Proxy Voting

Promoting the transition to monitoring boards through disciplined proxy voting

The Unique Aspects of Our proxy Voting

1 Systematic and ongoing efforts to influence companies

Along with engagement, we aim to realize desirable management styles.

2 Effective and robust process

Thorough discussions by the Responsible Investment Committee + real-time monitoring of conflicts of interest by the Responsible Investment Council.

3 High level of accountability

We disclose the reasons for voting in favor of or against all proposals. We give detailed reasons for proposals requiring special explanation.

4 Standards for actions beyond simple opposition

Introduced standards to not only oppose a proposal in the case that initiatives are lagging in progress, but also to encourage average companies to aim for higher standards

Proxy Voting

The Outline of Proxy Voting

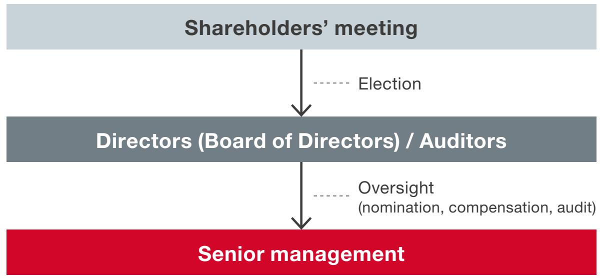
In proxy voting, we focus on the corporate governance of portfolio companies. The basic structure of corporate governance is that directors and auditors are elected at a shareholders' meeting, and directors (the board of directors) and auditors supervise senior management through nominations, compensation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

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

The four points noted in page 77 are unique aspects of our proxy voting.

Basic Corporate Governance Structure

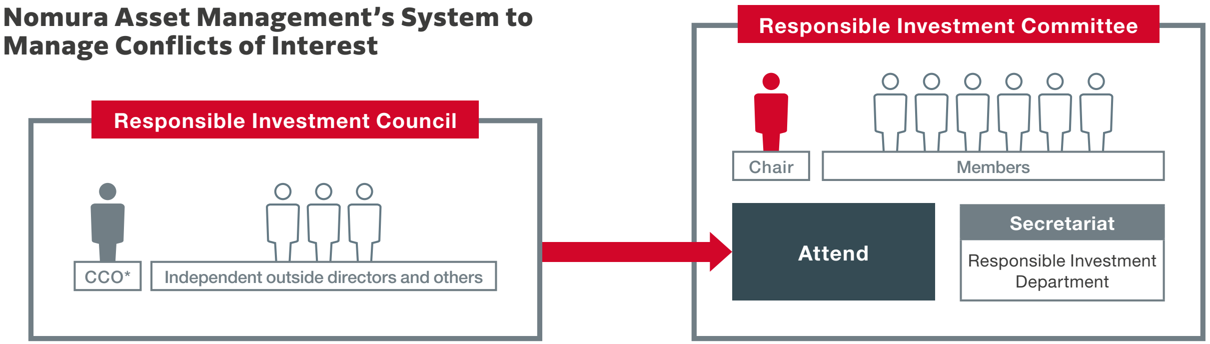


System to Manage Conflicts of Interest

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



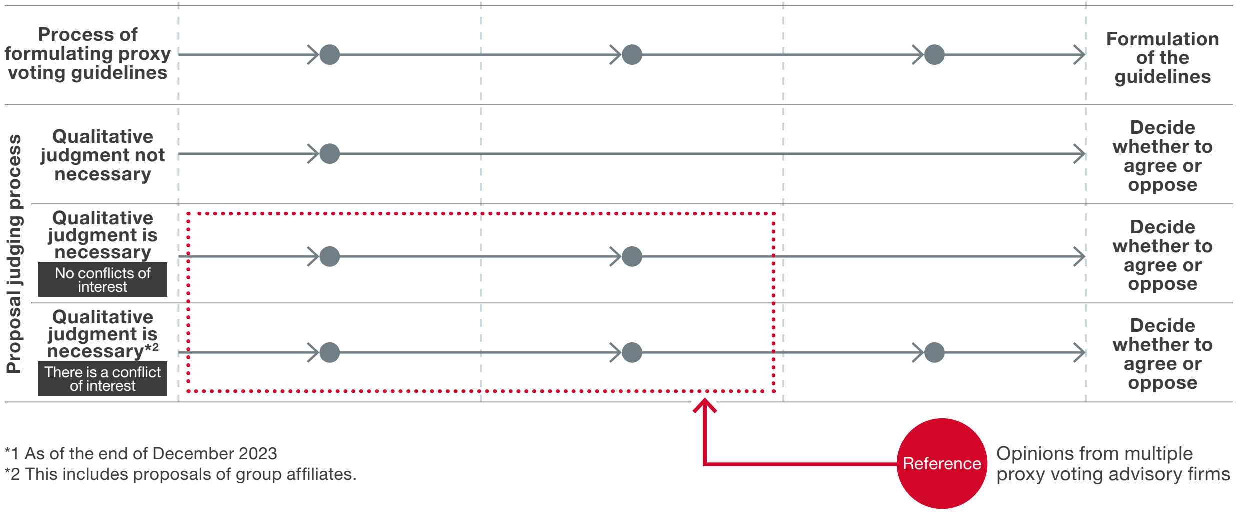
*Chief Conflict Officer

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).

