



**SPARX Asset Management Co., Ltd.
Consolidated Financial Results of Three Months
for the Fiscal Year ending March 2007 (FY 2006)**

August 11, 2006



SPARX Asset Management Co., Ltd.

www.sparx.co.jp

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Topics

- ▶ Financial results of 1st quarter, FY2006
- ▶ Update on Asia Strategy
 - Collaboration with PMA Capital Management Limited -



Financial results of 1st quarter, FY2006



Executive summary – (1)

- ▶ Recorded highest totals for average asset under management (AUM) as well as in management fee
 - AUM (as of June, 2006)
 - ▶ SPARX Group (JPY 1,978.9 billion), SPARX Asset Management Co. Ltd. (JPY 1,524.8 billion)
 - Management fee for this quarter equaled JPY 4.13 billion (75.7% increase, year-on-year comparison)
 - Net management fee rate is 0.76% (0.04 percent point decrease, year-on-year comparison)
- ▶ Performance fee for this quarter equaled 4.67 billion (1,938.1% increase, year-on-year comparison)
 - Percentage of AUM eligible to earn a performance fee is 57.3% (0.2 percent point decrease)
- ▶ Recurring profit reached JPY 4.4 billion (449.6% increase, year-on-year comparison)
- ▶ Net profit achieved 2.2 billion (564.6% increase, year-on-year comparison)
- ▶ AUM of Korean subsidiary (Cosmo Investment Management Co., Ltd.) hit a historical high
 - AUM is JPY 192.4 billion (as of June, 2006)



Executive summary– (2)

- ▶ With the completion of the transaction on June 19, 2006, the results of PMA Capital Management Limited (“PMA”) has been consolidated since June 20, 2006
 - The purchase of PMA and related share transaction issues were completed on June 19, 2006
 - Q1 FY2006 Management fee (SPARX group) includes JPY 63 million from PMA
 - Q1 FY 2006 Performance fee (SPARX group) includes JPY 2,092 million from PMA
 - Selling and Administrative expenses include JPY 74 million as amortization of goodwill resulting from PMA transaction
 - AUM (SPARX group), as of June 2006, includes JPY 261.5 billion from PMA



Financial highlights

All data herein are presented on a consolidated basis.

	FY2005		FY2006	
	Three months ended Jun. 30	Twelve months ended Mar. 31	Three months ended Jun. 30	YoY change
Average AUM (100 Mil. Yen)	9,690	13,116	20,111	+107.5%
Operating revenue (Mil. Yen)	2,689	26,863	8,848	+229.0%
Operating and general administrative expenses (Mil. Yen)	1,798	10,462	4,567	+153.9%
Operating profit (Mil. Yen)	890	16,401	4,281	+380.9%
Recurring profit (Mil. Yen)	810	16,280	4,453	+449.6%
Net profit (Mil. Yen)	344	8,894	2,288	+564.6%
Number of personnel (period-end)	156	201	257	+64.7%
TOPIX (period-end)	1,177.20	1,728.16	1,586.96	+34.8%



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 Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited).

Financial highlights for each entity

(Units: million in JPY)

	FY2005		FY2006				
	1Q	Full year	1Q	YoY change (%)	1Q	1Q	YoY change (%)
	SPARX +Cosmo	SPARX +Cosmo	SPARX +Cosmo		PMA	SPARX Gr. Total	
Operating revenue	2,689	26,863	6,693	148.9%	2,155	8,848	229.0%
Management fee	2,355	12,582	4,075	73.0%	63	4,138	75.7%
Performance fee	229	13,764	2,581	1025.7%	2,092	4,673	1938.1%
Other operating revenue	104	516	37	-64.6%	-	37	-64.6%
Operating and general administrative expenses	1,798	10,462	2,970	65.1%	1,597	4,567	153.9%
Operating profit	890	16,401	3,723	318.1%	558	4,281	380.9%
Recurring profit	810	16,280	3,850	375.2%	603	4,453	449.6%
Number of personnel (period-end)	156	201	207	32.7%	50	257	64.7%

