

# Daiwa House REIT

Leveraging comprehensive strengths of Daiwa House Group  
and aiming to continuously increase unitholder value

## Sustainability Report 2023

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## Editorial Policy

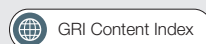
This report describes the overall efforts of Daiwa House REIT Investment Corporation (hereinafter referred to as “DHR”) and its asset manager, Daiwa House Asset Management Co., Ltd. (hereinafter referred to as the “Asset Manager”) to contribute to the realization of a sustainable society and to maximize unitholder value over the medium to long term.

This report has been prepared based on information on the website as of August 2023. For the latest information thereafter, please refer to the website, which will be updated as needed.

This report contains forward-looking statements, but these statements are based on judgments made with information available at the time each material was prepared, and are not guarantees of future financial results.

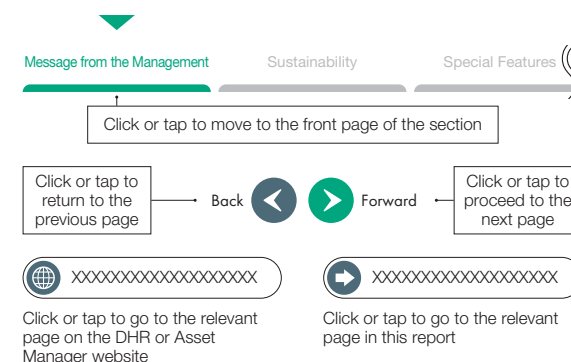
Yen amounts of less than the units indicated are truncated in this report.

|                      |   |
|----------------------|---|
| Issue Date           | : August 2023 (Issue frequency: Annually, Next issue: July 2024 (subject to change))  |
| Scope                | : In general, Daiwa House REIT Investment Corporation and Daiwa House Asset Management Co., Ltd.  |
| Period               | : April 2022–March 2023 (including details of activities before or after as necessary)  |
| Reference Guidelines | : Sustainability reporting standards, GRI Environmental Reporting Guidelines 2018, Japanese Ministry of the Environment Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) |



### Navigating This Report

Each page features navigation buttons to make it easier to move between pages.



## Message from the Management

### Toshiharu Asada

Executive Director  
Daiwa House REIT  
Investment Corporation



### Koichi Tsuchida

President and CEO  
Daiwa House Asset  
Management Co., Ltd.



DHR will work to continuously increase unitholder value by ensuring stable revenue and steady growth of its assets over the medium to long term through fully utilizing Daiwa House Group's comprehensive strengths and knowhow regarding real-estate development.

#### Daiwa House REIT Investment Corporation's Sustainability Policy and Strategy

Aiming to ensure stable revenue and steady growth of assets over the medium to long term, we will strive to manage assets in a manner that embraces ESG considerations while appropriately disclosing such performance

Daiwa House REIT Investment Corporation and its asset manager Daiwa House Asset Management Co., Ltd. share the Daiwa House Group's basic approach of "Creating Dreams, Building Hearts." To attain a sustainable society, it is essential that we include environmental, social, and governance ("ESG") considerations in real estate investment management operations. We also believe that this will contribute to ensuring stable revenue and achieving steady asset growth over the medium to long term, which is DHR's basic policy. As such, the Asset Manager established the Sustainability Policy in April 2017, and has been applying it to its real estate investment management business.

Additionally, DHR's growth strategy calls for efforts to increase unitholder value by combining business (economic) value and social (non-financial) value. Strategies to increase social (non-financial) value include (1) improving ESG ratings from GRESB, CDP, and other third-party organizations, (2) reducing greenhouse gas (GHG) emissions, (3) promoting the conservation of biodiversity, (4) reducing asset management risk through the Asset Manager's human capital and health management, and (5) committing to increasing social value by introducing sustainability index-linked fees. This constitutes our Sustainability Report, prepared for providing an opportunity for unitholders and other stakeholders to learn more about the various ESG initiatives and approaches implemented by DHR and the Asset Manager thus far. Going forward, DHR will keep striving to enhance its ESG initiatives further with respect to its real estate investment management business, while endeavoring to appropriately disclose such performance.

#### Leading-edge Initiatives for Achieving Net Zero GHG Emissions

##### Promoting leading-edge initiatives for achieving net zero GHG emissions

At the 27th United Nations Climate Change Conference held in Egypt in November 2022 (COP27), the parties of the UNFCCC voiced the world's unwavering commitment to reducing GHG emissions to achieve the 1.5°C target.

In October 2020, the Japanese government declared that Japan would realize carbon neutrality by 2050, and in October 2021, revised its target for the fiscal year 2030 to an ambitious 46% reduction in GHG emissions compared to the fiscal year 2013. Companies and organizations now face the crucial task of actively shifting to renewable energy sources. Supporting these trends, DHR has set targets for achieving net zero GHG emissions by the fiscal year ending March 2051, becoming the first J-REIT to receive certification from the Science Based Targets initiative (SBTi) that these targets are consistent with the levels required by the Paris Agreement and are based on scientific evidence.

#### Acquiring External Evaluation

##### We aim to acquire external evaluation and improve assessment results in order to achieve greater objectivity and reliability with respect to our sustainability initiatives

DHR gained recognition as a climate change A List company for the second consecutive year under the 2022 CDP Climate Change Program, upon having received the highest-rated "A" score in recognition of exhibiting high standards internationally when it comes to addressing issues of climate change and disclosing information in that regard. DHR was also awarded the highest rating of 5 stars for the first time and

selected as a Regional Listed Sector Leader (Asia/Diversified) in the 2022 GRESB Real Estate Assessment.

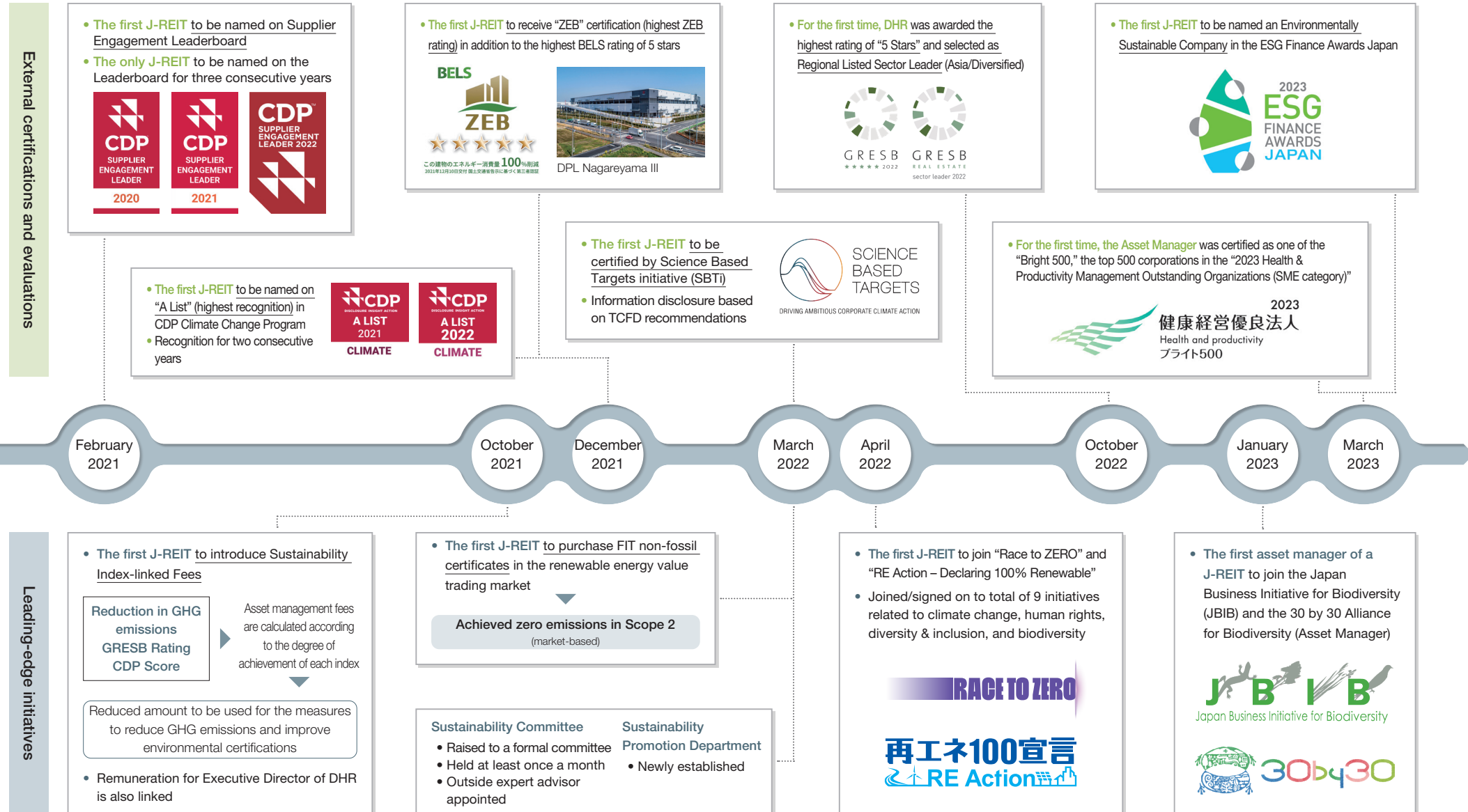
Additionally, DHR became the first J-REIT to be named an Environmentally Sustainable Company—fulfilling the requirements for fullness of disclosures—in the Fourth Annual ESG Finance Awards Japan.

#### Biodiversity Initiatives

DHR and the Asset Manager believe climate change, human rights, diversity and inclusion, and biodiversity are important social issues to address. By joining the initiatives related to the above, we will continue to actively work on solving social issues. The Asset Manager became the first asset manager of a J-REIT to join the Japan Business Initiative for Biodiversity (JBIB), a group of Japanese corporations actively working to conserve biodiversity, and the 30 by 30 Alliance for Biodiversity, a coalition promoting efforts to achieve 30 by 30, an initiative to halt the loss of biodiversity and put it on a recovery track (nature positive) by 2030 with the goal to effectively conserve at least 30% of land and sea as healthy ecosystems by 2030.

## Sustainability History

### Obtained External Certifications and Evaluations as the First J-REIT and Implemented Leading-edge ESG Initiatives



(Note) In chronological order of the date of announcements

# Sustainability Policy

## Policy and Basic Approach

### Sustainability Policy

The Daiwa House Group's basic approach is "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the Daiwa House Group aims to build trusting relationships with stakeholders and contribute to society through its businesses, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts." Daiwa House Asset Management Co., Ltd. shares the Daiwa House Group's basic approach as DHR's asset manager, and considers that including consideration for ESG in its real estate investment management operations contributes to DHR's basic policy of ensuring stable revenue and steady growth of assets over the medium to long term. Therefore, we have established the following "Sustainability Policy" to guide our real estate investment management.

#### 1. Prevention of global warming

We will promote energy conservation measures through the installation of energy conservation equipment and so forth to realize a carbon-free society. We will also consider introduction of renewable energy power generation facilities and acquisition of properties that have such equipment installed.

#### 2. Harmony with the natural environment (preservation of biodiversity)

We will aim for 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 planting and management considering harmony with the surrounding environment.

#### 3. Conservation of natural resources (protecting water resources, reducing waste)

We will 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 3R activities (reduce, reuse, and recycle) for resources.

#### 4. Prevention of chemical pollution

We will 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.

#### 5. Establishment of an internal framework and initiatives for employees

We will establish an internal framework for promoting sustainability and take steps to develop human resources by conducting regular education and training for employees. We will also aim to create workplaces where people can work safely and healthily, and workplaces where diverse employees can work flexibly.

#### 6. Building of trusting relationships with external stakeholders

We will aim to build trusting relationships with external stakeholders and we will work on our suppliers to enhance the satisfaction of tenant customers and promote CSR in our supply chain. We will undertake neighborhood co-existence activities with local residents.

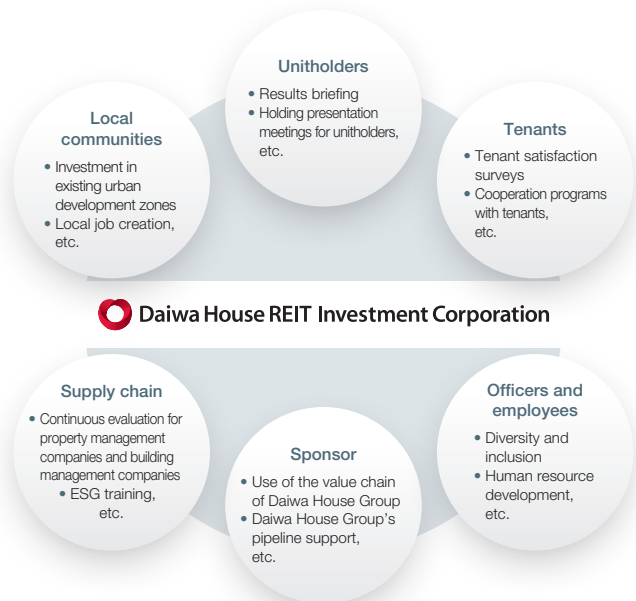
#### 7. Promotion of communication through information disclosure

We will proactively disclose ESG-related information and utilize dialogues with stakeholders, such as investors, in our future business activities. Furthermore, we will aim for continuous acquisition of Green Building Certification.

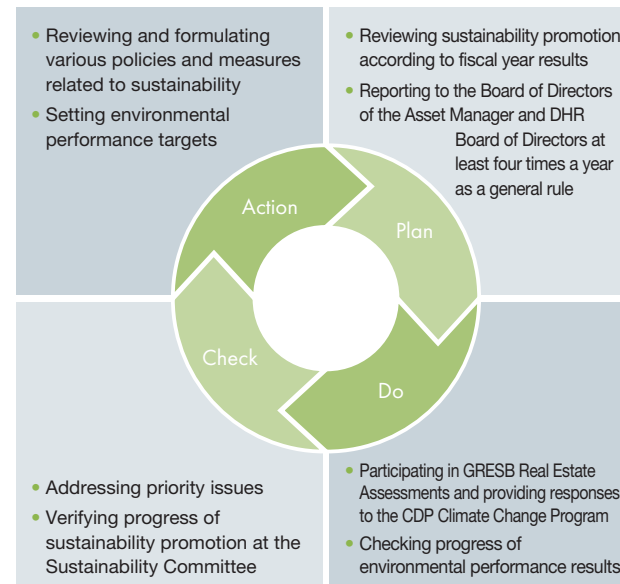
#### 8. Compliance with laws and regulations, and risk management

We will comply with ESG-related laws and regulations. Moreover, we will 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.

## Stakeholder Engagement



## Concept of Sustainability Promotion Based on the PDCA Cycle



## Identified Materiality

|                        | Materiality  | Goals related to the main SDGs |
|------------------------|--|--------------------------------|
| <b>E Environmental</b> | <b>Climate Change</b> <ul style="list-style-type: none"> <li>Energy efficiency (energy savings)</li> <li>Promotion of reduction of greenhouse gas emissions (renewable energy)</li> <li>Improvement of building resilience</li> <li>Cooperation with tenants (promotion of Green Leases)</li> </ul>          | <br><br>                       |
| <b>S Social</b>        | <b>Employees and Tenants</b> <ul style="list-style-type: none"> <li>Human resource development (training and career development)</li> <li>Promotion of diversity</li> <li>Improvement in the health, safety, and comfort of tenants</li> <li>Cooperation with tenants (promotion of Green Leases)</li> </ul> | <br><br>                       |
| <b>G Governance</b>    | <b>Employees and Tenants</b> <ul style="list-style-type: none"> <li>Ensuring compliance (appropriate transactions with interested parties)</li> <li>Acquisition and improvement of Green Building Certification and ESG assessments</li> </ul>   | <br>                           |

## Sustainability Promotion System

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

#### Sustainability Committee

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

#### Sustainability Committee

Committee Head : President and CEO

Operating officer : General Manager, Sustainability Promotion Department

Executing officer : Head of Daiwa House REIT Division, Head of Private Fund Division

Members : All full-time Directors, Heads of Division, General Managers (excluding Compliance Officer) and other selected officers and employees

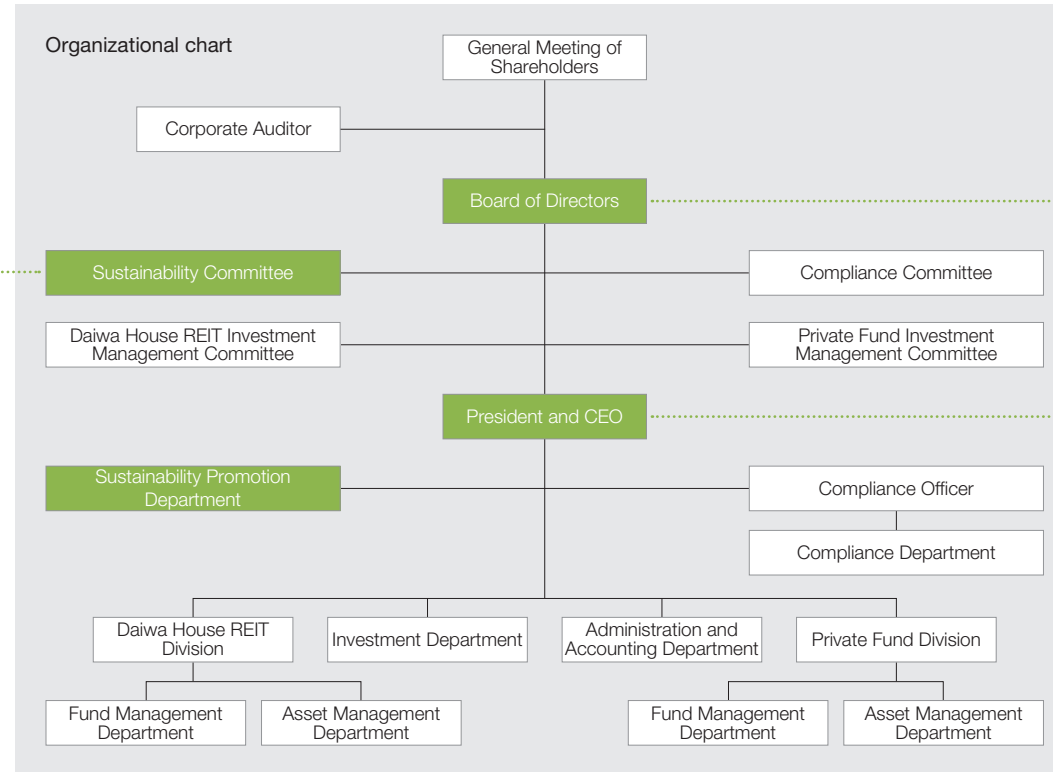
Observers : Outside expert advisor, Compliance Officer

Frequency of meetings : At least once a month

Function and role : Deliberations and approvals regarding sustainability-related policy and strategy development and execution of sustainability-related operations, and reporting to the Board of Directors and the DHR Board of Directors as appropriate

#### ■ Number of meetings held

|                          | Fiscal year ended March 2023 |
|--------------------------|------------------------------|
| Sustainability Committee | 12                           |



#### Supervision by Board of Directors

Receives and monitors reports from the Sustainability Committee on sustainability-related matters (considerations for climate-related, biodiversity, and other global environmental issues and risk management for natural disasters, etc.)

#### Role of President and CEO

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

#### ■ Number of reports on sustainability-related matters

|                                  | Fiscal year ended March 2023 |
|----------------------------------|------------------------------|
| Asset Manager Board of Directors | 12                           |
| DHR Board of Directors           | 12                           |

## Main Items Reported and Resolved (Fiscal Year Ended March 2023)

### Sustainability Committee

#### (Reports)

Sustainability implementation plan and results, annual schedule of sustainability-related operations, creation of sustainability reports, sustainability evaluations, submittal of responses to/reception of results of GRESB assessments, submittal of responses to/reception of results of CDP Climate Change Program, status of environmental certifications, listing on CDP Supplier Engagement Leaderboard, application for/acquisition of 2023 Health & Productivity Management Outstanding Organizations (SME category) certification, selection as an Environmentally Sustainable Company in the ESG Finance Awards Japan, sustainability evaluations (outside expert advisor)

#### (Resolutions)

Purchase of non-fossil certificates, ESG website improvements, revision of Sustainable Procurement Policy, fundraising (Green Loans, Sustainability-Linked Loans), joining the Japan Business Initiative for Biodiversity (JBIB), participating in the 30 by 30 Alliance for Biodiversity, formulating sustainability-related budgets

### Asset Manager Board of Directors and DHR Board of Directors

#### (Monthly reports)

Sustainability budget and performance management, climate change-related matters, external evaluation-related matters, environmental certification of portfolio properties, seminar attendance, etc.

