



FY2024
**1st Quarter Earnings
Presentation
(Apr.2024 – Jun.2024)**

SPARX Group Co., Ltd.

July 31, 2024

Securities code: 8739

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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 June 30, 2024)
Exchange:	Tokyo Stock Exchange Prime Market (Securities code: 8739)
Employees	189 (as of June 30, 2024)
Description of Businesses	<ul style="list-style-type: none">■ Investment Management■ Investment Advisory and Agency■ Type I Financial Instruments & Type II Financial Instruments

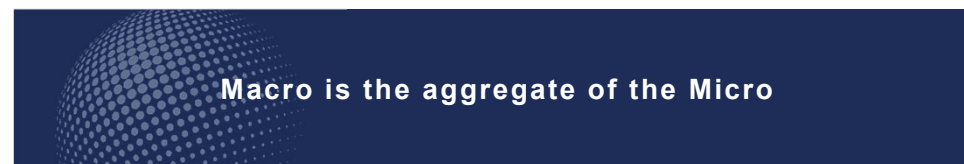


President and Group CEO

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

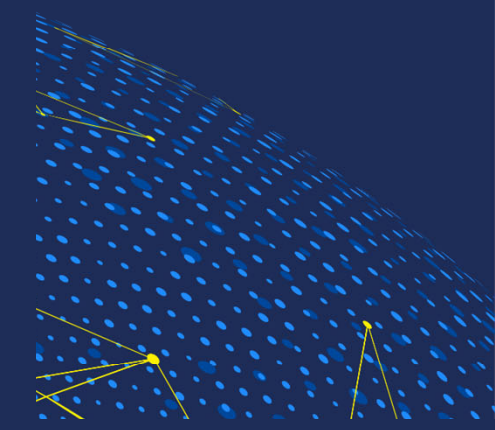
To make the world wealthier, healthier, and happier

Vision

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

Mission

Bring ever-better investments to the world



02.

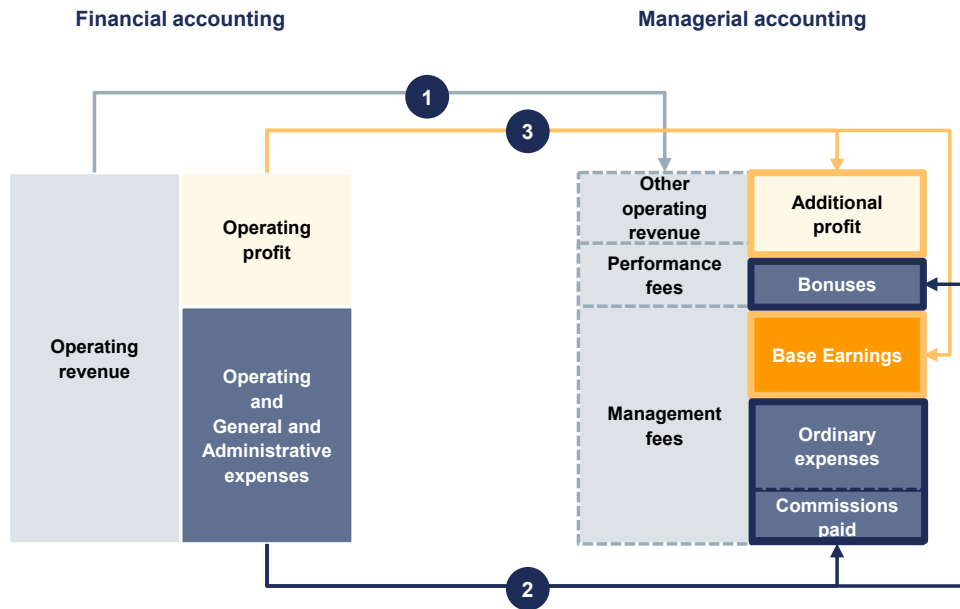
Financial Results for FY2024 Q1

Introduction

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

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

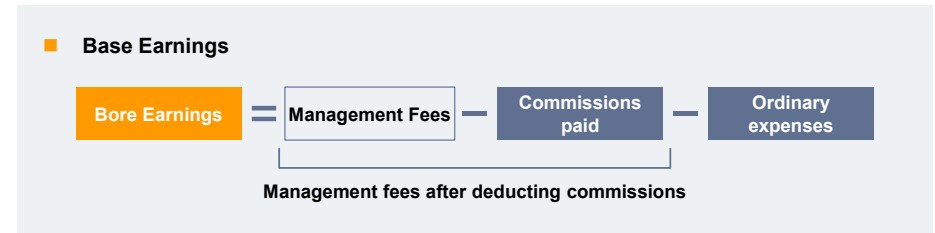
Points to note when viewing this materials



- 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.

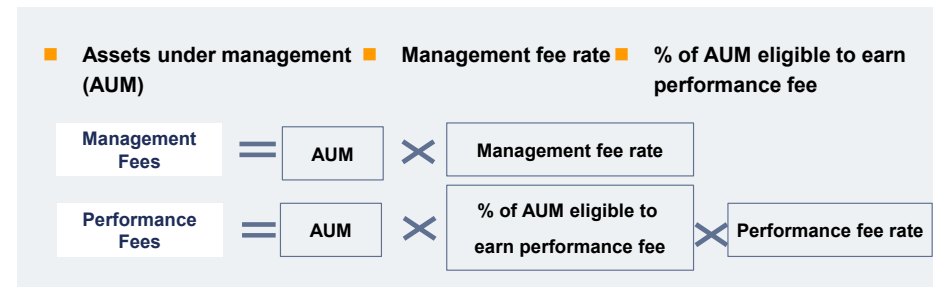
Key management indicators

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



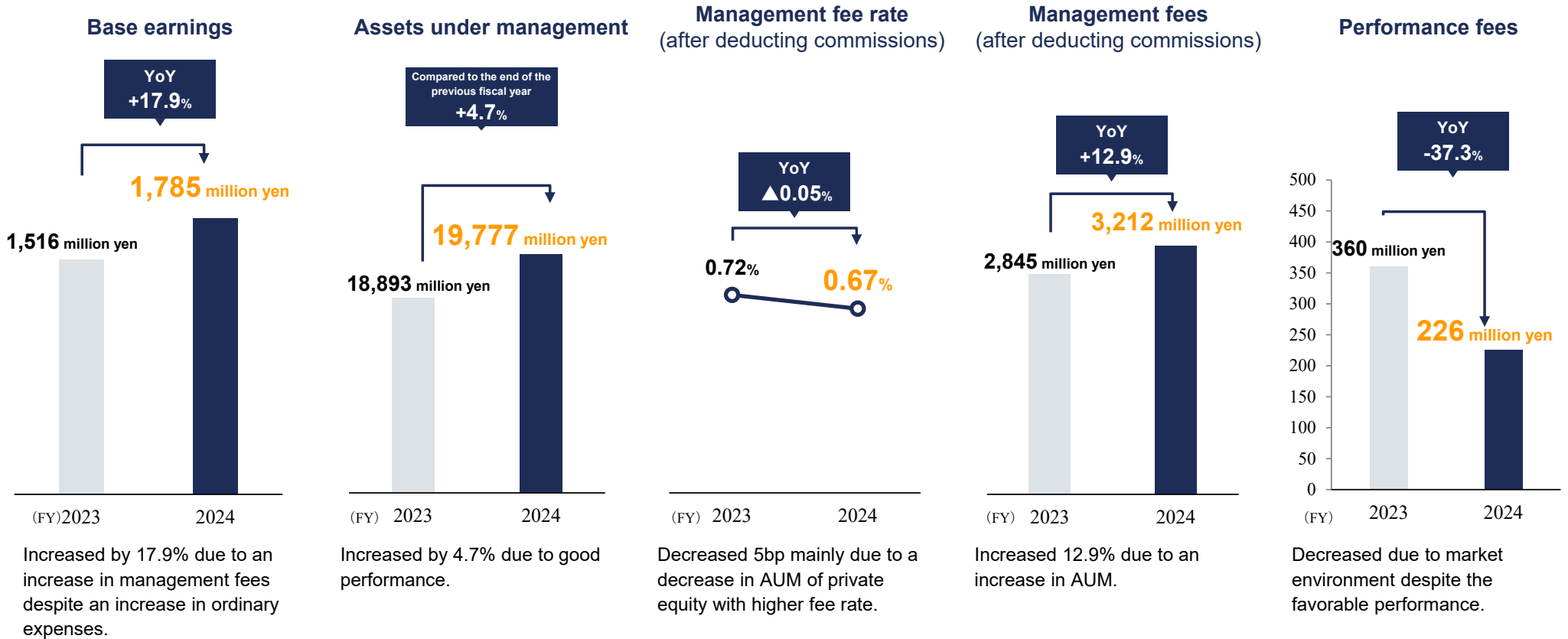
※ Indicators that do not include temporary or additional incentive fees, such as operating income for financial accounting purposes, and are not affected by market trends or progress in real asset investments.

