FY2020
Full Year Earnings Presentation
(Apr. 2020 – Mar. 2021)

May 14th, 2021

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 Performance

About This Earnings Presentation

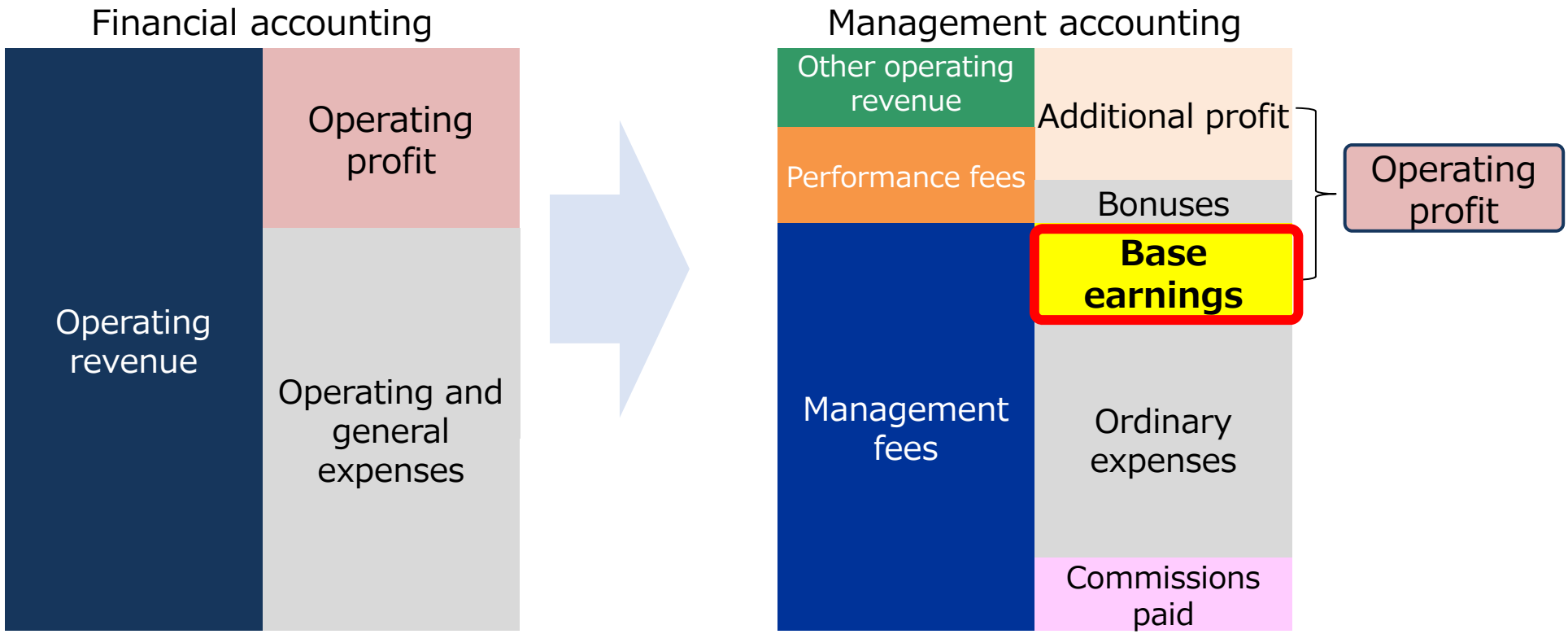
This earnings presentation provides management accounting details not included in the consolidated statement. Note that, as shown in the following diagram, SPARX categorizes (1) management fees, (2) performance fees, and (3) other operating revenue, while (1) ordinary expenses, (2) commissions paid, 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 14.6%, mainly due to the recording of performance fees related to Japanese equities and renewable energy investment strategies.

・Base earnings increased by 23.8% due to a decrease in ordinary expenses such as travel expenses.

(Unit:Millions of yen)	FY2019	FY2020	YoY change
	Full Year	Full Year	
Operating revenue	12,476	14,295	+14.6%
Operating profit	4,479	6,349	+41.7%
Net income	2,301	3,468	+50.7%
Base earnings	3,591	4,444	+23.8%

(Note) See pages 4, 6, 35, and 40 for more on base earnings.

Consolidated Earnings Summary (2) Performance

		FY2019	FY2020	
		Full Year	Full Year	YoY change
Average AUM	(Billions of yen)	1,184.0	1,343.8	+13.5%
Management fee rate (After deducting commissions)	(%)	0.75%	0.69%	-0.06
Management fees (After deducting commissions)	(Millions of yen)	8,866	9,293	+4.8%
- Ordinary expenses	(Millions of yen)	5,275	4,848	-8.1%
Base earnings	(Millions of yen)	3,591	4,444	+23.8%
Performance fees	(Millions of yen)	1,652	3,166	+91.6%
Percentage of AUM eligible to earn peformance fees	(%)	33.5%	32.5%	-1.0
Other operating revenue	(Millions of yen)	114	206	+80.6%
- Bonuses (including ESOP Expense)	(Millions of yen)	864	1,406	+62.8%
Operating profit	(Millions of yen)	4,479	6,349	+41.7%
Profit attributable to owners of parent	(Millions of yen)	2,301	3,468	+50.7%
Return on equity (ROE)	(%)	11.4%	16.1%	+4.7

(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 36.7% compared to end of the previous fiscal year due to not only the rise in market value accompanying the recovery of the stock market, but also the increase in the AUM in real assets, and the start of operation of the Space Frontier Fund and the Japan Monozukuri Mirai Fund.

(Unit:Billions of yen)	AUM			Average AUM（12 months）		
	As of March, 2020	As of March, 2021	Change (%)	FY2019	FY2020	YoY change (%)
Japanese Equity	744.4	1,030.2	+38.4%	817.8	912.3	+11.6%
OneAsia	52.2	134.3	+157.3%	38.9	83.2	+113.6%
Real Assets	213.4	255.2	+19.6%	215.3	231.0	+7.3%
Private Equity(Mirai Creation, etc.)	113.2	115.7	+2.3%	111.8	117.1	+4.7%
Total	1,123.3	1,535.6	+36.7%	1,184.0	1,343.8	+13.5%

	As of March, 2020	As of March, 2021	YoY change
TOPIX	1,403	1,954	+39.3%
NIKKEI 225 (JPY)	18,917	29,178	+54.2%
KOSPI	1,754	3,061	+74.5%

*See our “Notice of Month-End Assets Under Management” for details on SPARX's AUM as of March 31, 2021.

https://ssl4.eir-parts.net/doc/8739/tdnet/1951829/00.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 too.
OneAsia	December 2019, we signed a contract with a major public institutional investor in Europe for investing in Korean stocks. In addition, in recognition of our outstanding performance, we received additional commitment in February 2021.
Real Assets	One power plant started 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 launched and started operation of the Japan Monozukuri Mirai fund. In addition, we have agreed with Nomura Holdings on a strategic alliance to establish a listed investment corporation that invests in unlisted companies.

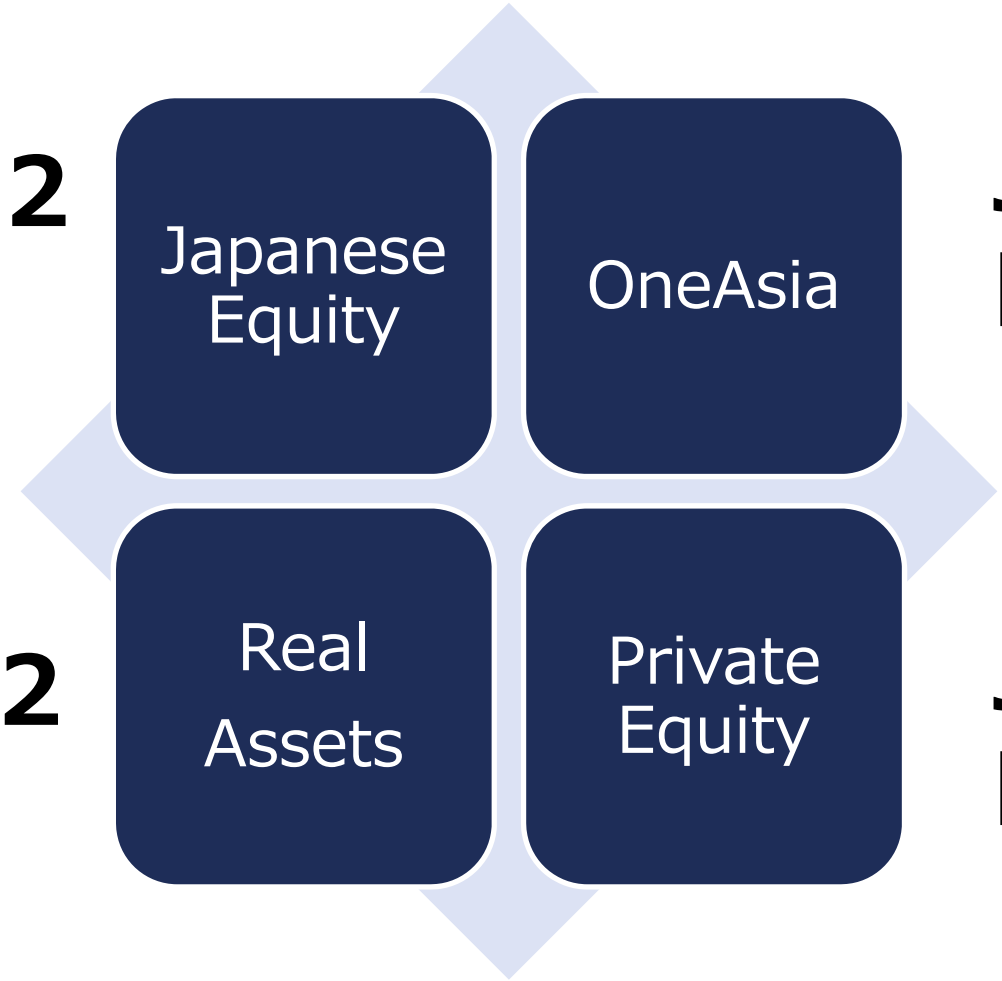
Four Pillars of Growth: Combining High Profitability and Stability