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 conflicts of interest.

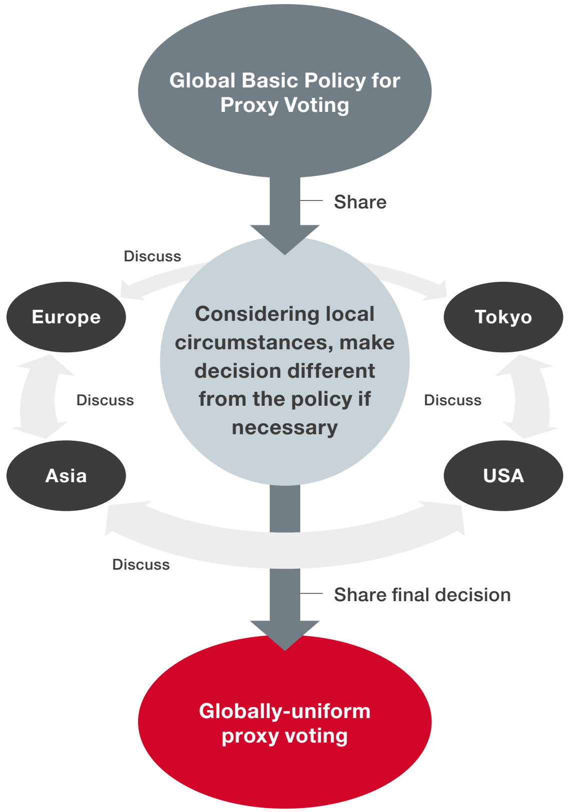
	Secretariat	Responsible Investment Committee	Responsible Investment Council
Members*1	Responsible Investment Department	Seven people including those responsible for investment and research (The Responsible Investment Council members participate in Responsible Investment Committee meetings)	Chief Conflict Officer Outside: 1 directors: 2 Outside experts: 1
Role	Preparation of proposals	Holds deliberations and makes decisions based on the secretariat's proposals Makes revisions to the secretariat's proposals as required	Reviews from the perspective of conflicts of interest Advises the Executive Management Committee and/ or the Responsible Investment Committee to make improvements as required and reports to the Board of Directors and the Audit and Supervisory Committee



*1 As of the end of December 2023
*2 This includes proposals of group affiliates.

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 investment managers and analysts with 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 shared with all offices, and proxy voting is then carried out uniformly on a global basis.



Changes in Results of Exercise of Voting Rights for Japanese Companies (calendar year)

Total Company proposals

The ratio of votes against is shown in the chart below. See details on the right.

	2020	2021	2022	2023
Ratio	7.6%	8.3%	8.5%	10.6%
Number of proposals	23,877	23,894	24,700	23,653

Total Shareholders' proposals

The ratio of votes for is shown in thechart below.

	2020	2021	2022	2023
Ratio	12.7%	9.8%	9.5%	19.2%
Number of proposals	236	174	315	453

Our ratio of votes supporting proposals increased in 2023. The number of proposals increased, centered on proposals related to articles of incorporation and the election and dismissal of directors, and we voted for proposals in cases where we confirmed that they would increase shareholder value and/or bolster governance.

Reference

Results of Proxy Voting for Global Companies January-December 2023

	Company proposals	Shareholders' proposals	Total
Votes for	16,468	419	16,887
Votes against	1,555	251	1,806
Ratio of votes against	8.6%	37.5%	9.7%

* In addition to the above, in 2023 we voted on 78 proposals related to the election and dismissal of accounting auditors, and three other miscellaneous proposals. We voted against 0% for of these proposals.

*1 Revisions of executive compensation amounts, issuance of stock options, introduction/revision of performancelinked compensation plans, executive bonuses, etc.

*2 Mergers, business transfers/assumptions, share exchanges, stock transfers, company splits, etc.

*3 Share buybacks, reduction in statutory reserves, capital increases via third-party allotment, capital reductions, share mergers, issuance of class shares, etc.

Proposals on company organizational structure

(Ratio of votes against, same as below)

Our ratio of votes against proposals increased in 2023. The main reasons for this were that in November 2022 we introduced a standard to vote against a proposal if there were no female directors as well as a standard that we would vote against a proposal if the number of cross-shareholdings was particularly high, and raising the threshold for performance standards.

