

1. Contents

Aim of the Exercise of Voting Rights	2
Managing Conflicts of Interest	2
Our Approach to Exercise of Voting Rights	3
Guidelines for Exercising Voting Rights (Japanese Equities)	8
Appendix A	12
Appendix B	12

2. Aim of the Exercise of Voting Rights

Headquartered in Tokyo, Asset Management One (AMO) is one of the largest asset managers in Asia, providing investment strategies to some of the world's largest institutional investors through a global network of subsidiary offices in London (Asset Management One International Ltd.), New York, and Hong Kong.

As a leading asset manager, we believe it is our fiduciary duty and responsibility to help our clients and beneficiaries achieve their financial and non-financial objectives, to maintain a decent standard of living when they retire and to contribute to a sustainable economic growth through efficient allocation of capital. Aiming to preserve value and enhance value, AMO is continuously committed to acting and performing as a good steward for the assets entrusted by our clients. Meanwhile, as reflected in AMO's Corporate Message "creating a sustainable future through the power of investment", we aim to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy and society.

AMO has been a signatory of The Principles for Responsible Institutional Investors in Japan (Japan's Stewardship Code) since it was first introduced in April 2014, applying a high standard of stewardship activities consistent with the spirit of all principles set out in the Code. The aim of our stewardship activities is to protect the interests of our investor clients and beneficiaries, to improve long-term risk-adjusted returns and to support the sustainable value creation of assets that we invest on behalf of our clients.

As a long-term investor, it is AMO's belief that material ESG factors and corporate governance practices of investee companies are critical for consideration in the process of investment analysis and decision making. Deficient or failed corporate governance would also likely raise operational, financial and reputational risks associated with the company's environmental and social performance. We believe that the quality of active ownership (including voting and engagement activities) that brings positive changes plays an essential role in implementing good stewardship and responsible investment approaches, in order to deliver value and perform accountability to our clients.

3. Managing Conflicts of Interest

AMO puts client interests first and always seeks to act in the best interests of clients and final beneficiaries, through our stewardship approach and activities. We have put in place a robust policy and established procedures to identify, prevent or manage conflicts of interest that may arise. AMO's policies aim to cover all potential and perceived conflicts of interest, in particular those that may arise from business relationships and transactions in which AMO, the parent (Mizuho Financial Group or Dai-ichi Life Group) or other affiliated group companies are involved.

In implementing stewardship activities, particularly in managing the potential conflicts of interest that relate to our parent companies etc., AMO have introduced robust policies and internal control measures for proxy voting matters in order to protect client interests and benefits. Chaired by the Chief Investment Officer (CIO) at Asset Management One Co., Ltd in Tokyo, the AMO Stewardship Committee (of which the Head of Risk Management Division is also a member) was established to oversee the implementation of stewardship activities (including voting and engagement activities) and the management of conflicts of interest. In addition, a Proxy Voting Advisory Council, of

which the majority of members are independent outside directors, was also established. AMO has put a monitoring process and reporting framework in place to escalate related matters to the Board of Directors. The Audit and Supervisory Committee members attend the Stewardship Committee meetings when required, to discuss and ensure that robust stewardship policies and process are in place (including approval of any amendment to AMO voting guidelines) and to oversee effective operations of the Stewardship Committee.

With regards to the most important items on proxy agendas that may involve potential conflicts within the parent or group companies, AMO also utilises independent advice from a third-party proxy provider. In addition to this, after seeking independent opinions of the Proxy Voting Advisory Council, the Stewardship Committee will further discuss thoroughly before any voting decisions are made in such occasions.

4. Our Approach to Exercise of Voting Rights

(1) Basic policies and approaches

As defined by AMO's corporate message "creating a sustainable future through the power of investment", AMO commits to promote an optimal allocation of economic and social resources, with an aim of achieving solutions to the key societal challenges and driving sustainable value creation at the investee companies. We regard exercise of voting rights as one of the key mechanisms in our stewardship activities. In order to achieve the aims of discharging our stewardship responsibilities in exercising voting rights as described above, and encouraging investee companies to develop sound ESG practices, AMO has set out our expectations and a set of standards for the exercise of voting rights on behalf of our clients. AMO reviews the standards and guidelines on a regular basis and as appropriate, to reflect relevant regulatory, economic and social development and to ensure they are continuously in the best interest of shareholders in the medium and long term.

