Implementation Report

Environment

CHAPTER 01

Main results in fiscal 2024

Greenhouse gas emissions from use of products (total)
vs FY2015
59.8% reduction

Eco-friendly surface area of green spaces (cumulative)
vs FY2021
+ 711,000m²

Water consumption (per unit of sales)
vs FY2012
56.5% reduction

Number of those who acquired the Certification Test for Environmental Specialists (Eco Test)®
31,297

Contents

Long-Term Environmental Vision

Long-Term Environmental Vision

Challenge ZERO 2055

The Daiwa House Group aims to realize a sustainable society as a Group that co-creates value for individuals, communities, and people's lifestyles and tries to make "zero" environmental impacts within our Group, globally, and through supply chains.

Our Group formulated the long-term environmental vision "Challenge ZERO 2055" in fiscal 2016, focusing on 2055*, which marks the 100th anniversary of the foundation of Daiwa House Industry. We aim to realize a sustainable society and try to create "zero" environmental impacts through three stages (procurement, business activities, and products and services) with four environmental priority themes in mind (mitigating and adapting to climate change, harmony with the natural environment, closed-loop resource sourcing and conservation of aquatic environments, and prevention of chemical pollution). Among these themes, seven targets of particular importance are defined as Challenge ZERO in order to accelerate our initiatives with specific milestones for 2030.

* With regard to climate change, we have set the year 2050 in light of social demands.

Four environmental priority themes

Mitigating and adapting to climate change	We aim for zero greenhouse gas emissions throughout the product life cycle through uncompromising pursuit of energy saving and utilization of renewable energy in order to achieve a decarbonized society. In addition, we devise measures to avoid and minimize the negative impacts of climate change, and strive for the operation of businesses that are highly tolerant of climate change risk to realize a safe and secure society.
Harmony with the natural environment (Preservation of biodiversity)	In order to preserve and improve our natural capital, our Group shall prevent any net loss of biodiversity by ensuring zero deforestation through material procurement and by developing communities filled with greenery in harmony with the natural environment.
Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)	With the aim of contributing to the emergence of a society committed to recycling, our Group is pursuing the sustainable use of resources by extending the service life of houses and buildings and working toward zero emissions of waste, as well as the use of recycled materials. We also aim for sustainable utilization of water through reducing water consumption, total recycling of resources, and conservation of aquatic environments throughout our supply chain.
Prevention of chemical pollution	We shall institute appropriate management of chemical substances throughout the life cycle of houses and buildings to minimize the risk of adverse impacts on the health of people and ecosystems.

Phase

Procurement
- Resource extraction
- Transport of raw materials
- Material production
- Material transport

Business activities
- Office work / Vehicles
- Factories / Logistics
- Construction / Renovation
- Demolition
- Operation of office buildings

Products and services
- Single-family / Rental housing
- Condominiums
- Renovations
- Commercial facilities / Office buildings
- Environmental energy

Seven Challenge ZERO

1. Challenge ZERO for CO_2 in community development
2. Challenge ZERO for CO_2 in business activities
3. Challenge ZERO for CO_2 in the supply chain
4. Challenge ZERO Deforestation
5. Challenge ZERO Harm to Biodiversity
6. Challenge ZERO Waste and Reuse
7. Challenge ZERO Water-Associated Risks

* Prevention of chemical pollution is not defined as Challenge ZERO because it is already at the maintenance and management level.

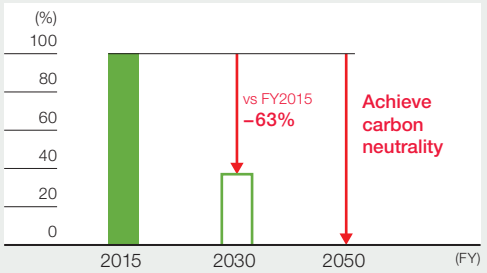
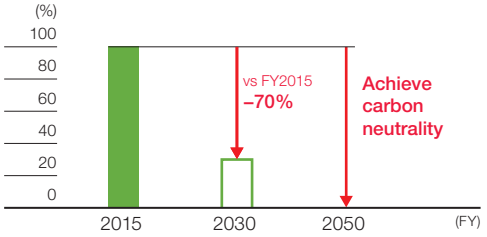
Long-Term Environmental Vision

Milestones and goals of seven Challenge ZERO

Procurement　Business activities　Products and services

The Group upholds Challenge ZERO initiatives with a specific year of 2055* in mind as an ultimate goal. We also define the milestones for 2030 to increase effectiveness of the initiatives.

* The year 2050 for the item of mitigating and adapting to climate change

	Milestone for 2030	Goal for 2050
1 Challenge ZERO for CO_2 in community development	By 2030, we aim to reduce greenhouse gas (GHG) emissions (total) from newly constructed buildings in the habitation and usage stage by 63% in comparison to FY2015. By 2030, we turn all newly constructed houses and buildings into ZEH/ZEB in principle, while also promoting the development of carbon neutral towns with 100% renewable energy by installing solar power generation systems in all buildings. We seek to complete renovation of existing buildings to turn them into ZEH/ZEB by application by 2030, while also promoting carbon neutrality through renovations to improve energy efficiency or install energy-generation facilities, as well as the supply of renewable energy.	Through turning newly constructed buildings into net zero energy buildings and by improving energy efficiency and energy-generation installation at existing buildings, as well as through supplying renewable energy, we aim to achieve carbon neutrality by 2050. Reduction target for GHG emissions from houses and buildings in use 
2 Challenge ZERO for CO_2 in business activities	By 2030, we aim to reduce GHG emissions (total) in all facilities and all business processes by 70% in comparison to FY2015. By further promoting energy saving for existing facilities and achieving ZEB for facilities to be newly constructed, we aim to double the Groupwide energy efficiency (sales unit per consumed energy) by 2030 from the fiscal 2015 levels. Working to expand renewable energy, we aim to attain 100% renewable energy for all the electricity used in our Group by 2025.	We implement thorough energy-efficiency measures, turn newly built facilities into ZEBs, and utilize renewable energy to achieve carbon neutrality by 2050 in all facilities and all business processes. GHG emission reduction targets in business activities 
3 Challenge ZERO for CO_2 in the supply chain	By 2025, we share with 90% of our principal suppliers the GHG reduction targets in line with the Paris Agreement and cooperate with them in the initiatives for energy efficiency and renewable energy in order for the principal suppliers to achieve the targets by 2030.	Through collaboration with suppliers, we aim to achieve carbon neutrality in the supply chain by 2050.

Long-Term Environmental Vision

Milestones and goals of seven Challenge ZERO

Procurement | Business activities | Products and services

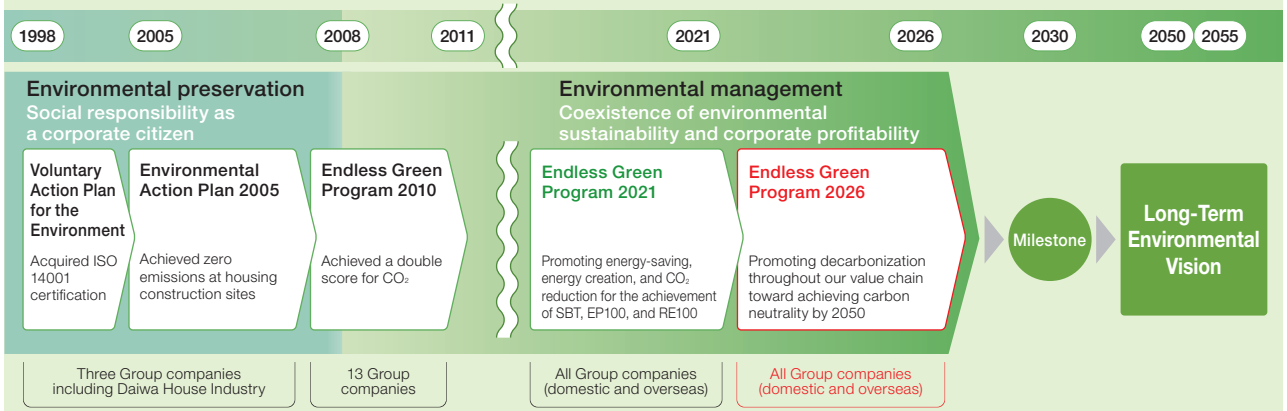
	Milestone for 2030	Goal for 2055
4 Challenge ZERO Deforestation	By 2030, we work with suppliers to eliminate from procurement at our housing and construction businesses all timber that cannot be traced to legal harvest.	Through collaboration with suppliers, we aim to achieve zero deforestation arising from materials procurement at all segments by 2055.
5 Challenge ZERO Harm to Biodiversity	By 2030, in all housing- and building-related businesses, we take steps to enhance the amount and quality of green space that take into consideration the protection of biodiversity, aiming to create in aggregate at least 2 million square meters of biodiversity-conducive green spaces. We will complete biodiversity assessments of all owned or managed sites and undertake ongoing conservation work at all ecologically significant ones* by 2030. * Factories, company-owned forest sites, golf courses, commercial facilities, etc. Through reducing discarded plastics and other efforts, we aim to bring to zero the impact associated with marine plastic waste problems by 2030.	We aim to prevent any net loss of biodiversity by 2055 through sustainable business operation that takes into consideration the protection of biodiversity, and enhancement of the amount and quality of green space in housing, construction, and community development.
6 Challenge ZERO Waste and Reuse	By 2030, we seek to extend the durability and increase the variability of our new buildings. Also, by promoting renovation and remodeling of existing buildings, we help create a market for trading quality housing stock at fair valuations. We aim to achieve zero waste emissions and total recycling of resources throughout supply chains at in all housing- and building-related businesses by 2030. We also promote the use of recyclable or recycled materials.	We will use only recyclable or recycled materials at our housing and construction businesses by 2055. Through extending the durability of our buildings, we aim to minimize the volume of resources used and waste emissions. We also aim to achieve zero waste emissions and total recycling of resources throughout supply chains across the Group.
7 Challenge ZERO Water-Associated Risks	By 2030, we aim to reduce water consumption (per unit of sales) by 45% vs fiscal 2012 at all sites and properties and in all processes. By 2030, we aim to complete water risk assessments in all housing- and building-related businesses in our supply chains, and complete water risk countermeasures at all owned locations and high-risk supplier locations. We aim to achieve a water-saving device adoption rate of 100% for new residential and hotel buildings by 2030.	We aim for sustainable utilization of water through reducing water consumption, total recycling of resources, and conservation of aquatic environments throughout supply chains across the Group by 2055.

Environmental Action Plan (Endless Green Program)

History of the Environmental Action Plan

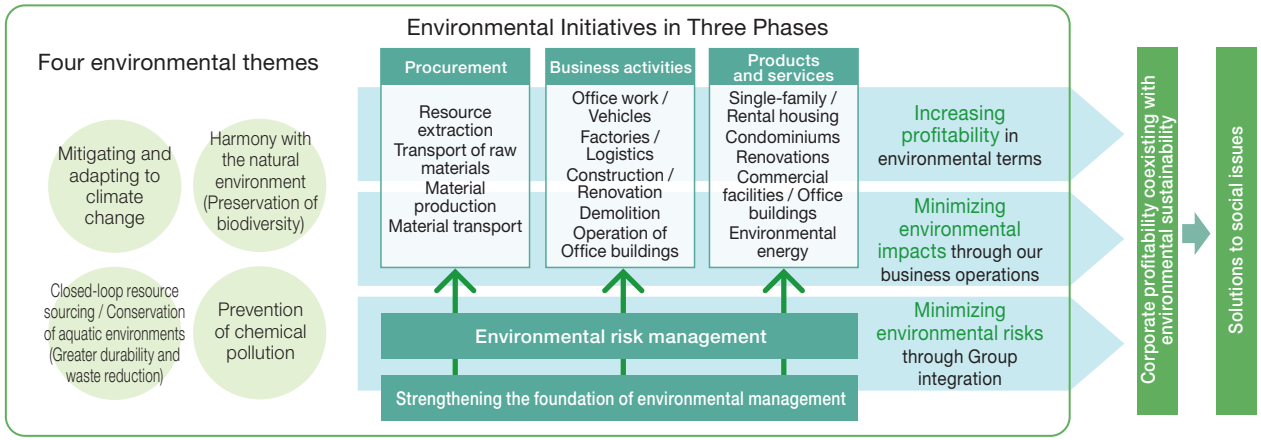
Calculating backward from the long-term environmental vision, the Daiwa House Group has set milestones for 2030 for achieving the vision. We formulate concrete targets and plans as the Endless Green Program (EGP) nearly every three- five years in accord with the period of a medium- term management plan to promote it.

WEB ↗ Environmental Action Plan



Overall Environmental Action Plan

In the EGP, we identify "four environmental themes," which are of much interest to stakeholders and closely related to our business, and we work on them at three phases: procurement; business activities; and products and services.



Link between materialities, the 7th Medium-Term Management Plan and Environmental Action Plan

In fiscal 2022, we identified priority issues (materiality) in order for us to realize Our Hopes for the Future (purpose), which constitute the Daiwa House Group's corporate purpose. As part of this process, we considered the aspects necessary to realize our purpose, given the direction of social change. We selected 18 key issues, including carbon neutrality for individuals, communities, and people's lifestyles, taking on the challenge of preventing any net loss to biodiversity, and sustainable use of resources and conservation of water resources through a circular economy.

One of the priority issues we have adopted is "circular economy and carbon neutrality." Based on this, the 7th Medium-Term Management Plan (FY2022-FY2026) has established realizing carbon neutrality by making all buildings carbon-free as one of the Group's priority themes.

An environmental action plan EGP2026 formulated alongside our 7th Medium-Term Management Plan sets four themes as environmental priority themes, including climate change, preservation of biodiversity, and closed-loop resource sourcing, for which KPIs were defined to promote initiatives.

WEB ↗ Road to 2055 and Materiality (Japanese text only)

Basic policies of Endless Green Program 2026

- Turning all buildings into ZEH/ZEB and installing solar power generation systems in all buildings in all our businesses in principle toward achieving "carbon neutrality in community development"
- Aiming to achieve RE100 in FY2025, as well as, in principle, ensuring that all newly constructed company-owned facilities are ZEBs, to achieve "carbon neutrality in business activities"
- Sharing "carbon neutrality," "zero deforestation," and "zero waste emissions" policies with suppliers to strengthen our supply chains with the environment as a starting point
- Stepping up our efforts to satisfy expectations of society and stakeholders toward further improving ESG evaluation (expanding environmental contribution businesses, responding to climate change risk)
- Firming up the foundation of environmental management in order for us to implement faster the EGP2026 (enhancing the environmental management system, developing human resources for environmental management)

Environmental Action Plan (Endless Green Program 2026)

The Endless Green Program 2026 (fiscal 2022 to 2026) was formulated by calculating backward from the milestones for 2030 in light of seven “Challenge ZERO”s.

	Seven “Challenge ZERO”s	Key metrics	FY2021 results	FY2026 targets	Milestones for 2030 (long-term environmental vision)	Pages for details
Mitigating and adapting to climate change	1 Challenge ZERO for CO_2 in community development	GHG emissions reduction rate derived from use of products (vs FY2015)	–29.4%	–58%	–63%	P021, 022
		ZEH rate	53%	90%	100%, in principle	
		ZEH-M rate for rental housing / condominiums	3% / 35%	50% / 100%	100%, in principle / 100%, in principle	
		ZEB rate	38%	80%	100%, in principle	
		Renewable energy generation equipment construction results / Renewable energy power plants development and operating results	2,526MW / 561MW	4,200MW / 1,550MW	5,000MW / 2,500MW	
		The number of ZEH- renovation equivalents	1,478	4,000	—*	
	2 Challenge ZERO for CO_2 in business activities	GHG emissions reduction rate derived from business operations (vs FY2015)	–20.8%	–55%	–70%	P023, 024, 025
		Energy efficiency (vs FY2015)	Up 1.47 times	Up 1.9 times	Up 2.0 times	
		Renewable energy utilization rate	18.2%	100%	100%	
		Introduction rate of clean energy cars Company vehicles / Privately owned vehicles	0.3%	30% / 10%	100% / 30%	
		ZEB rate for newly constructed company-owned facilities / Percentage of solar power generation equipment	— / —	100% / 100%	100% / 100%	
	3 Challenge ZERO for CO_2 in the supply chain	Setting rate of principal suppliers’ SBT standard GHG reduction targets	34%	90%	Achievement of GHG reduction targets by principal suppliers	P026
		The number of contracts for renewable energy and energy-efficiency solutions (The number of cases of support)	—	50 (5-year total)		
Harmony with the natural environment	4 Challenge ZERO Deforestation	Rate of C-ranked timber in procurement	2.7%	0%	0%	P031, 032
		Setting rate of zero deforestation policy Primary suppliers / Secondary suppliers and beyond	— / —	90% / 50%	100% / 100%	
		Rate of sustainable concrete formwork use	—	70%	100%	
	5 Challenge ZERO Harm to Biodiversity	Eco-friendly surface area of green spaces (cumulative)	—	1,000,000m²	2,000,000m²	P033, 034, 035, 036
		Rate of formulation and implementation of protection and management plans of significant sites within premises of the company’s facilities	—	100%	100%	
		Rate of replacement of plastic goods for distribution (offices, etc.)	Daiwa House Industry: 81% All Group: 92%	100%	100%	
Closed-loop resource sourcing and conservation of aquatic environments	6 Challenge ZERO Waste and Reuse	Number of assets subject to effective use / Number of buildings subject to durability extension	3,989 / 3,246	3,100 / 7,150	—*/ —*	P039, 040
		Recycling rate of waste plastics material (production)	10.9%	30%	—*	
		Reduction rate of amenities that are plastic-containing products specified in law (vs FY2021) / Recycling rate (hotels)	— / —	–50% / 50%	—* / 100%	
		Achievement of zero waste emissions targets by principal suppliers	34.5%	90%	Achievement of zero waste emissions targets by principal suppliers	
	7 Challenge ZERO Water-Associated Risks	Water-saving device adoption rate (housing and hotels)	89.8%	99%	100%	P042, 043
		Water consumption reduction rate (vs FY2012, per unit of sales)	–46.8%	–45%	–45%	
		Implementation rate of water risk surveys by principal suppliers	—	100%	Completing response to water risks	
	Environmental Management	Sales of environmental contribution businesses	—	1,600 billion yen	3,000 billion yen	P009, 015, 027
		Number of those who acquired the Certification Test for Environmental Specialists [Eco Test]	19,033	38,000		
		Implementation status of measures for adapting to climate change	—	Completing implementation		

Prevention of chemical pollution is not defined as Challenge ZERO because it is already at the maintenance and management level.
Additionally, EGP2026 will conclude in fiscal 2025, a year earlier than originally planned, aligning with the 7th Medium-Term Management Plan. As a result, we have not adjusted the fiscal 2026 targets.
The next Environmental Action Plan (EGP2029) is scheduled for publication in the Sustainability Report to be released at the end of July 2026.

* To be formulated in fiscal 2026

P044 Prevention of chemical pollution
P133 Results and self-assessment of the Environmental Action Plan (Endless Green Program 2026)

General | Expand environmental contribution business

Policy and Concept

We aim to strike a balance between environmental stewardship and earnings by developing and promoting environmentally conscious products and services.

The Daiwa House Group sees the environment as a business opportunity. We made "environmental contribution" (environmentally friendly) business sales a KPI under our approach of contributing to the environment through business and making environmental stewardship a value added aspect of what we do. Each company and division defines and sets sales targets for eco-friendly products, and does its best to achieve them using its own initiatives.

P136 Environmental Data Sales of environmental contribution businesses

Definition of environmental contribution business

(For Endless Green Program 2026)

Business		Definition
Environmentally friendly buildings	Single-family housing	Buildings that meet BEI* standard values set for each application
	Rental housing	
	Condominium	
	Commercial and office buildings	

Application	BEI value
Housing	0.8 or less
Hotels, hospitals, department stores, restaurants, assembly halls, etc.	0.7 or less
Offices, schools, factories, etc.	0.6 or less

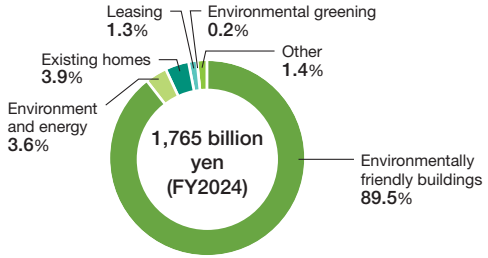
Business		Definition
Environment and energy business		Electricity retailing, sales of power fueled by renewable energy, PPA business, contract work to install renewable energy facilities / energy-efficient equipment, energy-efficiency solutions, non-fossil fuel energy certificates brokerage
Existing homes business	Home renovation	Solar power generation systems, storage batteries, energy-efficiency renovation
	Purchase and resale	Resale of existing houses with renovation
Leasing business		Leasing of energy-efficient equipment, leasing of electric vehicles
Environmental greening business		Overall environmental greening business, Park-Private Finance Initiative (Park-PFI) business
Other business		Sales of LED lighting systems, energy-efficient air conditioners and blackout curtains, etc.

* Building Energy Index (BEI) is obtained using the Energy Consumption Performance Calculation Program and presented as a rate of primary energy consumed by a designed building in comparison to that consumed by a standard building

Main approach

Starting with the environment and energy business, each company and division worked toward our fiscal 2024 target for environmental contribution business sales of 1,550 billion yen, 29% of Group sales. As a result, sales reached 1,765 billion yen (32.5% of sales) and achieved the target.

Sales of environmental contribution businesses



Single-family housing, rental housing, and condominiums: Expanding the adoption of ZEHs and ZEH-Ms

In fiscal 2024 as in the previous year, we worked to increase the number of buildings in each category that clear the building energy consumption performance incentive guideline (BEI required for each building application) based on the Building Energy Efficiency Act.

In the area of single-family housing, we provided buildings with a BEI of 0.8 or less*, through expanding the adoption of ZEHs with our flagship products xevo ∑ and xevo GranWood.

In the area of rental housing and condominiums, we worked to expand ZEH-M adoption by offering our TORISIA products for rental housing and PREMIST products for condominiums, and provided residential complexes with a BEI of 0.8 or less* for the entire building.

We will continue to promote the construction of environmentally friendly buildings by expanding the adoption of ZEHs and ZEH-Ms in each housing area.

* Reduction rate of primary energy consumption, excluding renewable energy

P021 Single-family housing: Further increasing the number of ZEHs
P021 Rental housing and condominiums: Promoting ZEH-M

Commercial and office buildings: Increasing the number of environmentally friendly buildings

We offer ZEBs by using pamphlets and other tools and introducing our ZEB cases built with a wide variety of uses on our website. We also strengthen our capacity to propose energy-saving buildings to clients by holding internal study sessions on ZEB designs at each branch. As a result of these efforts, our fiscal 2024 provision rate for environmentally friendly commercial and office buildings was 80.5%.

In collaboration with the Energy Conservation Center, Japan, we hold seminars to promote the advantages of environmentally friendly buildings to clients, leveraging our experience utilizing government subsidies. We also provide tours and consultations to clients featuring buildings designed and constructed by Daiwa House.

P022 Commercial and Office buildings: Hold seminars, put ZEB into practice and improve technological capabilities

Environment and energy: Expanding off-site PPA business

Corporations are accelerating their efforts toward achieving carbon neutrality. In this situation, the Company strengthens the off-site PPA*1 business to support their introduction of renewable energy.

Our seventh Medium-Term Management Plan lays out a target of a cumulative electricity output of 1,550 MW generated by renewable energy supply facilities, including 600 MW generated by off-site PPA.

An example of this initiative is the off-site PPA agreement we signed with HANSHIN ELECTRIC RAILWAY CO., LTD. (HER) and The Kansai Electric Power Company, Incorporated (KEP). Under the agreement, electricity generated by the solar power generation facility we developed is purchased by KEP to be supplied to Hanshin Koshien Stadium operated by HER. We developed a solar power plant DREAM Solar Hyogo Aioi Wakasano (Hyogo Prefecture) as a power producer and commenced operation in March 2025. KEP purchases the electricity we generate at the power plant, along with a non-fossil fuel energy certificate*2, for the purpose of supplying electricity to the stadium for 20 years.

*1 A business model in which a power producer establishes a solar power generation facility at a location distant from the place of electricity demand, and supplies electricity to a buyer via a power grid
*2 A certificate that represents the environmental value of electricity produced from non-fossil fuel energy sources, including renewable energy

WEB ↗ Expanding the off-site PPA business (Japanese text only)

General | Expand environmental contribution business

Environmental greening business: Improving city parks quality

Daiwa Lease Co., Ltd., a Group company, is engaged in the environmental greening business. Its coverage has broadened recent years to offer indoor greening for buildings, as well as exterior greening, in addition to that on rooftops and walls, thereby offering comprehensive greening of facilities.

Daiwa Lease also promotes public-private partnership projects in urban parks, known as Park-PFI (private finance initiatives) in Japan. By actively participating in Park-PFI and designated-manager system projects, while also utilizing the expertise of private businesses to set up park facilities such as restaurants and shops, Daiwa Lease is managing and operating parks in a way that helps breathe new life into them. The company is currently engaged in 32 park-related projects*.

* Total number of projects in which Daiwa Lease participates as the lead or a supporting company (as of May 2024)

Hanahaku Memorial Park Tsurumi green space (Osaka Prefecture)

Topics

Promoting wood structure and interiors for non-residential buildings — Future with Wood —

The Company designated the wood structure and interiors construction business as a new area of focus toward achieving carbon neutrality in 2050. Under the leadership of Future with Wood Promotion Department established in April 2025, we are promoting cross-functional efforts for shifting to wood structure and interiors.

· Consideration for the environment

Adoption of wood structure and interiors for buildings contributes to reducing GHG emissions in comparison to steel-framed construction. Procuring sustainable, eco-friendly timber would also help preserve biodiversity.

· Our strengths

We have long handled steel-framed buildings as an area of focus. Leveraging that track record and expertise, we can effectively combine wood materials and steel frames in construction utilizing their respective characteristics. This approach would build our unique advantage over other companies.

Our proprietary products enabled construction of wooden medium- and high-rise buildings. The parts we developed include a wood-steel hybrid brace, a buckling-restrained brace that uses laminated wood, and Dkitto-Column, a wood-steel hybrid fire-resistant column that uses wood as a steel-frame cladding material. With the combination of lightweight, high strength steel and wood material with a carbon fixation effect, the latter produces 117 kg less CO_2 emissions*1 per unit in its manufacturing phase as compared to a conventional column material*2*3.

*1 The reduction volume varies by design specification.
*2 Refers to a column material composed of a steel-frame column as a structural member, sprayed rock wool as a fire-resistant cladding material, lightweight steel frames and gypsum boards as a below-grade material, and vinyl fabrics as a finishing material.
*3 A comparison of Dkitto-Column with a conventional column that satisfies the 1.5-hour fire resistance per floor, a performance required for columns used in a nine-storied building (The lengths of the compared conventional column and Dkitto-Column are both 3 m, and external dimensions are 815 mm and 710 mm, respectively.)

WEB ↗ Wood-steel hybrid brace (Japanese text only)
↗ Dkitto-Column, a wood-steel hybrid fire-resistant column (Japanese text only)

· Signed agreement with the Ministry of Agriculture, Forestry and Fisheries

In December 2024, Daiwa House entered into an agreement with the Ministry of Agriculture, Forestry and Fisheries on the promotion of wood utilization in buildings to help achieve carbon neutrality. The agreement is intended to promote the use of wood structure and interiors in buildings and contribute to achieving carbon neutrality and a circular economy.

· Example of a building

We will propose wood structure and interiors for customers' buildings, such as offices, stores, and nursing care homes. One such example is a cafeteria building named Café & Marché of TAKAGI CO., LTD. in Fukuoka Prefecture. Under the concept of bringing a pleasant workplace for all, the cafeteria was completed in 2024 as part of a new head office factory building. Achieving a bright and extensive space surrounded by wood interiors with a wide open ceiling and large windows, the building contributes to wellbeing of visitors and effective use of forest resources.

Café & Marché at a new head office factory of TAKAGI CO., LTD.

WEB ↗ Future with Wood (wood structure and interiors in buildings) (Japanese text only)

Strengthening the foundation of environmental management | Environmental management

Policy and Concept

The Daiwa House Group has its Long-Term Environmental Vision shared by our Group companies, and formulates an Environmental Action Plan in a bid to realize it. Furthermore, we are promoting integrated environmental management within our Group and globally in simultaneous pursuit of reduction in environmental impacts and increase in corporate profitability. Based on a detailed action plan, business worksites and principal Group companies make environmental activities subject to the business performance assessment to improve effectiveness of the PDCA cycle. “With the environment” is also set forth as one of the basic policies of the Principles of Corporate Ethics and Code of Conduct.

Promoting environmental management

Environmental management organization

The Group Environmental Promotion Committee* (currently, Sustainability Committee) oversees our activities involving the environment. At biannual meetings, the committee examines environment-related risks and opportunities and decides which initiatives we should undertake. An autonomous management system with a divisional head as a chairperson of the Environment Committee was set up for each of business divisions. Under the system, achievement of environmental targets is confirmed at biannual meetings of the Environment Committee (Business division). We share decisions of the Group Environmental Promotion Committee (currently, Sustainability Committee) at an environmental management conference for Executive Officers in charge of the Environment at principal Group companies.

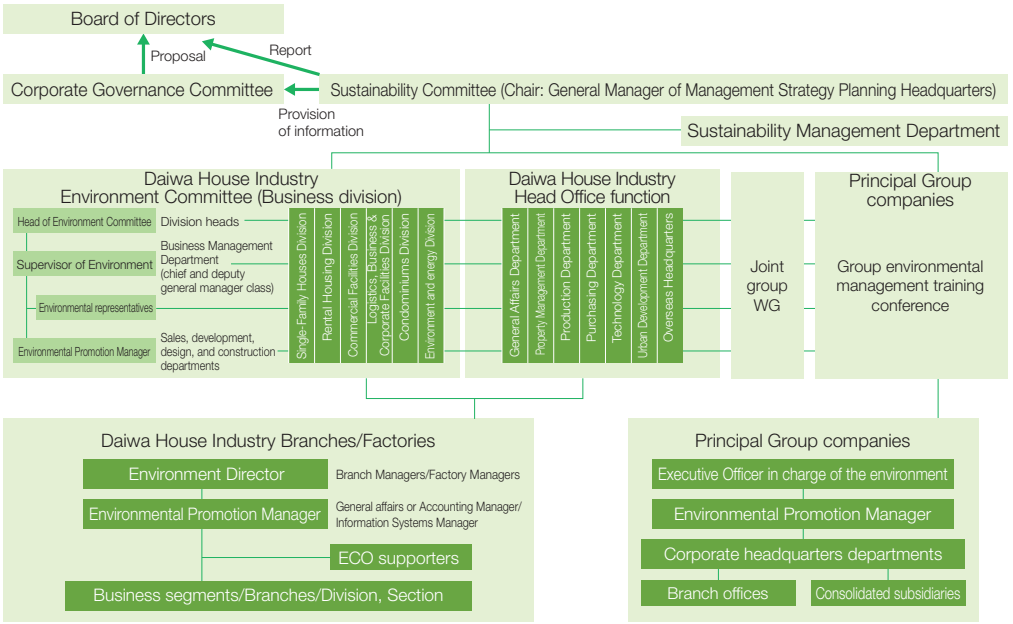
Important matters concerning our environmental management are reported to the Corporate Governance Committee through the Group Environmental Promotion Committee (currently, Sustainability Committee). The Corporate Governance Committee (including external directors and external auditors) discusses the reports from diverse and long-term perspectives and makes recommendations to the Board of Directors to facilitate sustainable corporate management.

