

SPARX Group Co., Ltd.

Consolidated Financial Results

First Nine Months of the Fiscal Year ending March 2008 (FY 2007)

February 18, 2008



Discussion Topics

- ▶ Financial Results for the 3rd quarter, FY2007
- ▶ Outlook for SPARX Group
- ▶ Appendix



Financial Results for 3rd quarter, FY2007



Executive Summary

- ▶ **Maintained high level of management fees generated from assets under management (AUM)**
 - AUM of SPARX group reached JPY 1,573.8 billion, as of December, 2007:
 - ▶ SPARX Asset Management Co. Ltd. (“SAM”, JPY 903.3 billion), Cosmo Investment Management Co., Ltd. (“Cosmo”, JPY 366.8 billion), PMA Capital Management Limited (“PMA”, JPY 303.5 billion).
 - **Management fees in the period hit JPY 12.32 billion** (5.7% decrease, year-on-year comparison).
 - **Net management fee rate in the period totaled 0.83%** (0.02 percentage point increase, year-on-year comparison).
- ▶ **Performance fees in the period achieved JPY 10.21 billion** (34.6% increase, year-on-year comparison).
 - Percentage of AUM eligible to earn a performance fee climbed to 63.1% (1.0 percentage point increase).
- ▶ **Recurring profit reached JPY 7.03 billion** (8.6% decrease, year-on-year comparison).
- ▶ **Net profit totaled JPY 3.11 billion** (10.2% decrease, year-on-year comparison).



Selected Financial Highlights

	FY2006		FY2007	
	Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change
Average AUM (100 Mil. Yen)	19,171	18,922	17,118	-10.7%
Operating revenue (Mil. Yen)	21,043	27,504	24,446	+16.2%
Operating and general administrative expenses (Mil. Yen)	13,876	17,854	17,840	+28.6%
Operating profit (Mil. Yen)	7,167	9,650	6,605	-7.8%
Recurring profit (Mil. Yen)	7,694	10,119	7,031	-8.6%
Net profit (Mil. Yen)	3,465	3,779	3,113	-10.2%
Number of personnel (period-end)	280	281	305	+8.9%
TOPIX (period-end)	1,681.07	1,713.61	1,475.68	-12.2%



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).

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	8,047	- 9.1	4,926	- 22.0	11,472	95.0	24,446	16.2
Management fees	4,292	3.7	4,139	- 10.8	3,889	-9.1	12,321	-5.7
Performance fees	3,716	- 20.5	749	- 43.6	5,751	262.0	10,217	34.6
Other operating revenue	38	2.9	36	- 89.1	1,831	12,726.0	1,906	387.3
Operating and general administrative expense	7,001	53.3	4,422	- 0.7	6,416	32.2	17,840	28.6
Operating profit	1,045	- 75.6	503	- 72.9	5,056	392.0	6,605	-7.8
Recurring profit	1,354	- 69.6	527	- 72.0	5,150	279.9	7,031	-8.6
Net profit	501	- 78.1	- 388	-	2,999	441.8	3,113	-10.2



Balance Sheet Summary

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>	YoY Change
	(Mil. Yen)	(Mil. Yen)	
Current Assets	35,381	35,201	-0.5%
Cash and Cash Equivalents	15,131	13,315	-12.0%
Fixed Assets	46,122	47,440	+2.9%
Goodwill	25,906	22,378	-13.6%
Total Assets	81,503	82,641	+1.4%
Short-term borrowings	4,500	4,153	-7.7%
Corporate bond	5,000	5,000	-
Long-term borrowings	12,000	12,000	-
Total Liabilities	29,603	30,727	+3.8%
Common stock, Additional Paid in Capital	25,288	25,713	+1.7%
Retained Earnings	20,681	21,626	+4.6%
Common Stock in Treasury at Cost	-2,438	-4,438	+82.0%
Minority Interests	2,004	3,689	+84.0%
Total Shareholders' Equity	51,899	51,914	+0.0%



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～Dec 2007】

(Units: 100 million JPY)

Business entity	Mar. 31, 2007	Subscription	Redemption	Net	Appreciation etc.	Dec. 31, 2007
SPARX Asset Management Co., Ltd.	12,825	894	-3,186	-2,292	-1,499	9,033
Cosmo Investment Management Co., Ltd.	2,587	1,497	-1,211	285	794	3,668
PMA Capital Management Limited	2,370	1,113	-541	571	93	3,035
SPARX Group (Total)	17,783	3,505	-4,940	-1,434	-610	15,738

