



June 24, 2024

SPARX Group Co., Ltd.  
President and Group CEO Shuhei Abe  
(Code: 8739, TSE Prime Market)

**(Addition) Notice of partial addition to “FY2023 Full Year Earnings Presentation”**

TOKYO—June 24, 2024—SPARX Group Co., Ltd. (“the Company”) would like to inform you that new contents were added to “FY2023 Full Year Earnings Presentation” which have been disclosed on May 10, 2024.

■ Added contents (P.29-34, P.36)

In response to a request and announcement made in March 2024 from the Tokyo Stock Exchange “regarding the criteria for including in the list of companies that have disclosed information regarding “action to implement management that is conscious of cost of capital and stock price”. The following items were added to the Company’s “FY2023 Full Year Earnings Presentation”.

- (Section Title) “05. Action to implement management that is conscious of cost of capital and stock price” (P.29)
- Analysis of current status and challenges (P.30)
- Enhancement of corporate value (P.31)
- Capital Allocation (FY2024~FY2026) (P.32)
- Policy for Dialogue with Shareholders and Investors (P.33)
- Status of Dialogue with Shareholders and Investors (P.34)
- <Reference> Hybrid Business Model (P.36)

■ For inquiries related to this release, contact:

SPARX Group Co., Ltd., Finance & Management Control Dept.  
Tel: 81-3-6711-9100 / Fax: 81-3-6711-9101

No further entry



FY2023  
**Full Year Earnings  
Presentation**  
**(Apr.2023 – Mar.2024)**

SPARX Group Co., Ltd.

May 10, 2024

Securities code: 8739

# Index

**01. Company Profile**

---

**02. Financial Results for FY2024**

---

**03. Overview of Four Pillars**

---

**04. Future Initiatives**

---

**05. Action to implement management that is conscious of cost of capital and stock price**

---

**06. Appendix**

---

01.

# Company Profile

---

# Corporate Profile



We provide investment management services based on a bottom-up approach for domestic and overseas investors. Pursuing unchanging value that is not affected by the times and people since our inception through a consistent innovative investment methods based on a thorough bottom-up approach that follows the unique investment philosophy.

## Corporate Profile

Company name	SPARX Group Co., Ltd.
Address	1-2-70 Konan, Minato-ku, Tokyo, Japan
Founded	July 1, 1989
Capitalization	JPY 8.587 million (as of March 31, 2024)
Exchange:	Tokyo Stock Exchange Prime Market (Securities code: 8739)
Employees	185 (as of March 31, 2024)
Description of Businesses	<ul style="list-style-type: none"><li>■ Investment Management</li><li>■ Investment Advisory and Agency</li><li>■ Type I Financial Instruments &amp; Type II Financial Instruments</li></ul>

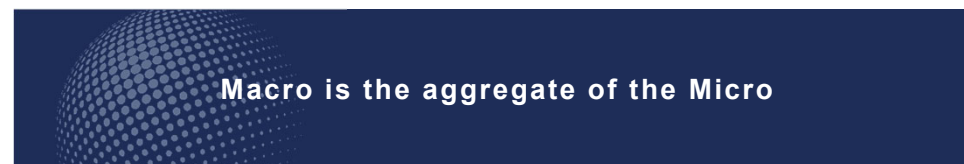


### President and Group CEO

#### Shuhei Abe

Born in Sapporo in 1954. After graduating from the Faculty of Economics at Sophia University, he received his MBA from Babson College. He has also completed the AMP at Harvard Business School. After graduating Babson College and returning to Japan, hired by Nomura Research Institute, Ltd. He worked as a corporate research analyst evaluating individual companies listed on Japanese stock markets and engaged in Japanese equity sales. He then established Abe Capital Research and engaged in Japanese equity investment management and advisory services for European and U.S. funds. He founded in 1989 as SPARX Asset Management Co., Ltd. (now SPARX Group Co., Ltd.). He had also appointed a member of the Japanese government's Energy and Environmental Council etc.

### SPARX's Investment Philosophy



Selection of individual stocks through micro (visiting individual company) research by experienced analysts. Other several analysts then verify the value gap and pursue the actual value of the company

※Reference Information (our website) <https://www.sparxgroup.com/philosophy.html>

# Corporate Philosophy

## Purpose

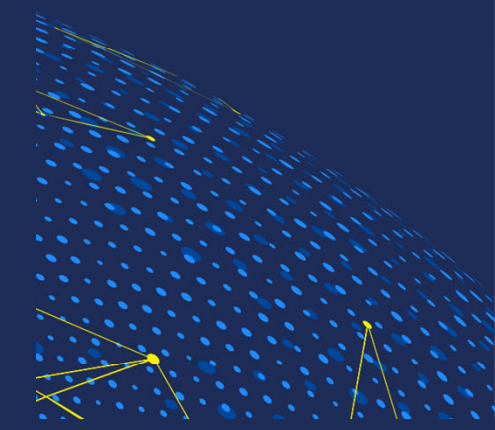
To make the world wealthier, healthier, and happier

## Vision

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

## Mission

Bring ever-better investments to the world



02.

# Financial Results for FY2024

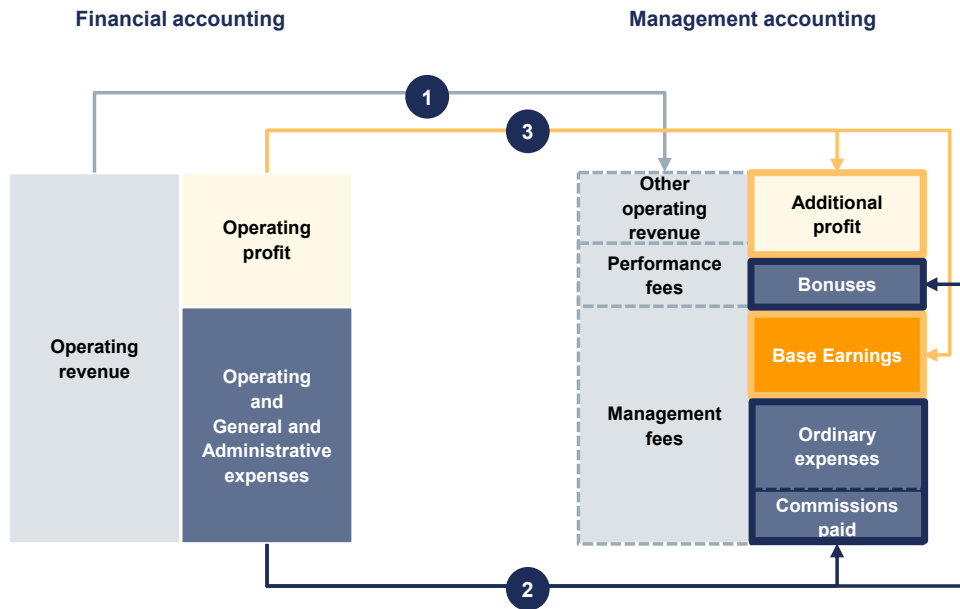
---

# Introduction

In this material, we explain the business performance and current business conditions of our group by providing management accounting details rather than financial accounting.

Use four key management indicators not included in the consolidated financial statements.

## Points to note when viewing this materials



- 1 Operating revenue is classified into management fees, performance fees, and other operating revenue.
- 2 Operating and general/administrative expenses are classified into commissions paid, ordinary expenses, and bonuses.
- 3 Operating profit is classified into Base Earnings and additional profit.

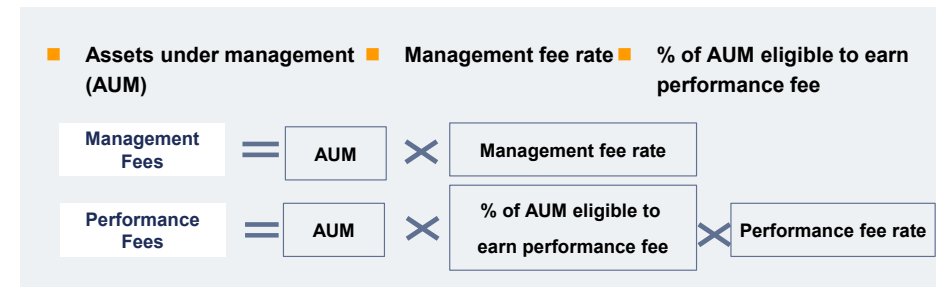
## Key management indicators

Indicator of the profitability that forms a sustainable and stable foundation for the business



※ Indicators that do not include temporary or additional incentive fees, such as operating income for financial accounting purposes, and are not affected by market trends or progress in real asset investments.

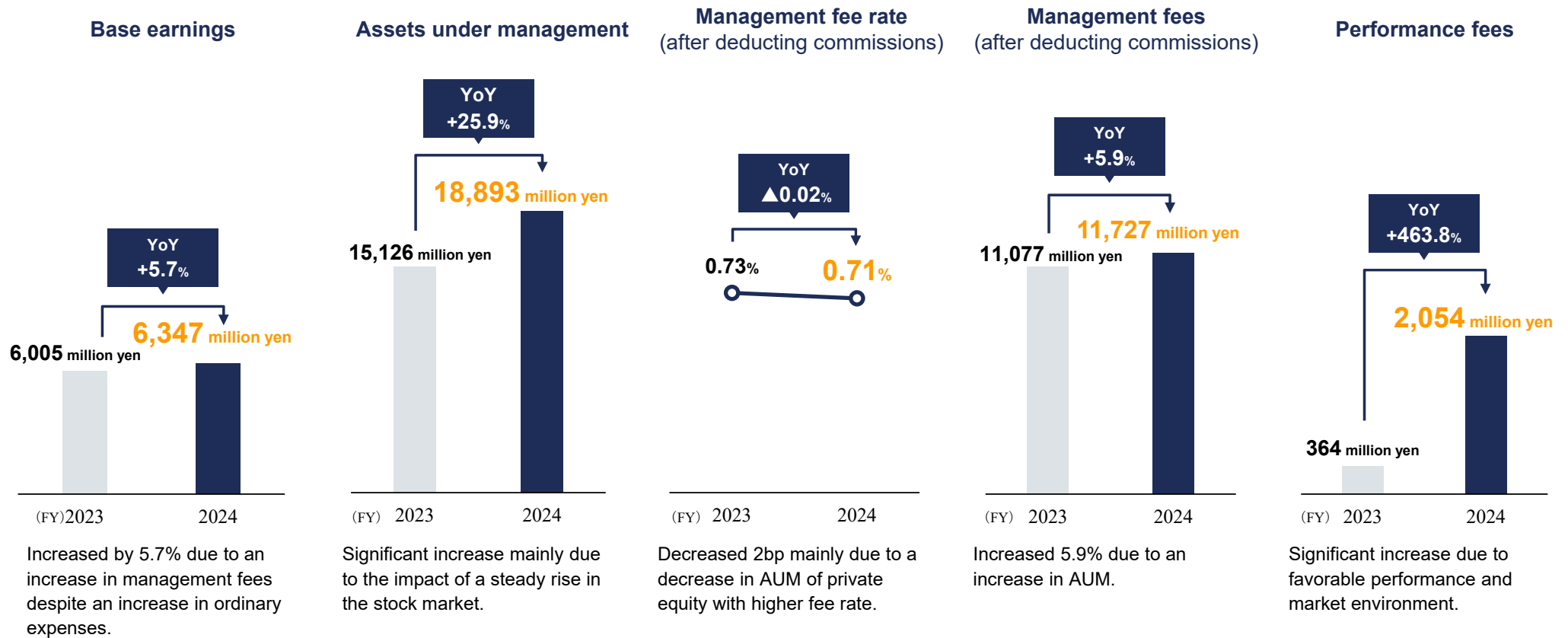
### Indicators Affecting Two Major Earnings (Balance Fee, Incentive Fee)





# FY2023 Status of key management indicators

AUM at the end of the fiscal year 2003 increased 25.9% from the end of the previous fiscal year to 1,889.3 billion yen. Management fees after deducting commissions increased by 649 million yen from the previous fiscal year to 11,727 million yen. As a result of an increase in management fees and continued appropriate cost control, Base earnings which are the ability to generate stable earnings, have reached its record high and SPARX's earning capacity is steadily strengthened. Operating profit increased due to an increase in performance fees.

