



PROXY VOTING

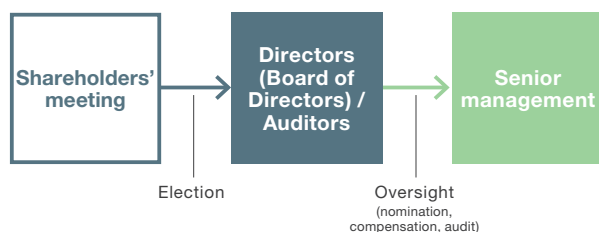
We exercise voting rights with an emphasis on the effectiveness of our actions through a disciplined and robust decision making process

Proxy Voting Process

In proxy voting, we focus on the corporate governance of portfolio companies. The basic structure of corporate governance is that directors and auditors are elected at a shareholders' meeting, and directors (the board of directors) and auditors supervise senior management through nominations, compensation matters, and audits.

Accordingly, the following three aspects are particularly important in proxy voting: the election of directors (nomination), executive compensation (compensation) and

Basic Corporate Governance Structure



the election of auditors (audit). In addition, the appropriation of surplus is important when it comes to Japanese companies because Japanese companies are often criticized for retaining a large amount of cash and deposits and being unwilling to return profits to shareholders through dividends and share buybacks. Moreover, proposals submitted by shareholders have also been increasing in recent years. Due to differences in legal systems, it is easier to make shareholder proposals in Japan than in Europe and the United States, and these proposals can often have a direct impact on the management of companies.

Accordingly, these proposals must be considered carefully.

We regard proxy voting as part of our engagement with portfolio companies, and we make judgments on proposals by all portfolio companies in accordance with our own proxy voting guidelines.

Our Proxy Voting Process is characterized by the following four points.



Characteristics of the Proxy Voting Process

Discipline	Judgments on proposals are made in accordance with the proxy voting guidelines
Robustness	A robust decision-making process centered on the Responsible Investment Committee
Comprehensive discussions	The Responsible Investment Committee itself decides to agree with or oppose proposals, rather than simply ratifying the secretariat's proposal
Conflict of interest management	Real-time monitoring by the Responsible Investment Council

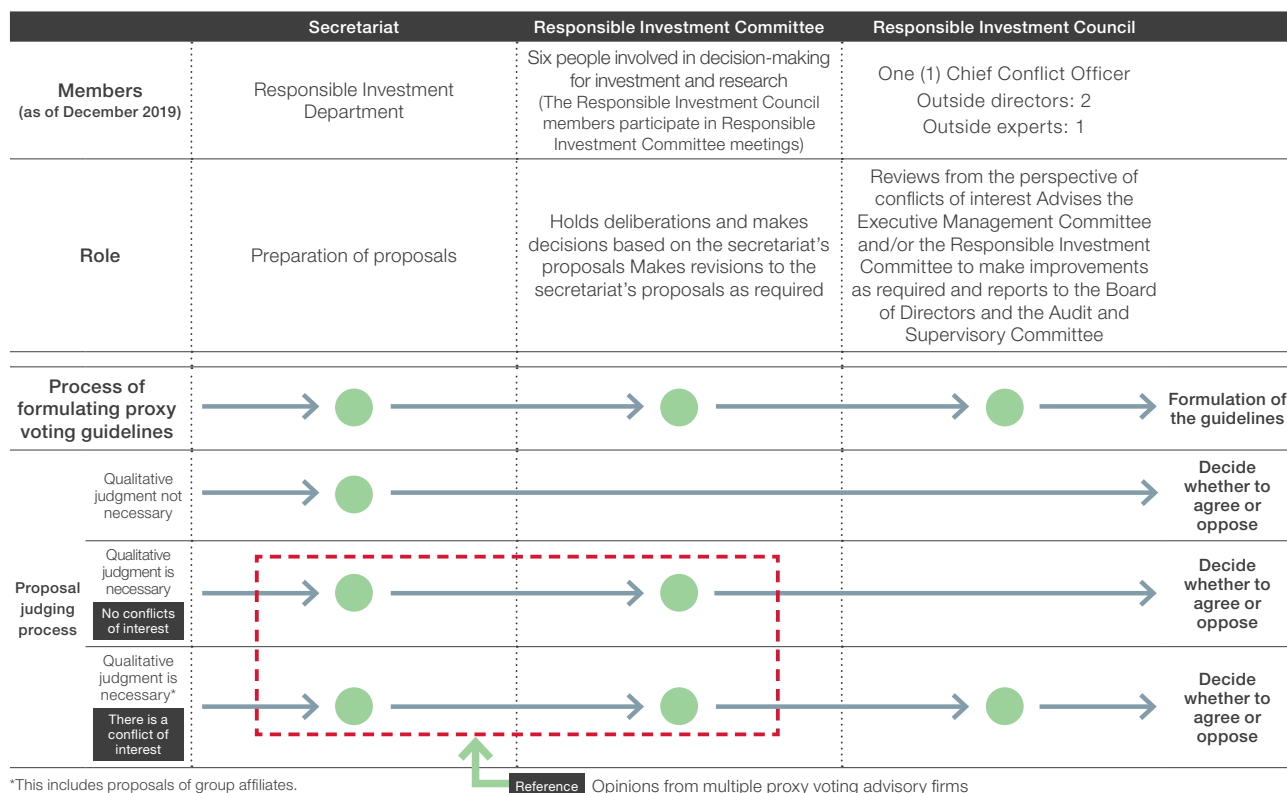
Refer to Page 5-6 for more information about the Responsible Investment Committee



