Consolidated Financial Results for FY2014 (Apr. 2014 – Mar. 2015)

May 13, 2015

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

Achievement of FY2014 Goal

FY2014 Goal

AUM JPY 1 trillion and Increase in profit

Missed reaching goals of the fiscal year but achieved a certain level of results for establishment of stable earnings base.

① Missed reaching goals but recorded AUM of 924.4 billion yen at end of March with 1 trillion yen coming into sight

② Real asset business is in a favorable cycle in which steady achievements of investment performance invite new fund inflows.

③ Expecting that Japanese stock investment will continuously maintain high performance and hence performance fees will be recognized in the next term.

Financial Results for FY2014

Executive Summary of FY2014 (Apr. 2014－Mar. 2015)

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

  ¥6,654 MM *(FY 2013 :¥7,752 MM, down 14.2%)*

- **Operating profit declined.**

  ¥1,422MM *(FY 2013 :¥1,848MM, down 23.1%)*

  ⇒(Simplified)operating cash flow : +¥2,144 MM *(FY 2013 :+¥2,839 MM, down 24.5%)*

- **Net income declined.**

  ¥1,499MM *(FY 2013 :¥1,637 MM., down 8.4%)*

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

Summary of FY2014（Apr. 2014－Mar. 2015）---（P/L）（1）

AUM：

FY2014-end AUM : ¥924.4 bn.（at end of 2014/3：¥683.1 bn., up 35.3%）
FY2014 (12 months) Average AUM : ¥793.6 bn.（at end of 2014/3：¥682.9 bn., up 16.2%）
Average AUM for Q4 (3 months): ¥875.6 bn.（Q3 of FY 2014（3 months）：¥806.0bn., up 8.6%）

Japan : ¥355.3 bn.（end of 2014/3）⇒ ¥524.1 bn.（end of 2015/3）（up 47.5%）
South Korea :¥314.6 bn.（end of 2014/3）⇒ ¥384.0 bn.（end of 2015/3）（up 22.0%）
Entire Asia : ¥13.1 bn.（end of 2014/3）⇒ ¥16.2 bn.（end of 2015/3）（up 24.0%）

[AUM in Stocks]

・Japanese stocks：increase in appraisal gain due to continuing favorable investment performance, and net inflows due to establishment of funds in almost 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) of AUM.
・Asian stocks: increase of investment in OneAsia investment strategy.

[AUM in Real Assets]

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

Note 1: "Average AUM for Q4 (3 months)," "Average AUM for Q3 (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 March 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.

Summary of FY2014（Apr. 2014－Mar. 2015）---（P/L）(2)

Operating Revenue: ¥6,654 MM. Down 14.2% year-on-year ⇒For details, see P.8

・Management fee increased due to AUM increase
・Although funds continue to have positive performance, performance fees significantly decreased due to a smaller increase in the Japanese market compared to the previous year in the calculation period (Jan. to Dec. 2014) for the funds with high ratio of eligible earned performance fees (For Funds with Performance Fees, see P. 11).

(Reference) Appreciation rate of Nikkei 225: Jan. 2013～Dec. 2013・・・+52.4%, Jan. 2014～Dec. 2014・・・+9.7%

Management fee	:	**¥4,784 MM**	*(FY 2013： ¥4,329 MM, up 10.5%)*
Performance fee	:	**¥1,157 MM**	*(FY 2013： ¥2,650MM, down 56.3%)*
Other operating revenue	:	**¥712 MM**	*(FY 2013： ¥772MM, down 7.8%)*

Operating Expenses and General & Administrative Expenses：¥5,231MM Down 11.4% year-on-year ⇒For details, see P.12

[Increase attributable to]

・Expansion of the business base for positive development of business

[Decrease attributable to]

・Less commission payment resulting from the decline in the performance fee
・Stoppage, at the end of the previous year, of the investment strategy to pay part of management fees to certain staff, and decrease in provision for bonuses linked to performance
・Decrease in amortization of goodwill starting from the previous FY

（Simplified）operating CF	:	**¥2,144 MM**	*(FY 2013：¥2,839MM, down 24.5%)*
Operating profit	:	**¥1,422 MM**	*(FY 2013：¥1,848 MM, down 23.1%)*

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 for accounting management purpose, one-off fees the Company Group received from funds relating to real estate sales and purchases.

P/L Summary

		FY2013	FY2014	
		Apr. 2013 -Mar. 2014	Apr. 2014 -Mar. 2015	YoY change
Average AUM	(100MM JPY)	6,829	7,936	16.2%
Operating Revenue	(MMJPY)	7,752	6,654	▲14.2%
Operating General& Administrative Expenses	(MMJPY)	5,903	5,231	▲11.4%
Operating Profit	(MMJPY)	1,848	1,422	▲23.1%
Ordinary Profit	(MMJPY)	2,059	1,731	▲15.9%
Net Profit	(MMJPY)	1,637	1,499	▲8.4%
Number of Employees (period-end)		132	117	▲11.4%
TOPIX(period-end)		1,202	1,543	28.3%
NIKKEI stock average (period-end)	(JPY)	14,827	19,206	29.5%
KOSPI(period-end)		1,985	2,041	2.8%

(Note 1) The figures above, excluding “YoY change” are truncated. “YoY change” are rounded down 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 4Q end is 141. In addition, the number of employees by region is as follows.