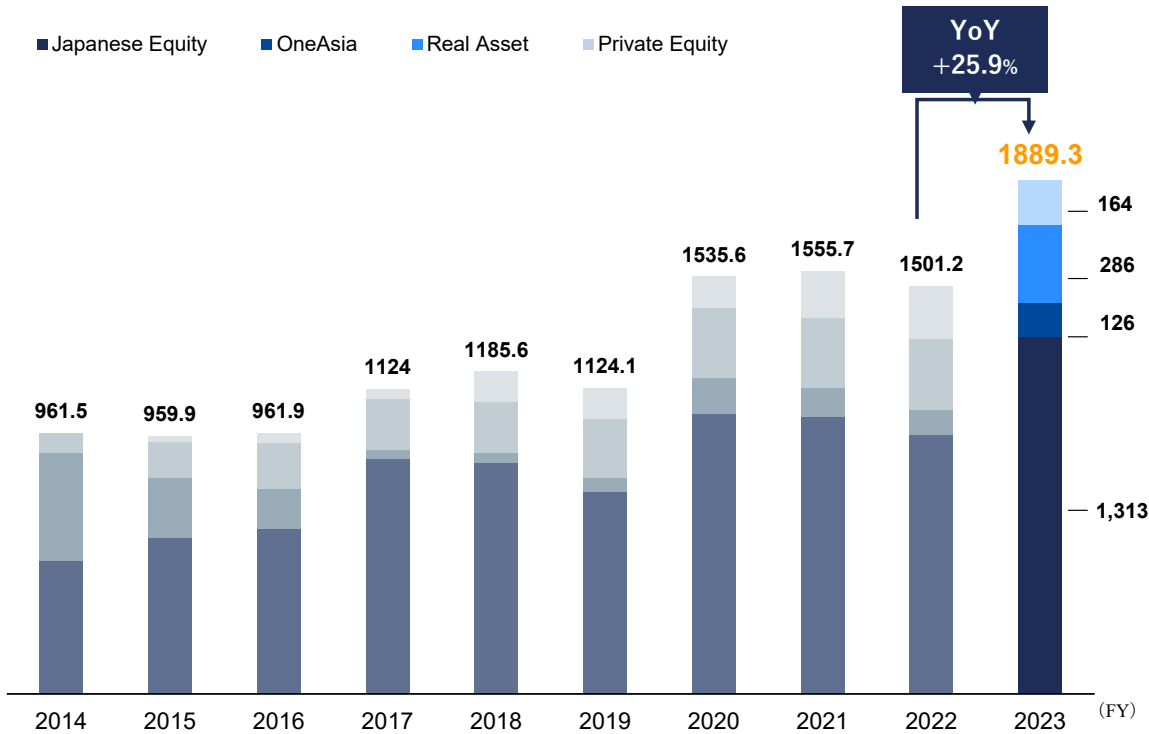


# FY2023 Trends in AUM



Group's AUM increased by 25.9% year on year due to a significant increase in AUM for Japanese equity investment strategy and OneAsia investment strategy.

### AUM trends



### (Reference) Various Market Indexes

	Year-ended March 31, 2023	Year-ended March 31, 2024	Rate of change
Nikkei 225	28,041	40,369	+44%
TOPIX	2,003	2,768	+38%
KOSPI Index	2,476	2,746	+11%
KOSDAQ Index	847	905	+7%
HK Hang Seng Index	20,400	16,541	(19)%

## FY2023 Consolidated Financial Highlights



Both operating and ordinary profit increased significantly due to an increase in AUM and an increase in management fees against the backdrop of a robust market environment, as well as the recording of performance fees. In addition, the Company recorded a gain on sales of investment securities of 1.3 billion yen, which resulted in an increase in both revenue and profit.

(millions of yen)	FY2022	FY2023	YoY change	
<b>Operating Revenue</b>	13,360	16,498	+ 3,137 (+ 23.5%)	With increase in AUM, management fees (after deducting commissions) increased by 1.52 billion yen to 14.25 billion yen. The Company also has recognized performance fees of 2.05 billion yen (364 million yen in previous year).
<b>Operating profit</b>	5,704	7,476	+ 1,772 (+ 31.1%)	
<b>Ordinary profit</b>	6,289	8,090	+ 1,801 (+ 28.6%)	
<b>Profit attributable to owners of parent</b>	4,521	6,519	+ 1,997 (+ 44.2%)	Increased significantly due to a extraordinary gain of 1.3 billion yen following the sales of our investment holdings.
<b>ROE</b>	18.0	22.7	+4.7pt	Increased due to significant increase in profit attributable to owners of parent.

# FY2023 Consolidated Balance Sheet



The industry the company belongs to is significantly influenced by economic and market conditions. Thus, the balance is kept as three years' worth of ordinary expenses level which calculated by "cash and cash equivalent" plus highly liquidity such as "investment securities" Equity ratio is maintained at a high level.

(millions of yen)	FY2022 (March 31, 2023)	FY2023 (March 31, 2024)	YoY change	
<b>Current assets</b>	26,594	27,130	+ 536	<p><b>Of which, includes cash and cash equivalent of 22,066 million yen</b> Increased due to recording of net profit, despite of decrease mainly due to the payment of dividends, seed investments, and bonuses</p>
<b>Non-current assets</b>	12,788	18,981	+ 6,192	
<b>Total assets</b>	<b>39,382</b>	<b>46,112</b>	+ 6,729	<p>Increased due to seed investments and increase in market value</p>
<b>Current liabilities</b>	7,340	6,547	(793)	
<b>Non-current liabilities</b>	5,995	8,145	+ 2,149	
<b>Net assets</b>	26,047	31,419	+ 5,372	<p><b>Of which, includes total shareholder's equity of 27,815 million yen</b> Mainly payment of dividend: ▲JPY2,455 million, Profit attributable to owners of parent of +JPY 6,519 million</p>
<b>Total liabilities and net assets</b>	<b>39,382</b>	<b>46,112</b>	+ 6,729	
<b>Equity ratio</b>	<b>66.1%</b>	<b>68.2%</b>	+ 2.1pt	

# FY2023 Consolidated Statements of Cash Flows



We aim to expand our business further by planting the seeds that will be sources of future cash through seed investment to existing investment strategies and active investment activities in new areas.

(millions of yen)	FY2022 (April 1, 2022 – March 31, 2023)	FY2023 (April 1, 2023 – March 31, 2024)	YoY change	
<b>Cash flows from operating activities</b>	3,105	5,994	+2,889	Mainly due to increase in operating profit.
<b>Cash flows from investing activities</b>	2,001	(3,126)	(5,127)	<ul style="list-style-type: none"> <li>• Due to increase in seed investments.</li> <li>• Acquisition of rights substitutes for the consolidated battery energy storage LLC.</li> </ul>
<b>Cash flow</b>	5,107	2,868	(2,238)	
<b>Cash flows from financing activities</b>	(2,408)	(3,292)	(883)	
<b>Cash and cash equivalents at end of period</b>	22,028	22,066	+38	

03.

## Overview of Four Pillars

---

# Four Pillars of Growth



By March 2026, we have set a target of JPY 3 trillion in AUM, and have set "Japanese Equities," "OneAsia," "Real Assets," and "Private Equity" as focus areas so called "four pillars". Achieve both high profitability and stability by expanding each of the four pillars based on strengths of thorough individual company research and the uniqueness of selecting investment targets.

Focus Areas	Features	Description of Businesses	AUM(as of March 31,2024)	
<p><b>Japanese Equity</b></p>	<p><b>High profitability</b></p>	<p>Various investment strategies ※ in Japanese equities</p> <p>※ Long-Short/Mid&amp;Small Cap/Value Creation/Focus All Cap/Market Neutral</p>	<p><b>JPY 1,313.1 billion</b></p>	<p><b>JPY 1,889.3 billion</b></p> <p><b>AUM (by March 2026)</b></p> <p><b>JPY 3 trillion</b></p>
<p><b>OneAsia</b></p>	<p>In addition to management fees, fund performance generates</p> <p><b>Performance fees</b></p>	<p>Investment and management in equity in South Korea and Pan-Asia. Utilizing our model of reproducibility obtained in Japanese equities</p>	<p><b>JPY 126.2 billion</b></p>	
<p><b>Real Assets</b></p>	<p><b>Stability</b></p>	<p>Investment by funds in renewable energy power generation business. Development, management, and operation of energy infrastructure.</p>	<p><b>JPY 285.5 billion</b></p>	
<p><b>Private Equity</b></p>	<p>Ongoing long-term contract Without being affected by market conditions</p> <p><b>Generate stable income</b></p>	<p>Establishment and operation of funds aimed at investing in private equities.</p>	<p><b>JPY 164.3 billion</b></p>	

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

# Overview of Japanese Equity Investment Strategy



Favorable conditions in the equity market, such as the launch of new tax exemption program NISA, increased the market value of all investment strategies. Contributed to increase AUM in overall Japanese equity investment strategies.

(100 million yen)	AUM		
	March 31, 2023	March 31, 2024	YoY change
<b>Long-Short Strategy</b>	754	1,026	+ 271 (+ 36.0%)
<b>Focus All cap Strategy</b>	6,170	7,844	+ 1,674 (+ 27.1%)
<b>Mid &amp; Small Cap Strategy</b>	2,390	3,047	+ 657 (+ 27.5%)
<b>Market Neutral Strategy</b>	191	134	- 56 (- 29.8%)
<b>Value Creation Strategy</b>	25	1,078	+ 1,052 (+ 4,056.7%)
<b>Total</b>	<b>9,532</b>	<b>13,131</b>	<b>+ 3,599</b> <b>(+ 37.8%)</b>

In addition to the rise in market value due to the robust market environment, additional mandates were received from large overseas institutional investors in the second half of the fiscal year.

Significantly increased by a new investment trust which was launched domestically in May.



# Overview of OneAsia Investment Strategy



Increased AUM in South Korea and Pan-Asia due to favorable investment performance

	AUM		
	March 31, 2023	March 31, 2024	YoY change
(100 million JPY)			
<b>South Korea</b>	845	1,174	+ 329 (+ 39.0%)
<b>Pan-Asia</b>	55	87	+ 31 (+ 56.9%)
<b>Total</b>	<b>900</b>	<b>1,262</b>	<b>+ 361</b> <b>(+ 40.2%)</b>

Increased due to favorable investment performance

# Overview of Real Asset Investment Strategy



Promote investing in renewable power generation businesses, including solar power generation, at 347 locations<sup>※1</sup> in Japan. In October 2023, invested in a biomass power generation plant project and AUM in real asset investment strategy increased to JPY 285.5 billion.

