FY2020
2nd Quarter Earnings Presentation
(Apr. 2020 – Sep. 2020)

November 11th, 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.

FY2020 Q2 Performance

About This Earnings Presentation

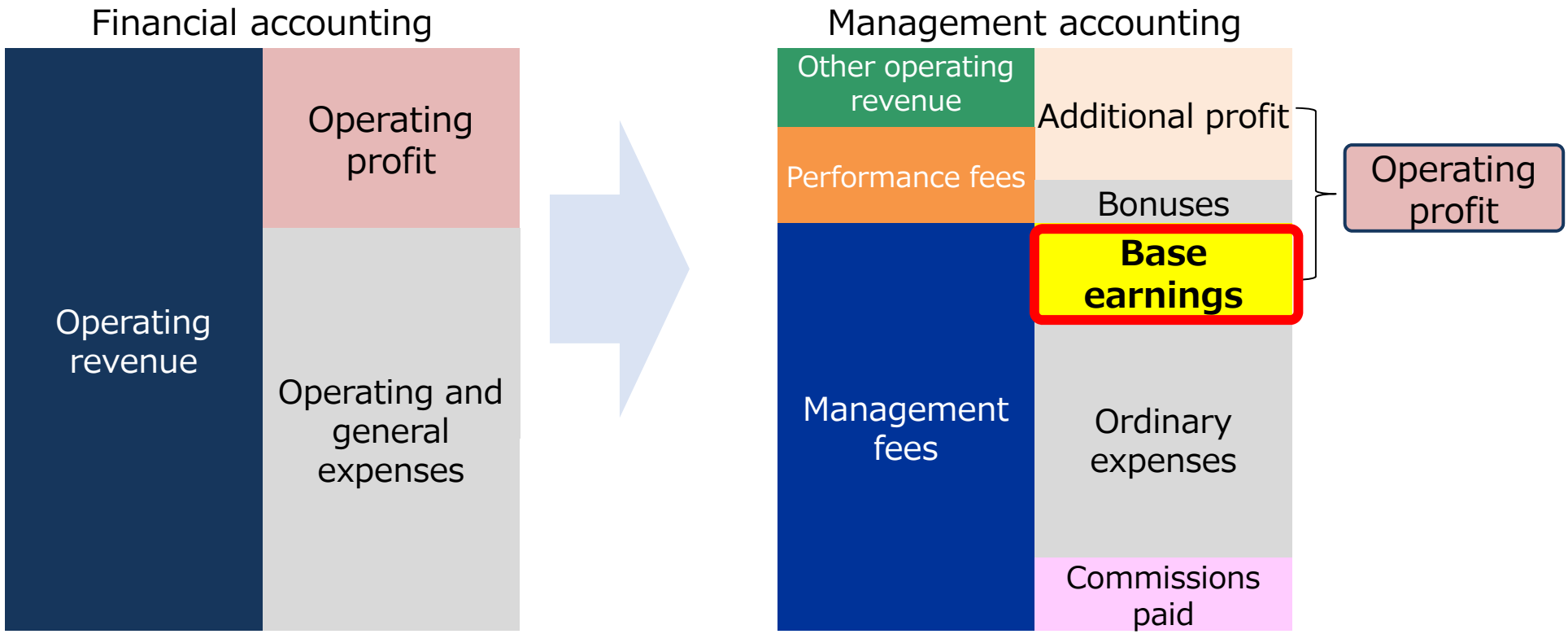
This earnings presentation provides management accounting details not included in the consolidated statement. Note that, as shown in the following diagram, SPARX categorizes (1) management fees, (2) performance fees, and (3) other operating revenue, while (1) ordinary expenses, (2) commissions paid,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

・Operating income increased 16.0%, mainly due to the recording of performance fees related to Japanese equities and renewable energy investment strategies.

・Basic revenue increased by 5.5% due to a decrease in ordinary expenses such as travel expenses and transportation expenses, although management fee decreased.

(Unit:Millions of yen)	FY2019	FY2020	YoY change
	Apr2019-Sep2019	Apr2020-Sep2020	
Operating revenue	6,002	6,031	+0.5%
Operating profit	2,009	2,331	+16.0%
Net income	1,249	1,405	+12.5%
Base earnings	1,950	2,057	+5.5%

(Note) See pages 4, 6, 30, and 35 for more on base earnings.

Consolidated Earnings Summary (2) Performance

		FY2019		FY2020	
		Apr2019-Sep2019	Full Year	Apr2020-Sep2020	YoY change
Average AUM	(Billions of yen)	1,166.9	1,184.0	1,247.0	+6.9%
Management fee rate (After deducting commissions)	(%)	0.78%	0.75%	0.71%	-0.07
Management fees (After deducting commissions)	(Millions of yen)	4,535	8,866	4,419	-2.6%
- Ordinary expenses	(Millions of yen)	2,585	5,275	2,361	-8.7%
Base earnings	(Millions of yen)	1,950	3,591	2,057	+5.5%
Performance fees	(Millions of yen)	453	1,652	748	+65.1%
Percentage of AUM eligible to earn peformance fees	(%)	31.0%	33.5%	34.1%	+3.1
Other operating revenue	(Millions of yen)	52	114	90	+73.1%
- Bonuses (including ESOP Expense)	(Millions of yen)	445	864	565	+26.8%
Operating profit	(Millions of yen)	2,009	4,479	2,331	+16.0%
Profit attributable to owners of parent	(Millions of yen)	1,249	2,301	1,405	+12.5%
Return on equity (ROE)	(%)	12.6%	11.4%	14.1%	+1.5

(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

AUM increased by 17.4% compared to end of the previous fiscal year due to the rise in market value accompanying the recovery of the stock market, the increase in the AUM, and the start of operation of the Space Frontier Fund.

⇒ AUM has recovered to 1.3 trillion yen for the first time since May 2008.

(Unit:Billions of yen)	AUM			Average AUM (6 months)		
	As of March, 2020	As of September, 2020	Change (%)	FY2019	FY2020	YoY change (%)
Japanese Equity	744.4	890.2	+19.6%	811.2	843.3	+4.0%
OneAsia	52.2	74.9	+43.5%	28.5	67.8	+137.9%
Real Assets	213.4	232.1	+8.8%	215.7	215.8	+0.0%
Private Equity(Mirai Creation, etc.)	113.2	121.4	+7.2%	111.3	120.0	+7.8%
Total	1,123.3	1,318.6	+17.4%	1,166.9	1,247.0	+6.9%

	As of September, 2020	As of March, 2020	As of September, 2020	YoY change
TOPIX	1,587	1,403	1,625	+2.4%
NIKKEI 225 (JPY)	21,755	18,917	23,185	+6.6%
KOSPI	2,063	1,754	2,327	+12.8%

*See our “Notice of Month-End Assets Under Management” for details on SPARX's AUM as of September 30, 2020.

https://ssl4.eir-parts.net/doc/8739/tdnet/1888186/00.pdf

Business Progress Report and Future Plans

Latest Business Progress Report

Japanese Equity	Performance fees for the long-short investment strategy positively contributed in this quarterly accounting period.
OneAsia	Last December, we signed a contract with a major public institutional investor in Europe for investing in Korean stocks. After that, the fund from Korean domestic institutional investors has been inflow on a net bases.
Real Assets	One investment was made and one power plant started its was operation during this quarterly accounting period. We will continue to actively consider investing in high-quality power plants that have already been operated.
Private Equity	We are preparing to launch a Monozukuri fund which means “the making of things” in Japanese

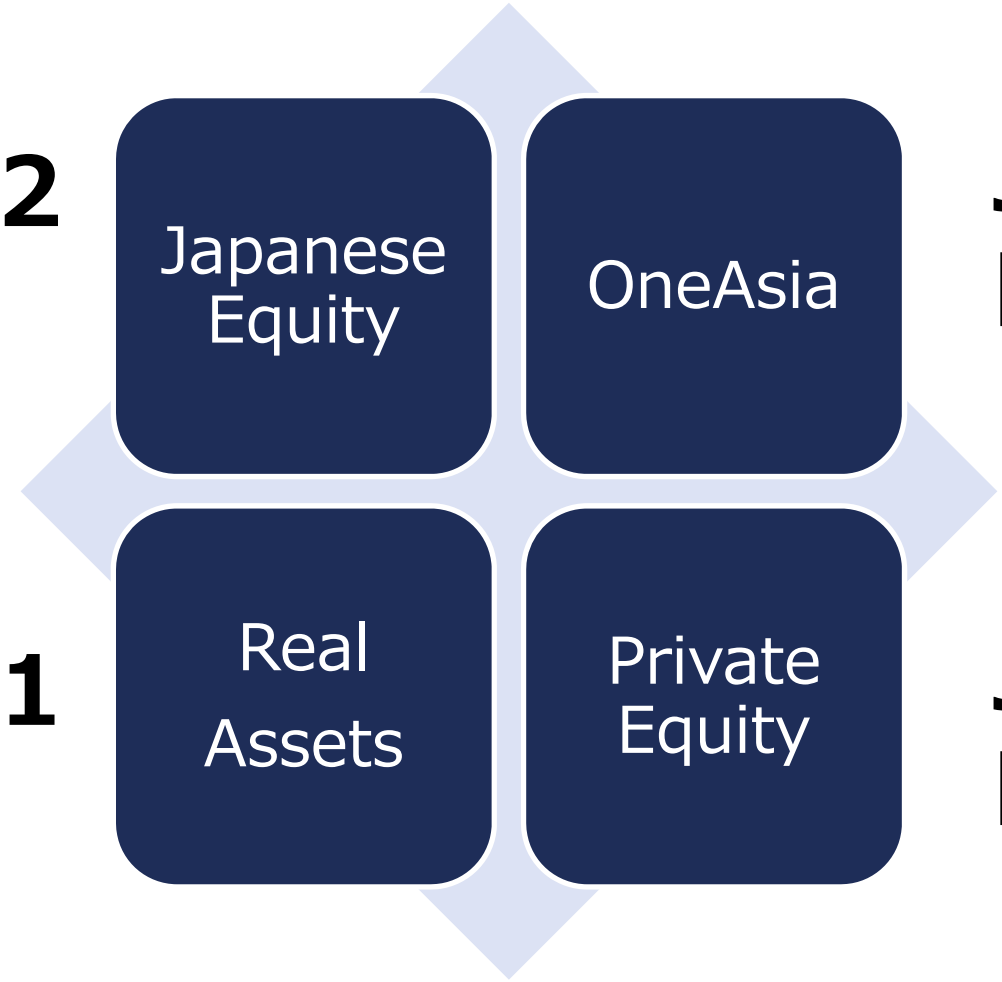
Four Pillars of Growth: Combining High Profitability and Stability

