Consolidated Financial Results for the 2nd Qtr of the FY2015 (Apr. 2015 – Sep. 2015)

November 11, 2015

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

SPARX VISION Statement

To Be the Most Trusted and Respected Investment Company in the World

Financial Results for the 2nd Qtr of the FY2015

FY 2015 Results for Q2 Overview (1)

Large growth due to an increase in management fees by inflows to Japanese investment trusts and to a significant increase of performance fees resulting from continued positive performance of funds

- **Operating Revenue:** YoY Change +55.1% ¥2,840MM⇒ ¥4,404MM
- **Operating Profit:** YoY Change +294.2% ¥337MM⇒ ¥1,331MM
- **Net Income:** YoY Change +223.1% ¥481MM⇒ ¥1,556MM

FY 2015 Results for Q2 Overview (2)

Average AUM significantly increased from the end of Q2 FY2014 although AUM decreased from the end of FY2014 due to the fact that a part of our managed strategy was terminated by our major Korean client

	AUM			Average AUM (Six months)		
	FY2014 4Q	FY2015 2Q	YoY change (%)	FY2014 2Q	FY2015 2Q	YoY change (%)
Japan	5,238	5,835	+11.4%	3,945	5,747	+45.7%
Korea	3,840	2,231	▲41.9%	3,389	3,338	▲1.5%
Asia	162	291	+79.1%	130	290	+121.9%
Total	9,241	8,358	▲9.6%	7,465	9,376	+25.6%

Financial Highlights

		FY2014		FY2015	
		Apr-Sep 2014	Full Year	Apr-Sep 2015	YoY change
Average AUM (six month average)	(100MM JPY)	7,465	7,936	9,376	+25.6%
Operating Revenue	(MMJPY)	2,840	6,654	4,404	+55.1%
Operating General& Administrative Expenses	(MMJPY)	2,502	5,231	3,073	+22.8%
Operating Profit	(MMJPY)	337	1,422	1,331	+294.2%
Ordinary Profit	(MMJPY)	461	1,731	1,367	+195.9%
Profit attributable to owners of parent	(MMJPY)	481	1,499	1,556	+223.1%
ROE (annualized)	(%)	8.4%	12.4%	23.3%	+14.9
Number of Employees (quarter-end･period-end)		130	117	125	▲3.8%
TOPIX(quarter-end･period-end)		1,326	1,543	1,411	+6.4%
NIKKEI stock average (quarter-end･period-end)	(JPY)	16,173	19,206	17,388	+7.5%
KOSPI(quarter-end･period-end)		2,020	2,041	1,962	▲2.8%

518million yen allocated as extraordinary gains due to sale of investment securities held by SPARX

(Note 1) The figures above, excluding “YoY change” are truncated. “YoY change” are 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 2Q end is 150.

(Note 3) Return of equity (annualized), result of 2Q converts into annual figure, is calculated based on the profit attributable to owners of parent.

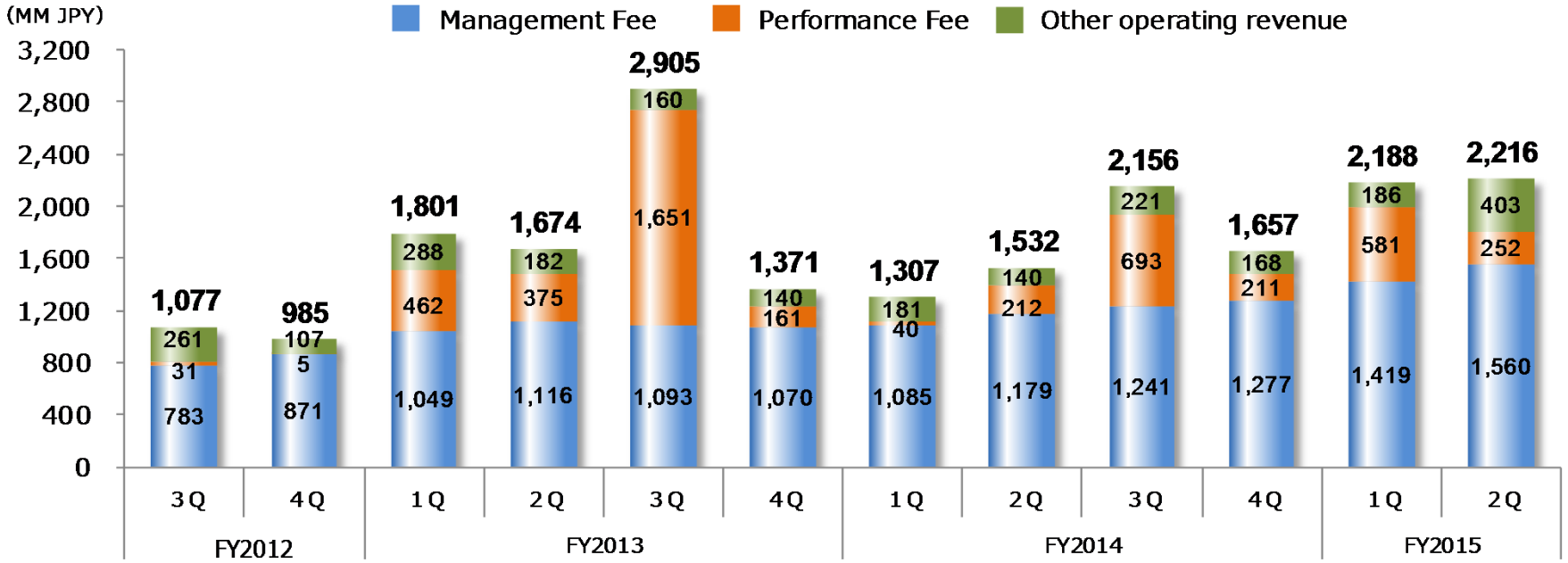
Breakdown of Operating Revenue

		FY2014		FY2015	
		Apr-Sep 2014	Full Year	Apr-Sep 2015	YoY change (%)
Management fees	(MM JPY)	2,264	4,784	2,980	+31.6%
Net management fee rate	(%)	0.52%	0.52%	0.55%	0.03
Performance fees	(MM JPY)	253	1,157	834	+229.3%
Percentage of AUM eligible to earn performance fees	(%)	50.2%	45.5%	34.4%	▲15.8
Other operating revenue	(MM JPY)	321	712	589	+83.2%
Total operating revenue	(MM JPY)	2,840	6,654	4,404	+55.1%

Percentage of AUM eligible to earn performance fees decreased due to AUM with performance fees decreased in Korea, also AUM without performance fees increased in Japan

(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

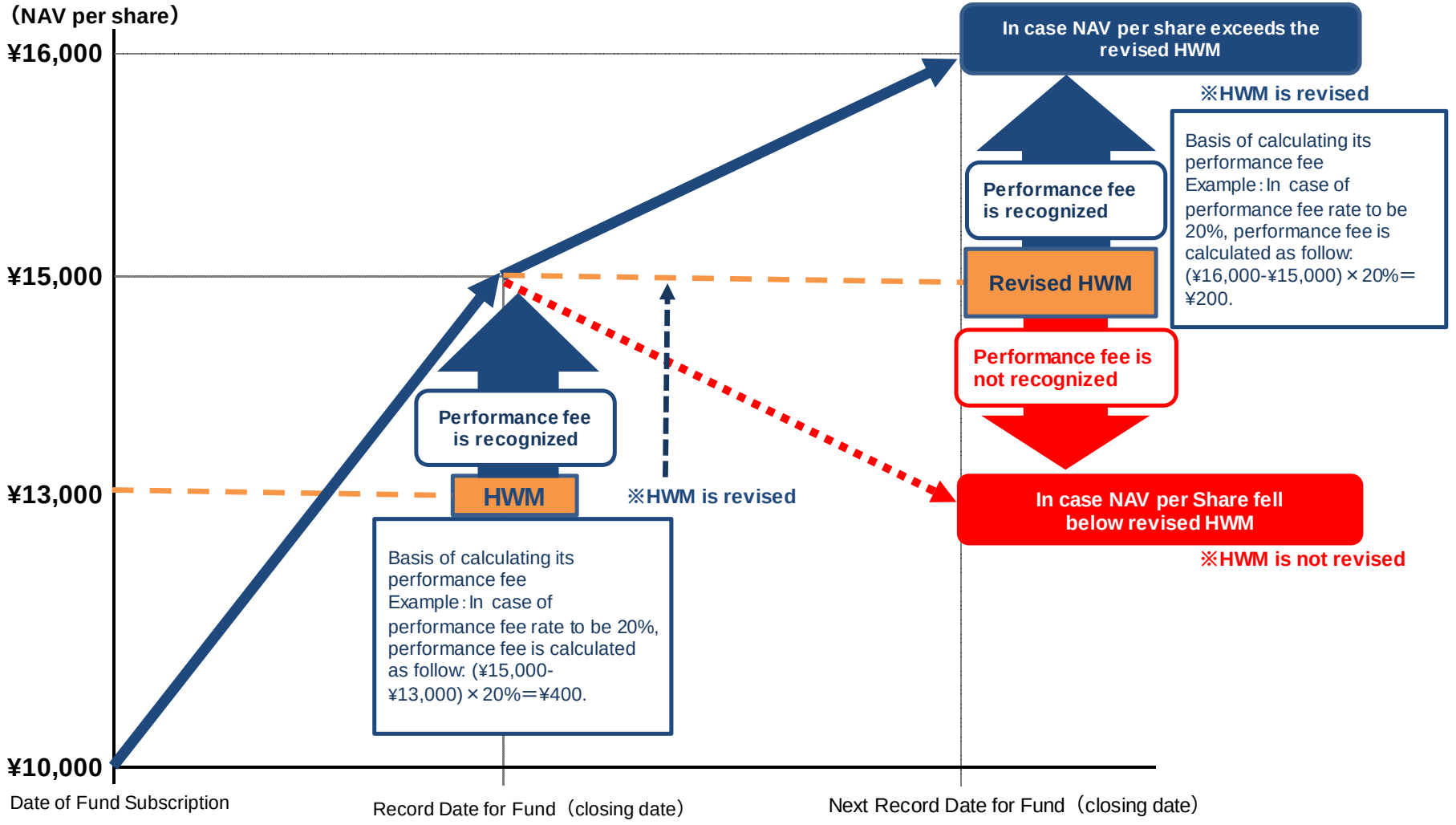


(MM JPY)	FY2012		FY2013				FY2014				FY2015	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Management Fee	783	871	1,049	1,116	1,093	1,070	1,085	1,179	1,241	1,277	1,419	1,560
Performance Fee	31	5	462	375	1,651	161	40	212	693	211	581	252
Other operating revenue	261	107	288	182	160	140	181	140	221	168	186	403
Operating Revenue	**1,077**	**985**	**1,801**	**1,674**	**2,905**	**1,371**	**1,307**	**1,532**	**2,156**	**1,657**	**2,188**	**2,216**
(Reference)												
Average AUM (100MM JPY) (3months average)	5,369	6,232	6,763	6,742	7,038	6,778	7,143	7,788	8,060	8,756	9,930	8,823
Net management fee rate (3months average) (after the deduction of commission fee)	0.52%	0.50%	0.55%	0.58%	0.54%	0.53%	0.52%	0.53%	0.53%	0.51%	0.50%	0.61%
Percentage of AUM eligible to earn performance fees	46.3%	48.9%	46.9%	48.9%	51.3%	54.4%	50.6%	50.2%	49.0%	45.5%	45.5%	34.4%
NIKKEI stock average	10,395	12,397	13,677	14,455	16,291	14,827	15,162	16,173	17,450	19,206	20,235	17,388

