Proxy Voting

Promoting the transition to monitoring boards through disciplined proxy voting

Features of Proxy Voting

01
Systematic and Continuous Approach
Along with engagement, we aim to realize “appropriate management practices.”

02
Effective and Robust Process
Thorough discussions within the Responsible Investment Committee + real-time monitoring of conflicts of interest by the Responsible Investment Council.

03
High Standards of Accountability
Disclosure of reasons to vote for or against all proposals.
Detailed explanations for proposals that require particular clarification.

04
Standards Beyond Merely Listing Criteria to Vote Against
Introducing criteria not only to vote against when progress is lagging but also to encourage average companies to strive for higher levels.

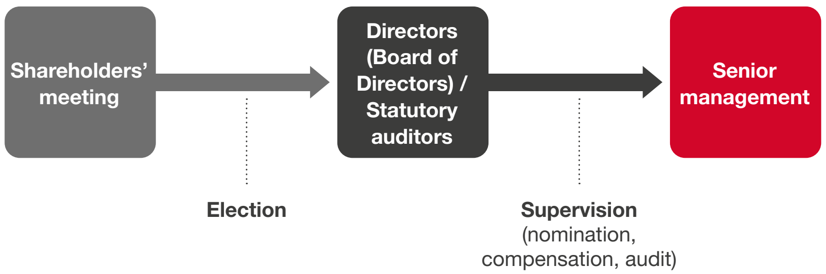
1 Basic Philosophy

Proxy Voting

In proxy voting, we focus on the corporate governance of investee companies. The basic structure of corporate governance is that directors and statutory auditors are elected at a shareholders' meeting, and directors (the board of directors) and statutory 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 statutory auditors (audit). In addition, the appropriation of surplus funds 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.

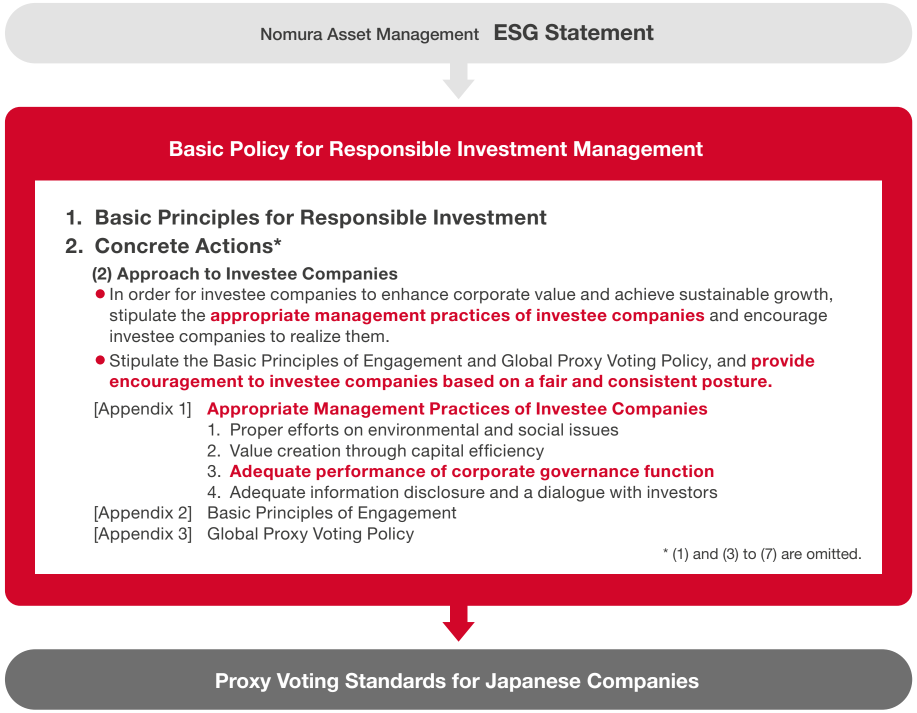
Moreover, proposals submitted by shareholders have also been increasing in recent years. Due to differences in legal systems, it is easier to make shareholder proposals in Japan than in Europe and the United States, and these proposals can often have a direct impact on the management of companies. Accordingly, these proposals must be considered carefully. We regard proxy voting as part of our engagement with investee companies, and in principle, we make judgments on proposals for investee companies in accordance with our own proxy voting standards.

Basic Structure



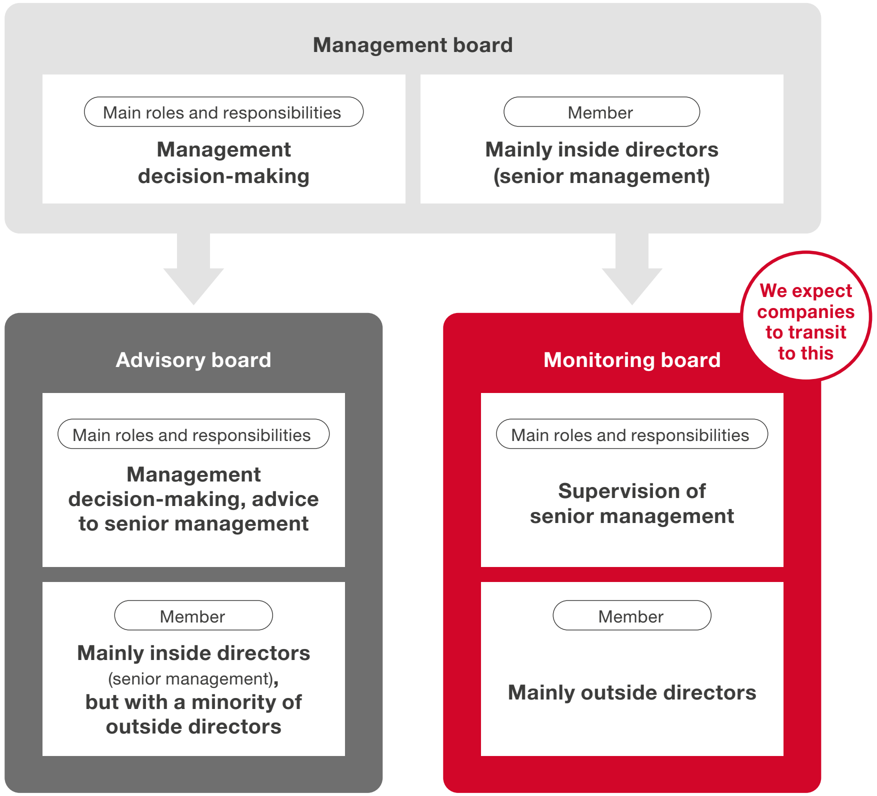
Framework

We systematically establish our approach as shown in the diagram below for continuous initiatives for responsible investment, including proxy voting. In accordance with the ESG Statement formulated at the company-wide level, we have established our **Basic Policy for Responsible Investment Management** in the Investment and Research Division, which is responsible for proxy voting and engagement. Here, we define the appropriate management practices of investee companies and give encouragement to investee companies from a fair and consistent posture to realize this objective. Below, we explain our views on the adequate performance of corporate governance functions as one aspect of appropriate management practices.



Nomura Asset Management supports the transition to monitoring boards

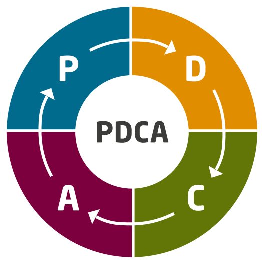
Traditionally, the boards of directors of Japanese companies have functioned as management boards focused on decision-making led by inside directors (i.e., senior management). However, following the introduction of the Corporate Governance Code (CG Code), the roles and responsibilities of boards of directors have changed with the increasing number of outside directors. There are two potential directions: one is an advisory board, where the management team receives advice from outside directors; the other is a monitoring board, where outside directors primarily supervise senior management. We expect the latter.



Why do we support the transition to a monitoring board?

The CG Code defines corporate governance as "a structure for **transparent, fair, timely and decisive decision-making**." Let us consider this definition. First, to ensure that decision-making is transparent, it is necessary to clarify who is responsible for decisions. Specifically, the management team, as decision makers, must fulfill their accountability to the board of directors and take responsibility for outcomes. Additionally, for the decision-making process to be fair, it must contribute to the enhancement of corporate value. When these requirements are met and appropriate authority is delegated to the senior management team, led by the CEO, timely and decisive decision-making becomes possible. As illustrated in the diagram below, such decision-making can be structured according to the PDCA cycle. While it is important for the management team to autonomously implement the PDCA cycle, particularly in the Check phase, the independent outside directors can add an element of outside authority that enhances transparency and fairness by taking a central role. A traditional management board focuses on the Do phase, but we believe that the importance of the Check phase is increasing in order to achieve transparent, fair, timely and decisive decision-making.

Therefore, we consider a board of directors that primarily takes on the role of supervising, that is, a monitoring board, to be the most appropriate structure. Since the CG Code highlights "monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management" as the role and responsibility of independent outside directors, we believe our view is in alignment with the aims of the CG Code.



