

FY2020

3rd Quarter Earnings Presentation (Apr. 2020 – Dec. 2020)

February 10th, 2021



SPARX Group Co., Ltd.

<https://www.sparxgroup.com/>

Mission

**To make the world wealthier,
healthier, and happier**

Vision

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

FY2020 Q3 Performance

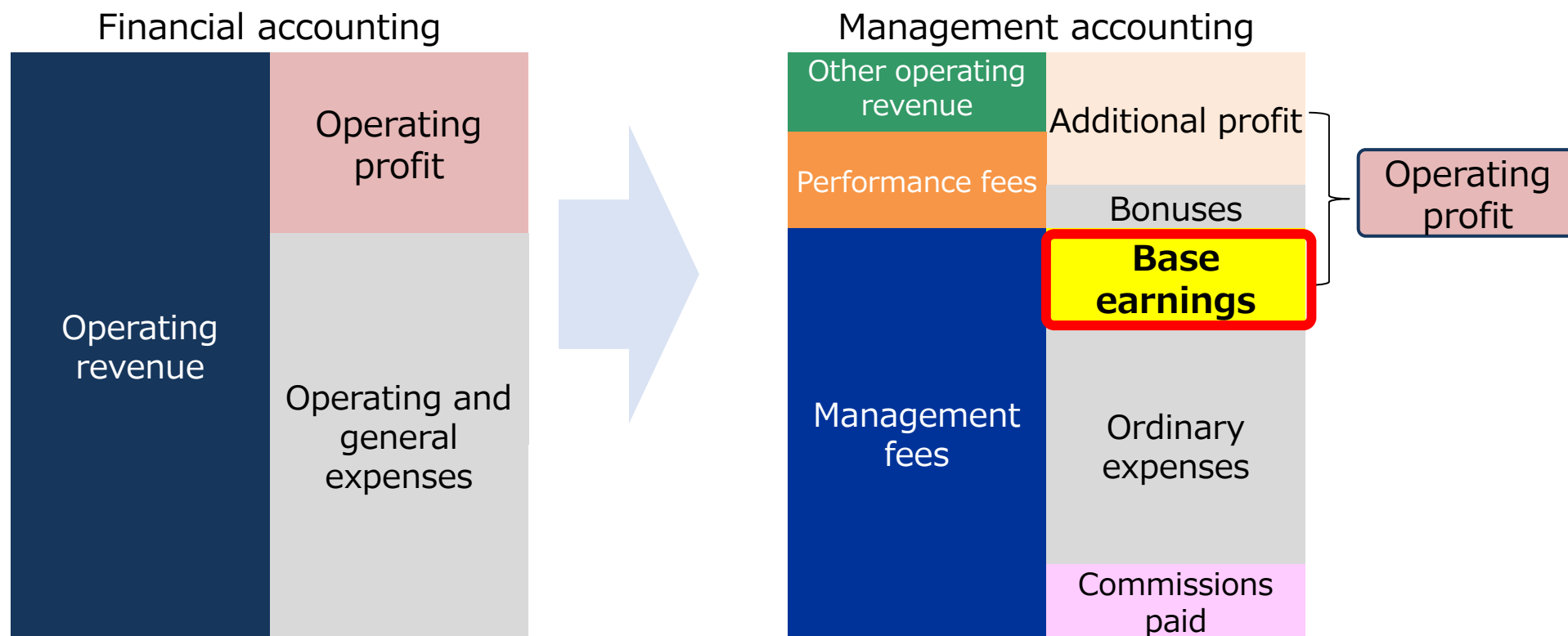
About This Earnings Presentation

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:

$$\text{Base earnings} = (\text{Management fees} - \text{Commissions paid}) - \text{Ordinary expenses}$$
$$= \text{Management fees (after deducting commissions)} - \text{Ordinary expenses}$$

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 28.3%, mainly due to the recording of performance fees related to Japanese equities and renewable energy investment strategies.
- Base earnings increased by 15.0% due to a decrease in ordinary expenses such as travel expenses.

(Unit:Millions of yen)	FY2019	FY2020	YoY change
	Apr2019-Dec2019	Apr2020-Dec2020	
Operating revenue	9,538	10,253	+7.5%
Operating profit	3,416	4,382	+28.3%
Net income	2,052	2,616	+27.5%
Base earnings	2,732	3,143	+15.0%

(Note) See pages 4, 6, 32, and 37 for more on base earnings.

Consolidated Earnings Summary (2) Performance



		FY2019		FY2020	
		Apr2019-Dec2019	Full Year	Apr2020-Dec2020	YoY change
Average AUM	(Billions of yen)	1,187.6	1,184.0	1,294.2	+9.0%
Management fee rate	(%)	0.75%	0.75%	0.70%	-0.05
(After deducting commissions)					
Management fees	(Millions of yen)	6,686	8,866	6,781	+1.4%
(After deducting commissions)					
- Ordinary expenses	(Millions of yen)	3,953	5,275	3,637	-8.0%
Base earnings	(Millions of yen)	2,732	3,591	3,143	+15.0%
Performance fees	(Millions of yen)	1,348	1,652	2,151	+59.6%
Percentage of AUM eligible to earn performance fees	(%)	29.9%	33.5%	31.1%	+1.2
Other operating revenue	(Millions of yen)	80	114	134	+66.5%
- Bonuses	(Millions of yen)	738	864	1,043	+41.2%
(including ESOP Expense)					
Operating profit	(Millions of yen)	3,416	4,479	4,382	+28.3%
Profit attributable to owners of parent	(Millions of yen)	2,052	2,301	2,616	+27.5%
Return on equity (ROE)	(%)	13.4%	11.4%	16.7%	+3.4

(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 30.1% 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 and the Japan Monozukuri Mirai Fund.

(Unit: Billions of yen)	AUM			Average AUM (9 months)		
	As of March, 2020	As of December, 2020	Change (%)	FY2019	FY2020	YoY change (%)
Japanese Equity	744.4	1,007.9	+35.4%	827.1	881.0	+6.5%
OneAsia	52.2	90.9	+74.2%	32.7	72.4	+121.1%
Real Assets	213.4	248.5	+16.4%	216.1	223.0	+3.2%
Private Equity(Mirai Creation, etc.)	113.2	113.9	+0.7%	111.5	117.6	+5.5%
Total	1,123.3	1,461.3	+30.1%	1,187.5	1,294.2	+9.0%

	As of December, 2020	As of March, 2020	As of December, 2020	YoY change
TOPIX	1,721	1,403	1,804	+4.8%
NIKKEI 225 (JPY)	23,656	18,917	27,444	+16.0%
KOSPI	2,197	1,754	2,873	+30.8%

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

<https://ssl4.eir-parts.net/doc/8739/tdnet/1918018/00.pdf>

Business Progress Report and Future Plans

Japanese Equity

Performance fees for the long-short investment strategy positively contributed in this quarterly accounting period.

