

**FY2023**

**1<sup>st</sup> Quarter Earnings Presentation  
(Apr. 2023 – Jun. 2023)**

July 31st, 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**

# FY2023 Q1 Performance

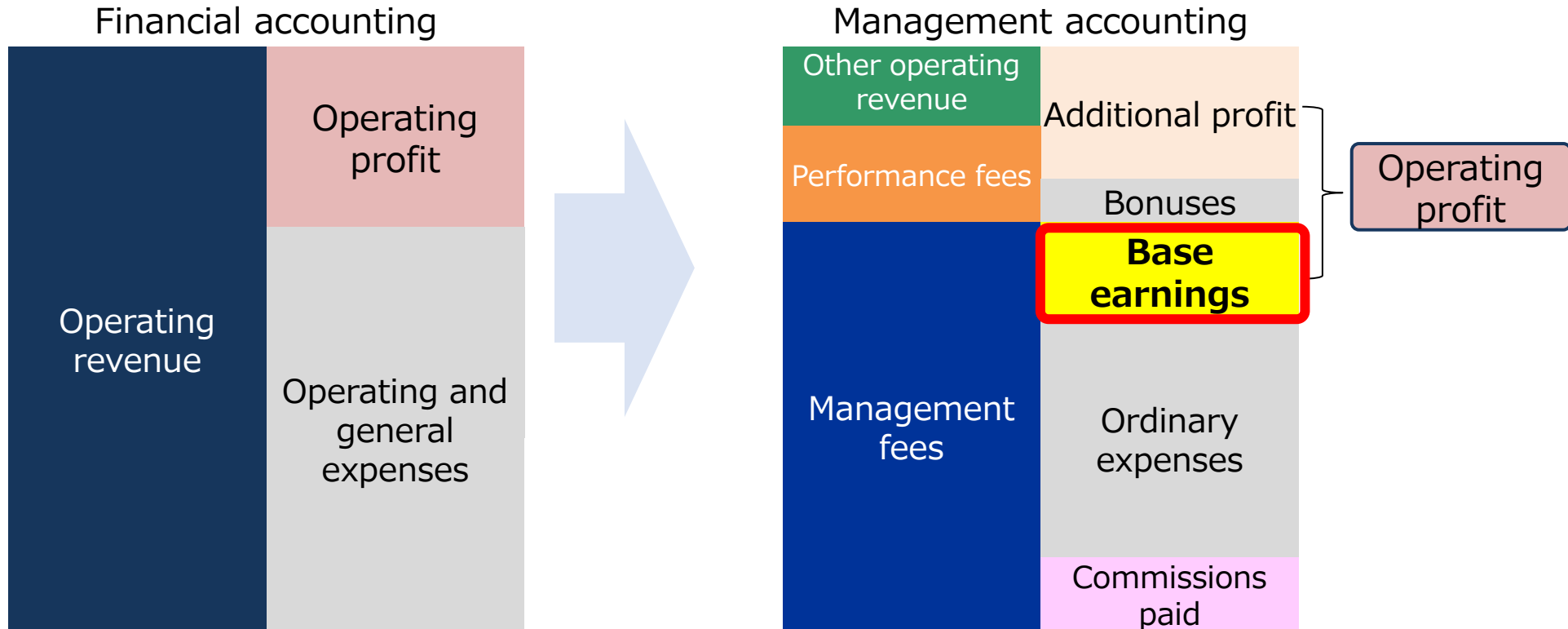
# About This Earnings Presentation

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 stable earning capacity.**



# Consolidated Earnings Summary (1) Performance



- Operating revenue increased by 11.2% mainly due to increase in performance fees.
- Operating profit has increased by 9.4% due to reasons stated above, although commission fees and personnel related expenses have increased due to increase of management fees related to publicly offered investment trusts.
- gain on sale of investment securities Net profit has increased by 88.7% due to the recognition of gain on sales of investment securities of 1.1 billion yen.
- Base Earnings has decreased by 6.0% due in part to increase in ordinary expenses.

(Unit:Millions of yen)	FY2022	FY2023	YoY change
	Q1	Q1	
<b>Operating revenue</b>	<b>3,362</b>	<b>3,739</b>	<b>+11.2%</b>
<b>Operating profit</b>	<b>1,502</b>	<b>1,643</b>	<b>+9.4%</b>
<b>Ordinary profit</b>	<b>1,569</b>	<b>1,783</b>	<b>+13.6%</b>
<b>Net profit</b>	<b>1,070</b>	<b>2,019</b>	<b>+88.7%</b>
<b>Base earnings</b>	<b>1,613</b>	<b>1,516</b>	<b>-6.0%</b>

(Note) See pages 4, 6, 33, and 38 for more on base earnings.

# Consolidated Earnings Summary (2) Performance



		FY2022		FY2023	
		Q1	Full Year	Q1	YoY change
<b>Average AUM</b>	(Billions of yen)	<b>1,506.5</b>	<b>1,512.6</b>	<b>1,591.2</b>	<b>+5.6%</b>
<b>Management fee rate</b>	(%)	<b>0.76%</b>	<b>0.73%</b>	<b>0.72%</b>	<b>-0.04</b>
(After deducting commissions)					
<b>Management fees</b>	(Millions of yen)	<b>2,850</b>	<b>11,077</b>	<b>2,845</b>	<b>-0.1%</b>
(After deducting commissions)					
<b>- Ordinary expenses</b>	(Millions of yen)	<b>1,236</b>	<b>5,071</b>	<b>1,329</b>	<b>+7.5%</b>
<b>Base earnings</b>	(Millions of yen)	<b>1,613</b>	<b>6,005</b>	<b>1,516</b>	<b>-6.0%</b>
<b>Performance fees</b>	(Millions of yen)	<b>55</b>	<b>364</b>	<b>360</b>	<b>+555.7%</b>
<b>Percentage of AUM eligible to earn performance fees</b>	(%)	<b>39.2%</b>	<b>37.9%</b>	<b>38.7%</b>	<b>-0.5</b>
<b>Other operating revenue</b>	(Millions of yen)	<b>55</b>	<b>260</b>	<b>37</b>	<b>-32.1%</b>
<b>- Bonuses</b>	(Millions of yen)	<b>218</b>	<b>913</b>	<b>267</b>	<b>+22.7%</b>
(including ESOP Expense)					
<b>Operating profit</b>	(Millions of yen)	<b>1,502</b>	<b>5,704</b>	<b>1,643</b>	<b>+9.4%</b>
<b>Profit attributable to owners of parent</b>	(Millions of yen)	<b>1,070</b>	<b>4,521</b>	<b>2,019</b>	<b>+88.7%</b>
<b>Return on equity (ROE)</b>	(%)	<b>18.1%</b>	<b>18.0%</b>	<b>30.3%</b>	<b>+12.3</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 (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 9.9% from last fiscal year-end mainly due to the effect of the rise in the stock market decline in the stock market.

(Unit: Billions of yen)	AUM			Average AUM (3months)		
	As of March, 2023	As of June, 2023	Change (%)	FY2022 Q1	FY2023 Q1	YoY change (%)
Japanese Equity	953.2	1,071.6	+12.4%	959.5	1,031.4	+7.5%
OneAsia	90.0	108.3	+20.3%	99.4	98.1	-1.3%
Real Assets	264.5	269.8	+2.0%	255.9	266.3	+4.1%
Private Equity(Mirai Creation, etc.)	193.3	199.4	+3.2%	191.6	195.3	+1.9%
Total	1,501.2	1,649.2	+9.9%	1,506.5	1,591.2	+5.6%

	As of June, 2022	As of March, 2023	As of June, 2023	YoY change
TOPIX	1,870	2,003	2,288	+22.3%
NIKKEI 225 (JPY)	26,393	28,041	33,189	+25.7%
KOSPI	2,332	2,476	2,564	+9.9%

\*See our "Notice of Month-End Assets Under Management" for details on SPARX's AUM as of June 30, 2023.

<https://ssl4.eir-parts.net/doc/8739/tdnet/2309843/00.pdf>

# Business Progress Report and Future Plans



## Japanese Equity

Launched a new fund for Japanese equity value creation investment strategy in May 2023. AUM has increased to 74.8 billion yen as of June-end 2023. For Japanese equity sustainable strategy, due to restructuring of the strategy, we received a large redemption.

## OneAsia

Increased AUM for Korean equity investment strategy due to favorable performance.

## Real Assets

In June 2023, AUM has increased by 5.2 billion yen due to the acquisition of a solar power plant (approx. 35MW) already in operation in the Brown Fund.

