

Engagement Regarding Fiduciary/ESG Principles

29 January 2020

Nikko Asset Management Co., Ltd.

Junichi Sayato, Representative Director, Executive Chairman and Co-CEO

Hideo Abe, Representative Director, President and Co-CEO

At Nikko Asset Management (“Nikko AM”), we regard acting in the best interests of the customers who entrust us with their assets as our primary mission. This means that we attach the highest importance to fiduciary and ESG principles in our corporate philosophy and business activities.

In view of Nikko AM’s status as a responsible institutional investor, we also position Environment, Society and Governance (“ESG”) assessments and stewardship activities at the heart of our investment process. With this in mind, we strive constantly to help investee firms to enhance their long-term corporate value and to help society grow sustainably.

We specialize in the creation of funds and investment management products that meet the asset management needs of a diverse range of investors, from individuals to institutions, in a variety of different forms. This involves working daily to help our customers build and manage their assets in any way we can by delivering products that inspire them, by devising ways to help them invest more effectively, and by clearly informing them of the risks and returns that our products involve. We also endeavour to provide unbiased information on societal and market conditions to help our customers make investment decisions. This report provides examples of our achievements in these areas in 2019 and explanations of our activities using indicators we have voluntarily adopted.

1. Activities for individual and corporate clients

1.1 Activities for individual clients

As an asset management company, our paramount mission is to be useful to our customers in their medium-to long-term asset building. Realizing this mission is not just a case of delivering strong investment management outcomes, however. We also need to put a great deal of effort into every aspect of our services, including understandably and simply imparting accurate knowledge of investment management and the products we offer, proactively delivering timely and appropriate information on market trends from a neutral standpoint to help customers make investment decisions, providing products that are suitable for medium-to long-term investment that serves customer needs, and helping customers to manage risks.

Our initiatives in this area, together with the results we have delivered to date, are detailed below.

1.1.1 Expected Average holding periods of top ten funds for AUM

Ranking	Fund name	Expected average holding period (years)	AUM (JPY 100M)	Fund investment universe/type
1	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	5.47	4,632	Global REIT/active
2	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	6.09	4,009	Balanced
3	Global Robotics Equity Fund (Semi-annual Settlement Type)	2.36	3,711	Foreign equity/active
4	Global Three Times Triple Fund (Annual Settlement Type)	4.42	3,600	Balanced
5	Smart Five (Monthly Settlement Type)	8.62	3,539	Balanced
6	Global Robotics Equity Fund (Annual Settlement Type)	1.85	3,237	Foreign equity/active
7	Nikko Index Fund 225	2.21	1,999	Japanese equity/passive

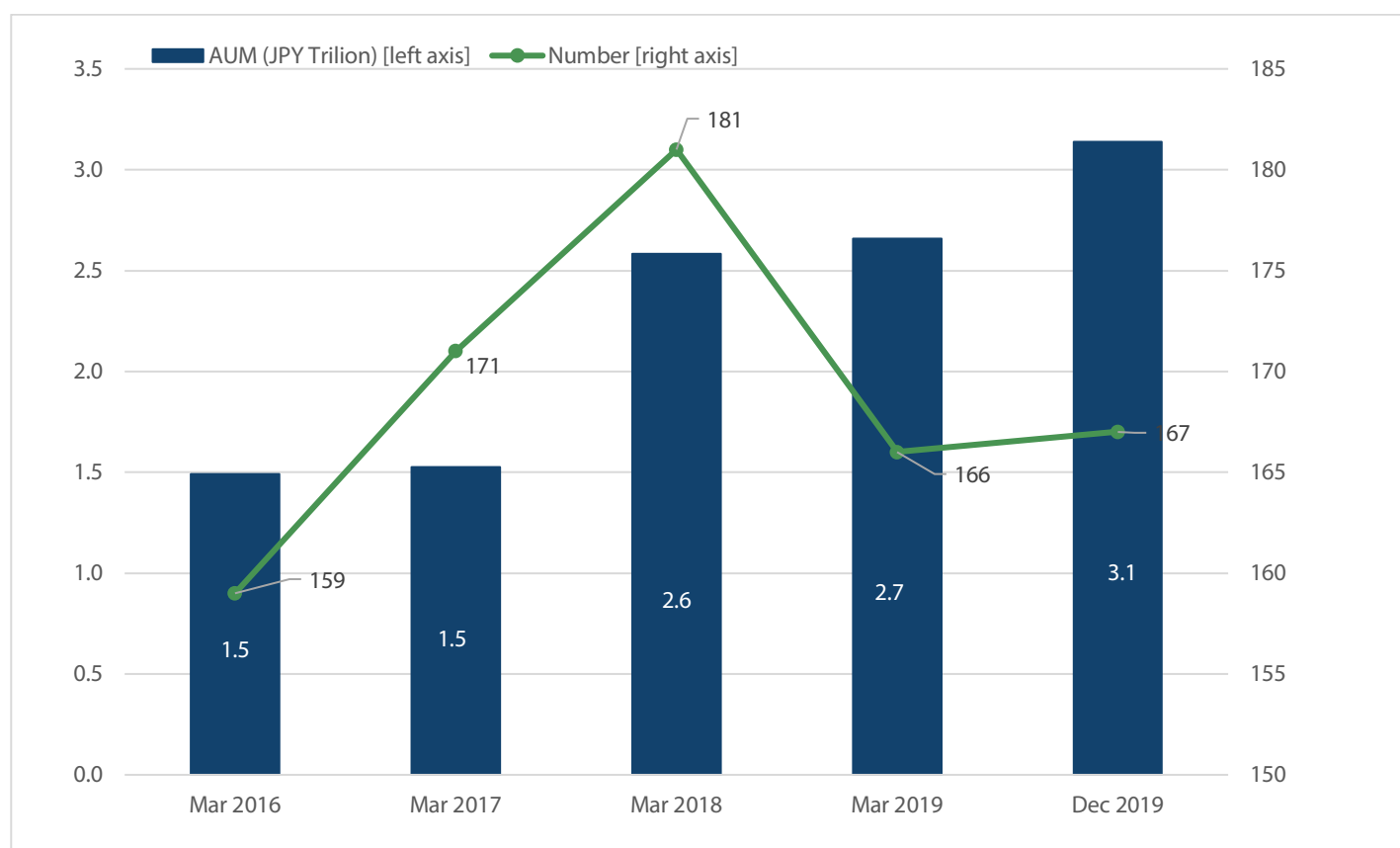
8	Global Three Times Triple Fund (Bi-Monthly Dividend Payment Type)	5.48	1,947	Balanced
9	Global Fintech Equity Fund	1.60	1,712	Foreign equity/active
10	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	4.92	1,160	Foreign bond/active

* Expected average holding period is theoretical calculated by "annual average AUM ÷ annualized redemption amount" (calculation period is year 2019). The figure is different from the actual average holding period of the investor.

* Funds with very small redemption amount compared with the subscription amounts or AUM may result in longer period than the actual holding period.

* AUM as of 2019/12/30. Top 10 AUM funds excluding ETF and MRF.

1.1.2 AUM and number of asset-building funds (publicly offered equity funds excluding ETFs; annual or semi-annual account settlement)



As an asset management company, our paramount mission is to be useful to our customers in their medium-to long-term asset building. The asset management business is one in which firms can only grow if they also grow their customers' assets. We are therefore increasing the number of publicly offered equity funds that are suitable for long-term asset building (excluding ETFs; annual or semi-annual account settlement). As of December 2019, we have 167 such funds at Nikko AM with a total AUM of approximately JPY 3.1 trillion.

Major publicly offered funds that we deem suitable for customers' medium- and long-term asset-building needs (examples)

Fund investment target	Fund name	Distribution frequency	AUM (JPY 100M)
Japanese Equity/Active	Japan Robotics Equity Fund	Annual, semiannual	894
	Nikko Japan Open	Annual	362
	Nikko DC J Growth	Annual	292
Foreign Equity/Active	Global Robotics Equity Fund	Annual, semiannual	7,414
	Global Fintech Equity Fund	Annual, semiannual	3,079
Foreign Bond/Active	Nikko Developed Countries High Yielding Bond Open (Growth Type)	Annual	93
Balanced	Smart Five (Annual Settlement Type)	Annual	510
	Fine Blend (Growth Type)	Annual	200
	Nikko GW7 Eggs	Annual	559
	Nikko Triple Fund (Property Bond Equity) Growth Type	Annual	151
	Global Three Times Triple Fund (Annual Settlement Type)	Annual	3,600

* AUM as of end Dec 2019. Aggregate value is shown for series funds. AUM is in descending order by fund investment destination.

* For fund with multiple settlement types, hyperlink is set to the fund with the largest AUM.

