

In January 2020, SPARX Group Co., Ltd. (hereinafter referred to as the “Company”, and together with its group companies collectively as 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 FY2025, which ended on March 31, 2026 per its recommended disclosure categories of Governance, Strategy, Risk Management, and Metrics and Targets linked to climate change-related risks and opportunities.

Governance

The Group has formulated a Basic Sustainability Policy based on its recognition that addressing climate change and other sustainability-related issues is one of the most crucial aspects of management. Thus, we have built a governance structure based on the Board of Directors Meeting and the SPARX Group Management Meeting. The Board of Directors debates and decides on the climate change issues related to this basic policy and supervises the Management Meeting, the central decision-making body for day-to-day corporate operations. The Management Meeting discusses and decides on specific sustainability policies and promotion strategies at least annually and when otherwise necessary and reports its activities to the Board.

The Board of Directors, consisting mostly of outside 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. The Management Meeting, which includes all full-time Directors and Group Executive Officers at the core of corporate operations, meets at least once a month and promptly reports its activities to the Board of Directors. We have also established a Sustainability Planning department to facilitate specific discussions on sustainability management at the Management Meeting.

Corporate Governance Framework (Figure 1)

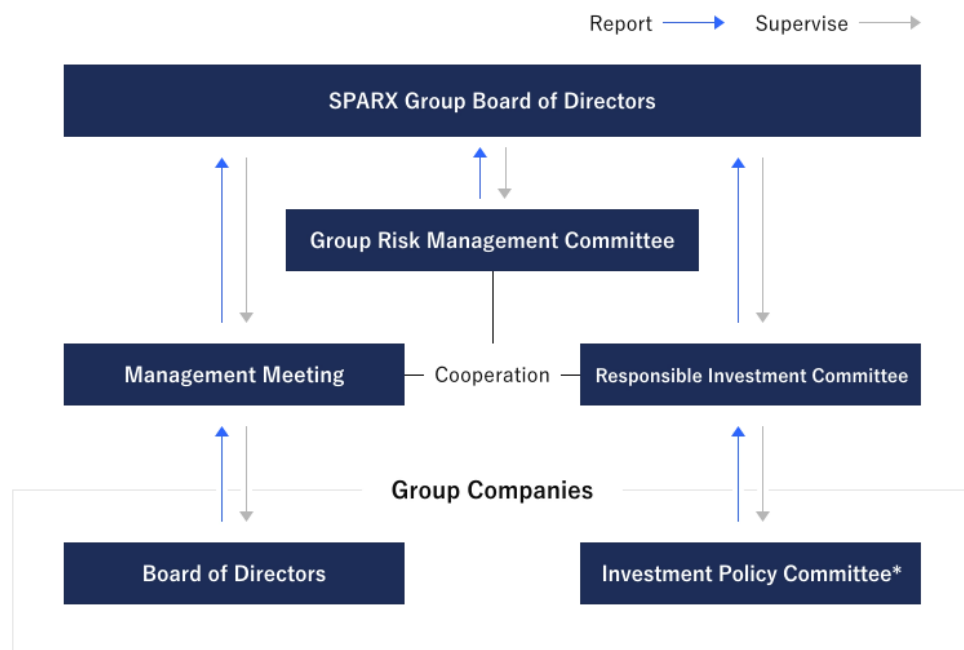


Figure 1

* Or Equivalent Organization

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 climate change issues as vital in achieving this objective.

Climate change presents associated risks and opportunities due to the severe natural disasters caused by rising average temperatures and the socioeconomic changes brought about by the shift to a carbon-free society.

There are two types of risks: physical risks can be acute—caused by increases in natural disasters and extreme weather events—or chronic—stemming from rising average temperatures; and transition risks result from stricter regulations meant to eliminate society's carbon dependence and responses to adopting decarbonization technology.

Opportunities include potential corporate revenue from technological innovations and market changes addressing climate change problems. The Group supports and promotes solutions addressing climate change and the transition to a carbon-free society by providing new investment products, leading to more business opportunities and helping achieve a sustainable environment and society.

Based on the TCFD's recommendations, the Group is working, as shown below, to understand the opportunities, physical risks, and transition risks from short-, medium-,

and long-term perspectives. The direct impact of climate change on the Group as an investment company should be less significant than in other industries. However, we will examine these assumptions by analyzing multiple scenarios to understand more specific financial and other effects. To prepare for physical risks from large-scale natural disasters, the Group regularly reviews its BCP and bolsters its management systems to maintain business continuity.

