

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 the impact of 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 2025, we held our 10th ESG Small Meeting for institutional investors in January and engaged in individual interviews with ten 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.

 [P025 Environmental Communication](#)

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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 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 details on important sustainability issues beyond the environmental area, such as human rights and the supply chain, please see the pages below.

 [P018 Environmental management](#) (report to the Board of Directors, etc.)

[P019 Reflect achievements in environmental activities in business performance assessment and executive remuneration](#)

[P038 Conducting timber procurement survey at our suppliers](#)

[P040 Promoting the restoration of urban ecosystems by greening with native species, in urban nature-positive efforts](#)

[P077 Basic policy on respect for human rights](#)

[P080 Response to rights of indigenous people](#)

[P120 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 are enhancing our management of these risks in order to integrate them 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 timeframes (short, medium, and long term) and assessing their materiality* based on the degree of impact and likelihood of occurrence. Material 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.

In fiscal 2025, in conjunction with the formulation of the Environmental Action Plan "Endless Green Program 2029" (EGP2029) (fiscal 2026 to 2029), we re-identified our material climate-related risks and opportunities.

* Climate-related risks and opportunities are assessed in terms of the timeframe over which their impacts are felt, together with their degree of impact and likelihood of occurrence; nature-related risks and opportunities are assessed in terms of the timeframe based on when they arise and their degree of impact.

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 material risks and opportunities by assessing each factor’s degree of impact (large, medium, small) and likelihood of occurrence while considering affected 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.

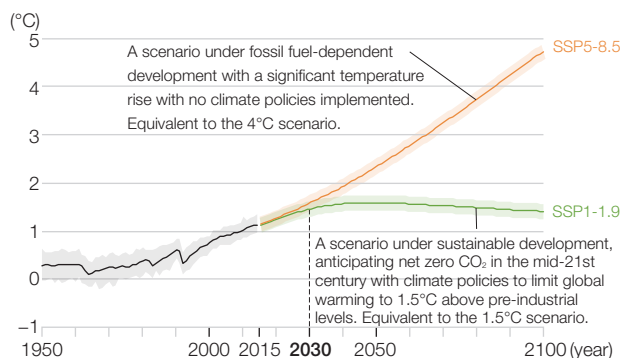
*2 A scenario with maximum GHG emissions under fossil fuel-dependent development with no climate policies implemented.

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.

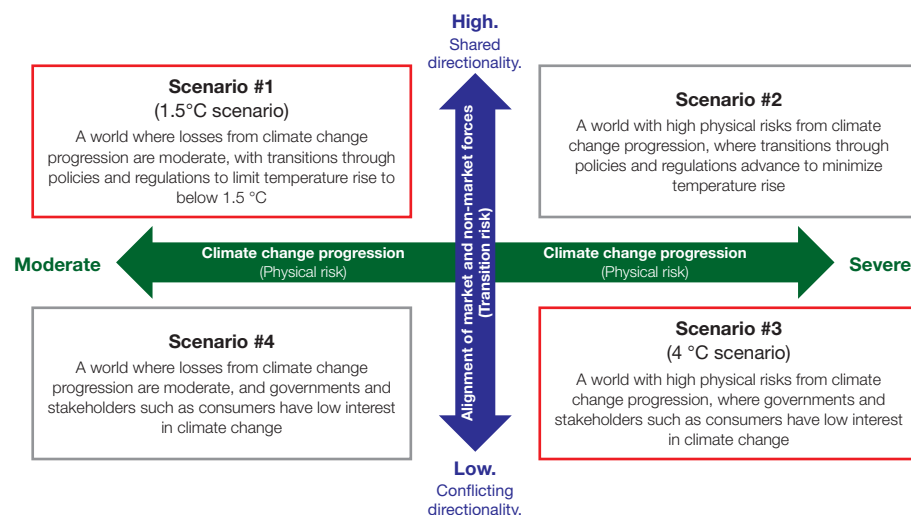
This analysis covers the Group’s main businesses (single-family housing, rental housing, condominiums, commercial facilities, office buildings, and Environment and Energy Business).

