

Apr. 2022 – Mar. 2023

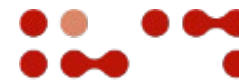
# FY 2022 Full Year Earnings Presentation

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May 10th, 2023

Rheos Capital Works Inc.  
(Securities Code : 7330)

Rheos Capital Works Inc.



RHEOS CAPITAL WORKS

Financial Instruments Business Operator - issued by Director-General of Kanto Local Finance Bureau "Kinsho" No. 1151  
Member Association : The Investment Trusts Association  
Japan Investment Advisers Association



RHEOS CAPITAL WORKS

## Agenda

1. **Company Profile**
2. **FY2022 Financial Highlights  
(April 1, 2022-March 31, 2023)**
3. **Future Growth Strategy**
4. **References**



# 1. Company Profile

# KPI Highlights

Approx.  
**¥1.1 trillion**  
Company-wide AUM<sup>1</sup>

Largest in independent<sup>4</sup>  
investment trusts

Over  
**1.26 million**  
Total no. of Hifumi beneficiaries<sup>2</sup>

Asset building support

**63.9%**  
High ratio of the accounts for  
accumulated investment<sup>3</sup>

Asset building standards

**75.5%**  
Ratio of current and future  
generations<sup>5</sup>

High LTV

Approx.  
**¥120 billion**  
Annual amount invested through  
accumulated investment<sup>6</sup>

Stable growth through  
accumulated investment

**< 1%**

Average monthly cancellation ratio<sup>7</sup>

High customer satisfaction

**215,000**  
No. of channel subscribers of  
OKANE NO MANABIBA!<sup>8</sup>

Leading power of influence  
in financial industry

**96**

No. of Hifumi sales partners<sup>9</sup>

Sympathetic partners

**5 consecutive years**  
R&I Fund Award<sup>10</sup>

High performance

1. AUM = balance of assets under management as of March 31, 2023.
2. Company-wide total value of direct sales customers and partners as of September 30, 2022. For partners, estimated value based on questionnaires to sales companies (number of beneficiaries who responded to the questionnaire x company-wide AUM / AUM who responded to the questionnaire) is used. Customers who have two or more accounts are counted multiple times.
3. The ratio of the number of the accounts for accumulated investment to the number of all remaining accounts. Only direct accounts as of March 31, 2023.
4. Asset management companies whose fund managers are not dispatched from their parent companies and whose investment decisions are made independently.
5. Ratio of customers in their 50s or below. Only direct accounts as of March 31, 2023.

6. Calculated based on the total amount invested through accumulated investment by both our direct sales customers and our partners in September 2022 multiplied by 12. For partners, estimated value based on questionnaires to sales companies (Monthly accumulated amount that responded to the questionnaire x company-wide AUM / AUM that responded to the questionnaire) is used.
7. Cancelled account means an account whose balance of the month is zero. Average monthly cancellation ratio from April 2021 to March 2023 (number of cancelled accounts as of the month end / number of accounts remaining as of the end of the previous month). Direct accounts only.
8. Number of YouTube subscribers of OKANE NO MANABIBA! (as of March 31, 2023)
9. As of March 31, 2023.
10. From 2019 to 2023.

# Creating the Flow of Enrichment through Financial Inclusion



Company name Rheos Capital Works Inc. (the “Company”)

Philosophy To have a positive impact on society as a responsible participant of capital markets

Services Investment advisory services on investment trusts

Foundation April 2003

Number of employees 116 (118 on a consolidated basis)  
as of March 31, 2023

## Origin of the company name

“Rheos” means “flow” in ancient Greek. We named the company with a desire to be a “works” that creates the “flow” of “capital” such as human resources, capital, wisdom, technology, etc.

## A new asset management company that supports asset building through unique dissemination of information to the working generation

### Investment Trusts Business

We offer investment trusts that invest in domestic and foreign stocks and fixed income through two sales channels of direct sales and indirect sales.

### Investment Advisory Business

We manage domestic corporate pension funds and overseas sovereign wealth funds.

### Other Business

Rheos Capital Partners, Inc., our wholly owned subsidiary, manages funds designed to invest in venture companies, etc.

# Product line-up

## By Sales Channel

By Investment Assets

	Publicly-offered investment trusts (Direct) <sup>1</sup>	Publicly-offered investment trusts (Partner) <sup>2</sup>	Privately-placed investment trusts
Domestic equity		—	Rheos Japan Small-cap Equity Fund (For Private Placement)
Domestic and foreign equity	Hifumi Fund (0.90%)	Hifumi Plus Fund (0.455%) Hifumi DC Fund (0.355%) Marugoto Hifumi 100 (0.59%)	—
Foreign equity	Hifumi World (1.46%)	Hifumi World Plus (0.73%) Hifumi World DC Fund (0.49%)	—
Domestic and foreign asset composite (Balanced fund)	Hifumi Light (0.48%)	Marugoto Hifumi 15 (0.29%) Marugoto Hifumi 50 (0.415%)	Marugoto Hifumi 50 (For Qualified Institutional Investors only)

Hifumi DC Fund and Hifumi World DC Fund are investment trusts that can only be invested in a defined contribution plan (iDeCo/Corporate DC).

1. Sales to customers who have opened accounts directly with us
2. Sales through partner banks, securities companies, etc.
3. The figures shown for each product are the trust fee rate (annualized and exclusive of tax) that the Company earns as trustee of the mutual fund. For partners, the agency commission rate paid to the distributing partner is deducted. For products for which the trust fee rate decreases in proportion to net asset value, the maximum rate is shown.

# Our Problem Awareness

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## Challenges

- Most Japanese people think “**investment is not necessary for asset building**”, and **the ratio of cash and deposits to the total individual financial assets in Japan remains high.**
- If this trend goes on, **the structure of people’s financial assets may be polarized,** resulting in the widening of financial disparity.



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## Solutions

- Grow investment trusts to not just a financial asset, but **a partner of asset building** that our customers will cherish for a long time.
- Deliver knowledge on investment to a wide range of people, and develop and provide **a mechanism for enabling anyone to start asset building in an easy and safe manner.**



**We work on financial inclusion.**



# The World We Aim for through Financial Inclusion

A world in which all people can enjoy the benefits of financial services.

Bring more people to “the center of the next era of prosperity.”

Learn about money, save it with Hifumi,  
and support each other with mutual assistance.

