Disclaimers

This document has been prepared solely for the purpose of providing U.K. and Dutch investors with certain information required to be disclosed to investors under section 3.2 of the Investment Funds Sourcebook of the Handbook of Rules and Guidance of the Financial Conduct Authority (the "**FCA**") and Article 23 of the European Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the "AIFMD") as implemented in the Netherlands respectively. Accordingly, you should not use this document for any other purpose.

Netherlands

The units of Daiwa House REIT Investment Corporation ("DHR" or the "AIF") are being marketed in the Netherlands under Section 1:13b of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or the "Wft"). In accordance with this provision, Daiwa House Asset Management Co., Ltd. (the "AIFM") has submitted a notification with the Netherlands Authority for the Financial Markets. The units of DHR will not, directly or indirectly, be offered, sold, transferred or delivered in the Netherlands, except to or by individuals or entities that are qualified investors (*gekwalificeerde beleggers*) within the meaning of Article 1:1 of the Wft, and as a consequence neither the AIFM nor DHR is subject to the license requirement pursuant to the Wft. Consequently, neither the AIFM nor the AIF is subject to supervision of the Dutch Central Bank (*De Nederlandsche Bank*, "DNB") or the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") and this Article 23 AIFMD Prospectus is not subject to approval by the AFM. No approved prospectus is required to be published in the Netherlands pursuant to Article 3 of the European Regulation 2017/1129 (the "Prospectus Regulation") as amended and implemented in Netherlands law. The AIFM is solely subject to limited ongoing regulatory requirements as referred to in Article 42 of the AIFMD.

In relation to each Member State of the European Economic Area (each, a "Member State"), no offer of units of DHR may be made to the public in that Member State except in circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of units shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplement to a prospectus pursuant to Article 23 of the Prospectus Regulation. For the purposes of this provision, the expression "an offer of units to the public" in relation to any units in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the units to be offered so as to enable an investor to decide to purchase or subscribe the units.

United Kingdom

Units of DHR are being marketed in the United Kingdom pursuant to regulation 59 of the United Kingdom Alternative Investment Fund Managers Regulations 2013 (as amended, the “AIFM Regulations”). In accordance with this provision, the AIFM has submitted a notification to the Financial Conduct Authority (the “FCA”) in the United Kingdom of its intention to market the units of DHR.

For the purposes of the United Kingdom Financial Services and Markets Act 2000 (as amended, “FSMA”) DHR is an unregulated collective investment scheme which has not been authorized by the FCA and the AIFM is not an authorized person for the purposes of FSMA.

Accordingly, any communication of an invitation or inducement to invest in DHR may be made to persons in the United Kingdom only to the extent communications to such persons (“Permitted Recipients”) are exempt from the general prohibition under the Financial Services and Markets Act (Financial Promotion) Order 2005 (as amended, the “Order”). Permitted Recipients are persons who are “professional investors” for the purpose of Regulation 2(1) of the AIFM Regulations and fall into one or more of the following categories of persons:

(1) persons to whom the financial promotion may be lawfully issued or directed to, including persons who are authorized under FSMA;
(2) persons who are investment professionals, as defined in article 19 of the Order;
(3) persons who are certified high net worth individuals, as defined in article 48 of the Order;
(4) persons who are high net worth companies, unincorporated associations, or other entities listed in article 49 of the Order; or
(5) persons who are certified sophisticated investors, as defined in article 50 of the Order.

The distribution of this document to any person in the United Kingdom in circumstances not falling within one of the above categories is not permitted and may contravene FSMA. No person falling outside those categories should treat this document as constituting a promotion to him, or act on it for any purposes whatever.

No offer of units of DHR may be made to the public in the United Kingdom except in circumstances falling within Article 1(4) of the UK Prospectus Regulation, provided that no such offer of units shall require the publication of a prospectus pursuant to section 85 of the FSMA or a supplement to a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression "an offer of units to the public" in relation to any units in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the units to be offered so as to enable an investor to decide to purchase or subscribe the units and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

Article 23 (1)(a)	
Objectives of the AIF	On September 1, 2016, Daiwa House Residential Investment Corporation, a predecessor entity to DHR (“DHI”), and Daiwa House REIT Investment Corporation (“Former DHR”) conducted a merger (the “Merger”), with DHI as the surviving entity and subsequently being renamed “Daiwa House REIT Investment Corporation”. Following the Merger, DHR has operated as a diversified REIT that focuses on investing in logistics, residential, and retail properties as well as hotels as core assets, and also in office buildings, healthcare facilities and other properties as non-core assets. DHR’s portfolio after the Merger includes the residential properties formerly held by DHI and the logistics and retail properties formerly held by Former DHR.
Investment strategy	DHR aims to achieve enhanced external growth potential and further internal growth opportunities through pursuing a diversified REIT strategy, improvement of DHR’s position in the J-REIT market and asset-management flexibility through scale enhancement, and targets acceleration of growth leveraging the value chain of the integrated capabilities of the Daiwa House group, which consists of Daiwa House Industry Co., Ltd. and its 432 consolidated subsidiaries, 54 equity method affiliates and one other affiliate, as of March 31, 2023 (the “Daiwa House Group”).
Types of assets the AIF may invest in	Real estate, trust beneficiary interests in real estate, real estate securities, specified assets and other assets.
Techniques it may employ and all associated risks	DHR is a diversified REIT that focuses on investing in logistics, residential, and retail properties as well as hotels as core assets, and also in office buildings, healthcare facilities and other properties as non-core assets. The principal risks with respect to investment in DHR are as follows: • any adverse conditions in the Japanese economy, including those resulting from inflation, future changes in monetary policy and interest rates, and banking sector instability as well as liquidity issues in some major economies, could adversely affect DHR; • Russia’s military offensive in Ukraine, the subsequent sanctions against Russia and the withdrawal of many major corporations from Russia and the resulting adverse impact on the global economy from a number of factors including higher energy prices and inflation, supply chain disruptions, lower global trade volumes, increases to interest rates by central banking authorities, and higher volatility in financial markets. • DHR recognized a substantial amount of goodwill in connection with the Merger, and any impairment of goodwill could adversely impact DHR’s financial condition and results of operations;

