

The background features a watercolor-style illustration. The upper portion shows a large tree with a thick trunk and a canopy of green and yellow leaves, with small white dots scattered throughout. Below the tree, a school of blue fish swims in a light blue, bubbly water. The overall aesthetic is soft and naturalistic.

Creating a sustainable future through the power of investment

SUSTAINABILITY REPORT 2025



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

Editorial Policy

The Sustainability Report, which has been published under this name since 2021 after originally being issued as the Stewardship Report beginning in 2018, marks its fifth edition this year. In preparing this year’s report, we have continued to present an overview of our initiatives, while also featuring special sections highlighting new initiatives launched during the current fiscal year. Existing initiatives have also been updated based on this year’s results, with additional revisions made to further enhance the provision of information. Moreover, while specific cases of engagement and proxy voting were presented in the web version last fiscal year, we have reorganized the content to include them in the report version to improve readability. We will continue to focus on creating a report that is easy to understand and read.

*In this document, “the Company” refers to Asset Management One.

*In this document, “AMOAI” refers to Asset Management One Alternative Investments.



2025

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Creating a Sustainable Future Through the Power of Investment
Advancing Continuity, Engagement, and Enhanced Effectiveness.

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Asset Management One by the Numbers

*As of June 30, 2025

Total Assets Under Management (AUM) and breakdown

Total AUM

USD **499** billion

Scale of sustainable investment initiatives

ESG investment AUM

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

USD **28.5** billion

AUM breakdown

*Excludes investment advisory AUM

By asset class



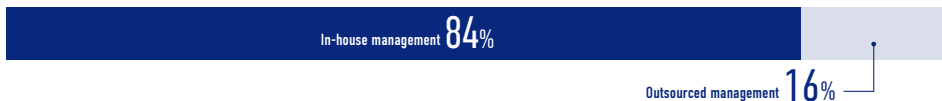
By client type



By investment style



By managing entity



Stewardship activities

Number of engagement activities with Japanese companies

2,215

Number of proxy voting rights exercised for Japanese equities

20,039

Our Sustainable Investment Execution Framework

Global network

Asset Management One International Ltd.
Location: London

Asset Management One Co., Ltd.
Asset Management One Alternative Investments Ltd.
Location: Tokyo

Asset Management One USA Inc.
Location: New York

Asset Management One Hong Kong Limited
Location: Hong Kong

Employees

*AM-One domestic staff/overseas assignees, AMOAI

698 male **350** female

Number of investment professionals

*Fund manager, analysts, economists & strategists

271 *

ESG experts

*Including individuals who concurrently work on non-ESG related tasks in part

44

Number of origin countries and regions

10 or more countries and regions

Average years of experience of fund managers

13.9 years *

Average years of experience of analysts

22.5 years *

*Staff counts at Asset Management One Co., Ltd





Top Message

Creating a Sustainable Future Through the Power of Investment Advancing Continuity, Engagement, and Enhanced Effectiveness.

President and CEO,
Asset Management One Co., Ltd

Noriyuki Sugihara

| Trends in Sustainability and our Recognition

In 2025, against the backdrop of the inauguration of the second Trump administration, major U.S. financial institutions withdrew one after another from key climate-related alliances such as the Net-Zero Banking Alliance (NZBA) and the Net Zero Asset Managers initiative (NZAM), and this trend partially extended to Japan as well. The U.S. government further distanced itself from international frameworks addressing climate change, including those based on the Paris Agreement, while in some segments, a backlash against DE&I (Diversity, Equity and Inclusion) became increasingly evident. In Europe, ESG-related disclosure standards—including the Corporate Sustainability Reporting Directive (CSRD)—were eased in an effort to reduce corporate burdens.

Meanwhile, in Japan, the Sustainability Standards Board of Japan (SSBJ) published its final sustainability disclosure standards, and the Government Pension Investment Fund (GPIF) established its sustainable investment policy, including its intention to consider “impact-oriented investment.” Furthermore, amendments to the GX Promotion Act laid the foundation for the introduction of a carbon-pricing system, indicating a shift toward more practical and effective sustainability initiatives.

We believe that sustainability—aimed at delivering long-term “fruitful outcomes” for the economy and society through sustained investment activities—is a core principle of the asset management business and a universally important theme that remains unchanged over time. Therefore, rather than adjusting our direction based on short-term developments, we view the current environment as an exceptional opportunity to demonstrate our commitment. Building on the expertise accumulated and the organizational capabilities developed to date, we have entered a new phase in which we continue to advance

sustainability initiatives and embed them more deeply in our business without wavering from our long-term course.

Evolution Toward More Effective Sustainability Practices

As we continued to integrate sustainability into our core business and accelerate related efforts, three major developments occurred over the past year.

First, for each of our focus areas—climate change, biodiversity, human rights and health, and well-being—we defined priority engagement topics and KPIs. These KPIs were formulated based on the medium- to long-term roadmap for stewardship activities established last year, which calls for investee companies to achieve globally aligned standards of corporate governance by 2030. The KPIs and priority areas represent the milestones derived from that target, specifying the actions we expect investee companies to take. By setting these engagement indicators, we aim to further strengthen the effectiveness of our stewardship and engagement activities.

Second, we advanced the development of a framework for expanding impact investment and progressed with related product initiatives. Impact investment—aimed at generating positive, measurable social and environmental outcomes alongside financial returns—is growing steadily in Japan as well. Meaningful dialogue with investee companies is essential, encouraging them to generate positive impact through their core businesses and enhance the transparency of such activities. We believe that our long-standing expertise in responsible investment, including the work of our ESG analysts, can be fully leveraged in this domain. Going forward, we will actively expand opportunities for investors to resonate with our approach to creating positive impact, thereby broadening the base of impact-oriented investments. As part of these efforts, we plan to launch a new impact fund for institutional investors within this fiscal year.

Third, as part of our corporate sustainability initiatives, we introduced the “Hagukumu Investment Plus” scheme. This program channels a portion of the trust fees we receive—linked to the assets under management of our sustainable investment products—toward organizations addressing the social and environmental issues (materiality topics) that we consider essential to achieving our corporate message: “Creating a Sustainable Future Through the Power of Investment.” Although we have long engaged in donations addressing social and environmental challenges as well as disaster-recovery support, this scheme enables us to deliver more impactful contributions aligned with the sustainability aspirations of the customers who invest in

these products. Additionally, internal initiatives associated with this program have created new participation opportunities for employees, significantly contributing to greater sustainability awareness across the organization.

Challenges and Future Outlook for Our Sustainability Initiatives

Sustainability initiatives are inherently medium- to long-term endeavors. Even when immediate results are not visible, steady and persistent efforts remain essential. As an asset management company, we must maintain the mindset of linking such initiatives to future business opportunities while engaging a wide range of stakeholders—including employees, clients, the broader industry, and partner organizations—in order to drive progress. From a business-development perspective, we will incorporate the sustainability initiatives described above into our investment products and services, steadily delivering tangible outcomes while enhancing our investment capabilities, strengthening our industry presence, and elevating organizational performance.

From the standpoint of continuity, we have advanced financial and economic education initiatives unique to an asset management company, such as offering the “Fund Manager” course within the “KidZania Online College.” We have also expanded university lecture programs funded by donations, developed financial-education content for upper-elementary students, and enhanced training offerings for teachers. These educational initiatives will continue to be expanded.

Regarding collaboration across the investment chain, a joint industry publication—A Study of the Asset Management Industry—was released, with contributions from our firm and three peer companies, aiming to increase public recognition of the asset management sector. By leveraging the combined strengths of multiple firms, we believe this initiative helped raise the industry’s public recognition. At the same time, beyond external collaboration, we are strengthening internal structures for sustainability promotion, fostering a corporate culture in which every employee views sustainability as personally relevant and contributes actively—thereby enhancing company-wide engagement.

In 2026, Asset Management One will mark the 10th anniversary of its establishment—an important milestone. Building on the experience, expertise, human capital, and products developed over the past decade, we will continue delivering investment solutions and services that provide meaningful value to our clients. At the same time, we will deepen and expand our sustainability initiatives, with each employee maintaining a proactive commitment to sustainability.





Executive Officer Message

Creating a Sustainable Future through Capital Markets

Head of Investments Division
Managing Executive Officer
Asset Management One Co., Ltd

Shigeki Muramatsu

1. Fostering the Future Together with Companies Through Capital Markets — Supporting Sustainable Growth Through Dialogue

In the past, corporate financing was primarily conducted through banks—so-called “indirect finance.” Today, however, “direct finance,” in which companies raise capital directly through the market, plays an increasingly vital role. Against this backdrop, asset management companies are expected not only to provide capital, particularly in equity investment, but also to support sustainable corporate growth through continuous dialogue.

In equity investment, capital is provided as equity itself, and its use is intended to support corporate growth. For this reason, we believe it is essential to engage with

companies from the earliest stages of investment, communicating the rationale for our investment and sharing expectations and values. By exercising voting rights—one of the most powerful attributes of equity investment—we influence corporate strategy and actions, thereby promoting sustainable growth. We are convinced that this is the fundamental mission of asset management companies and the core of value creation through capital markets.

2. Advancing Effective Sustainable Investment and the Evolution of Market Rules

In sustainable investment, what we value most is effectiveness. While investment is not an end in itself, true value is created only when investments yield concrete outcomes - such as decarbonization, biodiversity preservation, and improvements in

human rights and health - and bring real change to society and the environment. For example, under current energy policy, fossil fuels continue to be used while a transition toward renewable energy progresses. This represents a form of “transition” that seeks to secure short-term economic stability while aiming for sustainable energy supply over the long term. With this reality in mind, we support technological innovation and advance investments that effectively balance economic and environmental considerations.

Equally indispensable for sustainable investment is the evolution of rules in line with the change of the times. Throughout the history of capitalism, rules have consistently evolved in response to technological development and societal change. During the Industrial Revolution, coal was indispensable; today, its use is scrutinized for environmental impact. Similarly, companies must demonstrate ethical conduct and strong governance to earn trust from stakeholders.

Sustainability, as part of this broader evolution, has become an essential element in ensuring the sound functioning of market economies. Through direct finance, we aim to support technological innovation while adhering to evolving rules and pursuing investments that create value for society and the environment. These efforts represent a core responsibility of asset management companies and form the foundation for building a sustainable future.

3. Creating the Future Through Stewardship Activities

In the current fiscal year, we established specific engagement priorities and KPIs across three focus areas—climate change, biodiversity and environmental destruction, and human rights, health, and well-being. These indicators encompass not only quantitative metrics but also qualitative initiatives such as disclosure practices and dialogue with stakeholders, allowing for a multifaceted assessment of progress toward sustainability objectives.

Ideally, each domain would have a clearly defined KGI (Key Goal Indicator). However, due to the current absence of sufficiently developed measurement technologies and universal standards, KGIs have not yet be set in some areas. Accordingly, this fiscal year we focused on developing KPIs—including qualitative indicators—while building the foundation necessary to establish KGIs as technology and societal norms evolve.

KPIs serve as milestones toward achieving KGIs, the ultimate goals. Setting appropriate KPIs therefore increases the likelihood of reaching those goals. Through this year’s initiatives, we aim to further strengthen the foundation for “creating the future.”

4. Looking Toward Our 10th Anniversary — For the Purpose to Create the Sustainable Future Through the Power of Investment

Our corporate message—“Creating the Sustainable Future Through the Power of Investment”—encapsulates our philosophy. Whether growing capital or protecting nature, all actions ultimately contribute to nurturing the future.

We believe that doing what is right will ultimately yield financial returns, and sustainability is the guiding principle that anchors this belief. We are committed to upholding this principle unwaveringly, avoiding short-termism, and continuing to make the right decisions with the long-term perspective that foster a better future.



Asset Management One: History of Sustainability Initiatives

The value that Asset Management One wants to deliver to its clients

– The synergy between economic returns from the growth of investee companies and the resolution of social issues through corporate activities –

As people's attention turns to environmental and social issues, and the pace of change in society and corporate behavior accelerates, the risks and opportunities from a sustainability perspective are increasingly likely to affect corporate performance and fund performance over the long term. In the short term, it is sometimes said that it is difficult to achieve a balance between financial returns and social returns, but we believe that encouraging the growth of companies in which we invest through the resolution of social issues will lead to economic returns in the medium to long term. Now that society and companies are beginning to change, let's work together with us to make the funds managed by investors the driving force for protecting the future of the planet and the assets of future generations.

Creating a sustainable future through the power of investment

A world where two types of return can be achieved

Economic return

Acquiring investment returns through the growth of investee companies

Social return

Solving environmental and social issues through the activities of investee companies

Deepening of Sustainability Initiatives

- February 2024: Launch of the All-Japan Carbon Neutral Strategy
- September 2024: Formulation of a medium- to long-term roadmap for stewardship activities (voting and engagement)
- February 2025: Initiation of donations linked to sustainable investment products
- March 2025: Update of the Materiality Map
- New initiatives in financial and economic education: Hosting related events for the KidZania Online College and developing financial and economic education programs for teachers

2024

2023

2022

Accelerate implementation in our core business and consider sustainability in our investments (P.45-P.46)

- Establishment of a new Sustainable Investment Group as a dedicated department for sustainable investment
- Sustainable investment: establishment of a sustainable investment system and ESG-related naming rules, expansion of product lineup
- Establishment of strengths in net zero initiatives: development of methods for assessing net zero for companies and funds, product development and engagement utilising net zero assessment results (P.10-P.12)
- Development of ESG rating scores and ESG research systems that will form the basis of ESG evaluations of investee companies. Establishment of a Sustainable Investment Framework (SIF) that sets out the expected standards for investee companies and the policy for dealing with cases where these standards are not met

2021

How we view the world: development of a materiality map (P.23-P.24)

- Visualization of our company's awareness of environmental and social issues as a materiality map
- Continue to conduct research activities during annual reviews and analyze and research issues considered important on the map
- December 2020: Joined the Net Zero Asset Managers initiative (NZAM) (we are the only Japanese asset management company to have joined NZAM since its establishment)

2020

Apply the same standards to our company as we do for investee companies, our own sustainability activities (P.47-P.51)

- Establishment of a Corporate Sustainability Department to oversee sustainability in our own corporate activities
- January 2021: Corporate message "Creating a sustainable future through the power of investment" established

2016

Our Strengths, the Beginnings of Stewardship Activities (2. Stewardship Activities, P.25-P.44)

- From the time of the 2016 merger, a department was established to specialize in stewardship activities
- In addition to deepening engagement and voting initiatives, we participated in a number of initiatives related to environmental and social issues, and accumulated knowledge of the latest discussions on evaluation and analysis methods
- Launch of Engagement-Enhanced Passive Funds in 2018



Initiatives from 2025 Onward to Enhance the Effectiveness of Sustainability

Under our corporate message, “Creating a Sustainable Future Through the Power of Investment,” we will further leverage the achievements and expertise accumulated to date and intensify our efforts to enhance the effectiveness of our stewardship activities and corporate sustainability initiatives.

Initiatives from 2025 Onward to Enhance the Effectiveness of Sustainability

Stewardship Activities

- Establishment of engagement focus areas and KPIs based on the Medium- to Long-Term Roadmap (p.11–p.21)
- Implementation of engagement to improve capital efficiency (p.25)
- Exercise of voting rights to strengthen governance effectiveness (p.39)

Sustainable Investment

- Utilization of the Materiality Map in impact Investment (p.24)
- Sustainable investment framework and foundational initiatives (p.46)

Corporate Sustainability

- Enhancing employee well-being and workplace engagement (p.48)
- Social contribution through the Hagukumu Investment Plus program (p.50)
- Promotion of financial and economic education for parents and children, students, and corporate workforces (p.51)



Focus Area: Climate Change

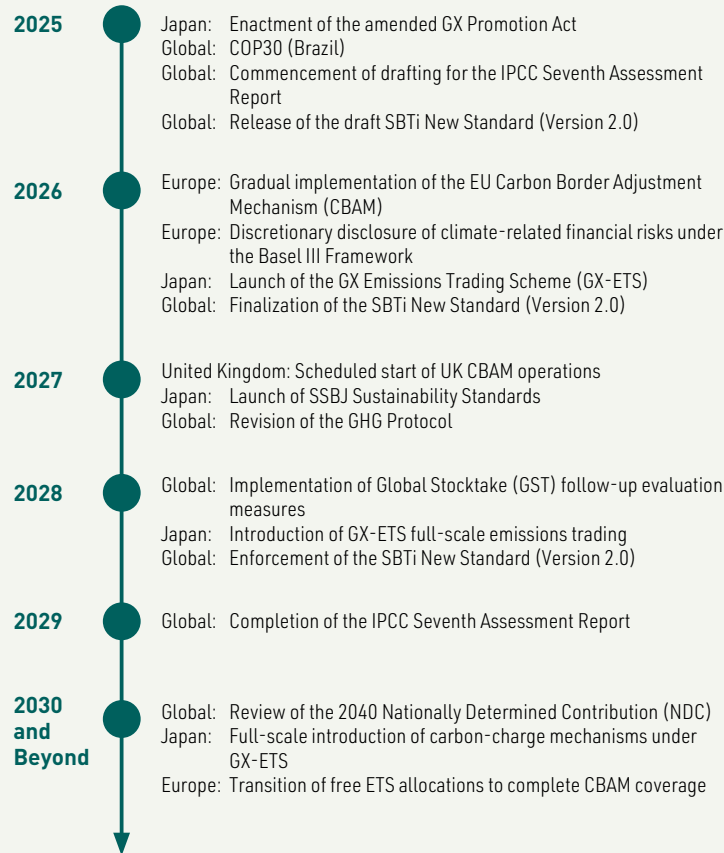
With the enactment of the amended GX Promotion Act, the economic value of carbon is now formally recognized in Japan, paving the way for the expansion of investments aimed at simultaneously achieving decarbonization and economic growth. To ensure that technological breakthroughs and innovations addressing climate challenges become a source of competitive advantage for companies operating on the global stage, we will continue to provide support through net-zero engagement and related initiatives.



Nanami Yonezawa
Sustainable Investment
Department
Investment Division

Tamami Matsuoka
Research & Engagement
Department
Investment Division

Notable Events Related to Climate Change



Engagement Focus points and KPIs

- Technological capabilities and innovation that drive GHG emissions reduction
- Implementation plans for decarbonization investments and visibility into capital expenditure and investment recovery
- Initiatives to prepare for the application of sustainability disclosure standards
- Impact of carbon-pricing mechanisms and corporate responses
- Volume of GHG emissions reductions



Rationale for Setting Focus Areas and KPIs

- The development of innovative technologies and the creation of green products involve not only risk mitigation but also significant opportunities
- Decarbonization investments—implemented under the principle of capital expenditure recovery—should ultimately contribute to corporate value enhancement. Beginning in 2026, carbon-pricing schemes will increasingly support corporate transition strategies
- From the perspective of global emissions reduction, corporate GHG reduction contributions represent a critical source of impact



Actions Expected from Investee Companies

- Strengthening initiatives for proactive decarbonization
- Formulating a roadmap that covers product development and capital investment toward decarbonization and green innovation. Executing decarbonization strategies
- Disclosure and responding to the impact of sustainability standards disclosure and carbon-pricing mechanisms
- Measuring and disclosing reduction contributions related to low-carbon and decarbonization solutions

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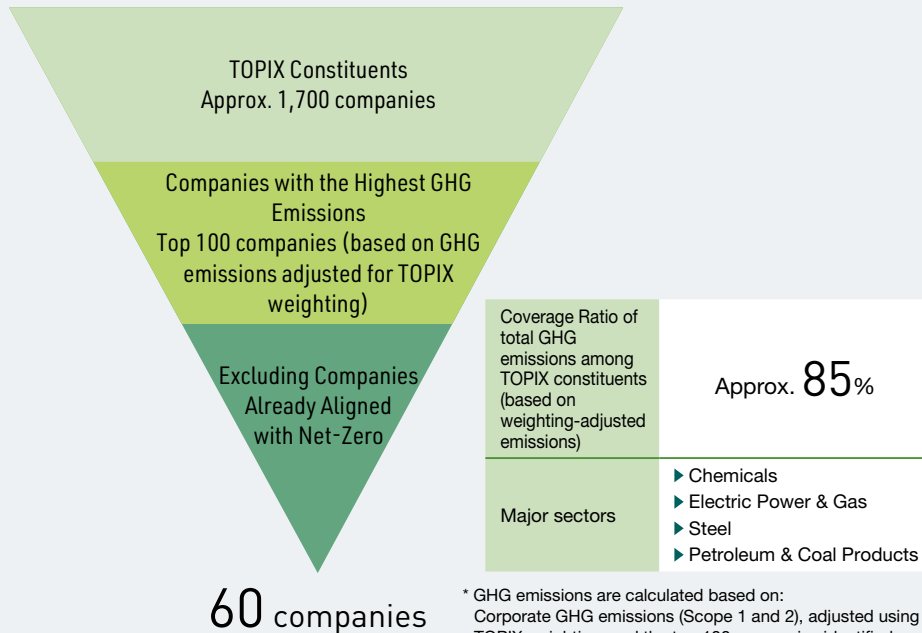


Net Zero Assessment and Engagement

Since 2022, our firm have conducted annual assessments of the net-zero alignment of investee companies and investment funds based on the Net Zero Investment Framework (NZIF) of the Paris Aligned Investment Initiative (PAII), one of the net-zero assessment methodologies recommended by the Net Zero Asset Managers initiative (NZAM). Drawing on these assessment results, we launched net-zero engagement in fiscal year 2023, focusing particularly on areas identified as having room for improvement within the assessment criteria. The current status of these efforts is outlined below.

