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

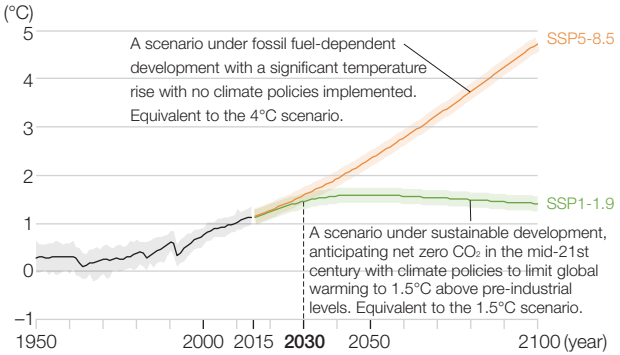
Climate-related risks and opportunities include impacts stemming from the transition to a decarbonized society driven by stronger policies and regulations, technological innovation, and shifting market needs, as well as those caused by physical changes such as extreme weather events, sea level rise, 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

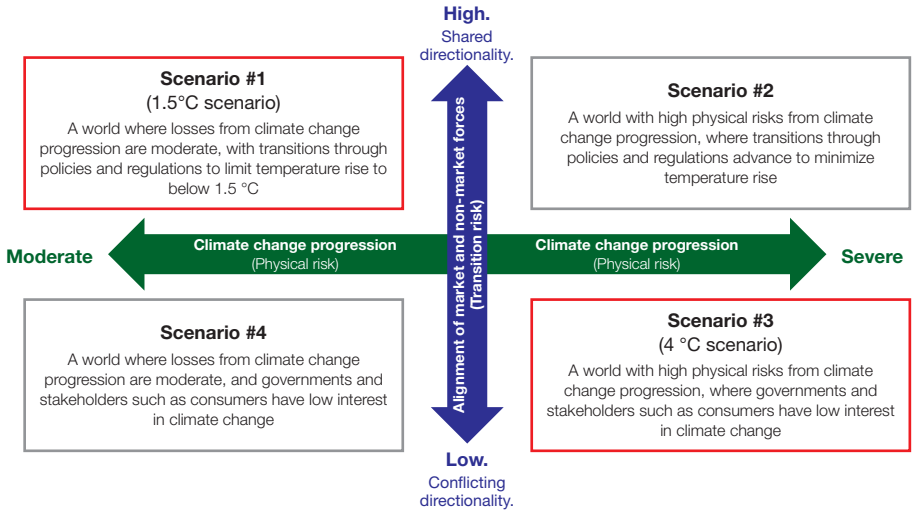
Type		Details	Potential timeframes	Degree of impact	Response	Pages for details
Transitions	Products and services	**Increase in demand for houses and building with low GHG emissions** The core businesses of the Group are contracting and subdivision of houses and buildings in Japan, which comprise the 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