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

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

JPY1,030.2 billion

JPY255.2 billion

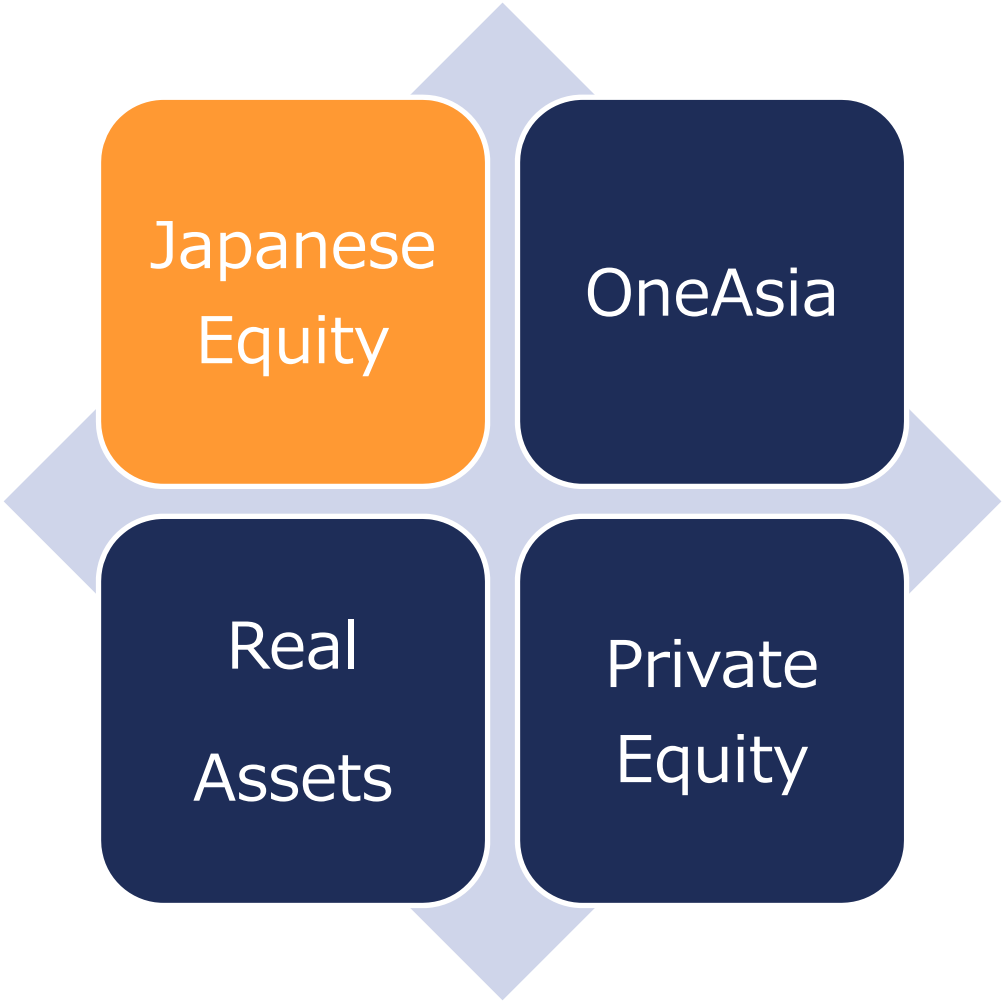


JPY134.3 billion

JPY115.7 billion

Please be sure to read the appendix attached at the end of this documents.

(1) Japanese Equity Investment Strategy (AUM of JPY 1,030.2 billion as of March 31, 2021)



Press Release April 26, 2020

Received The First Prize of “R&I Fund Award 2021”



Investment Trusts 20-Year/ Japanese Mid and Small Caps Equity Fund category: The First Prize

SPARX Japan Small Cap Fund (“ Rising Sun”)



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



Investment Trusts /Japanese Equity Fund category: The Second Prize

SPARX New Global Blue Chip Japanese Equity Fund (“Gensentoshi”) **won this award for three 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.

Please be sure to read the appendix attached at the end of this documents.

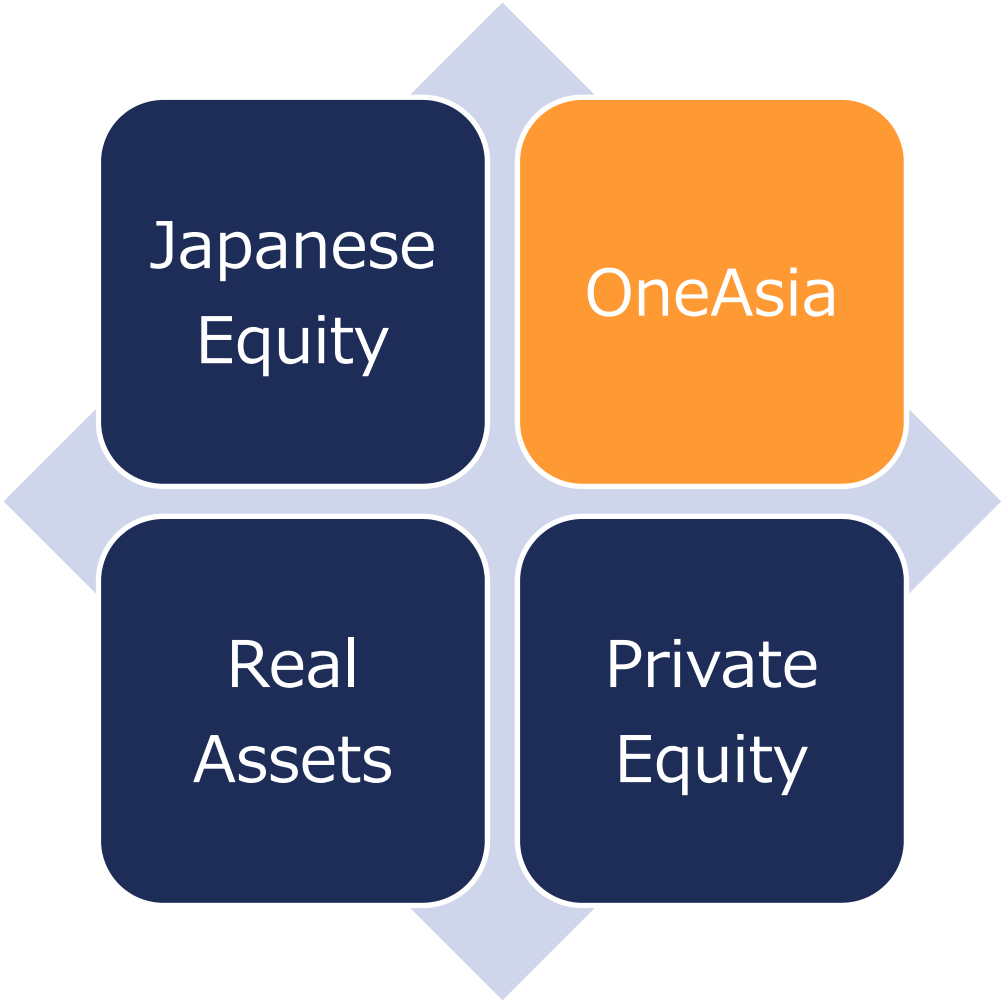
Japanese Equity Investment Strategy: Status of AUM

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

・AUM of Japanese equity sustainable investment strategy mainly consisted of ESG investment doubled from the end of the previous fiscal year.

(Units : Billions of yen)	AUM			
	Mar. 2020	Mar. 2021	Change	Change (%)
Japanese Equity Long-Short Strategy	43.8	78.4	+34.6	+79.0%
Japanese Equity Focus All Cap Strategy	453.4	611.2	+157.7	+34.8%
Japanese Equity Mid & Small Cap Strategy	157.7	193.0	+35.2	+22.3%
Japanese Equity Market Neutral Strategy	37.3	38.1	+0.7	+1.9%
Japanese Equity Sustainable Strategy	51.9	106.9	+54.9	+105.7%
Other	0.0	2.5	+2.5	-
Total	744.4	1,030.2	+285.7	+38.4%

(2) OneAsia Equity Investment Strategy (AUM of JPY 134.3 billion as of March 31, 2021)

