opportunities or incurring costs to revitalize the 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 "Supply Chain Sustainability 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).

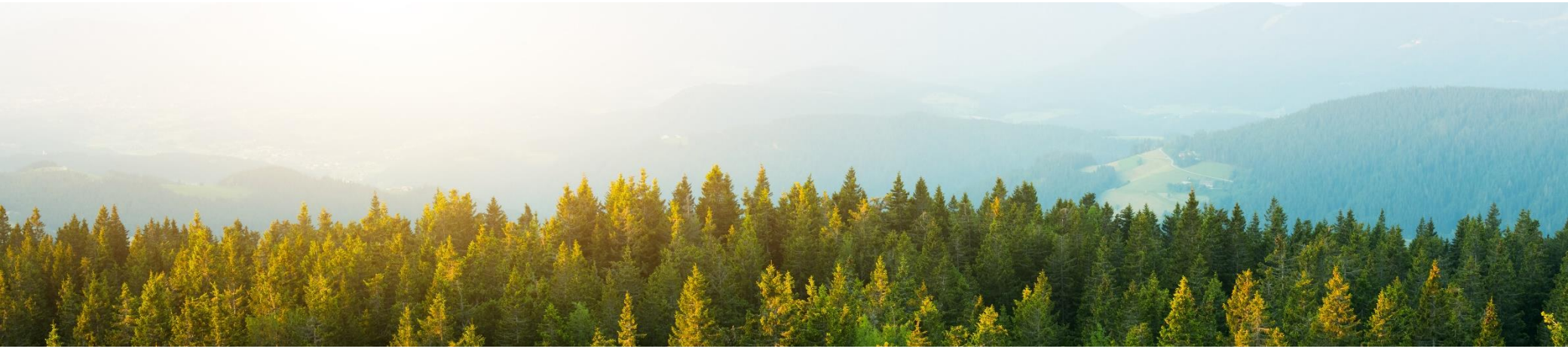
Zero Deforestation* Policy

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.

*What is Zero Deforestation?

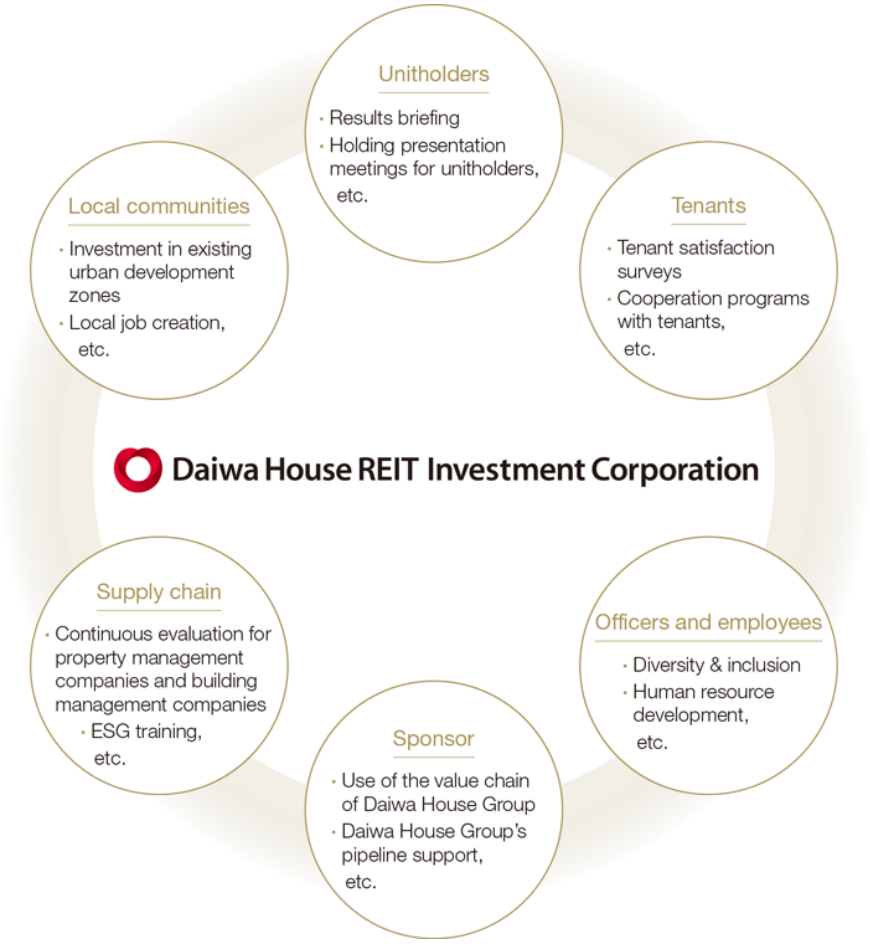
(1) Wood whose biodiversity has not been damaged by clear cutting of natural forests
(2) Wood planted in a manner that does not damage high carbon storage sites (HCS)
(3) 100% recycled material



IV. Governance Stakeholder Engagement

Basic Approach to Stakeholder Engagement

- 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.



