Consolidated Financial Results for the 3rd Qtr of the FY2014 (Apr. 2014 – Dec. 2014)

February 12, 2015

SPARX Group Co., Ltd.
http://www.sparxgroup.com/

Financial Results for the 3rd Qtr of the FY2014

FY 2014 Results for Q3 Overview

- **Operating revenue: Management fees edged up slightly, but performance fees declined significantly.**

  ¥4,997 MM *(FY 2013 Q3 :¥6,380 MM, down 21.7%)*

- **Operating profit declined.**

  ¥961MM *(FY 2013 Q3 :¥1,622 MM, down 40.8%)*

  ⇒**(Simplified) operating cash flow : +¥1,539 MM** *(FY 2013 Q3 :+¥2,416 MM, down 36.3%)*

- **Net income declined.**

  ¥1,066MM *(FY 2013 Q3 :¥1,524 MM., down 30.1%)*

(Note 1) : "(Simplified) operating cash flow" is computed by adding back "amortization of goodwill" to "operating income".

FY 2014 Results for Q3(P/L)(1)

AUM:

AUM at end of Q3 : ¥812.8 bn.(at end of 2014/3:¥683.1 bn., up 19.0%)
Average AUM for Q3 (3 months): ¥806.0 bn.(Q2 of FY 2014(3 months):¥778.8 bn., up 3.5%)

Japan : ¥355.3 bn.(end of 2014/3) ⇒ ¥442.7 bn.(end of 2014/12)(up 24.6%)
South Korea :¥314.6 bn.(end of 2014/3) ⇒ ¥355.9 bn.(end of 2014/12)(up 13.1%)
Entire Asia : ¥13.1 bn.(end of 2014/3) ⇒ ¥14.1 bn. (end of 2014/12)(up 7.7%)

[AUM in Stocks]

・Japanese stocks:increase in appraisal gain due to continuing favorable investment performance, and net inflows due to establishment of funds in all strategies.
・South Korean stocks: increase in appraisal gain due to improved performance and the yen's depreciation against the won in addition to continued net increase (won-based) in establishment of funds.

[AUM in Real Assets]

・Increase in AUM for Renewable Energy Investment Strategy due to new establishment of funds by overseas investors.
・Decrease in AUM due to redemption of a real estate investment fund managed by SATM.

Note 1: "Average AUM for Q3 (3 months)," "Average AUM for Q2 (3 months)" are computed by dividing the total AUM of end of respective month of the relevant quarter with the respective number of months.
Note 2: AUM indicates total figures of all asset management subsidiaries in scope of consolidation and 100% of AUM regardless of the Company's equity interest in respective subsidiaries. AUM at the end of December is preliminary figures. The same applies hereinafter in this document.
Note 3: SATM is the abbreviation of SPARX Asset Trust & Management Co., Ltd., our subsidiary; hereinafter the same applies in this document.

FY 2014 Results for Q3(P/L)(2)

Operating Revenue: ¥4,997 MM. Down 21.7% year-on-year ⇒For details, see P.7

・Although management fee increased, performance fees decreased significantly compared to previous year due to a smaller increase in Japanese stock market.

Management fee	:	**¥3,506 MM**	*(Q3 of FY 2013: ¥3,259 MM, up 7.6%)*
Performance fee	:	**¥ 946 MM**	*(Q3 of FY 2013: ¥2,489MM, down 62.0%)*
Other operating revenue	:	**¥543 MM**	*(Q3 of FY 2013: ¥632MM, down 14.0%)*

Operating Expenses and General & Administrative Expenses: ¥4,035 MM Down 15.2% year-on-year ⇒For details, see P.11

[Increase attributable to]

・Expansion of the business base for positive development of business

[Decrease attributable to]

・Lower commission payment in association with the decline in the performance fee
・Stopped, at the end of the previous year, the investment strategy of paying part of management fees to certain staff
・Decrease in provision for bonuses linked to performance
・Decrease in amortization of goodwill starting from the previous Q3

(Simplified) operating CF	:	**¥1,539 MM**	*(Q3 of FY 2013: ¥2,416MM, down 36.3%)*
Operating profit	:	**¥961 MM**	*(Q3 of FY 2013: ¥1,622 MM, down 40.8%)*

Note 1: (Simplified) Operating CF is computed by adding back “amortization of goodwill” to “operating profit” by applying a simple way.
Note 2: Performance fees include one-off administrative fees the Company Group received from funds for real estate sales and purchases.

P/L Summary

		FY2013		FY2014	
		Apr -Dec 2013	Full Year	Apr -Dec 2014	YoY change
Average AUM	(100MM JPY)	6,847	6,829	7,663	11.9%
Operating Revenue	(MMJPY)	6,380	7,752	4,997	▲21.7%
Operating General& Administrative Expenses	(MMJPY)	4,757	5,903	4,035	▲15.2%
Operating Profit	(MMJPY)	1,622	1,848	961	▲40.8%
Ordinary Profit	(MMJPY)	1,950	2,059	1,192	▲38.9%
Net Profit	(MMJPY)	1,524	1,637	1,066	▲30.1%
Number of Employees (period-end)		134	132	128	▲4.5%
TOPIX(quarter-end・period-end)		1,302	1,202	1,407	8.1%
NIKKEI stock average (quarter-end・period-end)	(JPY)	16,291	14,827	17,450	7.1%
KOSPI(quarter-end・period-end)		2,011	1,985	1,915	▲4.8%

(Note 1) The figures above, excluding “YoY change” are truncated. “YoY change” is rounded to the nearest tenth of a percent.

