FY2019
Full Year Earnings Presentation
(Apr. 2019 – Mar. 2020)

May 15th, 2020

SPARX Group Co., Ltd.
https://www.sparxgroup.com/

SPARX Statement

Mission

To make the world wealthier, healthier, and happier

Vision

To be the most trusted and respected investment company in the world.

FY2019 Performance

About This Earnings Presentation

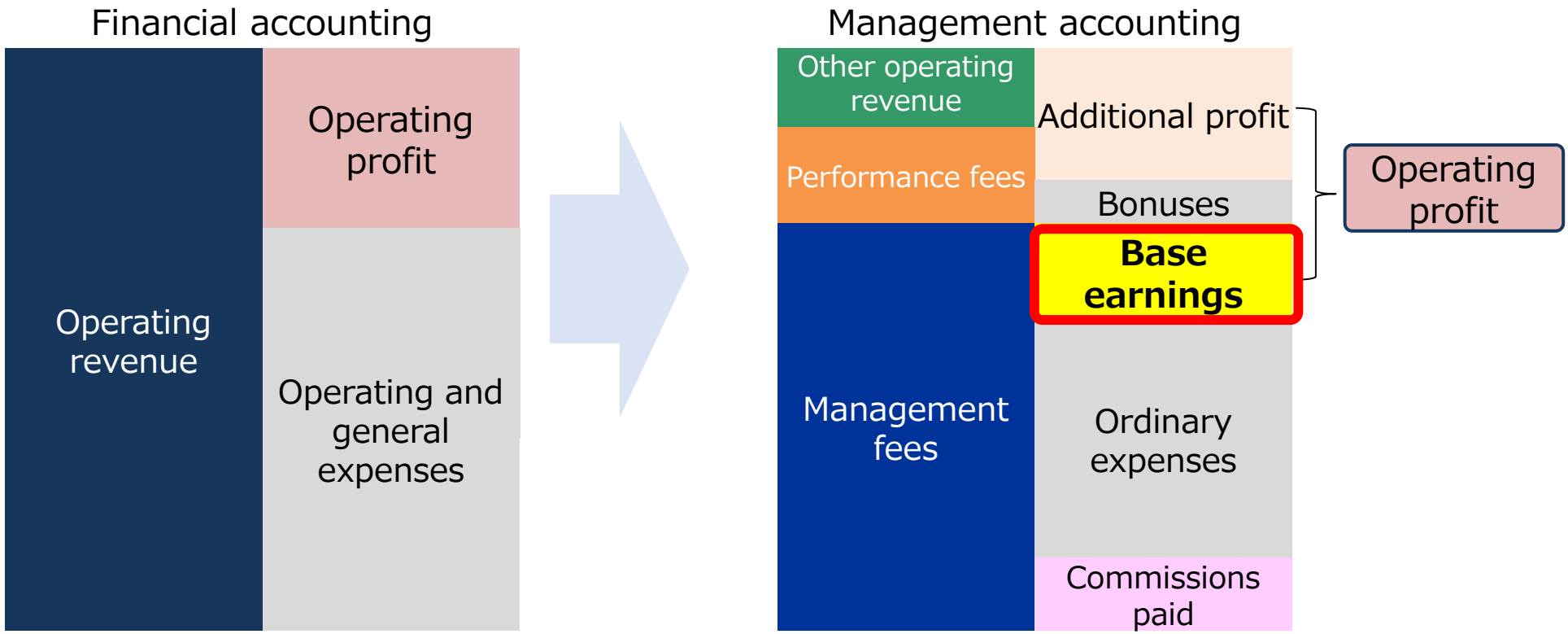
This earnings presentation provides management accounting details not included in the consolidated statement. Note that, as shown in the following diagram, SPARX categorizes (1) management fees, (2) performance fees, and (3) other operating revenue, while (1) ordinary expenses, (2) commissions paid, and (3) bonuses are included in operating and general expenses.

SPARX Group has set **base earnings** as its overriding administrative index. Base earnings demonstrate whether a business has the earning capacity needed for a sustainable, stable foundation. We use the following formula to calculate base earnings:

Base earnings = (Management fees — Commissions paid) – Ordinary expenses

= Management fees (after deducting commissions) – Ordinary expenses

In financial accounting, operating profit includes one-time or additional performance fees, but these fees fluctuate considerably, according to trends in the stock market or business progress in real asset investments. Therefore, **base earnings indicate genuine earning capacity.**



Consolidated Earnings Summary (1) Performance

・For funds that earn a management fee higher than our average fee rate, such as our Japanese public investment trusts and the Mirai Creation funds, have grown. Also increased of performance fees related to our renewable energy funds. As a result, operating profit increased by 14.8%.

・Net income decreased by 29.1%, due to the recognition of loss on sales and valuation of investment securities, extraordinary impairment losses and an increase in income taxes.

・Although investment management fee has increased, our base earnings declined by 1.9% due to an increase in expenses related to upfront investments for new business projects.

(Unit:Millions of yen)	FY2018	FY2019	YoY change
	Apr2018-Mar2019	Apr2019-Mar2020	
Operating revenue	11,239	12,476	+11.0%
Operating profit	3,901	4,479	+14.8%
Net income	3,246	2,301	-29.1%
Base earnings	3,660	3,591	-1.9%

(Note) See pages 4, 6, 33, and 38 for more on base earnings.

Consolidated Earnings Summary (2) Performance

		FY2018	FY2019	
		Apr2018-Mar2019	Apr2019-Mar2020	YoY change
Average AUM	(Billions of yen)	1,157.2	1,184.0	+2.3%
Management fee rate (After deducting commissions)	(%)	0.73%	0.75%	+0.02
Management fees (After deducting commissions)	(Millions of yen)	8,449	8,866	+4.9%
- Ordinary expenses	(Millions of yen)	4,789	5,275	+10.1%
Base earnings	(Millions of yen)	3,660	3,591	-1.9%
Performance fees	(Millions of yen)	922	1,652	+79.0%
Percentage of AUM eligible to earn peformance fees	(%)	30.2%	33.5%	+3.2
Other operating revenue	(Millions of yen)	115	114	-0.9%
- Bonuses (including ESOP Expense)	(Millions of yen)	795	864	+8.7%
Operating profit	(Millions of yen)	3,901	4,479	+14.8%
Profit attributable to owners of parent	(Millions of yen)	3,246	2,301	-29.1%
Return on equity (ROE)	(%)	16.2%	11.4%	-4.8

(Note 1) Management fees include administrative fees for the power stations related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.
(Note 2) Performance fees include one-time fees received as compensation for real estate purchases/sales related to our Japanese real estate investment strategy, as well as one-time fees (acquisition fees) received as compensation for formulating power station plans related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

Consolidated Earnings Summary (3) AUM

Although we had new subscriptions, our AUM has decreased by 5.2% due to large redemption and recent stock market's decline

(Unit:Billions of yen)	AUM			Average AUM (Twelve months)		
	As of March, 2019	As of March, 2020	Change (%)	FY2018	FY2019	YoY change (%)
Japanese Equity	851.2	744.4	-12.5%	867.9	817.8	-5.8%
OneAsia	36.8	52.2	+41.7%	38.3	38.9	+1.6%
Real Assets	186.2	214.3	+15.1%	189.0	215.3	+14.0%
Mirai Creation	111.3	113.2	+1.7%	61.9	111.8	+80.5%
Total	1,185.6	1,124.1	-5.2%	1,157.2	1,184.0	+2.3%

	As of March, 2019	As of March, 2020	YoY change
TOPIX	1,591	1,403	-11.8%
NIKKEI stock average (JPY)	21,205	18,917	-10.8%
KOSPI	2,140	1,754	-18.0%

*See our "Notice of Month-End Assets Under Management" for details on SPARX's AUM as of March 31, 2020.

https://ssl4.eir-parts.net/doc/8739/tdnet/1814222/00.pdf

Business Progress Report and Future Plans

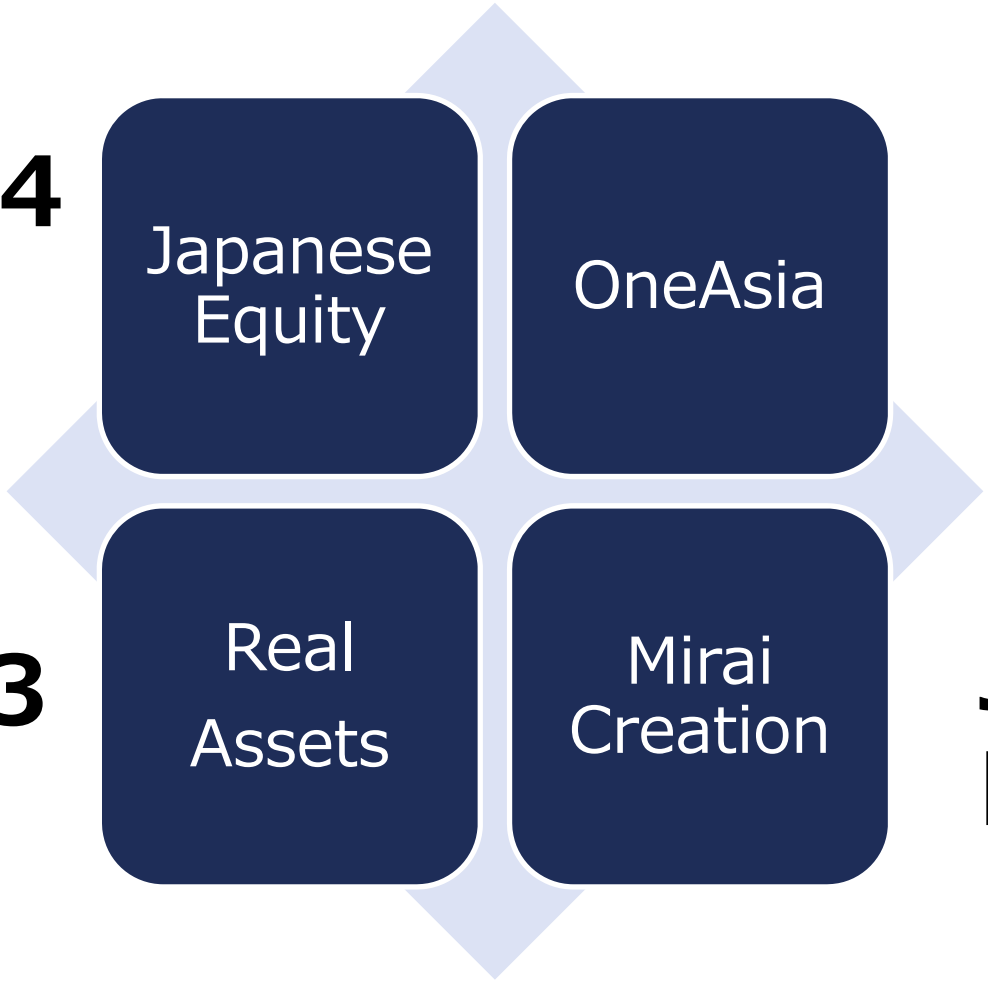
Latest Business Progress Report

Japanese Equity	Received an investment mandate of 19 billion yen from institutional investors in Europe. We plan to launch an Engagement Fund in May.
OneAsia	Last December, received a new subscription from a major public institutional investor in Europe for a new Korean small and mid-cap fund.
Real Assets	Only asset management company that has been selected among all the applicants to manage Tokyo ESG fund. Actively considering to invest in high-quality power plants that are already in operation.
Mirai Creation	Mirai Creation Fund I has performed well, where there have been numerous successful exists, including IPOs. Mirai Creation Fund II executed substantial investments.

