Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report filed with the Tokyo Stock Exchange. 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.

Corporate Governance

Latest update: June 24, 2024
SPARX Group Co., Ltd.
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The following is an overview of corporate governance at SPARX Group Co., Ltd.

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

1. Basic Philosophy

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 Micro." Thus 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, the 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."
SPARX Group has instituted an Audit and Supervisory Committee. In its efforts to further improve corporate governance, the Group's Audit and Supervisory Committee—composed of members of the Board of Directors—audits the directors' executive actions 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 (updated)

(Supplementary Principle 2.4.1)
Philosophy on Ensuring Diversity; Voluntary and Measurable Targets and their Progress
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 a person's gender, nationality, or other similar attributes, preferring to focus on experience, talent, and an ability to understand and support the values embodied in the Group's purpose and vision.
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 if they are gifted. Since mid-career professionals have diverse careers and backgrounds, the Group believes they bring extraordinary diversity beyond its established corporate values.
Furthermore, the Group is directing hiring activities toward personnel with experience outside the financial industry to bring in new hires and seconded employees from diverse industries. To build an even more diverse organization, we aim to incorporate human resources with values and knowledge beyond the financial sector.
We have newly hired executives and employees meet with the CEO so they will deeply understand the values and code of conduct we have cherished and perpetuated since our founding. We strive to embody these values and the code of conduct throughout the organization by holding regular workshops for all departments and providing everyone with opportunities to reflect on them. Moreover, we are introducing a system to evaluate whether employees are acting according to the code of conduct so they can look back on their actions objectively. We want all employees, even those with diverse backgrounds and knowledge, aligned toward realizing the Group's Purpose.

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, date 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, the Group is moving forward with efforts to build a work environment that fully assumes as normal the active involvement of women. Last fiscal year, we introduced an HR program that provides flexible support suited to different life stages for employees (see Supplemental note 1 below). Moreover, this fiscal year, we intend to improve convenience for employees by expanding sick leave availability from full-day or half-day increments to hourly increments as well. We will also provide opportunities for management candidates to take practical training programs that teach the attitudes and behaviors required of leaders, as well as the responsibilities and fulfillment found through such positions. This focus on building a culture that increases the number of employees who autonomously seek leadership roles should result in more female employees becoming involved in management decision-making. Because the Group's business foundation is centered in Japan, ratios for non-Japanese employees and managers are as shown below (see Supplemental note 2); however, the Group believes these ratios will naturally increase as we expand our business outside Japan.
(Supplemental note 1)
Primary support programs suited to different life stages
*Multitrack work schedules Employees may choose their working hours within a certain range.
* Reduced-schedule full-time employment system Employees may work 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 (leave is available 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.
*Childbirth and childcare benefits We pay benefits to employees who take prenatal and postnatal leave and men who take childcare leave.
(Using these programs may require Company approval.)

(Supplemental note 2)
Figures as of March 31, 2024 (SPARX Group employees: 186, including officers concurrently serving as employees)
*Female employees: 78 (41.9% of all Group employees)
*Female managers: 10 (25.6% of all Group managers)
*Non-Japanese employees: 44 (23.6% of all Group employees)
*Non-Japanese managers: 8 (20.5% of all Group managers)
*Mid-career hires: 177 (94.2% of all Group employees)
*Mid-career hires in management positions: 35 (97.4% of all Group managers)
*Employees with disabilities: 1 (0.5% of all Group employees)
("Employees in management positions" are defined as individuals with management responsibilities in the organization, including individuals concurrently serving as employees.)

Diversity-Focused Human Resources Development Policies, Internal Work Environment Policies, and Their Implementation
*Going forward, 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 investigate options for diverse work styles, such as multitrack work schedules, working from home, or work reduced-schedule.

*By considering options such as delayed retirement, the Group will investigate organizational systems for better utilizing the experience of senior and veteran employees while also helping them pass on their knowledge, experience, and skills to the next generation, including providing growth opportunities for young employees.
*Through harassment awareness and unconscious biases 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 stability.
*The Group will utilize the in-house recruitment system already in place and strive to provide workplaces conducive to all employees exercising their talents while simultaneously making workplaces that allow employees to accumulate experience for moves into management positions.
*By enhancing measures that contribute to employees maintaining and enhancing their health, and by implementing what is called "health and productivity management," the Group will build an environment that allows diverse employees to work with enthusiasm and in good health.
*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 sharing this ethos and corporate culture.
(Current status)
*No. of employees using the childcare leave system (domestic Group company totals)
FY3/2024: 3 men (3 eligible) 1 woman (1 eligible)
FY3/2023: 1 man (2 eligible), 2 women (2 eligible)
FY3/2022: 0 men (2 eligible) 3 women (3 eligible)
※Number of eligible employees is the number of people who have given birth themselves or their spouses.
※In cases where the period of childcare leave crosses a fiscal year, the count is based only on the fiscal year in which the leave started.
*No. of mid-career hires (domestic Group company totals)
FY3/2024: 21 employees (11 men, 10 women)
FY3/2023: 13 employees (10 men, 3 women)
FY3/2022: 13 employees (8 men, 5 women)

(Supplementary Principle 4.1.2)
Due to the highly market-influenced nature of SPARX Group's primary business of investment trust management, discretionary investment management, and investment advisory, the Company does not disclose yearly performance forecasts or announce its (medium-term) 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, by March 31, 2026, the three trillion yen in assets under management (AUM) that it has set as its current objective. If the Company does not produce the results it initially expected after executing its plans, the Board of Directors thoroughly analyzes the causes of this failure and applies the results to its next practical strategy. Furthermore, SPARX Group sufficiently explains this process to shareholders and investors at the presentation of its financial statements or on other occasions. The CEO reports on our progress toward the target of JPY 3 trillion in AUM through a briefing earnings video.

