

SPARX

Consolidated Financial Result of Nine Months of the Fiscal Year ending March 2006 (FY 2005)

February 13th, 2006



SPARX Asset Management Co., Ltd.
www.sparx.co.jp

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Financial facts of 3rd quarter, FY2005



Highlights of 3rd quarter, FY2005

- ▶ Continuously hit the highest record in average asset under management (AUM) as well as in management fee
 - AUM hit the highest record, JPY 1,414 billion as of December 31, 2005
 - Management fee of this 3rd quarter period is JPY 8.68 billion (48.2% increase, year-on-year comparison)
- ▶ Performance fee was JPY 9.76 billion (77.2% increase, YoY comparison), including JPY 7.49 billion realized in the 3rd quarter
- ▶ Recurring profit achieved JPY 11.37 billion (67.8% increase, YoY comparison), including JPY 7.65 billion realized in this 3rd quarter (164.0% increase, YoY comparison)
- ▶ AUM of Korean subsidiary (Cosmo investment management Co., Ltd.) achieved the record-setting AUM
 - Outstanding of their AUM is JPY 154.9 billion, as of December 31, 2005



Financial highlights

All data herein are presented on a consolidated basis.

	FY2004		FY2005	
	Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change
Average AUM (100 Mil. Yen)	7,329	7,556	10,827	+47.7%
Operating revenue (Mil. Yen)	11,590	14,277	18,731	+61.6%
Operating and general administrative expenses (Mil. Yen)	4,725	6,487	7,326	+55.0%
Operating profit (Mil. Yen)	6,864	7,790	11,405	+66.1%
Recurring profit (Mil. Yen)	6,777	7,670	11,376	+67.8%
Net profit (Mil. Yen)	3,340	4,264	5,799	+73.6%
Number of personnel (period-end)	123	127	189	+53.7%
TOPIX (period-end)	1,149.63	1,182.18	1,649.76	+43.5%



Notes:

1. The figures above are truncated. "YoY" figures are rounded to the nearest tenth of a percent.
2. The "Number of Personnel" includes non-executive directors.
3. AUM does not include the number of Korean subsidiary (Cosmo investment management Co., Ltd.)

Financial highlights of each quarter

	1 st quarter		2 nd quarter		3 rd quarter		Total	
	Amount (Mil. Yen)	YoY change (%)	Amount (Mil. Yen)	YoY change (%)	Amount (Mil. Yen)	YoY change (%)	Amount (Mil. Yen)	YoY change (%)
Operating revenue	2,689	- 9.8	5,039	31.2	11,002	130.8	18,731	61.6
Management fees	2,355	32.2	2,880	44.0	3,444	66.1	8,680	48.2
Performance fees	229	- 79.6	2,039	14.7	7,494	187.4	9,763	77.3
Other operating revenue	104	37.0	119	87.2	63	-25.8	287	27.5
Operating and general administrative expense	1,798	34.5	2,145	33.9	3,382	89.3	7,326	55.0
Operating profit	890	- 45.8	2,894	29.2	7,620	155.7	11,405	66.1
Recurring profit	810	- 50.7	2,913	30.4	7,652	164.0	11,376	67.8
Net profit	344	-61.4	1,600	37.4	3,854	200.6	5,799	73.6



AUM characteristics

(Unit: 100 Mil. Yen)

	2003 September	2004 March	2004 September	2005 March	2005 December	
						Composition
<u>Domestic investment trust management business</u>						
Publicly offered investment trust business	256	282	685	839	1,119	7.9%
Privately offered investment trust business	926	1,049	1,327	1,398	1,805	12.8%
<u>Investment advisor business</u>						
Discretionary accounts (Domestic clients)	435	573	576	890	1,488	10.5%
Discretionary accounts (Overseas clients)	1,589	2,483	2,734	3,132	5,555	39.3%
SPARX group's offshore funds	1,349	1,633	1,970	2,195	4,019	28.4%
Non-discretionary accounts	5	6	6	86	153	1.1%
Total	4,563	6,028	7,301	8,542	14,142	100.0%
% of AUM with overseas clients	54%	60%	57%	56%	59%	

