Engagement

We engage in constructive dialogue with companies to promote their continued value creation and sustainable growth

Our Idea of Constructive Dialogue with Portfolio Companies

We have established a basic policy for engagement as part of our responsible investment policy formulated by the Responsible Investment Committee, the highest decision-making body for responsible investment.

We believe that engagement, or constructive dialogue with portfolio companies, starts with a thorough understanding of the target company and its business environment as well as its future. We also view engagement as one of the most powerful means to fulfill our stewardship responsibility.

Basic stance on engagement

01 Engage in dialogue with a cordial and constructive attitude

02 Work to understand non-financial information, including companies' efforts to address ESG issues, and the strategies and philosophies behind them

03 Listen to the views of portfolio companies on the efficient use of capital, and communicate our thoughts

04 When a serious scandal or accident has occurred, promote sound management by hearing the causes and measures to prevent recurrence

Summary

In order to promote engagement activities, we established the Engagement Department in 2021 (which was restructured as the Sustainable Investment Strategy Department in 2025). Since 2022, the year following its establishment, we have held approximately 1,000 engagement meetings each year with investee companies, encouraging them to realize what we consider to be "desirable management."

This year, we have also seen over 100 new engagement goals progress to the "completed" status, along with the "corporate change" that we were hoping for. (Please refer to P.70 ▶ for details.) We will continue to support the enhancement of Japanese companies' corporate value by setting appropriate engagement goals and carrying out constructive, ongoing engagement activities.

On the other hand, it is also true that there are engagement goals for which the corporate changes we expect are not seen. In such cases, we will express our views by arranging opportunities to meet with outside directors and by reflecting our views in our proxy voting.

We will also continue with deep engagement. This involves identifying priority engagement companies in each sector and engaging in more in-depth dialogue with companies on topics such as optimizing business portfolios and improving capital policy. Since being requested by the TSE in 2023, Japanese companies' interest in capital policy has increased markedly. At the same time, in Japan, where there are many conglomerates, optimizing business portfolios is indispensable for medium- to long-term growth. In this report, we introduce an engagement case study involving parent-subsidiary listed companies as a symbolic example in this area.

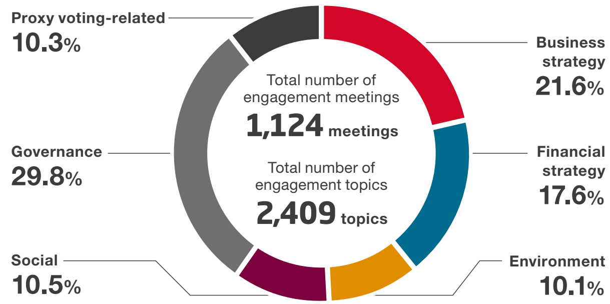
Continuing to Confirm the Positive Effects of our Engagement Activities on Tobin's q

In addition, we place importance on not only managing the progress of individual engagement activities using milestones, but also on objectively verifying their outcomes through quantitative methods. Specifically, building on last year's analysis and adding the latest one year of data, we continued to evaluate changes in Tobin's q, a widely used indicator for assessing corporate value.

The results of the analysis are summarized in the figure on the right. In this analysis, we track changes in Tobin's q before and after our engagement, and compare it with a group of companies that have not been engaged with, thereby estimating the magnitude of the impact of our engagement. In the figure on the right, during the period before engagement begins (black), there is no clear difference in Tobin's q between the two groups of companies. By contrast, after our engagement begins (red), the companies we engaged with tend to show a gradual increase in Tobin's q over time. This result is consistent with last year's analysis and suggests that our engagement activities are contributing to medium-term improvements in corporate value over the course of several years. We will continue to accumulate data and measure outcomes, and use the insights attained to improve our engagement activities.

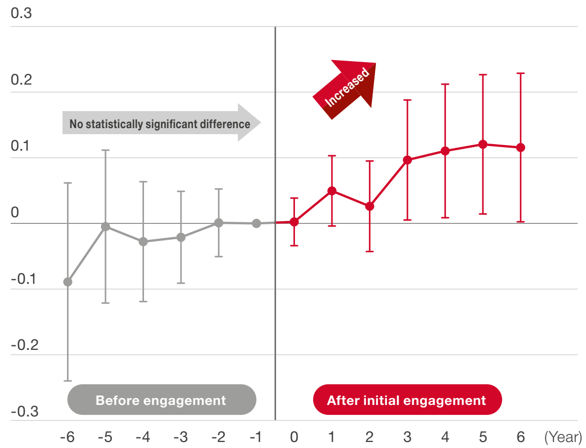
Recently, we are sensing rising expectations for engagement activities by institutional investors, including ourselves. Going forward, we will continue to raise the level of our engagement activities by advancing them while also refining and expanding their scope.

2025 Engagement Meetings



*Breakdown of engagement meetings throughout 2025 (number of topics)

Effects of our Engagement on Tobin's q*



Note: The engagement records for the fiscal years 2016 to 2022 and the Tobin's q data for the periods before and after, including 2013 to 2024, were used. The horizontal axis represents the years before and after the engagement commenced, while the vertical axis indicates the estimated effect of engagement. The engagement effect is measured using the difference between the change in Tobin's q for the group of companies that received engagement (measured relative to just before the start of engagement) and the change in Tobin's q for the group of companies that did not receive engagement.
* Tobin's q is measured as (Market Capitalization + Interest-Bearing Debt) / Total Assets