P PLAN Senior management is accountable at the board of directors meetings for management strategy and other matters, and discussions take place so that the content contributes to the enhancement of corporate value. **(→ transparency, fairness)**

D DO Delegate authority to senior management for decision-making aligned with the management strategy, etc. The board of directors ascertains the situation based on reports received from senior management, and discusses the need for "Act." **(→ timely, decisive)**

C CHECK Evaluate the outcomes of decision-making, and reflect in the nominations of senior management (= whether to keep in office or replace) and compensation. **(→ transparency, fairness)**

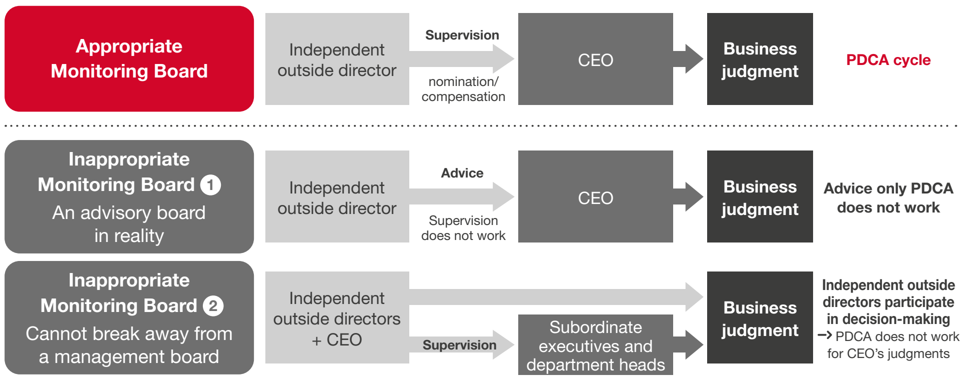
A ACT Provide feedback to senior management on the evaluation results and revise the management strategy, etc. **(→ timely, decisive)**

Appropriate Monitoring Board

Because corporate governance is defined as a "system," a board must satisfy formal requirements—such as having a sufficient number of independent outside directors—in order to function as a monitoring board. However, meeting those requirements alone is not sufficient. Even where the formal requirements are met, oversight of senior management may function effectively in some cases but not in others. Here, the former is referred to as an "appropriate monitoring board" and the latter as an "inappropriate monitoring board." The primary focus of supervision for an appropriate monitoring board is the CEO, that is, the person responsible for the highest level of decision-making within management, although titles vary from company to company. Independent outside directors engage in thorough discussions with the CEO on management strategy and related matters, evaluate the outcomes, and reflect those evaluations in nomination and compensation decisions. Nomination means deciding whether the CEO should be reappointed or replaced, and succession planning is also important. Because compensation serves both as an incentive and as a commitment to achieving targets, it should be designed to reflect management's efforts not only in terms of sales and profits, but also by taking into account capital efficiency indicators such as return on equity (ROE) and initiatives addressing environmental and social issues.

By contrast, two types of inappropriate monitoring boards can be identified. The first is a case in which independent outside directors place too much emphasis on giving advice, with the result that oversight does not function effectively. In substance, such a board would be more appropriately described as an advisory board.

The second is a case in which independent outside directors participate in decision-making together with the CEO, while directing their oversight not at the CEO but at the executives and department heads below the CEO. Even if there is a process for evaluating such executives and department heads for the purpose of developing candidates for appointment as internal directors or the next generation of senior management, oversight cannot be said to be functioning effectively unless there is also a process for regularly evaluating the CEO and deliberating on whether the CEO should be reappointed or replaced.



Required ability and experience of directors

The ability and experience (skills) required of directors vary depending on the characteristics of the business. However, considering that the role of a monitoring board entails supervising senior management in pursuit of sustainable enhancement of corporate value, there are certain skills that are commonly required across companies, including business management, finance, and ESG. Disclosing the skills of each director in a matrix format is not only clear but also useful for selecting successors. It is essential to distinguish between the skills of independent outside directors who are responsible for supervision, and those of the senior management team members who are being supervised (internal directors and executive officers). If the focus is on valuing the advice of independent outside directors, it may be reasonable to compensate for the skills lacking in senior management members with those skills possessed by independent outside directors. However, since the primary role is oversight, both senior management team members and independent outside directors should possess the necessary skills.

Protection of Minority Shareholders' Interests and Anti-Takeover Measures

In situations where conflicts of interest arise, such as when engaging in transactions with major shareholders or receiving acquisition proposals, the judgment of the board of directors, especially the independent outside directors, becomes crucial. We believe that, with the presence of a conflict of interest, it is not sufficient to merely demonstrate that such transactions do not harm the interests of minority shareholders; it is necessary to show that they are in the best interests of minority shareholders.

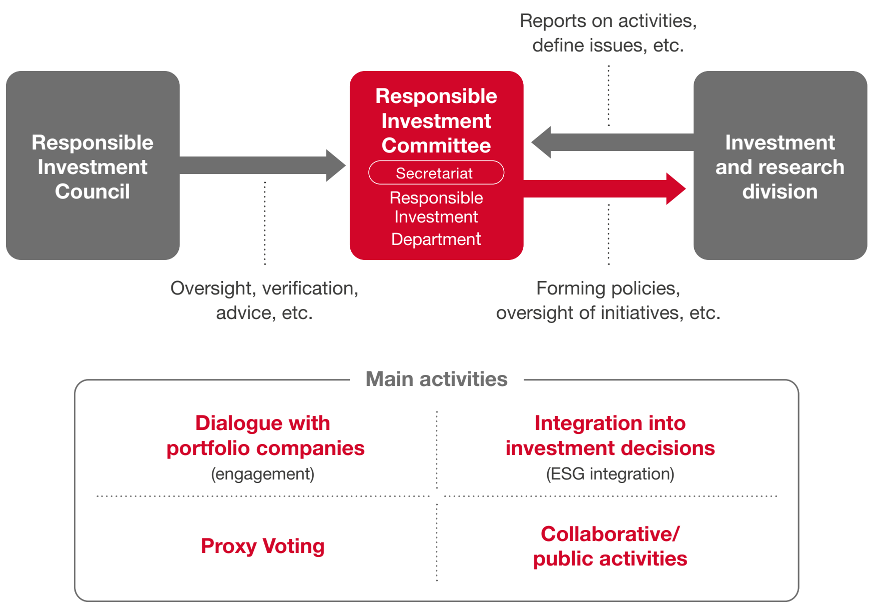
The protection of minority shareholders' interests is particularly questioned in the context of anti-takeover measures. In our view, as anti-takeover measures limit the rights of shareholders to buy and sell shares freely, they are unnecessary as long as the senior management team and the board are appropriately working to enhance corporate value and for the common interests of shareholders. An exception arises in cases where there is a significant risk that such a transaction or fight will significantly impair corporate value and the common interests of shareholders. In such instances, the board of directors is required to fulfill its accountability from the perspective of the best interests of minority shareholders regarding that risk. Recently, reactive anti-takeover measures activated in response to specific acquirers have garnered attention. However, even with proactive measures, if the design mandates a shareholders' meeting to confirm shareholder intent before activating countermeasures, such as the free allotment of new share subscription rights, it exhibits characteristics closer to those of reactive measures. We believe there is no fundamental difference regarding the importance of the board of directors' accountability, whether in proactive or reactive measures.

2 Structure of Proxy Voting

Responsible Investment Committee and Responsible Investment Council

The organizational structure for proxy voting is illustrated in the figure below. We have established a Responsible Investment Committee, which serves as the highest decision-making body, along with a Responsible Investment Council that oversees this committee. The Committee formulates the basic policy for responsible investment management and proxy voting standards, and it deliberates and makes decisions on proposals submitted to shareholder meetings that are unable to be judged in accordance with the standards. The Committee is comprised of six members, while the Council has three members: two independent outside directors and one Chief Conflict Officer (as of the end of December 2025). The chairperson of the Council is an independent outside director.