#### (Individual reports)

Purchase of non-fossil certificates, ESG website improvements, creation of sustainability reports, status of conclusion of Green Lease agreements, status of environmental performance, questions from investors about ESG-related initiatives in IR activities, status of initiatives on principles of customer-first operations, climate change-related risk assessment, participation in initiatives, status of climate change-related initiatives, status of internal training

#### (Resolution)

Payment of sustainability index-linked fees

## Supported Initiatives

DHR and the Asset Manager believe climate change; human rights; diversity, equity, and inclusion; and biodiversity are particularly important social issues to address to attain a sustainable society. By joining the initiatives related to the above, we will continue to actively work on solving social issues.

|   |   |  |   |  |  |  |
|---|---|--|---|--|--|--|
|  <p>United Nations Global Compact (UNGC)</p> <p>Human rights   Diversity and inclusion</p> <p>Climate change   Biodiversity</p> <p>(Asset Manager)</p> | <p>Signatory of:</p>  <p>Principles for Responsible Investment (PRI)</p> <p>Overall ESG</p> <p>(Asset Manager)</p> |  <p>Task Force on Climate-related Financial Disclosures (TCFD)</p> <p>Climate change</p> <p>(Asset Manager)</p> |  <p>TCFD Consortium</p> <p>Climate change</p> <p>(Asset Manager)</p>                                 |  <p>Japan Climate Initiative (JCI)</p> <p>Climate change</p> <p>(DHR/Asset Manager)</p> |  <p>Science Based Targets</p> <p>Climate change</p> <p>(DHR)</p>                        |  <p>RE Action – Declaring 100% Renewable</p> <p>Climate change</p> <p>(DHR)</p> |
|  <p>Race to Zero</p> <p>Climate change</p> <p>(DHR)</p>  |  <p>Principles for Financial Action for the 21st Century</p> <p>Climate change</p> <p>(Asset Manager)</p>          |  <p>World Wide Fund for Nature (WWF) Japan</p> <p>Climate change   Biodiversity</p> <p>(Asset Manager)</p>      |  <p>Japan Business Initiative for Biodiversity (JBIB)</p> <p>Biodiversity</p> <p>(Asset Manager)</p> |  <p>30 by 30 Alliance for Biodiversity</p> <p>Biodiversity</p> <p>(Asset Manager)</p>   |  <p>Eco Action 21</p> <p>Environmental management system</p> <p>(DHR/Asset Manager)</p> |  |

## External Evaluations

|  |  |   |  |  |  |   |
|--|--|---|--|--|--|---|
|  <p>Named on the CDP Climate Change Program “A List” for two consecutive years</p> <p>(DHR)</p> |  <p>Listed on the CDP Supplier Engagement Leaderboard (the highest rating) for three consecutive years</p> <p>(DHR)</p> |  <p>Awarded the highest rating of “5 Stars” in the GRESB Real Estate Assessment</p> <p>(DHR)</p> |  <p>Selected as a Regional Listed Sector Leader (Asia/Diversified) in the GRESB Real Estate Assessment</p> <p>(DHR)</p> |  <p>Awarded a BBB rating in the MSCI ESG Ratings</p> <p>(DHR)</p> |  <p>Named an Environmentally Sustainable Company in the ESG Finance Awards Japan</p> <p>(DHR)</p> |  <p>Named one of the “Bright 500,” the top 500 corporations in the “2023 Health &amp; Productivity Management Outstanding Organizations (SME category)”</p> <p>(Asset Manager)</p> |
|--|--|---|--|--|--|---|

For overviews of individual initiatives and assessments, click the relevant organization’s logo to visit its website.


## Highlights

|  |   |
|--|---|
| <p><b>1. Financial Capital</b><br/>(Sustainability-Linked Bonds)</p> | <p>In May 2022, DHR issued the world's first publicly offered annual performance-type Sustainability-Linked Bonds with the aim of further expanding the investor base and securing a stable means of financing. Sustainability-Linked Bonds have conditions that depend on whether the prescribed sustainability target has been achieved, and are a new initiative wherein the results of sustainability initiatives are reflected in the form of economic value, namely the bonds' interest rate. By achieving growth in both business and social value, these bonds will further advance the growth strategy of DHR—to maximize unitholder value.</p>  |
| <p><b>2. Human Capital</b><br/>(Health Management)</p>               | <p>The Asset Manager formulates the Sustainability Policy, under which it will establish an internal framework for promoting sustainability, take steps to develop human resources by conducting regular education and training for employees, and aim to create workplaces where people can work safely and healthily, and workplaces where diverse employees can work flexibly. To take advantage of the abilities and unique talents of our employees and develop human resources capable of contributing to society, we implement various training and programs. We are also working to promote work-life balance, improve health literacy, and manage health through many initiatives, including efforts to improve on health-related issues and promote mental health care.</p> |

## Improving External Evaluations


### CDP Climate Change Program

- 2022 CDP Climate Change Program: Awarded the highest score of "A" and named on the "A List" for the second consecutive year
- 2022 CDP Supplier Engagement Rating: The only J-REIT listed on the CDP Supplier Engagement Leaderboard (the highest rating) for three consecutive years



### GRESB Real Estate Assessment and GRESB Public Disclosure


- 2022 GRESB Real Estate Assessment: Awarded the highest rating of "5 Stars" for the first time (top score in a peer group of 14)
- 2022 GRESB Real Estate Assessment: Selected as Regional Listed Sector Leader (Asia/Diversified)
- GRESB Public Disclosure Levels: Awarded an "A" rating (the highest of 5 levels) for the fourth consecutive year



### MSCI ESG Rating

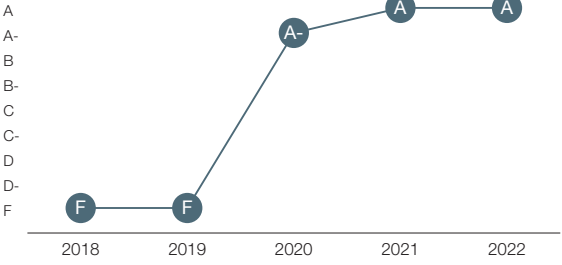
- Rating was upgraded from "BB" to "BBB" in March 2022

Disclaimer  
The use by DHR of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of DHR by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided "as-is" and without warranty. MSCI names and logos are trademarks or service marks of MSCI.



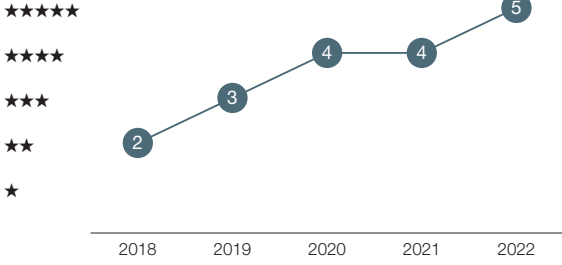
← Each external ESG evaluation improved →

#### CDP Score



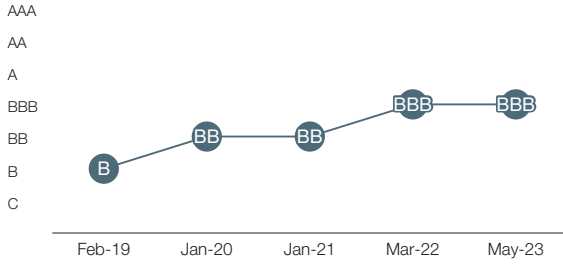
| Year | Score |
|------|-------|
| 2018 | F     |
| 2019 | F     |
| 2020 | A-    |
| 2021 | A     |
| 2022 | A     |

#### GRESB Real Estate Assessment



| Year | Rating |
|------|--------|
| 2018 | 2      |
| 2019 | 3      |
| 2020 | 4      |
| 2021 | 4      |
| 2022 | 5      |

#### MSCI ESG Rating



| Year   | Rating |
|--------|--------|
| Feb-19 | B      |
| Jan-20 | BB     |
| Jan-21 | BB     |
| Mar-22 | BBB    |
| May-23 | BBB    |



# Special Feature 1: Financial Capital (Sustainability-Linked Bonds)

## Policy and Basic Approach

Business value (economic value)



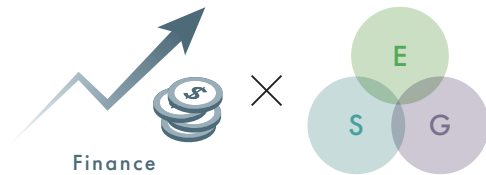
Social value (non-financial value)



Maximization of unitholder value

### Issuance of Our First Sustainability-Linked Bonds to Promote ESG Strategy in Terms of Finance

- DHR's sustainability initiatives in the context of investment corporation bonds include issuing environment-related green bonds since 2019 and sustainability bonds, which are related to both the environment and society, in 2021. Additionally, as a new sustainability initiative in the context of finance, DHR issued Sustainability-Linked Bonds in 2022.
- DHR will continue to promote sustainability initiatives and meet demand from experienced ESG investors with the aim of further expanding the investor base and securing a stable means of financing.



- Sustainability-Linked Bonds have conditions that depend on whether the prescribed sustainability target has been achieved
- They are a new initiative wherein the results of sustainability initiatives are reflected in the form of economic value, namely the bonds' interest rate
- By achieving growth in both business and social value, these bonds will further advance the growth strategy of DHR—to maximize unitholder value

## Overview of DHR Sustainability-Linked Bonds

### Overview

|                        |   |   |
|------------------------|---|---|
| Name                   | 18th Unsecured Investment Corporation Bonds (Sustainability-Linked Bonds) (also referred to as "DHR Sustainability-Linked Bonds") |   |
| Issue date             | May 25, 2022  |   |
| Issue amount           | ¥4 billion  |   |
| Term                   | 7 years   |   |
| SPT                    | DHR named on "A List" (highest recognition) in CDP Climate Change Program   |   |
| Interest rate          | Initial interest rate: 0.575% per annum (May 26, 2022–May 25, 2023)   |   |
|                        | Interest rate after SPT assessment: Based on level of achievement as shown in the table below (on and after May 26, 2023)         |   |
|                        | CDP Score   | Interest rate   |
|                        | A   | 0.550% per annum (-2.5 bp from initial interest rate) |
| A-                     | 0.585% per annum (+1 bp from initial interest rate)   |   |
| B, B-, C, C-, D, D-, F | 0.600% per annum (+2.5 bp from initial interest rate)   |   |

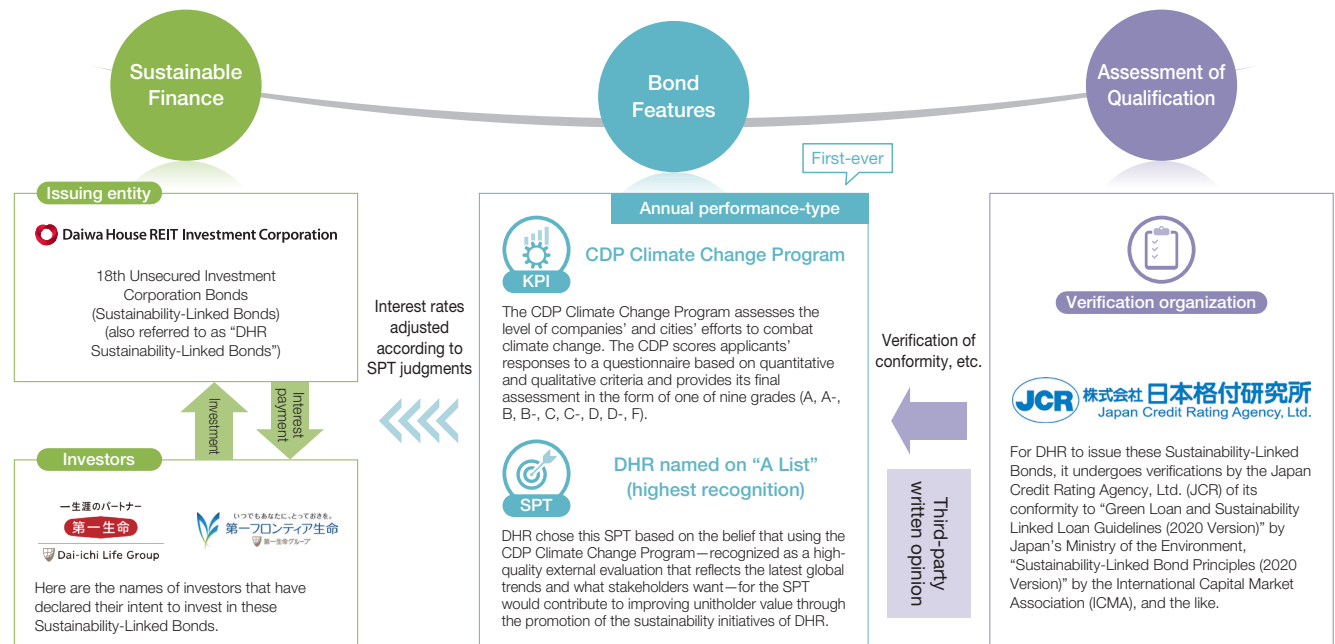
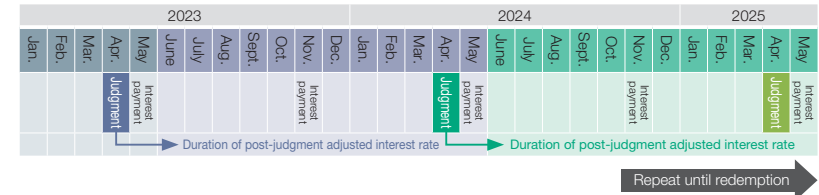
\* Sustainability Performance Target (SPT): A prescribed sustainability-related target.

### Structure

#### Rate adjusted according to SPT judgment



#### Schedule of SPT judgments and adjustments to interest rates

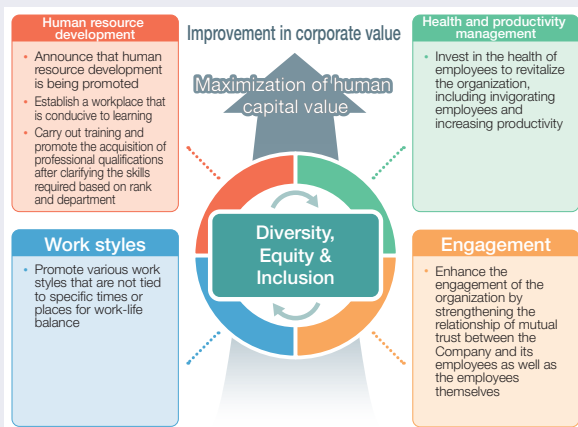


## Special Feature 2: Human Capital

### Policy and Basic Approach

The Daiwa House Group Company Philosophy (Corporate Creed) states that “a company’s progress depends directly on ensuring a good working environment for its employees.” We believe that ensuring safe, healthy workplaces for our employees is essential for creating environments that encourage the growth of each employee and leverage their capabilities. Given the lack of workers due to the declining birthrate and aging population, people leaving the workplace to care for aging parents, and other problems, the human resources situation in Japan has become quite serious. The Asset Manager will continue to advance work-style reforms, introduce new systems responding to changing social conditions and its own situation, and transform internal organizations and management with the aim of achieving maximized work performance and a safe and healthy work environment both physically and mentally for all employees.

### 5 Pillars of Human Capital Initiatives



### KPIs and Main Initiatives

| Qualification  | Fiscal year ended March 2023 | Target for fiscal year ending March 2031 |
|--|------------------------------|--|
| Real Estate Transaction Agent                                      | 90.1%                        | 100%                                     |
| ARES (Association for Real Estate Securitization) Certified Master | 46.4%                        | 50%                                      |

### Training Hours and Expenses for Officers and Employees (Fiscal Year Ended March 2023)

|                  |                        |
|------------------|------------------------|
| Training hours   | 31.5 hours/person/year |
| Training expense | ¥91,039/person/year    |

### Target Management and Performance Evaluation Program

The Asset Manager has introduced and implemented a target management and performance evaluation program semiannually to (1) foster communication between superiors and subordinates, (2) strengthen human resource development, (3) increase motivation with respect to roles and results (performance), and (4) clarify evaluation criteria and gain better understanding of evaluations. Employee performance evaluations are determined by evaluation of performance benchmarked against individualized targets, evaluation of skills/conduct and a compliance review evaluation. The issues for improvement are shared through the performance review and follow-up interviews. Additionally, “ESG initiatives in response to societal demands” was added as a performance evaluation criterion from the second half of fiscal year ended March 2019.

### Self-Assessment Interview Program

Interviews about target management and performance evaluations conducted by the Asset Manager tend to focus on short-term challenges, such as how targets will be achieved for the current period. Therefore, DHR has introduced and implemented a self-assessment interview program for all employees (excluding executive officers, compliance officers, general managers, and fixed-term employees) once a year for the purpose of creating opportunities as a company to understand the long-term career vision toward the future or the hope and intentions of each employee about particular work that they want to experience, which can then be reflected in the treatment, assignments and development of the employee as well as workplace improvements and other human resource policies. These interviews focus on topics other than work targets, such as career visions, health, stress, and any concerns an employee might have. It also confirms the intentions for the future of each employee, such as future work that they would like to experience and where they would like to be in that future.

### New Employee Training Program

The Asset Manager provides training to help new employees acquire operational knowledge as quickly as possible.

### Training on Operational Expertise

The Asset Manager enlists the help of outside experts to provide training to officers and employees (including fixed-term employees, temporary employees and part-time employees).

Relevant Data (2 of 2)

### Support for Operational Skills Development and Training

The Asset Manager has established a system for providing funding for the registration and renewal of professional qualifications and a system for providing congratulatory payments for acquiring professional qualifications to encourage the acquisition of knowledge, qualifications, and licenses. The purpose is to increase the motivation of all employees (including fixed-term employees, temporary employees, and part-time employees) with respect to self-development, improve their abilities and talents, continuously and steadily secure human resources with the specialized skills necessary to contribute to the achievement of business objectives, and assess the environmental friendliness of DHR’s properties.

Relevant Data (2 of 2)

### Training System and Schedule

|  | First Quarter     |                   |                | Second Quarter |                      |                | Third Quarter |            |                | Fourth Quarter |                             |                |
|--|-------------------|-------------------|----------------|----------------|----------------------|----------------|---------------|------------|----------------|----------------|-----------------------------|----------------|
|  | 4                 | 5                 | 6              | 7              | 8                    | 9              | 10            | 11         | 12             | 1              | 2                           | 3              |
| <b>Training for young employees</b> <ul style="list-style-type: none"> <li>Learning operational knowledge</li> <li>Understanding and learning about sustainability</li> </ul>  | For new employees | For new employees |                |                |                      |                |               |            |                |                |                             |                |
| <b>Training for new employees</b> <ul style="list-style-type: none"> <li>Learning operational knowledge</li> <li>Understanding and learning about sustainability</li> </ul>  |                   |                   |                | Sustainability |                      |                |               |            |                |                |                             |                |
| <b>Level-based training</b> <ul style="list-style-type: none"> <li>OJT trainers (assistant managers)</li> <li>OJT trainers (assistant managers)</li> <li>Middle-management personnel (managers)</li> <li>Management personnel (senior managers and above)</li> <li>Young employees (associates)</li> </ul> |                   |                   |                |                |                      |                |               |            |                |                |                             |                |
| <b>Training for all employees</b> <ul style="list-style-type: none"> <li>Human rights, harassment, information security, etc.</li> </ul>   |                   | Compliance        |                |                | Compliance           |                |               | Compliance |                |                | Compliance                  |                |
|  |                   |                   | Sustainability |                | Information security |                |               |            | Sustainability |                | Information security        | Sustainability |
|  |                   |                   |                |                |                      | Sustainability |               |            |                | Sustainability | Human rights and harassment | Sustainability |
| <b>Other</b> <ul style="list-style-type: none"> <li>Market report for all assets</li> <li>Logistics market report</li> <li>Logistics seminar</li> <li>Training for PM companies</li> </ul>   |                   |                   |                |                |                      |                |               |            |                |                |                             |                |
|  |                   |                   |                |                |                      |                |               |            |                |                |                             |                |

## — Special Feature 2: Human Capital (Health Management)

### Policy and Basic Approach

The Asset Manager formulates the Sustainability Policy, under which it will establish an internal framework for promoting sustainability, take steps to develop human resources by conducting regular education and training for employees, and aim to create workplaces where people can work safely and healthily, and workplaces where diverse employees can work flexibly. Based on this philosophy and policy, initiatives to promote employee health will improve their vitality and productivity and otherwise invigorate the entire organization, leading to improved business performance and greater value for the organization.

#### Health Declaration (September 2022)

- Promote work-life balance
- Improve health literacy
- Promote regular health checkups (especially secondary checkups for individuals who have not gotten them)
- Prevent the spread of disease thoroughly

### KPIs and Main Initiatives

The Asset Manager aims to fulfill a Health Declaration by strengthening the health management system and through measures to enable each and every employee to work with a high level of health awareness so that they can stay healthy and active over the long term.

| Item   | Fiscal year ended March 2023 | Target for fiscal year ending March 2031 |
|--|------------------------------|--|
| Percentage of personnel who had health checkups                                  | 100%                         | 100%                                     |
| Percentage of personnel who received metabolic syndrome-specific health guidance | 100%                         | 100%                                     |
| Percentage of personnel who had secondary examinations                           | 100%                         | 100%                                     |
| Percentage of personnel who had stress checks                                    | 100%                         | 100%                                     |

### Health Management Promotion System

The Sustainability Committee is an official body with the President and CEO as the Committee Head and the General Manager of the Sustainability Promotion Department as the operating officer. The committee meets at least once a month and deliberates and resolves on policy, strategy development, and operations related to sustainability, which includes health management. The committee also reports on these matters to the Board of Directors as necessary.

