TCFD & NET ZERO GOAL BY 2050

2021: A Year of Real Progress toward Nomura Asset Management's 2050 Net Zero Goal

During 2021, Nomura Asset Management undertook two major initiatives related to climate-related risks and opportunities, and we began making steady progress towards achieving net-zero greenhouse gas (GHG) emissions by 2050 for both our own company's operations and our investments. One set of actions we took was joining world-leading initiatives such as the Net Zero Asset Managers initiative (NZAM) and the Partnership for Carbon Accounting Financials (PCAF), which are essential to achieving net-zero by 2050. The other effort we undertook was setting our own 2050 Net Zero Goal and 2030 Interim Target for GHG emissions.

Joining Initiatives Critical to Achieving Net Zero by 2050

In August 2021, we joined NZAM, a global initiative led by asset managers aiming to achieve net-zero GHG emissions from their investment portfolios by 2050, in line with the goals of the Paris Agreement. We support the Paris Agreement's shared long-term goal of addressing climate change, and decided to join NZAM to demonstrate a commitment to achieving the Paris Agreement's goals. As a responsible institutional investor, we will comply with the commitments required of NZAM member institutions, including cooperation with clients (asset owners) as well as setting and reviewing interim targets, and we will work with NZAM with the aim of achieving net zero by 2050.

Also in August 2021, we joined PCAF, a global initiative by financial institutions to measure and disclose GHG emissions financed by their loans and investments. Under PCAF, financial institutions around the world are working together to develop methodologies for measuring and disclosing GHG emissions in their loan and investment portfolios. As a part of our ESG integration effort to integrate the analyses and assessments of our portfolio companies' climate-related risks and opportunities, in recent years we have been assessing the GHG emissions of our entire equities and corporate bond portfolios based on the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, and disclosing the details in our Responsible Investment Reports. In addition, we measure the GHG emissions of individual funds and refer to the data for various purposes, such as when making investment decisions. The assessment of financed emissions remains challenging, particularly for asset classes other than equities and corporate bonds. Going forward, we will collaborate with PCAF to overcome these challenges.

Furthermore, PCAF launched a PCAF Japan coalition in November 2021, and we joined this coalition as a founding member. With support from the PCAF global office, under the PCAF Japan coalition member

institutions and the financial sector will share experiences, knowledge and challenges with one another, as well as advance cooperation, aiming to promote efforts to have a wider range of Japanese financial institutions measure and disclose GHG emissions in their loan and investment portfolios. We have identified the realization of a healthy global environment as a key issue (materiality). As such, we are working to support a decarbonized society through the investment chain by engaging in dialogue with the management at portfolio companies to promote efforts to tackle climate change. We believe that our decisions to join NZAM and PCAF are consistent with these efforts.

Establishing the 2050 Net Zero Goal and 2030 Interim Target

As part of their commitment, signatories to NZAM are expected to set an interim target for the proportion of assets under management that, as of 2030, are managed in line with the attainment of net-zero GHG emissions by 2050. Given this expectation, in October 2021, we set a 2050 Net Zero Goal and 2030 Interim Target for GHG emissions from our investment portfolios. We support the initiatives aimed at achieving a decarbonized society, and aim to achieve net-zero GHG emissions from our investment portfolios by 2050. We have also set a 2030 interim target of 55% of our portfolio assets to be managed in alignment with the achievement of net-zero emissions by 2050. Despite having only joined NZAM in August 2021, in just the two months to October 2021, we announced our 2050 Net Zero Goal and the 2030 Interim Target for GHG emissions. These quick actions were based our sense of urgency to show our firm commitment as a responsible institutional investor to achieving net zero by 2050 ahead of Glasgow COP26 held from October 31, 2021.

We are engaged in a number of strategic initiatives to achieve net-zero GHG emissions by 2050, including measuring the level of GHG emissions as well as GHG absorption in our investment portfolio, strengthening stewardship activities and collaboration with stakeholders, and developing financial products. To this end, we have set our “2030 Interim Targets” for the equity and corporate bond investment portfolios that we currently measure and disclose the GHG emissions. In setting the ambitious target of 55% by 2030, we have employed an incremental approach to weighting individual companies in our portfolio in consideration of SBT commitments and approvals, scenario analyses, Institutional Shareholder Services’ (ISS’s) temperature scores, as well as policy goals of various countries. In order to achieve our 2030 Interim Target, we are also performing ongoing examinations of portfolio companies’ management commitments to achieving net zero and their specific targets.

Our Initiatives toward Achieving the 2050 Net Zero Goal and 2030 Interim Target

Initiative	Details
Measurement of GHG Emissions in Investment Portfolios	In addition to Scope 1 and Scope 2 GHG emissions, we measure Scope 3 emissions to the extent possible, which are highly material in the context of portfolio companies. Estimates by ESG rating agencies are used in cases where a portfolio company does not disclose GHG emissions. Portfolio emission measurements are conducted in accordance with the standards published by the PCAF, which we joined in August 2021.
Measurement of GHG Absorption in Investment Portfolios	Measurements of GHG absorption in our investment portfolios include direct removal of emissions left over after reduction measures, such as through afforestation and Carbon dioxide Capture, Utilization and Storage (CCUS), as well as carbon offsetting, avoided emissions, REDD+*, and other measures.
Financial Product Development	We are developing financial products that contribute to the realization of a decarbonized society in accordance with the 2050 Net Zero Goal and 2030 Interim Target.
Partnership with Asset Owners	We share our 2050 Net Zero Goal, 2030 Interim Target, and results of portfolio climate risk/opportunity analyses with asset owners in order to coordinate efforts toward realizing net zero emissions by 2050 or sooner.
Strengthening Stewardship Activities and Collaboration with Stakeholders	We are enhancing our stewardship strategies including engagement and proxy voting that are consistent with our 2050 Net Zero Goal and 2030 Interim Target. Additionally, we are strengthening collaboration with stakeholders and offering government policy proposals in support of these efforts.
Highly-Transparent Disclosure	We are working to increase the transparency of our disclosure, including regular disclosure of portfolio climate-related risk/opportunities analyses and progress toward our 2050 Net Zero Goal and 2030 Interim Target within our Responsible Investment Report.

* Climate change initiative aimed at reducing emissions and increasing absorption by addressing deforestation in developing countries.

