



Sustainability Report 2025-2026

 Sumitomo Mitsui DS Asset Management

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The theme of this report:

Enjoy taking on challenges.

About the cover:

The cover of this report features professional skateboarder Yuto Horigome, who paved the way for the history of Japanese street sports by becoming the first-ever world's Men's Street Skateboarding champion. Believing that Mr. Horigome's stance of continuing even now to challenge himself after standing atop the world aligns with our brand image of "Be Active.", we have been in a sponsorship agreement together since last year. Impressed by Mr. Horigome's stance of continuing to actively challenge himself, we, too, will keep up our challenge of changing the future of investors.

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CEO Message: SMDAM today and the future it strives for

The Japanese equities market in 2025 temporarily plummeted due to the sizeable impact of US tariffs in April. However, it subsequently regained its momentum of recovery, and as of October, the Nikkei stock average has reached its highest value on record. Part of this is due to the expectations placed on new Prime Minister Sanae Takaichi. Numerous individual investors stayed extremely calm even as the market plummeted. I am greatly relieved at how initiatives aimed at realizing an "asset management-driven nation" that were implemented across both the public and private sectors have resulted in investment behavior based on "the long term, accumulation, and diversification" becoming gradually entrenched. Additionally, against the backdrop of progress in corporate governance reforms and solid corporate earnings, non-Japanese investors are demonstrating a considerable interest in the Japanese equities market. That market is sure to take on increasing importance as a high-liquidity site of diversification from portfolios that overly lean on the US market. Having adopted "Towards Being the Best Asset Management Firm For Your Better Quality of Life" as our management philosophy, we aim to do our part to improve the QOL of our clients and other stakeholders and to realize a sustainable society through our asset management business. Our top-priority matter for that purpose is our investment ability. Under our medium-term management plan that started in FY2023, we have been making efforts with "becoming an asset management company that provides the highest level of investment performance and solutions" as our vision. As a result, SMDAM won the greatest number of awards over the consecutive two-year period between 2024 and 2025 at the "R&I Fund Award*," which recognizes funds that generated outstanding investment results. Moreover, we are tackling new investment domains in addition to the competitive Japanese equity and fixed income markets, and have

enhanced our investment products for alternative investment as well as launched pilot funds in each asset class. Further, in October, we released "Assistant For Investment Research," or AIR for short, an AI support tool for investment research that we developed in house to advance investment operations. We believe this tool will result in an improved environment conducive to utilizing generative AI optimized for investment research work processes and, by extension, a dramatic boost in both the quality and quantity of research. With "Be Active. A single step can change the future" as our adopted brand slogan, we value a stance of continuing to take on challenges. We take the view that under our corporate culture in which "fiduciary duty" as an investment management firm has taken root, through the energetic activities of a diverse array of human resources with "Be Active." as their shared center, the highest quality of investment performance and services will come about. We encourage you to peruse this Sustainability Report, which contains an introduction of the various activities that SMDAM has taken on the challenge of over time.

*These awards are given by Rating and Investment Information, Inc. (R&I), which recognizes from a neutral position active funds that demonstrated outstanding investment results. These funds are chosen from over 5,000 investment trusts.

Fiduciary duties (FD)/sustainability policy

We have articulated the role that SMDAM must fulfill in the area of sustainability



Representative Director,
President and CEO
Wataru Ogihara



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Company Profile

Name	Sumitomo Mitsui DS Asset Management Company, Limited
Address	Toranomon Hills Business Tower 26F, 1-17-1 Toranomon, Minato-ku, Tokyo 105-6426, Japan Tel: +81-3-6205-0200
Paid in Capital	JPY 2 billion
Business	1. Investment Management Business 2. Investment Advisory and Agency Business 3. Type II Financial Instruments Business
Representative	Representative Director, President and CEO Wataru Ogihara
Number of Staff	997 (As of April 1, 2025)
Ownership	Sumitomo Mitsui Financial Group 50.1%, Daiwa Securities Group Inc. 23.5%, Mitsui Sumitomo Insurance 15.0%, Sumitomo Life Insurance 10.4%, Sumitomo Mitsui Trust Bank 1.0%
Registered Number	The Director of Kanto Local Finance Bureau (KINSHO) No.399
Membership	The Investment Trusts Association, Japan Japan Investment Advisers Association Type II Financial Instruments Firms Association

Domestic Offices	
Osaka	Sumitomo Building Dai-Sangokan 1F, 4-7-19 Kitahama, Chuo-ku, Osaka, 541-0041 Japan Tel: +81-6-4707-4855
Nagoya Branch	Nagoya Lucent Tower 15F, 6-1 Ushijimacho, Nishi-ku, Nagoya, Aichi 451-6015, Japan Tel: +81-52-587-5491
Global Network	
London	Sumitomo Mitsui DS Asset Management (UK) Limited 100 Liverpool Street, London, EC2M 2AT, United Kingdom Tel. +44-(0)20-7507-6400
New York	SMBC Asset Management, Inc. 277 Park Avenue, 5th Floor, New York, NY 10172, United States Tel. +1-212-418-3030
Hong Kong	Sumitomo Mitsui DS Asset Management (Hong Kong) Limited Suites 901 & 902, 9th Floor, Two Taikoo Place, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong Tel. +852-2521-8883
Shanghai	Sumitomo Mitsui DS Private Fund Management (Shanghai) Co., Ltd. Suite4006-4007, 40/F, CITIC Square, 1168 Nanjing Road West, Jing'An District, Shanghai, 200041, China Tel. +86-21-2211-7900
Singapore	Sumitomo Mitsui DS Asset Management (Singapore) Pte. Ltd. 23 Church Street #08-01/02 Capital Square Singapore 049481 Tel. +65-6297-6811



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Corporate History of SMDAM

1973

1985

Established Sumitomo Life Asset Management
(Established Sumisei Capital Management in 1996; renamed to Sumitomo Life Investment in 1999)

Established Sansei Capital Management
(renamed to Mitsui Life Global Asset Management in 1999)

1989

Established Taiheiyo Investment Trust
(renamed to Sumisei Global Investment Trust Management in 1999)

1997

Formed Sakura Investment Management
(from the merger of Sakura Asset Management and Sakura Investment Trust Management)

2001

Formed Mitsui Sumitomo Insurance Asset Management
(from the merger of Mitsui Marine Asset Management and Sumitomo Marine Asset Management)

2002

Formed Sumitomo Mitsui Asset Management
(from the merger of 5 corporations: Mitsui Life Global Asset Management, Sakura Investment Management, Mitsui Sumitomo Insurance Asset Management, Sumisei Global Investment Trust Management, and Sumitomo Life Investment)

2013

Merged with Toyota Asset Management

2016

Became a consolidated subsidiary of Sumitomo Mitsui Financial Group

2018

1973

Established Daiwa International Capital Management

1993

Established SBIM Investment Trust Management

1999

Formed Daiwa SB Investments
(from a merger of 3 corporations: Daiwa International Capital Management, SB Investment Management, and SBIM Investment Trust Management)

2019

2019

Formed Sumitomo Mitsui DS Asset Management
(from a merger of **Sumitomo Mitsui Asset Management** and **Daiwa SB Investments**)

- Expressed support for the Task Force on Climate-related Financial Disclosures (TCFD)

2020

- Established "Principles of Fiduciary Duties and Sustainability"
- Began issuing Sustainability Reports
- Launched investments through overseas infrastructure debt fund

2022

- Launched "Be Active." brand slogan
- Identified materiality
- Established local corporation based in Shanghai, China
- Established Operations and Management Framework for Sustainable Products

2023

- Set medium-term targets for achieving net zero greenhouse gas emissions
- Commenced provision of "MY GOALS" fund wrap service with goal-based approach
- Launched investment through new global macro strategy-based fund
- Formulated basic policy on human capital management
- Established a new active investment-based ETF, SMDAM's first
- Local corporation based in China acquired Private Fund Management (PFM) license

2024

- Listed Japan securities active ETF on New York securities exchange
(First sub-advisor for a Japanese investment firm)
- Fund wrap service with goal-based approach Commenced support for Shin NISA under "MY GOALS" service
- Established private credit fund in Europe
- Established new Chinese-nationality private equity fund
- Joined operation of hydrogen fund
- Announced endorsement of Taskforce on Nature-related Financial Disclosures (TNFD)

2025

2025

- Robo-advisor for "discretionary asset management" by SBI Securities

Key Points

Advanced investment ability in Japanese equity and fixed income active funds

- » One of Japan's leading operational infrastructures in investment account and investment trust businesses
- » Most awards won in last two consecutive years at the R&I Fund Award (19 in 2024; 21 in 2025)
- » Announced stance of actively taking on challenges as asset management firm with "Be Active." as adopted slogan

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Our Mission and Vision

Mission and Vision

Towards Being a Valuable Asset Management Firm for Your Better Quality of Life.

We, as professionals, focus on:

- Striving to deliver best-in-class investment performance while maintaining the highest standards of fiduciary responsibility to our clients.
- Contributing to a diversified and sustainable society through our investment activities.

To these ends, we commit ourselves to:

- Aiming for collective growth, based on a respectful understanding of all stakeholders.
- Creating a flexible working environment that allows all employees to reach their full potential.

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Be Active. A single step can change the future.

In 2022, we launched the "Be Active." service brand in order to cultivate closer connections to investment management among people. "Active." encapsulates the ideas of "waiting to do our part for making society, corporations and people more active through investment" and "wanting to convey the attractiveness and value of active funds." Since we launched this brand, a number of new initiatives aimed at bolstering our active investment ability and improving our product and service quality have been carried out in our organization. I have a real sense of how "Be Active." is strongly impacting our employees' attitude toward work. Today, we have taken "Be Active." beyond just a service brand to adopt it as SMDAM's brand message. Recently, we made a minor change to part of the text explaining "Be Active." Instead of saying "We must be active as we move forward," we now say, "Enjoy taking on challenges." "Be Active." As "Be Active." increasingly penetrated our organization, a challenger's culture has undoubtedly been fostered over time. Still, that challenge is not always successful. Some people may see an unsuccessful undertaking as "failure." Doing so causes people to equate taking on challenges with risk, which in turn compels them to avoid challenges. However, a situation in which a challenge ends unsuccessfully is not "failure." Even should one abandon their challenge due to such a result, there are many things they can gain through that challenge. The complete opposite of a successful challenge is not "failure," but "not taking on challenges at all." The will and act of continuing to take on challenges earns you respect and positively impacts those around you. "Enjoying taking on challenges with all of your heart." With the hope that such an organizational culture would be fostered at SMDAM, we recently changed the text explaining "Be Active." to "Enjoy taking on challenges." Just like professional skateboarder Yuto Horigome challenges himself to perform the very hardest tricks at the final stage

of the world championship finals, we, too, will take on challenges without fearing risk and enjoy the very act of taking on challenges. My hope is that such sentiments will proceed to bury themselves deep in our "Be Active." efforts as we move forward.



Executive Officer in Charge of Corporate Sustainability Department
Kenji Sonoda

あなたの人生も、社会の未来も、
じっとしてるだけじゃ、何も変わらない。
その一歩を踏み出すだけで、
人生だって、社会だって、
もっともっと良い方向に変えていける。
私たち三井住友DSアセットマネジメントは、
投資を通じて、あなたがアクティブになる
お手伝いをしたい。
一歩を踏み出す時も、その先も、
そばに寄り添ってサポートし続けたい。
自分を豊かにするために、社会を豊かにするために、

チャレンジを楽しもう。

Your life and the future of society won't change if you just stand still. By taking that single step forward, you can change your life, and even society, for the better and better. We at Sumitomo Mitsui DS Asset Management want to help you become more active through investing. When you take that first step, and beyond, we want to stay close by your side and continue to support you. To enrich yourself, and to enrich society,

Let's Enjoy the Challenge.

*The nuance may differ from the original Japanese, and the English wording may be revised in the future.