(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

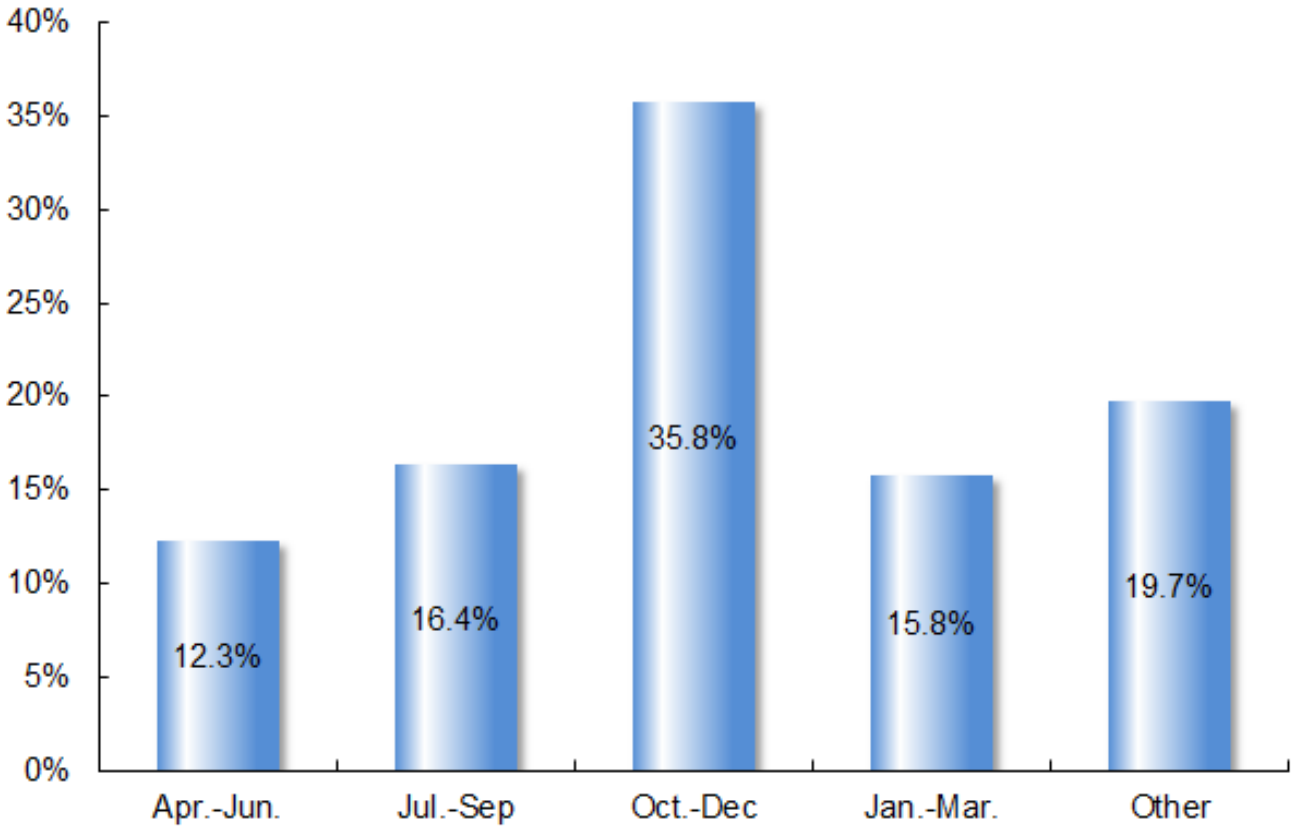
Performance Fee is Recognized for NAV per share exceeding HWM as of Record Date for fund



(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.

＜Reference＞（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.



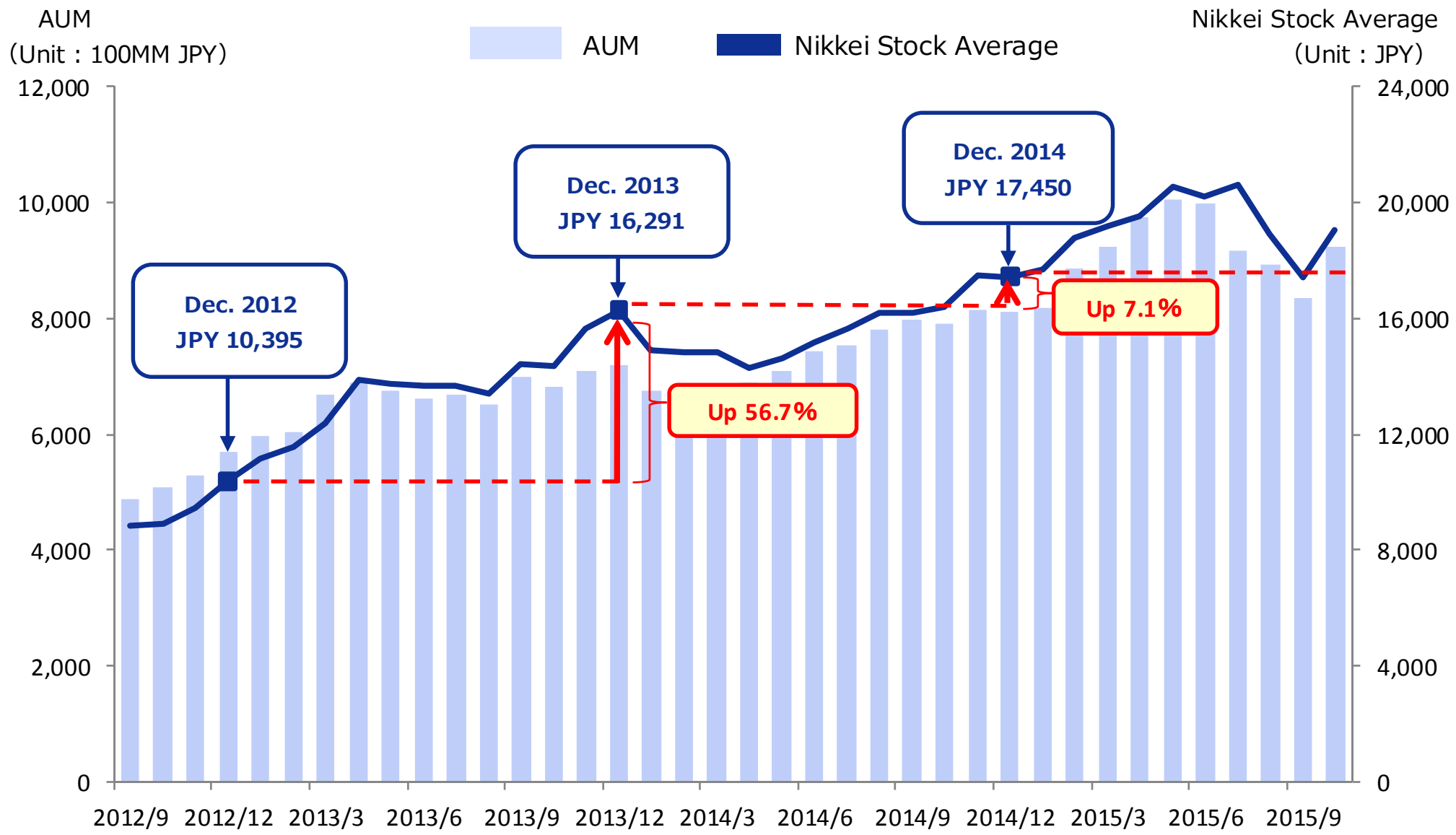
(Note 1) All funds managed by SPARX Asset Management Co., Ltd. (investment trusts and discretionary investment accounts) as of September 30, 2015 are classified by the performance fee value date in the graph above. Among these, performance fee is recorded only if it has met the requirements specified 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) SAM is the abbreviation of SPARX Asset Management Co., Ltd., our subsidiary; hereinafter the same applies in this document.

