

# FY2022 Full Year Earnings Presentation (Apr. 2022 – Mar. 2023)

May 8th, 2023



SPARX Group Co., Ltd.

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

## Purpose

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

## Vision

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

## Mission

**Bring ever-better investments to the world**

# FY2022 Performance

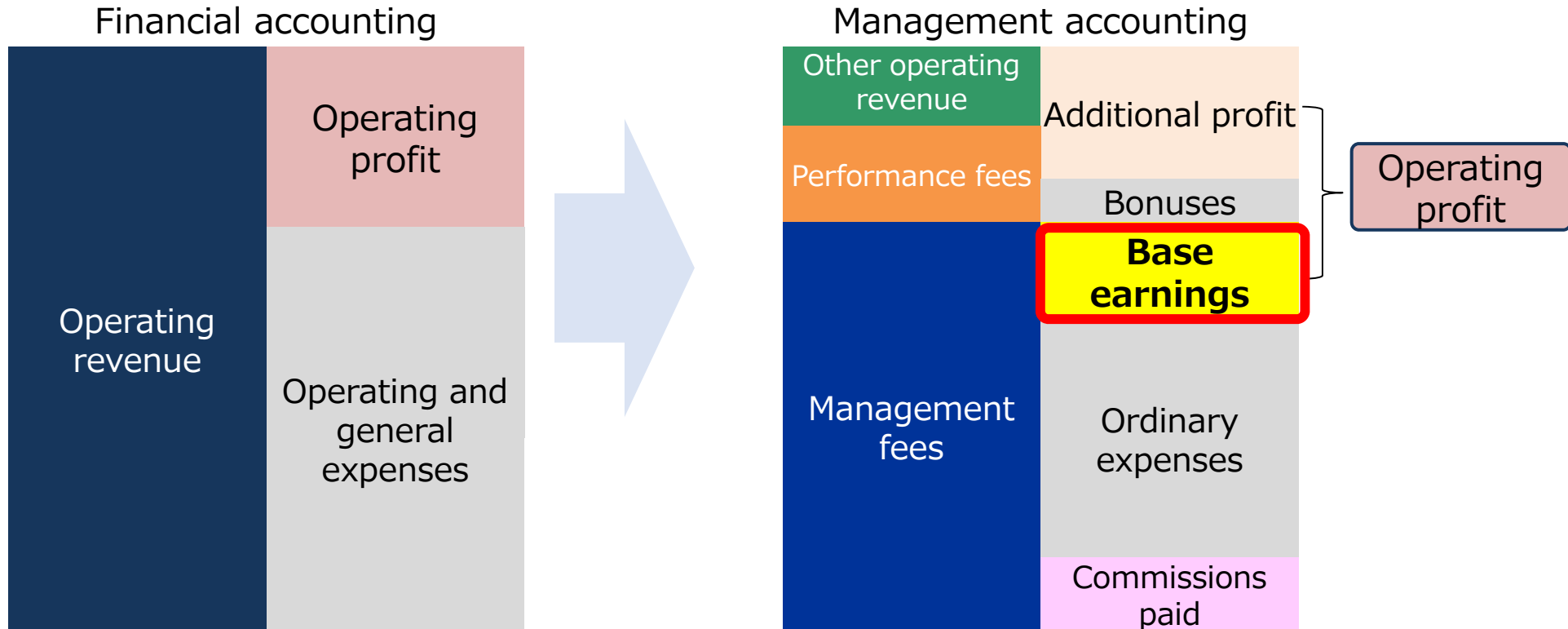
# About This Earnings Presentation

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 revenue decreased by 4.9% due to a significant decrease in performance fees, despite the contribution of management fee related to Mirai Creation Fund III.
- Operating profit has decreased by 11.8% due to reasons stated above, also an increase in ordinary expense.
- Net profit has increased by 11.1% due to decrease in loss on the valuation of investment securities and the recognition of gain on investments in investment partnership.
- Base Earnings has decreased by 2.5% due in part to increase in ordinary expenses.

(Unit:Millions of yen)	FY2021	FY2022	YoY change
	Full Year	Full Year	
<b>Operating revenue</b>	<b>14,043</b>	<b>13,360</b>	<b>-4.9%</b>
<b>Operating profit</b>	<b>6,464</b>	<b>5,704</b>	<b>-11.8%</b>
<b>Ordinary profit</b>	<b>6,241</b>	<b>6,289</b>	<b>+0.8%</b>
<b>Net profit</b>	<b>4,070</b>	<b>4,521</b>	<b>+11.1%</b>
<b>Base earnings</b>	<b>6,157</b>	<b>6,005</b>	<b>-2.5%</b>

(Note) See pages 4, 6, 36, and 41 for more on base earnings.

# Consolidated Earnings Summary (2) Performance



		FY2021	FY2022	
		Full Year	Full Year	YoY change
<b>Average AUM</b>	(Billions of yen)	<b>1,571.9</b>	<b>1,512.6</b>	<b>-3.8%</b>
<b>Management fee rate</b>	(%)	0.69%	0.73%	+0.04
(After deducting commissions)				
<b>Management fees</b>	(Millions of yen)	<b>10,920</b>	<b>11,077</b>	<b>+1.4%</b>
(After deducting commissions)				
<b>- Ordinary expenses</b>	(Millions of yen)	<b>4,762</b>	<b>5,071</b>	<b>+6.5%</b>
<b>Base earnings</b>	(Millions of yen)	<b>6,157</b>	<b>6,005</b>	<b>-2.5%</b>
<b>Performance fees</b>	(Millions of yen)	<b>1,208</b>	<b>364</b>	<b>-69.8%</b>
<b>Percentage of AUM eligible to earn performance fees</b>	(%)	36.7%	37.9%	+1.2
<b>Other operating revenue</b>	(Millions of yen)	<b>258</b>	<b>260</b>	<b>+1.1%</b>
<b>- Bonuses</b>	(Millions of yen)	<b>1,143</b>	<b>908</b>	<b>-20.6%</b>
(including ESOP Expense)				
<b>Operating profit</b>	(Millions of yen)	<b>6,464</b>	<b>5,704</b>	<b>-11.8%</b>
<b>Profit attributable to owners of parent</b>	(Millions of yen)	<b>4,070</b>	<b>4,521</b>	<b>+11.1%</b>
<b>Return on equity (ROE)</b>	(%)	<b>17.1%</b>	<b>18.0%</b>	<b>+0.9</b>

(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



Despite the inflows related to Mirai Creation Fund III, AUM decreased by 3.6% from last fiscal year-end due to decline in the stock market and other factors.

(Unit:Billions of yen)	AUM			Average AUM (12months)		
	As of March, 2022	As of March, 2023	Change (%)	FY2021 Full Year	FY2022 Full Year	YoY change (%)
Japanese Equity	1,021.0	953.2	-6.6%	1,063.5	968.4	-8.9%
OneAsia	105.0	90.0	-14.3%	119.5	90.0	-24.7%
Real Assets	257.8	264.5	+2.6%	254.3	260.4	+2.4%
Private Equity(Mirai Creation, etc.)	173.1	193.3	+11.7%	134.3	193.6	+44.1%
Total	1,557.1	1,501.2	-3.6%	1,571.9	1,512.6	-3.8%

	As of March, 2022	As of March, 2023	YoY change
TOPIX	1,946	2,003	+2.9%
NIKKEI 225 (JPY)	27,821	28,041	+0.8%
KOSPI	2,757	2,476	-10.2%

\*See our "Notice of Month-End Assets Under Management" for details on SPARX's AUM as of March 31, 2023.

<https://ssl4.eir-parts.net/doc/8739/tdnet/2260262/00.pdf>

# Business Progress Report and Future Plans



## Japanese Equity

Launched a new fund for Japanese equity value creation investment strategy in May 2023. Aiming for further growth in alternative investment strategies including this strategy and long-short strategy.

## OneAsia

Implemented organizational changes and aiming for extensive growth on this strategy in Tokyo as well.

## Real Assets

In February 2023, acquired 301 solar power plants that were already in operation through an investment fund. There are plenty of secondary projects available, so we aim to continue acquiring them.

## Private Equity

For Space Frontier fund, one of the portfolio companies was listed in April 2023. Preparing for launching the second fund as the fund is seeing its full investment.

# 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  
(Real Assets, Private Equity)

**JPY953.2  
billion**

Japanese  
Equity

OneAsia

**JPY90.0  
billion**

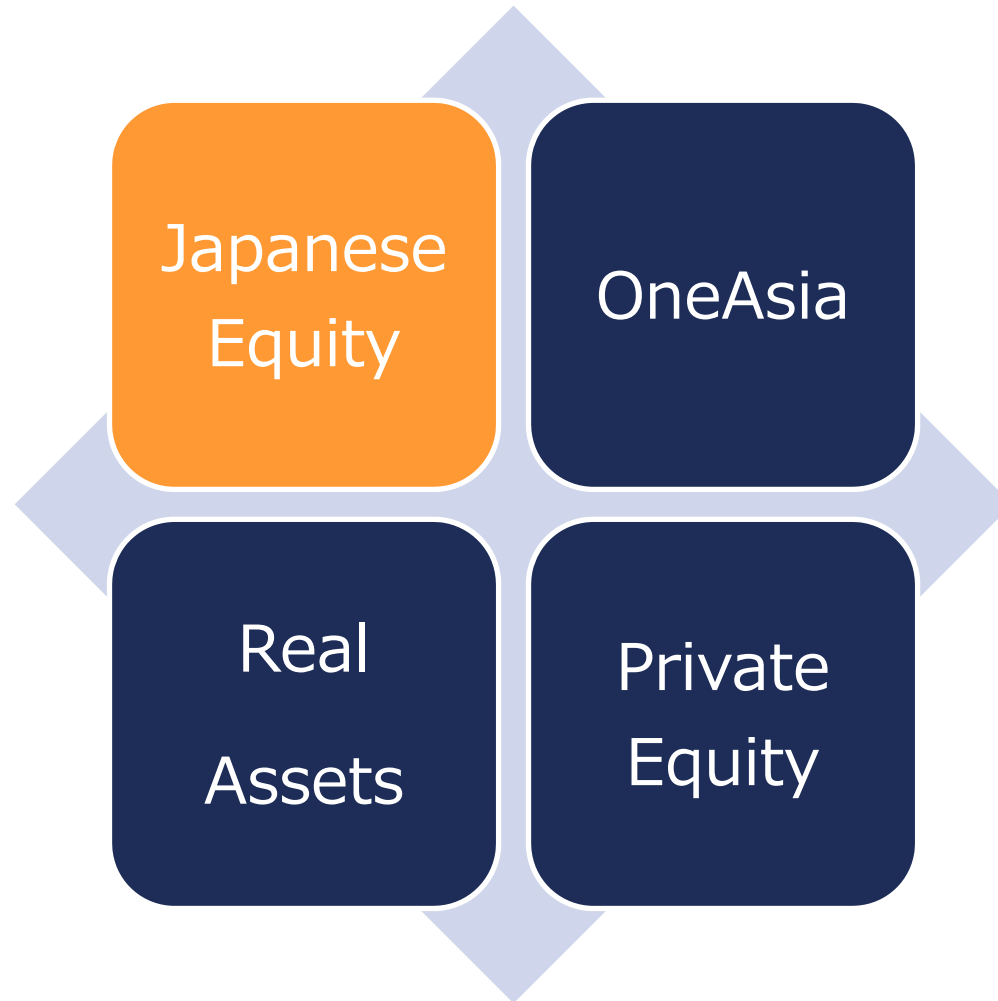
**JPY264.5  
billion**

Real  
Assets

Private  
Equity

**JPY193.3  
billion**

# (1) Japanese Equity Investment Strategy (AUM of JPY 953.2 billion as of March 31, 2023)



# Japanese Equity Investment Strategy: Status of AUM



- Market value of each strategy has decreased compared to previous fiscal year-end mainly due to the impact of the stock market (except Japanese Equity Mid & Small Cap strategy).
- Japanese Equity Mid & Small Cap strategy has increased its AUM compared to previously fiscal year-end due to additional investment mandates received from European public institutional investors.
- Cash inflows from domestic individual investors are contributing, and the out-flow trend from overseas institutional investors have been slowing.

