

October 3, 2024

Tokio Marine & Nichido Fire Insurance Co., Ltd.

Summary of Stewardship Activities (July 2023 to June 2024)

Tokio Marine & Nichido Fire Insurance Co., Ltd. (hereinafter referred to as “we,” “our,” or “us”) is involved in stewardship activities with the intent of making efforts for the improvement of and prevention of damage to the corporate value of investee companies as well as promoting sustainable growth of investee companies through constructive dialogues based on in-depth knowledge of the investee companies and consideration of sustainability (medium- to long-term sustainability, including ESG factors).

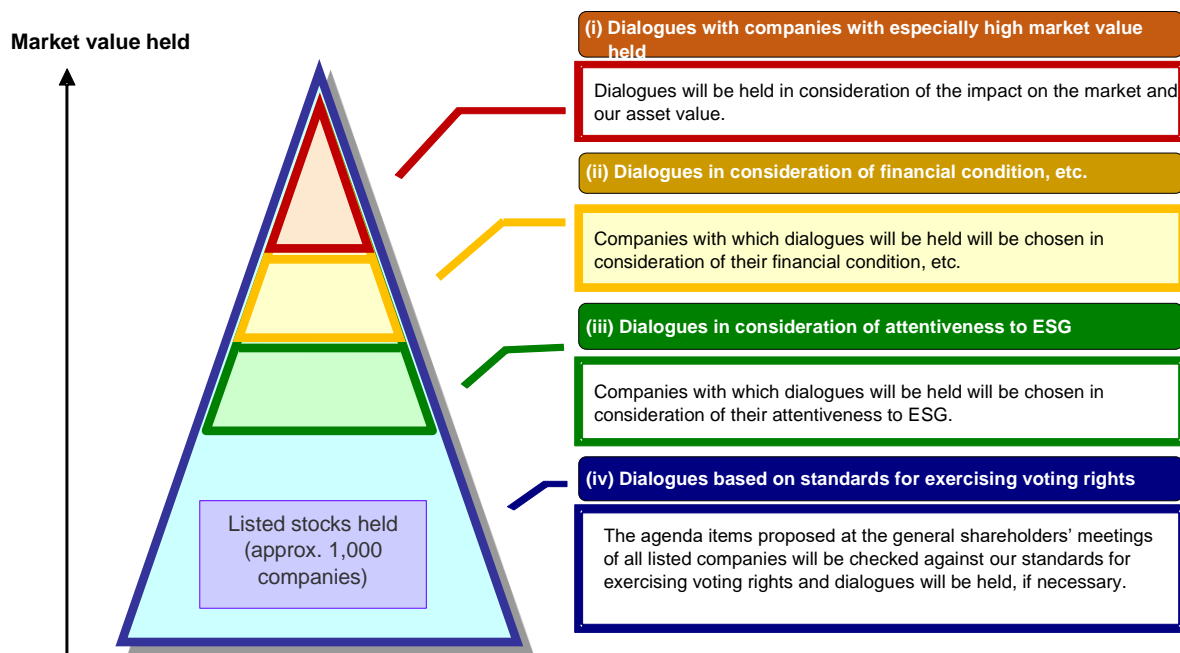
The following is a report on the state of these activities from July 2023 to June 2024.

1. Dialogues with investee companies

(1) Overview of dialogues

As outlined in the <Overall picture> below, we hold “(i) Dialogues with companies with especially high market value held,” “(ii) Dialogues in consideration of financial condition, etc.,” and “(iii) Dialogues in consideration of attentiveness to ESG” throughout the year, as well as “(iv) Dialogues based on standards for exercising voting rights” in the process of examining the agenda items proposed at the general shareholders’ meetings of investee companies.

