

FY2019 2nd Quarter Earnings Presentation (Apr. 2019 – Sep. 2019)

November 11th, 2019



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

Mission

**To make the world wealthier,
healthier, and happier**

Vision

**To be the most trusted and respected
investment company in the world.**

FY2019 Q2 Performance

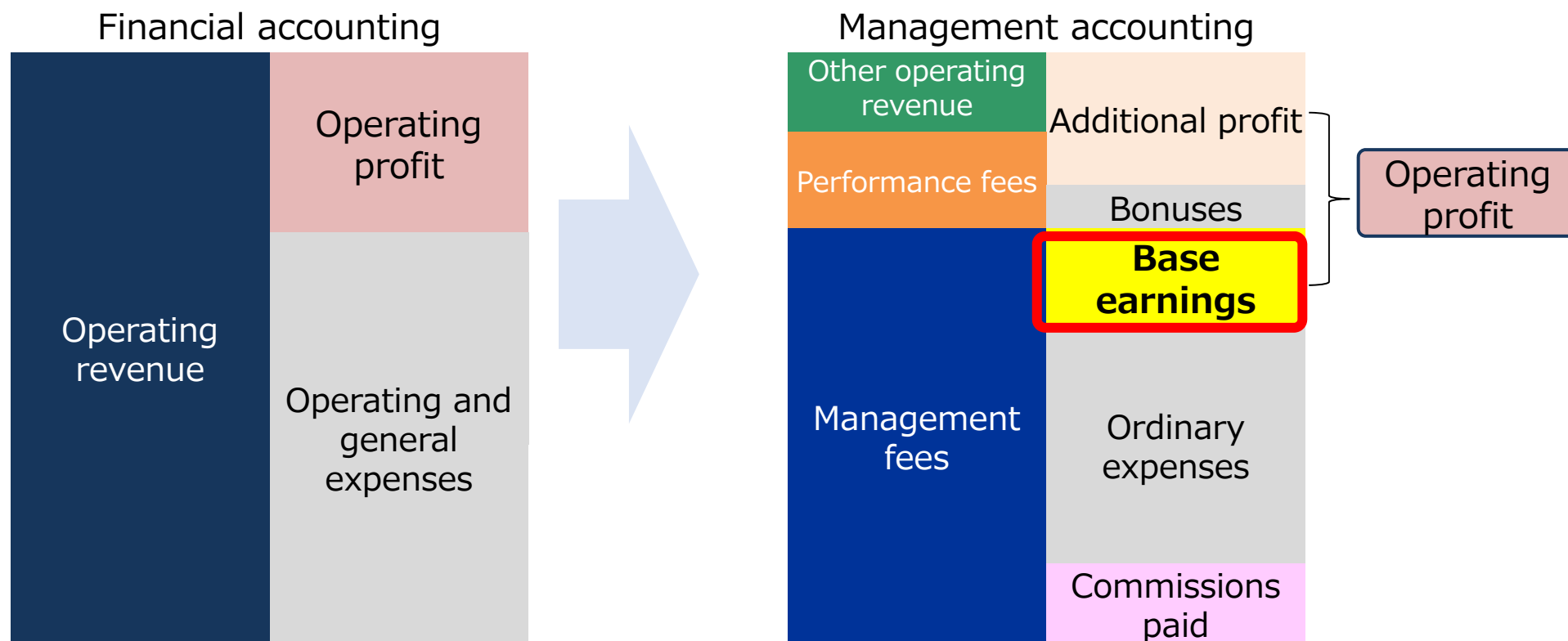
About This Earnings Presentation

This earnings presentation provides management accounting details not included in the consolidated statement. Note that, as shown in the following diagram, SPARX categorizes (1) management fees, (2) performance fees, and (3) other operating revenue, while (1) ordinary expenses, (2) commissions paid, and (3) bonuses are included in operating and general expenses.

SPARX Group has set **base earnings** as its overriding administrative index. Base earnings demonstrate whether a business has the earning capacity needed for a sustainable, stable foundation. We use the following formula to calculate base earnings:

$$\text{Base earnings} = (\text{Management fees} - \text{Commissions paid}) - \text{Ordinary expenses}$$
$$= \text{Management fees (after deducting commissions)} - \text{Ordinary expenses}$$

In financial accounting, operating profit includes one-time or additional performance fees, but these fees fluctuate considerably, according to trends in the stock market or business progress in real asset investments. Therefore, **base earnings indicate genuine earning capacity.**



Consolidated Earnings Summary (1) Performance



Year-over-year growth in our AUM for publicly offered investment trusts and Mirai Creation, which offer particularly high management fees, has led to a 10.3% increase in base earnings—the foundation for our sustainable, stable business.

(Unit:Millions of yen)	FY2018	FY2019	YoY change
	Apr2018-Sep2018	Apr2019-Sep2019	
Operating revenue	5,264	6,002	+14.0%
Operating profit	1,832	2,009	+9.7%
Net income	1,542	1,249	-19.0%
Base earnings	1,768	1,950	+10.3%

(Note) See pages 4, 6, 29, and 34 for more on base earnings.

Consolidated Earnings Summary (2) Performance



		FY2018		FY2019	
		Apr2018-Sep2018	Full Year	Apr2019-Sep2019	YoY change
Average AUM	(Billions of yen)	1,141.0	1,157.2	1,166.9	+2.3%
Management fee rate	(%)	0.71%	0.73%	0.78%	+0.07
(After deducting commissions)					
Management fees	(Millions of yen)	4,055	8,449	4,535	+11.8%
(After deducting commissions)					
- Ordinary expenses	(Millions of yen)	2,286	4,789	2,585	+13.1%
Base earnings	(Millions of yen)	1,768	3,660	1,950	+10.3%
Performance fees	(Millions of yen)	340	922	453	+33.2%
Percentage of AUM eligible to earn performance fees	(%)	25.4%	30.2%	31.0%	+5.6
Other operating revenue	(Millions of yen)	67	115	52	-22.8%
- Bonuses	(Millions of yen)	343	795	445	+29.8%
(including ESOP Expense)					
Operating profit	(Millions of yen)	1,832	3,901	2,009	+9.7%
Profit attributable to owners of parent	(Millions of yen)	1,542	3,246	1,249	-19.0%
Return on equity (ROE)	(%)	15.7%	16.2%	12.6%	-3.1

(Note 1) Management fees include administrative fees for the power stations related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

(Note 2) Performance fees include one-time fees received as compensation for real estate purchases/sales related to our Japanese real estate investment strategy, as well as one-time fees (acquisition fees) received as compensation for formulating power station plans related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

Consolidated Earnings Summary (3) AUM



We had several large redemptions, but we also had new subscriptions which have offset these losses and maintained AUM at JPY 1.1 trillion

(Unit: Billions of yen)	AUM			Average AUM (Six months)		
	As of March, 2019	As of September, 2019	Change (%)	FY2018	FY2019	YoY change (%)
Japan	1,148.7	1,139.0	-0.8%	1,103.8	1,138.3	+3.1%
Korea	14.1	11.1	-21.1%	18.5	10.6	-42.4%
Asia	22.7	15.9	-29.6%	18.6	17.8	-4.3%
Total	1,185.6	1,166.1	-1.6%	1,141.0	1,166.9	+2.3%

	As of September, 2018	As of March, 2019	As of September, 2019	YoY change
TOPIX	1,817	1,591	1,587	-12.6%
NIKKEI stock average (JPY)	24,120	21,205	21,755	-9.8%
KOSPI	2,343	2,140	2,063	-12.0%

*See our "Notice of Month-End Assets Under Management" for details on SPARX's AUM as of September 30, 2019.

<https://ssl4.eir-parts.net/doc/8739/tdnet/1755658/00.pdf>

Business Progress Report and Future Plans

Japanese Equity

Strive to strengthen our investment capabilities as we have observed a rising demand for ESG primarily from Europe.

OneAsia

A new SPARX Asian equity public investment trust has been distributed by Daiwa Securities from this October.

Real Assets

Since April 2019, the Mirai Renewable Energy Fund made several new investments and brought its AUM up to JPY189.2 billion. Aim to seek to purchase existing Japanese power plants, invest overseas, and develop new infrastructure assets.

Mirai Creation

Mirai Creation Fund I has performed well, where there have been numerous successful exits, including IPOs. Mirai Creation Fund II executed substantial investments.

