



SPARX Group Co., Ltd.
Consolidated Financial Results for 1st Qtr of the
Fiscal Year Ending in March of 2008 (FY2007)

August 22, 2007



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

Discussion Topics

- ▶ Financial Results of 1st Quarter, FY2007
- ▶ Update of Growth Strategy
- ▶ Appendix



Financial Results of 1st Quarter, FY2007



Executive Summary

- ▶ **Maintained high level of management fees generated from assets under management (AUM)**
 - AUM of SPARX group reached JPY 1,849.9 billion, as of June, 2007:
 - ▶ SPARX Asset Management Co. Ltd. (“SAM”, JPY 1,244.7 billion), Cosmo Investment Management Co., Ltd. (“Cosmo”, JPY 357.5 billion), PMA Capital Management Limited (“PMA”, JPY 247.6 billion).
 - **Management fees in the period hit JPY 4.29 billion** (3.7% increase, year-on-year comparison).
 - **Net management fee rate in the period totaled 0.83%** (0.03 percentage point increase, year-on-year comparison).
- ▶ **Performance fees in the period achieved JPY 3.71 billion** (20.5% decrease, year-on-year comparison).
 - Percentage of AUM eligible to earn a performance fee climbed to 63.8% (6.6 percentage point increase).
- ▶ **Recurring profit reached JPY 1.35 billion** (69.6% decrease, year-on-year comparison).
- ▶ **Net profit totaled JPY 0.5 billion** (78.1% decrease, year-on-year comparison).



Selected Financial Highlights

		FY2006		FY2007	
		Three months ended Jun. 30	Twelve months ended Mar. 31	Three months ended Jun. 30	YoY change
Average AUM	(100 Mil. Yen)	20,105	18,922	17,998	-10.5%
Operating revenue	(Mil. Yen)	8,848	27,504	8,047	-9.1%
Operating and general administrative expenses	(Mil. Yen)	4,567	17,854	7,001	+53.3%
Operating profit	(Mil. Yen)	4,281	9,650	1,045	-75.6%
Recurring profit	(Mil. Yen)	4,453	10,119	1,354	-69.6%
Net profit	(Mil. Yen)	2,288	3,779	501	-78.1%
Number of personnel (period-end)		257	281	289	+12.5%
TOPIX (period-end)		1,586.96	1,713.61	1,774.88	+11.8%



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).

Balance Sheet Summary

	<u>Jun. 30, 2006</u>	<u>Jun. 30, 2007</u>	YoY Change
	(Mil. Yen)	(Mil. Yen)	
Current Assets	29,788	40,279	<i>+35.2%</i>
Cash and Cash Equivalents	10,368	18,340	<i>+76.9%</i>
Fixed Assets	42,401	51,995	<i>+22.6%</i>
Goodwill	24,611	25,826	<i>+4.9%</i>
Total Assets	72,190	92,274	<i>+27.8%</i>
Short-term borrowings	11,500	5,300	<i>-53.9%</i>
Corporate bond	5,000	5,000	<i>+0.0%</i>
Long-term borrowings	-	12,000	-
Total Liabilities	25,075	35,413	<i>+41.2%</i>
Common stock, Additional Paid in Capital	25,135	25,543	<i>+1.6%</i>
Retained Earnings	19,504	19,499	<i>-0.0%</i>
Common Stock in Treasury at Cost	-438	-2,438	-
Minority Interests	844	3,714	<i>+340.0%</i>
Total Shareholders' Equity	46,270	56,860	<i>+22.9%</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 2007~Jun 2007]

(Units: 100 million JPY)

Business entity	Mar. 31, 2007	Subscription	Redemption	Net	Appreciation etc.	Jun. 30, 2007
SPARX Asset Management Co., Ltd.	12,825	155	-932	-776	399	12,447
Cosmo Investment Management Co., Ltd.	2,587	764	-575	188	800	3,575
PMA Capital Management Limited	2,370	117	-255	-138	244	2,476
SPARX Group (Total)	17,783	1,037	-1,763	-726	1,441	18,499