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



FY2024 Q1 Status of key management indicators

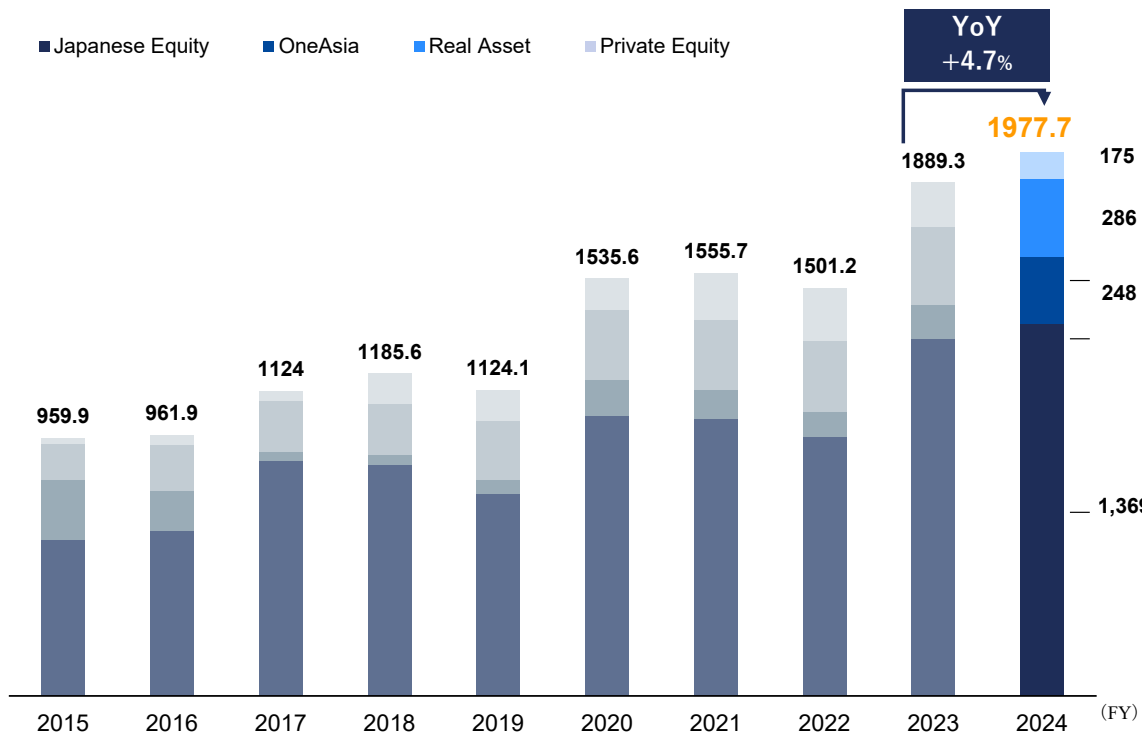
AUM at the end of FY24 Q1 increased 4.7% from the end of the previous fiscal year to 1,977.7 billion yen. Management fees after deducting commissions increased by 367 million yen from the same quarter in the previous fiscal year to 3,212 million yen. Due to an increase in management fees that exceeds the increase in recurring cost, Base earnings have remained its record high. Operating profit has increased due to the steady increase in management fees, despite a decrease in performance fee due to the market environment.



FY2024 Q1 Trends in AUM

Group's AUM increased by 4.7% from the end of the previous fiscal year due to an increase in AUM for Japanese equity investment strategy and OneAsia investment strategy as a result of favorable performance, as well as launch of new fund in private equity investment strategy (Space Frontier Fund II).

AUM trends



(Reference) Various Market Indexes

	Year-ended March 31, 2024	Quarter-ended June 30, 2024	Rate of change
Nikkei 225	40,369	39,583	(1.9)%
TOPIX	2,768	2,809	+1.5%
KOSPI Index	2,746	2,797	+1.9%
KOSDAQ Index	905	840	(7.2)%
HK Hang Seng Index	16,541	17,718	+7.1%

FY2024 Q1 Consolidated Financial Highlights



Operating revenue, operating profit, and ordinary profit increased due to an increase in AUM and an increase in management fees against the backdrop of a solid market environment. On the other hand, net profit decreased due to the absent of 1.1 billion yen gain on sales of investment securities which was recorded last fiscal year.

(millions of yen)	FY2023 Q1	FY2024 Q1	YoY change
Operating Revenue	3,739	4,254	+ 514 (+ 13.8%)
Operating profit	1,643	1,746	+ 102 (+ 6.2%)
Ordinary profit	1,782	1,807	+ 24 (+ 1.4%)
Profit attributable to owners of parent	2,019	1,120	- 898 (- 44.5%)
ROE	30.3	14.4	- 15.9pt

With increase in AUM, management fees (after deducting commissions) increased by 636 million yen to 3.97 billion yen. The Company also has recognized performance fees of 226 million yen (360 million yen in previous year).

Decreased due the absent of 1.1 billion yen extraordinary gain of the sales of our investment holdings which was recorded last year.

Decreased due to decrease in profit attributable to owners of parent.

FY2024 Q1 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)	FY2023 (March 31, 2023)	FY2024 (June 30, 2024)	YoY Change	
Current assets	27,130	24,376	(2,754)	<p>Of which, includes cash and cash equivalent of 17,883 million yen Decreased mainly due to the payment of dividend and bonuses</p>
Non-current assets	18,981	20,417	+ 1,435	
Total assets	46,112	44,794	(1,318)	<p>Increase in market value for seed investments</p>
Current liabilities	6,547	5,063	(1,484)	<p>Decreased mainly due to payment of accrued bonuses and corporate income tax payable</p>
Non-current liabilities	8,145	8,716	+ 571	
Net assets	31,419	31,014	(405)	<p>Of which, includes total shareholder's equity of 26,453 million yen Mainly payment of dividend: ▲JPY2,722 million, Profit attributable to owners of parent of +JPY 1,120 million, valuation difference on available-for-sales securities +JPY805 million</p>
Total liabilities and net assets	46,112	44,794	(1,318)	
Equity ratio	68.2%	69.2%	+ 1.0pt	

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 June 30,2024)	
<p>Japanese Equity</p>	<p>High profitability</p>	<p>Various investment strategies ※ in Japanese equities</p> <p>※ Long-Short/Mid&Small Cap/Value Creation/Focus All Cap/Market Neutral</p>	<p>JPY 1,368.9 billion</p>	<p>JPY 1,977.7 billion</p> <p>AUM (by March 2026)</p> <p>JPY 3 trillion</p>
<p>OneAsia</p>	<p>In addition to management fees, fund performance generates</p> <p>Performance fees</p>	<p>Investment and management in equity in South Korea and Pan-Asia. Utilizing our model of reproducibility obtained in Japanese equities</p>	<p>JPY 148.3 billion</p>	
<p>Real Assets</p>	<p>Stability</p>	<p>Investment by funds in renewable energy power generation business. Development, management, and operation of energy infrastructure.</p>	<p>JPY 285.5 billion</p>	
<p>Private Equity</p>	<p>Ongoing long-term contract Without being affected by market conditions</p> <p>Generate stable income</p>	<p>Establishment and operation of funds aimed at investing in private equities.</p>	<p>JPY 174.9 billion</p>	

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

Overview of Japanese Equity Investment Strategy



AUM increased due to strong favorable performance of each investment strategies. Value creation strategy decreased due to outflow of funds.

(100 million yen)	AUM			
	March 31, 2024	June 30, 2024	YoY change	
Long-Short Strategy	1,026	1,056	+ 30 (+ 3.0%)	
Focus All cap Strategy	7,844	8,333	+ 488 (+ 6.2%)	Increased due to higher performance than market environment
Mid & Small Cap Strategy	3,047	3,155	+ 88 (+ 2.9%)	
Market Neutral Strategy	134	122	(11) (- 8.9%)	
Value Creation Strategy	1,078	1,041	(37) (- 3.4%)	Decreased due to outflow of funds although the performance was favorable
Total	13,131	13,689	+ 558 (+ 4.3%)	

Overview of OneAsia Investment Strategy



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

	AUM		
	March 31, 2024	June 30, 2024	YoY change
(100 million JPY)			
South Korea	1,174	1,378	+ 203 (- 17.3%)
Pan-Asia	87	105	+ 17 (+ 20.4%)
Total	1,262	1,483	+ 220 (+ 17.5%)

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^{※1} in Japan.

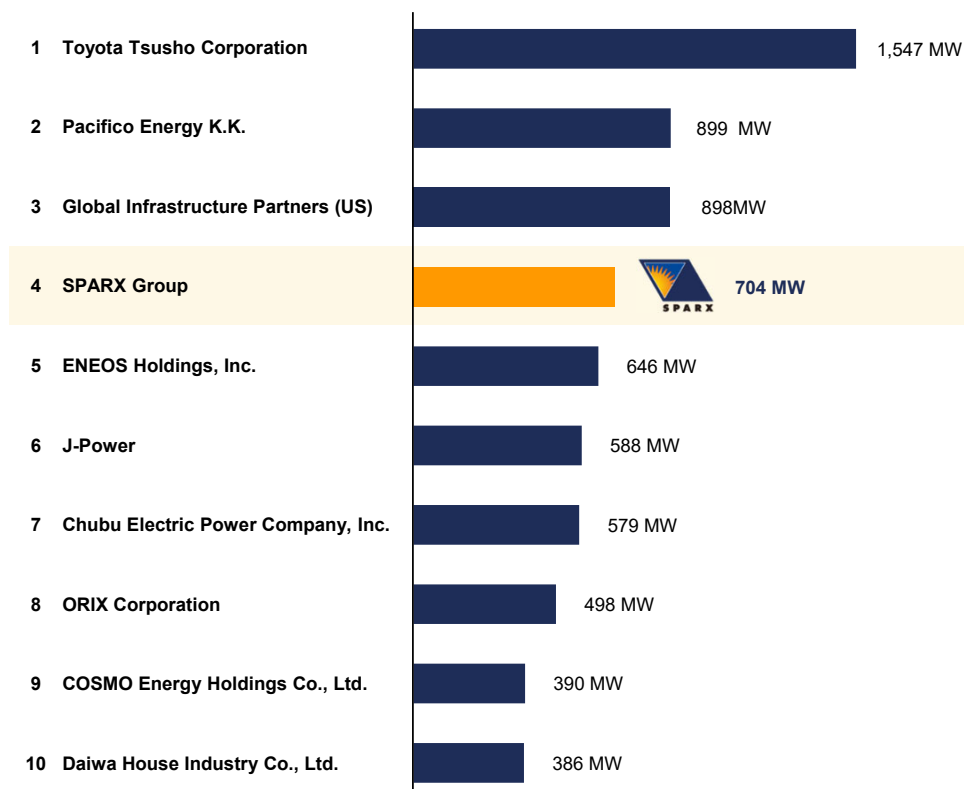
	AUM		
	March 31, 2024	June 30, 2024	YoY change
(100 million yen)			
Renewable Energy Power Station Investment	2,801	2,801	- (-%)
Real Estate Investment	54	54	- (-%)
Total	2,855	2,855	- (-%)