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

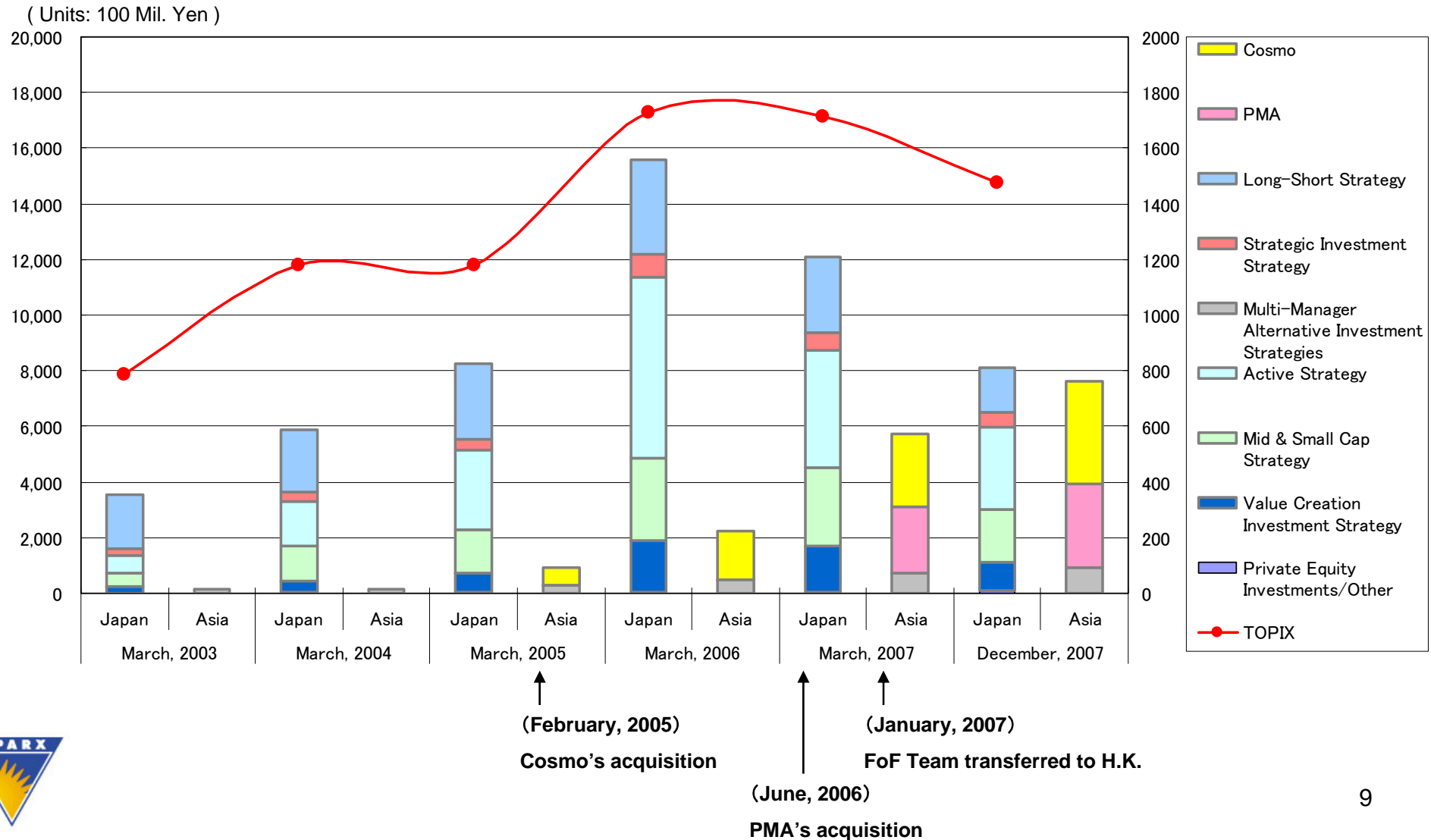
investment strategy	Mar. 31, 2007	Subscription	Redemption	Net	Appreciation etc.	Dec. 31, 2007
SPARX Asset Management Co., Ltd.						
Long-short strategy	2,704	179	-1,067	-888	-203	1,613
Strategic (or "Focused") investment strategy	620	53	-82	-28	-36	555
Multi-manager alternative investment strategies	751	260	-140	119	34	905
Active strategy	4,247	178	-927	-748	-541	2,957
Mid & small cap strategy	2,821	197	-651	-454	-478	1,888
Value creation investment strategy	1,634	0	-317	-317	-306	1,010
Private equity investments	44	0	0	0	10	55
Others	0	25	0	25	21	46
Total	12,825	894	-3,186	-2,292	-1,499	9,033

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 Dec. 31, 2007.
3. The figures for "Multi-Manager Alternative Investment Strategies" of SPARX Asset Management Co., Ltd for December 2007 are preliminary.



