



**SPARX Group Co., Ltd.
Consolidated Semi-Annual Financial Results for
the Fiscal Year ending March 2007 (FY 2006)**

November 13, 2006



SPARX Group Co., Ltd.
www.sparxgroup.com

This report is prepared solely for the purpose of providing information in English to shareholders of SPARX Group Co., Ltd. (“SPARX”) and other interested parties, and 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. Further, the content of this report may be altered without any prior notice. SPARX owns the copyright of 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.



Discussion Topics

- ▶ Financial Results for the of 1st Half of FY2006
- ▶ Appendix



Financial Results for the 1st Half of FY2006



Executive Summary – (1)

- ▶ Maintained high level of management fee generated from the asset under management (AUM)
 - AUM of SPARX group achieved JPY 1,821.2 billion, as of September, 2006:
 - SPARX Asset Management Co. Ltd. (“SAM”, JPY 1,330.4 billion), Cosmo Investment Management Co., Ltd. (“Cosmo”, JPY 224.8 billion), PMA Capital Management Limited (“PMA”, JPY 265.9 billion)
- ▶ Management fee for the half achieved JPY 8.78 billion (67.7% increase, year-on-year comparison)
- ▶ Net management fee rate for the half totaled 0.79% (0.02 percent point decrease, year-on-year comparison)
- ▶ Performance fee for the half achieved JPY 6.00 billion (164.6% increase, year-on-year comparison)
 - Percentage of AUM eligible to earn a performance fee achieved 64.4% (8.7 percent point increase)
- ▶ Recurring profit achieved JPY 6.33 billion (70.2% increase, year-on-year comparison)
- ▶ Net profit achieved JPY 2.91 billion (49.7% increase, year-on-year comparison)



Executive Summary– (2)

- ▶ **PMA Capital Management Limited, a SPARX group unit that has been consolidated since June 20, 2006, contributed to SPARX group's financial results:**
 - 1st half FY2006 SPARX group management fee included JPY 0.76 billion contribution from PMA
 - 1st half FY 2006 SPARX group performance fee included JPY 2.12 billion contribution from PMA
 - Selling and Administrative expenses included JPY 0.72 billion as amortization of goodwill resulting from PMA transaction (June 20-June 30, 2006 <11days> and July-September, 2006 <3 months>)
 - AUM for the SPARX group, as of September 2006, included JPY 265.9 billion contribution from PMA



Selected Financial Highlights

	FY2005		FY2006	
	Six months ended Sep. 30	Twelve months ended Mar. 31	Six months ended Sep. 30	YoY change
Average AUM (100 Mil. Yen)	10,588	13,116	19,697	+86.0%
Operating revenue (Mil. Yen)	7,729	26,863	15,161	+96.2%
Operating and general administrative expenses (Mil. Yen)	3,944	10,462	9,021	+128.7%
Operating profit (Mil. Yen)	3,785	16,401	6,140	+62.2%
Recurring profit (Mil. Yen)	3,724	16,280	6,338	+70.2%
Net profit (Mil. Yen)	1,945	8,894	2,911	+49.7%
Number of personnel (period-end)	179	201	264	+47.5%
TOPIX (period-end)	1,412.28	1,728.16	1,610.73	+14.1%



Notes:

1. The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.
2. Number of personnel shows the number at period-end.
3. AUM cited above does not include those of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited).

Selected Financial Highlights for Key Subsidiaries

(Units: million JPY)

	FY2005		FY2006				
	1H	Full year	1H		1H	1H	
	SPARX +Cosmo	SPARX +Cosmo	SPARX +Cosmo	YoY change (%)	PMA	SPARX Gr. Total	YoY change (%)
Operating revenue	7,729	26,863	12,272	58.8%	2,889	15,161	96.2%
Management fee	5,236	12,582	8,014	53.1%	765	8,780	67.7%
Performance fee	2,268	13,764	3,880	71.0%	2,123	6,003	164.6%
Other operating revenue	224	516	377	68.0%	-	377	68.0%
Operating and general administrative expenses	3,944	10,462	6,937	75.9%	2,083	9,021	128.7%
Operating profit	3,785	16,401	5,334	40.9%	805	6,140	62.2%
Recurring profit	3,724	16,280	5,485	47.3%	852	6,338	70.2%
Number of personnel (period-end)	179	201	214	19.6%	50	264	47.5%