Disclosure Based on the TCFD Recommendations

Governance

- We recognize that climate-related risks and opportunities have important impacts on our business and our medium- to long-term management targets, and we have therefore established an appropriate governance. The data compiled by the Responsible Investment Department, which acts as the TCFD Secretariat, including carbon indicators, scenario analyses, ESG scores and other climate-related risks and opportunities, are ultimately reported to the Board of Directors via the Executive Management Committee. The Board of Directors is then able to appropriately monitor our climate-related risks and opportunities.
- The analytical data related to climate-related risks and opportunities compiled by the TCFD Secretariat are shared with portfolio managers and analysts. These data are then utilized in company analysis, engagement, and investment decision-making. These data are also regularly reported to the Responsible Investment Committee, which comprises officers in the Investment and Research Division, where they are used to evaluate a portfolio's climate-related risks and opportunities. For example, at the Responsible Investment Committee meeting in March, the analytical data from the portfolio at end of the previous year are reported, and in July the important themes for climate change-related engagement are decided. Additionally, the chair of the Responsible Investment Committee reports the evaluation results to the Executive Management Committee, which allows members of senior management to utilize these reported details to make management decisions.

Strategy

- We recognize a wide range of short-, medium- and long-term climate-related risks and opportunities. In terms of transition risks, we are closely watching carbon pricing, the stranding of assets, and changes in consumer behavior and preferences. For physical risks, we are focusing on abnormal weather, which is increasing in recent years. Meanwhile, with respect to opportunities, we are paying close attention to products and services related to renewable energy and energy efficiency and conservation, electricity storage, hydrogen, ammonia, CCUS, carbon recycling, as well as disaster prevention and mitigation. In addition, in line with our long-term strategy aiming to realize a decarbonized society, we are focusing on transition finance to support companies that are working to reduce GHG emissions. In principle, we do not divest from (and thereby lose the chance for engagement with) portfolio companies with high levels of GHG emissions. Instead, by continuing to hold on to such companies, we use engagement as a means to encourage these portfolio companies to take measures to combat climate change.
- We carefully analyze the impacts that climate-related risks and opportunities do and will have on our businesses, strategies, financial plans, and portfolios. For example, in addition to ISS's analysis method, we perform financial analysis and transition risk analysis using carbon pricing in our ESG scores.
- Please refer to Page 28 for information on the scenario analysis we performed for our four-asset integrated portfolios.

Analysis of Carbon Metrics in Investment Portfolios

We analyze climate-related risks and opportunities for the four company-wide portfolios we manage: Japanese equities; global equities; Japanese bonds and global bonds. We perform analyses in accordance with assessment and disclosure methods including those set forth in The Global GHG Accounting and Reporting Standard for the Financial Industry published by the PCAF which we are a member of, as well as data and analysis methods from ISS. For equities benchmarks, we used TOPIX for Japanese equities and MSCI ACWI ex-Japan for global equities. For domestic bonds, we used NOMURA-BPI (overall) (only corporate bonds), while for global bonds we used the Bloomberg Barclays Global Aggregate Index (only corporate bonds). Bonds only included corporate bonds, and did not include government or other public bonds.

The analysis revealed that the total carbon emissions (Scope 1 and Scope 2) of our Japanese equities portfolio and Japanese bonds portfolio are less than the total carbon emissions of portfolios of the same

Total Carbon Emissions

- Absolute GHG emissions associated with a portfolio
- Unit: tCO_2e(CO_2 equivalent)
- GHG emissions from portfolio companies are Scope 1,2 and 3

$$\text{Total Carbon Emissions} = \sum_{n}^{i} \left(\frac{\text{current value of investment } i}{\text{Portfolio companies' EVIC } i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions } i \right)$$

Carbon Footprint

- Total carbon emissions for a portfolio normalized by the market value of the portfolio
- Unit: tCO_2e/US$ million (investment amount)
- Portfolio companies' GHG emissions in total carbon emissions are Scope 1 and 2

$$\text{Carbon Footprint} = \frac{\text{Total Carbon Emissions}}{\text{market capitalization of portfolio}}$$

Carbon Intensity

- Volume of carbon emissions per million dollars of revenue (carbon efficiency of aportfolio)
- Unit: tCO_2e/US$ million (revenues)
- Portfolio companies' GHG emissions in total carbon emissions are Scope 1 and 2

$$\text{Carbon Intensity} = \frac{\text{Total Carbon Emissions}}{\sum_{n}^{i} \left(\frac{\text{current value of investment } i}{\text{issuer's EVIC}} \times \text{the revenues of portfolio companies } i \right)}$$

Weighted Average Carbon Intensity

- Portfolio's exposure to carbon-intensive companies and metric recommended byTCFD
- Unit: tCO_2e/US$ million (revenues)
- Portfolio companies' GHG emissions are Scope 1 and 2

$$\text{Weighted Average Carbon Intensity} = \sum_{n}^{i} \left(\frac{\text{current value ofinvestment } i}{\text{market capitalization of portfolio}} \times \frac{\text{issuer's GHG emissions}}{\text{the revenues of portfolio companies } i} \right)$$

Risk Management

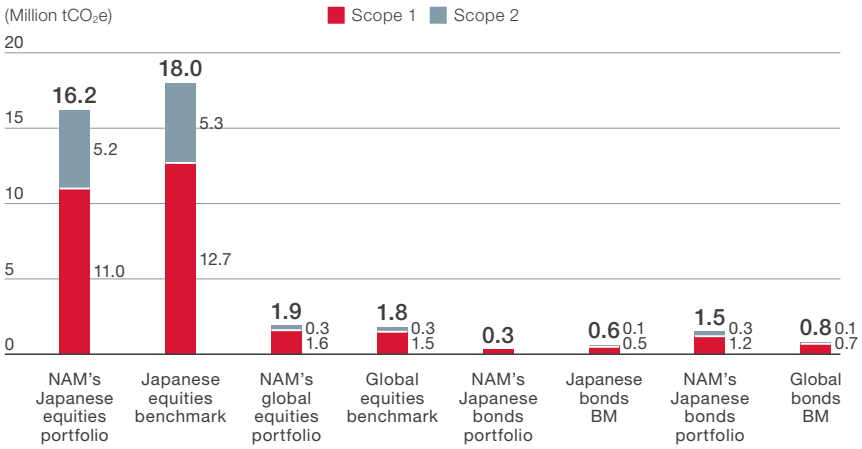
- When it comes to a portfolio company's climate-related risks, instead of looking only at carbon metrics for the company alone, we believe it is important to discern and analyze carbon metrics throughout the entire life cycle of a company's products and services as well as throughout the supply chain. Furthermore, we refer to GHG absorption in our analysis of climate-related risks.
- We manage portfolio risk using ISS's analysis methods for transition risk and physical risk. In addition, we identify and manage portfolio companies' transition risks and physical risks using our own corporate analysis and ESG scores, as well as through engagement.
- Such risk management analysis outcomes are integrated into the comprehensive risk management process. As such, they are shared within the Investment and Research Division, and are reported to both the Executive Management Committee and the Board of Directors after being monitored by the Responsible Investment Committee.