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.
- Daiwa House Group strives to realize a sustainable society through the promotion of CSR procurement together with its suppliers.

V. Strategy Heatmap Image (1/2)

Creation and Utilization of Heatmap of Dependencies and Impacts on Nature

- DHR has developed a heatmap using "ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)" (Note 1) and "SBTN Materiality Screening Tool" (Note 2) developed by UNEP (United Nations Environment Programme), and has organized the degree of dependency in real estate management (direct operations) and construction (upstream) into five levels.

- Using the organized results, and following the LEAP (Locate, Evaluate, Assess, Prepare) approach, we have identified and analyzed nature-related dependencies and impacts on DHR's operations, and also identified and evaluated nature-related risks and opportunities.

V. Strategy Heatmap Image (2/2)

Very High　High　Medium　Low　Very Low, N/A

Heatmap of Dependencies

- We confirmed high dependency on "surface water" in real estate management (direct operations).

Stage of value chain	Sector	Direct physical input					Enables production process						Mitigates direct impacts				Protection from disruption					
		Animal-based energy	Fibers and other materials	Genetic materials	Surface water	Ground water	Maintain nursery habitats	Pollination	Soil quality	Ventilation	Water flow maintenance	Water quality	Bio-remediation	Dilution by atmosphere and ecosystems	Filtration	Mediation of sensory impacts	Buffering and attenuation of mass flows	Climate regulation	Disease control	Flood and storm protection	Mass stabilization and erosion control	Pest control
Direct operations	Real estate management				H	M							L		VL	L				VL	L	
Upstream	Construction								VL	VL	M		L		L	VL			H	H	M	VL

Heatmap of Impacts

- We confirmed very high impact on "terrestrial ecosystem use" and high impact on "solid waste" and "GHG emissions" in real estate management (direct operations).

Stage of value chain	Sector	Land/water/sea use change			Pollution				Resource exploitation		Climate change	Invasives and other
		Freshwater ecosystem use	Terrestrial ecosystem use	Marine ecosystem use	Non-GHG air pollutants	Soil pollutants	Water pollutants	Solid waste	Water use	Other resource use	GHG emissions	Disturbances
Direct operations	Real estate management	VH			M	M	M	H			H	
Upstream	Construction	VH	H	VH	H	H	M	H	H		H	H

V. Strategy Methodology for Analyzing Nature-related Dependencies and Impacts

Analysis of Nature-related Dependencies and Impacts

- The aforementioned heatmap was used as a reference to analyze the nature-related dependencies and impacts of the top 100 properties (80.1% coverage) based on acquisition price as high priority properties for DHR.

Methodology for Analyzing Nature-related Dependencies

Evaluation item		Evaluation methodology
Ecological status of the property area		(1) Integrity of ecosystems (Note 1)
		(2) Importance of ecosystems (Note 2)
		(3) Water stress (Note 3)
Dependency status	Energy	Amount used (Note 4)
	Water	Amount used (Note 5)
	Resources	Land area of the property is scored and evaluated (Note 6)
Overall evaluation (Dependency)	Energy	Amount used (Note 4)
	Water	Water use and water stress are scored and evaluated
	Resources	Land area of the property is scored and evaluated (Note 6)

Methodology for Analyzing Nature-related Impacts

Evaluation item		Evaluation methodology
Impact status	Waste	Amount of waste (Note 7)
	GHG	Amount of GHG emissions (Note 8)
State of ecosystem services/crisis		Integrity of ecosystems and importance of ecosystems are scored and evaluated
Overall evaluation (Impact)	Waste	Integrity of ecosystems, importance of ecosystems, and amount of waste are scored and evaluated
	GHG	Integrity of ecosystems, importance of ecosystems, and GHG emissions are scored and evaluated

V. Strategy Results of Dependency Analysis

Results of Nature-related Dependency Analysis

- The results of the analysis confirmed high score (high dependency) for "Resources".

- The results of the analysis of the top 10 properties based on acquisition price and the top 100 properties based on acquisition price (80.1% coverage) in terms of nature-related dependencies are as follows.