	AUM		
	March 31, 2023	March 31, 2024	YoY change
(100 million yen)			
<b>Renewable Energy Power Station Investment</b>	2,591	2,801	+ 209 (+ 8.1%)
<b>Real Estate Investment</b>	54	54	- (-%)
<b>Total</b>	<b>2,645</b>	<b>2,855</b>	<b>+ 209</b> <b>(+ 7.9%)</b>

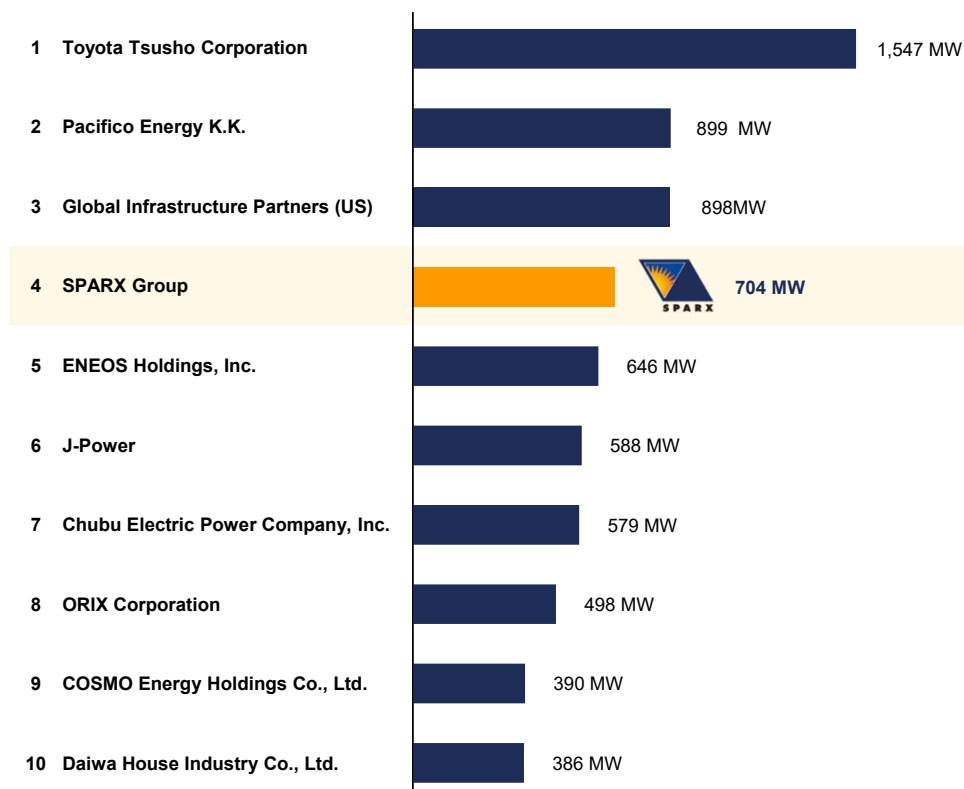
Increased due to investment made to a biomass power generation plant project mentioned above, as well as investments in solar power stations with stable operations.

※1 as of March 31, 2024

# Overview of Real Asset Investment Strategy

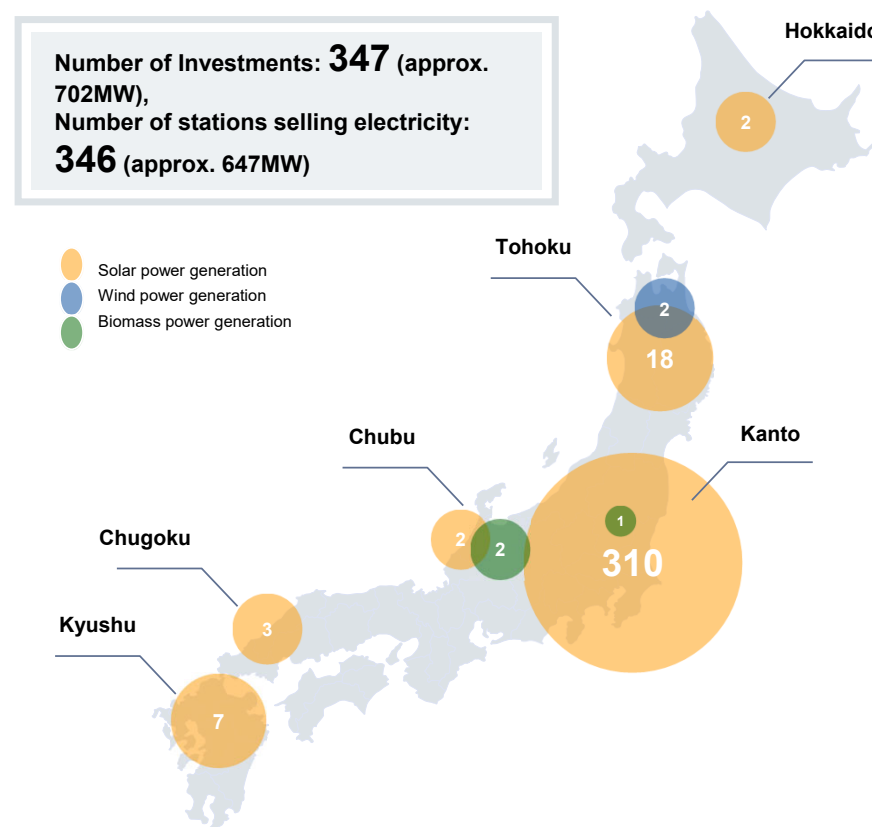


## Ranking for electric-generating capacity for domestic renewable energy (solar and wind) power generation



Source: Information from the Nihon Keizai Shimbun and created by SPARX (as of January 2024)

## Renewable energy power generation facilities



(Note) the above number of investments does not include the number of power generation plants owned by consolidated subsidiaries.

# Overview of Private Equity Investment Strategy



Completed our first “take private” or buyout transaction through our fund.

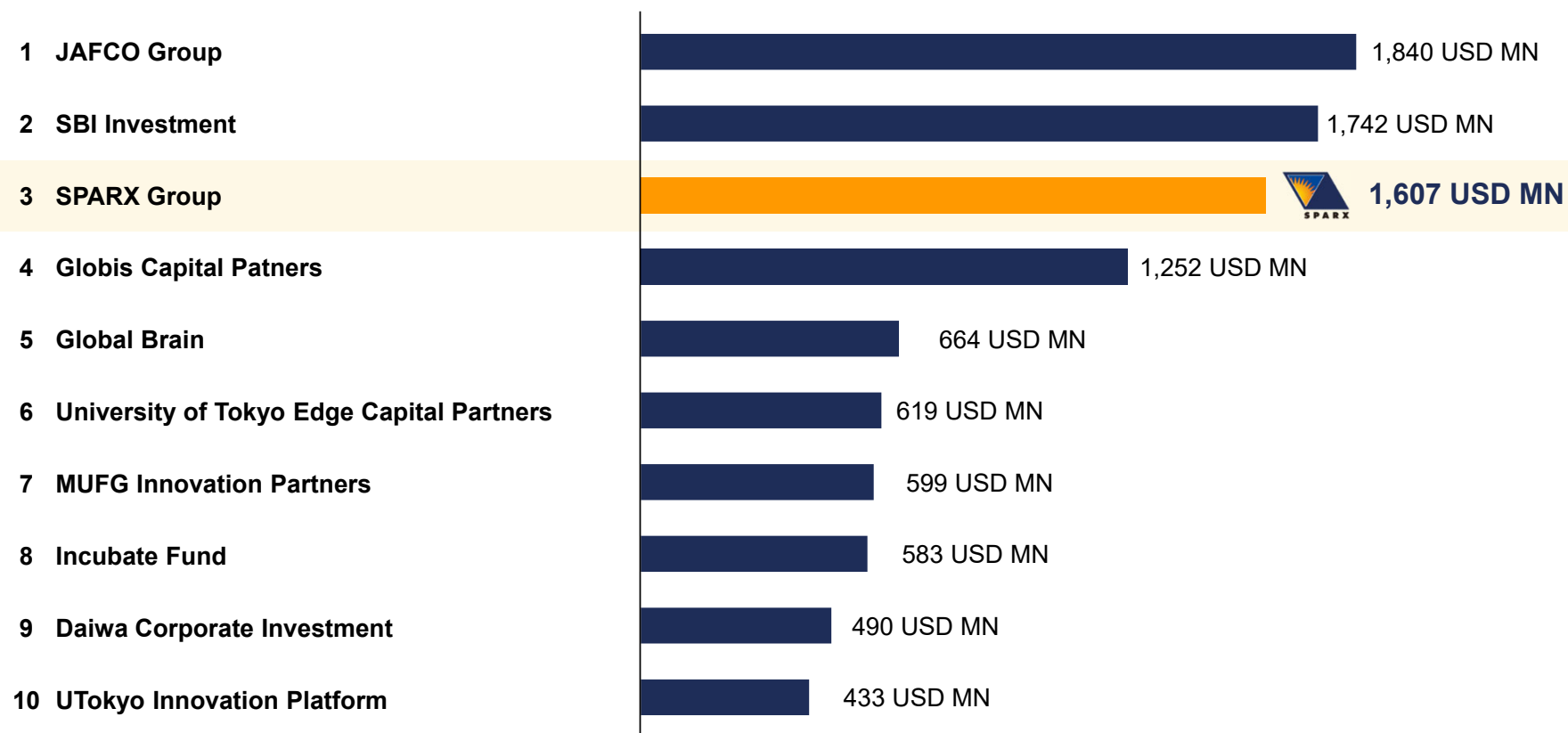
(100 million yen)	AUM		
	March 31, 2023	March 31, 2024	YoY change
<b>Mirai Creation Funds</b>	1,509	1,161	(348) (- 23.1%)
<b>Space Frontier Fund</b>	92	92	- (-%)
<b>Japan Monozukuri Mirai Fund</b>	168	168	- (-%)
<b>Others</b>	163	222	+ 58 (+ 35.8%)
<b>Total</b>	<b>1,933</b>	<b>1,643</b>	<b>(289)</b> <b>(- 15.0%)</b>

AUM decreased due to a decrease in the calculation base amount of management fees due to the expiration of the investment period of the Mirai Creation Fund II. The Mirai Creation Fund I is making progress in distributing to investors, and we expect that the performance fee will be realized from FY2024 onward.

The Space Frontier Fund I became full investment and established the Fund II. AUM for the Fund II are not included in total AUM for the year-ended March 31, 2024. Please refer to “Topics” on page 21 for more information.

Japan Monozukuri Mirai Fund completed its tender offer for IJTT. Our Monozukuri fund established in 2020, aims to contribute to society by investing in monozukuri (goods manufacturing) companies with outstanding technology, human resources, and services in Japan and support each company by leveraging the Toyota Production Method, or TPS, and developing appropriate management strategies. Aim to lead to launch of the second fund.

## Ranking for domestic venture capital procurement scale



(Source) Preqin Database and created by SPARX (as of October 27, 2023)

※ Amount of funding for the past 10 years to those venture capital with headquarters in Japan

## Regarding the establishment of “SPARX Green Battery Energy Storage System Fund”

Established a new fund to invest in developing energy storage plants. Efforts to maximize the use of renewable energy power and to contribute to facilitate the realization of carbon neutrality through the introduction and expansion of battery energy storage plants.

The Fund will invest in developing energy storage plants in Japan and aim to conduct stable operations by utilizing new systems in markets for balancing electricity supply and demand, auctions for decarbonized power supply in capacity markets, and wholesale power markets.

<b>Investee</b>	<b>Equity interest in domestic storage battery businesses, and other investment securities, etc.</b>
<b>Fund Size</b>	<b>JPY 26.3 billion*</b> (As of January 19, 2024)
<b>Fund Term</b>	<b>For 25 years</b>



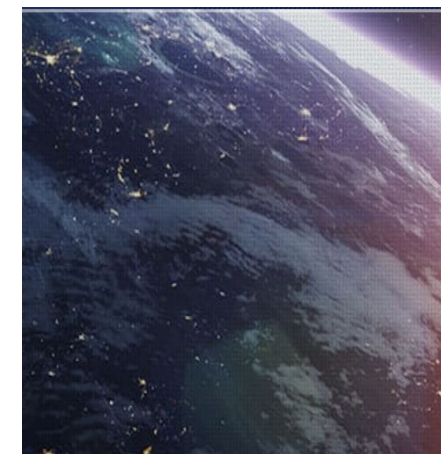
\*The above figure is not included in AUM as of March 31, 2024, because the Fund has not yet executed its investment

## Establishment of “Space Frontier Fund II”

Toyota Motor Corporation, Mitsubishi UFJ Bank, Sumitomo Mitsui Banking Corporation, Mizuho Bank, Mitsubishi Heavy Industries, Ltd., Sumitomo Mitsui Trust Bank, Limited., Development Bank of Japan Inc. and SPARX joined as investors.

The Space Frontier Fund primarily seeks to support human resources and technology development in space-related industries, foster globally competitive Japanese space companies, and assist technological innovation throughout Japan. The fund began operations in June 2020 and Fund II is the second series of this Fund.