### Establishment of Health Committee

The Asset Manager has established a Health Committee that meets monthly to exchange opinions on the workplace environment and learn about health with the industrial physician in order to prevent health problems among officers and employees and maintain and promote their health.

### Promoting Regular Health Checkups (Especially Secondary Checkups for Individuals Who Have Not Gotten Them)

The Asset Manager aims to have 100% of employees get regular health checkups, and is committed to thorough follow-up in the form of working with health insurance associations and workplaces to promote secondary examinations, checking the status of treatment and whether employees have received health guidance, and more. Due to these efforts, 100% of employees got examinations and received metabolic syndrome-specific health guide for the fiscal year ended March 2023.

### Collaborative Efforts with Health Insurance Associations to Improve on Health-related Issues

The Daiwa House Group worked with health insurance associations to introduce a Health Analysis System in a proactive effort to promote employee health. The system analyzes employee health in organizational units and based on attributes, and the results are used to identify organizational issues (areas of improvement in employees' lifestyles). Specifically, 11 items from health checkup results (including BMI, waist measurement, blood pressure (systolic and diastolic), triglycerides, etc.) and 10 items from interviews during the checkups (smoking habits, exercise habits, breakfast habits, frequency and volume of alcohol consumption, sleep habits, etc.) are assigned point values, which allow the averages to be compared within companies and the Group to give people an easy way to see what needs to be improved.

### Improving Health Literacy

Every month, the industrial physician of the Health Committee disseminates "Notes on Health Tips" throughout the company. The notes include columns and health information tailored to the season. The aim is to provide safety and health education to employees and improve their health literacy. Additionally, the radio calisthenics program broadcast at the same time every morning has improved employee health and vitality.

 Relevant Data (2 of 2)

### Mental Health Care Initiatives

The Asset Manager conducts stress checks once a year for the purpose of preventing mental disorders. The stress check screening rate was 100% in the fiscal year ended March 2023.

### "2023 Health & Productivity Management Outstanding Organization (SME Category)" and "Bright 500"

The Asset Manager was named a "2023 Health & Productivity Management Outstanding Organization (SME category)" in recognition of its efforts pertaining to health management in terms of management philosophies and policy, organizational systems, employee health promotion measures, legal and regulatory compliance, risk management, and more. Furthermore, to commend its publication of health management efforts to the community and high number of conforming health management evaluation items, the Asset Manager was named one of the "Bright 500," an honor reserved for the top 500 of the roughly 14,000 Health & Productivity Management Outstanding Organizations in the SME category in 2023.



 Initiatives for Health Management



# Environment

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# Climate Change

## Policy and Basic Approach

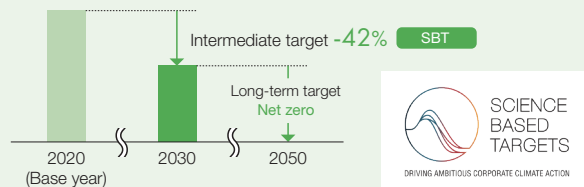
In recent years, climatic disasters, thought to be caused by climate change, are occurring globally and in all regions of Japan. To mitigate the effects of these events, the parties of the UNFCCC adopted the Paris Agreement—an international treaty aiming to achieve net zero GHG emissions—at the 21st UN Climate Change Conference (COP21) in 2015. In October 2020, the Japanese government declared that Japan would realize carbon neutrality by 2050, and in October 2021, revised its target for the fiscal year 2030 to an ambitious 46% reduction in GHG emissions compared to the fiscal year 2013. Companies and other organizations now face the crucial task of actively shifting to renewable energy sources.

At COP27 held in Egypt in November 2022, the parties of the UNFCCC voiced the world’s unwavering commitment to reducing GHG emissions to achieve the 1.5°C target.

Supporting these trends, DHR has set targets for achieving net zero GHG emissions by the fiscal year ending March 2051, becoming the first J-REIT to receive certification from the Science Based Targets initiative (SBTi) that these targets are consistent with the levels required by the Paris Agreement and are based on scientific evidence.

## KPIs and Main Initiatives

| Item                          | Coverage                       | Base year | Target year | Target  |
|-------------------------------|--------------------------------|-----------|-------------|---|
| GHG emissions (Scope 1 and 2) | All properties                 | 2020      | 2030        | Reduce total emissions by 42%<br>SBT (February 2022)        |
| GHG emissions (Scope 3)       | Properties with data available | 2020      | 2030        | Calculate and reduce total emissions<br>SBT (February 2022) |
| GHG emissions (value chain)   | All properties                 | 2020      | 2050        | Net zero<br>SBT (August 2022)                               |



## Information Disclosure Based on TCFD Recommendations

- The Asset Manager supports TCFD recommendations and promotes risk management and initiatives related to climate change.
- Information disclosure is based on the amended TCFD recommendations and new guidance in October 2021.

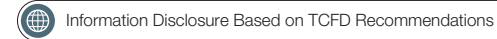
| Item                | Contents   | Pages           |
|---------------------|--|-----------------|
| Governance          | <ul style="list-style-type: none"> <li>• The Asset Manager established the “Regulations Concerning the System for Promoting Sustainability” and rules on topics such as internal framework, collaboration with stakeholders and information disclosure policy to secure an appropriate system for promoting sustainability.</li> <li>• The Board of Directors receives and monitors reports from the Sustainability Committee on considerations for climate-related and other global environmental issues and risk management for natural disasters, etc.</li> <li>• As the Chief Executive related to climate-related issues at the Board of Directors and the Chief Executive of the Sustainability Committee, the President and CEO of the Asset Manager provides final approval of various climate-related goals and measures, evaluates the status of efforts, and gives instructions for review.</li> <li>• The Sustainability Committee, which was established in May 2017, was raised to a formal committee in April 2022 and must be held at least once a month. An outside expert advisor who has a high level of insight and expertise in sustainability was also appointed.</li> <li>• The Sustainability Committee deliberates and resolves on sustainability-related policy and strategy development such as addressing climate-related issues and execution of sustainability-related operations.</li> </ul>  | Page 6          |
| Strategy            | <ul style="list-style-type: none"> <li>• Understanding the risks and opportunities for DHR in the future due to unusual weather caused by climate change and increasing social demands for climate change measures, the Asset Manager verified and analyzed the effectiveness of the current climate change measures.</li> <li>• In accordance with the TCFD recommendations, the Asset Manager conducted analysis based on multiple scenarios of below 2°C scenario and 4°C scenario and <a href="#">formulated a roadmap for achieving the targets certified by SBTi</a>.</li> </ul>   | Pages 14 and 15 |
| Risk Management     | <ul style="list-style-type: none"> <li>• While recognizing climate change risk as one of the risks that could pose a significant impact on business in the medium to long term, the Asset Manager sees such risk as areas of potential and manages the risk by incorporating it in our overall risk management process. The Asset Manager has established the “Risk Management Regulations” and “Risk Management Implementation Guidelines” as internal regulations in order to accurately identify risks and opportunities inherent in business, develop a system for appropriately managing potential losses and profits when the identified risks and opportunities are realized, ensure the soundness of management and operate business in a fair manner.</li> <li>• The Board of Directors shall oversee the development of an appropriate risk management system based on the “Risk Management Policy” after considering where and what the risk is based on the strategic goals set separately by the Board of Directors.</li> <li>• The President and CEO shall be responsible for all risks in accordance with the provisions of the “Daiwa House Group Risk Management Regulations,” develop an appropriate risk management system and be responsible for promoting and implementing risk management.</li> <li>• The Compliance Officer, who is responsible for risk management, shall establish methods including measurement, monitoring and management based on the type of risk along with the risk management policy and shall develop internal regulations to ensure the effectiveness of these methods.</li> </ul> | Page 16         |
| Metrics and Targets | <ul style="list-style-type: none"> <li>• DHR set targets of reducing total GHG emissions by 42% in the fiscal year ending March 2031 compared to the fiscal year ended March 2021 and became the first J-REIT certified by SBTi for its SBT 1.5°C targets. In addition, DHR set long-term targets of net zero emissions in the fiscal year ending March 2051.</li> <li>• Internal carbon price is set at ¥20,000 / t-CO<sub>2</sub> and used as an incentive for low-carbon promotion works, guidelines for investment decision making and a reference index to identify risks of rising costs.</li> <li>• We are promoting the acquisition of third-party external certifications and evaluations to increase the objectivity and reliability of our sustainability initiatives at portfolio properties and improve the asset value over the medium to long term. Our policy is to increase the percentage of properties with environmental certification (based on gross floor area) to 70% or more by the fiscal year ending March 2031.</li> </ul>   | Pages 16 to 18  |

## Information Disclosure Based on TCFD Recommendations (Strategy)

### Scenario Analysis

- We evaluate impact on business under several scenarios and conduct scenario analysis according to the following steps to assess strategic resilience to climate-related risks and opportunities.

#### Step 1 Identify material climate-related risks and opportunities and set parameters



We have identified the risks and opportunities for DHR in the future due to unusual weather caused by climate change and increasing social demands for climate change measures.

#### Step 2 Set climate-related scenarios

The scenarios on climate change referenced to formulate our own climate-related scenarios are outlined below.

| Category                 | Below 2°C scenario  | 4°C scenario  |
|--------------------------|---|---|
| Summary of scenario      | The scenario that assumes policies and regulations to realize a carbon-free society are implemented and the global warming from preindustrial levels will stay below 2°C. While the transition risk is high, the physical risk is low compared to the 4°C scenario. | The scenario that assumes announced goals such as national goals under the Paris Agreement will be achieved. No new policies or regulations will be introduced, and global energy-derived CO <sub>2</sub> emissions will continue to increase. While the transition risk is low, the physical risk is high. |
| Main reference scenarios | <ul style="list-style-type: none"> <li>IEA Sustainable Development Scenario (SDS)</li> <li>IEA Net Zero Emissions by 2050 Scenario (NZE)</li> <li>IPCC RCP2.6</li> </ul>  | <ul style="list-style-type: none"> <li>IEA Stated Policy Scenario (STEPS)</li> <li>IPCC RCP8.5</li> </ul>   |

#### Step 3 Evaluate impact on business in each scenario

#### Step 4 Evaluate strategic resilience to climate-related risks and opportunities and consider additional measures

Assuming 2030, we analyzed the impact of climate-related risks and opportunities on the business of DHR and formulated countermeasures and resilience.

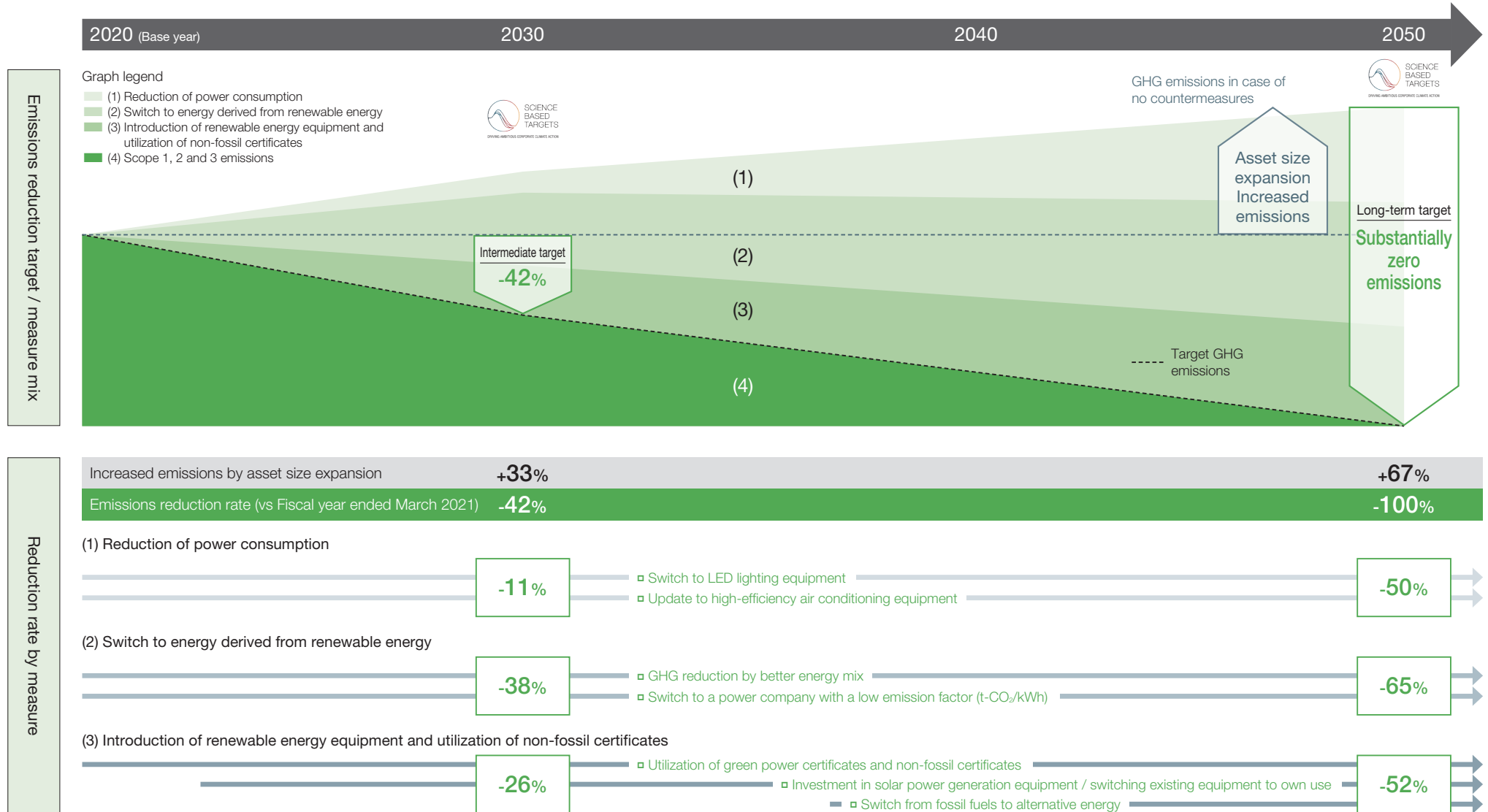
| Category        | Summary of scenario analysis results   | Impact on business (Note)  |   | Response / Resilience of DHR   |  |
|-----------------|--|--|---|--|--|
|                 |  | Below 2°C scenario   | 4°C scenario  |  |  |
| Transition risk | Policy and regulation  | Indirect costs increase related to GHG emissions in business activities due to introduction of a carbon tax                            | ¥35 million   | ¥29 million  | <ul style="list-style-type: none"> <li>Increase renewable energy (including green power procurement) ratio</li> <li>Introduce energy-saving equipment and energy management system</li> <li>Set energy consumption / GHG emissions targets (SBT) for portfolio properties</li> <li>Promote GHG emissions reduction by introducing internal carbon pricing</li> </ul>                     |
|                 |  | Service purchase costs indirectly increase related to GHG emissions in repairs and renovation work due to introduction of a carbon tax | ¥94 million   | ¥42 million  | Same as above  |
|                 | Technology   | Installation and maintenance costs increase due to installation of solar power generation equipment                                    | ¥798 million  | ¥798 million   | <ul style="list-style-type: none"> <li>Implement planned renovation work</li> <li>Acquire new properties with new technology introduced</li> </ul>   |
|                 | Market   | Rent income decreases if the acquisition of environmental certification does not proceed as planned                                    | ¥914 million  | ¥914 million   | <ul style="list-style-type: none"> <li>Obtain green building certification for portfolio properties</li> <li>Disclose information on environmental performance</li> </ul>  |
| Reputation      | Investment unit prices fall and funding costs increase due to delays in ESG compliance | ¥48 million  | ¥48 million   | <ul style="list-style-type: none"> <li>Improve ESG ratings</li> <li>Implement sustainable finance</li> </ul>   |  |
| Physical risk   | Acute  | Building repair costs increase due to increased natural disasters such as floods   | ¥427 million  | ¥854 million   | <ul style="list-style-type: none"> <li>Take appropriate measures such as insurance coverage based on risk assessment</li> <li>Perform waterproofing, exterior wall and sealing work ahead of schedule</li> <li>Own or replace properties with high resilience by using the check system for climate change, etc.</li> <li>Install sandbags, water stop plates and tide plates</li> </ul> |
|                 |  | Rent income decreases due to increased risk of flooding of buildings   | ¥42 million to ¥1,000 million   | ¥84 million to ¥2,000 million  | Same as above  |
|                 |  | Non-life insurance premiums increase due to increased risk of water damage   | ¥22 million   | ¥45 million  | Same as above  |
| Chronic         | Water charges and power charges for tenants increase due to rising average temperature | (1) Increase in water charges<br>¥42 million<br>(2) Increase in power charges<br>¥271 million  | (1) Increase in water charges<br>¥45 million<br>(2) Increase in power charges<br>¥272 million | <ul style="list-style-type: none"> <li>Introduce energy-saving equipment and energy management system</li> <li>Introduce irrigation equipment and water-saving equipment</li> <li>Choose native plants for planting</li> <li>Promote energy conservation activities in collaboration with tenants</li> <li>Promote green leases</li> </ul> |  |

(Note) The figures shown are the annual amount of impact estimated by the Asset Manager based on the past results and other factors with reference to the parameters general disclosed; therefore, accuracy of the figures are not guaranteed.

## Information Disclosure Based on TCFD Recommendations (Strategy)

### Roadmap for Reduction of Emissions and Achievement of Targets Certified by SBTi

- DHR has set long-term targets of reducing total GHG emissions by 42% in the fiscal year ending March 2031 compared to the fiscal year ended March 2021 and net zero in the fiscal year ending March 2051 and formulated a roadmap that includes reduction rates by measure to achieve the goals.



## Information Disclosure Based on TCFD Recommendations (Risk Management)

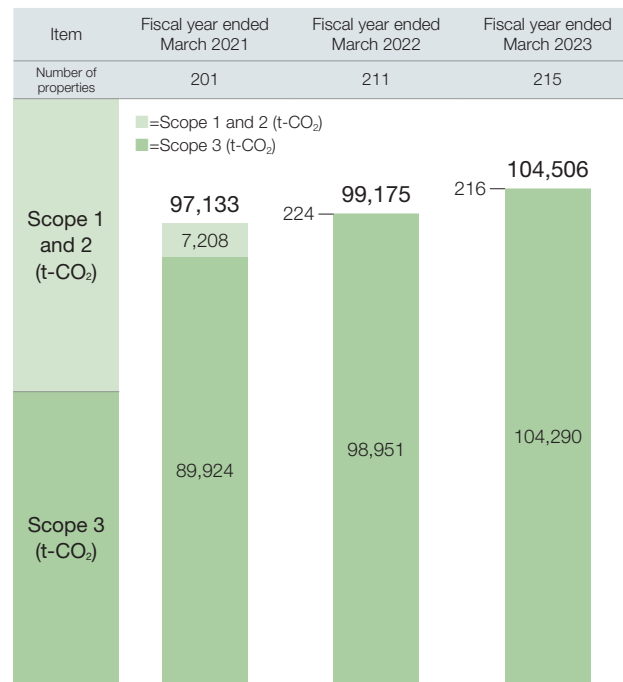
### Risk Management System

Risk Management

- While recognizing climate change risk as one of the risks that could pose a significant impact in the medium to long term, the Asset Manager sees such risk as areas of potential and manages the risk by incorporating it in our overall risk management process. The Asset Manager has established the “Risk Management Regulations” and “Risk Management Implementation Guidelines” as internal regulations in order to accurately identify risks and opportunities inherent in business, develop a system for appropriately managing potential losses and profits when the identified risks and opportunities are realized, ensure the soundness of management and operate business in a fair manner.
- The Board of Directors shall oversee the development of an appropriate risk management system based on the “Risk Management Policy” after considering where and what the risk is in accordance with the strategic goals set separately by the Board of Directors. The President and CEO shall be fully responsible for all risks in accordance with the provisions of the “Daiwa House Group Risk Management Regulations,” develop an appropriate risk management system and be responsible for promoting and implementing risk management. In addition, the Compliance Officer, who is responsible for risk management, shall establish methods including measurement, monitoring and management based on the type of risk along with the risk management policy and shall develop internal regulations to ensure the effectiveness of these methods.