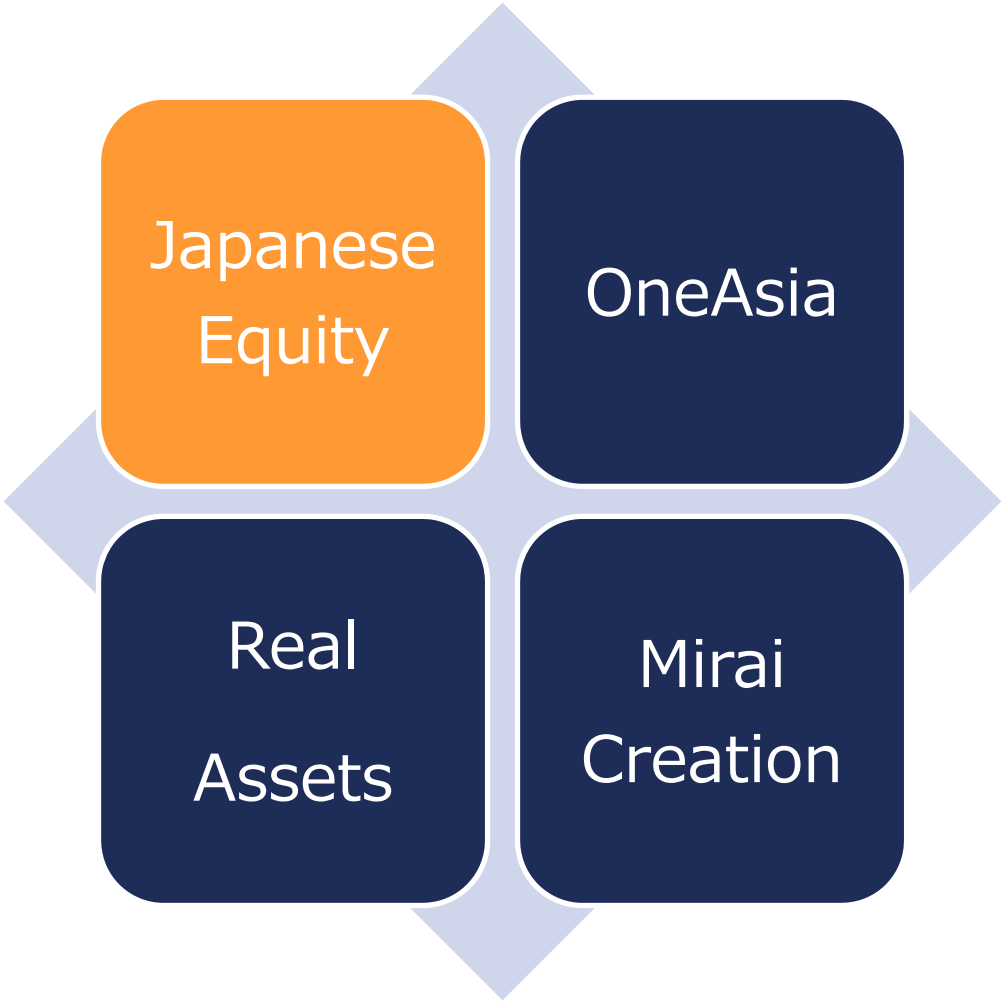
Four Pillars of Growth: Combining High Profitability and Stability

High profitability Fund performance generates significant income (performance fees)

Stability Ongoing long-term contracts generate stable income



(1) Japanese Equity Investment Strategy (AUM of JPY744.4 billion as of March 31, 2020)



Press Release January 29, 2020

Received Morningstar Award “Best Fund of the Year 2019”



Alternative Fund Division

Best Fund of the Year 2019

SPARX JAPANESE EQUITY LONG SHORT FUND

(“Best Alpha”)

(Reference) https://ssl4.eir-parts.net/doc/8739/tdnet/1786718/00.pdf

References to any specific securities do not constitute an offer to buy or sell securities. Those awarded funds based upon the past performance cannot guarantee their future performance. Data or statements are obtained from sources Morningstar Japan K.K believed to be reliable but are not guaranteed as to accuracy or completeness.

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Taking every factor into consideration, Morningstar Japan K.K. has selected funds for Morningstar Award “Fund of the Year 2019” in each divisions from open-end mutual fund based upon its unique quantitative and qualitative analysis. Awarded funds in the Alternative Fund Division have been selected from 121 funds at the end of December 2019.

Lipper Fund Awards From Refinitiv 2020 Winner Japan, Best Group Over Past Three Years, Equity.

Two consecutive years, the sixth award in the past seven years!



(Reference) https://ssl4.eir-parts.net/doc/8739/tdnet/1808203/00.pdf

"The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers.

The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. For more information, see lipperfundawards.com Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper.".

About the Refinitive Lipper Fund Awards

For more than 30 years and in over 20 countries worldwide, the highly respected Refinitiv Lipper Fund Awards have honored funds and fund management firms that have excelled in providing consistently strong risk-adjusted performance relative to their peers and focuses the investment world on top-funds. The merit of the winners is based on entirely quantitative criteria. This coupled with the unmatched depth of fund data, results in a unique level of prestige and ensures the award has lasting value. Renowned fund data and proprietary methodology is the foundation of this prestigious award qualification, recognizing excellence in fund management. Find out more at: lipperfundawards.com.

Press Release April 23, 2020

Received The First Prize of “R&I Fund Award 2020”



Investment Trusts Aggregate/ Japanese Equity Fund Aggregate category: The First Prize

SPARX Asset Management Co., Ltd.



Investment Trusts 10-Year/ Japanese Equity Fund category: The Second Prize



Investment Trusts /Japanese Equity Fund category: The Second Prize

SPARX New Global Blue Chip Japanese Equity Fund (“Gensentoshi”)

Received two consecutive years

(Reference) https://ssl4.eir-parts.net/doc/8739/tdnet/1818600/00.pdf

The R&I Fund Award is presented to provide reference information based on the past data R&I believes to be reliable (however, its accuracy and completeness are not guaranteed by R&I) and is not intended to recommend the purchase, sale or holding of particular products or guarantee their future performance. The Award is not the Credit Rating Business, but one of the Other Lines of Business (businesses excluding Credit Rating Business and also excluding the Ancillary Businesses) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities. Intellectual property rights including copyright and all other rights in this Award are the sole property of R&I, and any unauthorized copying, reproduction and so forth are prohibited. The Award for the "Investment Trusts/Aggregate" category is based on the average performance of the relevant funds of a fund manager, and does not indicate the excellent performance of all individual funds of the manager.

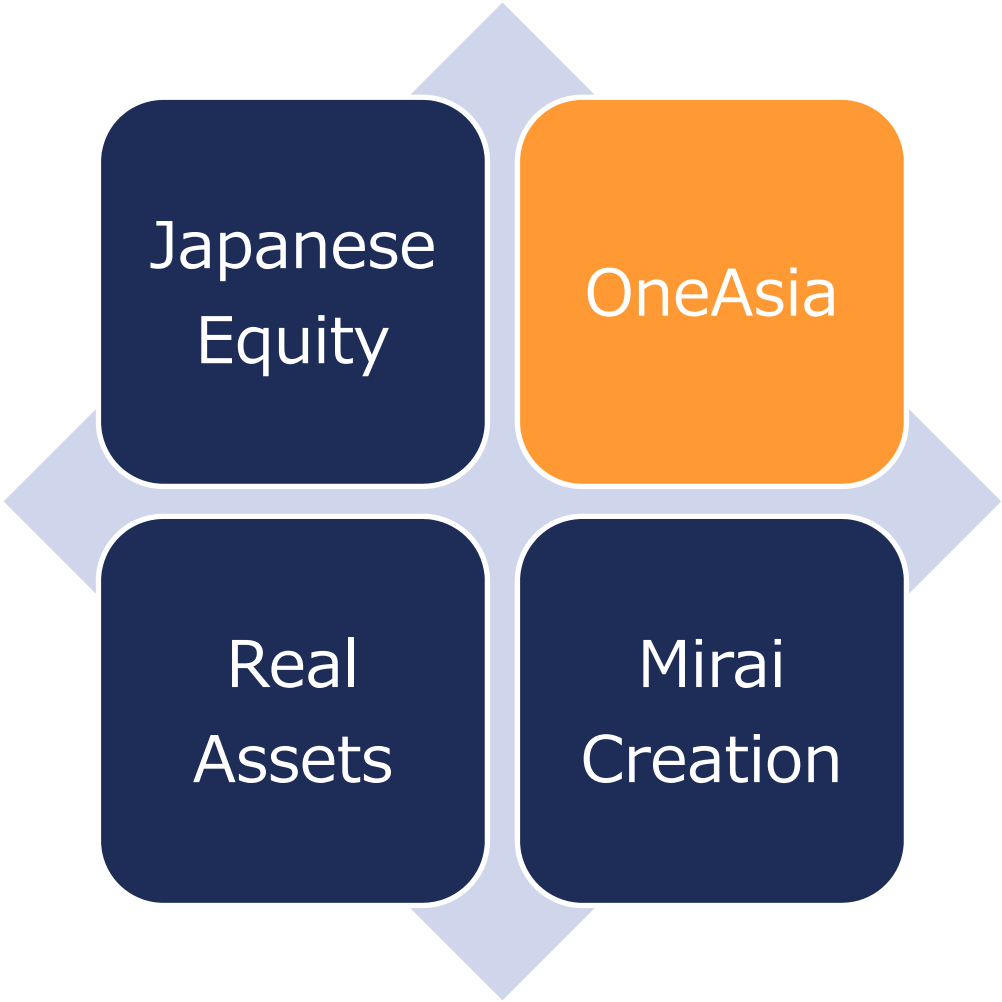
Japanese Equity Investment Strategy: Status of AUM

・Although we had new subscriptions, overall AUM for Japanese equity investment strategy has decreased due to large redemption and recent stock market's decline

・We received a subscription from institutional investors in Europe for ESG investment and for this reason, AUM for Japanese equity sustainable strategy has increased.

(Units : Billions of yen)	AUM			
	Mar. 2019	Mar. 2020	Change	Change (%)
Japanese Equity Long-Short Strategy	46.1	43.8	-2.3	-5.1%
Japanese Equity Focus All Cap Strategy	506.3	453.4	-52.8	-10.4%
Japanese Equity Mid & Small Cap Strategy	203.3	157.7	-45.5	-22.4%
Japanese Equity Market Neutral Strategy	42.7	37.3	-5.3	-12.5%
Japanese Equity Sustainable Strategy	41.4	51.9	10.5	25.5%
Other	11.2	0.0	-11.2	-100.0%
Total	851.2	744.4	-106.7	-12.5%

(2) OneAsia Equity Investment Strategy (AUM of JPY52.2 billion as of March 31, 2020)



OneAsia Equity Investment Strategy

Sharing Investment Intelligence Continues to Lead to Results

Fund managers in Tokyo, South Korea, and Hong Kong share investment intelligence to bolster our investments in Asia.