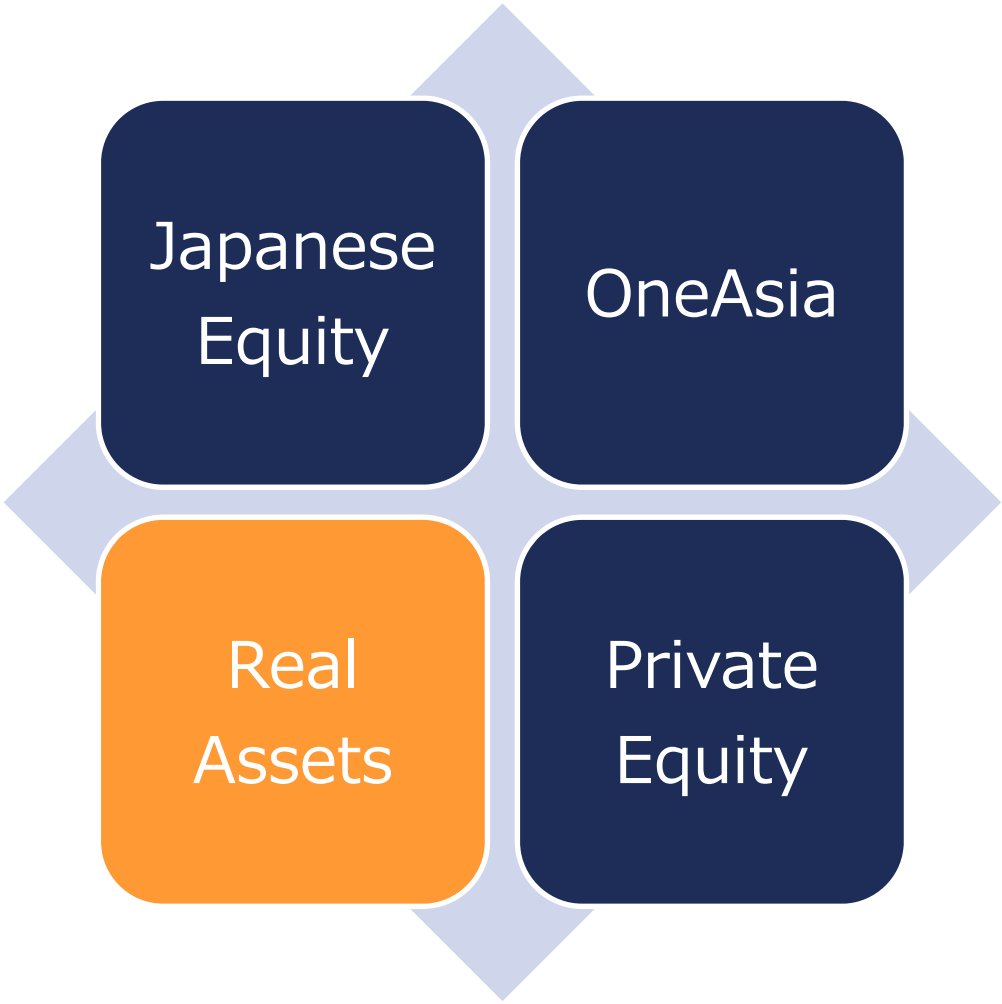


OneAsia Equity Investment Strategy Status of AUM

Our performance of Korean stock investments has been highly evaluated and the AUM increased by 194.9% from 40.9 billion yen at the end of March 2020 to 120.8 billion yen at the end of March 2021, due in part to the entrustment of additional commitment from a major public institutional investor in Europe in February 2021 and the gradual inflow of fund from Korean domestic institutional investors.

(Units : Billions of yen)	AUM			
	Mar. 2020	Mar. 2021	Change	Change (%)
South Korea	40.9	120.8	+79.8	+194.9%
Pan-Asia	11.2	13.5	+2.3	+20.5%
Total	52.2	134.3	+82.1	+157.3%

(3)Real Asset Investment Strategy (AUM of JPY255.2 billion as of March 31, 2021)



Renewable Energy Power Station Investment

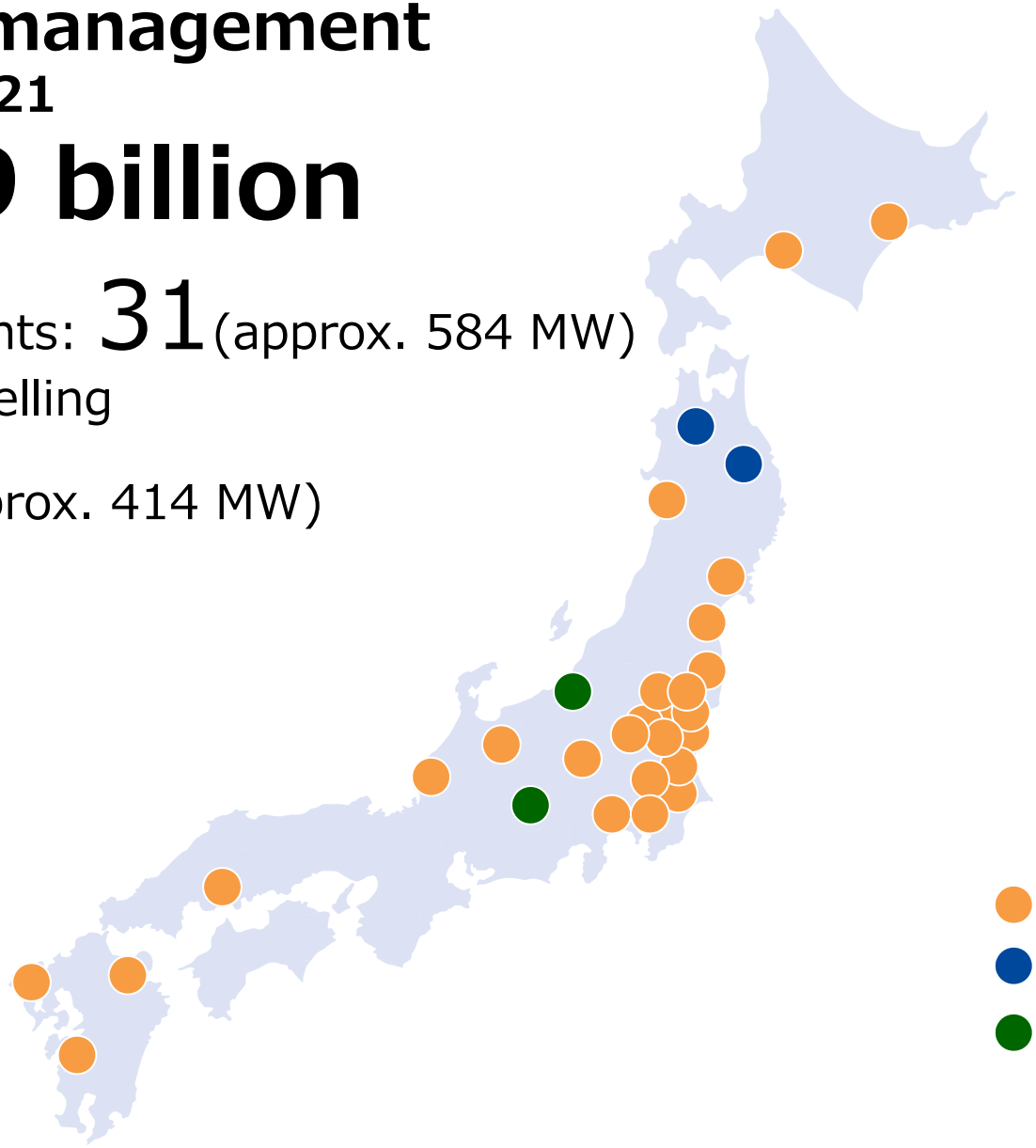
Assets under management

As of March 31, 2021

JPY 240.9 billion

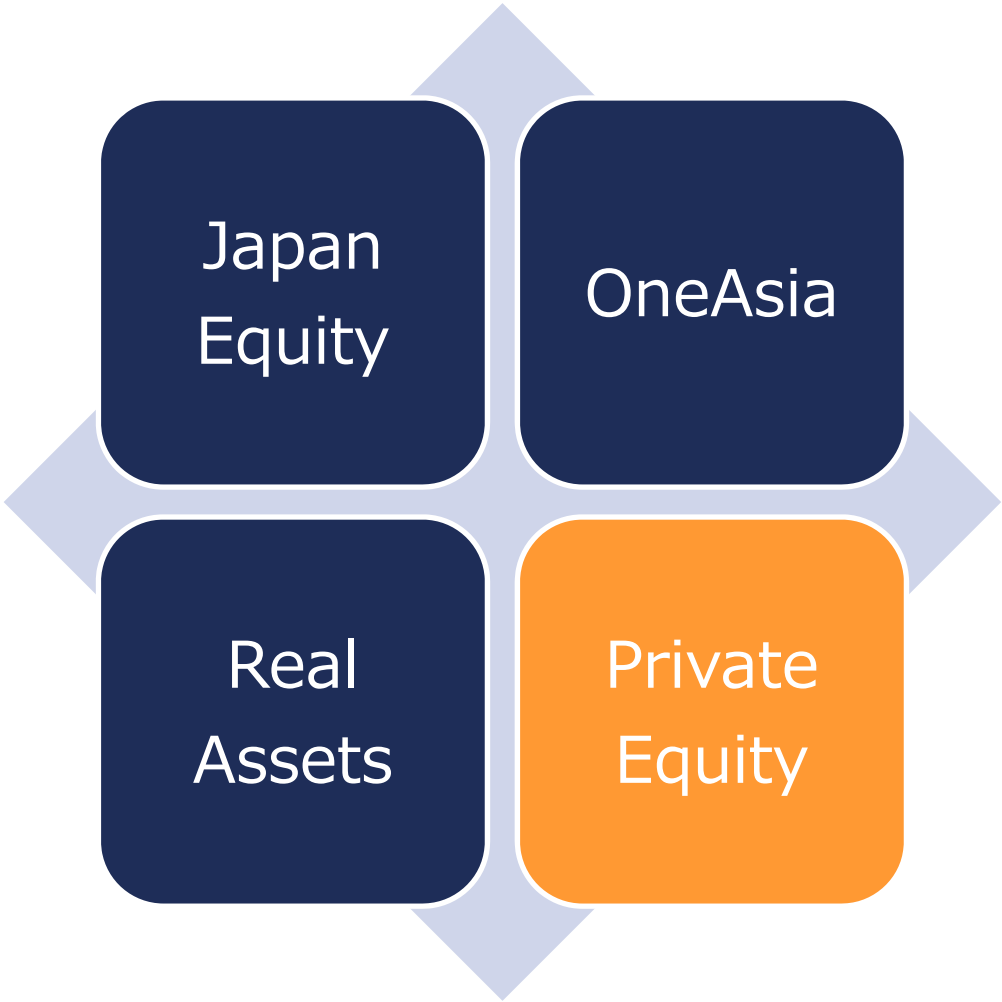
Number of Investments: 31 (approx. 584 MW)

Number of stations selling electricity: 25 (approx. 414 MW)



- Solar power generation
- Wind power generation
- Biomass power generation

(4)Private Equity Investment Strategy (AUM of JPY115.7 billion as of March 31, 2021)



(Note) Regarding Mirai Creation Fund I, as five years have passed since its establishment, the balance compensation calculation target has changed from the commitment amount to the balance of investment securities held from November 2020, so AUM The balance of is decreasing.