	• the outbreak of infectious disease including a new strain of coronavirus (COVID-19) may adversely impact on DHR's operations, business and financial condition; • DHR may not be able to acquire properties to execute the growth and investment strategy in a manner that is accretive to earnings; • illiquidity in the real estate market may limit the ability to grow or adjust the portfolio; • the past experience of the AIFM in the Japanese real estate market is not an indicator or guarantee of the future results; • DHR's reliance on Daiwa House Industry Co., Ltd. (the "Sponsor"), Daiwa House Group, DHR's support companies, the AIFM, and other third party service providers could have a material adverse effect on its business; • there are potential conflicts of interest between DHR, the Sponsor, Daiwa House Group and DHR's support companies as well as the AIFM; • DHR's revenues largely comprise leasing revenues from the portfolio properties, which may be negatively affected by factors including vacancies, decreases in rent, and late or missed payments by tenants; • DHR's current portfolio consists primarily of logistics, residential, retail and hotel properties, the market for which may be effected by macro-economic trends and other forces which DHR cannot control; • DHR intends to target in hotel properties as one of its core asset classes, as well as other types of properties including office buildings, but has a limited track record of investing in these properties; • investments in hotel properties and other properties will increase DHR's exposure to risks associated with these property types; • DHR faces significant competition in seeking tenants and it may be difficult to find replacement tenants; • increases in interest rates may increase the interest expense and may result in a decline in the market price of the units; • DHR may be adversely affected by defective title, design, construction or other defects or problems in the properties; • risks related to properties located on reclaimed land, including building subsidence; • risks related to properties designated as reserved land (*horyū-chi*) or provisionally allocated land (*kari-kanchi*); • DHR may suffer large losses if any of the properties incurs damage from a man-made or natural disaster, the frequency or severity of which may be increased by climate change; • a large proportion of the properties in DHR's portfolio is concentrated in Tokyo Metropolitan area;

	• many of DHR's properties, including most of its logistics properties, cater to a single tenant or a small number of tenants, which may make it difficult to find substitute tenants; • DHR relies on key tenants for certain of its properties; • any inability to obtain financing for future acquisitions could adversely affect the growth of the portfolio; • DHR's failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify DHR from certain taxation benefits and significantly reduce the cash distributions to the unitholders; and • the ownership rights in some of the properties may be declared invalid or limited. In addition, DHR is subject to the following risks: • risks related to increasing operating costs; • risks related to DHR's dependence on the efforts of the AIFM's key personnel; • risks related to the restrictive covenants under debt financing arrangement; • risks related to entering into forward commitment contracts; • risks related to third party leasehold interests in the land underlying DHR's properties; • risks related to holding the property in the form of stratified ownership (*kubun shoyū*) interests or co-ownership interests (*kyōyū-mochibun*); • risks related to properties not in operation (including properties under development or properties planned to be developed); • risks related to suffering impairment losses relating to the properties; • risks related to decreasing tenant leasehold deposits and/or security deposits; • risks related to lease terminations, decreases in lease renewals, tenant demands for decreases in rent and tenants' default as a result of financial difficulty or insolvency; • risks related to the insolvency of master lessors; • risks related to relying on expert appraisals and engineering, environmental and seismic reports as well as industry and market data; • risks related to the presence of hazardous or toxic substances in the properties, or the failure to properly remediate such substances; • risks related to the strict environmental liabilities for the properties; • risks related to the insider trading regulations; • risks related to the amendment of the applicable administrative laws and local ordinances; • risks related to infringing third party's intellectual property right; • risks related to holding Japanese anonymous association (*tokumei kumiai*) interests; • risks related to investments in trust beneficiary interest; • risks related to the tight supervision by the regulatory authorities and compliance with applicable rules and regulations;

	• risks related to the tax authority disagreement with the AIFM's interpretations of the Japanese tax laws and regulations; • risks related to being unable to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs; • risks related to changes in Japanese tax laws; and • the risk of dilution as a result of further issuances of units.
Any applicable investment restrictions	DHR is subject to investment restrictions under Japanese laws and regulations (e.g., the Act on Investment Trusts and Investment Corporations (the "ITA"), the Financial Instruments and Exchange Act (the "FIEA")) as well as its articles of incorporation. DHR must invest primarily in specified assets as defined in the ITA. Specified assets include, but are not limited to, securities, real estate, leaseholds of real estate, surface rights (*chijō-ken*) (i.e., right to use land for the purpose of having a structure on it) or trust beneficiary interests for securities or real estate, leaseholds of real estate or surface rights. Furthermore, a listed J-REIT must invest substantially all of its assets in real estate, real estate-related assets and liquid assets as provided by the listing requirements. Real estate in this context includes, but is not limited to, real estate, leaseholds of real estate, surface rights, and trust beneficiary interests for these assets, and real estate-related assets in this context include, but are not limited to, anonymous association (*tokumei kumiai*) interests for investment in real estate. Pursuant to the ITA, investment corporations may not independently develop land for housing or to construct buildings, but may outsource such activities in certain circumstances. Investment restrictions DHR places in its articles of incorporation are as follows: (1) Restrictions relating to securities and monetary claims DHR will place importance on stability and convertibility of investments into securities and monetary claims, and it will not make investments aimed only at gaining positive management profits. (2) Restrictions relating to derivatives transactions DHR will invest in rights associated with derivatives transactions only for the purpose of hedging against interest risks arising from DHR's liabilities and other related risks. (3) DHR will restrict its real estate investment targets to real estate located in Japan. (4) DHR will not invest in assets denominated in a foreign currency.
Circumstances in which the AIF may use leverage	DHR may take out loans or issue long-term or short-term corporate bonds for the purpose of investing in properties, conducting repairs, paying cash distributions, repaying obligations (including repayment of tenant leasehold or security deposits, and obligations related to loans or long-term or short-term corporate bonds) and other activities.

The types and sources of leverage permitted and associated risks	Loans or corporate bonds. DHR currently does not have any outstanding guarantees, but may be subject to restrictive covenants in connection with any future indebtedness that may restrict the operations and limit the ability to make cash distributions to unitholders, to dispose of the properties or to acquire additional properties. Furthermore, DHR may violate restrictive covenants contained in the loan agreements DHR executes, such as the maintenance of debt service coverage or loan-to-value ratios, which may entitle the lenders to require DHR to collateralize the properties or demand that the entire outstanding balance be paid. Further, in the event of an increase in interest rates, to the extent that DHR has any debt with unhedged floating rates of interest or DHR incurs new debt, interest payments may increase, which in turn could reduce the amount of cash available for distributions to unitholders. Higher interest rates may also limit the capacity for short- and long-term borrowings, which would in turn limit the ability to acquire properties, and could cause the market price of the units to decline.
Any restrictions on leverage	The maximum amount of each loan and corporate bond issuance will be one trillion yen, and the aggregate amount of all such debt will not exceed one trillion yen.
Any restrictions on collateral and asset reuse arrangements	No applicable arrangements.
Maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF	DHR has set an upper limit of 60% as a general rule for its loan-to-value, or LTV, ratio in order to operate with a stable financial condition. Additionally, DHR strives to maintain its LTV within a conservative range of 40 – 50%. DHR may, however, temporarily exceed any such levels as a result of property acquisitions or other events.
Article 23(1) (b)	
Procedure by which the AIF may change its investment strategy / investment policy	Amendment of the articles of incorporation. Amendment requires a quorum of a majority of the total issued units and at least a two-thirds vote of the voting rights represented at the meeting. Unitholders should note, however, that under the ITA and DHR's articles of incorporation, unitholders who do not attend and exercise their voting rights at a general meeting of unitholders are deemed to be in agreement with proposals submitted at the meeting, except in cases where contrary proposals are also being submitted. Additionally, the guidelines of the AIFM, which provide more detailed policies within DHR's overall investment strategy and policy, can be modified without such formal amendment of the articles of incorporation.
Article 23(1) (c)	

