

# Consolidated Financial Results for the 1<sup>st</sup> Qtr of the FY2015 (Apr. 2015 – Jun. 2015)

August 13, 2015



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



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

# Financial Results for the 1<sup>st</sup> Qtr of the FY2015

# FY 2015 Results for Q1 Overview



- ▶ **Operating revenue: Management and performance fees have increased.**

**¥2,188 MM** (FY 2014Q1: ¥1,307 MM, up 67.4%)

- ▶ **Operating profit has significantly increased due to expansion of the operating revenue.**

**¥661MM** (FY 2014 Q1: ¥81MM, up 714.1%)

⇒ **(Simplified) operating cash flow : +¥809 MM** (FY 2014Q1 : +¥298 MM,  
up 171.4%)

- ▶ **Net income has also significantly increased.**

**¥602MM** (FY 2014 Q1: ¥238 MM., up 152.8%)

# FY 2015 Results for Q1(P/L)(1)



## ►AUM:

**AUM at end of Q1 : ¥1,000.1 bn. (at end of March 2015: ¥924.1bn., up 8.2%)**  
**Average AUM for Q1 (3 months): ¥993.0 bn. (Q4 of FY 2014 (3 months): ¥875.6bn., up 13.4%)**

**Japan : ¥523.8bn. (end of 2015/3) ⇒ ¥572.1 bn. (end of 2015/6) (up 9.2%)**  
**South Korea : ¥384.0 bn. (end of 2015/3) ⇒ ¥397.8 bn. (end of 2015/6) (up 3.6%)**  
**Entire Asia : ¥16.2 bn. (end of 2015/3) ⇒ ¥30.1 bn. (end of 2015/6) (up 85.8%)**

### [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 AUM due to the stable net inflow (won-based) for the Q1.  
⇒ But significant decrease in AUM at the end of July, 2015 due to the fact that a part of our managed strategy was terminated by Korean Institutional investor. As management fee rate of the terminated AUM is low, the impact this change has on the SPARX Group's consolidated earnings is minor.
- Asian stocks: Continuing increase of investment in OneAsia investment strategy.

### [AUM in Real Assets]

- Increase in AUM due to subscription of a real estate investment fund managed by SATM.

Note 1: "Average AUM for Q1 (3 months)," "Average AUM for Q4 (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 June 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 2015 Results for Q1(P/L)(2)



## ► Operating Revenue: ¥2,188 MM up 67.4% year-on-year ⇒ For details, see P.8

- Management fee increased due to AUM increase
- Performance fees significantly increased due to a stable upward trend in the Japanese market compared to the previous year and funds continue to have positive performance.

<b>Management fee</b>	<b>: ¥1,419 MM</b>	(FY 2014Q1: ¥1,085 MM, up 30.8%)
<b>Performance fee</b>	<b>: ¥ 581 MM</b>	(FY 2014Q1: ¥40MM, up 1,328.9%)
<b>Other operating revenue</b>	<b>: ¥186 MM</b>	(FY 2014Q1: ¥181MM, up 2.9%)

## ► Operating Expenses and General & Administrative Expenses: ¥1,527MM up 24.5% year-on-year ⇒ For details, see P.12

[Increase attributable to]

- Expansion of the business base for positive development of business.
- Commissions paid increased due to the management fee increase.
- Increase of bonus provision in relation to increased consolidated earnings.

[Decrease attributable to]

- Decrease in amortization of goodwill as compared to the same period of last year.

<b>(Simplified) operating CF</b>	<b>: ¥809 MM</b>	(FY 2014Q1: ¥298MM, up 171.4%)
<b>Operating profit</b>	<b>: ¥661 MM</b>	(FY 2014Q1: ¥81 MM, up 714.1%)

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



		FY2014		FY2015	
		Apr-Jun 2014	Full Year	Apr-Jun 2015	YoY change
<b>Average AUM</b>	(100MM JPY)	<b>7,143</b>	<b>7,936</b>	<b>9,930</b>	<b>+39.0%</b>
<b>Operating Revenue</b>	(MMJPY )	<b>1,307</b>	<b>6,654</b>	<b>2,188</b>	<b>+67.4%</b>
<b>Operating General&amp; Administrative Expenses</b>	(MMJPY )	<b>1,226</b>	<b>5,231</b>	<b>1,527</b>	<b>+24.5%</b>
<b>Operating Profit</b>	(MMJPY )	<b>81</b>	<b>1,422</b>	<b>661</b>	<b>+714.1%</b>
<b>Ordinary Profit</b>	(MMJPY )	<b>106</b>	<b>1,731</b>	<b>734</b>	<b>+589.2%</b>
<b>Profit attributable to owners of parent</b>	(MMJPY )	<b>238</b>	<b>1,499</b>	<b>602</b>	<b>+152.8%</b>
<b>Number of Employees (quarter-end・period-end)</b>		<b>130</b>	<b>117</b>	<b>119</b>	<b>▲8.5%</b>
<b>TOPIX(quarter-end・period-end)</b>		<b>1,262</b>	<b>1,543</b>	<b>1,630</b>	<b>+29.1%</b>
<b>NIKKEI stock average (quarter-end・period-end)</b>	(JPY )	<b>15,162</b>	<b>19,206</b>	<b>20,235</b>	<b>+33.5%</b>
<b>KOSPI(quarter-end・period-end)</b>		<b>2,002</b>	<b>2,041</b>	<b>2,074</b>	<b>+3.6%</b>

(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 1Q end is 144. In addition, the number of employees by region is as follows.