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Sustainable Investment Ability

Message from the Head of Investment Management Division

■ Practicing sustainable investment

In its aim to be "the very best asset management firm that contributes to Quality of Life," SMDAM aspires to be an active house that delivers outstanding investment performance and solutions. For that purpose, the continuous enhancement of our investment ability is of the essence. In offering various investment solutions, we endeavor to take on the challenge of a differentiated investment philosophy and new areas and to reinforce our foundation. In sustainable investment, active ownership such as engagement and the exercise of voting rights is crucial. For our criteria for the exercise of voting rights, we have introduced a structure to promote the enhancement of corporate value through dialogue prior to general shareholders' meetings (a pre-announcement process). Having introduced "Engagement Effect Measurement" as of FY2024, we quantitatively verify the impact of dialogue on corporate financial and non-financial indicators. With the "Hydrogen Fund" that we established in 2024, utilizing a proprietary model to evaluate positive external effects on the Japanese economy, we provide added value to domestic and international investors. Through these initiatives, SMDAM aims to simultaneously deepen active ownership and contribute to client asset-building.

■ Advancement of investment structure

"Be Active." We are building a sustainable investment organization under the brand "Be Active." to pursue the best interests for households and asset owners. We implement an investment specialist system and investment course graduate recruitment to realize higher capabilities of persons

in charge of investment and competitive compensation. Starting in FY2025, we have been assigning CIO positions to each asset class to help formulate investment philosophies, improve processes, and sophisticate organizational operation.

■ Taking on the challenges of innovation and trust

Ongoing initiatives

- **Improvement of investment philosophies and processes:** Highly reproducible and active investment absolutely requires the robustness and evolution of investment philosophies and processes. The following pages introduce several examples of investment strategies offered with conviction by various investment professionals.
- **Research and development utilizing pilot funds etc.:** SMDAM manages pilot funds to develop new investment strategies and build up track records.

New initiatives over the past year

- **Utilization of generative AI:** We introduced the use of our AI support tool developed in-house across the entirety of our investment division for use in corporate analysis and the preparation of materials. We are endeavoring to enhance our investment ability and work efficiency.
- **Advancement of product governance:** We promoted the advancement of product governance for the purpose of providing added value commensurate with the costs borne by investors.
- **Investment in alternative assets:** We believe these assets offer risk-return characteristics that differ from traditional assets and hold the promise of diversification benefits. We have established multiple publicly offered investment trusts

to provide opportunities for alternative investment that contribute to our clients' long-term asset-building efforts.

Through these initiatives, SMDAM aims to simultaneously realize a sustainable society and contribute to client asset-building.



Managing Executive Officer
Head of Investment
Management Division
Naoto Nagai

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A track record of investment built up over time based on a consistent investment philosophy

Our investment philosophy geared towards sustained investment performance with "Quality & Growth" at its center

■ Background

In recent years, "sustainability" has come to be a strongly demanded concept on the corporate management frontlines. The same holds true in the world of asset management, where an investment approach of achieving medium-to-long-term growth and stable performance rather than the mere pursuit of short-term profits has become more important than ever. As we are in the position of holding the valuable assets of our clients in custody, we pursue "sustainable returns" over a long time frame without being swayed by short-term fluctuations in the market. The foundation of this approach is "Quality & Growth," SMDAM's core philosophy for the investment of global equities.

■ What is "Quality & Growth?"

This investment philosophy consists of the approach of assessing a company's intrinsic value after ascertaining its sustainable growth potential, then proceeding to invest in it with a medium-to-long-term perspective. Specifically, we perform multifaceted analysis on companies from perspectives such as the following.

- 1 Unique business model
- 2 Superior management quality
- 3 High awareness of sustainability
- 4 Relevance to global growth themes
- 5 Market leadership

We comprehensively evaluate these elements and make investment decisions based on the company's intrinsic value rather than its temporary stock price movements.

■ Practice and case studies

This philosophy is not confined to ideals alone. It is also put into practice in our day-to-day investment efforts. Listening to the voices of our young investment members provides visibility on a concrete image of this approach. This is how one member thinks. "'Quality & Growth' is the approach of investing in companies that possess a stable revenue base and sound management quality (Quality) and are capable of growing sustainably by grasping structural changes in society and industry (Growth)." Only companies that are capable of adapting to change after factoring in trends such as technological advancements and stricter environmental regulations will maintain a competitive advantage over the long term." For example, while the capital goods sector is susceptible to fluctuations in economic conditions, during downturns, industry restructuring progresses and the competitive landscape is altered. We focus on companies that have pricing power and maintain their competitive advantage even in such an environment. Moreover, companies that show a proactive stance towards technological innovation and environmental response are expected to grow in new markets and tend to be valued higher in the market. Another member, emphasizing the importance of customer relationships, offers the following opinion. "'Quality & Growth' is not only an extremely important investment philosophy for us. It is also something that stays closely aligned to our clients throughout their lives. I believe that through structural changes and unique business models, our clients can invest over the long term with empathy and understanding. This, I feel, serves to enhance the 'Quality' of our customers' lives

while simultaneously helping to realize the 'Growth' of their assets."

■ Summary

"Quality & Growth" has been shared among all team members of the Global Equities Group, from veterans to young employees, and has been practiced in every process of day-to-day research activities and investment decisions. We believe this ongoing initiative has truly served as a wellspring that generates sustainable performance unswayed by market conditions and earns the trust of our clients. Going forward, we will continue to use this investment philosophy as our unwavering core as we do our part for the future of society and our clients through steady asset-building.



Investment Department
Global Equity Group
Portfolio Manager
Mao Hoshi

Investment Department
Global Equity Group
Group Head
Yoshitaka Aikawa

Investment Department
Global Equity Group
Fund Manager
Kayu Izumi

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What is genuine "Face-to-Face Investment" by fund managers?

Making equity funds based on active investment an option for individual investors to build their assets. Doing what we can do as fund managers to realize this vision. We endeavor to provide information in a way that elicits trust, empathy, and affection from our clients.

Original experience

When I was around 30 years old, after I had wrapped up a briefing for individual investors as a fledgling fund manager, a man who had just retired at 60 years old came up to me and said this. "I want to live until I'm 80 years old. My savings and retirement pay will cover me until I'm 70. However, as I'm worried about money beyond that, I'm thinking about investing. Can I really trust you to handle that?" While striving to build up a track record of investment performance is a given as a fund manager, I learned at that moment that this alone is not enough.

Fifteen years' time passes...

The "Active First Year Japanese Equities Fund," which was established in February 2019, is intended to provide individual investors with the same high quality of investment cultivated for institutional investors. We sought to further focus on information disclosure to better communicate the nature of our investment efforts and bridge the gap with individual investors. When individual investors aim to build their assets over the medium- to long term, it is crucial that they avoid being swayed by every up and down in the stock market in the short term, and continue investing with a medium- to long-term perspective. In this context, with active investment trusts for Japanese equities, each investment firm and fund manager engages in the investment behavior of "selecting companies," an essential component of share investing, according to their individual investment philosophy, which also translates into different investment performance. Accordingly, in order to compel investors to continuously hold shares over the long term, we feel it is imperative to relay our investment philosophy to them and explain what is happening and what we are thinking about when making investments, whether investment performance is good or bad at the time. With this

fund, in order to challenge ourselves to take the initiative to actively disclose information to investors and, in doing so, elicit trust, empathy, and affection from them and compel them to invest, we promoted the concept of "face-to-face investment with the fund manager" at the forefront, and launched investment exclusively through direct sales, which are conducive to directly communicating fund managers' thoughts and ideas.

Information disclosure

"Face-to-face investment with the fund manager" does not just mean simply posting photos on a website. "Face-to-face" is just the starting line. It is important that investors make their decision based on a deeper level of understanding. With our monthly reports, our policy is to ensure the reports are written clearly and understandably by the fund managers themselves. The reports cover the top ten issues in investment portfolios, detailing what kind of companies they are and what they are focused on. The "Ask the Fund Manager!" section of the reports frequently features discussions that focus on a single issue and explore the fund manager's ideas surrounding it in greater depth. Additionally, for monthly investment reports, we create videos to enable us to reach a wider audience. We also actively hold seminars and feature a booth presence at events whenever the occasion calls, creating opportunities for fund managers and investors to speak directly with one another.



we get a sense of how they are working to steadily increase the number of people who have become fans of our services and are watching the growth of our fund alongside us as investors. At the same time, efforts to convey the thoughts of investment firms to individual investors are still fraught with challenges. On how to reach a greater number of people, increasing touchpoints by also having sales companies handle our services as well as addressing how to approach investors who show interest through those sales companies are challenges for the future. Additionally, we also seek to take on the challenge of further deepening our connections with investors who have developed affection and empathy for our services. In addition to building up our investment performance, we will continue to actively tackle the disclosure of information to earn the support of investors.



Investment Department
JP Equity Research Active Group
Senior Portfolio Manager
Naoki Koga

Further strengthening our initiatives

Our user surveys reflect a high level of satisfaction with our information disclosure efforts. As we continue those efforts,

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Consistent initiatives for yen bond investments

The normalization of Japanese monetary policy began with the lifting of negative interest rates in March 2024.

As it looked ahead to "a world with interest rates," SMDAM has continued to consistently hone its investment ability even under severe low-interest-rate conditions.

Consistent allocation of management resources and enhancement of investment framework

The JP Fixed Income Group at SMDAM has consistently allocated management resources and endeavored to enhance the company's investment framework even under the challenging investment environment that followed the introduction of a negative interest rate policy in 2016. While a large number of investment firms have held back on investing in yen bonds under the low interest rate environment, we have continuously invested in the development of proprietary quantitative models (such as an ESG estimation rating model and DTS management) and the establishment of our credit analyst framework, making sure not to neglect preparations for "a world with interest rates."

Multifaceted investment decisions based on global market analysis

Our investment methods at SMDAM emphasize the analysis of global bond market trends in addition to domestic bond market analysis. We conduct quantitative analysis of overseas interest rate and credit market trends in the same way we do for the domestic market, and add qualitative determinations to form a grasp of trends in global interest rates and credit markets. Through this method, we detect fluctuations in global markets at an early stage and apply our findings to our Japanese fixed income investment strategy.

Investment track record for key products that demonstrate true value in interest rate hike cycles

The Bank of Japan's negative interest rate policy was lifted in March 2024, followed by additional rate hikes that July and January 2025. Consequently, the policy rate rose to 0.5%. Our flagship yen bond investment product, "Japan Bond Active," has realized stable excess returns relative to the NOMURA-BPI (Composite) benchmark since the launch of investments,

recording a high-level information ratio. Since April 2012, our "Japanese Fixed Income Active (Credit Aggressive)" product has generated stable excess returns significantly exceeding targeted returns, delivering strong performance in both interest rate and credit strategies. Particularly noteworthy is the product's track record of limiting drawdowns and securing excess returns during all five interest rate hike cycles since 2014.

Credit risk management through a comprehensive credit analysis framework

One of the strengths of the Group is our advanced credit risk management through a comprehensive credit analysis framework. Through continuous research on domestic and overseas issues by our in-house credit analysts and issue selection utilizing our proprietary ESG estimation rating model, we maximize the exclusion of companies whose creditworthiness is significantly compromised. For credit event issues in recent years, we have also managed to avoid holding them or sell them off at an early stage to circumvent any negative impact on our portfolio.

Highly-experienced, stable investment framework

The core members of the Group are comprised of a veteran team with over twenty years of investment experience. We develop younger employees through systematic OJT programs. Moreover, through optimal execution by our Trading Department, which is independent from our investment division, and an objective investment evaluation and risk management framework provided by our Risk Management Department, we endeavor to continuously improve quality. With our investment ability steeped in experience in prolonged low-interest-rate environments, preparations for interest rate hike cycles, and diversified analysis from a global perspective, we endeavor to realize stable excess returns to our clients in "a world with interest rates."



