

FY2021

**3rd Quarter Earnings Presentation
(Apr. 2021 – Dec. 2021)**

January 31st, 2022



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.**

FY2021 Q3 Performance

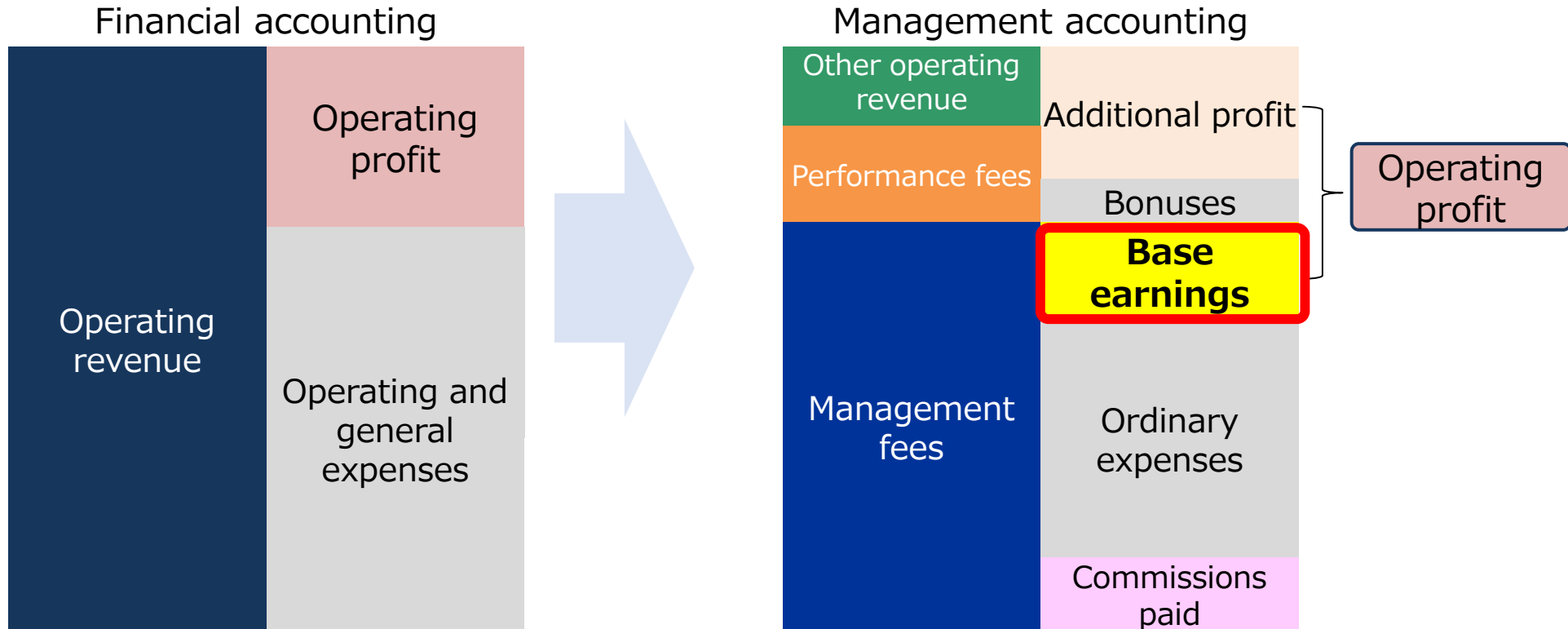
About This Earnings Presentation

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



- Base earnings increased significantly mainly due to an increase in average AUM compared to the same period of the previous year.
- Net income increased by 40.8% due to the recognition of a gain from the partial sale of our investment securities which we have seeded.

(Unit:Millions of yen)	FY2020	FY2021	YoY change
	Apr.2020-Dec.2020	Apr.2021-Dec.2021	
Operating revenue	10,253	10,602	+3.4%
Operating profit	4,382	4,891	+11.6%
Net income	2,616	3,684	+40.8%
Base earnings	3,143	4,597	+46.2%

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

Consolidated Earnings Summary (2) Performance



		FY2020		FY2021	
		Apr.2020-Dec.2020	Full Year	Apr.2021-Dec.2021	YoY change
Average AUM	(Billions of yen)	1,294.2	1,343.8	1,583.1	+22.3%
Management fee rate	(%)	0.70%	0.69%	0.69%	-0.01
(After deducting commissions)					
Management fees	(Millions of yen)	6,781	9,293	8,134	+20.0%
(After deducting commissions)					
- Ordinary expenses	(Millions of yen)	3,637	4,848	3,537	-2.8%
Base earnings	(Millions of yen)	3,143	4,444	4,597	+46.2%
Performance fees	(Millions of yen)	2,151	3,166	1,036	-51.8%
Percentage of AUM eligible to earn performance fees	(%)	31.1%	32.5%	41.0%	+9.9
Other operating revenue	(Millions of yen)	134	206	179	+33.5%
- Bonuses	(Millions of yen)	1,043	1,406	909	-12.8%
(including ESOP Expense)					
Operating profit	(Millions of yen)	4,382	6,349	4,891	+11.6%
Profit attributable to owners of parent	(Millions of yen)	2,616	3,468	3,684	+40.8%
Return on equity (ROE)	(%)	16.7%	16.1%	20.8%	+4.0

(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.

(Note 3) Percentage of AUM eligible to earn performance fees show the ratio of AUM with performance fee to the total AUM at the end of the specified period.

Consolidated Earnings Summary (3) AUM



AUM increased by 7.5% from last fiscal year-end due to the new subscriptions and favorable market trend.

(Unit: Billions of yen)	AUM			Average AUM (9 months)		
	As of March, 2021	As of December, 2021	Change (%)	FY2020Q3	FY2021Q3	YoY change (%)
Japanese Equity	1,030.2	1,132.6	+9.9%	881.0	1,079.2	+22.5%
OneAsia	134.3	117.9	-12.2%	72.4	126.4	+74.6%
Real Assets	255.3	254.3	-0.4%	223.0	253.9	+13.8%
Private Equity(Mirai Creation, etc.)	115.7	145.7	+25.9%	117.6	123.5	+5.0%
Total	1,535.7	1,650.6	+7.5%	1,294.2	1,583.1	+22.3%

	As of December, 2020	As of March, 2021	As of December, 2021	YoY change
TOPIX	1,804	1,954	1,992	+10.4%
NIKKEI 225 (JPY)	27,444	29,178	28,791	+4.9%
KOSPI	2,873	3,061	2,977	+3.6%

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

<https://ssl4.eir-parts.net/doc/8739/tdnet/2068190/00.pdf>

Business Progress Report and Future Plans

Japanese Equity

Performance fees for the long-short strategy positively contributed in this quarter as well. AUM for Japanese equity has been recovered to 1.1 trillion yen.

OneAsia

Gain from the partial sale of our investment securities which we have seeded under this strategy contributed in this quarter.

Real Assets

We will aggressively work on projects other than solar power as well. We will also continue to actively consider investing in high-quality power plants that have already been operated.

Private Equity

We have established Mirai Creation Fund III and its AUM is 28 billion yen as of December-end. It is targeted to have a size of 100 billion yen and marketing activities are currently underway.

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

**JPY1,132.6
billion**

Japanese
Equity

OneAsia

**JPY117.9
billion**

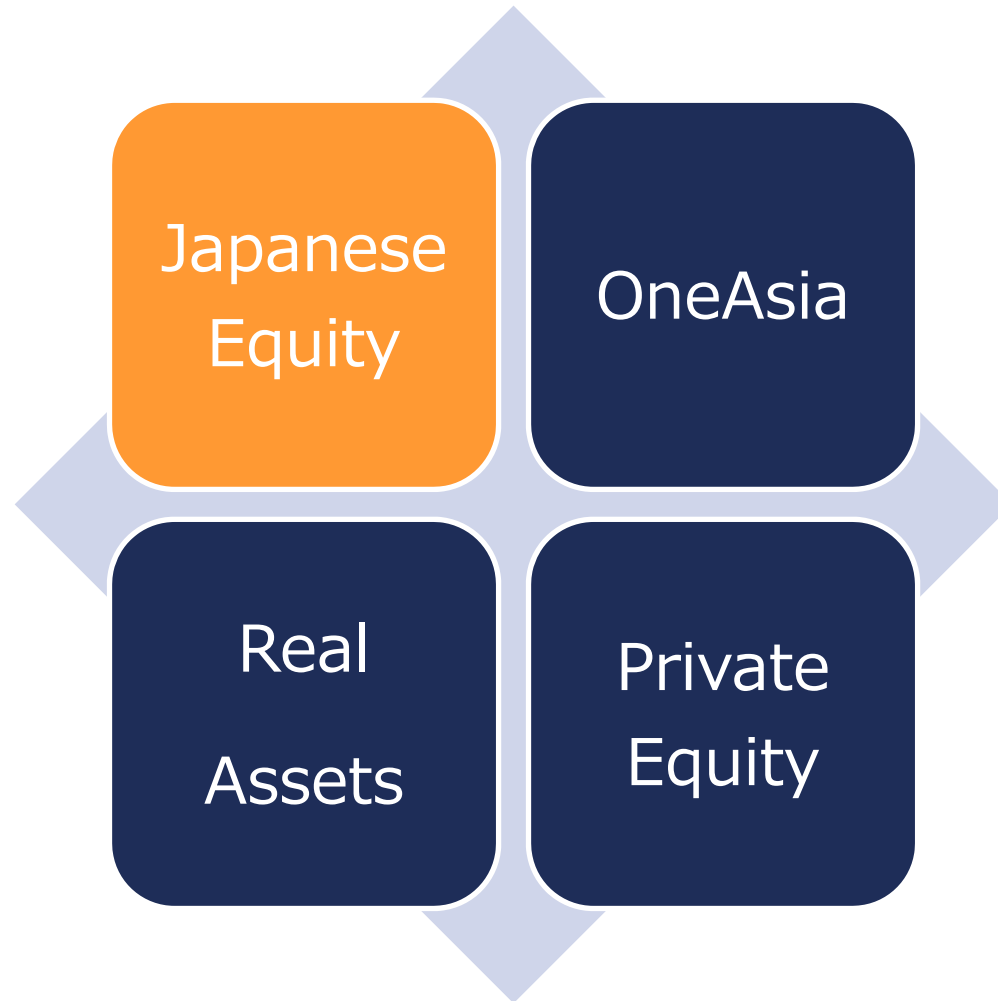
**JPY254.3
billion**

Real
Assets

Private
Equity

**JPY145.7
billion**

(1) Japanese Equity Investment Strategy (AUM of JPY 1,132.6 billion as of December 31, 2021)



