The following is an English translation of the original Japanese version.
If there is any inconsistency between the two versions, the Japanese version shall prevail.

Latest update: June 23, 2020

SPARX Group Co., Ltd.

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Our corporate governance operates as follows:

I Basic Philosophy of Corporate Governance, Capital Structure, Company Attributes, and Other Basic Information

1. Basic Philosophy Updated

Since its founding in 1989, SPARX Group Co., Ltd.("the Company") and its subsidiaries (hereafter, together with the Company "the Group") has managed investments using a thorough bottom-up approach grounded in the philosophy that "the Macro is the Aggregate of the Micro." Thus the Group 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, the Group keeps striving "to be the most trusted and respected investment company in the world" and to realize its mission "to make the world wealthier, healthier, and happier,"

In its efforts to further improve corporate governance, the Company has incorporated Audit and Supervisory Committee directors—who audit the corporate directors' executive actions—into the Board of Directors to delineate the boundary between audits and executive action and improve the supervisory function of the Board. This Committee's creation also accelerates executive action by largely transferring authority from the Board to the directors themselves.

Reasons for Not Implementing Each General Principle in the Corporate Governance Code

Principle 3.1 Enhancing Information Disclosure

Refer to the section titled, "Disclosure Based on Each General Principle in the Corporate Governance Code."

Supplementary Principle 4.1.2

Due to the highly market-influenced nature of the Group's primary business of investment trust advising, the Company does not disclose yearly performance forecasts or announce its (midterm) business plans. However, it does sufficiently explain to shareholders and investors the progress in its operational strategy, which includes practical initiatives that will help achieve the record two trillion yen in assets under management (AUM) that the Company has set as its current objective.

If the Company does not produce the results it initially expected after executing its plans, it thoroughly analyzes the causes of this failure and applies the results of this analysis to its next practical strategy. Furthermore, the Company sufficiently explains this process to shareholders and investors at the presentation of its financial statements or other occasions.

Supplementary Principle 4.1.3

The Company formulates and executes succession plans for its chief executive officer (CEO) and other positions. The Board of Directors plays a key role in appropriately supervising this process to ensure that training for successor candidates receives adequate time and resources, and that it proceeds according to plan.

Supplementary Principle 4.3.2 and Supplementary Principle 4.3.3

Per the section on "Business Risks" in the annual securities report, Shuhei Abe—the Group's founder, current CEO, and leading shareholder—has a crucial role in deciding the direction of the Company's business operations and investment strategies. The Company strives to reduce its dependence on CEO Abe by creating a more organized administrative structure and training human resources responsible for management. However, in the event that CEO 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 Company's performance.

With an awareness of this reality, the Company sees appointing the next CEO as a crucial management issue. Therefore, the Board of Directors is establishing objective, timely, and transparent procedures to give sufficient time and resources to appointing the next CEO.

Furthermore, through these operations, the Company shall establish a suitable process for appointing or dismissing a CEO based on adequately evaluating corporate performance and other metrics.

Principle 5.2 Establishing and Disclosing Management Strategy and Plans

Due to the highly market-influenced nature of the Group's primary business of investment trust advising, the Company does not disclose yearly performance forecasts or announce its (midterm) business plans. However, it does sufficiently explain to shareholders and investors the progress in its operational strategy, which includes practical initiatives that will help achieve the record two trillion yen in assets under management (AUM) that the Company has set as its current objective. During such explanations, the Company may, to whatever degree possible, briefly mention other specific details of its plans, including earning power, capital efficiency, any reviews of its business portfolio, and the allocation of business resources.

Disclosure Based on Each General principle in the Corporate Governance Code Updated

Principle 1.4 Political Cross-Shareholdings

At present, the Company does not hold any political cross-shareholdings.

Principle 1.7 Transactions Between Relevant Parties

In the event that the Company conducts transactions with its executives or leading shareholders, the Board of Directors shall sufficiently deliberate whether such transactions are reasonable and necessary for business, as well as whether the parties to the transaction are fungible. It shall also ensure that the terms do not deviate from those of general third-party transactions. After confirming that these transactions do not harm the interests of the Company or its shareholders, the Board of Directors shall approve and otherwise issue its decisions on such transactions.

These transactions are also subject to auditing by the external auditor and the Audit and Supervisory Committee. Furthermore, once a year, the Company collects directly from the executives of the Company or its principal subsidiaries letters of confirmation on any transactions with relevant parties. Then it reviews and investigates the extent of such transactions and the need for public disclosure.

In the event that such transactions exist, the Company shall disclose the required information through its annual securities reports or other financial documents, per the law.

Principle 2.6 Functioning as the Corporate Pension Asset Owner

The Company does not have a corporate pension system.