(2) The relationship of voting activities and AMO sustainable investment policy

AMO believes that active monitoring of investee companies on an ongoing basis is an essential part of our investment process and stewardship responsibilities. This monitoring is undertaken by both investment teams and responsible investment specialists. Active engagement with investee companies on a wide range of issues, including corporate governance and other material ESG factors, is an integral part of our monitoring process. Regular proactive engagement with investee companies has enabled us to monitor the quality and development of company performance more effectively. We believe exercising voting rights is a useful mechanism to voice concerns or reflect the engagement progress and is also an important part of our stewardship responsibilities and accountability to clients.

Through our engagement, AMO aims to form in-depth understanding and a holistic view of the investee companies. And the purpose of engagement is to improve long-term shareholder value by encouraging and achieving sustained profitability and growth of companies. AMO exercises the voting rights for the shares it holds on behalf of clients. We believe that voting responsibly and intelligently is part of our fiduciary duty and is an

important mechanism to encourage investee companies to strengthen corporate governance, aiming at enhancing long-term value and achieving sustainable growth. Therefore, while publishing and following the voting guidelines for Japanese equities and for non-Japanese global equities respectively, AMO is also committed to a pragmatic approach to voting activities where appropriate by taking into consideration individual company's specific circumstances. We regard voting as part of the process of our engagement dialogue with investee companies and aim to reflect the progress or escalation of ongoing engagements into our voting intentions when appropriate. In such circumstances, a comprehensive assessment and thorough discussions will be carried out at the Exercise of Voting Rights Sub-committee before we make final voting decisions. For significant issues that have a major impact on long-term shareholder interests and where we believe the company's efforts are inadequate in light of our standards on environmental, social, and corporate governance practices, we will request dialogue with the management team, including outside directors.

In occasions where a company has failed to take sufficient actions despite our engagement dialogues for a considerable period of time or where dialogue does not materialize, or in light of our sustainable investment policy, leading to a significant destruction of shareholder value or highly adverse effects on society with an increasing risk of corporate value destruction in the mid- and long-term, as part of AMO's escalated approaches in its stewardship activities, we will oppose election or re-election of directors of the board.

Finally, we also recognise the differences in regulatory requirements or practices in different markets globally. Therefore, in order to raise the corporate governance standard and shareholder protection across markets, AMO actively participates in public policy related discussions and engagement with market regulators and other investors through various global investor groups such as the ICGN (International Corporate Governance Network) and ACGA (Asian Corporate Governance Association).

(3) Our expectations for companies on key ESG issues

- Corporate governance issues

1. Board composition and accountability: the independent outside directors who represent all shareholders (including minority shareholders) interest are best positioned to oversee management performance and hold management accountable. As the direction of travel over the medium to long term, AMO expects Japanese boards to have a majority of outside directors. We also expect the boards to consist of members with a diversified background (in terms of gender, nationality, professional experience, age and tenure, etc.). With regards to gender diversity, we are seeking investee companies in Japan to appoint at least one or more female directors to the board and aim in the future at 30% or more of the total number of board directors. We believe that ensuring independent representation and effective roles of outside directors and outside statutory auditors is essential. Meanwhile, we expect companies to disclose a skills matrix for each board director, to demonstrate the right and well-balanced skillset required for achieving sustainable growth of the company.

2. Nomination and Compensation Committee: we believe it is desirable to establish a Nomination and Compensation Committee, including voluntary committees, where the chair and a majority of members are independent outside directors, to ensure

transparency and accountability regarding the nomination and compensation of directors.

3. Group governance: in particular, we expect some Japanese companies such as listed subsidiaries etc. to have enhanced governance practices, and to ensure sufficient protection of the interest of minority shareholders.

4. Capital efficiency and Stock price: we believe it is important for management to be fully aware of capital efficiency and their stock price to meet the expectation of investors and other stakeholders and to achieve sustainable growth and long-term enhancement of corporate value. In particular, regarding ROE, a key indicator, we believe it is desirable to work towards a target level of 8% or higher.

5. Reduction of so-called strategic or policy shareholdings: there may be cases or occasions where the rationale of such shareholdings is justified. In principle, however, we think cross-shareholdings or policy shareholdings have a pronounced negative effect on capital efficiency and management disciplines. Therefore, we expect companies to provide with a sufficient and compelling explanation on rationales for such shareholdings, and to disclose the results of its examination and assessment.