## Information Disclosure Based on TCFD Recommendations (Metrics and Targets)

### GHG Emissions of Portfolio Properties (Scope 1, 2, and 3)

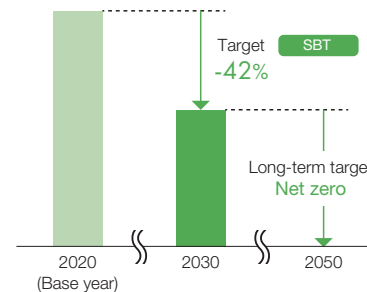


\* Market-based

Relevant Data (2 of 2)

### GHG Emissions and Energy-related Targets

- DHR set targets of reducing total GHG emissions by 42% in the fiscal year ending March 2031 compared to the fiscal year ended March 2021 and achieving net zero emissions by the fiscal year ending March 2051, and became the first J-REIT to obtain SBTi certification for its SBT 1.5°C targets.



| Item               | Coverage                       | Base year | Target year | Target   |
|--------------------|--------------------------------|-----------|-------------|--|
| Energy consumption | Properties with data available | 2017      | 2027        | Reduce consumption intensity by 10%            |
| Water consumption  | Properties with data available | 2017      | 2027        | Reduce intensity to below the level of base FY |
| Waste management   | Properties with data available | 2017      | 2027        | Improve recycling rate                         |

### Physical Risk (Risk of Flooding)

- Responding to risks by implementing construction countermeasures and adding fire insurance coverage to avoid economic damage.

| Flood depth   | Number of properties | Acquisition price (millions of yen) | Ratio (based on acquisition price) |
|---------------|----------------------|-------------------------------------|------------------------------------|
| Over 20 m     | 0                    | 0                                   | 0.0%                               |
| 10 m to 20 m  | 0                    | 0                                   | 0.0%                               |
| 5 m to 10 m   | 4                    | 78,750                              | 8.8%                               |
| 3 m to 5 m    | 13                   | 81,497                              | 9.1%                               |
| 0.5 m to 3 m  | 14                   | 253,850                             | 28.4%                              |
| 0.5 m or less | 14                   | 56,510                              | 6.3%                               |
| 0             | 108                  | 424,546                             | 47.4%                              |
| <b>Total</b>  | <b>230</b>           | <b>895,153</b>                      | <b>100.0%</b>                      |

(Note) Method: Based on the estimated flood prone areas (estimated maximum size) (source: Ministry of Land, Infrastructure, Transport and Tourism), compiled by the Asset Manager from April to May 2022.

- For Royal Parks SEASIR (residential facility), we installed waterproof panels and waterproof doors at the entrance, electrical room, elevators, and management office to reduce the impact of water damage from torrential rains and large-scale typhoons.



Waterproofing panels



Waterproofing doors

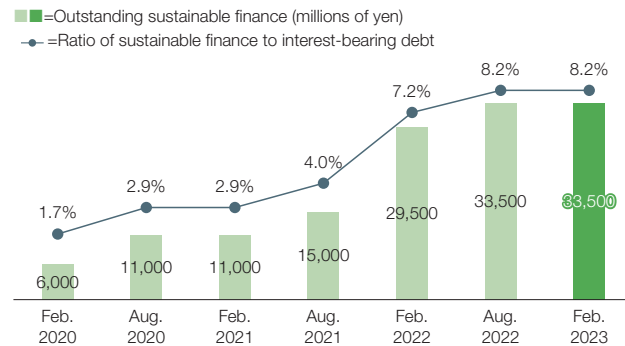


## Information Disclosure Based on TCFD Recommendations (Metrics and Targets)

### Implementation of Sustainable Finance

- DHR has implemented sustainable finance of ¥33.5 billion as of the fiscal period ended February 28, 2023 through green bonds, green loans, sustainability bonds, and sustainability-linked bonds.
- The ratio of sustainable finance to interest-bearing debt has also increased by continuously implementing sustainable finance.

### Outstanding balance and ratio of sustainable finance



### Climate-related Opportunities (Targets for Obtaining Environmental Certifications of Portfolio Properties)

- We are promoting the acquisition of third-party external certifications and evaluations to increase the objectivity and reliability of our sustainability initiatives at portfolio properties and improve the asset value over the medium to long term.
- Our policy is to increase the percentage of properties with environmental certification (based on gross floor area) to 70% or more by the fiscal year ending March 2031.

### Climate-related Opportunities (Status of Environmental Certification of Portfolio Properties)

- The ratio of properties with environmental certification has improved to 68.8% (based on gross floor area). (As of March 31, 2023)

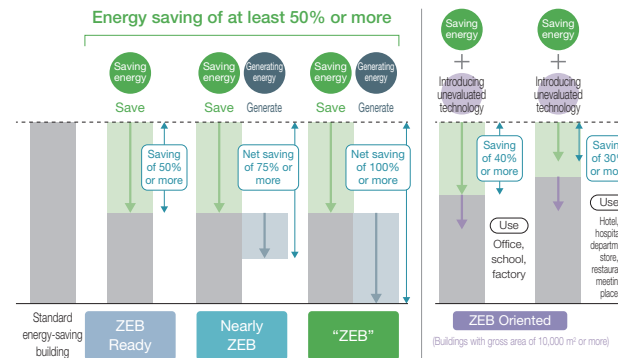
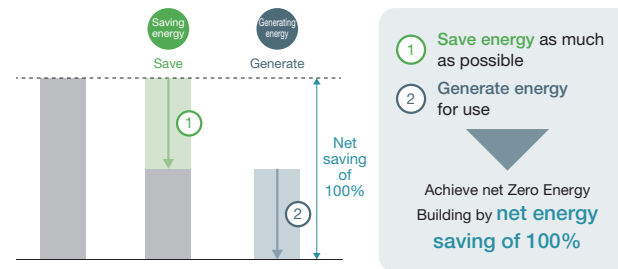
Environmental Certifications

Relevant Data (1 of 2)

Obtainment of Green Building Certifications

### Concept and Definition of ZEB

|                     |   |
|---------------------|---|
| <b>"ZEB"</b>        | Buildings with reduced primary energy consumption of 100% or more from the benchmark primary energy consumption including renewable energy in addition to meeting the requirements of ZEB Ready                                     |
| <b>Nearly ZEB</b>   | Buildings with reduced primary energy consumption of 75% or more but less than 100% from the benchmark primary energy consumption including renewable energy in addition to meeting the requirements of ZEB Ready                   |
| <b>ZEB Ready</b>    | Buildings with reduced primary energy consumption of 50% or more from the benchmark primary energy consumption excluding renewable energy   |
| <b>ZEB Oriented</b> | Buildings with gross area of 10,000 m <sup>2</sup> or more and reduced primary energy consumption excluding renewable energy compared to the benchmark specified for each use in addition to introduction of unevaluated technology |



Source: Daiwa House Industry Co., Ltd. based on the website of ZEB by the Ministry of the Environment

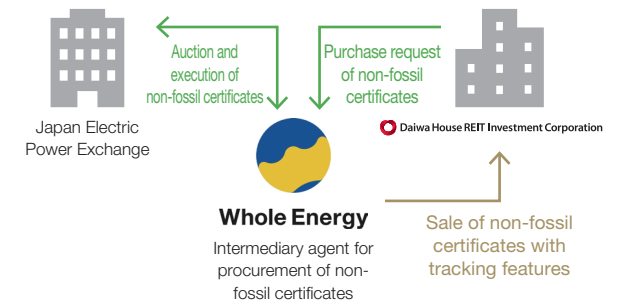
### Capital Deployment (Purchase of Non-fossil Certificates and Investment in Solar Power Generation Equipment)

- We will reduce GHG emissions (Scope 2) by procuring FIT non-fossil certificates, etc. by participating in auctions in the renewable energy trading market.
- We will reduce GHG emissions by investing in solar power generation equipment and switching existing equipment to own use.

### Purchase of Non-fossil Certificates

DHR participated in the renewable energy value trading market, which allows consumers and intermediaries to purchase FIT non-fossil certificates, and in the fiscal year ended March 2023 procured 22.5 million kWh FIT non-fossil certificates through an intermediary (Whole Energy, Inc.) (hereinafter referred to as the "Procurement"). Expected reduction effect of CO<sub>2</sub> emissions by the Procurement was approx. 12,868 tons (t-CO<sub>2</sub> equivalent), and all of the DHR's electricity-derived GHG emissions (Scope 2) for the fiscal year ended March 2023 were offset alongside the introduction of 100% net zero renewable energy at the properties owned by DHR.

### Mechanism for procuring FIT non-fossil certificates by auction in the renewable energy value trading market



## Information Disclosure Based on TCFD Recommendations (Metrics and Targets)

### Internal Carbon Pricing

#### Revising the internal carbon price

DHR had been operating with the internal carbon price set at ¥10,000/t-CO<sub>2</sub>, but revised the price to ¥20,000/t-CO<sub>2</sub> to incentivize low-carbon investment in light of long-term climate change risks. We will continue to use the revised internal carbon price as an incentive for low-carbon promotion works, guidelines for investment decision making and a reference index to identify risks of rising costs.

#### Utilizing the internal carbon price

##### (1) Incentives for low-carbon promotion works

If GHG emissions are expected to be reduced by LED lighting and air conditioning renewal, we apply the internal carbon price and use the data as a reference to decide whether to perform construction work.

##### (2) Guidelines for investment decision making

After calculating the profit and loss by applying the internal carbon price to the GHG emissions of the target property, we use the data as a reference for investment decisions (when emissions can be calculated).

##### (3) Identifying risks of rising costs in the future

By selecting suppliers with low emissions, we aim to reduce the risk of increased procurement costs when a carbon tax is introduced in the future.

#### Example

The investment decision on installation of solar power generation equipment at DPL Nagareyama III borne by DHR was made by balancing the cost and the revenue from power generation with the reduced GHG emissions multiplied by the internal carbon price.

### Remuneration for Executive Director of DHR and Directors of the Asset Manager

In November 2021, DHR introduced a provision to fluctuate the amount of asset management fees to the Asset Manager in conjunction with the sustainability indices as the first initiative in J-REITs for the purpose of increasing unitholder value by encouraging the reduction of GHG emissions of DHR properties and enhancing the external evaluations of its sustainability initiatives.

This is to increase or decrease the amount of asset management fees based on the sum of indexed GHG emissions reduction ratio, GRESB Rating and CDP Score multiplied by the total assets of DHR, and is aimed at strengthening the commitment to solving ESG issues and improving governance.

Furthermore, remuneration for Executive Director of DHR and remuneration for directors of the Asset Manager are now linked to sustainability indices including GHG emissions reduction ratio, GRESB Rating and CDP Score.

[DHR Directors: Status and Remuneration](#)

### Asset Management Fee Structure

[Asset Management Fee Structure](#)

### Remuneration

We have not set a target for the amount of remuneration for the executive officer of DHR and directors of the Asset Manager that is linked to climate-change indicators, but will review the remuneration structure as appropriate.

### Physical Risk

We will take risk reduction measures and reduce the percentage of properties owned that are exposed to acute and chronic physical risks.

### Solar Power Generation

#### Introduction of solar power generation equipment

- Solar panels have been installed on the rooftops of logistics and retail properties owned by DHR, and DHR utilizes the renewable energy they generate.

|  | Number of properties | Power generated in fiscal year ended March 2023 |
|--|----------------------|---|
| Solar power generation equipment installations | 19                   | 19,805 MWh                                      |

\* Amount of power generated is calculated only for properties with solar power generation equipment for which the requisite data are available.

#### Main properties with solar power generation equipment installed



D Project Kawagoe III

D Project Tatebayashi

DPL Misato

### Promotion of LED Lighting

- DHR is promoting conversion to LED lighting at its properties, in an effort to reduce energy consumption.

#### Status of conversion to LED lighting

|             | Number of portfolio properties (Note 2) | Number of properties with LED lighting (Note 3) | Percentage of properties with LED lighting |
|-------------|---|---|--|
| Logistics   | 66                                      | 62  | 93.9%                                      |
| Residential | 129                                     | 122   | 94.6%                                      |
| Retail      | 16                                      | 15  | 93.8%                                      |
| Hotel       | 6                                       | 6   | 100.0%                                     |
| Other       | 6                                       | 4   | 66.7%                                      |
| Total       | 223                                     | 209   | 93.7%                                      |

(Note 1) The number of properties is as of March 31, 2023.


(Note 2) Excludes land properties.

(Note 3) The number of properties in which LED lighting has been installed in at least half the area of common areas (in properties with common areas) or at least half the area of the entire property (in properties leased as an entire building with no common areas).

#### Example of conversion to LED lighting

Example:  
Completed in February 2023

Conversion to LED lighting at D Project Kawagoe III


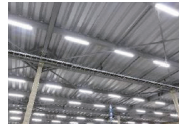


Estimated CO<sub>2</sub> reduction (Note)

**-472.9 tons/year**  
(-53.1%)

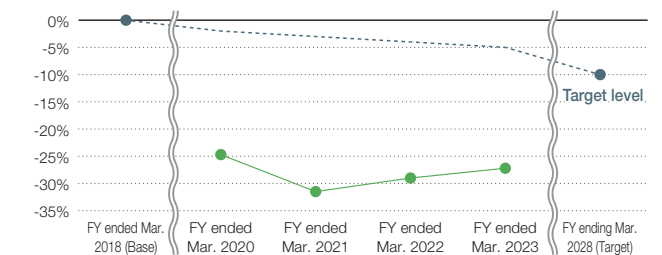
Estimated running cost reduction

**-¥20,372 thousand/year**  
(-53.1%)

(Note) Calculated using an emission factor of 0.000441 t-CO<sub>2</sub>/kWh

### Energy Consumption (reduction rate of intensity (MWh/m<sup>2</sup>))



## Environmental Certifications

### Policy and Basic Approach

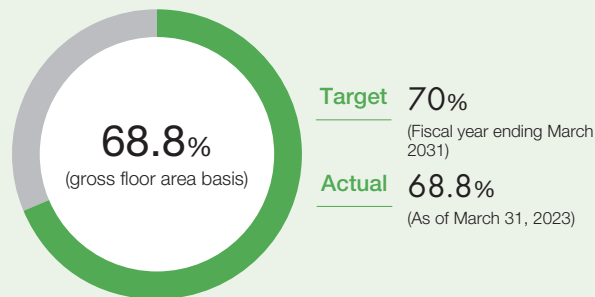
To increase the objectivity and reliability of DHR's initiatives in reducing the environmental burden of properties, DHR intends to increase medium- to long-term asset value and pursue the acquisition of third-party external certifications and evaluations. Through initiatives such as conversion to LED lighting and the introduction of energy-saving air conditioning and water saving equipment even on DHR's properties without any environmental certifications, DHR works to reduce its environmental impact by promoting energy savings and proper sorting and disposal of waste.

### KPIs and Main Initiatives

DHR plans to increase the percentage of properties with environmental certification (gross floor area basis) to 70% or more by the fiscal year ending March 2031.

DHR is proactively working to obtain environmental certifications for its many ongoing efforts to realize a sustainable society in addition to improving environmental performance, for example through converting to LED lighting at its properties. Additionally, because the Asset Manager has asked its sponsor to consider acquiring BELS Certification, CASBEE Certification for Buildings, and other environmental certifications while their properties are in the development stage, more properties are already certified by the time DHR acquires them.

### Percentage of properties that have obtained environmental certifications in the entire portfolio



### Status of Environmental Certifications

|   | Number of certified properties | Number of portfolio properties* <sup>2</sup> | Percentage of certified properties (based on number of properties) | Certified area (gross floor area* <sup>3</sup> ) | Area in whole portfolio* <sup>2</sup> (gross floor area* <sup>3</sup> ) | Percentage of certified properties (gross floor area basis) |
|---|--------------------------------|--|--|--|---|---|
| Total of properties that have obtained environmental certifications | 64                             | 223  | 28.7%  | 2,476,422.09 m <sup>2</sup>                      | 3,599,804.12 m <sup>2</sup>   | 68.8%   |
| DBJ Green Building Certification                                    | 20                             | 223  | 9.0%   | 1,163,571.12 m <sup>2</sup>                      | 3,599,804.12 m <sup>2</sup>   | 32.3%   |
| CASBEE for Real Estate Certification                                | 29                             | 223  | 13.0%  | 1,417,036.32 m <sup>2</sup>                      | 3,599,804.12 m <sup>2</sup>   | 39.4%   |
| BELS Certification  | 55                             | 223  | 24.7%  | 2,137,705.98 m <sup>2</sup>                      | 3,599,804.12 m <sup>2</sup>   | 59.4%   |
| (ZEB Certification portion)   | 8                              | 223  | 3.6%   | 558,451.29 m <sup>2</sup>                        | 3,599,804.12 m <sup>2</sup>   | 15.5%   |
| LEED Certification  | 1                              | 223  | 0.4%   | 120,229.08 m <sup>2</sup>                        | 3,599,804.12 m <sup>2</sup>   | 3.3%  |
| JHEP Certification  | 1                              | 223  | 0.4%   | 26,997.13 m <sup>2</sup>                         | 3,599,804.12 m <sup>2</sup>   | 0.7%  |
| ABINC Certification   | 1                              | 223  | 0.4%   | 24,604.09 m <sup>2</sup>                         | 3,599,804.12 m <sup>2</sup>   | 0.7%  |

\*1 The number of certifications is as of March 31, 2023.

\*2 Excludes land properties.

\*3 Gross floor area is based on the floor area provided on the inspection certificate of each property.

\*4 The percentage of properties that have obtained environmental certifications is rounded to the first decimal place.

Relevant Data (1 of 2)

#### DBJ Green Building Certification



**20 properties**

5 stars : 7 properties  
4 stars : 6 properties  
3 stars : 7 properties

#### CASBEE for Real Estate Certification



**29 properties**

S : 17 properties  
A : 12 properties

#### BELS Certification



**55 properties**

★★★★★ : 14 properties  
★★★★ : 9 properties  
★★★ : 9 properties  
★★ : 16 properties  
★ : 7 properties

#### ZEB Certification



**8 properties**

"ZEB" : 1 property  
ZEB Ready : 7 properties

#### LEED Certification



**1 property**

Certified : 1 property

#### JHEP Certification



**1 property**

A : 1 property

#### ABINC Certification



**1 property**

\* There is no evaluation rating for this certification.

## Biodiversity

### Policy and Basic Approach

Our lives and economic activity are underpinned by the gifts of nature, which we receive through the ecosystem—the foundation of biodiversity. The earth’s biodiversity is under threat by modern human activities which are accelerating extinction of species at an alarming and unprecedented speed.

Addressing climate change, reducing overconsumption, engaging in sustainable production, investing in biodiversity, and promoting other initiatives in the context of the business activities of DHR and the Asset Manager should contribute to the pursuit of nature positivity and increase our competitiveness.

### KPIs and Main Initiatives

Number of properties with biodiversity-related environmental certifications

**Target** 5 properties  
(fiscal year ending March 2031)

**Actual** 2 properties  
(As of March 31, 2023)

### Risks, Opportunities, and Responses

Any development business comes with the potential risks of losing business opportunities or incurring costs to revitalize that ecosystem if any loss of the ecosystem occurs in the region. In the long term, there are concerns that, if demand for timber, one of the materials handled by the Daiwa House Group, grows with a focus on legality and sustainability, there will be difficulties in the procurement of such timber. Therefore, based on the environmental and social standards outlined in the “Biodiversity Guidelines” [Timber Procurement] which is part of the Daiwa House Group’s “Supply Chain Sustainability Guidelines” for goods (construction materials, etc.) procured and delivered to DHR by suppliers, the Asset Manager works to promote the property management companies to use timber that includes (1) certified timber: timber certified by various agencies, (2) recycled timber: timber recycled from scarp construction materials, and (3) timber recommended by Daiwa House Industry Co., Ltd.: timber determined to be above a certain level in 11 check items (three items on legality and eight items on sustainability) other than (1) and (2).

### ZERO Deforestation\* Policy

The Daiwa House Group will:

- procure timber from suppliers advocating a policy of zero deforestation;
- purchase from suppliers who handle timber with respect for human rights and safety of indigenous people and workers in the country of origin;
- purchase timber whose traceability can be verified; and
- expand the use of timber subject to the zero deforestation policy to plywood formwork panels, main equipment, fittings and wallpaper in addition to structural materials, base materials, batten cleats and flooring materials.

\* ZERO Deforestation refers to: (1) timber not harming biodiversity due to clear cutting of natural forests, (2) timber planted using methods that do not damage high carbon stock (HCS) lands, and (3) 100% recycled timber

### Obtaining Biodiversity-related Environmental Certifications

DHR property Royal Parks Toyosu was certified under the Japan Habitat Evaluation and Certification Program (hereinafter referred to as “JHEP”), and Royal Parks Hanakoganei became the first DHR property to receive certification from the Association for Business Innovation in harmony with Nature and Community (hereinafter referred to as “ABINC” and “ABINC certification”).

### Introduction of Biodiversity Protection Program

DHR is reducing the use of plastics by switching the location of provision of hair and tooth brushes from rooms to an amenities counter near the front desk at some of its hotels. “QiZ GATE URAWA” is reducing plastic waste by using recycled trash bags made from used stretch films, which would be normally disposed of as trash, for the trash bags in common areas.