One of the important matters concerning our environmental management, which is subject to report to the Board of Directors, is the Endless Green Program, the environmental action plan containing climate change issues and biodiversity preservation, formulated alongside the Medium-Term Management Plan. The Group Environmental Promotion Committee (currently, Sustainability Committee) reports on progress to the Board of Directors once a year and conducts a timely review of strategy, targets, and plans. In fiscal 2024, the Board of Directors reviewed the companywide results in fiscal 2023 of Endless Green Program 2026 and targets for fiscal 2024. The Board instructed to place a priority on activities for reducing GHG emissions in the procurement phase (supply chains), along with business operations, products and services. Based on the instruction, each of business divisions enhanced their measures accordingly, including dialogue with suppliers.

* We revised the governance system in April 2025 and the Group Environmental Promotion Committee was merged into the Sustainability Committee. The committee engages in supervision and decision-making concerning environmental and social themes.

P109 Corporate governance system

■ Environmental management system



■ Roles of conference bodies (in handling climate change and biodiversity)

Conference body	Principal members	Conference frequencies	Principal roles
Board of Directors	Director, External Director	Monthly	Supervision of strategy
Corporate Governance Committee	Representative Director, External Director, Auditor, External Auditor	Biannually	Discussing and reporting important items about strategy to the Board of Directors
Sustainability Committee	Head of Management Strategy Division, Executive Officers in charge of priority themes in the environmental and social areas, Head of Head Office function	Biannually	Drafting and examining strategy and adopting the final text, managing the progress of the Group management metrics
Group environmental management training conference	Group companies Executive Officer in charge of the Environment	Annually	Promoting strategy across the Group
Environment Committee (Business division)	Division heads, Environment Director, Environmental Promotion Manager	Biannually	Implementing strategy, managing the progress of individual management metrics

Strengthening the foundation of environmental management | Environmental management

Reflect achievements in environmental activities in business performance assessment and executive remuneration

The Company evaluates the results of environmental activities at all worksites nationwide and 22 key Group companies with a significant environmental impact. The results are reflected in worksite performance evaluations and assessments for officers' bonuses. The aim is to encourage further participation by management and step up our environmental stewardship efforts.

In line with the start of the 7th Medium-Term Management Plan, the Company also reviewed the remuneration system for Directors and introduced non-financial evaluation indicators to the system in fiscal 2022. The indicators being used include environmental indices, such as reduction in CO_2 emissions and CDP's Climate Change score set forth by the Plan. This remuneration system started to cover Executive Officers who do not double as Directors from fiscal 2023.

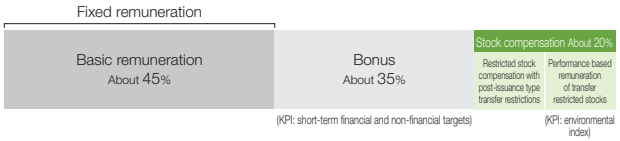
For principal Group companies, we quantitatively evaluate their environmental management system and the achievement of goals under the Environmental Action Plan. This is incorporated into the Group performance assessments and reflected in assessments for the officers' bonuses.

Our worksites devise an environmental improvement plan at the start of each fiscal year. Progress is evaluated using five ranks (S (highest) through D). The evaluations are reflected in the worksites' performance assessments to motivate our employees to engage in environmental activities. Worksites with the best evaluations are commended as the Most Outstanding ECO Worksites. Those with low scores receive follow-up training as needed by the Sustainability Management Department, which helps them to analyze what needs improving and devise and carry out concrete measures.

We also incorporate environmental evaluation into management of goals for individual employees, including Executive Officers, thereby building an environmental management structure participated by all employees at all levels.

WEB
↗ Notice Concerning the Adoption of a Service-based Restricted Stock Compensation System and a Performance-linked Restricted Stock Compensation System
↗ Notice Concerning the Adoption of a Service-based Restricted Stock Compensation System and a Performance-linked Restricted Stock Compensation System for Executive Officers Not Serving as Company Directors

■ Structure of Directors remuneration (excluding External Directors)



■ Environmental index as KPI for Performance-linked Restricted Stock Compensation

Calculation formula

Performance goal achievement coefficient*4 = ❶ CO_2 emissions reductions (business activities*1) + ❷ CO_2 emissions reductions (building use*2) × ❸ CDP Climate Change*3 score

*1 CO_2 emissions at Group offices, Factories, construction sites, and business facilities. (scope1 and 2)
*2 CO_2 emissions resulting from Group sales and the use of developed residential housing and buildings. (scope 3 category 11)
*3 An 8-tier evaluation of climate change response and strategy conducted by the International NGO CDP, which surveys over 14,000 companies worldwide and shares evaluation results with institutional investors.
*4 If a performance goal achievement coefficient exceeds 1, it shall be set to 1.

❶ Achievement of CO_2 emission reduction targets in business activities
❷ Achievement of CO_2 emission reduction targets in building use

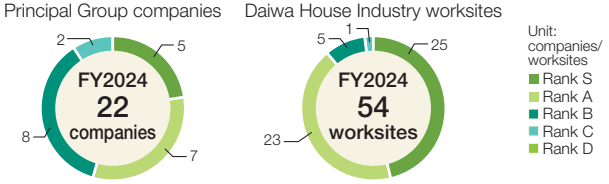
Achievement of CO_2 emission reduction targets	Performance goal achievement coefficient
100% or more	0.5
80% to less than 100%	0.4
60% to less than 80%	0.3
40% to less than 60%	0.2
20% to less than 40%	0.1
Less than 20%	0

❸ CDP Climate Change score

CDP Climate Change score	Performance goal achievement coefficient
A	1.20
A–	1.10
B	1.00
B–	0.95
C	0.90
C–	0.85
D	0.80
D–	0.75

Performance goal achievement coefficient was 1 for FY2024.
Degree of achievement of ①: –58.1% (result for FY2024) / –52% (target for FY2024) = 112%
Degree of achievement of ②: –59.8% (result for FY2024) / –54% (target for FY2024) = 111%
③ CDP 2024 Climate Change score: A
Performance goal achievement coefficient: (0.5 + 0.5) × 1.2 = 1.2
The performance goal achievement coefficient for FY2024 is set to 1 as it exceeds 1.

■ Results of business performance assessment for environmental activities

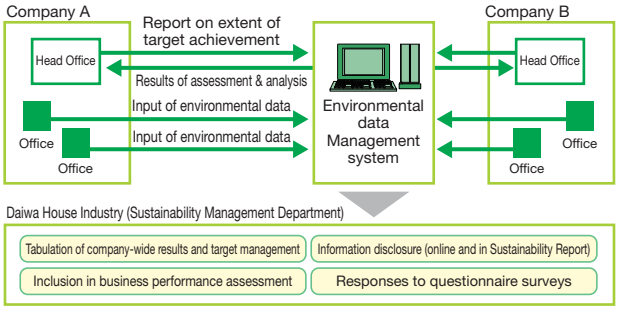


Strengthening the foundation of environmental management with information technology

· Environmental performance data management system

Our Group introduced an IT-based environmental data management system at home and abroad to improve the efficiency of the environmental performance data collection process. Newly acquired data is subject to comparison with past data accumulated in the system before feeding into the system so as to prevent errors and improve the accuracy of data. The system automatically tallies data by target management item and visualizes performance goal achievement for more effective environmental activities.

■ Environmental performance data management system (Japan)



· System to comply with environmental laws and regulations

The Group introduced an environmental regulation management system* to build an integrated infrastructure in this area. By sharing developments such as new laws and amendments with our principal group companies using this system, we boost operational efficiency, deepen in-house understanding of laws and regulations, and mitigate risks.

* A website service that makes it possible to clarify environmental laws and regulations to comply with and check and report compliance degree.

Strengthening the foundation of environmental management | Environmental management

Acquisition of ISO 14001 and implementation of environmental audits

The Company (Production Department), Daiwa Lease (the entire company) and Fujita (all its domestic bases), which have acquired ISO 14001 certification, an international standard for environmental management systems, have selected their own internal auditors to conduct internal environmental audits as required by ISO 14001.

For uncertified Group companies, the Company's Head Office function conducts environmental audits to verify their compliance with environmental laws and regulations, operational status of environmental management, progress of improvement in their environmental performance, environmental data collection method, and accuracy of reported contents. Following the audits, we send audit reports to Executive Officers in charge of the Environment of these Group companies and ask them to submit corrective plans and completion reports thereof.

P136 Environmental Data ISO 14001 certification

Penalties for breach of environment laws and regulations in fiscal 2024

In fiscal 2024 there were no penalties or damages incurred for breach of contract regarding the environmental laws and regulations and no serious accidents or complaints.

P101 Sanction measures due to a violation of law and litigation (including ESG-related issues)
P136 Environmental Data Environmental fines and penalties

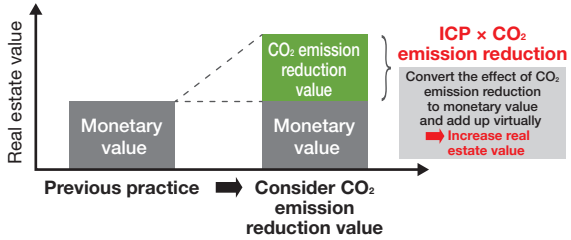
Introduce ICP to real estate investment decision criteria

The Group employs criteria using internal carbon pricing (hereinafter, "ICP") primarily for investment in its energy-efficient facilities. In April 2023, we introduced ICP to the investment decision criteria for real estate for investment. The scheme, the first such mechanism in Japan, is to convert the environmental value of a real estate planned for investment to monetary value based on its CO_2 emissions reduction, and add that amount to be reflected in internal rate of return (hereinafter, "IRR").

As long-term interest rates are rising globally and the same is expected in Japan, the Company tightened its IRR criteria used for real estate investment decision, in February 2023, by raising it to 10% from 8.5%, as a way to minimize risk of loss from real estate development. It was against this backdrop that we introduced ICP to the investment decision criteria for real estate for investment so as to alleviate the stricter IRR requirement. The scheme is also designed to reduce post-completion CO_2 emissions from the real estate for investment we develop and build, thereby accelerating decarbonization of buildings and community development.

The internal carbon price we use in ICP is set to ¥20,000/t-CO_2, which is a cumulative average of projected future values factoring in the long-term use of real estate, based on a carbon price indicated in the Internal Carbon Pricing Utilization Guidelines published by the Ministry of the Environment.

WEB Japan's first real estate investment decision criteria using internal carbon pricing (Japanese text only)



Strengthening the foundation of environmental management | Environmental management

Policy and Concept

Environmental management policy in real estate portfolio

The Company believes it is essential to mitigate the environmental burden generated by the Company-owned real estate for rent, such as office buildings, commercial facilities and logistics centers. To this end, we identify and minimize the GHG emissions, energy consumption and water usage at these facilities, while working to have them certified as green buildings.

For large-scale development projects, the Daiwa House Group has adopted a checklist based on its own standards for biodiversity conservation established with reference to the ABINC certification. We are also promoting preservation of biodiversity by proposing the greening of surrounding areas using indigenous species in consideration to local ecosystems under the slogan “Let’s keep green !”

Aiming to build a portfolio with low environmental impact, we will install solar panels on the rooftop of them, utilize renewable energy, and take other initiatives.

P139 Environmental Data Real estate portfolio

Environmental measures in large-scale complex development

Leveraging our expertise on land development and buildings management and operation, the Group takes various measures to mitigate the environmental burden in large complex development projects in Japan and overseas. We also investigate local vegetation and biodiversity to form enriched green spaces through landscape planning based on vertical stratification. This is how we pursue the harmony between humans and nature.

P090 Socially inclusive community development

Logistics center fully equipped with a nursery, cafeteria, and more

We equip DPL logistics centers we develop with café areas and nurseries to improve work environments. This supports working parents and helps solve a labor shortage in the logistics industry.

DPL Nagareyama Project completed in Chiba Prefecture in April 2023 consists of four multitenant logistics centers. Each of the centers is equipped with facilities exclusively for employees of tenant companies, such as nurseries, rest stops for drivers, cafeterias, and convenience stores. In preparation for disasters, emergency power generators, emergency storage, and manhole toilet systems are also set up as part of business continuity plans (BCP). Furthermore, all of the buildings have solar power generation systems with consideration for the environment.

WEB Going beyond logistics: DPL logistics center—a pleasant place for both workers and residents (Japanese text only)

Nursery In DPL Nagareyama IV

Strengthening the foundation of environmental management | Environmental management

Environmental education and awareness-raising

The Daiwa House Group's compliance rules set out laws, regulations, and social norms to be followed and arrangements to ensure compliance with the Daiwa House Group Principles of Corporate Ethics, Code of Conduct, and other internal standards in operating our business. Training is an important element. Our environmental education system sets out the knowledge and thinking that must be mastered at each level. In particular, the company defines specific competencies required for technical staff by business and job type. Clarifying the knowledge and skills needed for defensive aspects—complying with environmental laws and regulations—and proactive aspects—promoting ZEHs and ZEBs, we provide training programs by job grade. We help boost employees' knowledge, awareness, and recognition through means such as support for those acquiring environmental qualifications and awards for worthy workplace initiatives, thereby fostering environmental activities.

WEB Daiwa House Group Principles of Corporate Ethics and Code of Conduct

Environmental education

We provide general and specialized environmental education under annual plans drafted at the start of each fiscal year. General education for all employees covers social trends and Group policies regarding the environment and introduces outstanding case studies. Specialized education focuses on defensive aspects such as waste and soil contamination and proactive aspects such as environmentally friendly design and environmental burden mitigation in business operations via training (including e-learning) at the division level to promote environmentally friendly buildings.

P137 Environmental Data Environmental education provided (FY2024)

Training seminar for executives

The Company holds sessions for top management themed on various agendas of great social importance. In fiscal 2024, an outside expert was invited as a lecturer to conduct a seminar on sustainability-oriented management and corporate value enhancement. Attendees learnt the importance of integrating a sustainability perspective into the basis of management and pursuing both economic value and social value in increasing corporate value.

The seminar was attended by 74 persons, comprising Directors, Executive Officers and Auditors. We will continue providing an annual seminar on sustainability-oriented management targeted at top management.

P118 Conducting study sessions for management

Sustainability-oriented management seminar
(held in a hybrid format combining in-person and virtual attendance)

Certification Test for Environmental Specialists (Eco Test)®

Certification Test for Environmental Specialists (Eco Test)®* is a good way to acquire basic knowledge regarding varied and complex environmental issues. We encourage our employees to take the test to raise their environmental literacy.

In fiscal 2024, we held working group sessions to assist some Group companies that failed to meet a certain certification rate. As a result, we had 31,297 certification holders as of end-March, 2025 (increased by 3,163 from the end-March, 2024).

Starting in fiscal 2025, the Eco Test certification is positioned as a recommended requirement in our internal promotion review for all job grades. By announcing internally the number of the holders by department biannually and encouraging them further to take the test, we aim to have 38,000 Eco Test certification holders across the Group by the end of fiscal 2026.

* Certification Test for Environmental Specialists (Eco Test)® is a registered trademark of The Tokyo Chamber of Commerce and Industry.

P137 Environmental Data Number of those who acquired the Certification Test for Environmental Specialists (Eco Test)®

Contest for outstanding environmental activities

Our Challenge! We Build ECO Contest to recognize exemplary environmental activities at worksites attracted 264 entries in fiscal 2024. The contest solicits environmental activities to achieve seven Challenge ZERO targets in line with the Environmental Action Plan, Endless Green Program 2026, and measures against chemical pollution and those for adapting to climate change. The most outstanding entry receives the President's Award.

Group companies also hold the Challenge! Group ECO Contest which likewise recognizes outstanding environmental efforts, and is aimed at instilling awareness and inspiring each Group company to try to improve environmental activities. We keep all Group companies informed by highlighting the outstanding initiatives on our intranet and internal newsletters, Nagomi.

Strengthening the foundation of environmental management | Supply chain management (Environment)

Policy and Concept

The Daiwa House Group's materials procurement and construction activities affect the global environment and stakeholders through the supply chain, including those who work in material-producing countries and processing sites, suppliers, and local communities. We believe that collaboration with suppliers is crucial in reducing negative environmental impacts, and collaborate in all phases of our operations through monitoring suppliers, training, and joint development.

In July 2015, we established the Daiwa House Group Basic Procurement Policy and the CSR Procurement Guidelines for suppliers. The policy states that our procurement will consider social and environmental impacts as well as Quality, Cost, and Delivery (QCD). Our guidelines, which were revised in April 2023 into Supply Chain Sustainability Guidelines, cover all primary suppliers and set out comprehensive social and environmental standards, encompassing human rights, occupational safety, and environmental protection.

We ask these suppliers to set specific targets regarding climate change and closed-loop resource sourcing in particular, and survey water risks faced by them on a continual basis. In terms of chemical substance management and timber procurement, we monitor them continually with detailed guidelines and assessment criteria.

■ Supply Chain Sustainability Guidelines (Excerpt of environmental portion only)

(1) Business Partner Code of Conduct	
5) 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.

(2) Corporate Activity Guidelines		
5-1	Complying with environmental laws and regulations and responding to the demands of society	Strive to reduce environmental impacts and contribute to the environment by complying with domestic and international environmental laws and regulations and by meeting the demands of the global community and stakeholders.
5-2	Challenge yourself to achive carbon neutrality	Promote energy efficiency and utilize renewable energy in an effort to reduce greenhouse gas (GHG) emissions in accordance with the Paris Agreement, and work toward achieving carbon neutrality throughout entire supply chain.
5-3	Challenge yourself to achieve circular economy	Work toward achieving a circular economy, both by reducing waste and achieving zero emissions and by taking active steps to utilize recycled materials and minimizing use of finite resources so as to make the best use of available resources.
5-4	Management of chemical substances	By sharing information with your business partners on the chemical substances used in products and by reducing the use of substances associated with higher risks, supply products with little impact on stakeholders' health and the natural environment.
5-5	Considerations for biodiversity	As well as working to achieve zero deforestation through sustainable timber procurement, also strive to operate and manage sites in ways that conserve biodiversity, seek to improve the quantity and quality of green spaces, and show due consideration to local ecosystems. Strive to reduce disposable plastics with the goal of achieving zero impact on the marine plastics problem.
5-6	Addressing risks to water	Act to conserve aquatic environments and achieve sustainability in the use of water resources through measures such as recycling water, reducing water usage, and effective waste water management, and by showing due consideration for the water environment, while also taking action on water pollution to ensure business continuity.

(3) Guidelines for Products
① Chemical Substance Management Guidelines [Basics]
② Biodiversity Guideline [Timber Procurement]

WEB ↗ Supply Chain Sustainability Guidelines

↗ Daiwa House Group's Basic Procurement Policy (Japanese text only)

Management

Daiwa House Industry has established basic principles related to the environmental protection aspect of our operations in the Business Partner Code of Conduct section of our Supply Chain Sustainability Guidelines. We collaborate on environmental activities through three supply chain organizations: the Trillion Club supplies our materials; the Setsuwa Club supplies our facility equipment; and the Confederation of Partner Companies comprises manufacturing and partner subcontractors.

Supplier management systems

We have a secretariat for each of our supplier organizations which supports their operations. Each supplier coordinates with the secretariat to select priority action areas and projects each fiscal year and works to enhance its environmental stewardship.

Supplier training and support

The Trillion Club comprising our material suppliers has hosted training and education activities for member companies since fiscal 2017. The club supports engagement in the environment through lectures and sharing energy-saving initiatives via study tours of members' offices and production factories.

The Setsuwa Club made up of facility equipment suppliers co-hosts product technology exhibitions featuring members' new environmental technologies and seminars to publicize ecofriendly technologies.

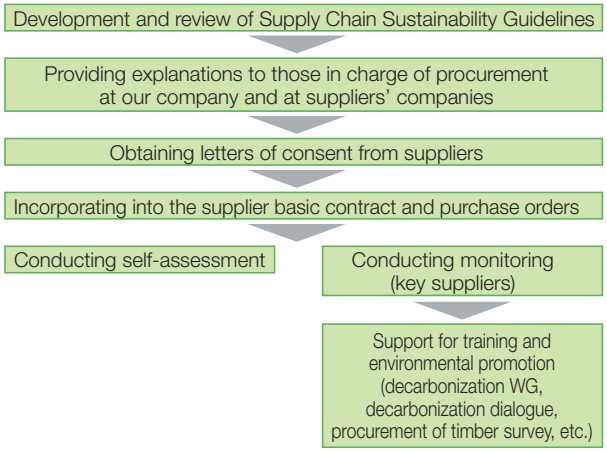
The Confederation of Partner Companies comprising manufacturing and partner subcontractors promotes horizontal development of improvement activities leading to environmental impact reduction, such as the 3Rs in construction sites, and low-CO_2 construction through contests and member journals.

Strengthening the foundation of environmental management | Supply chain management (Environment)

Increasing suppliers' awareness of our environmental policy

In fiscal 2015 the Group issued the CSR Procurement Guidelines for suppliers and briefed them in a planned manner to heighten their awareness of our environmental policy. In fiscal 2023, we revised the guidelines into Supply Chain Sustainability Guidelines to cover the aspects of carbon neutrality, circular economy and other developments in the social situation. Following the revision, we again briefed the suppliers to instill our policy. We asked them for their consent to our guidelines and received letters of consent after confirming their understanding of our policy through the briefings.

In fiscal 2023, we introduced new self-assessment items for suppliers to assess their policies and initiatives, and the results of the assessment were analyzed in fiscal 2024. The results will be used as a tool for narrowing down important suppliers and for enhancing engagement with suppliers.



Monitoring of supply chain

Based on the six requirements set forth in the Corporate Activity Guidelines, we monitor suppliers through our supply chain organizations to promote environmental stewardship and discover supply chain risks at an early stage.

(1) Complying with environmental laws and regulations and responding to the demands of society

We use checklists to understand and monitor waste treatment at construction site and factory business partners (all primary subcontractors) on a regular basis. We rectify any problems immediately and bolster management arrangements by taking actions to prevent recurrences and educating our business partners' employees.

WEB ↗ Supply Chain Sustainability Guidelines

(2) Challenge to achieving carbon neutrality

The Daiwa House Group surveys primary and some secondary key suppliers yearly on GHG emission reduction targets and results. In light of the findings, we provide support to those in low effort levels through decarbonization working groups and decarbonization dialogues. In fiscal 2024, we had dialogues with a total of 38 suppliers to encourage their improvement in initiatives.

P026 Enhancing dialogue through decarbonization working groups and decarbonization dialogues
P137 Environmental Data Supplier engagement implemented (FY2024)

(3) Challenge to achieving circular (closed-loop) economy

The Group conducts an annual survey targeting our principal suppliers to confirm the targets and results for recycling rates. Based on the result of the survey, we take necessary measures, such as Zero Emission Dialogue with suppliers to promote their zero emission initiatives and to improve their recycling rates.

P137 Environmental Data Supplier engagement implemented (FY2024)

(4) Managing chemical substances

We ask our centralized purchasing suppliers to submit sheets detailing chemical substance usage focusing on wooden building materials, and interior and facility building materials with a great impact on indoor air quality, and evaluate adherence to our Chemical Substance Management Guidelines. We ask suppliers to improve non-compliant items.

P046 Implementation of the Chemical Substance Management Guidelines

(5) Protecting biodiversity (Timber procurement)

Our Group conducts an annual procurement of timber survey to check if it is harvested in a legal and sustainable manner. The survey is conducted in a form of assessment sent to all of our timber suppliers. We rank the timber by risk based on survey responses, and ask suppliers that handle timber with low scores to submit an improvement plan to make systematic improvements.

P031 Conducting procurement of timber surveys at our suppliers

(6) Addressing water risks

The Group conducts an annual survey to evaluate countermeasures for water pollution, flood, drought, and water-related regulations taken by principal suppliers' production sites, as well as watershed risks faced by overseas factories. We evaluate them with scores using the survey results to develop and improve water risk management arrangements.

P043 Water risk evaluation at suppliers' factories

Strengthening the foundation of environmental management | Eco communication

Policy and concept

The Daiwa House Group is committed to continuously improving our environmental activities through communicating our approach and efforts to address environmental issues in an easy-to-understand way in dialogues with stakeholders. We aim for our ESG initiatives to be appropriately evaluated.

Dialogue with institutional investors and ESG evaluation bodies

In recent years, we receive many questions and feedback from institutional investors and ESG rating agencies on our environmental approach and initiatives. In fiscal 2024, we boosted the quality and amount of information in our sustainability report, integrated report, and securities report, among other channels. We held small ESG meetings online with institutional investors in December; and individually met 7 institutional investors with a keen interest in the environment to deepen mutual understanding of the broader ESG picture. We also exchanged opinions with multiple ESG rating agencies on assessment methods and assessment items. Further, when developing new policies or targets for our initiatives, we talk with outside experts and NGOs to enhance our efforts.

Going forward, we will continue to disseminate environment-related information and hold an ongoing dialogue with our stakeholders, to enhance their understanding of the Group stance and activities, and we will continue to incorporate external opinions into activities to improve their effectiveness.

P049 Response to Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD)
P123 Cooperating with Third Parties and Their Assessment
WEB ESG small meetings

Upgrading communication with environmental website

We release information about the Group's involvement with environmental issues through our websites, sustainability reports, exhibitions, children's environmental education programs, and so on. Among other things, we consider Group websites to be an important means of communicating with various stakeholders, and we constantly endeavor to enrich their contents.

Our environmental website titled Efforts for the Environment posts Tackling the Challenge of Decarbonization: Our Strategy for Carbon Neutrality, videos outlining our long-term environmental vision, and Environmentally Symbiotic Houses of the World, showing houses around the globe adapted to local characteristics. The Eco-friendly Products and Case site presents ZEH(-M) and ZEB, our environmental energy business, and examples of community development projects with consideration to natural environment. In fiscal 2024, we added four cases to the website, including an ABINC certified logistics facility and community development that incorporates the concept of green infrastructure.

Daiwa House Group's ZEB site introduces ZEB cases built by the Company. In fiscal 2024, we added examples of our ZEBs built for various purposes, such as research institutes, and facilities for welfare, production, commerce, and accommodation.

WEB Environmental Efforts
Tackling the Challenge of Decarbonization: Our Strategy for Carbon Neutrality
Eco-friendly Products & Case
Daiwa House Group's ZEB (Japanese text only)

Workshops at Decarbonization EKIDEN 365 project

We participated in the Decarbonization EKIDEN 365 project, a joint initiative by Osaka Prefectural Government and STUDIO SPOBY Inc., aimed at contributing to EXPO Green challenge* through reducing GHG emissions. The project aims to reduce CO_2 emissions through various environmental actions practiced by employees of private companies and citizens as participants. The project duration was one year from April 2024 through April 2025, up to the start of EXPO 2025 Osaka, Kansai. In this project, participants use an app called SPOBY that quantifies the impact of decarbonization efforts in their daily life. Using this app for eco-friendly lifestyle would facilitate behavioral changes conducive to a decarbonized society. A total of 117 companies, including Daiwa House Industry, joined the project, and achieved a reduction of 173.83 t CO_2 emissions for the entire project. From the Company, 215 employees participated, who switched their means of travel from cars to bicycles or by foot, or elected to bring reusable bottles. Through such behavioral changes, they contributed to a 2.58 t reduction in CO_2 emissions.

In November 2024, we held an Eco Workshop for Children at the Osaka Head Office building as a special event for the project participants. The workshop was joined by seven elementary school students and their parents. Through building house models with a theme of a house that is warm in winter, they leant ways of dwelling with the use of natural power sources, including tips to exploit sun's heat. We provided opportunities for them to think about benefits brought about by housing with high environmental performance.

In February 2025, we held another workshop as part of the Osaka Decarbonization App Project event aimed at encouraging residents and corporate employees in Osaka to act in consideration of decarbonization. Aside from our carbon reduction efforts, we introduced our COCOLAN miniature orchids cultivated using renewable energy-derived electricity, and held a flower arrangement workshop, where 65 participants planted seedlings of the orchids in pots. Feedback from the participants, such as "I became more interested in initiatives for decarbonization and COCOLAN," gave the sense that their understanding of our decarbonization efforts had deepened.

* An initiative to spread decarbonization actions to individuals, taking the Expo 2025 as an opportunity


Eco Workshop for Children


COCOLAN miniature orchids workshop

WEB Environmental education (Hagu Eco) (Japanese text only)
Held a workshop using COCOLAN miniature orchids at Osaka Decarbonization App Project, a decarbonization action promotion event (Japanese text only)

Mitigating and adapting to climate change

Contributions to SDGs

7 AFFORDABLE AND CLEAN ENERGY 7.2 7.3
11 SUSTAINABLE CITIES AND COMMUNITIES 11.b
13 CLIMATE ACTION 13.1 13.3

Policy and Concept

Social issues

Recent years have seen frequent meteorological disasters thought to be caused by climate change in Japan and around the world. At COP 21 in 2015, countries adopted the Paris Agreement, which aims to reduce greenhouse gas (GHG) emissions to net zero. At COP 26 in 2021, countries agreed to keep the goal of 1.5 degrees Celsius alive.

In 2020, Japan set a goal to achieve carbon neutrality by 2050. Additionally, in February 2025, the country established ambitious targets for reaching carbon neutrality, aiming to cut GHG emissions by 60% by fiscal 2035 (compared to fiscal 2013) and by 73% by fiscal 2040 (compared to fiscal 2013).

Meanwhile, the household and business sectors together account for roughly 30% of Japan's GHG emissions. Meeting the national target would require significant reductions from these two sectors.

Along with mitigation measures to reduce greenhouse gas emissions, the fight against climate change also requires adaptation measures. These are designed to avoid or reduce climate change damage that is already occurring or is likely to occur. The Climate Change Adaptation Act, which took effect in 2018, established a legal framework in Japan for the promotion of adaptation measures through collaboration between the national and local governments, businesses, and citizens. Accordingly, the Daiwa House Group will promote initiatives that focus on both mitigation and adaptation.

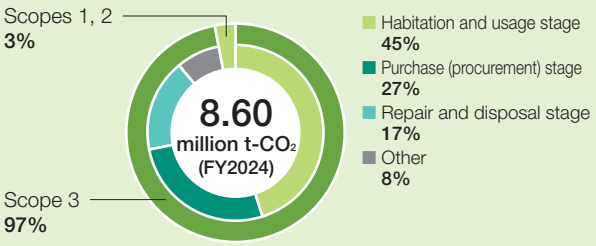
The Daiwa House Group's impact on society and the environment

The Daiwa House Group has been working to visualize greenhouse gas emissions* throughout our value chain in order to achieve zero environmental impact over the life cycle. GHG emissions from the Group's business activities are low at 3% for Scopes 1 and 2 and our Scope 3 emissions (indirect emissions not from our company) account for the vast majority at 97%.

In particular, GHG emissions in the habitation and usage stage of houses and buildings, which tend to be used over the long term, account for about 45%. To address this issue, we are increasing the share of energy-efficient, energy-generating and energy-storing products, and helping to reduce GHG emissions attributable to the household and business sectors in Japan. In addition, we are upgrading existing houses and buildings to be more energy efficient and supplying them with electricity from renewable sources.

* Some of the greenhouse gasses such as methane, nitrogen monoxide and chlorofluorocarbons are excluded from targets and results management of the Group as their emissions are low and they do not have great influence.

■ GHG emissions in our value chain



P154 Environmental Data GHG emissions in our value chain

Risks and opportunities for the Daiwa House Group and its responses

In Japan, the government has been tightening energy-efficiency regulations on houses and buildings, by revising the Building Energy Efficiency Act in April 2025 and offering incentives for advanced energy-efficient structures such as ZEHs and ZEBs*. We maintain and strengthen energy-efficiency measures at Group facilities to reduce the cost of responding to regulations. We are also using our expertise to enhance proposals to our customers in zero-energy housing, buildings, and community development to drive order growth and boost prices.

We operate a renewable power generation business on our idle land and aim for further growth using the idle land of companies and local governments. Meanwhile, we believe it is important to promote the take-up of such products in the longer term independently, without relying on subsidies. Through green building certifications and dialogues with ESG investors and others, we aim to get the environmental real estate market up and running at an early stage.