The world we don't aim for



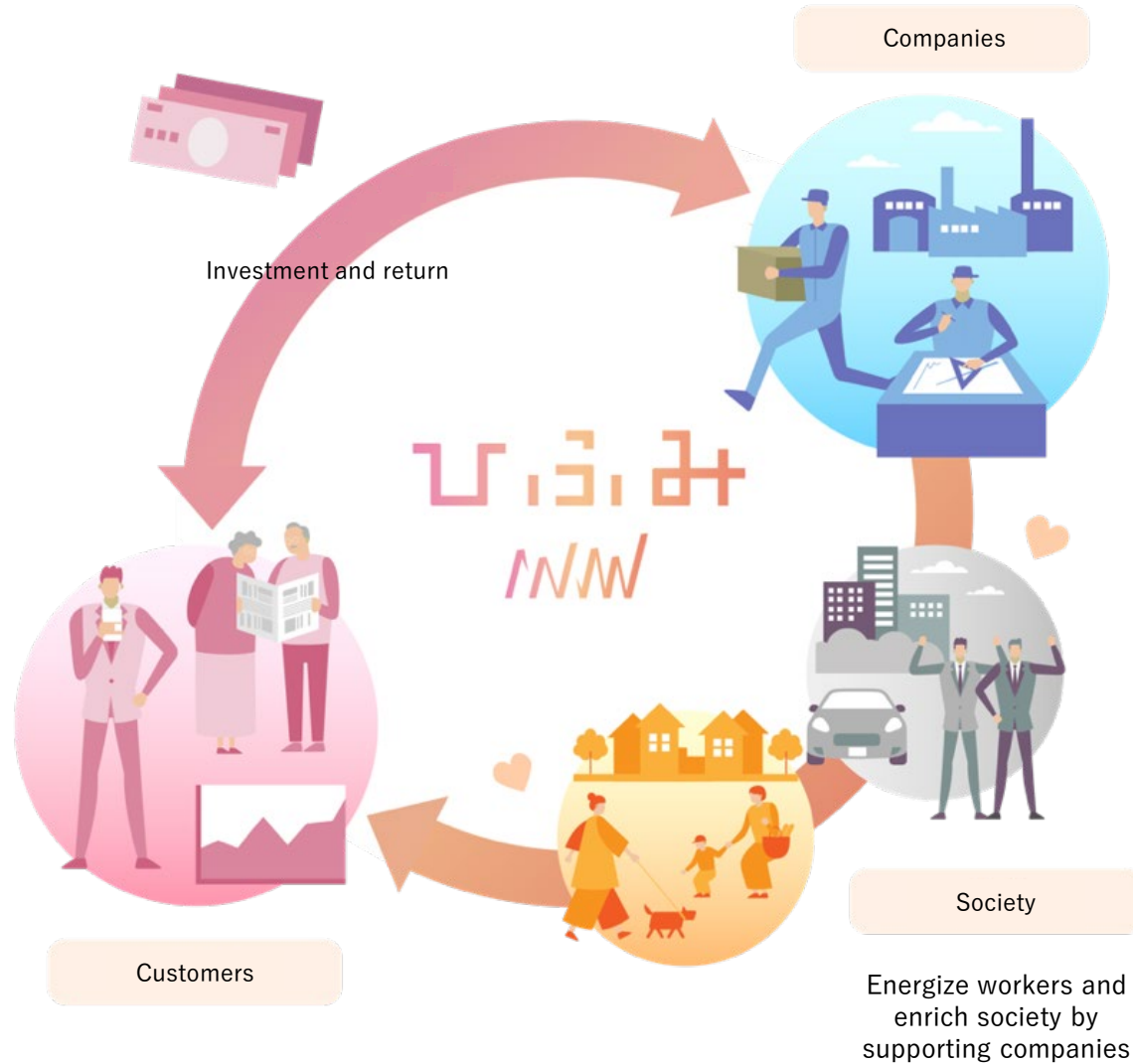
The world we aim for



Pathway to that world

- 1 More people hold Hifumi.
- 2 Learn and implement an effective way to use money.
- 3 Society gets better through investment.

# Powerful Hifumi Brand



To the center  
of the next level  
of prosperity

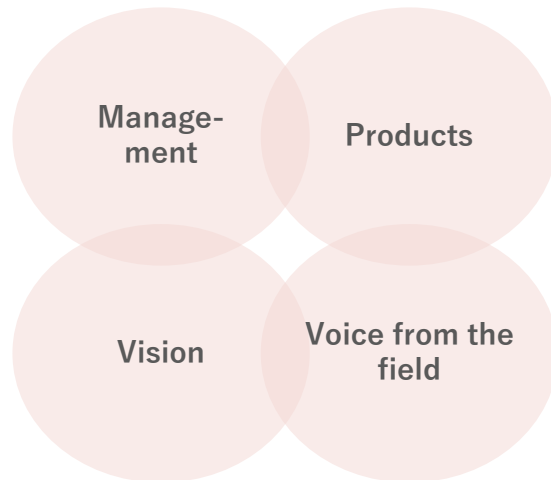
# Three Key Elements That Support the Hifumi Brand

We will continue to enhance the value of the Hifumi brand by concentrating our “Asset management ability”, “Power of influence”, and “Sales force.”



- Long-term investment in stocks that we believe are undervalued against long-term future value, regardless of industry or company size.
- Conduct quantitative evaluation based on thorough analysis of financial and stock price indices.
- Analysts actively meet with the management in Japan and abroad to conduct qualitative evaluation of management policies and strategies as well as products and services based on feedback from the field.
- The asset accumulation-type business model with low cancellation rates leads to the medium- to long-term holding of investments.

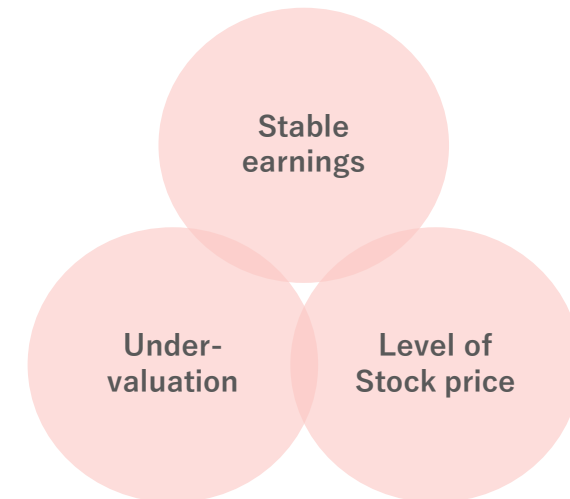
## Qualitative research focusing on human potential



## Identify growth companies



## Quantitative research focusing on changes in corporate performance



# Educational Activities on Investment on YouTube

- Make a conscious effort to fully understand the needs of customers through a face-to-face asset management, organize seminars and other events in which asset managers would share their ideas in their own words, and make them available via YouTube, Zoom, Spotify, etc.
- Launched a YouTube channel called “A Place to Learn about Money! (OKANE NO MANABIBA!)” in January 2021 to provide fun and easy-to-understand information on money and investment.

Face-to-Face Asset Management

One of the largest number of subscribers in the industry



Number of YouTube subscribers<sup>1</sup>

215,000

Total number of YouTube views<sup>1</sup>

52.09 million times

1. Number of YouTube subscribers and total number of views of OKANE NO MANABIBA! (as of March 31, 2023)

# Comparison of Sales Methods

➤ AUM<sup>1</sup> has increased, leveraging the respective strengths of partner and direct sales methods.

	Direct	Partner
<b>AUM<sup>1</sup></b>	¥ <b>188.5</b> billion	¥ <b>841.4</b> billion
<b>Beneficiaries<sup>2</sup></b>	<b>62,402</b>	Total of over <b>1.2</b> million
<b>Others</b>	Kotsukotsu accumulated investment ratio <sup>3</sup> <b>63.9%</b> Cancellation ratio <sup>4</sup> <b>&lt; 1%</b>	Number of sales partners <sup>5</sup> <b>96</b>

1. Outstanding balance of publicly-offered investment trusts sold directly and indirectly as of March 31, 2023.
2. As of March 31, 2023. For partners, estimated value based on questionnaires to sales companies as of September 30, 2022 (number of beneficiaries who responded to the questionnaire x company-wide AUM / AUM who responded to the questionnaire) is used. Customers who have two or more accounts are counted multiple times.
3. The ratio of the number of the accounts for accumulated investment to the number of all remaining accounts. Direct accounts only as of March 31, 2023.
4. Cancelled account means an account whose balance of the month is zero. Average monthly cancellation ratio from April 2021 to March 2023 (number of cancelled accounts as of the month end / number of accounts remaining as of the end of the previous month).
5. As of March 31, 2023.



## **2. FY2022 Financial Highlights (April 1, 2022-March 31, 2023)**

# Summary of Financial Results

- Due to unfavorable market environment until the end of 2022, operating revenue was sluggish. That and increases in selling, general and administrative expenses, particularly in personnel expenses, led to 17.5% decline in operating profit year on year.
- Compared with the forecasts, operating revenue was slightly behind, but profit attributable to owners of parent was ¥1,087 million, up 3.2% from the forecast, mainly due to constraint in selling, general and administrative expenses and application of the salary increase tax credit.

(Unit: millions of yen)

	FY2022	Change from forecast	Year-on-year change	FY2022 Forecast	FY2021
Investment trust management fees	9,477	(0.2)%	3.5%	9,494	9,154
Investment advisory fees	182	0.5%	(43.9)%	181	324
<b>Operating revenue</b>	<b>9,660</b>	<b>(0.2)%</b>	<b>1.9%</b>	<b>9,676</b>	<b>9,479</b>
<b>Operating revenue (net) <sup>1</sup></b>	<b>5,815</b>	<b>(0.2)%</b>	<b>(0.5)%</b>	<b>5,825</b>	<b>5,845</b>
Selling, general and administrative expenses (excluding commission expenses)	4,204	(0.3)%	8.0%	4,218	3,892
<b>Operating profit</b>	<b>1,610</b>	<b>0.2%</b>	<b>(17.5)%</b>	<b>1,607</b>	<b>1,952</b>
<b>Ordinary profit</b>	<b>1,625</b>	<b>0.1%</b>	<b>(17.4)%</b>	<b>1,623</b>	<b>1,969</b>
<b>Profit attributable to owners of parent</b>	<b>1,087</b>	<b>3.2%</b>	<b>(16.6)%</b>	<b>1,053</b>	<b>1,303</b>
<b>EPS <sup>2</sup></b>	<b>¥90.50</b>	<b>3.2%</b>	<b>(16.6)%</b>	<b>¥87.68</b>	<b>¥108.50</b>

1. Amount when commission expenses (agency fees payable to sales partners in indirect sales) are deducted from operating revenue.

2. The number of newly issued shares at listing is not considered in the calculation of EPS as listing occurred after March 31, 2023.

