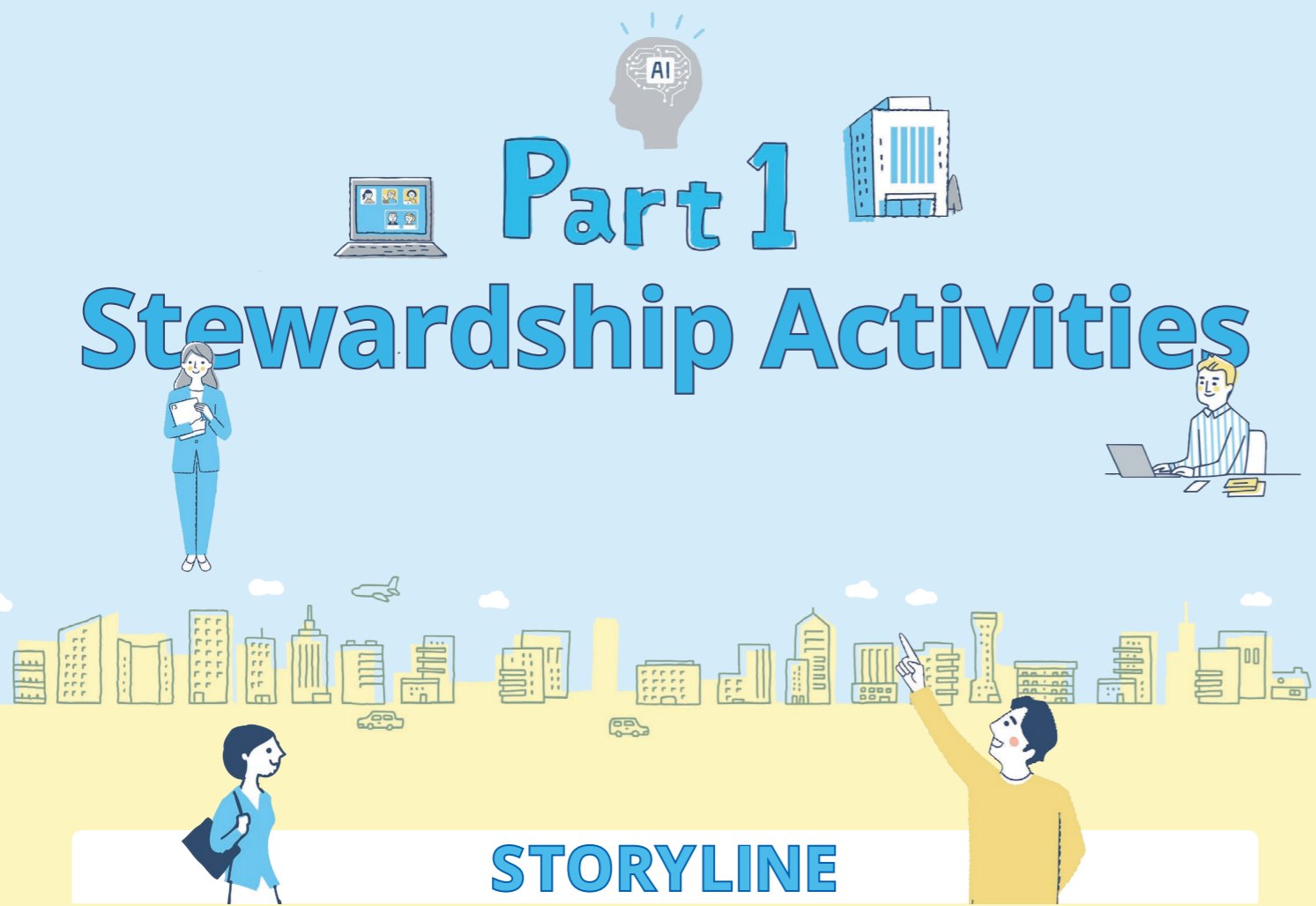


Part 1

Stewardship Activities



STORYLINE

In Part 1, our aim is to help readers understand Daiwa AM's responsible investment initiatives. This part of the report is structured as follows:

Guidelines for the Future

1 Materiality

Key areas in relation to the goal of enhancing investment companies' value over the medium to long term, and of realizing sustainable growth



Transformation That Begins with Dialog

2 Engagement

3 Proxy Voting

Realizing the enhancement of corporate value through engagement and proxy voting



Responsible Investment Framework

4 Sustainable Investment

5 Stewardship

The policy and systems framework that functions as the foundation for Daiwa AM's activities



Achievements over the Past Year

6 Stewardship Activity

A year of responsible investment undertaken in collaboration with business enterprises



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The Value Creation Process in Relation to Stewardship Activities

Daiwa AM is building on its strengths in terms of three-in-one engagement, intellectual property and intangible assets initiatives, "Lingagement™" (combining linkage with engagement), proxy voting, and ESG integration, to promote measures that will enhance the corporate value of investee companies.