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

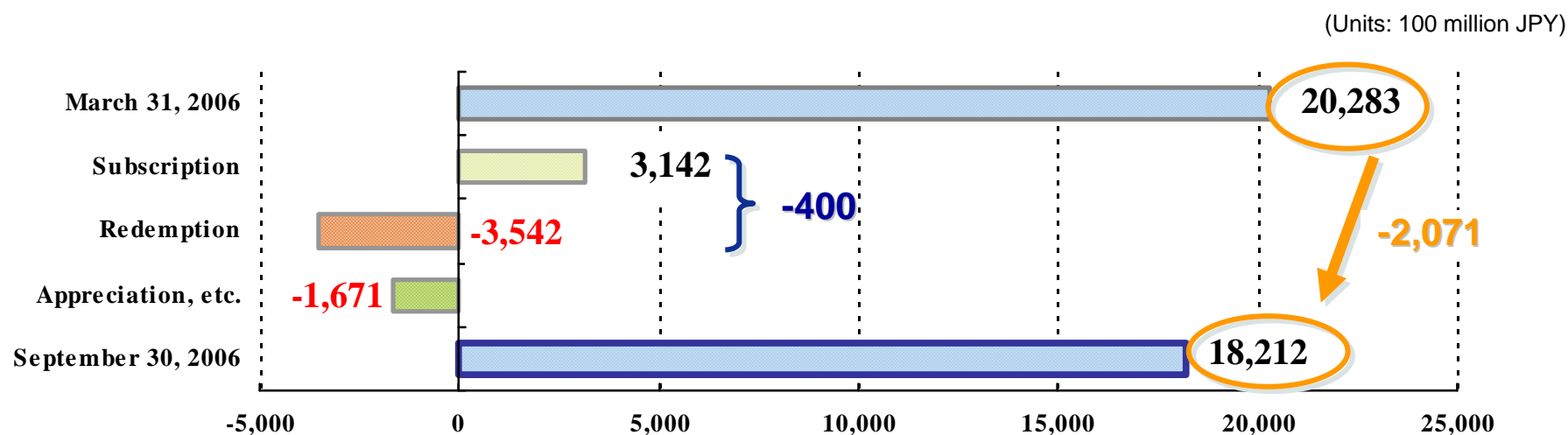
Balance Sheet Summary

	<u>Sep.30, 2005</u> (Mil. Yen)	<u>Sep.30, 2006</u> (Mil. Yen)	YoY Change
Current Assets	32,103	33,661	<i>+4.9%</i>
Cash and Cash Equivalents	24,468	15,733	<i>-35.7%</i>
Fixed Assets	9,974	44,252	<i>+343.7%</i>
Goodwill	-	25,168	-
Investment Securities	8,377	17,286	<i>+106.3%</i>
Total Assets	42,078	77,913	<i>+85.2%</i>
Short-term borrowings	-	14,500	-
Corporate bond	5,000	5,000	<i>0.0%</i>
Total Liabilities	9,082	27,429	<i>+202.0%</i>
Common stock, Additional Paid in Capital	22,503	25,150	<i>+11.8%</i>
Retained Earnings	12,905	20,128	<i>+56.0%</i>
Common Stock in Treasury at Cost	-3,003	-438	-
Minority Interests	208	1,659	<i>+697.5%</i>
Total Shareholder's Equity	32,787	50,484	<i>+54.0%</i>



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

Flow of Funds I 【March 2006～Sep. 2006】



Business entity	Mar. 31, 2006	Subscription	Redemption	Appreciation etc.	Sep. 30, 2006
SPARX Asset Management Co., Ltd.	16,077	2,108	-3,095	-1,786	13,304
Cosmo Investment Management Co., Ltd.	1,711	693	-326	170	2,248
PMA Capital Management Limited	2,494	341	-120	-55	2,659
SPARX Group (Total)	20,283	3,142	-3,542	-1,671	18,212

Notes:

- The figures above are truncated. "Redemption" figure includes mandate terminations.
- "Subscription" and "Redemption" for Cosmo Investment Management Co., Ltd. and PMA Capital Management Limited are converted at Sep. 30 exchange rate, "Appreciation etc." contains exchange gain and loss difference in exchange rate between Mar. 31, 2006 and Sep. 30, 2006.
- AUM of "March 31, 2006" includes the AUM of PMA that has been consolidated since June 20, 2006.