Investment Department
Credit Research Group
Senior Credit Analyst
Yuji Hatakeyama

Investment Department
JP Fixed Income Group
CIO, Group Head
Tomoharu Nakagawa

Investment Department
JP Fixed Income Group
Senior Portfolio Manager
Hiroko Okumura

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Challenge of making new investments

Aiming for sustainable growth and new value creation, we are implementing test investments for new investment strategies and products with the use of pilot funds that allocate seed capital. Currently, we are managing sixteen pilot funds, with highly-ambitious young and mid-career fund managers engaged in practical investment through them.

Promoting test investments and track record-building for new strategies

From the perspective of asset management firms, pilot funds that allocate the firm's own seed capital play the crucial role of "research and development (R&D)" vehicles that handle test investments and the building of track records for new investment strategies and products. Track records serve as compelling evidence for investors by illustrating "past investment performance" and "risk management expertise." Regardless of the industry category, forward-looking R&D is essential for sustainable growth and new value creation. While also focusing on this area, SMDAM is laying the groundwork for future growth.

Accumulating expertise and bolstering investment ability through practical investment

As of July 31, 2025, SMDAM manages sixteen pilot funds. Last fiscal year, we mapped the current status of each management style within our domestic and international equity strategies, and clarified blind spots in those strategies. Based on this, we accorded priority to the establishment of pilot funds. Each fund is primarily overseen by highly-ambitious young and mid-career fund managers, who engage in practical investment while leveraging their expertise. While it has only been a short while since the launch of investments, some of the funds have already demonstrated strong performance that significantly outperforms benchmarks. Their rollout into diverse investor channels is anticipated. SMDAM has also commenced the management of multiple pilot funds under its multi-asset strategy as well. These have achieved stable performance even under high-volatility conditions. Moreover, in the domestic and international bond sectors as well, we are advancing the establishment of new pilot funds with a view to future investor demand. Steady progress has been made

in the accumulation of our investment expertise and the bolstering of our investment ability.

Trial and error for developing future core strategies

In order to flexibly respond to changing market environments and increasingly diverse investor needs, continuous efforts to identify "seeds" before "needs" emerge and sow and nurture those seeds are imperative. Not all seeds are guaranteed to blossom into flowers. Some may underperform, leading to redemption. Still, learning from these challenges and continuing to make improvement forms the foundation for the development of future core strategies. In fact, our track record includes funds that

we continued to manage solely with our own capital for an extended period, which grew considerably to develop into flagship strategies exceeding 100 billion yen. Such successes stem from the confidence of our investment division in its philosophy and strategies as well as from the commitment of the entire company, including our sales and product divisions. As predicting demand in the asset management business is difficult, "trial and error" through multiple pilot funds is essential. Going forward, we will continue to collectively endeavor across SMDAM towards taking on the challenge of pilot funds and further bolstering our investment ability and product power.



Investment Department
JP Equity Value Group
Senior Portfolio Manager
Shumpei Yoshimura

Investment Department
JP Equity Value Group
Senior Portfolio Manager
Seiji Saito

Investment Department
JP Equity Research Active Group
Senior Portfolio Manager
Masahiro Kaneko

Investment Department
Multi-Asset Group
Portfolio Manager
Toshihiro Shimotai



Investment Department
JP Equity Market-Oriented Group
Group Head
Hideyuki Taniuchi

Investment Department
Global Equity Group
Senior Portfolio Manager
Kaken Ho

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Uncovering attractive investment strategies and meeting increasingly diverse investment needs

At SMDAM, we discover superior overseas investment strategies, provide them to our clients through funds, and safeguard the quality of investment efforts. Here, we introduce our initiatives for doing so.

■ Discovering investment strategies is like a treasure hunt

Our mission at the Global Investment Management Department is to "import" overseas investment strategies and deliver them to Japanese investors. Many superior investment strategies that are not yet known in Japan exist around the world. When I chance upon such strategies, my heart races as if I have discovered a treasure. The process of that discovery is varied in nature. Sometimes, we are told what investor needs are by the sales department, and search out the "strategies currently sought." Other times, we explore new investment areas on our own initiative. This treasure hunt, as it were, has a greater possibility of yielding something through close collaboration with the sales department. In turn, this ties into the delivery of options that investors find valuable. We carefully ascertain those options while discussing them with our colleagues, making sure to factor in investment efficiency and marketability, not just strong performance. Having that inquisitive spirit is the real appeal of this job.

■ Safeguarding trust through monitoring

Setting up a fund is just the starting line, not the goal. We value "forming an understanding of the investment behavior and perspectives behind performance figures in addition to the figures themselves." We monitor daily trading activity, verify why newly added issues were purchased and why those that were sold were disposed of, and hold hearings with fund managers as needed. We share such analysis with the sales department, and are mindful to relay it to investors in an easy-to-understand manner. Should we determine that improvements need to be made to the management of a fund, we engage with the fund manager and, if necessary, conduct on-site visits. This may necessitate difficult decisions at times. However, it is all for the sake of living up to investor trust.

■ For the sake of ascertaining and nurturing investment efforts

The "5 Ps" that I learned when I first joined SMDAM remain my core to this day. They are: Performance, Philosophy, People, Process, and Promotion. To sustain performance, philosophy and people/organization, consistent processes, and the ability to deliver to investors are of the essence. We uncover new strategies from this perspective and repeatedly conduct ongoing monitoring as we pursue the improvement of fund quality. Our department brings together members with diverse experience who share the same creed while exchanging opinions. That creed is to "continue delivering the optimal solution to investors." We believe our mission is to challenge the changing market and give shape to that creed of ours.

■ How to market and deliver solutions to investors?

Our Investment Trust Marketing Department acts as a bridge that connects superior investment strategies discovered by the Global Investment Management Department with domestic investors. Over time, we have actively challenged areas with few past examples of introduction in Japan, an example being such as boutique-style independent management firms, and have pioneered new investment opportunities through proposals based on market conditions and investor-side challenges. During the phase of commodifying solutions, we collaborate closely with headquarters personnel at financial institutions and relay investor feedback to the Investment Department in order to refine those solutions into more precise investment products. Furthermore, even after introducing solutions, we hold repeated workshops and investment reporting sessions to share investment updates with managers at outsourced vendors while simultaneously endeavoring to create an environment where investors can continue to build

their assets over the long term with peace of mind. Through such activities, we seek to continue being a true partner of our investors that supports their sustainable asset-building efforts with "delivering unprecedentedly high-quality investment to investors" as our espoused mission.



Global Investment Management Department
Assistant Manager
Shoko Mitsumura

Team 1, Investment Trust Sales Department
Senior Manager
Shiori Jimbo

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Initiatives for Social Value Creation

Message from the Responsible Investment Officer

Retreating from a sustainability perspective

ESG investing gained attention coming out of the COVID-19 pandemic. However, recent reports indicate it has stalled. The Trump administration's anti-ESG and anti-DEI policies have created headwinds. Efforts demand of companies by regulatory authorities in Europe and the US have also retreated. The US SEC has signaled a stance of limiting ESG-related dialogue and restricting shareholder proposal rights. In Europe as well, there are signs of a movement towards deregulation, including limiting sustainability disclosure requirements to large corporations.

Trends and challenges surrounding key themes

Here, we will review recent trends surrounding six sustainability themes prioritized by SMDAM.

Climate change: While information disclosure has improved to a certain level, the status of implementation has stalled due to trade-off issues between corporate competitiveness and economic growth and to political factors.

Natural capital (biodiversity): While examples of disclosure are increasing, appropriate metrics differ across industry types and companies, making the situation one of trial and error.

Human rights: Relative to Western standards, our sense is that many Japanese companies have a limited scope of application and insufficient response.

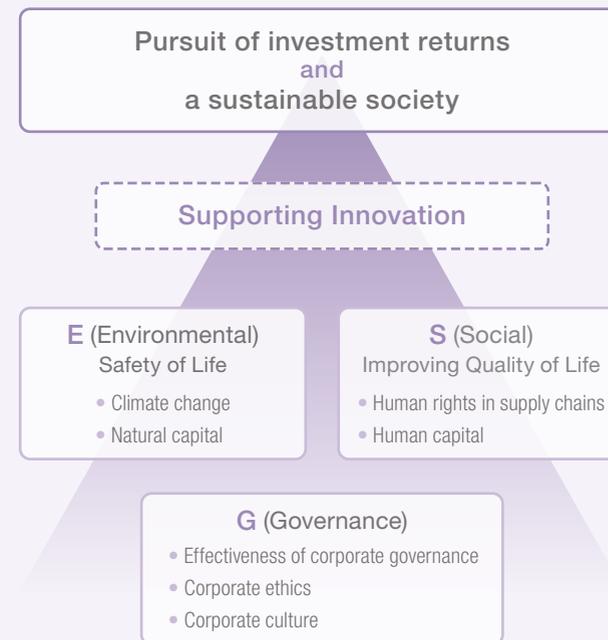
Human capital: The importance of formulating human capital strategies linked to management strategy is recognized, with positive examples emerging as well. The trend of promoting women's advancement is anticipated to continue.

Effectiveness of governance: Formal response is observed here and there. Having outside directors strengthen oversight functions from the perspective of enhancing corporate value is needed.

Corporate ethics and organizational culture: Cases of misconduct and scandals are occurring frequently. SMDAM will strictly exercise its voting rights to demand investigations of root causes and measures to prevent recurrence.

Stewardship activities that enhance corporate value

The current ebbing tide is a reaction to an overheated boom compounded by political influence. We see above six themes as encompassing universal values. SMDAM will continue its stewardship activities for encouraging investee companies to practice appropriate sustainability disclosure and enhancing corporate value.



Responsible Investment Officer
Junichi Sakaguchi



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Changes in Japanese corporations: Engagement

We examined the evolving landscape of Japanese companies and our engagement activities directed toward those companies from the perspectives of portfolio managers and persons in charge of responsible investment at SMDAM.

Does change at Japanese companies occur at turtle-like levels of speed?

We do hear complaints, particularly from overseas investors, that change at Japanese companies is "as slow as a turtle." At the same time, turtles possess strengths such as longevity, environmental adaptability, and perseverance, all qualities are shared by Japanese companies. For example, Kongo Gumi is known as the world's oldest company, and roughly half of companies that are over a century old are said to be located in Japan*1. Likely behind this large number of companies in Japan that have lasted a long time despite experiencing a globally challenging economic environment is strong defensive governance and cautious risk management. Turtles as a species have survived for 200 million years. This is due to their diverse diet, habitats, and high adaptability. Japanese companies, too, have altered their structure considerably over the long term. The "three excesses" pointed out after Japan's economic bubble burst, namely excess debt, excess facilities, and excess employment, have seen progress in their correction. Today, the challenge has shifted to low ROE stemming from excess accumulation. This is also a consequence of adapting to the headwinds of prolonged deflation. In addition, I also believe Japan has relatively few cultural and religious constraints, affording it a foundation for supporting flexible management decisions.

*1 Global ranking of long-lasting companies. Japanese Companies Account for 50% of Century-Old Firms: 2022 Century-Old Companies <Global Edition> | Commemorative Lab | Nikkei BP Consulting (nikkeibp.co.jp)

Accelerating changes in the external environmental changes and the response to them

Our external environment is changing with increasing speed. In Japan, inflation has become entrenched, and dealing with the shortage of labor is a pressing challenge. On the

governance side, more companies are being forced to review their cross-shareholdings and group governance as well as reform their business portfolios. We, too, have kept up our dialogue with companies that face challenges. For example, we have held repeated dialogues with Transportation Equipment Company A on the topics of capital efficiency and disclosure, with Food Company B on the topics of business portfolio and shareholder returns, and with Information and Communications Company C on the topic of group governance. We make it a policy to engage in dialogue that encourages change through direct dialogue with management teams. Due largely to the accumulation of such efforts, Japanese companies are steadily changing. Awareness of ROE has grown, with the combined amount of dividends and share buybacks, which constitute returns to shareholders, having more than doubled over the past decade. Parent-subsidiary listings on the stock market have declined from their peak of roughly 400 companies to about half that level at present, and cross-shareholding ratios have also fallen to about 10%. While that pace may appear to be slow, the direction is clear.