<Climate-Related Risks>

Types of risks		Specific risks	Expected significant impact	Expected period
Transition Risks	Policy and Legal	• Rising GHG emission prices (carbon taxes) • Tighter emissions reporting requirements	• Negative impact on earnings due to increased costs associated with system changes and tighter regulations	Medium to long term
	Technology	• Delayed response to changes in industrial structure due to rapid technological innovation	• Negative impact on earnings due to missed opportunities to offer new investment products that capture changes in industrial structure	Medium to long term
	Markets	• Changing investor preferences	• Negative impact on earnings due to missed opportunities to offer investment products apropos of changing investor preferences	Medium to long term

	Reputation	Increased reputational risk due to a lack of effort in addressing climate change	- Negative impact on earnings due to reduced business opportunities stemming from a damaged reputation - Increased financing costs due to a damaged reputation	Short to medium term
Physical Risks	Acute/chronic	- More disasters, including torrential rains and massive typhoons - Increased disaster severity due to higher average temperatures and rising sea levels	- Negative impact on earnings due to restricted business activities caused by damage to the Group offices or employees - Negative impact on earnings due to increased costs, including disaster countermeasures, repairs, or restorations	Medium to long term

[Expected periods]

Short term: 0–3 years, medium term: 3–10 years, long term: 10–30 years

<Opportunities from Climate Change>

When considering measures to address the above climate-related risks, we can redefine them as business opportunities and tie them to ideas for investment strategies. For instance, the risk of a “delayed response to changes in industrial structure due to rapid technological innovation” would become “finding investment opportunities in companies that possess technologies that will bring about rapid changes in the industrial structure

and incorporating them into investment strategies.”

Risk Management

The Group has instituted its Basic Group Risk Management Rules to establish an essential risk management framework, identifying in advance expected individual risks and managing them appropriately. As a result, we address the Group’s risks and ensure its soundness and integrity.

Moreover, the SPARX Group Board of Directors has established a Group Risk Management Committee to review and deliberate on corporate and Group risk management matters. The Group Risk Management Committee includes all full-time Directors and Group Executive Officers at the core of corporate operations and meets once a quarter as a general rule. The Group Risk Management Committee follows the risk management process stipulated in the Basic Group Risk Management Rules to identify potential expected risks and emergent material phenomena, recognize and assess risks, develop and implement countermeasures, and monitor how these countermeasures work.

The Group Risk Management Committee also reports its minutes to the Board of Directors in a timely manner. The Board of Directors, consisting mostly of outside directors, monitors risk locations, types, countermeasures, and their implementation and supervises the risk management process. In this role, the Board establishes and continually improves an appropriate risk management approach for the Group’s management circumstances and strategies.

Currently, the Group manages climate-related risks not as a risk category set and governed under the Basic Group Risk Management Rules but as a factor with a potential general impact on all risk categories. We will continue improving and strengthening our risk management approach to climate change issues.

Metrics and Targets

The Group aims to achieve carbon neutrality by 2050, and promotes initiatives toward realizing a carbon-free society. Toward our goal of reducing climate-related risks and creating opportunities, we have set greenhouse gas (“GHG”) emissions as a key metric, established specific reduction targets, and continuously monitor the status of their achievement. All Group companies report their progress in these metrics and targets to the Management Meeting and the Board of Directors at least annually or as otherwise required.

The GHG emissions associated with the Group’s business activities in FY2025 (the

total*1 of Scope 1 and Scope 2) were approximately 88.59 tCO₂e, a 37.6% decrease from FY2020. The main factor behind this decrease is the reduction effects achieved by switching to electricity derived from renewable energy sources with non-fossil certificates at buildings occupied by all our domestic Group companies since September 2022.

However, since November 2024, GHG emissions in Scope 2 have increased due to the impact of the increase in office space required for our business growth. The Group has set an interim target of a 33% reduction in GHG emissions by FY2030 (compared to FY2020), and this target has already been achieved. Taking into account the expansion of our business scale, we will continue to consider and implement initiatives to achieve further reductions in emissions.