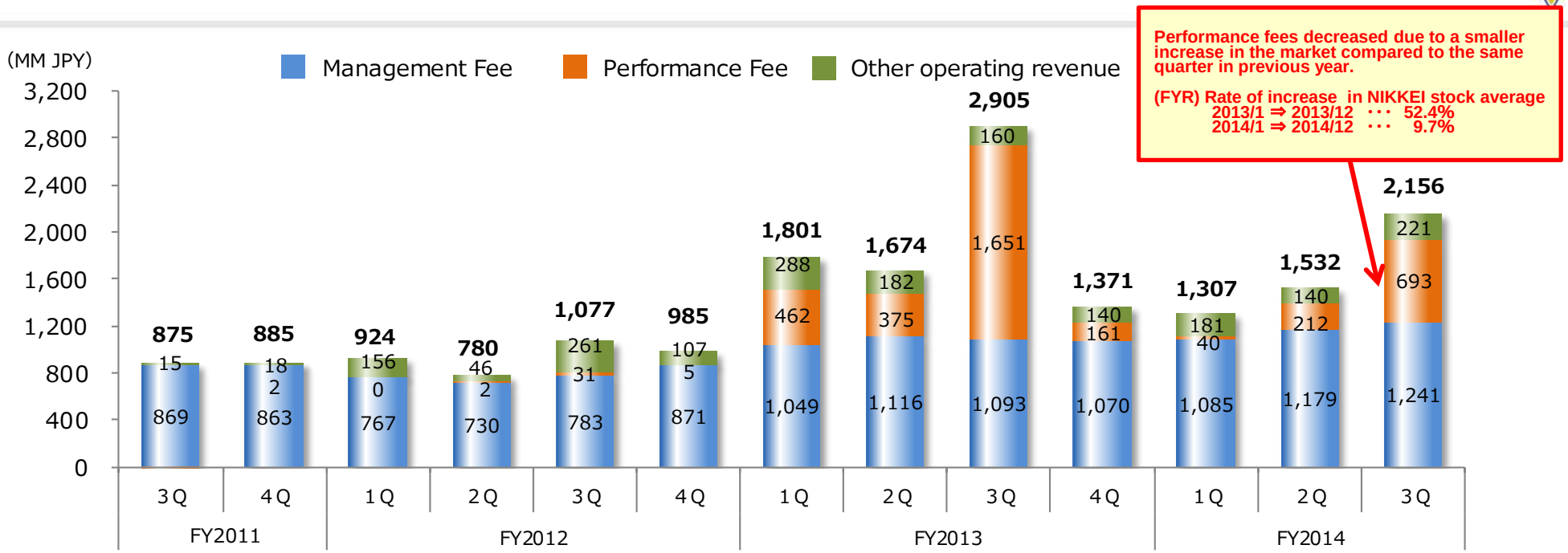
(Note 2) Number of employees (period-end) shows the figure that does not include the number of “directors and corporate auditors”. The total headcount (including outside director) as of 3Q end is 150.

Breakdown of Operating Revenue

Breakdown of Operating Revenue		FY2013		FY2014	
		Apr -Dec 2013	Full Year	Apr -Dec 2014	YoY change (%)
Management fees	(MM JPY)	3,259	4,329	3,506	7.6%
Net management fee rate	(%)	0.56%	0.55%	0.53%	-0.03
Performance fees	(MM JPY)	2,489	2,650	946	-62.0%
Percentage of AUM eligible to earn performance fees	(%)	51.3%	54.4%	49.0%	-2.3
Other operating revenue	(MM JPY)	632	772	543	-14.0%
Total operating revenue	(MM JPY)	6,380	7,752	4,997	-21.7%

(Note1) The figure stated above are truncated excluding “YoY change,” “Net management fee rate (%)” and “Percentage of AUM eligible to earn performance fees (%).” “YoY change” is rounded to the nearest tenth of a percent. “YoY change” of “Net management fee rate (%)” and “percentage of AUM eligible to earn performance fee (%)” shows the amount of decrease/increase instead of percentage of change.
(Note 2) Net management fee rate = (Management fee – Related commissions and charges) / Average AUM
(Note 3) Performance fees include one-off administrative fees the Company Group received from funds for real estate sales and purchases.
(Note 4) “Percentage of AUM eligible to earn performance fees (%) “ = full-year/quarterly AUM eligible to earn performance fees ÷ full-year/ quarterly AUM

＜Reference＞Quarterly trends of operating revenue



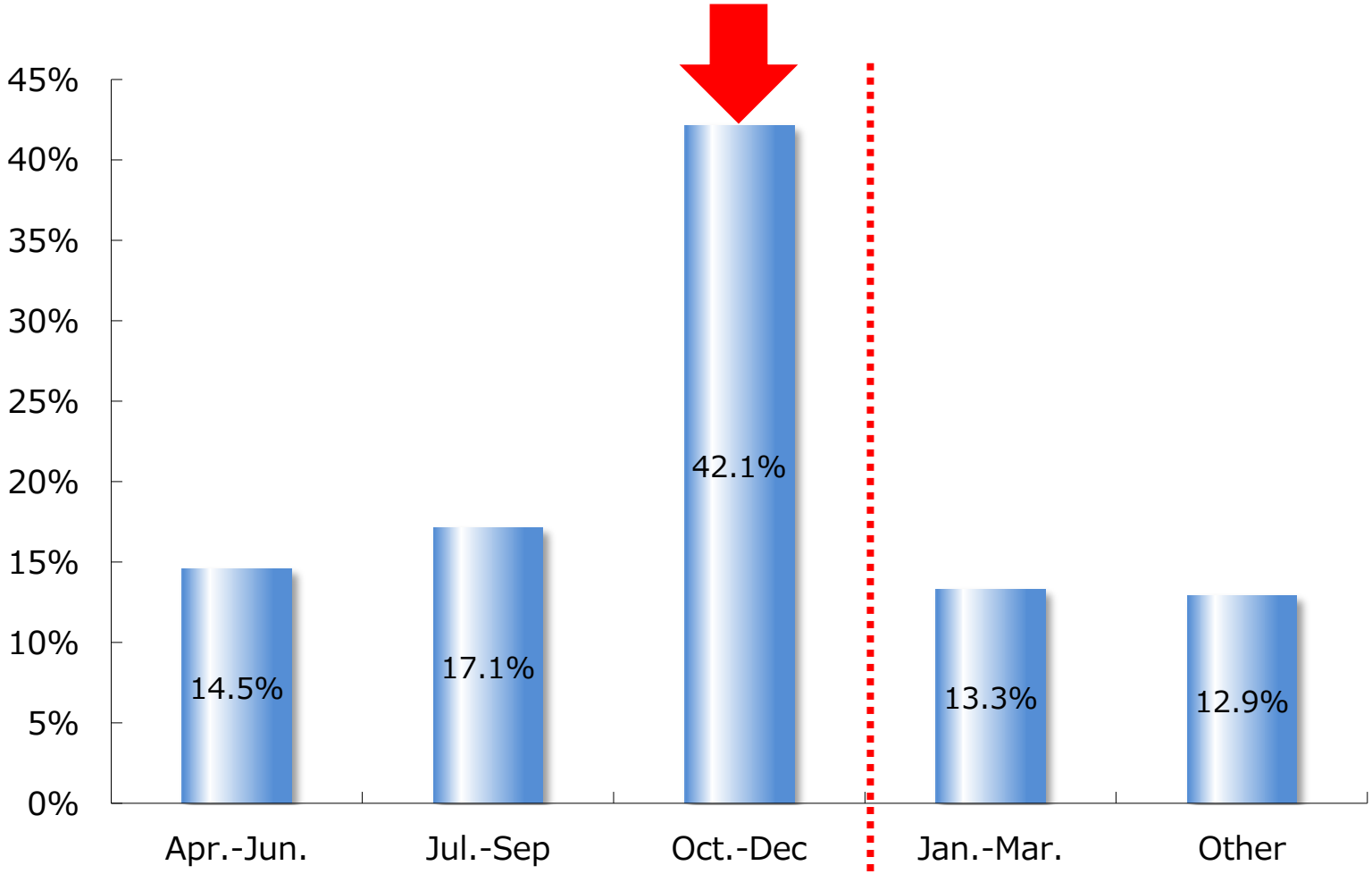
Performance fees decreased due to a smaller increase in the market compared to the same quarter in previous year.