Future outlook and sustainable growth

Our next stage will be that of fully committing to the improvement of ROE with the "perseverance" of a turtle. Management focused on capital costs and stock prices has only just begun. There are sure to be obstacles along the way. Nevertheless, we fully believe over the medium to long term, we will see progressive, sustainable improvement in ROE. It is not out of the realm of possibility for Japanese companies to lead the world. Just look at how the tortoise overtook the hare in Aesop's fable. By building up small improvements, we should find ourselves reaching major milestones before we know it. For us, that is our destination of dreams.



Investment Department
JP Equity Value +a Group
Senior Portfolio Manager
Kazuhiro Bena

Investment Department
JP Equity Value +a Group
Portfolio Manager
Alan Jun Aaloe

The effects of SMDAM's engagement activities on corporate behavior

In this market environment, SMDAM has implemented engagement activities to promote reforms at our investee companies. With data accumulated through those ongoing activities, last fiscal year, we conducted our first effectiveness verification of TOPIX constituents that we engaged from FY2020 to FY2022. In that verification, we employed the difference-of-differences approach in accordance with Hidaka et al. (2023) and Lin et al. (2023)*2. Through this analysis, statistically significant trends of improvement were verified for five non-financial indicators and two corporate value indicators, suggesting that engagement activities by SMDAM are contributing to the reform of the Japanese market.

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Non-financial indicators

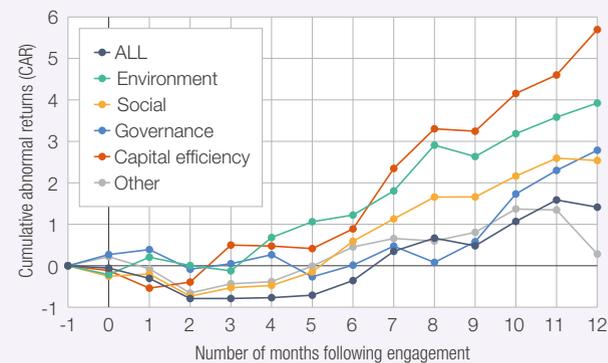
- Promotion of the establishment of new CO₂ reduction targets
- Increase in the ratio of female directors
- Increase in the ratio of independent directors
- Increase in the ratio of shares held by officers
- Promotion of preparation of new integrated reports

Corporate value indicators

- Improvement of PBR
- Improvement of Tobin's q

^{*2} W. Hidaka, N. Ikeda, and K. Inoue. "Does engagement by large asset managers enhance governance of target firms?" Pacific-Basin Finance Journal, 77 (2023) Lin, K.; Y. Kimura; and K. Inoue. "Selection and Effects of Environmental and Social Engagements by Institutional Investors." Working Paper, (2023).

Figure 1: Cumulative abnormal returns following engagement (By theme)



Contribution of engagement to investment performance

While changes in corporate behavior resulting from engagement activities are important, the ultimate goal is to enhance shareholder value and increase returns. Given that, we also performed an analysis on the impact of engagement on returns. Dimson et al. Using the methodology set forth in Dimson et al. (2015)^{*3} as a reference, we employed an event study that took company size into account. Figure 1 shows cumulative abnormal returns, or CAR, over the twelve-month period following engagement according to theme. Overall, positive CAR were generated. In particular, for engagement activities relating to capital efficiency, notable returns of 5.7% over the twelve-month period were verified. Furthermore, based on SMDAM's active investment strategy, we performed an analysis that took holding status into consideration. Specifically, we classified companies based on our holding ratio at the time of engagement and compared CAR. As a result, there was a visible tendency for company groups with larger holdings by SMDAM to

Figure 2: Cumulative abnormal returns following engagement (By SMDAM holdings)

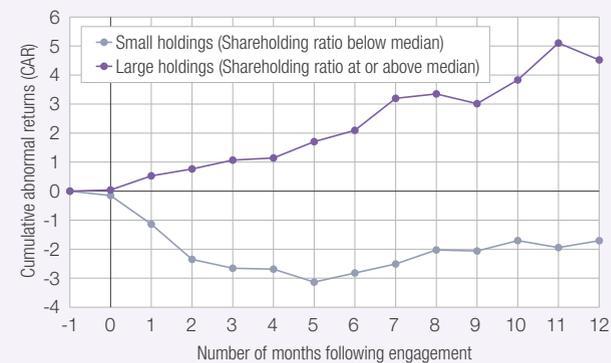


exhibit greater CAR following engagement compared to company groups with smaller holdings. This suggests that engagement activities generate synergy with fund managers' stock selections and help to achieve greater returns. Based on the above analysis, we take the view that engagement activities by SMDAM promote reform across the entire Japanese market and contribute to both behavioral changes in investee companies and improved investment performance.

^{*3} E. Dimson, O. Karakas, and X. Li. "Active ownership." Review of Financial Studies, 28 (2015), 3225–3268.

For details, please refer to (https://www.smd-am.co.jp/english/corporate/vision/fiduciary/pdf/human_rights_E_latest.pdf).



Responsible Investment Section^{*4}
Analyst
Haruta Osaki

^{*4} At the time of writing, Currently belongs to the Corporate Research Group under the Investment Department.

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|To closely align ourselves with long-term asset-building through defined contributions (DC)

In long-term asset building, it is crucial to review portfolios according to the applicable life stage.

Target-year funds realize age-appropriate asset allocation on behalf of busy members of the working-age generation.

In this era of 100-year lifespans, it is imperative to conduct wealth planning and prepare post-retirement funds at an early stage. Our belief is that the DC system, which offers tax incentives and enables long-term accumulation investments, plays a highly important role in that planning and preparation process.

■ The need to review portfolios according to the applicable life stage

With DC, participants personally build their own portfolios from up to 35 investment products. During youth and middle age, as there is ample time until retirement and risk tolerance is high, it is considered desirable to conduct investment with the aim of growing assets by incorporating a greater amount of risk assets such as stocks and REITs. As retirement approaches, the desirable approach is to work towards preserving assets by increasing the proportion of relatively low-risk assets such as bonds. However, in the current

reality, there are likely to be few people who have the time or flexibility to actively modify their portfolios according to their life stage.

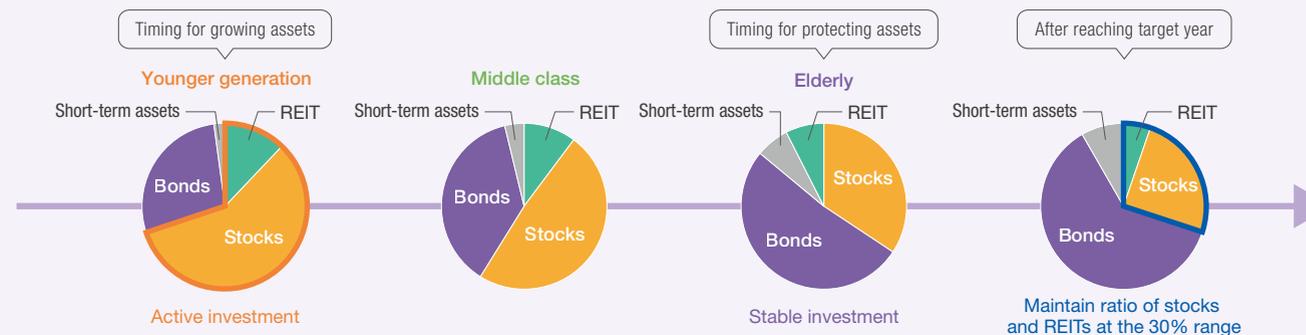
■ Target-year funds as one solution

Target-year funds are investment trusts with a specific target year set. The longer the period until the target year, the more investments that emphasize profitability are conducted. As the target year approaches, the emphasis of investments shifts to stability of the trust assets. Meaning, target-year funds carry the function of modifying portfolios according to the applicable life stage, which can be difficult for individuals to do on their own. SMDAM offers two series of these funds, active and passive, with target years set every five years. We encourage their utilization in DC. Participants who do not begin receiving assets immediately after retirement also have the option of continuing their investments.

■ Potential for utilization as a default fund

A default fund is a product that serves as a receptacle for contributions in cases where participants do not indicate a specific investment method. In Japan, there is high designated proportion of principal-protected products. Conversely, in the US, it is typical to set target-year funds as default funds. Amid a shifting economic and financial environment, principal-protected products carry the risk of failing to preserve real asset value. For that reason, opportunities for utilizing target-year funds are expected to grow in Japan as well in the future. SMDAM will do its part to contribute to asset-building for participants through a DC scheme by managing target-year funds in accordance with those participants' life stages.

Trends in asset allocation



*The above is an illustrative diagram for furthering understanding.

*The pie chart asset allocation example is an illustrative diagram prepared using the fund's glide path as of March 2025 as a reference. A glide path is a plan for gradually shifting the basic asset allocation from higher-risk assets to lower-risk assets as one heads towards the target year.



Asset Management Consulting Department
DC Promotion Team Chief
Mariko Kanai

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Issuance of "New NISA White Paper" that examined the future nature of asset management

One year after the new NISA scheme got underway, we conducted hearings with both investors and financial institutions on their reflections to date and future strategies regarding that scheme, performed an analysis and verification of our findings, and published them in the form of the "New NISA White Paper."

Impetus behind production

Other surveys on the new NISA scheme exist, but they exist only on target investors. Our hope was that by adding the perspective of "financial institutions," we could gain visibility on some new aspects, such as whether the perspectives of financial institutions and investors on NISA initiatives align or diverge and, in the case of the latter, on what points. This idea was the impetus behind the project.

Surveys and analysis individually targeting investors and financial institutions

The items we published in the report start with investors' actual usage patterns following the revision of the NISA scheme and include differences in investor attitudes and behaviors by age and gender as well as the challenges with and expectations for asset management firms from the perspective of investors and financial institutions. Going beyond a mere assessment of the current situation, this white paper examines the challenges faced by both investors and financial institutions as well as the future nature of the asset management industry. We prepared it with the aim of having it used as a guideline for trends in the new NISA scheme not only among individual investors but in the asset management industry as a whole.

The kind of feedback that can only be gained from realistic results

For the perspective of "financial institutions" as well, we administered a large-scale questionnaire that targeted both "headquarters" and "frontlines" personnel. I feel this likely led to more realistic results from that perspective. We received feedback from both internal and external parties who actually viewed the questionnaire results, citing them as being "highly interesting."Our impression is that those parties came away particularly interested in the comparison

of questionnaire results between investors and financial institutions regarding the advantages, purposes of use, and other aspects of the new NISA scheme, specific investor behavior and motivations during market downturns, the usage status of various information acquisition tools such as social media, and so forth.



New NISA White Paper



Future challenges and outlook

Based on the results of this survey, going forward, we intend to continue information disclosure efforts that enable individual investors and financial institutions to build relationships that they find mutually satisfactory. Asset management is a highly specialized field in which information asymmetry exists between financial institutions and investors. To enable investors to engage in asset management with peace of mind, cooperating with sales companies to promptly disclose accurate information in an easy-to-understand manner is a must. With the hope that asset management culture will take root in Japan, we plan on increasing interesting content that stimulates curiosity so that we may cultivate a greater sense of relatability with asset management among as many people as possible and broaden the base of investors.



