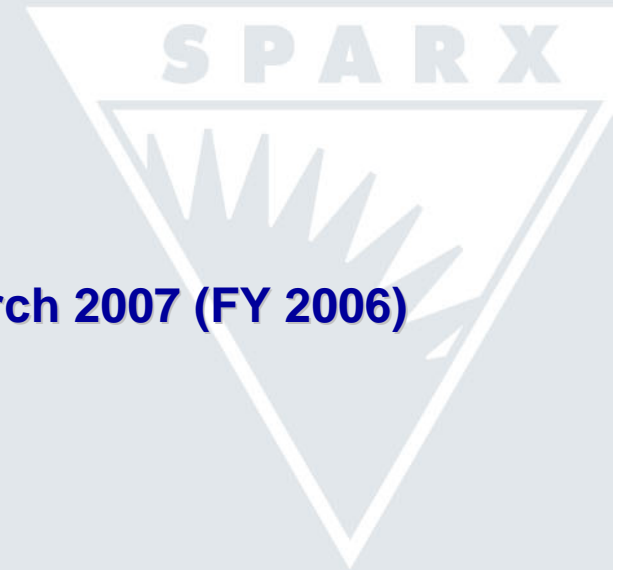


# **SPARX Group Co., Ltd.**

## **Consolidated Financial Results**

**First Nine Months of the Fiscal Year ending March 2007 (FY 2006)**

**February 19, 2007**



**SPARX Group Co., Ltd.**

[www.sparxgroup.com](http://www.sparxgroup.com)

## Discussion Topics

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- ▶ Financial Results for the 3rd quarter, FY2006
- ▶ Appendix



# Financial Results for the 3rd quarter, FY2006



## Executive Summary – (1)

- ▶ **Maintained high level of management fees generated from assets under management (AUM)**
  - AUM of SPARX group reached JPY 1,880.7 billion, as of December, 2006:
    - SPARX Asset Management Co. Ltd. (“SAM”, JPY 1,377.1 billion), Cosmo Investment Management Co., Ltd. (“Cosmo”, JPY 249.0 billion), PMA Capital Management Limited (“PMA”, JPY 254.5 billion).
- ▶ **Management fees for the half hit JPY 13.05 billion** (50.4% increase, year-on-year comparison).
- ▶ **Net management fee rate in the period totaled 0.78%** (0.01 percent point decrease, year-on-year comparison).
- ▶ **Performance fees in the period achieved JPY 7.59 billion** (22.2% decrease, year-on-year comparison).
  - Percentage of AUM eligible to earn a performance fee climbed to 62.0% (8.2 percent point increase).
- ▶ **Recurring profit reached JPY 7.69 billion** (32.4% decrease, year-on-year comparison).
- ▶ **Net profit totaled JPY 3.46 billion** (40.2% decrease, year-on-year comparison).



## Executive Summary– (2)

- ▶ **PMA Capital Management Limited, a SPARX Group unit included in consolidated figures since June 20, 2006, contributing to earnings via:**
  - JPY 1.40 billion contribution to Group management fees from PMA in 3<sup>rd</sup> quarter (FY2006).
  - JPY 3.26 billion contribution to SPARX group performance fee in 3<sup>rd</sup> quarter (FY2006).
  - JPY 1.32 billion as amortization of goodwill resulting from PMA transaction in Group general administrative expenses (June 20-June 30, 2006 <11days> and July-December, 2006 <6 months>).
  - JPY 254.5 billion contribution to SPARX Group AUM as of December 2006.



## Selected Financial Highlights

	FY2005		FY2006	
	Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change
Average AUM (100 Mil. Yen)	11,856	13,116	19,168	+61.7%
Operating revenue (Mil. Yen)	18,731	26,863	21,043	+12.3%
Operating and general administrative expenses (Mil. Yen)	7,326	10,462	13,876	+89.4%
Operating profit (Mil. Yen)	11,405	16,401	7,167	-37.2%
Recurring profit (Mil. Yen)	11,376	16,280	7,694	-32.4%
Net profit (Mil. Yen)	5,799	8,894	3,465	-40.2%
Number of personnel (period-end)	189	201	280	+48.1%
TOPIX (period-end)	1,649.76	1,728.16	1,681.07	+1.9%



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 period-end figure.
3. AUM figures cited above include Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited).
4. Regarding the calculation of Average AUM, figures assume PMA AUM amount has been included in total AUM since April 2006.