Description of the main legal implications of the contractual relationship entered into for the purpose of investment, including jurisdiction, applicable law, and the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established	DHR has entered into the following support agreements with the Sponsor or either of the support companies, which are Cosmos Initia Co., Ltd., Daiwa Lease Co., Ltd., Daiwa House Realty Mgt. Co., Ltd., Fujita Corporation and Daiwa Logistics Co., Ltd., each of which is governed by Japanese law: • New Basic Agreement Regarding Pipeline Support, Etc. by and among DHR, the AIFM and the Sponsor, which came into effect on September 1, 2016; • Various asset sale and purchase agreements with the Sponsor; • Basic Agreement Regarding Pipeline Support, Etc. dated as of September 1, 2016 by and among DHR, the AIFM and Cosmos Initia Co., Ltd., another support company of DHR; • Basic Agreement Regarding Pipeline Support, Etc. dated as of September 1, 2016 by and among DHR, the AIFM and Daiwa Lease Co., Ltd., another support company of DHR; • Basic Agreement Regarding Pipeline Support, Etc. dated as of September 1, 2016 by and among DHR, the AIFM and Daiwa House Realty Mgt. Co., Ltd., another support company of DHR; • Basic Agreement Regarding Pipeline Support, Etc. dated as of September 1, 2016 by and among DHR, the AIFM and Fujita Corporation, another support company of DHR; and • Basic Agreement Regarding Pipeline Support, Etc. dated as of September 1, 2016 by and among DHR, the AIFM and Daiwa Logistics Co., Ltd., the other support company of DHR
Article 23(1) (d)	
The identity of the AIFM, AIF's depository, auditor and any other service providers and a description of their duties and the investors' rights thereto	• AIFM (Asset Manager): Daiwa House Asset Management Co., Ltd. • Auditor: Ernst & Young ShinNihon LLC • Custodian, Transfer Agent, General Administrator, Special Account Manager and General Administrator for Investment Corporation Bonds: Sumitomo Mitsui Trust Bank, Limited • General Administrator for Investment Corporation Bonds: MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation and Resona Bank, Limited Service providers owe contractual obligations under their respective agreements with the AIF or AIFM, as the case may be. In addition, the FIEA provides that the Asset Manager owes the AIF a fiduciary duty and must conduct its activities as the asset manager in good faith. The FIEA also prohibits the Asset Manager from engaging in certain specified conduct, including entering into transactions outside the ordinary course of business or with related parties of the Asset Manager that are contrary to or violate the AIF's interests. Pursuant to the ITA, the unitholders have the right to approve the execution or termination of the asset management agreement at a general meeting of unitholders.
Article 23(1) (e)	

Description of how the AIFM complies with the requirements to cover professional liability risks (own funds / professional indemnity insurance)	Not applicable.
Article 23(1) (f)	
Description of any delegated management function such as portfolio management or risk management and of any safekeeping function delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations	Not applicable. There is no delegation of such functions beyond the AIFM, which is responsible for portfolio and risk management, and the Custodian, which is responsible for safekeeping activities.
Article 23(1) (g)	
Description of the AIF's valuation procedure and pricing methodology, including the methods used in	DHR makes investment decisions based on the valuation of properties, upon consideration of the property appraisal value. DHR shall evaluate assets in accordance with its article of incorporation. The methods and standards that DHR uses for the evaluation of assets shall be based on the Regulations Concerning the Calculations of Investment Corporations, as well as the Regulations Concerning Real Estate Investment Trusts and Real Estate Investment Corporations and other regulations stipulated by ITA, in addition to Japanese GAAP.

valuing hard-to-value assets	J-REITs may only use the valuation methods prescribed in the rules of the Investment Trusts Association, Japan, which emphasize market price valuation.
Article 23(1) (h)	
Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors	The AIFM stipulates basic provisions of risk management in its risk management rules. Additionally, the AIF uses various financing methods, including investment corporation bonds and long-term or short-term loans, to finance acquisitions and repayment obligations. DHR controls related risk by maintaining the ratio of interest-bearing debt to total assets under a certain percentage, diversifying repayment deadlines, and retaining a certain amount of highly liquid cash and deposits. For floating rate borrowings exposed to the risk of interest rate fluctuations, DHR closely monitors the movement of interest rates, and intends to increase the proportion of its obligations subject to fixed rate loans and similar instruments. Risks related to deposits are managed through the use of liquid deposits. As DHR is a closed-end investment corporation, unitholders are not entitled to request the redemption of their investment.
Article 23(1) (i)	
Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by the investors	Compensation: The articles of incorporation provide that DHR may pay its executive officer up to 800 thousand yen per month and each of its supervisory officers up to 350 thousand yen per month. The board of officers is responsible for determining a reasonable compensation amount for the executive officer and each of the supervisory officers. Asset Manager: • Asset Management Fee: DHR will pay the Asset Manager an asset management fee as follows: ○ Asset Management Fee 1 DHR will, within 1 month after the end of each fiscal period, pay an amount up to a maximum of the amount (calculated pro rata based on the actual number of days in the relevant fiscal period, taking one year as being 365 days; the same applies to calculations of the base fee below) calculated by multiplying total asset value (minus the amount equivalent to unamortized positive goodwill) (as assessed under DHR's articles of incorporation and in accordance with Article 131, Paragraph 2 of the Investment Trusts Act), as of the closing of the latest fiscal period, by 0.40% p.a. ○ Asset Management Fee 2

	DHR will pay, by the end of the month following that of the day of the approval of the financial statements for the previous fiscal period, an amount not exceeding the amount calculated by multiplying the total of real estate rental business income after subtracting the total of the real estate rental business expenses (excluding gain on negative goodwill) for the relevant fiscal period by 5.0%. o Asset Management Fee 3 DHR will, within 1 month after the end of each fiscal period, pay total of the following amounts: (i) amount not exceeding the amount calculated by multiplying the total asset value as at each fiscal period by the ratio calculated in accordance with Table 1 and 0.012% p.a. (ii) amount not exceeding the amount calculated by multiplying the total asset value as at each fiscal period by the ratio calculated in accordance with Table 2 and 0.004% p.a. However, if the ratio is not available due to any reasons including failure of the valuation organization to perform valuation for any reasons attributable to it, the calculation will be made using the ratio of the most recent fiscal period. If the ratio is not available due to any reasons including failure of DHR to participate in the valuation for any reasons attributable to it, the calculation will be made using the lowest ratio indicated in Table 2. (iii) amount not exceeding the amount calculated by multiplying the total asset value as at each fiscal period by the ratio calculated in accordance with Table 3 and 0.004% p.a. However, if the ratio is not available due to any reasons including failure of the valuation organization to perform valuation for any reasons attributable to it, the calculation will be made using the ratio of the most recent fiscal period. If the ratio is not available due to any reasons including the failure of DHR to participate in the valuation for any reasons attributable to it, the calculation will be made using the lowest ratio indicated in Table 3. Table 1 <table><tr><td>Ratio</td><td>1－Greenhouse gas (GHG) emission reduction rate</td></tr></table>Note: Greenhouse gas (GHG) emission reduction rate = ((b)-(a))/(a) (rounded to the nearest three decimal places) (a): 0.0556 of the greenhouse gas (GHG) emissions intensity for the FY2017 (from April 2017 to March 2018) (t-CO_2/m2) (b): Greenhouse gas (GHG) emissions intensity for the fiscal year (from April to March) immediately preceding each fiscal period (t-CO_2/m2)