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, 2007	Subscription	Redemption	Net	Appreciation etc.	Jun. 30, 2007
SPARX Asset Management Co., Ltd.						
Long-short strategy	2,704	13	-375	-362	63	2,406
Strategic (or "Focused") investment strategy	620	11	-35	-23	14	611
Multi-manager alternative investment strategies	751	32	-18	13	33	798
Active strategy	4,247	26	-325	-298	168	4,117
Mid & small cap strategy	2,821	50	-141	-91	-8	2,722
Value creation investment strategy	1,634	-	-35	-35	102	1,701
Private equity investments	44	-	-	-	25	70
Others	-	20	-	20	0	19
Total	12,825	155	-932	-776	399	12,447

Notes:

1. The figures above are truncated. "Redemption" figure includes mandate terminations.
2. "Appreciation etc." contains gain and loss from exchange rate differential between Mar. 31, 2007 and Jun. 30, 2007.
3. The figures for "Multi-Manager Alternative Investment Strategies" of SPARX Asset Management Co., Ltd for June 2007 are preliminary.



Breakdown of Consolidated Operating Revenue

	FY2006		FY2007	
	1Q	Full Year	1Q	
	SPARX Gr. Total	SPARX Gr. Total	SPARX Gr. Total	YoY change (%)
Management fees (Million in JPY)	4,138	17,414	4,292	3.7%
Net management fee rate (%)	0.80%	0.80%	0.83%	+0.03
Performance fees (Million in JPY)	4,673	9,397	3,716	-20.5%
Percentage of AUM eligible to earn performance fees (%)	57.2%	62.4%	63.8%	+6.6
Other operating revenue (Million in JPY)	37	692	38	2.9%
Total operating revenue (Million in JPY)	8,848	27,504	8,047	-9.1%

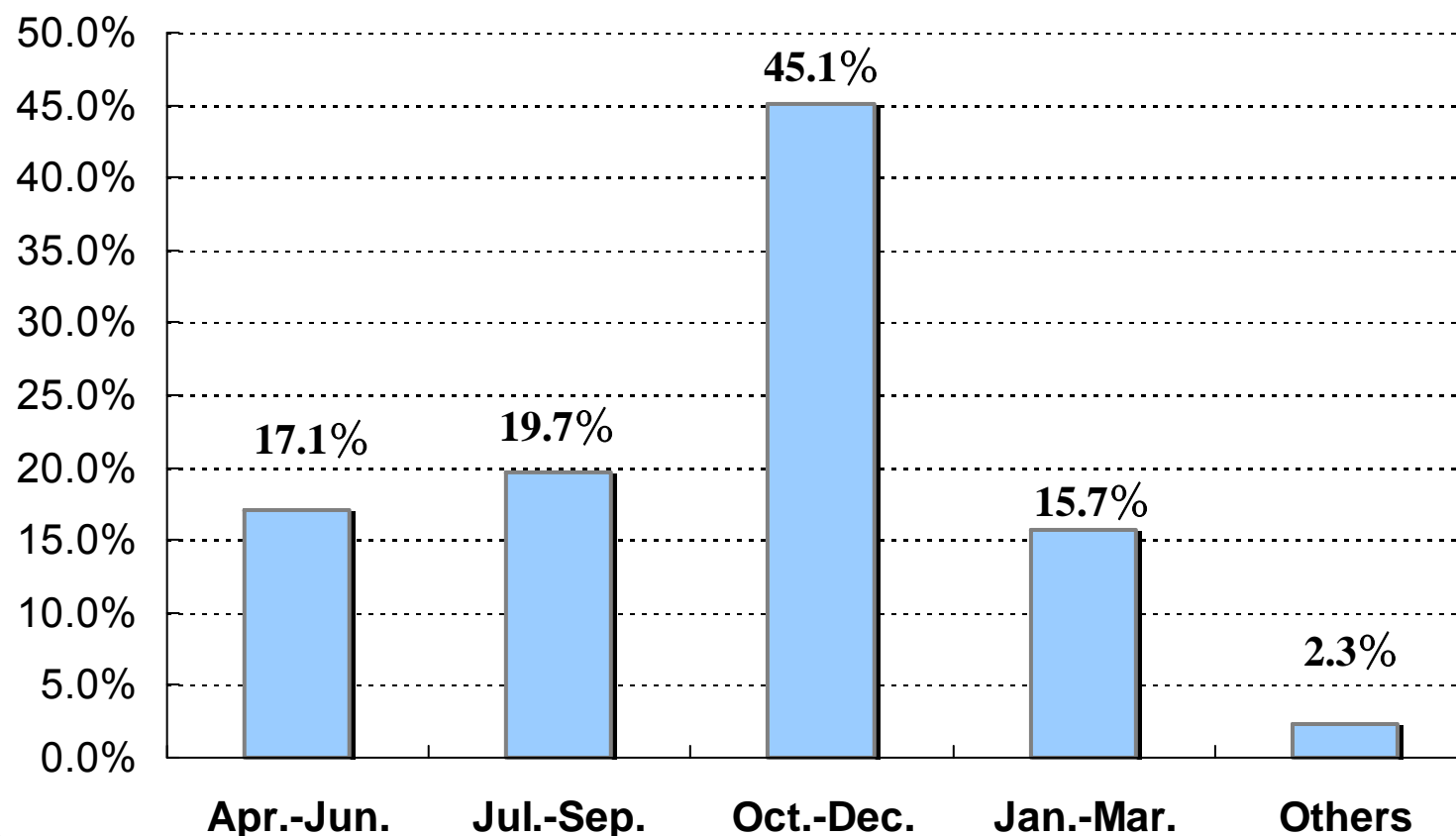
Note:

- 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.
- Net management fee rate = (management fee - related commissions and charges) ÷ average AUM
 Since this 1st quarter, FY2007, the method used to calculate Net management fee rate has been changed. Net management fee rates on the 1st quarter, FY2006 and FY2006(Full-Year) are also calculated by the new method. Net management fee rate calculated in the same way as the previous method is as follows.
 Net management fee rate = (management fee - related commissions, charge and minority interests) ÷ average AUM
 1st quarter, FY2007: 0.79% 1st quarter, FY 2006: 0.77% FY2006(Full-Year): 0.78%



Distribution of Base Date Calculation of Performance Fees (by Quarter)

% of AUM eligible to earn performance fees (as of Jun. 30, 2007)



Notes:

1. All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of Jun. 30, 2007, are classified by the performance fee value date in the above graph. In calculating these percentages, the following adjustments are 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. (3) "Private equity investments" are classified as "Others" because these performance fees will be received at termination. 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 Jun. 30, 2007. Based on internal estimates.

Consolidated Expenses

(Unit: million JPY)

FY2006

FY2007

Expense Category	FY2006		FY2007	
	Three months ended Jun. 30	Twelve months ended Mar. 31	Three months ended Jun. 30	YoY change
Commissions paid	651	3,265	1,073	+64.8%
Entrusted fund administrative fees	68	236	46	-31.8%
Other operating expenses	115	467	97	-15.7%
Personnel expenses (Including temporary staff, etc.)	2,640	7,555	3,837	+45.4%
Travel expenses	104	447	92	-12.0%
Property rent	173	804	215	+23.9%
Entrusted business expenses	320	964	367	+14.6%
Depreciation on fixed assets	71	353	88	+24.3%
Amortization of goodwill	88	2,230	720	+709.9%
Other general administrative expenses	332	1,527	461	+38.9%
Total (Operating & general administrative) expenses	4,567	17,854	7,001	+53.3%



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.

Source: SPARX Group Co., Ltd. (Tokyo, Japan) as of Jun. 30, 2007. Based on internal estimates.

Breakdown of Group Personnel (Full-Time)

(Unit: job)

Entity / Function	Mar. 31, 2007	Change	Jun. 30, 2007
SPARX Group Co., Ltd.	36	2	38
President / Director (Full-time) / Auditor (Full-time)	2	2	4
Executive Officer	2	-2	0
Advisor	1	-1	0
Legal & Compliance / Internal Audit	3	0	3
Corporate Planning & Administration / HR / Accounting / Finance	18	1	19
IT	10	2	12
SPARX Asset Management Co., Ltd.	75	2	77
Director (include those who holds double posts as employee)	4	0	4
Investment & Research	28	3	31
Trading	4	-2	2
Marketing	16	1	17
General Affairs	2	3	5
Fund Administration	11	1	12
Legal & Compliance / Internal Audit	5	-2	3
Risk & Performance Measurement	5	-2	3
SPARX Securities Co., Ltd.	21	1	22
SPARX Capital Partners Co., Ltd.	9	0	9
U.S. Subsidiaries	21	-7	14
U.K. Subsidiaries	12	0	12
Hong Kong Subsidiaries	18	2	20
Cosmo Investment Management Co., Ltd.	33	1	34
PMA Investment Advisors Limited / PMA Capital Services Limited	56	7	63
Total	281	8	289



Notes:

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.