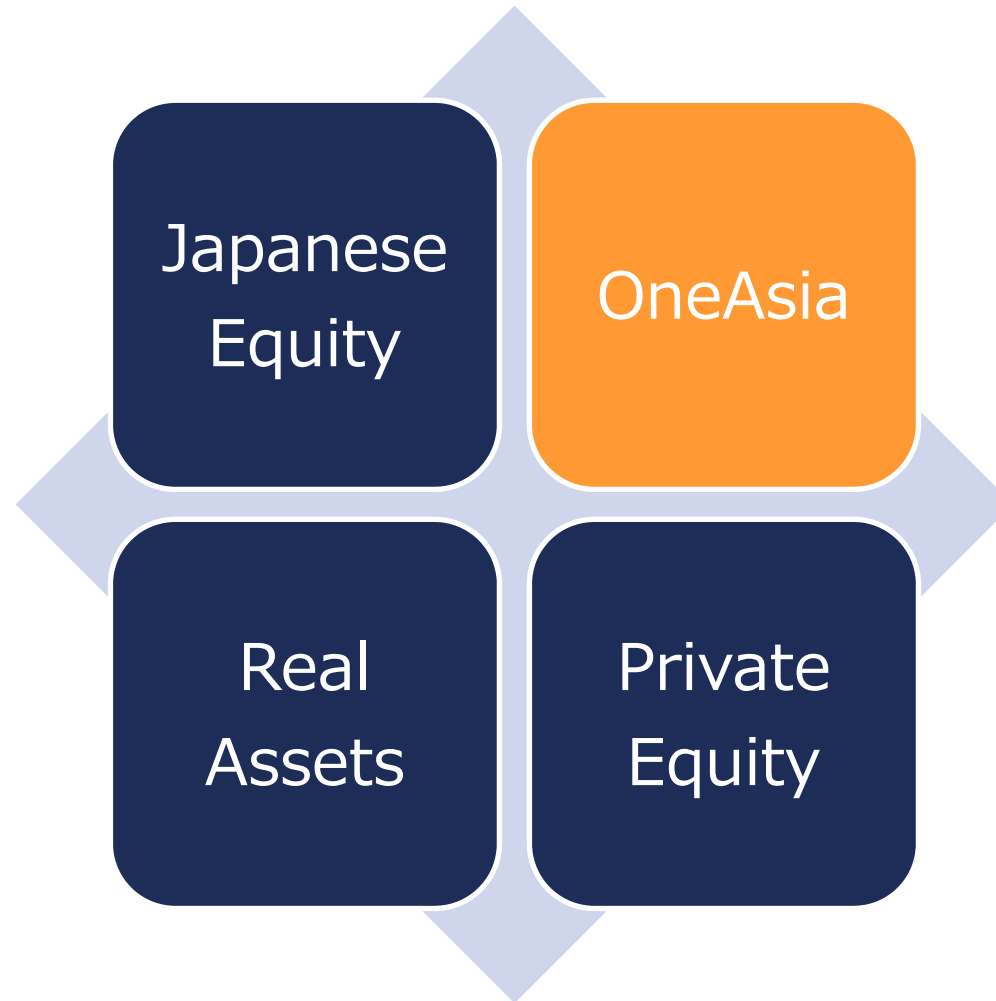
Japanese Equity Investment Strategy: Status of AUM



- AUM for Japanese equity long-short investment strategy increased significantly from the end of the previous fiscal year due to subscriptions for the newly established funds.
- AUM of Japanese equity sustainable investment strategy mainly consisted of ESG investment increased from the end of the previous fiscal year due to its favorable performance and cash inflows.

(Units : Billions of yen)	AUM			
	Mar. 2021	Dec. 2021	Change	Change (%)
Japanese Equity Long-Short Strategy	78.4	105.2	+26.8	+34.2%
Japanese Equity Focus All Cap Strategy	611.2	668.7	+57.4	+9.4%
Japanese Equity Mid & Small Cap Strategy	193.0	197.7	+4.7	+2.5%
Japanese Equity Market Neutral Strategy	38.1	30.0	-8.0	-21.1%
Japanese Equity Sustainable Strategy	106.9	128.4	+21.5	+20.1%
Other	2.5	2.3	-0.1	-5.8%
Total	1,030.2	1,132.6	+102.3	+9.9%

(2) OneAsia Equity Investment Strategy (AUM of JPY 117.9 billion as of December 31, 2021)



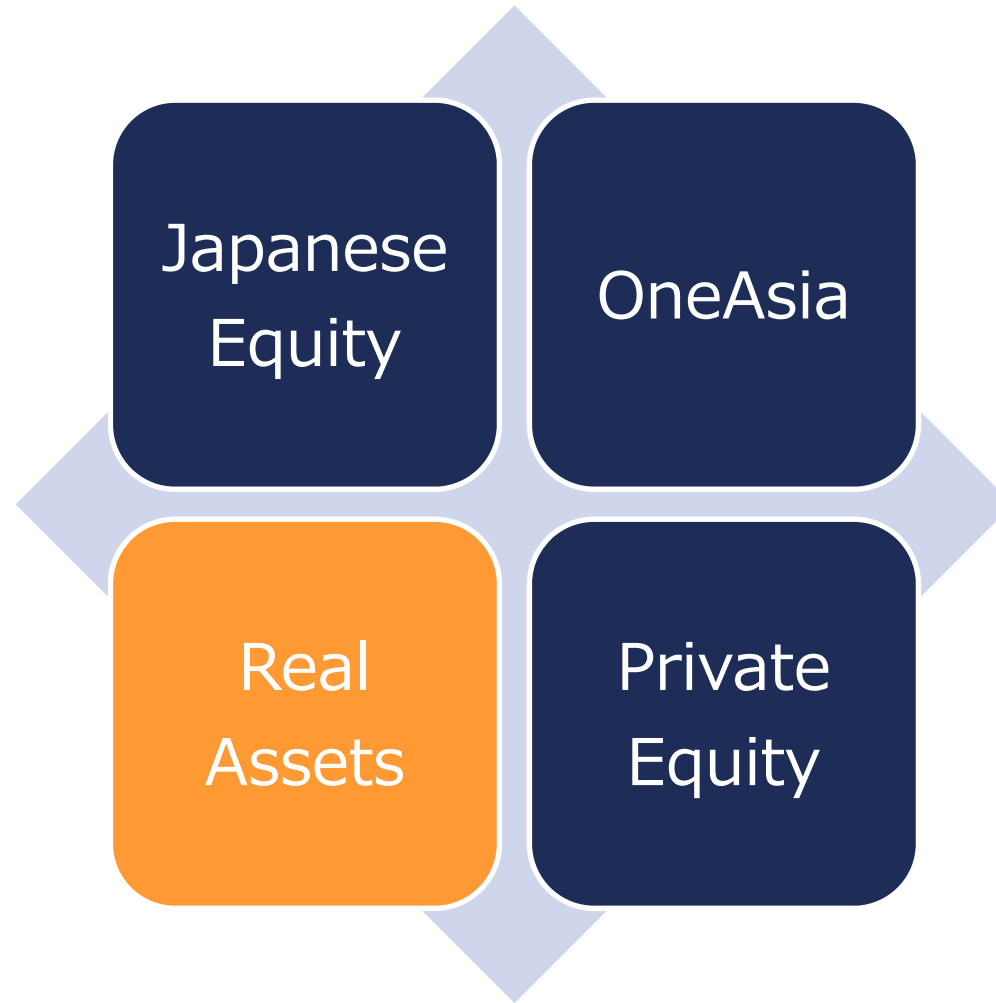
OneAsia Equity Investment Strategy Status of AUM



AUM decreased from the previous fiscal year-end due to the impact of unfavorable market trend and the capital outflows in both South Korea and Pan-Asia regions.

