Polaris Capital Group Co., Ltd.

TCFD REPORT 2024

Contents

CEO Message

CEO

Yuji Kimura

Since its establishment in 2004, Polaris Capital Group Co., Ltd. has consistently operated under the basic philosophy that “We, Polaris, have the mission to contribute to the growth of Japanese industries by providing the best and high value added services to our clients as a fair and diligent intermediary, to become the leading firm in the buyout fund market and to achieve the happiness and fulfillment of each Polaris member”. This basic philosophy incorporates the concept of sustainability. Therefore, we consider ourselves to be a leader in the Japanese private equity industry in the area of sustainability, and we have continued to make efforts from both the perspective of the development of our own initiatives and the penetration of ESG mindsets into Japanese society.

In 2016, Polaris became the first firm in our industry in Japan to sign the United Nations Principles for Responsible Investment (PRI), and we formulated ESG Policies that stipulate the implementation of ESG due diligence (DD) and monitoring. In 2022, we established an ESG Promotion Committee, of which I serve as chairperson, and we are sharing best practices among management and investment leaders. As such, we are fully incorporating ESG, while we commit to our role as a hub that receives funds from investors in Japan and overseas and connects them to investees.

In particular, we recognise the need to urgently address the issue of climate change as a key ESG issue due to the significant impact it has on society and the economy, as well as the uncertainty involved. As a private equity fund, we also believe that we need to work together with our investors and investees to achieve carbon neutrality, and so we have initiated a process of collecting and consolidating GHG emissions data from all of our investees. Within the Japanese private equity firms, we are proud to be one of the few firms that is committed to calculating the GHG emissions of all of its portfolio companies and working with them to reduce emissions. Recently, we have also been working with our portfolio companies to develop reduction plans. By creating a roadmap to carbon neutrality, we will contribute to the true value enhancement of our portfolio companies, rather than just improving their performance. In addition, we recognise that growth investments are important from the perspective of revitalising Japan in recent years. In particular, we intend to actively invest in companies that are working on ESG and decarbonisation, such as alternative energy companies and AI-related companies that are working on decarbonisation visualisation.

In this report, we will be sharing information on our governance, strategy, risk management, metrics and targets related to climate change, including the information mentioned above, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Information Disclosure Based on the TCFD Recommendations

In recent years, there has been a growing sense of urgency regarding climate change due to the occurrence of extreme weather events. At the same time, the trend toward decarbonisation has accelerated, and Japan has declared its goal of achieving carbon neutrality by 2050.

Polaris Capital Group Co., Ltd. ("Polaris") operates under the basic philosophy of "We, Polaris, have the mission to contribute to the growth of Japanese industries by providing the best and high value added services to our clients as a fair and diligent intermediary, to become the leading firm in the buyout fund market and to achieve the happiness and fulfillment of each Polaris member". In 2016, Polaris became a signatory to the United Nations Principles for Responsible Investment (PRI), ahead of its peers in Japan, and is working to instill an ESG mindset in its portfolio companies from pre-investment DD, through investment and exit.

In particular, we regard climate change as one of the most important ESG issues, and we are actively promoting initiatives to enhance the corporate value of our portfolio companies and realise a decarbonised society. In this report, we disclose our responses and efforts to climate change based on the TCFD recommendations.

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Reference: Created by Polaris Capital Group based on the Recommendations of the Task Force on Climate-related Financial Disclosures, TCFD, June 2017.

1. Governance

As a private equity firm, we oversee and promote the governance of sustainability, including climate change, from two perspectives: (1) our efforts as a firm (investments and sustainability initiatives) and (2) our portfolio companies. As stated in our mission statement, we recognise that we should be an industry leader in the area of sustainability in our private equity business, and we have established a system from both perspectives.

1-1. Polaris' Initiatives

Polaris oversees and promotes matters related to climate change risks and opportunities under a company-wide governance structure for sustainability. Deliberations related to Polaris' investment activities are conducted by the Investment Committee at the time of investment execution. After investment, the ESG Promotion Committee in collaboration with the Investment Group and the Operations Group oversees sustainability matters. Meanwhile, the Board of Directors oversees the progression of sustainability across all activities.