Asset class	Property number	Property name	Acquisition price (million yen)	Location	Dependency								
					Ecological status of the property area			Dependency status			Overall evaluation (Dependency)		
								Energy	Water	Resources	Energy	Water	Resources
					Integrity of ecosystems	Importance of ecosystems	Water stress	Amount used	Amount used	Scored evaluation	Amount used	Scored evaluation	Scored evaluation
Retail	RM-012	iias Tsukuba	34,120	Tsukuba City, Ibaraki	★★★	★	★★	★★★	★★★	★★★	★★★	★★★	★★★
Logistics	LM-004	DPL Nagareyama I	32,600	Nagareyama City, Chiba	★★★	★★	★★	★★★	★	★★★	★★★	★★	★★★
Logistics	LM-006	DPL Nagareyama III	32,000	Nagareyama City, Chiba	★★★	★★	★★	Unevaluated	Unevaluated	★★★	Unevaluated	★	★★★
Other	OT-006	GRANODE Hiroshima	28,800	Hiroshima City, Hiroshima	★★	★★★	★★	★★	★★	★★★	★★	★★★	★★★
Logistics	LB-006	D Project Urayasu II	26,000	Urayasu City, Chiba	★★★	★★	★★	★	★	★★★	★	★★	★★★
Logistics	LM-001	DPL Misato	16,831	Misato City, Saitama	★★★	★	★★	★★	★	★★★	★★	★★	★★★
Logistics	LB-002	D Project Hachioji	15,400	Hachioji City, Tokyo	★★★	★★	★★	★★★	★	★★★	★★★	★★	★★★
Logistics	LB-066	D Project Hiratsuka	15,200	Hiratsuka City, Kanagawa	★★★	★★	★★	★	★	★★★	★	★	★★★
Logistics	LM-002	DPL Fukuoka Kasuya	13,300	Kasuya District, Fukuoka	★★	★★	★★	★	★	★★★	★	★	★★★
Logistics	LB-060	D Project Itabashi Shinkagishi	12,300	Itabashi Ward, Tokyo	★★★	★	★★	★★	★	★★★	★★	★★	★★★
Average score of 100 properties (Note)					2.8	1.8	2.0	1.6	1.3	2.6	1.6	1.8	2.6

V. Strategy Results of Impact Analysis

Results of Nature-related Impact Analysis

- The results of the analysis confirmed high score (high impact) for "GHG".

- The results of the analysis of the top 10 properties based on acquisition price and the top 100 properties based on acquisition price (80.1% coverage) in terms of nature-related impacts are as follows.

Asset class	Property number	Property name	Acquisition Price (million yen)	Location	Impact				
					Impact status		State of ecosystem services/crisis	Overall evaluation (Impact)	
					Waste	GHG		Waste	GHG
					Amount of waste	Amount of emissions	Scored evaluation	Scored evaluation	Scored evaluation
Retail	RM-012	iias Tsukuba	34,120	Tsukuba City, Ibaraki	★★★	★★★	★★	★★★	★★★
Logistics	LM-004	DPL Nagareyama I	32,600	Nagareyama City, Chiba	★	★★★	★★★	★★	★★★
Logistics	LM-006	DPL Nagareyama III	32,000	Nagareyama City, Chiba	Unevaluated	Unevaluated	★★★	★	★
Other	OT-006	GRANODE Hiroshima	28,800	Hiroshima City, Hiroshima	★	★★	★★★	★★	★★★
Logistics	LB-006	D Project Urayasu II	26,000	Urayasu City, Chiba	★	★★	★★★	★★	★★★
Logistics	LM-001	DPL Misato	16,831	Misato City, Saitama	★	★★	★★	★★	★★★
Logistics	LB-002	D Project Hachioji	15,400	Hachioji City, Tokyo	★	★★★	★★★	★★	★★★
Logistics	LB-066	D Project Hiratsuka	15,200	Hiratsuka City, Kanagawa	★	★	★★★	★★	★★
Logistics	LM-002	DPL Fukuoka Kasuya	13,300	Kasuya District, Fukuoka	★	★	★★	★	★
Logistics	LB-060	D Project Itabashi Shinkagishi	12,300	Itabashi Ward, Tokyo	★★★	★★	★★	★★★	★★★
Average score of 100 properties (Note)					1.3	1.8	1.6	1.9	2.2

V. Strategy Process of Nature-related Scenario Analysis

Process of Nature-related Scenario Analysis

- Based on the analysis of the LEAP approach, scenario analysis is conducted to evaluate the impact on DHR's business under different scenarios and to assess the resilience of the strategy to nature-related risks and opportunities.