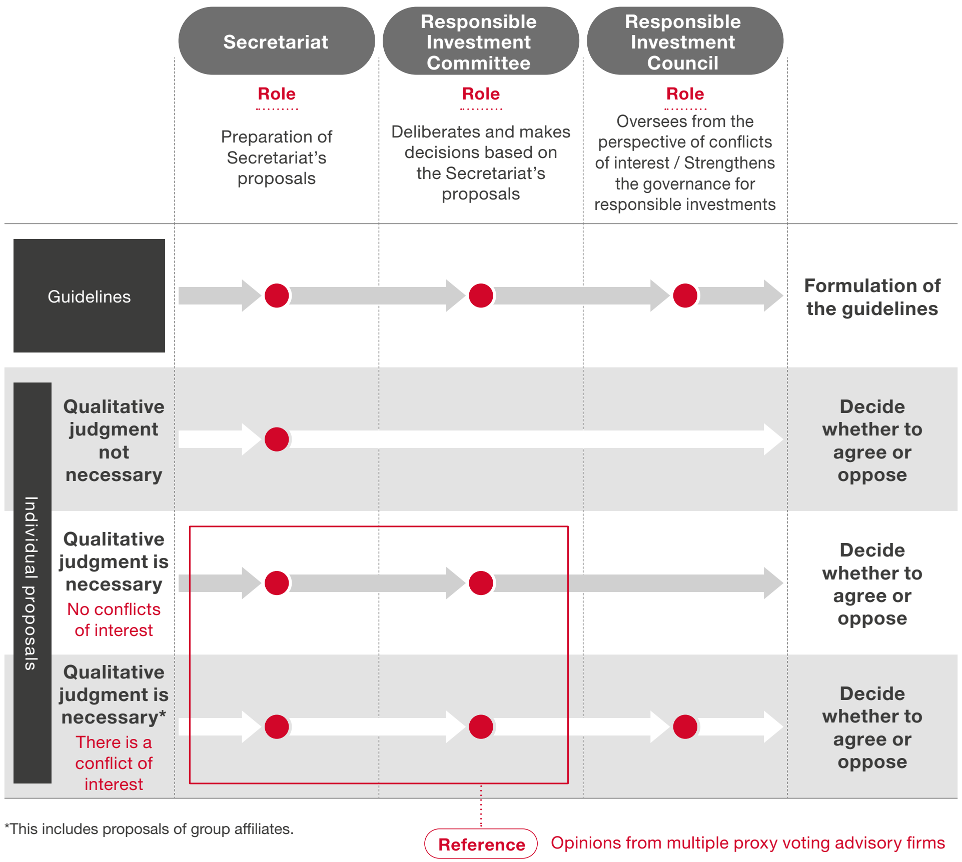
Organizational Structure for Responsible Investment



The proxy voting process

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 standards. (qualitative judgment is not necessary) is different than the process for other proposals (where qualitative judgment is necessary). For group affiliates, the judgments on proposals are made based on the same standards as for other investee companies.

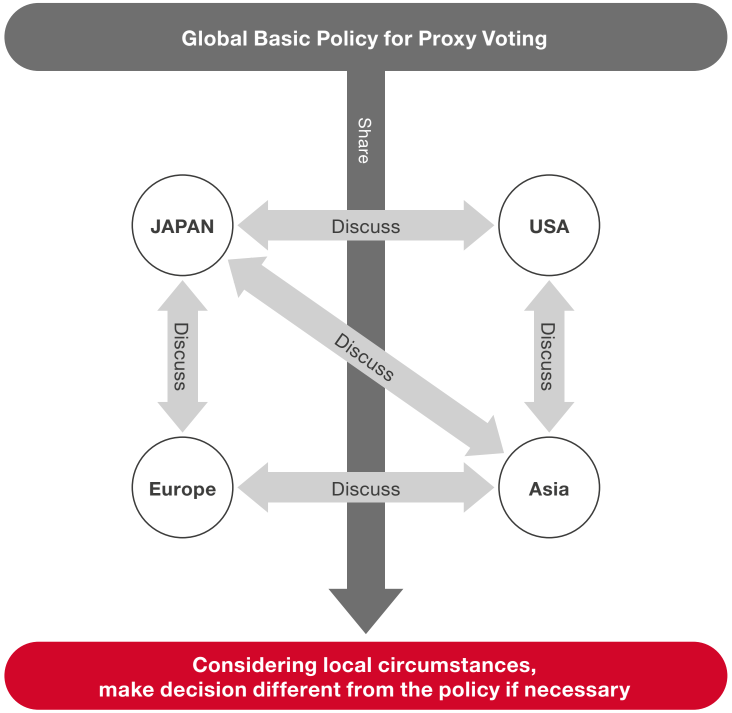


*This includes proposals of group affiliates.

The proxy voting process

Proxy Voting Process for Global Equities

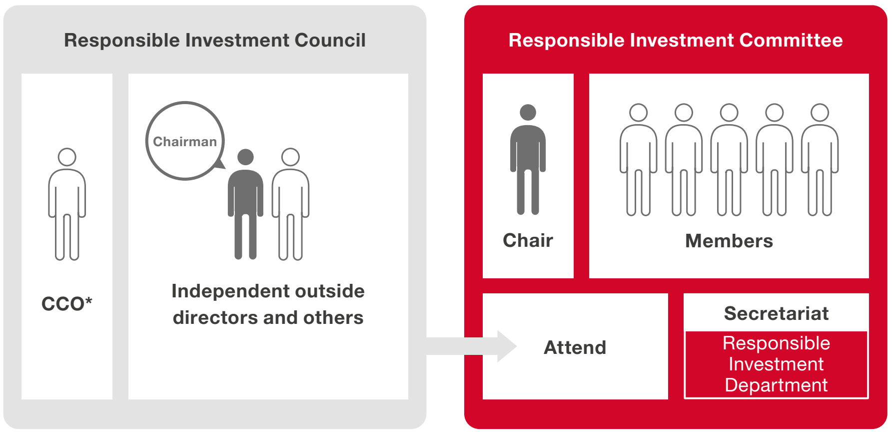
For proxy voting (excluding Japanese equities), we generally decide whether to vote for or against proposals in accordance with our Global Basic Policy on Proxy Voting. However, if the portfolio managers and analysts possessing a deep understanding of local conditions determine it to be necessary, we may make a decision for or against based on discussions with our overseas office.



Management of 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 the company, including independent outside directors. This Council monitors the Responsible Investment Committee's decisions as well as its overall management. The Council monitors stewardship activities, especially proxy voting involving conflicts of interest, to ensure that decisions are made that do not adversely affect the interests of clients as a result of conflicts of interest. As required, the 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, where they are able to state their opinions right away.

Nomura Asset Management's System to Manage Conflicts of Interest



*Chief Conflict Officer

Please refer to this regarding the conflict of interest management policy.
https://www.nomura-am.co.jp/conflict/

Relationship between Engagement and Proxy Voting

We carry out engagement and proxy voting so that investee companies implement appropriate management practices, and to encourage them to enhance corporate value and realize sustainable growth. We reflect the information about investee companies obtained through engagement in: **1** Revisions of our proxy voting standards; **2** Escalation; and **3** Proxy voting decisions on individual proposals.

The most important point among these is **1**. We review all the proposals for shareholder meetings of our investee companies to grasp the current state of corporate governance. Through engagement, we deepen our understanding and convey our approach to proxy voting standards. The Responsible Investment Department consolidates information and prepares a proposal based on our standards explained above, which is then thoroughly discussed and decided upon by the Responsible Investment Committee. While normal proposals are judged according to these standards, if circumstances arise that were not anticipated during the process of formulating the standards, we may make decisions regarding individual proposals **3** that differ from these guidelines after deliberation by the Responsible Investment Committee. We take pride in the fact that, due to the extensive discussions in **1**, the identification of proposals that require **3** and the deliberations within the Responsible Investment Committee are conducted in a rational manner.

Engagement

1 Voting guidelines

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

Example

Through engagement, we have encouraged the establishment of nomination and compensation governance. In light of the increasing establishment and enhanced independence of nomination and compensation committees, we have decided to raise the threshold for deeming such governance to be in place. Specifically, for nomination governance to be deemed in place, a majority of the members of the nomination committee must be outside directors, while for compensation governance to be deemed in place, a majority of the members of the compensation committee must be outside directors. This revised requirement will apply from November 2026 onward.

2 Escalation

We may vote against director election proposals if the initiatives to realize appropriate management practices (including initiatives directed at ESG issues) are inadequate.

Example

We engaged with a company which is highly profitable but holds excessive cash on its balance sheet. We continued to urge the company to strengthen oversight by appointing outside directors with management experience and introducing incentive compensation to promote more efficient use of capital. As no improvement was observed, we voted against the reappointment of the CEO.

3 Voting judgments

Our decisions may differ from the guidelines if we identify actions targeting improvement, or in cases in which there are circumstances we did not anticipate at the time the guidelines were formulated.

Example

We voted for a proposal despite the company not meeting our criteria for strategically-held stocks, in light of its reduction target and the fact that its board, a majority of whose members are outside directors, regularly reviews such holdings.

3 Overview of Proxy Voting Standards for Japanese Companies

We list criteria not only for voting against a company's proposal when progress in bolstering corporate governance is lagging, but also to encourage average companies to strive to reach higher levels.

Standards Overview

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.