In addition to Scope 1 and Scope 2, to better identify the climate change-related risks and opportunities across the entire supply chain, we also continue to calculate and monitor the GHG emissions (Scope 3) using the Ministry of the Environment's Green Value Chain Platform and other tools. In particular, as a financial institution, we recognize Category 15: Investments and Loans in Scope 3 as an important metric for identifying climate change-related risks and opportunities, and we are preparing data to calculate GHG emissions (Financed Emissions) through investments and loans based on the PCAF*2 method.

Scope 1 & Scope 2

	tCO ₂ e			
	FY2020	FY2023	FY2024	FY2025
Scope 1 (direct emissions)	6.05	5.30	4.13	4.13
Scope 2 (indirect emissions) *3	135.93	75.66	82.54	84.47
Scope 1 & Scope 2 Total	141.98	80.96	86.67	88.59
Reduction Results (Compared to FY2020 baseline)	-	43.0%	39.0%	37.6%
Reduction Results (Compared to previous year)	-	26.3%	+7.1%	+2.2%

Scope3

		tCO ₂ e		
	Category	FY2023	FY2024	FY2025
Scope 3	Category 1 (Purchased Goods and Services)	4.23	3.98	4.07

Scope 3	Category 2 (Capital Goods)	124.47	1,467.81	280.48
Scope 3	Category 5 (Waste Generated in Operations)	0.36	0.54	0.39
Scope 3	Category 6 (Business Travel)	822.59	1,115.39	1,005.37
Scope 3	Category 7 (Employee Commuting)	54.36	56.35	56.21

[Calculation period]

Each period: from April 1 to March 31 in the following year

[Calculation scope]

Scope 1 + Scope 2: All domestic Group companies*4 (excluding SPARX Tomakomai Green Hydrogen Production Plant*5), SPARX Asset Management Korea Co., Ltd.*6, SPARX Asia Investment Advisors Limited*6

Scope 3: All domestic Group companies*4 (excluding SPARX Tomakomai Green Hydrogen Production Plant for Categories 1, 5, and 6*5)

[Calculation Methods]

Our Scope 3 calculation method and emission figures are based on the “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.8” and “Emission Unit Value Database for Accounting of Greenhouse Gas Emissions by Organizations Throughout the Supply Chain Ver 3.6” from the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

Category 1: Calculated by multiplying the cost of copy paper purchased by all domestic Group companies*4 by the emission unit values

Category 2: Calculated by multiplying the value of fixed assets acquired by all domestic Group companies*4 in the relevant fiscal year by the emission unit values

Category 5: Calculated by multiplying the waste generated by all domestic Group companies*4 by the emission unit values by waste type and disposal method

Category 6: Calculated based on the amount of domestic and international business travel by all domestic Group companies*4 (multiplied the cost for using airlines, rail, buses, and taxis by the emission unit values)

Category 7: Calculated from the yearly total of the monthly commuting expenses of employees of all domestic Group companies*4 at the end of the relevant fiscal year (multiplied the cost of using rail and buses by the emission unit values)

*1 GHG emissions calculation criteria are Scope 1 (direct emissions) + Scope 2 (indirect emissions) based on the GHG Protocol.

*2 Partnership for Carbon Accounting Financials

*3 Scope 2 is the results of the market-based method.

*4 All domestic Group companies since FY2024 are as below:

SPARX Group Co., Ltd.

SPARX Asset Management Co., Ltd.

SPARX Green Energy & Technology Co., Ltd.

SPARX Asset Trust & Management Co., Ltd.

SPARX Investment Co., Ltd.

All domestic Group companies in and before FY2023 are as below:

SPARX Group Co., Ltd.

SPARX Asset Management Co., Ltd.

SPARX Green Energy & Technology Co., Ltd.

SPARX Asset Trust & Management Co., Ltd.

SPARX Investment Co., Ltd.