Scenario Analysis Steps

Step 1

Identify material nature-related risks and opportunities

- Identifiy nature-related risks and opportunities
- Assess nature-related risks and opportunities and identify material risks and opportunities
- Set parameters related to material risks and opportunities

Step 2

Set nature-related scenarios

- Identify relevant scenarios based on the information in Step 1 and other factors
- Set nature-related scenarios (social image)

Step 3

Evaluate impact on business in each scenario

- Assess the materiality for DHR and its stakeholders (rated on a scale from ★★★★★ (high) to ★ (low) depending on the level of materiality)
- Analyze the impact on business in each scenario based on the scenarios set in Step 2 and the material nature-related risks and opportunities together with related parameters identified in Step 1

Step 4

Evaluate the resilience of the strategy for nature-related risks and opportunities and consider additional measures

- Assess the resilience of DHR's strategy for nature-related risks and opportunities
- Consider additional measures

V. Strategy Identification of Risks and Opportunities

Step 1

Identify material nature-related risks and opportunities

- Identifiy nature-related risks and opportunities
- Assess nature-related risks and opportunities and identify material risks and opportunities
- Set parameters related to material risks and opportunities

Material Nature-related Risks/Opportunities and Assessments

Category		Type	Anticipated timeframe	Description of risks and opportunities
Risk	Physical	Acute	Short to long term	Increased repair costs of buildings and outbuildings due to extreme weather conditions caused by increased GHG emissions, diminishment and suspension of natural ecosystem functions, etc.
				Decrease in rent income due to increase in natural disasters such as typhoons and floods caused by heavy rains
				Increased casualty insurance premiums due to increase in natural disasters such as typhoons and floods caused by heavy rains
	Transition	Market	Medium to long term	Business risks, risks of exclusion from supply chain, and risks of lower earnings, if not being able to respond to rising biodiversity needs of customers (e.g. obtaining environmental certifications related to biodiversity (JHEP, ABINC, etc.))
		Reputation	Medium to long term	Decline in unit prices and increase in financing costs due to delay in response to biodiversity
Opportunity	Market		Medium to long term	Increased business opportunities, avoiding exclusion from supply chain, and increased earnings opportunities when responding to rising biodiversity needs of customers (e.g. obtaining environmental certifications related to biodiversity (JHEP, ABINC, etc.))
	Fundraising		Medium to long term	Increase in unit prices and decrease in financing costs due to response to biodiversity
	Resilience		Long term	Enhancement of resilience and reduction of future cost incurrence risks and business risks by enhanced response to biodiversity

V. Strategy Scenario Setting (1/2)

Step 2

Set nature-related scenarios

- Identify relevant scenarios based on the information in Step 1 and other factors
- Set nature-related scenarios (social image)

Overview of Anticipated Scenarios

Scenario A	
Transition risk	High
Physical risk	Low

A scenario in which policy, institutional, and financial aspects of biodiversity conservation are strengthened and promoted, and nature destruction and loss of ecosystem services are curbed.
Transition risk is higher than in Scenario B, but physical risk is lower.

Scenario B	
Transition risk	Low
Physical risk	High

A scenario in which policy, institutional, and financial initiatives to conserve biodiversity fail to make progress, resulting in further destruction of nature and loss of ecosystem services.
Transition risk is lower than in Scenario A, but physical risk is higher.

V. Strategy Scenario Setting (2/2)

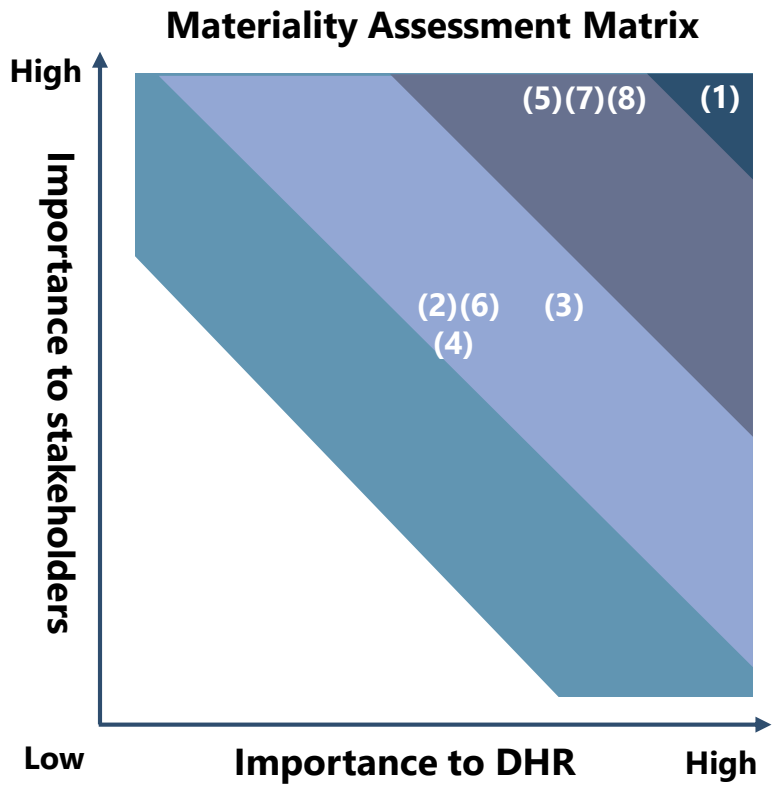
Step 3-1

Evaluate impact on business in Scenario A and Scenario B

- Assess the materiality for DHR and its stakeholders (rated on a scale from ★★★★★ (high) to ★ (low) depending on the level of materiality)