Engagement Process

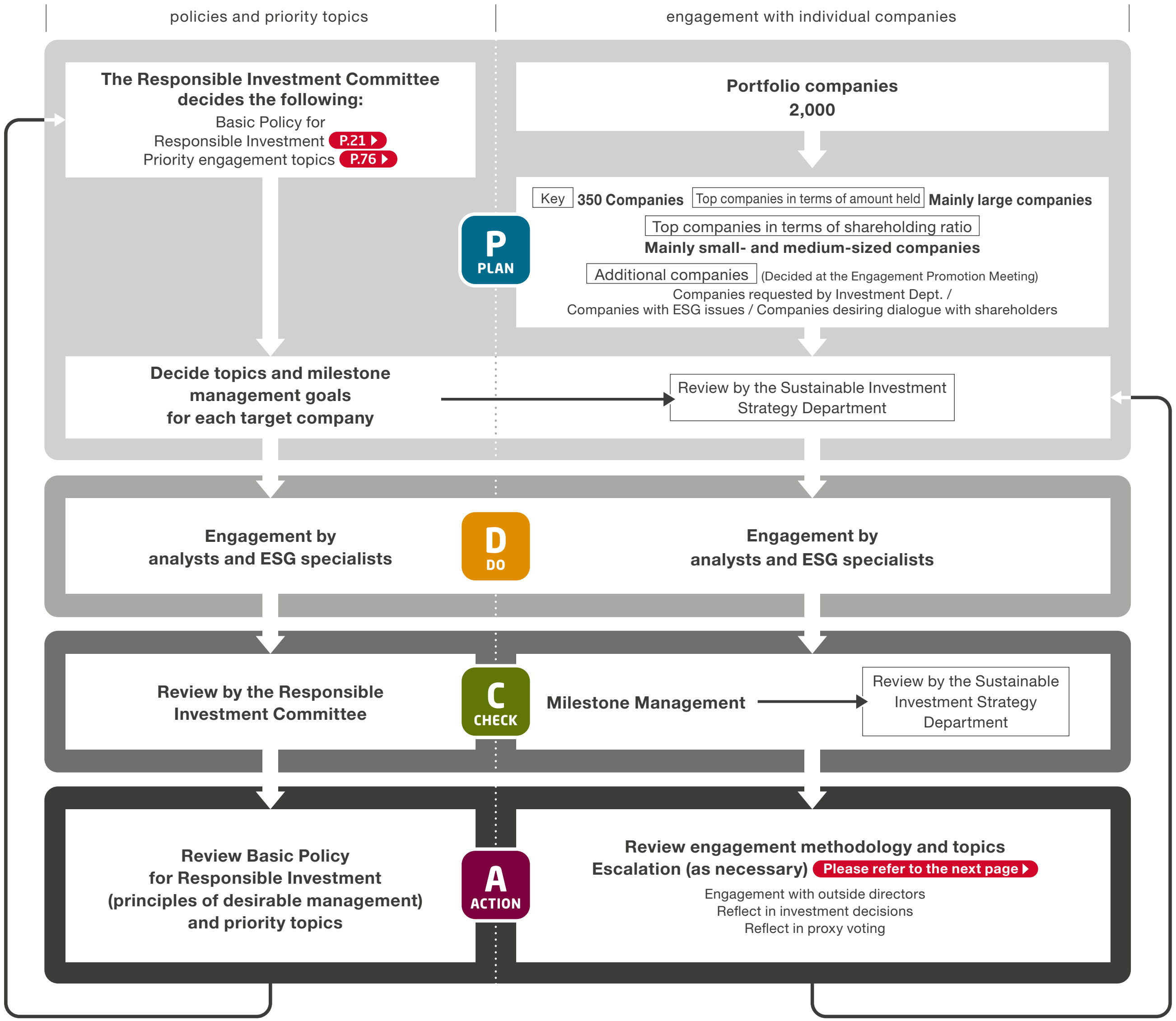
Our engagement activities are driven based on the “Basic Policy for Responsible Investment” and the “Priority Engagement Topics,” which have been established by the Responsible Investment Committee. These priority topics encompass a wide range of topics, spanning from business and financial strategies to ESG issues such as environmental, social, and governance challenges.

Engagement with individual companies is carried out in accordance with these basic policy and priority topics. For the “Key 350 Companies”, which are selected taking into account factors such as market capitalization, we establish engagement activity policies (engagement goals) for each company. Analysts, ESG specialists, and portfolio managers participate in the Engagement Promotion Meeting, where multi-faceted discussions are held to set goals. In the past, we focused our reviews on stocks with the highest market capitalizations, but recently, based on requests from portfolio managers and others, we have been advancing reviews of companies with greater room for improvement.

After the engagement goals are set, engagement is carried out by the assigned analysts and ESG specialists. The progress of the engagement is monitored and managed through milestones, and for goals that are showing insufficient progress, we will review the goals and change the engagement methods (such as escalation measures).

The “Basic Policy for Responsible Investment” and the “Priority Engagement Topics” are regularly reviewed based on the industry environment and our engagement progress. Both the “policies and priority topics” and “engagement with individual companies” follow a PDCA (Plan-Do-Check-Act) cycle to ensure a structured and effective process.

Promoting the PDCA Cycle in Engagement Activities

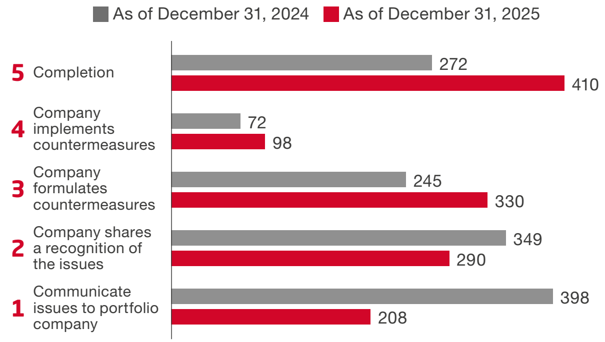


Escalation Process

The foundation of our engagement activities is constructive dialogue with the target companies. However, if no changes are expected from the companies after the engagement activities have been implemented, we will consider changing our engagement approach. The chart below outlines our escalation process. If no expected changes are observed in a company after three years of engagement, we will consider escalation. Escalation 1 involves dialogue with outside directors. Compared to executive officers and inside directors, outside directors hold a more neutral position. The goal here is to share the challenges faced by the company and the necessity of promoting solutions through discussions with outside directors, who lead the “supervision of management.”