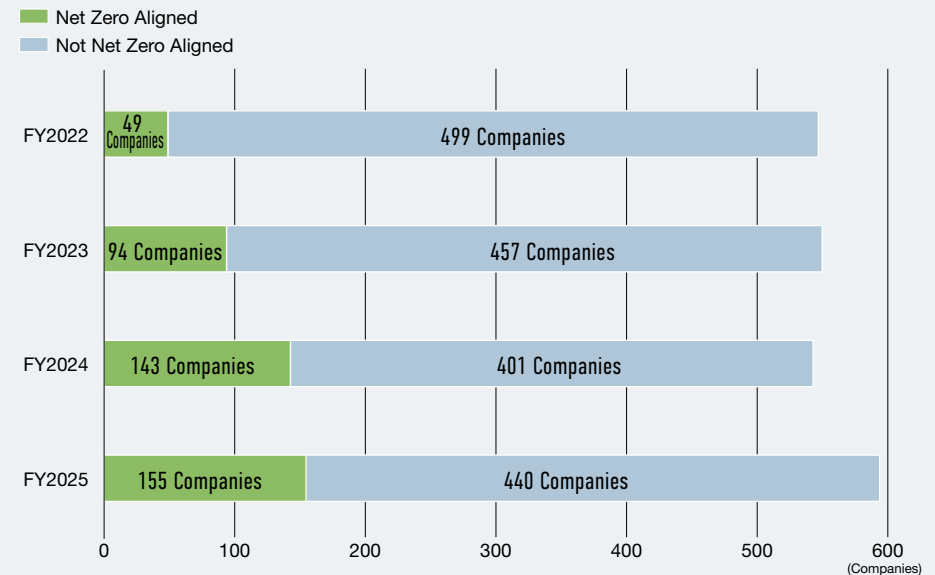
Selection of Engagement Targets

Among approximately 1,700 companies in the TOPIX Index, we identify the 100 companies whose GHG emissions have the greatest potential impact on society. From this group, we further refine the selection to determine our engagement targets. By directing our efforts toward companies with significant influence, we believe we can more effectively support market-wide decarbonization.



A Steady Increase in the Number of Companies Assessed as Net-Zero Aligned

In the fourth annual round of our net-zero assessments, 155 companies (approximately 26%) out of the 595 companies evaluated were determined to be net-zero aligned. Reviewing the trend since assessments began in 2022 shows that Japanese companies are making steady progress toward net-zero alignment.



Prepared by our firm

* For the FY2025 assessment, certain parts of the assessment process have been enhanced, including the expansion of the number of companies evaluated.





A New Perspective on Decarbonization — Avoided Emissions

As a complementary metric to “GHG emissions (Scope 1, 2, and 3),” which reflects companies’ actual emission performance, Avoided Emissions is getting focused as a new evaluation indicator. Avoided emissions can be used to assess climate-related opportunities and positive impact created by companies, and guidance frameworks to encourage corporate calculation and disclosure are increasingly being developed.

What Are Avoided Emissions?

Avoided emissions refer to the volume of GHG emissions avoided through the adoption of low-carbon solutions—such as products and services—that contribute to climate change mitigation. The metric compares two scenarios: Solution Scenario: the scenario in which the low-carbon solution is adopted. Reference Scenario: the scenario in which the solution is not adopted. The difference between these two scenarios represents the GHG emissions avoided through the sale or deployment of the solution. This indicator enables a quantitative assessment of how much a company’s products and services contribute to reducing society’s overall GHG emissions.

Avoided Emissions from an Asset Manager’s Perspective

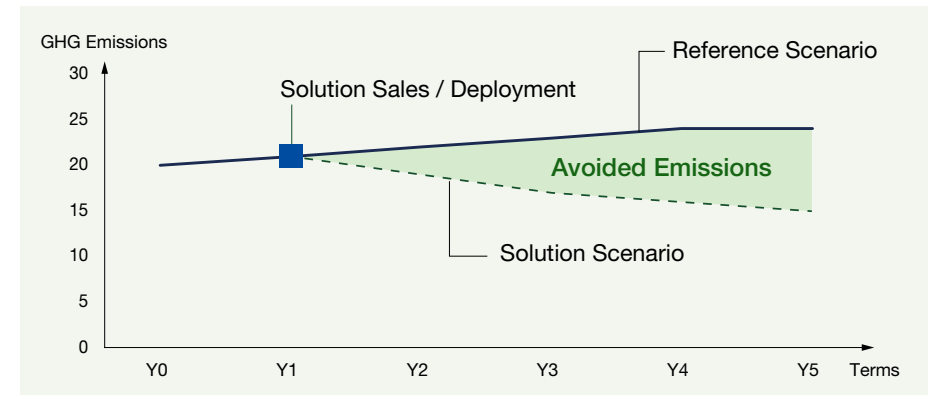
As investee companies advance their climate-related initiatives and disclosures, it has become increasingly important to evaluate not only risks but also opportunities.

For example, an increase in sales of low-carbon solutions should, in principle, represent a value-enhancing opportunity for a company. However, as production volumes rise, a company’s GHG emissions may also increase, leading to a lower assessment from a risk-based perspective.

In such cases, incorporating avoided emissions into investment decision-making as an indicator of “opportunity” allows for a more nuanced and accurate evaluation of corporate value.

We expect demand for low-carbon solutions to grow as companies seek to reduce carbon-related costs, and we anticipate broader adoption of avoided-emissions calculation and disclosure. While challenges remain—such as variability in data quality and boundary-setting for calculations—an essential first step is for companies to recognize the importance of identifying such opportunities and to begin disclosing relevant information. Going forward, in addition to our ongoing net-zero engagement, we will actively incorporate avoided-emissions discussions into our engagement activities.

Avoided Emissions: Evaluating GHG Reductions Achieved Through the Deployment of Low-Carbon Solutions



Complementary Relationship Between GHG Emissions and Avoided Emissions

| | GHG Emissions | Avoided Emissions |
|------------------------|---|---|
| Scope | Direct and indirect emissions from a company’s own operations (Scope 1, 2, and 3) | GHG emissions avoided by products and services provided to others |
| Assessment Use | Net zero assessments | Opportunity / impact assessments |
| Evaluation Perspective | Risk (regulations, carbon costs, reputational impacts, etc.) | Opportunities (expansion of products and service adoption, market growth, technological development, investment return potential, etc.) |
| Calculation Method | GHG inventory accounting (comparison of baseline and current performance) | Intervention accounting (comparison of reference and solution scenarios) |
| Timeframe | Actual performance — past to present | Scenario based — present to future |





Kanako Tanaka, Senior Sustainability Scientist at Our Firm, Selected as a Lead Author

Toward the IPCC Seventh Assessment Report

Our Senior Sustainability Scientist, Kanako Tanaka, has been selected as a Lead Author for the Intergovernmental Panel on Climate Change (IPCC) Seventh Assessment Report (AR7)—a publication that significantly influences climate-related initiatives undertaken by governments and corporations worldwide. Below, Tanaka shares insights on the role of IPCC reports and her perspective on the possible direction of the upcoming AR7.



Kanako Tanaka
Senior Sustainability
Scientist

Climate change has profound impacts on the natural environment and weather patterns, creating short- to medium-term risks for corporate activities. Disruptions to supply chains, obligations related to carbon-reduction, and increased costs associated with disclosure requirements have become material management challenges that can no longer be overlooked. At the same time, expanding markets for adaptation technologies and low-carbon solutions, as well as the emergence of new services, present opportunities to enhance corporate competitiveness. Companies must appropriately assess both risks and opportunities, and formulate strategies that not only address challenges but also focus on forward-looking value creation.

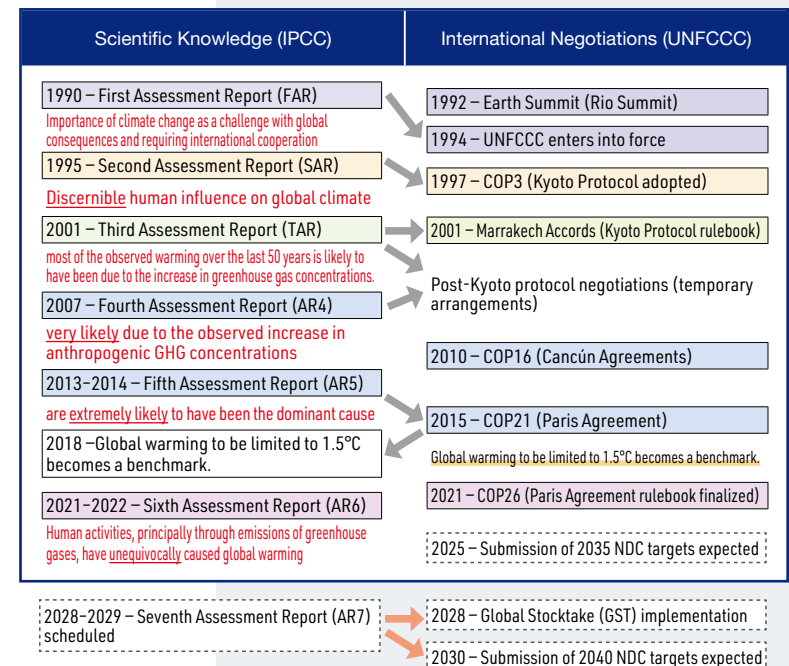
The Intergovernmental Panel on Climate Change (IPCC) is the international body responsible for collecting, analyzing, and disseminating scientific knowledge on climate change. Established in 1988, the IPCC publishes its Assessment Reports every five to seven years, and these reports have played a pivotal role in supporting global climate negotiations, including the Kyoto Protocol and the Paris Agreement. Because the reports are scientifically neutral and require approval by governments, they are regarded as highly authoritative and exert considerable influence on national policy formation and corporate strategy development. Whereas the early Assessment Reports stated that "Human activities, principally through emissions of greenhouse gases, have unequivocally caused global warming", the scientific consensus presented in recent reports asserts unequivocally that "human activities are causing climate change."

The ongoing Seventh Assessment Report (AR7), scheduled for release between 2028 and 2029, is expected to place even greater emphasis on pathways toward a sustainable society. In particular, in my personal view, the role of the financial sector, as well as integrated strategies that combine adaptation and mitigation, are likely to be well discussed. As the impacts of extreme weather events, heatwaves, and other climate-related hazards intensify, concrete actions to optimize limited resources and strengthen climate resilience are becoming increasingly urgent. The IPCC reports provide the scientific foundation for such actions and serve as an essential guidepost for both governments and corporations.

Strategies to address climate change not only enhance corporate value but also contribute

fundamentally to building a sustainable society. Moreover, these efforts are closely linked with other global challenges, including natural capital preservation and water resource management—areas whose importance is expected to grow even further in the years ahead.

IPCC Reports Have a Major Influence on Climate Negotiations



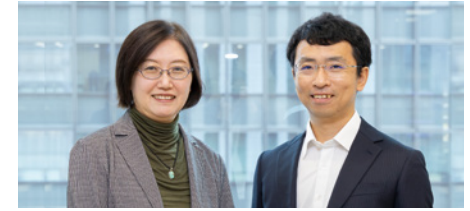
Source: Agency for Natural Resources and Energy
<https://www.enecho.meti.go.jp/about/special/johoteikyo/ipcc.html> AMO added more text





Focus Area: Biodiversity and Environmental Destruction

In pursuit of the “2030 Vision” adopted at CBD-COP15 in 2022—stopping biodiversity loss and placing it on a path to recovery by 2030—investee companies are expected to accelerate their initiatives and enhance effectiveness, including improving disclosures, while considering linkages to climate change and human rights issues. We will actively support these efforts through engagement and related activities.



Satsuko Yano
Research & Engagement
Department
Investments Division

Youkou Morita
Sustainable Investment
Department
Investments Division

Notable Events Related to Natural Capital and Biodiversity

- 2022** ● CBD (Convention on Biological Diversity) – COP15 held (Canada)
Adoption of the Kunming–Montreal Global Biodiversity Framework (KMGBF)
Adoption of the 2030 Mission and 2050 Vision
- 2023** ● Adoption of the Biodiversity Beyond National Jurisdiction (BBNJ) Agreement
Publication of SBTs for Nature (science-based nature targets)
Issuance of the final TNFD Recommendations (v1.0)
- 2024** ● First Nature Positive Summit held (Australia)
CBD-COP16 held (Colombia)
ISSB begins deliberations on disclosure standards for biodiversity, ecosystems, and ecosystem services (BEES)
- 2025** ● IUCN (International Union for Conservation of Nature) Congress
World Conservation Congress held
- 2026** ● Adoption of the Biodiversity Beyond National Jurisdiction (BBNJ) Agreement (Japan)
Second Nature Positive Summit held (Japan)
CBD-COP17 held (Armenia)
ISSB publishes exposure drafts of disclosure standards in line with TNFD
- 2028** ● CBD-COP18 held
IPBES issues the methodological assessment on the valuation of biodiversity and ecosystem services
- 2030** ● Achievement target for the 2030 Mission including the “30 by 30 commitment”
(Aim to conserve and restore at least 30% of land and sea areas by 2030)
- 2050** ● Achievement of the 2050 Vision: “Living in harmony with nature”

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Engagement Focus Points and KPIs

- Disclosure of whether business activities occur within or near KBAs* and whether High Impact Commodities or key raw materials are procured from such areas.
- Disclosure of “dependencies and impacts,” “risks and opportunities,” and “targets and roadmaps” using the TNFD framework and related tools.
- Procurement ratios of sustainable raw materials, revenue ratios of certified products, and revenues from substitute materials or biodiversity-related support services.



Background to KPI Setting

- Healthy natural capital underpins a healthy society and economy, and halting nature loss by 2030 and achieving the 2050 Vision of a nature-positive world are important global commitments.
- Contributing to the development of a nature-positive societal system—and advancing related initiatives—can significantly enhance corporate value by strengthening competitiveness and reducing the cost of capital.
- As biodiversity-related disclosures advance, setting KPIs tailored to each company's circumstances enhances the effectiveness of their initiatives.



Actions Expected from Investee Companies

- Assess risks and opportunities across the entire supply chain.
- Resolve negative situation related to impacts and dependencies on natural capital.
- Develop strategies and roadmaps that incorporate the perspective of nature positive into competitive and long-term value creation, and engage proactively.

*KBA=Key Biodiversity Areas

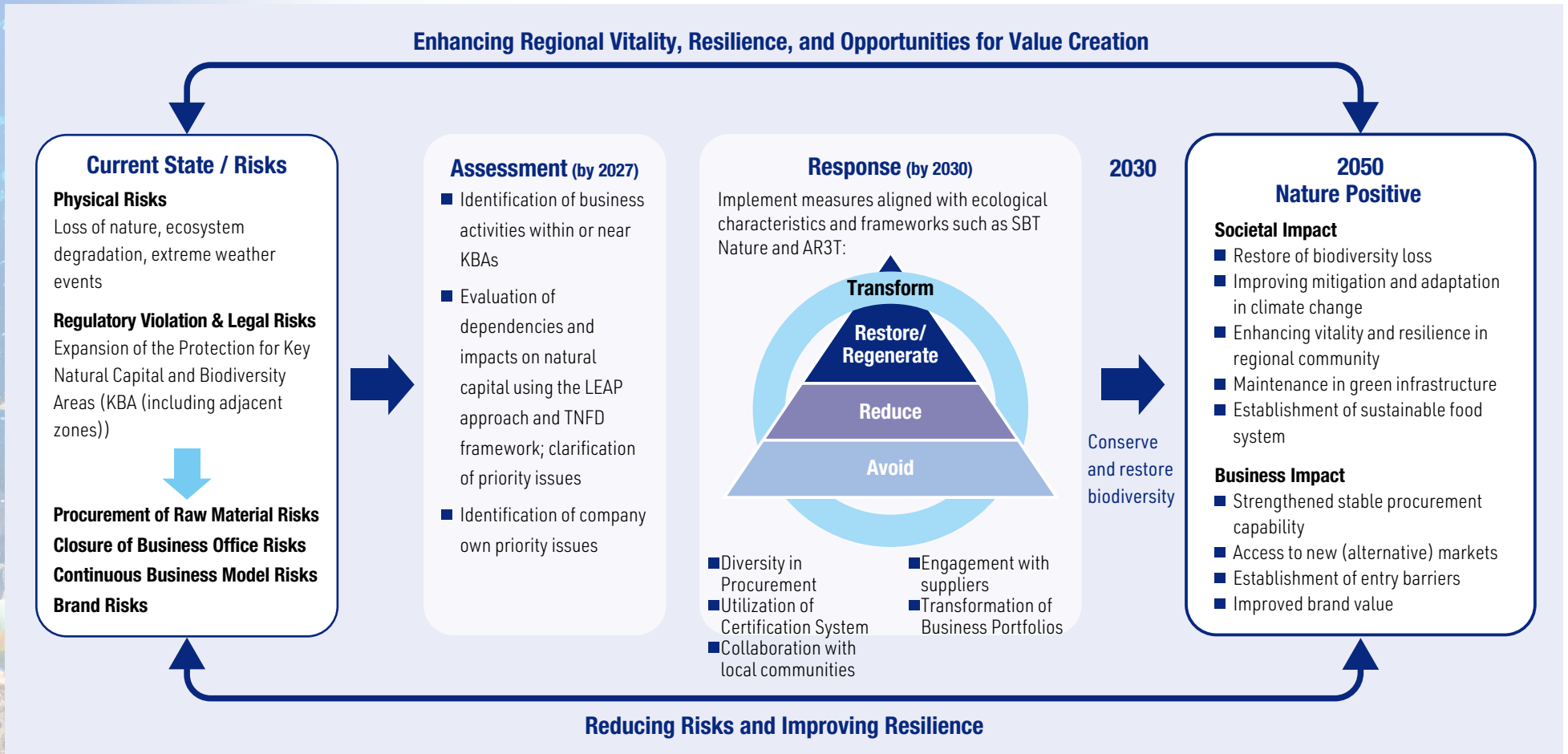




Focus Area: Biodiversity and Environmental Destruction

Initiatives on Natural Capital and Biodiversity Expected from Investee Companies

Natural capital and ecosystem services are one of essential forms of capital for corporate activities. The degradation of natural capital and biodiversity—driven by overexploitation of natural resources and the impacts of climate change—can create significant risks in raw-material procurement. In addition, regulatory requirements related to land use and resource management are being strengthened under the “30 by 30” target within the 2030 Mission, increasing business risks for sectors that depend heavily on natural capital. At the same time, companies can enhance long-term competitiveness by collaborating with local communities and Indigenous Peoples to advance ecosystem conservation and restoration, thereby contributing to regional revitalization and resilience.



The information on this page reflects plans as of the current date and is subject to change without prior notice.





Focus Area: Biodiversity and Environmental Destruction

Update on the Natural Capital and Biodiversity Assessment of Our Japanese Equity Portfolio

As part of the LEAP analysis under the Taskforce on Nature-related Financial Disclosures (TNFD), we assessed our measurable Japanese equity holdings in FY2022 using data from ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure). Following the update to ENCORE in July 2024, we conducted a reassessment of our Japanese equity portfolio.

ENCORE is a tool that evaluates the extent to which economic activities depend on, and impact, natural capital. The dataset used for this analysis incorporates the latest updates, including more granular classifications of economic activities and the addition of cultural ecosystem services. Based on this data, we categorized portfolio companies by industrial sector (ISIC Division) and evaluated the magnitude of their dependencies and impacts. Consistent with the FY2022 assessment, we also reviewed how each sector relates to transition themes necessary for achieving a nature-positive society, referencing sources such as the World Economic Forum.

The results are presented in a bubble chart. The size of each bubble represents the investment exposure to that sector. The horizontal axis displays the combined magnitude of dependencies and impacts, illustrating the degree to which sectors rely on ecosystem services and exert negative pressures through business activities. The vertical axis indicates the number of transition themes for which each sector plays a primary role, representing the breadth of nature-positive business opportunities associated with that sector. This visualization clarifies how each sector interacts with natural capital and the role it can play in the transition to a sustainable society.

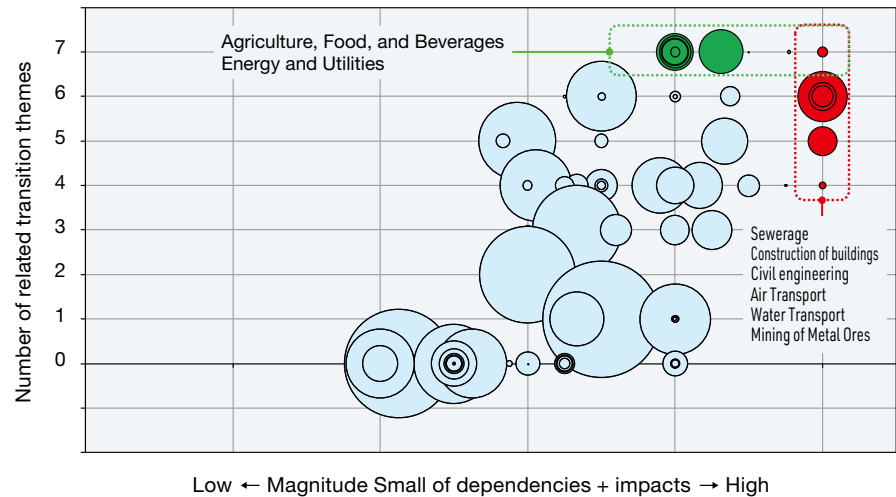
Sectors in the upper-right quadrant—such as construction and transportation-related infrastructure—exhibit high levels of dependency and impact on natural capital. Sectors that make substantial use of natural resources, including agriculture, food, and beverages, also show strong associations with multiple transition themes.

Furthermore, we observed that sectors with greater dependencies and impacts tend to correspond with a higher number of transition themes that support a nature-positive transition. For companies operating within such sectors, we will use engagement to help mitigate risks related to dependencies and impacts on natural capital, while also working to expand investment

opportunities in companies that enhance their nature-positive initiatives and thereby increase long-term business opportunities.

Relationship Between “Dependencies and Impacts” and Transition Themes (Principals) by Industry Category

Bubble size represents investment exposure



ENCORE Partners (Global Canopy, UNEP FI, and UNEP-WCMC) (2025). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. [On-line], [August 2025], Cambridge, UK: the ENCORE Partners. Available at: <https://encorenature.org>. DOI: <https://doi.org/10.34892/dz3x-y059>.
World Economic Forum. 2020. New Nature Economy Report II The Future Of Nature And Business In collaboration with AlphaBeta.