Number of Employees	FY2013	FY2014
Japan	69	70
Korea	41	32
Hong Kong	22	15

Breakdown of Operating Revenue

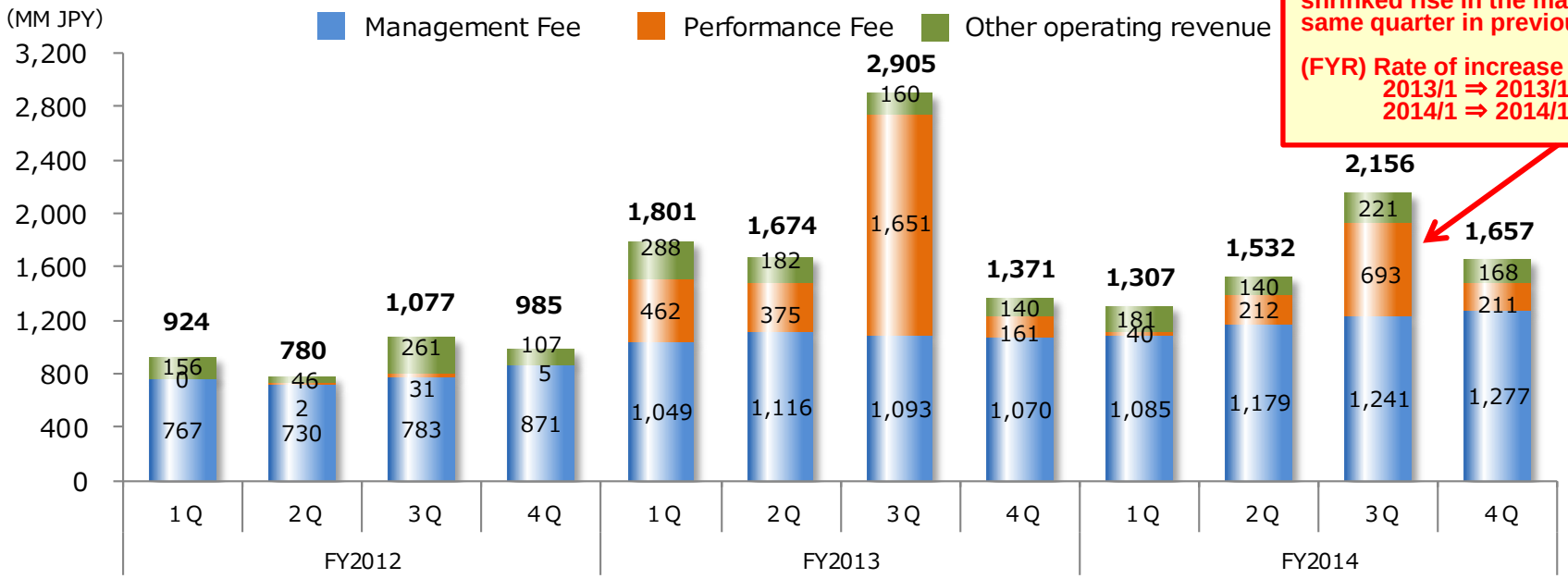
Breakdown of Operating Revenue		FY2013	FY2014	
		Apr. 2013 -Mar. 2014	Apr. 2014 -Mar. 2015	YoY change (%)
Management fees	(MM JPY)	4,329	4,784	10.5%
Net management fee rate	(%)	0.55%	0.52%	-0.03
Performance fees	(MM JPY)	2,650	1,157	-56.3%
Percentage of AUM eligible to earn performance fees	(%)	54.4%	45.5%	-8.9
Other operating revenue	(MM JPY)	772	712	-7.8%
Total operating revenue	(MM JPY)	7,752	6,654	-14.2%

(Note1) The figures 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 for accounting purpose one-off fees the Company Group received from funds relating to real estate sales and purchases.
(Note 4) “Percentage of AUM eligible to earn performance fees (%) “ = full-year AUM eligible to earn performance fees ÷ full-year AUM

＜Reference＞Quarterly trends of operating revenue

Performance fees decreased due to a shrinked rise in the market compared to the same quarter in previous year.

(FYR) Rate of increase in NIKKEI 225
2013/1 ⇒ 2013/12 ・・・ 52.4%
2014/1 ⇒ 2014/12 ・・・ 9.7%