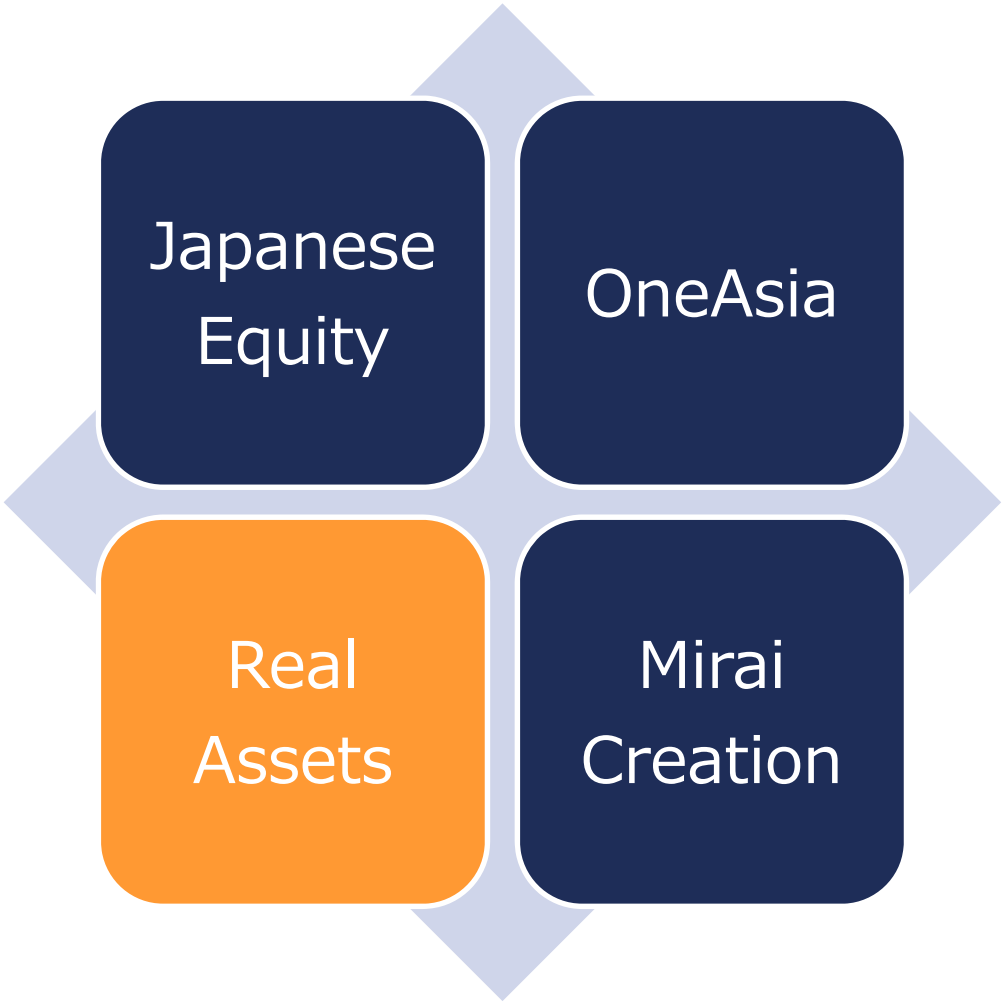
We develop products using ideas from fund managers in all our offices, and we work to create new funds.

Launched our publicly offered investment trust for listed companies in Japan and Asia and have gradually seen an influx of capital from Japanese investors.

Last December, we have received a subscription from a major public institutional investor in Europe for a new Korean small and mid-cap fund. This is the result of our ongoing collaboration and sharing of investment intelligence across our offices.

By leveraging this success and having leading securities firms distribute more of our funds and working closely with overseas institutional investors, we intend to significantly increase the AUM for our OneAsia Equity Investment Strategy.

(3)Real Asset Investment Strategy
(AUM of JPY214.3 billion as of March 31, 2020)



Renewable Energy Power Station Investment

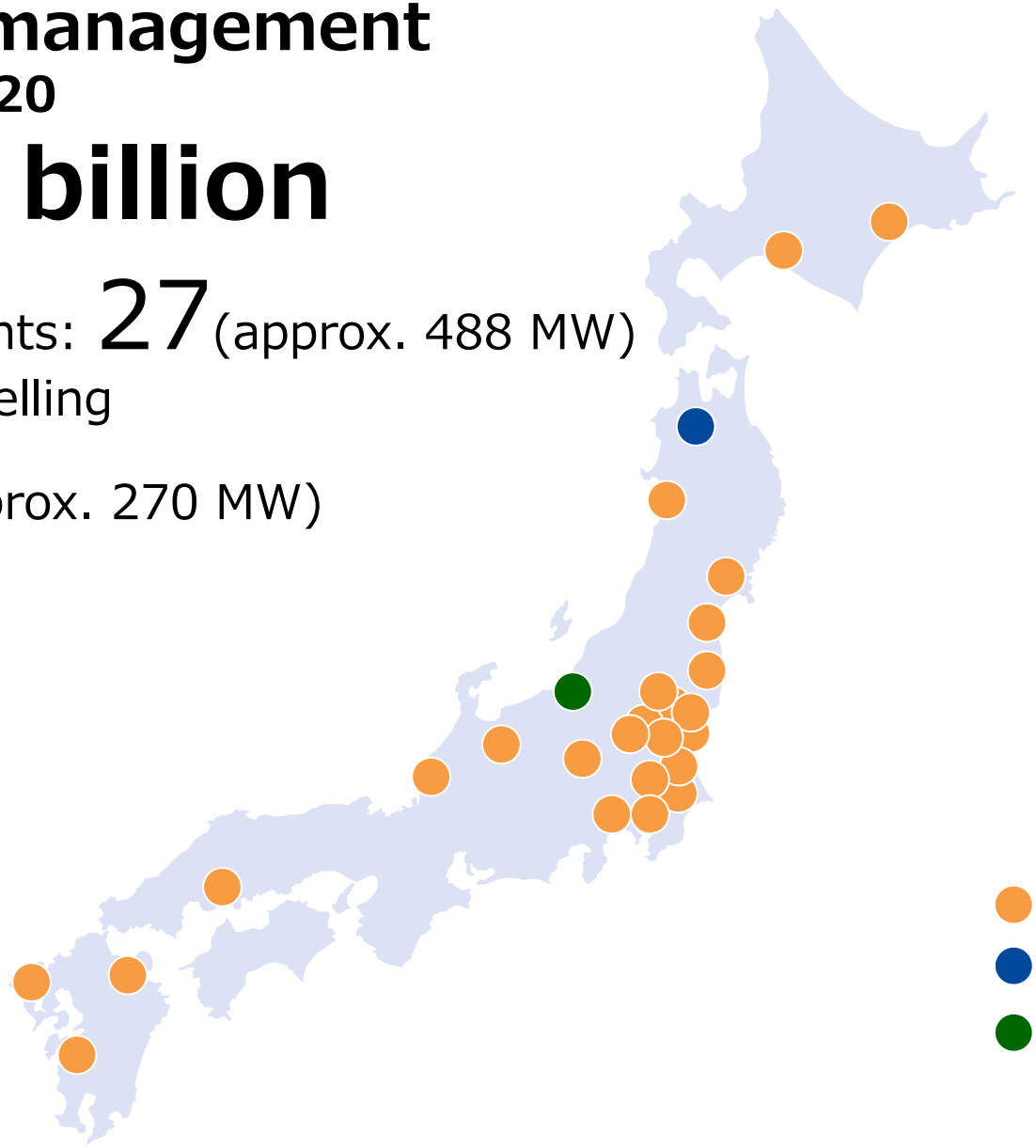
Assets under management

As of March 31, 2020

JPY190.3 billion

Number of Investments: 27 (approx. 488 MW)

Number of stations selling electricity: 21 (approx. 270 MW)



Solar power generation

Wind power generation

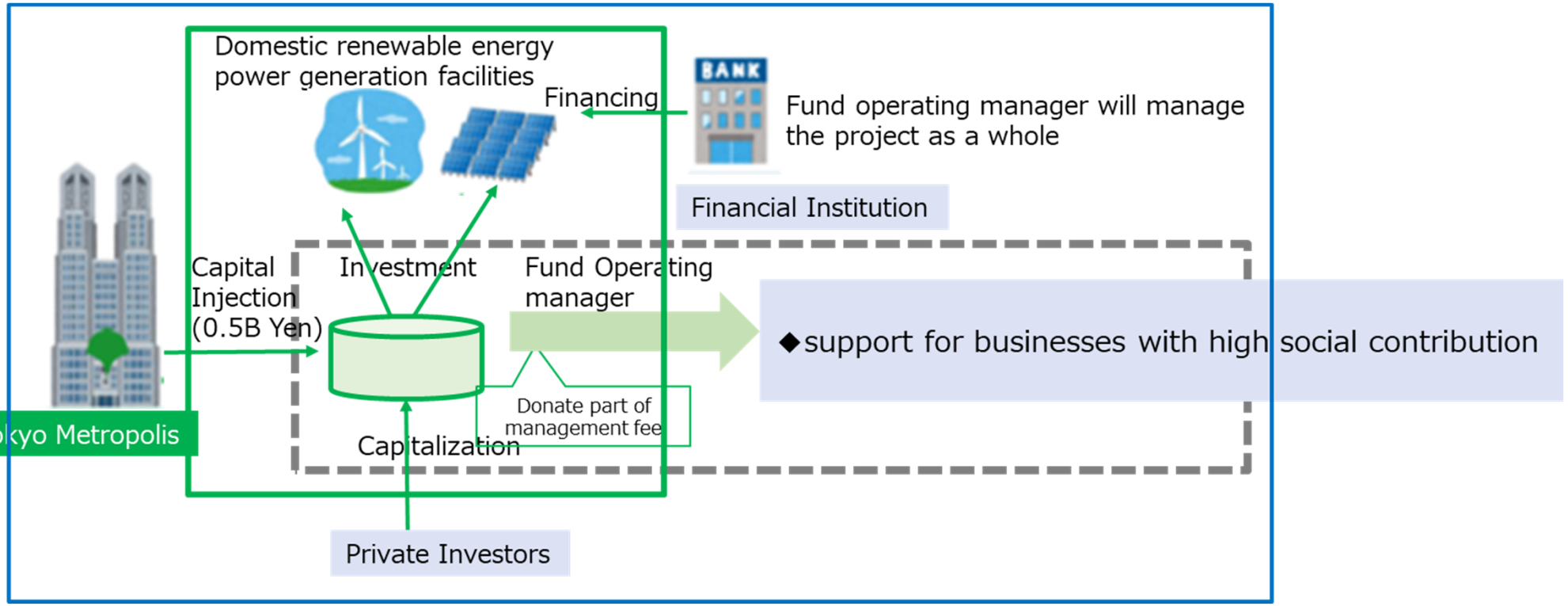
Biomass power generation

New Tokyo ESG Fund

Tokyo Metropolis has selected SPARX as fund operating manager for Tokyo ESG Fund from among applicants

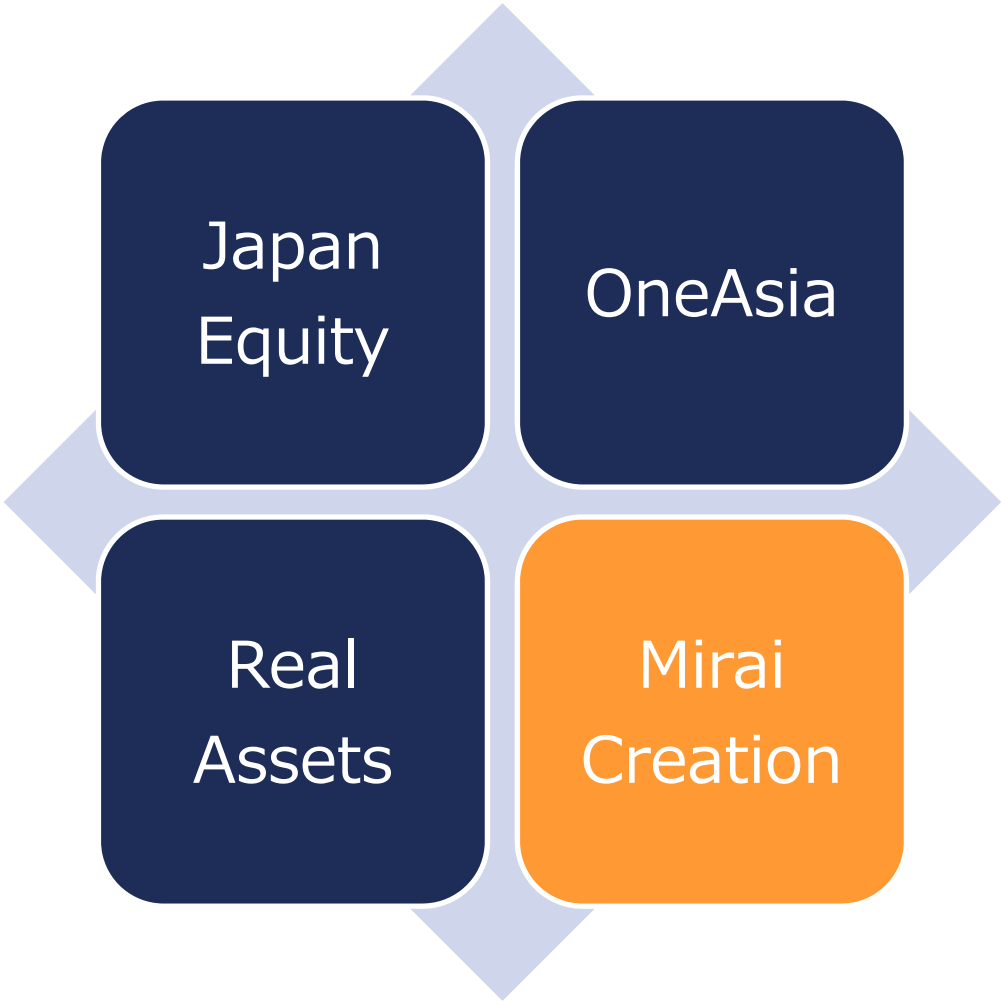
The Fund will invest in renewable energy development projects, and a portion of the commissions the fund manager earns will help finance philanthropic projects.

