

Consolidated Financial Results for the 3rd Qtr of the FY2015 (Apr. 2015 – Dec. 2015)

February 12, 2016



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



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

Financial Results for the 3rd Qtr of the FY2015

Large growth of each stage revenue due to the enhanced ability of base earnings by the increase of management fees.

- **Operating Revenue:** YoY Change +33.0% ¥4,997MM⇒ ¥6,645MM
- **Operating Profit:** YoY Change +119.8% ¥961MM⇒ ¥2,113MM
- **Net Income:** YoY Change +103.0% ¥1,066MM⇒ ¥2,164MM

FY 2015 Results for 3Q Overview (2)



AUM of the entire SPARX group increased mainly due to accumulation of AUM managed in Japan, in spite of a partial termination of contract by a major Korean client

(Unit:100MM JPY)	AUM			Average AUM (Nine months)		
	FY2014 4Q	FY2015 3Q	YoY change (%)	FY2014 3Q	FY2015 3Q	YoY change (%)
Japan	5,613	7,378	+31.5%	4,193	6,527	+55.7%
Korea	3,840	2,170	▲43.5%	3,445	2,996	▲13.0%
Asia	162	268	+65.2%	133	286	+114.6%
Total	9,615	9,818	+2.1%	7,772	9,810	+26.2%

※ Calculation method of AUM for Japan Renewable Energy Investment Strategy has been changed from the 3Q of the FY 2015. Due to the change, the figures of Japanese and the entire SPARX's AUM of the previous fiscal year have been retroactively amended accordingly. Hereinafter the same applies in this document.

Financial Highlights

		FY2014		FY2015	
		Apr-Dec 2014	Full Year	Apr-Dec 2015	YoY change
Average AUM	(100MM JPY)	7,772	8,110	9,810	+26.2%
Operating Revenue	(MMJPY)	4,997	6,654	6,645	+33.0%
Operating General& Administrative Expenses	(MMJPY)	4,035	5,231	4,531	+12.3%
Operating Profit	(MMJPY)	961	1,422	2,113	+119.8%
Ordinary Profit	(MMJPY)	1,192	1,731	2,161	+81.3%
Profit attributable to owners of parent	(MMJPY)	1,066	1,499	2,164	+103.0%
ROE (annualized)	(%)	12.0%	12.4%	21.0%	+9.0
Number of Employees (quarter-end・period-end)		128	117	132	+3.1%
TOPIX(quarter-end・period-end)		1,407	1,543	1,547	+9.9%
NIKKEI stock average (quarter-end・period-end)	(JPY)	17,450	19,206	19,033	+9.1%
KOSPI(quarter-end・period-end)		1,915	2,041	1,961	+2.4%

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. In addition, YoY change of “Return on Equity (annualized)” is not percentage of change but simple fluctuation.

(Note 2) Number of employees (period-end) is excluding the number of “directors and corporate auditors”. The total headcount (including outside director) as of December end is 155.

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

<Reference> Revenue Structure and Important Management Indicator



Business that receiving fees at fixed rate of AUM

■ Revenue Structure

Management Fees = $AUM \times \text{rate of management fees}$

Performance Fees = $AUM \times \text{percentage of AUM eligible to earn performance fees} \times \text{rate of performance fees}$

■ Important Management Indicator

Asset under management (AUM)

Rate of management fee

Percentage of AUM eligible to earn performance fees

Base Earnings = management fees (after deduction of commission paid) ▲ ordinary expenses

Breakdown of Operating Revenue

	FY2014		FY2015	
	Apr-Dec 2014	Full Year	Apr-Dec 2015	YoY change (%)
Management fees (MM JPY)	3,521	4,812	4,846	+37.6%
Net management fee rate (%)	0.52%	0.51%	0.56%	0.04
Performance fees (MM JPY)	1,177	1,429	1,462	+24.2%
Percentage of AUM eligible to earn performance fees (%)	51.2%	47.6%	37.3%	▲13.9
Other operating revenue (MM JPY)	297	412	335	+12.8%
Total operating revenue (MM JPY)	4,997	6,654	6,645	+33.0%

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) Management fees include inflow from such managing power stations relating to Japan Renewable Energy Investment Strategy.

(Note2) Performance fees include one-off fees received from real estate sales and purchases relating to Japan Real Estate Investment Strategy, and acquisition fees for fundraising received from such power stations relating to Japan Renewable Energy Investment Strategy.

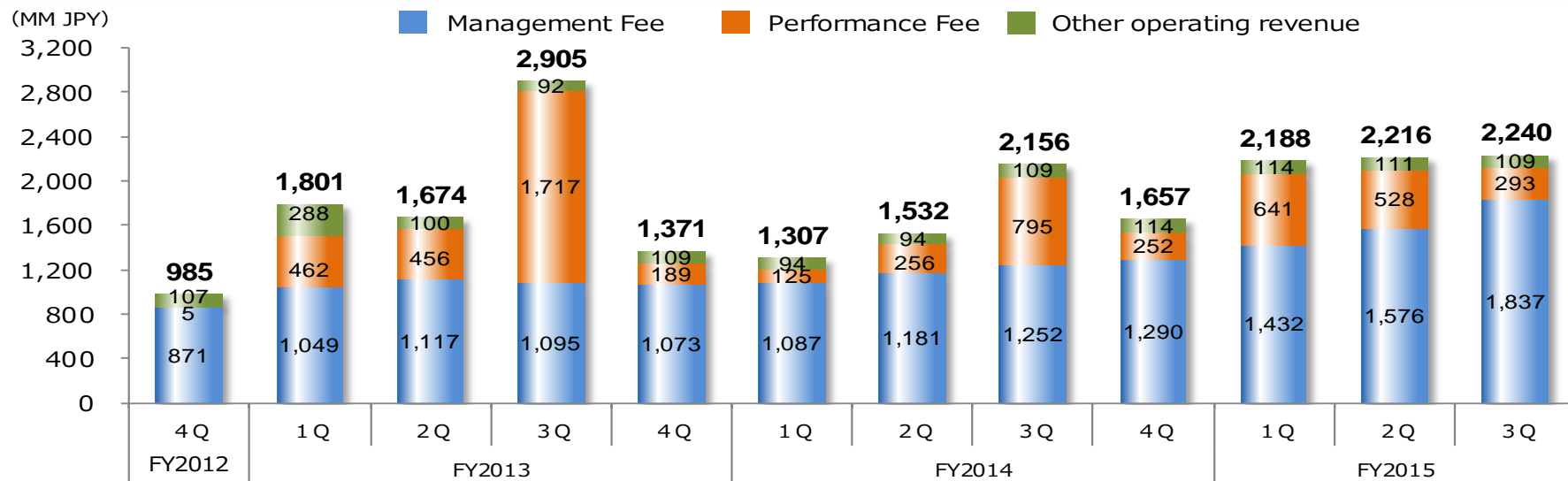
(Note3) From 3Q of the FY 2015, such power stations' management fees relating to Japan Renewable Energy Investment Strategy is transferred into management fees from other operating revenue. Also, acquisition fees relating to the said Strategy is transferred into performance fees from other operating revenue.

(Note4) 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.

(Note5) Net management fee rate = (Management fees – Related commissions and charges) / Average AUM.

(Note6) "Percentage of AUM eligible to earn performance fees (%)" = quarter-end or full-year AUM eligible to earn performance fees ÷ quarter-end or full-year AUM

<Reference> Quarterly Trends of Operating Revenue



(MM JPY)	FY2012	FY2013				FY2014				FY2015		
	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q
Management Fee	871	1,049	1,117	1,095	1,073	1,087	1,181	1,252	1,290	1,432	1,576	1,837
Performance Fee	5	462	456	1,717	189	125	256	795	252	641	528	293
Other operating revenue	107	288	100	92	109	94	94	109	114	114	111	109
Operating Revenue	985	1,801	1,674	2,905	1,371	1,307	1,532	2,156	1,657	2,188	2,216	2,240

(Reference)

Average AUM (100MM JPY) (3months average)	6,232	6,774	6,752	7,117	6,874	7,239	7,859	8,217	9,126	10,297	9,277	9,856
Net management fee rate (3months average) (after the deduction of commission fee)	0.50%	0.55%	0.58%	0.53%	0.52%	0.51%	0.52%	0.53%	0.49%	0.49%	0.59%	0.63%
Percentage of AUM eligible to earn performance fees	49.1%	46.9%	49.4%	51.9%	55.1%	51.2%	50.5%	51.2%	47.6%	47.4%	37.7%	37.3%
NIKKEI stock average	12,397	13,677	14,455	16,291	14,827	15,162	16,173	17,450	19,206	20,235	17,388	19,033

(Note1) Management fees include inflow for such managing power stations relating to Japan Renewable Energy Investment Strategy.