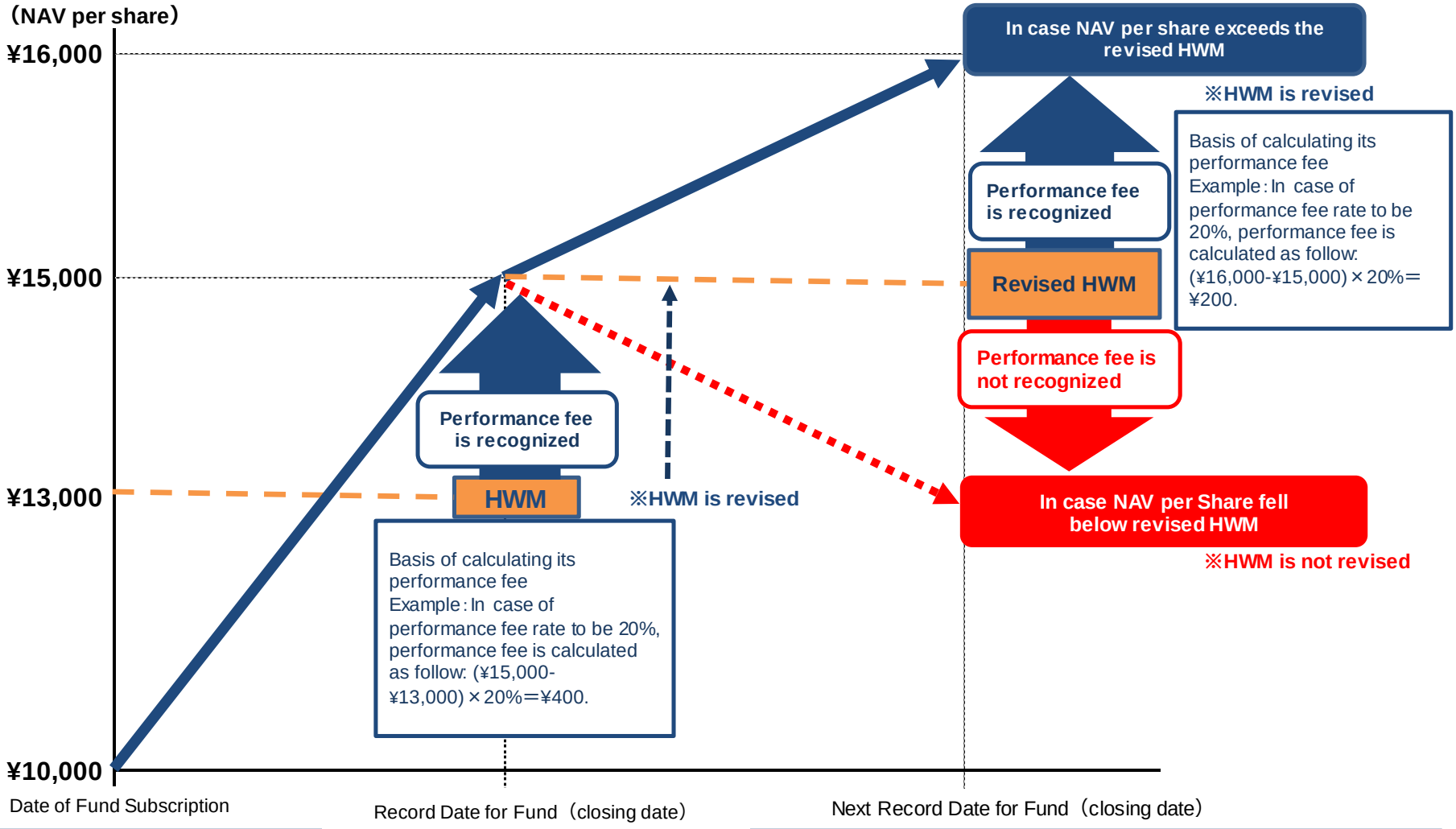


(MM JPY)	FY2012				FY2013				FY2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Management Fee	767	730	783	871	1,049	1,116	1,093	1,070	1,085	1,179	1,241	1,277
Performance Fee	0	2	31	5	462	375	1,651	161	40	212	693	211
Other operating revenue	156	46	261	107	288	182	160	140	181	140	221	168
Operating Revenue	**924**	**780**	**1,077**	**985**	**1,801**	**1,674**	**2,905**	**1,371**	**1,307**	**1,532**	**2,156**	**1,657**
(Reference)												
Average AUM (100MM JPY) (3months average)	4,799	4,642	5,369	6,232	6,763	6,742	7,038	6,778	7,143	7,788	8,060	8,756
Net management fee rate (3months average) (after the deduction of commission fee)	0.57%	0.55%	0.52%	0.50%	0.55%	0.58%	0.54%	0.53%	0.52%	0.53%	0.53%	0.51%
Percentage of AUM eligible to earn performance fees	54.0%	51.9%	46.3%	48.9%	46.9%	48.9%	51.3%	54.4%	50.6%	50.2%	49.0%	45.5%
NIKKEI stock average	9,006	8,870	10,395	12,397	13,677	14,455	16,291	14,827	15,162	16,173	17,450	19,206

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

＜Reference＞Performance Fee Structure：

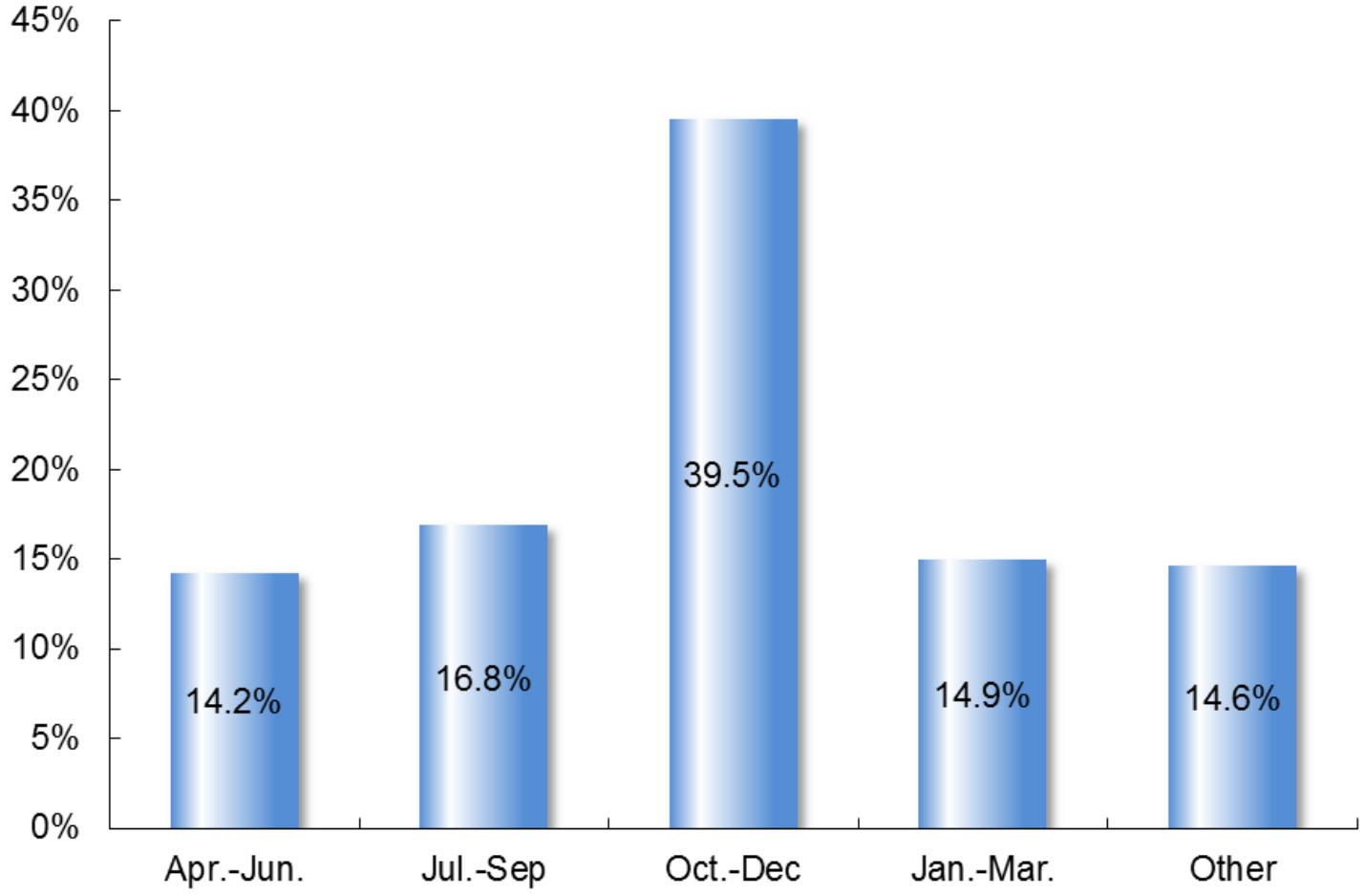
Performance Fee is Recognized for NAV per share exceeding HWM as of Record Date for fund



(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 peformance fee recognized on record date for fund, "HWM" is revised.