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



Balance sheet summary

	<u>Jun. 30, 2005</u> (Mil. Yen)	<u>Jun. 30, 2006</u> (Mil. Yen)	YoY Change
Current Assets	28,852	29,788	+3.2%
Cash and Cash Equivalents	24,0625	10,368	-56.9%
Fixed Assets	6,254	42,401	+577.9%
Goodwill	-	24,611	-
Investment Securities	4,717	15,868	+236.4%
Total Assets	35,107	72,190	+105.6%
Short-term borrowings	-	11,500	-
Corporate bond	-	5,000	-
Total Liabilities (Minority Interests)	2,622 169	25,075 844	+856.3% +399.2%
Common stock, Additional Paid in Capital	22,308	25,135	+12.7%
Retained Earnings	11,305	19,504	+72.5%
Common Stock in Treasury at Cost	-1,503	-438	-
Total Shareholder's Equity	32,316	46,270	+43.2%

Note: Goodwill
-PMA 24.4 billion yen
-Cosmo etc. 0.2 billion yen

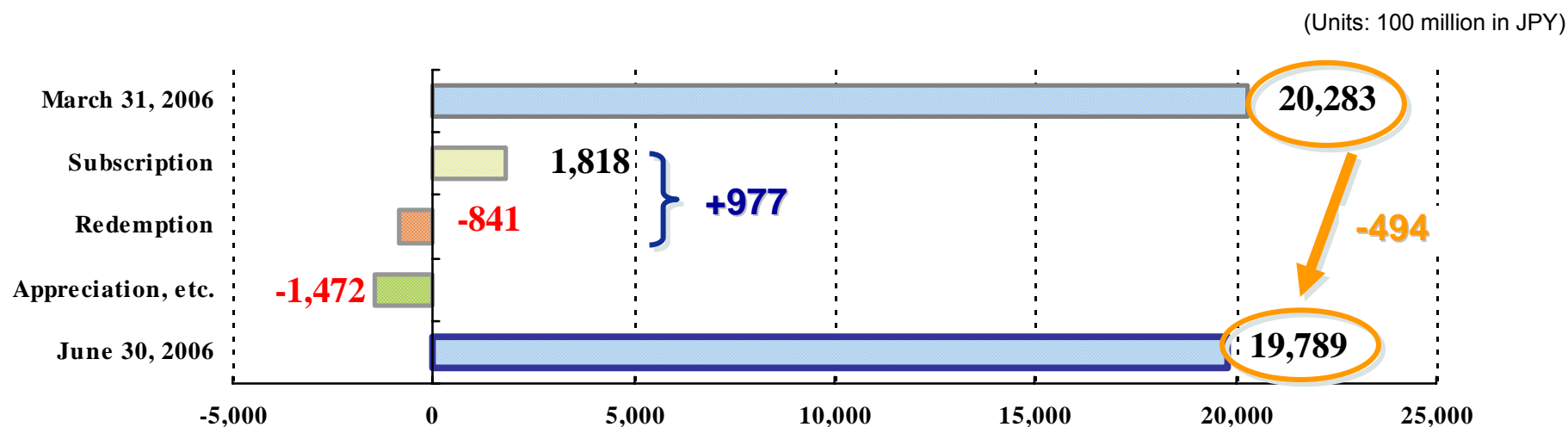
Note:
Short-term borrowings
11.5 billion yen
(PMA transaction)

Corporate bond
5 billion yen
(issued on Sep. 2005)



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

Flow of funds



Business entity	Mar. 31, 2006	Subscription	Redemption	Appreciation etc.	Jun. 30, 2006
SPARX Asset Management Co., Ltd.	16,077	1,209	-560	-1,478	15,248
Cosmo Investment Management Co., Ltd.	1,711	361	-208	60	1,924
PMA Capital Management Limited	2,494	247	-72	-54	2,615
SPARX Group (Total)	20,283	1,818	-841	-1,472	19,789

Notes:

1. The figures above are truncated.

2. "Subscription" and "Redemption" for Cosmo Investment Management Co., Ltd. and PMA Capital Management Limited are converted at Jun. 30 exchange rate, "Appreciation etc." contains exchange gain and loss difference between Mar. 31, 2006 and Jun. 30, 2006.