＜Reference＞ Trend of AUM and Nikkei Stock Average

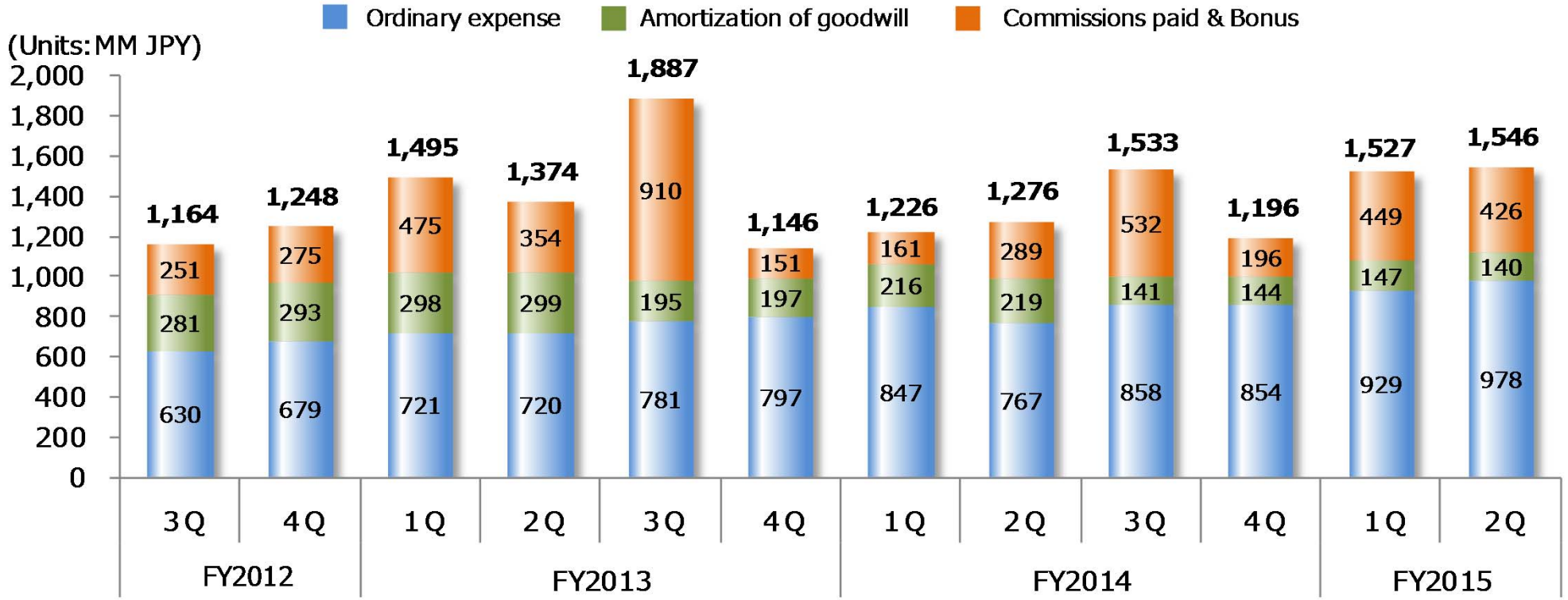


Breakdown for Operating Expenses and General & Admin Expenses

(Units: MM JPY)	FY2014		FY2015	
	Apr-Sep 2014	Full Year	Apr-Sep 2015	YoY change
Commissions paid	325	814	433	+33.3%
Personnel exp.	936	2,006	1,245	+33.0%
Entrusted fund admin fees	9	17	10	+7.3%
Travel exp.	78	146	87	+12.0%
Property rent	132	239	145	+9.9%
Entrusted business expenses	118	261	172	+45.3%
Depreciation on fixed assets	27	56	87	+215.6%
Other expenses	438	967	602	+37.5%
Amortization of goodwill	436	722	288	▲33.8%
Total: Operating and general administrative expenses	2,502	5,231	3,073	+22.8%
Ordinary expense	1,615	3,328	1,907	+18.1%

(Note1) The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.
(Note2) The "Personnel Expenses" data includes payments for legal welfare, bonus and temporary staff, etc.
(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



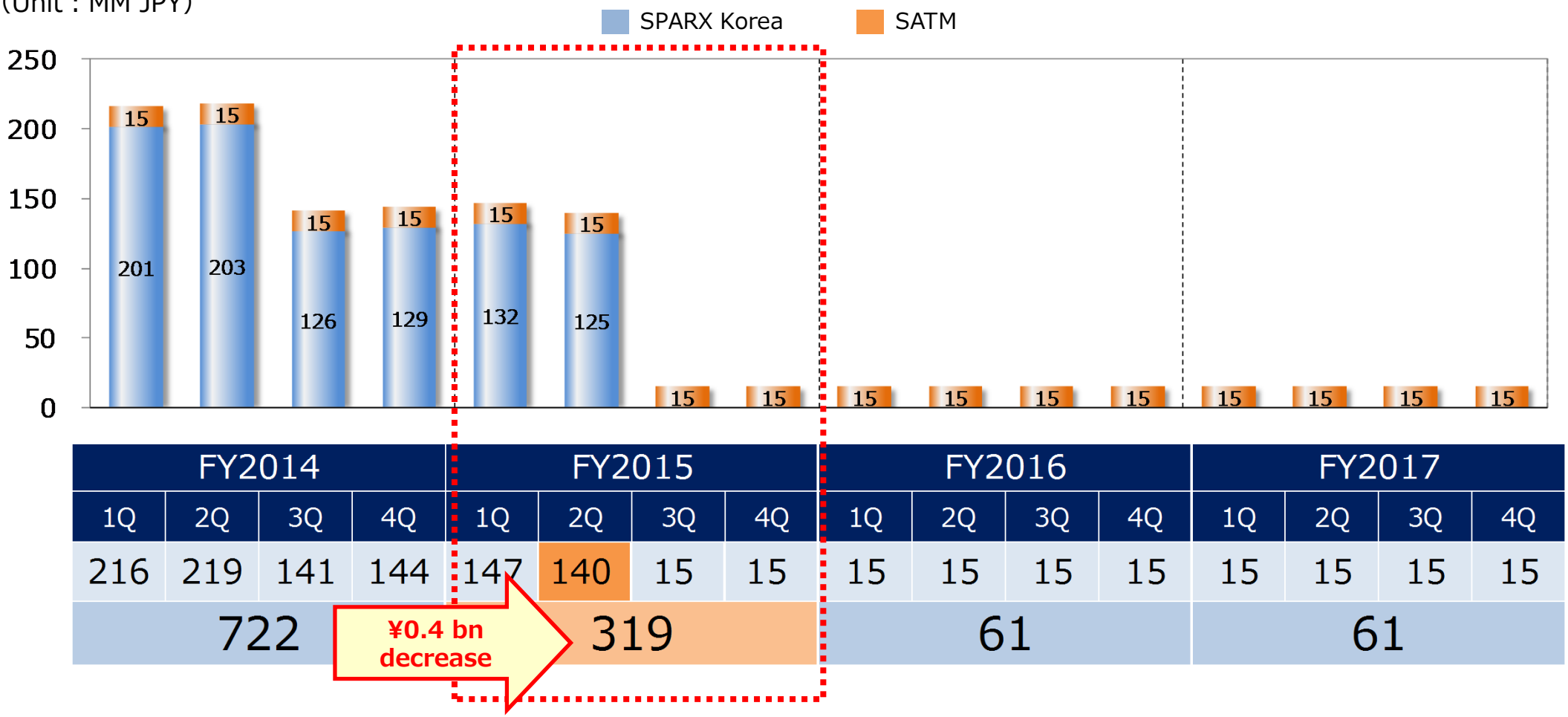
(Units : MM JPY)	FY2012		FY2013				FY2014				FY2015	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Ordinary expense	630	679	721	720	781	797	847	767	858	854	929	978
Amortization of goodwill	281	293	298	299	195	197	216	219	141	144	147	140
Commissions paid & Bonus	251	275	475	354	910	151	161	289	532	196	449	426
Operating and general administrative expenses	**1,164**	**1,248**	**1,495**	**1,374**	**1,887**	**1,146**	**1,226**	**1,276**	**1,533**	**1,196**	**1,527**	**1,546**

(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 Korean subsidiary completed at the end of September 2015

(Unit : MM JPY)



FY2014				FY2015				FY2016				FY2017			
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
216	219	141	144	147	140	15	15	15	15	15	15	15	15	15	15
722				319				61				61			

¥0.4 bn decrease

(Note 1) SPARX Korea is the abbreviation for SPARX Asset Management Korea Co,. Ltd. (subsidiary). SATM is the abbreviation for SPARX Asset Trust & Management co,. Ltd. (subsidiary). Hereafter called the same .
(Note 2) Goodwill of Korean won base are included, it will be affected by the exchange rate fluctuation.
(Note 3) Goodwill amortization relating to SATM is ¥61 MM annually and is amortized over 5 years.

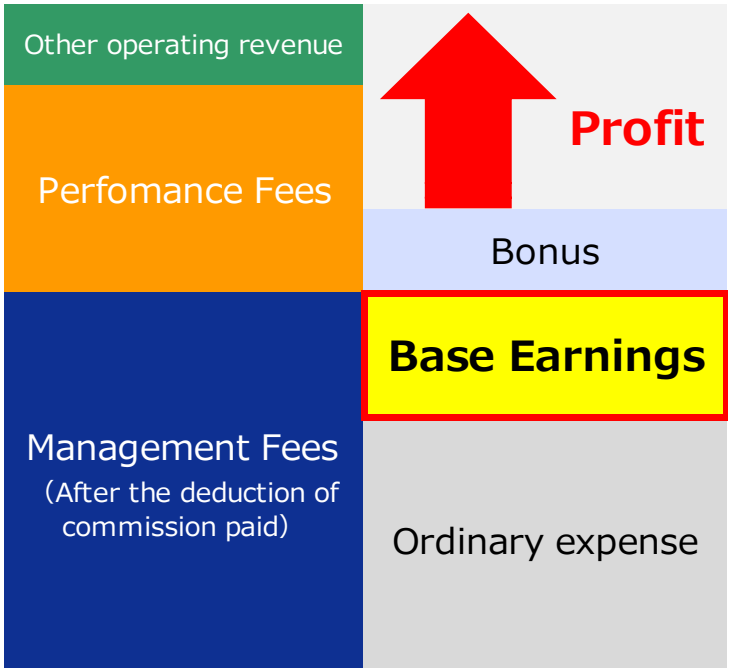
Base Earnings

Base earnings increased due to an increase in management fees, significantly greater than an increase in ordinary expenses

		FY2014 Full Year	FY2015 Annualized
Average AUM	(100MM JPY)	7,936	9,376
Net management fee rate (After the deduction of commissions paid)	(%)	0.52	0.55
Annualized net management fee revenue (After the deduction of commission paid)	(MM JPY)	4,132	5,186
Annualized ordinary expenses	(MM JPY)	3,328	3,815
Annualized "Base Earnings"	(MM JPY)	**+804**	**+1,370**

