Please note that the following is an unofficial English translation of the Japanese original text of Annual Securities Report submitted to Kanto Finance Bureau. SPARX Group provides this translation for reference and convenience purposes only and without any warranty as to its accuracy. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Annual Securities Report

(Report Pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal Year	From April 1, 2024
(36th Fiscal Year)	To March 31, 2025

SPARX Group Co., Ltd.

Shinagawa Season Terrace, 1-2-70 Konan, Minato, Tokyo

(E05242)

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Document title	Annual Securities Report
Governing law	Article 24, Paragraph 1, of the Financial Instruments and Exchange Act
Submitted to	Kanto Finance Bureau Director
Submission date	June 20, 2025
Fiscal year	36th Fiscal Year (April 1, 2024 to March 31, 2025)
Company name	SPARX Group Co., Ltd.
Company name (English)	SPARX Group Co., Ltd.
Representative title and name	President & Representative Director and Group CEO, Group CIO, SPARX Group Co., Ltd. Shuhei Abe
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Telephone	(03) 6711－9100 (main number)
Contact	Director, Group Senior Executive Officer and Group CFO, SPARX Group Co., Ltd. Hiroshi Minematsu
Inspection location	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part 1: Corporate Information

Section 1. Corporate Overview

1. Selected Financial Data

(1) Consolidated Financial Data

Fiscal year		32nd	33rd	34th	35th	36th
Fiscal year-end		March 2021	March 2022	March 2023	March 2024	March 2025
Operating revenue	(Millions of yen)	14,295	14,043	13,360	16,498	17,961
Operating profit	(Millions of yen)	6,189	6,241	6,289	8,090	7,778
Profit attributable to owners of parent	(Millions of yen)	3,468	4,070	4,521	6,519	5,252
Comprehensive income	(Millions of yen)	5,338	3,583	4,396	8,167	4,744
Net assets	(Millions of yen)	23,276	24,324	26,047	31,419	33,507
Total assets	(Millions of yen)	37,986	37,141	39,382	46,112	49,939
Net assets per share	(JPY)	116.47	121.98	655.21	794.32	845.64
Net income per share	(JPY)	17.35	20.37	113.37	163.79	132.16
Diluted net income per share	(JPY)	—	—	—	—	—
Equity ratio	(%)	61.3	65.5	66.1	68.2	67.1
Return on equity	(%)	16.1	17.1	18.0	22.7	16.2
Price earnings ratio	(Times)	17.2	13.5	12.8	11.5	11.3
Cash flow from operations	(Millions of yen)	6,118	2,661	3,105	6,044	5,063
Cash flow from investments	(Millions of yen)	(2,900)	(1,180)	2,001	(3,126)	(2,124)
Cash flow from financing	(Millions of yen)	(1,844)	(2,480)	(2,408)	(3,342)	(3,391)
Year-end cash and cash equivalents	(Millions of yen)	19,935	19,199	22,028	22,066	21,385
Number of employees	(People)	180	173	173	186	193

Notes:
1. The shares held by The Master Trust Bank of Japan (in ESOP trust accounts) as trust assets of stock-granting ESOP trust and the shares held by Custody Bank of Japan (in trust accounts) as trust assets of ESOP trust for directors are a portion of the treasury shares deducted from the total shares issued at fiscal year-end and the average number of shares during the period. These figures are used in calculating net assets per share and net income per share.
2. Diluted net income per share is not included because there were no potential shares.
3. SPARX began applying the Accounting Standards for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29; March 31, 2020) from the beginning of the 33rd fiscal year. The selected financial data for the 33rd fiscal year and subsequent fiscal years include data after applying these accounting standards.
4. SPARX conducted a reverse stock split merging five common shares into one share on October 1, 2022. Net income per share has been calculated on the assumption that this reverse stock split had been conducted at the beginning of the 34th fiscal year.
5. SPARX has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27 of October 28, 2022; hereinafter “2022 Revised Accounting Standard”) and other standards from the beginning of the current fiscal year. The selected financial data for the previous fiscal year are retrospectively restated to reflect these

accounting standards. Regarding the 2022 Revised Accounting Standard, the Company has applied the transitional treatment set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment set forth in the proviso to Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 of October 28, 2022). As a result, the selected financial data for the current fiscal year are restated to reflect these accounting standards.

6. Due to the changes in presentation in the current fiscal year, the figures for “Cash flows from operations” and “Cash flows from financing” for the 35th fiscal year are the figures after reclassification to reflect this change in presentation. For details of the changes in presentation, please refer to “Changes in presentation” in “1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements” in “Section 5. Accounting Information.”

(2) Financial Data for the Filing Company

Fiscal year		32nd	33rd	34th	35th	36th
Fiscal year-end		March 2021	March 2022	March 2023	March 2024	March 2025
Operating revenue	(Millions of yen)	3,272	3,386	3,094	2,994	3,530
Operating profit	(Millions of yen)	3,288	3,899	4,826	4,362	4,242
Net income	(Millions of yen)	2,583	3,170	5,191	5,089	3,501
Capitalization	(Millions of yen)	8,587	8,587	8,587	8,587	8,587
Total shares issued	(Shares)	209,577,400	209,577,400	41,915,480	41,915,480	41,705,480
Net assets	(Millions of yen)	17,480	17,650	19,965	23,771	24,275
Total assets	(Millions of yen)	29,440	28,172	30,362	34,545	35,298
Net assets per share	(JPY)	87.47	88.51	502.23	600.55	612.64
Dividends per share (Interim dividends per share)	(JPY)	11.00 (−)	12.00 (−)	60.00 (−)	66.00 (−)	68.00 (−)
Net income per share	(JPY)	12.92	15.86	130.19	127.88	88.11
Diluted net income per share	(JPY)	—	—	—	—	—
Equity ratio	(%)	59.4	62.7	65.8	68.8	68.8
Return on equity	(%)	15.9	18.0	27.6	23.3	14.6
Price earnings ratio	(Times)	23.07	17.28	11.12	14.70	16.97
Dividend payout ratio	(%)	85.14	75.66	46.09	51.61	77.18
Number of employees (Excludes average number of temporary employees)	(People)	24 (7)	26 (7)	31 (2)	30 (3)	32 (4)
Total shareholder return	(%)	186.1	178.9	195.5	255.5	217.3
(Comparative index: TOPIX with Dividends)	(%)	(142.1)	(145.0)	(153.4)	(216.8)	(213.4)
Highest share price	(JPY)	343	328	1,818 (363)	1,969	1,890
Lowest share price	(JPY)	157	230	1,170 (234)	1,340	1,139

Notes: 1. The shares held by The Master Trust Bank of Japan (in ESOP trust accounts) as trust assets of stock-granting ESOP trust and the shares held by Custody Bank of Japan (in trust accounts) as trust assets of ESOP trust for directors are a portion of the treasury shares deducted from the total shares issued at fiscal year-end and the average number of shares during the period. These figures are used in calculating net assets per share and net income per share.

2. SPARX began applying the Accounting Standards for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29; March 31, 2020) from the beginning of the 33rd fiscal year. The selected financial data for the 33rd fiscal year and subsequent fiscal years include data after applying these accounting standards.

3. The highest and lowest share prices are those on the Prime Market of the Tokyo Stock Exchange after April 4, 2022, and those on the First Section of the Tokyo Stock Exchange before that date.
4. SPARX conducted a reverse stock split merging five common shares into one share on October 1, 2022. Net income per share has been calculated on the assumption that this reverse stock split had been conducted at the beginning of the 34th fiscal year. The figures for highest share price and lowest share price in the 34th fiscal year are those after the reverse stock split, and the figures in parentheses are the highest share price and lowest share price prior to the reverse stock split.
5. Diluted net income per share is not included because there were no potential shares.
6. The number of employees excludes those concurrently serving as employees at SPARX Group and a subsidiary from the 32nd fiscal year onward.
7. SPARX has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27 of October 28, 2022; hereinafter “2022 Revised Accounting Standard”) and other standards from the beginning of the current fiscal year. The selected financial data for the previous fiscal year are retrospectively restated to reflect these accounting standards. Regarding the 2022 Revised Accounting Standard, the Company has applied the transitional treatment set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard. As a result, the selected financial data for the current fiscal year are restated to reflect these accounting standards.

2. History

June 1988	Established as Toranomon Asset Management Co., Ltd., in Minato, Tokyo.
November 1988	Registered as an investment advisor per the Act on Regulating the Securities Investment Advisory Business (Kanto Local Finance Bureau, No. 364).
July 1989	Changed the Company's name to SPARX Asset Management Co., Ltd., and began offering investment advisory services.
October 1993	Established a Swiss subsidiary, SPARX Finance S.A., to handle European marketing.
July 1994	Established SPARX Investment & Research, USA, Inc., a US Securities and Exchange Commission (SEC) registered investment advisory firm, to provide investment advisory services in the US.
January 1996	Established SPARX Fund Services, Inc., in the US to manage offshore funds.
December 1996	Established SPARX Overseas Ltd. in Bermuda to operate and manage offshore funds for Western investors. Completed the company's liquidation in October 2023.
February 1997	SPARX Asset Management Co., Ltd., obtained approval to engage in the discretionary investment management business (Minister of Finance, No. 191; at the time of approval).
May 1998	Established SPARX Securities Co., Ltd., to conduct domestic marketing. Acquired Nos. 1, 2, and 4 securities licenses (Minister of Finance, No. 10082; at the time of approval). (In December 1998, registered as a securities business per Article 28 of the Securities Exchange Act.)
March 2000	SPARX Asset Management Co., Ltd., obtained approval to engage in the securities investment trust management business (Financial Reconstruction Commission, No. 24; at the time of approval). Changed the Japanese name of SPARX Asset Management Co., Ltd., and moved its HQ to Osaki, Shinagawa, Tokyo.
December 2001	SPARX Asset Management Co., Ltd., registered with the Japan Securities Dealers Association for over-the-counter trading.
October 2002	SPARX Investment & Research, USA, Inc., reregistered with the US SEC to provide investment advisory services in the US (after moving its HQ to New York).
February 2004	Established SPARX Asset Management International, Ltd., in the UK to provide services to new and existing clients in Europe. In August 2004, obtained approval and began operations as an investment advisor and group fund arranger.
June 2004	Established SPARX Securities, USA, LLC to market funds in the US.
December 2004	Canceled over-the-counter registration with the Japan Securities Dealers Association and listed on the JASDAQ Securities Exchange.
December 2004	Established SPARX International, Ltd., to manage overseas subsidiaries in the UK.
February 2005	Acquired a majority share of South Korean firm Cosmo Investment Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.).
April 2005	Established SPARX International (Hong Kong) Limited to manage overseas funds in Hong Kong. In August 2005, obtained approval and began operations in advising on securities and asset management.
June 2005	Changed the name of SPARX Fund Services, Inc., to SPARX Global Strategies, Inc., in line with changes in business activities.
July 2005	Established SPARX Capital Partners Co., Ltd., to develop an investment business using equity capital.
August 2005	SPARX Asset Management Co., Ltd., registered with the US SEC as an investment advisor in the US.
September 2005	Issued our first unsecured corporate bond (JPY 5.0 billion; with an interbond pari-passu clause).
January 2006	Registered South Korean firm Cosmo Investment Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.) with the US SEC as a US investment advisory business.

June 2006	Acquired all shares of PMA Capital Management Limited (now, SPARX Asia Capital Management Limited) through SPARX International Ltd., to establish an Asia-wide investment platform.
October 2006	Transitioned to a holding company structure through a corporate split, changing the company name to SPARX Group Co., Ltd. Its subsidiary SPARX Asset Management Co., Ltd., took over the asset management business and related personnel and assets.
January 2007	A resolution passed to dissolve SPARX Global Strategies, Inc., as we streamlined overseas operations within the Group.
February 2008	A resolution passed to dissolve SPARX Finance S.A., as we streamlined overseas operations within the Group. Completed the company's liquidation in October 2018.
July 2008	A resolution passed to dissolve SPARX Value GP, LLC due to the dissolution of the joint venture with California Public Employee's Retirement System and Relational Investors, LLC. Completed the company's liquidation in December 2008.
October 2008	Decided to implement the first round of management reforms, including early retirement.
October 2008	Acquired an additional 9.7% of issued shares in South Korean firm Cosmo Investment Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.).
November 2008	Ceased operations of UK-based SPARX Asset Management International, Ltd.
February 2009	Transferred 21.0% of issued shares in South Korean firm Cosmo Investment Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.) to an affiliate of the South Korean Lotte Group.
February 2009	Decided to implement the second round of management reforms, including early retirement.
July 2009	Acquired an additional 10.0% of issued shares for South Korean firm Cosmo Investment Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.).
September 2009	A resolution passed to dissolve SPARX Investment & Research, USA, Inc.; SPARX International, Ltd.; and SPARX Asset Management International, Ltd., as we streamlined overseas operations within the Group. Completed the three companies' liquidation by December 2011.
September 2009	Entered into an investment trust business partnership in the US with US-based Hennessy Advisors Inc.
December 2009	Signed an agreement with Japan Wind Development Co., Ltd., to establish a limited investment partnership to jointly invest in Japanese companies with smart-grid-related technologies and business models. With the establishment of a fund as a cleantech investment strategy, the original partnership's role has ended and it has since been dissolved.
February 2010	Transferred 8.9% of issued shares in South Korean firm Cosmo Investment Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.) to an affiliate of the South Korean Lotte Group.
July 2010	SPARX Asset Management Co., Ltd., and SPARX Securities Co., Ltd., merged to create the existing company, SPARX Asset Management Co., Ltd.
August 2010	Acquired an additional 10% of issued shares in South Korean firm Cosmo Investment Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.).
November 2010	Transferred all SPARX International (Hong Kong) Limited shares to MCP Asset Management Co., Ltd.
February 2011	SPARX Group Co., Ltd., and SPARX Capital Partners Co., Ltd., merged to create the existing company, SPARX Group Co., Ltd.
June 2011	Changed the name of PMA Capital Management Limited to SPARX Asia Capital Management Limited.
November 2011	Cosmo Investment Management Co., Ltd., obtained a license to operate an investment trust management business in Korea and changed its name to Cosmo Asset Management Co., Ltd.
May 2012	Moved our HQ to Higashishinagawa, Shinagawa, Tokyo.
June 2012	Entered the real estate investment fund business.
June 2012	Tokyo Metropolitan Government selected SPARX as the manager of its public-private partnership infrastructure fund.

August 2012	Established SPARX Green Energy & Technology Co., Ltd., to operate a renewable energy power generation business and offer associated consulting services.
November 2012	Cosmo Asset Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.) moved its HQ to Yeouido, Yeongdeungpo District in the heart of Seoul.
November 2013	Cosmo Asset Management Co., Ltd. (present SPARX Asset Management Korea Co., Ltd.) acquired a hedge fund license in South Korea.
April 2014	Acquired all Japan Asset Trust Co., Ltd., shares and changed the company name to SPARX Asset Trust & Management Co., Ltd.
October 2014	Tokyo Metropolitan Government selected SPARX as the manager of its public-private renewable energy fund.
February 2015	Cosmo Asset Management Co., Ltd., changed its name to SPARX Asset Management Korea Co., Ltd.
November 2015	Established the Mirai Creation Fund to accelerate innovation for society’s future.
June 2016	Moved our HQ to Konan, Minato, Tokyo.
January 2017	SPARX Asset Management Korea Co., Ltd., moved its HQ to Jongno, Jongno District in Seoul.
November 2017	Established a brownfield fund with stable, long-term cash flow sources, focusing on investing in the power station operational phase.
December 2018	Established SPARX AI & Technologies Investment Co., Ltd., (present SPARX Investment Co., Ltd.) to manage assets for investment limited partnerships.
December 2018	Established SPARX Capital Investments, Inc., to operate an investment advisory business in the US. Completed the company’s liquidation in 2022.
December 2018	Made SPARX Asset Management Korea into a wholly owned subsidiary by acquiring additional shares.
March 2019	Changed our listing to the First Section of the Tokyo Stock Exchange.
April 2019	Invested in and partnered with Sigma-i Co., Ltd., provider of an R&D solution for quantum annealing technology.
April 2020	Established SPARX Innovation for Future Co., Ltd., to manage assets for investment limited partnerships.
June 2020	Converted to a corporate structure with an audit and supervisory committee.
November 2020	SPARX Asset Management Korea Co., Ltd., moved its HQ to Saemunan Road, Jongno District in Seoul.
April 2021	Partnered with Nomura Holdings, Inc., to establish Nomura SPARX Investment, Inc., to manage listed investment corporations that invest in unlisted companies.
April 2022	Moved from the Tokyo Stock Exchange’s First Section to its Prime Market due to the revision of TSE’s market classifications.
April 2024	Passed a resolution to dissolve SPARX Innovation for Future Co., Ltd. as a result of organizational changes within the Group. Completed the company’s liquidation in November 2024.

3. Business Details
(1) Business Details
i. Group Operations Overview

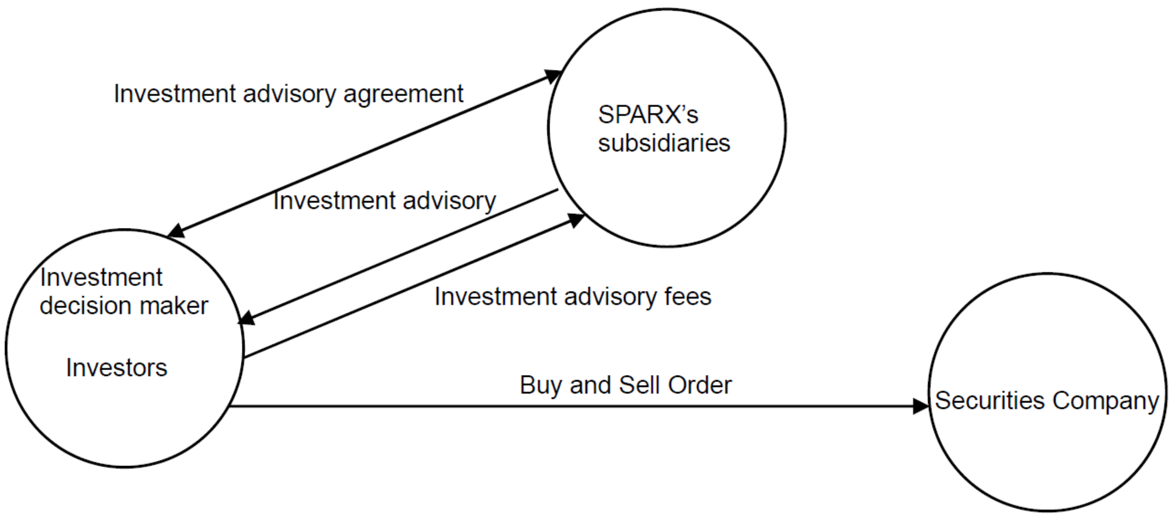
The Group's core business is in asset management (investment advisory and investment trust management). It comprises SPARX Group Co., Ltd. as its holding company and subsidiaries in Japan and abroad.

The Group's subsidiaries provide asset management services, including research and management, as follows: SPARX Asset Management Co., Ltd., targets Japanese equities, renewable energy power generation projects (specifically, investment in the development-to-operations phase of power station projects), and private equity. SPARX Asset Trust & Management Co., Ltd., handles real estate and renewable energy power generation projects (specifically, the stable operation phase after the power stations have started operations). SPARX Asset Management Korea Co., Ltd., handles South Korean equities. Hong Kong-based SPARX Asia Investment Advisors Limited—a wholly owned subsidiary of Cayman Island-based SPARX Asia Capital Management Limited—manages Asian equities.

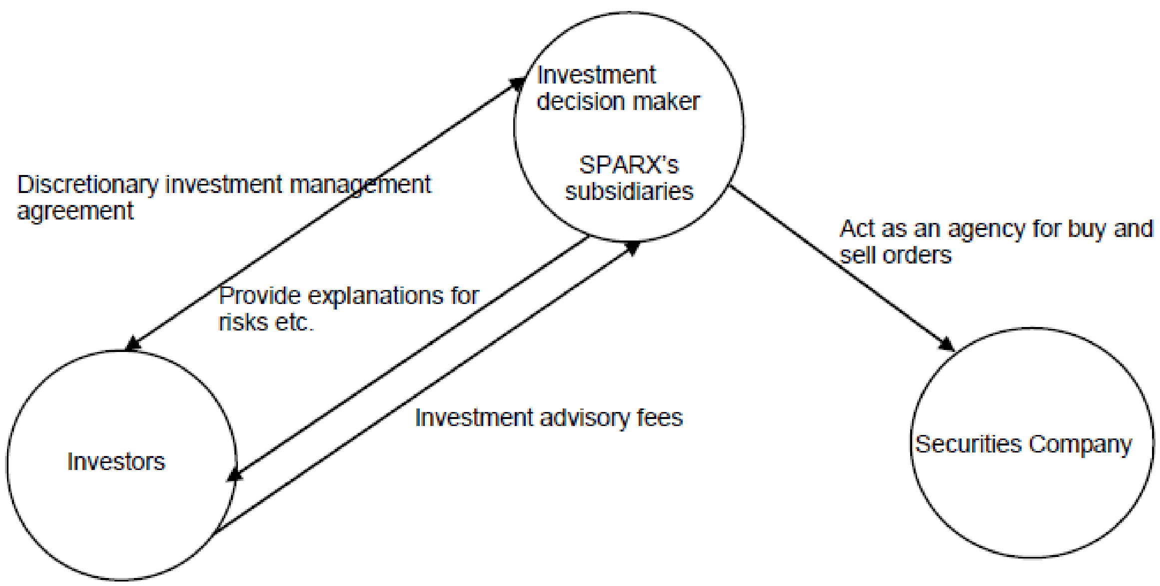
ii. Asset Management Business Structure

The investment advisory business provides expert, fee-based advice to investors on investing in stocks, bonds, and other securities (including decisions on types of securities, specific securities, purchase quantities, prices, and timing). The business is further divided into the investment advice and discretionary investment management segments. Through investment advice services, we enter into an investment advisory agreement with an investor and provide only investment advice per the agreement's stipulations. In such cases, investors are responsible for their own investment decisions and securities transactions. Meanwhile, through discretionary investment management services, we enter into an agreement with an investor who delegates to us some or all of its investment decision-making and the authority necessary to execute transactions. With a discretionary investment management agreement, the investment advisory firm decides how to manage investor assets through investments in securities and executes transactions.

Investment Advisory Business Structure

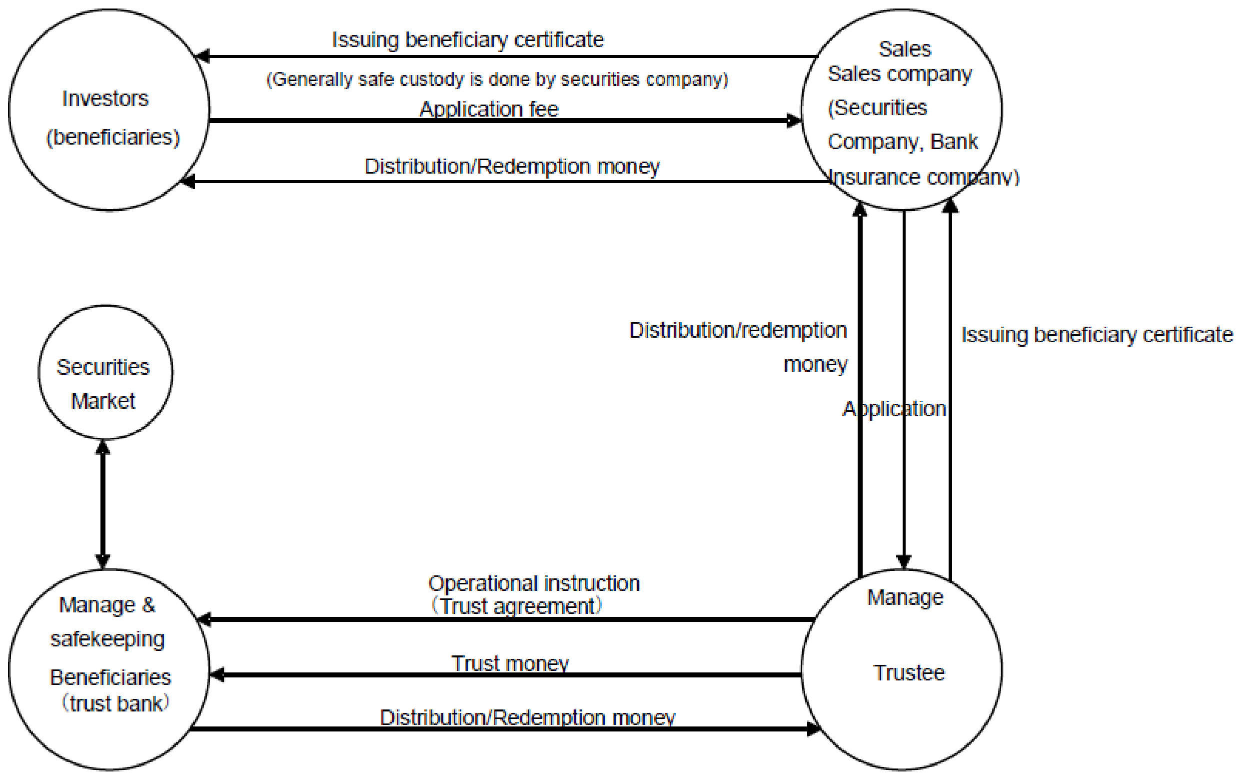


Discretionary Investment Management Business Structure



On the other hand, through the investment trust management business, we act as a trustee of a trustee-directed investment trust. As an expert investment trust manager (the trustee), we pool capital collected from investors (the beneficiaries) into investment trusts, invest them in diversified securities, and distribute the returns (investment gains/losses) to investors.

Contract-Based Investment Trust Business Structure



Note: Investment trust businesses may be conducted on a contract or corporation basis. We primarily operate using a contract-based structure, which is illustrated in the above diagram.

iii. Changes in Group Investment Strategy Offerings

Since commencing operations on July 1, 1989, the Company has operated as an independent investment advisory firm specializing in small- and mid-cap equity investments. It has done so primarily through OTC-registered companies, based on a bottom-up approach grounded in individual corporate visits, with a focus on Japanese companies. Since we were first founded, SPARX members (hereinafter "SPARXON") have sought to be creative in our asset management operations.

We have specialized in managing the type of companies that will drive the coming major structural transformation, such as emerging growth companies represented by OTC equities instead of large companies, especially owner-operated companies whose owners hold their own management philosophy. As a result of our specialization, we have adopted a bottom-up approach to our asset management research since we were first founded, focusing on investigating companies through face-to-face visits. It is not enough for us to analyze our research targets by simply sitting in the office and verifying publicly available information. We believe that, by going directly to target companies and listening to their management speak in their own words, we can confirm the management philosophies and the dynamics of growing companies in a way that is only possible in person. Such experience reveals the true corporate image hidden behind public information that is merely lists of letters and numbers.

In our visits to individual companies based on this bottom-up approach, we carefully examine the company's business model, market growth potential, and management strategy. We then forecast future earnings and cash flows, taking into account business risks and other factors, and measure the intrinsic value from the perspective of the company's actual situation. We view the value gap between the daily market price and the intrinsic value as an investment opportunity. We make investment decisions based on our proprietary research, investment hypotheses, and catalysts (specific triggers and factors) that would close the value gap.

In the 1990s, the Japanese stock market's evaluation of winners and losers became clear. Even among large companies, there was a polarization of market valuations, depending on the degree of progress made in the restructuring of their business. This resulted in the rapid development of disparities between industries and polarization of stock prices within the same industry. In June 1997, we began a long-short investment strategy to accurately respond to such market changes. The same year, we also began managing funds of funds, investing in hedge funds from around the world.

In 1999, we began managing a pension fund with TOPIX as its benchmark. We also became a trustee of a leading Japanese securities firm for its wrap accounts. In the same year, we began managing an intensive fund that had a limited number of portfolio companies. In addition, after obtaining a license to operate an investment trust management business in March 2000, we began managing domestic privately-placed investment trusts. A month later, we launched funds that invested in private Japanese companies.

In January 2003, we began managing an investment fund that promoted corporate value growth among Japanese companies through corporate governance. In this investment strategy, we significantly increased the shareholding ratio per company by narrowing down our target companies and sought various measures to increase corporate value for the benefit of shareholders, employees, and other stakeholders. This process also involved constructive discussions with the management of portfolio companies to obtain their full understanding. In making such investments, our method of selecting portfolio companies has remained unchanged from the bottom-up approach we have developed over the years. The consistency of our approach stems from our belief that it is possible to discover companies that are capable of improving their own management efficiency from the perspective of corporate governance, through a conventional research process that delves deeply into the essence of corporate value.

Since then, we have been actively expanding our business in Asia to capitalize on the region's economic development as a "Center for Asia Investment Intelligence." In doing so, we have built a preeminent brand of investment intelligence in Asia for investors worldwide. Specifically, in February 2005, we acquired a majority stake in the former South Korean asset management company Cosmo Investment Management Co., Ltd. (now SPARX Korea). This firm now serves as the Group's research and investment core in South Korean equities. Furthermore, in June 2006, we acquired all shares of the former PMA Capital Management Limited (now SPARX Asia), which holds the largest alternative assets under management in Asia, excluding Japan. We have allocated our management resources to these companies, while sharing with them the management methods and expertise cultivated by the entire SPARX Group.

Since 2012, the world has seen low interest rates and a glut of capital. Against this backdrop, investors inside and outside Japan have developed a keen interest in investments that promise stable income gains. For this reason, in

September 2012, SPARX Asia Capital Management Limited launched a fund targeting overseas institutional investors, to give them the opportunity to invest in Japanese residential real estate. Moreover, leveraging the real estate investment expertise of SATM—whose shares we acquired in full in April 2014—we began investing not only in residences, office buildings, warehouses, and commercial facilities but also in healthcare-related facilities.

In June 2012, the Tokyo Metropolitan Government appointed us the manager of its Public-Private Partnership Infrastructure Fund. We formed an investment partnership to invest in renewable energy power generation projects, mainly solar power, and began concrete fund operations. We are currently accumulating a substantial track record of results from multiple funds. We also established and started managing funds with stable, long-term cash flow sources, focusing on brownfield investing in the operational phase of power stations alongside greenfield investing in their development phase.

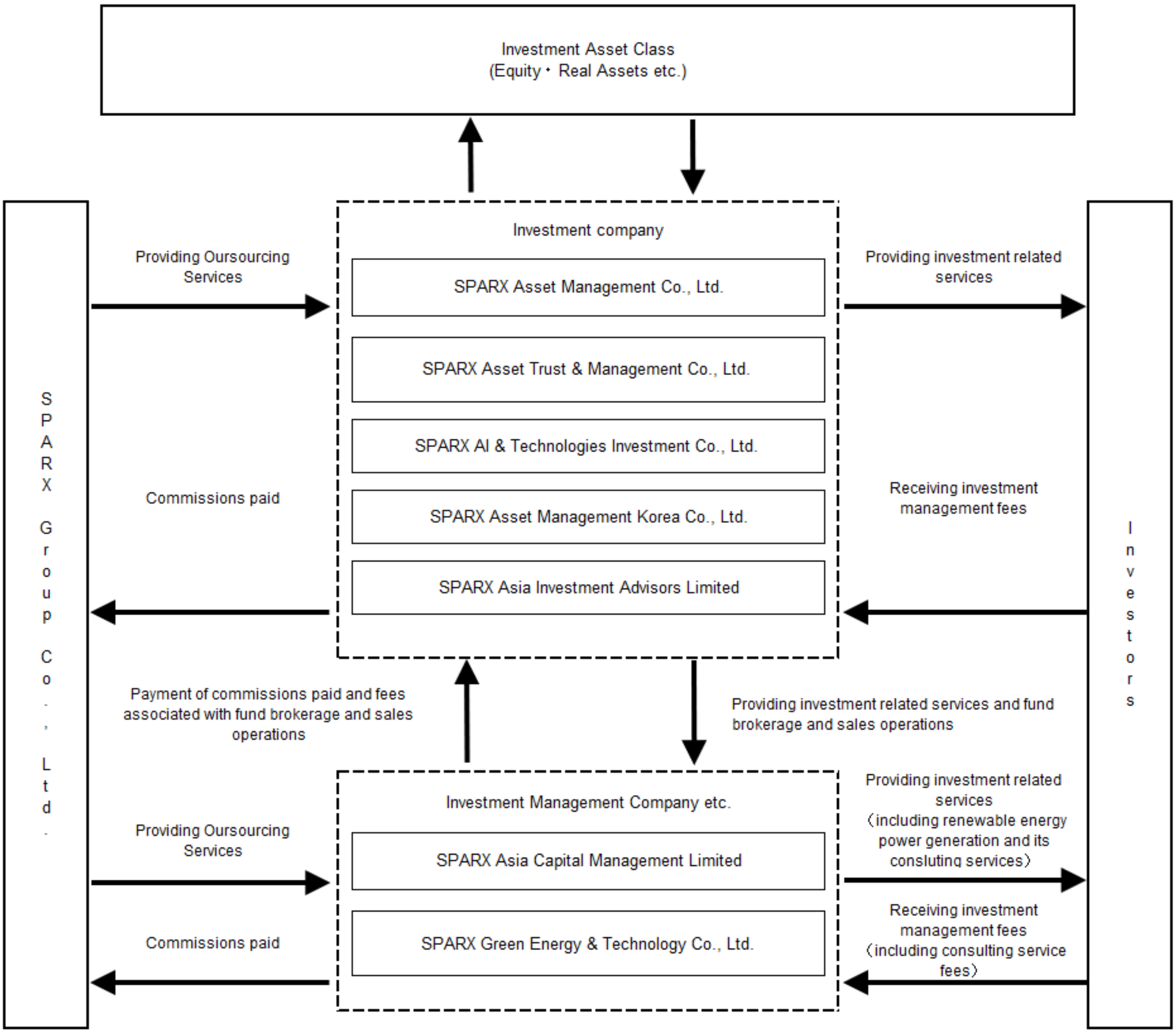
As a new initiative in November 2015, we partnered with Toyota Motor Corporation and Sumitomo Mitsui Banking Corporation to establish the Mirai Creation Fund. This fund pursues long-term investments that contribute to growth in the next generation, develops new areas to create the future as an investment company, and steadily conducts investments in venture companies in Japan and abroad. In 2020, we established the Space Frontier Fund to invest in space companies. In the same year, we created the Japan Monozukuri Mirai Fund to support domestic manufacturers with outstanding technology, human resources, and services, to maintain Japan's advanced technology and skills and continue developing its manufacturing capabilities.

In addition to the above investment strategies, we believe that the new era's growth areas—premised on the use of artificial intelligence (AI)—will be energy, medical and healthcare, and quantum computing. These sectors will be the pillars of SPARX's future business. In the quantum computing sector, we joined a capital alliance to invest in and establish a new company, Sigma-i, in April 2019. This project is to establish an organization that specializes in this field developed through a partnership with Tohoku University professor and world authority on quantum annealing computers, Masayuki Ozeki. In 2023, we transferred a portion of our equity interest to SCREEN Holdings Co., Ltd. in order to accelerate the early commercialization of quantum annealing technology. In the medical and healthcare sector, we acquired employee equity from Goyokai Medical Association, in April 2020. The following year, we began investing in the healthcare field. We sold our equity interest in 2023 and recorded approximately JPY 1.1 billion in gain on sale of investment securities.

We will continue to offer a diverse product lineup that meets market needs and establish a well-balanced business structure.

Business structure diagram

The following diagram outlines the Group's primary transactions.



Note: SPARX AI & Technologies Investment Co., Ltd. changed its name to SPARX Investment Co., Ltd. on April 1, 2025.

4. Information on Subsidiaries and Associates

Name	Location	Capitalization	Principal business	Percentage of voting rights (%)	Relationship
(Consolidated subsidiaries)					
SPARX Asset Management Korea Co., Ltd.	Seoul, South Korea	KRW 4.2 billion (JPY 509 million)	Asset management	100.0	Provision of business management services
SPARX Asset Management Co., Ltd. (Notes: 3, 4)	Minato, Tokyo	JPY 2.5 billion	Asset management	100.0	Provision of business management services Concurrently serving directors
SPARX Asia Capital Management Limited (Note: 4)	Cayman Islands	USD 44.001 million (JPY 5.016 billion)	Asset management	100.0	Provision of business management services
SPARX Asia Investment Advisors Limited (Note: 2)	Hong Kong SAR, China	HKD 3.1 million (JPY 45 million)	Asset management	100.0 (100.0)	Provision of business management services
SPARX Green Energy & Technology Co., Ltd.	Minato, Tokyo	JPY 25 million	Renewable energy power generation consulting	100.0	Provision of business management services Occasional financial assistance
SPARX Asset Trust & Management Co., Ltd. (Note: 4)	Minato, Tokyo	JPY 100 million	Asset management	100.0	Provision of business management services
SPARX AI & Technologies Investment Co., Ltd. (Note: 5)	Minato, Tokyo	JPY 50 million	Managing assets for investment partnerships	100.0	Provision of business management services Occasional financial assistance
We have four other consolidated subsidiaries besides those listed above.	–	–	–	–	–
(Equity method associates)					
Sigma-i Co., Ltd.	Minato, Tokyo	JPY 100 million	Development, design, and sales of quantum computing systems and software	27.3	–
Nomura SPARX Investment, Inc.	Chiyoda, Tokyo	JPY 200 million	Asset management	49.0	–

Notes: 1. The capitalization figures in parentheses are the yen equivalents for the foreign subsidiaries. Calculated using the exchange rate at the end of the month in which the company became a consolidated subsidiary.
2. The voting rights percentage in parentheses reflect the percentage of indirect holdings.
3. SPARX Asset Management Co., Ltd., accounts for more than 10% of consolidated operating revenue (excluding inter-company operating revenues among consolidated companies). Primary profit and loss data are as follows:

Company name	Primary profit and loss data				
	Operating revenue (Millions of yen)	Operating profit (Millions of yen)	Profit (Millions of yen)	Net assets (Millions of yen)	Total assets (Millions of yen)
SPARX Asset Management Co., Ltd.	16,364	7,642	5,409	12,195	15,798

4. SPARX Asset Management Co., Ltd.; SPARX Asset Trust & Management Co., Ltd.; and SPARX Asia Capital Management Limited are specified subsidiaries.
5. SPARX AI & Technologies Investment Co., Ltd. changed its name to SPARX Investment Co., Ltd. on April 1, 2025.