(Mar. 31, 2006: 117.295 yen/USD, 0.120167yen/won, Jun. 30, 2006: 115.24yen/USD, 0.12089319yen/won)



Flow of funds: by investment strategy of SPARX 【March 2006～June 2006】

(Units: 100 million in JPY)

investment strategy	Mar. 31, 2006	Subscription	Redemption	Appreciation etc.	Jun. 30, 2006
SPARX Asset Management Co., Ltd.					
Long-short strategy	3,369	120	-155	-149	3,183
Strategic (or "Focused") investment strategy	841	27	-1	-91	777
Multi-manager alternative investment strategies	508	11	0	0	519
Active strategy	6,506	648	-173	-805	6,176
Mid & small cap strategy	2,948	306	-150	-293	2,810
Value creation investment strategy	1,860	95	-79	-136	1,740
Private equity investments	42	-	-	0	41
Total	16,077	1,209	-560	-1,478	15,248

Notes: The figures above are truncated.



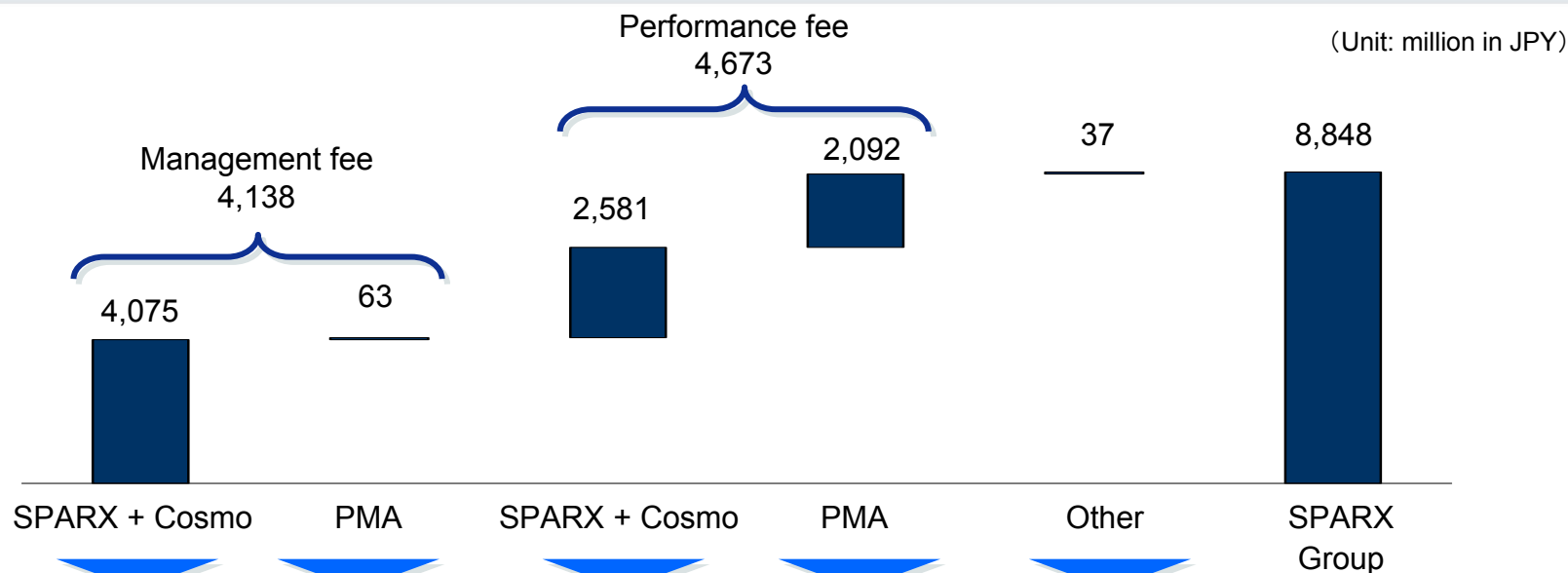
Breakdown of consolidated operating revenue

	FY2005		FY2006				
	1Q	Full Year	1Q		1Q	1Q	
	SPARX +Cosmo	SPARX +Cosmo	SPARX +Cosmo	YoY change (%)	PMA	SPARX Gr. Total	YoY change (%)
Management fees (Million in JPY)	2,355	12,582	4,075	73.0%	63	4,138	75.7%
Net management fee rate (%)	0.80%	0.76%	-	-	-	0.76%	-0.04
Performance fees (Million in JPY)	229	13,764	2,581	1025.7%	2,092	4,673	1938.1%
Percentage of AUM eligible to earn performance fees (%)	57.5%	49.9%	50.8%	-6.7	100%	57.3%	-0.2
Other operating revenue (Million in JPY)	104	516	37	-64.6%	-	37	-64.6%
Total operating revenue (Million in JPY)	2,689	26,863	6,693	148.9%	2,155	8,848	229.0%

