

2021
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Creating a sustainable
future through the power
of investment

SUSTAINABILITY REPORT 2023 Highlights



We believe that investment has the power to support people and bring prosperity to society.

This is because investing lies at the source of economic activities that take the forms of providing products and services of use in daily livings, developing infrastructure for daily lives, and creating new values through innovation.

So what exactly is investment?

We consider investing to mean generating the potential inherent in money.

Not only does money support corporate growth and produce economic returns, it has the ability to solve environmental and social issues through the activities of the recipients of investment, and bring prosperity to the world.

As professionals, we at Asset Management One face the investment experience of each individual, and give thorough consideration to the investments that we rigorously select on the basis of a medium- to long-term perspective in order to maximize the potential of the money that we are entrusted with, and maintain an unflinching focus on achieving results.

It is our commitment that we will faithfully fulfill our duties as an entrusted party, and will create a sustainable future through the power of investing together with you.

“Creating a sustainable future through the power of investment”

Asset Management One

Asset Management One by the Numbers

*As of June 30, 2023

Total AUM

USD **450** billion

ESG investment AUM

*The balance of products that comply with our designated ESG-related naming rules.

USD **16.8** billion

Number of engagement activities with Japanese companies

2,138

Number of proxy voting rights exercised for Japanese equities

24,021

Asset Management One is an asset management company launched in October 2016. We have approximately US\$450 billion in assets under management in the investment advisory and investment trust businesses, making us one of the largest in Japan.

*For details, see page 3 of the full Sustainability Report.





Creating a sustainable future through the power of investment. Our goal is to accelerate “implementation.”

Since our establishment in 2016, our firm has been striving to fulfill all our social responsibilities as an asset manager. In 2021, we coined our corporate message “creating a sustainable future through the power of investment” to express our vision of contributing to solving social problems through asset management.

As an asset management company, our responsibilities to society are simple: to extract maximum potential from the assets that our clients entrust to us. While we work hard to gain economic returns from the growth of the investee companies, that is not our only goal, we will also bring affluence to society through supporting the corporate activities of such investee companies, helping them solve social problems. While achieving both financial returns and social returns at the same time is difficult to achieve in the short term, medium- to long-term strategies to achieve both should deliver synergistic benefits. We believe in the intrinsic power that these investments potentially hold through the prospects of realizing both financial and social returns.

We, as asset managers, are in a position to be able to contribute to the development of the entire investment chain by working with stakeholders, both asset owners and investee companies. Our total assets under management amount to approximately US\$450 billion (as of June 30, 2023), covering over 70% of Tokyo Stock Exchange Prime-listed companies on a market capitalization basis. Leveraging this robust foundation, we will support the growth of investee companies, facilitate asset formation for investors, and fulfill our social responsibilities. This is our wish.

Upon its launch, the firm established a dedicated department for stewardship activities. We also created a “materiality map” to visualize important issues as guidelines to select investees. In this way, we have conducted a series of engagement activities with investee companies operating in a wide range of fields based on our track record of dialogue and unique analytical capabilities. Going forward, we are committed to continuing our activities aimed at widening the ESG investment through dialogue with clients and product development.

Fundamentally, asset management is about enriching returns through long-term, sustainable efforts. In that sense, appreciation of the values of sustainability is a crucial part of asset management, our livelihood, and should be embedded in our business by default. Therefore, our mission, so to speak, is preserving “what is taken for granted.” With the belief that our firm’s sustainability activities can be truly put into practice only when they are entrenched in the activities of each employee responsible for putting together our products and services, we are also working on increasing dialogues within our firm.

Investment is the starting point for creating landscapes of the future. As an asset management company “creating a sustainable future through the power of investment,” we will strive to be the long-term partner of choice for asset owners, guiding them in the direction they should take and walking alongside them. To pursue this goal, we will continue to act candidly, humbly and sincerely.