Figure 1-1: Corporate Governance System

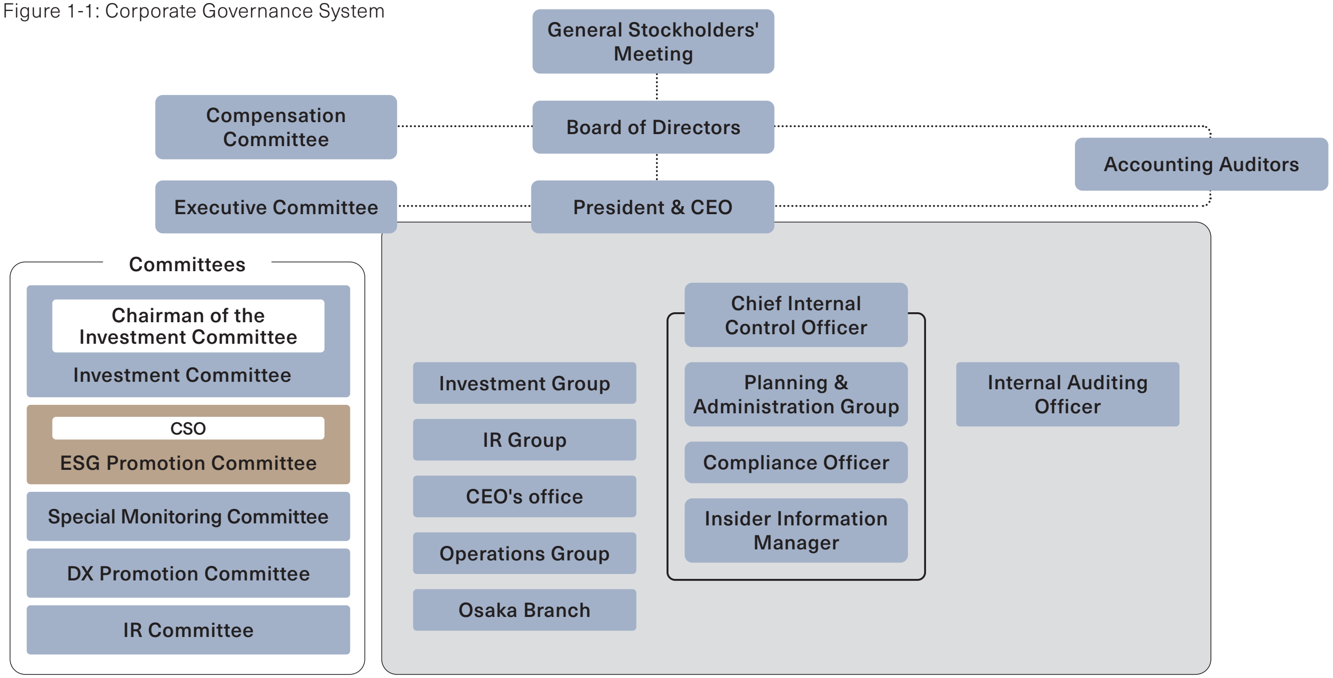
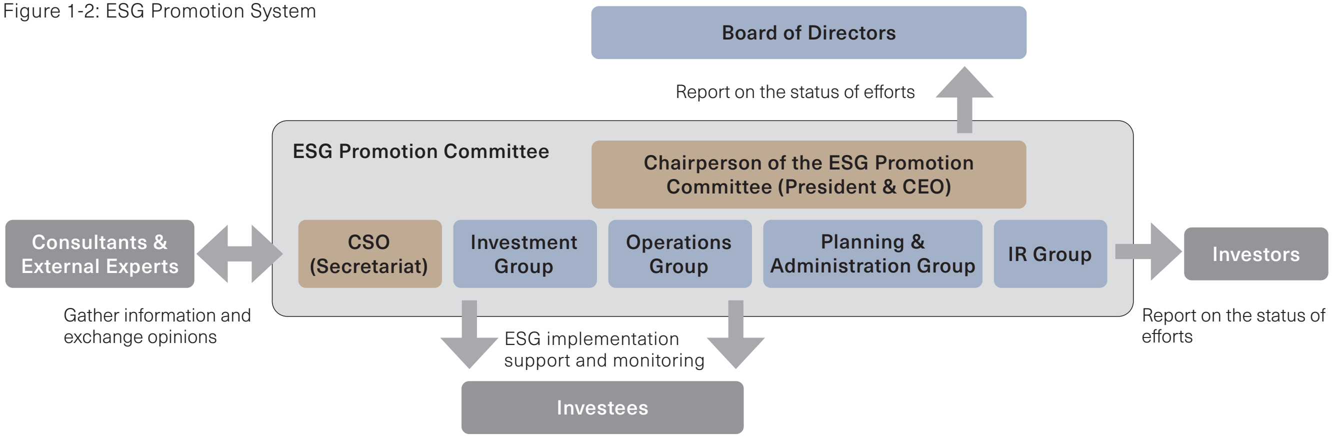


Figure 1-2: ESG Promotion System



1-1-(1) Supervisory System

Polaris' Board of Directors oversees the Company's sustainability, including climate change risks and opportunities. The Board of Directors receives reports as necessary from the ESG Promotion Committee, chaired by the President & CEO, and deliberates as appropriate. The President & CEO is ultimately responsible for oversight of all matters, including the progress of initiatives.