(FYR) Rate of increase in NIKKEI stock average
2013/1 ⇒ 2013/12 ・・・ 52.4%
2014/1 ⇒ 2014/12 ・・・ 9.7%

(MM JPY)	FY2011		FY2012				FY2013				FY2014		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Management Fee	869	863	767	730	783	871	1,049	1,116	1,093	1,070	1,085	1,179	1,241
Performance Fee	-9	2	0	2	31	5	462	375	1,651	161	40	212	693
Other operating revenue	15	18	156	46	261	107	288	182	160	140	181	140	221
Operating Revenue	**875**	**885**	**924**	**780**	**1,077**	**985**	**1,801**	**1,674**	**2,905**	**1,371**	**1,307**	**1,532**	**2,156**
(Reference)													
Average AUM (100MM JPY) (3months average)	5,136	5,281	4,799	4,642	5,369	6,232	6,763	6,742	7,038	6,778	7,143	7,788	8,060
Net management fee rate (3months average) (after the deduction of commission fee)	0.60%	0.58%	0.57%	0.55%	0.52%	0.50%	0.55%	0.58%	0.54%	0.53%	0.52%	0.53%	0.53%
Percentage of AUM eligible to earn performance fees	56.1%	55.7%	54.0%	51.9%	46.3%	48.9%	46.9%	48.9%	51.3%	54.4%	50.6%	50.2%	49.0%

(Note) Performance fees include one-off administrative fees the Company Group received from funds for real estate sales and purchases.

（SAM）Funds with Performance Fees – Distribution of Closing Date for Calculation (by Quarter)



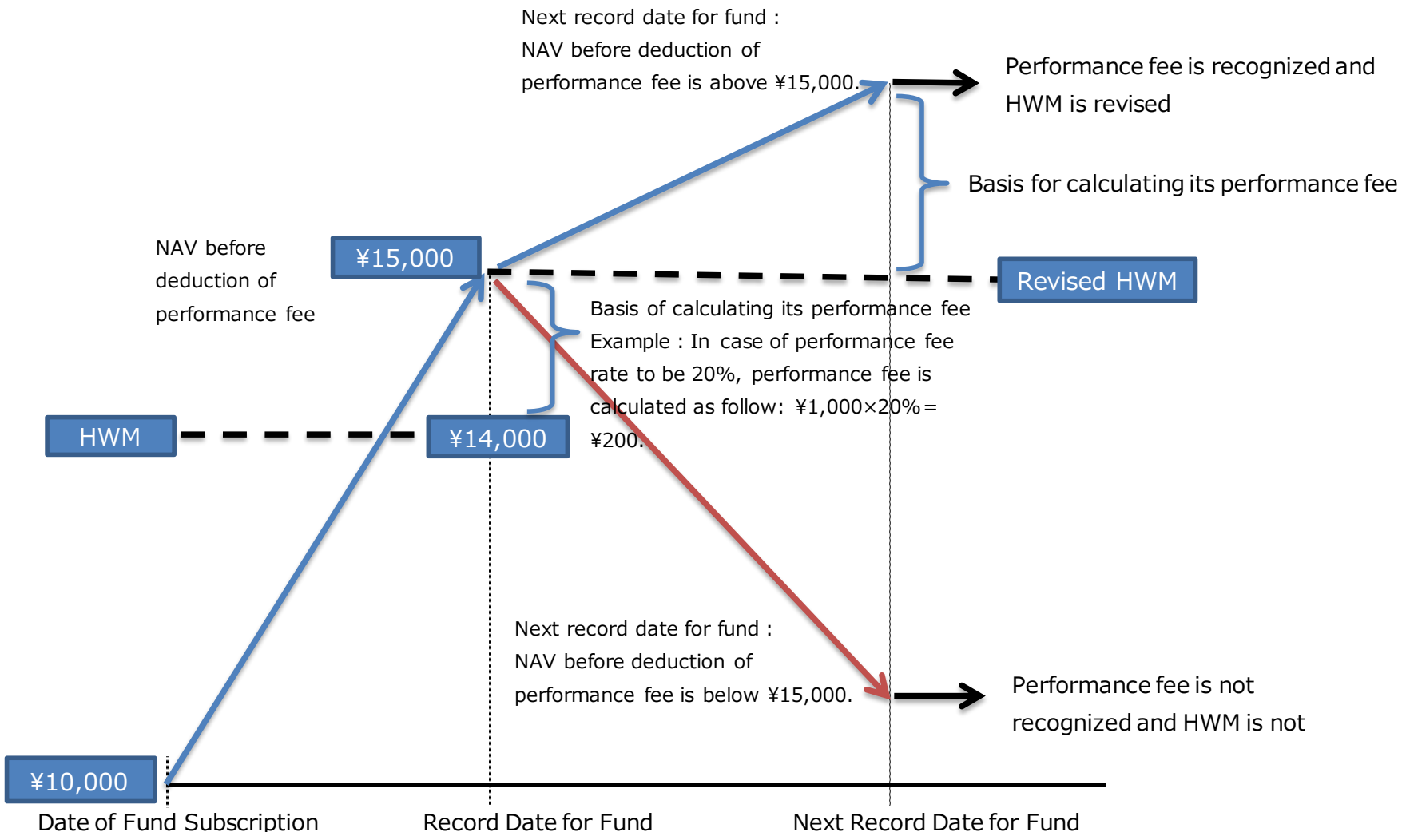
(Note 1) All funds managed by SPARX Asset Management Co., Ltd. (investment trusts and discretionary investment accounts) as of December 31, 2014 are classified by the performance fee value date in the graph above. Among these, performance fee is recorded only if it has met the requirements specified in the contract in each calculation value date. Please note that it is not intended to demonstrate how definite performance fee to occur in the future.

(Note 2) In calculating these percentages, the following adjustments are made: For funds with multiple payment periods, the equally divided values of the funds are allocated to the amount in the month of each value date and for funds with no regular payment periods are classified as “others”.

(Note 3) The figures above % are rounded to the nearest tenth of a percent. In addition, the figures are estimated based on in-house calculation.

(Note 4) SATM is the abbreviation of SPARX Asset Trust & Management Co., Ltd., our subsidiary; hereinafter the same applies in this document.

＜Reference＞Performance Fee Structure ：



（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.