※1 as of March 31, 2024

Overview of Real Asset Investment Strategy

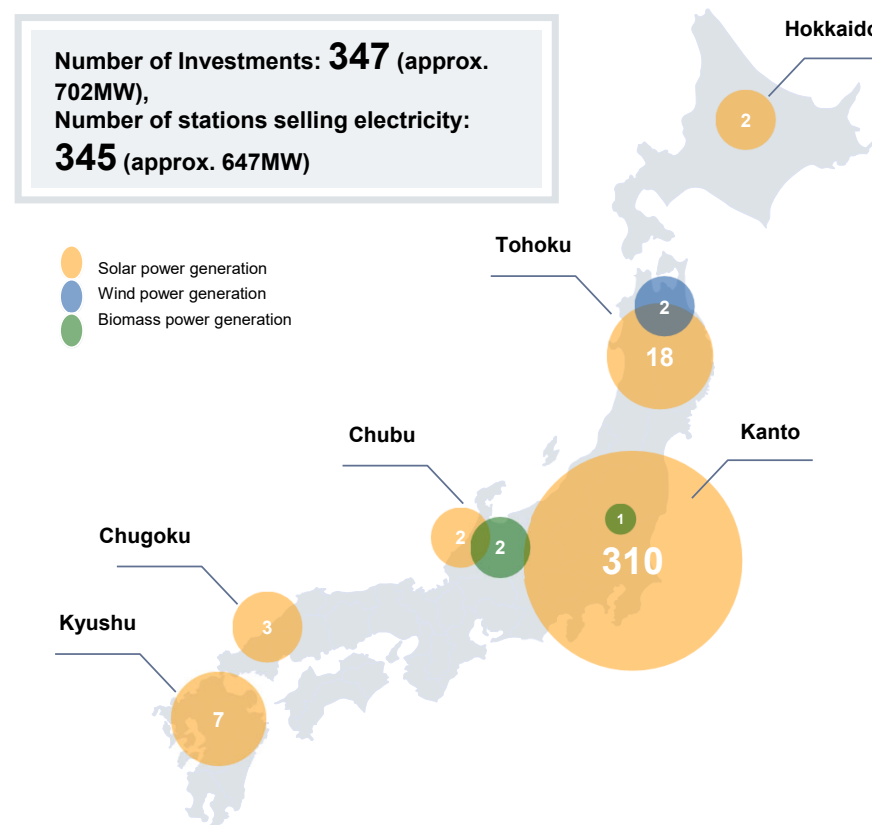


Ranking for electric-generating capacity for domestic renewable energy (solar and wind) power generation



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



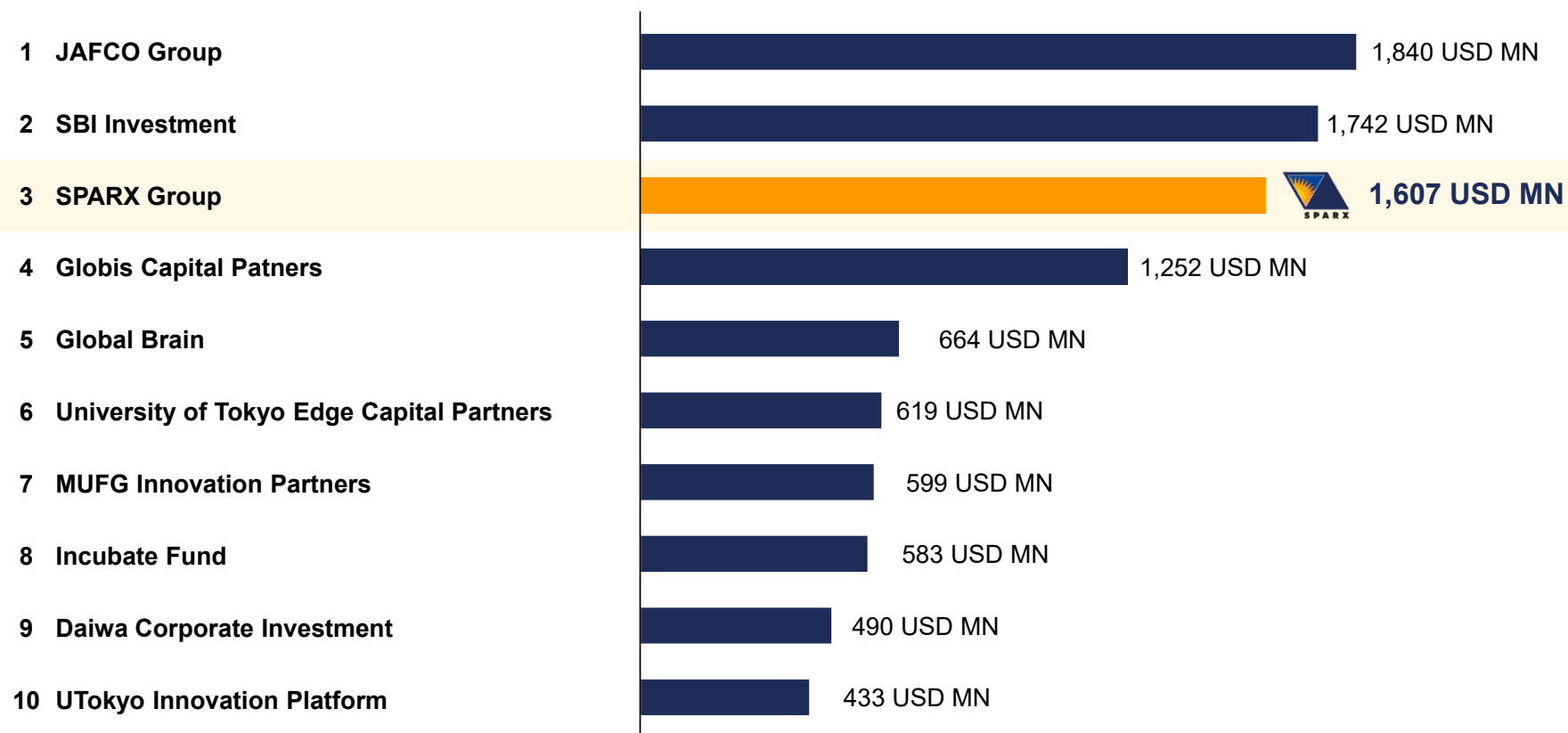
Increased due to launch of Space Frontier Fund II.

(100 million yen)	AUM		
	March 31, 2024	June 30, 2024	YoY change
Mirai Creation Funds	1,161	1,156	(5) (-0.4%)
Space Frontier Funds	92	204	+112 (+121.7%)
Japan Monozukuri Mirai Fund	168	168	- (-%)
Others	222	222	(2) (-0.9%)
Total	1,643	1,749	+113 (+6.5%)

Decreased due to a decrease in investment of the Mirai Creation Fund I & 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 & launched the Fund II.

■ 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

04.

Future Initiatives

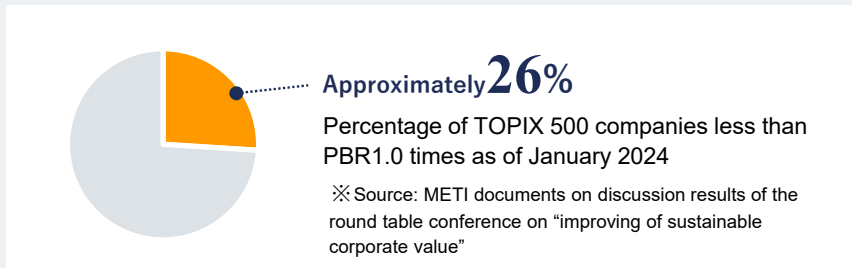
Awareness of the External Environment (Japanese Equity / OneAsia)



The outlook for the market is bright, and it is expected that investment funds will flow stably into the Japanese Equity Investment Strategy and OneAsia Investment Strategy.

Japanese Equity

- In March 2023, the Tokyo Stock Exchange requested listed companies to take in response to “Action to implement management that is conscious of cost of capital and stock price”
- Japanese companies have a lot of room for growth due to the fact that the % of firms with less than PBR1.0 times in Japan still relatively high compared to the market in the United States and Europe



It is assumed that each company will continue to focus on enhancing its corporate value, and investors’ attention on Japanese equities is also expected to remain high and stable.

OneAsia

- High economic growth is expected to continue in the Asian regions, especially in India and Indonesia, where we are cultivating them as core funds

Outlook for Real GDP Growth in the Asian Region

	2023	2024	2025
Asian region	5.0%	4.5%	4.3%
India	7.8%	6.8%	6.5%
Indonesia	5.0%	5.0%	5.1%
(reference) World GDP	3.2%	3.2%	3.2%

※ Source: released on April 2024 “World Economic Outlook” by IMF (International Monetary Fund)

Finding companies with high potential in high-growth markets can be expected.

