

PART 2 Stewardship Activities

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

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

INPUTS

Engagement

- Corporate Research Team: 14 team members
- Engagement Team: 6 team members
- Stewardship Team: 9 team members

ESG Scores

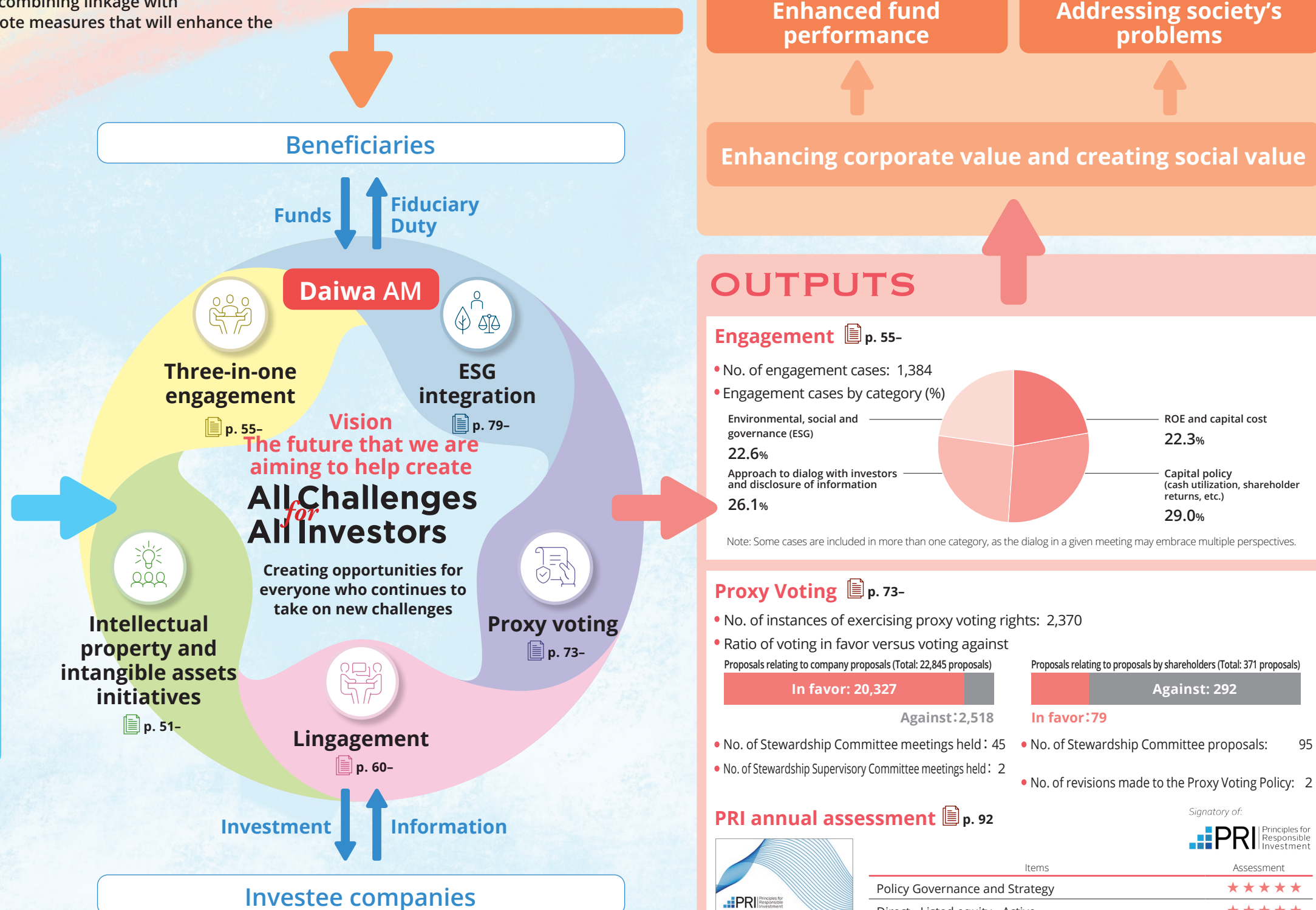
- In-house ESG score
- Drucker Institute Score