Private Equity Investment Strategy（1）

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

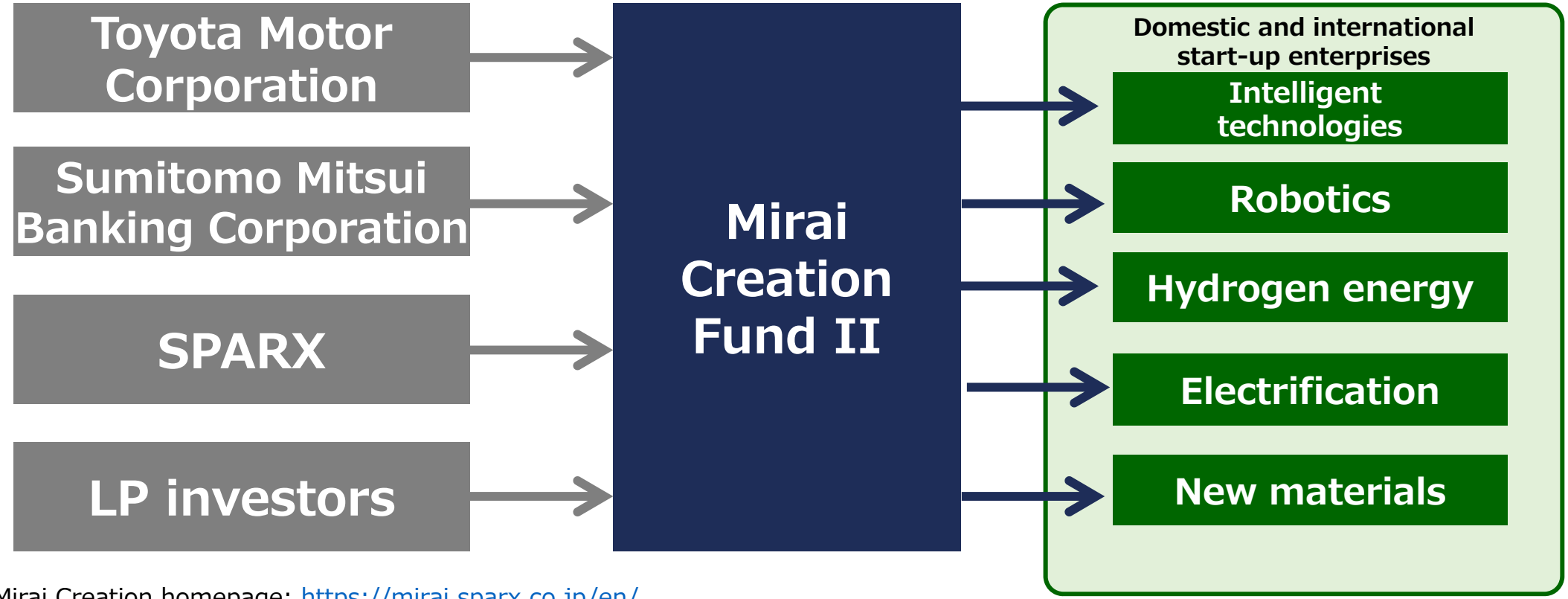
Mirai Creation Fund II

AUM as of March, 2021

72.6 Billion JPY

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

At the end of March 2021
Executed Amount
69 Projects
46.9 Billion JPY



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

Private Equity Investment Strategy （2）

Mirai Creation Fund Portfolio status

Examples of past IPOs and exits	
■ Soracom, Inc. (acquired by a major corporation in August 2017)	■ Freee, K.K. (listed in December 2019)
■ PKSHA Technology, Inc. (listed in September 2017)	■ Medley, Inc.(listed in December 2019)
■ Autonomous Control Systems Laboratory (listed in December 2018)	■ Ficha Inc.(listed in June 2020)
■ Sansan, Inc. (listed in June 2019)	■ Neural Pocket Inc.(listed in August 2020)
■ Giftee, Inc. (listed in September 2019)	■ WealthNavi Inc.(listed in December 2020) etc.

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

In the future, a mechanism that allows a performance fee to be recorded if the investment principal can be distributed to LP investors in excess of a certain percentage.

(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 9.2 billion (as of March 31, 2021)

(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, 2020) https://ssl4.eir-parts.net/doc/8739/tdnet/1891051/00.pdf**
- **Spacesift, Inc.（Press release on February 16, 2021）https://ssl4.eir-parts.net/doc/8739/tdnet/1936116/00.pdf**
- **ALE Co, Ltd.（ Press release on February 26, 2021 ）https://ssl4.eir-parts.net/doc/8739/tdnet/1939035/00.pdf**
- **GITAI Inc.（Press release on March 1, 2021) https://ssl4.eir-parts.net/doc/8739/tdnet/1939802/00.pdf, etc.**

Private Equity Investment Strategy (4)

Established “the Japan Monozukuri Mirai Fund" in December 2020 and started operation.

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.

Established in December 2020. Started operation of the fund with its asset size being 12.3 billion yen.

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

Private Equity Investment Strategy (5)

Strategic alliance with Nomura Holdings to establish a listed investment corporation to invest in unlisted companies

In Japan, the financing needs of unlisted companies with growth potential are expected to remain robust, while Japanese investors have limited investment opportunities.

Nomura, which has deep expertise in supporting the growth of unlisted companies, including through IPOs, and SPARX, which has a wide range of achievements in the asset management business including venture capital business that invests in unlisted company stocks, have formed a partnership.

We plan to establish an investment corporation to be listed the TSE's Venture Funds Market, aiming to invest in unlisted company stocks.

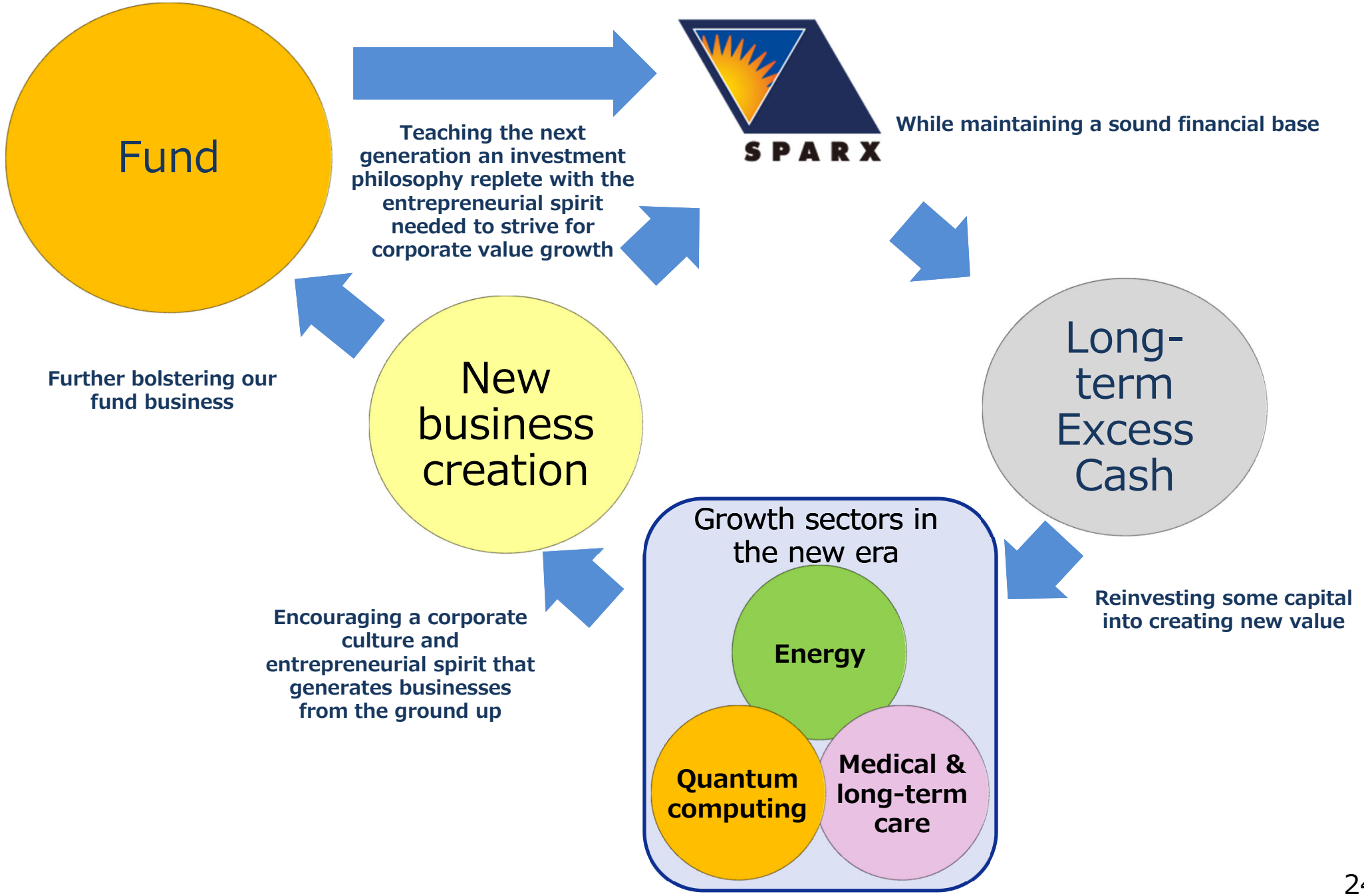
Thorough this platform, we will also provide unlisted companies with support related to IPOs and IR activities as well as offering financing and M&A advice.