Historical Asset Under Management – Asia, Japan



Breakdown of Consolidated Operating Revenue

	FY2006		FY2007	
	3Q	Full Year	3Q	
	SPARX Gr. Total	SPARX Gr. Total	SPARX Gr. Total	YoY change (%)
Management fees (Million in JPY)	13,059	17,414	12,321	-5.7%
Net management fee rate (%)	0.81%	0.80%	0.83%	+0.02
Performance fees (Million in JPY)	7,592	9,397	10,217	34.6%
Percentage of AUM eligible to earn performance fees (%)	62.1%	62.4%	63.1%	+1.0
Other operating revenue (Million in JPY)	391	692	1,906	387.3%
Total operating revenue (Million in JPY)	21,043	27,504	24,446	16.2%

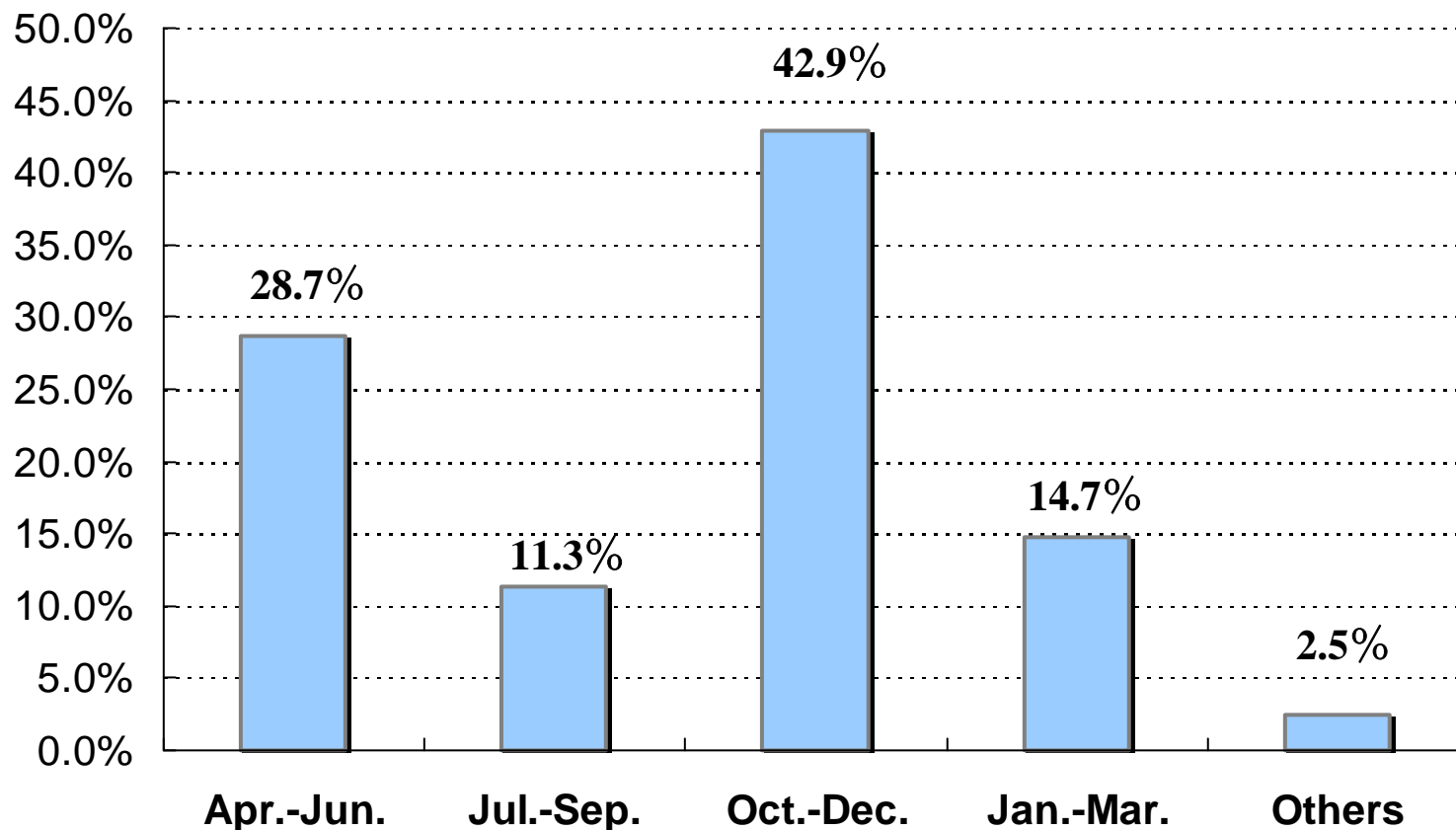
Note:

- 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 half, 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
 3Q, FY2006: 0.78% 3Q, FY 2007: 0.80% FY2006(Full-Year): 0.78%



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

% of AUM eligible to earn performance fees (as of Dec. 31, 2007)



Notes:

- All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of Dec. 31, 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.
- The figures are preliminary based on internal information and materials, and we do not guarantee their accuracy.



Consolidated Expenses

(Unit: million JPY)

Expense Category	FY2006		FY2007		
	Nine months ended Dec. 31	Twelve months ended Mar. 31	Nine months ended Dec. 31	YoY change	
Commissions paid	Operating	2,285	3,265	2,680	+17.3%
Entrusted fund administrative fees	Operating	182	236	190	+4.2%
Other operating expenses	Operating	396	467	290	-26.8%
Personnel expenses (Including temporary staff, etc.)	General administrative	6,394	7,555	9,060	+41.7%
Travel expenses	General administrative	358	447	550	+53.4%
Property rent	General administrative	591	804	556	-6.0%
Entrusted business expenses	General administrative	743	964	1,012	+36.2%
Depreciation on fixed assets	General administrative	248	353	254	+2.4%
Amortization of goodwill	General administrative	1,386	2,230	2,124	+53.2%
Other general administrative expenses	General administrative	1,288	1,527	1,122	-12.9%
Total (Operating & general administrative) expenses		13,876	17,854	17,840	+28.6%



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	Mar. 31, 2007	Change	Dec. 31, 2007
SPARX Group Co., Ltd.	36	3	39
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	3	21
IT	10	1	11
SPARX Asset Management Co., Ltd.	75	15	90
Director (include those who holds double posts as employee)	4	0	4
Investment & Research	28	8	36
Trading	4	-1	3
Marketing	16	4	20
General Affairs	2	2	4
Fund Administration	11	4	15
Legal & Compliance / Internal Audit	5	-1	4
Risk & Performance Measurement	5	-1	4
SPARX Securities Co., Ltd.	21	0	21
SPARX Capital Partners Co., Ltd.	9	2	11
U.S. Subsidiaries	21	-8	13
U.K. Subsidiaries	12	-1	11
Hong Kong Subsidiaries	18	3	21
Cosmo Investment Management Co., Ltd.	33	1	34
PMA Investment Advisors Limited / PMA Capital Services Limited	56	9	65
Total	281	24	305

(Executive officers system was abolished after the General Shareholder's meeting (June 21,2007)).



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.

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>	<u>FY2007</u>
		Twelve months ended Mar. 31	Nine months ended Dec. 31 (<u>Annualized</u>)
Average AUM	(100 Mil. Yen)	18,922	17,118
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	14,208
Annualized ordinary expenses	(Mil. Yen)	9,120	10,274
Annualized “Base earnings”	(Mil. Yen)	6,017	3,933
Number of personnel (Full-Time : period-end)		281	305

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.



Outlook for SPARX Group



Key Points of SPARX Growth Strategy

- ▶ Asia

- ▶ Mutual Fund
 - Japan
 - U.S.

- ▶ Concentrated Investment Strategy

- ▶ Fine Tune the Quality of Japan Investment



Appendix



SAM Annualized Performance by Strategy Since Inception I

(Annualized)

(From Composite Start Date to Dec. 31, 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	12.6%	5.4%	15.7%	4.2%	7.7%	19.5%
Reference Index	1.2%	4.4%	4.7%	0.6%	1.5%	17.9%
Excess Return	11.4%	1.0%	11.0%	3.6%	6.2%	1.6%

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)	23.3%	16.6%	11.8%	6.5%	21.8%	19.7%

Notes:

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 representative of 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. 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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