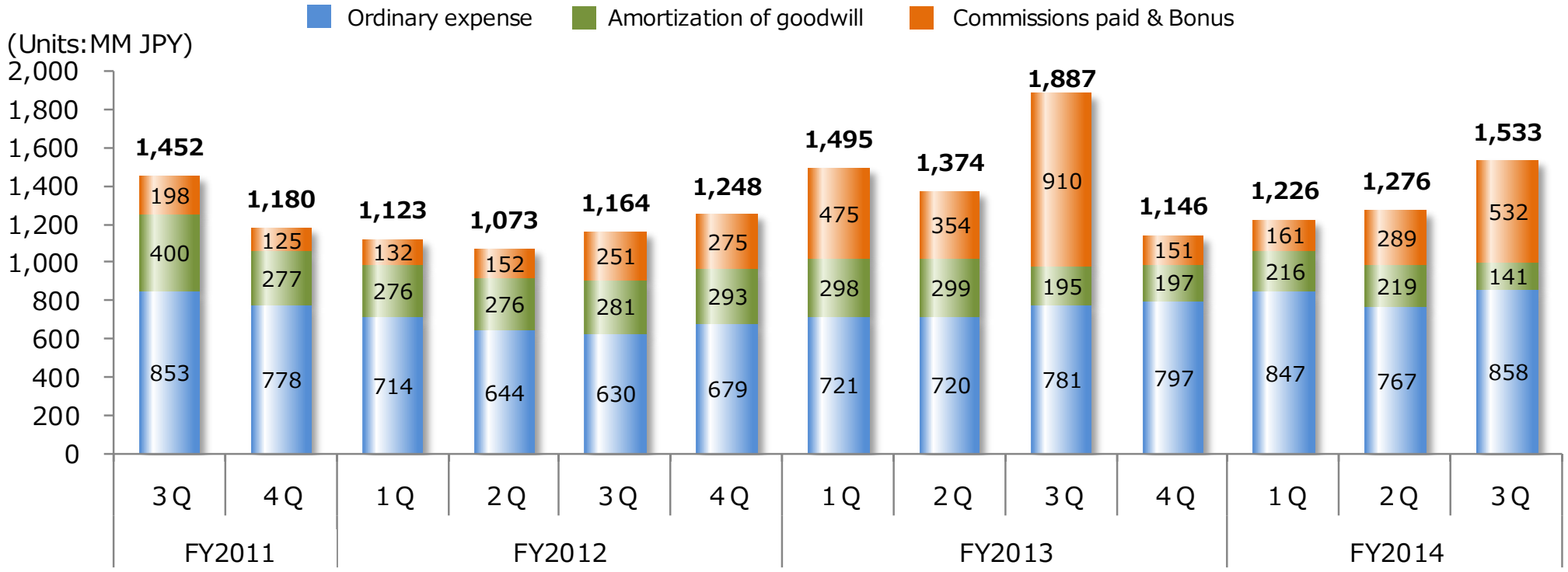
（Note 2）Above uses performance fee rate of 20% for informational purpose only. In addition,「HWM」is an abbreviation of High-Water Mark.

Breakdown for Operating Expenses and General & Admin Expenses:

(Units: MM JPY)	FY2013		FY2014	
	Apr -Dec 2013	Full Year	Apr -Dec 2014	YoY change
Commissions paid	832	1,017	644	-22.7%
Personnel exp.	1,982	2,287	1,571	-20.7%
Entrusted fund admin fees	13	16	14	3.8%
Travel exp.	129	175	117	-8.6%
Property rent	180	242	200	11.3%
Entrusted business expenses	195	261	184	-5.7%
Depreciation on fixed assets	40	57	41	2.4%
Other expenses	589	853	683	15.9%
Amortization of goodwill	793	990	577	-27.2%
Total: Operating and general administrative expenses	4,757	5,903	4,035	-15.2%
Ordinary expense	2,223	3,021	2,473	11.3%
YoY basis	2,964	3,021	3,298	11.3%

(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 temporary staff, etc.
(Note3) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses. "Legal welfare expenses related to bonuses" are excluded from ordinary expenses retroactively from the previous fiscal year (therefore, 3Q of FY2013 figures are partially different from those at the time of disclosure.)

＜Reference＞Quarterly Trends of Operating Expenses and General & Admin Expenses：



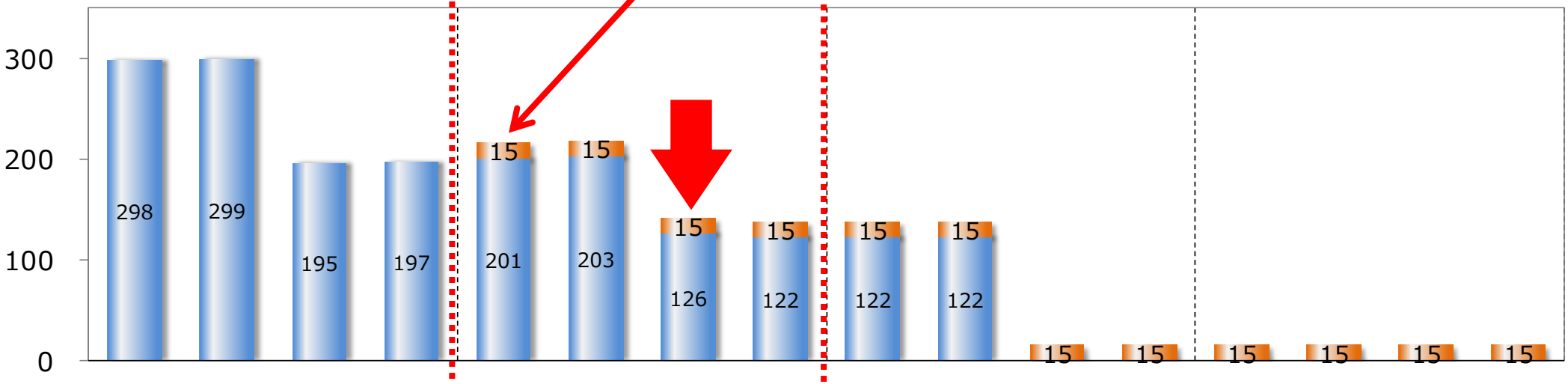
(Units : MM JPY)	FY2011		FY2012				FY2013				FY2014		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Ordinary expense	853	778	714	644	630	679	721	720	781	797	847	767	858
Amortization of goodwill	400	277	276	276	281	293	298	299	195	197	216	219	141
Commissions paid & Bonus	198	125	132	152	251	275	475	354	910	151	161	289	532
Operating and general administrative expenses	**1,452**	**1,180**	**1,123**	**1,073**	**1,164**	**1,248**	**1,495**	**1,374**	**1,887**	**1,146**	**1,226**	**1,276**	**1,533**

(Note) The “Ordinary expenses” is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses. “Legal welfare expenses related to bonuses” are excluded from ordinary expenses retroactively from the previous fiscal year (therefore, 3Q of FY2013 figures are partially different from those at the time of disclosure.)

Schedule for Goodwill Amortization：Goodwill has risen due to purchase of SATM, but amortization cost has significantly decreased.

（Unit：MM JPY）

Since FY 2014, Goodwill amortization has arisen relating to acquisition of all shares of SATM in April 2014



FY2013				FY2014				FY2015				FY2016			
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
298	299	195	197	216	219	141	137	137	137	15	15	15	15	15	15
990				715				306				61			

（Note 1） Goodwill of Korean won base are included, it will be affected by the exchange rate fluctuation (Goodwill amortization expenses in this slide onwards are calculated by using the exchange rate of 1 KRW = 0.1019 yen).
（Note 2） Goodwill amortization relating to SATM is ¥61 MM annually and is amortized over 5 years.