1.1.3 Initiatives for cumulative investment including cumulative Nippon Individual Savings Accounts

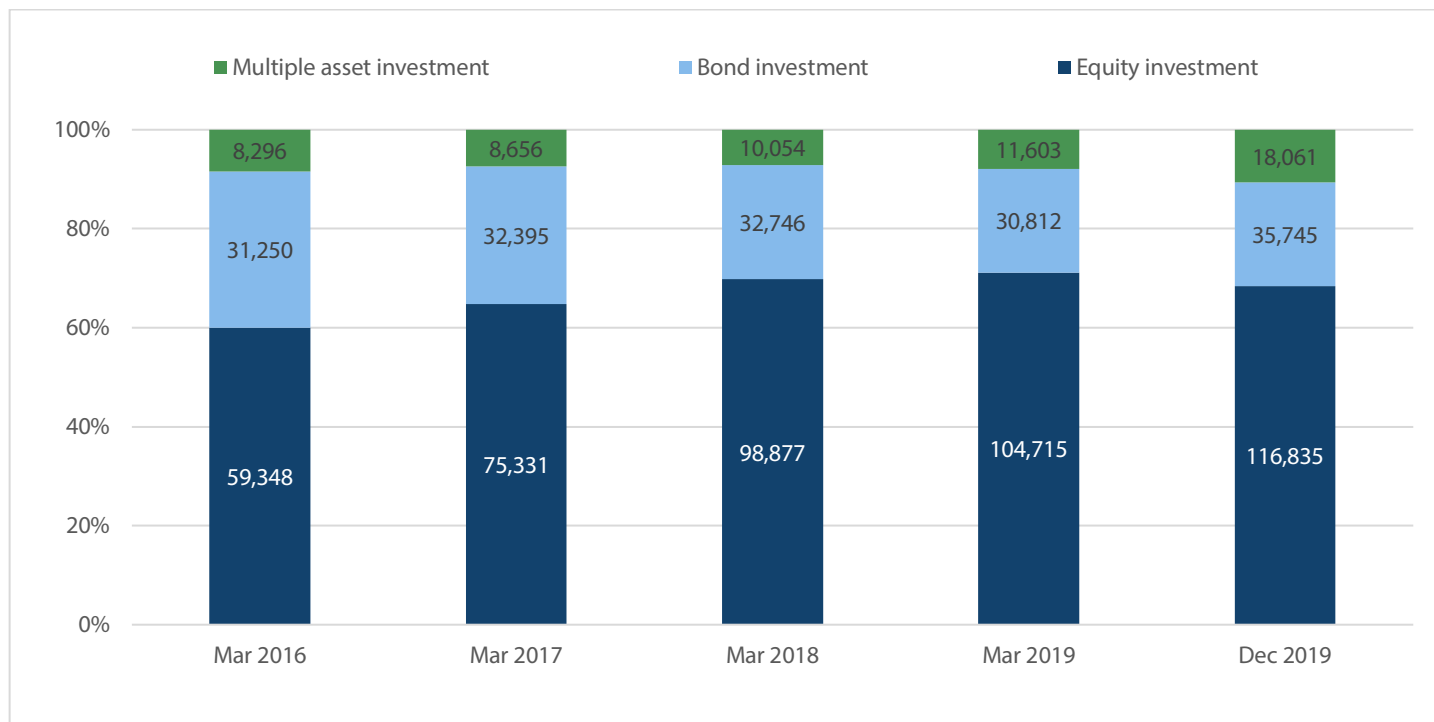
In order to meet cumulative investment needs, in addition to cumulative NISAs, we also promote the use of defined contribution plans, personal defined contribution pension plans and general accounts. Through these products, we advocate long-term, cumulative and diversified investments to those who wish to build up their assets. We also provide assistance to distributors for cumulative investment initiatives by not only providing products but also creating and offering a variety of support tools.

We have now registered five of our funds for eligibility in the cumulative NISA system.

We also hold events such as the “Product Strategy Seminar” for distributors, at which we emphasize the effectiveness of cumulative investment in enhancing returns for investors.

1.1.4 AUM and Performance of Japan-domiciled publicly offered funds (including ETFs and MRFs)

Breakdown by investment assets * Numerical values indicate AUM (0.1 billion yen)



Total AUM of Japan-domiciled publicly offered funds(0.1 billion yen)

Mar 2016	Mar 2017	Mar 2018	Mar 2019	Dec 2019
98,894	116,382	141,678	147,130	170,642

* Figures for publicly offered funds are aggregated, including ETFs and MRFs

**"Equity Investment" includes REITs.

We consider our investment division as a team of professionals in which fund managers and analysts forge their own career paths, and we reflect that status in their appraisals and treatment. We also employ an appraisal and compensation structure that emphasizes medium- and long-term investment performance. This is supported by a global system we have introduced to retain key fund managers. We try to enhance the performance of our funds through these appraisal and compensation frameworks.

Out of the total assets in the publicly offered funds that we manage on behalf of our customers (as of December-end 2019), equity investment funds accounted for 68%, bond investment funds (including MRFs) accounted for 21%, and multiple asset investment funds/other funds accounted for 11% of the total.

Equity investment funds: largest returns in past three years

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)				
				Since launch	5 years	3 years	1 year	
1	Nikko Growing Venture Fund	Jul-03	207	420%	162%	111%	25%	
2	Global Fintech Equity Fund	Dec-16	1,712	79%	-	83%	37%	
3	Japanese Emerging Equity Open	Dec-96	176	434%	105%	62%	18%	
4	Global Robotics Equity Fund (Annual Settlement Type)	Aug-15	3,237	67%	-	48%	35%	
5	Global Robotics Equity Fund (Semi-annual Settlement Type)	Aug-15	3,711	66%	-	48%	35%	
6	Nikko DC J Growth	Oct-01	292	175%	56%	36%	26%	
7	Japan Robotics Equity Fund (Annual Settlement Type)	Jan-16	693	50%	-	36%	24%	
8	Nikko Profit Return Growth Stock Open	Jun-91	292	116%	56%	36%	26%	
9	Japan Robotics Equity Fund (Semi-annual Settlement Type)	Jan-16	200	50%	-	36%	24%	
10	Nikko Index Fund International Stock No Hedge (DC)	Dec-02	530	271%	38%	36%	29%	
(Reference index: Japanese equity) TOPIX						22%	13%	15%
(Reference index: foreign equity) MSCI All Country World Index (ex. Japan, no hedge, JPY-based)						22%	27%	25%

* Publicly offered open-end funds (incl ETFs). AUMs are as of December-end 2019. Funds with AUMs below JPY 10 billion are excluded.

Bond investment funds: largest returns in past three years

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)				
				Since launch	5 years	3 years	1 year	
1	Nikko PIMCO High Income Sovereign Fund Monthly Dividend Payment Type (US Dollar course)	Sep-03	195	152%	18%	15%	13%	
2	Listed Index Fund Emerging Bond	Jan-12	203	47%	-1%	11%	10%	
3	Nikko Index Fund International Fixed Income No Hedge (DC)	Dec-02	303	84%	-3%	6%	5%	
4	Listed Index Fund International Bond (FTSE WGBI) Monthly Dividend Payment Type	Sep-09	261	44%	-4%	5%	5%	
5	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	Jun-06	509	46%	-3%	5%	6%	
(Reference index) FTSE World Government Bond Index (ex. Japan, no hedge, JPY-based)						-2%	7%	5%

* Publicly offered open-end funds (incl ETFs). AUMs are as of December-end 2019. Funds with AUMs below JPY 10 billion are excluded.

Multiple asset investment funds/other funds: largest returns in past three years

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)			
				Since launch	5 years	3 years	1 year
1	Nikko GW7 Eggs	Feb-03	559	158%	22%	20%	17%
2	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	Aug-03	4,009	128%	20%	18%	15%
3	Nikko Triple Fund (Property Bond Equity) Growth Type	Aug-09	151	98%	19%	18%	15%
4	Nikko Three Top (Bi-Monthly Dividend Payment Type)	Oct-06	243	58%	10%	17%	14%
5	Nikko DC Index Balance (Equity 60)	Dec-02	104	133%	24%	16%	13%

* Publicly offered open-end funds (incl ETFs). AUMs are as of December-end 2019. Funds with AUMs below JPY 10 billion are excluded.

Top 10 funds in performance for the past one year

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)			
				Since launch	5 years	3 years	1 year
1	Shenzhen Innovation Equity Fund (Annual Settlement Type)	Nov-17	385	1%	-	-	54%
2	Global Fintech Equity Fund	Dec-16	1,712	79%	-	83%	37%
3	Global Fintech Equity Fund (Semi-annual Settlement Type)	Sep-17	1,083	38%	-	-	36%
4	Global Robotics Equity Fund (Annual Settlement Type)	Aug-15	3,237	67%	-	48%	35%
5	Global Robotics Equity Fund (Semi-annual Settlement Type)	Aug-15	3,711	66%	-	48%	35%
6	Global Robotics Equity Fund (Currency Hedge Annual Settlement Type)	Jan-17	243	44%	-	-	35%
7	Global Robotics Equity Fund (Currency Hedge Semi-annual Settlement Type)	Jan-17	222	44%	-	-	35%
8	Global Fintech Equity Fund (Currency Hedge)	Sep-17	179	33%	-	-	35%
9	Global Fintech Equity Fund (Currency Hedge Semi-annual Settlement Type)	Sep-17	106	33%	-	-	35%
10	Global Three Times Triple Fund (Bi-Monthly Dividend Payment Type)	Oct-18	1,947	29%	-	-	33%

* Publicly offered open-end funds (incl ETFs). AUMs are as of December-end 2019. Funds with AUMs below JPY 10 billion are excluded.