<Overall picture>



(i) Dialogues with companies with especially high market value held, (ii) Dialogues in consideration of financial condition, etc., and (iii) Dialogues in consideration of attentiveness to ESG

	Items	Details
1	Determination of companies with which dialogues will be held	<ul style="list-style-type: none"> For the purpose of holding effective dialogues, companies with which dialogues will be held are determined in comprehensive consideration of the market value of individual stocks held, financial condition, and attentiveness to ESG, etc., and the dialogues are carried out in a planned manner. For companies with especially high market value held, dialogues will be held in consideration of the impact on the market and our asset value.
2	Advance preparations	<ul style="list-style-type: none"> We will collect information of investee companies through their disclosure materials such as the securities reports, financial results, investor relations (IR) briefing materials, and integrated reports, to analyze their financial aspects as well as non-financial aspects such as ESG initiatives. In addition, we work to deepen our understanding of investee companies by holding meetings with external analysts as necessary to obtain third-party opinions concerning the investee companies' strengths and issues, etc. We will also hold internal discussions centering mainly on the topic of what kind of improvement we should request to the investee companies, and decide on the policies for dialogues accordingly.
3	Implementation of dialogues	<ul style="list-style-type: none"> In scheduling a meeting with an investee company, we share in advance our awareness of issues and other dialogue agendas with the investee company, as necessary, in an effort to hold a productive dialogue. We work to deepen our understanding of investee companies by interviewing them in detail about their business environment and management policy, etc. We will then communicate our awareness of issues to the investee companies and exchange opinions about the status of current initiatives taken and approaches to improvement.
4	Storage of records	<ul style="list-style-type: none"> By storing dialogue records in detail, we follow up on the improvement status of the investee companies and also use them for dialogues to be held in the next fiscal year onwards.

(iv) Dialogues based on standards for exercising voting rights

We hold dialogues themed on the content of agenda items proposed at shareholders' meetings as necessary based on our standards for exercising voting rights.

(2) Examples of dialogues with investee companies

Issue: Profitability

Details of dialogues	Responses by investee companies after dialogues
<ul style="list-style-type: none"> We inquired of an investee company that should formulate new growth strategies in areas of intensifying competition about its future direction. 	<ul style="list-style-type: none"> The investee company replied that it would aim to increase profitability by deepening its cooperation with an influential competitor in product development and the provision of services. Subsequently, the investee company announced that it would proceed with a business integration with an influential competitor to improve the efficiency of procurement, sales, and product development.
<ul style="list-style-type: none"> We inquired of an investee company that has low profitability compared with global top-tier foreign-capital-affiliated companies about the causes of that low profitability and its future direction. 	<ul style="list-style-type: none"> The investee company replied that, although profitability had declined due to factors such as the expiry of patents and the timing of depreciation, it would improve profitability by using AI to promote efficient research and development. Subsequently, the investee company announced its business goals aimed at improvement of profitability and the details of company-wide initiatives, including the use of digital technology.
<ul style="list-style-type: none"> We inquired of an investee company that has a labor-intensive and low-profit business about the future positioning of that business and its action plans for the improvement of profitability. 	<ul style="list-style-type: none"> The investee company replied that it positioned the business as one with growth potential in Japan and that it would aim to improve profitability. Subsequently, the investee company announced that, as a concrete measure for the improvement of profitability in that business, it would build a cooperative framework with other companies in the industry and strive to increase profitability through labor saving in the manufacturing process and the introduction of advanced technology.

Issue: Capital policies

Details of dialogues	Responses by investee companies after dialogues
<ul style="list-style-type: none"> We inquired of an investee company that has issues with shareholder returns, despite having extremely high financial soundness and strong corporate profits, about its future capital policy initiatives. 	<ul style="list-style-type: none"> The investee company replied that, with stable returns at top of mind, it would conduct a share buyback flexibly while taking future investment needs, such as R&D spending, into account. Subsequently, the investee company announced the share buyback after having not done so in recent years.
<ul style="list-style-type: none"> We inquired of an investee company whose capital policy directions, including shareholder returns, had been unclear about its future direction and concrete response measures. 	<ul style="list-style-type: none"> The investee company replied that, going forward, it would proceed with consideration of the improvement of capital efficiency and that it would disclose its initiatives in its next medium-term business plan. Subsequently, the investee company announced new investment plans and new KPIs for shareholder returns in its medium-term business plan.
<ul style="list-style-type: none"> We inquired of an investee company that has been steadily improving its financial soundness to date about its initiatives for the future enhancement of shareholder return policy. 	<ul style="list-style-type: none"> The investee company replied that, in terms of liquidity-on-hand, it would consider the enhancement of its shareholder return policy while taking into account the allocation of its resources to growth investments. Subsequently, the investee company announced in its announcement of financial results that it would raise its payout ratio.