Focus Area: Biodiversity and Environmental Destruction

Analysis Using TNFD-LEAP (Japanese Equities as of November 2025) *Data based on March 2025

Scoping the assessment

We analyzed our major asset class, Japanese equity, in recognition that Asset Management One's investment activities have an impact on natural capital and biodiversity. In collaboration with internal resources as well as external stakeholders and others, we will consider developing analyses and initiatives for other assets in the future, while improving knowledge of comparable assessment methods and data accuracy for nature-related risks and opportunities.

Locate | Interface with Nature

[Dependency Screening]

Economic activities in which our shareholdings exhibit a high level of dependence on ecosystem services include "Manufacture of pharmaceuticals, medicinal chemical and botanical products," "Real estate activities with own or leased property," and "Monetary intermediation." Approximately 26% of our total exposure is considered to have a "high" or "very high" dependence on at least one ecosystem service.

[Impact Screening]

Economic activities in which our shareholdings exert strong impact drivers include "Manufacture of motor vehicles," "Manufacture of consumer electronics," and "Monetary intermediation." Approximately 35% of our total exposure may exert "high" or "very high" pressure on at least one impact driver.

[Geographic Identification]

With respect to forests, palm oil cultivation in Indonesia and Malaysia, as well as soybean cultivation in Brazil, may represent significant deforestation risks. Regarding water resources, entities are located in water-stressed regions such as India and the western coast of the United States, particularly within the chemical and automotive manufacturing sectors.

Evaluate | Dependencies & Impacts

[Dependency Screening]

From the perspective of our shareholdings, the ecosystem services on which dependence is high include "Water flow regulation," "Storm mitigation," and "Flood control." These ecosystem services are provided by natural capital such as "Atmosphere," "Structural and Biotic Integrity," "Land geomorphology," "Water," and "Ocean geomorphology."

[Impact Screening]

Major impact drivers associated with our shareholdings include "Disturbances (e.g noise, light)," "Emissions of toxic pollutants to water and soil," and "Emissions of GHG." These impact drivers are considered to affect natural capital such as "Species," "Soils and sediments," "Structural and Biotic Integrity," "Water," and "Atmosphere."

Assess | Risk and Opportunity

[Risks]

Assets related to Japanese equity are exposed to a broad range of risks, among which physical risks—such as constraints on production processes stemming from the loss of natural capital and biodiversity—and transition risks arising from environmental regulations, policy changes, and reputational deterioration caused by environmental degradation may become significant factors impairing corporate value over the medium to long term. To address such risks, we are reinforcing early identification of activities within business operations, including supply chains, that may have severe impacts on biodiversity under the Sustainable Investment Framework, as well as enhancing engagement with major companies through participation in collaborative initiatives such as Nature Action 100.

[Opportunities]

With reference to analyses conducted by the World Economic Forum and others, we assessed Assets related to Japanese equity in relation to the natural capital on which we depend, and the solutions that will be required as society moves toward a nature-positive future. As a result, we have identified that even in sectors with substantial dependence on and impact on natural capital—such as food and resources—there remain abundant business opportunities in the transition toward nature positivity.

Prepare | To respond & report

- By recognizing the interlinkages between climate change and natural capital and biodiversity, we enhance the resolution with which we assess the various challenges and business opportunities of investee companies. We then align these insights with our materiality and integrate them into our investment activities.
- In collaboration not only with internal resources but also with external stakeholders, we seek to improve our understanding of the geographic locations of investee companies' business activities, including their value chains; to enhance knowledge regarding comparable assessment methodologies and data quality related to nature-related risks and opportunities; and to present scenario analyses with logical consistency.
- We formulate concrete action plans and set targets aligned with the mission of the Kunming-Montreal Global Biodiversity Framework—"to halt and reverse biodiversity loss by 2030"—and its 2050 vision of "Living in harmony with nature," aiming for their early realization.
- We strengthen engagement with Indigenous Peoples, local communities, and other stakeholders who may be affected.
- We work to continuously enhance and improve TNFD disclosures—including the initiatives outlined above—through periodic reporting in our sustainability reports and related publications.

Engagement with Indigenous Peoples, local communities, and other stakeholders who may be affected.

Scenario analysis (subject to examination)





Focus Area: Human Rights and Health & Wellbeing

Corporate respect for human rights and human capital management form the foundation of sustainable growth. As articulated in the UN Guiding Principles on Business and Human Rights, respect for human rights lies at the core of corporate responsibility, and issues such as forced labor and harassment can lead to loss of trust from business partners, brand damage, and talent attrition, thereby exerting a severe impact on corporate value. Conversely, strategic investment in human capital enhances competitiveness through innovation and productivity gains. As social issues gain greater prominence in sustainable investment, our firm will continue to encourage proactive responses on human rights and human capital through engagement activities.



Ryusei Takahashi
Research & Engagement
Department
Investments Division

Saori Kurata
Sustainable Investment
Department
Investments Division

Notable Events Related to Human Rights and Human Capital

- 2022**

Japan: Ministry of Economy, Trade and Industry (METI) publishes the Ito Report 2.0 and the Guidelines on Respecting Human Rights in Responsible Supply Chains. Cabinet Office releases the Guidelines for the Visualization of Human Capital. Establishment of a Human Capital Management Consortium.

United States: Enforcement of the Uyghur Forced Labor Prevention Act (UFLPA) begins.
- 2023**

Europe: European Parliament adopts the Corporate Sustainability Due Diligence Directive (CSDDD) and adopted EU Pay Transparency Directive

Japan: The introduction of mandatory human capital disclosure in annual securities reports.
- 2024**

Global: ISSB launches a research project on human capital-related disclosure standards. Formation of the TISFD (Taskforce on Inequality and Social-related Financial Disclosures).

Europe: European Parliament and Council reach provisional agreement on CSDDD.
- 2025**

Europe: European Commission releases EU Omnibus

Japan: METI releases final recommendations for diversity management and human rights due diligence (Diversity Report). Publication of the Guideline on Business and Human Rights.

Global: ISO 30414 (Human Capital Internal and External Reporting Guidelines) is revised.
- 2026**

Global: TISFD framework expected to be released. Completion of ISSB research project related to human capital.

Europe: Deadline for enhanced disclosure obligations by each country related to EU Pay Transparency Directive.
- 2027**

Europe: Start of mandatory disclosure under EU Pay Transparency Directive.
- 2030**

Global: Target year for achieving the SDGs.

The information on this page reflects plans as of the current date and is subject to change without prior notice.

Human Rights



Engagement Focus Points and KPIs

- Existence of a human rights policy, and the frequency and substance of board-level discussions on human rights risks
- Status of human rights due diligence, including coverage of key suppliers
- Number of identified or reported human rights violations and the company's response to them



Background of the Focus Points and KPI Setting

- Delays in addressing human rights issues—such as forced labor in supply chains, excessive working hours or harassment within a company, or health damage caused by products—have led to severe corporate value impairment.
- Regulations and guidelines relating to human rights, including those covering supply chains, have been established both domestically and internationally, and failure to respond appropriately poses a risk of losing business opportunities.
- Properly addressing human rights issues contributes to reducing business risks and, through effective appeal to consumers, enhances brand value.



Actions Expected from Investee Companies

- Executive management and the board of directors should identify and understand material human rights issues across the entire value chain in their business activities, and oversee the effectiveness of response measures.
- In addition to increasing coverage of key suppliers, companies should conduct periodic on-site assessments and other measures to enhance the effectiveness of their initiatives.
- Monitoring and disclosure of human rights issues—including the “number of identified or reported human rights violations”—contribute to improved transparency and accountability of initiatives. Companies should update these disclosures regularly, taking into account the views of experts and investors.





Human Rights and
Health
Well-Being

Focus Area: Human Rights and Health & Wellbeing



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Yasushi Arakawa
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Department
Investments Division

Human Capital



Engagement Focus Points and KPIs

- Indicators Related to Diversity
Examples: Ratio of female employees, ratio of foreign employees, gender pay ratio by organizational level
- Indicators Related to Employee Retention
Examples: Number of hires and leavers, turnover rate (average years of service), number of specialized personnel
- Indicators Related to Employee Satisfaction
Examples: Employee engagement index, etc.



Background for Setting Focus Points and KPIs

- As industrial structures and societal values become increasingly complex, corporate management based on homogeneous values held solely by long-tenured internal employees can directly lead to corporate value impairment. Initiatives to enhance human capital—with DE&I at the core—must be effective in maintaining and improving corporate value. Visualizing these indicators enables deeper and more meaningful dialogue.



Actions Expected from Investee Companies

- Formulate fundamental policies and establish execution and oversight frameworks.
- Set and disclose KPIs and targets, and integrate concrete initiatives into corporate strategy.
- Align human resource strategy with medium- to long-term management plans to enhance corporate value.
- Communicate achievements to the labor market and investors to facilitate constructive dialogue.

DE&I Which Contributes to Improve Corporate Value

Executive ESG Advisor
Toru Terasawa

Since November 2024, I have served as a member of the Ministry of Economy, Trade and Industry's study group on corporate management that leverages diversity as a source of competitiveness. In April 2025, the study group published its findings in the Diversity Management Report for Strengthening Corporate Competitiveness ("Diversity Report"). During the deliberation process—against a backdrop of increasing headwinds for DE&I following President Trump's inauguration—we revisited the fundamental significance of promoting DE&I within companies and engaged in multifaceted discussions.

The Diversity Report advocates for diversity management as an approach to enhancing corporate value by fully harnessing the capabilities of diverse talent and fostering innovation. To respond to changes in the global business environment, companies must move away from highly homogeneous organizational structures and build flexible organizations that leverage diversity. The report presents concrete initiatives and solutions to key challenges for corporate leadership.

Within our company, we also held study sessions for executives and engaged in active discussions involving the President and division heads. Going forward, we will draw on this report to further advance not only our engagement with investee companies, but also our own internal initiatives.

TOPIC

Highlighted Discussions on Global Trends in Human Rights and Human Capital Disclosure

In 2026, significant developments are anticipated in the field of human rights and human capital disclosure driven by global initiatives. One such development is the planned release of a draft (beta version) of a disclosure framework by the Taskforce on Inequality and Social-related Financial Disclosures (TISFD). In addition, the International Sustainability Standards Board (ISSB), based on the progress of its two-year research project on human capital launched in April 2024, is expected to indicate the direction of future disclosure requirements.

TISFD is a taskforce that aims to provide a framework enabling companies and financial institutions to appropriately identify and disclose impacts, risks, and opportunities related to inequality and social issues. Preceding examples of similar initiatives include TCFD (climate) and TNFD (nature). Established in September 2024, TISFD comprises a broad range of stakeholders, including corporations, financial institutions, labor organizations, civil society groups, and international organizations. This initiative seeks to promote disclosures that identify externalities generated by corporate activities and mitigate systemic risks, based on the recognition that disparities in income and opportunity undermine social stability and increase the fragility of the financial system.

Meanwhile, in October 2025, ISSB summarized the findings of its human capital research project and presented an analytical approach based on IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information). This approach classifies human capital-related risks and opportunities into three dimensions: "Composition" (workforce structure and employment arrangements), "Capabilities" (skills and motivation), and "Conditions" (working environment and safety). It encourages disclosures that provide useful information to investors. ISSB has also confirmed that it will advance to the next phase of evaluating the necessity and feasibility of standard-setting, while ensuring consistency with IFRS S1.

Both TISFD and ISSB share the objective of clarifying aspects of human capital that affect corporate value and providing useful information for investors. These frameworks allow investors to more accurately assess the potential risks and opportunities associated with a company's human capital. Both advance analysis through the lenses of "dependencies, impacts, risks, and opportunities", and emphasize interaction between corporate activities and human capital. Moreover, the perspective that "the conditions of people" influence long-term value creation and risk management.

However, there are differences between the two. TISFD places greater emphasis on system-level perspectives, covering not only entity-level (corporate) issues but also broader social and economic risks and opportunities. As a result, it incorporates elements of double materiality, considering both financial and societal impacts. ISSB, by contrast, adopts a single materiality approach, focusing on issues that substantially affect enterprise value and emphasizing labor-related risks and opportunities within the company and its value chain from the perspective of investors.

Turning to Japanese companies, active efforts have been underway following the publication of the Human Capital Version of the Ito Report 2.0 in 2022 and the introduction of mandatory human capital disclosure in annual securities reports beginning in 2023. Accordingly, even if new human capital disclosure frameworks are issued, companies are expected to be able to build upon existing initiatives. By organizing information on workforce structure, capabilities, and working conditions from both "as-is" and "to-be" perspectives, and linking human capital dependencies, impacts, risks, and opportunities to financial effects, companies may enhance their human capital disclosures in ways that attract greater interest from global investors.

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NO
NO
NO
NO

1. Materiality Map

As an asset management company that ‘Creating a sustainable future through the power of investment’, we analyse important global environmental and social issues that we should address from the two axes of Sustainable Materiality and Financial Materiality, and create our own materiality map to visualise them. This is reflected in investment and business activities.

Linkages to investment activities

Engagement

- Establishment of engagement agenda based on core materiality items

Exercise of Voting rights

- Clearly state in voting guidelines the level of expectations of investees with regard to focus areas.

ESG integration

- Conduct research on materiality items and ESG themes based on this research, using this research in investment decisions.
- The Sustainable Investment Framework (SIF) specifies the level of expectations of investees with regard to focus areas and the policy to be followed in the event that these expectations are not met.
- Establish our own ESG score evaluation items based on core materiality items.

● Environmental ● Geopolitical ● Social ● Technological

| | | | | | | |
|-------------------------|-----------|---|--|---|--|--|
| Very important | | <ul style="list-style-type: none"> ● Business and Human Rights <p>9 Core Materialities</p> | <ul style="list-style-type: none"> ● Water resources ● Circular economy ● Sustainable food system ● Air, water, and soil pollution | <ul style="list-style-type: none"> ● Climate change ● Biodiversity ● Health and wellbeing ● Diversity, equity and inclusion | | |
| Sustainable Materiality | Important | Significant | Very Significant | <p style="text-align: center;">Three focus areas based on the linkages between core materialities</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Climate change</p> </div> <div style="text-align: center;"> <p>Biodiversity and environmental destruction</p> </div> <div style="text-align: center;"> <p>Human rights and health & wellbeing</p> </div> </div> <p style="text-align: center;">Issues in Japan (Our Community)</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; width: 40%;">Regional revitalization</div> <div style="border: 1px solid black; padding: 5px; width: 40%;">Digital transformation</div> </div> | | |
| Very important | Important | Significant | Very Significant | | | |
| Very important | Important | Significant | Very Significant | | | |
| Very important | Important | Significant | Very Significant | <p style="text-align: center;">9 Core Materialities</p> <ul style="list-style-type: none"> ● Business and Human Rights ● Water resources ● Circular economy ● Sustainable food system ● Air, water, and soil pollution ● Climate change ● Biodiversity ● Health and wellbeing ● Diversity, equity and inclusion ● Concentration of technology ● Tax, evasion and tax avoidance ● Corruption ● Controversial weapons ● Cyber security ● Frontier technology* ● Involuntary migration ● Racial Discrimination ● Conflicts, political instability ● Education gap ● Reskilling and recurrent education ● Natural Hazards ● Infectious diseases ● Sustainable city ● AI and digital innovation ● Aging population ● Financial inclusion ● Division in society | | |

*Brain-computer interfaces, biotechnology, geoengineering, quantum computing, and so on.

Corporate strategy

Base for sustainable corporate value enhancement

Governance and disclosure

"Corporate strategy" and "Governance and disclosure" are the basis for sustainable corporate value enhancement, not only through short-term profit growth, but also through medium- and long-term initiatives to solve environmental and social issues.

Review Process of Materiality Map (Appendix P.1) Reviews in FY2024 https://www.am-one.co.jp/pdf/news/406/20250331_AMOne_newsrelease.pdf

23 ASSET MANAGEMENT ONE SUSTAINABILITY REPORT 2025

Utilization of Materiality Map in Impact Investment

In impact investing, accurately identifying environmental and social issues and understanding the solutions to address them are essential. By integrating our proprietary materiality map with our impact investment framework, we aim to maximize both investment returns and positive environmental and social impact through a seamless process—from theme identification and security selection to engagement and impact assessment.

Impact Investment Framework

In establishing our impact investment approach, we utilize the following three focus areas identified through our materiality map.

- Climate change
- Biodiversity and environmental destruction
- Human rights and health & wellbeing

In addition, we have defined “Declining Birthrate, Aging Population, and Regional Revitalization,” a social issue unique to Japan, as an impact theme. In line with these themes, we analyze how corporate business activities can contribute to addressing environmental and social challenges.

Focus Areas and Japan-Specific Issues

In our security selection process, we assess whether a company’s business activities align with our impact themes based on internally developed Impact Business Evaluation Criteria. These criteria are linked to each item in the materiality map, and analysis is conducted from the following perspectives.

- The explanation of Materiality (The backgrounds and scale of issues)
- The causes and solutions (Scientific evidence and policy trends)
- The products and services that can contribute to problem-solving

For example, with respect to climate change (transportation), we evaluate businesses that contribute to reducing GHG emissions—such as electric vehicles (EVs) and modal shifts to rail—based on the fact that the transportation sector accounted for approximately 23% of global CO₂ emissions as of 2019*. The evaluation involves quantifying impact by comparing performance against a benchmark (gasoline vehicles).

We establish such evaluation items for each materiality topic and calculate an Impact Business Score. Only securities that exceed a certain score threshold are included in the portfolio.

Following investment, we promote impact enhancement through engagement with investee companies. Specifically, we seek to clarify the social value of their businesses, encourage disclosure of impact indicators, and confirm progress in

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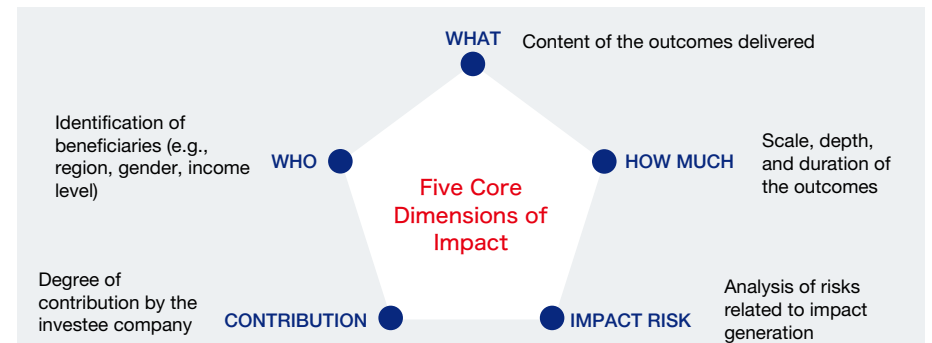


Takanobu Kii
Research & Engagement Department
Investments Division

addressing material issues, with the aim of contributing to improve corporate sustainability. Through research and analysis grounded in our materiality map, this strategy ensures the transparency and consistency of our impact investment approach. Looking ahead, we will continue to refine our evaluation criteria and further advance our impact measurement methodologies.

Source: IPCC AR6 WG3 Chapter10

Impact Investment Framework of Asset Management One



The above is an illustrative example and does not represent an exhaustive list.



2. Stewardship Activities

Minoru Hamauchi

Head of Research & Engagement
Investments Division

Effective Engagement Contributing to Enhance Corporate Value of Investee Companies

Strengthening the Engagement Framework

Following the integration of four asset management companies in October 2016, we established a dedicated division specializing in responsible investment and stewardship activities, and have since focused on engagement with investee companies. In April 2024, we further enhanced this framework by integrating the Equity Research Team—comprising sector analysts with expertise in financial analysis—and the Stewardship Group—comprising ESG analysts specializing in non-financial domains—to form the new Research & Engagement Department*. By combining financial and non-financial expertise, we are strengthening our engagement capabilities and actively promoting effective dialogues that contribute to corporate value enhancement.

For example, in engagement with a power utility company, sector analysts shared their insights on challenges within the company’s business strategy with senior management, while ESG analysts engaged with HR executives on human capital strategy. Leveraging expert perspectives from both financial and non-financial angles, we have been conducting engagements aimed at enhancing corporate value. Our approach extends beyond analyzing competitive dynamics within Japan’s electric power sector to include benchmarking against leading global peers, offering multifaceted perspectives on management challenges.

In engagement with a machinery and plant engineering company, rather than focusing solely on the expansion of machinery and plant sales within the existing business model, we have engaged in dialogue aimed at strengthening the company’s Operation & Maintenance (O&M) business, with the objective of establishing a high-margin, long-term revenue base. Sector analysts and ESG analysts work closely together, providing joint insights into long-term profitability, governance challenges, and risk management enhancement as part of our ongoing engagement with the investee company.

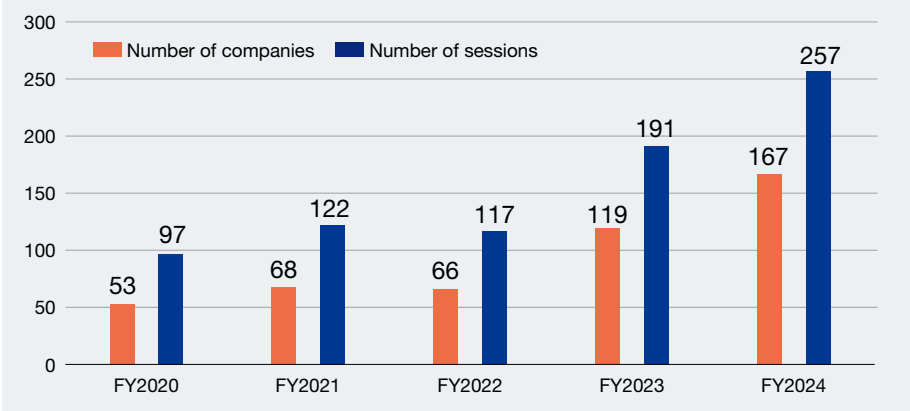
Engagement to Improve Capital Efficiency

Since the Tokyo Stock Exchange’s March 2023 announcement titled “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”, efforts to improve capital efficiency among Japanese listed companies have been accelerating. Even prior to this development, we had proactively engaged with investee companies on capital efficiency matters (see Chart 1).

In FY2024, we conducted 257 engagement sessions with 167 companies on the topic of capital efficiency. Engagement has been particularly active in sectors such as banks, chemicals, construction, and food products, while also extending to a broad range of other industries. Notably, in our engagement with regional banks, we conducted dialogues with approximately 70% of TOPIX constituents, engaging in active discussions aimed at improving capital efficiency.