Key Point	Underlying Philosophy	We may vote against a company proposal in the cases below (Standards in bold text were revised in November 2025)
Escalation *1	**Reflect the results of engagement targeting the realization of appropriate management practices (refer to P.22-24)**	● If a investee company had been encouraged by us through engagement to address the inadequacies in its initiatives to realize appropriate management practices pointed out by us but failed to carry out adequate initiatives and is not expected to make improvements.
Rigorously judge corporate actions, transactions involving a conflict of interest, and responsibility taken for outcomes	**Decisions made and the responsibility taken to deliver business results by the senior management team and the board of directors will be scrutinized and rigorously judged.**	● If the company is found to have engaged in any activity that is materially harmful to shareholder value (misconduct, etc.) ● For companies in the TOPIX100, if initiatives to become role models are clearly insufficient (refer to P.92) ● If ROE is slumping. In the case of a monitoring board (refer to P.91), if ROE is slumping and no effort for improvement is demonstrated (ROE standard). ● **Where strategically-held stocks are particularly large, unless all the requirements for a monitoring board—excluding those relating to strategically-held stocks—are satisfied** ● If a cash-rich listed subsidiary 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 senior management team, the board of directors must comprise an appropriate number of people and possess diversity and independence.**	● When the number of directors is less than 5 or greater than or equal to 20 ● If the number of outside directors falls below the minimum level (below) Majority. However, 1/3 if a company has no controlling shareholder and has nomination governance in place*2. ● **If the number of female directors falls below the minimum level (10%)** ● In a company with a board of corporate auditors, the term of office for directors is two years
Independence and Effectiveness of Outside Directors	**Highly-independent outside directors are required to effectively monitor the senior 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 members or the supervision of conflicts of interest between the company and its management, controlling shareholders, etc.
Appropriate compensation governance	**Since transparency is required in the process of determining executive compensation, it is essential for appropriate oversight (i.e., compensation governance) to function effectively.**	● If, for a company that does not have compensation governance in place*2, there is a proposal related to executive compensation or executive retirement benefits
Appropriate incentives	**Although stock compensation is important as an incentive for senior management, 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

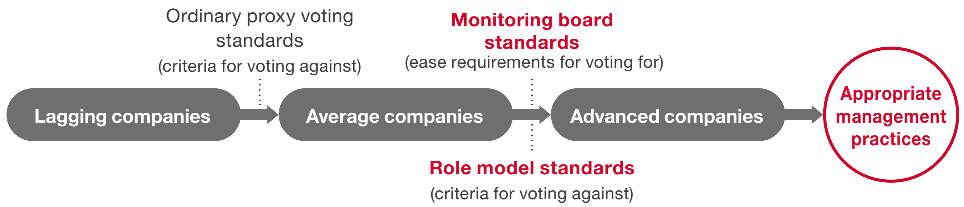
*1 Measures taken to bolster involvement with a investee company if engagement is not successful within a specified period
*2 **"Cases where nomination and compensation governance is in place" refers to cases where a statutory or voluntary nomination and compensation committee has been established and more than half of its members are outside directors. However, with respect to general shareholders' meetings held through October 2026, it refers to cases where the nomination and compensation committee includes at least two outside directors and the number of internal directors on the committee is smaller than the number of outside directors.**

Please refer to the file below for more details.
https://global.nomura-am.co.jp/responsibility-investment/vote.html

3 Overview of Proxy Voting Standards for Japanese Companies

In order for investee companies to enhance corporate value, we stipulate the appropriate management practices of investee companies and encourage investee companies to realize them.

Ordinary proxy voting standards mainly focus on companies that are lagging in both financial and non-financial initiatives. Therefore, it is often difficult for these standards to serve as a means to encourage average-performing companies to strive for higher levels of achievement. We believe that even the initiatives of average Japanese companies fall well short of what we believe to be appropriate management practices, and that we need to encourage them to aim to reach higher levels. To this end, in November 2020, we introduced monitoring board standards, and in November 2023, we established the Role Model Standards (described later), aiming to expand this to encompass all ESG issues.



Monitoring board standards

For public companies, the function to supervise senior management on behalf of a large number of unspecified shareholders is essential, and the board of directors which fulfills this role is a "monitoring board." In November 2020, we introduced monitoring board standards with the expectation that the boards of directors of Japanese companies would transition to monitoring boards.

The monitoring board standards specify that if the eight criteria for a monitoring board (see the table on the right) are met, we will respect the opinions of the board of directors and lower the requirements to vote for company proposals. To avoid superficial transitions that lack substance, we will not vote against a company's proposal solely on the grounds that it has not transitioned to a monitoring board; however, to support a transition to a monitoring board over the medium to long term, we are gradually shifting the requirement for a monitoring board to be a condition for voting against proposals.

At the time we introduced the standards at the end of September 2020, there were only about 50 companies listed on the First Section of the Tokyo Stock Exchange that met the requirements for a monitoring board. However, by the end of September 2025, the number of companies listed on the Prime Market that meet these requirements* has significantly increased to approximately 190 companies.

*Note that the criteria for a monitoring board have been revised since the introduction, and our most recent definition of monitoring board differs from that in 2020.

Handling of proxy voting standards

To avoid superficial transitions and encourage voluntary transitions, the proxy voting standards specify the following:

- We will clarify the criteria for a monitoring board (as shown in the table).
- Rather than voting against company proposals on the grounds that the criteria are not met, we will make it easier to vote for company proposals if the company has a monitoring board.
- The aforementioned criteria will gradually transition to the requirements to vote against company proposals if not met, with adjustments made as necessary (e.g., changing thresholds).
- In addition to engagement towards effective transitions to monitoring boards, we will vote against the reappointment of outside directors if it is obvious that outside directors failed to fully fulfill their expected roles.

Revisions in November 2025

		Monitoring board standards		Standards to vote against company proposals	
		Criteria for a monitoring board[*1]	Vote for or against proposals	Requirement for voting against	Proposals voted against
1	Number of directors	5 or more, fewer than 20		Fewer than 5, 20 or more	Director election
2	Number of outside directors	A majority are outside directors that satisfy the standards for independence		Falls below the minimum level: Minimum level is a majority. However, 1/3 if a company has no controlling shareholder and has nomination governance in place[*3]	Director election
3	Nomination/ Compensation committee	Establish a nomination and compensation committee in which outside directors comprise a majority and the committee chair is an outside director	**If all eight criteria to the left are satisfied, the board is determined to be a monitoring board and;**	Compensation governance is not in place[*3]	Executive compensation/ executive retirement benefits
4	Diversity	Revised Female directors account for at least 15%	The requirements to vote for company proposals to elect directors (ROE standard[*2]) and some company proposals related to executive compensation are relaxed.	Falls below the minimum level: Minimum level is one female director. Effective from November 2025 Minimum level is 10%.	Director election
5	Anti-takeover measure	Not introduced		Introduced	Anti-takeover measure or director election
6	Strategically-held stocks	Not held in excess (for financial institutions: less than 25% of net assets; for non-financial companies: less than 10% of invested capital)	We do not vote against company proposals solely on the grounds that the criteria to be a monitoring board are not met.	Revised Fails to satisfy the monitoring board requirements other than those related to strategically-held stocks, and has particularly large holdings (for financial institutions, more than 40% of net assets; for non-financial companies, more than 15% of invested capital)	Director election
7	Directors' term in office	In the case of a company with a board of auditors, a director's term in office is one year		In the case of a company with a board of auditors, a director's term in office is two years	Director election
8	Chairperson of board	Outside director, if a company has controlling shareholders		–	–

*1 We view the above requirements as the bare minimum for being a monitoring board.
*2 Standards to vote against re-appointment of CEO who has been in the position for the most recent three or more consecutive fiscal years, if return on equity (ROE) has been below the threshold and efforts for management improvement have not been demonstrated.
*3 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. From November 2026 onward, this will refer to a case where outside directors constitute a majority of the members of the relevant nomination and compensation committee.

Role Model Standards

Like the monitoring board standards, the role model standards aim to encourage companies to strive for higher levels and expresses our expectation that TOPIX 100 companies will become the role models for realizing appropriate management practices (refer to P.22-24). Depending on the initiatives carried out on specific ESG issues (as listed below, 1 – 4), we may vote against the reappointment of CEO. However, the aim is to encourage a pursuit of a higher level, so such voting will be limited to cases where we judge the initiatives to be clearly insufficient. While the criteria apply exclusively to the companies comprising the TOPIX 100, we also expect that they will also encourage other investee companies to work to achieve even more appropriate management practices.

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

Set medium- to long-term net zero targets for greenhouse gas (GHG) emissions and obtain science based targets (SBTs) certification, as well as disclose governance, strategy, risk management, as well as metrics and targets.

3

Gender diversity

Disclose the ratio of women in managerial position and establish and disclose medium- to long-term targets for increasing the ratio.

4

Outside directors with effective skills

Disclose the skills matrix in general shareholder meeting materials, and indicate that outside directors have relevant skills and experiences, including in the areas of management, finance, and ESG.

November 2025 Revisions

1. Among the requirements for a monitoring board, we raised the threshold related to the number of female directors.

Before revision

Monitoring board requirement: Female directors account for at least 10% of directors

After revision

Monitoring board requirement: Female directors account for at least 15% of directors

2. We raised the stringency of the threshold for voting against the reappointment of directors when strategically-held stocks are particularly large, thereby aligning it more closely with the monitoring board requirements. At the same time, if all monitoring board requirements other than those related to strategically-held stocks are satisfied, we will respect the supervisory function of the board of directors.

Before revision

We will, in principle, vote against the re-election of a director who has been in the position of chairperson and president, etc.

For a financial institution, if strategically-held stocks account for more than 50% of its net assets, or, for a company that is not a financial institution, if strategically-held stocks account for more than 20% of its invested capital.* (In either case, the information disclosed in the previous year's securities report shall be used as the basis.)

After revision

We will, in principle, vote against the re-election of a director who has been in the position of chairperson and president, etc.

Unless the board of directors has satisfied all the requirements for a monitoring board (excluding requirements concerning strategically-held stocks), for a financial institution, if strategically-held stocks account for more than 40% of its net assets, or, for a company that is not a financial institution, if strategically-held stocks account for more than 15% of its invested capital.* (In either case, the information disclosed in the previous year's securities report shall be used as the basis.)

