SPARX Group's Commitment to TCFD Recommendations (March 31, 2022)

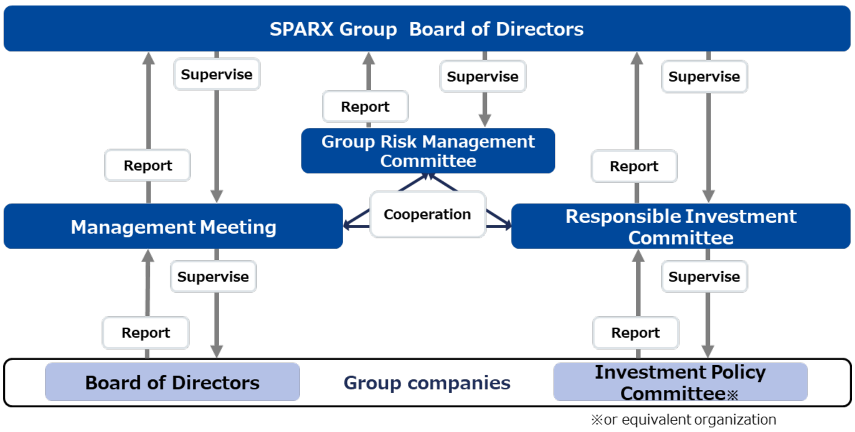
In January 2020, SPARX Group ("the Group) announced its agreement with the recommendations published by the Task Force on Climate-Related Financial Disclosures (TCFD) as part of its active involvement in realizing, through investment, a society in which human beings can coexist with the global environment.

The following is a report on the status of our efforts to meet the TCFD recommendations for FY2021 ended March 31, 2022 per its recommended disclosure categories of Governance, Strategy, Risk Management, and Metrics and Targets related to climate change-related risks and opportunities. We will continue to advance initiatives addressing climate change issues and disclose related information.

Governance

The Group formulated "Basic Sustainability Policy" and recognizes that addressing climate change and other sustainability-related issues is one of the most crucial aspect of management. Thus we have built a governance structure based on the Board of Directors and a Management Meeting. The Climate-related issues are discussed and resolved by the Board of Directors. They also debate and guide our basic sustainability policy and supervises the Management Meeting, which approves and decides on specific policies and promotion strategies concerning climate change at least annually and when otherwise necessary. The Board of Directors also verifies and discusses the progress of these specific policies and promotion strategies to ensure appropriate management and continuous improvement through the PDCA cycle. All C-suite executives (Group CEO, COO, CIO, CFO, and CMO) are on the Management Meeting. It meets at least once a month and promptly reports its activities to the Board of Directors. We have also established a Sustainability Planning division to facilitate specific discussions on sustainability management at the Management Meeting.

Corporate Governance Framework (figure1)



Strategy

The Group recognizes that maintaining a sustainable global ecosystem and environment is essential for the medium- to long-term management of client assets. In particular, the Group sees that as vital in addressing the problem of climate change.

Climate change creates related risks and opportunities, as it leads to socioeconomic changes associated with severe natural disasters due to rising average temperatures and the transition to a carbon-free society.

Opportunities include potential corporate revenue from technological innovations and market changes addressing climate change problems. The Group recognizes that supporting climate change solutions and the transition to a carbon-free society will lead to increased business opportunities.

Meanwhile, there are two types of risks: risks associated with acute or chronic physical damage caused by associated increases in natural disasters and extreme weather events (physical risks), and risks associated with the transition to a carbon-free society, including stricter climate-related regulations and decarbonization technology adoption responses (transition risks).

The Group assumes it will face physical risks from large-scale natural disasters. In response, it regularly reviews its BCP and bolsters its management systems to ensure business continuity. At the same time, we assume that the impact of natural disasters on the value of the Group's invested assets will be affected by the impact of the damage caused by natural disasters to our portfolio companies.

With regard to its transition risks, we assume the risk as the potential loss in value to the Group's invested assets due to significant impacts on our portfolio companies stemming from changes in policies, laws, and regulations associated with the transition to a carbon-free society.

The Group must also address these opportunities and risks related to climate change, both (1) those that directly impact the Group's business activities and (2) those that indirectly influence any asset manager as a result of their impact on financial markets and portfolio companies. Based on the TCFD's recommendations, the Group is working to understand the opportunities, physical risks, and transition risks from short-, medium-, and long-term perspectives. We will continue analyzing and verifying multiple scenarios to understand their impact, financial and otherwise.