Issue: ESG (E: Environment)

Details of dialogues	Responses by investee companies after dialogues
<ul style="list-style-type: none"> We inquired of an investee company whose main source of CO₂ emissions is its overseas factories about its future initiatives for the reduction of CO₂ emissions. 	<ul style="list-style-type: none"> The investee company replied that, for the reduction of CO₂ emissions, it would consider the purchase of renewable energy and the introduction of solar power at its factory facilities. Subsequently, the investee company announced that it would participate in a solar power generation business overseas.
<ul style="list-style-type: none"> We inquired of a financial institution investee company that has a target of carbon neutrality by 2050 about its future initiatives. 	<ul style="list-style-type: none"> The investee company replied that it would increase the effectiveness of its efforts toward the achievement of carbon neutrality by establishing a sustainability management council. Subsequently, the investee company announced that, in response to discussions in its sustainability management council, it would convert to renewable energy for the power consumed at its headquarters locations and adopt electric vehicles for part of its commercial fleet.
<ul style="list-style-type: none"> We inquired of an investee company that has high Scope 3 emission levels about its thoughts on initiatives for the reduction of Scope 3 emissions. 	<ul style="list-style-type: none"> The investee company replied that it would promote the development of environmentally friendly products in the hope of reducing Scope 3 emissions during the use of the investee company's products. Subsequently, the investee company announced, as concrete initiatives, the development of horizontally recycled product containers and the sale of those containers at some of its stores.

Issue: ESG (S: Society; G: Governance)

Details of dialogues	Responses by investee companies after dialogues
<ul style="list-style-type: none"> We inquired of an automaker that is expected to solve social issues such as the “2024 problem” in logistics (new statutory restrictions on truck driver overtime hours that came into effect in 2024 which would cause a shortage of truck drivers) about its future initiatives. 	<ul style="list-style-type: none"> The investee company replied that, in its efforts to solve the “2024 problem” in logistics, it would promote initiatives for the practical application of trucks that are compatible with autonomous driving. Subsequently, the investee company announced a plan for the launch of a truck/bus service equipped with a Level 4 autonomous driving system, which will not require a driver under specific conditions.
<ul style="list-style-type: none"> We inquired of an investee company that had set out initiative policies for regional revitalization in its medium-term business plan from a social contribution perspective about its future concrete initiatives. 	<ul style="list-style-type: none"> The investee company replied that, while working for regional revitalization by communicating information about attractive regional content, launching an e-commerce site to sell regional products, etc., it hoped to connect those efforts to the increase of its own profitability. Subsequently, in a progress report on its medium-term business plan, the investee company announced that it would further promote regional revitalization initiatives.
<ul style="list-style-type: none"> We inquired of an investee company with a goal of strengthening its systems to manage Group companies about its concrete initiatives for business investment through its Group companies. 	<ul style="list-style-type: none"> The investee company replied that, regarding business investments through Group companies, it had set up a monitoring team, which included senior executives, and that it was regularly monitoring those projects in which investments had been made. Subsequently, the investee company proceeded with the divestment and restructuring of businesses that have issues from a governance perspective.