Principle 3.1 Enhancing Information Disclosure

Since its founding in 1989, the Group has managed investments using a thorough bottom-up approach grounded in the philosophy that "the Macro is the Aggregate of the Micro." Thus the Group 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, the Group keeps striving "to be the most trusted and respected investment company in the world." And to realize its mission "to make the world wealthier, healthier, and happier," as it becomes

To achieve these goals, the Company strives to put an effective corporate governance framework in place. Per a June 9, 2020, vote at the Company's 31st regular general shareholders' meeting, the Company changed its Board of Auditors into an Audit and Supervisory Committee. In its efforts to further improve corporate governance, the Company has incorporated Audit and Supervisory Committee directors—who audit the corporate directors' executive actions—into the Board of Directors to delineate the boundary between audits and executive action and improve the supervisory function of the Board. This Committee's creation also accelerates executive action by largely transferring authority from the Board to the directors themselves. The Company also has a compliance committee to ensure thorough compliance with the Financial Instruments and Exchange Act and all related laws, ordinances, and regulations, as well as other committees that investigate, deliberate, formulate, and report on all inquiries concerning directives from the Board of Directors.

Due to the highly market-influenced nature of the Group's primary business of investment trust advising, the Company does not disclose yearly performance forecasts or announce its (midterm) business plans. However, it does sufficiently explain to shareholders and investors the progress in its operational strategy, which includes practical initiatives that will help achieve the record two trillion yen in assets under management (AUM) that the Company has set as its current objective.

The Company regards its director remuneration system as an important part of corporate governance. The Company has established this system to determine remuneration 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.

Remuneration consists of three components: a base salary, short-term performance bonuses, and medium- to long-term performance bonuses. Economic and market conditions greatly influence performance in the Group's primary business of investment trust advising, so the Company ensures that performance-based compensation is weighted more heavily than base salary to align with its stakeholders' interests. Specifically, the remuneration system is designed to have a ratio of 3:7 for base salary to performance bonuses. However, due to the Group's failure to meet its performance targets, the current consolidated fiscal year has a ratio of roughly 5:5. The Company also takes care to ensure that the total compensation is attractive compared to other investment firms and competitive enough to draw talented people. At the 31st regular general shareholders' meeting held on June 9, 2020, the Company voted to set the maximum remuneration for directors (excluding the Audit and Supervisory Committee directors; per Article 18.1 of the Articles of Incorporation, the Company shall have no more than five directors) at JPY 1.5 billion per year.

The Corporate Director Compensation and HR Committee, comprised of the CEO and all outside directors, discuss remuneration levels at other companies in the industry, the responsibilities directors have on a Group-wide level, and the degree to which each director contributes. The Committee then decides on the specific compensation package for each director (excluding the Audit and Supervisory Committee directors), creates a proposal outlining these decisions, and sends the proposal to the Board of Directors.

The maximum compensation for Audit and Supervisory Committee directors has been set to JPY 300 million per year (as per a vote at the 31st regular general shareholders' meeting). The Audit and Supervisory Committee directors deliberate to determine the compensation for all other committee directors.

The Board of Directors appoints or dismisses the members of the Company's executive management team. The Corporate Director Compensation and HR Committee, comprised of the CEO and all outside directors, discusses and deliberates on the appointment of directors (excluding Audit and Supervisory Committee directors) from the perspective of whether candidates are "individuals with a strong benevolence who have the track record and experiences needed to fulfill all their duties as officers of the Company, and who are qualified to further grow and expand the businesses of the Group in the future." The Committee then creates a proposal outlining specific appointments and sends the proposal to the Board of Directors.

With the approval of the Audit and Supervisory Committee, the Board of Directors determines Audit and Supervisory Committee director appointments based on the same perspective as above, while also ensuring that these directors are individuals who possess sufficient knowledge of financial matters and accounting.

An explanation of processes for electing, dismissing, and appointing director candidates shall be included in the convocation notice for the general shareholders' meeting.

Supplementary Principle 4.1.1

The Company's Board of Directors consists of three highly experienced directors (excluding the Audit and Supervisory Committee directors) and three highly independent Audit and Supervisory Committee directors. It regularly meets once a month and holds emergency sessions as necessary to promptly make decisions on operational issues. Moreover, the three Audit and Supervisory Committee directors are independent outside directors to improve the Company's governance framework. These outside directors offer the Board of Directors independent, objective expertise and further expand its decision-making and supervisory functions.

Per the Company's transition to a corporation with an Audit and Supervisory Committee, the Articles of Incorporation allow the Company to delegate decisions on essential business operations to the directors. This shift accelerates executive action by largely transferring authority from the Board to the directors themselves.

Matters decided by a Board of Directors' vote include (1) legal issues; (2) critical business-related matters, as outlined in the Regulations for the Board of Directors; and (3) issues outlined by the Articles of Incorporation.