(Units : Billions of yen)	AUM			
	Mar. 2021	Dec. 2021	Change	Change (%)
South Korea	120.8	107.1	-13.6	-11.3%
Pan-Asia	13.5	10.7	-2.7	-20.4%
Total	134.3	117.9	-16.4	-12.2%

(3) Real Asset Investment Strategy (AUM of JPY254.3 billion as of December 31, 2021)



Assets under management

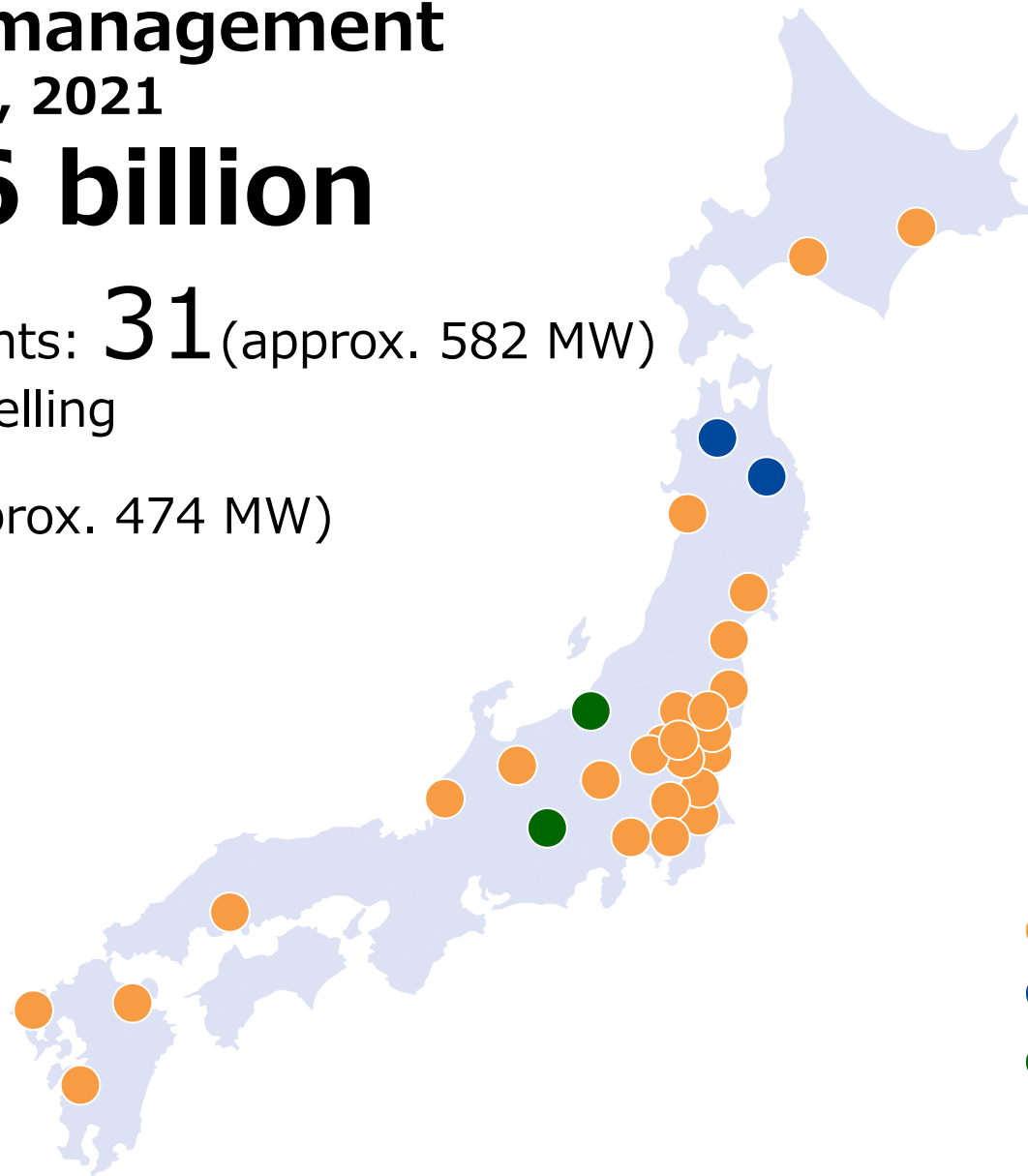
As of December 31, 2021

JPY 241.6 billion

Number of Investments: **31** (approx. 582 MW)

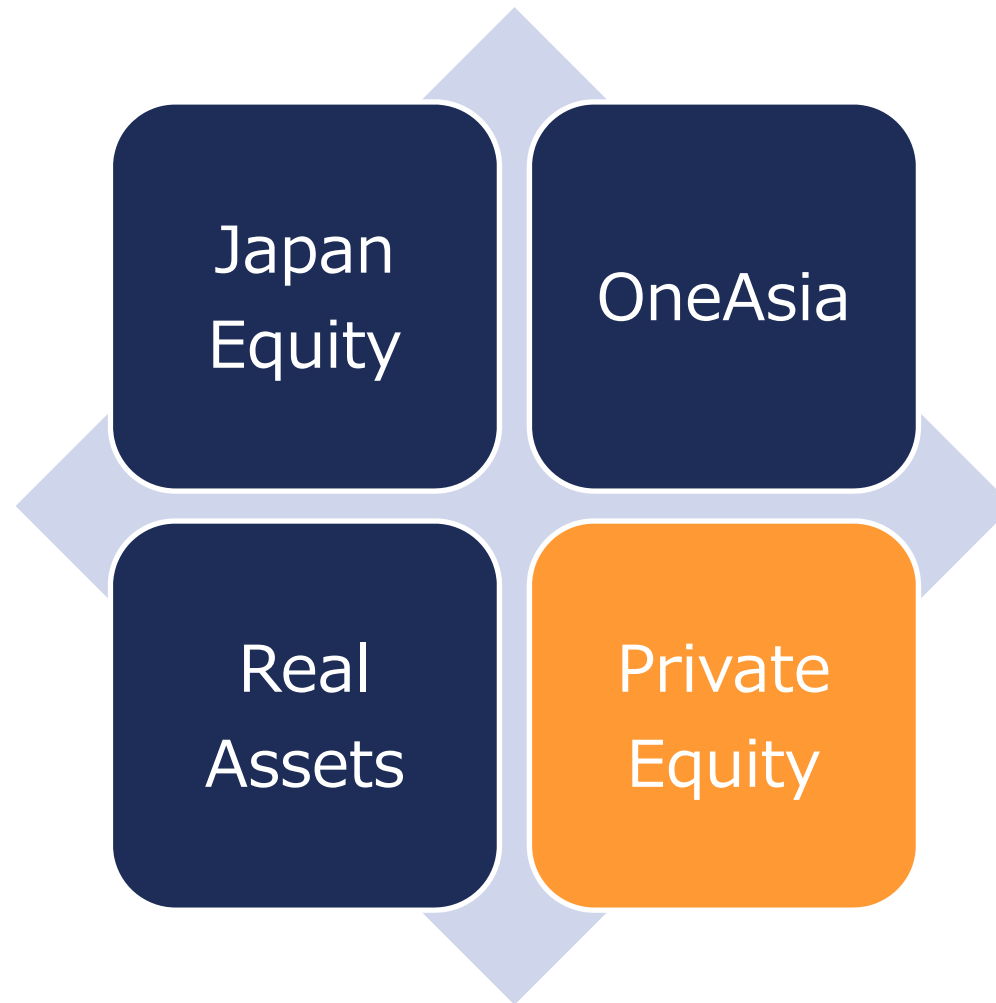
Number of stations selling

electricity: **27** (approx. 474 MW)



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

(4) Private Equity Investment Strategy (AUM of JPY145.7 billion as of December 31, 2021)



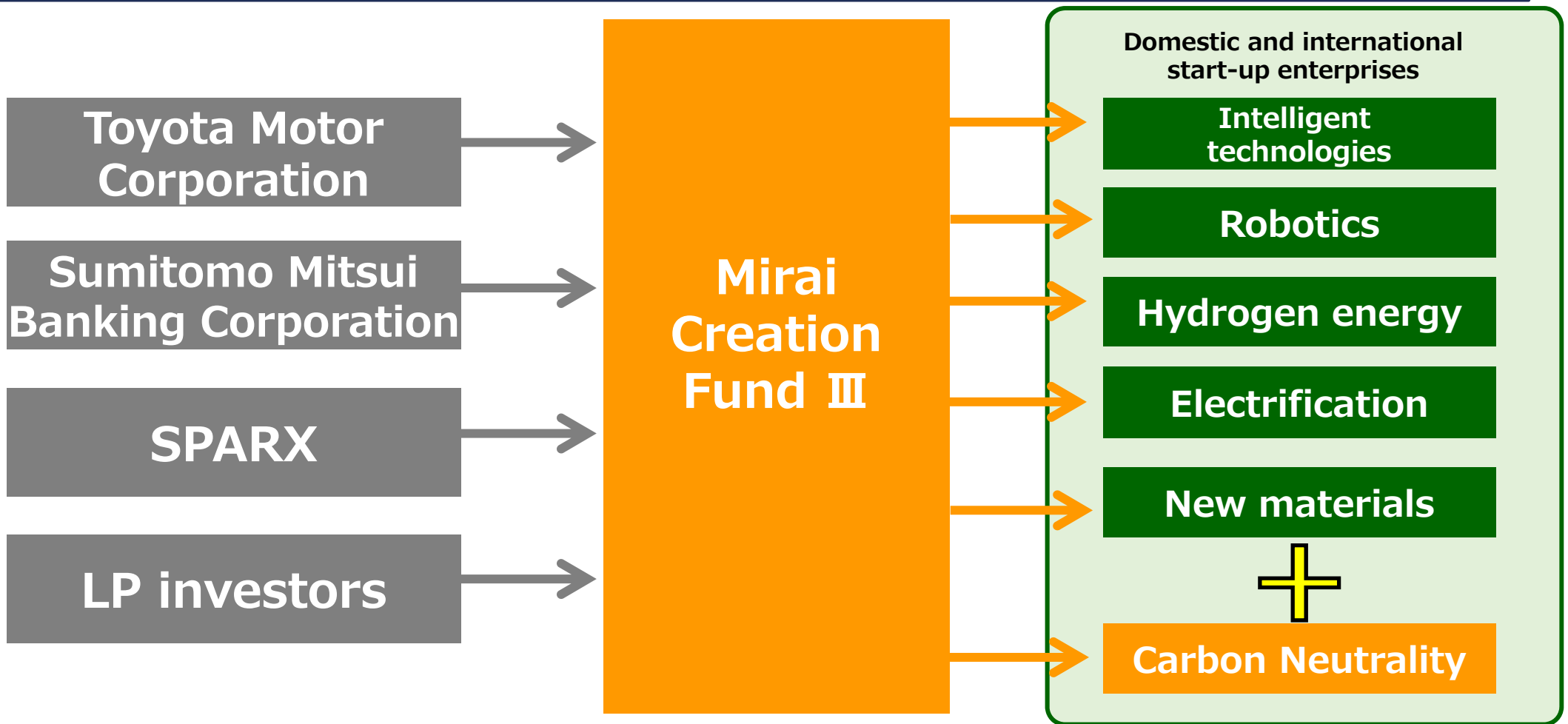
(Note) Regarding Mirai Creation Fund I, as five years have passed since its establishment, the balance for compensation calculation target has changed from the commitment amount to the balance of investment securities held since November 2020, so AUM of the Fund is decreasing.