High profitability **Fund performance generates significant income (performance fees)**

Stability **Ongoing long-term contracts generate stable income**

JPY890.2 billion

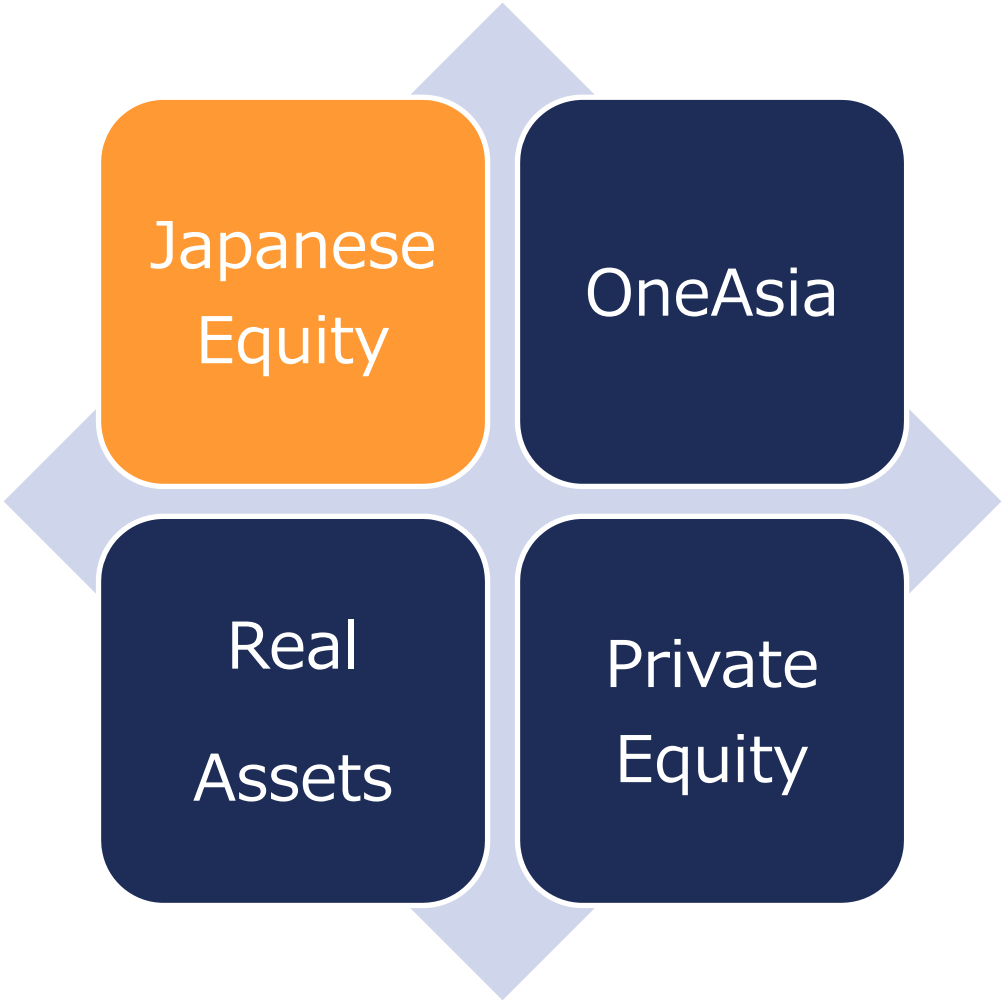
JPY74.9 billion



JPY232.1 billion

JPY121.4 billion

(1) Japanese Equity Investment Strategy (AUM of JPY 890.2 billion as of September 30, 2020)

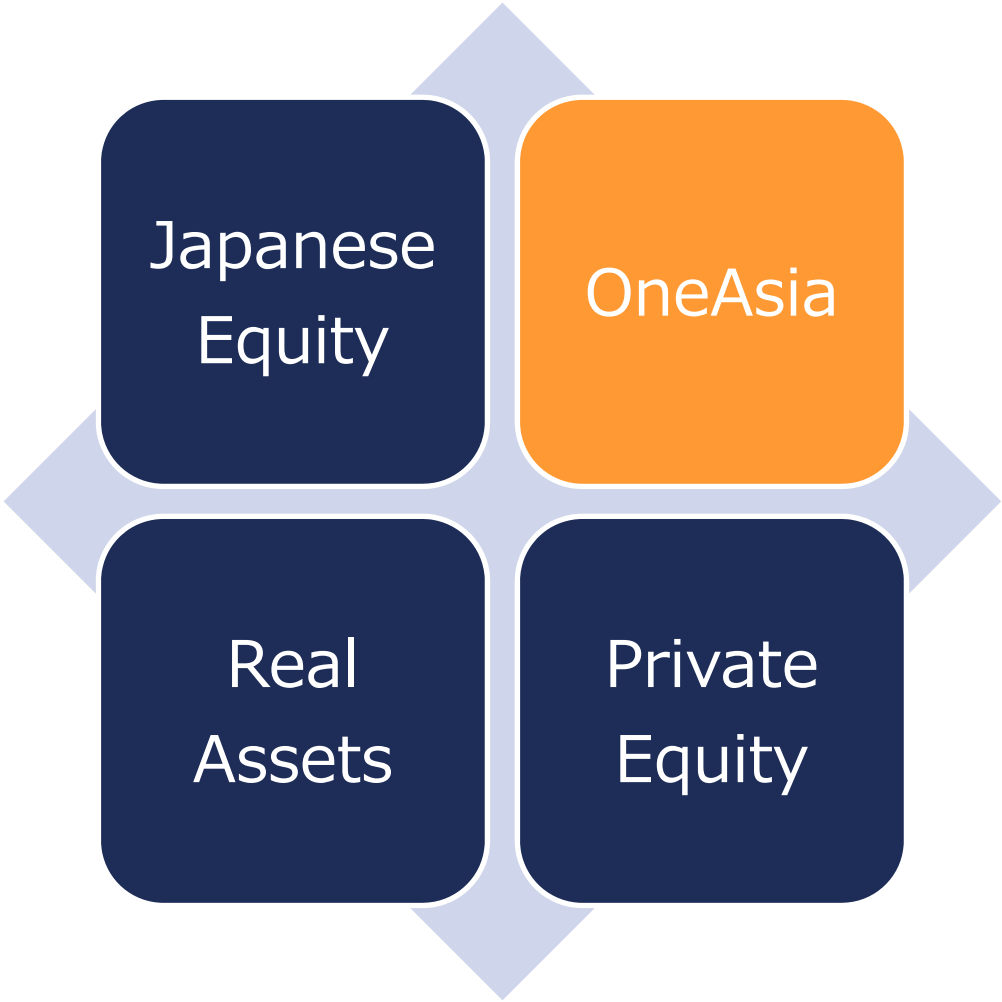


Japanese Equity Investment Strategy: Status of AUM

Our AUM of the overall Japanese equity investment strategy increased, partly due to the impact of the strong Japanese stock market.

(Units : Billions of yen)	AUM			
	Mar. 2020	Sep. 2020	Change	Change (%)
Japanese Equity Long-Short Strategy	43.8	61.9	+18.1	+41.4%
Japanese Equity Focus All Cap Strategy	453.4	534.5	+81.0	+17.9%
Japanese Equity Mid & Small Cap Strategy	157.7	192.0	+34.2	+21.7%
Japanese Equity Market Neutral Strategy	37.3	36.1	-1.2	-3.2%
Japanese Equity Sustainable Strategy	51.9	63.3	+11.4	+21.9%
Other	0.0	2.1	+2.1	-
Total	744.4	890.2	+145.7	+19.6%

(2) OneAsia Equity Investment Strategy (AUM of JPY 74.9 billion as of September 30, 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.