* Refer to Net Zero Energy Houses and Net Zero Energy Buildings that are designed to achieve net zero in annual primary energy consumption while offering comfortable indoor environment, by improving the energy-saving performance with insulation and energy-efficient equipment, and creating energy through solar power generation or similar means.

P049 Response to Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD)

Mitigating and adapting to climate change

Road Map for the Long-Term Environmental Vision

	1—Challenge Zero for CO_2 in community development	2—Challenge Zero for CO_2 in business activities	3—Challenge Zero for CO_2 in the supply chain
2055	**Achieve carbon neutrality in housing, construction, and community development**	**Achieve carbon neutrality in all facilities and all business processes**	**Achieve carbon neutrality in the supply chain**
2030	GHG emissions derived from use of products (total) vs FY2015 **–63%** | Turning all new buildings into ZEH/ZEB as a rule	GHG emissions (total) vs FY2015 **–70%** | Energy efficiency vs FY2015 **2 times** (Achieve "EP100") | —	Achievement of GHG reduction targets by principal suppliers
2026	GHG emissions derived from use of products (total) vs FY2015 **–58%** | ZEH rate **90%** / ZEH-M rate for rental housing | condominiums **50% | 100%** / ZEB rate **80%**	GHG emissions (total) vs FY2015 **–55%** | Energy efficiency vs FY2015 **1.9 times** | (FY2025) Renewable energy utilization rate **100%** (Achieve "RE100")	(FY2025) Setting rate of principal suppliers' SBT standard GHG reduction targets **90%**

EGP2026 will conclude in fiscal 2025, a year earlier than originally planned, aligning with the 7th Medium-Term Management Plan. As a result, we have not adjusted the fiscal 2026 targets. The next Environmental Action Plan (EGP2029) is scheduled for publication in the Sustainability Report to be released at the end of July 2026.

Self-assessment of the Main Targets and Results of Endless Green Program 2026

: Target for fiscal 2024 achieved : Target for fiscal 2024 not achieved (achieved 90% or more) : Target for fiscal 2024 not achieved (achieved less than 90%)

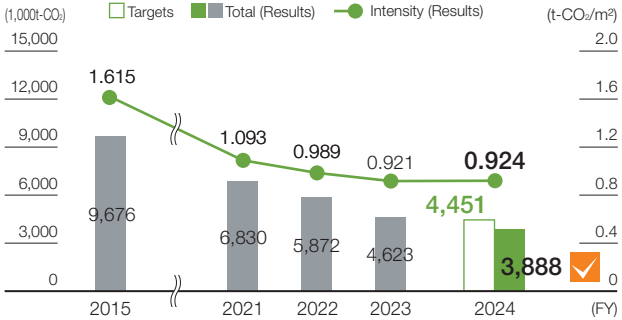
Achieved our target with promotion of ZEHs and ZEBs

In fiscal 2024 we developed tools to support marketing and design staff and provided training sessions, lifting the ZEH rate of the Group to 99%* and the ZEB rate to 66.2%. As a result, we achieved our target for GHG emissions derived from use of products, with a reduction of 59.8% compared with the fiscal 2015 level.

By promoting ZEH-M sales for rental housing, expanding sales of ZEB and installing solar power generation systems, we continue to improve the rates of ZEH and ZEB, striving to provide houses and facilities that are both comfortable and energy efficient.

* Excluding Hokkaido prefecture.

■ GHG emissions from use of products*

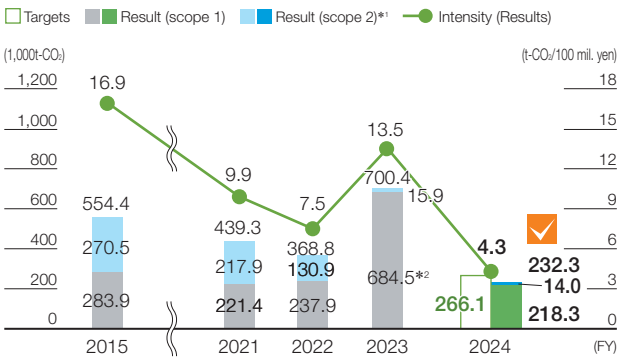


* Refers to Group GHG emissions in the Scope 3/Category 11 (use of products sold).

Achieved our target for Scope 2 emission reduction by adopting renewable electricity

In fiscal 2024, we transitioned to renewable energy sources and purchased non-fossil-fuel energy certificates as an electricity buyer, making over 99% of our purchased electricity renewable. This significantly reduced GHG emissions (Scope 2), helping us meet our target for reducing GHG emissions from business activities. Moving forward, we will focus on reducing Scope 1 emissions from city gas, gasoline, diesel fuel, and other sources.

■ GHG emissions due to business operations



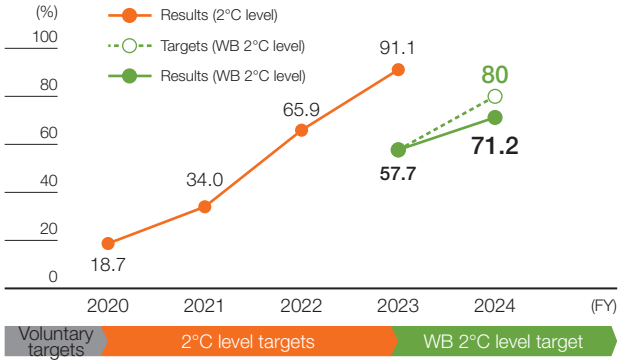
*1 The calculation method of Scope 2 emissions was changed from location-based method to market-based approach in fiscal 2022.

*2 Our Scope 1 emissions for fiscal 2023 increased due to the Hibikinada Thermal Power Station becoming a Group company in January 2023. (Fiscal 2023 GHG emission at the Hibikinada Thermal Power Station: 446,000 t-CO_2) In March 2024, we shut down mixed combustion generation, which burned both coal and biomass fuel (wood pellets). We plan to restart operations as an entirely biomass-fired power station in April 2026.

71.2% of principal suppliers set SBT-level GHG reduction targets (WB 2°C level)

In fiscal 2024, we engaged suppliers in "Decarbonization Dialogues" and other conversations, but only 71.2% of principal suppliers set GHG reduction targets at the SBT level, falling short of our target. We will continue to dialogue with suppliers to encourage them to set more ambitious reduction targets and intensify support for them to achieve the targets.

■ Setting rate of principal suppliers' SBT-level* GHG emissions reduction targets (%)



* We used the 2°C level (annual reduction in GHG emissions of 1.23% or more) for our target through fiscal 2022. However, we raised the target to the WB 2°C level (reduction of 2.5% or more) starting in fiscal 2023.
(WB 2°C, or well-below 2°C, is a GHG reduction target to keep global temperature increase to well-below 2°C compared to pre-industrial temperatures.)

Mitigating and adapting to climate change

1—Challenge ZERO for CO_2 in community development

Basic Policy

Products and services

Promoting ZEH, ZEB and Green Building Certifications

To reduce GHG emissions from houses and buildings used by customers over long periods, we promote advanced, environmentally conscious ZEHs (net Zero Energy Houses) and ZEBs (net Zero Energy Buildings). ZEH refers to single-family housing, rental housing, and condominiums, and ZEB to commercial and office buildings.

We also work to obtain the Green Building Certification recognized by third-party institutions to develop environmentally conscious buildings. We will further step up our comprehensive environmentally conscious initiatives inclusive of energy efficiency.

Promoting EPC and IPP

To encourage the expansion of renewable energy in Japan, we actively advance the design and construction of renewable energy generation facilities (EPC) and the operation of renewable energy power systems (IPP).

Management

Establishing internal systems and providing education and tools to bolster marketing capabilities

The Company appoints Environmental Promotion Manager for each of business divisions, who is tasked with promoting initiatives by setting annual targets for the sales of environmentally conscious products, in coordination with Sustainability Department.

To achieve their targets, business divisions provide sales and design staff with education and e-learning courses on environmentally conscious buildings such as ZEH and ZEB, and improve their knowledge and marketing capabilities. We developed tools to convey to customers the advantages of environmentally conscious buildings along with their investment recovery in an easy-to-understand way, as well as design assisting tools for internal use, thereby expanding our initiatives in the area.

In our environmental energy business, we aim to expand our track record in designing and constructing renewable energy generation facilities (EPC) and in developing and operating renewable energy power systems (IPP). For onsite PPA, we are creating schemes with zero initial investment. For offsite PPA, we are developing new schemes and conducting study sessions while standardizing work procedures.

Progress on the targets set at the beginning of each year is reviewed quarterly. The achievement level of targets is reflected in performance evaluations

Main approach

Single-family housing: Further increasing the number of ZEHs

The Company is promoting ZEH construction for single-family housing. In fiscal 2024, we promoted our main ZEH-compatible products, namely, xevo ∑ (sigma) technology for the steel-framed construction and xevo GranWood for wood-framed construction.

For three-story projects, we launched a new lightweight steel-frame product, xevo M3, in January 2025, further expanding our lineup of ZEH-compatible products. We also took advantage of government subsidy programs such as the ZEH Support Project and the Children's Eco Home Support Project to promote the benefits of ZEH homes to clients while striving to make housing more affordable. As a result, our ZEH rate for fiscal 2024 was 99%*, maintaining the high performance of the previous year.

Going forward, we will further enhance our efforts to help achieve the Japanese government's target of net zero energy (ZEH) performance for all newly constructed houses by 2030. In addition, we will develop proposals for GX-oriented housing—decarbonization-oriented housing with energy-saving performance that far surpasses the ZEH standards set by the Child-Rearing Green Housing Support Project, which will launch new initiatives starting in fiscal 2025.

New lightweight steel-frame 3-story product, xevo M3

* Excluding Hokkaido prefecture.

Rental housing and condominiums: Promoting ZEH-M

The Company has been promoting ZEH-M initiatives in rental housing and condominiums.

For rental housing, we implemented ZEH-M proposals focused on TORISIA, our ZEH-M compatible rental housing product. We also launched THE STATELY, a 3- to 4-story rental housing product with heavy steel frame construction, in March 2025 to strengthen ZEH-M proposals for low- to mid-rise projects. With these ZEH-M initiatives, we are reducing daily utility costs and enhancing indoor comfort for residents, as well as lowering environmental impact through reduced CO_2 emissions from properties owned by landlords. As a result, the ZEH-M adoption rate for rental housing in fiscal 2024 reached 73.1% (an increase of 24.4 percentage points from the previous year), significantly boosting our performance.

For condominiums, we proceeded with the design and sales of the new PREMIST condominium development, working toward a 100% ZEH-M rating. These efforts earned the Prize of the Chairman of the Energy Conservation Center, Japan among the 2024 Energy Conservation Grand Prizes. From fiscal 2025 onward, we will incorporate ZEH-M specifications into all newly constructed PREMIST condominiums.

Additionally, for rental housing and condominiums, we will work on responses and proposals for GX-oriented housing within the Child-Rearing Green Housing Support Project.

Heavy steel frame rental housing product, THE STATELY

Mitigating and adapting to climate change

1—Challenge ZERO for CO_2 in community development

Commercial and Office buildings: Hold seminars, put ZEB into practice and improve technological capabilities

To promote wider adoption of ZEB, we hold Carbon Neutrality Seminars and organize tours of ZEB facilities. In fiscal 2024, we held two online seminars that attracted a total of 261 participants. Additionally, 17 people took part in facility tours.

At the Fukushima Prefectural Central Computing Center headquarters in Fukushima Prefecture, completed in February 2025, high-performance insulation materials and window glass suppress heat influx from outside. Meanwhile, the adoption of high-efficiency air conditioning equipment, total heat exchangers, and ultra-high-efficiency transformers has improved energy-saving performance. Additionally, by installing solar power generation equipment, the facility has achieved "Nearly ZEB" status.

To enhance technical skills, we conducted nine ZEB design training sessions across various regions, both in-person and online. Additionally, we are expanding ZEB proposal expertise by documenting and sharing ZEB sales case studies.

As a result of these initiatives, in fiscal 2024 we started construction of 356 ZEB specification buildings (ZEB, Nearly ZEB, ZEB Ready, and ZEB Oriented), which brought the ZEB rate to 66.2%.

P142 Environmental Data ZEB rate, Number of ZEB units

Office building that achieved "Nearly ZEB": Fukushima Prefectural Central Computing Center headquarters in Fukushima Prefecture

Community development: Community development with 100% renewable energy

Funabashi Grand Oasis in Funabashi City, Chiba Prefecture, completed in March 2021, consists of single-family housing (26 units), rental housing (39 units), rental condominiums (223 units), condominium housing (571 units), and commercial facilities, with a project area of 57,456.19 m^2. The electricity used in these facilities is supplied by a renewable energy power system operated by the Group. This makes it a 100% renewable energy community development, as it utilizes 100% electricity from renewable sources from the construction phase through post-completion when the units are occupied.

WEB ↗ Community Development with 100% Renewable Energy

Renovations to improve energy efficiency or install energy-generation facilities at existing houses

The Group is promoting energy-efficiency retrofits and energy-generation installation projects at existing houses.

In fiscal 2024, we continued to work toward our target for the number of ZEH-renovation equivalents*, which is an indicator that measures energy-saving renovations in terms of the equivalent number of full ZEB renovations. While utilizing government subsidies, the relevant Group companies cooperated to carry out renovations involving insulation and energy-saving equipment for existing single-family and rental housing. As a result, the number of ZEH-renovation equivalent buildings reached 4,555, exceeding our target.

We will continue to perform energy-saving equipment renovations in order to increase the number of ZEH-renovation equivalents.

* An index to show an annual reduction in primary energy consumption achieved by insulation upgrades and energy-efficiency retrofits on houses, presented in an assumed number of existing model houses renovated into ZEH that is equivalent in the annual reduction in primary energy consumption achieved.

Promoting acquisition of Green Building Certifications

We promote acquisition of Green Building Certifications for buildings we develop ourselves.

In fiscal 2024, the acquisition of BELS* certification primarily for multitenant logistics centers and rental housing, which account for a large percentage of the buildings we develop, lifted the weighting of Green Building certification to 74.4%.

* BELS: Building-Housing Energy-efficiency Labeling System

P140 Environmental Data Rate of Green Building Certification obtained

Renewable energy power system expansion

The Group actively installs solar power generation equipment on the roofs of buildings we develop ourselves and buildings contracted by customers. When installation is not feasible within the customer's budget, we propose an onsite PPA model*1, where we install solar power generation equipment free of charge and provide the generated electricity to customers.

Additionally, the Group operates and manages 558 renewable energy power systems, with a total capacity of 877 MW*2 (as of March 31, 2025). In fiscal 2024, we added 116 large-scale solar power systems with a combined capacity of 177 MW in Hyogo Prefecture, Yamaguchi Prefecture, and other locations.

*1 A business model in which we set up renewable energy power generation facilities at free of charge on the roofs of facilities owned by clients. The generated energy is supplied directly to their facilities.
*2 Inhouse consumption is excluded

Mitigating and adapting to climate change

2—Challenge ZERO for CO_2 in business activities

Basic Policy

Business activities

Ensuring that newly constructed company-owned facilities are ZEBs, increasing the energy efficiency of existing facilities, and continuing with systematic equipment upgrades

The Daiwa House Group helps to bring about a decarbonized society by reducing GHG emissions from our business activities while developing our renewable energy generation business.

In particular, the Group is deploying technology and expertise from the construction business to reduce energy consumption by introducing advanced, energy-efficient technology in newly built facilities and making extensive operational improvements and systematically updating equipment in existing facilities.

Policy for newly constructed company-owned facilities

To minimize energy consumption at the facilities it operates, and to power them with renewable energy, the Group will **build all new facilities it will operate in ZEB specifications as a rule, and install solar power generation systems for self-consumption.**

Energy-Efficient Facilities Investment Guidelines for existing facilities

To promote systematic energy-conservation initiatives in our company's and Group's facilities, we formulated internal Energy-Efficient Facilities Investment Guidelines. These require **annual cuts to energy consumption of 1%** by investing an amount equivalent to 5% of energy costs into energy efficient facilities. The guidelines also encourage energy-saving renovations, equipment updates, and the adoption of efficient facilities with a payback period of five years or less. They indicate that evaluation will be based on the number of years required for investment to be recovered, including internal carbon pricing (ICP).

Policy on usage of renewable energy at the company's facilities

The Group works to turn the electricity consumed by its own facilities into renewable energy based on the following priorities.

(1) Install solar power generation systems for self-consumption
(2) Switch to the renewables-sourced electricity plan*1 offered by a group electricity retailing company
(3) Obtain non-fossil-fuel energy certificates*2 as an electricity buyer

*1 An electricity plan that provides non-fossil-fuel energy certificates proving that the electricity is in principle generated with renewables at the Group's own power systems
*2 Obtain non-fossil-fuel energy certificates, separately from electricity (proving that the electricity is in principle generated with renewables at the Group's own power systems)

Introduce vehicles fueled by clean energy

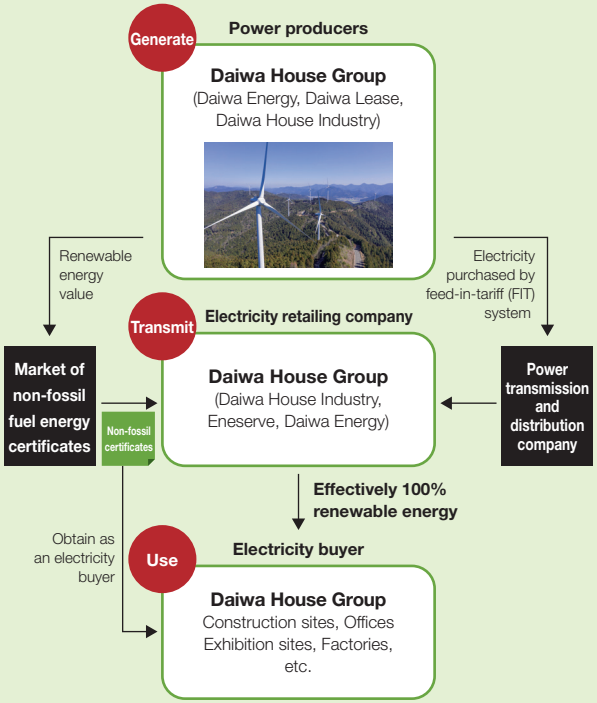
To further reduce greenhouse gas emissions from our business activities, we are promoting the adoption of clean energy vehicles*, both for company vehicles and for personal cars used by employees for business purposes.

We are switching to clean energy cars with priority given to offices with company vehicles whose lease terms are expiring. Charging stations will be also established at all of our offices which operate company vehicles by fiscal 2026. The cars introduced are available for shared use with the Group companies located within our office buildings so as to introduce clean energy cars on a groupwide basis.

* Vehicles fueled by clean energy refer to either of the following: electric vehicles not powered by gasoline (EV), plug-in hybrid vehicles (PHV), and fuel cell vehicles (FCV)

Generate, transmit, and use renewable energy in-house

The Group targets renewable energy self-sufficiency: we aim for 100% of the electricity used in business activities to come from renewable energy generated in-house. We plan to use the national feed-in-tariff system to develop and operate renewables, boosting the share of renewable energy by obtaining certificates for the renewable energy value of electricity generated.



Mitigating and adapting to climate change

2—Challenge ZERO for CO_2 in business activities

Management

Energy management in business activities

In addition to appointing the Executive Officer in charge of the Sustainability as Energy Director for the entire company, Daiwa House Industry designates energy directors and project promoters at the sector or department level (factories, commercial facility, office) to run energy management and make the policies more efficient. Regular energy project promoters' meetings are held to discuss and share environmental issues, measures, and future plans.

The Daiwa House Group formulates every year an energy conservation investment plan for main Group companies operating hotels and other commercial facilities that use large amounts of energy. In calculating the payback period, which is one of the decision criteria for making energy conservation investments, we take internal carbon pricing into account.

Installation of solar power systems on our own facilities

As part of efforts to reduce GHG emissions, we install renewable energy equipment at our new offices, commercial buildings, sports clubs, and nursing care facilities and are boosting inhouse consumption of electricity we generate. The Office Relocation & Opening Manual and the Facilities Setup Policy respectively stipulate that offices and sports facilities must set up solar power generation systems.

Systematic introduction of vehicles fueled by clean energy

For 13 Group companies that own 30 or more company vehicles, the Group has set targets for the rate of clean energy cars introduced for each type of vehicle (company-owned vehicles and privately owned vehicles used for work). The progress against targets is subject to quarterly review to ensure systematic introduction.

Main approach

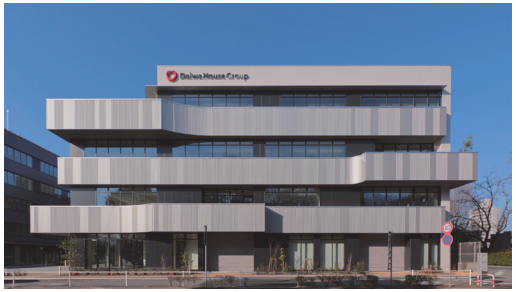
Initiatives for ensuring that newly constructed company-owned facilities are ZEBs

The Group has a policy of aiming to ensure all new facilities are ZEB-compliant and is working on initiatives to fulfill this aim.

The Group's Daiwa House Tsukuba Station Building (Ibaraki Branch) in Ibaraki Prefecture, completed in February 2025, is a four-story medium-sized office building. By implementing energy-saving measures such as Low-E double-glazed glass, various lighting control systems, high-efficiency air conditioning equipment, and total heat exchangers, it achieved "ZEB Ready" status.

Additionally, solar power generation equipment (around 30 kW) and lithium-ion storage batteries were installed on the roof. By using the generated electricity along with renewable energy-derived electricity supplied by Daiwa House, we achieved 100% renewable energy for electricity consumption.

P152 Environmental Data ZEB rate for newly constructed company-owned facilities



Daiwa House Tsukuba Station Building (Ibaraki Branch) in Ibaraki Prefecture

Energy efficiency activities for existing facilities to attain EP100

The Daiwa House Group runs Group Energy Efficiency and Energy Generating working sessions for main Group companies operating hotels and other commercial facilities that use large amounts of energy. The sessions share cases of energy efficiency and energy-generating investment and improvements by Group companies, as well as the latest technological developments, to step up our efforts. Besides updating equipment, we are rolling out energy-saving measures taken by each department and group company across the group such as adding energy-efficient control devices on existing outdoor air-conditioning and transformers, and improvements based on an audit on energy-efficiency measures by the Energy Conservation Center, Japan. In operation, we developed and deployed a unique energy-saving potential diagnosis tool to identify energy-efficiency measures and visualize scope for improvement as we continue our energy conservation efforts.

As a result, energy efficiency in fiscal 2024 was 2.0 times higher than in fiscal 2015, achieving our target.

Fully switching to renewable energy-derived electricity and purchasing non-fossil fuel energy certificates as an electricity buyer to attain RE100

In March 2018, the Daiwa House Group joined RE100, an international initiative on renewable energy operated by the Climate Group, an international NPO. Our goal is to attain 100% renewable energy for all the electricity used by the Group by fiscal 2025, and we are working on initiatives to fulfill this aim. In fiscal 2024, we switched electricity rate plans to renewable energy ones for facilities we operate and purchased non-fossil-fuel energy certificates as an electricity buyer in Japan. We also procured renewable energy certificates in the regions where we operate outside Japan. As a result, the Group was able to procure renewable electricity for 98.9% of its electrical needs in fiscal 2024.

Mitigating and adapting to climate change

2—Challenge ZERO for CO_2 in business activities

Installing renewable energy systems for in-house use at a company site

In September 2024, we installed a 1.2 MW ground-mounted solar power system at our Kyushu Factory. All generated electricity is used on-site. Combined with the existing 25 kW solar system on the office building roof, the total annual power output is around 917 MWh. This supplies 24% of the factory's total electricity needs with on-site renewable energy.

Solar power generation equipment on the premises of Daiwa House Industry's Kyushu Factory

Acquired Hibikinada Thermal Power Station to convert it to a biomass-fired power station

The Company acquired the right to manage Hibikinada Thermal Power Station (Fukuoka Prefecture) in January 2023. Engaged in power generation through co-firing of 70% coal and 30% biomass (wood pellets) since its operation start in 2019, the power station has made a contribution to stable electricity supply in the region. Against the backdrop of the global decarbonization trend, however, the Company, which long had a business relationship with Hibikinada Thermal Power Station, made it into a subsidiary. The station was shut down in March 2024. We are currently performing renovation work and testing operations to convert it into a biomass-fired power station that runs entirely on biomass fuel. We plan to start operations with 100% biomass fuel in April 2026.

WEB ↗ Acquired the right to manage Hibikinada Thermal Power Station to convert it to a biomass-fired power station to generate renewable energy (Japanese text only)

Introducing clean energy cars as company vehicles and establish charging stations at offices

To reduce GHG emissions from its business activities, the Group is introducing company vehicles fueled by clean energy and establishing charging station at its offices.

Clean energy cars are in use at 33 business worksites, including the Osaka Head Office and Head Branch as of the end of fiscal 2024, of which 45 business worksites have charging stations installed. Additionally, for Group companies located at the Company's branch offices, we have set up shared charging equipment to create an environment that facilitates the adoption of clean energy vehicles.

However, due to challenges like driving range and vehicle type requirements, the Group's clean energy vehicle adoption rate in fiscal 2024 was 9.3%, short of our 13% goal.

Charging station installed at Kobe branch of Daiwa House Industry

Encouraging employees using their own vehicles for work to switch to clean energy cars

The Company operates New Eco Allowance, a system for encouraging employees who use their own vehicles for work* to shift to clean energy cars. We provide a monthly allowance of ¥25,000 for employees to maintain their own vehicles put to business use. The New Eco Allowance system, however, raises that amount to ¥40,000 for electric or fuel cell vehicles, and to ¥38,000 for plug-in hybrid vehicles. We also offer subsidies when employees purchase vehicles. In fiscal 2024, we made more vehicles eligible for subsidies. In addition to electric vehicles and fuel cell vehicles, we started providing subsidies for plug-in hybrid vehicle purchases.

However, the adoption rate of clean energy vehicles for personal use in fiscal 2024 was 2.5%, falling short of our target.

* Those with Type 1 permission for using their privately owned vehicles (excluding seconded employees)

WEB ↗ Introduce New Eco Allowance, a system for encouraging the purchase of clean energy cars (Japanese text only)

Mitigating and adapting to climate change

3—Challenge ZERO for CO_2 in the supply chain

Basic Policy

Procurement

Support for principal suppliers to set GHG emissions reduction targets and promote initiatives

The Daiwa House Group works with our supplier organizations to reduce GHG emissions in the procurement stage. We help our principal suppliers set and implement measures to achieve SBT-level GHG emissions reduction targets.

WEB ↗ Supply Chain Sustainability Guidelines
P011 Environmental management

Propose energy-generation and energy-efficiency solutions

The Group is active in proposing its energy-generation and energy-efficiency solutions. Our aim is to help our principal suppliers attain their targets for GHG emissions reduction, through which we achieve carbon neutrality in the supply chain.

Management

Via supplier organizations, asking principal suppliers to set GHG emissions reduction targets

As approximately 20% of the GHG emissions attributed to the Group's value chain comes from procurement, we believe it is essential to reduce these emissions at our suppliers' materials manufacturing stage. We have designated our supplier organizations, the Trillion Club and Setsuwa Club, as well as 212 companies among the suppliers to the Group companies Daiwa Lease and Fujita, as principal suppliers, and ask them to set SBT-level targets for GHG emissions reduction. We have also launched decarbonization working groups and decarbonization dialogues to help them set and raise GHG emissions reduction targets to reduce emissions at the procurement stage.

P016 Supply chain management (Environment)

Activities of a working group for supporting energy-generation and energy-efficiency solutions

As we assist principal suppliers in achieving their own GHG emissions reduction targets, we encourage the Group's energy-generation and energy-efficiency solutions to be adopted widely. For this purpose, we launched a renewable energy working group comprising the Company and its Group companies Daiwa Energy and Eneserve. The working group is taking actions by setting a target number of contracts with principal suppliers on projects involving energy-generation and energy-efficiency solutions.

Main approach

Enhancing dialogue through decarbonization working groups and decarbonization dialogues

We survey the Group's 212 principal suppliers for greater detail on GHG emissions reduction targets and results in order to understand their efforts. The questionnaire survey conducted in fiscal 2024 shows that only 71.2% of suppliers have set SBT-level GHG emissions reduction targets, falling short of the target of 80%.

In fiscal 2024, we promoted decarbonization dialogue activities with 38 suppliers to accelerate the achievement of carbon neutrality in our supply chain. We asked suppliers with weak emissions targets to make them more ambitious, while encouraging those suppliers who have already set SBT-level targets to raise internal awareness of their carbon neutral strategies in order to encourage a change in awareness and behavior.

P017 Increasing suppliers' awareness of our environmental policy
P137 Environmental Data Supplier engagement implemented (FY2024)
P154 Environmental Data GHG emissions in our value chain

Proposing energy-generation and energy-efficiency solutions through dialogues with suppliers

Through dialogues the Group is having with its principal suppliers, such as decarbonization working groups and decarbonization dialogues, we share issues that need to be addressed for achieving carbon neutrality of suppliers. We also propose that they adopt the Group's energy-generation and energy-efficiency solutions.

In fiscal 2024, we proposed solar power generation or renewable energy options, and won four contracts. These aim to contribute to reduction of GHG emissions at suppliers' business sites.

P153 Environmental Data The number of contracts for renewable energy and energy-efficiency solutions (The number of cases of support) (cumulative)

Promoting use of electric furnace steel made from iron scrap

The Group is working to reduce CO_2 emissions during the manufacturing of building materials. First, for steel frames, which make up about 40% of CO_2 emissions in the material manufacturing stage, we are encouraging the use of electric furnace steel made from iron scrap. These have lower CO_2 emissions compared to blast furnace steel made from iron ore.

In fiscal 2024, due to efforts to promote H-beam steel, which can be stably sourced as electric furnace steel, the proportion of electric furnace steel materials increased to 26.9%, up 5.8 percentage points from the previous year. Moving forward, we aim to further boost the adoption of electric furnace steel and encourage the use of low-carbon building materials beyond steel frames.

Mitigating and adapting to climate change

Adapting to climate change

Basic Policy

Promoting climate change adaptation measures based on four key areas

To avoid and reduce damage caused by climate change, the Group promotes initiatives for both mitigation and adaptation.

The entire Group promotes climate change adaptation based on four key areas, with a focus on heatstroke and flood risks across business activities, procurement, and each stage for products and services.

Stage	Four Key Areas
Business activities	(1) Thorough heatstroke prevention measures at production and construction sites (2) Mitigation of meteorological disaster risks at Group facilities and those operated by the Group
Procurement	(3) Measures to prevent supply chain disruptions in the event of a meteorological disaster
Products and services	(4) Development of products and internal standards to help mitigate meteorological disasters

Management

Promoting climate change adaptation measures across the Group

Under our Long-Term Environmental Vision, we set certain milestones to be achieved by 2030. One is the completion of water risk assessments across the supply chains of our housing and general construction businesses, and the other is the implementation of response measures at all Group and supplier sites deemed high risk. To achieve our Long-Term Environmental Vision through the Endless Green Program 2026, our environmental action plan, the entire Group develops adaptation measures each year based on each company's business characteristics and advances progress by assessing key implementation items.

Regarding the first of the four pillars—comprehensive heatstroke prevention at production and construction sites—Daiwa House aims for zero heatstroke incidents requiring four or more days off work each year. We thoroughly report heatstroke cases at these sites, analyze their causes, and implement countermeasures and improvements.

For the second pillar—reducing meteorological disaster risks at our own facilities and operational sites—we lessen flooding risks by confirming hazard maps at the Group's facilities, installing sandbags and flood barriers, creating business continuity plans (BCPs), stockpiling supplies, and providing training.