Investment Trust Promotion Department
Marketing Support Team
Chief
Mai Adachi

Investment Trust Promotion Department
Marketing Support Team
Yuko Kono

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Aiming to build an organization in which diverse human resources can play an active role

SMDAM is implementing Diversity and Inclusion initiatives with the goal of creating a workplace where each and every employee can maximize his or her abilities and work with enthusiasm. In April 2025, a dedicated project team got off the ground in the Human Resources Department. The team carries out various measures aimed at enhancing efforts to boost the active participation of diverse human capital and create a workplace that offers job fulfillment.

Boosting the active participation of diverse human capital

To promote long-term growth within a company, forging an environment where human capital with differing attributes and backgrounds can play an active role is of the essence. We are focused on the following five areas in particular. This year, we are placing particular focus on the active participation of women and the disabled.

- 1 Development and promotion of female employees in managerial positions
- 2 Provision of opportunities to play an active role to senior human resources based on the future extension of mandatory retirement age
- 3 Recruitment and development of competitive global human resources
- 4 Application of programs to diverse gender identities and sexual preferences (LGBTQ+)
- 5 Provision of opportunities to play an active role that is not dependent on disabilities or other individual attributes

For women's active participation, we are working to increase the percentage of women among our employees, managers, and investment professionals through recruitment. For example, half of our new graduate employees are female. In addition to external training programs for our female employees, we also conduct unconscious bias training for managers to foster and share awareness of women's active participation throughout the company. Also, since the reforms made to our HR system in FY2023, we have made the transition to a framework in which we did away with job types and grades and conduct evaluations based on ability, role, responsibilities, and other such elements regardless of the likes of gender, age, or prior career history. This is helping us eliminate the gender pay gap. For active participation by the disabled, a dedicated project team that got off the ground in April 2025 provides administrative

support through consolidating general office work across the company together with members who largely consist of persons with disabilities. This initiative contributes to enhancing internal work efficiency.

Track record in active participation of human capital

Item	FY2023	FY2024	FY2025 (As of July)
Percentage of female managers	20.0%	18.0%	27.7%
Gender pay gap (overall)	61.9%	65.5%	68.1%
Percentage of employees with disabilities	1.9%	2.6%	2.6%
Ratio of female hires (new graduates and mid-career hires)	40.4%	49.2%	—

Creating a workplace that offers job fulfillment

SMDAM has put various systems in place so that employees who juggle a number of roles outside of work as well, such as childcare, long-term care, or continuing education, can balance those roles with their work responsibilities. To complement existing flexible work styles, since April 2025, we have enhanced telework, expanded childcare and long-term care leave, and added other options.



In the future, by supporting employees in their diverse roles (multi-roles) in this fashion, we will carry out the kind of

initiatives that enable us to leverage insights gained off the job in work duties, enhance work engagement, and mutually grow with our employees.

Measures for workplace comfort

Up to FY2022	FY2023	FY2024	FY2025
<ul style="list-style-type: none"> • Telework • Full flexible time • Childcare leave (up to age 3) • 28 days of paid childcare leave • Shortened work hours for childcare (6th grade of elementary school) • Childcare fee subsidy • Reduced work-hours for long-term care • Side jobs 	<ul style="list-style-type: none"> • Introduction of "Laurier in Workplace" 	<ul style="list-style-type: none"> • Introduction of wellness leave • Day to consider childcare leave #Support • Introduction of no-dress code 	<ul style="list-style-type: none"> • Leave for nursing care, etc. (6th grade of elementary school; extended days) • Leave for long-term care (Extended days)
Etc.			



Human Resources Department Chief
Maho Hayashi

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Financial and economic training and education aimed at the future

In modern times, people are expected to outline a vision for their future from an early stage and develop the financial planning and economic judgment capability needed for that vision. In order to cultivate the ability to prepare for the future, improving financial literacy is essential. SMDAM positions financial and economic training and education as a vital social contribution activity.

■ "Economica" financial and economic education for children

SMDAM provides free onsite lessons using "Economica," a trading card game, to public and private elementary schools. Developed by the Association for the Promotion of Financial Literacy, an NPO, the game is designed to enable children learn about "money" and "economics" while enjoying themselves. "Economica" reflects real-world economic trends in the form of card effects. For example, using a "yen appreciation" event card causes the value of both your and the other player's Japanese stock cards to decrease. This allows players to intuitively study the relationship between exchange rates and stock prices. Such a game design enables players to understand the relationship between the economy and asset-building from a child's perspective. In class, we help children take their first step toward becoming familiar with finance through a system of "Play x Learn x Think."

■ Social contribution through financial and economic education for university students and the growth of young employees

The SMBC Group works together with group companies and regional financial institutions to provide financial and economic education seminars for university students. These seminars began in 2022 for the purpose of fostering students' "life skills (initiative, problem-solving ability, and social skills)," and have since expanded to 27 universities as of FY2025. Designed as a formal, credit-earning curriculum, they supply high-quality financial education.

Initiatives for young employees to give lectures

At SMDAM, young employees from the sales department give lectures as instructors in charge of classes on asset management. Because the lectures are given to university students of a similar age, the resulting environment makes

it easy for attendees to picture their own near future and is conducive to generating empathy. Employees who serve as instructors undergo several months of meticulous preparation before teaching in order to convey things in an easy-to-understand manner from the perspective of an asset management firm. Young employees who complete these lectures in earnest experience considerable growth.

Feedback from young employees who gave lectures

Tokyo Woman's Christian University hosted its first of these lectures in the 2024 academic year. It was attended by many students. I myself took an interest in the asset management industry after taking a class on financial literacy while I was in college. As such, I believe learning about finance at a young age is a meaningful endeavor, and prepared for the lecture so I could stimulate even a little interest. On the day of the lecture, the students listened attentively, and I could strongly sense that their interest in asset management had grown even though they had no prior knowledge of investment whatsoever. I hope to make valuable use of such opportunities to contribute to society.

Positioning as a social contribution activity

Improving financial literacy both supports individuals' future planning and forms a foundation for sound economic activity across society as a whole. This makes it a vital social contribution activity. Going forward, we will continue to collaborate with people on the frontlines of education to provide greater opportunities for improving the financial literacy of children and young individuals.



Corporate Sustainability Department
PR and Branding Team
Junko Tanaka



Investment Trust Promotion Department
Investment Trust Promotion Team

Miharu Mandokoro

Asset Management Consulting Department
Fund Wrap Promotion Team

Akari Morikawa

Alternative Investment
Department 1

Misaki Watanabe

Marketing Planning Department
Marketing Planning Team*

Takumi Fukawa

*At the time of writing. Currently Analyst belonging to the Responsible Investment Section.

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Advancement of Asset Management Operations

Message from COO

■ Pursuing the best interests of our clients and the provision of diverse investment opportunities

Amid our rapidly changing social and economic environment, we have constantly positioned our clients' best interests at the center of what we do, and have advanced initiatives aimed at addressing their needs and social issues. One specific initiative in this regard is the provision of asset management support for university endowments. At SMDAM, we aim to provide investment expertise and solutions that prop up the long-term financial stability of universities, thereby contributing to the sustainable development of educational and research institutions. In addition, we also position the strengthening of alternative investments as a key pillar to provide our clients with diverse investment opportunities. We are actively working to both identify high-quality outsourced management and bolster our in-house asset management framework.

■ Accelerating initiatives for more advanced asset management

SMDAM views the "Progress Report 2025 for Advancing Asset Management Services" published by the Financial Services Agency as an important guideline for asset management firms to contribute to society through their core business. This progress report calls for the advancement of the entire asset management industry to fulfill its role as the "fourth pillar" of the financial industry alongside banking, insurance, and securities. One key initiative for that purpose is the enforcement of product governance. We at SMDAM have put a framework in place to implement appropriate quality control throughout product lifecycles in order to

safeguard our clients' best interests and support their medium- to long-term asset-building efforts. Furthermore, as pointed out in the report, reinforcing our global business is another key challenge of SMDAM's. By bringing overseas investor funds into Japan and directing domestic funds toward high-quality global assets, we will contribute to the revitalization of the Japanese market and to our clients' asset-building efforts as we aim for further growth as a global asset management firm.

Through these initiatives, SMDAM will keep on further striving toward the realization of a sustainable society while meeting the trust of its clients. Details of each initiative are contained in this report. We encourage you to take a look at it.

- 1 Providing investment solutions for university endowments
- 2 Strengthening our framework for alternative investment
- 3 Implementing quality control through the enforcement of product governance
- 4 Reinforcing our global business

Deputy President Executive Officer and COO (Chief Operating Officer)
Tsuneto Iki



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A new horizon of investment paved by an AI assistant

The evolution of AI development will yield a considerable impact on the asset management industry as well. SMDAM has developed in-house an AI assistant for investment research. The environment we currently have in place enables all our portfolio managers to access that tool. Moving forward, we will aim to implement an expanded version of that tool with the goal of conducting investment that contributes to Japan's growth.

■ The AI revolution is here to stay.

"The AI revolution is here to stay." These words were uttered by Sam Altman at TED2025. In November 2022, OpenAI, where Altman serves as CEO, released ChatGPT 3.5, sparking widespread discussion. The three years since then have certainly flown by. ChatGPT has since evolved into GPT 5.0 (as of the end of August 2025). Competition in AI development with other companies has also intensified. Every time a new version of generative AI is released by any of those companies, I have found myself astonished by the evolution it shows. Things that could not be performed with older versions become a piece of cake with newer ones. Having witnessed the speed of that evolution with my own eyes, I truly feel the AI revolution really is here to stay. In an interview, Altman stated his view that AGI (Artificial General Intelligence) will be realized by 2027, and that ASI (Artificial Superintelligence) will be realized within a few thousand days. The emergence of AI that humans cannot compete with is starting to become a visible prospect.

■ Current initiatives: AI assistant for investment research for all persons in charge of investment

The AI revolution has a sizeable impact on knowledge-based industries. One of those businesses, without a doubt, is the asset management industry. Surely it is natural to conclude that advanced technologies, including AI, have a high probability of bringing about major changes over the next decade. Here is a brief introduction of initiatives in the investment department that are being implemented in such an environment. In October 2025, SMDAM released "AIR," an AI support tool that it developed in-house. Following roughly two years of foundational development, we achieved our initial goal of providing "an AI assistant for investment research for all persons in charge of investment." AIR contains Retrieval Augmented Generation, or RAG,

functionality that references the latest information from the Internet, news and other sources up to just recently in addition to proprietary information within databases, files, and folders to generate responses, as well as agent functions used in investment work such as preparing long reports, performing fact checks, and making trading proposals. We administered requirement surveys and questionnaires during a verification period of six months to make improvements to the tool. It organizes a variety of information so easily that once one actually uses it, they will wonder why they struggled so much up to this point. We anticipate work efficiency gains of about 50,000 hours per annum in the investment department alone.

■ Future

Are you familiar with the research field known as human augmentation? It is a technological field that uses AI, IoT*, and other technologies to transcend the limits of human cognitive and physical capabilities. The most famous example of this is HAL® by CYBERDYNE. For another example, try picturing Motoko Kusanagi from the anime "Ghost in the Shell." In a few years, the world of investment will likely become one where it will be impossible to compete without the support of AI. Combinations of information, information processing, and intellectual activities (know-how) will bring forth sources of excess returns in investing. AI support tools are sure to become essential tools that provide human augmentation in information processing and intellectual activities. The implementation of "AIR," an enhanced version of such tools where generative AI can freely manipulate mice and applications within PCs, is also within sight, at least on a test basis. I find it fascinating how the "ghost" concept from 'Ghost in the Shell' appears to be ahead of its time in the world of investment. There are many things to be done, and many challenges to address.

Providing support so that the decade to come ties into the growth of Japan is, in my view, the mission of the asset management industry as well. We will further advance our investment efforts with various forms of imagination and considerable creativity, and will work vigorously towards contributing to the quality of life of all our stakeholders by achieving excess returns.