(Supplementary Principle 4.1.3)
SPARX Group will formulate and execute succession plans for its chief executive officer (CEO) and other positions. The Nomination and Compensation Committee and Board of Directors play a key role in appropriately supervising this process to ensure that training for successor candidates receives adequate time and resources and proceeds according to plan. The Group continues its shift to a new generation of management by reducing the number of internal directors to one representative director. This change aims to establish a new management structure by selecting and training successors to lead our group by streamlining execution with a flatter organization

(Supplementary Principle 4.3.2 and Supplementary Principle 4.3.3)
Per the "Business Risks" section in the annual securities report, Shuhei Abe—SPARX 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. SPARX Group strives to reduce its dependence on CEO Abe by creating a more organized administrative structure and by training human resources who can be 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 Group sees appointing its next CEO as a crucial management issue. Therefore, the Board of Directors establishes objective, timely, and transparent procedures to give sufficient time and resources to appoint the next CEO.
As stated in (Supplementary Principle 4.1.3), we have initiated a generational change in management. The Company's CEO Abe manages operations directly with the next generation of leaders to handpick and develop human resources.
Furthermore, through these operations, the Group will establish a suitable process for 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 SPARX Group's primary business of investment trust management, discretionary investment management, and investment advisory, the Company does not disclose yearly performance forecasts or announce its (medium-term) 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, by March 31, 2026, the three trillion yen in assets under management (AUM) that it has set as its current objective. During such explanations, the Company may, to whatever degree possible, mention other factors, including earning power, capital efficiency, business portfolio reviews, and management resource allocation. The CEO reports on our progress toward the target of JPY 3 trillion in AUM through a briefing earnings video.
https://www.sparxgroup.com/ir/movie/
Furthermore, we disclose our efforts to implement management that is conscious of cost of capital and stock price in our earnings presentation.
Japanese: https://https://ssl4.eir-parts.net/doc/8739/tdnet/2464086/00.pdf
English: https://https://ssl4.eir-parts.net/doc/8739/tdnet/2464087/00.pdf

Disclosure Based on Each General Principle in the Corporate Governance Code (updated)

(Principle 1.4 Political Cross-Shareholdings)
At present, SPARX Group does not hold any political cross-shareholdings.

(Principle 1.7 Related Party Transactions)
In the event that SPARX Group conducts transactions with its executives or leading shareholders, the Board of Directors will sufficiently deliberate whether such transactions are reasonable and necessary for business, as well as whether the parties to the transaction are fungible and will 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 will 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 its or its principal subsidiaries' executives 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 will 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) SPARX Group does not have a corporate pension system.

(Principle 3.1 Enhancing Information Disclosure)
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 Micro." Thus 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, the 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."
To realize these goals, the Group is working to build an effective corporate governance system. Per a June 9, 2020, vote at the Company's 31st ordinary general meeting of shareholders, SPARX Group transitioned from a company with a Board of Auditors to a "company with committees" (including an Audit and Supervisory Committee). In its efforts to further improve corporate governance, the Company instituted an Audit and Supervisory Committee—composed of members of the Board of Directors—that audits the directors' executive actions 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 SPARX Group's primary business of investment trust management, discretionary investment management, and investment advisory, the Company does not disclose yearly performance forecasts or announce its (medium-term) 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, by March 31, 2026, the three trillion yen in assets under management (AUM) that it has set as its current objective.

The Company regards its director compensation system as essential to corporate governance. The Company has established this system to determine compensation so that those who resonate with the Group's purpose 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.
Compensation for Directors consists of 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 management, discretionary investment management, and investment advisory. Hence, the Company ensures that short-term and medium- to long-term performance-based compensation is weighted more heavily than 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 ensures that the total compensation is attractive compared to other investment firms and competitive enough to draw talented people. These decisions are based on data on executive compensation at companies listed on the Tokyo Stock Exchange's Prime Market and asset management companies in Japan, as well as other data provided by compensation 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 compensation for directors (excluding the Audit and Supervisory Committee directors and outside 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 (excluding salaries for employees). Separately, at the 33rd ordinary general meeting of shareholders held on June 10, 2022, the Company passed its resolution to set the limit under the performance-based stock compensation plan to JPY 1.8 billion for four fiscal years, from the fiscal year ending March 31, 2023, through the fiscal year ending March 31, 2026.
The Nomination and Compensation Committee—comprised of the CEO and all outside directors—discusses compensation levels at other companies in the industry, directors' responsibilities to the Group, 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 for

consideration.
At the 31st ordinary general meeting of shareholders held on June 9, 2020, the Company also voted to set the maximum compensation for Audit and Supervisory Committee directors at JPY 300 million per year. The Audit and Supervisory Committee directors deliberate to determine the compensation for all other committee directors.

The Board of Directors appoints or dismisses the Company's executive management team members. The Nomination and Compensation 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 candidates' diversity and skills and whether candidates are "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." The Committee then creates a proposal outlining specific appointments and sends the proposal to the Board of Directors for consideration.
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 will be included in the general shareholders' meeting convocation notice.