Description of Risks/Opportunities and Materiality Assessment

Category		Type	№	Description of risks and opportunities	Materiality assessment (Note)
Risk	Physical	Acute	(1)	Increased repair costs for buildings and exteriors due to extreme weather conditions, diminishment and suspension of natural ecosystem functions, etc.	★★★★★
			(2)	Decrease in rent income due to increase in natural disasters	★★★
			(3)	Increased casualty insurance premiums due to increase in natural disasters	★★★
	Transition	Market	(4)	Business risks, risks of exclusion from supply chain, and risks of lower earnings, if not being able to respond to rising biodiversity needs of customers (e.g. obtaining environmental certifications related to biodiversity (JHEP, ABINC, etc.))	★★★
		Reputation	(5)	Decline in unit prices and increase in financing costs due to delay in response to biodiversity	★★★★
Opportunity	Market		(6)	Increased business opportunities, avoiding exclusion from supply chain, and increased earnings opportunities when responding to rising biodiversity needs of customers (e.g. obtaining environmental certifications related to biodiversity (JHEP, ABINC, etc.))	★★★
	Fundraising		(7)	Increase in unit prices and decrease in financing costs due to response to biodiversity	★★★★
	Resilience		(8)	Enhancement of resilience and reduction of future cost incurrence risks and business risks by enhanced response to biodiversity	★★★★



V. Strategy Evaluation of Impact on Business and Countermeasures

Step 3-2

Evaluate impact on business in each scenario

- Analyze the impact on business in each scenario based on the scenarios set in Step 2 and the material nature-related risks and opportunities together with related parameters identified in Step 1

Step 4

Evaluate the resilience of the strategy for nature-related risks and opportunities and consider additional measures

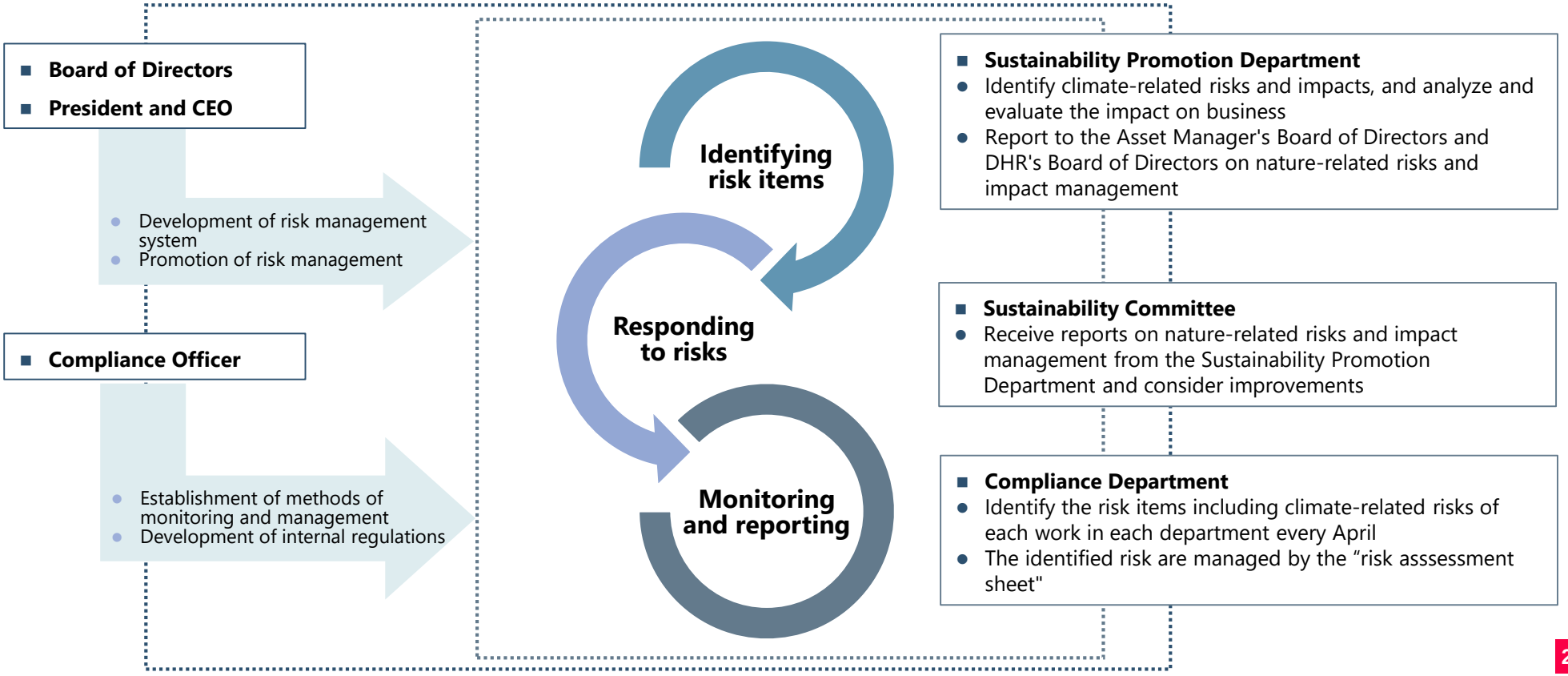
- Assess the resilience of DHR's strategy for nature-related risks and opportunities
- Consider additional measures

