1 DAIWA HOUSE INDUSTRY CO., LTD.

	Companies' approach
① **Background and purpose of accounting**	• In order to know the status of our own supply chain emissions and to focus on priority targets for emissions reduction activities. • In order to consider and find out effective indicators as a basis for measuring the progress of CO_2 emissions reduction activities, so that we can go forward with such activities together with our suppliers. • In order to meet the demand for information disclosure from our investors, NPOs and other stakeholders, so that there will be a better understanding of our efforts.
② **Utilization of accounting results**	• Internally, we use our accounting results as a strategic planning tool to identify priority target areas for emissions reduction and promote cooperative reduction activities with our suppliers. • And externally, we also use them as a communication tool with our stakeholders by disclosing information through environmental reports and various questionnaires or surveys.
③ **Benefits of accounting**	• Carrying out this accounting has led us to reconfirm that our emissions from the “Use of sold products" are the largest contributor, with which we will need to continuously deal as a priority target for our reduction activities. • As typically seen in the construction industry, we have found that Categories “Purchased goods and services" and “End-of-life treatment of sold products“ also account for a relatively large share of our total supply chain emissions, and that these areas should accordingly be priority targets for our future activities.
④ **Internal system for accounting**	• In principle we use the "Activities quantity x Emission factor" calculation formula to account for our emissions, and do not use actual emissions data from suppliers. • The activities quantity is based on our primary data drawn from our results. We collect existing internal data from the related departments, and then have the Environmental Department make the calculations.

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	Companies' approach
⑤ **Efforts to reduce supply chain emissions**	• We will place an even greater emphasis on reduction activities in the “Use of sold products“ where we have already been making efforts as a priority target. (We will also use “avoided CO_2 emissions” separately as an indicator for management of emissions.) • In order to reduce “Purchased products and services," we will promote "resource conservation," identify materials that emit a large amount of CO2, and promote the use of low-carbon building materials. In addition, in order to reflect the reduction activities by suppliers in Category 1 emissions, we will prepare for the introduction of a calculation method that multiplies the CO2 emission intensity of each material by the amount of material input. • With respect to reducing emissions from “End-of-life treatment of sold products“, we will further pursue "ease of tearing down buildings“. • As for CO_2 reduction activities at suppliers, we will promote support and cooperative activities through various projects, including planning and proposing energy-saving architecture, and implementing energy-saving renovation. We also set CO2 reduction targets equivalent to SBT for more than 90% of major suppliers and encourage energy-saving activities.
⑥ **Issues in supply chain emissions accounting**	• Now that the proportion of Scope 3 to our total emissions is expected to be far greater than Scope 1 and 2, there is a risk that we will become less interested in Scope 1 and 2 emissions reduction activities as Scope 3 gets recognized more widely (both within our company and beyond). • It is necessary to establish calculation methods and calculation tools for calculating LCCO2 in model plans for each business in order to introduce a cumulative calculation method based on material input. • In principle the organizational boundaries should encompass consolidated businesses, but this can be a major burden for combined businesses.
⑦ **Other**	• For the future, with the Natural Capital approach in mind, we will be exploring ways to capture and understand the extent of environmental impact that we may have in terms of not only carbon dioxide emissions but also of water usage, waste, and air pollution across the entire supply chain.

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Category	Accounting methods ※Accounting period : 1 April 2021 – 31 March 2022	
	Activity data	Emission factor
Category 1: Purchased goods and services	• Area of buildings supplied, by use	• Emission factor per unit area of buildings supplied ※3
Category 2: Capital goods	• Amount of capital investment	• Emission factor per capital investment amount※1
Category 3: Fuel and energy related activities not included in Scope 1 or 2	• Consumption of fuel and energy that was procured	• Emission factor for extraction, production and transportation, by fuel and energy type※1,2
Category 4: Transportation and delivery (upstream)	• Calorific value of fuel used by us as the sender for transportation	• Emission factor per calorific value (by the Act on the Rational Use of Energy)
Category 5: Waste generated in operations	• Amount of waste discharged, by item	• Emission factor for disposal, by waste item※1
Category 6: Business travel	• Amount of business travel expenses, by mode of transportation	• Emission factor per transportation expenses paid, by mode of transportation※1
Category 7: Employee commuting	• Commuting expenses paid, by mode of transportation	• Emission factor per transportation expenses paid, by mode of transportation※1
Category 8: Leased assets (upstream)	• Occupied area（warehouses, data centers)	• Basic unit per area※3
Category 9: Transportation and delivery (downstream)	• Not relevant	
Category 10: Processing of sold products	• Not relevant	
Category 11: Use of sold products	• Area of buildings supplied, by use	• Annual CO_2 emissions per unit area of buildings marketed, by use (internal calculation) x Assumed number of years of use
Category 12: End-of-life treatment of sold products	• Area of buildings supplied, by use	• Emission factor per unit area of buildings supplied (CASBEE for Building <New Construction>) ※3
Category 13: Leased assets (downstream)	• Actual measurement data of electricity and fuel usage in rental buildings owned by our company	
Category 14: Franchises	• Not relevant	
Category 15: Investments	• With regard to Scope 1 and 2 emissions by companies invested in, the estimates based on partial actual data show that they are less than 2 percent of the entire Scope 3 emissions. As a result, they were not included because the quantity of emissions was so small compared with how difficult it would be to collect the data	
Other	• Not calculated because it is an option category	