Election and dismissal of directors

	2020	2021	2022	2023
Ratio	5.8%	6.8%	8.1%	10.1%
Number of proposals	17,959	18,429	17,924	18,337

Election and dismissal of auditor

	2020	2021	2022	2023
Ratio	12.8%	13.3%	13.3%	11.7%
Number of proposals	2,589	1,811	1,539	2,197

Main reasons for voting in opposition

- Unable to confirm the independence of outside officers
- A lack of female directors
- Insufficient number of outside directors

Proposals on executive compensation

The opposition ratio in 2023 has increased. The main reason for this was the increase in requirements related to remuneration governance in November 2022.

Executive compensation*1

	2020	2021	2022	2023
Ratio	24.0%	23.7%	18.8%	20.2%
Number of proposals	826	1,087	945	736

Payment of retirement benefits to retiring executives

	2020	2021	2022	2023
Ratio	85.5%	78.0%	76.7%	94.5%
Number of proposals	165	123	120	73

Main reasons for voting in opposition

- Recipients and conditions of stock compensation were inappropriate
- Compensation governance not in place

Proposals on capital policies (excluding proposals on articles of incorporation)

In 2023, our opposition ratio increased for dispositions of surplus and decreased for other capital policies. The main reason for the former is that from November 2022 we raised the ROE level required in our standard for the disposition of surplus. Regarding capital policies, the main factor was that there were fewer proposals for which we had concerns from the perspective of protecting the interests of minority shareholders. Please also refer to examples of reasons for our voting for and against proposals on Page 85.

Appropriation of surplus

	2020	2021	2022	2023
Ratio	0.6%	3.3%	5.0%	5.4%
Number of proposals	1,548	1,500	1,502	1,472

Organizational restructuringrelated*2

	2020	2021	2022	2023
Ratio	7.9%	9.8%	14.0%	14.3%
Number of proposals	38	61	43	35

Introduction, update and abolition of takeover defense measures

	2020	2021	2022	2023
Ratio	100%	96.5%	100%	100%
Number of proposals	92	57	63	82

Other capital policies*3

	2020	2021	2022	2023
Ratio	6.8%	9.0%	13.0%	1.5%
Number of proposals	59	100	77	68

Main reasons for voting in opposition

- Cash-rich, low capital efficiency, and insufficient shareholder returns
- Introduction/update of takeover defense measures
- Insufficient protection of minority shareholder interests

Proposals on articles of incorporation

Proposals on articles of incorporation

	2020	2021	2022	2023
Ratio	1.7%	3.0%	1.0%	3.3%
Number of proposals	530	630	2,402	572

Main reasons for voting in opposition

- Board of directors' authorization of dividends that do not satisfy conditions
- Reverse progress on separation of Chairman and CEO

Overview of Proxy Voting Standards for Japanese Companies

We have established a Global Basic Policy for Proxy Voting, and, for Japanese companies, we apply the Proxy Voting Standards for Japanese Companies established in accordance with this policy. The outline of this is below, and please refer to our website for details.

Reference › https://www.nomura-am.co.jp/special/esg/responsibility_investment/vote.html (Japanese only)

Proxy Voting Guidelines Structure

Global Basic Policy for Proxy Voting
Proxy Voting Standards for Japanese companies → Application to Japanese companies

Key Point	Thinking	We may vote against a company proposal in the cases below (Items in bold text were revised in November 2023)
Escalation*1	Reflect the results of engagement targeting the realization of desirable management (refer to Pages 19-22)	■ If a portfolio company has not made adequate efforts and improvements are not expected despite the fact that during engagement we pointed out that efforts to realize desirable management were insufficient and urged action.
Rigorously judge corporate actions, transactions involving a conflict of interest, and responsibility taken for outcomes	Judgment made and the responsibility taken to deliver business results by the management and the board of directors will be scrutinized and rigorously judged.	■ If actions that significantly damage shareholder value (misconduct, etc.) are found ■ **(New: from November 2024) For companies in the TOPIX100, if initiatives are clearly insufficient (refer to Page 82)** ■ If ROE is slumping. In the case of a monitoring board(please refer to page 24), if ROE is stagnating and there is no effort being made to improve management (business performance standard) ■ If cross-shareholdings are particularly large ■ If a financially-sound listed subsidiary with a large amount of net financial assets is lending money to the parent company ■ If minority shareholders' interests are not protected in M&A, etc.
Board of Directors Composition	In order to oversee the management team, the board of directors must comprise an appropriate number of people and possess diversity and independence.	■ **(New) When the number of directors is less than 5 or more than 20** ■ If the number of outside directors falls below the minimum level (below) Until October 2024: **1/3 for companies without a controlling shareholder.** However, for companies with a controlling shareholder, a majority. **From November 2024: A majority. However, 1/3 if a company has no controlling shareholder and has nomination governance in place*2.** ■ If there are no female directors ■ In a company with a board of corporate auditors, the term of office for directors is two years
Independence and Effectiveness of Board of Directors	Highly-independent outside directors are required to effectively oversee the management team.	■ If the term of office of an outside director is 12 years or more, if the notification as an independent director is not confirmed, or if the outside director has worked for a company that is a major shareholder ■ Attendance at board meetings is less than 75% ■ When it is clear that they have not fulfilled their expected roles, such as the selection and dismissal of senior management or the supervision of conflicts of interest between the company and its management, controlling shareholders, etc
Appropriate compensation governance	Because the process for determining executive compensation must be transparent, there must be appropriate supervision (compensation governance).	■ **If, for a company that does not have compensation governance in place*2, there is a proposal on the agenda related to executive compensation or executive retirement benefits (Pre-revision: only applicable to these proposals above a certain level)**
Appropriate incentives	Although stock compensation is important as a management incentive, it can be counterproductive if not properly designed.	■ The stock compensation is designed so as to encourage the management team to be short-term oriented ■ The persons to whom stock compensation is given are not appropriate ■ The stock compensation could lead to excessive dilution
Effective utilization of financial assets	It is essential that financial assets are utilized effectively to enhance corporate value.	■ Financial assets are not utilized effectively, and shareholder returns (dividends and share buybacks) are not appropriate