## Private Equity

For Space Frontier fund, one of the portfolio companies was listed in April 2023. Aiming at launching a new fund as the existing one 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)

**JPY1,071.6  
billion**

Japanese  
Equity

OneAsia

**JPY108.3  
billion**

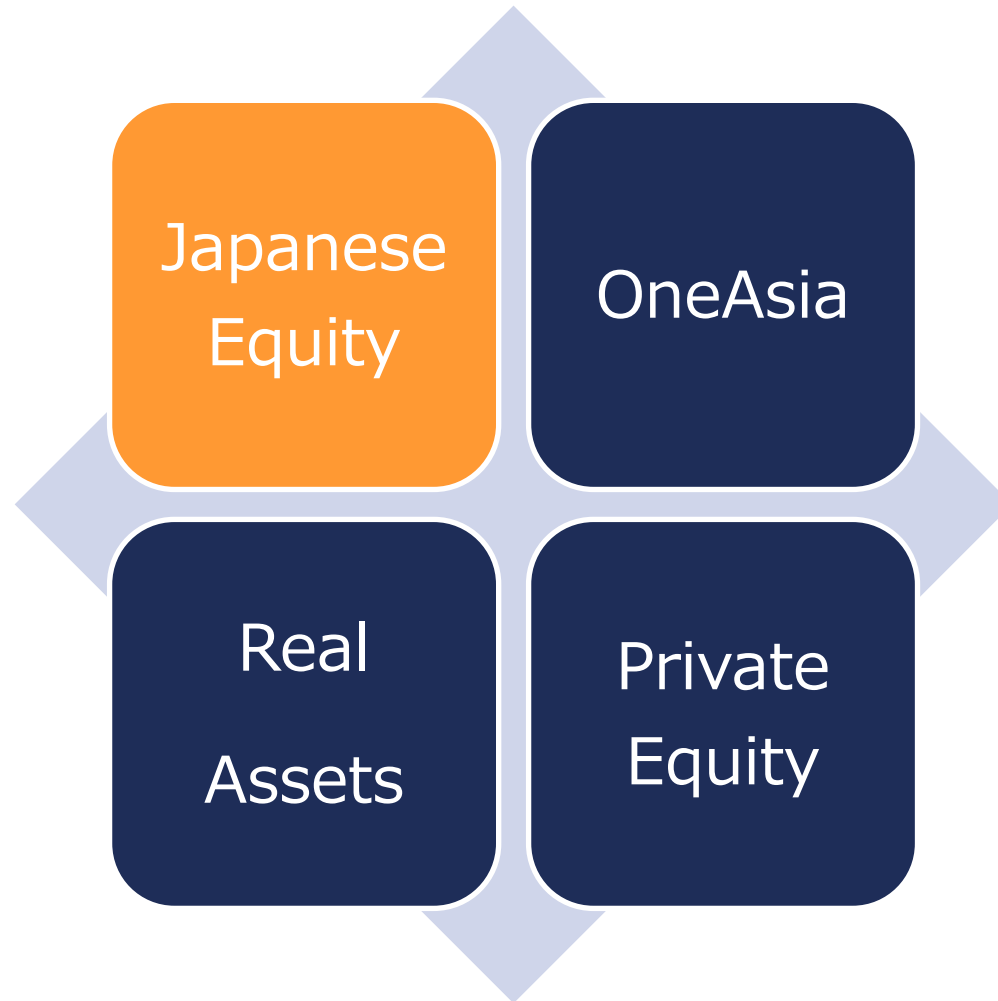
**JPY269.8  
billion**

Real  
Assets

Private  
Equity

**JPY199.4  
billion**

# (1) Japanese Equity Investment Strategy (AUM of JPY 1,071.6 billion as of June 30, 2023)



# Japanese Equity Investment Strategy: Status of AUM



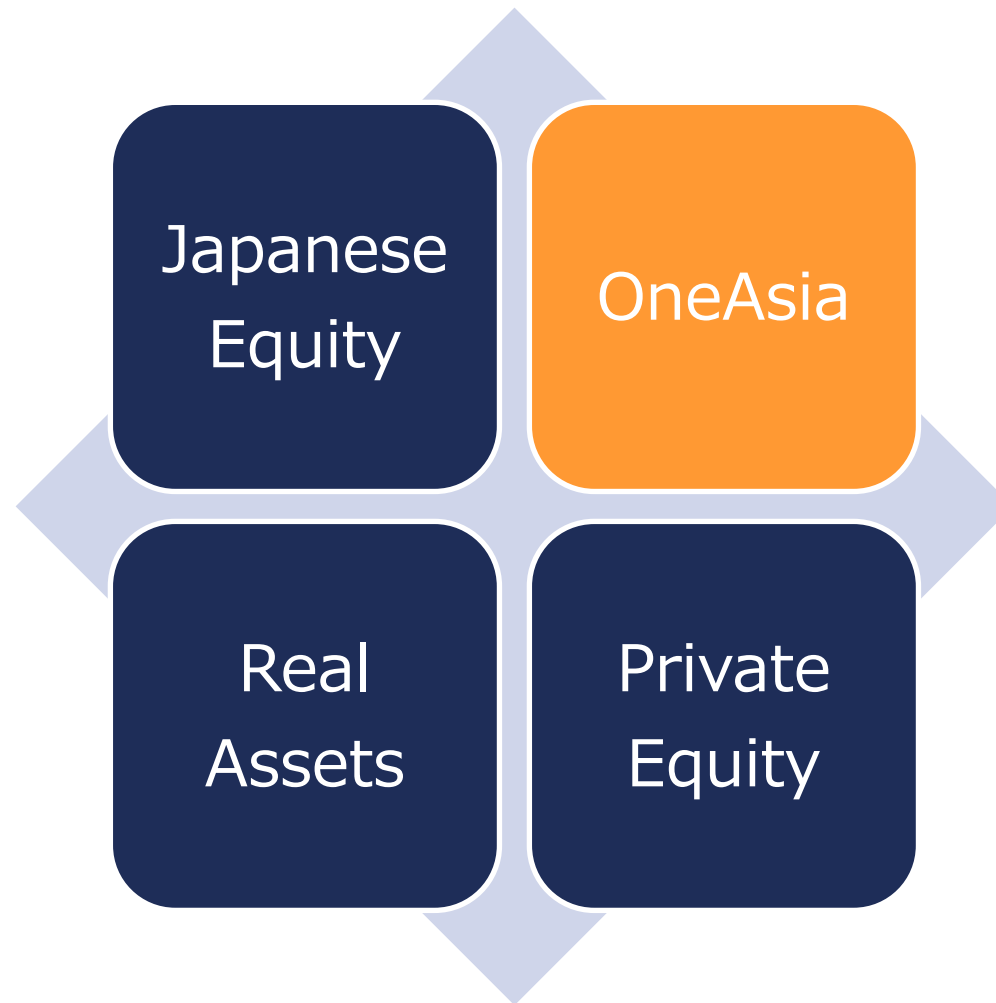
- Market value of each strategy has increased compared to previous fiscal year-end mainly due to the impact of the stock market and increase in fair value.
- For Japanese equity value creation investment strategy, a new fund was launched in May 2023, which contributed a strong inflow of capital resulting in a significant increase in AUM.
- For Japanese equity sustainable strategy, due to restructuring of the strategy, we received a large redemption. (this strategy is included in Japanese Equity Focus All Cap strategy below)

(Units : Billions of yen)	AUM			
	Mar. 2023	Jun. 2023	Change	Change (%)
Japanese Equity Long-Short Strategy	75.4	88.3	+12.8	+17.1%
Japanese Equity Focus All Cap Strategy	617.0	626.7	+9.7	+1.6%
Japanese Equity Mid & Small Cap Strategy	239.0	260.8	+21.8	+9.1%
Japanese Equity Market Neutral Strategy	19.1	17.9	-1.1	-5.9%
Japanese Equity Value Creation Strategy	2.5	77.6	+75.0	+2892.7%
<b>Total</b>	<b>953.2</b>	<b>1,071.6</b>	<b>+118.3</b>	<b>+12.4%</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. The above figure for Japanese equity focus all cap strategy at the end of March-end 2023 includes 110.4 billion yen of AUM under Japanese equity sustainable strategy.
- Japanese Equity Value Creation Strategy : Strategy to increase the value of invested companies through active dialogue with managements.

## (2) OneAsia Equity Investment Strategy (AUM of JPY 108.3 billion as of June 30, 2023)



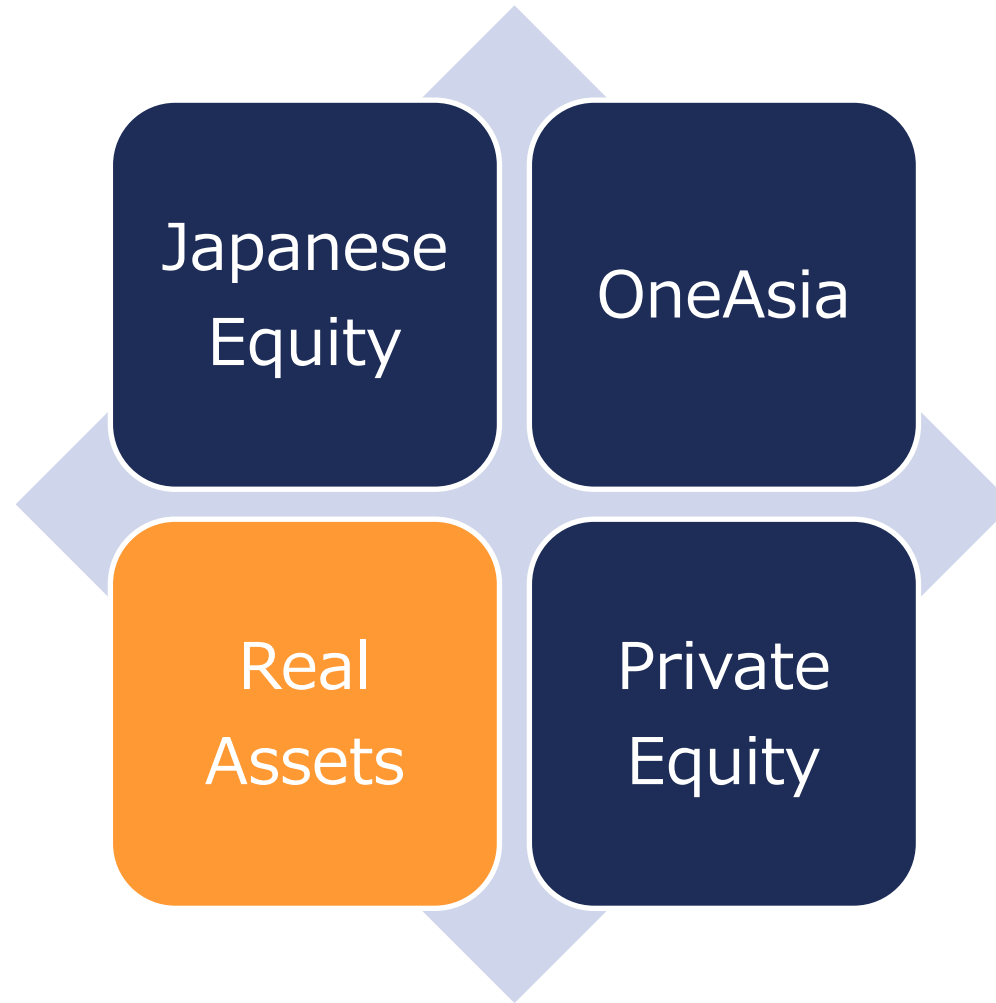
# OneAsia Equity Investment Strategy: Status of AUM



Increased AUM in South Korea due to favorable investment performance.