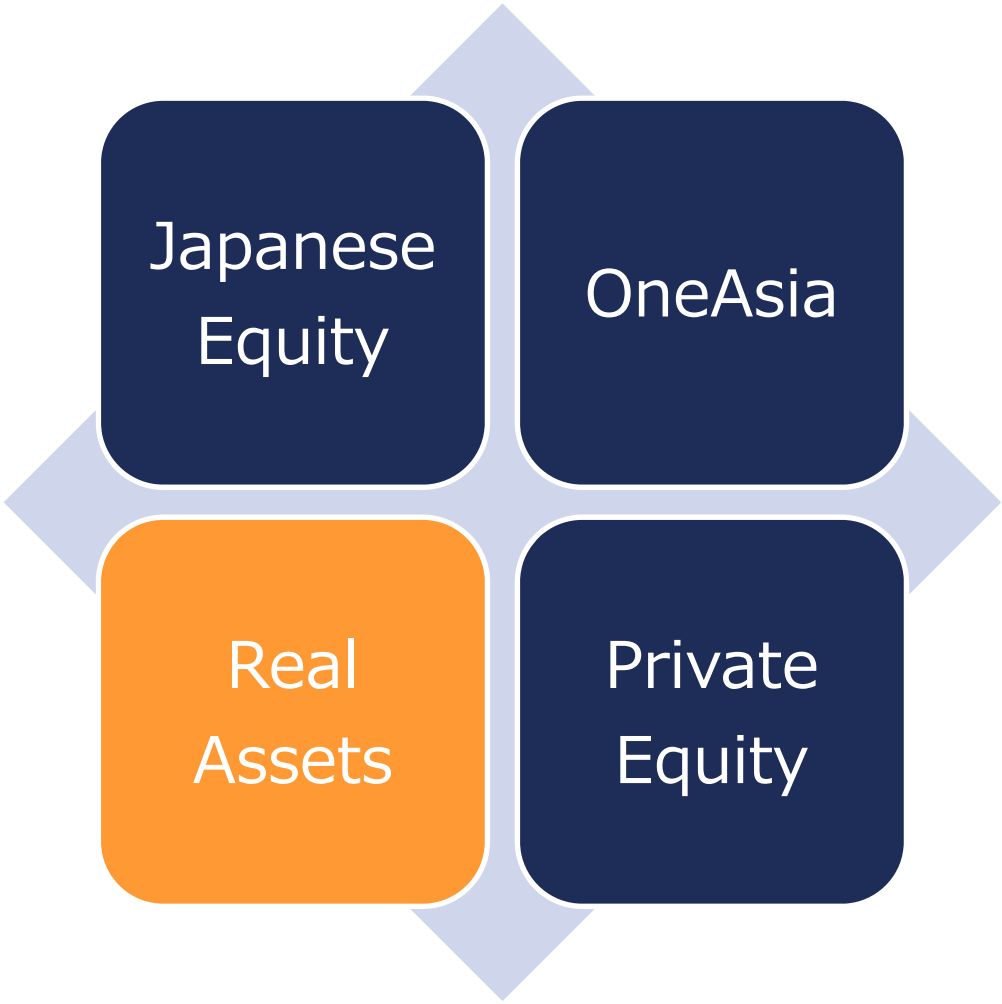
We develop products using ideas from fund managers in all our offices, and we work to create new funds.

Launched our publicly offered investment trust for listed companies in Japan and Asia. Last December, we signed a contract with a major public institutional investor in Europe for investing in Korean stocks. After that, the fund from Korean domestic institutional investors has been inflow on a net bases.

Due to even better performance, AUM increased by 43.5% from 52.2 billion yen at the end of March 2020 to 74.9 billion yen at the end of September.

Furthermore, by having leading securities firms distribute more of our funds and working closely with overseas institutional investors, we will intend to increase the AUM of the OneAsia investment strategy.

(3)Real Asset Investment Strategy (AUM of JPY232.1 billion as of September 30, 2020)



Renewable Energy Power Station Investment

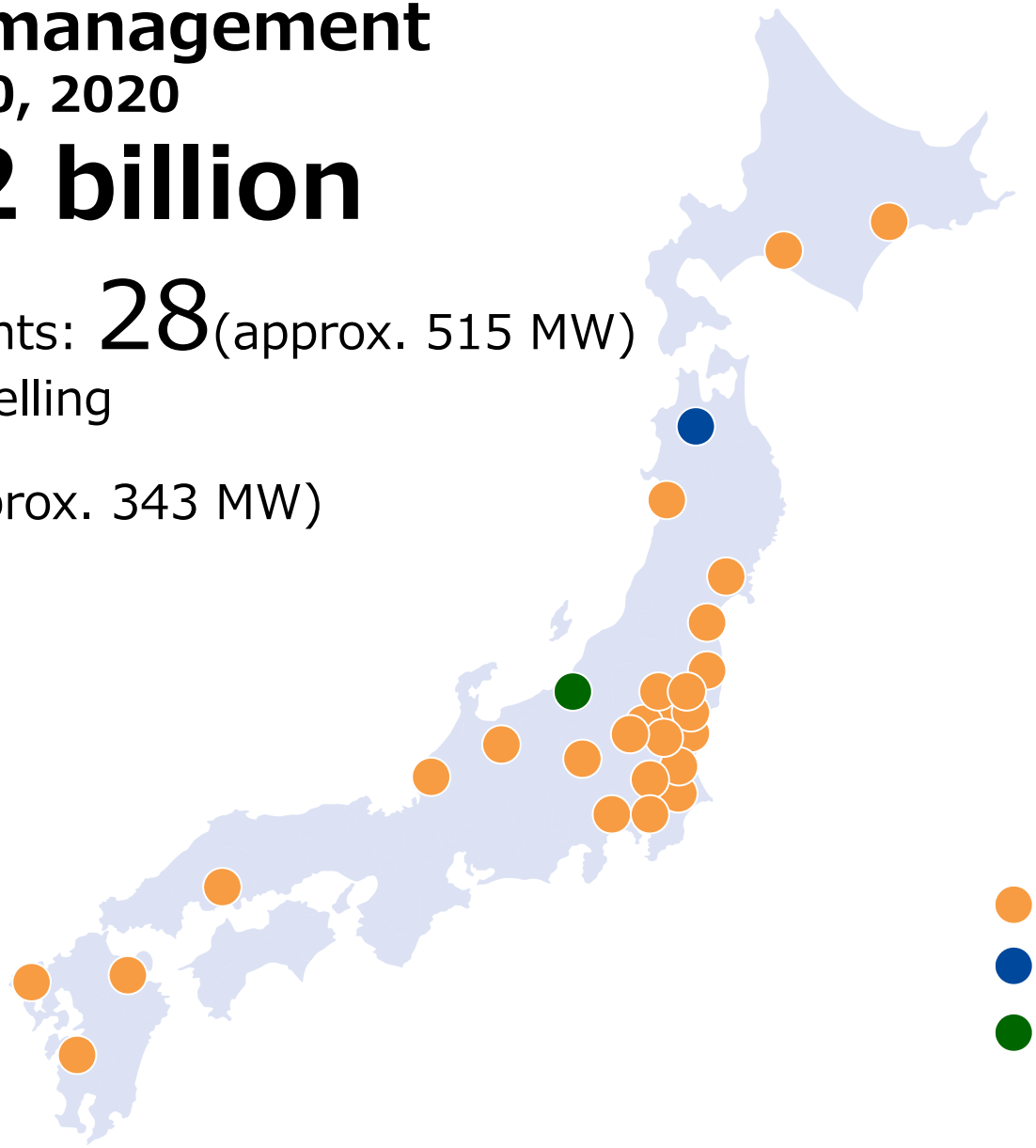
Assets under management

As of September 30, 2020

JPY 209.2 billion

Number of Investments: 28(approx. 515 MW)

Number of stations selling electricity: 23 (approx. 343 MW)