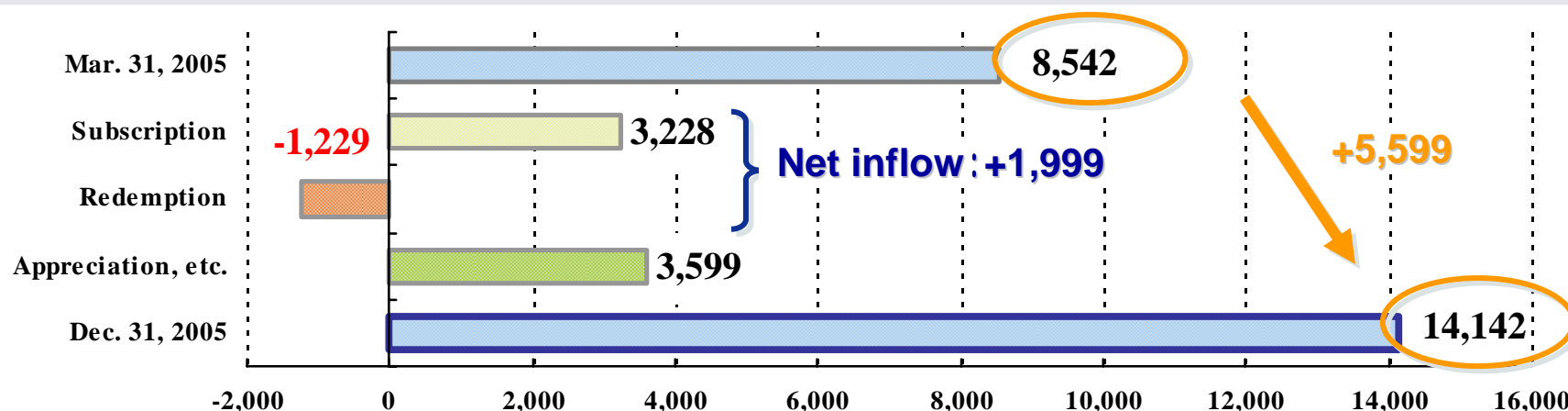


Notes:

1. The figures above are truncated.
2. The "SPARX group's offshore funds" are the funds managed by offshore subsidiaries of SPARX Asset Management Co., Ltd.
3. The "% of AUM with Overseas clients" data is rounded and based on internal estimates.
4. AUM does not include the number of Korean subsidiary (Cosmo investment management Co., Ltd.)

Flow of funds [March 2005 ~ December 2005]

(Units: 100 Mil. Yen)



Investment strategy (Units: 100 Mil. Yen)	Mar. 31, 2005	Subscription	Redemption	Appreciation, etc.	Dec. 31, 2005
Long – Short strategy	2,739	455	-479	611	3,326
Strategic (or “Focused”) investment strategy	395	203	-17	185	766
Multi-manager alternative investment strategies	267	71	-4	83	418
Active strategy	2,876	1,012	-465	1,539	4,963
Mid & small cap strategy	1,517	745	-262	812	2,813
Value creation investment strategy	704	740	-0	368	1,812
Private equity investments	43	-	-	-1	42
Total	8,542	3,228	-1,229	3,599	14,142

Notes: 1. The figures above are truncated.

2. The asset under management of Korean subsidiary (Cosmo investment management Co., Ltd.) is not included since they are not fully owned by SPARX Asset Management Co., Ltd. (Reference: JPY 154.9 billion as of Dec., 2005. + JPY 88.4 billion, compared to Mar. 2005)

Breakdown of Consolidated operating revenue

		<u>FY2004</u>		<u>FY2005</u>	
		Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change
Management fees	(Mil. Yen)	5,856	7,962	8,680	+48.2%
Net management fee rate	(%)	0.89	0.88	0.84	-0.05
Net management fees <i>(After the deduction of commissions paid)</i>	(Mil. Yen)	4,941	6,626	6,799	+37.6%
Performance fees	(Mil. Yen)	5,508	6,011	9,763	+77.3%
Percentage of AUM eligible to earn performance fees	(%)	58.3	55.0	50.9	-7.4
Other operating revenue	(Mil. Yen)	225	303	287	+27.5%
Total operating revenue	(Mil. Yen)	11,590	14,277	18,731	+61.6%



Notes:

1. The figures above are truncated. "YoY" figures are rounded to the nearest tenth of a percent. The "Net management fee rate" data is rounded to the nearest hundredth of a percent.
2. Changes in the "Net management fee rate" and "Percentage of eligible AUM earning performance fees" are percentage point changes, not percent changes.
3. The "Net management fee" data is adjusted for minority interests.

Consolidated “Base earnings”

“Base earnings” indicate the estimated level of ordinary profit which could be derived only from net management fee revenue (after the deduction of commissions paid) and without receiving any performance fee revenue.

		<u>FY2004</u> Twelve months ended Mar. 31	<u>FY2005</u> Nine months ended Dec. 31 (Annualized)
Average AUM	(100 Mil. Yen)	7,556	10,827
Net management fee rate (After the deduction of commissions paid)	(%)	0.88	0.84
Annualized net management fee revenue (After the deduction of commissions paid)	(Mil. Yen)	6,649	9,094
Annualized ordinary expenses	(Mil. Yen)	3,508	4,399
Annualized “Base earnings”	(Mil. Yen)	3,141	4,695
Number of personnel (period-end)		127	189

Notes:

1. The figures above are truncated. The “Net management fee rate” data is rounded to the nearest hundredth of a percent.
2. The “Annualized net management fee revenue” data is calculated by multiplying the “Net management fee rate” and the “Average AUM” for the period.
3. The “Annualized ordinary expenses” data is calculated by deducting (1) Commissions paid, (2) Bonuses, and (3) Other extraordinary expenses from total Operating and general administrative expenses. **Annualized ordinary expenses was presented here by multiplying the nine-month data by 4/3.**
4. The “Number of personnel (period-end)” data does not include non-executive directors.
5. The figure above does not include the number (cost and revenue) from Korean subsidiary (Cosmo investment management Co., Ltd.)