Source: Quoted from Tokyo Metropolitan Government “Image for Tokyo version of ESG Fund”



（Reference）https://ssl4.eir-parts.net/doc/8739/tdnet/1755425/00.pdf

(4)Mirai Creation Investment Strategy (AUM of JPY113.2 billion as of March 31, 2020)



Mirai Creation Investment Strategy（1）

Ample investment opportunities and steadily growing performance

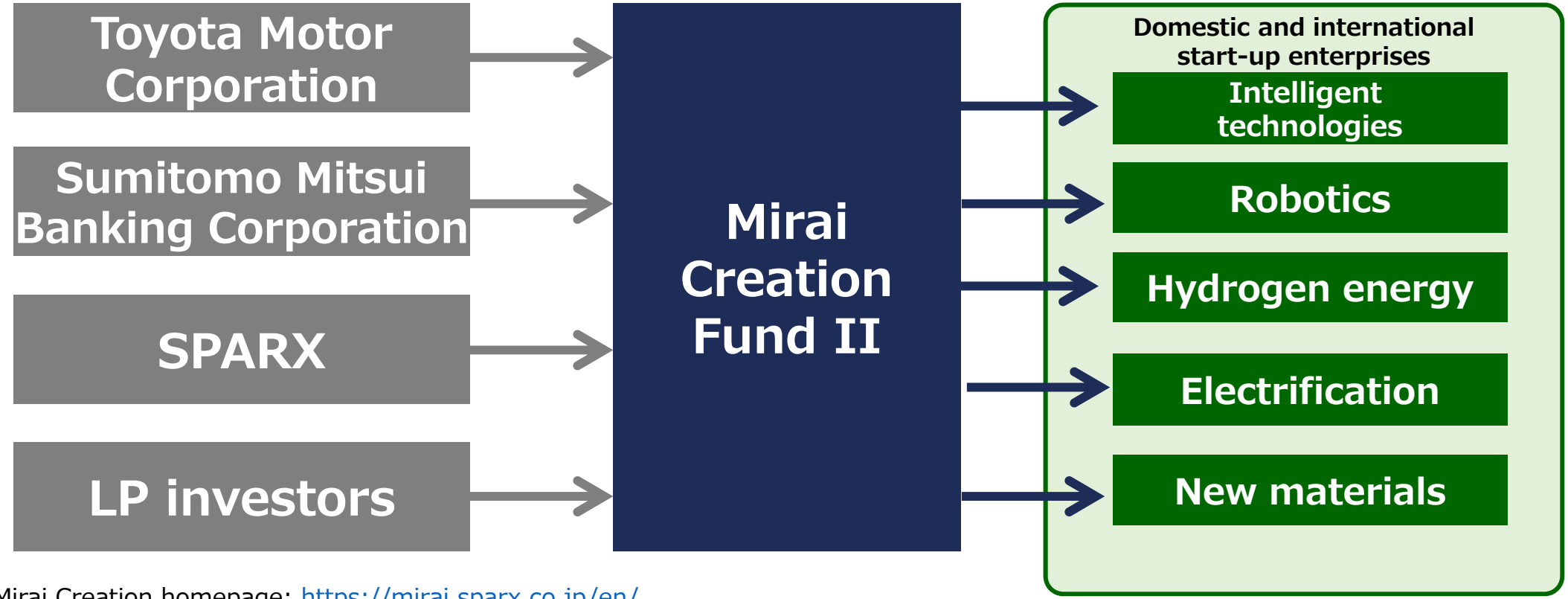
Mirai Creation Fund II

AUM as of March, 2020

72.6 Billion JPY

At the end of March 2019
Executed Amount
14 Projects
4.6 Billion JPY

At the end of March 2020
Executed Amount
49 Projects
35.2 Billion JPY



・Mirai Creation homepage: https://mirai.sparx.co.jp/en/

Mirai Creation Investment Strategy （2）

Portfolio status

Freee, K.K.

■ The firm develops and operates a cloud-based accounting software and payroll calculation based on AI

■ In December 2019, it was listed on the TSE Mothers.

Medley, Inc.

■ The firm operates Japan's largest online medical recruitment website "Job Medley" and developed online medical care system called "CLINICS"

■ In December 2019, it was listed on the TSE Mothers.

Examples of past IPOs and exits

- **Soracom, Inc. (acquired by a major corporation in August 2017)**
- **PKSHA Technology, Inc. (listed in September 2017)**
- **Autonomous Control Systems Laboratory (listed in December 2018)**
- **Sansan, Inc. (listed in June 2019)**
- **Giftee, Inc. (listed in September 2019) etc.**

Going forward, we will continue to see more portfolio companies newly listed or acquired by major corporations

Our framework allows us to recognize performance fees once we have paid more than a defined ratio of investment returns to our LPs

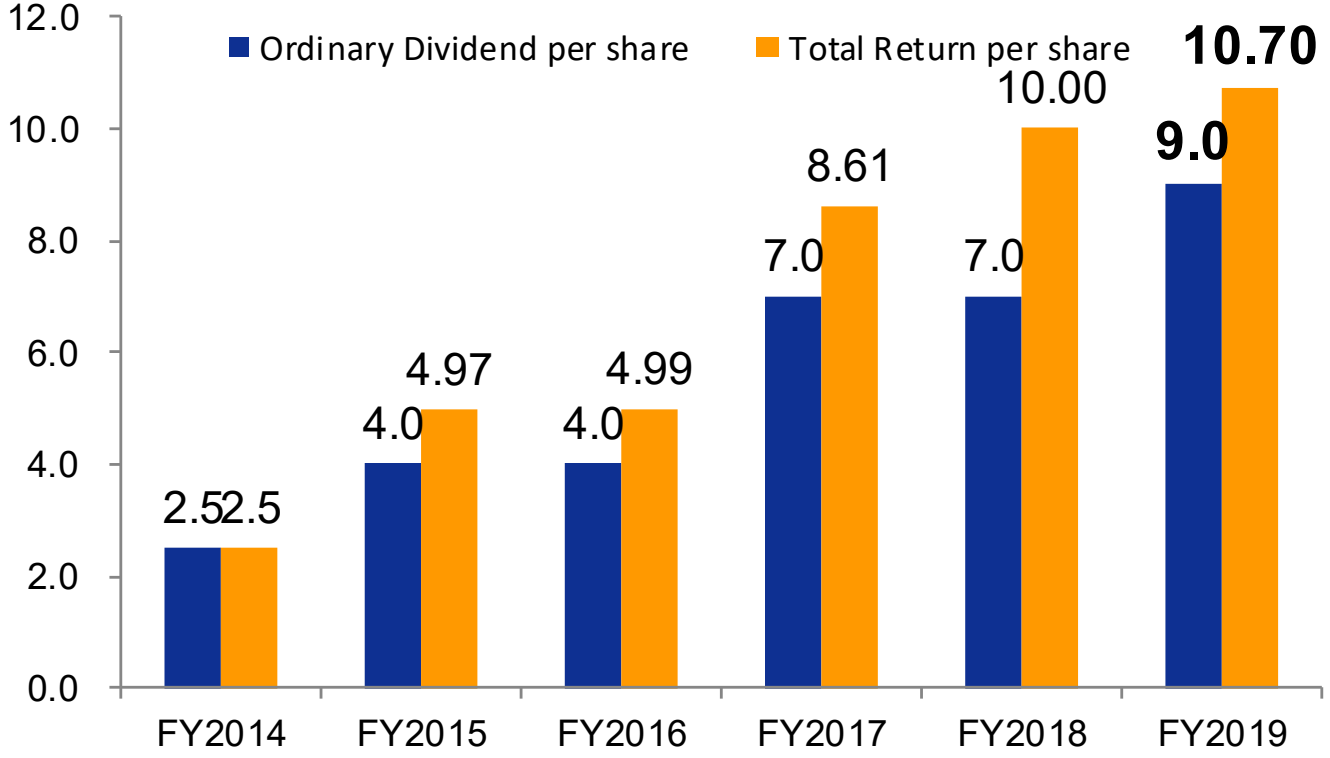
(Note) In March 2020, we didn't have performance fees recognized based on this strategy.

Reference to particular securities and their issues are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell securities.

Other

Return to Shareholders – Dividend

A year-end expected ordinary dividend to be 9 yen per share which is an increase of 2 yen from the previous fiscal year's ordinary dividend considering the financial condition remains stable, steadily increase in the Base Earnings, and so on.



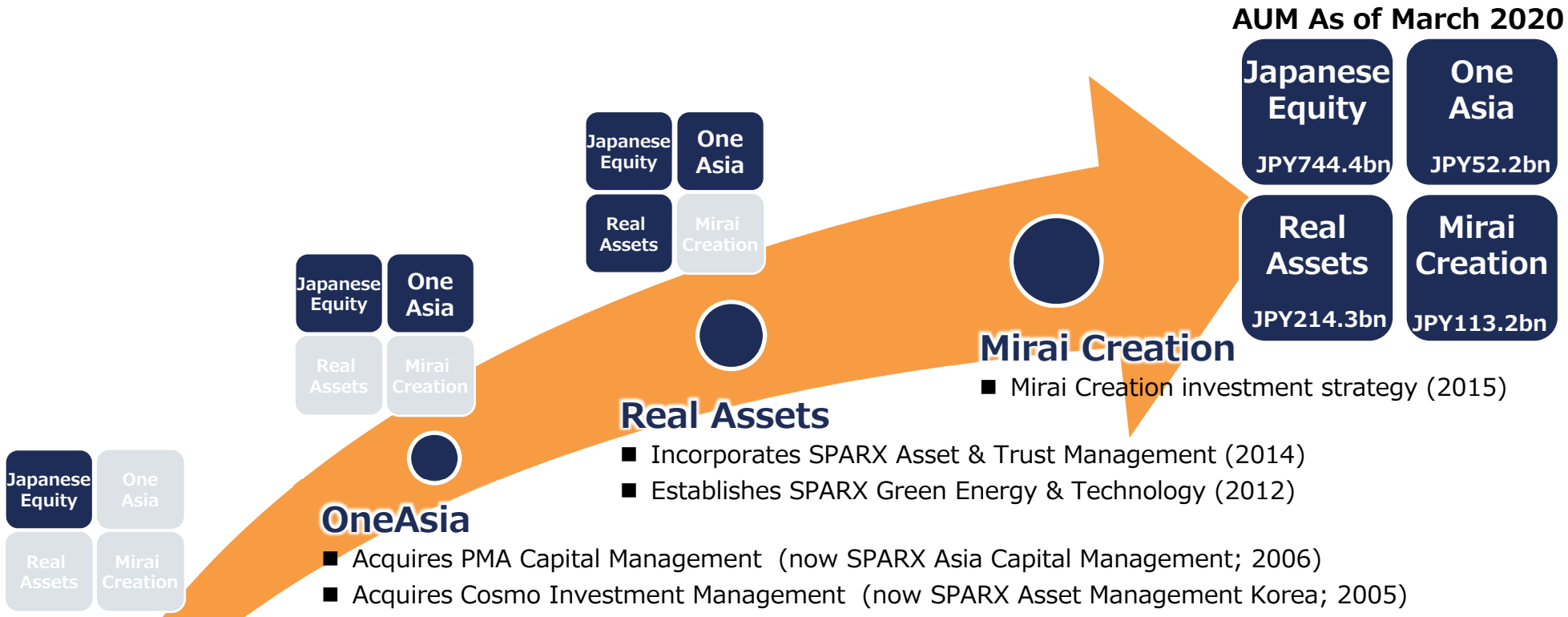
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Ordinary Dividend Payout Ratio (Base Earnings)	61.3%	42.1%	32.9%	45.1%	39.1%	50.8%
Total Return Ratio (Base Earnings)	61.3%	52.3%	41.0%	55.5%	55.8%	60.5%