OneAsia

December 2019, 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

Three investment were made, including the first investment project of the ESG fund working with Tokyo metropolitan government 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

**JPY1,007.9
billion**

Japanese
Equity

OneAsia

**JPY90.9
billion**

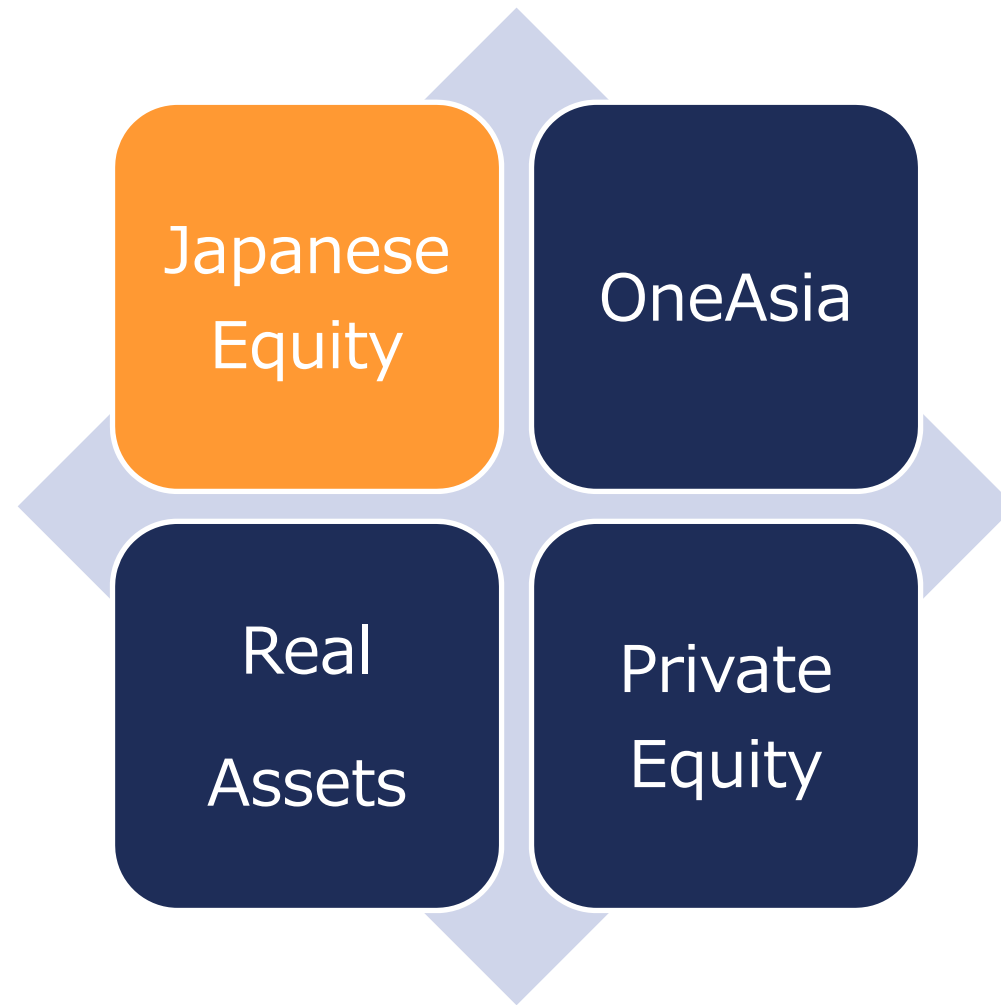
**JPY248.5
billion**

Real
Assets

Private
Equity

**JPY113.9
billion**

(1) Japanese Equity Investment Strategy (AUM of JPY 1,007.9 billion as of December 31, 2020)



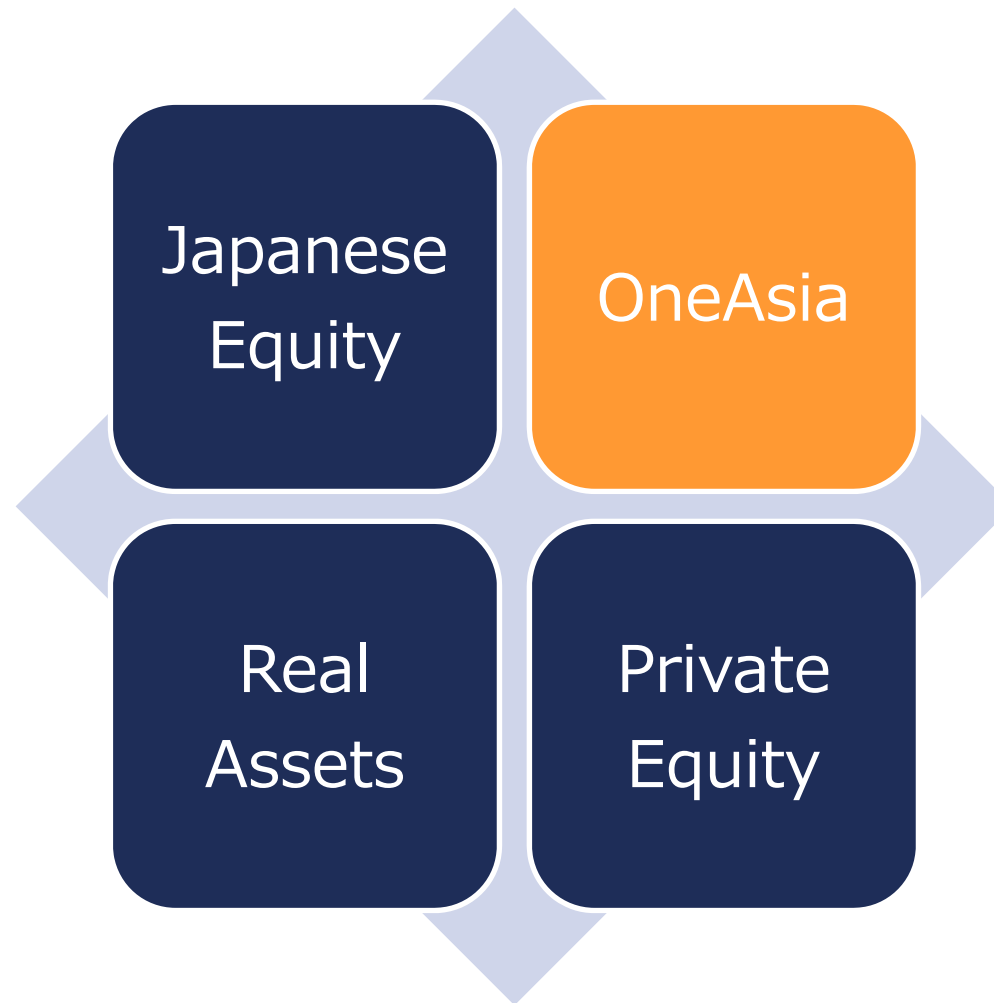
Japanese Equity Investment Strategy: Status of AUM



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	Dec. 2020	Change	Change (%)
Japanese Equity Long-Short Strategy	43.8	69.1	+25.3	+57.7%
Japanese Equity Focus All Cap Strategy	453.4	597.1	+143.6	+31.7%
Japanese Equity Mid & Small Cap Strategy	157.7	205.6	+47.8	+30.3%
Japanese Equity Market Neutral Strategy	37.3	39.7	+2.3	+6.2%
Japanese Equity Sustainable Strategy	51.9	93.9	+41.9	+80.7%
Other	0.0	2.3	+2.3	-
Total	744.4	1,007.9	+263.4	+35.4%

(2) OneAsia Equity Investment Strategy (AUM of JPY 90.9 billion as of December 31, 2020)



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.