(Units : Billions of yen)	AUM			
	Mar. 2023	Jun. 2023	Change	Change (%)
South Korea	84.5	102.5	+18.0	+21.3%
Pan-Asia	5.5	5.8	+0.2	+4.7%
Total	90.0	108.3	+18.2	+20.3%

# (3) Real Asset Investment Strategy (AUM of JPY269.8 billion as of June 30, 2023)



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

## Assets under management

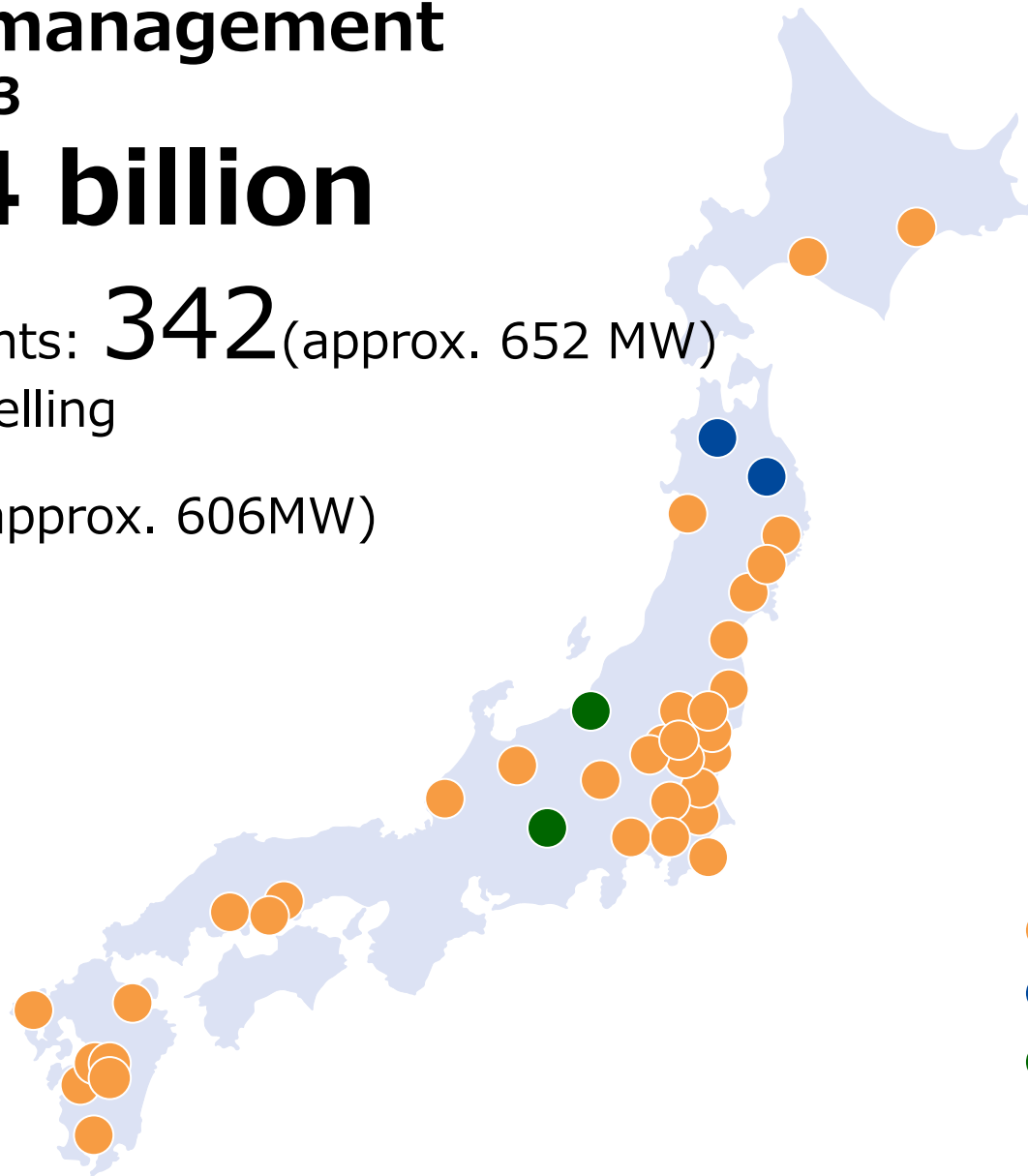
As of June 30, 2023

# JPY 264.4 billion

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

Number of stations selling

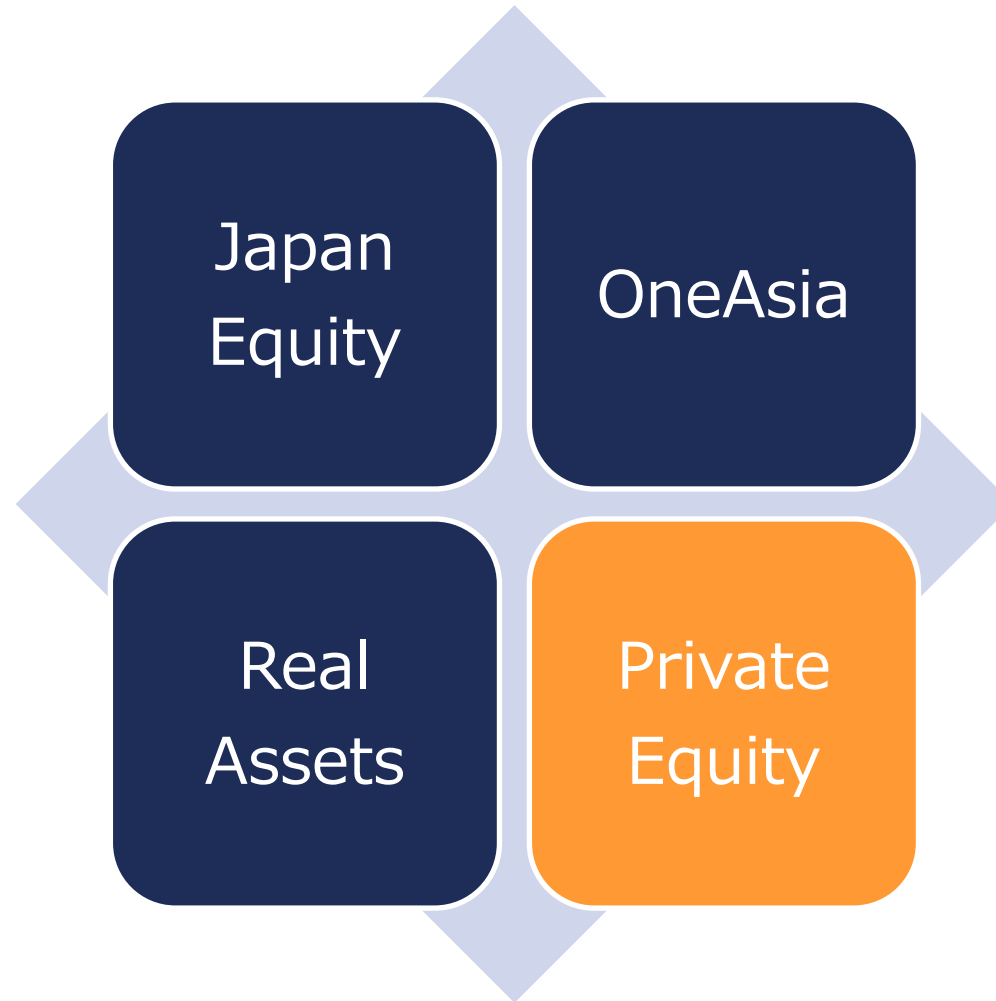
electricity: **341** (approx. 606MW)