Private Equity Investment Strategy (1)



Established “Mirai Creation Fund III”

TOYOTA and SMBC participated again as initial investors just like the previous fund II. This Fund III has added the new investment area, and the investment activities started in October 2021. AUM is 28 billion yen as of December-end.



Mirai Creation Fund Portfolio status

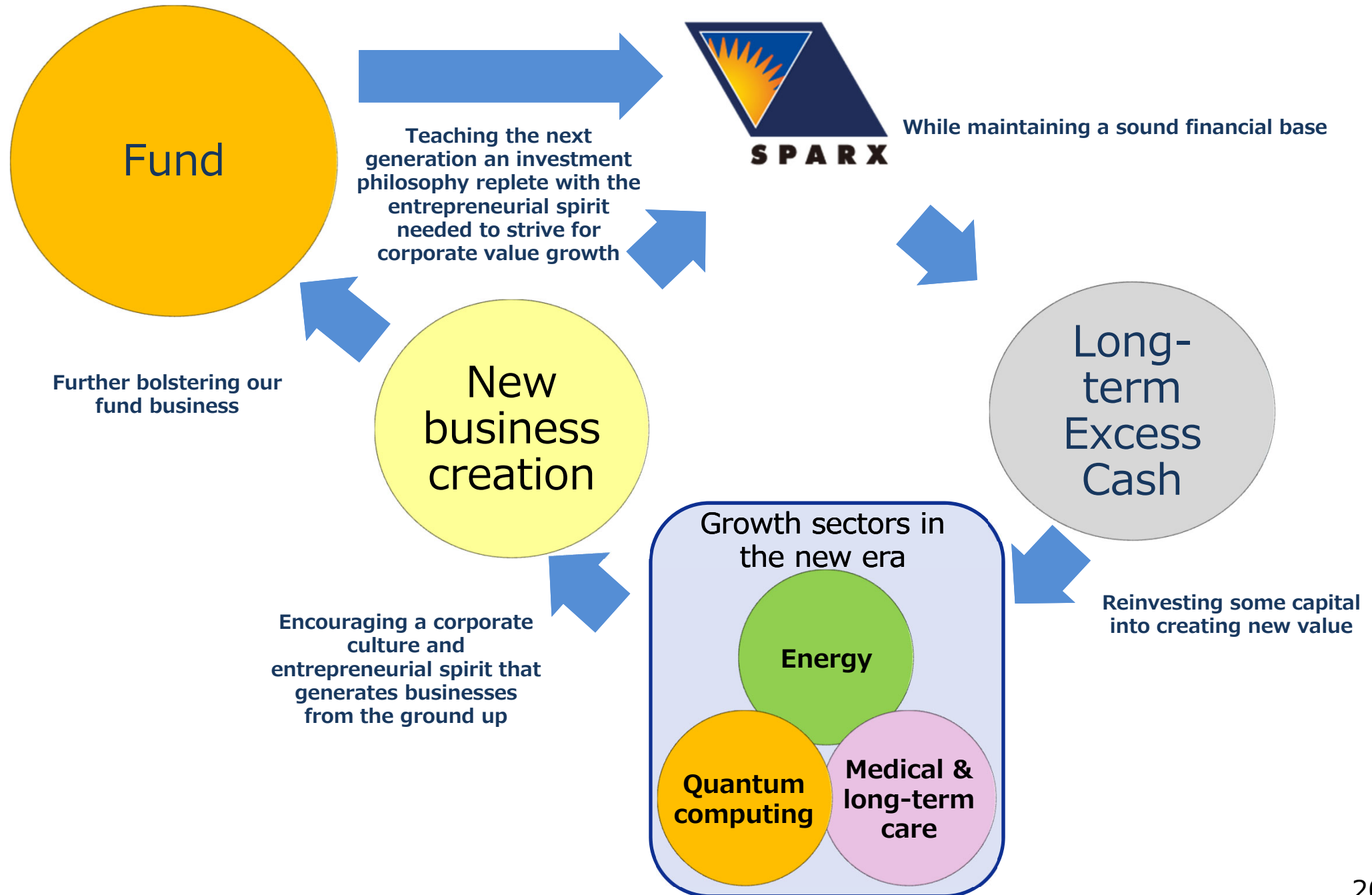
Examples of past IPOs and exits

- 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)
- Free, K.K. (listed in December 2019)
- Medley, Inc.(listed in December 2019)
- Fichta Inc.(listed in June 2020)
- Neural Pocket Inc.(listed in August 2020)
- WealthNavi Inc.(listed in December 2020)
- Joby Aviation, Inc.(listed in August 2021)
- Japan Data Science Consortium Co., Ltd. (listed in December 2021)
- Finatext Holdings Ltd.(listed in December 2021)
.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 FY2022 on.

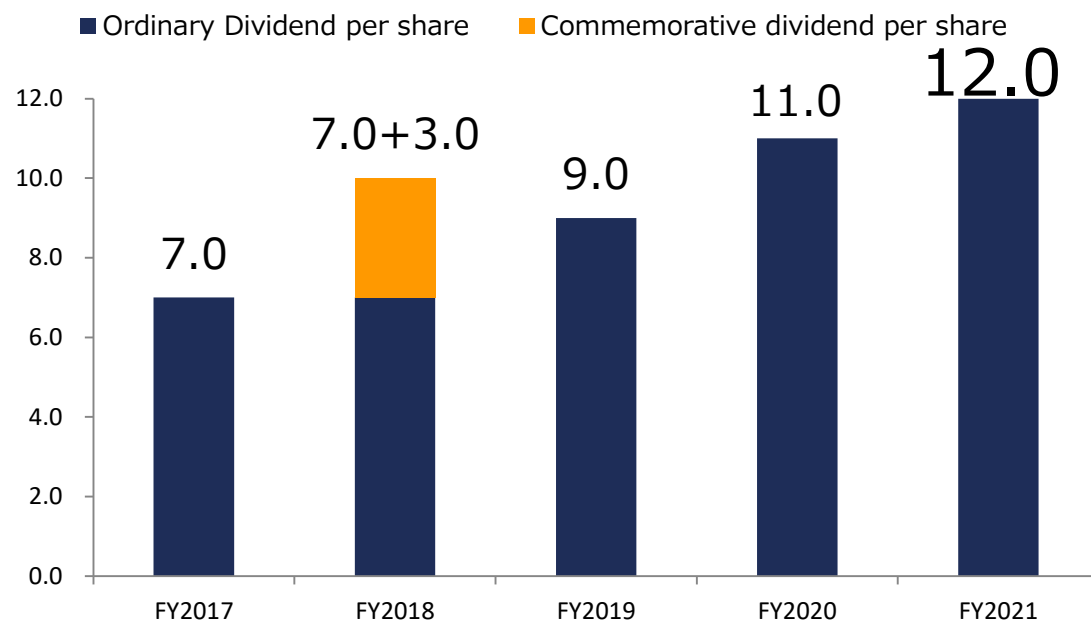


Other

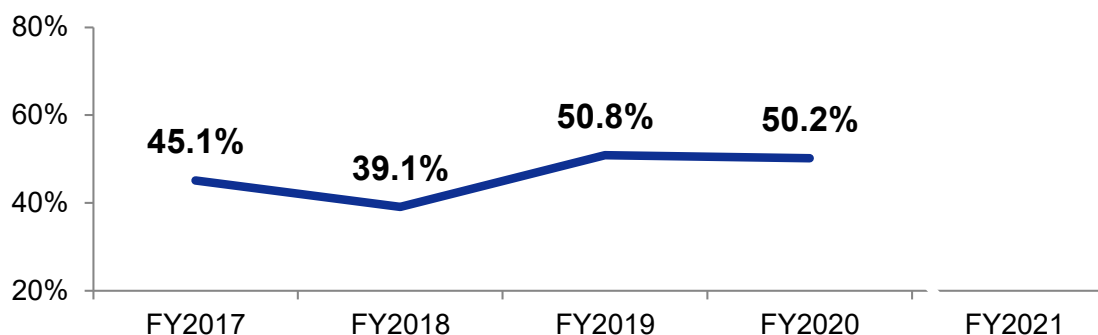
Return to Shareholders – Dividend



A year-end expected ordinary dividend to be 12 yen per share which is an increase by 1 yen from 11 yen of 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)



(Note 1) Dividend will be officially decided and implemented upon the resolution of the 33rd Ordinary General Meeting of Shareholders to be held in June 2022.