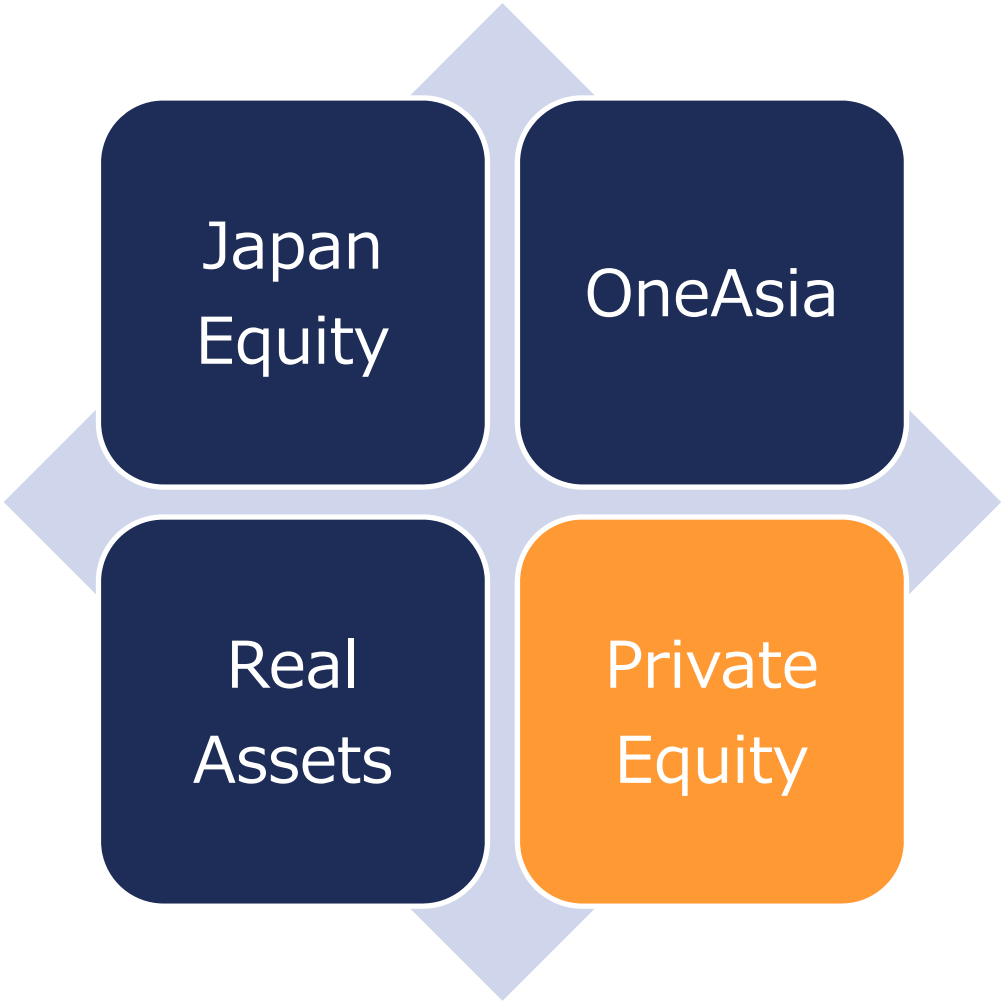


Solar power generation

Wind power generation

Biomass power generation

(4)Private Equity Investment Strategy (AUM of JPY121.4 billion as of September 30, 2020)



Private Equity Investment Strategy（1）

Mirai Creation Fund II has ample investment opportunities and steadily growing performance

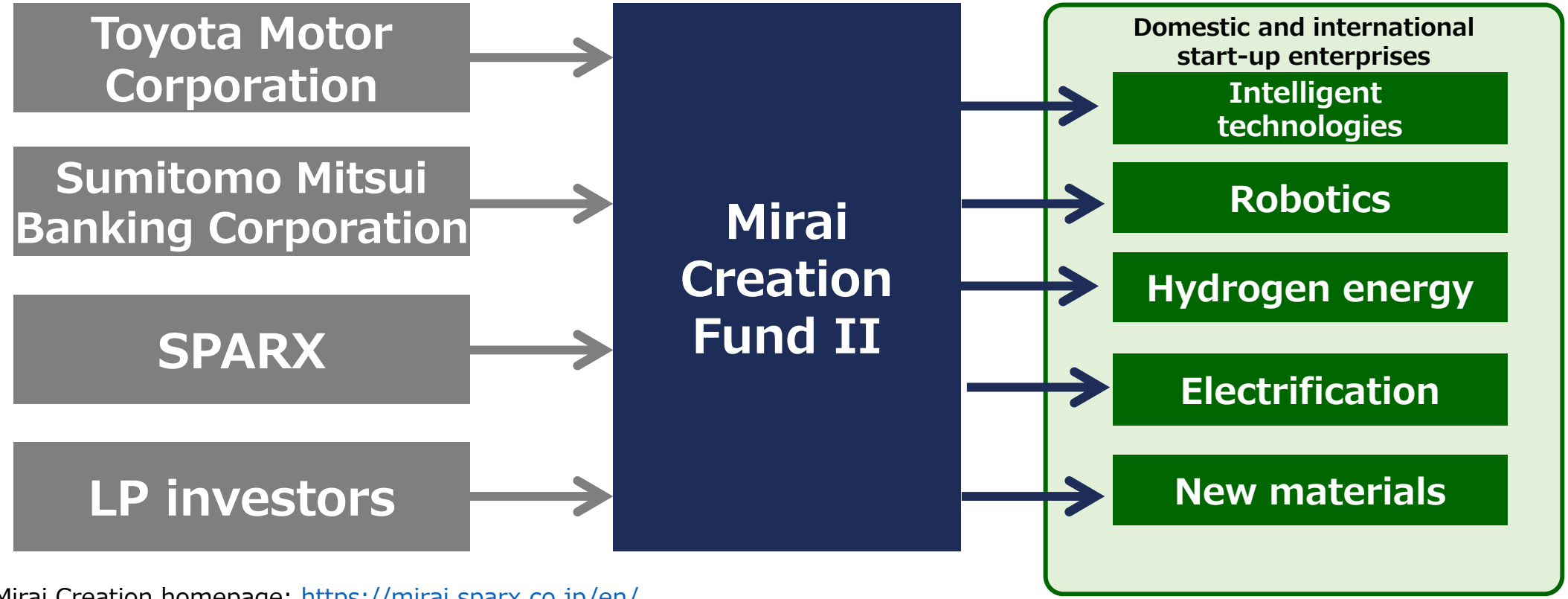
Mirai Creation Fund II

AUM as of September, 2020

72.6 Billion JPY

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

At the end of Septemeber 2020
Executed Amount
57 Projects
40.2 Billion JPY



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

Private Equity Investment Strategy （2）

Mirai Creation Fund Portfolio status

Ficha Inc. (Mirai Creation Fund Ⅰ)

■ Leading the Image Recognition Market with its Proprietary Machine Learning Technology, for an Autonomous Driving Society in the future.

■ In June 2020, it was listed on the TSE Mothers.

Neural Pocket Inc.(Mirai Creation Fund Ⅱ)

■Offering solutions using image analysis AI for improving client business efficiency.

■ In August 2020, 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)**
- **Freee, K.K. (listed in December 2019)**
- **Medley, Inc.(listed in December 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) We expect Mirai Creation Fund I to begin earning performance fees from 2022 on.

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.

Private Equity Investment Strategy （3）

Established "Space Frontier Fund" in May 2020 and started operation Partnership with Japan Aerospace Exploration Agency (JAXA)

Fund Name	Space Frontier Investment Limited Partnership
Investments	Start-ups, projects, and other organizations that boast technologies that contribute to the exploitation of space
Investors	General partner: SPARX Innovation for the Future Co., Ltd. Limited partners: Toyota Motor Corporation; MUFG Bank, Ltd.; Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; and others
Fund size	JPY 8.2 billion (as of September 30, 2020)

⇒Aiming to increase the total AUM to JPY 15.0billion within this year

（References）https://ssl4.eir-parts.net/doc/8739/tdnet/1854890/00.pdf

https://ssl4.eir-parts.net/doc/8739/ir_material4/143722/00.pdf

Space Frontier Fund Investment execution

- **ispace inc.（Press release on August 20, 2020）https://ssl4.eir-parts.net/doc/8739/tdnet/1877249/00.pdf**
- **Astroscale Holdings Inc. (Press release on October 19, 2020https://ssl4.eir-parts.net/doc/8739/tdnet/1891051/00.pdf**

Private Equity Investment Strategy（4）

Agreed to collaborate to launch a Monozukuri fund

Headed by Toyota Motor, we have been to create an impressive consortium including the Japanese megabanks: SMBC Bank, MUFJ Bank and Mizuho Bank

The partnership's primary purpose is to contribute to the development of Japanese monozukuri by helping the companies with superior technology and human resources implement the Toyota Production System (TPS) and formulate management strategies, through the sustainable growth of these companies.

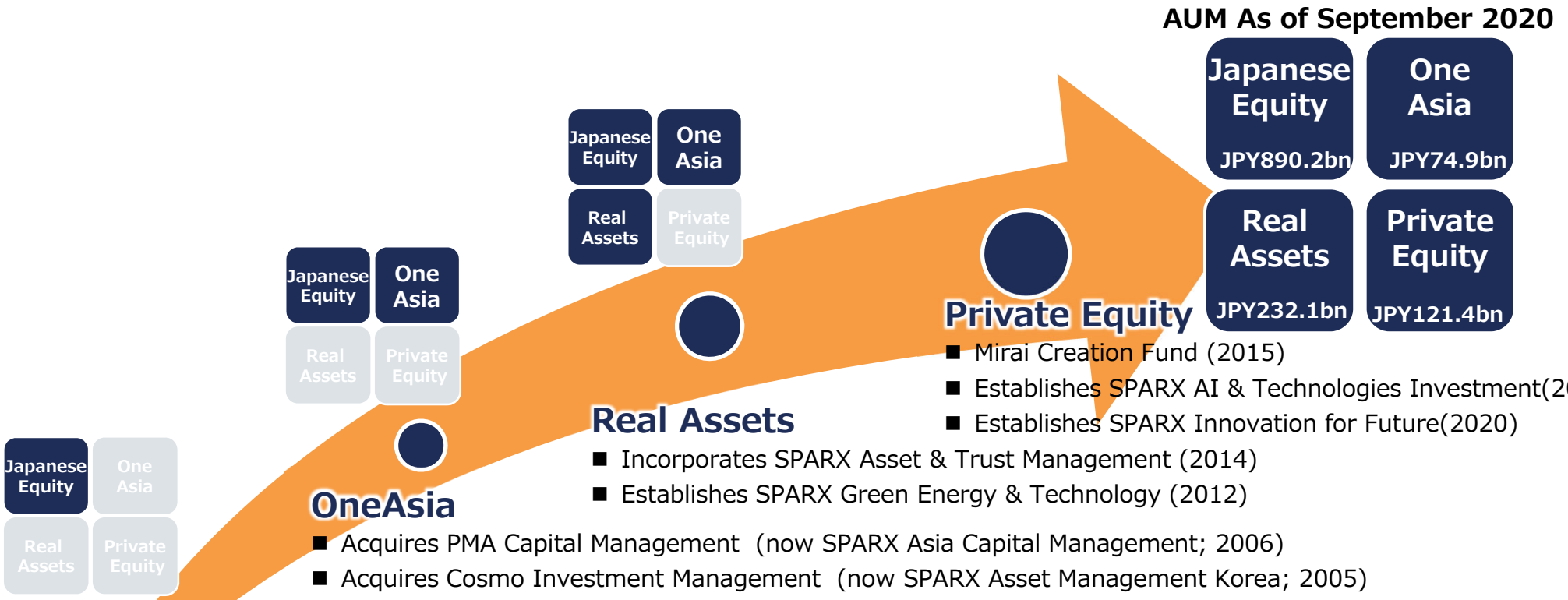
The five-firm partnership will consider the details of the size of the investment, other investors, and investment targets, with the goal of establishing the fund in early December.