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



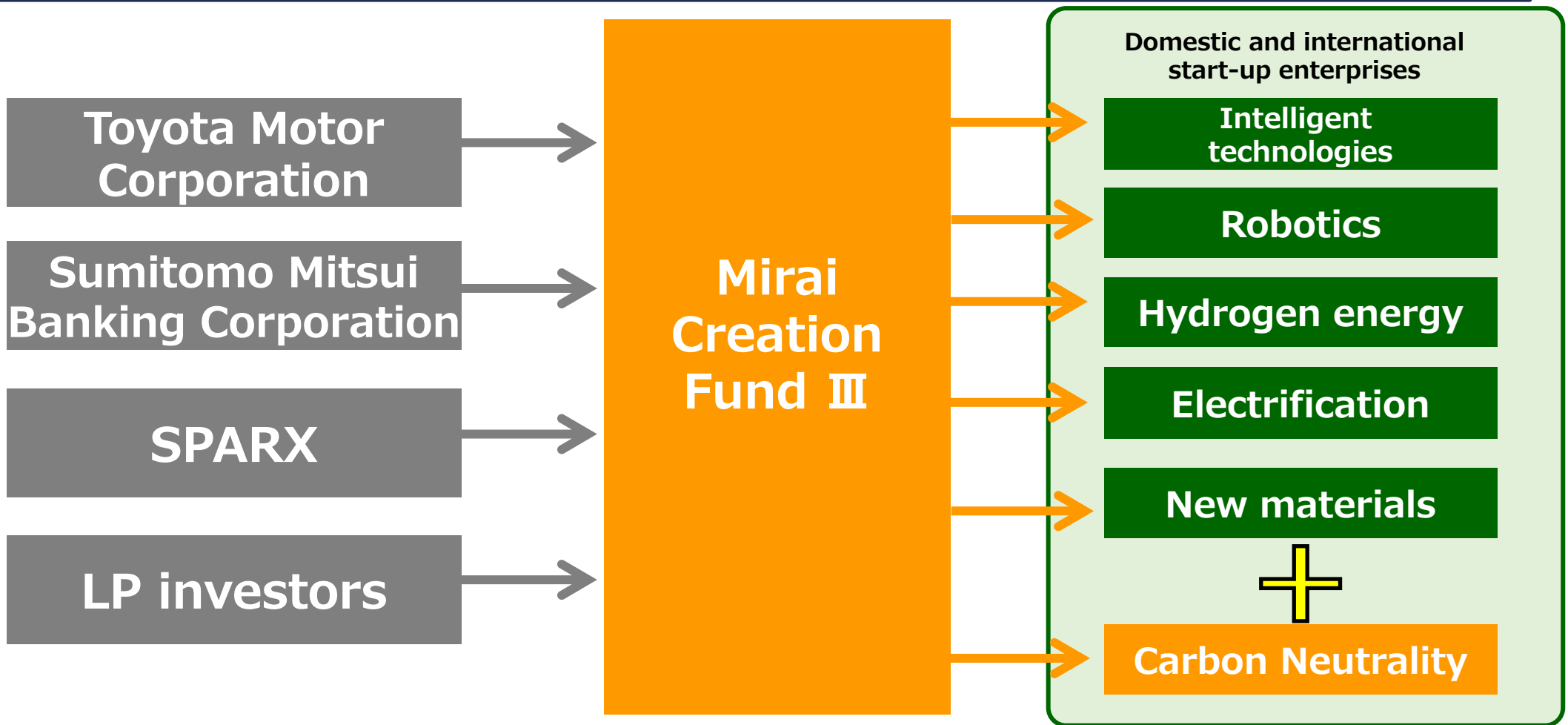
# (4) Private Equity Investment Strategy (AUM of JPY199.4 billion as of June 30, 2023)



(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 has decreased.

## 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 June-end 2023.



## Examples of recent IPOs during this 1Q

(Mirai Creation Fund II)  
■ Ridge-i Inc. (listed in April 2023)

(Space Frontier Fund)  
■ ispace, 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) Some funds in this strategy are making distributions, and we expect that performance fees will be realized sometime in FY2023 to FY2024.

# Pilot Project Started to Create a Supply Chain for Renewable Hydrogen



## Notice on Pilot Project Started in Tomakomai, Hokkaido to Create a Supply Chain for Renewable Hydrogen

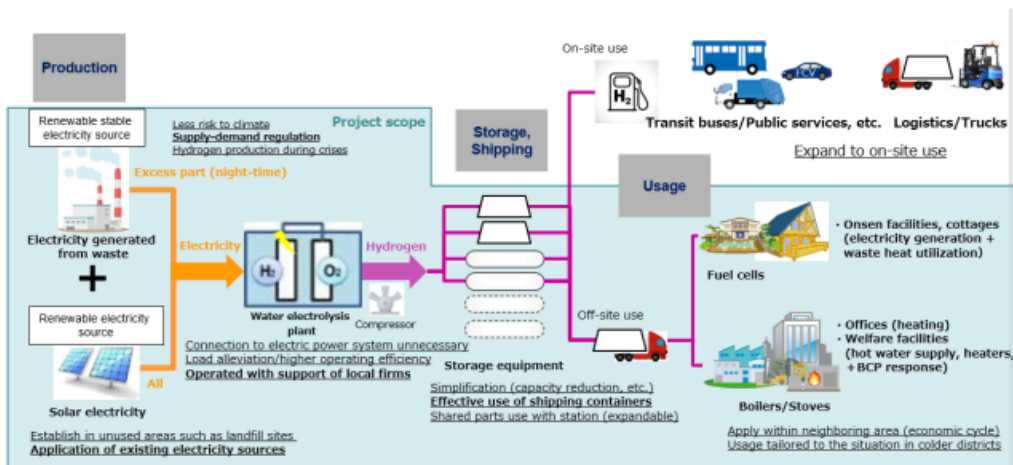
Selected as Ministry of the Environment's "FY2023 model pilot project for lower cost hydrogen supply using existing infrastructure"

Through its subsidiary SPARX Green Energy & Technology Co., Ltd. ("SGET"), SPARX Group Co., Ltd. is undertaking a pilot project to create a hydrogen supply chain encompassing all steps from production, through storage and shipping, to utilization. SGET's proposal to "position Hokkaido as a hydrogen oriented island by creating a supply chain for large scale renewable hydrogen that is independent of electricity power systems" was selected as the Ministry of the Environment's "FY2023 model pilot project for lower cost hydrogen supply using existing infrastructure" and will be implemented from this financial year.

The pilot project plans to create a system capable of the sustained production and supply of up to 1,000,000 Nm<sup>3</sup> renewable hydrogen per year by combining electricity generated from waste at Tomakomai City's Numanohata Clean Center with solar power generation in the same area. By directly supplying the self-generated electricity to the water electrolysis plant, the need to install new renewable energy generating plants—a major problem for the electricity supply system—can be eliminated. At the same time, the effective utilization of the surplus electricity generated overnight at the waste-to-energy plant will allow costs to be reduced and the use of hydrogen in the local region is expected to contribute to the creation of demand and a favorable economic cycle.

By transporting hydrogen in high pressure trailer to the city owned Auto Resort Tomakomai Arten and neighborhood businesses (Hokkaido Soda Co., Ltd., Toyota Motor Hokkaido, Inc.), for use in fuel cell batteries (for electricity generation and waste heat utilization), boilers and stoves (for indoor heating and hot water supply), we want to also help reduce the usage of kerosene, a fuel used widely in colder regions.

### < Project Embodiment and Distribution of Roles >

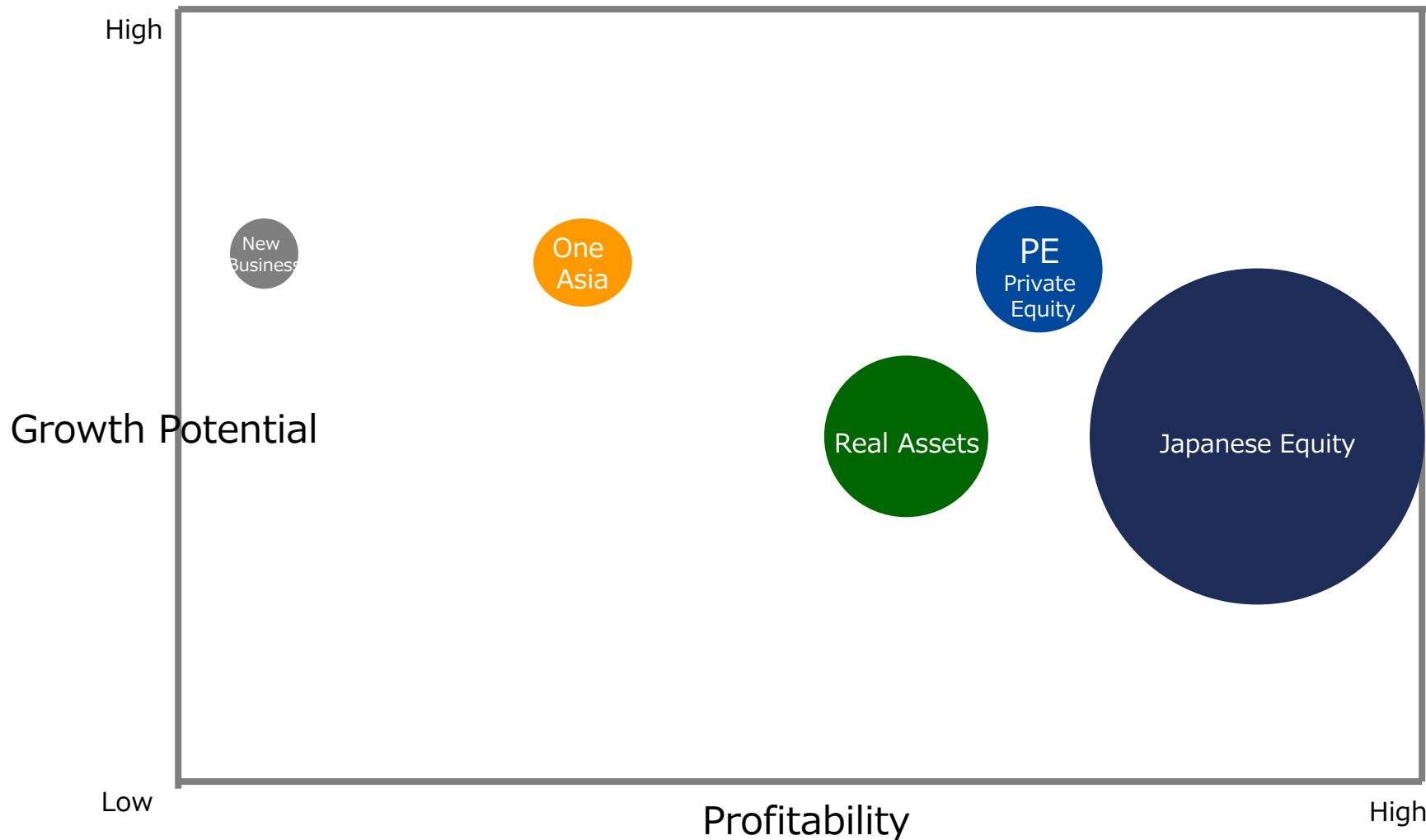


In the future, we will expand the use of renewable hydrogen nationwide by utilizing electricity generating facilities in which funds managed by our group companies are invested but which are no longer part of Japan's FIT scheme.