Changes in global average temperature



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

Envisioned scenarios



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

Climate-related risks and opportunities

In fiscal 2025, in conjunction with the formulation of the Environmental Action Plan “EGP2029” (fiscal 2026 to 2029), we re-identified our material climate-related risks and opportunities. We examined risks and opportunities across the entire Group, including sites outside Japan, and assessed their materiality in terms of degree of impact and likelihood of occurrence, while taking into account the timeframe over which their impacts are felt. For degree of impact, items whose financial impact can be estimated quantitatively are judged on that basis; the rest are assessed from other, qualitative perspectives such as “impact on our vision and management strategy,” “impact on business continuity and the supply chain,” and “reputation.” Multiplying degree of impact by likelihood of occurrence, the materiality assessment identified two risks and four opportunities.

Timeframes: Short-term (within 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

Likelihood of occurrence: Small (limited likelihood); Medium (possible); Large (highly likely)

■ Material risks related to climate change

Type	Details of risks	Timeframes	Degree of impact	Likelihood of occurrence	Response	Related pages
Transitions Policy	Higher costs for materials and operations due to tighter energy-saving and environmental regulations In fiscal 2025, compliance with energy-saving standards for newly built structures became mandatory in Japan, and the standards are set to be tightened to the ZEH/ZEB level around 2030. There are concerns that WLC* assessments, regulatory upper limits, mandatory LCCO ₂ reporting, responses to municipal decarbonization regulations, and the shift to GX ZEH will increase costs for materials, human capital, and R&D. Regulations are also being tightened in the United States (particularly in states such as California) and Europe, raising concerns over stronger data-management and reporting systems, design changes, additional costs, delays to construction starts and business plans, and also deterioration of operating costs and profitability due to rising prices and procurement costs for raw materials such as timber, steel, and concrete.	Medium term	Medium	Large	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. We also promote the continuous monitoring of regulatory trends in each country and region, more efficient data management, stronger collaboration with local partners, the diversification of low-carbon building materials and procurement sources, and the establishment of energy-saving, environmental consideration procurement systems with suppliers, thereby enhancing our global regulatory-compliance capabilities and business stability.	P028, P029
Physical changes Acute	Damage to our own facilities and business-interruption risk due to the intensification of weather-related disasters Damage to key sites such as our head office and factories would affect business continuity, and a prolonged suspension of commercial facilities could lead to lower sales. There is also a risk of higher indirect costs due to rising insurance premiums caused by frequent disasters.	Short, medium and long term	Medium	Large	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.	P034, P035

■ Material opportunities related to climate change

Type	Details of opportunities	Timeframes	Degree of impact	Likelihood of occurrence	Response	Related pages
Transition Products and services	Growing demand for houses and buildings with low greenhouse gases emissions The Japanese government has set a policy target of ensuring ZEH/ZEB-level energy-saving performance for newly built houses and buildings by 2030, and WLC*-based assessments and regulatory upper limits are also under consideration. If support measures for these are expanded, demand for our mainstay products, ZEH/ ZEB and low-LCCO ₂ timber buildings, is expected to grow.	Medium term	Medium	Large	We have set improvements in our ZEH and ZEB rates as KPIs, and we are expanding our lineup of products that come standard with ZEH specifications, holding ZEB seminars, strengthening education and training for sales and design staff, and developing proposal tools and energy-calculation tools. In addition, in the European and United States markets, we are working to expand sales of high-value-added housing by developing environmental consideration homes that use high-insulation, high-efficiency equipment and renewable energy, conducting proposal-based sales aligned with green mortgages and the like, supporting customers' financing through partnerships with financial institutions, and highlighting environmental value.	P028, P029
	Growing renewable energy demand driven by the government's policy to raise the share of renewables The Japanese government has indicated a policy of reducing greenhouse gases emissions by 73% from the fiscal 2013 level by fiscal 2040 and raising the share of renewable energy in the power mix to 40-50%. With more organizations joining RE100 and other trends, demand for renewable energy and related Environment and Energy Business is expanding, and the need to adjust supply and demand to cope with fluctuating power output is also rising.	Short and medium term	Medium	Large	Leveraging our nationwide land-information network and proposal opportunities for large-warehouse development projects, we develop and operate new renewable energy power plants using diverse methods, including off-site and on-site PPAs, meeting the needs of companies and municipalities committed to RE100. Going forward, we will also work on developing grid-scale storage batteries for supply-demand adjustment tools for solar power, whose output varies significantly over the course of the day and across seasons and is strongly affected by weather and other factors.	P029
Physical changes Products and services	Growing demand for resilience enhancement and adaptation to rising temperatures In Japan, cases where it takes a long time to recover from disasters are increasing, and overseas, large-scale disasters such as hurricanes, wildfires, and the flooding in the Netherlands are occurring frequently. Demand is rising in and outside Japan for energy self-sufficient buildings and highly resilient community development leveraging life continuity planning and business continuity planning.	Medium and long term	Medium	Large	We are promoting the development and adoption of ZEH/ZEBs with enhanced power self-sufficiency for use during disasters, sales of our branded disaster-ready home product, and the establishment of self-sufficient power models using renewable energy in offices and mixed-use developments. In addition, we are strengthening proposals to introduce high-efficiency air-conditioning equipment and unused-heat recovery equipment, even at factories and other sites where demand for air-conditioning was previously low, thereby responding to rising temperatures and expanding new sales opportunities. We also conduct weather-disaster risk assessments and are working to expand resilience-oriented community development matched to the risk level.	P028, P029, P034, P035
Transitions Markets	More orders and new customers from the expanding decarbonization renovation market With the government's greenhouse gases reduction targets and expanded renovation support policies, the decarbonization renovation market is growing. In response to rising needs for energy-saving renovations and renewable energy adoption in existing houses and buildings, we can expect to expand renovation orders, acquire new customer segments, and grow its stock business.	Medium term	Medium	Large	We are strengthening its capabilities to propose energy-saving and decarbonization renovations, introduce the latest environmental technologies, and actively use renovation support programs. Furthermore, by providing Group-wide solutions and collaborating with partner companies, we work to improve customer satisfaction and drive business growth.	—

