

---

Polaris Capital Group Co., Ltd.

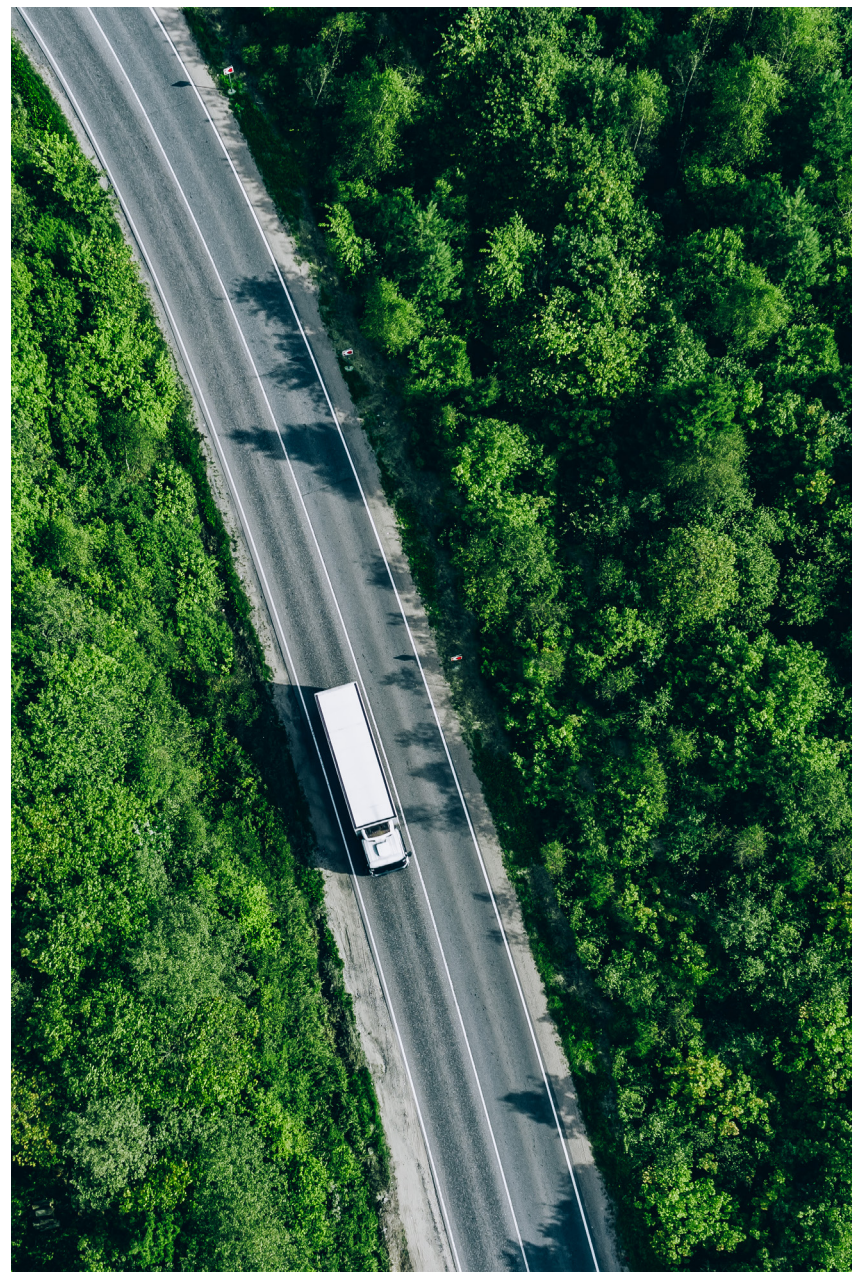
# ESG REPORT 2025



---

<b>CEO Message</b>	<b>03</b>
<b>Polaris' Initiatives</b>	
1. Our ESG Evolution and Initiatives	05
2. Value Creation through Dialogue and Collaboration with External Organisations	11
<b>Initiatives across Portfolio Companies</b>	
1. Investment Process to Enhance Enterprise Value through ESG	12
2. ESG Indicator Highlights for Portfolio Companies	17
<b>Introduction of Polaris Capital Group's Portfolio Companies</b>	
i-PRO Co., Ltd.	19
GeoTechnologies Inc.	23
Social Inclu Co., Ltd.	26
<b>Polaris' TCFD-Aligned Disclosure</b>	<b>29</b>
1. Governance	32
2. Strategy	33
3. Risk Management	34
4. Metrics and Targets	35
5. Featured Portfolio Companies (BAKE Co., Ltd., i-PRO Co., Ltd., GeoTechnologies Inc.)	36

# Contents



# CEO Message

Founder, President & CEO

## Yuji Kimura

Driving ESG Integration and Enterprise Value Creation across Portfolio Companies through Private Equity Investment

—Our Journey as a Pioneer in Integrating ESG into Our Investment Approach and the Path Ahead—

### The origins of our ESG initiatives

Polaris Capital Group Co., Ltd. was founded on 13 September 2004 and celebrated its 20th anniversary last year. We are currently in the process of establishing our sixth fund, supported by commitments from leading domestic and international institutional investors. Cumulative assets under management, from our first fund through to the sixth fund now under formation, are expected to reach approximately JPY 500-550 billion.

Japan is home to many companies with latent growth potential that are unable to fully realise their inherent strengths owing to a range of constraints. Polaris has partnered with such companies as a sponsor. We remove these constraints while supporting the development and implementation of business models incorporating ESG perspectives, thereby enhancing enterprise value. The foundation of this ESG mindset lies in our corporate philosophy: '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 fulfilment of each Polaris member'. Under this philosophy, we are committed to serving as a hub connecting investors and companies, creating sustainable value.

### Cultivating an ESG Mindset through ESG Advocacy

Our engagement with overseas investors began in earnest around 2012, following the establishment of Fund III. Through this engagement, we recognised that an ESG perspective is indispensable to the sustainable growth of companies. Initially, even within our investment team, concerns were raised about the additional demands associated with portfolio company engagements, and questions such as 'Is there any real value in pursuing ESG?' were raised. Despite this context, Polaris has consistently reviewed ESG management indicators for portfolio companies through its regularly convened ESG Promotion Committee, while also holding periodic workshops involving all portfolio companies. Through these initiatives, understanding of ESG has gradually deepened. As tangible results have become evident in numerical terms, a positive cycle has emerged where engagement is pursued proactively.

In this manner, while fostering a shift in mindset across both the investment team and portfolio companies, we act as an 'ESG advocate' positioned between the sponsor/investor and the company. We thoroughly explain the significance of ESG engagement and work to ensure this contributes to the enhancement of enterprise value.

### ESG Initiatives

Polaris and its portfolio companies are advancing a range of ESG initiatives. We have positioned governance as the most critical element among ESG topics. In 2024, Polaris' Chief Internal Control Officer and Chief Compliance Officer were appointed as non-executive auditors of all portfolio companies.



Furthermore, in 2025, to further strengthen the compliance operational framework at both portfolio companies and within our own organisation, we established a Compliance Committee serving as an advisory body to the President & CEO.

Regarding environmental matters, we measure greenhouse gas (GHG) emissions at all portfolio companies immediately after investment and set GHG emission reduction targets in line with the Science Based Targets (SBT) initiative. Addressing environmental challenges directly contributes to the enhancement of enterprise value through economic benefits such as reduced electricity costs. By clearly articulating the business rationale, we support portfolio companies in proactively undertaking environmentally responsible initiatives.

Regarding social matters, we facilitated peer learning workshops on human capital management by sharing practical examples to reduce employee turnover rates through engagement surveys and advancing DE&I in 2025. Within Polaris, we are embedding the importance of DE&I across the organisation through the recruitment and development of diverse talent.

### Deepening and embedding ESG amidst a changing landscape

Globally, while there are some headwinds against ESG in certain quarters, the ESG demands and expectations placed upon Polaris by domestic and international investors show no signs of abating. Disclosure requirements and ESG-related expectations continue to increase steadily. We observe that the depth demanded for reporting is increasing year on year, with growing emphasis on concrete data and evidence within the reporting content. During the fundraising for Fund VI, we have observed an increase in ESG-focused due diligence, particularly among overseas investors. European investors conducting due diligence spoke highly of our fund's advanced initiatives as a Japanese fund. In recent years, interest in and

awareness of ESG have also been gradually increasing among domestic investors.

### Embedding ESG into Investment Practice

Currently, Polaris operates as 'One Team' across the Operations Group and Investment Group from the pre-investment due diligence stage, establishing a support framework dedicated to enhancing the value of portfolio companies.

Immediately following investment, we integrate ESG factors into the formulation and execution of growth strategies. We collaborate closely with management and appoint external directors during the '100-day plan', aiming to maximise corporate and shareholder value.

Throughout the investment period, we monitor ESG indicators for all portfolio companies on a quarterly basis. These indicators are shared within the ESG Promotion Committee, where we discuss any issues identified. This process not only enhances ESG management but also provides valuable insight into the overall health of each business. Where indicators show signs of deterioration, we conduct root cause analysis and implement timely corrective measures, thereby utilising this process to prevent impairment of enterprise value.

At exit, we prioritise succession to buyers who share a strong ESG mindset, with a view to sustaining long-term enterprise value. In the recent exit of Space Value Holdings, we successfully transferred ownership to a buyer who fully recognised and respected its ESG policies, establishing a mutually beneficial outcome for the portfolio company, the buyer, and our firm. We frequently receive expressions of gratitude from exited portfolio companies, such as 'You secured us an excellent new home', which we consider a true measure of the quality and integrity of our investment approach.

### Paving the way for the future: Balancing ESG and business growth

Our mission is to revitalise the Japanese economy by playing a leading role in the nation's industrial finance sector. We pursue

this mission through investment, expanding Japan's distinctive technological capabilities and brand strengths into global markets, and creating new capital flows through our funds. To fulfil this mission, we must further expand fundraising from overseas investors and strengthen the capacity to manage larger-scale projects. To this end, it is essential that we continue to advance and deepen the ESG initiatives we have developed to date.

At the same time, the advancement of sustainable investment requires cross-industry initiatives that extend beyond the boundaries of individual firms, as reflected in the PRI Principles. In my previous capacity as Chairperson of the Japan Private Equity Association, I promoted the adoption of ESG across the industry as a whole. Building on this foundation, our Chief Sustainability Officer now serves as a member of the PRI Japan Advisory Committee, further strengthening our engagement in external collaboration. Through these efforts, we seek to contribute not only to the private equity community but also to the broader advancement of ESG across Japan's investment industry.

In line with our corporate philosophy, we regard it as our duty to lead the industry in advancing sustainability within the private equity practice. Guided by this conviction, we believe it is our responsibility to communicate our initiatives proactively and widely demonstrate the potential of Private Equity.

We regard our ESG Report as an important starting point for dialogue in fulfilling this responsibility. This marks the second consecutive year of publication. We hope that this disclosure will foster constructive dialogue, contributing to the formation of sustainable markets. We further hope it will powerfully encourage the wider adoption of an ESG mindset and the deepening of practices across the private equity industry, while also serving as a catalyst for collaboration with all stakeholders.

# Polaris' Initiatives

Acting as a hub connecting domestic and international investors with Japanese companies, Polaris is committed to sincerely addressing ESG factors from the perspective of a Private Equity (PE) fund. We seek to contribute to the wider adoption of an ESG mindset across society through the enhancement of value at our portfolio companies.

## 1. Our ESG Evolution and Initiatives

As a leading Japanese PE firm, we have been at the forefront of ESG integration since 2012, ahead of many of our domestic peers. Rather than regarding ESG as a passing trend, we have embedded it within our governance and decision-making processes, positioning it at the core of our fund management approach. Despite recent headwinds, we remain unwavering in this commitment, contributing to long-term value creation for our portfolio companies, the PE industry, and society at large.

### 1-1 The Evolution of ESG

2012	<ul style="list-style-type: none"> <li>Established Polaris Private Equity Fund III, L.P., initiating significant fundraising from overseas investors. (July)</li> <li>Launched ESG investment initiatives in response to the strong ESG awareness demonstrated by European investors.</li> </ul>
2013	Began ESG due diligence as part of the investment process.
2014	Established the ESG policy for the Singapore office.
2015	
2016	<ul style="list-style-type: none"> <li>Signed the Principles for Responsible Investment (PRI). (May)</li> <li>Established Polaris Private Equity Fund IV, L.P. (December)</li> </ul>
2017	Launched an endowed course at Hitotsubashi University (ongoing).
2018	<ul style="list-style-type: none"> <li>Achieved highest rating of A+ from PRI.</li> <li>Established the ESG policy for headquarters.</li> </ul>
2019	<ul style="list-style-type: none"> <li>Achieved highest rating of A+ from PRI.</li> <li>Launched an endowed course at Kyoto University (ongoing).</li> <li>Established Polaris Private Equity Fund V, L.P. (November)</li> <li>The President &amp; CEO was appointed chairperson of the Japan Private Equity Association.</li> </ul>
2020	Achieved highest rating of A+ from PRI.
2021	<ul style="list-style-type: none"> <li>Achieved highest rating of five stars across all PRI modules.</li> <li>Appointed Maoko Kotani as an outside director. (June)</li> </ul>
2022	<ul style="list-style-type: none"> <li>Established the slogan: 'Improve the enterprise value of our portfolio companies through DX and ESG'</li> <li>Appointed the Chief Sustainability Officer (CSO). (March)</li> <li>Launched the ESG Promotion Committee. (March)</li> <li>Introduced the Professional Career Transition Programme. (April)</li> <li>For portfolio companies: Initiated monitoring using 38 ESG indicators.</li> <li>For portfolio companies: Held a Diversity Promotion Officers meeting. (September)</li> <li>Became the first domestic PE fund to measure GHG emissions of all portfolio companies in partnership with Zeroboard.</li> <li>Began measuring Polaris' own GHG emissions. (December)</li> </ul>
2023	<ul style="list-style-type: none"> <li>Portfolio companies: All companies established Diversity Policies.</li> <li>Achieved highest rating of five stars across all PRI modules.</li> <li>Launched an ESG website to enhance information disclosure.</li> <li>For portfolio companies: Held a GHG Emissions Reduction Workshop. (September)</li> </ul>
2024	<ul style="list-style-type: none"> <li>Deployed Chief Compliance Officers to all portfolio companies in principle.</li> <li>Published the ESG Report and the TCFD Report.</li> <li>For portfolio companies: Held a GHG Emissions Reduction Plan Presentation Workshop. (September)</li> </ul>
2025	<ul style="list-style-type: none"> <li>Fund VI, L.P. is currently being formed.</li> <li>Our Chief Sustainability Officer was appointed as a member of the PRI Japan Advisory Committee.</li> <li>Held an Engagement Survey Workshop. (September)</li> <li>Established a Compliance Committee. (November)</li> <li>Achieved highest rating of five stars across all PRI modules.</li> <li>Published the ESG and TCFD Report.</li> </ul>

## 1-2 The Foundations and Mechanisms Supporting Responsible Investment

### Signatory to the Principles for Responsible Investment (PRI)

Polaris recognises that addressing ESG factors is an essential element and became a signatory to the Principles for Responsible Investment (PRI) in May 2016. As a fund manager, we have a responsibility to maximise the long-term interests of our beneficiaries. Practising the principles set out by the PRI is consistent with our fiduciary duty. Furthermore, in contributing to the achievement of broader societal objectives, we reaffirm our commitment to the following principles.