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

Record date of performance fee (closing date) for funds concentrates in the third quarter.



(Note 1) All funds managed by SPARX Asset Management Co., Ltd. (investment trusts and discretionary investment accounts) as of March 31, 2015 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 above % figures are rounded to the nearest tenth of a percent. In addition, the figures are estimated based on in-house calculation.

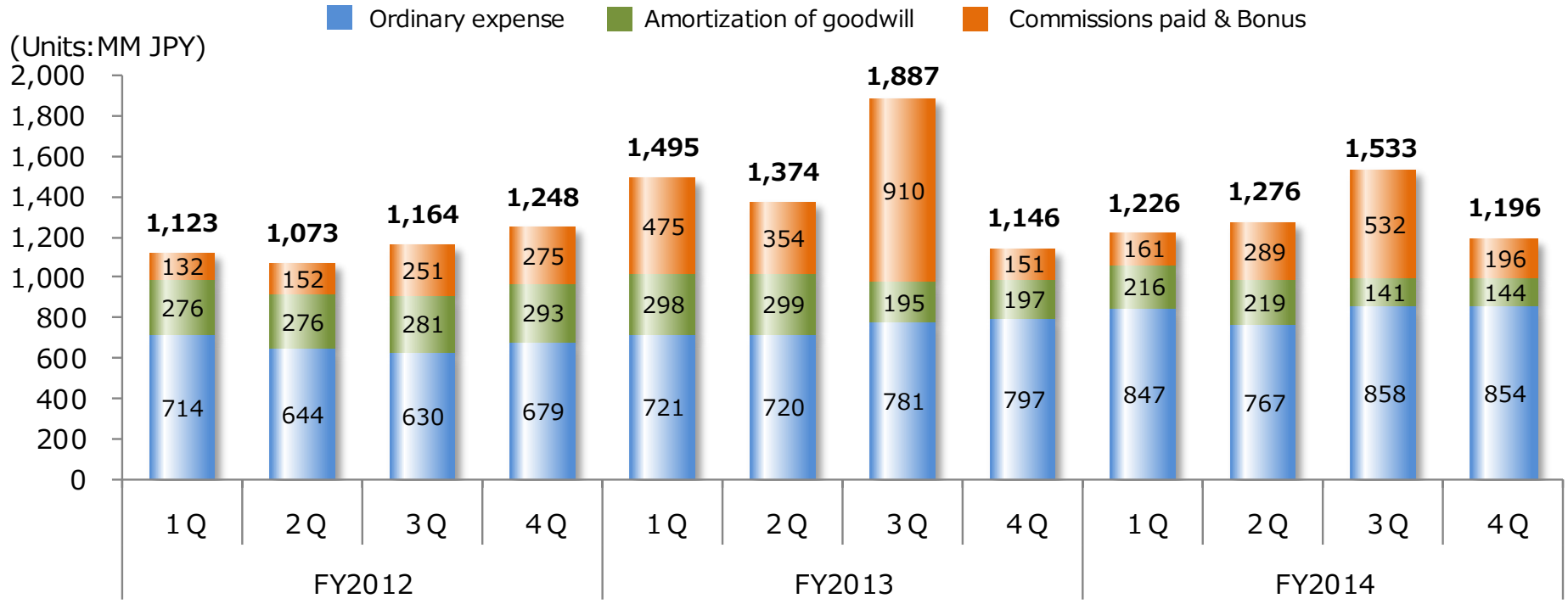
(Note 4) SATM is the abbreviation of SPARX Asset Trust & Management Co., Ltd., our subsidiary; hereinafter the same applies in this document.

Breakdown for Operating Expenses and General & Admin Expenses:

(Units: MM JPY)	FY2013	FY2014	
	Apr. 2013 -Mar. 2014	Apr. 2014 -Mar. 2015	YoY change
Commissions paid	1,017	814	-20.0%
Personnel exp.	2,287	2,006	-12.3%
Entrusted fund admin fees	16	17	4.7%
Travel exp.	175	146	-16.7%
Property rent	242	239	-1.2%
Entrusted business expenses	261	261	0.0%
Depreciation on fixed assets	57	56	-2.1%
Other expenses	853	967	13.4%
Amortization of goodwill	990	722	-27.1%
Total: Operating and general administrative expenses	5,903	5,231	-11.4%
Ordinary expense	3,021	3,328	10.2%

(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 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.