We will continue to look for potential new ways to exploit hydrogen.

**Other**

# About Business Portfolio

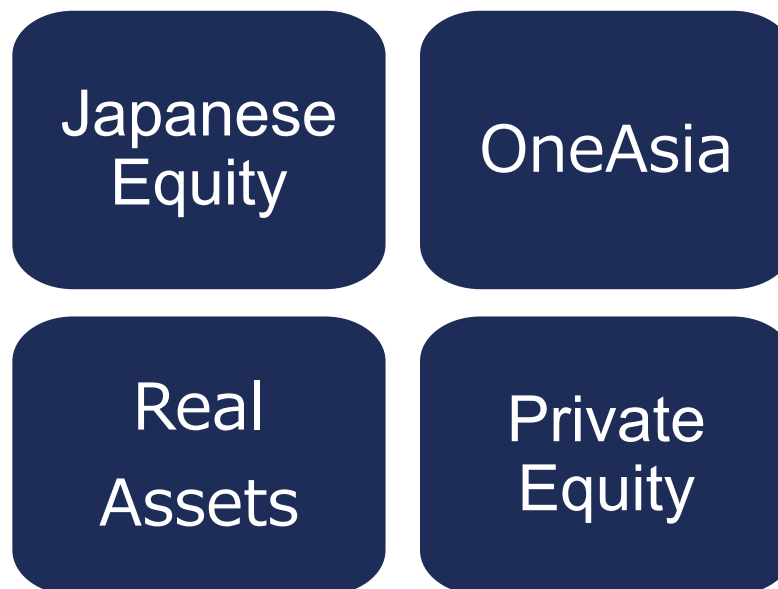


**Develop business areas that has high growth potential in the future, and allocate management resources to increase profitability while increasing the pie chart (AUM).**

**Improve ROE**

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

## < Four Pillars >



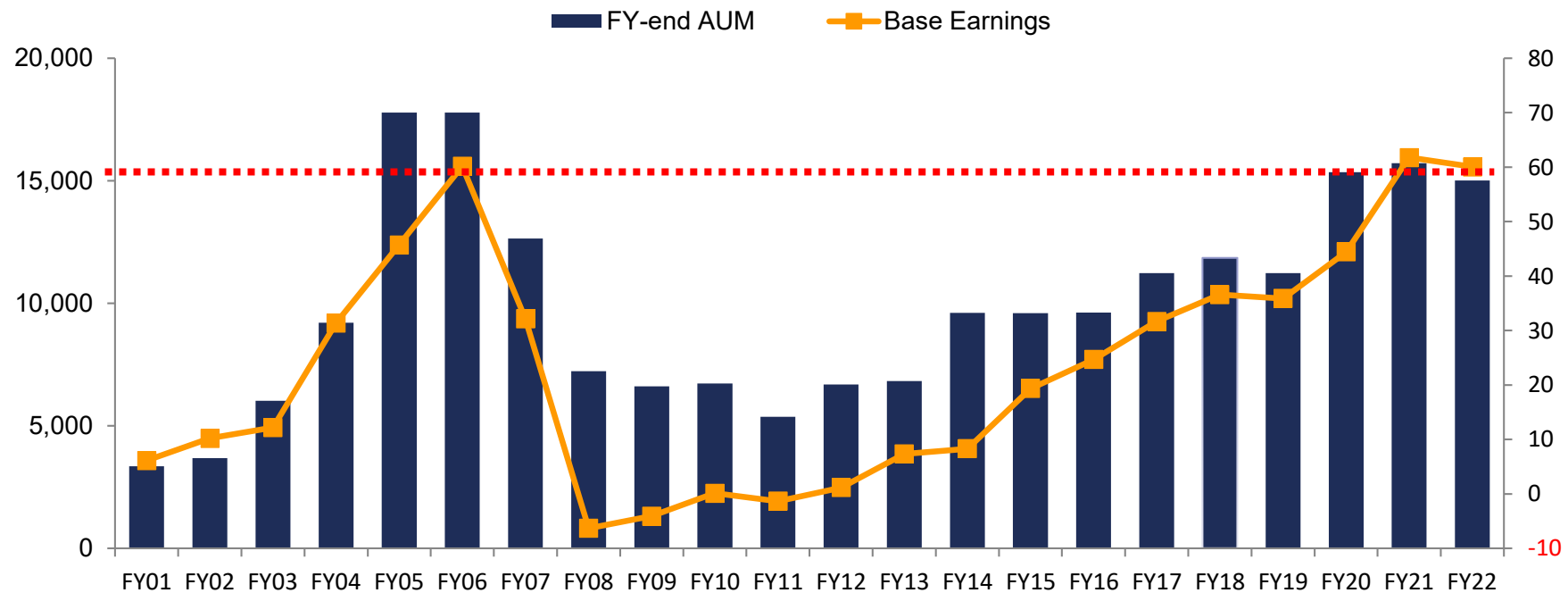
Aiming to increase the AUM for these four pillars to **3 trillion yen** by March 2026

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



AUM at fiscal year-end  
(100MM JPY)

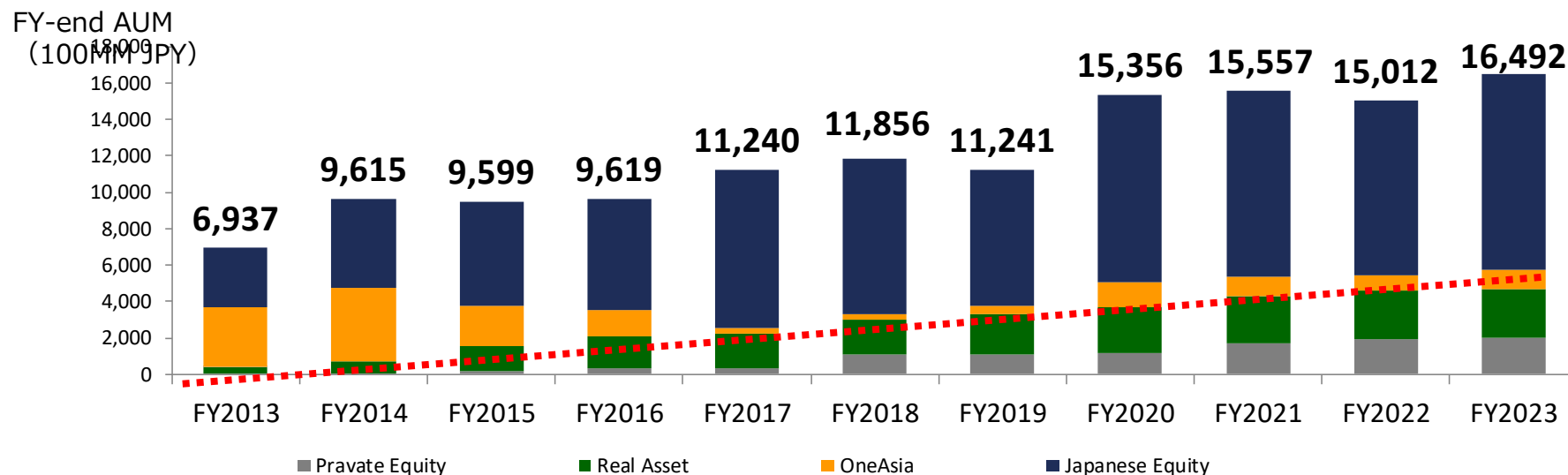
Base Earnings  
(100MM JPY)



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	FY2023
Japanese Equity	3,274	4,884	5,748	6,070	8,669	8,512	7,444	10,302	10,210	9,532	10,716
OneAsia	3,276	4,001	2,208	1,485	295	368	522	1,343	1,050	900	1,083
Real Asset	382	725	1,315	1,694	1,906	1,861	2,143	2,552	2,564	2,645	2,698
Private Equity	0	0	216	365	367	1,113	1,132	1,157	1,731	1,933	1,994
<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>	<b>16,492</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>■ 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