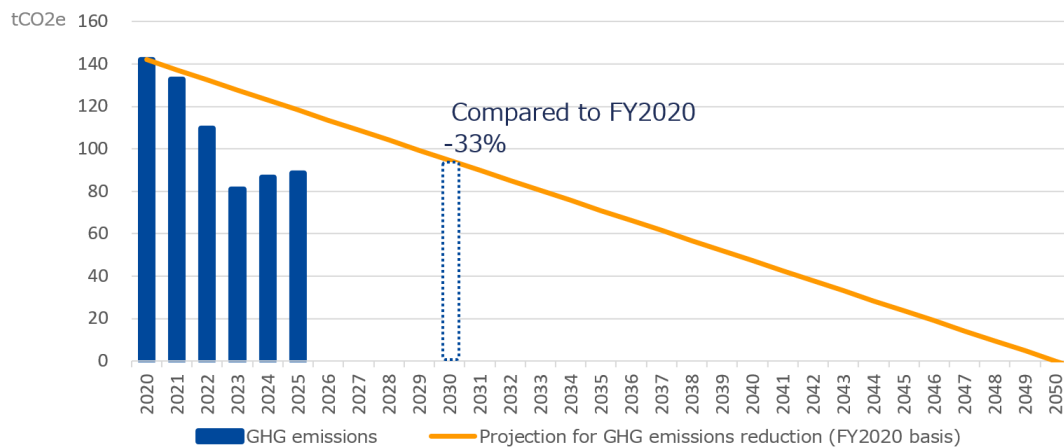
SPARX Innovation for Future Co., Ltd.

In April 2025, SPARX AI & Technologies Investment Co., Ltd. changed its name to SPARX Investment Co., Ltd. In April 2024, SPARX Innovation for Future Co., Ltd. was dissolved.

*5 As the SPARX Tomakomai Green Hydrogen Production Plant, which started operations in March 2025, is a demonstration project implemented under contract from the Ministry of the Environment, it is not currently included in the scope of GHG emissions calculations. We will consider its inclusion in future calculations based on the status of the project's progress, prospects for commercialization and other factors.

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

Reduction of CO2 emissions from SPARX's business activities



Disclosure Based on TCFD Recommendations on Responsible Investment

The following describes the portfolio management efforts of asset management companies within the Group to analyze and assess the impact of their portfolio companies' response to climate change.

Governance

The Group upholds its purpose "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 the Board of Directors of SPARX Group 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 the Responsible Investment Promotion department 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 (or equivalent organizations) on their responsible investment practices, including how they address climate-related risks and opportunities and respect of human rights. It also endorses annual reports on responsible investing and approves changes to provisions on handling climate-related risks and opportunities and respecting human rights in the Responsible Investment Policy and other policies.

Responsible Investment Committee meetings are attended by external advisors who provide independent advice on the reports and deliberations while sharing their thoughts on the latest trends in responsible investing.

In FY2025, the Responsible Investment Committee met five times, during which it heard reports on responsible investment practices from all Group investment policy committees, reviewed the Responsible Investment Policy, and approved the annual report.

*Please refer to figure 1 for Corporate Governance Framework

Strategy

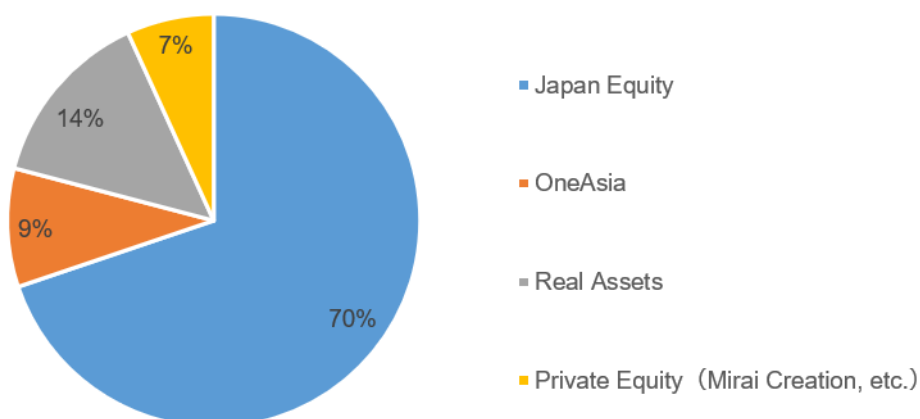
To resolve climate change, we must encourage portfolio companies to incorporate and address climate change-related risks and opportunities in their medium- to long-term business strategies. As an asset manager, we have asked S&P Global to conduct scenario analysis of the portfolios of the Listed Equity Investment strategy as well as

listed alternative equities investment strategy¹, which account for most of our assets under management as of December 31, 2025. The analysis aims 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 31, 2025 are as follows:

(Units : 100 million JPY)

Japanese Equity	15,592
OneAsia	2,071
Real Assets	3,146
Private Equity ² (Mirai Creation Funds, other)	1,525
Total	22,336



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

We evaluated the portfolios and benchmarks of our Listed Equity and Alternative Equity Investment Strategies³ for their compliance with international targets for combating global warming based on a transitional approach. We used S&P Global's assessment on pathways to net-zero emissions to determine how well our portfolios aligned with the Paris Agreement target of well below 2°C.