The Board of Directors also establishes the specific scope of responsibilities assigned to the management team in the various corporate regulations it creates, including the Regulations on the Division of Administrative Responsibilities, the Regulations on Administrative Authority, and the Regulations on Management Committees.

Principle 4.9 Criteria for Evaluating the Independence of Outside Directors and Their Qualifications

The Company selects independent outside directors based on the criteria for independence established by the Tokyo Stock Exchange. As of the date of this document, the Company has notified the Tokyo Stock Exchange of the three outside directors who serve as the Company's independent directors.

The Board of Directors selects candidates for outside directors based on whether they are equipped with extensive knowledge and experience in corporate management and with the qualifications, abilities, and expert knowledge that will contribute to improved corporate value. Candidates should also be able to actively participate in the diverse, constructive discussions held by the Board of Directors, and they should be "individuals with a strong benevolence who have the track record and experiences needed to fulfill all their duties as officers of the Company, and who are qualified to further grow and expand the businesses of the Group in the future."

Supplementary Principle 4.11.1

In its Articles of Incorporation, the Company has established that the Board of Directors shall have at most five directors (excluding the Audit and Supervisory Committee directors) and at most five Audit and Supervisory Committee directors. The Board selects director candidates based on whether they are equipped with extensive knowledge and experience in corporate management and with the qualifications, abilities, and expert knowledge that will contribute to improved corporate value. Candidates should also be able to actively participate in the Board's diverse, constructive discussions, and they should be "individuals with an excellent sense of humanity who have the track record and experiences needed to fulfill all their duties as officers of the Company, and who are qualified to further grow and expand the businesses of the Group in the future."

When appointing directors in the future, the Company shall continue to focus on their knowledge, experience, and abilities, while also accounting for the balance, diversity, and size of the Board, as appropriate at the time.

Supplementary Principle 4.11.2

In its annual General Shareholders' Meeting Notice, the Company lists key matters related to its directors, including outside directors, and their concurrently held positions at other companies. See the Regular General Shareholders' Meeting Notice on the Company website. https://ssl4.eir-parts.net/doc/8739/ir_ m aterial6/139420/00.pdf

At present, the Company's directors remain within reasonable limits in terms of their concurrently held positions at other companies, and they have sufficient time and energy to adequately fulfill their roles and responsibilities as officers of the Company.

Supplementary Principle 4.11.3

To improve the Board of Directors' effectiveness, the Company surveys all directors and auditors (from before the transition to having an Audit and Supervisory Committee) regarding the Board's efficacy.

The Board of Directors' executive office compiles the survey results and reports them to the Board for discussion. The Board considers potential responses to any issues found as part of its efforts to continually improve.

The specific issues reported during the May 2020 Board meeting were as follows:

- The successor plan and appointing/dismissing the management team: See Supplementary Principles 4.1.3, 4.3.2, and 4.3.3.

Supplementary Principle 4.14.2

The Company invites internal and external experts to provide training as necessary to teach directors what they need to learn in response to social change.

Furthermore, when appointing outside directors, the Company helps them understand its management philosophy and corporate culture and fulfill their duties as the Company's officers by providing information through individual meetings with the Group CEO and detailed explanations of the tasks performed by key front-line managers.

The Company also provides opportunities to take part in periodic internal training held to cover crucial topics related to compliance and labor management, and it shares the content of such training.

The fees for the training listed above are appropriately added to the budget created at the start of each fiscal year, and the Company approves additional funds for training as needed.

Principle 5.1 Policy Regarding Constructive Engagement with Shareholders

The Company remains reasonably positive about engaging with shareholders and investors, to the extent that such engagement contributes to continuing corporate growth and improved corporate value over the medium to long term.

The Company has put a framework for engagement in place under the leadership of the CEO and the managing executive officer who is in charge of information disclosure at corporate headquarters. The Operations Management Division is primarily responsible for carefully coordinating the relevant internal departments to provide sufficient information to shareholders and investors.

In addition to posting related materials on its website, the Company also posts accessible videos to improve understanding of some disclosed information. When asked, and to the extent possible, the Company also holds individual discussions with institutional investors in Japan and abroad, and it strives to engage with individual investors by participating in conferences hosted by securities firms.

The Company has also formulated its IR Disclosure Policy(*) to ensure that all shareholders and market participants understand and accurately evaluate the Company, as it strives to disclose accurate, fair, and timely information. The Company thoroughly manages insider information. It maintains disciplined IR activities by establishing a silent period that extends from five business days before the last day of each quarter until the day it presents its earnings report.

(*) The IR Disclosure Policy is available on the Company website via the following URL: http://www.sparxgroup.com/ir.html

Regarding any constructive opinions that the Company hears through the above engagement and that contribute to continuing corporate growth or corporate value improvement over the medium to long term, the managing executive officer at corporate headquarters shares, as necessary, these opinions with the relevant departments as feedback and also reports any crucial matters to the Board of Directors.