6. Takeover defence schemes: As takeover defence schemes could be used for managerial entrenchment and may hinder the fair evaluation of shareholder value, we generally do not believe the introduction or renewal of takeover defence schemes is warranted for shareholders to support in principle. When a company considers implementing "emergency-type" takeover defence schemes, it must thoroughly examine the necessity and rationality and obtain approval at the general meeting of shareholders after providing sufficient explanations to the shareholders. On the other hand, acquiring parties should disclose information about their own attributes based on the Corporate Governance Code or Stewardship Code, as well as specific measures to enhance corporate value after acquisition, past achievements, and any other information necessary to prevent abusive acquisitions that could harm corporate value and the common interests of shareholders.

- Environmental issues

Companies and society are interdependent. Companies are expected to further raise the awareness of emerging environmental issues and to tackle climate change challenges, in order to achieve sustainable profitability and growth.

The profound effect of global warming on business activities is increasingly evident. A delay in efforts to tackle climate issues and to accelerate low-carbon transition would likely have a direct impact, resulting in corporate value destruction. Meanwhile, on the other hand, we believe that companies with well-defined strategies and proactive initiatives to combat climate change are most likely to benefit and excel from the perspectives of both risk management and enhanced business competitiveness. Companies have a pivotal role to play in achieving the net-zero emissions target by 2050. Therefore, we expect company management to make a clear commitment to developing sound strategies over the short-, mid- and long-term, in line with the 1.5-degree scenario, and setting science-based carbon emission reduction targets.

A company's responses and approaches to addressing climate change challenges will have a significant impact on sustainability of the company. In our continuous engagement dialogues with companies, we seek strategic implementation of climate

initiatives and disclosures in alignment with the ISSB (International Sustainability Standards Board) framework around climate-related risks and opportunities, a commitment to reduce GHG emissions (including the scope-3 emissions) and to disclose concrete plans towards achieving the net-zero target. Given the inherent high risk and substantial impact of burning coal on climate change and pollution, we also encourage investee companies where relevant to set out and report on their policy and concrete plans for reducing exposure or divesting from coal in line with the 2050 Net-Zero goal.

As one of the focus areas that we identified in our materiality map, biodiversity is also highly interdependent with climate change. Loss of biodiversity is another significant and urgent challenge to tackle. We encourage investee companies to assess the impact of their business activities on biodiversity, make the commitment to protecting natural capital and improve related disclosures on policies. Furthermore, we expect companies to act on conserving, restoring and strengthening biodiversity, in alignment with the Post-2020 Biodiversity Framework, which includes taking effective steps to enhance traceability and sustainably sourcing raw materials with consideration for biodiversity.

- Social issues

We regard a number of key social issues as material factors in sustainable growth and competitive strength for companies. Managing such issues strategically and appropriately will lead to business opportunities and enhanced competitiveness, not least from the aspect of reducing potential risks.

In the transition to a sustainable society, it is essential to ensure that human rights are respected and well-being is embraced. At AMO, we have identified “human rights and health & wellbeing” as a focus area in our stewardship activities. We therefore are seeking investee companies to pay further attention to and address related issues such as diversity & inclusion, human capital management including the human rights issues in their supply chains. We believe that, during the transformation of social systems, formulating creative and highly innovative strategies is the foundation of competitive advantage and this starts with the promotion of diversity & inclusion. Creating a productive environment where all employees enjoy a real sense of wellbeing, including measures for health & safety, acquisition of new skills and working-style reforms, will provide the source for sustainable value creation.

In particular, with regards to gender diversity, we seek further efforts and proactive initiatives in addressing the gaps in hiring, salary raise and promotion, as well as encouraging a greater participation of female employees in managerial or decision-making positions of companies. In addition, we encourage investee companies to establish policies and commitment to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, implement due diligence on human rights in supply chains, and build safeguard and whistle blower mechanisms for related issues.

(4) Process of exercising voting rights

In exercising our voting rights, we are committed to following and meeting the predetermined standards and guidelines for each of the agenda items. However, when significant concerns arise about an investee company’s corporate governance practices, such as legal or regulatory violations by misconduct, a consistently low level of capital efficiency etc., we would pay a particular attention and make further considered voting decisions more carefully aiming at the optimisation of shareholder value over the mid-

and long term. Under such circumstances, we usually establish a pre-screened list of companies where applicable and hold thorough discussions at the Exercise of Voting Rights Sub-committee about these key voting decisions. In addition, we conduct engagement dialogues with relevant companies in the process to help establish our voting considerations and voting decisions.