1.1.5 Fund Efficiency Initiatives

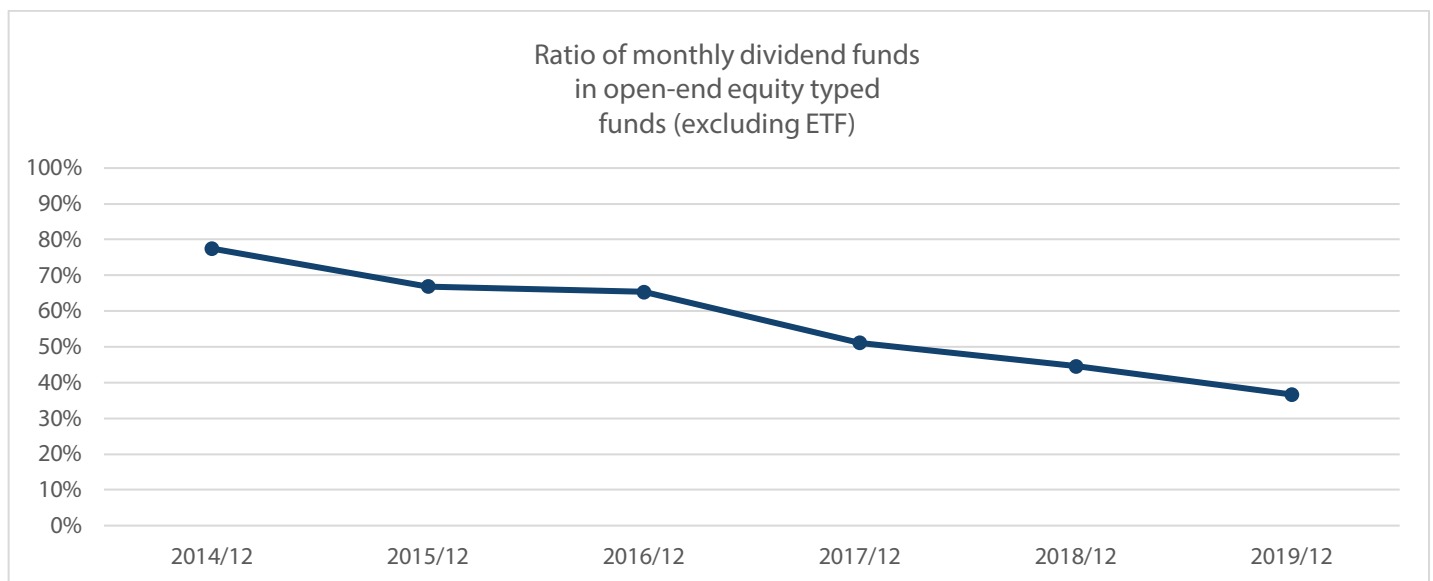
We believe that it is imperative for asset managers to constantly develop and manage more attractive and effective products for investors. We strive to achieve this goal through constant efforts to enhance our fund lineups and to expand AUM. However, it is also true that some of our funds have small AUMs. Funds with smaller AUMs cost more to manage than other funds and are less likely to realize the investment policies set out in their investment prospectuses or trust deeds, making it harder to deliver the sustained medium- and long-term investment performances that customers expect.

At Nikko AM, we address this by not only terminating smaller funds once they reach maturity but also terminating them early by shortening their trust periods based on legally stipulated procedures.

We carried out terminations of 16 publicly offered funds between January and December of 2019 and gained the understanding of beneficiaries for the early termination of 10 of them.

These efforts are essential ways for us to maintain the strength of our funds' product attributes and to deliver strong investment performances. We firmly believe that the effective allocation of human resources is the key to delivering medium- and long-term profits to investors.

1.1.6 Change in distribution pattern for medium- and long-term investment: composition of Japan-domiciled publicly offered funds



The ratio of publicly offered funds (excluding ETFs) that pay out monthly dividends is falling and stood at 37% as of December 2019

1.1.7 Risk/return features of Nikko AM's key funds

Procedures for selecting Nikko AM's key funds

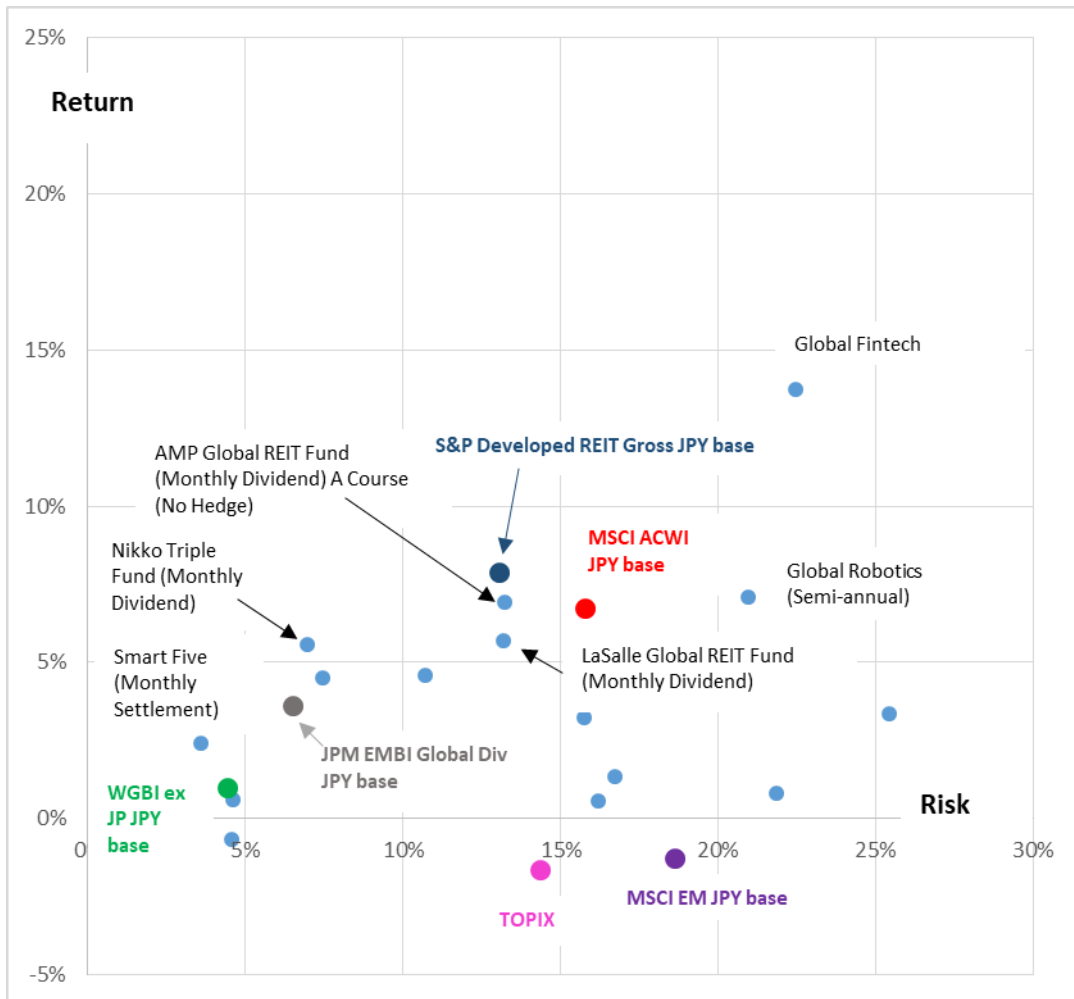
1. Rank Nikko AM's publicly offered funds (excluding money funds, ETFs and index funds) as of October-end 2019).
2. If there are multiple series funds among the top funds for AUM, use the funds with the largest AUMs.
3. For the relevant period, we selected the 19 funds in the below chart as Nikko AM's key funds (excluding funds that have less than a year to maturity) as of November-end 2019.

	Fund name	AUM(JPY100M)	Launch date	Asset Class	Risk/Return Abbreviated name on profile
1	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	4,632	Mar-04	Global REIT	LaSalle Global REIT Fund (Monthly Dividend)
2	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	4,009	Aug-03	Balanced	Nikko Triple Fund (Monthly Dividend)
3	Global Robotics Equity Fund (Semi-annual Settlement Type)	3,711	Aug-15	Foreign equity	Global Robotics (Semi-annual)
4	Global Three Times Triple Fund (Annual Settlement Type)	3,600	Oct-18	Balanced	* Graph not shown because the investment period is less than 2 years
5	Smart Five (Monthly Settlement Type)	3,539	Jul-13	Balanced	Smart Five (Monthly Settlement)
6	Global Fintech Equity Fund	1,712	Dec-16	Foreign equity	Global Fintech
7	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	1,160	Aug-03	Foreign bond	Developed Countries High Yielding Bond Open (Monthly Dividend)
8	Japan Robotics Equity Fund (Annual Settlement Type)	693	Jan-16	Japanese equity	Japan Robotics (Annual)
9	Nikko GW7 Eggs	559	Feb-03	Balanced	Nikko GW7 Eggs
10	Global Mobility Service Equity Fund (Annual Settlement Type)	557	Jan-18	Foreign equity	* Graph not shown because the investment period is less than 2 years
11	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	509	Jun-06	Foreign bond	Five Continents Bond Fund (Monthly Dividend)
12	Greater China Equity Fund (Monthly Dividend Payment Type)	434	Oct-10	Foreign equity	Greater China Equity
13	Gold Fund Currency Hedge (for SMA)	398	Sep-17	Other	* Graph not shown because the asset class is other.
14	Nikko AMP Global REIT Fund Monthly Dividend Payment Type A (No Hedge)	394	Jan-04	Global REIT	AMP Global REIT Fund (Monthly Dividend) A Course (No Hedge)
15	Shenzhen Innovation Equity Fund (Annual Settlement Type)	385	Nov-17	Foreign equity	Shenzhen Innovation
16	Nikko Japan Open	362	Aug-98	Japanese equity	Nikko Japan Open
17	Nikko PIMCO High Income Sovereign Fund Monthly Dividend Payment Type (US Dollar course)(Note1)	-	Jul-09	Foreign bond	PIMCO High Income Sovereign Fund Monthly Dividend (USD course)
18	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	329	Sep-05	Balanced	Nikko World Triple Fund (Monthly Dividend)
19	Nikko Profit Return Growth Stock Open	292	Jun-91	Japanese equity	J-Growth