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



Operating revenue: SPARX Group



(Unit: million in JPY)

Financial impact on 1Q of FY2006

From April 1, 2006 to June 30, 2006 (3 months) From June 20, 2006 to June 30, 2006 (11 days)

From April 1, 2006 to June 30, 2006 (3 months) From June 20, 2006 to June 30, 2006, including the amount realized at the end of June

From April 1, 2006 to June 30, 2006 (3 months)

Financial impact on 2Q of FY2006

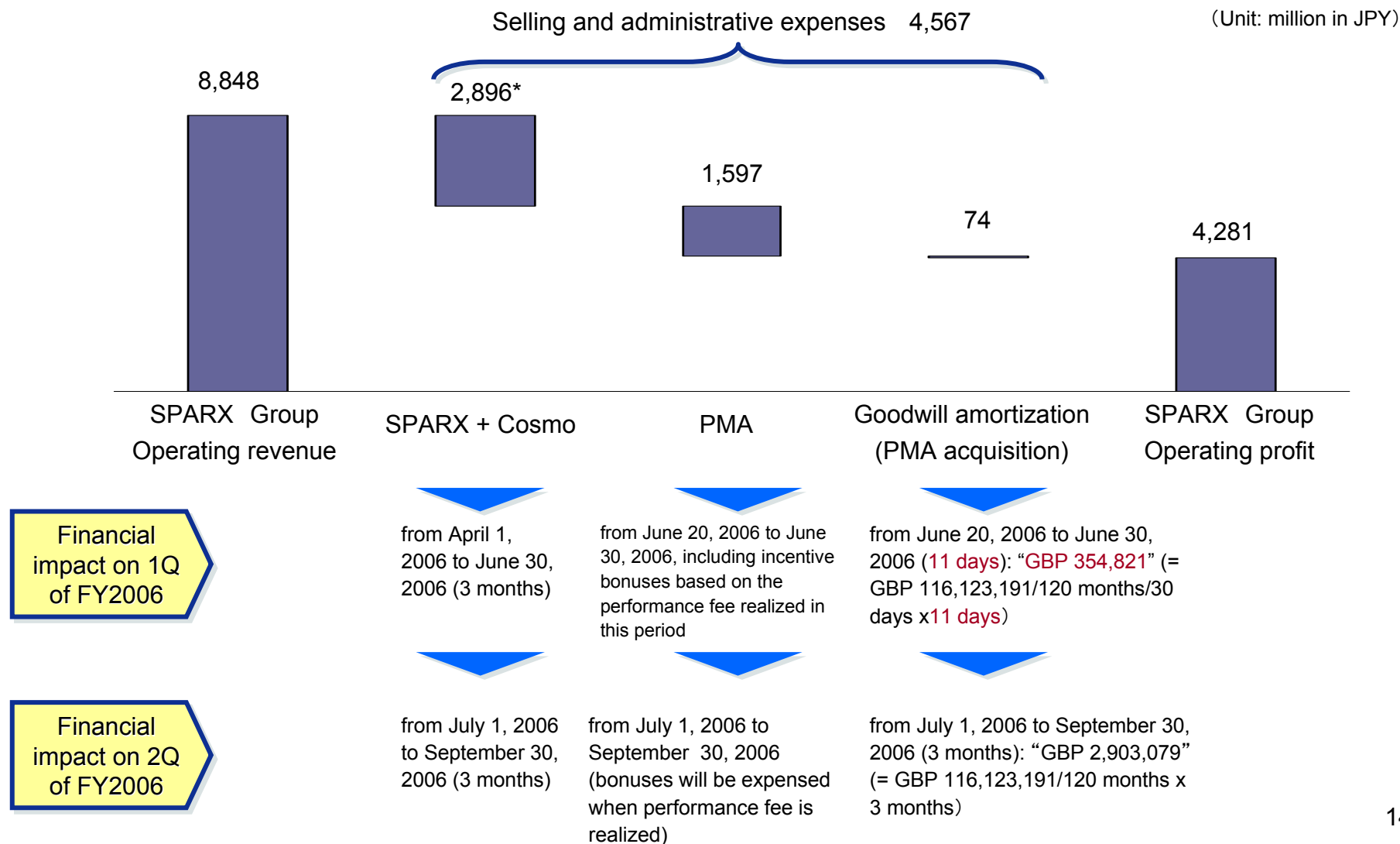
Calculating the fee with AUM and management fee ratio (3months: from July 1, 2006 to September 30, 2006)