Metrics and Targets

- In order to evaluate climate-related risks and opportunities in accordance with our own strategies and risk management process, we measure four carbon metrics recommended by the TCFD (total carbon emissions, carbon footprint, carbon intensity, and weighted average carbon intensity) and perform scenario analyses as well as transition risk analysis and physical risk analysis for each portfolio.
- To analyze total carbon emissions, we use Scope 1 and Scope 2 emissions disclosed by companies (if a company does not provide disclosure, we use ISS's estimates) as well as ISS estimates for Scope 3 emissions. Meanwhile, for carbon footprint, carbon intensity and weighted average carbon intensity, we use only Scope 1 and Scope 2 emissions.
- We have established a 2050 Net Zero Goal as well as a 2030 Interim Target. Under the 2050 Net Zero Goal, we will work to achieve net-zero GHG emissions both from our own business operations as well as for assets under management (our investment portfolio). Under the 2030 Interim Target, we will work to ensure that, by 2030, 55% of our investment portfolio assets are being managed in alignment with achieving net-zero emissions by 2050. We will verify and report on our track record with regard to these targets in accordance with the methodology recognized and endorsed by NZAM.

monetary amount and comprising the same stocks and weightings as the benchmarks, while the opposite is true for our global equities portfolio and global bonds portfolio. For global equities and global bonds, total carbon emissions exceeded that of the benchmark. We believe this is due to the fact that the weightings of high-emitting companies such as Energy, Materials and Utilities in emerging countries including India and China are higher than the weightings in the benchmark. In terms of the ratio of total carbon emissions accounted for by each industry, there is a high ratio from Energy, Materials and Utilities, as well as relatively high ratios from Industrials depending on the asset class, and the same trend is seen in the industry ratios for weighted average carbon intensity. Going forward, through engagement as well as cooperation with climate change-related initiatives, we will continue to encourage portfolio companies to undertake initiatives targeting a decarbonized society.

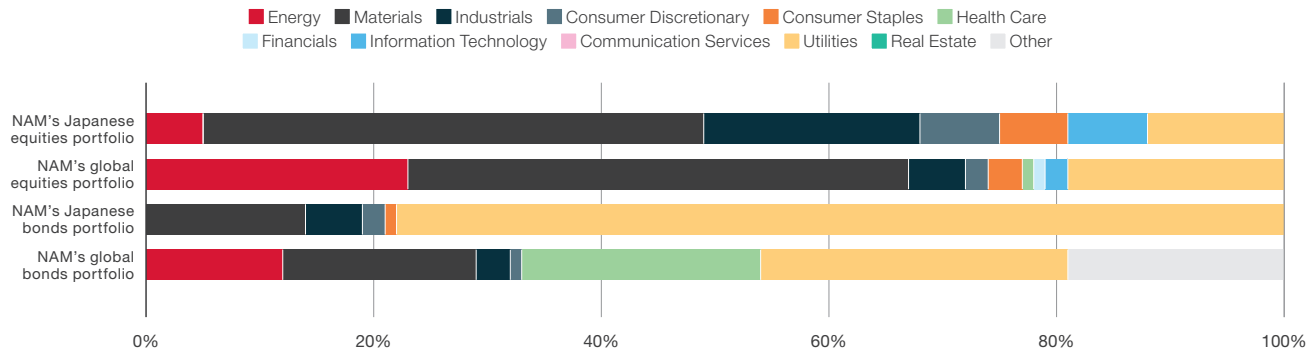
Total Carbon Emissions



		NAM's portfolio	BM	% of BM
Scope 3 (Million tCO2e)	Japanese equities	228.0	200.6	114%
	Global equities	9.7	11.3	85%
	Japanese bonds	1.2	1.8	68%
	Global bonds	4.3	4.4	97%
Total of Scope 1, 2, and 3 (Million tCO2e)	Japanese equities	244.2	218.6	112%
	Global equities	11.6	13.2	88%
	Japanese bonds	1.5	2.4	65%
	Global bonds	5.8	5.2	111%

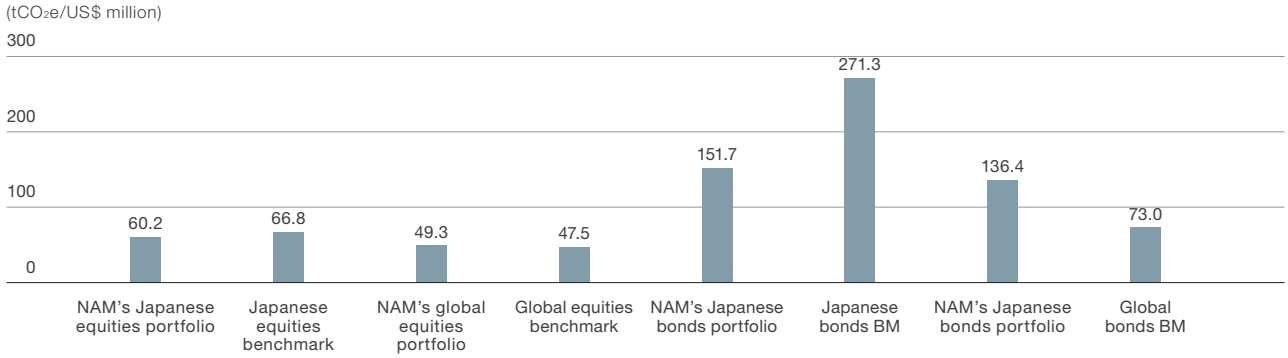
*EVIC is Enterprise Value Including Cash, and refers to corporate value including cash.
EVIC = Market capitalization of shares (ordinary shares, class shares such as preferred shares) + debt (book value) + non-controlling shareholders' interests (book value).