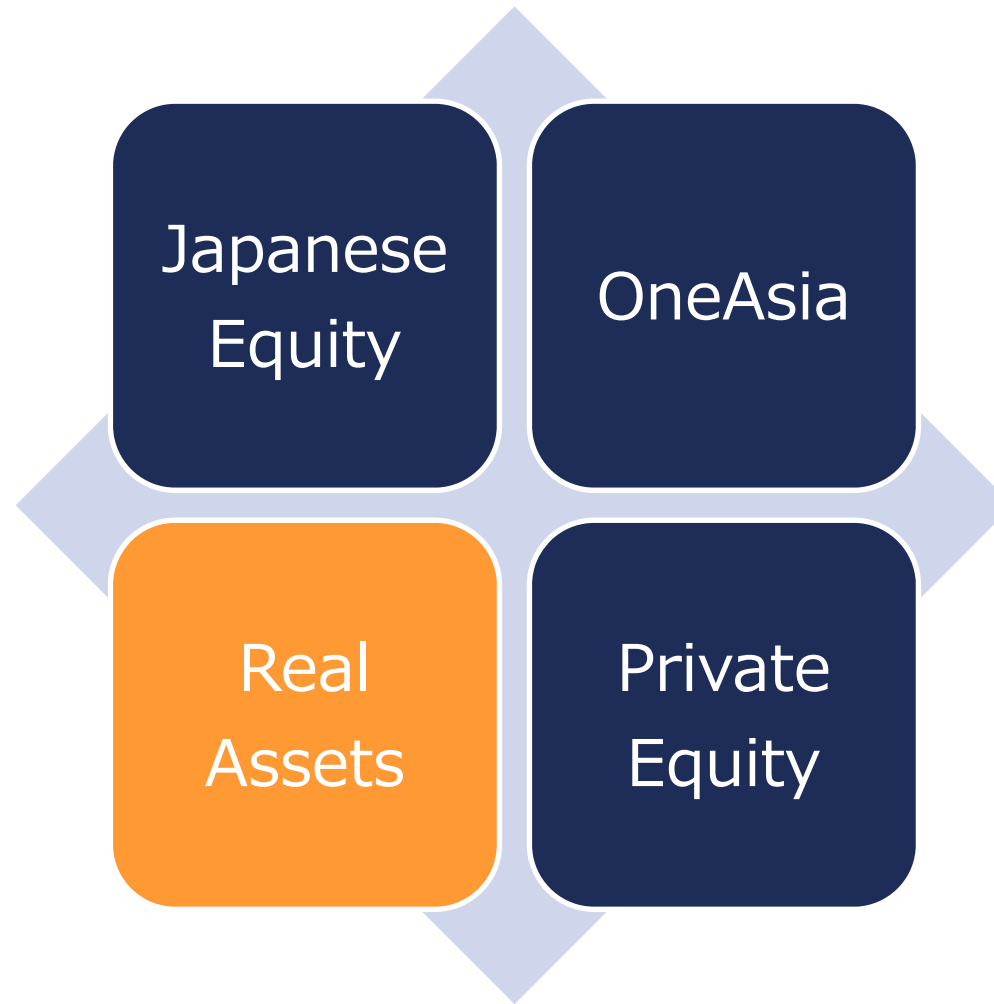
We develop products using ideas from fund managers in all our offices, and we work to create new funds.

Launched our publicly offered investment trust for listed companies in Japan and Asia. December 2019, 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 74.2% from 52.2 billion yen at the end of March 2020 to 90.9 billion yen at the end of December.

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 JPY248.5 billion as of December 31, 2020)



Assets under management

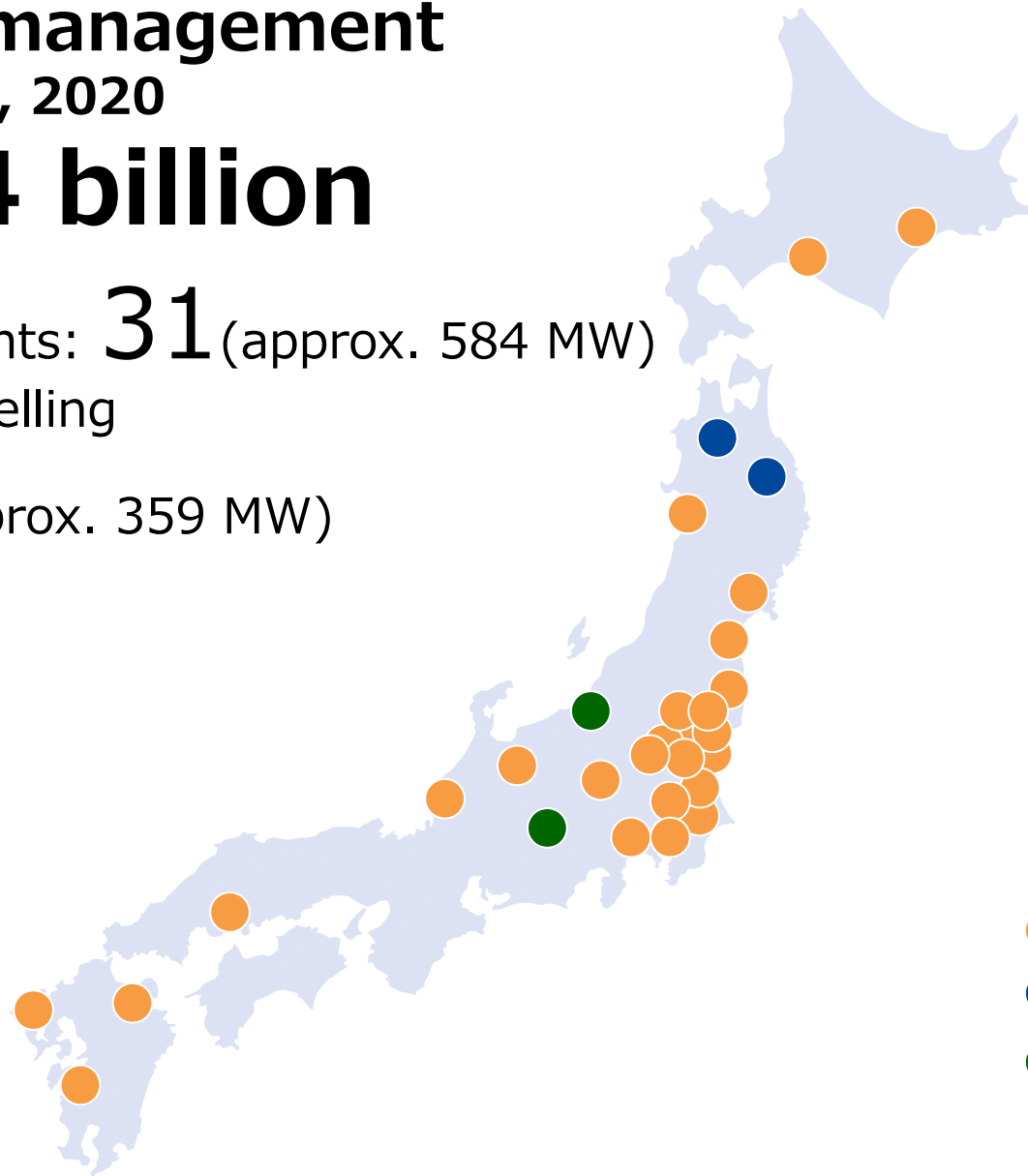
As of December 31, 2020

JPY 241.4 billion

Number of Investments: **31** (approx. 584 MW)