Breakdown of performance fees

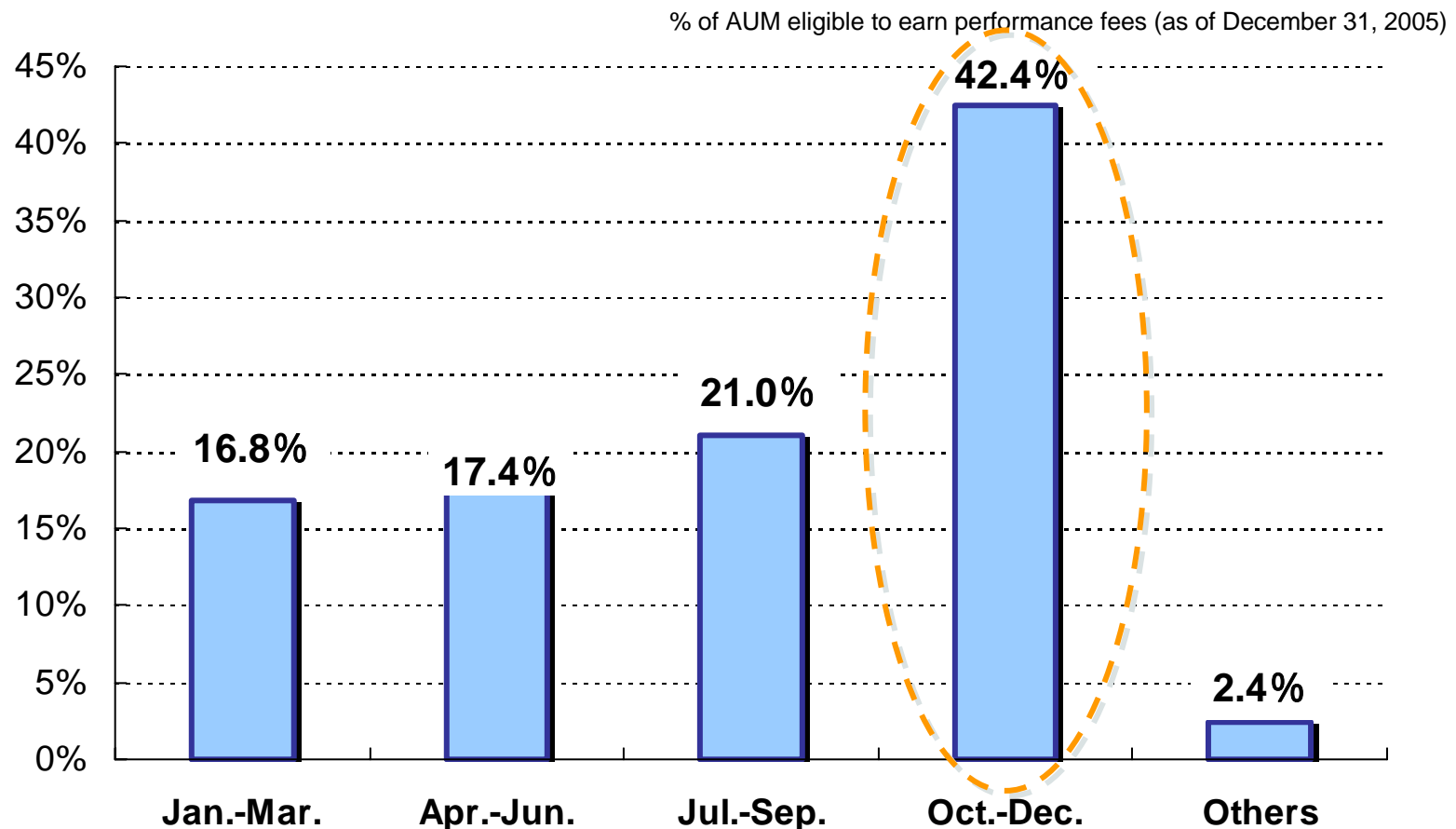
		FY2004		FY2005	
		Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change
Average AUM	(100 Mil. Yen)	7,329	7,556	10,827	+47.7%
Long-Short strategy	(Mil. Yen)	4,042	4,484	6,292	+55.7%
Strategic (or "Focused") investment strategy	(Mil. Yen)	898	931	1,249	+39.1%
Multi-manager alternative investment strategies	(Mil. Yen)	30	44	266	+786.7%
Active strategy	(Mil. Yen)	209	220	134	-35.9%
Mid & small cap strategy	(Mil. Yen)	30	32	58	+93.3%
Value creation investment strategy	(Mil. Yen)	297	297	1,571	+429.0%
Others	(Mil. Yen)	-	-	190	-
Total	(Mil. Yen)	5,058	6,011	9,763	+77.3%



Note: 1. The figures above are truncated. "YoY" figures are rounded to the nearest tenth of a percent.