### Monitoring System for Biodiversity

The Board of Directors of DHR and the Board of Directors of the Asset Manager have a system in place to receive reports on items related to biodiversity from the Sustainability Committee and monitor the situation.

### Joining the Japan Business Initiative for Biodiversity (JBIB)

The Japan Business Initiative for Biodiversity (hereinafter referred to as “JBIB,” established in April 2008) is a group of Japanese corporations actively working to conserve biodiversity, and through the following five activities aims to contribute to the conservation of biodiversity in Japan and abroad by promoting joint research among various corporations to produce results that cannot be achieved by a single corporation.



### 5 Objectives of JBIB

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

The Asset Manager agrees with the significance of the activities of JBIB, and in January 2023 became the first asset manager of a J-REIT to join the initiative.

### Joining the 30 by 30 Alliance for Biodiversity

30 by 30 is an initiative to halt the loss of biodiversity and put it on a recovery track (nature positive) by 2030. The goal is to effectively conserve at least 30% of land and sea as healthy ecosystems by 2030. In April 2022, a coalition of volunteers formed to promote efforts to achieve this goal. The coalition is known as the 30 by 30 Alliance for Biodiversity (hereinafter referred to as the “Alliance”). As a specific action to achieve 30 by 30, the Asset Manager will provide assistance in managing protected areas and areas registered (or expected to be registered) in the global database of OECMs.\* The Asset Manager agrees with the significance of the activities of the Alliance, and in December 2022 became the first asset manager of a J-REIT to join.



\* Other Effective area-based Conservation Measures (OECMs): Areas outside of national parks and other protected areas in which biodiversity can be conserved effectively and over the long term. Increasing OECMs is expected to capture and fix CO<sub>2</sub> in addition to restoring nature, which contributes to disaster risk reduction.

## Environmental Conservation

### Policy and Basic Approach

The water supply is expected to become unstable as a result of climate change; around the world, it is becoming more important to conserve aquatic environments. As water risks are highly influenced by local factors, DHR evaluates water stress at its properties and uses hazard maps to assess the risk of water damage. DHR also promotes efforts to reduce water consumption at its properties to ensure that water resources are available for continued use.

**Target** Reduce consumption rate to the consumption intensity of fiscal year ended March 2018 (base year) or less (10-year period from 2018 to 2027)

**Actual** 0.3352 m<sup>3</sup>/m<sup>2</sup> Fiscal year ended March 2018 (base year) actual  
Fiscal year ended March 2023 actual 0.8205 m<sup>3</sup>/m<sup>2</sup>

### Effective Use of Rainwater, Groundwater, and Greywater

DHR reduces tap water use and the environmental impact of its owned properties by effectively using rainwater, groundwater, and greywater (used tap water recycled for flushing toilets, watering, and other purposes before being discharged into sewer systems). At “DPL Nagareyama I” and “DPL Misato,” irrigation systems that use rainwater and automatic irrigation timers to conserve water and improve landscape management are installed.

The grounds around the “ACROSSMALL Shinkamagaya” is stable with plenty of good quality water. DHR implemented construction to switch from tap water to groundwater, which suppressed the tap water consumption by supplying water to the sports club with a pool and other such facilities.

DHR uses gray water at “Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi).”

### Adoption of Water Conservation Equipment

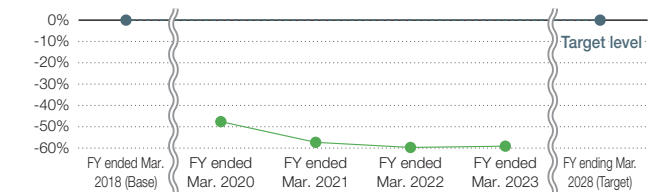
DHR is furthering the adoption of water conservation equipment at the time of renewal of facilities or equipment at its properties in an effort to reduce water consumption.

### Water Stress

DHR does not own any properties in regions where the water stress is “high” or “extremely high.”

### Water Consumption (reduction rate of intensity (m<sup>3</sup>/m<sup>2</sup>))

Relevant Data (1 of 2)



## Waste Management/Pollution Prevention

### Policy and Basic Approach

The increasing world population and other factors are triggering a substantial rise in consumption of global natural resources; resource depletion and the negative impacts of waste on the environment are becoming more severe. The “2030 Agenda for Sustainable Development” adopted at the United Nations Summit in 2015 calls for a “vast reduction in waste by 2030.” Interest is mounting in the “circular economy,” in Japan and abroad, in which products and other items of value are continuously recycled and reused. DHR is taking steps to reduce waste and increase recycling rates at portfolio properties.

**Target** Improve recycling rate to the rate of fiscal year ended March 2018 (base year) or higher (10-year period from 2018 to 2027)

**Actual** 71.9% Fiscal year ended March 2018 (base year) actual  
Fiscal year ended March 2023 actual 54.2%

### Pollution Prevention

Before acquiring any property, DHR shall conduct detailed environmental due diligence on the matters listed below. During the due diligence process, DHR comprehensively assesses the property’s investment value, weighing its impact on DHR’s overall portfolio, contribution to expected increase in value and other relevant considerations while consulting a fair real-estate appraisal by a third party with sufficient skill and experience in due diligence studies.

- Soil and ground conditions, buried objects, soil contamination, etc.
- Status with respect to hazardous substances (asbestos, PCBs, etc.)

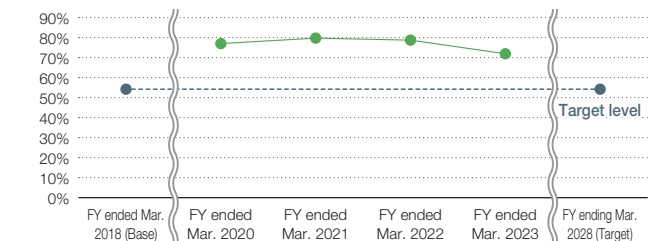
Furthermore, DHR maintains the proper processing and procedures in accordance with laws and regulations for any chemical substances present on its properties to strictly handle all chemical substances in the most thorough manner to ensure no leaks or emissions.

### Soil Contamination Countermeasures

“FOLEO Ome Imai” was built on the land of a former electronic component production plant. Even though the soil contamination had been verified, construction work was conducted by properly excavating and removing the soil. DHR acquired the property after confirming that the topsoil survey for all specific hazardous chemicals after the construction work showed none of the substances were detected and all were in compliance with regulatory standards.

### Waste Management (recycling rate)

Relevant Data (1 of 2)



# Social

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| Human Rights and Labor Standards .....         | 24 |
| Initiatives for Local Community .....          | 25 |
| Initiatives for Tenants and Supply Chain ..... | 26 |
| Investor Relations Initiatives .....           | 27 |

## Diversity, Equity, and Inclusion

### Policy and Basic Approach

For the Daiwa House Group to grow into a corporate capable of contributing to the world, it is important to respond flexibly to diverse values and ongoing changes in society, and to create new value to allow us to discover potential markets. Toward that end, we must foster a workplace climate that makes it possible to capitalize on the perspectives and creativity stemming from employees' diverse values, gender, age, ethnicity, language, culture, disabilities, lifestyles, and other attributes in order to form organizations that generate new ideas without being held back by outdated notions and preconceptions.

We are making efforts to promote active participation by women and otherwise strengthen diversity-based management so that a broader range of people can flourish in the future.

### KPIs and Main Initiatives

| Item  | Fiscal year ended<br>March 2023 | Target for fiscal year<br>ending March 2031 |
|---|---------------------------------|---|
| <b>Diversity, equity, and inclusion</b>                     |                                 |   |
| Percentage of female managers (senior manager and above)    | 20.7%                           | 39%   |
| Percentage of female line managers (group leader and above) | 0%                              | 20%   |
| <b>Work styles (work-life balance)</b>                      |                                 |   |
| Percentage of male employees taking childcare leave         | 66.7%                           | 100%  |
| Percentage of paid leave taken                              | 72.4%                           | 85%   |
| <b>Engagement</b>   |                                 |   |
| Turnover  | 1.4%                            | 0%  |
| Average tenure of employees                                 | 5.6 years                       | 10 years                                    |
| eNPS score  | -13                             | -8  |

### Sustainability Survey for Employees

The Asset Manager recognizes human resources as its greatest asset and participates in the Sustainability Survey (formerly CSR Awareness Survey) conducted by the Daiwa House Group\* every year to verify how well the Principles of Corporate Ethics and Code of Conduct are being practiced in the workplace and the employment satisfaction level (100% response rate).

\* Surveys and analyses are outsourced to third-party institutions.

### eNPS Surveys and Satisfaction Evaluations

The Asset Manager conducts eNPS\* surveys and satisfaction evaluations through third-party organizations for officers and employees, including fixed-term, temporary, and part-time employees. The Asset Manager explains the survey results to officers and employees (including fixed-term, temporary, and part-time employees), gives feedback, and encourages them to build a better workplace environment.

\* The Employee Net Promoter Score is an index for visualizing the loyalty of employees. This index evaluates eleven levels of employee loyalty through the survey question asking, "How likely are you to recommend our organization to your family, friends, or other acquaintances who want to find or change jobs in the same industry as your company? Please answer by assuming that you have friends or other acquaintances who want to find or change jobs in the industry that you are working in."



Image from a diversity training event at the Asset Manager

### Promotion of Employment of Seniors

The Asset Manager promotes a system of re-hiring employees 60 years of age and older and is working toward the succession of expertise and the development of future generations by employing persons with expert knowledge for the long term.

### Benefits and Welfare

The Daiwa House Group recognizes the importance of promoting good health among its workforce and thereby improving labor productivity through consistent measures to eliminate excessively long working hours and help employees manage their health. Based on such recognition, the Asset Manager has introduced employee leave/vacation programs such as the ones below, in addition to celebratory event leave, bereavement leave, maternity/paternity leave, parental leave\*, child caregiving leave and elder caregiving leave\* for all employees.

\* Contract workers can also take advantage of these programs.

| Item                        | Overview   |
|-----------------------------|--|
| Special paid vacation       | Up to five days per year separately from annual paid vacation to promote employees' health, etc.   |
| Accumulated paid vacation   | Unused annual paid vacation days accumulate up to 20 days per year to a maximum of 100 days. Employees may use their accumulated paid vacation days as personal injury/sick leave, maternity/paternity leave, family caregiving leave or community co-creation leave |
| Family caregiving leave     | Five days per year to care for ill family members (paid leave)   |
| Community co-creation leave | Five days per year to participate in activities that contribute to society, training for such activities, etc. (paid leave)  |

### Establishment of Consultation Desk for Sexual Minorities (LGBT)

In order to create social value through its businesses, the Daiwa House Group operates based on "respect for human rights" of all stakeholders, including its employees, customers and business partners, with the goal of sustainable management that can continually realize diversity and inclusion.

To create an environment where diversified talented people can demonstrate their abilities by drawing on their individuality, we have established an external contact point to which all the officers and employees of the Daiwa House Group, including fixed-term employees, contract workers, and part-time employees, can contact for a consultation to relieve their anxieties caused by issues of LGBT.

- Personal information is protected even at the external consultation desk. Furthermore, we will never disclose any information inside or outside of the company without the consent of the person contacting the consultation desk.
- If an internal response is necessary, it will be handled in accordance with the Daiwa House Group Whistleblowing Regulations upon consent of the person consulted.

## Human Rights and Labor Standards

### Policy and Basic Approach

The Daiwa House Group Principles of Corporate Ethics stipulate “We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, sexual identity, disability, age, creed, or social status.” In January 2018, the group established the Human Rights Policy of Daiwa House Group with an understanding of the corporate responsibility of respecting human rights as set forth in the UN Guiding Principles on Business and Human Rights. After receiving advice from outside experts, this policy was established by resolution of the Daiwa House Board of Directors in December 2017.



### KPIs and Main Initiatives

#### Relevant training (fiscal year ended March 2023)

|  | Times held (days) | Total hours/person |
|--|-------------------|--------------------|
| Training on human rights and diversity | 1                 | 4.0                |
| Training on bullying and harassment    | 1                 | 0.75               |

#### Number of cases in which the Asset Manager received reports and took corrective action

| Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|------------------------------|------------------------------|------------------------------|
| 0                            | 0                            | 0                            |

#### Number of reports about labor-related issues, discrimination, harassment, etc.

| Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|------------------------------|------------------------------|------------------------------|
| 0                            | 0                            | 0                            |

### Labor-related Violations and Accidents

The Asset Manager had no significant labor-related violations or accidents that would influence stakeholders. (Fiscal year ended March 2023)

### Hotline

Since 2004, the Daiwa House Group has been operating a hotline for in-house whistleblowing and consultation, while implementing regulations to protect whistleblowers (current Daiwa House Group Internal Reporting Regulations). The hotline is available and the regulations are applicable to all group employees regardless of their type of employment. In 2020, the service was renamed the “Corporate Ethics and Human Rights Hotline.” The hotline accepts not only reports of suspected or confirmed cases of breach but also reports of, and request for help and advice on, a variety of workplace- or human rights-related problems, thereby contributing to early detection and resolution of such problems. In the process of working toward resolution, whistleblowing is accepted under anonymity. In the factual confirmation and investigation, privacy of not only the consultant but also employee(s) in question and third parties who cooperate in the investigation is respected. Along with such actions, hearings are held with the parties involved under strict confidentiality, and appropriate measures are taken to prevent recurrence. Once the problem has been resolved, a follow-up investigation is carried out to ensure, in some cases, that the reporter will not be subject to retaliatory treatment or that improvements have been made, thus always protecting hotline users. As measures for recurrence prevention, information is shared among related worksites and departments via the persons in charge of the hotline at worksites to raise general awareness of the risks. Training programs are also organized to draw attention to such issues. In addition, points of contact for consultation for group employees have been put in place at the Sustainability Planning, Legal, and Human Resources Departments of Daiwa House, facilitating the detection of legal irregularities, violations of human rights, workplace problems, and the like. Several contact points are available within the company to lower the psychological barrier that employees may feel about reporting or seeking advice, thus easing the way for them to reach out at an early stage. In addition, as with the Corporate Ethics and Human Rights Hotline, we accept issues relating to human rights via the Partners Hotline, which is a whistleblowing system for reports from business partners concerning the relationship between Daiwa House Group employees and business partners.

### Response to Human Rights

The Asset Manager further solidified this commitment by signing on to the United Nations Global Compact, which states “the elimination of all forms of forced and compulsory labour,” “the effective abolition of child labour” and “the elimination of discrimination in respect of employment and occupation” as part of its principles. The Asset Manager also conducts regular training on human rights with the aim to realize a workplace and society free of discrimination where diverse human resources can play an active role by gaining a better understanding of minority issues, such as those related to sexual minorities (LGBT), persons with disabilities, foreign labor, and the Buraku issue.



### Labor/Management Relations

The Asset Manager has not yet organized a labor union but does recognize the constitutional right of every employee to have “freedom of association.” DHR has also signed and made a commitment to adhering to the United Nations Global Compact, one of whose principles is “the freedom of association and the effective recognition of the right to collective bargaining.” Labor-management relations at the Asset Manager have been harmonious, and there have been no large-scale mergers, acquisitions, or layoffs in the past three years. In addition, the Asset Manager has entered into a labor-management agreement on overtime work (36 Agreement) with its employees, and striven to maintain the health of its employees by appropriately managing working hours.

### Overwork

The Asset Manager conducts mandatory health examinations through industrial physicians for anyone who works more than 80 hours of overtime per month.

### Payment of Wages Above Minimum Wage and Equal Pay for Equal Work

The Asset Manager pays wages above the minimum wage provided for in laws and regulations and a wage that contributes to improving the standard of living by taking into account the commodity prices. Our compensation system also maintains equal pay for equal work and ensures no wage gap between genders. The Asset Manager has established an evaluation-linked monetary compensation system by post classification and conducted appropriate assessments of performance. Bonuses are paid twice a year in the summer and the winter, and the amount is determined according to work performance. In the fiscal year ended March 2023, the average annual salary paid by the Asset Manager was ¥9,802 thousand\*.

\* Average for full-time employees not including officers, fixed-term employees or employees on external assignment



## Initiatives for Local Community

### Policy and Basic Approach

DHR and the Asset Manager provide safe, comfortable spaces at portfolio properties in an effort to enhance our competitiveness and improve our value. We also focus on business continuity plans (BCPs) and promote efforts with disaster resilience in mind in addition to promoting job creation to revitalize local communities.

We intend to continue working with the members of local communities to solve social issues with the ultimate aim of becoming a company worthy of their trust.

### Support for Community Activities

Some retail properties owned by DHR host events as one form of support for community activities.

The Asset Manager supports community co-creation activities; partly through “Community Co-Creation Leave Program,” it has established to facilitate employees’ participation in activities that contribute to society, training for such activities and other such endeavors. Community co-creation activities supported by the Asset Manager include (1) preservation of the natural environment (litter pickup activities, recycling movements), (2) education and youth development (school visits, experiential learning programs, athletic coaching), (3) social welfare (elder/juvenile/disabled welfare), (4) international cooperation (overseas volunteering, foreign language interpreting, etc.), (5) volunteer training and required credentialing programs (classes in invalid care skills, sign language), (6) community outreach (neighborhood association events), and (7) disaster relief activities. Specific activities include litter cleanup activities in response to calls from public park and facility management offices, participation in a book donation project, and volunteering for daily conversational practice for elderly Chinese returnees to learn Japanese conversation and interact with others in Japanese.



Orchestral stage



Information on foster parent recruitment



Mama Marché (event for mothers and kids)

### Castalia Meguro Kamurozaka

To make effective use of the space (about 65 m<sup>2</sup>) renovated from a meeting room to a party room, the Asset Manager consulted with Shinagawa Ward Council of Social Welfare and started providing the place to hold a children’s cafeteria in December 2022. The children’s cafeteria is a social welfare activity that provides a warm social gathering place for the children and residents of the community, as well as inexpensive and nutritious meals. DHR and the Asset Manager support local activities by acting as a bridge between local residents, children, and organizers of the children’s cafeteria.

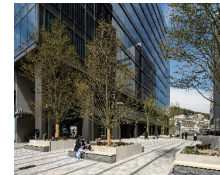


### GRANODE Hiroshima

Hiroshima City collects entries from citizens for buildings, signs, activities, and more that make the city attractive and presents the most outstanding ones with the Urban Design Award Hiroshima. “Ekikitare,” a roughly 20-meter-wide and 100-meter-long space in the event square at “GRANODE Hiroshima,” a complex of office, retail and hotel facilities, received the 17th Urban Design Award Hiroshima in the Streetscape category in 2020.

#### <Reasons for selection>

- (1) Located near Hiroshima Station, the land gateway to Hiroshima, the facility is a valuable space that can be utilized as an event square and creates new lively attractions, thereby contributing to the community.
- (2) It is highly convenient with the necessary infrastructure for events even though normally it is a quiet space with comfortable breezes. It is built in such a way that event organizers sense the spirit of hospitality.



### Local Job Creation

At some retail properties owned by DHR, local residents are given priority when applying for jobs.

### Disaster Relief/Resilience

#### ACROSSMALL Shinkamagaya

The city of Kamagaya, Chiba, where “ACROSSMALL Shinkamagaya” is located, registers as “emergency communal wells” the wells that can provide well water to local residents when tap water supply is cut off in the event of a major earthquake or other disasters. In agreement with the intent of this program, DHR has registered the groundwater used at the property as an emergency communal well.



### Countermeasures Against Large-scale Flooding

#### DPL Nagareyama I

DHR has entered into an “Agreement on Use as Temporary Evacuation Facility in Event of Disaster” with Nagareyama City, Chiba. This agreement allows the city to use DHR property DPL Nagareyama I as a temporary evacuation facility for nearby residents and others in the event of large-scale flooding or other disaster. The purpose of this agreement is to ensure safety in the event that the Edogawa River, which runs through the city, overflows due to torrential rains, etc., by temporarily taking in nearby residents and employees of companies in the Nagareyama Industrial Park until an evacuation center can be opened. The latest BCP measures have been implemented at DPL Nagareyama I, including a seismic isolation structure and back-up power supply. The on-site parking lot, vehicle passageways on each floor (total floor area of 3,000 m<sup>2</sup> per floor), the cafeteria, and daycare center can serve as temporary shelters for up to 1,200 people in the event of a disaster, and it also keeps emergency supplies for 500 people.

In addition, there are ramps for accessing the vehicle passageways on each floor, and these can be used by evacuees arriving by car to get to the top floors while remaining in their cars. This allows quick evacuation, and with evacuees remaining in their cars, it can prevent the spread of COVID-19.

### Business Continuity Plan (BCP)

DHR has promoted an enhancement of BCP response from a wide range of perspectives so that tenants, users, and people in the local community can use these safe and comfortable facilities.

#### D Project Machida, D Project Kuki III, DPL Misato, and DPL Nagareyama I

Seismic isolation structures\* have been put in place not only to minimize load and facility damage in the event of a disaster but also to maintain building functions. These seismic isolation structures reduce vibrations to suppress shaking on upper floors and allow operations to restart in a short time.

\* The seismic isolation structure reduces the transmission of seismic forces to the building by installing rubber laminations or other seismic isolators between the ground and the building.