*IoT: Internet of Things



Investment Department Investment Development Group Senior Quantitative Analyst Daisuke Nishida	Investment Department Investment Development Group Quantitative Analyst Keito Ito	Investment Department Investment Development Group Quantitative Analyst Seiki Fukuoka	Investment Department Investment Development Group Quantitative Analyst Teppei Yoshikawa
	Investment Development Group, Investment Department Group Head Takehide Hirose		Investment Development Group, Investment Department Senior Quantitative Analyst Yoshihiro Ikeda

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Democratization of alternative assets

Amid the trend of "the democratization of alternative assets," we at SMDAM are advancing the establishment of a framework and enhancement of products in order to accommodate growing investment needs and diverse customer segments.

■ Growing needs for alternative investment

Alternative assets are assets that serve as substitutes for traditional assets such as listed stocks and bonds. Private equity and other forms of private assets fall under alternative assets. Investments in alternative assets possess risk-return characteristics that differ from traditional assets in that they hold the potential to enhance the diversification effects of portfolios overall and elevate resilience against market fluctuations. For these reasons, they attract considerable investor interest. Up to this point, due to high minimum investment thresholds and low liquidity, the investor base has primarily consisted of high-net-worth individuals and institutional investors. However, with the appearance of "liquid alternative investment trusts," minimum investment thresholds have been significantly lowered and improved liquidity has been realized. Consequently, it has become possible to provide investment opportunities that a broader range of investors find accessible. This trend is precisely what is meant by "the democratization of alternative assets."



■ Status of our progress

To accommodate these new needs, SMDAM is moving forward with establishing a framework and enhancing products based on the two pillars below.

(1) Strict selection process and maximization of investor returns: We investigate and select vendors and products from a multifaceted perspective that includes investment performance, investment framework, compliance, and sustainability. Following selection, we continue to conduct monitoring and provide instructions with precision to facilitate the maximization of investor returns.

(2) Diverse product lineup: We offer a wide range of products that includes hedge funds, private equity, private debt, real estate, infrastructure, and insurance strategies. We collaborate with gatekeepers to provide carefully curated, high-quality investment opportunities. Moreover,



Alternative Investment
Department 1
General Manager
Taiki Matsuno

SMDAM offers four liquid alternative publicly offered investment trusts. By providing monthly price evaluations and quarterly redemption opportunities, we aim to secure liquidity while simultaneously achieving strong returns over the medium to long term.

We at SMDAM will support our clients in building a wealth of assets so that alternative investment becomes an accessible option for all investors.



Alternative Investment
Department 1
Senior Fund Manager
Junko Hata

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Support for advancement of asset management for universities

Tohoku University was certified as Japan's first "University for International Research Excellence." Under the University for International Research Excellence system, the national government certified and supports universities expected to advance world-leading research and contribute the results to society and the economy. SMDAM assists with asset management for Tohoku University, the first institution to receive this certification.

We hosted a dialogue between Director Yasuhiro Miyata, who oversees Tohoku University's business and financial strategy, and our COO, Tsuneto Iki.



Director, Tohoku University
Yasuhiro Miyata

Deputy President Executive Officer
and COO (Chief Operating Officer)
Tsuneto Iki

— Current status of university fund management

Miyata: To become a world-class research institution, securing capable human capital and investing in facilities are of the essence. As a means of supporting that, asset management with a view towards the future is a must. Having been certified as a University for International Research Excellence, Tohoku University is now being called

upon to further advance its investment efforts. I spent my childhood in Miyagi Prefecture, where I experienced the 1978 Miyagi Offshore Earthquake. That experience, coupled with the 2011 Great East Japan Earthquake, has formed the foundation of the strong feelings I hold towards Miyagi Prefecture and the Tohoku region. Also, having been involved in asset management for

quite some time up to this point, I sincerely wanted to take advantage of my experience to contribute to the Tohoku region in any way possible. That led to my involvement in asset management for Tohoku University. Some members of the Fund Management Committee that supports the current investment team also joined that committee because of their connection to Tohoku.

The responsibility and attention that comes with being a University for International Research Excellence-certified institution is not lost upon us. At the same time, we are also mindful of the connection between the region and the university, and strive daily toward our goals.

Iki: Tohoku University has engaged in investment compliance with the "Asset Owner Principles" (common principles for asset management, governance, and risk management for asset holders to follow) even before those principles were formulated. Following that formulation, the institution promptly announced its acceptance and action policy. As an autonomous fund manager, having learned of Tohoku University's intention to pursue the reinforcement of its sustainable framework, we sought to provide support from the aspect of investment.

Miyata: We chose SMDAM as our investment partner having been deeply impressed by the content of your proposal. SMDAM went beyond a simple explanation of investment performance and products to make a passionate case based on a long-term perspective for providing us with support in achieving targeted returns, establishing a framework that would lead to the autonomy of our investing body, assisting us with ideal ways of communicating following the launch of investment, and even engaging in the exchange of human resources. Having felt that our respective organizations shared the desire for a partnership over the long term, we selected you as our investment vendor.

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— Future design aimed at sustainable investment

Miyata: To realize sustainable investment, establishing an investment framework is imperative. To that end, our first order of business must be to develop in-house employees. Our current investment framework relies on external specialists in numerous aspects. Eventually, however, we want to establish a framework through which we can fully conduct investment using internal personnel. Throughout that process, we have benefited from considerable support from SMDAM, which walks by our side as a partner that goes beyond the scope of mere investment outsourcing.



Iki: We seek to walk alongside you as a partner that aims to achieve long-term targets, not as mere investment vendors or product providers. We take advantage of the variety of capabilities and information networks of an asset management firm to cooperate as much as possible in achieving targeted returns and bolstering the investment framework. We also closely coordinate in selecting investment products and managing risk as well. The reason why is because ensuring the transparency of investment is another priority challenge. In addition, to fulfill our fiduciary responsibility, we incorporate into our portfolio the best products that align with investment objectives as a matter of course, even if those products are not our own. We value our approach of first discussing investments with Tohoku University, then executing them as a discretionary investment firm.

— Helping to uphold Japan as an asset management nation

Miyata: Our goal in the future is to achieve asset management on a scale of one trillion yen with a target date of FY2049. In order to achieve this, the development of regular employees and entrenchment of local human resources will be the keys to turning Tohoku University's investment framework into a sustainable team. Tohoku University has involvement in diverse projects that include a solar power generation project and Fukushima reconstruction support project. These projects not only bring direct positive effects to the Tohoku region, but also considerably impact research activities at the university. I believe that expanding our activities and investment scale will serve to nurture the local community and, by extension, enable us to contribute to the revitalization of Japan as a whole. We will continue to take action in order to fulfill our responsibility as a University for International Research Excellence.

Iki: We at SMDAM also fully recognize the social significance of Universities for International Research Excellence. Our view is that successful asset management for universities will bring great benefits not only to the universities themselves, but also to the community and all of Japan as well. Going forward, we will continue supporting the further challenges of Tohoku University from the aspect of asset management and contribute to the forward development of society as a whole.



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Promotion of global business

Riding the wave of overseas investors' expectations toward Japanese companies, SMDAM will continue to boost its global competitiveness. Alongside promoting investment in Japanese equities, we will capture diverse global investment needs by enhancing non-traditional asset management products and fundamentally reinforcing our overseas sales framework. In doing so, we will strive to achieve sustainable growth.

■ Becoming an asset management firm capable of competing globally

Along with contributing to the revitalization of Japan's investment chain by encouraging overseas investors to invest in Japanese companies, we enhance our overseas asset investment ability as we aim to become a sustainable asset management firm capable of competing globally.

■ Revitalizing Japan's investment chain

In recent times, the view that "efforts such as strengthening corporate governance will change the management of Japanese companies, leading to the promise of enhanced sustainable corporate value" has been gradually spreading

among overseas institutional investors. We continue activities that serve to spread such an attractive proposition to a wide range of overseas investors, contributing to the further revitalization of Japan's investment chain.

■ Enhancing our overseas asset investment ability

At the same time, the ratio of investment in Japanese equities among overseas investors is not even 10% of the total. Moreover, the ratio of investment in private assets (unlisted assets) has also begun to rise as of late. The further expansion of our global business will necessitate the enhancement of our investment ability for assets other than Japanese equities. At SMDAM, in addition to traditional

asset products such as Asian and global equities, we are actively developing products that involve investments in private assets.

■ Expanding our global investment framework

In recent years, we have pursued the enhancement of our sales framework at our offices in Hong Kong and London. In addition, to capture capital from mainland China, which has robust investment demand, we are advancing the conversion of our Shanghai office into a local subsidiary as well as the establishment of a local subsidiary in Germany to serve as a hub for continental sales in post-Brexit Europe. Furthermore, at our London and Singapore offices, we are working together with group company SMBC to develop overseas private debt products for the sake of capturing growing private asset needs.

SMDAM's Global Network



Executive Officer
Head of the International Sales Division
Yasuhiro Harada

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Initiatives for product governance

"Product governance" was added as a supplementary principle to the September 2024 revision of the "Principles for Customer-Oriented Business Conduct." Associated initiatives are in progress at various firms in the asset management industry.

Product governance at SMDAM

As a form of governance for ensuring our product offerings align with the best interests of our clients, in January 2025, we established "Basic Polices for Realizing Product Governance" based on our "Principles of Fiduciary Duties and Sustainability." Since our merger in 2019, SMDAM has upheld "Sincerity (Customers' interest first)" as one of our five values in our Mission, Vision and Values. We believe this principle is in alignment with "product governance." In practice, we operate based on the three pillars of "investment," "products," and "information provision." Each of our divisions coordinates to implement a PDCA cycle throughout the entire lifecycle, from the time of product composition to post-composition. Additionally, our risk management division, which functions as a third party, monitors the whole and makes regular status reports to the management meeting and Board of Directors. Through this arrangement, we have a framework in place to maintain governance across the entire company. Our belief is that with "product governance," both conforming with existing standards and constantly seeking improvement to attain a higher level are equally of great importance.

Time of product composition: Consideration from various perspectives in order to provide the highest quality products

With the "investment" pillar, which constitutes the core of our products, we aim to deliver investment performance of the highest quality by establishing an integrated investment process after factoring changes in the market environment, new investment strategies, the sustainability of those strategies, and other elements into consideration. Based on that "investment" pillar, with the "products" pillar, we examine the appropriateness and suitability of products from various perspectives in order to make them "products aligned with the best interests of the client." Those

perspectives include the following:

- 1 Appropriateness of investment policies, investment methods, investment framework, research framework, and distribution policies
- 2 Suitability of scheme
- 3 Ascertainment of various risks in investment, etc. and risk review/management framework
- 4 Infrastructure development status and administrative processing framework
- 5 Conformance of client assets targeted for sale with risk tolerance
- 6 Appropriateness of compensation
- 7 Suitability of sales policies

Post-product composition: Multifaceted monitoring and timely and appropriate improvement measures

With the "investment" pillar, to maintain and improve quality, we measure the performance of all products monthly over the past several months to several years as well as annually measure the long-term performance of publicly offered funds following their establishment (after deducting trust fees). We extract poor-performing funds that fall under certain quantitative criteria, identify funds to be improved after factoring in qualitative criteria, and carry out improvement measures for each of those funds. With the "products" pillar, through coordination with the "investment" pillar, we periodically verify the suitability of products, including their performance. For funds determined to be problematic, if there is room for improvement, we implement changes to product characteristics through means such as amending terms and conditions. If improvement is not expected, we carry out procedures for early redemption.

Information provision: Timely provision of accurate and easy-to-understand information

We conduct "information provision" through coordination with the "investment" and "products" pillars both at the time of product composition and in post-product composition. We make it our policy to provide information on key product-related details, including fees and other costs borne by the client, in an accurate, easy-to-understand, and timely manner that avoids misunderstanding. Furthermore, starting in FY2025, we intend to begin sharing information on the status of sales of certain publicly offered funds with sales companies, which serve as the direct point of contact for our clients, as we endeavor to enhance product governance.