- CORE MATERIALITY**
- Core materiality
- Greenhouse gas emissions
 - Risks and opportunities relating to climate change
 - Biodiversity
 - Circular economy
 - Human capital management
 - DE & I
 - Business and human rights
 - Capital efficiency improvement
 - Governance framework
 - Effectiveness of the Board of Directors

INPUTS

Key participants in engagement

- Corporate research analysts
- Fund managers
- Credit analysts
- Stewardship analysts

ESG scores

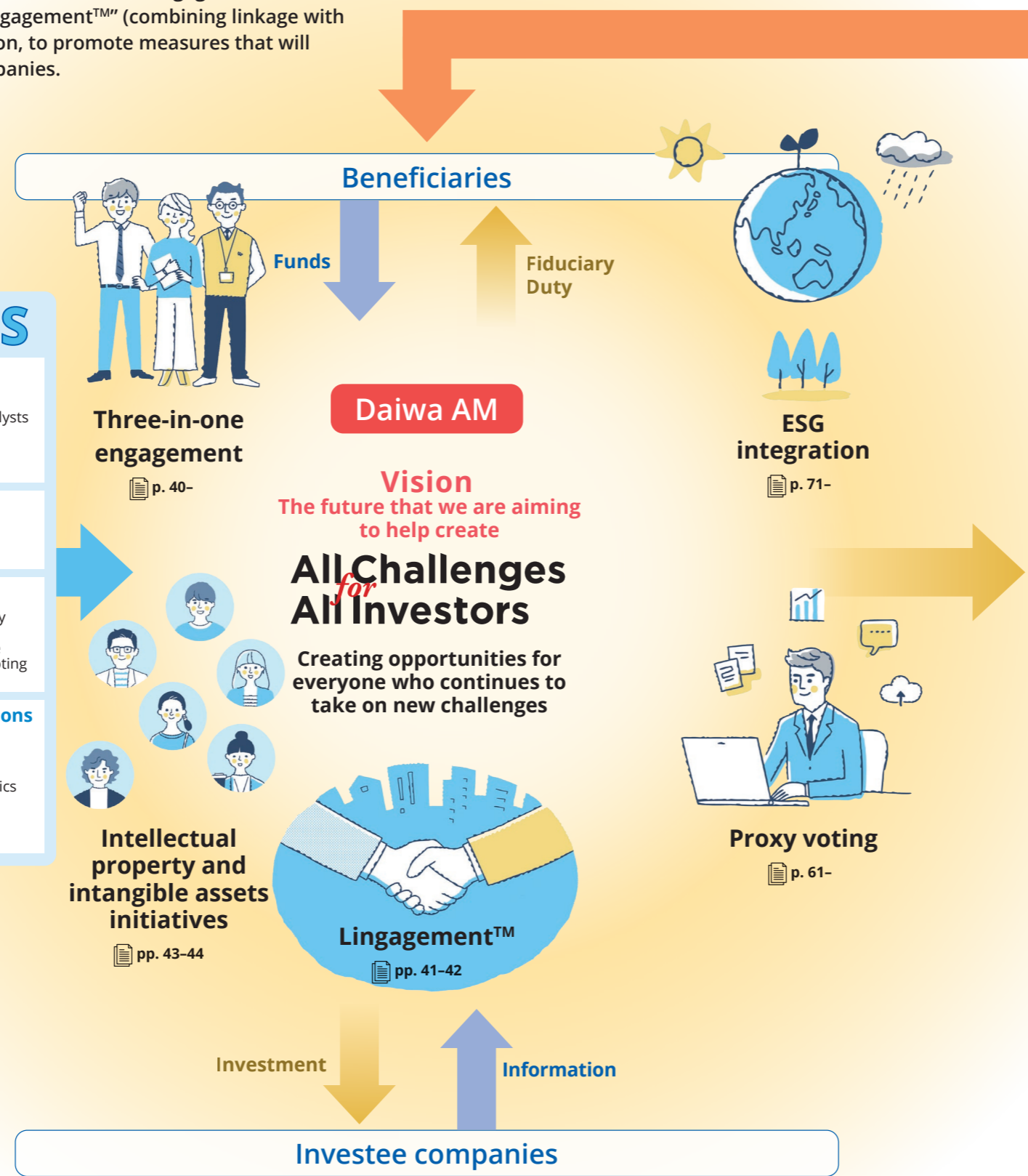
- In-house ESG score
- Drucker Institute Score