5. Employees

(1) Consolidated Basis

As of March 31, 2025

Segment name	Number of employees
Businesses of investment trust management, discretionary investment management and investment advisory	193
Total	193

Note: Number of employees refers to full-time employees in all consolidated Group companies.

(2) Filing Company Employees

As of March 31, 2025

Number of employees	Average age	Average years of service	Average annual salary (Thousands of yen)
32 (4)	49.1	9 years 9 months	14,110

Notes: 1. Number of employees refers to full-time employees, including contract workers, and excludes temporary employees, employees seconded to subsidiaries, and employees of subsidiaries who work for the Company concurrently. The number of temporary employees is stated separately in ( ) as an average for the year.
2. The calculation of average annual salary includes the base salary paid by the Filing Company and the base salary, short-term performance-linked remuneration (bonuses), and medium- to long-term performance-based compensation paid by any subsidiaries where employees work concurrently.
3. Average years of service is the total of years of service at all Group companies.

(3) Labor Union Status

No labor union has been formed, but labor-management relations are good.

(4) Ratio of Female Workers in Management Positions, Rate of Acquisition of Childcare Leave by Male Workers, and Gender Wage Gap among Workers

Consolidated Group Companies

Fiscal year under review				
Ratio of female workers in management positions (%)	Rate of acquisition of childcare leave by male workers (%)	Gender wage gap among workers (%)		
		All workers	Of which, permanent, full-time workers	Of which, part-time and fixed-term workers
25.6	100.0	51.3	52.4	21.6

Notes: 1. The Company and its Group companies do not fall into the category of companies that are required to disclose information under the Act on the Promotion of Women's Active Engagement in Professional Life.
2. The period covered is FY2024 (April 1, 2024 – March 31, 2025).
3. The rate of acquisition of childcare leave by male workers is for the Company and Group companies in Japan.
4. The rate of acquisition of childcare leave by male workers is calculated by dividing the number of males workers who took childcare leave in FY2024 by the number of male workers whose spouses gave birth in FY2024.
5. The number of workers used in the calculation of the gender wage gap among workers is the average number of workers on the payday of each month in FY2024. It does not include workers seconded from outside the Company or Group companies.
6. Wages exclude commuter allowances and are calculated based on amounts paid in FY2024.
7. For employees working shortened hours, the average annual wages are calculated based on the equivalent number of workers converted by the required working hours of a permanent, full-time worker (8 hours per day).

[Supplementary explanation regarding the rate of acquisition of childcare leave by male workers]

In FY2024, there were six (6) male workers whose spouses gave birth, all six (6) of whom took childcare leave.

[Supplementary explanation regarding the gender wage gap]

No gender gap arises in the existing personnel compensation system. The main reason for the gender wage gap in consolidated Group companies is that the Group has no female executive officers, female senior managers, or female specialists. The gender wage gap in general ranks, excluding executive officer, manager, and specialist positions, is 89.2%.

The gender wage gap between part-time and fixed-term workers is due to the difference in composition ratios, in that men account for a higher proportion of rehired employees after their retirement from regular employment with relatively high pay, and women account for a higher proportion of contract workers who engage in support work.

The Group does not currently set formal quantitative targets for management position ratios, etc. However by providing flexible support and revised HR programs suited to different life stages of employees while further clarifying the roles expected of management-level employees and making them realize the responsibilities, it will facilitate the Group’s aim to cultivate candidates for management positions and increase the number of employees who autonomously seek leadership roles. The expected outcome is an organic rise in the number of female employees involved in operational decision-making, thanks to focused initiatives to help instill the requisite experience and foster career awareness.

Section 2. Business Overview

1. Management Policies, Business Environment, and Issues to be Addressed

The Group's management policies, business environment, and issues to be addressed are as follows. Forward-looking statements are based on the Group's assessment as of the current fiscal year-end.

(1) Management Policies

As an independent asset management company, the SPARX Group aims to realize its mission "to make the world wealthier, healthier, and happier" by becoming "the most trusted and respected investment company in the world." We are also Japan's first publicly listed corporate group with asset management services as its core business.

The first part of our basic management policy is to deliver satisfactory returns by providing, through the products we manage, investment intelligence that all our investors will find truly useful. To that end, we have worked since our inception to continually develop innovative investment methods based on a thorough bottom-up approach that follows the investment philosophy: "Macro is the Aggregate of the Micro." We also apply our experience and knowledge as specialists in Japanese equities to develop other non-equity investment aimed at infrastructural assets, including real estate and power generation businesses, as well as private equity investment. With the combined strength of our subsidiaries in South Korea and Hong Kong, we will continue working to provide investment intelligence and superior returns that can meet the expectations of global investors with an eye on Asia. With the growing demands of society for responsible investing, which is our firm's tradition, we believe that advancing, growing, and spreading value-generating responsible investing is our natural responsibility as a long-established investment company aiming to realize sound capital markets and a sustainable society.

The second part of our policy is to build a sound, highly transparent governance structure that is efficient and effective and that leverages our strengths as an independent company. Specifically, we are building and maintaining sophisticated governance to gain support from our clients and set an example for capital markets. In particular, even as we pursue a variety of investment strategies, we will conduct appropriate risk management, including conflict of interest management among Group companies, investment strategies, and funds.

Thirdly, we believe that being the choice of our clients and other stakeholders, thereby maintaining a high level of base earnings capacity, and developing and retaining the professionals to underpin those efforts are essential to realizing our purpose, based on the robust foundation of our presence as an independent. Specifically, as well as nurturing investment capabilities and the ability to generate unique investment ideas by sharing investment philosophies in in-house study groups such as the Buffett Club, practicing client-oriented operational management in which front and back offices work as one, and clarifying and embedding desirable behaviors within the organization, we aim to build a management framework that includes mechanisms with each strategy we pursue to ensure sustained profitability that is continuously superior to our peers, by encouraging all departments and organizational levels to work together to package investment ideas in a concrete manner.

(2) Objective Indicators for Assessing Achievement of Management Goals

Revenue from investment trusts and investment advisory fees, which account for the majority of the Group's earnings, broadly consist of management and performance fees. The former are based on the balance of assets under management and the fee rate, while the latter vary depending on investment performance and other factors. Performance fees are not generated from all of the Group's assets under management.

Therefore, the Group's most important management indicators are the balance of assets under management, our source of revenue, and the management fee rate. In addition to the timely monitoring of the balance of assets under management, we analyze whether any fluctuations stem from new subscriptions or client redemption, general market trends, or investment performance to objectively assess the competitiveness of the Group's business. We also strive to achieve higher management fee rates by developing and offering more value-added investment strategies.

The next crucial management indicator is base earnings, which represents the total management fees minus ordinary expenses. Base earnings is the foundation of sustainable and stable business operations. Thus, if we were to encounter a situation that causes negative base earnings, we would naturally aim to increase management fees. However, we would also need to quickly restore profitability through all possible measures, including cutting costs. On the other hand, if our base earnings remains high enough, we can conclude that we have sufficient capacity for growth investments.

Furthermore, our total performance fees and ROE are, naturally, crucial management indicators. Since the majority of our operating performance depends on our base earnings and performance fees, as do bonuses and other compensation, the size of performance fees has a significant impact on operating profit from year to year, which in turn significantly influences ROE. We strive to improve ROE using a two-pronged approach. First, we derive the percentage of assets under management that have the potential to earn performance fees and assess the occurrence of performance fees and the degree of their impact on business performance. Then, we develop and provide higher value-added investment strategies, thereby increasing the balance of assets under management with potential performance fees.

(3) Management Strategies

The Group aims to build a robust foundation that will enable steady profit growth. To achieve this goal, we consider our pillars to be the four investment strategies below.

The first pillar is our Japanese Equity Investment Strategy.

Although our investment strategy that invests in Japanese equities resulted in a decrease of JPY 1,292.5 billion, we established several funds in the fiscal year under review, and in March this year, we also launched a long-short fund that invests in Japanese equities, the first of its kind in the UCITS fund market (Note 4). Like the EU passport system, by obtaining authorization in a single EU state, this UCITS fund can be freely marketed throughout the entire EU. Due to requests from the Tokyo Stock Exchange for fundamental initiatives to consistently achieve capital returns exceeding the cost of capital for sustainable growth, as well as the continuation of the Japanese government's policies, we believe that the investment appeal of Japanese equities will remain consistently strong. Managing funds in response to requests from overseas investors is one of SPARX's strengths, and we will use this management strategy as an engine to drive a leap in increased assets under management.

The second pillar is our OneAsia Investment Strategy (targeting Asian equities).

In our OneAsia Investment Strategy targeting Asian equities, although strong fund performance continued, assets under management decreased to JPY 104.3 billion. In the belief that the era of Asia leading the world will soon begin in earnest, we are realizing strong fund performance by continuing to share investment ideas, such as joint research on Asian companies conducted by fund managers in Tokyo, Hong Kong, and South Korea. Our belief that this is a domain that will drive the Group's future growth is unchanged, and this will remain a key strategy that the Group must continue to focus on. We are striving to achieve significant growth of this fund with the investment techniques that we have accumulated through our track record with Japanese equities and to gain recognition of the SPARX brand as also handling Asian equities.

The third pillar is our Real Asset Investment Strategy.

Our Renewable Energy Investment Strategy mainly invests in infrastructure assets for renewable energy power generation projects. It has made investments in power generation facilities across Japan, and now has assets under management totaling JPY 302.1 billion in the renewable energy investment strategy. In addition to solar, it operates biomass and wind power stations, and it is expanding the target of investment, including participating in battery storage projects. Further, in the current fiscal year, under contract from the Ministry of the Environment, we launched a demonstration project for the development of a supply chain for green hydrogen, from manufacture to storage, transport, and use in Tomakomai, Hokkaido. As a pioneer in renewable energy funds, we will continue to offer attractive investment products that meet all our stakeholders' expectations.

The fourth pillar is our Private Equity Investment Strategy.

Assets under management in this strategy stand at JPY 172.9 billion, centering on the Mirai Creation Funds established to practice long-term investments that will contribute to the growth of next-generation companies and develop new areas for creating the future as an investment company. We have already realized solid investment returns for all our investors from several IPOs and investment exits, recording our first performance fees from the Mirai Creation Funds. In addition, progress is being made in investment in the Space Frontier Fund, which we began managing with the major objectives of supporting professionals and technologies associated with space development to cultivate Japan's first space companies that can compete with the world, and of contributing to the technological innovation of Japan as a whole. In the current fiscal year, we launched and began managing Space Frontier Fund II with assets under management of JPY 13.1 billion. With their steady track record of high-quality investments and performance, these funds will continue to contribute to future society by discovering and cultivating companies that are world leaders in innovative technologies and business models. In addition, the Japan Monozukuri Mirai Fund conducted a takeover bid (TOB) for SNT CORPORATION, its second after the TOB of IJTT undertaken in January 2024. Established in 2020, the Japan Monozukuri Mirai Fund invests in manufacturing companies in Japan that possess outstanding technologies, people, and services. Its philosophy is to aim to contribute to society by using the Toyota Production System (TPS) to assist these companies and deploying appropriate management strategies. Through the accumulation of good investments and sustained corporate growth, we aim to contribute to the advancement of Japanese manufacturing and the development of professionals, and to make a giant leap in these kinds of investment domains.

As described above, the SPARX Group has promoted investment in domestic infrastructure, with a focus on renewable energy. Hokkaido has some of the highest potential in Japan for renewable energy. Meanwhile, with its growing concentration of data centers and the semiconductor industry, this region also has the potential to become a pioneer for AI demonstration and implementation, by leveraging its vast land resources effectively. Moreover, Hokkaido is blessed with an abundance of tourism resources, and expectations are growing for the region as a world-class snow resort, particularly the Niseko district, which has high-quality powder snow. Under these circumstances, in this extraordinary space that offers the enjoyment of beautiful natural surrounds, we have decided to develop luxury villas targeting the affluent classes in Japan and overseas. We believe that Hokkaido has many investment opportunities, so with this project this as a foothold, we will develop a variety of investment products that will maximize potential value of region and attract a wealth of investment from all over the world, in our aim to expand our assets under management and spread out into new investment domains.

(4) Business Environment

Our most recent business environment assessment is included in our Performance Overview in Part I. Corporate Information, Section 2. Business Overview, 4. Management's Analysis of Financial Conditions, Operating Results, and Cash Flows.

(5) Priority Business and Financial Issues to be Addressed

The Group's assets under management (AUM) in the current fiscal year decreased by 0.9% year over year to JPY 1,872.0 billion (Note 1). With the average AUM during the period increasing by JPY 237.9 billion from the previous fiscal year, management fees increased by JPY 1,599 million year on year to JPY 15,857 million. In addition, as a result of cost controls remaining at appropriate levels, base earnings (Note 2), which is the ability to earn in a stable manner, once again reached a new record high level of JPY 6,722 million from the previous fiscal year. We believe that the foundations underpinning SPARX have become steadily stronger.

In the next fiscal year, we aim to maintain and improve our performance quality and increase revenue and profit through the Group's robust human resources and investment capabilities. Furthermore, to realize the Group's purpose of "making the world wealthier, healthier, and happier (through investment)," we will also focus on addressing the issues below for the sustainable improvement of corporate value.

First, to achieve AUM of JPY 3 trillion by FY2025, we will continue bolstering and expanding our four growth pillars (Japanese equities, OneAsia equities, real assets, and private equity) in a well-balanced manner to maintain profitability, with the aim of building a business portfolio of superior stability and growth potential that will not be easily impacted by short-term market fluctuations.

→ Related to the Group's materiality "Practicing broad-based responsible investing" (Note 3)

The primary pressing issues we need to address regarding our four pillars are as follows:

In the Japanese Equity Investment Strategy, while some investment strategies, such as the long-term high-conviction strategy and small- and mid-cap strategy, generally achieved their target AUM levels, targets were not achieved for the long-short investment strategy and value creation investment strategy. However, for the former, in March this year, we were able to launch a long-short fund targeting Japanese equities, the first of its kind in the UCITS fund market. As UCITS funds can be marketed freely within the EU, we expect to see an influx of funds from overseas institutional investors into this fund. Regarding the latter, although we have set an extremely challenging target, last fiscal year, we succeeded in establishing a large-scale domestic investment trust. While some time will be needed to achieve fund management and performance in line with the investment policy, by making attractive investments in a concrete manner, we aim to strengthen anew our appeal to overseas institutional investors, which has been a SPARX strength, and expand AUM.

In the OneAsia Investment Strategy, firstly, regarding (1) the Asian equity investment strategy, we assembled our Asian investment team members in Tokyo to come up with new investment ideas and established a new fund with approximately JPY 3.0 billion of our own funds as seed money. Similar to the Japanese Equity Investment Strategy, we have begun management on the basis of research activities with a bottom-up research; however, this has not yet led to a concrete influx of funds at this stage. We will continue our active pursuit of the development of management systems of even higher quality, identifying social changes in Asia and making long-term investments in companies that are expected to grow significantly. In doing so, we will work with patience and determination to grow the Asian Equity Investment Strategy into something that is representative of SPARX and that is on a par with, if not greater than, the Japanese Equity Investment Strategy. Meanwhile, in (2) the Korean equity investment strategy, we were finally able to achieve a highly favorable performance in the past three years. Precisely because of that strong performance, client redemption took place as existing institutional investors rebalanced their asset allocations, resulting in AUM falling short of target. However, similarly to its Japanese counterpart, the Korean stock market is starting to attract attention, particularly from overseas institutional investors, due to expectations of progress in corporate governance reforms, and we believe that the conditions are ripe for an increase in AUM.

For the Real Asset Investment Strategy, we have shifted our focus from the development of solar power stations, where a harsher market environment has been predicted, to the development of wind power, biomass, and other renewable energy power plants that should continue providing high investment returns. In addition to generally achieving our target for AUM as a result, we are proceeding with the development of investment strategies that look ahead to after the feed-in tariff system comes to an end. Specifically, as well as launching a demonstration project for the establishment of a supply chain for green hydrogen (Note 5) from manufacture to storage, transport, and use in Tomakomai, Hokkaido, we made a start on the development of a battery storage facility, and these are starting to contribute to an increase in AUM. We will continue to deepen our insights in the energy domain and work in a concrete manner to develop it into a fund business.

In the Private Equity Investment Strategy, in light of heightened geopolitical risks, including Russia's invasion of Ukraine and Israel's invasion of Gaza, and dramatic changes in the market such as rising interest rates and inflation, we have been more thorough in our investment deliberations. This has meant that the execution of investments has taken longer than initially envisaged. Although this has resulted in an overall delay in the establishment of successor funds, in the current fiscal year, we established and started managing Space Frontier Fund II with AUM of JPY 13.1 billion. Execution of investments by Mirai Creation Fund III is also proceeding, and we have begun planning the establishment of Mirai Creation Fund IV next fiscal year. Meanwhile, regarding the Japan Monozukuri Mirai Fund, which has extremely challenging targets, this is an investment strategy in which the Company has no track record, and it has taken an extremely long time from establishment of the fund to execution of investments. However, following the takeover bid (TOB) of IJTT executed in January 2024, we were also able to execute a TOB of SNT CORPORATION in April 2025. We now have two consecutive acquisitions of listed companies to take private, and with this track record in place, we will work quickly to establish Japan Monozukuri Mirai Fund II and aim for a dramatic increase in AUM.

Analysis of the status of new subscriptions and client redemption of AUM in the four years since targets were set showed that there has been an inflow of funds of around JPY 300.0 billion every fiscal year. However, due to profit-taking prompted by our strong fund performance, client redemption for the purpose of rebalancing asset allocations stemming from the relative increase in the proportion of the Company's funds within investors' portfolios, and other factors, ultimately, outflow of funds was almost on a par with inflow. Regardless of the circumstances, we believe that, fundamentally, we need to achieve our targets by increasing the Group's overall AUM, through efforts such as offsetting investment strategies that are not meeting their targets with other investment strategies and constantly attracting new investors. However, ultimately, such efforts have not been sufficient. Given the uncertainty in equity markets of recent times, from an objective standpoint, it would appear that achieving our target of JPY 3 trillion in AUM by the end of March, 2026 will be extremely difficult. Nevertheless, by repeating our past highest AUM of JPY 2,024.1 billion as soon as possible and implementing initiatives that are typical of SPARX, we will keep generating new investment strategies that will help realize a sustainable society and continue to aim for AUM of JPY 3 trillion, albeit with a delayed timetable.

Our second task is to pursue a generational change at executive management level by developing and appointing the next generation of leaders.

→ Related to the Group materiality "Governance that leverages our strengths as an independent Company" (Note 3)

To realize sustainable business expansion and improvement of corporate value, to establish a more robust management structure we will select and develop people who will be the next generation of leaders at the heart of sound, highly transparent governance that is efficient and effective. As a first step toward this goal, we increased the number of internal directors at the 36th ordinary general meeting of shareholders. In particular, appointing the Group's next CEO remains a crucial management issue, and for this reason, the Board of Directors continues to give ample time and resources to working on this issue.

Specifically, we believe that it is vital that the qualities and attributes required of the next generation of management, such as business unit leaders and fund managers, include not only that they possess considerable expertise and a wealth of experience, but also an excellence of character and interpersonal skills. More specifically, we also believe that it is crucial that they are able to embody the “ARTS Spirit” (Note 6) that is the Group’s values (Code of Conduct). We will create opportunities for those professionals who meet these requirements to learn directly from the CEO and, from among the candidates who have achieved publicly acknowledged results, promote to the position of the CEO for the next generation the person who possesses the attributes and abilities that will enable them to lead the future growth of the Group.

We will also continue to undertake a variety of measures to ensure that the Group’s corporate philosophy, including its Purpose, Vision, Mission and Values (Note 7), that the firm’s founder has cherished since the beginning, are passed on to the organization of the next generation.

Our third task will be to strengthen the source of our competitiveness and put the necessary measures in place to bring greater sophistication to human capital to contribute to medium- to long-term improvement of corporate value.

→ Related to the Group materiality “High, sustainable profitability and the professionals to support it” (Note 3)

The proportion of corporate value of Japanese companies accounted for by intangible assets is generally believed to be significantly smaller than that of Western companies. Looked at from a different angle, it could be said that Japanese companies have room to make great leaps in their corporate value by increasing the value of their intangible assets. The most typical intangible asset is human capital, and particularly for companies like the Group, which has virtually no tangible assets, the importance of human capital is immense. For this reason, by pursuing the uniqueness of the Group further and adapting to changes in the external environment, we will bring even greater sophistication to the way in which we take advantage of our human capital.

Specifically, we will provide a workplace in which the outstanding people who join us in support of the Group’s purpose and vision (i.e., its ideology) will respect each other’s diversity, engage autonomously in improving their skills and abilities (i.e., our technique) to become the ultimate professionals, and also build excellence of character by valuing the code of behavior (conduct) that we believe to be essential for the realization of the Group’s ideology and technique. We will implement various measures needed for all of our people to unite as one to realize “better investment.”

In addition, we will reinforce our teamwork and organizational strengths, which are a combination of (1) innovativeness multiplied by (2) communication skills, which is the source of the Group’s competitiveness, or, in other words, our ability to bring the individual expertise of our people together to compete as an organization.

Specifically, we will (1) strengthen our capabilities in accountable and reproducible investment and our ability to come up with unique investment ideas, (2) clarify and instill desirable styles of conduct within the company, as well as strengthen our ability to unite as a company to package together specific investment ideas, and (3) establish a comfortable working environment.

Further, we will leverage the teamwork and organizational strengths thus reinforced for the creation of innovation, and, by actively communicating attractive investments within and outside the organization, we will strengthen the Group’s competitiveness and improve corporate value.

Notes:

1. Assets under management at the end of the current fiscal year are preliminary figures (as of March 31, 2025).
2. Base earnings demonstrate whether a business has the earning capacity needed for a sustainable, stable foundation. We use the following formula to calculate base earnings:
   Base earnings = Management fees (after deducting commissions) - Ordinary expenses
3. Please refer to the following website for details of the Group’s materialities (important key issues).
   https://www.sparxgroup.com/sustainability/materiality.html
4. UCITS: Stands for “Undertakings for Collective Investment in Transferable Securities.” These are funds that comply with directives established by the European Commission.
5. Green hydrogen is produced by electrolyzing water and reducing it to hydrogen and oxygen. Society can use this hydrogen, thereby releasing oxygen into the atmosphere, without harming the environment. Electricity is required for electrolysis, but the green hydrogen production process can be made carbon-free by using renewable energy.
6. ARTS Spirit
   This is the Group’s Code of Conduct, coined from the first letters of the words “Arigato, Responsiveness, Thoroughness, and Sympathy.”

A: Always act with respect and sincere gratitude to colleagues and other persons

R: Always act with speed, reflecting our belief that alertness and agility are the best ways to deal with change

T: Investigate continuously, reflecting our belief that conscientious and meticulous effort will generate new knowledge

S: Treat our clients and colleagues with empathy, sincerity, and respect, which leads to harmony and mutual growth; embrace diversity with an open mind and create opportunities for free discussion

7. Please refer to the following website for the Group's Corporate Philosophy.
https://www.sparxgroup.com/philosophy/

2. Approaches and Initiatives Regarding Sustainability

Forward-looking statements are based on the Group's judgment as of the current fiscal year-end.

Since its founding in 1989, the Group has aimed to become "the most trusted and respected investment company in the world." It places the highest value on making its clients and other stakeholders wealthier, healthier, and happier.

To continue generating value in finance, SPARX respects "creating value through investment and providing returns to our clients. Investments remain positive only as long as our clients and other stakeholders are satisfied." With this in mind, we strive to realize our corporate purpose, "to make the world wealthier, healthier, and happier (through investment)."

In light of this perspective, we believe that the Group "sustainability" means that as an investment company operating in capital markets, we must make investments that suit our corporate philosophy. Doing so allows us to continuously generate economic value to make people wealthier and social value to make people healthier and happier. At the same time, such investments make the Group's medium- to long-term growth sustainable. As Japan's first independent investment company listed on the Tokyo Stock Exchange Prime Market, the Group is responsible for realizing sound capital markets and a sustainable society.

In step with the market economy's development, many frameworks have emerged in society, the economy, and corporations. While humankind is achieving dizzying progress, these frameworks are becoming even more complex, with the occasional case of the market economy failing to function correctly. Under these circumstances, one of the Group's top priorities is to address ESG and other sustainability issues to help realize our purpose. We also strive to strengthen governance, the most critical element of the Group's management. Moreover, each and every SPARXON shares, inherits, and protects these values as the foundation of everything we do.

Governance

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

The Board of Directors, consisting mostly of outside directors, also verifies and discusses the progress of these specific policies and promotion strategies to ensure appropriate management and continuous improvement through the PDCA cycle. The Management Meeting, which includes all full-time directors and executive officers at the core of corporate operations, meets at least once a month and promptly reports its activities to the Board of Directors. We have also established a Sustainability Planning department to facilitate specific discussions on sustainability management at the Management Meeting.

The Group upholds its purpose of "to make the world wealthier, healthier, and happier (through investment)." We identify and manage apparent and latent risks and opportunities related to all client assets to realize this purpose. Furthermore, we have established a separate Responsible Investment Committee, chaired by the Group CIO, as an advisory body to our Board of Directors in order to fulfill our responsibility for oversight and accountability for responsible investment. The Responsible Investment Committee, which includes all full-time directors and Group executive officers, meets at least once a quarter and promptly reports its findings to the Board of Directors. In addition, we have established a Responsible Investment Promotion department to promote concrete discussions on the implementation of PRI (Principles for Responsible Investment) in the Responsible Investment Committee.

The Committee hears reports from the Group companies' investment policy committees (and equivalent organizations) on their responsible investment practices, including responses to climate change-related risks and opportunities and respect for human rights, approves changes to the Responsible Investment Policy and other policies, including responses to climate change-related risks and opportunities and respect for human rights, and endorses annual reports on responsible investing. Responsible Investment Committee meetings are attended by external advisors who provide independent advice on the reports and deliberations while sharing their thoughts on the latest trends in responsible investing.

The Responsible Investment Committee met four times in the current fiscal year and heard from individual investment policy committees on their responsible investment practices, and received and endorsed reports on the revision of the Responsible Investment Policy, and annual reports on responsible investing.

Risk Management

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

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

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

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

Recognizing that human rights violation risk is an important management issue, the Group established and announced the SPARX Group Basic Human Rights Policy in March 2023 and revised it on June 24, 2024. The Group respects internationally recognized human rights as expressed in the International Bill of Human Rights and in the ILO Declaration on Fundamental Principles and Rights at Work by the International Labor Organization (ILO). Moreover, the Group does not tolerate forced labor, child labor, or any form of discrimination or harassment based on race, religion, gender, sexual orientation, gender identity, nationality, age, disability, or any other reasons. As respect for human rights is the foundation of the Group's existence and forms the basis of sustainable business, we will conduct appropriate due diligence to identify risks of human rights violation, and work to prevent and mitigate such risks.

< SPARX Group Basic Human Rights Policy >
https://www.sparxgroup.com/sustainability/humanrights.html

Strategy

The Group recognizes the following sustainability-related issues, especially concerning the environment, society, and governance, it must address to realize its purpose.

Sustainability issues

(Environment)

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

(Society)

The Group recognizes the increasing difficulty in understanding and resolving social issues due to the complexities involved in global human activity. We also acknowledge that maintaining good relations with employees, clients, business partners, the local community, and other stakeholders is vital in conducting Group operations. We also understand that, as supply chains expand, in addition to the directly related issue of labor conditions, child labor, bribery, human rights, and other social issues are also becoming increasingly important worldwide.

Furthermore, to ensure sustainable medium- and long-term Group growth, we must secure our independence by developing professionals who share our investment philosophy. We must also maintain and improve our frameworks for nurturing these talented professionals.

(Governance)

The Group recognizes that the most important factors, and challenges in the evaluation of the governance of portfolio companies are the identification of the personalities, qualities, and abilities of their management and the confirmation of whether their decision-making standards and business execution structures are rational. We also recognize that it is vital that the Group itself establishes a better governance system.

Sustainability Initiatives

The Group will continue to contribute to the realization of a sustainable society by helping to solve the aforementioned environmental and social issues through its investment activities. To this end, the Group uses an ESG perspective to invest in businesses that address such issues and to engage with existing portfolio companies. Furthermore, as shareholders, we support portfolio companies in improving their ESG responses when necessary. We will also conduct our investments with a greater focus on portfolio company businesses' environmental and social impact.

(Environment)

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

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

(Society)

Since its inception, the Group has focused on qualitatively evaluating companies before investing in them. Our analytics hinge on the three axes of corporate profit quality, management quality, and market growth potential. Through these metrics, the Group has always focused on factors vital to corporate viability, including management vision, employee motivation, and long-term relationships with suppliers. Many of these measures are consistent with the topical concepts of SDGs and ESG. In that sense, we can claim a continued pursuit of responsible investing since our inception. With the growing demands of society for responsible investing, which is our firm's tradition, we believe that advancing, growing, and spreading value-generating responsible investing is our natural responsibility as a long-established investment company aiming to realize sound capital markets and a sustainable society. To achieve this ideal, through our bottom-up approach, which has been our consistent basic stance since the beginning, we will address and work to resolve social issues while confirming the circumstances with our own eyes (*genchi genbutsu* meaning "go and see"). We also engage in dialogue with government and local communities as necessary.

We also believe that we need to maintain specific conditions to solidify the foundations of our independence and realize our purpose. Namely, we must maintain high profitability to remain the first choice of our clients and other stakeholders and develop and retain the professionals needed to support these efforts. Specifically, we can create unique investment ideas by sharing investment philosophies through the Buffett Club and other study sessions. We will also aim to unite front-office and back-office divisions to achieve client-oriented operations and to clarify and communicate desired behaviors within the company. All divisions and levels will come together to package investment ideas in concrete form as we aim to establish a management structure to realize higher profitability than other companies with each strategy we pursue.

Furthermore, we will focus on professional development to support these efforts. Our human resource development includes cultivating and conveying investment capabilities based on values the Group cherishes: diversity, equality, inclusion, and well-being among our employees and executives.

(Governance)

As part of our responsible investment efforts, the Group focuses not only on environmental and social issues but also on portfolio company governance. Specifically, since the early 2000s, we have looked to governance more than other factors in deciding on investments.

We are also building an effective and efficient governance structure by leveraging our strengths as an independent company. Specifically, we are building and maintaining sophisticated governance to gain support from our clients and set an example for capital markets. We are also establishing a highly transparent process that ensures appropriate financial reporting and disclosure, tax payment, and compliance with Japan's Financial Instruments and Exchange Act and similar laws and regulations in other countries. Furthermore, while developing various investment strategies, we conduct appropriate risk management, particularly in managing conflicts of interest among Group companies, investment strategies and funds.

The Group recognizes that it is also vital to gain the understanding of its stakeholders and many other interested parties regarding the importance of ESG and the influence that investments can have on solving environmental and social issues. Communicating our thinking on these issues and engaging in dialogue with stakeholders allows us to minimize risks related to ESG and other sustainability issues and identify opportunities as quickly as possible. In turn, we can continue achieving the goals of this basic policy. Specifically, the Group disseminates information through various channels, including our general meetings of shareholders, IR briefings, website, and YouTube channel. We will also continue our efforts to educate the next generation through the Children's Energy Summit and other events to promote understanding of renewable energy.

To fulfill our social responsibility as a good corporate citizen, the Group supports and participates in the following initiatives. We will continue to consider participating in specific initiatives that genuinely serve to address sustainability-related issues and participate as needed.

- Principles for Responsible Investment (PRI)
- Task Force on Climate-related Financial Disclosures (TCFD)

Metrics and Targets

Metrics and targets are described in the policies and initiatives regarding (1) climate change and (2) human capital and diversity below.

The policies and initiatives regarding (1) climate change and (2) human capital and diversity are as follows. Given the nature of the Group's business, our climate change initiatives have two aspects, namely our initiatives as a listed company and our initiatives toward investees as an investment company that manages the assets entrusted to it by our clients.

(1) Climate change

Climate change initiatives (as a listed company)

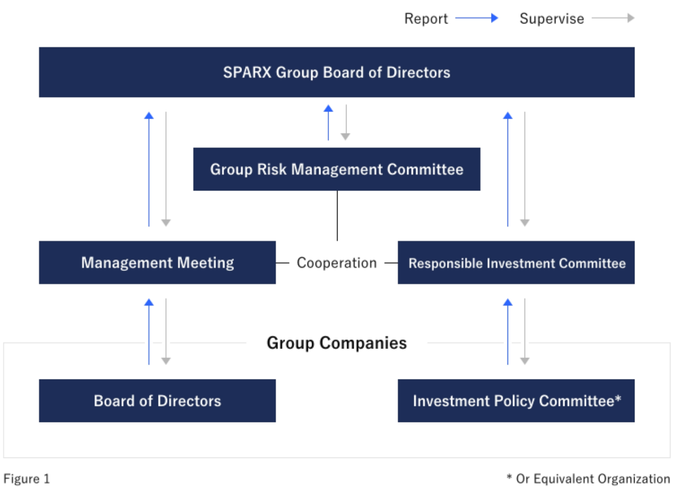
In January 2020, SPARX Group ("the Group) announced its agreement with the recommendations published by the Task Force on Climate-Related Financial Disclosures (TCFD) as part of its active involvement in realizing, through investment, a society in which human beings can coexist with the global environment.

i) Governance

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

The Board of Directors, consisting mostly of outside directors, also verifies and discusses the progress of these specific policies and promotion strategies to ensure appropriate management and continuous improvement through the PDCA cycle. The Management Meeting, which includes all full-time directors and executive officers at the core of corporate operations, meets at least once a month and promptly reports its activities to the Board of Directors. We have also established a Sustainability Planning department to facilitate specific discussions on sustainability management at the Management Meeting.

Corporate Governance Framework (figure 1)



ii) Risk management

Risk management related to climate change is included in sustainability risk management described above. For details, please refer to (1) Sustainability, ii) Risk management.

iii) Strategy

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

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

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

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

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

<Climate-Related Risks>

Types of risks		Specific risks	Expected significant impact	Expected period
Transition Risks	Policy and Legal	・Rising GHG emission prices (carbon taxes) ・Tighter emissions reporting requirements	・Negative impact on earnings due to increased costs associated with system changes and tighter regulations	Medium to long term
	Technology	・Delayed response to changes in industrial structure due to rapid technological innovation	・Negative impact on earnings due to missed opportunities to offer new investment products that capture changes in industrial structure	Medium to long term
	Markets	・Changing investor preferences	・Negative impact on earnings due to missed opportunities to offer investment products apropos of changing investor preferences	Medium to long term
	Reputation	・Increased reputational risk due to a lack of effort in addressing climate change	・Negative impact on earnings due to reduced business opportunities stemming from a damaged reputation ・Increased financing costs due to a damaged reputation	Short to medium term
Physical Risks	Acute/chronic	・More disasters, including torrential rains and massive typhoons ・Increased disaster severity due to higher average temperatures and rising sea levels	・Negative impact on earnings due to restricted business activities caused by damage to the Group offices or employees ・Negative impact on earnings due to increased costs, including disaster countermeasures, repairs, or restorations	Medium to long term

[Expected periods] Short term: 0–3 years, medium term: 3–10 years, long term: 10–30 years

<Opportunities from Climate Change>

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

iv) Metrics and targets

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

The GHG emissions generated by the Group’s business activities in FY2024 (the total[*1] of Scope 1 and Scope 2) were approximately 82.54 tCO2e, a 39.0% decrease from FY2020. In September 2022, as part of our efforts to reduce GHG emissions, we switched to electricity derived from renewable energy sources with non-fossil certificates for buildings occupied by all our domestic Group companies. This initiative had a certain measure of success in reducing emissions.

However, emissions increased over the previous year due to the increase in office space required for our business growth. We have achieved our interim target of a 33% reduction in GHG emissions by FY2030 (compared to FY2020), but we will continue to consider concrete initiatives to achieve further reductions.

In addition to monitoring progress on our Scope 1 and Scope 2 reduction targets, we continue to calculate and monitor the CO_2 emissions of our entire supply chain (Scope 3) using the Ministry of the Environment’s Green Value Chain Platform and other tools. Also, as a financial institution, we recognize reductions in Category 15: Investments and Loans in Scope 3 as an important first step toward the realization a carbon-free society, and we are preparing data to measure GHG emissions (Financed Emissions) through investments and loans based on the PCAF[*2] method.