Ratio of Total Carbon Emissions by Industry

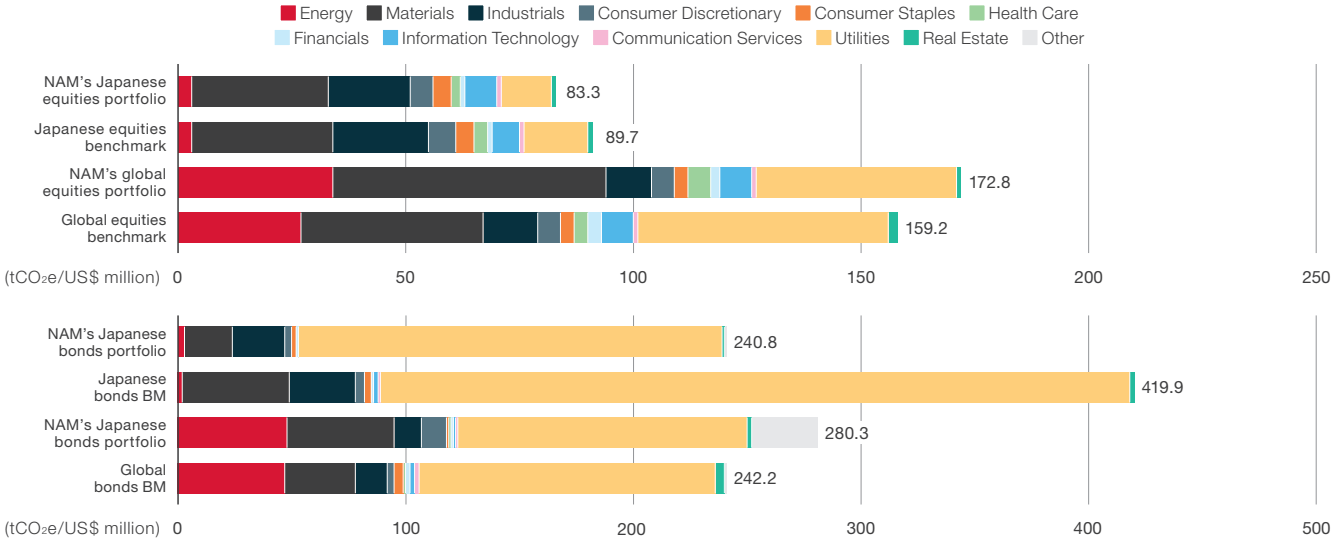


*Industries whose composition ratio of the Global Industry Classification Standard (GICS) is less than 1% are not included in industry classifications.

Carbon Footprint



Weighted Average Carbon Intensity and Ratio by Industry



Scenario Analysis

For total carbon emissions of our four-asset integrated portfolio, we used data from ISS, and performed scenario analyses based on the three scenarios in the World Energy Outlook 2019 issued by the International Energy Agency (IEA). For the total carbon emissions used in our scenario analyses, in light of the specific characteristics of transition risk in each sector, we used only Scope 1 emissions for the utilities companies, only Scope 3 emissions for fossil fuel-producing companies, and both Scope 1 and Scope 2 emissions for all other companies.

The scenario analysis confirmed that our four-asset integrated portfolio is likely to reach the total carbon emissions permitted in the Sustainable Development Scenario around 2040. This is evidence of the improvement in the investment portfolio since the end of 2020, when we found that the portfolio was likely to reach the total carbon emissions permitted in the Sustainable

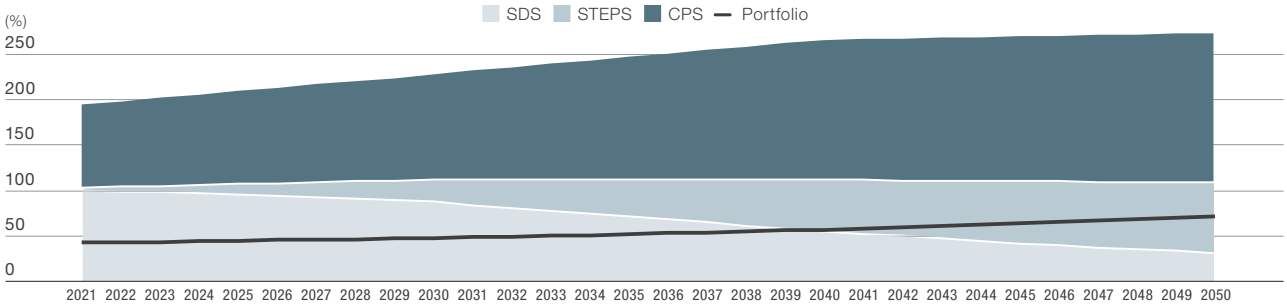
Development Scenario around 2035. We feel that the portfolio's emissions were greatly impacted by the fact that our global equities and global bonds portfolios include comparatively high weightings of stocks and bonds in the Energy, Materials, and Utilities sectors, centered on emerging countries and developing countries, where GHG emissions are high in conjunction with economic growth. Our analysis also hints at the importance of continuing to call for measures to address climate change across the market, as our investment portfolios include many passive investments, mainly in Japanese equities.

1 Sustainable Development Scenario (SDS)
The 1.5°C scenario aligned with the target of the Paris Agreement, which is to work to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

2 Stated Policies Scenario (STEPS)
A scenario which assumes that governments carry out policy initiatives they have already announced, on the assumption that countries will execute existing policy frameworks and ambitions. Under this scenario, the earth's temperature is projected to rise approximately 2.7°C by the end of this century.

3 Current Policies Scenario (CPS)
A scenario under which countries continue, but make no changes to, their current policies. Under this scenario, the earth's temperature is projected to rise approximately 3.2°C by the end of this century.

Comparison of NAM's four-asset integrated portfolio's total carbon emissions and carbon budget under each scenario

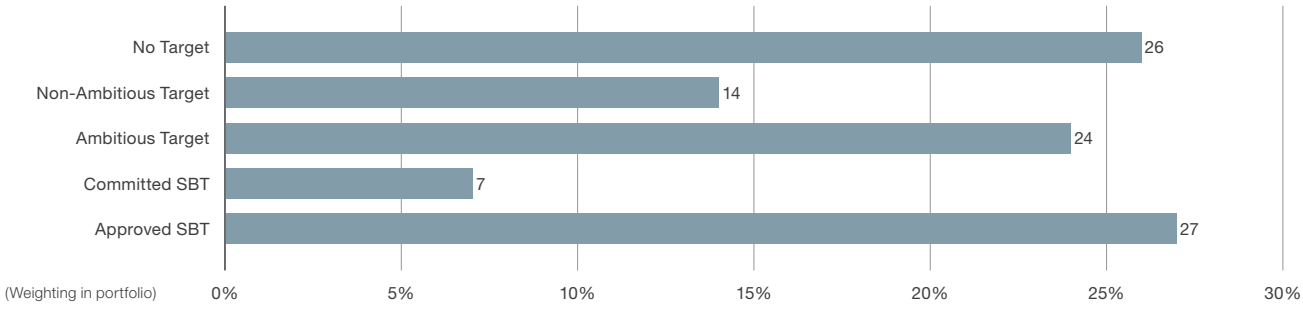


*On the graph's y-axis, the 2020 carbon budget for SDS is set at 100%.