Proxy Voting Process for Japanese Equities

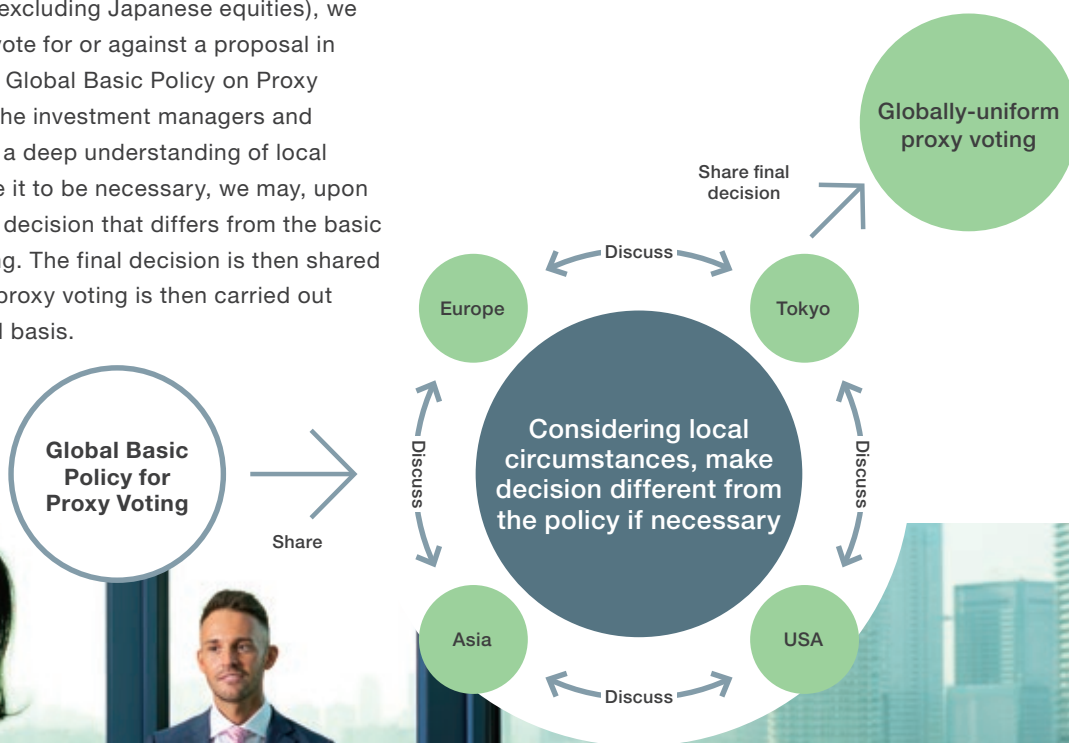
The proxy voting process is as shown in the figure below. The process for proposals that can be judged in accordance with the proxy voting guidelines (proposals

that do not require qualitative judgment) is different than the process for other proposals (that do require qualitative judgment).