*Invested capital refers to the total amount of net assets and interest-bearing debt stated in the consolidated financial statements (or non-consolidated financial statements if consolidated financial statements are not prepared) presented in the same annual securities report in which strategically-held stocks are disclosed.

November 2025 Revisions

3. From November 2026, we will raise the threshold for determining that governance on nomination (remuneration) is in place to cases where more than half of the committee members are outside directors.

Before revision (through October 2026)

“Effective governance on nomination (remuneration) is in place” means a situation in which a statutory or voluntary nomination (remuneration) committee has been established, and its members include two or more outside directors, and the number of inside directors among the committee members is fewer than the number of outside directors among the committee members.

After revision (from November 2026 onward)

“Effective governance on nomination (remuneration) is in place” means a situation in which a statutory or voluntary nomination (remuneration) committee has been established, and outside directors constitute a majority of its members.

4. We had previously decided to raise the minimum threshold for the number of female directors from November 2025, and this has been implemented as scheduled. If this threshold is not met, we will, in principle, vote against the re-election of a director who has been in the position of chairperson and president, etc.

Until October 2025

Minimum number of female directors: 1

After November 2025

Minimum level for the number of female directors: 10%

5. In light of the increase in the number of campaigns calling on other shareholders to vote against company-proposed agenda items, we clarify our approach to decision-making and the manner in which information should be disclosed.

Effectiveness of outside directors

We have established the following three points in our proxy voting standards. Point **2** involves carrying out proxy voting in alignment with engagement. For points **1** and **3**, we also conduct engagement as necessary, facilitating effective proxy voting and encouraging companies to undertake effective initiatives.

1 We will vote against the reappointment of an outside director if it has become clear that the outside director 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 its parent company.
- A tender offer was made for treasury stock at a price above the most recent share price, aiming to acquire shares held by a specific shareholder.
- Despite the identification of inappropriate related party transactions by senior management, the pursuit of accountability was insufficient.
- The board failed to respond to the acquisition proposal in a timely manner.

2 We have defined ‘Adequate Performance of Corporate Governance Function’ as the ‘appropriate management practices of investee companies,’ and we engage with them to achieve this. If we determine that escalation to proxy voting is necessary based on the situation, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

3 We expect TOPIX 100 companies to serve as role models for Japanese companies. If we determine that the skills of the outside directors are clearly insufficient, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

Environmental and Social Issues

We have established the following four standards related to environmental and social initiatives. Point **2** involves proxy voting in alignment with engagement. For points **1**, **3**, and **4**, we also engage as necessary to facilitate effective proxy voting and encourage companies to undertake effective initiatives.

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

2 We have defined ‘Proper Efforts on Environmental and Social Issues’ as the ‘appropriate management practices of investee companies,’ and we engage with them to achieve this. If we determine that escalation to proxy voting is necessary based on the situation, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

3 We expect the companies that compose the TOPIX 100 to serve as role models for Japanese companies. If we identify a company within the TOPIX 100 that is clearly insufficient in its disclosure of ESG-related information or its climate change-related efforts, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

4 We will vote for shareholder proposals seeking amendments to the articles of incorporation regarding the disclosure of basic policies on ESG, as well as governance, strategy, risk management, metrics and targets related to the issue of climate change, provided they meet the requirements, such as not including details related to specific business operations.

3 Overview of Proxy Voting Standards for Japanese Companies

History of the Standards

Here, we introduce the changes to our Proxy Voting Standards over the years.

Month/Year of Revision	Proposal Category	Key Point	Key Change
		Nomura Asset Management	Created the Proxy Voting Committee (2001)
March 2006	**Director election/ Remuneration**	**ROE standard**	**NEW (ROE threshold=3%, taking into account efforts for management improvement)**
March 2007	Director election/ Remuneration	ROE standard	Raised ROE threshold from 3% ▶ 5%
	Director election	Independence requirements for outside directors	NEW (Applied to companies with committees at the time)
January 2010	Director election	Number of outside directors (listed subsidiaries)	NEW (at least one member, if there is a director from the parent company)
METI	Ito Report* indicated ROE of 8% (August 2014)	ISS	Introduced business performance standard based on ROE (February 2015)
April 2015	Director election	ROE standard	In addition to 5%, references relative values (industry median value)
		Number of outside directors	NEW (at least one member, vote against if ROE is less than 8%)
	Tokyo Stock Exchange		Enactment of Corporate Governance Code (June 2015. Revised in June 2018, re-revised in June 2021)
April 2016	Director elections/ Auditor elections	Effectiveness of outside executive officers	NEW (Vote against if attendance rate is less than 75%)
April 2017	Director elections	Number of outside directors	Raised minimum from one (1) to two (2) outside directors
		Number of outside directors (listed subsidiaries)	Raised minimum from one (1) to two (2) outside directors
		Independence requirements for outside directors	Clearly state the requirement for independence for all companies Reference independ-ent director notification
November 2017	Director election	Independence requirements for outside directors	Add requirements concerning major shareholders
	Shareholder proposals	**Amendment of the articles of incorporation**	**Clearly specify the types of proposals we vote for**
November 2018	**Director election**	Number of outside directors (listed subsidiaries)	Integrate into “Number of outside directors”
		Number of outside directors	Abolish requirements for ROE If there is a controlling shareholder: Raised mini-mum from two (2) to one-third
		Effectiveness of outside directors	**NEW (Vote against proposals when it is clear that the outside director has not ful-filled the expected role)**
	Remuneration	**Compensation governance**	**NEW (Relax the requirements for voting for company proposals when it is deter-mined that compensation governance is adequately established.)**
	Amendment of the articles of incorporation	Board authorization for dividends	Clearly specify that, without excluding shareholder meeting resolutions, in principle, we will vote for proposals if the distribution of retained earnings and the number of outside directors meet the minimum required standards.
November 2019	Director election	Number of outside directors	If there is no controlling shareholder: Raised the minimum from two (2) to one-third for companies other than a company with a board of company auditors If there is a controlling shareholder: Abolished requirements for ROE
	Corporate restructuring/ Capital policy	M&A, finance related	Clearly specify the approach to consider conflicts of interest with minority shareholders.
June 2020	Director election/ appropriation of surplus	COVID-19	Suspension of the application of certain standards related to ROE and the appropriation surplus.
November 2020	**Director election**	**Monitoring board requirements**	**NEW (Established eight requirements to be met, including gender diversity, strategically-held stocks, 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)

Month/Year of Revision	Proposal Category	Key Point	Key Change
November 2020	Remuneration	Monitoring board requirements	NEW (Relaxed requirements related to business performance, etc., if company has a monitoring board)
			NEW (Vote for proposals granting share-based compensation to outside directors and others, provided that certain criteria are met in cases where monitoring board is applicable.)
June 2021	Director election/ appropriation of surplus	COVID-19	Reinstated the application of certain standards related to the appropriation of surplus
November 2021	**Director election**	**Escalation**	**NEW (Promote the realization of appropriate management practices (including gender diversity, strategically-held stocks, and initiatives related to ESG issues)**
		ROE standard	Lowered the threshold for relative value from the industry median to the 25th percentile Consider management improvement efforts only in cases that a monitoring board is applicable
		Number of outside directors	There is a controlling shareholder: Raised minimum from one-third ▶ majority
January 2022	Director election	COVID-19	Reinstated the application of business performance standard
November 2022	**Director election**	ROE standard	Raised the threshold for relative value from the 25th percentile to the 33rd percentile in the industry
		Diversity of the board of directors	**NEW (Vote against proposals if there are no female directors)**
		Strategically held stocks	**NEW (Vote against proposals if there is a particularly large amount of strategically-held stocks)**
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, vote against proposals if the term of office for directors is two years)**
		Number of directors	**NEW (Vote against if the number of directors is less than five or greater than 20)**
		Role model standards	**NEW (From November 2024, for companies in the TOPIX100, vote against if initiatives are determined to be clearly insufficient)**
	Remuneration/Retirement Bonus for Directors and Auditors	Compensation governance	Expanded the scope of proposals we vote against to include all proposals if compensation governance is not in place
November 2024	Director election	Monitoring board requirements	Added independence requirements to “a majority of outside directors”
		Role model standards	Added gender diversity to the ESG issues of concern
		ROE standard	Raised the threshold for ROE for cash-rich companies, increasing the absolute value from 5% to 8% and the relative value from the 33rd percentile to the 50th percentile in the industry
		Diversity of the board of directors	(From November 2025) Raise the minimum level from 1 to 10%
November 2025	Director election	Monitoring board requirements	Raised the threshold related to the number of female directors from 10% to 15%.
		Strategically-held stocks	Tightened the thresholds for determining whether strategically-held stocks are particularly large: from 50% to 40% of net assets for financial institutions, and from 20% to 15% of invested capital for companies that are not financial institutions. If all monitoring board requirements other than those related to strategically-held stocks are met, application of the strategically-held stock criteria will be deferred.
	Director Election/ Remuneration/ Retirement Bonus for Directors and Auditors	Nomination governance Compensation governance	(From November 2026) Raise the threshold for determining that nomination (compensation) governance is in place to cases where outside directors constitute a majority of the members of the nomination (compensation) committee.