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



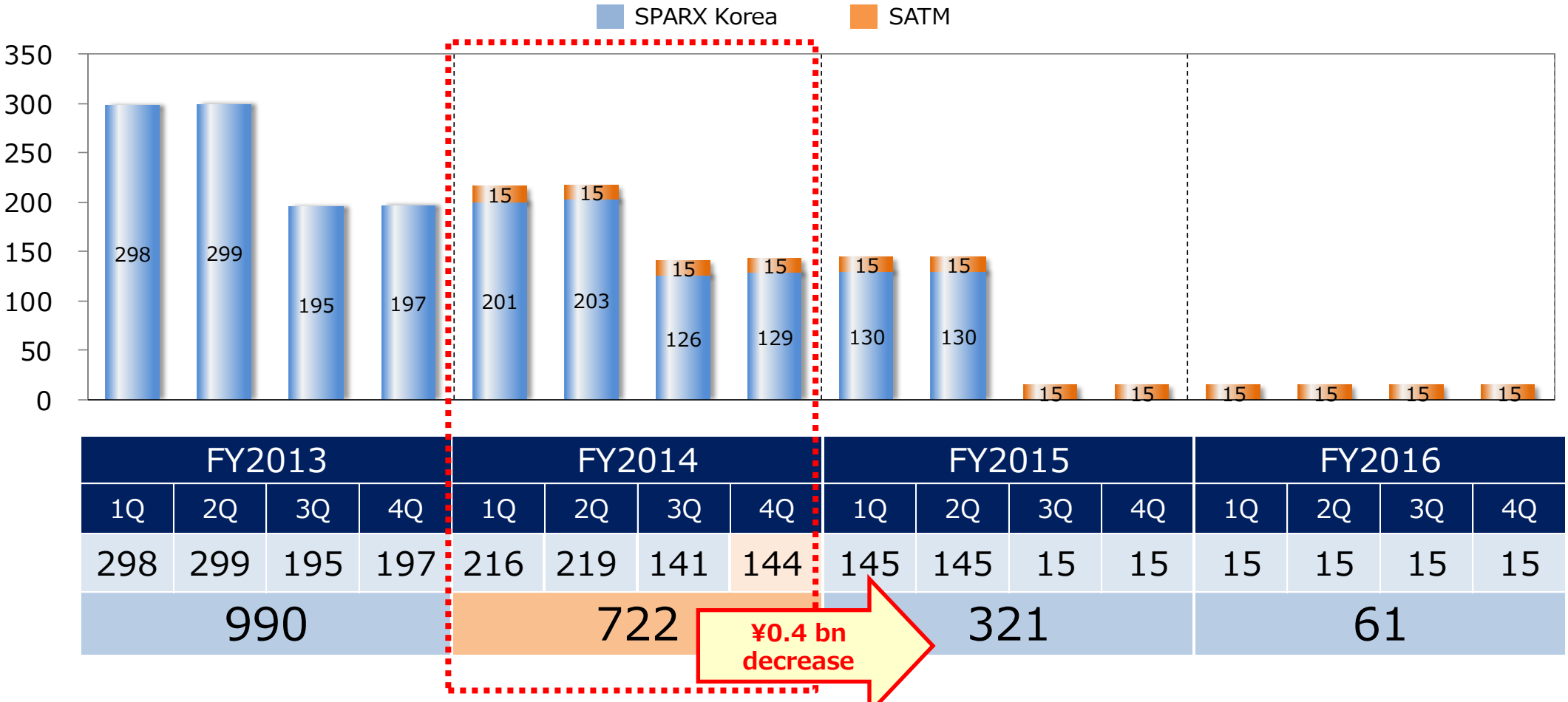
(Units : MM JPY)	FY2012				FY2013				FY2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Ordinary expense	714	644	630	679	721	720	781	797	847	767	858	854
Amortization of goodwill	276	276	281	293	298	299	195	197	216	219	141	144
Commissions paid & Bonus	132	152	251	275	475	354	910	151	161	289	532	196
Operating and general administrative expenses	**1,123**	**1,073**	**1,164**	**1,248**	**1,495**	**1,374**	**1,887**	**1,146**	**1,226**	**1,276**	**1,533**	**1,196**

(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.

Schedule for Goodwill Amortization

Goodwill amortization related to a Korean subsidiary will be completed at end of September 2015

（Unit：MM JPY）



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	144	145	145	15	15	15	15	15	15
990				722				321				61			

¥0.4 bn decrease

（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 = 0.1084yen).
（Note 2） Goodwill amortization relating to SATM is ¥61 MM annually and is amortized over 5 years.

Base Earnings

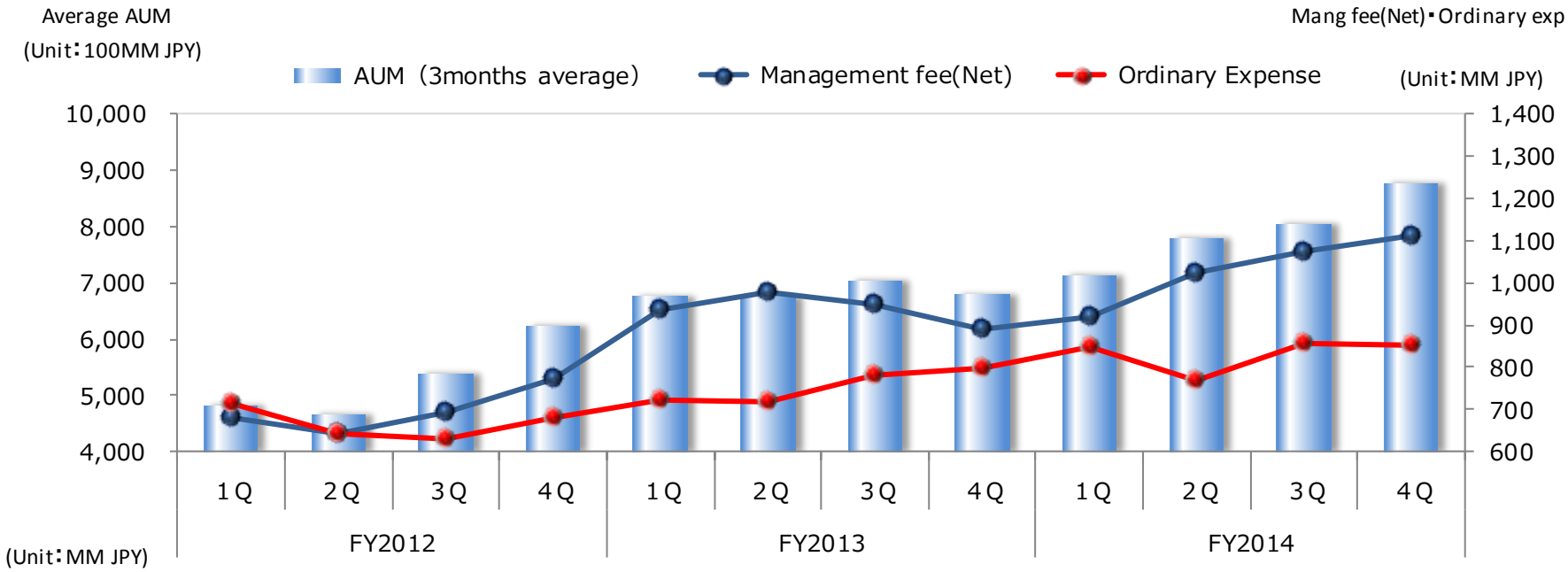
		FY2013 Full Year	FY2014 Full Year
Average AUM	(100MM JPY)	6,829	7,936
Net management fee rate (After the deduction of commissions paid)	(%)	0.55	0.52
Annualized net management fee revenue (After the deduction of commission paid)	(MM JPY)	3,755	4,132
Annualized ordinary expenses	(MM JPY)	3,021	3,328
Annualized "Base Earnings"	(MM JPY)	**+734**	**+804**