Flow of Funds II: SAM Investment Strategies 【March 2006~Sep. 2006】

(Units: 100 million JPY)

investment strategy	Mar. 31, 2006	Subscription	Redemption	Appreciation etc.	Sep. 30, 2006
SPARX Asset Management Co., Ltd.					
Long-short strategy	3,369	397	-409	-203	3,153
Strategic (or "Focused") investment strategy	841	39	-2	-194	683
Multi-manager alternative investment strategies	508	240	-22	-3	723
Active strategy	6,506	800	-1,968	-916	4,421
Mid & small cap strategy	2,948	534	-556	-355	2,570
Value creation investment strategy	1,860	96	-135	-113	1,708
Private equity investments	42	-	-	-0	42
Total	16,077	2,108	-3,095	-1,786	13,304

Notes:

The figures above are truncated. The figures for "Multi-Manager Alternative Investment Strategies" of SPARX Asset Management Co., Ltd for September 2006 are preliminary.



Breakdown of Consolidated Operating Revenue

	FY2005		FY2006				
	1H	Full Year	1H		1H	1H	
	SPARX +Cosmo	SPARX +Cosmo	SPARX +Cosmo	YoY change (%)	PMA	SPARX Gr. Total	YoY change (%)
Management fees (Million in JPY)	5,236	12,582	8,014	53.1%	765	8,780	67.7%
Net management fee rate (%)	0.81%	0.76%	-	-	-	0.79%	-0.02
Performance fees (Million in JPY)	2,268	13,764	3,880	71.0%	2,123	6,003	164.6%
Percentage of AUM eligible to earn performance fees (%)	55.7%	49.9%	58.4%	+2.7	100%	64.4%	+8.7
Other operating revenue (Million in JPY)	224	516	377	68.0%	-	377	68.0%
Total operating revenue (Million in JPY)	7,729	26,863	12,272	58.8%	2,889	15,161	96.2%



Note: The figures above, excluding “YoY change” and “net management fee rate”, are truncated. “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 fees” shows the amount of decrease/increase instead of percentage of change.

Breakdown of Group Performance Fees

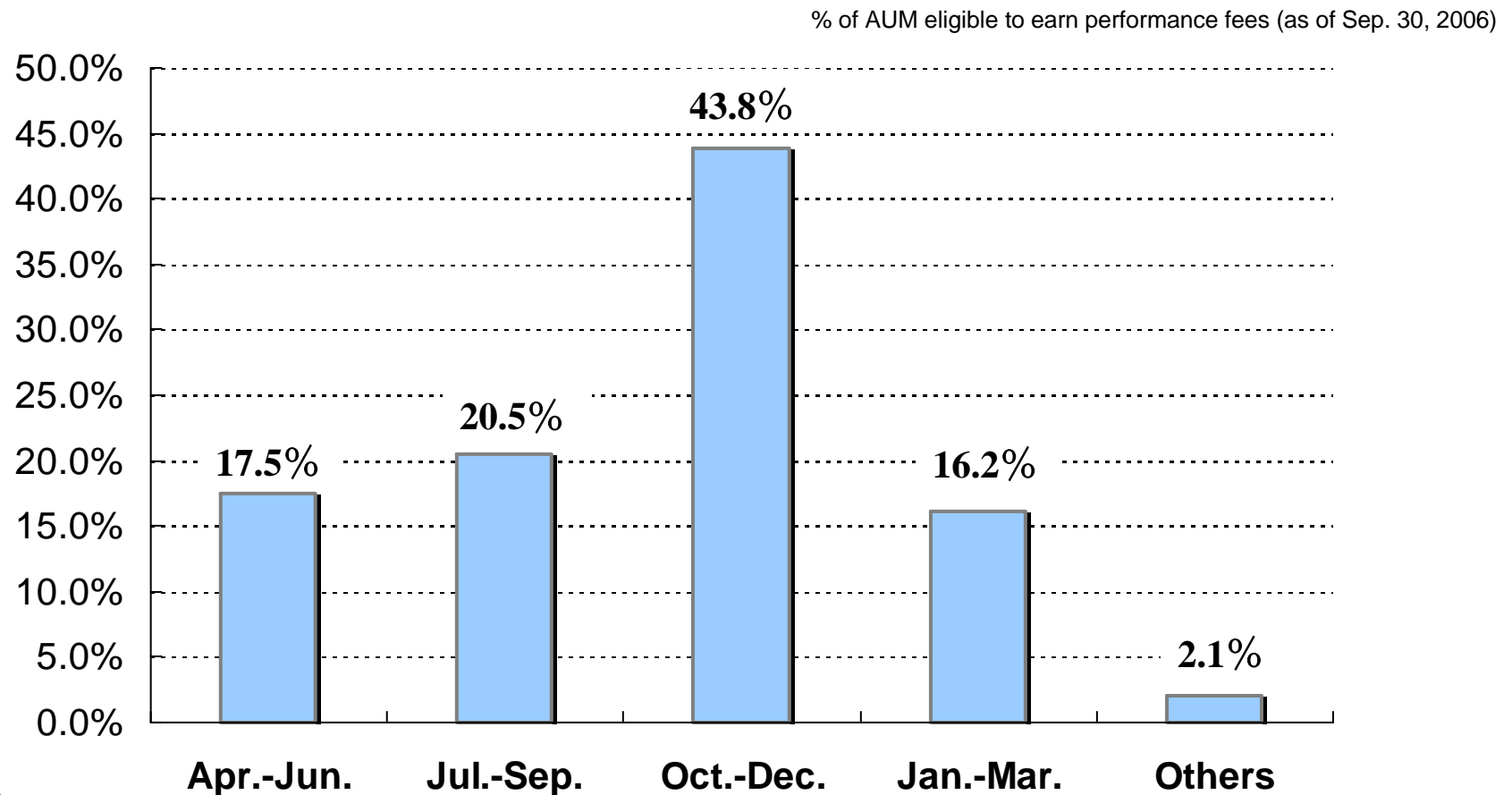
(Unit: million JPY)