<p>Product Management Department General Manager Takuma Matsunaga</p>	<p>In Charge of Product Governance Tadao Miyazaki</p>	<p>Investment Trust Documentation Department General Manager Masashi Takemoto</p>
<p>Investment Planning Department, Investment Department General Manager Kuniaki Matsuo</p>	<p>Corporate Strategy Department General Manager Naruaki Matsumoto</p>	

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Risk management underpinning the management foundation

Three departments, the Legal and Compliance Department, the Risk Management Department, and the IT Administration Management Department assist with risk management at our asset management firm. Here, we will introduce the initiatives of each department.

■ Initiatives of the Legal and Compliance Department

SMDAM's compliance framework is based on adherence to laws and regulations and the enforcement of corporate ethics. Upholding "sincerity" as a core concept, we place emphasis on our employees maintaining high ethical standards as professionals and acting with sincerity. In the framework we actually employ, we conduct management using a three-tier structure made up of business divisions, risk management divisions (including the Legal and Compliance Department), and audit divisions. The business divisions bear actual responsibility, the Legal and Compliance Department provides checks and support for the business divisions from an independent standpoint, and the audit divisions verify and evaluate the entire framework. For individual employees, we established a "Compliance Manual" that provides a summary of basic matters, and enforce adherence with that manual. The manual sets forth three "Basic Policies" in the form of "enforcement of fiduciary responsibility," "adherence to laws, regulations, rules, and ethics," and "fulfillment of public mission" along with our fifteen "Values" that include the duty of sincerity and fairness, the duty of loyalty, the duty of due care of a prudent manager, and the prohibition of conflicts of interest. Furthermore, we set up a whistleblowing desk to facilitate the early detection and correction of violations. Through the continuation of these initiatives, SMDAM aims to maintain and enhance the trust our clients place in us and our social credibility.

■ The shape of risk management at asset management firms

At asset management firms, "risk management" plays a very important role. It is system that exists to enable investors to invest with confidence, not just to increase assets. Risk management can be broadly separated into two pillars:

1. Risk management for safeguarding client assets

We at SMDAM manage funds entrusted to us by our clients appropriately based on the contracts we enter with them. This means going beyond simply generating profit to include meticulous checks of areas such as "how much risk is being taken," "whether that risk is in line with contracts," and "whether excessive or unintended risks are being taken." At times, risk is so low that it may prevent the expected results from being achieved. As such, we check such areas as well.

2. Risk management for safeguarding the entire company

Another form of risk management is that for the company itself. Adhering to laws and contracts is a given, but that alone is not enough. As various factors such as market changes, technological advancements, and new client needs intertwine, companies must also identify and address a wide range of risks.

Through such initiatives, we aim to keep providing value to our clients over the long term.

■ IT infrastructure that combines convenience, safety, and stability

The IT Administration Management Department specializes in handling IT-related operations at SMDAM. We make full use of IT technology to support the advancement of asset management operations while simultaneously prioritizing risk management. Our department does more than just maintain PCs, networks, and other forms of IT infrastructure or develop and maintain internal systems. We also examine

cybersecurity measures, conduct assessments that include local subsidiaries based overseas, act as a proxy for reviewing the introduction of solutions utilizing cloud-based (SaaS) platforms and AI, and handle contract procedures and management for external information services as we endeavor to mitigate risk. As asset management operations become increasingly advanced, the updating of traditional systems and introduction of cloud-based solutions are occurring with greater speed. Inevitably, greater importance will be placed on the control and management of digital data going forward. These will require comprehensive design, evaluation, and management that encompass not only functionality but also non-functional aspects such as security, stability, and performance. As the department supporting the IT infrastructure of SMDAM, which makes up a part of its management foundation, we endeavor daily to provide safe and stable services as well as convenience.



Legal and Compliance Department General Manager Norihisa Mizushima	IT & Operation Management Department General Manager Keiko Wakamiya	Risk Management Department General Manager Osamu Nakamura
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Message from Outside Director: Expectations for Japanese asset management firms

Since Japan's Kishida administration, the slogan "asset management nation" has been adopted, and support for stakeholders with involvement in asset management has expanded across both the public and private sectors. Here, I will draw on my 40-plus years of experience in the asset management business to comment on the history of the global asset management business and future expectations based on that history.

■ The birth and development of investment trusts in the UK

For roughly four years starting in the late 1980s, I was lucky to have the opportunity to work at a Scottish asset management company firm. There, I learned that Scotland is the place where not only golf, but also (like



Outside Director
Naoya Orime

England) investment trusts originated. At the time the Russo-Japanese War that broke out in 1904, both Japan and Russia raised war funds from banks in Britain, then the world's wealthiest nation. They used those funds to purchase state-of-the-art Scottish warships that they pitted against each other in the great battle of the Sea of Japan. While Japan was the victor in that war, the UK profited by reaping immense wealth through the massive loans and export of numerous high-priced battleships. The UK at the time had been in an economic boom for several decades following the Industrial Revolution. Its economy had entered a mature phase, and domestic demand for capital declined. Meanwhile, countries such as Canada, the US, and India were experiencing a railway boom, during which many railway companies were raising funds through the issuance of corporate bonds. These corporate bonds carried coupons exceeding 10%. Investment trusts diversified into them generated returns that considerably exceeded the roughly 4% offered by UK bank fixed deposits at the time. This sparked an investment trust boom (Back then, no foreign exchange risk was present due to the prevailing fixed exchange rate system.).

■ The current Japanese economy and investment trust market

The current Japanese economy resembles that of the UK 120 years ago, with wealth accumulated during the nation's economic bubble exceeding 2,200 trillion yen in personal financial assets and 600 trillion yen in corporate internal reserves. On the other hand, Japan's economy has been stuck in a period of low growth for more than 30 years since the bubble burst, with domestic demand for capital remaining stagnant. As I mentioned in the beginning, government policies geared towards an "asset management nation" also caused tax exemption limits for

investment to widen by a considerable margin. Alongside improved financial literacy among individuals, the balance of investment trusts has grown substantially in recent years in Japan as well. This trend will likely continue to gain speed going forward (We anticipate that tax exemption limits for investment will widen even further.). Passive funds that invest in global stocks enjoying recent popularity have delivered high returns thus far, having benefited from global economic growth and the yen's depreciation. While this trend will likely continue over the medium to long term, Japanese equities, which have long been overlooked, are also expected to experience capital inflows in the future due to their sense of being undervalued compared to the stocks of other developed countries. Moreover, Japan's bond market, which has not produced returns for some time now, is finally returning to an era of interest rates, and as such may very well become a promising part of the investment universe going forward. In particular, the needs of institutional investors for more sophisticated Japanese fixed income investment products that make full use of derivatives and other instruments should grow at a dramatic pace.

■ The role and future outlook of asset management firms

For Japanese asset management firms, enhancing the ability to invest in the domestic equity and bond markets will become more important than ever. Coordinating with affiliated financial groups and developing a diverse array of investment products will make it possible for those firms to offer virtually all investment solutions. By putting such a framework in place, it should be possible for them to become firms capable of providing accurate advice to Japanese investors. That, we believe, will pave the way for Japanese asset management firms becoming able to realize the same business growth enjoyed by their European and American counterparts.

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Initiatives that SMDAM Takes Part In

To fulfill our stewardship responsibilities as a responsible institutional investor, we have become a signatory to and accepted various global initiatives, starting with the U.N. Principles for Responsible Investment (PRI). We work cooperatively with investors within and outside Japan and conduct engagement with our investee companies.

E : Environment **S** : Social **G** : Governance

Global



U.N. Principles for Responsible Investment (PRI)
 » Signed in March 2010

PRI is an international framework that promotes responsible investment behavior by institutional investors who incorporate sustainability factors into their investment policies and processes.



CDP
 » Signed in June 2021

CDP is an international non-profit organization for disclosures of environmental information by companies and cities. Its purpose is to improve the transparency of climate change measures and resource management.



PRI Spring
 » Expressed support in February 2024

PRI Spring is an annual event organized by the UN PRI that provides a forum for investors and companies to discuss sustainability issues and sustainable investment strategies and share the latest trends.



TNFD Forum
 » Expressed support in January 2024

The TNFD Forum, which supports the Taskforce on Nature-related Financial Disclosures (TNFD), contributes to initiatives for promoting information disclosures by companies and institutions on natural capital and biodiversity risk.



PRI Advance
 » Signed in December 2022

PRI Advance, a human rights initiative led by the UN PRI urges companies to bolster their efforts to respect human rights.



ACGA (Asian Corporate Governance Association)
 » Signed in 2007

ACGA is a non-profit organization whose purpose is to improve corporate governance in the Asian region. It coordinates with investors, companies, regulatory authorities, and other parties to engage in the promotion of sound management practices.

Domestic



Principles for Financial Action towards a Sustainable Society (so-called Principles for Financial Actions for the 21st Century)
 » Expressed support in December 2017

The Principles for Financial Actions for the 21st Century are behavioral guidelines formulated for Japanese financial institutions to practice financial behavior that takes environmental and social issues into consideration. Its aim is to promote sustainability finance.



Institutional Investors Collective Engagement Forum
 » Joined in October 2017

The Institutional Investors Collective Engagement Forum is a collaborative platform where institutional investors coordinate with each other to engage in dialogue with companies with the aim of improving sustainability issues and promoting sustainable corporate management.



Japan Stewardship Initiative (JSI)
 » Expressed support in November 2019

JSI is a cross-industry organization established for the purpose of promoting responsible investment by Japanese institutional investors and supporting sustainable corporate growth.



ESG Disclosure Study Group
 » Became member in October 2020

The ESG Disclosure Study Group is an organization where investors and experts engage in discussion to examine improvements to disclosure standards and practices for the purpose of enhancing the quality of information disclosure relating to corporate sustainability.



Japan Impact-driven Financing Initiative
 » Signed in December 2022

The Japan Impact-driven Financing Initiative asks its signatory financial institutions to declare that they will contribute to the creation of a sustainable society through investment and loans for the purpose of addressing social and environmental issues.



Impact Consortium
 » Became member in August 2025

The Impact Consortium is a collaborative platform where financial institutions and investors coordinate with each other to promote investment that prioritizes social and environmental impact.



TCFD Consortium
 » Became member in December 2019

The TCFD Consortium is a Japanese organization that aims to promote information disclosure based on TCFD Recommendations and achieve a "virtuous cycle of environment and growth" through the utilization of that disclosure.



30% Club Japan Investor Group
 » Became member in December 2019

The 30% Club is an investor coalition that promotes greater gender diversity with the aim of raising the proportion of female board of directors members at Japanese companies to at least 30%.

Expression of support for initiatives

We sign and endorse initiatives and work together with domestic and foreign investors to conduct engagement with investees, etc.



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Links to Content Related to Responsible Investment

Stewardship

Self-evaluation of the Implementation Status of Japan's Stewardship Code

We are proactively engaged in sustainability investment by incorporating stewardship activities and mid- to long-term analysis and evaluation of non-financial factors of investees, etc. into our investment process



Sustainable ESG products

Sustainable Product Certification Standards

We certify sustainable products based on our methods for considering sustainability factors in investment decisions and the importance of sustainability factors in our investment strategy



Links to Content Related to Sustainability

Governance

Initiatives Related to Materiality

To enable us to contribute to the achievement of a sustainable society on a greater level than we have previously, we have identified key management issues as our "materiality."