2. Capital Structure

Ratio of shares held by foreign investors Updated	Less than 10%

Leading Shareholders

Full or official name	Number of shares held	Percent of total
Shuhei Abe	82,732,600	40.79
Abe Capital Co., Ltd.	25,600,000	12.62
Yu Shimizu	10,405,000	5.13
The Master Trust Bank of Japan, Ltd. (in trust accounts)	3,878,000	1.91
The Master Trust Bank of Japan, Ltd. (in 76,095 stock-granting ESOP trust accounts)	3,000,000	1.48
Clearstream Banking S.A.	1,831,800	0.90
State Street London c/o State Street Bank and Trust Boston SSB TC A/C UK London Branch Clients - United Kingdom	1,712,377	0.84
DBS Bank Limited 700152	1,441,300	0.71
Masatoshi Fukami	1,428,700	0.70
Japan Trustee Services Bank, Ltd. (in five trust accounts)	1,415,300	0.70

Controlling shareholders (excluding the parent company)	Shuhei Abe
Parent company	None

Supplementary Explanation

Updated

The information on the leading shareholders is current as of March 31, 2020.

In addition to the shares listed above, the Company holds treasure stock of 6,737,210 shares.

3. Company Attributes

Listed exchange and market segment	Tokyo Stock Exchange, Section 1
Fiscal year-end	March
Industry	Securities & commodity futures trading industry
Number of (consolidated) employees at the end of the last fiscal year	Between 100 and 500 employees
(Consolidated) revenue at the end of the last fiscal year	Between JPY 10 billion and JPY 100 billion
Number of consolidated subsidiaries at the end of the last fiscal year	Between 10 and 50 companies

4. Guidelines for Policies on Protecting Minority Shareholders When Conducting Transactions with Controlling Shareholders Updated

The Company CEO Shuhei Abe is the controlling shareholder, as defined by the Tokyo Stock Exchange's regulations, because he holds a majority of voting rights for the Company in terms of the total voting rights derived from Company shares owned by himself, his immediate family, or a company he owns.

As a general rule, the Company does not expect to conduct business with CEO Abe, his family members, or the company he owns, other than in paying him his executive compensation. However, the directors, including outside directors, must oversee such transactions if they were to occur. In the event that conflicts of interest or director–corporate transactions occur between CEO Abe and the Company, the Board of Directors shall vote on whether to approve such transactions, per the provisions of the Companies Act, and shall adequately watch to ensure that the transaction does not harm the interests of the Company or its shareholders.

5. Other Special Circumstances that Could Have a Grave Impact on Corporate Governance

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II. Operational Decision Making, Operational Management Organizations Responsible for Business Execution and Supervision, and Other Corporate Governance Frameworks

1. Matters Concerning Institutional Structures and Organizational Management

Organizational structure	Corporation with an Audit and Supervisory Committee

Director-related matters

Number of directors in the Articles of Incorporation	10
Term of directors in the Articles of Incorporation	One year
Chairperson of the Board	CEO
Number of directors Updated	6
State of outside director appointments	Appointed
Number of outside directors Updated	3
Number of outside directors designated as independent directors Updated	3

Relationship with the Company (1)

Updated

Full name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Kazuyoshi Kimura	From another company											
Kimikazu Noumi	From another company											
Toshihiko Nakagawa	From another company											

*** Options regarding the relationship with the Company**

*** If an item applies to the individual "now or recently," the "○" symbol is used; if an item applies "in the past," the "△" symbol is used.**
*** If an item applies to a close relative "now or recently," the "●" symbol is used; if an item applies "in the past," the "▲" symbol is used.**

a A managing executive of a listed company or the subsidiary of one;
b A managing executive or a non managing executive director of a listed company's parent company;
c A managing executive of a listed company's sister company;
d An individual who has listed companies as key business partners or a managing executive of a company that does so;
e A key business partner of a listed company or a managing executive of such a company;
f A consultant, accounting expert, or legal expert who earns significant fees or other assets other than director compensation from a listed company;
g A primary shareholder of a listed company (or a managing executive of a corporation if the corporation is said primary shareholder);
h A managing executive of a business partner of a listed company (when d, e, and f do not apply; only applies to the individual);
i A managing executive of a company in which an outside director concurrently has a post (only applies to the individual);
j A managing executive of an organization that receives donations from a listed company (only applies to the individual);
k Other

Relationship with the Company (2)

Updated

Full name	Audit and Supervisory Committee member	Independent director	Supplementary explanation concerning suitability	Reasons for appointment

Kazuyoshi	Kimura	✓	✓	-	In June 2012, the Company appointed Kazuyoshi Kimura as an outside auditor to take advantage of his broad-based expertise grounded in his extensive experience as a financial industry manager. He has effectively carried out his responsibilities in establishing primarily internal governance systems and ensuring appropriate decision making by the Board of Directors. The Company expects him to continue monitoring overall management and providing useful advice, so it has appointed him as an outside director and a member of the Audit and Supervisory Committee. There are no conflicts of interest between the Company and Mr. Kimura, 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. Kimura as an independent director.
Kimikazu	Noumi	✓	✓	-	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. It will apply his ideas to 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 director.
Toshihiko	Nakagawa	✓	✓	-	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. It will apply his ideas to 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 director.