(Units : Billions of yen)	AUM			
	Mar. 2022	Mar. 2023	Change	Change (%)
Japanese Equity Long-Short Strategy	102.3	75.4	-26.8	-26.2%
Japanese Equity Focus All Cap Strategy	590.6	506.5	-84.0	-14.2%
Japanese Equity Mid & Small Cap Strategy	182.7	239.0	+56.2	+30.8%
Japanese Equity Market Neutral Strategy	25.1	19.1	-6.0	-24.0%
Japanese Equity Sustainable Strategy	117.9	110.4	-7.4	-6.3%
Other	2.2	2.5	+0.2	13.0%
<b>Total</b>	<b>1,021.0</b>	<b>953.2</b>	<b>-67.8</b>	<b>-6.6%</b>

(Note)

- Japanese Equity Long-Short Strategy : Strategy to hold long positions and short positions simultaneously.
- Japanese Equity Focus All Cap Strategy : Strategy to hold a concentrated portfolio.
- Japanese Equity Mid & Small Cap Strategy : Strategy to specialize investing in small and mid sized Japanese companies.
- Japanese Equity Market Neutral Strategy : Strategy that delivers pure alpha (excess returns over benchmark) by removing market risk (beta) via hedging against the benchmark
- Japanese Equity Sustainable Strategy : Strategy to invest in high-quality companies with strong ESG fundamentals that could result in value creation



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

SPARX New Global Blue Chip Japanese Equity Fund  
("Gensentoshi")



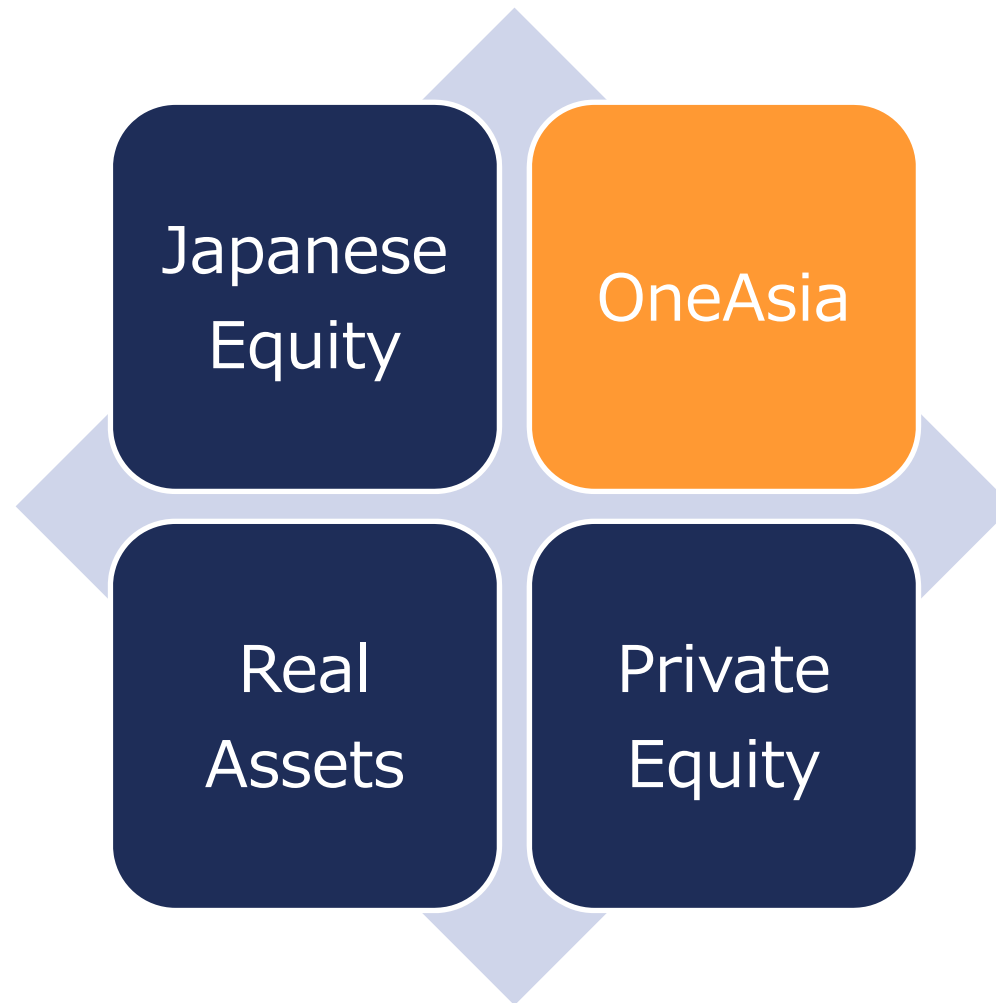
## Investment Trusts / Domestic Mid-and-Small Cap Fund category: The Second Prize

SPARX Premium Japanese Micro-cap Equity Fund  
("Kachihakkutsu")

(Reference) <https://ssl4.eir-parts.net/doc/8739/tdnet/2265560/00.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.

## (2) OneAsia Equity Investment Strategy (AUM of JPY 90.0 billion as of March 31, 2023)



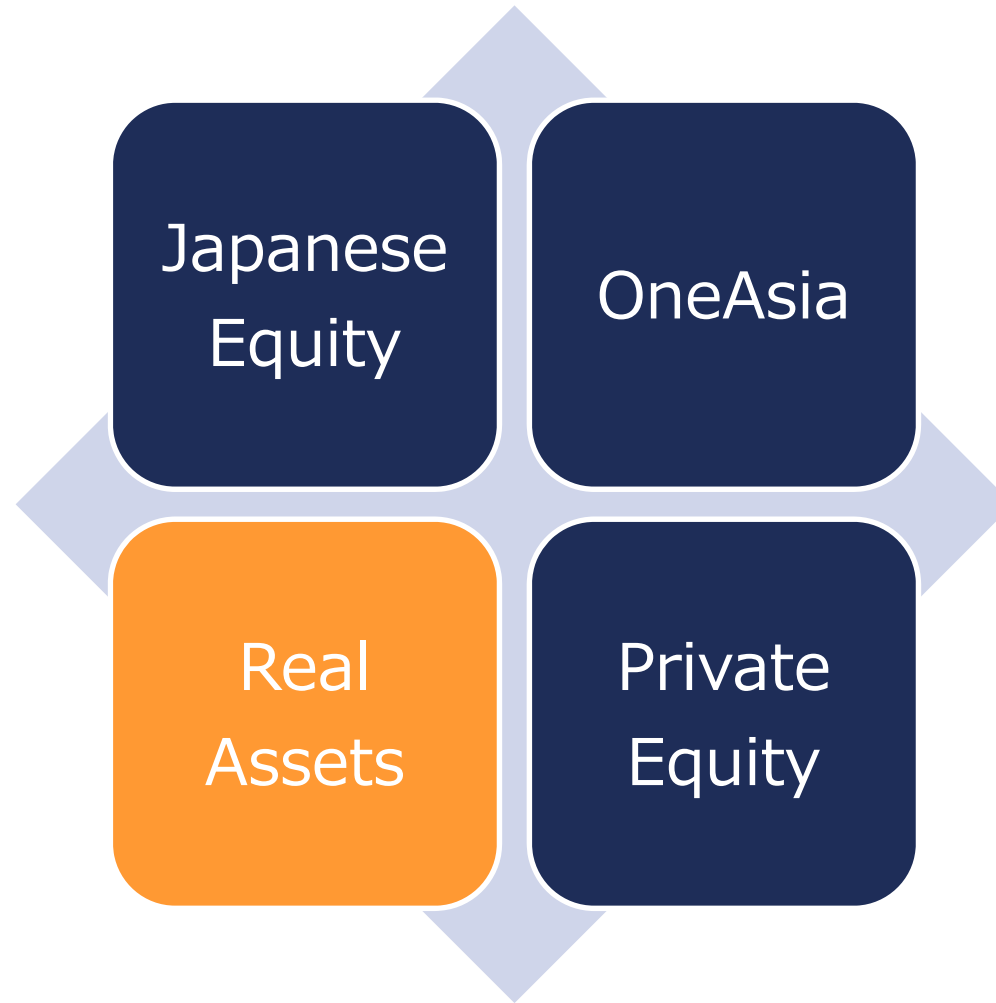
# OneAsia Equity Investment Strategy: Status of AUM



In South Korea, market value has decreased compared to previous fiscal year mainly due to the impact of the stock market.

(Units : Billions of yen)	AUM			
	Mar. 2022	Mar. 2023	Change	Change (%)
South Korea	96.3	84.5	-11.8	-12.3%
Pan-Asia	8.7	5.5	-3.1	-36.2%
Total	105.0	90.0	-15.0	-14.3%

# (3) Real Asset Investment Strategy (AUM of JPY264.5 billion as of March 31, 2023)



The above AUM includes AUM related to the real estate investment strategy of approximately 5.4 billion yen.