Proxy Voting Process for Global Equities

For proxy voting (excluding Japanese equities), we generally decide to vote for or against a proposal in accordance with our Global Basic Policy on Proxy Voting. However, if the investment managers and analysts possessing a deep understanding of local conditions determine it to be necessary, we may, upon deliberation, make a decision that differs from the basic policy on proxy voting. The final decision is then shared with all offices, and proxy voting is then carried out uniformly on a global basis.



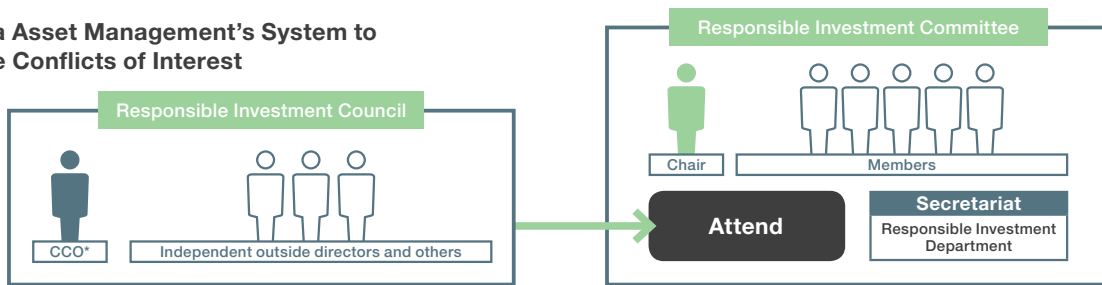
System to Manage Conflicts of Interest

Members of the Responsible Investment Committee, the highest decision-making body, include, in principle, only persons involved in investment and research decision-making, while people in a position with a conflict of interest or people with the possibility of acting on behalf of such persons are excluded. In addition, under the Audit and Supervisory Committee, we have established a Responsible Investment Council comprising only the Chief Conflict Officer and persons in independent positions in our company, including independent outside directors. This Responsible Investment Council monitors the Responsible Investment Committee's decisions as well as its overall

management. This council monitors stewardship activities, especially proxy voting involving conflicts of interest, to make sure that decisions are made that do not adversely affect the interests of clients as a result of conflicts of interest.

As required, the Responsible Investment Council recommends improvements to the Executive Management Committee and/or the Responsible Investment Committee, and reports on this to the Board of Directors and the Audit and Supervisory Committee. Furthermore, members of the Responsible Investment Council attend Responsible Investment Committee meetings, and are able to immediately state their opinions.

Nomura Asset Management's System to Manage Conflicts of Interest



*Chief Conflict Officer

Column
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Disclosure of Reasons for Voting For or Against Proposals

We disclose the reasons for voting for or against some proposals from April to June 2019, and all proposals from October to December 2019, and also provide detailed explanations of our reasons for those proposals we feel require special explanation. In 2020, we explained in detail the reasons for voting for or against 105 proposals from 24 companies (65 were company proposals and 40 were shareholder proposals). Key proposals are discussed below.

<Proxy Voting Outcomes for Individual Proposals> (October 1, 2019 – December 31, 2019)

The approve/oppose decisions in the table below are based on our guidelines. A “*” mark is to the right of a proposal if the decision based on client standards differs from our standards.

Can be searched by keyword ([Edit] > click [Simple search] > enter company code and/or company name in displayed box and press Enter)

Company code	Company name	GSM type	GSM Date YYYY/MM/DD	Proposer	Proposal No.	Candidate No.	Proposal classification		For/against and reason
1722	Misawa Homes Co., Ltd.	Special	2019/11/26	Company	1		Organizational restructuring-related	agree	Parent company Toyota Housing Corporation will make Misawa Homes Co., Ltd. a wholly-owned subsidiary. There were concerns about a conflict of interest with minority shareholders, but the measures to protect the interests of minority shareholders were affirmed, and the premium compared favorably to similar deals, so we voted for the proposal in line with our guidelines. In this deal, group company Nomura Securities was involved as a third-party valuation entity.
1997	Akatsuki Eazima Co., Ltd.	Annual	2019/11/22	Company	1		Disposition of surplus	agree	Voted for proposal in line with our guidelines