## Financial Highlights for Each Quarter in Fiscal 2006

(Units: million JPY)

	1st quarter (Apr. - Jun., 2006)		2nd quarter (Jul. - Sep., 2006)		3rd quarter (Oct. - Dec., 2006)		Total	
	Amount	YoY change (%)	Amount	YoY change (%)	Amount	YoY change (%)	Amount	YoY change (%)
Operating revenue	8,848	229.0%	6,312	25.2%	5,882	-46.5%	21,043	12.3%
Management fee	4,138	75.7%	4,641	61.1%	4,279	24.2%	13,059	50.4%
Performance fee	4,673	1938.1%	1,330	-34.8%	1,588	-78.8%	7,592	-22.2%
Other operating revenue	37	-64.6%	340	183.7%	14	-77.4%	391	36.0%
Operating and general administrative expenses	4,567	153.9%	4,453	107.6%	4,854	43.6%	13,876	89.4%
Operating profit	4,281	380.9%	1,858	-35.8%	1,027	-86.5%	7,167	-37.2%
Recurring profit	4,453	449.6%	1,884	-35.3%	1,355	-82.3%	7,694	-32.4%
Net profit	2,288	564.6%	623	-61.1%	553	-85.6%	3,465	-40.2%



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

## Selected Financial Highlights for Key Subsidiaries

(Units: million JPY)

	FY2005		FY2006				
	3Q	Full year	3Q		3Q	3Q	
	SPARX +Cosmo	SPARX +Cosmo	SPARX +Cosmo	YoY change (%)	PMA	SPARX Gr. Total	YoY change (%)
Operating revenue	18,731	26,863	16,365	-12.6%	4,678	21,043	12.3%
Management fee	8,680	12,582	11,650	34.2%	1,409	13,059	50.4%
Performance fee	9,763	13,764	4,323	-55.7%	3,269	7,592	-22.2%
Other operating revenue	287	516	391	36.0%	-	391	36.0%
Operating and general administrative expenses	7,326	10,462	10,418	42.2%	3,457	13,876	89.4%
Operating profit	11,405	16,401	5,946	-47.9%	1,221	7,167	-37.2%
Recurring profit	11,376	16,280	6,407	-43.7%	1,286	7,694	-32.4%
Number of personnel (period-end)	189	201	222	17.5%	58	280	48.1%



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

## Balance Sheet Summary

	<u>Dec.30, 2005</u> (Mil. Yen)	<u>Dec.30, 2006</u> (Mil. Yen)	YoY Change
Current Assets	32,447	35,381	<i>+9.0%</i>
Cash, Cash Equivalents, Securities	20,035	17,299	<i>-13.7%</i>
Fixed Assets	19,249	46,122	<i>+139.6%</i>
Goodwill	-	25,906	-
<b>Total Assets</b>	51,697	81,503	<i>+57.7%</i>
Short-term borrowings	-	4,500	-
Corporate bond	5,000	5,000	<i>0.0%</i>
Long-term borrowings	-	12,000	-
<b>Total Liabilities</b>	13,990	29,603	<i>+111.6%</i>
Common stock, Additional Paid in Capital	22,556	25,288	<i>+12.1%</i>
Retained Earnings	16,274	20,681	<i>+27.1%</i>
Common Stock in Treasury at Cost	-3,003	-2,438	-
Minority Interests	339	2,004	<i>+489.8%</i>
<b>Total Shareholder's Equity</b>	37,366	51,899	<i>+38.9%</i>



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

## Flow of Funds 【Mar. 2006~Dec. 2006】

(Units: 100 million JPY)