President & CEO, Asset Management One Co., Ltd.
Noriyuki Sugihara

Representing the Future with Materiality Map

Materiality is generally described as the “important issues” that a company or organization should prioritize in addressing. Our materiality map is created based on the analysis on important global environmental and social issues that we, as an asset management company, should address in order to implement our corporate message, “creating a sustainable future through the power of investment.” The analysis and organization use two perspectives (double materiality): sustainable materiality, which indicates the global society’s level of interest in environmental and social issues, and financial materiality, which indicates the level of economic impact from and on corporate activities.

Currently, we have nine issues (climate change, biodiversity, health and wellbeing, diversity, equity and inclusion, water resources, circular economy, sustainable food system, air, water and soil and land pollution, and business and human rights) set as its core material issues. Furthermore, we have set three topics (climate change, biodiversity and environmental destruction, and human rights and health & wellbeing) as focus areas in light of the overlap between the core material issues, and integrate them into our business operations and asset management.



Climate change



Biodiversity and environmental destruction



Human rights and health & wellbeing

Climate & Nature Report

There are major interconnections between climate change and biodiversity issues, and in the belief that an integrated approach is efficient and effective, we integrated information about our initiatives related to biodiversity and environmental destruction into our disclosures based on Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The second net zero alignment assessment

As a signatory to the Net Zero Asset Managers initiative (NZAM), Asset Management One is committed to the net zero scenario alignment with a net zero interim target for 2030 of 53% (¥30 trillion) of our firm's AUM (¥57 trillion as of March 31, 2021).

In 2023, we conducted the second net zero alignment assessment for investee companies in Japan.

Update our initiatives on natural capital and biodiversity

For the early realization of the mission declared in the Kunming-Montreal Global Biodiversity Framework “To halt and reverse biodiversity loss by 2030” and its 2050 vision of “A world living in harmony with nature,” we will continue to require our portfolio companies to take effective action to conserve and restore biodiversity throughout the value chain.

In 2023, with updating our TNFD LEAP analysis, we worked on the research on forest issues and conducted quantitative analysis on biodiversity.

Human rights

Research on human rights due diligence in the value chain

With the heightening awareness to human rights among companies, we conducted a research, based on information disclosure, targeting Japanese companies involved in the procurement of high risk commodities where severe human rights violations is considered likely to occur, on how initiatives for human rights due diligence are implemented for the value chain as a whole.

Human capital

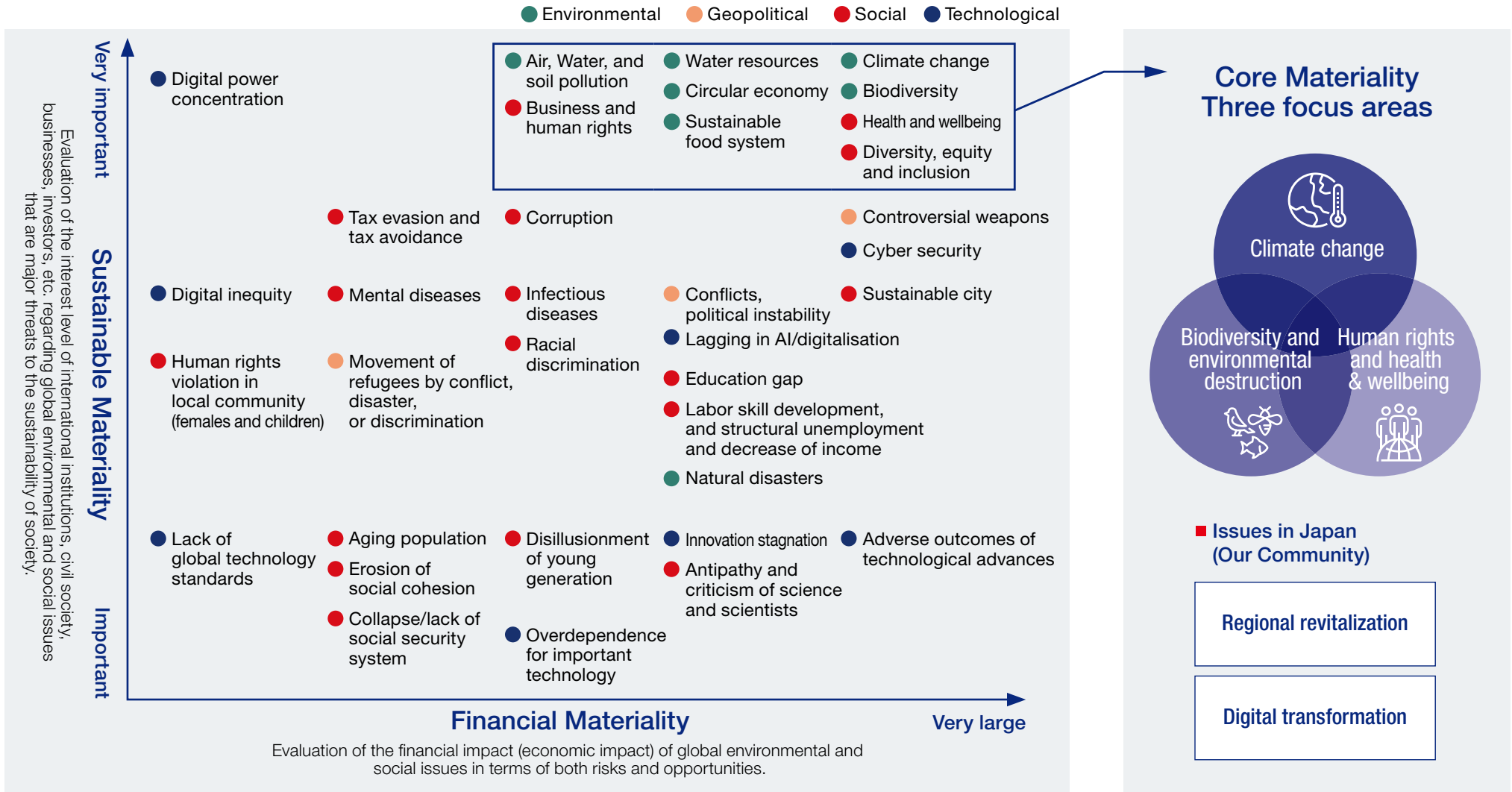
Dialogue to achieve effective human capital management