Our Stewardship Activities Roadmap; To encourage our investee companies to achieve global-level corporate governance by 2030, we have published a medium- to long-term roadmap for our stewardship activities. We will consider applying the items we expect from our investee companies outlined in this roadmap as specific voting guidelines and criteria, taking into account their current status.

5. Guidelines for Exercising Voting Rights (Japanese Equities)

AMO aims to make voting decisions on items proposed at the annual shareholder meeting, by taking into consideration a number of key factors as outlined below for each item. Additional specific criteria for certain shareholder meeting resolutions are also provided in Appendix A.

(1) Election & re-election of board of directors

The board and directors of the board have a fiduciary duty and accountability to shareholders. In discharging their responsibilities, it is essential for the board to aim at improving profitability and capital efficiency in order to achieve sustainable growth and long-term value creation at the company. As such, the directors of board should undertake an effective oversight of executive management to ensure sound corporate governance. For Japanese companies, statutory auditors (“kansayaku”) and the board of statutory auditors are also expected to demonstrate their fiduciary duty and accountability to shareholders in carrying out appropriate assessment and audit independently of the executive board of directors. Therefore, regardless the different type of board systems (a one-tier board of directors with three key committees, board of directors with an audit and supervisory committee, or the traditional two-tier board with statutory auditors) adopted by Japanese companies, we expect investee companies to be able to demonstrate the role and responsibilities for required accountability and independent oversight, with appropriate measures and practices being in place. The sustainable growth of a company and long-term corporate value creation are the result of collaboration with various stakeholders in the economy and society. Proactive responses to ESG (Environmental, Social, and Governance) issues bring benefits to the economy and society as a whole, and also benefit the company itself, contributing to shareholder interests in the long term. The board of directors and management should monitor efforts and progress toward fostering a corporate culture and climate that respects stakeholder rights and sound business ethics.

When we cast votes on board elections, we assess a number of factors, including the board structure, size, performance, independence of outside directors and etc.

- (i) **Board size:** we expect the board to consist of an appropriate number of directors, in order to ensure effectiveness of oversight and decision making. In principle, we intend to vote against election of additional directors at an over-sized board, due to concerns over the board governance and its effectiveness, unless the company provides a compelling rationale for its proposal.
- (ii) **Board composition:** as the direction of travel, over a period of time AMO expects Japanese boards to be comprised of a majority of outside directors. At a

listed company with a parent or major shareholders, in order to ensure the sufficient protection for minority shareholders and to prevent potential conflicts of interest, we generally expect a higher level of governance measures and practices adopted by the company. AMO also encourages diversity of Japanese boards by taking into consideration for gender, nationality, experience, age, tenure and etc. to ensure more diversified perspectives and active discussions.

- (iii) **Board election:** when shareholder value has been significantly destroyed due to misconduct or legal/regulatory violations at a company, we intend to vote against the election or re-election of director candidates who were responsible for or involved in such incidents. When such incidents occurred at a company where no outside director had been appointed to the board, we would in principle oppose the re-election of all board members. Furthermore, as part of our voting considerations, we also make assessment on management performance by the executive directors who are responsible and should be held accountable for a persistently poor performance. On proposed election of outside director candidates, we will in principle vote against if concerns exist over his or her independence from the management. For this reason, we also intend to oppose re-election of appointed outside directors who have been serving at the board for a considerably long period of time, due to a concern over compromised independence and lack of objective judgement in monitoring and overseeing management. Finally, in order to ensure the effectiveness of board oversight and accountability, we also take into consideration the attendance of outside directors at board meetings over the past year and will vote against his or her re-election if an outside director showed a low level of attending board meetings.

(2) Election & re-election of statutory auditors board (“kansayaku board”)

- (i) **Number of statutory auditors:** in principle, we are not supportive of reduction in the number of statutory auditors appointed, due to concerns about a lower level of maintaining management integrity and transparency, unless the company provides a convincing rationale for such a proposal at shareholder meetings.
- (ii) **Election of statutory auditors:** when a company’s misconduct or legal/regulatory violations have led to in a significant destruction of shareholder value or loss of social trust, resulting in business disruptions, we intend to vote against the re-election of any statutory auditor candidates who were identified being responsible for or involved in such incidents.
- (iii) **Election of outside statutory auditors:** we in principle will vote against election of outside statutory auditors, if there are concerns over his or her independence from management. We also intend to oppose re-election of appointed outside statutory auditors who have been serving for a considerably long period of time, due to concerns over potentially compromised independence and weakened downside risk management. Furthermore, we look at the attendance of outside statutory auditors at board meetings and will vote against his or her re-election if the attendance rate is unsatisfactory.