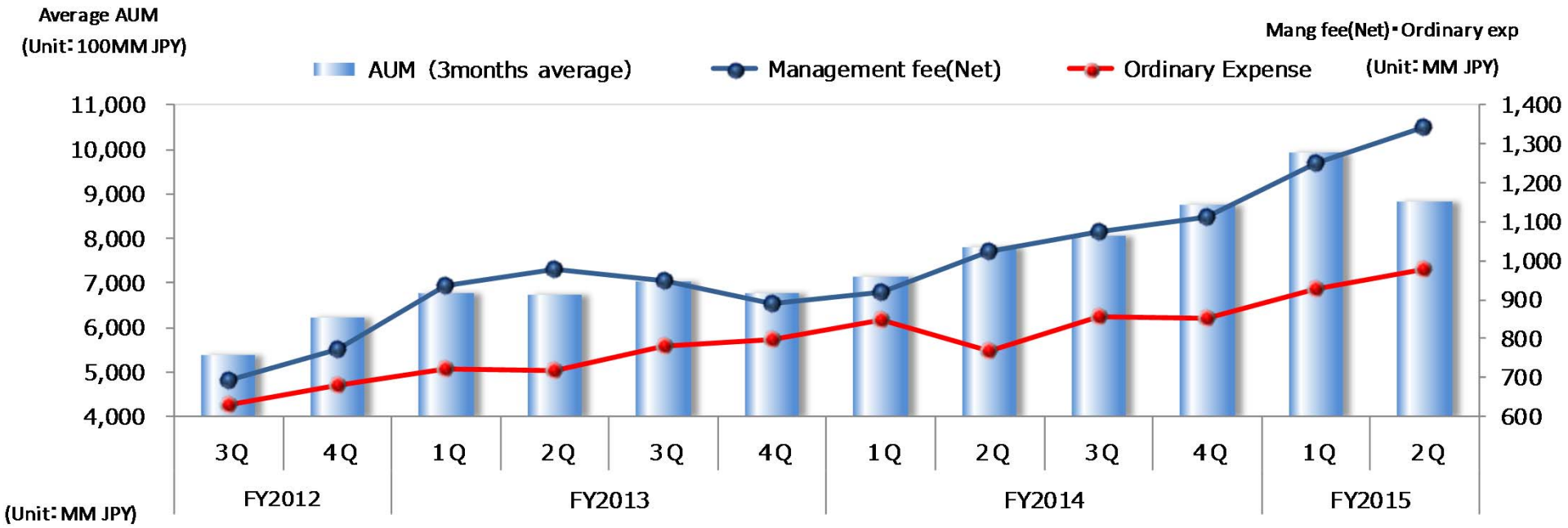
■Base Earnings

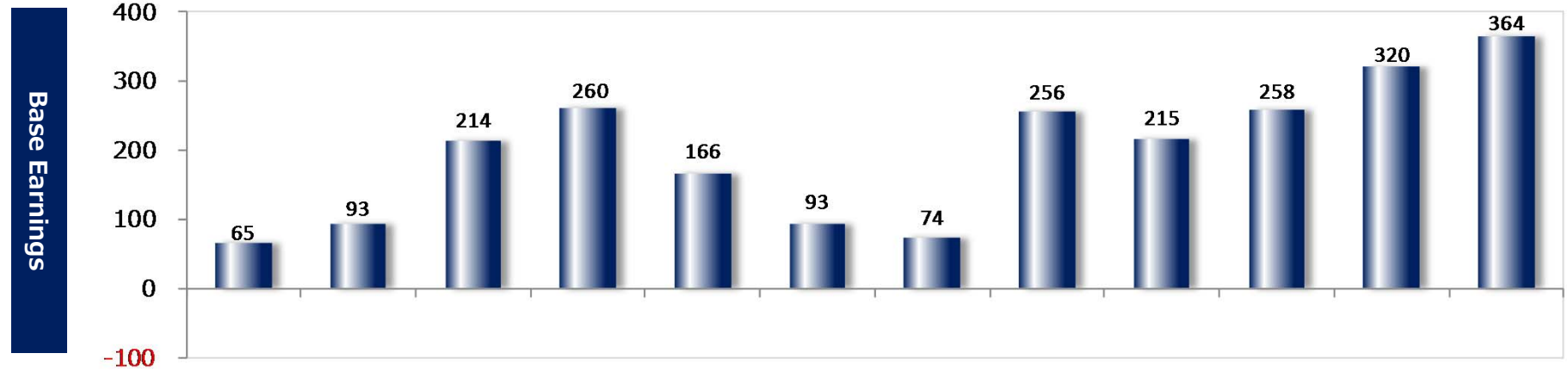
Base Earnings are calculated by Management fees (after the deduction of commission paid) minus ordinary expenses which explain sustained and stable fundamental profitability of the company.



(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) "FY2015 Annualized" shows the annualized amount based on the actual figure of Q2 financial result.
(Note 4) The figures above are truncated.

＜Reference＞ Quarterly Base Earnings Trend

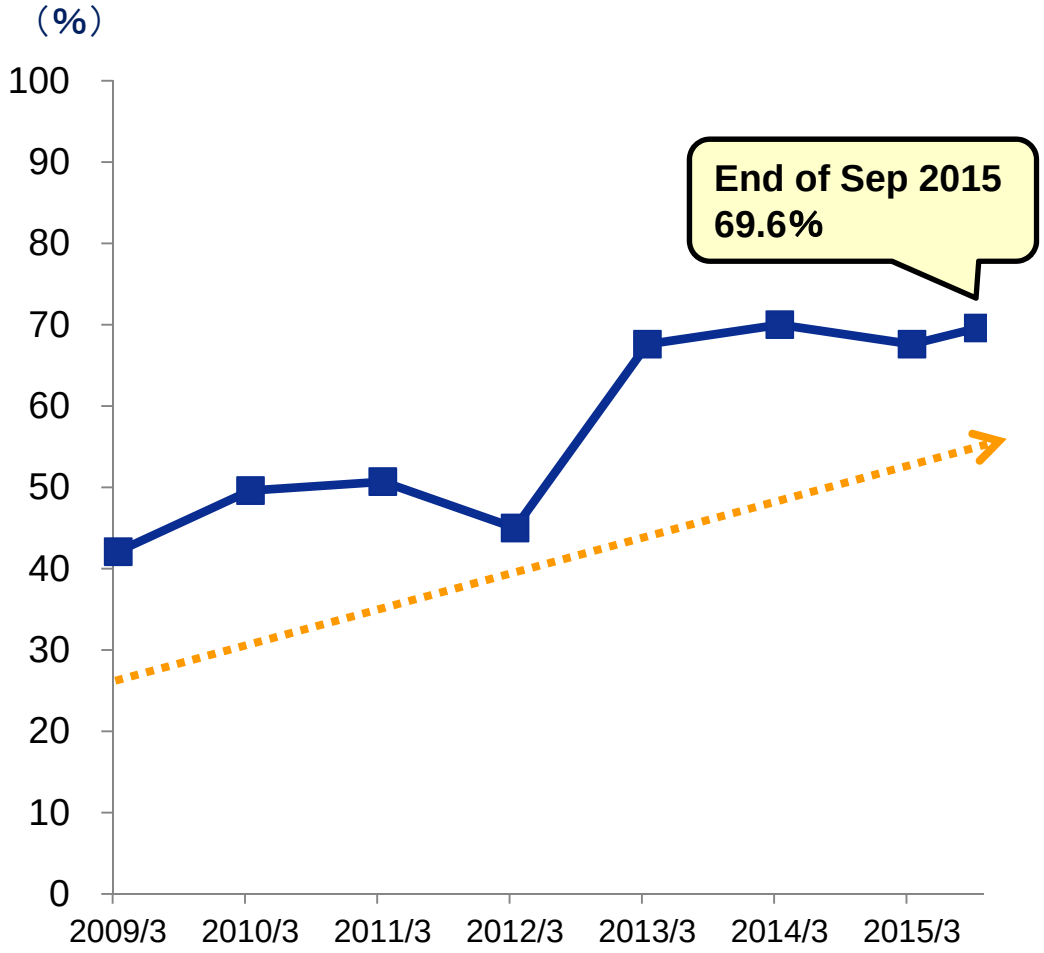




(Note1) As preliminary figures, the「Annualized net management fee revenue」is calculated by multiplying the net management fee rate and the average AUM for the period.
(Note2) The “Ordinary expenses” is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses.

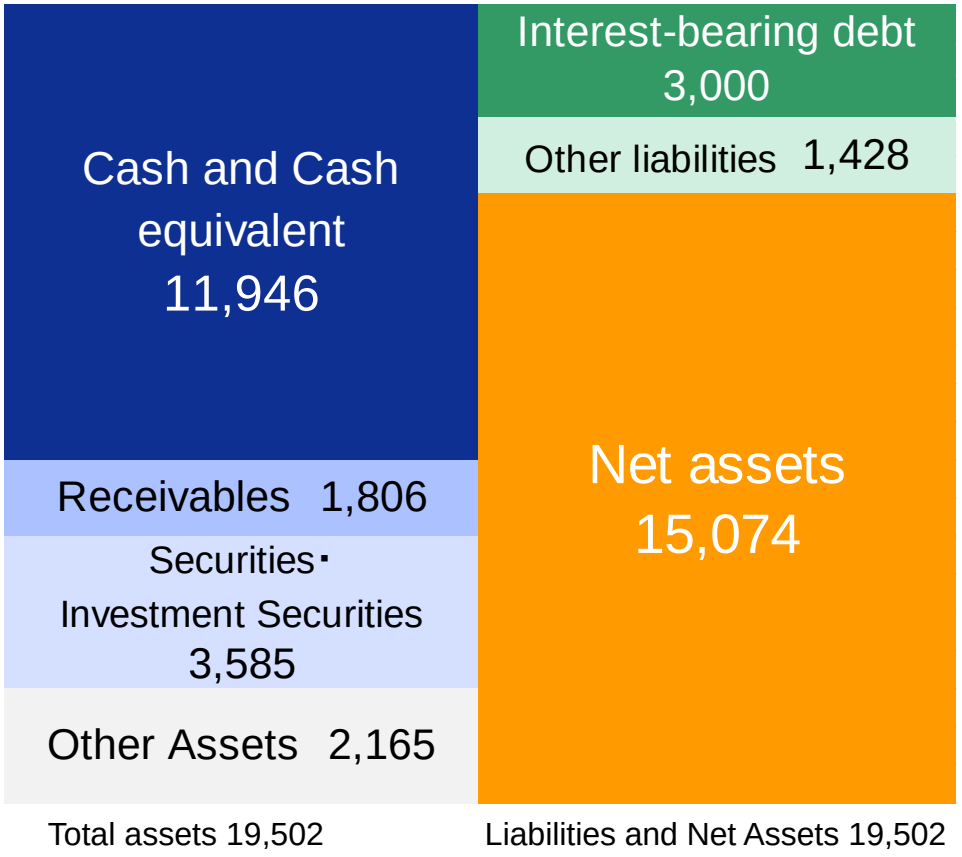
B/S Overview（1）

Capital Asset Ratio



B/S

（Unit：MM JPY）



Own capital will be used in order to expand own business for the time being.
We continuously explore the most effective approaches to obtain necessary funds for our business expansion.