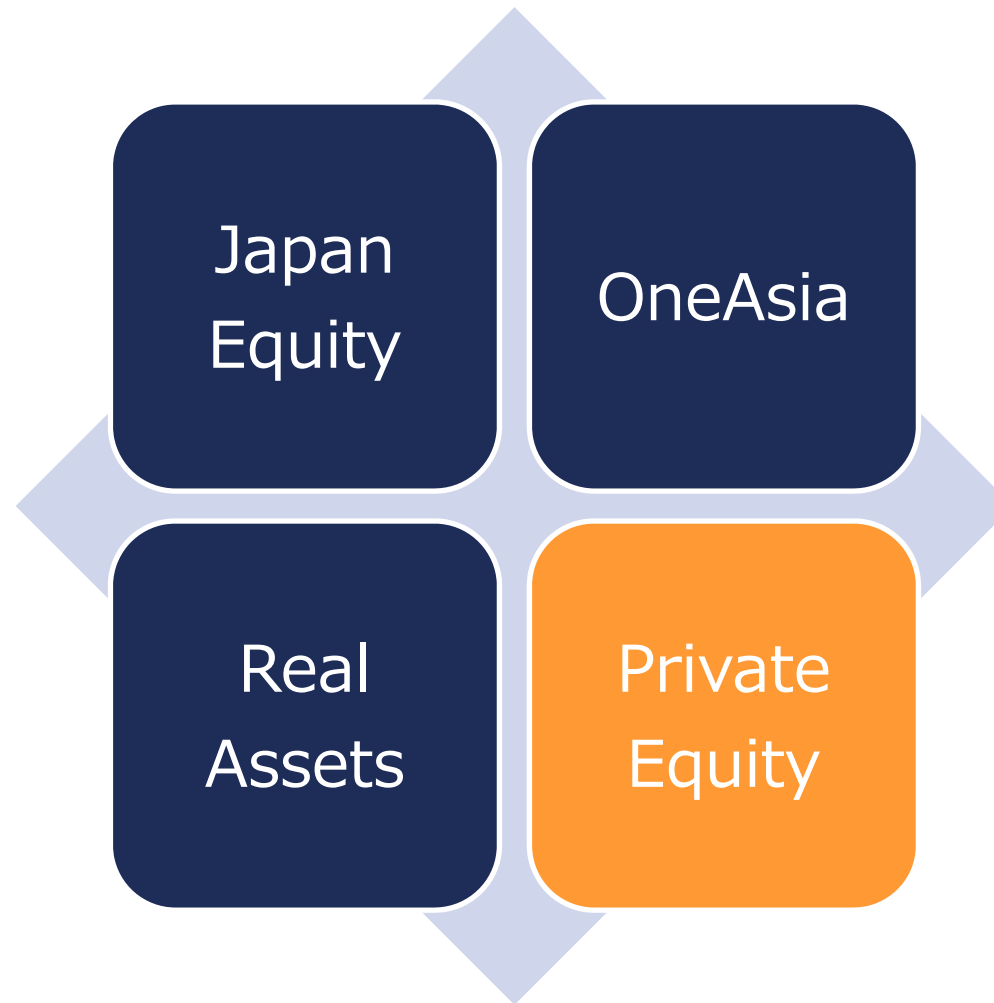
Number of stations selling

electricity: **24** (approx. 359 MW)



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

(4) Private Equity Investment Strategy (AUM of JPY113.9 billion as of December 31, 2020)



(Note) Regarding Future Creation Fund No. 1, 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

AUM as of December, 2020

Mirai Creation Fund II

72.6 Billion JPY

At the end of March 2020
Executed Amount

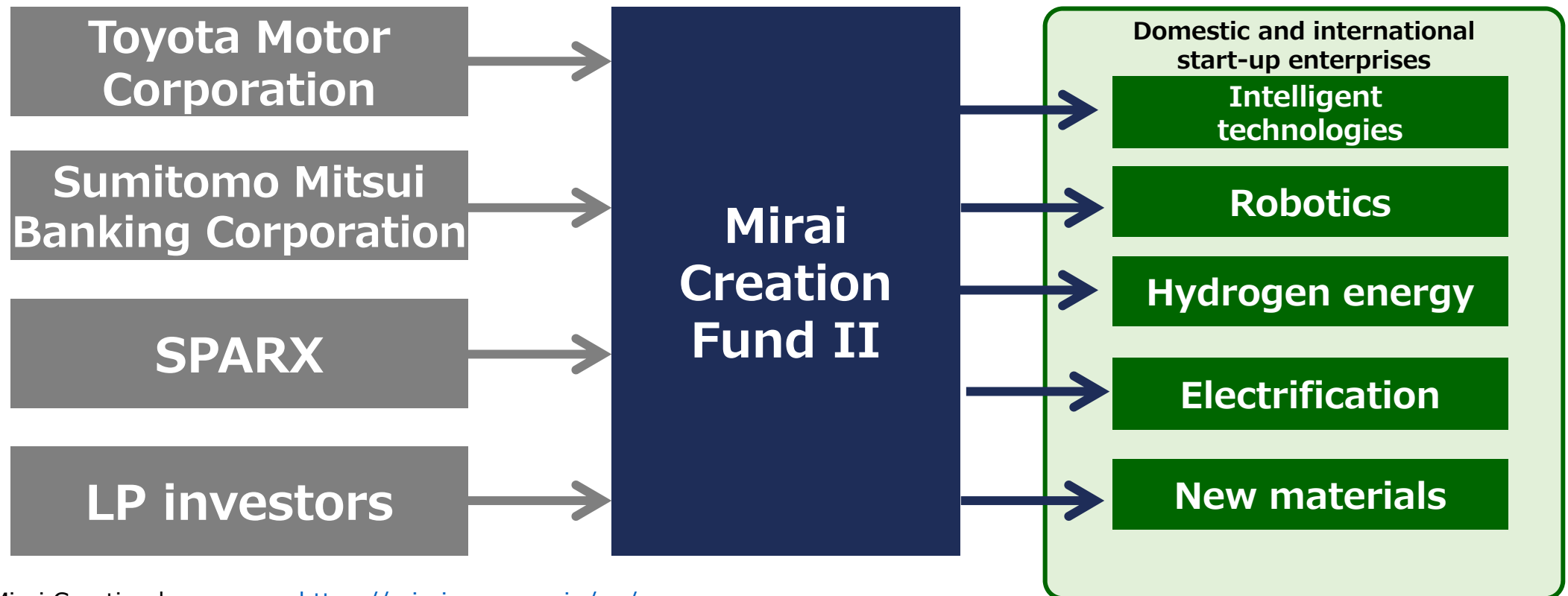
49 Projects

35.2 Billion JPY

At the end of December 2020
Executed Amount

65 Projects

46.3 Billion JPY



Mirai Creation Fund Portfolio status

WealthNavi Inc. (Mirai Creation Fund I)

- Development and provision of robo-advisors that fully automate asset management.
- In December 2020, it was listed on the TSE Mothers.

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) | ■ Fichra Inc. (listed in June 2020) |
| ■ Sansan, Inc. (listed in June 2019) | ■ Neural Pocket Inc. (listed in August 2020) etc. |
| ■ Giftee, Inc. (listed in September 2019) | |

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.

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 December 31, 2020)

(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>, etc.

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>

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.

Through 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>

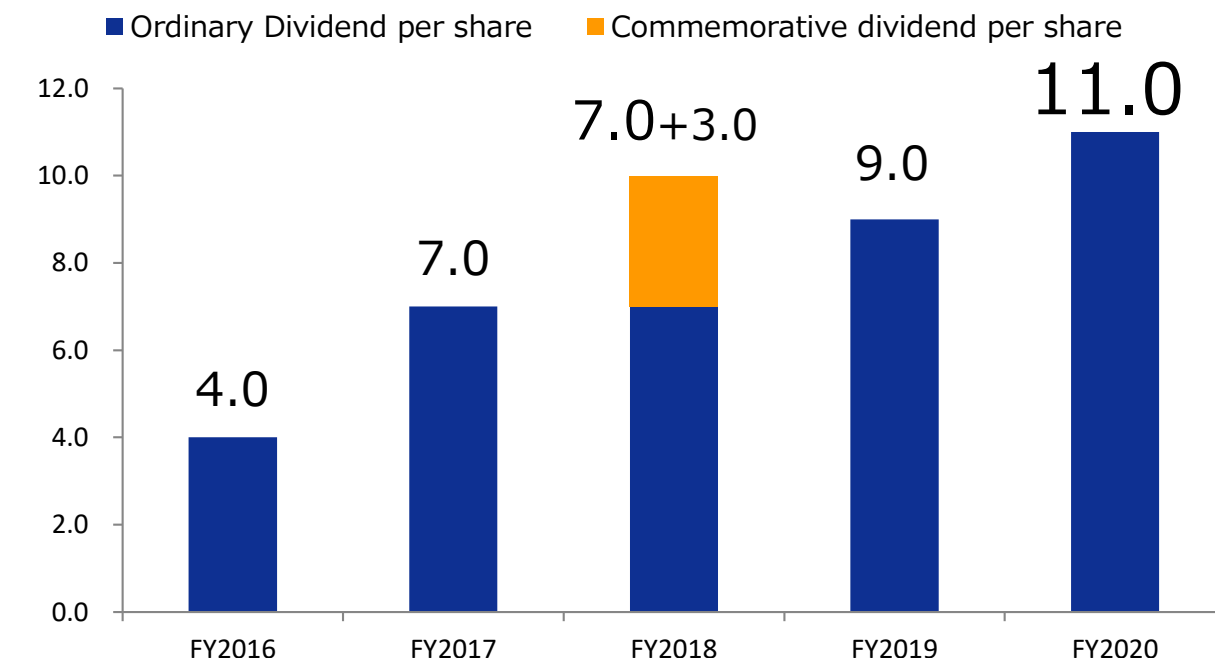
Name	Nomura SPARX Investment, Inc. (tentative)
Business	Investment management
Capital	400 million yen (including capital reserves)
Shareholding ratio	Nomura Holdings 51%, SPARX Group 49%