Risk Management

The Group has created a Group Risk Management Committee to establish a basic risk management framework, identifying in advance expected individual risks and managing them appropriately. As a result, we manage the risks the Group faces and ensure its soundness and integrity. In principle, the Group Risk Management Committee meets once per quarter. It follows a risk management process to identify and appropriately manage potential expected risks and emergent material phenomena, recognize risks, and develop and implement countermeasures. It also reports to the Board of Directors each time it meets. The Board of Directors uses these reports to monitor risk locations and types, countermeasures and their implementation status, and the risk management status. With this information, the Board establishes an appropriate risk management approach for the Group's management circumstances and strategies.

We view the risk of climate-related issues as a factor affecting various risk areas rather than any specific, independent risk area. Therefore, we are managing the risk of climate-related issues for the entire Group by considering these issues alongside each ESG factor when assessing and evaluating the status of all risk categories in our risk management process. We will continue improving and strengthening our risk management system for climate change issues.

Metrics and Targets

The total Scope 1 and Scope 2*1 GHG emissions from the Group's business activities are approximately 132.77tCO2e (FY2021 results), the majority of which is from the electricity used in offices. The Group is committed to taking concrete steps toward carbon neutrality while embodying our efforts to decarbonization, aiming to achieve it by 2050. Specifically, we are targeting a 33% reduction in GHG emissions in FY2030 (compared to the FY2020 baseline) by introducing renewable energy electricity and other measures. Furthermore, the Group is monitoring its established metrics and targets to reduce climate-related risks and realize opportunities. The progress of these indicators is reported at least annually or as otherwise required to the Management Meeting and the Board of Directors.

The actual figures for GHG emissions with established indicators are shown below. We are in the process of calculating our Scope 3 emissions. We will continue to monitor and reduce our carbon output.

tCO2e

	FY2020	FY2021
Scope1（direct emission）	6.05	6.13
Scope2（indirect emission）	135.93	126.64
Total Compared to FY2020	141.98	132.77 ▲6.5%

［Calculation period］

FY2020：1 April 2020 ～ 31 March 2021

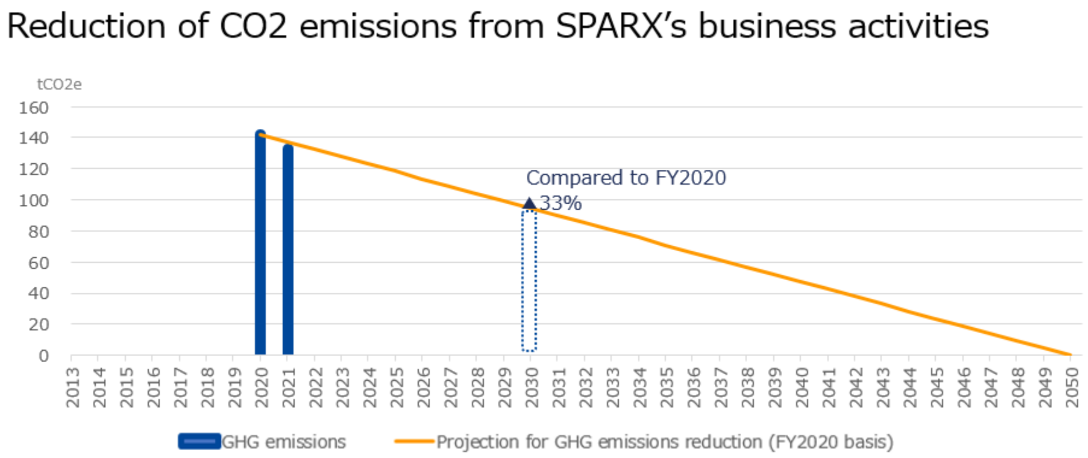
FY2021：1 April 2021 ～ 31 March 2022

［Calculation scope］

Including SPARX's domestic subsidiaries as well as Korea and Hong Kong offices ※2

*1 Scope 1: Direct emissions by SPARX Group; Scope 2: Indirect emissions associated with using electricity provided by third parties

*2 We use the emissions coefficients for each country where the offices are located.