(Reference) https://ssl4.eir-parts.net/doc/8739/tdnet/1789048/00.pdf

(Note 1) Dividend will be officially decided and implemented upon the resolution of the 31st Ordinary General Meeting of Shareholders to be held in June 2020.
(Note 2) Ordinary Dividend Payout Ratio (ordinary dividend) = Total amount of ordinary dividends ÷ Base Earnings
(Note 3) Total Profit Return Ratio = (Total amount of dividends (including commemorative dividend+ share buy-back) ÷ Base Earnings

[Reference] Hybrid Business Model

A hybrid model that combines our traditional strategy of investing in highly profitable listed stocks with the stable strategy of financing real assets/Mirai Creation



Mirai Creation

- Mirai Creation investment strategy (2015)

Real Assets

- Incorporates SPARX Asset & Trust Management (2014)
- Establishes SPARX Green Energy & Technology (2012)

OneAsia

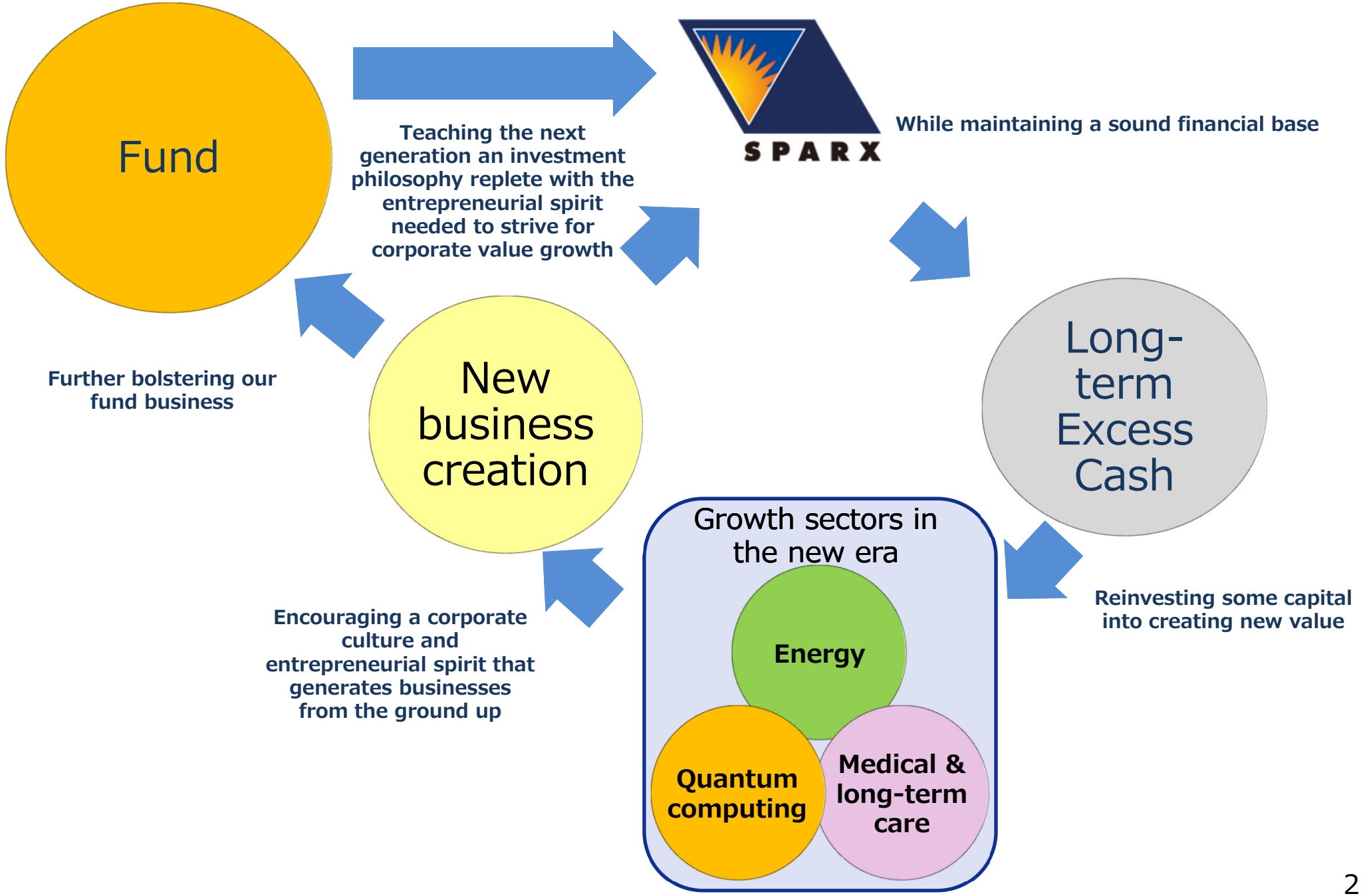
- Acquires PMA Capital Management (now SPARX Asia Capital Management; 2006)
- Acquires Cosmo Investment Management (now SPARX Asset Management Korea; 2005)
- Fund of funds strategy (1997; specializing in Asia-Pacific since 2002)

Japanese Equity

- Japanese Equity Focus strategy (1999)
- Japanese Equity Focus All Cap strategy (1998)
- Japanese Equity Long-Short All Cap strategy (1997)
- Japanese Mid & Small Cap strategy (1989)

Market swings have a significant impact → **Diversified strategy leads to increased stability**

Aiming to Create Business in Growth Sectors in the New Era



SPARX's Investments in Growth Sectors

Company name	Sigma-i Co., Ltd.
Representative director	Masayuki Ozeki
Founded	April 4, 2019
Business details	Consulting using quantum computing-based analytics / Developing and licensing quantum computing software / Training experts utilizing quantum computing

- The company intends to assemble the human resources of the future who can handle new computing technologies, including quantum annealing and machine learning. (equity method applies to this company)
- We additionally invested in this company this third quarter. Aim to further accelerate the social implementation of quantum annealing technology.

Sigma-i's strengths

Quantum annealing machine	Basic research	Professional personnel
■ The firm offers more convenient user environments through Japan's first large-scale user agreement with D-Wave Systems, Inc.	■ It leverages research results generated by Masayuki Ozeki, an expert in quantum annealing machines.	■ Top-class researchers from Tohoku University, the Tokyo Institute of Technology, and the Nagoya Institute of Technology work to advance the use of quantum annealing machines in society.

World-class R&D resources

Passing On SPARX's Investment Philosophy through the Buffett Club, an Internal Study Group

What is the Buffett Club?

Through studying and discussing the investment philosophies of noted investor Warren Buffett and other capitalists, SPARX employees learn the value of wanting to make clients wealthier, healthier, and happier as a part of "the most trusted and respected investment company in the world."

We have regularly held these study groups since our founding as a way to convey SPARX's investment philosophy to the next generation.



Information

We have produced a new video that highlights the company’s history—including the reason for its name—as well as its investment philosophy, corporate mission, performance, and its present and future endeavors, in just five minutes.

- SPARX Group Showcase Video/English Narration
  https://www.sparx.jp/tv/fan/2881.html

Company Profile

Company	SPARX Group Co., Ltd.
Representative	President & CEO Shuhei Abe
Address	1-2-70 Konan, Minato, Tokyo, Japan
Founded	July 1, 1989
Capitalization	JPY8,587 million (as of March 31, 2020)
Employees	169 (as of March 31, 2020)
Exchange	Tokyo Stock Exchange First Section
Ticker	8739



President and Group CEO Shuhei Abe

1954: Born in Sapporo.
1978: Graduated from Sophia University, Faculty of Economics.
1980: Received an MBA from Babson College. After returning to Japan, hired by Nomura Research Institute, Ltd. Worked as a corporate research analyst evaluating individual companies listed on Japanese stock markets.
1982: Seconded to New York's Nomura Securities International, Inc., and worked in sales of Japanese stocks to US institutional investors.
1985: Founded Abe Capital Research in New York. Provided portfolio management and advice on Japanese stocks to European and American investors through the Quantum Fund and other funds, while managing the assets of individual property owners in Europe and the US.
1989: After returning to Japan, established SPARX Asset Management (now SPARX Group Co., Ltd.) and appointed as president & representative director (current post).
2005: Completed the AMP at Harvard Business School.
2011: Appointed to the Subcommittee to Study Costs and Other Issues of the Japanese government's Energy and Environment Council.
2012: Appointed to the Japanese government's Supply-Demand Verification Subcommittee.
2012: Appointed to the Risk Advisory Committee for the Japan Bank for International Cooperation (JBIC).

Supplementary Materials

＜Reference＞ Revenue Structure and Important Management Indicators

Business that receives fees at a fixed rate of AUM

Revenue Structure

- Management Fees = AUM × management fee rate
- Performance Fees = AUM × percentage of AUM eligible to earn performance fees × performance fee rate

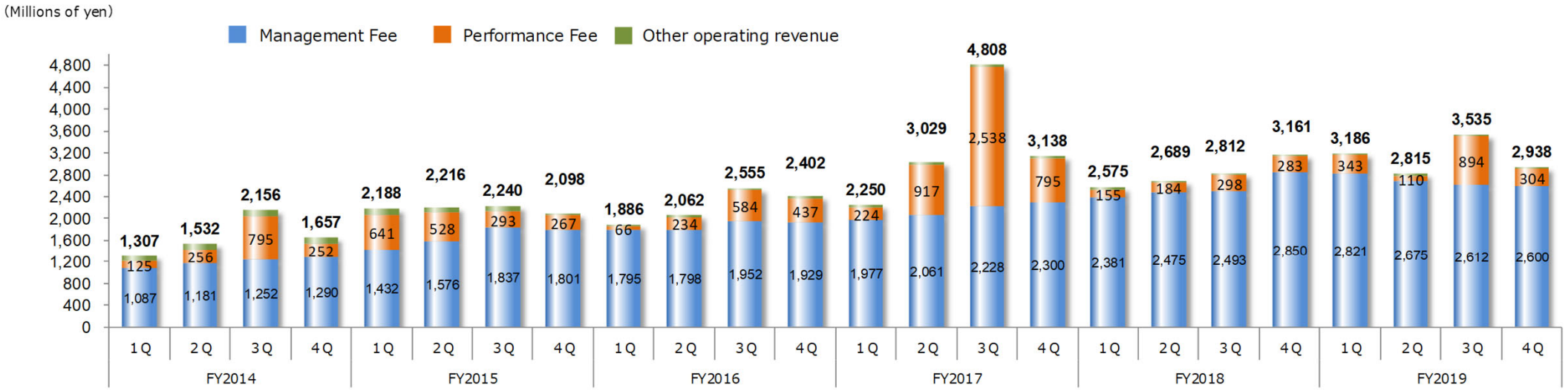
Important Management Indicators

- Asset under management (AUM)
- Management fee rate
- Percentage of AUM eligible to earn performance fees
- Base Earnings = management fees (after deducting commissions) - ordinary expenses

※ The formulas above simply explain revenue structure, not the exact calculations actually used.