* The newly formed division also integrates the Research Group, which includes economists and strategists, as well as the proxy voting team.

Chart 1: Trends in Capital Efficiency Engagement (Number of Companies and Engagement Sessions)



Advancing Active Ownership

Beyond areas such as corporate strategy and capital efficiency, we engage with investee companies across a broad range of themes, including Environmental, Social and Governance (ESG) issues and challenges unique to Japan (see Chart 2). Progress in these dialogues is monitored through an eight-stage milestone framework. While the pace of advancement varies by topic, we have been steadily achieving meaningful outcomes.

Among these themes, engagement related to “Board Governance” is the most frequently addressed. The board of directors serves as the core body responsible for corporate management and governance and is expected to play a central role in enhancing corporate value. We proactively engage in dialogue with investee companies and exercise our voting rights based on these engagements and the actions taken by the companies. Through the appropriate exercise of active ownership, we remain committed to contributing to the enhancement of corporate value.

Chart 2: FY2024 Engagement Activities (Number of Companies by Type)

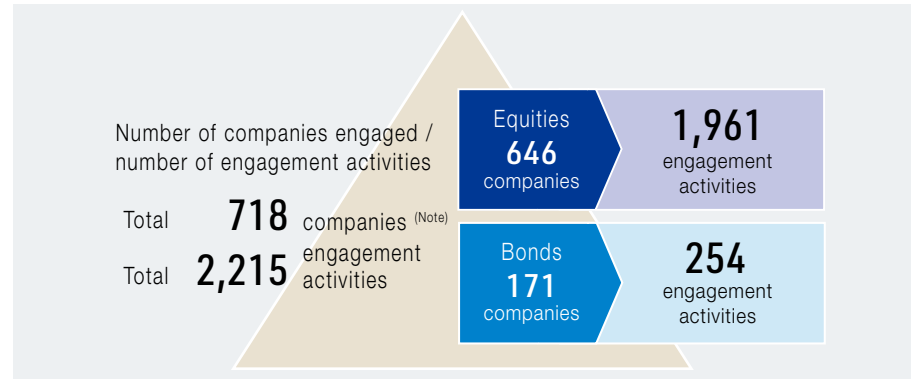
| Theme | Engagement Objective | Primary Target Sectors | Number of Engagements | |
|--|---|--|---|-----|
| Corporate Strategy | Formulation of medium term management plan, revenue growth, capital efficiency, profit margins, progress of mid term KPIs | All sectors | 111 | |
| Planet (Environmental) | Climate Change | Promotion of GHG emissions reduction targets, establishment of the plan, promotion of decarbonization | Steel, electric power and gas | 88 |
| | Biodiversity | Identification of operational risks and opportunities in regions important from a biodiversity perspective and promotion of appropriate initiatives | Food, construction | 28 |
| | Water Resources | Conservation of water resources and water-use management across the supply chain, strengthening initiatives related to water use | Food, chemicals, and pulp and paper | 4 |
| | Circular Economy | Initiatives that promote the transition to a circular economy, including waste reduction, resource recycling, and extending product life spans | Food, apparel, electrical equipment | 14 |
| | Air, Water, Soil Pollution | Reduction of pollutant emissions, development of alternatives, and implementation of pollution-prevention measures | Steel, chemicals, pharmaceuticals | 2 |
| | Sustainable Food System | Establishment of systems that provide safe and nutritious food in a sustainable manner | Food, retail, food service | 3 |
| People (Social) | Diversity, Equity & Inclusion | Initiatives to correct gender disparities, promote the utilization of diverse talent, and advance effective human capital management | All sectors | 116 |
| | Business and Human Rights | Implementation of human rights due diligence across the value chain, strict compliance with labor standards, and thorough enforcement of health and safety | All sectors | 22 |
| | Health and Wellbeing | Initiatives aimed at realizing a society that enhances well-being, including contributing to the extension of healthy life expectancy and improving employee engagement scores | All sectors | 28 |
| Governance & Disclosure | Board and Corporate Governance | Establishment of a framework that enables transparent, fair, prompt, and decisive decision-making through appropriate board composition and executive compensation | All sectors | 398 |
| | Capital Efficiency | Initiatives to improve capital efficiency, including enhancing ROE, reducing cross-shareholdings, and reforming business portfolios | All sectors | 167 |
| | Takeover Defense Measures | Abolishing takeover defense measures | All sectors | 13 |
| | Risk Management | Strengthening risk-management processes and business continuity planning (BCP) to prevent incidents, along with initiatives related to information management | All sectors | 21 |
| | Sustainability Management | CSV (Creating Shared Value) management frameworks that link the resolution of environmental and social issues to the enhancement of corporate value | All sectors | 129 |
| | Supply Chain Management | Sustainable procurement of raw materials and establishment of supply chains capable of delivering resilient products and services | Wholesale, retail, food | 35 |
| | Business Ethics | Development of whistleblower systems, legal-compliance frameworks, and recurrence-prevention measures to eliminate misconduct | All sectors | 32 |
| Our Community (Japan Specific Issues) | Regional Revitalization | Provision of regional infrastructure, revitalization of regional economies, and generation of impact through business expansion in local areas | Regional banks, retail, land transportation | 24 |
| | Digital Transformation | Promotion of offensive DX that goes beyond defensive DX (efficiency and productivity improvements), driving business-model transformation and innovation | All sectors | 53 |



Engagement Activities with Japanese Companies

Status of engagement initiatives

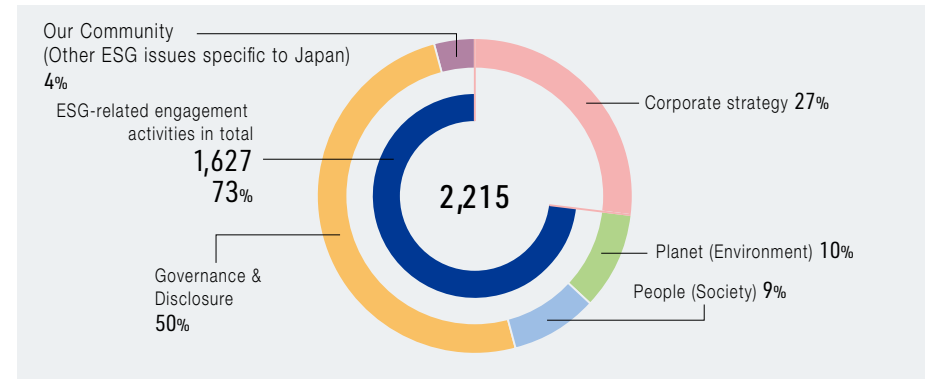
From the perspective of enhancing the corporate value of our investee companies, we conducted substantial engagement, both in terms of quality and quantity, with more than 80% of the companies based on TOPIX market capitalisation.



Note: total number of companies engaged excluding duplicates

Engagement by theme

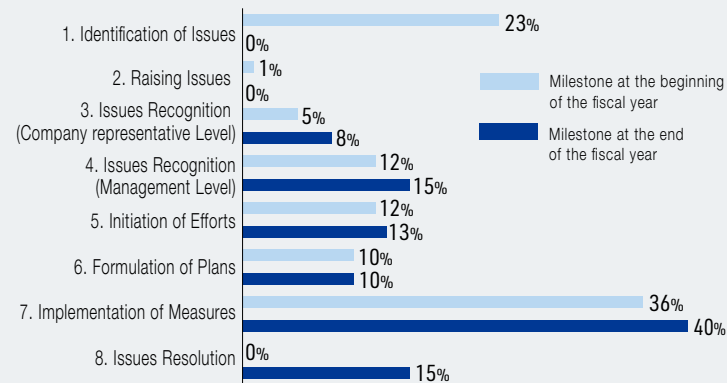
We have identified 21 engagement issues, including 18 relating to ESG issues, on which to engage with companies ESG-related topics account for 73% of all engagement activities.



Progress of our engagement

We manage the progress of our engagement activities using an eight-stage milestone framework. In our engagement activities during the past fiscal year, we observed steady progress, and over the cumulative five-year period, we achieved the resolution of nearly 500 issues. The breakdown shows that the majority of these outcomes relate to sustainability-management topics such as “Governance and Disclosure,” as well as “Environmental” issues including climate change.

Milestones of FY2024 (including additions during the period)



Number of issues solved (cumulative five-year period)



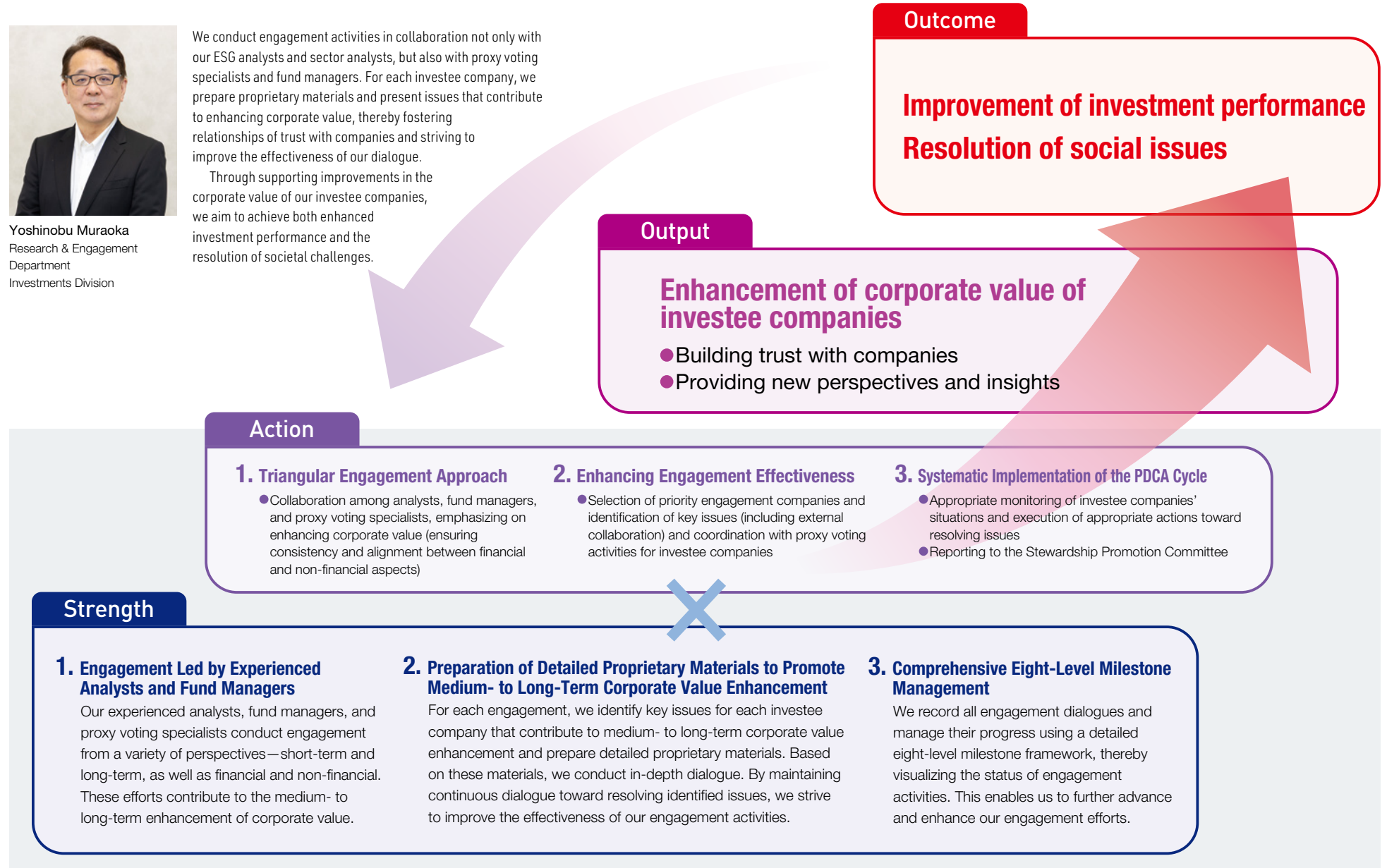
Strengths and Commitments of Our Engagement Activities



Yoshinobu Muraoka
Research & Engagement
Department
Investments Division

We conduct engagement activities in collaboration not only with our ESG analysts and sector analysts, but also with proxy voting specialists and fund managers. For each investee company, we prepare proprietary materials and present issues that contribute to enhancing corporate value, thereby fostering relationships of trust with companies and striving to improve the effectiveness of our dialogue.

Through supporting improvements in the corporate value of our investee companies, we aim to achieve both enhanced investment performance and the resolution of societal challenges.



PDCA in Engagement

Enhancing the Effectiveness of Engagement Activities through the PDCA Cycle

PLAN

Selection of Priority Companies and Identification of Key Issues

- Number of priority companies: 274
- Selection criteria:

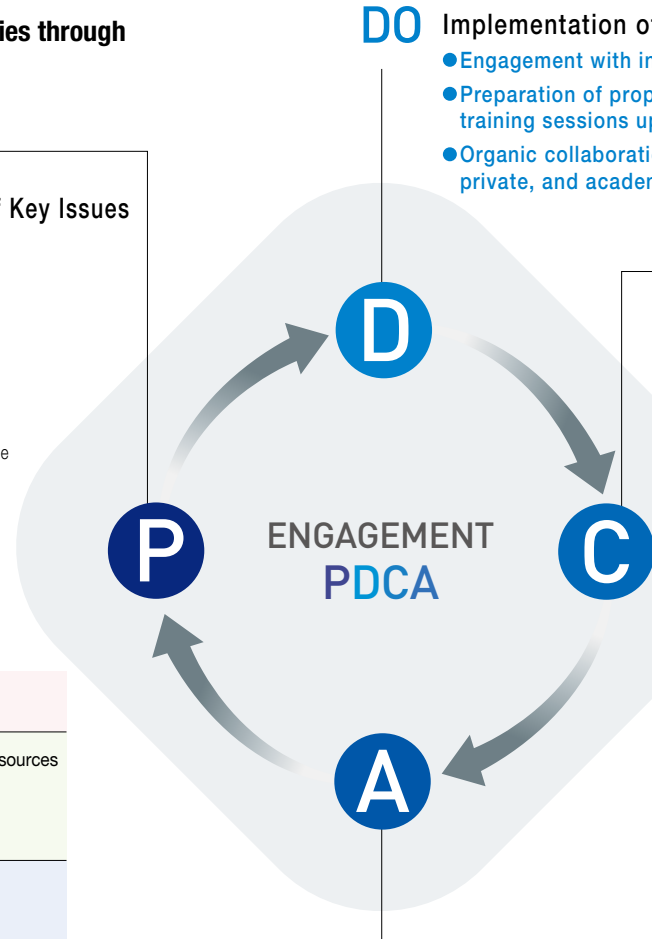
Priority companies are selected from among the TOPIX 500, taking into account market capitalization and potential spillover effects, and based on three perspectives: 1. Focus Areas: Climate change, biodiversity and environmental destruction, human rights and health & wellbeing 2. Japan-specific challenges: Regional revitalization, digital transformation, and risk management 3. Foundations for sustainable corporate value enhancement: Sustainability management, capital efficiency, business ethics, and governance
- Key issues for each company are identified individually by assessing the challenges faced by the company and the expected impact on corporate value upon resolution.
- Target outcome:

Enhancing the overall market performance and generating excess returns through improvements in the corporate value of investee companies.

| | |
|--|---|
| Corporate Strategy | Corporate strategy, Business performance, Capital structure/financial strategy |
| Planet (Environment) | PI1: Climate change PI2: Biodiversity PI3: Water resources PI4: Circular economy PI5: Air, water, and soil pollution PI6: Sustainable food system |
| People (Society) | Pe1: Diversity, equity and inclusion Pe2: Business and human rights Pe3: Health and wellbeing |
| Governance & Disclosure | GD1: Board of directors, corporate governance GD2: Capital efficiency GD3: Takeover defense measures GD4: Risk management GD5: Sustainability management GD6: Supply chain management GD7: Business ethics |
| Our Community (Japan-Specific Issues) | OC1: Regional revitalization (Regional society) OC2: Digital transformation |

DO Implementation of Engagement Activities

- Engagement with investee companies
- Preparation of proprietary dialogue materials and implementation of executive training sessions upon request from investee companies
- Organic collaboration across the investment chain as well as with public, private, and academic sectors



CHECK

Milestone Management

- Management of engagement milestones
- Regular sharing of engagement activity details on a weekly, monthly, and other periodic bases
- Regular reporting to the Stewardship Promotion Committee

| | |
|--|--|
| 8 Issues resolution | We recognize that the initiatives implemented by the investee company have become effective. |
| 7 Implementation of measures | The investee company begins full-scale implementation of measures to address ESG issues. |
| 6 Formulation of Plans | The investee company formulates concrete plans for addressing ESG issues. |
| 5 Initiation of Efforts | The investee company considers initiatives to address the ESG issues presented by our firm. |
| 4 Issues Recognition (Management Level) | Management of the investee company acknowledges the ESG issues presented by our firm. |
| 3 Issues Recognition (Company representative Level) | Operational staff of the investee company acknowledges the ESG issues presented by our firm. |
| 2 Raising Issues | We present ESG issues to the investee company during our dialogue. |
| 1 Identification of Issues | We identify the ESG issues that the investee company should address. |

ACTION

Self-Assessment and Improvement of Initiatives

- Enhancement of initiatives based on feedback and observations from internal and external stakeholders
- Exercise of voting rights informed by engagement activities (escalation)
- Implementation of self-assessment and formulation of engagement plans for subsequent fiscal years (including consideration of whether to continue engagement)



Engagement Activities [Japanese Equities]

In our engagement with Japanese equities, we strive to contribute to the improvement of corporate value at the investee companies and to the overall improvement of the stock market through dialogue from a medium- to long-term perspective. In addition to our nine core materiality issues and three focus areas, we also actively engage

in governance-related issues and issues unique to Japan. Here, we will introduce examples of dialogue on issues that Japanese companies urgently need to address, such as climate change, circular economy, capital efficiency/ reduction of cross-shareholdings, regional revitalization, and corporate strategy.



Case 1 Engagement Case Study (Retail Company A)

A case in which dialogue encouraging environmental initiatives led to progress in home appliance reuse and recycling efforts, resulting in the emergence and expansion of synergies with the core business

Recognition of Issues

- A linear economic model of mass production and mass consumption with a high environmental burden entails risks that may constrain corporate activities.
- Accelerating initiatives in the 3Rs (Reduce, Reuse, Recycle) and transitioning to a circular economy are highly likely to strengthen the competitiveness of the core business.

Objective

- To leverage the company's nationwide store network and its strength in large-volume purchasing and sales to build a recycling and reuse system, thereby promoting initiatives for a circular economy and expanding synergies with its retail business.

Milestones



Dialogue 1

From FY2018 – Engagement Initiated (Identification of issues)

- The company had only just begun publishing integrated reports, indicating the need to further strengthen linkages between ESG initiatives and business activities.
- In particular, greater emphasis on the certified small home appliance recycling business—recognized nationwide—was desired, as it could be appealing even from the perspective of reducing dependence on home appliance sales.

Dialogue 2

FY2022 – Dialogue with Executive Officer (Formulation of plans → Implementation of measures)

- Confirmed steady progress toward the medium- to long-term targets for reuse and recycling of major products.
- High market share contributes to an advantage in procurement. Even when the factory conducting disassembly, cleaning, and repair of reused products was operating at full capacity, expansion plans in other regions were confirmed, demonstrating progress in initiatives. This was assessed as the stage of implementing measures.

Dialogue 3

FY2023 – Dialogue with General Manager of Corporate Planning (Implementation of measures)

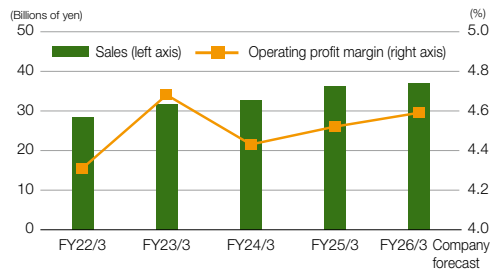
- Progress observed in initiatives related to business expansion, such as construction of additional recycling facilities and promotional activities for reused products.
- With respect to the bottleneck of procuring used products, diversification of sourcing channels had begun. Synergy effects were confirmed, such as sales of reused products at the company's own stores contributing to increased same-store sales.

Dialogue 4

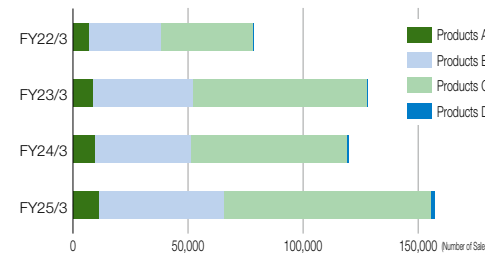
FY2025 – Dialogue with Director (Implementation of measures → Issues resolution)

- As reuse and recycling had grown to a scale sufficient to constitute a standalone business, recommendations for enhanced disclosure continued.
- The company advanced to the point of publishing a simplified income statement for the business. Capital expenditures were increasingly allocated to environmental businesses, confirming the company's strong commitment to recycling, including its capital strategy.

Trends in Sales and Operating Profit Margin of the Recycling and Reuse Business



Trends in the Number of Reused Units for Four Major Product Categories



Status of Dialogue Achievements / Future Response Policy

- The recycling and reuse business was separated as an independent segment within the environmental business. Given that the profit margin of the environmental business is sufficiently high compared with other segments, and that synergies with the retail business were confirmed, this was assessed as "issue resolved."
- To transition to a circular economy, it is important not to confine recycling initiatives solely within the company, but to promote collaboration across the industry. Accordingly, we expect future initiatives to be undertaken as an industry-wide social issue and plan to encourage collaboration with other companies.





Case2

Engagement Case Study (Textile Products Company B)

A case in which dialogue with top management aimed at fostering innovation led to the confirmation of initiatives for organizational culture reform

Recognition of Issues

- To promote innovation and successfully advance the transformation of the business portfolio, it is essential to break down the siloed structure characteristic of large corporations and undertake organizational culture reform centered on human capital.