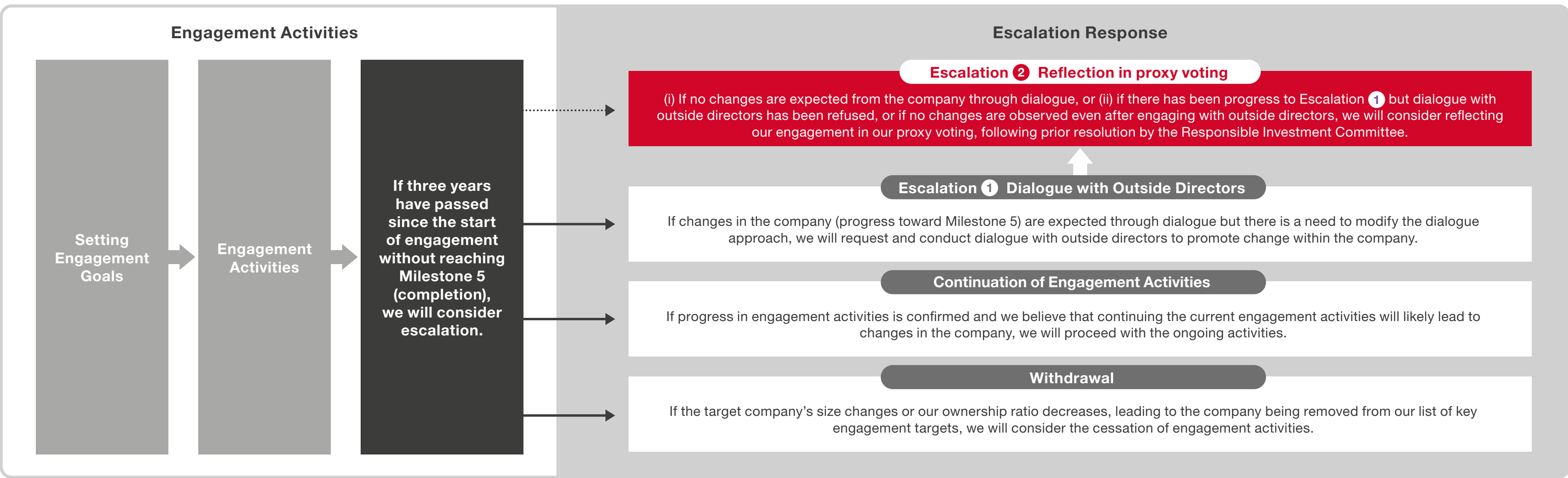
As the number of outside directors in Japan as a whole continues to increase and their influence grows, we believe that opportunities for dialogue between institutional investors and outside directors are extremely important.

Escalation 2 involves reflecting our engagement in proxy voting. If ongoing dialogue with various company representatives (inside and outside directors, the president/CEO, and IR officers) do not lead to expected changes, we will consider reflecting our engagement in proxy voting, following prior resolution by the Responsible Investment Committee. As mentioned earlier, escalation measures are a last resort in engagement activities, and instances of escalation are infrequent; however, we have already carried out proxy voting based on our engagement activities.



The chart above shows the progress of milestones in 2025. At the end of 2024, the main status was “1. Communicate issues”, but by the end of 2025, an increasing number of cases had progressed to corporate actions such as “4. Implement countermeasures” and “5. Complete”. In addition, this year, more than 100 new engagement goals reached “5. Complete”, and our expectation of “corporate change” was realized.

Overview of Our Escalation Process



Environmental Engagement

Concerns about Environmental Pollution from PFAS (Per- and poly-fluoroalkyl substances) are Rising Globally

Consideration for natural capital is essential to sustainable enhancement of corporate value. By advancing efforts to prevent environmental pollution, companies can reduce business risks and secure medium- to long-term stable growth as well as social approval. Against this backdrop, one of the groups of chemicals currently drawing concern globally with respect to environmental pollution is PFAS.

PFAS is a generic term for perfluoroalkyl compounds and polyfluoroalkylated compounds among organic fluorinated compounds. Due to their unique properties, such as heat resistance and chemical resistance, they are used in a wide range of industries and products, including semiconductors, automobiles, and communications devices/tablets. There are said to be more than 4,000 types of PFAS, and among them, certain substances such as PFOS (Perfluorooctane sulfonic acid) and PFOA (Perfluorooctanoic acid) have raised concerns over potential harm to human health, including an increased risk of cancer, leading to growing calls for tighter regulation and reduced use.

Engagement Activities to Reduce Risks in the PFAS Business

Given this situation, we bolstered our dialogue with the company in question on PFAS-related issues beginning in 2023, when concerns started to spread globally. The company had previously manufactured PFOA in Japan, and there were concerns about environmental pollution through groundwater contamination, particularly in the area surrounding a manufacturing site. In order to limit the concern and speculation, we encouraged the company to voluntarily disclose information related to this matter, after which a press release was issued.

In addition to expanding such disclosures, we have urged the company to take measures to reduce the risks associated with its PFAS business. Overseas, there have already been lawsuits filed by nearby residents concerning PFOA and related substances, and some overseas companies have begun withdrawing from or spinning off their PFAS-related businesses. When we asked about the company's efforts to reduce risk, we found that it was actively making environmental remediation investments such as groundwater pumping and purification, as well as strengthening communications with local residents.

Although the excessive debate at one point calling for regulations on all PFAS has now subsided, business risks remain unresolved. If the company is unable to gain the understanding of local residents, there is concern about direct litigation and compensation risks, but also reputational risk for the company as a whole. We plan to continue our dialogue, calling for the implementation of risk mitigation measures and proactive information disclosure to various stakeholders.

Future directions for PFAS in Japan*

Measures to Address PFOS and PFOA

To deal with PFOS and PFOA in a more robust way, it is necessary to continue and enhance the following four areas:

1 Strengthen controls
1. Strengthen controls, including accurately grasping of the volume of inventory in the market
2. Further promote the substitution of foam fire extinguishing agents
3. Thorough prevention of release into the environment
4. Study the handling of provisional water quality target values

2 Responses in areas where levels exceed provisional target values, etc.
1. Thorough prevention of drinking water exposure through the enhancement of "guidance manuals"
2. Monitoring of residents' health conditions by local governments

3 Risk communication
1. Implement thorough risk communication using the Q&A document to be prepared this time

4 Strengthen investigations related to existing business operations, etc.
1. Strengthen environmental monitoring, etc.
2. Consider the implementation of a full-scale survey for monitoring human exposure to chemical substances

*Ministry of the Environment: https://www.env.go.jp/water/pfas/pfas.html

Engagement with Company A, a Target Company for Engagement

Our Proposal
- Concerns about environmental pollution from PFAS are increasing globally.
- As various reputational risks surrounding Company A's PFAS business come into focus, proactive information disclosure is likely to help contain the spread of such concerns.
- In parallel, measures to curb environmental pollution are required.

Changes at Company A
- Information disclosure regarding this issue was enhanced through press releases and in the integrated report. A sustainability-related briefing was held, during which the company explained regulatory trends in this area and its response measures.
- The company made various investments to reduce environmental pollution, such as groundwater remediation.

Examples of engagement

Engagement with the Healthcare Sector

Driven by the rapid evolution of technology, many companies in the healthcare sector are also seeing rapid growth in operating performance. As a result of this fast growth, there are cases in which, although business scale and market capitalization have increased, the development of governance and risk management frameworks have not kept pace.
For sustainable corporate growth, we believe it is important to respect the entrepreneurial spirit of such companies while also advancing the development of systems for risk management, including governance. As such, we have been engaging in dialogue based on this perspective.