* An abbreviation of Whole Life Carbon: the total amount of greenhouse gases emitted across a building's entire life cycle, from material procurement and construction to operation, demolition, and disposal.

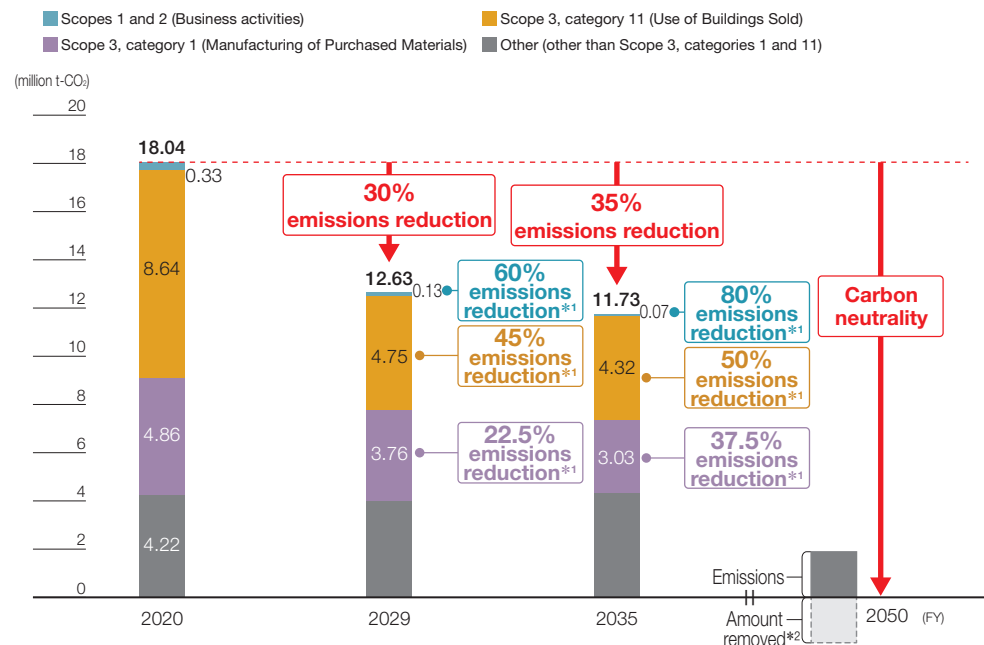
Response to the Task Force on Climate-related Financial Disclosures (TCFD)

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. We have set a milestone of reducing greenhouse gases emissions across the value chain (Scopes 1, 2, and 3) by 35% by 2035 (vs. fiscal 2020), and we are accelerating our efforts across all businesses and on all fronts. In conjunction with the formulation of the Environmental Action Plan “EGP2029” (fiscal 2026 to 2029), we revised the greenhouse gases emissions target for the value chain, changing the base year from fiscal 2015 to fiscal 2020 and expanding the scope to include operations outside Japan.