Four Pillars of Growth: Combining High Profitability and Stability



High
profitability

Fund performance generates significant income
(performance fees)

Stability

Ongoing long-term contracts generate stable income

**JPY804.8
billion**

Japanese
Equity

OneAsia

**JPY27.1
billion**

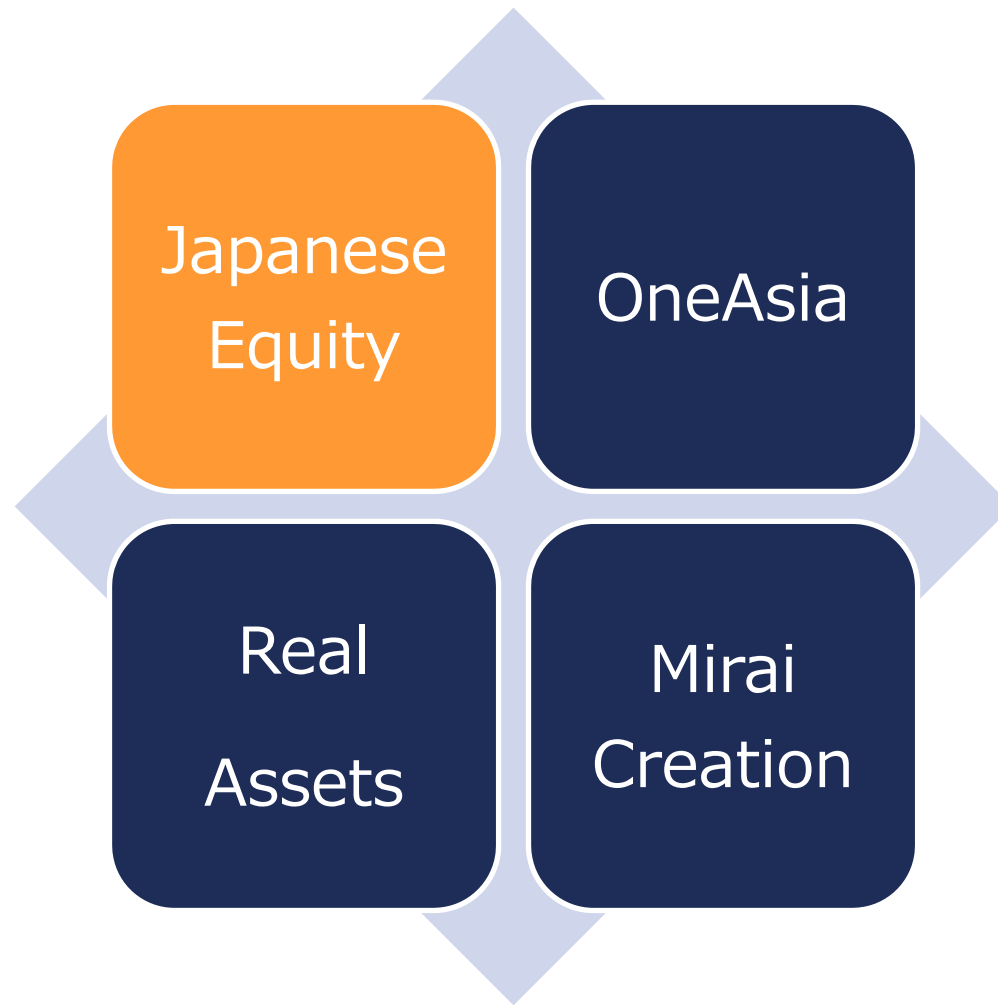
**JPY222.3
billion**

Real
Assets

Mirai
Creation

**JPY111.8
billion**

(1) Japanese Equity Investment Strategy (AUM of JPY804.8 billion as of September 30, 2019)



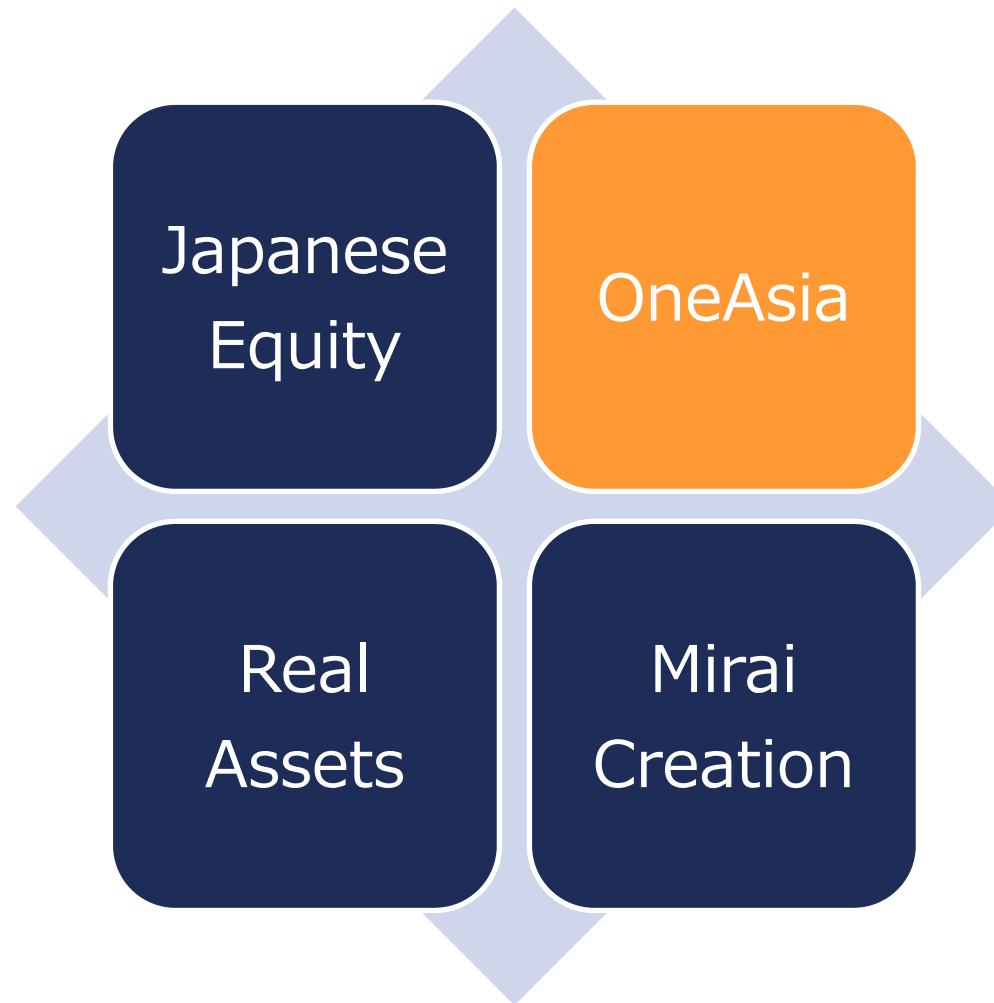
Japanese Equity Investment Strategy: Status of AUM



- While our AUM across all strategies declined due to the loss of a major client, the AUM for our market-neutral investment strategy steadily increased because of its continually reliable performance, despite harsh market conditions.

(Units : Billions of yen)	AUM			
	Mar. 2019	Sep. 2019	Change	Change (%)
Japanese Equity Long-Short Strategy	46.1	36.6	-9.5	-20.7%
Japanese Equity Focus All Cap Strategy	506.3	509.1	2.7	0.6%
Japanese Equity Mid & Small Cap Strategy	203.3	181.5	-21.7	-10.7%
Japanese Equity Market Neutral Strategy	42.7	45.8	3.1	7.4%
Japanese Equity Sustainable Strategy	41.4	31.2	-10.1	-24.6%
Other	11.2	0.4	-10.7	-95.9%
Total	851.2	804.8	-46.3	-5.4%

(2) OneAsia Equity Investment Strategy (AUM of JPY27.1 billion as of September 30, 2019)



Sharing Investment Intelligence Continues to Lead to Results

Fund managers in Tokyo, South Korea, and Hong Kong share investment intelligence to bolster our investments in Asia.

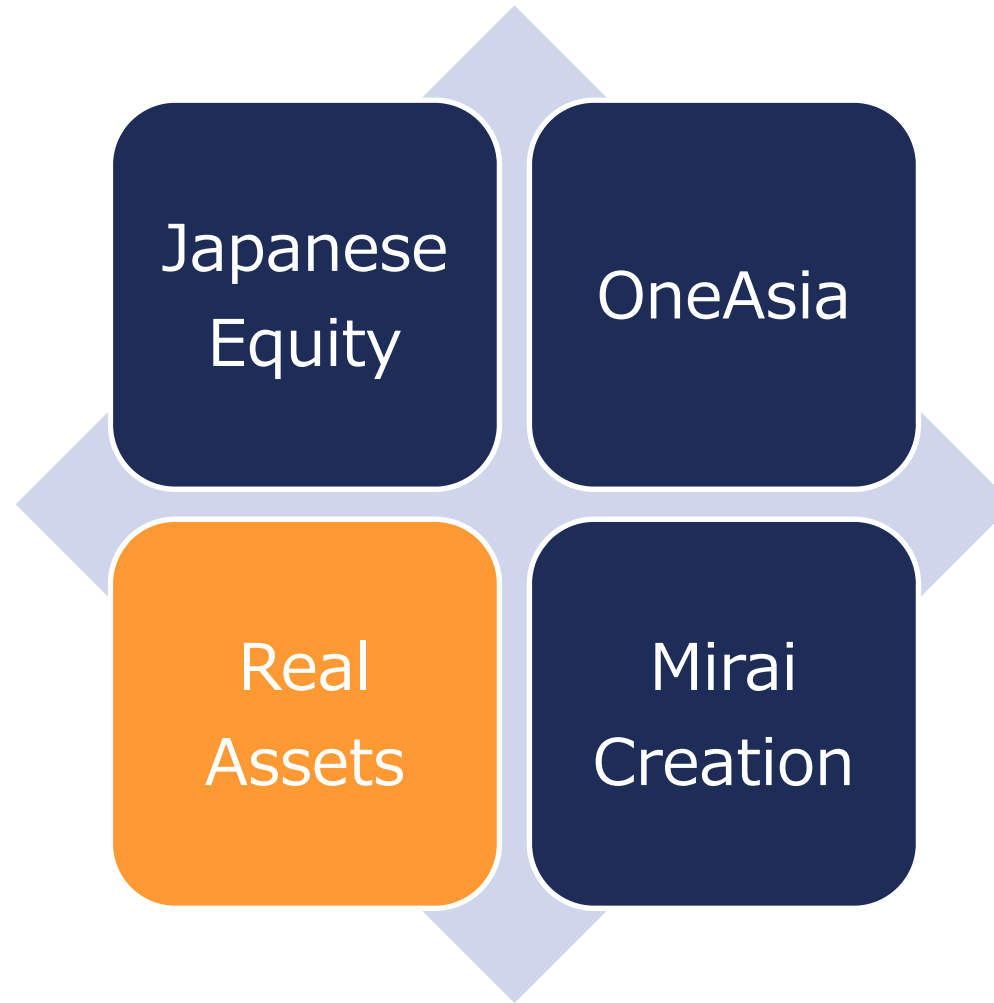
We develop products using ideas from fund managers in all our offices, and we work to create new funds.