Awareness of the External Environment (Real Assets / Private Equity)



Capital inflows are expected to increase for real asset investment strategies and private equity investment strategies, with tailwind from the Japanese government policy

Real Assets

- At the 28th meeting of the conference of the Parties to the UNFCCC (COP28), the goal was set to triple renewable energy capacity globally by 2030
- METI (The Ministry of Economy, Trade and Industry) also set numerical targets for switching to renewable energy sources.

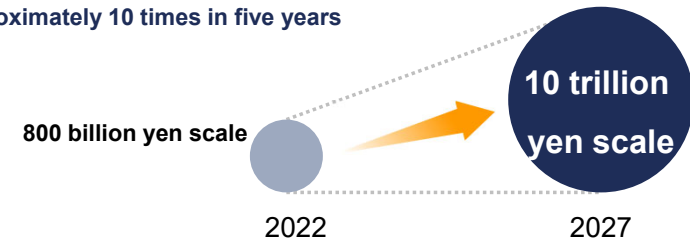
2011	2020	2030 goal
10.4% (113.1 billion kWh)	19.8% (198.3 billion kWh)	36-38% (336.0-353.0 billion kWh)

Social needs for renewable energy remain high, and the promotion of renewable energy is expected to continue on a nationwide scale.

Private Equity

- METI launched and started “Five-Year Startup Plan”

Increase investment in startup by approximately 10 times in five years



- The space strategy fund has been established in JAXA
Aiming to contribute ¥1 trillion to companies and universities in 10 years to strengthen security

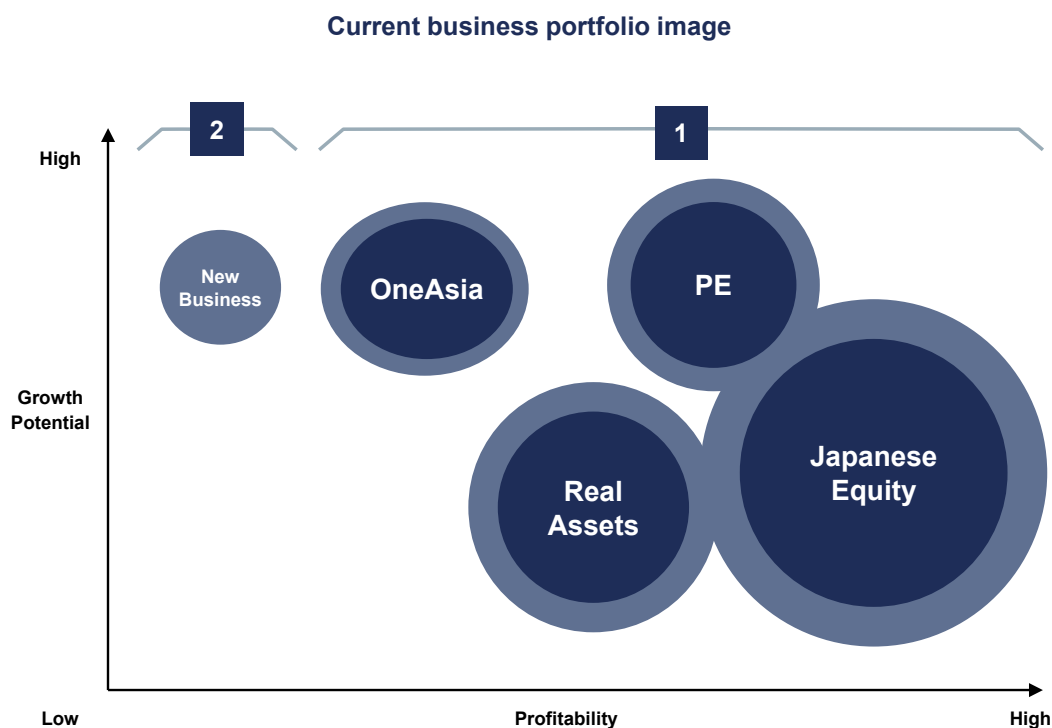
Numerous policies have been formulated by the government for the development and collaboration of venture companies, and it is expected that the base and scale of venture companies will expand

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 chat 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 o 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



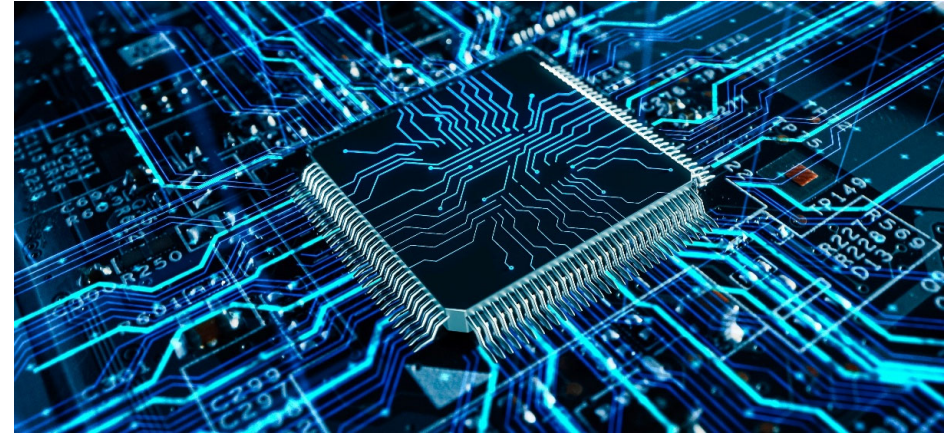
Achieve JPY 3 trillion in AUM by March 2026 through various measures to increase the profitability of Japanese Equity, OneAsia, Real Assets and Private Equity.

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

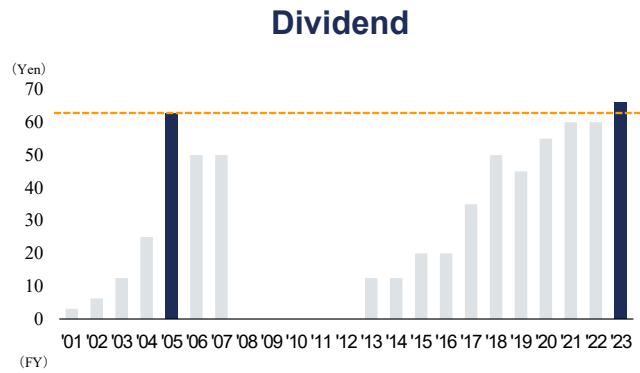
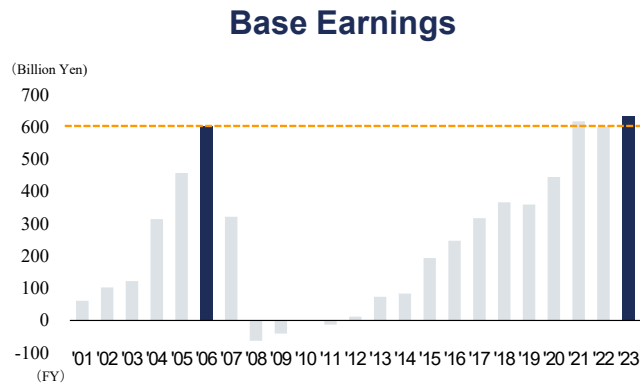


- For Real Assets Investment Strategy, we will seek new highly profitable investment targets based on the know-how that we gained from renewable energy investment and aim to form into funds and secure stable profits.
- For Private Equity Investment Strategy, although it is pointed out that Japanese private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

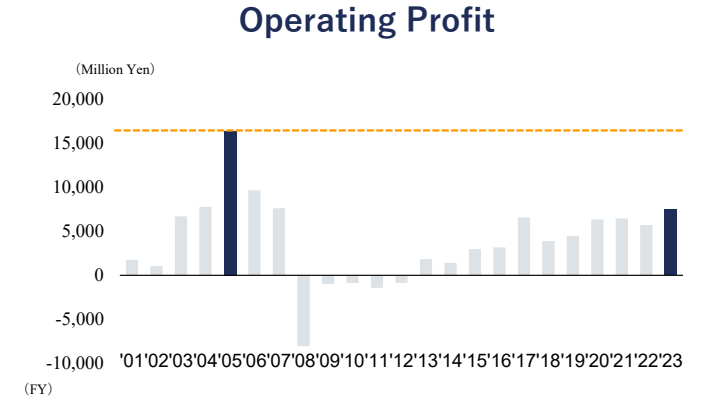
Status of Major Indicators

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).