#### PRI's Six Principles

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

In accordance with the six principles above, we integrate ESG considerations into our investment and monitoring processes. We review progress with portfolio companies and advance initiatives aimed at continuous improvement.

These efforts have been recognised, in the PRI Assessment Report awarding the highest rating of five stars across all modules – Policy, Governance and Strategy, PE, and Confidence Building Measures – in 2025, following on from 2021 and 2023. We have therefore maintained the highest rating since first achieving it. (Reference: [PRI Report 2025](#))

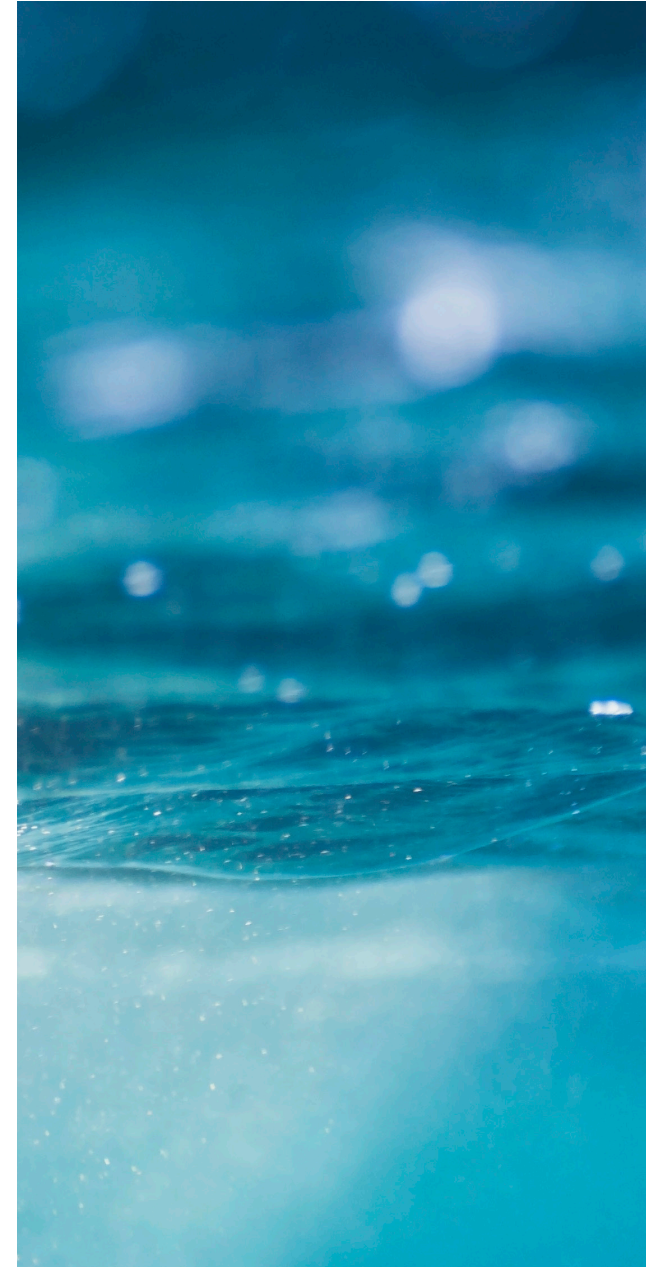
### Establishment of ESG Policy

Based on our belief that 'the best financial returns for investors are achieved with due consideration of the investors' broader objectives in the environmental, social and governance context', we established our ESG Policy in 2018. This policy applies not only to our own officers and employees, but also to portfolio companies and prospective portfolio companies. (Reference: [ESG Policy](#))

### Establishment of 'ESG Policy for Investment Management Operations'

Polaris views ESG as an opportunity within its investment lifecycles, and recognises the importance of integrating ESG factors into the investment management process in order to enhance the value of portfolio companies. Accordingly, we established the 'ESG Policy for Investment Management Operations' in 2018. In accordance with this policy, we have established a framework for identifying, assessing and managing ESG risks at each stage of investment process, from due diligence through to exit.

(Reference: [ESG Policy for Investment Management Operations](#))



### ESG Governance Structure

To strengthen our ESG governance structure, we established an ESG Promotion Committee in 2022, chaired by President & CEO, Yuji Kimura. This committee enables continuous and systematic advancement of ESG initiatives. Across all portfolio companies, we monitor ESG-related matters on a quarterly basis. These are shared within the ESG Promotion Committee, where key issues are identified and discussed. In 2025, in addition to reviewing monitoring results and receiving presentations from portfolio company representatives on their initiatives, we discussed the ESG Committee Report of the Japan Private Equity Association (JPEA). This included discussions on the results of a survey on Diversity, Equity & Inclusion (DE&I), as well as a report by the Chief Sustainability Officer (CSO) on developments in the ESG landscape.

Polaris ESG Governance Structure



ESG Promotion Committee Overview

Members	President & CEO, Deputy CEO, Chief Sustainability Officer, all Partners, Investment Group, Operations Group, IR Group, Planning & Administration Group, members of the Singapore office, and Chief Compliance Officer
Frequency	In principle, every other week
Purpose	Fulfilling responsibilities for internal ESG awareness initiatives and promoting ESG within portfolio companies, Raising awareness to enhance ESG practices among portfolio companies
Content	Education and information sharing for our members, including management and investment professionals Fostering an ESG mindset and sharing best practices with other officers through examples of portfolio companies where initiatives are progressing

ESG Promotion Committee Overview

Year	E (Environment)	S (Social)	G (Governance)	Overall
2022	Sharing GHG reduction trends Introduction and establishment of GHG emissions management system	Sharing best practices of diversity promotion initiatives Explanation of the DE&I policy and current status by the Diversity Officer of portfolio companies	Feedback from overseas investors	Progress on ESG monitoring indicators of portfolio companies
2023	GHG emissions reduction workshop Monitoring of progress in creating GHG emission reduction plans	Monitoring of diversity KPIs	Confirmation of ESG data shared with the Japan Private Equity Association	Progress on ESG monitoring indicators of portfolio companies
2024	Monitoring of progress in creating GHG emissions reduction plans TCFD report release	Monitoring of diversity KPIs	Sustainability-Linked Loans (SLL)	Progress on ESG monitoring indicators of portfolio companies
2025		Report on the Results of the DE&I Survey		Progress on ESG monitoring indicators of portfolio companies Update on ESG landscape by the Chief Sustainability Officer

Number of times ESG-related issues were discussed as agenda items \*Cumulative total

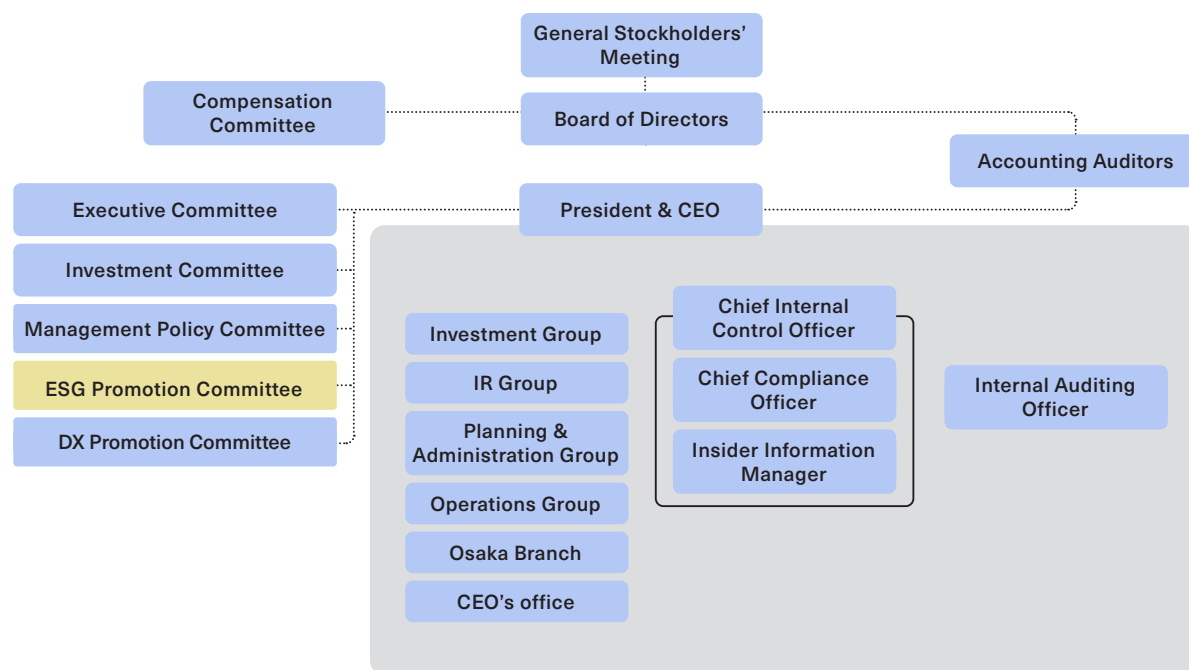
	17	14	5	30
--	----	----	---	----

\* Content for 2025 is as of August 2025

### Corporate Governance System

Polaris' Board of Directors comprises six members, three full-time directors and three independent non-executive directors, thereby ensuring effective oversight by external directors. As the General Partner (GP) responsible for the stewardship of assets entrusted by investors, members of the Investment Committee who are responsible for investment decisions, are appointed by the Board of Directors. The Investment Committee is chaired by the President & CEO, and decisions are reached by a majority vote of the attending members.

### Corporate Governance System



\*The Compliance Committee is established as a subcommittee of the Management Policy committee.

### 1-3. ESG Initiatives by Area

Through our ESG initiatives, we contribute to the realisation of a sustainable society and the enhancement of value across our portfolio companies.

#### E (Environment)

We work closely with portfolio companies to realise a decarbonised society.

#### GHG (Greenhouse Gas) Emissions Measurement, Disclosure and Reduction

Since December 2022, we have been measuring and disclosing GHG emissions under a comprehensive agreement with Zerboard Inc.

#### Amount of GHG emissions (Scope 1, 2, and 3) (Unit: t-CO2)

	2023
Scope 1	0
Scope 2	29
Scope 1 and 2	29
Scope 3	1,140,874 of which 99% falls under 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)

\*Reporting period: January 2023 to December 2023

\*Scope 3 Category 15 emissions are calculated by multiplying the GHG emissions of each investee company by our equity share.

\*Our equity share includes stakes in funds managed by our GP entities.

## S (Social)

Polaris is committed to respecting human rights and advancing diversity, equity and inclusion, contributing to society by enabling diverse talent to thrive in the workplace.

### Promoting Diversity, Equity and Inclusion

We seek to cultivate a working environment where individuals from diverse backgrounds can apply their respective expertise and express their individuality, while respecting one another and growing together. In April 2022, we established a new 'Open Recruitment for Professional Positions' system. By providing opportunities to take on new challenges beyond job type and career boundaries, we support motivated employees in demonstrating their expertise on a fair and merit-based basis. As of September 2025, Polaris has 6 directors (including one woman), 24 managers (including two women), and 51 full-time officers and employees (including 16 women). We will continue to prioritise DE&I across the recruitment, promotion and career development stages, fostering an organisational culture where diverse perspectives and values are reflected in decision-making. This will form a foundation for further innovation.

## G (Governance)

Polaris maintains a high degree of transparency and fairness in its management, aiming to be a trusted partner to all stakeholders.

### Internal Control System

Polaris has established a framework under the oversight of the Chief Compliance Officer to manage all compliance and risk management-related matters. Regulations and manuals concerning compliance, Rules for Management of Insider transactions, information security, and other matters are reviewed and revised as appropriate to reflect the latest laws and regulations and current business operations. The effectiveness of these measures is subject to regular review. Additionally, recognising the increasing focus of investors on robust compliance frameworks within fund management companies and their portfolio companies, we established a Compliance Committee in 2025 as an advisory body to the President & CEO. This is intended to further strengthen compliance operations.

Furthermore, in light of recent cybersecurity challenges, we are enhancing our cybersecurity measures with the support of external specialists, while also working to strengthen the security frameworks of our portfolio companies.

### Basic Compliance Policy

Polaris Capital Group Co., Ltd. (hereinafter referred to as 'Polaris') shall comply with the following matters in good faith and in a fair manner. In order to ensure thorough compliance with regulations, Polaris has established compliance regulations, and all officers and employees of Polaris shall observe and act in compliance with these standards.

#### 1. Strict compliance with laws and regulations

Polaris will strictly comply with all laws, regulations, and other requirements and carry out ethical corporate activities in accordance with social ethics.

#### 2. Corporate activities with social responsibility and a public mission

As a company in the financial and funding industries, Polaris will always be aware of the importance of social responsibility and public missions, and will strive to conduct sound and appropriate business operations based on self-responsibility.