The Audit and Supervisory Committee

Committee members, and committee chair attributes

Updated

	Total number of committee members	Number of regular members	Number of corporate directors	Number of outside directors	Committee chair

Audit and Supervisory Committee	3	0	0	3	An outside director

Are there directors and employees meant to assist the Audit and Supervisory Committee in its duties? Updated	Yes

Matters concerning the independence from the managing executive directors of the Audit and Supervisory Committee directors and employees

Updated

The Internal Auditing Office assists the Audit and Supervisory Committee with its duties. The Company shall obtain the Audit and Supervisory Committee's prior consent for all Internal Auditing Office personnel matters, including the transfer and evaluation of employees in the Office. It shall ensure that these employees are independent from the corporate directors (excluding the Audit and Supervisory Committee directors). Furthermore, the Internal Auditing Office employees 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 Audit and Supervisory Committee directors).

Status of coordination among the Audit and Supervisory Committee, the external auditor, and the Internal Auditing Office

Updated

The Audit and Supervisory Committee works closely with the Internal Auditing Office and the external auditor. This collaboration allows the former to promptly receive reports on occasional internal audits from the Internal Auditing Office and on periodic audits from the external auditor.

Voluntary committees

Does the Company have voluntary committees corresponding to nominating or compensation committees?	Yes

Establishment status of voluntary committees, committee members, and committee chair attributes

Updated

	Committee name	Total number of committee members	Number of regular members	Number of corporate directors	Number of outside directors	Number of outside experts	Number of other members	Committee chair
Voluntary Committee equivalent to a nominating committee	Corporate Director Compensation and HR Committee	4	0	1	3	0	0	A corporate director
Voluntary Committee equivalent to a compensation committee	Corporate Director Compensation and HR Committee	4	0	1	3	0	0	A corporate director

Supplementaly Explanation

Updated

The Corporate Director Compensation and HR Committee, comprised of the Group CEO and all outside directors, discusses and deliberates on the appointment of directors (excluding Audit and Supervisory Committee directors) from the perspective of whether candidates are "individuals with a strong benevolence who have the track record and experiences needed to fulfill all their duties as officers of the Company, and who are qualified to further grow and expand the businesses of the Group in the future." The Committee then creates a proposal outlining specific appointments and sends the proposal to the Board of Directors.

The Corporate Director Compensation and HR Committee, comprised of the CEO and all outside directors, discuss remuneration levels at other companies in the industry, the responsibilities directors have on a Group-wide level, and the degree to which each director contributes. The Committee then decides on the specific compensation package for each director (excluding the Audit and Supervisory Committee directors), creates a proposal outlining these decisions, and sends the proposal to the Board of Directors.

The Corporate Director Compensation and HR Committee consists of the Group CEO Shuhei Abe and the three outside directors (Kazuyoshi Kimura, Kimikazu Noumi, and Toshihiko Nakagawa). Shuhei Abe chairs the Committee.

Independent director-related matters

Number of independent directors Updated	3

Other matters concerning independent directors

The Company designates all outside directors who are eligible to be independent directors as such.

Incentive-related matters

Implementation of incentive policies for directors Updated	Implementing a performance-based compensation system

Supplementary explanation for this topic

Updated

The Company regards its director remuneration system as an important part of corporate governance. The Company has established this system to determine remuneration 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.

Remuneration consists of three components: a base salary, short-term performance bonuses, and medium- to long-term performance bonuses. Economic and market conditions greatly influence performance in the Group's primary business of investment trust advising, so the Company ensures that performance-based compensation is weighted more heavily than base salary to align with its stakeholders' interests. Specifically, the remuneration system is designed to have a ratio of 3:7 for base salary to performance bonuses. However, due to the Group's failure to meet its performance targets, the current consolidated fiscal year has a ratio of roughly 5:5. The Company also takes care to ensure that the total compensation is attractive compared to other investment firms and competitive enough to draw talented people. At the 31st regular general shareholders' meeting held on June 9, 2020, the Company voted to set the maximum remuneration for directors (excluding the Audit and Supervisory Committee directors; per Article 18.1 of the Articles of Incorporation, the Company shall have no more than five directors) at JPY 1.5 billion per year.

Individuals eligible for the stock option program	

Supplementary explanation for this topic

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Director compensation-related matters

Disclosure (of individual director compensation)	The Company does not disclose individual compensation packages.