*1 Measures taken to bolster involvement with a portfolio company if engagement is not successful within a specified period
*2 A case in which nomination and compensation governance is in place refers to the case where statutory or voluntary nomination and compensation committees have been established, the committee members include two or more outside directors, and the number of internal directors among the committee members is fewer than the number of outside directors.

November 2023 Revisions

The main revisions were: ① Revision in order to further support the transition to monitoring boards; and ② Creation of role model standards. Please refer to Page23 for more information on ①. Please refer below for more information on ②. Please refer to Page 83 for information about other revisions.

The Aim of the Role Model Standards

In this revision, we have established new standards (role model standards) under which we expect companies that compose the TOPIX 100 (TOPIX 100 companies) to serve as role models. Here, we explain the aim behind this.

Ordinary proxy voting standards mainly establish conditions for opposing company proposals, and while they are effective in encouraging companies that are lagging behind in initiatives such as strengthening corporate governance (Figure ❶ below), in reality they do not function well as a means of encouraging companies that are currently implementing initiatives at an average level to aim for a higher level (Figure ❷ below). We believe that even average Japanese companies have a large gap between their efforts and what we view to be desirable management, and that we need to encourage them to aim to reach higher levels regarding their initiatives. To this end, we introduced standards (monitoring board standards) that make it easier to vote in favor of company proposals if the company satisfies the monitoring board requirements.

Like the monitoring board standards, the role model standards introduced this time around are intended to encourage TOPIX 100 companies to strive for higher levels of initiatives, and they communicate our expectation that we want them to become role models in order to achieve desirable management practices (Pages 19-22). Although the target group of companies for the standards is limited to TOPIX 100 companies, we hope that it will spur other portfolio companies to work more ambitiously to achieve desirable management practices. After November 2024, we may oppose the reappointment of a chairman, president, or other director depending on the status of efforts toward some of the management issues (1 to 3 on the right) related to our expectations for desirable management, but our aim is to encourage companies to strive for higher levels of efforts, so this will be limited to cases where it is determined that the company's efforts are clearly insufficient.

Initiatives of particular focus for role model standards

1

Information Disclosure Integrating ESG Issues

Disclose information in accordance with internationally agreed upon standards through appropriate media, including integrated reports, and obtain third-party assurances for numerical data to the extent possible.

2

Climate Change

Establish a medium- to long-term net-zero GHG emissions target and obtain SBT certification, as well as clarify risks and business opportunities due to climate change by disclosing information based on the TCFD final report.

3

Outside Directors with Effective Skills

The skills matrix is disclosed in general shareholder meeting materials, and indicates that the outside director possesses abilities and experience, including related to management/finance/ESG.

Changes to Proxy Voting Standards for Japanese Companies

Here, we introduce the changes to our Proxy Voting Standards over the years. For information prior to October 2020, please refer to our Responsible Investment Report 2022 (Page 80).