2. The "Others" includes the performance fees achieved by Korean subsidiary.

Distribution of performance fees receivable by quarter

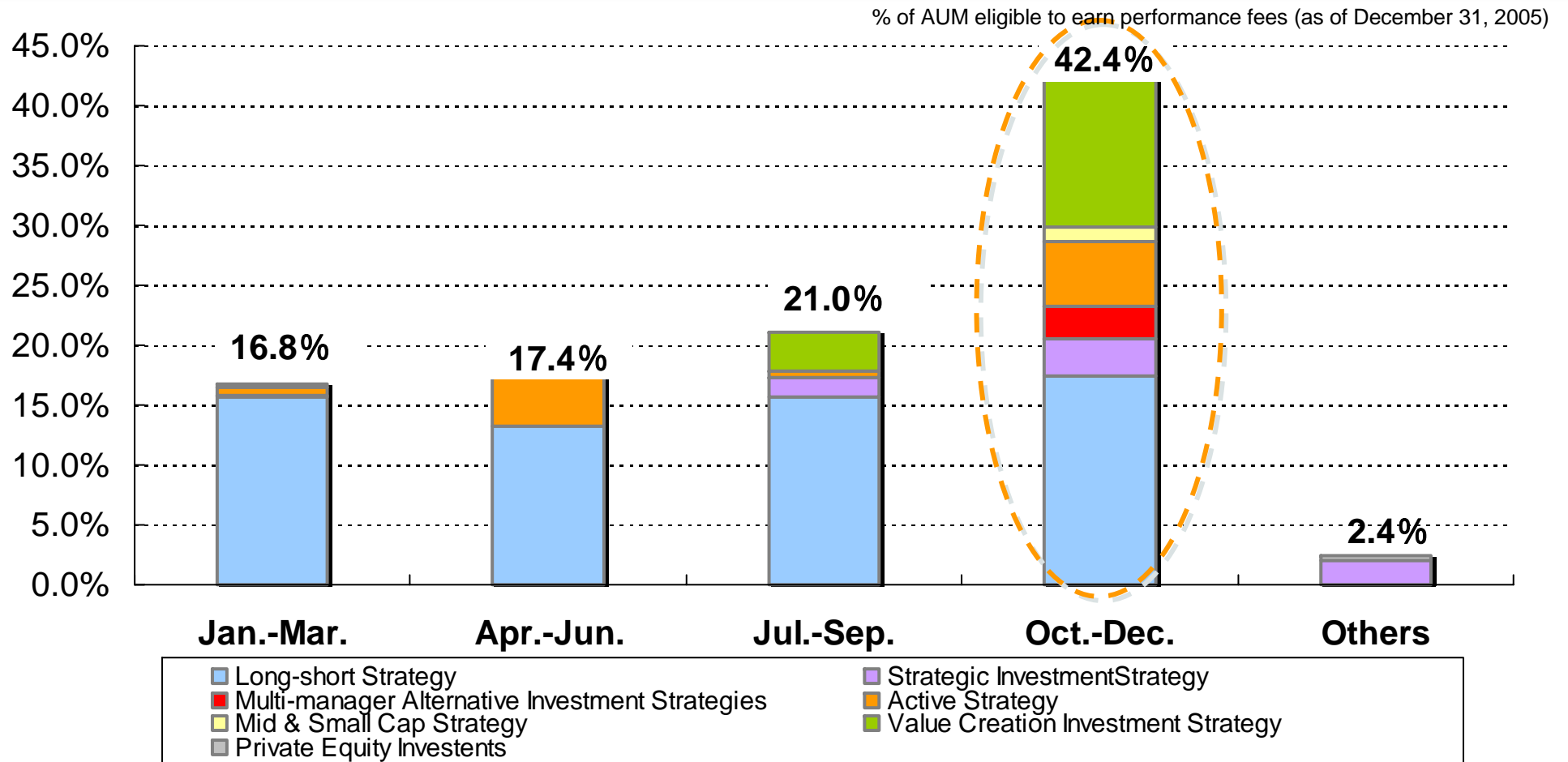


Notes:

1. All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of December 31, 2005, are classified by the performance fee value date in the above graph. In calculating these percentages, the following adjustments were made: (1) For funds with multiple payment periods, the entire values of the funds are added for each value date (month) (2) Overlapping portions posted at each value date (month) are added to the total AUM (3) Funds without Performance Fees are excluded from the total AUM.
2. The above data are rounded to the nearest tenth of a percent.