## Assets under management

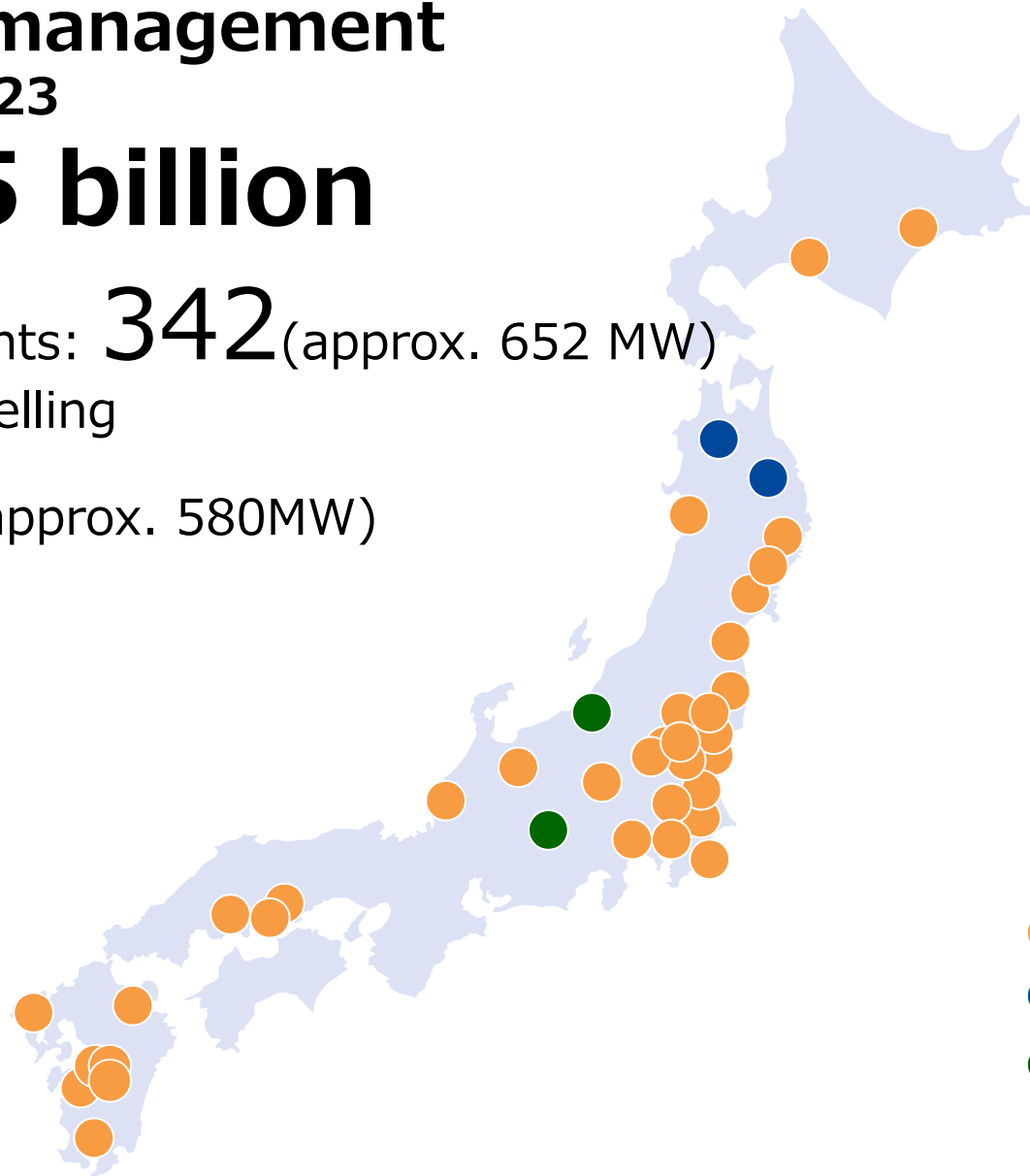
As of March 31, 2023

# JPY 264.5 billion

Number of Investments: **342** (approx. 652 MW)

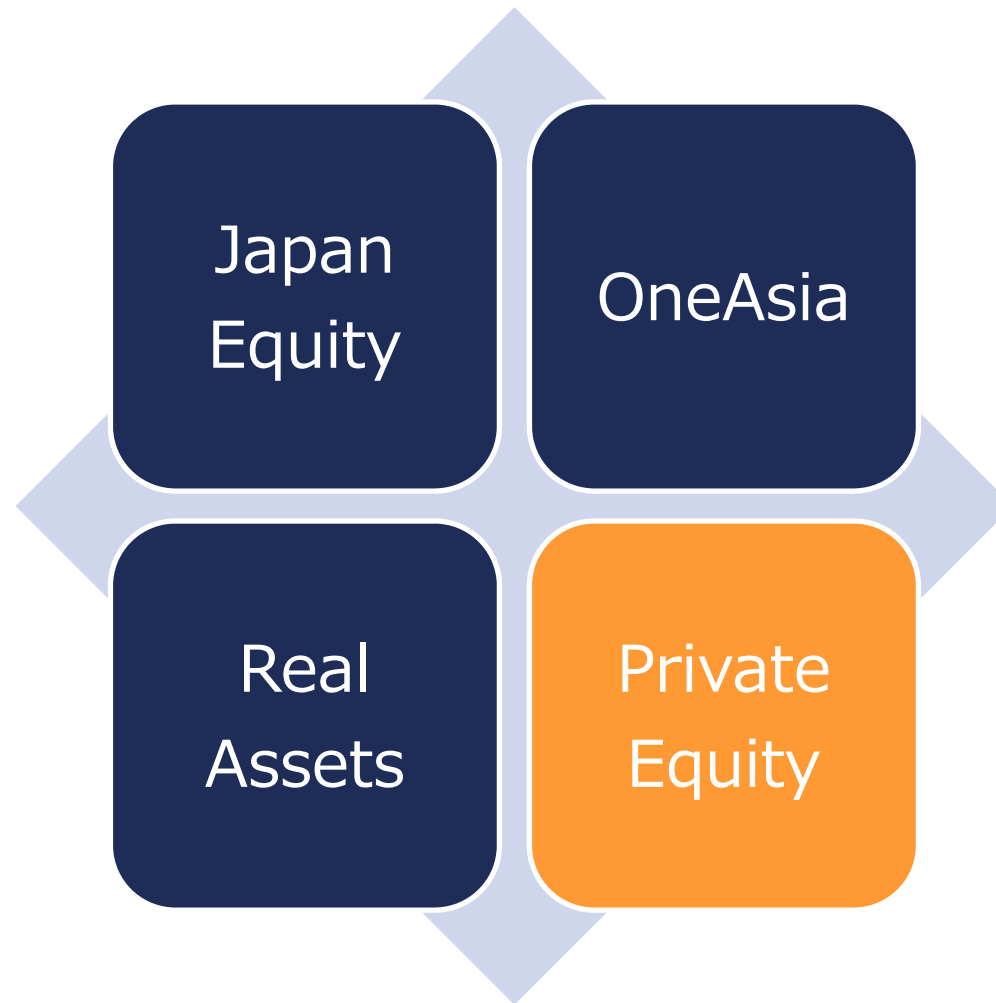
Number of stations selling

electricity: **340** (approx. 580MW)



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

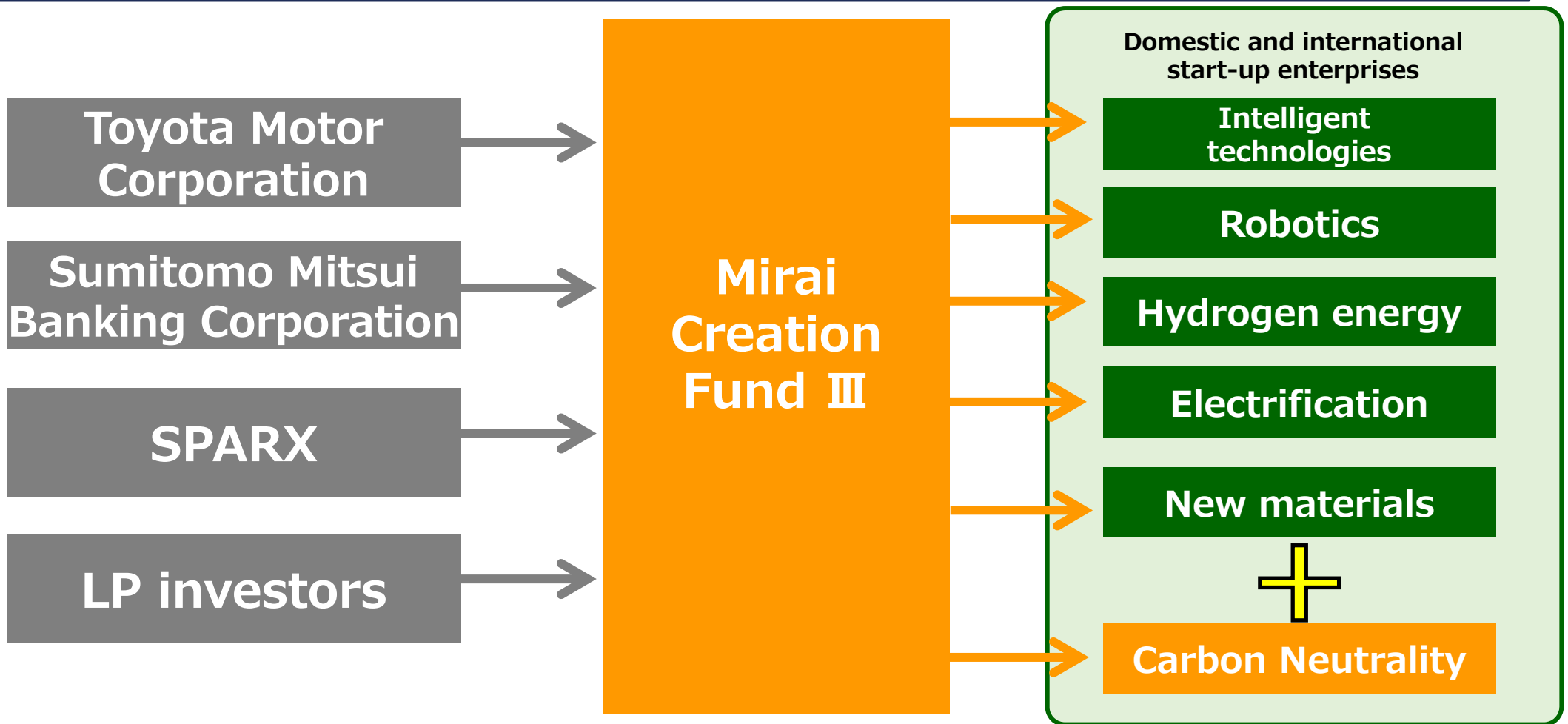
# (4) Private Equity Investment Strategy (AUM of JPY193.3 billion as of March 31, 2023)



(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.