<https://www.sparxgroup.com/sustainability/materiality.html>

■ Sustainability Policy

<https://www.sparxgroup.com/sustainability/policy.html>

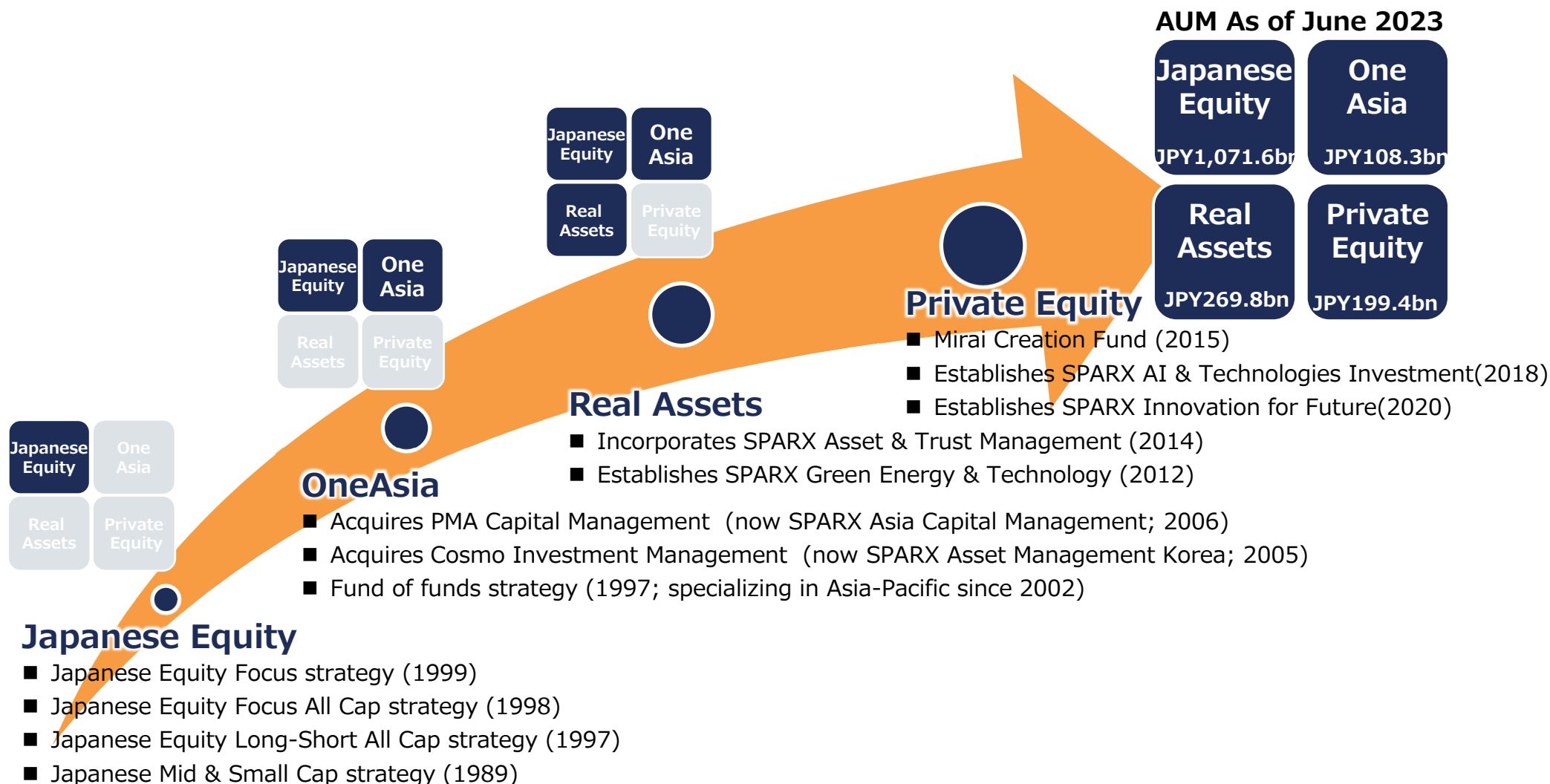
■ Commitment to TCFD Recommendations (March 31, 2023)

<https://www.sparxgroup.com/sustainability/tcf.html>

# [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>

# Company Profile



<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 June 30, 2023)
<b>Employees</b>	<b>172</b> (as of June 30, 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

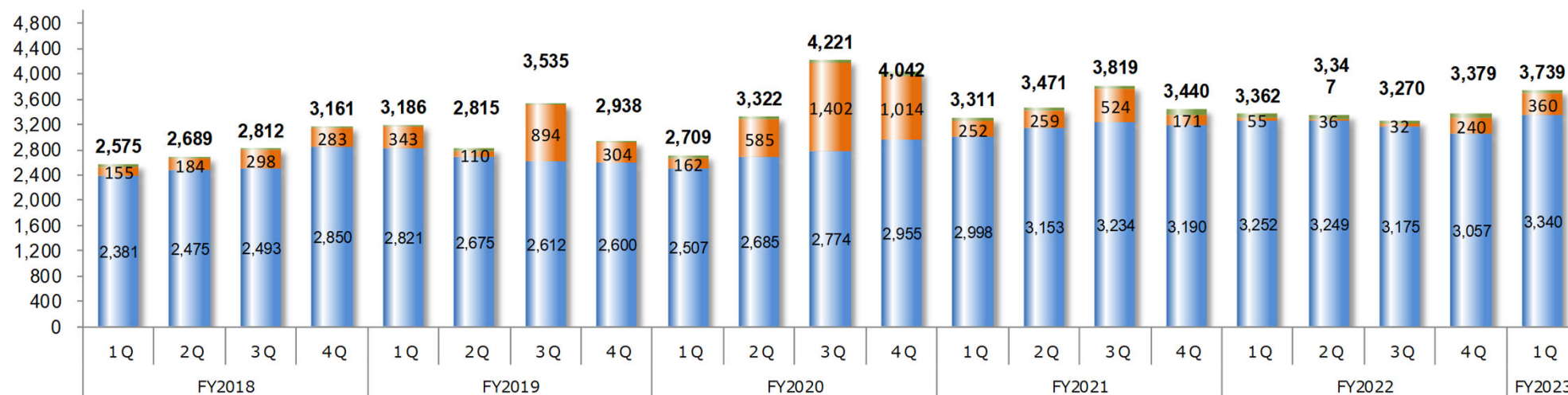
# Quarterly Trends in Operating Revenue



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

(Millions of yen)

Management Fee Performance Fee Other operating revenue

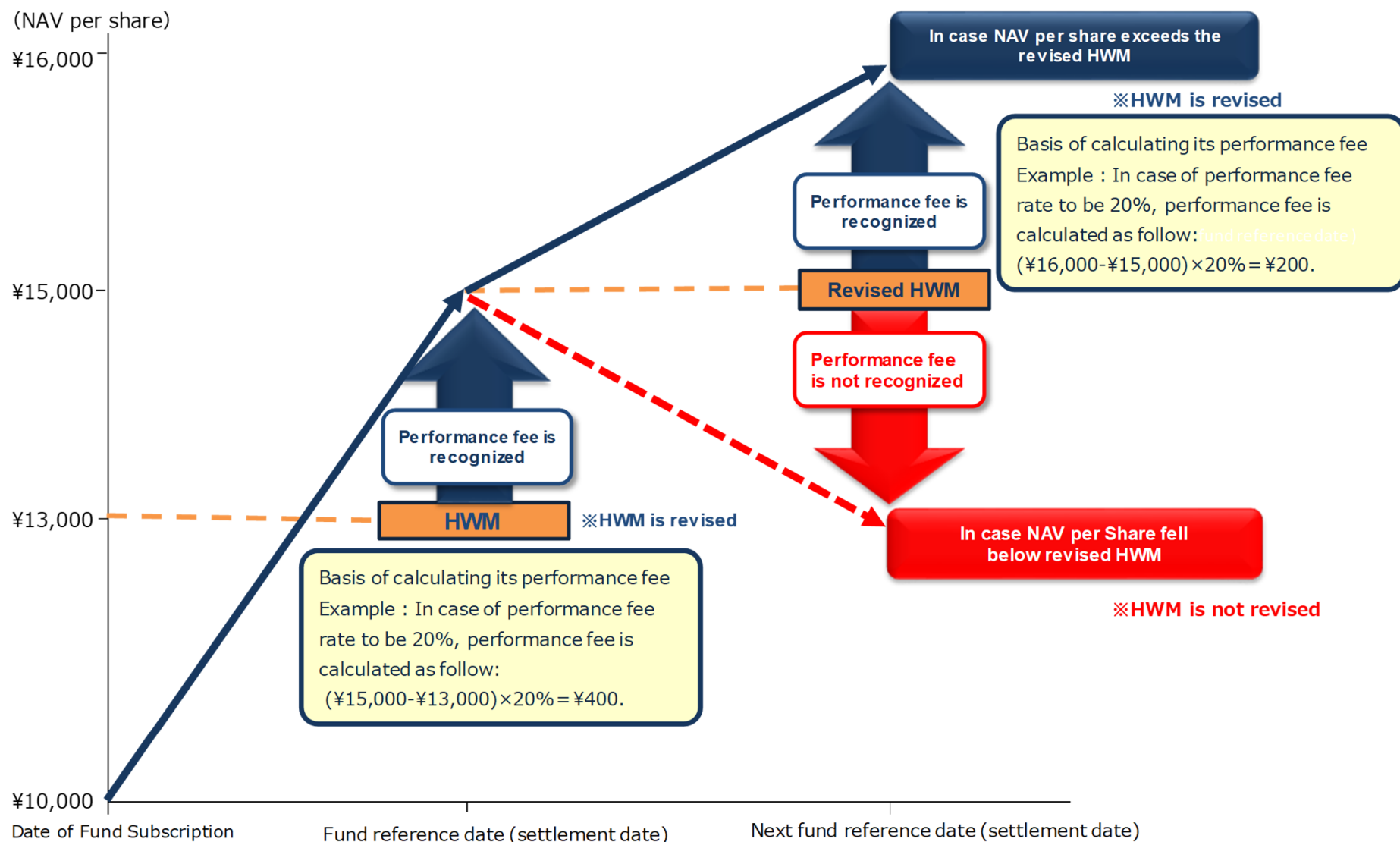


(Millions of yen)	FY2018				FY2019				FY2020				FY2021				FY2022				FY2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Management Fees	2,381	2,475	2,493	2,850	2,821	2,675	2,612	2,600	2,507	2,685	2,774	2,955	2,998	3,153	3,234	3,190	3,252	3,249	3,175	3,057	3,340
Performance Fees	155	184	298	283	343	110	894	304	162	585	1,402	1,014	252	259	524	171	55	36	32	240	360
Other operating revenue	38	28	20	27	22	29	28	33	39	51	43	72	59	59	60	78	55	61	62	81	37
<b>Operating Revenue</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>	<b>3,739</b>