Business entity	Mar. 31, 2006	Subscription	Redemption	Net	Appreciation etc.	Dec. 31, 2006
SPARX Asset Management Co., Ltd.	16,077	3,586	-4,291	-704	-1,600	13,771
Cosmo Investment Management Co., Ltd.	1,711	886	-484	402	377	2,490
PMA Capital Management Limited	2,494	376	-355	21	30	2,545
SPARX Group (Total)	20,283	4,848	-5,130	-282	-1,193	18,807

The data of the following table does not include Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited).

investment strategy	Mar. 31, 2006	Subscription	Redemption	Net	Appreciation etc.	Dec. 31, 2006
SPARX Asset Management Co., Ltd.						
Long-short strategy	3,369	452	-598	-145	-149	3,074
Strategic (or "Focused") investment strategy	841	42	-95	-53	-143	645
Multi-manager alternative investment strategies	508	260	-30	230	10	749
Active strategy	6,506	1,782	-2,754	-971	-844	4,690
Mid & small cap strategy	2,948	952	-654	298	-388	2,858
Value creation investment strategy	1,860	96	-158	-62	-88	1,709
Private equity investments	42	0	0	0	2	44
Total	16,077	3,586	-4,291	-704	-1,600	13,771

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 the end of Dec, 2006 exchange rate, "Appreciation etc." contains gain and loss from exchange rate differential between Mar. 31, 2006 and Dec. 31, 2006.
- AUM of "March 31, 2006" includes the AUM of PMA that has been consolidated since June 20, 2006.
- The figures for "Multi-Manager Alternative Investment Strategies" of SPARX Asset Management Co., Ltd for December 2006 are preliminary.



## Breakdown of Consolidated Operating Revenue

	FY2005		FY2006				
	3Q	Full Year	3Q		3Q	3Q	
	SPARX +Cosmo	SPARX +Cosmo	SPARX +Cosmo	YoY change (%)	PMA	SPARX Gr. Total	YoY change (%)
Management fees (Million in JPY)	8,680	12,582	11,650	34.2%	1,409	13,059	50.4%
Net management fee rate (%)	0.79%	0.76%	-	-	-	0.78%	-0.01
Performance fees (Million in JPY)	9,763	13,764	4,323	-55.7%	3,269	7,592	-22.2%
Percentage of AUM eligible to earn performance fees (%)	53.8%	49.9%	56.1%	+2.7	100.0%	62.0%	+8.2
Other operating revenue (Million in JPY)	287	516	391	36.0%	-	391	36.0%
Total operating revenue (Million in JPY)	18,731	26,863	16,365	-12.6%	4,678	21,043	12.3%

Note:



The figures above, excluding “YoY change”, “net management fee rate(%)” and “percentage of AUM eligible to earn performance fees(%)”, 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 【Apr. 2006~Dec. 2006】