For the third pillar—strengthening supply chain resilience against meteorological disasters—we verify hazard map surveys, BCP formulation, and training implementation at supplier factories. Additionally, by adopting diversified purchasing, we reduce the risk of material delivery delays during such disasters.

For the fourth pillar—developing products and internal standards for meteorological disasters—for construction projects, we take measures to minimize damage during flood events by conducting pre-construction flood risk surveys, elevating ground levels to prepare for water disasters, and creating BCPs.

Daiwa House Industry is also taking part in the Corporate Study Group on Adaptation to Climate Change Impacts organized by the Kinki Regional Environment Office of the Ministry of the Environment.

Main approach

Working to prevent heatstroke on construction sites

In recent years, global warming has been increasing the number of extremely hot days, and we are at a greater risk for heatstroke. In particular, on construction sites, where workers work outdoors, it is extremely important to prevent heatstroke in response to climate change. To prevent heatstroke, Daiwa House Industry and the Confederation of Partner Companies thoroughly set up areas at construction sites where workers can rest in the shade, while also supplying drinking water at all times.

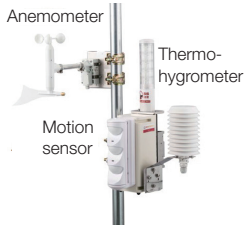
In fiscal 2016, we deployed the WEATHERY environmental sensor developed in cooperation with its manufacturer at worksites. It incorporates sensors to detect motion, wind speed, and temperature & humidity. When it detects a temperature, humidity, or wind speed above a reference value, it triggers an indicator light and voice alert and notifies the manager by email. This enables managers to monitor the weather when offsite, so they can act promptly to prevent heatstroke or prepare for damages from strong winds.

In fiscal 2024, we installed 532 WEATHERY units at construction sites in August, the highest for the year. We also set up rest spaces with shade screens to improve the hot conditions at these sites. Additionally, we provided purchase assistance for heatstroke prevention items, such as fan-equipped work clothes and drinking water, to our partner subcontractors. Furthermore, we practice pre-cooling by offering workers ice slurry (fine sherbet-like beverages) before starting work to lower core body temperature and reduce heat buildup during work, helping to prevent heatstroke.

In November 2024, the Group's efforts in flood risk management and heatstroke prevention earned the Fiscal 2024 Minister of the Environment Award for Climate Action in the Promotion and Dissemination Category (Adaptation Field).

P104 Enforcing safety and security

↗ Received the Fiscal 2024 Minister of the Environment Award for Climate Change Action for "Initiatives for flood risk and heatstroke prevention measures" and "Geothermal heat and waste heat utilization supply system" (Japanese text only)



WEATHERY Environmental Sensor


A resting area with shade screens

Mitigating and adapting to climate change

Adapting to climate change

Ensuring flood prevention measures at offices

A specialist institution conducts surveys of Company offices located in flood zones shown on hazard maps. Based on this, we are implementing measures to mitigate flooding risks. At the Tokyo Head Office, we have prepared a manual for sites to install water barriers and are conducting relevant training to prevent flooding risks. Moreover, we maintain a stockpile of disaster preparedness supplies and thoroughly implement business continuity plan (BCP) measures.

We installed water barriers at the Osaka Head Office in fiscal 2023 and at the Kitakyushu Branch in fiscal 2024. Moving forward, we will expand the installation of water barriers and water-absorbing sandbags at our facilities to help lower flood risks.

Training for water barrier installation at the Tokyo Head Office

Disaster preparedness supplies at the Tokyo Head Office

Water barrier at the Osaka Head Office

Residential development incorporating green infrastructure principles

At Securea Garden Toyokawa Hachiman Station South in Aichi Prefecture, we adopted green infrastructure principles and incorporated gravel and lawns into the design to increase the ground's permeable area. As a flood mitigation measure, we also raised the waterway boundaries. When Toyokawa City in Aichi Prefecture experienced severe flooding from a typhoon in June 2023, these efforts helped this residential development avoid flood damage.

Adopting green infrastructure principles: Gravel laid within green blocks

Flood countermeasures: Raising waterway boundaries

Condition of the residential development the day after the typhoon

WEB ↗ A resilient community that incorporates the concept of green infrastructure

Certification from the Ministry of Land, Infrastructure, Transport and Tourism as an Official Supporter of River Basin Flood Control

In May 2024, Daiwa House received certification as an Official Supporter of River Basin Flood Control*1, a recognition established by the Ministry of Land, Infrastructure, Transport and Tourism in cooperation with related ministries. We earned this certification for our active promotion of flood prevention measures at some of the logistics facilities we developed, including signing disaster prevention agreements with 18 municipalities nationwide*2, conducting pre-construction flood risk assessments, raising site elevations during development, and installing rainwater storage and infiltration facilities.

Additionally, at the Official Supporter of River Basin Flood Control Exchange Meeting held in November 2024, we presented cases that included disaster prevention agreements with municipalities for logistics facilities we developed, joint disaster prevention drills with tenant companies, and evacuation response measures at logistics facilities.

*1 Certification period: May 24, 2024 to March 31, 2025
*2 As of March 31, 2025

WEB ↗ Certified as an Official Supporter of River Basin Flood Control by the Ministry of Land, Infrastructure, Transport and Tourism (Japanese text only)

流域治水

Presenting our initiatives at the Official Supporter of River Basin Flood Control Exchange Meeting

Harmony with the natural environment (Preservation of biodiversity)

Contributions to SDGs

Policy and Concept

Social issues

The fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15), held in Montreal in December 2022, established nature-positive action, "halting and reversing biodiversity loss by 2030 to put nature on a path to recovery," as an international goal. Among the 23 global targets adopted by the meeting, target 15 calls for companies and financial institutions to assess and disclose their dependencies, impacts, and risks on biodiversity. Companies are expected to take action on the Taskforce on Nature-related Financial Disclosures (TNFD) and other measures in order to help with the transformation to sustainable human societies that do not diminish biodiversity.

Global forest cover*1, which accounts for 31% of the land surface, is shrinking every year, with an average annual decrease of 10.2 million hectares (2015 to 2020), not including the increase due to new afforestation. This means that we must use timber in sustainable ways while working to eliminate new deforestation.

Biodiversity and ecosystem services in Japan have been in long-term decline and have deteriorated for the past half-century*2. In response, the National Biodiversity Strategy and Action Plan 2023 – 2030 adopted the realization of a nature-positive economy as its basic strategy, and companies are expected to position biodiversity conservation as a priority issue (materiality) in their value creation process, to minimize the impact on biodiversity in their value chain, and to maximize their contribution to the natural environment through their products and services.

Furthermore, marine pollution caused by at least several million tons*3 of discarded plastic waste worldwide every year has become an issue, and there is an urgent need to reduce single-use plastic items.

*1 Source: Forests and Forestry White Paper 2023 (published in June 2024)
*2 Source: "Comprehensive Assessment of Biodiversity and Ecosystem Services 2021" (JBO 3), Ministry of the Environment
*3 Source: *Kaiyo Plastic Gomi ni Kansuru Jokyo* ("The Ocean Plastic Refuse Situation"), Ministry of the Environment, February 2019 (in Japanese)

The Daiwa House Group's impact on society and the environment

With the importance of biodiversity being recognized alongside decarbonization, Daiwa House Industry must also make concrete contributions to the global targets adopted at COP15 at every stage of its operations.

The structural and interior materials we use in our products (houses and buildings) entail consumption of large quantities of lumber. In a given year, the Daiwa House Group consumes some 210,000 m^3 of timber from several countries of origin around the world. To help minimize deforestation, we encourage use of legally and sustainably harvested timber throughout our supply chain.

Moreover, to reduce the impact on the environment and local ecosystem of the Group's many development projects nationwide, we seek to understand project sites' environmental potential before commencing work. Only then do we move ahead with a project, taking care to minimize any harm to the ecosystems of the site. Further, in construction contracting, the Group is committed to creating ever-higher quality green spaces in partnership with clients by pitching ideas for greening for their projects with consideration to the ecosystems at each site.

With regard to marine plastic pollution, single-use plastics are used by the Group as well, such as some of the office supplies our businesses consume and the plastic shopping bags given to clients at our hotels and commercial facilities. To counter plastic pollution of the ocean, we are reducing the use of single-use plastics, working to switch to non-plastic products and recycling after use.

Risks and opportunities for the Daiwa House Group and its responses

For the procurement of timber, which is one of the main materials the Group uses, in the event that demand for legally and sustainably harvested timber increases, concerns will arise that procuring such timber will become difficult, driving purchase prices up. In response, we implement our Biodiversity Guideline [Timber Procurement]. We are taking steps to ensure risk management by revising our timber assessment criteria from time to time in collaboration with environmental NGOs and other measures.

For our development business, in the event that a development project leads to the loss of a local ecosystem, we face the risk of the cost of restoring the ecosystem or a loss of business opportunities. In response, we implement our Biodiversity Guideline [Development & Community Creation]. One of the management indexes we have established for developments above a certain scale is "compliance with voluntary (development) standards" to confirm compliance with the guidelines. Further, we are committed to improving the quality and quantity of green spaces by pitching ideas for the planting of native species taking into consideration the local ecosystem networks when making proposals for individual properties.

To counter plastic pollution of the oceans, we are reducing the use of single-use plastic items. We are taking steps to switch to non-plastic products for the office supplies at our business sites, introducing a charge for plastic shopping bags at our commercial facilities and home centers, and switching to alternative materials for the amenities used in our hotels.

Meanwhile, we also see scope for growth in environmental greening businesses and other similar greening projects for the value they add to houses and buildings. The Group proactively promotes housing, facilities, and community development in harmony with the natural environment and takes into consideration the protection of biodiversity; at the same time, we are working to create a mechanism to maintain and preserve greenery. Through these efforts, we aim to improve the appeal of the community, enhance asset values, and contribute to the formation of a positive community.

Harmony with the natural environment (Preservation of biodiversity)

Road Map for the Long-Term Environmental Vision

	4—Challenge ZERO Deforestation	5—Challenge ZERO Harm to Biodiversity
2055	**Zero deforestation arising from materials procurement at all segments**	**Prevent any net loss of biodiversity attributable to our business activities or community development**
2030	Work with suppliers to eliminate from procurement at our housing and construction businesses all timber that cannot be traced to legal harvest	Eliminate use of plastic that could end up in the sea Eco-friendly surface area of green spaces (cumulative) **+2,000,000m²** Complete biodiversity assessments of all owned or managed sites and undertake ongoing conservation work at all ecologically significant ones
2026	Rate of C-ranked timber in procurement **0%** Setting rate of zero deforestation policy (primary suppliers) **90%**	Eco-friendly surface area of green spaces (cumulative) **+1,000,000m²** Rate of formulation and implementation of protection and management plans of significant sites within premises of the company's facilities **100%** Rate of replacement of plastic goods for distribution (offices, etc.) **100%**

EGP2026 will conclude in fiscal 2025, a year earlier than originally planned, aligning with the 7th Medium-Term Management Plan. As a result, we have not adjusted the fiscal 2026 targets. The next Environmental Action Plan (EGP2029) is scheduled for publication in the Sustainability Report to be released at the end of July 2026.

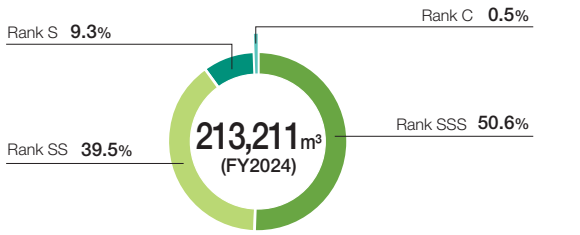
Self-assessment of the Main Targets and Results of Endless Green Program 2026

: Target for fiscal 2024 achieved : Target for fiscal 2024 not achieved (achieved 90% or more) : Target for fiscal 2024 not achieved (achieved less than 90%)

Now using less than 0.5% C-ranked timber with deforestation risk

In fiscal 2024 we continued to share the Group's procurement policy with our suppliers through the Supply Chain Sustainability Guidelines. Since fiscal 2022, we have also been moving forward on reducing the percentage of C-ranked timber we use by employing new assessment criteria consistent with our zero deforestation policy. In fiscal 2024, we required suppliers (25 companies) found to be supplying C-ranked timber in the previous year to submit plans for improvement and made progress on checking public documents and changing sources. As a result, our use of C-ranked timber in fiscal 2024 was 0.5% (down 0.5 percentage points from the previous fiscal year) achieving our target. Going forward, we will increase suppliers' awareness of our procurement policy and promote efforts to eliminate the use of C-ranked timber.

■ Rate of C-ranked timber in procurement

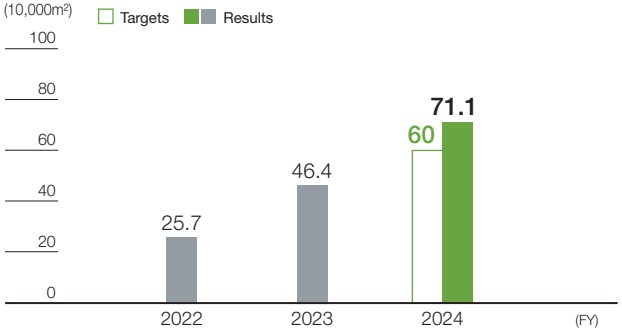


Promote greening with indigenous species under the slogan "Let's keep green !" in nature-positive efforts

To enhance the quality of green space, we have taken initiatives to offer our clients greening with indigenous species since fiscal 2022 under the slogan "Let's keep green!," which is the Group's shared concept. In fiscal 2024, we worked on the greening mainly in our housing, rental housing, commercial facilities, office buildings, and condominiums, and cumulatively we created an eco-friendly surface area* of green spaces of 711,000 m².

* Eco-friendly surface area of green spaces refers to an area of properties covered by green, of which 50% or more is accounted for by indigenous species, in consideration of the natural ecosystem of the local environment. Properties subject to counting are set for each business division (see page 158).

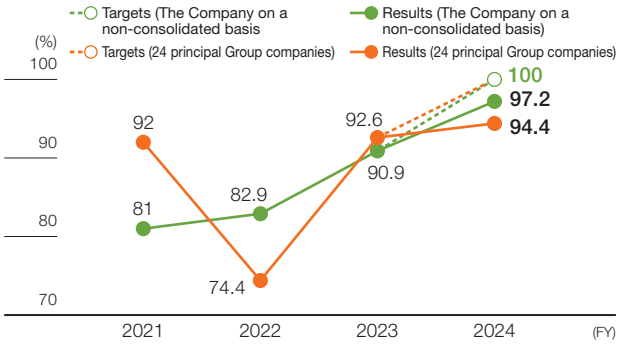
■ Eco-friendly surface area of green spaces (cumulative)



Replacing single-use plastics with plastic-free materials

In fiscal 2024, the rate of replacement of 15 single-use plastic products being used in our four sectors of offices, stores, cafeterias, and hotels was 97.2% for the Daiwa House Industry on a non-consolidated basis and 94.4% for all key Group companies excluding the Company, thus falling short of our target. Moving forward, we will continue to ensure thorough awareness of our guidelines and promote the proper use of plastic products by switching to non-plastic materials and transitioning to paper-based gift wrapping.

■ Rate of replacement of plastic goods for distribution (offices, etc.)



Harmony with the natural environment (Preservation of biodiversity)

4—Challenge ZERO Deforestation

Basic Policy

Procurement

Procuring sustainable timber

The business operations of the Daiwa House Group are dependent on the abundant natural capital provided by our environment. In particular, our procurement activities can have a major impact on biodiversity and the natural environment. The aspect of our natural capital that is most affected by the Group is timber. So we need to procure timber in consideration of the legality and sustainability of logging areas.

We formulated in fiscal 2021 a policy for achieving zero deforestation, and announced our goal of zero deforestation throughout our supply chain. By applying our Biodiversity Guideline [Timber Procurement] in line with this policy, we will encourage the use of legally and sustainably harvested timber to achieve zero deforestation.

P156 Environmental Data Biodiversity Guideline [Timber Procurement]

WEB ↗ Supply Chain Sustainability Guidelines

Zero Deforestation* Policy

The Daiwa House Group:

- Purchases timber (lumber) and wood products only from suppliers with declared Zero Deforestation policies
- Purchases timber and wood products only from suppliers that handle products harvested or manufactured with due consideration for the safety and rights of labor and indigenous peoples in the country of origin
- Purchases only timber and wood products whose traceability is certain
- Is extending the scope of its Zero Forest Destruction timber and wood product policy beyond construction materials, wood used below grade, framing crosspieces, and flooring to include concrete formwork; wood used in principal fixtures, fittings, doors, and windows; and wallpaper

* Zero Deforestation refers to:
(1) Timber not harvested by clear-cutting of natural forests or other biodiversity-harming means
(2) Timber from forests planted using methods harmless to high carbon stock (HCS) areas
(3) 100% recycled material

Management

Establishing a cross-departmental timber survey system

The formulation of our Biodiversity Guideline [Timber Procurement] provided the impetus for establishing a CSR Procurement Subcommittee in 2010. Its activities span all Group segments involved in purchasing, development, construction, sustainability, and the environment to ensure consistent implementation of CSR procurement. In fiscal 2024, we set up a timber survey system involving members of the CSR Procurement Subcommittee and conducted two briefing sessions specifically focused on timber procurement. The subcommittee works together with purchasing and construction personnel at offices of each company to ensure that procurement complies with the guidelines, as well as to apply the PDCA cycle to drive improvements.

P102 Operating the Supply Chain Sustainability Guidelines

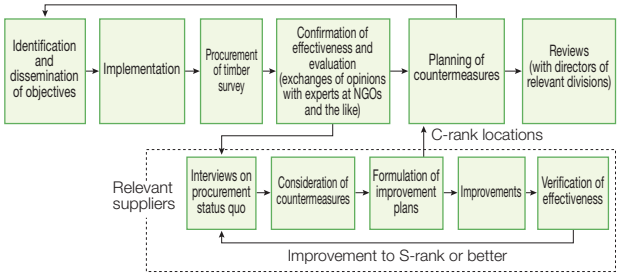
Conducting procurement of timber surveys at our suppliers

To implement our Biodiversity Guideline [Timber Procurement], we conduct an annual procurement of timber survey*. We categorized timber into one of four ranks—SSS, SS, S, or C—pursuant to an assessment procedure in line with our zero deforestation policy. We formulated these assessment criteria after establishing a Zero Deforestation Working Group and exchanging ideas with environmental NGOs and experts. The criteria also incorporate certain criteria set by three third-party forestry stewardship certification organizations, such as the Forest Stewardship Council® (FSC, a forest certification organization), the Programme for the Endorsement of Forest Certification Schemes (PEFC), and the Sustainable Green Ecosystem Council (SGEC). For assessing source-country risk for compliance, biodiversity, human rights, and the like, we also use Sourcing Hub, a Preferred by Nature risk assessment tool, to get full, accurate picture of the situation. We receive plans for improvement from suppliers of C-ranked timber with high risk of deforestation as a result of the assessment and monitor the status of improvements. We publish the survey results and share them with cooperating stakeholders (such as environmental NGOs) so they can give us expert feedback that we can apply in future policy.

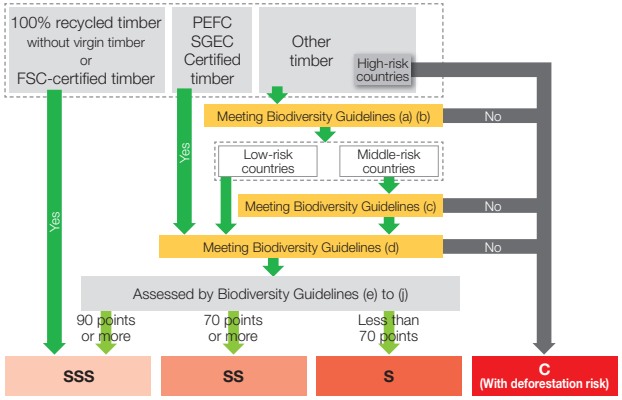
* Timber covered by the survey includes construction materials, wood used below grade, framing crosspieces, flooring, and concrete formwork.

P156 Environmental Data Biodiversity Guideline [Timber Procurement]

■ Procurement of timber survey flow



■ Survey results evaluation flow



Harmony with the natural environment (Preservation of biodiversity)

4—Challenge ZERO Deforestation

Aiming to achieve zero deforestation throughout our supply chain

To halt deforestation progressing across the globe, we aim to achieve zero deforestation not only in our own operations but throughout our supply chain. We require each of our 106 major timber suppliers (suppliers, general contractors, and subcontractors), which account for 99% or more of the Group's total timber procurement, to formulate a zero deforestation policy or to endorse the Group's zero deforestation policy. Under our cross-segment timber procurement structure, we study and implement measures to help suppliers formulate their policies, in an effort to promote initiatives across the Group.

Main approach

Reducing C-ranked timber by planning for improvement

The Daiwa House Group conducts surveys of timber in procurement based on its own timber assessment criteria to assess the timber procured every year. The fiscal 2024 survey covered the timber used for the major components (construction materials, framing crosspieces, flooring and concrete formwork) in housing and rental housing products (obtained through centralized purchasing) and buildings (obtained through decentralized purchasing) owned by the Group.

In fiscal 2024, we required suppliers who provided C-ranked timber in fiscal 2023 (25 companies) to submit plans for improvement aimed at sustainably harvested timber, thoroughly checked the timber's public documents and switched sources to low risk areas. As a result, in fiscal 2024, the rate of C-ranked timber* was 0.5% (a decrease of 0.5 percentage points from the previous fiscal year), achieving the target.

Going forward, we will continue to call on suppliers of C-ranked timber to make improvements and work to improve the Group's entire timber procurement.

* C-ranked timber does not include concrete formwork

Promoting the adoption of sustainable concrete formwork

Moving toward zero deforestation, we have included concrete formwork, which had previously been excluded from the scope of the survey, to further advance our efforts. In fiscal 2022, we established a Plywood Working Group, consisting of CSR Subcommittee members, and initiated an effort to adopt sustainable concrete formwork, including Japanese domestic coniferous plywood panels and certified timber. In fiscal 2023, we conducted verification of these panels at multiple construction sites and also conducted interviews with concrete formwork contractors. As a result, we confirmed that the performance of the sustainable plywood panels was equivalent to that of conventional lauan plywood, causing no issue. In fiscal 2024, we continued to promote the adoption of sustainable concrete formwork and shared information with more formwork contractors as we increased the number of construction sites using these materials. The percentage of buildings utilizing sustainable concrete formwork reached 83.1%, exceeding our 50% target. We will continue working to increase the adoption rate.

P158 Rate of sustainable concrete formwork use (no. of building basis)

Trial of concrete formwork at site using Japanese domestic coniferous plywood panels

Base material is plywood made of particleboards recycled from construction scrap and 100% Japanese domestic timber.

Japanese domestic larch excellent in strength is used as part of base material.

"Challenge ZERO Deforestation" Membership System

To share our stance on zero deforestation, we explained it to our supplier organizations, the Trillion Club, the Setsuwa Club, and the Gosen Club. We also shared our efforts with timber suppliers by creating a video that summarizes the importance of zero deforestation among other measures.

Furthermore, to achieve zero deforestation throughout the entire supply chain, in fiscal 2023 we launched a new membership system, "Challenge ZERO Deforestation," and asked our timber suppliers to sign a letter of consent to our zero deforestation policy. In fiscal 2024, we gained support from a total of 95 companies, mostly our primary suppliers. We list the names of supporting suppliers on our website to widely promote our supply-chain-wide zero deforestation initiative. Moving forward, we will share our zero deforestation policy with secondary suppliers and beyond, requesting their signatures on letters of consent.

WEB ↗ Challenge ZERO Deforestation (Japanese text only)

Conducting timber surveys in operations outside Japan

In response to the increasing share of the Group's sales accounted for by operations outside Japan, we have expanded timber surveys, which were previously only conducted in Japan, to include businesses outside Japan. In fiscal 2024, we conducted surveys in the United States, which accounts for over 70% of our business sales outside Japan, to verify the origin, legality, and sustainability of the timber used. The survey revealed that the Group procures approximately 230,000 m^3 of timber outside Japan, primarily from the U.S. and Canada. We found some timber with insufficient verification of legality and sustainability, and are working to improve these issues. We plan to expand our survey coverage to include countries beyond the United States.

Harmony with the natural environment (Preservation of biodiversity)

5—Challenge ZERO Harm to Biodiversity

Basic Policy

Products and services

Preserving and planting greenery through community development projects in nature-positive efforts

The Daiwa House Group strives to preserve or restore natural assets and the ecosystems they form by practicing green community development, while reducing the impact on biodiversity during development projects. In all community development projects, we seek to contribute to healthy ecosystems and enriched lives for people based on our concept of One Health*. In preserving urban and regional ecosystems, we aim to increase both the quantity and quality of green spaces. Regarding quality, we encourage the use of native species suited to each region's natural environment, and we contribute to local ecosystem networks by making Group-wide efforts to connect green spaces. In our nature-positive efforts, we will promote the development of green communities that harmonize with the natural environment by offering greening proposals to our customers.

Our efforts to minimize the biodiversity impact of our large-scale land developments are governed by our Biodiversity Guideline [Development & Community Creation]. When planning exteriors, we propose greening that takes into consideration the local ecosystem in order to contribute to the local ecosystem network.

* An integrated, unifying approach that aims to sustainably balance and optimize the health of people, animals and ecosystems.

P156 Environmental Data Biodiversity Guideline [Development & Community Creation]

Biodiversity Guideline [Development & Community Creation]

1. Ascertain the potential of the natural Environment
2. Preserve and plant greenery
3. Be careful to preserve a sufficient natural environment as a habitat for small animals
4. Take care to create a connected network of habitable environments for the ecosystem
5. Take steps to minimize the environmental impact of construction work
6. Pay adequate consideration to ecological maintenance and management

Management

Voluntary standards checklist for development projects

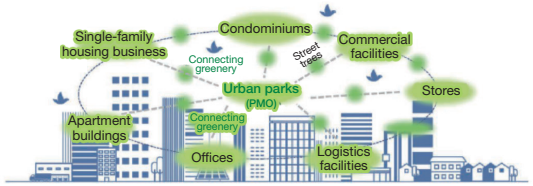
Daiwa House's Urban Development Department utilizes the Group's checklist to quantitatively assess impact in accordance with its Biodiversity Guideline [Development & Community Creation] and also checks its biodiversity conservation activities with reference to ABINC certification.* Based on the voluntary standards, the department works to keep efforts above certain levels, from the planning stage of development to the completion of construction.

* A system under which the Association for Business Innovation in harmony with Nature and Community (ABINC)® evaluates and certifies high level initiatives for biodiversity using the JBIB Guidelines for Sustainable Business Sites and the Land Use Score Card developed by the Japan Business Initiative for Biodiversity (JBIB) as the evaluation criteria.

Planting greenery of indigenous species in nature-positive efforts

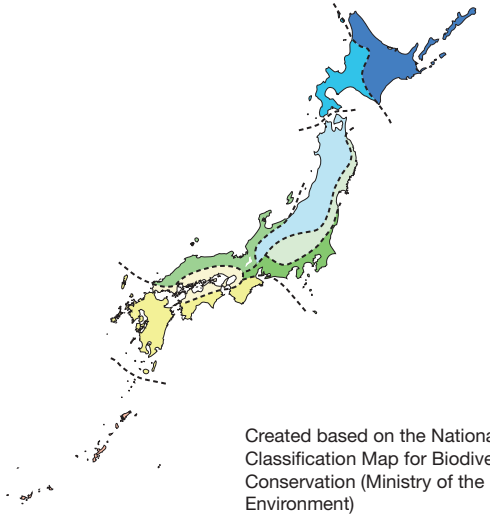
When proposing exterior landscaping and planting to customers, the Group works to enhance the quality of greenery under the slogan "Let's keep green!" To accomplish this, the Group ensures that more than half of newly planted trees—both tall and low—are indigenous species suited to each region's natural environment. By selecting trees from regionally classified indigenous species lists, we preserve connections with neighboring green spaces and ecological networks. Through this Group-wide shared concept, we aim to connect green spaces ranging from small residential gardens to larger commercial and office building facilities across the Group, thereby contributing to a nature-positive world.

■ Daiwa House Group's shared greening concept "Let's keep green!"



We select indigenous species that are naturally distributed in the region according to the National Land Classification Map for Biodiversity Conservation (Ministry of the Environment).

■ Regional classification map of the indigenous species list



Created based on the National Land Classification Map for Biodiversity Conservation (Ministry of the Environment)

Main approach

Expanding eco-friendly surface area of green spaces

Since fiscal 2022, we have been working to expand the ecofriendly surface area of green spaces. The Group defines the eco-friendly surface area as an area covered by green, of which 50% or more is accounted for by indigenous species, in consideration of the natural ecosystem of the local environment. In fiscal 2024, the area added totaled 247,000 m², and the cumulative total area added to date is 717,000 m². Going forward, we will continue to preserve the habitat of animals by creating green spaces with our clients in consideration of the network of ecosystems, seeking to ensure the continuity of nature and greenery of the region, so as to pass onto the next generation rich ecosystems and sustainable communities.

Harmony with the natural environment (Preservation of biodiversity)

5—Challenge ZERO Harm to Biodiversity

Greening with indigenous species has measurable positive impact on biodiversity

In fiscal 2024, we performed a quantitative assessment of the effectiveness of the Group's indigenous species greening initiatives.

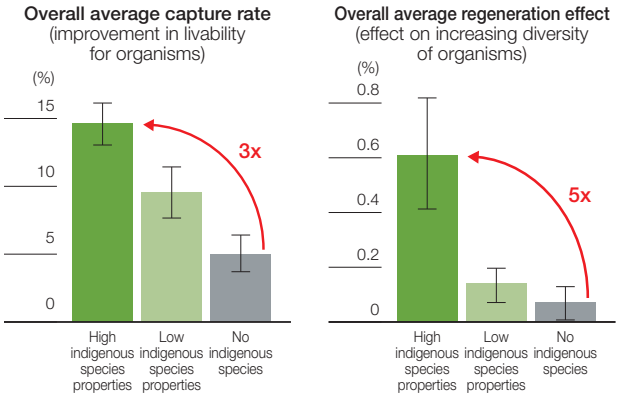
In collaboration with Think Nature Co., Ltd., a startup from the University of the Ryukyus, we assessed the biodiversity preservation effects of 286 properties* in the Greater Tokyo Area (Tokyo, Saitama, Chiba, and Kanagawa prefectures) where the Group implemented greening with 50% or more indigenous species. According to Think Nature's Biodiversity Conservation Priority Map, more than half of the 286 properties are located in areas ranking in the top 20% nationally for biodiversity conservation priority. This shows that many of the Group's construction sites are in locations where environmentally conscious planting efforts are highly effective and meaningful.

Using Think Nature's biodiversity big data and spatial analysis technology, we verified two evaluation metrics: "capture rate" and "regeneration effect." The capture rate measures the proportion of planted tree species and the proportion of birds and butterflies that use these tree species among all trees, birds, and butterflies living within a 5-km radius of the property. The regeneration effect measures the degree of increase or decrease in the number of species and individuals of trees, birds, and butterflies living within 1 km of the property. Properties with high indigenous species content (30 properties with 50% or more indigenous planting) showed three times the capture rate and more than five times the regeneration effect compared to properties without indigenous species planting. This confirmed higher biodiversity preservation effects compared to cases where no activities were implemented.

Furthermore, among high indigenous species properties, Premist Akishima Mori Park Residence in Akishima City, Tokyo, which earned ABINC certification through efforts to ensure both the quantity and quality of greenery, showed three times the capture rate and 23 times the regeneration effect compared to low indigenous species properties.