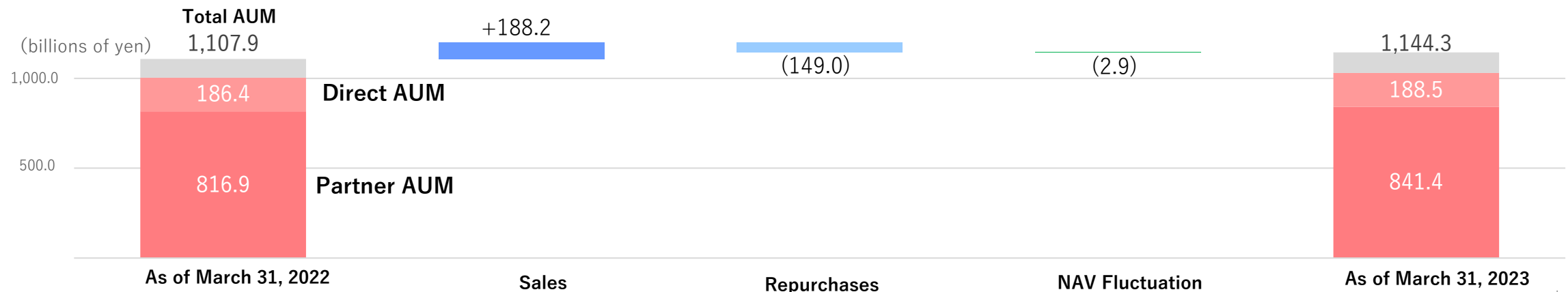


# Total Assets Under Management (AUM)

- Amid an unfavorable market environment, sales were ¥188.2 billion overall, and the net inflow was a steady ¥39.2 billion. However, due to sluggish growth in net asset value throughout the year, the Company's total AUM ended up at ¥ 1,144.3 billion or up 3.3% year on year.

(Unit: billions of yen)

	As of March 31, 2022	Position of current fiscal year			As of March 31, 2023	Year-on-year change
	AUM	Sales	Repurchases	NAV Fluctuation <sup>3</sup>	AUM	
Direct <sup>1</sup>	186.4	25.7	(22.0)	(1.4)	188.5	1.2%
Partner <sup>2</sup>	816.9	148.3	(117.8)	(6.1)	841.4	3.0%
Privately-placed investment trusts	5.2	0.3	(4.1)	0.1	1.5	(69.7)%
Investment trusts	1,008.6	174.4	(144.0)	(7.4)	1,031.5	2.3%
Investment advisory	99.3	13.8	(4.9)	4.5	112.7	13.5%
<b>Company total</b>	<b>1,107.9</b>	<b>188.2</b>	<b>(149.0)</b>	<b>(2.9)</b>	<b>1,144.3</b>	<b>3.3%</b>

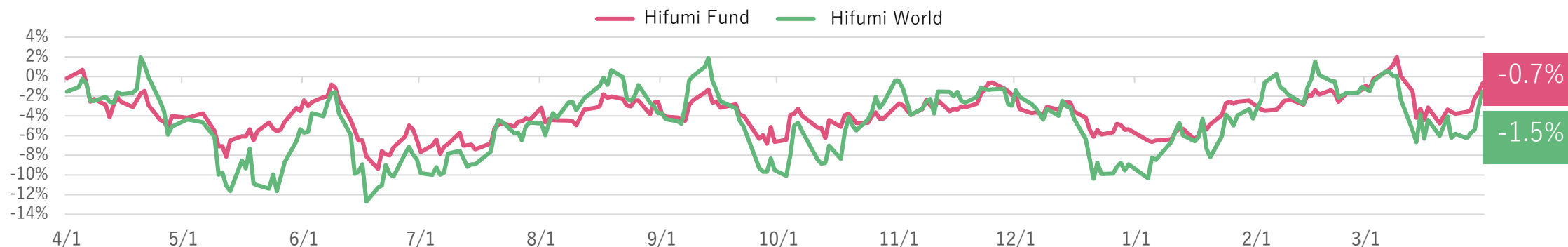


- Publicly-offered investment trusts that are directly sold to customers who have opened an account at the Company
- Publicly-offered investment trusts that are indirectly sold through the Company's partners, such as banks or securities companies
- Increase or decrease in AUM due to fluctuations in net asset value (NAV)

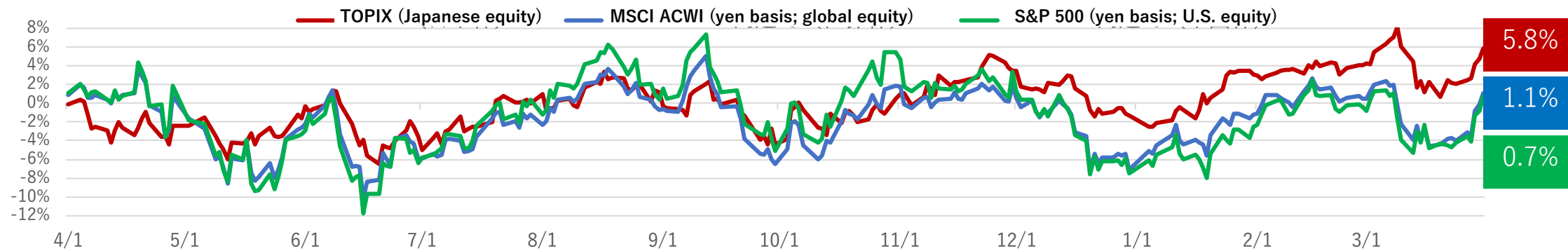
# Investment Management

■ Concerns about inflation and high interest rates primarily in Europe and the US continued to make the market unstable. At the end of FY2022, the market was greatly shaken due to credit worries originating from Silicon Valley Bank. However as we entered 2023, the market began to recover. The net asset value of the investment trusts managed by the Company ended 0.7% lower for Hifumi Fund and 1.5% lower for Hifumi World compared with the end of the previous fiscal year.

< Trends of net asset value of Hifumi Fund and Hifumi World for April 2022-March 2023 >



(Reference) Various market data (dividend-inclusive indices) April 2022-March 2023



For an explanation of the various markets data, see the "Notes on using this material" presented later in this material.

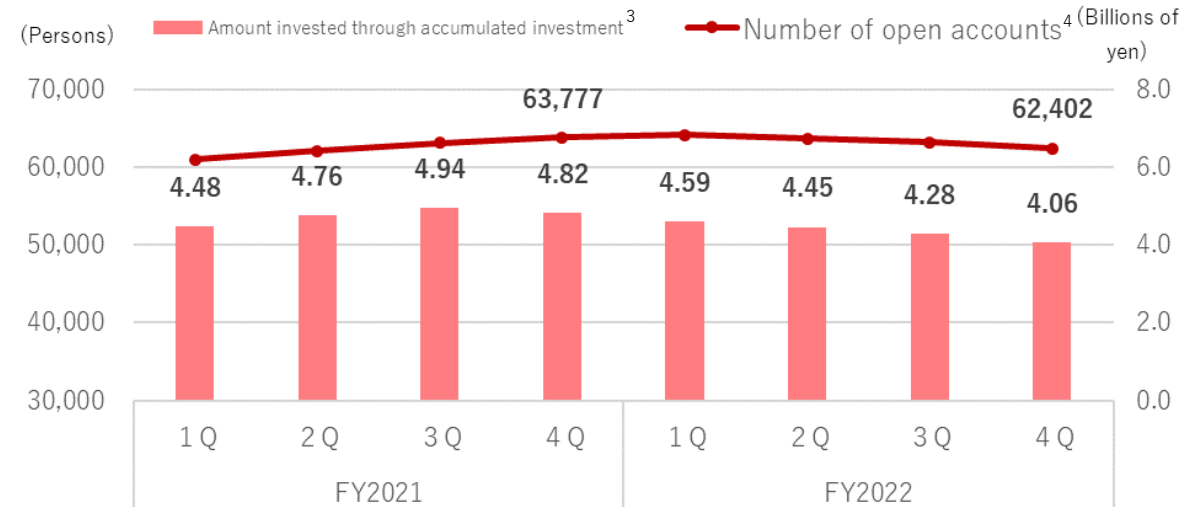
# Direct Sales

- We were able to secure an annual amount invested through accumulated investment of ¥17.4 billion, a little less than 10% of the AUM. However, due to market-outlook uncertainty, the spot amount was negative ¥13.7 billion yen, resulting in AUM of the direct sales of ¥188.5 billion, up 1.2% year on year.
- Engaging in both online and face-to-face interactions, we deepened relations with customers mainly through various seminars. However, investment confidence has weakened, making new customer acquisition difficult. As a result, the number of customers (number of open accounts) holding direct sales investment trusts of either Hifumi Fund, Hifumi World, or Hifumi Light decreased by 1,375 persons from the end of previous fiscal year to 62,402 persons.