<b>Investee</b>	<b>Space-related startups and projects engaged in space-related businesses with superior technologies and unique business models</b>
<b>Fund Size</b>	<b>JPY 11.2 billion</b> (as of April 26, 2024)
<b>Fund term</b>	<b>For 10 years</b>



AUM for the Space Frontier Fund II are not included in total AUM as of March 31, 2024

04.

## Future Initiatives

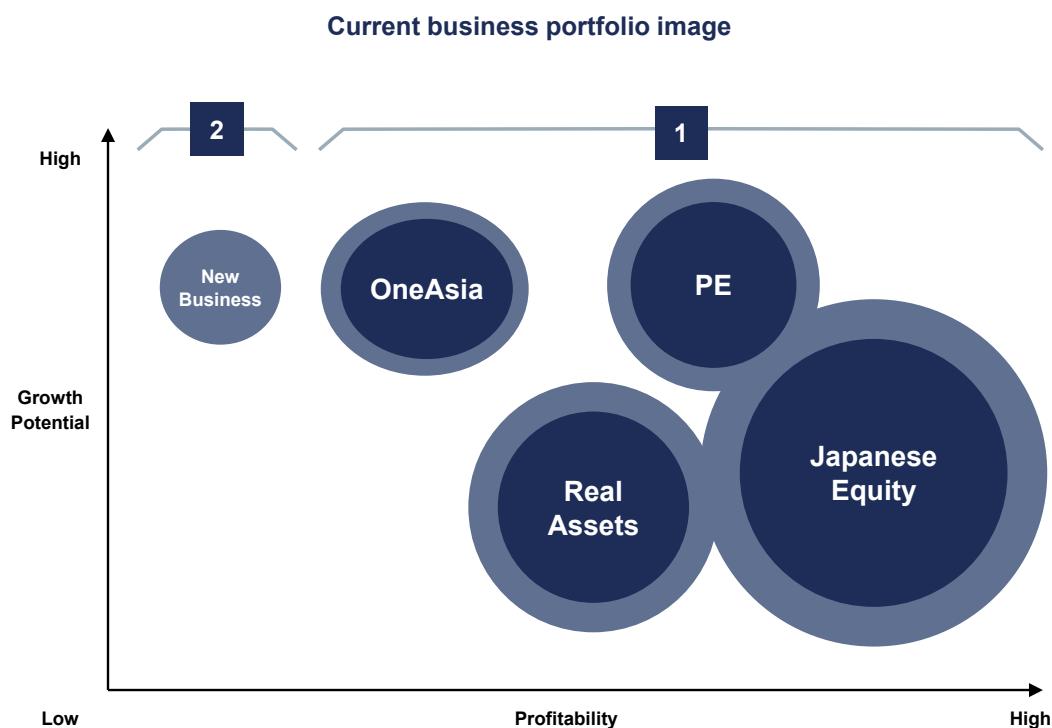
---

# Policies for growth



Efficiently allocate management resources to develop business areas that has high growth potential, while steadily expanding the four pillars of AUM and increase its profitability. Through these efforts, we will achieve further improvements in ROE.

## Improve profitability



※ The size of pie chart shows the image of balance in AUM

### 1 Expansion of AUM in the four pillars

- Realize JPY 3 trillion in AUM by March 2026
- Aiming to make SPARX fund businesses more unique and strong.

### 2 Develop new business areas

- While strengthening our fund business, we have been preparing the ground to plant the seeds of our future growth in areas such as energy, healthcare, and fintech.
- Especially in the energy field, we continue to look for potential new ways to exploit hydrogen and link to concrete business such as the production of green hydrogen. For healthcare area, it is realized in the form of the sale of our holdings. Aiming to strengthen the fund business by taking on the challenge of such new initiatives.



# Growth Initiatives Expanding AUM for the Four Pillars



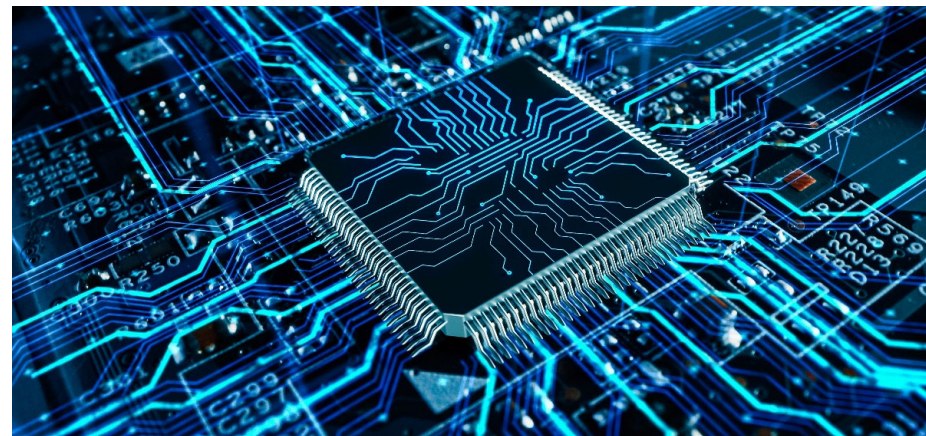
Achieve JPY 3 trillion in AUM by March 2026 through various measures to increase the profitability of Japanese Equity, OneAsia, Real Assets and Private Equity.

## Japanese Equity · OneAsia



- For Japanese Equity Investment Strategy, we will differentiate ourselves from competitors by our value creation strategy, in which we actively make proposals to investee companies that will increase their corporate values.
- For OneAsia Investment Strategy, we aim to steadily grow our funds that invest in companies that are well-positioned to benefit from the changes in Asia, a market with far greater growth potential than Japan.

## Real Assets · Private Equity

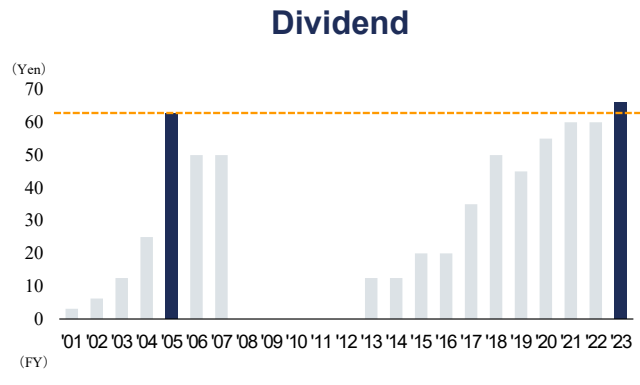
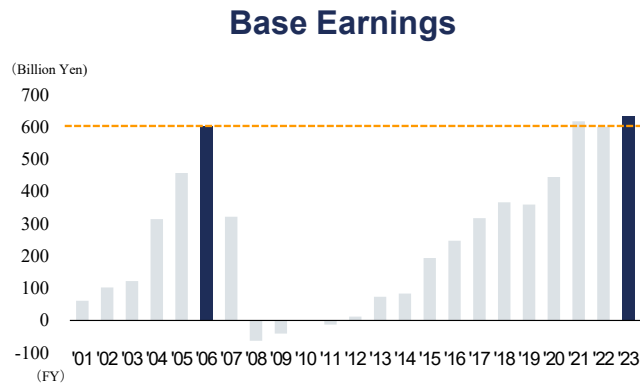


- For Real Assets Investment Strategy, we will seek new highly profitable investment targets based on the know-how that we gained from renewable energy investment and aim to form into funds and secure stable profits.
- For Private Equity Investment Strategy, although it is pointed out that Japanese private equity market is smaller than overseas, we aim to further increase profitability by accumulating good investments and recording performance fees.

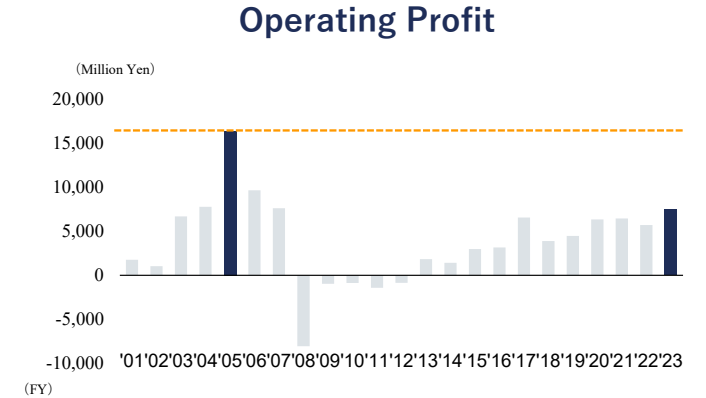
# Status of Major Indicators

Base earnings and dividends achieved record highs and remained firm. AUM at the end of the fiscal year is also at a record high level and is expected to achieve it in the short term. On the other hand, we aim to raise operating profit to a record high level in the medium term (about 5 years) and market capitalization in the long term (5 to 10 years).

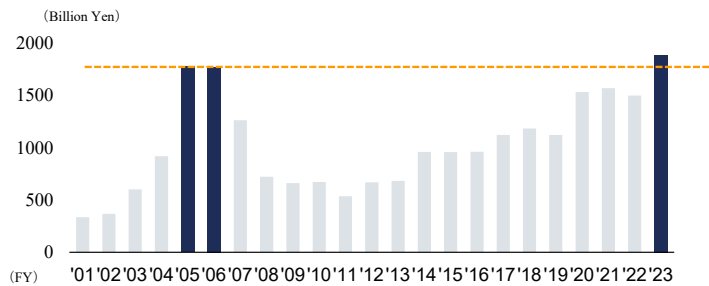
## Key indicators that have reached record highs (or expected to achieve in near future)



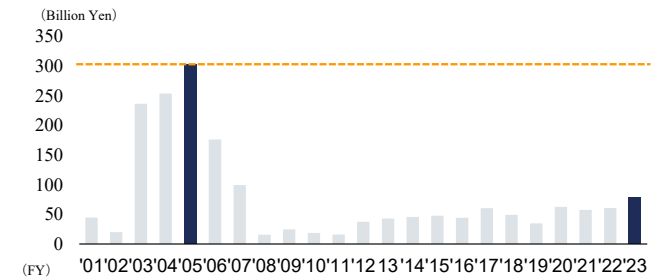
## Key indicators for achieving over the medium to long term



## AUM



## Market Capitalization



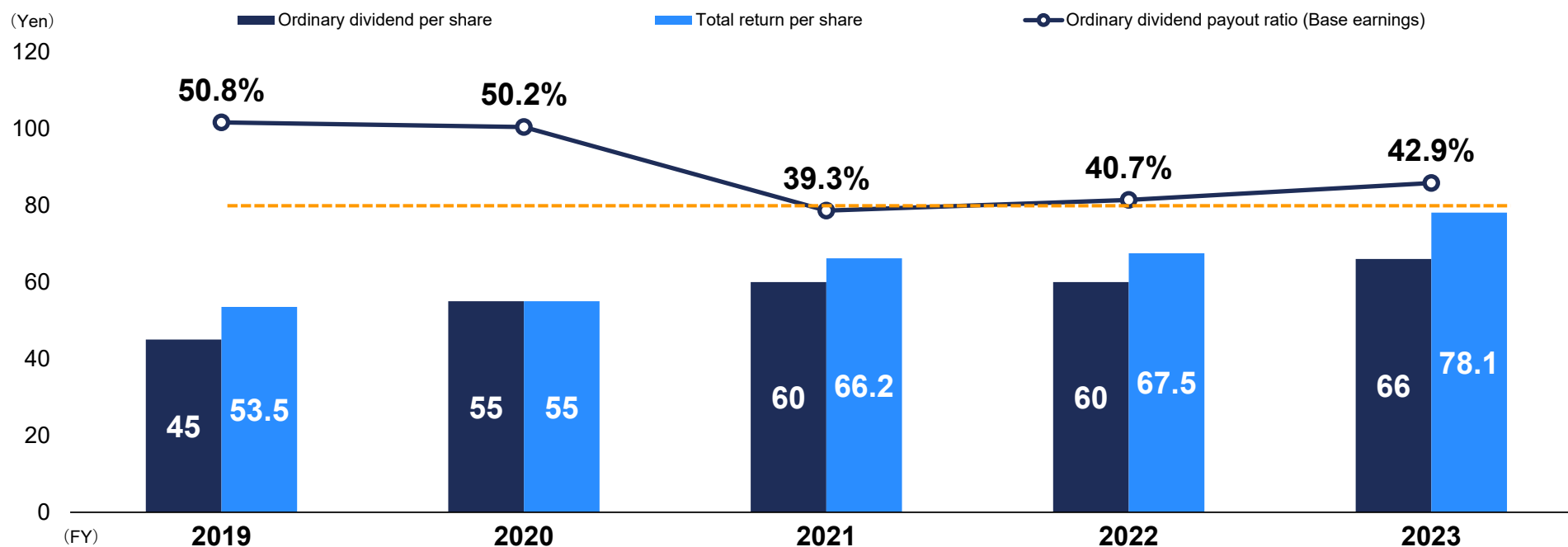
※ Figures shown above for AUM and market capitalization are as of the end of each fiscal year (March-end)

# Returns to Shareholders



Based on an increase in base earnings and stable financial conditions, which are one of the most important management indicators, we will continue to provide stable shareholder returns. Strive to increase corporate value over the mid-to-long term by expanding shareholder returns with sustainable growth.