	FY 2005		FY 2006	
	1H	Full Year	1H	YoY change (%)
SPARX Asset Management Co., Ltd.				
Long-short strategy	1,722	9,355	1,789	3.9%
Strategic (or "Focused") investment strategy	205	1,347	297	44.9%
Multi-manager alternative investment strategies	10	301	66	510.3%
Active strategy	8	152	370	4363.9%
Mid & small cap strategy	5	143	3	-40.2%
Value creation investment strategy	275	1,361	680	146.9%
Total	2,227	12,661	3,207	44.0%
Cosmo Investment Management Co., Ltd.				
Total	40	1,102	672	1548.0%
PMA Capital Management Limited				
Total	-	-	2,123	-
Total: Performance fee	2,268	13,764	6,003	164.6%



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

SAM Distribution of base date of calculating performance fees by Quarter



Notes:

1. All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of Sep. 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. The above data are rounded to the nearest tenth of a percent.
2. The figures are preliminary based on internal information and materials, and we do not guarantee their accuracy.



Source: SPARX Group Co., Ltd. (Tokyo, Japan) as of Sep. 30, 2006

Consolidated Expenses

(Unit: million JPY)		FY2005		FY2006	
Expense Category		Six months ended Sep. 30	Twelve months ended Mar. 31	Six months ended Sep. 30	YoY change
Commissions paid	Operating	968	2,903	1,503	+55.2%
Entrusted fund administrative fees	Operating	89	195	130	+45.9%
Other operating expenses	Operating	162	387	236	+45.1%
Personnel expenses (Including temporary staff, etc.)	General administrative	1,429	4,151	4,276	+199.2%
Allowance for Bonuses (Included in the above Personnel Expenses)		500	-	1,167	+133.5%
Travel expenses	General administrative	142	349	221	+55.0%
Property rent	General administrative	238	500	381	+59.6%
Entrusted business expenses	General administrative	209	606	532	+154.4%
Depreciation on fixed assets	General administrative	100	249	157	+56.3%
Amortization of goodwill	General administrative	32	61	725	+2111.1%
Other general administrative expenses	General administrative	569	1,055	857	+50.6%
Total (Operating & general administrative) expenses		3,944	10,462	9,021	+128.7%

Notes:

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

Breakdown of Group Personnel (Full-Time)

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

	CEO & Auditors & Advisor	Investment & Research	Marketing	Corporate Admin	Fund Operation	IT	Legal & Compliance	Risk & Performance Measurement	Total
SPARX Asset Management Co., Ltd. (Japan)	3 (-1)	39 (-6)	22 (+5)	19 (+3)	8 (-1)	8 (-1)	7 (+2)	6 (+2)	112(+3)
SPARX Securities Co., Ltd. (Japan)	2 (+2)	0	14 (+1)	4	0	0	1	0	21 (+3)
SPARX Capital Partners Co., Ltd.	0	3 (+1)	0	2	0	0	0	0	5 (+1)
U.S. Subsidiaries	0	0 (-1)	8 (+1)	5 (-1)	2 (-1)	4 (+1)	2 (-1)	0	21 (-2)
U.K. Subsidiaries	0	0	5 (+1)	2	2	1 (+1)	2	0	12 (+2)
Hong Kong Subsidiaries	0	4 (+1)	1	2	4 (+2)	0	2	0	13 (+3)
Cosmo Investment Management Co., Ltd.	0	15 (+1)	4 (+1)	3	6 (+1)	1	1	0	30 (+3)
PMA Capital Management Co., Ltd.	0	20 (+20)	5 (+5)	7 (+7)	9 (+9)	5 (+5)	1 (+1)	3 (+3)	50 (+50)
Total	5	81	59	44	31	19	16	9	264
	(+1)	(+16)	(+14)	(+9)	(+10)	(+6)	(+2)	(+5)	(+63)