（ご参考）https://ssl4.eir-parts.net/doc/8739/tdnet/1896395/00.pdf

Other

[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/Private Equity



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)

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)

Real Assets

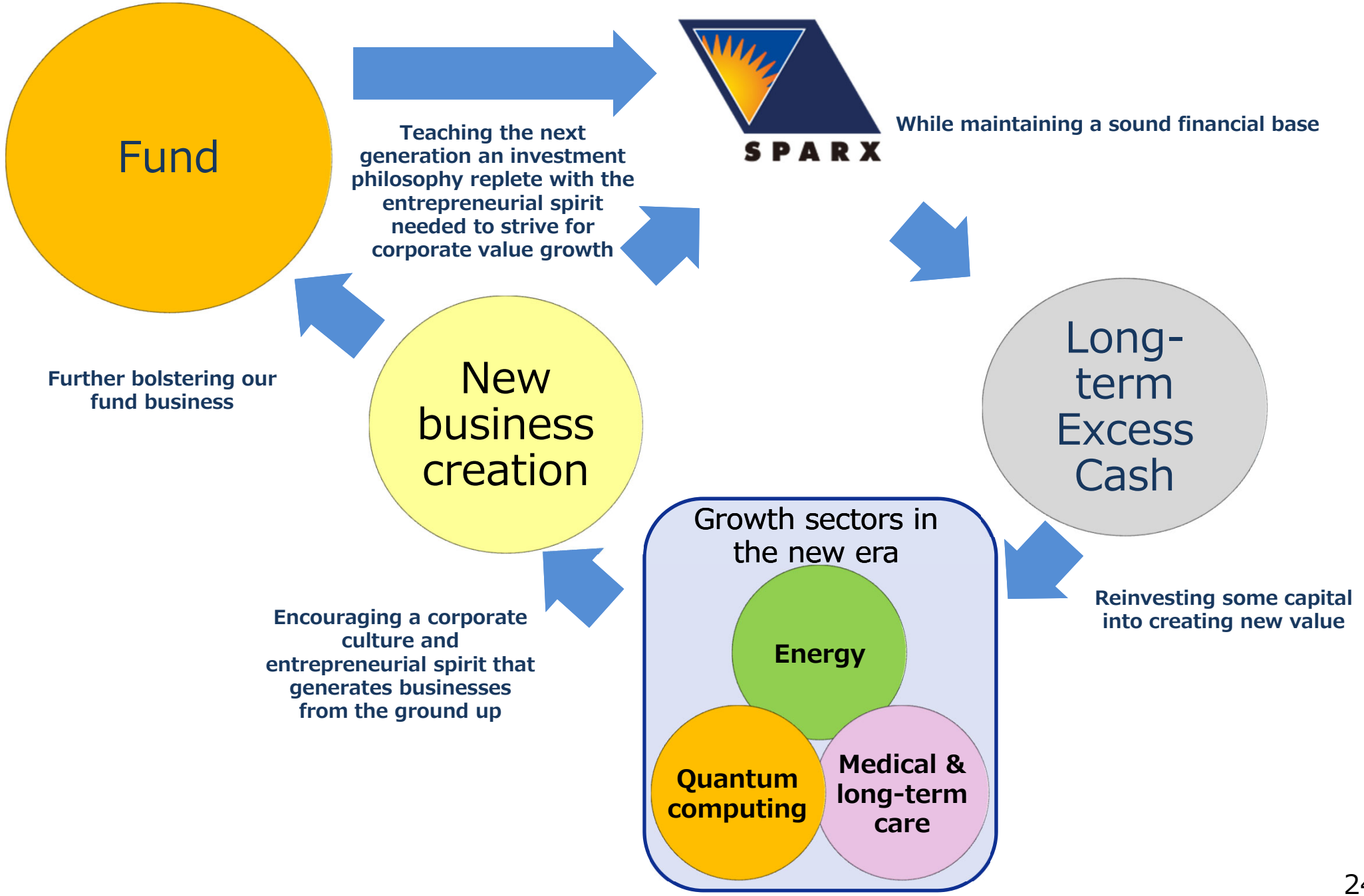
- Incorporates SPARX Asset & Trust Management (2014)
- Establishes SPARX Green Energy & Technology (2012)

Private Equity

- Mirai Creation Fund (2015)
- Establishes SPARX AI & Technologies Investment(2018)
- Establishes SPARX Innovation for Future(2020)

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. (equity method applies to this company)
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 last year. Aim to further accelerate the social implementation of quantum annealing technology.
- The results of joint research with Sony Corporation were adopted at the international conference held in October 2020.

https://ssl4.eir-parts.net/doc/8739/tdnet/1883349/00.pdf

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 September 30, 2020)
Employees	174 (as of September 30, 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