Reference › https://global.nomura-am.co.jp/responsibility-investment/pdf/ri_report_2022.pdf

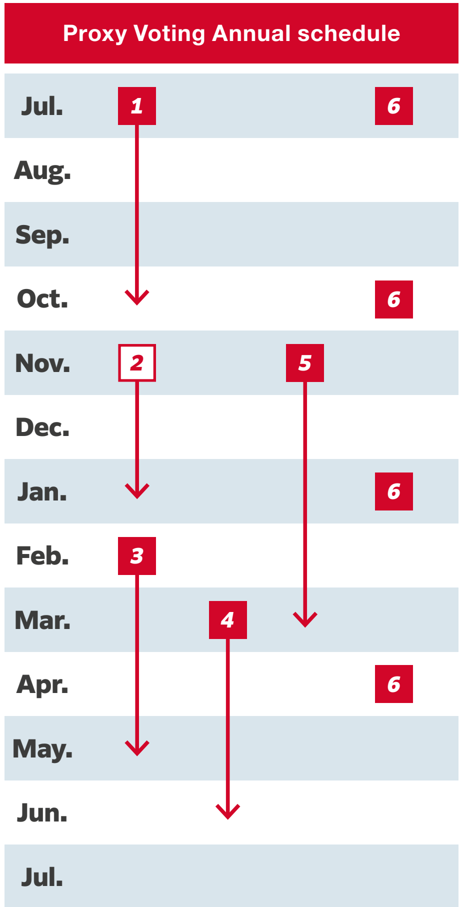
・Particularly important revisions are **highlighted.**

Month/Year of Revision	Proposal Category	Key Point	Key Change
November 2020	**Director election**	**Monitoring board requirements**	**NEW (Established eight requirements to be met, including gender diversity, cross-shareholdings, etc.) ▶ Support for the transition to monitoring boards**
		Number of outside directors	Raised the minimum for a company with a board of corporate auditors from two (2) to one-third
		Requirements for independence of outside directors	Added term in office (12 years)
	Executive compensation	Monitoring board requirements	NEW (Relaxed requirements related to business performance, etc., if company has a monitoring board)
			NEW (Vote in favor of making payment of stock compensation satisfying certain requirements to outside directors, etc., if company has a monitoring board)
June 2021	Director election/appropriation of surplus	COVID-19	Reinstated the application of some standards related to appropriation of surplus
November 2021	**Director election**	**Escalation**	**NEW Encourage the realization of desirable management (gender diversity, cross-shareholdings, etc., including initiatives targeting ESG issues)**
		Business performance standard based on ROE	Lowered threshold of comparative value to 25th percentile of industry median value Take management improvement efforts into consideration only when company has a monitoring board
		Number of outside directors	There is a controlling shareholder: Raised minimum from one-third ▶ majority
January 2022	Director election	COVID-19	Reinstated application of business performance standard
November 2022	**Director election**	Business performance standard based on ROE	Raised the comparison value threshold from 25th percentile to 33rd percentile in industry.
		Diversity of the board of directors	**NEW (We will vote against a proposal if there are no female directors**
		Cross-shareholdings	**NEW (We will vote against a proposal if there is a particularly large amount of cross-shareholdings)**
November 2023	**Director election**	Number of outside directors	(From November 2024) Raised the minimum number from 2 or 1/3 to a majority. However, it is 1/3 for companies without a controlling shareholder if nomination governance is in place
		Director term of office	**NEW (For a company with a board of corporate auditors, will oppose if the term of office for directors is 2 years)**
		Number of directors	NEW (Will oppose if the number of directors is under 5 or more than 20)
		Role model standards	**NEW (From November 2024, for companies in the TOPIX100, will oppose if initiatives are determined to be clearly insufficient)**
	Executive compensation/ Executive retirement benefits	Compensation governance	Expanded the scope of proposals we will oppose to all proposals if compensation governance is not in place

Column

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 about 1,600 portfolio companies in June alone, and 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 more than 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.

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.

Disclosure of Proxy Voting Results (Reasons for voting For or Against proposals)

Since the October – December 2019 quarter, we have been disclosing the reasons that we voted for or against all proposals, and we have been providing detailed explanations of the reasons for those proposals we feel require special explanation. This is an effort to further increase visibility with respect to appropriate proxy voting. Here, we introduce some specific examples of disclosure with respect to proposals we feel require special explanation.

Proposals we made voting decisions on that differ from our proxy voting standards

We sometimes make decisions that differ from our proxy voting standards based on engagement with a company.

GSM Type	Proposer	Proposal classification	Voting result	Reason for proxy voting result
Ordinary GSM	Company	Director election/ dismissal	Voted against	Because we determined that the directors own the responsibility for the fact that business results do not meet our standards. This company's board of directors satisfies our standard related to a monitoring board, but there was an issue with the company's recognition of capital efficiency and there were large concerns related to effectiveness, so we applied our standards to the company as if it were not a company with a monitoring board.
Ordinary GSM	Company	Director election/ dismissal	Voted for	Although the company does not meet our standards for cross-shareholdings, we voted in favor after taking into account that the reduction status was confirmed through engagement.

Proposals we determined to require special accountability

In addition to proposals related to M&A and capital policy, there were proposals asking companies to increase board diversity.