Issue: Disclosure

Details of dialogues	Responses by investee companies after dialogues
<ul style="list-style-type: none"> We inquired of an investee company that, although it is implementing initiatives for the reduction of Scope 3 emissions, such as selling environmentally friendly products, had made fewer disclosures than other companies in the same industry about its disclosure directions and requested it to enhance its disclosures. 	<ul style="list-style-type: none"> The investee company replied that, although its disclosed information was limited at this time, it was considering the disclosure of information about its Scope 3 emissions in the future. Subsequently, the investee company made disclosures about Scope 3, alongside its Scopes 1 & 2 disclosures, in its integrated report.
<ul style="list-style-type: none"> We inquired of an investee company that had disclosed only the total amount of its capital investments in its medium-term business plan about its investment policies for corporate growth. 	<ul style="list-style-type: none"> The investee company replied that, in response to changes in the business environment, it would allocate further funds to technological development, equipment, and IT infrastructure in the hope of increasing its growth potential. Subsequently, in its new medium-term business plan, the investee company indicated a significant increase in its investment amount and a breakdown of those investments.
<ul style="list-style-type: none"> We inquired of an investee company that is using ROIC by business in the operation of its businesses, establishment of systems, and profitability evaluation about its specific methods of that use and the levels of ROIC and requested it to enhance its disclosure of such information. 	<ul style="list-style-type: none"> The investee company replied that, while it was using ROIC by business in the consolidation of its businesses, etc., it had not yet set ROIC levels for each business. Subsequently, the investee company indicated specific ROIC levels for each business in its financial results presentation.

Issue: Examples of dialogues based on standards for exercising voting rights (reasons for “vote for” or “vote against”)

Details of dialogues	Responses by investee companies after dialogues
<ul style="list-style-type: none"> The investee company had faced a decline in demand due to the deterioration of its major business counterparts’ business performance and to the delay in the recovery of the Chinese market and had been deficit for consecutive years primarily due to a decline in net sales. Consequently, in determining whether to vote for or against agenda items on the appointment of directors, we inquired of the investee company about its concrete countermeasures toward being out of the red. 	<ul style="list-style-type: none"> We verified through dialogues that the investee company was working to build a stable business environment through the diversification of its business counterparts, diversify its business, and implement cost reduction measures through the reduction of surplus equipment. We voted for the agenda items, seeing that there was a high probability of the elimination of the deficit through these initiatives.
<ul style="list-style-type: none"> Forced into intense price competition even amid soaring prices of raw materials in its core business, the investee company had failed to erase its chronic deficits and suffered net loss for consecutive years. Consequently, in determining whether to vote for or against agenda items on the appointment of directors, we inquired of the investee company about its concrete counter-measures toward being out of the red. 	<ul style="list-style-type: none"> We verified through dialogues that, as a result of persistent negotiations with its customers progress was gradually being made on price pass-through initiatives and the profitability of its main business was moving toward improvement, and that it was also making progress in its initiatives to reduce costs. We voted for the agenda items, seeing that there was a high probability of the elimination of the deficit through these initiatives.
<ul style="list-style-type: none"> The investee company did not have a sufficient number of independent outside directors to meet our required standards. Consequently, in determining whether to vote for or against agenda items on the re-appointment of directors, we inquired about the investee company’s thinking on its current governance system and its future policies. 	<ul style="list-style-type: none"> We were able to verify through dialogues that the investee company had plans to increase the number of independent outside directors to comply with the Corporate Governance Code. We voted for the agenda items, as we had verified the investee company’s plans to increase the number of independent outside directors.