## 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 68.5 billion yen as of March-end 2023.



## Examples of recent IPOs

### (Mirai Creation Fund I & II)

- AnyMind Group Inc. (listed in March 2023)

### (Space Frontier Fund)

- ispace, Inc. (listed in April 2023)

### (Mirai Creation Fund II)

- Ridge-I Inc. (listed in April 2023)



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

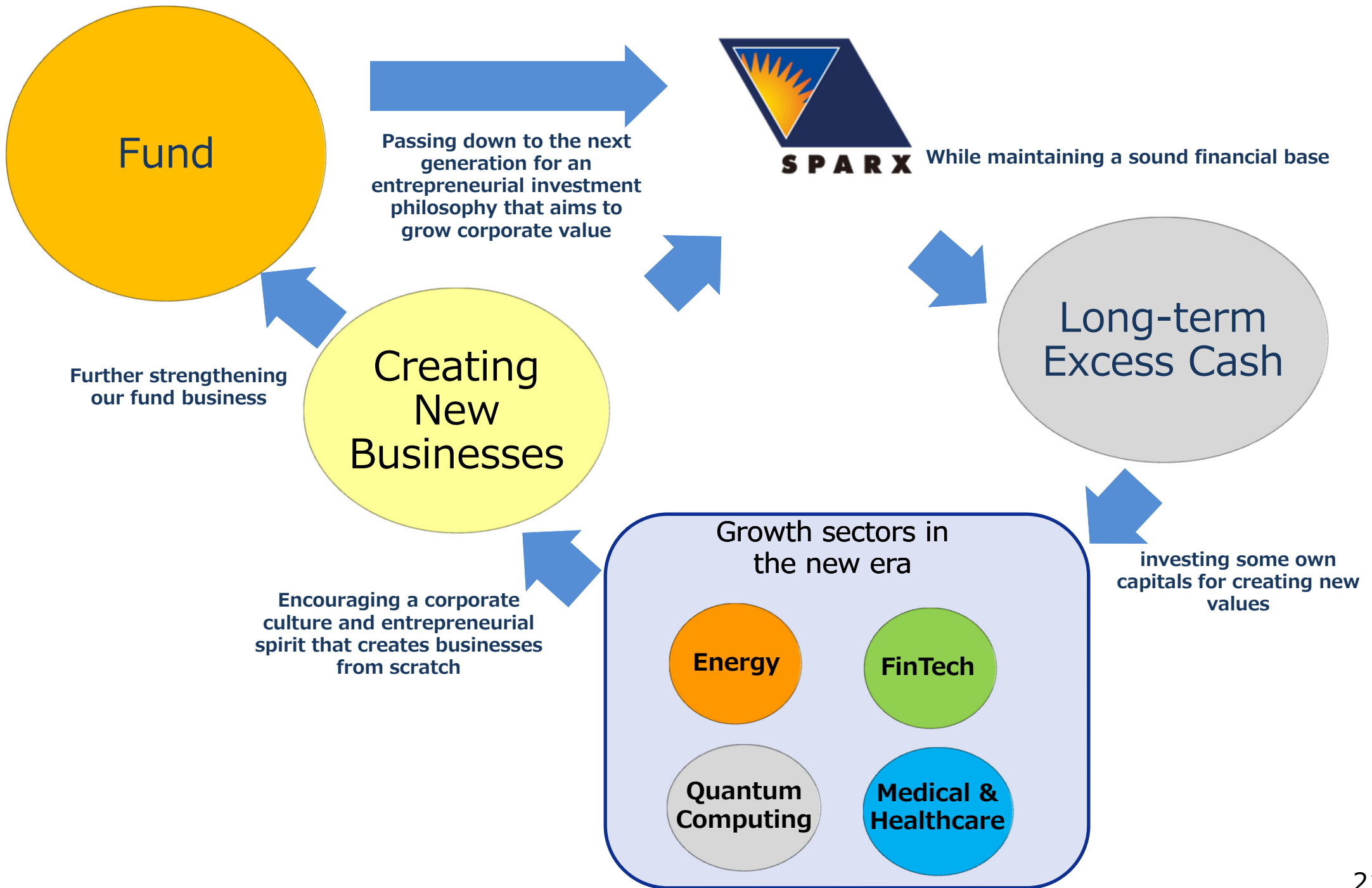


In the future, a mechanism that allows a performance fee to be recorded if the investment principal can be distributed to LP investors in excess of a certain percentage.

(Note) We expect Mirai Creation Fund I to begin earning performance fees from FY2023 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.

# Aiming to Create Business in Growth Sectors in the New Era

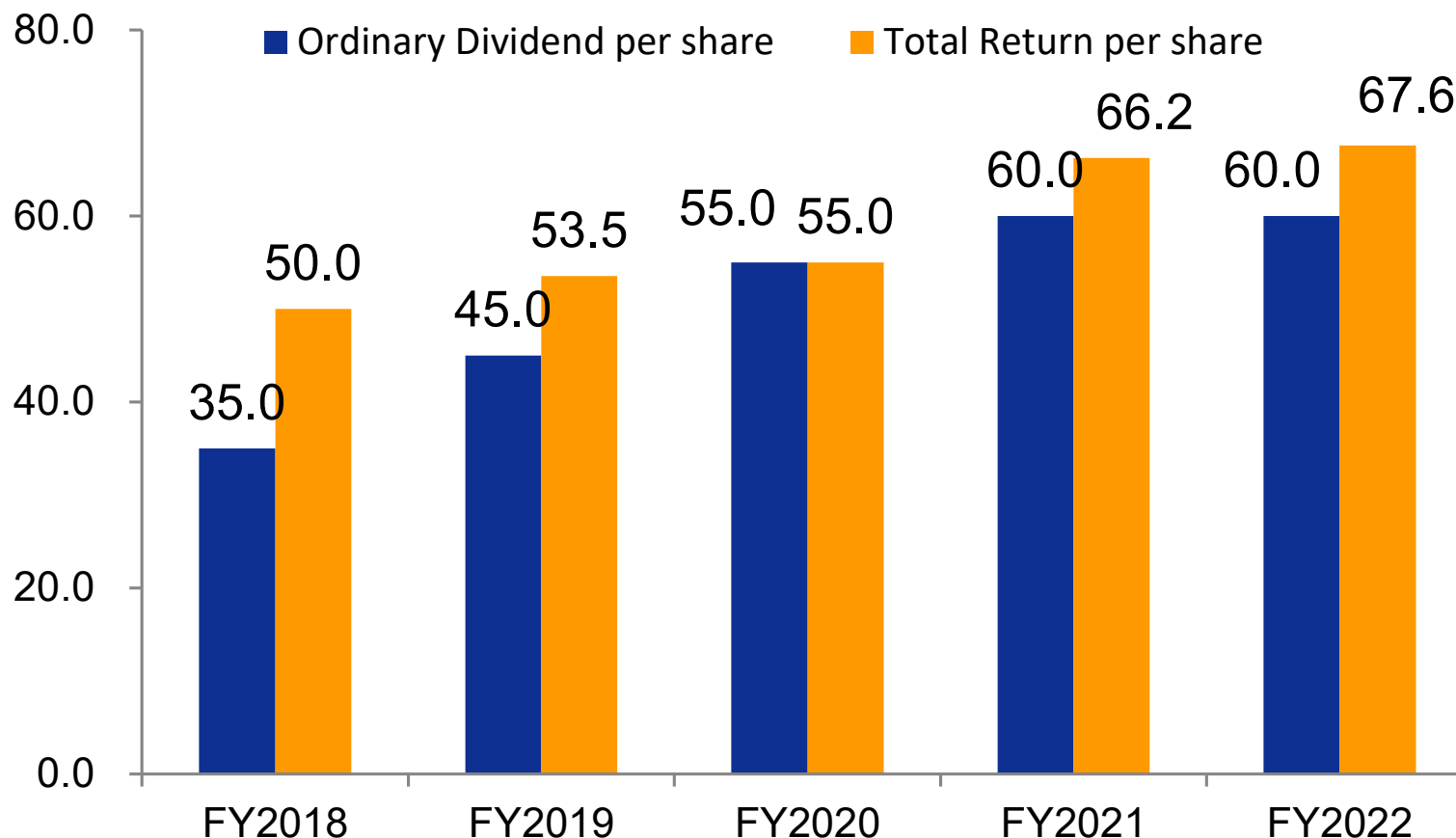


**Other**

# Return to Shareholders – Dividend



A year-end expected ordinary dividend to be 60.0 yen per share which is the same amount from the previous fiscal year's ordinary dividend considering the financial condition remains stable, increase in the Base Earnings, and so on.



Ordinary Dividend Payout Ratio (ordinary dividend) on Base Earnings

39.1%	50.8%	50.2%	39.3%	40.7%
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Total Profit Return Ratio on Base Earnings

55.8%	60.5%	50.2%	43.4%	45.9%
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(Note 1) Dividend will be officially decided and implemented upon the resolution of the 34th Ordinary General Meeting of Shareholders to be held in June 2023.

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

(Note 3) Total Profit Return Ratio on Base Earnings = (Total amount of dividends (including commemorative dividend+ share buy-back) ÷ Base Earnings

(Note 4) On October 1, 2022, we have performed a reverse stock split (merging 5 common stock into 1 share). Figures prior to end of the previous fiscal year have been revised to take into account on the impact of the reverse stock split.

# Lapse of Deadline for Service of Process of the Lawsuit Brought Against Our Subsidiary in the U.K.



<b>Name of Court, Date of Filing</b>	High Court of England and Wales, King’s Bench Division (the “English Court”) November 2, 2022 (local time) May 2, 2023 (local time) Deadline for Service of Process May 5, 2023 (local time) Confirmation of No Service
<b>The Claimant</b>	Verdi Law Group, P.C.
<b>Summary of Allegations and Demand</b>	The Claimant sought damages of EUR1,417,500,000 (plus interest to be determined) against SAM and the other defendants.
<b>Background</b>	Under the English Civil Procedure Rules, the Claimant had until the end of May 2, 2023 (local time) to effect service of the claim form and particulars of claim on SAM. As of May 5, 2023 (local time) SAM has not yet been served with the claim form or particulars of claim relating to the English Lawsuit. Therefore, absent an Order from the English Court extending the deadline (of which SAM is not aware), the deadline for service of the English Lawsuit on SAM has now lapsed, and SAM understands that it will not have to take any further action in regard to the English Lawsuit.
<b>Forecast</b>	The lapse of the deadline of service of process of the English Lawsuit had no effects on our businesses and the impact of the costs and expenses associated with the English Lawsuit (including legal fees) on our future consolidated financial results, which was already accounted for, was immaterial.

The deadline for service of the English Lawsuit on SAM has now lapsed, it will not have to take any further action in regards to the English Lawsuit.