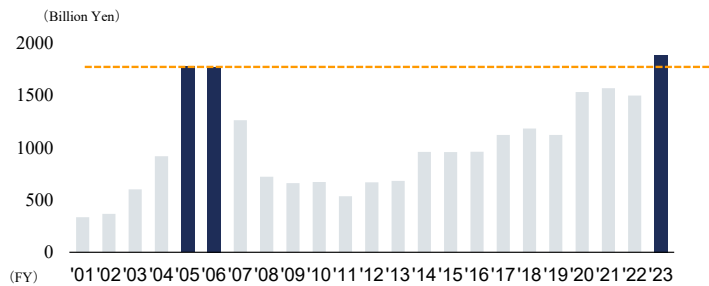
Key indicators that have reached record highs (or expected to achieve in near future)



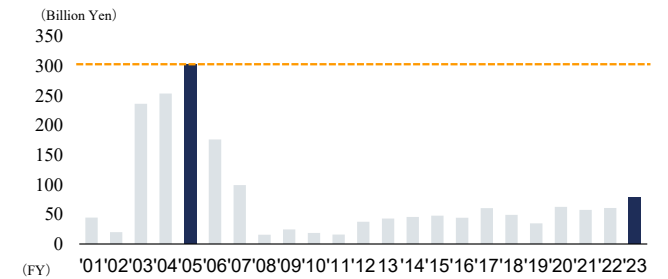
Key indicators for achieving over the medium to long term



AUM



Market Capitalization



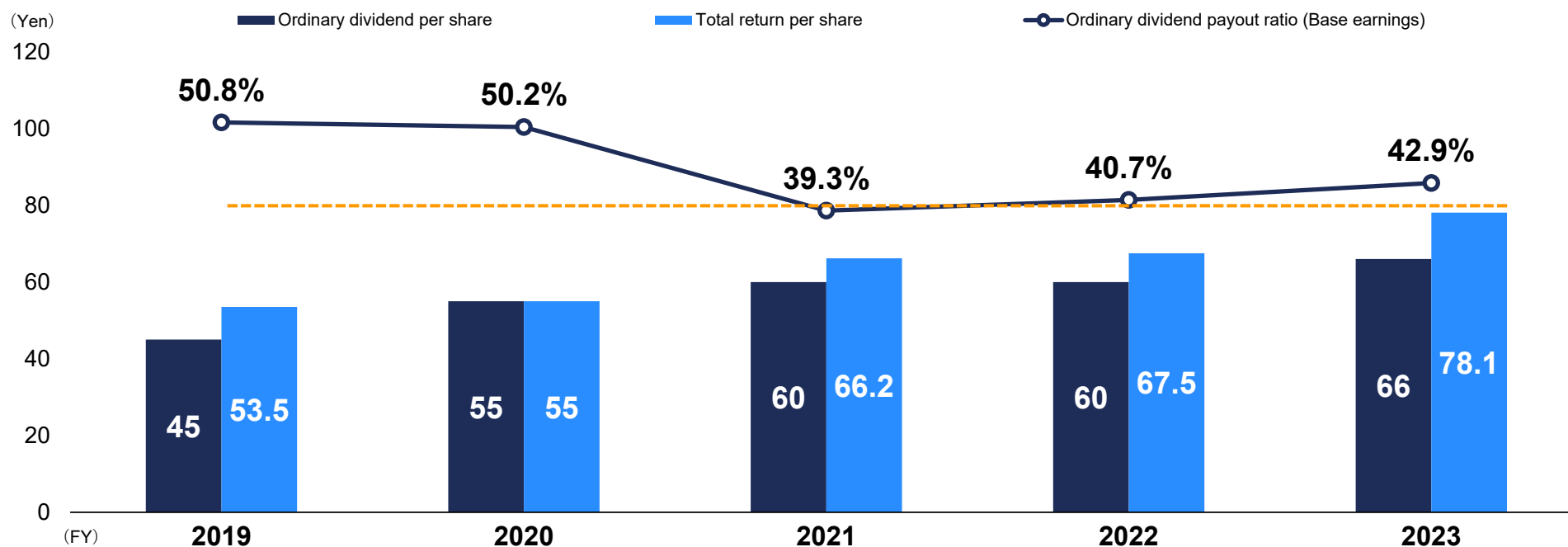
※ Figures shown above for AUM and market capitalization are as of the end of each fiscal year (March-end)

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, 2024) <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

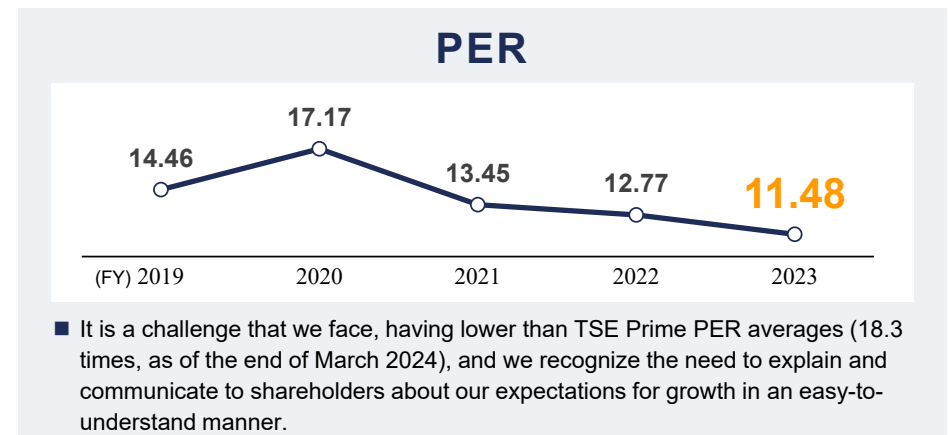
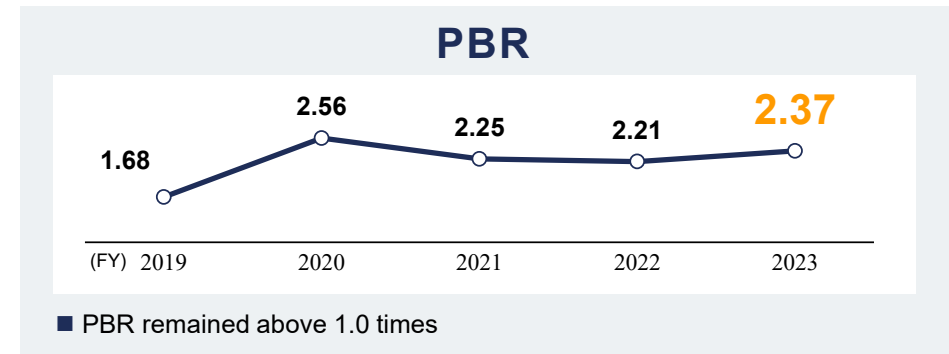
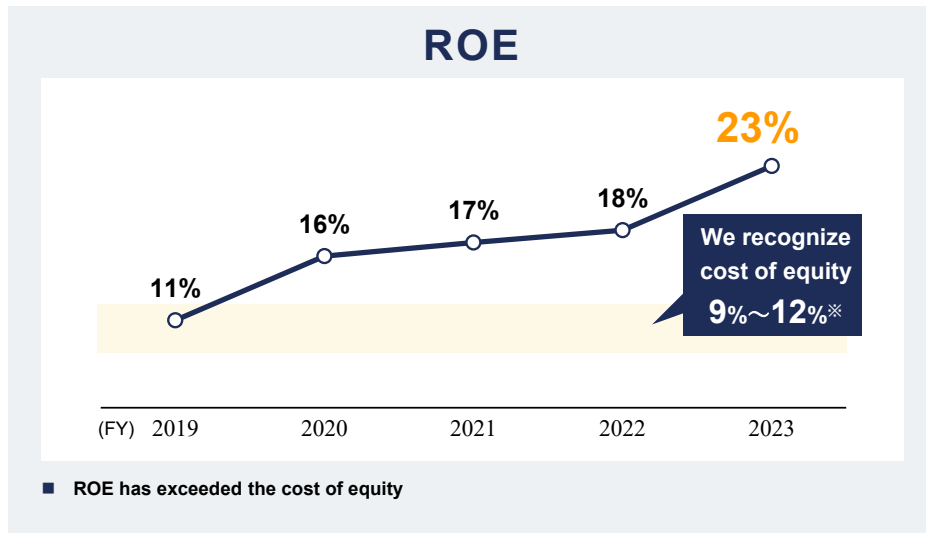
	FTSE Blossom Japan Index	FTSE Blossom Japan Sector Relative Index	S&P/JPX Carbon Efficient Index
Provider	FTSE Russell		S&P and Japan Exchange Group, Inc.
Summary	An index composed of Japanese companies with strong Environmental, Social and Governance (ESG) ratings based on their own scores. Selected 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.
Number of issues	310 companies (As of June 19, 2023)	605 companies (As of June 19, 2023)	Approx. 1700 constituent stocks
Reference	https://www.lseg.com/en/ftse-russell/indices/blossom-japan		

05.

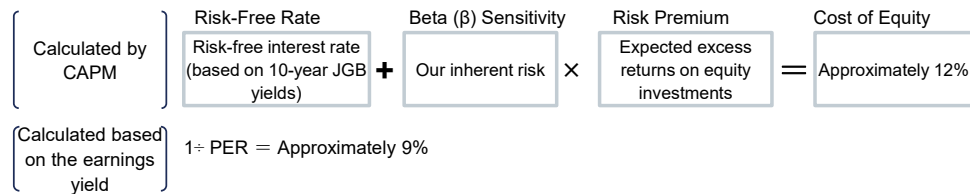
**Action to implement
management that is conscious
of cost of capital and stock
price**

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.



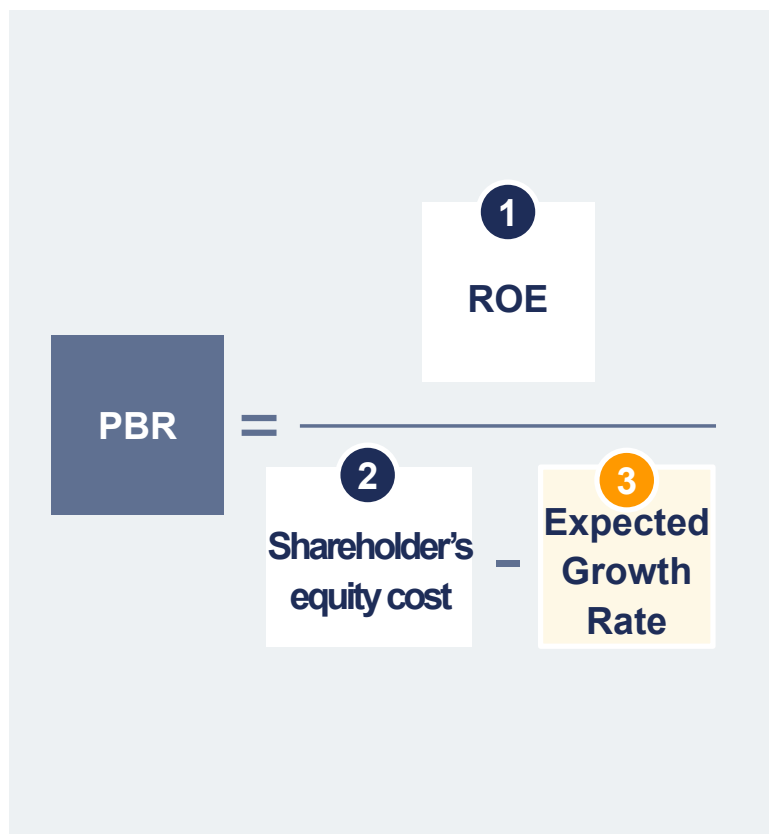
※ Assumptions for cost of equity calculation (as of March-end 2024)



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.