FY2018, Mito Securities began handling our publicly offered investment trust for listed companies in Japan and Asia. These funds have gradually seen an influx of capital from Japanese investors.

A new SPARX Asian equity public investment trust has been distributed by Daiwa Securities from this October.

By leveraging this success and having leading securities firms distribute more of our funds, we intend to significantly increase the AUM for our OneAsia Equity Investment Strategy.

(3)Real Asset Investment Strategy (AUM of JPY222.3 billion as of September 30, 2019)



Assets under management

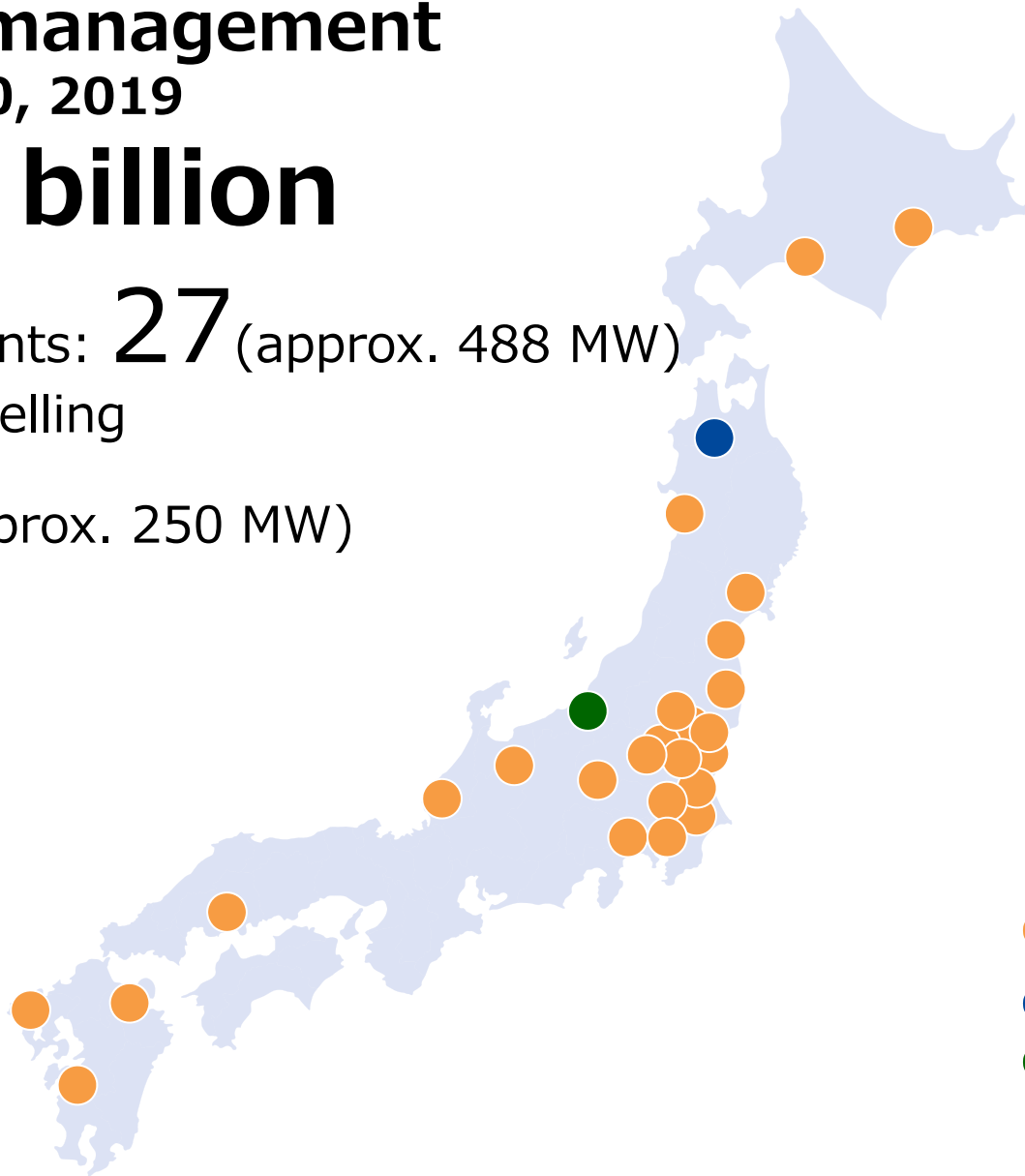
As of September 30, 2019

JPY189.2 billion

Number of Investments: **27** (approx. 488 MW)

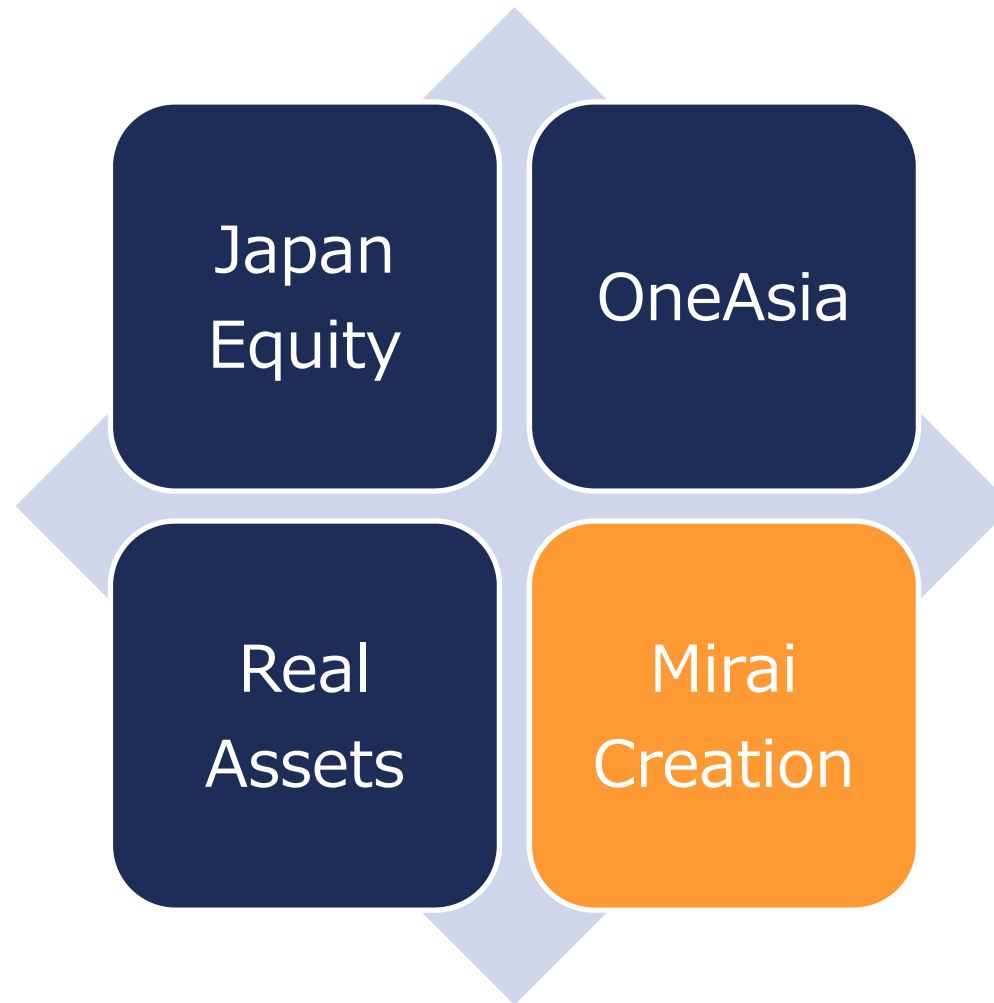
Number of stations selling

electricity: **20** (approx. 250 MW)



- Solar power generation
- Wind power generation
- Biomass power generation

(4)Mirai Creation Investment Strategy (AUM of JPY111.8 billion as of September30, 2019)



Mirai Creation Investment Strategy (1)



Ample investment opportunities and steadily growing performance

AUM as of September, 2019

Mirai Creation Fund II

At the end of March 2019
Executed Amount

14 Projects

4.6 Billion JPY

Toyota Motor
Corporation



Sumitomo Mitsui
Banking Corporation



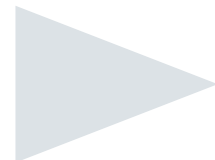
SPARX



LP investors



Mirai
Creation
Fund II



72.6 Billion JPY

At the end of September 2019
Executed Amount

24 Projects

12.8 Billion JPY

Domestic and international
start-up enterprises

Intelligent
technologies

Robotics

Hydrogen energy

Electrification

New materials

Portfolio status

Sansan, Inc.

- The firm offers a cloud-based business card management service that allows corporations to collect all business cards within their organizations and leverage these cards as a business platform.
- In June 2019, it was listed on the TSE Mothers.

Giftee, Inc.

- The firm develops an e-gifting platform business that provides a complete service, from issuing e-gifts to distribution and marketing.
- In September 2019, it was listed on the TSE Mothers.