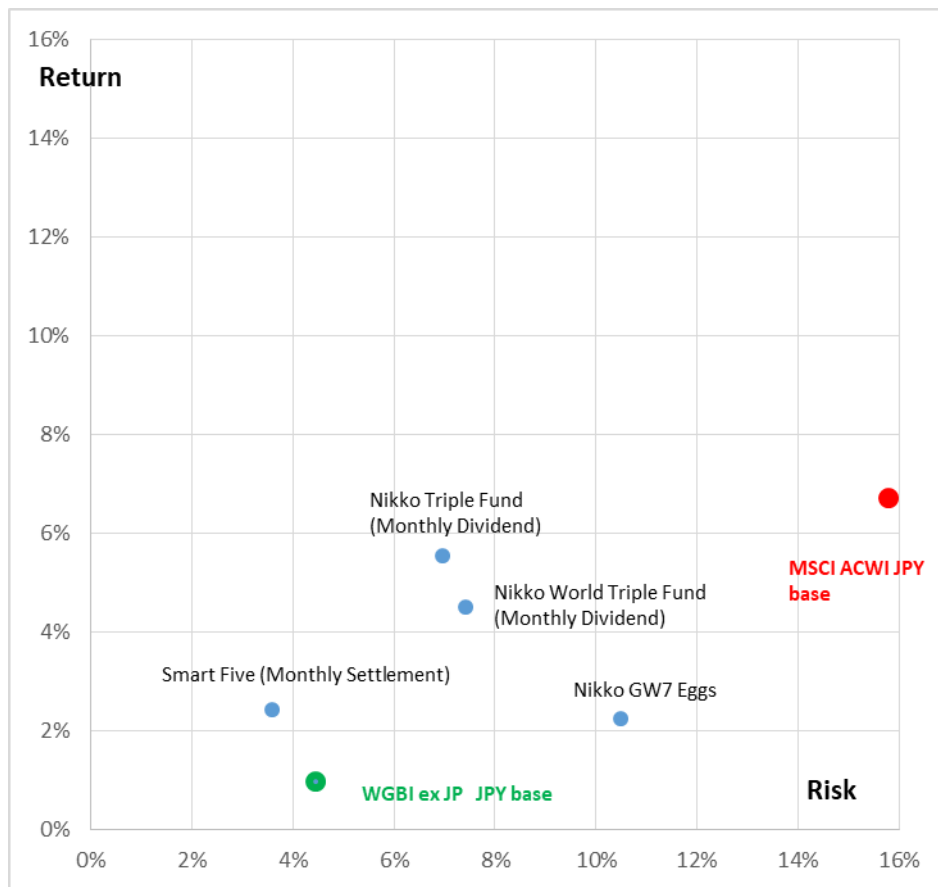
Note1: For Nikko PIMCO High Income Sovereign Fund, risk-return figures for the USD course (converted to JPY), a major fund in the same strategy, were used.

*As the USD course is not the largest fund of the same strategy, AUM is blanked to prevent confusion.

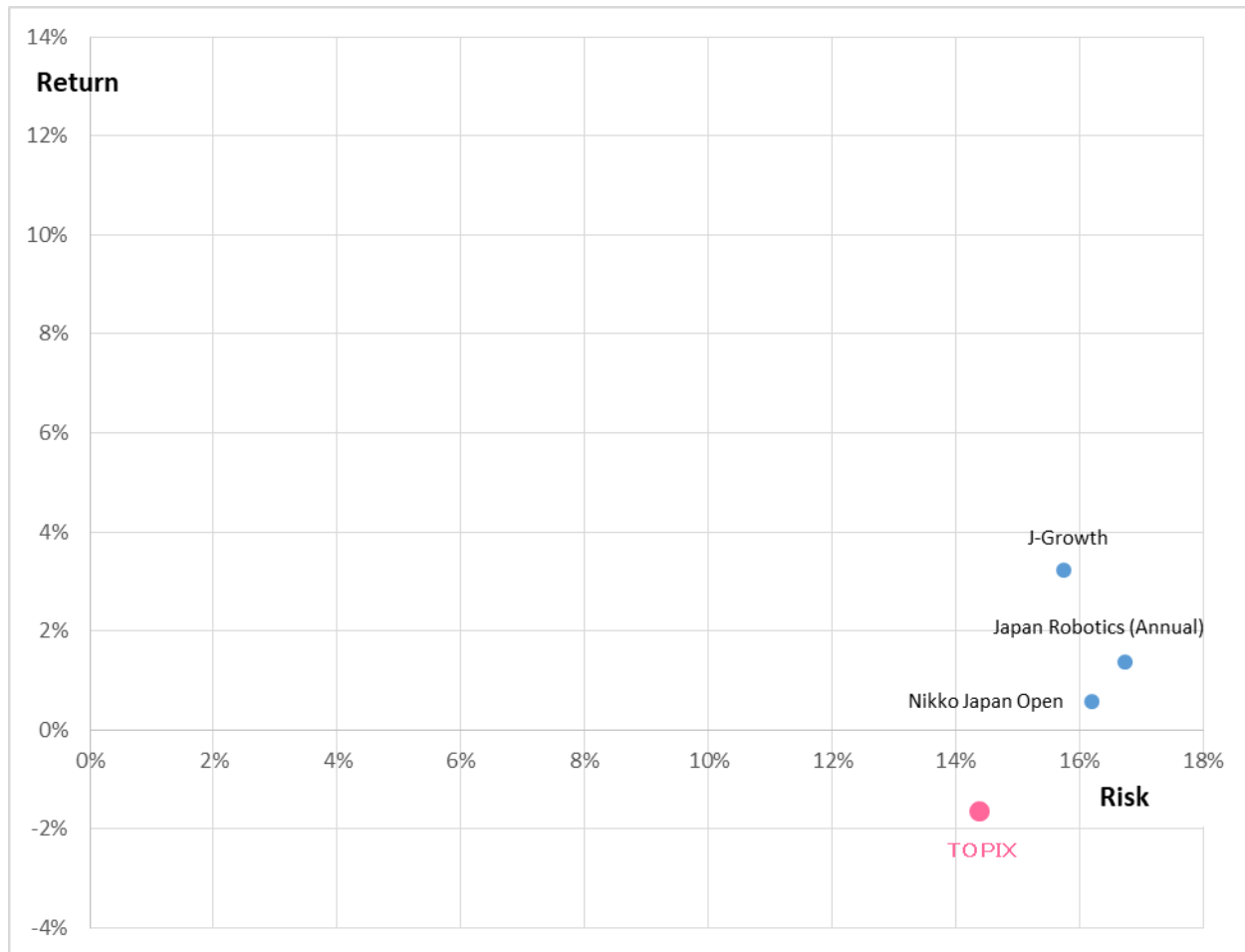
1.1.8 Risk/return profile of major funds in past two years (as of December-end 2019)



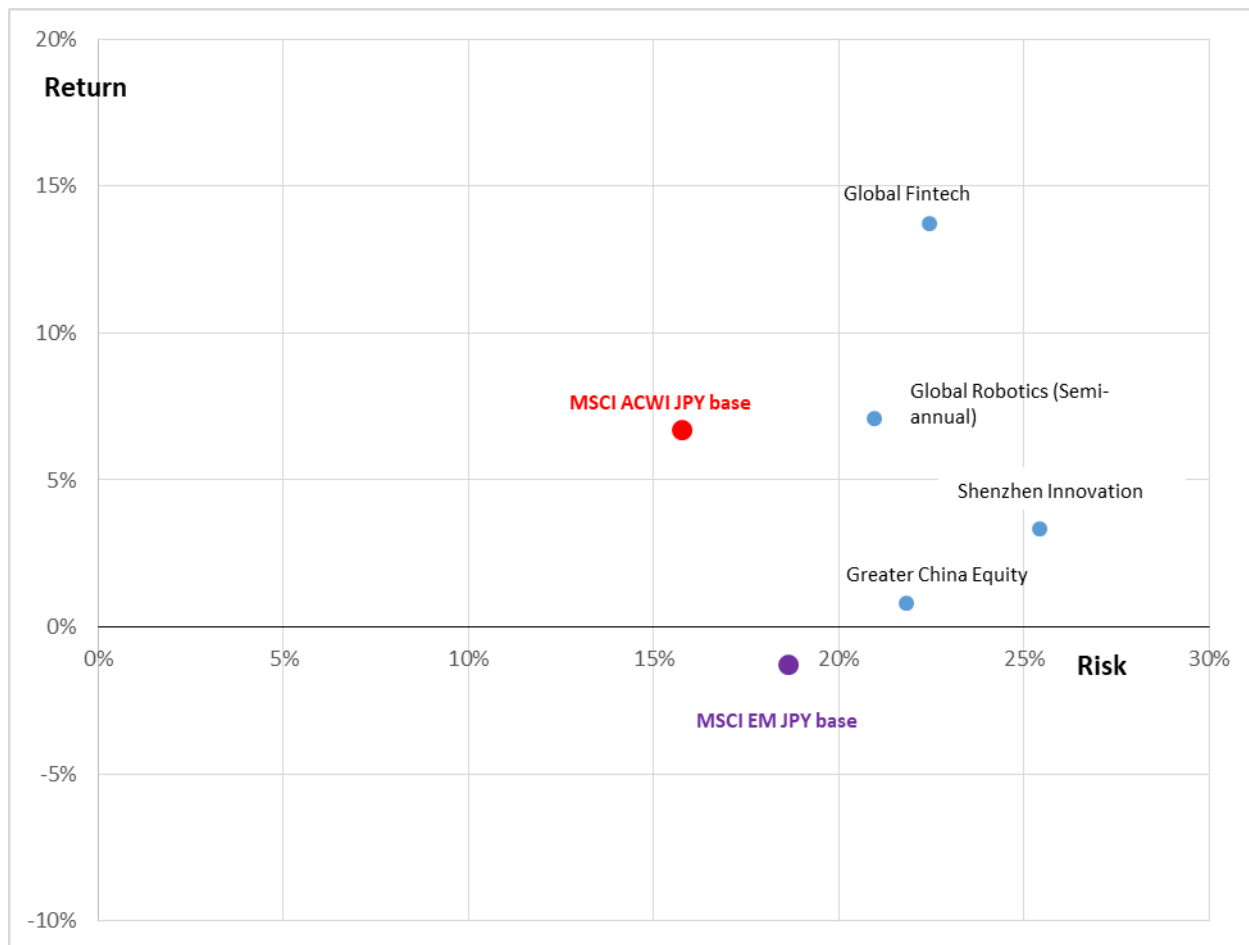
1.1.9 Risk/return profile of major balanced funds in past two years (as of December-end 2019)