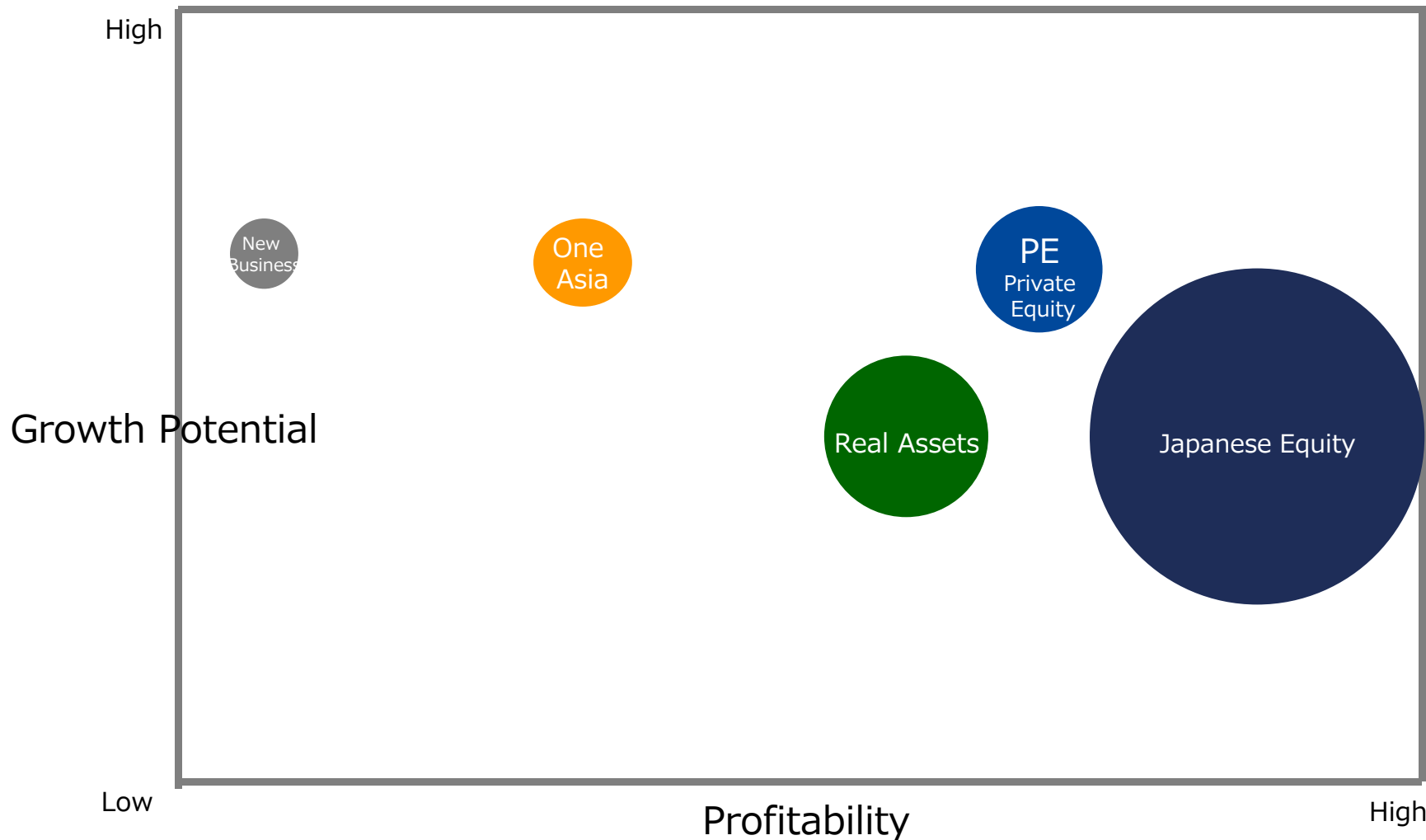
(Reference) May 8, 2023 Press release “Notice of Lapse of Deadline for Service of Process of the Lawsuit Brought Against Our Subsidiary in the U.K.”

<https://ssl4.eir-parts.net/doc/8739/tdnet/2270034/00.pdf>

SAM = SPARX Asset Management Co., Ltd.



# About Business Portfolio

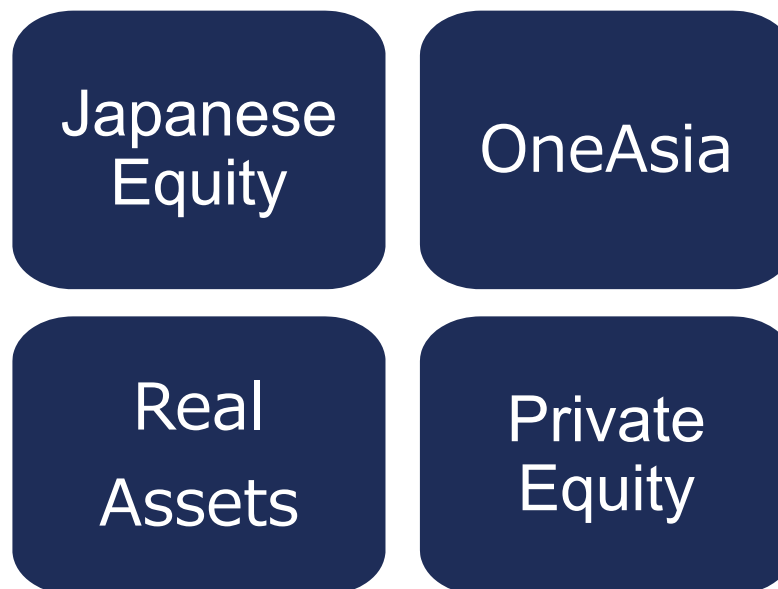


**Develop business areas that has high growth potential in the future, and allocate management resources to increase profitability while increasing the pie chart (AUM).**

**Improve ROE**

(Note) The size of pie chart shows the image of balance in AUM.

## < Four Pillars >



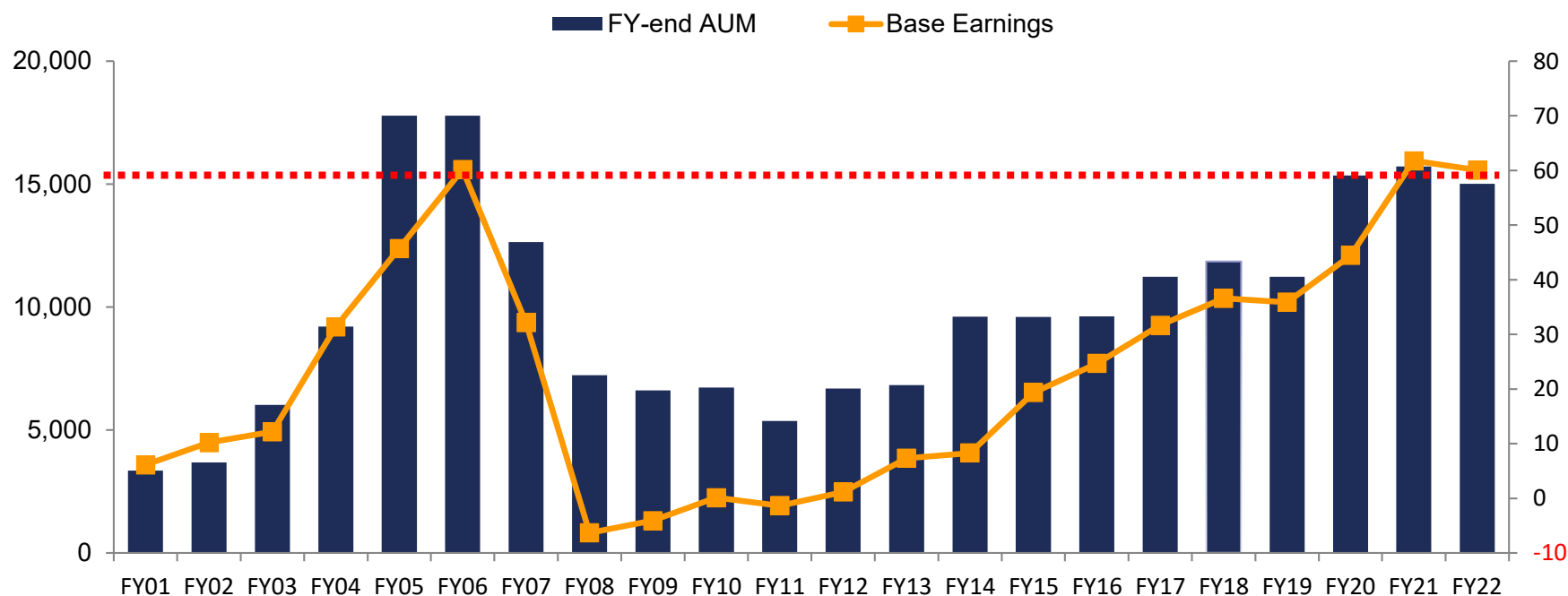
Aiming to increase the AUM for these four pillars to **3 trillion yen** by March 2026

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



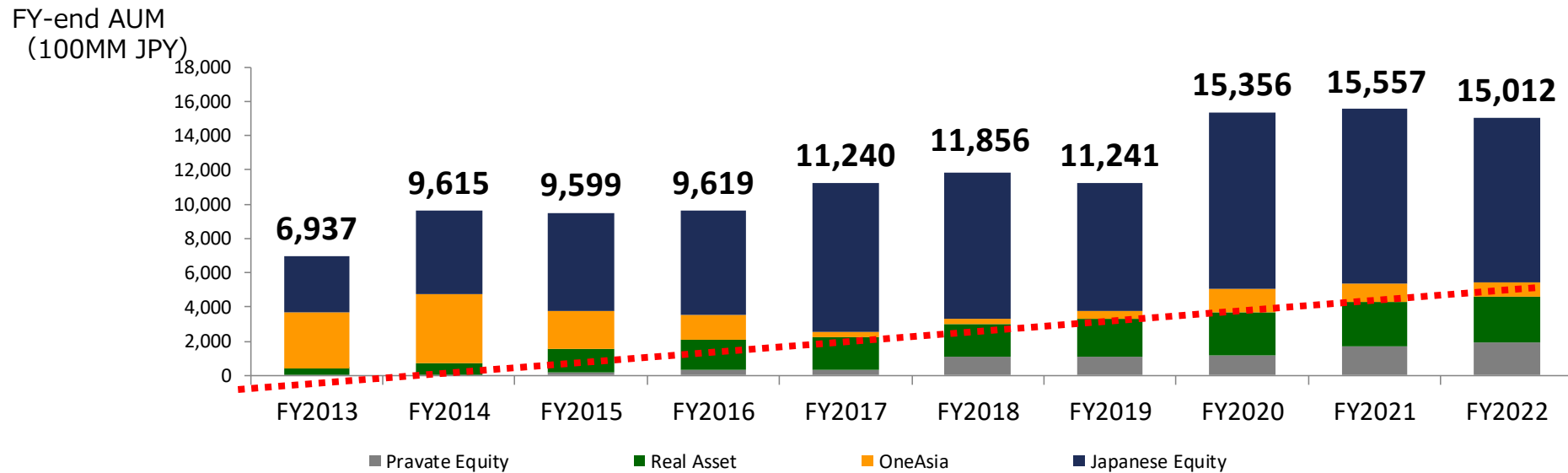
AUM at fiscal year-end  
(100MM JPY)

Base Earnings  
(100MM JPY)