Examples of past IPOs and exits

- Soracom, Inc. (acquired by a major corporation in August 2017)
- PKSHA Technology, Inc. (listed in September 2017)
- Autonomous Control Systems Laboratory (listed in December 2018)

Going forward, we will continue to see more portfolio companies newly listed or acquired by major corporations

Our framework allows us to recognize performance fees once we have paid more than a defined ratio of investment returns to our LPs

Other

Return to Shareholders – Stock Buyback

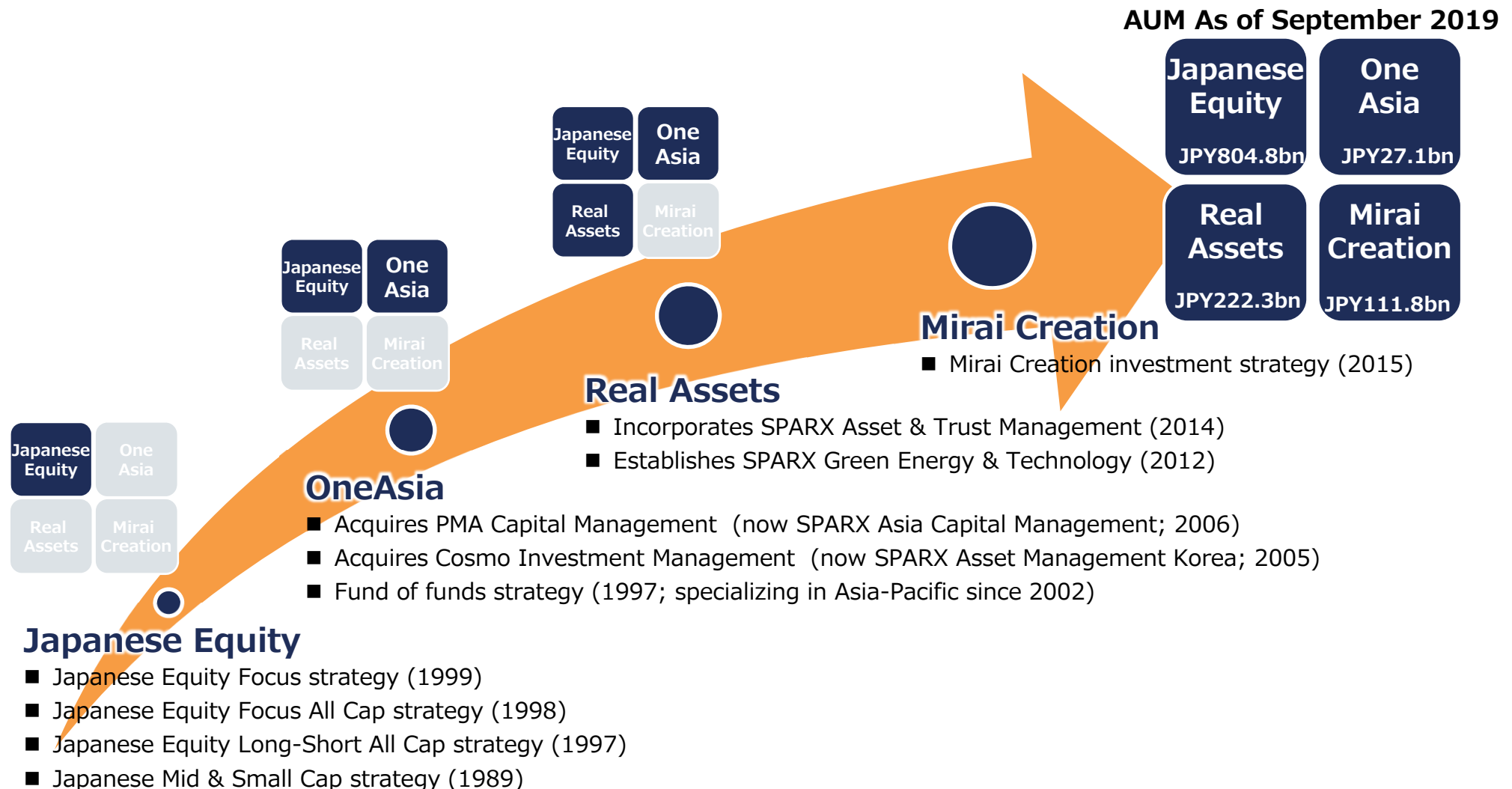


Conducive to our goal of expanding shareholder returns, we are issuing a stock buyback, which should allow us to improve capital efficiency and execute a capital strategy that flexibly meets the demands of our business environment.

(1)Type of shares acquired	Shares of common stock of SPARX Group Co., Ltd.
(2)Total number of shares acquired	1,500,000 shares (0.73% of total issued common stock (excluding treasury stock))
(3)Total price of shares acquired	345,495,100 yen
(4)Period of stock acquisition	From August 1, 2019 through September 10, 2019

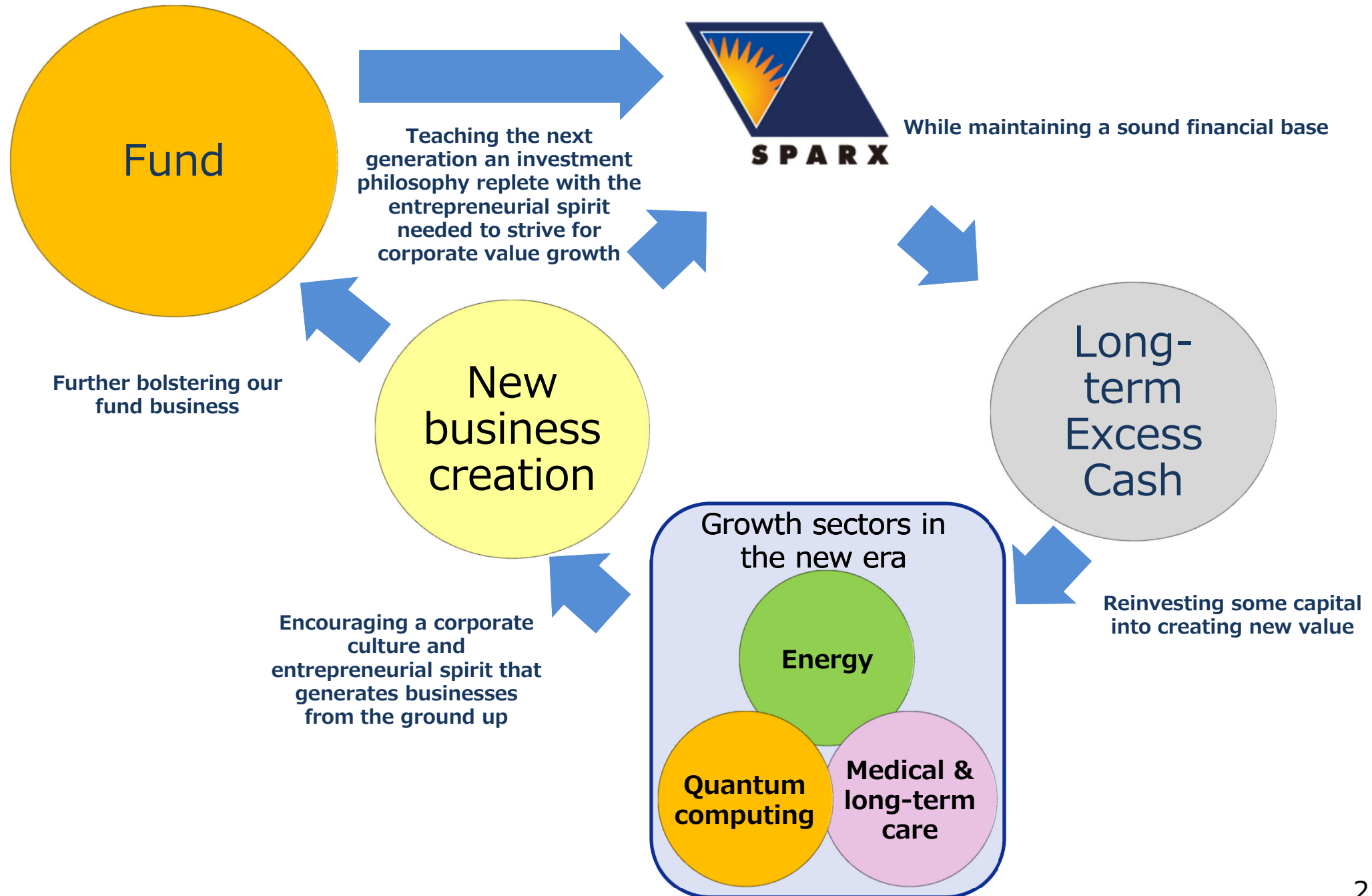
[Reference] Hybrid Business Model

A hybrid model that combines our traditional strategy of investing in highly profitable listed stocks with the stable strategy of financing real assets/Mirai Creation



Market swings have a significant impact

Diversified strategy leads to increased stability



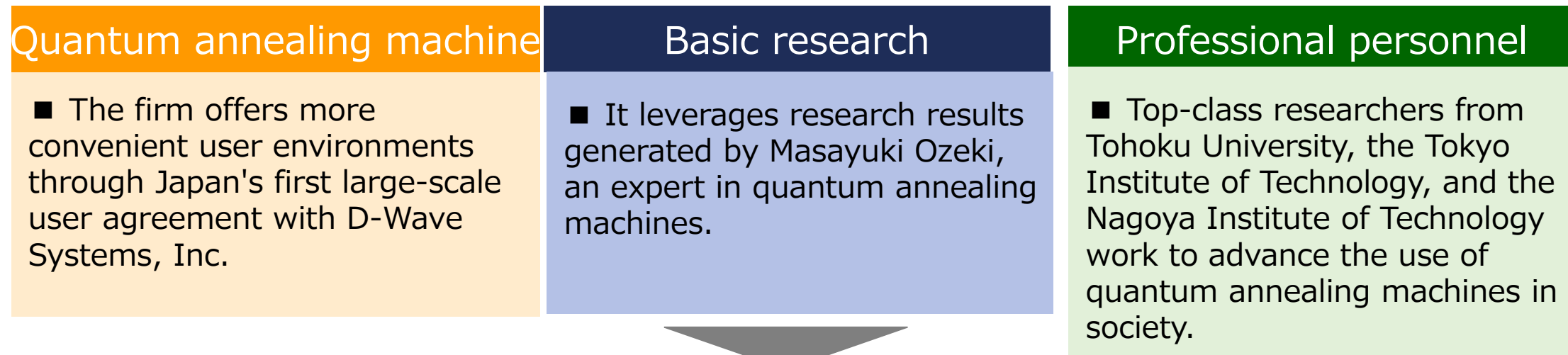
SPARX's Investments in Growth Sectors



Company name	Sigma-i Co., Ltd.
Representative director	Masayuki Ozeki
Founded	April 4, 2019
Business details	Consulting using quantum computing-based analytics / Developing and licensing quantum computing software / Training experts utilizing quantum computing

- The company intends to assemble the human resources of the future who can handle new computing technologies, including quantum annealing and machine learning. (equity method applies to this company)

Sigma-i's strengths



World-class R&D resources

What is the Buffett Club?