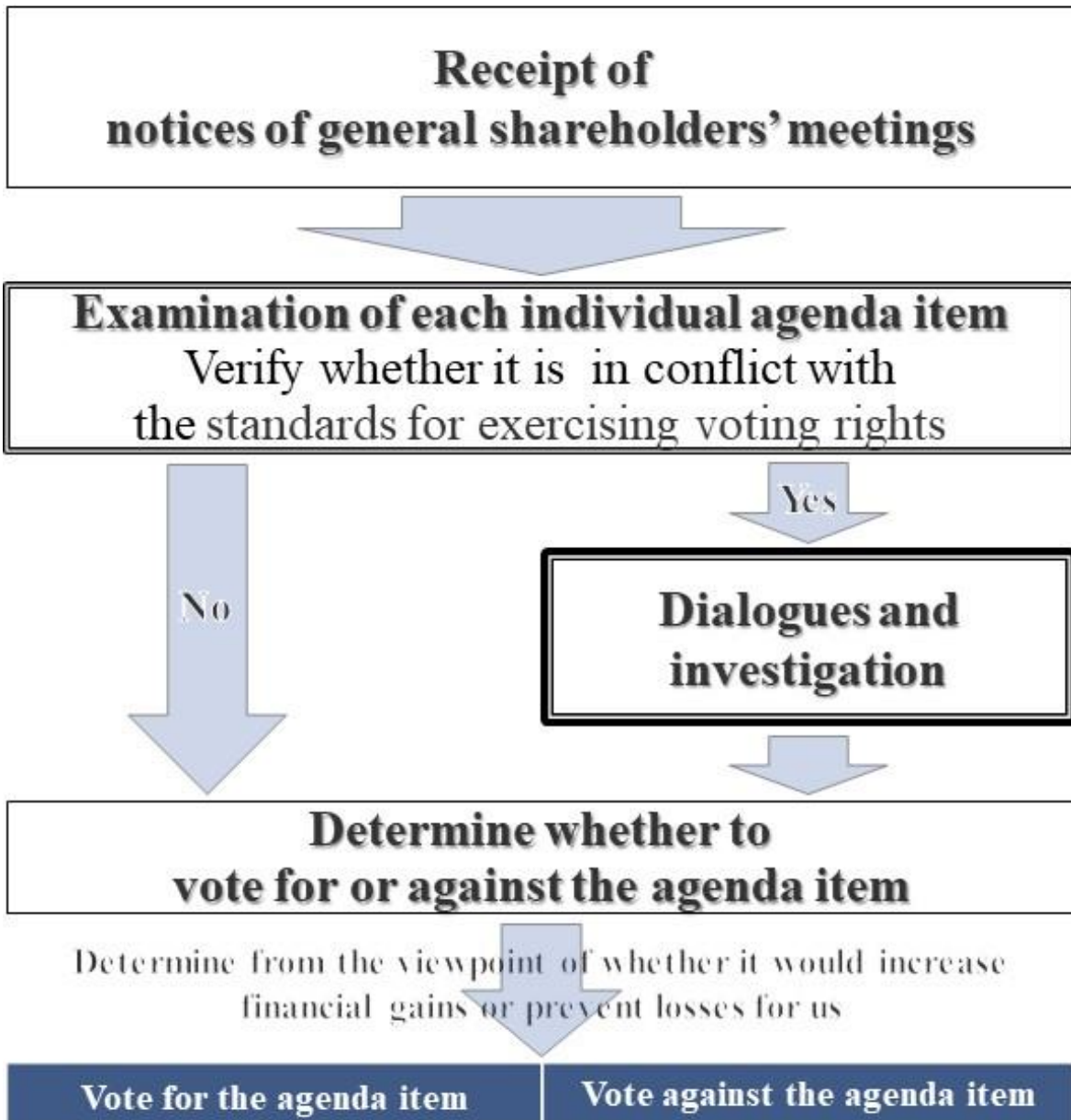
2. Exercise of voting rights held in investee companies

(1) Overview of the exercise of voting rights

We determine whether to vote for or against an agenda item which may significantly damage corporate value by examining its content and holding dialogues. The details of the process are as follows.

	Items	Details
1	Examination of agenda items	<ul style="list-style-type: none">• The agenda items proposed at the general shareholders' meetings of all listed companies will be examined against our standards for exercising voting rights to consider whether dialogues are needed.
2	Dialogues, etc.	<ul style="list-style-type: none">• Subsequent to the above examination, we hold dialogues concerning the content of the agenda items if needed.
3	Exercise of voting rights	<ul style="list-style-type: none">• We exercise voting rights based on a comprehensive judgment taking account of the content of these dialogues and objective indicators (ROE, payout ratio, etc.).• In addition, also for companies with which we held “(i) Dialogues with companies with especially high market value held,” “(ii) Dialogues in consideration of financial condition, etc.,” and “(iii) Dialogues in consideration of attentiveness to ESG” (refer to page 2), we exercise voting rights based on a comprehensive judgment taking account of the content of the dialogues, etc.