(Reference)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Average AUM (Billions of yen) (3months average)	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	1,591.2
Management fee rate (3months average) (After deducting commissions)	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%	0.72%
Percentage of AUM eligible to earn performance fees	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%	38.7%
NIKKEI stock average (Record date)	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	33,189

# 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



- Commission fee expenses increased due to a increase in AUM for publicly offered investment trusts.
- Ordinary expenses has increased due to increase in travel and personnel-related expenses.

(Units: Millions of yen)	FY2022		FY2023	
	Q1	Full Year	Q1	YoY change
Commissions paid	405	1,671	498	+23.0%
Personnel exp.	752	3,084	830	+10.4%
Travel exp.	26	180	61	+133.3%
Property rent	59	240	60	+0.7%
Entrusted business expenses	286	1,162	247	-13.6%
Depreciation on fixed assets	44	180	54	+22.2%
Advertising exp.	42	162	53	+26.7%
Research exp.	87	368	95	+8.7%
Other expenses	155	606	193	+24.5%
<b>Total: Operating and general administrative expenses</b>	<b>1,860</b>	<b>7,656</b>	<b>2,095</b>	<b>+12.6%</b>
<b>Ordinary expenses</b>	<b>1,236</b>	<b>5,071</b>	<b>1,329</b>	<b>+7.5%</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.

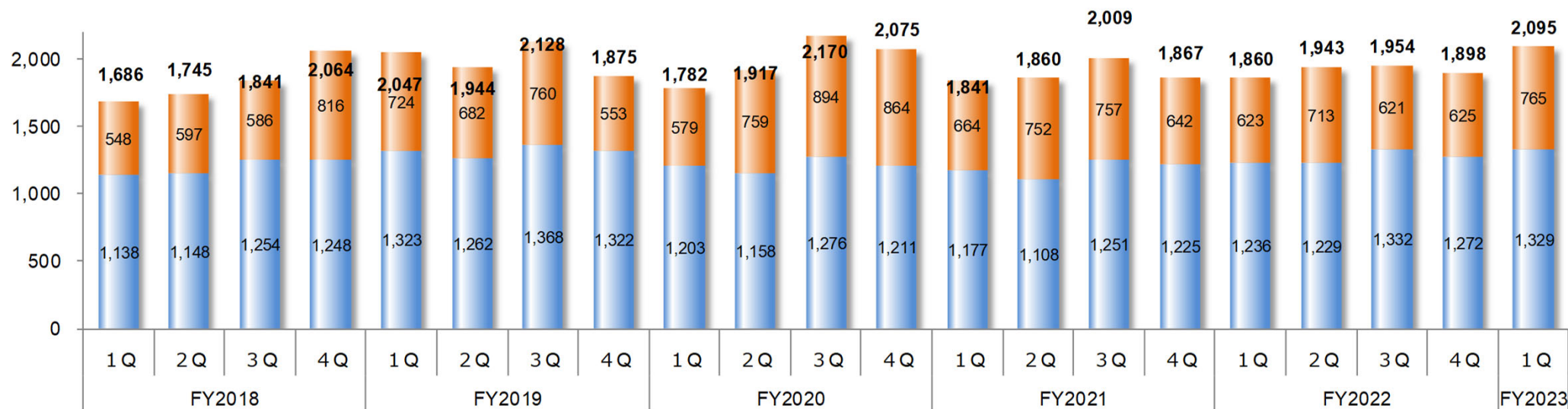
# Quarterly Operating and General Administrative Expenses



Cost-control taken continuously and cautiously considering the recent increase in ordinary expenses which was mainly due to increase in travel and personnel related expenses .

(Units: Millions of yen)

■ Ordinary expense ■ Commissions paid & Bonus



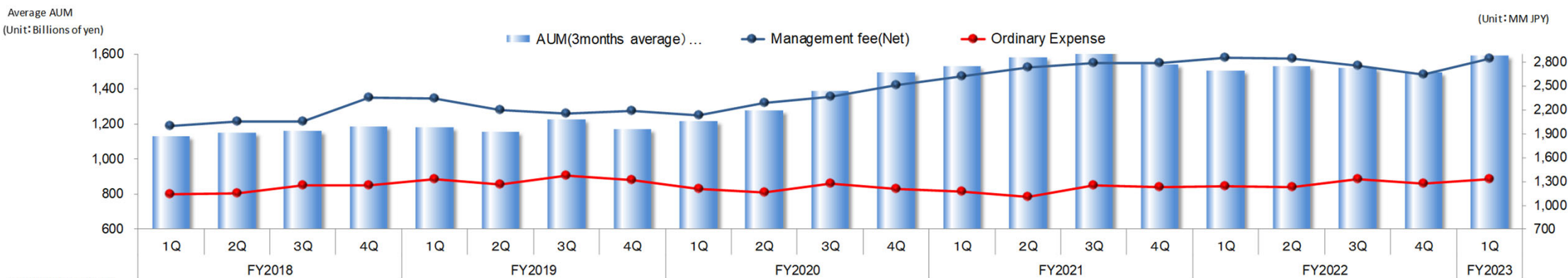
(Units : Millions of yen)	FY2018				FY2019				FY2020				FY2021				FY2022				FY2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Ordinary expenses	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322	1,203	1,158	1,276	1,211	1,177	1,108	1,251	1,225	1,236	1,229	1,332	1,272	1,329
Commissions paid & Bonuses	548	597	586	816	724	682	760	553	579	759	894	864	664	752	757	642	623	713	621	625	765
<b>Operating and general administrative expenses</b>	<b>1,686</b>	<b>1,745</b>	<b>1,841</b>	<b>2,064</b>	<b>2,047</b>	<b>1,944</b>	<b>2,128</b>	<b>1,875</b>	<b>1,782</b>	<b>1,917</b>	<b>2,170</b>	<b>2,075</b>	<b>1,841</b>	<b>1,860</b>	<b>2,009</b>	<b>1,867</b>	<b>1,860</b>	<b>1,943</b>	<b>1,954</b>	<b>1,898</b>	<b>2,095</b>



# Quarterly Base Earnings



Base earnings has decreased compared to the same period of the previous fiscal year due to the impact of an increase in ordinary expenses



(Unit : MM JPY)	FY2018				FY2019				FY2020				FY2021				FY2022				FY2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
AUM(3months average) (Unit: Billions of yen)	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	1,591.2
Management fee(Net)	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	2,845
Ordinary Expense	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	1,236	1,229	1,332	1,272	1,329
Base Earnings	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	1,613	1,607	1,419	1,365	1,516

(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 June 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.

Mostly seed money to funds that the Company manages

(Units: Millions of yen)

Cash and Cash Equivalent	18,797	Interest-Bearing Debt	9,000
Receivables etc.	4,670	Other Liabilities	5,034
Tangible&intangible Assets	975	Net Assets	27,231
Investment Securities	12,674		
Other Assets	2,509		
<b>Total Assets</b>	<b>41,265</b>	<b>Liabilities &amp; Net Assets</b>	<b>41,265</b>

Equity Ratio

**66.0%**

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



(Units: Millions of yen)	Mar. 2023	Jun. 2023	YoY change
<b>Current assets</b>	26,594	27,113	+518
Cash and cash equivalents	22,028	20,437	-1,591
Receivables	3,201	4,670	+1,468
<b>Fixed assets</b>	12,743	14,152	+1,409
Investment securities	10,391	12,674	+2,282
<b>Total assets</b>	39,337	41,265	+1,928
Short-term loans payable	2,000	2,000	-
Current portion of Corporate Bonds	343	0	-343
Current portion of Long-term loans payable	2,000	2,000	-
Long-term loans payable	5,000	5,000	-
Payables	2,581	1,658	-922
Provision for bonuses, ESOP	611	775	+163
<b>Total liabilities</b>	13,326	14,034	+707
Common stock	8,587	8,587	-
Add'l paid-in-capital	2,252	2,252	-
Retained earnings	16,886	16,460	-426
Treasury stock	-3,634	-3,544	+90
<b>Total Shareholder's Equity</b>	24,091	23,756	-335
Valuation difference on AFS securities	672	2,113	+1,441
Foreign currency translation adjustment	1,245	1,360	+114
<b>Total net assets</b>	26,010	27,231	+1,220

Decreased mainly due to the payment of dividends and bonuses, etc.

Increased due to seed investments and increase in market value

Decreased due to the redemption of digital bonds with maturity

Decreased mainly due to payment of bonuses

Payment of dividend : ▲JPY 2,445MM  
Profit attributable to owners of parent FY2023Q1 : +JPY 2,019MM

Increased primarily due to the IPO of unlisted investment security holdings which resulted in the reevaluation of these share to market prices

(Note1) Figures above are truncated.