(3) Executive remuneration

- (i) **Executive remuneration schemes (including bonuses, retirement bonuses etc.):** we think it is important that the directors' remuneration and incentives are aligned with shareholder interests over the mid- and long term. Therefore, we expect and support a company's remuneration scheme proposed for directors (excluding for members of the audit and supervisory committee) that includes performance-linked compensation or share-based rewards. However, for directors or statutory auditors who are positioned to oversee management and conduct checks-and-balances, a fixed and cash compensation is more appropriate. As the retirement bonuses system among Japanese companies has a largely seniority-based characteristic, we do not regard it as a preferred scheme aligning with the optimisation of long-term shareholder value, and therefore in principle we intend to vote against such a retirement bonuses system proposed at shareholder meetings. Furthermore, we disapprove related executive remuneration proposals for an increased compensation or bonus grants at a company where shareholder value has been significantly destroyed due to misconduct etc. We also vote against executive remuneration related proposals for increased compensations or bonuses at a company with significantly poor performance, unless a convincing rationale and explanations are provided.
- (ii) **Share-based remuneration (including stock options):** in principle we welcome the introduction of a share-based compensation scheme. However, when we assess and make our voting decisions, we will also take into account a number of factors and conditions, such as possible dilution to shareholder value, the mechanism relating to setting exercise prices and granting criteria etc., the vesting period for restricted shares and etc. We may vote against such share-based remuneration proposals, if the related conditions do not meet our set criteria and expectations for alignment with performance and shareholder interest in the mid- and long-term. With regards to the proposed remuneration schemes with an extremely low exercise price (such as the "one-yen option" scheme), we will regard it as equivalent to a restricted shares scheme.

(4) Capital policy and distribution of retained earnings

We expect investee companies to demonstrate an efficient use of shareholders' capital and generate returns to shareholders while improving the shareholder value. If a company's capital policy and capital allocation practices are regarded to have hindered its success and business growth, resulting in a lower corporate value for future or a significant destruction of shareholder value, we may seek changes and improvement through the exercise of voting at the company's shareholder meetings.

- (i) **Dividend payout:** by considering its capital efficiency and capital allocation needs, if we believe a company's low level of shareholder returns were unjustified, in principle we would vote against its dividend payout proposals. However, we also take into consideration whether the proposed payout would possibly make the company's financial health unstable and therefore make our voting decisions on a case-by-case basis.

- (ii) **Other proposals relating to distribution of retained earnings:** we make considered voting decisions on a case-by-case basis, from the perspective of corporate value creation. We are generally supportive of share buy-backs. But if a qualified opinion by the auditor of a company is issued, we will most likely oppose related proposals for retained earnings distribution. If no management proposal for earnings distribution is submitted for a shareholder vote, where a company's related practice is deemed as unsatisfactory, we will likely reflect such an opinion via our votes on the proposed board election resolutions.
- (iii) **Capital practices:** with regards to other proposals that relate to a company's capital practices (such as mergers and acquisitions, asset disposals, new equity financing, stock warrants and convertible bonds issuance, treasury shares cancellation, stock consolidation, drawdown of legal reserves, other capital changes that are expected to affect shareholder interests etc.), when we vote for such resolutions at shareholder meetings, we will make appropriate assessment and voting decisions by taking into account each individual company's circumstances. Key factors that we consider include the impact of potential dilutions on the share value, contributions to maintaining financial health and value creation, and whether it acts in the best interest of shareholders. Furthermore, we will oppose proposals for third-party allocation at a price more favourable than the market value where the purpose is to establish a foundation or similar entity.

(5) Other corporate governance matters

In order to achieve sustainable growth and long-term value creation, companies need to care for and cooperate with various stakeholders in the economy and society. Therefore, a strategic and proactive approach to ESG (environmental, social and governance) issues is widely expected, with an aim to achieve sustained business success and realise shared benefits for the overall economy and society while generating shareholder value over the mid- and long term. We believe the board and senior management of companies should demonstrate leadership in creating the right corporate culture that promotes ethical business conduct and respects wider stakeholders' rights.