Base Earnings：Increase in Ordinary Expenses owning to Expansion of Business Base Have Stayed Base Earnings

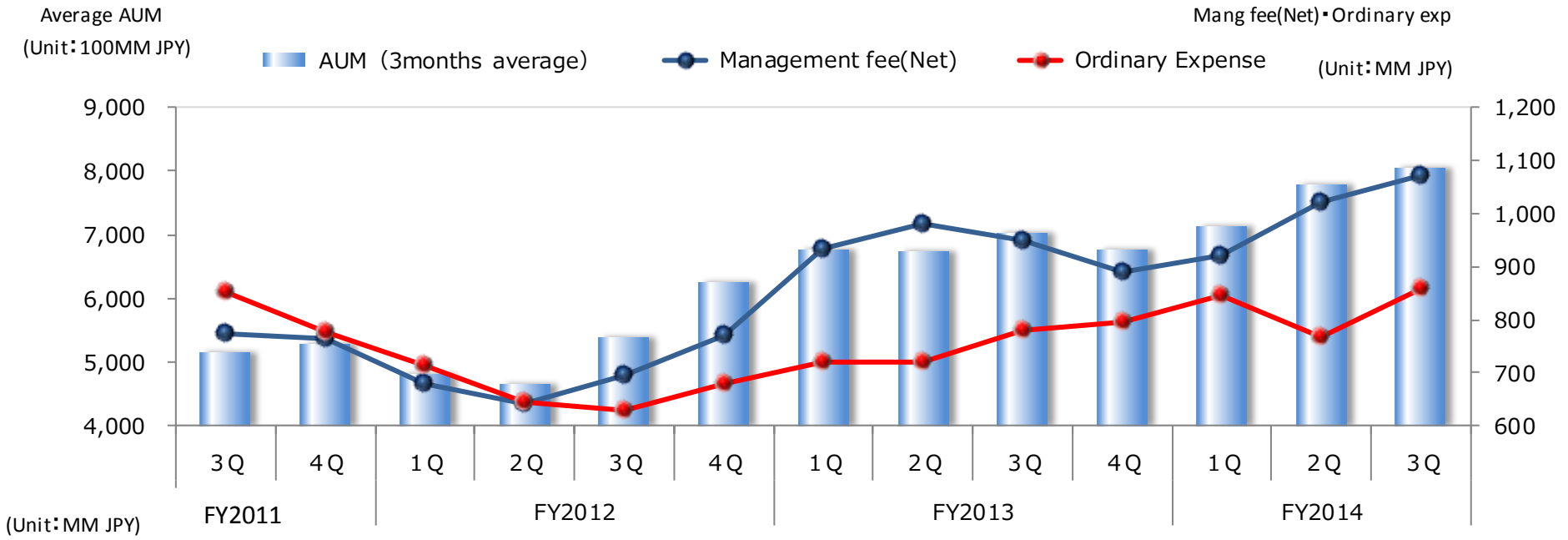
		FY2013 Full Year	FY2014 (Annualized)
Average AUM	(100MM JPY)	6,829	7,663
Net management fee rate (After the deduction of commissions paid)	(%)	0.55	0.53
Annualized net management fee revenue (After the deduction of commission paid)	(MM JPY)	3,755	4,025
Annualized ordinary expenses	(MM JPY)	3,021	3,298
Annualized "Base Earnings"	(MM JPY)	**+734**	**+726**

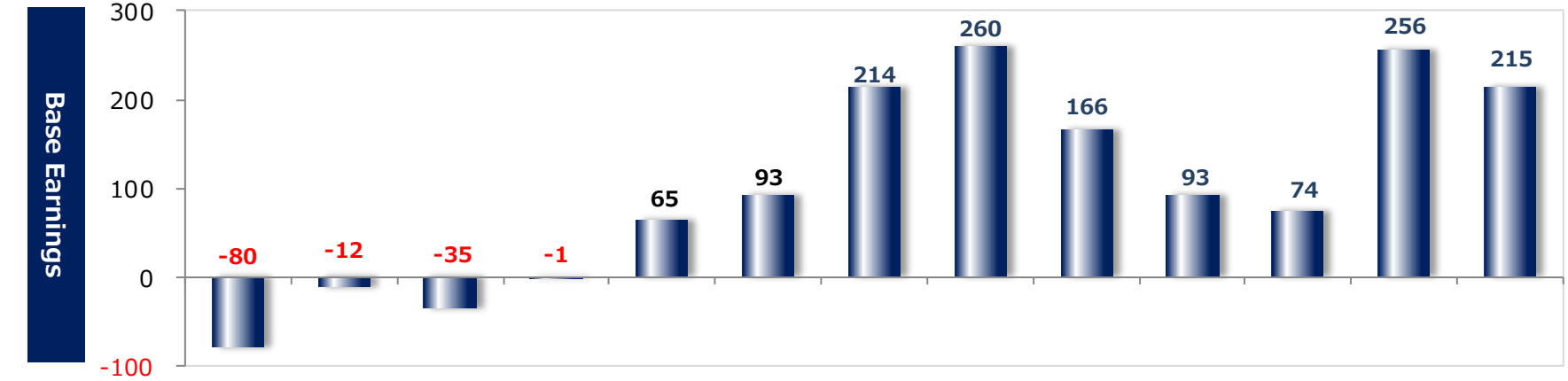
※ Base Earnings are calculated by subtracting ordinary expenses from net management fee as one of indicators for earning power and stability of its business

Although ordinary expenses are expected to increase for some items, the Company will expand the business base, which is necessary for proactive business development while continuing to place expenses under stringent control.

(Note 1) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses. Please note that "Legal welfare expenses related to bonuses" has been excluded from ordinary expense and adjusted retrospectively.
(Note 2) "Annualized net management fee revenue (after the deduction of commission paid) " is obtained by multiplying "Average AUM" by "Net management fee rate (after the deduction of commission paid)". As figures less than the presented unit are used for the calculation, the calculation using the above numbers after rounding down fractions less than the presented unit does not necessarily match the "annualized net management fee revenue" numbers provided above.
(Note 3) The figures above are truncated.

Quarterly Base Earnings Trend: Base Earnings Trend are Expanded Again Due to an Increase in Management Fee





(Note1)The figures above are truncated. As preliminary figures, the「Annualized net management fee revenue」is calculated by multiplying the net management fee rate and the average AUM for the period.
(Note2) The “Ordinary expenses” is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses. Please note that “Legal welfare expenses related to bonuses” has been excluded from ordinary expense and adjusted retrospectively (therefore, 3Q of FY2013 figures are partially different from those at the time of disclosure.)