(Supplementary Principle 3.1.3)
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.
Please refer to the following website for our philosophy and efforts regarding sustainability.
(Per the "corporate information" first part of the annual securities report, section 2 "approach and initiatives for sustainability" under "business overviews")
Annual Securities Report | Investor Relations | SPARX Group

(Supplementary Principle 4.1.1)
The Company's Board of Directors consists of one highly experienced internal director (excluding the Audit and Supervisory Committee directors) and five outside directors who are Audit and Supervisory Committee members (all are independent outside directors). It regularly meets once a month and holds emergency sessions as necessary to promptly make decisions on management issues. Moreover, all of the five Audit and Supervisory Committee members 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 said authority from the Board to the directors themselves.
Matters decided by a Board of Directors' vote include (1) matters stipulated by law and (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 Segregation of Duties, the Regulations on Administrative Authority, and the the Regulations on Management Meeting.

(Principle 4.9 Criteria for Evaluating the Independence of Outside Directors and Their Qualifications)
SPARX Group 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 all five 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 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."

(Supplementary Principle 4.10.1)
The Board of Directors has established the Nomination and Compensation Committee as an advisory body for "strengthening 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."
The committee comprises at least three directors selected by resolution of the Board of Directors, the majority of which must be independent outside directors. The committee stipulates that these independent outside directors are those of outside directors registered as independent directors with the Tokyo Stock Exchange. Specifically, the Group CEO chairs the committee, and four outside directors (all of whom are independent directors) participate as committee members. The Company plans to appoint Toshihiko Nakagawa, an independent outside director, as the next Nomination and Compensation Committee chair and Asako Saito, an independent outside director, as a new Committee member.
In addition, the committee discusses especially material matters, including diversity and skills when examining nominations and compensation, and appropriately engages and advises the Board of Directors. Specifically, the committee provides advice and recommendations on the following matters in response to the Board of Directors:
(1) General shareholders' meeting proposals concerning the election and dismissal of candidates for directors (excluding directors who are Audit and Supervisory Committee members; the same applies hereinafter), and Board of Directors proposals concerning the election and dismissal of candidates for Group executive officers;
(2) Establishing, amending, or abolishing basic policies, rules, and procedures required to resolve the matters in the previous paragraph;
(3) Other matters deemed necessary by the Nomination and Compensation Committee with respect to appointing or dismissing both directors and Group executive officers;
(4) Policy on Determining Details of Individual Compensation for Directors and Group Executive Officers;
(5) Specifics of individual compensation for directors and Group executive officers;
・ Fixed remuneration: Individual amounts;
・ Non-fixed remuneration: Specific calculations on an individual basis;
・ Non-monetary remuneration: Specifics on an individual basis;
(6) Establishing, amending, or abolishing basic policies, rules, and procedures required to resolve the matters in the previous two paragraphs;
(7) Other matters the Nomination and Compensation Committee deems necessary in compensating directors and Group executive officers.

(Supplementary Principle 4.11.1)
The Board of Directors remains cognizant of the diversity and international acumen necessary for growing the business of SPARX Group. It, therefore, 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." Procedures for selecting director candidates are outlined in Principle 3.1 Enhancing Information Disclosure.
To facilitate supervision and advice provision when formulating basic management policies, decision-making for particularly material management decisions, and task execution by directors and executive officers, the Group makes appointments to ensure that the Board has a good overall balance of knowledge, experience, and abilities, while also accounting for the balance—in light of the scale and other aspects of the Group's business—between Board size and diversity. Reflecting on operational strategies, the Board identifies the skills required of its members, who possess a range of knowledge and experience. We note the especially essential abilities that the Board expects in this regard on page 10 of the notice of the 35th ordinary general meeting of shareholders.
https://ssl4.eir-parts.net/doc/8739/announcement1/99226/00.pdf

(Supplementary Principle 4.11.2)
In its notice of the 35th ordinary general meeting of shareholders, the Company lists key matters related to its directors, including outside directors, and their concurrently held positions at other companies on pages 9, 11, and 26.
https://ssl4.eir-parts.net/doc/8739/announcement/99223/00.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 regarding the Board's efficacy using a standard questionnaire prepared by an external evaluation body, with additional customized questions pertaining to SPARX Group (see below for details).
・ Board of Directors' composition
・ Board of Directors' operation
・ Board of Directors' discussions
・ Board of Directors' monitoring functions
・ Support structures for directors (including the Audit & Supervisory Committee members)
・ Training
・ Engagement with shareholders (investors)
・ Individual director initiatives
・ Audit and Supervisory Committee
We maintain a high degree of anonymity by having the external evaluation body directly collect the questionnaires from all directors.
The external evaluation body compiles the results and reports them to the Board for discussion. The Company received below-average ratings from all directors for the