Supplementary explanation for this topic

Total Compensation by Type of Director, Total Compensation by Type of Compensation, and Number of Eligible Directors (FY2019)

	Total people in role	Total compensation	Base salary	Performance-based compensation	Severance pay
Corporate directors (excluding outside directors) (Note)	3	JPY 27 million	JPY 27 million	–	–
Auditors (excluding outside auditors) (Note)	1	JPY 8 million	JPY 8 million	–	–
Outside directors	5	JPY 29 million	JPY 29 million	–	–

(Note) In addition to the above figures, in FY 2019, the compensation received by directors holding concurrent roles at Group subsidiaries was JPY 213 million. Furthermore, the above figures include the compensation of one outside director whose resignation took effect at the conclusion of the 30th regular general shareholders' meeting held on June 5, 2019.

Is there a policy determining the amount of compensation and how compensation is calculated? Updated	Yes

Amount of compensation and disclosed details of the policy for its calculation

(i) How base salary is determined

Because the Company is a holding company, its directors' primary duty is to focus on maintaining and improving the Group governance. As a result, as a general rule, only base salaries are paid by the Company based on directors' positions and whether they are full-time or not. When the Company directors (excluding Audit and Supervisory Committee directors) concurrently hold director positions at its subsidiaries and assume responsibility for their operations, the Company determines the total compensation for each director in light of his or her overall duties to the Group. These decisions are based on data on executive compensation at companies listed on the Tokyo Stock Exchange's first section, data on executive compensation at asset management companies located in Japan, and other data provided by compensation consultants and other third parties. The subsidiaries of the Company subtract the base salary given above and pay the remainder as the base salary for each director's concurrent role at a subsidiary.

(ii) How short-term performance-based compensation (i.e., performance-based bonuses) is determined

First, the Company analyzes the Group's business performance figures, including ROE, a crucial indicator of the rate of return on capital entrusted by the Company's shareholders; basic profitability, a key management indicator for the Group, and the fluctuations in AUM. After comparing these figures to the previous year's performance, 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 managers. The Company also determines what percentage of these reserves will be allocated for bonuses to directors (excluding Audit and Supervisory Committee directors).

Next, the Company conducts qualitative and quantitative evaluations for each director (excluding Audit and Supervisory Committee directors), judging factors that include their contributions to the Group's business execution and their achievement of personal goals.

Finally, using these evaluations' results, the Company shall determine the total performance bonus for each director (excluding Audit and Supervisory Committee directors) and pay these bonuses through the Group subsidiaries at which each director (excluding Audit and Supervisory Committee directors) also serves.

(iii) How medium- to long-term performance-based compensation is determined

To further encourage a commitment to the medium- to long-term growth of the Group, the Company may grant stock-related compensation to directors, based on the premise that directors acquire the Company's shares based on their contributions to medium- to long-term corporate targets and their achievement of personal goals.

The Company believes that this compensation is consistent with the medium- to long-term interests of its shareholders and other stakeholders. Therefore, it is subject to a three-year holding period, from when the Company decides the number of shares to grant as compensation at the end of a consolidated fiscal year until the compensation is finally paid. The final payment depends on the share price after these three years have passed, and the payment assumes that the receiving director will acquire the shares at that time. Furthermore, during the holding period, if it is found that the director has violated any compliance requirements or other obligations stipulated in the Group's various regulations, or if the director resigns or gets dismissed from the Board of Directors, the Company shall not pay this compensation.

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

Outside director support framework Updated

The Company does not assign dedicated staff to outside directors.

However, it does distribute, in advance, to outside directors materials for the Board of Directors' meetings.

For particularly vital issues, the Board of Directors takes a vote after several meetings of deliberation so that Board members have a deeper understanding of the issues and make more pertinent judgments.

2. Matters Related to Operations, Auditing, Supervision, Designation, and Determining Compensation (Outline of the Current Corporate Governance Framework) Updated

Board of Directors & Directors

The Company's Board of Directors consists of six highly experienced directors. It regularly meets once per month and holds emergency sessions as necessary to promptly make decisions on operational issues. The Company sets its directors' (excluding Audit and Supervisory Committee directors) terms to 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 Audit and Supervisory Committee directors' terms are for two years. Moreover, the Company invites three outside directors to improve its governance framework. These outside directors offer the Board of Directors independent, objective expertise and further expand its decision-making and supervisory functions.

Administrative Committee

The Company has established an Administrative Committee—consisting of representative directors, executive directors, and executive officers—to deliberate on important business execution decisions delegated by the Board of Directors to the CEO.

Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of three independent outside auditors. It monitors the compliance and appropriateness of the Company's operations.

Internal Auditing Office

The Company has established an internal auditing system led by the Internal Auditing Office general manager. Under the direct supervision of the Board of Directors and independent from business execution, the Internal Auditing Office consists of the general manager and one other staff member, and it may use outside vendors as necessary to perform its internal audits. Following the annual auditing plan approved by the Board of Directors, the Internal Auditing Office audits all divisions' business execution 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.