Includes 7 fund managers, 16 analysts, 4 traders, 12 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> Six months ended Sep. 30 (Annualized)
Average AUM	(100 Mil. Yen)	13,116	19,697
Net management fee rate (After the deduction of commissions paid)	(%)	0.76	0.79
Annualized net management fee revenue (After the deduction of commissions paid)	(Mil. Yen)	9,968	15,560
Annualized ordinary expenses	(Mil. Yen)	5,395	8,333
Annualized “Base earnings”	(Mil. Yen)	4,573	7,226
Number of personnel (period-end)		201	264

- Notes:
1. The figures above are truncated. As preliminary figures, the “Annualized net management fee revenue” data is calculated by multiplying the “Net management fee rate” and the “Average AUM” for the period.
 2. 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 six-month data by 2.**
 3. The “Number of personnel (period-end)” data does not include non-executive directors.



Appendix



SAM AUM: A Closer Look

(Unit: 100 Mil. Yen)

	2005 June	2005 September	2005 December	2006 March	2006 September	
						Composition
Domestic Investment Trust Management Business						
Publicly Offered Investment Trust Business	851	868	1,119	1,236	1,075	8.1%
Privately Offered Investment Trust Business	1,468	1,623	1,805	1,733	1,592	12.0%
Investment Advisor Business						
Discretionary Accounts (Domestic Clients)	984	1,193	1,488	1,609	1,674	12.6%
Discretionary Accounts (Overseas Clients)	3,346	4,461	5,555	7,010	4,703	35.4%
SPARX Group's Offshore Funds	2,575	3,167	4,026	4,325	4,159	31.3%
Non-discretionary Accounts	89	125	153	161	99	0.7%
Total	9,314	11,440	14,149	16,077	13,304	100.0%
% of AUM with Overseas Clients	56%	59%	59%	63%	56%	



Notes:

1. The figures above are truncated. The composition as of September 2006 is rounded to the nearest tenth of a percent.
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 stated in %. The above figure is calculated based on internal estimates and we do not guarantee its accuracy.
4. The asset under management of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited) is not included.

SAM Annualized Performance by Strategy Since Inception I

(Annualized)

(From Composite Start Date to Sep. 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	16.5%	9.8%	19.0%	6.4%	8.9%	35.8%
Reference Index	2.2%	6.9%	5.5%	2.0%	2.8%	25.1%
Excess Return	14.3%	2.9%	13.5%	4.4%	6.1%	10.7%

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)	24.2%	17.3%	11.9%	6.6%	23.3%	18.8%

1. The figures in the above table are calculated using the composite performance data of major investment strategies and is 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 (\$). The above figure is rounded to the nearest tenth of a percent.
3. "TOPIX dividend included, USD hedged" is calculated as fully hedged using the month-end USD forward rate.

Source: SPARX Group Co., Ltd (Tokyo, Japan), as of 30 Sep. 2006



SAM Annualized Performance by Strategy Since Inception II

1. Each composite includes the portfolios managed by companies of SPARX group.
2. 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.

3. 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%

This report is prepared solely for the purpose of providing information in English to shareholders of SPARX Group Co., Ltd. ("SPARX") and other interested parties, and 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. Further, the content of this report may be altered without any prior notice. SPARX owns the copyright of 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., wholly owned subsidiary of SPARX Group Co., Ltd., claims compliance with the Global Investment Performance Standards (GIPS®). For the purpose of compliance with the Global Investment Performance Standards (GIPS®), the firm has been defined as SPARX, comprising SPARX Asset Management Co., Ltd., SPARX Overseas Ltd., SPARX Investment & Research, USA, Inc. and SPARX International (Hong Kong) Limited. SPARX Asset Management Co., Ltd. is licensed as a discretionary investment advisor with the Japanese Financial Services Agency.

SPARX Group Co., Ltd.

Gate City Ohsaki East Tower 16F
1-11-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032, Japan

Tel: +81-(0)3-5437-9700