¹ "Listed Equity Investment Strategy" and "Listed Alternative Equity Investment Strategy" are the sum of "Japanese Equity" and "OneAsia" shown above, amounting to JPY 1,766.4 billion.

² Our Private Equity Investment Strategy (Mirai Creation Funds) represents JPY115.3 billion of the Private Equity shown in the table.

³ The Listed Equity and Alternative Equity Investment Strategy benchmarks are a composite of TOPIX, KOSPI, and MSCI Asia ex Japan indices, weighted by the assets under management in the corresponding markets.

In this evaluation, we look at past performance and future (medium-term) forecasted emissions to verify whether our portfolio companies' emission reductions over time are at an appropriate level in line with the global warming prevention targets. Following on from last year, we concluded that the portfolios of our Listed Equity Investment and Listed Alternative Equity Investment Strategies once again fell between 2°C and 3°C, while their benchmarks were assessed to be at a level between 2°C and below 3°C⁴. Going forward, we will internally examine how the Group can align its portfolios to a level well below 2°C.

► Transition risks

The TCFD classifies climate-related risks into two categories: transition risks and physical risks. Transition risks are related to the move toward a carbon-free economy, while physical risks are related to the physical impact of climate change.

We assessed the financial impact of climate-related risks (e.g., the economic impact of future carbon prices) on our Listed Equity Investment and Listed Alternative Equity Investment Strategy portfolios.

The estimated future unpriced cost of carbon (UCC) borne by the portfolios of the Listed Equity Investment and Listed Alternative Equity Investment Strategies is higher in Japan by region, and in Industrials, Materials, Consumer Staples by sector. Therefore, these strategies' portfolios will likely see the most significant impact from the risk of climate-related policy changes that result in higher carbon costs in Japan. The EBITDA-at-risk, representing the current ability of portfolio companies to cover their future carbon costs, was approximately 4.54% of the portfolio-weighted average basis in 2030 based on the high-risk scenario⁵, while the benchmark was about 8.33%.

⁴ There was no significant change in data coverage in the comparison between the results of last year's and this year's analyses of alignment with the target of under 2°C (see below for details). However, the companies within the benchmark that have relatively large market capitalization had made progress in their data disclosure, so the analyses used fewer estimates from S&P Global and more disclosed data from the companies themselves. This shift is likely one of the primary factors for improved alignment with the benchmark's target of under 2°C.

Coverage	2024		2025	
	Portfolio	Benchmark	Portfolio	Benchmark
Carbon Performance	100%	100%	100%	100%
Paris Agreement Compliance	96%	99%	98%	99%
Scenario Analysis - Carbon Pricing	100%	100%	100%	100%
Scenario Analysis - Physical Risk	100%	100%	100%	100%

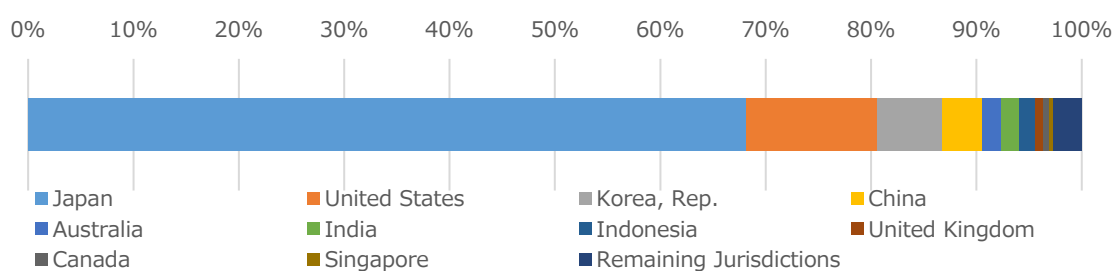
⁵ The scenario with the temperature rise limited to well below 2°C by 2100 is consistent with the Paris Agreement and is based on OECD and IEA studies

Focusing on the percentage of portfolio companies at risk of a 10% or greater decline in EBITDA, we continued to build on the progress made the previous year, with 7.58% for the portfolios and 11.43% for the benchmark in 2025, compared to 10.68% and 12.64%, respectively, in 2024.