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

Target for GHG emissions across the value chain



Key actions for achieving targets

– FY2035



Scopes 1 and 2

- Upgrade to energy-saving equipment in our existing facilities
- Switch to renewable electricity using renewable energy we generate
- Make newly built company-owned facilities ZEB-compliant and install solar power generation equipment
- Convert company vehicles and privately owned vehicles to CEVs



Scope 3, category 11
(Use of Buildings Sold)

- Make buildings sold ZEH- and ZEH-M-compliant and promote GX ZEH and GX ZEH-M
- Make buildings sold ZEB-compliant
- Install solar power generation equipment on buildings sold



Scope 3, category 1
(Manufacturing of Purchased Materials)

- Promote the use of low-carbon building materials
- Offer those suppliers ideas for saving and generating energy

FY2035 – FY2050

- Replace heavy construction machinery and logistics trucks with electric models
- Adopt synthetic methane and biofuels

- Further improve ZEH and ZEB performance (increase BEI* and expand installed solar power generation capacity)
- * Ratio of primary energy consumption of designed buildings compared to benchmark buildings

- Increase the use of low-carbon building materials

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

Metrics and targets

Aiming to minimize risks and maximize opportunities associated with climate change, we have set management metrics and targets in the Environmental Action Plan “EGP2029” and are working hard to reach them. Correspondence between the key climate-related risks and opportunities and the EGP2029 management metrics is shown below.

Type	Key climate-related risks and opportunities	Management metrics (EGP2029)						
		GHG emissions reduction rate derived from use of products (vs. FY2020)	GX ZEH(-M) Series rate, ZEB rate, etc.	The number of ZEH-renovation equivalents	Renewable energy generation equipment construction results (EPC)	Renewable energy power plants development and operating (IPP)	Sales of electricity generated by the company-owned renewable-energy power stations (PPS)	Implementation rate and number of climate change adaptation measures
Transition risk	Higher costs for materials and operations due to tighter energy-saving and environmental regulations	●	●					
Physical risk	Damage to our own facilities and business-interruption risk due to the intensification of weather-related disasters							●
Opportunity	Growing demand for houses and buildings with low greenhouse gases emissions	●	●					
	Growing renewable energy demand driven by the government's policy to raise the share of renewables				●	●	●	
	Growing demand for resilience enhancement and adaptation to rising temperatures							●
	More orders and new customers from the expanding decarbonization renovation market			●				



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 value chain.

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 (UNEPWCMC) 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.

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.

* In this report, content corresponding to each stage of the LEAP approach (Locate, Evaluate, Assess, Prepare) recommended by the TNFD is indicated with an icon on the relevant pages.

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



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

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 in the Environment and Energy Business.

Construction and real estate businesses

In the construction and real estate businesses, impacts on nature across 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 Business

For the Group's Environment and Energy Business, 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

Value chain Business / Impacts and dependencies on nature		Upstream	Direct operations	Downstream
		Resource extraction and mining (including raw material transport) Material production (Material transport)	Real estate development Production, design and construction Renewable energy-based power generation	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 Business 	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)		

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

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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 "Very High" and "High" entries for impacts and dependencies in ENCORE. There are also some omissions related to the types of impacts and dependencies.