Distribution of performance fees receivable (Quarterly basis); Divided by investment strategies



Notes:

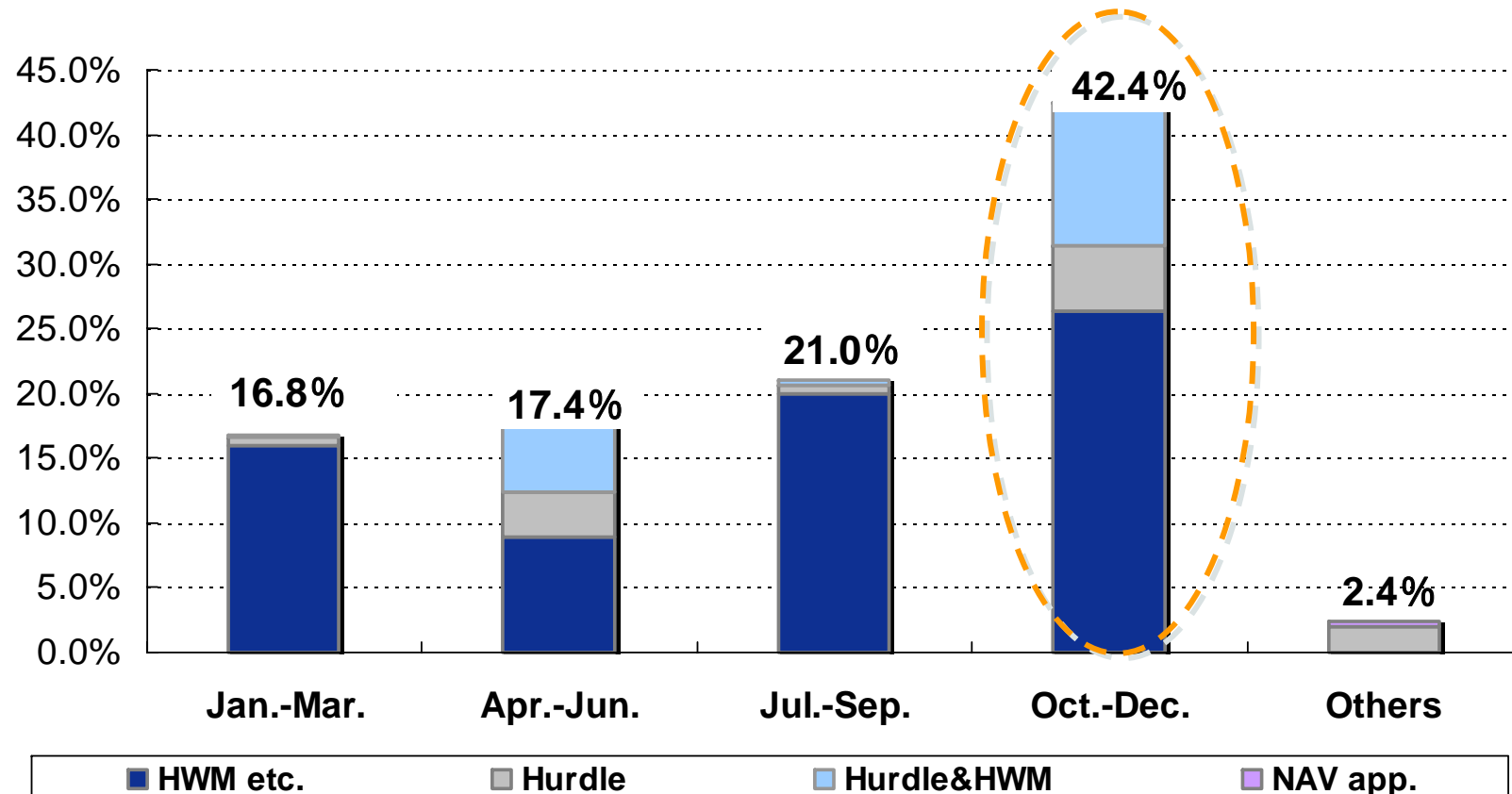
1. All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of December 31, 2005, are classified by the performance fee value date in the above graph. In calculating these percentages, the following adjustments were made: (1) For funds with multiple payment periods, the entire values of the funds are added for each value date (month) (2) Overlapping portions posted at each value date (month) are added to the total AUM (3) Funds without Performance Fees are excluded from the total AUM.