Objective

- Through organizational reform that dismantles siloed structures, eliminate sectionalism and restore a corporate culture that does not fear taking on challenges. Foster cross-organizational collaboration involving core technologies—the source of innovation—and promote the creation of new businesses through the development of an organization conducive to such collaboration.

Milestones



Dialogue 1

From FY2022 – Dialogue Initiated (Identification of issues → Issues recognition)

- Concerns were shared regarding the weakening of innovation capabilities, along with an awareness of issues related to human resource strategy, human capital, and organizational culture. The company responded that human resource strategy and human capital investment aligned with the management strategy would be considered and examined in the next medium-term management plan. Given this exchange, the engagement was assessed as having reached the "issue recognition" stage.

Dialogue 2

FY2023 – Meeting with General Manager of IR Department (Issues recognition → Formulation of plans)

- Although the company originally had an organizational culture that encouraged taking on challenges, the culture had recently lost its edge, leading to reduced willingness to take risks and consequently a decline in innovation. Based on this awareness, it was confirmed that the medium-term management plan would adopt "deepening people-centered management" as a core strategy. Accordingly, the engagement advanced to the "Formulation of plans" stage.

Dialogue 3

FY2024 – Meeting with Senior Executive Officer (Remains at Formulation of plans)

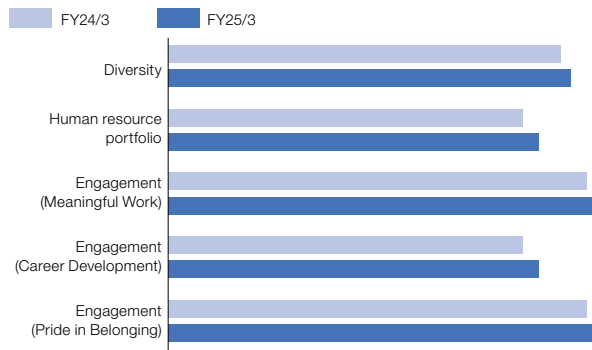
- The company's organizational culture had become rigid due to reduced compensation and workforce cuts during the global financial crisis, as well as strengthened compliance following repeated scandals, which further dampened employee motivation. Although awareness of human capital had increased and more proactive information disclosure was underway, organizational transformation had not yet been realized. Therefore, the engagement remained at the "Formulation of plans" stage.

Dialogue 4

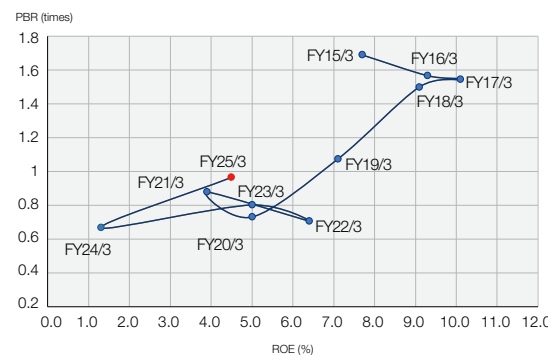
FY2024 – Dialogue with President (Formulation of plans → Implementation of measures)

- The company conducted a reassessment of personnel across business domains to enhance the mobility of its human resource portfolio. It was recognized that creating an environment where employees can take on challenges without fear of failure is essential for organizational culture reform. As top management demonstrated a strong awareness of issues related to human capital in their management approach, the engagement was assessed as having moved to the "implementation of measures" stage.

The result of the employee survey



Trends in ROE and PBR (FY2015/3 – FY2025/3)



Status of Dialogue Achievements / Future Response Policy

- FY2025 – Dialogue with Senior Executive Officer (Implementation of measures → Issue resolution) The company carried out an organizational restructuring that shifted the corporate division from a traditional vertically segmented structure to a function-based structure. Since measures to break down siloed structures were implemented and a clear commitment to driving cultural transformation was confirmed, the engagement was assessed as "issue resolved."
- Going forward, we will continue to encourage the company to ensure that appropriate human capital strategies and organizational culture reforms are executed across the entire organization. We also intend to promote the linkage between organizational reform and innovation, encouraging cross-organizational initiatives to contribute to business expansion.





Case3

Engagement Case Study (Electrical Equipment Company C)

A case in which persistent dialogue, beginning with efforts to enhance the effectiveness of the Board of Directors, led to the partial sale of cross-shareholdings.

Recognition of Issues

- For the Board of Directors to respond flexibly to changes in the business environment and to fulfill its function in achieving sustainable corporate value enhancement, independent outside directors must be appointed, and diversity in knowledge, experience, and competencies among board members must be ensured.

Objective

- To enhance the effectiveness of the Board of Directors so that decisions are made with a high degree of transparency and rationality. Specifically, the goal is to expand both the number and quality of outside directors and to ensure appropriate decision-making regarding matters such as the reduction of cross-shareholdings.

Milestones



Dialogue 1

FY2020 – Engagement Initiated
(Identification of issues → Raising issues)

- Although we supported all proposals, we communicated our policy to raise the requirement for the ratio of outside directors to 25% in the following fiscal year.
- We requested an increase from the then-20% outside director ratio and called for continued ESG dialogue, with a focus on governance.

Dialogue 2

FY2020 – Dialogue with Chairman
(Raising Issues → Formulation of plans)

- Dialogue was held regarding the governance framework and cross-shareholdings.
- Positive responses were received concerning reducing the number of inside directors and increasing outside directors, appointing individuals with corporate management experience, shortening director terms, and reducing cross-shareholdings except for companies where sales were difficult due to past circumstances. Based on this, we assessed that planned measures to improve governance could be expected.

Dialogue 3

FY2021 – Dialogue with President
(Formulation of plans → Implementation of measures)

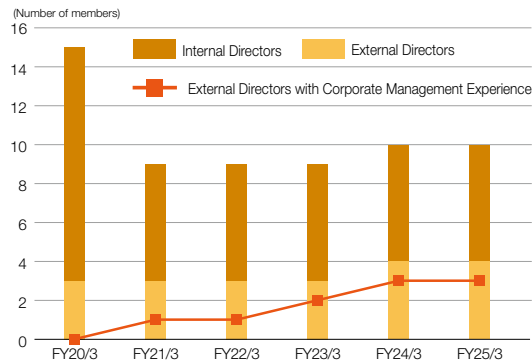
- The company reported that reducing the number of directors and appointing a new outside director with corporate management experience had revitalized board discussions. We viewed this as positive action toward improving board composition.
- However, with respect to cross-shareholdings, no change was observed in the policy to retain shares in companies considered difficult to sell due to historical reasons.

Dialogue 4

FY2022–FY2024 – Dialogue with President and Others
(Implementation of measures → Issue Resolution)

- We repeatedly conveyed that cross-shareholdings not only deteriorate capital efficiency but also raise concerns from the perspective of governance discipline for the companies being held.
- As the president's stance began to shift, the company subsequently announced the partial sale of cross-shareholdings in companies previously considered problematic.

Changes in Board Composition



Capital Efficiency and Voting Decisions

| Fiscal Year | ROE | Ratio of cross-Shareholdings to Net Assets | Voting Decision | Key Points for Voting Decisions |
|-------------|------|--|-----------------|---|
| FY21/3 | 3.6% | 46% | Against | Voted against based on ROE criteria |
| FY22/3 | 5.4% | 49% | - | Non-election year; no agenda item related to director election |
| FY23/3 | 4.3% | 48% | Against | Voted against based on ROE criteria and cross-shareholding criteria |
| FY24/3 | 3.2% | 65% | - | Non-election year; no agenda item related to director election |
| FY25/3 | 0.7% | 67% | For | Voted for in recognition of efforts to improve capital efficiency, such as the reduction of cross-shareholdings |

Status of Dialogue Achievements / Future Response Policy

- Persistent dialogue led to improvements in board composition (quantitative and qualitative enhancement of external directors), the shortening of director terms, and the reduction of cross-shareholdings.
- These efforts succeeded in eliciting proactive initiatives toward strengthening governance.
- In FY2025, "capital efficiency" was newly set as a key engagement issue. We plan to encourage further improvement in capital efficiency through steady execution of cross-shareholding reduction and enhanced business portfolio management.





Case 4

Engagement Case Study (Machinery Company D)

A case in which sector analysts, ESG analysts, and fund managers engaged in integrated, three-pronged dialogue with top management to promote the Tokyo Stock Exchange's initiative "to Implement Management that is Conscious of Cost of Capital and Stock Price"

Recognition of Issues

- Achieving capital efficiency above the cost of capital is essential for linking the resolution of environmental and social issues to medium- to long-term enhancement of corporate value.
- Further business portfolio reform to strengthen the environmental-related business as a core segment, along with improving the profitability of core businesses, is necessary.

Objective

- To enhance market evaluation through the implementation of "management conscious of capital costs and stock prices" and the promotion of CSV management. This is to be achieved by clarifying the value-creation story through business portfolio reform and strengthening profitability through business model transformation.

Milestones



Dialogue 1

FY2018-FY2019 – Dialogue with CEO and Others (Identification of issues → Raising issues / Management Level)

- We highly evaluated the company's efforts toward addressing environmental issues. However, we pointed out that persistently weak capital efficiency had eroded market trust in management.
- The CEO responded, "We aim to advance business portfolio reform and enhance the persuasiveness of our value-creation story to improve ROE."

Dialogue 2

FY2020-FY2021 – Dialogue with President, Outside Directors, etc. (Raising issues / Management level → Formulation of plans)

- We evaluated the company's decision to formulate a long-term vision through 2030 and to prioritize structural reforms aimed at strengthening profitability.
- We encouraged the implementation of genuine CSV management to gain market trust by linking solutions to environmental and social challenges with corporate value enhancement.

Dialogue 3

FY2022-FY2023 – Dialogue with CEO and Others (Implementation of measures → Temporary Issues resolution)

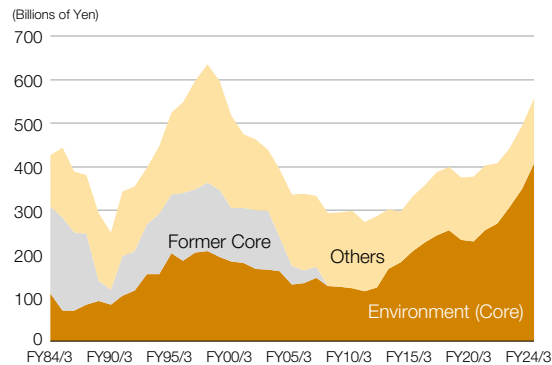
- In the long-term vision, the company set a target of achieving ROE above 10% and began full-scale restructuring, withdrawing from low-profitability businesses and reallocating resources toward growth fields.
- Balance sheet management also improved, including reducing cross-shareholdings to nearly zero.
- As ROE showed signs of improvement, we regarded the issue as temporarily resolved.

Dialogue 4

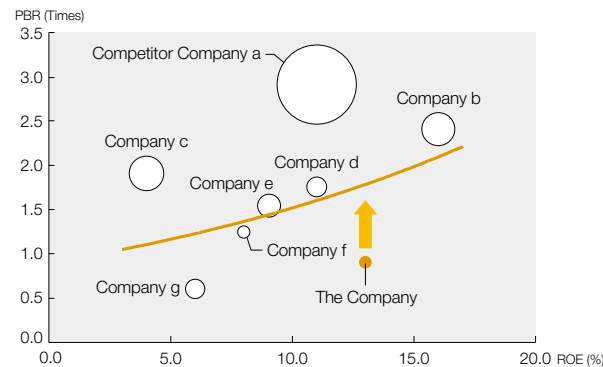
FY2024 – Dialogue with CEO and Others (Re-identification of Issues → Formulation of plans)

- Despite improving capital efficiency, PBR continued to hover around 1x. Recognizing the need to further strengthen capital efficiency and enhance growth expectations, sector analysts, fund managers, and ESG analysts jointly conducted comprehensive trinity engagement covering both financial and non-financial aspects.
- Dialogue with the president also extended to business model transformation.

The Transition in Business Portfolio



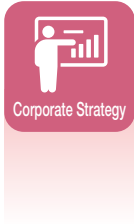
ROE and PBR (The diagram of spread within industry)



Status of Dialogue Achievements / Future Response Policy

- We highly evaluated top management's strong commitment to business portfolio reform and business model transformation, including the strengthening of after-sales business.
- Following our meeting, the company announced the sale of certain non-core businesses, confirming consistency between words and actions.
- As the PBR continues to hover around 1x, we consider the current market valuation to be insufficient.
- We intend to continue supporting the company's initiatives to link the resolution of environmental and social issues with the enhancement of corporate value.





Case 5

Engagement Case Study (Stone and Clay Products Company E)

A case in which dialogue encouraging enhanced disclosure led to the presentation of an appealing medium- to long-term vision, raising market expectations for growth.

Recognition of Issues

- At the start of our engagement, the company's stock price was at a low level and its PBR was below 1x, indicating a gap between our expected corporate value and market valuation. To increase confidence in its overseas business—its key growth driver—more proactive information disclosure was necessary.

Objective

- By enhancing quantitative disclosure regarding the overseas business driving its growth, we expect to cultivate medium- to long-term growth expectations and increase the persuasiveness of the company's value-creation story aimed at enhancing corporate value.

Milestones



Dialogue 1

FY2021–FY2022 – Dialogue with President (Identification of issues → Raising issues)

- As the PBR had remained below 1x for an extended period, we encouraged more proactive information disclosure, including the formulation of a long-term vision for the overseas business, which serves as the company's key growth driver.
- The president responded very positively, stating that the next medium-term management plan would include more detailed strategies and KPIs to strengthen information disclosure.

Dialogue 2

First Half of FY2023 – Dialogue with President (Raising issues → Initiation of Efforts)

- Discussions were held regarding the basic approach for the next medium-term management plan, starting in FY2024.
- We confirmed that discussions were progressing on enhancing disclosure—particularly regarding more detailed profit targets—and that the company intended to formulate a long-term vision targeting 2030.

Dialogue 3

Second Half of FY2023 – Dialogue with Senior Managing Executive Officer (Initiation of Efforts → Formulation of plans)

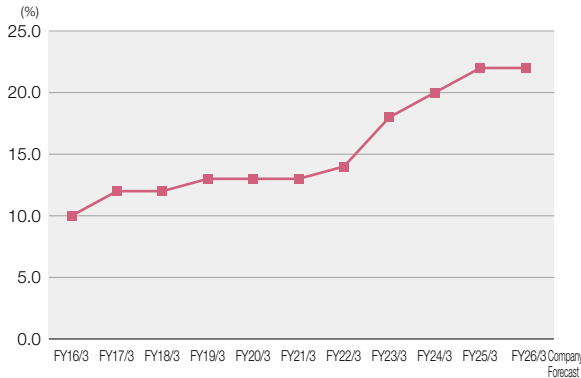
- We gained the impression that the specific content of the new medium-term management plan was becoming more concrete, and therefore assessed the engagement as being at the "Formulation of plans" stage.
- The company shared that it was organizing its understanding of overseas markets and competitive landscapes, confirming steady progress toward enhancing disclosure to a level that meets market expectations.

Dialogue 4

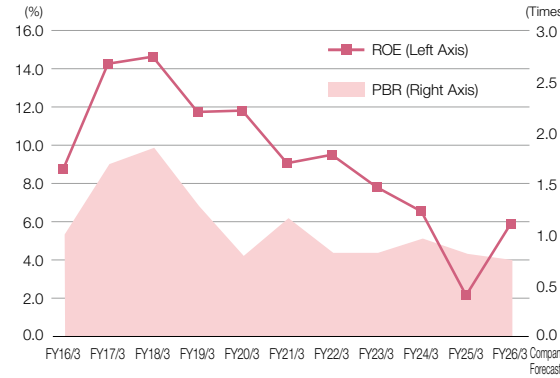
FY2024 – Dialogue with President (Formulation of plans → Issues Resolution)

- Ambitious profit targets for overseas operations were disclosed in the new medium- to long-term plan.
- Disclosure related to overseas business—especially regarding business conditions and market environment—became more detailed, significantly enhancing the company's communication with the market. We highly evaluated this progress.

Ratio of sales in overseas



The transition of ROE and PBR



Status of Dialogue Achievements / Future Response Policy

- Sustained dialogue with the president and executive management—covering not only the medium-term management plan but also the long-term vision toward 2030—proved effective in strengthening the company's communication with the market regarding its overseas business, the primary driver of growth.
- As the company's capital efficiency remains low, there is a continued need to deepen discussions on improving earning power and strengthening balance sheet management. We intend to maintain active dialogue with management to support the enhancement of corporate value.



Engagement Activities [Japanese Fixed Income]

In our active fixed income investment strategies, we conduct engagement by discussing companies' efforts to address ESG issues—identified through our proprietary ESG credit score as potential future risks—and by engaging on matters unique to bond investments, such as financial strategies, issuance policies, and downside risks.

Unlike equities, fixed incomes do not confer direct rights such as voting rights. However, as new segments of the fixed income market—such as ESG bonds and hybrid bonds—continue to expand, opportunities for dialogue with issuing companies have increased. Leveraging our strong presence as one of Japan's leading active credit investors, we strive to accurately convey investor perspectives to issuers.



Case 6

Engagement Case Study (Cement Company A)

A case in which we confirmed the company's concrete initiatives toward carbon neutral and their financial impact.

Engagement Themes

Initiatives toward Carbon Neutral

Engagement Format

Interviews and on-site facility visits

Issue

[Challenges Facing the Company]

- Cement production uses limestone as its primary raw material, resulting in significant CO₂ emissions during manufacturing. CO₂ originating from raw materials accounts for approximately 60% of total emissions. Because raw-material-derived CO₂ cannot be reduced through conventional production processes, achieving carbon neutral by 2050 will require technological innovation while maintaining financial soundness.

Risk Items Assessed in the ESG Credit Score

| ESG Pillar | Category | Description |
|-------------|----------|--|
| Environment | E1 | Climate change (Transition to a decarbonized society) |
| | E2 | Climate change (Physical risks) |
| | E3 | Water resources and wastewater management |
| | E4 | Waste and hazardous materials management |
| | E5 | Other environmental risks |
| Social | S1 | Customer relations and customer information management |
| | S2 | Human capital and human rights |
| | S3 | Employee health and safety |
| | S4 | Product quality management and supply chain management |
| | S5 | Other social risks (Demographics, Changing consumer preferences, Geopolitical risks, etc.) |
| Governance | G1 | Management strategy and Key person risk |
| | G2 | Governance structure |
| | G3 | Compliance, politics, and corruption |
| | G4 | Financial disclosure and transparency |
| | G5 | Risk management |

Action

[Dialogue Counterpart]

- IR representatives / Sustainability representatives

[Dialogue Content]

- The company explained that it has established an innovative technology that enables zero CO₂ emissions in the cement manufacturing process. We were given the opportunity to visit the pilot testing facilities. In discussions regarding the progress of the experiments, financing conditions, and future developments, we confirmed that the company is advancing its initiatives toward carbon neutral without impairing its creditworthiness.

Outcome

[Status of Dialogue Achievements]

- The pilot project to capture CO₂ generated during the cement manufacturing process and convert the captured CO₂ into methane using hydrogen—thereby reusing it as an energy source—is being conducted using government subsidies. We confirmed that the project is being managed with a strong emphasis on financial discipline.

Next steps

[Future Response Policy]

- While the pilot phase does not impose a financial burden, the commercial rollout required to achieve carbon neutral by 2050 will entail substantial investment. We therefore intend to continue monitoring and engaging with the company regarding the progress of technological development and financial conditions.



Engagement Activities [Overseas Companies]

Our internal structure

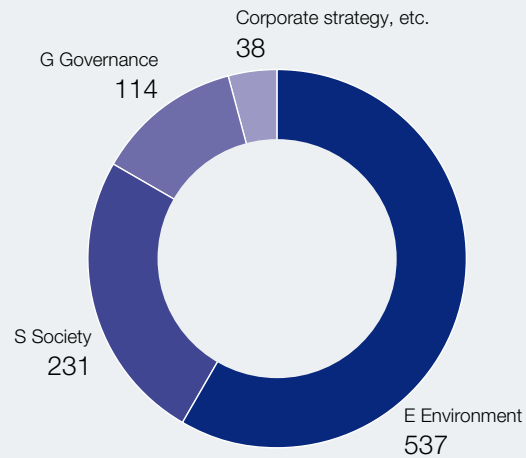
We have an ESG representative based in London (Asset Management One International) who conducts research on European and US ESG trends and engages with overseas companies. We have the representative in Europe, where is leading the way in stewardship activities and ESG investment, who works with ESG analysts in Tokyo and portfolio managers and analysts in New York to resolve social issues and increase corporate value from a global perspective.

Use of external services

In addition, we have partnered with a global leading stewardship service provider EOS at Federated Hermes over the engagement activities with overseas companies.

Engagement activities by theme

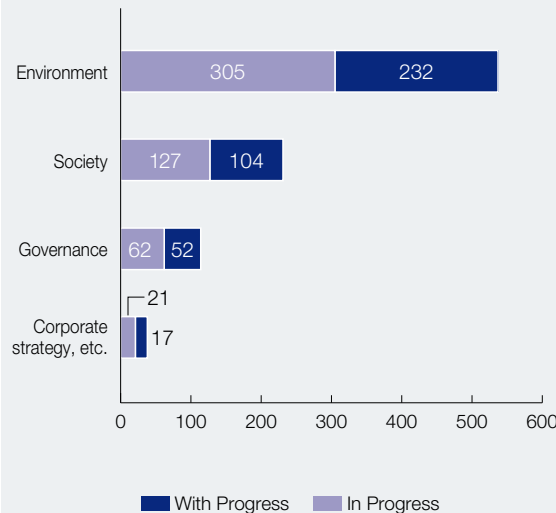
We are conducting engagement activities on a wide range of themes, with a focus on environment.