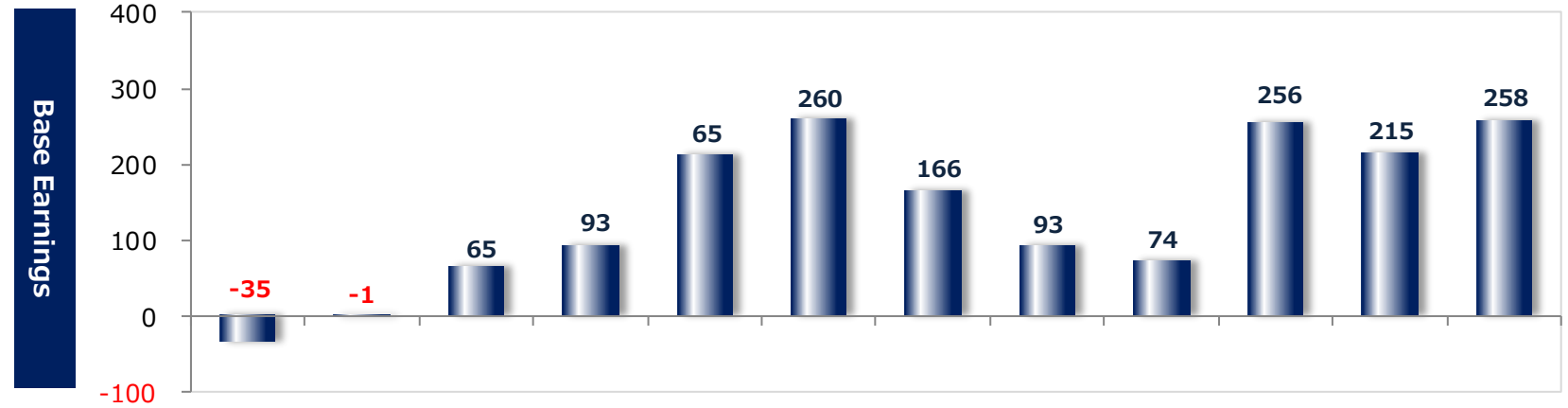
※ Base Earnings are calculated by subtracting ordinary expenses from net management fee as one of indicators for earning power which constitutes a base of continuity and stability of its business

Although ordinary expenses are expected to increase for some items, the Company will expand the business base, which will increase the base profit reflecting an increase of management fees.

(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.
(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





(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.

FY 2014 Results（B/S）

Sufficient liquidity on hand viewed from both stock and flow

・Debt with interest: ¥3,000 MM + accounts payable-other, etc.: ¥940MM ＝ approx. ¥4,000 MM, while cash and deposits: ¥12,700 MM.＋ accounts due, etc.: ¥1,310 MM. ＝ approx. ¥14,010 MM; “Stock” is maintained at sufficient level.

・ Additionally, the “flow”, (Simplified) operating cash flow is also plus (¥2,144 MM for FY2014).

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 at the previous general shareholders’ meeting.

・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 ⇒ 67.6% at end of Q4 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

(Units: MM JPY)	Mar. 2014	Mar. 2015	YoY change
Current assets	11,808	15,265	3,456
Cash and cash equivalents	9,694	12,709	3,015
Securities	286	0	▲286
Receivables	1,023	1,312	288
Fixed assets	3,998	4,184	186
Goodwill	859	506	▲352
Investment securities	2,524	3,275	750
Total assets	15,807	19,450	3,642
Payables	914	944	30
Long-term loans payable	1,500	3,000	1,500
Total liabilities	3,282	4,662	1,379
Common stock	12,492	8,517	▲3,974
Add'l paid-in-capital	14,340	4,053	▲10,287
Retained earnings	▲12,673	1,797	14,470
Treaury stock	▲4,438	▲3,304	1,134
Total Shareholder's Equity	9,720	11,063	1,343
Valuation difference on AFS securities	278	499	221
Foreign currency translation adjustment	1,063	1,588	524
Minority interests	1,371	1,568	196
Total net assets	12,524	14,787	2,263

(Simplified) Operating CF : ¥ 2,144 MM

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

Accounted for ¥307 MM due to purchase of SATM.

For future amortization cost of goodwill, see p.14.

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%
Mar. 2015 : 67.6%

(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

FY2015 Goal

Toward the “Complete Revival” of earning capacity for the first year

① Japanese equity and real asset strategies aim at achieving net inflow of 200 billion yen.

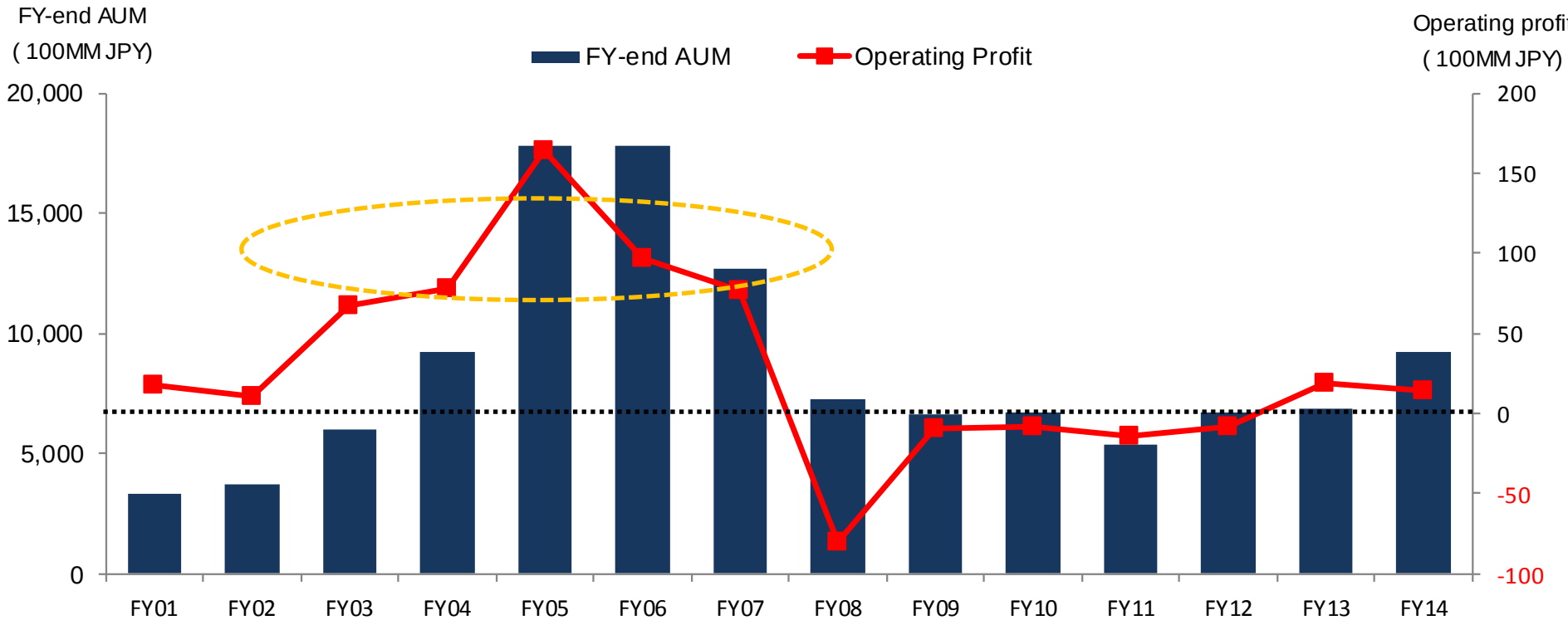
・Japanese equity business aims at improving the earning capacity from both quantitatively and qualitatively by increasing AUM of alternative investment strategy.