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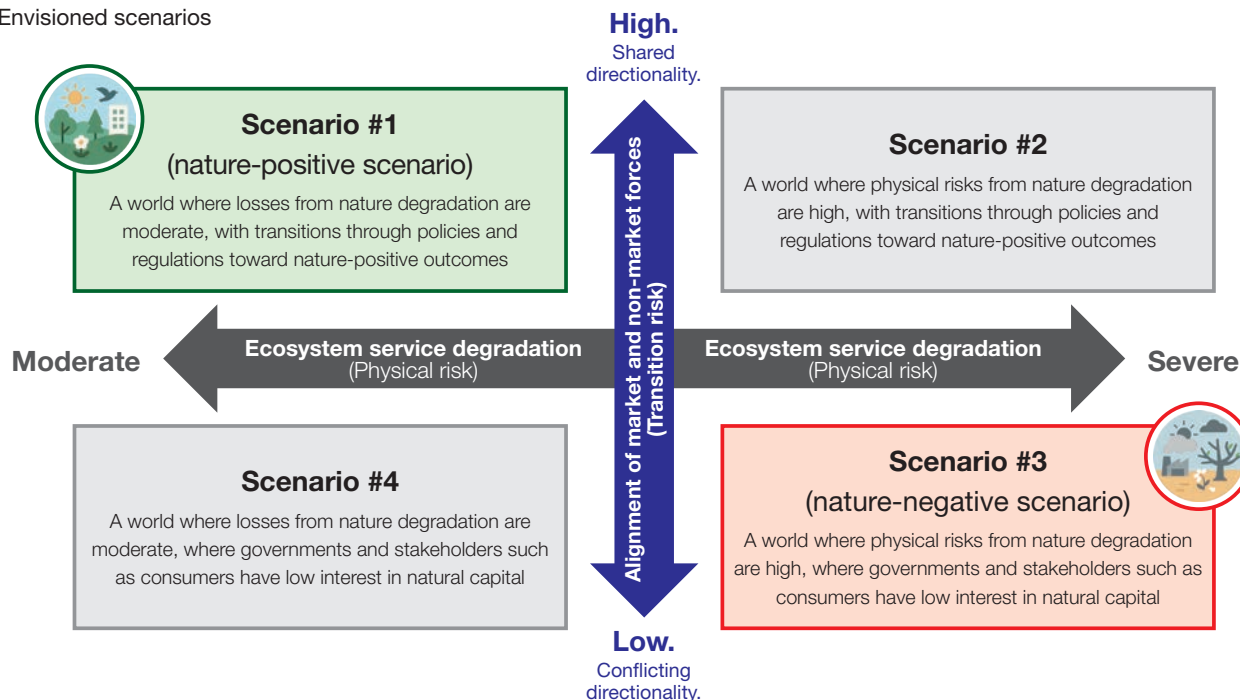


Scenario analysis and evaluation of nature-related risks and opportunities

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. The materiality assessment identified eight risks and seven opportunities.

■ Main nature-related risks

Potential timeframes: Short-term (within 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	Related pages
		Potential details timeframes	Initial impact level	Potential details 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	—	—	P013, P040
		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	—	—	
		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	—	—	P013
	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	—	—	P013
	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	P013, P040
Physical changes	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	P013, P038, P039
	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 factories 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	P049, P050
		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	P049

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

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■ Main nature-related opportunities