External auditor

The Company has entered into an agreement for auditing services with Ernest & Young ShinNihon LLC. The names of the certified public accountants who perform these audits, the number of years of continuous auditing, and the team of assistants involved in the audits are as follows:

Designated Limited Liability Partner, Managing Partner, and CPA Toshio Iwabe;
Designated Limited Liability Partner, Managing Partner, and CPA Katsuya Ichikawa;

Term of continuous auditing: 9 years;

Team of assistants involved in the audits: 11 CPAs and 23 other staff members

Other

The Company also has a group risk management committee to manage group-wide risk management through analysis and evaluation based on the results of risk surveys; a compliance committee to ensure thorough compliance with the Financial Instruments and Exchange Act and all related laws, ordinances, and regulations; 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 foreign subsidiaries, remain in close contact with each other and review, from a global perspective, legal compliance and risk management concerning Company operations.

3. Reasons for the Current Corporate Governance Framework Updated

The Company has shifted from having a board of auditors to having an Audit and Supervisory Committee, per the approval of the Company's 31st regular general shareholders' meeting held on June 9, 2020. The Company made this decision in an effort to further improve its corporate governance. The Company believes that incorporating Audit and Supervisory Committee directors—who audit the corporate directors' executive actions—into the Board of Directors will delineate the boundary between audits and executive action and improve the supervisory function of the Board, while also accelerating executive action by largely transferring authority from the Board to the directors themselves.

Ⅲ Implementing Policies Related to Shareholders and Other Stakeholders

1. Efforts to revitalize the general shareholders' meeting and ensure the smooth exercise of voting rights Updated

	Supplementary explanation
Promptly sending general shareholders' meeting notices	In addition to sending shareholders general shareholders' meeting convocation notices 20 days before the meetings, the Company posts these notices on its website six days before sending the notices.
Scheduling general shareholders' meetings to avoid the day on which most companies hold such meetings	To have as many shareholders attend its general shareholders' meetings as possible, The Company annually holds its meeting before the day most companies hold such meetings.
Exercising voting rights through electromagnetic means	The Company uses an electromagnetic system for shareholder voting. It also simultaneously participates in the voting platform for institutional investors operated by ICJ and provides various options for shareholders to exercise their voting rights, including through attendance or in writing.
Participating in an electromagnetic voting platform and other efforts to improve voting for institutional investors	The Company uses an electromagnetic system for shareholder voting. It also simultaneously participates in the voting platform for institutional investors operated by ICJ and provides various options for shareholders to exercise their voting rights, including through attendance or in writing.

2. IR-related activities Updated

	Supplementary explanation	Availability of explanations through representatives
Creating and publishing disclosure policies	The Company publishes its disclosure policies on its website. (in Japanese and English)	
Holding regular briefing sessions for individual investors	For the purpose of fair disclosure, the Company posts quarterly videos of its earning presentations online.	Yes
Holding regular briefing sessions for analysts and institutional investors	For the purpose of fair disclosure, the Company posts quarterly videos of its earning presentations online.	Yes
Holding regular briefing sessions for foreign investors	For the purpose of fair disclosure, the Company posts quarterly videos (in English) of its earning presentations online.	Yes
Posting IR materials online	In addition to posting annual securities reports and quarterly reports—legally mandated documents—the Company periodically publishes earnings summaries and explanations of its earnings.	
Establishing an IR department (or manager)	The Administrative Division is in charge of IR.	

3. Efforts involving respect for the position of stakeholders

	Supplementary explanation
Internal corporate regulations on respecting the position of stakeholders	The Company regularly conveys to all its stakeholders its clear corporate vision of "becoming the most trustworthy and respected investment company in the world." It also has in place a code of conduct and corporate values in the SPARX Vision Statement.
Engaging in environmental protection and CSR activities	To further promote an understanding of renewable energy among primarily elementary school children in the regions where it develops and invests in renewable energy power stations, the Group sponsors the Child Energy Summit. This educational program aims to draw out "creative thinking involving the future of energy." The Group's CEO, CIO, and other management team members, through numerous lectures in Japan and abroad, continually strive to increase interest in, further the understanding of, and raise awareness about investment under the Company's corporate vision and investment philosophy.
Forming policies related to providing information to stakeholders	The Company strives to round out the information it discloses, including legally mandated documents, on its website.