GSM Type	Proposer	Proposal classification	Voting result	Reason for proxy voting result
Ordinary GSM	Shareholder	Appropriation of surplus	Voted for	This was a proposal seeking additional shareholder returns. After considering the large amount of financial assets held relative to the scale of the business, the unclear use of financial assets, and the fact that the impact on financial soundness is minimal, we determined that it would contribute to the improvement of shareholder value, and voted for the proposal in accordance with our standards.
Ordinary GSM	Company	Organizational restructuring-related	Voted against	A proposal related to share exchanges with listed subsidiaries. Although the dilution ratio of voting rights was high, considering the fact that the initiatives to protect minority shareholders were insufficient, we voted against the proposal in accordance with our standards.

Retail sector Company A (Director election/dismissal: Company proposal/shareholder proposal)

Background

A certain shareholder (the "proposer") took issue with the company's conglomerate discount and proposed a spin-off of its core business, demanding a reexamination of its business portfolio. Company A indicated a strategy to pursue synergies and rejected the spin-off.

Although it was difficult for us to say that the spin-off proposal was clearly superior, the performance of non-core businesses had been sluggish for a long time, and there was an undeniable impression that the management team had been slow to respond, and there was a need to reexamine the business portfolio. We decided that we could agree on the need to reexamine the business portfolio.

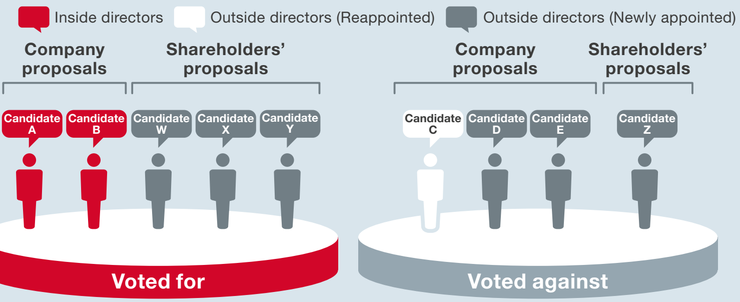
Proposal outline and voting result

In the company's proposal there were 15 candidates, while in the shareholder proposal there were 14 candidates, but both parties agreed to 10 of them (4 internal and 6 external candidates, all reappointed), so the selection of the remaining 9 candidates was at issue. Details are shown below.

Reason for proxy voting result

Company proposals Regarding Candidate C, we could not confirm that the candidate has the necessary skills to re-examine the business portfolio, and that this candidate may not have fulfilled the role expected as an outside director, so we voted against the proposal. Regarding Candidates D-E, considering the maximum number of directors as per the articles of incorporation (15 directors) and the history of the current outside directors implementing a Group strategy re-evaluation, we determined that the board of directors had not given a proper explanation for the necessity for electing additional new directors, so we voted against the proposal. In addition, the proposer was also opposed to the election of candidates A-B, but we determined that accountability had not been fulfilled regarding the need to replace the management team before a re-examination and consideration by the highly-independent nomination committee, so we voted for the proposal in accordance with our standards.

Shareholders' proposals Because we can agree with the need for re-examination, and considering the maximum number of directors as per the articles of incorporation as well as the skill and independence level of the candidates, we voted in favor of candidates W-Y, and voted against candidate Z.



In addition to explaining the reasons for the decisions made on each of the proposals submitted by shareholders with respect to the issue of climate change, we provided a comprehensive explanation about the background behind our decisions on climate change-related proposals as a whole.

Climate change-related proposals submitted by shareholders

- A proposal to amend the articles of incorporation was submitted to a number of companies asking them to address the issue of climate change. The issue of climate change is an environmental and social issue that we believe to be particularly important for the sustainable improvement of corporate value, and we decided to deliberate positively on a proposal demanding enhancement of information disclosure.
- This time around, we carefully deliberated the reasons for the proposals, the companies' climate change initiatives, the impact on business execution, etc., and approved the proposals that we determined would contribute to sustainable enhancement of corporate value. On the other hand, we voted against proposals that were for the purpose of making social or political assertions, proposals related to individual, specific business execution, and proposals that we determined that the opinion of the board of directors should be respected, taking into consideration the reasons for the proposal and the initiatives of the company in question.
- In addition, some of the proposing shareholders indicated that they would like the proposal to be judged on as a recommendation to the company, rather than as a change to the articles of incorporation. Our policy is to fully consider the impact if the proposal were to be passed, and although we will flexibly judge the appropriateness of specifying a company's response to environmental and social issues in the articles of incorporation, we do not believe it is appropriate to deliberate on this as a recommendation.