Number of Employees	June 2014	June 2015
Japan	73	72
Korea	38	32
Hong Kong	19	15

# Breakdown of Operating Revenue

Breakdown of Operating Revenue	FY2014		FY2015	
	Apr-Jun 2014	Full Year	Apr-Jun 2015	YoY change (%)
Management fees (MM JPY)	1,085	4,784	1,419	+30.8%
Net management fee rate (%)	0.52%	0.52%	0.50%	▲0.01
Performance fees (MM JPY)	40	1,157	581	+1328.9%
Percentage of AUM eligible to earn performance fees (%)	50.6%	45.5%	45.5%	▲5.1
Other operating revenue (MM JPY)	181	712	186	+2.9%
Total operating revenue (MM JPY)	1,307	6,654	2,188	+67.4%

(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.

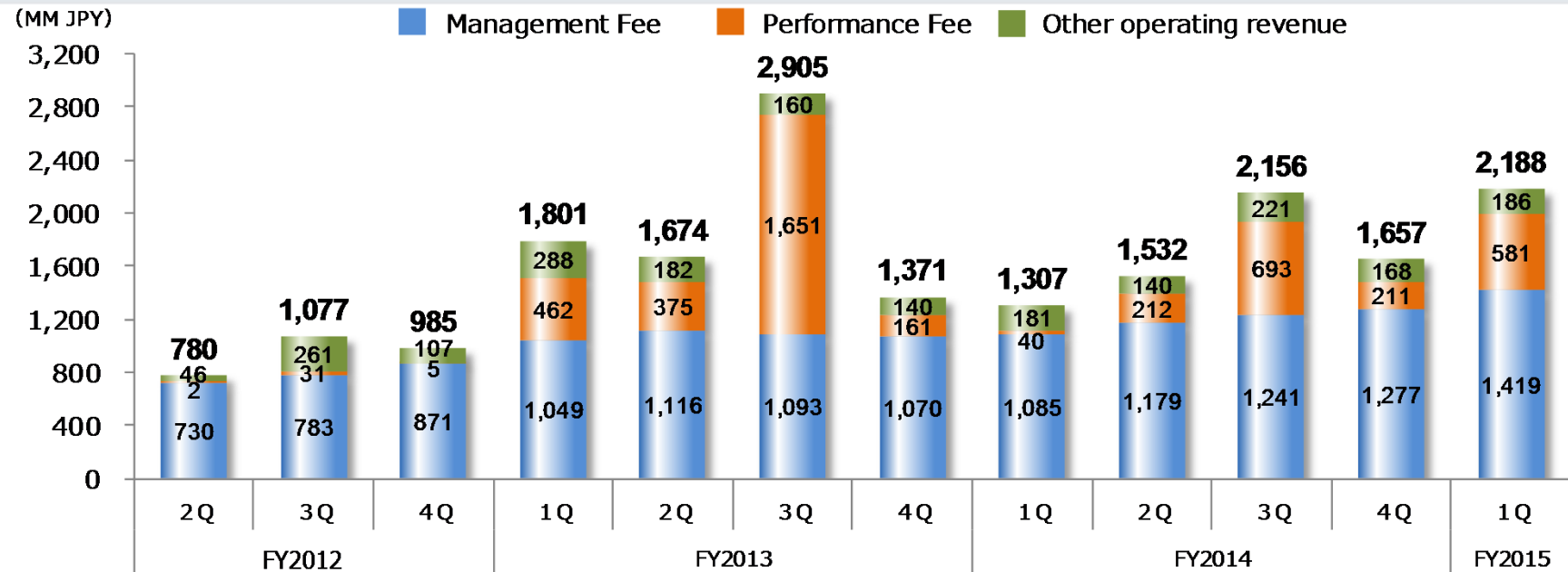
(Note 2) Net management fee rate = (Management fee – Related commissions and charges) / Average AUM

(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
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Management Fee	730	783	871	1,049	1,116	1,093	1,070	1,085	1,179	1,241	1,277	1,419
Performance Fee	2	31	5	462	375	1,651	161	40	212	693	211	581
Other operating revenue	46	261	107	288	182	160	140	181	140	221	168	186
<b>Operating Revenue</b>	<b>780</b>	<b>1,077</b>	<b>985</b>	<b>1,801</b>	<b>1,674</b>	<b>2,905</b>	<b>1,371</b>	<b>1,307</b>	<b>1,532</b>	<b>2,156</b>	<b>1,657</b>	<b>2,188</b>

(Reference)

