The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.

January 24, 2020

For Immediate Release

SPARX Group Co., Ltd.
President and Group CEO Shuhei Abe
(TSE1: 8739)

SPARX Group Co., Ltd. Announces Rating Affirmation

Issuer Rating changed from “BBB” to “BBB+” (Rating Outlook: Stable)

TOKYO (January 24, 2020) - SPARX Group Co., Ltd. is pleased to announce that we today received a notice from Rating and Investment Information, Inc. (R&I), a rating agency, that R&I has changed our Issue Rating from “BBB” to “BBB+”.

For Rating Symbols and Definitions, please refer to the R&I’s website described below.

■Overview of the change

Title	Issuer Rating	Rating Outlook
Issuer Rating	BBB → BBB+	Stable

（Reference）

R&I’s rationale for change of Issuer Rating (excerption)

SPARX Group Co., Ltd. (SPARX) reduced the risk of an outflow of investment assets and improved management fee rates, as growth in assets under management (AUM) of publicly offered investment trusts and new investment strategy funds changed the composition of the group's overall AUM. R&I has upgraded the Issuer Rating for SPARX to BBB+ from BBB based on its view that the stability of AUM and the company's basic earning capacity increased.

SPARX is a holding company that owns asset management companies in and outside Japan, including SPARX Asset Management Co., Ltd., whose strength lies in bottom-up investments in Japanese equities. The rating directly reflects the entire group's creditworthiness. The group has achieved a good track record in the management of mid- and small-cap equity, long-short and focus all cap strategies. Its investment strategies are formulated based on President Shuhei Abe's investment philosophy.

In Japanese equity funds, the largest component of the group's AUM, the proportion of publicly offered investment trusts is rising on the back of an inflow of funds from individual investors. Moreover, concentration in funds from specific institutional investors declined, which has reduced an impact that an outflow of funds through cancellations may have. The group's management fee rates for publicly offered investment trusts are high.

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By capitalizing on its research capabilities developed in Japanese equities, the group has been broadening investment targets to Asian equities, real assets (e.g., renewable energy power generation facilities) and Mirai Creation (i.e., venture companies). Real assets and Mirai Creation funds contribute to earnings stability, because investment periods are long and investment assets do not flow out during the periods. The sum of the two strategies' funds has expanded to account for one-fourth of the group's overall AUM.

SPARX has a sound financial structure. Its net debt, which is calculated by deducting cash and cash equivalents from interest-bearing debt, is negative because of a business model that does not require funds other than those for seed money and necessary expenses. Investment securities, mostly seed money to funds it manages, are increasing, but only to around 40% of net assets.

HP of Rating and Investment Information, Inc.;
http://www.r-i.co.jp/eng/

■ For inquiry

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No further entry