<Overview of Nomura SPARX>

Name	Nomura SPARX Investment, Inc. (tentative)
Business	Investment management
Capital	400 million yen (including capital reserves)
Shareholding ratio	Nomura Holdings 51%, SPARX Group 49%

(Reference) https://ssl4.eir-parts.net/doc/8739/tdnet/1919300/00.pdf

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

Other

About Future Goals

SPARX will double the AUM of the four pillars of growth to 3 trillion yen over the five years through 2026.

Japan Equity

・Strengthen our initiatives for highly profitable alternative products such as long-short strategies and engagement strategies, which are re-expanding with a target of approximately 100 billion of assets under management.
・The sustainable investment strategy, which has doubled its AUM this year, continues to receive strong interests from overseas institutional investors. We maintain our high-quality stable performance for this strategy rather than just blindly chasing bigger numbers for AUM and would like to double AUM even more.

OneAsia

・SPARX will make our Asian investment business to be the same size or even bigger than our Japanese equity business by building a multi-layered and high quality investment system over times.

Real Assets

・While shifting the focus of development to power plants that are expected to continue to have high investment returns such as solar power, biomass and geothermal power, we also intend to aggressively develop investment strategies such as green hydrogen and corporate PPA for after the feed-in tariff system ends.

Private Equity

・Aim to launch a new fund with investment target that includes companies contributing to "carbon neutral"
・In near future, performance fee will be recorded as a part of the gain on sale due to the IPO of the company invested by the Mirai Creation Fund, so we will continue to focus on sales activities to maximize its performance fee.
・Steadily invest in portfolio companies for the Space Frontier Fund and the Japan Monozukuri Mirai Fund.

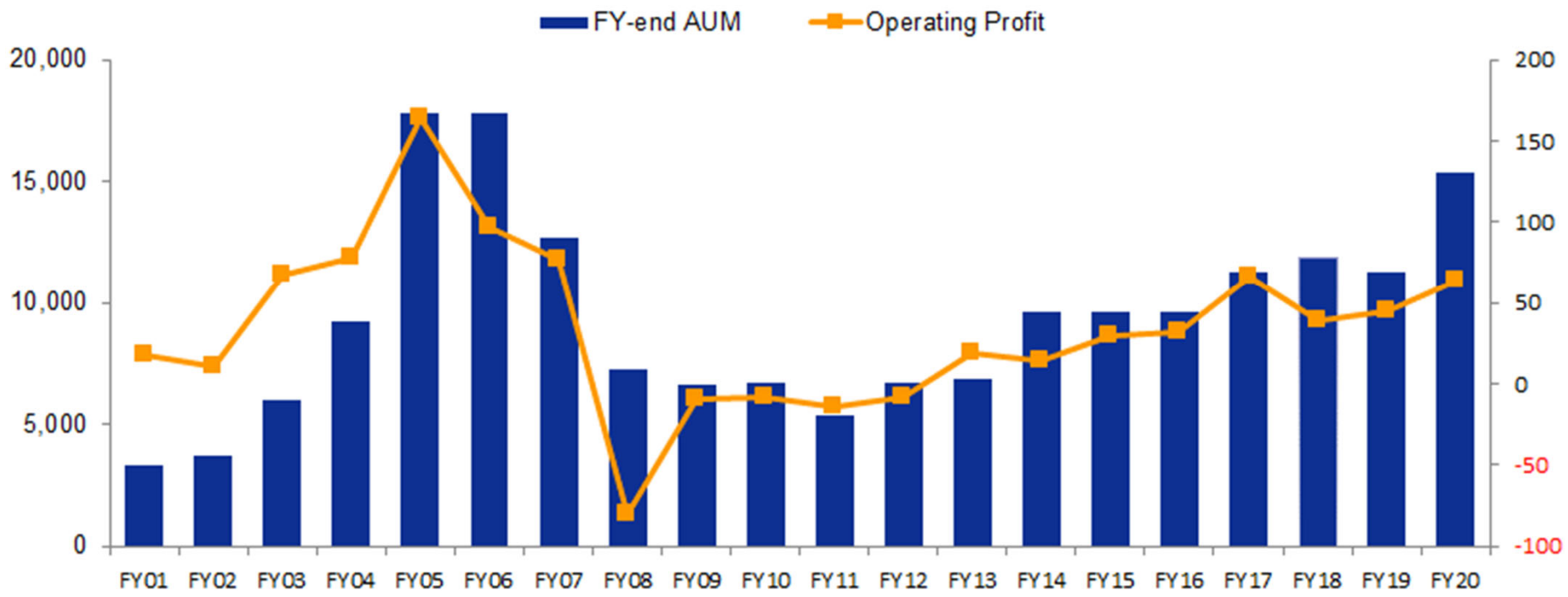
In addition to the above goals for four pillars



New Area

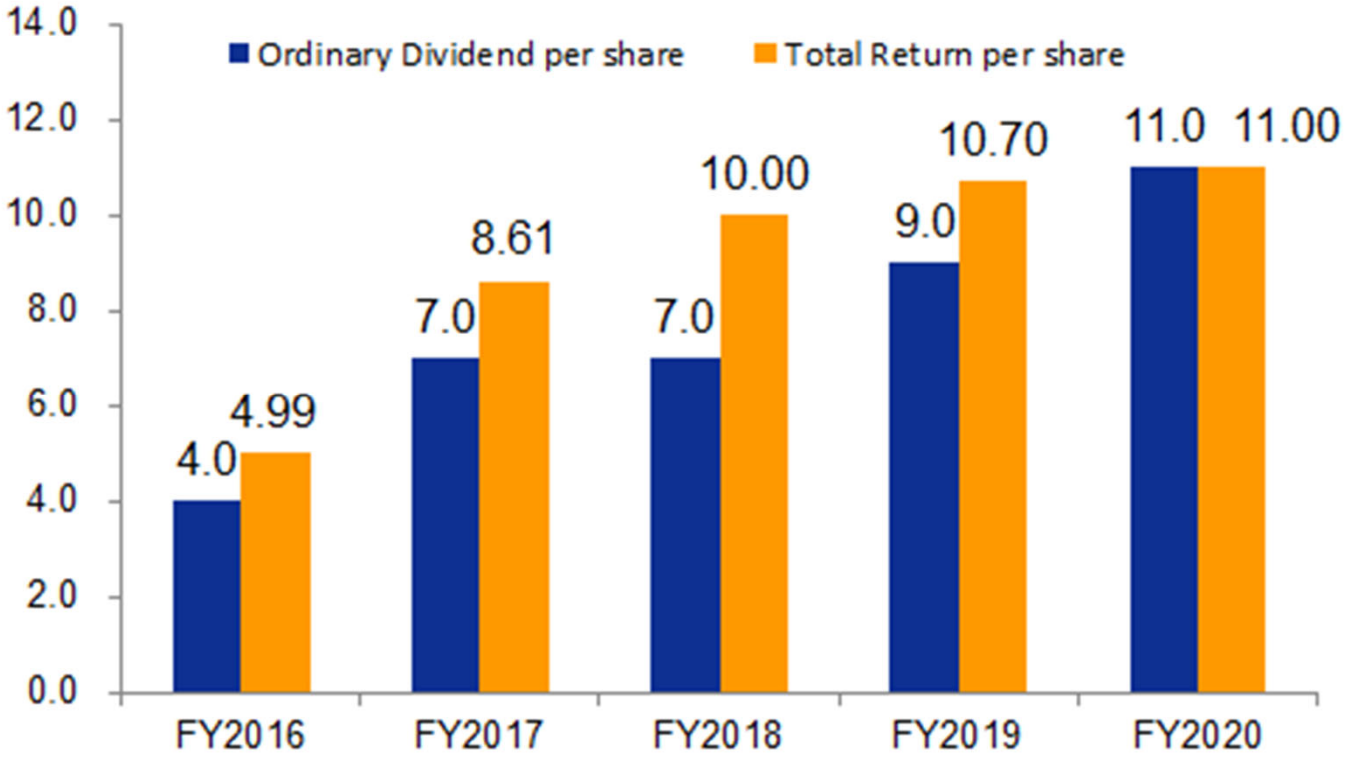
・Under a conservative financial management policy with a certain level of seeding and within Group resources, we will further promote our unique investments in fields of the new era's growth areas that utilize AI technologies such as energy, medical and nursing care, and finance which are linked to new tools like quantum computing. This unique investments will contribute to the improvement of our group ROE.

<Reference> Changes in AUM and operating profit since its listing



Return to Shareholders – Dividend

A year-end expected ordinary dividend to be 11 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.