Potential timeframes: Short-term (within 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	Related pages
		Potential details timeframes	Initial impact level	Potential details 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	Under EGP2026, the Group sought to adopt water-saving fixtures in residential-use buildings such as housing, hotels, and nursing-care facilities, as well as in its renovation business, achieving an adoption rate of more than 99%. By fiscal 2029, we aim to raise the adoption rate of water-saving fixtures with even greater water-reduction effects, such as at-hand water shut-offs for bathroom showers and kitchen sinks, touchless faucets for washbasins, and low-flush toilets. We will also promote rainwater use in buildings, the adoption of water-circulation systems, and rainwater infiltration through permeable paving and greening. In the leadup to fiscal 2035, we will strengthen proposals for highly resilient products with low water-environment impact that are drought- and disaster-resilient.	P049
	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-considerate 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 proposing exterior greening and planting to customers, the Group uses the slogan “Let’s connect greenery!” The goal is to ensure that at least half of the newly planted trees (tall trees and shrubs) indigenous species suited to the nature of each region. In addition, Daiwa Lease, a Group company, has launched an environmental greening business and is offering advanced proposals for wall, rooftop, and indoor greening, primarily to business operators in Japan. By fiscal 2029, we will bring the area of ecosystem-considerate greening to 2 million m ² (cumulative from fiscal 2022). Furthermore, by fiscal 2035, we will steadily practice indigenous-species greening in our construction business and create a cumulative total of at least 3 million m ² of greenery that contributes to biodiversity.	P013, P040
	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 and confirms legal compliance and sustainability to decrease use of 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. By fiscal 2029, we will expand the scope beyond the timber surveys conducted to date to include concrete formwork and principal fittings and fixtures. Aiming to raise the share of S-ranked timber in total procurement to at least 99% and to practice zero-deforestation timber procurement, we will enhance the Group’s appeal to customers with a strong interest in the natural environment.	P013, P038, P039
	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	—	—	For single-family and rental housing, the Group provides a long-term initial warranty on the structural frame and waterproofing and has established a mechanism to extend the warranty with periodic inspections and maintenance. This provides homes that owners can live in with peace of mind over the long term and promotes the extended service life of buildings. The Group also conducts buyback-and-resale, purchasing vacant houses and vacant stores, renovating or refurbishing them, and selling them again. Going forward, in light of the increase in vacant houses and stores and the sharp rise in new-build prices, we will develop systems and strengthen our information-management framework to expand this business.	P046
Nature conservation opportunities	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	—	—	We launched the Future with Wood Promotion Department to strengthen our wood structure and finish business, and we are promoting proposals for wood structure and finish construction, mainly for small- and medium-scale buildings such as stores, offices, and welfare facilities with a total floor area of less than 3,000 m ² . By fiscal 2035, we aim to achieve sales of 300 billion yen and industry-leading scale in the non-residential timber construction business.	P017
	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	At facilities with high water usage (hotels, commercial facilities and stores, sports facilities, factories, etc.), the Group promotes water use reduction by installing water-saving devices for bathroom showers and faucets, waterless toilets, and rainwater tanks. By fiscal 2029, we aim for a 47% reduction in water usage per unit of sales (vs. fiscal 2012), and we will promote reductions in water-stressed areas. Furthermore, for sites with a large environmental impact, we aim to achieve targets based on the SBTN methodology while improving efficiency in water-intensive sectors, thereby meeting our company-wide water-usage reduction target in fiscal 2035.	P013, P049
Nature conservation opportunities	Protection of ecosystems						
	Conservation of biodiversity on company-owned land and at Group facilities Some company-owned sites 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 conducted biodiversity-related surveys of its own operational sites and identified sites important to biodiversity, such as designated nature conservation areas. At some of these significant sites, we score the management and conservation status using a checklist based on ABINC certification and are advancing the formulation and implementation of management and conservation plans. By fiscal 2029, we will complete a framework capable of conducting biodiversity assessments and risk responses at the same sites covered by our climate-change site management. At sites with a particularly high conservation effect, we will promote biodiversity conservation activities.	P013, P042

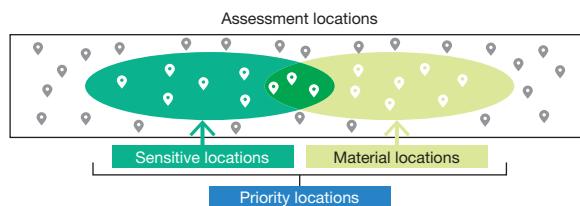
* Although nature conservation opportunities may not directly affect corporate business, we consider them important to the sustainability of ecosystem services, and we have identified them as opportunities and formulated strategies for them.

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

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 organization has identified material nature-related dependencies, impacts, risks and opportunities.

Management process for main important risks

■ Direct operations (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-considerate site management.

In fiscal 2025, of the 41 sites assessed as significant sites (sensitive locations), 20 had a biodiversity management and conservation plan formulated,*³ for a plan formulation rate of 48.8%. Going forward, we will advance the formulation of management and conservation plans that reconcile business operations with biodiversity conservation at all significant sites, and we will conduct monitoring in line with these plans.

Assessment locations	Directly operated sites (1,773 sites)
Priority locations (Sensitive locations)	Significant sites (41 sites) Sites with a management and conservation plan formulated (20 sites)

*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.

*³ Depending on the facility's use, such as offices, we omit the preparation of a biodiversity management and conservation plan for sites where the absence of negative impacts on biodiversity has been confirmed through interviews and the like.



P176 Environmental Data Biodiversity assessments for Daiwa House Group sites

■ Direct operations (Group facilities) | Water risk assessment

We assess the level of water stress in areas where Group facilities are located using WRI Aqueduct. For facilities in Japan, we confirmed that water-stress levels are at or below a certain threshold. At a hotel in Mexico that, based on the fiscal 2024 assessment, is located in a water-stressed area and uses more than 10,000 m³ of water, we plan to formulate a reduction plan and conduct target management starting in fiscal 2026.