Example of Reasons for Voting For or Against Proposals

GSM type	Proposer	Proposal classification	Voting result	Reason for the our proxy voting result
Special GSM	Company proposal	Introduce/change/abolishment of takeover defense plan	Votes against	A proposal seeking approval for the introduction of a takeover defense plan and the triggering of countermeasures following a public tender offer by a large shareholder. Triggering countermeasures would limit shareholders' right to buy and sell shares, and we decided that there was no reason that justified it, so we voted against it.
Ordinary GSM	Shareholder proposal	Director appointment	Votes against	A proposal calling for the appointment of outside directors because the lack of information disclosure hinders the enhancement of corporate value. In addition to the composition of the board of directors, considering the fact that the reason behind the proposal was not convincing, we determined that the effect on enhancing shareholder value could not be confirmed, so we voted against the proposal.
Ordinary GSM	Shareholder proposal	Director appointment	Votes for	A proposal calling for the appointment of outside directors due to insufficient independence and diversity of outside directors. Taking into consideration factors such as the composition of the Board of Directors, the financial situation in which the company held many strategically-held shares, as well as the valuation situation, we decided that this proposal would contribute to the enhancement of corporate governance, so we voted in favor of the proposal.

Proxy Voting for Japanese Companies (January – December 2020)

The results of our proxy voting with respect to Japanese companies from January to December 2020 are as follows. Unless otherwise noted, the ratio of

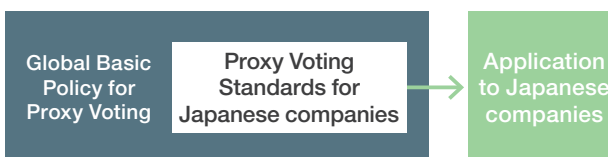
votes against company proposals and the underlying reasons are shown (for shareholders' proposals, the ratio of votes in favor and the reasons are shown).



Overview of Proxy Voting Standards for Japanese Companies

Here, we explain our Proxy Voting Standards for Japanese Companies (the “Proxy Voting Standards”). Please refer to our website for details. Due to the impacts of the COVID-19 pandemic, for general shareholders’ meetings held from June 2020 onward, we have stopped using the standards with a mark below (as of December 31, 2020).

Proxy Voting Guidelines Structure



Support for the transition to a monitoring board

- We indicate the eight requirements, such as having a majority of outside directors, for determining whether a board falls into the category of a monitoring board.
- If it falls into the category of a monitoring board, we ease the requirements for voting for company proposals. In the near term, it will apply to guidelines related to executive compensation, but going forward we plan to extend the scope to include guidelines for opposing director appointment proposals on the grounds of slumping ROE (currently not applying this guideline due to the impact of COVID-19).
- Even if it does not fall under the category of a monitoring board, for companies that develop compensation governance as an initiative aimed at a transition to a monitoring board, we will relax some of the requirements for voting in favor of the company’s executive compensation proposals.