* Single-family houses: 77, apartment buildings: 76, condominiums: 5, commercial/office buildings: 128

WEB ↗ Effects on urban biodiversity preservation of greening activities using indigenous species confirmed to be three times higher than when not implemented (Japanese text only)



Industry first: Demonstrating synergies in collaboration among three housing companies

In September 2024, we collaborated with Asahi Kasei Homes Corporation and Sekisui House, Ltd., fellow housing companies, to assess the effects on biodiversity preservation of urban greening using indigenous species.

With the help of Think Nature, we integrated data on the number and species of trees planted by the three companies in the Greater Tokyo Area and analyzed each company's contribution to urban biodiversity preservation.

The three companies together plant about 430,000 trees of around 350 species each year in the Greater Tokyo Area* alone. This represents roughly 10% more species variety than the company with the most species diversity individually. This demonstrates that the three companies' practice of planting a variety of different tree species has increased urban biodiversity richness.

Moving forward, we will promote proposals that focus on planting indigenous species throughout the entire housing and real estate industry to increase the synergies.

* Tokyo, Saitama, Chiba, and Kanagawa prefectures

WEB ↗ Asahi Kasei Homes, Sekisui House, and Daiwa House Industry collaborate, demonstrating nature-positive impact and synergies through urban greening with indigenous tree species (Japanese text only)

Ongoing monitoring surveys

We believe that environmental surveys are important not only when a development is being pursued but also thereafter. Particularly in areas where valuable species have been confirmed to exist, we conduct ongoing monitoring in collaboration with government agencies and other stakeholders.

Project	Start of project (FY)/ Business type (area)	Location	Surrounding environment
Forest Housing Aso Ichinomiya Resort ASONOHARA	2019/Development (126,064 m²)	Aso, Kumamoto prefecture	Residential area developed on a tract of tableland
Activities/Status report			
ABINC certification and JHEP (AAA-rating) certification acquired for some plots developed in 2019. We updated ABINC certification in 2023 and JHEP (AAA-rating) certification in 2024. Monitoring surveys continue to be conducted. (Reports undisclosed)			

WEB ↗ The housing development that tackled restoration of Aso's 1,000-year-history grasslands

Harmony with the natural environment (Preservation of biodiversity)

5—Challenge ZERO Harm to Biodiversity

Basic Policy

Business activities

Promoting eco-friendly management and operation of Company facilities

The Group endeavors to protect biodiversity through efforts that include certification for Group facilities by external certification systems, biodiversity surveys within Group facilities (regulating reservoirs, other sites), and activities to protect rare species at construction sites.

Identifying, managing and preserving significant sites at Group facilities

To understand the impact on biodiversity at our directly operated sites, the Group evaluates the extent of biodiversity impact at business activity sites and performs self-assessments of its ecosystem-aware site management. We strive to minimize the risk of biodiversity loss (negative impact) to maintain sustainable operations at our directly operated offices, factories, research centers, training centers, commercial facilities, distribution centers, power stations, company-owned forests, golf courses, and other properties. We apply nature-aware management and preservation measures, especially in areas adjacent to protected zones that are considered ecologically sensitive.

Start of Daiwa Plastics Smart Project, an initiative to deal with marine plastic pollution

The Daiwa House Group has endorsed a project called Plastics Smart conducted by the Ministry of the Environment, and has set as its goal of bringing to zero the impact associated with marine plastic waste problems by 2030, the target year of the SDGs. We are therefore taking action to reduce use of plastics, etc. In March 2020, the Group formulated its Plastics Usage Guidelines, a policy for the proper use of plastics, which includes the reduction of discarded plastics.

P159 Environmental Data Plastics Usage Guidelines

Management

Stance on significant sites at Group facilities

We have identified sites important for biodiversity among the Group's directly operated sites, based on internationally recognized nature conservation areas and nationally designated nature protection zones that are important for biodiversity conservation (compliant with OECM criteria) and considered ecologically sensitive. We also designate areas outside these zones as significant sites if they have obtained certifications such as JHEP® or have ecosystem conservation agreements. For management and preservation measures at these significant sites, we work to improve management levels by using our original checklist based on ABINC certification and other standards to generate scores.

P060 Response to Taskforce on Nature-related Financial Disclosures (TNFD) (1) Group facilities | Biodiversity impact assessment

The Daiwa Plastics Smart Project

In accordance with the Plastics Usage Guidelines, the Group prohibits the use of single-use plastics for office supplies and sales promotion tools provided to clients, as well as for cutlery served to clients, and has replaced them with alternatives. File folders, bags, and other goods offered to our clients at each branch office were switched to those made of our proprietary Forest Certified Paper®* from the conventional plastic ones, based on newly created specifications. Moreover, we revised our guidelines in January 2024 to strengthen our efforts to address single-use plastics.

* Two types of paper are available: Forest Certified Paper produced from forests certified under Forest Certification Systems, such as FSC and PEFC; and so-called "mixed products" containing raw materials (including some waste paper) from certified forests and from forests that comply with the guidelines set forth by the certification systems.

Main approach

Status of the Group's facilities

The number of places where the Group conducts business activities (sites) is 1,735. In fiscal 2024, 80 sites, or 2,994 hectares, were identified as significant for biodiversity, and management plans taking biodiversity into consideration had been completed at five of these sites, covering 234 hectares. Going forward, we will continue to monitor significant sites based on protection and management plans and work to minimize loss of biodiversity in our business activities.

P159 Environmental Data Biodiversity assessments for Daiwa House Group sites

Rare species protection and "Ikimono Kansatsu-Kai" at Company facilities

At the Company's Mie Factory, one of the biodiversity-significant sites, the presence of a near-threatened freshwater mussel in a regulating reservoir of approximately 6,000 m² on the plant premises has since 2012 led to ongoing efforts to protect the species. Such initiatives have included reservoir draining for cleaning, the installation of fishways, and publication of the Biodiversity Research Report. Additionally, in 2017, Mie Prefecture, the Company, Azuma Industry and an NPO, Chotto Shizen, entered into the four-way Mie Biodiversity Partnership Agreement, which is one of the biodiversity conservation activities promoted by the prefecture, and activities are underway. In fiscal 2024, we held three "Ikimono Kansatsu-Kai" aquatic animal observation meetings in cooperation with Mie Prefecture and an NPO, where community residents including elementary schoolers can come together to have contact with living creatures and learn. Cumulatively, some 743 people have participated as of March 31, 2025. We include the results of these biological surveys in pamphlets and our website and are committed to promoting the conservation of local ecosystems.

Harmony with the natural environment (Preservation of biodiversity)

5—Challenge ZERO Harm to Biodiversity

Nature experience activities utilizing facility green spaces at the MIRAI KACHI KYOSO Center "Kotokurie"

The Group's training facility, MIRAI KACHI KYOSO Center "Kotokurie" in Nara Prefecture, has received SITES® environmental certification for landscape and JHEP® certification for assessing contributions to biodiversity.

The facility offers public courses for elementary school students, called Junior Kotokurie College, which included the Exciting Nature Discovery Program featuring biological and nature activities. This program allowed parents and children to learn about the joy and importance of nature through experiences with the facility's green spaces and nearby nature and wildlife. With butterfly expert Keitaro Michihata as the main facilitator, we held six sessions from April 2024 to March 2025. Each session explored "a world where humans and nature coexist" through different themes. Activities included observing familiar creatures on the facility grounds, fieldwork in the Kasugayama old-growth forest, and workshops to consider a world of human-nature coexistence, with participation from 96 parent-child groups totaling 219 people. In the workshops, children shared ideas such as "if we plant flowers and trees, insects and birds will come" and "make it half human, half nature," depicting various visions of the future. Through this program, we observed children actively participating in the activities and presenting enthusiastically to other participants, raising their interest in living in harmony with nature.


Nature observation activity


Keitaro Michihata and children giving a presentation

Topics

Initiatives to Protect Biodiversity in the Group's Development Projects

Acquisition of ABINC certification for condominiums (Daiwa House Industry)

The condominium Premist Kyoto Matsugasaki (Kyoto Prefecture) is situated between the Takano and Kamo rivers. Despite being in an urban area, it is surrounded by green areas, including Shimogamo Shrine, Takaragaike Park, and the Kyoto Botanical Garden, making it an important location for the ecosystem network. To ensure it functions as a relay point within these ecological networks, for planting we selected *konara* oak from the *konara* forests mainly found in the three mountains of Kyoto Sanzan and Takaragaike, Japanese red pine from the pine forests that have supported Kyoto's culture, and temple forest species such as zelkova, blue Japanese oak, *kakuremino* (a flowering plant species), and *mochi* trees, among others, achieving an indigenous species composition ratio of over 70%. Thanks to these efforts, the site received ABINC certification. It also gained recognition through Kyoto City's Kyoto Living Creatures and Culture Collaborative Regeneration Project Certification System. Additionally, we participate in Kamigamo Shrine's Aoi Project and work to preserve regionally native seedlings from Kyoto.

Five properties in the Group's condominium business acquired ABINC certification in fiscal 2024, and a total of 17 sites have been certified since fiscal 2016.


View of Premist Kyoto Matsugasaki

ABINC
Association for Business Innovation in harmony with Nature and Community

Certification by the Association for Business Innovation in harmony with Nature and Community (ABINC)®

TSUNAG Certification obtained at a commercial facility (Daiwa Lease)

The commercial facility Branch Kobe Gakuen Toshi in Hyogo Prefecture aims to create spaces that go beyond shopping, fostering community connections and supporting biodiversity. The facility features Forest Plaza, a lush green space at its center, and Forest Path, an area along the sidewalk interface designed for strolling and relaxing. In collaboration with civic groups and academics, we collect and cultivate plant seeds from nearby areas to recreate a *satoyama* landscape. We also promote biodiversity conservation by working to regenerate grasslands made up of indigenous species by transplanting seedlings. As a result of these efforts, the site obtained the national TSUNAG Certification*.

* Established in fiscal 2024, this system is used by the Minister of Land, Infrastructure, Transport and Tourism to evaluate and certify quality green space initiatives by companies and others from the perspectives of climate change mitigation, biodiversity preservation, and wellbeing enhancement. (Reference: Ministry of Land, Infrastructure, Transport and Tourism website)

TSUNAG
TO SECURE URBAN NATURE AND GREENSPACE

Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

Contributions to SDGs

6.4
11.3 11.6
12.2 12.4 12.5

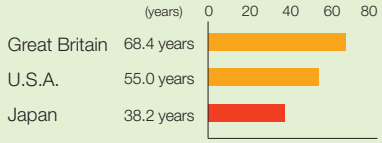
Policy and Concept

Social issues

In conjunction with rising world population and other issues, consumption of the world's natural resources has surged over the years. Consequently, environmental damage resulting from resource depletion and increasing waste generation has grown serious. The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in 2015 underpinned the intention to dramatically reduce waste generation by 2030. The circular (closed-loop) economy concept, which calls for the continual repurposing and reuse of things of value such as products and components, is also gaining increasing attention, particularly in Europe. In Japan, as various recycling laws continue to progress and expand, a foundation is being established to encourage the emergence of a society committed to reducing, reusing, and recycling. The service life of a Japanese house averages about 38 years—extremely short compared to that typical of houses in Europe and North America. This is also considered an issue from the viewpoint of effective use of resources.

With regard to water resources, while water-related disasters are increasing due to climate change, water shortages are also a growing concern. The Water Action Agenda adopted at the UN 2023 Water Conference captured commitments aimed at driving transformation from a global water crisis to a water-secure world. In Japan as well, the Basic Plan on Water Cycle was formulated in August 2024 in light of changes in the water cycle. The situation calls for efforts for promoting rainwater collection and groundwater recharge, and reducing water consumption.

■ Average service life of housing, by country



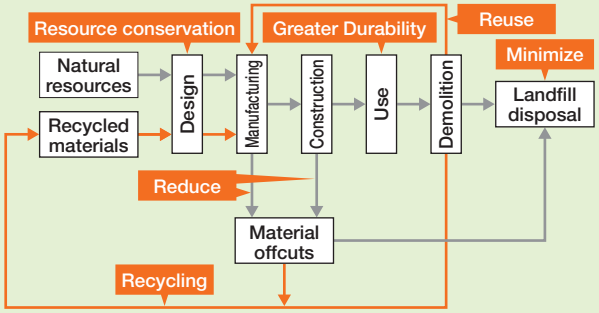
Source:
Ministry of Land, Infrastructure, Transport and Tourism
"Comparison of average age of a home before demolition"
taken from Data on Housing and Economy 2024

The Daiwa House Group's impact on society and the environment

When one looks at the life cycle of a house or building from the perspective of resource conservation, it is evident that a new building uses many resources, some of which are discarded as scrap during the construction process. Moreover, after being used for many years, the structure must be demolished after it has served its purpose, with all components finally discarded as waste. Clearly, a policy of conservation of these natural resources would lead to waste reduction, use of recycled materials, recycling, and resource conservation in addition to extending the service lives of houses and buildings. Extending the durability of these structures would have significant benefits. The Daiwa House Group constructs a number of buildings for various applications. By leading the shift away from the Scrap & Build approach toward a Stock-type Society that aims to use high-quality houses for a long time, we are making significant contributions to minimizing our use of resources. We reuse and recycle waste generated during the construction and dismantling processes such as waste glass and plastic waste and thus help control the use of new resources not only within our company but also in various industries.

As the Group operates facilities where water usage is high, including power plants, resorts, sports facilities, hotels and nursing facilities, we must also improve water-use efficiency.

■ Flow of resource cycling in housing and building construction



Risks and opportunities for the Daiwa House Group and its responses

Improper handling of waste remains a risk if there is a lack of mechanisms for properly managing and recycling the construction waste discharged created from new construction sites all throughout Japan. Concerns have also arisen about the potential for future increases in management costs due to stringent regulations on waste and water resources as well as increased processing costs due to the shortage of industrial waste disposal sites. In response, we at Daiwa House Industry have strengthened our management system by assigning waste management specialists to each district and conducting evaluations on all of the waste disposal companies. We have also established a system for collecting construction by-products generated at our housing construction sites and recycling them within our own factories. We have thus reduced the risk of improper handling and improved the recycling rate at the same time. Meanwhile, we recognize a business opportunity in markets for houses and buildings with a long service life. We are developing houses that can continually be inhabited over the long term, and together with this, have developed a long- term warranty system. We provide proposals for repair and maintenance through inspection opportunities, which is leading to increased orders for home renovation. Moreover, Daiwa House Group companies have established a system for properly evaluating and marketing the Company's existing houses, and we are focused also on bolstering our brokerage business and purchase and sale business when people make plans to move.

Climate change is causing the increased risk associated with water, such as heavy rain, flood and drought. In the procurement stage, the Group surveys water risks faced by principal suppliers at their factories. In the business activities, we are reducing water consumption with water-saving devices and taking measures against heavy rain and flood at our facilities. In the stage of product and service provision, we propose to customers water-saving devices and flood control measures so as to mitigate water-associated risks during the phase of their building use. Initiatives in this stage are deemed as opportunities for the Company as they contribute to reducing customers' water rates during their buildings use or facilities operation. Offering products with high added values also leads to higher sales.

Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

Road Map for the Long-Term Environmental Vision

6—Challenge ZERO Waste and Reuse

Minimize the volume of resources used and waste emissions by extending the durability of buildings; zero waste emissions throughout supply chains across the Group

2055	Extend the durability and increase the variability of new buildings Fair valuation of existing buildings and formation of a market to trade them		Achieve zero waste emissions and total recycling of resources throughout supply chains at in all housing- and building-related businesses		
2030					
2026	Number of assets subject to effective use	3,100	Recycling rate of waste plastics material (Manufacturing)	30%	Setting rate of zero waste emissions targets by principal suppliers 90%

7—Challenge ZERO Water-Associated Risks

Use water sustainably throughout supply chains across the Group

Reduction rate of Water consumption at all facilities and all business processes (per unit of sales) vs FY2012	–45%	Complete waster risk countermeasures at all owned locations and high-risk supplier locations	
Reduction rate of Water consumption (per unit of sales) vs FY2012	–45%	Implementation rate of water risk surveys by principal suppliers	100%

EGP2026 will conclude in fiscal 2025, a year earlier than originally planned, aligning with the 7th Medium-Term Management Plan. As a result, we have not adjusted the fiscal 2026 targets. The next Environmental Action Plan (EGP2029) is scheduled for publication in the Sustainability Report to be released at the end of July 2026.

Self-assessment of the Main Targets and Results of Endless Green Program 2026

: Target for fiscal 2024 achieved : Target for fiscal 2024 not achieved (achieved 90% or more) : Target for fiscal 2024 not achieved (achieved less than 90%)

Promote trade of existing buildings and achieve their greater durability

To make effective use of housing stock, we vitalize trade of existing homes and rental housing through purchasing and selling such houses and mediating the purchase and sales. Despite such efforts, the number of assets subject to effective use, which is a sum of the number of existing buildings that we bought for sale and the number of those we mediated purchase and sales (based on the number of residential units) in fiscal 2024, was 2,713, falling short of the target.

Targeting houses the Company sold in the past and are out of the initial guarantee period, we conducted inspection and diagnosis, and promoted maintenance work for extended warranty. In rental housing as well, we have cooperated with management companies and proposed warranty extension work to the owners. As a result, the number of buildings subject to durability extension in fiscal 2024 reached 8,434, achieving the target.

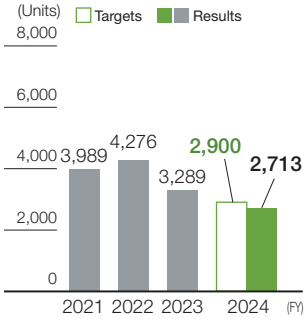
Try to create zero emissions throughout supply chains

Through dialogue with principal suppliers engaged in construction, the Group is encouraging them to set zero emissions targets regarding the waste discharged from their factories. In fiscal 2024, we were unable to achieve the target with the setting rate being 49.5%, although up 7.7 percentage points year on year. Aiming for a society committed to recycling, we continue encouraging our suppliers to set the targets.

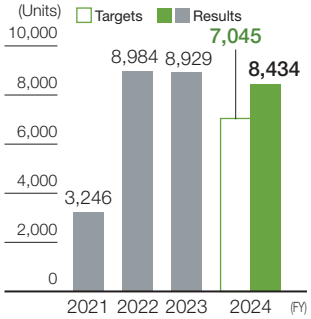
Target achieved for water consumption per unit of sales

In fiscal 2024, the Group's water consumption decreased due to a temporary suspension of a thermal power station which consumes a lot of water. Furthermore, installing water-saving devices in hotels, sports facilities, nursing facilities, commercial facilities, and factories reduced water consumption. As a result, water consumption per unit of sales in fiscal 2024 saw a decrease of 56.5% from fiscal 2012, thus achieving the target.

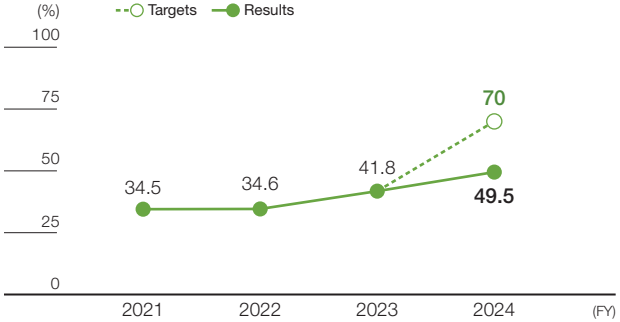
■ Number of assets subject to effective use



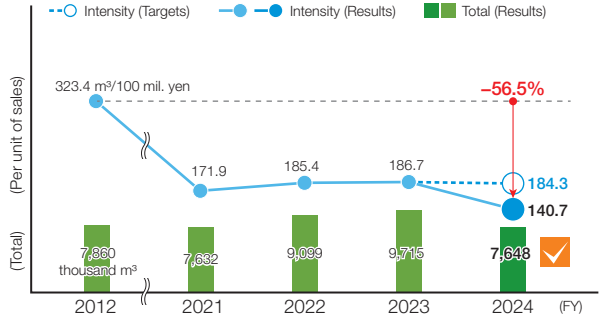
■ Number of buildings subject to durability extension



■ Setting rate of zero waste emissions targets by principal suppliers



■ Trend in water consumption (water intake) and intensity



■ Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

6—Challenge ZERO Waste and Reuse

Basic Policy

Products and services

Extending the service lives of buildings and vitalizing the market of existing homes

Construction of buildings requires large inputs of resources. Retaining the value of buildings for a long time and reducing the frequency of rebuilding through extending their service lives will help reduce the consumption of new resources and contribute to resource conservation. We accumulate a stock of houses with longer service lives that can be continually inhabited over the long term and vitalize trade of existing homes with good quality, in an effort to reduce the impact on the environment.

We will also strengthen and expand the stock business in office and commercial buildings.

Management

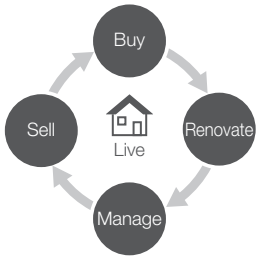
Eight Daiwa House Group companies work together to offer a one-stop customer touchpoint

To improve the value of the quality existing housing stock, the Group manages such housing across the Group under the Livness brand, which was jointly launched by eight Daiwa House Group companies*. It provides a one-stop customer touchpoint for our housing stock business. Customers who want remodeling ideas or help selling off their current home need go nowhere else.

The Provision of Quality Housing Stock Association, a general incorporated association established in collaboration with other industry players, is encouraging formation of a market able to appropriately assess the value of quality housing stock.

* Eight companies are Daiwa House Industry Co., Ltd., Daiwa House Reform Co., Ltd., Daiwa House Chintai Reform Co., Ltd., Daiwa House Wood Reform Co.,Ltd., Daiwa House Real Estate Co., Ltd., Daiwa LifeNext Co., Ltd., Daiwa Living Co., Ltd., DesignArc Co., Ltd.

Livness



Main approach

Effective use of building assets

The Daiwa House Group has set the target for the number of buildings we buy for sale and the number of those we mediate purchase and sales in the area of single-family houses, rental housing and condominiums. As a general rule, installation of energy-saving devices (11 items from six categories defined internally) is mandatory on the single-family houses bought by the Company for sale, so as to increase added value of these houses.

Extending the service lives of existing homes

The houses and rental housing the Company offers come with the industry-leading initial guarantee periods. For those buildings sold by the Company, we actively pitch proposals for extending their guarantee periods with maintenance work associated with structural strength, prevention of rainwater permeation and anti-termite treatment, thereby contribute to extending their service lives. For properties offered by other companies as well, we offer proposals on seismic strengthening work and waterproofing work. We will continue to expand the stock of housing with higher quality.

P100 Long-term quality assurance
↗ Long-term warranty and aftersales support (Japanese text only)

Basic Policy

Business activities | Procurement

Promote material recycling of waste plastics

Most of the waste plastics discharged by the Group in the course of its business activity are combusted for thermal utilization (heat recovery). In Europe, however, this method is no longer deemed as a form of recycling, which is calling for a review of this quick treatment. The Group revises the waste plastics segregation standards and disposal methods and promotes the shift to material recycling.

Stance on specified plastic-containing products in the lodging business

The Act on Promotion of Resource Circulation for Plastics was enacted in Japan in April 2022 for the purpose of promoting domestic resource circulation for plastics. The act defines five one-way amenity items provided by lodging service operators as the specified plastic-containing products, and requires those providers to make rational use of such products.

The Group decided to reduce the usage of the specified plastic-containing products per number of guests, which it offers for free at its lodging service locations, to promote material recycling after use.

Promotion of zero waste emissions by principal suppliers

The Group aims to achieve zero waste emissions and total recycling of resources throughout supply chains in all housing- and building-related businesses. Our policy is to aim for a zero waste society. We share this policy with principal suppliers of construction materials and encourage recycling of wastes discharged from their factories.

■ Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

6—Challenge ZERO Waste and Reuse

Management

Material recycling of waste plastics

We have set a target for the recycling rate of waste plastics material discharged from the factories of Daiwa House Industry and the Group's Daiwa Lease and DesignArc. Efficient material recycling requires the distance of each transportation route to be as short as possible, so we need to find suitable contractors for each region. Information is shared among the three companies in preparation for the consignment of waste treatment to operators versed in material recycling.

Reduction in the use of plastics and their total recycling in hotel operation

The Group's three lodging business operators, Daiwa House Realty Management, Daiwa Living and Nishiwaki Royal Hotel, have jointly set targets for the use of plastics. They are working to reduce the use of one-way amenities that are designated as specified plastic-containing products and promote the reuse of them as resources (material recycling). We confirm the amount of amenities they actually use and create opportunities for dialogue with them on a regular basis to share amongst the Group the policy on reducing one-way amenities and measures being taken by them.

Via supplier organizations, asking principal suppliers to set zero emission targets

We have designated our supplier organizations, the Trillion Club and Setsuwa Club, as well as 212 companies among the suppliers to the Group's Daiwa Lease and Fujita, as principal suppliers, and ask them to set zero emission targets. Greater detail on their targets and results are surveyed along with their efforts. We also hold Zero Emission Dialogue with suppliers without such targets to confirm how they are disposing of waste and provide support for setting the targets.

Main approach

Strengthen cooperation with waste treatment operators toward material recycling of waste plastics

The Company's Nara Factory collaborates with Mie Chuo Kaihatsu Co., Ltd. for the purpose of waste plastics material recycling. The factory collects waste plastics generated at the construction sites of houses and rental housing built by the Company, in addition to those discharged from the production process within the factory. Of these waste plastics, polyethylene (vinyl bags and offcuts of piping materials) and polypropylene (double-layer pipes and bands) are pelletized at the recycling facility of Mie Chuo Kaihatsu, and then recycled into pallets by Plastic Factory Co., Ltd. As a result of this initiative, the recycling rate of waste plastics materials came to 24.5%* in fiscal 2024.

Mie Chuo Kaihatsu has filed with the Ministry of the Environment a business plan on the recycling of our waste plastics into materials, and received a certification as stipulated in Article 48, Paragraph 1, Item 2 of the Act on Promotion of Resource Circulation for Plastics.

* Reporting organizations are Daiwa House Industry, Daiwa Lease, and DesignArc

■ Example of material recycling of waste plastics

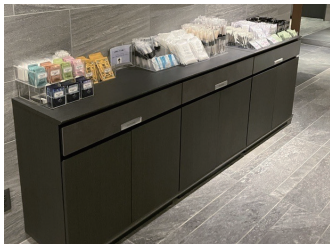
Waste plastics → Pellets → Pallet

(Double-layer pipes)

Reduce one-way plastic amenities and promote material recycling

The Group ceases gradually the placement of amenities in guest rooms at its hotels and introduces instead self-service counters so as to reduce the usage of unnecessary amenities. Some of its hotels adopted toothbrush made of bamboo and other products using substitute materials. Material recycling is also underway, whereby used amenities are collected to be reused as raw materials. In fiscal 2024, the use of plastics was reduced by 9.5% from fiscal 2021.

We will continue such efforts, aiming to reduce the use of plastic amenities and help achieve cyclic use of plastic resources.



An amenities counter at Daiwa Roynet Hotel Toyama-Ekimae (Toyama Prefecture)

Toothbrush made of bamboo Nishiwaki Royal Hotel (Hyogo Prefecture)

Questionnaire surveys on zero emission targets and strengthened dialogue through Zero Emission Dialogue

The survey conducted with principal suppliers in fiscal 2024 shows that 49.5% of suppliers have set their zero emission targets, up 7.7 percentage points year on year. We hold Zero Emission Dialogue with suppliers without such targets, and in fiscal 2024 had dialogues with thirty suppliers and asked them to set the targets, while also confirming how they are disposing of waste.

We continue dialogues with suppliers and aim to raise the setting rate of their zero emission targets.

Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

Efforts other than seven Challenge

Waste reduction and zero emissions at production and construction sites

Basic Policy

Business activities

Reduce, reuse, and recycle construction waste (the 3Rs)

The Daiwa House Group produces main housing and system construction products at its own factories in keeping with the corporate mission, Industrialization of Construction. In order to minimize waste, in the development and design phases, we seek to allocate materials in ways that can help reduce waste and in the construction stage, we process materials to the exact dimensions at our factories, then assemble them on the site to reduce on-site processing work. Moreover, we promote waste recycling by having our employees thoroughly sort waste in all the phases of production, construction, dismantling and renovation.

Management

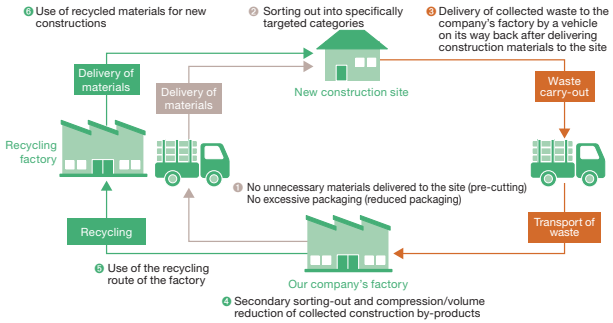
Adopting product development, design, and construction processes conducive to resource conservation and recycling

For residential, single-family housing, rental housing, and system construction products, Daiwa House Industry reduces waste generation by improving current materials to achieve resource-efficient design and by improving the layout procedures we use for materials to ensure minimization of timber waste from the materials processed at construction sites. In addition, we are, as a general rule, recycling waste materials generated at single-family housing and rental housing construction sites according to waste disposal plans prepared for each region. The recycling is conducted by separating the waste into 19 categories in accordance with our voluntary standards that are more stringent than legal standards, which require separation of waste into five categories. We periodically make visits and conduct evaluations, based on our proprietary checklists, to business operators tasked to collect, transport and dispose of waste, and confirm that they perform proper management.

Improving the recycling rate with our Factory Depo

Daiwa House Industry have introduced a system we call Factory Depo that is intended to reduce the improper treatment of waste while promoting the recycling of construction waste. Through this system, we collect construction waste at our new construction sites and truck it to the factory using the same truck used to transport materials to the construction site. There, it undergoes secondary sorting and is compressed to reduce its volume. By using this factory recycling route, we have achieved zero emission of waste.

■ Factory Depo System



Main approach

Reduce the use of plastics and by-products

The Company strives for reduction in the use of plastics and for their total recycling at construction sites of its commercial and office buildings business. For example, we switched the polyethylene film used for curing concrete floor to a one that is about 75% lighter than the conventional one. Carpet tiles we purchased for use at temporary offices erected at construction sites have also been replaced with leased ones. These tiles are collected, cleaned and stored by our Group company DesignArc to be reused in other offices at new construction sites. Furthermore, construction signboards, which have been unrecyclable due to the usage of combined materials, were changed to ones composed mainly of recycled waste-paper. In cooperation with paper manufacturers, we are establishing a system for total recycling.

Uptake of modular construction for stores and offices

Daiwa House Industry has developed system construction products designed for standardized outer walls and structural members and is promoting their adoption by offices, stores, and warehouses. We help minimize the generation of waste at construction sites by conserving resources through comprehensive rationalization of steel-frames and in-house manufacturing and processing of principal members to the specified design dimensions.

We embarked on the production of precast bedding with spandrel walls in fiscal 2021, aiming to reduce scrap of plywood concrete form and material loss at construction sites. In fiscal 2024, we adopted system construction products in construction of retail stores and nursing care facilities.

Proper disposal of hazardous waste

Asbestos that can be released during demolition and other works on buildings falls under specified hazardous industrial waste. The Company confirms whether the building employs asbestos-containing materials using a preliminary research sheet, and at properties proven to have such materials, takes appropriate measures in accordance with the Act on Waste Management and Public Cleaning. To keep workers safe, we assign a responsible person for the work, prepare a work plan, and at the work site, have them wear protectors and spray water over the demolition area to wet surfaces during the asbestos removal. Details of the work are recorded and stored for a designated period.