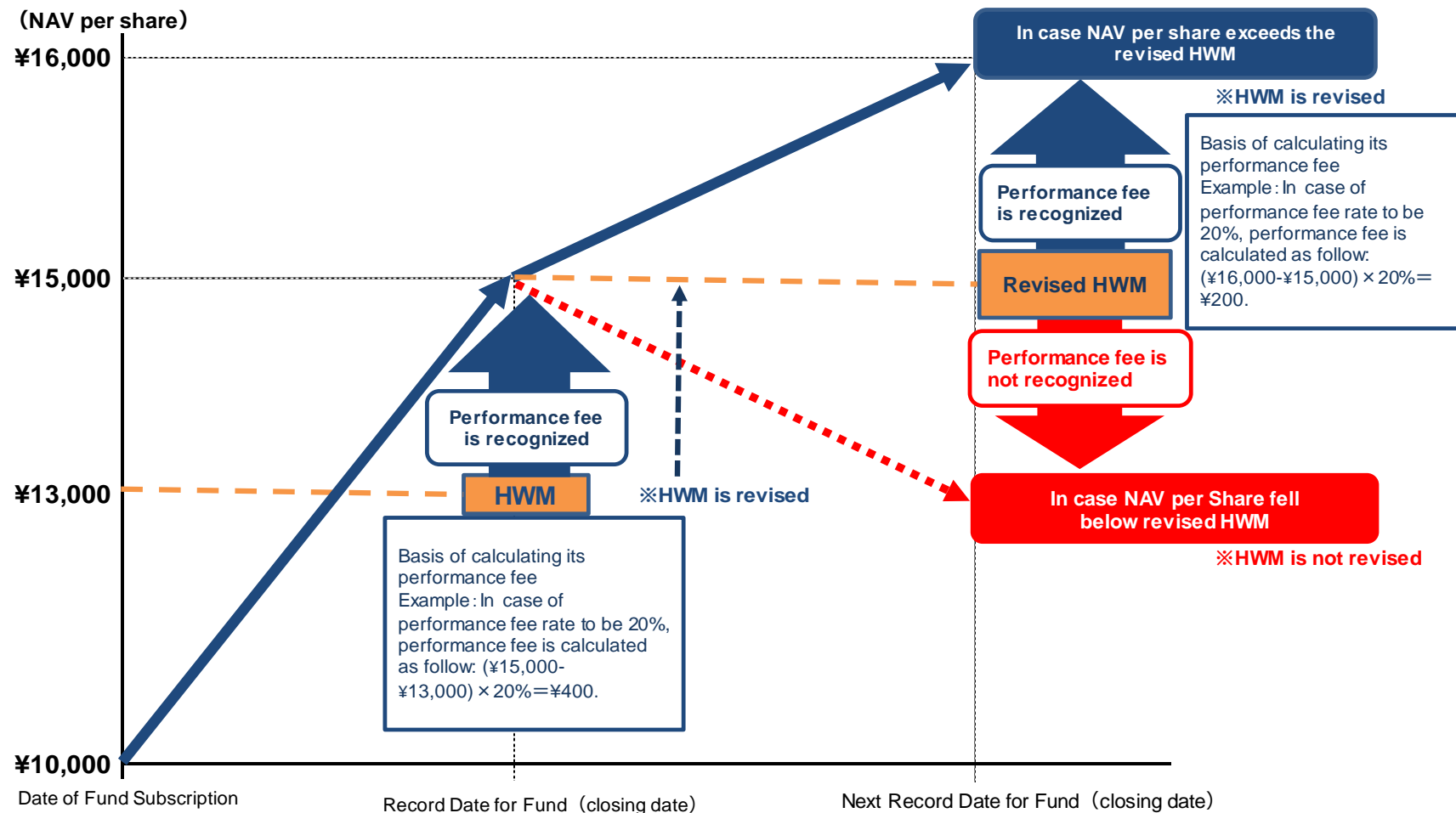
(Note2) Performance fees include one-off fees received from real estate sales and purchases relating to Japan Real Estate Investment Strategy, and acquisition fees for fundraising received from such power stations relating to Japan Renewable Energy Investment Strategy.

(Note3) From 3Q of the FY 2015, such power stations' management fees relating to Japan Renewable Energy Investment Strategy is transferred into management fees from other operating revenue. Also, acquisition fees relating to the said Strategy is transferred into performance fees from other operating revenue.

<Reference> Structure of Performance Fee (Related to Stock Fund)



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.

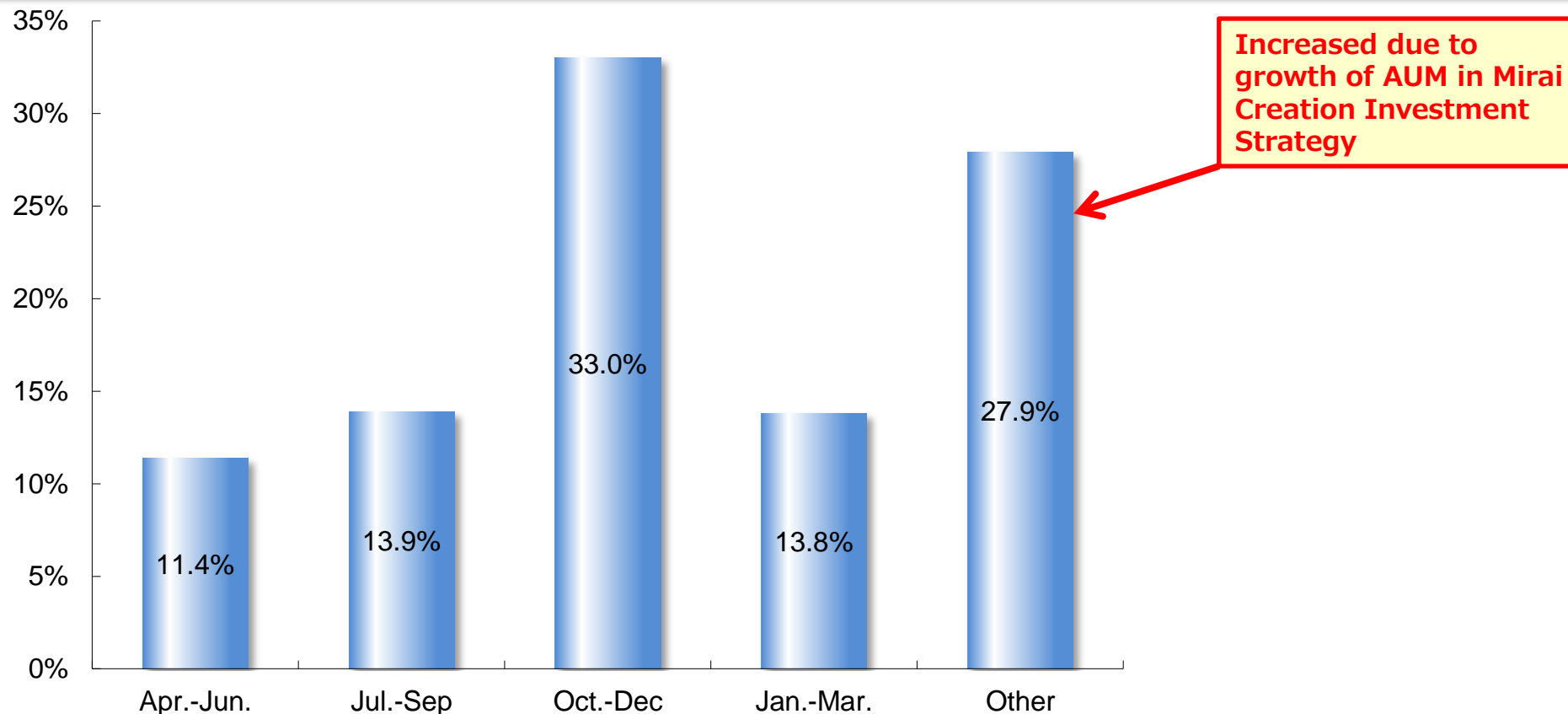
(Note 3) In case performance fee recognized on record date for fund, "HWM" is revised.

<Reference> (SAM) Funds with Performance Fees

– Distribution of Closing Date for Calculation



Aim to distribute record date of performance fee for funds



(Note1) All funds managed by SPARX Asset Management Co., Ltd. (investment trusts and discretionary investment accounts) as of December 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.