Base Earnings remained at a historical high level

# <Reference> Trends in AUM for the Four Pillars



	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Japanese Equity	3,274	4,884	5,748	6,070	8,669	8,512	7,444	10,302	10,210	9,532
OneAsia	3,276	4,001	2,208	1,485	295	368	522	1,343	1,050	900
Real Asset	382	725	1,315	1,694	1,906	1,861	2,143	2,552	2,564	2,645
Private Equity	0	0	216	365	367	1,113	1,132	1,157	1,731	1,933
<b>AUM Total</b>	<b>6,937</b>	<b>9,615</b>	<b>9,599</b>	<b>9,619</b>	<b>11,240</b>	<b>11,856</b>	<b>11,241</b>	<b>15,356</b>	<b>15,557</b>	<b>15,012</b>

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

Signatory of:



■ Materiality

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■ Sustainability Policy

[https://ssl4.eir-parts.net/doc/8739/ir\\_material4/187250/00.pdf](https://ssl4.eir-parts.net/doc/8739/ir_material4/187250/00.pdf)

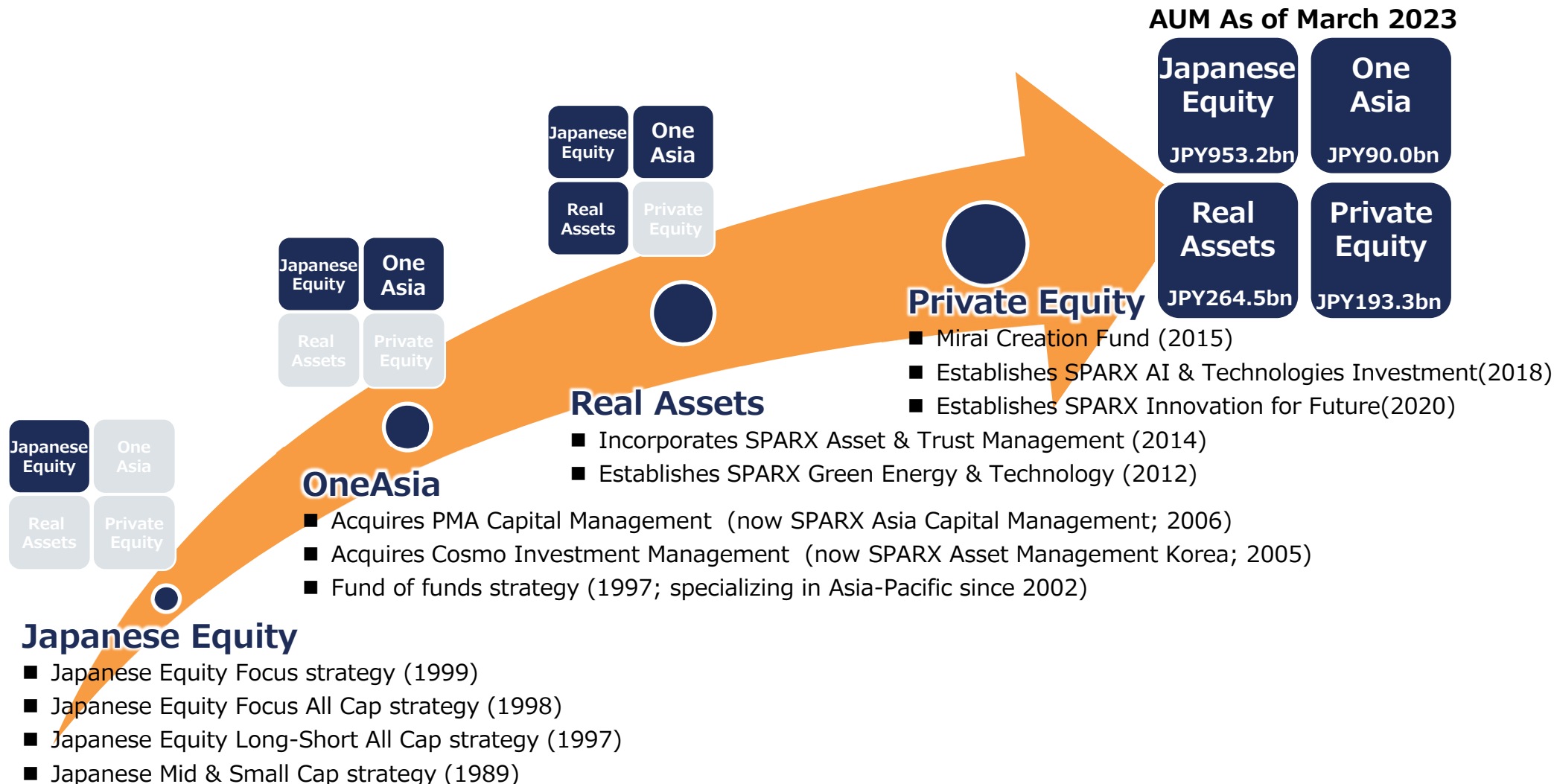
■ Commitment to TCFD Recommendations (March 31, 2022)

[https://ssl4.eir-parts.net/doc/8739/ir\\_material4/187254/00.pdf](https://ssl4.eir-parts.net/doc/8739/ir_material4/187254/00.pdf)

# [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



In April 2022, the legal age of adulthood was reduced to 18 and the life plans of Japanese people have become more diverse. As a result, asset formation/asset building learning has been added to the home-economics class at high school in Japan.

**In response to this change, we, as an independent investment company, strongly felt in need of providing junior high and high school students an understanding of broad financial literacy and investment that will be useful for their future lives and their career selection. Benesse felt the same way as we did and as a result, the collaboration was made.**

CEO Abe and CIO Fujimura have been supervising seminar・lectures and column/articles

## 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>

<b>Company</b>	<b>SPARX Group Co., Ltd.</b>
<b>Representative</b>	<b>President &amp; CEO Shuhei Abe</b>
<b>Address</b>	<b>1-2-70 Konan, Minato, Tokyo, Japan</b>
<b>Founded</b>	<b>July 1, 1989</b>
<b>Capitalization</b>	<b>JPY8,587 million</b> (as of March 31, 2023)
<b>Employees</b>	<b>171</b> (as of March 31, 2023)
<b>Exchange</b>	<b>Tokyo Stock Exchange Prime Market</b>
<b>Ticker</b>	<b>8739</b>



**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

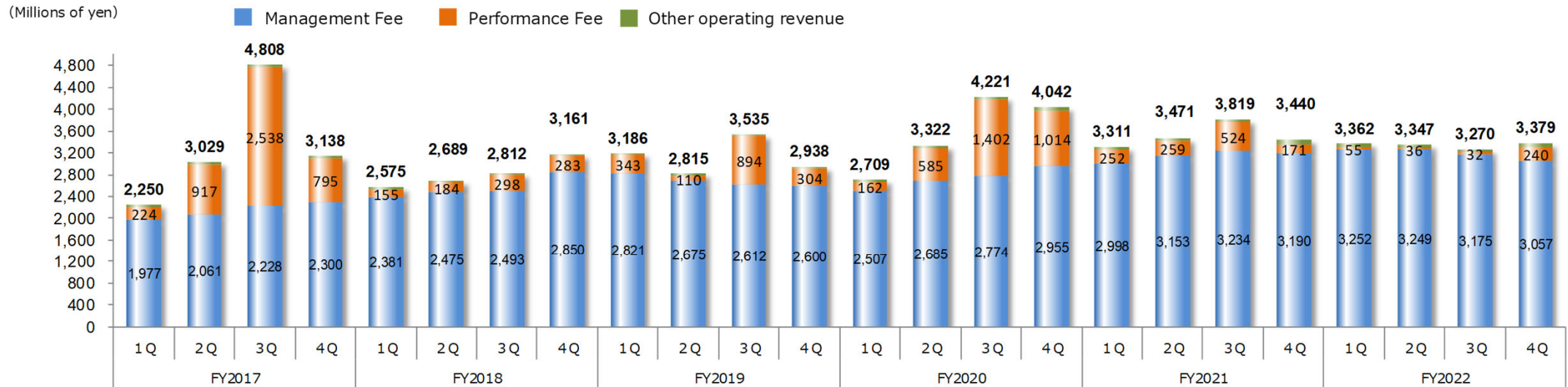
### Important Management Indicators

- 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



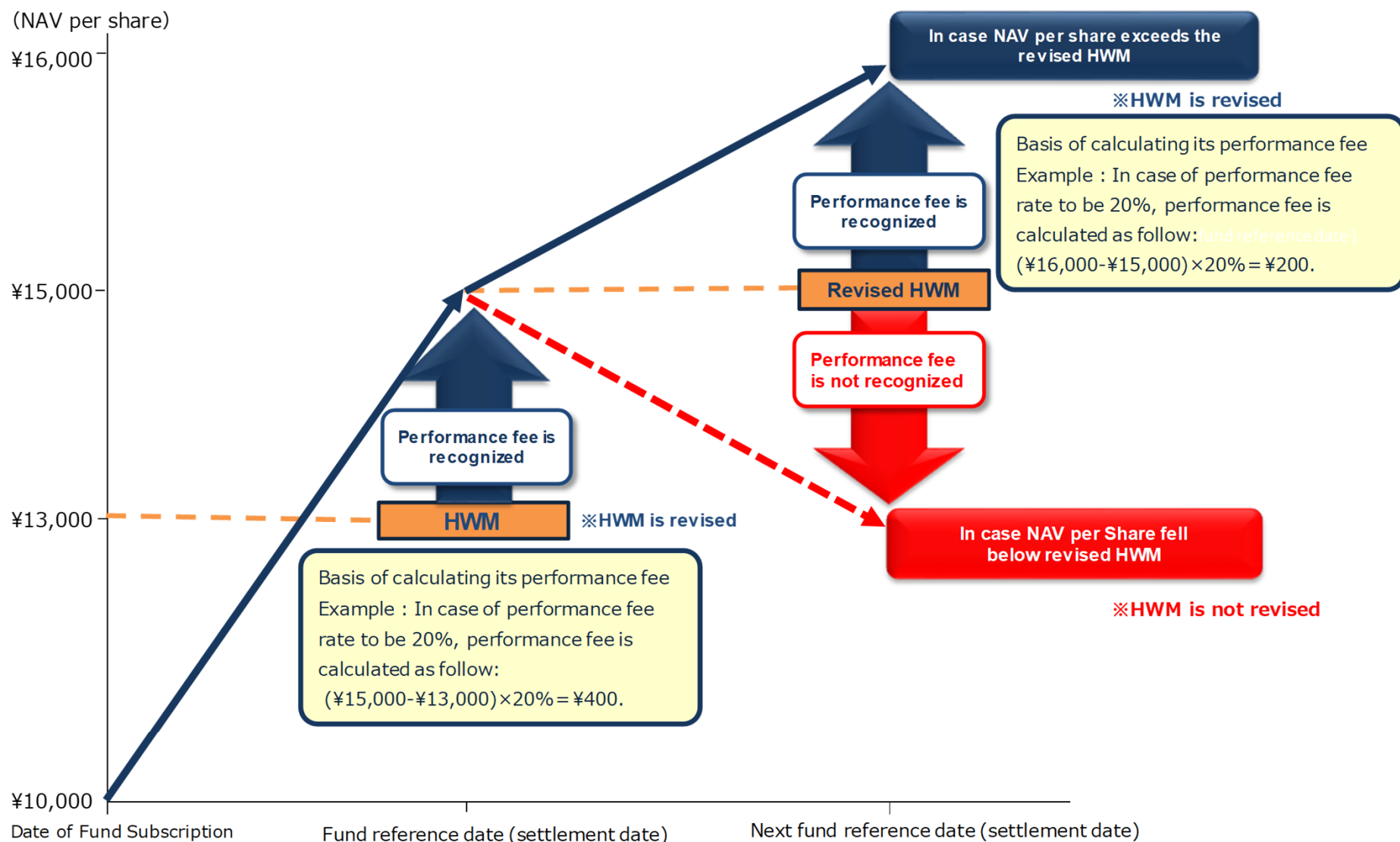
(Millions of yen)	FY2017				FY2018				FY2019				FY2020				FY2021				FY2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Management Fees	1,977	2,061	2,228	2,300	2,381	2,475	2,493	2,850	2,821	2,675	2,612	2,600	2,507	2,685	2,774	2,955	2,998	3,153	3,234	3,190	3,252	3,249	3,175	3,057
Performance Fees	224	917	2,538	795	155	184	298	283	343	110	894	304	162	585	1,402	1,014	252	259	524	171	55	36	32	240
Other operating revenue	48	50	41	42	38	28	20	27	22	29	28	33	39	51	43	72	59	59	60	78	55	61	62	81
<b>Operating Revenue</b>	<b>2,250</b>	<b>3,029</b>	<b>4,808</b>	<b>3,138</b>	<b>2,575</b>	<b>2,689</b>	<b>2,812</b>	<b>3,161</b>	<b>3,186</b>	<b>2,815</b>	<b>3,535</b>	<b>2,938</b>	<b>2,709</b>	<b>3,322</b>	<b>4,221</b>	<b>4,042</b>	<b>3,311</b>	<b>3,471</b>	<b>3,819</b>	<b>3,440</b>	<b>3,362</b>	<b>3,347</b>	<b>3,270</b>	<b>3,379</b>