GSM Type	Proposer	Proposal classification	Voting result	Reason for proxy voting result
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted against	This was a proposal to change the articles of incorporation regarding disclosure of public relations activities for climate change. Although we could agree with some of the points raised by the proposer, the proposer itself had highly evaluated the efforts of the company, and the company has indicated its intention to take further initiatives, so we determined that it was more reasonable to respect the board of directors' efforts, and we voted against the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted for	This was a proposal to change the articles of incorporation regarding disclosure of efforts to address the problem of climate change. We determined that the impact on business execution would be limited, and considering the importance of the climate change issue on corporate value over the medium to long term, we determined that it would contribute to sustainable improvement of corporate value, so we voted for the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted against	This was a proposal to change the articles of incorporation regarding disclosure of efforts to address the problem of climate change. Although we agree with the importance of the climate change issue with respect to medium-to long-term corporate value, we voted against the proposal in accordance with our standards, determining that the proposal included content that might add specific restrictions to business execution and so it would not be appropriate to add it to the articles of incorporation.

Proposals involving the possibility of a conflict of interest

We give detailed explanations for proposals of group affiliates, including our parent company Nomura Holdings as well as for discussions related to matters involving group affiliates. Here, we discuss proposals in which Nomura Securities, a group affiliate, was involved as the provider of global stock ownership plans, or acquisitions or organizational restructurings as a financial advisor or and third-party assessor.

GSM Type	Proposer	Proposal classification	Voting result	Reason for proxy voting result
Ordinary GSM	Company	Executive compensation	Voted against	This was a proposal seeking approval for a global stock ownership plan in the US. Although we recognize the significance of advancing employee stock acquisition, we judged that the number of shares to be issued, etc. was not disclosed and accountability was not being fulfilled, so we voted against the proposal in accordance with our standards. Nomura Securities, a Nomura Group company, is involved in this matter as the provider of the global stock ownership plan.
Special GSM	Company	Organizational restructuring-related	Voted against	This was a proposal regarding a share exchange. The effort to protect the interests of minority shareholders was insufficient, and we determined that the board of directors had not fulfilled its accountability with respect to the economic terms being unfavorable, so we voted against the proposal in accordance with our standards. Nomura Securities, a Nomura Group company, was involved in this deal as a financial advisor and third-party assessor.
Special GSM	Company	Proposal related to other capital policy	Voted for	This was a proposal to squeeze out shareholders who did not tender their shares in a tender offer conducted for a management buyout (MBO). Although there were strong concerns about a conflict of interest with minority shareholders, we confirmed that sufficient efforts had been made to protect the interests of minority shareholders, and considering that the economic terms were reasonable, we voted for the proposal in accordance with our standards. Nomura Securities, a Nomura Group company, was involved in this deal as a financial advisor and third-party assessor.

Proxy Voting FAQ

Question Q Can engagement have an impact on proxy voting?

Answer A We carry out engagement and proxy voting so that portfolio companies implement desirable management (P.19-P.22), and to encourage them to improve corporate value and realize sustainable growth. We reflect the information about portfolio companies obtained through engagement in: 1 Revisions of our proxy voting standards; 2 Escalation; and 3 Proxy voting decisions on individual proposals.

Relationship between engagement and proxy voting

Engagement

1 Formulation of proxy voting standards

Information and opinions obtained through engagement are valuable for formulating proxy voting standards.

Example: We introduced a standard whereby we will vote against the reappointment of the chairman, president, etc., and outside directors if, based on the details of engagement, we determine that there are major concerns about the management of conflict of interest with respect to parent-subsidiary stock listings, and if a listed subsidiary that meets certain conditions provides loans, etc. to the parent company.

2 Escalation

We may vote against director election proposals if efforts to realize desirable management (including initiatives targeting ESG issues)* are inadequate.

*Refer to Page 19-22 for information about desirable management

3 Judgment of individual proposals

Our decisions may differ from the proxy voting standards if we can identify actions targeting improvement, or in cases of circumstances we did not anticipate at the time the proxy voting standards were formulated.

Example: Although the company's ROE was struggling and did not meet our standards, we voted for a proposal after considering that the company had suppressed the deterioration of the company's financial indicators such as ROE, better than industry peers, both domestically and overseas.

Question Q Do you have standards in order to realize effective initiatives for environmental and social issues?

Answer A We have established the following four standards related to environmental and social initiatives. 2 is proxy voting which is an extension of engagement. However, with respect to 1, 3 and 4, we carry out engagement as necessary which leads to effective proxy voting and we also urge companies to implement effective measures.

1 If we find a problematic action from the perspective of addressing ESG issues, and we determine that the action would significantly damage shareholder value, we will vote against a proposal to elect the person responsible for the action as a director.

2 We have established "appropriate efforts to address environmental and social issues" as part of the desirable management practices of portfolio companies, and we carry out engagement aimed at having these efforts put into practice. If, based on the situation, we determine it to be necessary to escalate to proxy voting, we will vote against the reappointment of the company's chairman, president, or other directors.