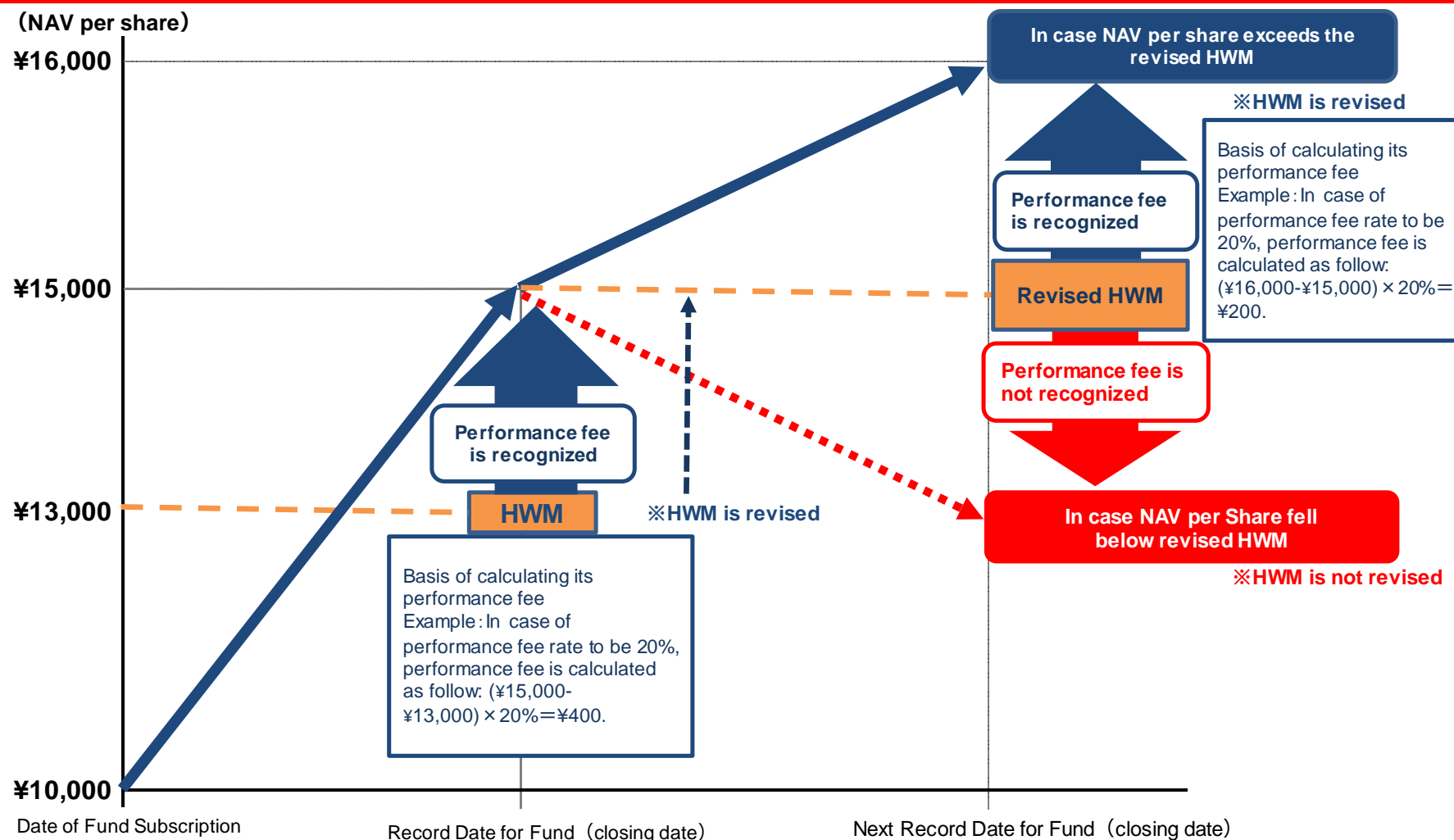
Average AUM (100MM JPY) (3months average)	4,642	5,369	6,232	6,763	6,742	7,038	6,778	7,143	7,788	8,060	8,756	9,930
Net management fee rate (3months average) (after the deduction of commission fee)	0.55%	0.52%	0.50%	0.55%	0.58%	0.54%	0.53%	0.52%	0.53%	0.53%	0.51%	0.50%
Percentage of AUM eligible to earn performance fees	51.9%	46.3%	48.9%	46.9%	48.9%	51.3%	54.4%	50.6%	50.2%	49.0%	45.5%	45.5%
NIKKEI stock average	8,870	10,395	12,397	13,677	14,455	16,291	14,827	15,162	16,173	17,450	19,206	20,235

(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 for informational purposes regarding the performance fee structure. It is not intended to explain exactly how the performance fee is calculated based on the fund's NAV.

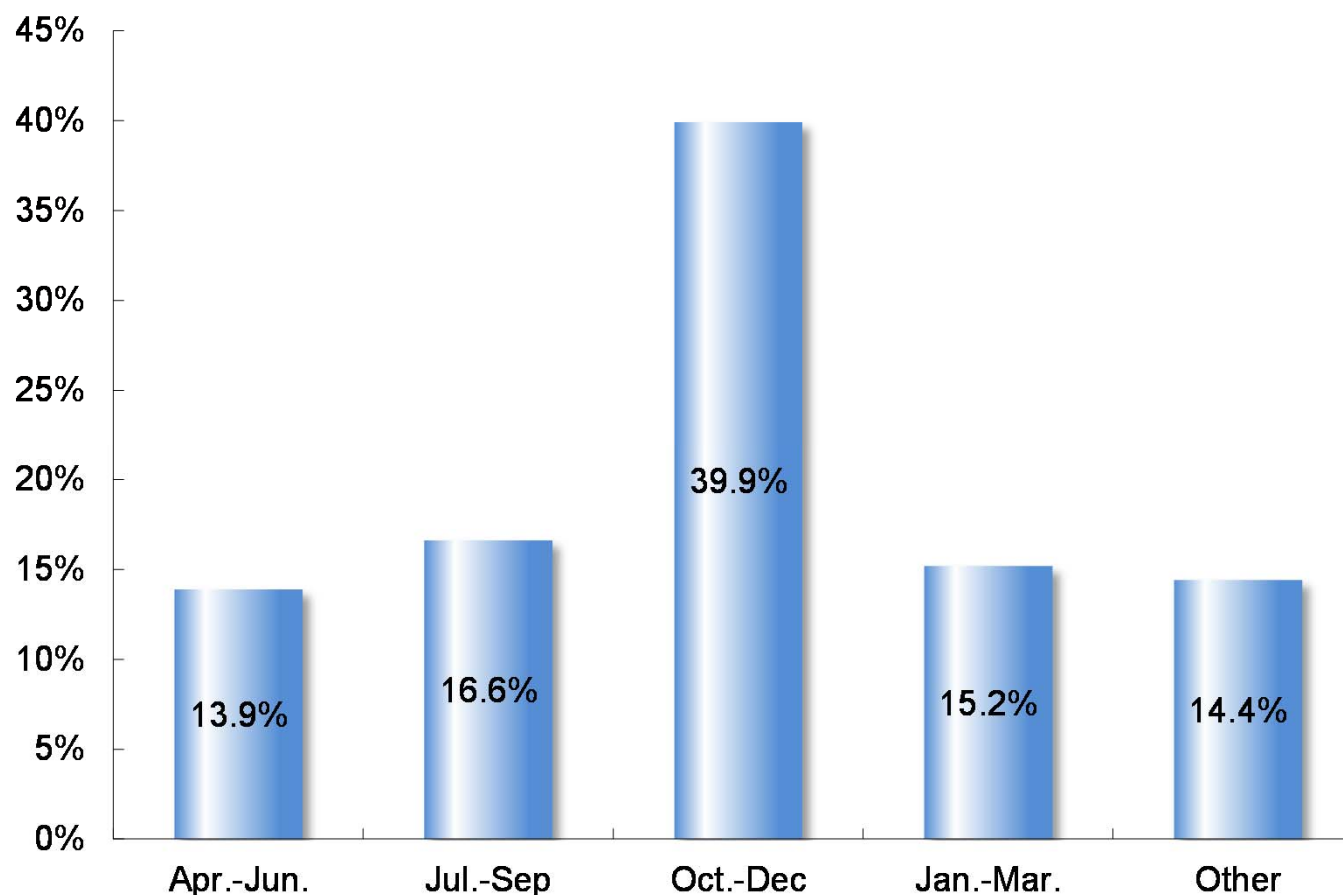
(Note 2) Above uses a performance fee rate of 20% for informational purposes only. In addition, "HWM" is an abbreviation for High-Water Mark.