Scope 1・2

tCO2e

	FY2020	FY2022	FY2023	FY2024
Scope 1 (direct emission)	6.05	6.13	5.30	4.13
Scope 2 (indirect emission) [*3]	135.93	103.67	75.66	82.54
Scope 1 ・ Scope 2 Total	141.98	109.80	80.96	86.67
Reduction Results (Compared to FY2020)	–	22.7%	43.0%	39.0%
Reduction Results (Compared to previous year)	–	17.3%	26.3%	7.1%

Scope 3

tCO2e

	Category	FY2022	FY2023	FY2024
Scope 3	Category 1 (Purchased Goods and Services)	2.81	4.23	3.98
Scope 3	Category 2 (Capital Goods)	249.23	124.47	1,467.81
Scope 3	Category 5 (Waste Generated in Operations)	0.39	0.36	0.54
Scope 3	Category 6 (Business Travel)	576.47	822.59	1,115.39
Scope 3	Category 7 (Employee Commuting)	51.70	54.36	56.35

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

[Calculation scope]
Scope 1/Scope 2: All domestic Group companies[*4] (excluding SPARX Tomakomai Green Hydrogen Production Plant[*5]), SPARX Asset Management Korea Co., Ltd.[*6], SPARX Asia Investment Advisors Limited[*6]
Scope 3: All domestic Group companies[*4] (excluding SPARX Tomakomai Green Hydrogen Production Plant for Categories 1, 5, and 6[*5])

[Calculation Methods]
Our Scope 3 calculation method and emission figures are based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.7" and "Emission Unit Value Database for Accounting of Greenhouse Gas Emissions by Organizations Throughout the Supply Chain Ver 3.5" from the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

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

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

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

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

Category 7: Calculated from the yearly total of the monthly commuting expenses of employees of all domestic Group companies*6 at the end of the relevant fiscal year (multiplied the cost of using rail and buses by the emission unit values)

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

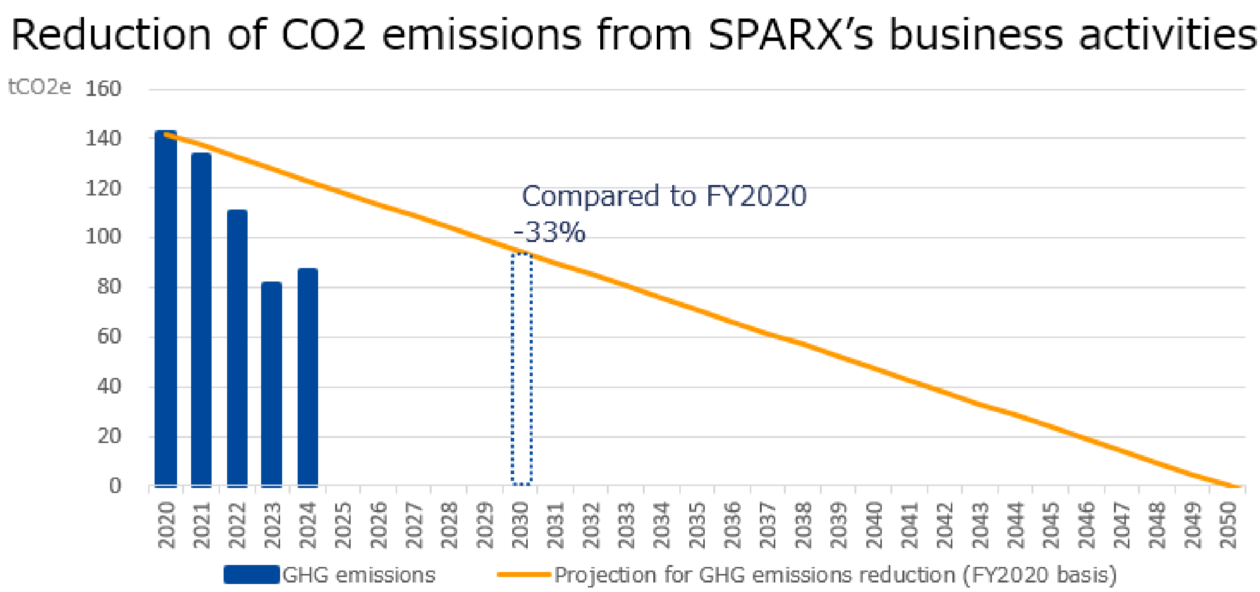
*2 Partnership for Carbon Accounting Financials

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

*4 All domestic Group companies in FY2024 are as below:
SPARX Group Co., Ltd.
SPARX Asset Management Co., Ltd.
SPARX Green Energy & Technology Co., Ltd.
SPARX Asset Trust & Management Co., Ltd.
SPARX AI & Technologies Investment Co., Ltd.
All domestic Group companies in and before FY2023 are as below:
SPARX Group Co., Ltd.
SPARX Asset Management Co., Ltd.
SPARX Green Energy & Technology Co., Ltd.
SPARX Asset Trust & Management Co., Ltd.
SPARX AI & Technologies Investment Co., Ltd.
SPARX Innovation for Future Co., Ltd.
In April 2025, SPARX AI & Technologies Investment Co., Ltd. changed its name to SPARX Investment Co., Ltd. In April 2024, SPARX Innovation for Future Co., Ltd. was dissolved.

*5 We excluded items with little impact during FY2024 from the calculations for the SPARX Tomakomai Green Hydrogen Production Plant, which started operation in March 2025.

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



<u>Responsible investment initiatives (as an investment company)</u>

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

i) Governance

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

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

The Committee hears reports from the Group companies’ investment policy committees (and equivalent organizations) on their responsible investment practices, including response to climate change-related risks and opportunities and respect for human rights, approves changes to the Responsible Investment Policy and other policies, including response to climate change-related risks and opportunities and respect for human rights, and endorses annual reports on responsible investing.

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

The Responsible Investment Committee met four times in the current fiscal year and heard from individual investment policy committees on their responsible investment practices, and received and endorsed reports on the revision of the Responsible Investment Policy, and annual reports on responsible investing.

*Please refer to figure 1 for Corporate Governance Framework

ii) Risk Management

In researching and analyzing portfolio companies and making investment decisions, the Group emphasizes the qualitative evaluation of companies through bottom-up research. This bottom-up research means we qualitatively evaluate ESG-related opportunities and risks along with our expected investment return estimates.

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

We reference climate change-related data from external vendors for the Listed Equity and Alternative Equity Investment Strategy portfolios. For each portfolio and benchmark (or reference index), we measure the carbon footprint (the CO_2 equivalent of greenhouse gas emissions resulting from business activities) and weighted average carbon intensity (WACI). We then report these figures to the investment policy committees and our engagement numbers to the Responsible Investment Committee*.

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

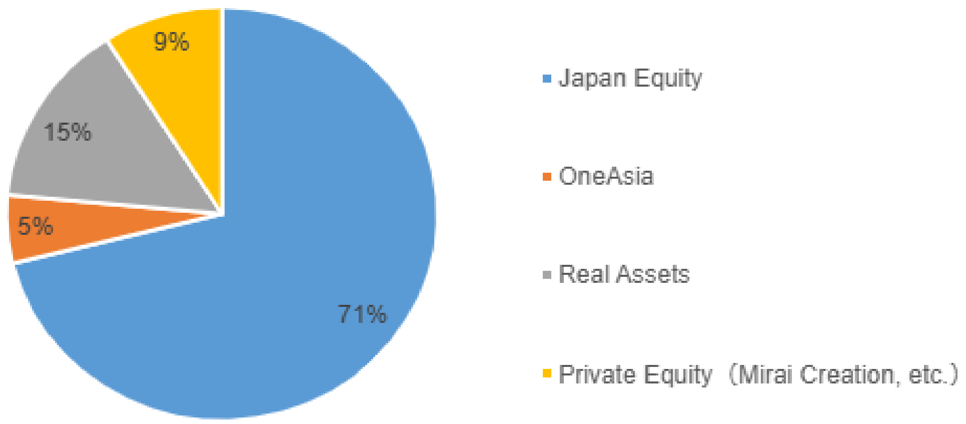
iii) Strategy

To resolve climate change, we must encourage portfolio companies to incorporate and address climate change-related risks and opportunities in their medium- to long-term business strategies. As an asset manager, we have asked S&P Global to conduct scenario analysis of the portfolios of the Listed Equity Investment and Listed Alternative Equity Investment Strategies*1, which account for most of our assets under management as of December 31, 2024. This analysis aims to uncover the impact of climate change-related risks and opportunities on our clients’ asset portfolios.

The Group’s AUM by Investment Strategy as of December 31, 2024 are as follows:

(Unit： 100 million JPY)

Japanese Equity	13,772
OneAsia	1,033
Real Assets	2,812
Private Equity (Mirai Creation Funds, other) *2	1,739
Total	19,357



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

We evaluated the portfolios and benchmarks of our Listed Equity Investment and Listed Alternative Equity Investment Strategies*[3] for their compliance with international targets for combating global warming based on a transitionary approach. We used S&P Global's assessment of pathways to net-zero emissions to determine how well our portfolios aligned with the Paris Agreement target of well below 2°C.

In this evaluation, we look at past performance and future (medium-term) forecasted emissions to verify whether our portfolio companies' emission reductions over time are at an appropriate level in line with the global warming prevention targets. Following on from last year, we concluded that the portfolios of our Listed Equity Investment and Listed Alternative Equity Investment Strategies once again fell between 2°C and 3°C, while their benchmarks were assessed to be in the range from 1.5°C to below 2°C*[4]. Going forward, we will internally examine how we can align our portfolios to a level well below 2°C.

*1 "Listed Equity Investment Strategy" and "Listed Alternative Equity Investment Strategy" are the sum of "Japanese Equity" and "OneAsia" shown above.

*2 Our Private Equity Investment Strategy (Mirai Creation Funds) represents JPY 132.0 billion of the Private Equity shown in the table.

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

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

Coverage	2023		2024	
	Portfolio	Benchmark	Portfolio	Benchmark
Carbon Performance	100%	100%	100%	100%
Paris Agreement Compliance	95%	99%	96%	99%
Scenario Analysis - Carbon Pricing	96%	99%	100%	100%
Scenario Analysis - Physical Risk	100%	100%	100%	100%

Transition risks

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

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

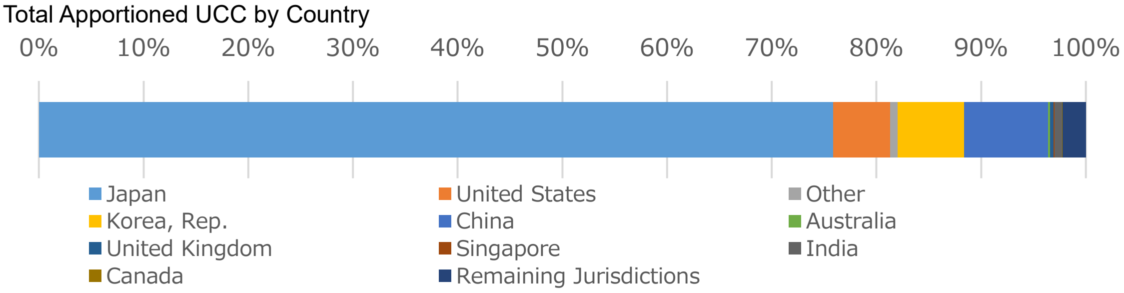
The estimated future unpriced cost of carbon (UCC) borne by the portfolios of the Listed Equity Investment and Listed Alternative Equity Investment Strategies is higher in Japan by region, and in materials, capital goods, and services by sector. Therefore, these strategies' portfolios will likely see the most significant impact from the risk of climate-related policy changes that result in higher carbon costs in Japan. The EBITDA-at-risk, representing the current ability of portfolio companies to cover their future carbon costs, was approximately 6.56% of the portfolio-weighted average basis in 2030 based on the high-risk scenario*, while the benchmark was about 11.07%.

Focusing on the percentage of portfolio companies at risk of a 10% or greater decline in EBITDA, we observed more progress in 2024, with 10.68% for the portfolios and 12.64% for the benchmark, compared to 16.48% and 16.87%, respectively, in 2023.

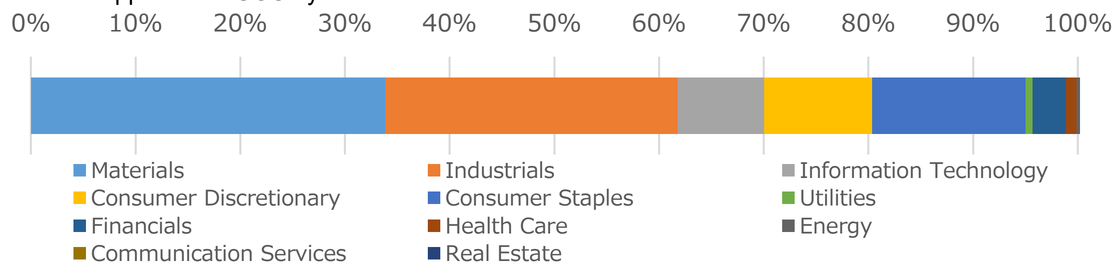
EBITDA at Risk

	2023		2024	
	Portfolio	Benchmark	Portfolio	Benchmark
EBITDA at Risk	6.80%	11.44%	6.56%	11.07%
Weight>10% at Risk	16.48%	16.87%	10.68%	12.64%

Total Apportioned UCC by Country



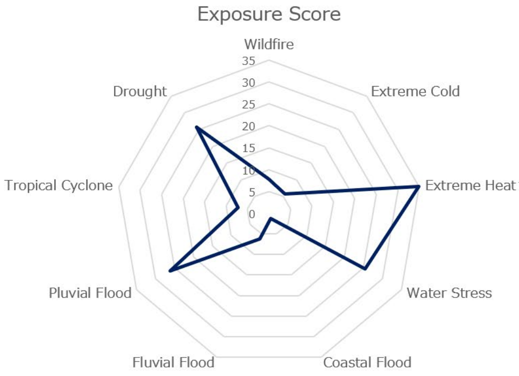
Total Apportioned UCC by Sector

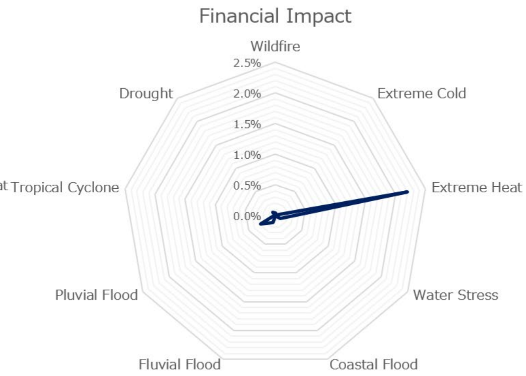


* The scenario with the temperature rise limited to well below 2°C by 2100 is consistent with the Paris Agreement and is based on OECD and IEA studies.

Physical risks

We assessed the physical risks for our Listed Equity Investment and Listed Alternative Equity Investment Strategy portfolios based on moderate-to-high-risk scenarios for 2050*. Of the nine hazard types (wildfires, extreme cold, extreme heat, water stress, coastal floods, fluvial floods, urban floods, tropical cyclones, and droughts), extreme heat had the highest exposure score. Extreme heat also had the highest financial impact.





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

* The scenario with a temperature increase of 2.8–4.6°C by 2100 corresponds to a Shared Socioeconomic Pathway (SSP) score of 3 and a Representative Concentration Pathway (RCP) score of 7.0. Exposure scores are expressed on a scale of 1 to 100, where 100 represents the maximum possible risk, and 1 is the minimum possible risk. The financial impact is expressed as a percentage (%) of the asset value of possible losses (e.g., capital expenditures, operating expenses, business interruption) that may occur due to climate change.

iv) Metrics and targets

Both as an investment company and as a corporation, SPARX Group supports the long-term goals of the Paris Agreement and is committed to taking proactive steps to limit the rise in average global temperatures. As an investment company, SPARX Group will continue to support all our portfolio companies and investments in setting a goal of achieving net-zero GHG emissions by 2050 by advancing related initiatives.

Below are our calculations for the TCFD's recommended disclosure requirements of carbon footprint (the equivalent CO_2 resulting from business activities) and weighted average carbon intensity (WACI) for our Listed Equity Investment and Listed Alternative Equity Investment Strategy portfolios as of December 31, 2024.

	2023	2024
Carbon Footprint	451,291 tCO2e	349,189 tCO2e
WACI	78 tCO2e/million USD	57.57 tCO2e/million USD

For both the carbon footprint and WACI calculations above, we use S&P Global's data to calculate GHG emissions based on portfolio company disclosures or, in the absence of usable information, a proprietary approach using modeling. We calculate Scope 1 and Scope 2 emissions with this approach. Our policy for the Group's assets under management is to actively utilize GHG emission ratings and assessments from external evaluation organizations to supplement our analytics. However, due to differences in data reliability and evaluation methods, we do not compare figures, instead preferring to continuously monitor data and consider their future use options.

Targets by individual strategy among managed client assets
(Listed Equity Investment Strategy and Listed Alternative Equity Investment Strategy)

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

To achieve this goal, we believe it ideal for our portfolio companies to formulate and implement greenhouse gas reduction plans that comply with the Paris Agreement.

However, as part of this process, we must support companies that are likely to implement future reductions rather than investing only in companies that already have low emissions or that are already reducing their carbon output per the Paris Agreement.

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

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

The actual performance as of December 2024 against the target is as follows.

	Previous target	2024 Performance
2024	TCFD supporter rate of 30% or more for all funds in the Japanese Equity Investment Strategies	97.30% of funds (based on the number of funds) with a TCFD endorsement rate of 30% or higher
2025	TCFD supporter rate of 50% or more for all funds in the Japanese Equity Investment Strategies	94.59% of funds (based on the number of funds) with a TCFD endorsement rate of 50% or higher

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

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

With these investment strategies, we will support, through dialogue, the formulation and execution of greenhouse gas emissions reduction plans in line with the Paris Agreement by long-term investee companies. A major example of dialogue in 2024 is presented below.

In this investment strategy, we engaged with Company A, a mid-sized real estate company that offers a wide range of services. Its operations are based on strict property procurement criteria, underpinning its sound financial position. Since the financial crisis, the company has steadily expanded its business and now has a market capitalization of over JPY 100.0 billion.

Our engagement centered on the following three points. First, we emphasized the need to present a continuous and clear growth strategy to the stock market that would dispel concerns about a potential downturn in the company's growth rate. Second, with its market capitalization exceeding JPY 100.0 billion and increased attention from new institutional investors, we requested that the company clearly and concisely disclose information on its diverse business activities. Third, we communicated the importance of clearly disclosing ESG-related policies and initiatives to garner support from a broader range of investors.

Regarding an environmental issue that pertains specifically to the third point, the company's improvement in acquiring green certification for its mainstay real estate liquidation business should contribute to the long-term improvement of corporate value. While it is not currently actively pursuing green certification for its buildings, we discussed the possibility that certification would boost the added value of properties, leading to a corresponding increase in rents. While the company generally agreed with the significance of green certification, it acknowledged that acquiring certification would take considerable time, given that most of its tenants are small to mid-sized companies with limited rent-bearing capacity. The investment strategy will continue to engage in ongoing dialogue with the company and support its sustainable improvement in corporate value.

(Private Equity Investment Strategy (Mirai Creation Funds))

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

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

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

Presented below is a major example of these investment strategies acting as a guide for participation in discussions on assessing climate-related risks and opportunities and their financial implications. These discussions maximize portfolio company commitment to financial disclosure on climate change before issuing their IPOs.

Company B is working to reduce greenhouse gas (GHG) emissions and generate J-Credits through improved management of livestock waste. The dairy industry is expected to face increased scrutiny from environmental groups in the future, so our investment strategy encouraged Company B to be aware of these risks and consider measures and to address them before going public. In addition to the management team, we also consulted with outside directors to raise awareness of the risks and opportunities. We will continue to propose measures to address environmental issues, including the provision of clear and transparent disclosure with CO_2 emission visualizations.

Company C develops and manufactures chemicals used for gas adsorption and catalytic applications. Its strength lies in its ability to produce these chemicals at low cost while reducing its environmental impact. The investment strategy engaged Company C to discuss how it would calculate the CO_2 emissions associated with the production of these chemicals. An issue of particular importance was how to estimate the amount of electricity used at its production facilities. The company was making positive efforts to visualize emissions, but it faced the challenge of selecting a cost-effective method with limited resources. We proposed a simple and practical estimation method that considered Company C's current business scale and viability, while also referencing precedents from major companies. Our proposal helped the company move forward with a reasonable climate change response from the outset. The investment strategy will continue to monitor and engage with Company C.

The Group will further pursue initiatives to solve the problem of climate change and disclose information.

(2) Policies and initiatives regarding human capital and diversity

We will provide a workplace in which the outstanding people who join us in support of the Group's purpose and vision (i.e., its ideology) will respect each other's diversity, engage autonomously in improving their skills and abilities to become the ultimate professionals, and also build excellence of character by valuing the code of behavior (conduct) for the realization of the Group's ideology and profession. This workplace will also give them opportunities to grow by engaging in friendly competition with each other and feel a sense of reward in their work of contributing to the growth of the organization by all of them uniting as one to practice and provide "better investment" (i.e., our technique).

Moreover, we believe that the source of the Group's competitiveness is its combination of innovativeness and communication skills. In other words, it is our ability to bring the individual expertise of our people together to compete as an organization. Therefore, (1) to strengthen our capabilities in accountable and reproducible investment and our ability to come up with unique investment ideas, we will (2) clarify and instill desirable styles of conduct within the company. In addition, to strengthen our ability to unite as a company to package together specific investment ideas, and (3) to establish a comfortable working environment that will provide the basis for these efforts, we will put in place the various measures that we believe they each require.

i) Human resources development policies

As a professional firm, our officers and employees possess a high degree of specialist expertise. However, in the expansion of our operations by entering new investment fields and other means in a volatile, uncertain, and complex environment, the knowledge and skills required have become increasingly diverse and must be constantly updated. We believe, therefore, that it is important for our officers and employees to learn and practice autonomously within their specialist areas. For this purpose, the Group will expand our programs for the provision of financial assistance to cover the costs of self-improvement in such specialist areas and monetary incentives for obtaining qualifications, and strengthen OJT programs, in which employees teach each other. In addition, we will work to provide learning opportunities for our employees to satisfy wide-ranging intellectual curiosity, to allow employees to elevate their intelligence as professionals even outside their specialist areas. Furthermore, while emphasizing autonomous learning by individuals, we will also work to strengthen training at a departmental level for the systematic development of officers and employees who have the knowledge and skills required by individual departments.

ii) Diversity-focused internal work environment policies

SPARX Group respects diverse experiences, knowledge, and attributes and believes that possessing perspectives and values reflecting this diversity is indispensable for creating new value, improving sustainable growth and corporate value, and achieving the Group purpose "to make the world wealthier, healthier, and happier." Consequently, the Group has conducted hiring and promotions without considering candidates' gender, nationality, or other similar attributes, preferring to focus on their experience, talent, and their ability to understand and support the values embodied in the Group's purpose, vision, and mission. The Group's workforce primarily comprises mid-career professionals. We hire employees for their character, ambition, and talent, irrespective of gender, nationality, or other similar attributes, and even actively hire inexperienced personnel and people from outside the financial sector if they show outstanding talent. Since mid-career professionals have diverse perspectives and experiences because of their diverse careers and backgrounds, the Group believes they bring extraordinary diversity beyond the established customs and rules of thumb of the Group. Furthermore, the Group aims to incorporate human resources with values and knowledge beyond the financial sector by bringing in seconded employees from diverse industries, among other means, to build an even more diverse organization.

We encourage those newly recruited officers and employees to deepen their understanding of the lasting values and action guidelines that we have held dear since our inception through meetings with CEO. We also strive to embody those values and guidelines throughout the entire organization by such means as holding regular workshops on a divisional basis to give everybody an opportunity to think about them. On that basis, we introduced a system for evaluating whether or not their actions are in line with the action guidelines to ensure that they can reflect objectively on their own actions. In this way, we are pointing all officers and employees in the same direction for the realization of the Group's purpose, even in an organization of diverse backgrounds and insights.

Recognizing that it is a professional firm, SPARX Group follows the above policies and hires employees based on character, including experience and talent, regardless of gender, nationality, or other similar attributes. Since its founding, SPARX Group has grown its business with a workforce of mainly mid-career professionals while promoting existing employees to management positions. SPARX Group believes that no disparity in promotions has emerged from factors such as gender, nationality, timing of hire, age, or the like. Consequently, the Group has not presently stipulated any particular criteria or formal, quantitative targets for a ratio of employees promoted to management positions based on specific attributes such as being female, non-Japanese, or a mid-career professional.

At the same time, the Group remains cognizant of the Japanese government's target to "promote initiatives aiming toward an approximately 30% ratio—achieved quickly and, to the extent possible, within the 2020s—of women in management positions." Rather than aiming to formally achieve this 30% ratio, to build a work environment that fully assumes as normal the active involvement of women, the Group moved forward with the introduction of a personnel system that is capable of providing flexible support suited to different life stages, as shown below (see Supplemental Note 1). Further, by giving candidates for management positions opportunities to learn about the mental attitude and conduct required of a leader and about the responsibilities and rewards of those positions in a practical way through training, we will increase the number of people who will want to fulfill a role in a management position of their own volition. The outcome of these efforts will be an organic rise in the number of female employees involved in operational decision making.

Because the Group's business foundation is centered in Japan, ratios for non-Japanese employees and managers have not risen above the figures given below (see Supplemental Note 2); however, the Group believes that these ratios will naturally increase as we expand our business outside Japan.

(Supplemental Note 1)

Primary support programs suited to different life stages	Details
Multitrack work schedules	Employees may choose their working hours within a certain range.
Reduced-schedule full-time employment system	Employees may work a reduced-schedule to provide childcare (no age limit for children) or nursing care (no time limit).
Fertility treatment leave	Employees may take up to ten days of paid leave (may also be taken in half-day increments)
Nursing care leave	Employees may take up to five days a year of paid leave per person requiring care.
Backup leave	Employees may accumulate up to 30 days of unused annual leave.

* Using these programs may require Company approval.

(Supplemental Note 2)

Figures as of March 31, 2025 (SPARX Group employees: 193)	
Female employees	72 (37.3% of all Group employees)
Female managers	10 (25.6% of all Group managers)
Non-Japanese employees	43 (22.3% of all Group employees)
Non-Japanese managers	10 (25.6% of all Group managers)

Mid-career hires	186 (96.4% of all Group employees)
Mid-career hires in management positions	38 (97.4% of all Group managers)
Number of employees using the childcare leave system	FY2024: 6 men (6 eligible); 4 woman (4 eligible) FY2023: 3 men (3 eligible); 1 woman (1 eligible) FY2022: 1 man (2 eligible); 2 women (2 eligible)

* Figures for number of employees using the childcare leave system is the domestic Group company totals.
* The number of eligible people noted in the number of employees using the childcare leave system refers to employees or their spouses who have given birth in the relevant fiscal year.
* If a period of childcare leave straddles two fiscal years, it is counted only in the fiscal year in which the leave commenced.

Diversity-Focused Human Resources Development Policies, Internal Work Environment Policies, and Their Implementation

* The Group will maintain character-focused hiring practices centered on highly diverse mid-career professionals and ignore personal attributes, including gender, nationality, or work history.
* The Group will continue offering support suited to employees' life stages (including childbirth, childrearing, and family nursing care) while introducing systems to foment a culture that encourages men to take childcare leave and enhancing policies that contribute to work-life balance regardless of gender. At the same time, the Group will establish options for diverse work styles, such as working staggered shifts, and working part-time.
* The Group will establish systems for helping senior and veteran employees pass on their valuable knowledge, experience, and skills to the next generation, ensuring growth opportunities for young employees.
* Through harassment awareness training, we will strive as an organization to improve receptivity toward diverse human resources and create a corporate culture that is open and candid and ensures psychological safety.
* Through such initiatives as training, information provision for employees who are a step away from promotion to management positions and giving them experience of the entry to human resources management by appointing them as mentors to new employees, we are working to raise their motivation to seek such promotions.
* The Group will utilize the in-house recruitment system as necessary and strive to provide workplaces that are conducive to all employees exercising their talents, while simultaneously making workplaces that allow employees to accumulate experience for future moves into management positions.
* By implementing health and productivity management, we will enhance measures that contribute to employees maintaining and enhancing their health, and the Group will build an environment that allows diverse employees to work with enthusiasm and in good health both mentally and physically.
  The Group's efforts in investment in health were recognized with its selection as a 2024 Certified KENKO Investment for Health Outstanding Organization in the SME category.
* Besides the above human resources development and internal work environment policies, the Group will further disseminate its purpose, vision, and mission to unite diverse employees and increase employee engagement by encouraging them to understand and identify with this ethos and corporate culture.

3. Business and Other Risks

The list below indicates the leading risks that management recognizes as having the potential to materially affect the consolidated companies' financial position, operating results, and cash flows from among the business and accounting matters discussed in the Annual Securities Report.

Forward-looking statements are based on the Group's judgment as of the current fiscal year-end.

We do not guarantee any achievements based on these statements.

i) Risks Associated with the Nature of Our Business

・ Risks associated with products and services provided to clients

Most of the Group's revenues consist of investment advisory fees related to the business of investment trust management, discretionary investment management and investment advisory. Moreover, most of the Group's assets under management are invested in listed equities in Japan and other Asian countries. Therefore, several factors heavily influence the Group's assets under management and investment performance. These factors include global economic trends, climate-change-fueled extreme weather conditions and natural disasters, pandemics, conflicts, wars, and other events affecting Japanese and other Asian stock markets, and client asset allocation policies regarding listed stocks in these regions.

Furthermore, with the emergence of environmental, social, and governance (ESG) issues such as climate change and respect for human rights, the Group's stakeholders expect it to act as a responsible investor and make responsible investments that account for ESG issues. As requests and demands for responsible investment continue to grow, if the Group's responsible investment initiatives and disclosures deviate significantly from expectations, it may harm performance, including decreased management fees due to a decline in assets under management.

In response to such risks, the Group has been diversifying its investment strategy in managing listed equities, while simultaneously focusing on developing, offering, and steadily expanding products targeting real estate, renewable energy power generation projects, and private equities. As a result, even if the poor stock market conditions in Japan and other Asian countries were to persist, they now have a relatively insignificant impact on the Group's overall performance compared with in the past. Thus, we believe we have reinforced the Group's foundation for consistently posting base earnings.

To ensure appropriate ESG-conscious responsible investment, we have also established a Responsible Investment Committee chaired by the Group CIO, which discusses and promotes responsible investment in all the Group's investment strategies to ensure their proper implementation.

・ Risks associated with client base and sales channel instability

While the Group has built up a broad network of both domestic and international clients, that client base is not necessarily sufficient. Moreover, clients can terminate their contracts with the Group at any time with little or no advance notice, depending on the contract. Except for certain investment advisory agreements and mutual funds, we have no lock-up periods that prohibit clients from terminating their contracts or withdrawing funds. Therefore, some clients may terminate all or part of their contracts, and others may follow suit, resulting in fund size contraction. If funds become smaller due to contract terminations, it may be challenging to collect funds from new or existing clients. This outcome could harm Group performance, including decreased management fees.

Unlike many other asset management companies, the Group is not affiliated with other banks, securities firms, insurance companies, or leading financial institutions. Therefore, as an independent asset management company, we have built our client base and sales channels on our own. Our competitors can leverage powerful sales channels and collect funds with relatively low cancellation risk through their affiliations with larger financial institutions. As a result, we have a comparative disadvantage in terms of stability and durability of assets under management and operating revenue. Therefore, there is a risk that a future decline in management fees coinciding with falling Group assets under management due to client base and sales channel instability may harm the Group's performance.

In response to such risks, the Group strives to reduce any dependence on specific investors and to limit the number of cancellations that may occur. To achieve these goals, we prefer to build a foundation of small investor accounts, including funds from individual investors, rather than receiving massive capital inflows from a single institutional investor.

・ Risks associated with investment performance fluctuations

Deteriorating performance in assets under management entrusted to the Group by its clients could bring about challenges in maintaining contracts with existing clients and acquiring new contracts. These challenges could then fuel a decline in the Group's AUM balance and harm its performance and future business development. The Group also derives a portion of its operating revenue from performance fees based on investment performance. The revenue from performance fees fluctuates significantly each year, reflecting investment performance.

In response to such risks, the Group strives to share its investment philosophy and maintain and improve its investment management capabilities through internal study sessions, which have been held since the company was first founded, to achieve stable and favorable investment performance.

Furthermore, the Group broadly classifies its investment strategies into alternative investment strategies with high performance fee rates and traditional investment strategies with low performance fee rates. One of its operating policies is to maintain these fee rates at high levels. However, they may fluctuate depending on the Group's investment performance based on such trends, changes in client asset allocation policies, and market trends—including Japanese and Asian stock market fluctuations.

In response to such risks, the Group focuses on marketing activities that bolster the AUM for funds with performance fees in its existing strategies, while also working to create frameworks that allow it to recognize performance fees in new strategies.

・ Risks associated with expanding investment targets

In addition to the business of managing listed equities in Japan and other Asian countries, the Group also focuses on developing and providing products that invest in real estate, renewable energy power station projects, and other infrastructure assets. Other ways in which we are expanding investment targets include investment strategies that target listed stocks with which we conduct engagement activities and by conducting TOBs with funds in our Private Equity Investment Strategy.

Business development in these areas requires securing resources and personnel with experience and knowledge that are not present among existing staff. There is a risk that business development may take longer than expected or that the burden of the initial investment may temporarily harm profitability. There are also unique risks in these business segments, including the possibility that the Group may receive complaints or demands for compensation for individual projects from third parties. Furthermore, the unlikely event that we are subject to administrative action by regulatory authorities, due to inadequate management of the conflicts of interest that increase with the expansion of investment targets, may harm our business, operating results, and financial position. In addition, the market is not necessarily mature in new segments, so there is a possibility of revisions or changes to interpretations and applications of laws and regulations, as well as the occurrence of unforeseen changes to the business environment, which may hinder future business development and performance.

In response to such risks, the Group strives to prevent losses from increasing due to delayed decisions through efforts that include clarifying the criteria for withdrawal. It also seeks to obtain understanding about individual projects by making a point of careful communication with concerned parties and takes measures to avoid those risks to the greatest extent possible through insurance or contract clauses for each project. It also strives to fully understand legal regulations, build internal control systems, and enhance its human resources to achieve these aims. We also seek plenty of advice from outside experts who are familiar with any given area.

・ Risks associated with funds managed and operated by the Group

In the event that the Group is involved in a fund as an unlimited liability partner or general partner, there is no risk of losses exceeding our investment and being held liable for such losses, as long as the fund is managed per its investment policy and restrictions. Therefore, we do not foresee a situation in which the Group would be liable for any losses from a fund's investment policies and restrictions. Nevertheless, we cannot completely rule out the possibility of incurring losses in excess of our investment due to some deviation, which could harm the Group's business performance.

In response to such risks, the Group has established a system to confirm that contracts with other funds are appropriate and that these funds are appropriately managed per their investment restrictions.

・ Risks associated with the emergence of contingent liabilities related to credit provision

When establishing investment frameworks for real estate, power generation, and other real assets, there are exceptional cases in which the Group needs to provide guarantees or other forms of credit to transaction counterparties through investment vehicles or investment frameworks. In the event that the party receiving this credit cannot fulfill its obligations as a party to the transaction due to deterioration in creditworthiness or bankruptcy, a risk of contingent liabilities related to the credit extension may materialize, potentially impeding the Group's business activities and harming its performance.

In response to such risks, the Group seeks plenty of advice from outside experts in advance and takes other measures to carefully examine the risk of executing guarantees and so forth. We strive to extend credit only to a limited number of companies for which we judge the materialization risk to be low or that we can reasonably assess that a business risk can be taken.

・ Risks associated with assigning directors to portfolio companies

The Group may assign its officers or employees as directors at portfolio companies to help them improve corporate value. In the event of a claim for damages against an officer or employee, the Group may be liable for all or part of the economic loss incurred by that individual and subject to the employer's liability.

In response to such risks, the Group requires its portfolio companies to have directors' and officers' liability insurance (D&O insurance) or to conclude liability limitation agreements. It also reviews portfolio companies' locations and business types to ensure that the officers and employees it dispatches are covered by the D&O insurance that the companies have in place.

ii) Risks Associated with the External Business Environment

・ Risks associated with competing against other companies

The asset management industry, especially the investment advisory business, has relatively low barriers to entry compared with other sectors in the financial industry. Thus, we must always be prepared to face competition from new entrants from Japan and abroad. The growing global need for asset management services is a tailwind for the asset management industry as a whole. However, it is also possible that this growth will further encourage new entrants into the industry. Moreover, leading domestic and foreign financial institutions may position asset management services as a keystone of their management strategies and actively invest management resources in this area. The scale and strength of the Group's competitors may also increase due to consolidation within the industry. Furthermore, competitors may seek to transfer or hire the Group's fund managers and other employees.

We expect this competition to intensify, making it increasingly challenging to acquire and retain clients and impacting our management and performance fee rates, thus harming the Group's performance.

In response to such risks, the Group has been diversifying its investment strategy in managing listed equities in Japan and other Asian countries, while simultaneously focusing on developing, offering, and steadily expanding products targeting real estate, renewable energy power generation projects, and private equities. As a result, we are differentiating ourselves from our competitors by developing unique businesses that the competition does not have.

We believe that the most crucial aspects of the asset management business are taking the time to build an investment management system that can deeply understand, share, and practice the Group's investment philosophy, and accumulating excellent investment results over the long term through this investment management system. Competing companies cannot easily match the value that such an approach creates. Therefore, we will continue to maintain and strengthen this value and make it a pillar of the Group's brand.

We also strive to maintain a corporate culture that encourages the outstanding human resources we hire to engage in friendly competition with each other and that gives them the discretion to engage in their work, so they may realize their own growth through all the opportunities provided. Furthermore, we are committed to providing a professional nurturing ground that strongly motivates employees through programs that offer appropriate monetary and non-monetary incentives.

・ Risks associated with foreign exchange market fluctuations

Since the Group's financial statements are presented in yen, fluctuations in foreign exchange rates affect the yen-translated amounts of assets and liabilities denominated in foreign currencies. When we consolidate our overseas subsidiaries, the yen equivalent of their foreign currency denominated assets, liabilities, revenues, and expenses also change, resulting in changes in the "foreign currency translation adjustments" on the consolidated balance sheets and statements of comprehensive income.

Furthermore, while most of the operating revenues of Japanese subsidiaries are denominated in yen, foreign exchange rate fluctuations may cause losses when converting specific foreign currency-denominated transactions into yen. If foreign currency-denominated transactions increase due to more contracts with non-Japanese clients, the risk of exchange rate fluctuations may increase.

In response to these risks, the Group uses forward exchange contracts and other policies to hedge against exchange rate risks, minimizing their impact on performance.

iii) Risks Associated with Internal Controls

・ Risk of not obtaining the anticipated effects from M&A transactions, business alliances, etc.

In the past, the Group has used M&A transactions, business alliances, etc. to expand its business foundations. In the future as well, there will be occasions when we consider such transactions and alliances as an effective means of accelerating the expansion of our business. Although we do not currently have a policy of actively conducting M&A transactions, business alliances, etc. if we do undertake them, we will perform adequate information gathering and deliberation. However, there is a possibility that, due to unforeseen changes in economic conditions and the business environment, we may not be able to obtain the anticipated effects, which may harm the Group's operating results.

In response to such risks, by embodying and promoting the sharing of the values that SPARX holds dear by dispatching management personnel to the target of the M&A or business alliances, etc., the Group strives to encourage those targets to work with us to improve their performance. The Group has also established an adequate internal management system, including regular performance monitoring by the Board of Directors, to confirm the progress of each company's business plan.

・ Risks associated with investments from proprietary funds and outlays of funds for the development of power stations, etc.