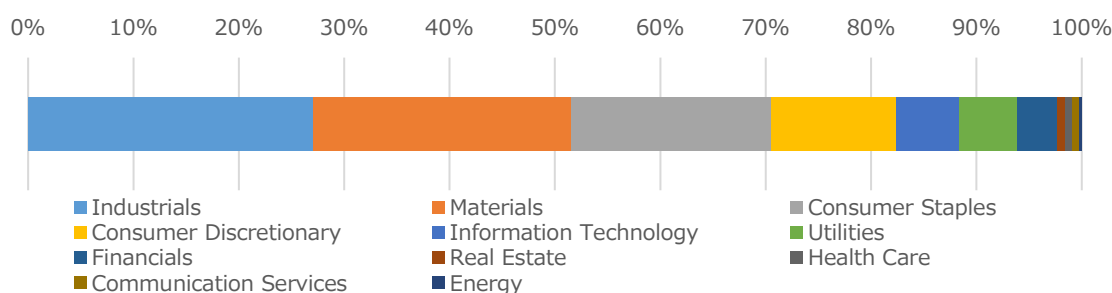
EBITDA at Risk

	2024		2025	
	Portfolio	Benchmark	Portfolio	Benchmark
EBITDA at Risk	6.56%	11.07%	4.54%	8.33%
Weight > 10% at Risk	10.68%	12.64%	7.58%	11.43%

Breakdown of UCC by Country



Breakdown of UCC by Sector

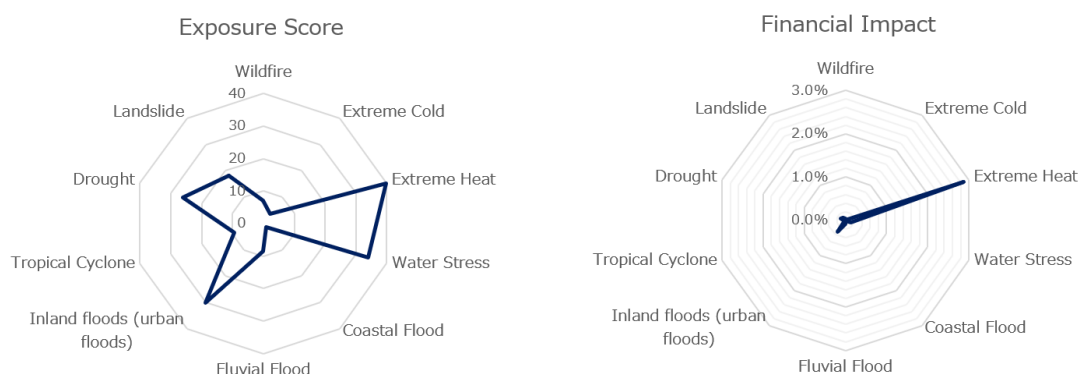


► Physical risks

We assessed the physical risks for our Listed Equity Investment and Listed Alternative Equity Investment Strategy portfolios based on moderate-to-high-risk scenarios for 2050⁶. Of the ten hazard types (wildfires, extreme cold, extreme heat, water stress,

⁶ The scenario with a temperature increase of 2.8–4.6°C by 2100 corresponds to a Shared Socioeconomic Pathway (SSP) score of 3 and a Representative Concentration Pathway (RCP) score of 7.0. Exposure scores are expressed on a

coastal floods, fluvial floods, inland floods (urban floods), tropical cyclones, droughts, and landslides), extreme heat had the highest exposure score. Extreme heat also had the highest financial impact.



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

Risk Management

In researching and analyzing portfolio companies and making investment decisions, the Group emphasizes the qualitative evaluation of companies through bottom-up research. “Bottom-up research” refers to our qualitative evaluation of ESG-related opportunities and risks, alongside our estimates of expected investment returns.

Moreover, the Group is working to develop a framework that enables it to encourage portfolio companies to promote climate change-related initiatives, while utilizing climate change-related data from external vendors in selecting and engaging with partners.