Other

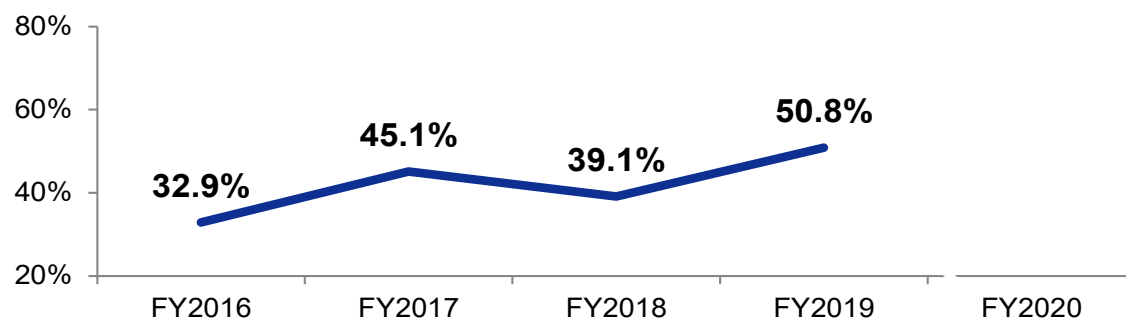
Return to Shareholders – Dividend



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.



(Ordinary Dividend Payout Ratio)



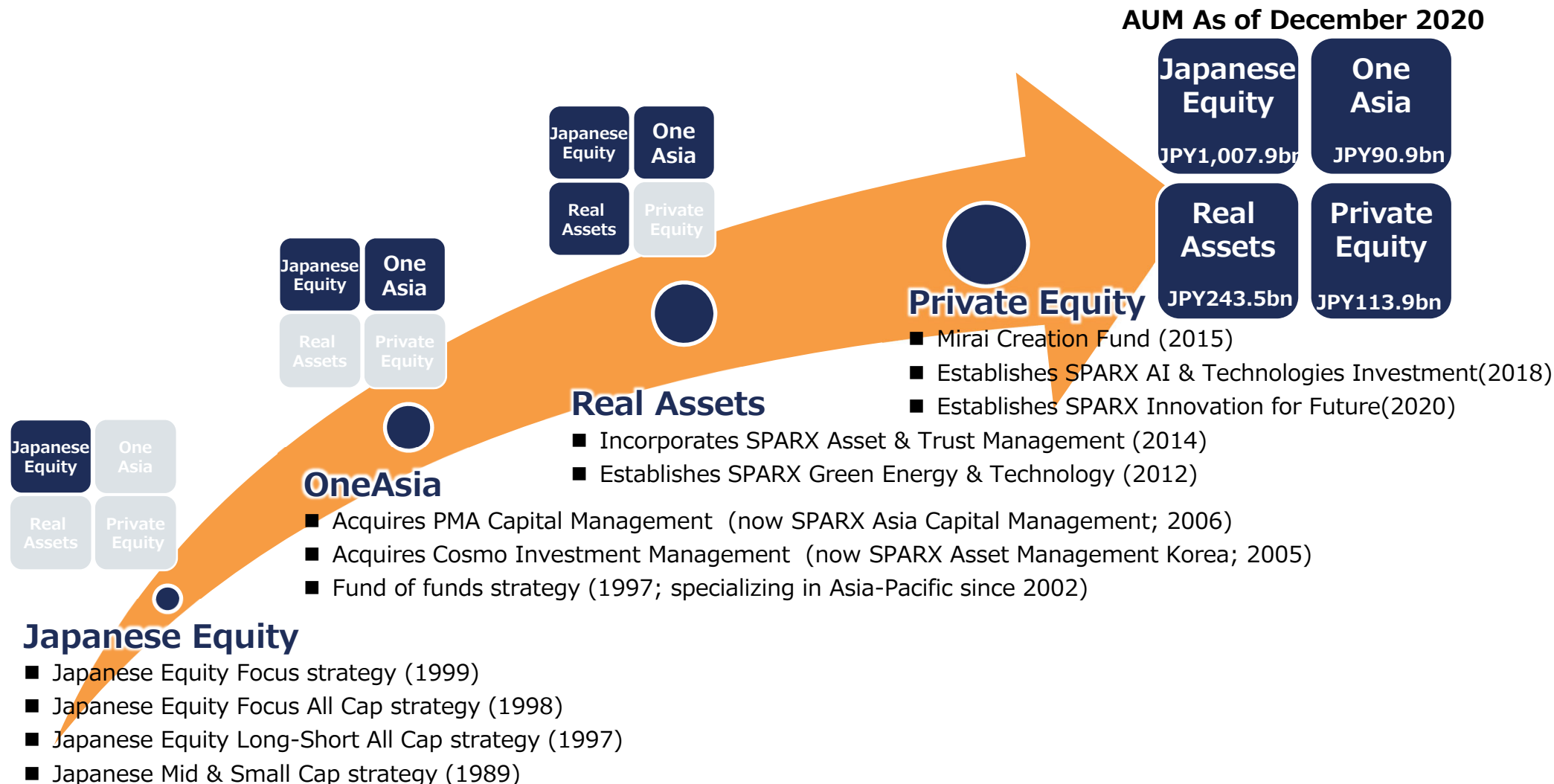
(Reference) <https://ssl4.eir-parts.net/doc/8739/tdnet/1924261/00.pdf>

(Note 1) Dividend will be officially decided and implemented upon the resolution of the 31st Ordinary General Meeting of Shareholders to be held in June 2021.

(Note 2) Ordinary Dividend Payout Ratio (Base Earnings)= Total amount of ordinary dividends ÷ Base Earnings