The Group uses its own capital to invest in (1) Group-managed funds that invest in listed equities and (2) Group-managed funds that invest in unlisted equities, and (3) outlay development funds for new projects. These investments and outlays have varied over time and are recognized as assets on the balance sheets. They may significantly fluctuate based on market conditions, the Group's investment performance, the business performances of the investee companies, and the progress of the development projects. For (1) marketable and investment securities, we recognize the difference between the acquisition cost and market value under "valuation difference on AFS securities" on the balance sheet after accounting for taxes. However, in the event of actually canceling or redeeming securities with a market value below their acquisition cost, or in the event of a significant decline in their market value, the P/L statement would reflect impairment losses as losses on sales or valuation losses, which may harm the Group's performance.

For (2) non-marketable and investment securities, we recognize them on the balance sheet at their acquisition costs. In the event that the asset value of these securities declines due to poor portfolio company performance or other factors, the P/L statement would reflect impairment losses as valuation losses, which may harm the Group's performance.

Further, while (3) outlays of development funds, etc. are recognized as assets on the balance sheet, if a development is abandoned for whatever reason, leading to an impairment loss, or the asset is written down due to a fall in the value of the assets or other factors, the P/L statement would reflect those impairment losses or valuation losses, which may harm the Group's performance.

In response to such risks, the Group manages to keep the total investments or outlays within a specific range of consolidated net assets, scrutinizes the profitability of the plans, monitors (1) marketable and investment securities every month to determine their market value and profit/loss, and monitors (2) non-marketable and investment securities every quarter to assess their business progress, financial conditions, and other factors. Regarding (3) development funds, etc., in addition to reviews of the state of progress of the plans as appropriate, we regularly review the progress of all portfolio companies and undertake conservative accounting treatment to ensure that there is no expansion of losses.

・ Risks associated with taxes

The Group conducts domestic and international business and pays appropriate taxes based on each country's tax laws. However, there is a risk that inadequate responses to changes in tax arrangements between countries or regions or tax system operations or interpretations in a given country or region could harm future business development and the Group's performance.

In response to such risks, the Group strives to make appropriate tax decisions by receiving advice from tax advisors in each country or Groupwide to ensure that it pays applicable taxes.

・ Risks associated with developing, maintaining, and securing human resources, and labor management

The Group must secure the right human resources at the right times, across all divisions, to maintain its business and achieve growth. To this end, we will continue to hire and train talented individuals. However, in the event that outstanding personnel leave the company, or personnel recruitment and training does not proceed as planned, it may hinder the Group's business and harm its performance.

In response to such risks, the Group has created a vision statement and established rules for recruitment in line with that statement. Its aim in doing so is promote within the Group its corporate philosophy of "making the world wealthier, healthier, and happier" by "becoming the world's most trusted and respected investment company." We also encourage the outstanding human resources we hire to engage in friendly competition with each other and give them the discretion to engage in their work, so they may realize their own growth through all the opportunities provided. Furthermore, we are committed to providing a professional nurturing ground that strongly motivates employees through programs that offer appropriate monetary and non-monetary incentives.

In addition, in the event of a violation of labor-related laws or a significant decline in the Company's credibility due to inadequate labor management, including overwork and harassment, it may hinder the Group's business and harm its performance.

In response to such risks, the Group strives to comply with labor-related laws and regulations, such as appropriate work hour management and countermeasures against harassment. It also strives to further enhance and improve the working environment.

・ Risks associated with outside vendors

The Group uses many outside vendors in conducting its business. These include the trustee banks (in the case of discretionary investment contracts with domestic clients and investment trust management contracts) and custodian banks (in the case of discretionary investment contracts with foreign clients) designated to safeguard and manage investment trust assets and client assets, and the securities firms that execute transactions. In the event that the outside vendors that the Group uses were to experience difficulties in providing stable services, it could harm the Group's operations. It could also indirectly harm the Group's credibility.

In response to such risks, the Group strives to ensure that it does not rely on specific outside vendors to conduct its business. It also confirms the business continuity plans of outside vendors for important operations and confirms that the vendors can provide stable services by constantly monitoring them, including periodic inspections. We have also formulated a plan for business continuity and taken steps to mitigate any disruption to operations in the event of an accident or disaster.

As part of our response to anti-money laundering and countering financing of terrorism (AML/CFT) regulations, we also monitor fund distributors on their compliance with AML/CFT.

・ Risks associated with system failures

Computer systems are indispensable for the Group's operations, and any failure could harm the Group's business. Moreover, various factors could cause modifications to or loss of crucial Group data. These factors include terrorism, windstorms, floods, earthquakes, and other natural disasters resulting from extreme weather conditions caused by climate change, and increasingly sophisticated cyberattacks and other unauthorized access from external sources. An unexpected system failure could harm the Group's operations.

In response to such risks, the Group is working to ensure the stable operation and maintenance of its systems and the confidentiality, integrity, and availability of the information assets it holds, by establishing information security regulations, improving systems, enhancing servers, and using highly reliable data centers. Furthermore, in light of the increasing sophistication of cyberattacks, we are striving to strengthen cybersecurity by establishing cybersecurity regulations, appropriately addressing system vulnerabilities through multi-layered defense (entrance, internal, and exit measures), and conducting periodic training. We have also formulated a plan for business continuity and taken steps to mitigate any disruption to operations in the event of an accident or disaster. In addition, we have taken out insurance policies against the eventuality of damage, etc.

・ Risks associated with errors, misconduct, and information leaks by officers and employees

In the event of operational errors, misconduct, or information leaks or misuse by our officers and employees, the Group may be liable for damages incurred by third parties and lose the trust of our clients and the market. Moreover, we may be subject to administrative sanctions from the regulatory authorities, which may harm our business, operating results, and financial position.

In response to such risks, the Group has taken measures to prevent errors by officers and employees by establishing internal operational procedures. It has also built security systems that reflect the materiality of the data they hold and that prevent leaks. Additionally, we compile operational near misses (recognized cases that, while they do not directly lead to severe disasters or accidents, come very close to doing so) as incident reports and share these at internal committee meetings to continuously improve operations. We also strive to continuously raise officer and employee awareness through compliance and information security training programs. In addition, we have taken out insurance policies against the eventuality of the Group receiving demands for compensation from third parties.

iv) Other Risks

・ Risks associated with legal regulations

In Japan, the Group is engaged in the asset management business, investment advisory business, Type 1 Financial Instruments Business, and Type 2 Financial Instruments Business as defined in the Financial Instruments and Exchange Act, as well as other related or incidental businesses. Therefore, we must comply with various laws and regulations, including the Financial Instruments and Exchange Act.

The Group currently holds the following licenses, permits, and registrations (“Licenses and Permits”) for its principal operations. At present, there are no circumstances that would lead to the revocation of any of the above licenses or permits. However, in the event that such licenses or permits are revoked for some reason, it may harm the promotion of the Group’s business.

Acquirer/registrant name	SPARX Asset Management Co., Ltd.	SPARX Asset Trust & Management Co., Ltd.
Date of acquisition	September 30, 2007	September 30, 2007
Permit/license name	Financial instruments business operator (registered)	Financial instruments business operator (registered)
Competent authority	Financial Services Agency	Financial Services Agency
Permit/license details	Investment management Investment advice & brokerage Type I financial instrument trading Type II financial instrument trading Registration Number: Director of Kanto Local Finance Bureau, No. 346	Investment management Investment advice & brokerage Type II financial instrument trading Registration Number: Director of Kanto Local Finance Bureau, No. 783
Expiration dates	No expiration date specified	No expiration date specified
Prerequisites for legal violations and primary reasons for permit/license revocation	Registration revoked in the event of any violation of Article 52 of the Financial Instruments and Exchange Act, including registrations obtained through fraudulent means, directors who fall under any grounds for disqualification, or net assets failing to meet the required and appropriate levels	Registration revoked in the event of any violation of Article 52 of the Financial Instruments and Exchange Act, including registrations obtained through fraudulent means, directors who fall under any grounds for disqualification, or net assets failing to meet the required and appropriate levels

Acquirer/registrant name	SPARX Asset Trust & Management Co., Ltd.	SPARX Asset Trust & Management Co., Ltd.
Date of acquisition	April 28, 2022	July 15, 2021
Permit/license name	General real estate investment advisory (registered)	Real estate broker (license)
Competent authorities	Ministry of Land, Infrastructure, Transport and Tourism	Tokyo Metropolitan Government

Acquirer/registrant name	SPARX Asset Trust & Management Co., Ltd.	SPARX Asset Trust & Management Co., Ltd.
Permit/license details	General real estate investment advisory Registration number: Minister of Land, Infrastructure, Transport and Tourism, No. 149	License number: Governor of Tokyo (3), No. 86144
Expiration dates	From April 28, 2022 to April 27, 2027 (5 years) To be renewed every five years	From July 15, 2021 to July 14, 2026 (5 years) To be renewed every five years
Prerequisites for legal violations and primary reasons for permit/license revocation	Registration revoked in the event of any violation of Article 30 of the Official Real Estate Investment Advisory Registration Regulations, including registrations obtained through fraudulent means or directors who fall under any grounds for disqualification	License revoked in the event of any circumstances described in Article 66 of the Real Estate Brokerage Act, including registrations obtained through fraudulent means or directors who fall under any grounds for disqualification

As we are also engaged in the asset management business in South Korea, Hong Kong, Bermuda, and the Cayman Islands, we must comply with the laws and regulations of each country or region. In the event that we are subject to administrative guidance or disciplinary action by a supervisory authority with wide-reaching authority, our normal business activities may be restricted or our clients may withdraw their assets, depending on the nature of and reason for the disciplinary action. In addition to the above laws and regulations, revisions to or changing interpretations and applications of laws and regulations may also hinder future business development and performance.

The Group is also engaged in the renewable energy business based on existing climate change policies, laws and regulations, and market requirements. However, these regulations becoming stricter than anticipated could impact the Group’s operating results and financial position.

In response to such risks, all Group companies are working to create internal rules and monitoring systems and train all officers and employees to ensure compliance with domestic and foreign laws, regulations, and rules. At the same time, SPARX Group’s Compliance Committee monitors and provides guidance on intragroup transactions with conflicts of interest and other matters and strives to maintain and bolster an adequate compliance structure. Furthermore, the Group closely monitors trends in policies and revisions to laws and regulations related to its business to minimize the impact on operations.

・ Risks associated with potential lawsuits

There are currently no lawsuits or other legal actions that would significantly impact the Group’s business. There are also no disputes that could develop into lawsuits that would significantly impact the Group’s business. Nevertheless, due to the nature of the Group’s business, we may be subject to lawsuits in the event that the Group or its domestic or overseas subsidiaries violate related laws, regulations, or various contracts, resulting in losses to our clients. In the event that such a lawsuit is filed, it could harm the Group’s performance, depending on the nature and amount of the lawsuit.

In response to such risks, the Group has established appropriate internal control systems at each group company and set up legal and compliance divisions at each major company to monitor and provide guidance, to ensure that there are no violations of related laws, regulations, or contracts. The Group’s Compliance Committee coordinates these efforts to ensure that the Groupwide compliance system is maintained at an appropriate level.

One rule in the code of conduct that Group officers and employees must follow is “the sooner bad news is reported, the better.” Per this rule, the Group has established a system to ensure that management promptly receives reports on client complaints and claims, regardless of size. Depending on the nature of the complaint, management will also take additional measures, including seeking plenty of advice from outside experts.

・ Risks associated with the high dependence on Shuhei Abe

Shuhei Abe—SPARX Group’s founder and current CEO—plays a crucial role in deciding the direction of the Group’s business operations and investment strategies. Thus, in the event that Abe can no longer perform his regular duties for any reason, there is a risk that such a situation could have a somewhat negative impact on the Group’s performance.

Abe is a leading Group shareholder, holding a majority of SPARX Group’s shares personally and through a company in which he has invested (the “Abe Group”). As the Abe Group is able to decide on essential corporate matters, including SPARX Group director appointments, in this regard as well, if Abe were unable to appropriately exercise his voting rights for some reason and voted in a manner that would harm our corporate value, there is a risk of considerable harm to the SPARX Group’s interests and, in turn, shareholder interests.

In response to these risks, the Group continually strives to reduce its dependence on Abe by creating a more organized administrative structure and training human resources who can be responsible for management.

・ Risks associated with determining the scope of consolidation

In accordance with generally-accepted accounting standards, the Group determines the scope of consolidation by considering the asset management agreement, silent partnership agreement, and other relevant agreements for each fund and SPC, examining the control and influence in each case, and delegating each project to a subsidiary or affiliate.

In the event that the establishment of new accounting standards or the release of practical guidelines brings about an accounting practice that significantly differs from the policies that the Group has adopted for determining the scope of consolidation for each fund and SPC, or that investment is executed in new schemes or products, it could trigger significant changes in the scope of consolidation within the Group or the scope of consolidation pertaining to the new investment, which may significantly impact its financial position and operating results.

In response to such risks, the Group will closely monitor trends in new accounting standards and practical guidelines even before they are established and enacted to minimize their impact. We will also individually confirm the existence of control and influence when entering into agreements with new funds and SPCs and when executing investments in new schemes and products.

・ Risks associated with debt financing

To date, the Group has raised funds by issuing additional shares, bank loans, and corporate bonds while utilizing its own funds, primarily for business development in Asia. As of March 31, 2025, external interest-bearing debt amounted to JPY 9.0 billion, and the issuer rating obtained from Rating and Investment Information, Inc., as of March 31, 2025, was BBB+ (Stable). However, there is a risk that a credit contraction in the financial markets or an increase in interest rates could harm our ability to raise additional funds.

In response to these risks, the Group will continue to adhere to a conservative financial policy and strive to raise funds that contribute to business development through financial planning and financing activity that pay heed to balance sheet soundness and cash flow stability.

・ Risks associated with climate change

The Group recognizes that climate change is a threat to the environment, society, people’s lives, and business activities and that it is one of the most critical global issues that could impact financial market stability. However, as a listed company, inadequate disclosure, or the appearance thereof, of information regarding the impact of climate change-related risks and opportunities on corporate business activities and earnings could damage the Group’s corporate value, potentially harming its business, financial position, and operating results.

In response to these risks, the Group has expressed its support for the recommendations on climate-related financial disclosures developed by the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Accordingly, we will collect and analyze the necessary data and work to identify and assess risks and enhance information disclosure in line with the TCFD.

Additionally, there are transition risks due to changes in policies and legislation in line with the transition to a carbon-free society, technological innovation, changes in market preferences, and physical risks from direct damage to assets and the supply chain caused by large-scale natural disasters.

Based on the TCFD recommendations, the Group strives to understand the nature and impact of these risks from short-, medium- and long-term perspectives. With regard to physical risks, in addition to understanding the nature and impact of these risks, the Group periodically reviews its BCP and strengthens its management system to ensure the continuity of its business.

・ Risks associated with sharing information through social media and other outlets

In the event that negative rumors about the Group or its business in general arise or spread through media reports, Internet forums, or postings on social media or that a third party poses as the Group, a representative of the Group, or other party related to the Group and publishes information through posts on Internet forums or social media, regardless of whether or not they are based on accurate facts, the Group, its business, or the products or services it provides may be exposed to risks of damage to their image or social credibility, ultimately impacting the Group's business performance and financial position.

In response to such risks, the Group monitors social media and Internet forums daily for malicious postings. If necessary, we will take action, including applying to the court for the disclosure of information about the poster, naming the social media and forum operators in such applications, requesting those operators and posters to remove such postings, and demanding compensation for damages.

・ Risks of industrial accidents or other serious accidents

The Group is investing in new domains, one of which is the commencement of demonstration projects for hydrogen manufacturing facilities, as well as the development of luxury villas. While we exert our utmost efforts on safety management for the pursuit of these projects, if work-related injuries were to occur, it may harm the Group's performance. It may also harm the Group's performance if an accident or injury, etc. were to occur in the process of facility construction or maintenance or in the manufacture of various equipment.

In response to such risks, the Group operates the projects with safety as its top priority by means such as obtaining advice from external experts, inviting partners with extensive experience in various fields to participate in projects, and having skilled workers seconded or introduced to the projects.

4. Management's Analysis of Financial Conditions, Operating Results, and Cash Flows

Performance Overview

(1) Performance

The Japanese stock market began the consolidated fiscal year under review with a decline due to factors such as profit-taking, concerns over rising U.S. long-term interest rates, an increase in the U.S. CPI, and the worsening conditions in the Middle East. The Nikkei Stock Average temporarily fell below JPY 37,000, but with the announcement of weaker-than-expected U.S. CPI and U.S. retail sales figures in May, concerns about the protraction of money tightening receded, resulting in the three major U.S. stock indexes reaching record highs, and the Nikkei Stock Average also recovered temporarily to JPY 39,000. Amid a growing focus on monetary policy trends in Japan and the U.S., there was a period of range-bound trading, but positive momentum persisted along with the continued depreciation of the yen, and the Nikkei Stock Average rose to the JPY 42,000 range on July 11. However, as the U.S. CPI softened beyond expectations, prompting profit-taking in U.S. technology stocks and a shift toward yen appreciation, the Japanese stock market turned downward. The additional interest rate hike decided at the Bank of Japan's Monetary Policy Meeting in late July pushed the yen up further. Moreover, the July U.S. ISM Manufacturing Index was below expectations, giving rise to concerns about an economic slowdown in the U.S. This accelerated the yen's appreciation, which led to heightened risk avoidance, resulting in a sharp market decline. Subsequently, exchange rates settled down, as did the Japanese stock market, resulting in a significant recovery. Although the Japanese stock market rallied against the background of the continued depreciation of the yen, the underlying strength of the U.S. economy, and the newly formed Ishiba administration's stance of maintaining existing economic policies, it showed signs of weakness at times due to wariness about the tariff hikes being proposed by President Trump during his U.S. presidential election campaign. Supported by strong U.S. semiconductor stocks and the further decline in the yen, the Japanese stock market subsequently turned upward again, with the Nikkei Stock Average ending 2024 with a record-high year-end closing price. In the New Year, however, the Nikkei Stock Average began to reflect growing concerns about the recessionary impact of the tariff policies being advocated by U.S. President Trump, falling by JPY 1,502 from the previous day on March 31, 2025. As a result, the Nikkei Stock Average at the end of the fiscal year was JPY 35,617.56, a fall of 11.8% YoY, ending a year of high volatility in market movements.

Under such market conditions, the Group's assets under management at fiscal year-end were JPY 1,872.0 billion (Note 1), a YoY decrease of 0.9%. As a result, management fees (Note 2) for the current fiscal year increased 11.2% YoY to JPY 15,857 million. Performance fees (Note 3) decreased by 7.6% YoY to JPY 1,897 million, and operating revenue rose 8.9% YoY to JPY 17,961 million.

Operating and general administrative expenses rose by 13.5% YoY to JPY 10,244 million. This was mainly due to increases in commissions paid accompanying increases in assets under management in publicly-placed investment trusts and to increases in personnel expenses. As a result, operating profit increased by 3.2% YoY to JPY 7,717 million, and ordinary profit decreased 3.9% YoY to JPY 7,778 million, due to a decrease in foreign exchange gains and the recording of loss on investments in investment partnerships. This fiscal year's profit attributable to owners of parent was JPY 5,252 million, down by 19.4% YoY due to a decrease in gain on sale of investment securities due to the partial sale of investment securities held by the Company.

Base earnings (Note 4), an indicator of profitability that provides a sustainable and stable foundation for the business, increased by 5.9% YoY to JPY 6,722 million (from JPY 6,348 million the previous year), a record high. This was due mainly to an increase in management fees that exceeded the increase in ordinary expenses.

Notes

1. Assets under management for the consolidated fiscal year under review are preliminary figures (as of March 31, 2025).
2. Management fees include administrative fees for the power stations related to our Japanese renewable energy investment strategy.
3. Performance fees include fees generated from equity fund management performance, one-time fees (acquisition fees) received as compensation for formulating power station plans related to our Japanese renewable energy investment strategy, and compensation received when cumulative distributions exceed the contributed capital amount related to the Private Equity Investment Strategy.
4. Base earnings is one of the Group's most critical management indicators. It represents recurring management fees (after deducting commissions) minus ordinary expenses.

(2) Cash Flows

Cash and cash equivalents (“cash on hand”) at the consolidated fiscal year-end decreased by JPY 681 million YoY to JPY 21,385 million (down by 3.1% YoY).

The status of each cash flow and their primary factors during the fiscal year under review are as follows:

(Cash flow from operating activities)

The cash flow from operations in the consolidated fiscal year under review amounted to an income of JPY 5,063 million (compared with JPY 6,044 million in the previous year). This figure is primarily derived from pretax adjusted net income of JPY 7,935 million and income taxes of JPY 2,506 million.

(Cash flow from investing activities)

The cash flow from investments in the consolidated fiscal year under review amounted to an outlay of JPY 2,124 million (compared with an outlay of JPY 3,126 million in the previous year). This figure is primarily derived from an outlay of JPY 3,847 million for purchasing marketable investment securities, income of JPY 2,039 million from selling and redeeming marketable investment securities.

(Cash flow from financing activities)

The cash flow from financing in the consolidated fiscal year under review amounted to an outlay of JPY 3,391 million (compared to an outlay of JPY 3,342 million in the previous year). This figure is primarily derived from a dividend payment of JPY 2,718 million, and an outlay from a treasury share acquisition of JPY 293 million.

Operational Performance

(1) Operating revenue results

The Group’s consolidated operating revenue breaks down as follows:

Item	Previous consolidated fiscal year (FY2023)		Consolidated fiscal year under review (FY2024)	
	Amount (Millions of yen)	Component ratio (%)	Amount (Millions of yen)	Component ratio (%)
Management fees	14,258	86.4%	15,857	88.3%
Performance fees (see note)	2,054	12.5%	1,897	10.6%
Other	186	1.1%	205	1.1%
Total operating revenue	16,498	100.0%	17,961	100.0%

Note: Performance fees include JPY 783 million from listed equity investment strategies (JPY 1,716 million in the previous fiscal year), JPY 229 million in acquisition fees from the Renewable Energy Investment Strategy (JPY 75 million in the previous fiscal year), fees received by renewable energy funds for selling portfolio power plants and realizing gains on the sale (JPY 247 million in the previous fiscal year), compensation of JPY 879 million yen based on a certain percentage for each tier when cumulative distributions exceed the contributed capital amount related to private equity funds, and JPY 5 million in other fees.

・ Management fees

The following table shows the change in the management fee rate (net basis).

Category	Previous consolidated fiscal year (FY2023)	Consolidated fiscal year under review (FY2024)
SPARX Group management fee rate (net basis)	0.70%	0.67%

Note: Management fee rate (net basis) = (Management fees - Commissions paid related to management fees) ÷ Average assets under management during the period.

・ Performance fees

(Related to equity funds)

In simple cases, we calculate performance fees by multiplying the price increase in the net asset value per share (NAVPS) when the NAVPS for the fund accounting period exceeds the NAVPS for the previous fund accounting period by a fixed rate (this is known as the “high water mark” method).

Additionally, depending on the contract, we may apply a fixed rate to the portion of the fund that exceeds the benchmark by a defined amount.

(Japanese renewable energy funds)

Sometimes, we receive a performance fee (acquisition fee), calculated by multiplying the project cost by a fixed rate.

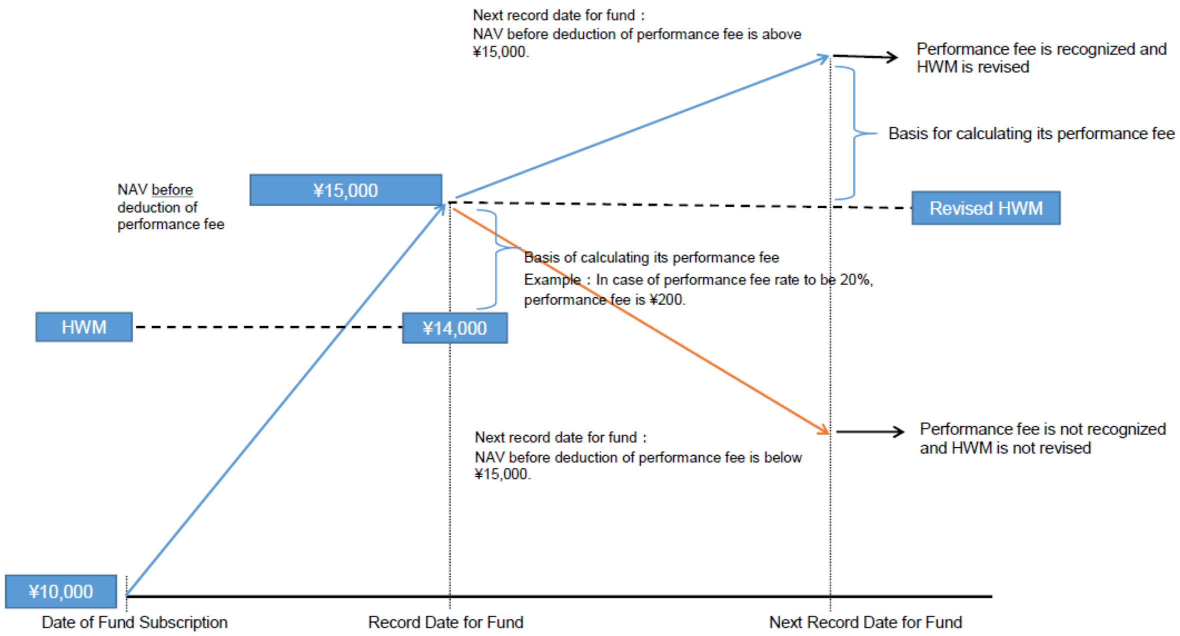
The formula applies when a series of power plant development processes are successful, including the business plan formulation, construction contractor selection and management, feed-in-tariff certification procedures, and financing.

Moreover, when a subsidiary-managed renewable energy fund (the Greenfield Investment Fund (*)) sells a portfolio power plant and realizes gains on the sale, it may receive a performance fee equal to the gains multiplied by a fixed rate.

In such sales, a different subsidiary-managed renewable energy fund (the Brownfield Investment Fund (*)) will also be a prospective buyer. However, even in such a case, both subsidiaries managing the two funds will make independent decisions under appropriate conflict of interest management and execute the transaction on the best terms and conditions for investors of both funds. When determining the transfer price, we use appraisals by external appraisal agencies.

(*) The Greenfield Investment Fund invests in power plants during the development stage. On the other hand, the Brownfield Investment Fund invests in operational power plants.

The High Water Mark (HWM) Performance Fee Structure, a Common Approach to Absolute Return Management



Notes:

1. The chart above represents a simple summary of our performance fee system, not a detailed description of our actual performance fees structure or how we calculate fund NAV.
2. The calculations for this chart use a placeholder performance fee rate of 20% for convenience of explanation.

(2) Actual results of assets under management

The table below shows the Group's fund assets under management for the fiscal year under review. The non-JPY assets under management are converted into JPY using the month-end exchange rate at the time of conversion.

The Group aims to grow by bolstering and expanding its hybrid business model, which consists of highly profitable and stable investment strategies that are not subject to market fluctuations. Its four existing investment strategy pillars are: Japanese equities, OneAsia, real assets, and private equity.

i) Quarterly assets under management by strategy

(Hundred millions of yen)

Investment strategy	June 2024	September 2024	December 2024	March 2025
Japanese Equity	13,688	13,112	13,772	12,925
OneAsia	1,483	1,266	1,033	1,043
Real assets	2,855	2,855	2,812	3,021
Private Equity	1,749	1,776	1,739	1,729
Total	19,777	19,011	19,357	18,720

Notes:
1. Amounts are net assets at market value, rounded down to the indicated unit.
2. The balances of assets under management as of March 31, 2025, are preliminary figures.

ii) Average assets under management

(Hundred millions of yen)

	FY2023 consolidated fiscal year	FY2024 consolidated fiscal year
Group totals	16,743	19,122

Notes:
1. These figures are simple averages of the assets under management at the end of each period.
2. Amounts are net assets at market value, rounded down to the indicated unit.
3. The balance of assets under management as of March 31, 2025, is a preliminary figure.

iii) Assets under management with performance fees and ratios

Company name		March 2024	March 2025
Group totals	Balance (hundred millions of yen)	6,673	6,571
	Ratio (%)	35.3	35.1

Notes:
1. Amounts are net assets at market value, rounded down to the indicated unit.
2. The balance of assets under management as of March 31, 2025, is a preliminary figure.

Management's Discussion and Analysis of Operating Results

The section below discusses and analyzes the Group's operating results from the management's perspective.

Forward-looking statements are based on our judgment as of the current fiscal year-end.

(1) Important accounting policies and estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"). For more information on this process, see Basic Principles in Creating the Consolidated Financial Statements in Section 5. Accounting Practices below.

(2) Operating results analysis for the consolidated fiscal year

In the fiscal year under review (fiscal year ended March 31, 2025), the Group's assets under management (AUM) decreased by 0.9% year on year to JPY 1,872.0 billion (Note 1). As the average AUM during the period increased by JPY 2,379 million from the previous fiscal year, management fees increased by JPY 1,599 million year on year to JPY 15,857 million. In addition, as a result of cost controls remaining at appropriate levels, base earnings, which is the ability to earn in a stable manner, reached JPY 6,722 million, surpassing the record high level of the previous fiscal year. We believe that the foundations underpinning SPARX have become steadily stronger.

Although our investment strategy that invests in Japanese equities resulted in a decrease of JPY 1,292.5 billion, we established several funds in the fiscal year under review. In March this year, we also launched a long-short fund that invests in Japanese equities, the first of its kind in the UCITS fund market. Like the EU passport system, by obtaining authorization in a single EU state, this UCITS fund can be freely marketed throughout the entire EU. Due to requests from the Tokyo Stock Exchange for fundamental initiatives to consistently achieve capital returns exceeding the cost of capital for sustainable growth, as well as the continuation of the Japanese government's policies, we believe that the investment appeal of Japanese equities will remain consistently strong. Managing funds in response to requests from overseas investors is one of SPARX's strengths, and we will use these investment strategies as an engine to drive a leap in increased assets under management.

Our OneAsia Investment Strategy targeting Asian equities continued to enjoy favorable fund performance, but assets under management decreased to JPY 104.3 billion. In the belief that the era of Asia leading the world will soon begin in earnest, we are realizing strong fund performance by continuing to share investment ideas, such as joint research on Asian companies conducted by fund managers in Tokyo, Hong Kong, and South Korea. Our belief that this is a domain that will drive the Group's future growth remains unchanged, and this will remain a key strategy that the Group must continue to focus on. We are striving to achieve significant growth of this fund with the investment techniques that we have accumulated through our track record with Japanese equities and to gain recognition of the SPARX brand as also handling Asian equities.

Our Real Asset Investment Strategy, which mainly invests in infrastructure assets for renewable energy power stations, has made investments in power generation facilities across Japan and now has assets under management of JPY 302.1 billion in the renewable energy investment strategy. In addition to solar, it operates biomass and wind power stations, and it is expanding the target of investment, including participating in battery storage projects. Further, in the fiscal year under review, under contract from the Ministry of the Environment, we launched a demonstration project for the development of a supply chain for green hydrogen, from manufacture to storage, transport, and use in Tomakomai, Hokkaido. As a pioneer in renewable energy funds, we will continue to offer attractive investment products that meet all our stakeholders' expectations.

Assets under management in the Private Equity Investment Strategy stand at JPY 172.9 billion, centering on the Mirai Creation Funds established to practice long-term investments in next-generation companies and develop new areas for creating the future as an investment company. We have already realized solid investment returns for all our investors from several IPOs and investment exits, recording our first performance fees from the Mirai Creation Funds. In addition, progress is being made in investment in the Space Frontier Fund, which we began managing with the major objectives of supporting talent and technologies associated with space development to cultivate Japan's first space companies that can compete with the world and of contributing to the technological innovation of Japan as a whole. In the fiscal year under review, we launched and began managing Space Frontier Fund II with assets under management of JPY 13.1 billion. With their steady track record of high-quality investments and performance, these funds will continue to contribute to future society by discovering and cultivating companies that are world leaders in innovative technologies and business models. In addition, the Japan Monozukuri Mirai Fund conducted a takeover bid (TOB) for SNT CORPORATION, its second after the TOB for IJTT undertaken in January 2024. Established in

2020, the Japan Monozukuri Mirai Fund invests in manufacturing companies in Japan that possess outstanding technologies, people, and services. Its philosophy is to aim to contribute to society by using the Toyota Production System (TPS) to assist these companies and deploying appropriate management strategies. Through the accumulation of good investments and sustained corporate growth, we aim to contribute to the advancement of Japanese manufacturing and the development of talent, and strive to make a giant leap in these investment domains.

An analysis of our operating results can be found under (1) Performance in Section 2. Business Overview, 4. Management's Analysis of Financial Conditions, Operating Results, and Cash Flows.

(Outlook for next fiscal year)

We recognize the challenge in forecasting future performance in the Group's primary business of investment trust management, discretionary investment management and investment advisory, as economic and market conditions heavily influence performance. Therefore, we refrain from making specific announcements regarding the outlook for the next fiscal year.

(3) Financial situation analysis for the consolidated fiscal year under review

(Assets)

Total assets at the consolidated fiscal year-end increased by JPY 3,827 million YoY to JPY 49,939 million. The main components of the change were a JPY 681 million decrease in cash and deposits, a JPY 1,669 million increase in leased assets, a JPY 1,218 million decrease in rights to develop power generation facilities, and a JPY 3,179 million increase in marketable investment securities.

(Liabilities and net assets)

Total liabilities at the consolidated fiscal year-end increased by JPY 1,739 million YoY to JPY 16,432 million. The main component of the change was a JPY 1,749 million increase in lease obligations.

Net assets at the consolidated fiscal year-end increased by JPY 2,087 million YoY to JPY 33,507 million. The main components of the change were a JPY 2,537 million increase in retained earnings, a JPY 367 million decrease in capital surplus, a JPY 357 million decrease in treasury shares, and a JPY 265 million decrease in valuation difference on AFS securities.

(4) Capital resources and cash liquidity

i) Cash flow

An analysis of our cash flows can be found under (2) Cash Flows in Section 2. Business Overview, 4. Management's Analysis of Financial Conditions, Operating Results, and Cash Flows.

ii) Capital resources and cash liquidity

The Group's main demand for funds for investment purposes is due to seed money investments.

Short-term working capital is basically funded by cash on hand. Seed money investments are financed by cash on hand and long-term loans from financial institutions.

The balance of interest-bearing debt, including loans, at the consolidated fiscal year-end was JPY 10,824 million. The balance of cash and cash equivalents at the consolidated fiscal year-end was JPY 21,385 million.

5. Significant Agreements

Loan agreement with financial covenants

The loan agreements the Company entered into with financial institutions prior to April 1, 2024 include financial covenants; however, descriptions of these agreements are omitted.

6. Research and Development

There are no relevant matters.

Section 3. Equipment and Facilities

1. Capital Investments Overview

There are no relevant matters.

2. Major Facilities

There are no relevant matters.

3. Plans for new additions or facilities disposals

There are no relevant matters.

Section 4. Filing Company

1. Information on the Company's Shares etc.

(1) Total Number of Shares

(i) Total number of shares

Types	Total number of authorized shares (shares)
Common shares	128,800,000
Total	128,800,000

(ii) Issued shares

Types	Number of shares issued as of the fiscal year-end (shares) (March 31, 2025)	Number of shares issued as of the filing date (shares) (June 20, 2025)	Name of listed financial instruments exchange or registered and licensed financial instruments business association	Details
Common shares	41,705,480	41,705,480	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit of stock is 100 shares
Total	41,705,480	41,705,480	–	–

(2) Stock Acquisition Rights

(i) Details of Stock Option Plans

There are no relevant matters.

(ii) Details of Rights Plans

There are no relevant matters.

(iii) Other stock acquisition rights, etc.

There are no relevant matters.

(3) Exercise status of bonds with stock acquisition rights containing a clause for exercise price adjustment, etc.

There are no relevant matters.

(4) Changes in Total Number of Shares Issued and Capital, etc.

Date	Change in total number of shares issued (shares)	Total number of shares issued (shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
October 1, 2022 Note 1	(167,661,920)	41,915,480	–	8,587	–	130
January 6, 2025 Note 2	(210,000)	41,705,480	–	8,587	–	130

Notes:

1. Due to the reverse stock split in which five common shares were consolidated into one share, conducted on October 1, 2022 by resolution of the 33rd Annual General Meeting of Shareholders held on June 10, 2022, the total number of shares issued decreased by 167,661,920 to 41,915,480.
2. The decrease in the total number of shares issued was due to the cancellation of treasury shares.

(5) Shareholder Status

As of March 31, 2025

Classification	Status of shares (100 shares per unit)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instrument operators	Other corporations	Foreign corporations		Individuals and others	Total	
					Non-individual	Individual			
Number of Shareholders (person)	–	10	20	54	104	30	5,082	5,300	–
Number of shares held (units)	–	49,131	4,284	69,865	60,421	671	230,086	414,458	259,680
Ratio of shares held (%)	–	11.85	1.03	16.86	14.58	0.16	55.51	100.00	–

Notes:
1. The 660,510 treasury shares include 6,605 units under “Individuals and Others” and 10 shares under “Shares less than one unit”.
2. The Master Trust Bank of Japan (Stock-granting ESOP trust account 76095) holds 9,380 units of SPARX stock, and Custody Bank of Japan (trust account) holds 4,833 units of SPARX stock. They are listed under “Financial Institutions.” The SPARX stock held by The Master Trust Bank of Japan (Stock-granting ESOP trust account 76095) and that held by Custody Bank of Japan (trust account) are shown as treasury shares in the consolidated financial statements.
3. 40 shares held in the name of the Japan Securities Depository Center are listed under “Shares less than one unit” above.