*Final report of the “Competitiveness and Incentives for Sustainable Growth – Building Desirable Relationships Between Companies and Investors –” project ●Particularly important revisions are highlighted.

4 Disclosure: High Level of Accountability

Trends in aggregate values

Calendar year			2020		2021		2022		2023		2024		2025	
			Total proposals	% against	Total proposals	% against	Total proposals	% against	Total proposals	% against	Total proposals	% against	Total proposals	% against
Management Proposals	Company organization related proposals	Election/Removal of Directors	17,959	5.8	18,429	6.8	17,924	8.1	18,337	10.1	18,022	9.1	15,995	8.7
		Election/Removal of Statutory Auditors	2,589	12.8	1,811	13.3	1,539	13.3	2,197	11.7	1,935	11.2	1,167	7.3
		Election/Removal of Accounting Auditors	63	0.0	91	0.0	83	0.0	78	0.0	52	1.9	53	17.0
	Compensation related proposals	Remuneration*1	826	24.0	1,087	23.7	945	18.8	736	20.2	776	32.1	742	23.3
		Retirement Bonus for Directors & Auditors	165	85.5	123	78.0	120	76.7	73	94.5	85	97.6	52	94.2
	Capital policy related proposals (excluding amendment of articles)	Allocation of Income and Dividends	1,548	0.6	1,500	3.3	1,502	5.0	1,472	5.4	1,472	4.3	1,261	3.7
		Company reorganization*2	38	7.9	61	9.8	43	14.0	35	14.3	32	12.5	30	16.7
		Anti-takeover	92	100.0	57	96.5	63	100.0	82	100.0	42	100.0	41	97.6
		Other capital policy*3	59	6.8	100	9.0	77	13.0	68	1.5	86	10.5	93	7.5
	Amendment of Articles		530	1.7	630	3.0	2,402	1.0	572	3.3	507	4.7	480	4.4
	Others		8	25.0	5	40.0	2	50.0	3	0.0	2	0.0	0	0.0
	Total		**23,877**	**7.6**	**23,894**	**8.3**	**24,700**	**8.5**	**23,653**	**10.6**	**23,011**	**10.2**	**19,914**	**9.2**
			Total proposals	% for	Total proposals	% for	Total proposals	% for	Total proposals	% for	Total proposals	% for	Total proposals	% for
Shareholder Proposals	Company Organization related proposals	Election/Removal of Directors	83	13.3	35	11.4	54	3.7	97	18.6	81	18.5	70	7.1
	Total		**236**	**12.7**	**174**	**9.8**	**315**	**9.5**	**453**	**19.2**	**369**	**17.1**	**385**	**10.9**

*1 Revisions of executive compensation amounts, issuance of stock options, introduction or revision of performance-based compensation plans, executive bonuses, etc.
*2 Mergers, sale/transfer of business, share exchanges, share transfers, corporate splits, etc.
*3 Share buybacks, reduction of statutory reserves, third-party allotment of new shares, capital reduction, stock consolidation, issuance of class shares, etc.

Reference

Results of Proxy Voting for Global Companies

January-December 2025

Votes for

Management proposals	21,219
Shareholder proposals	408
Total	**21,627**

Ratio of votes for

Management proposals	88.2
Shareholder proposals	61.3
Total	**87.5**

Votes against

Management proposals	2,828
Shareholder proposals	258
Total	**3,086**

Ratio of votes against

Management proposals	11.8
Shareholder proposals	38.7
Total	**12.5**

Trends in 2025

Election/removal of directors

The percentage of votes cast against proposals (% against) has declined slightly. The main reasons were a decrease in opposition due to an insufficient number of female directors and concerns about the independence of outside directors.

- **Number of female directors and independence of outside directors**
  The number of proposals we opposed decreased as companies made progress in appointing female directors and independent outside directors.
- **Number of outside directors**
  The number of proposals we opposed increased as we began to fully apply the criterion that, in principle, outside directors should constitute a majority of the board.

Remuneration

The percentage of votes cast against proposals has declined. The main reason is as follows.

- **Compensation governance**
  In the previous year, the rate of opposition increased because the compensation governance requirement was expanded to apply to all remuneration proposals. This year, however, the rate declined because fewer proposals were opposed on the grounds that compensation governance was not in place.

The background behind the seemingly low percentage of votes against company proposals.

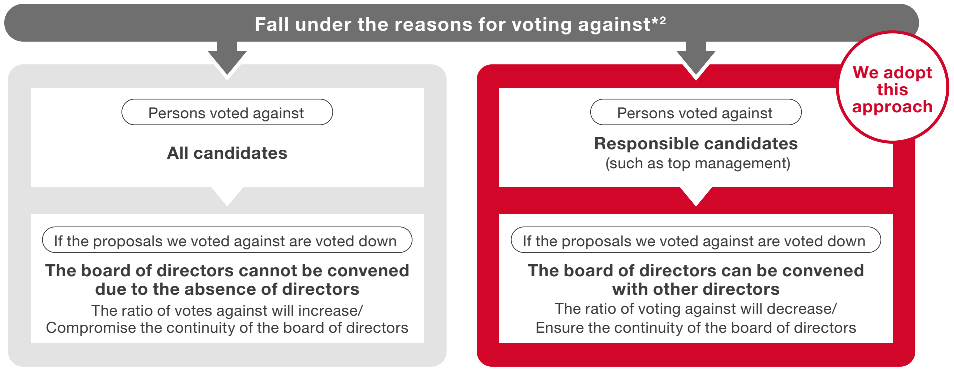
The background behind the seemingly low percentage of votes against company proposals. Proposals concerning the election of directors are the most common type of proposal and therefore have a significant impact on the ratio of votes against proposals. Considering the continuity of the board of directors*1, we limit the director election proposals which we vote against to those for candidates who hold responsibility for individual matters. This is why our ratio of votes against appears relatively low (see chart below).

In fact, at general meetings of shareholders held between April and June 2025, our ratio of votes against electing directors was 7.7%. However, the percentage of companies for which we voted against one or more candidates within a proposal was 42.2%, indicating that this is not a particularly low level.

On the other hand, since the number of proposals is low, the overall impact is small. However, the ratio of votes against appears to be relatively high concerning proposals related to executive compensation or capital policy. The effectiveness of corporate governance is particularly called into question for proposals related to M&A and financing, so we carefully discuss these issues, including the potential impact that rejecting the proposal would have. We vote against the proposal if we determine that it will not contribute to the interests of minority shareholders.

Moreover, we engage with our investee companies by combining proxy voting and engagement to achieve appropriate corporate governance and to enhance corporate value. We consider proxy voting one of the means to this end, and we do not believe that the ratio of our votes against proposals reflects our stance.

Guidelines for the election of directors



*1 Under corporate law, a minimum of three directors is required to establish a board of directors.
*2 Insufficient number of outside directors, low ROE, and other factors.

Voting For or Against Individual Proposals

Here, we provide specific examples of disclosures regarding proposals that we believe require particularly detailed explanations.

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

Based on engagement, there may be instances where we make decisions that differ from our proxy voting standards.

GSM	Proposer	Classification	Voting result	Reason
Ordinary GSM	Company	Director election/ dismissal	Voted for	Although the company does not meet our criteria regarding strategically-held stocks, we voted for the proposal because through our engagement we confirmed the situation with the reduction of such shares and the status of verification by the board of directors.
Ordinary GSM	Company	Director election/ dismissal	Voted for	Although the company did not meet our criteria regarding the number of outside directors, we did not consider this sufficient grounds for opposition, taking into account that there were reasonable grounds for its nomination governance not yet being fully in place and that the company had indicated its intention to re-establish it.

Proposals we determined to require special accountability

In addition to proposals related to capital policy and M&A, there were proposals requesting the appointment of a director to the board.

GSM	Proposer	Classification	Voting result	Reason
Ordinary GSM	Company	Director election/ dismissal	Voted against	We determined that escalation to proxy voting was necessary based on the status of engagement regarding the enhancement of supervisory functions to realize the efficient use of capital. Furthermore, we judged that the efforts toward realizing appropriate management practices as a role model were clearly insufficient, and therefore voted against the proposal.
Special GSM	Company	Proposal related to other capital policy	Voted against	This was a proposal to squeeze out shareholders who did not tender their shares in the tender offer conducted as part of the management buyout (MBO). Although general efforts to protect the interests of minority shareholders were observed, we voted against the proposal, taking into account the serious concerns over conflicts of interest with minority shareholders and the inadequacy of the economic terms.
Ordinary GSM	Company	Director election/ dismissal	Voted for	We voted for the proposal. A certain shareholder requested that we oppose the proposal, citing concerns over the company's response to transactions suspected of involving misconduct. However, we concluded that the effect on enhancing corporate value was unclear.
Special GSM	Shareholder	Director election/ dismissal	Voted for	This was a proposal seeking the additional election of three outside directors, citing issues with internal controls and quality management. We voted for the proposal in line with our criteria, having concluded that strengthening risk management, including quality-related risk management, and transforming the corporate culture were urgent priorities, while also taking into account the candidates' skills.