Based on our belief that the achievement of effective human capital management is the base for raising corporate value over the medium to long term, our firm has been actively involved in efforts such as participating in the Human Capital Management Consortium as a founding member and steering committee member. We outline our approach and key points to achieving this initiative in the full report.

*For details, see pages 11 to 23 of the full Sustainability Report.



Asset Management One's Materiality Map



Corporate strategy **Base for sustainable corporate value enhancement** **Governance and disclosure**

We are also focusing on "corporate strategy" and "governance and disclosure" as the base for sustainably raising corporate value. These are preconditions for a company to proactively address environmental and social issues from a medium- to long-term perspective, in addition to achieving short-term earnings growth, in order to sustainably raise its own value.

Fulfilling Our Stewardship Responsibilities

■ Asset Management One's stewardship activities

Stewardship activities refer to the activities of institutional investors aimed at enhancing medium- and long-term investment returns for their clients and beneficiaries. This is done through efforts including engagement activities (constructive and purposeful dialogue based on a deep understanding of investee companies and their business environments) and the exercise of voting rights to encourage investee companies to enhance their corporate value and grow sustainably.

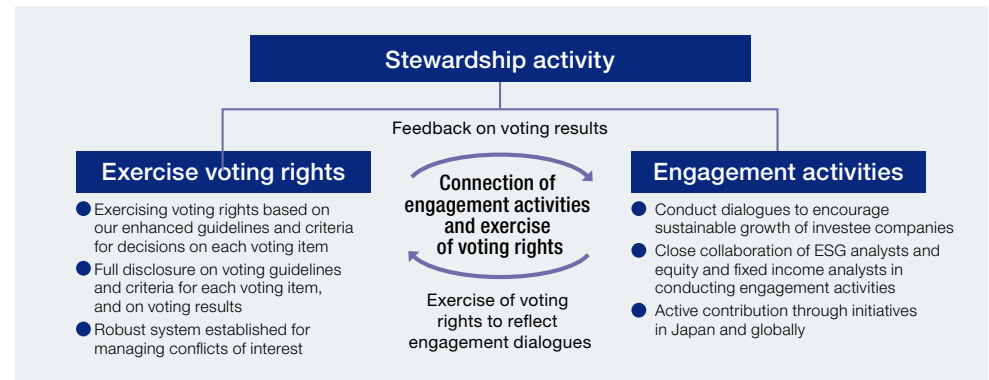
At the same time as its launch in October 2016, our firm established a dedicated department for stewardship activities and has been focusing on these activities ever since. While stewardship activities are mainly done through engagement activities and the exercise of voting rights, we do not believe that the two are separate aspects. In exercising voting rights, we make decisions considering the content of dialogues in our engagement activities, in addition to our Proxy Voting Policies and Guidelines. In addition, during engagement activities, we conduct dialogue based on the results of the exercise of voting rights, as well as providing feedback on the results, thereby implementing both aspects of our stewardship activities in coordination with each other.