Transition to a Monitoring Board

We have been engaging continuously with M3, Inc. ("M3") since around 2020. First, with respect to governance, we have been encouraging M3 to transition to a monitoring board. In companies led by founders who have driven the business from inception through expansion, the founder's influence can remain very strong, and the board's checks-and-balances function may not work effectively. In particular, M3 had only a small number of outside directors, and there were concerns about the board's monitoring function. After repeated dialogue, including discussions with outside directors, M3 established a nomination and remuneration committee in which outside directors constitute a majority and an outside director serves as chair. Nomination and remuneration oversight is one of the most important functions in monitoring, and while we evaluate this initiative positively, we plan to continue dialogue aimed at further increasing the number of outside directors. We seek to not only increase the number of outside directors, but given that the company is a so-called net cash company, we also intend to encourage the appointment of outside directors with expertise in finance and capital policy, as well as those with business management experience. Such dialogue, taking skills matrices into account, is intended to promote governance above industry standards. We believe this is necessary, given the current size of M3 as a company.

Strengthening Risk Management in the Digital Domain

Disclosure has also continued to improve. Although it took time due in part to the COVID-19 pandemic, M3 published its first integrated report last year. The report provides a substantial explanation of the history behind M3's founding and its growth strategy, among other topics, but we hope to see further enhancement with respect to ESG-related disclosure going forward. In particular, we have recently been engaging in dialogue on strengthening the company's risk management framework in the digital domain. In 2024, we established "Risk Management in a Digital Society" as a new key engagement theme. For M3, which conducts much of its business via the internet, bolstering its information security framework is likely an important business issue. We only began discussing this matter in 2024, but by 2025 the company had already established seven basic policies, including an information security basic policy, indicating that efforts to strengthen the risk management framework are underway. Going forward, we hope to further deepen the discussion with an eye towards enhancing corporate value.

Aya Torii
Healthcare Industry
Senior Equity Analyst

Engagement with M3, Inc.

Our Proposal

- We believe that the primary function of the board of directors is to oversee management. M3's board has few outside directors, raising questions about the effectiveness of its monitoring function.
- Business risks in the digital domain have become a matter of growing concern in recent years. For M3, which conducts much of its business via the internet, strengthening risk management is an important issue.

Changes at M3

- A nomination and remuneration committee was established, with outside directors comprising a majority and an outside director serving as committee chair.
- Seven basic policies, including an information security policy, were formulated.

Comment **Comment from M3**

You have provided us with feedback not only on our business performance and future growth prospects, but also from a multifaceted perspective that includes corporate governance and other areas that contribute to enhancing corporate value. In many instances, our priorities have become clearer through our ongoing dialogue. We will continue to work on business growth and enhancing corporate value while taking into account your feedback and our dialogue with you.

The description of individual stocks does not constitute a recommendation to buy or sell a particular stock, nor does it imply a rise or fall in stock prices.

Engagement with Parent-Subsidiary Listed Companies

Business Portfolio Optimization is Required for Medium- to Long-term Corporate Value Enhancement

Since the Tokyo Stock Exchange's request in 2023, the number of Japanese companies working to improve capital efficiency has increased dramatically. Recently, efforts to strengthen capital policy—such as increasing shareholder returns and disclosure on capital allocation policies—have taken the lead. However, in terms of in medium- to long-term corporate value enhancement, improving profit margins, or strengthening earning power, is likely necessary. Measures to improve profit margins not only include initiatives within individual business units, such as productivity improvements, technological innovation, and bolstering pricing power, but also cross-business initiatives such as enhancing collaboration between business units to generate synergies and allocating resources more heavily to growth businesses.

While the primary actors in initiatives within individual business units are frontline production employees and sales personnel, the primary actors in initiatives to optimize the business portfolio are members of the senior management team. When we have the opportunity to engage with senior management, we actively deepen the discussion in this area.

Progress on Reviews of Listed Subsidiaries

Compared with overseas companies, Japanese companies tend to be more conglomerate-like, meaning that many of them have a large number of business segments relative to their overall corporate scale. Particularly distinctive in the Japanese corporate landscape is the existence of listed subsidiaries. In some cases, companies hold listed subsidiaries whose business domain differs from the parent company's core business, and there are limited synergies, raising concerns that efforts to optimize the business portfolio are lagging. In addition, when considering resource allocation across the entire group, subsidiaries that are distant from the parent company's core business tend to be neglected, and such imbalances in resource allocation can also hinder subsidiaries' growth.

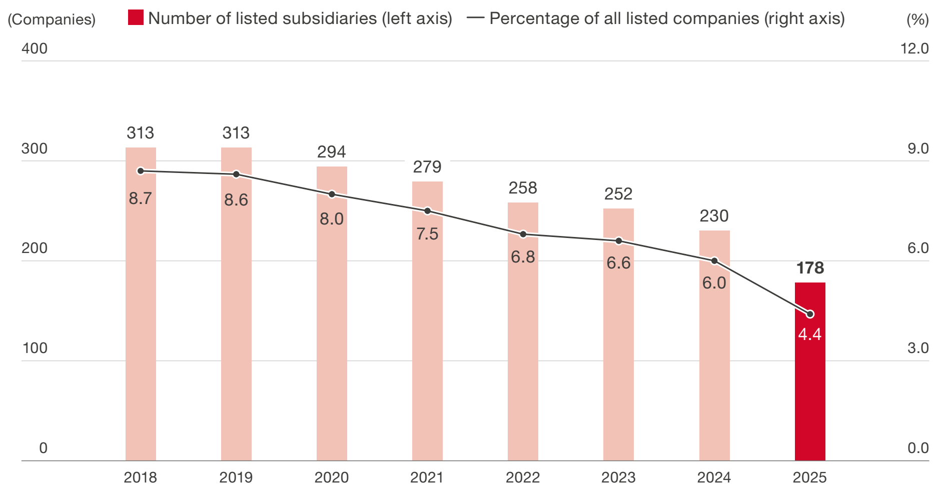
In addition to such business performance-related issues, listed subsidiaries are also viewed as problematic from a governance perspective. In cases where the parent company holds a majority stake in the listed subsidiary, there are concerns that minority shareholders' rights may not be sufficiently protected, which could lead to information asymmetry and conflicts of interest.

Recently, the number of listed subsidiaries has been declining. In addition to parent companies turning such listed subsidiaries into wholly-owned subsidiaries, there are also positive examples of share transfers to other companies in light of best ownership considerations. While some cases remain under development in terms of the method for calculating the price of shares to be transferred, we commend the efforts of senior management teams that have advanced large-scale business portfolio optimization, and we will continue to deepen discussions aimed at enhancing corporate value.