(6) Major Shareholders

As of March 31, 2025

Full or official name	Location	Number of shares held (Shares)	Ratio of shares held to the total number of shares issued (excluding treasury shares) (%)
Shuhei Abe	Shinagawa, Tokyo	15,573,720	37.94
Abe Capital Co., Ltd.	4-3-1 Toranomon, Minato, Tokyo	6,074,000	14.80
The Master Trust Bank of Japan, Ltd. (trust accounts)	1-8-1 Akasaka, Minato, Tokyo	2,739,100	6.67
HSBC BANK PLC A/C M AND G (ACS) VALUE PARTNERS CHINA EQUITY FUND (Standing proxy: The HongKong and Shanghai Banking Corporation Limited, Tokyo Branch)	8 CANADA SQUARE, LONDON E14 5HQ (3-11-1 Nihonbashi, Chuo, Tokyo)	1,533,800	3.74
Custody Bank of Japan (trust account)	1-8-12 Harumi, Chuo, Tokyo	1,098,369	2.68
STATE STREET BANK AND TRUST COMPANY 505025 (Standing proxy: Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato, Tokyo)	978,000	2.38
The Master Trust Bank of Japan, Ltd. (Stock-granting ESOP trust account 76095)	1-8-1 Akasaka, Minato, Tokyo	938,020	2.29
STATE STREET BANK AND TRUST COMPANY 505301 (Standing proxy: Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato, Tokyo)	842,515	2.05
Hikari Tsushin, Inc.	1-4-10 Nishi-Ikebukuro, Toshima, Tokyo	495,400	1.21
Masaru Shimizu	Suita, Osaka	370,400	0.90
Total	–	30,643,324	74.66

Notes:
1. As of March 31, 2025, SPARX Group Co., Ltd., holds 660,510 treasury shares.
2. The Master Trust Bank of Japan, Ltd. (Stock-granting ESOP trust account 76095) is a trust established with the introduction of the Stock-Granting ESOP Trust program. Additionally, 483,369 of the shares held by Custody Bank of Japan (trust account) are held in trust as an ESOP trust for directors. These shares are treated as treasury shares in the consolidated financial statements.

(7) Voting Rights

i) Issued shares

As of March 31, 2025

Category	Number of shares (shares)		Number of voting rights (units)	Description
Non-voting shares		–	–	–
Restricted voting rights shares (treasury shares)		–	–	–
Restricted voting rights shares (other)		–	–	–
Full voting rights shares (treasury shares)	Common shares	660,500	–	–
Full voting rights shares (other)	Common shares	40,785,300	407,853	–
Shares less than one unit	Common shares	259,680	–	–
Total number of shares issued		41,705,480	–	–
Total voting rights held by all shareholders		–	407,853	–

Notes:

1. The line items, “Full voting rights shares (other)” and “Shares less than one unit,” include 938,000 shares (9,380 voting rights) and 20 shares, respectively, held by The Master Trust Bank of Japan (Stock-granting ESOP trust account 76095) as trust assets for stock-granting ESOP trust accounts.
2. The line items, “Full voting rights shares (other)” and “Shares less than one unit,” include 483,300 shares (4,833 voting rights) and 69 shares, respectively, held by Custody Bank of Japan (trust accounts) as trust assets for the ESOP trust for directors.
3. “Shares less than one unit” includes 40 shares in the name of the Japan Securities Depository Center.

ii) Treasury shares

As of March 31, 2025

Shareholder's full or official name	Shareholder's location	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total number of shares held (Shares)	Number of shares held as a percentage of total shares issued (%)
SPARX Group Co., Ltd.	1-2-70 Konan, Minato, Tokyo	660,500	–	660,500	1.58
Total	–	660,500	–	660,500	1.58

Notes：

1. There are 10 shares of less than one unit not included in the “Number of shares held under own name” and “Total number of shares held” columns. These 10 shares are included under Shares less than one unit in i) Issued shares above.
2. The 938,020 shares (2.25%) held by The Master Trust Bank of Japan (Stock-granting ESOP trust account 76095) as trust assets for stock-granting ESOP trust accounts and 483,369 shares (1.16%) held by Custody Bank of Japan (trust accounts) as trust assets for the ESOP trust for directors are not included in the treasury shares above.

2. Treasury Share Acquisition

Types of Shares: Acquisition of common shares under Article 155, Item 3 of the Companies Act and Acquisition of common shares under Article 155, Item (vii) of the Companies Act

(1) Acquisitions resolved by general meetings of shareholders

There are no relevant matters.

(2) Acquisitions resolved by the board of directors meetings

Category	Number of shares (shares)	Total amount (yen)
Board of directors resolution (October 31, 2024) (Acquisition period: November 1, 2024–January 1, 2025)	210,000	300,000,000
Treasury shares acquired before the fiscal year under review	–	–
Treasury shares acquired during the fiscal year under review	210,000	292,692,100
Total residual voting shares and their value	–	7,307,900
Unexercised ratio as of the fiscal year-end (%)	–	2.4
Treasury shares acquired during the period under review	–	–
Unexercised percentage as of the filing date (%)	–	2.4

Category	Number of shares (shares)	Total amount (yen)
Board of directors resolution (May 7, 2025) (Acquisition period: May 8, 2025–June 30, 2025)	200,000	300,000,000
Treasury shares acquired before the fiscal year under review	–	–
Treasury shares acquired during the fiscal year under review	–	–
Total residual voting shares and their value	–	–
Unexercised ratio as of the fiscal year-end (%)	–	–
Treasury shares acquired during the period under review	56,500	84,651,400
Unexercised percentage as of the filing date (%)	71.8	71.8

Note: The treasury shares acquired during the period under review do not include treasury shares acquired between June 1, 2025 and the Annual Securities Report filing date.

(3) Details Not Based on Resolutions of the General Meetings of Shareholders or the Board of Directors Meetings

Category	Number of shares (shares)	Total amount (yen)
Treasury shares acquired during the fiscal year under review	200	325,380
Treasury shares acquired during the period under review	–	–

Note: The treasury shares acquired during the period under review does not include shares of less than one share unit repurchased between June 1, 2025 and the Annual Securities Report filing date.

(4) Acquired Treasury Shares Disposals and Holdings

Category	Fiscal year under review		Period under review	
	Number of shares (shares)	Total disposal amount (Millions of yen)	Number of shares (shares)	Total disposal amount (Millions of yen)
Acquired treasury shares offered to subscribers	–	–	–	–
Acquired treasury shares disposed of through cancellation	210,000	367	–	–
Acquired treasury shares transferred through merger, share exchange, share delivery, or corporate divestiture	–	–	–	–
Other (shares delivered to Group employees through ESOP trusts)	250,604	282	93,460	100
Number of treasury shares held	2,081,899	–	2,044,939	–

Notes:

1. The number of treasury shares held during period under review does not include treasury shares acquired by resolution of the Board of Directors and shares of less than one share unit repurchased between June 1, 2025 and the Annual Securities Report filing date.
2. Treasury shares held includes the following shares of SPARX stock held by The Master Trust Bank of Japan (Stock-granting ESOP trust account 76095) and Custody Bank of Japan (trust account), as well as the treasury shares held by SPARX.

   This fiscal year：1,421,389 shares　　Period under review：1,327,929 shares

3. Dividend Policy

The Group considers returning profits to shareholders as one of its critical management issues, while striving for sustainable growth and improved corporate value over the medium to long term. We will return profits to shareholders with a focus on stability and continuity from a medium- to long-term perspective, while comprehensively accounting for performance trends, financial conditions, return ratios, and other factors, as well as implementation timing and methods.

Based on our stable financial situation and increasing base earnings, we paid an ordinary dividend at JPY 68.0 per share (with a consolidated payout ratio of 51.5%), an increase of JPY 2.0 from the ordinary dividend of JPY 66.0 per share for the previous fiscal year.

The Group pays dividends from surplus once a year as a year-end dividend by resolution of the general meetings of shareholders. Its Articles of Incorporation stipulate, “the Company may, by resolution of the Board of Directors, pay dividends from surplus, as provided in Article 454, Paragraph (5) of the Companies Act, to shareholders or registered share pledgees whose names appear or are recorded in the final shareholders’ register as of September 30 of each year.” These dividends are generally paid twice annually (record dates: September 30 and March 31), but the Group currently pays dividends only once annually at the fiscal year-end. In the future, we intend to pay an interim dividend while comprehensively accounting for the business environment and other factors. Moreover, we will effectively invest internal reserves in highly profitable business sectors with growth potential, including developing systems and other infrastructure, to increase shareholder value.

Note: Dividends from surplus whose record date belongs to the fiscal year under review are as follows:

Date of resolution	Total dividends amount (millions of yen)	Dividends per share (yen)
June 6, 2025 Resolution by the Ordinary General Meeting of Shareholders	2,791	JPY 68.0

4. The State of Corporate Governance

(1) Corporate Governance Overview

i) Basic Philosophy of Corporate Governance

Since its founding in 1989, SPARX Group has managed investments using a thorough bottom-up approach grounded in the philosophy that "Macro is the Aggregate of the Micro." In this way, the Company has offered asset management services that have earned the trust of numerous clients.

By achieving sustainable growth and improved corporate value over the medium to long term, SPARX Group keeps striving to realize its mission "to make the world wealthier, healthier, and happier," as it becomes "the most trusted and respected investment company in the world."

ii) Corporate Governance Structure Overview and Reason for Adoption

In its efforts to further improve its corporate governance, SPARX Group will delineate the boundary between audits and executive action and improve the supervisory function of the Board by incorporating Directors who are Audit and Supervisory Committee members—who audit the corporate directors' executive actions—into the Board of Directors, while also accelerating executive action by largely transferring authority from the Board to the executive directors themselves.

Board of Directors & Directors

The Company's Board of Directors consists of the following seven highly experienced directors. It regularly meets once per month and holds emergency sessions as necessary to formulate basic policies on management and important management decisions.

Chair	Position	Name	Gender
X	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Toshihiko Nakagawa	Male
	President & Representative Director, Group CEO, Group CIO, SPARX Group Co., Ltd.	Shuhei Abe	Male
	Director, Group Senior Executive Officer and Group CFO, SPARX Group Co., Ltd.	Hiroshi Minematsu	Male
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Kimikazu Noumi	Male
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Eiko Hakoda	Female
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Kimie Morishita	Female
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Asako Saito	Female

SPARX Group sets the terms of its directors' (excluding Directors who are Audit and Supervisory Committee members) at one year to more clearly delineate their administrative responsibilities, to improve the Company's operational structure, and to dynamically form an operational framework in response to changes in the business environment. The Directors who are Audit and Supervisory Committee members' terms are for two years. Moreover, to improve its governance framework, the Company has invited five outside directors to join the Board. These outside directors offer the Board of Directors independent, objective expertise and further expand its decision-making and supervisory functions.

Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of the following five outside directors, all of whom are independent outside directors. It monitors the compliance and appropriateness of the Company's operations.

Chair	Position	Name	Gender
X	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Kimikazu Noumi	Male
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Toshihiko Nakagawa	Male
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Eiko Hakoda	Female

Chair	Position	Name	Gender
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Kimie Morishita	Female
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Asako Saito	Female

Management Meeting

The Company has established a Management Meeting—consisting of representative directors, executive directors, and group executive officers—to deliberate on important business execution decisions delegated by the Board of Directors to the CEO.

Chair	Position	Name	Gender
X	President & Representative Director, Group CEO, Group CIO, SPARX Group Co., Ltd.	Shuhei Abe	Male
	Director, Group Senior Executive Officer and Group CFO, SPARX Group Co., Ltd.	Hiroshi Minematsu	Male
	Group Executive Officer, SPARX Group Co., Ltd.	Takeshi Suzuki	Male
	Group Executive Officer, SPARX Group Co., Ltd.	Takaki Demichi	Male
	Group Executive Officer, SPARX Group Co., Ltd.	Takahide Taniwaki	Male
	Group Executive Officer, SPARX Group Co., Ltd.	Kota Mizutani	Male

Nomination and Compensation Committee

The Company has established a Nomination and Compensation Committee to bolster the independence, objectivity, and accountability of the Board's functions with regard to the nomination and compensation of directors and Group executive officers, while also helping ensure the transparency of SPARX Group management.

Chair	Position	Name	Gender
X	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Toshihiko Nakagawa	Male
	President & Representative Director, Group CEO, Group CIO, SPARX Group Co., Ltd.	Shuhei Abe	Male
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Kimikazu Noumi	Male
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Eiko Hakoda	Female
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Kimie Morishita	Female
	Outside Director, Audit and Supervisory Committee Member, SPARX Group Co., Ltd.	Asako Saito	Female

* At the next meeting of the Nomination and Compensation Committee, Mr. Hiroshi Minematsu, director, will become a member of the Nomination and Compensation Committee.

Other

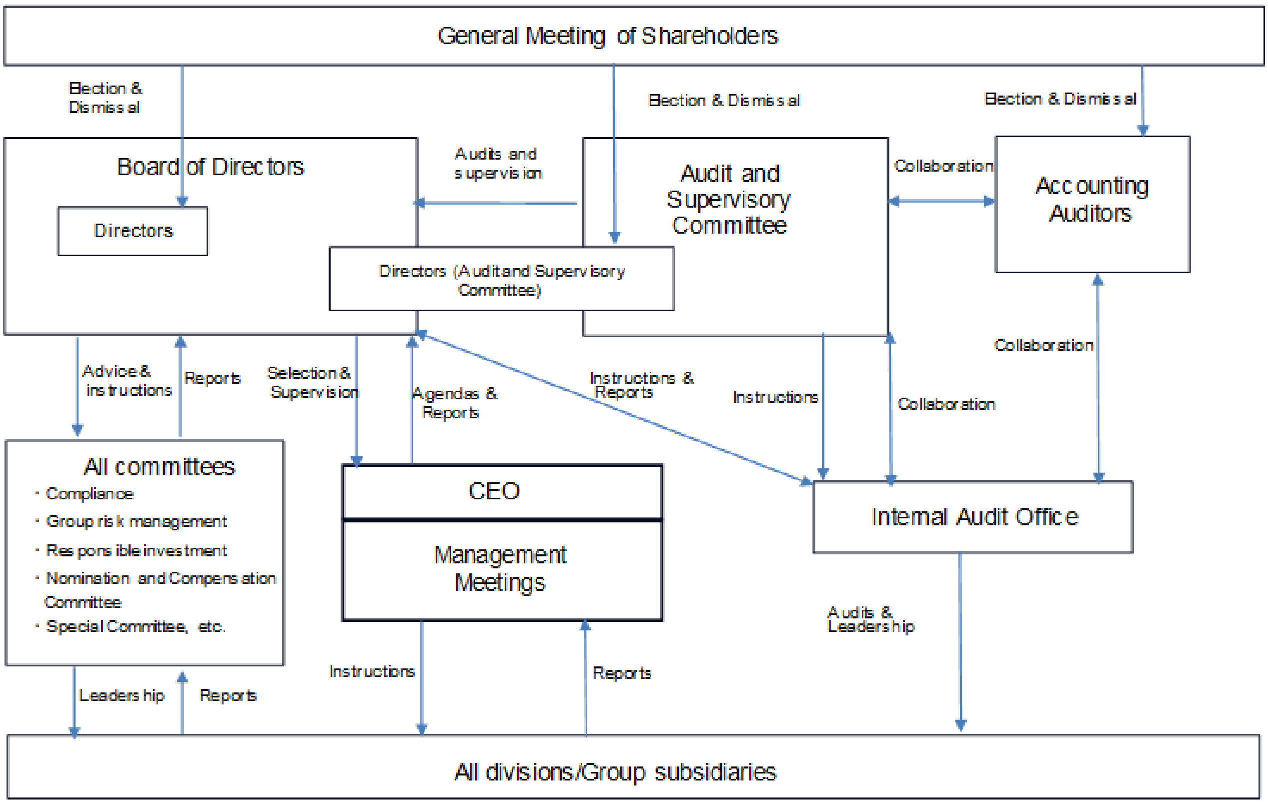
The Company also has the Special Committee to deliberate important trades and actions where the interests of our majority and minority shareholders may conflict, and examine and supervise the appropriateness of such trades and actions; the Group Risk Management Committee to manage group-wide risk management through analysis and evaluation based on the results of risk surveys; the Compliance Committee to ensure thorough compliance with the Financial Instruments and Exchange Act and all related laws, ordinances, and regulations; the Responsible Investment Committee to consider and discuss issues pertaining to responsible investment principles, including our responses to climate change risks and opportunities; and other committees that investigate, deliberate, formulate, and report on all inquiries concerning directives from the Board of Directors. Furthermore, compliance managers, including those at subsidiaries abroad, remain in close contact with each other and review, from a global perspective, legal compliance and risk management concerning Company operations.

The Special Committee is comprised of the following members.
At least two of the Company's Independent Outside Directors nominated by the Board of Directors for each matter.
The committee chair is decided by internal vote by the committee members.
The Group Risk Management Committee is comprised of the following members.
President & Representative Director
Officer responsible for internal management
Directors (excluding Directors who are Audit and Supervisory Committee Members)
Group Executive Officers
Division Managers
Manager of departments responsible for risk control
Manager of the Internal Auditing Office
Anyone else deemed necessary by the committee chair

The Compliance Committee is comprised of the following members.
President & Representative Director
Officer responsible for internal management
Directors (excluding Directors who are Audit and Supervisory Committee Members)
Group Executive Officers
Division Managers
Manager of the Internal Auditing Office
Manager of the Legal & Compliance Office
Anyone else deemed necessary by the committee chair

The Responsible Investment Committee is comprised of the following members.
President & Representative Director
Directors (excluding Directors who are Audit and Supervisory Committee Members)
Group Executive Officers
Manager of the Legal & Compliance Office
Anyone else deemed necessary by the committee chair

The Company's bodies and internal control systems are summarized in the diagram below.



1. Framework for ensuring that directors' executive actions comply with the law and the Articles of Incorporation
(1) The board of directors retains independent outside directors to improve and flesh out its ability to monitor

the legality and appropriateness of its decision making and administrative operations. The Audit and Supervisory Committee, whose majority of members are independent outside directors, conducts audits to monitor compliance and appropriateness in the Company's operations.

(2) As a general rule, SPARX Group notifies securities exchanges of its outside directors who meet the requirements for independent officers, as defined by the securities exchanges' regulations.

(3) The Company's executive directors strictly adhere to the law, the Articles of Incorporation, and corporate regulations. They also act per the SPARX Vision Statement, the Compliance Manual, and the SPARX Group Code of Ethics, which are in place to help SPARX Group achieve its vision of "becoming the most trusted and respected investment company in the world." Furthermore, the Company requires that its executive directors attend compliance training at least once a year to further their understanding of the law and various regulations.

(4) To ensure compliance with domestic and foreign laws and regulations, the Company established a Compliance Division directly under the Board of Directors' control. This division regularly reports to the Board on the state of legal compliance, based on discussions held by a committee that the division leads.

(5) SPARX Group has an internal reporting system regarding unlawful or illegal conduct by Company directors. The Compliance Division head and the Secretariat of the Audit and Supervisory Committee serve as the internal contacts for reports and consultations from directors, managers, and employees. In contrast, the Legal Office serves as the contact for external reports.

2. Systems for storing and managing information related to the directors' executive actions

(1) SPARX Group protects Information assets by measures including storage methods established according to the confidentiality level based on the Information Securities Rules, etc. SPARX Group also complies with the Rules Governing Cybersecurity, which it established separately, to maintain a system to protect against cyberattacks, a threat that has emerged in recent years.

(2) Based on its Documentation Rules, SPARX Group stores and manages the following documents (including electromagnetic records; this also applies below) and related materials:

(i) Minutes of general meetings of shareholders;

(ii) Board of Directors' meeting minutes;

(iii) Audit and Supervisory Committee meeting minutes;

(iv) Other documents stipulated in the Documentation Rules and Accounting Rules.

(3) In the event that the directors ask to see documents, the relevant department managers shall provide the requested documents or information for inspection or copying, whenever such requests occur.

3. Rules and other systems for managing the risk of loss

(1) In light of the importance of having a risk management system in place, the executive directors establish various risk management rules and a risk management system.

(2) The risk management department strives to anticipate and manage risk. It also reports the results of its efforts to the Board of Directors as necessary.

(3) As needed, the Board of Directors discusses potential responses and takes appropriate measures to address individual risks.

(4) To address potential harm caused by earthquakes, wind, floods, or other natural disasters, as well as by fires, power outages, system management failures during operations and disruptions, etc., and security incidents such as cyberattacks, the Board of Directors puts an advanced business continuity plan in place and strives to be prepared for the minimization of damage from such emergencies and prompt restoration.

4. Framework for ensuring that directors' executive actions remain efficient

(1) Per the Regulations for the Board of Directors, the Board discusses and addresses vital operational matters related to operational policy and strategy. It also establishes organizational rules and the Regulations on Segregation of Duties that concern executive directors' authority and responsibilities to ensure a system through which they can work efficiently.

(2) To enable ad hoc responsiveness to business developments, directors (excluding Directors who are Audit and Supervisory Committee members) serve a term of one year. The directors monitor each other to confirm that decision making is conducted with the sufficient duty of care of a good manager, as they strive to ensure efficiency and soundness in their actions.

(3) The board of directors meets at least once per month; decides on executive operational policy, legally mandated matters and other crucial operational issues; and monitors the state of business operations. The Board of Directors receives and reviews reports on monthly performance at its regular meetings.

(4) The board of directors establishes various committees to serve as advisory bodies on technical matters. These committees investigate, deliberate, formulate, and report on such issues.

5. Framework for ensuring that employees' actions comply with the law and the Articles of Incorporation

(1) The Company's employees strictly adhere to the law, the Articles of Incorporation, and corporate regulations, and they act per the SPARX Vision Statement, the Compliance Manual, and the SPARX Group Code of Ethics, which are in place to help SPARX Group achieve its vision of "becoming the most trusted and respected investment company in the world." They also attempt to spread the Company's operational vision through all meetings and other events they attend.
(2) The Company occasionally reviews and revises corporate regulations to comply with updates to and repeals of laws and ordinances, and it thoroughly informs all employees of these revisions. Furthermore, the Company requires that its employees attend compliance training—when they join the Company and at least once per fiscal year—to further their understanding of various laws, regulations, and corporate regulations.
(3) To ensure compliance with domestic and foreign laws and regulations, as well as with corporate regulations, the Compliance Division establishes committees to review the Company's compliance systems and to investigate and verify various legal issues. The Board of Directors then decides how the Company will respond to these issues.
(4) For any compliance-related issues that occur within the Company, the divisions submit incident reports to the Compliance Division and the Internal Auditing division, and the compliance committee discusses the incidents and reports them to the Board of Directors and the Audit and Supervisory Committee. In the event that the Company must investigate the need for disciplinary action, it will have a separate committee discuss and issue an internal penalty per the Employee Handbook.
(5) SPARX Group has an internal reporting system regarding unlawful or illegal conduct by employees. The Compliance Division head and the Secretariat of the Audit and Supervisory Committee serve as the internal contacts for reports and consultations from directors, managers, and employees. In contrast, the Legal Office serves as the contact for external reports.
(6) The Internal Auditing division, under the control of the Board of Directors, audits employee actions to find whether they are appropriate and efficient in light of the law, the Articles of Incorporation, corporate regulations, and corporate ethics. It reports its findings to the Board of Directors and the Audit and Supervisory Committee.
(7) To ensure that internal controls involving financial reporting function effectively, the Board of Directors successively monitors all related activities. These activities include those related to the documentation of entity-level controls, IT controls, and operational process controls. The Board's activities also include evaluating internal controls, judging their effectiveness, and addressing any deficiencies.

6. Framework for ensuring appropriate operations in the business group consisting of SPARX Group and its subsidiaries
(1) The division responsible for the administration of subsidiaries monitors the operations of all Group subsidiaries per the Regulation on Subsidiary Management. The division investigates the state of operations for significant subsidiaries and reports its findings to the Board of Directors as necessary.
(2) When required, the Board of Directors receives business reports directly from significant subsidiaries' representatives.
(3) To ensure compliance with the law and various regulations among the significant subsidiaries, the Company reviews, from a global perspective, legal compliance and risk management in their business operations. Depending on the size and form of their businesses, the Company has these subsidiaries formulate their own corporate rules that include the required provisions based on the SPARX Group Code of Ethics Protocol.

7. Ensuring the independence from directors of employees meant to assist the Audit and Supervisory Committee in their duties and the effectiveness of instructions given to these employees
(1) The Internal Auditing division assists the Audit and Supervisory Committee with its duties.
(2) The Company shall obtain the Audit and Supervisory Committee's prior consent for all Internal Audit division personnel matters, including the transfer and evaluation of employees in the division. It shall ensure that these employees are independent from the corporate directors (excluding the Directors who are Audit and Supervisory Committee members).
(3) Employees of the Internal Auditing Office who receive instructions from the Audit and Supervisory Committee that are necessary in the conduct of their auditing duties shall not receive instructions or orders from the corporate directors (excluding Directors who are Audit and Supervisory Committee members).

8. Framework for directors, auditors, and employees of the business group consisting of SPARX Group and its subsidiaries to report to the Group's Audit and Supervisory Committee

(1) If a Group director (excluding Directors who are Audit and Supervisory Committee members), auditor, or employee discovers facts that could cause considerable harm to SPARX Group or its domestic subsidiaries, he or she shall immediately report these facts to the Audit and Supervisory Committee.
(2) If the Audit and Supervisory Committee or the Internal Auditing division asks a Group director (excluding

Directors who are Audit and Supervisory Committee members), auditor, or employee to report on SPARX Group's or its domestic subsidiaries' businesses and assets, he or she shall immediately report these facts.

(3) The Internal Audit division shall periodically report on the findings of its internal audits of the Group and other related activities to the Audit and Supervisory Committee.

9. Framework for ensuring that individuals who report to the Audit and Supervisory Committee do not receive unfavorable treatment due to their reports

The Company prohibits the unfavorable treatment of SPARX Group directors and employees who (directly or indirectly) submit reports to the Audit and Supervisory Committee, as a consequence of the submission of whistleblower reports. The Company also informs the directors and employees about this prohibition.

10. Policies concerning prepaying expenses and handling liabilities resulting from Audit and Supervisory Committee members executing their duties (when limited to those actions related to the Committee's duties)

(1) If the Company receives an invoice for the prepayment of expenses resulting from Audit and Supervisory Committee members executing their duties, per the provisions of the Companies Act, the relevant division shall discuss the matter and promptly handle these expenses or liabilities, except in the event that said expenses or liabilities are proven to be unnecessary for the execution of their duties.

(2) The Company establishes a fixed budget every year to pay for expenses that arise from Audit and Supervisory Committee members executing their duties.

11. Other frameworks for ensuring that audits by the Audit and Supervisory Committee remain efficient

(1) The Audit and Supervisory Committee regularly meets with the CEO to discuss the state of the Committee's capacity for conducting audits, crucial matters concerning audits, and other issues the Company should address.

(2) The Audit and Supervisory Committee works with the Internal Audit division to conduct audits and amend audit-related procedures. The Committee also periodically receives reports on audits from the accounting auditor. Furthermore, to conduct audits efficiently and effectively, the Audit and Supervisory Committee strives to share information by holding meetings with all relevant parties.

(3) The members chosen for the Audit and Supervisory Committee occasionally browse the minutes of important meetings and ask for explanations, as necessary.

(4) The Audit and Supervisory Committee work to share information and exchange ideas involving all Group companies' auditing operations.

12. Basic approach regarding the elimination of antisocial forces

As a basic policy, the Company shall not have any relationship whatsoever with antisocial forces that threaten public order or sound corporate activities nor provide any economic benefits to these forces. It resolutely refuses to respond to illegal or inappropriate demands from these forces. To fulfill this policy, the Company shall provide thorough compliance training through the appropriate division and partner with external expert institutions, including police departments with jurisdiction or attorneys.

13. Framework for ensuring reliability in financial reports

To ensure reliability in its financial reports, SPARX Group has established its Basic Rules for Executive Evaluations of Internal Controls Concerning Financial Reports. The Company develops, operates, and evaluates internal controls concerning effective and efficient financial reporting, per the annual basic policy the Board of Directors has created.

・ Overview of liability limitation agreements

In accordance with the provision of Article 427, Paragraph (1) of the Companies Act, the Company has concluded agreements for limitation of liability with each outside director as provided for in Article 423, Paragraph (1) of the Companies Act. The limited liability for damages based on these agreements is the minimum liability amount as stipulated by law. The purpose of this is to establish an environment conductive to outside directors fully exercising their capacities and fulfilling their expected roles in the course of executing their work tasks. However, recognition of this limitation of liability is restricted to cases in which the work causing the liability was carried out in good faith and with no gross negligence.

・ Overview of director liability insurance policy

The company has signed a liability insurance policy covering the company's and its subsidiaries' directors, auditors, and officers, in accordance with the director liability insurance policy provisions in Article 430 3, Paragraph (1) of the Companies Act. Should we receive any claim for compensation for damages from a shareholder or other third party, any such compensation, legal expenses, or other pertinent losses otherwise falling to the insured shall be covered by this insurance policy. However, there are certain exceptions, such as any action taken in the knowledge that it would be unlawful, and the insured must act in such a way as to maintain integrity in the execution of their duties. The Company bears all expenses for this insurance.

・ Set number of directors

The Company's Articles of Incorporation stipulate that there shall be no more than five (5) directors (excluding any directors who are also Audit and Supervisory Committee members), and that there shall be no more than five (5) directors who are also Audit and Supervisory Committee members.

・ Requirements for director elections

The Company's Articles of Incorporation stipulate that director elections require a quorum of at least one-third (1/3rd) of all shareholders with voting rights, with the decision made by simple majority vote, with no cumulative voting.

・ Interim dividends

According to Article 454, Paragraph (5) of the Companies Act, the Board of Directors may resolve to pay out interim dividends with a date of record of September 30, to better allow for rapid returns of profit to shareholders.

・ Treasury share buybacks

Article 165, Paragraph (2) of the Companies Act states that the Board of Directors may resolve to buy back treasury shares, to allow the Company to carry out a more agile capital policy in response to changes in the business environment.

・ Exemption from liability for directors

Article 426, Paragraph (1) of the Companies Act stipulates that a resolution by the Board of Directors may exempt a director (including former directors) from liability for damages, within the extent allowed by law, for actions conforming to Article 423, Paragraph 1. This is to ensure an environment in which directors have the capability to carry out their expected roles.

・ Requirements for special resolutions by general meetings of shareholders

Article 309, Paragraph (2) of the Companies Act stipulates that special resolutions at general meetings of shareholders require a quorum of at least one-third (1/3rd) of all shareholders with voting rights, with the resolution passing upon approval by at least two-thirds (2/3rds) of those present. This is intended to allow for easier flow of general meetings of shareholders by easing the quorum requirements for special resolutions.

(iv) Activities of the Board of Directors, etc.

The activities of the Board of Directors in the fiscal year under review are as follows.

Meeting held	Attendees	Specific agenda items
April 2024	All 7 members	· FY2024 budget, financial plan · Resolution on the convocation of the 35th ordinary general meeting of shareholders · Resolution on the person entitled to convene the meeting of the Board of Directors, the chair, and the order of substitutes · Resolution on the formulation of the FY2024 compliance program and report on the program implemented in FY2023 · Resolution on the updates of the basic policy of internal control systems · Report on progress of Group business plan, Group financial results, and various committees
May 2024 (extraordinary meeting)	All 7 members	· Resolution on the 35th Business Report, non-consolidated financial statements and their accompanying statements, and consolidated financial statements · Resolution on the Consolidated Financial Results for the period ended March 31, 2024 · Audit report by the Audit and Supervisory Committee and notification of the results of deliberations on the dismissal/re-appointment of the accounting auditors
May 2024	All 7 members	· Resolution on the basic policy regarding the effectiveness of internal control related to financial reporting · Discussion of the effectiveness evaluation of the Board of Directors · Report on progress of Group business plan, Group financial results, and various committees
June 2024 (extraordinary meeting)	All 6 members	· Resolution on the selection of the Representative Director and directors with titles · Resolution on the person entitled to convene the general meeting of shareholders and meeting of the Board of Directors, their chairs, and the order of substitutes · Resolution on the areas of responsibility of the directors · Resolution on compensation of directors (excluding directors who are Audit and Supervisory Committee Members) · Report on the election of the chair of the Audit and Supervisory Committee
June 2024	All 6 members	· Resolution on the Annual Securities Report and others · Resolution on updates of the Corporate Governance Report and TCFD Report · Resolution on the updates of the SPARX Group Basic Human Rights Policy · Report on the FY2024 audit plan by the Audit and Supervisory Committee · Report on progress of Group business plan, Group financial results, and various committees
July 2024	All 6 members	· Resolution on internal audit plan · Report on progress of Group business plan, Group financial results, and various committees
July 2024 (extraordinary meeting)	All 6 members	· Approval of consolidated financial results for Q1 of FY2024

August 2024	All 6 members	· Resolution on the renewal of D&O/E&O/cyber insurance policies · Report on progress of Group business plan, Group financial results, and various committees
September 2024	All 6 members	· Resolution on the basic policy regarding the establishment and implementation of internal control pertaining to financial reporting · Report on progress of Group business plan, Group financial results, and various committees
October 2024	All 6 members	· Resolution on regulations amendments (annual review) · Report on progress of Group business plan, Group financial results, and various committees
October 2024 (extraordinary meeting)	All 6 members	· Approval of consolidated financial results for Q2 of FY2024 · Resolution on the acquisition and cancellation of treasury shares · Resolution on the launch of new project (Niseko Villa Project)
November 2024	All 6 members	· Internal audit report · Report on progress of Group business plan, Group financial results, and various committees
December 2024	All 6 members	· Resolution on the cancellation of treasury shares (change of date of cancellation) · Report on progress of Group business plan, Group financial results, and various committees
January 2025	All 6 members	· Approval of FY2024 auditing fees, etc. · Report on progress of Group business plan, Group financial results, and various committees
January 2025 (extraordinary meeting)	All 6 members	· Approval of consolidated financial results for Q3 of FY2024 · Resolution of year-end dividend for FY2024
February 2025	All 6 members	· Report on progress of Group business plan, Group financial results, and various committees
March 2025	All 6 members	· FY2025 budget, financial plan · Resolution on FY2024 bonus payments (officers/employees), FY2025 wage revisions (officers/employees) and recruitment plans · Resolution on personnel transfers due to organizational changes · Resolution on partial revision of the regulations · Resolution on partial amendment of the basic policy regarding the establishment and implementation of internal controls pertaining to financial reporting · Report on progress of Group business plan, Group financial results, and various committees

The record of attendance of Board of Directors meetings is as follows.

Chair	Position (As of March 31, 2025)	Name	Gender	Attendance
X	Outside Director, Audit and Supervisory Committee Member	Toshihiko Nakagawa	Male	17/17 meetings (100%)
	President & Representative Director, Group CEO and Group CIO	Shuhei Abe	Male	17/17 meetings (100%)
	Outside Director, Audit and Supervisory Committee Member	Kimikazu Noumi	Male	17/17 meetings (100%)
	Outside Director, Audit and Supervisory Committee Member	Eiko Hakoda	Female	17/17 meetings (100%)
	Outside Director, Audit and Supervisory Committee Member	Kimie Morishita	Female	17/17 meetings (100%)
	Outside Director, Audit and Supervisory Committee Member	Asako Saito	Female	14/14 meetings (100%)

Note: The Board of Directors met 17 times between April 2024 and March 2025, with 14 of those meetings held after the appointment of Ms. Asako Saito. Prior to the retirement of Mr. Masatoshi Fukami, who retired at the conclusion of the Ordinary General Meeting of Shareholders of the Company held on June 7, 2024, three meetings of the Board of Directors were held, and he attended three of the three meetings.

Details of activities of the Audit and Supervisory Committee during this fiscal year are described in (i) Status of the Audit and Supervisory Committee under (3) Audits.

Details of activities of the Nomination and Compensation Committee can be found in “(i) Items pertaining to the policy for determining director compensation amounts and calculation methods, c. Board of Directors meetings on setting director compensation for the fiscal year under review, and related committee activities” under (4) Director Compensation, etc.