(Unit: billions of yen)

	As of March 31, 2022 AUM	Amount invested through accumulated investment <sup>1</sup>	Spot amount <sup>2</sup>	NAV fluctuation	As of March 31, 2023 AUM	Year-on-year change
Hifumi Fund	142.3	12.1	(9.9)	(0.8)	143.7	1.0%
Hifumi World	41.0	5.0	(3.6)	(0.4)	41.9	2.2%
Hifumi Light	3.0	0.2	(0.1)	(0.1)	2.9	(4.5)%
<b>Direct total</b>	<b>186.4</b>	<b>17.4</b>	<b>(13.7)</b>	<b>(1.4)</b>	<b>188.5</b>	<b>1.2%</b>

< Trends of amount invested through accumulated investment and number of open accounts >



1. The amount that customers have actually purchased in investment trusts under contracts for "accumulated investment purchases" offered by the Company.
2. The amount calculated by deducting the amount in 1. above, and the amount of repurchases from the amount of sales, i.e. net inflow/outflow amount excluding the purchases made by accumulated investment.
3. Total amount of 1. above for each quarter.
4. Number of customers holding either "Hifumi Fund," "Hifumi World," or "Hifumi Light" at the end of each quarter.

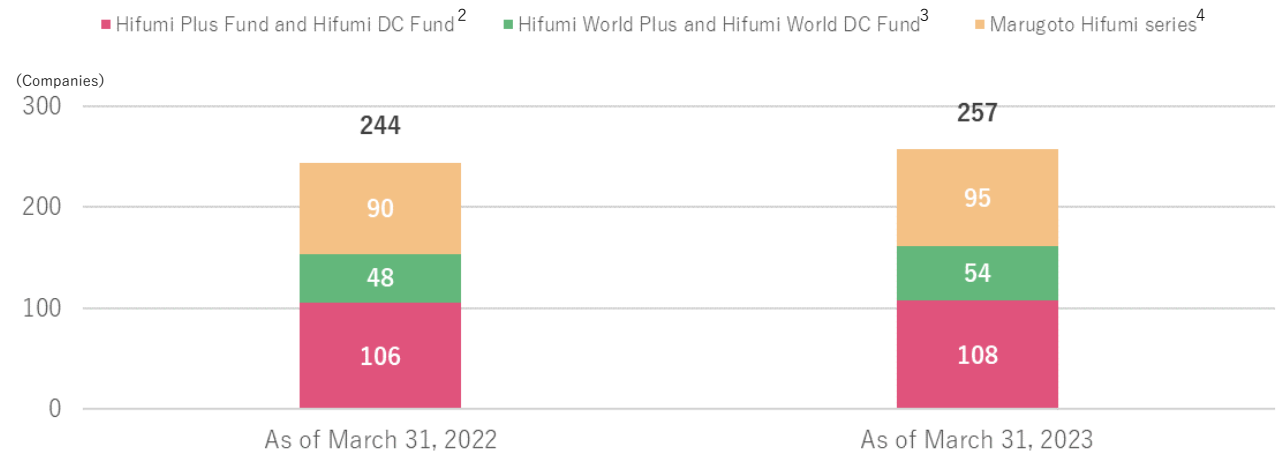
# Partner Sales

- The “Hifumi Plus Fund,” which is eligible for the Tsumitate NISA, and the “Hifumi DC Fund” and “Hifumi World DC Fund,” which can only be invested in iDeCo, increased their AUM from the end of the previous fiscal year due to the effects of accumulated investment. However, for the “Hifumi World Plus,” there was selling on rally due to an increase in net asset value, and the Marugoto Hifumi series (“Marugoto Hifumi 15,” “Marugoto Hifumi 50,” “Marugoto Hifumi 100”) resulted in net outflows. As a result, the AUM of the partner sales was ¥841.4 billion, a 3.0% increase from the end of the previous fiscal year.
- MUFG Bank, which previously only handled the “Hifumi Plus Fund,” began handling “Hifumi World Plus” and the Marugoto Hifumi series, among other things. As a result, the number of sales partners<sup>1</sup> increased by 13 companies, bringing the total to 257 companies.

(Unit: billions of yen)

	As of March 31, 2022 AUM	Sales	Repurchases	NAV fluctuation	As of March 31, 2023 AUM	Year-on- year change
Hifumi Plus Fund	457.7	85.1	(52.6)	(0.9)	489.2	6.9%
Hifumi World Plus	211.6	39.1	(32.1)	(2.4)	216.2	2.2%
Hifumi DC Fund	51.8	12.9	(6.4)	0.0	58.3	12.6%
Hifumi World DC Fund	0.0	0.4	0.0	0.0	0.4	426.6 times
Marugoto Hifumi 15	11.1	3.9	(6.3)	(0.6)	8.1	(26.4)%
Marugoto Hifumi 50	34.7	2.8	(7.2)	(1.3)	29.0	(16.4)%
Marugoto Hifumi 100	49.9	3.7	(13.0)	(0.7)	39.9	(20.1)%
<b>Partner total</b>	<b>816.9</b>	<b>148.3</b>	<b>(117.8)</b>	<b>(6.1)</b>	<b>841.4</b>	<b>3.0%</b>

< Trend of number of sales partners handling each product >



1. Aggregate of the number of sales partners for each investment trust. For example, if Partner A handles Hifumi Plus Fund, Marugoto Hifumi 50 and Marugoto Hifumi 100, Partner A counts as 3 sales partners.

2. Aggregate of the number of sales partners for Hifumi Plus Fund and Hifumi DC Fund

3. Aggregate of the number of sales partners for Hifumi World Plus and Hifumi World DC Fund

4. Aggregate of the number of sales partners for Marugoto Hifumi 15, Marugoto Hifumi 50, and Marugoto Hifumi 100

# Operating Expenses and General & Administrative Expenses

- Investigation expenses increased by 20.2% year on year to ¥694 million mainly due to business expansion and increased US dollar-denominated expenses caused by yen depreciation.
- Personal expenses increased by 19.4% year on year to ¥1,498 million due to increased personnel mainly for system planning and development and management enhancement purposes in line with the increased balance of assets under management.
- Advertising expenses decreased by 45.2% year on year to ¥323 million to adapt to the market situation by reducing the amount of advertising and concentrating on making such activities more efficient.
- Depreciation increased 60.7% year on year to ¥552 million due to an increase in YouTube video production around the end of the previous fiscal year and the beginning of the current fiscal year.

(Unit: millions of yen)

	FY2021	FY2022	Year-on-year change	Overview
Commission expenses	3,634	3,844	5.8%	Agency fees payable to sales partners in indirect sales
Investigation expenses	577	694	20.2%	Usage fees for customer management systems, investment trust back office systems, market information services and other business systems
Other operating expenses	137	114	(16.9)%	Promotion expenses, print expenses, etc.
<b>Operating expenses</b>	<b>4,350</b>	<b>4,654</b>	<b>7.0%</b>	
Personnel expenses	1,255	1,498	19.4%	Remuneration for directors (and other officers), employees' salaries, etc.
Advertising expenses	588	323	(45.2)%	WEB advertising expenses for new customer acquisition, affiliate expenses, and expenses for YouTube video traffic acquisition
Depreciation	343	552	60.7%	Amortization of software, amortization of expenses for YouTube video production capitalized in non-current asset, etc.
Rent expenses on real estate	204	210	3.0%	Rent for Head Office, rent for New York Office, etc.
Other general and administrative	784	810	3.3%	Legal welfare expenses, outsourcing expenses, fee expenses, etc.
<b>General and administrative expenses</b>	<b>3,177</b>	<b>3,394</b>	<b>6.9%</b>	
<b>Total of operating expenses and general and administrative expenses</b>	<b>7,527</b>	<b>8,049</b>	<b>6.9%</b>	

# Consolidated Balance Sheet and Consolidated Statement of Cash Flows

- Net assets rose 19.6% from the end of the previous fiscal year to ¥6,094 million mainly due to increases in retained earnings from profit attributable to owners of parent.
- Equity ratio increased from 58.5% as of the end of the previous fiscal year to 65.5%, and we aim to maintain a robust financial base.
- While allocating funds procured by the listing<sup>1</sup> for system investment and overseas office expansion, we plan to continuously return a portion of profits obtained from business activities to shareholders in the future.