Main Concerns Regarding Parent-Subsidiary Listed Companies

Business impact on both companies	• If the parent company and the subsidiary are engaged in similar businesses, resources may be decentralized and efficiency may decline. • If the parent company and the subsidiary are engaged in very different businesses, questions arise from the perspective of the best-owner principle—namely, whether the company is truly the entity best positioned to maximize the subsidiary's corporate value. • Due to the complex ownership structure in which the subsidiary has multiple shareholders, it becomes more difficult to optimize the business portfolio across the entire group.
Governance	• Doubts about the subsidiary's independence from the parent company tend to arise. • Because the parent company is a major shareholder, there is a risk that its interests may be prioritized, resulting in insufficient protection of minority shareholders' rights.

Listed subsidiaries in Japan



Source: Compiled by Nomura Asset Management from data compiled by Tokyo Stock Exchange, etc.

Engagement with the Electric Wire Sector

Consolidation of listed subsidiaries is Progressing in the Electric Wire Industry

The electric wire and cable industry includes many companies with numerous business segments, reflecting both the long history of these companies and the fact that electric wire and cable products are used across a wide range of industrial applications, including but not limited to electric power and telecommunications, electronic equipment, and automobiles. While there are positive examples in which having multiple businesses promotes new product development and technological innovation through the creation of synergies, there are also concerns that insufficient resources may be allocated to businesses that are somewhat removed from each company's stated growth strategy.

The electric wire and cable industry attracted a lot of attention in the stock market in 2025. While a big reason for this was likely the sharp increase in demand for optical-related products driven by the increase in AI data centers, we believe other contributing factors to the positive view on this industry include the progress made in the restructuring of listed subsidiaries, the steady optimization of business portfolios, and the advances in governance improvements.

Engagement with Sumitomo Electric Industries, Ltd.

Since 2022, we have been engaging in discussions with Sumitomo Electric Industries, Ltd. ("Sumitomo Electric") regarding the consolidation of its listed subsidiaries. At the start of our engagement, Sumitomo Electric held multiple listed subsidiaries, and the businesses of those subsidiaries were diverse. While there were cases where making the subsidiary a wholly-owned subsidiary could be expected to facilitate the sharing of technical know-how and customer information, there were also cases in which it was unclear whether Sumitomo Electric could truly be regarded as the best owner. Sumitomo Electric has gradually implemented measures with respect to its listed subsidiaries, but 2025 marked a year of major changes. Among its listed subsidiaries, the company announced a policy to fully consolidate one subsidiary that is more closely related to Sumitomo Electric's core business and for which synergies are expected, including the sharing of customer information. Meanwhile, the company announced that it was planning to transfer shares of another subsidiary to a major company in the relevant industry. We welcome this restructuring of listed subsidiaries from the perspective of best ownership. As demand for optical-related products is expected to grow significantly going forward, Sumitomo Electric itself also requires growth investment capital. We hope that this restructuring activity will contribute to enhancing the corporate value of both the listed subsidiaries and Sumitomo Electric itself.

The AI sector is currently expected to experience rapid demand growth, and capital investment is expanding globally. The electric wire and cable sector is one of the few industries in which Japanese companies remain globally competitive, but continued technological innovation will require growth investment. Other companies in the electric wire and cable industry are also moving to restructure peripheral businesses and concentrate management resources on growth businesses. We will continue to support business portfolio reforms grounded in enhancing medium- to long-term corporate value.

Shuto Kimura
Iron and metal industry
Equity analyst

Engagement with Sumitomo Electric Industries, Ltd.

Our Proposal

- Sumitomo Electric has many listed subsidiaries. For some of these listed subsidiaries, it is difficult to identify business synergies with the parent company, raising questions about whether Sumitomo Electric can be deemed the best owner.
- Current demand in the electric wire and cable industry is strong, and growth investment will likely be necessary. The company should implement selection and concentration with respect to its management resources through the optimization of its business portfolio.

Changes at Sumitomo Electric

- Among its listed subsidiaries, the company fully consolidated one subsidiary for which synergies with Sumitomo Electric were expected, while announcing a plan to transfer shares in another subsidiary to a large company in a related industry.

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Fixed Income Engagement

In domestic credit investment, credit analysts analyze the credit risk of individual issuers from multiple perspectives and make investment recommendations. In doing so, for issues that, if improvements were expected, more proactive investment recommendations would be possible, we explicitly note such matters in our research reports and continue dialogue through individual meetings with issuing companies.

Our dialogue with a leading company in the machinery sector became an example in which resolving issues led to a concrete investment action on our part. Although we recognized the company's strong technological capabilities and solid customer base, we had refrained from making a long-term investment because the company's financial policy was unclear. However, after the credit analysts and equity analysts discussed the matter, we reached the conclusion that the company's corporate value would likely increase if its financial policy was made clear, and we held several collaborative dialogues with the company.

As a result, the company announced a new financial policy, including the use of hybrid capital, and established clear financial targets. In response, we determined that the company's financial outlook had become less uncertain, and we proceeded to invest in newly issued bonds.

In this way, by promoting constructive dialogue not only through credit analysts acting alone, but also in coordination with equity analysts, our fixed income engagement activities contribute to enhancing corporate value and support higher-quality investment decisions.

Fixed Income Engagement Process

Domestic Fixed Income Group / Credit Research Group

- Credit Analyst: Identifies issues that contribute to the enhancement of corporate value of investee companies.
- Credit Analyst: Engages in dialogue with the investee company regarding these issues
- Credit Analyst: Records and shares the content of the dialogue
- Domestic Credit Committee: Evaluates fundamentals and determines investment attractiveness
- Fund Manager: Reflects findings in the portfolio

Corporate Research Group

- Equity Analyst

Key companies

Sustainable Investment Strategy Department

- Sets engagement goals
- Facilitates collaborative engagement

Examples of engagement **Food Service Industry**

Company A, a major restaurant operator, has actively expanded its business through M&A, and we view the resulting diversification of its revenue sources favorably. However, we consider it an issue that the company's approach to financial soundness is not easy to discern, and that its heavy reliance on hybrid finance involves latent risks to its financial base.

In addition, if Company A is to pursue sustainable business expansion, enhancing human capital will be important alongside its growth strategy overseas. However, disclosure in these areas is not sufficient, and we feel there is a possibility that the company's efforts are not being adequately communicated to investors.

After credit analysts and equity analysts discussed the situation, they jointly asked Company A to strengthen its commitment to financial soundness and to enhance disclosure on its overseas growth strategy and ESG information. Our dialogue with Company A has only just begun, but the credit and equity analysts will continue to work together on engagement going forward.