## Trends in Cash Dividends



(Note 1) Dividends will be officially decided and implemented upon the resolution of the 35th Ordinary General Meeting of Shareholders to be held in June 2024.

(Note 2) Ordinary dividend payout ratio (Base earnings) = Total amount of ordinary dividends ÷ Base earnings

(Note 3) 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.

# Our Initiatives for Sustainability

We aim to realize a sustainable society by contributing to the resolution of environmental and social issues through investment activities



## Environment

- Investing, developing and managing operation of renewable energy power plants
- Investing in ESG related stocks and in an area of carbon neutral
- Announcement of endorsement of TCFD recommendations, etc.



## Social

- Investing in the healthcare area
- Implementing working style reformations and keep employees health
- Social return through activities such as Energy Summit, etc.
- Establishing Group Basic Human Rights Policy



## Governance

- Transition to institute an Audit and Supervisory Committee
- Thorough compliance
- Strengthen BCP policies
- Customer-oriented business operations, etc.

### Reference Information

- Basic Sustainability Policy <https://www.sparxgroup.com/sustainability/policy.html>
- Materiality <https://www.sparxgroup.com/sustainability/materiality.html>
- Commitment to TCFD Recommendations (March 31, 2023) <https://www.sparxgroup.com/sustainability/tcf.html>

Signatory of:



## (Reference) External Recognition toward Our Initiatives for Sustainability



In recognition of our sustainability efforts, SAPRX has been selected as a constituent of three ESG indices which are adopted by the largest institutional investor in the world, GPIF (Japanese Government Pension Investment Fund).

### Three ESG Indices

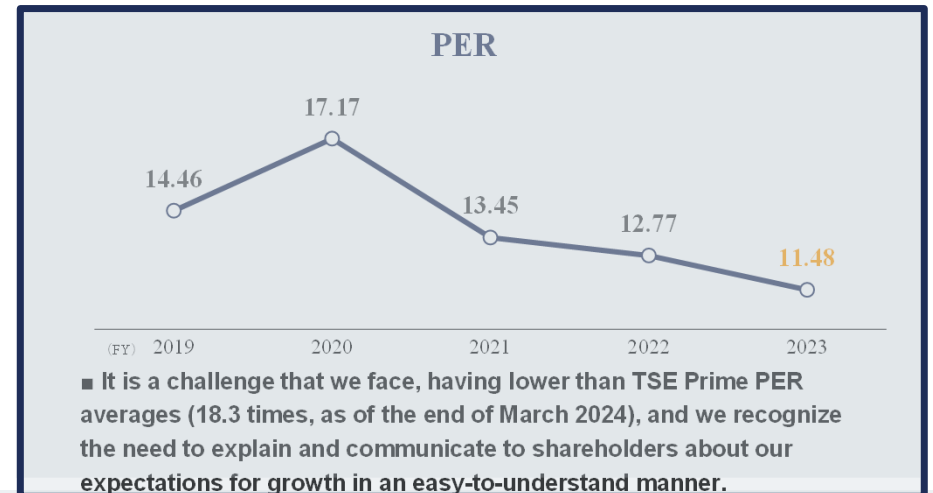
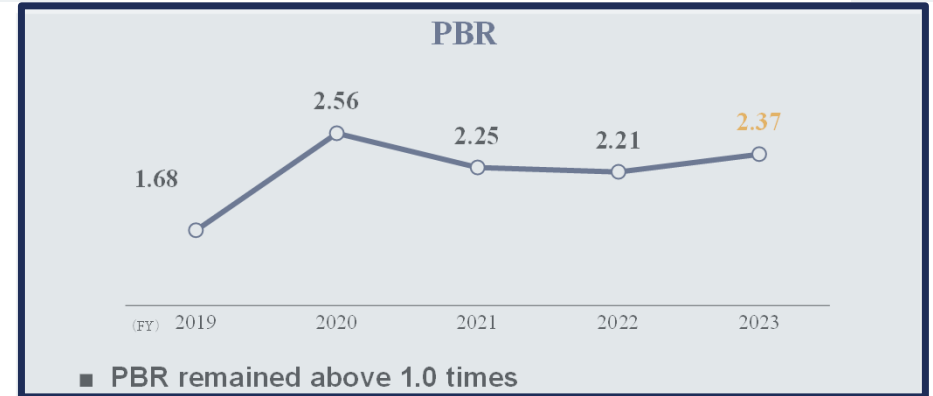
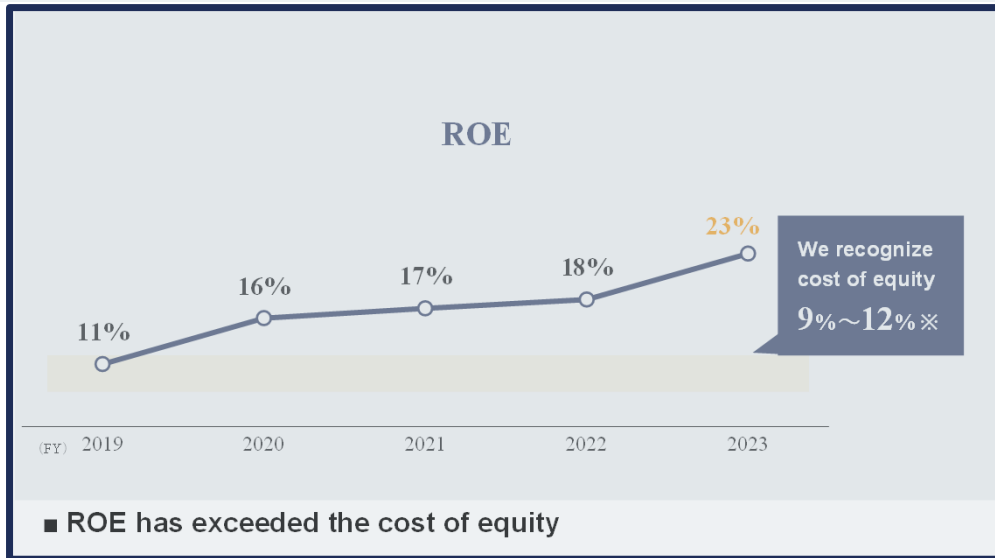
	FTSE Blossom Japan Index	FTSE Blossom Japan Sector Relative Index	S&P/JPX Carbon Efficient Index
<b>Provider</b>	FTSE Russell		S&P and Japan Exchange Group, Inc.
<b>Summary</b>	An index composed of Japanese companies with strong Environmental, Social and Governance (ESG) ratings based on their own scores. Selected for great ESG initiatives while minimizing industry bias.	An index composed of Japanese companies with strong Environmental, Social, and Governance (ESG) ratings based on their own scores. Selected for great ESG initiatives while minimizing sector bias.	Selection from among the companies comprising the TSE Stock Price Index (TOPIX) based on the status of disclosing environmental information and the level of carbon-efficiency.
<b>Number of issues</b>	310 companies (As of June 19, 2023)	605 companies (As of June 19, 2023)	Approx. 1700 constituent stocks
<b>Reference</b>	<a href="https://www.lseg.com/en/ftse-russell/indices/blossom-japan">https://www.lseg.com/en/ftse-russell/indices/blossom-japan</a>		

**05.**

**Action to implement  
management that is conscious  
of cost of capital and stock  
price**

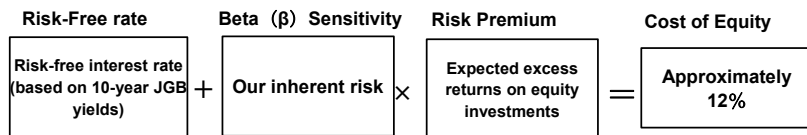
## Analysis of current status and challenges

Net income is continuously increasing toward a record-high level, and ROE is at a relatively high level of 23%. We will work to continuously increase corporate value while we believe that the most recent ROE results have reached the expected cost of equity.



※Assumptions for cost of equity calculation (as of March-end 2024)

(calculated by CAPM)



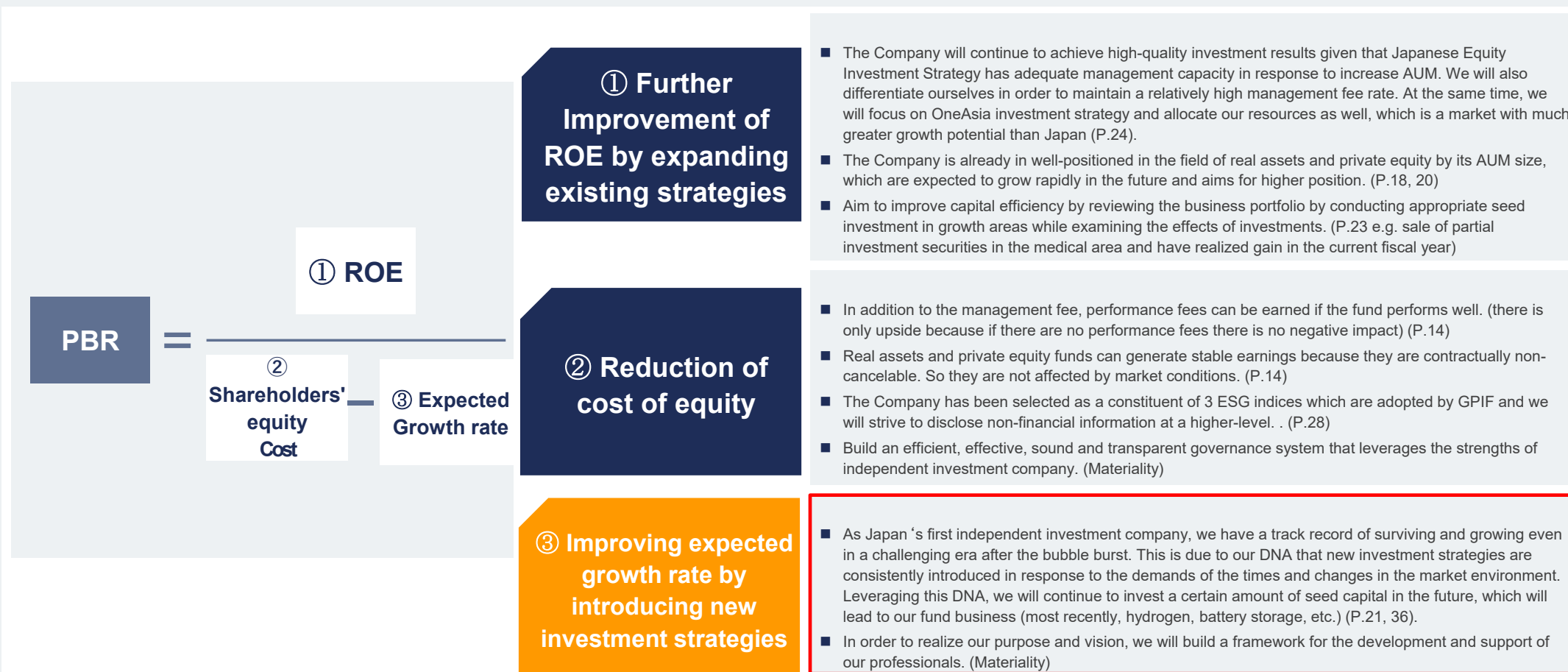
(Calculated based on the earnings yield)