1-1-(2) Promotion System

In March 2022, we established a promotion system for our sustainability,including climate change, led by our Chief Sustainability Officer (CSO) and the ESG Promotion Committee, whose secretariat is headed by the CSO. The ESG Promotion Committee consists of the President & CEO, Managing Partner & Executive Deputy President, CSO, all partners as well as all members of the Investment Group, Operations Group, Investor Relations Group, Planning & Administration Group, Singapore subsidiary, and the Chief Compliance Officer. The ESG Promotion Committee is responsible for promoting ESG within the firm and at portfolio companies. This includes education and information sharing for management and investment leaders (investment project managers), and information sharing of ESG initiatives at portfolio companies by members those in charge of the portfolio companies. (>Please refer also to "Case examples of Discussions at the ESG Promotion Committee Meetings" on the right.)

1-1-(3) Governance Case Studies

(1) Examples of Climate Change Discussions at Board Meetings

Regarding the global trend of SDGs, we confirmed the acceleration of efforts to address climate change with reference to Forward Faster by the UN Global Compact. We discussed the need for our portfolios to set goals over a time frame and speed up the implementation of initiatives.

(2) Climate Change Discussions at the ESG Promotion Committee Meetings

Year	Number of times climate change-related issues were discussed as an agenda item	Examples of agenda items
2022	7 times	Sharing on GHG reduction trends (see: Case 1) Introduction and establishment of GHG emissions management system
2023	5 times	Monitoring GHG emissions Carbon emission reduction workshops (see: Case 2) Sharing of portfolio companies case studies
2024	2 times *as of the publication of this report	Monitoring of progress in creating carbon reduction plans Sharing of portfolio company case studies

Case examples of Discussions at the ESG Promotion Committee Meetings

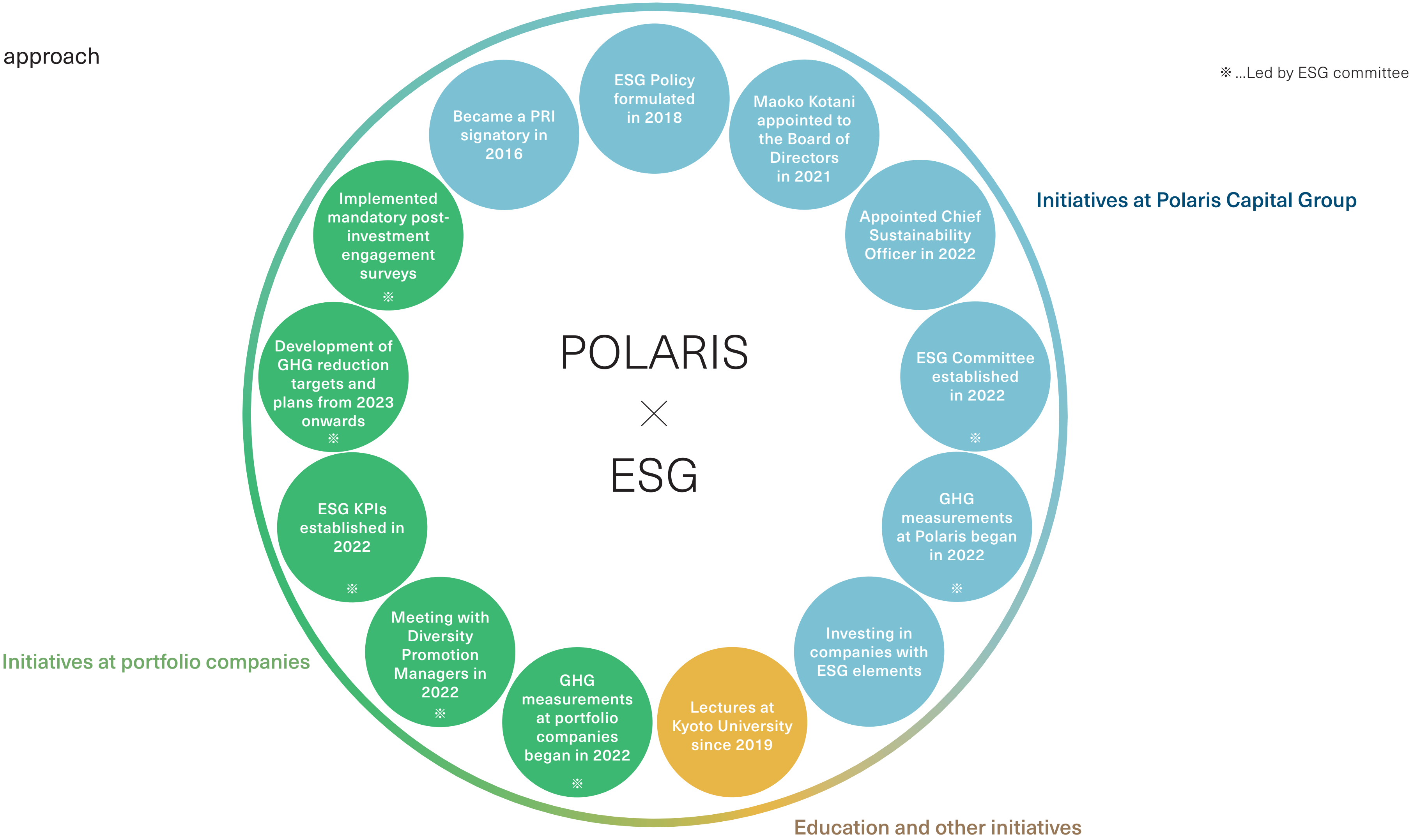
Case 1: Study Session and Information Sharing on GHG Emissions
Since the establishment of the ESG Promotion Committee, Polaris has been sharing information on climate change (greenhouse gases) in the form of study sessions. Particularly in the first meeting, we spent a considerable amount of time explaining and discussing macro trends.