Through studying and discussing the investment philosophies of noted investor Warren Buffett and other capitalists, SPARX employees learn the value of wanting to make clients wealthier, healthier, and happier as a part of “the most trusted and respected investment company in the world.”

We have regularly held these study groups since our founding as a way to convey SPARX's investment philosophy to the next generation.



We have produced a new video that highlights the company's history—including the reason for its name—as well as its investment philosophy, corporate mission, performance, and its present and future endeavors, in just five minutes.

- SPARX Group Showcase Video/English Narration
<https://www.sparx.jp/tv/fan/2881.html>

Company Profile



Company	SPARX Group Co., Ltd.
Representative	President & CEO Shuhei Abe
Address	1-2-70 Konan, Minato, Tokyo, Japan
Founded	July 1, 1989
Capitalization	JPY8,587 million (as of September 30, 2019)
Employees	167 (as of September 30, 2019)
Exchange	Tokyo Stock Exchange First Section
Ticker	8739



President and Group CEO Shuhei Abe

1954: Born in Sapporo.
 1978: Graduated from Sophia University, Faculty of Economics.
 1980: Received an MBA from Babson College. After returning to Japan, hired by Nomura Research Institute, Ltd. Worked as a corporate research analyst evaluating individual companies listed on Japanese stock markets.
 1982: Seconded to New York's Nomura Securities International, Inc., and worked in sales of Japanese stocks to US institutional investors.
 1985: Founded Abe Capital Research in New York. Provided portfolio management and advice on Japanese stocks to European and American investors through the Quantum Fund and other funds, while managing the assets of individual property owners in Europe and the US.
 1989: After returning to Japan, established SPARX Asset Management (now SPARX Group Co., Ltd.) and appointed as president & representative director (current post).
 2005: Completed the AMP at Harvard Business School.
 2011: Appointed to the Subcommittee to Study Costs and Other Issues of the Japanese government's Energy and Environment Council.
 2012: Appointed to the Japanese government's Supply-Demand Verification Subcommittee.
 2012: Appointed to the Risk Advisory Committee for the Japan Bank for International Cooperation (JBIC).

Supplementary Materials

Business that receives fees at a fixed rate of AUM

Revenue Structure

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

Important Management Indicators

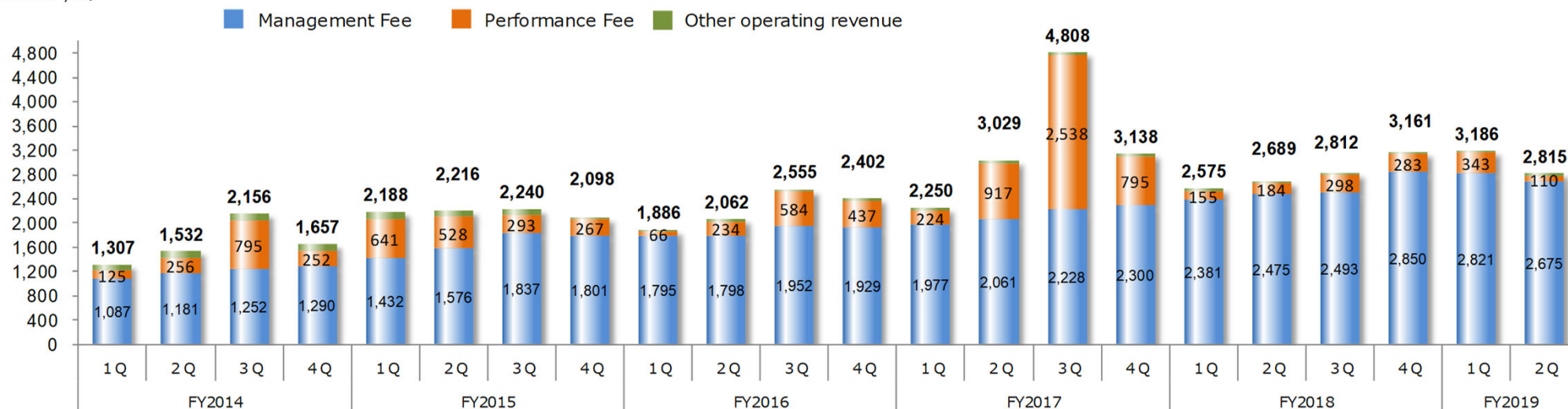
- Asset under management (AUM)
- Management fee rate
- Percentage of AUM eligible to earn performance fees
- $\text{Base Earnings} = \text{management fees (after deducting commissions)} - \text{ordinary expenses}$

Quarterly Trends in Operating Revenue



Management fees have been steadily maintained due to the consistently high management fee rate

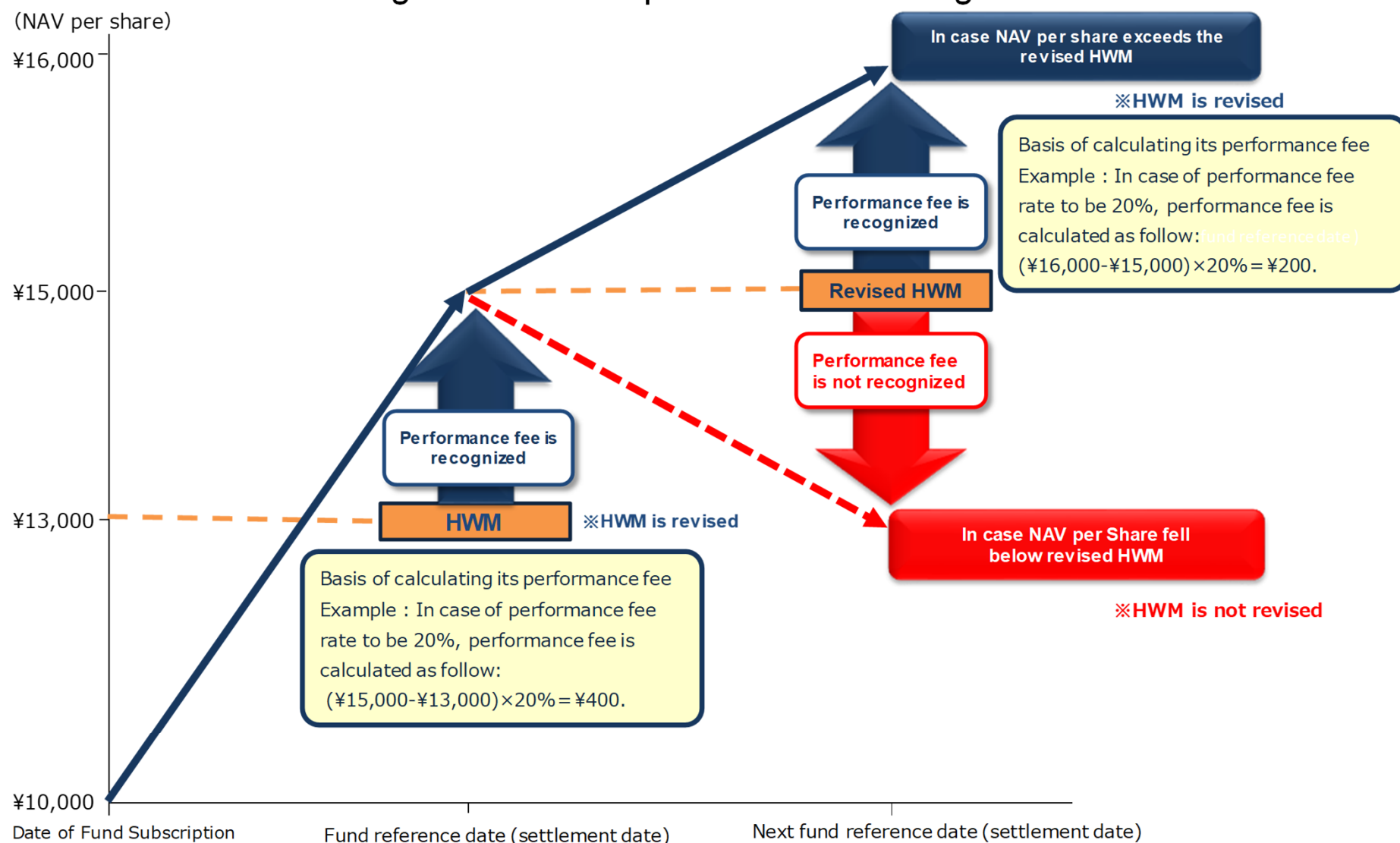
(Millions of yen)