#### GRANODE Hiroshima

In addition to the installation of a seismic structure\*, GRANODE Hiroshima has emergency power generators that can supply 72 hours of power as well as a generator space for tenants.

\* The seismic isolation structure reduces shaking by installing dampers, etc., to absorb the shaking within the building.

## Initiatives for Tenants and Supply Chain

### Tenant Engagement Programs

DHR and the Asset Manager promote sustainability initiatives in cooperation with tenants of its properties. By distributing a sustainability guide that summarizes information such as the Sustainability Policy of the Asset Manager and environmental certifications to tenants and posting it at the properties, we share the social issues with the tenants and promote initiatives.

At some properties for which a green lease agreement has been concluded, DHR regularly confers with tenants in the aim of sharing environmental information and reduction targets.



Sustainability Guide



### Initiatives to Increase Tenant Satisfaction

DHR regularly conducts surveys to grasp tenants' needs and satisfaction in the belief that increasing tenant satisfaction leads to stable and improved property-operating performance. In a questionnaire given to the residents of 119 residential properties (8,386 units) through a third-party organization in February 2022, around 71% of tenants gave their property a "7" or higher out of an evaluation scale up to 11 overall, and around 62% of tenants gave their property a "7" or higher as to whether they would recommend the property to others.

The questionnaire results are shared with property management companies and used to improve building and facility specifications and services.

### Supply Chain Management

Daiwa House Group conducts business with the belief that its suppliers are important business partners. Daiwa House Group believes that we can provide quality that satisfies our customers by forming an extensive supply chain that includes manufacturers of material and equipment, construction, and after-sale services.

The requirements of institutional investors and NGOs for companies to engage in environmental and social initiatives have expanded to include not only the company and corporate group but also supply

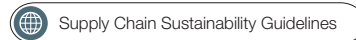
chain management. Even in international rules and stock exchange guidelines, the requirements for group CSR procurement initiatives and informational disclosure are becoming even stricter. The era the world is entering demands satisfying both social factors such as human rights considerations and expectations for quality and price to be competitive. The Daiwa House Group strives to realize a sustainable society through the promotion of CSR procurement together with its suppliers.

### Supply Chain Sustainability Guidelines

Our Supply Chain Sustainability Guidelines set forth seven social and environmental principles via a "Business Partner Code of Conduct." And, based on this code of conduct, our "Corporate Activity Guidelines" elucidate 42 specific social and environmental items. The "business activities based on high ethical standards" requirement in the "Business Partner Code of Conduct" stipulates that business partners are expected to act ethically and in full compliance with laws and regulations.

Where the code of conduct requires "considerations for occupational safety and health," business partners are expected to concern themselves about health and safety, by preventing industrial accidents, assiduously managing sanitation and hygiene, and being prepared for unforeseeable events like natural disasters. Our section on "fair business activities" requires our business partners to take anti-corruption measures in order to keep business free of graft and corruption. And, the section on "respecting human rights" outright disavows forced labor, child labor, harassment and infringements of human rights by way of discrimination, etc.

The Asset Manager requires its property management companies to implement the Supply Chain Sustainability Guidelines, which is reflected in the annual assessment of property management companies.



### Cooperation with Property Management Companies

The Asset Manager conducts evaluations of property management companies once a year to determine whether the ongoing outsourcing of operations to the current property management companies is appropriate based on the internal operations manual, including automatic contract renewals. We provide feedback on the results of these property management company assessments to them and guide corrective actions for any items requiring improvement. These property management companies submit reports on the corrective actions for any items presenting a major problem.

Additionally, DHR determines whether to change property management companies if a property management company continues to have a low evaluation on the assessments and no corrective actions can be expected.

### Content of the property management company assessment

- (1) Financial results and conditions as well as other management information
- (2) Organizational structure (3) Facility operation management and technical management capabilities (4) Tenant leasing skills (5) Reasonable compensation standards for the property management operations (6) Performance of application and area management (7) Sustainability

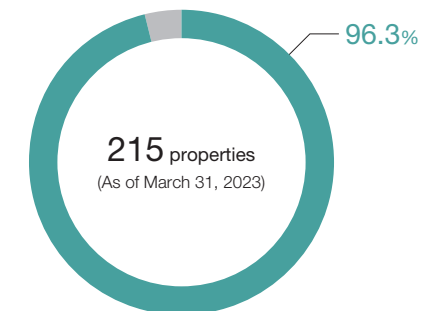
### Sustainability survey for property management companies from the Asset Manager

- (1) Introduction of an environmental management system or equivalent initiatives (2) Promotion of green procurement for subcontractors (3) Occupational health and safety (4) Health and comfort (5) Respect for human rights and diversity (6) Corporate ethics (7) Community involvement (8) Environmental and health-conscious products (9) Cooperation with our sustainable procurement (including re-consigned subcontractors)

### Introduction of Green Leases

Aiming to improve the environmental performance of properties through a collaborative effort with tenants, DHR is promoting the introduction of green leases. In a green lease agreement, the building owner and the tenants jointly cooperate by proactively entering into agreements and memorandums of understanding regarding the reduction of the environmental burden of the property, such as through energy savings, and improvement of the workplace environment, and by putting the details of these undertakings into practice.

### Green lease agreements



### Supplier-related Violations and Accidents

There were neither significant supplier-related violations nor accidents at DHR's properties that would affect stakeholders. (Fiscal year ended March 2023)

## Investor Relations Initiatives

### Policy and Basic Approach

DHR endeavors to ensure transparency in its asset management operations and disclose information that is easy to understand in a fair, timely, and accurate manner so that investors can make investment decisions in accord with the principle of self-responsibility. DHR discloses information in compliance with the Financial Instruments and Exchange Act, the Act on Investment Trusts and Investment Corporations (hereinafter referred to as the "Investment Trusts Act") and disclosure rules prescribed by the Tokyo Stock Exchange, Investment Trusts Association, Japan, etc. It also endeavors to proactively disclose even information not legally or otherwise required for disclosure if the information is deemed likely to influence investors' investment decisions.

### KPIs and Main Initiatives

#### Completed IR activities (including online meetings and telephone/web conferences)

(April 2022–March 2023)

|   |           |
|---|-----------|
| Results briefings for domestic institutional investors and analysts | 2 times   |
| IR meetings for domestic institutional investors and analysts       | 188 times |
| IR meetings for overseas institutional investors                    | 56 times  |

### Disclosure Policy

#### Information disclosure system

As for DHR's timely disclosures, the Fund Management Department of the Daiwa House REIT Division of the Asset Manager is the department responsible for disclosing information, and the General Manager of the department is responsible for handling information. Additionally, in order to monitor the appropriateness of timely disclosure operations, the Compliance Department verifies the disclosure materials along with the time, date, and method of disclosure, and other relevant items immediately following timely disclosure. The result is then reported to the DHR Board of Directors.

#### Method of timely disclosure

Timely disclosures are carried out by posting the information on the Timely Disclosure network (TDnet). Disclosure materials are also posted on DHR's website on the same day.

#### Feedback on opinions received through IR activities

Opinions and requests pertaining to sustainability received through dialogue with unitholders and investors are reported to the Board of Directors of the Asset Manager and the DHR Board of Directors twice annually, and management personnel provide timely and appropriate feedback in an effort to further increase our corporate value.

#### IR activities

The following is DHR's IR schedule.

- Closing: February, August
- Announcement of financial results: April, October
- Results briefings: April, October
- Asset Management Report sent out: May, November





# Governance

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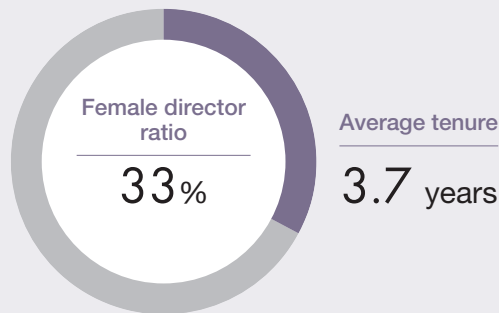
## Governance

### Policy and Basic Approach

The Asset Manager has established the following governance-related guidelines in its internal Compliance Manual.

1. The Asset Manager is committed to thorough compliance as a fundamental management principle based on the realization that trust is its greatest asset and a keen awareness that compliance deficiencies can impair trust and, in turn, even undermine its management foundation.
2. Recognizing the importance of its societal mission and responsibilities in the national economy as an asset manager that manages investment corporations' assets, the Asset Manager will ensure compliance proactively and unrelentingly.
3. By putting compliance into practice, the Asset Manager will contribute to the sound development of the economy and society, thereby elevating our reputation among investors and broadly gaining societal trust.

### DHR Directors (As of March 31, 2023)



### Management Structure



|  |                   |   |
|--|-------------------|---|
| Compliance Committee                             | Members           | Chair: Compliance Officer<br>Members: Full-time Directors, officers and employees designated by the President approved by the Chair, outside experts  |
|  | Function and role | Deliberating and resolving on compliance in the context of operational and internal management  |
| Daiwa House REIT Investment Management Committee | Members           | Chair: Head of Daiwa House REIT Division<br>Members: Full-time Directors (except those in charge of the Private Fund Division), General Manager of the Investment Department, General Managers of the Fund Management Department and Asset Management Department of the Daiwa House REIT Division, officers and employees designated by the President approved by the Chair<br>Observer: Compliance Officer |
|  | Function and role | Deliberating and resolving on the validity and other attributes of DHR's asset management operations  |

### Outside Expert Advisor of the Sustainability Committee

The Asset Manager has appointed an outside expert advisor who has extensive knowledge and experience in sustainability to the Sustainability Committee.

| Name          | Gender | Main concurrent positions   |
|---------------|--------|---|
| Emi Matsukawa | Female | Representative Director, General Incorporated Association Collective Action<br>Outside Advisor, PRONEXUS Inc.<br>Senior Manager, General Incorporated Association CDP Worldwide-Japan |

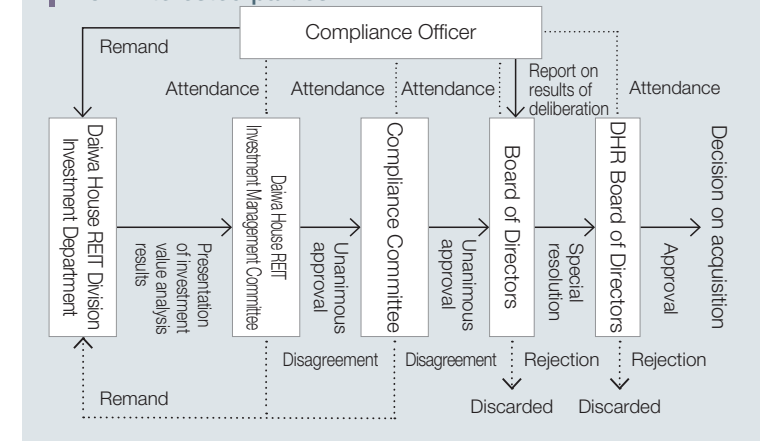
### Handling of Conflict-of-interest Transactions

#### Policy and management structure for addressing conflict-of-interest transactions

The Daiwa House Group could significantly influence the decision-making of the Asset Manager and DHR. It is a close partner with the deepest understanding of the basic concepts of DHR. DHR recognizes that proper coordination with these companies is a means to carry out our asset management operations more effectively.

On the other hand, close relationships among companies are in fact conducive to acts that potentially pose conflicts of interest. Recognizing that preventing conflicts of interest with the Daiwa House Group and other interested parties is one of the top compliance priorities in the asset management operations, DHR and the Asset Manager have established the following control system.

#### Flow of decision-making with respect to acquiring assets from interested parties



## Governance

### DHR Directors: Status and Remuneration

The maximum monthly compensation for an Executive Director shall be ¥800,000, and that for a Supervisory Director shall be ¥350,000. The Board of Directors will determine the compensation amounts deemed reasonable in light of trends in general commodity prices, wages, and the like.

The criteria for payment of compensation of Executive Directors and Supervisory Directors are stipulated in the regulations, and any changes must be approved at a Unitholders' Meeting.

| Title and post       | Name             | Gender | Independent officer (Note 1) | Experience & expertise (Note 2) |             |                    |                 |                      |                | Reason for election   | Main qualifications                         | Attendance at Board of Directors meetings in the 33rd & 34th periods | Director remuneration in the 33rd & 34th periods                              |
|----------------------|------------------|--------|------------------------------|---------------------------------|-------------|--------------------|-----------------|----------------------|----------------|---|---|--|---|
|                      |                  |        |                              | Corporate Management            | Real Estate | Legal & Compliance | Risk Management | Finance & Accounting | Sustainability |   |   |  |   |
| Executive Director   | Toshiharu Asada  | Male   |                              | ✓                               | ✓           | ✓                  | ✓               |                      | ✓              | Toshiharu Asada has a wealth of operational experience and knowledge not only in general finance but also in real estate. We have elected him as Executive Director based on his appropriate judgment pertaining to execution of business operations as well as his character and knowledge.  | –   | 100% (15/15)   | ¥4,920 thousand (including ¥120 thousand in sustainability index-linked fees) |
| Supervisory Director | Hiroshi Ishikawa | Male   | ✓                            | ✓                               | ✓           | ✓                  |                 |                      | ✓              | Hiroshi Ishikawa is familiar with laws and regulations as an attorney-at-law. In addition, he has experience as an outside director at a listed company. We have elected him as Supervisory Director because we determined that he possesses the good character and knowledge necessary to supervise the execution of duties by Executive Director as a Supervisory Director and to perform his duties as a member of the DHR Board of Directors.                                   | Attorney                                    | 100% (15/15)   | ¥4,200 thousand   |
| Supervisory Director | Junko Kogayu     | Female | ✓                            | ✓                               |             | ✓                  |                 | ✓                    | ✓              | Junko Kogayu is familiar with accounting and tax matters as a certified public accountant and tax accountant. In addition, she has experience as an outside director at a listed company. We have elected her as Supervisory Director because we determined that she possesses the good character and knowledge necessary to supervise the execution of duties by Executive Director as a Supervisory Director and to perform her duties as a member of the DHR Board of Directors. | Certified public accountant, tax accountant | 100% (15/15)   | ¥4,200 thousand   |

(Note 1) The Supervisory Directors of DHR are "independent officers" who are not in conflict with the criteria for independence from Executive Officers and the Asset Manager as stipulated in the Investment Trusts Act.

(Note 2) The table shows the leading skills at which each Director excels compared to others, not necessarily all of their knowledge and experience.

(Note 3) The Executive Director and Supervisory Directors do not hold investment units of DHR under their own or another person's name.

(Note 4) In regard to the liability set forth in Article 115-6, Paragraph 1 of the Investment Trusts Act, if a Director has acted in good faith and has not been grossly negligent in performing their duties, and it is deemed necessary considering the underlying facts, the status of the Director's performance of their duties, and other such circumstances, DHR may exempt them from liability to the extent allowed by law by resolution of the Board of Directors.

### Compensation of the Audit Firm

The amount of compensation for the Independent Auditor shall be determined by the Board of Directors, and the maximum shall be ¥25,000 thousand per fiscal period subject to audit.

| Name                        | Description of compensation               | Amount of compensation              |                                       |
|-----------------------------|---|-------------------------------------|---------------------------------------|
|                             |   | Fiscal period ended August 31, 2022 | Fiscal period ended February 28, 2023 |
| Ernst & Young ShinNihon LLC | Compensation based on auditing duties     | ¥17,500 thousand                    | ¥17,500 thousand                      |
|                             | Compensation based on non-auditing duties | ¥3,600 thousand (Note 3)            | ¥2,000 thousand (Note 3)              |
| Total                       |   | ¥21,100 thousand                    | ¥19,500 thousand                      |

(Note 1) Dismissal or non-reappointment of the Independent Auditor shall be discussed at DHR's Board of Directors pursuant to the provisions of the Investment Trusts Act for dismissal, taking into full account all relevant factors for non-reappointment such as the quality of audits and compensation for audits.

(Note 2) The continuous auditing period is from June 2005 to the present.

(Note 3) Compensation is for preparation of comfort letters.

### Compensation of the Asset Manager

| Name                                   | Description of compensation                         | Amount of compensation              |                                       |
|--|---|-------------------------------------|---------------------------------------|
|  |   | Fiscal period ended August 31, 2022 | Fiscal period ended February 28, 2023 |
| Daiwa House Asset Management Co., Ltd. | Management fee 1 (linked to assets)                 | ¥823,177 thousand                   | ¥810,540 thousand                     |
|  | Management fee 2 (linked to NOI)                    | ¥1,028,106 thousand                 | ¥1,029,022 thousand                   |
|  | Management fee 3 (linked to sustainability indices) | ¥70,390 thousand                    | ¥69,382 thousand                      |
|  | Acquisition/disposition fees                        | –                                   | –                                     |
| Total                                  |   | ¥1,921,674 thousand                 | ¥1,908,944 thousand                   |

## Governance

### Sustainability Index-linked Fees

In November 2021, DHR introduced a provision to fluctuate the amount of asset management fees to the Asset Manager in conjunction with the sustainability indices as the first initiative in J-REITs for the purpose of increasing unitholder value by encouraging the reduction of GHG emissions of DHR properties and enhancing the external evaluations of its sustainability initiatives.

This is to increase or decrease the amount of asset management fees based on the sum of indexed GHG emissions reduction ratio, GRESB Rating and CDP Score multiplied by the total assets of DHR, and is aimed at strengthening the commitment to solving ESG issues and improving governance.

Furthermore, remuneration for Executive Director of DHR and remuneration for directors of the Asset Manager are now linked to sustainability indices including GHG emissions reduction ratio, GRESB Rating and CDP Score.

### Asset Management Fee Structure

|  |   |
|--|---|
| Management fee 1<br>(linked to assets)                 | Total assets × <b>0.18%</b> <sup>(Note 1)</sup>   |
| Management fee 2<br>(linked to NOI)                    | NOI × <b>4.5%</b> <sup>(Note 1)</sup>   |
| Management fee 3<br>(linked to sustainability indices) | <p>(1) Total assets × <b>0.008%</b> <sup>(Note 2)</sup> × Reduction in GHG emissions</p> <p>(2) Total assets × <b>0.002%</b> <sup>(Note 3)</sup> × GRESB Rating</p> <p>(3) Total assets × <b>0.002%</b> <sup>(Note 4)</sup> × CDP Score</p> |

(Note 1) The upper limit is 0.4% for Management fee 1 and 5.0% for Management fee 2.

(Note 2) The upper limit is 0.012% for the index (1) of Management fee 3.

(Note 3) The upper limit is 0.004% for the index (2) of Management fee 3.

(Note 4) The upper limit is 0.004% for the index (3) of Management fee 3.

### Method of calculating sustainability index multiple

|   |                                   |     |     |      |       |   |     |     |
|---|-----------------------------------|-----|-----|------|-------|---|-----|-----|
| GHG   | 1 - GHG Emissions Reduction Ratio |     |     |      |       | <small>* GHG emissions reduction ratio: ((b) - (a)) / (a)</small><br><small>(a): GHG emissions intensity in fiscal year ended March 2018 (April 2017 - March 2018) 0.0556 (t-CO<sub>2</sub>/m<sup>2</sup>)</small><br><small>(b): GHG emissions intensity in the immediately preceding fiscal year (April - March) (t-CO<sub>2</sub>/m<sup>2</sup>)</small> |     |     |
| GRESB Rating  | ★                                 | ★★  | ★★★ | ★★★★ | ★★★★★ |   |     |     |
| Multiple  | 0.8                               | 0.9 | 1.0 | 1.1  | 1.2   |   |     |     |
| <small>* Multiple is determined based on the assessment in the immediately preceding fiscal period.</small> |                                   |     |     |      |       |   |     |     |
| CDP Score   | D-                                | D   | C-  | C    | B-    | B   | A-  | A   |
| Multiple  | 0.6                               | 0.7 | 0.8 | 0.9  | 1.0   | 1.1   | 1.2 | 1.3 |
| <small>* Multiple is determined based on the assessment in the immediately preceding fiscal period.</small> |                                   |     |     |      |       |   |     |     |

## Compliance

### System for Promoting Compliance

The Asset Manager realizes compliance through the following system.

| Organization/<br>Title and post | Main role  |
|---------------------------------|--|
| Board of Directors              | (1) Establish and revise compliance manuals and compliance programs as the decision-making body on fundamental matters related to promoting compliance.<br>(2) Ask for reports on progress made on compliance from the Compliance Officer as necessary.  |
| Compliance Committee            | In principle, convened monthly and as necessary by the Compliance Officer for discussion of the agenda from the standpoint of compliance.  |
| President and CEO               | (1) Supervise introduction of basic compliance policies and programs.<br>(2) Report to the Board of Directors on progress made on compliance at least every quarter and as necessary.  |
| Compliance Officer              | (1) Conduct overall compliance planning, drafting and promotion as the head of compliance.<br>(2) Promptly report to the President and CEO and provide necessary suggestions or instructions to relevant departments whenever problems in the context of compliance arise or are likely to arise.<br>(3) Independently review from a compliance standpoint transactions and decisions pertaining to management of DHR's assets, as an entity independent of the Asset Manager's other internal organizations, without being influenced by other internal organizations' judgments. |
| Compliance Department           | Engage in work related to compliance promotion, internal audits, verification of risk management, and more under the supervision of the Compliance Officer   |


### Establishment and Practical Implementation of Compliance Manual

The Asset Manager has established a Compliance Manual in the aim of increasing the soundness and reliability of its management and organization as the manager of DHR's assets and, in turn, earning the trust of unitholders and society by prescribing not only fundamental compliance-related principles by which its officers and employees should abide but also specific practical matters.