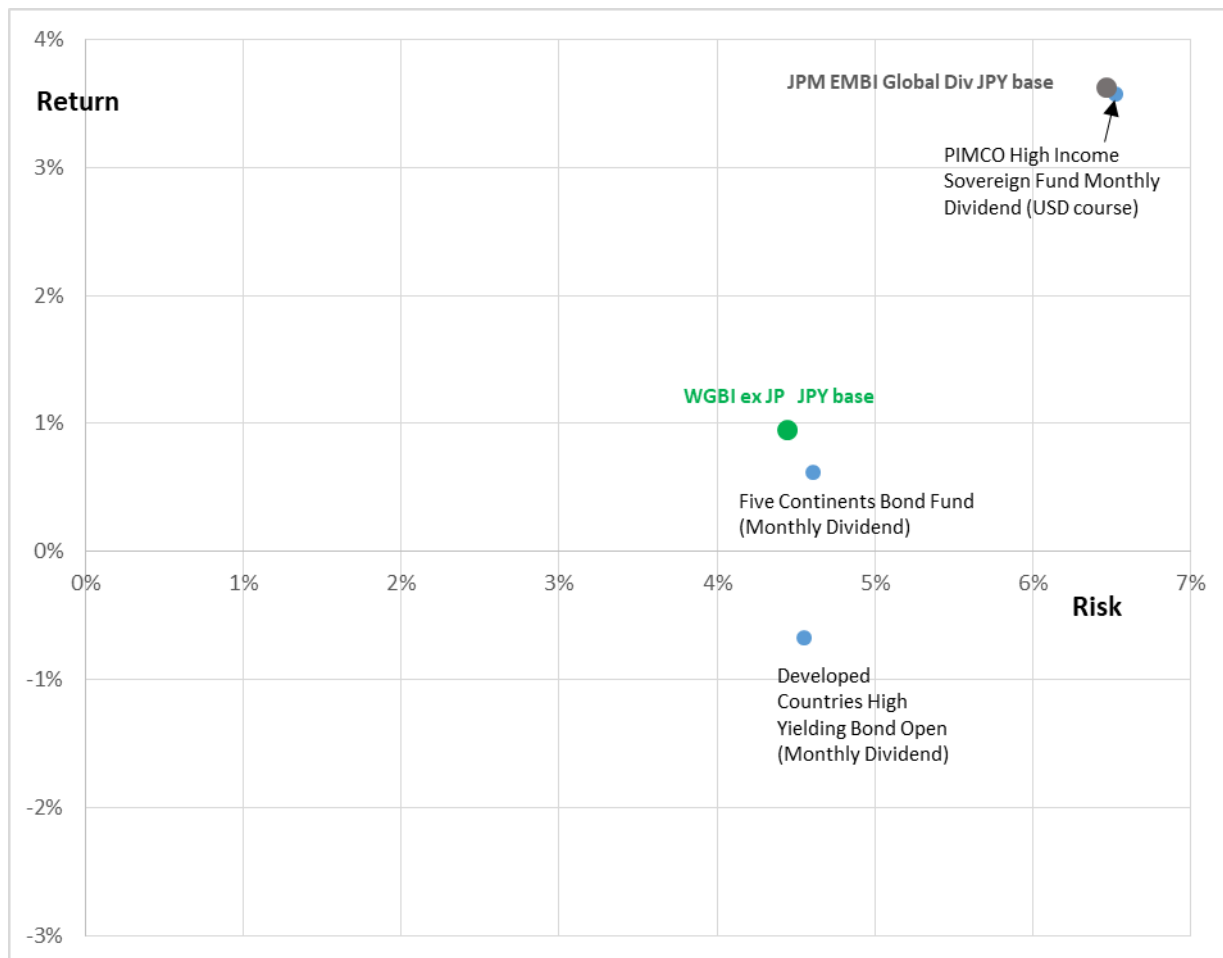
1.1.10 Risk/return profile of major Japanese equity funds in past two years (as of December-end 2019)



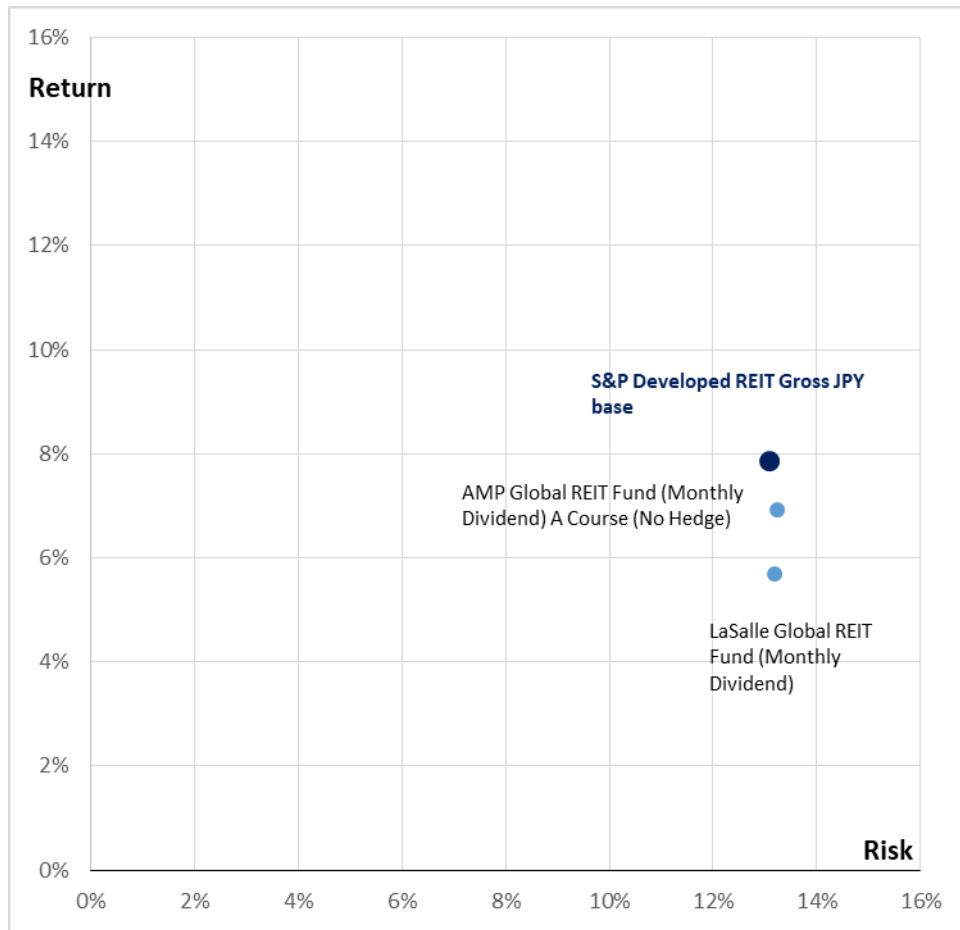
1.1.11 Risk/return profile of major foreign equity funds in past two years (as of December-end 2019)



1.1.12 Risk/return profile of major foreign bond funds in past two years (as of December-end 2019)



1.1.13 Risk/return profile of major global REIT funds in past two years (as of December-end 2019)



1.1.14 Sharpe ratios of major funds in past three years (as of December-end 2019)

		Dec-19		A	B	A/B
	Fund name	AUM (JPY 100M)	Launch date	Excess Return (Annualized)	Standard Deviation	Sharpe Ratio
1	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	4,632	Mar-04	4.88%	11.54%	0.42
2	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	4,009	Aug-03	5.72%	5.91%	0.97
3	Global Robotics Equity Fund (Semi-annual Settlement Type)	3,711	Aug-15	14.86%	17.86%	0.83
4	Smart Five (Monthly Settlement Type)	3,539	Jul-13	3.11%	3.19%	0.97
5	Global Fintech Equity Fund	1,712	Dec-16	22.21%	18.95%	1.17
6	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	1,160	Aug-03	0.40%	4.62%	0.09
7	Japan Robotics Equity Fund (Annual Settlement Type)	693	Jan-16	11.47%	14.87%	0.77
8	Nikko GW7 Eggs	559	Feb-03	6.69%	8.97%	0.75
9	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	509	Jun-06	1.67%	4.30%	0.39
10	Greater China Equity Fund (Monthly Dividend Payment Type)	434	Oct-10	10.58%	18.63%	0.57
11	Nikko AMP Global REIT Fund Monthly Dividend Payment Type A (No Hedge)	394	Jan-04	6.02%	11.50%	0.52
12	Nikko Japan Open	362	Aug-98	10.13%	14.21%	0.71
13	Nikko PIMCO High Income Sovereign Fund Monthly Dividend Payment Type (US Dollar course)(Note2)	-	Jul-09	4.91%	5.71%	0.86
14	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	329	Sep-05	5.12%	6.26%	0.82
15	Nikko Profit Return Growth Stock Open	292	Jun-91	11.30%	13.83%	0.82

Note 1: LIBOR1M was used for the risk-free rate.