Amount realized from July 1, 2006 to September 30, 2006

From July 1, 2006 to September 30, 2006 (3 months)



Selling and administrative expenses: SPARX Group



(* Note) the number ("2,896") excludes the "goodwill amortization (74 million in JPY)"

Breakdown of performance fees

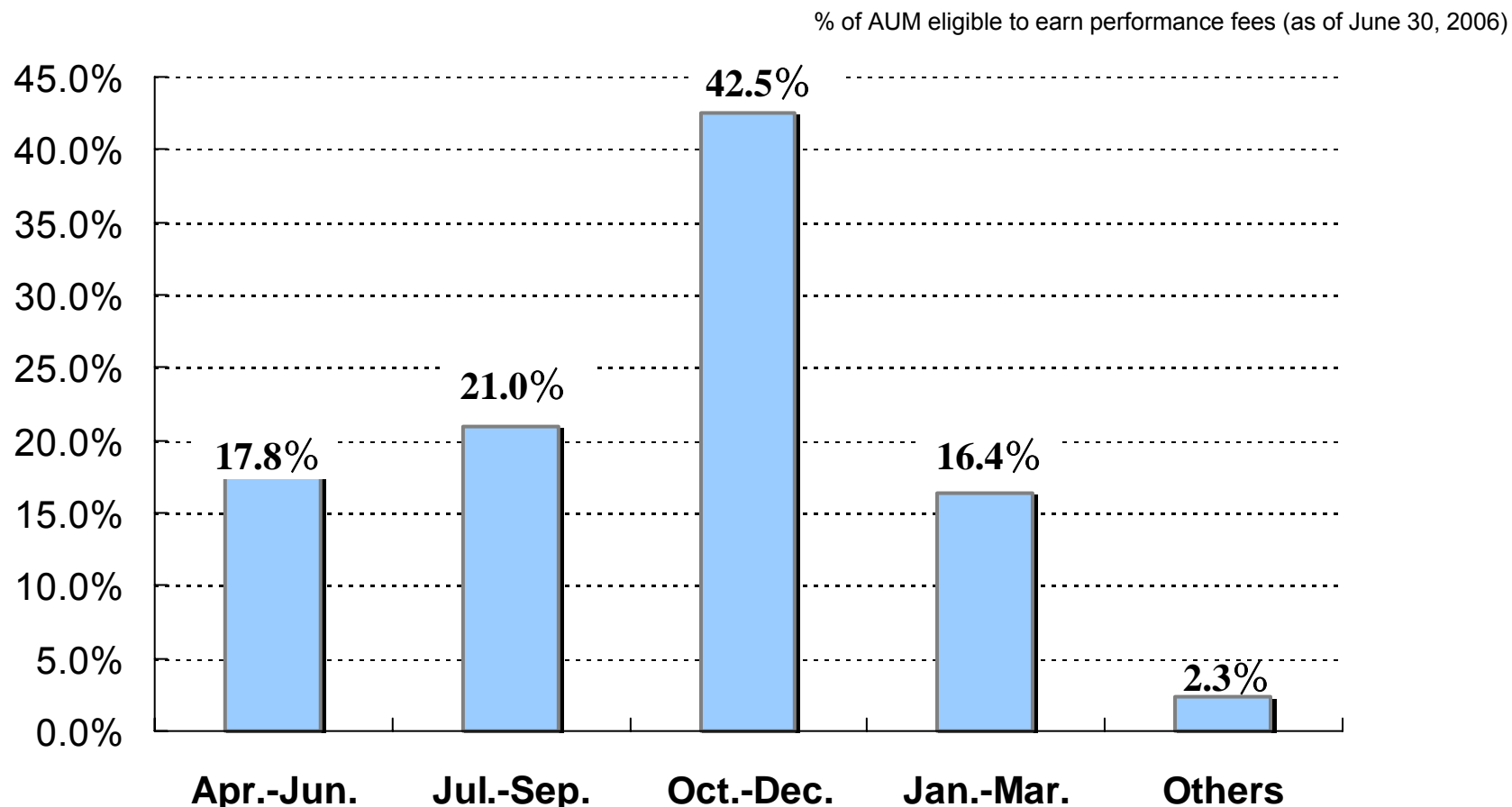
(Unit: million in JPY)