(Millions of yen)	FY2014				FY2015				FY2016				FY2017				FY2018				FY2019	
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q
Management Fees	1,087	1,181	1,252	1,290	1,432	1,576	1,837	1,801	1,795	1,798	1,952	1,929	1,977	2,061	2,228	2,300	2,381	2,475	2,493	2,850	2,821	2,675
Performance Fees	125	256	795	252	641	528	293	267	66	234	584	437	224	917	2,538	795	155	184	298	283	343	110
Other operating revenue	94	94	109	114	114	111	109	29	24	28	18	35	48	50	41	42	38	28	20	27	22	29
Operating Revenue	1,307	1,532	2,156	1,657	2,188	2,216	2,240	2,098	1,886	2,062	2,555	2,402	2,250	3,029	4,808	3,138	2,575	2,689	2,812	3,161	3,186	2,815
(Reference)																						
Average AUM (Billions of yen) (3months average)	723.9	785.9	821.7	912.6	1,029.7	927.7	985.6	949.7	923.3	927.0	970.3	963.1	1,001.8	1,062.7	1,177.3	1,133.9	1,131.0	1,151.0	1,159.8	1,186.9	1,180.1	11,536
Management fee rate (3months average) (After deducting commissions)	0.51%	0.52%	0.53%	0.49%	0.49%	0.59%	0.63%	0.66%	0.67%	0.67%	0.70%	0.70%	0.68%	0.68%	0.66%	0.69%	0.71%	0.71%	0.71%	0.79%	0.79%	0.76%
Percentage of AUM eligible to earn performance fees	51.2%	50.5%	51.2%	47.6%	47.4%	37.7%	37.3%	40.1%	39.8%	41.8%	39.2%	36.4%	35.0%	34.2%	32.1%	25.4%	27.2%	25.4%	30.1%	30.2%	31.0%	31.0%
NIKKEI stock average (Record date)	15,162	16,173	17,450	19,206	20,235	17,388	19,033	16,758	15,575	16,449	19,114	18,909	20,033	20,356	22,764	21,454	22,304	24,120	20,014	21,205	21,275	21,755

Structure of Performance Fees (Related to Equity Investment Fund)

Performance Fees are 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.

Breakdown of Operating and General Administrative Expenses



- Additional fees paid to coincide with additional management fees for publicly offered investment trusts
- Increased personnel, administrative, and contracting expenses due to additional personnel and expanded operations

(Units: Millions of yen)	FY2018		FY2019	
	Apr2018-Sep2018	Full Year	Apr2019-Sep2019	YoY change
Commissions paid	802	1,753	961	+19.9%
Personnel exp.	1,247	2,646	1,433	+14.9%
Travel exp.	148	321	166	+11.7%
Property rent	161	323	123	-23.7%
Entrusted business expenses	481	1,070	629	+30.6%
Depreciation on fixed assets	79	178	123	+53.8%
Advertising exp.	50	111	71	+43.6%
Research exp.	143	290	148	+3.5%
Other expenses	316	641	335	+5.8%
Total: Operating and general administrative expenses	3,432	7,338	3,992	+16.3%
Ordinary expenses	2,286	4,789	2,585	+13.1%

(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, legal welfare expenses related to bonuses, and ESOP expense) and (3) Severances package for key members, from total operating and general administrative expenses; hereinafter the same applies in this document.

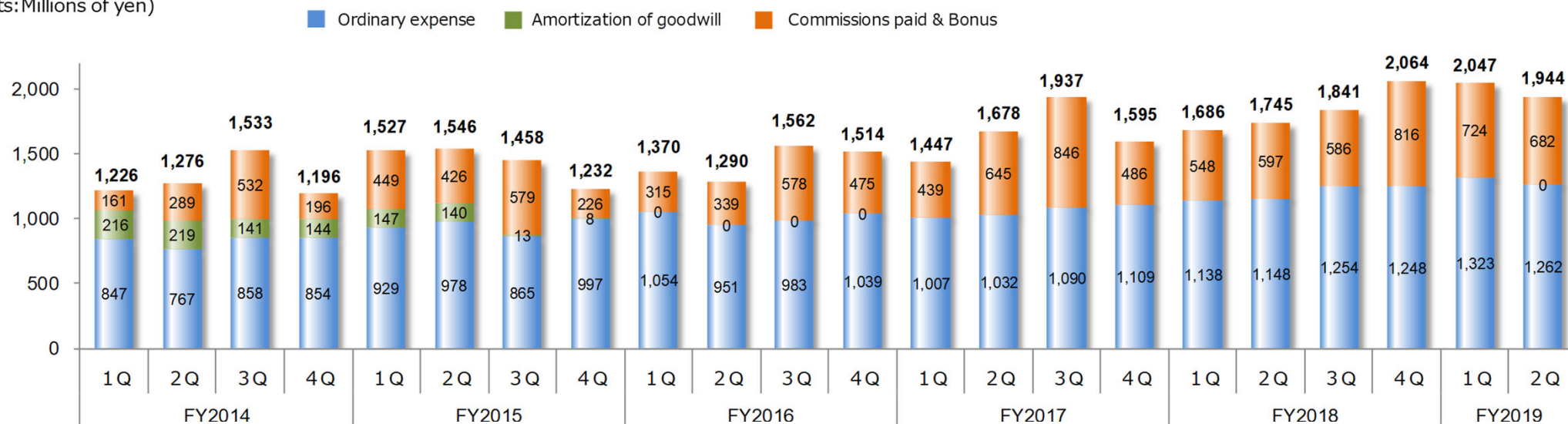
(Note4) Due to the pronouncement of IFRS16 (leases) and adopting it by some overseas subsidiaries for the fiscal year ending March 31, 2020, those subsidiaries no longer record under rent expense on real estate but instead they are presented under depreciation expenses associated with its fixed assets.

Quarterly Operating and General Administrative Expenses



Cost-control taken continuously and cautiously,
considering the increase of ordinary expenses, in the midst of
business expansion

(Units: Millions of yen)

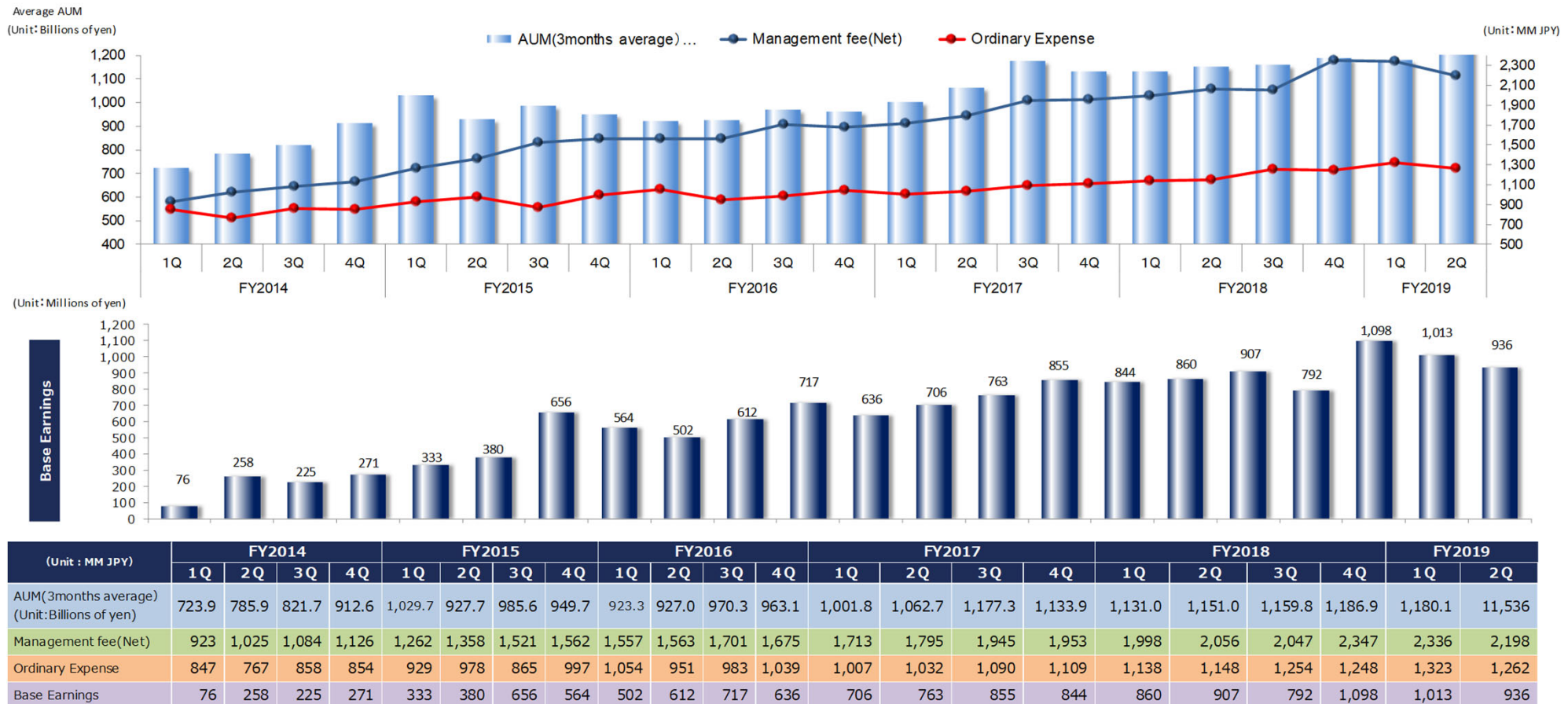


(Units : Millions of yen)	FY2014				FY2015				FY2016				FY2017				FY2018				FY2019	
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q
Ordinary expenses	847	767	858	854	929	978	865	997	1,054	951	983	1,039	1,007	1,032	1,090	1,109	1,138	1,148	1,254	1,248	1,323	1,262
Amortization of goodwill	216	219	141	144	147	140	13	8	—	—	—	—	—	—	—	—	—	—	0	0	—	—
Commissions paid & Bonuses	161	289	532	196	449	426	579	226	315	339	578	475	439	645	846	486	548	597	586	816	724	682
Operating and general administrative expenses	1,226	1,276	1,533	1,196	1,527	1,546	1,458	1,232	1,370	1,290	1,562	1,514	1,447	1,678	1,937	1,595	1,686	1,745	1,841	2,064	2,047	1,944

Quarterly Base Earnings



Robust base earnings due to growing management fees



(Note) As preliminary figures, the 「Management fee (Net)」 is calculated by multiplying the management fee rate (after the deduction of commission paid) and the average AUM for the period.