Issues That Contribute to Enhanced Corporate Value

- Insufficient explanation and disclosure regarding growth strategy, non-financial information, and financial soundness

Our Requests

- Strengthening the commitment to financial soundness and enhancing disclosure regarding the overseas growth strategy and ESG information

Comment Comment from the Senior Equity Analyst

Equity analysts and credit analysts may sometimes focus on different financial indicators and have different perspectives on corporate issues, but we share the same expectations for enhancing corporate value and the same enthusiasm for engagement. By actively making use of each other's opportunities for dialogue with companies, we hope to encourage change through collaborative engagement from our respective vantagepoints.

Kenta Asada
Credit Analyst

Li Xiang
Food Industry
Senior Equity Analyst

2025 Priority Topics

Our engagement activities cover a broad range of key themes, from business and financial strategy, to ESG issues such as environmental, social, and governance issues.

In 2025, we worked in particular to strengthen our engagement activities on risk management in a digital society. In 2025, there were several companies whose business continuity was affected by cyberattacks, and strengthening risk management in this area will likely become even more important going forward. In addition, although AI-driven operational efficiency improvements are advancing across many industries, concerns over AI ethics are growing in Europe and the US, where AI advances have taken place first. For AI to become even more widely adopted in Japan, Japanese companies will also need to address issues in this area.

In 2025, our engagement on this theme was initially advanced with technology companies, including the healthcare manufacturer introduced in this report, but going forward we plan to expand engagement across Japanese companies as a whole.

We will continue to encourage companies to explain rational growth strategies and strengthen their commitment to capital efficiency. Since the TSE's request in 2023, Japanese companies' efforts to improve capital efficiency have accelerated. At present, efforts to strengthen shareholder returns have taken the lead, but growth investment is also necessary to improve corporate value over the medium to long term. Along with growth investment, we are required to explain rational growth strategies. In addition to direct explanations of the effects of growth investment (investment returns), we believe that explanations from a medium- to long-term perspective, such as the ideal image of the company (the business portfolio to be aimed at), will help build investor expectations.

We will continue to engage with investee companies through constructive dialogue and understanding of them based on careful research.

Category	Priority Topic	Topic Overview
Business	1 Rational explanation of growth strategy	● Encourage rational explanations regarding strategies (including building the business portfolio) to achieve growth. ● Request an explanation of risk management associated with the above strategy (identification of key risks aligned with the growth strategy, establishment and enhancement of risk management systems, and identification of materiality).
Financial/ Governance	2 Strengthening commitment to capital efficiency	● Request a financial strategy aimed at achieving capital efficiency that exceeds the cost of capital (including setting capital costs based on stock price levels and fluctuations, and reducing strategically-held shares in consideration of dialogue with investors). ● Seek commitment through executive compensation towards achieving capital efficiency that exceeds the cost of capital.
Environment	3 Climate Change	● Request the setting of targets for achieving net zero and obtaining SBT certification. ● Request information disclosure and explanations of business opportunities related to climate change in line with the TCFD recommendations.
	4 Natural Capital	● Request information disclosures in line with the TNFD, and explanations concerning risks and business opportunities related to biodiversity, water resources and the circular economy, aiming to achieve nature-positive outcomes.
Social	5 Human Rights	● Request companies to formulate a human rights policy and to implement human rights due diligence. Specifically, this includes implementing response measures based on human rights impact assessments and disclosing the results, providing remediation and corrective measures, and integrating human rights risks into company-wide risk management.
	6 Human Capital with Diverse Values	● Request an explanation of the strategy related to human capital that aligns with growth strategies, including gender diversity and employee well-being.
	7 Well-Being Society	● Request explanations of strategies and business opportunities aimed at realizing a well-being society (e.g., addressing health issues such as access to medicine/nutrition, drug resistance), animal welfare, regional revitalization, and innovation utilizing digital technology). ● Request disclosure of the impact towards realizing a well-being society.
Social, Governance	8 Risk Management in a Digital Society	● Request responses to risks arising from digitization (e.g., addressing cybersecurity, ethical use of AI, and protection of personal information).
Governance	9 Highly-effective Monitoring Board	● Encourage the transition to an effective monitoring board, whereby the board of directors primarily bears the responsibility of overseeing senior management through nominations and compensation.

Global Equity Engagement

We continue to enhance our engagement activities for global equities as well. Companies are facing many global ESG issues, and collaboration with overseas investment teams is essential not only for engagement with overseas companies but also for engagement with Japanese companies. Because global equities encompass a large number of target countries and companies, we are leveraging the expertise of our investment teams around the globe, as well as utilizing outside resources, to optimize our engagement activities.

In 2025 our offices conducted engagement on a total of 448 topics (the total number of engagements was 188). We divide engagement topics into a total of six topics: Business strategy; Financial strategy; Environmental; Social, Corporate governance; and Disclosure/ Dialogue. The investment managers and analysts in each office decide the engagement topics and carry out engagement with companies.

Our engagement partner overseas is Morningstar Sustainalytics, and we either conduct collaborative engagement with Morningstar Sustainalytics or fully outsource engagement to Morningstar Sustainalytics (Refer to P.80). In addition, we also work with international initiatives such as the Access to Medicine Foundation and conduct engagement on specific themes together with other asset managers and organizations. (For details, please refer to P.81-82).

Engagements with Global Equities

Total number of engagement topics by overseas offices

2025 **448** topics (188 meetings)

Engagements by Morningstar Sustainalytics*

2025 **486** meetings

* Target universe: MSCI ACWI ex Japan

	Ratio	Number of topics
Europe	21%	92
North America	19%	83
Asia and Emerging	61%	273
Total number of topics		**448**

	Ratio	Number of topics
Business strategy	10%	44
Financial strategy	6%	29
Environmental	34%	153
Social	20%	89
Governance	13%	59
Disclosure/ dialogue	17%	74
Total number of topics		**448**

Example of Engagement at Overseas Offices

Case study about PFAS and Forever Chemicals project

This year we have launched a project that focuses on engaging with several companies on the increasingly growing concern in the water quality space surrounding per- and polyfluoroalkyl substances (PFAS) and PFAS-related chemicals.

PFAS refers to a group of synthetic chemicals (sometimes dubbed as ‘forever chemicals’) used in various industrial applications, which do not biodegrade but bioaccumulate instead, posing multiple health risks to humans and the environment, notably through water contamination.

While there has been new and emerging regulation on PFAS contaminants in various geographies, the industry is still facing considerable challenges.