※1 Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain（ver. 3.2）(Ministry of Economy, Trade and Industry, Ministry of the Environment)
※2 LCI database IDEAv2(For supply chain greenhouse gas emission calculation) (Sustainable Management Promotion Organization)
※3 Comprehensive Assessment System for Building Environmental Efficiency（CASBEE）LCCO2 calculation tool FY2021 (Japan Sustainable Building Consortium)

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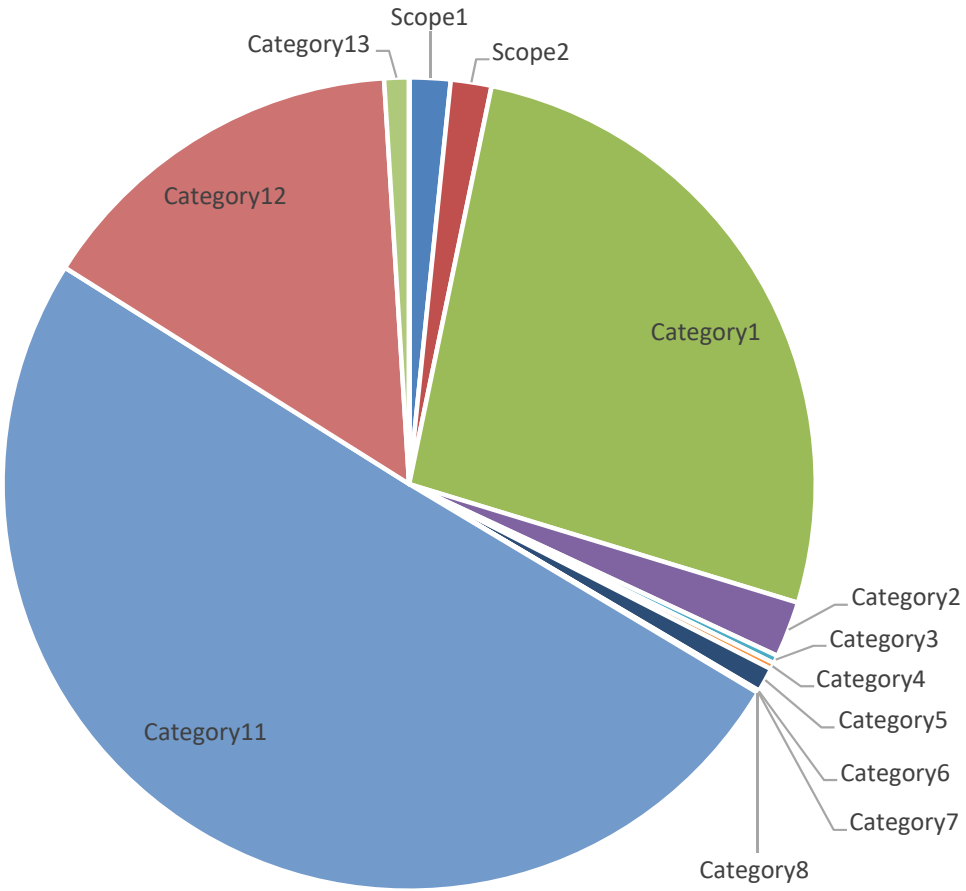
Supply chain emissions : Accounting results



Scope1	1.6%
Scope2	1.6%
Scope3	96.7%
Category 1: Purchased goods and services	26.5%
Category 2: Capital goods	2.2%
Category 3: Fuel and energy related activities not included in Scope 1 or 2	0.3%
Category 4: Transportation and delivery (upstream)	0.3%
Category 5: Waste generated in operations	1.0%
Category 6: Business travel	0.03%
Category 7: Employee commuting	0.06%
Category 8: Leased assets (upstream)	0.002%
Category 9: Transportation and delivery (downstream)	–
Category 10: Processing of sold products	–
Category 11: Use of sold products	50.3%
Category 12: End-of-life treatment of sold products	15.1%
Category 13: Leased assets (downstream)	0.99%
Category 14: Franchises	–
Category 15: Investments	–

※The accounting results are detailed in Daiwa House group's Sustainability Report 2022 (p.165 and p.166).
https://www.daiwahouse.com/English/sustainable/csr/esg/csr_report/index.html