Note 2: For Natural Resources Equity Fund, risk-return figures for the USD course (converted to JPY), a major fund in the same strategy, were used.

*As the USD course is not the largest fund of the same strategy, AUM is blanked to prevent confusion.

1.1.15 Sharpe ratios of major funds in past one year (as of December-end 2019)

		Dec-19		A	B	A/B
	Fund name	AUM (JPY 100M)	Launch date	Excess Return (Annualized)	Standard Deviation	Sharpe Ratio
1	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	4,632	Mar-04	16.94%	10.31%	1.64
2	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	4,009	Aug-03	14.46%	5.12%	2.83
3	Global Robotics Equity Fund (Semi-annual Settlement Type)	3,711	Aug-15	32.84%	19.80%	1.66
4	Global Three Times Triple Fund (Annual Settlement Type)	3,600	Oct-18	28.37%	8.19%	3.46
5	Smart Five (Monthly Settlement Type)	3,539	Jul-13	8.85%	3.21%	2.76
6	Global Fintech Equity Fund	1,712	Dec-16	33.82%	19.08%	1.77
7	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	1,160	Aug-03	5.06%	3.38%	1.50
8	Japan Robotics Equity Fund (Annual Settlement Type)	693	Jan-16	22.28%	11.62%	1.92
9	Nikko GW7 Eggs	559	Feb-03	16.08%	7.97%	2.02
10	Global Mobility Service Equity Fund (Annual Settlement Type)	557	Jan-18	30.21%	23.72%	1.27
11	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	509	Jun-06	5.96%	2.45%	2.43
12	Greater China Equity Fund (Monthly Dividend Payment Type)	434	Oct-10	29.79%	21.01%	1.42
13	Gold Fund Currency Hedge (for SMA)	398	Sep-17	13.84%	12.23%	1.13
14	Nikko AMP Global REIT Fund Monthly Dividend Payment Type A (No Hedge)	394	Jan-04	23.12%	10.13%	2.28
15	Shenzhen Innovation Equity Fund (Annual Settlement Type)	385	Nov-17	47.56%	26.02%	1.83
16	Nikko Japan Open	362	Aug-98	20.61%	12.29%	1.68
17	Nikko PIMCO High Income Sovereign Fund Monthly Dividend Payment Type (US Dollar course)(Note2)	-	Jul-09	12.93%	4.81%	2.69
18	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	329	Sep-05	14.35%	5.63%	2.55
19	Nikko Profit Return Growth Stock Open	292	Jun-91	24.30%	11.75%	2.07

Note 1: LIBOR1M was used for the risk-free rate.

Note 2: For Nikko PIMCO High Income Sovereign Fund, risk-return figures for the USD course (converted to JPY), a major fund in the same strategy, were used.

*As the USD course is not the largest fund of the same strategy, AUM is blanked to prevent confusion.

1.1.16 Investor returns of major funds (periods since launch)

	Fund name	Investor Return (Annualized)	NAV Return (Annualized)
1	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	9.70%	5.02%
2	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	1.31%	5.25%
3	Global Robotics Equity Fund (Semi-annual Settlement Type)	9.47%	12.76%
4	Global Three Times Triple Fund (Annual Settlement Type)	19.74%	22.69%
5	Smart Five (Monthly Settlement Type)	3.68%	4.39%
6	Global Fintech Equity Fund	16.79%	21.68%
7	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	3.37%	3.89%
8	Japan Robotics Equity Fund (Annual Settlement Type)	5.50%	11.20%
9	Nikko GW7 Eggs	0.49%	5.91%
10	Global Mobility Service Equity Fund (Annual Settlement Type)	2.66%	-0.14%
11	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	0.12%	2.90%
12	Greater China Equity Fund (Monthly Dividend Payment Type)	-0.33%	5.46%
13	Gold Fund Currency Hedge (for SMA)	6.62%	3.84%
14	Nikko AMP Global REIT Fund Monthly Dividend Payment Type A (No Hedge)	7.95%	6.48%
15	Shenzhen Innovation Equity Fund (Annual Settlement Type)	-2.01%	0.45%
16	Nikko Japan Open	-3.95%	3.10%
17	Nikko PIMCO High Income Sovereign Fund Monthly Dividend Payment Type (US Dollar course)	-10.06%	7.55%
18	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	-4.59%	4.34%
19	Nikko Profit Return Growth Stock Open	-26.01%	12.41%

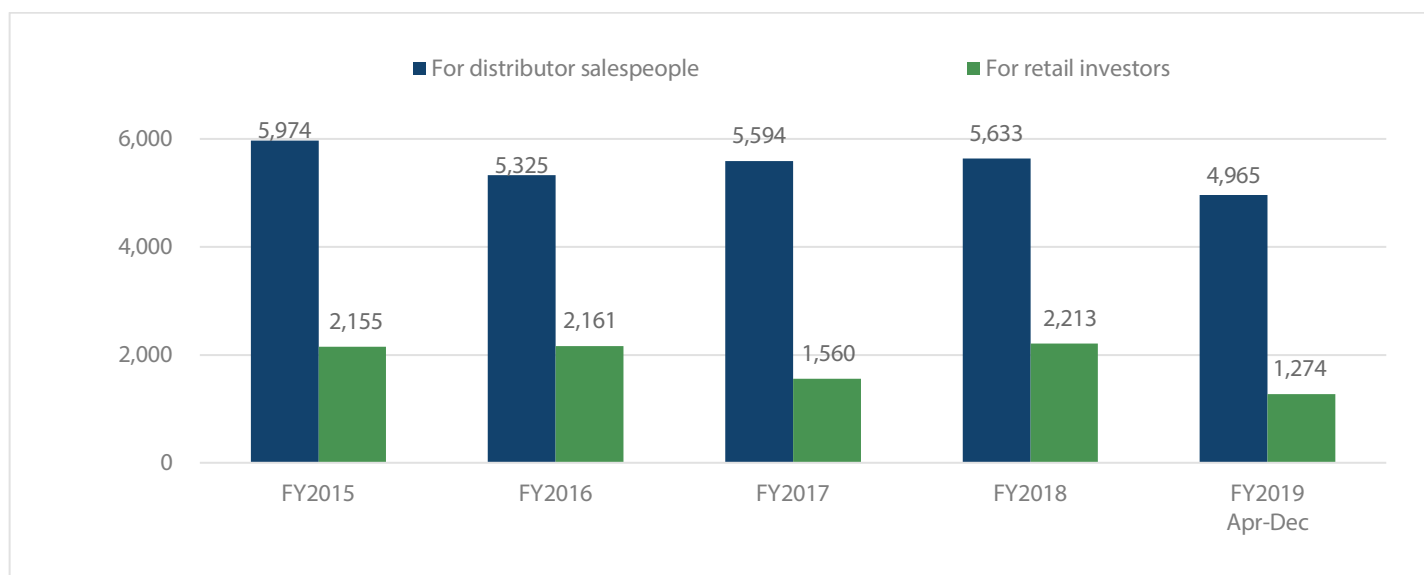
Note: the figures for Nikko PIMCO High Income Sovereign Fund Monthly Dividend Payment Type (US Dollar course) and Nikko Profit Return Growth Stock Open start from September-end 2010 because of issues with acquiring past data.

1.1.17 Information provision under Nikko AM Academy brand

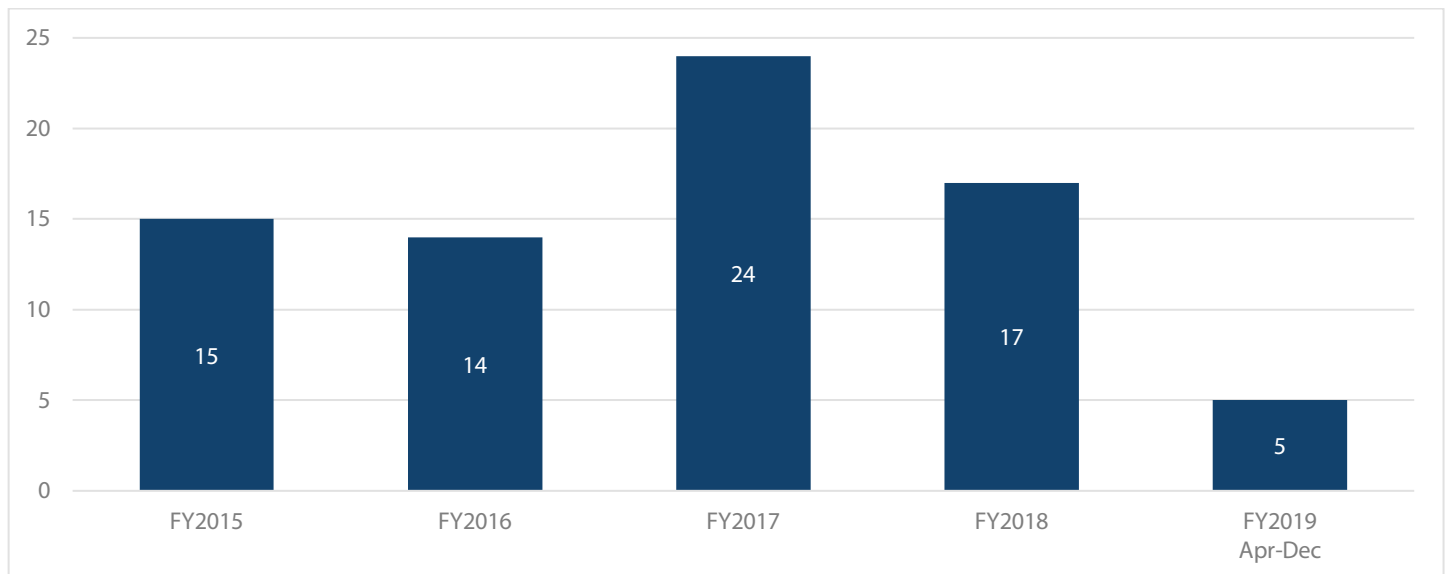
Main investment information sources provided as series	Frequency	Additional information
Rakuyomi	Twice weekly	112 released in 2019
Koyomi	Monthly	
Gokuyomi	Monthly	
Market 5 Minutes	Monthly	
Weekly Market	Weekly	
Data Watch	Weekly	
Follow-up Memo	Irregular	7 released in 2019
Global REIT Weekly	Weekly	
Monthly Market	Monthly	
JAPAN in Motion	Monthly	
GLOBAL EQUITY OVERVIEW	Quarterly	
Nikko AM Newsletter	Irregular	3 released in 2019
CHINA INSIGHT	Irregular	19 released in 2019
KAMIYAMA Reports	Irregular	28 released in 2019
KAMIYAMA Seconds!	Irregular	51 released in 2019
Why should we invest?	Irregular	4 released in 2019
Robotics Report	Twice monthly	
FinTech Report	Twice monthly	
What Nikko AM wants you to know about healthy money management	Irregular	1 released in 2019