2. The above data are rounded to the nearest tenth of a percent.



Distribution of performance fees receivable (Quarterly basis); Divided by calculation method of performance fees

% of AUM eligible to earn performance fees (as of December 31, 2005)



Notes:

- All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of December 31, 2005, are classified by the performance fee value date in the above graph. In calculating these percentages, the following adjustments were made: (1) For funds with multiple payment periods, the entire values of the funds are added for each value date (month) (2) Overlapping portions posted at each value date (month) are added to the total AUM (3) Funds without Performance Fees are excluded from the total AUM.
- The above data are rounded to the nearest tenth of a percent.



Consolidated expenses

		FY2004		FY2005	
		Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change
Commissions paid	Operating	1,205	1,599	2,071	+71.9%
Entrusted fund administrative fees	Operating	135	172	142	+4.9%
Other operating expenses	Operating	216	295	268	+23.8%
Personnel expenses (Including temporary staff, etc.)	General administrative	1,749	2,453	2,752	+57.4%
Allowance for Bonuses (Included in the above Personnel Expenses)		637	-	1,244	+95.2%
Travel expenses	General administrative	216	288	229	+6.3%
Property rent	General administrative	267	371	367	+37.2%
Entrusted business expenses	General administrative	273	374	461	+68.6%
Depreciation on fixed assets	General administrative	119	166	172	+43.6%
Other general administrative expenses	General administrative	541	766	861	+59.1%
Total (Operating & general administrative) expenses		4,725	6,487	7,326	+55.0%



Notes:

1. The figures above are truncated. "YoY" figures are rounded to the nearest tenth of a percent.
2. The "Personnel expenses" data includes "Allowance for bonuses" (listed above) and payments for temporary staff, etc.

Breakdown of personnel (full-time personnel) allocation

Note: The figures in parentheses indicate changes in the numbers of personnel compared with March 31, 2005.

	CEO & Auditors	Investment & research	Marketing	Corporate admin.	Fund operation	IT	Legal & compliance	Risk & performance measurement	Total
SPARX Asset Management Co., Ltd. (Japan)	4 (-1)	45 (+12)	15 (-1)	14 (+2)	9 (+1)	9 (+1)	5 (+1)	4 (+3)	105(+18)
SPARX Securities Co., Ltd. (Japan)	0	0	12 (+3)	4 (+1)	0	0	1 (+1)	0	17 (+5)
SPARX Capital Partners Co., Ltd.	0	2 (+2)	0	2 (+2)	0	0	0	0	4 (+4)
U. S. subsidiaries	0	1	7	5 (+1)	3	3 (+1)	3	0	22 (+2)
U. K. subsidiaries	0	0	4	2 (+1)	2	0	2 (+1)	0	10 (+2)
Hon Kong subsidiaries	0	3 (+3)	1 (+1)	1 (+1)	2 (+2)	0	1 (+1)	0	8 (+8)
Korea subsidiaries (Cosmo investment management Co., Ltd.)	0	12 (+4)	3 (+1)	3 (-1)	4 (+1)	0	1 (+1)	0	23 (+6)
Total	4 (-1)	63 (+21)	42 (+4)	31 (+7)	20 (+4)	12 (+2)	13 (+5)	4 (+3)	189 (+45)

Includes 7 fund managers, 21 analysts, 6 traders, 11 others

[Reference] Annualized performance since the inception of major strategies

(Annualized)

(From composite start date to December 31, 2005)

	Active long-only (Commingled funds)	Mid & small caps	Long - Short (\$, Lev.2)	Long - Short (¥, Lev.1)	Strategic (or "Focused") investment	Value creation investment (\$)
Composites	19.4%	13.4%	21.4%	8.5%	13.8%	49.2%
Reference index	2.5%	9.1%	5.7%	2.5%	3.4%	31.3%
Excess return	16.9%	4.3%	15.7%	6.0%	10.4%	17.9%

Reference index	TOPIX dividend included	Russell/Nomura Mid-Small Cap Index	TOPIX dividend included, USD hedged	TOPIX dividend included	TOPIX dividend included	TOPIX dividend included USD hedged
Start date	May 1997	Jan 2000	August 1998	June 2000	July 1999	February 2003
Volatility of composite return (Annualized)	24.6%	17.4%	12.1%	6.4%	23.6%	18.2%

Notes:

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

2. The calculation methods used for the above annualized returns are as follows: the modified Dietz method (pre-deduction of management related fees) is applied to Long-only Active (Commingled funds), Mid & small caps, Long – Short (\$, Lev.2) and Strategic investment; the NAV per share method (management fee deducted) is applied to the Long-short (¥, Lev.1); the internal rate of return (pre-deduction of management fees) is applied to the Value creation investment (\$).

3. "TOPIX dividend included, USD hedged" is calculated as fully hedged using the month-end USD forward rate.



[Reference] Appendix to annualized performance since inception of major strategies

- Each composite includes the portfolios managed by SPARX group, comprising SPARX Asset Management Co., Ltd., and its wholly owned subsidiaries, SPARX Overseas Ltd., and SPARX Investment & Research, USA, Inc.
- Investment strategies of each composite are described below.