FY 2014 Results for Q3（B/S）

Sufficient liquidity on hand viewed from both stock and flow

・Debt with interest: ¥3,000 MM + accounts payable-other, etc.: ¥713 MM ＝ approx. ¥3,700 MM, while cash and deposits: ¥11,200 MM.＋ securities: ¥328MM + accounts due, etc.: ¥1,890 MM. ＝ approx. ¥13,400 MM; “Stock” is maintaining sufficient level.

・更に「フロー」である, (Simplified) operating cash flow is also plus (¥1,539 MM for Q3).

Equity capital maintaining high stability

・For the purpose of securing flexibility and the mobility of future capital policies, as well as eliminating deficits and establishing a sound financial position at an early stage, the Company has executed a capital reduction of part of the capital (¥4,000 MM) and others.

・In spite of an increase in debt through borrowings, a high-level capital-adequacy ratio is maintained (70.0% at end of the previous FY ⇒ 67.5% at end of Q3 under review).

・Based on improved earnings structure owing to the environmental changes and conservative financial management policy, it has been affirmed our issuer rating and outlook of “BBB-(stable)” has been changed to “BBB-(positive)”.

（FYR） http://www.sparxgroup.jp/press/uploads/PressE150122-01.pdf

SPARX will use sufficient funds on hand for investments for temporal business expansion, but will always search for the most suitable method to secure necessary funds.

(Note 1) : “(Simplified) operating cash flow is computed by adding back “amortization of goodwill” to “operating income” using a simplified method.

B/S Summary : Carried out compensation for deficits due to a reduction in capital, etc. and additional borrowings

(Units: MM JPY)	Mar. 2014	Dec. 2014	YoY change
Current assets	11,808	14,707	2,898
Cash and cash equivalents	9,694	11,266	1,571
Securities	286	328	41
Receivables	1,023	1,898	874
Fixed assets	3,998	4,144	146
Goodwill	859	655	▲203
Investment securities	2,524	3,070	545
Total assets	15,807	18,852	3,044
Payables	914	713	▲201
Long-term loans payable	1,500	3,000	1,500
Total liabilities	3,282	4,474	1,191
Common stock	12,492	8,500	▲3,992
Add'l paid-in-capital	14,340	4,035	▲10,304
Retained earnings	▲12,673	1,364	14,038
Treaury stock	▲4,438	▲3,304	1,134
Total Shareholder's Equity	9,720	10,596	876
Valuation difference on AFS securities	278	493	215
Foreign currency translation adjustment	1,063	1,633	569
Minority interests	1,371	1,572	201
Total net assets	12,524	14,378	1,853

(Simplified) Operating CF : ¥ 1,539 MM

Increased due to new borrowings (¥1,500 MM)

Increase due to performance fee recognition

Accounted for ¥307 MM due to purchase of SATM.

For future amortization cost of goodwill, see p.13.

Increase mainly due to seed money investments and FX fluctuations (weaker yen)

Newly borrowed ¥1,500 MM in June 2014.
Due : March in 2017
Rate : 1.365%

Compensated deficits of retained earnings by reducing capital, additional paid-in capital. These are transfers within shareholders' equity, giving no impact to it.

Used some of it in purchasing SATM.

Increased due mainly to the impact of yen depreciation/won appreciation.

Capital adequacy ratio
Mar. 2014 : 70.0%
Dec. 2014 : 67.5%

(Note1) The figures above are truncated.
(Note2) The investment securities includes the seed money of SPARX Group funds
(Note3) 「(Simplified) operating cash flow」 is calculated by adding back amortization of goodwill to its operating income.

Progress of the Businesses and Future Plans

- Equity Investment
-Real Asset Investment

FY2014 Goal

AUM JPY 1 trillion

and

Increase in profit

Equity Investment

Japan Equity Management Business

・Multiple consulting firms have selected us and recommended us as manager for Japanese equity.

⇒Investment performance and administrative practices based on consistent investment philosophy have been highly valued.

⇒SPARX Group will ensure the mid-to-long term competitive advantage by demonstrating the effectiveness of its investment philosophy (“Macro is the Aggregate of the Micro”) and investment approach (“bottom-up research” and “catalyst”) through good and long-term investment performance.

・SPARX Shin Kokusai Yuryo Japanese Equity Fund (“Gensentoshi”), highly selective long-term investment strategy for Japanese equities, won the Morningstar Award as the Fund of the Year 2014 of Japan Equity Section.

⇒ Far better performance in terms of both return and efficiency compared to other general active funds.

⇒Consistent management structure, indicated by the fund mangers’ average investment experience of 14 years (average 10 years with us) for this equity fund was highly valued.
(FYR) http://www.sparxgroup.jp/press/uploads/PressE150130-03.pdf

Awarded Morningstar “Fund of the Year 2014” (1)



SPARX Shin Kokusai Yuryo Japanese Equity Fund (“Gensentoshi”(“Highly Selective Investment”)) awarded

Fund of the Year 2014 of Japan Equity Section (total: 782 funds)

(FYR) http://www.sparxgroup.jp/press/uploads/PressE150130-03.pdf

References to any specific securities do not constitute an offer to buy or sell securities. Those awarded funds based upon the past performance cannot guarantee their future performance. Data or statements are obtained from sources Morningstar Japan K.K believed to be reliable but are not guaranteed as to accuracy or completeness.

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Taking every factor into consideration, Morningstar Japan K.K. has selected funds for Morningstar Award “Fund of the Year 2014” in each divisions from open-end mutual fund based upon its unique quantitative and qualitative analysis. Awarded funds in the Domestic Stock Fund Division have been selected from 782 funds at the end of December 2014.

Real Asset Investment －（1）

➤Investments in renewable energy generating facilities

・We have been selected as an asset manager of the Public-Private Partnership Renewable Energy Fund (Public-Private Fund 2) to be newly launched by the Tokyo Metropolitan Government.

⇒Leverage our steady track record and experience in managing Public-Private Fund 1.

⇒Plan to invest also in wind power and other energies in addition to photovoltaic energy.

⇒Start organizing the fund, targeting early launching.

（FYR） http://www.sparxgroup.jp/press/uploads/PressE141024-01.pdf

・In addition to the Public-Private Infrastructure Fund (Public-Private Fund 1) of the Tokyo Metropolitan Government, we have invested funds from overseas/domestic institutional investors in large-scale solar power-generating plants one after another (see next page).

⇒Completed the investment in Public-Private Fund 1, which has been managed stably.

・As for the Listed Infrastructure Fund, we believe that the environment for the market launch within this fiscal year is being arranged, including various legislative and regulatory revisions.

⇒Steadily conducting preparations for participating in the listed infrastructure fund market, having SATM as manager.