B/S Overview (2)

(Units: MM JPY)	Mar. 2015	Sep. 2015	YoY change
Current assets	15,265	15,844	+579
Cash and cash equivalents	12,709	11,946	▲762
Securities	–	507	+507
Receivables	1,312	1,806	+493
Fixed assets	4,184	3,657	▲527
Goodwill	506	215	▲290
Investment securities	3,275	3,077	▲197
Total assets	19,450	19,502	+51
Payables	944	692	▲252
Provision for bonuses	–	389	389
Long-term loans payable	3,000	3,000	-
Total liabilities	4,662	4,427	▲234
Common stock	8,517	8,574	+56
Add'l paid-in-capital	4,053	4,107	+54
Retained earnings	1,797	2,843	+1,046
Treasury stock	▲3,304	▲3,304	-
Total Shareholder's Equity	11,063	12,221	+1,157
Valuation difference on AFS securities	499	46	▲453
Foreign currency translation adjustment	1,588	1,311	▲276
Non-controlling interests	1,568	1,470	▲97
Total net assets	14,787	15,074	+286

(Simplified) Operating CF: ¥1,602MM
Decreased due to seed money investment, dividend payment and yen appreciation / won depreciation.

Increased due to transferring securities from investment securities to securities

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

Decreased mainly due to transferring current portion of securities from investment securities

Provision for bonuses in relation to increase consolidated earnings

Breakdown is Long-term loans payable is as follows:
1500MM Rate：1.365%
1500MM Rate：1.396%
Due：March in 2017

Profit: +1,556MM
Dividend：▲510MM

Decreased due to sale of an investment securities, being recognized as profit

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

(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

SPARX VISION 2020

In FY2020

AUM JPY 10 trillion

Based on a new business model with Japanese/Korean/Asian equity investments, alternative investment in each region and real asset investments (renewable energy/infrastructure/real property), will establish a company structure with a stronger brand for investments in Japan and Asia and more stable/higher profit.

Progress of FY2015 Goal

For the first year toward the “Complete Revival” of earning capacity

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

⇒Probability of achieving the target inflow increases due to a new plan, establishing a new fund.

⇒Higher profitability in both quality and quantity reflecting the continuing fund inflows into Japanese investment funds with higher rate of management fees.

⇒Focusing on increasing net fund inflows into alternative investment strategy.

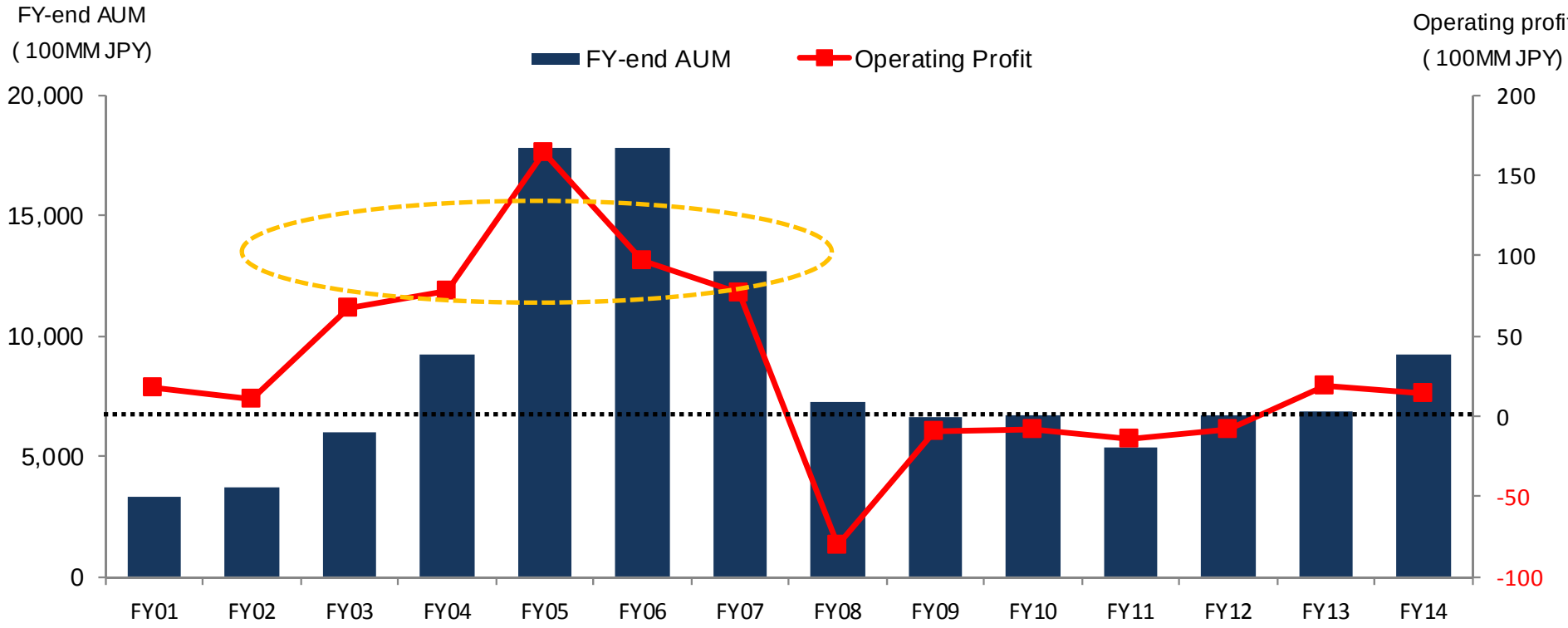
② Improving and strengthening the organization to meet with medium-term growth

⇒Seek to change organization structure to enhance entrepreneurial spirits by active assignment of roles on younger members.

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

⇒Continue endeavoring publicly advertising more through media and having seminars for individual investors more frequently.

What is “Complete Revival”



Stably recording profitability achieved before Lehman shock, specifically, operating profit of 8 to 10 billion yen.

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

Set the aim of FY2017 that AUM 2 trillion yen and have stable operating revenue of 80 million yen as an interim milestone for VISION2020.

Toward the achievement of VISION 2020

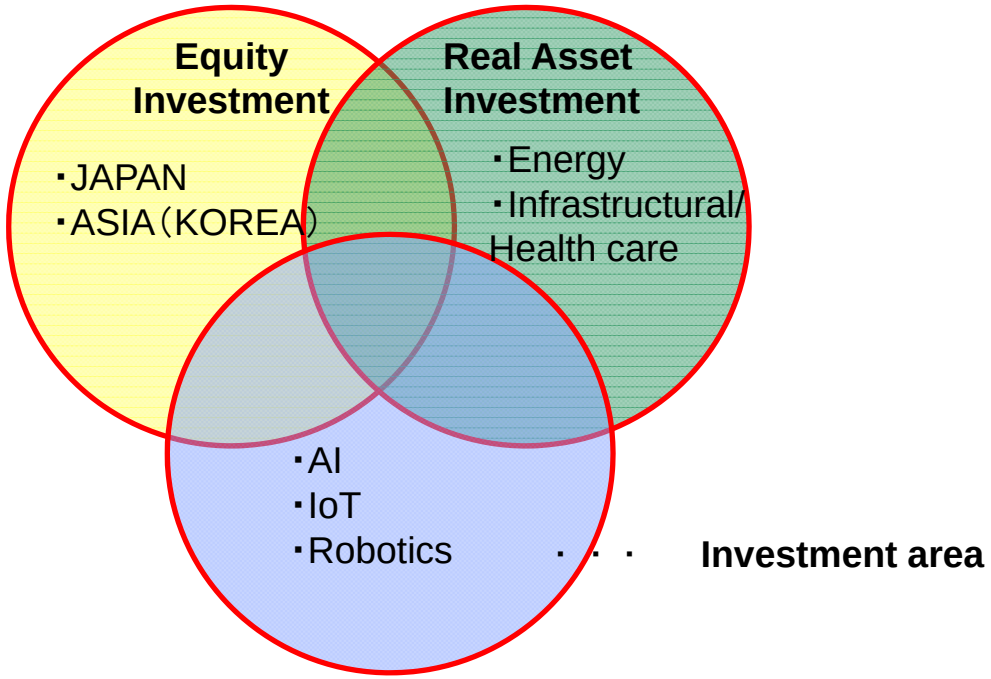
① Avoid competition in a commodity market

② Establish our own dominant competitive advantage in the investment market

③ Be a greatest Investment Think Tank in the world

④ Construct a global organization

⑤ Enhance the Venture Spirit in our organization



Equity Investment – (1)

➤Mirai Creation Investment Limited Partnership

Established a new investment vehicle which aims to encourage innovation and support the spread of advanced technologies for future generations.

⇒Operation starts in November 2015 with total investment capital of 13.5 billion yen.

⇒Aim to attract total investment capital of approximately 50.0 billion yen by March 2016.

➤Publicly offered investment trusts in Japan

Promoting publicly offered investment trust for individual investors.

⇒ Funds continuously flow in through Nomura Securities which joined as one of retailers from the end of June 2015 as a result of high ratings given by external expert institutions.

⇒ Aim to set up a publicly offered equity investment fund which has a similar investment policy to that of “Mirai Creation Investment Limited Partnership”.

Press release November 4 2015

Established “Mirai Creation Investment Limited Partnership”

- Toyota and Sumitomo Mitsui Banking Corporation invest

Toyota and Sumitomo Mitsui Banking Corporation to Invest in New Investment Fund Established by SPARX Group Co., Ltd.

SPARX Group Co., Ltd. (SPARX Group) announces the establishment of a new investment fund that aims to encourage innovation and support the spread of advanced technologies for future generations, based on a memorandum of understanding signed in July this year with Toyota Motor Corporation (TMC) and Sumitomo Mitsui Banking Corporation (SMBC). TMC and SMBC plan to participate in this fund as investors.