Note: Greenhouse gas (GHG) emissions intensity is calculated by dividing the greenhouse gas (GHG) emission ($t\text{-}CO_2$) by intensity denominator (gross floor area (m2)), and fractions are rounded to the nearest fourth decimal places.

Note: Intensity denominator (gross floor area (m2)) covers the property held by the Investment Corporation in the FY2017 or the fiscal year (from April to March) immediately preceding each fiscal period, excluding properties with respect to which data is unable to be obtained for reasons such as that it is not possible to obtain approval from a third party.

Table 2

GRESB real estate valuation	★	★★	★★★	★★★★	★★★★★
Ratio	0.8	0.9	1.0	1.1	1.2

Note: The ratio will be determined based on the valuation as of the last day of the fiscal period immediately preceding each fiscal period.

Table 3

CDP climate change program valuation	D-	D	C-	C	B-	B	A-	A
Ratio	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3

Note: The ratio will be determined based on the valuation as of the last day of the fiscal period immediately preceding each fiscal period.

- Acquisition/Disposition Fee

  When real estate or real-estate-backed securities are newly acquired or sold, DHR will pay the Asset Manager, by the end of the month following the month of acquisition/sale, an amount not exceeding the amount calculated by multiplying the purchase/sale price of the asset acquired by 0.5%, or 0.25% if acquired from/sold to a related party.
- Merger Fee

  If the AIFM conducts a survey or valuation of the assets held by a possible merger partner for DHR and DHR inherits these assets held by the merger partner through a merger, an amount multiplied by a rate not exceeding 0.8% of real estate and real estate-backed securities on the merger effective date shall be paid to the Asset Manager by the end of the month following that of the effective date of the merger.

<u>Custodian</u>:

- Custodian Fee: DHR will pay the Custodian a fee per operational period calculated as follows:

  The amount of total assets as of the end of the prior month x 0.03% ÷ 12 per month

General Administrators:

- General Administrators Fee: DHR will pay the General Administrators a fee per operational period calculated as follows:

  The amount of total assets as of the end of the prior month x 0.09% ÷ 12 per month

Transfer Agent:

- Transfer Agent Fee (Standard Fee):

  Standard transfer agent fees are for services such as preparation, maintenance and storage of DHR's unitholder register; preparation and reporting of the end-of-period unitholders register and unitholder statistical data.

  The monthly standard fees will be the total of the amount calculated using the following table divided by 6, with a minimum monthly fee of 200,000 yen.

Number of Unitholders	Fees per Unitholder
first 5,000 unitholders	480 yen
over 5,000 to 10,000	420 yen
over 10,000 to 30,000	360 yen
over 30,000 to 50,000	300 yen
over 50,000 to 100,000	260 yen
over 100,000	225 yen

- Other fees:

  DHR pays the transfer agent other fees for various other services, including in connection with the issuance of dividends.

Auditor:

- Auditor Fee:

  DHR may pay the independent auditor up to 25 million yen per fiscal period. The board of officers is responsible for determining the actual compensation amount.

	The AIF may also incur other miscellaneous fees in connection with the issuance of units, investment corporation bonds and the operation, acquisition or disposition of properties.
Article 23(1) (j)	
Description of the AIFM's procedure to ensure fair treatment of investors and details of any preferential treatment received by investors, including detailing the type of investors and their legal or economic links with the AIF or AIFM	Under Article 77 paragraph 4 of the Act on Investment Trusts and Investment Corporations of Japan, which applies the requirements of Article 109 paragraph 1 of the Companies Act to investment corporations, investment corporations are required to treat unitholders equally depending on the number and content of units held. In addition, upon liquidation, the allotment of residual assets to unitholders is required to be made equally depending on the number units held under Article 77 paragraph 2 item 2 and Article 158 of the ITA.
Article 23(1) (k)	
The latest annual report referred to in Article 22(1)	Additional information may be found in DHR’s most recent semi-annual report prepared in accordance with Article 22 of the AIFMD, which is available at the AIFM’s office located at Nissei Nagatacho Building, 7th Floor, 4-8 Nagatacho 2-chome, Chiyoda-ku, Tokyo, Japan.
Article 23(1) (l)	
The procedure and conditions for the issue and sale of the units	DHR is authorized under the articles of incorporation to issue up to 8,000,000 units. DHR’s units have been listed on the Tokyo Stock Exchange since March 22, 2006. Secondary market sales and transfers of units will be conducted in accordance with the rules of the Tokyo Stock Exchange. Unit prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange sets daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day’s closing price or special quote.
Article 23(1) (m)	

Latest net asset value of the AIF or latest market price of the unit or share of the AIF	DHR's unit's latest market price is publicly available at the Tokyo Stock Exchange or from financial information venders (including Reuters, which can be viewed at http://www.reuters.com/finance/stocks/overview?symbol=8984.T).
Article 23(1) (n)	
Details of the historical performance of the AIF, where available	The units of DHR were listed on the Tokyo Stock Exchange on March 22, 2006. The most recent five fiscal periods' performance of DHR is as follows.

Fiscal period	Total Assets (JPY million)	Total Net Assets (JPY million)	Net Assets per unit (JPY)
32nd Fiscal Period (September 1, 2021 to February 28, 2022)	964,669	524,178	225,938
33rd Fiscal Period (March 1, 2022 to August 31, 2022)	963,566	521,820	224,922
34th Fiscal Period (September 1, 2022 to February 28, 2023)	960,621	520,049	224,159
35th Fiscal Period (March 1, 2023 to August 31, 2023)	958,747	518,173	223,350
36th Fiscal Period (September 1, 2023 to February 29, 2024)	957,752	515,502	222,199

Article 23(1) (o)	
Identity of the prime broker, any material arrangements of the AIF with its prime brokers, how conflicts of interest are managed with the prime broker and	No applicable prime broker.

the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets, and information about any transfer of liability to the prime broker that may exist	
Article 23(1) (p)	
Description of how and when periodic disclosures will be made in relation to leverage, liquidity and risk profile of the assets, pursuant to Articles 23(4) and 23(5)	The AIFM will disclose the matters described in Articles 23(4) and 23(5) periodically through the AIF Internet website and fiscal report.
Article 23(2)	
The AIFM shall inform the investors before they invest in the AIF of any arrangement made by the depository to contractually discharge itself of liability in accordance with Article 21(13)	Not applicable.