(Note 3) In case a performance fee is recognized on the record date for the 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 June 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.

# Breakdown for Operating Expenses and General & Admin Expenses:



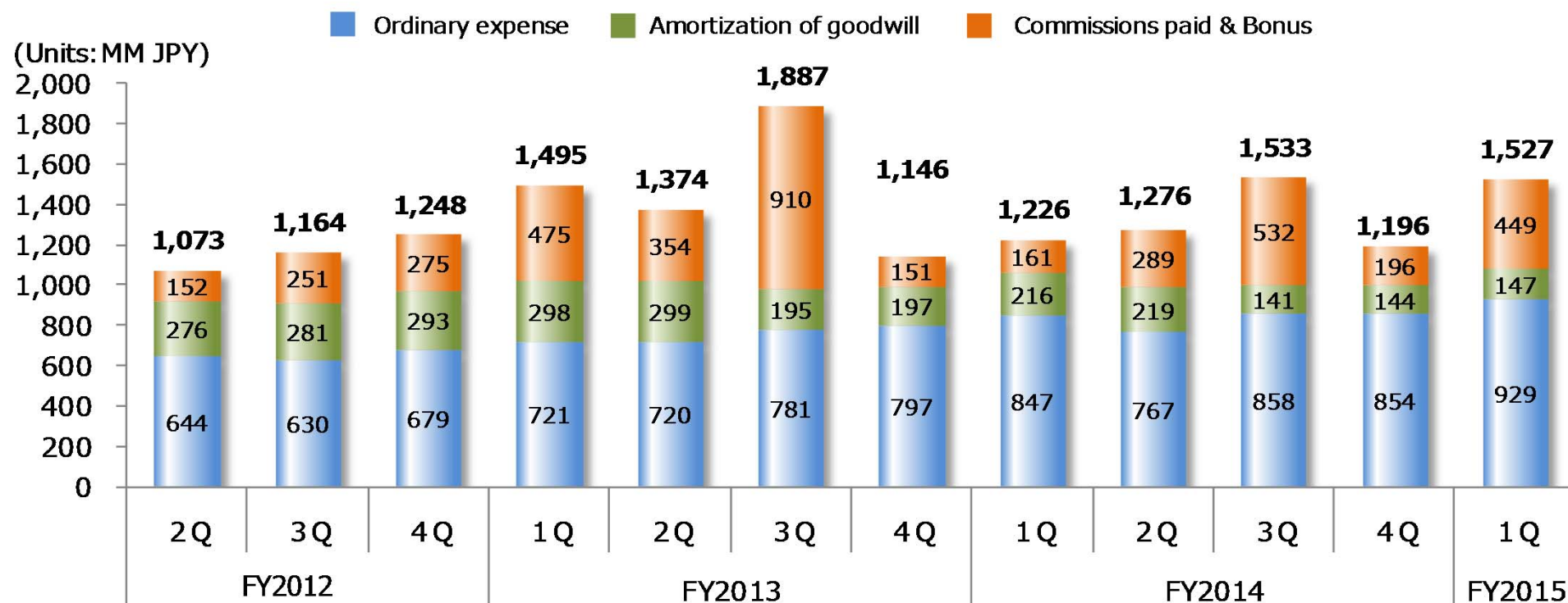
(Units: MM JPY)	FY2014		FY2015	
	Apr-Jun 2014	Full Year	Apr-Jun 2015	YoY change
Commissions paid	166	814	215	+29.7%
Personnel exp.	409	2,006	633	+54.7%
Entrusted fund admin fees	4	17	4	+4.2%
Travel exp.	47	146	36	▲22.3%
Property rent	65	239	72	+10.3%
Entrusted business expenses	67	261	93	+38.2%
Depreciation on fixed assets	13	56	12	▲9.3%
Other expenses	234	967	309	+32.1%
Amortization of goodwill	216	722	147	▲31.8%
<b>Total: Operating and general administrative expenses</b>	<b>1,226</b>	<b>5,231</b>	<b>1,527</b>	<b>+24.5%</b>
<b>Ordinary expense</b>	<b>847</b>	<b>3,328</b>	<b>929</b>	<b>+9.7%</b>