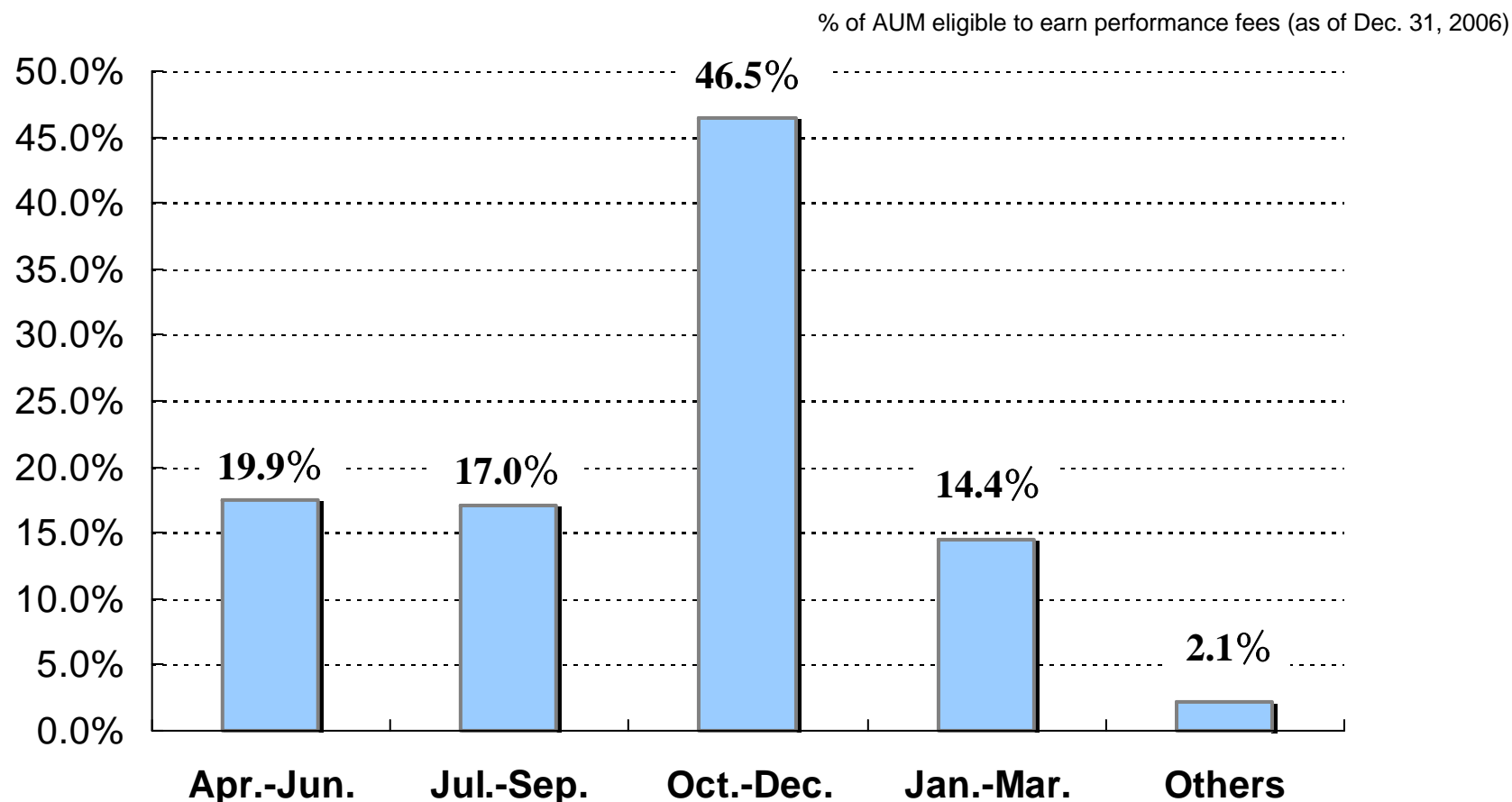
(Unit: million JPY)

	FY 2005		FY 2006	
	3Q	Full Year	3Q	YoY change (%)
<b>SPARX Asset Management Co., Ltd.</b>				
Long-short strategy	6,292	9,355	1,810	-71.2%
Strategic (or "Focused") investment strategy	1,249	1,347	292	-76.6%
Multi-manager alternative investment strategies	266	301	6	-97.4%
Active strategy	134	152	370	175.8%
Mid & small cap strategy	58	143	3	-94.2%
Value creation investment strategy	1,571	1,361	666	-57.6%
<b>Total</b>	<b>9,572</b>	<b>12,661</b>	<b>3,150</b>	<b>-67.1%</b>
<b>Cosmo Investment Management Co., Ltd.</b>				
<b>Total</b>	<b>190</b>	<b>1,102</b>	<b>1,172</b>	<b>514.8%</b>
<b>PMA Capital Management Limited</b>				
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,269</b>	<b>-</b>
<b>Total: Performance fee</b>	<b>9,763</b>	<b>13,764</b>	<b>7,592</b>	<b>-22.2%</b>



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 Calculation of Performance Fees (by Quarter)



Notes:

1. All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of Dec. 31, 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 divided values of the funds are added for each value date (month) (2) Funds without performance fees are excluded from the total AUM. The above data are rounded to the nearest tenth of a percent. (3) "Private equity investments" are classified as "Others" because its performance fee will be received at termination.
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 Dec. 31, 2006