The aim and essential value that we always keep in mind is the effectiveness of our activities. When engaging in dialogue, we stand in the positions of our investee companies, and accompany them in their efforts aimed at solving social issues that will lead to an improvement in corporate value. For this purpose, it is essential for us to possess a deep understanding of companies and industries. Furthermore, for major and complex issues such as climate change, we not only directly approach investee companies, but also focus on engaging with various stakeholders.

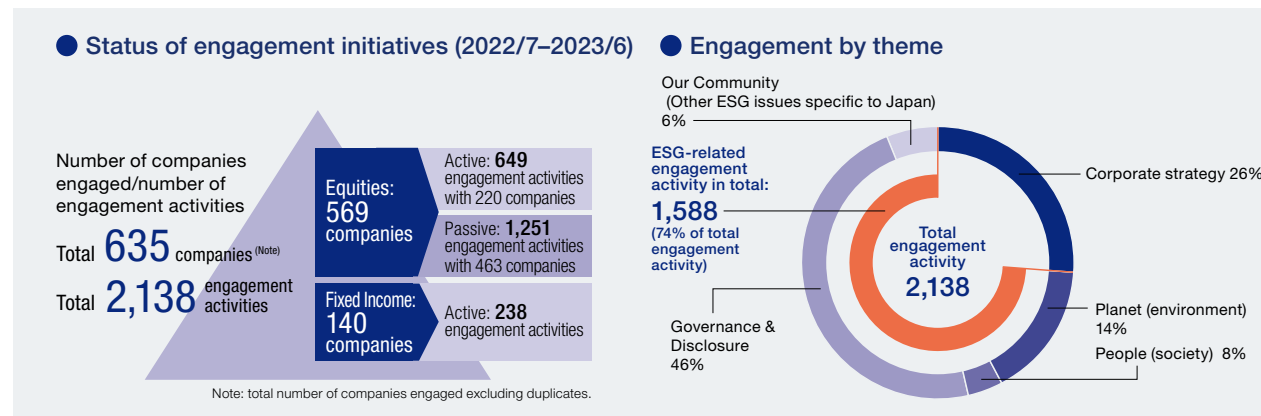
For exercising voting rights, we review our "Proxy Voting Policies and Guidelines" every year,

taking into account various changes in the environment and revisions to our materiality map. Major updates for FY2023 are described below. Going forward, we will take stricter stance on the exercise of voting rights in order to encourage investee companies to work to improve capital efficiency.

We believe that when our stewardship activities actually become a force to help change society for the better, it will allow us to realize our corporate message, "creating a sustainable future through the power of investment." For details on specific initiatives and engagement examples, please refer to the full Sustainability Report.



■ Engagement status (Japanese equities)



■ Major revisions to Proxy Voting Policies and Guidelines -Japanese equities-

Major revisions for FY2023

● Basic policies and operation

Of the three focus areas designated: climate change, biodiversity and environmental destruction, and human rights and health & wellbeing, with respect to climate change, the Proxy Voting Policies and Guidelines state that investee companies are expected to formulate and disclose a concrete plan. It also explicitly outlines the relationship of climate change to engagement and the Sustainable Investment Policy.

● Criteria for decisions on voting items

To promote diversity at the board level, Japanese companies are required to appoint at least one female director to the board (the application of this requirement has been expanded from the TOPIX 100 constituents to all companies listed on the Tokyo Stock Exchange Prime Market).