- (i) **Takeover defence schemes:** Due to concerns over the abusive use as a self-defence tool by the management, and potentially hindering a fair evaluation of shareholder value, we generally vote against the introduction or renewal of takeover defence schemes. If such takeover defence scheme can be clarified as "emergency-type", we vote on a case-by-case basis. If and when a company introduced any takeover defence measures without putting them to a shareholder vote, we would vote against resolutions for electing proposed directors of the entire board at the shareholder meeting.
- (ii) **Amendments of articles:** we generally support related proposals, unless there are concerns about any potential harms to the interest of shareholders.
- (iii) **Approval for appointment of auditor:** we generally support the proposed resolution regarding an auditor appointment. However, we would consider voting against a related proposal, where significant concerns or issues such as legal and regulatory violations or fraud allegations were being raised.
- (iv) **Shareholder proposals:** in principle, we assess and make our voting decisions about each shareholder proposal on a case-by-case basis, from the

perspectives of value creation and protection for shareholders, in alignment with AMO's basic policies and principles for exercising voting rights. In principle, we support the shareholder proposals seeking enhancement of disclosures on significant environmental and social related risks that are company-specific and material to its businesses, based on careful assessment on whether the resolutions are in the mid- to long-term interest of shareholders. Meanwhile, when a shareholder proposal clearly shows a characteristic of micromanagement in business matters or demonstrates some motives apart from long-term shareholder value creation, we are not able to lend our support to such proposals.

- (v) **Legal violations, unethical behaviour etc.:** we will seek appropriate remedies and improvement measures to be put in place, where an investee company appears to have violated laws or regulations or engaged in socially unethical behaviours. Given significant concerns about the shareholder value destruction that may cause, we also intend to use our voting activities as a mechanism to assess the facts and hold management accountable, with a focus on actions taken by the company and measures being implemented to prevent such incidents from reoccurring. We therefore will make a voting decision on a case-by-case basis at the shareholder meeting, with regards to management resolutions of the relevant company.

*Note: this AMO Voting Guidelines for Japanese equities above was initially established in 2016, which has been reviewed and revised annually (and as necessary) thereafter. The latest revision takes effect as of 1 April 2026.

6. Appendix A

- With regards to voting on the board election [4(1) in this paper], statutory auditors board election [4(2)] and executive remuneration [4(3)], we examine and take into account the individual company's performance based on a set of financial indicators and criteria, such as:
 - (i) Net loss and zero dividend for three consecutive years
 - (ii) Reduced shareholder capital by over 50% from the previous year
 - (iii) Insolvency (excess liabilities over assets)
 - (iv) ROE among the lowest 1/3 quantile of listed companies (on the TSE Prime Market) for three consecutive years
 - (v) For three consecutive years, net cash ratio** over 25%, ROE among the lower 1/2 quantile of TSE Prime Market listed companies and PBR below 1.0 at the fiscal year-end
 - (vi) TSR among the lowest 1/3 quantile of listed companies (on the TSE Prime Market) for three and five consecutive years

* For data before FY2021, the TSE 1st Section data are referred and utilised

** Net cash ratio is defined as: (cash deposits + short-term investment securities – interest bearing debts)/total assets

- Regarding re-election of board directors [4(1) in this paper], if a company failed in any of the financial performance indicators above from (i) to (vi), without being able to provide a convincing reason, we would vote against the proposed re-election of directors (excluding members of the audit and supervisory committee) who have been sitting at the board for three years or more.
- Furthermore, on other voting items relating to board election, (1) regarding the size of the board, in principle, we will oppose the election of its representative director where the total number of directors exceeds 20 after the AGM; (2) if a company failed by our performance criteria (i) above, we will vote against the representative director and also against any proposed increase in the number of directors; (3) where a board has no two or more outside directors appointed after the AGM, or outside directors are not comprised of one-third or more of the board, we will oppose the election of its representative director; (4) where there is no one or more female director elected to the board, in principle we will oppose the election of its representative director. This applies to all companies listed on the TSE Prime Market; (5) where a parent company, controlling shareholder or a major shareholder (with 40% or more voting rights) exists, we expect the board consists of a majority of outside directors. Otherwise, we will vote against the representative directors. If the company adopted a board of directors with three key committees' governance structure, we will vote against the members of the nomination committee instead of the representative directors indicated on this paragraph.