## <Consolidated Balance Sheet>

	(Unit: millions of yen)		
	As of March 31, 2022	As of March 31, 2023	Year-on-year change
<b>Assets</b>	<b>8,557</b>	<b>8,704</b>	<b>1.7%</b>
<b>Current assets</b>	<b>7,385</b>	<b>7,737</b>	<b>4.8%</b>
Cash and deposits	1,836	2,103	14.5%
Segregated deposits for customers	1,510	1,500	(0.7)%
Accrued investment trust management fees	3,832	3,725	(2.8)%
<b>Non-current assets</b>	<b>1,172</b>	<b>967</b>	<b>(17.5)%</b>
Property, plant and equipment	411	238	(42.1)%
Intangible assets	376	381	1.4%
<b>Liabilities</b>	<b>3,462</b>	<b>2,610</b>	<b>(24.6)%</b>
<b>Current liabilities</b>	<b>3,289</b>	<b>2,432</b>	<b>(26.1)%</b>
<b>Non-current liabilities</b>	<b>172</b>	<b>177</b>	<b>3.2%</b>
<b>Net assets</b>	<b>5,095</b>	<b>6,094</b>	<b>19.6%</b>
Shareholders' equity	5,002	5,700	14.0%
Non-controlling interests	93	393	320.9%

## <Consolidated Statement of Cash Flows>

	(Unit: millions of yen)	
	FY2021	FY2022
<b>Cash flows from operating activities</b>	<b>1,581</b>	<b>912</b>
<b>Cash flows from investing activities</b>	<b>(399)</b>	<b>(578)</b>
Purchase of property, plant and equipment	(282)	(452)
Purchase of intangible assets	(115)	(127)
<b>Cash flows from financing activities</b>	<b>(1,169)</b>	<b>(66)</b>
Increase (decrease) in short-term borrowings	(1,000)	-
Dividends paid	(264)	(396)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12</b>	<b>266</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,825</b>	<b>1,838</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,838</b>	<b>2,105</b>

1. As the Company's listing was conducted on April 25, 2023, the funds procured from the listing are not reflected in the above consolidated balance sheet and the consolidated statement of cash flows.

# Recent Topics Doubling Asset-based Income Plan ~ Fundamental expansion of New NISA<sup>1</sup>~

- The current Kishida administration, which advocates "New Form of Capitalism," announced the "Doubling Asset-based Income Plan<sup>1</sup>" designed to channel more than 1,000 trillion yen of household assets held in cash and deposits to investment, thereby creating a virtuous cycle in which households benefit from sustainable growth in corporate value. The introduction of new NISA from 2024 was announced in December 2022 as part of the Outline of the Tax Reform for FY2023<sup>2</sup>.
- The new NISA system will be made permanent and the maximum investment amount will be significantly increased to 18 million yen over a lifetime. The convenience of the new system and the increase in the investment amount are expected to expand investor base and stimulate more investment.

	Current NISA		New NISA	
	Tsumitate NISA	General NISA	Accumulated investment limit	Growth investment limit
<b>Investment period</b>	Up to 20 years	Up to 5 years	<b>Indefinite</b>	
<b>Tax-exempt holding period</b>	20 years	5 years	<b>Indefinite</b>	
<b>Choice of system</b>	Cannot choose both.		<b>Can choose both.</b>	
<b>Maximum investment amount</b>	¥8 million	¥6 million	<b>¥18 million</b>	¥12 million (included in ¥18 million).
<b>Maximum annual investment limit</b>	¥400,000	¥1.2 million	<b>¥1.2 million</b>	<b>¥2.4 million</b>

1. Cabinet Secretariat, the New Form of Capitalism Realization Headquarters /the Council of New Form of Capitalism Realization, Subcommittee Meetings, the 3rd Doubling Asset-based Income Subcommittee Meeting Handout (November 25, 2022)

2. Ministry of Finance, the Outline of the Tax Reform for FY2023 (Cabinet Decision on December 23, 2022)

# Recent Topics “Hifumi Fund” wins R&I Fund Award for fifth consecutive year

- “Hifumi Fund” and “Hifumi Plus Fund”, investment trusts managed by the Company, wins the Second Prize in the Investment Trusts 10-year / Japanese Core Equity category of the “R&I Fund Award 2023” selected by Rating and Investment Information, Inc.
- “Hifumi Fund” was awarded in the Investment Trusts 10-year category for the fifth consecutive year (2019-2023).
- The “R&I Fund Award” is presented to “active funds that have demonstrated superior performance” from a neutral standpoint from among more than 5,000 investment trusts and is selected using the Sharpe ratio for quantitative evaluation.

Commendation Category	Investment Trusts 10-year / Japanese Core Equity
Award	Second Prize
Awarded Fund Name	Hifumi Fund / Hifumi Plus Fund

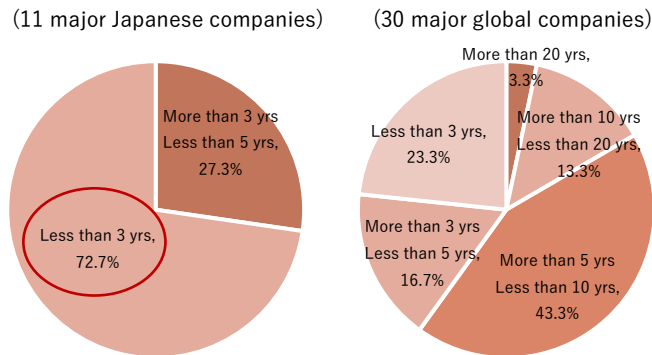




# Recent Topics FSA mentions ensuring management transparency at asset management companies

- According to the “Progress Report on Enhancing Asset Management Business 2023” published by the Financial Services Agency in April 2023, the trends in tenure and parentage of top management at asset management firms affiliated with major financial institutions in Japan may “raise concerns that they are more concerned about personnel treatment within the group than growth as an asset management company.”
- Citing the number of years of asset management company experience prior to assuming the top management position, the report also states that it expects the company to "formulate a succession plan for the advancement of asset management and disclose the reasons for the appointment of the top management."

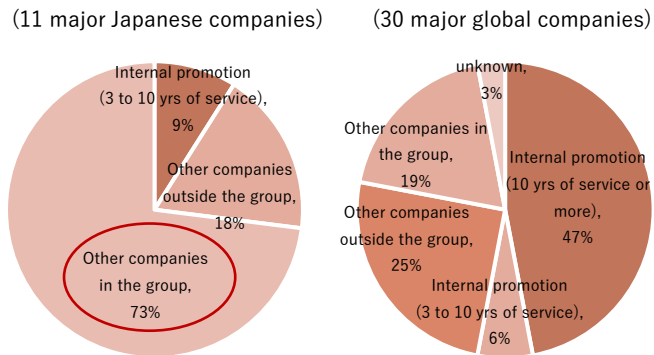
Tenure of top management at major asset management firms



**Our Case**

Tenure for **more than 10 years** in total

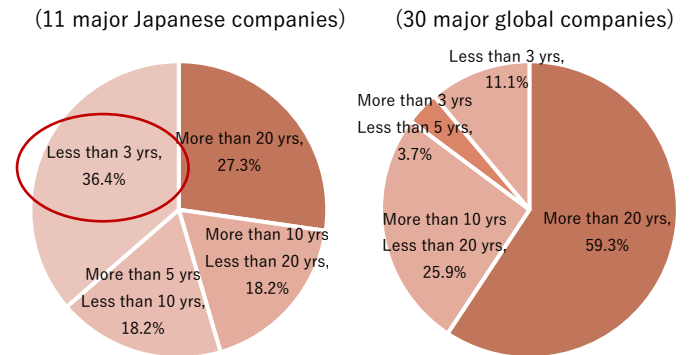
Comes from a top management position at major asset management firms



**Our Case**

**Independent Asset Management<sup>1</sup>**

Years of experience with asset management companies prior to assuming top management of major asset management firms



**Our Case**

**More than 30 years**  
of extensive asset management experience

Source : Financial Services Agency “Progress Report on Enhancing Asset Management Business 2023 —Toward greater "trust" and "transparency."

1. Asset management companies whose fund managers are not dispatched from their parent companies and whose investment decisions are made independently.