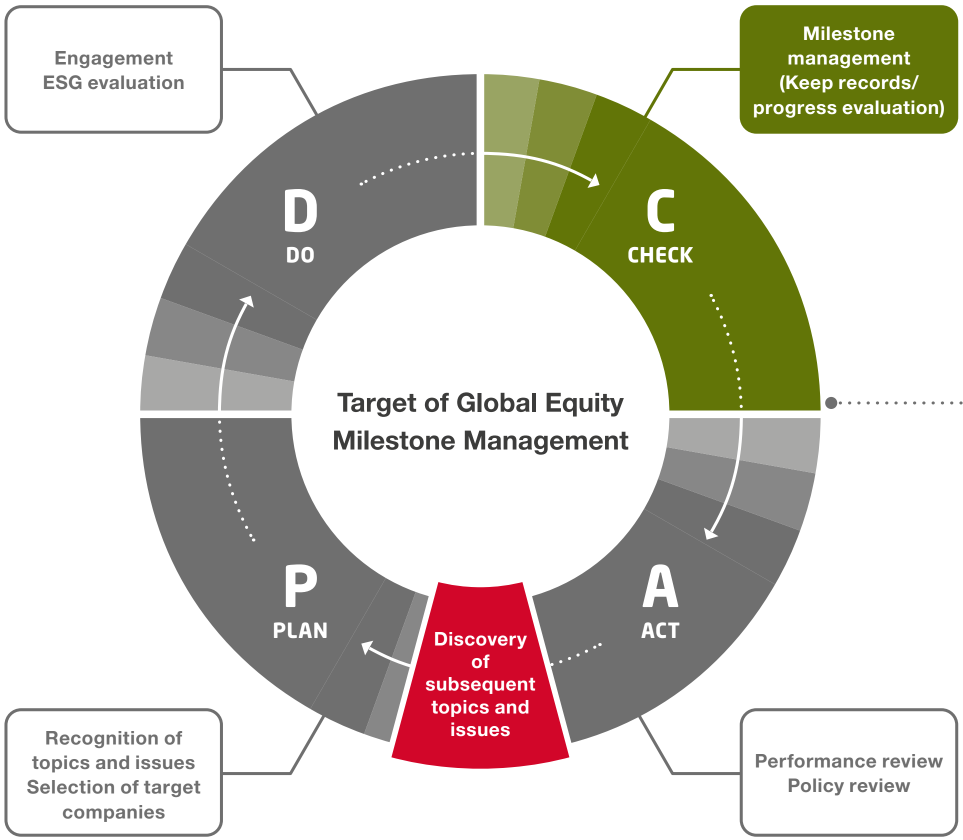
As part of the process to drive companies to be at the forefront of the phase out of PFAS and get ahead of regulatory changes concerning PFAS, we engaged with a global industrial conglomerate in September 2025 to discuss concerns surrounding PFAS-related lawsuits that have emerged and understand the direction of the company to mitigate further litigation and phase out PFAS in their operations.

During Q3 2025, we also engaged with a leading provider of water solutions to understand the efforts the company was making to combat PFAS contamination. We were encouraged to learn that the business has been actively developing new solutions to reduce PFAS to a very low level for safe drinking water and has introduced new filters to market that treats almost 90 contaminants including PFAS to improve water quality.

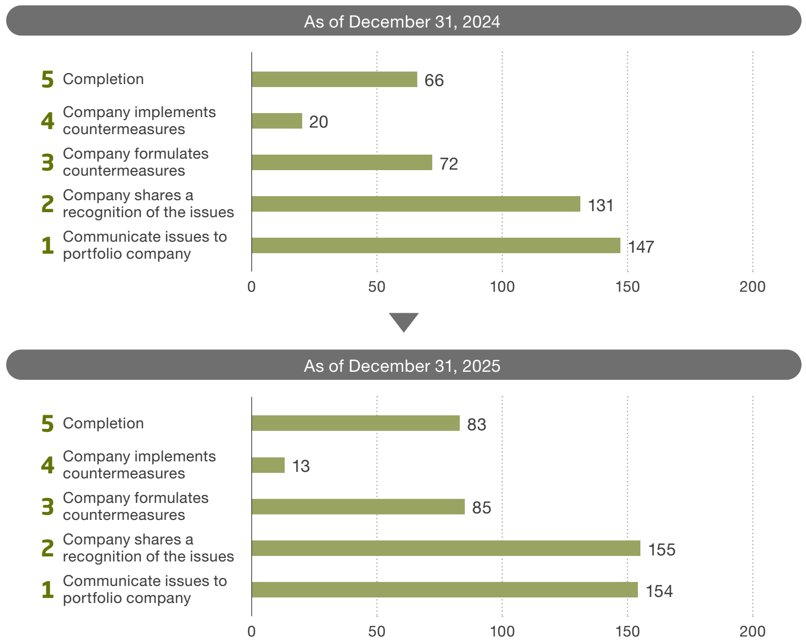
This fits in with the project’s overall goal to support global access to clean drinking water (SDG 6). Going forward, we aim to continuously engage with companies to mitigate PFAS exposure to communities and workers, and also encourage companies to expand their policies surrounding water stewardship in order to advance water quality.

Global Equity Milestone Management

In our global equity engagement as well, we share our awareness of ESG issues with companies, set specific goals, and carry out milestone management until the goals are achieved. In addition to the engagement and milestone management that we conduct on our own, we also perform milestone management for collaborative engagement with Morningstar Sustainalytics. As with milestone management for Japanese companies, milestones are divided into five stages with an engagement period of three years. By establishing clear goals and having a set timeline, and then evaluating the engagement process, we are able to effectively implement PDCA (Plan, Do, Check, Act). The ESG issues focused on during engagement and the goals established vary greatly depending on the company.



Status of Milestone Management

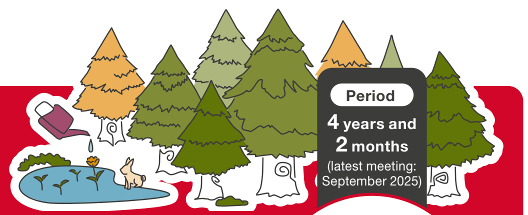


In 2025, we carried out engagement across 448 topics.
As of the end of 2025, we are managing milestones for a total of 490 topics (343 companies).
Of these, 83 topics are already at "Step 5: Completion".

Global Equity Engagement example (milestone)

Target Company

Switzerland Beverages company A



Period
4 years and 2 months
(latest meeting: September 2025)

Priority Topics

Protecting natural capital and eliminating deforestation in supply chains

Milestone progress

1 · 2 · 3 · 4 · 5 (Completed)

Engagement Goal
Responding to cases of deforestation that occur in the supply chain and curbing future deforestation

Engagement overview

Our awareness of the issue

Monitoring systems and traceability efforts are needed in the supply chain to prevent deforestation.