Consolidated Balance Sheet (1)



(Units: Millions of yen)

Cash and Cash Equivalent 13,874	Interest-Bearing Debt 7,000
Receivables etc. 3,211	Other Liabilities 3,322
Tangible&intangible Assets 3,117	Net Assets 19,656
Investment Securities 7,327	
Other Assets 2,449	
Total Assets 29,978	Liabilities & Net Assets 29,978

The industry the Company belongs to is significantly influenced by economic and market conditions. Thus, the balance is maintained conservatively. The amount is kept as three years' worth of ordinary expenses level which calculated by "Cash and Cash Equivalent" minus "Interest-Bearing Debt" plus highly liquidity "Investment Securities" with consideration of potential value decline.

Goodwill* (JPY1,746Million) is included for developing a power station of SGET Iwaizumi Wind Firm Godogaisha (Japan)

Mostly seed money to funds that the Company manages

Including account payable for the Goodwill*
JPY 1,389Million

Equity Ratio
63.9%

[Reference] Excluding the Balance Sheet of the SGET Iwaizumi Wind Farm



(Units: Millions of yen)

Cash and Cash Equivalent 13,793	Interest-Bearing Debt 7,000
Receivables etc. 3,211	Other Liabilities 1,933
Tangible&intangible Assets 1,164	Net Assets 19,158
Investment Securities 7,828	
Other Assets 2,095	
Total Assets 28,091	Liabilities & Net Assets 28,091

Equity Ratio

68.2%

Consolidated Balance Sheet (2)



(Units: Millions of yen)	Mar. 2019	Sep. 2019	YoY change
Current assets	20,921	18,562	-2,358
Cash and cash equivalents	17,152	13,874	-3,278
Receivables	2,733	3,211	+477
Fixed assets	10,409	11,415	+1,006
Goodwill	1,749	1,746	-2
Investment securities	6,363	7,327	+963
Total assets	31,331	29,978	-1,352
Long-term loans payable	7,000	7,000	-
Payables	2,907	2,470	-436
Total liabilities	10,310	10,322	+12
Common stock	8,585	8,587	+1
Add'l paid-in-capital	2,554	2,555	+1
Retained earnings	11,189	10,395	-793
Treasury stock	-3,204	-3,549	-345
Total Shareholder's Equity	19,125	17,988	-1,136
Valuation difference on AFS securities	239	261	+21
Foreign currency translation adjustment	1,143	897	-246
Non-controlling interests	499	500	+0
Total net assets	21,020	19,656	-1,364

Decreased mainly due to payment of dividends, bonuses

Payment of dividend : ▲JPY 2,043MM
Profit attributable to owners of parent FY2019Q2 : +JPY 1,249MM

Increased due to stock buyback

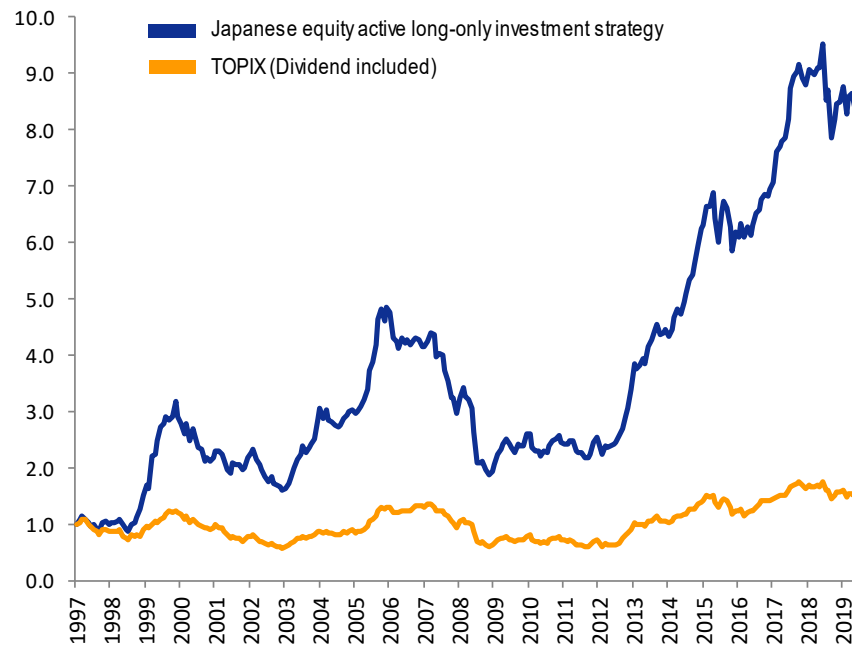
(Note1) Figures above are truncated.

(Note2) Investment securities include the seed money of the Company funds.

Primary Investment Strategies: Composite Returns Since Valuation Began ①



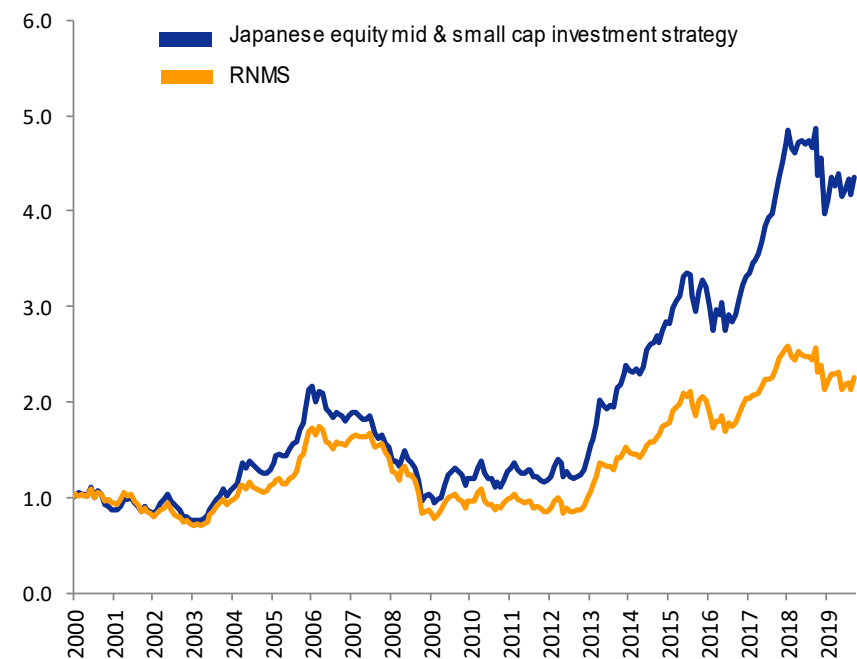
Japanese Equity Active Long-Only investment strategy



(Annualized Return)

Japanese equity active long-only investment strategy	10.20%	Reference Index	TOPIX (Dividend included)
Reference Index	2.04%	Measurement Period	1997/5 ~2019/9
Excess Return	8.15%	Volatility of Composite Return (Annualized)	20.38%

Japanese Equity Mid & Small Cap investment strategy



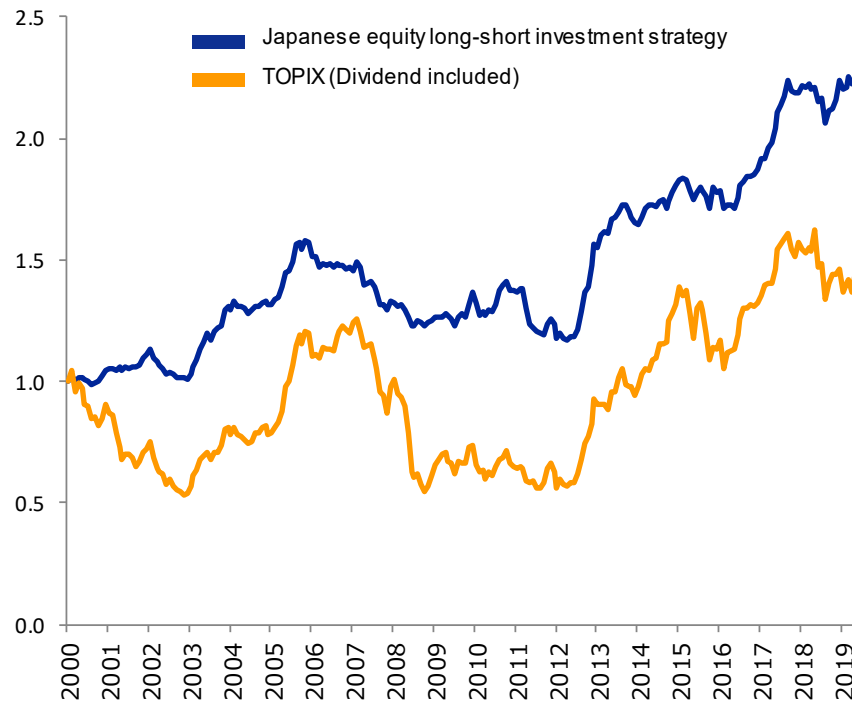
(Annualized Return)