following evaluation items, with future countermeasures described as follows: The rating has a five-point scale from “5 - adequate” to “1 - inadequate.” The following is a list of items that received only a three-point evaluation, on average, from all directors.
・ Follow-up on the progress of annual goals: The Company encourages monthly progress reports and strives to appropriately reflect them in planning the new fiscal year. However, its efforts have received ratings ranging from “5 - adequate” to “1 - inadequate.” Going forward, we will add to the progress reports from administrative departments, with general managers for all businesses reporting on their progress toward targets and plans for future initiatives to engage in concrete discussions at monthly Board of Directors meetings.
・ Succession planning: The percentage of companies with a market capitalization of the Company's size (JPY 30–100 billion) that have a documented succession plan in place is still low at around 15%. Therefore, we will not formulate and document a general plan, preferring to first confirm the management structure for unforeseen circumstances, the main requirements expected of the CEO in normal times (i.e., the main requirements at the time of appointment), and the minimum requirements for removal or non-reappointment with the Nomination and Compensation Committee.
・ Feedback on dialogue with shareholders: We have previously received feedback on dialogue with shareholders as necessary during business reporting at Board of Directors meetings. However, we decided to make it a monthly report separate from our business report to improve our reporting starting this fiscal year. However, three respondents (42.9%) still rate this category as “3 - neither adequate nor inadequate,” so we will further improve our reporting by clarifying the points that are lacking.
・ Comprehensiveness of information provided at Board of Directors meetings: We received high ratings of “5 - adequate” or “4 - generally adequate” from all but one respondent. We will clarify the expected comprehensiveness of the Board of Directors meeting materials from the respondent who answered “1 - inadequate” and consider our options for improvement.
・ Opportunities for outside directors to have discussions (outside of Board meetings): The Secretariat will also provide support as needed.

(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 promotes an understanding of its management philosophy and corporate culture, and it provides the information they need for their duties as the Company’s officers, including through individual meetings with the Group CEO and detailed explanations of the tasks performed by key frontline managers.

The Company also provides opportunities to take part in periodic internal training to cover crucial compliance and labor management topics, 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)
SPARX Group 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 under the leadership of the CEO and the managing executive officer in charge of information disclosure at corporate headquarters. The Finance and Management Control Department is primarily responsible for carefully coordinating the relevant internal departments to provide sufficient information to shareholders and investors.
In our approach to engagement, we prepare related materials and videos to provide a clear understanding of our quarterly and annual financial results and post them on our website promptly after our quarterly and yearly earnings presentations. When asked, and to the extent possible, the Company also holds individual discussions with institutional investors in Japan and abroad, and we also respond to inquiries by email or telephone from individual investors as needed.
SPARX Group has also formulated its IR Disclosure Policy(*) to ensure that all shareholders and market participants understand and accurately evaluate the Group, 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 SPARX Group website via the following URL:https://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.

(Action to implement management that is conscious of cost of capital and stock price; English disclosure available)
We disclose our efforts to implement management that is conscious of cost of capital and stock price in our earnings presentation.
Japanese: https://https://ssl4.eir-parts.net/doc/8739/tdnet/2464086/00.pdf
English: https://https://ssl4.eir-parts.net/doc/8739/tdnet/2464087/00.pdf

(Status of Dialogue with shareholders)
We disclose the status of dialogue with shareholders based on the above policy in our earnings presentation.
https://https://ssl4.eir-parts.net/doc/8739/tdnet/2464087/00.pdf

2. Capital Structure

Foreign Shareholding Ratio	Between 10% and 20%

Major shareholders (updated)

Full or official name	Number of shares held	Percent of total
Shuhei Abe	15,573,720	37.75
Abe Capital Co., Ltd.	6,074,000	14.72
The Master Trust Bank of Japan, Ltd. (in trust accounts)	2,834,200	6.87
State Street London c/o State Street Bank and Trust. Boston SSBTC A/C UK London Branch Clients - United Kingdom	2,070,455	5.02
Custody Bank of Japan, Ltd. (in trust accounts)	1,162,713	2.82
The Master Trust Bank of Japan, Ltd. (in 76,095 stock-granting ESOP trust accounts)	1,154,880	2.80
STATE STREET BANK AND TRUST COMPANY FOR STATE STREET BANK INTERNATIONAL GMBH, LUXEMBOURG BRANCH ON BEHALF OF ITS CLIENTS:CLIENT OMNI OM25	745,840	1.81
Interactive Brokers LLC	451,340	1.09
HSBC BANK PLC A/C M AND G (ACS) VALUE PARTNERS CHINA EQUITY FUND	426,500	1.03
Yu Shimizu	386,400	0.94

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

Supplementary explanation (updated)

The information on the major shareholders is current as of March 31, 2024.
In addition to the shares listed above, SPARX Group holds treasury stock of 660,310 shares.

3. Company Attributes

Listed exchange and market segment	Tokyo Stock Exchange, Prime Market

Fiscal year-end	March
Business sector	Securities & commodity futures trading industry
Number of (consolidated) employees at the end of the last fiscal year	Between 100 and 500 employees
Net sales (Consolidated) 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. Policy on Measures to Protect Minority Shareholders When Conducting Transactions with Controlling Shareholders

SPARX Group 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 self-dealing transactions occur between CEO Abe and the Company, after deliberation by the Extraordinary Committee, the Board of Directors will vote on whether to approve such transactions, per the provisions of the Companies Act, and will appropriately watch to ensure that the transaction does not harm the interests of the Company or its shareholders.
Extraordinary Committees consist of two or more independent outside directors appointed by the Board of Directors for each project. The members will vote on who will chair the Committee.