Proxy Voting Standards and their summaries	In the following cases, we will oppose a company’s proposal
<p>Rigorously judge corporate actions and responsibility to deliver business results Judgment made and the responsibility taken to deliver business results by the management and the board of directors will be scrutinized and rigorously judged.</p>	<ul style="list-style-type: none"> ■ M&A or other corporate action does not protect the interests of minority shareholders ■ An act that could cause significant damage to shareholder value (misconduct, etc.) is discovered ■ Return on equity (ROE) is stagnant
<p>Composition of (Board of) Directors A certain number of outside directors is necessary to supervise the management team. Particularly in a company where there is a controlling shareholder (such as a listed subsidiary), there are concerns about a conflict of interest with the controlling shareholder, therefore a higher level of supervision is required.</p>	<ul style="list-style-type: none"> ■ The number of outside directors falls short of the minimum level (refer to Next Page for details)
<p>Independence of outside directors A certain level of independence is required for outside directors in order to supervise senior management. In order to prioritize effectiveness, we ensure that the standards for independence are not too stringent</p>	<ul style="list-style-type: none"> ■ If the term in office is 12 years or greater ■ Notification as an independent executive is not confirmed ■ An outside director has worked for or has otherwise been part of a company that is a major shareholder
<p>Effectiveness of outside directors Outside directors must effectively supervise senior management.</p>	<ul style="list-style-type: none"> ■ The attendance rate for board of directors’ meetings is less than 75% ■ It is obvious that the outside director did not fulfill the expected tasks such as the appointment and dismissal of senior management and the supervision of conflicts of interest between the company and the management team or controlling shareholders
<p>Appropriate compensation governance Because the process for determining executive compensation must be transparent, there must be appropriate supervision (compensation governance).</p>	<ul style="list-style-type: none"> ■ In a company where the outside directors fall short of a majority and an independent compensation committee has not been established, a proposal for executive compensation or executive retirement benefits above a certain level is submitted
<p>Appropriate incentives Although stock compensation is important as a management incentive, it can be counterproductive if not properly designed.</p>	<ul style="list-style-type: none"> ■ The stock compensation is designed so as to encourage the management team to be short-term oriented ■ The persons to whom the stock compensation is given are not appropriate ■ The stock compensation could lead to excessive dilution
<p>Effective utilization of financial assets It is essential that financial assets are utilized effectively to enhance corporate value.</p>	<ul style="list-style-type: none"> ■ Financial assets are not utilized effectively, and shareholder returns (dividends and share buybacks) are not appropriate

Summary of Revisions to Proxy Voting Standards (November 2019)

The main point of these revisions was to clarify our stance of supporting the transition to a monitoring board. Please refer to the following page for a discussion of our thinking behind the revisions.

Amid the focus on improved effectiveness of board functions, the revised Corporate Governance Code

mentions* a majority of the board members as independent outside directors and the establishment and strengthened functions of nomination and compensation committees, and is aligned with our idea of a monitoring board.

* Based on materials from the "Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code" (22nd).

Before revision		After revision
Create guidelines to determine whether or not it falls under the category of a monitoring board (New)		Establishes eight items as requirements for being a monitoring board, including outside directors as a majority, at least one woman director, and not holding strategic shareholdings in excess. Refer to bottom-right on next page.
Minimum number of outside directors	<ul style="list-style-type: none"> ■ Two for a company with a board of corporate auditors and which does not have controlling shareholders (three if there are more than 12 directors) ■ For other companies, 1/3 of the number of directors 	<ul style="list-style-type: none"> ■ In principle, either two directors or 1/3 of the number of directors, whichever is greater ■ For a company with a board of corporate auditors and which does not have controlling shareholders, two or 20%, whichever is greater (until October 2020)
Executive compensation	Refer to below table	
Independence of outside directors/corporate auditors	Requirements for determining there to be a high level of independence <ul style="list-style-type: none"> ■ Registration as independent director is confirmed ■ Has never belonged to a company that is a large shareholder 	Requirements for determining there to be a high level of independence <ul style="list-style-type: none"> ■ Term in office is less than 12 years ■ Registration as independent director is confirmed ■ Has never belonged to company that is a large shareholder
Changes to articles of incorporation based on shareholder proposal	In principle, approve proposals demanding disclosure of individual executive compensation	In principle, approve proposals demanding individual disclosure of executive compensation and compensation of non-director advisors, consultants, etc.
Changes to articles of incorporation based on shareholder proposal	Indicate types such as those demanding individual disclosure of executive compensation, and approve applicable proposals	Even if it is a proposal that falls under the type noted to the left, oppose a proposal that is made for the purpose of social or political assertions