Name of fund:
Mirai Creation Investment Limited Partnership

Purpose of fund
- To help accelerate innovation by investing in enterprises that possess technologies capable of leading growth for future generations
- To build a portfolio of promising businesses, and realize the potential of technologies and ideas that can transform the future by promoting them on a global scale

Target fields
Core fields for the fund will include AI, robotics, and technologies to help make a hydrogen-based society a reality. The fund will invest in enterprises possessing innovative technologies in these fields, as well as related projects.

“Technologies to help achieve a hydrogen-based society” may include enterprises and projects related to the production, supply, and use of hydrogen.

Timeframe and expected scale
- SPARX Group will act as the fund’s general partner. The fund will begin operations in November with total investment capital of approximately 13.5 billion yen provided by SPARX Group, TMC, and SMBC.
- The fund will look to attract additional capital from like-minded investors by March next year. Ultimately, the fund is aiming to attract total investment capital of approximately 50.0 billion yen.

Through the establishment and operation of this new fund, all three companies will continue to work together to encourage the development and spread of technologies that will benefit future generations.

➢ Purpose of Fund

・To help accelerate innovation by investing in enterprises that possess technologies capable of leading growth for future generations.

・To build a portfolio of promising businesses, and realize the potential of technologies and ideas that can transform the future by promoting them on a global scale.

➢ Investment Capital

Total investment capital of approximately 13.5 billion yen provided by SPARX Group, TMC, and SMBC.

➢ Schedule

The fund aims to attract total investment capital of approximately 50.0 billion yen by March 2016.

Equity Investment －（2）

➤Reputation by performance evaluation institutions

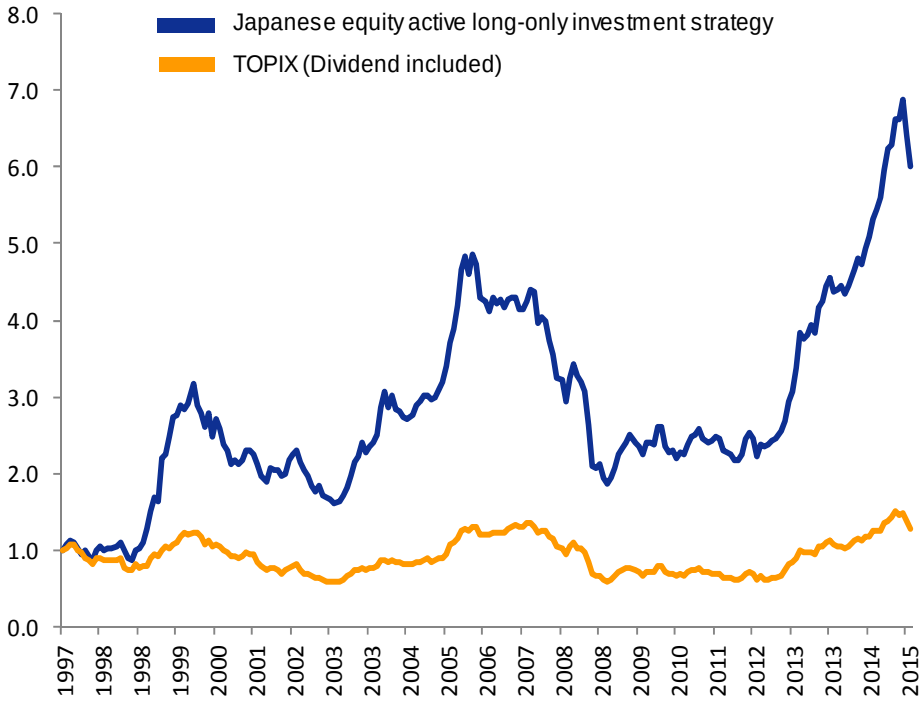
The coherent investment philosophy-based investment performance and administrative system have been continuously appreciated by several performance evaluation institutions

Performance Valuation Institutions	Award
Lipper	Fund Manager of the Year (Equity Section) **For two years consecutive years!!**
Morningstar	Fund of the Year (Japanese Equity Section) ～SPARX Shin Kokusai Yuryo Japanese Equity Fund
Mercer	MPA Award (Japan) 2015 (Japan Equity Section) **For three years consecutive years!!!** ～SPARX Japan Equity Focus All Cap Strategy
R&I	Fund of the Year (Investment Trust/ Japanese Equity Section) ～SPARX Shin Kokusai Yuryo Japanese Equity Fund Fund of the Year (Investment Trust/ Emerging Equity Multi-regional Section) **For three years consecutive years!!!** ～Nikko SPARX Asia & Middle East Equity Fund

Please refer to the disclaimers at the end of the slides.

Annualized performance by strategy since inception ①

Japanese equity active long-only investment strategy

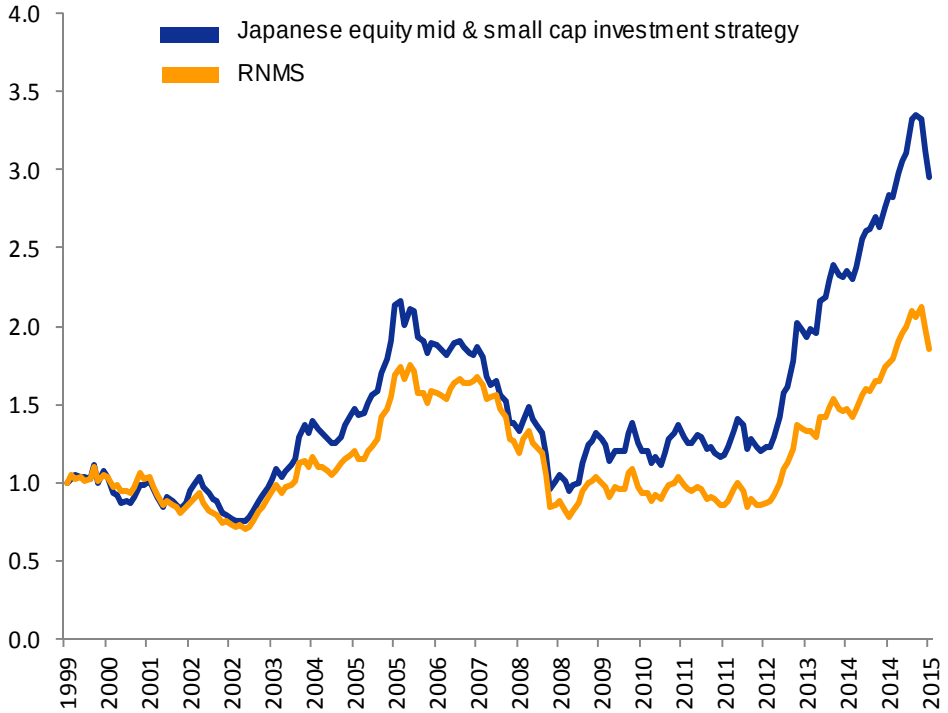


(Annualized Return)

Japanese equity active long-only investment strategy	10.21%
Reference Index	1.34%
Excess Return	8.87%

Reference Index	TOPIX (Dividend included)
Measurement Period	1997/5 ～2015/9
Volatility of Composite Return (Annualized)	21.57%

Japanese equity mid & small cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	7.12%
Reference Index	3.99%
Excess Return	3.13%

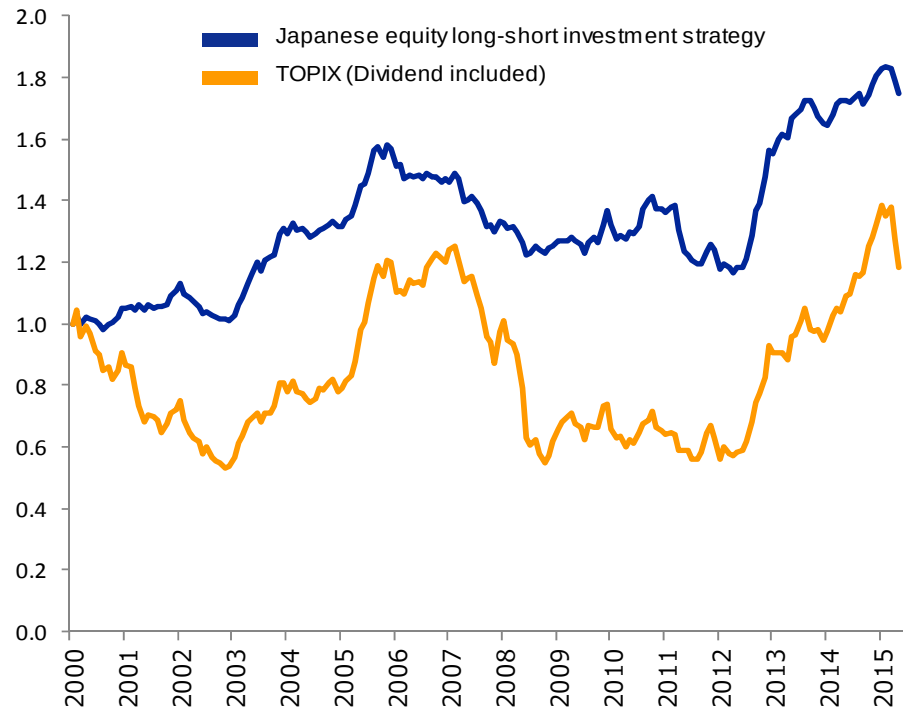
Reference Index	Russell/Nomura Mid-Small Cap Index
Measurement Period	2000/1 ～2015/9
Volatility of Composite Return (Annualized)	18.08%

Please refer to the disclaimers at the end of the slides.

Source: SPARX Group Co., Ltd (Tokyo, Japan), as of September 30, 2015.