・Real asset investment business aims at improving the earning capacity from both quantitatively and qualitatively by investment track record of large scale power generation like a wind power, geothermal power, etc. excluding solar power generation through leveraging our experience.

② Improving and strengthening the organization to meet with medium term growth

③ Constructing an overwhelmingly supported brand: “SPARX if you invest in Japanese/Asian equity”

What is “Complete Revival”



Profitability before Lehman shock, specifically, operating profit of 8 to 10 billion yen can be recorded stably.

⇒Achieving net inflow of value added products like an alternative or real asset investment strategy, SPARX aims at increasing both AUM and management fee ratio.

First, to achieve “Complete Revival” in profitability,
In addition, we aim to achieve “New Growth” drawn in VISION2020

Equity Investment

Japanese Equity Investment Business

・The coherent investment philosophy-based investment performance and administrative system have been continuously appreciated.

⇒Several investment consulting firms selected the company as recommended investment manager of Japanese equity.

⇒Several performance evaluation institutions continue to award a prize to the company.

(Example)【Morningstar】: Fund of the Year (Japan Equity Section)

【Lipper】: Fund Manager of the Year (Equity Section) **For two consecutive years！！**

【R&I】: Fund of the Year (Investment Trust/Japanese Equity Section)

Fund of the Year (Investment Trust/Emerging Equity Multi-regional Section)

For three consecutive years！！！ and others

We will continue to brand “SPARX” as a representative of Japanese/Asian Equity asset managers appraised not only by investment manager evaluation firms but also by individual investors.

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



SPARX Shin Kokusai Yuryo Japanese Equity Fund (“Gensentoshi”(“Highly Selective Investment”)) have been awarded **Fund of the Year 2014** of Japan Equity Section (total: 782 funds)

⇒ Overwhelmed other general active funds in terms of return and efficiency

⇒ Gained appraisal on our coherent investment system where Japanese stock fund managers have average investment experience of 14 years (of which 10 years is the average year of experience built up in SPARX).

(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.

SPARX Won the Best Group in Group Award (Equity) of “Lipper Fund Awards Japan 2015” for the second consecutive year



⇒It is a great honor to have won this award as it is not only for our specific fund or investment strategy but it has proven our comprehensive value as a Japanese investment company.

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SPARX Funds received The First Prize of “R&I Fund Award 2015” ①



SPARX Shin Kokusai Yuryo Japanese Equity Fund (“Gensentoshi”) received The First Prize of R&I Fund Award 2015 of Investment Trust Category/Japanese Equity Fund

⇒ First Place in the category on the basis of quantitative evaluation (using sharp ratio) for last three years

（FYR）http://www.sparxgroup.jp/press/uploads/PressE150422-01.pdf

The R&I Fund Award is presented to provide reference information based on the past data R&I believes to be reliable (however, its accuracy and completeness are not guaranteed by R&I) and is not intended to recommend the purchase, sale or holding of particular products or guarantee their future performance. The Award is not the Credit Rating Business, but one of the Other Lines of Business (businesses excluding Credit Rating Business and also excluding the Ancillary Businesses) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities. Intellectual property rights including copyright and all other rights in this Award are the sole property of R&I, and any unauthorized copying, reproduction and so forth are prohibited. The Award for the "Investment Trusts/Aggregate" category is based on the average performance of the relevant funds of a fund manager, and does not indicate the excellent performance of all individual funds of the manager.

SPARX Fund received The First Prize of “R&I Fund Award 2015” ②

Nikko SPARX Asia & Middle East Equity Fund received The First Prize of R&I Fund Award 2015 of Investment Trusts Category/Emerging Equity Multi-regional Fund for the three consecutive year.

⇒ First Place in the category on the basis of quantitative evaluation (using sharp ratio) for last three years

（FYR）http://www.sparxgroup.jp/press/uploads/PressE150422-01.pdf

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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.

⇒Complete construction of a partnership and seek capital by September. Sequentially make investments.

⇒Plan to invest in power plans other than mega solar power plans.

（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, the new market has been launched in Tokyo Stock Exchange at end of April.

⇒Decided to make SATM its investment manager and started preparations for listing.