Process of the Exercise of Voting Rights



The examination items which we highlight in exercising voting rights are as follows:

(Applied from July 2023 until March 2025. New standards will be applied from April 2025.)

- Appointment and dismissal of directors (companies reporting net losses for a given consecutive period of time, companies reporting a low ROE or operating profit margin for a given consecutive period of time, companies with an insufficient number of independent outside directors, companies with scandals, companies for which ESG issues, including diversity, were a major topic of dialogues, reappointment of outside directors with low rates of attendance of meetings of the Board of Directors, etc.)
- Appointment and dismissal of corporate auditors (companies with scandals, reappointment of outside directors and outside corporate auditors with low rates of attendance of meetings of the Board of Directors and the Board of Corporate Auditors, respectively)
- Appointment of the accounting auditor (accounting auditors that have been involved in scandals, audit errors, etc.)
- Awarding of retirement benefits to directors and corporate auditors (companies reporting net losses for a given consecutive period of time, companies reporting a low ROE or operating profit margin for a given consecutive period of time, companies reporting a low payout ratio for a given consecutive period of time, companies with scandals, etc.)
- Increase in the amount of remuneration for directors and corporate auditors (companies reporting net losses for a given consecutive period of time, companies reporting a low ROE or operating profit margin for a given consecutive period of time, companies reporting a low payout ratio for a given consecutive period of time, companies with scandals, etc.)
- Issuance of shares and subscription rights to shares
- Organizational restructuring such as merger, acquisition, and transfer and inheritance of business
- Acquisition of treasury shares (acquisition of shares from specific shareholders at a price above the fair value, etc.)
- Introduction/updating of takeover defense measures (companies reporting a low ROE or operating profit margin for a given consecutive period of time, etc.)
- Appropriation of surplus (companies reporting a low payout ratio for a given consecutive period of time)
- Amendment of Articles of Incorporation (if the weight on the requirements for resolutions for dismissal of directors cannot be seen as reasonable)
- Shareholder proposals (cases that may impair shareholders' common interests, etc.), etc.

(2) Agenda items which we voted against when exercising our voting rights

We voted against the following 15 agenda items of 14 companies.

1) Reporting a low payout ratio for a given consecutive period of time => Appropriation of surplus (two agenda items), appointment of directors (one agenda item)
<ul style="list-style-type: none"> • We held dialogues with investee companies that had reported a low payout ratio and other indicators related to shareholder returns for a given consecutive period of time. However, we were unable to verify the investee companies' current shareholder return policies and future plans. • Considering the investee companies' business environment, we were unable to determine that the investees' current shareholder return policies would contribute to increasing their shareholder value. We therefore reached the conclusion that we should not approve the investee companies' appropriation of surplus and voted against the agenda items.
2) Low rate of attendance of meetings of the Board of Directors => Appointment of directors (one agenda item)
<ul style="list-style-type: none"> • We held dialogues with an investee company whose outside directors had a low rate of attendance of meetings of the Board of Directors and shared its recognition of the issue for the improvement of the attendance rate of the outside directors in question. • Because the investee company indicated no particular improvement measures, we reached the conclusion that we should not approve the appointment of the outside directors and voted against the agenda item.
3) Insufficient number of independent outside directors => Appointment of directors (three agenda items)
<ul style="list-style-type: none"> • We held dialogues with investee companies that had an insufficient number of independent outside directors, sharing their recognition of the issue. We also verified their future plans for improvement, but the investee companies did not indicate any concrete initiatives. • In light of the fact that the future outlook remained uncertain, we reached the conclusion that we should not approve the appointment of the directors and voted against the agenda items.
4) Reporting a low ROE and operating profit margin for a given consecutive period of time => Appointment of directors (four agenda items), updating of takeover defense measures (one agenda item)
<ul style="list-style-type: none"> • We held dialogues with investee companies that had reported a low ROE and operating profit margin for a given consecutive period of time. However, we were unable to verify effective initiatives to improve profitability. • In light of the fact that the investee companies were unlikely to improve profitability in the foreseeable future, and that their financial results were expected to remain weak, we reached the conclusion that we should not approve the appointment of the directors and voted against the agenda items.