<u>Name of Composite</u>	<u>Type of investment strategy</u>
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 (\$, Lev.2)	Investment strategy combining long and short positions. Leveraged within twice NAV, and aims to achieve stable absolute returns.
Long - Short (¥, 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.
Value creation investment (\$)	Investment strategy focusing on corporate governance.

- Investment strategy performance appendix (Annual returns for the past five fiscal years)

	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
Active long-only (Commingled funds)	-25.25%	-0.22%	-25.58%	78.05%	5.55%
Mid & small caps	-12.14%	4.37%	-19.98%	70.25%	13.26%
Long - Short (\$, Lev.2)	-4.20%	9.68%	-6.41%	37.92%	0.91%
Long - Short (¥, Lev.1)	2.02%(10 months)	7.09%	-7.30%	29.30 %	3.58%
Strategic investment	-11.66%	- 9.65%	- 10.51%	53.23%	3.12%

- Complete GIPS composites and performance results are available upon request.

Updates of SPARX growth strategy



Updates of growth strategy

Growth strategy shows good performance in line with the original plan

Developing in Asian investment

- Enhanced the hub function of Asian investment
 - SPARX International (Hong Kong) Limited commenced its operation (August, 2005)
- Enhanced of investment strategy
 - Agreed to establish JV with IXIS Corporate & Investment Bank (September, 2005)
 - SPARX will select new hedge fund managers and provide asset management expertise in hedge funds and funds of hedge funds
 - IXIS CIB's contribution will involve due diligence, risk monitoring and structuring expertise
- Delivered investment know-hows across the Asian countries
 - AUM of Cosmo investment management Co., Ltd achieved the highest record in AUM (JPY 154.9 billion as of December, 2005)
 - Promoted SPARX Korea Long-Short Fund by utilizing the existing marketing channels (JPY 10.8 billion as of December 2005)

Principal investment business

- Enhanced the diversification of financing
 - Issuance of 1st series unsecured straight bonds (September, 2005)
 - Issue amount: 5 billion in JPY, Maturity date: September, 2012, Interest rate: 1.31% per annum
- Enhance the corporate governance
 - Adapt the holding company structure (October 2006, planned)



SPARX Capital Partners Co., Ltd.



Target investment

Primarily invest
in domestic
private equity

- For growth or recovery
- For M&A
- To change capital structure
- MBO of non-core businesses
- MBI of companies without successors
- Delisting companies, etc.

Other investment
opportunities

- Investment in foreign companies
- Investment in group funds or funds managed by other players
- Strategic investment aiming at business expansion of SPARX group

Enable to invest in
long-term
viewpoint, due to
the principal
investment without
any cancellations
and no due date



Current situation

	Completed	On-going	Planned
Number of project	<ul style="list-style-type: none"> 1 project 	<ul style="list-style-type: none"> 1 project 	<ul style="list-style-type: none"> 22 project
Investment amount	<ul style="list-style-type: none"> JPY 2.5 billion (commitment base; Dec. 2005) 	<ul style="list-style-type: none"> 1.2 billion (planned) 	<ul style="list-style-type: none"> N/A
Note	<ul style="list-style-type: none"> Inject the seed money , for starting the strategic investment in Korea, collaborating with Korean subsidiary (Cosmo Investment Management Co., Ltd.) 	<ul style="list-style-type: none"> MBI project 	<ul style="list-style-type: none"> MBO project MBI project Capital for recovery Venture capital Succession of business project etc.



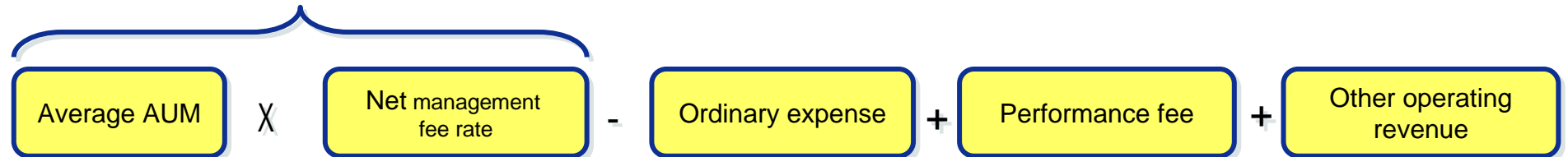
Reference : Asset under management (AUM)



(Reference) Revenue structure

Base earnings = JPY 4.7 billion

Management fee = JPY 9.1 billion



Number in 3Q

JPY 1,082.7B

0.84%

JPY 4.4 billion

JPY 9.8 billion

JPY 0.3 billion

Note

- AUM grows steadily
- Monthly disclosure of AUM

- Relatively higher level toward competitors

- Calculated by deducting bonuses, and other extraordinary expenses from total "operating and general administrative expenses"