(Note2) 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”.

(Note3) The table above excludes AUM which arises acquisition fees of fundraising the Company Group received from such power stations relating to Japan Renewable Energy Investment Strategy.

(Note4) The above % figures are rounded to the nearest tenth of a percent. In addition, the figures are estimated based on in-house calculation.

(Note5) 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



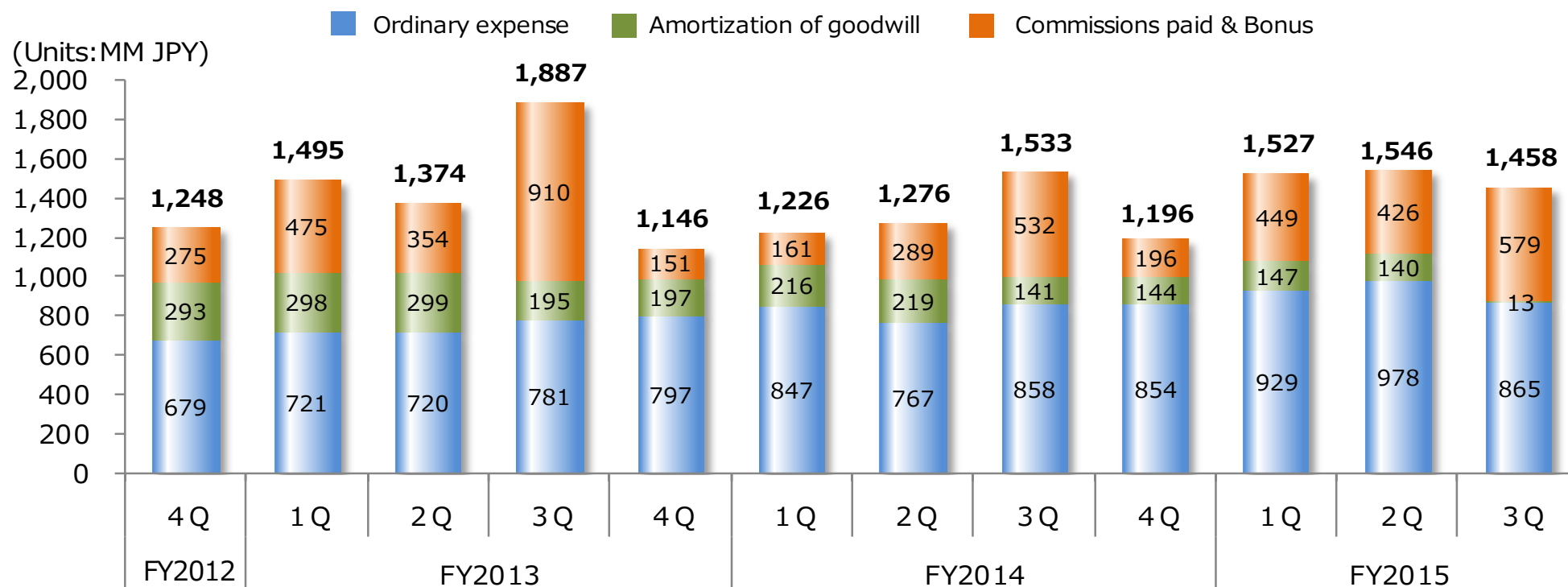
(Units: MM JPY)	FY2014		FY2015	
	Apr-Dec 2014	Full Year	Apr-Dec 2015	YoY change
Commissions paid	644	814	769	+19.6%
Personnel exp.	1,571	2,006	1,903	+21.1%
Entrusted fund admin fees	14	17	15	+9.2%
Travel exp.	117	146	134	+14.3%
Property rent	200	239	219	+9.3%
Entrusted business expenses	184	261	227	+23.8%
Depreciation on fixed assets	41	56	99	+139.7%
Other expenses	683	967	858	+25.7%
Amortization of goodwill	577	722	302	▲47.7%
Total: Operating and general administrative expenses	4,035	5,231	4,531	+12.3%
Ordinary expense	2,473	3,328	2,772	+12.1%

(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. other than salary.

(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		
	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q
Ordinary expense	679	721	720	781	797	847	767	858	854	929	978	865
Amortization of goodwill	293	298	299	195	197	216	219	141	144	147	140	13
Commissions paid & Bonus	275	475	354	910	151	161	289	532	196	449	426	579
Operating and general administrative expenses	1,248	1,495	1,374	1,887	1,146	1,226	1,276	1,533	1,196	1,527	1,546	1,458

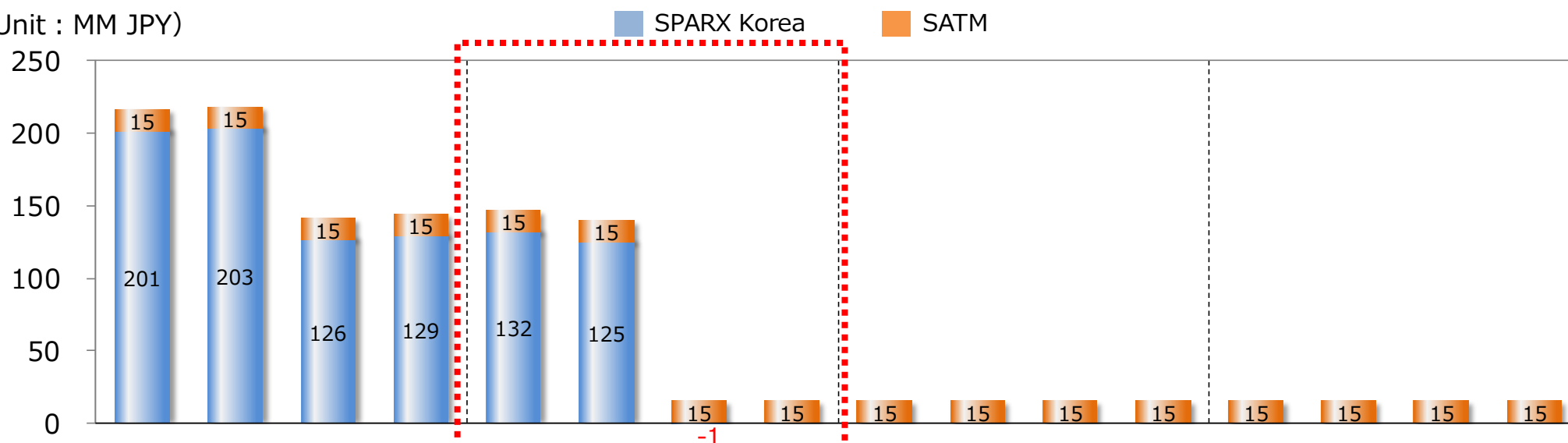
(Note) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, and legal welfare expenses related to bonuses), (3) Severances package for key members and (4) Amortization of goodwill, from total operating and general administrative expenses.

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	13	15	15	15	15	15	15	15	15	15
722				317				61				61			

¥0.4 bn decrease

- (Note1) 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 .
- (Note2) Goodwill of Korean won base are included, it will be affected by the exchange rate fluctuation.
- (Note3) Goodwill amortization relating to SATM is ¥61 MM annually and is amortized over 5 years.

Base Earnings

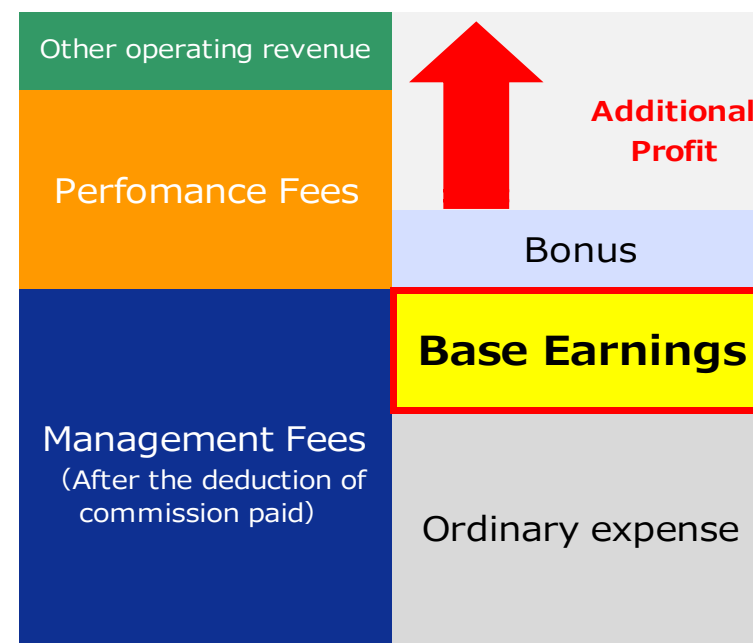


Base earnings increased due to an increase in management fees, significantly greater than an increase in ordinary expenses

	FY2014 Full Year	FY2015 Annualized
Average AUM (100MM JPY)	8,110	9,810
Net management fee rate (After the deduction of commissions paid) (%)	0.51	0.56
Annualized net management fee revenue (After the deduction of commission paid) (MM JPY)	4,160	5,524
Annualized ordinary expenses (MM JPY)	3,328	3,697
Annualized "Base Earnings" (MM JPY)	+832	+1,827

■ 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.