	FY 2005		FY 2006	
	1Q	Full Year	1Q	YoY change (%)
SPARX Asset Management Co., Ltd.				
Long-short strategy	89	9,355	1,777	1894.5%
Strategic (or "Focused") investment strategy	39	1,347	4	-89.7%
Multi-manager alternative investment strategies	-	301	-	-
Active strategy	0	152	370	74921.4%
Mid & small cap strategy	3	143	2	-21.1%
Value creation investment strategy	84	1,361	126	50.3%
Total	216	12,661	2,280	953.6%
Cosmo Investment Management Co., Ltd.				
Total	12	1,102	300	2238.8%
PMA Capital Management Limited				
Total	-	-	2,092	-
Total: Performance fee	229	13,764	4,673	1938.1%

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



Distribution of base date of calculating performance fees ; by Quarter (SPARX Asset Management Co., Ltd.)



Notes:

1. All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of June 30, 2006, 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. Based on internal information and materials, and we do not guarantee accuracy.
3. Source: SPARX Asset Management Co., Ltd. (Tokyo, Japan) as of June 30, 2006



Consolidated expenses

(Unit: million in JPY)		FY2005		FY2006	
Expense Category		Three months ended Jun. 30	Twelve months ended Mar. 31	Three months ended Jun. 30	YoY change
Commissions paid	Operating	392	2,903	651	+66.2%
Entrusted fund administrative fees	Operating	42	195	68	+59.1%
Other operating expenses	Operating	71	387	115	+61.6%
Personnel expenses (Including temporary staff, etc.)	General administrative	649	4,151	2,640	+306.5%
Allowance for Bonuses (Included in the above Personnel Expenses)		250	-	500	+100.3%
Travel expenses	General administrative	73	349	104	+42.2%
Property rent	General administrative	108	500	173	+59.7%
Entrusted business expenses	General administrative	115	606	320	+177.6%
Depreciation on fixed assets	General administrative	43	249	71	+63.0%
Amortization of goodwill	General administrative	13	61	88	+539.6%
Other general administrative expenses	General administrative	287	1,055	332	+15.7%
Total (Operating & general administrative) expenses		1,798	10,462	4,567	+153.9%

Notes:

1. The figures above are truncated. "YoY" figures are rounded to the nearest tenth of a percent.
2. The "Personnel Expenses" data includes payments for temporary staff, etc.

Source: SPARX Asset Management Co., Ltd. (Tokyo, Japan) as of June 30, 2006. Based on internal estimates

Breakdown of personnel (full-time personnel) allocation

Note: The figures in parentheses indicate changes in the numbers of personnel compared with March 31, 2006.

	CEO & Auditors	Investment & Research	Marketing	Corporate Admin	Fund Operation	IT	Legal & Compliance	Risk & Performance Measurement	Total
SPARX Asset Management Co., Ltd. (Japan)	2 (-2)	43 (-2)	20 (+3)	19 (+3)	8 (-1)	11 (+2)	6 (+1)	6 (+2)	115(+6)
SPARX Securities Co., Ltd. (Japan)	2 (+2)	0	12 (-1)	4	0	0	1	0	19 (+1)
SPARX Capital Partners Co., Ltd.	0	2	0	2	0	0	0	0	4
U.S. Subsidiaries	0	1	8 (+1)	5 (-1)	2 (-1)	2 (-1)	2 (-1)	0	20 (-3)
U.K. Subsidiaries	0	0	4	2	2	0	2	0	10
Hong Kong Subsidiaries	0	4 (+1)	1	2	3 (+1)	0	2	0	12 (+2)
Cosmo Investment Management Co., Ltd.	0	14	3	3	5	1	1	0	27
PMA Capital Management Co., Ltd.	0	19 (+19)	5 (+5)	7 (+7)	9 (+9)	5 (+5)	1 (+1)	4 (+4)	50 (+50)
Total	4	83	53	44	29	19	15	10	257
		(+18)	(+8)	(+9)	(+8)	(+6)	(+1)	(+6)	(+56)

Includes 7 fund managers, 18 analysts, 5 traders, 13 others

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>FY2005</u> Twelve months ended Mar. 31	<u>FY2006</u> Three months ended June. 30 (Annualized)
Average AUM	(100 Mil. Yen)	13,116	20,111
Net management fee rate (After the deduction of commissions paid)	(%)	0.76	0.76
Annualized net management fee revenue (After the deduction of commissions paid)	(Mil. Yen)	9,968	15,284
Annualized ordinary expenses	(Mil. Yen)	5,395	7,559
Annualized “Base earnings”	(Mil. Yen)	4,573	7,725
Number of personnel (period-end)		201	257