#### 3. Respect for human rights

Polaris will strive to eliminate all human rights violations and discrimination in the company, and will endeavour to create a safe working environment in which human rights and personalities are respected.

#### 4. Confrontation with anti-social forces

Polaris will resolutely confront anti-social forces and organisations that threaten the order and safety of civil society.

## 2. Value Creation through Dialogue and Collaboration with External Organisations

Polaris goes beyond dialogue with its portfolio companies, collaborating with a broad range of stakeholders including industry associations and educational institutions to lead the development of the industry.

### 2-1. Collaboration with the Japan Private Equity Association



Polaris collaborates with the Japan Private Equity Association, whose purpose is to contribute to the development of Japan's economy and society by enhancing the quality of PE practice in Japan and promoting the sound development of the industry. We are committed to raising standards across the sector as a whole. President & CEO Yuji Kimura served as Chairperson of the Association for two years from 2019, and has contributed to its operation and development over many years, having also held positions including the roles of Vice-Chairperson and Director. Currently, Deputy CEO Hideo Mitsuda serves as a Director and continues to address industry challenges through active participation in the Association's activities. Furthermore, as a member of the ESG Committee, Polaris cooperates in the planning and delivery of ESG-related events and in the conduct of industry surveys. Moreover, we have contributed to strengthening the ability to address common challenges as a PE fund, including leading discussions aimed at introducing industry standards concerning Scope 3 emissions.

### 2-2. Leadership within the PRI and Industry Engagement



Since 2025, our CSO has served as a member of the PRI (Principles for Responsible Investment) Japan Advisory Committee. This committee plays an important role in bringing together signatory institutions to promote education, collaboration and implementation support on ESG factors, while actively disseminating information to ensure that ESG practices in Japan are appropriately understood at a global level. Committee members meet regularly to provide advice on enhancing the effectiveness of PRI strategies in the Japanese market, reporting their activities to PRI London on a quarterly basis. Looking ahead, we will actively contribute to the wider Japanese business community through external collaboration and knowledge-sharing, including participation in forums and seminars, to further advance ESG investment.

### 2-3. Collaboration with Academia and Students

Polaris established endowed courses at Hitotsubashi University in 2017 and Kyoto University in 2019, and has since delivered lectures and seminars to share the role of PE and the challenges it faces, drawing upon its extensive investment experience. These courses deliver lectures from multiple perspectives on topics such as the social role of PE and the relationship between enterprise value enhancement and ESG. Furthermore, to provide undergraduate and postgraduate students with exposure to the practical operations of PE fund management and to understand the significance and appeal of the work, we introduced an internship programme in 2022. This year, three participants were selected from a large number of applicants to take part in a one-week internship programme. Participants engaged in company analysis

based on their own investment hypotheses and developed value enhancement plans, presenting their findings at a simulated investment committee meeting on the final day. The programme provides an opportunity to learn the entire process, from assessing investment feasibility to proposing enterprise value enhancement strategies, thereby supporting the broader development of ESG awareness and education.

#### Kyoto University, Faculty of Economics students, Graduate School of Economics students, Graduate School of Business Administration students (MBA)

##### First Semester 2025: Startup Ecosystem

- Overview of the Startup Ecosystem
- University-affiliated VC Initiatives (Part 1) / University Spin-off Startups
- Industry-Government-Academia Collaboration and the Startup Ecosystem / Startup Challenges
- University-affiliated VC Initiatives (Part 2) / University Spin-off Startups
- Carbon Neutrality and Venture Capital / Initiatives by Environmental Startups
- Future of the Startup Ecosystem / Life Sciences and Startups
- The Current State and Challenges of PE

##### Second Semester 2025: Private Equity and Enhancing Enterprise Value

- PE and Capital Markets / The Role of PE as an Investor
- Overview and Challenges of PE
- Portfolio Company Case Study
- Corporate Transformation in Large Companies / The Landscape Surrounding Activist Investors
- Portfolio Company Case Study
- Growth-Oriented Small-Cap PE Funds / Policy Initiatives by Public-Private Funds
- Global PE Trends and the Japanese PE Market

---

# Initiatives across Portfolio Companies

---

Polaris established the ESG Policy in 2018 to embed ESG factors into investment management processes. To ensure the consistent identification and consideration of ESG factors throughout the entire investment lifecycle from due diligence to exit, we introduce measures and standards that integrate ESG perspectives into each stage of the investment process.

## 1. Investment Process to Enhance Enterprise Value through ESG

Polaris integrates ESG factors into both the investment and monitoring processes, from the pre-investment assessment stage through to exit.



# STEP 1

## Pre-Investment

### ESG Due Diligence

As part of our due diligence process on prospective portfolio companies, we integrate ESG criteria and use a checklist to assess their ESG practices and related risks. Based on the due diligence results, we determine whether to proceed with an investment upon thorough consideration and discussion. If the results indicate that material ESG concerns are unlikely to be remedied, we will not proceed with the investment. Where issues are deemed improvable, we work with the portfolio company to address ESG matters through active post-investment support and ongoing monitoring. (Reference: [Specific Cases of Due Diligence and Monitoring](#))

Specific Cases of Due Diligence and Monitoring		
ESG	Main items for evaluation	Specific cases
Environmental Responsibility	<ol style="list-style-type: none"> <li>(1) Presence of air and water pollution</li> <li>(2) Global warming</li> <li>(3) Efficient energy use</li> <li>(4) Harmful substances</li> <li>(5) Land devastation</li> <li>(6) Waste management</li> </ol>	<ul style="list-style-type: none"> <li>• Renovation and abolition of ageing facilities</li> <li>• Promotion of LED introduction</li> <li>• Review of appropriate inventory levels</li> <li>• Improvement of transportation efficiency</li> <li>• R&amp;D promotion</li> </ul>
Social Responsibility	<ol style="list-style-type: none"> <li>(1) Perspective of the Universal Declaration of Human Rights</li> <li>(2) Avoiding infringement of human rights</li> <li>(3) Recognising the freedom of trade unions and the right to collective bargaining</li> <li>(4) Avoidance of forced labour and child labour</li> <li>(5) Elimination of discriminatory labour</li> <li>(6) Perspective on product safety</li> <li>(7) Avoidance of the manufacture or trade of weapons, tobacco, gambling activities, prostitution, narcotics, etc.</li> <li>(8) Severing any relations with anti-social forces</li> </ol>	<ul style="list-style-type: none"> <li>• Building a comfortable work environment (workplace design, elimination of unfair discrimination, personnel evaluation standards, benefits system, and incentive design)</li> <li>• Promotion of diversity (equal opportunities, active promotion of young people, active promotion of women)</li> </ul>
Corporate Governance Responsibility	<ol style="list-style-type: none"> <li>(1) Presence of bribes and bribery</li> <li>(2) Presence of anti-competitive practices</li> <li>(3) Composition of the board of directors</li> <li>(4) Compliance with laws and regulations</li> <li>(5) Internal control</li> </ol>	<ul style="list-style-type: none"> <li>• Checks through legal and tax due diligence. If any mistakes were identified in the past, reporting on the status of measure formulation and implementation to prevent recurrence</li> <li>• The status of establishing and instilling compliance regulations in accordance with laws and regulations</li> <li>• Promote balance of skills, experiences, and decision-making systems for executives and key personnel</li> <li>• Reviews of meeting bodies, departments, responsibilities, procedures, etc.</li> </ul>

# STEP 2

## Post-investment decision

### Development and implementation of mid-term strategy

Immediately following the investment decision, we work closely with the portfolio company to develop a medium- to long-term plan, called the '100-day plan', within approximately three months post-investment. We implement intensive support measures, seconding members of our team to the company where appropriate. At the same time, we establish a governance framework by preparing the organisation structure, systems and internal policies required to implement the plan. Furthermore, during this period, we appoint an ESG Lead within the portfolio company to identify and discuss key issues.

## STEP 3

### During Investment

#### Promoting ESG Initiatives During Investment Period

Under the slogan 'Improve the enterprise value of our portfolio companies through DX and ESG', we are fostering an ESG approach among portfolio companies and advancing ESG initiatives.

#### ESG compliance rate of 100% within one year of investment

Within one year of investment, portfolio companies are required to implement the following initiatives. 100% of our portfolio companies have implemented the initiatives as of September 2025:

- Measurement of GHG emissions
- Development of GHG emissions reduction plans
- Implementation of engagement surveys
- Establishment of diversity policies

We monitor 38 ESG-related indicators throughout the investment period, including the above-mentioned metrics. Since 2025, we have further strengthened our ESG indicator monitoring framework. Each investment professional is responsible for tracking changes in individual indicators and has commenced detailed analysis of the drivers behind these changes. Such analysis contributes not only to understanding ESG but also to grasping the overall state of business. When indicator values deteriorate, analysing the underlying causes and taking timely corrective action helps prevent any impairment of the portfolio enterprise value and facilitates the development of measures to enhance long-term value creation.

Through such support during the investment period, we aim to facilitate significant corporate growth while pursuing financial performance improvement and corporate development through the effective management of ESG factors.

#### Monitoring 38 ESG indicators on a quarterly basis

We measure and monitor the ESG performance of all portfolio companies on a quarterly basis using 38 ESG indicators aligned with the ESG Data Convergence Initiative (EDCI)\*1. Based on this data, we support the advancement of ESG management within portfolio companies through continuous dialogue and problem solving. In 2025, all portfolio companies established GHG emission reduction targets with reference to the Science Based Targets (SBT) criteria. A mechanism was established to monitor each company's reduction progress quarterly towards achieving these targets.

(Reference: P.33: 'TCFD' 2-2-2 Portfolio companies' Strategy [↗](#) )

#### (Indicator Examples)

Environmental (E) indicators: Scope 1, 2, and 3 GHG emissions, implementation of energy consumption reduction initiatives, and implementation of waste emissions reduction initiatives.

Social (S) indicators: Employee engagement metrics including employee turnover rate and engagement survey response rate, as well as indicators related to diversity promotion, such as the ratio of employees who take parental leave, the presence of nursing and caregiving leave programmes, and the ratio of female employees.

Governance (G) indicators: Presence of an internal audit department, establishment of a whistleblowing system or hotline, and the presence of a legal and compliance function.

\*1. ESG Data Convergence Initiative (EDCI): Formally launched in October 2021 as the first private equity industry-led initiative, its purpose is to standardise ESG metrics and establish comparable ESG data. As of October 2025, approximately 500 GPs/LPs have provided data on around 9,000 portfolio companies. (Reference: [EDCI](#))

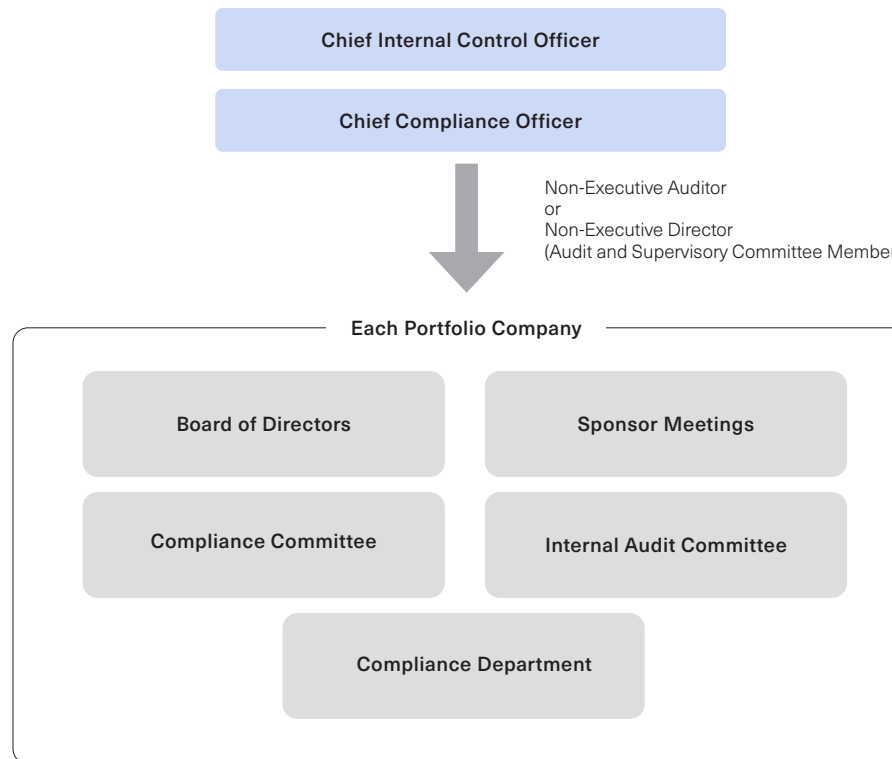
#### Initiatives to Enhance Human Capital across All Portfolio Companies

For all portfolio companies, we conduct an engagement survey targeting all employees immediately after investment to reduce turnover and promote DE&I.

In September 2025, we held an ESG Promotion Leaders' Meeting. Recognising the increased importance of employee retention against the backdrop of tightening labour market conditions, we conducted a workshop on 'Utilisation of Engagement Surveys'. This workshop was attended by ESG Leads from all portfolio companies. Participants presented company-specific objectives, measures to address low-scoring survey items, and initiatives to improve employee retention utilising the survey. Additionally, two companies implementing advanced initiatives (i-PRO Co., Ltd. and GeoTechnologies Inc.) presented on effective retention strategies that have demonstrated tangible results, followed by a Q&A session. In this manner, we support the management of diversity KPI progress and human capital enhancement initiatives tailored to the specific circumstances of each portfolio company.

### Compliance Monitoring Framework

Polaris regards compliance risk within its portfolio companies as a significant management risk. To address this, the Chief Internal Control Officer and the Chief Compliance Officer serve as non-executive auditors or Non-Executive Directors (Audit and Supervisory Committee Member) for each portfolio company. They work closely with each company’s Board of Directors, sponsor meetings, compliance committees, internal audit committees, and compliance departments to strengthen the overall risk management standards across both Polaris and its portfolio companies.