Proxy voting

- Stewardship Supervisory Committee
- Stewardship Committee
- Revision of the Proxy Voting Policy

External organizations

- Drucker Institute
- Glass, Lewis & Co. LLC
- MSCI Inc.
- Morningstar Sustainalytics
- S&P Global
- Participation in relevant initiatives Etc.



- Policies**
- Best Practice (p. 37)
 - Proxy Voting Policy (p. 61)
 - General Policy on Stewardship Activities (p. 87)
 - ESG Investment Policy (p. 71)
 - Materiality (p. 15)

OUTCOMES

Sustainable growth for society

Enhanced fund performance

Addressing society's problems

Enhancing corporate value and creating social value

OUTPUTS

Engagement (p. 35-)

- No. of engagement cases: 1,435
- Engagement cases by category (%)

Environmental, social and governance (ESG)	25.6%	ROE and capital cost	21.8%
Approach to dialog with investors and disclosure of information	25.4%	Capital policy (cash utilization, shareholder returns, etc.)	27.1%

Note: Some cases are included in more than one category, as the dialog in a given meeting may embrace multiple perspectives.

Proxy voting (p. 61-)

- No. of instances of exercising proxy voting rights: 2,068
- No. of voting in favor and voting against

Proposals relating to company proposals (Total: 19,746 proposals)

In favor: 17,711	Against: 2,035
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Proposals relating to proposals by shareholders (Total: 383 proposals)

In favor: 57	Against: 326
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- No. of Stewardship Committee meetings held: 45
- No. of Stewardship Supervisory Committee meetings held: 2
- No. of Stewardship Committee proposals: 108
- No. of revisions made to the Proxy Voting Policy: 2

PRI annual assessment (p. 92)

Signatory of: **PRI** Principles for Responsible Investment

Items	Assessment
Policy Governance and Strategy	★★★★★
Direct - Listed equity - Active	★★★★★
Direct - Listed equity - Passive	★★★★★
SSA/Corporate	★★★★★
Securitized	★★★★★
Indirect - Listed equity - Active	★★★★★

Note: Data presented in this report are for the period from July 2024 to June 2025.

Key Features of Daiwa AM's Stewardship Activities

What makes Daiwa AM's stewardship activities special is a multi-faceted approach that emphasizes practical effectiveness, and which incorporates three-in-one engagement and Daiwa AM's unique "Lingagement™." To achieve both the enhancement of corporate value and the realization of sustainable growth for society as a whole, Daiwa AM implements cutting-edge initiatives that include the effective utilization of dialog based on a high level of specialist expertise and of unique indicators, as well as the cultivation of ESG talent, etc.

1

Three-in-one engagement activities

pp. 40

Daiwa AM conducts engagement through a "three-in-one" system that integrates the activities of three key categories of participant: corporate research analysts, fund managers, and stewardship analysts. By making effective use of the specialist expertise of each of these participants, and by engaging in dialog through teams that are optimized to suit the particular circumstances and ambitions of each individual enterprises, Daiwa AM aims to make engagement more meaningful.



No. of engagement cases
Annual total: **1,435 cases**

2

Coordinated implementation of engagement and proxy voting

pp. 62-64

To gain maximum benefits from engagement, it is important for it to be implemented in a way that is integrated with other stewardship activities and with escalation strategy. Rather than single-mindedly following its Proxy Voting Policy in all cases, Daiwa AM takes into account the individual circumstances of each investee company. In implementing engagement, Daiwa AM makes effective use of the industry knowledge of corporate research analysts, and of the sustainability knowhow of stewardship analysts. In cases where the response from the investee company is not fully satisfactory, Daiwa AM uses proxy voting to stimulate change; proxy voting is also used to reflect a positive evaluation of efforts made by an investee company's management team. Feedback interviews are conducted in relation to proxy voting results.