Engagement progress

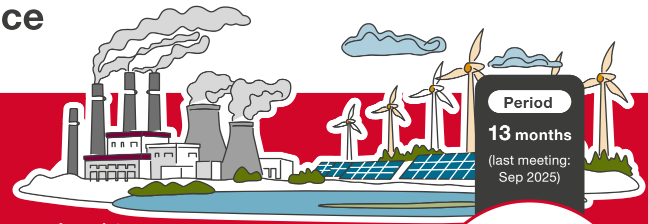
According to monitoring by Satelligence, multiple deforestation events allegedly linked to the company's palm oil supply chain were detected in Indonesia, which the company has commented on. In two cases the company has already stopped sourcing from the plantations where the deforestation events occurred (the information on those events was dated). In another case, the company had been sourcing from a mill that was reportedly linked to a deforestation event, but the company's own supply-chain data indicates it does not source from the plantation where the event occurred; the company intends to re-investigate because the mill is located close to that plantation.

Current situation

After a successful engagement programme with the company since 2021 we have decided we are comfortable with having achieved our milestone goal and want to conclude.

Target Company

France Insurance company B



Period
13 months
(last meeting: Sep 2025)

Priority Topics

France Insurance company B

Milestone progress

1 · 2 · 3 (Company formulates countermeasures) · 4 · 5

Engagement Goal
To get clarity on the issue of provision of insurance to new oil and gas projects Engagement overview

Engagement overview

Our awareness of the issue

Policy on exposure to coal; need to strengthen disclosures on the approach to the oil and gas industry.

Engagement progress

Discussions focused on the insurer's policies regarding coal exposure, regional differences in customer treatment, and their process for monitoring and enabling positive change in customers' environmental practices.

The engagement addressed double materiality reporting, ESG integration in underwriting, executive compensation tied to sustainability goals, and the need for enhanced disclosure of Scope 3 emissions and oil & gas industry approach.

Current situation

The company suggests they have future plans to integrate social and insured emission targets into remuneration. The company agreed to our suggestion regarding the additional disclosure of Scope 3 emissions, and to provide more information related to liquefied natural gas (LNG) projects.

Engagement by Morningstar Sustainalytics

In global equity engagement, Nomura Asset Management's overseas offices also actively engage portfolio companies, but due to the broad scope of coverage for global equities, we partner with Morningstar Sustainalytics to carry out collaborative engagement and outsource engagement to Morningstar Sustainalytics. Morningstar Sustainalytics provides Global Standards Engagement, in which companies are selected for engagement based on violations of international norms such as the United Nations' Global Compact, Material Risk Engagement covering companies with critical ESG risks, and Thematic Engagement, which focuses on solutions to specific topics, such as biodiversity and natural capital, Net Zero transition from a global perspective.

Global Standards Engagement

Engagement Policy

Encourage companies to resolve severe incidents as well as build a strategy aimed at preventing future recurrences and improving ESG practices

Target companies

Companies that severely or systematically violate the United Nations' Global Compact or other international norms

Material Risk Engagement

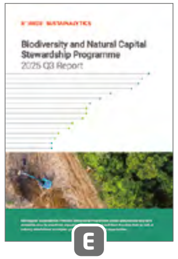
Engagement Policy

Encourages companies with financiallymaterial ESG issues to construct strategies to handle ESG risks and opportunities with the aim of increasing long-term corporate value

Target companies

Companies with particularly high ESG risk in their industry

Thematic Stewardship Programs



Biodiversity and Natural Capital Stewardship Programme

Net Zero Transition Stewardship Programme

Scaling Circular Economies Stewardship Programme

Human Capital Management Stewardship Programme

Human Rights and Transition Stewardship Programme

Sustainability and Good Governance Stewardship Programme

Cooperation with Initiatives

Initiative
01

Access to Medicine Foundation/Access to Medicine Index :

During 2024, one of our key healthcare engagements was working with non-governmental organisation (NGO) Access to Medicine (ATM) Foundation to influence a major US pharmaceutical business to submit fuller data to the NGO on their work around access to their medicine portfolio, which they ultimately committed to.

We think engaging on access to medicine is even more important now, given the uncertain backdrop, after the recent cuts to US Aid. Gavi, the Vaccine Alliance, recently fell short of its US$11.9bn funding target after these US cuts despite other new NGOs coming in to try to make up the shortfall. To limit the damage from these political decisions we would like to see the private sector lean in further to address these problems. In our work on engagement, we want to encourage the private sector to take the initiative to work with governments and NGOs to allow for greater provision of medicines in the developing world.

Moving into 2025, we were keen to bring a similar approach to another relative laggard in the Access to Medicine index, which ranks all companies by their access levels. In a similar way to our first engagement, the focus of this pharmaceutical company is in non-communicable diseases such as immunology and oncology that are not the focus for ATM Foundation. This emphasis on non-communicable diseases does make it more difficult for them to score highly as they have less impact in many of the areas that ATM Foundation measures. However, working with our co-lead investor, we have identified a number of steps that we think the company can take to improve their ranking and, most importantly, their work in maximising access to their medicines. In August 2025, we had an initial engagement meeting with the company to discuss these issues in greater depth. The company acknowledged some of the points - specifically around better quantifying patient reach - but no firm commitments were made. We continue to encourage the company to plan access as they launch research into individual drugs.

At our Tokyo office, we play the role of a lead investor in engaging with DAIICHI SANKYO COMPANY, LIMITED, which is one of the companies evaluated in the Access to Medicine Index, and discuss the company's evaluation in the Access to Medicine Index and drug access plans (please refer to P.28 for details).

Report published every two years

Initiative
02

The Business Case for Global Health Equity*: The Investor View

* Ensuring everyone, everywhere, has a fair chance to be healthy

We are proud to have contributed to "The Business Case for Global Health Equity: The Investor View" a recent report published by SLR Consulting, calling on pharmaceutical companies to rethink their growth strategy in low- and middle-income markets.

The report commissioned by the Gates Foundation, explores how improving access to medicines in low- and middle-income countries can drive commercial success for innovation-based pharmaceutical companies while progressing global health equity.

We were part of a group of investors from across our sector who contributed and shared views on the topic. We hope that this acts as a catalyst for a step-change in how emerging markets are considered by fellow investors and companies alike.

Download the report:
www.slrconsulting.com/insights/global-health-equity

Photo from the launch event of the report 'The Business Case for Global Health Equity: The Investor View'. Benjamin Lacaille, Co-Portfolio Manager of the Global Sustainable Equities (GSE) strategy based in the UK, also took part in the event (not pictured above).