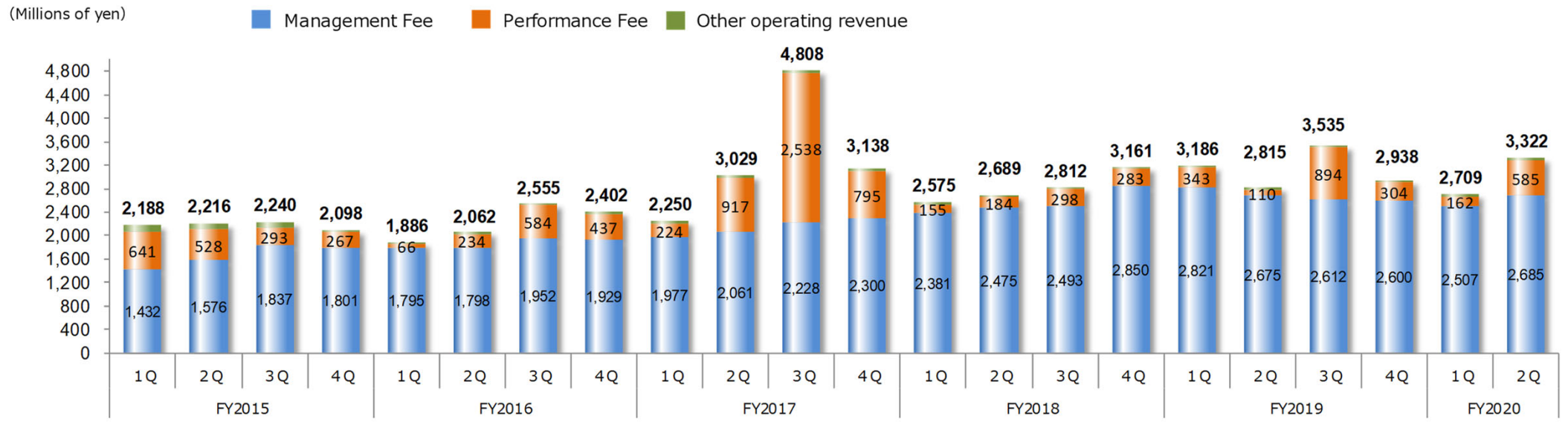
Important Management Indicators

- 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

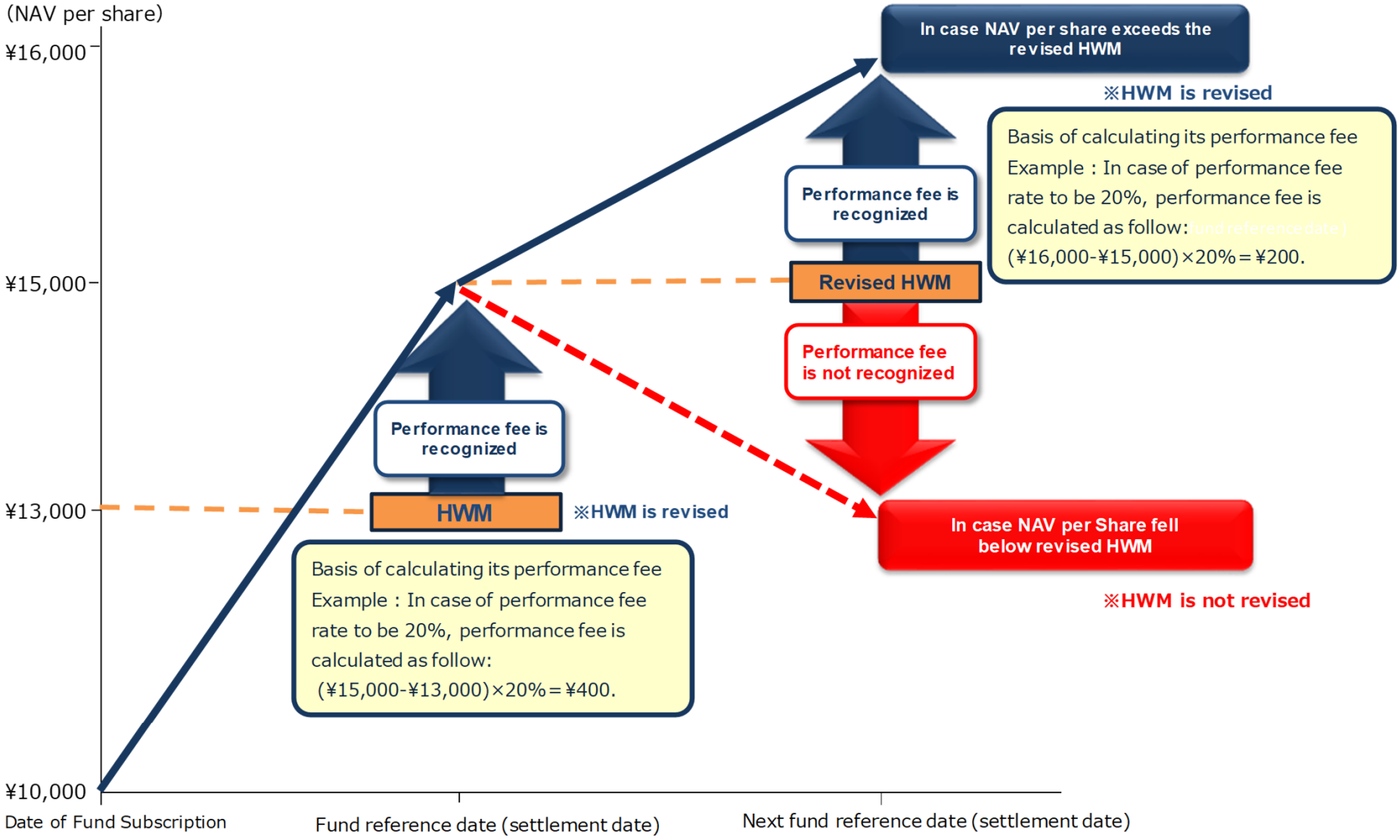
The decrease in the management fee rate in the first quarter was due to a temporary decrease in management fees of the public investment trusts, which have high fee rates, and is expected to level out throughout the year.



(Millions of yen)	FY2015				FY2016				FY2017				FY2018				FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Management Fees	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	2,507	2,685
Performance Fees	641	528	293	267	66	234	584	437	224	917	2,538	795	155	184	298	283	343	110	894	304	162	585
Other operating revenue	114	111	109	29	24	28	18	35	48	50	41	42	38	28	20	27	22	29	28	33	39	51
Operating Revenue	**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**	**2,709**	**3,322**
(Reference)																						
Average AUM (Billions of yen) (3months average)	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	1,153.6	1,229.0	1,173.4	1,215.7	12,783
Management fee rate (3months average) (After deducting commissions)	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%	0.70%	0.72%
Percentage of AUM eligible to earn performance fees	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%	33.5%	34.1%
NIKKEI stock average (Record date)	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	22,288	23,185

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

- **Commissions paid deduced due to a decrease in management fees related to public investment trusts**
- **Dramatically reduced travel expenses due to COVID-19.**

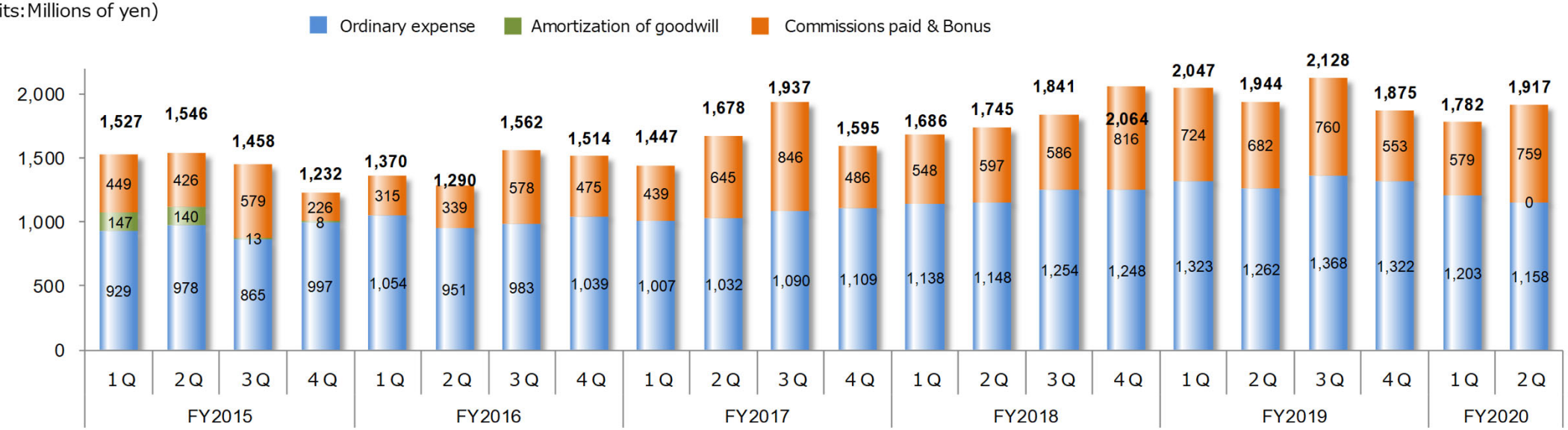
(Units: Millions of yen)	FY2019		FY2020	
	Apr2019-Sep2019	Full Year	Apr2020-Sep2020	YoY change
Commissions paid	961	1,857	773	-19.6%
Personnel exp.	1,433	2,831	1,557	+8.7%
Travel exp.	166	296	11	-93.2%
Property rent	123	270	145	+18.0%
Entrusted business expenses	629	1,281	554	-12.0%
Depreciation on fixed assets	123	264	144	+17.8%
Advertising exp.	71	131	24	-65.5%
Research exp.	148	308	158	+7.1%
Other expenses	335	756	329	-1.6%
Total: Operating and general administrative expenses	3,992	7,996	3,700	-7.3%
Ordinary expenses	2,585	5,275	2,361	-8.7%

(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.

Quarterly Operating and General Administrative Expenses

Although the recent ordinary expenses have decreased because of COVID-19,
Cost-control taken continuously and cautiously, considering the increase of ordinary expenses, in the midst of business expansion

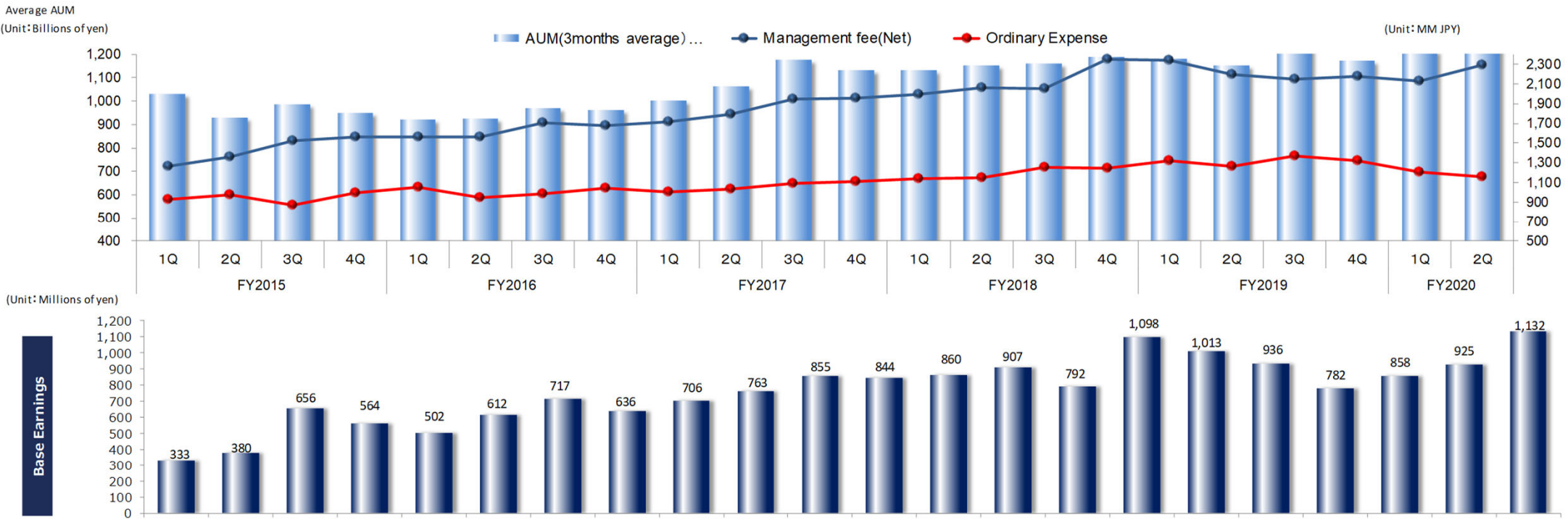
(Units: Millions of yen)



(Units : Millions of yen)	FY2015				FY2016				FY2017				FY2018				FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Ordinary expenses	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	1,203	1,158
Amortization of goodwill	147	140	13	8	–	–	–	–	–	–	–	–	–	–	0	0	0	0	0	0	–	–
Commissions paid & Bonuses	449	426	579	226	315	339	578	475	439	645	846	486	548	597	586	816	724	682	760	553	579	759
Operating and general administrative expenses	**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**	**1,782**	**1,917**

Quarterly Base Earnings

Base earnings remained solid due to increase management fee and decrease our expenses significantly.