Direction of revisions for FY2024

We plan to make the voting guidelines and criteria for decisions more stringent in order to encourage investee companies to work to improve capital efficiency.

*For details, see pages 25 to 51 of the full Sustainability Report.

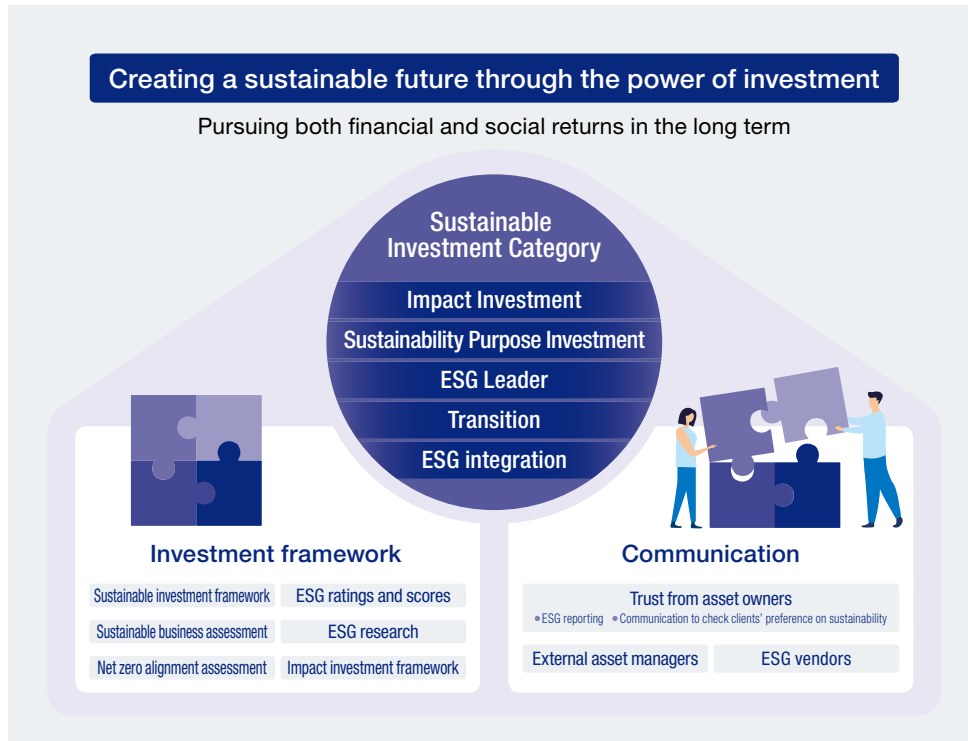


Co-creating Sustainable Investment

■ Asset Management One's sustainable investment

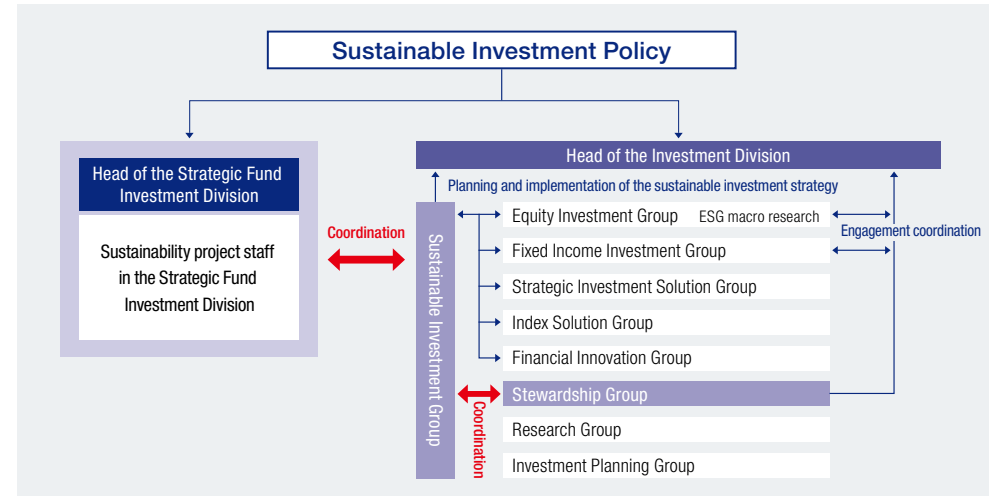
In order to realize our corporate message, "creating a sustainable future through the power of investment," we have established the Sustainable Investment Policy consisting of five actions, with the aim of pursuing both financial and social returns in the long term.