(Note1) 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.

(Note2) "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.

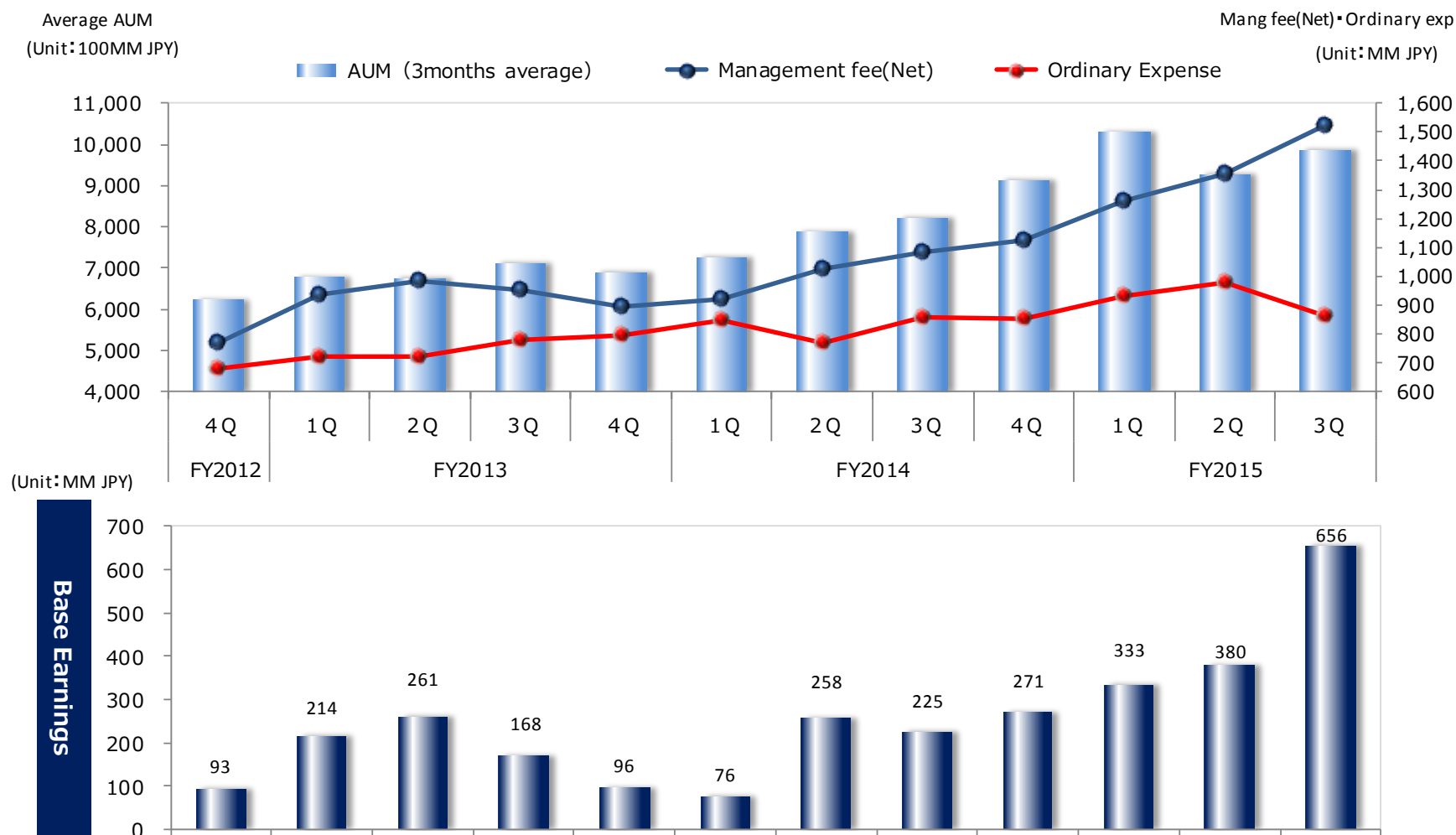
(Note3) "FY2015 Annualized" shows the annualized amount based on the actual figures of 3Q financial result.

(Note4) The figures above are truncated.

<Reference> Quarterly Base Earnings Trend



Growth of Base Earnings by increasing management fees and by controlling the costs



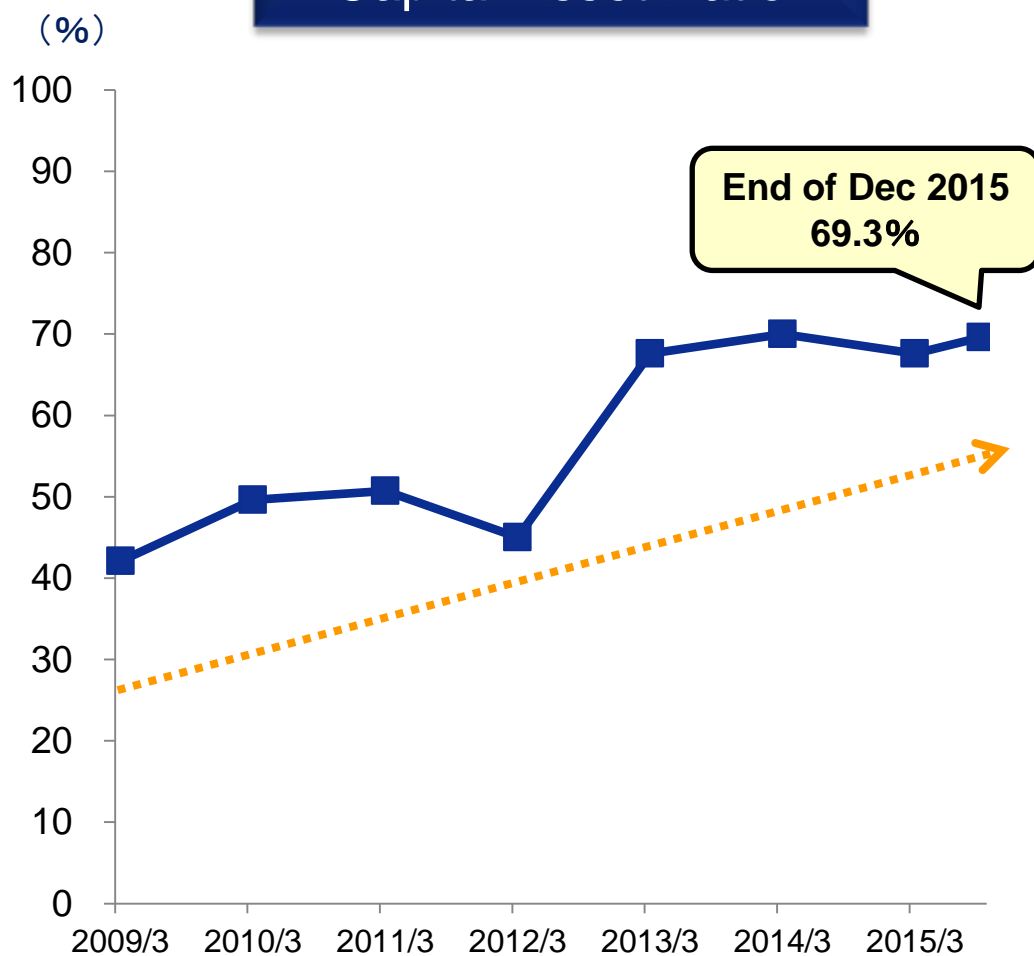
(Note1) As preliminary figures, the 「Annualized net management fee revenue」 is calculated by multiplying the net management fee rate and the average AUM for the period.