We reference climate change-related data from external vendors for the Listed Equity and Alternative Equity Investment Strategy portfolios. For each portfolio and benchmark (or reference index), we measure the carbon footprint (the CO₂ equivalent of greenhouse gas emissions resulting from business activities) and weighted average carbon intensity (WACI). We then report these figures to the Investment Policy Committee and our engagement numbers to the Responsible Investment Committee every quarter.⁷

Metrics and Targets

Both as an investment company and as a corporation, SPARX Group supports the long-term goals of the Paris Agreement and is committed to taking proactive steps to limit the

scale of 1 to 100, where 100 represents the maximum possible risk, and 1 is the minimum possible risk. The financial impact is expressed as a percentage (%) of the asset value of possible losses (e.g., capital expenditures, operating expenses, business interruption) that may occur due to climate change.

⁷ We began reporting our engagement numbers to the Responsible Investment Committee in January 2023

rise in average global temperatures. As an investment company, SPARX Group will continue to support all our portfolio companies and investments in setting a goal of achieving net-zero GHG emissions by 2050 by advancing related initiatives.

Below are our calculations for the TCFD's recommended disclosure requirements of carbon footprint (the equivalent CO₂ resulting from business activities) and weighted average carbon intensity (WACI) for our Listed Equity Investment and Listed Alternative Equity Investment Strategy portfolios as of December 31, 2025.

	2024	2025
Carbon Footprint	349,189 tCO ₂ e	353,296 tCO ₂ e
WACI	57.57 tCO ₂ e/million USD	57.35 tCO ₂ e/million USD

For both the carbon footprint and WACI calculations above, we use S&P Global's data to calculate GHG emissions based on portfolio company disclosures or, in the absence of usable information, a proprietary approach using modeling. We calculate Scope 1 and Scope 2 emissions with this approach. Our policy for the Group's assets under management is to actively utilize GHG emission ratings and assessments from external evaluation organizations 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.

Although the portfolios' carbon footprint has increased with the approximately 19.3% increase in assets under management, we have maintained weighted average carbon intensity (WACI) at last year's level, evidencing the contribution of our stock selections.

► Targets by individual strategy among managed client assets

[The Listed Equity Investment Strategy and Listed Alternative Equities Investment Strategies]

These investment strategies reflect our support for the long-term goals of the Paris Agreement and our commitment to taking proactive steps to limit the rise in average global temperatures. Therefore, we will help all our portfolio companies set the goal of achieving net-zero GHG emissions by 2050 and advance related initiatives toward this goal.

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 that are likely to implement future reductions rather than investing only in companies that already have low emissions

or that are already reducing their carbon output per the Paris Agreement.

Thus, we have set an interim target of having at least 40%⁸ of the portfolio companies in all funds under the Japanese Equity Investment Strategy⁹ declare their commitment to the net-zero goal by 2030, and we will help them to progress their efforts toward this goal.

The actual performance as of December 2025 against the target is as follows.

2030 Target	Net-zero declaration rate of 40% or higher for all funds in the Japanese Equity Investment Strategy
2024 Performance* ¹⁰	62.16% of funds (based on the number of funds) with a net zero declaration rate of 40% or higher
2025 Performance	69.77% of funds (based on the number of funds) with a net zero declaration rate of 40% or higher

With these investment strategies, we will support, through dialogue, the formulation and execution of greenhouse gas emissions reduction plans in line with the Paris Agreement by long-term investee companies. A major example of dialogue in 2025 is presented below.

In this investment strategy, we engaged in dialogue with Company A, with the aim of encouraging the enhancement of climate-related disclosures, including a GHG reduction roadmap. Company A is an engineering firm that provides environment-related plants and systems, primarily for water treatment and sludge treatment. Given the nature of its business supporting social infrastructure, it is required to balance business growth with environmental responsibility. Company A makes climate-related disclosures in line with the TCFD Recommendations.

With the increase in the number of companies included in the scope of calculation of greenhouse gas emissions in recent years, we focused on the large increase in Company A's emissions, and confirmed the factors behind that increase and its roadmap for reducing emissions over the medium to long term.