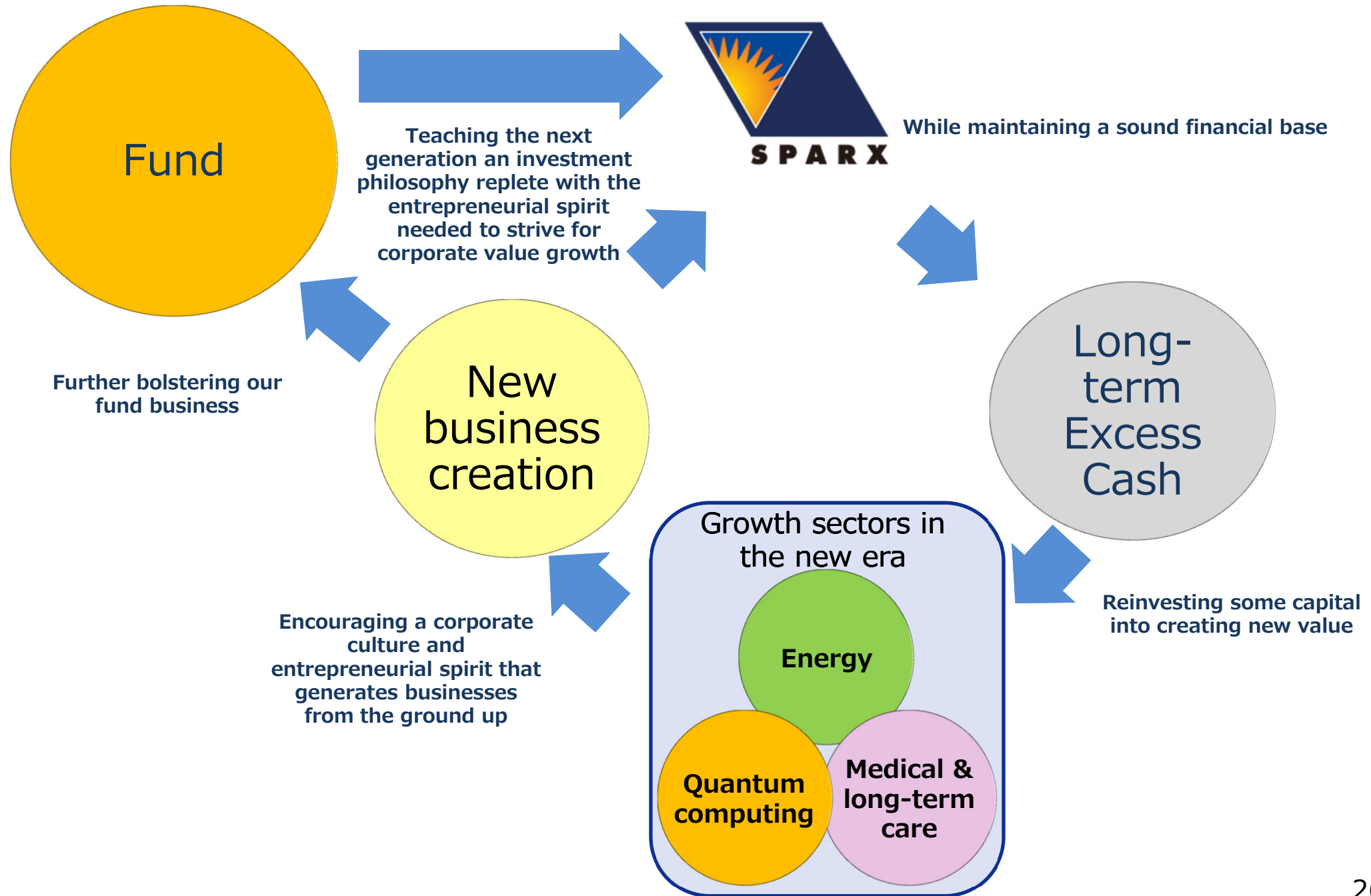
[Reference] Hybrid Business Model

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



Market swings have a significant impact

Diversified strategy leads to increased stability



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
<ul style="list-style-type: none"> ■ The firm offers more convenient user environments through Japan's first large-scale user agreement with D-Wave Systems, Inc. 	<ul style="list-style-type: none"> ■ It leverages research results generated by Masayuki Ozeki, an expert in quantum annealing machines. 	<ul style="list-style-type: none"> ■ 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

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.



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 December 31, 2020)
Employees	176 (as of December 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

Business that receives fees at a fixed rate of AUM

Revenue Structure

- $\text{Management Fees} = \text{AUM} \times \text{management fee rate}$
- $\text{Performance Fees} = \text{AUM} \times \text{percentage of AUM eligible to earn performance fees} \times \text{performance fee rate}$

Important Management Indicators

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

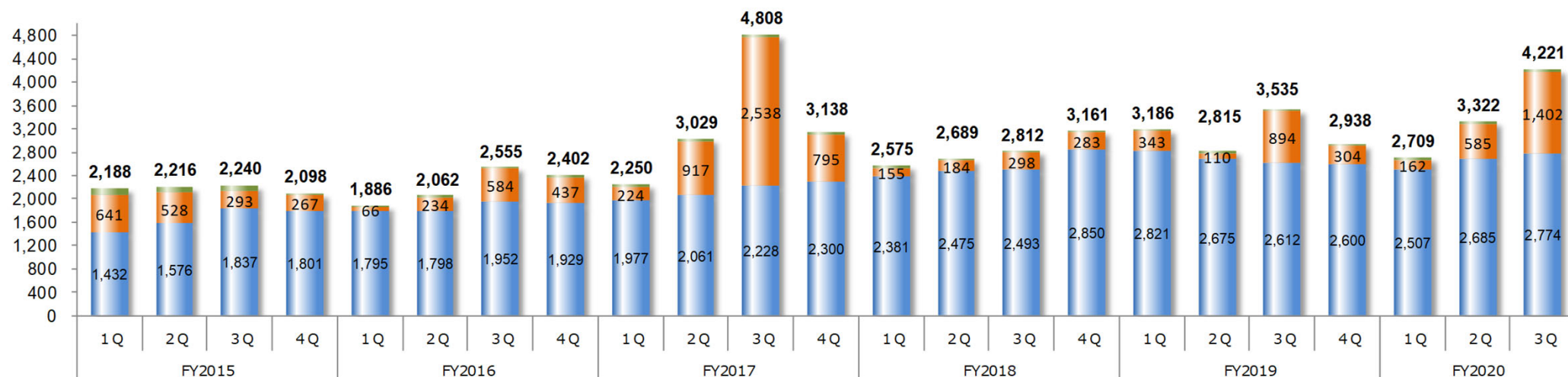
Quarterly Trends in Operating Revenue



Management fee rates remain high, management fee remains strong, and performance fee increased significantly this quarter.

(Millions of yen)

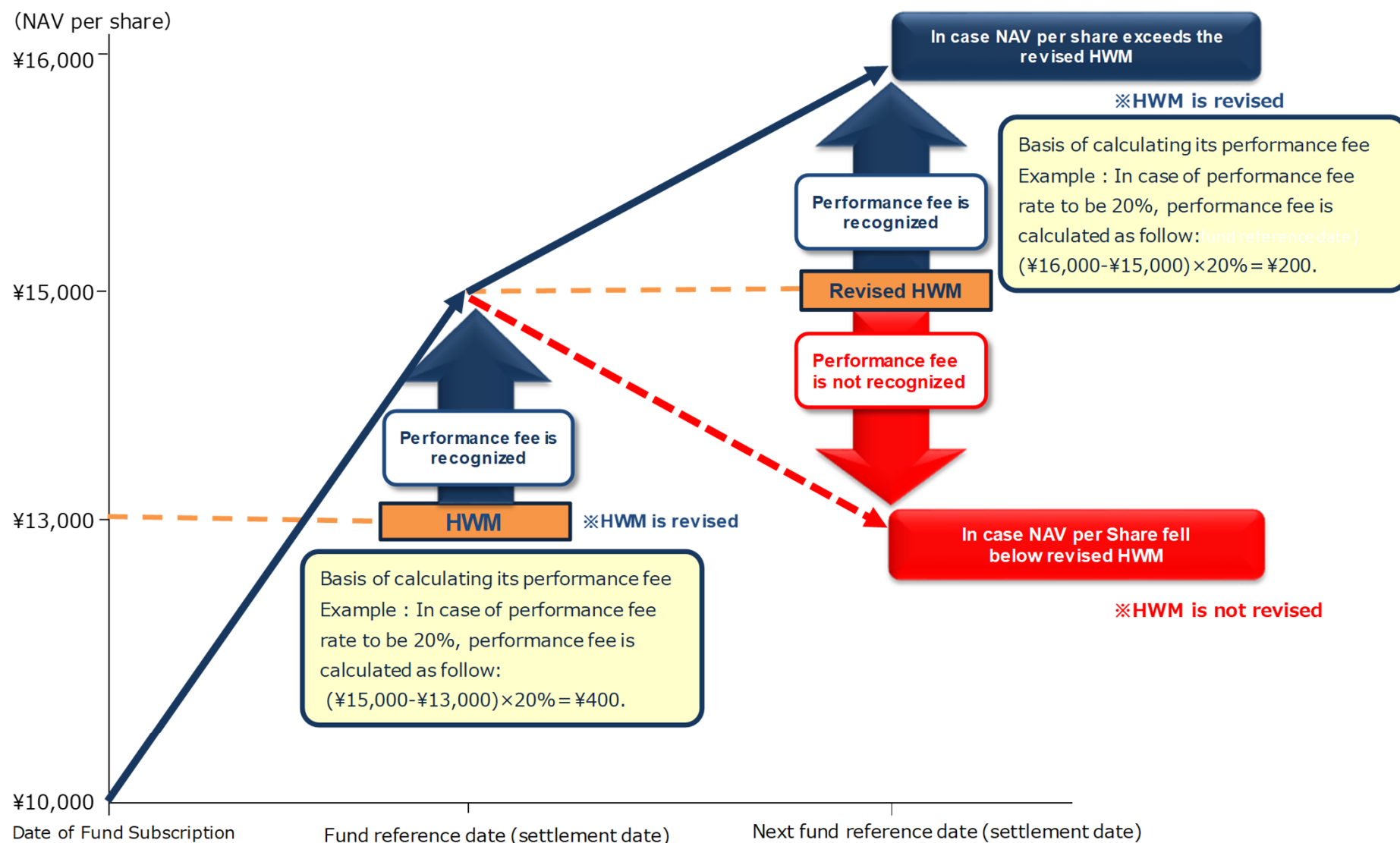
Management Fee Performance Fee Other operating revenue



(Millions of yen)	FY2015				FY2016				FY2017				FY2018				FY2019				FY2020		
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q
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
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
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
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
(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
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%
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%
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

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 performance fee recognized on record date for fund, "HWM" is revised.