1 ÷ PER = Approximately 9%

## Enhancement of corporate value



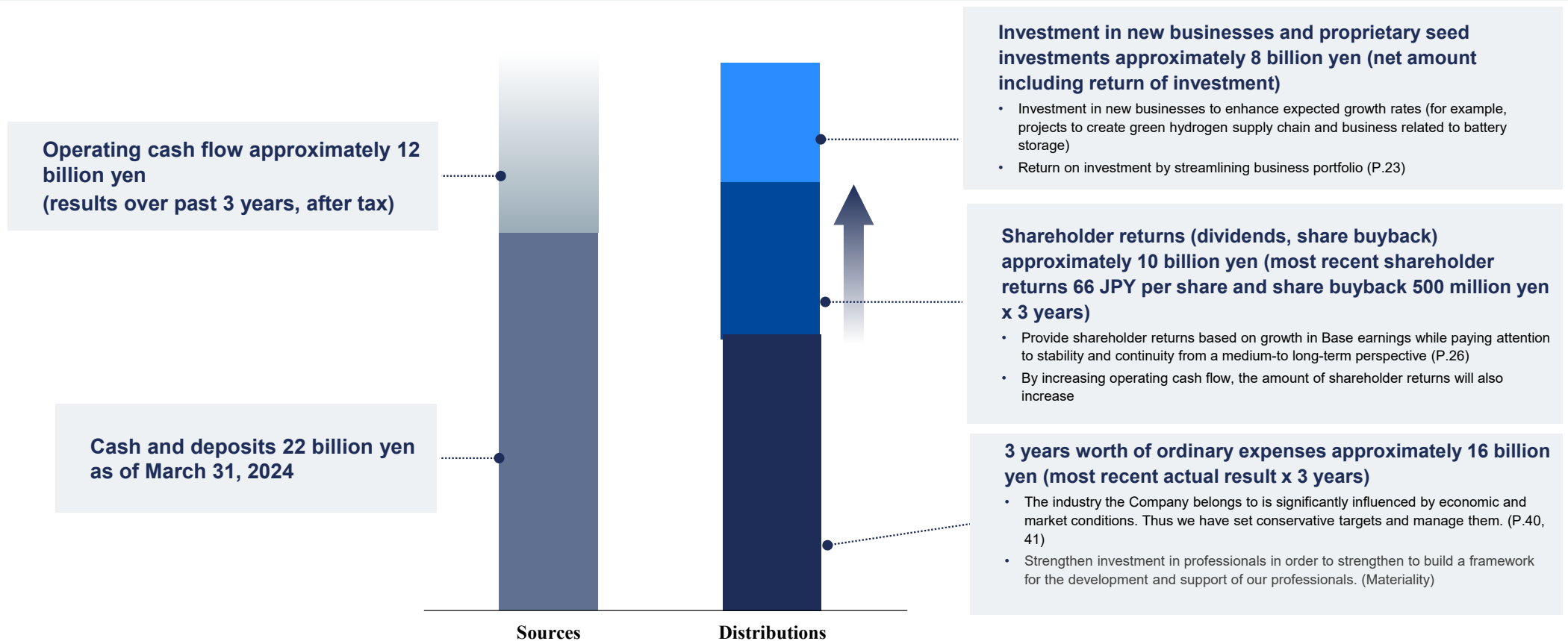
In order to improve the expected growth rate, new investment strategies will be introduced in the future in response to the demands of the times and changes in the market environment.





## <Reference> Capital Allocation (FY2024~FY2026)

Our business results are significantly affected by economic conditions and the market environment, we do not disclose future earnings forecasts. For this reason, we calculate these figures based on historical results. First, determine the level of cash and deposits required for business operations from the actual ordinary expense (fixed costs) for recent years, then plan to promote growth investment based on the amount of operating cash flow. In addition, by increasing operating cash flow, we will also increase distributions such as shareholder returns.



# Policy for Dialogue with Shareholders and Investors



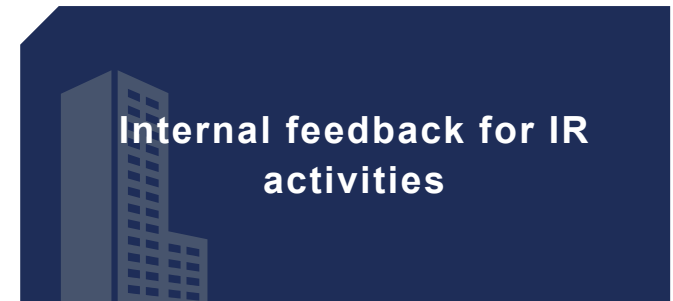
With honest and the sprit of fair disclosure in mind, we will build a system centered on the president and the person in charge of IR and develop IR activities that contribute to the enhancement of corporate value.



- Simultaneous disclosure of documents both in Japanese and English
- Further enhance IR information and IR websites, including expanded disclosures
- Provide additional information necessary for investors, such as the background and explanation of any significant fluctuations on our four pillars



- Distributes videos on a quarterly basis that are explained by the president & CEO about financial results and the status of the four pillars
- Holding interviews based on requests from institutional investors
- Participating in an investment information platform that is easy for individual investors to see



- Through the feedback process to Board of Directors, management will consider the reflection of those comments and utilize them for future disclosure and interviews, and so forth.

# Status of Dialogue with Shareholders and Investors



We actively engage in IR activities to promote constructive dialogue with our shareholders and institutional investors in order to achieve sustainable growth and increase our corporate value.

**Main respondents to dialogue with shareholders and institutional investors**

President and Representative Director, Group CFO, IR in-charge, etc.

**Summary of investors who have engaged in dialogue**

Domestic and overseas institutional investors and domestic individual investors

**Major themes/topics of dialogue and interests of shareholders**

- Regarding inquiries from overseas investors amid the strong Japanese stock market
- About our competitors
- Recent developments in the new NISA program and the outlook for the Japanese equity market
- Regarding the direction of the four pillars of our group and our strategy for achieving the AUM3 trillion target
- Our stock price trends, etc.

**Implementation status of feedback to management and the Board of Directors from the opinions and concerns of shareholders identified in the dialogue**

In addition to monthly reports on IR to the Board of Directors, they held a meeting in March 2024 summarizing the views and concerns of shareholders/investors obtained through IR activities during fiscal year 2023 and provided feedback. The discussions were based on the content of the feedback.

06.

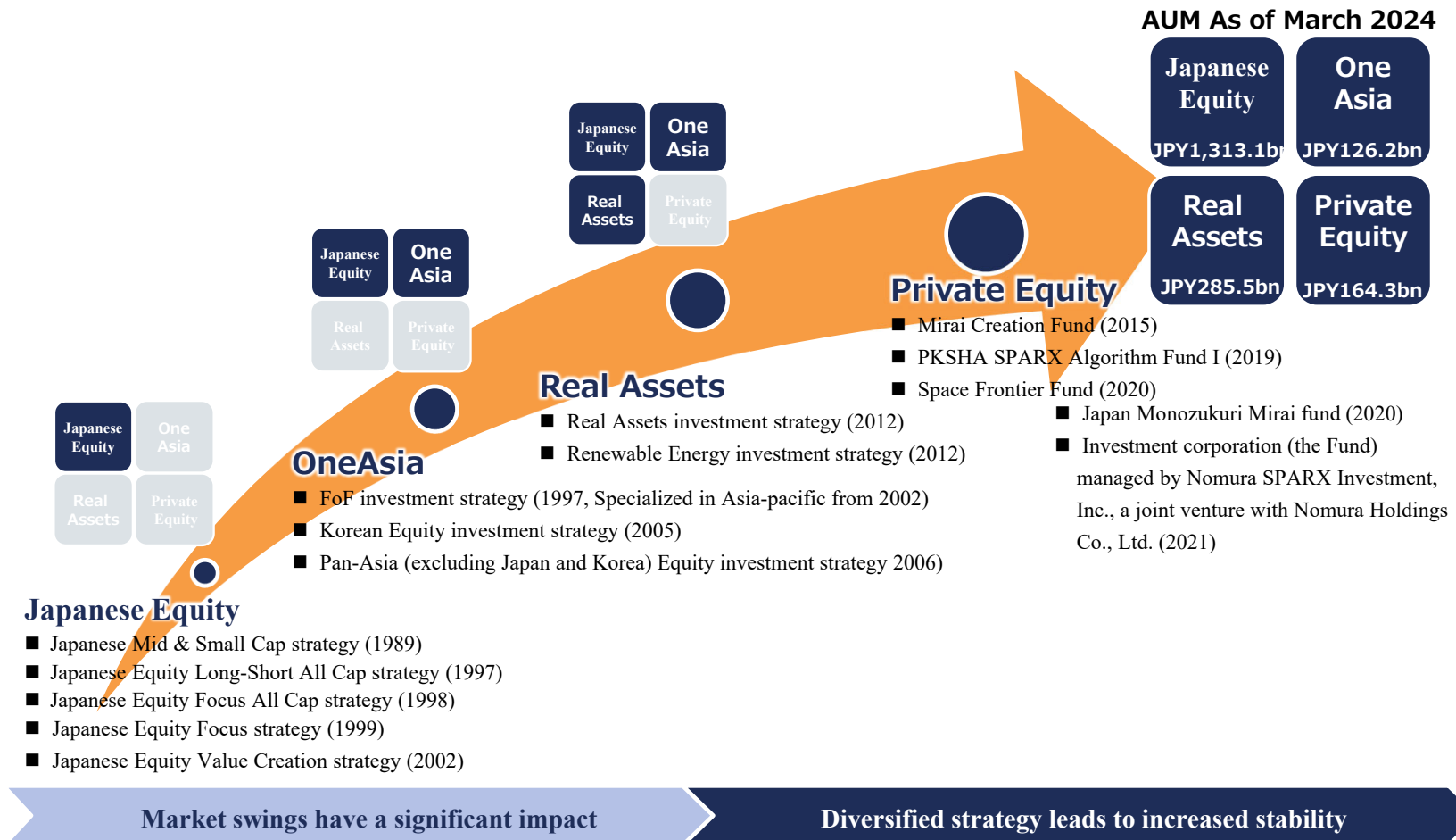
# Appendix

---

# [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



## 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.**



## Consolidated Earnings Summary (2) Performance



		FY2022	FY2023	
		Full Year	Full Year	YoY change
<b>Average AUM</b>	(Billions of yen)	<b>1,512.6</b>	<b>1,674.3</b>	<b>+10.7%</b>
<b>Management fee rate</b>	(%)	<b>0.73%</b>	<b>0.70%</b>	<b>-3.2%</b>
(After deducting commissions)				
<b>Management fees</b>	(Millions of yen)	<b>11,077</b>	<b>11,727</b>	<b>+5.9%</b>
(After deducting commissions)				
<b>- Ordinary expenses</b>	(Millions of yen)	<b>5,071</b>	<b>5,378</b>	<b>+6.1%</b>
<b>Base earnings</b>	(Millions of yen)	<b>6,005</b>	<b>6,348</b>	<b>+5.7%</b>
<b>Performance fees</b>	(Millions of yen)	<b>364</b>	<b>2,054</b>	<b>+463.8%</b>
<b>Percentage of AUM eligible to earn performance fees</b>	(%)	<b>37.9%</b>	<b>35.3%</b>	<b>-2.6</b>
<b>Other operating revenue</b>	(Millions of yen)	<b>260</b>	<b>186</b>	<b>-28.4%</b>
<b>- Bonuses</b>	(Millions of yen)	<b>913</b>	<b>1,093</b>	<b>+19.8%</b>
(including ESOP Expense)				
<b>Operating profit</b>	(Millions of yen)	<b>5,704</b>	<b>7,476</b>	<b>+31.1%</b>
<b>Profit attributable to owners of parent</b>	(Millions of yen)	<b>4,521</b>	<b>6,519</b>	<b>+44.2%</b>
<b>Return on equity (ROE)</b>	(%)	<b>18.0%</b>	<b>22.7%</b>	<b>+4.7</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.