1.1.18 Number of seminars held

(Unit: occurrences)



1.1.19 Number of fund awards won

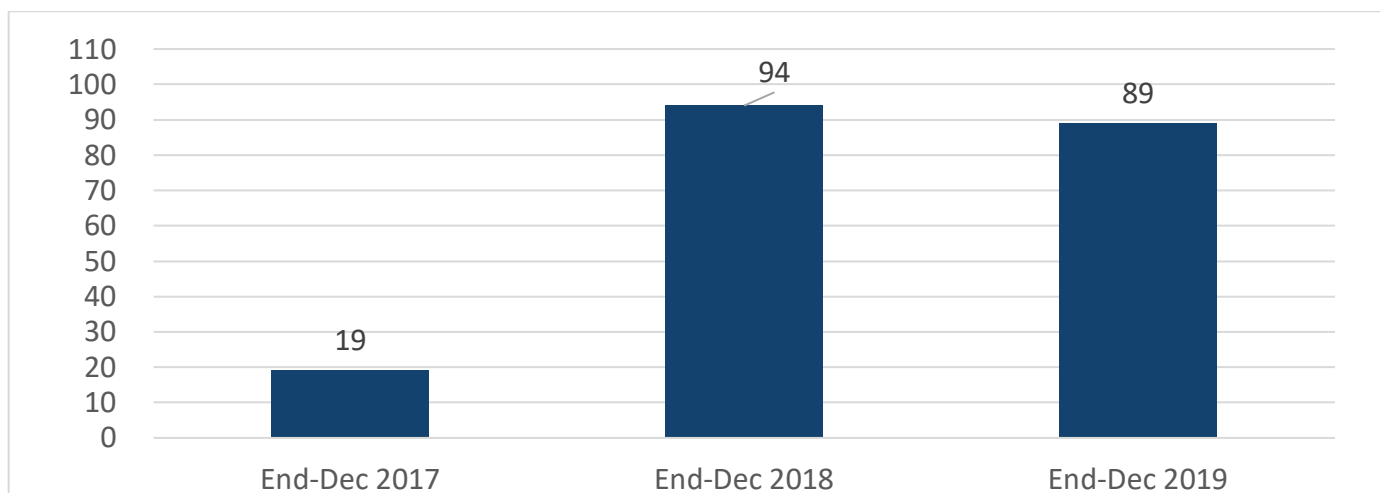


We work constantly to develop products that serve the interests of our customers. In FY 2019 (April to December 2019), external assessment institutions recognized us with awards for five of our funds: one of our Japanese equity funds, two of our foreign equity funds and two of our foreign bond funds.

* Aggregation of awards from R&I Fund Awards, Fund of the Year (Morning Star) and Lipper Fund Awards.

1.2 Activities for corporate clients

Number of accounts utilizing risk management tool for institutional investors



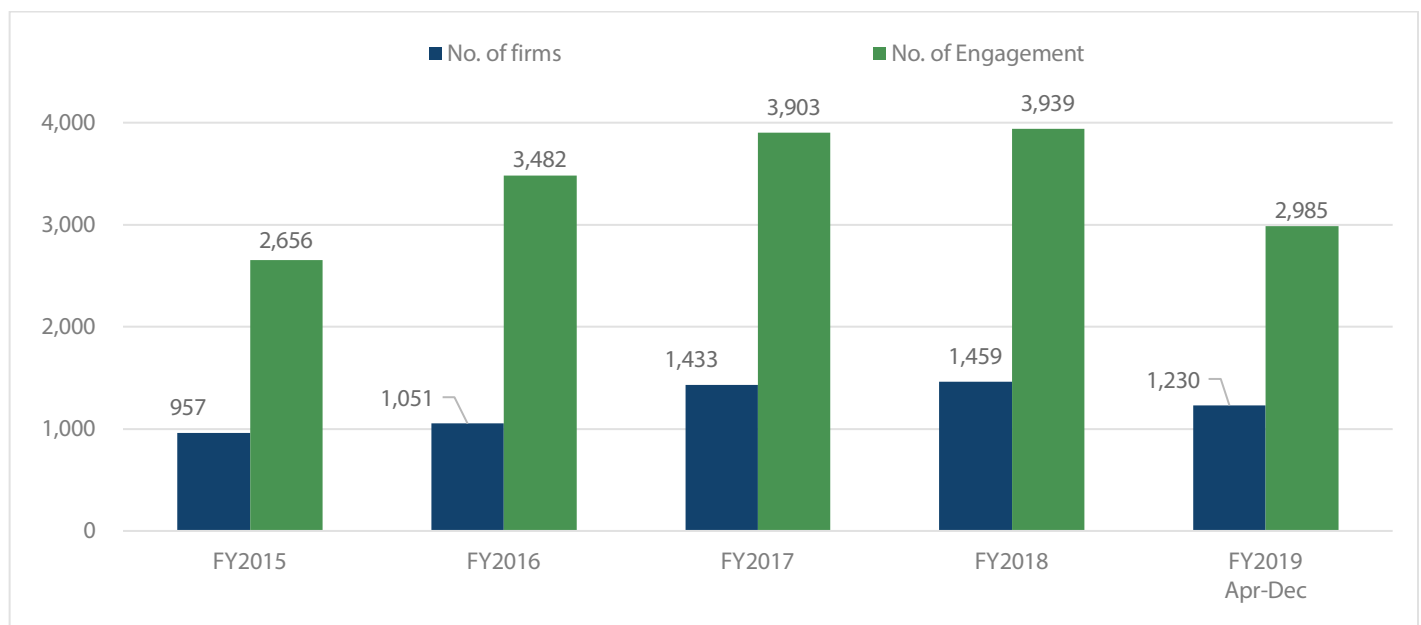
Our starting point for institutional investors is to find out our customers' needs, and to work hard to meet those needs. In our sales activities, we then propose products in line with each customer's level of risk tolerance. As a part of these efforts, in December 2017 we launched a tool and used it to start providing support to help our corporate investor customers improve their risk management. As of December-end 2019, the support tool was being used for 89 accounts.

2. Stewardship Activities

We believe that it is one of our key responsibilities as an asset manager to help the companies in which we invest to improve the value they offer to investors by vigorously pursuing our stewardship activities including the exercise of voting rights. We constantly work to ensure that our activities are sustained and steadily improved upon. At the same time, we incorporate the concept of ESG into all of our investment management processes and perform assessments of the corporate value of firms—including their non-financial information—in order to promote medium- and long-term improvements as well as sustainable growth, and this approach is useful in our investment decision-making process. We also organized the ESG Global Steering Committee in order to further expand the global reach of our ESG efforts. Comprised of leaders in our investment management operations in Japan and overseas, the committee deliberates over matters such as ESG initiatives, ways of putting them into practice, and new approaches.

Our initiatives and results to date in the above-mentioned areas are as follows.

2.1 Engagement results



Our fund managers and analysts have always been proactively involved in engagement and proxy voting in order to help firms in which our active strategies invest improve their corporate value. We have worked since 2013 to boost the corporate value of a wide range of firms, including their ESG levels, by starting to assign CSV scores (a way of giving firms comprehensive assessments that include ESG scores). Since then we have assessed over 600 firms with a focus on helping them to achieve sustainable growth and enhance their corporate values in the medium to long term. In March 2017, we launched a body devoted to activities to promote better corporate and shareholder value for Japanese names in which we invest, including in our passive strategies. These initiatives have further improved our ability to engage with firms and exercise our voting rights in order to help maximize the corporate value of firms. In 2019 (April to December) we engaged with 1,230 firms, and in the same period the number of instances of engagement we had was 2,985.