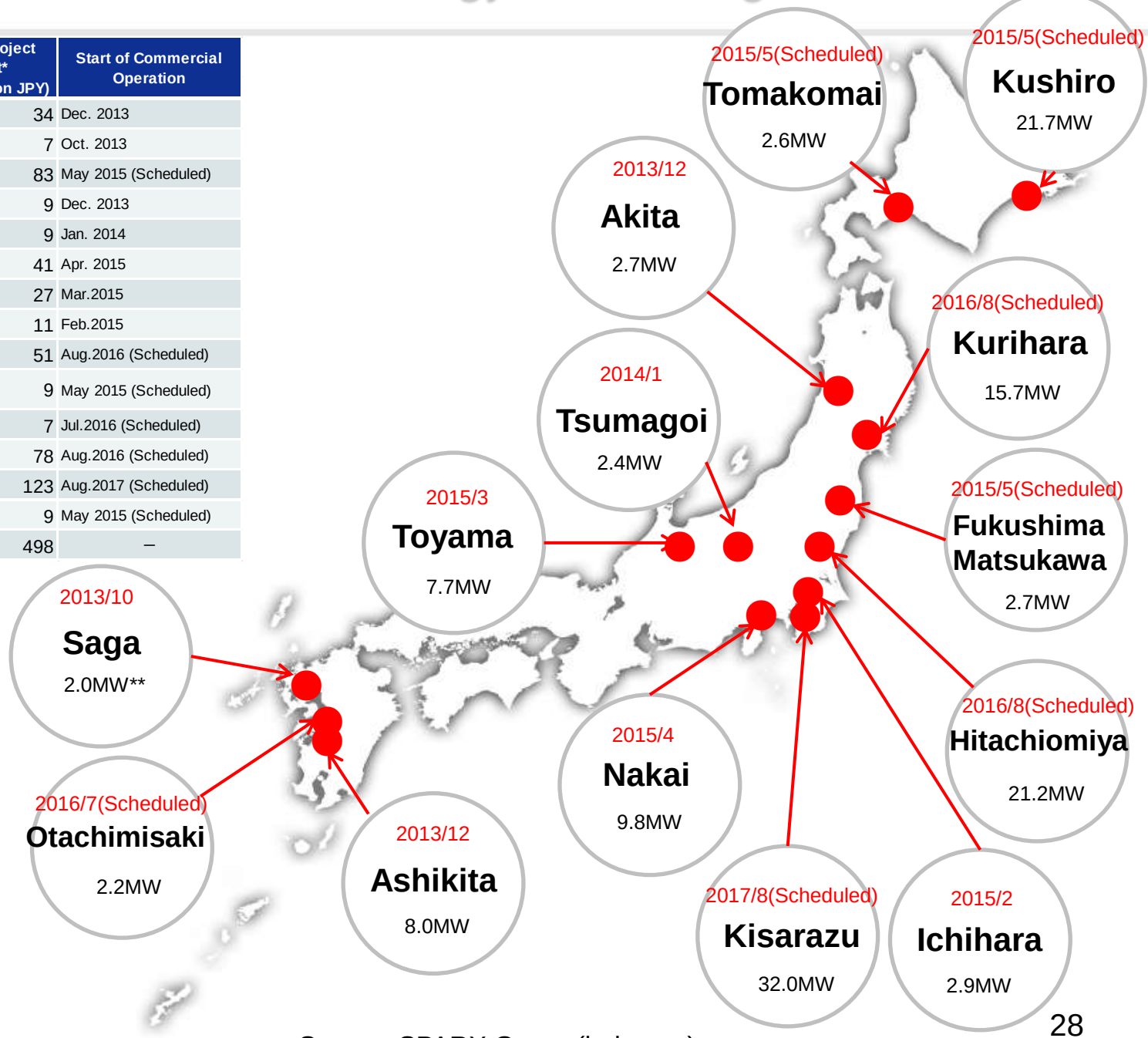
（FYR） http://www.sparxgroup.jp/press/uploads/PressE140730-01.pdf

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
Toyama Mega Solar	Toyama	7.7	27	Mar.2015
Ichihara Mega Solar	Chiba	2.9	11	Feb.2015
Kurihara Mega Solar	Miyagi	15.7	51	Aug.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	Aug.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 April 30, 2015. 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)）.

⇒In April 2015, after investment in the last deal (9 billion yen) was collected, funds were repaid and allocated to investors.

⇒Upon agreement with investors to expand investments to include assets such as office buildings, warehouses, commercial facilities, and health care facilities (nursing homes and clinic malls), we have made investments for four projects that invest in the above (cumulative total of acquired assets: approximately 8.3 billion yen including consumption tax (out of which, approximately 4.2 billion yen was invested in the form of anonymous associations)).

＜Project No. 9.＞ Investment in a commercial facility located in Yokohama, Kanagawa Prefecture whose tenant has been a fitness club (the amount of assets of which is approximately 2.5 billion yen).

(FYR) http://www.sparxgroup.jp/press/uploads/PressE150326-01.pdf

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

In addition to management fees for AUM, we have received one-off fees from funds in relation to 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.

⇒Started to offer instruments to Korean domestic investors through Korean securities houses.

⇒Achievement of the fund size recognized by the investors (AUM at end of April: 19 billion yen). This achievement leads to future full-fledged expansion.

・OneAsia Long Only Strategy has stable performance (see P.26).

⇒Started to offer products to Japanese investor through Japanese Fund of Funds.

Korea (SPARX Korea (former COSMO))

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

⇒Started to offer products managed by Japanese/Hong Kong group companies to Korean domestic investors through Korean securities houses.

Increase in active collaboration among HK・Korea・Japan using investment resources within the Group

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 March31, 2015)

Japanese equities	Long-only Active (Commingled funds)	Mid & Small caps	Long-Short (JPY, Lev. 1)	Strategic Investment
Composites	10.75%	7.60%	3.94%	9.09%
Reference Index	1.83%	4.49%	1.67%	2.08%
Excess Return	**8.92%**	**3.11%**	**2.28%**	**7.01%**

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)	21.68%	18.15%	7.42%	20.71%

(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 March 31, 2015.

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)

	FY2010	FY2011	FY2012	FY2013	FY2014
Active Long-only (Commingled funds)	-5.74%	3.54%	33.69%	31.47%	40.04%
Active Long-only (TOPIX-Benchmark)	-9.23%	0.59%	23.82%	18.56%	30.69%
Mid&Small Caps	-1.87%	8.80%	26.48%	32.84%	29.89%
Mid&Small Caps (RNMS-Benchmark)	-7.52%	1.92%	22.26%	20.14%	33.44%
Long-short (JPY, Lev1)	4.00%	-8.29%	17.24%	13.46%	6.10%
Long-short (TOPIX-Benchmark)	-9.23%	0.59%	23.82%	18.56%	30.69%
Strategic Investment	-1.76%	5.71%	30.31%	35.17%	32.58%
Strategic Investment (TOPIX-Benchmark)	-9.23%	0.59%	23.82%	18.56%	30.69%

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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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