Breakdown of Operating and General Administrative Expenses



- Decreased commissions paid relating to publicity offered investment trusts.
- Dramatically reduced travel expenses due to COVID-19.

(Units: Millions of yen)	FY2019		FY2020	
	Apr2019-Dec2019	Full Year	Apr2020-Dec2020	YoY change
Commissions paid	1,429	1,857	1,189	-16.8%
Personnel exp.	2,219	2,831	2,532	+14.1%
Travel exp.	236	296	21	-90.9%
Property rent	196	270	218	+11.1%
Entrusted business expenses	937	1,281	834	-11.0%
Depreciation on fixed assets	190	264	217	+13.9%
Advertising exp.	89	131	91	+2.3%
Research exp.	225	308	236	+4.7%
Other expenses	594	756	528	-11.2%
Total: Operating and general administrative expenses	6,121	7,996	5,870	-4.1%
Ordinary expenses	3,953	5,275	3,637	-8.0%

(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.

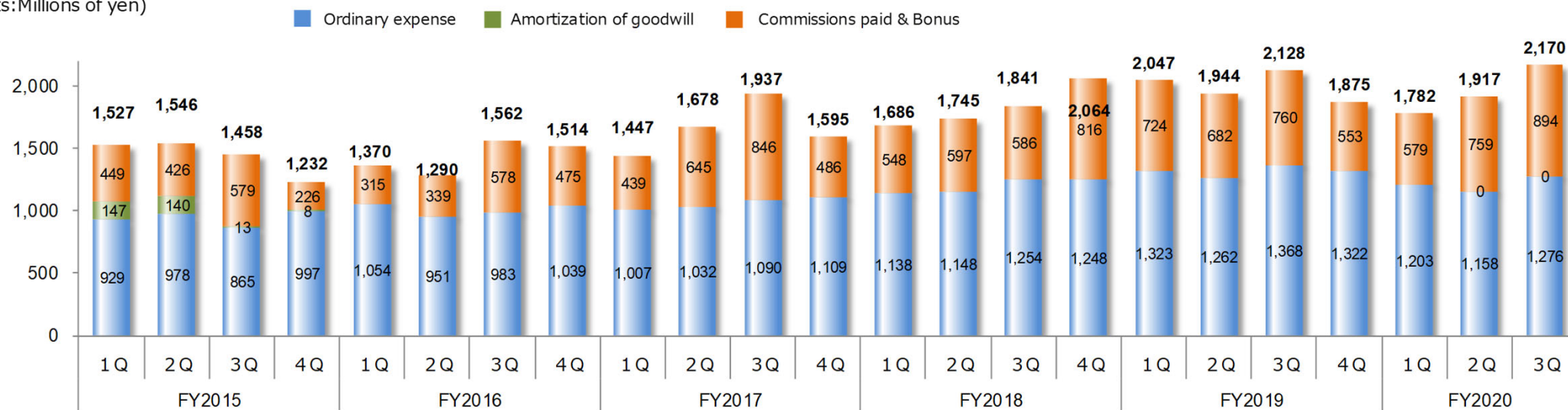
(Note3) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, legal welfare expenses related to bonuses, and ESOP expense) and (3) Severances package for key members, from total operating and general administrative expenses; hereinafter 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
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
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
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

Quarterly Base Earnings



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



(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 December 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 "Interest-Bearing Debt" plus highly liquidity "Investment Securities" with consideration of potential value decline.

Mostly seed money to funds that the Company manages

(Units: Millions of yen)

Cash and Cash Equivalent 15,891	Interest-Bearing Debt 9,000
Receivables etc. 4,843	Other Liabilities 4,392
Tangible&intangible Assets 900	Net Assets 21,950
Investment Securities 11,667	
Other Assets 2,041	
Total Assets 35,342	Liabilities & Net Assets 35,342

Equity Ratio

62.1%

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

As of Dec. 2020 Consolidated Balance Sheet (2)



(Units: Millions of yen)	Mar. 2020	Dec. 2020	YoY change	
Current assets	22,079	22,226	+147	Decreased mainly due to the investment in seed money, payment of dividends, bonuses.
Cash and cash equivalents	18,474	15,891	-2,582	
Receivables	2,588	4,843	+2,255	Increased due to new loan and account receivable for performance fee etc.
Fixed assets	11,628	13,115	+1,487	
Goodwill	1,746	0	-1,746	SGET Iwaizumi Wind Farm Company decrease due to exclusion of consolidation
Investment securities	7,547	11,667	+4,120	
Total assets	33,707	35,342	+1,634	Increased mainly due to the investment in seed money increase in market value of existing holdings
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	2,315	-1,454	Decreased mainly due to payment of bonuses and taxes
Provision for bonuses, ESOP	326	1,329	+1,002	
Total liabilities	13,369	13,391	+21	
Common stock	8,587	8,587	-	
Add'l paid-in-capital	2,555	2,555	-	Payment of dividend : ▲JPY 1,825MM
Retained earnings	11,448	12,264	+816	Profit attributable to owners of parent FY2020Q3 : +JPY 2,616MM
Treasury stock	-3,549	-3,549	-	
Total Shareholder's Equity	19,041	19,857	+816	
Valuation difference on AFS securities	▲207	1,148	+1,355	Increase mainly due to rise in market value of investment securities (seed money investment)
Foreign currency translation adjustment	900	941	+40	
Non-controlling interests	600	0	-600	SGET Iwaizumi Wind Farm Company decrease due to exclusion of consolidation
Total net assets	20,338	21,950	+1,612	

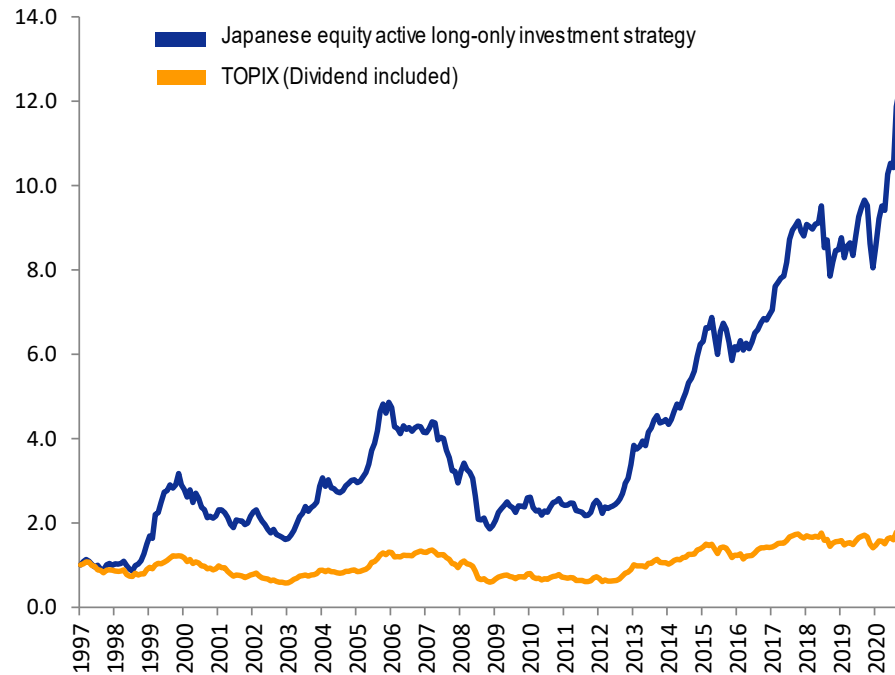
(Note1) Figures above are truncated.