The AIFM shall also inform investors of any changes with respect to depositary liability without delay	Not applicable.
Article 23(4)(a)	
Percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. The percentage shall be calculated as the net value of those assets subject to special arrangements divided by the net asset value of the AIF concerned	There are no assets that are subject to special arrangements arising from their illiquid nature.
Overview of any special arrangements, including whether they relate to side pockets, gates or other arrangements	There are no such special arrangements.
Valuation methodology applied to assets which are subject	There are no such special arrangements.

to such arrangements	
How management and performance fees apply to such assets	There are no such special arrangements.
Article 23(4)(b)	
Any new arrangements for managing the liquidity of the AIF	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
For each AIF that the AIFM manages that is not an unleveraged closed-end AIF, notify to investors whenever they make changes to its liquidity management systems (which enable an AIFM to monitor the liquidity risk of the AIF and to ensure the liquidity profile of the investments of the AIF complies with its underlying obligations) that are material in accordance with Article 106(1) of Regulation (EU)	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.

No 231/2013 (i.e. there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the AIF).	
Immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Overview of changes to liquidity arrangements,	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.

even if not special arrangements	
Terms of redemption and circumstances where management discretion applies, where relevant	DHR is a closed-end investment corporation, and unitholders are not entitled to request the redemption of their investment.
Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning 'first in line' or 'pro-rating' on gates and suspensions shall be included	There are no voting or other restrictions on the rights attaching to units.
Article 23(4)(c)	
The current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks	The AIFM stipulates basic provisions of risk management in their risk management rules. Investment corporation bonds and long-term or short-term loans are used to finance acquisition of real estate, redemption of investment corporation bonds and repayment of loans. These financial instruments are exposed to liquidity risk. DHR controls such risk by maintaining the ratio of interest-bearing debt to total assets under a certain percentage, diversifying repayment deadlines, and retaining a certain amount of highly liquid cash and deposits. For floating rate borrowings exposed to the risk of interest rate fluctuations, DHR, in order to reduce the impact caused by rising interest rates, closely monitors the movement of interest rates, and intends to increase the ratio of fixed rate loans compared to floating rate loans. Deposits are exposed to credit risks, including collapse of the financial institutions where deposits are made, and, thus, are managed through the use of liquid deposits.

Measures to assess the sensitivity of the AIF's portfolio to the most relevant risks to which the AIF is or could be exposed	No such measures have been implemented.
If risk limits set by the AIFM have been or are likely to be exceeded and where these risk limits have been exceeded a description of the circumstances and the remedial measures taken	No such situation has occurred.
Article 23(5)(a)	
Any changes to the maximum amount of leverage which the AIFM may employ on behalf of the AIF, calculated in accordance with the gross and commitment methods. This shall include the original and revised maximum level of leverage calculated in	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.

accordance with Articles 7 and 8 of Regulation (EU) No 231/2013, whereby the level of leverage shall be calculated as the relevant exposure divided by the net asset value of the AIF.	
Any right of the reuse of collateral or any guarantee granted under the leveraging agreement, including the nature of the rights granted for the reuse of collateral and the nature of the guarantees granted	No such right or guarantee exists.
Details of any change in service providers relating to the above.	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Article 23(5)(b)	
Information on the total amount of leverage employed by the AIF calculated in accordance with the gross and	The aggregate amount of DHR's interest-bearing debt (including investment corporation bonds) was JPY 424,550 million as of April 1, 2024.

commitment methods	

ANNEX A
PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS—SFDR PRE-CONTRACTUAL DISCLOSURE

Product Name/Legal Identifier: Daiwa House REIT Investment Corporation / 3538001FWU534P8JMO05

Daiwa House REIT Investment Corporation (hereafter referred to as "DHR") promotes environmental and social characteristics, but does not have as its objective a sustainable investment within the meaning of article 9(1) of Regulation (EU) 2019/2088 ("SFDR"). DHR has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on Daiwa House Asset Management Co., Ltd. (the "Asset Manager"), to manage and operate the properties in its portfolio. DHR and Daiwa House Asset Management Co., Ltd. are hereinafter referred to collectively as "we," "us" or "our." References to "fiscal period" or "FP" are to the six-month periods ending February and August of each year, unless noted otherwise. We have no reference benchmark designated for the purposes of attaining the environmental or social characteristics promoted by our investment units.

<table>
<tr><th colspan="2">Does this financial product have a sustainable investment objective?</th></tr>
<tr><th>☐ Yes</th><th>☒ No</th></tr>
<tr><td>☐ It will make a minimum of sustainable investments with an environmental objective: __%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</td><td>☐ It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective</td></tr>
<tr><td>☐ It will make a minimum of sustainable investments with a social objective: __%</td><td>☒ It promotes E/S characteristics, but will not make any sustainable investments</td></tr>
</table>

What environmental and/or social ("E/S") characteristics are promoted by DHR?

Our business group's core business motto is "creating dreams, building hearts", which emphasizes our goal of creating value for individuals and communities through relationships of trust that contribute to sustainability and social positivity at large. In line with this goal, we recognize that sustainability and consideration for ESG factors is a necessary component of long-term success in ensuring stable revenue and steady growth of assets over the medium to long term. As such we have established a "Sustainability Policy" which guides our real estate investment management. In line with our Sustainability Policy, we have implemented various environmental, social and governance initiatives including the following:

- *Prevention of global warming*. We promote energy conservation measures through the installation of energy conservation equipment and environmentally friendly infrastructure to help promote energy efficiency and create a society free of carbon-dependence. We will also consider introduction of renewable energy power generation facilities and acquisition of properties that have such infrastructure installed to help reduce greenhouse gas (GHG) emissions.

- *Harmony with the natural environment (preservation of biodiversity).* We aim to help build a society that is able to pass on abundant natural resources to future generations in order to protect and improve natural capital. We will also promote planning and management that take into consideration coexistence with the environment.

- *Conservation of natural resources (protecting water resources and reducing waste).* We work towards the realization of a recycling-oriented society by promoting water conservation measures through the installation of water conservation equipment. We will also promote reduction, reuse, and recycling of our resources.

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

- *Establishment of an internal framework and initiatives for employees.* The Asset Manager has established an internal framework to promote sustainability and conducts regular educational programs and training for officers and employees on the framework. The Asset Manager also strives to create a workplace that ensures the safety and health of our employees and accommodates diverse needs of the employees flexibly.

- *Building of trusting relationships with external stakeholders.* We aim to build relationships of trust with external stakeholders and will work with our suppliers to enhance the satisfaction of tenant-customers and promote Corporate Social Responsibility (CSR) in our supply chain. We will undertake neighborhood community promotion activities with local residents.