Case 2: Carbon Emissions Reduction Workshop
Zeroboard Inc. was invited as an external expert to conduct a workshop on carbon emission reduction, which was attended by portfolio companies and ESG Promotion Committee members.
The workshop is planned on a regular basis, and the first session included a lecture on the need to reduce carbon emissions and the status of setting SBT targets among other companies. We will continue to promote efforts to reduce carbon emissions by sharing and resolving issues related to carbon emissions reduction.

Proactive approach to ESG

Polaris established its ESG Promotion Committee in March 2022, to implement and promote ESG initiatives at portfolio companies

Polaris' ESG approach



1-2. Governance in the Investment Business

At a time of growing interest in corporate responsibility in sustainability, we recognise the importance of integrating ESG issues into our investment management operations and view ESG as an opportunity in investing. Based on this recognition, the ESG Policy was formulated in 2018, and a promotion system led by the Investment Officer and the Investment Committee has been established to ensure that issues related to ESG issues, including climate change, are fully identified and examined during each phase of investment activities, from DD to exit. (See also: P14 Risk Management 3-2 ↗)

ESG Policy at Polaris (Summary)

Due Diligence

- Create an initial list of ESG-related issues that are expected to be related to potential portfolio companies (“ESG issues”).
- Fully examine and consider the ESG issues listed in the ESG list prepared in accordance with the preceding paragraph, and record the results in the due diligence report.

Investment Committee

- Investment Committee materials submitted to the Investment Committee will include due diligence findings on ESG issues, if applicable.
- After thorough consideration and discussion of the ESG issues, including those discovered during the due diligence process, a final decision will be made.

Deal Documentation

- In order to address ESG issues related to portfolio companies, investment-related documents such as share transfer agreements shall include provisions to address ESG issues related to such portfolio companies.

Monitoring

- Regularly monitor the business activities of portfolio companies, giving due consideration to ESG issues related to portfolio companies.
- Call on portfolio companies to implement proactive activities in line with ESG policies to address ESG issues.
- If any serious ESG issues are recognized, respond in a timely and appropriate manner to resolve said issues.

Exit

- Give due consideration to ESG issues when selecting counterparties at the time of exit.
- Conduct background research on counterparties and/or their affiliates as needed in consideration of ESG issues.
- If the Investment Committee recommends that specific ESG provisions be included in exit documents, take appropriate action to include those provisions.

Reporting to Investors

- Regularly report ESG-related matters to investors.
- If an investor requests a report on a specific material ESG issue based on reasonable grounds, respond to the request in a timely and appropriate manner.

2. Strategy

At Polaris, we aim to increase corporate value by supporting the sustainability management of our portfolio companies with regard to climate change, as well as playing a role in the realisation of a decarbonised society.