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

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

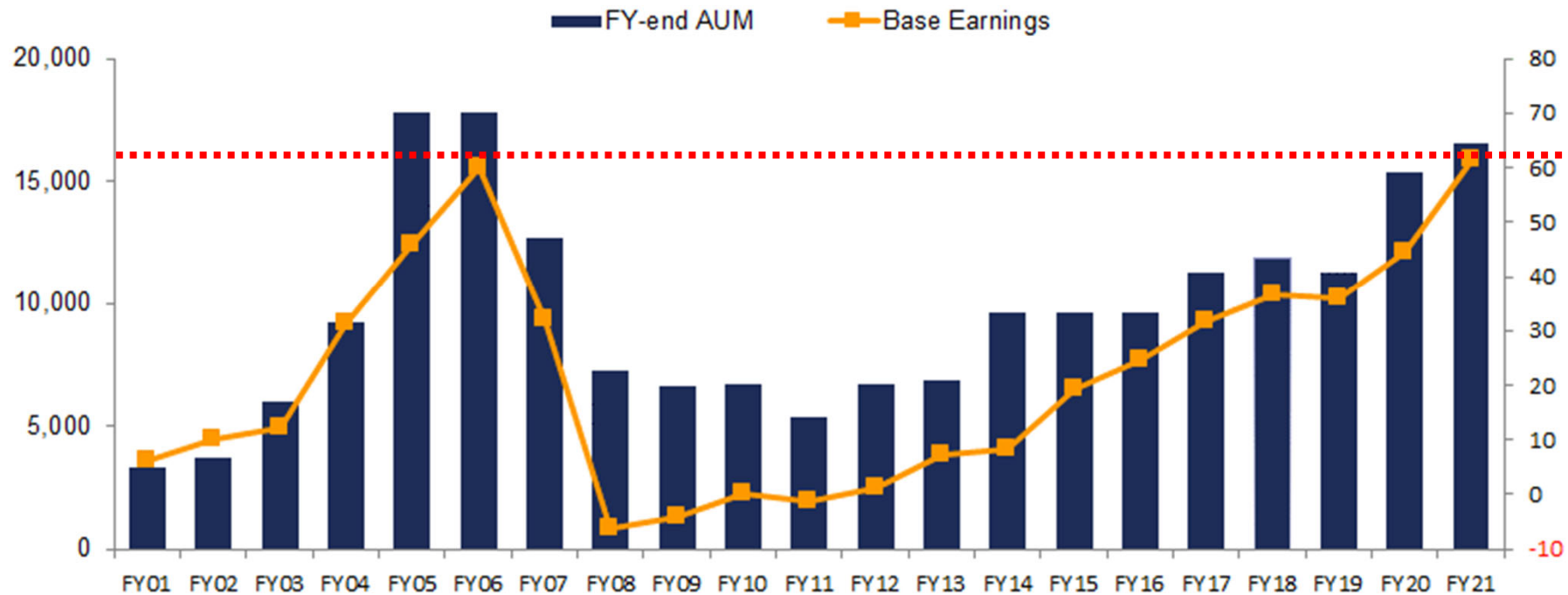
- Under a conservative financial management policy with a certain level of seeding and within Group resources, we will further promote our unique investments in fields of the new era's growth areas that utilize AI technologies such as energy, medical and nursing care, and finance which are linked to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

<Reference> Changes in AUM and Base Earnings since its Listing



AUM at fiscal year-end
(100MM JPY)

Base Earnings
(100MM JPY)

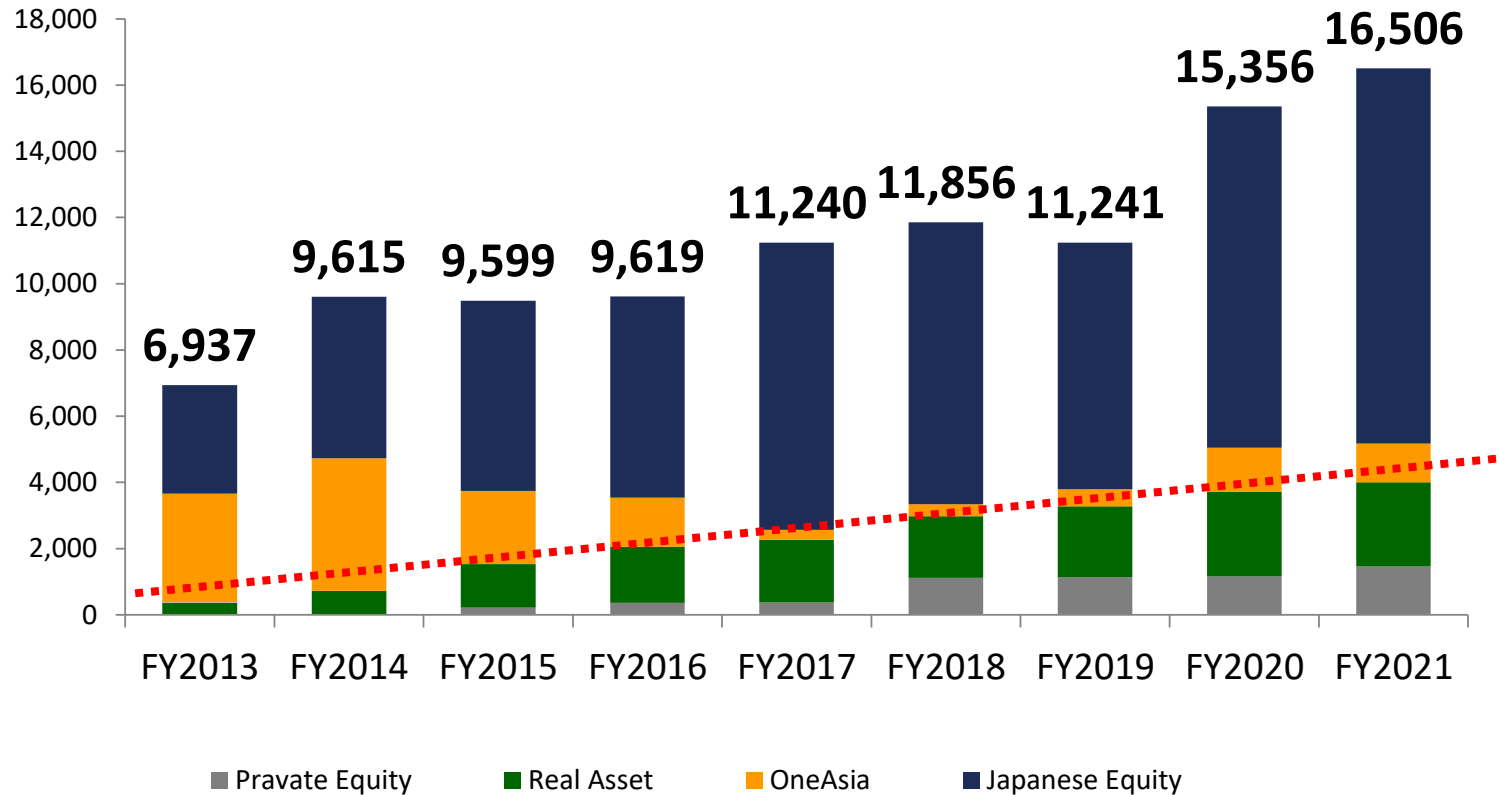


Base Earnings have been recovered to the same level as the record-high back in March 2007

<Reference> Trends in AUM for the Four Pillars



FY-end AUM
(100MM JPY)



AUM for Private Equity and Real Asset has been steadily increasing every year

<Reference> Our Initiatives for ESG



In relation to ESG	Our Group's Activities
E : Environment	<ul style="list-style-type: none"> ■ Investing, developing and managing operation of renewable energy power plants ■ Investing in ESG related stocks ■ Investing in the area of carbon neutral ■ Announcement of endorsement of TCFD recommendations, etc.
S : Social	<ul style="list-style-type: none"> ■ Support for disaster recovery ■ Donations to the areas/countries which were affected by COVID-19 ■ Investing in the healthcare area ■ Implementing working style reformations ■ Keeping employees healthy ■ Social return through activities such as Energy Summit, etc.
G : Governance	<ul style="list-style-type: none"> ■ Transition to institute an Audit and Supervisory Committee ■ Thorough Compliance ■ Strengthen BCP policies ■ Customer-oriented business operations, etc.