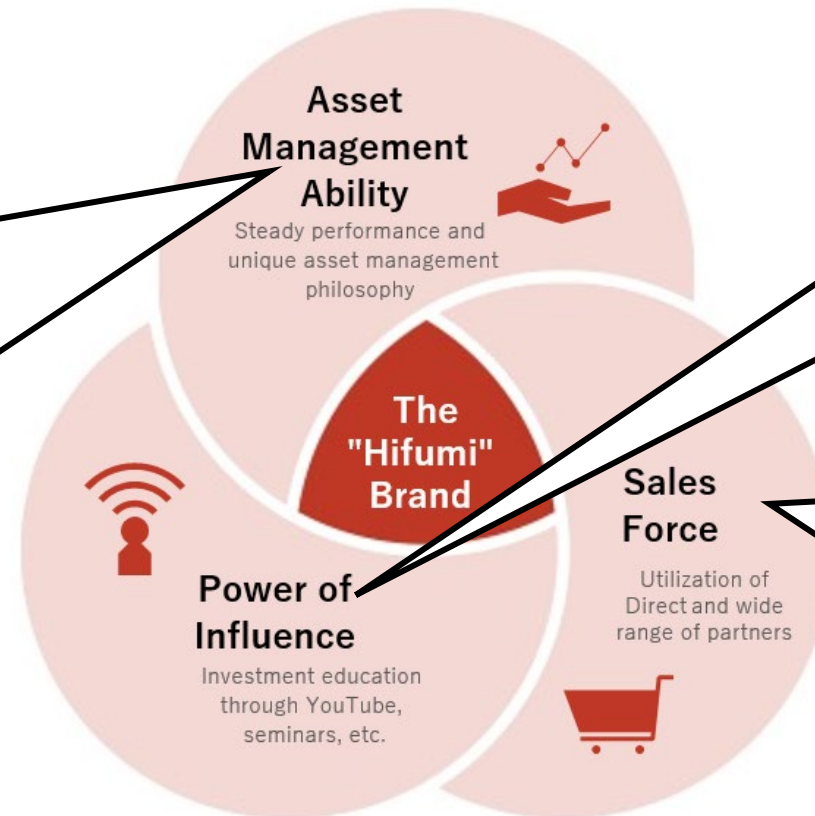


## **3. Future Growth Strategy**

# Future Growth Strategy

- We will strengthen our three strengths of “Asset management,” “Influence,” and “Sales” in order to gain widespread recognition of the “Hifumi” Brand, which is the source of our competitive advantage, and widely disseminate savings investment by “Hifumi” in Japan and spread the culture of asset building.

- CIO Fujino fully committed as FM, and enhancing the performance of Japanese equities by expanding the research system to cover the top 200 companies by market capitalization, discovering ten-bagger issues, and utilizing alternative data analysis.
- Enhancing performance of overseas stocks by expanding the New York office, including the dispatch of resident analysts.

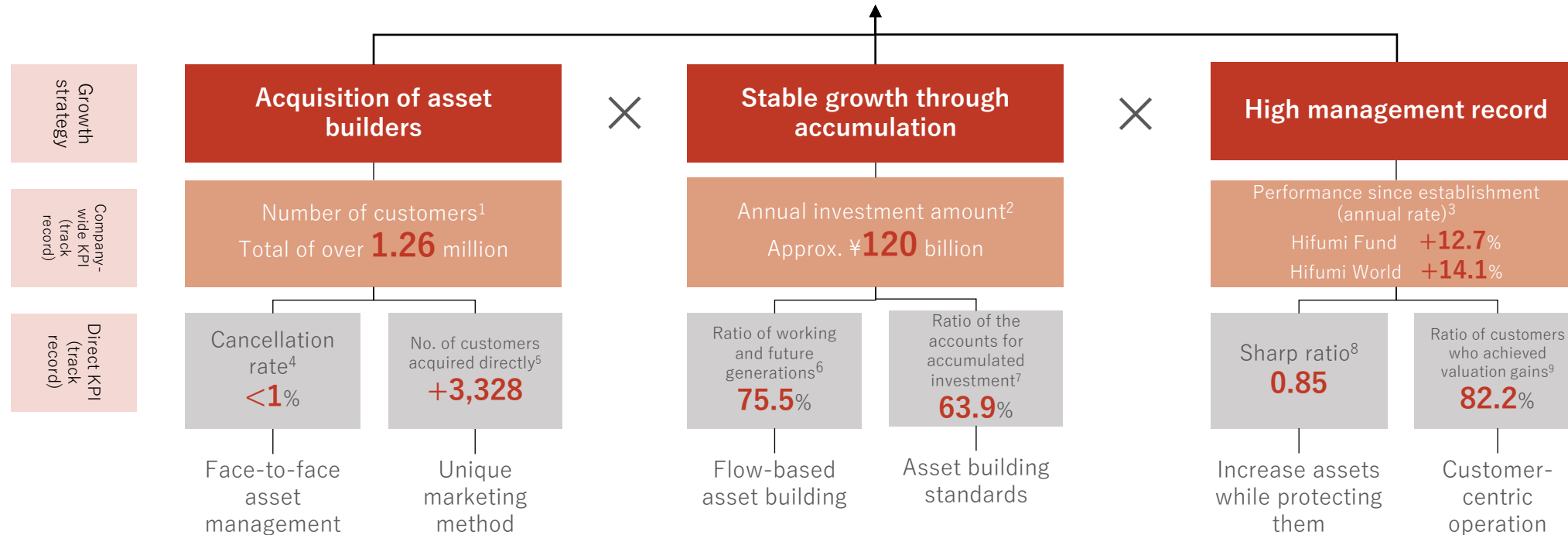


- By continuing to invest in our own media centered on “A Place to Learn about Money! (OKANE NO MANABIBA!)”, we aim to improve our ability to communicate, and by repeatedly verifying the effects, we create content that is highly satisfying and highly recommended by others.

- As for direct, the number of remaining accounts and the amount invested through accumulated investment accounts increased by attracting new novice investors and retaining existing Hifumi fans.
- As for partners, we will continue to develop new sales partners and increase each company's share of the Hifumi.

# Growth Strategy and KPIs

Pursue AUM growth by getting more people to engage in accumulated investment.

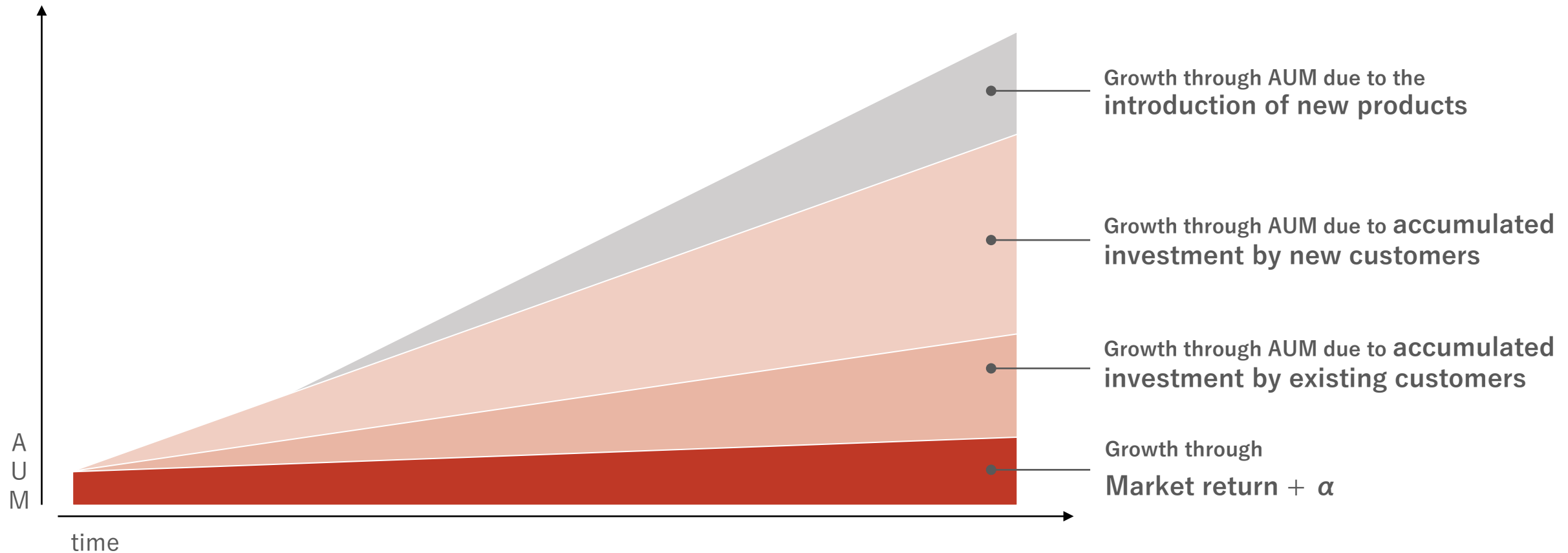


- Company-wide total value of direct sales customers and partners as of September 30, 2022. For partners, estimated value based on questionnaires to sales companies (number of beneficiaries who responded to the questionnaire x company-wide AUM / AUM who responded to the questionnaire) is used. Customers who have two or more accounts are counted multiple times.
- Calculated based on the total amount invested through accumulated investment by both our direct sales customers and our partners in September 2022 multiplied by 12. For partners, estimated value based on questionnaires to sales companies (Monthly accumulated amount that responded to the questionnaire x company-wide AUM / AUM that responded to the questionnaire) is used.
- Increase rate of the net asset value since establishment to March 31, 2023.