- *Promotion of communication through information disclosure.* We proactively disclose ESG-related information and engage in dialogues with stakeholders such as investors in our future business activities. Furthermore, we will continue to obtain Green Building Certification for our properties.

- *Regulatory compliance and risk management.* We strive to implement appropriate risk management, such as giving consideration for the environmental and social impacts in risk evaluations when acquiring real estate and promoting awareness of human rights.

What sustainability indicators are used to measure the attainment of each of the E/S characteristics promoted by DHR?

The Asset Manager has recognized that matters such as reduction of energy usage and GHG emission in asset management operations are important environmental issues, and as such we have established mid- and long-term goals as well as the metrics by which we can track our progress in achieving environmental sustainability targets. The specifics of each of our targets and the corresponding metrics are as follows:

- *Energy consumption.* We track the energy consumption of our properties where such data collection is possible. Our goal is to reduce the energy consumption of such properties by 1% per square meter each year, and by 10% per square meter by the year ending March 31, 2028 compared to the level of the year ended March 31, 2018. In the year ended March 31, 2023, the average energy consumption across the tracked properties was 0.0912 megawatt-hours per square meter of floor space (MWh/m2) compared to an average of 0.1253 MWh/m2 in the year ended March 31, 2018, a 27.2% reduction per square meter.

- *Greenhouse gas emissions and renewable energy.* We track the GHG emissions of our properties where such data collection is possible. Our goal is to reduce the GHG emissions of such properties by 1% per square meter each year, and by 10% per square meter by the year ending March 31, 2028 compared to the level of the year ended March 31, 2018. In the year ended March 31, 2023, the average rate of greenhouse gas emissions across the tracked properties was 0.0361 tons of carbon dioxide per square meter of floor area (t-CO2/m2) compared to an average of 0.0556 t-CO2/m2 in the year ended March 31, 2018, a 35.1% reduction. We also established a goal to reduce the GHG emissions of all of our properties by 42% by the year ending March 31, 2031 compared to the year ended March 31, 2021, and also to achieve net zero GHG emissions by the year ending March 31, 2051.

- *Water consumption.* We track the water usage of our properties where such data collection is possible. Our goal is to reduce the water usage per square meter for such properties to a level lower than the level for the year ended March 31, 2018 by the year ending March 31, 2028. In the year ended March 31, 2023, the average water consumption rate across the tracked properties was 0.3352 m3/m2 compared to an average of 0.8205 m3/m2 in the year ended March 31, 2018, a 59.1% reduction. We additionally aim to increase the proportion of water usage from sources with lighter environmental footprint, such as groundwater for properties where available rather than tap water.

- *Waste management.* We track the rate of recycling and waste management of our properties where such data collection is possible, and our goal is to increase the rate of recycling for the year ending March 31, 2028 above that of the year ended March 31, 2018. In the year ended March 31, 2023, the average rate of recycling across the tracked properties was 71.9% compared to an average of 54.2% in the year ended March 31, 2018.

- *Environmental certification rate*. To increase the objectivity and reliability of our initiatives to reduce the environmental impact of our properties, we intend to increase medium- to long-term asset value and seek to obtain third-party external certifications and evaluations. As of March 31, 2023, 68.8% of our total property on a gross floor area basis held at least one of the four major environmental certifications, and we aim to increase the certified portion to 70% or more by March 31, 2031. The four certifications we have pursued thus far are the Development Bank of Japan Green Building Certification (DBJ Green Building Certification), Comprehensive Assessment System for Built Environment Efficiency for Real Estate Certification (CASBEE for Real Estate Certification), the Building-housing Energy-efficient Labeling System Assessment (BELS Assessment) and Leadership in Energy and Environmental Design (LEED Certification).

The details and metrics of social sustainability initiatives and targets are as follows:

- *Human resource development.* Our key indicators for human resource development goals are training programs and professional certifications obtained by employees of the Asset Manager. In the four years from the year ended March 31, 2019 to the year ended March 31, 2023, the Asset Manager offered 23, 27, 53, 30, and 62 total trainings to its officers and employees in each year, respectively. To encourage and incentivize employees to obtain professional certifications, the Asset Manager provides financial support to its employees seeking such qualifications. This includes coverage of registration and renewal fees as well as congratulatory payments for newly-acquired licenses. As of March 31, 2023, 72 of the Asset Manager's employees held a total of 133 professional qualifications such as Association for Real Estate Securitization (ARES) Certified Masters, Real Estate Transaction Agent certification, among others.

- *Diversity.* We track demographics of employees of the Asset Manager to ensure diversity, particularly of age and gender. Between the year ended March 31, 2019 and the year ended March 31, 2023, the Asset Manager increased the proportion of female employees from 29.5% to 35.7% and female managers from 0.0% to 20.7%.

- *Green leases.* The number of green leases (agreements between property owners and tenants regarding the reduction of the environmental burden of the property, e.g., through energy savings and workplace environment improvement) serves as another metric for our promotion of social sustainability efforts. As of March 31, 2023, we had 215 properties with green lease agreements representing 96.3% of our property on a gross floor area basis (excluding land properties).

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

Not applicable.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not applicable.

Principal Adverse Impacts

Does DHR consider principal adverse impacts on sustainability factors?

Yes, we consider principal adverse impacts of our investment decisions on sustainability factors. We believe that investment decisions that negatively affect the climate or environmental resources, or have negative implications for society, can significantly increase the risk to value creation for our unitholders. To this end, we consider the principal adverse impacts of our investment decisions on sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of properties in our portfolio. We aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence. For example, as described in more detail above, sustainability-related factors we consider in operating our business include the following:

- *Energy consumption.* We track the energy consumption of our properties where such data collection is possible. Our goal is to reduce the energy consumption of such properties by 1% per square meter each year, and by 10% per square meter by the year ending March 31, 2028 compared to the level of the year ended March 31, 2018.

- *Greenhouse gas emissions and renewable energy.* We track the GHG emissions of our properties where such data collection is possible. Our goal is to reduce the GHG emissions of such properties by 1% per square meter each year, and by 10% per square meter by the year ending March 31, 2028 compared to the level of the year ended March 31, 2018.

- *Water consumption.* We track the water usage of our properties where such data collection is possible. Our goal is to reduce the water usage per square meter for such properties to a level lower than the level for the year ended March 31, 2018 by the year ending March 31, 2028.

- *Waste management.* We track the rate of recycling and waste management of our properties where such data collection is possible, and our goal is to increase the rate of recycling for the year ending March 31, 2028 above that of the year ended March 31, 2018.

- *Environmental certification rate*. To increase the objectivity and reliability of our initiatives to reduce the environmental impact of our properties, we intend to increase medium- to long-term asset value and seek to obtain third-party external certifications and evaluations. As of March 31, 2023, 68.8% of our properties on a gross floor area basis held at least one of the four major environmental certifications, and we aim to increase the certified portion to 70% or more by March 31, 2031.