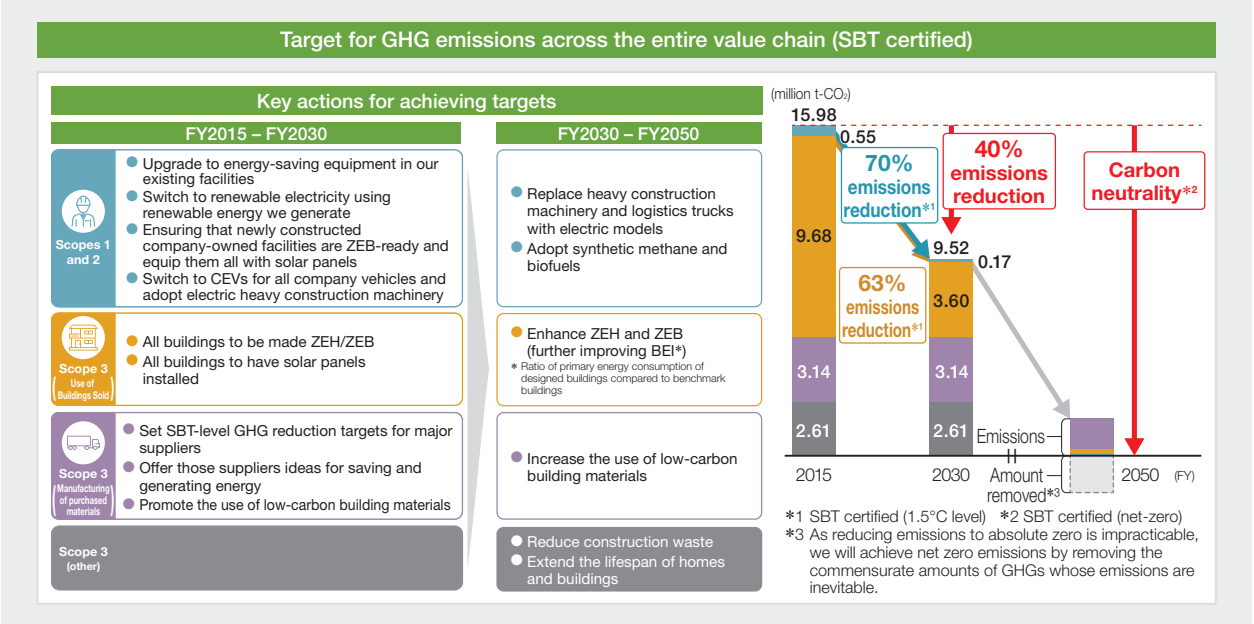


Response to the Task Force on Climate-related Financial Disclosures (TCFD)

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



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.

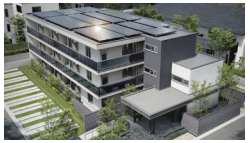
Energy conservation	Electric	Renewable energy
Energy efficiency	**Introduction rate of clean energy cars***	**Renewable energy utilization rate**
2x by 2030 (compared to FY2015)	100% by 2030	100% by 2025
Achieve "EP100"	* Company vehicles only	**Achieve "RE100"**



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

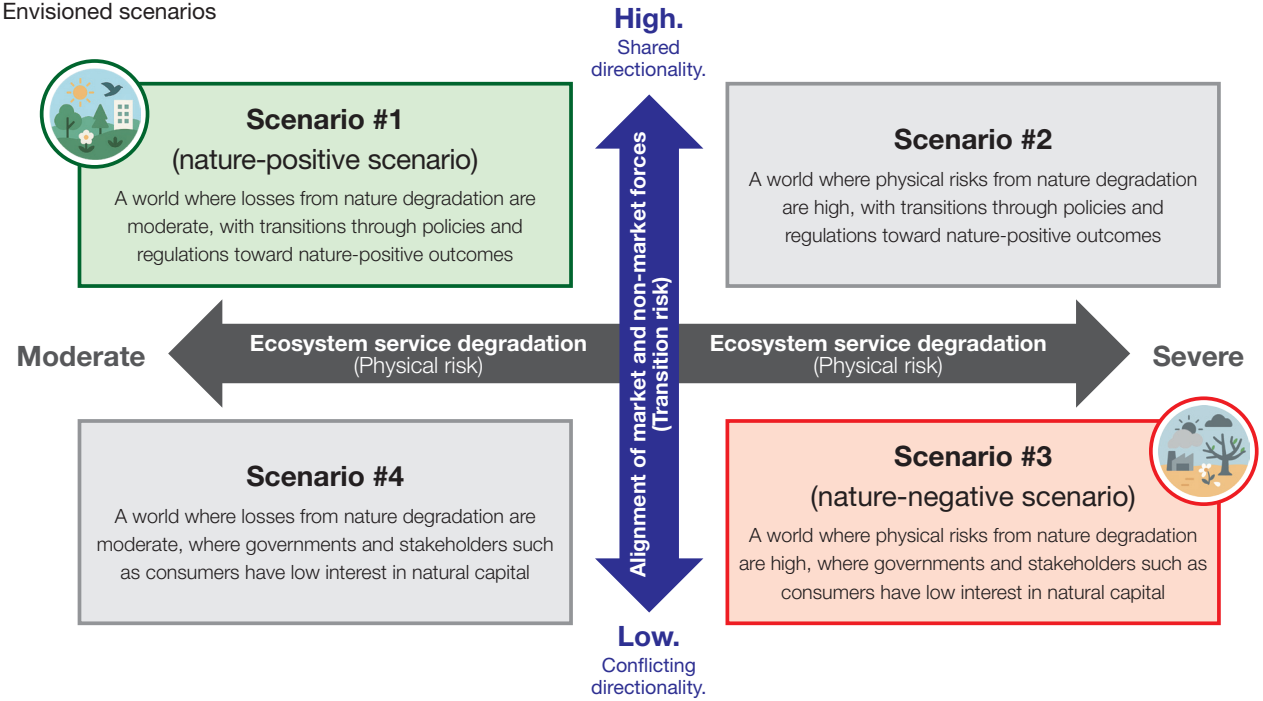
Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