Initiatives for TCFD Recommendations on Responsible Investment

Asset management companies within SPARX Group analyze its responses to climate change and assess its impact through the management of portfolio companies are described as follows.

Governance

The Group upholds its purpose of "to make the world wealthier, healthier, and happier (through investment)." We identify and manage apparent and latent risks and opportunities related to all client assets to realize this purpose. Furthermore, we have established a separate Responsible Investment Committee, chaired by the Group CIO, as an advisory body to our Board of Director in order to fulfill our responsibility for oversight and accountability for responsible investment.

The Responsible Investment Committee, which includes all full-time directors and Group executive officers, meets at least once a quarter and promptly reports its findings to the Board of Directors. In addition, we have established responsible investment promotion division to promote concrete discussions on the implementation of PRI (principles for responsible investment) in the Responsible Investment Committee

The Committee hears reports from the Group companies' investment policy committees (and equivalent organizations) on their responsible investment practices, approves changes to the Responsible Investment Policy and other policies, and endorses annual reports on responsible investing. Responsible Investment Committee meetings are attended by external advisor who provide independent advice on the reports and deliberations while sharing their thoughts on the latest trends in responsible investing.

*Please refer to figure 1 for Corporate Governance Framework

Strategy

To resolve climate change, we must encourage portfolio companies to incorporate and address climate change-related risks and opportunities in their medium- to long-term business strategies. As an asset manager, we have asked S&P Global to conduct scenario analysis on the portfolios of listed equity investment strategy as well as listed alternative equities investment strategy, which account for most of our assets under management as of December 31, 2021. Our implemented analysis aimed to uncover the impact of climate change-related risks and opportunities on our clients' asset portfolios.

The Group's AUM by Investment Strategy as of December-end 2021 are as followed:

(Unit : 100 million JPY)

Japanese Equity	11,326

OneAsia	1,180
Real Assets	2,543
Private Equity	1,457
Total	16,507

※【Listed equity investment strategy and listed alternative equities investment strategy】 are the sum of “Japanese Equity” and “OneAsia” shown above.

※【Private equity investment strategy (Mirai Creation Funds)】has AUM of 113.2 billion JPY out of the above figure shown under “Private Equity.”

▶Compliance with well below 2 °C target: Evaluating transitions away from greenhouse gases

We evaluated the Group’s management of client assets for compliance with international targets for combating global warming based on a transitionary approach for listed equity investment strategy and listed alternative equities investment strategy portfolios and benchmarks. The use of S&P Global transitions away from greenhouse gases assessment allows us to measure the degree of alignment with well below 2°C target in the portfolio. In this evaluation, both past results and expected future emissions (medium-term) are subject to the evaluation, and verify whether emission reductions over time at the portfolio company are at an appropriate level in line with the global warming prevention target. The results rated our managed client asset portfolios of both listed equity investment strategy and listed alternative equities investment strategy as keeping global warming to less than 1.75 °C. The main limitation in this calculation was that data coverage was approximately 25% for the portfolio and 56% for the benchmark due to companies that did not disclose historical data. As a result, our rating does not include all holdings. As data coverage increases, our future portfolio ratings may differ from their current figures.

▶Transition risks

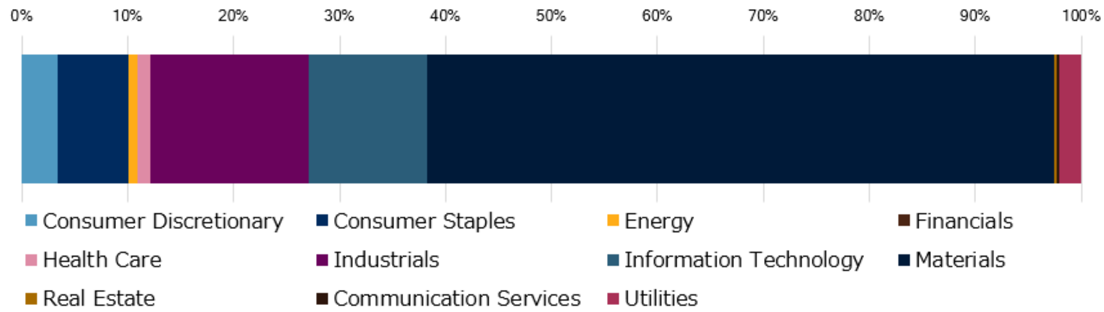
We assessed the financial impact of climate-related risks (e.g., the economic impact of future carbon prices) on listed equity investment strategy and listed alternative equities investment strategy portfolios.