5. Other Special Circumstances that May Have Material Impact on Corporate Governance

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II Business Management Organizations and Other Corporate Governance Systems Regarding Management Decision-Making, Execution, and Oversight

1. Organizational Composition and Operation

Corporate governance system	Company with an Audit and Supervisory Committee

Directors

Number of directors in the Articles of Incorporation	10
Term of directors in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	An outside director
Number of directors (updated)	6
State of outside director appointments	Appointed
Number of outside directors	5
Number of outside directors designated as independent directors (updated)	5

Outside Directors' Relationship with the Company (1) (updated)

Full name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Toshihiko Nakagawa	From another company											
Kimikazu Noumi	From another company											
Eiko Hakoda	Lawyer											
Kimie Morishita	From another company											
Asako Saito	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); A managing executive of a company in which an outside director concurrently has a post (only applies to the individual);
- i A managing executive of an organization that receives donations from a listed company (only applies to the individual);
- j Other

Outside Directors' Relationship with the Company (2) (updated)

Full name	Audit & Supervisory Committee	Independent director	Supplementary explanation of applicable items	Reason for appointment

	member			
Toshihiko Nakagawa	○	○	———	The Company appointed Toshihiko Nakagawa as an outside director and Audit and Supervisory Committee member to leverage his broad-reaching insight based on his extensive experience in management in the financial industry. The Company expects his perspective on enhancing corporate value over the medium to long term and promoting sustainable growth to impact its overall management. 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 there is no risk that a conflict of interest will arise with general shareholders, so it has designated Mr. Nakagawa as an independent director.
Kimikazu Noumi	○	○	———	The Company appointed Kimikazu Noumi as an outside director and Audit and Supervisory Committee member to leverage his broad-reaching insight based on his extensive experience in management in the financial industry and as an outside director in other sectors. The Company expects his perspective on enhancing corporate value over the medium to long term and promoting sustainable growth to impact its overall management. 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 there is no risk that a conflict of interest will arise with general shareholders, so it has designated Mr. Noumi as an independent director.
Eiko Hakoda	○	○	———	The Company appointed Eiko Hakoda as an outside director and Audit and Supervisory Committee member to leverage her professional expertise as a lawyer and her broad-reaching insight based on her extensive experience in different industries. The Company expects her perspective on enhancing corporate value over the medium to long term and promoting sustainable growth to impact its overall management. 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 there is no risk that a conflict of interest will arise with general shareholders, so it has designated Ms. Hakoda as an independent director.
Kimie Morishita	○	○	———	The Company appointed Kimie Morishita as an outside director and Audit and Supervisory Committee member to leverage her broad-reaching insight based on her extensive marketing and management experience in the advertising industry, both in Japan and abroad, as well as management experience in other sectors. The Company expects her perspective on enhancing corporate value over the medium to long term and promoting sustainable growth to impact its overall management. 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 there is no risk that a conflict of interest will arise with general shareholders, so it has designated Ms. Morishita as an independent director.
Asako Saito	○	○	———	The Company appointed Asako Saito as an outside director and Audit and Supervisory Committee member to leverage her knowledge of sustainability and extensive experience in marketing and branding, primarily in luxury brands, as well as her broad-reaching insight based on her vast experience in management in other industries. The Company expects her perspective on enhancing corporate value over the medium to long term and promoting sustainable growth to impact its overall management. 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 there is no risk that a conflict of interest will arise with general shareholders, so it has designated Ms. Saito as an independent director.

Audit and Supervisory Committee

Committee members and chair attributes

	Total number of committee members	Regular members (number)	Corporate directors (number)	An outside director (number)	Committee chair
Audit and Supervisory Committee	5	0	0	5	An outside director

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

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

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

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

Voluntary Committees

Does the Company have voluntary committees corresponding to Nomination or Compensation Committees?	Yes

Establishment status of voluntary committees, committee members, and chair attributes (updated)

	Committee name	Total number of committee members	Regular members (number)	Corporate directors (number)	An outside director (number)	Outside experts (number)	Other members (number)	Committee chair
Voluntary Committee equivalent to a nominating committee	Nomination and Compensation Committee	6	0	1	5	0	0	An outside director
Voluntary Committee equivalent to a compensation committee	Nomination and Compensation Committee	6	0	1	5	0	0	An outside director

Supplementary explanation

The Nomination and Compensation Committee, an advisory body to the Board of Directors, deliberates on compensation matters and submits results to the Board of Directors, which determines compensation and other matters for each director.
The committee comprises at least three directors selected by resolution of the Board of Directors, the majority of which must be independent outside directors. The committee stipulates that these independent outside directors must be registered as independent directors with the Tokyo Stock Exchange. Specifically, the Committee is chaired by a director selected through a vote by the committee members. It includes the CEO and five outside directors (of which five are independent outside directors). The Company plans to appoint Toshihiko Nakagawa, an independent outside director, as the next Nomination and Compensation Committee chair and Asako Saito, an independent outside director, as a new Committee member.

Moreover, the Nomination and Compensation Committee provides advice and recommendations on the following matters in response to the Board of Directors:

(1) General shareholders' meeting proposals concerning the election and dismissal of candidates for directors (excluding directors who are Audit and Supervisory Committee members; the same applies hereinafter), and Board of Directors proposals concerning the election and dismissal of candidates for Group executive officers;
(2) Establishing, amending, or abolishing basic policies, rules, and procedures required to resolve the matters in the previous paragraph;
(3) Other matters deemed necessary by the Nomination and Compensation Committee with respect to appointing or dismissing both directors and Group executive officers;
(4) Policy on Determining Details of Individual Compensation for Directors and Group Executive Officers;
(5) Specifics of individual compensation for directors and Group executive officers;
・ Fixed remuneration: Individual amounts;
・ Non-fixed remuneration: Specific calculations on an individual basis;

・ Non-monetary remuneration: Specifics on an individual basis;
(6) Establishing, amending, or abolishing basic policies, rules, and procedures required to resolve the matters in the previous two paragraphs;
(7) Other matters the Nomination and Compensation Committee deems necessary in compensating directors and Group executive officers.
The Company's outside directors utilize their abundant experience as corporate managers and as outside directors of other public companies to ensure constructive and highly insightful discussions that meet the expectations of capital markets with regard to director compensation.