No. of proxy voting cases
Annual total:
20,129 proposals



3

Lingagement™

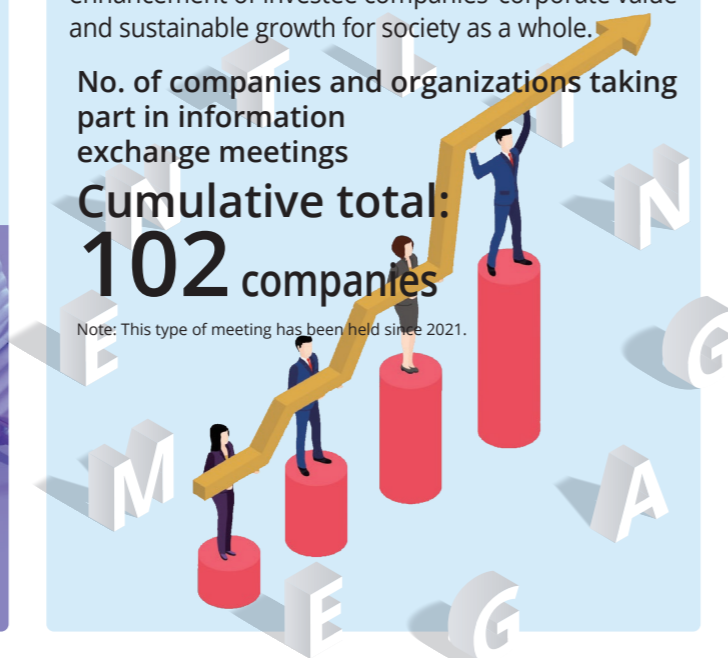
pp. 41-42

"Lingagement™" is a unique approach developed by Daiwa AM that combines linkage with engagement. In "Lingagement™," Daiwa AM creates opportunities for investee companies to engage in discussion, regarding the issues facing them, with the leaders and senior managers of other companies that have been implementing best practice. By effectively utilizing the networks and knowhow that it has built up over the years, Daiwa AM is implementing "Lingagement™" to bring about both the enhancement of investee companies' corporate value and sustainable growth for society as a whole.

No. of companies and organizations taking part in information exchange meetings

Cumulative total:
102 companies

Note: This type of meeting has been held since 2021.



4

Collaboration with the Drucker Institute

pp. 77-78

In 2022, Daiwa AM began a partnership with the Drucker Institute in the U.S., working together with the Institute to develop a Japanese version of the Drucker Institute Score. By using this score, in combination with Daiwa AM's proprietary ESG scores, in dialog with investment companies, and in the analysis of "Mienai Chikara™ (Invisible Value Drivers)" such as human capital, intangible capital and intellectual property, etc., Daiwa AM is aiming to strengthen the effectiveness of engagement that is focused on initiatives addressing ESG issues.

Drucker Fund assets under management (AUM)

43.4 billion yen

Note: This figure represents the combined total of the AUM of the following three funds as of November 30, 2025.
• Drucker Institute Japan Equity Fund (capital growth type)
• Drucker Institute U.S. Equity Fund (capital growth type)
• Leverage Drucker Institute U.S. Equity Fund



5

Utilization of in-house ESG scores

pp. 75-76

To be able to identify companies' ESG-related risks and opportunities from multiple perspectives and utilize this information in investment decision-making, Daiwa AM calculates its own unique ESG scores. The data items used in these scores are revised and expanded periodically, to ensure that evaluation reflects current circumstances. ESG scores and the content of dialog with investment companies are shared within the company, and both equity and fixed income investment operations involve analysis that makes full use of this information.

ESG score cumulative return*

19.3%

* The cumulative return was calculated with May 2021 as the baseline, by dividing the equity universe into five groups based on each individual company's ESG score, and then calculating the disparity in performance between the highest-scoring group and the lowest-scoring group.



6

System for cultivating sustainability talent

p. 89

As part of its ESG talent cultivation measures, Daiwa AM has established an in-house accreditation system (with the awarding of titles) to recognize those employees who have acquired a specified level of sustainability-related knowledge (including knowledge relating to the SDGs and ESG). By encouraging employees to obtain this accreditation, Daiwa AM aims to enhance sustainability awareness throughout the company as a whole.