Voting For or Against Individual Proposals

Target Company

Company A (Information & Communications sector)

Election of directors: Company and shareholder proposals

Background

A certain shareholder (the "Proponent") pointed to the company's sharp deterioration in operating performance and depressed share price, both of which were attributable to conduct that had significantly undermined shareholder value, and called for governance reforms, a spin-off of non-core businesses, the unwinding of cross-shareholdings, and reforms to the core business. Company A rejected the proposal while presenting governance reforms and an action plan. We believe that Company A responded promptly to the issues raised by the Proponent, and therefore felt that there was little need for outside parties to force a change in direction. However, because the nomination of directors was carried out by the board prior to its overhaul, meaning that the nomination process cannot be regarded as having been optimal, and because conduct that significantly impaired shareholder value was identified at Company A, we concluded that it was necessary to strengthen the board's supervisory function.

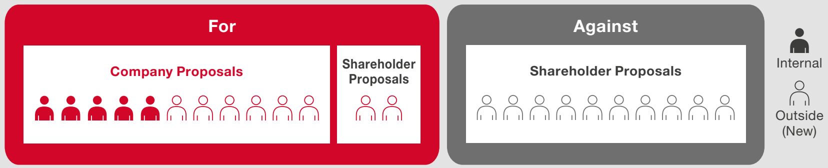
Overview of the Proposals and Voting Decisions

The company proposed 11 director candidates, while the shareholder proposed 12 candidates. Given that the maximum number of directors under the articles of incorporation was 18, the key issue was whether, and if so which, shareholder nominees should be elected. Details are as follows.

Reasons for the Voting Decisions

Company Proposal | Although conduct that significantly impaired shareholder value was identified, we did not consider it sufficient grounds to oppose the company's proposal, taking into account, among other factors, that the management structure had been revised with the exception of the candidate to become the company's next president, and considering the status of the election of responsible director candidates.

Shareholder Proposal | Because we recognized the need to strengthen the board's supervisory function, and taking into account the maximum number of directors provided for in the articles of incorporation as well as the candidates' skills and independence, we supported the election of two candidates: one with experience managing a listed company in the industry and one with such experience outside the industry. We determined that the background to the events in question included factors specific to the industry, and that effective oversight would therefore require perspectives both from within and from outside the industry.



Climate change-related proposals submitted by shareholders

Regarding the shareholder proposals related to the issue of climate change, we provide our reasons for voting for or against each proposal, along with a comprehensive explanation of the background behind our decision-making. On the next page, we introduce the shareholder proposals to seek amendments to articles of incorporation that aim to address climate change issues.

Proposals to amend the articles of incorporation were submitted to a number of companies asking them to address the issue of climate change. We consider climate change to be one of the environmental and social issues that is particularly important for the sustainable enhancement of corporate value, and we have decided to positively deliberate on proposals aimed at enhancing information disclosure and strengthening supervisory functions.

In previous years, we have, on several occasions, considered similar proposals on a case-by-case basis and voted in favor of them; however, no such proposals were submitted this year. We voted against proposals intended to advance social or political agendas, proposals related to specific operational matters, and proposals containing demands exceeding the level required under applicable laws, regulations, and other relevant standards. We also voted against proposals where, after due consideration of the rationale for the proposal and the company's own initiatives, we concluded that the board's view should be respected.

Moreover, some shareholder proponents indicated a desire for their proposals to be considered as recommendations rather than amendments to the articles of incorporation. We have a policy to carefully consider the implications if the proposals are approved. While we remain flexible in assessing the appropriateness of including responses to environmental and social issues in the articles of incorporation, we believe it is not appropriate to deliberate on them as recommendations.

Proposals involving the possibility of a conflict of interest

We provide detailed explanations for proposals submitted by group affiliates, including our parent company, Nomura Holdings, as well as proposals related to matters involving group affiliates. On the next page, we introduce proposals in which Nomura Securities, a group affiliate, was involved in acquisitions or organizational restructuring as a financial advisor and/or third-party assessor.

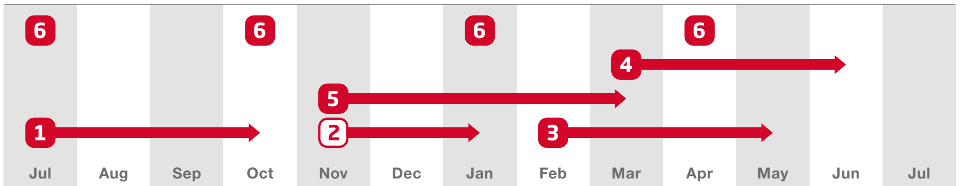
Voting For or Against Individual Proposals

GSM	Proposer	Classification	Voting result	Reason
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted against	Proposal to amend the articles of incorporation related to the disclosure of financial risk audits on climate change and other matters. **While we agree with the importance of financial risk audits, we voted against the proposal because it contains excessive demands beyond the requirements of laws and regulations, and we therefore consider it inappropriate to include such provisions in the articles of incorporation.**
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted against	Proposal to amend the articles of incorporation related to disclosure of the financial impacts of climate change. **While there were aspects of the proponent's concerns we agreed with, the proposal contained requirements exceeding the level required under applicable laws and regulations, and the company had already indicated its intention to pursue further initiatives. Accordingly, we concluded that it was more appropriate to respect the board's efforts and voted against the proposal.**
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted against	Proposal to amend the articles of incorporation regarding the assessment of clients' climate change transition plans. **While we agree with the importance of climate change issues, we voted against the proposal because the company's efforts have already reached a certain level, and determined that it was more reasonable to respect the board's efforts.**
Special GSM	Company	Proposal related to other capital policy	Voted against	Proposal to squeeze out shareholders who did not tender their shares in the tender offer conducted by the parent company. We voted against the proposal, taking into account the serious concerns over conflicts of interest with minority shareholders, as well as the inadequacy of both the measures to protect minority shareholder interests and the economic terms. **We also note that, in this matter, Nomura Securities, one of our group affiliates, was involved as financial adviser and third-party valuation firm.**
Ordinary GSM	Company	Director election/dismissal	Voted against	Although the candidate meets our criteria, we voted against the proposal because we judged that the responsibility for failing to respond to the acquisition proposal in a timely manner was significant. **We also note that, in this matter, Nomura Securities, one of our group affiliates, was involved as financial adviser.**

Annual schedule of proxy voting representatives

Most Japanese companies hold their general shareholders' meetings of in June, followed by March and May as the most common months. In our case, we conduct proxy voting for approximately 1,300 companies in June alone, and over 1,700 companies when combining these three months. In this context, we provide an overview of the general schedule for proxy voting over the course of the year, focusing on this peak period.

Proxy Voting Annual Schedule



July to October

1 Revision of the proxy voting guidelines

As soon as the busy season period ends, a review of the proxy voting guidelines begins. This review takes into account the current situation of Japanese companies obtained through engagement and proxy voting, and we reflect changes in laws and regulations such as revisions to the Corporate Governance Code.

November to January

2 Engagement to inform companies about the revisions

We engage with investee companies that are particularly likely to be affected by the revisions to the proxy voting guidelines in order to convey our perspectives and promote the strengthening of corporate governance. In addition to individual dialogue with investee companies, we may also participate in seminars to provide explanations.

February to May

3 Engagement in anticipation of the general shareholders' meeting

As the busy season approaches, engagement in anticipation of the shareholders' meetings becomes more active. During this time, when the items to be presented at the shareholders' meeting are taking shape, investee companies' focus tends to lean towards their forecasts regarding shareholders voting for or against individual proposals. However, we strive to steer the discussions towards strengthening corporate governance over the medium to long term.

March to June

4 Peak period for shareholders' meetings

This is a time when accurate judgment on a large number of proposals is required. During the peak in June, we carry out proxy voting for over 100 companies per day, which also heightens the desire for clear and accessible information disclosure.

Throughout the year, particularly from November to March

5 Engagement for strengthening corporate governance

We explain our approach to proxy voting and receive explanations from investee companies regarding their efforts to strengthen corporate governance, followed by discussions.

January, April, July, October

6 Disclosure of proxy voting results

At the end of each quarter, we disclose the results of our proxy voting, along with the reasons for voting for or against proposals, on our website.

Approach to Cash-rich Companies

Nomura Asset Management identifies “desirable management” of investee companies as including value creation through capital efficiency and adequate performance of the corporate governance function, among other objectives, and actively engages with investee companies through stewardship activities.