Status of GHG Reductions by Portfolio Companies

As one of the methodologies for checking the progress made on the 2050 Net Zero Goal and the 2030 Interim Target for portfolio assets, NZAM, of which we are a signatory, has given examples of the Science Based Targets initiative for Financial Institutions (also referred to as "SBTi for FI"). Under the SBTi for FI, financial institutions will monitor the ratio of portfolio companies that have attained SBT approval ratio as well as the temperature scores developed by the CDP and the WWF. We are utilizing ISS's analytical tools to monitor GHG reduction targets of portfolio companies in the investment portfolio (including SBT approval). SBT commitments and acquisition of SBT approval by portfolio companies shows that they have set GHG reduction targets based on scientific grounds, and this is objective proof of our investment portfolio's move to decarbonize and an important stepping stone towards realizing a decarbonized society. Therefore, through engagement and other means, we will encourage portfolio companies to proactively commit to SBTs and obtain approval.

Status of Portfolio Companies' GHG Reduction Targets in Four-Asset Integrated Portfolio



Transition Risk Analysis

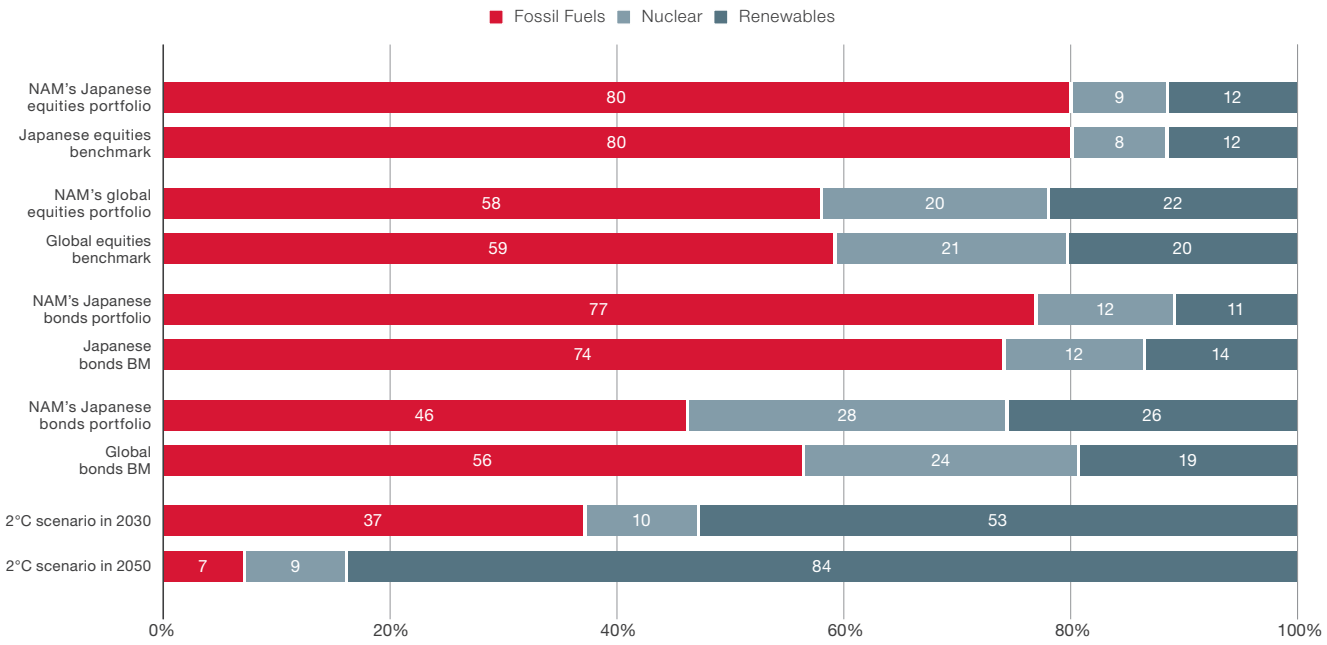
It is important to analyze climate-related transition risk in detail due to the fact that this risk is highly dependent on GHG emissions which have a relatively high correlation with both stock price performance and corporate value. We feel it is key to analyze GHG emissions throughout the entire life cycle of a company's products and services, and on a supplementary basis we use GHG emissions throughout the global supply chain as well as GHG absorption as disclosed by companies.

The specific transition risk analysis method involves using ISS data to analyze the power generation exposure and future GHG emissions (risk of stranded assets) on an energy generation basis in the portfolio, and the ratio of problematic resource development (shale oil/gas development and fracking, crude oil or gas drilling in the arctic, oil sands development, etc.), along with using the carbon risk rating, which is ISS's proprietary transition risk assessment. Furthermore, the environment score within our proprietary ESG score includes evaluations of climate-related transition risk, and we use carbon pricing to analyze its financial impact by transition and GHG emissions.

Power Generation Exposure Analysis (Portfolio, Benchmark, SDS)

The graph below compares the power generation exposure of our portfolios, the benchmarks, and the SDS on a power generation volume basis. The SDS, based on IEA forecasts, shows the power generation exposure that is likely to limit the temperature increase in 2030 and 2050 to less than 1.5°C above pre-industrial levels. The power generation exposure of both our Japanese equities and global equities portfolios are almost the same as the benchmarks. Meanwhile, the ratio of fossil fuel power generation in our Japanese bonds portfolio is slightly higher than the benchmark, while the ratio of fossil fuel power generation in our global bonds portfolio is lower than the benchmark. Also, the fossil fuel power generation exposure in all asset classes are higher compared to the power generation exposure in 2030 and 2050 under the SDS.