## STEP 4

### Exit

#### Assessment of a Potential Buyer's ESG Approach

When divesting a portfolio company, we carefully evaluate prospective acquirers' commitment to ESG principles and select a buyer capable of ensuring stable growth while maintaining its ESG principles following completion.

#### Exit Case Study: ESG-Focused Buyer Selection 1

SPACE VALUE HOLDINGS K.K. (Business: Development, manufacturing, construction and after-sales service of prefabricated housing and systemized construction buildings and multi-storey parking structures.), which we exited in July 2025, positioned human capital management as an integral part of its mid-term management plan. During our investment period, we also aligned with this policy and provided support accordingly. In the exit process, we placed particular emphasis on identifying an acquirer with a strong ESG orientation and selected a candidate who demonstrated a clear understanding of the company's ESG policies and human capital strategy. Under the new sponsor, the management policy emphasising human capital and the mid-term management plan have been maintained. In this way, we achieved a successful transition where ESG principles were upheld following completion, enabling sustainable enhancement of enterprise value.

#### Exit Case Study: ESG-Focused Buyer Selection 2

Lincstech Co., Ltd. (Business: Manufacture and sale of Printed Wiring Boards (PWB)), which we exited in April 2025, was a carve-out transaction. Reflecting this characteristic, we provided continuous ESG-related support from immediately following the investment. This included clarifying the company's MVV (Mission, Vision and Values), establishing a Sustainability Promotion Office, appointing a responsible executive, and defining its purpose. In the exit process, we placed particular emphasis on identifying an acquirer that demonstrated a strong understanding of and alignment with the company's purpose. We advanced the process while confirming such alignment through ongoing dialogue with potential buyers. Under the new ownership, the company's purpose and sustainability policies have been maintained. In this way, we achieved a succession in which ESG principles were upheld following completion, enabling the continued enhancement of enterprise value.

## 2. ESG Indicator Highlights for Portfolio Companies

### E (Environment)

We measure GHG emissions across all portfolio companies, develop reduction roadmaps, and set emissions reduction targets in line with Science Based Targets (SBT) criteria.

GHG Emissions Reduction Plan Formulation Rate

Achieved

100%

for two consecutive years.

This fiscal year, all portfolio companies formulated reduction plans based on SBT criteria.

\*As of the end of July 2025

### S (Social)

All portfolio companies are advancing initiatives to promote DE&I, such as developing diversity policies.

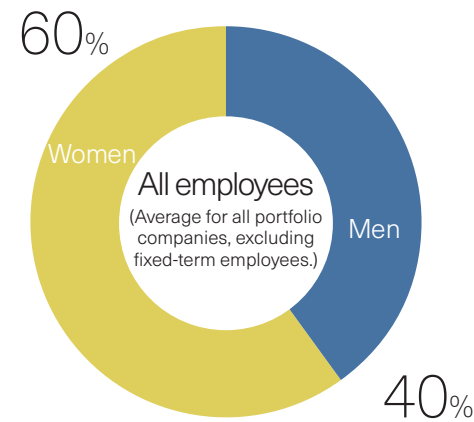
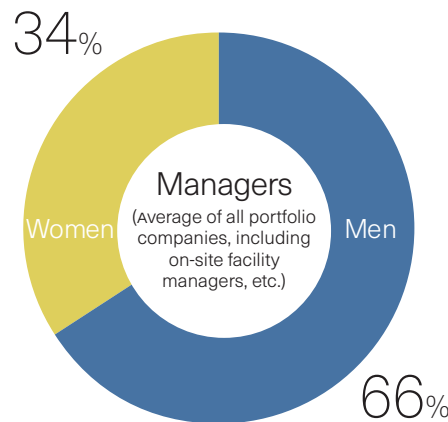
Diversity Policy Adoption Rate\*

100%

Male Parental Leave Take-up Rate\*  
(average across all portfolio companies)

63%  
(+15pt from last year)

Gender ratio (managers and all employees)\*

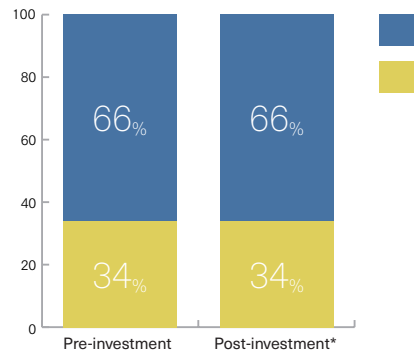


# S (Social)

## Changes in Gender Ratio Before and After Investment

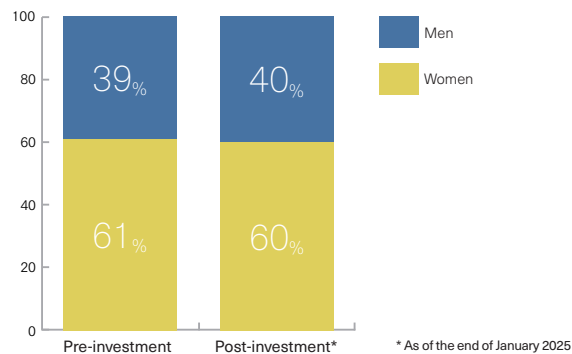
### Managers

(Average across all portfolio companies, including on-site facility managers)



### All Employees

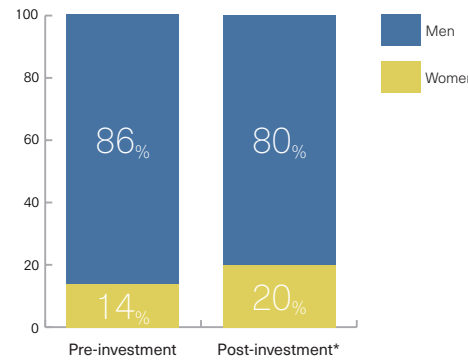
(Average across all portfolio companies, excluding fixed-term employees)



## Companies Below Gender Parity Pre-Investment

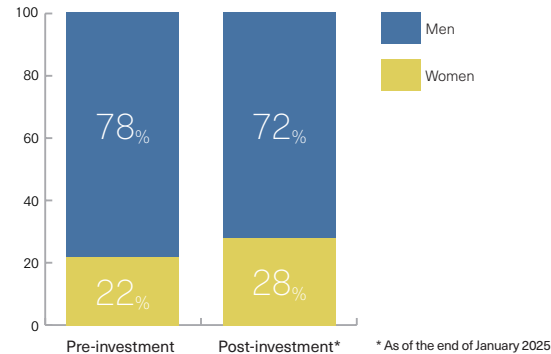
### Managers

(Average across all portfolio companies, including on-site facility managers)



### All Employees

(Average across all portfolio companies, excluding fixed-term employees)



# G (Governance)

As part of strengthening our governance framework, since 2024 we have promoted initiatives whereby our Chief Compliance Officer or Chief Internal Control Officer serves as a non-executive auditor at all portfolio companies, thereby facilitating proactive dialogue. Specifically, we provide guidance on establishing new Compliance Committees and building their operational frameworks (including agenda setting, meeting frequency, and membership composition). Furthermore, when compliance incidents arise, we become closely involved in accordance with each company's circumstances, including providing hands-on support in formulating remedial actions and measures to prevent recurrence.

Companies with a BCP (Business Continuity Plan)

100%

Companies with Whistleblowing and Reporting Channels

100%

## Introduction of Polaris Capital Group's Portfolio Companies

### Interview

# 1

i-PRO Co., Ltd.

## Building a Technology-Driven Organisation through Diversity: Sustainability as a Growth Strategy

By leveraging cutting-edge AI technologies, i-PRO has established itself as a leading brand in Japan's security camera market. Guided by its mission to enhance safety and security in society, the company has placed sustainability at the core of its business strategy, and is advancing initiatives in alignment with its global growth strategy. In this interview, President and CEO Masato Nakao discusses how i-PRO is putting sustainability-driven management into practice.

### Diversity and Respect for Human Rights as Fundamental Requirements for Corporate Growth

#### —How do you view the connection between your business strategy and sustainability initiatives?

We regard our sustainability initiatives as inseparable from our core business. Our mission is to contribute to safety and security in society. By leveraging cutting-edge

#### Company Information

Company Name:	i-PRO Co., Ltd.
Business Activities:	Development, manufacturing, sales, system integration, installation, overhaul and maintenance of equipment and modules for the security, medical, and industrial sectors, as well as providing various solutions related to these areas
Investment Date:	November 2019
Representative:	Masato Nakao, President & CEO
Investment Type:	Carve-out/Spin-off



AI technologies, we aim to become a global company that drives sustainability within the security industry. Security and medical cameras are products designed to protect people's lives and property, which makes trust absolutely fundamental. Without trust as the foundation of our business, we would not be able to continue contributing to societal stability. In turn, this would undermine our ability to sustain our presence and role within society.

**—How do you incorporate sustainability into organisational management and business processes?**

For our company to continue growing as a technology-driven organisation, we must continuously create new value for society. The driving force behind this lies in fostering innovation through diverse perspectives and experiences. The foundation that enables such diversity is respect for human rights. We believe that respecting the human rights of each individual is indispensable as the basis for all our business activities. Currently, approximately 40% of the members of our Executive Management Committee are foreign nationals. In an environment where decisions are made across diverse cultures and values, respect for human rights and mutual understanding are essential for effective organisational management. While Japan's traditional corporate culture has its strengths, we recognise that rigid organisational frameworks can sometimes hinder the shift towards innovative thinking. Technology companies such as ours cannot achieve sustainable growth without continually challenging existing constraints. From this perspective we view sustainability not merely as an initiative aimed at being a responsible corporate citizen, but as a fundamental requirement for corporate growth.

**—As a global company, how do you ensure organisational cohesion and fairness?**

Our first initiative was the global standardisation of grading and pay structures. Systems that had previously differed by region were consolidated, and remuneration levels aligned

accordingly. This has enabled cross-regional staffing and mobility, enhancing mobility and establishing a foundation for the flexible deployment of talent globally. With respect to performance appraisal, we introduced a global calibration<sup>\*1</sup> mechanism to ensure consistency and fairness in evaluations across regions, thereby preventing any regional bias. While certain elements were initially implemented more formally than operationally, the framework has since become firmly embedded in day-to-day practice. It now serves as a mechanism for the effective allocation and development of talent, ultimately supporting the enhancement of enterprise value. We believe it is essential not only to align systems but also to foster a shared understanding that respects the dignity of every individual and ensures a fair and secure working environment across all our global locations. The fundamental principle underpinning these efforts is respect for human rights, an area we continue to strengthen through our ongoing initiatives.

**—What initiatives are you undertaking to promote respect for human rights?**

Our company has formulated the '[i-PRO Global Human Rights Policy](#)' in accordance with international frameworks such as the UN Guiding Principles on Business and Human Rights (UNGPs) and the ILO's core labour standards. In addition, we have established an internal whistleblowing system accessible in Japanese, English, and Chinese, ensuring it functions effectively within our global business structure. This creates an environment in which employees can raise concerns with confidence.

**—In AI development, what aspects do you place particular emphasis on with regard to human rights and ethics?**

We believe it is essential to consider the implications for privacy and human rights that are associated with the use of AI. Accordingly, we prioritise 'responsible AI



utilisation' as a core principle in product development and rigorously enforce compliance across our operations. In 2023, we established our 'AI Ethics Principles' and created an AI Ethics Principles Committee, thereby defining ethical guidelines and a robust governance framework for AI development and operation. Beyond establishing frameworks, we have taken further steps to ensure objective accountability. In 2025, we achieved ISO/IEC 42001 (AIMS) certification, the world's first international standard for AI management systems within the global security industry. We view this as a significant milestone, demonstrating that our AI risk management framework aligns with international standards. It also provides independent verification of the reliability and transparency of our AI utilisation.

## Materiality Implementation Centred on Human Capital

**—Your company has identified six materiality themes. Which of these has seen the most progress over the past year?**

1. Realizing Safer and Securer Society
2. Respect for Human Rights
3. Strengthening Human Capital
4. Global Environmental Preservation
5. Compliance and Governance
6. Resilient Supply Chains

The 2025 fiscal year saw significant progress, particularly in the area of 'strengthening human capital'. We position people as the centre of our value creation and we promote talent development grounded in respect for human rights and diversity. As a concrete initiative, we launched our global learning platform 'i-PRO University'. Alongside developing curricula to support future reskilling and technological advancement, we have begun establishing systems to provide learning opportunities for employees. These initiatives include the development of advanced programmes in areas such as AI governance, data analytics, and cybersecurity. Through these efforts, we are cultivating an environment that encourages autonomous learning and a culture of continuous self-improvement and challenge.

**—How is the company's approach to promoting diversity structured?**

Diversity encompasses multiple dimensions. Operating across Japan, the United States, EMEA, APAC, and China we believe that for diversity to function effectively, on-the-job training (OJT) plays a critical role in enabling efficient cross-border collaboration and achieving globally optimised

management. It is important not to treat diversity as a one-off initiative, but rather to embed the mechanisms that support it within daily business processes. A symbolic example is the integration of our supply chain. We have achieved cross-functional visibility of order placement, delivery schedules, and inventory information across all sales locations and manufacturing sites. By shifting from function-based staffing (e.g., order processing and shipping) to regionally aligned sales-based staffing, we have significantly expanded members' autonomy.

Furthermore, by conducting business in English from the outset, we minimise fragmentation arising from reliance on translation, enabling employees from diverse backgrounds to engage continuously within the same operational processes.

Additionally, we have integrated Diversity & Inclusion (D&I) perspectives into talent management, including personnel reviews and succession planning. While internal transfers remained limited due to staffing constraints, enhanced visibility into the pipeline for women and global talent (Including expatriates and foreign nationals) has enabled more structured discussions regarding future placements and promotions. This is fostering the development of a diverse leadership cohort.

Furthermore, we have expanded hybrid working arrangements, care support, and wellbeing initiatives to create an environment in which employees at different life stages can continue their careers without interruption. Through performance reviews, pulse surveys, and the activities of regional D&I leaders, we have strengthened cross-cultural communication and deepened our organisation-wide understanding of inclusion and fairness. These D&I and engagement initiatives have contributed to improved employee satisfaction, advancing our ambition to build a more inclusive and agile organisation.