For Group facilities (factories and golf course) 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 water quantity and quality based on the regional characteristics and risk responses of each facility. We have confirmed that there are no high-risk facilities.

Assessment locations	Sites where EGP2026 water usage is aggregated (all sites)
Priority locations (Sensitive locations)	Facilities that use a lot of water in water-stressed areas (Hotel in Mexico)



P050 Assessing water stress levels at Group facilities

P050 Water risk assessment at Group facilities

P183 Environmental Data Results of Comprehensive Water Risk Assessment at Group Facilities

■ Upstream (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 procurement, in addition to thoroughly checking the timber's public documents and switching sources to low risk areas.

Assessment locations	27 source-countries for timber procurement
Priority locations (Sensitive locations)	High risk areas (Sarawak in Malaysia, Tasmania in Australia, Russia*) * Russian hardwood Share of procured timber from high-risk areas: 0.3%
Priority locations (Material locations)	Areas with large volume of procurement (China, Southeast Asia)



P038 Conducting timber procurement survey at our suppliers

■ Upstream (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.



P050 Water risk evaluation at suppliers' factories

P183 Environmental Data Water risk assessment results in timber-producing countries

Management process for main important opportunities

■ Downstream (Products) | Expansion of the area of ecosystem-considerate vegetation cover

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 connect greenery!" 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.



P040 Planting greenery of native species in urban nature-positive efforts

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

Metrics and targets

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

■ TNFD global core disclosure metrics and measurement metrics for nature-related dependencies and impacts

Category	Metric number	Driver of nature change	Metric	Measurement metric	Metrics of the Environmental Action Plan “EGP2029” and items for which performance is tracked	
					Metrics*	Related pages
Dependencies and impacts	C1.0	Land/freshwater/ocean-use change	Total spatial footprint	Total spatial footprint (km ²) (total) · Total surface area under the organization's oversight, management, or control (km ²) · Total area disturbed (km ²) · Total area rehabilitated or restored (km ²)	• Formulation rate of management and conservation plans and monitoring implementation rate at significant sites of company facilities · Among directly operated sites, the area of sites in proximity to important biodiversity · The area of sites for which a biodiversity management and conservation plan has been formulated	P013, P042, P176
	C1.1		Extent of change in land/freshwater/ocean use	Extent of change in the use of land/freshwater/ocean ecosystems (km ²)	—	—
	C2.0	Pollution/pollution removal	Total amount of pollutants released to soil, by type	Total amount of pollutants released to soil, by type (t)	— (Leak-prevention controls are in place)	—
	C2.1		Wastewater discharge	Volume of water discharged (m ³) · Concentration of key pollutants in the wastewater discharged · Temperature of the water discharged	· Volume of wastewater discharged · Discharge concentration at significant sites located in water-risk areas	P182
	C2.2		Waste generation and treatment	Total amount of hazardous and non-hazardous waste generated, by type (t) Weight of hazardous and non-hazardous waste disposed of (t)	· Construction waste emissions (by item) · Specially controlled industrial waste emissions (Daiwa House Industry)	P179
	C2.3		Plastic pollution	Total weight of plastic used or sold (polymers, durable goods, packaging) (t)	• Recycling rate of waste plastics material (Manufacturing) • Reduction rate of incineration and final disposal of amenities that are plastic-containing products specified in law (hotels) vs. FY2021	P013
	C2.4		Total amount of non-greenhouse-gases (non-GHG) air pollutants	Non-GHG air pollutants by type (t) · Particulate matter (PM2.5 and/or PM10) · Nitrogen oxides (NO _x , NO, NO ₂) · Volatile organic compounds (VOCs or NMVOCs) · Sulfur oxides (SO _x , SO, SO ₂ , SO _x) · Ammonia (NH ₃)	• VOC emissions reduction rate (per unit of sales) vs. FY2013 · NO_x and SO_x emissions in the manufacturing phase	P184
	C3.0	Resource use/resource replenishment	Water withdrawal and consumption from areas of water scarcity	Water withdrawal and consumption from areas of water scarcity (m ³)	· Water usage (withdrawal) in water-stressed areas	P183
	C3.1		Quantity of high-risk natural primary commodities sourced from land/ocean/freshwater	Quantity of high-risk natural primary commodities sourced from land/ocean/freshwater (t)	• Proportion of S-ranked timber in procured timber • Traceability assurance rate for high-impact commodities · Volume of timber procured	P013, P174