Source: SPARX Group Co., Ltd. (Tokyo, Japan) as of Jun. 30, 2007.

Consolidated “Base Earnings”

“Base earnings” indicates the estimated level of ordinary profit which is derived solely from net management fee revenue (after deduction of commissions paid) and without any performance fee revenue.

		<u>FY2006</u> Twelve months ended Mar. 31	<u>FY2007</u> Three months ended Jun. 30 <u>(Annualized)</u>
Average AUM	(100 Mil. Yen)	18,922	17,998
Net management fee rate (After the deduction of commissions paid)	(%)	0.80	0.83
Annualized net management fee revenue (After the deduction of commissions paid)	(Mil. Yen)	15,137	14,938
Annualized ordinary expenses	(Mil. Yen)	9,120	10,184
Annualized “Base earnings”	(Mil. Yen)	6,017	4,754
Number of personnel (Full-Time : period-end)		281	289

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.
3. The “Number of personnel (Full-Time : period-end)” data does not include non-executive directors.
4. Regarding PMA that has been consolidated since June 20, 2006, the PMA annualized ordinary expenses (from April 1, 2006 until June 19, 2006) are calculated on a pro-rate basis and be added on the total annualized ordinary expenses.



Update of Growth Strategy



SPARX Focuses on Strengthening its Investment Team (1)

Overall

- ▶ Fine tune the quality of investments and expand the targeted area of investments
 - Bolster human resources with added investment professionals
 - Broaden targeted investment area from only Japan to all Asia

Investment and Research

- ▶ Enhance investment in professional staff
 - Institute direct training by the Chief Investment Officer
 - Embrace SPARX Way and hone unique corporate investment philosophy & expertise
- ▶ Deploy Japan investment model to rest of Asia
 - Plan to develop investment teams for Asia long-short strategy by exploiting synergies among key entities (SPARX, PMA, Cosmo)
 - Cosmo producing significant results by implementing its strategic approach to investment



SPARX Focuses on Strengthening its Investment Team (2)

Investment strategy (Product)

- ▶ Developing new approaches to concentrated investment strategy
 - Deepening strategic-focused investments
 - Proactively using shareholder status in targeted investments that grow slowly to be a catalyst of industry reorganization
 - Expand the scope of activities by creating a special team for proactive "corporate value creation" activities at an affiliate

Channel

- ▶ Enhance marketing channels for mutual fund business in Japan and the U.S.

Administrative function

- ▶ Enhance administrative and operational functions
 - Plan to build up key functions to support overall growth strategy

Other

- ▶ Nurture in-house ventures to capture new business domains
 - Expand Fund of Hedge Funds unit
 - Energize SPARX Securities Co., Ltd.



Appendix



SAM Annualized Performance by Strategy Since Inception I

(Annualized)

(From Composite Start Date to Jun. 30, 2007)

	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 (USD)
Composites	15.7%	8.7%	17.8%	5.8%	9.3%	30.5%
Reference Index	3.1%	7.2%	5.8%	3.3%	3.9%	21.9%
Excess Return	12.6%	1.5%	12.0%	2.5%	5.4%	8.6%

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	Feb. 2003
Volatility of Composite Return (Annualized)	23.4%	16.6%	11.6%	6.3%	22.3%	17.7%

Notes:

- 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 representative of the "benchmark" indexes requested by clients.
- 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.
- "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 Jun. 2007.



SAM Annualized Performance by Strategy Since Inception II

1. Each composite includes portfolios managed by companies of the SPARX group, excluding Cosmo and PMA.
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 (USD Lev.2)	Investment strategy combining long and short positions. Leveraged within twice NAV, and aims to achieve stable absolute returns.
Long-Short (JPY, 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 (USD)	Investment strategy focusing on corporate governance.

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

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>
Active Long-only (Commingled funds)	-25.58%	78.05%	5.54%	60.69%	-14.57%
Mid & Small Caps	-19.98%	70.25%	13.26%	44.34%	-11.83%
Long - Short (USD, Lev.2)	-6.41%	37.92%	2.36%	27.95%	-3.75%
Long - Short (JPY, Lev.1)	-7.31%	27.76%	2.96%	18.90%	-7.50%
Strategic Investment	-10.51%	53.23%	3.13%	48.94%	-18.71%

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