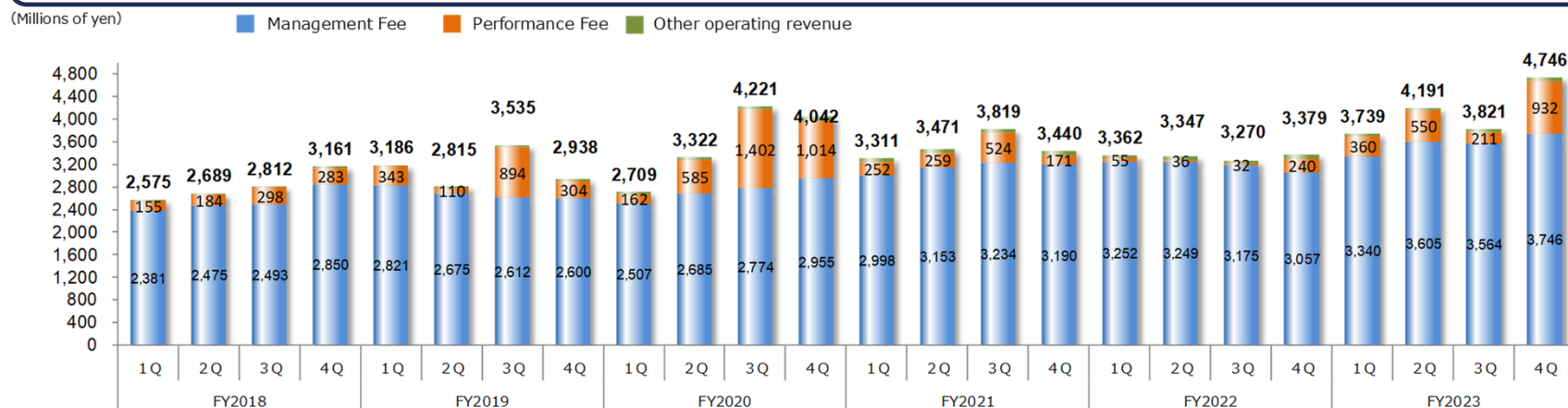
(Note 2) Performance fees include one-time fees (acquisition fees) received as compensation for formulating power station plans related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

(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.

## Quarterly Trends in Operating Revenue



Management fees increased significantly compared to the same period last year due to an increase of AUM.



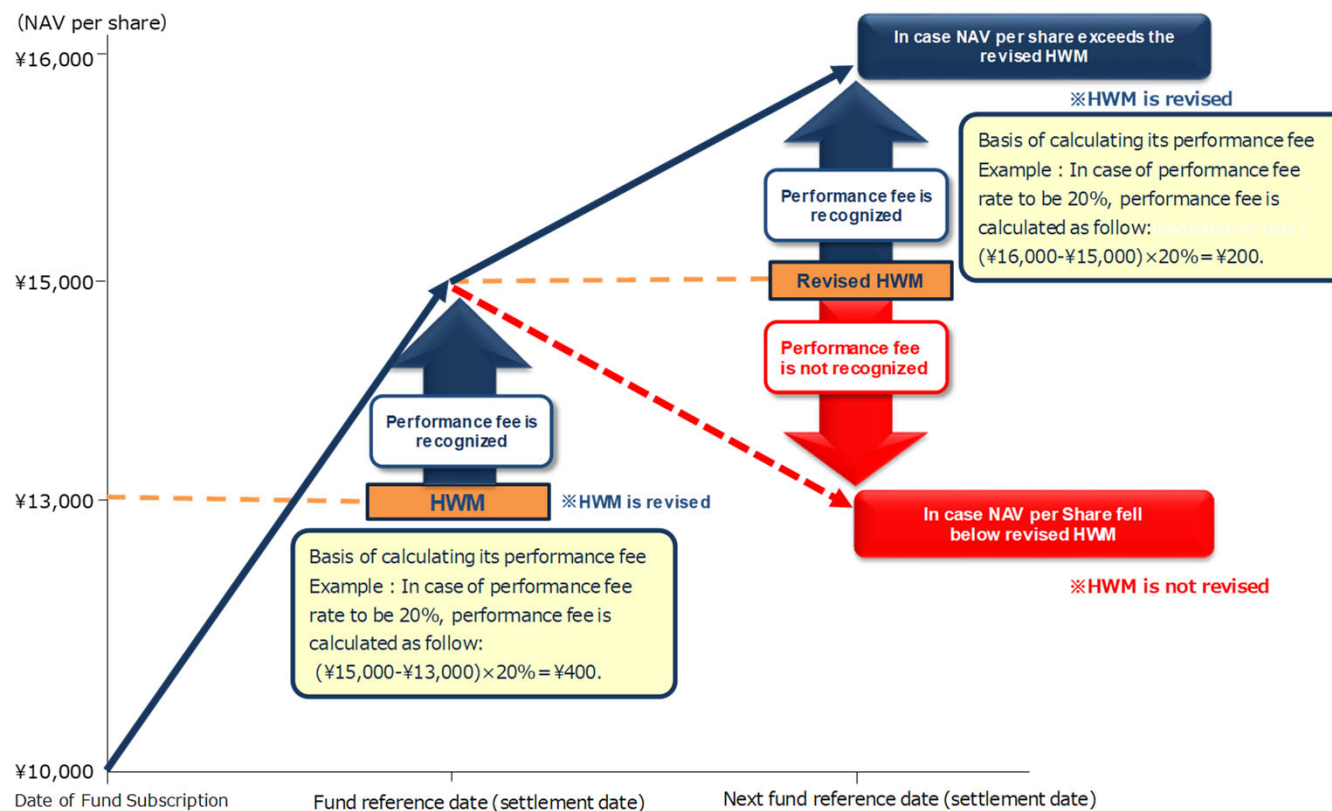
(Millions of yen)	FY2018				FY2019				FY2020				FY2021				FY2022				FY2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Management Fees	2,381	2,475	2,493	2,850	2,821	2,675	2,612	2,600	2,507	2,685	2,774	2,955	2,998	3,153	3,234	3,190	3,252	3,249	3,175	3,057	3,340	3,605	3,564	3,746
Performance Fees	155	184	298	283	343	110	894	304	162	585	1,402	1,014	252	259	524	171	36	32	240	360	550	211	932	
Other operating revenue	38	28	20	27	22	29	28	33	39	51	43	72	59	59	60	78	55	61	62	81	37	35	46	67
<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>	<b>4,191</b>	<b>3,821</b>	<b>4,746</b>
(Reference)																								
Average AUM (Billions of yen) (3 months 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	15,912	16,613	16,406	18,042
Management fee rate (3 months 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%	0.71%	0.70%	0.69%
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%	38.5%	39.1%	35.3%
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	31,857	33,464	40,369



# 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 an 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	
	Full Year	Full Year	YoY change
Commissions paid	1,671	2,546	+52.3%
Personnel exp.	3,089	3,368	+9.0%
Travel exp.	180	253	+40.8%
Property rent	240	258	+7.6%
Entrusted business expenses	1,162	1,110	-4.4%
Depreciation on fixed assets	180	218	+20.9%
Advertising exp.	162	199	+22.8%
Research exp.	368	397	+7.8%
Other expenses	601	667	+11.1%
<b>Total: Operating and general administrative expenses</b>	<b>7,656</b>	<b>9,022</b>	<b>+17.8%</b>
<b>Ordinary expenses</b>	<b>5,071</b>	<b>5,378</b>	<b>+6.1%</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.

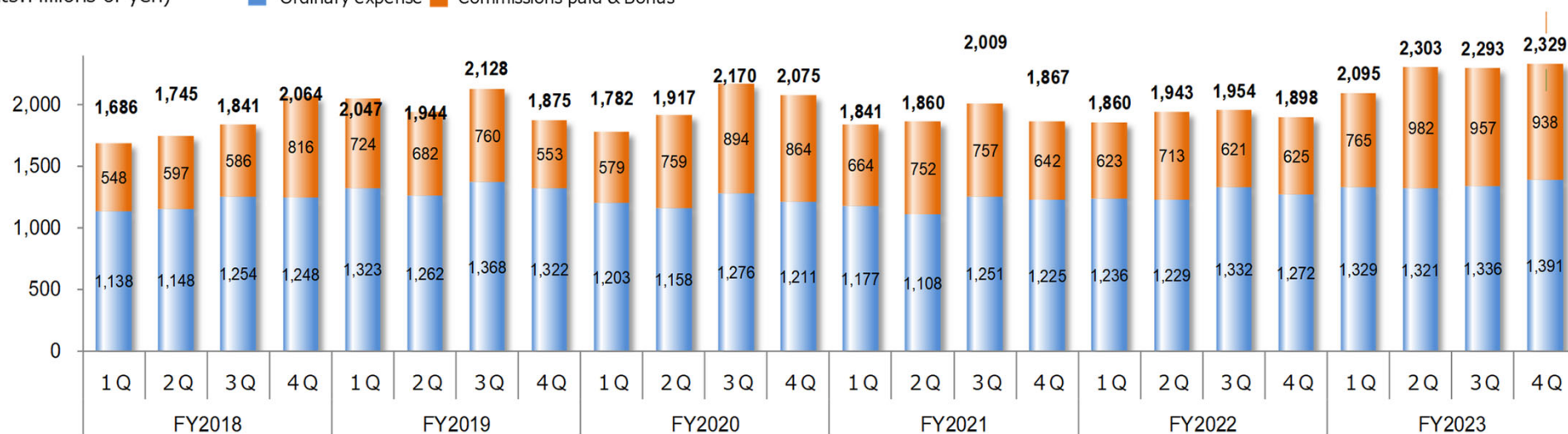
# Quarterly Operating and General Administrative Expenses



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

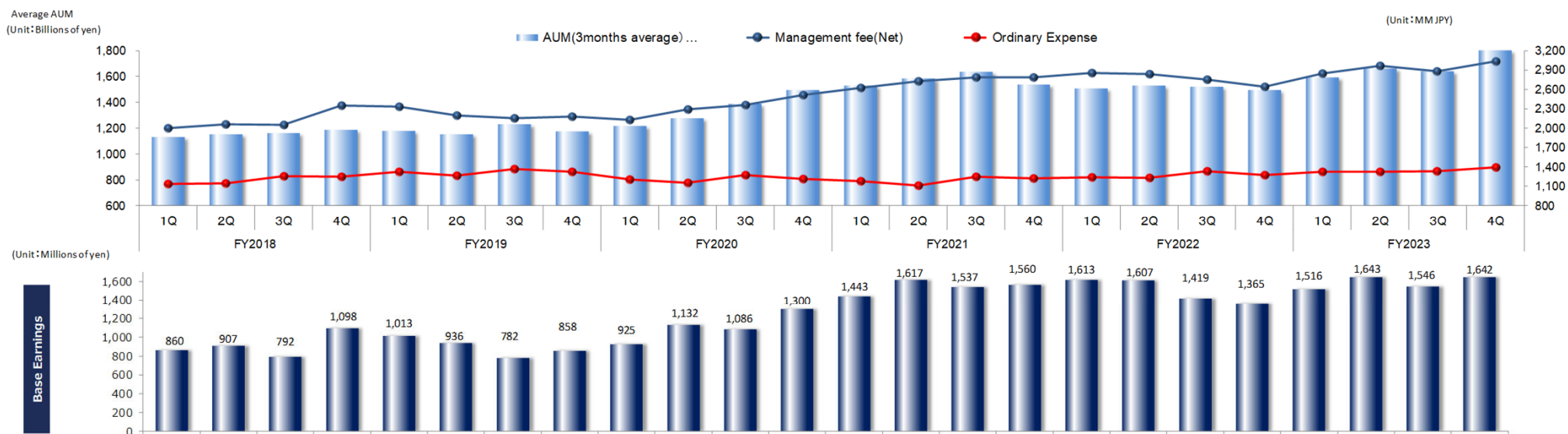


(Units : Millions of yen)	FY 2018				FY2019				FY2020				FY2021				FY2022				FY2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Ordinary expenses	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322	1,203	1,158	1,276	1,211	1,177	1,108	1,251	1,225	1,236	1,229	1,332	1,272	1,329	1,321	1,336	1,391
Commissions paid & Bonuses	548	597	586	816	724	682	760	553	579	759	894	864	664	752	757	642	623	713	621	625	765	982	957	938
Operating and general administrative expenses	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	2,095	2,303	2,293	2,329

# Quarterly Base Earnings



Base earnings has increased compared to the same period of the previous fiscal year due to an increase in management fees despite the fact that ordinary expenses are on an upward trend.