## Engagement Reform Supporting the Global One Team

**—You have been conducting engagement surveys since 2021. Could you explain why you introduced these surveys?**

After receiving investment from Polaris in 2019 and becoming independent from Panasonic, our foremost challenge as we embarked on a new chapter as a global company was how to cultivate a 'Global One Team'. It was essential to align our mindset, communication and expectations of employees across diverse regions and backgrounds. Consequently, we have implemented a Global Engagement Survey that is fully aligned with the Great Place to Work® certification standards, using their assessment framework. By visualising organisational strengths and challenges and driving data-driven improvements, we aim to create a workplace where employees can take pride in their work and feel a strong sense of belonging.

**—What changes in employee attitudes and behaviours have been observed since the engagement survey?**

By sharing survey results internally and clearly communicating priorities and specific actions, management has deepened trust with employees and enhanced psychological safety across numerous areas.

The survey has also helped to make communication gaps, workload pressures, and interdepartmental collaboration issues more visible. These challenges can then be addressed systematically through open dialogue, using a shared language rather than relying on assumptions. This 'visualisation of challenges' has been highly valued by both executives and employees, with a growing number of employees feeling that their voices are being heard and reflected in tangible improvements.

The initiative has also provided an opportunity to strengthen employees' sense of identity, pride and unity as 'i-PRO'

following the Polaris investment. We regard this as a crucial step in transitioning from a legacy environment to a globally unified corporate culture.

Through the continuous implementation of the Global Engagement Survey and ongoing efforts to visualise organisational challenges and drive improvements, employee engagement has improved. These achievements have also been recognised externally, resulting in our certification as a Great Place to Work®<sup>2</sup>. Since 2022, we have progressively expanded this initiative, achieving full global coverage across all locations by fiscal year 2025.

#### —How will the survey results be utilised going forward?

Looking ahead, we will advance comparative analysis across global locations using the survey results and work to resolve the root causes of common challenges. In addition, by analysing both interview insights and survey data, we aim to gain a deeper understanding of feedback that quantitative data alone cannot fully capture. This will enable us to further strengthen inclusion and career development initiatives, addressing issues such as regional opportunity gaps, internal mobility, and leadership development. We also aim to accelerate the realisation of a 'Global One Team' by ensuring action plans are implemented consistently across all locations, rather than only in selected regions. At the same time, our ambition is not simply to retain talent, but to be a company where individuals who embrace challenges can continue to learn and grow, enabling them to progress to the next stage of their careers or pursue new opportunities.

## Collaboration with Polaris and Future Prospects

#### —Please tell us about the internal and external reactions to your sustainability initiatives to date.

As the newly revitalised i-PRO following Polaris' investment, we signed the United Nations Global Compact (UNGC) in 2023 to demonstrate our commitment to strengthening corporate ethics and becoming a globally trusted company. Furthermore, since 2024 onwards, we have also advanced the development of key frameworks, including the Sustainability Basic Policy, Global Environmental Policy, and Global Human Rights Policy, together with systematic information disclosure and the identification of material issues and their associated KPIs.

As a result, internally, we have observed growing awareness of sustainability as a shared personal responsibility, with collaboration across departments and more robust governance structures beginning to take shape. Externally, trust from business partners, investors, and prospective employees has increased, yielding tangible benefits such as smoother negotiations and positive impacts on recruitment. Consequently, our sustainability initiatives are reinforcing commitment both internally and externally, serving as an important driver of sustainable growth.

#### —What initiatives have progressed through collaboration with Polaris?

Through engagement with Polaris, our response to materiality has advanced significantly. The introduction of a system to monitor 38 ESG indicators on a quarterly basis has enabled us to quantitatively assess and visualise challenges across each area. In the field of D&I, cross-portfolio meetings with other portfolio companies have yielded diverse insights, accelerating the refinement of our own policies and the appointment of female and

foreign nationals, resulting in steady and measurable improvements in organisational diversity. Positive impacts are also evident in the implementation of engagement surveys and the maintenance of a turnover rate at a favourable level compared to global industry benchmarks. Polaris' continued support – including two-way dialogue during regular reviews, sharing best practices at company workshops, and introductions to relevant specialists – has facilitated the translation of initiatives into concrete actions and strengthened our execution capabilities. This support provides a crucial foundation underpinning our sustainability advancement.

#### —Please tell us about your future outlook.

Our mission is to contribute to the safety and security of society. In fulfilling this mission, we believe sustainability is not a special initiative, but an essential requirement for sustaining and growing our business. Accordingly, we have positioned sustainability at the core of our management, and defined our corporate purpose as 'continuing to creating new value for today's society'. Looking ahead, we aspire to remain a company chosen by the global market, harnessing diversity as a catalyst for innovation and operating as a technology-driven organisation strengthened by diversity. To achieve this, we will deepen dialogue with stakeholders both in Japan and internationally. Through our business activities, we will address social and environmental challenges, thereby realising long-term, stable growth and enhancing enterprise value.

\*1 Calibration is the process by which evaluators align their assessment criteria and standards to ensure fairness and consistency.

\*2 'Great Place to Work®' is a global benchmark for workplace culture, employee experience and leadership behaviour. Each year, the Great Place to Work® Institute surveys employee engagement at over 10,000 organisations across approximately 150 countries, publishing certifications and rankings based on employee feedback gathered through a rigorous, data-driven assessment process. [\(Reference\)](#)

Interview

2

GeoTechnologies Inc.

## Employee Voices as the Driving Force – Human Capital Management Supporting Growth

GeoTechnologies Inc. has established a strong position in the industry as a comprehensive map service provider by combining its vast geospatial data accumulated over approximately 30 years with extensive big data, including human mobility data. The company has built a foundation for business growth on its people, continuously striving to strengthen its human capital. We spoke with President & CEO Yoichiro Yatsurugi about how the company engages with its people – the foundation of the organisation – and transforms this into sustainable competitive advantage.

### People are the Source of Competitive Advantage

#### —What do you consider the most crucial factor for your company's business growth?

For our company, the source of our competitive advantage is our people. We believe that creating an environment in which employees from diverse backgrounds, respects one another, finds fulfilment in their work, and continues to grow, leads to sustainable organisational growth. We regard it as a core responsibility of management to foster a virtuous cycle in which employees proactively consider their own working styles and lifestyles, ultimately driving mutual growth for both the employees and the organisation.

#### —What initiatives are you undertaking to strengthen human capital, particularly to foster employee growth?

The most crucial factor in supporting employee growth is ensuring that challenging opportunities are provided fairly. This principle is also positioned as a fundamental pillar of

our diversity policy, which is why we place great importance on being an organisation in which every employee's voice reaches management and is meaningfully reflected in decision-making. One example is our annual idea contest. From July 2024, we launched an idea submission channel accessible to all employees as a company-wide initiative for new service creation, enabling anyone to submit ideas easily. Submissions that receive favourable evaluations generate engagement, and those garnering particularly strong interest are selected for presentation at quarterly

#### Company Information

Company Name:	GeoTechnologies Inc.
Business Activities:	Development and provision of digital map data, related content service, and location information services
Investment Date:	June, 2021
Representative:	President & CEO, Yoichiro Yatsurugi
Investment Type:	Carve-out/Spin-off



presentation meetings. If management recognises their business potential, they are developed into projects and formal business plans. In this way, we aim to create an environment in which employees and management trust one another and where every individual can maximise their capabilities. This is the type of organisational culture we seek to build.

## Strengthening Organisational Capabilities through Dialogue Between Management and Employee Representatives

### —Could you tell us about the measures you are focusing on to reflect employee voices in management?

Since September 2024, we have held a monthly forum for direct dialogue between management and employee representatives, enabling frontline perspectives to be reflected directly in management decision-making. Participants include the President, the Executive Officer responsible for Human Resources, the Head of Human Resources, two employee representatives elected from each business unit, and two support staff members nominated by those representatives. The forum addresses a wide range of topics, including working styles, employee benefits, the workplace environment, and career development. Importantly, this is not a formal reporting session but a platform for frank, two-way exchange of views. To enhance transparency, minutes of these dialogues are shared with all employees. Interest among employees is very high, with approximately 70% of staff viewing the minutes at times. Employee survey response rates are also consistently high, and these initiatives are making a meaningful contribution to organisational development.

### —How were employee voices actually reflected in management decisions and systems?

When I first became president, remote working was permitted in principle. However, there was a rule requiring a minimum level of office attendance. Dialogue with employees revealed that this requirement was viewed negatively, and we subsequently abolished it. As a result, applications increased from candidates in regions such as Shikoku and Nagoya, who are not required to commute to the office, significantly broadening our recruitment pool. Furthermore, in response to feedback that there was a 'difficult atmosphere for taking leave', we clarified our approach to holiday entitlement and revised our internal regulations, and communicated these changes company-wide. Consequently, the paid leave utilisation rate has improved from 59.5% to 66.3% in just a quarter. We also expanded our reduced working hours scheme beyond childcare and nursing care, to create a system that accommodates diverse lifestyles. Currently, the childcare leave uptake rate stands at 100% for both men and women.

### —What changes have emerged within the organisation and among employees as a result of these dialogues?

Through these ongoing dialogues with senior management,



employee engagement has improved significantly. Engagement ratings increased from 36% in fiscal year 2023 to 55% in fiscal year 2024, while the turnover rate declined from 8.3% to 6.6%. We attribute our continued achievement of turnover levels below the industry average to our commitment to actively incorporating employee feedback into management decisions.

### —Are there any initiatives you would like to strengthen going forward, or new measures you intend to focus on?

Looking ahead, we intend to broaden the pool of support staff voluntarily nominated by employee representatives, establishing a framework for gathering feedback from a wider range of employees. We are also considering revising our corporate philosophy and vision based on employee input. In parallel, we aim to enhance communication between management and staff through initiatives such as lunch meetings, monthly or bi-monthly messages from the President, and the introduction of recognition schemes such as the President's Award. Collectively, these measures seek to boost employee motivation while driving continuous improvement and further organisational development.

## Business Transformation through Reskilling and Investment in Human Capital

### —Could you explain why you focus on reskilling as part of your human capital investment strategy?

Five years ago, we prioritised reskilling because we believe that organisational capabilities which enables frontline-led continuous improvement is essential for driving ongoing business transformation. We introduced RPA (Robotic Process Automation)<sup>1</sup> through an internal contest, recruiting employees with an interest in RPA and advancing development via cross-departmental projects led by volunteers. In a similar way, we are promoting employee-led

development of business improvements using generative AI through a volunteer-based framework. To balance operational efficiency and reskilling, we introduced no-code tools and established clear governance rules, creating an environment in which non-engineers can also make effective use of RPA and generative AI.

#### —What outcomes have these initiatives yielded?

We utilise RPA for map production processes and routine tasks, while generative AI is applied to development workflows. In the last fiscal year alone, the implementation of RPA achieved an annual reduction of 18,000 working hours, equivalent to approximately 100 person-months. However, these initiatives were not introduced with the aim of reducing headcount. By redirecting the time released towards higher value tasks requiring human expertise and new service development, we are advancing employees' digital capabilities and broader reskilling efforts in parallel. Furthermore, by incorporating these initiatives into our evaluation framework, we are strengthening motivation across the organisation to promote company-wide DX advancement.

#### —Regarding human capital, which you prioritise as an organisational foundation, could you tell us about the themes and goals you wish to pursue going forward?

Looking to the future of Japan and the world, it is evident that society is shifting away from regarding men as the primary workforce, and towards expecting women and men to participate equally. In such a context, if corporate structures remain predominantly male-centred, it will become increasingly difficult for companies to remain aligned with societal expectations. In response, we have set a target of achieving a 30% representation of women in managerial positions by March 2027. We believe that merely targeting levels of 5% or 10% would be insufficient. By deliberately setting an ambitious target, we aim to clearly identify the challenges involved. Furthermore, we are actively seeking

ideas both internally and externally, including lectures by external female leaders and the introduction of a mentoring programme for female managers. With respect to the employment of persons with disabilities, we do not restrict roles based on disability status. Instead, we prioritise each individual's strengths. We currently exceed the statutory employment rate of 2.5%, having achieved 2.65%, and are working towards a target of 3.2% or higher by the end of March 2027.

## Collaboration with Polaris and Future Outlook

#### —Have any measures progressed with the support of Polaris?

Progress has been made across a range of governance initiatives. Specifically, we established a company-wide internal control system. To further strengthen governance, we revised over 70 regulations, introduced new provisions and abolished redundant ones, and reorganised the overall regulatory framework.

We also strengthened the structure of outside directors and audit committee members. While a full-time auditor had been appointed immediately after the investment, we supplemented this structure by newly appointing one independent outside auditor and one of Polaris' Chief Compliance Officers as part-time auditors.

In addition, we have reinforced our compliance and risk management systems. As dedicated committees had not previously been in place, we established compliance and risk management committees, as well as introduced the relevant regulations. We also implemented new internal processes to support these initiatives. Furthermore, to strengthen the internal whistleblowing system, we established a formal reporting framework and are promoting awareness of the system among employees.

Regarding the reinforcement of information security and

IT controls, which have attracted considerable attention in recent years, we are progressing with the introduction of SASE (Secure Access Service Edge)\*<sup>2</sup>. In addition, from the perspective of preventing cyberattacks, we are conducting penetration tests to identify system vulnerabilities and establishing IT control-related regulations.

#### —How do you evaluate your collaboration with Polaris?

Polaris' commitment to enhancing enterprise value resonates strongly with us, as well as its corporate philosophy emphasising fairness, ethics and transparency. We particularly value the way Polaris clearly identifies the sustainability issues that require attention, having carefully considered their relevance and priority for our business. Furthermore, the defined ESG monitoring metrics provide clear direction, enabling us to regularly verify the outcomes of each initiative in a structured manner. The concrete improvement methodologies we have gained through their support on GHG emissions reduction and DE&I workshops have likewise proved highly valuable.