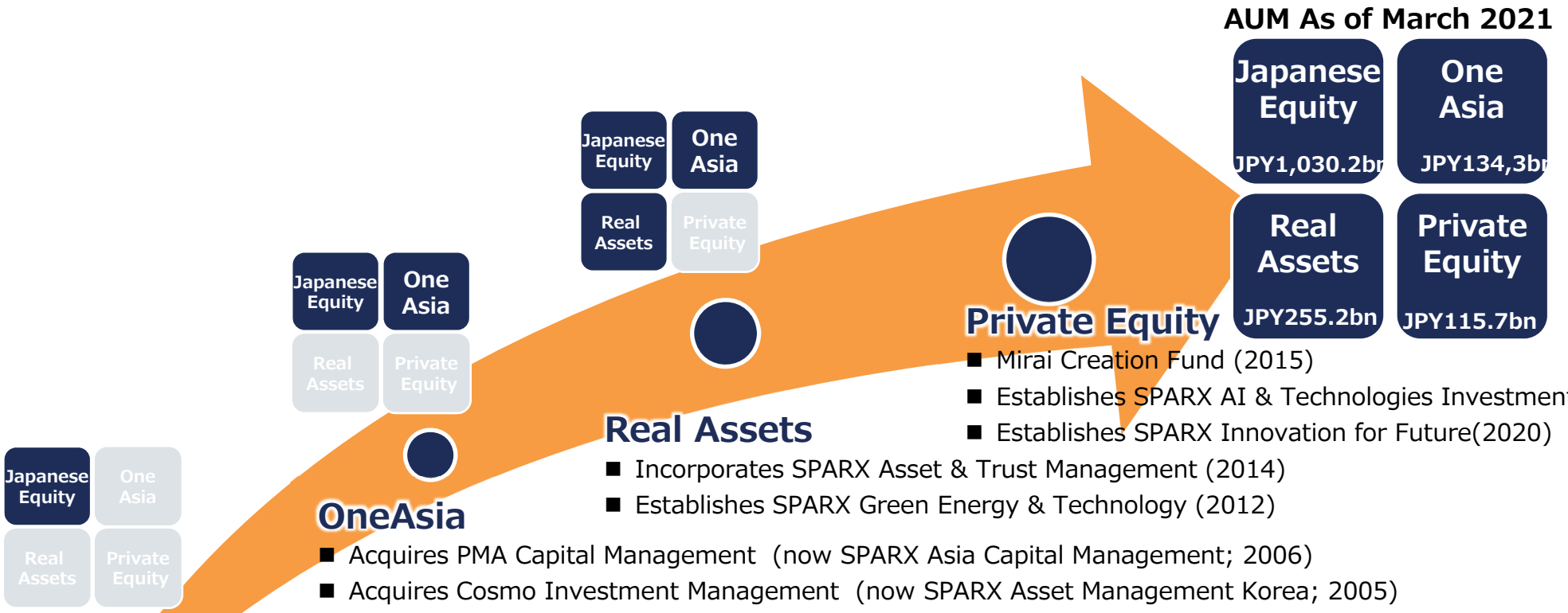
	FY2016	FY2017	FY2018	FY2019	FY2020
Ordinary Dividend Payout Ratio (ordinary dividend)	32.9%	45.1%	39.1%	50.8%	50.2%
Total Profit Return Ratio	41.0%	55.5%	55.8%	60.5%	50.2%

(Reference) https://ssl4.eir-parts.net/doc/8739/tdnet/1924261/00.pdf

(Note 1) Dividend will be officially decided and implemented upon the resolution of the 32nd Ordinary General Meeting of Shareholders to be held in June 2021.
(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/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**

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

We distribute videos and send information via Facebook so that you can better understand the activities of SPARX. The official SPARX YouTube was fully renewed in December last year, and we are working to convey the new appeal of our company. Thank you for visiting us.

■ SPARX TV
https://www.sparx.jp/tv/

■ Official Facebook
https://www.facebook.com/SPARXGroup/

■ Official YouTube
https://www.youtube.com/user/8739SPARX

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, 2021)
Employees	180 (as of March 31, 2021)
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

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

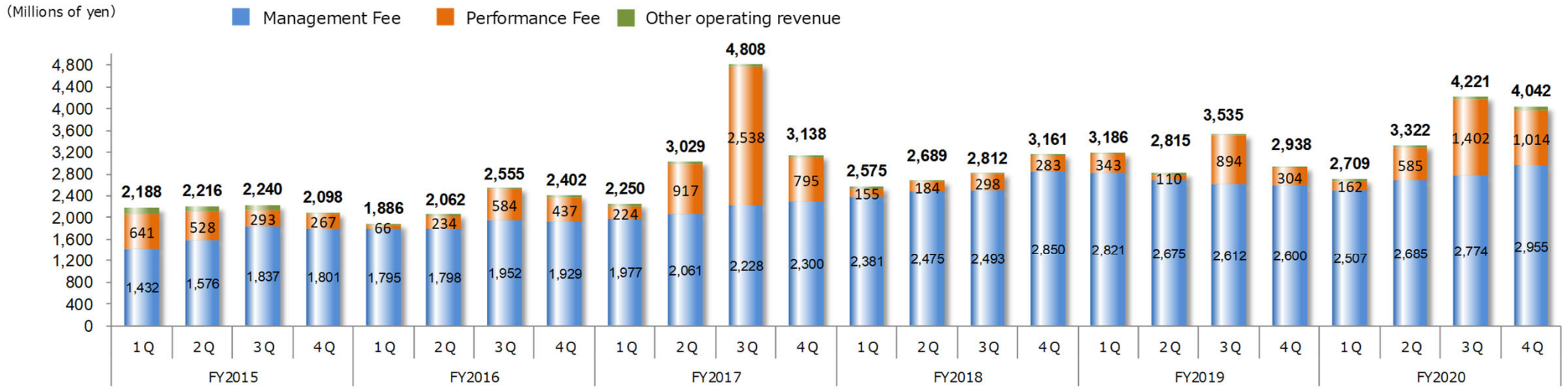
Important Management Indicators

- 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

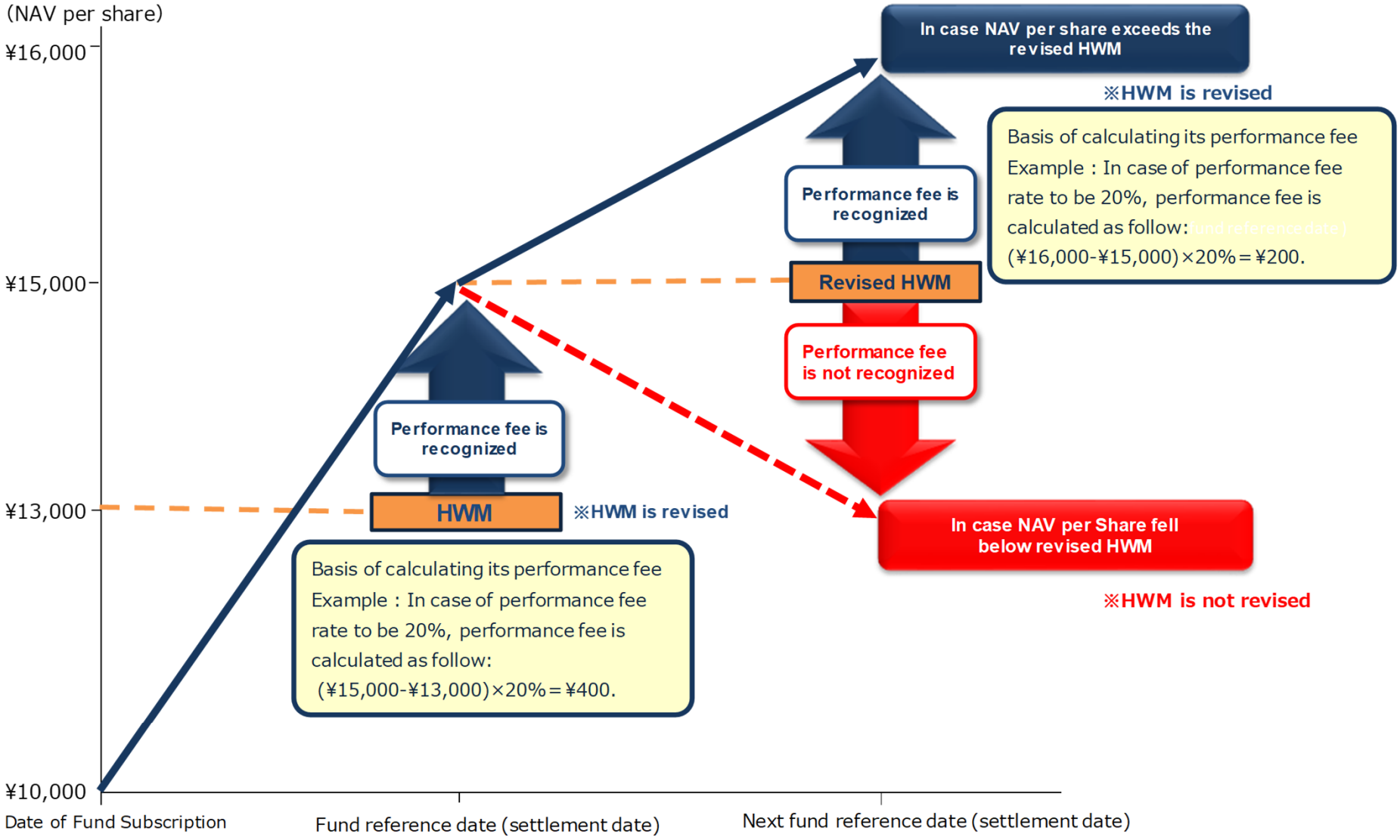
Management fee remains strong, and performance fee has also continue to remain at a high level from the previous quarter