# Consolidated Expenses

(Unit: million JPY)		FY2005		FY2006	
Expense Category		Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change
Commissions paid	Operating	2,071	2,903	2,285	+10.3%
Entrusted fund administrative fees	Operating	142	195	182	+28.1%
Other operating expenses	Operating	268	387	396	+47.8%
Personnel expenses (Including temporary staff, etc.)	General administrative	2,752	4,151	6,394	+132.3%
Bonuses etc. (Included in the above Personnel Expenses)		1,244	-	3,534	+184.1%
Travel expenses	General administrative	229	349	358	+56.3%
Property rent	General administrative	367	500	591	+61.0%
Entrusted business expenses	General administrative	461	606	743	+61.2%
Depreciation on fixed assets	General administrative	172	249	248	+44.4%
Amortization of goodwill	General administrative	47	61	1,386	+2819.4%
Other general administrative expenses	General administrative	813	1,055	1,288	+58.4%
<b>Total (Operating &amp; general administrative) expenses</b>		<b>7,326</b>	<b>10,462</b>	<b>13,876</b>	<b>+89.4%</b>

## Notes:

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

## Breakdown of Group Personnel (Full-Time)

(Unit: job)

Entity / Function	Oct. 1, 2006	Change	Dec. 31, 2006
<b>SPARX Group Co., Ltd.</b>	33	2	35
President / Auditor (Full-time)	2	0	2
Executive Officer	0	1	1
Advisor	1	0	1
Legal & Compliance / Internal Audit	2	0	2
Corporate Planning & Administration / HR / Accounting / Finance	19	0	19
IT	9	1	10
<b>SPARX Asset Management Co., Ltd.</b>	80	-6	74
Director < include those who holds double posts as employee >	5	0	5
Investment & Research	34	-8	26
Trading	4	0	4
Marketing	19	-1	18
General Affairs	1	0	1
Fund Administration	7	2	9
Legal & Compliance / Internal Audit	6	1	7
Risk & Performance Measurement	4	0	4
<b>SPARX Securities Co., Ltd.</b>	21	-1	20
<b>SPARX Capital Partners Co., Ltd.</b>	5	6	11
<b>U.S. Subsidiaries</b>	21	1	22
<b>U.K. Subsidiaries</b>	12	0	12
<b>Hong Kong Subsidiaries</b>	13	2	15
<b>Cosmo Investment Management Co., Ltd.</b>	30	3	33
<b>PMA Investment Advisors Limited / PMA Capital Services Limited</b>	51	7	58
<b>Total</b>	266	14	280



Note:

1. Executive Officers who are the presidents of subsidiaries are counted within subsidiaries in order to avoid double-counting.
  2. Only "full-time" employees are counted and employees who hold "double-posts" are counted only for ONE position.
  3. The number (as of October 2, 2006) is used for the figure of "Oct., 2006", because Oct. 1, 2006 was a holiday.
- Source: SPARX Group Co., Ltd. (Tokyo, Japan) as of Dec. 31, 2006.

## Consolidated “Base Earnings”

“Base earnings” indicate the estimated level of ordinary profit which could be derived from only 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> Nine months ended Dec. 30 <b>(Annualized)</b>
Average AUM	(100 Mil. Yen)	13,116	19,168
Net management fee rate (After the deduction of commissions paid)	(%)	0.76	0.78
Annualized net management fee revenue (After the deduction of commissions paid)	(Mil. Yen)	9,968	14,951
Annualized ordinary expenses	(Mil. Yen)	5,395	8,892
Annualized “Base earnings”	(Mil. Yen)	4,573	6,058
Number of personnel (period-end)		201	280

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 shown herein by multiplying the nine-month data by 4/3.**
3. The “Number of personnel (period-end)” data does not include non-executive directors.
4. Regarding the calculation of Average AUM, figures assume PMA AUM has been included in total AUM since April 2006.