(2) Director status

i) List of directors

4 male directors and 3 female directors (female directors account for 42.9% of the total)

Title	Full name	Date of birth	Profile	Term of office	Number of shares held (shares)
Representative Director President Group CEO Group CIO	Shuhei Abe	Born May 10, 1954	April 1981 Joined Nomura Research Institute, Ltd. April 1982 Transferred to Nomura Securities Co., Ltd. April 1985 Founded Abe Capital Research Inc. Representative Director June 1989 Representative Director, President of SPARX Group Co., Ltd. (current position) February 2005 Director of Cosmo Asset Management Co., Ltd. (currently SPARX Asset Management Korea Co., Ltd.) October 2006 Representative Director, President of SPARX Asset Management Co., Ltd. December 2008 Representative Director, Chairman of SPARX Asset Management Co., Ltd. June 2009 Group CIO of SPARX Group Co., Ltd. April 2010 CEO of SPARX Asset Management Co., Ltd. (current position) April 2011 Representative Director, President of SPARX Asset Management Co., Ltd. (current position) Group CEO of SPARX Group Co. Ltd. (current position) February 2013 Director of Cosmo Asset Management Co., Ltd. (currently SPARX Asset Management Korea Co., Ltd.) April 2023 Group CIO of SPARX Group Co., Ltd. (current position)	Note 2	15,573,720

Title	Full name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director Group Senior Executive Officer Group CFO	Hiroshi Minematsu	Born September 28, 1971	November 1997 October 1999 July 2005 April 2014 February 2015 January 2016 May 2016 December 2018 April 2019 June 2019 April 2022 June 2022 April 2023 June 2023 June 2024 June 2025	Joined Asahi Arthur Andersen Ltd. (currently PWC Consulting LLC) Transferred to Asahi Auditing (currently KPMG Azsa LLC) Joined SPARX Asset Management Co., Ltd. (currently SPARX Group Co., Ltd.) Director of SPARX Asset Trust & Management Co., Ltd. (current position) Director of SPARX Green Energy & Technology Co., Ltd. (current position) Group Executive Officer of SPARX Group Co., Ltd. Director of SPARX Asia Investment Advisors Limited (current position) Director of SPARX AI & Technologies Investment Co., Ltd. (currently SPARX Investment Co., Ltd.) Group Managing Executive Officer, Group CFO of SPARX Group Co., Ltd. Director of SPARX Asset Management Korea Co., Ltd. (current position) Group Senior Executive Officer of SPARX Group Co., Ltd. Senior Managing Director, CFO of SPARX Asset Management Co., Ltd. (current position) Senior Managing Director of SPARX Group Co., Ltd. Director of SPARX Asset Management Co., Ltd. (current position) Outside Director of Nomura SPARX Investment Inc. (current position) Group Executive Officer of SPARX Group Co., Ltd. Chief Internal Control Officer of SPARX Asset Management Co., Ltd. (current position) Director, Group Senior Executive Officer and Group CFO of SPARX Group Co., Ltd. (current position)	Note 2	60,700

Title	Full name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director (Audit and Supervisory Committee member)	Toshihiko Nakagawa	Born September 30, 1951	April 1974	Joined Nomura Securities Co., Ltd.	Note 4	20,000
			June 1997	Director of Nomura Securities Co., Ltd.		
			May 2001	Managing Director of Nomura Securities Co., Ltd.		
			June 2001	Advisor to Nomura Securities Co., Ltd.		
			July 2001	Director, Managing Executive Officer of Aioi Insurance Co., Ltd. (currently Aioi Nissay Dowa Insurance Co., Ltd.)		
			April 2008	Director, Senior Managing Executive Officer of Aioi Insurance Co., Ltd.		
			October 2010	Director, Senior Managing Executive Officer of Aioi Nissay Dowa Insurance Co., Ltd.		
			April 2014	Representative of Office Nakagawa K.K.		
			November 2014	Advisor to Capital Partners Securities Co., Ltd.		
			April 2015	Representative Director of Office Nakagawa K.K. (current position)		
			June 2015	Outside Director at SPARX Group Co., Ltd.		
			June 2020	Outside Director (Audit and Supervisory Committee member) at SPARX Group Co., Ltd. (current position) Corporate Auditor of SPARX Asset Management Co., Ltd. (current position) Outside Auditor of Asuka SSI (current position)		

Title	Full name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director (Audit and Supervisory Committee member)	Kimikazu Noumi	Born October 24, 1945	April 1969	Joined The Norinchukin Bank	Note 4	—
			June 1999	Managing Director of The Norinchukin Bank		
			June 2002	Senior Managing Director of The Norinchukin Bank		
			June 2004	President & Representative Director of Norinchukin Zenkyoren Asset Management Co., Ltd.		
			June 2006	Representative Director and Deputy President of Aozora Bank, Ltd.		
			February 2007	Representative Director and Chairman CEO of Aozora Bank, Ltd.		
			July 2009	Chairmen and CEO of Innovation Network Corporation of Japan, Ltd.		
			July 2015	Advisor to J-Will Corporation, Ltd. (current position)		
			March 2016	Outside Director (Audit and Supervisory Committee Member) at Wismettac Nishimoto Holdings Co., Ltd. (current position)		
			June 2016	Outside Director of Konica Minolta, Inc.		
			June 2017	Outside Director of SPARX Group Co., Ltd.		
			June 2020	Outside Director (Audit and Supervisory Committee member) at SPARX Group Co., Ltd. (current position) Corporate Auditor of SPARX Asset Management Co., Ltd. (current position)		
			June 2021	Outside Director (Audit and Supervisory Committee Member) of IR Japan Holdings, Ltd. (current position)		

Title	Full name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director (Audit and Supervisory Committee member)	Eiko Hakoda	Born May 25, 1957	April 1980	Joined Hamada & Matsumoto (currently Mori Hamada & Matsumoto)	Note 4	—
			April 1990	Legal apprentice, The Legal Training and Research Institute of the Supreme Court of Japan		
			April 1992	Registered as an attorney Daini Tokyo Bar Association Joined Hamada & Matsumoto (currently Mori Hamada & Matsumoto)		
			January 2005	Partner of Mori Hamada & Matsumoto		
			January 2016	LPC Partner of Mori Hamada & Matsumoto		
			June 2019	Appointed Outside Auditor, Kito Corporation		
			June 2022	Outside Director (Audit and Supervisory Committee member) at SPARX Group Co., Ltd. (current position) Corporate Auditor at SPARX Asset Management Co., Ltd. (current position)		
			December 2022	Appointed Outside Auditor (Independent Officer) at CMIC HOLDINGS Co., Ltd. (current position)		
			January 2023	Senior Counsel at Mori, Hamada & Matsumoto (current position)		
			July 2023	Outside Director at The Prudential Life Insurance Company, Ltd. (current position)		
			January 2024	Special Counsel at GAIEN PARTNERS (current position)		
			June 2024	Audit & Supervisory Board Member (outside) at Daifuku Co., Ltd. (current position)		

Title	Full name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director (Audit and Supervisory Committee member)	Kimie Morishita	Born August 18, 1967	April 1993	Joined Dentsu Inc.	Note 3	—
			September 2001	Joined McKinsey & Company Japan		
			May 2003	Joined Dentsu Inc.		
			October 2016	Director of CEO Office, Dentsu Aegis Network China (Chinese Group)		
			July 2018	General Manager of Dentsu Innovation Initiative – innovation intelligence, Dentsu Inc.		
			March 2019	Global Business Center Head of network development and General Manager of Network Solutions Division, Dentsu Inc.		
			April 2019	Director of Dentsu isobar Inc. Director of Carat Japan K.K. Director of iProspect Japan K.K. Director of Vizeum Japan K.K.		
			January 2020	Director of Dentsu X Japan Inc.		
			June 2021	Executive Officer, Ryohin Keikaku Co., Ltd.		
			June 2023	Outside Director (Audit and Supervisory Committee member) of SPARX Group Co., Ltd. (current position) Corporate Auditor of SPARX Asset Management Co., Ltd. (current position)		
			March 2024	Outside Director of Asahi Soft Drinks Co., Ltd. (current position)		
			July 2024	Outside Director of Tsuburaya Fields Holdings Inc. (current position)		

Title	Full name	Date of birth	Profile		Term of office	Number of shares held (shares)
Director (Audit and Supervisory Committee member)	Asako Saito	Born January 21, 1968	April 1990	Joined Mercedes-Benz Japan Co., Ltd.	Note 4	—
			September 1997	Joined Boston Consulting Group		
			March 2000	Joined LOUIS VUITTON JAPAN		
			June 2002	Transferred to CELUX Company Appointed as COO		
			October 2008	Founded DRAMATIC Co, Ltd. President and Representative Director		
			May 2014	Founded tentofour Co, Ltd. President and Representative Director		
			June 2015	Outside Director of Yaoko Co., Ltd. (current position)		
			August 2015	Director of Cogito Education And Management		
			June 2018	Outside Director of WATABE WEDDING CORPORATION		
			March 2019	Outside Director of MITSUBISHI PENCIL COMPANY, LIMITED (current position)		
			May 2020	Outside Director of SANYO SHOKAI LTD.		
			November 2020	Outside Director of Circulation Co., Ltd. (current position) President and Representative Director of BLOOM Co., Ltd. (current position)		
			June 2024	Outside Director (Audit and Supervisory Committee member) at SPARX Group Co., Ltd. (current position) Corporate Auditor of SPARX Asset Management Co., Ltd. (current position)		
Total						15,654,420

Notes:

1. Mr. Toshihiko Nakagawa, Mr. Kimikazu Noumi, Ms. Eiko Hakoda, Ms. Kimie Morishita, and Ms. Asako Saito are all outside directors.
2. One year from the close of the Ordinary General Meeting of Shareholders held on June 6, 2025.
3. Two years from the close of the Ordinary General Meeting of Shareholders held on June 6, 2025.
4. Two years from the close of the Ordinary General Meeting of Shareholders held on June 7, 2024.

(ii) Outside Director Status

All five of the directors who are also Audit and Supervisory Committee members are outside directors.

The Company appointed Toshihiko Nakagawa as an outside director and member of the Audit and Supervisory Committee to take advantage of his broad-based expertise grounded in his extensive experience as a financial industry manager. The aim is to leverage his experience in Company operations from the perspective of promoting continued growth and improving corporate value over the medium to long term. There are no conflicts of interest between the Company and Mr. Nakagawa, and none of the items to be checked regarding the criteria for independence or director attributes that the Tokyo Stock Exchange stipulates apply. The Company believes that there is no risk that a conflict of interest will arise with general shareholders, so it has designated Mr. Nakagawa as an independent officer.

The Company appointed Kimikazu Noumi as an outside director and member of the Audit and Supervisory Committee to take advantage of his broad-based expertise grounded in his extensive experience as a financial industry manager and as an outside director in other sectors. The aim is to leverage his experience in Company operations from the perspective of promoting continued growth and improving corporate value over the medium to long term. There are no conflicts of interest between the Company and Mr. Noumi, and none of the items to be checked regarding the criteria for independence or director attributes that the Tokyo Stock Exchange stipulates apply. The Company believes that there is no risk that a conflict of interest will arise with general shareholders, so it has designated Mr. Noumi as an independent officer.

The Company appointed Eiko Hakoda as an outside director and member of the Audit and Supervisory Committee to take advantage of her specialty knowledge and broad-based expertise grounded in her extensive experience as a lawyer. The aim is to leverage her wide-ranging experience in multiple different industries in Company operations from the perspective of promoting continued growth and improving corporate value over the medium to long term. There are no conflicts of interest between the Company and Ms. Hakoda, and none of the items to be checked regarding the criteria for independence or director attributes that the Tokyo Stock Exchange stipulates apply. The Company believes that there is no risk that a conflict of interest will arise with general shareholders, so it has designated Ms. Hakoda as an independent officer.

The Company appointed Kimie Morishita as an outside director and member of the Audit and Supervisory Committee to take advantage of her extensive marketing experience and management experience in the advertising industry in Japan and abroad and her broad-based expertise grounded in her experience as management in other industries from the perspective of promoting continued growth and improving corporate value over the medium to long term. There are no conflicts of interest between the Company and Ms. Morishita, and none of the items to be checked regarding the criteria for independence or director attributes that the Tokyo Stock Exchange stipulates apply. The Company believes that there is no risk that a conflict of interest will arise with general shareholders, so it has designated Ms. Morishita as an independent officer.

The Company appointed Asako Saito as an outside director and member of the Audit and Supervisory Committee to take advantage of her extensive marketing and branding experience in mainly luxury brands as well as her insights in sustainability, and her broad-based expertise grounded in her experience in management in other industries from the perspective of promoting continued growth and improving corporate value over the medium to long term. There are no conflicts of interest between the Company and Ms. Saito, and none of the items to be checked regarding the criteria for independence or director attributes that the Tokyo Stock Exchange stipulates apply. The Company believes that there is no risk that a conflict of interest will arise with general shareholders, so it has designated Ms. Saito as an independent officer.

(iii) How supervision and audits by outside directors interconnect with internal audits, audits by the Audit and Supervisory Committee, and financial audits, and how these relate to the Internal Control Division

All five of our outside directors are members of the Audit and Supervisory Committee, and the Audit and Supervisory Committee is comprised of these five outside directors.

The outside directors are primarily a means for overall supervision and oversight of the company’s operations, achieved by attending Board of Directors meetings, meeting separately and sharing opinions with the representative directors, and obtaining and sharing other information as needed with the audit department and other internal departments.

The internal audit division serves as the office for the Audit and Supervisory Committee, and provides the organizational infrastructure for the Committee to carry out audits effectively.

(3) Audit status

(i) Status of the Audit by the Audit and Supervisory Committee

The Ordinary General Meeting of Shareholders held on June 9, 2020 resolved to change our articles of incorporation to turn our corporate structure into a corporation with an Audit and Supervisory Committee. From that date, we transitioned from a company with a board of auditors, to a company with an Audit and Supervisory Committee.

Audits by the Audit and Supervisory Committee is carried out by the five outside directors, who have extensive experience and are solidly independent. Such audits examine daily audit operations, as well as attendance and suggestions made at important meetings such as by the Board of Directors, as part of oversight to ensure the legality and appropriateness of our business operations.

The Audit and Supervisory Committee regularly checks the status of operation of internal control systems and holds discussions with the officers in charge of the internal control systems. Additionally, in its regular discussions with the auditing firm, it receives explanations from the auditing firm about the results of specialized and objective accounting audits and audits of internal controls and shares those results.

The directors who are members of the Audit and Supervisory Committee regularly meet with the representative directors and other senior management to discuss the state of the Committee's capacity for conducting audits, crucial matters concerning audits, and other issues the Company should address.

Our Audit and Supervisory Committee met once a month in the fiscal year under review, with attendance for each member as shown below.

Full name	Number of Meeting Held	Number of Attended
Kazuyoshi Kimura	3 times	3 times
Kimikazu Noumi	17 times	17 times
Toshihiko Nakagawa	17 times	17 times
Eiko Hakoda	17 times	17 times
Kimie Morishita	17 times	17 times
Asako Saito	14 times	14 times

Note: The Audit and Supervisory Committee met 17 times between April 2024 and March 2025, with 14 of those meetings held after the appointment of Ms. Asako Saito. Prior to the retirement of Mr. Kazuyoshi Kimura, who retired at the conclusion of the ordinary general meeting of shareholders of the Company held on June 7, 2024, the Audit and Supervisory Committee met three times, and he attended all three meetings.

The schedule and discussions of the Audit and Supervisory Committee meetings held during the fiscal year under review are as follows.

Meeting held	Attendees	Specific agenda items
April 2024	All 5 members	· Consent and resolution on the new Audit and Supervisory Committee Members candidate · Discussion of the Audit and Supervisory Committee audit report at the ordinary general meeting of shareholders · Discussion of key audit matters (KAM)
May 2024 (extraordinary meeting)	All 5 members	· Discussion of the full-year business results review with the auditing firm · Resolution on the Audit and Supervisory Committee audit report to the ordinary general meeting of shareholders · Resolution on the re-appointment or dismissal/selection of accounting auditors at the general meeting of shareholders · Discussion of proposals to be put to the ordinary general meeting of shareholders and related documents

May 2024	All 5 members	· Discussion of the evaluation of effectiveness of internal control (JSOX) pertaining to the FY2023 financial statements · Discussion of the report of the Group Risk Management Committee · Discussion of the report of the Compliance Committee
June 2024 (extraordinary meeting)	All 5 members	· Resolution on the election of Audit and Supervisory Committee Chairman and chair of proceedings · Approval of Audit and Supervisory Committee Members' compensation
June 2024	All 5 members	· Resolution on the FY2024 Audit and Supervisory Committee audit plan · Resolution on the allocation of audit duties and audit schedule
July 2024	All 5 members	· Discussion of the FY2024 internal audit plan
July 2024 (extraordinary meeting)	All 5 members	· Discussion with the auditing firm on the Q1 financial results · Discussion of the Q1 Summary of Financial Results
August 2024	All 5 members	· Discussion of internal audit monitoring report (IT risk) · Discussion of the report of the Group Risk Management Committee · Discussion of the report of the Compliance Committee
September 2024	All 5 members	· Discussion of the basic policy on internal control (JSOX) pertaining to the FY2024 financial report · Exchange of opinions between the Audit and Supervisory Committee Members and the President (about management and personnel succession) · Discussion with the auditing firm on the auditing firm's FY2024 audit plan
October 2024	All 5 members	· Discussion of the report of the IT subcommittee
October 2024 (extraordinary meeting)	All 5 members	· Discussion with the auditing firm on the Q2 financial results · Discussion of the Q2 Summary of Financial Results
November 2024	All 5 members	· Discussion of the report of the Group Risk Management Committee · Discussion of the report of the Compliance Committee · Discussion of the FY2024 internal audit report
December 2024	All 5 members	· Discussion of the report of the IT subcommittee
January 2025	All 5 members	· Consent and approval of auditing fee for the auditing firm · Exchange of opinions between the Audit and Supervisory Committee Members and the Group CFO (about corporate management, etc.)
January 2025 (extraordinary meeting)	All 5 members	· Discussion with the auditing firm on the Q3 financial results · Discussion of the Q3 Summary of Financial Results
February 2025	All 5 members	· Discussion of the report of the Group Risk Management Committee · Discussion of the report of the IT subcommittee
March 2025	All 5 members	· Exchange of opinions between the Audit and Supervisory Committee Members and the President (President's concerns, etc.) · Discussion of matters relating to the execution of duties by the accounting auditors

* Reports and discussions regarding the overview of Group business and confirmation of the state of development and operation of internal control systems take place at each monthly meeting of the Audit and Supervisory Committee.

(ii) Internal audit status

(Internal audits in the Company)

- Internal audit organization, personnel, and procedures

Internal audits are led by the Internal Audit Office. Directly attached to the Board of Directors and independent from the organization, the Internal Auditing Office is run by the general manager and one other staff member.

Based on the annual auditing plan approved by the Board of Directors, the internal audits include audits of operations and examination of the effectiveness of internal controls. Their findings are reported to management by way of internal audit reports that are prepared without delay and submitted to the Board of Directors.

The Internal Audit Office also conducts follow-up audits of the state of improvements to matters pointed out in the internal audits conducted during the fiscal year and reports its findings to the Board of Directors.

- Collaboration between the internal audits, audits by the Audit and Supervisory Committee, and the accounting audits and their relationship with the internal control division

The Internal Audit Office examines the state of operations and issues concerning the execution of business, reports the findings of internal audits to the Board of Directors and Audit and Supervisory Committee, and discusses and shares information with the internal control division.

The Internal Audit Office, together with the Audit and Supervisory Committee, receives explanations from the auditing firm about specialized and objective accounting audits and the findings of audits of internal controls and shares information with them.

- Initiatives to secure the effectiveness of internal audits

The appointment and dismissal of the general manager of the internal Audit Office are conducted with the approval of the Board of Directors. Further, the findings of audits by the Internal Audit Office are reported directly not only to the Representative Director but also to the Board of Directors and the Audit and Supervisory Committee. Systems are put in place to secure independence from business execution and ensure that objectivity in the conducting of audits will not be violated.

As the Internal Audit Office's audits cover the entire SPARX Group, including the Company, it conducts internal audits of diverse and wide-ranging businesses and operations, including the overseas subsidiaries and real asset management. For this reason, it has occasion to conduct in-depth audits in collaboration with external experts.

(iii) External audit status

a. Auditing firm name

Ernest & Young ShinNihon LLC

b. Term of continuous auditing

14 years

c. Certified public accountants who carried out the work

Yuichiro Sakurai
Hirokazu Inaba

d. Team of assistants involved in the audits

7 CPAs and 15 other staff members.

e. Policies and reasons for selecting auditing firms

1) Policies for deciding to dismiss or not re-engage an accounting auditor

When the Audit and Supervisory Committee has judged there to be a need, such as when there is a problem in the accounting auditor's performance of their work, the Committee may submit a proposal to the General Meetings of Shareholders to decide on whether to dismiss or not re-engage the accounting auditor.

In addition, if the accounting auditor is found to meet the stipulations of each of the items in Article 340, Paragraph (1) of the Companies Act, the external auditor may be dismissed upon the agreement of the Audit and Supervisory Committee. In such a case, a member of the Audit and Supervisory Committee selected by the

Committee shall, at the first convening of the General Meetings of Shareholders, inform the Meeting of the dismissal of the accounting auditor and the reasons therefor.

When the Board of Directors has judged that there is a need, such as when there is a problem in the accounting auditor's performance of their work, the Board may request that the Audit and Supervisory Committee submit a proposal to dismiss or not re-engage the accounting auditor at the next General Meeting of Shareholders, and, upon the Committee's discretion, they may accept this request and decide on the content of the proposal to submit to the General Meetings of Shareholders.

2) Audit and Supervisory Committee's evaluation of the auditing firms and reasons for selection

When evaluating auditing firms, the Audit and Supervisory Committee deliberated specifics about evaluating auditing firms after referring to the evaluation and selection criteria for external auditors, as based on the policy for deciding whether to dismiss or not re-engage the external auditor. The particular evaluation criteria included the auditing firm's quality control, auditing team setup, auditing fees, communication with auditors, relations with the management team, group audits, and fraud risk.

The outcome of deliberations based on the above evaluations was that Ernest & Young ShinNihon LLC presented no issues in the performance of their work, their independence, and their expertise, and the decision was thus made to re-engage them as external auditor.

(vi) Auditing fees breakdown

a. Fees for Certified Public Accountants engaged in audits

Category	Previous consolidated fiscal year		Consolidated fiscal year under review	
	Fees based on audit attestation work (Millions of yen)	Fees based on non-auditing services (Millions of yen)	Fees based on audit attestation work (Millions of yen)	Fees based on non-auditing services (Millions of yen)
Filing company	27	–	29	–
Consolidated subsidiary	7	19	7	15
Total	34	19	36	15

Non-auditing services at consolidated subsidiaries involves verifying internal controls on segregation, verifying the global investment performance standards, and verifying the internal controls on contracted business.

b. Fees paid to other audit CPAs in the same Ernest & Young network (excluding a. above)

Category	Previous consolidated fiscal year		This consolidated fiscal year	
	Fees based on audit attestation work (Millions of yen)	Fees based on non-auditing services (Millions of yen)	Fees based on audit attestation work (Millions of yen)	Fees based on non-auditing services (Millions of yen)
Filing company	–	–	–	18
Consolidated subsidiary	20	25	21	9
Total	20	25	21	27

Non-auditing services at the Company and its consolidated subsidiaries include reviewing corporate tax returns and other paperwork and consulting services.

c. Fees based on other important audit attestation work

There are no relevant matters.

d. Policy for determining auditing fees

There are no relevant matters, but this is determined in consideration of the size as the Company, the reasonability of the audit plan, and the characteristics of the industry.

e. Reasons the Audit and Supervisory Committee agreed to the accounting auditor's fees

The Audit and Supervisory Committee agreed to the accounting auditor's fee amounts as a result of obtaining the required materials and receiving reports from the directors and the accounting auditor, as well as confirming the details of the audit plan, such as the number of hours auditing and the staffing structure; the audit implementation; processing of auditing fees; and the estimate for fees for the current fiscal year.

(4) Director Compensation, etc.

(i) Items pertaining to the policy for determining director compensation amounts and calculation methods

A. Compensation for directors who are not Audit and Supervisory Committee members

a. Policy details and method for determining director compensation

・ Policy details overview

The Company regards its director compensation system as an essential part of corporate governance. The Company has established this system to determine compensation so that those who resonate with the Group's mission and vision, share the values of empirical research and the importance of communication, and have above-average knowledge, insight, and human qualities will be motivated—both monetarily and non-monetarily—to achieve sustainable growth and increase corporate value over the medium to long term.

Specifically, this compensation system consists of three components: (i) a base salary, (ii) short-term performance bonuses, and (iii) medium- to long-term performance bonuses. Economic and market conditions greatly influence performance in the Group's primary business of investment trust management, discretionary investment management and investment advisory, so the Company ensures that (ii) short-term and (iii) medium- to long-term performance-based compensation are weighted more heavily than (i) base salary to align with its stakeholders' interests. Specifically, the compensation system is designed to have a target ratio of 3:7 for base salary to performance bonuses. The Company also takes care to ensure that the total compensation is attractive compared with other investment firms and competitive enough to draw talented people, taking reference from data on executive remuneration at companies listed on the Tokyo Stock Exchange's Prime Market, data on executive remuneration at asset management companies located in Japan, and other data provided by remuneration consultants and other third parties.

At the 31st ordinary general meeting of shareholders held on June 9, 2020, the Company voted to set the maximum amount of compensation for directors (excluding directors who are also Audit and Supervisory Committee Members and outside directors; limited to within 5 persons pursuant to Article 18, Paragraph 1 of the Articles of Incorporation) at JPY 1.5 billion per year (excluding employee wages). Separately from this maximum compensation amount, at the 33rd ordinary general meeting of shareholders held on June 10, 2022, the Company passed a resolution to set the maximum amount of compensation under the performance-based stock compensation plan at JPY1.8 billion for four fiscal years from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2026.

If certain events are identified, such as material fraud or violation by the persons eligible for executive compensation or material accounting errors, a clawback clause may be stipulated whereby all or part of the compensation has paid for directors may be reimbursed. This shall be done by a resolution of the Board of Directors after it has sought the advice of the Nomination and Compensation committee. Directors subject to such reimbursement include those who have already retired from the company. In addition, the directors' compensation to be reimbursed shall be all or part of the compensation for the fiscal year in which the material fraud, violation, and material accounting errors occurred, including amounts that have already been paid.

1. Base salary

Because SPARX Group is a holding company, its directors' primary duty is to focus on maintaining and improving Group governance. As a result, as a general rule, only the base salary portion of the compensation paid by the Company should be determined by position and whether directors are full-time or not.

When SPARX Group directors (excluding Directors who are Audit and Supervisory Committee members) who concurrently hold director positions at its Group companies and assume responsibility for their operations, the Company determines the total compensation for each director in light of their overall duties to the Group. SPARX Group, as the holding company, pays the base salary mentioned above, then the Group subsidiaries subtract this base salary from the set total compensation and pay the remainder as the base salary for each director's concurrent role at a Group subsidiary. The base salary is paid in monetary form each month in 12 equal portions.

2. Short-term performance-based compensation (performance bonuses)

The Company analyzes the Group's business performance figures and comprehensively considers returns to shareholders, retained earnings, and the outlook for the next fiscal year and beyond with regard to the operating environment, operating plans, capital plans, and expected performance. After comparing these figures to the previous fiscal year's bonus payments, the Company determines what percentage of the Group's total profit for a fiscal year will be allocated as reserves for paying bonuses to all Group directors, managers, and employees.

In the process, the Company also determines what percentage of these reserves will be allocated for bonuses to directors (excluding Directors who are Audit and Supervisory Committee members).

Next, the Company conducts qualitative and quantitative evaluations for each director (excluding Directors who are Audit and Supervisory Committee members), judging factors that include comparisons with important Group operating indicator targets and actual results (see below), directors' contributions to the Group's business execution, and their achievement of personal goals. Evaluation factors are weighted differently according to each director's position and responsibilities.

- Efficiency: ROE
- Stability: core earning power
- Profitability: operating profit
- Most fundamental operating indicator: AUM net inflow

Finally, using these evaluations' results, the Company will determine the total performance bonus for each director (excluding Directors who are Audit and Supervisory Committee members) and pay these bonuses through the Group subsidiaries at which each director also serves. These bonuses are paid in a monetary form at the beginning of the subsequent fiscal year.

3. (Medium- to long-term) performance-based stock compensation

To further encourage a commitment to the medium- to long-term growth of SPARX Group and clarify the link between directors' compensation, the performance of the business, and the company's share value, we have introduced a stock compensation system for our directors to be rewarded according to the degree of their achievement of the medium- to long-term targets and their personal goals. The Nomination and Compensation Committee, which is a voluntary advisory committee to the Board of Directors, discusses the medium- to long-term targets for remuneration and reviews the stock grant matrix, which differs according to a person's position. The Board of Directors will respectfully review and consider the advice proposed by the committee before deciding the final grant allocations.

The Company believes that stock compensation is consistent and in line with medium- to long-term interests of shareholders and other stakeholders. A point system has been created to determine the number of shares to be granted to each director. Points are calculated at the end of the consolidated fiscal year in accordance with the stock grant matrix. Shares are required to be held for a three-year period once issued. Furthermore, during the holding period, if a director has violated any compliance or other matters stipulated in the Group's various regulations, or if the director is dismissed from the Board of Directors, the Company will not grant shares.

Because the current CEO has already acquired more than a sufficient number of shares, he shall not be eligible for this form of compensation.

b. Names of those with authority to determine director compensation, and scope of that authority

With the guidance of the Nomination and Compensation Committee that serves as an advisory body for the Board of Directors, the Board sets the compensation amounts for each director.

The Nomination and Compensation Committee acts as an advisory body for the Board of Directors, and is composed of at least three directors (hereinafter, "committee members") appointed by Board resolution. A majority of the committee members must be independent outside directors, where "independent outside directors" refers to those outside directors of the Company who have been registered with the Tokyo Stock Exchange, Inc. as independent officers. Specifically, the CEO and five outside directors (all outside directors are independent outside directors) serve as committee members, and the committee chair is elected from among the committee members.

The Nomination and Compensation Committee also deliberates on the following items at the request of the Board of Directors, and accordingly provides the Board with suggestions and proposals.

(1) Proposals for a general meeting of shareholders concerning the election and dismissal of candidates for directors (excluding directors who are Audit and Supervisory Committee members; the same shall apply hereinafter), and a proposal for a board of directors meeting concerning the election and dismissal of candidates for group executive officers
(2) Establishment, change, or abolishment of basic policies, rules, procedures, etc. required to resolve the previously mentioned in (1)
(3) Other matters deemed necessary by the Nomination and Compensation Committee with respect to the election and the dismissal of both director candidates and group executive officer candidates
(4) Policy on Determination of Details of Individual Compensation for Directors and Group Executive Officers
(5) Details of Individual Compensation for Directors and Group Executive Officers
    ・Remunerations in a fixed amount: The amount for each individual person
    ・Remunerations the amount of which is not fixed: The specific method for calculating that amount for each individual person
(6) Establishment, amendment, or abolishment of basic policies, rules, procedures, etc. necessary for resolving the previously mentioned (2)
(7) Other matters deemed necessary by the Nomination and Compensation Committee with respect to the compensation of directors and Group executive officers, and so forth.

The extensive experience our outside directors bring from their time working in corporate management and working as outside directors for other listed companies gives them a deep awareness of the expectations from the capital market sector with regard to director compensation, and they engage in constructive discussions.

c. Board of Directors meetings on setting director compensation for the current fiscal year, and related committee activities

The Nomination and Compensation Committee, an advisory body for the Board of Directors, comprises all of the outside directors and the CEO as committee members and is chaired by a director who is elected from among the members. The extensive experience our outside directors bring from their time working in corporate management and working as outside directors for other listed companies gives them a deep awareness of the expectations from the capital market sector with regard to director compensation, and they engage in constructive discussions.

The details for section "a. Policy details and method for determining director compensation" are fully discussed by the Nomination and Compensation Committee at the request of the Board of Directors, and the conclusions are then decided upon by the Board of Directors.

The Nomination and Compensation Committee meetings and agendas for this fiscal year are as follows:

Meeting held	Attendees	Main agenda items
July 2024	All 5 members	· Members of the Nomination and Compensation Committee · Election of Chair of the Nomination and Compensation Committee · Basic Policy for Directors' Compensation · Setting of directors' personal goals · Medium- to long-term performance-linked remuneration (ESOP) matrix for FY2024 · Future Committee schedule
January 2025	4 members (1 absent)	· Process for determining bonuses · Methods of calculation and current proposals for source of funds for bonuses · Officers' personal fiscal year goals · Committee's involvement in medium- to long-term performance-linked remuneration (ESOP) · Evaluation method for Outside Directors · Future Committee schedule
February 2025	All 5 members	· Source of funding of bonuses for FY2024 · Evaluation of officers in FY2024 · Short-term performance-linked remuneration (bonuses) for directors in FY2024 · Medium- to long-term performance-linked remuneration (ESOP) for directors in FY2024 · New executive structure in FY2025 · Base salaries for each director in FY2025 · Future Committee schedule
April 2025	All 5 members	· Proposal for election of directors to be submitted to the 36th ordinary general meeting of shareholders

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B. Compensation for directors who are Audit and Supervisory Committee members

Compensation for directors who are members of the Audit and Supervisory Committee is determined in consultation with the member directors based on the budget for total compensation approved by the General Meeting of Shareholders.

Because SPARX Group is a holding company, the primary duty for its directors who are members of the Audit and Supervisory Committee is to focus on maintaining and improving Group governance. As a result, the Company's compensation amounts are, as a general rule, only the base salary amounts. Compensation for directors who are serving as auditors at Group subsidiaries and who are also members of the Audit and Supervisory Committee, in addition to the base salary paid by SPARX Group as a holding company, is determined in consultation with the auditors at the subsidiaries where they are also serving.

(ii) The total amount of compensation for each director category, total amount by compensation type, and number of eligible directors

Director category	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)				No. of applicable directors
		Base salary	Performance-based compensation, etc.	Severance pay	Non-monetary comp. portion of amts at left	
Non-Audit and Supervisory Committee internal directors	11	11	–	–	–	2
Audit and Supervisory Committee members excluding outside directors	–	–	–	–	–	–
Outside directors	49	49	–	–	–	6

Notes:

1. Other than the above, in the fiscal year under review, compensation received by internal directors as directors from Group subsidiaries at which they also served as directors totaled JPY 67 million, of which JPY 38 million was base salary and JPY 28 million was performance-based compensation.
2. Other than the above, in the fiscal year under review, compensation received by outside directors as directors from Group subsidiaries at which they also served as directors totaled JPY 9 million, of which the entire amount was base salary.

(iii) Details for those with total consolidated compensation over JPY 100 million

There are no relevant matters.

(iv) Important portions of employee salaries for employees also serving as directors

There are no relevant matters.

(5) Status of shareholdings

(i) Standards and approach for the classification of shares for investment

The Company classifies investment shares based on our objectives. Investment stock held for purposes of making profit on share price changes or on dividends received are treated as investment stocks for pure investment, while any stock held for other reasons is treated as investment stock held for purposes outside of pure investment (cross-shareholdings).

(ii) Shares for investment held for purposes other than pure investment

There are no relevant matters.

(iii) Shares for investment held for purposes of pure investment

Classification	Current fiscal year		Previous fiscal year	
	Number of shares	Total amount on consolidated balance sheet (Millions of yen)	Number of shares	Total amount on consolidated balance sheet (Millions of yen)
Unlisted shares	9	706	10	675
Other shares	2	491	2	785

Classification	Current fiscal year		
	Total dividends received (Millions of yen)	Total profits and losses (Millions of yen)	Total appraisal profit or loss (Millions of yen)
Unlisted shares	34	3	– (67)
Other shares	2	174	317

Note: Any superscript parenthesized figures in “Total appraisal profit or loss” indicate impairment losses for the fiscal year under review.

(iv) Change in the fiscal year under review from purposes of pure investment in the aim of holding investment shares, to purposes outside of pure investment

There are no relevant matters.

(v) Change in the fiscal year under review from purposes outside of pure investment in the aim of holding investment shares, to purposes of pure investment

There are no relevant matters.

Section 5. Accounting Information

1. Preparation of consolidated and other financial statements

(1) Our consolidated financial statements were prepared in accordance with the “Regulations for Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976, (hereinafter “Consolidated Financial Statement Regulations”)), and, as stipulated by Articles 46 and 68 therein, the “Cabinet Office Ordinance on Financial Instruments Business” (No.52, 2007), applied to consolidated financial statements of investment trust and investment advisory businesses, pertaining to the main activity of our group of companies.

(2) Our financial statements were prepared in accordance with the “Regulations for Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Ordinance No. 59, 1963, (hereinafter “financial statement regulations”)).

2. Audit certification

Pursuant to the provisions set forth in Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements and financial statements for FY2024 (April 1, 2024 – March 31, 2025) have been audited by Ernst & Young ShinNihon LLC.