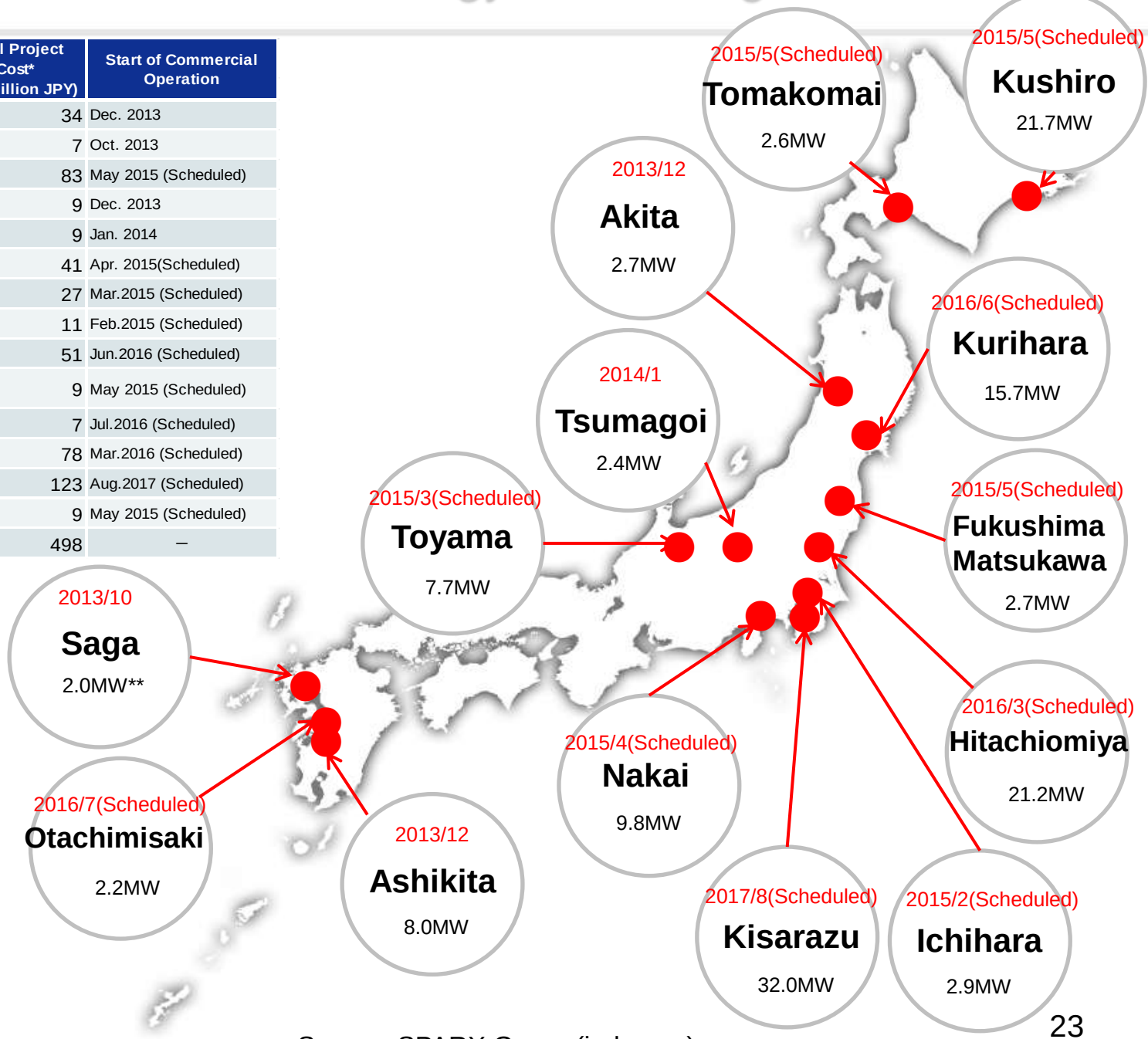
（FYR） http://www.sparxgroup.jp/press/uploads/PressE140730-01.pdf

Records of Investments in Renewable Energy Generating Facilities

	Location (Prefecture)	Output Scale (MW)	Total Project Cost* (100 million JPY)	Start of Commercial Operation
Ashikita Mega Solar	Kumamoto	8.0	34	Dec. 2013
Saga Mega Solar	Saga	2.0	7	Oct. 2013
Kushiro Mega Solar	Hokkaido	21.7	83	May 2015 (Scheduled)
Akita Mega Solar	Akita	2.7	9	Dec. 2013
Tsumagoi Mega Solar	Gunma	2.4	9	Jan. 2014
Nakai Mega Solar	Kanagawa	9.8	41	Apr. 2015(Scheduled)
Toyama Mega Solar	Toyama	7.7	27	Mar.2015 (Scheduled)
Ichihara Mega Solar	Chiba	2.9	11	Feb.2015 (Scheduled)
Kurihara Mega Solar	Miyagi	15.7	51	Jun.2016 (Scheduled)
Fukushima Matsukawa Mega Solar	Fukushima	2.7	9	May 2015 (Scheduled)
Otachimisaki Mega Solar	Kumamoto	2.2	7	Jul.2016 (Scheduled)
Hitachiomiya Mega Solar	Ibaraki	21.2	78	Mar.2016 (Scheduled)
Kisarazu Mega Solar	Chiba	32.0	123	Aug.2017 (Scheduled)
Tomakomai Mega Solar	Hokkaido	2.6	9	May 2015 (Scheduled)
Total	–	133.6	498	–

* The data shown in the list above is as of November 30, 2014. The figures above are truncated. Estimated figures are described for the facilities under construction.

** Total capacity including additionally built portions is shown.



Source: SPARX Group (in-house)

Real Asset Investment －（2）

Real estate investments

・Since the investment commitment received from an overseas sovereign wealth fund in June 2012, we have made investments for five projects that invest in residential properties（cumulative total of acquired assets: approximately 36.6 billion yen including consumption tax (out of which, approximately 9.4 billion yen was invested in the form of anonymous associations)）.

⇒Agreed with investors to expand investments to include assets such as office buildings, warehouses, commercial facilities, and health care facilities (nursing homes and clinic malls)

The private placement fund established in Japan for the purpose of the Investment Case is being managed by SATM.

⇒＜Case No. 6.＞ Investment in a distribution warehouse (whose asset value is approximately one billion yen including consumption tax) located in Chiba Prefecture

(FYR) http://www.sparxgroup.jp/press/uploads/PressE141017-02.pdf

⇒＜Case No. 7.＞ Investment in a distribution warehouse（whose asset value is approximately 4.3 billion yen including consumption tax) located in Tokyo.

(FYR) http://www.sparxgroup.jp/press/uploads/PressE141203-01.pdf

⇒＜Case No. 8.＞ Investment in a land (whose amount of assets is approximately 0.7 billion yen) located in Tokyo Metropolis in order for the development of medical facility.

(FYR) http://www.sparxgroup.jp/press/uploads/PressE150120-01.pdf

In addition to management fees for AUM, we have received one-off administrative fees from funds for real estate sales and purchases.

Our Overseas Offices
- Hong Kong
- Korea

Our Overseas Offices

➤Hong Kong（SPARX Asia）

・For One Asia L/S Strategy, investment track records have been built and its good performance is maintained.

⇒In order to make the fund size exceed a certain amount at an early stage, it is focusing on finding core investors.