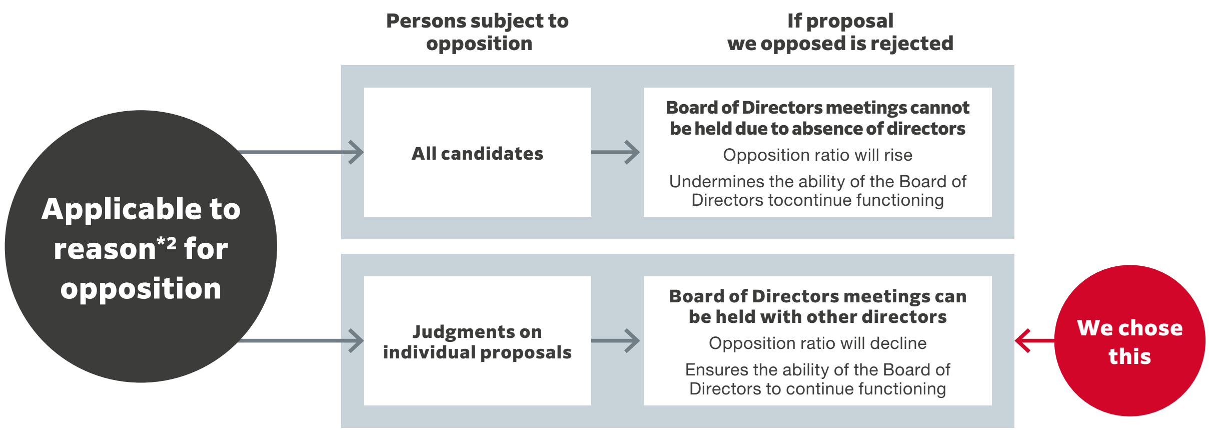
3 We expect the companies that compose the TOPIX100 to serve as role models for Japanese companies. From November 2024 onwards, if we determine a company in the TOPIX100 to be clearly insufficient in their disclosure of ESG-related information or their climate change-related efforts, we will vote against the reappointment of the chairman, president, or other directors.

4 With respect to shareholder proposals demanding changes to the articles of incorporation regarding basic policies about ESG and disclosure in accordance with the final report of the Task Force on Climate-related Financial Disclosures (TCFD), we will vote for such proposals, on the condition that they do not include content related to individual, specific business execution, etc.

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

Answer A Proposals concerning the election of directors are the most common type of proposal, and therefore have a large impact on our opposition ratio. Taking into consideration the continuity of the board of directors[*1], we limit director election proposals we oppose to candidates holding the responsibility for individual matters. This is the reason why our opposition ratio looks relatively low (see chart below). In fact, for general meetings of shareholders held between April and June 2023, our opposition ratio for proposals to elect directors was 9.3%, but the percentage of companies for which we opposed one or more candidates within a proposal was 47.3%, which is not a particularly low level. On the other hand, since the number of proposals is low, the overall impact is small, but our opposition ratio appears to be relatively high with respect to proposals related to executive compensation or capital policy. The effectiveness of corporate governance comes into question particularly for proposals related to M&A and financing, so we carefully discuss these issues, including the impact that a rejection of the proposal would have, and we vote against the proposal if we decide that it will not contribute to the interests of minority shareholders. Furthermore, we aim to achieve desirable corporate governance and improve corporate value by working on portfolio companies through a combination of proxy voting and engagement. We position proxy voting as one of the means to do this, and we do not believe that our opposition rate is indicative of our stance.

Guideline for Director Election Proposals



*1 Under the Companies Act, a minimum of three directors is necessary in order to hold a Board of Directors meeting.
*2 Shortage of outside directors, low ROE, etc.

Question Q Do you have standards to reflect the effectiveness of outside directors?

Answer A We have established the following three proxy voting standards. For 2, we exercise voting rights as a part of engagement, while for 1 and 3, we also implement engagement as necessary, and along with connecting these to effective proxy voting we urge companies to carry out effective initiatives.

1 We will oppose the reappointment of an outside director if it becomes clear that he or she has not adequately performed the roles expected of them. Past cases in which this standard has been applied include the following:

- A listed subsidiary with a large amount of net financial assets lent funds to the parent company.
- A tender offer was made for treasury stock at a price above the most recent share price, with the aim of acquiring shares held by a specific shareholder.
- Despite the finding of inappropriate related-party transactions by management, there was insufficient pursuit of responsibility.

2 We have defined “sufficient exercise of corporate governance functions” as the desirable form of management for portfolio companies, and engage with them to achieve this. If we determine that escalation to proxy voting is necessary based on the situation, we will oppose the reappointment of directors such as the chairman and president.

3 We expect TOPIX 100 companies to serve as role models for Japanese companies. From November 2024 onwards, if we determine that the skills of the outside directors are clearly insufficient, we will oppose the reappointment of the directors such as the chairman and president.