Annualized performance by strategy since inception ②

Japanese equity long-short investment strategy

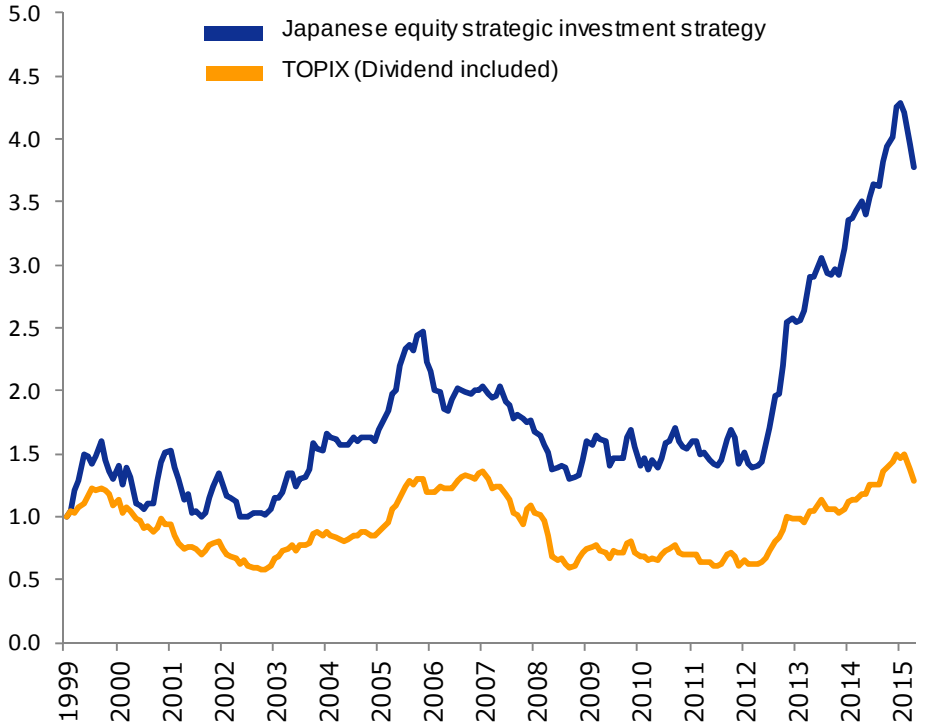


(Annualized Return)

Japanese equity long-short investment strategy	3.71%
Reference Index	1.08%
Excess Return	2.63%

Reference Index	TOPIX (Dividend included)
Measurement Period	2000/6 ～2015/9
Volatility of Composite Return (Annualized)	7.37%

Japanese equity strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	8.51%
Reference Index	1.51%
Excess Return	7.00%

Reference Index	TOPIX (Dividend included)
Measurement Period	1999/7 ～2015/9
Volatility of Composite Return (Annualized)	20.56%

Please refer to the disclaimers at the end of the slides.

Source: SPARX Group Co., Ltd (Tokyo, Japan), as of September 30, 2015.

Real Asset Investment – Investments in renewable energy generating facilities

Invested Projects are 18（approx.188MW）including 10 projects already selling electricity（approx. 63MW） (Refer to next slide)

- The Tokyo Metropolitan Government

The Public-Private Infrastructure Fund (Public-Private Fund 1)

The Public-Private Partnership Renewable Energy Fund (Public-Private Fund 2)

Completed the investment by Public-Private Fund 1.

Completed formation of Public-Private Fund 2 also its funds have been collected.

Started investing into the wind farm, biomass power plant and others in addition to the mega solar.

⇒sequentially investing funds also from overseas/domestic institutional investors

（FYR）http://www.sparxgroup.jp/press/uploads/PressE150821-01.pdf

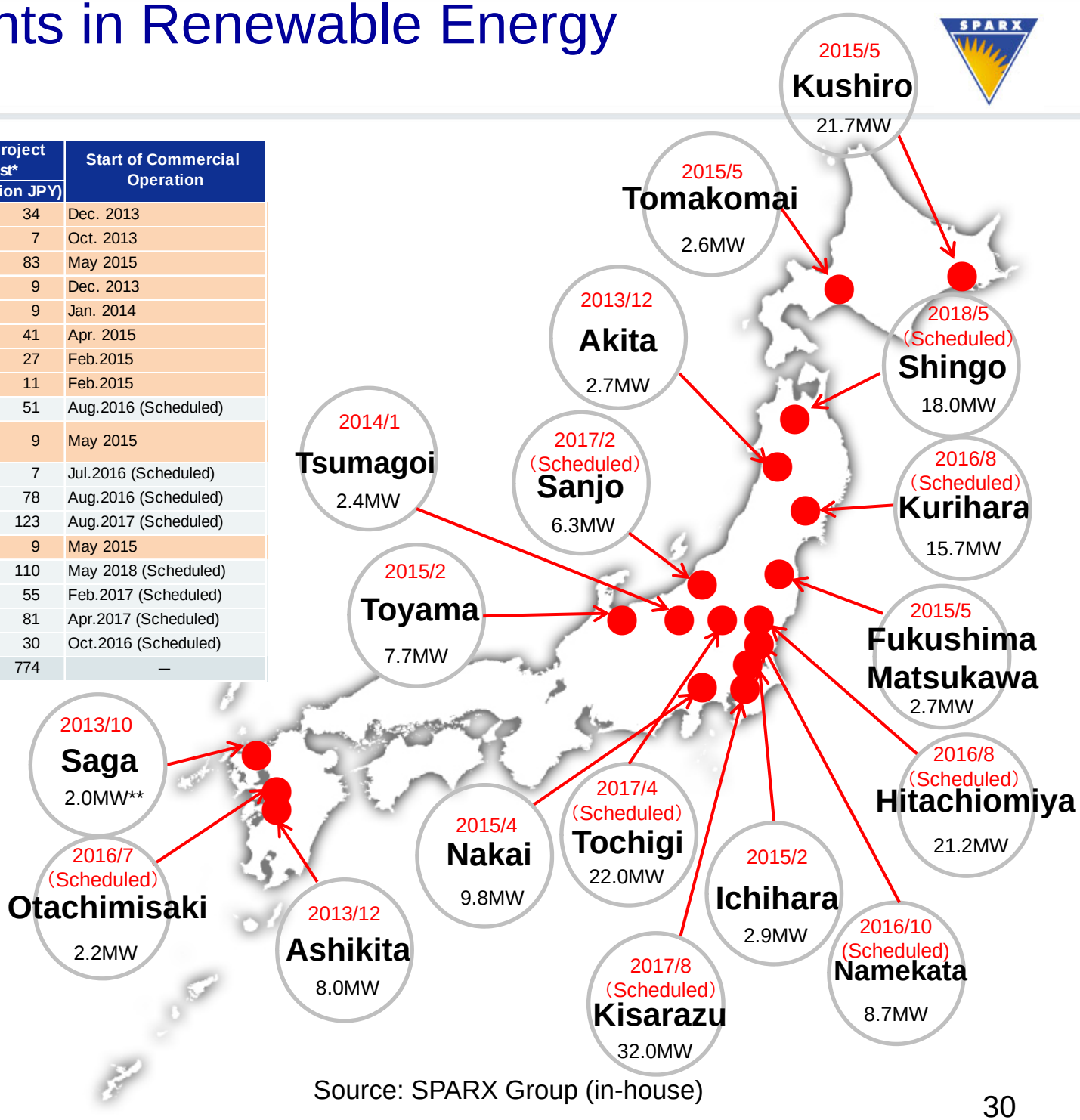
- Listed Infrastructure Fund

Continuously preparing for entering into the listed infrastructure fund market

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

Records of Investments in Renewable Energy Generating Facilities

	Location	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
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	Feb.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
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
Singo Wind Power	Aomori	18.0	110	May 2018 (Scheduled)
Sanjo Biomass	Nigata	6.3	55	Feb.2017 (Scheduled)
Tochigi Mega Solar	Tochigi	22.0	81	Apr.2017 (Scheduled)
Namekata Mega Solar	Ibaraki	8.7	30	Oct.2016 (Scheduled)
Total	–	188.6	774	–



* The data shown in the list above is as of October 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)

Press Release October 30 2015

Established「JAML Natural Energy Investment LPS」

JA Mitsui Leasing, SPARX Group
Start Investing in Renewable Power Generation Businesses in Japan, also Consider Heat Utilization with Agriculture, Forestry, and Fishery Industries

- JA Mitsui Leasing invests up to five billion yen, and SPARX Group is in charge of fund management -

JA Mitsui Leasing, Ltd., (Representative Director, President: Norihiro Takahashi; hereinafter called "JA Mitsui Leasing") and SPARX Group Co., Ltd., (President & Representative Director, Group CEO: Shuhei Abe; hereinafter called "SPARX Group") established an investment LPS to invest in renewable power generation businesses in Japan. The investment LPS has commenced investing.

■ Overview of this partnership

Title	JAML Natural Energy Investment Limited Partnership
Administrator (General partner)	SPARX Group Co., Ltd.
Investor (Limited liability partner)	JA Mitsui Leasing, Ltd.
Amount invested	Up to five billion yen
Investment policy	The targets of investment include renewable power generation businesses (solar, wind, biomass, hydro, and geothermal) in Japan as an effort to promote and spread the use of renewable energies.
Fund manager	SPARX Asset Management Co., Ltd. (100% subsidiary of SPARX Group)

■ One of the missions of JA Mitsui Leasing is to change energy use, our lifestyle, regional economies and the future of our children using natural energies that Japan has in abundance in order to realize a better society and future, which is advocated in "Real Challenge, Real Change" the management philosophy of the group. JA Mitsui Leasing is going to establish a business model that improves regional economies by using the network of JA Mitsui Leasing and working together with agriculture, forestry, and fishery industries in the given region through investing in the fund. For example, one of our plans is to use the heat generated in power generation for agriculture and stock farming. JA Mitsui Leasing aims to become a company that can give greater contributions to the society by connecting renewable energies with industries that work well with regional characteristics and making the connection evolve into businesses that energize communities in Japan.

（FYR）http://www.sparxgroup.jp/press/uploads/PressE151030-01.pdf

— JA Mitsui Leasing invests

➢ Purpose of Fund

Contribute to the business model of JA Mitsui Leasing that improves regional economies by using the network of JA Mitsui Leasing and working together with agriculture, forestry, and fishery industries in the given regions through investing into the fund utilizing the heat generated in power generation for agriculture and stock farming.

➢ Investment Amount

Maximum 5 billion yen from JA Mitsui Leasing

➢ Schedule

Specifically invest into renewable power generation businesses (solar, wind, biomass, hydro, and geothermal) in Japan.

Real Asset Investment – Real Estate Investments

Overseas sovereign wealth funds

・Since June 2012, we have made investments for 5 projects that invest in residential properties（cumulative total of acquired assets: approx. 36.6 billion yen including consumption tax (out of which, approx. 9.4 billion yen was invested in the form of anonymous associations)）and all investments had been collected by the end of April 2015.

