The following is an English version of the official Japanese announcement, which has been given to the JASDAQ and the media in Tokyo, Japan.

April 10, 2017

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

SPARX Filed a Report of Possession of Large Volume of Shares in Teikoku Sen-i Co., Ltd. (Security Code 3302)

Tokyo (April 10, 2017) – SPARX Group Co., Ltd. hereby announces that its consolidated subsidiary, SPARX Asset Management Co., Ltd. (referred to as "SPARX" herein), acting in the capacity of investment adviser of assets under management for its investors, acquired 5.07% of the outstanding shares of Teikoku Sen-i Co., Ltd. ("Teikoku Sen-i") as at April 6, 2017, and filed a Report of Possession of Large Volume with the Kanto Local Finance Bureau. The report states the purpose of holding as follows:

SPARX has invested in Teikoku Sen-i shares since April 2014 for the following reasons.
(1) SPARX highly evaluates the competitiveness (Fire hoses are products used in special circumstances at the scene of a fire. The credibility that the company has built through many years of supplying these specialized products, provides a competitive edge by erecting barriers to entry into this market.); (2) growth potential (Not only national and local governments but also corporations are becoming considerably more conscious of disaster prevention, especially since the Great East Japan Earthquake. We expect that increased public and private demand will boost growth in the company.); and (3) An outstanding ability of its current management team who have rebuilt Teikoku Sen-i through the growth of its disaster prevention & preparedness business.

On the other hand, SPARX considers from the shareholder's perspective that Teikoku Sen-i does not make efficient use of capital. Specifically, shares of a company which has limited synergy with Teikoku Sen-i's core business (cross-shareholdings) and cash sit on the balance sheet without being used for capital expenditures or shareholder returns. These investment securities and cash balances are the main cause for the decline in capital efficiency as it is difficult to imagine that they will produce returns that exceed the costs of equity in the mid- to long-term.

SPARX has been in dialogue with management at Teikoku Sen-i since April 2015 and has repeatedly asked them to address the issue. However, thus far, Teikoku Sen-i's management has made no moves toward improving capital efficiency. Moreover, there was no mention of anything related to capital efficiency in the Teikoku Sen-i's medium-term business plan disclosed in February 2017.

Improving capital efficiency of listed companies is required for Japanese economic regrowth as described in the Stewardship Code and Corporate Governance Code. Corporations are entities that distribute the fruits of their business activities to their stakeholders such as clients, employees, local community and shareholders. With this awareness, Teikoku Sen-i must share the fruits with shareholders through the improvement of capital efficiency.

Based on the consideration above, SPARX, as one of Teikoku Sen-i's shareholders, demands the following from Teikoku Sen-i.

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1. Sell cross-shareholdings within a reasonable period.
2. Demonstrate a clear policy on future capital allocation to improve medium- to long-term shareholders' value. Particularly, a capital expenditure plan for growth and a shareholder returns plan need to be disclosed.

SPARX releases a report on the investment in Teikoku-Sen-i on the website below （URL: https://www.sparx.co.jp）. SPARX intends to continue dialogue with Teikoku Sen-i for the improvement of the company's capital efficiency.

（End quote）

For the report on Teikoku Sen-i visit the following website.

English

URL: https://www.sparx.co.jp/opinions/pdf/stewardship-e.pdf

Japanese

URL: https://www.sparx.co.jp/opinions/pdf/stewardship-j.pdf

Contact Information

Finance & Management Control
SPARX Group Co., Ltd.
Telephone： +81-3-6711-9100
Fax: +81-3-6711-9101