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 (including allowance for bonuses), and (3) Amortization of goodwill from total Operating and general administrative expenses. **Annualized ordinary expenses was presented here by multiplying the three-month data by 4.**

4. The “Number of personnel (period-end)” data does not include non-executive directors.



Update on Asia Strategy - Collaboration with PMA Capital Management Limited -



Update on SPARX growth strategy

Steps forward to develop the “Center for Asian Investment Intelligence”

Collaboration with PMA Capital Management Limited

- 100% of ownership of “PMA Capital Management Limited” (as of June 19, 2006)
- Established “Global Initiatives Team” (direct report to CEO)
- Launched strategic initiatives
 - Monthly Asia-Business Meeting
 - For the CEOs to discuss opportunity/strategic group-level issues
 - Quarterly Portfolio Managers Meeting
- Initiated coordination of distribution activities
- Investment Forum for Japanese institutional investors to showcase PMA and Cosmo (July, in Tokyo/Osaka)
 - Preparing debut of PMA product in Japan (October, 2006)

Other strategic initiatives

- Launched “Vatel Feeder Trust – SPARX Principal Protected Asia Pacific Diversified Fund 2 (US\$)” (June 9, 2006)
 - SPARX identifies, monitors and invests on behalf of its clients in Asia Pacific focused hedge funds



Appendix



AUM characteristics (SPARX Asset Management Co., Ltd.)

(Unit: 100 Mil. Yen)

	2005 June	2005 September	2005 December	2006 March	2006 June	
						Composition
Domestic Investment Trust Management Business						
Publicly Offered Investment Trust Business	851	868	1,119	1,236	1,138	7.5%
Privately Offered Investment Trust Business	1,468	1,623	1,805	1,733	1,627	10.7%
Investment Advisor Business						
Discretionary Accounts (Domestic Clients)	984	1,193	1,488	1,609	1,564	10.3%
Discretionary Accounts (Overseas Clients)	3,346	4,461	5,555	7,010	6,625	43.4%
SPARX Group's Offshore Funds	2,575	3,167	4,026	4,325	4,152	27.2%
Non-discretionary Accounts	89	125	153	161	140	0.9%
Total	9,314	11,440	14,149	16,077	15,248	100.0%
% of AUM with Overseas Clients	56%	59%	59%	63%	63%	



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. The asset under management of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited) is not included.

Annualized Performance Since the Inception of Major Strategies (SPARX Asset Management Co., Ltd.)

(Annualized)

(From Composite Start Date to June 30, 2006)

	Long-only Active (Commingled funds)	Mid & small caps	Long - Short (\$, Lev.2)	Long - Short (¥, Lev.1)	Strategic (or "Focused") investment	Value creation investment (\$)
Composites	17.0%	10.4%	19.9%	7.1%	11.6%	39.0%
Reference Index	2.0%	7.2%	5.2%	1.7%	2.6%	25.9%
Excess Return	15.0%	3.2%	14.7%	5.4%	9.0%	13.1%

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 1997	June 2000	July 1999	February 2003
Volatility of Composite Return (Annualized)	24.4%	17.5%	12.0%	6.5%	23.3%	19.1%

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.

4. Source: SPARX Asset Management Co., Ltd (Tokyo, Japan), as of 30st June 2006



Appendix to annualized performance since inception of major strategies (SPARX Asset Management Co., Ltd.)

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

Name of Composite

Type of investment strategy

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>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Active long-only (Commingled funds)	-0.22%	-25.58%	78.05%	5.54%	60.69%
Mid & small caps	4.37%	-19.98%	70.25%	13.26%	44.34%
Long - Short (\$, Lev.2)	9.68%	-6.41%	37.92%	2.36%	27.95%
Long - Short (¥, Lev.1)	7.09%	-7.31%	27.76%	2.96%	18.90%
Strategic investment	-9.65%	-10.51%	53.23%	3.13%	48.94%

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

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To receive a complete list and description of SPARX Asset Management Co., Ltd.'s composites and/or a presentation that adheres to the GIPS standards, contact any of our representatives below.

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