(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
	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q
Ordinary expense	644	630	679	721	720	781	797	847	767	858	854	929
Amortization of goodwill	276	281	293	298	299	195	197	216	219	141	144	147
Commissions paid & Bonus	152	251	275	475	354	910	151	161	289	532	196	449
<b>Operating and general administrative expenses</b>	<b>1,073</b>	<b>1,164</b>	<b>1,248</b>	<b>1,495</b>	<b>1,374</b>	<b>1,887</b>	<b>1,146</b>	<b>1,226</b>	<b>1,276</b>	<b>1,533</b>	<b>1,196</b>	<b>1,527</b>

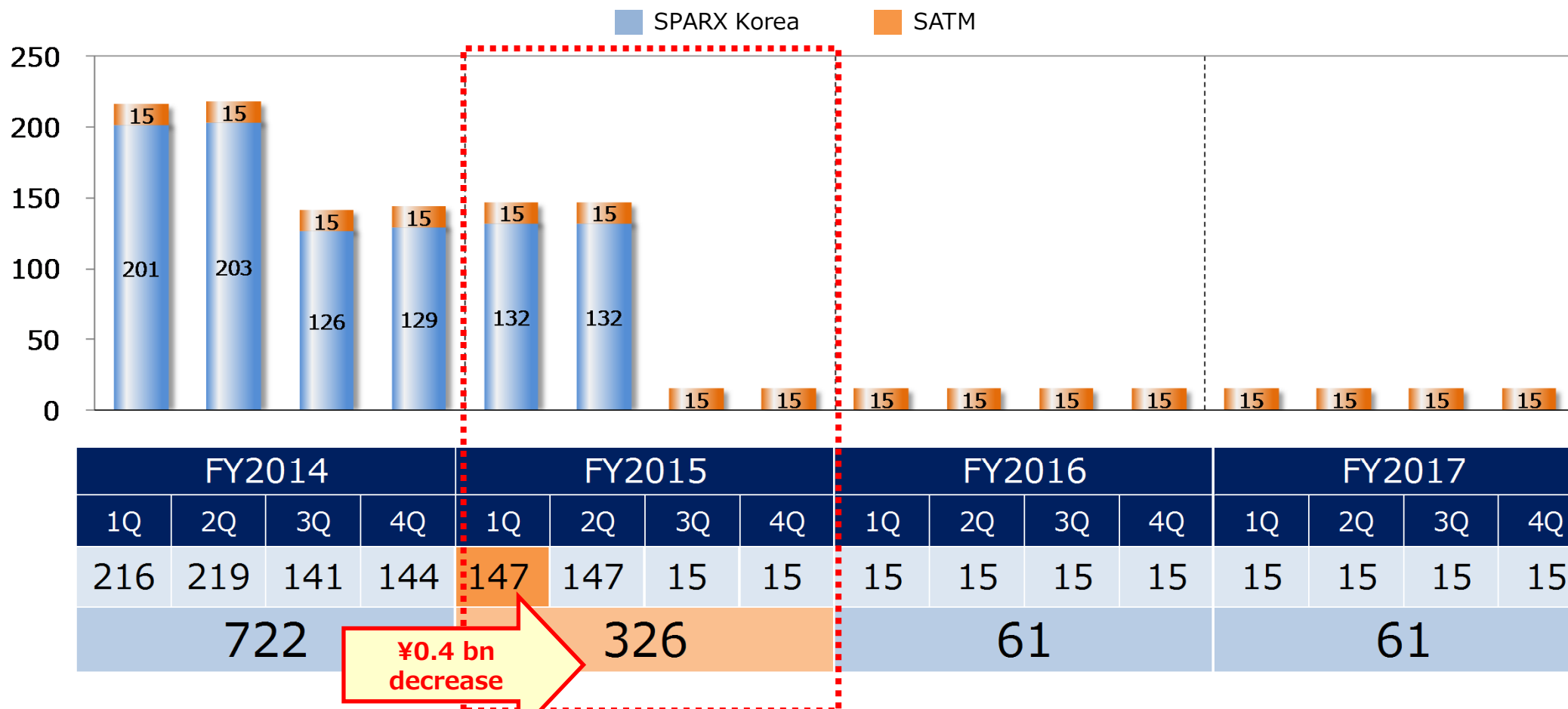
(Note) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses.

# Schedule for Goodwill Amortization



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

(Unit : MM JPY)



(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 = 0.1105yen).

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

# Base Earnings



	FY2014 Full Year	FY2015 Annualized
Average AUM (100MM JPY)	7,936	9,930
Net management fee rate (After the deduction of commissions paid) (%)	0.52	0.50
Annualized net management fee revenue (After the deduction of commission paid) (MM JPY)	4,132	5,000
Annualized ordinary expenses (MM JPY)	3,328	3,717
<b>Annualized "Base Earnings" (MM JPY)</b>	<b>+804</b>	<b>+1,283</b>

※ 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.