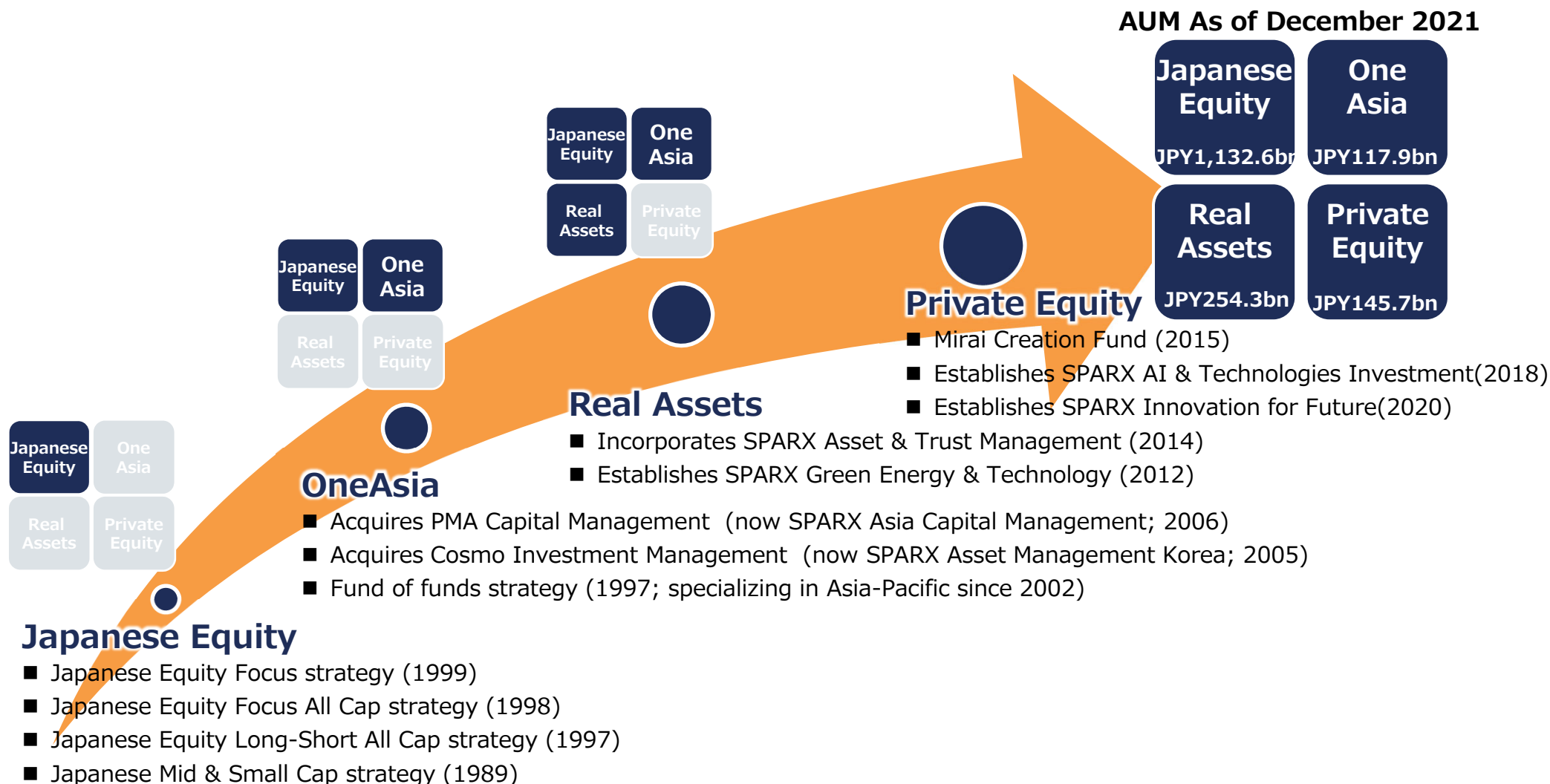
Signatory of:



[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

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	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, 2021)
Employees	175 (as of December 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

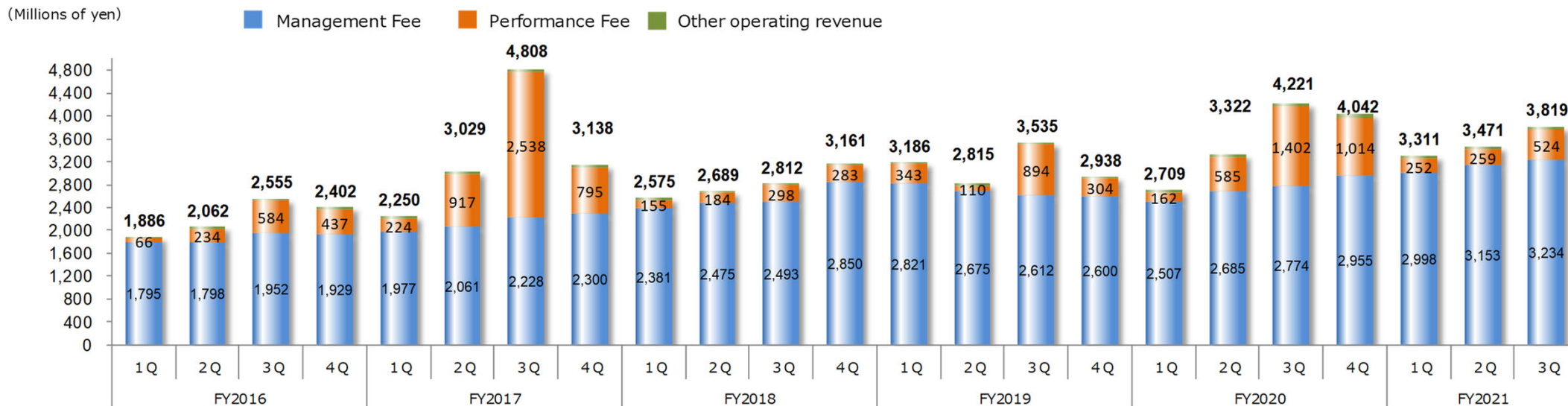
Important Management Indicators

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

Quarterly Trends in Operating Revenue



Management fee rate remains at the high level while management fee balance also remained strong



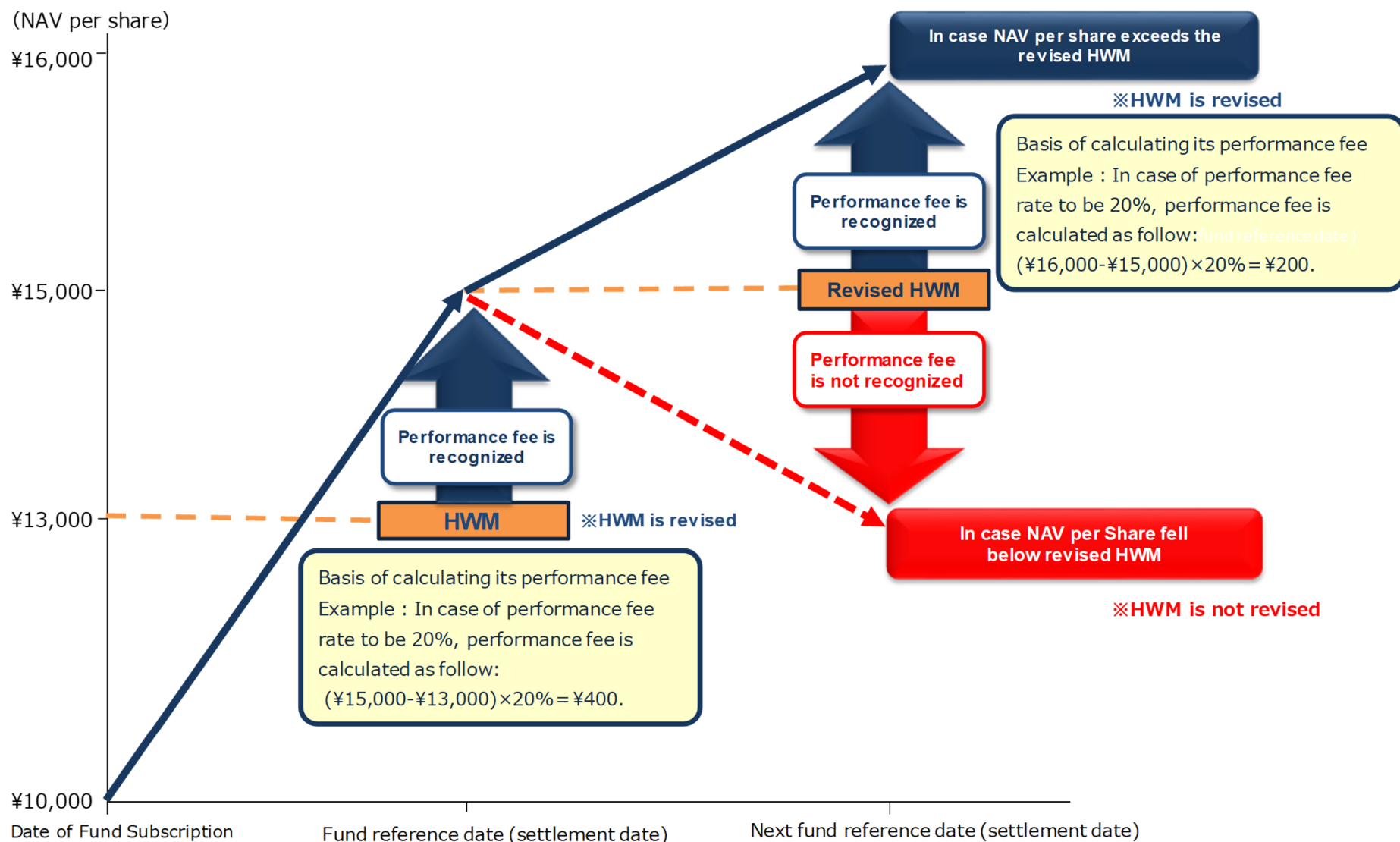
(Millions of yen)	FY2016				FY2017				FY2018				FY2019				FY2020				FY2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Management Fees	1,795	1,798	1,952	1,929	1,977	2,061	2,228	2,300	2,381	2,475	2,493	2,850	2,821	2,675	2,612	2,600	2,507	2,685	2,774	2,955	2,998	3,153	3,234
Performance Fees	66	234	584	437	224	917	2,538	795	155	184	298	283	343	110	894	304	162	585	1,402	1,014	252	259	524
Other operating revenue	24	28	18	35	48	50	41	42	38	28	20	27	22	29	28	33	39	51	43	72	59	59	60
Operating Revenue	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	3,311	3,471	3,819

(Reference)

Average AUM (Billions of yen) (3months average)	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	1,530.6	15,825	16,361
Management fee rate (3months average) (After deducting commissions)	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%	0.68%	0.69%	0.68%
Percentage of AUM eligible to earn performance fees	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%	33.2%	32.4%	41.0%
NIKKEI stock average (Record date)	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	28,791	29,452	28,791

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



- Commissions paid expenses increased due to an increase in AUM for publicly offered investment trusts.
- Depreciation on fixed assets and other expenses related to office has decreased.