(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



Consolidated B/S

(Unit: MM JPY)

Cash and Cash equivalent 12,514	Interest-bearing debt 3,000
	Other liabilities 1,800
	Net assets 15,875
Receivables 2,292	
Securities - Investment Securities 3,740	
Other Assets 2,129	
Total assets 20,675	Liabilities and Net Assets 20,675

**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	Dec. 2015	YoY change	
Current assets	15,265	16,823	+1,558	(Simplified) Operating CF: ¥2,415MM Decreased due to seed money investment, dividend payment and yen appreciation / won depreciation.
Cash and cash equivalents	12,709	12,514	▲195	←
Securities	—	518	+518	← Increased due to transferring current portion of securities from investment securities
Receivables	1,312	2,292	+980	
Fixed assets	4,184	3,852	▲332	
Goodwill	506	199	▲306	← For future amortization cost of goodwill, see Slide 14.
Investment securities	3,275	3,222	▲52	← Decreased due to transferring current portion of securities from investment securities
Total assets	19,450	20,675	+1,225	
Payables	944	877	▲67	
Provision for bonuses	—	607	607	← Provision for bonuses in relation to increase consolidated earnings
Long-term loans payable	3,000	3,000	—	←
Total liabilities	4,662	4,799	+137	Breakdown is Long-term loans payable is as follows: 1,500MM Rate : 1.365% 1,500MM Rate : 1.396% Due : March 2017
Common stock	8,517	8,575	+57	
Add'l paid-in-capital	4,053	4,108	+55	
Retained earnings	1,797	3,451	+1,654	← Profit: +2,164MM Dividend : ▲510MM
Treasury stock	▲3,304	▲3,304	—	
Total Shareholder's Eq	11,063	12,831	+1,767	
Valuation difference on AFS securities	499	105	▲394	← Decreased due to sale of an investment securities, being recognized as profit
Foreign currency translation adjustment	1,588	1,402	▲186	← Decreased mainly due to the impact of yen appreciation / won depreciation.
Non-controlling interests	1,568	1,515	▲52	
Total net assets	14,787	15,875	+1,088	

(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

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.

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 inflows of funds into alternative investment strategy.

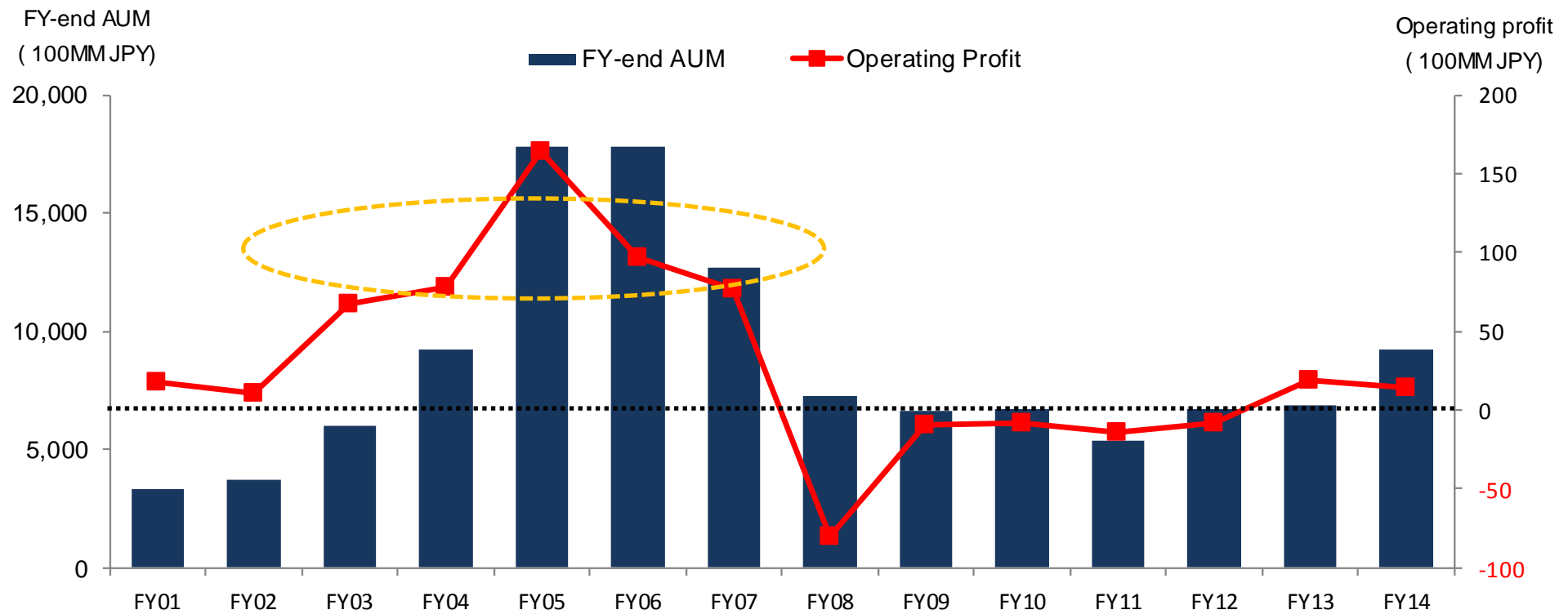
② Improving and strengthening the organization to meet with medium-term growth

⇒ Introduced executive officer system in order 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 to increase media exposure and to conduct seminars for individual investors more frequently.

<Reference> What is “Complete Revival”



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

⇒ Aim at increasing both AUM and management fee ratio by achieving net inflows into value added products such as an alternative or real asset investment strategy.



Set the aim of FY2017 that AUM 2 trillion yen and have stable operating profit of 8 billion yen as an interim milestone for VISION2020.

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 started in November 2015 with total investment capital of 13.5 billion yen.
- ⇒ Aim to attain the total investment capital of approximately 50.0 billion yen by March 2016.

► Publicly offered investment trust in Japan

Diligently 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. Also, AUM of publicly offered investment trust newly added has been growing well.
- ⇒ Aim to set up new publicly offered equity investment funds which has a similar investment policy to “Mirai Creation Investment Limited Partnership”.

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.

⇒ Has started execution of the investment in some projects.

➤ Schedule

The LPS is aimed to be offered to other limited partner investors in order to achieve the total investment capital of approximately 50.0 billion yen by March 2016.

“Mirai Creation Investment Limited Partnership” Project①



- UIEvolution, Inc

Notice Concerning the Execution of First Investment Project by Mirai Creation Fund

Tokyo (January 5, 2016) – The Company established “Mirai Creation Fund” (“FUND”), also Toyota Motor Corporation (TMC) and Sumitomo Mitsui Banking Corporation (SMBC) decided to invest in the FUND as announced in the press release “Toyota and Sumitomo Mitsui Banking Corporation to Invest in New Investment Fund Established by SPARX Group Co., Ltd.” dated November 4, 2015. We are pleased to advise you that the FUND has executed an investment (USD 5 million) in UIEvolution, Inc. (headquartered in Seattle, WA; CEO and President: Chris Ruff; hereinafter called “UIEvolution”) as realization of the first investment project of the FUND.

■ Overview of the Investment

UIEvolution is a vertical cloud Software-as-a-Service (SaaS) provider specializing in highly scalable connected device software and solutions across a broad range of markets, including Automotive, Cruise, Hotel, Retail and more. It believes that technology and connectivity should enhance and never distract from life experiences. From its inception in 2000, it has said “The User’s Experience Matters,” and, now for over 15 years it has made software and provided services that deliver this vision. Headquartered in Seattle with offices in Tokyo and Detroit, UIEvolution has a proven track record with clients such as Toyota, Lexus, DIRECTV, Princess Cruises, Samsung, AT&T, Holland America Lines, Microsoft, Disney, Mitsubishi and Panasonic.

- Our wholly-owned subsidiary, SPARX Asset Management Co., Ltd. (“SAM”) has been entrusted with the management of the Fund by entering into the discretionary investment agreement between this FUND and SAM. The Fund also has several potential investment project candidates on which further research and feasibility studies are currently conducted. The investments will continue to be executed sequentially for those projects that have passed through the comprehensive process of strict due diligence investigation and preparation based on investment guidelines.

■ Overview of “the FUND”

The FUND targets to invest in enterprises that possess innovative technologies in the core fields of artificial intelligence (AI), robotics, technologies to help achieve a hydrogen-based society, as well as other related projects. The FUND began operations in November 2015 with SPARX Group Co., Ltd., as Operator upon completion of the joint investment in the total amount of approximately 13.5 billion yen made by SPARX, TMC, and SMBC, with TMC and SMBC.