(Unit : MM JPY)	FY2015				FY2016				FY2017				FY2018				FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
AUM(3months average) (Unit:Billions of yen)	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	1,153.6	1,229.0	1,173.4	1,215.7	12,783
Management fee(Net)	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	2,128	2,290
Ordinary Expense	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	1,203	1,158
Base Earnings	333	380	656	564	502	612	717	636	706	763	855	844	860	907	792	1,098	1,013	936	782	858	925	1,132

(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.

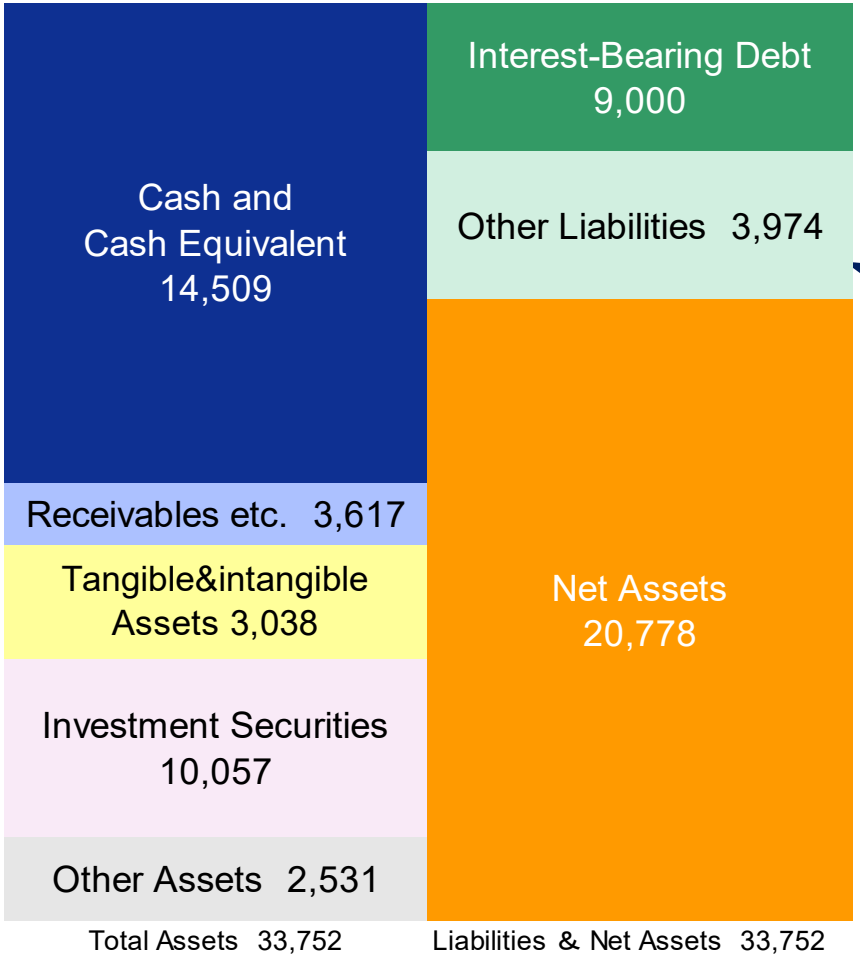
As of September 2020 Consolidated Balance Sheet (1)

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*

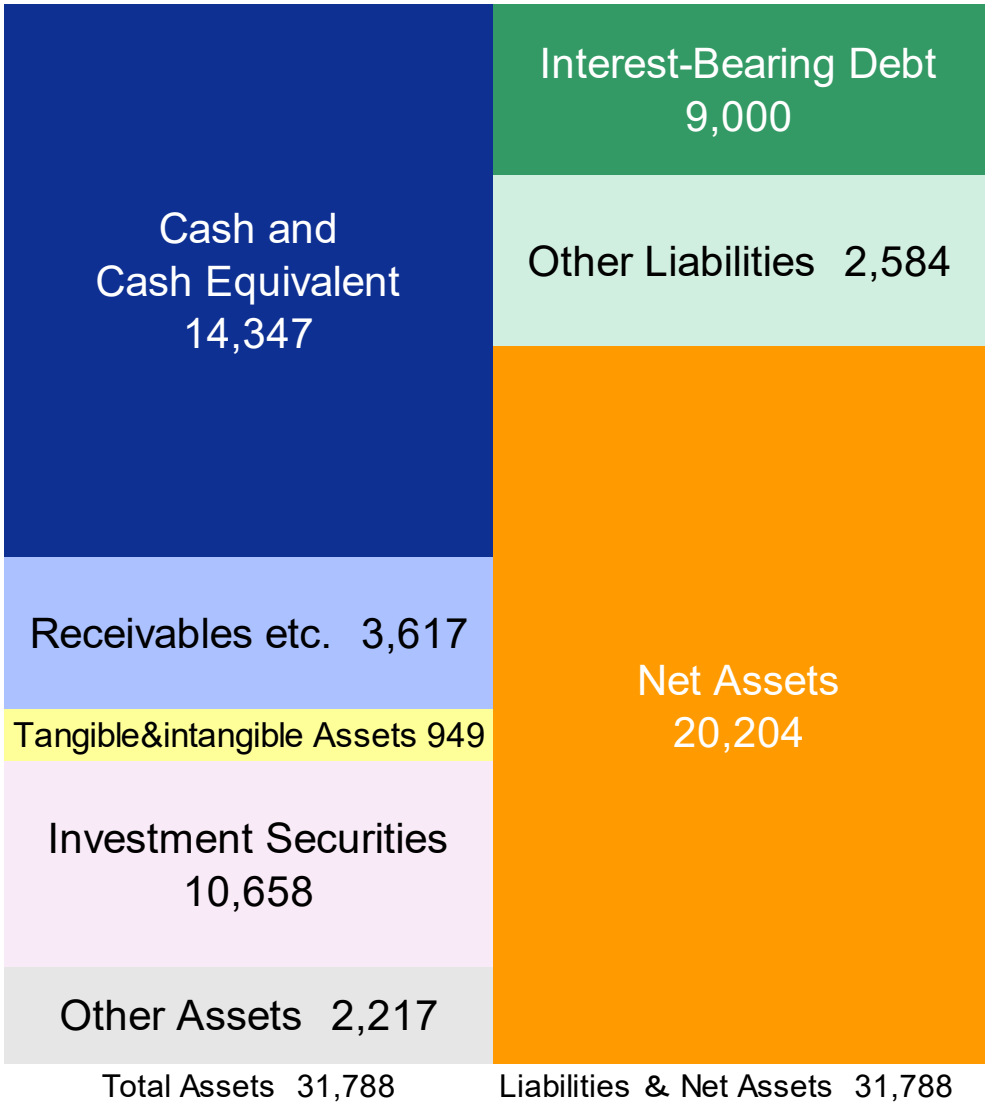
JPY 1,389Million

Equity Ratio

59.8%

[Reference] The Balance Sheet excluding the SGET Iwaizumi Wind Farm (As of September 2020)

(Units: Millions of yen)



Equity Ratio

63.6%

As of June 2020 Consolidated Balance Sheet (2)

(Units: Millions of yen)	Mar. 2020	Sep. 2020	YoY change
Current assets	22,079	19,885	-2,193
Cash and cash equivalents	18,474	14,509	-3,964
Receivables	2,588	3,617	+1,029
Fixed assets	11,628	13,866	+2,238
Goodwill	1,746	1,746	-
Investment securities	7,547	10,057	+2,509
Total assets	33,707	33,752	+45
Short-term loans payable	2,000	2,000	-
Current portion of long-term loans payable	0	5,000	+5,000
Long-term loans payable	7,000	2,000	-5,000
Payables	3,770	2,603	-1,166
Total liabilities	13,369	12,974	-394
Common stock	8,587	8,587	-
Add'l paid-in-capital	2,555	2,555	-
Retained earnings	11,448	11,027	-420
Treasury stock	-3,549	-3,549	-
Total Shareholder's Equity	19,041	18,620	-420
Valuation difference on AFS securities	▲207	664	+871
Foreign currency translation adjustment	900	888	-11
Non-controlling interests	600	600	+0
Total net assets	20,338	20,778	+439

Decreased mainly due to the investment in seed money, payment of dividends, bonuses.