Period: 1 July 2024 – 30 June 2025 (unit: number of cases)

Progress of engagement milestones

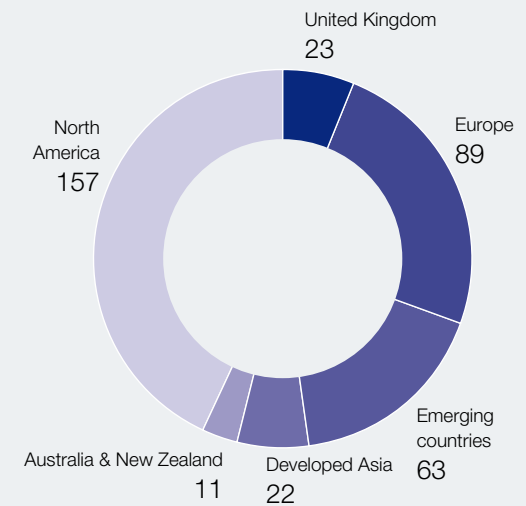
Progress made following engagement activities.



Period: 1 July 2024 – 30 June 2025 (unit: number of cases)

Engagement companies by region

We are conducting engagement activities with companies in a wide range of regions, including emerging countries.



Period: 1 July 2024 – 30 June 2025 (unit: number of cases)



Engagement Case Study [Global Equities]

In our global equity engagement activities, we strive to contribute to the sustainable growth of investee companies and the resolution of social issues through dialogue conducted from a global perspective. In addition to our nine core materialities and three focus areas, we also conduct engagement activities that

take into account international initiatives and global standards. Here, we introduce an engagement case related to climate change—specifically decarbonization and methane emissions reduction—and energy transition, both of which require urgent global action.



Case 1

Engagement Case Study with an Overseas Company (Oil & Gas Industry, Company A)

A case in which we encouraged disclosures on methane reduction in light of the growing energy demand from AI data centers.

Issues

Climate change
Sustainability management

Challenges Facing Company A

Company A, as a global leader in the oil and gas industry, is expected to take robust action on climate change. In particular, ensuring transparency regarding methane emissions reduction and the growing energy demand associated with AI is critical. The company is exploring the use of natural gas to meet the energy needs of AI data centers, and it is essential that such initiatives remain consistent with its methane-reduction commitments.

Issue

[The issue of the company]

- The primary challenge facing Company A is to disclose its approach and policy regarding AI-related energy demand, and to measure and report performance in alignment with the Oil and Gas Methane Partnership 2.0 led by UNEP. This disclosure requires a commitment to achieving a methane emissions intensity of 0.20% by 2025 and a 75% reduction by 2030 for natural-gas-based AI energy solutions.

Action

[Dialogue Content]

- Q1 2025: We discussed the importance of disclosing the company's approach to AI-related energy demand and reached agreement on proceeding with such disclosure. The company has begun exploring opportunities to supply natural gas to AI data centers and is well-positioned to provide lower-methane natural gas. In addition, the company possesses CCS technologies, enabling it to minimize environmental impact. We encouraged Company A to include details on how this gas would be supplied, and the company responded positively to this suggestion.
- Q2 2025: We confirmed that Company A had initiated the formulation of plans to disclose its approach to AI-related energy demand. The company believes it holds competitive advantages across the entire CCS value chain, strengthened by recent M&A activity. Additionally, its location along the U.S. Gulf Coast provides strategic access to industrial customers seeking to reduce emissions, while also enabling it to supply energy to AI data centers.
- Q3 2025: Our dialogue focused on the need for industry-wide action to address methane emissions. A company representative noted that if the industry does not address its own "villains," regulatory intervention may follow. They emphasized that the entire industry must demonstrate leadership and collaborate with governments to tackle this issue.

Outcome

[Status of Dialogue Achievements]

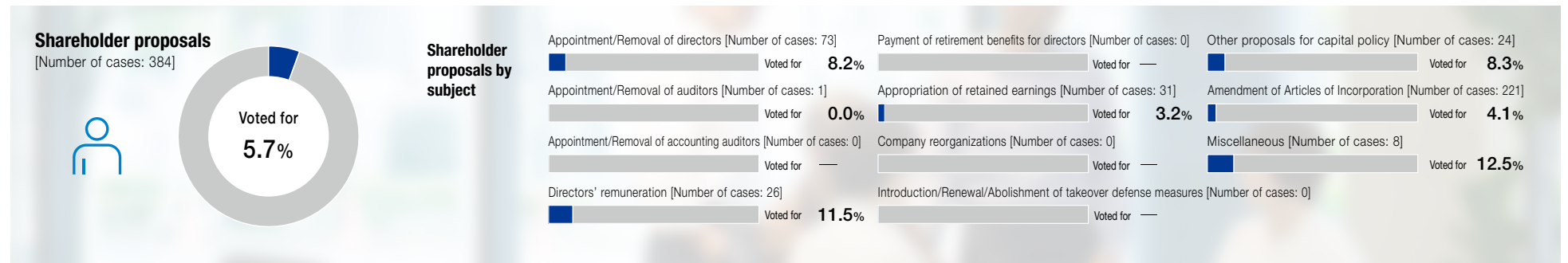
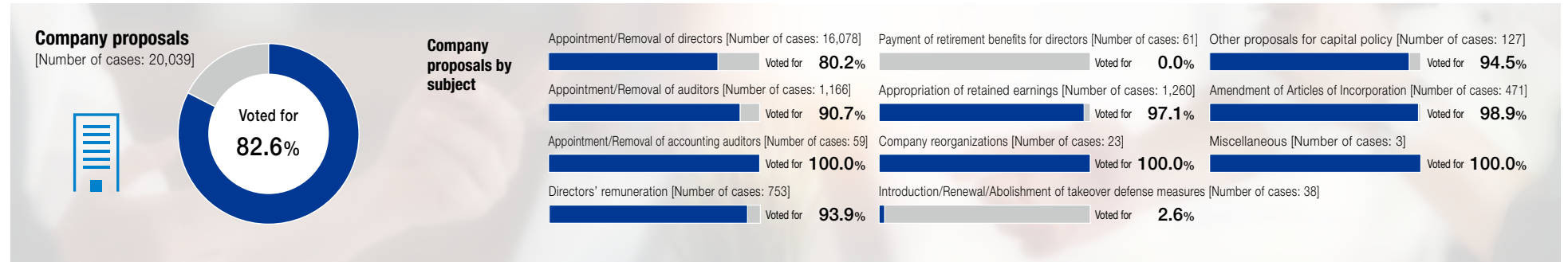
- Company A has proactively begun formulating a plan to disclose its approach to AI-related energy demand and believes it holds strong competitive advantages across the CCS value chain. Its operations benefit from access to customers seeking to reduce emissions in heavy industries and can also supply energy for AI-driven demand. The company aims to achieve net-zero emissions for Scope 1 and Scope 2 by 2030. Company A has been selected as an engagement target under Climate Action 100+, and we will continue our engagement to support the company's efforts to address climate change.



Exercise of Voting Rights for Japanese Equities and REITs

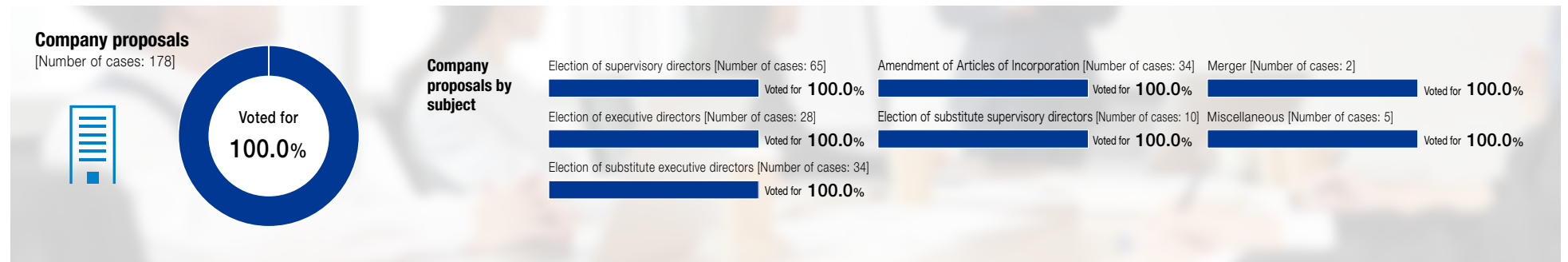
Voting outcomes for Japanese equities

(July, 2024 – June, 2025)



Voting outcomes for REITs

(July, 2024 – June, 2025)



*No shareholder proposals were made during the relevant period



Exercise of Voting Rights for Japanese Equities

Asset Management One's exercise of voting rights

The exercise of voting rights is one of the most important initiatives in fulfilling stewardship responsibilities. We make decisions on proposals to take engagement into account (constructive dialogue with investee companies) with the aim of promoting sustainable social development and enhancing corporate value of the investee companies. In addition, we exercise our voting rights with regard to target companies that may pose a conflict of interest, such as our parent company and group companies, using appropriate systems and processes.

Revision of Voting Rights Exercise Guidelines (Effective April 2025)

The main revisions (excerpt) are as follows:

1. Incorporation of the Medium- to Long-Term Stewardship Activities Roadmap

In accordance with the “Roadmap for Stewardship Activities (Voting and Engagement) from a Medium- to Long-Term Perspective” published on September 27, 2024, the following points have been revised.

(a) Establishment of Nomination and Compensation Committees

To enhance transparency and objectivity in the nomination and compensation of directors, and as a foundation for effective corporate governance, the guidelines now specify that companies are expected to establish nomination and compensation committees, including voluntary ones.

(b) Escalation (Meetings with Management)

For companies whose initiatives to address ESG issues that may have a significant impact on corporate value are deemed insufficient, the guidelines now state that, if meetings with management (including outside directors) cannot be realized, opposition to proposals concerning the election of relevant directors may be considered as part of engagement escalation.

2. Takeover Defense Measures

With respect to takeover defense measures, certain exceptional provisions have been abolished, and the basic policy has been revised to oppose such measures in principle. For contingency-type takeover defense measures, decisions will be made on an individual basis, and the guidelines state that enhanced disclosure will be required from acquirers.

3. Appropriation of Surplus

In light of the increasing number of companies implementing continuous shareholder returns while advancing business restructuring to improve capital efficiency, the criteria for determining excessive dividends have been revised.

Details are indicated in the news release below.

https://www.am-one.co.jp/pdf/news/395/20250307_AMOne_newsrelease.pdf



Masanobu Endo
Team manager of Voting team
Research & Engagement Department
Investments Division

Future Direction

In accordance with the “Roadmap for Stewardship Activities from a Medium- to Long-Term Perspective,” we will continue to engage in dialogue with investee companies and revise our voting guidelines and specific decision-making criteria, taking the external environment and the circumstances of each investee company into account.

Column

Regarding Proposals for Third-Party Allotments for the Purpose of Contributing Shares to a Foundation

Recently, we have observed company-sponsored proposals that aim to establish foundations through schemes involving the issuance of shares under favorable conditions. A favorable issuance refers to the act of issuing shares or share acquisition rights to third parties other than existing shareholders on terms more advantageous than market value. The Companies Act requires that such favorable issuances be approved by a “special resolution” at a general meeting of shareholders.

Favorable issuances may have a significant impact on existing shareholders. Specifically, they carry the risk of diluting the rights per share of existing shareholders, thereby potentially reducing the value of those rights. They may also create issues of fairness by conferring preferential treatment upon specific third parties. Our company takes a cautious approach toward favorable issuances—with the exception of stock options meeting certain requirements when used as part of compensation systems for officers and employees—from the standpoint of protecting shareholder value (We generally cannot support such issuances).

If the purpose of establishing a foundation is to create future corporate value, we believe such value should be realized in a manner that directly accrues to shareholders. Specifically, we would expect companies to consider implementing initiatives as part of their core business activities or, if separate organizational structures are required, to evaluate establishing a subsidiary—thus ensuring that shareholder interests are protected while achieving the intended objectives. For shareholders and asset owners as well, it is essential that corporate resources be utilized appropriately, and this is a point we also place great importance on.

Voting Activities [Japanese Equities]

Case 1

Case Study of Exercise of Voting Rights (Chemical Company A)

From the perspective of management oversight responsibility in relation to the occurrence of a misconduct incident, we opposed the reappointment of the former President as Director. We supported some of the shareholder-proposed candidates for Outside Director.

Health issues were reported that are suspected to have been caused by supplements manufactured and sold by Chemical Company A using red yeast rice as an ingredient. We opposed the reappointment of the former President on the grounds that it would be inappropriate for an individual who should bear responsibility for management oversight to remain on the Board of Directors. We supported the election of certain shareholder-proposed Outside Director candidates who possess strong experience and expertise in the pharmaceutical business.

| Issue | Action | Voting/Escalation | Outcome |
|--|---|--|--|
| <p>Although the first case was reported in January 2024, it was not until two months later, in March 2024, that the company finally disclosed the “possibility that the product may contain ingredients that were not anticipated,” and subsequently issued a call to discontinue use and initiated a voluntary recall. The series of actions following the discovery of the incident—particularly the timing of public disclosure—was identified as inappropriate by the “Fact-Finding Committee,” both from the standpoint of preventing further health damage and from the perspective of meeting the trust expectations of stakeholders.</p> | <p>To clarify management responsibility, the Chair and President, both members of the founding family, resigned from their positions (the Chair assumed the role of Special Advisor, and the President was appointed as a Director in charge of compensation for affected individuals). The company also announced its policies regarding compensation for victims and measures to prevent recurrence. However, we determined that the company’s response remained insufficient. We engaged in dialogue with top management, pointing out that “the root cause of the governance failure lies in a reporting system that did not function due to deference to the founding family, and therefore a thorough reform of the organizational culture is required to ensure highly transparent information sharing and swift decision-making.”</p> | <p>At the extraordinary general meeting, we supported a shareholder-proposed Outside Director candidate whom we assessed as having extensive experience in the pharmaceutical business and the capability to contribute to strengthening quality management and compliance systems.</p> <p>For the proposal concerning the election of Directors at the annual general meeting, we opposed the reappointment of the former President. In addition to the assessment that he failed to make appropriate decisions as President at the time the misconduct occurred, we judged it inappropriate for him to remain on the Board at a juncture where it is desirable to reduce the influence of the founding family.</p> | <p>While the proposal to elect the shareholder-proposed Outside Director was rejected at the extraordinary general meeting, the former President’s reappointment as Director was approved at the annual general meeting. However, the approval rate for the former President was lower than that for other candidates, confirming that shareholders expressed strong concerns. After the general meeting, we held dialogue with the new top management and requested that they “disclose a concrete roadmap and PDCA cycle for preventing recurrence.”</p> |

Case 2

Case Study of Exercise of Voting Rights (Consumer products Company B)

We supported certain shareholder-proposed Outside Director candidates whom we judged would contribute to enhancing corporate value

A shareholder proposal was submitted to Consumer Goods Company B for the election of Outside Director candidates with expertise relevant to addressing the company’s inability to fully leverage the high growth potential of its overseas business. After hearing the views of both the shareholder-proposed Outside Director candidates and the company, we supported certain shareholder-proposed candidates whom we judged would contribute to improving corporate value.

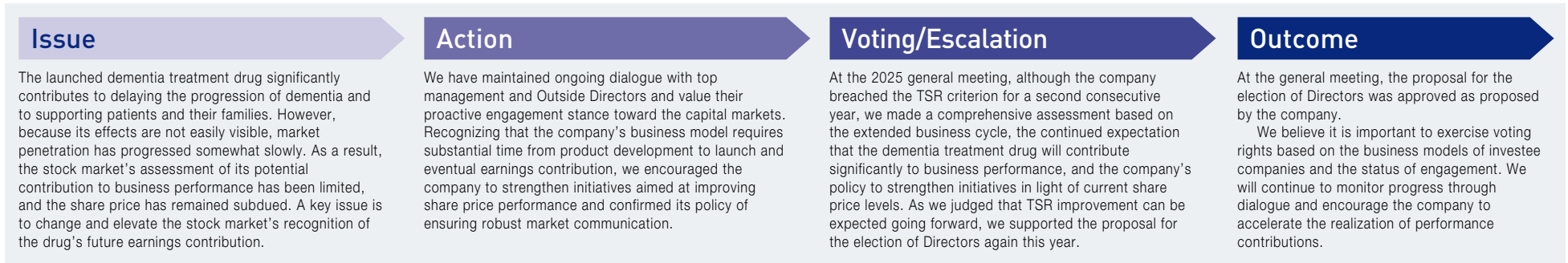
| Issue | Action | Voting/Escalation | Outcome |
|--|---|--|---|
| <p>Under the medium-term management plan promoted by the current management team, the company aims to achieve record-high operating profit and an ROIC of 11% or higher in fiscal year 2027, and we believe the achievement of recovering ROIC to 9.2% in fiscal year 2024 can be assessed positively to some extent. However, given the current revenue structure’s heavy dependence on the domestic market, future growth is difficult to expect, and the risk of performance deterioration due to Japan’s declining population cannot be dismissed. We believe that expanding overseas earnings—and accelerating that pace of expansion—is essential for enhancing corporate value.</p> | <p>We have been engaging in ongoing dialogue with the company, and in discussions with top management, we have conveyed our view that the current pace of growth is insufficient.</p> <p>We held dialogue with the shareholder-proposed Outside Director candidates as well as with members of the company’s Nomination Committee who interviewed those candidates, and we confirmed their respective thinking and decision-making processes.</p> | <p>Taking into consideration the content of our prior engagements with the company, the expertise and experience of the shareholder-proposed Outside Director candidates, the Nomination Committee’s decision-making process leading to its dissenting view, and the expertise and experience of the company-proposed Director candidates, we reached a comprehensive judgment. As a result, at the 2025 general meeting, we supported certain shareholder-proposed candidates whom we assessed as possessing expertise and experience that would contribute to enhancing corporate value.</p> | <p>At the general meeting, all proposals for the election of shareholder-proposed Outside Director candidates were rejected. We will continue to encourage the company—through ongoing engagement—to strengthen its initiatives aimed at accelerating the growth of its overseas business, which possesses significant growth potential, with the objective of enhancing corporate value.</p> |



Voting Activities [Japanese Equities]

Case3 Case Study of Exercise of Voting Rights (Pharmaceutical Company C) **Although the company breached the TSR criterion for two consecutive years, we supported the proposal again this year, as we expect TSR to improve going forward in light of the long business cycle**

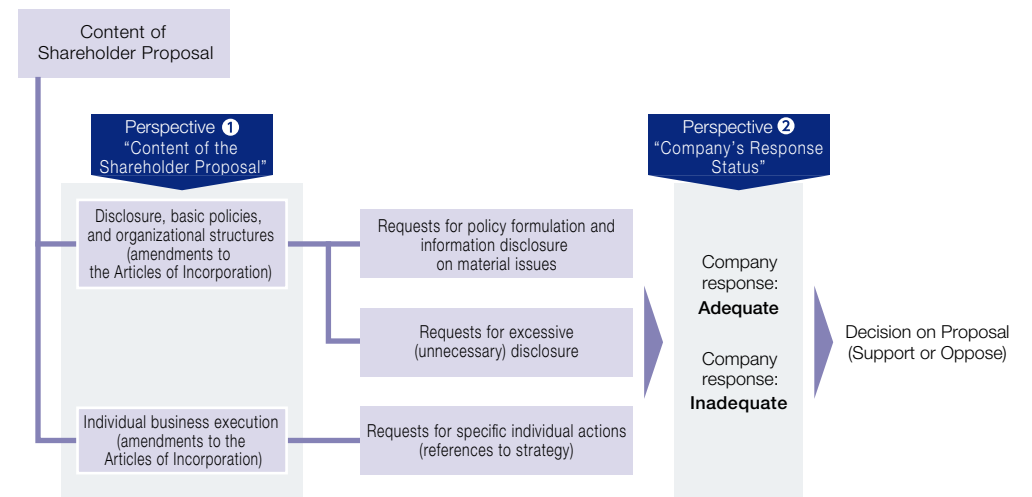
Although Pharmaceutical Company C’s dementia treatment drug—developed and launched by the company—is expected to make a significant long-term contribution to business performance, the realization of such contribution is taking time, resulting in two consecutive years of breaching the TSR criterion. Taking into account the long business cycle and our expectation of future TSR improvement through ongoing dialogue, we supported the proposal again this year.



Approach to Shareholder Proposals for Amendments to the Articles of Incorporation, Including Those Related to Climate Change

We assess shareholder proposals for amendments to the Articles of Incorporation based on two perspectives: the “content of the shareholder proposal” and the “company’s response status.” As a general rule, we oppose proposals that request information disclosure, basic policies, or organizational structures requiring amendments to the Articles that would result in excessive or unnecessary disclosure, or those that fall within the scope of individual business execution and may influence specific business strategies.

For proposals requesting the formulation of policies or enhanced disclosure on issues of high materiality for the investee company, we will oppose such proposals if the company has already taken sufficient measures or if we consider the company’s progress to be adequate. Conversely, if the proposal is appropriate and is deemed conducive to enhancing long-term shareholder value, we will support it. These principles serve as general criteria, and decisions regarding shareholder proposals to amend the Articles of Incorporation are made on a case-by-case basis.



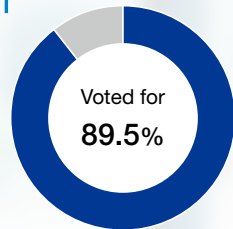
Exercise of Voting Rights for Non-Japanese Equities

Voting outcome for non-Japanese equities

(July, 2024 – June, 2025)

Company proposals

[Number of cases: 46,441]

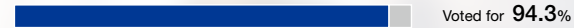


Company proposals by subject

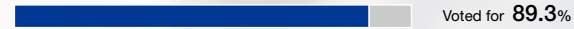
Director-related (Proposals for the Election of Directors) [Number of cases: 21,086]



Routine (e.g., Appointment of Accounting Auditor) [Number of cases: 12,879]



Capital-related (e.g., Issuance of Shares) [Number of cases: 4,636]



Compensation [Number of cases: 5,303]



Merger/Acquisition [Number of cases: 1,687]



Takeover defense measure [Number of cases: 269]

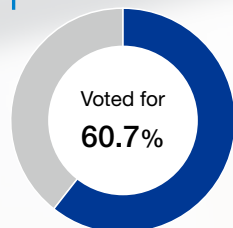


Miscellaneous [Number of cases: 581]



Shareholder proposals

[Number of cases: 1,849]



Shareholder proposals by subject

Director-related (Proposals for the Election of Directors) [Number of cases: 801]



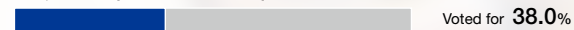
Routine (Appointment of the Independent Chair of the Board of Directors and others) [Number of cases: 330]



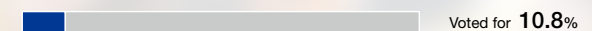
Governance related [Number of cases: 95]



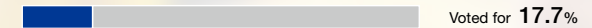
Compensation [Number of cases: 71]



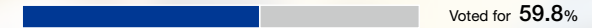
Environmental/Health related [Number of cases: 111]



Human rights/Social related [Number of cases: 130]



Miscellaneous [Number of cases: 311]



Dialogue and Collaboration with Initiatives and Government Agencies

Our Firm actively collaborates with initiatives in Japan and overseas to encourage investee companies to make a transition to a sustainable society.