By increasing the ratio of renewable energy in our portfolios through engagement with portfolio companies, we will strive to reduce the transition risk from fossil fuels, as well as reduce the total carbon emissions and weighted average carbon intensities of our portfolios.



Climate-related Risk and Opportunity Evaluation in our ESG Score

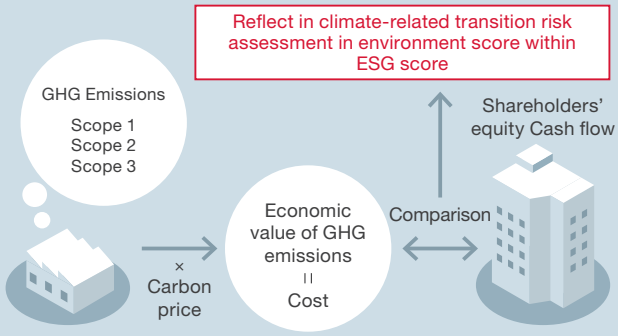
In the climate-related portion of our environment score within our ESG score for Japanese equities, we use carbon pricing to analyze transition risk, and assess climate-related risk using GHG absorption. Previously, transition risk assessments were generally performed based on the amount of GHG emissions, but using carbon pricing as well as GHG absorption allows for transition risk assessments that better reflect the true situations at companies.

COLUMN

01 Using Carbon Pricing to Analyze Financial Impact

Transition risk analyses are generally based on the amount of GHG emissions, but we use carbon pricing to analyze financial impact in the evaluation of climaterelated transition risk in the environment score within our ESG score. For example, if a carbon tax or emissions trading scheme is introduced, a portfolio company's GHG emissions become a cost. From the standpoint of the impact on corporate value, a more accurate transition risk analysis can be performed if the ratio of this cost to shareholders' equity or cash flow is analyzed.

For GHG emissions, we used data disclosed by companies for Scope 1 and Scope 2 emissions, and for Scope 3 emissions we used ISS's estimates. In addition, the carbon price used to replace GHG emissions with economic value is periodically reviewed referencing the market price (EUA in EU ETS, etc.), internal carbon pricing levels in portfolio companies, and reports from international organizations such as the World Bank.



COLUMN

02 Inclusion of GHG absorption in Assessments of GHG Emissions and Transition Risk

From 2022, we will be including GHG absorption in the climate-related portion of the environmental score in our ESG score. This change was based on the growing number of companies that are actively working on and disclosing GHG absorption, and the calls by companies for investors to incorporate assessments of GHG absorption in their evaluations.

Specifically, in the environment score, we are deducting GHG absorption disclosed by a company from its GHG emissions in both: 1) our assessments of whether the company discloses its GHG emissions and the change in emissions over time; and 2) our financial impact analysis using carbon pricing. In our ESG score, in our definition of GHG absorption, we include: 1) the amount of GHG directly removed from the atmosphere, including by forests and CCUS; 2) avoided emissions which contribute to a reduction in emissions, such as through a company's technology, products, or initiatives; and 3) offset emissions via carbon offsets. We collect data on a company's GHG absorption from its disclosed reports and other information, and store the data in our own database.

Net-zero GHG emissions to mitigate climate change refers to the GHG emissions minus the amount of GHG absorption equaling zero. Consequently, it is necessary for a company to utilize the amount of GHG absorption to account for the emissions that remain after a company has done all it can to reduce its emissions. Due to the fact that a company's actions to avoid and remove GHG emissions reduce its net GHG emissions and thereby can lower its climate-related risk, we feel that reflecting GHG absorption in a company's ESG score is consistent from the standpoint of assessing corporate value. GHG absorption deducted from a company's GHG emissions can be up to maximum of 20% of ISS's GHG emissions data (total of Scope 1, Scope 2 and Scope 3).

Data on such GHG absorption can be used as an impact metric in climate-related opportunity analyses as well as in impact investing.

Given the fact that avoided emissions and carbon offsets are included in our definition of GHG absorption, we are not using the GHG absorption data in our 2050 Net Zero Goal or our 2030 Interim Target.

Nomura Asset Management ESG Score
Environmental Score E2: Climate Change

- Evaluation of whether a company discloses GHG emissions, as well as the change in emissions over time
- Analysis of transition risk using carbon pricing (Multiply GHG emissions by the price of carbon to determine cost)

GHG Emissions − **GHG absorption** → **GHG absorption**

Before change of our ESG scores' methodology, only evaluated GHG emissions

Newly deduct GHG absorption

Removal	The amount of GHG directly absorbed, fixed and isolated from the atmosphere through forests, CCUS, etc.
Avoided emissions	The amount contributed to GHG emission reductions as a result of technologies, products, and initiatives, including energy-saving products and renewable energy, etc.
Emission offsets	The amount of a company's GHG emissions that it offsets using credits created via GHG removals and avoided emissions as discussed above

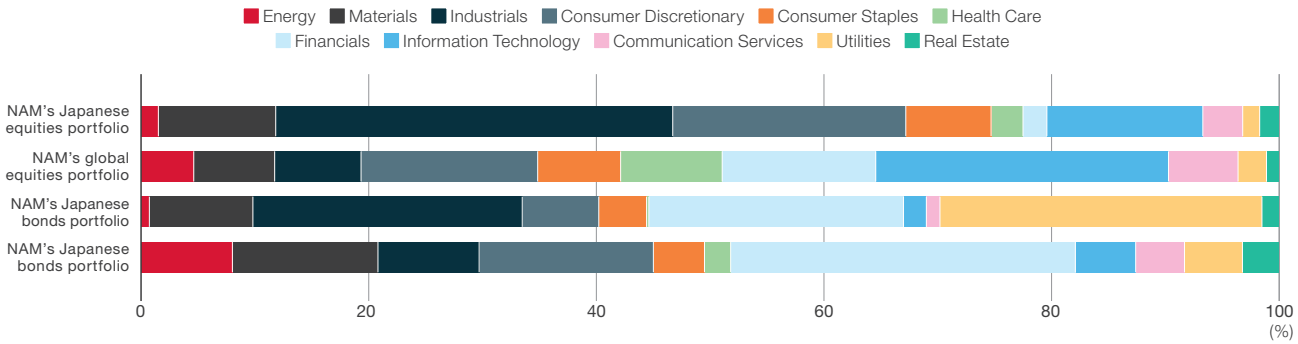
Physical Risk Analysis

In recent years, hurricanes, cyclones, heavy rains, floods, heat waves, forest fires, and droughts, which are thought to be impacted by climate change, are frequently occurring around the world. The impact of these events on the businesses and assets held by portfolio companies can no longer be ignored, and analyzing physical risks is becoming increasingly important. In analyzing the physical risks of portfolio companies, in addition to ISS's risk analysis and physical risk score by industry and region, we utilize the portfolio's Value at Risk (potential negative impact of physical risk on the value of a portfolio) calculated as the potential value lost through 2050 due to damage incurred by the business assets owned by portfolio companies from abnormal weather stemming from climate change. For Japanese companies, if necessary, we use disclosure materials and company websites to research the regions of offices, factories, and important owned assets, and we also check hazard maps and other materials published by local governments in order to supplement our analysis of physical risk.