No. of employees who have obtained in-house accreditation titles

50 employees

Note: As of November 30, 2025



7

High-quality stewardship activities

p. 92

In annual assessment in relation to the Principles for Responsible Investment (PRI), Daiwa AM was awarded five stars, the highest possible score. Since signing up to the PRI in May 2006, Daiwa AM has consistently implemented measures to realize responsible investment, and this assessment is a tribute to years of hard work. Going forward, Daiwa AM will continue to fulfil its responsibility to society as an institutional investor, while also working proactively to enhance the corporate value of investee companies.

PRI annual assessment

5 stars
For three consecutive years

Note: No. of stars in each main asset class



Sustainable Investment Strategy Daiwa AM's unique initiatives and the potential for further evolution

With the sustainable investment environment currently undergoing a dramatic transformation, we discussed Daiwa AM's unique initiatives in this area, the strategies being adopted to strengthen them, and related business opportunities, with Yukino Yamada, Senior Managing Director at Daiwa Institute of Research, and Hisashi Kanamori, Head of Fund Management Division and Chief Investment Officer, Daiwa AM, both of whom possess a high level of specialist expertise in this field.



Hisashi Kanamori

Deputy President, Head of Fund Management Division and Chief Investment Officer (CIO)
Daiwa AM

Yukino Yamada

Senior Managing Director and Lead Researcher,
Daiwa Institute of Research

The role of institutional investors, and the evolution of engagement

Moderator: First, could we talk about the role of institutional investors in relation to sustainable investment, and about Daiwa AM's initiatives in this area?

Yamada: Ideally, institutional investors should be more than just providers of capital within the investment chain; they should take on the role of providing "responsible capital" that has a positive impact on both corporate activity and society as a whole. Besides functioning as decision-makers in relation to fund allocation, institutional investors should also take on responsibility for realizing sustainability, influencing business enterprises through their engagement activity, and leveraging the power of capital to create a better future for society.

Kanamori: With the number of individuals in Japan who hold shares either directly or indirectly tending to increase due to the success of the new NISA program, the pool of investors is expanding noticeably. This means that there is a real need for institutional investors to make a conscious effort to undertake engagement that targets a more diverse range of stakeholders. Daiwa AM has for some time now been implementing strategies to strengthen engagement. In particular, unique engagement initiatives such as "Lingagement™," which emphasizes knowledge sharing, and measures such as "Mienai Chikara™ (Invisible Value Drivers)" for assessing the value of intangible assets, have been very well received by business enterprises.

Yamada: I attended the first of the information exchange meetings that Daiwa AM holds every year as part of its "Lingagement™" initiative. I got a real sense that, by not only sharing knowhow from

companies that are implementing best practice, but also introducing measures implemented by companies that rank slightly below the best performing firms in their industry, this initiative can be expected to produce meaningful results in terms of strengthening companies' awareness and expanding their sense of what is possible. Another noteworthy initiative is Daiwa AM's collaboration with the Drucker Fund and the Drucker Institute.

Kanamori: In order to bring about an evolution of engagement, Daiwa AM is also putting a great deal of effort into the utilization of generative AI. When undertaking engagement, by using AI to analyze companies, including non-financial information and sustainability related information, we believe that engagement can be made more efficient and taken to a higher level. I think that effective utilization of AI will become even more important in the future for responsible investors as an important means for strengthening engagement.

Yamada: I too have noticed the growing use of generative AI in the asset-management sector. I think it will become important to implement a division of labor between humans and AI, for example by having humans research and analyze information that is not available online, while using AI to analyze data that can be collected from the Internet.

Kanamori: I think that in the future one option will be to adopt an approach whereby it becomes mainstream to use AI for analyzing listed companies for which it is easy to obtain information, while humans spend more time on evaluating unlisted companies that are harder to obtain information about.

Sustainable investment is vital for ensuring the sustainable growth of Japanese society

Moderator: Can we move on to talk about the anti-ESG trend in the U.S., as well as the response to that in Europe and the impact on Japan?