Independent Director-Related Matters

Number of independent directors (updated)	5

Other matters concerning independent directors

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

Incentive-related matters

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

Supplementary explanation for this topic

The Company regards its director compensation system as essential to 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 a base salary, (short-term) performance-based compensation (i.e., performance bonuses), and (medium- to long-term) performance-based stock compensation. Economic and market conditions greatly influence performance in the Group's primary business of investment trust management, discretionary investment management, and investment advisory. Hence, the Company ensures that short-term and medium- to long-term performance-based compensation is weighted more heavily than 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 ensures that the total compensation is attractive compared to other investment firms and competitive enough to draw talented people.

At the 31st ordinary general shareholders' meeting held on June 9, 2020, the Company voted to set the maximum compensation for directors (excluding the Audit and Supervisory Committee directors and outside 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 (excluding salaries for employees). Separately, at the 33rd ordinary general shareholders' meeting held on June 10, 2022, the Company passed its resolution to set the limit under the performance-based stock compensation plan to JPY 1.8 billion for four fiscal years, from the fiscal year ending March 31, 2023, through the fiscal year ending March 31, 2026.

A Board of Directors' resolution, brought at the request of the Nomination and Compensation Committee, has stipulated a clawback clause whereby the Company may demand that persons eligible for executive compensation reimburse all or part of the compensation paid if certain events come to light, including material fraud, violations, or accounting errors by those individuals. Directors subject to this clause include those who have already left the Company. Furthermore, the applicable director compensation includes that paid in the fiscal year when material compensation-related fraud, violation, or accounting errors occurred.

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)	SPARX Group does not disclose individual compensation packages

Supplementary explanation for this topic (updated)

Total Compensation by Type of Director, Total Compensation by Type, and Number of Eligible Directors (FY2023)

	Total compensation	Base salary	Performance-based compensation	Severance pay	Non-monetary compensation	No. of eligible
directors (excluding outside directors and Audit and Supervisory Committee members)	JPY23M	JPY23M	–	–	–	4
Audit and Supervisory Committee members (excluding outside directors)	–	–	–	–	–	
Outside directors	JPY45M	JPY45M	–	–	–	5

Notes: 1. In addition to the above figures, in FY 2023, the compensation received by directors holding concurrent roles at Group subsidiaries was JPY 124 million (of which JPY 51 million was base salary and JPY 72 million was performance-based compensation).
2. In addition to the above figures, in FY 2023, the director compensation received by outside directors holding concurrent director positions at Group subsidiaries was JPY 5 million (of which, JPY 5 million was base salary).

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

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

(i) 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 Audit and Supervisory Committee directors) concurrently hold director positions at Group subsidiaries and assume responsibility for the Group's 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.

(ii) (Short-term) performance-based compensation (i.e., performance bonuses)

First, 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 the 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 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 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: Base earnings 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 Audit and Supervisory Committee directors) and pay these bonuses through the Group subsidiaries at which each director also serves. These bonuses are paid in monetary form at the beginning of the subsequent fiscal year.

(iii) (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 links directors' compensation has with business performance and the Company's market value, we have introduced a stock compensation system for our directors to be rewarded according to the degree of their achievements of medium- to long-term targets and their personal goals. The Nomination and Compensation Committee—a voluntary advisory body to the Board of Directors—discussed the medium- to long-term targets for remuneration and reviewed the matrix of stocks granted by position. The Board of Directors respectfully reviewed and considered the advice proposed by the Committee before deciding the final grant allocations.
The Company believes that stock compensation is consistent and aligned with its shareholders' and other stakeholders' medium- to long-term interests. 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 per the stock grant matrix. Shares are subject to a three-year holding period once issued. 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 number of shares to be granted is canceled.
Because the CEO has already acquired more than a sufficient number of shares, he shall not be eligible for this form of compensation.

A Board of Directors' resolution, brought at the request of the Nomination and Compensation Committee, has stipulated a clawback clause whereby the Company may demand that persons eligible for executive compensation reimburse all or part of the compensation paid if certain events come to light, including material fraud, violations, or accounting errors by those individuals. Directors subject to this clause include those who have already left the Company. Furthermore, the applicable director compensation includes that paid in the fiscal year when material compensation-related fraud, violation, or accounting errors occurred.

Outside director support framework

SPARX Group does not assign dedicated staff to outside directors; however, the Internal Audit Department assists the work of the Audit and Supervisory Committee, which comprises outside directors as members. The Company also distributes materials for Board of Directors meetings to outside directors in advance, and the Secretariat provides advance briefings as necessary.
Furthermore, for particularly vital issues, the Board of Directors takes a vote after several deliberation meetings to give Board members a deeper understanding of the issues and allow them to make more pertinent judgments.