Corporate Governance

We practice effective corporate governance by ensuring our independence as an asset management company



Environment

Information Disclosure Related to the Environment

We integrated climate change disclosures and natural capital disclosures from 2024



Society

Our Approach on Human Rights Issues

We are consciously committed to respecting the human rights of all stakeholders, including employees and local communities, as well as clients



Reporting on implementation of due diligence on human rights (pdf)

In accordance with our "Human Rights Policy," we have been practicing human rights due diligence since FY2022



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Financial Highlights/Performance

Financial data

Operating revenue (billion yen)	FY2022	FY2023	FY2024	Operating profit (billion yen)	FY2022	FY2023	FY2024	Net income (billion yen)	FY2022	FY2023	FY2024
		719.54	827.31		937.65		37.89		63.71	103.92	

Investment professionals

(As of April 1, 2025)

243

Average years of industry experience

(As of April 1, 2025)

Approx. 15.1 years

CFA-CIIA*

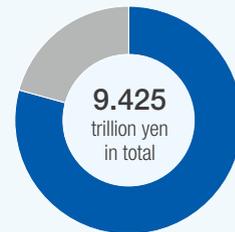
(As of April 1, 2025)

85

Institutional accounts

(As of the end of March 2025)

Assets Under Management

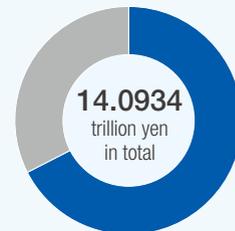


Domestic	7.4711 trillion yen
Overseas	1.9539 trillion yen
Investment discretion (annuities)	4.7036 trillion yen
Investment discretion (other)	924.3 billion yen
Investment Advisory Accounts	1.8432 trillion yen

Investment trusts

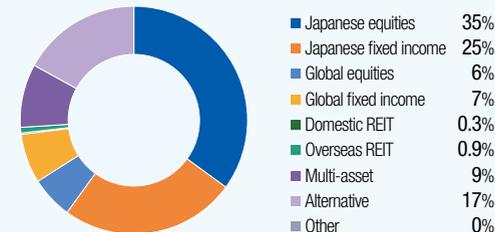
(As of the end of March 2025)

Assets Under Management

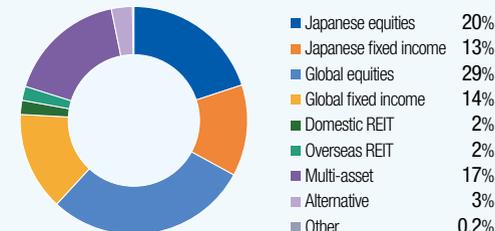


Publicly offered funds	9.5101 trillion yen
Privately placed funds	4.5833 trillion yen

Percentages of assets under management by class

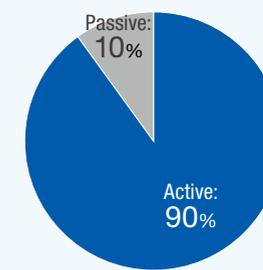


Percentages of assets under management by class



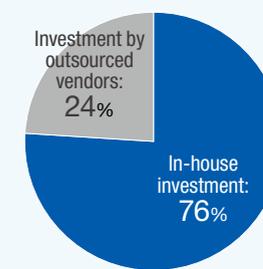
By investment style

(As of April 1, 2025)



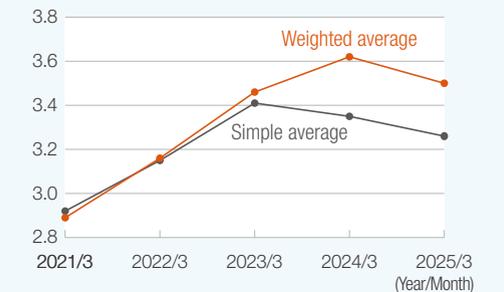
By investment entity

(As of April 1, 2025)

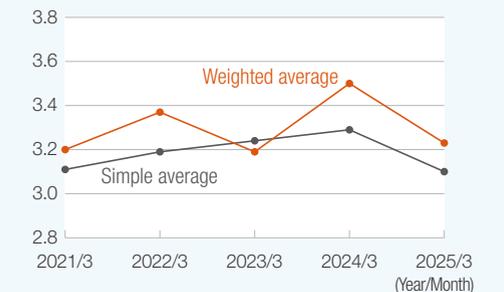


External evaluation Fund Monitor 5-Year Rating

In-house investment



Investment by outsourced vendors included



(Source) Prepared by Sumitomo Mitsui DS Asset Management based on Fund Monitor data
Aggregation criteria: Balance of at least 5.0 billion yen; at least 60 months since establishment; active investment only; ETFs excluded

*CFA stands for Chartered Financial Analyst. CIIA stands for Chartered International Investment Analyst.

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Sustainability in Numbers



*1 Actual results for male employees with children 1 year old or under who took childcare leave during the fiscal year in question *2 Calculated based solely on company proposals for Japanese equities *3 Created by SMDAM based on MSCI data

Links to content related to responsible investment and sustainability

Stewardship

Basic Policy on the Exercise of Voting Rights

We exercise voting rights with the purpose of improving the value of investees, etc. or avoiding damage to them



Results of Engagement Activities

Fund managers and analysts engage in constructive dialogue with investee companies



Results of Exercise of Voting Right for Japanese Equities

The results of the exercise of voting rights (for FY2019 and beyond) will be compiled and announced every three months with the end of March, June, September, and December as the record dates



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Important Precautions

Precautions Related to Investment Advisory Contracts and Discretionary Investment Management Contracts (Risks and Expenses)

Risks related to investment advisory contracts and discretionary investment management contracts

Financial products and financial derivatives products that are invested in under discretionary investment management contracts or for which investment is advised under investment advisory contracts may incur losses due to fluctuations in interest rates, currency values, market prices on financial instruments markets, or other financial indicators. The variable factors include the risk of price fluctuations in marketable securities and other instruments, the credit risk of issuers and other bodies, the risk of fluctuations in interest rates and financial markets, and liquidity risk, specifically, the inability to execute transactions under conditions of sufficient liquidity. (Foreign denominated assets are also subject to foreign exchange risk.) The client's investment principal, therefore, is not guaranteed, and a loss of principal may be incurred if the value of financial instruments or other assets declines. When margin transactions or futures/options transactions (hereunder "derivatives transactions") are used in connection with investment of assets under management, the derivatives transactions amount may exceed the amount of the customer margin or other guarantee money (hereunder "customer margin, etc."), and losses exceeding the customer margin, etc. may be incurred as a result of fluctuations in interest rates, currency values, market prices on financial instruments markets, or other financial indicators. Customer margin, etc. amounts and calculation methods vary depending on the transaction's circumstances and counterparty, so it is not possible to indicate the ratio of the derivative transactions amount to the customer margin, etc. amount.

Fees, etc. related to investment advisory contracts and discretionary investment management contracts

Investment Management fee

A fixed management fee is charged for investment advisory contracts and discretionary investment management contracts. It

is calculated by multiplying the contract asset amount (the base amount used to calculate investment advisory fees) by a rate* set in advance.

* This rate varies depending on the provisions of the contract with the client, investment conditions, and other factors, so it cannot be stated in advance. The details of contract asset amounts and calculation methods are determined separately in consultation with the client. Depending on the contract's provisions, an incentive fee may also be charged in addition to the aforementioned management fee.

Other fees, etc.

In addition to the above investment advisory fees, the following fees and commissions, etc., will be incurred.

- (1) Trading commissions for financial products charged on assets under management
- (2) Reserves for trust assets and the trust fees and trust administrative expenses* deducted from trust assets when investments are made in investment trusts in accordance with discretionary investment management contracts.
- (3) Management fees and incentive fees to foreign investment managers, management and custodial fees to investment trust management and custodial companies, trustee fees, audit fees, and other investment trust management expenses deducted from trust assets when investments are made in foreign domiciled investment trusts in accordance with discretionary investment management contracts.

*In the case discretionary accounts invest in investment trusts various expenses include the audit expenses of investment trusts.

As the actual amount of these commissions, etc. are determined based on the specifics of transactions, etc., and are recognized as expenses whenever incurred or billed, or fluctuates depending on the status of investments, etc., the maximum amount and calculation method of these commissions, etc. cannot be stated herein. The upper limit and calculation method, etc. for the total amount of the aforementioned investment advisory fees and other fees and commissions charged to the client cannot be indicated herein for the reasons stated above.

Note: The above risks, fees, etc. differ depending on the specifics of contracts and the status of investments, etc. Therefore, before entering into a contract, please confirm written documents prior to concluding the contract.

As of September 30, 2025

For institutional account clients

- These materials have been prepared for the purpose of introducing information on some of the products that we are capable of providing. They do not constitute a disclosure document in accordance with the Financial Instruments and Exchange Act of Japan.
- The risks and returns described herein are calculated based on historical data, our current outlook for the economy, and other factors, and do not constitute a guarantee of future risks or returns.
- Data on rates of returns not from actual funds, including that from simulations described herein, does not include compensation, transaction fees, rebalancing costs, etc. incurred in actual fund management.
- The investment products and methods described herein do not guarantee future investment performance or principal, and it is possible that investments will incur losses. All investment outcomes, including losses, are attributed to the client.
- Market projections and other forward-looking statements described herein are opinions as of the time these materials were prepared and do not constitute a guarantee of future trends or results. They may not be reflected in current investment policies and may change in the future without notice.
- Third-party evaluations described herein are based on analyses of past performance over a certain period of time and do not constitute a guarantee of future investment results, etc.
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Notes on Investment Trusts (Risks, Expenses)

Risks related to investment trusts

The prices of investment trusts fluctuate because they are affected by the price movements of the securities included in them (foreign currency denominated assets are also subject to exchange rate fluctuations). Losses may be incurred when prices decline, and this may result in a loss of principal. All gains and losses generated by a fund from its investments are attributed to the beneficiary. Unlike bank deposits, investment trusts do not guarantee principal and also do not guarantee any particular investment performance.

Expenses related to investment trusts

Client investors will be charged with the following expenses:

- **Expenses paid directly**

Commission on purchase: **Up to 3.85% (tax incl.)**

Redemption (cancellation) fee: **Up to 1.10% (tax incl.)**

Amount retained in trust assets: **Up to 0.50%**

- **Expenses incurred indirectly during the holding period of the investment trust**

Trust fees: **Up to 2.255% annually (including tax)**

- **Other expenses**

The following fees and commissions are also paid out of trust assets: audit fees; brokerage commissions and other charges on traded securities; expenses for derivative transactions (including consumption and other taxes); and charges for the custody of assets overseas, etc. Some investment trusts also set incentive fees, and these fees are paid out of trust assets. If a fund invests in other funds, asset management fees and other expenses from those funds are incurred indirectly. As the amount of such charges depends on the details of particular transactions, etc., SMDAM cannot provide an upper limit or method of calculation for them.

*The total amount of the abovementioned fees and commissions borne by clients, and their upper limits and calculation methods, cannot be stated specifically in advance because they vary depending on the client's holding period and other factors.

Caution:

The above risks and expenses pertain to investment trusts in general. The rates listed are the highest applicable for their respective fees among the investment trusts we manage. Furthermore, as the risks and charges entailed by an investment trust vary from one trust to another, before making an investment the client is requested to read carefully all relevant items within the investment trust summary prospectus and the other documents provided prior to signing a contract. Investment trusts are unlike bank deposits, saving accounts, and insurance contracts; they are not protected by deposit insurance, savings insurance, or the Policyholders Protection Corporation. In addition, when purchased through registered financial institutions, they are not covered by the Investor Protection Fund. Please note that investment trusts cannot be redeemed or canceled during the closed period or on public holidays in Japan or overseas.

To the distribution companies and individual investors of investment trusts

- This document has been prepared by Sumitomo Mitsui DS Asset Management for the purpose of providing information.
- It is not intended to recommend or solicit the purchase or sale of any particular investment trust, life insurance policy, stock, bond, or other investment product.
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Be. Active.

その一歩で、未来は変えられる。

 Sumitomo Mitsui DS Asset Management

Registration number : The Director of Kanto Local Finance Bureau (KINSHO) No. 399
Membership : The Investment Trusts Association, Japan / Japan Investment Advisers Association /
Type II Financial Instruments Firms Association