2.2 Voting track record

Company-generated proposals (July 2018 – June 2019)

Proposal		Yea	Nay	Subtotal	Nay ratio
Proposal on company	Election/dismissal of directors	14,703	3,129	17,832	17.5%
	(Reference) Number of companies	1,247	912	2,159	42.2%
	Election/dismissal of corporate auditors	2,522	215	2,737	7.9%
	(Reference) Number of companies	1,022	187	1,209	15.5%
	Selection of accounting auditors	57	1	58	1.7%
Proposal on executive remuneration	Executive remuneration	758	87	845	10.3%
	Retirement benefit payments	144	43	187	23.0%
Proposal on capital policy (Except proposals concerning the articles of incorporation)	Appropriation of surpluses	1,396	120	1,516	7.9%
	Restructuring	56	0	56	0.0%
	Introduction, update, abolition of takeover defense measures	2	71	73	97.3%
	Other proposals on capital policy	58	2	60	3.3%
Partial revision to articles of incorporation		532	33	565	5.8%
Other		1	0	1	0.0%
Total		20,229	3,701	23,930	15.5%

Shareholder proposals (July 2018 – June 2019)

		Yea	Nay	Subtotal	Nay ratio
Proposal on company	Election/dismissal of directors	14	30	44	31.8%
	(Reference) Number of companies	2	16	18	11.1%
	Election/dismissal of corporate auditors	0	2	2	0.0%
	(Reference) Number of companies	0	2	2	0.0%
	Selection of accounting auditors	0	0	0	0.0%
Proposal on executive remuneration	Executive remuneration	1	8	9	11.1%
	Retirement benefit payments	0	0	0	0.0%
Proposal on capital policy (Except proposals concerning the articles of incorporation)	Appropriation of surpluses	0	10	10	0.0%
	Restructuring	0	0	0	0.0%
	Introduction, update, abolition of takeover defense measures	1	0	1	100.0%
	Other proposals on capital policy	0	0	0	0.0%
Partial revision to articles of incorporation		0	0	0	0.0%
Other		3	87	90	3.3%
Total		19	137	156	12.2%

It is our responsibility as an institutional investor to help the companies we invest in to improve their value and grow sustainably through our stewardship activities, including the exercise of voting rights. In addition, we understand the importance of strengthening our own governance and increasing transparency for those outside the company. With this in mind, we established the Stewardship and Voting Rights Policy Oversight Committee in June 2016. Not only is the committee's chairperson an outside officer, but the majority of its members are from outside Nikko AM, thus ensuring its independence. The committee holds quarterly meetings at which it decides Nikko AM's policy for the exercise of voting rights from a neutral standpoint, monitors our exercise of voting rights as one of its oversight responsibilities, and provides other forms of guidance.

2.3 ESG initiatives

Since launching the Nikko Eco Fund in 1999, which invests in environmentally friendly firms and is Japan's first Socially Responsible Investment ("SRI") fund*, we have incorporated ESG factors in all of our investment management processes based on our understanding that they contribute to medium- and long-term corporate value. We also constantly introduce new initiatives in order to put our EGS activities into practice more effectively. Since August 2013, we have been applying the principle of Creating Shared Value ("CSV"; the practice of creating value for society and firms by aligning efforts to solve societal issues with corporate interests and pursuing both goals simultaneously) by having our analysts formulate unique CSV scores that incorporate comprehensive assessments of firms' financial standings, market competitiveness levels and ESG initiatives, and use them in their stock selections. We currently formulate scores for 600 stocks listed on the Tokyo Stock Exchange from a medium- to long-term perspective. We have already built up a track record of over six years of assessment and engagement based on our analysts' close engagement with the 600 firms whose CSV scores we assess and their daily work to improve corporate value including ESG.

* Socially Responsible Investment ("SRI") is an approach to investing in firms that takes into account assessments of investees' environmental and social initiatives (responsibilities and contributions) in addition to traditional investment criteria (firm's economic strengths).

Our other initiatives are as described below.

Principles of Responsible Investing (PRI) ratings from assessment institutions

	2019	2018	2017
Approach to responsible investing (overall assessment)	A+	A+	A+
Incorporation of responsible investing in listed stocks	A+	A+	A+
Active ownership in listed stocks	Engagement	A+	A+
	Exercise of voting rights	A+	A+
Fixed income investment – Government etc.	A+	A+	A
Fixed income investment – Corporate (Financial)	A+	A+	B
Fixed income investment – Corporate (Non-financial)	A+	A+	B

Investment target	Fund name	AUM (JPY 100M)
Japanese Equity	Nikko Eco Fund	80
	Nikko DC Eco Fund	8
Foreign Bond	Nikko World Bank Bond Fund (Monthly Dividend Payment Type)	146
	SMBC Nikko World Bank Bond Fund	18
	World Bank Green Bond Fund	28

* AUMs are as of end-December 2019. * Open-end, publicly offered funds.

Funds focused on Socially Responsible Investing (SRI)

We have been a signatory to the United Nations' Principles for Responsible Investment (PRI) since 2007. Our pioneering approach as an investment manager demonstrates our commitment to contributing to medium- and long-term corporate value and sustainable responsible investment. We have consistently been awarded the top assessment level (A+, out of six levels from A+ to E) for the main assessment items, including our approach to responsible investment.

Since launching a body specializing in this area in March 2013, we have expanded the number of firms whose ESG we research from the previous number of about 950 (active strategy investment universes) to 2,200 by adding firms in which our passive strategies invest to the scope of our research.

3. ESG Initiatives as a Firm

As an asset manager engaged in ESG initiatives directed at investee companies, we also believe in the importance of implementing our own ESG activities as a firm.

3.1 Governance

Our role as an asset manager is not only to seek improvements in the governance of investee companies but to continuously ensure that our own governance is at a world-class level. To achieve this, we work on the three governance areas shown below.

3.1.1 Management governance

Our governance framework is distinctive in the Japanese asset management industry for its extremely high levels of independence and transparency. Specifically, our Board of Directors is chaired by an outside director, and as of December-end 2019 seven of its ten members are outside directors, six of whom are independent directors with no capital relationship with Nikko AM.

We have increased the number of outside directors in our ten-member Board of Directors from five to seven and boosted the number of independent directors with no capital relationship with Nikko AM from four to six in the year since end-December 2018. This increase in the proportion of our board members who are outside or independent directors has enhanced the ability of our corporate governance framework to exercise control over our management.

In June 2019, we transformed Nikko AM into a company with an Audit and Supervisory Board in order to strengthen the auditing and supervision of our Board of Directors, to further enhance our corporate governance framework and to boost our corporate value. The transition has enabled us to incorporate monitoring-board-style governance in our management, to separate management monitoring from business execution more clearly, and to speed up management decision-making.

3.1.2 Voting rights governance

We established the Stewardship and Voting Rights Policy Oversight Committee in June 2016 as a way of improving transparency in our stewardship activities such as engaging with firms and exercising voting rights as well as strengthening our governance. Drawing the majority of its members from outside the company, the committee is the first such third-party body to be established at a Japanese asset management company. It holds meetings once a quarter in principle and provides a venue for outside committee members to have lively discussions on how Nikko AM exercises its voting rights. The committee has held a total of 18 meetings so far (six meetings in 2019). Please refer to [the Appendix \(PDF\)](#) for details of its activities.

3.1.3 Fund governance

We established the Fund Advisory Board, whose members are also mostly from outside Nikko AM, in September 2017. The Fund Advisory Board meets every quarter in principle. The board has met a total of seven times so far and its outside members participate in debates at its meetings (three meetings in 2019). Please refer to [the Appendix \(PDF\)](#) for details of its activities.

3.2 Environmental

We strive to contribute to a sustainable environment through eco-friendly offices, employee-led eco-initiatives, and minimisation of our carbon footprint.

- Achievement of Carbon-neutral Operations

Based on an assessment of the carbon dioxide emissions of our Tokyo, Singapore, Sydney, Auckland, New York and London offices for our operations in FY2018, we offset our emissions by contributing funds to projects for the reduction of an equal amount of carbon dioxide emissions, earning us certification as a “carbon-neutral company”.

We are also receiving an increasing number of requests from customers, particularly from outside Japan, about our sustainability initiatives as an asset manager. Although our industry has a low environmental impact compared to other industries, we support

the Task Force and Climate-related Financial Disclosures and believe that it is important to raise awareness about climate change and other environmental issues.

3.3 Social

We strive to enhance social causes, both within the company by supporting a diverse and inclusive environment, and outside of the company through hands-on initiatives and charitable donations.

- **Women's Group**

Nikko AM was the first Japanese Asset Manager to be a signatory to the UN Women's Empowerment Principles. In all our offices in Japan and around the world, we strive to provide an environment in which all people can work comfortably by deepening our understanding of and respect for our workforce's diversity.

- **LGBT**

Nikko AM is an official member of "LGBT Finance", an organization set up by financial institutions in Japan to support LGBT people. We are highly committed to this initiative, which has both very visible grass-roots support from our employees and very engaged sponsorship from our senior management. We also work to promote awareness of LGBT causes.

- **Idea Generation Forum**

We promote transparency and open discussion throughout Nikko AM, including on issues relating to our social policies. The original suggestion of an LGBT-focused effort was originated in this forum, as were many other discussions that help us to continuously progress on our ESG journey.

- **Charitable Donations and Activities**

Employees throughout Nikko AM support global charitable causes and activities. We complement this with support for local outreach and charitable activities around the world.

As one example of our activities, we awarded internships to three Syrian graduate students participating in the Japanese Initiative for the future of Syrian Refugees, a project planned by the Japan International Cooperation Agency and operated by the Japan Association for Refugees. Our interns gained experience of working at a Japanese firm while also acquiring business skills. The internships were made possible through a partnership between Nikko AM and the United Nations High Commissioner for Refugees.

In conclusion

We celebrated our 60th anniversary in December 2019. Throughout the many changes we have experienced in that time—including changes in the business environment, technological innovations, and growth in financial products—we have consistently striven to act in the best interests of our customers. We strongly believe that continuing to do so is our mission as a firm.

We will continue to ensure that Nikko AM earns the trust of customers and attracts praise for its performance by fostering investment management innovation, developing products that fully serve the interests of customers, and strengthening our corporate governance.