2. Matters Related to Operations, Auditing, Supervision, Nomination, and Compensation Decisions (Outline of the Current Corporate Governance Framework) (updated)

(Board of Directors & Directors)
The Company's Board of Directors comprises up to six highly experienced directors. It regularly meets once a month and holds emergency sessions as necessary to promptly make decisions on operational issues.

President and Group CEO, Group CIO	Shuhei Abe (male)
(Chair)Outside Director, Audit and Supervisory Committee Member	Toshihiko Nakagawa (male)
Outside Director, Audit and Supervisory Committee Member	Kimikazu Noumi (male)
Outside Director, Audit and Supervisory Committee Member	Eiko Hakoda (female)
Outside Director, Audit and Supervisory Committee Member	Kimie Morishita (female)
Outside Director, Audit and Supervisory Committee Member	Asako Saito (female)

SPARX Group 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 five 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.

(Audit and Supervisory Committee)
The Company's Audit and Supervisory Committee comprises up to five outside directors (all of them are independent outside directors). It monitors the compliance and appropriateness of the Company's operations.

Outside Director, Audit and Supervisory Committee Member	Toshihiko Nakagawa (male)
(Chair) Outside Director, Audit and Supervisory Committee Member	Kimikazu Noumi (male)
Outside Director, Audit and Supervisory Committee Member	Eiko Hakoda (female)
Outside Director, Audit and Supervisory Committee Member	Kimie Morishita (female)
Outside Director, Audit and Supervisory Committee Member	Asako Saito (female)

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

(Chair) President and Group CEO, Group CIO	Shuhei Abe (male)
Group Executive Officer, Group CFO	Hiroshi Minematsu (male)
Group Executive Officer	Takeshi Suzuki (male)
Group Executive Officer	Takaki Demichi (male)
Group Executive Officer	Takahide Taniwaki (male)

(Nomination and Compensation Committee)
The Company has established the Nomination and Compensation Committee to strengthen 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.

President and Group CEO, Group CIO	Shuhei Abe (male)
(Chair) Outside Director, Audit and Supervisory Committee Member	Toshihiko Nakagawa (male)
Outside Director, Audit and Supervisory Committee Member	Kimikazu Noumi (male)
Outside Director, Audit and Supervisory Committee Member	Eiko Hakoda (female)
Outside Director, Audit and Supervisory Committee Member	Kimie Morishita (female)

The Company plans to appoint Toshihiko Nakagawa, an independent outside director, as the next Nomination and Compensation Committee chair and Asako Saito, an independent outside director, as a new Committee member.

(Internal Audit Department)
The Company has established an internal auditing system led by the Internal Audit Department's general manager. Under the direct supervision of the Board of Directors and independent from business execution, the Internal Audit Department comprises the general manager and one another 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 Audit Department audits all departments' 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.
The Internal Audit Department verifies the status of operations and issues related to business execution, reports the results of internal audits to the Board of Directors and the Audit and Supervisory Committee, and discusses and shares the results with the Internal Control Department.

(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 Yuichiro Sakurai;
Designated Limited Liability Partner, Managing Partner, and CPA Katsuya Ichikawa;

Term of continuous auditing: 13 years;

Team of assistants involved in the audits: 7 CPAs and 13 other staff members

(Other)
The Company has an Extraordinary Committee that deliberates on material transactions and actions in which conflicts of interest occur between the controlling and minority shareholders and verifies and manages the appropriateness of such transactions and actions. The Company also has a Group Risk Management Committee to manage Group-wide risk 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; a Responsible Investment Committee to investigate and deliberate matters related to practicing responsible investment principles, including handling climate change risks and opportunities for the Group; 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.

Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with each outside director as provided for in Article 423, Paragraph 1 of the same act.

The maximum liability for damage based on these contracts is the minimum liability prescribed in laws and regulations. The purpose of entering into these contracts is to establish an environment conducive to outside directors fully exercising their capacities and fulfilling their expected roles while executing their duties. However, the Company recognizes this limitation of liability only in cases in which an outside director carried out the work causing the liability in good faith and with no gross negligence.

3. Reasons for the Current Corporate Governance Framework

SPARX Group has shifted from having a board of auditors to having an Audit and Supervisory Committee, per the approval of the Company's 31st ordinary general meeting of shareholders held on June 9, 2020. The Company made this decision to further improve its corporate governance. The Company believes that instituting an Audit and Supervisory Committee—comprising members of the Board of Directors—that audits the directors' executive actions 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 for Shareholders and Other Stakeholders

1. Measures to Vitalize General Shareholders' Meetings and Facilitate the Exercise of Voting Rights (updated)

	Supplementary explanation
Promptly sending notices of general meeting of shareholders	In addition to sending shareholders general shareholders' meeting notices 21 days before the meetings, the Company posts these notices on its website 7 days before the meetings.
Scheduling general meeting of shareholders to avoid the day on which most companies hold such meetings	To have as many shareholders attend its general shareholders' meetings as possible, SPARX Group annually holds its meeting before the day most companies hold such meetings.
Exercising voting rights through electromagnetic means	SPARX Group uses an electromagnetic system for shareholder voting. It also simultaneously participates in the voting platform for institutional investors operated by ICJ, Inc., 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	SPARX Group uses an electromagnetic system for shareholder voting. It also simultaneously participates in the voting platform for institutional investors operated by ICJ, Inc., and provides various options for shareholders to exercise their voting rights, including through attendance or in writing.
Providing an English version (summary) of general shareholders' meeting notices	The Company prepares English translations of the general shareholders' meeting notices and reference materials for general shareholders' meetings and makes them available on TD-net and the Company website.