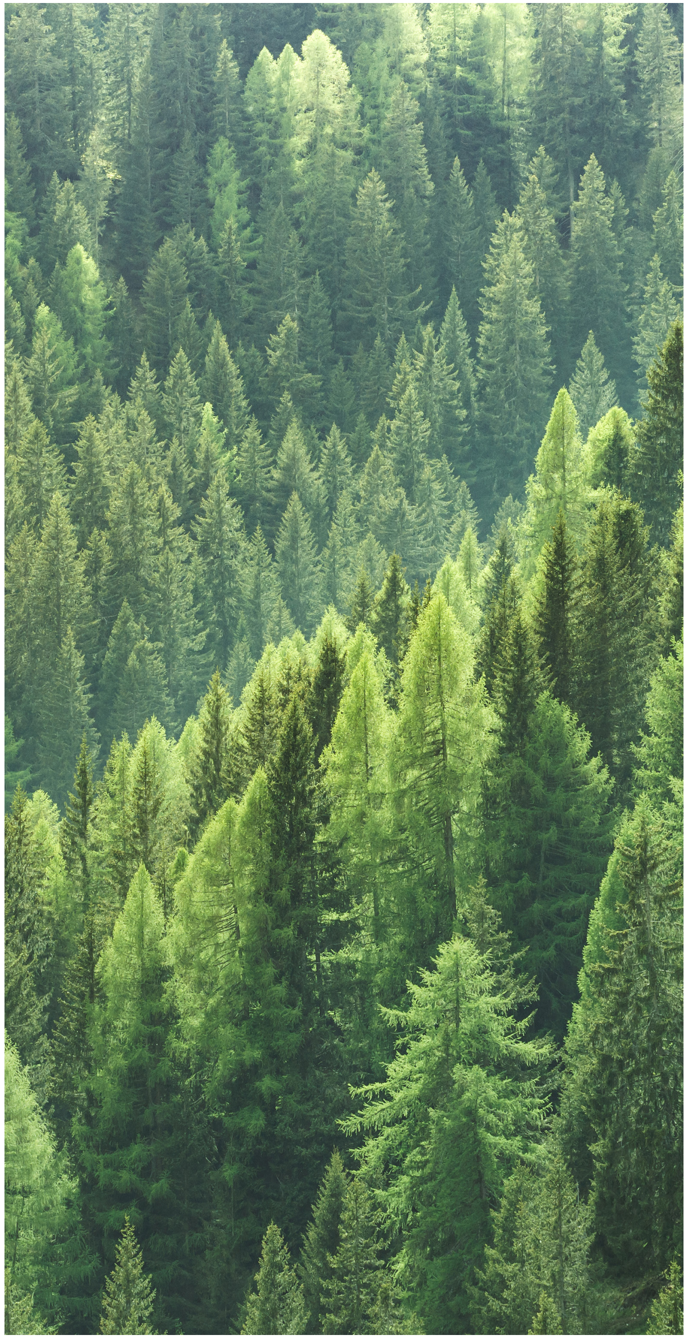
2-1. Major Risks and Opportunities

Looking to the future, it is expected that climate change will become even more serious and that the socioeconomic structure will transition in order to achieve a decarbonised society. Evidently, Polaris and its portfolio companies are aware that climate change-related risks and opportunities may arise.

For example, in terms of physical risks*1, we believe that the risks to Polaris itself, which only has two offices in Japan (its head office and Osaka branch office), are limited. However for Polaris' portfolio companies, depending on the industry and business type, we are aware that there are risks such as flood risks and the negative impact on profits due to deteriorating working conditions or rising utility costs caused by rising temperatures. In terms of transition risks*2, as Polaris' core business is investment, we recognise that there is a risk that our portfolio company selection process could be affected by factors such as stricter climate change-related regulations. We recognise that there is a risk that our portfolio companies could suffer damage due to transition risks such as regulatory and technological risks, depending on their industry and business model. As some of our portfolio companies operate in greenhouse gas-intensive sectors or are considered to be potentially highly affected by climate change, we are working with them to calculate and reduce GHG emissions.

In terms of climate-related opportunities, as sustainable finance expands globally, we recognise that our portfolio companies have opportunities to further improve their corporate value, such as through the development and expansion of products and services, and the expansion of access to new markets. We also recognise that there are opportunities for Polaris itself to increase interest from domestic and international investors by continuing and expanding initiatives such as ESG investment.
(See also: P10 Strategy 2-2 ↗ P14 Risk Management 3-2 ↗ P16 Metrics and Targets 4-2 ↗)

*1 Physical risk: Risk related to physical changes caused by climate change
*2 Transition risk: Risks associated with the transition to a low-carbon economy



2-2. Strategy for climate change response

2-2-(1) Investment Policy - that takes climate change into account -

As interest in corporate responsibility in the area of sustainability grows, it is becoming widely recognised that incorporating ESG issues, including climate change, into investment management operations is important for enhancing corporate value over the medium to long term. Polaris sees ESG as an investment opportunity and engages in ESG-themed investments. To date, we have not made any ESG investments specifically targeting climate change, but after making an investment, we provide support for the planning and execution of new businesses with the theme of addressing climate change in order to help the portfolio company grow. As we view climate change as one of the key themes, we will continue to consider climate change when making investments and providing support for implementing initiatives after making an investment.

2-2-(2) Initiatives at Portfolio Companies

Polaris has established climate change-related indicators as monitoring metrics for the companies in which it invests, and uses them for engagement.(See also: P15 Risk Management 3-2-(4) ↗)
For GHG emissions reduction, which we are particularly focusing on, as part of our efforts to improve the corporate value of our portfolio companies and our own efforts to reduce emissions in Scope 3 Category 15, we signed a comprehensive agreement with Zeroboard Inc. in December 2022 to calculate and manage the GHG emissions of all portfolio companies and support their reduction. In this initiative, we have appointed calculation and reduction promotion members at each portfolio company and have also established an internal system that allows each company to take action independently (see P16 Metrics and Targets 4-1-1 for results ↗ Metrics and Targets 1-1 for results). In addition, we have also been holding a series of decarbonisation workshops since September 2023.
(see P6 Governance 1-1-(3) (2) Case Study 2 ↗)

Special Report

Case Study on Initiatives of Polaris Capital Group's Portfolio Companies

Polaris Capital Group ("Polaris") believes that considering climate change in our investments and supporting our portfolio companies in their climate efforts is part of fulfilling our fiduciary duty. The following are examples of cases where we have worked with portfolio companies in relation to climate change.