5) Reporting net loss for a given consecutive period of time => Appointment of directors (three agenda items)
<ul style="list-style-type: none"> We held dialogues with investee companies that had reported net loss for a given consecutive period of time. However, we were unable to verify that the investee companies' initiatives to increase sales and reduce costs were adequately effective. In light of the fact that the future outlook remained uncertain, and that the probability for overcoming the slump was not considered to be high, we reached the conclusion that we should not approve the appointment of the directors and voted against the agenda items.

(3) Aggregation of the results of the exercise of voting rights

The aggregation of the results of our exercise of voting rights from July 2023 to June 2024 is as follows:

Agenda items	Total	For	Against
1. Company proposals	2,573	2,558	15
(1) Appropriation of surplus	664	662	2
(2) Appointment of directors	877	865	12
(3) Appointment of corporate auditors	430	430	0
(4) Partial amendments to the articles of incorporation	170	170	0
(5) Payment of retirement benefits	45	45	1
(6) Revision to the amount of remuneration for directors and corporate auditors	120	120	0
(7) Issuance of subscription rights to shares	16	16	0
(8) Appointment of accounting auditor	13	13	0
(9) Organizational restructuring related	10	10	0
(10) Other Company proposals	228	227	1
(of which, takeover defense measures)	(25)	(24)	(1)
2. Shareholder proposals	202	0	202
Total of 1. and 2.	2,775	2,558	217

3. Self-evaluation concerning our stewardship activities

We state in our business philosophy that the starting point of all business activities is the trust of our stakeholders. We deeply agree with each of the principles of Japan's Stewardship Code, whose fundamental spirit is to focus on constructive dialogues based on the relationship of trust with investee companies.

For us to continuously undertake initiatives for dialogues that can truly contribute to sustainable growth of the investee companies, grasping accurately and deeply understanding their situations is crucially important. We have conducted a detailed analysis of not only their financial information but also their non-financial information, such as management policies, business models, business portfolios, financial strategies, governance systems, and sustainability, including responses to climate change and diversity, as well as their external environment. Then, we have extracted agenda items for dialogues, while reflecting the inherent situation of each investee company. We have thus continued to improve activities concerning the Stewardship Code through the processes above.

Additionally, as a responsible institutional investor, we are aware that, from the viewpoint of expanding investment income on a medium- to long-term basis, it has become increasingly necessary to encourage the investee companies to work on achieving the sustainable development goals (SDGs) and urge them to take sustainability into consideration when doing business. Therefore, we have made efforts to further improve the quality of dialogues from a sustainability perspective by taking into account ESG factors such as greenhouse gas emissions in setting agenda items for dialogues.

Furthermore, as we reinforced the standards for exercising voting rights so that they were aligned with the revision of the Corporate Governance Code and the restructuring of the markets of Tokyo Stock Exchange, the number of companies that conflict with the standards increased. However, we did not determine whether to vote for or against the agenda items in a standardized manner, but instead held dialogues with the investees to talk about their situations and the likelihood of improvement before we exercised our voting rights.

To further enhance the effectiveness of its stewardship activities, we will make greater efforts toward the holding of careful dialogues that rely on the standards for exercising voting rights, based on a deep understanding of the management issues faced by investee companies, including from sustainability perspectives.

To this end, in addition to making systematic efforts to accumulate insight, we will continue our efforts to improve the ability of our personnel responsible for stewardship activities to analyze financial and non-financial information.