Increased due to new loan

Increased mainly due to the investment in seed money increase in market value of existing holdings

Decreased mainly due to payment of bonuses and taxes

Payment of dividend : ▲JPY 1,825MM

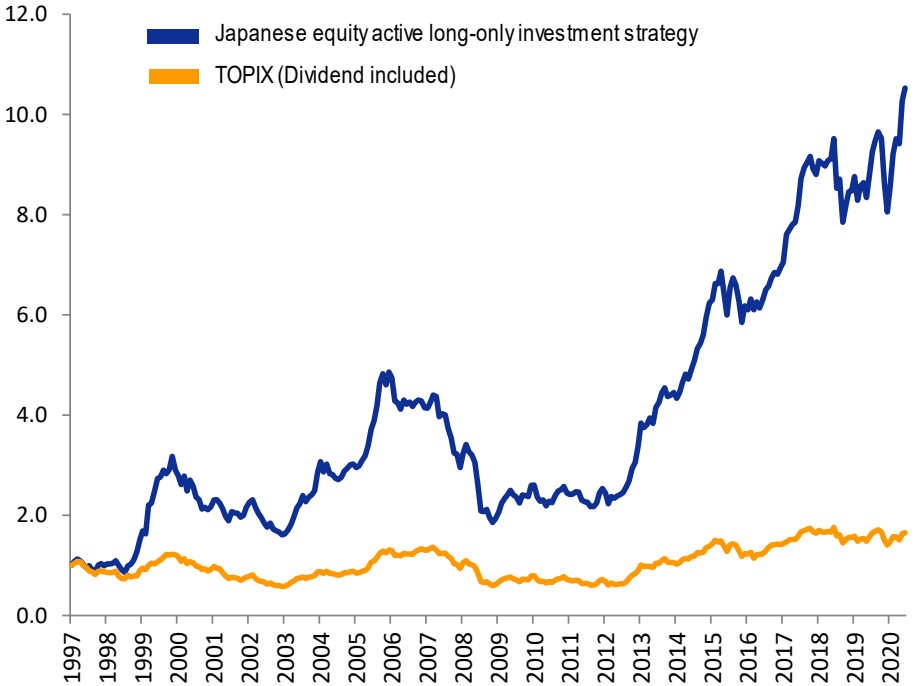
Profit attributable to owners of parent FY2020Q2 : +JPY 1,405MM

Increase mainly due to rise in market value of investment securities (seed money investment)

(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

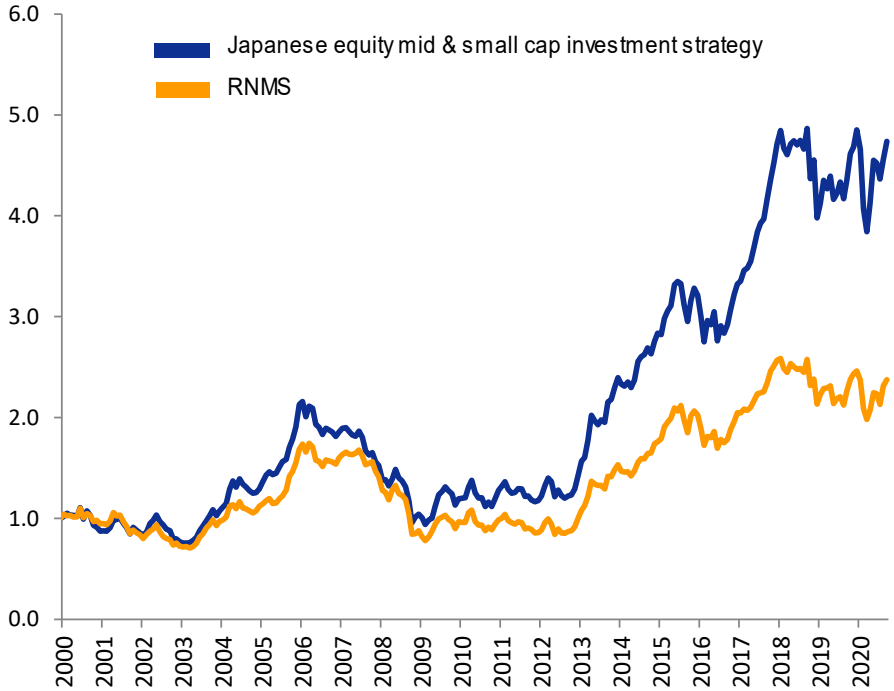


(Annualized Return)

Japanese equity active long-only investment strategy	10.58%
Reference Index	2.16%
Excess Return	8.41%

Reference Index	TOPIX (Dividend included)
Measurement Period	1997/5 ～2020/9
Volatility of Composite Return (Annualized)	20.30%

Japanese Equity Mid & Small Cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	7.78%
Reference Index	4.26%
Excess Return	3.53%

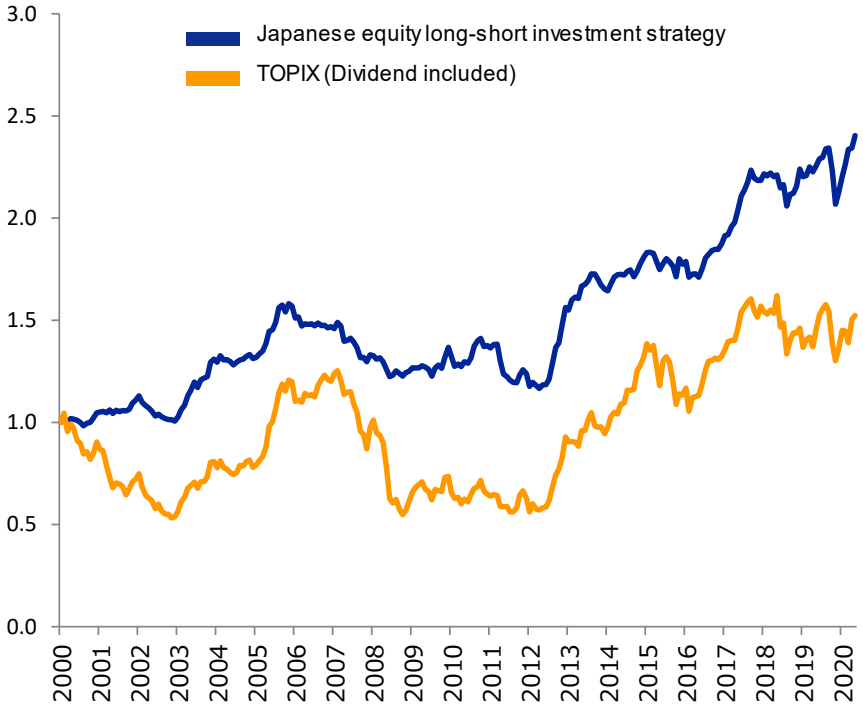
Reference Index	Russell/Nomura Mid-Small Cap Index
Measurement Period	2000/1 ～2020/9
Volatility of Composite Return (Annualized)	17.86%

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

Source: SPARX Group (as of September 30, 2020)

Primary Investment Strategies: Composite Returns Since Valuation Began ②

Japanese Equity Long-Short investment strategy

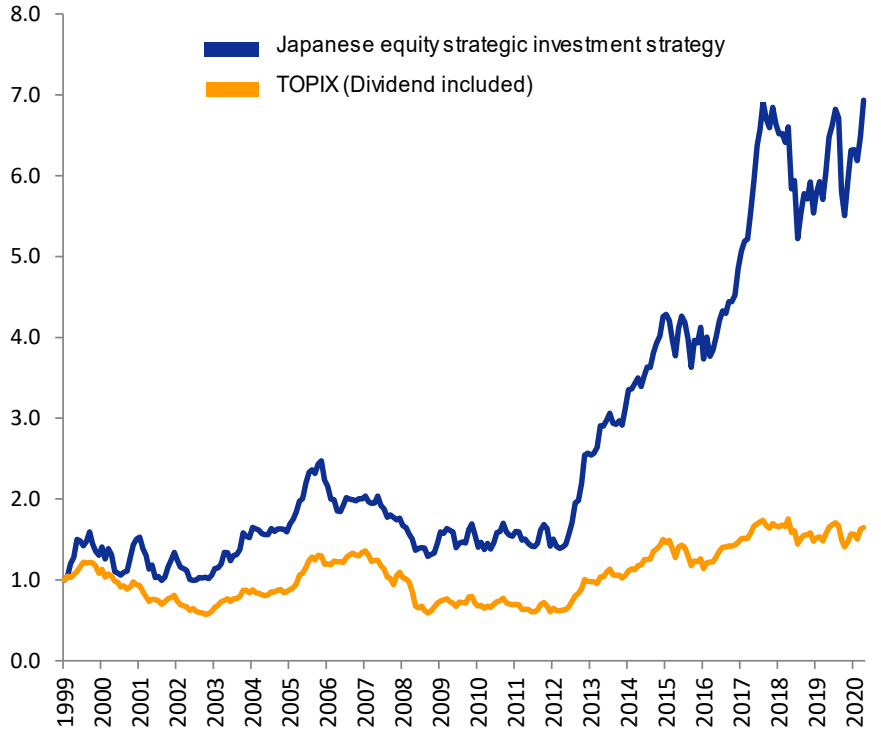


(Annualized Return)

Japanese equity long-short investment strategy	4.41%
Reference Index	2.09%
Excess Return	2.32%

Reference Index	TOPIX (Dividend included)
Measurement Period	2000/6 ～2020/9
Volatility of Composite Return (Annualized)	7.51%

Japanese Equity Strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	9.54%
Reference Index	2.38%
Excess Return	7.16%

Reference Index	TOPIX (Dividend included)
Measurement Period	1999/7 ～2020/9
Volatility of Composite Return (Annualized)	20.10%

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

Source: SPARX Group (as of September 30, 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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