By acquiring domestic and overseas information from experts in a timely manner, we deepen our knowledge of ESG and apply it to engagement activities, etc. to resolve ESG issues faced by investee companies.



Climate Action 100+

Climate Action 100+ is an initiative that encourages global institutional investors to engage with the world's largest corporate greenhouse gas emitters regarding information disclosure and initiatives to reduce GHG emissions. Analysts from our Tokyo and London offices participate in this initiative, we have engaged with Japanese major automaker in collaboration with major US pension funds as a lead investor.




Nature Action 100

Nature Action 100 is a global institutional investor engagement initiative that focuses on further promoting corporate activities to reverse the loss of nature and biodiversity. Participating investors express expectations on six actions such as ambition, assessment, targets, implementation, governance, and engagement to protect and restore nature and ecosystems to the investee companies, and our firm has initiated engagement activities with several companies in Japan.




PRI Advance

PRI advance is a stewardship initiative led by PRI, in collaboration with institutional investors to address human rights and social issues. It conducts engagement activities with companies and policymakers aimed at generating positive outcomes for workers, communities, and society. Our firm participates in collaborative engagements with domestic and overseas companies.



International Sustainability Standards Board (ISSB)

As an organization under the IFRS Foundation, the Board was launched in 2021 through the integration of multiple organizations which developed standards for ESG and sustainability information disclosure. We participate in the Investor Advisory Group which is an advisory body consisting of investors and an organization of experts, the Technical Reference Group that supports the formulation of standards, and we actively provide opinions for the formulation of efficient and effective global ESG disclosure standards.



Participating initiatives

| Participating year | Name of initiative |
|--------------------|--|
| 2013 | PRI (Principles for Responsible Investment) |
| 2014 | ICGN (International Corporate Governance Network) |
| 2017 | Climate Action 100+ |
| 2018 | ACGA (Asian Corporate Governance Association) |
| 2018 | JSIF (Japan Sustainable Investment Forum) |
| 2019 | TCFD (Task Force on Climate-related Financial Disclosures) |
| 2019 | TCFD Consortium |
| 2019 | RE100 (Renewable Energy 100%) |
| 2019 | JSI (Japan Stewardship Initiative) |
| 2019 | 30% Club Japan Investor Group |
| 2020 | ESG Disclosure Study Group |
| 2020 | Access To Medicine |
| 2020 | FAIRR (Farm Animal Investment Risk & Return) |
| 2020 | NZAM (Net Zero Asset Managers initiative) |
| 2021 | AIGCC (Asia Investor Group on Climate Change) |
| 2021 | ISSB (International Sustainability Standards Board) |
| 2021 | Japan Impact-driven Financing Initiative |
| 2022 | CDP |
| 2022 | The TNFD (Taskforce on Nature-related Financial Disclosures) Forum |
| 2022 | PRI Advance |
| 2022 | Human Capital Management Consortium |
| 2022 | Partnership for Carbon Accounting Financials (PCAF) |
| 2023 | Nature Action 100 |
| 2023 | Triple I for Global Health (Triple-I) |
| 2024 | PBAF (Partnership for Biodiversity Accounting Financials) |

Committees and study groups of government agencies we have participated in as a member, etc. from FY2024 - FY2025

We engage proactively in dialogue with ministries and public institutions—such as the Ministry of Economy, Trade and Industry, the Ministry of the Environment, the Financial Services Agency, the Tokyo Stock Exchange, and the Investment Advisors Association of Japan—on matters that we believe require policy-level responses. These efforts are aimed at enhancing the corporate value of investee companies, realizing a sustainable society, and thereby contributing to the overall improvement of the capital markets.

Ministry of Economy, Trade and Industry

- Study Group on Digital Governance for Corporate Value Enhancement
- 2025 Working Group on DX Certifications and selection of “DX Stock”
- 2025 “SX Stock” Evaluation Committee
- Human Capital Management Consortium Steering Committee
- TCFD Consortium Steering Committee
- Study Group on Corporate Management that Leverages Diversity as a Source of Competitiveness

Ministry of the Environment

- International Standardization Project on Corporate Information Disclosure Schemes and Value Chain Circularity Indicators

Financial Services Agency

- Japan Asset Management Forum (Alternative Investments Subcommittee, Corporate Value Enhancement Subcommittee, DX and Digitalization Subcommittee, Sustainable Finance Subcommittee)

Impact related initiatives

We participate in the following initiatives for the purpose of sharing information and gaining insights related to impact investment.

- Impact consortium
- Japan Impact-driven Financing Initiative (AO/AM Subcommittee and others) *AO/AM: Asset Owner/Asset Manager





3. Sustainable Investment

Yuki Ikehata

Head of Sustainable Investment,
Investment Division

Making sustainable investing inspiring

Evolving Trends in ESG and Sustainable Investment

Having spent more than twenty years in the asset management industry, I have worked through constant market fluctuations as an equity and fixed-income analyst and as a fund manager. Since 2018, my focus has shifted toward responsible investment and stewardship activities. During this time, I have witnessed the rapid expansion of investment strategies that incorporate environmental, social, and governance (ESG) considerations, as well as the significant growth in sustainable investment assets both globally and in Japan. I believe this trend reflects investors' increasing recognition that it is essential not only to pursue short-term profit but also to evaluate companies' long-term sustainability and their capacity to address societal challenges.

However, more recently, backlash to ESG has emerged in certain regions, particularly in the United States. This backlash appears to stem from perceptions that companies are being asked to do too much in addressing environmental and social issues, as well as concerns regarding overly stringent disclosure requirements. Such reactions risk obscuring the intrinsic value of corporate sustainability initiatives. For investors, it is therefore necessary to reassess how efforts to address environmental and social issues contribute to corporate value creation, and how these efforts can enhance the effectiveness of solutions to societal challenges. In many ways, the current pushback against ESG has prompted us to revisit the fundamental goals we aim to achieve through investment.

Our Focus on Impact Investment

Against this backdrop, we have turned our attention to impact investment. While traditional ESG integration emphasizes risk management and a company's responsiveness to environmental and social factors, impact investment seeks to generate measurable positive environmental and social outcomes alongside financial returns. Examples include companies producing decarbonization-related products, those delivering innovative services that promote public health, and those driving regional revitalization. For investors, this requires establishing frameworks that evaluate businesses contributing directly to the resolution of

social issues and integrating these assessments into investment decision-making. Our firm intends to enhance its focus on impact investment and develop investment strategies that contribute to building a sustainable future.

We have long pursued new initiatives in the realm of sustainable investment. These include the launch of an engagement-enhanced passive Japanese equity fund aimed at "raising the standards of the overall market.," being an early signatory to the Net Zero Asset Managers initiative (NZAM), developing our own "Net Zero Assessment," which underpins our All Japan Carbon Neutral strategy, and disclosure of risks and opportunities utilizing the TNFD (Taskforce on Nature-related Financial Disclosures) framework. These initiatives reflect our belief that sustainable investment is not merely an investment approach but a force to create a sustainable future.

Nurturing the future through creativity

I believe that sustainable investment—at its core a challenge undertaken to make the future better—should be a field rich with opportunities for creativity and, therefore, something we can genuinely find "enjoyable." While we may at times confront complex or difficult issues, new possibilities and discoveries always await beyond those challenges. For example, our donation to the Zero Carbon Challenge Cup through the "Hagukumu Investment Plus" scheme, launched this fiscal year, is designed not only to support zero carbon initiatives but also to source innovative ideas from a broad range of stakeholders beyond our investee companies. By sharing our sustainability initiatives with a wide range of clients and partners through storytelling, we can generate forms of collaboration that go beyond the traditional boundaries of investment. I believe that this spirit of creativity and ingenuity is the key to making sustainable investment more engaging and "enjoyable."

We will continue to take on the challenge of creating the future through sustainable investment. As responsible investment evolves into sustainable investment and further into impact investment, the role of investors is becoming increasingly important. We look forward to navigating this journey together with all of you—embracing the process and opening new pathways that reconcile social value with financial returns.

Asset Management One's Sustainable Investment

In 2025, our firm revised its Sustainable Investment Framework, which defines the classification categories for our sustainable investment products. Reflecting the evolving environment surrounding the expansion of impact investing—a strategy aimed at generating financial returns while simultaneously delivering positive environmental and social outcomes—we redefined the framework around the central concept of “the effects from investment activities on the environment and society.” In parallel with this revision to the Sustainable Investment Framework, we will continue to improve our ESG Integration approach, which incorporates various forms of information into investment decision-making. This includes our quantitative ESG Rating Score, designed to evaluate the ESG performance of investee companies, as well as qualitative research insights provided by our analysts.

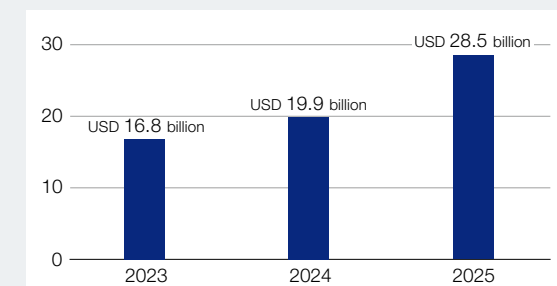
Sustainable Investment

Sustainable Investment System

| Category | Features of the funds |
|----------------|---|
| Impact | <ul style="list-style-type: none"> An investment approach primarily aimed at generating financial returns while intentionally driving measurable behavioral changes in investee companies—through investment actions such as investment decisions and stewardship activities—with the objective of achieving positive sustainability outcomes. |
| Sustainability | <ul style="list-style-type: none"> An investment approach primarily aimed at generating financial returns while also pursuing contributions to the resolution of environmental and social challenges or supporting the transition. |
| Integration | <ul style="list-style-type: none"> An investment approach primarily aimed at generating financial returns while considering material sustainability and governance issues of the investee as factors in the investment decision-making process. |

* Funds that include ESG-related terms in their names are required to qualify as Impact or Sustainability, in accordance with our ESG Naming Rules.

ESG assets under management (As of June 30th of each year)



* Assets of products that fall under the ESG-related naming rules set by the company

Underlying initiatives

Sustainable Investment Framework (SIF)

This sets out the standards of expectation for investee companies and the actions to be taken if these standards are not met, as well as the criteria for exclusion (Appendix P.8)

ESG rating score

Evaluation based on our core materiality, integrating more than 200 data from external vendors and our analysts' evaluation analysis. Reflects net zero alignment, voting results, and judgment of excluded issues stipulated in SIF (Appendix P.9). ESG integration in fixed income investment management (Appendix P.10)

ESG Research

Providing investment ideas to portfolio managers from various perspectives of sustainability (P.11-P.21)

Collaboration with External Partners

Due diligence in external investment management and ESG information vendors (Appendix P.11)

ESG Disclosure

Evaluating and reporting on the ESG characteristics of ESG-related products (Appendix P.12)



4. Corporate Sustainability

We have also set out the criteria we look for in investee companies in our own company

The environmental and social issues indicated on the “Materiality Map” are important not only for our investee companies but also for us to address. Based on the core materiality of the issues that are considered to have a particularly significant impact and require priority action, we have set the following three key areas for corporate sustainability initiatives, and are implementing various initiatives with long-term goals. We aim to instill a sense of necessity regarding sustainability in our employees, who are the driving force behind our business, and encourage them to take action, so that sustainability initiatives become ingrained in the actions of each and everyone.

We are also working to enhance employees’ awareness of sustainability by disclosing our activity results on the internal portal site and providing information on initiatives and programs in which our employees can participate.



Yui Hosono
Sustainable Investment
Department Investment Division
Human Resources &
Facility Services
Planning Division

Yumi Shinohara
Team manager of
Facility Services
Human Resources &
Facility Services
Planning Division

Key Areas of Corporate Sustainability Initiatives

| Key Areas | Vision and long-term goals | Our initiatives |
|--|--|---|
| Climate Change and Environmental Issues | Vision ● Realization of a global environment that serves as the foundation for a sustainable society and economy Long-term goals ● Our GHG emissions (Scope 1 and 2) will be netzero by 2030 ● GHG emissions of our overseas offices will be netzero by 2030 | ● We made a donation to the Zero Carbon Challenge Cup, joining initiatives that support organizations working to prevent global warming with the goal of achieving net-zero CO ₂ emissions. |
| DE&I* | Vision ● An organization where all employees can feel that they are treated fairly and impartially Long-term goals ● Increase the ratio of female in decision-making positions to above 30% by 2030 | ● Gender gap reduction : We are identifying potential female leaders and formulating development plans, promoting a mentorship program based on these plans, and participating in the Asset Management Women’s Forum as part of our efforts to advance women’s participation in the asset management industry. ● Diversity : We conducted a training session for executives on diversity management. |
| Employee wellbeing and job satisfaction | Vision ● Realization of an organization where professionals can continue to work with a high sense of engagement Long-term goals ● While we do not have long-term numerical targets, we use the “engagement score” from the survey of all employees as a monitoring indicator | ● Obtained certification as a Certified KENKO Investment for Health 2025 (Health & Productivity Management Organization) (Large Enterprise Category). ● Hosted the “Future Career & Life 2025” program, offering numerous seminars on four key themes—career development, financial literacy, support for balancing work with caregiving/ childcare leave, and health—thereby promoting employees’ well-being. |

* Diversity, Equity and Inclusion

Social Contribution Activities

Financial and economic education

- Promoted financial and economic education for parents and children, corporate employees, and students.
- Published “A Study of the Asset Management Industry” in collaboration with four other asset management companies.

Endowments and social contribution

- Made donations to multiple organizations through the Hagukumu Investment Plus Scheme.
- Sponsored the Classical Live for 1,000,000 people Concert.
- Participated in the Mizuho Volunteer Day by conducting cleaning activities in the vicinity of our office building.

Progress of Corporate Sustainability Initiatives

Long-term goals for tackling climate change and environmental issues

Reducing GHG emissions at our firm
(Scope 1 and 2)
to net zero by 2030

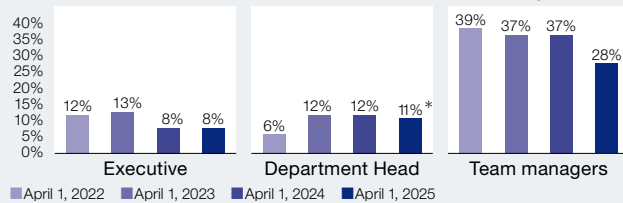
Reducing GHG emissions across the supply chain
(category 1 through 14 in Scope 3)
to net zero by 2050

GHG emissions (Scope 1 and 2)

| Unit: t-CO ₂ | FY2021 | FY2022 | FY2023 |
|-------------------------|--------|--------|--------|
| Japan Office | 0 | 0 | 0 |
| Overseas Offices | 48.5 | 49.2 | 35.1 |

* Scope 1/2/3: GHG Protocol, the global standard for calculating and reporting GHG emissions, defines Scope 1 as direct emissions from fuel combustion or industrial processes by businesses themselves, Scope 2 as indirect emissions associated with the use of energy supplied by others, and Scope 3 as indirect emissions by others related to the company's activities, other than Scopes 1 and 2.
 * FY2021 (April 2021 to March 2022), FY2022 (April 2022 to March 2023), FY2023 (April 2023 to March 2024)
 * Overseas offices refer to the four offices of London, New York, Singapore and Hong Kong.
 * London Office achieved 100% renewable energy usage.
 * The GHG emissions from the Singapore base will be until April 2024.
 * Category 1 through Category 14: Of the 15 categories of Scope 3 in GHG Protocol, all categories excluding category 15, "Investments"

Diversity, equity and inclusion Female ratio in decision-making roles



• To achieve the goal of increasing the female ratio at all levels of the decision-making positions to 30% by 2030, we have implemented a systematic training programs through the identification of potential female leaders, development of their training plans and executive mentoring system based on these training plans.

Personnel data (as of April 1, 2024)

| | Male | Female | Total | Female ratio | KPI of female ratio | Gender wage gap* ² (Male=100) | Ratio of employment for people with disabilities ³ |
|-------------------------------------|------|--------|-------|--------------|---------------------|--|---|
| Executives* ¹ | 12 | 1 | 13 | 7.7% | 30% | — | — |
| Total employees | 616 | 335 | 951 | 35.2% | — | 78.5 | 2.78% |
| Department heads | 42 | 5 | 47 | 10.6% | 30% | 88.3 | — |
| Team managers | 63 | 24 | 87 | 27.6% | 30% | 86.4 | — |
| Other employees | 436 | 287 | 723 | 39.7% | — | 76.3 | — |
| Non regular employees* ⁴ | 75 | 19 | 94 | 20.2% | — | 75.6 | — |

*¹ Excludes Audit and Supervisory Committee members *² Proper employees *³ As of June 2025
 *⁴ Personnel data above does not include employees in subsidiaries or affiliates of Asset Management One

- The gender wage gap has a trend to narrow from 78.2 for the total employees in the latest fiscal year. In our view, the current gap is attributable primarily to the fact that a high proportion of female employees is engaged in relatively small job size roles under the professional personnel system where wages are linked to job size. We will continue to change the awareness and foster corporate culture through programs and systems to increase opportunities for career developments. We also check the ratio of male and female candidates for promotion, if any differences in the same job category by gender, make corrections as necessary.
- The ratio of employment for people with disabilities is almost at the same level as in the latest fiscal year. After hiring, we have an interview with each of them, confirm the environment where they work, and improve the environment as needed. We will continue recruitment activities and create an environment where all employees can exercise their own abilities and feel united.

Autonomy and growth Autonomous career development support program

| Program/system | Details | Participant (applicant) number in FY2023 | Participant (applicant) number in FY2024 |
|--|---|--|--|
| Career Talk | A program where employees talk about their careers and lives, and exchange opinions with participants | 117 | 106 |
| Operations experience/introduction program | autonomous career formation (total of 51 programs) | 308 | 540 |
| Internal job posting system | Recruit 39 roles targeting employees with one year or more of service | 23 | 23 |
| Skill improvement support system | Supplement costs to acquire skills required of new jobs | 6 | — |
| Certification acquisition application system | Assistance to acquire 51 designated certifications, payment of annual membership fees/registration fees for the Certified Member Analyst of the Securities Analysts Association of Japan (CMA), etc., assistance for expenses and incentive payment for TOEIC | 40 Cases | 46 Cases |

Mental and Physical Health Rate of taking leave and work hours

| | FY2021 | FY2022 | FY2023 | FY2024 |
|--------------------------------|--------|--------|--------|--------|
| Rate of taking annual leave | 62.5% | 67.1% | 69.2% | 67.7% |
| Rate of taking long-term leave | 100.0% | 100.0% | 99.9% | 100.0% |
| Average monthly work hours | 184.9 | 184.4 | 180.2 | 180.2 |

• Considering how health in mind and body affects job performance, we recommend an 11-hour work interval and encourage employees to take longer-term leave twice a year. While monitoring status on a periodical basis and implementing initiatives for improvements, we provide feedback to management and employees.

Relationship of trust between company and society Engagement score

| | FY2021 | FY2022 | FY2023 | FY2024 |
|------------------|--------|--------|--------|--------|
| Engagement score | 67.3 | 69.3 | 68.6 | 67.9 |
| Response rate | 84% | 85% | 87% | 85% |

* Average of a fiscal year

• We conduct an engagement survey targeting all employees. The purpose of the survey is visualizing the organization's condition and perceiving the trend of change, which is leveraged by executives and managements for organizational management. At the same time, we have implemented an initiative to raise the response rate for a better understanding of the actual condition.

Safe, secure and easy-to-work-in workplace Rate of taking childcare leave

| | FY2021 | FY2022 | FY2023 | FY2024 |
|------------------|--------|--------|--------|--------------------|
| Male employees | 14% | 63% | 85% | 100%* ¹ |
| Female employees | 60% | 140% | 88% | 133%* ² |

*¹ Male Employees: "Number of male employees who took childcare leave, etc. in fiscal year 2024" ÷ "Number of male employees whose spouses gave birth in fiscal year 2024."
 *² Female Employees: "Number of female employees who took childcare leave, etc. in fiscal year 2024" ÷ "Number of female employees who gave birth in fiscal year 2024."
 Note: The date of the child's birth is used as the denominator criterion (employees whose children were born between April and March). The numerator (employees who took leave) is counted based on the actual start date of the childcare leave period.

* FY2021 (April 2021 to March 2022), FY2022 (April 2022 to March 2023), FY2023 (April 2023 to March 2024), FY2024 (April 2024 to March 2025)



Corporate Sustainability – Key Initiatives



DE&I

■ Promotion of Women’s Advancement

To increase the proportion of women at various levels of decision-making, we are addressing historical imbalances in job experience and learning opportunities between genders. Our initiatives include identifying potential female leaders, formulating individualized development plans, and implementing a structured executive mentoring program aligned with these plans. Progress is monitored annually, and based on these results, we conduct promotions and review development plans as necessary to achieve our KPI targets. In addition, we participate in the cross-industry Asset Management Women’s Forum (AMWF) and hosted an executive-level event titled “Discussion for Building an Asset Management Industry Where Women Can Thrive.”