From April 2027, in principle, we will vote against the representative director if the company proposes, as an outside director, a candidate who has been employed by a company's large shareholder or an affiliated group company within the past 10 years.

- Currently, there are three types of board governance structure adopted by Japanese companies: (A) the traditional *kansayaku* board system (a two-tier board with a board of directors and a statutory auditors' board), (B) a one-tier board with three key committees, or (C) a board of directors with an audit and supervisory committee. In principle, we are supportive of the proposed transition (in relation to Amendment of Articles) from the *kansayaku* board system (A) to the one-tier board systems (B) or (C), or from the board system with an audit and supervisory committee (C) to the board system with three key committees (B). However, we will likely oppose a proposed move from an existing board system with three key committees (B) to a board of directors with audit and supervisory committee (C) or to the *kansayaku* board system (A). Furthermore, we are unable to support a move from a board with audit and supervisory committee (C) to the *kansayaku* board structure (A).

From April 2027, if a nomination and remuneration committee is not established, whether legally mandated or voluntary, in principle, we will vote against the Representative Director. This applies to companies that are members of the TOPIX 500 index.

- Where the ratio of a company's "policy shareholdings" (cross-shareholdings and etc.) accounts for 20% or more of its net assets (40% or more for financial institutions), we will oppose the election of its representative director. Financial institutions are defined by Tokyo Stock Exchange's 33 industrial sectors as Banks, Securities & Commodities Futures, Insurance, and Other Financing Business.
- Climate change initiatives should be recognized and acted upon as a critical management issue. For companies with relatively high greenhouse gas emissions, if their progress in reduction efforts is deemed significantly insufficient, we will consider opposing the election of their representative directors.
- Regarding the criteria for independence of outside directors, we expect the proposed candidates to be able to act as an independent representation for all shareholders, demonstrating no conflicts of interest with the company. Specifically, we examine whether he or she is registered with the Stock Exchange as an independent director for the company. We expect an outside director candidate has had no track record of being employed by the company's large shareholder (with 10% or more shareholdings) or an affiliated group company for the past ten years. If the appointee has worked for a large shareholder (including a group company), the appointment will in principle be opposed regardless of the individual company's situation such as restructuring or planning a merger. Furthermore, we oppose the re-election of outside directors if he or she has been serving at the board for 12 years, due to concerns over a potentially compromised independence.

- On other key matters of electing outside directors, if the candidate's attendance of board meetings were less than 85%, we are not able to support his or her re-election. If an outside director, who is also sitting at the Audit and Supervisory Committee, has attended less than 85% of board meetings or the Committee meetings, in principle we will vote against the re-election. If a company does not disclose related information on the outside director's attendance of board meetings, we will also oppose their re-election. Taking into account the candidates' boarding situation and commitment with other companies, we are obliged to make voting considerations on a case-by-case basis as well especially if some concerns remain.
- The voting principles and criteria set out for electing outside directors above, including independence assessment and the attendance requirement (for board meetings or statutory auditors board meetings) etc., also apply to the election and re-election proposals for *kansayaku* (statutory auditors) [4(2) in this paper]. In addition, regarding a resolution of reducing corporate statutory auditors, where the total number of statutory auditors or the number of (one or more) outside statutory auditor was decreased without providing a compelling rationale for this proposal, we will in principle vote against the election of the company's representative directors.
- Regarding AGM proposals for executive remuneration [4(3) in this paper], we oppose resolutions where bonuses, performance-linked or share-based compensations are also granted to any board members of the Audit and Supervisory Committee or statutory auditors (*kansayaku*), or to the external advisors (except for those from group companies). However, we generally support a remuneration policy offering performance-linked or share-based pay to the executives or directors who are serving at the Audit and Supervisory Committee (or as a *Kansayaku*) of subsidiaries or affiliated group companies, giving consideration to their role in those organisations that would unlikely affect the expected standard for governance practices at the said company.
- In principle, we oppose the awarding of executive bonuses, performance-linked compensation, and stock compensation if the recipients include external parties (such as advisory staff) other than directors and auditors who are members of the issuing company's audit and supervisory committee, or external parties other than group companies (including the issuing company, subsidiaries, and affiliates). Furthermore, regarding directors and auditors who serve as audit and supervisory committee members of subsidiaries and affiliated companies, we generally support this based on the understanding that it does not affect the governance of the issuing company.
- We do not support any remuneration proposals for pay increases or bonus grants at a company where the violation of laws and regulations or significant misconduct has been identified. Furthermore, other voting criteria set for remuneration related resolutions includes performance checks, such as (i) net loss and zero dividend for three consecutive years, (ii) reduced shareholder

capital by over 50% from the previous year, and (iii) insolvency (excess liabilities over assets). If one of these three financial indicators applied, in principle we are not able to support executive pay proposals unless the company provided with a convincing reason and rationales for its poor performance results.