*Content changed in this revision is noted in bold-faced type

Overview of Proxy Voting Guidelines Revisions for Executive Compensation

	Falls under category of monitoring board	Does not fall under category of monitoring board, but compensation-related governance has been established ^{*2}	Other
Bonus payments, increase in compensation at companies with slumping ROE	Votes against	Votes against	Votes against
Executive compensation at or above a certain level	Votes for	Votes for	Votes against
Payment of bonuses to outside directors, etc.*3	Votes against	Votes against	Votes against
Stock compensation	Dilution percentage	Oppose if over 10%	Oppose if over 5%
	Period until stock can be sold	Oppose if less than 2 years	Oppose if less than 3 years
	Payment to outside directors, etc.*3	If there are no operating performance requirements, vote for payments other than to corporate auditors	Votes against

*1 Content changed in this revision is noted in bold-faced type

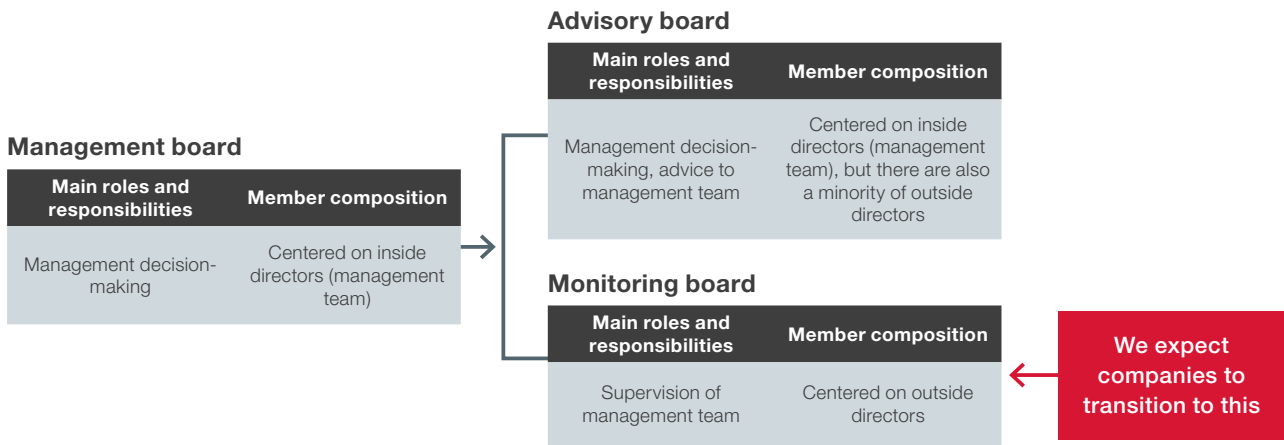
*2 Outside directors comprise a majority, or there is an independent compensation committee

*3 Outside directors, directors who are members of the audit committee or audit and supervisory board, corporate auditors

Transition to a Monitoring Board: The Thinking Behind It

A monitoring board is a board of directors whose main role and responsibility is to supervise management. Traditionally, the board of directors of Japanese companies have mostly been management boards, but today, as the number of boards with outside directors is increasing, and those with outside directors are adding even more outside directors, this is now a turning point for companies to choose whether to

transition to an advisory board or a monitoring board. For publicly-listed companies, the function of supervising the management team on behalf of an unspecified number of shareholders is absolutely necessary, and the board of directors is responsible for this. We expect the board of directors of a Japanese company to be responsible for the supervisory function as a monitoring board.



Some companies have introduced an executive officer system to separate supervision and execution, but if the board of directors is a management board, the board of directors will rank higher than the other executive bodies (management committee, executive committee, etc.), and high-ranking executive officers usually serve

concurrently as directors. On the other hand, a board of directors which has transitioned to become a monitoring board oversees the executive bodies, so the hierarchical relationship with executive bodies no longer exists. There is also no rank hierarchy between directors and executive officers, as they each play different roles.

Supporting an Effective Transition

The effectiveness of the supervisory function is what is important, and through proxy voting as well as engagement we encourage companies to increase effectiveness. So as to not encourage merely perfunctory transitions, we do not oppose company proposals on the reasoning that the company has not transitioned to a monitoring board.

Monitoring Board: Judging Standards in Proxy Voting Guidelines

We have newly established standards to decide whether or not a board is a monitoring board. Specifically, we determine a board to be a monitoring

board if it satisfies all of the eight requirements below. We view these requirements as the bare minimum as a monitoring board.