Case 1

i-PRO Co., Ltd.

From ISO 14001-certified management to further environmental measures at all locations

Governance　Metrics and Targets

Business activities:

Development, manufacture, sales, system integration, installation, and maintenance of equipment and modules for the security, medical, and industrial fields, as well as the provision of various solutions, including services related to the above products.

Details of initiatives

Achievements:

Prior to Polaris' investment, i-PRO Co., Ltd. ("i-PRO") had already obtained ISO 14001 certification at its bases in Japan and Suzhou (China), and has been promoting business activities aimed at reducing environmental impact, such as climate change response and chemical substance management. In order to further strengthen environmental protection and the prevention of environmental pollution after Polaris' investment, i-PRO formulated the "i-PRO Global Environmental Policy" on April 1, 2024, which is a shared commitment of all group companies, to be implemented at all branches.

Actions going forward:

In June 2023, i-PRO signed the UN Global Compact (UNGC). Based on its principles, i-PRO is advancing initiatives toward sustainable development. As part of these efforts, i-PRO has set a target to reduce its GHG emissions (Scope 1 and 2) by 33.6% in FY2030 compared to FY2022 levels, in accordance with the Science-Based Targets (SBT) certification standards.

Moving forward, as outlined in the "i-PRO Global Environmental Policy," i-PRO will promote initiatives in response to climate change, such as to continue its efforts to create and provide environmentally conscious products and services, to decrease waste emissions for a circular economy, and to properly manage chemical substances to prevent environmental pollution and protect the environment.

Reference: i-PRO Co., Ltd.

Case 2

GeoTechnologies, Inc.

Introduced a GHG emissions calculation system and set a decarbonisation target

Strategy | Metrics and Targets

Business activities:

Development of digital map data and related content and services, provision of location information services

Details of initiatives

Achievements:

Immediately after Polaris' investment, our Investment Group member explained the need to reduce GHG emissions, and as a first step, we introduced a system to calculate emissions. We have also appointed a member from GeoTechnologies, Inc. ("GeoTechnologies") to set reduction targets. In order to promote carbon emissions monitoring and energy conservation as part of "reduction in business activities", GeoTechnologies has already formulated a reduction target for 2030 (Scope 1 and 2 reduction targets: 29% reduction compared to FY2022, Scope 3: 18% reduction compared to FY2022) and a roadmap for achieving the target.

Actions going forward:

GeoTechnologies will promote the reduction of GHG emissions, including those of business partners, in accordance with the above roadmap. From the perspective of climate change opportunities, GeoTechnologies will continue business transformation, such as by expanding from a car navigation business focus to a wider range of business areas, including disaster prevention. More specifically, GeoTechnologies aims to combine the map data and human flow data accumulated since their founding, with technology. This will support disaster prevention activities at local governments to prevent damage from natural disasters, which are expected to increase due to climate change. GeoTechnologies will also support development of AI traffic congestion prediction models that will also lead to CO2 reductions.

Reference: GeoTechnologies, Inc.

Case 3

Lincstech Co., Ltd.

A new ESG Promotion Office has been established, and new GHG emissions reduction targets have been set

Governance | Metrics and Targets

Business activities:

Manufacture and Sale of Printed Wiring Boards (PWBs)

Details of initiatives

Achievements:

After Polaris invested in 2021, Lincstech Co., Ltd. ("Lincstech") obtained ISO 14001 certification and promoted environmental targets and energy-saving initiatives as a new company. In 2022, Lincstech established the ESG Promotion Office under the direct control of the president and strengthened the promotion system for initiatives by hiring a director of the Sustainability Promotion Office from outside the company. Polaris has also explained the necessity of reducing GHG emissions and introduced a calculation system. Reduction targets for FY 2030 (Scope 1 and 2 reduction targets: 34% reduction compared to FY 2022; Scope 3: 20% reduction compared to FY 2022) for domestic bases have been set.

Actions going forward:

In the future, Lincstech will strive to reduce GHG emissions, focusing on switching to renewable energy, and actively disclose information, such as by responding to CDP (*).

Reference: Lincstech Co., Ltd.

*CDP is a non-governmental organization (NGO) managed by a British charity that operates a global disclosure system to help investors, companies, countries, regions and cities manage their environmental impact. It sends out questionnaires once a year, and the answers are rated and aggregated on the system.