More information related to principal impacts on sustainability factors can be found on the website: https://www.daiwahouse-reit.co.jp/en/sustainability/

Investment Strategy

What investment strategy does DHR follow?

- *Strategy*. In addition to many environmental risks concerning not only climate change but also resource and water security, environmental pollution, etc., we directly face other risks such as those related to competition, real estate, and business diversification. While recognizing climate change as a risk that could pose one of the biggest impacts in the medium to long term, we also identify such risks as areas of potential, and incorporate them in our overall risk management process.

- *Pollution Prevention*. Before adding any property to our portfolio, we conduct detailed environmental due diligence on the matters listed below. During the due diligence process, we comprehensively assess the property's investment value, weighing its impact on our overall portfolio, contribution to expected increase in value and other relevant considerations while consulting a fair real-estate appraisal by a qualified third-party expert.

- *Property Assessments Based on Hazard Maps.* At the beginning of each fiscal period, we analyze properties in the portfolio as of the end of the previous fiscal period using a matrix analysis based on stability and profitability. In these property analyses, disaster risk is converted into a score utilizing a hazard map as an indicator of exposure to climate change risks.

- *Sustainability Committee*. To promote our ESG policy, the Asset Manager has established a Sustainability Committee consisting of the President and CEO, the General Manager of Sustainability Promotion Department, all Managing Directors, Heads of Division, General Managers (excluding the Compliance Officer) and other selected officers and employees. One outside expert advisor and the Compliance Officer serve as observers to the Committee. The Committee is in charge of reviewing and formulating policies, targets and measures related to our sustainability policy and execution of sustainability-related operations. Meetings of the Sustainability Committee are held at least once a month. The Sustainability Committee reports to the Board of Directors on matters of sustainability, including climate-related matters, biodiversity and other global environmental issues and risks for management such as natural disasters.

What are the binding elements of the investment strategy used to select the investments to attain each of the E/S characteristics promoted by DHR?

The Asset Manager has established a number of protocols that bind and guide our investment strategies and decisions in line with the Sustainability Policy, including Environmental Management System (EMS) and Sustainable Procurement Policy. The EMS requires that the Asset Manager continuously endeavor to reduce environmental impact by setting environmental targets on energy consumption, GHG emissions, water consumption, waste management, obtain information about strategy results, and implement corrective procedures and improvements through a plan-do-check-act (PDCA) implementation cycle. The EMS provides instructions on how to implement our policies on energy saving, GHG emissions reduction, water conservation, and waste management. Our investments, including, but not limited to, property acquisition and renovation are required to follow the EMS instructions in our effort to reduce overall environmental impact and to meet the targets set by the Sustainability Committee.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

We do not commit to a minimum rate to reduce the scope of the investments considered prior to the application of our current investment strategy. All investments are made pursuant to our current investment strategy.

What is the policy to assess good governance practices of the investee companies and DHR?

DHR invests directly or indirectly through trust beneficiary interests in real estate and real estate-related assets. Therefore, the assessment of good governance practices in relation to investee companies is not applicable to DHR.

To promote our ESG policy, the Asset Manager has established a Sustainability Committee consisting of President and CEO, General Manager of Sustainability Promotion Department, all Managing Directors, Heads of Division, General Managers (excluding the Compliance Officer) and other selected officers and employees. One outside expert advisor and the Compliance Officer serve as observers to the Committee. The Committee is in charge of reviewing and formulating policies, targets and measures related to our sustainability policy. Meetings of the Sustainability Committee are held at least once a month. The Sustainable Procurement Policy set by the Sustainability Committee requires that all of our suppliers not only practice green procurements but also respect human rights of all employees, promote workplace diversity and work-life balance, and implement policies related to corporate ethics such as prevention of fraud and corruption.

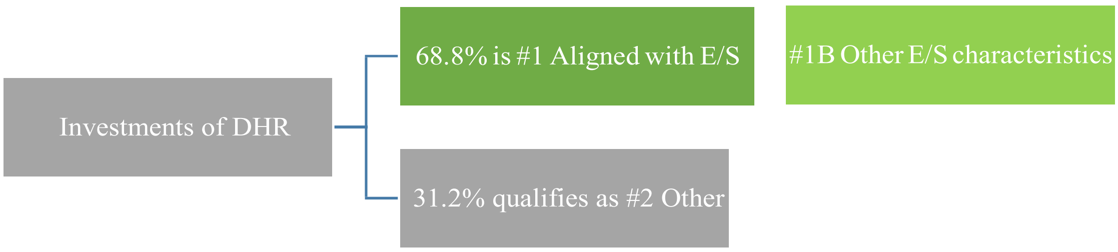
Additionally, the Asset Manager has established Regulations Concerning the System for Promoting Sustainability which promote adoption of green leases. The green leases allow us to enforce sustainable practices and development of our properties on a contractual basis with a larger number of lessees while at the same time helping us achieve our sustainability goals.

For more information on our sustainable investment strategies, please see our Sustainability Report 2023 available at https://www.daiwahouse-reit.co.jp/file/en-esg_reports-e7c77a55828626c9d757df03a50c80385e1e2ca6.pdf (Any information in the link is not to be considered incorporated by reference into this Annex.)

Asset Allocation

What is the asset allocation planned for DHR?

DHR's asset allocation is 100% in real estate and real estate-related assets. We use the Building Energy-efficiency Labeling System (BELS), Comprehensive Assessment System for Built Environment Efficiency (CASBEE), the Development Bank of Japan Green Building Certification (DBJ Green Building Certification) and Leadership in Energy and Environmental Design (LEED Certification) for the environmental certification of the properties in our portfolio. We also track and monitor these property-level environmental certifications to assess the environmental performance of our portfolio. As of March 31, 2023, 68.8% of the properties in our portfolio based on gross floor area has environmental certifications, and we plan to obtain environmental certifications for 70% of the properties in our portfolio based on gross floor area by the end of March 2031.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by DHR?

Not applicable.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

Does DHR invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?

Not applicable. DHR does not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels and/or nuclear energy-related activities.

What is the minimum share of investments in transitional and enabling activities?

Not applicable.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.

What is the minimum share of socially sustainable investments?

Not applicable.

What investments are included under "#2 Other," what is their purpose and are there any minimum environmental or social safeguards?

As of March 31, 2023, 32.2% of the properties in our portfolio based on gross floor area do not have environmental certifications. We have invested in these properties in accordance with our investment strategy. We will consider obtaining appropriate environmental certifications for these properties in due course. We investigate the presence of harmful substances, the history of past land usages and the environment of the soil when investing in properties. We do not invest in properties on which appropriate measures are not taken under the Soil Contamination Countermeasures Act of Japan and other environmental laws and ordinances. Even if certification is not obtained, we will continue to implement operations for properties that meet environmental and social characteristics. We work to reduce our environmental impact by promoting energy savings and proper sorting and disposal of waste, through initiatives such as conversion to LED lighting and the introduction of energy-saving air conditioning and water saving equipment even on our properties without any environmental certifications.