UIEvolution, Inc

Established in 2000

Located in Seattle, Washington, USA

President and CEO: Chris Ruff

Director and Founder: Satoshi Nakajima
(former Chief Architect of Windows 95/98,
Internet Explorer 3.0/4.0 in Microsoft)

(Reference)

Toyota and UIEvolution, Inc. entered into
business collaboration in order to provide safer
and more secure connected service.

“Mirai Creation Investment Limited Partnership” Project②



- Kymeta Corporation

Notice Concerning the Execution of New Investment by Mirai Creation Fund

Tokyo (January 13, 2016) – The Company has executed the first investment from “Mirai Creation Fund” (“Fund”), which was established in November 2015, and made an announcement in the press release dated January 5, 2016. Now we are pleased to advise you that the Fund has executed a new investment (USD 5 million) in Kymeta Corporation (headquartered in Redmond, WA; President and CEO: Dr. Nathan Kundtz; hereinafter called “Kymeta”).

■ Overview of the Investment

Kymeta, established in 2012, is a venture enterprise developing and commercializing a new, innovative software-enabled metamaterials-based electronic beamforming antenna for satellite and mobile communications. Kymeta is developing its innovative and smart antenna products with key characteristics of “compact, light, inexpensive and power efficient” utilizing its unique meta-materials technology, and those products would achieve ubiquitous high-speed and high-bandwidth satellite connectivity to such customers across a broad range of markets; maritime, aerospace, automotive and more.

<http://www.kymetacorp.com/>

■ Overview of “the Fund”

The Fund targets to invest in enterprises and projects that possess innovative technologies in the core fields of artificial intelligence (AI), robotics, technologies to help achieve a hydrogen-based society, as well as other related projects. The Fund began its operations in November 2015 with SPARX Group Co., Ltd. (“SPARX”) as an operator in the total amount of approximately 13.5 billion yen invested by Toyota Motor Corporation, Sumitomo Mitsui Banking Corporation and SPARX. The Fund still continues its fundraising toward the final closing.

Kymeta Corporation

Established in 2012

Located in Redmond, Washington, USA

Chairman: Bill Gates (founder of Microsoft)
President and CEO: Nathan Kundtz, Ph.D.

A venture enterprise developing an antenna for satellite and mobile communications across markets; automotive, maritime, aerospace and more.

(Reference)

Toyota displayed at Detroit Auto Show a Mirai-based research vehicle with satellite communications function innovated with Kymeta.

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) Two consecutive years!! (2014-2015)
Morningstar	Fund of the Year (Japanese Equity Section) Two consecutive years!! (2014-2015) ~SPARX Shin Kokusai Yuryo Japanese Equity Fund
Mercer	MPA Award (Japan) 2015 (Japan Equity Section) Three consecutive years!!! (2013-2014-2015) ~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) Three consecutive years!!! (2013-2014-2015) ~Nikko SPARX Asia & Middle East Equity Fund



Receiving the Best Fund of the Year 2015, Morningstar Award “Fund of the Year 2015”

Winning the best fund award 2 years in a row



SPARX Shin Kokusai Yuryo Japanese Equity Fund ("Gensentoshi" ("Highly Selective Investment"))

Best Fund of the Year 2015

Domestic Large-cap Stock Fund Division (Total: 604 funds)
of 「Morningstar Award “Fund of the Year 2015”」

(Reference)

<http://www.sparxgroup.jp/press/uploads/PressE160128-01.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.

All information is the property of Morningstar Japan K.K. or Morningstar, Inc. and protected by copyright and intellectual property laws. All rights reserved. Taking every factor into consideration, Morningstar Japan K.K. has selected funds for Morningstar Award “Fund of the Year 2015” in each divisions from open-end mutual fund based upon its unique quantitative and qualitative analysis. Awarded funds in the Domestic Large-cap Stock Fund Division have been selected from 604 funds at the end of December 2015.

Annualized Performance by Strategy Since Inception ①



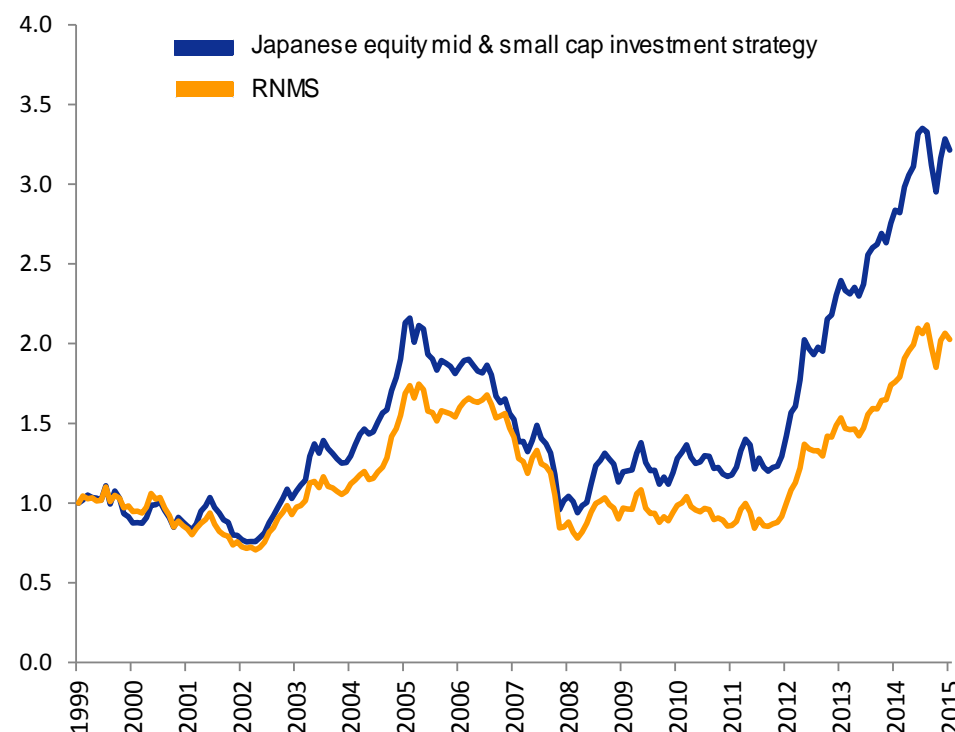
Japanese equity active long-only investment strategy



(Annualized Return)

Japanese equity active long-only investment strategy	10.64%	Reference Index	TOPIX (Dividend included)
Reference Index	1.83%	Measurement Period	1997/5 ~2015/12
Excess Return	8.80%	Volatility of Composite Return (Annualized)	21.52%

Japanese equity mid & small cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	7.57%	Reference Index	Russell/Nomura Mid-Small Cap Index
Reference Index	4.51%	Measurement Period	2000/1 ~2015/12
Excess Return	3.06%	Volatility of Composite Return (Annualized)	18.04%

Source: SPARX Group Co., Ltd (Tokyo, Japan), as of December 31, 2015.

Annualized Performance by Strategy Since Inception ②



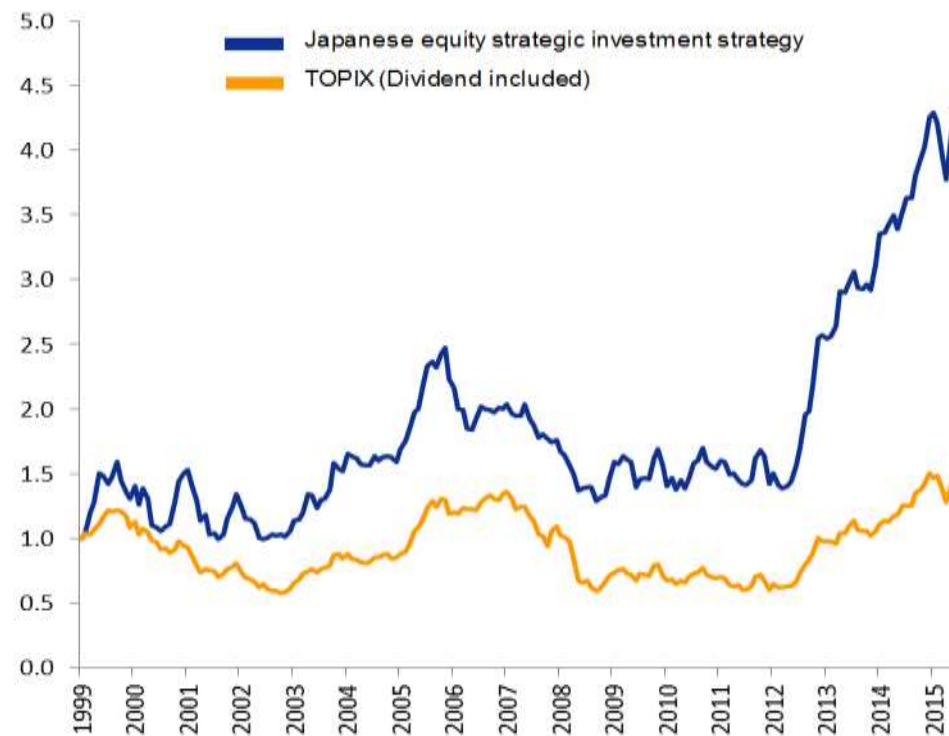
Japanese equity long-short investment strategy