#### —How would you like to further develop your collaboration with Polaris?

Our company aims to maximise the potential of our people, the source of our competitiveness, and to realise a more sustainable society through our business activities. Looking forward, we aspire to continue evolving as a unified organisation, actively embracing new ideas and concepts in close collaboration with Polaris, and pursuing initiatives that transcend organisational and operational boundaries.

\*1 RPA (Robotic Process Automation) involves software robots automating routine computer tasks typically performed by humans.

\*2 SASE (Secure Access Service Edge) is a network security concept that integrates previously separate security and network services.

## Interview

## 3

Social Inclu Co., Ltd.

## Organisational Strength Lies in Our People – Driving Growth through Work Satisfaction

Social Inclu Co., Ltd. operates more than 300 day-care support group homes nationwide for individuals with severe disabilities, holding the leading market share in Japan's social welfare sector. The company has pursued sustainable business operations through a dual approach: expanding its services while investing in its people and fostering their wellbeing. In this interview, we spoke with President and CEO Nobuyuki Matsushita about his approach to sustainability and how he is building an organisation robust enough to keep pace with the company's growth.

## Translating ESG Principles into Frontline Operations

**—As a company operating in the social welfare sector, what value do you believe sustainability initiatives hold for your organisation?**

As our company name 'Social Inclu' suggests, we are committed to fostering an environment and corporate culture in which every individual is respected and able to thrive,

## Company Information

Company Name:	Social Inclu Co., Ltd.
Business Activities:	Disability welfare services under the Comprehensive Support for People with Disabilities Act- Operation of group homes for people with disabilities
Investment Date:	November 2022
Representative:	President & CEO, Nobuyuki Matsushita
Investment Type:	Owner Business Succession

rooted in the diversity of our workforce. The establishment of group homes is itself the realisation of our philosophy: 'Creating a society where no person with a disability faces housing difficulties'. Building on this foundation, and with the aim of creating places in which people genuinely wish to live, we have focused on layered training for employees, fair evaluation systems, and on-site support from headquarter teams.

**—How is sustainability being advanced within your organisation?**

The term 'sustainability' is not necessarily straightforward for staff working on the frontline. Even when the president refers to the term, it can be difficult for employees to grasp how it connects to their own daily work. Therefore, rather than focusing solely on abstract concepts, our company has prioritised translating these principles into concrete daily actions and decisions. For example, with regard to harassment, we have not simply encouraged



employees to 'be mindful of their words.' Instead, we have repeatedly communicated the importance of 'respecting our colleagues'. The goal is to ensure that colleagues do not experience distress, and to cultivate a genuine sense of mutual respect. If this mindset takes root, issues such as harassment should not arise in the first place. As noted in last year's Polaris ESG Report, we believe the attitude of 'thoroughness in everyday matters' – that is, doing what is expected as a matter of course – represents the true essence of the ESG mindset. Accordingly, within the company, we place greater importance on considering whether something is 'right as a human being' rather than merely asking 'is it compliant?'

## Visualising Job Satisfaction through Systems and Outcomes

### —Please tell us about changes over the past year and the challenges you wish to address in the long term.

Our company positions job satisfaction as a key management priority. While our staff turnover rate improved significantly from 73% in 2022 to 33% in 2023, it has recently risen slightly to around 35%. While the external environment has seen increasing turnover across the broader care and welfare sector, we take this reversal seriously. In our group homes, residents with diverse disabilities and varying levels of support needs live together. Providing appropriate care requires support tailored to each individual, delivered in close collaboration with their families and counsellors. The knowledge and skills required to deliver such care cannot be acquired in a short period. Precisely for this reason, we believe that ensuring staff fully understand the quality and expertise behind the services we provide, and encouraging them to remain with the organisation over long-term, is fundamental to sustaining and enhancing the quality of care. Simply conveying that the work is 'rewarding' is not enough.

Staff also need to see tangible examples of colleagues who have grown and progressed in their careers. They need to feel genuinely inspired and that they can achieve it too. Demonstrating the above through outcomes, not merely words and strengthening these efforts will be a major theme for the future.

### —What feedback is emerging from the field?

While overall engagement survey results were high, one item that scored comparatively low was the perception among frontline staff of a distance between management and field staff. Recognising this as a key area for improvement, management has introduced regular visits to field locations, and, in addition, they deliver monthly 30-minute direct messages to staff via online platforms. While these measures may not yet be sufficient, we believe that sustaining consistent dialogue is of meaningful value in its own right.

Furthermore, a significant number of comments pointed to a perceived lack of learning opportunities. In response, we are progressing initiatives to expand such opportunities and to establish mechanisms that enable staff to consult freely with colleagues beyond their immediate supervisors and senior staff. These efforts are positioned as key themes for enhancing job satisfaction.

### —What specific initiatives are you implementing to enhance job satisfaction?

We deliver a series of step-up training programmes tailored to each stage of career progression. For staff newly promoted to Area Manager, we clearly articulate the expectations for their new responsibilities, as well as identify the appropriate points of contact when challenges arise. By clarifying these expectations, we aim to alleviate anxiety and create an environment in which individuals can perform their roles with confidence. Furthermore, through dedicated

training for managerial roles, we seek to strengthen on-site leadership capabilities. Concurrently, the skills of frontline staff are developed through site meetings and case conferences. In addition, to prevent frontline managers from addressing concerns in isolation, a structured support mechanism has been established whereby headquarters staff conduct site visits to collaborate directly to resolve operational issues.

### —Are there any initiatives to reduce staff turnover?

We are currently exploring the utilisation of an incentive scheme that incorporates staffing improvements, including reductions in turnover and the optimisation of personnel allocation, into performance evaluations. We aim to establish a virtuous cycle: enhanced operational capacity driven by improved staff retention leads to a reduction in excessive workloads and overtime, which in turn contributes to lower turnover rates. These initiatives are being explored and advanced not only at the management level but also with the support of Polaris.

## Upholding the Essence of Human Capital Management Amidst Expansion

### —Could you share the impact targets related to the vision of 'Creating a society where no person with a disability faces housing difficulties'?

By 2030, the number of people with disabilities in Japan is projected to increase by 164,000 compared with 2020, reaching approximately 340,000. As of the end of November 2025, our company operates 325 facilities, having opened approximately 50 facilities nationwide during the current financial year. Looking forward, we aim to open 60 facilities annually and increase the number of service users by 1,100 each year (all figures provisional). Revenue has grown

steadily, reaching JPY 21 billion in the financial year ended November 2023, JPY 26 billion in 2024, and JPY 31 billion in 2025. As our business is centred on facility operations, expanding our workforce is indispensable. It is precisely for this reason that we consider it paramount that the quality of our human capital is not diminished during this period of expansion. Organisational strength is built upon the cumulative capabilities of each individual employee. Each employee brings a unique personal background, and we must maintain the quality of engagement and standard of care provided even as the organisation expands or accelerates its growth. In other words, while quantitative growth is essential, it must not come at the expense of quality or the depth of care. We believe achieving this balance is the very essence of human capital management.

**—Regarding your philosophy, how do you view it from a long-term perspective?**

Even today, a significant number of people with disabilities continue to face housing difficulties. Our primary mission remains the provision of services that enable stable and secure accommodation. At the same time, it is equally important to establish an environment in which our employees are able to chart their own career paths with confidence. As the number and scale of facilities expand, individuals who encounter setbacks at one location have the opportunity to rebuild and try again at another. Few companies within the welfare sector provide such opportunities. We are committed to steadily advancing both the resolution of social challenges and the well-being of our employees over the long term.

## Shared Values with Polaris

**—Could you share any examples in which collaboration with Polaris has advanced initiatives?**

At present, our company is addressing ESG-related initiatives with limited resources. However, at an annual meeting dedicated to ESG, exposure to the successful initiatives of peer companies, including achievements in GHG emissions reduction and improvements in engagement survey scores, prompted a meaningful reassessment of what we can, and must, do in this area.

**—Could you share a particularly memorable dialogue with Polaris?**

The most memorable aspect was our dialogue on compliance. Polaris emphasised unequivocally that rigorous compliance is paramount, taking precedence even over the pursuit of corporate growth. While this principle is fundamental, the clarity and directness with which it was communicated made a strong impression. There is a natural sequence to things. We believe that shared clarity on this sequence forms the very foundation of our working relationship. Without alignment in values, it is not possible to move forward along the same path. In this sense, a shared value system with Polaris is the prerequisite for our partnership.

**—Could you elaborate on the premise of collaboration, namely ‘shared values’?**

From the perspective of a manager at a company backed by an investment fund, it’s not uncommon to feel the weight of pressure to deliver growth. Indeed, that pressure is ever-present. However, I firmly believe there exists a fundamental line that must not be crossed as a responsible corporate entity. This is what is commonly referred to as ‘compliance’, and I regard it as the foremost priority in any

order of importance. In this respect, I felt a profound sense of reassurance in Polaris’ clear commitment to placing compliance above all else. It is precisely for this reason that I consider it a privilege to collaborate with them. This is a non-negotiable value for me, both professionally and personally. ‘How to consistently do the right things in the right way’ is, in truth, an exceptionally challenging endeavour. I believe Polaris’ corporate philosophy underpins its ability to state unequivocally that what is unacceptable is unacceptable, regardless of circumstance. Admittedly, some organisations initially engage with ESG out of a sense of obligation – driven by the perception that ‘this is what investors require.’ However, through sustained effort and reflection, one begins to ask a more fundamental question: ‘Why are we doing this?’ The pursuit of growth alone is unlikely to yield truly meaningful outcomes. It is precisely the environment, in which such questions can be explored openly without hesitation, that forms the foundation of our collaboration with Polaris.

**—Could you share your outlook for the future?**

ESG cannot truly permeate an organisation unless senior management is genuinely committed to it. In practice, it is challenging to transform day-to-day actions and decision-making criteria based solely on the advocacy of a single individual. However, the involvement of a fund sharpens awareness of societal scrutiny and accountability, thereby creating more conducive conditions for advancing such initiatives. Looking ahead, with ‘meaningful work’ as our guiding principle, we will continue to practise sustainability management from the welfare frontline— in close collaboration with Polaris.

---

Task Force on Climate-related Financial Disclosures

# Polaris' TCFD-Aligned Disclosure

---



## Polaris' Climate-related Financial Disclosures in Line with the TCFD Recommendations

Climate change has become increasingly evident in recent years, as reflected in the growing frequency and severity of extreme weather events worldwide. At the same time, the global transition towards decarbonisation is accelerating. In Japan, the government announced in 2020 its commitment to achieving carbon neutrality by 2050 and set a target to reduce greenhouse gas emissions by 46% from 2013 levels by fiscal year 2030. Under its Green Transformation (GX) Promotion Strategy, Japan aims to advance both decarbonisation and economic growth.

Guided by our corporate philosophy, we aim to enhance the enterprise value of our portfolio companies while contributing to the transition to a decarbonised economy.

Polaris views its TCFD-aligned disclosure not merely as an integral component of the value creation process, supported through ongoing dialogue and collaboration with our portfolio companies. Following our inaugural TCFD-aligned disclosure in 2024, this year marks our second disclosure, and reflects further progress in embedding the framework within our approach. Through transparent disclosure, we seek to strengthen trust with stakeholders while advancing enterprise value creation from a sustainability perspective.

This section outlines our approach and initiatives regarding climate change, aligned with the four core pillars of the TCFD recommendations: Governance, Strategy, Risk Management, and Metrics and Targets.

### Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation 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 organisation has identified over the short, medium, and long term.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organisation 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 organisation's businesses, strategy, and financial planning.	b) Describe the organisation'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 organisation'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 organisation's overall risk management.	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

---

## 2025 Highlights

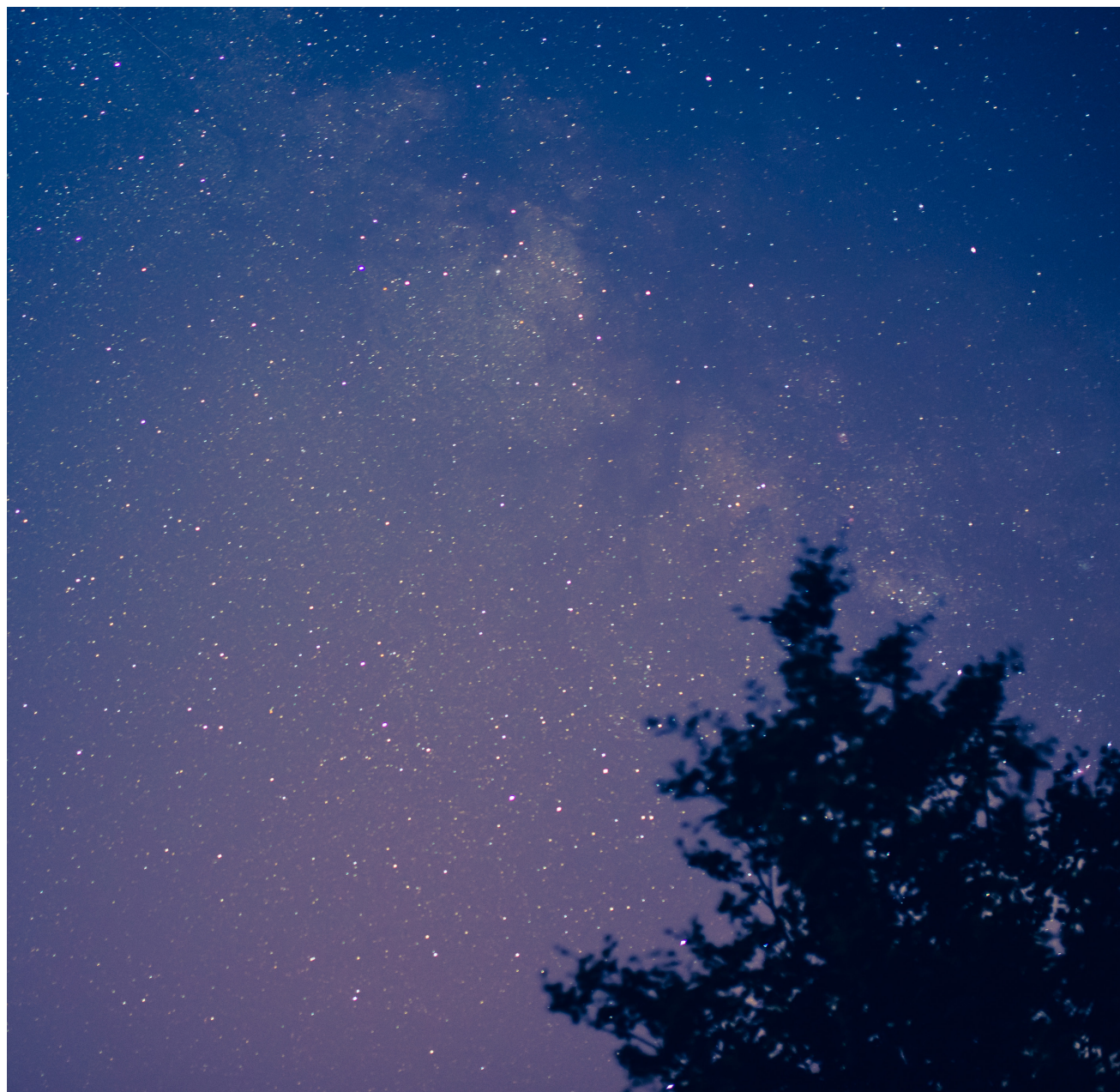
### Setting Decarbonisation Targets Aligned with SBT Standards across All Portfolio Companies

Polaris has supported its portfolio companies in assessing their current GHG emissions, developing reduction strategies tailored to their respective business characteristics and operating models, and establishing decarbonisation roadmaps. By fiscal year 2025, all portfolio companies had established GHG emission reduction targets aligned with the Science Based Targets (SBT) criteria. Each portfolio company has set decarbonisation targets and related initiatives aimed at balancing business growth with ESG factors, while also contributing to improved operational performance. This represents a significant milestone, demonstrating that our ESG policy has been integrated into the management strategies of our portfolio companies.