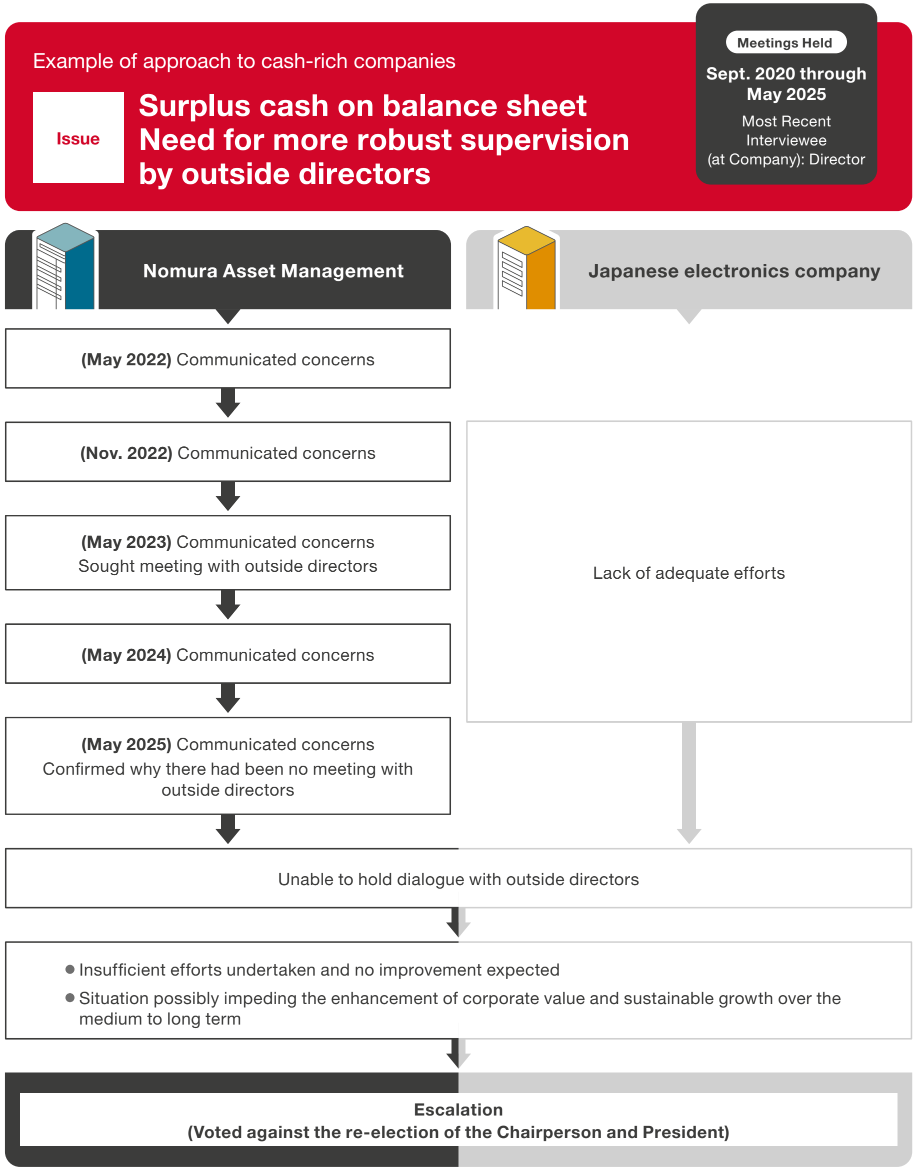
In particular, with respect to cash-rich companies, we deepen discussions through our engagements on whether they have built a growth-oriented and efficient portfolio capable of creating value over the medium to long term that exceeds the cost of capital, and whether corporate governance is functioning sufficiently as a prerequisite for this.

In our proxy voting standards, we define what constitutes a cash-rich company and establish stricter standards, including raising the minimum threshold for return on equity (ROE), viewing loans to parent companies or group companies as undesirable, and requiring ROE and shareholder return ratio criteria for the appropriation of retained earnings.

Below, we introduce representative examples of our engagements with cash-rich companies, including both successful and unsuccessful engagement cases.

The first is a successful case. The company in question is a leading Japanese materials company that is globally competitive and has robust cash-generating ability. However, the buildup of cash on hand was weighing on capital efficiency, making it necessary to formulate and implement an appropriate capital allocation policy. At the outset of our engagement, the company agreed on the importance of a capital allocation policy, but it was reluctant to disclose quantitative details. However, after repeatedly communicating the importance of capital allocation—particularly how the formulation and disclosure of a quantitative capital policy could reduce uncertainty from the market’s perspective—the company announced at its earnings briefing a policy of keeping cash and deposits below a certain level. Furthermore, at the next earnings briefing, the company announced a large-scale share buyback, demonstrating a strong commitment to improving capital efficiency. We continue to engage with the company and encourage it to disclose capital efficiency targets, such as ROE.

The second is an unsuccessful case of engagement. The company in question is one of Japan’s leading electronics manufacturers and a highly-profitable growth company. However, it was cash-rich, and there were concerns that its cash holdings would continue to accumulate, potentially leading to a decline in ROE. Accordingly, we requested either the appointment of an outside director with management experience or a reform of the executive compensation system (the introduction of performance-linked compensation or stock-based compensation with capital efficiency metrics as KPIs). However, the company said it did not consider these measures necessary given the present situation, and there was no progress. We also requested an opportunity to meet with outside directors responsible for oversight, but such as meeting has not yet taken place. We concluded that, at the company in question, sufficient efforts had not been made and no improvement was expected, and that this could hinder corporate value enhancement and sustainable growth over the medium to long term. Accordingly, we escalated it to proxy voting, and voted against the re-election of the Chairperson and President. We continue to engage with the company with the aim of having it strengthen its governance.



Integrated Proxy Voting and Engagement

We revise our proxy voting standards every year and engage with investee companies to encourage desirable management practices. The proxy voting standards are based on objective, quantitative and formal criteria, and clearly indicate the circumstances under which we are likely to vote against proposals.

On the other hand, there are cases in which we can confirm efforts to realize desirable management practices through engagement. In such cases, we may not apply the standards exactly as written when voting, but instead review the engagement status and discuss it within the Responsible Investment Committee before reaching a conclusion. For example, even if a company does not meet the proxy voting standards regarding strategically held shares, we may refrain from opposing the election of directors if, through engagement, we confirm progress in reducing such holdings and can identify evidence that the board is exercising oversight. One benchmark for assessing the board's oversight is whether it functions as a monitoring board, which we regard as the ideal form of board governance.

In this way, institutional investors' proxy voting standards have become increasingly stringent, while dialogue with companies has also become more active. As a result, proxy voting based on engagement—that is, an integrated approach to proxy voting and engagement—is making progress.

Below, we present a case in which our engagement prompted improvements, and we therefore did not vote strictly in line with our proxy voting standards. The company in question had grown into a diversified company centered on electronic components, but some of its diversified businesses were low margin, and its overall business results had stagnated, making structural reforms necessary. Although it reflected successful business investments in the past, the company held a large amount of strategic shareholdings, and declining capital efficiency had become an issue. For several years, we have been engaging with the company and asking it to consider streamlining its business portfolio and selling its strategic shareholdings. Initially, the company said it was focusing on improvements in each of its businesses and did not appear to be considering a major restructuring. However, after we repeatedly pointed out the slow progress in improving its low-margin businesses and the need to reduce its strategic shareholdings, the company announced a plan to review its business portfolio and to sell, over the next five years, its core strategic shareholdings. While expressing our support for the announced measures, we also urged the company to implement them promptly. In February 2025, the company disclosed the scale of the businesses it planned to sell and announced a policy to shorten the time frame for selling its strategic shareholdings. In subsequent engagement, we confirmed the company's detailed progress in reviewing its business portfolio, its schedule for reducing strategic shareholdings, and the status of oversight and verification at the board level. At the June 2025 general shareholders' meeting, we voted in favor of the re-election of the Chairperson and President. Although the company did not meet our standards regarding business performance or strategic shareholdings, our engagement had confirmed the company's commitment to improving its business performance and strengthening oversight, as well as progress in reducing strategic shareholdings along with evidence that the board was exercising oversight.

Example of Integrated Proxy Voting and Engagement

Issues

Slow to restructure the business, earnings are stagnant, need to quickly sell strategically-held shares and strengthen governance

Meetings held

March 2022 through May 2025

Meeting counterparties: Chairperson, President, Executive officer and Head of Administration Div., General Manager of Finance Dept., other

Nomura Asset Management

- (Mar. 2022) Noted issue with the business portfolio and strategic shareholdings
- (Mar. 2023) Noted a lack of urgency in pursuing improvements in low-margin businesses
- Confirmed the outlook for sales of strategic shareholdings
- (Dec. 2024) Asked the company to take swift action to sell strategic shareholdings
- (May 2025) Confirmed the schedule for selling down strategic shareholdings and concrete discussions about business consolidation

Japanese electronic components company

- Each business unit will work to make improvements (Chairperson)
- Will proceed with a review of the business portfolio (President)
- Plan to sell strategic shareholdings (President)
- Plan to split off non-core businesses and consolidate low-margin businesses
- Announced plan to sell off approximately one-third of Company X's shares over the next five years (Oct. 2023)
- Will work towards quicker decision-making (President)
- (Feb. 2025) Announced scope of businesses to be sold off and plans to shorten the period of sales of Company X's shares
- Will seek steady progress in selling off businesses and reducing strategic shareholdings while also strengthening governance (President)

Voted in favor of re-electing the Chairperson and President after seeing evidence of improved earnings, a strengthened supervisory function, and a reduction in strategic shareholdings