(Annualized Return)

Japanese equity long-short investment strategy	3.79%	Reference Index	TOPIX (Dividend included)
Reference Index	1.68%	Measurement Period	2000/6 ~2015/12
Excess Return	2.12%	Volatility of Composite Return (Annualized)	7.33%

Japanese equity strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	9.06%	Reference Index	TOPIX (Dividend included)
Reference Index	2.07%	Measurement Period	1999/7 ~2015/12
Excess Return	6.99%	Volatility of Composite Return (Annualized)	20.52%

Source: SPARX Group Co., Ltd (Tokyo, Japan), as of December 31, 2015.



Invested Projects are 21 (approx. 257MW)
including 11 projects already selling electricity (approx. 62MW)

► 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.

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

► Funds from overseas/domestic institution clients have executed investment.

► Listed Infrastructure Fund

Continuously preparing for entering into the listed infrastructure fund market, assessing the taxation details.

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

Record of Investments in Renewable Energy Generating Facilities



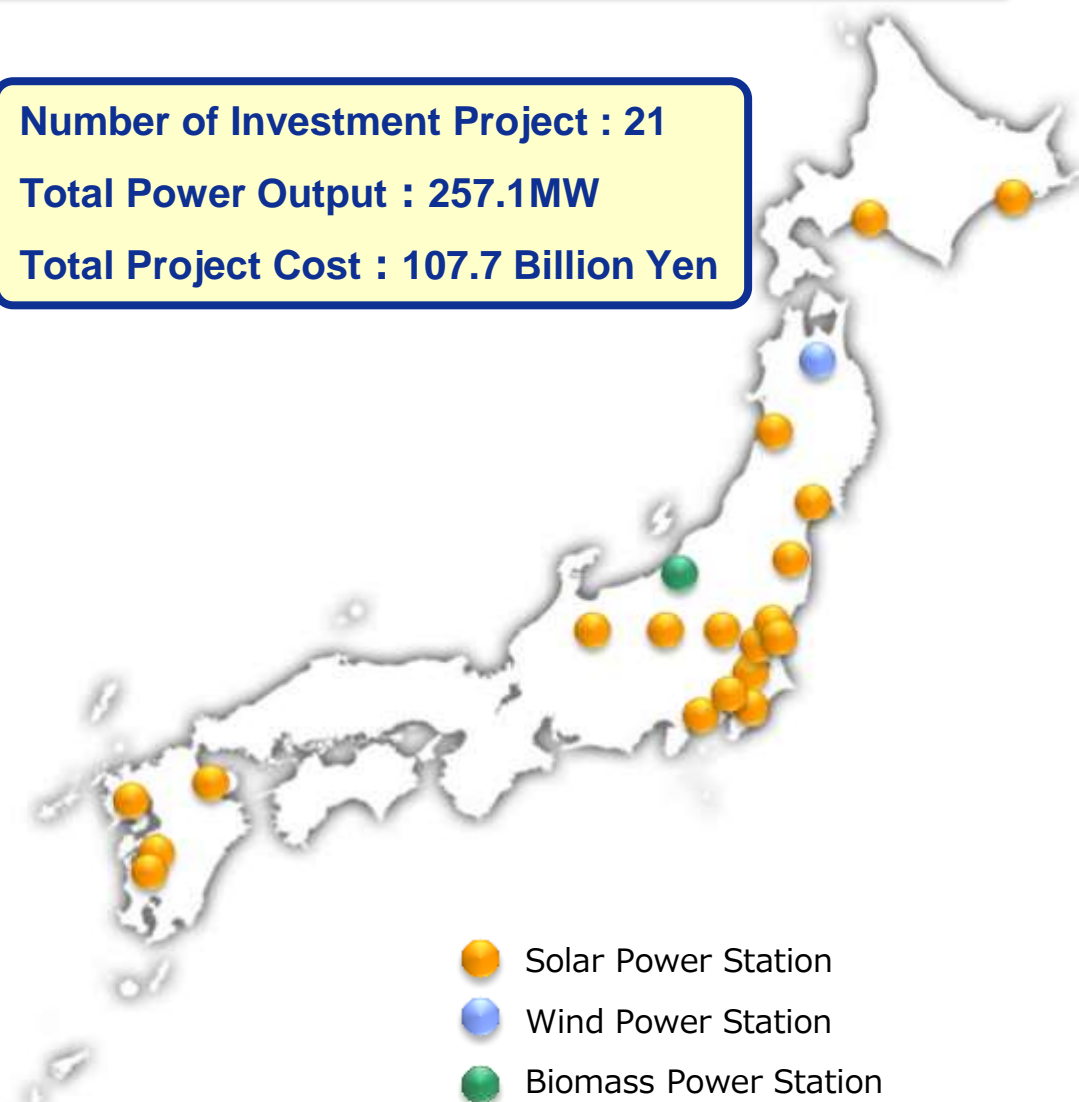
Expand Various Renewable Energy Generating Facilities Over Japan

	Location	Output Scale (MW)	Total Project Cost* (100 million JPY)	Start of Commercial Operation
Kushiro Mega Solar	Hokkaido	21.7	83	May 2015
Tomakomai Mega Solar	Hokkaido	2.6	9	May 2015
Singo Wind Power	Aomori	18.0	110	May 2018 (Scheduled)
Akita Mega Solar	Akita	2.7	9	Dec. 2013
Kurihara Mega Solar	Miyagi	15.7	55	Jan.2017 (Scheduled)
Fukushima Matsukawa Mega Solar	Fukushima	2.7	9	May 2015
Sanjyo Biomass Power	Niigata	6.3	55	Feb.2017 (Scheduled)
Namekata Mega Solar	Ibaraki	8.2	30	Feb.2017 (Scheduled)
Hitachiomiya Mega Solar	Ibaraki	21.2	78	Aug.2016 (Scheduled)
Kamisu Mega Solar	Ibaraki	20.3	82	Jan.2017 (Scheduled)
Tochigi Mega Solar	Tochigi	22.0	81	Aug.2017 (Scheduled)
Kisarazu Mega Solar	Chiba	32.0	123	Aug.2017 (Scheduled)
Ichihara Mega Solar	Chiba	2.9	11	Feb.2015
Tokyo Mega Solar	Tokyo	0.4	1	Dec.2015
Nakai Mega Solar	Kanagawa	9.8	41	Apr. 2015
Tsumagoi Mega Solar	Gunma	2.4	9	Jan. 2014
Toyama Mega Solar	Toyama	7.7	27	Feb.2015
Usa Mega Solar	Oita	48.3	216	Apr.2018 (Scheduled)
Saga Mega Solar	Saga	2.0	7	Oct. 2013
Otachimisaki Mega Solar	Kumamoto	2.2	7	Jul.2016 (Scheduled)
Ashikita Mega Solar	Kumamoto	8.0	34	Dec. 2013
Total	–	257.1	1,077	–

Number of Investment Project : 21

Total Power Output : 257.1MW

Total Project Cost : 107.7 Billion Yen



* The data shown in the list above is as of January 2016. The figures above are truncated. Estimated figures are described for the facilities under construction.

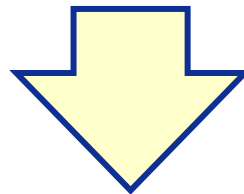
** Total capacity including additionally built portions is shown.

Source: SPARX Group (in-house)

► 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)).



In addition to management fees for AUM, we have received performance fees in relation to real estate sales and purchases from funds.

Our Overseas Offices
- Hong Kong
- Korea

Our Overseas Offices - Hong Kong (SPARX Asia)



► **OneAsia Long/Short Strategy:** Good investment performance is maintained

Offer products to Korean domestic investors through Korean securities firms.

⇒ Size of the fund has been large enough to be recognized by investors

(AUM at the end of December 2015: 18.9 billion yen).