Japanese equity mid & small cap investment strategy	7.73%	Reference Index	Russell/Nomura Mid-Small Cap Index
Reference Index	4.22%	Measurement Period	2000/1 ~2019/9
Excess Return	3.52%	Volatility of Composite Return (Annualized)	17.66%

Primary Investment Strategies: Composite Returns Since Valuation Began ②



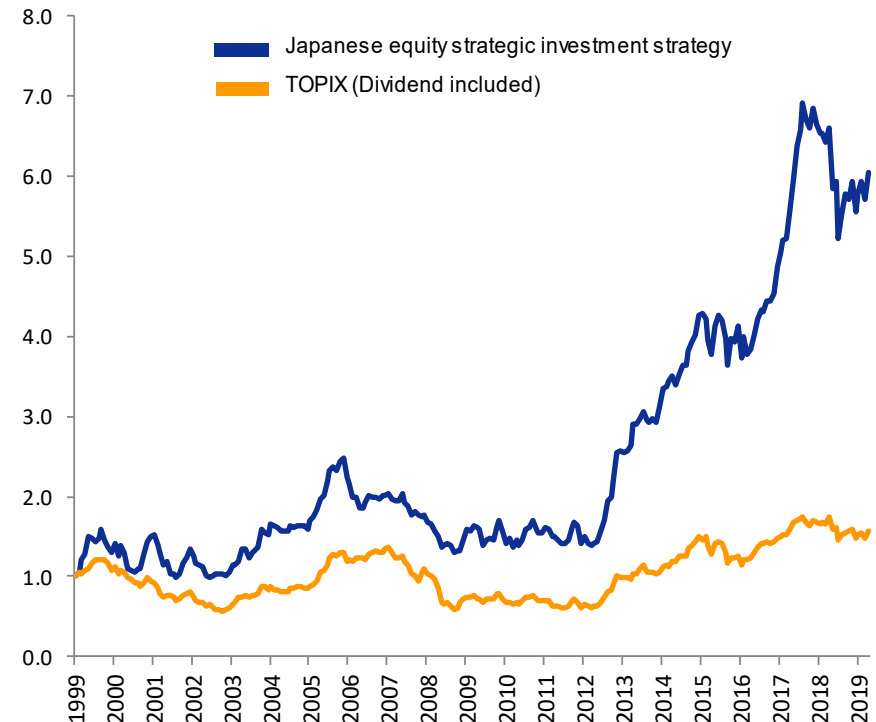
Japanese Equity Long-Short investment strategy



(Annualized Return)

Japanese equity long-short investment strategy	4.30%	Reference Index	TOPIX (Dividend included)
Reference Index	1.95%	Measurement Period	2000/6 ~2019/9
Excess Return	2.35%	Volatility of Composite Return (Annualized)	7.27%

Japanese Equity Strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	9.29%	Reference Index	TOPIX (Dividend included)
Reference Index	2.26%	Measurement Period	1999/7 ~2019/9
Excess Return	7.03%	Volatility of Composite Return (Annualized)	20.06%



ANNIVERSARY

SPARX

Dream for Tomorrow

This report is prepared solely for the purpose of providing information to the shareholders of SPARX Group Co., Ltd. ("SPARX") and other interested parties, and it is not intended to be a recommendation or solicitation to buy or sell SPARX shares or any other securities. SPARX and its group companies do not warrant the accuracy, completeness, or appropriateness of any data, information, opinions, or other statements contained in this report (which remain subject to auditing), and are not liable for any damage, loss, and/or other results caused by any reliance on or use of any of the said data, information, opinions, or other statements. Past results are not indicative of future performance.

This report contains forward-looking statements that reflect SPARX's plans and expectations (including for its group companies). These forward-looking statements are based on judgements and assumptions derived from SPARX's currently held data. The statements involve known and unknown risks, uncertainties, and other factors that may cause SPARX's actual results, performance, achievements, or financial position to be materially different from any projected results, performance, achievements, or financial position expressed or implied herein. See SPARX's annual securities report for a discussion of the many factors that may affect SPARX's actual results, performance, achievements, or financial position. This report is available at the Kanto Finance Bureau of the Japanese MOF. Furthermore, the content of this report is accurate as of the time of its production, and it may be altered without any prior notice. SPARX owns the copyright to this report. No part of this report may be transmitted, reproduced, quoted, cited, or otherwise used for any purpose whatsoever without the prior written permission of SPARX.

SPARX Asset Management Co., Ltd. has prepared and presented the relevant part of this report in compliance with the Global Investment Performance Standards (GIPS®). The firm has been independently audited for the period from 1 April 1997 to 31 December 2014. Verification assesses whether (1) the firm has complied with all the composite structural requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and exhibit performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The firm subject to verification is SPARX Asset Management Co., Ltd. SPARX Asset Management Co., Ltd. is registered with Japanese authorities to conduct an investment management business, an investment advisory and agency business, a Type-1 Financial Instruments business, and a Type-2 Financial Instruments business. The term "Firm" was redefined—effective 15 October 2009 and 30 November 2010—to exclude SPARX Investment & Research, USA, Inc. (SIR) and SPARX International (Hong Kong) Limited (SIHK), 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, due to the possibility of the former managing and administering funds managed by entities other than SPARX Asset Management. Nevertheless, the definition of the firm requires that all assets be wholly managed by SPARX Asset Management.

Composite details

A detailed account of all composite lists and other content from the firm is available upon request.

Contact: Marketing Division, SPARX Asset Management Co., Ltd. (Tel. +81-3-6711-9200)

All copyrights, trademarks, and intellectual property rights related to the Russell/Nomura indices are the property of Nomura Securities Co., Ltd. and Russell Investments.

This report includes statements related to investment trusts that SPARX Asset Management manages. Note the following points:

Notes on Investment Trusts

The following statements are presented in compliance with Article 37 of the Financial Instruments and Exchange Act. Note that their content may differ from the costs or risks that apply to the individual investment trusts that clients actually purchase. The costs and fees associated with the funds differ according to the marketing companies and the individual investment trust, so these statements express the maximum amounts for all fees that SPARX Asset Management collects for the investment trusts it manages. In the event that a party wishes to purchase a specific investment trust, we ask that the party makes his/her ultimate investment decision at his/her own discretion after reviewing the investment trust's prospectus, which is available immediately upon request.

About Risks Related to Investment Trusts

Investment trusts invest mainly in stocks, public bonds, and real estate investment securities of fluctuating value (assets in foreign currencies also include exchange risks), so their net asset values (NAV) will fluctuate. Therefore, the investment trusts do not guarantee returns on invested capital, and they may incur losses due to declines in NAVs, primarily attributable to transaction price and currency fluctuations in relevant markets, resulting in balances dropping below originally invested amounts. These management-caused losses wholly belong to all beneficiaries.

Specialized funds differ from diversified general investment trusts in that they manage a narrower scope of stocks. Thus, they are much more likely to experience NAV fluctuations, regardless of market trends.

Long-short strategy funds operate from a short position, meaning that when shorted stocks see share price growth, fund NAVs will fall. Moreover, situations in which both long and short positions incur losses significantly raise the possibility of loss to investors, compared to that for normal equity investment trusts.

These risks include only a portion of the risks related to investment trusts, and the details and nature of the risks differ according to the type of assets targeted, investment restrictions, transaction exchange, and countries targeted for each investment trust.

About Costs Related to Investment Trusts (Publicly Offered Investment Trusts)

The maximum expenses (fees) for SPARX's investment trusts (publicly offered investment trusts) are as follows:

- Direct costs

Fees at time of purchase:	Up to 3.85% (after tax)
---------------------------	-------------------------

Liquidation fees:	None
-------------------	------

Investment trust asset reserves:	Up to 0.5%
----------------------------------	------------

- Indirect costs during investment in investment trusts

Trust commission:	Up to 2.09% annually (after tax)
-------------------	----------------------------------

Performance commission (*):	Some investment trusts may require performance commissions.
-----------------------------	---

*The amount of performance commissions varies per the NAV level, so it is not possible to indicate a maximum amount in advance.

Other costs and fees: Auditing costs; sales commissions generated by composite marketable securities (including funds) transactions, which include costs for creating prospectuses or investment reports; costs required for futures or options transactions; and custodial costs for assets in foreign currencies. When composite marketable securities are funds, they may charge for other expenses, including fiduciary trust company and custodial firm fees. These fees vary per management conditions, so it is not possible to indicate their maximum amounts in advance.

The total cost of fees differs according to the period of ownership, so these fees cannot be shown.

They also differ according to investment trust, so contact your dealer for more details.

Issuing Corporation

SPARX Asset Management Co., Ltd.

Financial Services Provider Registration Number: Director of Kanto Local Finance Bureau, No. 346

Memberships: The Investment Trusts Association, Japan; Japan Investment Advisers Association; Japan Securities Dealers Association; and Type II Financial Instruments Firms Association

- This material is only for the purpose of explaining the financial results prepared by SPARX Group Co., Ltd. and SPARX Asset Management Co., Ltd., and it is not a disclosure document pursuant to the Japanese Financial Instruments and Exchange Act. - This material does not intend to solicit the purchase of any specific financial instruments. Therefore, the distribution of this document or a solicitation using this document to any third party is prohibited. - Any unauthorized reproduction or copying of this document for any purpose is prohibited.

SPARX Group Co., Ltd.
Shinagawa Season Terrace 6F, 1-2-70 Konan,
Minato, Tokyo, Japan 108-0075
Tel: +81-3-6711-9100 (switchboard)