Many of the estimated future carbon-cost (unpriced Cost of Carbon: UCC) allocations in the listed equity investment strategy and listed alternative equities investment strategy came from the materials sector. By region, the majority share of UCCs was in South Korea. This fact means that the portfolio companies of such strategies are most affected to risks associated with changes to climate-related policies that potentially result in higher carbon costs in South Korea.

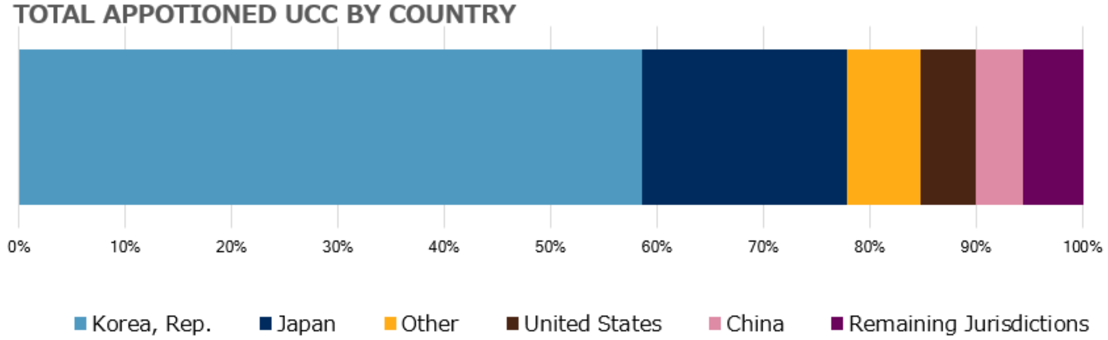
The weighted average EBITDA-at-risk was approximately 8.99% which is an indicator of the current capacity of portfolio companies to pay UCCs in the future, while the benchmark was 8.48% in which approximately 8.99% on a portfolio-weighted basis in 2030 under the High Scenario

*Scenario to be consistent with the Paris Agreement and to limit the temperature rise to well below 2°C by year 2100.

TOTAL APPOTIONED UCC BY SECTOR



TOTAL APPOTIONED UCC BY COUNTRY

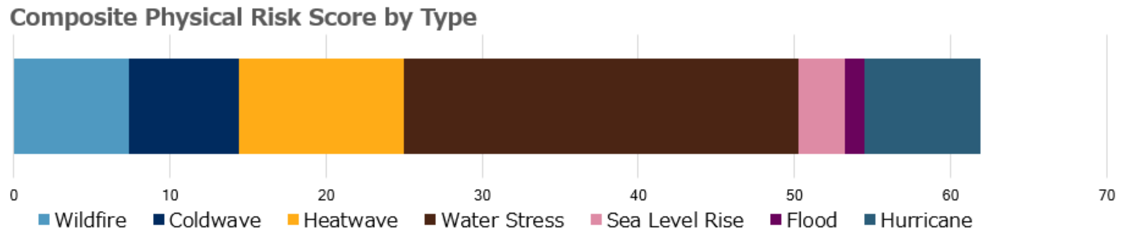


Source: Prepared by SPARX based on the S&P Global Data

▶Physical risks

We assessed the physical climate-related risks of listed equity investment strategy and listed alternative equities investment strategy portfolios based on the highest scenario* as of 2050. We rated sensitivities to seven hazard types: water stress, wildfires, floods, heat waves, cold waves, hurricanes, and rising sea levels. Sensitivities to water stress and heat waves were the highest among the hazard types.

*Scenario to be consistent with the Paris Agreement and to limit the temperature rise to well below 2°C by year 2100.



Source: Prepared by SPARX based on the S&P Global Data

We recognize the importance of such scenario analytics, especially in our engagement process. As such, we are using more detailed data for our research activities. For physical risks, we intend to analyze scenarios of rising sea levels, floods, typhoons, and access to water, as we monitor existing risk assessments and future improvements. For transition risks, besides our ongoing GHG emission monitoring, we are also examining the impacts on business and investment returns of scenarios involving carbon price changes. Due to the needed data improvements and many uncertainties, including portfolio company strategies and carbon price trends, we plan to continuously make our scenario analytics as realistic as possible by investigating reliable data and watching trends in other research.