2. IR-Related Activities

	Supplementary explanation	Availability of explanations from the President
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 and quarterly reports—legally mandated documents—SPARX Group periodically publishes earnings summaries and explanations of its earnings on its website.	
Establishing an IR department (or manager)	The Finance and Management Control Department is in charge of IR.	

3. Efforts to Ensure Due Respect for Stakeholders (updated)

	Supplementary explanation
Internal corporate regulations on respecting the position of stakeholders	SPARX Group regularly conveys to all its stakeholders its clear corporate philosophy of "becoming the most trusted and respected investment company in the world." It also has 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 in which it develops and invests in renewable energy power stations, SPARX Group sponsors the Child Energy Summit. This educational program aims to draw out “creative thinking involving the future of energy.” (The program was on hold due to the impact of COVID-19.) Through numerous lectures and books published in Japan and abroad, SPARX Group's CEO, fund managers, and other executives and employees continually strive to increase interest in, further understanding of, and raise awareness about investment under the Company's corporate vision and 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

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, 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 managing 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 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 managing 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 international laws and regulations, the Company established a Compliance Department directly under the Board of Directors' control. This department regularly reports to the Board on the state of legal compliance based on discussions held by a committee that the department leads.
(5) Regarding unlawful or illegal conduct by Company directors, SPARX Group has an internal reporting system. The Compliance Department head, the general counsel, and the Audit and Supervisory Committee Secretariat 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) The Company establishes measures, including storage methods compatible with confidentiality levels, to protect information assets based on its Detailed Regulations on Rules of Information Security. Moreover, it will establish a system to protect against cyberattacks, a new threat in recent years, per its separate Rules Governing Cybersecurity.
(2) Based on its Documentation Rules, SPARX Group 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 Accounting Rules.
(3) In the event that the directors ask to see documents, the relevant department manager 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 managing 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, poor systems management during operation or failures, and cyberattacks or other security incidents, the Board of Directors puts an advanced business continuity plan in place, strives to anticipate incidents with countermeasures, minimizes the impact of damage when it occurs, and prepares for rapid recovery.

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 a month; decides on executive operational policy, legally mandated matters, and other crucial operational issues; and monitors the state of business operations. The Board 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 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 and corporate regulations, the Compliance Department establishes committees to review the Company's compliance systems and 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 within the Company, the departments submit incident reports to the Compliance Department and the Internal Audit Department, 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) Regarding unlawful or illegal employee conduct, SPARX Group has an internal reporting system. The Compliance Department head, the general counsel, and the Audit and Supervisory Committee Secretariat 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 Audit Department, 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 involve 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 Subsidiary Management Department monitors the operations of all Group subsidiaries per Regulations on Subsidiary Management. The department 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, 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 its duties and the effectiveness of instructions given to these employees
(1) The Internal Audit Department assists the Audit and Supervisory Committee with its duties.
(2) The Company must obtain the Audit and Supervisory Committee's prior consent for all Internal Audit Department personnel matters, including transferring and evaluating employees in the Department. It also must ensure that these employees are independent of the corporate directors (excluding the Audit and Supervisory Committee directors).
(3) Employees of the Internal Audit Department who receive instructions from the Audit and Supervisory Committee that are necessary for 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 SPARX Group and its subsidiaries to report to the Group's Audit and Supervisory Committee
Regarding SPARX Group or its domestic subsidiaries:
(1) If a Group director (excluding Audit and Supervisory Committee directors), auditor, or employee discovers facts that could cause considerable harm to the Company, they will immediately report these facts to the Audit and Supervisory Committee;
(2) If the Audit and Supervisory Committee or the Internal Audit Division asks a Group director (excluding Audit and Supervisory Committee directors), auditor, or employee to report on the Company's businesses and assets, they will immediately report these facts.
(3) The Internal Auditing Office will 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 SPARX Group directors and employees who (directly or indirectly) submit reports from whistleblower report submissions to the Audit and Supervisory Committee. 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 department will 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 Department 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 works to share information and exchange ideas involving all Group companies' auditing operations.

12. The basic approach regarding the elimination of antisocial forces
As a basic policy, the Company will 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 requests from these forces. To fulfill this policy, the Company will provide thorough compliance training through the appropriate department 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.

2. The Basic Approach and Practical Installations Regarding the Elimination of Antisocial Forces

As a basic policy, the Company will 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 requests from these forces. To fulfill this policy, the Company will provide thorough compliance training through the appropriate department and partner with external expert institutions, including police departments with jurisdiction or attorneys.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	None

Supplementary explanation for this topic

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2. Other matters concerning the 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 it, the SPARX Group aims to disclose, in a timely manner, trustworthy information that is fair, prompt, and objective.

2. Internal framework for timely disclosure
At SPARX Group, the department responsible for IR (the Finance and Management Control Department) 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 department 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 department responsible for IR. The information management manager and the department responsible for IR investigate the need for timely disclosure and, in the event that such disclosure is necessary, immediately disclose the breaking news;

(2) Company decisions
During its meetings, the Board of Directors votes on material Company decisions, and the Company discloses information on these decisions immediately after such meetings adjourn.

(3) Financial data
The Board of Directors decides on the content of financial data, including those subjects to disclosure, and the Company discloses these data immediately after the Board meetings adjourn.

Corporate Governance Framework