3. Special efforts to ensure suitability of consolidated financial statements

We have implemented special measures to ensure the suitability of consolidated and other financial statements. Specifically, we have taken measures such as taking up membership of the Financial Accounting Standards Foundation and participating in training at setters of accounting standards, along with the creation of internal regulations and manuals, to guide the preparation of suitable consolidated financial statements, to implement a system enabling proper understanding of the content of accounting standards and accurate responses to changes therein.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Unit: million yen)

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Assets		
Current assets		
Cash and deposits	22,066	21,385
Prepaid expenses	323	456
Accounts receivable – other	792	902
Income taxes refund receivable	421	9
Accrued investment trust management fees	1,588	1,571
Accrued investment advisory fees	1,402	1,477
Deposits paid	203	203
Real estate for sale in process	138	577
Other	193	285
Allowance for doubtful accounts	–	(237)
Total current assets	27,130	26,631
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*1 123	*1 578
Tools, furniture and fixtures, net	*1 82	*1 150
Machinery and equipment, net	*1 351	*1 623
Vehicles, net	*1 6	*1 4
Land	334	242
Leased assets, net	*1 57	*1 1,726
Construction in progress	70	63
Total property, plant and equipment	1,027	3,389
Intangible assets		
Software	16	12
Rights to develop power generation facilities	1,218	–
Total intangible assets	1,234	12
Investments and other assets		
Investment securities	*2 16,289	*2 19,468
Guarantee deposits	169	181
Long-term prepaid expenses	143	145
Retirement benefit asset	19	13
Deferred tax assets	97	97
Total investments and other assets	16,719	19,906
Total non-current assets	18,981	23,307
Total assets	46,112	49,939

(Unit: million yen)

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Liabilities		
Current liabilities		
Short-term borrowings	2,000	2,000
Lease obligations	38	1,788
Unpaid commission	454	372
Accounts payable – other	1,502	1,777
Income taxes payable	1,655	1,444
Deposits received	79	33
Provision for share awards	235	99
Provision for long-term incentives	3	1
Provision for share awards for directors (and other officers)	40	–
Other	537	471
Total current liabilities	6,547	7,988
Non-current liabilities		
Long-term borrowings	7,000	7,000
Provision for share awards	228	181
Provision for long-term incentives	3	1
Provision for share awards for directors (and other officers)	10	–
Deferred tax liabilities	592	682
Other	310	577
Total non-current liabilities	8,145	8,443
Reserve under special laws		
Reserve for financial instruments transaction liabilities	*3 0	*3 0
Total reserves under special laws	0	0
Total liabilities	14,692	16,432
Net assets		
Shareholders' equity		
Capital stock	8,587	8,587
Capital surplus	1,848	1,481
Retained earnings	20,960	23,497
Treasury shares	(3,579)	(3,222)
Total shareholders' equity	27,815	30,343
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,198	1,933
Foreign currency translation adjustment	1,434	1,245
Remeasurements of defined benefit plans	(7)	(14)
Total accumulated other comprehensive income	3,625	3,164
Non-controlling interests	(22)	0
Total net assets	31,419	33,507
Total liabilities and net assets	46,112	49,939

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Unit: million yen)

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Operating revenue		
Investment trust management fee	8,769	9,168
Investment advisory fee	7,131	8,013
Other operating revenue	597	779
Total operating revenue	16,498	17,961
Operating and general administrative expenses	* 9,022	* 10,244
Operating profit	7,476	7,717
Non-operating income		
Interest income	74	111
Dividend income	25	26
Foreign exchange gains	231	–
Gain on investments in investment partnerships	357	–
Share of profit of entities accounted for using equity method	9	61
Miscellaneous income	20	21
Total non-operating income	719	221
Non-operating expenses		
Interest expenses	65	70
Commissions paid	25	3
Foreign exchange losses	–	2
Loss on investments in investment partnerships	–	69
Miscellaneous losses	14	13
Total non-operating expenses	105	159
Ordinary profit	8,090	7,778
Extraordinary income		
Gain on sale of investment securities	1,335	178
Total extraordinary income	1,335	178
Extraordinary losses		
Loss on valuation of investment securities	92	21
Total extraordinary losses	92	21
Profit before income taxes	9,333	7,935
Income taxes – current	2,864	2,656
Income taxes – deferred	(27)	73
Total income taxes	2,836	2,729
Profit	6,496	5,206
Profit attributable to non-controlling interests (loss)	(22)	(45)
Profit attributable to owners of parent	6,519	5,252

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Profit	6,496	5,206
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,489	(265)
Foreign currency translation adjustment	188	(189)
Remeasurements of defined benefit plans, net of tax	(7)	(7)
Total other comprehensive income	* 1,670	* (461)
Comprehensive income	8,167	4,744
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	8,190	4,790
Comprehensive income attributable to non-controlling interests	(22)	(45)

3) Consolidated Statements of Changes in Equity

FY2023 (April 1, 2023 – March 31, 2024)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,587	2,252	16,886	(3,634)	24,091
Changes during period					
Dividends of surplus			(2,445)		(2,445)
Profit attributable to owners of parent			6,519		6,519
Purchase of treasury shares				(1,695)	(1,695)
Disposal of treasury shares		(404)		1,594	1,190
Disposal of treasury shares by ESOP Trust				155	155
Net changes in items other than shareholders' equity					
Total changes during period	–	(404)	4,073	54	3,723
Balance at end of period	8,587	1,848	20,960	(3,579)	27,815

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	708	1,245	0	1,955	0	26,047
Changes during period						
Dividends of surplus						(2,445)
Profit attributable to owners of parent						6,519
Purchase of treasury shares						(1,695)
Disposal of treasury shares						1,190
Disposal of treasury shares by ESOP Trust						155
Net changes in items other than shareholders' equity	1,489	188	(7)	1,670	(22)	1,648
Total changes during period	1,489	188	(7)	1,670	(22)	5,372
Balance at end of period	2,198	1,434	(7)	3,625	(22)	31,419

FY2024 (April 1, 2024 – March 31, 2025)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,587	1,848	20,960	(3,579)	27,815
Changes during period					
Dividends of surplus			(2,722)		(2,722)
Change in scope of consolidation			8		8
Profit attributable to owners of parent			5,252		5,252
Purchase of treasury shares				(293)	(293)
Cancellation of treasury shares		(367)		367	–
Disposal of treasury shares by ESOP Trust				282	282
Net changes in items other than shareholders' equity					
Total changes during period	–	(367)	2,537	357	2,527
Balance at end of period	8,587	1,481	23,497	(3,222)	30,343

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,198	1,434	(7)	3,625	(22)	31,419
Changes during period						
Dividends of surplus						(2,722)
Change in scope of consolidation						8
Profit attributable to owners of parent						5,252
Purchase of treasury shares						(293)
Cancellation of treasury shares						–
Disposal of treasury shares by ESOP Trust						282
Net changes in items other than shareholders' equity	(265)	(189)	(7)	(461)	22	(439)
Total changes during period	(265)	(189)	(7)	(461)	22	2,087
Balance at end of period	1,933	1,245	(14)	3,164	0	33,507

4) Consolidated Statements of Cash Flows

(Unit: million yen)

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Cash flows from operating activities		
Profit before income taxes	9,333	7,935
Depreciation	218	237
Amortization of goodwill	–	27
Increase (decrease) in provision for share awards	74	52
Increase (decrease) in provision for long-term incentives	(7)	(0)
Increase (decrease) in provision for share awards for directors (and other officers)	(23)	–
Increase (decrease) in allowance for doubtful accounts	–	237
Interest and dividend income	(100)	(138)
Interest expenses	65	70
Commission expensed	25	3
Foreign exchange losses (gains)	(238)	(5)
Share of loss (profit) of entities accounted for using equity method	(9)	(61)
Loss (gain) on sales of short-term and long-term investment securities	(1,335)	(178)
Loss (gain) on valuation of short-term and long-term investment securities	92	21
Loss (gain) on investments in investment partnerships	(357)	69
Decrease (increase) in accounts receivable – other	153	69
Decrease (increase) in accrued investment trust management fees and investment advisory fees	(736)	(59)
Decrease (increase) in real estate for sale in process	(138)	(438)
Increase (decrease) in accounts payable – other, and accrued expenses	498	(8)
Increase (decrease) in deposits received	(56)	(46)
Others, net	417	(323)
Subtotal	7,876	7,464
Interest and dividends received	96	177
Interest paid	(63)	(71)
Income taxes refund (paid)	(1,864)	(2,506)
Net cash provided by (used in) operating activities	6,044	5,063
Cash flows from investing activities		
Purchase of property, plant and equipment	(406)	(667)
Purchase of intangible assets	(1,223)	(1)
Proceeds from collection of long-term loans receivable	810	–
Purchase of investment securities	(4,142)	(3,847)
Proceeds from sale and redemption of investment securities	1,382	2,039
Proceeds from withdrawal of investments in investment partnerships, etc.	60	0
Proceeds from distributions from investment partnerships	590	245
Subsidies received	–	186
Others, net	(197)	(79)
Net cash provided by (used in) investing activities	(3,126)	(2,124)

(Unit: million yen)

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	–	(132)
Redemption of bonds	(343)	–
Repayments of lease obligations	(49)	(244)
Dividends paid	(2,443)	(2,718)
Purchase of treasury shares	(1,701)	(293)
Proceeds from disposal of treasury shares	1,215	–
Others, net	(20)	(3)
Net cash provided by (used in) financing activities	(3,342)	(3,391)
Effect of exchange rate change on cash and cash equivalents	462	(175)
Net increase (decrease) in cash and cash equivalents	38	(627)
Cash and cash equivalents at beginning of period	22,028	22,066
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	(54)
Cash and cash equivalents at end of period	*1 22,066	*1 21,385

Notes to Consolidated Financial Statements

(Significant matters that form the basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries

SPARX Asset Management Korea Co., Ltd.
SPARX Asset Management Co., Ltd.
SPARX Asia Capital Management Limited
SPARX Asia Investment Advisors Limited
SPARX Green Energy & Technology Co., Ltd.
SPARX Asset Trust & Management Co., Ltd.
SPARX AI & Technologies Investment Co., Ltd.
+ 4 others

SPARX Innovation for Future Co., Ltd. has been excluded from the scope of consolidation due to the completion of its liquidation in FY2024.
SPARX AI & Technologies Investment Co., Ltd. changed its name to SPARX Investment Co., Ltd. on April 1, 2025.

(2) Names, etc. of non-consolidated subsidiaries

SGET Battery Storage Power Station No.1
SPARX Asia Investment PTE. LTD.

The above two companies are excluded from the scope of consolidation as they are both small in scale, and their respective total assets, operating revenue, profit (amount prorated to ownership), and retained earnings (amount prorated to ownership) have no material impact on the consolidated financial statements.

2. Application of equity method

(1) Number and names of associates accounted for by the equity method

Number of associates accounted for by the equity method: 2

Names of associates accounted for by the equity method

Sigma-i Co., Ltd.
Nomura SPARX Investment Inc.

(2) Names, etc. of non-consolidated subsidiaries and associates not accounted for by the equity method

SGET Battery Storage Power Station No.1
Nakano Asset Management Co., Ltd.
SPARX Asia Investment PTE. LTD.

The above three companies are excluded from the scope of application of the equity method as they are both small in scale, and, judging from their profit (amount prorated to ownership) and retained earnings (amount prorated to ownership), etc. in FY2024, even when excluded from the application of the equity method, their impact on the consolidated financial statements is negligible, and they have no significance.

3. Fiscal years, etc. of consolidated subsidiaries

The fiscal year ends on December 31 for four subsidiaries, including SPARX Asia Capital Management Limited, and on November 30 for one other company.

The financial statements and other documents used for the company closing on November 30 are based on provisional reporting conducted at the end of February. However, adjustments necessary for consolidation are made for material transactions that occurred between that closing date and the consolidated closing date.

The financial statements and other documents used for the companies closing on December 31 are based on provisional reporting conducted at the end of the consolidated financial year.

The last day of the fiscal year for the remaining subsidiaries is the same as the consolidated closing date.

4. Accounting policies

(1) Basis and method for valuation of important assets

A. Marketable securities

Available-for-sale securities

Securities other than shares, etc. without market prices

The fair value method is applied (unrealized gains and losses are reported as a separate component of net assets, and the cost of securities sold is determined by the weighted average method).

Shares, etc. without market prices

Cost accounting is performed mainly by the weighted average method.

(Investments in investment partnerships, etc.)

Investments in investment limited partnerships and similar partnerships (considered as marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest in the partnership, based on the most recent financial statements available as of the financial reporting date stipulated in the partnership agreement.

B. Derivatives

The fair value method is used.

C. Inventories

Real estate for sale in process

Cost accounting based on the specific identification method is used.

(2) Method of depreciation and amortization of significant assets

A. Property, plant and equipment (excluding leased assets)

The Company and its domestic subsidiaries use the declining-balance method, while overseas subsidiaries use the straight-line method.

However, the straight-line method is used for property, plant and equipment acquired on or after April 1, 2016.

The useful lives for main categories are as follows:

Buildings	3–22 years
Tools, furniture and fixtures	3–10 years
Machinery and equipment	17–22 years
Vehicles	6 years

B. Intangible assets (excluding leased assets)

Software (for internal use) is amortized by the straight-line method over the estimated useful life (normally five years).

C. Leased assets

Leased assets regarding finance lease transactions that do not transfer ownership

The straight-line method is used, assuming the lease period as the useful life. If the lease agreement contains a residual value guarantee, that guarantee amount is used for the residual value; otherwise, the residual value equals zero.

(3) Accounting standards for significant allowances and provisions

A. Allowance for doubtful accounts

To prepare for bad debt losses on receivables, estimated unrecoverable amounts related to general receivables are recognized based on the historical bad debt ratio, and those related to doubtful and other specific receivables are recognized by individually examining their recoverability.

B. Provision for share awards

Provided in the estimated amount of share award obligations as of the end of the current fiscal year in preparation for payment of shares of the Company to employees pursuant to its share distribution regulations.

C. Provision for long-term incentives

Provided in the estimated amount of payment obligations as of the end of the current fiscal year in preparation for payment of incentive rewards to directors and other officers of domestic subsidiaries.

D. Provision for share awards for directors (and other officers)

Provided in the estimated amount of share award obligations as of the end of the current fiscal year, in preparation for payment of shares of the Company to its officers pursuant to its officers' share distribution regulations.

(4) Accounting for retirement benefits

Retirement benefit liability is recorded in the estimated amount of retirement benefit payment obligations after deduction of pension assets as of the end of the current fiscal year in preparation for payment of retirement benefits to officers and employees at some overseas subsidiaries. As pension assets exceed retirement benefit payment obligations, they are presented as retirement benefit asset in the consolidated balance sheets.

Unrecognized gains and losses that have not been expensed in actuarial differences are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

(5) Accounting standards for significant revenues and expenses

A. Management fees

Management fees are received as compensation for contractual obligations to manage and operate funds operated by the Company, and are based either on the total amount of assets under management, or the value of the commitment multiplied by a certain rate. Revenue is recognized over the investment period. The consideration for the transactions is received primarily within one year of the fulfillment of the performance obligation and does not include a significant financial component.

B. Performance fees (listed equity management)

Similar to management fees, performance fees (listed equity management) are received based on contractual obligations to manage and operate, as a percentage of the portion of the contract that exceeds the highest historical performance. Revenue is recognized at that point in time. The consideration for the transactions is received primarily within one year of the fulfillment of the performance obligation and does not include a significant financial component.

C. Performance fees (acquisition fees)

Performance fees (acquisition fees) are recognized for revenue recording purposes as performance obligations for the Company's support required to execute silent partnership investments or loans based on contracts with limited liability companies engaged in renewable energy projects. Revenue is recognized each time a silent partnership investment or loan is made by multiplying the amount of funds raised by a certain fee rate. The consideration for the transactions is received primarily within one year of the fulfillment of the performance obligation and does not include a significant financial component.

D. Performance fees (for the sale of equity in silent partnerships with a limited liability company in which a renewable energy fund invests)

These performance fees are received as compensation for a certain percentage of gain on the sale of equity in silent partnerships that exceed performance targets for renewable energy funds managed by the Company. Revenue is recognized at that point in time. The consideration for the transactions is received primarily within one year of the fulfillment of the performance obligation and does not include a significant financial component.

E. Performance fees (private equity)

Performance fees (private equity) are received as compensation for contractual obligations to manage and operate private equity funds operated by the Company, and are based on a certain percentage for each tier where cumulative distributions exceed the contributed capital amount. Revenue is recognized at that point in time. The consideration for the transactions is received primarily within one year of the fulfillment of the performance obligation and does not include a significant financial component.

(6) Basis for translation of significant assets and liabilities in foreign currencies into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate prevailing on the consolidated closing date, and differences arising from the translation are recognized as gains or losses. Assets and liabilities of overseas subsidiaries and associates are translated into

Japanese yen at the spot exchange rate prevailing on the consolidated closing date, and their revenue and expenses at the average exchange rate during the period, with the differences arising from the translation included in foreign currency translation adjustment under net assets.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, readily withdrawable deposits, and readily convertible fixed term deposits that have no risk of fluctuations in value.

(8) Other important matters for the preparation of the consolidated financial statements

There are no relevant matters.

(Significant accounting estimates)

There are no relevant matters.

(Changes in accounting policies)

(Application of “Accounting Standards for Current Income Taxes”)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27 of October 28, 2022; hereinafter “2022 Revised Accounting Standard”) and other standards from the beginning of fiscal year ended March 31, 2025.

Previously, corporate tax, inhabitant tax, and business taxes, and related items (hereinafter “income taxes”) were recorded in profit or loss in amounts calculated in accordance with applicable laws and regulations. Now, these income taxes are recorded in profit or loss, shareholders’ equity, and other comprehensive income based on the transactions and related items from which they arise. For income taxes initially recorded in accumulated other comprehensive income, when the transaction that triggered the income tax is itself recognized in profit or loss, the corresponding tax amount is recognized in profit or loss. Furthermore, if a transaction subject to taxation relates to both profit or loss and shareholders’ equity or other comprehensive income, and it is difficult to calculate the amount of income taxes attributable to shareholders’ equity or other comprehensive income, the tax amount is recorded in profit or loss.

Regarding revisions concerning the categories for recording of income taxes, (taxation on other comprehensive income), the Company has complied with the transitional treatment set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment set forth in the proviso to Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 of October 28, 2022; hereinafter “2022 Revised Guidance”). The cumulative impact of retrospectively applying the new accounting policies prior to the beginning of the fiscal year ended March 31, 2025.is adjusted to retained earnings at the beginning of the fiscal year ended March 31, 2025, and the corresponding amount is adjusted to capital surplus or other comprehensive income, whichever is appropriate, with the new accounting policies applied from the beginning of the fiscal year ended March 31, 2025. These changes in accounting policies have no impact on the consolidated financial statements.

In addition, with respect to revisions related to the review of treatment in the consolidated financial statements when deferring, for tax purposes, gains or losses on sales associated with the sale of shares of subsidiaries, etc. between consolidated companies, the Company has applied the 2022 Revised Guidance from the beginning of the fiscal year ended March 31, 2025. These changes in accounting policies have been applied retrospectively, and the consolidated financial statements for the fiscal year ended March 31, 2024 are presented after such retrospective application. These changes in accounting policies have no impact on the consolidated financial statements for the fiscal year ended March 31, 2024.

(Unapplied accounting standards, etc.)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

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(1) Summary

As part of efforts to make the Japanese GAAP internationally consistent, the Accounting Standards Board of

Japan (ASBJ) conducted a review based on international accounting standards for the development of accounting standards for leases that recognize assets and liabilities for all leases of lessees. This resulted in the announcement of the Accounting Standard for Leases, etc. As a basic policy, although this standard is based on the single accounting model of IFRS 16, instead of adopting all of the requirements of IFRS 16, only the main provisions are incorporated. The aim of this approach is to make it simple and convenient, while ensuring that no significant adjustments would be required when applying IFRS 16 to non-consolidated financial statements.

For lessee accounting, the single accounting model is applied to determine how the lessee's lease expenses are allocated. Similarly to IFRS 16, this approach accounts for depreciation on right-of-use assets and interest on lease liabilities for all leases, regardless of whether the leases are finance leases or operating leases.

(2) Planned application date

From the start of FY2027

(3) Impact of applying these accounting standards, etc.

The impact that the application of the “Accounting Standard for Leases,” etc. will have on the consolidated financial statements is currently being evaluated.

(Changes in presentation)

(Consolidated Balance Sheets)

“Real estate for sale in process,” which was included in “Other” in “Current assets” in the Consolidated Balance Sheets in FY2023, is presented separately from FY2024 as it exceeded 1/100 of total assets. The FY2023 consolidated financial statements have been reclassified to reflect this change in presentation.

As a result, the 332 million yen presented as “Other” in “Current assets” in the Consolidated Balance Sheets in FY2023 has been reclassified into 138 million yen in “Real estate for sale in process” and 193 million yen in “Other.”

“Lease obligations,” which was included in “Accounts payable – other” under “Current liabilities” in the Consolidated Balance Sheets in FY2023, is presented separately from FY2024 as it exceeded 1/100 of total liabilities and net assets. The FY2023 consolidated financial statements have been reclassified to reflect this change in presentation.

As a result, the 1,540 million yen presented as “Accounts payable – other” in “Current liabilities” in the Consolidated Balance Sheets in FY2023 has been reclassified into 38 million yen in “Lease obligations” and 1,502 million yen in “Accounts payable – other.”

(Consolidated Statements of Cash Flows)

“Decrease (increase) in real estate for sale in process” and “Repayments of lease obligations,” which were included in “Others, net” in “Cash flows from operating activities” in the Consolidated Statements of Cash Flows in FY2023, are presented separately from FY2024 as their amounts increased in significance. The FY2023 consolidated financial statements have been reclassified to reflect the change in presentation.

As a result, the 228 million yen presented as “Others, net” in “Cash flows from operating activities” in the Consolidated Statements of Cash Flows in FY2023 has been reclassified into (138) million yen in “Decrease (increase) in real estate for sale in process,” 417 million yen in “Others, net,” and (49) million yen in “Repayments of lease obligations” in “Cash flows from financing activities.”

(Additional information)

(Stock-granting ESOP trust)

The Company has introduced a stock-granting ESOP trust program (hereinafter the “Program”) for Group employees (employees of the Company and 4 of its subsidiaries (SPARX Asset Management Co. Ltd., SPARX Green Energy & Technology Co., Ltd., SPARX Asset Trust & Management Co., Ltd., and SPARX AI & Technologies Investment Co., Ltd. (Note); hereinafter referred to as “Group subsidiaries”), with the objective of enhancing the medium- to long-term corporate value by increasing their motivation toward the improvement of business performance and share value gain. The Company accounts for the trust according to the guidance in the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(Note) SPARX AI & Technologies Investment Co., Ltd. changed its name to SPARX Investment Co., Ltd. on April 1, 2025.

1) Transaction summary

The Program is an arrangement for issuing shares of the Company to Group employees who meet certain conditions, based on share distribution regulations predetermined by the Group subsidiaries. The Group subsidiaries will grant points to employees based on the Group’s performance and employees’ individual contributions and award shares corresponding to the granted points to employees who are eligible to receive benefits under certain conditions. The shares to be awarded, including future awards, will be acquired, using money in a previously established trust fund and separately managed as a trust asset.

As Group employees are able to receive an economic benefit from increases in the Company’s share price, it may be expected that the introduction of the Program will encourage them to perform their duties with an awareness of the share price and raise their motivation toward their work. Furthermore, the exercise of voting rights pertaining to the Company’s shares held in the ESOP trust is a mechanism that reflects the will of Group employees as potential beneficiaries and is effective as a corporate value improvement plan that promotes their participation in management.

2) The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury shares under net assets, based on the book value in the trust (excluding associated expenses). The book value and number of the relevant treasury shares were 1,570 million yen and 1,154,880 shares in FY2023 and 1,338 million yen and 938,020 shares in FY2024, respectively.

(ESOP trust for directors)

The Company has introduced a performance-linked share remuneration scheme using a trust for its Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors; hereinafter “Directors”).

1) Summary of scheme

This scheme is a share remuneration scheme in which a trust established through a monetary contribution by the Company acquires shares of the Company, and the number of shares corresponding to the number of points granted to individual Directors by the Company is delivered to the individual Directors through the trust.

The delivery of the Company’s shares under this scheme will be made to Directors of the Company who are in office during the four fiscal years from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2026. In principle, the Directors will take delivery of the Company’s shares three years after the granting of points.

The objective of the introduction of this scheme is to raise awareness of contributing to the medium- to long-term improvement of business performance and increase of corporate value by clarifying the link between Directors’ remuneration and the Company’s business performance and share value and by the Directors’ sharing the benefits and risks of share price fluctuations with shareholders.

2) The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury shares under net assets, based on the book value in the trust (excluding associated expenses). The book value and number of the relevant treasury shares were 780 million yen and 517,113 shares in FY2023 and 729 million yen and 483,369 shares in FY2024.

(Notes to consolidated balance sheets)

*1 Accumulated depreciation of property, plant and equipment

Unit: million yen

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Buildings and structures	402	453
Tools, furniture and fixtures	470	463
Machinery and equipment	260	298
Vehicles	1	4
Leased assets	145	187

*2 Investment securities related to non-consolidated subsidiaries and associates

Unit: million yen

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Investment securities (shares, etc.)	677	673

*3 Clauses of laws and regulations that prescribe recording of reserves under special laws

Reserve for financial instruments transaction liabilities .... Financial Instruments and Exchange Act, Article 46-5

(Notes to consolidated statements of income)

* Major components of operating and general administrative expenses and their amounts

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Commissions paid	2,546	3,003
Salaries and bonuses	3,302	3,435
Provision for share awards	53	52
Provision for long-term incentives	1	(0)
Provision for share awards for directors (and other officers)	1	–
Provision of allowance for doubtful accounts	–	237

(Notes to consolidated statements of comprehensive income)

* Reclassification adjustments, income taxes and tax effects related to other comprehensive income

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Valuation difference on available-for-sale securities:		
Amount incurred during period	2,127	(130)
Reclassification adjustments	0	(156)
Before income taxes and tax effect adjustment	2,128	(287)
Income taxes and tax effect	(638)	22
Valuation difference on available-for-sale securities	1,489	(265)
Foreign currency translation adjustment:		
Amount incurred during period	188	(189)
Remeasurements of defined benefit plans:		
Amount incurred during period	(7)	(7)
Reclassification adjustments	–	–
Before income taxes and tax effect adjustment	(7)	(7)
Income taxes and tax effect	–	–
Remeasurements of defined benefit plans	(7)	(7)
Total other comprehensive income	1,670	(461)

(Notes to consolidated statement of changes in shareholder equity)

FY2023 (April 1, 2023 – March 31, 2024)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase in number of shares during period	Decrease in number of shares during period	Number of shares at end of period
Issued shares				
Common shares	41,915,480	–	–	41,915,480
Total	41,915,480	–	–	41,915,480
Treasury shares				
Common shares (see Notes 1 and 2)	2,162,528	297,602	127,827	2,332,303
Total	2,162,528	297,602	127,827	2,332,303

Notes: 1. Of the increase in the number of common shares under treasury shares, 294,200 shares are due to the acquisition of treasury shares based on a resolution of the Board of Directors, and 3,402 shares are due to the purchase of shares of less than one share unit. The decrease of 127,827 shares in the number of common shares under treasury shares is due to the disposal of treasury shares by the stock-granting ESOP trust and the ESOP trust for directors.

2. The numbers of shares at the beginning and end of the period include 999,820 shares and 1,671,993 shares, respectively, of the Company held by the stock-granting ESOP trust and the ESOP trust for directors.

2. Share acquisition rights, etc.

There are no relevant matters.

3. Dividends

(1) Dividends paid

Resolution	Share type	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 9, 2023	Common shares	2,445	60.00	March 31, 2023	June 12, 2023

Note: The above total dividends paid include 59 million yen in dividends paid on the Company’s shares remaining in the stock-granting ESOP trust and the ESOP trust for directors.

(2) Dividends with a record date falling in the current fiscal year but with an effective date falling in the following fiscal year are as follows

Resolution	Share type	Dividend source	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 7, 2024	Common shares	Retained earnings	2,722	66.00	March 31, 2024	June 10, 2024

Note: The above total dividends paid include 110 million yen in dividends paid on the Company’s shares remaining in the stock-granting ESOP trust and the ESOP trust for directors.

FY2024 (April 1, 2024 – March 31, 2025)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase in number of shares during period	Decrease in number of shares during period	Number of shares at end of period
Issued shares				
Common shares (see Note 1)	41,915,480	–	210,000	41,705,480
Total	41,915,480	–	210,000	41,705,480
Treasury shares				
Common shares (see Notes 2 and 3)	2,332,303	210,200	460,604	2,081,899
Total	2,332,303	210,200	460,604	2,081,899

Notes: 1. The decrease of 210,000 shares in the number of common shares under issued shares is due to the cancellation of treasury shares.

2. Of the increase in the number of common shares under treasury shares, 210,000 shares are due to the acquisition of treasury shares based on a resolution of the Board of Directors, and 200 shares are due to the purchase of shares of less than one share unit. Of the decreases in the number of common shares under treasury shares, 250,604 shares is due to the disposal of treasury shares by the stock-granting ESOP trust and the ESOP trust for directors, and 210,000 shares is due to the cancellation of treasury shares.

3. The numbers of shares at the beginning and end of the period include 1,671,993 shares and 1,421,389 shares, respectively, of the Company held by the stock-granting ESOP trust and the ESOP trust for directors.

2. Share acquisition rights, etc.

There are no relevant matters.

3. Dividends

(1) Dividends paid

Resolution	Share type	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 7, 2024	Common shares	2,722	66.00	March 31, 2024	June 10, 2024

Note: The above total dividends paid include 110 million yen in dividends paid on the Company’s shares remaining in the stock-granting ESOP trust and the ESOP trust for directors.

(2) Dividends with a record date falling in the current fiscal year but with an effective date falling in the following fiscal year are as follows

Resolution	Share type	Dividend source	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 6, 2025	Common shares	Retained earnings	2,791	68.00	March 31, 2025	June 9, 2025

Note: The above total dividends paid include 96 million yen in dividends paid on the Company’s shares remaining in the stock-granting ESOP trust and the ESOP trust for directors.

(Notes to consolidated statements of cash flows)

*1 Reconciliation of the ending balance of cash and cash equivalents with the amounts of the line items presented on the consolidated balance sheets

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Cash and deposits	22,066	21,385
Cash and cash equivalents	22,066	21,385

*2 Material non-cash transactions

Leased assets and lease obligations related to finance lease transactions

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Leased assets related to finance lease transactions	2	2,059
Lease obligations related to finance lease transactions	1	2,014

(Lease transactions)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) Breakdown of leased assets

Property, plant and equipment

Primarily, hydrogen manufacturing facilities of renewable energy power generation business (“machinery and equipment” and “tools, furniture and fixtures”)

(ii) Depreciation method for leased assets

The method as stated in “Significant matters that form the basis for preparation of consolidated financial statements, 4. Accounting policies, (2) Method of depreciation and amortization of significant assets”

2. Operating lease transactions

This information is omitted as it is immaterial.

(Notes to financial instruments)

1. Status of financial instruments

(1) Policies applied to financial instruments

Fund management by the Group is limited to highly secure bonds and deposits, as well as seed money for fund formation, etc. Fund procurement is mainly via bank borrowings. The Group's policy is to use derivatives only to avoid risks associated with interest rates, etc. and to not engage in speculative transactions.

(2) Content of and risks involved in financial instruments, and risk management system

Credit risks related to accrued investment trust management fees and investment advisory fees, which are trade receivables, are deemed limited as the funds and discretionary assets managed or administered by the Group are portfolio investments with only a limited number of high-risk transactions.

In addition, the Group monitors the net position each month of its trade receivables and payables, a portion of which are denominated in foreign currencies and are exposed to exchange rate fluctuation risks. Moreover, the Group plans to hedge the risk with the use of forward exchange contracts, etc., when deemed necessary.

Investment securities are primarily seed money for funds and investments in limited partnerships and investment securities. The funds are securities with a market price and are exposed to market price fluctuation risks. The Group therefore monitors their fair value each month based on "Proprietary Fund Management Rules" and reports to the Board of Directors.

(3) Supplementary explanation regarding fair value, etc. of financial instruments

The fair value of financial instruments includes the value based on market prices and reasonably measured value in the event of financial instruments that have no market price. Variable factors are incorporated into the measurement of the fair value of financial instruments, and therefore, such measured value may vary depending on assumptions, etc. adopted.

2. Fair value, etc. of financial instruments

The book value on the consolidated balance sheets, fair value, and the difference between them are summarized below.

FY2023 (March 31, 2024)

Unit: million yen

	Consolidated balance sheet amount	Fair value	Difference
Assets			
(1) Investment securities (*2) (*3)	11,603	11,603	–
Available-for-sale securities	11,603	11,603	–
(2) Accounts receivable – other	792	792	–
(3) Income taxes refund receivable	421	421	–
(4) Accrued investment trust management fees	1,588	1,588	–
(5) Accrued investment advisory fees	1,402	1,402	–
Total assets	15,808	15,808	–
Liabilities			
(1) Short-term borrowings	2,000	2,000	–
(2) Lease obligations	38	38	–
(3) Unpaid commission	454	454	–
(4) Accounts payable – other	1,502	1,502	–
(5) Income taxes payable	1,655	1,655	–
(6) Long-term borrowings	7,000	6,950	(49)
Total liabilities	12,650	12,601	(49)

FY2024 (March 31, 2025)

Unit: million yen

	Consolidated balance sheet amount	Fair value	Difference
Assets			
(1) Investment securities (*2) (*3)	14,399	14,399	–
Available-for-sale securities	14,399	14,399	–
(2) Accounts receivable – other	902	–	–
Allowance for doubtful accounts (*4)	(237)	–	–
	664	664	–
(3) Income taxes refund receivable	9	9	–
(4) Accrued investment trust management fees	1,571	1,571	–
(5) Accrued investment advisory fees	1,477	1,477	–
Total assets	18,123	18,123	–
Liabilities			
(1) Short-term borrowings	2,000	2,000	–
(2) Lease obligations	1,788	1,788	–
(3) Unpaid commission	372	372	–
(4) Accounts payable – other	1,777	1,777	–
(5) Income taxes payable	1,444	1,444	–
(6) Long-term borrowings	7,000	6,976	(23)
Total liabilities	14,383	14,360	(23)

(*1) "Cash and deposits" are not stated as they are cash and because deposits are settled in the short term, and thus their fair values approximate the book values.

(*2) Shares, etc. without market prices are not included under "Assets (1) Investment securities." The consolidated balance sheet amounts of such financial instruments are shown below.

Classification	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Unlisted shares	721	815

(*3) Investments in partnerships and similar entities in which the Company's equity interest is recognized on a net basis on the consolidated balance sheets are not stated. The amounts of such investments on the consolidated balance sheets for FY2024 and FY2023 are 4,253 million yen and 3,964 million yen, respectively.

(*4) Allowance for doubtful accounts is deducted from accounts receivable – other.

Note 1. Scheduled redemption amount of monetary receivables and securities with maturity dates after the consolidated balance sheet date

FY2023 (March 31, 2024)

Unit: million yen

	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Cash and deposits	22,066	–	–	–
Accounts receivable – other	792	–	–	–
Accrued investment trust management fees	1,588	–	–	–
Accrued investment advisory fees	1,402	–	–	–
Total	25,850	–	–	–

FY2024 (March 31, 2025)

Unit: million yen

	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Cash and deposits	21,385	–	–	–
Accounts receivable – other (*)	664	–	–	–
Accrued investment trust management fees	1,571	–	–	–
Accrued investment advisory fees	1,477	–	–	–
Total	25,099	–	–	–

(*) Accounts receivable – other does not include 237 million yen that is not expected to be redeemed, such as doubtful receivables.

Note 2. Scheduled repayment amount of long-term borrowings and lease obligations after the consolidated balance sheet date

FY2023 (March 31, 2024)

Unit: million yen

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years
Short-term borrowings	2,000	–	–	–	–	–
Long-term borrowings	–	–	5,000	–	2,000	–
Lease obligations	38	18	0	–	–	–
Total	2,038	18	5,000	–	2,000	–

FY2024 (March 31, 2025)

Unit: million yen

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years
Short-term borrowings	2,000	–	–	–	–	–
Long-term borrowings	–	5,000	–	2,000	–	–
Lease obligations	1,788	23	12	–	–	–
Total	3,788	5,023	12	2,000	–	–

3. Breakdown of fair value by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value on the consolidated balance sheets

FY2023 (March 31, 2024) Unit: million yen

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	785	–	–	785
Investment trusts	–	9,902	–	9,902
Investment securities	–	–	815	815
Share acquisition rights	–	–	100	100
Total assets	785	9,902	915	11,603

FY2024 (March 31, 2025) Unit: million yen

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	491	–	–	491
Investment trusts	–	12,754	–	12,754
Investment securities	–	–	1,153	1,153
Total assets	491	12,754	1,153	14,399

(2) Financial instruments other than those measured at fair value on the consolidated balance sheets

FY2023 (March 31, 2024)

Unit: million yen

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable – other	–	792	–	792
Income taxes refund receivable	–	421	–	421
Accrued investment trust management fees	–	1,588	–	1,588
Accrued investment advisory fees	–	1,402	–	1,402
Total assets	–	4,205	–	4,205
Short-term borrowings	–	2,000	–	2,000
Lease obligations	–	38	–	38
Unpaid commission	–	454	–	454
Accounts payable – other	–	1,502	–	1,502
Income taxes payable	–	1,655	–	1,655
Long-term borrowings	–	6,950	–	6,950
Total liabilities	–	12,601	–	12,601

FY2024 (March 31, 2025)

Unit: million yen

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable - other	–	664	–	664
Income taxes refund receivable	–	9	–	9
Accrued investment trust management fees	–	1,571	–	1,571
Accrued investment advisory fees	–	1,477	–	1,477
Total assets	–	3,723	–	3,723
Short-term borrowings	–	2,000	–	2,000
Lease obligations	–	1,788	–	1,788
Unpaid commission	–	372	–	372
Accounts payable - other	–	1,777	–	1,777
Income taxes payable	–	1,444	–	1,444
Long-term borrowings	–	6,976	–	6,976
Total liabilities	–	14,360	–	14,360

Note 1. Explanation of valuation techniques and inputs used in the measurement of fair value

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair values are classified as Level 1. The fair values of investment trusts are based on publicly announced net asset value, etc. and are classified as Level 2. The fair values of investment securities are measured using prices calculated based on prices obtained from third parties. Stock acquisition rights are for unlisted stocks, and their market prices are unavailable, so they are valued based on transaction prices, etc. such as the price used in the latest financing. As the fair values of investment securities and those of stock acquisition rights are measured using unobservable inputs, they are classified as Level 3.

Accounts receivable – other, income taxes refund receivable, accrued investment trust management fees and accrued investment advisory fees

The fair values of these items are measured using the discounted cash flow method, based on the amount of receivables, period to maturity and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and are classified as Level 2.

Short-term borrowings, lease obligations, unpaid commission, accounts payable – other, and income taxes payable

The fair values of these items are measured using the discounted cash flow method based on future cash flows, period to repayment and an interest rate reflecting credit risk, for each liability categorized by a specified period, and are classified as Level 2.

Long-term borrowings

The fair values of long-term borrowings are measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and are classified as Level 2.

Note 2. Information regarding financial assets and liabilities that are measured at fair value on the consolidated balance sheets and classified as Level 3

(1) Quantitative information on significant unobservable inputs

Financial instruments whose fair values are classified as Level 3 are not stated, as the prices used are calculated based on prices obtained from third parties and on transaction prices, etc. such as the price used in the latest financing.

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and financial liabilities held at the end of the fiscal year included in profit or loss for the fiscal year

FY2023 (March 31, 2024)

Unit: million yen

	Securities and investment securities	Securities and investment securities
	Available-for-sale securities	Available-for-sale securities
	Investment securities	Share acquisition rights
Beginning balance	531	–
Profit (loss) or other comprehensive income for the period		
Recorded in profit (loss)	–	–
Recorded in other comprehensive income	33	–
Purchases and sales		
Purchases	250	100
Sales	–	–
Transferred to Level 3 fair value	–	–
Transferred from Level 3 fair value	–	–
Other	–	–
Ending balance	815	100
Gains (losses) on valuation of financial instruments held on consolidated balance sheet date included in profit (loss) for the period	–	–

FY2024 (March 31, 2025)

Unit: million yen

	Securities and investment securities	Securities and investment securities
	Available-for-sale securities	Available-for-sale securities
	Investment securities	Share acquisition rights
Beginning balance	815	100
Profit (loss) or other comprehensive income for the period		
Recorded in profit (loss)	–	–
Recorded in other comprehensive income	87	–
Purchases and sales		
Purchases	250	–
Sales	–	–
Transferred to Level 3 fair value	–	–
Transferred from Level 3 fair value	–	–
Other	–	(100)
Ending balance	1,153	–
Gains (losses) on valuation of financial instruments held on consolidated balance sheet date included in profit (loss) for the period	–	–

(3) Explanation of valuation process used for fair value measurement

The Company employs prices obtained from third parties and transaction prices, etc. such as the price used in the latest financing for the fair values of Level 3 financial instruments carried at fair value on the consolidated balance sheet. The reasonableness of the prices obtained from third parties is verified by an appropriate method, such as confirmation of the valuation techniques and inputs used or comparison with the fair values of similar financial instruments.

(4) Explanation of impact on fair value in the event of a change in significant unobservable inputs

There are no relevant matters.