P162 Environmental Data Specially controlled industrial waste emissions (Daiwa House Industry)

Topics

Reuse of approximately 90% of building materials from closed stores (Daiwa Lease)

Daiwa Lease, our Group company, is working with Lawson, Inc. to reuse building materials from the closed Lawson stores for its new stores. Lawson Tsuyama Takanoyama-nishi Store (Okayama Prefecture), opened in November 2023 as the first store built under this initiative, adopted 86% of its building materials reused from closed stores, including structural members and exterior wall sections, including roofing, walls, and columns.

WEB ↗ Convenience store, reusing 90% of building materials for its new stores

Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

7—Challenge ZERO Water-Associated Risks

Basic Policy

Products and services | Business activities | Procurement

Identifying and minimizing risks to water resources, and reducing water consumption in our corporate facilities as well as houses and buildings

Water supplies are forecast to tighten drastically due to climate change, and the importance of conserving aquatic environments is nearly universally recognized. Water consumption by the Group is heavily impacted by that in the usage stage of products we design and build. We therefore promote adoption of water-saving devices at residential buildings and hotels in order to reduce water consumed by them.

We also ascertain the volume of water intake, wastewater discharge and recycled water across the Group. For sectors (divisions) where water usage is high, we work to reduce their water consumption based on a reduction plan drawn up according to the status of water stress faced by each facility.

In addition, we survey water risks faced by the Group facilities (factories, golf courses, and resort facilities) and supplier factories, which enables us to manage identified risks throughout our supply chain. The survey covers such points as volume and quality of water they use, compliance to local regulations and flood risk. We also confirm hazard map for sites with high flood risk (offices, factories, commercial facilities and others that attract large crowds) to take countermeasures.

Management

Reducing water consumption in the stage of habitation

The Group established a target for the water-saving device adoption rate at housing and hotels. Efforts are underway to achieve the 100% adoption rate. Business divisions and Group companies have set their own targets and the results are confirmed by the Company. We also ensure that design divisions incorporate water-saving devices into design and that such devices are standardized.

Reducing water consumption in our business activities

According to the status of water stress faced by each facility, the Group has set target levels for reducing water usage at 10 companies in 17 sectors (divisions) with water consumption of over 10,000 m³ among its principal 21 subsidiaries. The Company's sectors where water usage is high include factories and offices, and those at Group companies include logistics centers, commercial facilities, resort/sports facilities, hotels and nursing care facilities. For those sectors, we confirm results on a quarterly basis and promote the adoption of water-saving devices to reduce water consumption.

Efforts in managing water risks throughout the supply chain

The Group believes that it is important to identify risks associated with water resources and take measures throughout the supply chain. Since fiscal 2018, we have been conducting assessment of water risk and encouraging improvement through periodical surveys implemented with principal suppliers to three Daiwa Group companies (the Company, Daiwa Lease, and Fujita) on their progress they made in reducing water consumption and how the siting of their factories impacts water risk.

As timber is the principal raw material in our business, we also assess water risk levels in timber-producing countries and tally the volume of timber procured.

P166 Environmental Data Water risk assessment results in timber-producing countries

Collaboration with public organizations

The Ministry of the Environment organizes Water Project to protect water resources. The Group has endorsed its purpose and joined the project in 2018. In October 2024, we were commended for our efforts for addressing water cycle-related issues through our operations, and were certified as a Water Cycle ACTIVE Company designated by the Secretariat for Headquarters for Water Cycle Policy of the Cabinet Secretariat.

Furthermore, in order to enhance our efforts to conserve aquatic environments, we have participated in the UN Global Compact initiatives, Forward Faster and The CEO Water Mandate, since April 2025.

水循環認証 ACTIVE

WEB Certified as a Water Cycle ACTIVE Company (Japanese text only)

Main approach

Promotion of employment of water-saving equipment for houses, condominiums, hotels, and nursing facilities

To reduce water consumption once people have moved into their houses, we set targets towards 100% installation of water-saving fixtures—such as low consumption toilets and kitchen faucets, as well as water-saving shower systems—in our houses, condominiums, hotels, and nursing facilities. The installation rate in fiscal 2024 was 99.2%. Aiming for installation of devices with greater water-saving performance, we have set a target of 80% installation rate of water-saving shower systems with both shut-off valves and low flow shower heads by fiscal 2026 at single-family houses to be built by the Company. The adoption rate in fiscal 2024 was 90.6%, up 26.4 percentage points year on year. Installing a water-saving shower system results in a 32% reduction in water consumption compared to a case without the system.

P164 Environmental Data Water-saving device adoption rate, Water-saving device adoption rate by department (FY2024)

Assessing water stress levels at Group facilities

In the Endless Green Program 2026, an environmental action plan, the Group sought to have targets for reducing water consumption by factoring in the water stress in the areas where the Group's facilities are located. The water stress levels were evaluated using WRI Aqueduct*, a water risk assessment tool. The results confirmed that there are no facilities in Japan at a water stress level above our internal criteria. We therefore set targets within a range that is deemed reasonable to each facility. Meanwhile, the assessment in fiscal 2023 identified some overseas facilities with water consumption of over 10,000 m³ that are located in areas deemed as faced by water stress. Given this result, we strive for efficient use of water and are currently developing a plan to set targets starting in fiscal 2025. The volume of water consumption in areas faced by water stress accounts for less than 1% of the total amount of water consumed by the Group.

* A tool for analyzing water risk published by the World Resources Institute (WRI)

P166 Environmental Data Water Usage in Water Stress Areas (Water Intake)

■ Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

7—Challenge ZERO Water-Associated Risks

Water conservation across the Group

We ascertain the volume of water intake, wastewater discharge and recycled water across the Group, and set targets for reducing water usage for the 10 companies (in 17 sectors) with water consumption of over 10,000 m³ among its principal 21 Group companies. In addition, we are formulating water management plans at all nine factories of Daiwa House Industry and promoting initiatives for water conservation. For sectors where water usage is high (resorts, sports facilities, hotels, nursing care facilities, commercial facilities and stores, as well as offices, factories, warehouses, and spas that use water over a defined threshold), we take measures such as replacements with water-saving equipment and installation of water-saving devices, and share case studies amongst Daiwa House Group companies and develop them horizontally. In addition, for sports facilities and hotels to be newly constructed, we adopt water-saving devices such as water-saving showers and toilets, as well as waterless urinals in the design phase.

P164 Environmental Data Water consumption
P165 Environmental Data Water conservation measures at each facility (FY2024)

Water recycling at our Head Office building and power plants

At Head Office building (Osaka Prefecture) of Daiwa House Industry, we reuse waste water from air conditioners, etc. and rainwater for washing toilets after treating them for recycling. We also put to total recycling of the cooling water generated at Hibikinada Power Station that joined the Group in January 2023.

P166 Environmental Data Water recycling in each facility (FY2024)

Water risk assessment at Group facilities

Some of the facilities, such as factories and golf courses operated by our Group companies are with high water consumption, presumably using toxic chemicals and discharging water to public waterways. We quantitatively assessed their water resources risks*1 by confirming indices such as the quality and volume of water, regulations and reputation, as well as the regional characteristics and how each facility is managing risks, using WWF-DEG Water Risk Filter*2. The results confirmed that there are no high-risk facilities.

To take countermeasures for Group facilities with high flood risk, we confirmed hazard map for the offices and factories that serve as significant sites for business continuity management (BCM). We checked whether they are located in areas with risks for flood, storm surge, and tsunami inundation. To those found to be with such risk, on-site investigations are being conducted, with countermeasures underway.

*1 The assessment was conducted based on the situation in fiscal 2021.
*2 A tool for quantifying water-related risk developed jointly by the World Wide Fund for Nature (WWF) and the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG)

P166 Environmental Data Results of Comprehensive Water Risk Assessment at Group Facilities

Water risk evaluation at suppliers' factories

Since fiscal 2022, we annually survey principal suppliers to three Daiwa Group companies (the Company, Daiwa Lease, and Fujita; 212 such suppliers in fiscal 2024). The survey is intended to ask them about water intake, wastewater discharge, restrictions on water intake, potential impact from flooding, capital investment, compliance, water-related targets, and hazard map of their factories, and to confirm flood proofing measures. Our overseas factories are evaluated using WWF-DEG Water Risk Filter, a water risk assessment tool. We score them according to the progress of their efforts and confirm the degree of improvements. The survey was responded by a total of 98.6% of the principal suppliers. The survey revealed that some factories are located in areas at risk of inundation on hazard map. As part of business continuity plans (BCP), we implement supplier diversification and management of supplier locations.

In the event of a disaster for 45 companies (69 components) that the Company positions as critical in the first phase, we assess the extent of damages incurred not only at their tier-1 production sites, but also their tier-2 and tier 3 sites. Also, simulations are conducted according to four categories from equipment failures to disasters in the manufacturing site areas, and business continuity plans (BCP) have been prepared in light of the actions to be taken by each manufacturer. We plan on checking the same on 14 companies that are sources of centralized purchasing (35 components) deemed critical in the second stage, with a view to the completion during the period of the Seventh Medium-Term Management Plan.

P166 Environmental Data Implementation rate of water risk surveys by principal suppliers

Water-saving initiatives at construction sites in collaboration with construction business partners

At our Shizuoka branch, we are working to reduce water consumption at construction sites with seven construction business partners.

To raise awareness of builders, we install water meters on temporary water faucets, display target values for water consumption at each construction site, and install rainwater tanks. The initiative aims to reduce monthly water consumption per construction site by 30% from the average consumption of 5 m³.

Topics

Installing waterless urinals and water- saving devices on shower stalls at sports facilities (NAS)

At facilities for the Group's Sports Club NAS, we are proactively installing waterless urinals and water-saving showers, in an effort to conserve water resources and reduce water costs.

As sports clubs consume a lot of water, saving water at these facilities is also a key to reductions in energy required for hot water supply, utility costs, and CO_2 emissions.

On the other hand, provision of water at shower rooms and pools is an essential element of the service to customers, so limiting water consumption and good service quality may cause an unavoidable trade-off. To maintain the quality of our service, we carefully select the latest water-saving devices and achieve water-saving steadily with stable maintenance and management of devices.

At present, our Sports Club NAS has installed 88 waterless urinals at 23 clubs and 1,875 water-saving showers at 42 clubs. The installation has reduced water consumption by 16,565 m³ per month, allowing a 3.6% reduction in the total volume of water consumed by Sports Club NAS.

Prevention of chemical pollution

Contributions to SDGs

Policy and Concept

Social issues

At the World Summit on Sustainable Development (Johannesburg Earth Summit 2002), the commitment was signed to aim by 2020 to use and produce chemicals in ways that do not harm human health and the environment. In 2006, Strategic Approach to International Chemicals Management (SAICM) was adopted at the 1st International Conference on Chemicals Management (ICCM1). Since then, the relevant regulations have been tightened mainly in the U.S. and Europe through TSCA*1, the EU's REACH Regulation*2, and the RoHS Directive*3. Domestically as well, restrictions have been tightened such as amendments to the PRTR Law*4, the Chemical Substances Control Law*5 and the Industrial Safety and Health Act. In terms of buildings including houses, the sick building issue has been pointed out. Some achievements were seen thanks to the new regulations, but the Ministry of Health, Labour and Welfare further lowered some of the Indoor Threshold Limit Values of Chemical Substances in January 2025, following the amendment in 2018. In this situation, further multidisciplinary approaches by the construction and medical fields are expected. Regarding issues of soil contamination, more stringent management is required to prevent adverse health effects and pollution dispersion.

The 5th International Conference on Chemicals Management (ICCM5) held in 2023 adopted the Global Framework on Chemicals (GFC)*6, which aims to strengthen voluntary management of chemical substances by a wider range of stakeholders (including governments and the private sector).

*1 The Toxic Substances Control Act is a regulation on toxic substances enforced in the U.S.A. in 1977.
*2 REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals): The new EU chemicals legislation in force since June 2007
*3 RoHS (Restriction on Hazardous Substances) Directive: An EU Directive on the restriction of hazardous substances in electric and electronic equipment, which prohibit the use of these substances
*4 The Pollutant Release and Transfer Register (PRTR) and SDS system have underpinned the law aimed at promoting voluntary improvement of chemical substance usage by business operators and are preventing obstacles to environmental protection.

The Daiwa House Group's impact on society and the environment

The Group uses all manner of chemical substances at its factories and construction sites, and many are released into the air and local waterways. This necessitates rigorous management of such substances based on full appreciation of how and where they are used, to ensure they are used properly, along with maintaining a healthy environment for employees of the Company as well as those of business partners and suppliers. Other steps the Group takes to minimize their impact include reducing use of harmful substances and deploying alternatives. This is also effective from a prophylactic perspective. Further, regarding the use of our housing and buildings after delivery, while there are growing concerns about the health effects of volatile organic compounds (VOCs) emitted from building materials, we are seeking to reduce risks by collaborating with suppliers to develop and popularize low-VOC building materials and by providing appropriate information.

Moreover, almost all of our new construction sites involve drilling work, and we are therefore always faced with the risk of spreading soil contamination. For this reason, we are striving to minimize the risk by examining land use history and dealing with the surplus soil appropriately.

*5 A law aimed at controlling environmental pollution by introducing a preliminary examination of new chemical substances and applying regulations appropriate for the properties of the chemical substances
*6 Global Framework on Chemicals: A framework for managing chemical substances across the lifecycle of chemicals (from production to disposal through use of products) in various sectors (like environment, economy, society, health, agriculture, and labor) through the involvement of relevant stakeholders

Risks and opportunities for the Daiwa House Group and its responses

Were someone's health to ever be harmed by sick house syndrome or something similar caused by building materials we used in our houses or buildings, the Group would be exposed to the risks of lost customer trust and onerous costs associated with remediating the problems, and it would tarnish our brand image. We therefore established Chemical Substance Management Guidelines and have shared them with suppliers. We confirm the details of any restrictions on the use of substances and the quantity of emissions stipulated in the Guidelines. Regarding indoor air quality, we also set voluntary standards that are more stringent than the government-established maximums. Every year, we implement improvements at certain number or more of properties after measuring and assessing the measured values. Meanwhile, by responding to requirements related to health considerations for houses and buildings, it can be expected that we improve our competitiveness and increase our market share. To that end, we collaborate with our suppliers to promote the standardization of low-VOC building materials, and pitch proposals of health-conscious specifications with more emphasis on the indoor air environment.

Apart from compliance with all relevant laws and regulations, we face the risk that soil contamination could be discovered after a land purchase, rendering the property nearly impossible to commercialize. To ensure against this, before purchasing a site for a project, as a matter of principle we investigate the property's history. Should soil contamination be detected, we take appropriate contamination countermeasures. In cases of contamination or high likelihood of contamination of tracts whose purchase we are not involved in directly, we leverage our rich knowhow for dealing with contamination to offer customers ways to effectively utilize their property, undertaking development of brownfield sites* after doing appropriate surveys and managing the contamination properly.

* A brownfield is defined as a site not in use due to potential contamination or a site that has been previously developed. In this report, the former definition is applied.

Prevention of chemical pollution

Road Map for the Long-Term Environmental Vision

2055	We properly monitor and manage chemicals in our houses and buildings throughout their life cycle to minimize risk of human or ecological harm. · Chemical pollution: Minimizing (and ultimately eliminating) risk · Soil contamination: Minimizing (and ultimately eliminating) risk					
2030	Reduction rate of Release and transfer of PRTR-listed substances (per unit of sales) vs FY2023 (to be confirmed)	–5%	Reduction rate of VOC emissions (per unit of sales) vs FY2013	–40%	Compliance with voluntary standards for indoor air quality	100%
2026	Reduction rate of Release and transfer of PRTR-listed substances (per unit of sales) vs FY2023	–2%	Reduction rate of VOC emissions (per unit of sales) vs FY2013	–35%	Compliance with voluntary standards for indoor air quality	100%

EGP2026 will conclude in fiscal 2025, a year earlier than originally planned, aligning with the 7th Medium-Term Management Plan. As a result, we have not adjusted the fiscal 2026 targets. The next Environmental Action Plan (EGP2029) is scheduled for publication in the Sustainability Report to be released at the end of July 2026.

Self-assessment of the Main Targets and Results of Endless Green Program 2026

: Target for fiscal 2024 achieved : Target for fiscal 2024 not achieved (achieved 90% or more) : Target for fiscal 2024 not achieved (achieved less than 90%)

Release and transfer of PRTR-listed chemicals achieved targets by reducing the amount of welding and solvent concentration in paints

In fiscal 2024, release and transfer of PRTR-listed chemicals per unit of sales declined by 10.3% from fiscal 2023, meeting our target, by reducing the amount of welding with the use of improved design systems, and reducing the loss of paints and thinners through changing the purchasing unit or improving the painting method at our company's factories. The Group's DesignArc and Daiwa Lease reduced solvent concentration in paints and used aqueous paints.

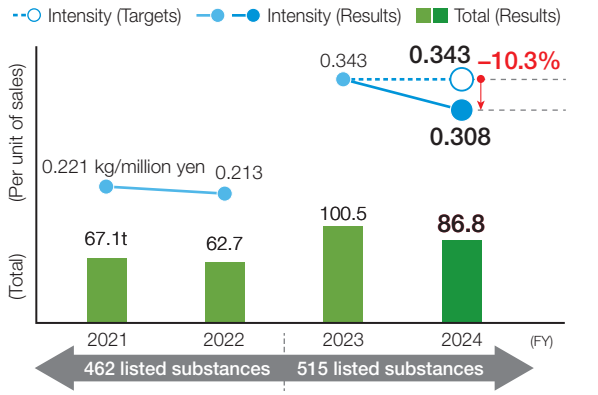
VOC emissions achieved targets by reducing the amount of paint loss, using aqueous paints and capturing VOC

In fiscal 2024, VOC emissions per unit of sales declined by 54.2% from fiscal 2013, meeting our target, due to reduction in paint and thinner loss at our factories, as well as the use of aqueous paints and VOC capture in exhaust gas treatment at the Group's Daiwa Lease.

Compliance rate with voluntary standards for indoor air quality achieved target with 100%

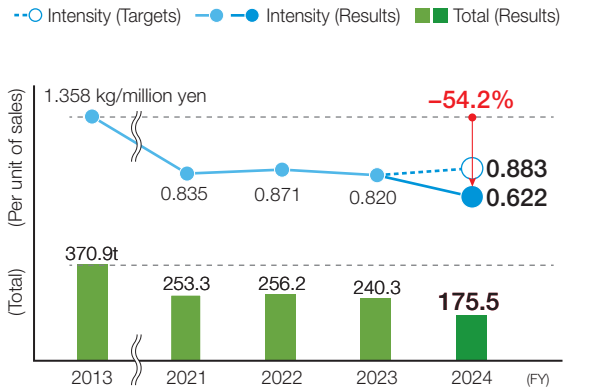
In fiscal 2024, we promoted the adoption of alternative low formaldehyde emitting materials and ensured enough ventilation when work is being done. As a result of such intensive efforts, the compliance rate with voluntary standards for indoor air quality came to 100% and achieved the target.

■ Release and transfer of PRTR-listed chemicals

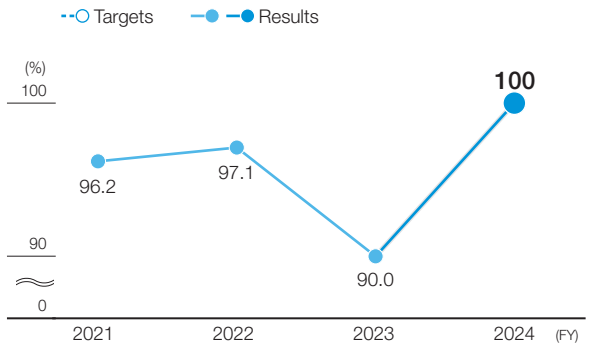


* PRTR-listed substances were revised in fiscal 2023 following the amendment to the PRTR Law. Release and transfer results for fiscal 2021 and fiscal 2022 are calculated for the 462 listed substances prior to the amendment.
Results for fiscal 2023 and fiscal 2024 are calculated for the 515 substances listed in the amended PRTR Law.

■ VOC emissions



■ Compliance rate with voluntary standards for indoor air quality of residential facilities



Prevention of chemical pollution

Efforts other than seven Challenge

Reduction in toxic chemicals in our products and services

Basic Policy

Products and services

Improvement in the indoor air quality of residential facilities

To minimize (ultimately zero) the risk of chemical substances, it is important to reduce the use of toxic chemicals and substitute them with benign alternatives at the development and planning phases of our houses and buildings and to confirm that no indoor air quality problems are present after construction. At Daiwa House Industry, we are taking steps to improve indoor air quality in residential housing by enforcing countermeasures against the sick house phenomenon by using industry-leading building materials and by constructing houses to healthy specifications that meet standards for the presence of VOCs.

Chemical Substance Management Guidelines

Daiwa House Industry has formulated our Chemical Substance Management Guidelines to help us deliver products with a low impact on the health of our customers and partners, not to mention the environment.

The guidelines are positioned as part of our Supply Chain Sustainability Guidelines and their prohibitions and restrictions on certain substances are applied to all procurement items. The guidelines designate substances listed in some 20 laws and regulations for management in three ranked categories: totally prohibited; prohibited, restricted, subject to preferential reduction and monitoring; and subject to reduction, management and monitoring. We share data on the chemicals used in products with all business partners as we work to minimize use of high-risk substances.

■ Management levels under the Chemical Substance Management Guidelines

Management level	Target construction material	
Level 1 Totally prohibited	All materials (Use prohibited)	
Level 2 Prohibited, restricted, subject to preferential reduction and monitoring	Regulated construction materials (by restricted substance) (Use prohibited / Concentration restricted / Subject to preferential reduction)	Major construction materials other than those listed on the left (Status of use must be monitored.)
Level 3 Subject to reduction, management and monitoring	Regulated construction materials (Subject to reduction / management)	Major construction materials other than those listed on the left (Status of use must be monitored.)

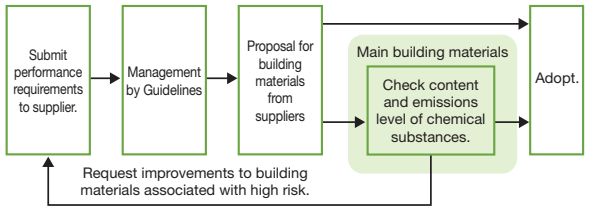
P016 Supply chain management (Environment)
WEB ↗ Supply Chain Sustainability Guidelines

Management

Implementation of the Chemical Substance Management Guidelines

Applying the guidelines, we identify chemical substances in our building materials and take steps to minimize any risk they present, monitoring for their presence as well as the amounts they contain and emit. In our Supply Chain Sustainability Guidelines, we also extended the scope of the Chemical Substance Management Guidelines to take in Daiwa Lease, DesignArc, Fujita, and Daiwa House Reform as well as Daiwa House Industry, and we also share them with our suppliers.

■ Operation flow of the Chemical Substance Management Guidelines



Establishing the voluntary standards for the Specific Measurement-required Substances under the Housing Quality Assurance Act

In order to provide better indoor air environments, our Group established voluntary standards*1 (targets) for the five Substances designated for mandatory measurement*2 under the Housing Quality Assurance Act*3. Our such standards are equivalent to or stricter than the guideline values specified by the national government*2. In fiscal 2018, we established the Indoor Air Quality Measurement Guidelines, after the Ministry of Health, Labour and Welfare changed the guideline values. We follow the Guidelines to measure indoor air quality to achieve better indoor air environments.

*1 At all properties subject to measurement, average formaldehyde concentration is 50% or less than the guideline value specified by the Ministry of Health, Labour and Welfare, and concentrations of substances designated for mandatory measurement are equal to or less than the guideline values specified by the said Ministry.
*2 Substances designated for mandatory measurement and national guideline values: Formaldehyde (100 μg/m³), toluene (260 μg/m³), xylene (200 μg/m³), ethylbenzene (370 μg/m³), and styrene (220 μg/m³)
*3 Act on the Promotion of Housing Quality Assurance

Main approach

Proactively adopt low-VOC building materials and improve indoor air quality concentrations

Daiwa House Industry as well as our Group companies Daiwa Lease and Fujita provide many residential facilities and school buildings. To contribute to better indoor air environments, as a general rule, the interior finishing materials we use are rated as Japanese formaldehyde emission class F four star*. In our single-family houses and low-rise rental housing, even for interior finishing materials, we use formaldehyde-free glass or rock wool or other alternatives. In addition, to assess and improve indoor air quality we measure it on completion of construction the Indoor Air Quality Measurement Guidelines. Measurements are taken in built-for-sale houses and rental condominiums as well as residential buildings such as nursing facilities where users spend long periods indoors. And we measure air quality in hotels, hospitals, nurseries, and buildings for other uses.

* The rank with the least release, with no restrictions on use for indoor finishes

Developing and publicizing health-oriented specifications

We test and evaluate our principal timber construction materials employing a chamber test* to measure their release of formaldehyde and other chemical substances. The results have directed us toward shifting to alternatives with lower emissions of formaldehyde and other VOCs. Regarding single-family housing, we are developing to health-oriented specifications that focus on the indoor air environment so we can provide housing that ensures even better indoor air environments.

* A test using a small chamber to determine the speed and concentration of chemicals released from construction materials

Prevention of chemical pollution

Efforts other than seven Challenge

Reduction in toxic chemicals in our procurement and business activities

Basic Policy

Procurement Business activities

Reinforcement of control of chemicals contained in procured construction materials and reduction in hazardous chemicals in production stage

In order to minimize the risk of chemical substances in our factories, the Daiwa House Group is focusing on those chemicals targeted by the PRTR and is prioritizing those exhibiting especially high toxicities such as carcinogenicity, reproductive toxicity, and mutagenesis. These are the chemicals whose use we seek to reduce. Furthermore, in an effort to control air pollution, we are taking steps to reduce the amounts of VOCs present in paints.

Management

Acting across segments

Daiwa House Industry takes a cross-segment approach to reducing use of harmful chemicals at its factories. For instance, Development Department selects for low-harm materials when new materials specifying new ones, and it also improves construction methods to reduce use of harmful chemicals. Production Department has improved how welding is done and switched to using milder solvents for paints and thinners. And Purchasing Department is working to reduce the harmful substance content of paint used to repair exterior surfaces, for instance by asking manufacturers to develop alternative paints. In this way, we are working across the company to reduce pollution risk from harmful chemical substances.

Preventing air pollution and water pollution

In addition to having taken preventive steps by taking measurements and performing inspections as per the Air Pollution Control Law and Water Pollution Control Law at all our applicable factories, we at Daiwa House Industry have strengthened our management system and comply with emissions standards regarding soot and drainage. With regard to wastewater in particular, we perform ongoing maintenance and are more stringently monitoring discharge from the wastewater treatment facility for the electrodeposition coating equipment, which is the main source of discharge to public waterways. In addition, our factories in Kyushu, Nara, and Ryugasaki deploy D's FEMS* and are monitoring for abnormalities in wastewater facilities. In fiscal 2024, no values were detected in excess of water quality, smoke-emission, or other benchmarks set forth by environmental laws and regulations.

As part of our community-based initiatives to maintain water quality, our Tohoku, Niigata and Okayama Factory have concluded an agreement which stipulates stricter wastewater discharge requirements than the national ones with each city and local irrigation associations, etc. These plants communicate with local communities through regular reports of their water quality monitoring results and other activities.

* Our unique plant energy management system

Main approach

Reduce PRTR-listed chemicals and VOC emissions by reducing the amount of paint loss and solvent concentration in paints and capturing VOC

Our factories are engaged in activities to reduce PRTR-listed chemicals. In fiscal 2024, six of our factories took measures to reduce the loss of paints and thinners (changed purchasing unit, improved the painting method, and modified the spray guns, nozzles and pressures).

The Group's DesignArc switched some of its undercoats on indoor stairs to paints with low solvent concentration not containing PRTR-listed substances (Ethylbenzene, Xylene and Toluene). This is estimated to reduce the release and transfer of PRTR-listed chemicals by 5.3% per year. Our Group company Daiwa Lease continues reducing solvent concentration in anticorrosive paints for steel frames, while also working to increase the usage of aqueous paints for repair purposes. To capture VOC in the exhaust gas treatment, we adopt push-pull exhaust filters and wet scrubbers and reduce VOC emissions.

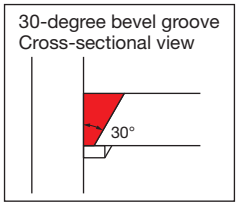
Reduce the amount of welding through adopting the 30-degree bevel groove

As a result of the revision of the "Structural Steelwork Specification for Building Construction JASS6" by the Architectural Institute of Japan in January 2018, a 30-degree groove angle was newly added to the single bevel groove* with 35-degree groove angle. While general adoption had not progressed, our factories were one of the first to adopt this standard for H-beam steel flange welds in offices, factories, logistics centers and other buildings, including our company's training facilities, and achieved reducing the amount of welding.

As a result, the projects which adopted the standard successfully reduced release and transfer of PRTR-listed chemicals (manganese and its compounds) because of reduction in the amount of welding.

We will continue working to reduce PRTR-listed substances by increasing the adoption of the 30-degree bevel groove.

* A groove to allow the two parts to be joined together



Reducing the amount of welding (the area in red) by changing the degree of the bevel groove

Reduce welding materials with the use of improved design systems

For some of our single-family housing products, we have been working to systemize the designing process of roof structural sections since October 2022. Optimizing the portions to be welded, we have reduced welding materials, and the reduced welding length in fiscal 2024 is estimated to be 450 m.

For the large roof beams of our rental housing, we worked to reduce the number of beams by revising a rule for beam count reduction, and achieved a 3.7% reduction per total floor area. This is presumably equivalent to 32,000 m² reduction in electrodeposition coating and 22,000 m in welding length per year. We will streamline further the beam layout for flat roofs of rental housing.

Through these initiatives, we reduce PRTR-listed chemicals contained in electrodeposition coating and welding wire.

Prevention of chemical pollution

Efforts other than seven Challenge

Minimization of soil contamination risk

Basic Policy

Minimization of soil contamination risk when buying properties

We work to minimize if not eliminate risk due to soil contamination with rigorous management spanning the procedures from soil surveys to contamination countermeasures throughout property-acquisition to construction process as well as for land we own.

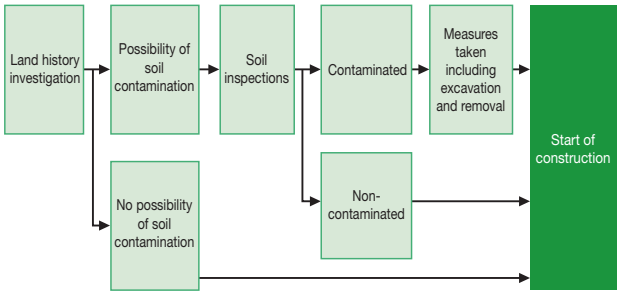
Management

Preventing the spread of soil contamination accompanying land transactions and construction

In principle, prior to purchasing any land, we investigate into the history of the land we intend to market later. If it is determined from the soil history investigation that soil contamination might be present, we undertake soil inspections. If soil contamination is found, we will sell the property only after contamination countermeasures have been put in place. Moreover, when soil is carried in or carried out during construction work, we confirm the regional source of that soil and conduct a quality inspection on the soil and in areas where a contamination risk arises from the soil that is carried in or out. We then select an appropriate disposal site based on the results of the soil inspections and take steps to prevent secondary contamination.*

* Spread of contaminated soil into non-contaminated areas

■ Flow for prevention of soil contamination risk in association with land transactions



P115 Deliberation by Business Investments Committee

Main approach

Brownfield* Redevelopment

Daiwa House Industry assesses the soil-contamination risks when we are undertaking a construction work from customers or acting as intermediaries for customers who want to buy or lease a property to build on, and takes appropriate action whenever a transaction involves a brownfield site. When necessary, our expert unit instructs the division in charge to survey the soil and manage any contamination. Safe and appropriate management of soil contamination enables customers to build on and use the site with peace of mind, and contributes to developing brownfield sites.