⇒agreed to expand investments to assets such as office buildings, warehouses, commercial facilities, and health care facilities (nursing homes and clinic malls), we have made investments for 6 projects that invest in the above (cumulative total of acquired assets: approx. 18.7 billion yen including consumption tax (out of which, approx. 8.4 billion yen was invested in the form of anonymous associations)).

Tokyo Metropolitan Government's Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare

⇒ SATM has been selected as one of the fund managers. (Refer to next Slide)

In addition to management fees for AUM, we have received one-off fees (other operating Revenue) from funds in relation to real estate sales and purchases.

Press Release October 26, 2015

SPARX selected as Fund Manager for Tokyo Metropolitan Government's Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare

Notice Regarding the Selection of Fund Manager for Tokyo Metropolitan Government's Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare

We hereby inform that our subsidiary SPARX Asset Trust & Management Co., Ltd. (President and Representative Director: Masatoshi Fukami, hereinafter called "SATM") has received a notice that SATM was selected as one of the fund managers of "Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare (hereinafter called the Fund)" to be newly launched by Tokyo Metropolitan Government.

We believe that the decision came as a result of SATM which is to jointly participate with Japan's major nursing care providers, real estate developers and financial groups, being evaluated as one of the optimal fund managers for the Fund to realize the purpose of the Fund which is to promote the development of facilities contributing to welfare such as child-rearing assistance facilities and to promote the construction of "Tokyo version CCRC (*1)" in which multi-generation would live together.

*1 CCRC(Continuing Care Retirement Community) A facility service system based on the ideal of "continuous care" that provides housing, life services, care, nursing and medical services comprehensively according to the needs of the elderlies that change with their age.

1. Overview of the Fund and investment policy of the Tokyo Metropolitan Government for the Fund (based on the "Application Guidelines for Fund Managers for the Public-Private Partnership Infrastructure Fund for Facilities Contributing to Welfare")

■ Overview of the Fund

The Tokyo Metropolitan Government will set up the Fund for the purpose of establishing a new system for the flow of funds in the welfare related area and promoting the construction of the "Tokyo version CCRC" and buildings including welfare related facilities in Tokyo where land prices are high. Specifically speaking, we will aim to introduce private-sector funding and know-hows through the "Public-Private Partnership Fund" scheme with the Tokyo Metropolitan Government's funding as an incentive and promote the construction of buildings that would contribute to welfare such as child-rearing assistance facilities (including community housings contain profit driven entities) as well as that of the "Tokyo version CCRC" in which multi-generation would live together and in which child- rearing assistance facilities are housed.

（FYR）http://www.sparxgroup.jp/press/uploads/PressE151026-01.pdf

➢ Purpose of Fund

Development facilities contributing to welfare such as child-rearing assistance facilities
The construction of Tokyo version CCRC in which multi-generation would live together.

➢ Parties

Fund manager SATM
In cooperation with Japan's major nursing care providers, real estate developers and financial groups.

➢ Investment Amount

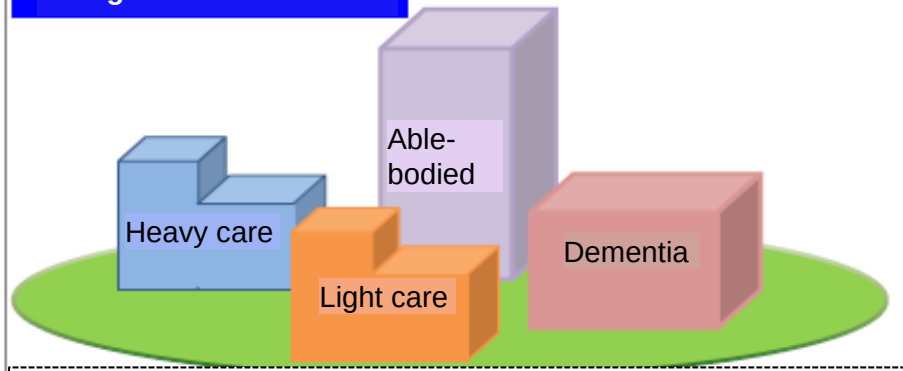
1.25 billion yen (by Tokyo Metropolitan Government)

➢ Schedule

A fund (LPS) size of 10 billion yen or more will be targeted by raising money from investors (limited partners) by February 2016.

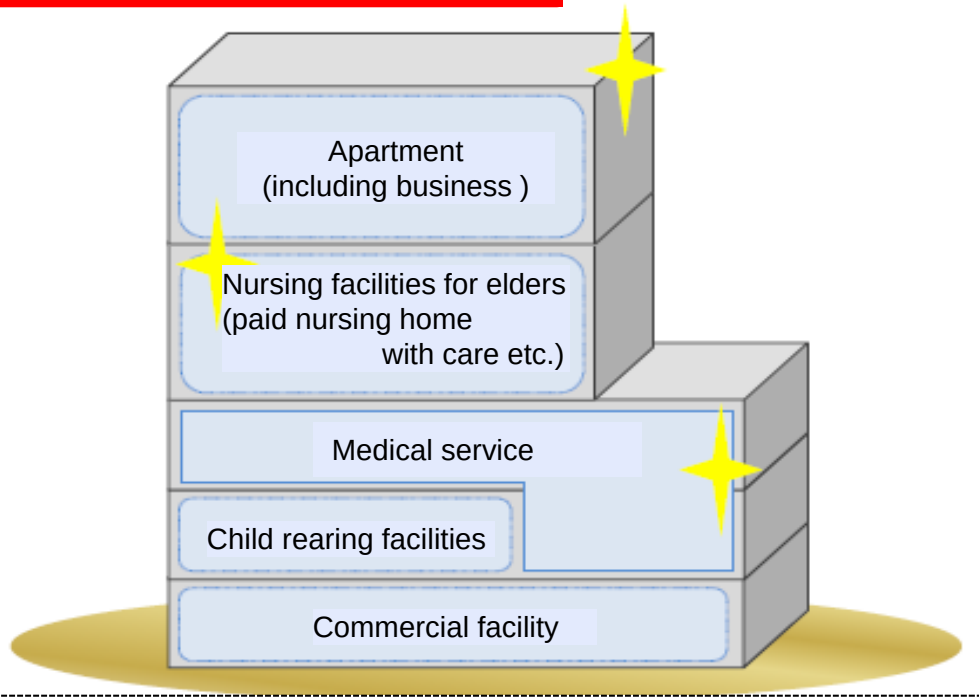
＜Reference＞ About Tokyo version CCRC

Image of CCRC US



- Functions for users such as able-bodied, nursing care needed (Lightly, heavily) and dementia are separately build on the premises.
- Users are able to receive services when they need in site according to the needs of the elderlies that change with their age.
- It is only US which has a large land is available to have this model.

Image of CCRC Tokyo



- Use the system of CCRC US in Tokyo where land prices are high.
- Combine welfare contributing facilities in one building.
- Facilities are not only for elders but also create communities which multi-generation lives with peace of mind by containing child-rearing assistance facilities (= CCRC Tokyo).

CCRC (Continuing Care Retirement Community)

A facility service system based on the ideal of “continuous care” that provides housing, life services, care, nursing and medical services comprehensively according to the needs of the elderlies that change with their age.

Source: the Tokyo Metropolitan Government “application guidelines for fund managers for the Public-Private Partnership Infrastructure fund for facilities contributing to welfare”

Our Overseas Offices
- Hong Kong
- Korea

Our Overseas Offices - Hong Kong（SPARX Asia）

- OneAsia Long/Short Strategy,: Good performance is maintained.

⇒Started to offer instruments to Korean domestic investors through Korean securities houses and Achievement of the fund size well recognized by the investors (AUM at end of September: 21.2 billion yen).

⇒Establishment of UCITS fund in September 2015 of 2.3 billion yen, of which the seed money was invested by European institutional investor and SPARX. In Europe, this achievement would lead to future full-fledged expansion.

- OneAsia Long Only Strategy : Stable investment performance is maintained

⇒Started to offer products to Japanese individual investors through Japanese Fund of Funds. (March 2015). AUM has been increasing gradually.

Our Overseas Offices – Korea (SPARX Korea)

- Unifying the brand

Renamed as SPARX Korea in February 2015 and promote further unified 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.

- Termination from a major Korean client

Significant decrease in the AUM. However, the management fee rate of the terminated AUM is low, the impact this change has on the SPARX Group's consolidated earnings is minor.

⇒Provision of a single investment strategy for the said major client account has represented a big part of AUM, which has been the cause for the low management fee rate.

⇒In the meantime, our efforts toward the diversification of our client base as well as investment strategies have been producing good results and SPARX is determined to continue to accelerate such efforts for the future so as to recover AUM and improve profitability.

Other Activities

SPARX Community Contribution Activities：

Kushiro Children’s Energy Summit held on October 1



“Kushiro Children’s Energy Summit” was held in Kushiro-City Hokkaido where SGET Kushiro-Tsuruno Mega Solar Power Plant is located. The place was Kushiro-Tsuruno Special Education School, located at next to our power plant, and students from the school (age 3-18) joined to this summit. On that day, students enjoyed learning about future energies through studying what future energies are, experience a generating power and visiting our mega solar power plant. We created whole this event together with students as they joined from preparation of it.

SPARX Community Contribution Activities：
Kita-Akita　Mural painting class event 『Taiyo no AtoZ』Held on October 30







We held a drawing mural class “Taiyo no AtoZ” at Takasu-Chuo primary school in Kita-Akita City, located next to SGET Akita Mega Solar Plant. The class is for learning English, students draw alphabets on the wall in the class.

We wish kids will succeed globally in new fields such a renewable energy and learning foreign languages in this class as a first step with full of their energy.

We Started Facebook (currently only available in Japanese)



https://www.facebook.com/SPARXGroup

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 September30, 2015)

Japanese equities	Long-only Active (Commingled funds)	Mid & Small caps	Long-Short (JPY, Lev. 1)	Strategic Investment
Composites	10.21%	7.12%	3.71%	8.51%
Reference Index	1.34%	3.99%	1.08%	1.51%
Excess Return	**8.87%**	**3.13%**	**2.63%**	**7.00%**

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)	21.57%	18.08%	7.37%	20.56%

(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 September 30, 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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Contact: Global Business Development Tel: +81-(0)3-6711-9200

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