(Units: Millions of yen)	FY2020		FY2021	
	Apr.2020-Dec.2020	Full Year	Apr.2021-Dec.2021	YoY change
Commissions paid	1,189	1,690	1,264	+6.2%
Personnel exp.	2,532	3,403	2,469	-2.5%
Travel exp.	21	32	46	+114.5%
Property rent	218	291	196	-10.4%
Entrusted business expenses	834	1,119	765	-8.3%
Depreciation on fixed assets	217	282	151	-30.3%
Advertising exp.	91	116	87	-4.6%
Research exp.	236	320	247	+4.9%
Other expenses	528	690	483	-8.4%
Total: Operating and general administrative expenses	5,870	7,946	5,711	-2.7%
Ordinary expenses	3,637	4,848	3,537	-2.8%

(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.

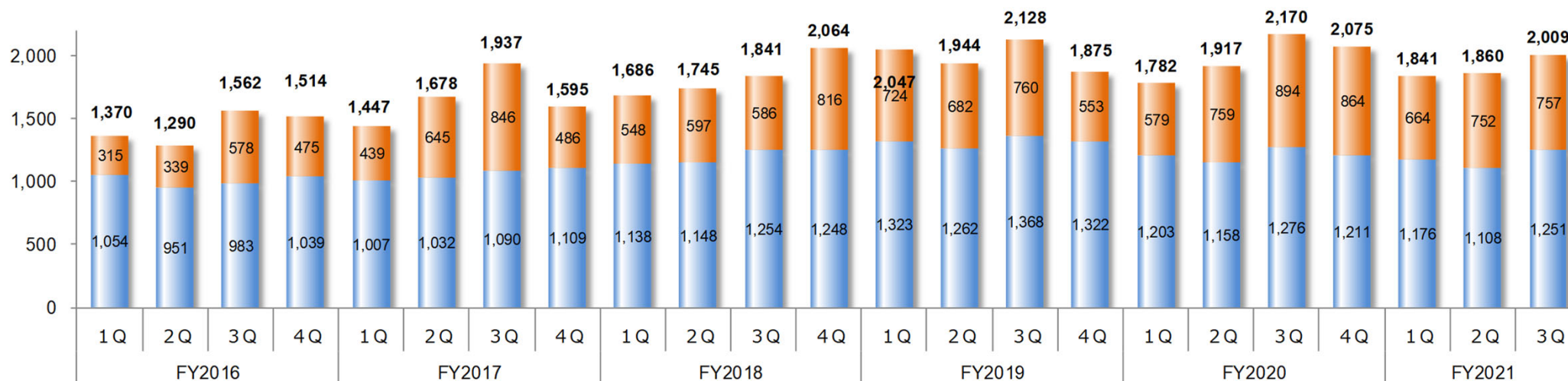
Quarterly Operating and General Administrative Expenses



Although the recent ordinary expenses have decreased, mainly due to decrease of office related expenses 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)

■ Ordinary expense ■ Commissions paid & Bonus

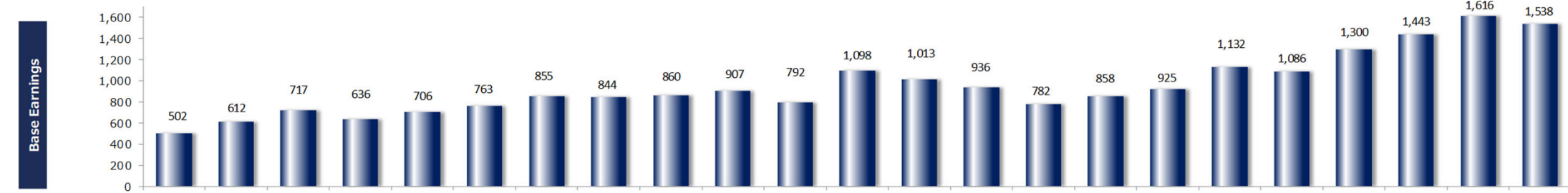
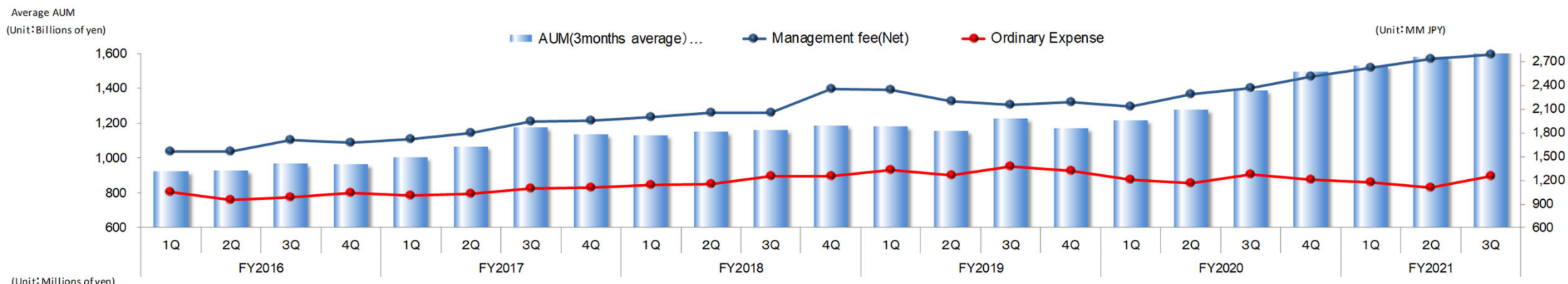


(Units : Millions of yen)	FY2016				FY2017				FY2018				FY2019				FY2020				FY2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Ordinary expenses	1,054	951	983	1,039	1,007	1,032	1,090	1,109	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322	1,203	1,158	1,276	1,211	1,176	1,108	1,251
Commissions paid & Bonuses	315	339	578	475	439	645	846	486	548	597	586	816	724	682	760	553	579	759	894	864	664	752	757
Operating and general administrative expenses	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	1,841	1,860	2,009

Quarterly Base Earnings



Base earnings remained solid due to increased management fee and decreased our expenses.



(Unit : MM JPY)	FY2016				FY2017				FY2018				FY2019				FY2020				FY2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
AUM(3months average) (Unit:Billions of yen)	923.3	927.0	970.3	963.1	###	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	1,530.6	1,582.5	1,636.1
Management fee(Net)	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	2,620	2,725	2,790
Ordinary Expense	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	1,176	1,108	1,251
Base Earnings	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	1,443	1,616	1,538

(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 2021 Consolidated Balance Sheet (1)



(Units: Millions of yen)

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.

Cash and Cash Equivalent 15,407	Interest-Bearing Debt 9,000
Receivables etc. 5,772	Other Liabilities 3,751
Tangible&intangible Assets 832	Net Assets 24,058
Investment Securities 12,541	
Other Assets 2,257	
Total Assets 36,809	Liabilities & Net Assets 36,809

Mostly seed money to funds that the Company manages

Equity Ratio

65.4%

As of Dec. 2021 Consolidated Balance Sheet (2)



(Units: Millions of yen)	Mar. 2021	Dec. 2021	YoY change
Current assets	23,541	22,046	-1,495
Cash and cash equivalents	19,935	15,407	-4,528
Receivables	3,161	5,772	+2,611
Fixed assets	14,445	14,763	+317
Investment securities	11,948	12,541	+593
Total assets	37,986	36,809	-1,177
Short-term loans payable	2,000	2,000	-
Current portion of long-term loans payable	5,000	0	-5,000
Long-term loans payable	2,000	7,000	+5,000
Payables	4,011	1,295	-2,716
Provision for bonuses, ESOP	701	1,383	+681
Total liabilities	14,710	12,750	-1,959
Common stock	8,587	8,587	-
Add'l paid-in-capital	2,555	2,555	-
Retained earnings	13,116	14,401	+1,284
Treasury stock	-3,549	-3,685	-135
Total Shareholder's Equity	20,709	21,858	+1,148
Valuation difference on AFS securities	1,516	1,131	-384
Foreign currency translation adjustment	1,048	1,066	+18
Total net assets	23,276	24,058	+782

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

Increased mainly due to an increase in management fee receivable and an increase in receivable from the sale of a portion of our investment securities

Increased mainly due to the investment in seed money

Refinancing of loan

Decreased mainly due to payment of bonuses and taxes

Payment of dividend : ▲JPY 2,231MM
 Profit attributable to owners of parent FY2021 3Q : +JPY 3,684MM
 Cumulative effect of adopting the new revenue recognition standard: ▲JPY168MM