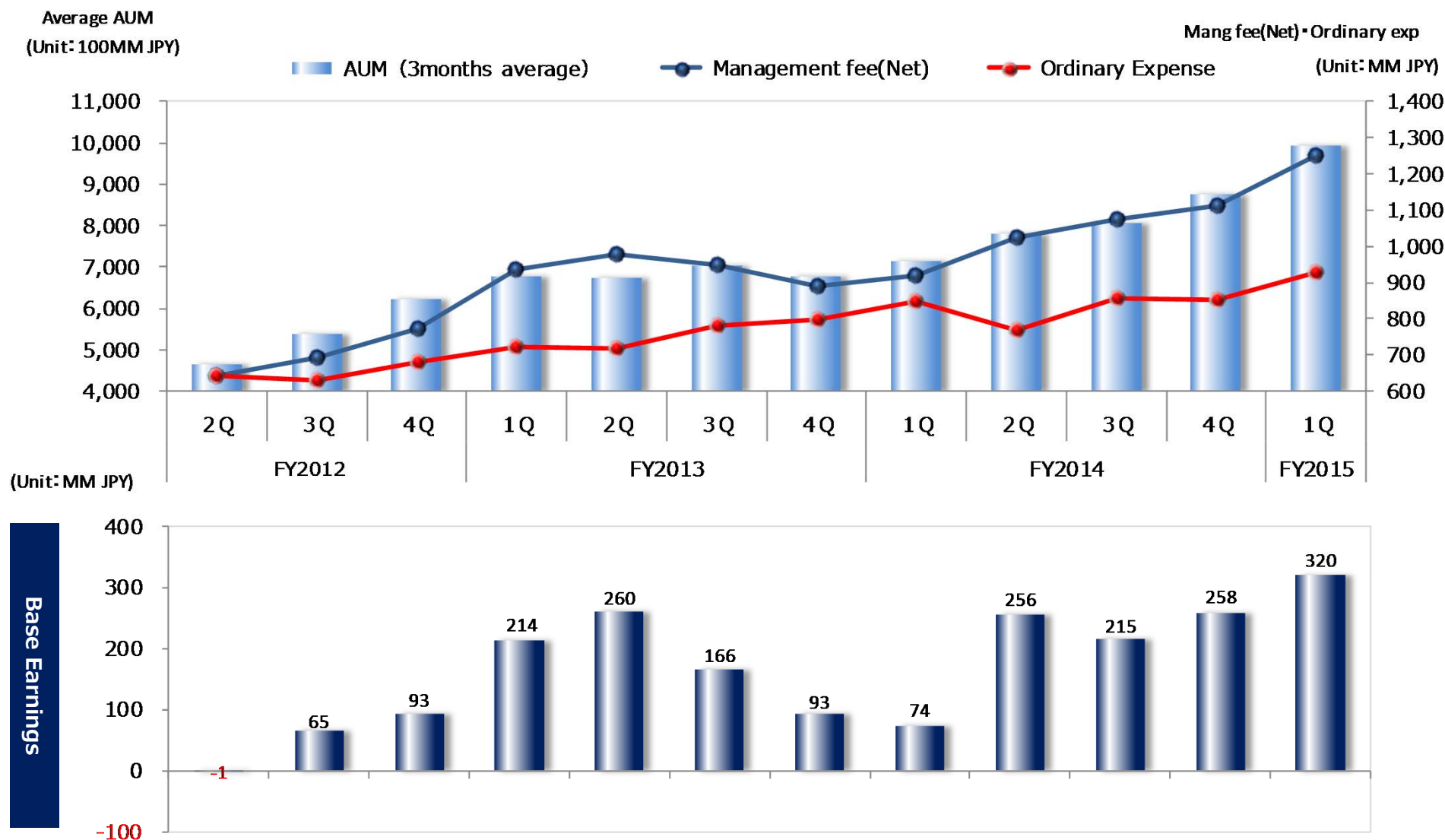
(Note 1) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses.

(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) "FY2015 Annualized" shows the annualized amount based on the actual figure of Q1 financial result.

(Note 4) The figures above are truncated.

# 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.



# FY 2015 Results for Q1 (B/S)



## ► Sufficient liquidity on hand viewed from both stock and flow

- Debt with interest: ¥3,000MM + accounts payable-other, etc.: ¥720MM = approx. ¥3,720MM, while cash and deposits: ¥12,300MM + accounts due, etc.: ¥1,610MM = approx. ¥13,910MM; “Stock” is maintained at sufficient level.
- Additionally, the “flow”, (Simplified) operating cash flow is also plus (¥809MM for Q1 of FY2015).

## ► Equity capital maintaining high stability

- Executed to pay the dividend (510MM) concerning previous FY. (Dividend payout ratio (consolidated base): 34%)
- High-level capital-adequacy ratio is maintained (67.6% at end of the previous FY ⇒ 67.4% at end of Q1).
- Based on improved earnings structure owing to the environmental changes and conservative financial management policy, we think that we are in a good position to seek a rating higher than our current issuer rating and outlook of “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. 2015	Jun. 2015	YoY change	
Current assets	15,265	15,640	+374	(Simplified) Operating CF : ¥809 MM
Cash and cash equivalents	12,709	12,383	▲326	
Receivables	1,312	1,614	+302	
Fixed assets	4,184	4,270	+85	
Goodwill	506	361	▲144	For future amortization cost of goodwill, see p.14.
Investment securities	3,275	3,502	+227	Increase mainly due to seed money investments and FX fluctuations (weaker yen)
Total assets	19,450	19,910	+459	
Payables	944	719	▲225	
Long-term loans payable	3,000	3,000	-	Breakdown is Long-term loans payable is as follows: 1500MM Rate : 1.365% 1500MM Rate : 1.396% Due : March in 2017
Total liabilities	4,662	4,867	+204	
Common stock	8,517	8,574	+56	
Add'l paid-in-capital	4,053	4,107	+54	
Retained earnings	1,797	1,889	+92	Dividend : ▲510MM Profit: +602MM
Treasury stock	▲3,304	▲3,304	-	
Total Shareholder's Equity	11,063	11,267	+204	
Valuation difference on AFS securities	499	528	+28	
Foreign currency translation adjustment	1,588	1,633	+44	Increased due mainly to the impact of yen depreciation/won appreciation.
Non-controlling interests	1,568	1,588	+20	
Total net assets	14,787	15,042	+254	Capital adequacy ratio Mar. 2015 : 67.6% Jun. 2015 : 67.4%