- On share-based remuneration schemes, if newly issued shares will result in a 5% or more dilution to the total outstanding shares issued, we will vote against related resolutions. Furthermore, in principle we do not support such a scheme with a vesting period of less than three years for restricted shares.
- With regards to the proposed dividend payment [4(4) in this paper], if a company's three-year average and most recent fiscal year ROE falls between 0% and 8%, and the total shareholder return ratio is below 30% for three consecutive years, we would regard it as underpaying dividends and in principle would oppose the resolution (except in the case of financial instability). However, if the three-year average and most recent fiscal year ROE falls between 0% and 5%, and the total shareholder return ratio is below 50% for three consecutive years, we would also in principle oppose the resolution. If company's distributed retained earning policy should be opposed under our guideline, we will vote against the re-appointment of directors who have been serving at the board for over three years. We will in principle oppose the reappointment of directors if we determine that the distribution of surplus funds will destabilise the company's finances.
- In relation to proposed amendments to articles [4(5)(ii) in this paper], we will oppose the resolution if any of the following applies: (i) a substantial increase in the total number of authorized shares (e.g. if the number of authorized shares, following the proposed increase, is to become more than twice the current total number of issued shares), (ii) reduction of the quorum for special resolutions, (iii) more stringent voting exercise requirements for restructuring-related resolutions, (iv) more stringent voting requirements for dismissal or removal of directors, (v) a staggered board structure for directors election, (vi) a de facto takeover defence measure using class shares with a veto right (so-called golden shares), (vii) increase in the number of board directors or decrease in the number of statutory auditors (*kansayaku*) without providing a compelling rationale, or (viii) limiting the liability of auditors. However, in principle we tend to vote in favour for related proposals to limit the liabilities of non-executive directors and statutory auditors (*kansayaku*). We also generally support share buyback-related resolutions.
- With regards to the resolutions of appointment of auditors [4(5)(iii) in this paper], if there were any significant concerns or issues (such as violations of laws and regulations, or misconduct and etc.) with the said auditor, we would in principle oppose the proposal, with the exception of (1) nomination of an alternative auditor at the same time and (2) a clear policy put in place for the alternative auditor to be appointed following a certain period of time for succession and etc.
- On shareholder proposals [4(5)(iv) in this paper], AMO generally opposes related proposals on the following occasions, such as (1) resolutions that clearly indicate no perspective or little consideration of value enhancement for shareholders at

large (e.g. resolutions that aim to solely address certain political motives), (2) resolutions clearly showing the characteristic of micromanagement within the scope of management decisions or business execution matters (e.g. requesting Amendments to Articles concerning specific and detailed business execution), (3) the cases where the company has already considered and taken adequate measures regarding the proposed matter, (4) resolutions that could potentially result in significant competitive disadvantages, or (5) issues that should be addressed by laws or regulations, instead of by individual companies.

- Finally, regarding violations of laws and regulations, misconducts or scandals [4(5)(v) in this paper], we refer to the cases where the incident has occurred, causing a significant destruction of shareholder value and loss of social trust, and has had an adverse impact on the company's businesses. It refers to illegal behaviours or acts on the customers (including consumers), suppliers, creditors, employees and local communities. It also includes unethical behaviours or acts that are deemed inappropriate by social conventions, leading to a loss of social trust for the company. It should be noted that the said cases are identified as having institutional or organisational involvement, or due to the company's governance structure of responsibilities, but excluding the acts and behaviours attributable to the individuals such as employees or executives.

7. Appendix B

- In the Roadmap for our stewardship activities, we set our expectations for investee companies over the medium and long term. In both engagement and voting, we will foster constructive dialogue based on corporate practice to enhance the effectiveness of our stewardship activities, thereby improving medium- and long-term corporate value and maximising investment returns.

* For more information, please see our sustainability report 2024 (in English).