### Ongoing Key Initiatives

Polaris continues to advance the following initiatives:

- Monitoring the progress and emissions reduction performance of our portfolio companies' initiatives
- Expanding support for the development of SBT-aligned decarbonisation strategies and targets to newly acquired portfolio companies
- Continuing annual disclosures in line with the TCFD recommendations



# 1. Governance

As a fund manager, we oversee and advance the management of climate-related risks and opportunities under a firm-wide sustainability governance framework. In relation to investment activities, the Investment Committee reviews and deliberates on these matters at the time of investment decisions. Following an investment, the ESG Promotion Committee drives progress in collaboration with the Investment Group and Operations Group. The Board of Directors retains ultimate oversight of the firm's sustainability strategy and progress.

## 1-1. Oversight and Governance Framework

The Board of Directors retains ultimate oversight responsibility for sustainability matters, including climate-related risks and opportunities.

The Board receives reports from the ESG Promotion Committee as appropriate and reviews and monitors these matters accordingly. The ESG Promotion Committee is responsible for planning, promoting and monitoring the progress of various sustainability initiatives, while the President & CEO holds overall responsibility for their execution.

Furthermore, the ESG Promotion Committee, with the Chief Sustainability Officer (CSO) serving as its secretariat, drives the firm's sustainability initiatives, including those related to climate change. The Committee identifies and assesses sustainability issues, including climate-related risks and opportunities, across the firm and its portfolio companies. It also develops response policies, Key Performance Indicators (KPIs), and action plans, monitors progress, and reports outcomes to the Management Committee and the Board of Directors.

(Reference: [P.07: 'Polaris' Initiatives' 1-2 The Foundations and Mechanisms](#))

## 1-2. Governance Case Study

Since 2022, the ESG Promotion Committee has held regular discussions on climate change, evolving from information sharing to substantive engagement that includes implementation support and progress monitoring. Past agenda items have included:

- Sharing updates on the latest trends in GHG emissions reduction
- Reviewing the status and progress of GHG emissions reduction plans across portfolio companies

In the current fiscal year, initiatives centred on the ESG Promotion Committee have been further strengthened. This includes evaluating and discussing the progress against decarbonisation targets through monitoring based on ESG indicators.

(Reference: [P.08: 'Polaris' Initiatives' 1-2 The Foundations and Mechanisms](#))

(Reference: [P.14: 'Initiatives across Portfolio Companies' During Investment](#))



## 2. Strategy

Polaris promotes enterprise value creation by supporting the sustainability management of its portfolio companies in relation to climate change, while also contributing to the realisation of a decarbonised society.

### 2-1. Key Climate-related Risks and Opportunities

#### Physical Risks

As our domestic operations are limited to two locations—the head office and the Osaka branch—we currently consider physical risks to our own operations to be relatively limited. However, we recognise that our portfolio companies may face physical risks that could adversely affect their operations and profitability, depending on their respective industries and business models. These risks include flooding hazards, deterioration in working environments due to rising temperatures, and reduced profitability resulting from increased utility costs.

#### Transition Risks

As investment activities constitute our core business, we recognise that strengthened climate-related regulations and policies may influence our selection of portfolio companies and our divestment decisions. We also recognise that portfolio companies may be exposed to transition risks, including regulatory and technological risks, depending on their respective industries and business models. Some operate in sectors with relatively high greenhouse gas (GHG) emissions or in industries considered particularly exposed to climate-related impacts. In response to these risks, we promote and collaborate with portfolio companies

to measure GHG emissions and implement initiatives aimed at reducing emissions.

#### Opportunities

We recognise that portfolio companies addressing climate change or offering environmentally conscious products and services have opportunities to enhance their long-term enterprise value through product and service development and expansion, as well as increased access to new markets. Furthermore, against the backdrop of the global expansion of sustainable finance, we recognise that continuing initiatives, such as ESG investing present an opportunity for us to attract greater interest from sustainability-focused investors both domestically and internationally.

### 2-2. Climate Change Strategy

#### 2-2-1. Polaris Strategy: 'Climate-Conscious Investment'

In recent years, the importance of non-financial information in assessing a firm's long-term value creation has increased. There is growing recognition that ESG factors, including climate change, are critical factors influencing future financial performance and enterprise value, and therefore need to be incorporated into investment decision-making. We position ESG as a driver of new growth opportunities and conduct investments with ESG factors in mind. While our investments to date have not directly targeted climate change itself, we support our portfolio companies in planning and implementing new businesses related to climate change response, with the aim of fostering the sustainable growth of our portfolio companies. Looking ahead, we will continue to integrate climate considerations throughout the entire investment lifecycle, from investment evaluation to post-investment implementation, advancing our support while proactively identifying and addressing risks and opportunities that may impact future financial performance.

#### 2-2-2. Portfolio Companies' Strategy: 'Initiatives Towards SBT-Aligned GHG Emission Reduction Targets'

Polaris provides comprehensive support to its portfolio companies in addressing climate change. In particular, through our partnership with ZeroBoard, we became the first PE fund in Japan to initiate GHG emissions calculation and management across all portfolio companies. During the current fiscal year, we supported all portfolio companies in setting GHG emission reduction targets aligned with SBT criteria. The adoption of SBTs enables us to standardise emissions reduction target levels across portfolio companies, ensuring consistency with internationally recognised climate goals aligned with the Paris Agreement. This approach demonstrates that our initiatives and those of our portfolio companies are science-based, while providing investors and stakeholders with transparent and reliable information. Furthermore, we believe this approach supports the effective management of climate-related risks and opportunities within portfolio companies. By clearly articulating these initiatives as science-based actions, we aim to contribute to enhancing long-term enterprise value.

Moreover, we have appointed dedicated members responsible for GHG emissions calculations and reduction initiatives across all portfolio companies. We have also established internal frameworks to enable each company to proactively advance emissions reduction efforts. We also provide knowledge-sharing and ongoing support through workshops and other initiatives. Previously, we held workshops on carbon emissions reduction, sharing the latest domestic and international trends, best practices, and methods and approaches to developing reduction plans. In the previous fiscal year, we facilitated the sharing of best practices among portfolio companies regarding progress in reducing GHG emissions and the specific measures implemented.

## 3. Risk Management

### 3-1. Our Risk Management

Polaris regards compliance risk within its portfolio companies as a significant management risk. To address this, the Chief Internal Control Officer and the Chief Compliance Officer serve as non-executive auditors or Non-Executive Directors (Audit and Supervisory Committee Member) for each portfolio company. They work closely with each company's Board of Directors, sponsor meetings, compliance committees, internal audit committees, and compliance departments to strengthen the overall risk management standards across the firm and its portfolio companies.

(Reference: [P.15: 'Initiatives across Portfolio Companies' During Investment](#))

### 3-2. Risk Management in Investment Activities

Based on the ESG regulations introduced in 2018, we have established a framework centred on the Investment Committee and investment professionals to ensure that ESG-related risks are appropriately identified, assessed, and managed throughout the investment process, from due diligence on prospective portfolio companies through to exit.

(Reference: [P.06: 'Polaris' Initiatives' 1-2 The Foundations and Mechanisms](#))

#### 3-2-1. Framework

Climate-related risks are managed by the ESG Promotion Committee, which reports directly to the President, within the compliance monitoring framework.

(Reference: [P.14: 'Initiatives across Portfolio Companies' During Investment](#))

#### 3-2-2. ESG Regulations

Polaris has established ESG regulations governing the investment and monitoring processes for its portfolio companies.

(Reference: [P.06: Section 'Polaris' Initiatives' 1-2 The Foundations and Mechanisms](#))

#### 3-2-3. ESG Due Diligence

During pre-investment due diligence (DD), we assess ESG considerations, including climate change, for all prospective portfolio companies using an ESG checklist to identify material potential risks. The results are documented in the DD report and reviewed and discussed by the Investment Committee.

(Reference: [P.13: 'Initiatives across Portfolio Companies' Pre-Investment](#))

#### 3-2-4. ESG Monitoring Indicators

For post-investment monitoring of portfolio companies, we monitor a total of 38 indicators across the three ESG pillars. These indicators have been developed with reference to external expert input and are aligned with the ESG Data Convergence Initiative (EDCI) framework. With respect to climate change, the indicators include the existence of an environmental management function, Scope 1, 2 and 3 emissions, energy consumption, and the implementation of emissions reduction initiatives. These are monitored on a regular basis. Monitoring results are reported periodically to the ESG Promotion Committee and, where appropriate, to the Board of Directors. Furthermore, appropriate response measures are considered should material risks be identified.

(Reference: [P.14: 'Initiatives across Portfolio Companies' During Investment](#))



## 4. Metrics and Targets

### 4-1. Metrics

#### 4-1-1. GHG Emissions

Amount of GHG emissions (Scope 1, 2, and 3)

	2023
Scope 1	0
Scope 2	29
Scope 1 & 2	29
Total Scope 3	1,140,874 of which 99% falls under 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)

\*Reporting period: January 2023 to December 2023

\*Scope 3 Category 15 emissions are calculated by multiplying the GHG emissions of each investee company by our equity share.

\*Our equity share includes stakes in funds managed by our GP entities.

#### 4-1-2. Portfolio Company Sectors

Sector	Number of companies
Technology & Manufacturing	1
Medical, Healthcare & Welfare	4
IT, Services & Logistics	4
Consumer Goods & Retail	4

### 4-2. Targets

#### Targets related to investment activities

Implementation of GHG emissions accounting across portfolio companies: 100%

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

By utilising the GHG emissions calculation system and other tools introduced, we have established two objectives for all portfolio companies: calculating GHG emissions, and implementing measures to reduce GHG emissions. We will continue to support portfolio companies in measuring their GHG emissions and implementing emissions reduction initiatives.

## Featured Portfolio Companies

### Introducing Portfolio Companies' Initiatives

Polaris believes that integrating climate change considerations into its investment activities and supporting portfolio companies in addressing climate-related issues contributes to fulfilling its fiduciary duties. We disclose examples of climate-related initiatives undertaken in collaboration with our portfolio companies, in line with the TCFD recommendations.

Case Study **BAKE Co., Ltd.**  
1 **BAKE INC.**

#### Business activities

Manufacturing and sales of confectionery, operation of electronic commerce sites of the products, and Web media operation

#### Governance

BAKE Co., Ltd. (BAKE) recognises the continuous enhancement of shareholder value as a key management priority. This is pursued through clearly defining management responsibility and accountability to stakeholders, including shareholders, customers and employees. This is implemented alongside ongoing improvements in management efficiency, soundness and transparency. In line with this approach, it has established a governance structure comprising a General Meeting of Shareholders, a Board of Directors, a Board of Auditors, and an Accounting Auditor. These bodies operate in coordination to ensure effective oversight of management. Regarding climate change, BAKE intends to utilise its existing governance framework and relevant committees to identify and assess climate-related risks and opportunities associated

with its business activities, reflecting these in management deliberations and decision-making.

#### Strategy

BAKE recognises sustainability as extending beyond ensuring safety and quality as a food business, but as a crucial management responsibility for appropriately addressing societal challenges such as climate change and increased burdens on producers. Understanding that its business activities, particularly raw material procurement, are inherently vulnerable to environmental and climate change impacts, it recognises that establishing sustainable operations is essential for business continuity.

The company faces physical risks to raw material procurement due to its reliance on agricultural and livestock products as key ingredients. These risks include yield and quality fluctuations caused by rising temperatures and extreme weather, as well as outbreaks of plant diseases and livestock diseases. Identifying these as significant risks, the company acknowledges they could impact business continuity through increased procurement costs and supply constraints.

In light of these risks, the company is advancing initiatives such as simplifying the packaging of its confectionery products, reducing process losses, and improving logistics efficiency. Particularly, BAKE considers the increased use of recycled resources not only as a means of reducing environmental impact, but also as a potential driver of future growth. These initiatives may help mitigate future procurement risks, enhance cost resilience over the long term, and contribute to a more stable supply chain. Against a backdrop of increasing consumer awareness of environmental issues, BAKE also regards environmental initiatives as an opportunity to enhance brand value. Within the confectionery sector, environmental considerations are increasingly influencing brand trust and customer value. BAKE believes that demonstrating a responsible approach to environmental issues, alongside providing safe and high-quality products, strengthens its competitiveness.