(Reference)

Average AUM (Billions of yen) (3months average)	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	1,582.5	1,636.1	1,538.1	1,506.5	15,298	15,187	14,955
Management fee rate (3months average) (After deducting commissions)	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%	0.72%	0.76%	0.74%	0.72%	0.71%
Percentage of AUM eligible to earn performance fees	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%	32.1%	36.7%	39.2%	38.7%	38.5%	37.9%
NIKKEI stock average (Record date)	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	27,821	26,393	25,937	26,094	28,041

# 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



- Personnel expenses decreased due to a decrease in bonus provisions, despite an increase in personnel-related expenses due to an increase in headcount.
- Ordinary expenses has increased due to increase in travel, business consignment expenses.

(Units: Millions of yen)	FY2021	FY2022	
	Full Year	Full Year	YoY change
Commissions paid	1,672	1,671	-0.0%
Personnel exp.	3,216	3,089	-4.0%
Travel exp.	60	180	+197.2%
Property rent	260	240	-7.7%
Entrusted business expenses	1,058	1,162	+9.8%
Depreciation on fixed assets	195	180	-7.6%
Advertising exp.	162	162	-0.2%
Research exp.	333	368	+10.4%
Other expenses	618	601	-2.7%
<b>Total: Operating and general administrative expenses</b>	<b>7,578</b>	<b>7,656</b>	<b>+1.0%</b>
<b>Ordinary expenses</b>	<b>4,762</b>	<b>5,071</b>	<b>+6.5%</b>

(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.

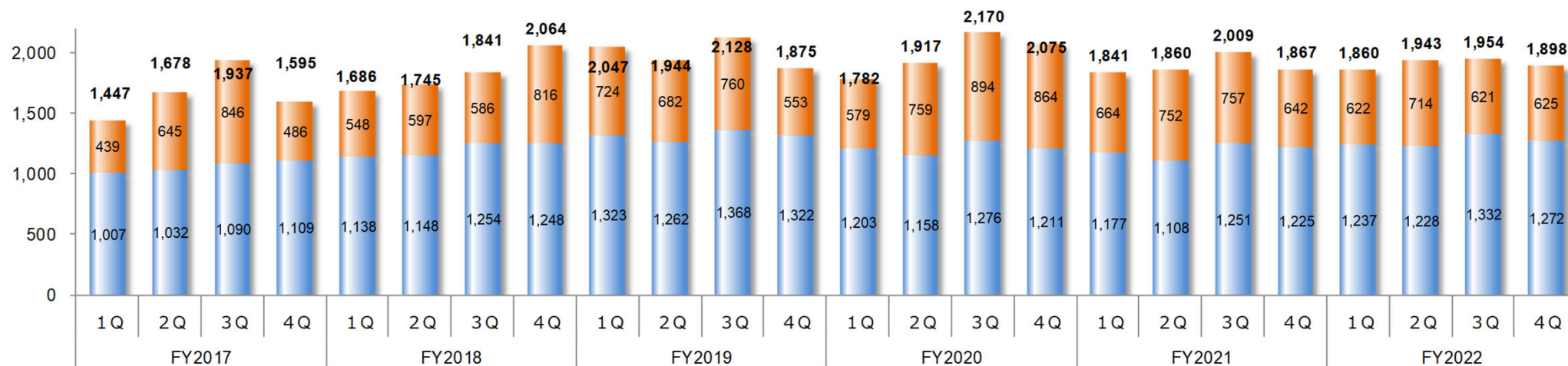
# Quarterly Operating and General Administrative Expenses



Cost-control taken continuously and cautiously considering the recent increase in ordinary expenses which was mainly due to increase in travel for new projects and business activities, as well as increase in personnel related expenses .

(Units: Millions of yen)

■ Ordinary expense ■ Commissions paid & Bonus



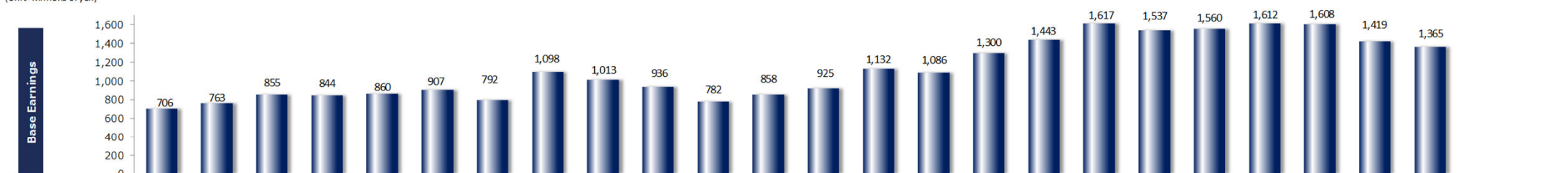
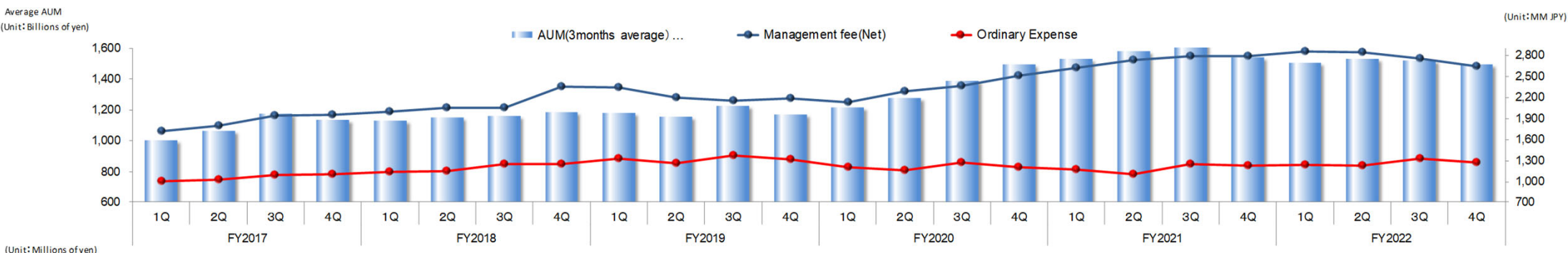
(Units : Millions of yen)	FY2017				FY2018				FY2019				FY2020				FY2021				FY2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Ordinary expenses	1,007	1,032	1,090	1,109	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322	1,203	1,158	1,276	1,211	1,177	1,108	1,251	1,225	1,237	1,228	1,332	1,272
Commissions paid & Bonuses	439	645	846	486	548	597	586	816	724	682	760	553	579	759	894	864	664	752	757	642	622	714	621	625
Operating and general administrative expenses	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	1,867	1,860	1,943	1,954	1,898



# Quarterly Base Earnings



Base earnings remained at a high level although ordinary expenses increased and management fees were decreased



(Unit : MM JPY)	FY2017				FY2018				FY2019				FY2020				FY2021				FY2022			
	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)	1,001.8	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	1,582.5	1,636.1	1,538.1	1,506.5	1,529.8	1,518.7	1,495.5
Management fee(Net)	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	2,789	2,785	2,850	2,837	2,751	2,638
Ordinary Expense	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	1,177	1,108	1,251	1,225	1,237	1,228	1,332	1,272
Base Earnings	706	763	855	844	860	907	792	1,098	1,013	936	782	858	925	1,132	1,086	1,300	1,443	1,617	1,537	1,560	1,612	1,608	1,419	1,365

(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 2023 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.

(Units: Millions of yen)

Cash and Cash Equivalent 22,028	Interest-Bearing Debt 9,343
Receivables etc. 3,201	Other Liabilities 3,984
Tangible&intangible Assets 1,000	Net Assets 26,010
Investment Securities 10,391	
Other Assets 2,717	
<b>Total Assets 39,337</b>	<b>Liabilities &amp; Net Assets 39,337</b>

Mostly seed money to funds that the Company manages

Equity Ratio

**66.1%**

# As of Mar. 2023 Consolidated Balance Sheet (2)



(Units: Millions of yen)	Mar. 2022	Mar. 2023	YoY change
<b>Current assets</b>	22,723	26,594	+3,870
Cash and cash equivalents	19,199	22,028	+2,828
Receivables	2,985	3,201	+215
<b>Fixed assets</b>	14,418	12,743	-1,675
Investment securities	12,155	10,391	-1,764
<b>Total assets</b>	37,141	39,337	+2,195
<b>Short-term loans payable</b>	2,000	2,000	-
Current portion of Corporate Bonds	-	343	+343
Current portion of Long-term loans payable	-	2,000	+2,000
Long-term loans payable	7,000	5,000	-2,000
<b>Payables</b>	2,249	2,581	+331
Provision for bonuses, ESOP	633	611	-21
<b>Total liabilities</b>	12,816	13,326	+509
<b>Common stock</b>	8,587	8,587	-
<b>Add'l paid-in-capital</b>	2,555	2,252	-302
<b>Retained earnings</b>	14,787	16,886	+2,098
<b>Treasury stock</b>	-3,685	-3,634	+51
<b>Total Shareholder's Equity</b>	22,244	24,091	+1,846
Valuation difference on AFS securities	889	672	-217
Foreign currency translation adjustment	1,188	1,245	+57
<b>Total net assets</b>	24,324	26,010	+1,685

Mainly increased due to redemption proceeds of redeeming seeding investments.