(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

## ► 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!!!**

【Mercer】: MPA Award (Japan) 2015 (Japan Equity Section) **For three consecutive years!!!**



**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.**

# MERCER MPA Award(Japan) 2015



July 6, 2015

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

## SPARX Received MERCER MPA Award (Japan) 2015 for the third consecutive year!

Tokyo (July 6, 2015) – We are pleased to announce that SPARX Japan Equity Focus All Cap Strategy (“the Strategy”) managed by SPARX Asset Management Co., Ltd, a wholly-owned subsidiary of the SPARX Group Co., Ltd has been recognized for outstanding investment performance at the 13th Annual Mercer MPA Award (Japan) 2015 of Japan Equity Category for 5 years to March 2015.

Strategy	Category	Evaluation Period
SPARX Japan Equity Focus All Cap Strategy	Japan Equity	5 years to March 2015

The SPARX Group continues to strive to become the most trusted and respected investment company in the world. All members at the SPARX Group remain dedicated to improve our investment capabilities, product offerings and client service activities.

The Mercer MPA (Japan) Awards are given to strategies with outstanding performance among those registered with Mercer Manager Performance Analytics (MPA), an investment analysis tool developed by Mercer.

The Mercer MPA Awards are based only on historical return obtained from investment managers and there is no relationship with Mercer's qualitative ratings or recommendation. Mercer gives no representations or warranties as to the accuracy of such information or method of calculation, and accepts no responsibility or liability (including for indirect, consequential or incidental damages) for any error, omission or inaccuracy in such information. In addition, Past Performance cannot be relied upon as a guide to future performance. Only Mercer Japan Ltd. gives this award to investment managers and no other Mercer offices are responsible for this award.  
For further information on Mercer Japan Ltd., please visit  
<http://www.mercer.co.jp/newsroom/2015-mpa-awards.html> (Japanese)

# Awarded Morningstar “Fund of the Year 2014”



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

- ⇒ 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).
- ⇒ Increase in AUM due to start selling this fund by Nomura Securities Co., Ltd. from the end of June.

(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



THOMSON REUTERS  
LIPPER FUND AWARDS 2015  
JAPAN

⇒ 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.

(FYR) <http://www.sparxgroup.jp/press/uploads/PressE150316-01.pdf>

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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.



# 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 years.****

⇒ 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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## ► Investments in renewable energy generating facilities

• In addition to the Public-Private Infrastructure Fund (Public-Private Fund 1) and the Public-Private Partnership Renewable Energy Fund (Public-Private Fund 2) 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).

⇒ Invested Projects are 16 (approx. 174MW) including 10 projects already selling electricity (approx. 63MW)

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

⇒ Completed the establishment of Public-Private Fund 2, which will collect the funds by September 2015.

⇒ Started to invest in the wind farm and others in addition to the mega solar.

• 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>

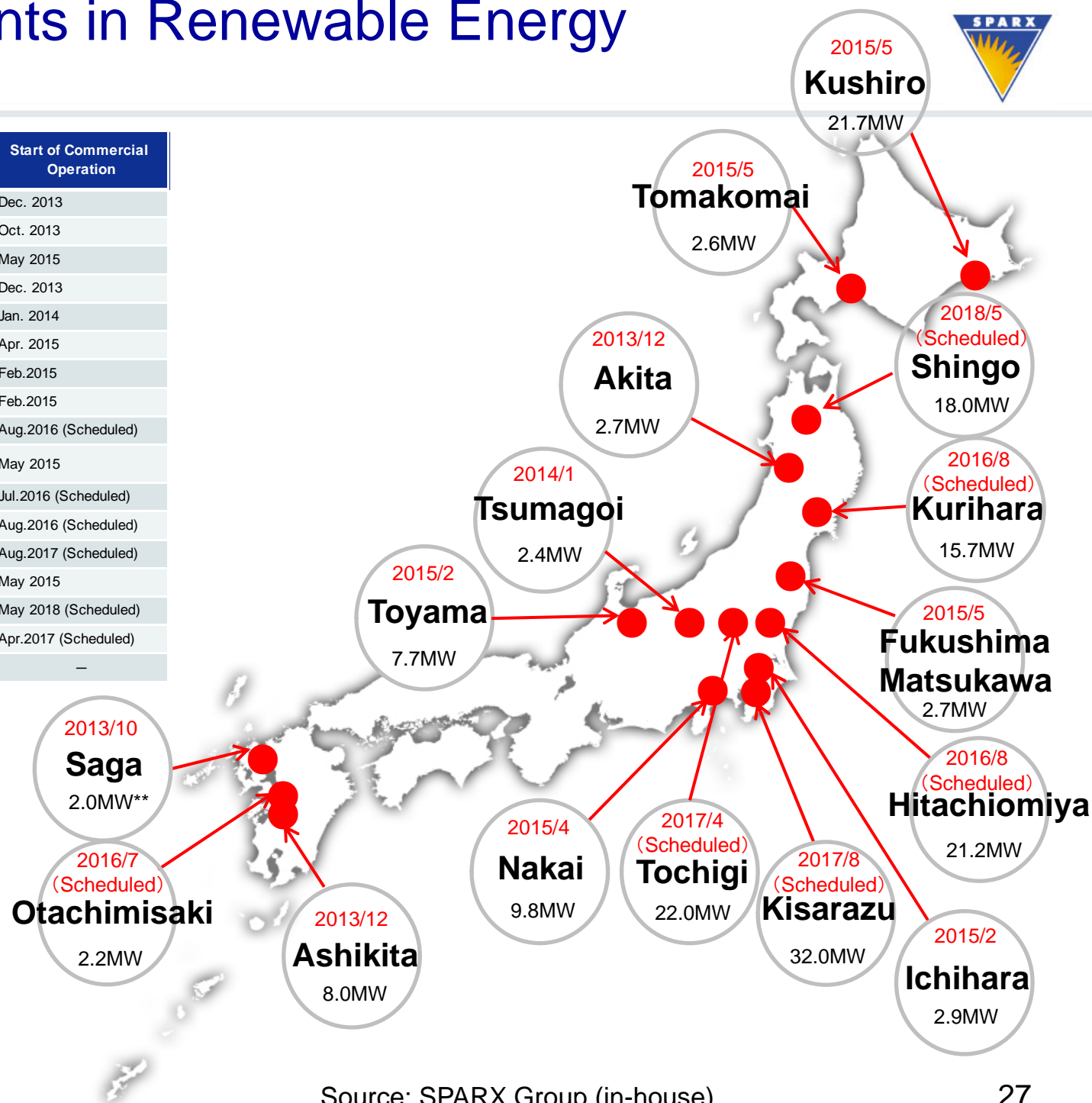
# Records of Investments in Renewable Energy Generating Facilities