■ IBUKI Initiative

As part of our efforts to promote social contribution and DE&I, the company opened the IBUKI Kashiwa Farm on May 1, 2022, as an initiative supporting the employment of persons with disabilities. At this indoor farm located in Kashiwa City, Chiba Prefecture, IBUKI members—who are employees of our company—cultivate herbs and ornamental plants from seeds. The harvested herbs are processed into herbal tea and served to employees at the in-house café, as well as distributed to clients as novelty gifts. The ornamental plants are placed on each floor of the office, where they are regularly maintained by IBUKI members, contributing to a greener office environment.

We also deepen internal engagement by inviting employees’ families to the office for Family Day events, involving IBUKI members as instructors in internal programs, and having them regularly participate in meetings of the Human Resources and Facility Services Department, to which they belong. These activities foster a corporate culture in which all employees—regardless of disability—understand and support one another.



Employee Well-Being and Engagement

■ Approach to Promoting Health

Asset Management One believes that the well-being of its employees is essential for sustainable growth. We are committed to fostering a culture in which employees are encouraged to heighten their self-management awareness so that they can maintain good health and lead fulfilling professional lives. We support the prevention of lifestyle-related diseases, early detection of illness, and the balance between treatment and work. Through these health-related initiatives, we aim to maximize employees’ medium- to long-term performance.

Enhancing Employee Well-Being and Engagement

2. Prevention

Basic Knowledge and Support Programs

- Raise awareness of the importance and benefits of healthy lifestyle habits
- Promote exercise and dietary management (QOLism)
- Provide consultation services
- Support employee communities



3. Health Status Assessment

Understanding Health Conditions Through Medical Examinations

- Regular health checkups
- Stress assessments
- Comprehensive medical examinations and cancer screenings (cost subsidies and use of accumulated leave)

4. Support for Balancing Work and Treatment

Supporting the Balance Between Work and Medical Care

- Use of accumulated leave
- Flexible working arrangements, etc.

1. Foundation Building (Awareness and Organizational Culture)

- Foster understanding of the company’s overall health-related initiatives
- Encourage awareness of maintaining and improving one’s own health and that of team members
- Promote understanding of the impact and importance of physical and mental health on work performance
- Enhance understanding that some colleagues may have illnesses or disabilities

Physical and Mental Well-Being / A Safe and Comfortable Work Environment
Diversity, Equity & Inclusion (DE&I)

■ Community Activities



Social Contribution Activities



Hagukumu
Investment Plus

Our corporate message, “Creating a sustainable future through the power of investment,” expresses our commitment to supporting our customers’ medium- to long-term asset building, the sound growth of companies, and the realization of a sustainable and prosperous society.

Since establishing this corporate message, our social contribution activities have focused on making donations to organizations that address social and environmental issues identified as material on our Materiality Map. Beginning this fiscal year, we launched a new initiative, “Hagukumu Investment Plus,” under which a portion of the management fees that we receive from its sustainable investment products—calculated based on AUM of the products—is donated to selected organizations. Donations are made to organizations whose missions align with the objectives of “Hagukumu Investment Plus,” namely contributing to a sustainable global future, and whose worldviews and activities resonate with the theme of “creating the future.” The total amount of donations for 2025 is 7 million yen. Under this scheme, the recipient organizations are selected by the firm and, in principle, donations are made once a year.

Sustainable Investment Products of the scheme

| | |
|---|---|
| 1 | Mizuho Sustainable Fund Series - Robeco Smart Energy |
| 2 | Mizuho Sustainable Fund Series LO Circular Economy |
| 3 | One Global ESG Selected Equities Fund <DC pension plan> |
| 4 | Global ESG High Quality Growth Equities Fund (Without FX hedge) |
| 5 | One Japanese Equities ESG Focus Fund <DC pension plan> |
| 6 | Schroder Sustainable Global Equities Fund (Limited FX hedge) |
| 7 | Schroder Sustainable Global Equities Fund (Without FX hedge) |
| 8 | One ETF ESG |

| Organizations | Overview of Activities | Use of Donations |
|--|--|---|
| (Public Interest Incorporate Foundation) World Wide Fund for Nature (WWF) Japan | Aiming for a future in which people and nature coexist in harmony, the organization conducts activities to restore declining biodiversity, prevent global warming, and promote other environmental initiatives. | ● Environmental conservation program expenses |
| HRW | To safeguard human rights in Japan and abroad, the organization conducts investigations and public reporting on human rights violations and engages in advocacy activities to promote reforms in laws and systems. | ● Human rights protection program expenses |
| Japan Red Cross Society | Providing disaster relief and humanitarian support in Japan and internationally. Activities include medical services, blood supply operations, emergency response and recovery support, and preventive initiatives. | ● Disaster relief and humanitarian assistance expenses |
| Japan Cancer Society | Through initiatives such as promoting cancer prevention and screening, supporting cancer patients and their families, and disseminating accurate knowledge about cancer, the organization contributes to cancer control efforts. | ● Grants for new drug research and improving the quality of life (QOL) of cancer patients ● Public awareness and educational activities ● Free cancer consultation services |
| Zero Carbon Challenge Cup | The nationwide competition to award regional initiatives undertaken by schools, civic groups, companies, municipalities, and other organizations to combat global warming, with the ultimate aim of achieving net-zero CO ₂ emissions. | ● Operating cost for the Decarbonization Challenge Cup (Venue costs, award program operating expenses and partial travel expenses for award recipients) |
| University of Tokyo Foundation (Project Associate Professor Makoto Iida) | Guided by the vision of “Providing nourishment for the next 100 years,” the organization undertakes initiatives across multiple domains, including climate change action, disaster recovery support, regional revitalization, and education. | ● Dialogue with local residents, outreach lectures for children, and support for regional events |
| Kyushu University Foundation (Professor Shunsuke Managi) | Projects specializing in urban engineering, transportation engineering, environmental economics, energy economics, the measurement of well-being, and system analysis of emerging technologies. Placing strong emphasis on research related to climate change, nature capital, and biodiversity. | ● Research activity expenses |



Approaches to Financial and Economic Education

The Institute for Creating Sustainable Future aims to enhance individual financial well-being by promoting financial and economic education across a wide range of age groups—including parents and children, corporate employees, and students—leveraging the unique expertise of an asset management company.

Website
<https://www.am-one.co.jp/hagukumu/>

Masako Ito
 Executive Officer,
 Deputy-Head of Planning Division,
 Head of Institute for Creating Sustainable Future



Key Initiatives

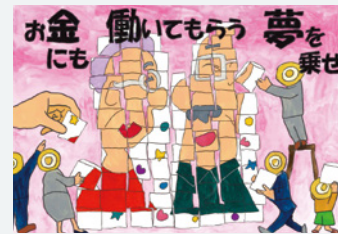
Children and Parents

Since March 2024, we have been supporting children’s learning about investment through the “Fund Manager” course offered in the KidZania Online College program. This year, we launched several new related initiatives:

- March 2025** Hosted a poster contest for elementary and junior high school students to help them understand the importance of investing.
- August 2025** Conducted a limited-time workshop, “Challenge Yourself with Investment Trust Management with an Active Fund Manager!”, at KidZania Tokyo, a facility where children can experience various occupations and social roles.

* Asset Management One is the sponsor for KidZania online college.

Award-Winning Works of the Asset Management One Grand Prize



Industry Awareness and Publication Initiatives

To enhance public awareness of the asset management industry, we published A Study of the Asset Management Industry (Toyo Keizai Inc.), a collaborative effort by four asset management firms. The publication aims to introduce the industry to a wide range of generations and to deepen understanding of the role of asset management companies and the structure of investment trusts as part of financial and economic education.



Workplace

The “Long-Term Research Team for Implementing Asset Building in Society,” jointly established with the Pension Senior Plan Comprehensive Research Organization and T. Rowe Price Japan, has entered its second phase.

Building upon the findings from the first phase last year, we continue to conduct research with external experts to propose concrete solutions that workplaces can implement to help individuals achieve long-term asset formation. In addition, we are promoting workplace financial and economic education through outreach lectures, including those at the Metropolitan Police Academy, as well as through online seminars. We also remain committed to improving our employees’ own financial well-being. As part of our internal program “Future Career and Life 2025,” we offered seminars covering essential topics such as social insurance, pensions, caregiving, and inheritance.



University students

Beginning in September 2025, we launched a new endowed course titled “Financial Literacy for Financial Well-Being” at the Faculty of Economics of Hitotsubashi University. The course is designed to help students—primarily second-year undergraduates—acquire high-quality financial literacy at an early stage of adulthood. A total of 200 students from all faculties are enrolled, and all 14 sessions are taught by practitioners working at the forefront of our firm.

Students learn practical concepts essential for achieving personal financial well-being, including the role of finance in society, the significance of investment, the mechanics of the market, and the operational practices of investment trusts. We have already observed positive changes in their actual financial behavior.

In addition, we are actively expanding our initiatives in higher education through guest lectures at universities such as Tokyo Woman’s Christian University, Kyoto University, and Tokyo University of Science.



Teachers

Since December 2024, we have been working with the certified NPO Teach For Japan to develop a financial and economic education program for teachers. This year, we created lesson plans and instructional materials aligned with national curriculum guidelines for “Integrated Studies” for upper elementary school students. We will continue to explore mechanisms for implementing this program in real classroom settings.

Furthermore, following last year’s efforts, we participated again in the “2025 Private-Sector Training Program for Teachers” hosted by the Japan Institute for Social and Economic Affairs, welcoming 29 teachers from elementary and junior high schools in Nakano and Shinagawa wards in Tokyo for corporate training. Participants shared feedback such as, “My image of finance and investment has changed,” and “I want to share what I learned about money with my students.”

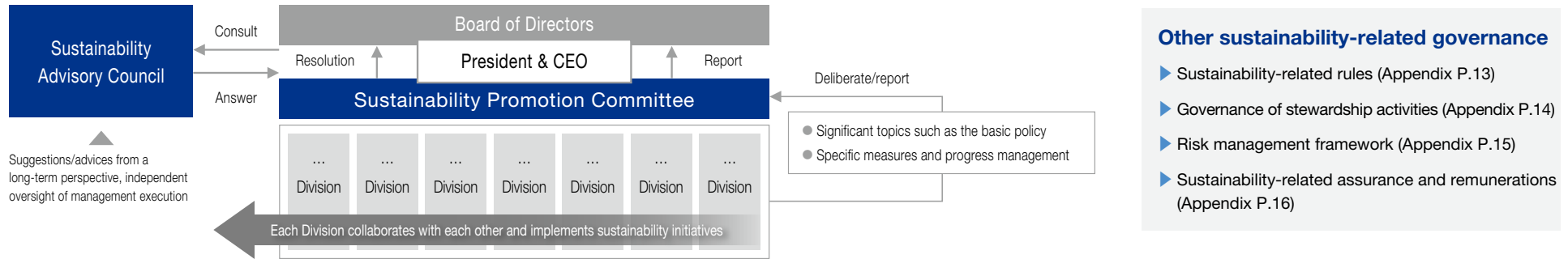


The foundation for sustainable value creation to “Creating a sustainable future through the power of investment”

Maintaining and Enhancing the Sustainability Governance System

We believe that it is necessary to implement sustainability into our management in order to “Creating a sustainable future through the power of investment”, and we have defined “Sustainability Governance” as “a system in which sustainability is incorporated into management decision-making and overseen by the Board of Directors”. We have established a “Sustainability Promotion Committee” at the executive level and a “Sustainability Advisory Council” at the supervisory level, which is an advisory body to the Board of Directors, and have built a framework around them.

Structure for Sustainability Initiatives



Sustainability Advisory Council

During the process of considering the establishment of sustainability governance, the Board of Directors held a series of discussions on the role it should play, the current issues it faces, and the framework for resolving these issues. In July 2021, the Board of Directors established the Sustainability Advisory Council as an advisory body, and invited two external advisors with deep knowledge of the field of sustainability to join the council. The Board of Directors regularly receives reports and discusses the basic policy and implementation status of our sustainability initiatives, and when necessary, refers important agenda items to the Sustainability Advisory Council for advice from external advisors from a long-term perspective, which we use to improve the quality of our sustainability initiatives.

Examples of Agenda Items at the Sustainability Advisory Council

| Date | Examples of agenda |
|--------------|---|
| March 6 2025 | <ul style="list-style-type: none"> ● Reformation of Materiality Map ● Initiatives of Sustainability in 2024 and plans for next fiscal year ● Circumstance with NZAM and our policy |

Sustainability Promotion Committee

In order to implement important strategies related to sustainability, we established the Sustainability Promotion Committee in April 2024 with the aim of improving the execution capabilities of the executive team and enhancing governance. We are discussing and examining our approaches to sustainability promotion from two perspectives: as an asset management company and as a business company.

Example of Agenda for Sustainability Promotion Committee

| Date | Examples of agenda |
|------------------|---|
| July 24, 2025 | <ul style="list-style-type: none"> ● Policy for sustainable investment ● Policy for corporate sustainability |
| October 16, 2025 | <ul style="list-style-type: none"> ● Initiatives of sustainable investment ● Progress of corporate sustainability |

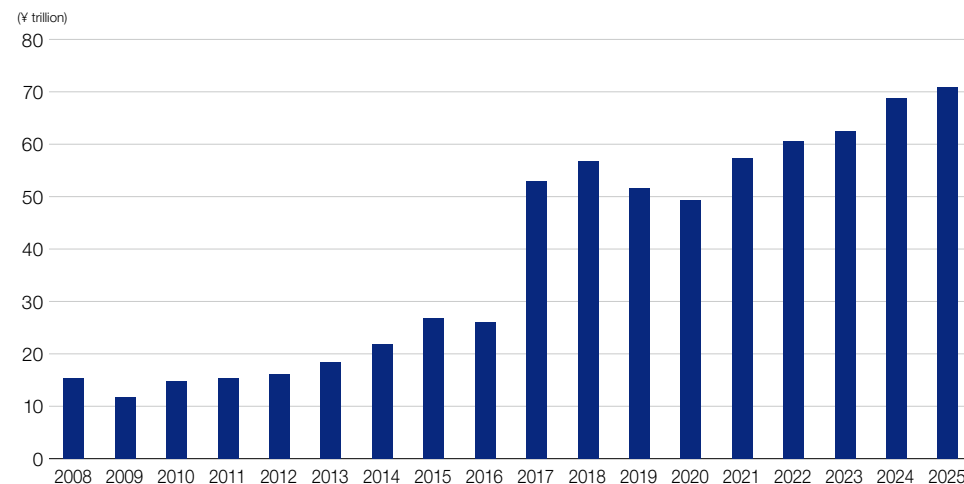


Data Section

Overview

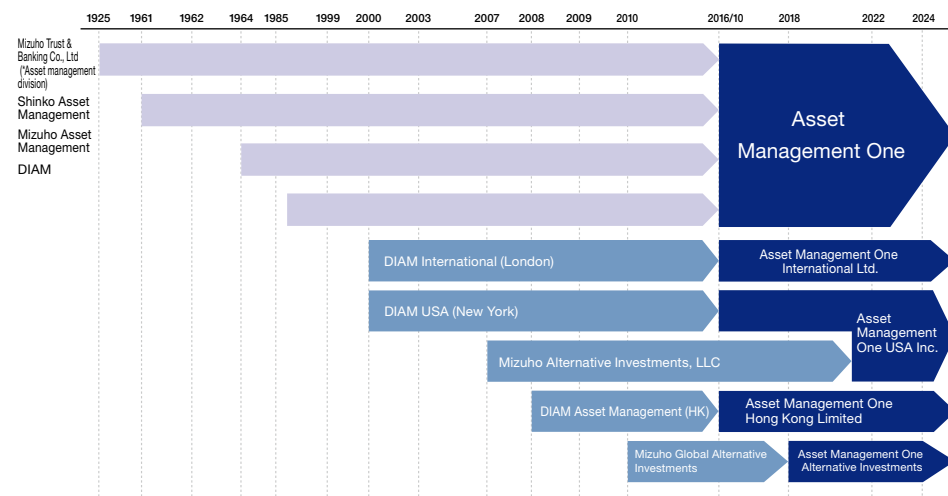
| | | | |
|-----------------------------|--|--------------------|---------------|
| Name: | Asset Management One CO., Ltd. | | |
| President & CEO: | Noriyuki Sugihara | | |
| Address: | Tekko Building, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005 | | |
| Capital: | JPY 2 billion | | |
| Establishment: | October 2016 Established through a merger of DIAM CO., Ltd., the Asset Management Division of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd. | | |
| Shareholders: | | Economic interests | Voting rights |
| | Mizuho Financial Group, Inc. | 70% | 51% |
| | Dai-ichi Life Holdings, Inc. | 30% | 49% |
| Employees: | 948 (as of April 1, 2025) | | |

Asset Under Management



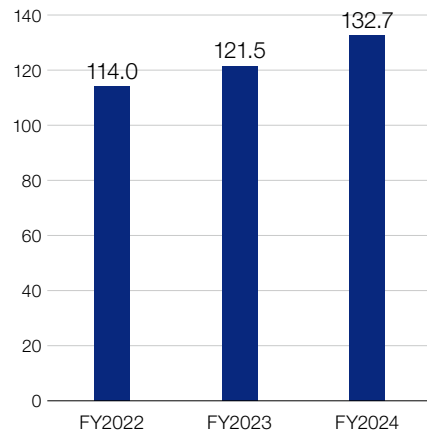
As of the end of March of each year. Given that Mizuho Asset Management Co., Ltd. Was established in July 2007, the information from March 2008 is provided.
From 2008 to 2016, the assets under management of Mizuho Trust & Banking Co., Ltd. (the assets under management of that company during that period) are not included.

History

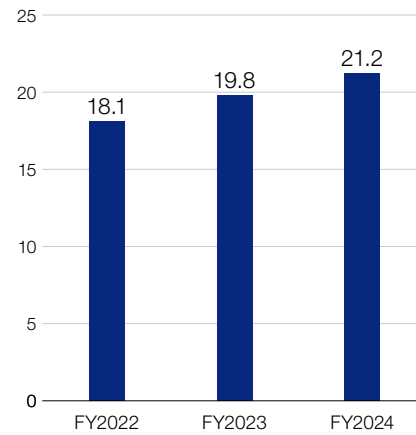


Financial data

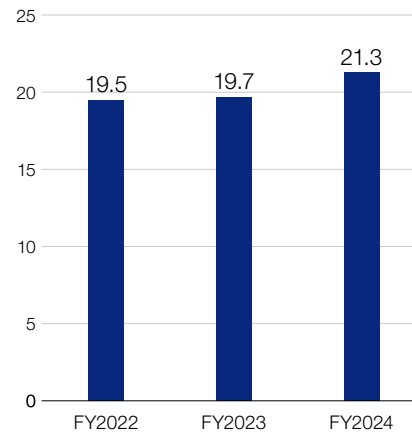
■ Operating revenue (JPY billion)



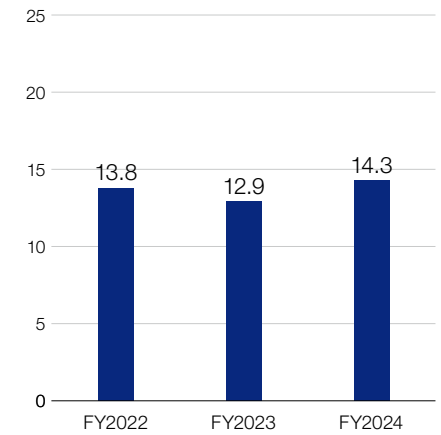
■ Operating profit (JPY billion)



■ Ordinary profit (JPY billion)

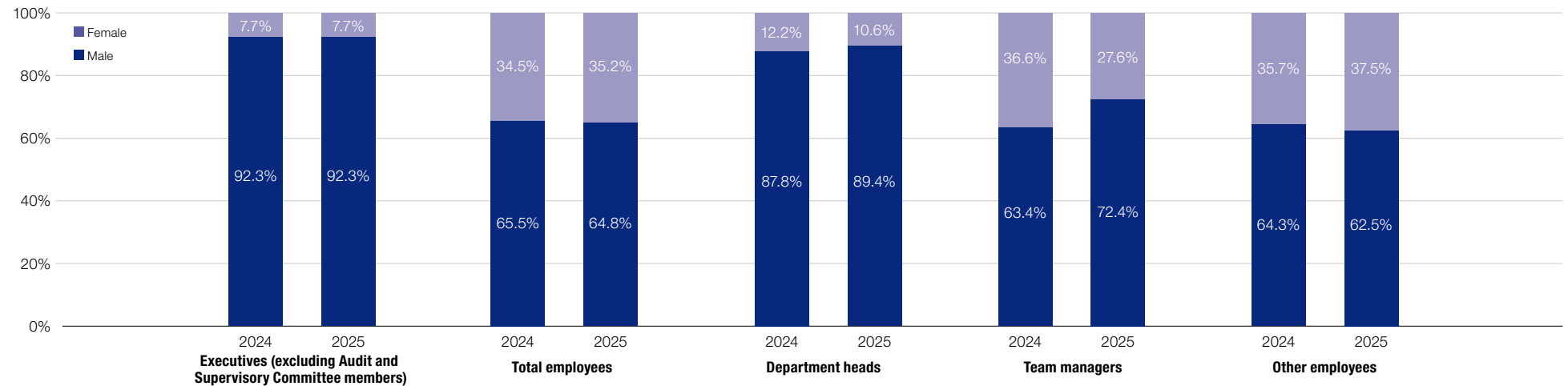


■ Net income (JPY billion)



As of the end of each fiscal year

Gender distribution of executives and employees



As of April 1 of each year



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2. Do not provide any guarantees of principal or yield with respect to the purchase amount.
3. May decline in value due to a decrease in the value of invested assets, resulting in an amount lower than the original purchase amount. Any such loss shall be borne by the purchaser.

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Regarding the cover illustration:

Paralym Art works as a unified team together with artists with disabilities to operate a socially responsible business model that enables ongoing support for people with disabilities. This model does not rely on social welfare funding, but instead is sustained through the continued cooperation of private companies and individuals.

Provided By : 工房はんど toki/Paralym Art/Aflo

Provided By : 友民/Paralym Art/Aflo



Asset Management One Co., Ltd.

Director of Kanto Local Finance Bureau (Financial Instruments Firms) No. 324

Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan





Creating a sustainable future
through the power of investment