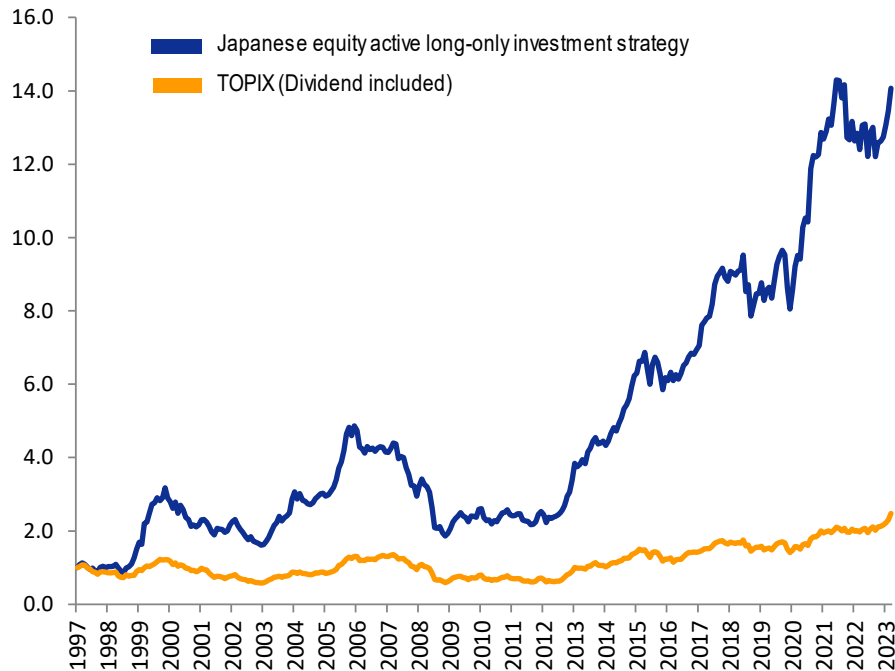
(Note2) Investment securities include the seed money of the Company funds.



# Primary Investment Strategies: Composite Returns Since Valuation Began ①



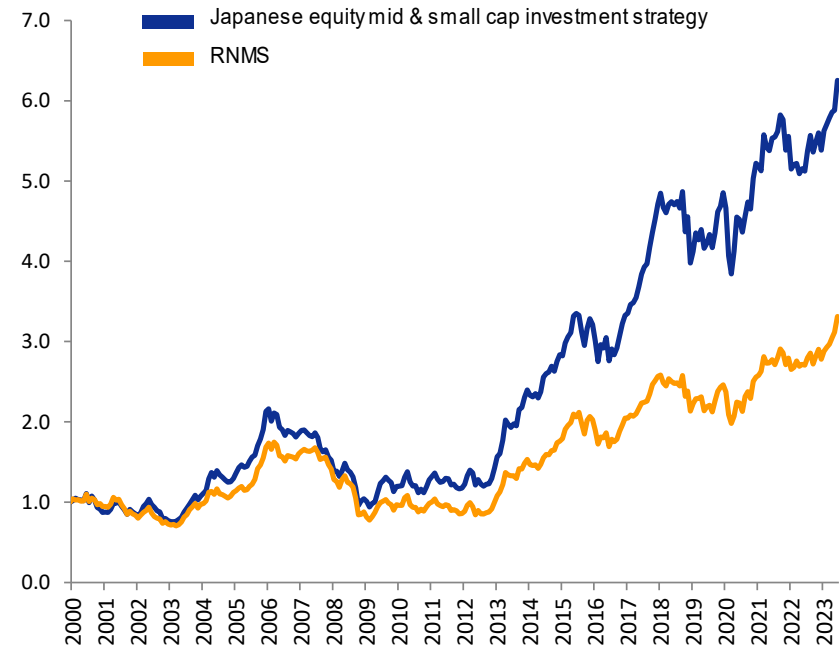
## Japanese Equity Active Long-Only investment strategy



(Annualized Return)

Japanese equity active long-only investment strategy	10.63%	Reference Index	TOPIX (Dividend included)
Reference Index	3.52%	Measurement Period	1997/5 ~2023/6
Excess Return	7.11%	Volatility of Composite Return (Annualized)	19.80%

## 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	5.23%	Measurement Period	2000/1 ~2023/6
Excess Return	2.89%	Volatility of Composite Return (Annualized)	17.32%

※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.

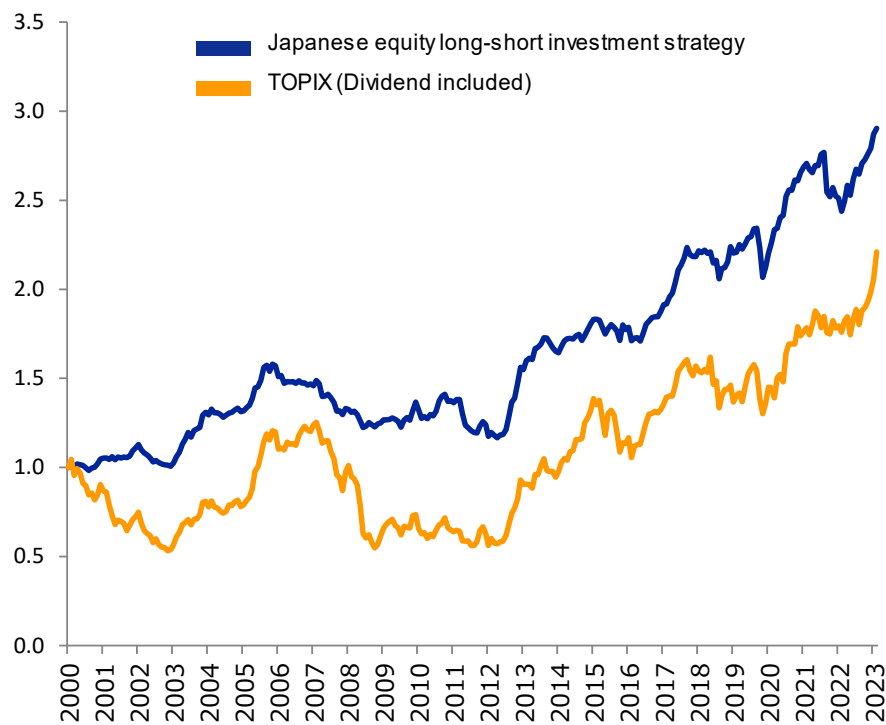
※Performance is in Japanese Yen and is shown gross of fees.

Source: SPARX Group (as of June 30, 2023)

# Primary Investment Strategies: Composite Returns Since Valuation Began ②



## Japanese Equity Long-Short investment strategy



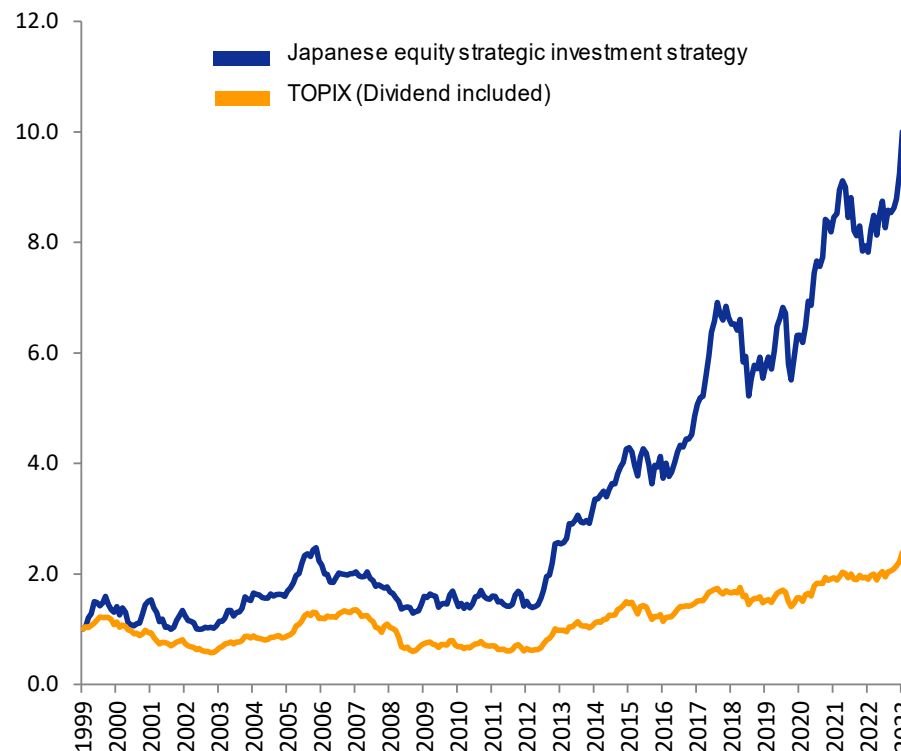
(Annualized Return)

Japanese equity long-short investment strategy	4.73%	Reference Index	TOPIX (Dividend included)
Reference Index	3.50%	Measurement Period	2000/6 ~2023/6
Excess Return	1.23%	Volatility of Composite Return (Annualized)	7.56%

※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	10.07%	Reference Index	TOPIX (Dividend included)
Reference Index	3.70%	Measurement Period	1999/7 ~2023/6
Excess Return	6.37%	Volatility of Composite Return (Annualized)	19.49%

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

Source: SPARX Group (as of June 30, 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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