	Location	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)
Tochigi Mega Solar	Tochigi	22.0	81	Apr. 2017 (Scheduled)
Total	—	173.6	689	—

\* The data shown in the list above is as of June 30, 2015. The figures above are truncated. Estimated figures are described for the facilities under construction.

\*\* Total capacity including additionally built portions is shown.



# 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 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 were collected by the end of April 2015.

⇒ 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 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)).

<Project No. 10.> Investment in a warehouse (whose asset value is approx. 5.0 billion yen including consumption tax) located in Kawasaki, Kanagawa Prefecture.

(FYR) <http://www.sparxgroup.jp/press/uploads/PressE150527-01.pdf>

<Project No. 11.> Investment in a hotel (whose asset value is approx. 5.3 billion yen including consumption tax) located in Yokohama, Kanagawa Prefecture.

(FYR) <http://www.sparxgroup.jp/press/uploads/PressE150624-01.pdf>

⇒ The private placement fund established in Japan for the purpose of the real estate investment 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 (1)



## ► Hong Kong (SPARX Asia)

- For OneAsia Long Short 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 and Achievement of the fund size recognized by the investors (AUM at end of July: 22.9 billion yen).

- ⇒ Scheduled the establishment of UCIT fund, of which the seed money is invested by European institutional investor and SPARX. In Europe, this achievement would lead to future full-fledged expansion.

- OneAsia Long Only Strategy has stable performance (see P.25).

- ⇒ Started to offer products to Japanese individual investors through Japanese Fund of Funds.

- ⇒ In addition, established to offer product to Japanese institutional investors (July 2015).

## Our Overseas Offices (2)



### ► Korea (SPARX Korea)

- 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.

- Significant decrease in the AUM is due to the fact that a part of our managed strategy was terminated by our major Korean client (a single client). As 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 restore AUM and future improve profitability.

## Other Activities



# At July 22, 2015, Toyota Motor Corporation, Sumitomo Mitsui Banking Corporation, and SPARX Agree to Work toward Establishing New Fund for Pioneering Technologies



## **TMC, SMBC, and SPARX Group Co., Ltd. Agree to Work toward Establishing New Fund for Pioneering Technologies**

Toyota Motor Corporation (TMC), Sumitomo Mitsui Banking Corporation (SMBC), and SPARX Group Co., Ltd. (SPARX Group) have signed a memorandum of understanding to consider the establishment of a new investment fund aiming to encourage innovation and support the spread of advanced technologies for future generations.

The companies will work to outline specific details of the fund which, through flexible, well-timed investments, will focus on supporting pioneering projects. These projects will center upon the fields of intelligent technology, robotics, and hydrogen-related technologies.

By establishing this fund, TMC hopes to gain broad and timely access to valuable information about future technologies and market trends, which can then be incorporated into its business strategy. In addition, TMC intends to use the fund to facilitate the spread of new values in the marketplace by supporting the establishment and the growth of enterprises that possess innovative technology. SMBC hopes to play a leading role in facilitating economic growth through the establishment of a socially meaningful fund for developing next-generation technologies. The fund should also help to boost its efforts to uncover and nurture promising future enterprises. SPARX Group wants to further emphasize a long-term approach to investment in future growth, and hopes to open up new fields as an investment company to help build the society of the future.

All three companies will now consider the details of the fund, including the scale of capital investment, other potential investors, and investment targets. Their aim will be to formally establish the fund around the autumn of 2015.

# We Started Facebook (currently only available in Japanese)



Let's click "like" !

# Appendix



# SAM: Annualized performance by strategy since inception

(Annualized)

(From Composite Start Date to June30, 2015)

Japanese equities	Long-only Active (Commingled funds)	Mid & Small caps	Long-Short (JPY, Lev. 1)	Strategic Investment
Composites	10.97%	8.11%	4.10%	9.52%
Reference Index	2.13%	4.78%	2.02%	2.41%
Excess Return	<b>8.84%</b>	<b>3.33%</b>	<b>2.08%</b>	<b>7.11%</b>

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)	21.56%	18.07%	7.38%	20.59%

(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.



# 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.

<u>Name of Composite</u>	<u>Type of investment strategy</u>
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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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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