Index as Reference Benchmark

Is a specific index designated as a reference benchmark to determine whether DHR is aligned with the environmental or social characteristics that it promotes?

DHR does not designate a reference benchmark.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by DHR?

Not applicable.

Where can the methodology used for the calculation of the designated index be found?

Not applicable.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

Not applicable.

How does the designated index differ from a relevant broad market index?

Not applicable.

More Product-specific Information

Where can I find more product-specific information online?

More product-specific information can be found on the website:

https://www.daiwahouse-reit.co.jp/en/sustainability/

Note Regarding the EU Taxonomy Regulation

As set out above, we promote certain environmental characteristics.

The Asset Manager is required, under Regulation (EU) 2020/852 (the "EU Taxonomy Regulation"), to disclose whether its assets are aligned with the environmental objectives formulated in the EU Taxonomy regulation. The EU Taxonomy Regulation is to be complemented by technical standards and screening criteria which are currently being developed. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021. They apply as of January 1, 2022.

We invest in economic activities that are eligible under the EU Taxonomy Regulation in respect of climate change mitigation and/or climate change adaptation. This means that screening criteria for these investments have been or will be developed. The Asset Manager expressly states that in view of the fact that the regulations are still under development or have only recently been adopted and the fact that, as a result thereof, data on alignment of our investments with these environmental objectives and climate related goals in line with EU Taxonomy Regulation are not sufficiently available, the Asset Manager is not currently in a position to disclose on an accurate and reliable basis to what extent our investments technically qualify as Taxonomy-aligned or "environmentally sustainable" within the specific meaning of the EU Taxonomy Regulation. Our investments may have a positive contribution to these environmental objectives and may therefore eventually be considered Taxonomy-aligned, but at this stage, the Asset Manager is required to state that there is no minimum proportion of our investments that qualify as such.

The Asset Manager further states that the "do no significant harm" principle applies only to those investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities. The investments underlying the other portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF DHR (SFDR ARTICLE 6 DISCLOSURE)

DHR and the Asset Manager address sustainability risks by taking into account ESG factors in our investment decision process and on a continuous basis. As described above, in order to conduct sustainable asset management while maximizing the value of our properties, we have considered ESG factors in our investment and asset management processes and have established a number of ESG-related initiatives. Our Sustainability Committee is responsible for reviewing and formulating policies and targets for integrating our sustainability goals into our business and for assessing the potential impact of sustainability risks on our business.

While sustainability issues may severely impact our business activities, we believe that such issues may also become potential business opportunities to create new value for sustainable growth. Accordingly, we position our commitment to sustainability as one of the top priorities in our management strategies. If our ESG initiatives are not sufficient, our investment units may be excluded from investment by investors who use the status of ESG initiatives as one of their investment criteria. As a result, the investment unit price may be adversely affected. We are exposed to the following risks in particular.

Transition Risks

We face a number of risks associated with the transition to a low-carbon economy, primarily stemming from policy and legal changes, technological changes, and market changes. Such risks may impact our business in the form of increased costs of compliance with changing regulations, the cost of climate litigation, costs associated with replacing our existing technology infrastructure with less carbon-intensive alternatives and rising costs of raw materials or substituting certain materials for more expensive low-carbon alternatives. In line with TCFD recommendations, we have identified a number of transition risks which we face and estimated the economic impact that such transition risks would have on our business in two scenarios: first, where global warming is limited to an average of 2°C globally, and second where global warming is limited to an average of 4°C globally. Such risks and their estimated impacts are as follows:

- an estimated impact of ¥35 million and ¥29 million on our business in the 2°C and 4°C scenarios, respectively, associated with the risk of increased costs related to GHG emissions in business activities due to the possible introduction of carbon taxes;

- an estimated impact of ¥94 million and ¥42 million on our business in the 2°C and 4°C scenarios, respectively, associated with the risk of indirect increases in the cost of services related to GHG emissions, such as for renovation work;

- an estimated impact of ¥798 million on our business in both the 2°C and 4°C scenarios, associated with the risk of incurring costs for the installation and maintenance of solar power production equipment;

- an estimated impact of ¥914 million on our business in both the 2°C and 4°C scenarios, associated with the risk of decreases in rental income due to failure to obtain environmental certifications;

and

- an estimated impact of ¥48 million on our business in both the 2°C and 4°C scenarios, associated with the risk of decreases in the price of our investment units and increases in funding costs due to delays in ESG compliance.

We have identified a number of strategies to manage the above risks, including introducing energy-saving equipment, setting consumption and emissions targets, setting internal carbon pricing, increasing production of renewable energy, proactively conducting renovations, acquiring new low-carbon properties, and more.

Physical Risks

The assets in which we invest are exposed to physical risks, including damage from earthquakes, floods and storms inherent to the areas in which they are located, and possibly made more frequent or more severe by climate change. Damage to our properties by natural disasters is likely to negatively impact their value, either directly through damage to premises or through changes in tenant perception of the geographic safety of our properties. In order to assess and develop strategies, we have identified a number of physical risks which our properties face in line with TCFD recommendations. Further in line with TCFD recommendations, we have estimated the economic impact that the above physical risks would have on our business in two scenarios: first, where global warming is limited to an average of 2°C globally, and second where global warming is limited to an average of 4°C globally. Such risks and their estimated impacts are as follows:

- an estimated impact of ¥427 million and ¥854 million on our business in the 2°C and 4°C scenarios, respectively, associated with the risk of building repair costs increasing due to increased natural disasters such as floods;

- an estimated impact of ¥42 million to ¥1,000 million on our business in the 2°C and ¥84 million to ¥2,000 million in the 4°C scenario associated with the risk of decreases in rental income due to increased chance of buildings flooding;

- an estimated impact of ¥22 million and ¥45 million on our business in the 2°C and 4°C scenarios, respectively, associated with the risk of non-life insurance premiums increasing due to heightened risk of water damage; and

- an estimated impact of ¥42 million in increases in water costs and ¥271 million in increases in energy costs in 2°C scenario and ¥45 million in increase in water costs and ¥272 million in increases in energy costs in the 4°C scenario associated with the risk of increased water and energy costs for tenants due to rising average temperature.

We have identified a number of strategies to manage the above risks, including maintaining insurance coverage appropriate to our assessed risk, performing waterproofing at our properties, replacing properties for those with high resilience to the effects of climate change, installing sandbags, water stop plates and tide plates, introducing energy-saving and water-saving equipment, planting native plants, collaborating with tenants and promoting green leases.

The figures shown for the estimated impact of various risks represent the annual amount of impact estimated by the Asset Manager based on past results and other factors with reference to the general parameters disclosed. Accordingly, there is no guarantee that these figures will accurately reflect the actual impact of these risks.

More information related to our climate change policy can be found on our website:

https://www.daiwahouse-reit.co.jp/en/sustainability/climate/strategy.html