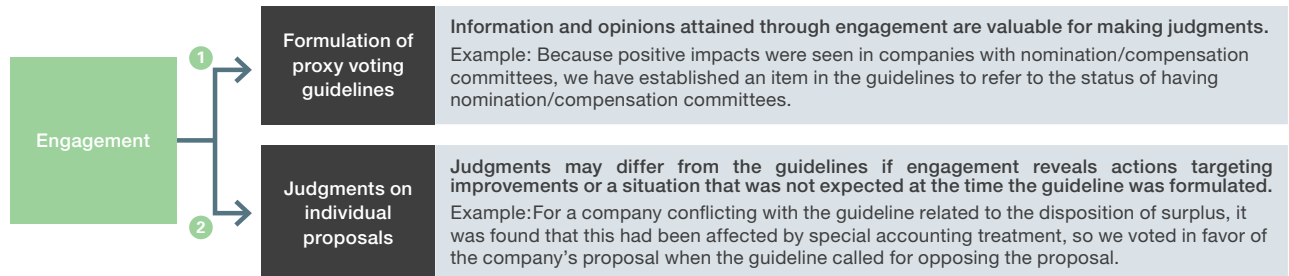
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|--|---|
| 1 A majority of the directors are outside directors | 5 The company has not introduced a takeover defense plan |
| 2 Has nomination committee and compensation committee with outside directors comprising a majority | 6 The company does not hold strategic shareholdings in excess (less than 10% of invested capital) |
| 3 Nomination and compensation committee chairpersons are outside directors | 7 If the company is a company with a board of corporate auditors, director's term in office is one year |
| 4 There is at least one woman director | 8 If there are controlling shareholders, the chair of the board of directors is an outside director |

Proxy Voting FAQ

Q Can engagement have an impact on proxy voting?

A Through engagement, we ascertain the status of the company and its opinions regarding proxy voting, and these impact the formulation of the proxy voting guidelines (“guidelines”) and the decisions on individual proposals. Please refer to the figure below for details.

Relationship between engagement and proxy voting

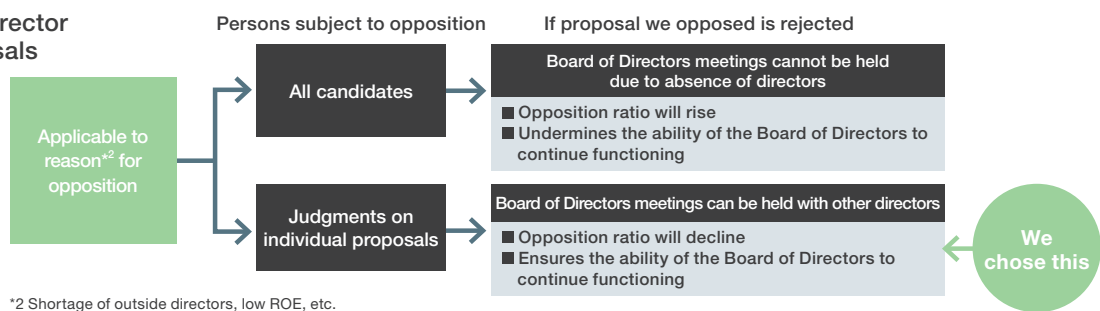


Q It seems that you vote against company proposals a small percentage of the time. Can you comment on that?

A Taking the continuity of the board of directors into consideration, we limit our opposition to candidates who are responsible for individual cases in the election of directors. This is the reason why our opposition rate looks relatively low (see diagram below). We opposed 5% of director appointment proposals (April – June 2020), but we opposed one or more candidates in the director appointment proposals for 30% of companies (same period), so we do not view our opposition percentage as being particularly low. We aim to combine proxy voting with engagement to appeal to portfolio companies, and encourage them to establish desirable corporate governance systems and enhance their corporate value. We position proxy voting as one means of accomplishing this, and we do not feel that our opposition rate indicates our stance.

*1 Under the Companies Act, a minimum of three directors is necessary in order to hold a Board of Directors meeting.

Guideline for Director Election Proposals



*2 Shortage of outside directors, low ROE, etc.

Q What about proxy voting with respect to group affiliates?