Impact on Business and Countermeasures

Category		Type	Description of risks and opportunities	Business impact		Countermeasures
				Scenario A	Scenario B	
Risk	Physical	Acute	Increased repair costs for buildings and exteriors due to extreme weather conditions, diminishment and suspension of natural ecosystem functions, etc.	Large	Large	• Choose native plants for replanting • Take appropriate measures such as insurance coverage based on risk assessment • Perform waterproofing, exterior wall and sealing work ahead of schedule • Install sandbags, water stop plates, and tide plates
			Decrease in rent income due to increase in natural disasters	Large	Large	
			Increased casualty insurance premiums due to increase in natural disasters	Medium	Medium	
	Transition	Market	Business risks, risks of exclusion from supply chain, and risks of lower earnings, if not being able to respond to rising biodiversity needs of customers (e.g. obtaining environmental certifications related to biodiversity (JHEP, ABINC, etc.))	Large	Large	• Obtain environmental certification for biodiversity, which evaluates and certifies our contribution to biodiversity conservation • Obtain green building certification • Disclose information on environmental performance • Improve ESG ratings • Implement sustainable finance
		Reputation	Decline in unit prices and increase in financing costs due to delay in response to biodiversity	Medium	Medium	
Opportunity	Market		Increased business opportunities, avoiding exclusion from supply chain, and increased earnings opportunities when responding to rising biodiversity needs of customers (e.g. obtaining environmental certifications related to biodiversity (JHEP, ABINC, etc.))	Large	Large	
	Fundraising		Increase in unit prices and decrease in financing costs due to response to biodiversity	Medium	Medium	
	Resilience		Enhancement of resilience and reduction of future cost incurrence risks and business risks by enhanced response to biodiversity	Large	Large	• Take appropriate measures such as insurance coverage based on risk assessment • Perform waterproofing, exterior wall and sealing work ahead of schedule • Install sandbags, water stop plates, and tide plates • Diversify portfolio and financing sources

VI. Risk and Impact Management

- While recognizing nature-related dependencies, impacts, and risks as one of the business 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.
- The Asset Manager has established the following risk and impact management system.



VII. Metrics and Targets

Metrics and Targets and Initiatives to Achieve Targets

- DHR has established and is working to achieve quantitative indicators and targets for nature-related risks/opportunities and dependencies/impacts that are considered to be material in business operations.
- DHR has set a target for obtainment of biodiversity-related certifications in addition to climate-related targets and will disclose progress in the Sustainability Report and on the website.
- In the future, DHR will consider setting targets based on guidance of the SBTN.

TNFD	TCFD	Category / Type		Subject of management	Indicator	Target	Initiatives to achieve the target
✓		Risk Opportunity	Market	Impact on business from rising needs from customers to respond to biodiversity	Environmental certifications related to biodiversity	Increase the number of certified properties from two in FY2023 to five or more in FY2030	• Considering the impact on local ecosystems, mainly for properties located in high-priority areas for biodiversity conservation, use native tree species instead of invasive alien species, and implement environmentally friendly maintenance and management
✓	✓	Dependency		Energy consumption	Energy consumption intensity (based on total floor area)	Reduce consumption intensity by10% in FY2027 with FY2017 as the base year	• Introduction of smart meters • Promotion of ZEB conversion of owned properties • Setting an internal carbon price to be used as an incentive for low-carbon projects, a guide for investment decision making, and a reference index for identifying risks of rising costs • Investment in solar power generation equipment
✓	✓			Water consumption	Water consumption intensity (based on total floor area)	Reduce intensity to below the level of the base year in FY2027 with FY2017 as the base year	• Effective use of rainwater, groundwater, and graywater • Installation of water-saving devices • Monitoring of real estate investments in areas with "high" or "very high" water stress
✓	✓	Impact		Waste management	Recycling rate	Improve recycling rate over FY 2017 in FY 2027 with FY 2017 as the base year	• Posters to promote recycling • Promotion of recycling through sorting
✓	✓			GHG emissions	GHG emissions	Reduce total emissions by 42% in FY2030, with FY2020 as the base year Net zero in FY2050 SBTi Certification	• Promotion of ZEB conversion of owned properties • Setting an internal carbon price to be used as an incentive for low-carbon projects, a guide for investment decision making, and a reference index to identify risks of rising costs • Purchase of non-fossil certificates • Investment in solar power generation equipment • Promotion of LEDs