Through this dialogue, Company A highlighted several challenges, including difficulties in obtaining and calculating emissions data given the business's primary focus on local-

⁸ We first calculate the proportion of stocks held (based on the number of portfolio companies) in each fund that have announced net-zero targets (e.g., Net Zero or Carbon Neutral). We then count the number of funds for which this proportion is 40% or higher and divide that number by the total number of funds to obtain this metric

⁹ The strategy of investing in Japanese equities within the Listed Equity Investment and Listed Alternative Equity Investment Strategies.

¹⁰ Data for companies that have declared a net-zero target refer to those as of March 31, 2025.

government projects. Another challenge that they raised was the possibility that absolute GHG emissions could increase in its business growth phase as next-generation sludge treatment systems are introduced. In response, as a means of assessing and explaining its efforts to achieve both business growth and decarbonization, we proposed enhancing the company's disclosures, including the use of carbon intensity metrics. Company A expressed a positive attitude toward this proposal.

We will continue with constructive dialogue and support Company A's climate change responses and the creation of its long-term corporate value.

[Private Equity Investment Strategy (Mirai Creation Funds)]

While the sustainability of the global environment is a major risk factor, on the other hand, it is also a business opportunity for start-up companies. In these investment strategies, we discover, invest in, and support start-up companies from the perspective of solving a wide range of environmental issues. They include initiatives for the reduction of greenhouse gas emissions such as curbing energy consumption through efficiency improvements and the introduction of smart technologies in society as a whole and the use of hydrogen, and the development of new materials that will provide clues to the prevention of resource depletion.

We also analyze whether or not the start-up companies themselves have the ability to identify and control their own direct and indirect impacts on the environment or whether or not their executives have an environmental protection mindset.

These investment strategies reflect our support for the long-term goals of the Paris Agreement and our commitment to taking proactive steps to limit the rise in average global temperatures. The Group will continue to support all our portfolio companies and investments in setting the goal of achieving net-zero GHG emissions by 2050 by advancing related initiatives. In the process, the managers of these investment strategies will guide our portfolio companies in the financial and non-financial disclosures of their climate change responses. Presented below is a major example of these investment strategies acting as a guide for participation 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.

Company B is working to reduce greenhouse gas (GHG) emissions and generate J-Credits through improved management of livestock waste. The dairy industry is expected to face increased scrutiny from environmental groups in the future, so our investment strategy encouraged Company B to be aware of these risks and consider measures and

to address them before going public. In addition to the management team, we also consulted with outside directors to raise awareness of the risks and opportunities. The company continues to engage in discussions on this matter in anticipation of a future listing. We will continue to propose measures to address environmental issues, including the provision of clear and transparent disclosure with CO₂ emission visualizations.

Company C develops and manufactures chemicals used for gas adsorption and catalytic applications. Its strength lies in its ability to produce these chemicals at low cost while reducing its environmental impact. The investment strategy engaged Company C to discuss how it would calculate the CO₂ emissions associated with the production of these chemicals. An issue of particular importance was how to estimate the amount of electricity used at its production facilities. The company was making positive efforts to visualize emissions, but it faced the challenge of selecting a cost-effective method with limited resources. We proposed a simple and practical estimation method that considered Company C's current business scale and viability, while also referencing precedents from major companies. Our proposal helped the company move forward with a reasonable climate change response from the outset. We have confirmed that the company continues to use the estimation method we supported for its emissions calculations. The investment strategy will continue to monitor and engage with Company C.

Column

The Group is committed to reducing the negative environmental impacts of its corporate activities while expanding positive impacts and promotes initiatives to address environmental challenges through its business operations. In particular, as part of our efforts to achieve carbon neutrality, one of our key management priorities, the Group is advancing investments in renewable energy-related projects through fund structures.

As part of these efforts, the Group has established the "SPARX Battery Storage Fund," which primarily invests in merchant battery energy storage facilities (market-based battery storage operations) as a next-generation infrastructure solution to address challenges associated with the increasing adoption of renewable energy, including power grid instability and output curtailment (suspension of power generation). Through flexible charging and discharging operations in response to electricity supply and demand conditions, the Fund seeks to capture revenue opportunities in the balancing market, wholesale electricity market, and capacity market.

We position this Fund as an initiative that contributes both to the realization of a carbon-neutral society and to the stable supply of electricity.

Going forward, the Group will further strengthen its response to climate change issues through our investment management services and, through its initiatives toward realizing a decarbonized society, contribute to reducing environmental impact and solving social issues.