Quarterly Trends in Operating Revenue

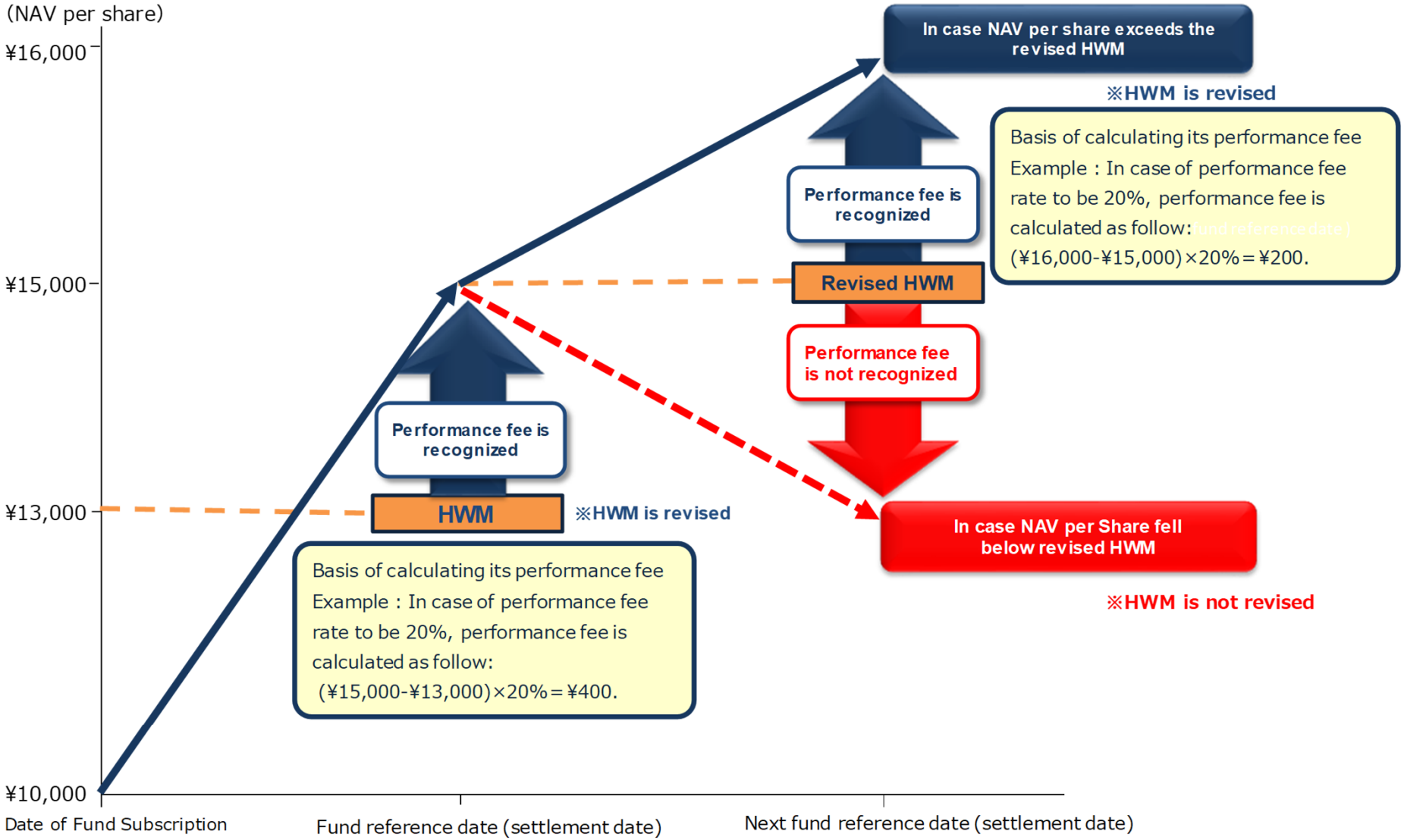
Management fees have been steadily maintained due to the consistently high management fee rate



(Millions of yen)	FY2014				FY2015				FY2016				FY2017				FY2018				FY2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Management Fees	1,087	1,181	1,252	1,290	1,432	1,576	1,837	1,801	1,795	1,798	1,952	1,929	1,977	2,061	2,228	2,300	2,381	2,475	2,493	2,850	2,821	2,675	2,612	2,600
Performance Fees	125	256	795	252	641	528	293	267	66	234	584	437	224	917	2,538	795	155	184	298	283	343	110	894	304
Other operating revenue	94	94	109	114	114	111	109	29	24	28	18	35	48	50	41	42	38	28	20	27	22	29	28	33
Operating Revenue	**1,307**	**1,532**	**2,156**	**1,657**	**2,188**	**2,216**	**2,240**	**2,098**	**1,886**	**2,062**	**2,555**	**2,402**	**2,250**	**3,029**	**4,808**	**3,138**	**2,575**	**2,689**	**2,812**	**3,161**	**3,186**	**2,815**	**3,535**	**2,938**
(Reference)																								
Average AUM (Billions of yen) (3months average)	723.9	785.9	821.7	912.6	1,029.7	927.7	985.6	949.7	923.3	927.0	970.3	963.1	1,001.8	1,062.7	1,177.3	1,133.9	1,131.0	1,151.0	1,159.8	1,186.9	1,180.1	11,536	12,290	11,734
Management fee rate (3months average) (After deducting commissions)	0.51%	0.52%	0.53%	0.49%	0.49%	0.59%	0.63%	0.66%	0.67%	0.67%	0.70%	0.70%	0.68%	0.68%	0.66%	0.69%	0.71%	0.71%	0.71%	0.79%	0.79%	0.76%	0.70%	0.74%
Percentage of AUM eligible to earn performance fees	51.2%	50.5%	51.2%	47.6%	47.4%	37.7%	37.3%	40.1%	39.8%	41.8%	39.2%	36.4%	35.0%	34.2%	32.1%	25.4%	27.2%	25.4%	30.1%	30.2%	31.0%	31.0%	29.9%	33.5%
NIKKEI stock average (Record date)	15,162	16,173	17,450	19,206	20,235	17,388	19,033	16,758	15,575	16,449	19,114	18,909	20,033	20,356	22,764	21,454	22,304	24,120	20,014	21,205	21,275	21,755	23,656	18,917

Structure of Performance Fees (Related to Equity Investment Fund)

Performance Fees are recognized for NAV per share exceeding HWM as of record date for fund



(Note 1)The structure described above is only informational purpose on performance fee structure. It is not intended to explain exactly how the performance fee is calculated based on fund's NAV.
(Note 2)Above uses performance fee rate of 20% for informational purpose only. In addition, "HWM" an abbreviation of High-Water Mark.
(Note 3)In case peformance fee recognized on record date for fund, "HWM" is revised.

Breakdown of Operating and General Administrative Expenses

- Additional fees paid to coincide with additional management fees for publicly offered investment trusts
- Increased personnel, administrative, and contracting expenses due to additional personnel and expanded operations

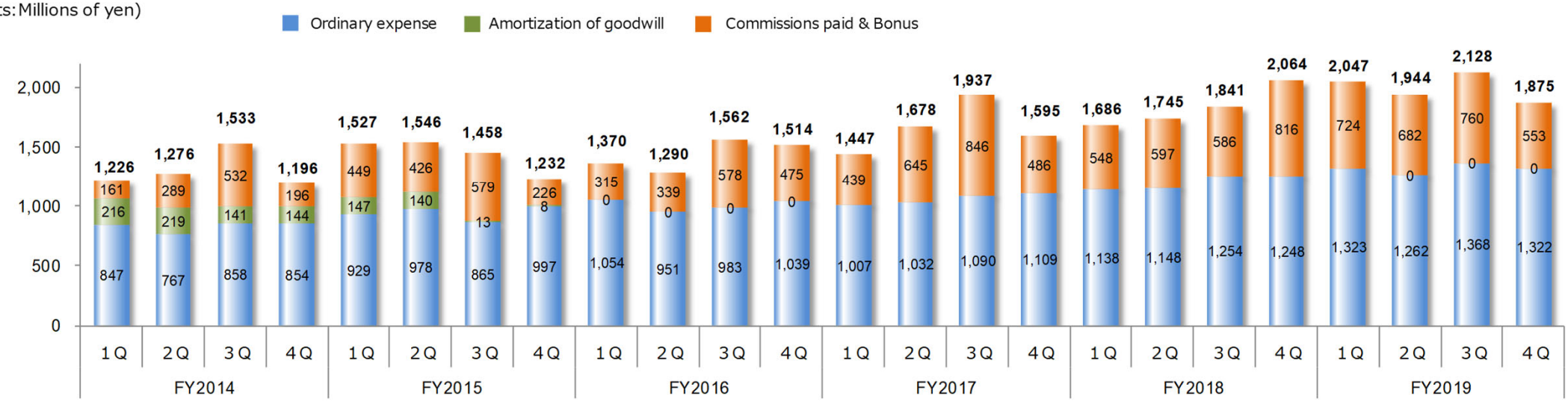
(Units: Millions of yen)	FY2018	FY2019	
	Apr2018-Mar2019	Apr2019-Mar2020	YoY change
Commissions paid	1,753	1,857	+5.9%
Personnel exp.	2,646	2,831	+7.0%
Travel exp.	321	296	-8.0%
Property rent	323	270	-16.2%
Entrusted business expenses	1,070	1,281	+19.7%
Depreciation on fixed assets	178	264	+47.6%
Advertising exp.	111	131	+17.7%
Research exp.	290	308	+6.0%
Other expenses	641	756	+17.8%
Total: Operating and general administrative expenses	7,338	7,996	+9.0%
Ordinary expenses	4,789	5,275	+10.1%

(Note1) The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.
(Note2) The "Personnel expenses" data includes payments for legal welfare, bonus and temporary staff, etc. other than salary.
(Note3) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, legal welfare expenses related to bonuses, and ESOP expense) and (3) Severances package for key members, from total operating and general administrative expenses; hereinafter the same applies in this document.
(Note4) Due to the pronouncement of IFRS16 (leases) and adopting it by some overseas subsidiaries for the fiscal year ending March 31, 2020, those subsidiaries no longer record under rent expense on real estate but instead they are presented under depreciation expenses associated with its fixed assets.

Quarterly Operating and General Administrative Expenses

Cost-control taken continuously and cautiously, considering the increase of ordinary expenses, in the midst of business expansion

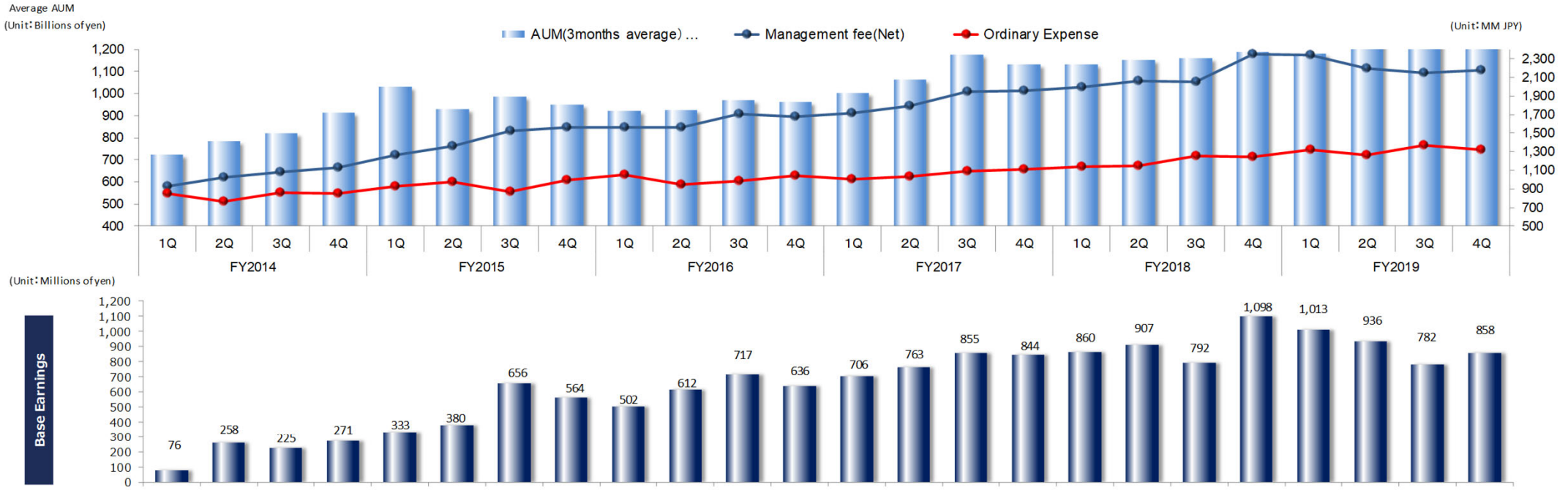
(Units: Millions of yen)