- Cancelled account means an account whose balance of the month is zero. Average monthly cancellation ratio from April 2021 to March 2023 (number of cancelled accounts as of the month end / number of accounts remaining as of the end of the previous month). Direct accounts only.
- Total number of customers newly acquired from April 2022 to March 2023. Direct accounts only.
- Ratio of customers in their 50s or below. Only direct accounts as of March 31, 2022.
- The ratio of the number of the accounts for accumulated investment to the number of all remaining accounts. Only direct accounts as of March 31, 2022.
- Data for Hifumi Fund since establishment to March 31, 2023. The Sharpe ratio is the annualized return (the annualized value of the cumulative return since inception) minus the annualized return of the risk-free asset divided by the annualized risk (the annualized value of the standard deviation of each monthly return).
- Ratio of customers with an investment gain of 0% or more among customers holding investment trusts (excluding corporate customers) in direct accounts as of March 31, 2022.

# Future Growth Scenario

- The shift from savings to investment will continue to accelerate due to the permanent increase in the investment period and the expansion of investment limits under the new NISA.
- We aim to take advantage of this trend by spreading accumulated investment with "Hifumi" and promoting acquisition of new customers and additional deposits and increase in investment income by providing new products that meet customers' needs as appropriate.



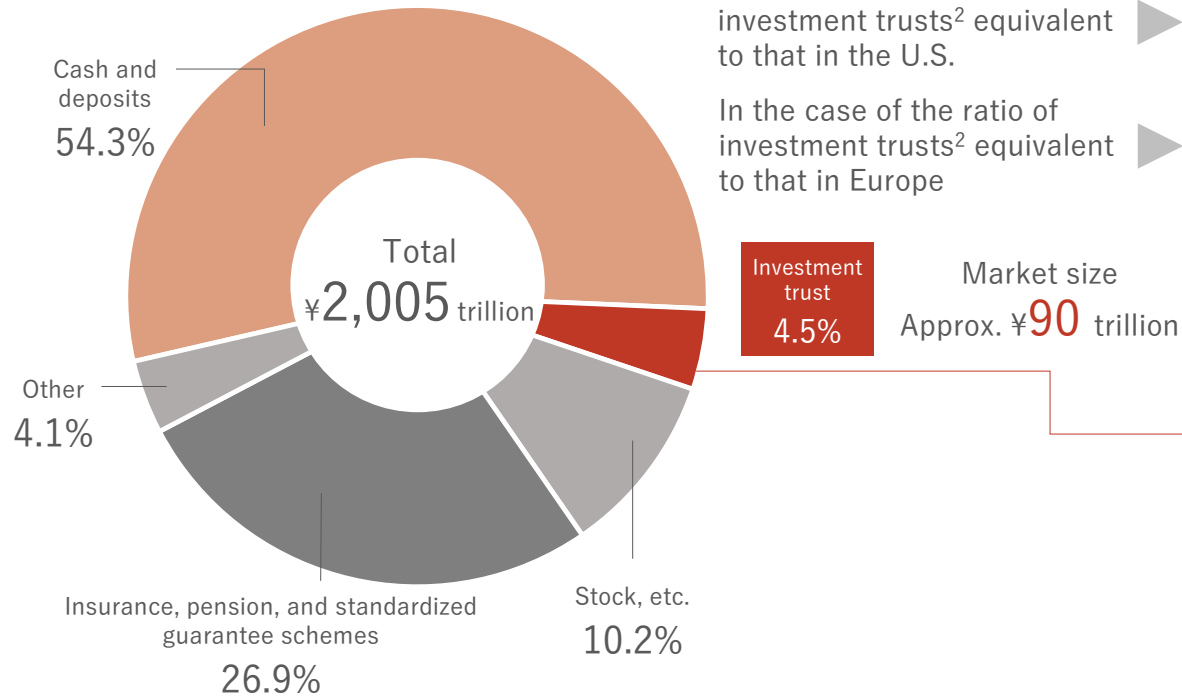


## 4. References

# Upside Potential of the Investment Trust Market

Investment trusts account for a lower share of Japan's household financial assets than in the U.S. and Europe, and market expansion is the upside going forward

■ Breakdown of Household Financial Assets in Japan <sup>1</sup>



■ Comparison of Japan, Europe, and the U.S. in the share of household financial assets held in investment trusts

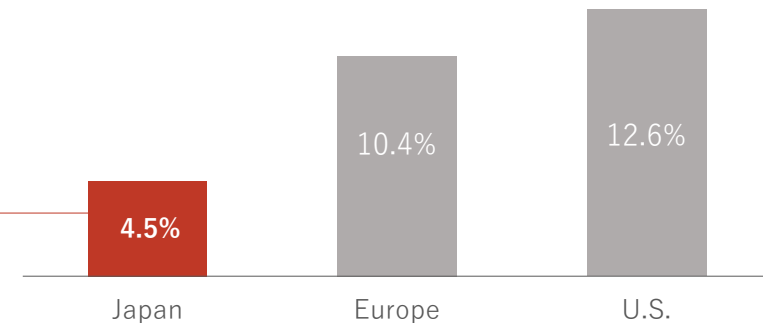
Market size of investment trusts<sup>3</sup>

In the case of the ratio of investment trusts<sup>2</sup> equivalent to that in the U.S.

Approx. ¥252 trillion

In the case of the ratio of investment trusts<sup>2</sup> equivalent to that in Europe

Approx. ¥208 trillion



1. "Flow of Funds," Bank of Japan (as of March 31, 2022)

2. "Flow of Funds—Overview of Japan, the United States, and the Euro area," Bank of Japan (as of March 31, 2022)

3. Calculated based on the market size of Japan's investment trusts as of March 31, 2022 if the ratio of investment trusts in Japan expanded to the same as in Europe or in the U.S. as of March 31, 2022 respectively

# TAM Expansion through New NISA

Expected room for TAM<sup>1</sup> expansion when the working generation makes accumulated investment of ¥1,200,000<sup>2</sup> per year (upper limit of Tsumitate NISA).

	Labor force population <sup>3</sup>	Annual maximum purchase amount <sup>2</sup>	Annual invested amount
15-24 years old	5.83million	¥1,200,000 Full amount of Tsumitate NISA	Approx. ¥6.9trillion
25-34 years old	11.40million		Approx. ¥13.6trillion
35-44 years old	13.54million		Approx. ¥16.2trillion
45-54 years old	16.50million		Approx. ¥19.8trillion



Total annual investment amount when working generation invest the maximum amount of Tsumitate NISA in it

Approx. ¥57trillion

×

15years

↓

Approx. ¥855trillion

Expected room for TAM expansion through increase in the annual limit for tax exempt investment

1. The size of the total addressable market (TAM) represents the maximum potential size of the market for regular contribution investments as assumed by us, and was not calculated as an objective estimate of the market size for our business as of March 2023. The size of the TAM is our estimate based on certain assumptions as well as on external statistics and information from publicly available materials. The accuracy of our estimate is subject to inherent limitations in estimating statistical and other data, and therefore the actual size of the market may differ from our estimate. In particular, the estimate provided on this slide is based on certain assumptions, including: that the working generation will invest 1.2 million yen per person annually under the new Tsumitate NISA over the 15 years starting from 2024, when the yearly investment limit under the tax-exempt investment program will be raised to that amount; and that the total NISA investment—including amounts invested under Growth NISA—by the working generation will remain below the lifetime tax-exempt investment limit of 18 million yen per person (excluding investments made under the current Tsumitate NISA).