1
Further improvement of ROE by expanding existing strategies

- The Company will continue to achieve high-quality investment results given that Japanese Equity Investment Strategy has adequate management capacity in response to increase AUM. We will also differentiate ourselves in order to maintain a relatively high management fee rate. At the same time, we will focus on OneAsia investment strategy and allocate our resources as well, which is a market with much greater growth potential than Japan (P.24).
- The Company is already in well-positioned in the field of real assets and private equity by its AUM size, which are expected to grow rapidly in the future and aims for higher position. (P.17, 19)
- Aim to improve capital efficiency by reviewing the business portfolio by conducting appropriate seed investment in growth areas while examining the effects of investments. (P.23 e.g. sale of partial investment securities in the medical area and have realized gain in last fiscal year)

2
Reduction of cost of equity

- In addition to the management fee, performance fees can be earned if the fund performs well. (there is only upside because if there are no performance fees there is no negative impact) (P.13)
- Real assets and private equity funds can generate stable earnings because they are contractually non-cancelable. So they are not affected by market conditions. (P.13)
- The Company has been selected as a constituent of 3 ESG indices which are adopted by GPIF and we will strive to disclose non-financial information at a higher-level. (P.28)
- Build an efficient, effective, sound and transparent governance system that leverages the strengths of independent investment company. (P.27 Reference Information Materiality)

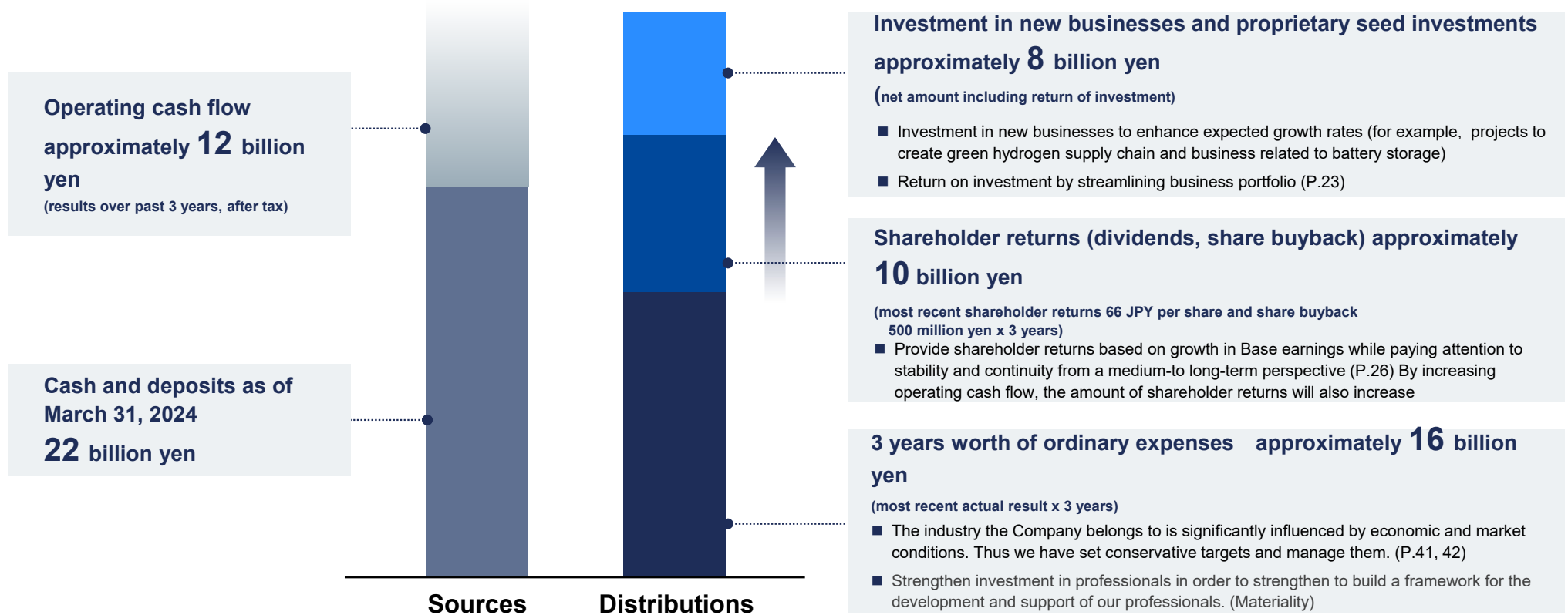
3
Improving expected growth rate by introduction new investment

- As Japan's first independent investment company, we have a track record of surviving and growing even in a challenging era after the bubble burst. This is due to our DNA that new investment strategies are consistently introduced in response to the demands of the times and changes in the market environment. Leveraging this DNA, we will continue to invest a certain amount of seed capital in the future, which will lead to our fund business (most recently, hydrogen, battery storage, etc.) (P.36).
- In order to realize our purpose and vision, we will build a framework for the development and support of our professionals. (P.27 Reference Information Materiality)

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.

Information Disclosure Enhancement



- 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

Holding Investor Interviews



- 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

Internal Feedback for IR Activities



- 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 identifies 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.

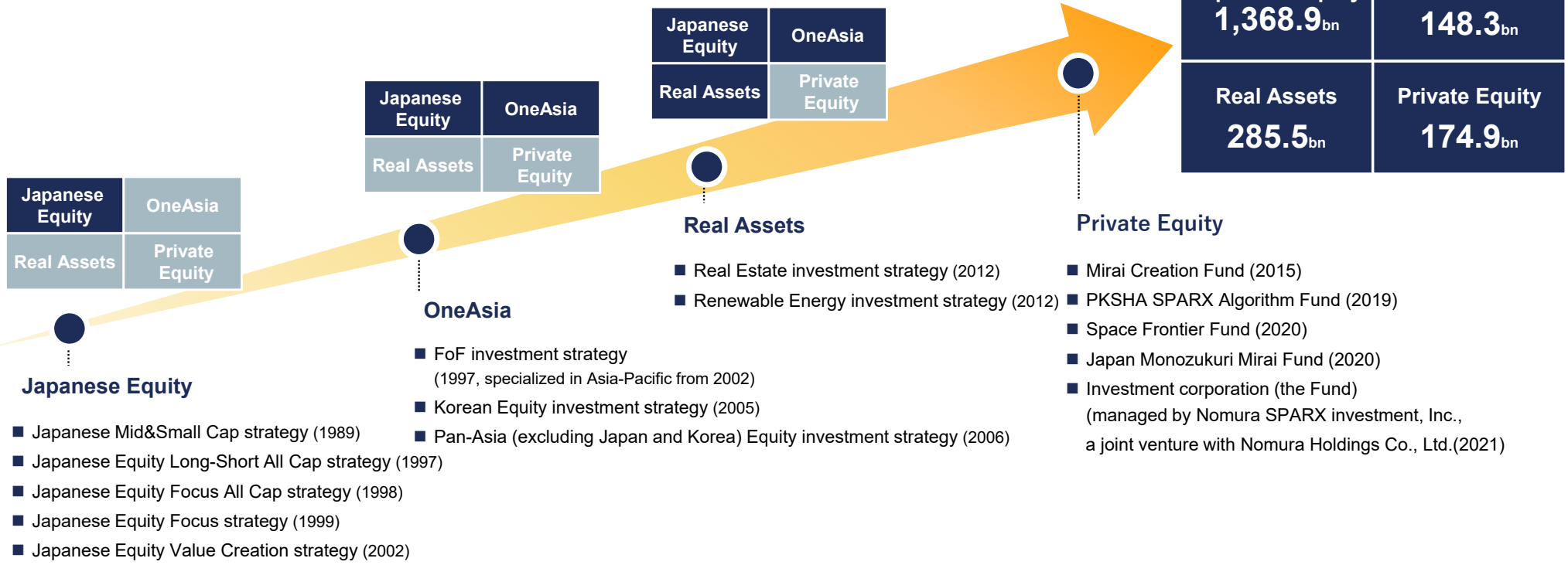
Appendix

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

AUM as of June 2024



- Japanese Equity**
- Japanese Mid&Small Cap strategy (1989)
 - Japanese Equity Long-Short All Cap strategy (1997)
 - Japanese Equity Focus All Cap strategy (1998)
 - Japanese Equity Focus strategy (1999)
 - Japanese Equity Value Creation strategy (2002)

- OneAsia**
- FoF investment strategy (1997, specialized in Asia-Pacific from 2002)
 - Korean Equity investment strategy (2005)
 - Pan-Asia (excluding Japan and Korea) Equity investment strategy (2006)

- Real Assets**
- Real Estate investment strategy (2012)
 - Renewable Energy investment strategy (2012)

- Private Equity**
- Mirai Creation Fund (2015)
 - PKSHA SPARX Algorithm Fund (2019)
 - Space Frontier Fund (2020)
 - Japan Monozukuri Mirai Fund (2020)
 - Investment corporation (the Fund) (managed by Nomura SPARX investment, Inc., a joint venture with Nomura Holdings Co., Ltd.(2021)

Market swings have a significant impact

Diversified strategies lead to increased stability

What is the Buffet Club?