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

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

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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)

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■ 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
		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
		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)

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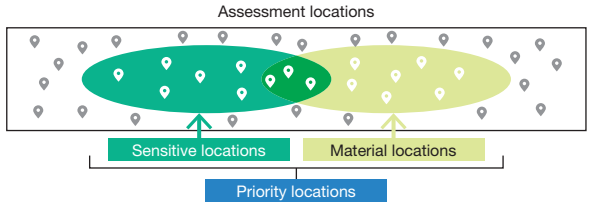
Risk management

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)

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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

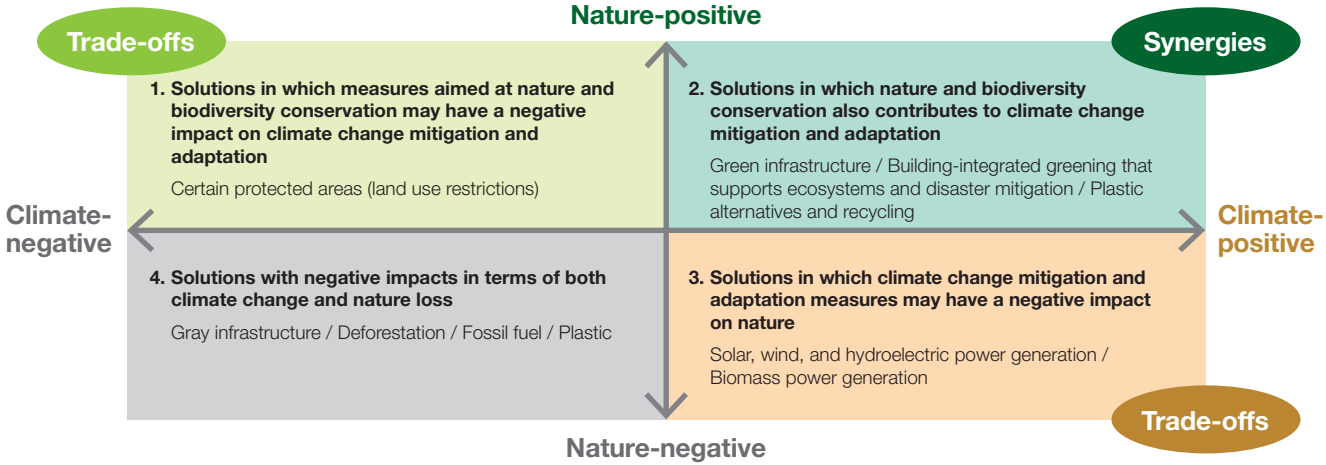
Synergies and Trade-offs Related to Climate Change and Nature-Positive Measures

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)