Physical Risk Analysis by Sector and Region

We utilize ISS data to analyze physical risks by industry and region. The graph below shows the percentage of Value at Risk related to physical risk in each sector through 2050 for our Japanese equities, global equities, Japanese bonds, and global bonds portfolios. The higher the ratio, the greater the potential negative impact of physical risk on the value of companies in that industry. We calculate the Value at Risk of each portfolio, but it is used internally and not disclosed in this report.

Value at Risk by Sector

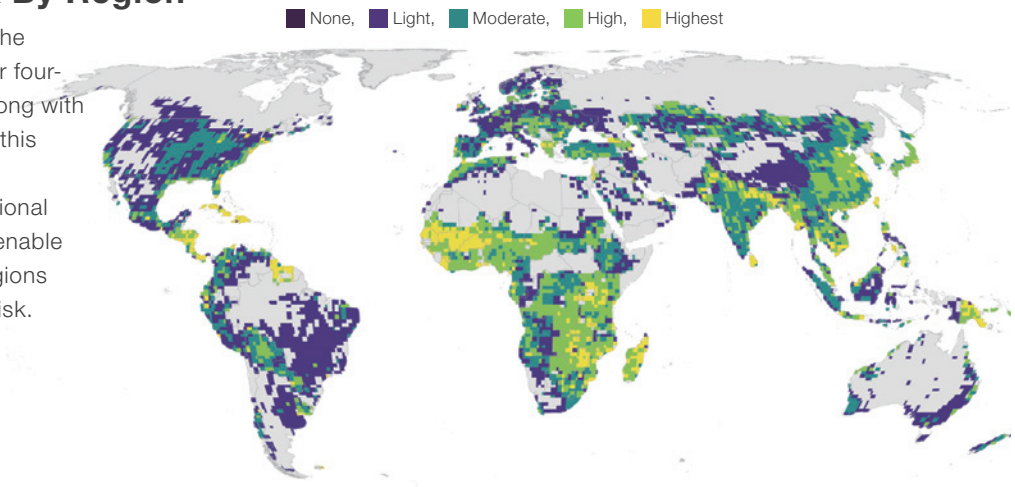


Portfolio Value at Risk (% change)

NAM's Japanese equities portfolio	NAM's global equities portfolio	NAM's Japanese bonds portfolio	NAM's Japanese bonds portfolio
2.1%	0.9%	1.8%	0.6%

The Physical Risk By Region

The map to the right shows the physical risk by region for our four-asset integrated portfolio. Along with the ratio by industry, we use this map as a reference when considering industry and regional allocations. These analyses enable us to identify sectors and regions with relatively high physical risk.



Climate Change-Related Engagement with Portfolio Companies

Through engagement with portfolio companies, we are advancing the following initiatives in order to reduce climate-related risk in our portfolios and promote investment in climate-related opportunities.

Nomura Asset Management

- Active involvement in climate change countermeasures, cooperation with other investors and stakeholders, and sharing of best practices through climate-related initiatives we have joined, such as PRI, TCFD, Climate Action 100+, NZAM and PCAF
- Enhance climate change-related ESG integration, including climate-related risk/opportunity analysis for the investment portfolio
- Develop financial analysis/corporate valuation methods using carbon pricing and GHG absorption
- Develop climate change-related financial products that contribute to realizing a decarbonized society consistent with our 2050 Net Zero Goal and 2030 Interim Target
- Enhance the transparency of our efforts towards climate change through TCFD disclosure in our Responsible Investment Report

Portfolio Companies

- Support of the TCFD, climate-related financial data disclosure based on the TCFD Recommendations, including scenario analysis and GHG reduction targets
- Disclose Scope 3 and GHG absorption that enable GHG emissions to be assessed in the life cycle of products and services and throughout the supply chain, urge GHG reductions by suppliers, customers, and other business partners.
- Introduce internal carbon pricing (ICP)
- Incorporate climate change countermeasures and external evaluations related to climate change into KPI for executive compensation
- Obtain approval of science-based targets (SBT) or commit to them
- Provide information to CDP, join initiatives such as RE100/EP100/EV100, etc.

Please refer to Page 47 for actual examples of climate change-related engagement.

Cooperation with Climate Change Initiatives

In March 2019, we pledged our support for the TCFD, and starting with our Responsible Investment Report 2019 we have been providing disclosure in line with the TCFD Recommendations, and also offering detailed disclosure and reports on GHG emissions monitoring for individual funds, covering our Company-wide Japanese equities, global equities, Japanese bonds, and global bonds portfolios. We have also been a member of the TCFD Consortium since its establishment in May 2019, and we are a member of the GIG Supporters, a group of investors that utilize the Green Investment Guidance formulated by the TCFD Consortium in October 2019 to engage with portfolio companies and actively encourage them to support the TCFD, disclose climate-related financial data, and integrate climate-related risks and opportunities into their management strategies. The TCFD Consortium released the amended Green Investment Guidance 2.0 in October 2021. Furthermore, in December 2019, we joined Climate Action100+, and through this initiative we collaborate with other institutional investors to encourage portfolio companies to take action to combat climate change, while we also joined NZAM and PCAF in August 2021.

In June 2015, Nomura Holdings, representing all of Nomura Group, became a signatory of the CDP. With this, Nomura Asset Management became one of the CDP's signatories, but in November 2021 we became a signatory on a standalone basis. We are responsible for the responses to questions for the asset manager on Nomura Holdings' CDP questionnaire. Nomura Holdings was selected as a member of the CDP's "Climate Change A List" in both FY2020 and FY2021, recognizing Nomura Holdings as a globally excellent company with respect to initiatives to combat climate change and for its disclosure of related data.