* • **Bold:** Related EGP2029 metrics
· Regular type: Items for which performance is tracked (no target set)

Achievements and future challenges related to TCFD and TNFD

Governance and risk management

At the Board of Directors, while a certain level of reporting and deliberation occurs on how decisions are made in light of climate-related risks and opportunities and the trade-offs among them, the challenge is that this particular process is not clearly organized or documented. Because sustainability-related risks, such as climate change and nature, are among the important management issues that affect business activities over the short, medium, and long term, we will study ways to enhance their management, aiming to integrate these risks step by step into a company-wide risk-management process.

Strategy

In fiscal 2025, in conjunction with the formulation of the Environmental Action Plan “Endless Green Program 2029” (EGP2029) (fiscal 2026 to 2029), we re-identified the material climate-related risks and opportunities for the entire Group, including sites outside Japan. Going forward, for the identified risks and opportunities, we will work toward disclosure in line with the SSBJ standards—including the disclosure of financial impact—taking into account their relationship with our business strategy and Medium-Term Management Plan.

Metrics and targets

Aiming to minimize risks and maximize opportunities associated with climate change, we have set management metrics and targets in EGP2029 and are working hard to meet them. For the EGP2029 metrics and targets, we manage progress via regular monitoring and revise them as needed to improve their effectiveness.

For the nature-related area, we checked the status of our target-setting and performance-tracking against the global core metrics presented by the TNFD. Going forward, we will track our progress toward the targets.



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

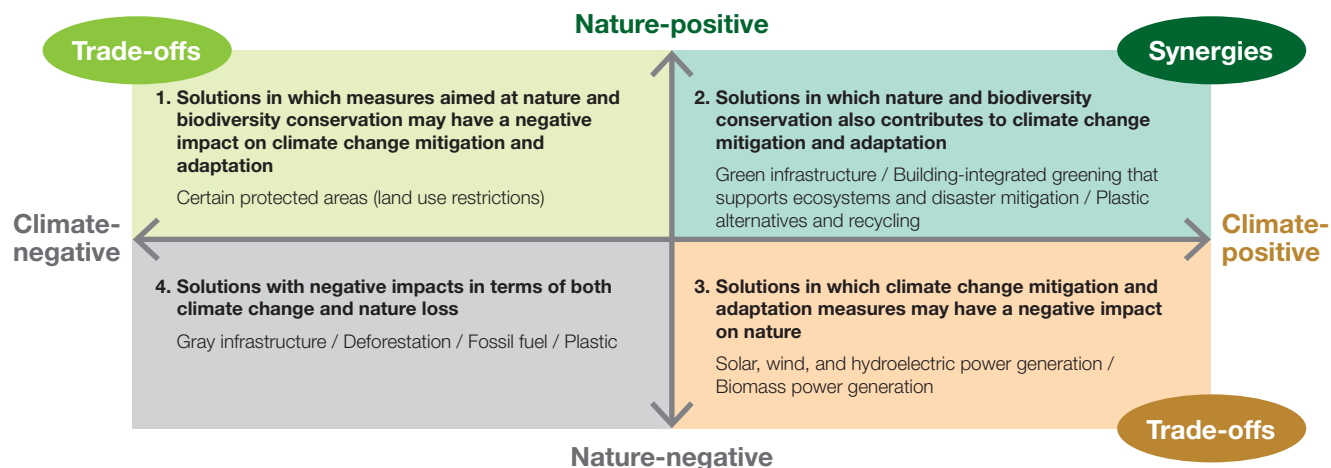
Synergies and Trade-offs Related to Climate Change and Nature-Positive Measures

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 Business, 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.	P040: 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.	P038: 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.	P047: Material recycling of waste plastics
Environment and Energy Business 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.	P042: Biodiversity assessments at directly operated sites, including power plants
Environment and Energy Business 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.	— (Legality and sustainability of wood pellets used in biomass power generation are confirmed)