Ⅳ Matters Concerning Internal Control Systems

1. The basic approach and practical installations regarding internal control systems Updated

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 its decision-making and administrative operations' legality and appropriateness. 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, the Company notifies securities exchanges of its outside directors who meet the requirements for independent directors, 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, and they act per the SPARX Vision Statement, the Compliance Manual, and the Code of Ethics, which are in place to help the Group achieve its vision of "becoming the most trustworthy and respected investment company in the world." Furthermore, the Company requires that its executive directors attend compliance training at least once per year to further their understanding of the law and various regulations.
(4) To ensure compliance with international 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) Regarding unlawful or illegal conduct by Company directors, the Company has an internal reporting system. The Compliance Division head and 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) Based on its Documentation Rules, the Company stores and manages the following documents (including electromagnetic records; this also applies below) and related materials:
a) General shareholders' meeting minutes;
b) Board of Directors' meeting minutes;
c) Audit and Supervisory Committee meeting minutes;
d) Other documents stipulated in the Documentation Rules and Private Accounting Rules.
(2) In the event that the directors ask to see documents, the relevant departments 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, and terrorist attacks, the Board of Directors puts an advanced business continuity plan in place and strives to be prepared to effectively respond during emergencies.

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 rules on the 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 Audit and Supervisory Committee directors) 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 Code of Ethics, which are in place to help the Group achieve its vision of "to be 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 international 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 shall 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 Office, and the compliance committee discusses the incidents and reports them to the Board of Directors. In the event that the Company must investigate the need for disciplinary action, it shall have a separate committee discuss and issue an internal penalty per the Employee Handbook.
(5) Regarding unlawful or illegal conduct by Company employees, the Company has an internal reporting system. The Compliance Division head and 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 Office, 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 companywide controls, IT controls, and operational process controls. The Board's activities also involve evaluating internal controls, judging their effectiveness, and addressing any deficiencies.

6. Framework for ensuring appropriate operations in the business group consisting of the Company and its subsidiaries

(1) The Administrative Division monitors the operations of all Group subsidiaries per their administrative rules. The division investigates the

state of operations for significant subsidiaries and reports their 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, and depending on the size and form of their businesses, has these subsidiaries formulate their own corporate rules that include the required provisions based on the Group Code of Ethics Protocol.

7. Ensuring the independence from directors of employees meant to assist the Audit and Supervisory Committee in its duties and the effectiveness of instructions given to these employees

(1) The Internal Auditing Office shall assist the Audit and Supervisory Committee in its duties.

(2) The Company shall obtain the Audit and Supervisory Committee's prior consent for all Internal Auditing Office personnel matters, including the transfer and evaluation of employees in the Office. It shall ensure that these employees are independent from the corporate directors (excluding the Audit and Supervisory Committee directors).

(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 Audit and Supervisory Committee directors).

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

(1) If a Group director (excluding Audit and Supervisory Committee directors), auditor, or employee discovers facts that could cause considerable harm to the Company 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 Office asks the Group director (excluding Audit and Supervisory Committee directors), auditor, or employee to report on the Company or its domestic subsidiaries' businesses and assets, he or she shall immediately report these facts.

(3) The Internal Auditing Office 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 Audit and Supervisory Committee do not receive unfavorable treatment due to their reports

The Company prohibits the unfavorable treatment of the Group directors and employees who (directly or indirectly) submit reports to the Audit and Supervisory Committee, resulting from 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 Auditing Office to conduct audits and amend audit-related procedures. The Committee also periodically receives reports on audits from the external 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 subsidiaries' auditing operations.

12. Framework for ensuring reliability in financial reports

To ensure reliability in its financial reports, the 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.

2. The basic approach and practical installations 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 or provide any economic benefits to these forces. It resolutely refuses to respond to illegal or inappropriate requests 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.

V Miscellaneous

1. Has the Company implemented plans for defending against buy-outs?

Has the Company implemented plans for defending against buy-outs?	None

Supplementary explanation for this topic

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2. Other matters concerning corporate governance frameworks

The Company’s internal systems concerning the timely disclosure of corporate information are as follows:

1. Basic policy for timely disclosure
To ensure that all shareholders and market participants understand and accurately evaluate the Group, the Company aims to disclose, in a timely manner, trustworthy information that is fair, prompt, and objective.

2. Internal framework for timely disclosure
At the Company, the division responsible for IR (the Administrative Division) closely partners with related divisions to share information in a timely manner, create and publish disclosure materials, and respond to inquiries from investors and market participants. The division responsible for IR conducts disclosure procedures for corporate information in line with the following categories:

(1) Breaking news
The managers of all departments, including subsidiaries, report crucial breaking news to the division responsible for IR. The information management manager and the IR division investigate the need for timely disclosure and, in the event that such disclosure is necessary, immediately disclose the breaking news.

(2) Established facts
The Board of Directors votes on whether to disclose crucial facts during their meetings, and the Company discloses established facts immediately after the Board has approved their disclosure.

(3) Financial data
The Board of Directors decides on the content of financial data subject to disclosure and approves its disclosure. The Company discloses this data immediately after the Board has approved their disclosure.

Other matters concerning corporate governance frameworks