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 ▶

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ESG Investment
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Materiality
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Focus Collaboration with Japan Post Insurance

—Objectives and Anticipated Benefits in Asset Management—

Under the capital and business alliance announced in May 2024 between Japan Post Insurance and the Daiwa Securities Group in the asset management field, Mr. Keiichi Abe was transferred from Japan Post Insurance to Daiwa Asset Management to serve as the Deputy Head of the Fund Management Division in October 2024. Mr. Abe talks with Daiwa AM's Head of Fund Management Division and CIO, Mr. Hisashi Kanamori, about the objectives and anticipated benefits of this collaboration in asset management.



Hisashi Kanamori
Deputy President
Head of Fund Management Division
and Chief Investment Officer

Keiichi Abe
Executive Managing Director, Deputy Head of Fund
Management Division and Head of Investment
Planning, Fund Management Division

Collaboration in asset management means both business expansion and securing synergy

Kanamori: Several months have now passed since the two companies entered into the capital and business alliance. I have been reflecting on the significance of this partnership in terms of practical asset management from our company's perspective. One of the biggest pluses I see is the potential to transform our business model. We have historically been focused on traditional asset classes and publicly offered investment trusts. This alliance positions us to acquire knowledge as an asset owner and expand our business with institutional investors. Also, with the expertise we gain in alternative investments and other areas, we expect to expand into new business domains.

Abe: With the introduction of the new NISA program and growing expectations for Japan to establish itself as a "Leading Asset Management Center," this collaboration

couldn't come at a better time for Japan Post Insurance, as it enables the company to diversify its revenue streams and further enhance its asset management capabilities. Since coming over to Daiwa AM, I've discovered that our corporate cultures have many similarities. As asset management firms, we share many of the same values. That should allow us to make quick progress in our collaborative efforts, and I'm confident that we will start seeing tangible synergies before very long.

Kanamori: Because our strengths and weaknesses in asset management are different, the two companies can complement each other, which is another key advantage of this partnership. It is really an ideal collaboration that brings together the best of both organizations.

Aiming to further strengthen stewardship activities

Kanamori: With Japanese asset management firms considered weak on the global stage, the Tokyo Stock Exchange has been pushing for reforms, calling for "action to implement management that is conscious of cost of capital and stock price." We are being called upon to step up our stewardship activities, through engagement and proxy voting, so as to improve the corporate value of investee companies and facilitate capital market growth.

Abe: Yes, that's true, and improved stewardship activities are another area that will benefit greatly from this partnership. Having the combined client assets of the two companies means that we are managing one of the largest pools of assets in Japan. This scale will allow us to work together on stewardship activities, such as encouraging changes and improvements in the companies we invest in.

Kanamori: By bringing together the perspectives of an asset manager and an asset owner, we can take our stewardship activities to the next level. The significant effects we can expect to see are stronger investment performance and even greater contributions to the broader social good.



Abe: Stewardship activities are also critical in areas such as alternative and impact investing, where Japan Post Insurance has an edge. Especially with impact investing, it's not just about financial returns—showing a positive societal impact is becoming vitally important. To do so effectively, we must enhance our ability to engage with investee companies. We also hope that a successful collaboration like this will serve to attract other asset owners to participate with us in this business.

Building a globally competitive asset management firm



Kanamori: We've already been making progress working together in traditional asset management areas like domestic equities and overseas bonds. The next step is to deepen our collaboration in alternative and impact investing. Japan Post Insurance is widely

recognized as a leader in impact investing in Japan, and I'm excited about what's ahead for this business and the results we can achieve together.

Abe: For asset management companies such as ourselves, it is all about building investment capabilities to be competitive in the global arena. And to do that, we are focusing on developing strong talent—the lifeblood and the differentiating factor for any asset management firm. Personnel exchanges have already begun between the two companies, along with sharing expertise and fostering a deeper pool of knowledge. We are combining this human resource development with expanding our institutional investor business, expanding into new areas, strengthening our international collaborations, and creating investment products that meet client needs. All of these efforts are helping us lay the groundwork for becoming a truly world-class asset management firm.