Through studying and discussing the investment philosophies of noted investor Warren Buffett and other capitalists, SPARX employees learn and share 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 sessions since our founding as a way to convey SPARX's investment philosophy to the next generation



Consolidated Earnings Summary (2) Performance



		FY2023		FY2024	
		Q1	Full Year	Q1	YoY change
Average AUM	(Billions of yen)	1,591.2	1,674.3	1,929.5	+21.3%
Management fee rate	(%)	0.72%	0.70%	0.67%	-5.0%
(After deducting commissions)					
Management fees	(Millions of yen)	2,845	11,727	3,212	+12.9%
(After deducting commissions)					
- Ordinary expenses	(Millions of yen)	1,329	5,378	1,426	+7.3%
Base earnings	(Millions of yen)	1,516	6,348	1,785	+17.8%
Performance fees	(Millions of yen)	360	2,054	226	-37.3%
Percentage of AUM eligible to earn performance fees	(%)	38.7%	35.3%	33.9%	-4.8
Other operating revenue	(Millions of yen)	37	186	50	+34.2%
- Bonuses	(Millions of yen)	267	1,097	285	+6.6%
(including ESOP Expense)					
Operating profit	(Millions of yen)	1,643	7,476	1,746	+6.2%
Profit attributable to owners of parent	(Millions of yen)	2,019	6,519	1,120	-44.5%
Return on equity (ROE)	(%)	30.3%	22.7%	14.4%	-16.0

(Note 1) Management fees include administrative fees for the power stations related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

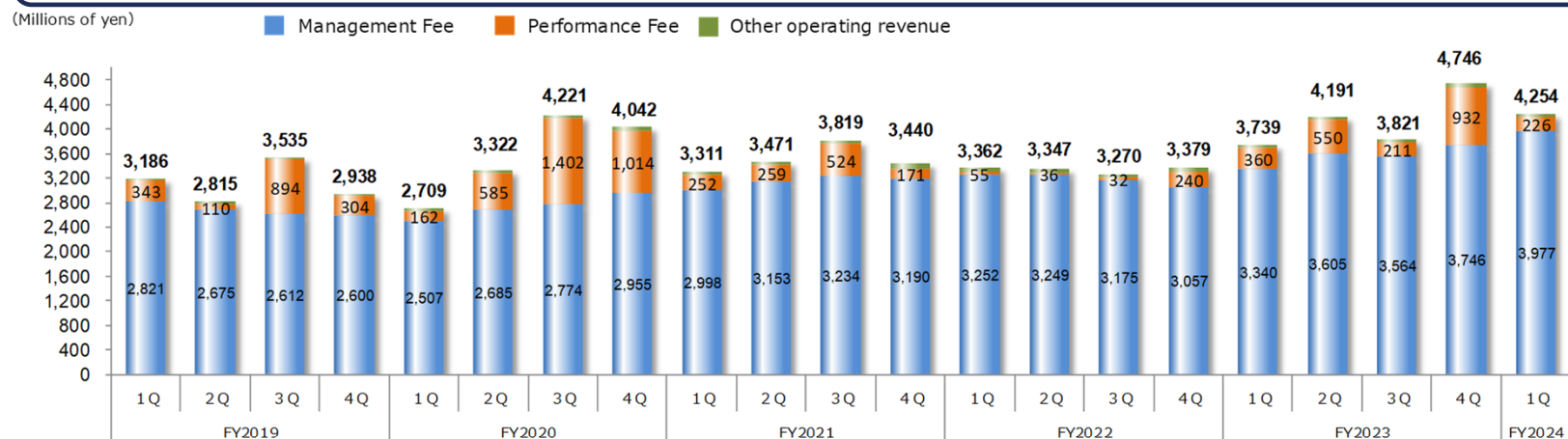
(Note 2) Performance fees include one-time fees (acquisition fees) received as compensation for formulating power station plans related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

(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 compared to the same period last year due to an increase of AUM.

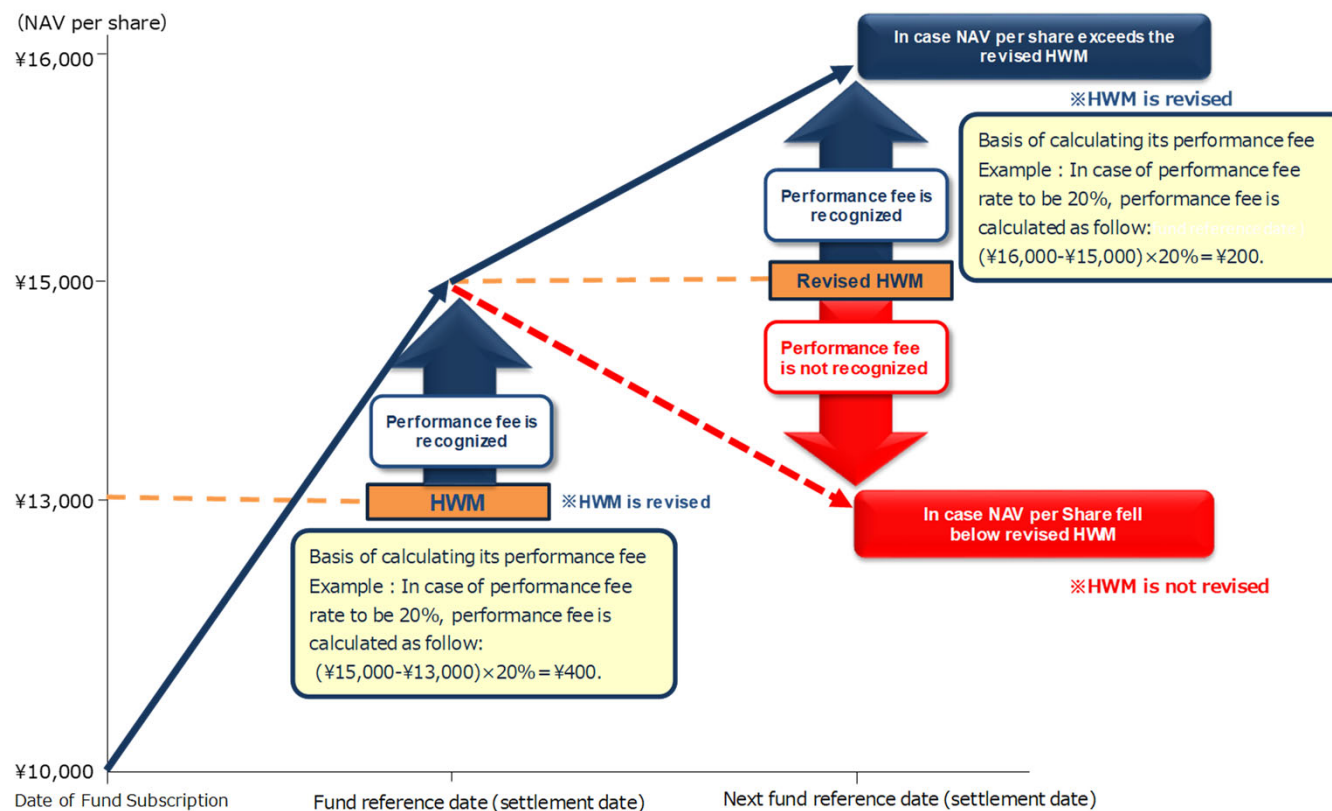


(Millions of yen)	FY2019				FY2020				FY2021				FY2022				FY2023				FY2024
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Management Fees	2,821	2,675	2,612	2,600	2,507	2,685	2,774	2,955	2,998	3,153	3,234	3,190	3,252	3,249	3,175	3,057	3,340	3,605	3,564	3,746	3,977
Performance Fees	343	110	894	304	162	585	1,402	1,014	252	259	524	171	55	36	32	240	360	550	211	932	226
Other operating revenue	22	29	28	33	39	51	43	72	59	59	60	78	55	61	62	81	37	35	46	67	50
Operating Revenue	3,186	2,815	3,535	2,938	2,709	3,322	4,221	4,042	3,311	3,471	3,819	3,440	3,362	3,347	3,270	3,379	3,739	4,191	3,821	4,746	4,254
(Reference)																					
Average AUM (Billions of yen) (3months average)	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	19,295
Management fee rate (3months average) (After deducting commissions)	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%	0.67%
Percentage of AUM eligible to earn performance fees	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%	33.9%
NIKKEI stock average (Record date)	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	39,583

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 personnel expenses associated with an increase in headcount and increase in property rent expenses associated with an increase in office floor space

(Units: Millions of yen)	FY2023		FY2024	
	Q1	Full Year	Q1	YoY change
Commissions paid	498	2,546	769	+54.4%
Personnel exp.	830	3,368	904	+8.9%
Travel exp.	61	253	77	+25.1%
Property rent	60	258	77	+28.6%
Entrusted business expenses	247	1,110	277	+12.0%
Depreciation on fixed assets	54	218	48	-10.8%
Advertising exp.	53	199	32	-38.1%
Research exp.	95	397	106	+11.7%
Other expenses	193	667	214	+10.7%
Total: Operating and general administrative expenses	2,095	9,022	2,508	+19.7%
Ordinary expenses	1,330	5,378	1,426	+7.2%

(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.