(Notes to securities)

1. Available-for-sale securities

FY2023 (March 31, 2024)

Unit: million yen

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Items whose carrying amount on the consolidated balance sheets exceeds the acquisition cost	(1) Shares	737	184	553
	(2) Bonds			
	1) Government/ municipal bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	10,264	7,853	2,411
	Subtotal	11,002	8,037	2,964
Items whose carrying amount on the consolidated balance sheets does not exceed the acquisition cost	(1) Shares	47	50	(2)
	(2) Bonds			
	1) Government/ municipal bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	552	555	(2)
	Subtotal	600	606	(5)
Total		11,603	8,643	2,959

FY2024 (March 31, 2025)

Unit: million yen

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Items whose carrying amount on the consolidated balance sheets exceeds the acquisition cost	(1) Shares	446	124	321
	(2) Bonds			
	1) Government/ municipal bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	10,226	7,664	2,561
	Subtotal	10,672	7,789	2,883
Items whose carrying amount on the consolidated balance sheets does not exceed the acquisition cost	(1) Shares	45	50	(5)
	(2) Bonds			
	1) Government/ municipal bonds, etc.	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
	(3) Other	3,681	3,804	(122)
	Subtotal	3,726	3,854	(127)
Total		14,399	11,643	2,755

2. Available-for-sale securities that were sold

FY2023 (April 1, 2023 – March 31, 2024)

Unit: million yen

Type	Sales value	Total gain on sale	Total loss on sale
(1) Shares	261	226	–
(2) Bonds			
1) Government/ municipal bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	1,120	1,109	(0)
Total	1,382	1,335	(0)

FY2024 (April 1, 2024 – March 31, 2025)

Unit: million yen

Type	Sales value	Total gain on sale	Total loss on sale
(1) Shares	238	178	–
(2) Bonds			
1) Government/ municipal bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	1	0	–
Total	239	178	–

3. Impairment of securities

The write-down values of shares, etc. without a market price were as follows: FY2023: 92 million yen, FY2024: 21 million yen.

When the fair value of a security at the end of the fiscal year falls by 50% or more from its acquisition cost, the Company recognizes an impairment loss for the entire value of the security. For securities with a 30% to 50% decline, an impairment loss is recognized for the amount deemed necessary in consideration of recoverability and other factors. Furthermore, shares, etc. without a market price, etc. whose substantive value has fallen by more than 50% from the book value are impaired for the amount deemed necessary in consideration of recoverability and other factors.

(Notes to derivative transactions)

There are no relevant matters.

(Notes to stock options)
There are no relevant matters.

(Notes to retirement benefits)

1. Overview of retirement benefit plans

Some overseas subsidiaries have adopted funded defined benefit plans to set aside retirement benefits for staff and executives. Under these plans, a pension or lump sum is paid based on the retiree's salary and service length.

2. Defined benefit plans

(1) Changes in retirement benefit obligations

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Balance at beginning of period	58	83
Service costs	8	11
Interest costs	3	3
Actuarial loss (gain)	6	7
Retirement benefits paid	–	(1)
Other	5	(9)
Balance at end of period	83	95

(2) Changes in plan assets

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Balance at beginning of period	79	102
Expected return on plan assets	4	4
Actuarial loss (gain)	(1)	(1)
Employer contributions	12	15
Retirement benefits paid	–	(1)
Other	7	(11)
Balance at end of period	102	108

(3) Adjustments between ending balances of retirement benefit obligations and plan assets and retirement benefit liabilities and retirement benefit assets recorded on the consolidated balance sheets

Unit: million yen

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Retirement benefit obligations for funded retirement benefit plans	83	95
Pension plan assets	(102)	(108)
	(19)	(13)
Retirement benefit obligations for unfunded retirement benefit plans	–	–
Net assets and liabilities reported on the consolidated balance sheets	(19)	(13)
Retirement benefit liabilities	–	–
Retirement benefit assets	(19)	(13)
Net assets and liabilities reported on the consolidated balance sheets	(19)	(13)

(4) Breakdown of retirement benefit expenses

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Service costs	8	11
Interest costs	3	3
Expected return on plan assets	(4)	(4)
Recognized actuarial loss (gain)	–	–
Recognized past service costs	–	–
Other	1	0
Retirement benefit expenses for defined benefit plans	8	10

(5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans, net of tax (before income taxes and tax effect) consist of the following.

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Actuarial loss (gain)	(7)	(8)
Other	0	0
Total	(7)	(7)

(6) Remeasurements of accumulated defined benefit plans

Remeasurements of accumulated defined benefit plans, net of tax (before income taxes and tax effect) consist of the following.

Unit: million yen

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Unrecognized past service costs	–	–
Unrecognized actuarial loss (gain)	(3)	(11)
Total	(3)	(11)

(7) Pension plan assets

1) Components of plan assets

Plan assets consist of the following.

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Bonds	51.1%	58.0%
Shares	–	–
Cash and deposits	6.3	6.1
Others	42.7	36.0
Total	100.0	100.0

2) Methods for determining the long-term expected rates of return on plan assets

The expected long-term rates of return on plan assets are determined by considering the yield of AA-rated corporate bonds over the forecast remaining service period of officers and employees.

(8) Assumptions used in actuarial calculations

The major assumptions (on the weighted average basis) used in actuarial calculations are as follows.

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Discount rate	5.2%	4.3%
Expected long-term rate of return on plan assets	5.4%	5.2%
Expected rates of salary increase	3.0%	3.0%

(Notes to tax effect accounting)

1. Major causes of deferred tax assets and deferred tax liabilities

Unit: million yen

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Deferred tax assets		
Net operating loss carryforwards (Note)	259	216
Temporary differences related to investments in consolidated subsidiaries	224	224
Non-recognition of accrued expenses	299	323
Business tax payable	105	81
Non-recognition of provision for share awards	160	88
Non-recognition of provision for long-term incentives	2	0
Non-recognition of loss on valuation of investment securities	531	545
Valuation difference on available-for-sale securities	5	44
Other	264	379
Subtotal deferred tax assets	1,853	1,904
Valuation allowance for tax loss carryforwards (Note)	(259)	(216)
Valuation allowance for total deductible temporary differences	(1,052)	(1,200)
Subtotal valuation allowances	(1,312)	(1,417)
Total deferred tax assets	540	487
Deferred tax liabilities		
Valuation difference on available-for-sale securities	991	994
Other	43	78
Total deferred tax liabilities	1,035	1,072
Net deferred tax assets and liabilities	(495)	(585)

Note: Amounts of net operating loss carryforwards and corresponding deferred tax assets by due period

FY2023 (March 31, 2024)

Unit: million yen

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Net operating loss carryforwards (*2)	36	38	66	41	–	77	259
Valuation allowance	(36)	(38)	(66)	(41)	–	(77)	(259)
Deferred tax assets	–	–	–	–	–	–	–

(*2) Net operating loss carryforwards are shown in an amount obtained by multiplying the statutory effective tax rate.

FY2024 (March 31, 2025)

Unit: million yen

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Net operating loss carryforwards (*2)	38	66	41	–	–	71	216
Valuation allowance	(38)	(66)	(41)	–	–	(71)	(216)
Deferred tax assets	–	–	–	–	–	–	–

(*2) Net operating loss carryforwards are shown in an amount obtained by multiplying the statutory effective tax rate.

2. Breakdown of major items that caused a significant difference between the normal statutory effective tax rate and the actual effective tax rate after application of tax effect accounting

	FY2024 (March 31, 2025)
Normal statutory effective tax rate	30.6%
(Adjustments)	
Tax rate differences among overseas subsidiaries	4.3
Changes in valuation allowance	3.0
Entertainment expenses and other expenses not permanently includable in losses	0.9
Share of profit of entities accounted for using equity method	(0.2)
Expiration of local tax loss carryforwards	0.2
Differences due to change in tax rate	(2.6)
Withholding tax on dividends from foreign subsidiaries	0.1
Amortization of goodwill	0.1
Tax credits	(1.4)
Others	(0.5)
Actual effective tax rate after application of tax effect accounting	34.4

The information is omitted as the difference between the normal statutory effective tax rate and the actual effective tax rate after application of tax effect accounting was 5% or less of the normal statutory effective tax rate in FY2023.

3. Accounting for national and local business taxes or accounting for tax effect accounting for those taxes

The Company and some of its domestic consolidated subsidiaries have adopted a group tax sharing system, and accounting of national and local business taxes or their tax effect accounting and the disclosure of same is conducted according to the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No.42, August 12, 2021).

4. Adjustment to amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate

Following the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) by the Diet on March 31, 2025, the “Defense Special Corporation Tax” will be imposed from the fiscal year beginning on or after April 1, 2026. Accordingly, the normal statutory effective tax rate has been changed from 30.6% to 31.5% for the calculation of deferred tax assets and deferred tax liabilities associated with temporary differences expected to be reversed in the fiscal year beginning on April 1, 2026 and thereafter. This change will have no material impact on the consolidated financial statements.

(Notes on revenue recognition)

1. Information on the breakdown of revenue from contracts with clients

The Group is a single segment business of investment trust management, discretionary investment management and investment advisory. Information on the breakdown of revenue from contracts with major clients is shown below.

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Management fees (Note 1)	14,258	15,857
Performance fees (listed share investment) (Note 2)	1,716	783
Performance fees (acquisition fees) (Note 3)	75	229
Performance fees (fees received when a renewable energy fund realizes a gain from selling a power station in which it is investing) (Note 4)	247	–
Performance fees (private equity) (Note 5)	–	879
Performance fees (other) (Note 6)	13	5
Other	186	205
Total	16,498	17,961

Notes: 1. Management fees in FY2024 include 8,442 million yen in investment trust management fees, 7,071 million yen in investment advisory fees, and 343 million yen in other operating revenue. In FY2023, they include 7,102 million yen in investment trust management fees, 6,820 million yen in investment advisory fees, and 334 million yen in other operating revenue.

2. Performance fees (listed share investment) in FY2024 include 725 million yen in investment trust management fees and 58 million yen in investment advisory fees. In FY2023, they include 1,667 million yen in investment trust management fees and 49 million yen in investment advisory fees.

3. Performance fees (acquisition fees) are recorded as other operating revenue in the consolidated statements of income.

4. Performance fees (fees received when a renewable energy fund realizes a gain from selling a power station in which it is investing) in FY2023 include 247 million yen in investment advisory fees.

5. Performance fees (private equity) in FY2024 include 879 million yen in investment advisory fees.

6. Performance fees (other) in FY2024 include 5 million yen in investment advisory fees. In FY2023, they include 13 million yen in investment advisory fees.

2. Basis for understanding revenue from contracts with clients

As described above in (Significant Matters that Form the Basis for Preparation of Consolidated Financial Statements), 4. Accounting policies, (5) Basis for recognition of significant revenues and expenses.

3. Relationship between fulfillment of performance obligations under contracts with clients and cash flow generated by those contracts, amount of revenue from contracts with clients existing at the end of the current fiscal year expected to be recognized in the following fiscal year and beyond, and the timing of that recognition

This information is omitted as it is immaterial.

(Segment information etc.)

Segment information

i) FY2023 (April 1, 2023 – March 31, 2024)

This information is omitted as the Group is a single segment business of investment trust management, discretionary investment management and investment advisory.

ii) FY2024 (April 1, 2024 – March 31, 2025)

This information is omitted as the Group is a single segment business of investment trust management, discretionary investment management and investment advisory.

Related information

FY2023 (April 1, 2023 – March 31, 2024)

1. By service

This information is omitted as revenues from external clients related to business of investment trust management, discretionary investment management and investment advisory as well as its related services account for over 90% of operating revenue in the consolidated statements of income.

2. By region

(1) Operating revenue

Unit: million yen

Japan	Cayman Islands	Ireland	South Korea	Other	Total
13,475	106	1,207	47	1,661	16,498

Note: Classification by region is based on contract counterpart's location (place of composition in the case of funds).

(2) Property, plant and equipment

Unit: million yen

Japan	South Korea	Hong Kong	Total
955	46	25	1,027

3. By major client

Unit: million yen

Client name	Operating revenue	Related segment
SPARX New Global Blue Chip Japanese Equity Fund	2,811	Business of investment trust management, discretionary investment management and investment advisory

Note: As investments may be made via sales companies and other funds, etc. the ultimate beneficiary is difficult to ascertain.

FY2024 (April 1, 2024 – March 31, 2025)

1. By service

This information is omitted as revenues from external clients related to business of investment trust management, discretionary investment management and investment advisory as well as its related services account for over 90% of operating revenue in the consolidated statements of income.

2. By region

(1) Operating revenue

Unit: million yen

Japan	Cayman Islands	Ireland	South Korea	Other	Total
14,573	126	1,401	105	1,753	17,961

Note: Classification by region is based on contract counterpart's location (place of composition in the case of funds).

(2) Property, plant and equipment

Unit: million yen

Japan	South Korea	Hong Kong	Total
3,304	22	62	3,389

3. By major client

Unit: million yen

Client name	Operating revenue	Related segment
SPARX New Global Blue Chip Japanese Equity Fund	3,729	Business of investment trust management, discretionary investment management and investment advisory

Note: As investments may be made via sales companies and other funds, etc. the ultimate beneficiary is difficult to ascertain.

Impairment losses on non-current assets by reportable segment

FY2023 (April 1, 2023 – March 31, 2024)

There are no relevant matters.

FY2024 (April 1, 2024 – March 31, 2025)

There are no relevant matters.

Amortization of goodwill and unamortized balance by reportable segment

FY2023 (April 1, 2023 – March 31, 2024)

There are no relevant matters.

FY2024 (April 1, 2024 – March 31, 2025)

This information is omitted as the Group is a single segment business of investment trust management, discretionary investment management and investment advisory.

Gain on negative goodwill by reportable segment

FY2023 (April 1, 2023 – March 31, 2024)

There are no relevant matters.

FY2024 (April 1, 2024 – March 31, 2025)

There are no relevant matters.

Information about related parties

1. Transactions with related parties

(1) Transactions between the filing company and related parties

FY2023 (April 1, 2023 – March 31, 2024)

There are no relevant matters.

FY2024 (April 1, 2024– March 31, 2025)

There are no relevant matters.

(2) Transactions between consolidated subsidiaries of the filing company and related parties

FY2023 (April 1, 2023 – March 31, 2024)

There are no relevant matters.

FY2024 (April 1, 2024 – March 31, 2025)
There are no relevant matters.

2. Notes regarding the parent company or significant associates

FY2023 (April 1, 2023 – March 31, 2024)
There are no relevant matters.

FY2024 (April 1, 2024 – March 31, 2025)
There are no relevant matters.

(Per-share information)

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Net assets per share	794.32 yen	845.64 yen
Net income per share	163.79 yen	132.16 yen

Notes: 1. For the calculation of net income per share, the Company's shares remaining in the stock-granting ESOP trust and the ESOP trust for directors (recorded as treasury shares in shareholders' equity) are included in the treasury shares deducted from the calculation of average number of common shares across the period. The average number of common shares in treasury shares so deducted was 1,346,535 for FY2023 and 1,442,689 for FY2024.

2. For the calculation of net assets per share, the Company's shares remaining in the stock-granting ESOP trust and the ESOP trust for directors (recorded as treasury shares in shareholders' equity) are included in the treasury shares deducted from the number of shares issued at the end of the period. The number of treasury shares so deducted was 1,671,993 for FY2023 and 1,421,389 for FY2024.

3. Diluted net income per share is not stated as there are no diluted shares.

4. Basis for calculating net income per share is as follows.

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Net income per share		
Profit attributable to owners of parent (million yen)	6,519	5,252
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent related to common shares (million yen)	6,519	5,252
Average number of common shares (shares)	39,799,898	39,739,752

5. Basis for calculating net assets per share is as follows.

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Total net assets (million yen)	31,419	33,507
Deductions from total net assets (million yen)	(22)	0
(of which, share acquisition rights (million yen))	[–]	[–]
(of which, non-controlling interests (million yen))	[(22)]	[0]
Net assets related to common shares at end of period (million yen)	31,441	33,507

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Number of common shares used for calculating net assets per share at end of period (shares)	39,583,177	39,623,581

(Significant subsequent events)

(Acquisition and cancellation of treasury shares)

At a meeting of the Board of Directors held on May 7, 2025, the Company resolved to acquire treasury shares pursuant to the provision of Article 156 of the Companies Act, as applied pursuant to the provision of Article 165, Paragraph 3 of the Companies Act, and to cancel treasury shares pursuant to the provision of Article 178 of the Companies Act.

1. Reasons for acquisition and cancellation of treasury shares

   To enhance shareholder returns, improve capital efficiency, and implement flexible capital policies in accordance with the business environment.

2. Details of matters pertaining to acquisition
   (1) Type of shares to be acquired: Common shares of the Company
   (2) Total number of shares to be acquired: Up to 200,000 shares

       (Ratio to total number of issued shares (excluding treasury shares): 0.49%)

       *1,421,389 shares of the Company held by the stock-granting ESOP trust and the ESOP trust for directors are not included in the excluded treasury shares.
   (3) Total acquisition value of shares: Up to 300,000,000 yen
   (4) Acquisition period: From May 8, 2025 to June 30, 2025
   (5) Acquisition method: Market purchase on the Tokyo Stock Exchange
3. Details of matters pertaining to the cancellation (planned)
   (1) Types of shares to be cancelled: Common shares of the Company
   (2) Number of shares to be cancelled: Total number of treasury shares acquired as described above
   (3) Scheduled cancellation date: July 31, 2025

(Cancellation of treasury shares)

With regard to the cancellation of treasury shares, which was resolved at the meeting of the Board of Directors held on May 7, 2025 pursuant to the provision of Article 178 of the Companies Act, the Company resolved at the meeting of the Board of Directors held on June 20, 2025 to finalize the cancellation as follows:

1. Details of matters pertaining to cancellation
   (1) Types of shares to be cancelled: Common shares of the Company
   (2) Number of shares to be cancelled: 197,700 shares (Ratio to total number of issued shares before cancellation: 0.47%)
   (3) Total number of issued shares after cancellation: 41,507,780 shares
   (4) Scheduled cancellation date: June 30, 2025

5) Consolidated Supplementary Schedules

Schedule of bonds payable

There are no relevant matters.

Schedule of borrowings, etc.

Classification	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	2,000	2,000	0.53	–
Current portion of long-term borrowings	–	–	–	–
Current portion of lease obligations	38	1,788	5.41	–
Long-term borrowings (excluding current portion)	7,000	7,000	0.82	2026 – 2028
Lease obligations (excluding current portion)	18	36	5.63	2026 – 2027
Total	9,057	10,824	–	–

Notes: 1. The average interest rate represents the weighted-average interest rate applicable to the year-end balance of borrowings and lease obligations.

2. Except for some consolidated subsidiaries, the average interest rate on lease obligations is not calculated because lease obligations on the consolidated balance sheets are shown prior to the deduction of interest.

3. The scheduled repayments of long-term borrowings and lease obligations (excluding current portions) for five years after the consolidated balance sheet date are as follows.

Unit: million yen

	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	5,000	–	2,000	–
Lease obligations	23	12	–	–

Schedule of asset retirement obligations

In accordance with Article 92-2 of the Consolidated Financial Statement Regulations, asset retirement obligations at the beginning and end of FY2024 are not reported as they were 1% or less of total liabilities and net assets at the beginning and end of FY2024.

(2) Other

FY2024 semi-annual information etc.

(Cumulative period)	Through H1	Full year
Operating revenue (million yen)	8,716	17,961
Profit before income taxes (million yen)	3,676	7,935
Profit attributable to owners of parent (million yen)	2,284	5,252
Net income per share (yen)	57.40	132.16

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheets

(Unit: million yen)

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Assets		
Current assets		
Cash and deposits	7,097	5,917
Accounts receivable – other	* 700	* 670
Income taxes refund receivable	412	–
Prepaid expenses	100	110
Short-term loans receivable	100	300
Other	13	4
Total current assets	8,423	7,002
Non-current assets		
Property, plant and equipment		
Vehicles	6	4
Land	68	68
Total property, plant and equipment	74	72
Intangible assets		
Software	0	–
Total intangible assets	0	–
Investments and other assets		
Investment securities	15,441	18,602
Shares of subsidiaries and associates	8,044	7,197
Investments in other securities of subsidiaries and associates	369	323
Long-term loans receivable	2,060	2,000
Guarantee deposits	20	20
Other	111	79
Total investments and other assets	26,047	28,223
Total non-current assets	26,122	28,295
Total assets	34,545	35,298

(Unit: million yen)

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Liabilities		
Current liabilities		
Short-term borrowings	2,000	2,000
Accounts payable – other	* 610	* 558
Income taxes payable	–	205
Other	34	38
Total current liabilities	2,645	2,802
Non-current liabilities		
Long-term borrowings	7,000	7,000
Deferred tax liabilities	954	940
Other	173	280
Total non-current liabilities	8,128	8,221
Total liabilities	10,773	11,023
Net assets		
Shareholders’ equity		
Capital stock	8,587	8,587
Capital surplus		
Legal capital surplus	130	130
Other capital surplus	2,450	2,082
Total capital surplus	2,580	2,213
Retained earnings		
Legal retained earnings	1,453	1,725
Other retained earnings		
Retained earnings brought forward	12,536	13,042
Total retained earnings	13,989	14,768
Treasury shares	(3,579)	(3,222)
Total shareholders’ equity	21,577	22,346
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,194	1,928
Total valuation and translation adjustments	2,194	1,928
Total net assets	23,771	24,275
Total liabilities and net assets	34,545	35,298

2) Non-consolidated Statements of Income

(Unit: million yen)

	FY2023 (April 1, 2023 - March 31, 2024)		FY2024 (April 1, 2024 - March 31, 2025)	
Operating revenue				
Outsourcing service revenue from associates	*1	600	*1	653
Income from investment partnership management	*6	2,385	*6	2,867
Other outsourcing service revenue	*1	8	*1	9
Total operating revenue		2,994		3,530
Operating and general administrative expenses	*1, *2	3,127	*1, *2	3,673
Operating profit (loss)		(133)		(142)
Non-operating income				
Interest income		14		23
Dividend income	*1	4,131	*1	4,446
Foreign exchange gains		110		–
Gain on investments in investment partnerships		315		–
Miscellaneous income		14		47
Total non-operating income		4,586		4,518
Non-operating expenses				
Interest expenses		60		68
Interest expenses on bonds		1		–
Commissions paid		25		3
Foreign exchange losses		–		2
Loss on investments in investment partnerships		–		56
Miscellaneous losses		2		2
Total non-operating expenses		91		132
Ordinary profit		4,362		4,242
Extraordinary income				
Gain on sale of investment securities		1,283		178
Gain on liquidation of subsidiaries		–	*5	84
Total extraordinary income		1,283		263
Extraordinary losses				
Loss on valuation of investment securities	*3	127	*3	21
Loss on valuation of shares of subsidiaries and associates		–	*4	747
Total extraordinary losses		127		769
Profit before income taxes		5,518		3,736
Income taxes – current		325		225
Income taxes – deferred		102		9
Total income taxes		428		234
Profit		5,089		3,501

3) Non-consolidated Statements of Changes in Equity

FY2023 (April 1, 2023 – March 31, 2024)

(Unit: million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	8,587	130	2,854	2,985	1,209	10,136	11,345	(3,634)	19,283
Changes during period									
Dividends of surplus					244	(2,689)	(2,445)		(2,445)
Profit						5,089	5,089		5,089
Purchase of treasury shares								(1,695)	(1,695)
Disposal of treasury shares			(404)	(404)				1,594	1,190
Disposal of treasury shares by ESOP Trust								155	155
Net changes in items other than shareholders' equity									
Total changes during period	–	–	(404)	(404)	244	2,400	2,644	54	2,294
Balance at end of period	8,587	130	2,450	2,580	1,453	12,536	13,989	(3,579)	21,577

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	682	682	19,965
Changes during period			
Dividends of surplus			(2,445)
Profit			5,089
Purchase of treasury shares			(1,695)
Disposal of treasury shares			1,190
Disposal of treasury shares by ESOP Trust			155
Net changes in items other than shareholders' equity	1,511	1,511	1,511
Total changes during period	1,511	1,511	3,806
Balance at end of period	2,194	2,194	23,771

FY2024 (April 1, 2024 – March 31, 2025)

(Unit: million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	8,587	130	2,450	2,580	1,453	12,536	13,989	(3,579)	21,577
Changes during period									
Dividends of surplus					272	(2,995)	(2,722)		(2,722)
Profit						3,501	3,501		3,501
Purchase of treasury shares								(293)	(293)
Cancellation of treasury shares			(367)	(367)				367	–
Disposal of treasury shares by ESOP Trust								282	282
Net changes in items other than shareholders' equity									
Total changes during period	–	–	(367)	(367)	272	506	778	357	768
Balance at end of period	8,587	130	2,082	2,213	1,725	13,042	14,768	(3,222)	22,346

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	2,194	2,194	23,771
Changes during period			
Dividends of surplus			(2,722)
Profit			3,501
Purchase of treasury shares			(293)
Cancellation of treasury shares			–
Disposal of treasury shares by ESOP Trust			282
Net changes in items other than shareholders' equity	(265)	(265)	(265)
Total changes during period	(265)	(265)	503
Balance at end of period	1,928	1,928	24,275

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Basis and method for valuation of marketable securities

Shares of subsidiaries and associates

Cost accounting is performed by the weighted average method.

Investments in other securities of subsidiaries and associates

Investments in investment limited partnerships and similar partnerships (considered as marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest in the partnership, based on the most recent financial statements available as of the financial reporting date stipulated in the partnership agreement.

Available-for-sale securities

Securities other than shares, etc. without market prices

The fair value method is applied (unrealized gains and losses are reported as a separate component of net assets, and the cost of securities sold is determined by the weighted average method).

Shares, etc. without market prices

Cost accounting is performed mainly by the weighted average method.

(Investments in investment partnerships, etc.)

Investments in investment limited partnerships and similar partnerships (considered as marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest in the partnership, based on the most recent financial statements available as of the financial reporting date stipulated in the partnership agreement.

2. Method of depreciation and amortization of non-current assets

Property, plant and equipment

Depreciated by the declining-balance method. However, the straight-line method is used for property, plant and equipment acquired on and after April 1, 2016.

The useful life is as follows:

Vehicles 6 years

Intangible assets

Software (for internal use) is amortized by the straight-line method over the estimated useful life (five years).

3. Basis for translation of assets and liabilities in foreign currencies into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate prevailing on the closing date, and differences arising from the translation are recognized as gains or losses.

4. Accounting standards for revenues and expenses

(1) Outsourcing service revenue from associates

The Company is contracted to undertake some operations for some subsidiaries for a specified period of time and is compensated based on expenses generated (with some exceptions) marked up with a certain fee ratio. This revenue is recognized at the time of fulfillment of the performance obligation over a specified period of time, and is measured at the transaction price related to the customer contract. The consideration for the transactions is received primarily within one year of the fulfillment of the performance obligation and does not include a significant financial component.

(2) Income from investment partnership management

Fees are received as compensation for contractually obligated management of investment partnership funds of which the Company is an unlimited liability partner and are based on the total amount of assets under management or the value of the commitment multiplied by a certain rate. Revenue is recognized across the investment period. Furthermore, if capital gains are generated from the sale of equity in the silent partnership of a limited liability company in which a renewable energy fund has invested, performance fees are received for a certain percentage of the capital gains from the silent partnership's equity that exceeds a certain performance target for renewable energy funds managed by the Company. This revenue is recognized at that point in time. Performance fees for private equity funds are received as compensation based on certain percentage for each tier where cumulative distributions exceed the contributed capital amount. Revenue is recognized at that point in time. The consideration for the transactions is received primarily within one year of the fulfillment of the performance obligation and does not include a significant financial component.

(Significant accounting estimates)

There are no relevant matters.

(Changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes")

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27 of October 28, 2022; hereinafter "2022 Revised Accounting Standard") and other standards from the beginning of fiscal year ended March 31, 2025.

Previously, corporate tax, corporate inhabitant tax, and business taxes, and related items (hereinafter "income taxes") were recorded in profit or loss in amounts calculated in accordance with applicable laws and regulations. Now, these income taxes are recorded in profit or loss, shareholders' equity, and valuation and translation adjustments based on the transactions and related items from which they arise. For income taxes initially recorded in valuation and translation adjustments, when the transaction that triggered the income tax is itself recognized in profit or loss, the corresponding tax amount is recognized in profit or loss. Furthermore, if a transaction subject to taxation relates to both profit or loss and shareholders' equity or valuation and translation adjustments, and it is difficult to calculate the amount of income taxes attributable to shareholders' equity or valuation and translation adjustments, the tax amount is recorded in profit or loss.

Regarding revisions concerning the categories for recording of income taxes, the Company has complied with the transitional treatment set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard. The cumulative impact of retrospectively applying the new accounting policies prior to the beginning of the fiscal year ended March 31, 2025 is adjusted to retained earnings brought forward at the beginning of the fiscal year ended March 31, 2025, and the corresponding amount is adjusted to capital surplus or valuation and translation adjustments, whichever is appropriate, with the new accounting policies applied from the beginning of the fiscal year ended March 31, 2025. These changes in accounting policies have no impact on the non-consolidated financial statements.

(Additional information)

(Stock-granting ESOP trust)

An explanatory note about the stock-granting ESOP trust is included in the Notes to Consolidated Financial Statements under (Additional information), so the same content is omitted here.

(ESOP trust for directors)

An explanatory note about the ESOP trust for directors is included in the Notes to Consolidated Financial Statements under (Additional information), so the same content is omitted here.

(Notes to non-consolidated balance sheets)

*Subsidiaries and affiliates

Receivables from and payables to subsidiaries and associates other than those separately disclosed

Unit: million yen

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Accounts receivable – other	165	189
Accounts payable – other	533	496

(Notes to non-consolidated statements of income)

*1 Transactions with subsidiaries and associates

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Outsourcing service revenue from associates	600	653
Other outsourcing service revenue	7	8
Commissions paid	2,385	2,867
Dividend income	4,109	4,389

*2 The percentage of costs included as general management expenses was 23% for FY2023 and 21% for FY2024.
Major components of operating and general administrative expenses and their amounts are as follows.

Unit: million yen

	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)
Commissions paid	2,416	2,899
Salaries and bonuses	341	345
Administrative outsourcing expenses	136	118

*3 Loss on valuation of investment securities

Losses were recognized for certain issues of investment securities by impairment whose substantive value has declined significantly and for which recovery is deemed unlikely.

*4 Loss on valuation of shares of subsidiaries and associates

FY2024 (April 1, 2024 – March 31, 2025)

Loss on valuation of shares of subsidiaries and associates relates to the consolidated subsidiary SPARX Asia Capital Management Limited.

*5 Gain on liquidation of subsidiaries

FY2024 (April 1, 2024 – March 31, 2025)

Gain on liquidation of subsidiaries relates to the consolidated subsidiary, SPARX Innovation for Future Co., Ltd.

*6 Income from investment partnership management

FY2023 (April 1, 2023 – March 31, 2024)

Revenue from investment partnership management on the non-consolidated statements of income includes a performance fee of 247 million yen in the event of capital gains generated from the sale of a power station in which the renewable energy fund has invested. This fee is calculated by multiplying the gain on the sale by a certain rate.

FY2024 (April 1, 2024 – March 31, 2025)

Income from investment partnership management on the non-consolidated statements of income includes 879 million yen in performance fees received when cumulative distributions exceed the contributed capital amount related to the private equity investment strategy.

(Securities)

Shares of subsidiaries and associates and other securities of subsidiaries and associates

Amount of shares, etc. without market prices on the non-consolidated balance sheets

Unit: million yen

Classification	FY2023 (April 1, 2023 – March 31, 2024)	FY2024 (April 1, 2024 – March 31, 2025)

Shares of subsidiaries	7,462	6,660
Shares of associates	582	536
Other securities of subsidiaries and associates	369	323

(Notes to tax effect accounting)

1. Major causes of deferred tax assets and deferred tax liabilities

Unit: million yen

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Deferred tax assets		
Non-recognition of loss on valuation of shares of subsidiaries and associates	5,721	6,125
Non-recognition of loss on valuation of investment securities	530	542
Non-recognition of unsettled liabilities	21	12
Non-recognition of bad debt losses	44	45
Net operating loss carryforwards	182	145
Valuation difference on available-for-sale securities	4	43
Other tax adjustments	252	215
Subtotal deferred tax assets	6,757	7,131
Valuation allowance for tax loss carryforwards	(182)	(145)
Valuation allowance for total deductible temporary differences	(6,554)	(6,974)
Subtotal valuation allowances	(6,737)	(7,120)
Total deferred tax assets	20	11
Deferred tax liabilities		
Valuation difference on available-for-sale securities	975	951
Total deferred tax liabilities	975	951
Net deferred tax liabilities	(954)	(940)

2. Breakdown of major items that caused a significant difference between the normal statutory effective tax rate and the actual effective tax rate after application of tax effect accounting

	FY2023 (March 31, 2024)	FY2024 (March 31, 2025)
Normal statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses and other expenses not permanently includable in losses	1.4	8.0
Expiration of local tax loss carryforwards	0.3	0.5
Equalization of residential taxes	0.0	0.0
Changes in valuation allowance	(2.5)	9.2
Dividend income and other expenses not permanently includable in income	(21.7)	(36.3)
Tax credits	–	(0.0)
Differences due to application of consolidated taxation	0.0	(0.0)
Differences due to change in tax rate	0.0	(5.3)
Others	(0.4)	(0.4)
Actual effective tax rate after application of tax effect accounting	7.8	6.3

3. Accounting for national and local business taxes or accounting for tax effect accounting for those taxes

The Company has adopted a group tax sharing system, and accounting of national and local business taxes or their tax effect accounting and the disclosure of same is conducted according to the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No.42, August 12, 2021).

4. Adjustment to amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate

Following the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) by the Diet on March 31, 2025, the “Defense Special Corporation Tax” will be imposed from the fiscal year beginning on or after April 1, 2026. Accordingly, the normal statutory effective tax rate has been changed from 30.6% to 31.5% for the calculation of deferred tax assets and deferred tax liabilities associated with temporary differences expected to be reversed in the fiscal year beginning on April 1, 2026 and thereafter. This change will have no material impact on the non-consolidated financial statements.

(Notes on revenue recognition)

Basis for understanding revenue from contracts with clients

As described above in (Significant accounting policies), 4. Accounting standards for revenue and expenses.

(Significant subsequent events)

An explanatory note regarding the significant subsequent events is included in “(Significant subsequent events)” in the Notes to Consolidated Financial Statements, so the same content is omitted here.

4) Non-consolidated Supplementary Schedules

Property, plant and equipment

Unit: million yen

Asset type	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation or amortization at end of period	Amortization during period	Net balance at end of period
Property, plant and equipment							
Vehicles	8	–	–	8	4	2	4
Land	68	–	–	68	–	–	68
Total property, plant and equipment	76	–	–	76	4	2	72
Intangible assets							
Software	0	–	–	0	0	0	–
Total intangible assets	0	–	–	0	0	0	–

Detailed schedule of allowances

There are no relevant matters.

(2) Details of major assets and liabilities

This information is omitted as the Company prepares consolidated financial statements.

(3) Other

There are no relevant matters.

Section 6. Stock-related Administration for the Filing Company

Fiscal year	April 1 – March 31
Ordinary General Meeting of Shareholders	Within 3 months after the day following the end of the fiscal year
Record date	March 31
Record dates for dividends from surplus	September 30, March 31
Number of shares constituting one unit	100 shares
Purchase of shares of less than one unit	
Handling office	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited
Administrator of shareholders' register	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Transfer office	–
Purchase fee	No charge
Method of public notice	Public notices of the Company are delivered by electronic means on the Company's website (http://www.sparx.jp) or, if electronic public notice is not possible due to unavoidable circumstances, by publication in the Nihon Keizai Shimbun (Nikkei).
Shareholder benefits	There are no relevant matters.

Note: Pursuant to the Company's Articles of Incorporation, shareholders holding less than one unit of shares have no rights other than those listed below.

(1) The rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act
(2) The right to make a demand in accordance with Article 166, Paragraph 1 of the Companies Act
(3) The right to receive an allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by the shareholder

Section 7. Reference Information on the Filing Company

1. Information on the Parent Company, etc. of the Filing Company

The Company does not have a parent company or other entity that is provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and its attachments and Confirmation Letter thereof
Fiscal year (35th term) (April 1, 2023 – March 31, 2024)
Submitted to the Director-General of Kanto Finance Bureau on June 24, 2024

(2) Internal Control Report and attachments thereto
Submitted to the Director-General of Kanto Finance Bureau on June 24, 2024

(3) Semi-annual Securities Report and Confirmation Letter thereof
(1st half of 36th term) (April 1, 2024 – September 30, 2024)
Submitted to the Director-General of Kanto Finance Bureau on November 12, 2024

(4) Extraordinary Reports
Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Results of exercise of voting rights at the General Meeting of Shareholders)
Submitted to the Director-General of Kanto Finance Bureau on June 10, 2024
Submitted to the Director-General of Kanto Finance Bureau on June 9, 2025

Article 19, Paragraph 2, Item 12 of the Cabinet Office Order on Disclosure of Corporate Affairs
Submitted to the Director-General of Kanto Finance Bureau on June 24, 2024
Submitted to the Director-General of Kanto Finance Bureau on June 13, 2025

(5) Share Buyback Reports
Reporting period (October 1, 2024 - October 31, 2024)
Submitted to the Director-General of Kanto Finance Bureau on November 8, 2024
Reporting period (November 1, 2024 - November 30, 2024)
Submitted to the Director-General of Kanto Finance Bureau on December 6, 2024
Reporting period (December 1, 2024 - December 31, 2024)
Submitted to the Director-General of Kanto Finance Bureau on January 10, 2025
Reporting period (January 1, 2025 - January 31, 2025)
Submitted to the Director-General of Kanto Finance Bureau on February 10, 2025

Reporting period (May 1, 2025 – May 31, 2025)

Submitted to the Director-General of Kanto Finance Bureau on June 9, 2025

(6) Amended Shelf Registration Statement (bonds)

Submitted to the Director-General of Kanto Finance Bureau on June 10, 2024

Submitted to the Director-General of Kanto Finance Bureau on June 24, 2024

Submitted to the Director-General of Kanto Finance Bureau on June 9, 2025

Submitted to the Director-General of Kanto Finance Bureau on June 13, 2025

Part 2: Information about Reporting Company’s Guarantor, Etc.

There are no relevant matters.