(Units : Millions of yen)	FY2014				FY2015				FY2016				FY2017				FY2018				FY2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Ordinary expenses	847	767	858	854	929	978	865	997	1,054	951	983	1,039	1,007	1,032	1,090	1,109	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322
Amortization of goodwill	216	219	141	144	147	140	13	8	–	–	–	–	–	–	–	–	–	–	0	0	–	–	0	0
Commissions paid & Bonuses	161	289	532	196	449	426	579	226	315	339	578	475	439	645	846	486	548	597	586	816	724	682	760	553
Operating and general administrative expenses	**1,226**	**1,276**	**1,533**	**1,196**	**1,527**	**1,546**	**1,458**	**1,232**	**1,370**	**1,290**	**1,562**	**1,514**	**1,447**	**1,678**	**1,937**	**1,595**	**1,686**	**1,745**	**1,841**	**2,064**	**2,047**	**1,944**	**2,128**	**1,875**

Quarterly Base Earnings

Robust base earnings due to growing management fees



(Unit : MM JPY)	FY2014				FY2015				FY2016				FY2017				FY2018				FY2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AUM(3months average) (Unit:Billions of yen)	723.9	785.9	821.7	912.6	1,029.7	927.7	985.6	949.7	923.3	927.0	970.3	963.1	1,001.8	1,062.7	1,177.3	1,133.9	1,131.0	1,151.0	1,159.8	1,186.9	1,180.1	11,536	12,290	11,734
Management fee(Net)	923	1,025	1,084	1,126	1,262	1,358	1,521	1,562	1,557	1,563	1,701	1,675	1,713	1,795	1,945	1,953	1,998	2,056	2,047	2,347	2,336	2,198	2,150	2,180
Ordinary Expense	847	767	858	854	929	978	865	997	1,054	951	983	1,039	1,007	1,032	1,090	1,109	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322
Base Earnings	76	258	225	271	333	380	656	564	502	612	717	636	706	763	855	844	860	907	792	1,098	1,013	936	782	858

(Note) As preliminary figures, the「Management fee (Net)」is calculated by multiplying the management fee rate (after the deduction of commission paid) and the average AUM for the period.

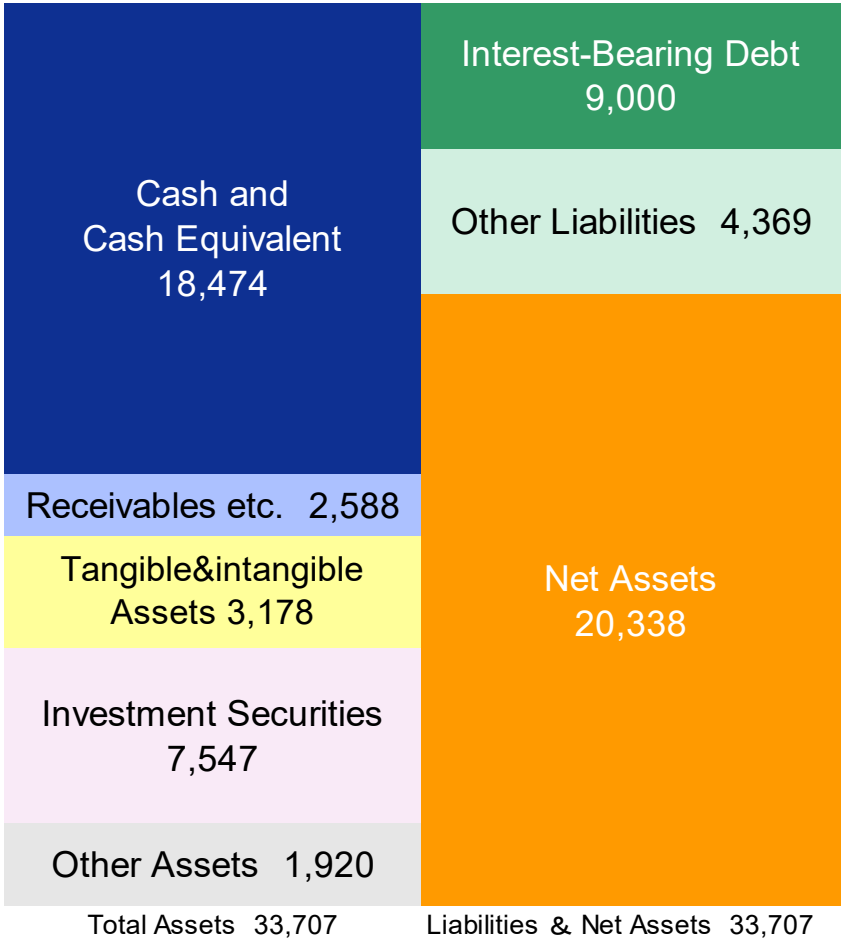
Consolidated Balance Sheet (1)

The industry the Company belongs to is significantly influenced by economic and market conditions. Thus, the balance is maintained conservatively. The amount is kept as three years' worth of ordinary expenses level which calculated by "Cash and Cash Equivalent" minus "Interested-Bearing Debt" plus highly liquidity "Investment Securities" with consideration of potential value decline.

Goodwill* (JPY1,746Million) is included for developing a power station of SGET Iwaizumi Wind Firm Godogaisha (Japan)

Mostly seed money to funds that the Company manages

(Units: Millions of yen)



Including account payable for the Goodwill*

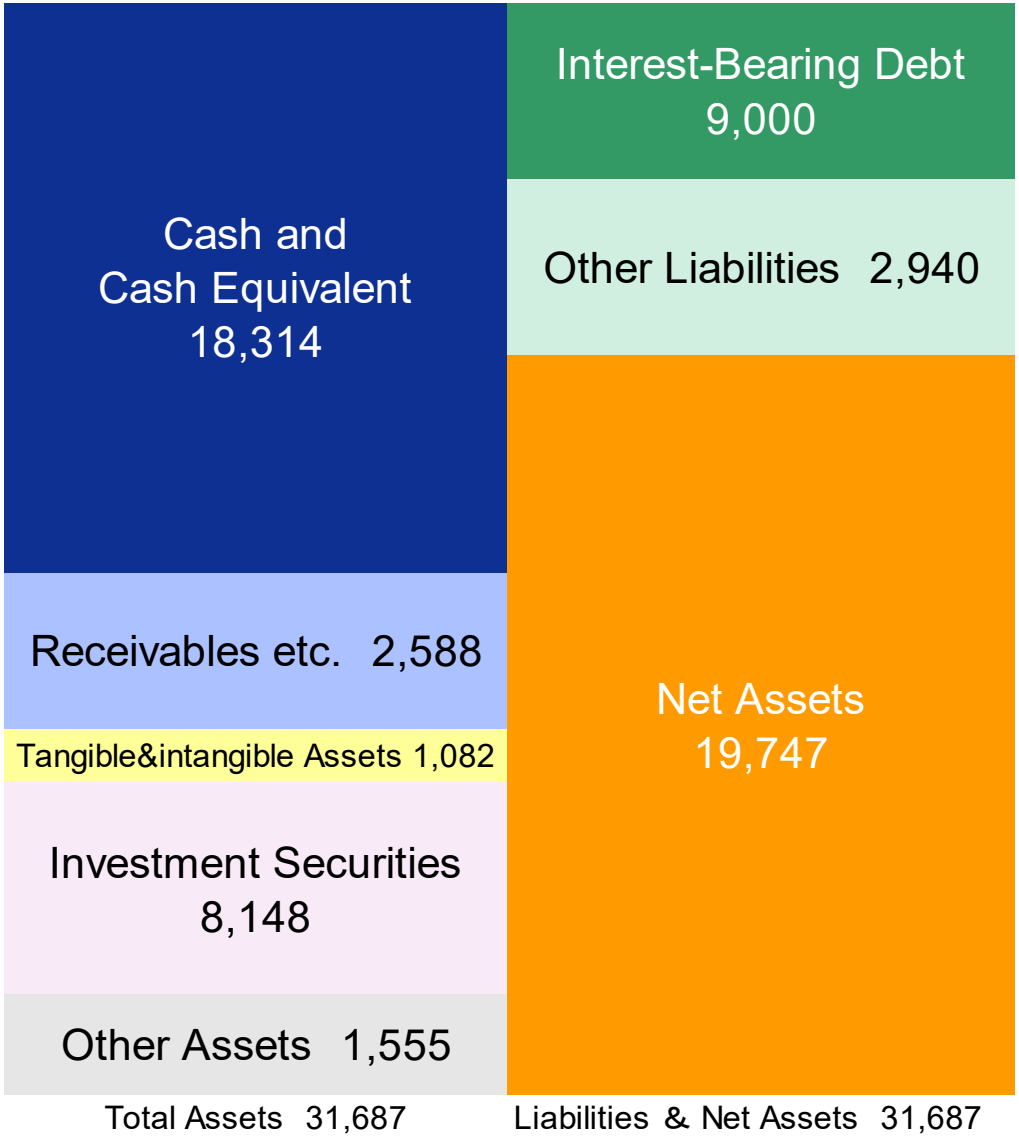
JPY 1,389Million

Equity Ratio

58.6%

[Reference] Excluding the Balance Sheet of the SGET Iwaizumi Wind Farm

(Units: Millions of yen)



Equity Ratio

67.9%

Consolidated Balance Sheet (2)

(Units: Millions of yen)	Mar. 2019	Mar. 2020	YoY change
Current assets	20,921	22,079	+1,158
Cash and cash equivalents	17,152	18,474	+1,321
Receivables	2,733	2,588	-145
Fixed assets	10,409	11,628	+1,218
Goodwill	1,749	1,746	-2
Investment securities	6,363	7,547	+1,183
Total assets	31,331	33,707	+2,376
Short-term loans payable	0	2,000	+2,000
Long-term loans payable	7,000	7,000	-
Payables	2,907	3,770	+862
Total liabilities	10,310	13,369	+3,059
Common stock	8,585	8,587	+1
Add'l paid-in-capital	2,554	2,555	+1
Retained earnings	11,189	11,448	+258
Treasury stock	-3,204	-3,549	-345
Total Shareholder's Equity	19,125	19,041	-84
Valuation difference on AFS securities	239	▲207	-446
Foreign currency translation adjustment	1,143	900	-242
Non-controlling interests	499	600	+100
Total net assets	21,020	20,338	-682

Decreased mainly due to the investment in seed money, payment of dividends, bonuses. However increased due to new loan.