### Compliance Training

The Asset Manager works to enhance internal education and training so that officers and employees are able to pursue the best interests of investors. Specifically, when it comes to internal education, we utilize a group textbook that provides easy-to-understand explanations by means of various case studies in order to ensure that Daiwa House Group employees are able to engage in proper decisions and actions according to "With our customers" and the other elements of the Principles of Corporate Ethics and Code of Conduct in their routine operations. As for internal training, we carry out compliance training on a continual basis to ensure that all officers and employees (including fixed-term employees, temporary employees and part-time employees) are acutely aware

of pursuing the best interests of investors. We also include an assessment of whether employees are taking action on compliance with a continual awareness of other social demands in their performance evaluations. In so doing, we seek to raise awareness among our officers and employees.

 Relevant Data (2 of 2)

### Prevention of Corruption

The Daiwa House Group has established a system to strictly prohibit and prevent corruption, such as bribery, money laundering, embezzlement, and other violations of the law. This includes the establishment of Anti-Bribery Regulations and Identity Verification Regulations. In addition, acts that encourage bribery or unfair trade or that are ethically unsound are prohibited by various policies and rules, such as our Principles of Corporate Ethics and Code of Conduct, even if they do not violate the law. In this way, we set forth rules for maintaining transparency in business operations and fairness in transactions.

The Asset Manager has established a system for consultation and appropriate handling of reports related to acts that are (or could potentially be) problematic in terms of compliance, including organizational or individual legal violations and ethically questionable acts reported by whistleblowers based on the Whistleblower Protection Act and the Cabinet Office Guidelines for Private Businesses Concerning the

Whistleblower Protection Act. Both internal and external points of contact are in place. The Asset Manager further solidified this commitment by signing on to the United Nations Global Compact, which states, "businesses should work against corruption in all its forms, including extortion and bribery" as one of its principles.

Additionally, the Asset Manager's Compliance Manual stipulates the following measures for all officers and employees to prevent bribery and corruption.

- (1) Officers and employees must not directly or indirectly provide any entertainment, gifts, favors, or other benefits (including providing, offering, or promising cash or other benefits) to any public servants or quasi-public servants (whether in Japan or overseas, including private companies and the like prohibited by laws and regulations from engaging in bribery).
- (2) Officers and employees must not provide or accept entertainment, gifts, favors, or other benefits beyond normal social etiquette under socially accepted ideas (i.e., engage in conduct that inhibits or could inhibit the Asset Manager's promotion of compliance) to or from anyone, even if they are not a public servant or quasi-public servant.
- (3) Officers and employees must follow the rules for entertainment expenses when providing entertainment, food and beverages, recreation, or gifts to business partners and others, when engaging in similar acts, and when the Asset Manager is on the receiving end of entertainment or food and beverages.

The Asset Manager raises awareness in each and every officer and employee about these measures through compliance and other training and works to prevent, quickly discover and rectify any issues through various efforts such as an internal whistleblowing system and accordingly to the rules on protections for whistleblowers. The Board of Directors of the Asset Manager shall receive risk reports about political contributions through a risk assessment sheet supervised by the Compliance Department and oversee the response to prevent bribery and corruption.

Furthermore, under its "Supply Chain Sustainability Guidelines," the Daiwa House Group prohibits, as part of the Business Partner Code of Conduct, any actions that are or could be construed as the bribery of members of Parliament, government and municipal officials, or local public organizations. When concluding agreements with new business partners, we explain the purposes and outline of the "Supply Chain Sustainability Guidelines" in implementing it and ask them to submit a letter of intent.

 Supply Chain Sustainability Guidelines

### Problems Related to Bribery and Corruption

There were no serious problems related to bribery or corruption at the Asset Manager that would influence stakeholders. (Fiscal year ended March 2023)



## Risk Management

### Development Status of Risk Management System

The Asset Manager has prescribed Risk Management Regulations and Risk Management Implementation Guidelines regarding various risks that arise in the course of managing DHR's assets. It endeavors to manage risk based on a fundamental policy of comprehensively and accurately identifying risks, qualitatively and quantitatively measuring and appropriately assessing the identified risks' impacts on operations, formulating risk prevention measures, monitoring risk management status on an ongoing basis and formulating procedures for responding to risks when they surface. Additionally, the Asset Manager conducts annual internal audits to verify the appropriateness and effectiveness of the foregoing risk management system and implementation status of risk controls. The audit results are reported to the President and CEO. The Asset Manager is committed to ensuring that operations are conducted appropriately and soundly managed through such means as reporting to the Compliance Committee and Board of Directors as the occasion demands. The risk management, improvements and other relevant matters are incorporated into the annual plan of Compliance Programs and reported to the Boards of Directors of both the Asset Manager and DHR.

### Risk Management System

DHR and the Asset Manager recognize the existence of the above risks and have established the risk management system below in order to fully address such risks.

#### (1) Risk management system

The Asset Manager has prescribed Risk Management Regulations and endeavors to manage risks based on a fundamental policy of comprehensively and accurately identifying risks, qualitatively and quantitatively measuring and appropriately assessing identified risks' impacts on operations, formulating risk prevention measures, and monitoring risk management status on an ongoing basis.

#### (2) Timely and appropriate information disclosure

DHR endeavors to maintain a system that enables timely and appropriate disclosure of information to investors in compliance with the Investment Trusts Act and the regulations of the Tokyo Stock Exchange so that information necessary for investors to make investment decisions in accord with the principle of self-responsibility can be appropriately and timely disclosed. The Fund Management Department in Daiwa House REIT Division of the Asset Manager is in charge of information disclosure.

#### (3) Thorough compliance

Timely and appropriate information disclosure of the above must be the result of the operations of DHR and the Asset Manager being in compliance (in other words, sincere and fair corporate activities that are fully in line with social norms in addition to strict compliance with laws, regulations, internal regulations, and market rules). DHR and the Asset Manager have made the following preparations in relation to compliance as corporations that operate legally in accordance with the Investment Trusts Act as well as the Financial Instruments and Exchange Act. The DHR Board of Directors is comprised of one Executive Director and two Supervisory Directors and supervises the execution of business by the Executive Director and the status of execution of services by the Asset Manager. The Asset Manager's Board of Directors has established and implements Compliance Regulations and other regulations that set forth the roles of and other matters pertaining to the Board of Directors, the President and CEO, the Compliance Committee, the Compliance Officer, and the Compliance Department in order to ensure that operations are conducted in accordance with compliance requirements. In addition, various regulations are in place for systematic stipulation of the rules of conduct for officers and employees to ensure thorough compliance.

### BCP

The Asset Manager establishes the necessary items for its disaster prevention and crisis management in relation to risks specified separately for natural disasters such as large-scale earthquakes, accidents, crimes, and other material facts. It has established an "Emergency Response Manual" in order to prevent and avoid risk, ensure people's safety and reduce/mitigate damage in the event of a disaster, prevent secondary accidents, resume DHR's asset management operations at an early point, and fulfill its corporate social responsibility. Furthermore, to ensure continuity of payment and disclosure operations from the standpoint of the business continuity requirements to which financial instrument business operators are subject, the Asset Manager plans to operate in accordance with a BCP Execution Plan it has formulated. The Asset Manager has stockpiled supplies, including three days of emergency meals and drinking water for officers and employees and two storage batteries, at its office, warehouse for general affairs and elsewhere.

### Internal Audits

To ensure the effectiveness of the Asset Manager's management system, the Board of Directors has set out Rules for Internal Audits, and the Compliance Department conducts internal audits of the Asset Manager's operations, audits of risk management, and the like to verify compliance with laws, rules, and regulations; develops an understanding of problems and summarizes recommendations for correcting them; reports the results of these efforts to the President and CEO as well as the Compliance Committee, the Board of Directors, and the DHR Board of Directors as necessary; and follows up on the status of improvements. Notably, in an effort to ensure the effectiveness of internal audits, the Compliance Department maintains close communication with departments to be audited, notifying them prior to conducting the audits and holding post-audit review sessions.

### Managing Personal Information

DHR recognizes the importance of personal information (here and hereinafter including specific personal information as defined in the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (hereinafter referred to as the "Numbers Act")), and in its handling of personal information complies with the Act on the Protection of Personal Information, the Numbers Act, and other laws and regulations on protecting personal information in addition to guidelines and other literature issued by the competent authorities. Additionally, DHR engages in the proper handling, protection, and management of personal information based on the following policy (hereinafter referred to as the "Personal Information Protection Policy").



## Risk Management

### Cutting Off Relationships with Anti-social Forces and Preventing Money Laundering

To realize sound corporate management, the Daiwa House Group established the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, and announced internally and externally that it will cut off relationships with anti-social forces. Additionally, the Asset Manager has established a basic policy and Rules for Dealing with Anti-Social Forces, resolved to take action from top (President and CEO) to bottom throughout the organization, and established close-knit collaboration with the police, the Anti-Organized Crime Campaign Center of Tokyo, attorneys, and other outside specialist organizations. The Asset Manager holds regular training sessions for all officers and employees—for example, internal training on methods of dealing with anti-social forces—and takes other steps to thoroughly spread the word to all officers and employees. The Daiwa House Group rallies the entire Group behind efforts such as establishing a database of information about anti-social forces available to all companies in the Group. The Asset Manager's Compliance Manual requires officers and employees to categorically reject all requests, both public and private, from anti-social forces that threaten the order and safety of civil society, including those for money and goods, donations, contributions, and subscriptions to informational magazines. In addition, officers and employees are to thoroughly verify the identity of customers, etc., keep transaction records, and report suspicious transactions as stipulated by the Act on Prevention of Transfer of Criminal Proceeds in order to prevent money laundering (hiding the source of profits from illegal acts).

### Safety Confirmation System

As part of corporate crisis management, the Asset Manager has adopted an online safety confirmation system to ascertain its officers and employees' safety and post-disaster status at the time of disaster swiftly. The Asset Manager conducts safety confirmation drills at least once annually. In the fiscal year ended March 2023, the participation rate was 100%.

### Information Security

The Asset Manager recognizes the proper management of information as an important management challenge and has established an information security policy as a basic policy to ensure information security. This policy implements the following items:

1. Preparation of an information security management system
2. Appointment of an information security manager
3. Establishment of internal regulations
4. Information security education
5. Reinforcement of management systems of outsourcing companies
6. Implementation of ongoing improvements

Additionally, the Asset Manager has established IT management regulations, which define specific procedures for handling information devices to safely and smoothly manage information devices and secure the confidentiality and completeness of data, with an aim to fully protect the information handled by the Asset Manager.

#### Conducting drills to respond to targeted email attacks

The Asset Manager draws attention to suspicious emails through information security training conducted each period. However, in an effort to improve awareness among all officers and employees in a more practical way, the Asset Manager conducts drills for responding to targeted email attacks. If an officer or employee opens the email and then opens an attachment or clicks on an embedded link, they are shown educational content about targeted emails in an effort to verify and improve their awareness of information security.

#### Receiving regular reports from outside contractors on information device operation and management

The Asset Manager has established IT management regulations and Information Device Operation and Management Guidelines, and when it contracts the operation and management of information devices to an outside contractor, the person responsible for IT control (General Manager of the Administration and Accounting Department) receives quarterly reports on information device operation from the contractor.

### Information Security-related Problems

There were no serious problems related to information security at the Asset Manager that would influence stakeholders. (Fiscal year ended March 2023)

 Information Security Declaration (Basic Policy)



# Finance

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## Green Finance

The Daiwa House Group's basic approach is "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the group aims to build trust relationships with stakeholders and contribute to society through its businesses, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts."

DHR shares the basic stance of the Daiwa House Group and engages in Green and Sustainability Finance to further promote real estate investment management that considers ESG.

### Green Finance Framework

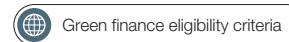
#### Third-party evaluation

DHR has obtained a rating of "Green 1 (F)" for our Green Finance Framework. This is the highest rating offered in JCR Green Finance Framework Evaluations conducted by the third party, Japan Credit Rating Agency, Ltd. (JCR).

For details on this evaluation, see the JCR website at <https://www.jcr.co.jp/en/greenfinance/>

#### Eligibility criteria

Funds procured through Green Bonds or Green Loans are applied to the acquisition of eligible green assets that meet the eligibility criteria below, refinancing of those funds or funding or refinancing renovation work.



#### Management of financing

The eligible green debt amount is calculated by multiplying the sum of the total acquisition price of eligible green assets and the total amount of renovation work that meets the eligibility criterion 2 (total amount of eligible green assets) by the interest-bearing debt to total assets ratio (LTV) as of the end of the most recent fiscal period. This is the maximum amount for Green Finance.

| Period                                | Fiscal period ended February 28, 2023 |
|---------------------------------------|---------------------------------------|
| Total amount of eligible green assets | ¥345,511 million                      |
| LTV                                   | 42.4%                                 |
| Eligible green debt amount            | ¥146,497 million                      |

### Reporting

#### Reporting on status of green finance fund allocation

|               | Balance (millions of yen) |
|---------------|---------------------------|
| Green Finance | 25,500                    |
| Green Bonds   | 15,000                    |
| Green Loans   | 10,500                    |

\* Balance as of February 28, 2023.

The following table provides information about DHR's status of fund allocation regarding Green Finance.

#### Green Bonds

| Name  | Outstanding issue (millions of yen) | Interest rate | Issue date        | Maturity          | Unallocated amount (millions of yen) | Third-party evaluation              |
|---|-------------------------------------|---------------|-------------------|-------------------|--------------------------------------|-------------------------------------|
| 9th Unsecured Investment Corporation Bonds  | 6,000                               | 0.53%         | November 25, 2019 | November 22, 2029 | –                                    | JCR Green Bond Evaluation "Green 1" |
| 10th Unsecured Investment Corporation Bonds | 2,400                               | 0.34%         | May 27, 2020      | May 27, 2025      | –                                    | JCR Green Bond Evaluation "Green 1" |
| 11th Unsecured Investment Corporation Bonds | 1,600                               | 0.64%         | May 27, 2020      | May 27, 2030      | –                                    | JCR Green Bond Evaluation "Green 1" |
| 12th Unsecured Investment Corporation Bonds | 1,000                               | 1.00%         | May 27, 2020      | May 25, 2040      | –                                    | JCR Green Bond Evaluation "Green 1" |
| 14th Unsecured Investment Corporation Bonds | 4,000                               | 0.50%         | April 15, 2021    | April 15, 2031    | –                                    | JCR Green Bond Evaluation "Green 1" |

#### Green Loans

| Lender   | Loans executed and outstanding (millions of yen)  | Interest rate | Borrowing date    | Repayment date  | Unallocated amount (millions of yen) | Third-party evaluation              |
|--|---|---------------|-------------------|-----------------|--------------------------------------|-------------------------------------|
| Sumitomo Mitsui Banking Corporation<br>MUFG Bank, Ltd.<br>The Development Bank of Japan Inc.<br>Shinsei Bank, Limited<br>Kansai Mirai Bank, Limited<br>The Bank of Kyoto, Ltd. | Sumitomo Mitsui Trust Bank, Limited<br>Mizuho Bank, Ltd.<br>Mizuho Trust & Banking Co., Ltd.<br>The Yamanashi Chuo Bank, Ltd.<br>Shinkin Central Bank<br>The Yamaguchi Bank, Ltd. | 0.56419%      | September 3, 2021 | August 29, 2031 | –                                    | JCR Green Loan Evaluation "Green 1" |

#### Impact reporting

DHR will annually disclose the following indicators on its website for as long as the funds procured through green finance are outstanding.

- Number and type of environmental certifications of portfolio assets
- Water consumption
- CO<sub>2</sub> emissions (GHG emissions)
- Electric power consumption (energy consumption)



## Sustainability Finance

### Sustainability Finance Framework

#### Third-party evaluation

DHR has obtained a rating of “SU1 (F)” for our Sustainability Finance Framework. This is the highest rating offered in JCR Sustainability Finance Framework Evaluations conducted by the third party, Japan Credit Rating Agency, Ltd. (JCR).

For details on this evaluation, see the JCR website at <https://www.jcr.co.jp/en/greenfinance/>

#### Eligibility criteria

Funds procured through Sustainability Bonds or Sustainability Loans are applied to the acquisition of eligible sustainability assets that meet the sustainable eligibility criteria below or refinancing of those funds.



#### Management of financing

The eligible sustainability debt amount is calculated by multiplying the sum of the total acquisition price of eligible sustainability assets by the interest-bearing debt to total assets ratio (LTV) as of the end of the most recent fiscal period. This is the maximum procurement amount for Sustainability Finance.

| Period   | Fiscal period ended February 28, 2023 |
|--|---------------------------------------|
| Total amount of sustainability eligible assets | ¥120,990 million                      |
| LTV  | 42.4%                                 |
| Eligible sustainability debt amount            | ¥51,300 million                       |

### Reporting

#### Reporting on status of sustainability finance fund allocation

|                        | Balance (millions of yen) |
|------------------------|---------------------------|
| Sustainability Finance | 4,000                     |
| Sustainability Bonds   | 4,000                     |
| Sustainability Loans   | -                         |

\* Balance as of February 28, 2023.

The following table provides information about DHR’s status of fund allocation regarding Sustainability Finance.

#### Sustainability Bonds

| Name  | Outstanding issue (millions of yen) | Interest rate | Issue date        | Maturity          | Unallocated amount (millions of yen) | Third-party evaluation                   |
|---|-------------------------------------|---------------|-------------------|-------------------|--------------------------------------|--|
| 15th Unsecured Investment Corporation Bonds | 3,000                               | 0.40%         | November 17, 2021 | November 17, 2031 | -                                    | JCR Sustainability Bond Evaluation “SU1” |
| 16th Unsecured Investment Corporation Bonds | 1,000                               | 0.66%         | November 17, 2021 | November 17, 2036 | -                                    | JCR Sustainability Bond Evaluation “SU1” |

#### Impact reporting

DHR will annually disclose the following indicators on its website for as long as the funds procured through sustainability finance are outstanding.