In particular, BAKE is developing plant-based products, including SOY tarts made with plant-based ingredients rather than animal-derived ingredients. By selecting ingredients with a lower environmental footprint and enhancing product value, BAKE aims to capture new sources of demand.

Furthermore, as part of its response to climate change, BAKE has implemented initiatives to reduce food loss and undertaken donation activities supporting children's cafeterias. BAKE intends to continue initiatives that balance the reduction of environmental impact with contributions to local communities.

By collaborating with partner companies and utilising insights from other companies' initiatives, BAKE aims to further strengthen the effectiveness of its sustainability strategy while building environmentally conscious brands.

#### Risk Management

With respect to climate-related risk management, dedicated regulations and governance mechanisms have not yet been fully established. However, BAKE intends to progressively develop its risk assessment and management processes, referencing international frameworks while ensuring alignment with existing governance structures and internal policies.

Initially, BAKE will utilise the existing framework to strengthen internal alignment and support foundational development, with the aim of establishing a sustainable risk management system.

#### Metrics and Targets

BAKE has calculated its GHG emissions and established reduction targets. In alignment with the Science Based Targets (SBT) criteria, BAKE has set targets to reduce Scope 1 and 2 emissions by 33.6% and Scope 3 emissions by 20% by fiscal year 2030, compared with fiscal year 2022 levels.

BAKE has already initiated several energy-saving measures, such as reviewing air conditioning temperature settings. It recognises that additional measures will be required to achieve these targets.

Reference: [BAKE](#)

Case Study **i-PRO Co., Ltd.****Business activities**

Development, manufacturing, sales, system integration, installation, overhaul and maintenance of equipment and modules for the security, medical, and industrial sectors, as well as providing various solutions related to these areas

**Governance**

i-PRO Co., Ltd. (i-PRO) established a Sustainability Committee in 2025 and is advancing ESG-focused initiatives under the supervision of its Board of Directors. The Board is responsible for overseeing i-PRO's environmental policies, initiatives and compliance. The CEO serves as the executive responsible for environmental protection. Furthermore, an Environmental Management Officer has been appointed to oversee implementation and drive an organisation-wide response to environmental challenges.

**Strategy**

In fiscal year 2025, significant progress was made in initiatives addressing both climate-related business risks and sustainable growth opportunities under the materiality theme of 'Global Environmental Preservation', as part of i-PRO's sustainability efforts.

**► ① Addressing Risks: Packaging Material Review**

i-PRO identified rising transport costs and raw material prices as market risks associated with climate change and resource constraints, alongside technical risks related to transitioning to environmentally conscious materials. In response, i-PRO conducted a fundamental review of product packaging. Specifically, replacing foam resin cushioning with cardboard has reduced plastic use in packaging by approximately 80%, while improving durability, protective

performance and recyclability.

Achieving a reduction in environmental impact while maintaining product quality and safety demonstrates that sustainability and functionality can be achieved simultaneously. By advancing the transition from plastic to paper-based materials, i-PRO is not only reducing environmental impact but also lowering manufacturing costs. These initiatives strengthen competitiveness while contributing to the reduction of Scope 3 emissions, which account for approximately 99% of total GHG emissions and includes emissions associated with purchased goods and services, transportation and the use of sold products.

**► ② Risk Management: Establishing an Integrated Production System**

i-PRO recognises that strengthening resilience to supply chain disruptions is a critical management priority, given transition risks such as energy price volatility and supply instability associated with climate change, as well as physical risks arising from natural disasters. In response, i-PRO has advanced the establishment of an integrated production system at its Saga Plant, covering all processes from mounting to assembly and inspection. This system enables i-PRO to simultaneously improve production efficiency while stabilising the supply chain, with the aim of enhancing operational resilience to external environmental changes.

In addition, energy-efficient equipment has been introduced at the factory and CO<sub>2</sub>-free electricity is being utilised. These initiatives address transition risks, such as rising energy costs and tightening regulations, while reducing their environmental impact.

These measures support the establishment of a stable supply system and strengthen business continuity in the context of climate change.

**► ③ Expanding Opportunities: Leveraging Edge AI**

i-PRO views intensifying energy constraints resulting from climate change responses and the growing need to reduce power consumption, as sustainable growth opportunities. Against the backdrop of rising electricity demand from large-scale data centres driven by the recent expansion of AI, i-PRO is deploying 'Edge AI'. This technology enables AI processing to be performed directly within each camera, allowing advanced analysis while reducing power consumption compared with cloud-based AI. By performing distributed processing locally on the device rather than relying on the cloud, Edge AI supports both energy efficiency and operational effectiveness. In addition, the adoption of Edge AI streamlines operations that previously relied on manual labour or specialist engineers, contributing to the creation of economic value through reduced operational costs and improved productivity.

These initiatives represent key pillars supporting the growth strategy, while contributing to enhanced enterprise value and sustainable growth. i-PRO formulates and implements strategies in which environmental initiatives generate additional business value and strengthen competitiveness. Looking ahead, i-PRO plans to progressively enhance its TCFD alignment while strengthening organisational strategic resilience, based on consideration and analysis of specific climate-related scenarios proposed by the TCFD.

**Risk Management**

i-PRO has established the i-PRO Global Environmental Policy as the foundation for managing climate-related risks. Under this policy, the Board of Directors is responsible for overseeing the company's environmental policy, initiatives, and compliance, as well as engaging in dialogue and consultation with relevant stakeholders regarding responses to potential and actual environmental impacts. To support implementation, internal and external consultation channels have been established by i-PRO. i-PRO responds

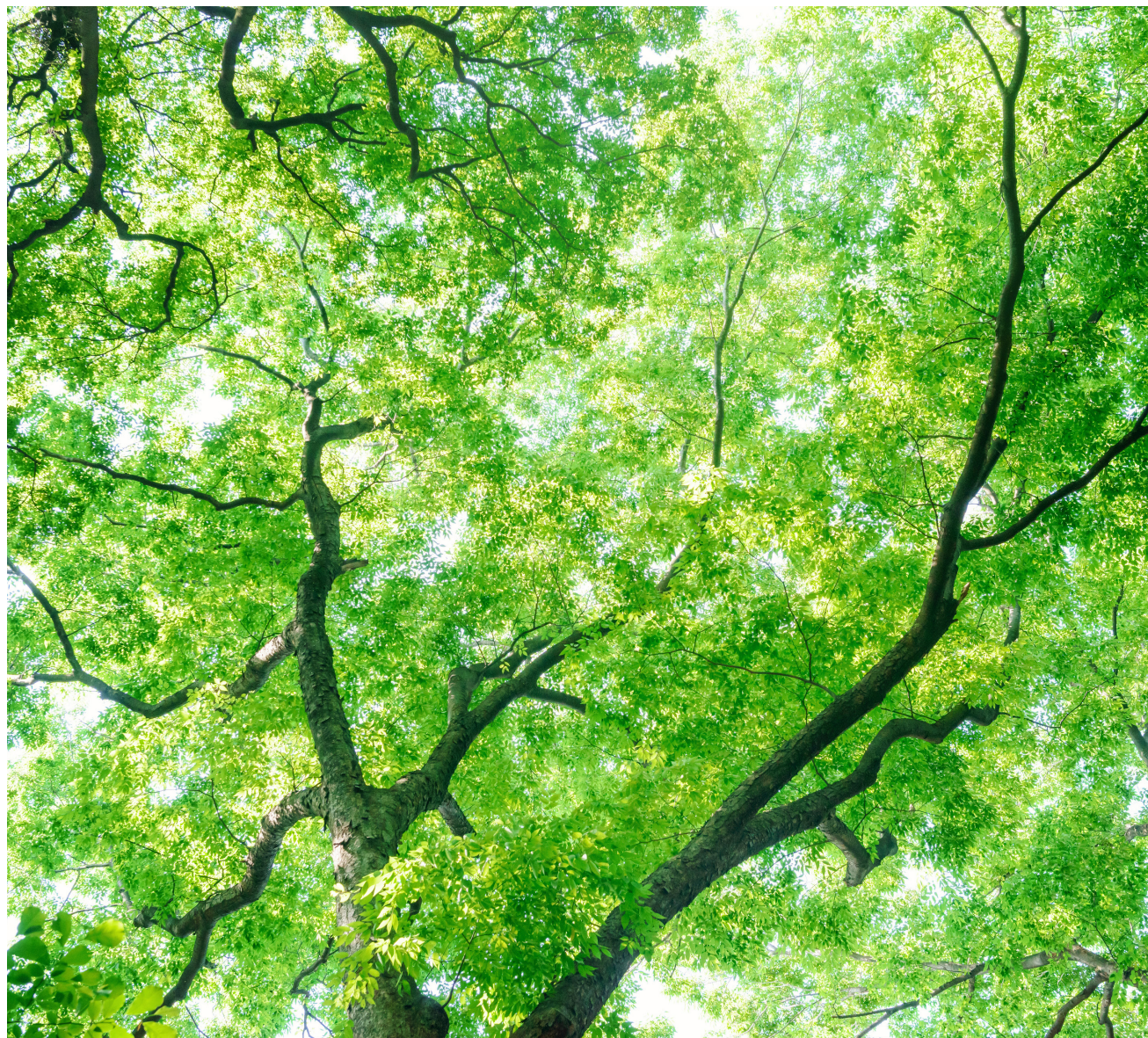
sincerely to all reports and consultations, addressing them promptly and in good faith. In addition, confidentiality is strictly maintained by i-PRO regarding the facts and content of such reports and consultations, and i-PRO does not tolerate unfair treatment or retaliation against whistleblowers, individuals seeking advice, or those cooperating with investigations.

### Metrics and Targets

i-PRO is committed to measuring and reducing GHG emissions. Aligned with the criteria of the Science Based Targets (SBT) initiative, i-PRO has set targets to reduce Scope 1 and 2 emissions by 42% and Scope 3 emissions by 25% by the fiscal year ending 2030, using fiscal year 2022 as the baseline.

To achieve reductions in Scope 1 and Scope 2 emissions, i-PRO is implementing a plan to transition all development and manufacturing sites to carbon-free electricity by the end of 2027. In addition, with regard to Scope 3 emissions, i-PRO is working to reduce GHG emissions across the entire value chain by adopting recycled materials for mechanical components and requesting suppliers' cooperation in reducing environmental impact.

Reference: [i-PRO Co., Ltd.](#)



## Case Study

## GeoTechnologies Inc.

3



### Business activities

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

### Governance

GeoTechnologies Inc. (GeoTechnologies) transitioned from a company with an Audit Committee to one with an Audit and Supervisory Committee in June 2025 as part of its efforts to strengthen corporate governance. This transition established a governance structure in which members of the Audit and Supervisory Committee serve as directors and participate directly in management, thereby enhancing the clarity and effectiveness of GeoTechnologies' management oversight function.

### Strategy

GeoTechnologies recognises environmental challenges, including climate change, as a key management priority alongside its business activities. GeoTechnologies seeks to achieve both a reduction in environmental impact and sustainable business growth.

The principal risks to its business are identified as evolving regulatory requirements and increasingly sophisticated customer demands. In particular, European automotive OEMs have in recent years intensified their efforts to reduce CO<sub>2</sub> emissions across the entire supply chain and to promote the future provision of carbon-neutral products. Failure to respond adequately to these developments could result in the loss of business opportunities. Accordingly, GeoTechnologies recognises these trends as long-term policy/regulatory risks and market risks.

To address these risks, GeoTechnologies plans to progressively enhance its emissions calculation and management from fiscal year 2025 onwards, by utilising emissions data provided

by its business partners. These initiatives are expected to strengthen its ability to respond to future regulatory tightening and evolving customer requirements, thereby supporting business continuity.

At the same time, GeoTechnologies views the growing demand for advanced location data in the transport and mobility sector as a significant business opportunity that is aligned with climate change mitigation efforts. It believes it can contribute to society-wide decarbonisation by helping to reduce fuel consumption and CO<sub>2</sub> emissions associated with congestion through technologies such as traffic jam prediction and mitigation, as well as efficient route guidance.

In addition, GeoTechnologies is promoting the utilisation of its human mobility and location data as social infrastructure across a wide range of fields, including disaster prevention, crime prevention, transportation, urban planning and health promotion. As part of these initiatives, GeoTechnologies collaborates with more than 30 university research laboratories in Japan, providing 24-hour human mobility data that comprehensively captures movement patterns.

These initiatives are positioned as important growth opportunities that enhance resilience to climate-related risks while maximising the value of GeoTechnologies' data assets, thereby aiming to support sustainable business growth and the creation of long-term corporate value.

### Risk Management

GeoTechnologies recognises the risk of system failures resulting from natural disasters associated with climate change. It has incorporated these risks into its BCP (Business Continuity Plan) and established a risk management framework designed to ensure business continuity, including the implementation of annual emergency response drills. Furthermore, considering its business characteristics centred on internet-based infrastructure, GeoTechnologies maintains rigorous backup data management and has strengthened its rapid recovery systems. These measures

are intended to prepare for potential communication disruptions and server outages arising from acute climate-related events such as typhoons and floods.

### Metrics and Targets

GeoTechnologies has set GHG reduction targets aligned with the Science-Based Targets (SBT).

For Scope 1 and 2 emissions, GeoTechnologies has set a target to reduce emissions by 29% by the end of fiscal year 2030 compared with fiscal year 2022 levels. As part of its efforts to achieve this target, GeoTechnologies transitioned its head office electricity contract to a renewable energy plan in April 2023. As a result, GHG emissions associated with electricity consumption at the head office have remained at zero since fiscal year 2023. In addition, GeoTechnologies has set a target to reduce Scope 3 emissions by 18% by the end of fiscal year 2030 compared with fiscal year 2022 levels. Going forward, GeoTechnologies will collaborate with its business partners to advance initiatives aimed at mitigating climate change.

Reference: [GeoTechnologies Inc.](#)