DECARBONIZATION JAPAN

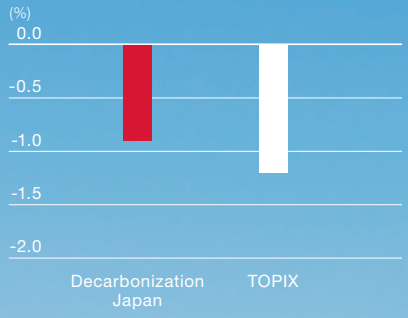
CONTRIBUTING TO A CARBON-FREE SOCIETY BY JAPANESE COMPANIES

In addition to increasing the level of sophistication of our investing with respect to climate change-related risks and opportunities via TCFD initiatives, through engagement we aim to contribute to the realization of a decarbonized society by having portfolio companies incorporate climate change countermeasures into their management strategies.

At the Leaders Summit on Climate held by the United States in April 2021, key countries and territories set a goal of achieving net zero greenhouse gas emissions, and thereby a decarbonized society, by 2050. Countries and territories will advance efforts to decarbonize as a growth strategy over the medium to long term, but in order to realize a decarbonized society, it is necessary not only to expand clean energy and utilize hydrogen/electric technologies, but also to improve technological capabilities for energy savings and energy efficiency. In August 2021, we joined the Net Zero Asset Managers initiative (NZAM) and announced our goal of reducing GHG emissions of assets under management to net zero by 2050.

Many companies in Japan possess advanced technologies, even compared to other leading companies in the world. Especially from the viewpoint of energy-saving and reducing power consumption, Japanese companies' technologies are playing a central role in advancing global decarbonization efforts. Based on the desire to not simply participate in NZAM but also to actually solve social issues through investment, NAM established the "Decarbonization Japan" investment trust which invests only in Japanese equities that will contribute to decarbonization. By backing these companies, we believe we can actively support the realization of a decarbonized society both in Japan and around the world.

Greenhouse Gas Emissions Reduction Rate (Weighted Average)



The amount of greenhouse gas emissions reduction is the annual reduction rate found by comparing the latest emissions results with ISS ESG's 2050 emission forecast required to achieve the 1.5°C effort target consistent with the Paris Agreement scenario.

This fund has two distinctive features.

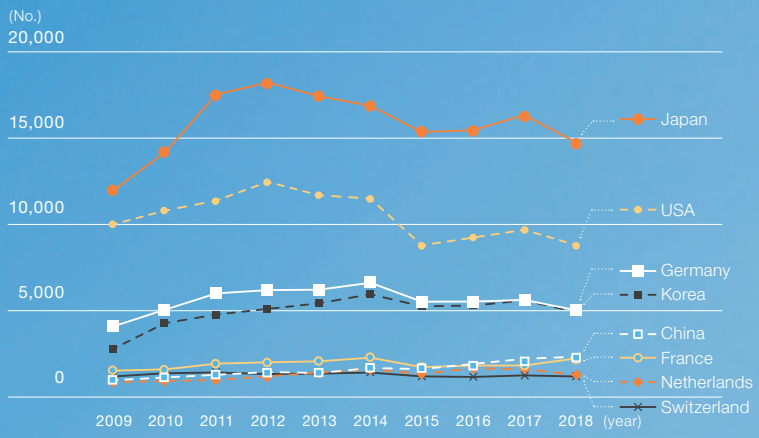
The first is that it invests in companies that will contribute to the realization of a decarbonized society. The fund invests not only in companies that engage in decarbonization-related businesses, but also in companies that directly contribute to decarbonization through their own business activities, such as declaring a goal of carbon neutrality.

The second distinctive feature is that Nomura Asset Management, which manages the fund, has established the rate of reduction of GHG emissions by portfolio companies as a key performance indicator (KPI), and monitors the companies held in the fund via measurements and other means. Specifically, we monitor the efforts of portfolio companies toward decarbonization through climate change engagement conducted by our corporate analysts, ESG specialists, and the Engagement Department, and make use of the findings. In addition to GHG emissions, going forward we will comprehensively understand how companies are contributing to decarbonization by also incorporating avoided/removed GHG emissions as KPI. By setting and monitoring such KPI, we will be able to measure the impact generated by the fund, which will also allow us to manage the fund in line with our impact investment strategy.

The fund narrows down the list of candidate companies for investment to those companies that are expected to contribute to a decarbonized society, taking into consideration whether or not a company has businesses that contribute to the realization of a decarbonized society as well as other ESG activities. Specifically, we evaluate a company's earnings outlook with respect to matters related to items regarding decarbonization in the SDGs (for roughly the next 10 years) as well as a company's business mix, technologies, know-how, personnel and other allocation of management resources based on our proprietary ESG score. Furthermore, we make a qualitative assessment of a company's environmental efforts (such as whether it has made a carbon neutrality declaration), including an evaluation of the pace of improvements it is making. In addition, we conduct ongoing engagement with portfolio companies, and both share our understanding of their efforts aiming for a decarbonized society and conduct engagement to support such efforts. We believe that investment through this fund allows us to provide both social value and economic value.

Number of Patent Applications for CO_2 Emissions Reduction-Related Technologies in Key Countries

Period: 2009-2018, annual



Source :Prepared by Nomura Asset Management using data from Astamuse

Patent Competitiveness Rankings by Country/Territory

	Energy-related sectors			Transportation/manufacturing-related sectors					Home/office-related sectors	
	Offshore wind power	Fuel/ammonia	Hydrogen	Automobiles/ Storage batteries	Semiconductors/ information communications	Ocean vessels	Food/ agriculture, forestry, and fisheries	Carbon recycling	Housing/ buildings Next-gen solar	Lifestyle
No.1	China	USA	**Japan**	**Japan**	**Japan**	Korea	**Japan**	China	China	China
No.2	**Japan**	China	China	China	USA	China	USA	USA	**Japan**	USA
No.3	USA	**Japan**	USA	USA	China	**Japan**	Korea	**Japan**	USA	**Japan**
No.4	Germany	Germany	Korea	Korea	Korea	USA	China	Korea	Korea	France
No.5	Korea	United Kingdom	Germany	Germany	Taiwan	Germany	France	France	Germany	Germany

*Comparison of sum total of patent assets in 2010-2019 in each field and country.
Total patent assets is an indicator calculated based on factors including the number of patents cited/viewed, patent exclusivity (number of claims for invalidation trials, etc.), the number of years remaining on a patent, and other factors.
Source : Prepared by Nomura Asset Management using data from Astamuse