(Note2) Investment securities include the seed money of the Company funds.

Primary Investment Strategies: Composite Returns Since Valuation Began ①



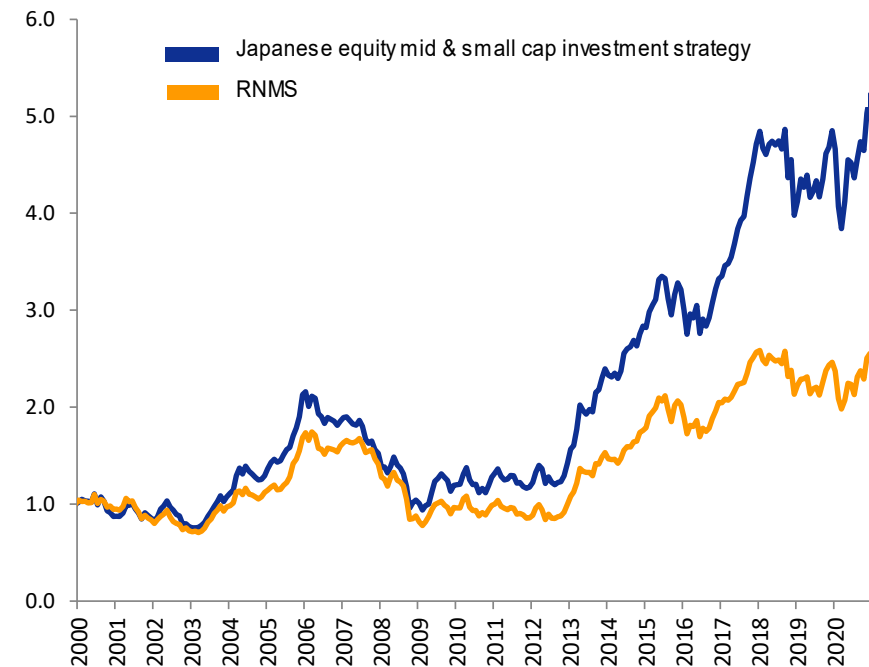
Japanese Equity Active Long-Only investment strategy



(Annualized Return)

Japanese equity active long-only investment strategy	11.16%	Reference Index	TOPIX (Dividend included)
Reference Index	2.60%	Measurement Period	1997/5 ~2020/12
Excess Return	8.56%	Volatility of Composite Return (Annualized)	20.38%

Japanese Equity Mid & Small Cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	8.19%	Reference Index	Russell/Nomura Mid-Small Cap Index
Reference Index	4.57%	Measurement Period	2000/1 ~2020/12
Excess Return	3.62%	Volatility of Composite Return (Annualized)	17.85%

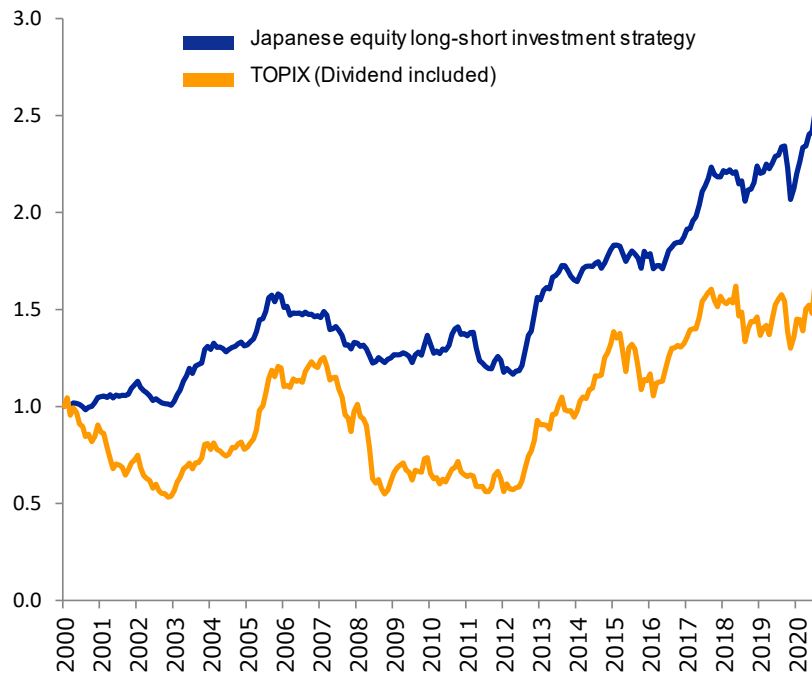
Be sure to read the additional materials appended to the end of this presentation.

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

Primary Investment Strategies: Composite Returns Since Valuation Began ②



Japanese Equity Long-Short investment strategy

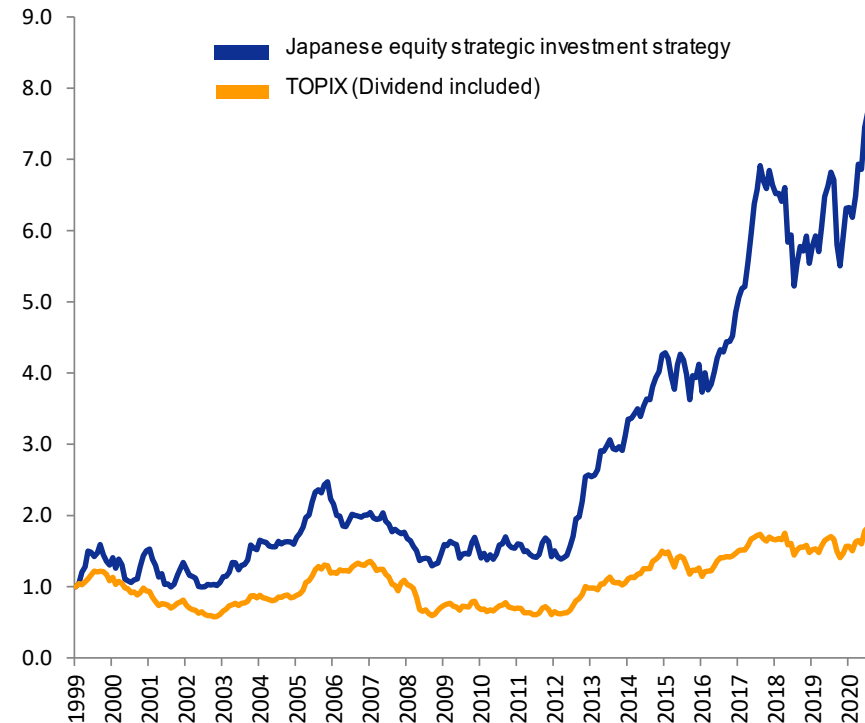


(Annualized Return)

Japanese equity long-short investment strategy	4.67%
Reference Index	2.59%
Excess Return	2.08%

Reference Index	TOPIX (Dividend included)
Measurement Period	2000/6 ~2020/12
Volatility of Composite Return (Annualized)	7.52%

Japanese Equity Strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	9.93%
Reference Index	2.86%
Excess Return	7.08%

Reference Index	TOPIX (Dividend included)
Measurement Period	1999/7 ~2020/12
Volatility of Composite Return (Annualized)	20.06%

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

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



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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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