- Calculate by HWM method, Hurdle rate
- Percentage of AUM eligible to earn performance fees

- Consulting fee
- Distribution fee of mutual fund etc

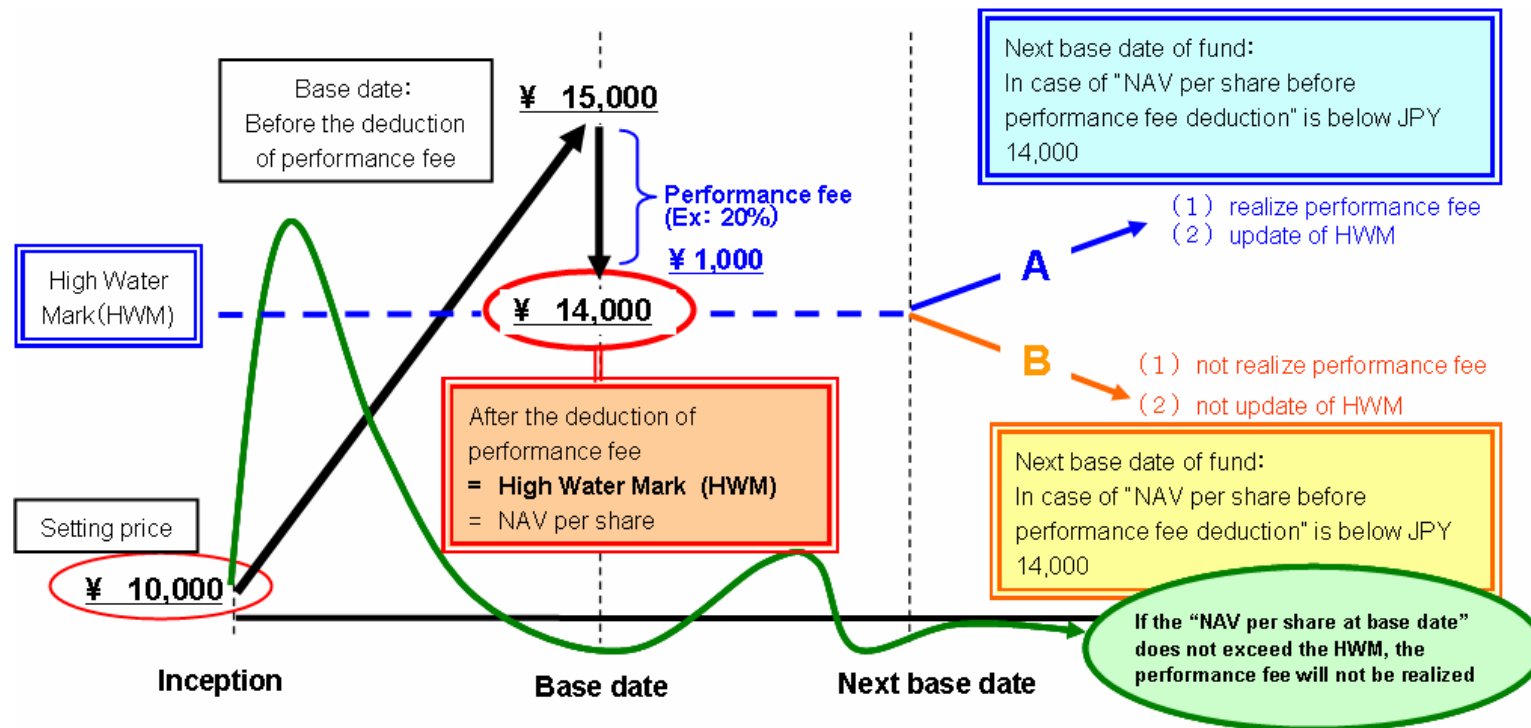
- Positive co-relation toward AUM
- Management fee will increase in line with the growth of AUM, assuming that the net management fee rate is fixed

- The amount will be changed based on the result of performance



(Note) The figure mentioned in the chart is rounded to the nearest hundredth of a percent.

[reference] scheme of performance fee



High Water Mark method (not complicated example) : $\langle (\text{Net Asset Value per share (NAVPS)}) - (\text{the highest NAVPS before}) \rangle \times (\text{Certain performance fee rate (usually 20\%)})$

Hurdle Rate method (other typical case) : $\langle (\text{Net Asset Value per share (NAVPS)}) - (\text{hurdle rate, such as outperformed amount of benchmark}) \rangle \times (\text{Certain performance fee rate})$



(Note) The above chart briefly describes the scheme of performance fee and, thus, this does not explain the calculation methodology of performance fee strictly.

In the above chart, the performance fee is calculated based on the assumption (performance fee ratio = 20%).

HWM = High Water Mark

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