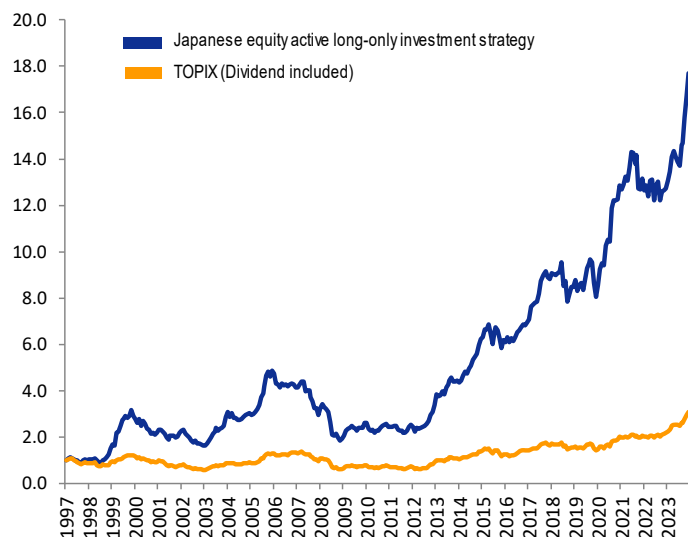
(Unit : MM JPY)	FY2018				FY2019				FY2020				FY2021				FY2022				FY2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AUM(3months average) (Unit:Billions of yen)	1,131.0	1,151.0	1,159.8	1,186.9	1,180.1	1,153.6	1,229.0	1,173.4	1,215.7	1,278.3	1,388.4	1,492.9	1,530.6	1,582.5	1,636.1	1,538.1	1,506.5	1,529.8	1,518.7	###	1,591.2	1,661.3	1,640.6	1,804.2
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	2,964	2,882	3,034
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	1,321	1,336	1,391
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	1,643	1,546	1,642

(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.

# Primary Investment Strategies: Composite Returns Since Valuation Began ①



## Japanese Equity Active Long-Only investment strategy



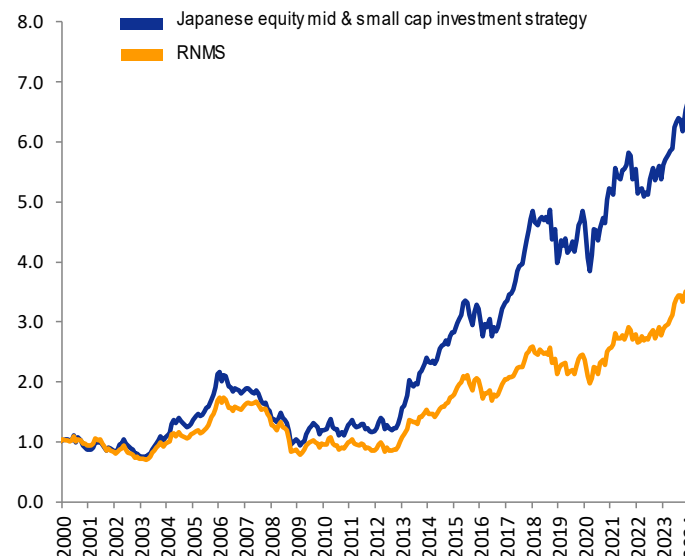
(Annualized Return)

Japanese equity active long-only investment strategy	11.26%	Reference Index	TOPIX (Dividend included)
Reference Index	4.24%	Measurement Period	1997/5 ~2024/3
Excess Return	7.03%	Volatility of Composite Return (Annualized)	19.66%

※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	8.64%	Reference Index	Russell/Nomura Mid-Small Cap Index
Reference Index	5.87%	Measurement Period	2000/1 ~2024/3
Excess Return	2.77%	Volatility of Composite Return (Annualized)	17.13%

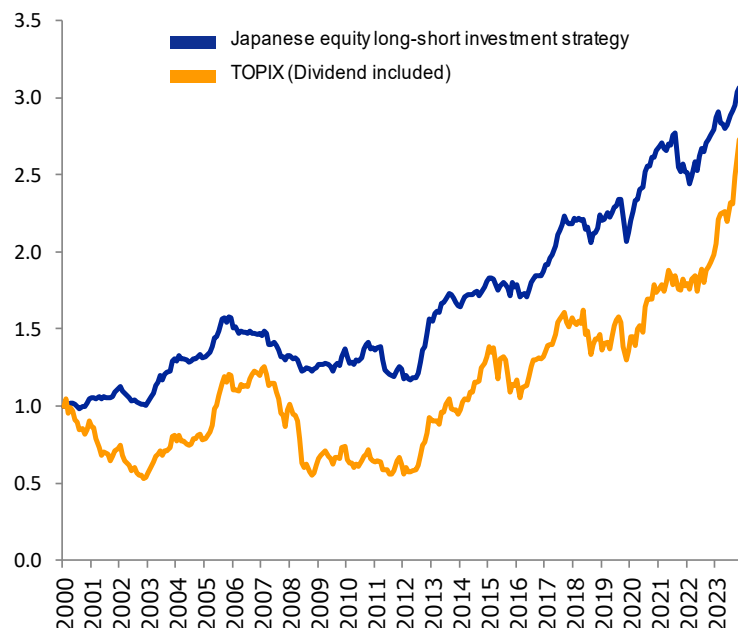
※Performance is in Japanese Yen and is shown gross of fees.

Source: SPARX Group (as of March 31, 2024)

# Primary Investment Strategies: Composite Returns Since Valuation Began ②



## Japanese Equity Long-Short investment strategy

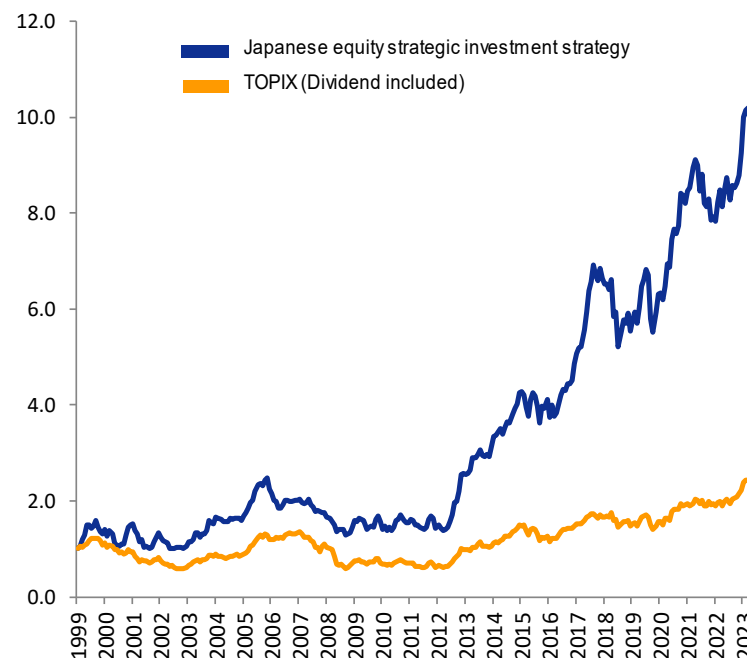


(Annualized Return)

Japanese equity long-short investment strategy	4.81%	Reference Index	TOPIX (Dividend included)
Reference Index	4.30%	Measurement Period	2000/6 ~2024/3
Excess Return	0.51%	Volatility of Composite Return (Annualized)	7.50%

※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	10.19%	Reference Index	TOPIX (Dividend included)
Reference Index	4.47%	Measurement Period	1999/7 ~2024/3
Excess Return	5.72%	Volatility of Composite Return (Annualized)	19.24%

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

Source: SPARX Group (as of March 31, 2024)

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, and we are working to convey the new appeal of our company. Thank you for visiting us.

- SPARX Channel  
<https://www.sparx.jp/tv/>
- Official Facebook  
<https://www.facebook.com/SPARXGroup/>

This report is prepared solely for the purpose of providing information to the shareholders of SPARX Group Co., Ltd. ("SPARX") and other interested parties, and it is not intended to be a recommendation or solicitation to buy or sell SPARX shares or any other securities. SPARX and its group companies do not warrant the accuracy, completeness, or appropriateness of any data, information, opinions, or other statements contained in this report (which remain subject to auditing), and are not liable for any damage, loss, and/or other results caused by any reliance on or use of any of the said data, information, opinions, or other statements. Past results are not indicative of future performance.

This report contains forward-looking statements that reflect SPARX's plans and expectations (including for its group companies). These forward-looking statements are based on judgements and assumptions derived from SPARX's currently held data. The statements involve known and unknown risks, uncertainties, and other factors that may cause SPARX's actual results, performance, achievements, or financial position to be materially different from any projected results, performance, achievements, or financial position expressed or implied herein. See SPARX's annual securities report for a discussion of the many factors that may affect SPARX's actual results, performance, achievements, or financial position. This report is available at the Kanto Finance Bureau of the Japanese MOF. Furthermore, the content of this report is accurate as of the time of its production, and it may be altered without any prior notice. SPARX owns the copyright to this report. No part of this report may be transmitted, reproduced, quoted, cited, or otherwise used for any purpose whatsoever without the prior written permission of SPARX.

SPARX Asset Management Co., Ltd. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SPARX Asset Management Co., Ltd. has been independently verified for the periods from 1st April 1997 to 31st December 2014. The verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The firm subject to verification is SPARX Asset Management Co., Ltd. SPARX Asset Management Co., Ltd. is registered with Japanese authorities to conduct an investment management business, an investment advisory and agency business, a Type-1 Financial Instruments business, and a Type-2 Financial Instruments business.

The term the "Firm" was redefined effective 15 October 2009 and 30 November 2010 where SPARX Investment & Research, USA, Inc. (SIR) and SPARX International (Hong Kong) Limited (SIHK) have been excluded, respectively, due to the dissolution of SIR and the transfer of SIHK's shares to a third-party.

The term the "Firm" was redefined effective 30 December 2013 where SPARX Overseas Ltd.(SOL) who may manage the investment funds which SPARX Asset Management Co., Ltd.(SAM) does not take part in has been excluded, in order to keep on presenting the investment performance of portfolios that SPARX Asset Management Co., Ltd.(SAM) manages.

#### 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)

All copyrights, trademarks, and intellectual property rights related to the Russell/Nomura indices are the property of Nomura Fiduciary Research & Consulting Co., Ltd.

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

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



---

- This material is only for the purpose of explaining the financial results prepared by SPARX Group Co., Ltd. and SPARX Asset Management Co., Ltd., and it is not a disclosure document pursuant to the Japanese Financial Instruments and Exchange Act. - This material does not intend to solicit the purchase of any specific financial instruments. Therefore, the distribution of this document or a solicitation using this document to any third party is prohibited. - Any unauthorized reproduction or copying of this document for any purpose is prohibited.

SPARX Group Co., Ltd.  
Shinagawa Season Terrace 6F, 1-2-70 Konan,  
Minato, Tokyo, Japan 108-0075  
Tel: +81-3-6711-9100 (switchboard)