(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	3Q	4Q
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	2,774	2,955
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	1,402	1,014
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	43	72
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**	**4,221**	**4,042**
(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	13,884	14,929
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%	0.68%	0.67%
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%	31.1%	32.5%
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	27,444	29,178

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

- **Performance bonuses (personnel expenses) increased due to an increase in profits due to increase in performance fees.**
- **Dramatically reduced travel expenses due to COVID-19.**

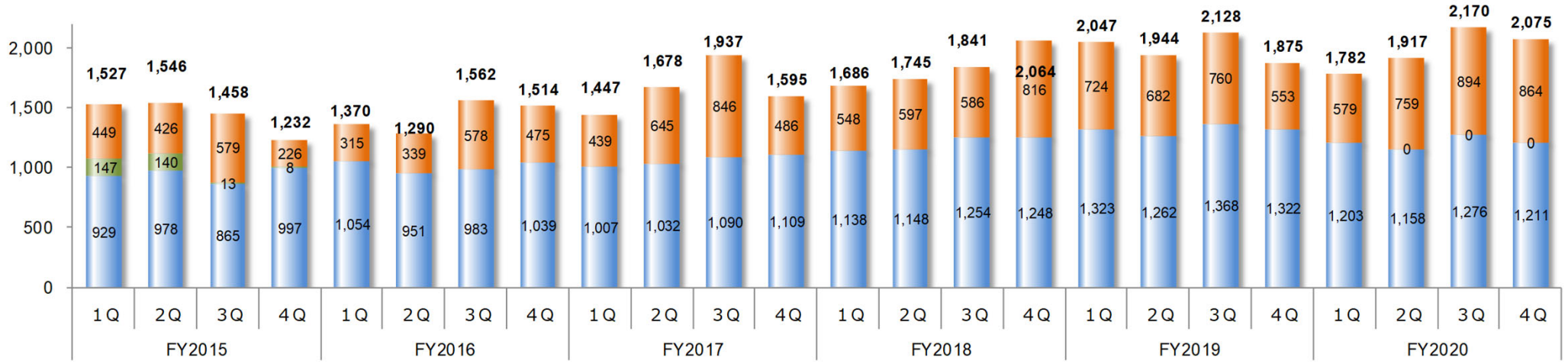
(Units: Millions of yen)	FY2019	FY2020	
	Full Year	Full Year	YoY change
Commissions paid	1,857	1,690	-9.0%
Personnel exp.	2,831	3,403	+20.2%
Travel exp.	296	32	-89.1%
Property rent	270	291	+7.7%
Entrusted business expenses	1,281	1,119	-12.6%
Depreciation on fixed assets	264	282	+7.0%
Advertising exp.	131	116	-11.8%
Research exp.	308	320	+4.0%
Other expenses	756	690	-8.7%
Total: Operating and general administrative expenses	7,996	7,946	-0.6%
Ordinary expenses	5,275	4,848	-8.1%

(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.

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

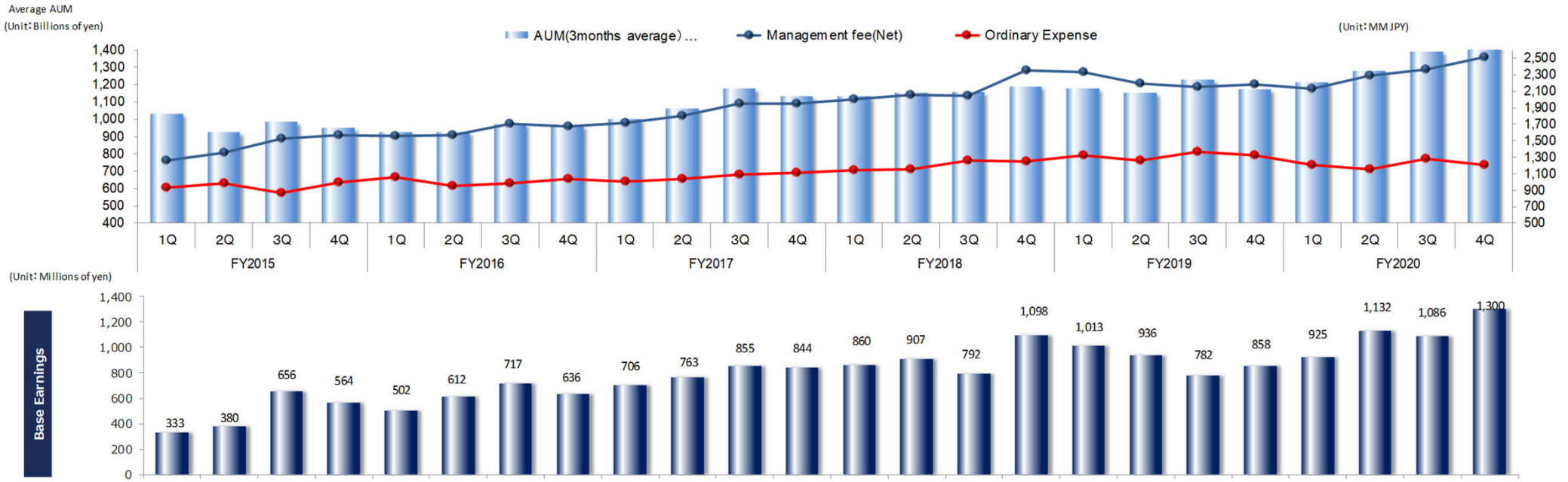
(Units:Millions of yen)



(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	3Q	4Q
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	1,276	1,211
Amortization of goodwill	147	140	13	8	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
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	894	864
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**	**2,170**	**2,075**

Quarterly Base Earnings

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



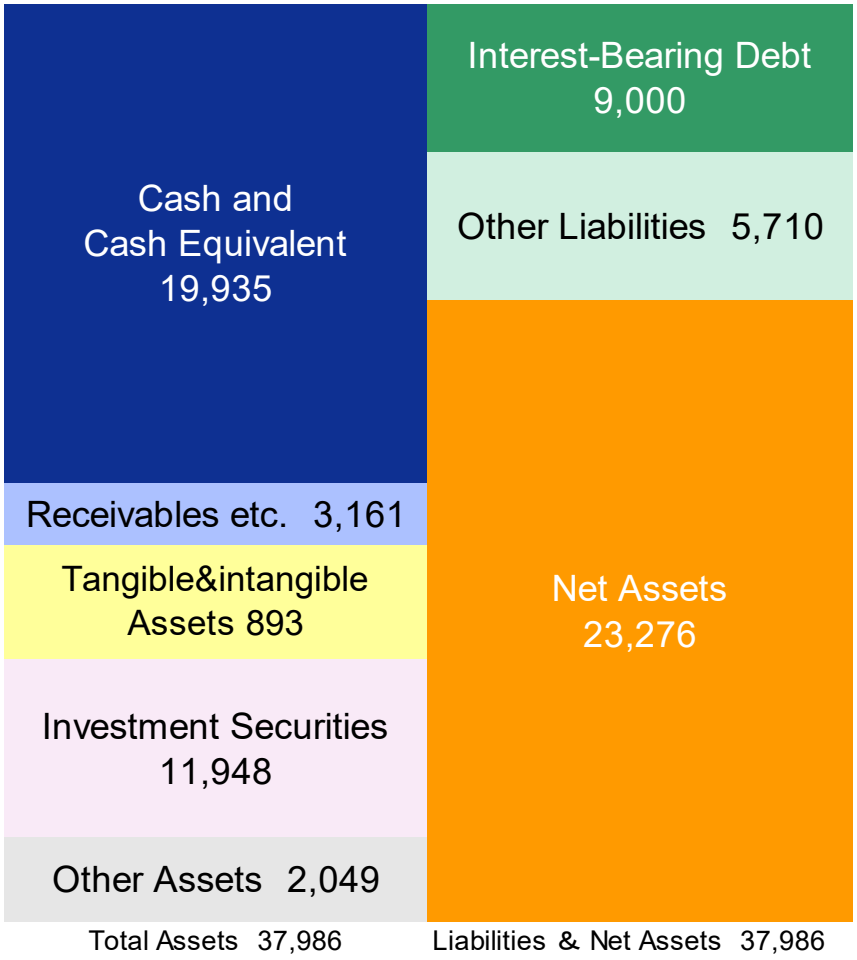
(Unit : MM JPY)	FY2015				FY2016				FY2017				FY2018				FY2019				FY2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AUM(3months average) (Unit:Billions of yen)	1,029.7	927.7	985.6	949.7	923.3	927.0	970.3	963.1	1,001.8	1,062.7	1,177.3	1,133.9	1,131.0	1,151.0	1,159.8	1,186.9	1,180.1	1,153.6	1,229.0	1,173.4	1,215.7	1,278.3	1,388.4	1,492.9
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	2,362	2,511
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	1,276	1,211
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	1,086	1,300

(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 March 2021 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.

(Units: Millions of yen)



Mostly seed money to funds that the Company manages

Equity Ratio

61.3%

Note) SGET Iwaizumi Wind Farm company was excluded from the coverage of consolidation during the third quarter FY2020.