Decreased due to redemption of seed investments

Increased due to the issuance of digital bonds +JPY 1,000MM  
Its buy-back ▲JPY 657MM

Disposition loss related to disposition of treasury stock for director stock compensation system allotted to its trust account.

Payment of dividend : ▲JPY 2,422MM  
Profit attributable to owners of parent FY2022 : +JPY 4,521MM

Decreased due to disposition of treasury stock for director stock compensation system allotted to its trust account and payment of shares from ESOP trust account (JPY 353MM), acquisition of treasury stocks (▲JPY309MM).

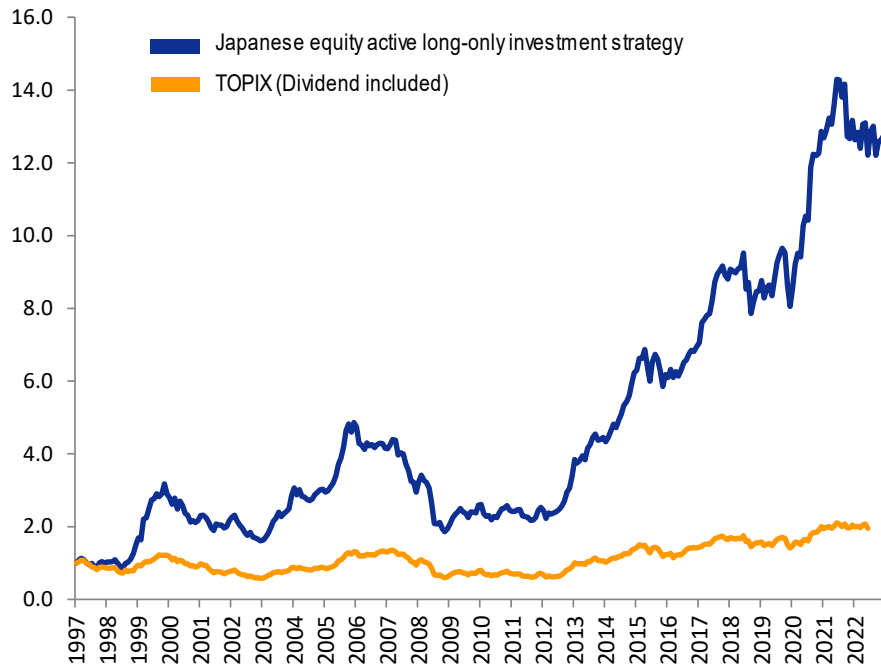
(Note1) Figures above are truncated.

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

# Primary Investment Strategies: Composite Returns Since Valuation Began ①



## Japanese Equity Active Long-Only investment strategy

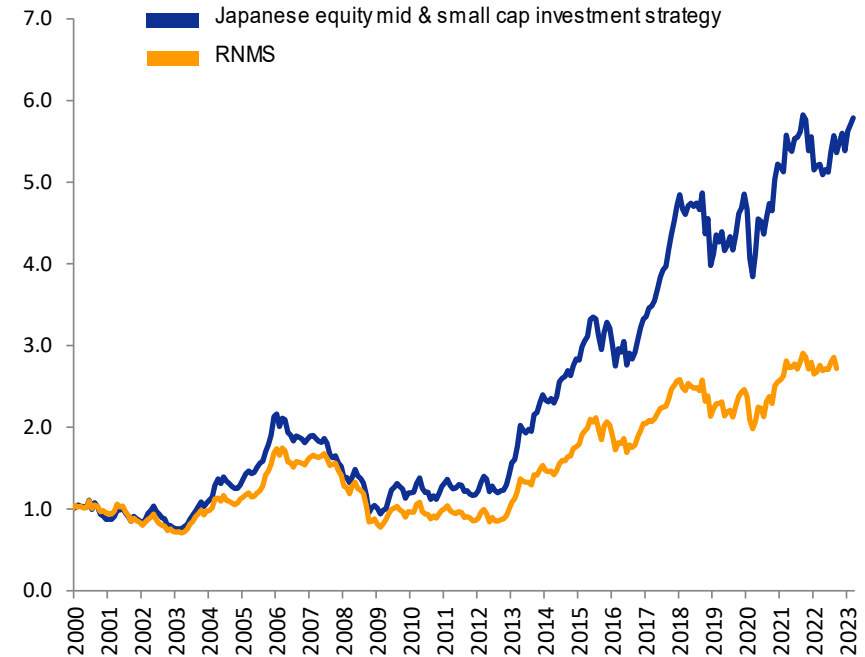


(Annualized Return)

Japanese equity active long-only investment strategy	10.32%
Reference Index	3.02%
Excess Return	7.30%

Reference Index	TOPIX (Dividend included)
Measurement Period	1997/5 ~2023/3
Volatility of Composite Return (Annualized)	19.88%

## Japanese Equity Mid & Small Cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	7.84%
Reference Index	4.79%
Excess Return	3.05%

Reference Index	Russell/Nomura Mid-Small Cap Index
Measurement Period	2000/1 ~2023/3
Volatility of Composite Return (Annualized)	17.37%

※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.

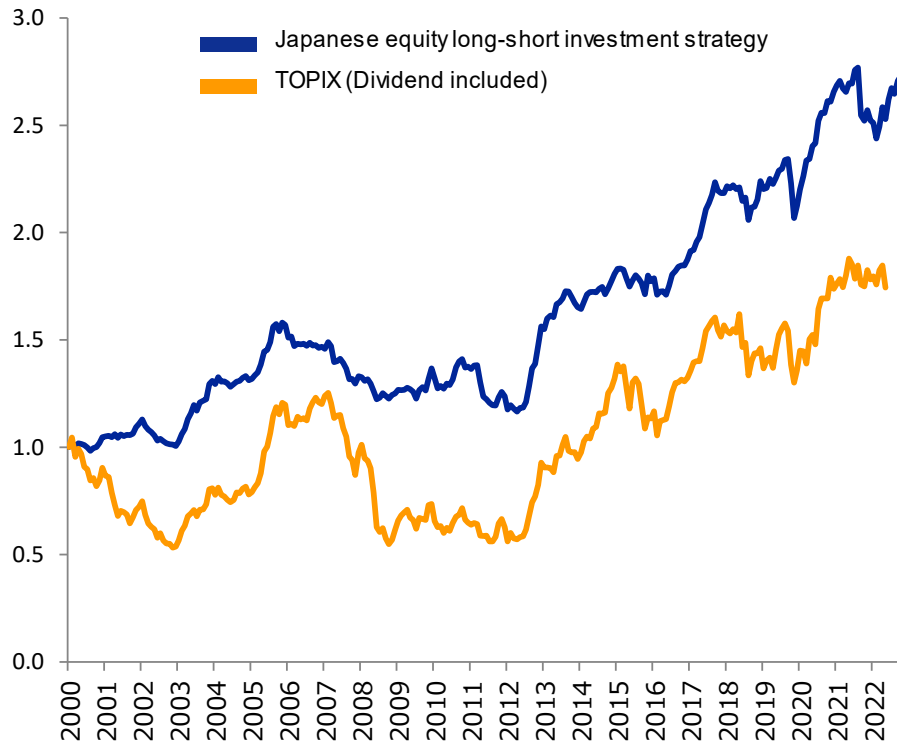
※Performance is in Japanese Yen and is shown gross of fees.

Source: SPARX Group (as of March 31, 2023)

# Primary Investment Strategies: Composite Returns Since Valuation Began ②



## Japanese Equity Long-Short investment strategy



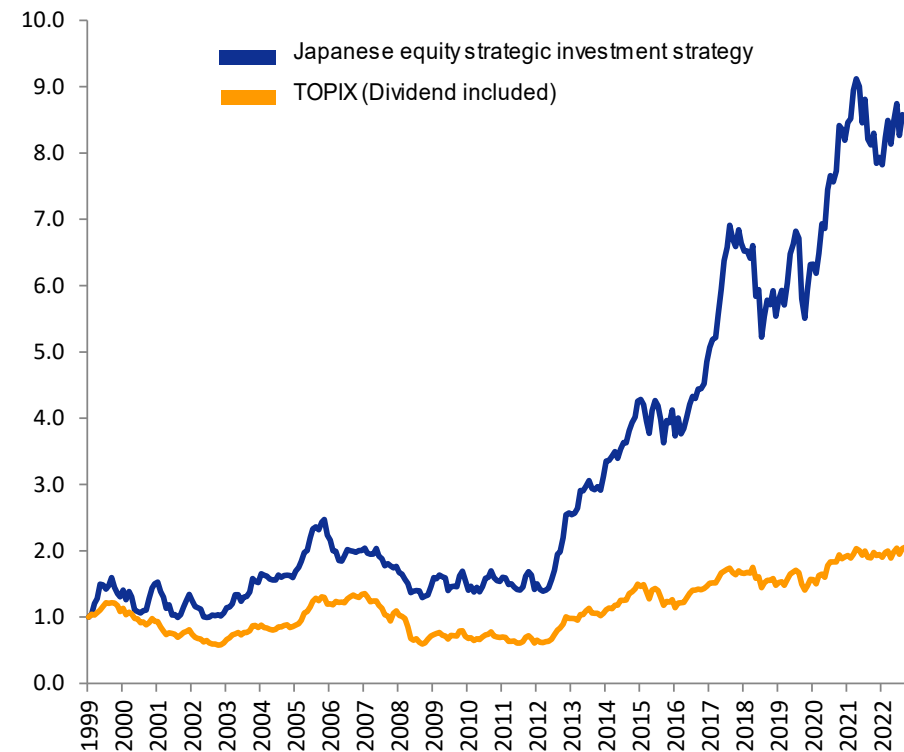
(Annualized Return)

Japanese equity long-short investment strategy	4.55%	Reference Index	TOPIX (Dividend included)
Reference Index	2.92%	Measurement Period	2000/6 ~2023/3
Excess Return	1.62%	Volatility of Composite Return (Annualized)	7.58%

※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	9.50%	Reference Index	TOPIX (Dividend included)
Reference Index	3.15%	Measurement Period	1999/7 ~2023/3
Excess Return	6.34%	Volatility of Composite Return (Annualized)	19.52%

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

Source: SPARX Group (as of March 31, 2023)



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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

Management fee: Up to 2.057% annually (after tax)

Performance fee (\*): Some investment trusts may require performance fees.

\*The amount of performance fees 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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