VII. Metrics and Targets Obtainment of Biodiversity Certification

Obtainment of JHEP Certification (Royal Parks Toyosu)

- Overview of JHEP certification

JHEP is a certification system to objectively and quantitatively evaluate and certify the degree of contribution to biodiversity conservation. The value of biodiversity is compared before and after a project, and if the value after the project is equal to or greater than the value before the project, it is certified by a third-party organization as a project that contributes to biodiversity. The certification rating is represented on a six-tier (AAA to B+) evaluation scale.

For details of JHEP certification, please refer to the following website.
Website of Ecosystem Conservation Society-Japan (JHEP certification organization):
https://www.ecosys.or.jp/aboutus/english/index.html

- Points highlighted in JHEP evaluation

(1) While the subject property is surrounded by commercial and office buildings, there are abundant plantings on the exterior and rooftop
(2) No species listed on the Invasive Alien Species List for the prevention of ecosystem damage or unevaluated alien species are adopted for planting, and there are no plans to adopt them in the future

For details of evaluations of Royal Parks Toyosu, please refer to the following website (Japanese only).
Evaluation report of JHEP certification: https://www.ecosys.or.jp/certification/jhep/case/case111report.pdf
Case study of JHEP certification: https://www.ecosys.or.jp/certification/jhep/case/case111.pdf

Obtainment of ABINC Certification (Royal Parks Hanakoganei)

- Overview of ABINC certification

ABINC is a certification system to evaluate and certify biodiversity-friendly initiatives based on the "Promotion Guidelines for ABINC" developed by General Incorporated Association Japan Business Initiative for Biodiversity (JBIB), and no certification rating is assigned.

For details of ABINC certification, please refer to the following website (Japanese only).
Website of ABINC certification: https://www3.abinc.or.jp/auth/

- Points highlighted in ABINC evaluation

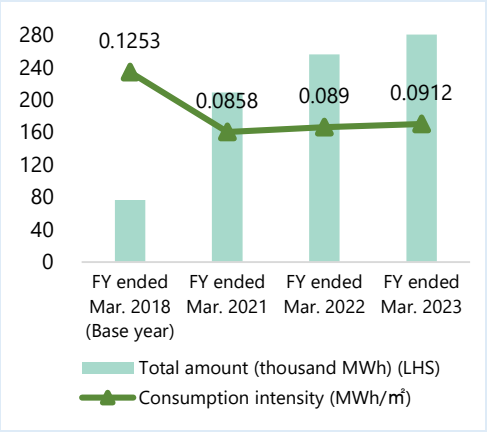
(1) The diversity of the environment is maintained, with trees, grassland, and waterfront areas well maintained and relatively large trees growing in the area
(2) Efforts are being made to consider the rainwater cycle by placing a rain garden

For details of evaluations of Royal Parks Hanakoganei, please refer to the following website (Japanese only).
ABINC certified properties in the 14th evaluation: https://www3.abinc.or.jp/facility/14th_creature_facilites/

VII. Metrics and Targets Dependency and Impact Status

Energy Data (Dependencies)

Energy consumption



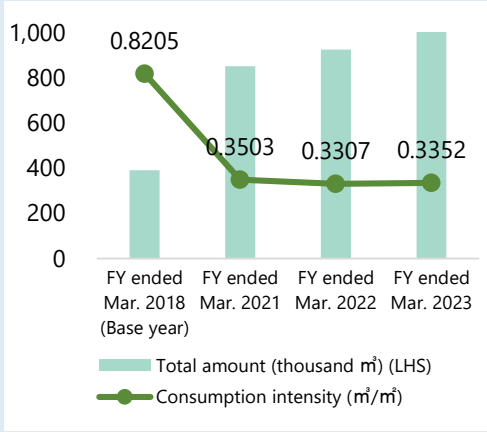
Current status

- While the intensity is decreasing due to promotion of energy-saving measures, the total amount is increasing due to an increase in the number of properties owned and an increase in the coverage ratio.