UCITS fund 2.3 billion yen for which the seed money was invested by European institutional investor and SPARX, was established in September 2015.

⇒ Started full-fledged marketing activities in Europe.

► **OneAsia Long Only Strategy:** Stable investment performance is maintained

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

► **Cooperation structure with Tokyo:** Set up an OneAsia Division in Tokyo

⇒ Build stronger connection between Tokyo and Hong Kong for investment management and marketing activities as the entire SPARX group.



- ▶ Termination of a major Korean institution client: Significant decrease in AUM
- ⇒ Impact of this change on the SPARX Group's consolidated earnings is however minor due to low management fee rate for the said AUM.
- ⇒ 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.
- ⇒ Our efforts to Korean domestic investors, through offering products by Tokyo and Hong Kong teams, toward the diversification of our client base as well as investment strategies have been producing good results.
- ⇒ For the fund established resulted by the efforts above, SAMK received a prize from the governor of the Financial Supervisory Service (FSS). (Refer to next slide)

<Reference> Received the Grand Prize of the Best Financial Product from the Governor of the Financial Supervisory Service



Award Certificate

The Grand Prize of the Best Financial Product

Product Name: SPARX Bon Japan Fund (Equity)

Product Developer: Executive Managing Director,

Mr. Bae, Jung-Hyun

SPARX Asset Management Korea Co., Ltd.

The above person developed a new financial product with excellence based on creative ideas and contributed to improve customer service and the development of financial industry. Hereupon the Award is presented to the person.

December 31st 2015

Governor of the Financial Supervisory Service, Zhin, Woong-Seob

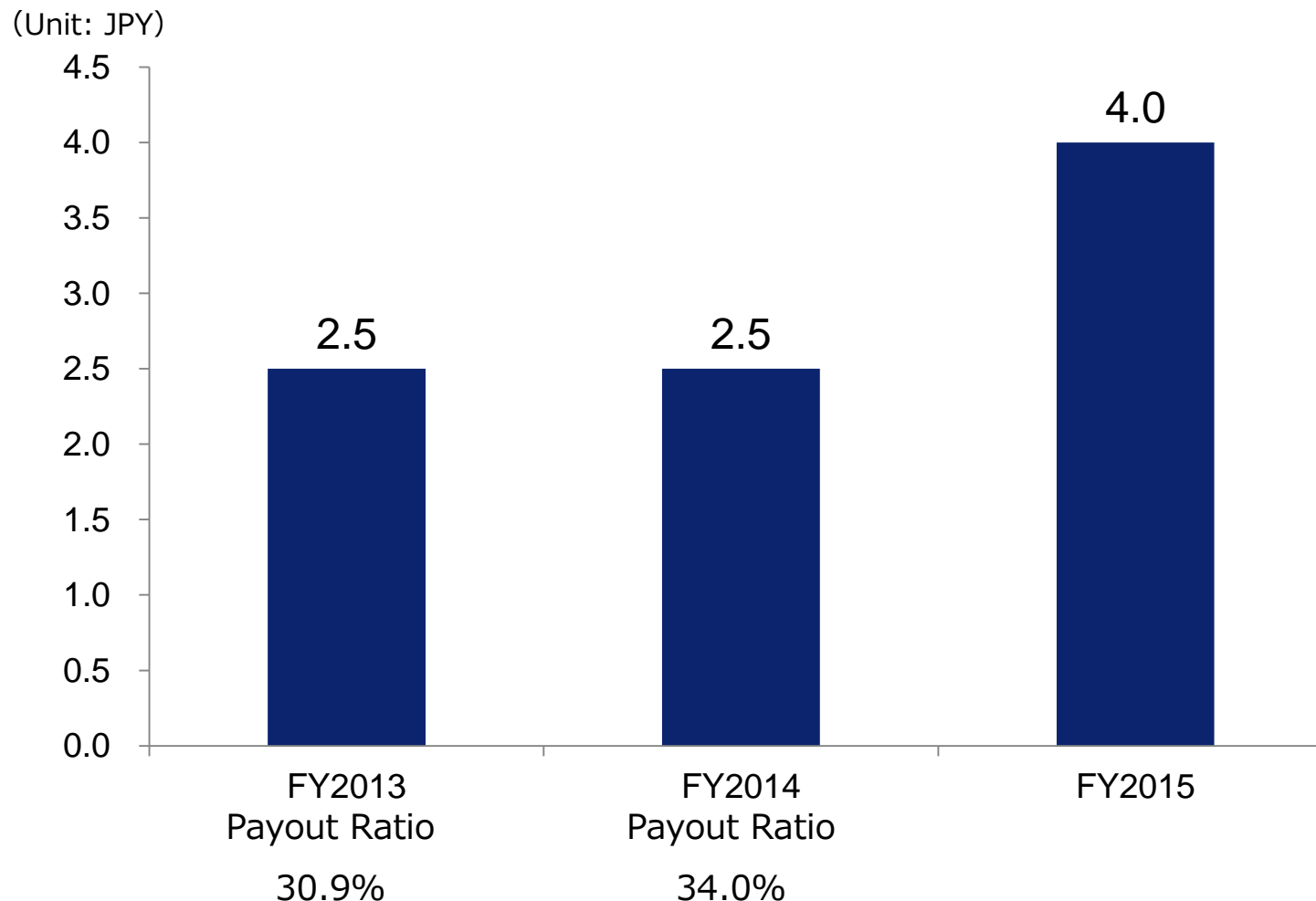
A fund for which SPARX Asset Management Korea Co., Ltd. received the Grand Prize of the Best Financial Product from the Governor of the Financial Supervisory Service (FSS) as it developed a new financial product with excellence based on creative ideas and contributed to improve customer service and the development of financial industry.

Other Activities

Shareholder Return - (1) Dividend at the End of FY2015



FY2015 Increasing expected dividend up to 4 yen per share (※)



※ Dividend shall be officially approved at the 27th ordinary general shareholders meeting held in June 2016.

Shareholder Return - (2) Stock Repurchase



Resolution of the first stock repurchase program in eight years

Stock buyback program was resolved in order to achieve higher shareholder return, improve capital efficiency and enable effective execution of its capital strategy in accordance with the business environment.

(1) Type of shares to be acquired	Common stock of SPARX Group
(2) Total number of shares to be acquired	Up to 1,000,000 shares (0.49% of total issued common stock (excluding treasury stock))
(3) Total price of shares to be acquired	Up to 260 million yen
(4) Period of shares acquisition	From February 1, 2016 through February 29, 2016

SPARX Community Contribution Activities :



Education Program “Children’s Energy Summit” won Good Design Award



Outline

Children’s Energy Summit is an education program mainly for elementary school children, with the aim of enriching knowledge and understanding about renewable energy, and to be able to bring out their “ideas on new future energy”. We implement integrated activities such as “Study Tour”, “Quiz Contest”, “Way of thinking/presentation” and “Experience of generating power” and then elicit ideas from children. Such ideas are posted on website to be presented in society. Currently, we are conducting this program throughout Japan in accordance with SGET’s power-generating business development.



GOOD DESIGN AWARD

<http://www.g-mark.org/award/describe/43220?token=VTacfkobIY>

We Started Facebook (currently only available in Japanese)



<https://www.facebook.com/SPARXGroup>

Appendix



SAM: Annualized performance by strategy since inception

(Annualized)

(From Composite Start Date to December 31, 2015)

Japanese equities	Long-only Active (Commingled funds)	Mid & Small caps	Long-Short (JPY, Lev. 1)	Strategic Investment
Composites	10.64%	7.57%	3.79%	9.06%
Reference Index	1.83%	4.51%	1.68%	2.07%
Excess Return	8.80%	3.06%	2.12%	6.99%

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)	21.52%	18.04%	7.33%	20.52%

(Note1) The figures in the table above are calculated using the composite performance data of the major investment strategies and are based on the internal data. The "Reference index" is shown to facilitate comparisons and is not necessarily a representative of the "benchmark" indexes requested by clients.

(Note2) The calculation methods used for the annualized returns above are as follows: the modified Dietz method (pre-deduction of management related fees) is applied to Long-only Active (Commingled funds), Mid & Small Caps, and Strategic Investment. The NAV per share method (management fee deducted) is applied to the Long-Short (JPY, Lev.1). The above figures are rounded to the nearest tenth of a percent.

Source: SPARX Group Co., Ltd (Tokyo, Japan), as of December 31, 2015.



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

Lipper/ Lipper Fund Awards Japan 2015

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Morningstar/Morningstar Award "Fund of the Year 2015"

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