# Appendix



## SAM AUM: A Closer Look

(Unit: 100 Mil. Yen)

	2005 September	2005 December	2006 March	2006 September	2006 December	2006 Composition
<b>Domestic Investment Trust Management Business</b>						
Publicly Offered Investment Trust Business	868	1,119	1,236	1,075	1,066	7.8%
Privately Offered Investment Trust Business	1,623	1,805	1,733	1,592	1,548	11.2%
<b>Investment Advisor Business</b>						
Discretionary Accounts (Domestic Clients)	1,193	1,488	1,609	1,674	1,617	11.7%
Discretionary Accounts (Overseas Clients)	4,461	5,555	7,010	4,703	5,407	39.3%
SPARX Group's Offshore Funds	3,167	4,026	4,325	4,159	2,815	20.4%
Non-discretionary Accounts	125	153	161	99	1,317	9.6%
<b>Total</b>	<b>11,440</b>	<b>14,149</b>	<b>16,077</b>	<b>13,304</b>	<b>13,771</b>	<b>100.0%</b>
<b>% of AUM with Overseas Clients</b>	<b>59%</b>	<b>59%</b>	<b>63%</b>	<b>56%</b>	<b>58%</b>	



Notes:

1. The figures above are truncated. The composition as of December 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 Group Co., Ltd., not including those of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited).
3. The "% of AUM with Overseas Clients" data is rounded and stated as a %. The above figure is calculated based on internal estimates and we do not guarantee its accuracy.
4. The assets under management of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited) are not included.

## SAM Annualized Performance by Strategy Since Inception I

(Annualized)

(From Composite Start Date to Dec. 31, 2006)

	Long-only Active (Commingled funds)	Mid & Small Caps	Long - Short (USD, Lev.2)	Long - Short (JPY, Lev.1)	Strategic (or "Focused") investment	Value Creation Investment (\$)
Composites	16.2%	9.3%	18.8%	6.2%	9.8%	34.2%
Reference Index	2.6%	6.9%	5.9%	2.6%	3.3%	24.9%
<b>Excess Return</b>	<b>13.6%</b>	<b>2.4%</b>	<b>12.9%</b>	<b>3.6%</b>	<b>6.5%</b>	<b>9.3%</b>

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)	23.9%	17.1%	11.8%	6.5%	23.0%	18.5%

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 are 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 (USD, Lev.2) and Strategic Investment; the NAV per share method (management fee deducted) is applied to the Long-Short (JPY, Lev.1); the internal rate of return (pre-deduction of management fees) is applied to the Value Creation Investment (USD). The above figures are 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 31 Dec. 2006.



## SAM Annualized Performance by Strategy Since Inception II

1. Each composite includes portfolios managed by companies of the SPARX group.
2. Investment strategies of each composite are described below.

<u>Name of Composite</u>	<u>Type of investment strategy</u>
<b>Active Long-only (Commingled funds)</b>	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.
<b>Mid &amp; Small Caps</b>	Investment strategy of investing companies in the medium and small cap stock universe.
<b>Long - Short (USD Lev.2)</b>	Investment strategy combining long and short positions. Leveraged within twice NAV, and aims to achieve stable absolute returns.
<b>Long - Short (JPY, Lev.1)</b>	Investment strategy combining long and short positions. Leveraged within NAV, and aims to achieve stable absolute returns.
<b>Strategic (or "Focused") Investment</b>	Investment strategy identifying and investing in undervalued companies through a concentrated portfolio.
<b>Value Creation Investment (USD)</b>	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>
<b>Active Long-only (Commingled funds)</b>	-0.22%	-25.58%	78.05%	5.54%	60.69%
<b>Mid &amp; Small Caps</b>	4.37%	-19.98%	70.25%	13.26%	44.34%
<b>Long - Short (USD, Lev.2)</b>	9.68%	-6.41%	37.92%	2.36%	27.95%
<b>Long - Short (JPY, Lev.1)</b>	7.09%	-7.31%	27.76%	2.96%	18.90%
<b>Strategic Investment</b>	-9.65%	-10.51%	53.23%	3.13%	48.94%

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