* A site not in use due to potential contamination

■ Examples of brownfield sites developed (results in FY2024)

Prefecture	How site was used	Estimated area (m²)	Intended use
Hokkaido	Work-site	4,400	Commercial facilities
Tokyo	Factories	4,600	Apartment buildings
Tokyo	Factories	5,700	Apartment buildings
Kanagawa Prefecture	Factories	10,600	Commercial facilities
Kanagawa Prefecture	Factories	7,600	Warehouse
Kanagawa Prefecture	Gas station	700	Apartment buildings
Saitama Prefecture	Offices	2,800	Commercial facilities
Osaka Prefecture	Work-site	4,100	Commercial facilities
Hyogo Prefecture	Factories	700	Factories
Fukuoka Prefecture	Factories	1,000	Commercial facilities
Fukuoka Prefecture	Factories	19,000	Warehouse

P015 Environmental Education and Awareness-Raising
P137 Environmental Data Environmental education provided (FY2024)

Response to Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD)

Enhanced Disclosure Based on TCFD and TNFD

Changes in the external environment, including the advance of climate change and the loss of biodiversity, are having an intensifying impact on people's daily lives. With this comes higher expectations and interest in the role companies should play. In this context, it is crucial to anticipate multiple scenarios, address risks appropriately, and pursue business opportunities.

This is why the Daiwa House Group discloses information following the framework of "Governance," "Strategy," "Risk Management," and "Metrics and Targets," as advocated by the TCFD and TNFD recommendations. We use this framework as a tool to evaluate climate- and nature-related risks and opportunities and to validate the rationality of our response measures. For TNFD, we adopt the LEAP approach to better assess location-specific natural environment risks and opportunities, analyzing risks and opportunities after understanding the impacts and dependencies within the Group's business activities. In June 2024, we joined the TNFD Forum*1 and completed our registration as a TNFD Adopter*2.

Furthermore, by understanding risks and opportunities both quantitatively and qualitatively, we facilitate constructive dialogue with investors and other stakeholders, integrating their feedback internally to enhance our strategies and reports. In fiscal 2024, we held our 9th ESG Small Meeting for institutional investors in December and engaged in dialogue with seven institutional investor firms.

Through proactive information disclosure based on both TCFD and TNFD recommendations, we work to reduce business risks and create new business opportunities, aiming to achieve both environmental sustainability and corporate profitability.

*1 An international organization that provides support for discussions of the TNFD as a stakeholder providing expert knowledge.
*2 Refers to a company that registers on the TNFD website its intention to adopt the TNFD Recommendations in disclosure. Registered companies are required to provide disclosure in line with the TNFD Recommendations in corporate reporting by the fiscal year ending in 2025.

P018 Eco communication

	Disclosures	Page
TCFD, TNFD	Governance and risk management	P049
TCFD	Strategy (Climate-related risks and opportunities, scenario-based validation assessment)	P050, 051
	Transition plan to achieve carbon neutrality	P052
	Metrics and targets, fiscal 2024 achievements and future challenges	P053
TNFD	Strategy (Impacts and dependencies on nature, scenario analysis, nature-related risks and opportunities)	P054–059
	Risk management	P060
	Metrics and targets, fiscal 2024 achievements and future challenges	P061
TCFD, TNFD	Synergies and trade-offs between climate change and nature	P062

Governance

We have established a Corporate Governance Committee to discuss strategies, including ESG initiatives, fully incorporating the expertise of outside directors to address medium- to long-term management issues for sustainable development. Important matters related to environmental management (climate-related, nature-related, etc.) are deliberated and decided by the Group Environmental Promotion Committee (recently renamed the Sustainability Committee), which oversees all environmental activities. This committee handles fundamental activity matters, risks, and opportunities, reports to the Board of Directors, and provides information to the Corporate Governance Committee as needed.

Climate- and nature-related governance follows the Group's environmental management system, with the Sustainability Committee, which oversees all environmental activities, deliberating and making decisions on fundamental activity matters, risks, and opportunities. For matters related to other important issues beyond the environment, such as human rights and the supply chain, we incorporate them into their respective management systems for a comprehensive group-wide management structure. Please see the pages below for details.

P011 Environmental management (report to the Board of Directors, etc.)
P012 Reflect achievements in environmental activities in business performance assessment and executive remuneration
P031 Conducting procurement of timber surveys at our suppliers
P033 Preserving and planting greenery through community development projects in nature-positive efforts
P069 Basic policy on respect for human rights
P071 Response to rights of indigenous people
P109 Corporate governance system

Risk management

We recognize climate- and nature-related environmental risks as factors that significantly impact business activities in the short, medium, and long term, and we manage them by integrating these risks into our group-wide risk management process. We identify and evaluate long-term risks and opportunities by considering changes in the external environment and their impact on business activities, organizing them by potential timeframes (short, medium, and long term) and assessing their materiality based on the impact if they occur. Important risks and opportunities identified through this process are incorporated into our Medium-Term Management Plan and into our "Endless Green Program" Environmental Action Plan, with management indicators and targets set at the group-wide, divisional, and branch office levels to promote specific response measures. Risk and opportunity identification and evaluation involve detailed analysis approximately every three to five years, aligned with the development of medium-term management and environmental action plans, with annual reviews reflected in target level setting. These are monitored and progress evaluated twice a year through the Sustainability Committee and Environmental Committees of each business division to organize issues and achievements. Additionally, the Board of Directors receives annual progress reports on the Environmental Action Plan and revises strategies and targets as needed.

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

Strategy

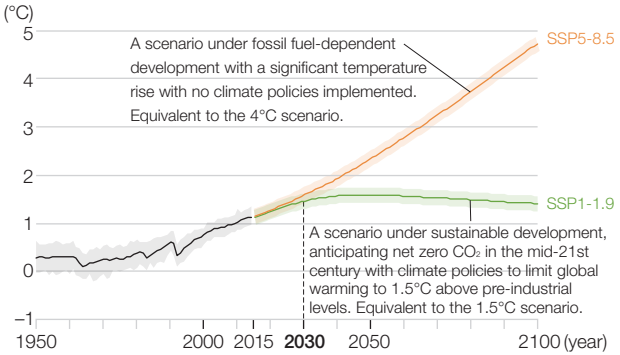
Climate-related risks and opportunities include impacts stemming from the transition to a decarbonized society driven by stronger policies and regulations, technological innovation, and shifting market needs, as well as those caused by physical changes such as extreme weather events, sea level rise, and rising average temperatures due to global warming. These impacts go beyond short-term changes and may become evident over the medium to long term.

The Group classifies factors related to external environmental changes associated with climate change into "transition" and "physical changes." We identify important risks and opportunities by assessing each factor's degree of impact (large, medium, small) while considering potential timeframes.

For a world where "transition" progresses, we adopt the 1.5°C scenario*1 that limits temperature rise to below 1.5°C under sustainable development. For a world where "physical changes" progress, we adopt the 4°C scenario*2 with maximum GHG emissions under fossil fuel-dependent development without climate policies, anticipating the most extreme situations.

*1 A scenario under sustainable development to limit global warming to 1.5°C above pre-industrial levels.
*2 A scenario with maximum GHG emissions under fossil fuel-dependent development with no climate policies implemented.

■ Changes in global average temperature



Source: IPCC AR6 WG | SPM Fig. SPM.8 (a)

■ Main risks related to climate change

Potential timeframes: Short-term (less than 1 year); Medium-term (through around 2030); Long-term (through around 2050)
Degree of impact: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion

Type		Details	Potential timeframes	Degree of impact	Response	Pages for details
Transitions	Policy, laws and regulations	**Cost price increase due to change in specifications owing to tougher regulations of the Building Energy Efficiency Act** In Japan, reducing GHG emissions from the household and business sectors is seen as an urgent issue, and this led to the enactment of the Building Energy Efficiency Act in 2016. While energy efficiency performance requirements have been progressively mandated, starting with large-scale buildings, since fiscal 2025, compliance with energy efficiency standards will be mandatory for all new buildings, both residential and non-residential. Additionally, policies indicate raising energy efficiency standards to ZEH/ZEB levels by around 2030. If price pass-through cannot be implemented in line with specification changes, this could cause higher costs for the houses and buildings we provide.	Short term	Medium	We are proactively advancing compliance with energy efficiency standards that meet ZEH/ZEB specifications across all houses and buildings to reduce the risk of sudden cost increases due to regulatory compliance demands. With our Product Development Department and Central Research Laboratory taking the lead, we are revising design standards to accommodate ZEH/ZEB specifications and advancing the technological development of building materials and equipment to enhance insulation performance while lowering costs.	P021, 022
		Higher operational costs due to the introduction of carbon pricing As countries worldwide accelerate their efforts to decarbonize under the Paris Agreement, Japan has also announced a policy aiming to achieve carbon neutrality by 2050. The Basic Policy for the Realization of GX, approved by Japan's Cabinet in 2023, sets out a Pro-Growth Carbon Pricing Concept. This includes an emissions trading scheme that is expected to be fully operational in fiscal 2026 and a GX-Surcharge scheme to be adopted in fiscal 2028. If carbon pricing under these schemes remains high, operational costs could increase for companies.	Medium term	Small	With our membership in RE100 and EP100, and our acquisition of SBT certification, we are working to improve energy efficiency and expand renewable energy use. This helps reduce the risk of cost increases from carbon pricing by lowering GHG emissions. We are also ensuring that newly constructed company-owned facilities are ZEBs, making capital investments in existing facilities, increasing the use of renewable energy generated in-house, and introducing clean energy vehicles.	P024, 025
Physical changes	Chronic	**Increase in risk of heat stroke at construction sites due to rise in summer maximum temperatures** In Japan, it has been pointed out that the number of heat stroke patients increases significantly when the wet bulb globe temperature (WBGT) is over 28°C (extreme caution), and if summer maximum temperatures rise, it is possible that the risk of heat stroke for workers at the construction sites of the Group, which focuses on the Japan market, will increase further in the future. This could lead to longer construction periods and lower productivity for onsite work.	Short term	Small	We have established and communicated emergency contact systems and treatment procedures, while reducing heat stroke risk at construction sites by developing response manuals, offering heat stroke prevention education to raise site awareness, and enhancing countermeasures. We implement measures for both prevention and early response, including real-time WBGT monitoring and alerts using our WEATHERY environmental sensors, installation of shade nets and cooling equipment to secure shade, and promotion of hydration and body cooling.	P027
	Acute	**Damage to our facilities due to meteorological disasters and increase in insurance premiums** When meteorological disasters like storms and floods occur as climate change becomes increasingly severe, there is a possibility that various company facilities, including offices, factories, and commercial buildings owned by the Group, will be damaged. Much of this damage can be covered by non-life insurance. However, there is a risk that damage to key BCP facilities, such as the Head Office and factories, could impact business continuity. If damage continues to occur over a long period, it could lead to a decrease in sales due to the closure of commercial facilities, etc. Furthermore, if non-life insurance premiums rise significantly due to the increasing frequency of meteorological disasters, indirect costs could increase.	Short term	Small	We perform disaster risk assessments at major business sites and commercial facilities, and we implement measures to reduce disaster-related loss risks. For example, at factories, we have set up monitoring systems using rain gauges, anemometers, and temperature/humidity sensors, and we put flood prevention measures in place, such as drainage ditch construction and sandbag placement. At business sites, we are creating disaster prevention manuals and implementing water barrier installation measures.	P028
		Impact of material procurement difficulty and construction delay in supply chain due to meteorological disasters Should the manufacturing sites of suppliers be damaged by meteorological disasters such as localized heavy rain, heavy snow, and typhoons due to extreme weather, and their operations suspended and transportation routes impacted by events such as road closures, it could result in hindrances in material procurement and construction periods.	Short term	Small	We have developed business continuity plans for our supply chain to reduce risks of material supply delays and construction delays. Alongside supply chain diversification, we support flood risk surveys and disaster prevention measures at supplier sites to strengthen supply systems. At construction sites, we are advancing remote safety management with ICT and improving on-site responses by integrating disaster prediction data.	—

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

■ Main opportunities related to climate change

Potential timeframes: Short-term (less than 1 year); Medium-term (through around 2030); Long-term (through around 2050)
Degree of impact: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion

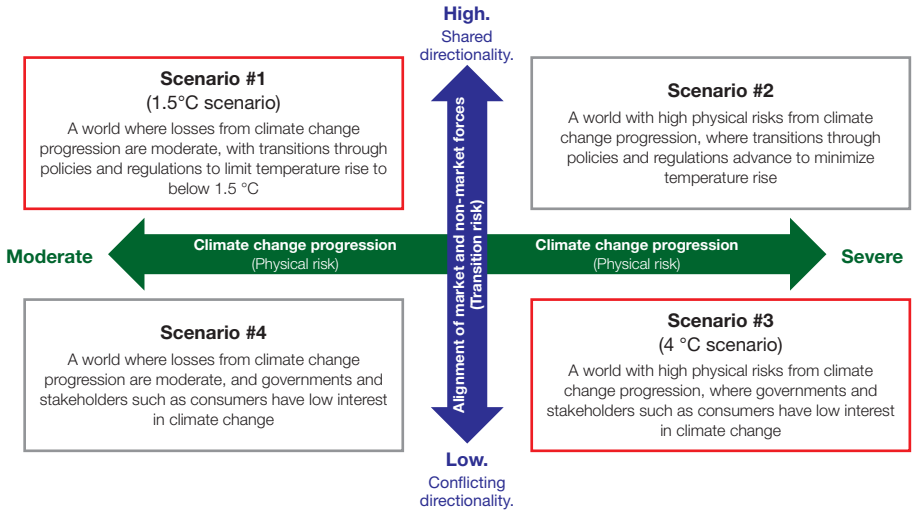
Type		Details	Potential timeframes	Degree of impact	Response	Pages for details
Transitions	Products and services	**Increase in demand for houses and building with low GHG emissions** The core businesses of the Group are contracting and subdivision of houses and buildings in Japan, which comprise the majority of its consolidated net sales. The Japanese government has indicated a policy targeting net-zero energy standards for new houses (ZEHs) and buildings (ZEBs) by 2030, and if incentives to support achievement of this target continue and expand, demand for ZEHs and ZEBs, which have high unit prices per building, could increase.	Short term	Medium	We have set improvement of ZEH and ZEB rates as key KPIs, expanding our product lineup with ZEH specifications, increasing both internal and external awareness through regular ZEB seminars, and strengthening the knowledge and proposal skills of sales and design staff through education and training. We are also promoting the expansion of these initiatives by developing tools that provide clear information on the benefits and costs of environmentally friendly buildings to customers, along with energy calculation tools.	P021, 022
		Expansion of environment and energy business due to rising demand for renewable energy In Japan, the 7th Strategic Energy Plan was approved by the Cabinet in February 2025. It aims to cut GHG emissions by 73% (compared to fiscal 2013) by fiscal 2040, while increasing the renewable energy share of the power generation mix to about 40–50%, as the target energy mix. As the nation works toward making renewable energy a stable primary power source, the number of organizations participating in RE100, which fosters commitment to 100% renewable energy use, is growing both in and outside Japan. This could lead to higher demand for renewable energy and the growth of environment and energy businesses involved in their development and supply.	Short term	Medium	We are expanding our renewable energy power system development and operation business, focusing on solar power generation. We leverage our experience and track record in our initiatives to achieve RE100 goals by utilizing renewable energy generated in-house and non-fossil certificates, along with the Group's nationwide land information network. During development, we address the needs of companies and municipalities working toward RE100 by offering various solutions, including off-site and on-site PPAs.	P009, 022
Physical changes	Products and services	**Rising demand for houses and buildings equipped for meteorological disasters** The IPCC's Sixth Assessment Report pointed out the possibility of an increase in the intensity of tropical cyclones, such as typhoons, as global warming progresses. Storms and heavy rain also cause significant damage in Japan, and it takes a long time for life to return to normal afterwards. Therefore, it is possible that demand will rise for comfortable housing free of power outage and other interruptions to daily life by implementing life continuity plans and business continuity plans even in case of a meteorological disaster, for buildings with energy self-sufficiency that ensures business continuity, and for communities that are resilient.	Medium term	Medium	We focus on developing and promoting ZEHs and ZEBs with improved energy independence during disasters. We offer disaster-ready houses, "Houses Prepared for Disasters," that can provide about eight days of power, heating, and hot water even during rainy weather in power outages by combining solar power, storage batteries, and fuel cells. We are also working on building power self-sufficiency models using renewable energy in office and complex developments, expanding resilient housing and community development.	P024, 025

Scenario-based validation assessment

To develop business strategies that are prepared for future changes in the external environment, we verify the validity of our identified risks, opportunities, and related business strategies using two scenarios (#1 and #3). While additional costs might occur under either scenario, we have confirmed that revenue increases from products contributing to climate change mitigation and adaptation are expected to surpass these costs, reaffirming the validity of our risk responses and the importance of proactively pursuing business opportunities.

This analysis covers the Group's main businesses (single-family housing, rental housing, condominiums, commercial facilities, office buildings, and environment and energy business), focusing on high-priority risks and opportunities using simplified analysis.

■ Envisioned scenarios



Response to the Task Force on Climate-related Financial Disclosures (TCFD)

Transition plan to achieve carbon neutrality

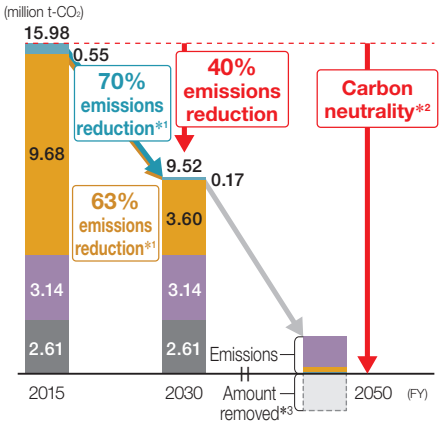
The Daiwa House Group has positioned mitigating and adapting to climate change as one of its key management issues and has continued to make efforts to achieve carbon neutrality by 2050 as declared in its Long-Term Environmental Vision. Under the theme of "Realize carbon neutrality by making all buildings carbon-free" (hereinafter, "carbon neutral strategy"), one of eight focal themes under the 7th Medium-Term Management Plan launched in fiscal 2022, we set a milestone of a 40% reduction in GHG emissions by 2030 compared to fiscal 2015 throughout our value chain (scopes 1, 2 and 3). Working toward this target, we are accelerating our initiatives across all aspects of our business.

■ Migration plan for reducing GHG emissions (by scope) on the road to carbon neutrality

Target for GHG emissions across the entire value chain (SBT certified)

Key actions for achieving targets

	FY2015 – FY2030	FY2030 – FY2050
Scopes 1 and 2	● Upgrade to energy-saving equipment in our existing facilities ● Switch to renewable electricity using renewable energy we generate ● Ensuring that newly constructed company-owned facilities are ZEB-ready and equip them all with solar panels ● Switch to CEVs for all company vehicles and adopt electric heavy construction machinery	● Replace heavy construction machinery and logistics trucks with electric models ● Adopt synthetic methane and biofuels
Scope 3 Use of Buildings Sold	● All buildings to be made ZEH/ZEB ● All buildings to have solar panels installed	● Enhance ZEH and ZEB (further improving BEI*) * Ratio of primary energy consumption of designed buildings compared to benchmark buildings
Scope 3 Manufacturing of purchased materials	● Set SBT-level GHG reduction targets for major suppliers ● Offer those suppliers ideas for saving and generating energy ● Promote the use of low-carbon building materials	● Increase the use of low-carbon building materials
Scope 3 (other)		● Reduce construction waste ● Extend the lifespan of homes and buildings



*1 SBT certified (1.5°C level) *2 SBT certified (net-zero)
*3 As reducing emissions to absolute zero is impracticable, we will achieve net zero emissions by removing the commensurate amounts of GHGs whose emissions are inevitable.

Toward Fiscal 2030 Targets

Initiatives for Scopes 1 and 2

GHG emissions from the Group's business activities (scopes 1 and 2), in which the Group is directly involved, are to be reduced by 70% from the fiscal 2015 level by 2030. This will be attained by switching to renewable electricity at the earliest possible timing, with renewable energy generated in-house.

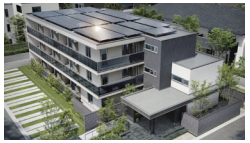
Energy conservation	Electric	Renewable energy
Energy efficiency	**Introduction rate of clean energy cars***	**Renewable energy utilization rate**
2x by 2030 (compared to FY2015)	100% by 2030	100% by 2025
Achieve "EP100"	* Company vehicles only	**Achieve "RE100"**



Initiatives for Scope 3 (Use of Buildings Sold)

The largest portion of GHG emissions is attributable to the use of housing sold (scope 3, category 11). Aiming to reduce emissions from this area by 63% compared to fiscal 2015 by 2030, we have decided to make all new buildings ZEH and ZEB in all businesses as a rule, and to install solar power generation systems on all buildings.

Housing	Construction
ZEH(-M) rate / Solar power installation rate	**ZEB rate / Solar power installation rate**
In principle 100% by 2030	In principle 100% by 2030




Initiatives for Scope 3 (Manufacturing of Purchased Materials)

Through decarbonization dialogues and other efforts, we will share GHG emission reduction targets aligned with the Paris Agreement with over 90% of our major suppliers by 2025 and aim to meet these targets by 2030.

Supplier Engagement

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

Metrics and targets

Aiming to minimize the risks and maximize the opportunities associated with climate change, we have established short-, medium-, and long-term targets for the promotion of initiatives. We have established these targets as a set of metrics for the Medium-Term Management Plan. We have also established more detailed management metrics and targets in our Endless Green Program, the Environmental Action Plan formulated to align with the period covered by the Plan, in order to accelerate our initiatives with the aim of striking a balance between earnings and environmental sustainability.

Management indicator	Related pages
Procurement	
Setting rate of principal suppliers' SBT standard GHG reduction targets	P153
The number of contracts for renewable energy and energy-efficiency solutions (The number of cases of support)	P153
Business activities	
GHG emissions reduction rate derived from business operations (vs FY2015)	P147
Energy efficiency (EP100) (vs FY2015)	P148
Renewable energy utilization rate (RE100)	P149
Introduction rate of clean energy cars Company vehicles / Privately owned vehicles	P152
ZEB rate for newly constructed company-owned facilities / Percentage of solar power generation equipment	P152
Products and services	
GHG emissions reduction rate derived from use of products (vs FY2015)	P141
ZEH rate	P142
ZEH-M rate for rental housing / condominiums	P142
ZEB rate	P142
GHG emissions in our value chain	P154

P133 Results and self-assessment of the Environmental Action Plan (Endless Green Program 2026)

Fiscal 2024 achievements and future challenges

Below are the issues and our responses as we work toward achieving carbon neutrality throughout our value chain by 2050.

Reduction in the GHG emissions directly attributable to the Group (scopes 1 and 2) necessitates electrification of heavy machinery at construction sites and trucks used in logistics, so as to encourage the use of renewables-derived electricity. As part of this effort, we are currently promoting the use of hybrid heavy machinery at some construction sites.

To decrease the GHG emissions in the supply chain (scope 3, category 1), we promote the adoption of materials with low GHG emissions in the design phase with the use of the $LCCO_2$ Calculation Tool connected to Building Information Modeling (BIM)* and other measures. In particular, when selecting building materials that generate high emission levels, such as steel, cement, and aluminum, we consider adopting low-carbon options manufactured using recycled raw materials and renewable energy. Additionally, we will consider updating our calculation methods to visualize how these initiatives are contributing to emission reductions.

When calculating our downstream GHG emissions from product use (scope 3, category 11) we have only included emissions within Japan. Going forward, however, we will include businesses outside Japan in our carbon-neutral strategy. We are now calculating greenhouse gas emissions from homes and buildings in the United States and China.

In our disclosure, we have examined potential trade-offs between climate change and biodiversity, organizing key considerations for each initiative. Moving forward, we will continue to review risks and opportunities based on changes in the external environment and the Group's future vision. We are also preparing for the mandatory implementation of the disclosure standards from Japan's Sustainability Standards Board (SSBJ). Additionally, we plan to further improve our disclosure information through ongoing dialogues with institutional investors and experts.

* Digital three-dimensional models that incorporate building information. Enables consistent use of information throughout the life cycle of a building, from design to construction, and maintenance.

L E A P

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

Strategy

Process for identifying Nature-related risks and opportunities

The Daiwa House Group identifies nature-related risks and opportunities using the process shown below, assessing its impacts and dependencies on nature across the entire value chain. While the identification process for risks was included in the Group's Sustainability Report 2024, we conducted scenario analysis in fiscal 2024 and reassessed risks and opportunities. As a result, parts of the process have been expanded or revised.

STEP 1 We organized the linkages of the Daiwa House Group's business with GICS® production processes (36 production process classifications were applicable).

STEP 2 Using ENCORE, a tool developed by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and others, we evaluated the dependencies and impacts of the above production processes on the natural environment and identified those that are "Very High" and "High."

STEP 3 To ensure the comprehensiveness of risks, among the items rated as less than "High" in ENCORE, we referred to the guidelines for built environment systems, energy systems, and the forest products sector in the Roadmaps to Nature Positive issued by the WBCSD*, which are related to the Group's business, and considered additional risks for items rated as "Very High" or "High."

STEP 4 From among the "Very High" and "High" items (approximately 160 items), we narrowed down the important items (54 items) from the perspectives of business scale, position in the medium-term management plan, and business activities at the Group.

STEP 5 We conducted scenario analysis. In addition to risks already identified, we considered newly anticipated risks and opportunities based on external environments under each scenario. Subsequently, we evaluated the potential timeframes and the degree of financial impact for each scenario.

Scenario analysis conducted in fiscal 2024

STEP 6 After examining risks and opportunities through scenario analysis, we grouped similar items by type and content, ending up with 8 risks and 7 opportunities. We classified these risks into those arising from "transition" and those arising from "physical changes," and examined action policies. We confirmed that the action policies are consistent with our environmental action plan Endless Green Program 2026.

* World Business Council for Sustainable Development: A global business organization that seeks sustainable development.

WEB ↗ GICS® | S&P Dow Jones Index (spglobal.com)

L E A P

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

Businesses' impacts and dependencies on nature

Using ENCORE, a tool developed by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and others to assess the scale of a company's impacts and dependencies on nature, we identified the Daiwa House Group's dependencies and impacts on the natural environment.

Among these, we visualized the impacts and dependencies on nature in the Group's core business areas of construction and real estate as well as environment and energy.

Construction and real estate businesses

In the construction and real estate businesses, impacts on nature throughout the value chain are characterized by a high degree of terrestrial ecosystem use. This includes deforestation associated with the use of timber, land alteration due to construction, and local environmental impacts associated with building use. There is also a significant impact in terms of solid waste due to waste generation during the production and construction phases.

In terms of dependency on nature, these businesses depend on ground water and surface water, as they are used in raw material production, processing, and facility operations.

Environment and energy businesses

For the Group's environment and energy businesses, the main impacts on nature are terrestrial ecosystem use and water use, stemming from the development and operation of power stations, which can impact their local environments.

In terms of nature dependencies, we identified reliance on surface water and climate regulation. To generate its own power, the Group needs cooling water for thermal power generation as well as stable and predictable sunlight for solar power. In the case of biomass power generation, the Group is also dependent on genetic materials, such as wood pellets.

Impacts and Dependencies on Nature in the Group's Value Chain

Business / Impacts and dependencies on nature		Upstream Resource extraction and mining (including raw material transport) Material production (Material transport)	Direct operations Real estate development Production, design and construction Renewable energy-based power generation	Downstream Facility operation Building use Electricity retailing Demolition
Construction and real estate businesses	Impacts	**Terrestrial ecosystem use** (Deforestation due to timber use)	**Terrestrial ecosystem use, solid waste** (Land alteration due to construction; waste generation during production and construction)	**Terrestrial ecosystem use** (Impacts on local environments due to building use)
	Dependencies	**Ground water, surface water** (Water use in raw material production and processing)	—	**Surface water** (Water use during facility operation)
Environment and energy businesses	Impacts	**Terrestrial ecosystem use, water use** (Local environmental impacts during power plant development and operation)		
	Dependencies	**Surface water, climate regulation** (Cooling water use during power generation; reliance on stable climate for reliable power generation) **Genetic materials** (Procurement of wood pellets for biomass power generation)		

L E A P

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

Daiwa House Group's impacts and dependencies on nature

The Group's impacts and dependencies on nature, identified through analysis using the ENCORE tool, were organized into heatmaps by business segment.

Tendencies in Daiwa House Group's Business as Interpreted from the Heatmap

Impacts: Impact drivers with major effects caused by Daiwa House Group's business operations are ecosystem use (terrestrial/ freshwater/marine) and water use.

Dependencies: Ecosystem services on which Daiwa House Group has major dependencies are groundwater, surface water, and climate regulation.

VH Very High | H High | M Medium | L Low | VL Very Low | NA Not applicable

Business	Value chain	Sub-industry (reference ENCORE)	Impacts										Dependencies						
			Changes due to use of terrestrial, freshwater, and seawater			Utilization/ complementation of resources	Climate change	Pollution/removal of pollution					Direct use			Control of production processes	Disaster control		
			Terrestrial ecosystem use	Freshwater ecosystem use	Marine ecosystem use	Water use	GHG emissions	Non-GHG air pollutants	Water pollutants	Solid waste	Soil contaminants	Disturbances	Genetic materials	Ground water	Surface water	Water flow maintenance	Climate regulation	Flood and storm protection	Mass stabilization and erosion control
Construction and Real Estate	Procurement	Construction materials (cement, concrete, brick, plaster, etc.)	VH	H	H	H	H	M	M	H	NA	H	NA	VH	VH	NA	NA	NA	NA
		Timber	H	NA	NA	NA	H	NA	H	NA	H	NA	NA	H	VH	M	NA	M	L
		Glass	NA	NA	NA	VH	H	H	H	L	NA	NA	NA	M	M	M	NA	NA	NA
		Steel	NA	NA	NA	H	H	NA	NA	H	NA	NA	NA	M	M	M	VL	NA	L
	Manufacturing	Manufacturing	NA	NA	NA	H	H	M	H	H	H	M	NA	M	M	M	VL	M	VL
	Construction	Single-family housing, rental housing	VH	H	NA	H	H	H	M	H	M	H	NA	VL	VL	NA	NA	NA	NA
		Office buildings, commercial facilities	VH	H	VH	H	H	H	M	M	H	H	NA	NA	NA	NA	NA	NA	M
	Operation	Environmental and facility services	NA	NA	NA	NA	NA	NA	NA	M	NA	NA	NA	M	M	M	H	H	M
		Infrastructure maintenance services	M	NA	NA	H	H	L	L	NA	L	NA	NA	NA	NA	M	M	H	NA
		Real estate services	VH	NA	NA	NA	H	M	M	H	M	NA	NA	M	H	NA	NA	VL	L
Environment and Energy	—	Biomass power	NA	NA	NA	H	H	H	H	H	NA	NA	VH	M	M	M	VL	M	L
		Hydroelectric power	VH	VH	NA	VH	H	NA	H	NA	H	NA	NA	M	VH	VH	VH	H	H
		Thermal Power	NA	H	NA	VH	H	H	M	H	M	H	NA	M	VH	M	VL	M	L
		Solar power	VH	NA	NA	VH	NA	NA	L	NA	L	NA	NA	VL	VL	NA	VH	M	M
		Wind power	H	M	H	NA	NA	NA	L	NA	L	M	NA	NA	NA	NA	VH	M	M
Other	—	Hotels and resorts	NA	NA	NA	NA	NA	NA	NA	M	NA	NA	M	H	H	NA	M	M	L
		(Commercial facility) infrastructure holdings	NA	NA	NA	H	NA	M	H	M	H	NA	NA	NA	NA	NA	NA	NA	L
		Leisure facilities	NA	NA	NA	NA	NA	NA	NA	M	NA	NA	NA	M	H	NA	NA	M	L
		Land transportation	NA	NA	NA	H	H	M	H	H	H	M	NA	M	M	M	VL	M	VL
		Healthcare facilities	NA	NA	NA	NA	H	NA	M	M	M	NA	NA	M	M	NA	NA	NA	L

* The heatmap does not show production processes that apply to all the Group's businesses. Some production processes are omitted for such reasons as the absence of "VH" and "H" entries for impacts and dependencies in ENCORE. There are also some omissions related to the types of impacts and dependencies.