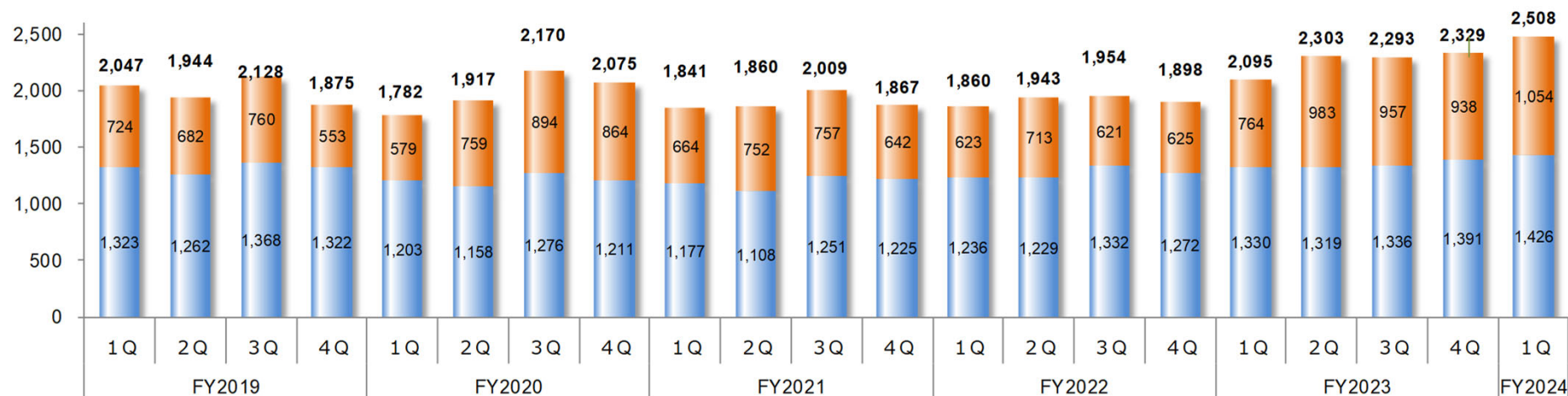
Quarterly Operating and General Administrative Expenses



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

(Units: Millions of yen)

■ Ordinary expense ■ Commissions paid & Bonus



(Units : Millions of yen)	FY2019				FY2020				FY2021				FY2022				FY2023				FY2024
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q
Ordinary expenses	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	1,330	1,319	1,336	1,391	1,426
Commissions paid & Bonuses	724	682	760	553	579	759	894	864	664	752	757	642	623	713	621	625	764	983	957	938	1,054
Operating and general administrative expenses	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	2,508

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.

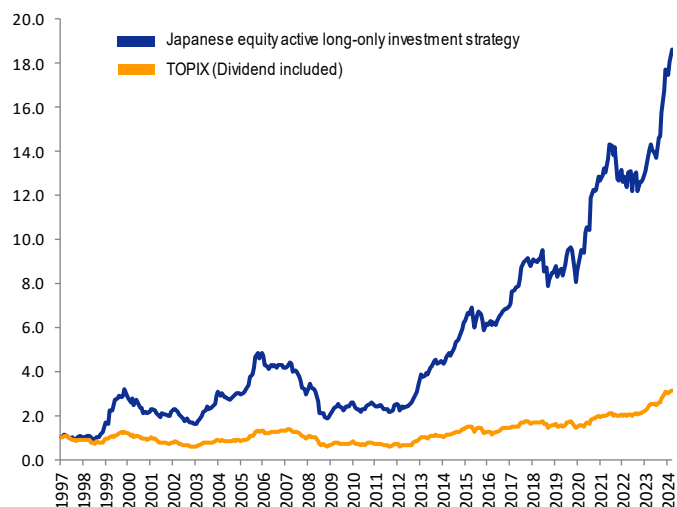


(Note) As preliminary figures, the 「Management fee (Net)」 is calculated by multiplying the management fee rate (after the deduction of commission paid) and the average AUM for the period.

Primary Investment Strategies: Composite Returns Since Valuation Began ①



Japanese Equity Active Long-Only investment strategy



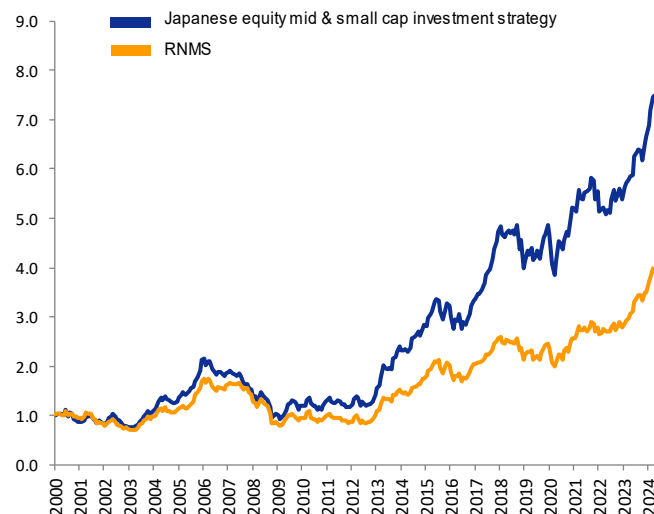
(Annualized Return)

Japanese equity active long-only investment strategy	11.37%	Reference Index	TOPIX (Dividend included)
Reference Index	4.26%	Measurement Period	1997/5 ~2024/6
Excess Return	7.10%	Volatility of Composite Return (Annualized)	19.58%

※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	8.66%	Reference Index	Russell/Nomura Mid-Small Cap Index
Reference Index	5.82%	Measurement Period	2000/1 ~2024/6
Excess Return	2.84%	Volatility of Composite Return (Annualized)	17.05%

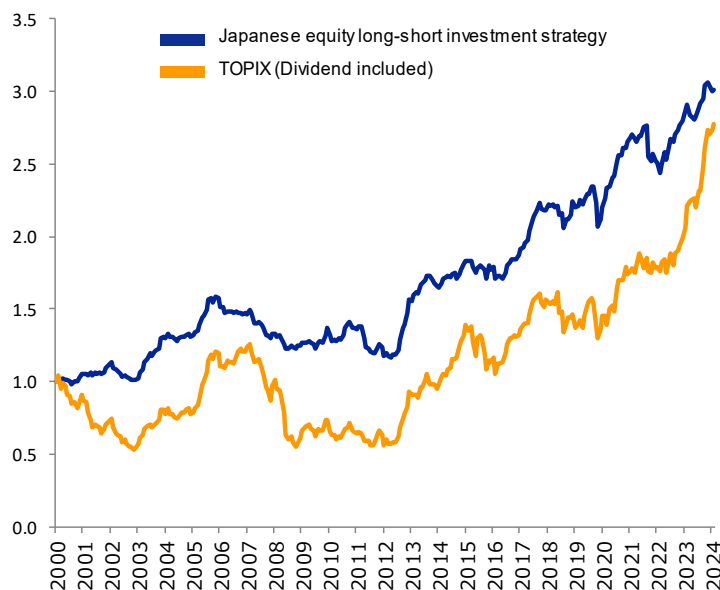
※Performance is in Japanese Yen and is shown gross of fees.

Source: SPARX Group (as of June 30, 2024)

Primary Investment Strategies: Composite Returns Since Valuation Began ②



Japanese Equity Long-Short investment strategy

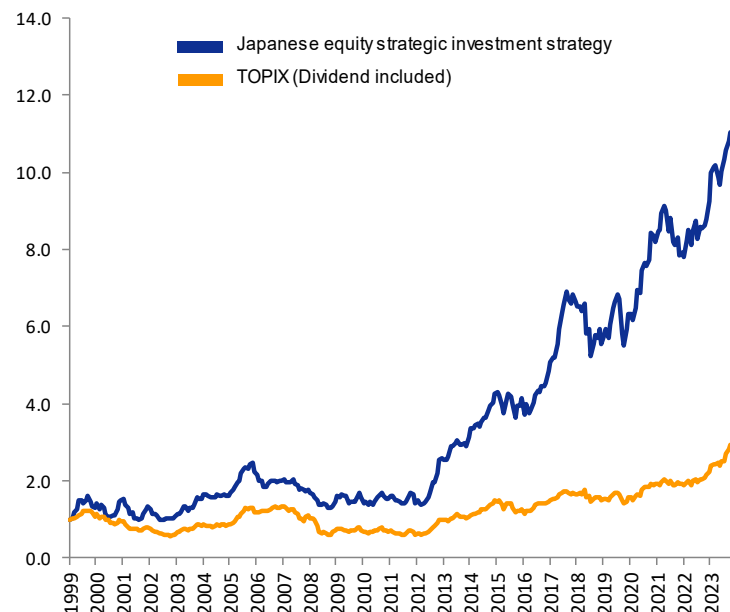


(Annualized Return)

Japanese equity long-short investment strategy	4.69%	Reference Index	TOPIX (Dividend included)
Reference Index	4.33%	Measurement Period	2000/6 ~2024/6
Excess Return	0.36%	Volatility of Composite Return (Annualized)	7.47%

※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	10.25%	Reference Index	TOPIX (Dividend included)
Reference Index	4.50%	Measurement Period	1999/7 ~2024/6
Excess Return	5.75%	Volatility of Composite Return (Annualized)	19.17%

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

Source: SPARX Group (as of June 30, 2024)

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**Official X (former
Twitter)**

<https://x.com/sparx8739>

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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 Risks 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 the time of purchase	Up to 3.85% (tax included)
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 (tax included)
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 distributor 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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