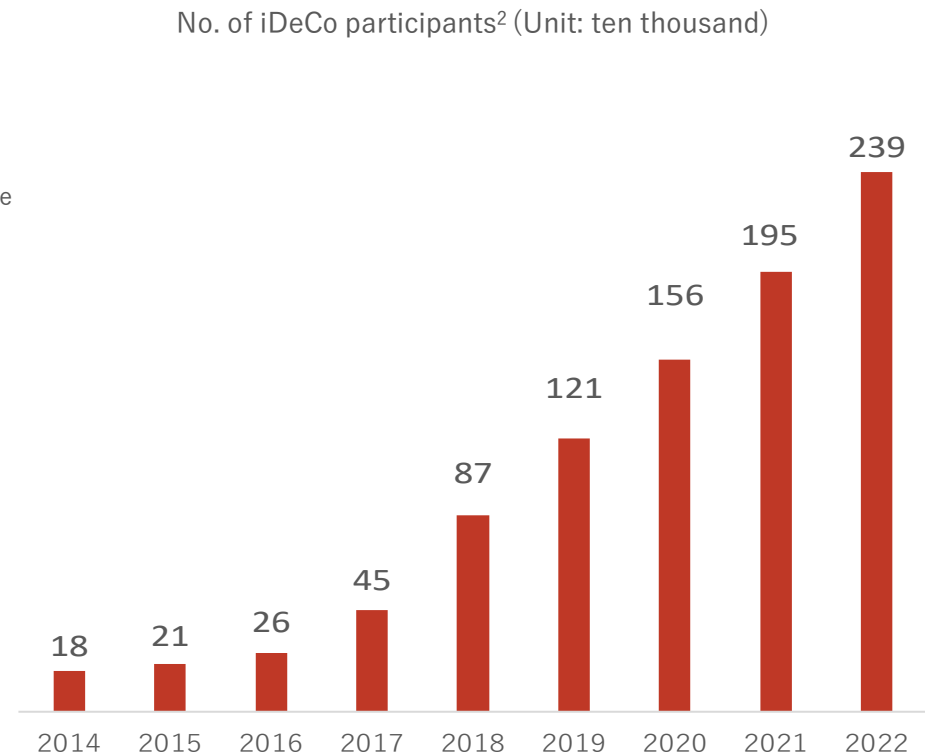
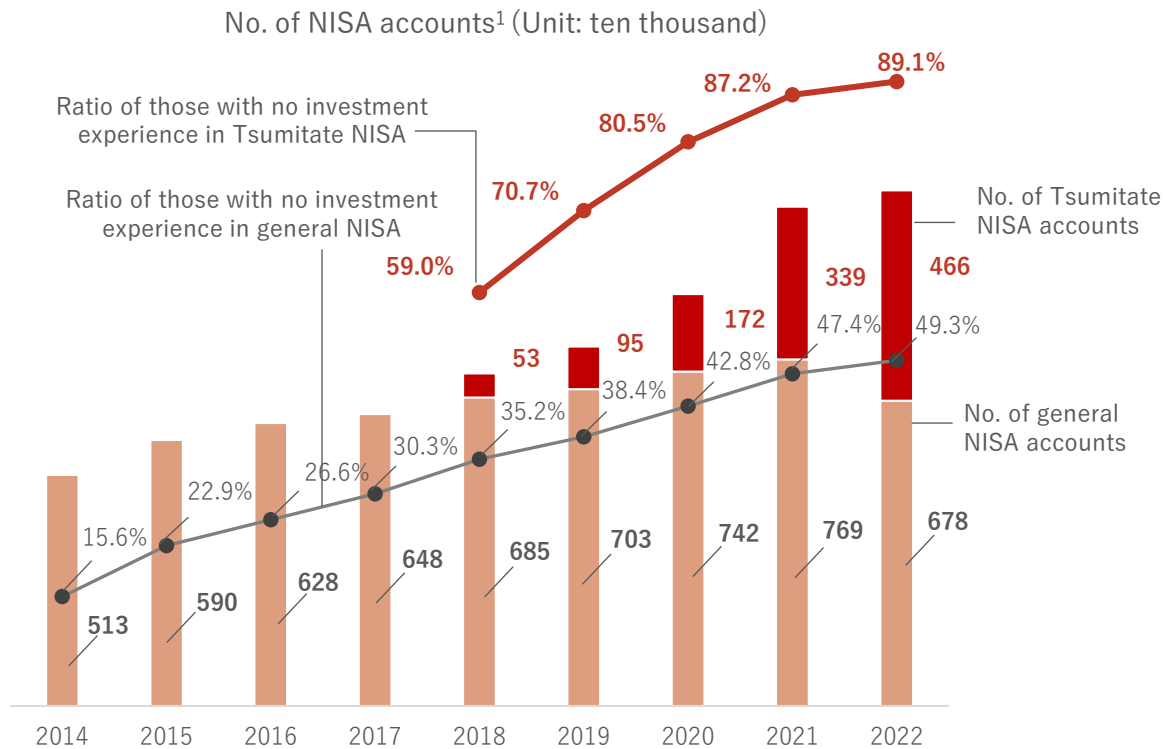
2. Premised on the implementation of the changes to the NISA program, effective from 2024, as set out in the government's FY2023 Tax Reform announced in December 2022.

3. Source: "Trends in Employment Status 1: Labor Force (2021 Average)," Statistics Bureau of Japan, Ministry of Internal Affairs and Communications.



# Accelerating Shift from Savings to Investment

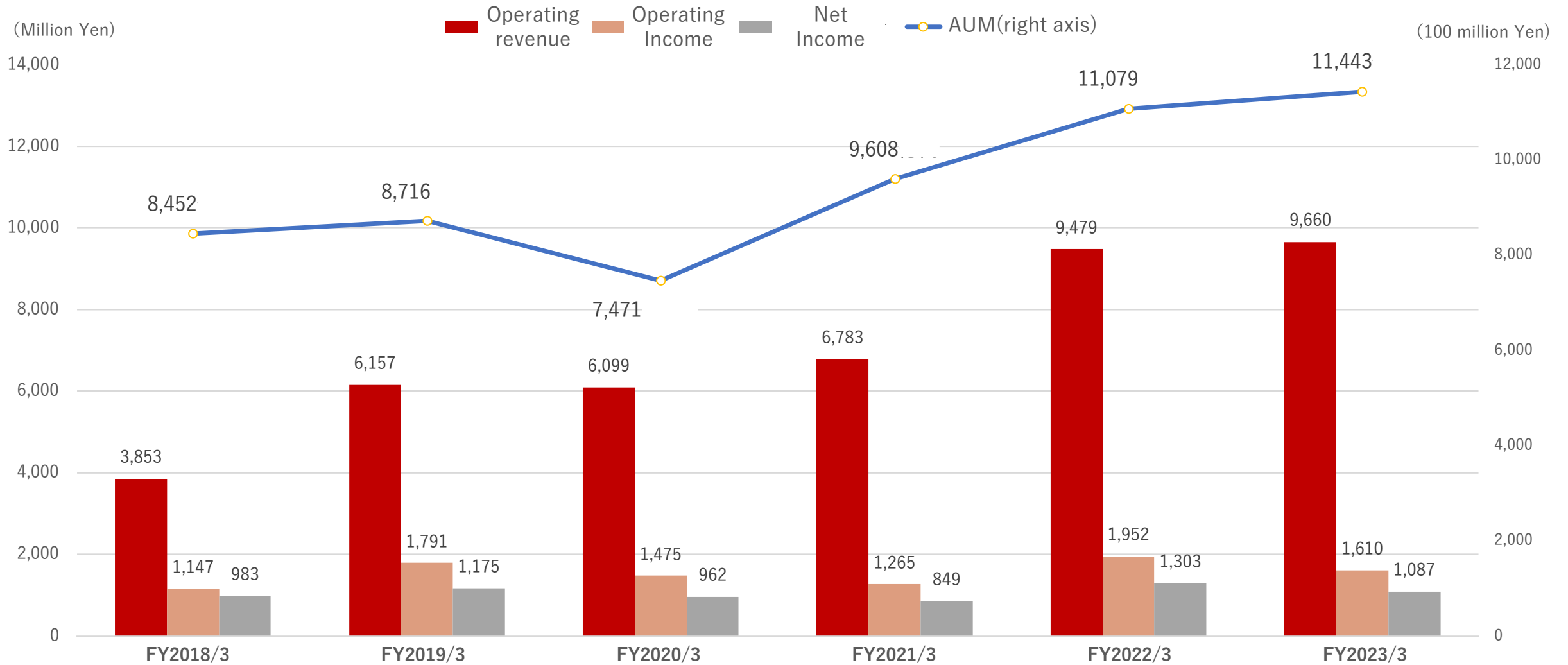
The shift from "saving to investing" will continue to steadily progress, as NISA is made permanent, investment limits are expanded, and the age for joining iDeCo is raised.



1. Source: "NISA Account opening/Usage Survey Results" Information Services Japan Securities Dealers Association as of September 30, 2022. Number and percentage of accounts as of December 31. The figures for 2022 are as of September 30.

2. Source: "Defined Contribution Pension Statistical Data (March 31, 2022)," Information Services Agent Liaison Meeting. Number of accumulated total participants as of March 31 of each year.

# Business Performance



1. From the fiscal year ended March 31, 2022 onward, the amount of net income attributable to shareholders of the parent company is shown.

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