⇒Then, on the back of relatively good investment performance, aim to achieve exponential growth of AUM.

・Confirmed that Honk Kong/ASEAN’s institutional investors and family offices are highly interested in investments in real assets such as real estate and renewable energy generating facilities, as well as Value Impact Investment Strategy.

➤Korea (SPARX Korea (former COSMO))

・Renamed as SPARX Korea, unifying the brand to further promote business operations of the group as a whole.

⇒Advantages of using the SPARX brand in marketing activity given the brand’s extensive networks for overseas investors, including Europe, the US and Middle East.

⇒Promote cross-selling to Korean investors by introducing products managed by our group companies in Japan and Hong Kong

Other Activities

Publication of a Book for individual investors

January 21, 2015

Company: SPARX Group Co., Ltd.
(JASDAQ Standard Code: 8739)

Notice on the Publication of a Book

Shuhei Abe, the President of the Company, publishes a book entitled,

The Coming Resurgence of Japan's Equity Markets; 'THERE IS NO ALTERNATIVE!'

We have the pleasure of announcing that Shuhei Abe, the President of the Company publishes a book entitled, *The Coming Resurgence of Japan's Equity Markets; 'THERE IS NO ALTERNATIVE!'* through Gentosha Inc.

The Company Group, having adopted SPARX Vision 2020 as its slogan for the fiscal year ending March 2021, aims to make innovations in terms of the access to individual financial assets (Japan). This means a revolutionary innovation in selling investment products, not relying on traditional investment trusts and pensions, by establishing a strong global brand based on the trust and respect to SPARX. To achieve this aim, Shuhei Abe, the President has written and publishes the book primarily to dedicate to individual investors' understanding of the attractiveness and chances involved in equity investments.

We would like to introduce this book for those who are both experienced and inexperienced in equity investment.



【Summary of book】

- Book title: *The Coming Resurgence of Japan's Equity Markets; 'THERE IS NO ALTERNATIVE!'*
- Author: Shuhei Abe
- Price: ¥1,500 plus tax
- Publisher: Gentosha Inc.
  http://www.gentosha.co.jp/book/b8456.html
- Date of sale: January 22, 2015

The book is available at large bookstores throughout Japan and online bookstores.

Change your one and only life through your own efforts!
The legendary fund manager for 800 billion yen now reveals the strategies and tactics to win in equity investment.

An unprecedented chance for a wealth breakthrough is about to happen in Japan. The 20-year prolonged cycle of deflation has ended, and the major trend to a conversion into normal inflation has started. We will soon be entering an era when equities, a weapon that has been unused for a long time, are expected to have substantial power.
The author of the book, who worked under George Soros, the world's most powerful investor, has since started his own business after managing approximately 800 billion yen in entrusted assets, gives advice on the rules and principles of equity investment.



We Started Facebook (currently only available in Japanese)



Let's click "like" ！

Appendix

The data of this page does not include Korean subsidiary (SPARX Asset Management Korea Co., Ltd.) and Hong Kong subsidiary (SPARX Asia Capital Management Limited).

SAM: Annualized performance by strategy since inception

(Annualized)

(From Composite Start Date to December 31, 2014)

Japanese equities	Long-only Active (Commingled funds)	Mid & Small caps	Long-Short (JPY, Lev. 1)	Strategic Investment
Composites	10.06%	7.20%	3.90%	8.68%
Reference Index	1.28%	3.84%	1.00%	1.46%
Excess Return	**8.77%**	**3.35%**	**2.90%**	**7.23%**

Reference Index	TOPIX cum dividend	Russell/Nomura Mid-Small Cap Index	TOPIX cum dividend	TOPIX cum dividend
Start Date	May 1997	January 2000	June 2000	July 1999
Volatility of Composite Return (Annualized)	21.78%	18.25%	7.44%	20.84%

(Note1) The figures in the table above are calculated using the composite performance data of the major investment strategies and are based on the internal data. The "Reference index" is shown to facilitate comparisons and is not necessarily a representative of the "benchmark" indexes requested by clients.
(Note2) The calculation methods used for the annualized returns above are as follows: the modified Dietz method (pre-deduction of management related fees) is applied to Long-only Active (Commingled funds), Mid & Small Caps, and Strategic Investment. The NAV per share method (management fee deducted) is applied to the Long-Short (JPY, Lev.1). The above figures are rounded to the nearest tenth of a percent.

Source: SPARX Group Co., Ltd (Tokyo, Japan), as of December 31, 2014.

The data of this page does not include Korean subsidiary (SPARX Asset Management Korea Co., Ltd.) and Hong Kong subsidiary (SPARX Asia Capital Management Limited).

SAM: Annualized performance by strategy

1. Each composite includes portfolios managed by companies of the SPARX group, excluding SPARX Korea and SPARX Asia.

2. Investment strategies of each composite are described below.

Name of Composite	Type of investment strategy
Japanese equity Active Long-only (commingled funds)	Investment strategy of active, long-only portfolio management of commingled funds. The universe of this strategy includes all of the listed equity securities on Japanese exchanges.
Mid & Small Caps	Investment strategy of investing companies in the medium and small cap stock universe.
Long-Short (JPY, Lev.1)	Investment strategy combining long and short positions. Leveraged within NAV, and aims to achieve stable absolute returns.
Strategic (or "Focused") Investment	Investment strategy identifying and investing in undervalued companies through a concentrated portfolio.

3. Investment strategy performance appendix (annual returns for the past five fiscal years)

	FY2009	FY2010	FY2011	FY2012	FY2013
Active Long-only (Commingled funds)	34.27%	-5.74%	3.54%	33.69%	31.47%
Active Long-only (TOPIX-Benchmark)	28.47%	-9.23%	0.59%	23.82%	18.56%
Mid&Small Caps	33.32%	-1.87%	8.80%	26.48%	32.84%
Mid&Small Caps (RNMS-Benchmark)	29.14%	-7.52%	1.92%	22.26%	20.14%
Long-short (JPY, Lev1)	6.03%	4.00%	-8.29%	17.24%	13.46%
Long-short (TOPIX-Benchmark)	28.47%	-9.23%	0.59%	23.82%	18.56%
Strategic Investment	23.14%	-1.76%	5.71%	30.31%	35.17%
Strategic Investment (TOPIX-Benchmark)	28.47%	-9.23%	0.59%	23.82%	18.56%

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SPARX Asset Management Co., Ltd. has prepared and presented the relevant part of this report in compliance with the Global Investment Performance Standards (GIPS®). The firm has been independently verified for the periods- 1 April 1997 – 31 December 2013. The verification report is 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 designated to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The firm is defined as SPARX, comprising SPARX Asset Management Co., Ltd. SPARX Asset Management Co., Ltd. is registered with Japanese authority to conduct the Investment Management Business, the Investment Advisory and Agency Business, the Type 1 Financial Instruments Business and the 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. SPARX Overseas Ltd. has been excluded from the definition of the firm since December 31, 2013.

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