Countermeasures

Initiatives to achieve the target → p. 28

Water consumption



Current status

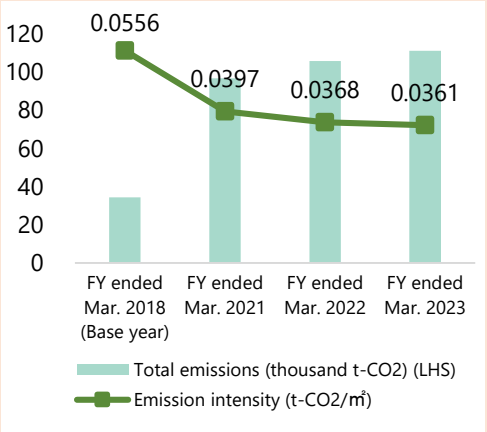
- While the intensity is decreasing due to promotion of installation of water-saving devices, the total amount is increasing due to an increase in the number of properties owned and an increase in the coverage ratio.

Countermeasures

Initiatives to achieve the target → p. 28

Emissions Data (Impacts)

GHG emissions



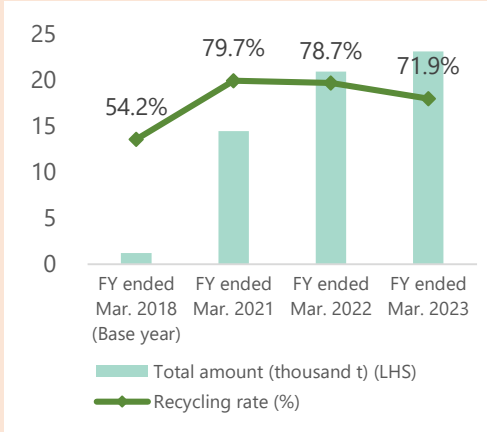
Current status

- While the intensity is decreasing due to promotion of energy-saving measures and introduction of renewable energy, the total amount is increasing due to an increase in the number of properties owned and an increase in the coverage ratio.

Countermeasures

Initiatives to achieve the target → p. 28

Waste management (recycling rate)



Current status

- While the recycling rate is increasing due to promotion of recycling, the total volume is increasing due to an increase in the number of properties owned and an increase in the coverage ratio.

Countermeasures

Initiatives to achieve the target → p. 28

Notes

(Note) Unless otherwise noted, amounts are rounded down to the nearest unit and other figures are rounded to the nearest unit in this document.

P. 2
(Note) Excluding membership of sponsor groups.

P. 13
(Note) Supply Chain Sustainability Guidelines https://www.daiwahouse-reit.co.jp/file/en-supply-chain_content-c30fff4e0064fa0c71b87da14c3171be938ae894.pdf

P. 17
(Note 1) ENCORE https://encore.naturalcapital.finance/en
(Note 2) SBTN Materiality Screening Tool https://sciencebasedtargetsnetwork.org/wp-content/uploads/2023/05/SBTN-Materiality-Screening-Tool-v1.xlsx

P. 19
(Note 1) Evaluated using the WWF Risk Filter Suite which assesses the state of ecosystems.
https://riskfilter.org/biodiversity/explore/map
(Note 2) The area surrounding the property (within 1km radius) was evaluated based on (1) whether or not it is designated as a nature conservation area, (2) the number of plant species listed in the Red Data Book, (3) the number of bird species listed in the Red Data Book, and (4) the number of useful plant species.
https://biodiversity-map.thinknature-japan.com/en/
(Note 3) Evaluated using the WRI Aqueduct indicator which assesses the amount of water resources.
https://www.wri.org/applications/aqueduct/water-risk-atlas/#/?advanced=false&basemap=hydro&indicator=w_awr_def_tot_cat&amp ;lat=-14.445396942837744&lng=-142.85354599620152&mapMode=view&month=1&opacity=0.5&ponderation=DEF&predefined=false&projection=absolute&scenario=optimistic&scope=baseline&timeScale=annual&year=baseline&_zoom=2
(Note 4) Evaluated based on annual electricity consumption.
(Note 5) Evaluated based on annual water consumption.
(Note 6) Evaluated based on land area.
(Note 7) Evaluated based on annual amount of waste, assuming that the waste is disposed of in the vicinity.
(Note 8) Evaluated based on annual GHG emissions assuming Scope 1.

P. 20
(Note) The average score is calculated by weighting by acquisition price. (Lowest ★1.0 to Highest ★ ★ ★ 3.0)

P. 21
(Note) The average score is calculated by weighting by acquisition price. (Lowest ★1.0 to Highest ★ ★ ★ 3.0)

P. 30
(Note 1) <Aggregation period>
From April to March every year.
(Note 2) <Calculation method>
The properties owned by DHR for which data could be obtained are subject for calculation.
Consumption intensity is calculated by dividing total consumption amount of electricity, CO_2, etc. by intensity denominator (gross floor area (m^2)).