A As with other portfolio companies, we make decisions about whether to support or oppose proposals for group affiliates based on our guidelines. As a proposal with a conflict of interest, the Responsible Investment Committee will discuss the proposal referencing the opinions of multiple proxy voting advisory firms. Members of the Responsible Investment Council attend the Responsible Investment Committee meeting and participate in the deliberations. Also, following the conclusion of the Responsible Investment Committee meeting, the Responsible Investment Council holds a meeting where it closely examines the issue from the perspective of conflict of interest. Please refer to Page 51 for details on the proxy voting process and Page 52 for details on our system for managing conflicts of interest.

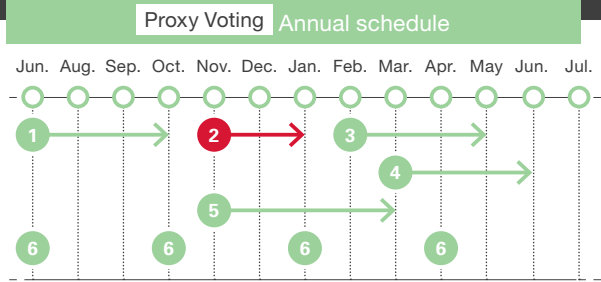
Q Do you have a message for portfolio companies?

A In carrying out proxy voting, we refer to documents related to shareholders’ meetings, including the notice of convocation, independent officer registrations, and corporate governance reports. Recently, documents related to shareholders’ meetings have become more informative, and this has allowed us to judge these proposals more easily. We want portfolio companies to continue providing clear and easy to understand information disclosures. We still believe that engagement with portfolio companies, including explanations of proposals, is valuable, and we are active with engagement throughout the year, with the exception of late-May through mid-June when proxy voting reaches its peak. We would like for portfolio companies to check the proxy voting representative’s schedule (see Page 58) and contact them.

Column
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Annual Schedule of a Proxy Voting Representative

June, followed by March and May, are the months in which the largest numbers of Japanese companies hold their general shareholders' meetings. We exercise our voting rights for more than 1,900 portfolio companies in these three months. Below, we discuss the approximate annual schedule for proxy voting, focusing on this period with a high concentration of shareholders' meetings.



1 Revisions to Proxy Voting Guidelines

July – October

As soon as the busy season for shareholders' meetings ends, we start reviewing our Proxy Voting Guidelines. Taking into consideration the actual conditions of Japanese companies, which we have learned through engagement and proxy voting, we make revisions to reflect changes in laws and regulations, such as revisions to the Corporate Governance Code.

2 Engagement to inform companies about the revisions to our Proxy Voting Guidelines

November – January

We conduct engagement mainly with the portfolio companies that we think will be significantly impacted by the revisions to our Proxy Voting Guidelines. We communicate our views and encourage them to strengthen their corporate governance. In addition to individual meetings with portfolio companies, we also explain our views at seminars.

3 Engagement in anticipation of the general shareholders' meeting.

February – May

As the busy season approaches, we ramp up engagement with an eye towards shareholders' meetings. This is the time when companies are finalizing the proposals they will make at shareholders' meetings (the proposals have already been finalized in some cases), so portfolio companies tend to be most interested in the prospects for individual proposals. However, we try to keep these discussions focused on strengthening corporate governance over the medium to long term.

4 Period when most general shareholders' meetings are held

March – June,

This is a period when we need to accurately judge a large number of proposals. We exercise voting rights for roughly 100 companies per day during the peak period in June, so it also happens to be the period when we most want companies to provide information disclosures that are clear and easy to understand.

5 Engagement to strengthen corporate governance

All year, particularly November – March

We explain our proxy voting philosophy and let portfolio companies explain to us how they are working to strengthen their corporate governance, and we then talk with them about their efforts. Typically, the discussions will be about what efforts they should make to enhance corporate value over the medium to long term, and what kind of corporate governance they should have as a mechanism for supervising those efforts given their particular business and financial situation.

6 Disclosure of proxy voting results

January/April/July/October

After the end of each quarter, we disclose the results of our proxy voting, and the reasons behind our voting activities, on our corporate website.