Case 4

HITOWA Holdings Co., Ltd.

Formulating governance and strategies based on climate change risks and opportunities

TCFD | Governance | Scenario analysis | Exited

Business activities:

Management of nursing care, childcare, and franchise businesses such as house cleaning and in-home massage services

Details of initiatives

Achievements before Polaris' investment:

At HITOWA Holdings Co., Ltd. ("HITOWA"), although efforts were being made to promote employee understanding of environmental issues, including climate change, and to reduce GHG emissions, etc., prior to Polaris' investment, there was no supervisory structure in place or strategy formulated based on risks and opportunities. With expectations to go public in the future, Polaris explained the need for ESG-conscious management, and discussions began on ESG management and climate change governance systems that the company should introduce, with the help of external consultants.

Achievements through our engagement:

In order to promote sustainability across the entire HITOWA , a "Sustainability Committee" was established in 2022, with the Representative Director of HITOWA as the committee chair, and the Chief Sustainability Officer (CSO), executive directors, presidents of group companies, and managing executive officers as members. Also, the "Sustainability Promotion Department" was established as the department in charge of promoting this. In terms of strategy, the company has conducted climate scenario analysis based on the TCFD recommendations, using three scenarios of 1.5°C, 2°C, and 4°C, and, based on the analysis, have come to the conclusion that it is necessary to contribute to limiting the rise in temperature to 1.5°C or less. HITOWA has established its materiality as "Promoting corporate activities that do not place an environmental burden," and have started measuring carbon dioxide emissions. In January 2024, the baton was passed to the next shareholder for this company, but during Polaris' investment period, the integration of data across the entire group, the promotion of medium- to long-term targets for reducing the environmental impact of business activities, and the reduction of Scope 1 and 2 GHG emissions were considered. Furthermore, a plan was been formulated to promote GHG reduction in collaboration with stakeholders, based on an assessment regarding Scope 3, so further strengthening of efforts are expected in the future.

Reference: HITOWA Holdings Co., Ltd.

3. Risk Management

3-1. Polaris Risk Management

Management Structure

The overall risk management in our investment business is carried out within the Compliance Monitoring Structure described on the right.

See: P5 Governance 1-1 ↗

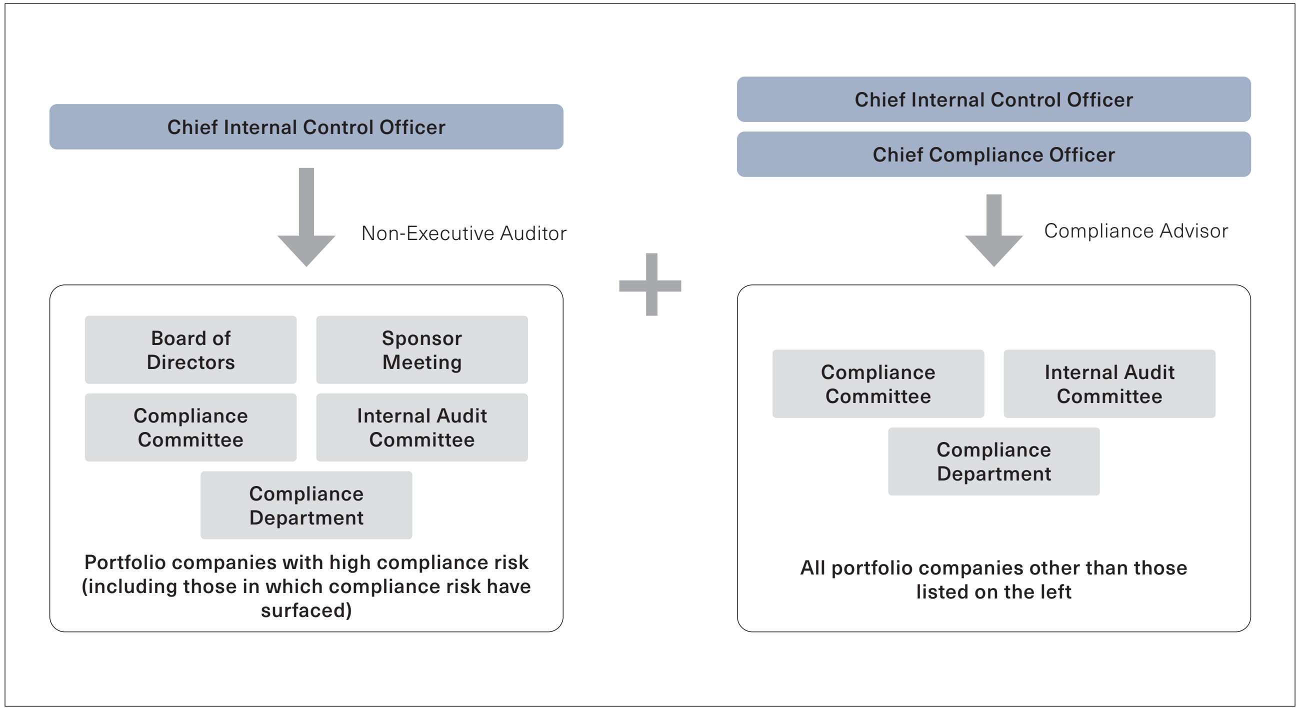
3-2. Risk Management for our Investments