Yamada: The second Trump administration has seen a noticeable shift, with the U.S. withdrawing from the Paris Agreement, and with the subsidies for green energy and electric vehicles that were introduced in line with the Inflation Reduction Act being reduced or eliminated. However, the severity of new regulations and the overall strategic direction vary from state to state depending on the political environment in that state. In Europe, most decarbonization policies continue to be implemented. With regard to the anti-DE&I trend in the U.S., while keeping the political risks in mind, most American companies continue to implement strategies to encourage participation by diverse human talent, because they know that this will contribute to enhanced performance (although the language that they use may have changed).

Kanamori: As regards Japan, particularly with regard to the adoption of DE&I initiatives, it is widely recognized that the situation is significantly different from that in the U.S. Besides the differences in diversity initiatives due to historical factors, an additional point is the severity of labor shortages in Japan as the population starts to fall. Japan has finally reached a stage where it is starting to see improvement in terms of the female employment participation rate and the "M-shaped curve" issue (the phenomenon whereby female employment falls off dramatically as women enter their child-bearing years, before recovering later). Looking ahead, I think that Japanese companies will need to further strengthen their DE&I initiatives.

Yamada: There is a definite possibility that the anti-ESG trend will have a negative impact on the creation and sale of ESG-themed

financial products. Nevertheless, most institutional investors in Japan have already been implementing ESG investment and lending, and taking ESG factors into account when evaluating companies, so I think it is safe to say that the growth of sustainable investment is already an unstoppable trend.

Kanamori: When implementing sustainable investment, short-term performance can be significantly affected by the market environment and by conditions in that particular industry. However, sustainable investment is, after all, aimed at achieving financial returns while also focusing on sustainability over the medium to long term. Recent research has shown that companies that emphasize sustainability factors tend to achieve stable growth and lower risk over the long term.

Yamada: I feel the same about sustainable investment performance. If you look at the performance of ESG indices that have been adopted by Japan's Government Pension Investment Fund (GPIF), starting from the point at which they were adopted by the GPIF, it can be seen that most of them have at least managed to match the average market return.



Strengthened information disclosure offers the potential for developing sustainable finance

Moderator: Finally, Ms. Yamada, could you tell us your views on the outlook for sustainability-related markets in the future, and Mr. Kanamori, could you tell us about Daiwa AM's strategy in regard to sustainability initiatives?

Yamada: The last few years have seen a dramatic change in sustainability related disclosure and corporate attitudes, for example in regard to disclosure relating to human capital, and management that embodies more awareness of the cost of capital and of the share price. Looking ahead, we can expect to see a further expansion of disclosure, for example with the introduction of the Sustainability Standards Board of Japan (SSB) sustainability disclosure standards, and with the new requirement for a company to disclose its annual report before the holding of the annual shareholders meeting.



Kanamori: As regards information disclosure, although the burden that this places on companies can be high, non-financial information is extremely important for estimating a company's future value, and so the trend toward expanded disclosure of non-financial information is to be welcomed. Investors can use AI to make the collection and processing of information more efficient, so the efforts that companies make are directly related to strengthening investors' ability to analyze

companies. At the same time, there is also a need for measures to reduce the burden on companies; I think it would be a good idea to consider simplifying disclosure in those areas where improvements in companies' response have already brought disclosure to a high level of maturity.

Yamada: With regard to impact finance, in Japan the last few years have seen a noticeable increase in impact investing by banks and life insurance companies, while on a global scale, institutional investors such as pension funds and foundations have been at the center of the growth in impact investing. The goals of major financial institutions in undertaking impact finance initiatives include: fulfilling their responsibility to society, accumulating impact finance knowhow, and responding to the need for strategic cultivation and promotion of impact startups.

Kanamori: Regarding the sustainable finance market in Japan, the Japanese government has indicated that its GX Strategy will require around 150 trillion yen in investment and lending. To achieve this, it will be important to make effective use of the approximately 2,200 trillion yen in household financial assets, so the ideal situation would be to realize impact investing that will help to solve society's problems while also generating economic returns through investment and lending. Daiwa AM is exploring various business opportunities relating to sustainable finance and impact investing, including the development of GX-related indices, using ETFs and investment trusts to direct funds toward sustainable areas, focusing on the Emerging Managers Program (EMP) in collaboration with Japan Post Insurance, and collaborating on impact capital investment projects that we are involved with. We are confident that Daiwa AM's future initiatives in this area will attract a great deal of interest.