Risk Management

The Group emphasize qualitative corporate evaluations in researching and analyzing portfolio companies and making investment decisions. In researching individual companies, we estimate expected investment returns and ESG-related opportunities and risks. For climate change specifically, we have a system that allows us to use external data vendors alongside qualitative assessments of portfolio company physical and transition risks. We also monitor trends in external vendors' risk ratings and new methodologies.

Metrics and Targets

As an investment company and a corporation, the Group supports the long-term goals of the Paris Agreement. It is committed to taking proactive steps to limit the rise in average global temperatures. Our goal is for all of our portfolio companies and projects to become net neutral in greenhouse gas emissions by 2050.

We calculated the TCFD's recommended disclosure requirements of carbon footprint (the equivalent CO2 resulting from business activities) and weighted average carbon intensity (WACI) for listed equity investment strategy and listed alternative equities investment strategy, as of December 31, 2021 as below.

▶Listed Equity Investment Strategy and Listed Alternative Equities Investment Strategy portfolios

tCO2e

	Total for Scope1・Scope2
Carbon Footprint	1,201,434

tCO2e/1M US$

	Total for Scope1・Scope2
WACI	167.07

For both the carbon footprint and WACI calculations above, we used S&P Global data to calculate GHG emissions based on portfolio company disclosures or a proprietary approach using modeling in the absence of available information. We calculate Scope 1 and Scope 2 emissions with this tool.

For the Group's assets under management, our policy is to actively utilize GHG emission ratings and external evaluation organization assessments to supplement our analytics. However, due to differences in data reliability and evaluation methods, we do not compare figures, instead preferring to continuously monitor data and consider their future use options.

▶ Targets by individual strategy among managed client assets
(The Listed Equity Investment Strategy and Listed Alternative Equities Investment Strategy)
This investment strategy supports the long-term goals of the Paris Agreement and is committed to taking proactive steps to limit the rise in average global temperatures. Therefore, our goal is for all of our portfolio companies and projects to become net neutral in greenhouse gas emissions by 2050.
To achieve this goal, we believe it ideal for our portfolio companies to formulate and implement greenhouse gas reduction plans that comply with the Paris Agreement.
However, as part of this process, we must support companies likely to implement future reductions rather than investing only in companies that already have low emissions or are reducing their carbon output per the Paris Agreement
Thus, our immediate goal is that by 2025, at least 50% of our portfolio should be

companies that have expressed support for the TCFD and are implementing emission reduction plans. Therefore, we would also like to encourage as many companies as possible to endorse them.

(Private Equity Investment Strategy (Mirai Creation Funds)

This investment strategy supports the long-term goals of the Paris Agreement and is committed to taking proactive steps to limit the rise in average global temperatures. Our goal is for all of our portfolio companies and projects to become net neutral in greenhouse gas emissions by 2050. In the process, this strategy investment managers will guide our portfolio companies toward endorsing the TCFD. As guides, our managers participate in discussions on assessing climate-related risks and opportunities and their financial implications. These discussions maximize portfolio company commitment to financial disclosure on climate change before issuing their IPOs.

<Reference>

The Group is actively committed, through its business, to activities that mitigate the negative aspects and enhance the positive aspects of humanity’s impact on the environment, including corporate and consumer behavior.

In particular, we have contributed to realizing carbon neutrality, an important issue, by building and operating renewable energy power generation facilities using the framework of investment funds. We will continue to address global environmental issues through our investment management services.

Our annual contribution to CO_2 emission reductions through managing client assets and the Group’s renewable energy business was approximately 254,207t-CO_2e*.

*Calculation scope and method for emission reduction contributions through renewable energy businesses

Calculation period: 1 January 2021–31 December 2021

Calculation scope: Power plants (solar, biomass, and wind) operating during the calculation period

Emission coefficient: 0.000453 t-CO_2/kWh

When calculating annual CO_2 emission reductions through renewable energy businesses, we generally use the emission coefficient published as an alternative value in the System for Calculating, Reporting, and Publishing Greenhouse Gas Emissions in the Act on Promoting Global Warming Countermeasures.