As of Mar. 2021 Consolidated Balance Sheet (2)

(Units: Millions of yen)	Mar. 2020	Mar. 2021	YoY change
Current assets	22,079	23,541	+1,461
Cash and cash equivalents	18,474	19,935	+1,461
Receivables	2,588	3,161	+573
Fixed assets	11,628	14,419	+2,791
Goodwill	1,746	0	-1,746
Investment securities	7,547	11,922	+4,374
Total assets	33,707	37,961	+4,253
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	4,011	+241
Provision for bonuses, ESOP	326	701	+374
Total liabilities	13,369	14,702	+1,333
Common stock	8,587	8,587	-
Add'l paid-in-capital	2,555	2,555	-
Retained earnings	11,448	13,116	+1,668
Treasury stock	-3,549	-3,549	-
Total Shareholder's Equity	19,041	20,709	+1,668
Valuation difference on AFS securities	▲207	1,498	+1,705
Foreign currency translation adjustment	900	1,048	+147
Non-controlling interests	600	0	-600
Total net assets	20,338	23,258	+2,920

Although there were the investment in seed money, payment of dividends and bonuses, etc., it increased due to an increase in operating revenue.

SGET Iwaizumi Wind Farm Company decrease due to exclusion of consolidation

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 FY2020 : +JPY 3,468MM

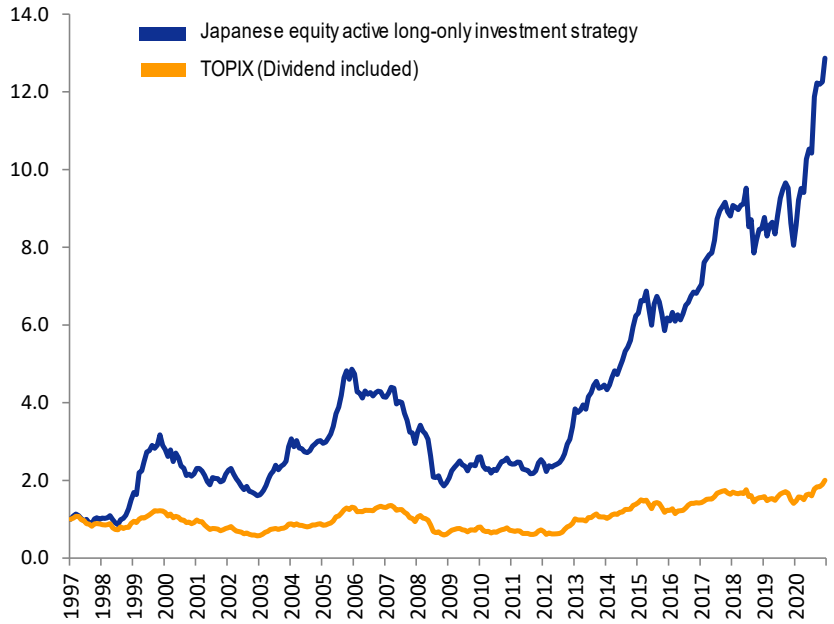
Increase mainly due to rise in market value of investment securities (seed money investment)

SGET Iwaizumi Wind Farm Company decrease due to exclusion of consolidation

(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

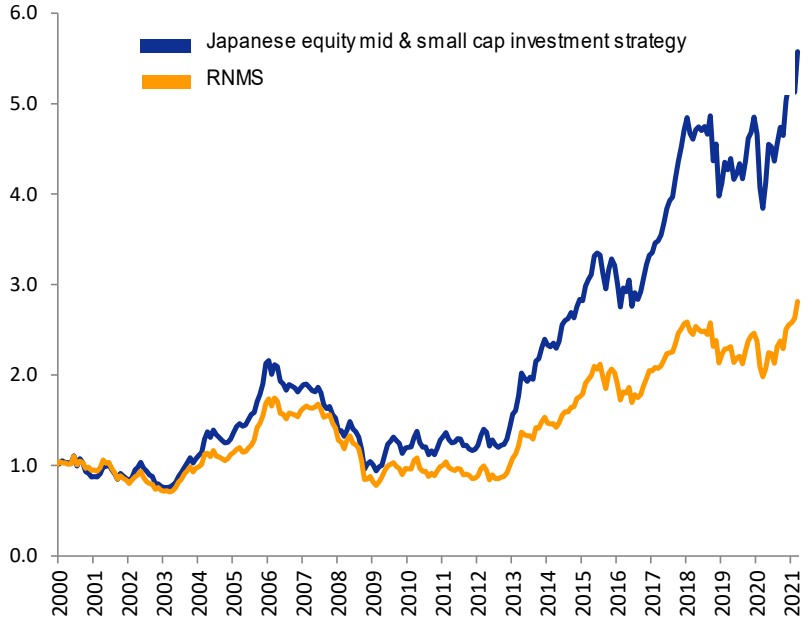


(Annualized Return)

Japanese equity active long-only investment strategy	11.27%
Reference Index	2.95%
Excess Return	8.32%

Reference Index	TOPIX (Dividend included)
Measurement Period	1997/5 ～2021/3
Volatility of Composite Return (Annualized)	20.29%

Japanese Equity Mid & Small Cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	8.42%
Reference Index	4.99%
Excess Return	3.43%

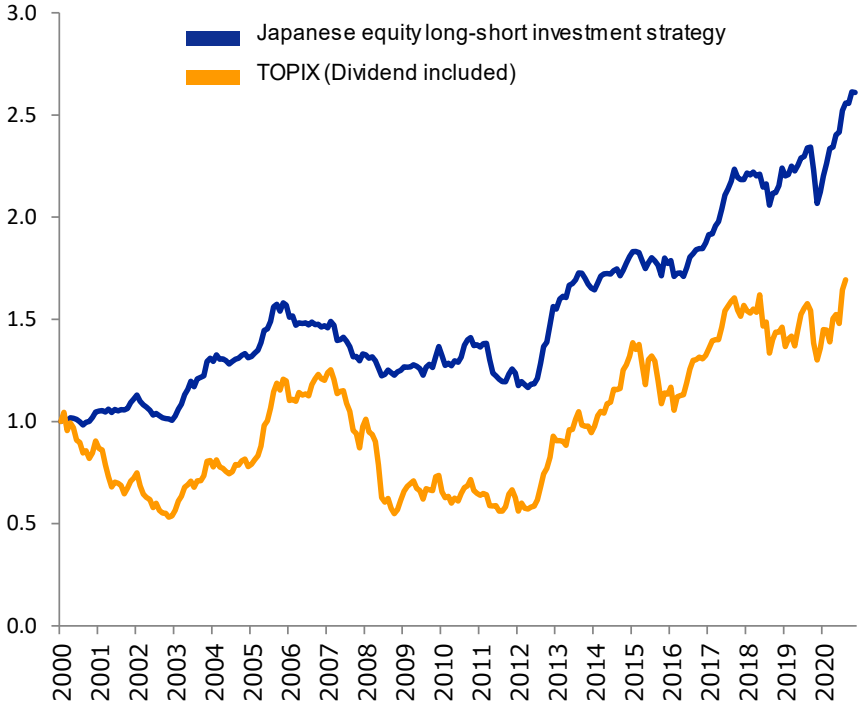
Reference Index	Russell/Nomura Mid-Small Cap Index
Measurement Period	2000/1 ～2021/3
Volatility of Composite Return (Annualized)	17.84%

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

Source: SPARX Group (as of March 31, 2021)

Primary Investment Strategies: Composite Returns Since Valuation Began ②

Japanese Equity Long-Short investment strategy

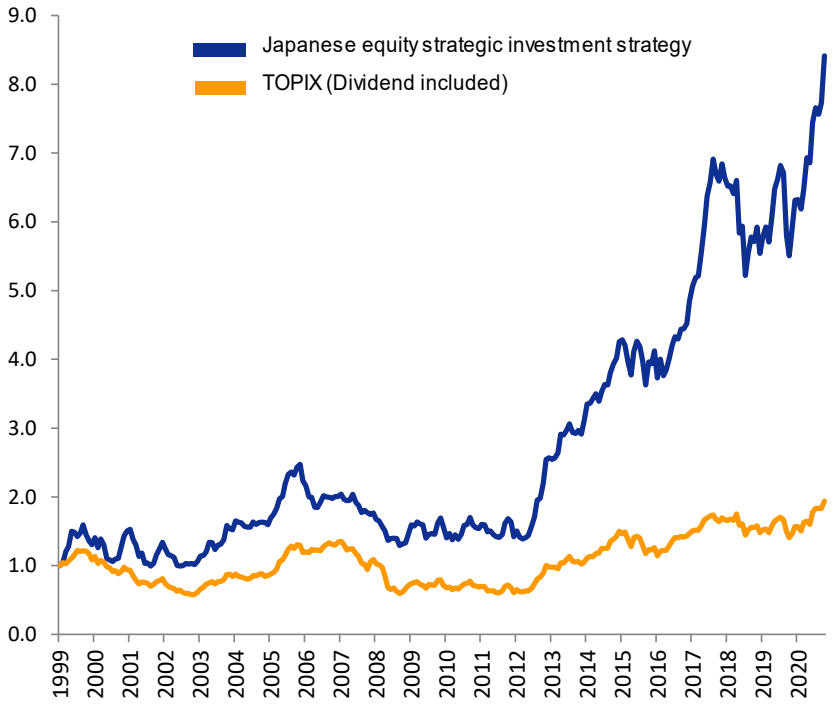


(Annualized Return)

Japanese equity long-short investment strategy	4.71%
Reference Index	2.83%
Excess Return	1.88%

Reference Index	TOPIX (Dividend included)
Measurement Period	2000/6 ～2021/3
Volatility of Composite Return (Annualized)	7.48%

Japanese Equity Strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	10.29%
Reference Index	3.09%
Excess Return	7.20%

Reference Index	TOPIX (Dividend included)
Measurement Period	1999/7 ～2021/3
Volatility of Composite Return (Annualized)	20.02%

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

Source: SPARX Group (as of March 31, 2021)


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: Global Business Development 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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