Decrease in unrealized gains from the sales of seed money investment

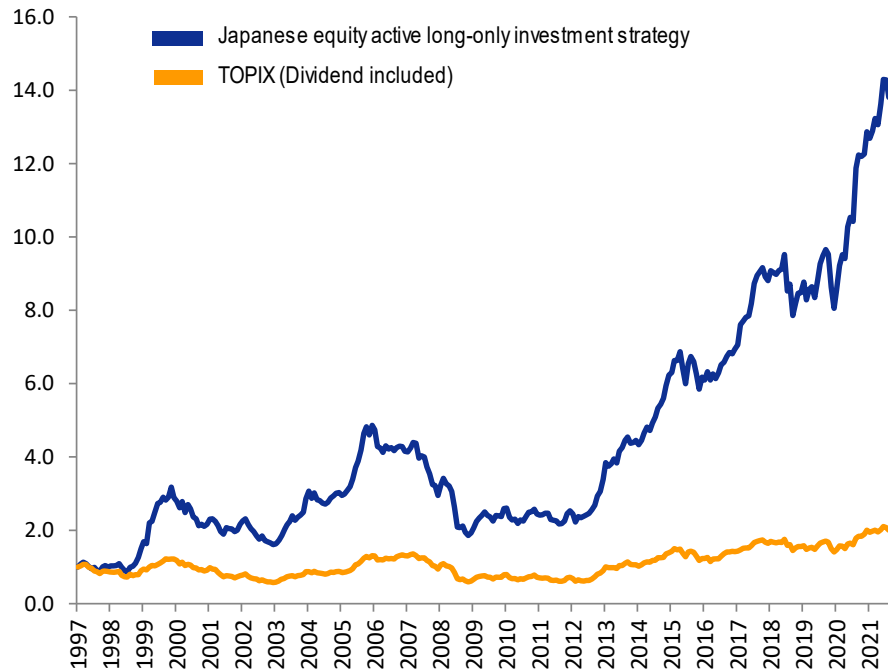
(Note1) Figures above are truncated.

(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



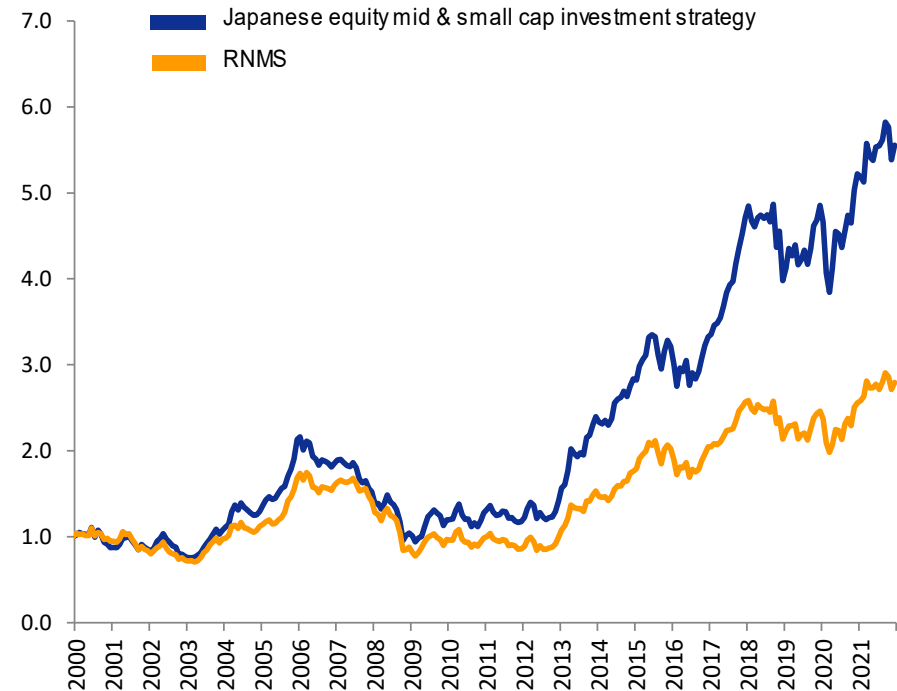
(Annualized Return)

Japanese equity active long-only investment strategy	11.35%	Reference Index	TOPIX (Dividend included)
Reference Index	2.99%	Measurement Period	1997/5 ~2021/12
Excess Return	8.36%	Volatility of Composite Return (Annualized)	20.04%

※Performance is in Japanese Yen and is shown gross of fees.

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

Japanese Equity Mid & Small Cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	8.11%	Reference Index	Russell/Nomura Mid-Small Cap Index
Reference Index	4.78%	Measurement Period	2000/1 ~2021/12
Excess Return	3.32%	Volatility of Composite Return (Annualized)	17.65%

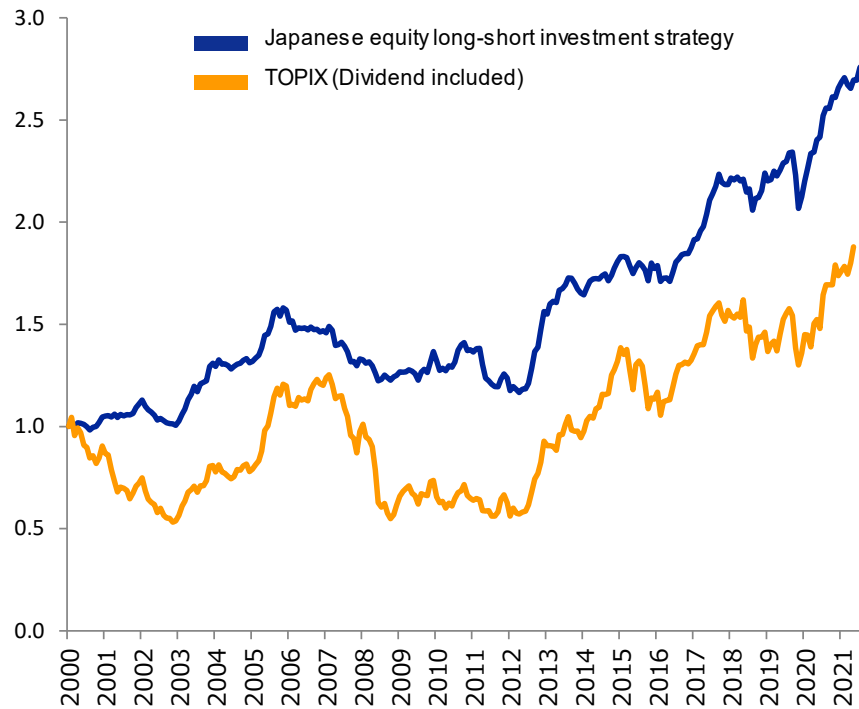
※Performance is in Japanese Yen and is shown gross of fees.

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

Primary Investment Strategies: Composite Returns Since Valuation Began ②



Japanese Equity Long-Short investment strategy



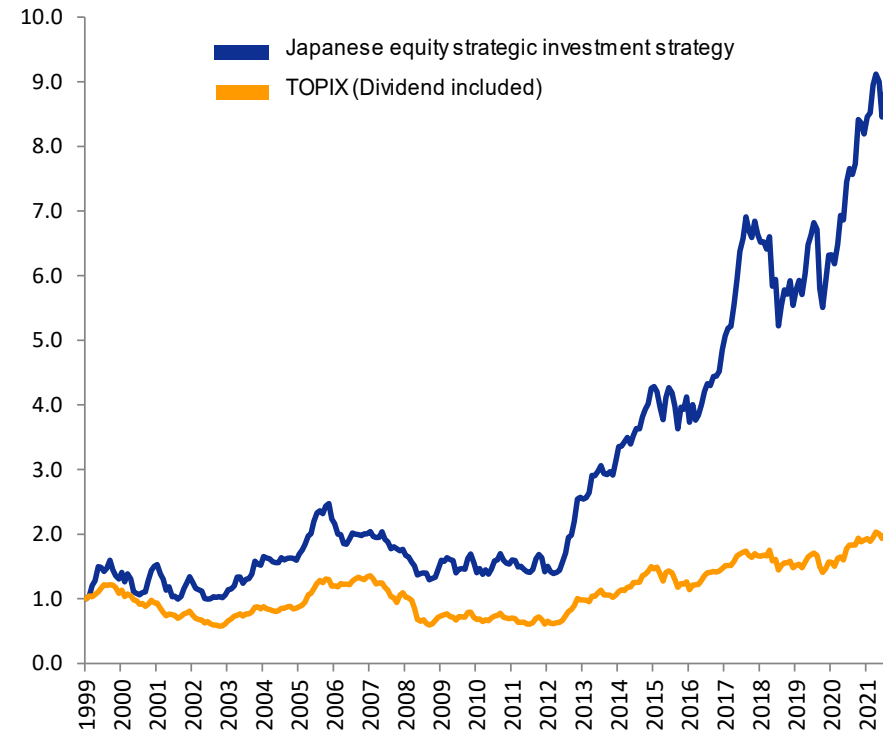
(Annualized Return)

Japanese equity long-short investment strategy	4.83%	Reference Index	TOPIX (Dividend included)
Reference Index	2.88%	Measurement Period	2000/6 ~2021/12
Excess Return	1.95%	Volatility of Composite Return (Annualized)	7.39%

※Performance is in Japanese Yen and is shown net of fees.

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

Japanese Equity Strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	10.15%	Reference Index	TOPIX (Dividend included)
Reference Index	3.13%	Measurement Period	1999/7 ~2021/12
Excess Return	7.03%	Volatility of Composite Return (Annualized)	19.80%

※Performance is in Japanese Yen and is shown gross of fees.

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



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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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This report includes statements related to investment trusts that SPARX Asset Management manages. Note the following points:

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 2.068% 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.

Asset Management Company

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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