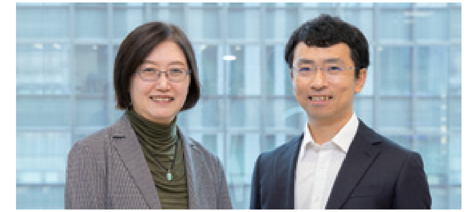
Biodiversity Environmental Destruction

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.



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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"

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

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

Biodiversity 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.

Enhancing Regional Vitality, Resilience, and Opportunities for Value Creation

Current State / Risks

Physical Risks
Loss of nature, ecosystem degradation, extreme weather events

Regulatory Violation & Legal Risks
Expansion of the Protection for Key Natural Capital and Biodiversity Areas (KBA (including adjacent zones))

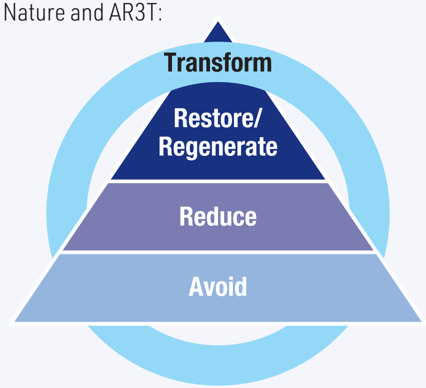
Procurement of Raw Material Risks
Closure of Business Office Risks
Continuous Business Model Risks
Brand Risks

Assessment (by 2027)

- Identification of business activities within or near KBAs
- Evaluation of dependencies and impacts on natural capital using the LEAP approach and TNFD framework; clarification of priority issues
- Identification of company own priority issues

Response (by 2030)

Implement measures aligned with ecological characteristics and frameworks such as SBT Nature and AR3T:



- Diversity in Procurement
- Utilization of Certification System
- Collaboration with local communities
- Engagement with suppliers
- Transformation of Business Portfolios

2030

Conserve and restore biodiversity

2050 Nature Positive

Societal Impact
- Restore of biodiversity loss
- Improving mitigation and adaptation in climate change
- Enhancing vitality and resilience in regional community
- Maintenance in green infrastructure
- Establishment of sustainable food system

Business Impact
- Strengthened stable procurement capability
- Access to new (alternative) markets
- Establishment of entry barriers
- Improved brand value

Reducing Risks and Improving Resilience

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.

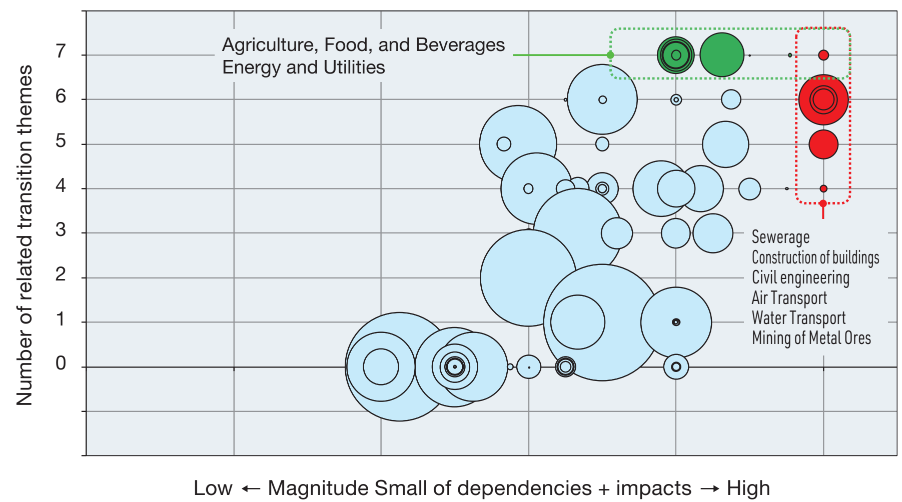
ENCORE is a tool that evaluates the extent to which economic activities depend on, and impact, natural capital. The dataset used for this analysis incorporates the latest updates, including more granular classifications of economic activities and the addition of cultural ecosystem services. Based on 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.

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)