Our clients' views on sustainability vary. Based on careful consideration of these views, we have defined a Sustainable Investment Category to deliver investment products that align with our clients' views. In order to make proposals based on this Investment Category, we have developed a comprehensive evaluation framework for analyzing important ESG issues. This framework enables us to incorporate the results into investment decision-making process effectively. We will also report the sustainability characteristics of our investment products to respond to clients' expectations. Through these initiatives, we will promote sustainable investment based on co-creation with our stakeholders.



■ Sustainable investment management structure

Under the Sustainable Investment Policy, we will promote sustainable investment in both our in-house and outsourced investment management. In particular, for our in-house investment management, the Sustainable Investment Group plays a central role in promoting the implementation of the Sustainable Investment Policy across asset classes. We also apply the same standards to outsourced investment management as we do to in-house investment management, and engage in dialogue with outsourced external managers.



■ Sustainable Investment Category

We have introduced our Sustainable Investment Framework to ensure that clients can choose the degree of emphasis on social returns in addition to financial returns depending on their values and investment objectives. Our ESG investment AUM based on this Category was 16.8 billion USD as of June 30, 2023.

	Fund characteristics
Impact Investment	<ul style="list-style-type: none"> Investment which aims for positive and measurable environmental and social impact Requiring three elements, namely, "an intention to create a social impact," "additionality and novelty," and "measurement and reporting"
Sustainability Purpose Investment	<ul style="list-style-type: none"> Investment that aims to contribute to the solution of environmental and social issues
ESG Leader	<ul style="list-style-type: none"> Invest in excellent companies which contribute to the achievement of a sustainable society
Transition	<ul style="list-style-type: none"> Invest in companies that are actively engaged in the progressive reduction of society's and their environmental and social impacts. Invest in companies which can be expected to improve their own ESG initiatives
ESG integration	<ul style="list-style-type: none"> Consider ESG risks and/or opportunities in the investment process

*For details, see pages 53 to 67 of the full Sustainability Report.



[Note]

- This material was prepared by Asset Management One Co., Ltd.
- This material is for the purpose of information provision, and it is not intended as investment solicitation to investors.
- This material was prepared using data judged to be reliable by Asset Management One Co., Ltd., but the firm does not guarantee the contents' completeness or accuracy. Moreover, the presented data is past performance and does not guarantee future investment results.
- Content in this material was as of the time the material was prepared and changes to such information may arise without notice in the future.
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 1. They are not savings accounts, etc. or insurance policies. Nor are they subject to protection by Deposit Insurance Corporation of Japan or by Insurance Policyholders Protection Corporation. Nor are they subject to protection by Investor Protection Fund when such investment trusts are paid into through means other than securities firms.
 2. There is no guarantee, expressed or implied, on the principle or the yield of paid in amounts.
 3. The value of invested assets may fall to below the initial paid in amount. In such cases, the person who paid in such amount shall bear the loss.

[Overview]

Name: Asset Management One Co., Ltd.
 President & CEO: Noriyuki Sugihara
 Address: Tekko Building, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo
 Capital: JPY 2 billion
 Shareholders: Mizuho Financial Group, Inc. 51%
 Dai-ichi Life Holdings, Inc. 49%
 Format: Company with an Audit and Supervisory Committee
 Employees: 899 (as of June 30, 2023)
 Notification to authorities: Financial instruments firm
 Director of Kanto Local Finance Bureau
 (Financial Instruments Firms) No. 324
 Memberships: The Investment Trusts Association, Japan
 Japan Investment Advisers Association



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Full Sustainability Report 2023

https://www.am-one.co.jp/img/english/26/sustainability_report_e_2023.pdf