##### 1. Environment improvement effect

- Number and type of environmental certifications of acquired assets
- Specific consumption
  - Water usage (water consumption)
  - Power usage (energy consumption)
- CO<sub>2</sub> emissions (GHG emissions)

##### 2. Social benefit

###### (1) Output index

(As of February 28, 2023)

| Index                                    | Total number of indices |
|--|-------------------------|
| Number of sustainability eligible assets | 7                       |

###### (2) Outcome index

(As of February 28, 2023)

| Index   |  | Total number of indices | Index                           |  | Total number of indices                                       |
|---|--|-------------------------|---------------------------------|--|---|
| (i) Local disaster prevention and resilience                                    | Number of properties that have concluded disaster prevention agreements with local governments, etc. | 3                       | (iii) Support for child rearing | Number of children acceptable at certified childcare facilities    | 179   |
|   | Number of properties that provide an evacuation shelter in the event of a disaster                   | 3                       |                                 | (iv) Job creation for projects to help resolve local social issues | Employment status of local residents at applicable facilities |
|   | Number of other properties contributing to local disaster prevention                                 | 3                       |                                 |  |   |
| (ii) Care and medical services for senior citizens and people with disabilities | Number of units available at facilities for senior citizens  | 156                     |                                 |  |   |
|   | Number of medical facility tenants   | 13                      |                                 |  |   |

###### (3) Impact

Co-creation of value for individuals, communities and people’s lifestyles by revitalizing local environments and building safe and secure local communities

## Relevant Data (1 of 2)

### GHG Emissions of DHR

Unit: t-CO<sub>2</sub>

|                        | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|------------------------|------------------------------|------------------------------|------------------------------|
| Scope 1                | 115                          | 198                          | 195                          |
| Scope 2 (market-based) | 7,094                        | 26                           | 20                           |
| Scope 3                | 114,932                      | 137,796                      | 132,069                      |
| Total GHG emissions    | 122,141                      | 138,021                      | 132,285                      |

### GHG Emissions by Category (Scope 3)

Boundary: DHR, owned properties

Unit: t-CO<sub>2</sub>

|   | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| 1. Purchased goods and services   | 202                          | 160                          | 50                           | 54                           |
| 2. Capital goods  | 14,906                       | 18,310                       | 29,694                       | 15,967                       |
| 3. Fuel- and energy-related activities not included in Scope 1 or Scope 2 | 990                          | 1,067                        | 1,194                        | 1,179                        |
| 4. Upstream Transportation and Distribution                               | 3                            | 3                            | 4                            | 4                            |
| 5. Waste generated in operations  | 24                           | 130                          | 142                          | 156                          |
| 6. Business travel  | 0                            | 0                            | 0                            | 0                            |
| 7. Employee commuting   | 0                            | 0                            | 0                            | 0                            |
| 13. Downstream leased assets  | 83,053                       | 95,263                       | 106,712                      | 114,710                      |

### GHG Emissions of Portfolio Properties

Unit: t-CO<sub>2</sub>

|  | Fiscal year ended March 2018 (Base year) | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|--|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Number of properties   | 143 properties                           | 190 properties               | 201 properties               | 211 properties               | 215 properties               |
| Scope 1  |  | 197                          | 115                          | 198                          | 195                          |
| Scope 2 (location-based)   | 34,336                                   | 6,465                        | 6,597                        | 6,648                        | 6,586                        |
| Scope 3 (only from fuel/electricity consumption associated with tenant-managed assets)             |  | 78,147                       | 89,924                       | 98,951                       | 104,290                      |
| Scope 1+Scope 2 (location-based) + Scope 3   | 34,336                                   | 84,808                       | 96,636                       | 105,798                      | 111,072                      |
| Scope 1+Scope 2 (location-based) + Scope 3 Emission intensity (t-CO <sub>2</sub> /m <sup>2</sup> ) | 0.0556                                   | 0.0420                       | 0.0397                       | 0.0368                       | 0.0361                       |
| Reduction rate of intensity  | -  | -24.5%                       | -28.6%                       | -33.8%                       | -35.1%                       |

### Energy consumption

|   | Fiscal year ended March 2018 (Base year) | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|---|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Number of properties                        | 143 properties                           | 190 properties               | 201 properties               | 211 properties               | 215 properties               |
| Total amount (MWh)                          | 76,440                                   | 190,299                      | 209,212                      | 256,078                      | 280,399                      |
| Consumption intensity (MWh/m <sup>2</sup> ) | 0.1253                                   | 0.0943                       | 0.0858                       | 0.0890                       | 0.0912                       |
| Reduction rate of intensity                 | -  | -24.7%                       | -31.5%                       | -29.0%                       | -27.2%                       |
| Coverage                                    | 28.4%                                    | 67.0%                        | 76.3%                        | 80.0%                        | 85.3%                        |

### Water consumption

|   | Fiscal year ended March 2018 (Base year) | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|---|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Number of properties                                    | 142 properties                           | 190 properties               | 200 properties               | 211 properties               | 215 properties               |
| Total amount (m <sup>3</sup> )                          | 391,637                                  | 900,955                      | 852,793                      | 927,080                      | 1,011,485                    |
| Consumption intensity (m <sup>3</sup> /m <sup>2</sup> ) | 0.8205                                   | 0.4296                       | 0.3503                       | 0.3307                       | 0.3352                       |
| Reduction rate of intensity                             | -  | -47.6%                       | -57.3%                       | -59.7%                       | -59.1%                       |
| Coverage  | 22.2%                                    | 69.6%                        | 76.2%                        | 77.9%                        | 83.8%                        |

### Waste management

|                      | Fiscal year ended March 2018 (Base year) | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|----------------------|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Number of properties | 6 properties                             | 44 properties                | 55 properties                | 66 properties                | 75 properties                |
| Total amount (t)     | 1,203                                    | 12,990                       | 14,445                       | 20,910                       | 23,115                       |
| Recycling rate       | 54.2%                                    | 77.0%                        | 79.7%                        | 78.7%                        | 71.9%                        |
| Coverage             | 6.9%                                     | 43.5%                        | 55.0%                        | 56.4%                        | 65.1%                        |



### Status of Environmental Certifications for the Portfolio

(As of March 31, 2023)

■ Logistics properties ■ Residential properties ■ Retail properties ■ Hotel properties ■ Other assets

| Property number | Property name   | DBJ Green Building 2021 | CASBEE        | BELS          | ZEB             | LEED       | JHEP A     | ABINC      |
|-----------------|---|-------------------------|---------------|---------------|-----------------|------------|------------|------------|
| LB-001          | D Project Machida   |                         | ★★★★          |               | ★★★★★           |            |            |            |
| LB-002          | D Project Hachioji  |                         | ★★★★★         |               | *               |            |            |            |
| LB-006          | D Project Urayasu II  |                         | ★★★★          |               | *               |            |            |            |
| LB-008          | D Project Noda  |                         | ★★★★★         |               | ★★★★★ ZEB Ready |            |            |            |
| LB-009          | D Project Inuyama   |                         | ★★★★          |               | **              |            |            |            |
| LB-011          | D Project Neyagawa  |                         |               |               | **              |            |            |            |
| LB-015          | D Project Tsuchura  |                         |               |               | ★★★★            |            |            |            |
| LB-019          | D Project Tosu  |                         |               |               | *               |            |            |            |
| LB-020          | D Project Kuki I  | ★★★                     |               |               |                 |            |            |            |
| LB-021          | D Project Kuki II   | ★★★★                    | ★★★★          |               | ★★★★            |            |            |            |
| LB-025          | D Project Fukuoka Hakozaki  |                         |               |               | **              |            |            |            |
| LB-026          | D Project Kuki III  |                         |               |               | **              |            |            |            |
| LB-027          | D Project Kuki IV   | ★★★                     |               |               | ★★★★            |            |            |            |
| LB-028          | D Project Kuki V  | ★★★★                    | ★★★★          |               | ★★★★★           |            |            |            |
| LB-029          | D Project Kuki VI   |                         | ★★★★★         |               | ★★★★★           |            |            |            |
| LB-030          | D Project Yashio  |                         | ★★★★★         |               | ★★★★★ ZEB Ready |            |            |            |
| LB-031          | D Project Nishiyodogawa   |                         |               |               | **              |            |            |            |
| LB-035          | D Project Kawagoe III   |                         |               |               | **              |            |            |            |
| LB-037          | D Project Urayasu III   | ★★★                     |               |               | **              |            |            |            |
| LB-038          | D Project Tomisato  | ★★★                     |               |               | **              |            |            |            |
| LB-043          | D Project Tatebayashi   |                         |               |               | ★★★★★           |            |            |            |
| LB-044          | D Project Kakegawa  | ★★★                     | ★★★★★         |               | ★★★★★ ZEB Ready |            |            |            |
| LB-049          | D Project Chibakita   |                         | ★★★★★         |               | ★★★★★           |            |            |            |
| LB-050          | D Project Matsudo II  |                         |               |               | *               |            |            |            |
| LB-051          | D Project Tomisato II   |                         | ★★★★★         |               |                 |            |            |            |
| LB-053          | D Project Sendai Izumi II   |                         |               |               | ★★★★            |            |            |            |
| LB-054          | D Project Kaminokawa  |                         |               |               | **              |            |            |            |
| LB-056          | D Project Tosu III  |                         |               |               | **              |            |            |            |
| LB-057          | D Project Kitahachioji I  |                         |               |               | ★★★★            |            |            |            |
| LB-059          | D Project Kitahachioji III  |                         |               |               | **              |            |            |            |
| LB-060          | D Project Itabashi Shingashi  |                         | ★★★★          |               | **              |            |            |            |
| LB-062          | D Project Kuki VIII   |                         | ★★★★★         |               | ★★★★★           |            |            |            |
| LB-065          | D Project Wako A  |                         | ★★★★★         |               | **              |            |            |            |
| LB-066          | D Project Hiratsuka   |                         | ★★★★★         |               | ★★★★★ ZEB Ready |            |            |            |
| LM-001          | DPL Misato  | ★★★★                    | ★★★★★         |               | ★★★★★           |            |            |            |
| LM-002          | DPL Fukuoka Kasuya  | ★★★                     | ★★★★          |               | ★★★★★ ZEB Ready |            |            |            |
| LM-003          | DPL Kitakyushu  |                         | ★★★★          |               | ★★★★★ ZEB Ready |            |            |            |
| LM-004          | DPL Nagareyama I  | ★★★★★                   | ★★★★★         |               | ★★★★★ ZEB Ready |            |            |            |
| LM-005          | DPL Shin-Narashino  |                         | ★★★★          |               | ★★★★            |            |            |            |
| LM-006          | DPL Nagareyama III  |                         | ★★★★          |               | ★★★★ "ZEB"      | Certified  |            |            |
| RE-021          | Castalia Yoyogi Uehara  |                         |               |               | *               |            |            |            |
| RE-043          | Shibaura Island Bloom Tower   | ★★★★★                   |               |               |                 |            |            |            |
| RE-059          | Castalia Tower Shinagawa Seaside                                      |                         |               |               | **              |            |            |            |
| RE-077          | Castalia Monzennakacho II   |                         | ★★★★          |               |                 |            |            |            |
| RE-081          | Royal Parks Toyosu  | ★★★★★                   |               |               | *               |            | A          |            |
| RE-089          | Castalia Meguro Chojyamaru  |                         | ★★★★          |               | **              |            |            |            |
| RE-094          | Royal Parks SEASIR  |                         | ★★★★          |               | **              |            |            |            |
| RE-107          | Royal Parks Hanakoganei   | ★★★★★                   |               |               | *               |            |            | Certified  |
| RE-109          | Royal Parks Wakabadai   | ★★★★★                   |               |               |                 |            |            |            |
| RE-110          | Pacific Royal Court Minatomirai Urban Tower                           | ★★★★★                   |               |               | *               |            |            |            |
| RE-112          | Royal Parks Musashikosugi   |                         | ★★★★          |               |                 |            |            |            |
| RE-138          | Royal Parks Namba   |                         |               |               | **              |            |            |            |
| RE-141          | Castalia Ningyocho III  |                         |               |               | **              |            |            |            |
| RE-142          | Royal Parks Umajima   |                         | ★★★★          |               |                 |            |            |            |
| RM-001          | ACROSSMALL Shinkamagaya   | ★★★★                    | ★★★★★         |               |                 |            |            |            |
| RM-008          | FOLEO Ome Imai  |                         |               |               | **              |            |            |            |
| RM-009          | FOLEO Otsu Ichiryama  | ★★★★                    | ★★★★★         |               | ★★★★★           |            |            |            |
| RM-012          | Iias Tsukuba  | ★★★★★                   | ★★★★★         |               | **              |            |            |            |
| RR-004          | Sports Depo and GOLF5 Kokurahigashi IC Store                          |                         |               |               | ★★★★            |            |            |            |
| HO-003          | Daiwa Roynet Hotel Nagoya Shinkansenguchi                             |                         |               |               | ★★★             |            |            |            |
| HO-005          | Candeo Hotels Nagasaki Shinchi Chinatown                              |                         |               |               | ★★★★            |            |            |            |
| OT-003          | Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi) | ★★★                     | ★★★★★         |               | **              |            |            |            |
| OT-005          | Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store      |                         |               |               | **              |            |            |            |
| OT-006          | GRANODE Hiroshima   | ★★★★                    | ★★★★★         |               | **              |            |            |            |
| Total           |   | 20 properties           | 29 properties | 55 properties | 1 property      | 1 property | 1 property | 1 property |

## — Relevant Data (2 of 2)

### Personnel Data

| Item   | Fiscal year ended March 2019 | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Total personnel*1  | 61                           | 60                           | 59                           | 64                           | 70                           |
| Male personnel / percentage of total   | 43 / 70.5%                   | 42 / 70.0%                   | 40 / 67.8%                   | 30 / 60.9%                   | 45 / 64.3%                   |
| Female personnel / percentage of total   | 18 / 29.5%                   | 18 / 30.0%                   | 19 / 32.2%                   | 25 / 39.1%                   | 25 / 35.7%                   |
| Manager*1 *2   | 21                           | 22                           | 27                           | 28                           | 29                           |
| Male personnel / percentage of total   | 21 / 100.0%                  | 21 / 95.5%                   | 24 / 88.9%                   | 23 / 82.1%                   | 23 / 79.3%                   |
| Female personnel / percentage of total   | 0 / 0.0%                     | 1 / 4.5%                     | 3 / 11.1%                    | 5 / 17.9%                    | 6 / 20.7%                    |
| New hires  | 2                            | 2                            | 13 <sup>6</sup>              | 5 <sup>6</sup>               | 0                            |
| Male personnel / percentage of total   | 1 / 50 %                     | 2 / 100 %                    | 4 / 31 %                     | 5 / 100 %                    | 0 / 0 %                      |
| Female personnel / percentage of total   | 1 / 50 %                     | 0 / 0 %                      | 9 / 69 %                     | 0 / 0 %                      | 0 / 0 %                      |
| Job leavers  | 1                            | 7                            | 2                            | 2                            | 1                            |
| Turnover*3   | 1.6%                         | 11.7%                        | 3.4%                         | 3.1%                         | 1.4%                         |
| Monthly average overtime hours   | 12.0 hours                   | 12.8 hours                   | 13.6 hours                   | 15.4 hours                   | 16.5 hours                   |
| Average tenure   | 4.2 years                    | 4.8 years                    | 5.1 years                    | 5.0 years                    | 5.6 years                    |
| Male personnel   | 4.2 years                    | 4.8 years                    | 5.2 years                    | 5.4 years                    | 5.5 years                    |
| Female personnel   | 4.0 years                    | 4.8 years                    | 4.7 years                    | 4.3 years                    | 5.6 years                    |
| Percentage of personnel who had stress checks  | 100.0%                       | 100.0%                       | 100.0%                       | 100.0%                       | 100.0%                       |
| Number of employees who took parental leave / number of employees who returned to work | 0 / 0                        | 1 / 1                        | 3 / 1                        | 3 / 2                        | 8 / 5                        |
| Male personnel   | 0 / 0                        | 1 / 1                        | 1 / 1                        | 0 / 0                        | 5 / 5                        |
| Female personnel   | 0 / 0                        | 0 / 0                        | 2 / 0                        | 3 / 2                        | 3 / 0                        |
| Return rate  | 0.0%                         | 0.0%                         | 33.3%                        | 66.7%                        | 62.5%                        |
| M&As   | 0                            | 0                            | 0                            | 0                            | 0                            |
| Employee lay offs  | 0                            | 0                            | 0                            | 0                            | 0                            |
| Number of employees who took elder caregiving leave                                    | 0                            | 0                            | 0                            | 0                            | 1                            |
| Number of employees aged 60 and older  | 0                            | 0                            | 1                            | 1                            | 2                            |
| Number of employees who are foreign nationals  | 0                            | 0                            | 0                            | 0                            | 0                            |
| Number of employees belonging to ethnic minorities <sup>4</sup>                        | 0                            | 0                            | 0                            | 0                            | 0                            |
| Number of employees with disabilities  | 0                            | 0                            | 0                            | 0                            | 0                            |
| Average days of annual paid vacation taken / paid vacation usage rate                  | 12.7 days / 68.6%            | 12.5 days / 66.3%            | 13.1 days / 71.7%            | 13.1 days / 71.3%            | 13.6 days / 72.4%            |
| Percentage of personnel who had health checkup   | 100.0%                       | 100.0%                       | 100.0%                       | 100.0%                       | 100.0%                       |
| Occupational accident frequency rate <sup>5</sup>                                      | 0.0%                         | 0.0%                         | 0.0%                         | 0.0%                         | 0.0%                         |

\*1 Headcounts are as of April 1 of each fiscal year. \*2 Senior manager and above. \*3 Turnover is the ratio of job leavers to total personnel using total personnel as of April 1 of each fiscal year. \*4 Ethnic minorities, immigrants, refugees, etc. \*5 Occupational accident frequency rate = (occupational injuries/fatalities ÷ total actual hours worked) × 1,000,000 \*6 This figure includes a new graduate hired as an employee.

### Training on Operational Expertise

| Item   | Fiscal year ended March 2019 | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Sustainability training                        | 1 time                       | 1 time                       | 1 time                       | 1 time                       | 4 times                      |
| Training for general managers and above        | 0 times                      | 1 time                       | 0 times                      | 0 times                      | 1 time                       |
| Training for senior managers and group leaders | 0 times                      | 1 time                       | 0 times                      | 0 times                      | 4 times                      |
| Middle-management employee training            | 0 times                      | 0 times                      | 0 times                      | 0 times                      | 6 times                      |
| OJT trainer training                           | 0 times                      | 0 times                      | 0 times                      | 5 times                      | 7 times                      |
| Young employee training                        | 0 times                      | 0 times                      | 0 times                      | 1 time                       | 2 times                      |
| Real estate market training                    | 5 times                      | 5 times                      | 5 times                      | 4 times                      | 4 times                      |
| New employee training                          | 3 times                      | 4 times                      | 5 times                      | 4 times                      | 2 times                      |
| Other training                                 | 4 times                      | 4 times                      | 18 times                     | 1 time                       | 9 times                      |
| Architectural training                         | 0 times                      | 0 times                      | 10 times                     | 0 times                      | 9 times                      |

### Number of the Asset Manager Employees with Qualifications (Total of 72 officers and employees as of March 31, 2023)

| Item   | Number of people with qualifications <sup>1</sup> | Item   | Number of people with qualifications <sup>2</sup> |
|--|---|--|---|
| ARES (Association for Real Estate Securitization) Certified Master | 33  | Office Building Manager                        | 9   |
| Real Estate Transaction Agent                                      | 64  | TOEIC score of 700+                            | 9   |
| Real Estate Appraiser  | 2   | CASBEE Accredited Professional for Buildings   | 2   |
| First-Class Architect  | 2   | CASBEE Accredited Professional for Real Estate | 4   |
| Certified Real Estate Consulting Master                            | 8   |  |   |

\* Includes personnel who have passed the credentialing exam but are not yet credentialed.

### Health Data

| Item   | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|--|------------------------------|------------------------------|------------------------------|
| Percentage of personnel who had regular health checkups                            | 100%                         | 100%                         | 100%                         |
| Percentage of personnel who received metabolic syndrome-specific health guidance*1 | 100%                         | N/A                          | 100%                         |
| Percentage of smokers  | 18%                          | 10%                          | 9%                           |
| Percentage of personnel who exercise regularly*2                                   | 29%                          | 19%                          | 20%                          |
| Percentage of personnel who drink alcohol responsibly*3                            | 51%                          | 62%                          | 51%                          |
| Percentage of personnel who get sufficient sleep                                   | 76%                          | 85%                          | 77%                          |

\*1 Percentage of personnel who completed metabolic syndrome-specific health guidance based on the results of their regular health checkups

\*2 Percentage of personnel who exercise for at least 30 minutes at least twice a week for at least one year

\*3 Percentage of personnel who drink less than 180 mL of alcoholic beverage (the appropriate amount) when they drink

### Individual Health Management Measures

| Item                                     | Result (fiscal year ended March 2023) | Participation rate | Amount invested |
|--|---------------------------------------|--------------------|-----------------|
| Radio calisthenics                       | 244 times                             | 100%               | -               |
| Distributing free passes to sports clubs | 100 passes                            | -                  | ¥330 thousand   |

### Data Showing the Benefits of Health Management on Corporate Management

| Item                           | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Sales                          | ¥3,498 million               | ¥4,187 million               | ¥4,500 million               | ¥4,456 million               |
| Turnover*1                     | 11.7%                        | 3.4%                         | 3.1%                         | 1.4%                         |
| Monthly average overtime hours | 12.8 hours                   | 13.6 hours                   | 15.4 hours                   | 16.5 hours                   |

\*1 Turnover is the ratio of job leavers to total personnel using total personnel as of April 1 of each fiscal year.

Sales, turnover, and monthly average overtime hours were identified as data that would show the benefits of health management on corporate management. Although monthly average overtime hours have gone up, sales have increased and turnover has decreased, demonstrating the benefits of the initiatives.

### Data on Improvement on Health Issues

| Item  | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Percentage of personnel with remarks on their health checkups | 63.7%                        | 49.1%                        | 53.4%                        | 54.4%                        |

The percentage of personnel with remarks on their health checkups was identified as data that would show improvement on health issues. The figure of 54.4% for the fiscal year ending March 2023 represents a 9.3 percentage point improvement on the figure for the fiscal year ending March 2020, demonstrating the benefits of the initiatives.

### Prevention of Corruption

| Item  | Fiscal year ended March 2019 | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Total political contributions (yen)   | 0                            | 0                            | 0                            | 0                            | 0                            |
| Number of incidents related to fraud or corruption                              | 0                            | 0                            | 0                            | 0                            | 0                            |
| Number of dismissals or termination related to fraud or corruption              | 0                            | 0                            | 0                            | 0                            | 0                            |
| Costs of fines, penalties, and settlements related to fraud or corruption (yen) | 0                            | 0                            | 0                            | 0                            | 0                            |

| Item                | Fiscal year ended March 2019 | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|---------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Compliance training | 8 times                      | 9 times                      | 12 times                     | 12 times                     | 12 times                     |

### Information Security

| Item                          | Fiscal year ended March 2019 | Fiscal year ended March 2020 | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Fiscal year ended March 2023 |
|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Information security training | 2 times                      | 2 times                      | 2 times                      | 2 times                      | 2 times                      |



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