Increased mainly due to the investment in seed money

Increased due to new borrowing

Increased due to income tax payable

Payment of dividend : ▲JPY 2,043MM

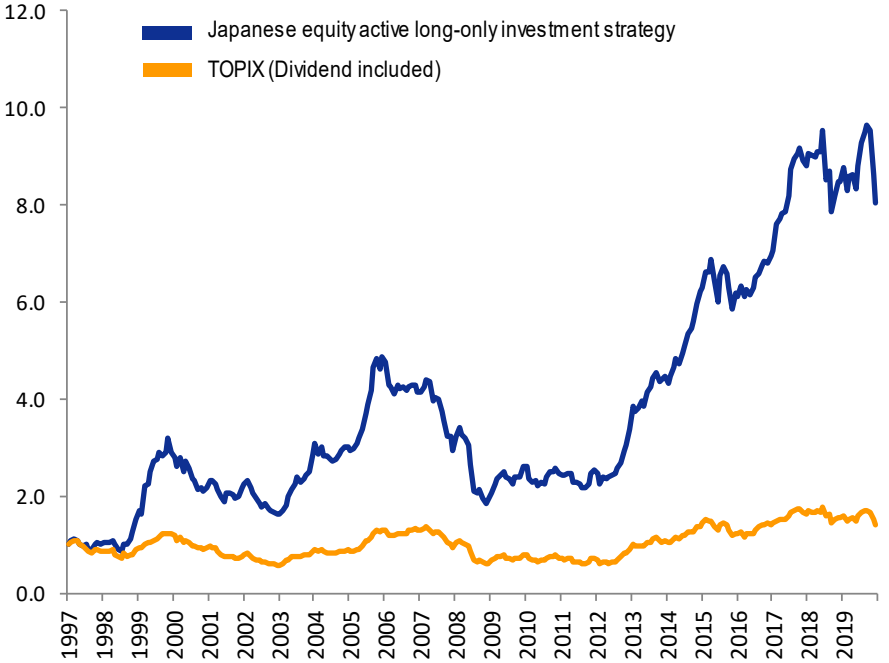
Profit attributable to owners of parent FY2019 : +JPY 2,301MM

Increased due to stock buyback

(Note1) Figures above are truncated.
(Note2) Investment securities include the seed money of the Company funds.

Primary Investment Strategies: Composite Returns Since Valuation Began ①

Japanese Equity Active Long-Only investment strategy

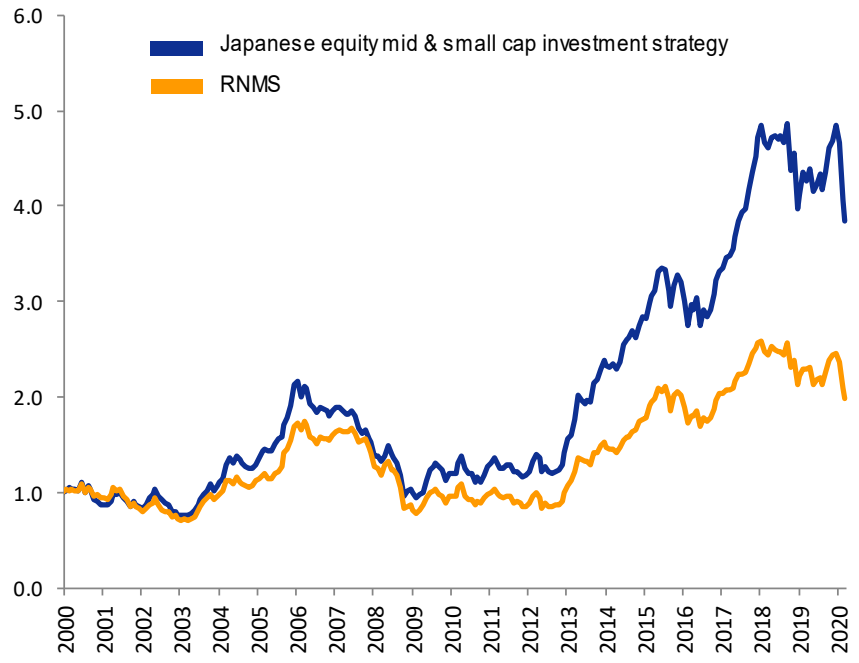


(Annualized Return)

Japanese equity active long-only investment strategy	9.53%
Reference Index	1.51%
Excess Return	8.02%

Reference Index	TOPIX (Dividend included)
Measurement Period	1997/5 ～2020/3
Volatility of Composite Return (Annualized)	20.36%

Japanese Equity Mid & Small Cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	6.87%
Reference Index	3.43%
Excess Return	3.44%

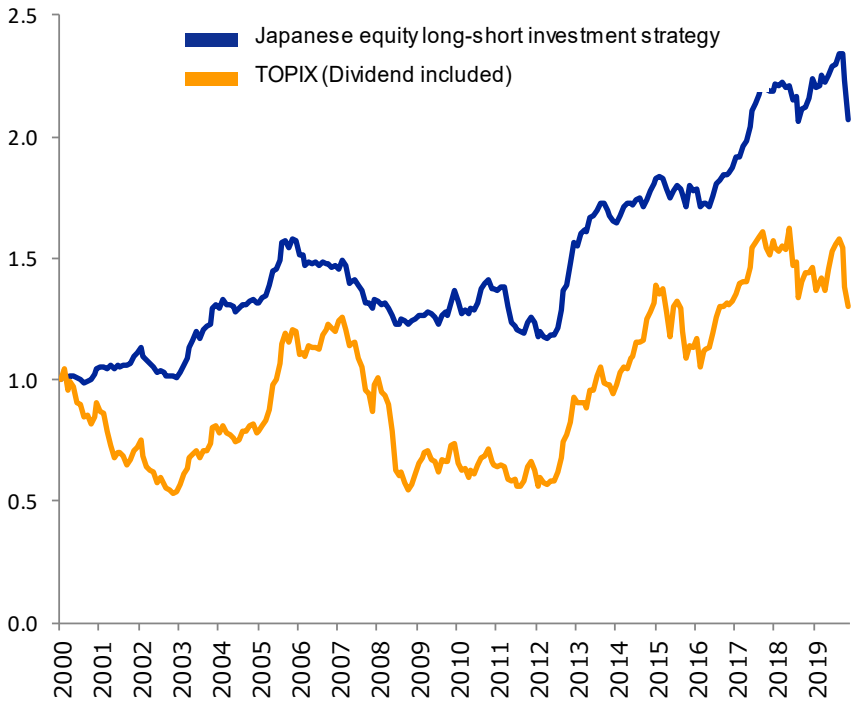
Reference Index	Russell/Nomura Mid-Small Cap Index
Measurement Period	2000/1 ～2020/3
Volatility of Composite Return (Annualized)	17.84%

Be sure to read the additional materials appended to the end of this presentation.

Source: SPARX Group (as of March 31, 2020)

Primary Investment Strategies: Composite Returns Since Valuation Began ②

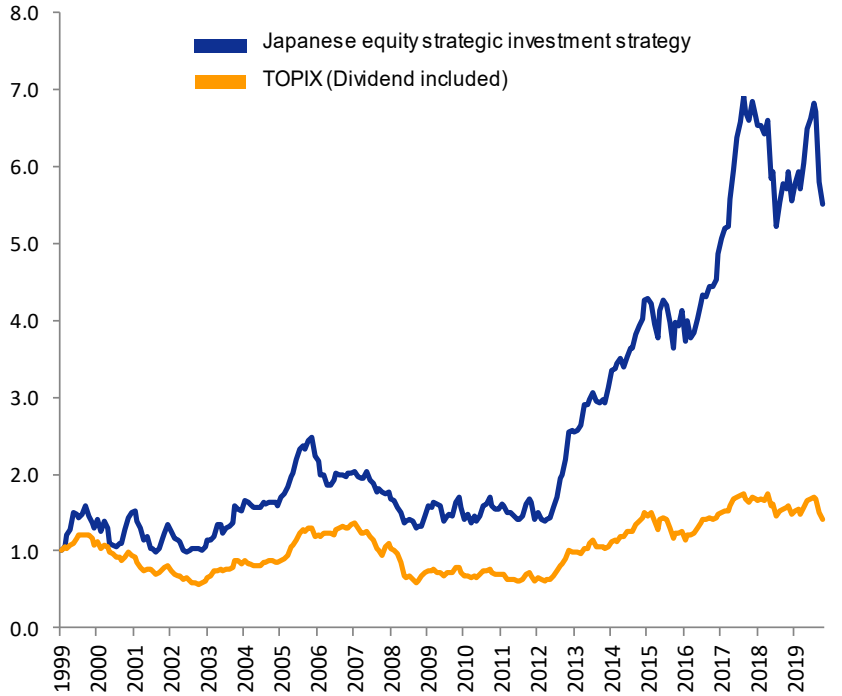
Japanese Equity Long-Short investment strategy



(Annualized Return)

Japanese equity long-short investment strategy	3.73%	Reference Index	TOPIX (Dividend included)
Reference Index	1.34%	Measurement Period	2000/6 ～2020/3
Excess Return	2.39%	Volatility of Composite Return (Annualized)	7.48%

Japanese Equity Strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	8.57%	Reference Index	TOPIX (Dividend included)
Reference Index	1.66%	Measurement Period	1999/7 ～2020/3
Excess Return	6.91%	Volatility of Composite Return (Annualized)	20.17%

Be sure to read the additional materials appended to the end of this presentation.

Source: SPARX Group (as of March 31, 2020)


SPARX

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Composite details
A detailed account of all composite lists and other content from the firm is available upon request.
Contact: Marketing Division, SPARX Asset Management Co., Ltd. (Tel. +81-3-6711-9200)
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Notes on Investment Trusts

The following statements are presented in compliance with Article 37 of the Financial Instruments and Exchange Act. Note that their content may differ from the costs or risks that apply to the individual investment trusts that clients actually purchase. The costs and fees associated with the funds differ according to the marketing companies and the individual investment trust, so these statements express the maximum amounts for all fees that SPARX Asset Management collects for the investment trusts it manages. In the event that a party wishes to purchase a specific investment trust, we ask that the party makes his/her ultimate investment decision at his/her own discretion after reviewing the investment trust's prospectus, which is available immediately upon request.

About Risks Related to Investment Trusts

Investment trusts invest mainly in stocks, public bonds, and real estate investment securities of fluctuating value (assets in foreign currencies also include exchange risks), so their net asset values (NAV) will fluctuate. Therefore, the investment trusts do not guarantee returns on invested capital, and they may incur losses due to declines in NAVs, primarily attributable to transaction price and currency fluctuations in relevant markets, resulting in balances dropping below originally invested amounts. These management-caused losses wholly belong to all beneficiaries.
Specialized funds differ from diversified general investment trusts in that they manage a narrower scope of stocks. Thus, they are much more likely to experience NAV fluctuations, regardless of market trends.
Long-short strategy funds operate from a short position, meaning that when shorted stocks see share price growth, fund NAVs will fall. Moreover, situations in which both long and short positions incur losses significantly raise the possibility of loss to investors, compared to that for normal equity investment trusts.
These risks include only a portion of the risks related to investment trusts, and the details and nature of the risks differ according to the type of assets targeted, investment restrictions, transaction exchange, and countries targeted for each investment trust.

About Costs Related to Investment Trusts (Publicly Offered Investment Trusts)

The maximum expenses (fees) for SPARX's investment trusts (publicly offered investment trusts) are as follows:

- Direct costs

Fees at time of purchase:	Up to 3.85% (after tax)
Liquidation fees:	None
Investment trust asset reserves:	Up to 0.5%

- Indirect costs during investment in investment trusts

Trust commission:	Up to 2.09% annually (after tax)
Performance commission (*):	Some investment trusts may require performance commissions.

*The amount of performance commissions varies per the NAV level, so it is not possible to indicate a maximum amount in advance.

Other costs and fees: Auditing costs; sales commissions generated by composite marketable securities (including funds) transactions, which include costs for creating prospectuses or investment reports; costs required for futures or options transactions; and custodial costs for assets in foreign currencies. When composite marketable securities are funds, they may charge for other expenses, including fiduciary trust company and custodial firm fees. These fees vary per management conditions, so it is not possible to indicate their maximum amounts in advance.

The total cost of fees differs according to the period of ownership, so these fees cannot be shown.

They also differ according to investment trust, so contact your dealer for more details.

Issuing Corporation

SPARX Asset Management Co., Ltd.

Financial Services Provider Registration Number: Director of Kanto Local Finance Bureau, No. 346

Memberships: The Investment Trusts Association, Japan; Japan Investment Advisers Association; Japan Securities Dealers Association; and Type II Financial Instruments Firms Association

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SPARX Group Co., Ltd.
Shinagawa Season Terrace 6F, 1-2-70 Konan,
Minato, Tokyo, Japan 108-0075
Tel: +81-3-6711-9100 (switchboard)