Polaris recognises the importance of risk management related to sustainability and ESG, including climate change, in our investments. We established our ESG policy in 2018 (refer to P8 Governance 1-2 ↗ P15 Risk Management 3-2-(2) ↗) Based on this policy, we have developed a system centered around our investment committee and Investment Group members to ensure that ESG-related risks are thoroughly considered and managed at each phase of our investment activities, from due diligence (hereinafter referred to as "DD") on potential portfolio companies to exit stage.

3-2-(1) Risk Readiness Management

Risks related to climate change are managed by the ESG Promotion Committee, which reports directly to the CEO, in collaboration with the Compliance Monitoring Structure described on the right.

Strengthening Compliance Monitoring at Investee Companies



(As of March 31, 2024)

3-2-(2) ESG Policy

Polaris' ESG Policy provides for the monitoring of portfolio companies as follows (For the full text of the Code, see: P8 Governance 1-2)

Polaris' ESG Policy (excerpt)

Monitoring

- Regularly monitor the business activities of portfolio companies, giving due consideration to ESG issues related to portfolio companies.
- Call on portfolio companies to implement proactive activities in line with ESG policies to address ESG issues.
- If any serious ESG issues are recognised, respond in a timely and appropriate manner to resolve said issues.

3-2-(3) ESG Due Diligence (DD)

In our pre-investment DD, we conduct DD on ESG issues, including climate change, based on an initial list for all potential portfolio companies. This list is intended to identify significant potential risks in each ESG issue, and checkpoints are set for each issue. The results of the DD are used not only for investment discussions and deal documentation by the Investment Committee, but also for post-investment monitoring by the investment managers.

Example checkpoints of Due Diligence and Monitoring

ESG	Environmental Responsibility
Main Items for Evaluation	(1) Presence of air and water pollution (2) Global warming (3) Efficient energy use (4) Harmful substances (5) Land devastation (6) Waste management
Specific Cases	>Renovation and abolition of aging facilities >Promotion of LED introduction >Review of appropriate inventory levels >Improvement of transportation efficiency >R&D promotion

3-2-(4) ESG Monitoring Indicators

In monitoring portfolio companies, we utilise our own ESG monitoring indicators, as set forth in the ESG Policy (See: P15 Risk Management 3-2-(2)) We reflect the opinions of external experts when formulating our monitoring indicators, and have established 38 indicators in three ESG fields. For climate change, we have set indicators such as: the existence of a department in charge of the environment, Scope 1, 2, and 3 emissions, energy consumption, and the existence of reduction efforts, among others. We monitor these indicators on a regular basis.
The results of monitoring are regularly reported to the ESG Promotion Committee and, if necessary, to the Board of Directors, and countermeasures are considered when significant risks arise.

4. Metrics and Targets

4-1. Metrics

4-1-(1) GHG Emissions

Polaris began calculating GHG emissions in October 2022. Amount of GHG emissions (Scope 1, 2, and 3)

Amount of GHG emissions (Scope 1, 2, and 3) (Unit: t-CO_2)

	2022
Scope 1	0
Scope 2	33
Scope 1 & 2	33
TotalScope 3	411,975 of which 99.8% are Category 15

*Scope 1: Direct greenhouse gas emissions by the company itself (e.g., fuel combustion)
*Scope 2: Indirect greenhouse gas emissions from the use of electricity and other energy supplied by other companies
*Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions from other companies related to the activities of the company)

*Coverage of aggregation: Scope 1 and 2: Polaris Capital Group Co., Ltd. Scope 3: All Categories, of which Category 15 covers all portfolio companies.
*Aggregation period (for 2022): January to December 2022
*The latest emission data is published on our website as soon as the aggregation is completed.

4-1-(2) Sectors in which our portfolio companies belong (as of April 30, 2024)

Sector	Number of companies
Technology, Manufacturing	3
Medical-related	3
Media, Logistics	3
Consumer Goods, Retail	2

4-2. Targets

Targets related to investment activities

Implementation of GHG emissions accounting at portfolio companies: 100%

Implementation of GHG emissions reduction measures at portfolio companies: 100%

Polaris has set goals for all of our portfolio companies to (1) calculate GHG emissions and (2) implement initiatives to reduce GHG emissions by utilising the GHG emissions calculation system we have introduced. We intend to achieve these goals for all (100%) of our portfolio companies, including newly invested companies. We will continue to provide support to achieve this goal.