L E A P

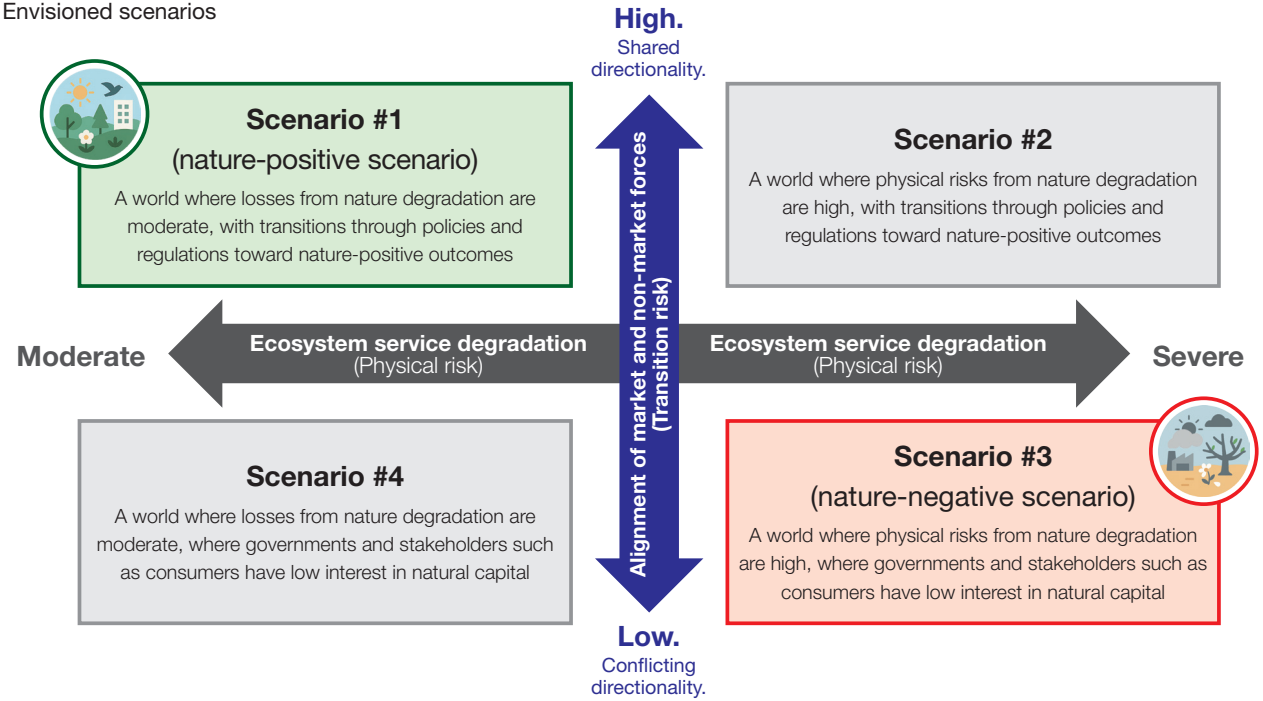
Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

Scenario analysis and evaluation of nature-related risks and opportunities

After confirming the Group's impacts and dependencies on nature, we identified and evaluated nature-related risks and opportunities based on qualitative scenarios developed in line with TNFD guidance. In formulating these scenarios, we selected 2030 and 2050 as the main timeframes and focused on two of four scenarios defined along two axes: (1) degradation of ecosystem services (physical risks); and (2) alignment of market and non-market forces (transition risks). The two scenarios we focused on were a nature-positive scenario and a nature-negative scenario. We collected information on drivers of external environmental changes under each scenario—such as government policies, consumer preferences, and the state of nature and ecosystem services—and created concrete narratives for each scenario. This information-gathering drew on sources such as the Kunming-Montreal Global Biodiversity Framework (GBF), nature and biodiversity-related strategies in Japan and other countries where we operate, and IPR FPS + Nature.

Based on the narratives of these two scenarios, we examined what nature-related risks and opportunities could arise in the Group's businesses. We then evaluated them in terms of their expected timeframes and financial impact, and identified those with high materiality.

■ Envisioned scenarios



Scenario #1
Key features of scenario #1 (nature-positive scenario)

- Modest losses from nature degradation
- Expanded designation and restoration of protected areas, targeting biodiversity-critical regions
- Global acceleration of policy and financial transitions that support nature-positive outcomes
- Consumer demand for transparency regarding impacts on nature increases
- Growing public criticism and opposition to businesses that negatively impact nature

Scenario #3
Key features of scenario #3 (nature-negative scenario)

- Nature and ecosystem services are degrading rapidly and severely
- Lack of global coordination due to anti-ESG sentiment and conflicts between developed and developing nations leads to political, financial, and economic confusion and absence of systematic action
- Companies focus on short-term measures to mitigate the negative impacts of nature degradation
- Weak demand for nature-related technologies

L E A P

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

Nature-related risks and opportunities

With reference to relevant societal trends and other external environmental information, and based on the Group's impacts and dependencies on nature, we identified our nature-related risks and opportunities. Each was evaluated for its degree of impact: large, medium, or small. Where possible, the impact was assessed quantitatively based on estimated financial effects. Otherwise, we used qualitative criteria such as impacts on corporate vision and management strategy, business continuity and supply chains, as well as local communities.

■ Main nature-related risks

Potential timeframes: Short-term (less than 1 year); Medium-term (through around 2030); Long-term (through around 2050)
Degree of impact: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion

Type		Details of risks	Nature-positive scenario		Nature-negative scenario		Response	Pages for details
			Potential timeframes	Initial impact level	Potential timeframes	Initial impact level		
Transitions	Policy	**Fewer business opportunities due to stricter nature conservation regulations on development** In the development and construction of housing, office buildings, and renewable power systems, trends such as development restrictions and expansion of protected areas may hinder land acquisition and new construction, resulting in lost business opportunities or diminished project feasibility.	Medium term	Large	—	—	The Group has adopted the Biodiversity Guideline [Development & Community Creation] and is engaged in town planning in harmony with the natural environment. At our Urban Development Headquarters and at Group company Fujita Corporation, for civil engineering projects involving land development of 3,000 m² or more, we consider biodiversity using a proprietary checklist that references these guidelines and those for Association for Business Innovation in harmony with Nature and Community (ABINC) certification.	P033
		Higher cost of countermeasures due to stronger environmental and greening regulations during development Most of the development and contracting projects undertaken by the Group involve the alteration of the natural environment. If regulations concerning environmental assessments at the time of development or the quantity and quality of greening at the time of completion are strengthened, the cost of countermeasures will increase while usable land (land available for building) decreases. This could lead to a decline in feasibility in the development business and lower profit margins in the contracting business.	Medium term	Small	—	—	The Group has adopted the Biodiversity Guideline [Development & Community Creation] and is engaged in town planning in harmony with the natural environment. At our Urban Development Headquarters and at Group company Fujita Corporation, for civil engineering projects involving land development of 3,000 m² or more, we consider biodiversity using our own checklist that references these guidelines and those for ABINC certification. In addition, in our construction business, we promote greening efforts using indigenous species suitable to local ecosystems when proposing exterior landscaping.	P033
		Higher costs and resource supply constraints due to strengthened resource circulation regulations If regulations on resource circulation are strengthened, costs may increase due to design and traceability requirements focused on recycled materials. Resource shortages could also arise due to tight supply-demand conditions for recycled materials.	Medium term	Large	—	—	In our housing, rental housing, and system-built architectural products, we implement resource-saving design to reduce both the volume of materials used and the amount of waste generated. At construction sites for housing and rental housing, we apply internal standards stricter than legal requirements and carry out recycling-based waste processing in principle, based on waste treatment plans developed for each region. At commercial facilities and construction sites, we are also working to reduce plastic usage and promote recycling. We will continue to monitor regulatory trends related to resource circulation and strive to minimize risks.	P041
	Policy and markets	**Shortages of mineral resources and wood pellets due to strengthened regulations for nature conservation** Development restrictions and expansion of protected areas could disrupt supply and increase procurement costs for mineral resources. In biomass power generation, restrictions on wood pellet production or global limitations on their use may lead to supply shortages.	Medium term	Medium	—	—	The Group will strive to understand the origins of raw materials for building materials such as steel and cement, which have significant impacts on nature. At our biomass power plants, we confirm the legality and sustainability of procured wood pellets by utilizing forest certification systems, in line with our Biodiversity Guideline [Timber Procurement].	—
	Markets and reputation	**Reputational damage due to concerns about negative impacts on nature during development or operations** If our development or operation of residential, commercial, renewable energy, or logistics facilities negatively impacts surrounding biodiversity or ecosystems, it may result in reputational damage and declining sales.	Short term	Medium	Short term	Medium	The Group has adopted the Biodiversity Guideline [Development & Community Creation] and is engaged in town planning in harmony with the natural environment. At our Urban Development Headquarters and at Group company Fujita Corporation, for civil engineering projects involving land development of 3,000 m² or more, we consider biodiversity using our own checklist that references these guidelines and those for ABINC certification. In addition, in our construction business, we promote greening efforts using indigenous species suitable to local ecosystems when proposing exterior landscaping. Furthermore, in regions where the Group conducts business activities, significant sites for biodiversity are monitored based on protection and management plans, and efforts are made to minimize biodiversity loss associated with business operations.	P033, 035
	Reputation	**Reputational damage due to resource procurement impacting nature** If our procurement of construction materials or timber negatively impacts biodiversity or ecosystem services, it may result in reputational damage and declining sales.	Short term	Medium	Short term	Small	The Group conducts an annual survey on timber procurement and pursues a decrease in timber produced in high-risk areas and timber for which legal compliance and sustainability cannot be confirmed. We are also implementing our zero deforestation policy in the supply chain with the establishment of numerical targets. In addition, at biomass power stations operated by the Group, we will utilize forest certification systems based on our Biodiversity Guideline [Timber Procurement], while verifying the legal compliance and sustainability of the wood pellets we procure. Based on this, we also strive to ascertain the reputational risk related to wood pellets by engaging in dialogue with other companies in the industry and NGOs.	P031, 032
Physical changes	Acute and chronic	**Project delays or shutdowns and higher costs due to water scarcity** Some of the processes involved in the manufacture of materials essential for the buildings the Group supplies use water. If withdrawal of water is restricted due to water shortages or a drop in the water table, production capacity at the plants of the Group and its suppliers may decrease. Water intake restrictions could delay construction projects or increase water-related costs. Some of the Group's facilities provide services that require water use. Hotels, sports facilities, golf courses and other facilities operated by the Group may be forced to reduce the scale or quality of services such as provision of bathing facilities and watering grass.	Short term	Medium	Short term	Medium	The Group's factories have established targets for reducing water use and have been taking ongoing reduction measures. We conduct annual surveys of water withdrawal and wastewater volumes at our major suppliers. For suppliers with particularly high water use, we are checking whether they have established water use reduction targets and we will request that they establish such targets in the future. The Group's facilities are working to reduce water use by installing water-saving equipment when new facilities are built. In addition, in sectors where water use exceeds 10,000m³ a year, management plans have been formulated in accordance with water stress at each facility to monitor water withdrawal, wastewater, and reuse volumes, while also setting reduction targets and implementing measures. Furthermore, when constructing in regions prone to water shortages, like Mexico, we take measures such as using waterless concrete curing.	P043
		Decrease in timber supply due to climate change, increase in forest fires, and water shortages, etc. There is extensive use of timber in the structural materials and interior materials for the buildings supplied by the Group. If there is a decrease in the supply of timber due to climate change, an increase in forest fires, water shortages, and other factors, stable procurement of timber may become difficult, which could lead to an increase in procurement costs.	Short term	Medium	Short term	Medium	The Group has established the Biodiversity Guideline [Timber Procurement], conducts an annual survey of suppliers addressing timber procurement to identify the origin of the timber procured, and implements water risk assessments. Based on this, we promote the utilization Japanese domestic timber, which has lower risk associated with climate change, for some components such as the main structural materials for wooden housing.	P031, 032, 042

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

L E A P

■ Main nature-related opportunities

Potential timeframes: Short-term (less than 1 year); Medium-term (through around 2030); Long-term (through around 2050)
Degree of impact: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion

Type		Details of Opportunities	Nature-positive scenario		Nature-negative scenario		Response	Pages for details
			Potential timeframes	Initial impact level	Potential timeframes	Initial impact level		
Business opportunities	Products and services	**Growing demand for buildings with high water-use efficiency** Demand is increasing for buildings that make effective use of water resources—such as net-zero water buildings—through measures like water conservation, rainwater harvesting, and greywater reuse.	Short term	Medium	Short term	Medium	For all its residential buildings, not only housing but also hotels and nursing care facilities, the Group's policy is to install water-saving equipment in all buildings and locations. To promote these efforts, we set adoption rate targets for each business division and monitor performance on a quarterly basis. Within the Group, we also co-host exhibitions and study sessions with manufacturers to promote the internal adoption of more efficient water-saving equipment. Furthermore, in our single-family housing, we are installing handheld shower heads with a water-saving pause feature. In areas of Australia where water shortages are severe, we provide build equipped with rainwater storage tanks.	P042
	Products and services	**Increase in unit prices per building and increase in demand for green space projects due to growing need for greening** The development and contracting projects undertaken by the Group generally include exterior work along with work on the main building. If clients have a growing need for greening due to stronger regulations on green spaces and greater awareness of the natural environment, demand for ecosystem-conscious greening work may rise, potentially leading to higher sales. Demand for specialized greening such as rooftop and wall greening as well as for green infrastructure technologies such as flood control could also increase project order opportunities.	Medium term	Medium	—	—	When the Group proposes exterior greening and planting plans to clients, we recommend that at least half of trees (tall trees and shrubs) we plant be indigenous species suitable to the nature of each region under the slogan "Let's keep green!" Each business division promotes initiatives by setting targets for the percentage of properties where indigenous species account for 50% of plantings, and monitoring performance quarterly. In addition, Daiwa Lease, a Group company, has established an environmental greening business to promote ongoing technological development related to rooftop, wall and interior greening and offer proposals, mainly to companies in Japan, with "Green changes everything in cities" as its theme.	P033
	Products and services	**Increase in demand for buildings utilizing sustainable timber** There is extensive use of timber in the structural materials and interior materials for the buildings supplied by the Group. Due to stricter regulations in response to worsening deforestation and other related issues, along with growing interest in timber traceability, demand for housing and buildings constructed with wood sourced from sustainably managed forests may increase, driven by stronger customer and tenant preferences for such construction.	Medium term	Small	—	—	The Group conducts an annual survey of suppliers addressing timber procurement to confirm legal compliance and sustainability and pursues a decrease in timber produced in high-risk areas and timber for which legal compliance and sustainability cannot be confirmed. We have declared our commitment to achieving zero deforestation from timber procurement, and we are expanding this commitment to our suppliers. We aim to share our policy with more than 90% of our suppliers by fiscal 2026.	P031, 032
	Products and services, markets	**Increase in demand for buildings that support resource circulation and reduce costs through recycling** In general, buildings are constructed using large amounts of resources, only to be dismantled and discarded after their useful life. With the strengthening of regulations related to resource circulation and growing awareness, demand may increase for buildings with greater durability and those that foster better resource circulation. Additionally, cost reductions through efforts to promote resource circulation are also anticipated.	Medium term	Large	—	—	The Group develops housing that can be lived in over the long term. We have set targets on the number of buildings for which we will extend service life in the residential and rental housing businesses and offer proposals for warranty extension work while monitoring performance quarterly and promoting initiatives to extend the service life of buildings. In addition, in May 2024 we launched BIZ Livness, a new brand, to expand the real estate stock business in the non-residential sector, including business and commercial facilities. The new brand will promote the regeneration and utilization of existing buildings, such as purchase and sale or renovation of existing facilities, including properties built by other companies.	P039
	Markets	**Creation of market for non-residential wood buildings** With a view to promoting decarbonization, forest resource circulation, and biodiversity conservation, there is a growing trend toward timber and wood-composite construction in the non-residential building sector. Advances in technology and regulatory updates have greatly expanded the potential for non-residential timber and wood-composite buildings, and a diverse range of projects is beginning to emerge. This could lead to new business opportunities for the Group, which has mainly handled steel-framed construction.	Medium term	Large	—	—	Along with designating "Future with Wood" as one of our new key areas of focus, the Group has established the Future with Wood Promotion Department to promote the use of wood in non-residential buildings. We are strengthening our proposals for timber construction and the use of wood, focusing on small- to medium-sized buildings such as stores, offices, and social welfare facilities with total floor space of less than 3,000 m². The aim, going forward, is to achieve sales of 300 billion yen in this market.	P010
	Resource efficiency	**Reduction of operational costs through water conservation at our facilities** Reducing water usage through water conservation efforts at resort and sports facilities, hotels, golf courses, and other properties operated by the Group could lead to cost savings.	Short term	Small	Short term	Small	The Group's water-intensive facilities—such as resorts, sports facilities, hotels, and nursing homes—monitor their water usage on a quarterly basis and are working to reduce consumption. We are implementing measures such as replacing appliances with water-saving models and installing water-saving equipment, as well as sharing success stories among Group companies to promote horizontal initiative deployment. The Group is also promoting the use of waterless toilets in newly constructed sports facilities and the installation of water-saving showers and toilets in hotels.	P042, 043
Nature conservation opportunities	Protection of ecosystems	**Conservation of biodiversity on Company-owned land and at Company facilities** Some of the sites owned by the Group are included in nature conservation areas. There are also other sites which are significant for conservation of biodiversity, including sites where agreements have been concluded with surrounding local governments. The Group can contribute to the creation of local ecosystem networks by continually working to conserve ecosystems and upgrading the level of management at such sites.	*				The Group conducts surveys concerning biodiversity at all of its facilities. After identifying sites with a certain percentage of green spaces or management rights, we designate significant sites for biodiversity with reference to national standards (certification standards for Natural Symbiosis Sites). At some of these significant sites, we score the status of management and conservation utilizing a checklist with reference to ABINC certification. We are also formulating and implementing protection and management plans and aim to formulate and implement such plans for all significant sites by fiscal 2026.	P035

* Although nature conservation opportunities do not directly impact the Group's business, we believe they are important for the sustainability of ecosystem services and have identified them as opportunities and formulated strategies.

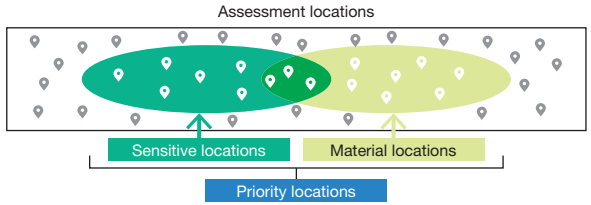
Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

L E A P

Risk management

Management process for the main important risks and opportunities

We specify priority locations for high-priority nature-related risks and identify and manage detailed risks.



Assessment locations: All geographic locations of the organization's direct operations, upstream, and downstream
Sensitive locations: Locations where the organization's direct operations and assets/activities in upstream and downstream value chains come into contact with nature in areas considered ecologically sensitive
Material locations: Locations where the organisation has identified material nature-related dependencies, impacts, risks and opportunities.

Management process for main important risks

(1) Group facilities | Biodiversity impact assessment

We assess the degree of impact on biodiversity at our directly operated sites (assessment locations)*1 and conduct self-assessments*2 to ensure ecosystem-friendly site management.

At present, we have identified five sites as sensitive locations and have formulated biodiversity protection and management plans for them. Going forward, we will continue to formulate management plans that balance business operations and biodiversity conservation at all significant sites, and conduct monitoring based on the management plans.

■ Assessment locations: 1,735 ■ Priority locations: 80

*1 We refer to the certification criteria for Natural Symbiosis Sites promoted by Japan's Ministry of the Environment and use the Environmental Assessment Database System (EADAS) to determine significant sites (areas) for biodiversity.
*2 We use a site management assessment method that scores conservation and management status using a checklist based on ABINC certification. This approach is the standard and allows us to develop and implement plans that do not negatively impact biodiversity.

P035 Status of the Group's facilities

(2) Group facilities | Water risk assessment

We assess the level of water stress in areas where Group facilities are located using WRI Aqueduct.

For Group facilities that use a lot of water, have the potential to use hazardous chemicals, and discharge into areas of public water, we use the WWF-DEG Water Risk Filter to examine the regional characteristics and risk responses of each facility.

■ Assessment locations:
All aggregation locations for water usage in the EGP

■ Priority locations:
Facilities that use a lot of water, have the potential to use hazardous chemicals, and discharge into areas of public water—
Factories, golf courses, and Hibikinada Thermal Power Station*1
Facilities that use a lot of water in water-stressed areas—
2 sites (Thai production factory and hotel in Mexico*2)

*1 Results of assessment confirmed that factories and golf courses in Japan are low risk. Hibikinada Thermal Power Station is still being assessed.
*2 They are classed as water-stressed areas from the fiscal 2023 survey. We strive to use water more efficiently and are planning to set targets.

P166 Environmental Data Results of Comprehensive Water Risk Assessment at Group Facilities

(3) Supply chain | Timber procurement assessment

We conduct an annual survey of timber procurement based on the Group's independent assessment criteria, and we categorize timber into ranks SSS, SS, S or C. We use risk assessment tools to ascertain source-country risk status (legal compliance, biodiversity, human rights, etc.).

We have set numerical targets and are implementing initiatives to reduce the rate of C-ranked timber with risk of deforestation. We have also taken measures which include requiring suppliers of C-ranked timber to submit an improvement plan aimed at sustainably harvested timber, in addition to thoroughly checking the timber's public documents and switching sources to low risk areas.

■ Assessment locations:
24 source-countries for timber procurement

■ Priority locations:
High risk areas — Sarawak in Malaysia, Tasmania in Australia, Russia*
Areas with large volume of procurement — China, Southeast Asia

* Russian hardwood

P031 Conducting procurement of timber surveys at our suppliers

(4) Supply chain | Water risk assessment

We conduct surveys of water risk at the factories of the Group's major suppliers because of the increase in water risks such as heavy rain, flooding, and drought cause by the impact of climate change.

We also conduct assessments for timber, which is our main raw material, based on the water risk level and procurement volume of the country of origin.

P166 Environmental Data Water risk assessment results in timber-producing countries

Management process for main important opportunities

(1) Products | Expansion of the area of ecosystem-friendly green spaces

The Group recommends that at least half of trees (tall trees and shrubs) we plant be indigenous species suitable to the nature of each region under the slogan "Let's keep green!" We have set a target to increase the area covered by ecosystem-friendly green spaces by 2 million m² by 2030 across all our projects. Each business division set targets for the percentage of properties where indigenous species account for at least 50% of plantings, monitors performance quarterly, and promotes initiatives.

P033 Planting greenery of indigenous species in nature-positive efforts

(2) Products | Use of voluntary standards checklist for development projects

In the Group's land development projects, we use a voluntary checklist to quantitatively evaluate biodiversity activities with reference to six considerations based on our Biodiversity Guideline [Development & Community Creation] and ABINC certification. We carry out at least a certain level of initiatives based on the voluntary standards from development planning through to completion.

P033 Voluntary standards checklist for development projects

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

L E A P

Metrics and targets

The Group has formulated the following targets on nature-related dependencies and impacts.

Management indicator	Related pages
Procurement	
Rate of C-ranked timber in procurement	P157
Setting rate of zero deforestation policy (primary suppliers/secondary suppliers and beyond)	P157
Implementation rate of water risk surveys by principal suppliers	P166
Business activities	
Rate of formulation and implementation of protection and management plans of significant sites within premises of the company's facilities	P159
Water consumption reduction rate (per unit of sales) vs FY2012	P164
Rate of replacement of plastic goods for distribution (offices, etc.)	P159
Recycling rate of waste plastics material (Manufacturing)	P160
Reduction rate of amenities that are plastic-containing products specified in law (hotels) vs FY2021	P161
Recycling rate of amenities that are plastic-containing products specified in law (hotels)	P161
Products and services	
Eco-friendly surface area of green spaces (cumulative) vs FY2021	P158
Water-saving device adoption rate (housing and hotels)	P164
Number of assets subject to effective use	P160
Number of buildings subject to durability extension	P160

P134 Results and self-assessment of the Environmental Action Plan (Endless Green Program 2026)

Fiscal 2024 achievements and future challenges

In terms of timber procurement, risk mitigation is progressing as we implement wood sourcing surveys for major components such as structural materials and flooring. Going forward, it will be necessary to expand the scope of assessment to include items such as concrete formwork, fittings, and wall coverings. Furthermore, as we work to roll out our zero-deforestation policy throughout the supply chain, over 90 timber suppliers have expressed support for our approach. We plan to continue increasing the number of such suppliers. Going forward, a key issue will be to ensure traceability for non-timber materials such as iron ore and gravel.

In the area of water risk, we are concerned about an increase in sites located in water-stressed regions due to the expansion of overseas operations, which is why we are moving forward with setting water usage reduction targets for locations outside Japan. In Japan, the Group is strengthening flood mitigation measures and geographic diversification of operational sites. While we are currently setting independent targets for reducing our water usage, going forward, we are also exploring the possibility of aligning our targets with the guidance from SBTs for Nature (version 1).

We conducted a quantitative evaluation of the effectiveness of the Group's initiatives on greening using indigenous species. As for the area covered by ecosystem-friendly green spaces and related measures at directly operated sites, we believe that surveys and activities will be necessary at overseas businesses and locations, which are expected to increase in the future. For development projects, we recognize the need to consider alignment with "SBTs for Nature: LAND."

In terms of disclosure, we refined our identification of nature-related risks and opportunities. We conducted scenario analysis and re-identified the most significant risks and opportunities for the Group. For certain items, we assessed the level of impact by quantitatively evaluating the potential financial implications. We also recognized both synergies and trade-offs between climate- and nature-related measures, and clarified key considerations to be addressed in our initiatives. Going forward, we will explore the development of a nature-positive transition plan.

Expert opinion

The TNFD calls on companies to steadily enhance the scope and depth of their evaluations and disclosures related to nature dependencies, impacts, risks, and opportunities. The Daiwa House Group has improved the clarity of its risk and opportunity identification by adding a scenario analysis step to the process it disclosed the previous fiscal year. In doing so, the Group is demonstrating the value of regularly refining and revisiting use of the LEAP approach.

Moreover, the Group is evaluating each nature-related risk and opportunity. Moving forward, by conducting scenario analyses with broad participation from relevant departments across business domains and priority regions, I believe the Group will be able to develop more concrete responses to these risks and opportunities and be ready to begin formulating strategy and transition plans.

As these initiatives become more concrete, engagement on nature-related issues will only grow among the Board of Directors and executive management. As the Group moves forward with and discloses its efforts on these issues, I expect this will improve investor decision-making and the corporate value of the Daiwa House Group.

Makoto Haraguchi
Fellow, Corporate Sustainability Department
MS&AD Insurance Group Holdings, Inc.

Synergies and Trade-offs Related to Climate Change and Nature-Positive Measures

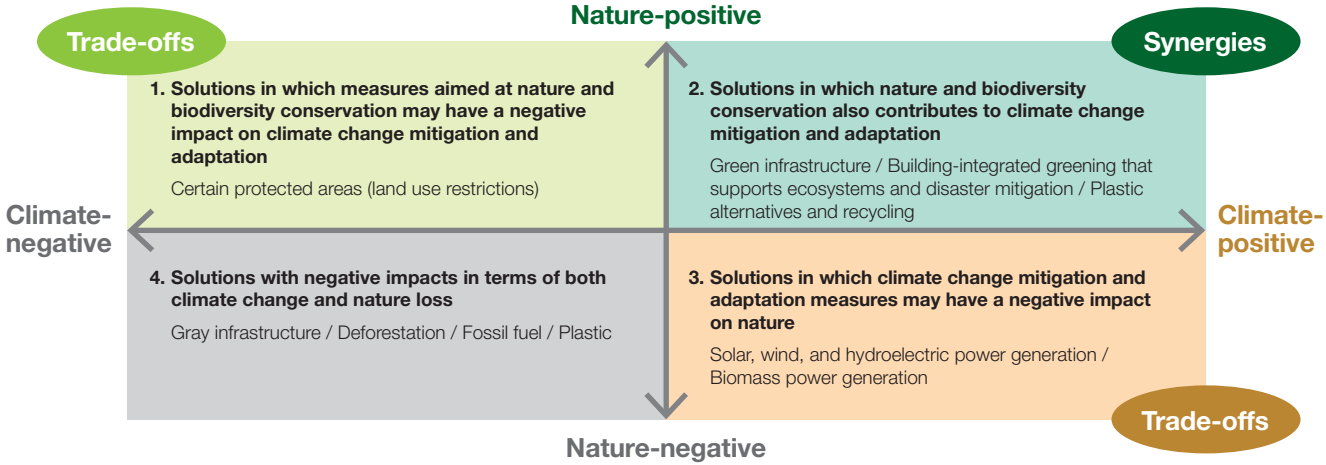
Synergies and Trade-offs Related to Climate Change and Nature-Positive Measures

Different solutions to address climate change and promote nature-positive outcomes may produce synergies, but can also involve trade-offs.

For example, in the Group's environment and energy businesses, if projects are poorly planned, they could have negative impacts on nature, such as the loss of wildlife habitats or depletion of water resources.

The Group recognizes that while appropriately planned measures may generate synergies, trade-offs can also arise. Therefore, we are promoting initiatives that minimize trade-offs and enhance synergies between climate and nature-related activities.

■ Classification of representative solutions for the synergies and trade-offs between climate change and nature/biodiversity



Created with reference to the classification used in the Finance for Biodiversity Foundation's "Unlocking the biodiversity-climate nexus"

Major businesses and initiatives related to the Group	Trade-offs: Negative impacts on both climate and nature	Synergies	Related pages
Construction and real estate businesses Green infrastructure: Building-integrated greening that supports ecosystems and disaster mitigation	If nearby ecosystems are not taken into consideration and the selection of plant species is not appropriately planned, the health of those ecosystems could be impacted.	By carrying out greening that takes local ecosystems into consideration, biodiversity can be improved. It can also contribute to climate change mitigation and adaptation through flood mitigation, carbon sequestration, and reduction of heat island effects.	P033: Promote greening with indigenous species
Construction and real estate businesses Promoting the use of wood	If sustainable procurement is not implemented, there could be adverse impacts on both climate and nature, such as deforestation and changes in land use.	The implementation of sustainable procurement can help maintain biodiversity while also contributing to climate change mitigation.	P031, 032: Procuring sustainable timber
Construction and real estate businesses Plastic alternatives and recycling	Impacts may also include increased energy consumption and pollution associated with recycling, as well as land-use changes for producing raw materials used in alternatives to plastic.	By using sustainable plastic alternatives and implementing proper recycling, we can help mitigate climate change through reduced petroleum consumption while having a positive impact on nature by reducing extraction.	P040: Material recycling of waste plastics
Environment and energy businesses Solar, wind, and hydroelectric power	If plans do not take biodiversity into account, there could be adverse effects on nature, such as contributing to the loss of wildlife habitats or water shortages.	By planning measures with consideration for local ecosystems, we can promote climate change mitigation while maintaining biodiversity around power generation systems.	P159: Biodiversity assessments at directly operated sites, including power plants
Environment and energy businesses Biomass power	The production of biofuels can contribute to land-use changes and land degradation.	By using sustainable biofuels, we can promote climate change mitigation while maintaining biodiversity.	— (For biomass power generation, the Group is planning to use fuels certified by the Forest Stewardship Council (FSC) or similar organizations)