

SPARX Group Co., Ltd.

**Consolidated Financial Results for FY 2007 (Ended
March 2008)**

May 21, 2008



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

Discussion Topics

- ▶ FY2007 Financial Results
- ▶ Outlook for SPARX Group
- ▶ Appendix



FY2007 Financial Results



Executive Summary

- ▶ **Although net management fee rates rose, management fees fell due to a decline in AUM**
 - AUM of SPARX group reached JPY 1,264.9 billion (a 28.9% decrease, year-on-year comparison):
 - ▶ SPARX Asset Management Co. Ltd. (“SAM” JPY was 715.9 billion, a 44.2% decrease year-on-year), Cosmo Investment Management Co., Ltd. (“Cosmo” JPY was 292.8 billion, a 13.2% increase year-on-year), PMA Capital Management Limited (“PMA” was JPY 256.1 billion, an 8.1% increase year-on-year).
 - **Management fees in the period totaled JPY 15.74 billion** (a 9.6% decrease, year-on-year).
 - **Net management fee rates averaged 0.83% in the period** (a 0.03 percentage point increase, year-on-year).
- ▶ **Performance fees in the period increased by JPY 12.89 billion** (a 37.2% increase, year-on-year).
 - Percentage of AUM eligible to earn a performance fee climbed to 63.9% (a 1.5 percentage point increase).
- ▶ **Recurring profit totaled JPY 8.15 billion** (a 19.4% decrease, year-on-year).
- ▶ **Net profit totaled JPY 3.21 billion** (a 15.0% decrease).



Selected Financial Highlights in FY 2007

	FY 2006		FY 2007	
	Twelve months ended Mar. 31		Twelve months ended Mar. 31	YoY change
Average AUM (100 Mil. Yen)	18,922	16,197	-14.4%	
Operating revenue (Mil. Yen)	27,504	30,552	+11.1%	
Operating and general administrative expenses (Mil. Yen)	17,854	22,933	+28.4%	
Operating profit (Mil. Yen)	9,650	7,619	-21.0%	
Recurring profit (Mil. Yen)	10,119	8,157	-19.4%	
Net profit (Mil. Yen)	3,779	3,213	-15.0%	
Number of personnel (period-end)	281	312	+11.0%	
TOPIX (period-end)	1,713.61	1,212.96	-29.2%	



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).

Quarterly Financial Highlights for FY 2007

	1 st quarter		2 nd quarter		3 rd quarter		4 th quarter		Total	
	Amount (Mil. Yen)	YoY change (%)	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	6,106	-5.5	30,552	11.1
Management fees	4,292	3.7	4,139	- 10.8	3,889	-9.1	3,423	-21.4	15,745	-9.6
Performance fees	3,716	- 20.5	749	- 43.6	5,751	262.0	2,679	48.4	12,897	37.2
Other operating revenue	38	2.9	36	- 89.1	1,831	12,726.4	3	-98.9	1,909	176.0
Operating and general administrative expense	7,001	53.3	4,422	- 0.7	6,416	32.2	5,092	28.0	22,933	28.4
Operating profit	1,045	- 75.6	503	- 72.9	5,056	392.0	1,013	-59.2	7,619	-21.0
Recurring profit	1,354	- 69.6	527	- 72.0	5,150	279.9	1,125	-53.6	8,157	-19.4
Net profit	501	- 78.1	- 388	-	2,999	441.8	100	-68.0	3,213	-15.0



Balance Sheet Summary

	<u>Mar. 31, 2007</u>	<u>Mar. 31, 2008</u>	YoY Change
	(Mil. Yen)	(Mil. Yen)	
Current Assets	37,245	33,176	-10.9%
Cash and Cash Equivalents	14,914	15,833	+6.2%
Fixed Assets	43,970	40,880	-7.0%
Goodwill	24,938	21,885	-12.2%
Total Assets	81,215	74,056	-8.8%
Short-term borrowings	4,000	2,506	-37.3%
Corporate bonds	5,000	5,000	0.0%
Long-term borrowings	12,000	10,000	-16.7%
Total Liabilities	28,617	26,435	-7.6%
Common stock, Additional Paid in Capital	25,498	26,175	+2.7%
Retained Earnings	20,996	21,685	+3.3%
Common Stock in Treasury at Cost	-2,438	-4,438	-
Minority Interests	3,243	3,075	-5.2%
Total Shareholders' Equity	52,598	47,621	-9.5%



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~Mar 2008]

(Units: 100 million JPY)

Business entity	Mar. 31, 2007	Subscription	Redemption	Net	Appreciation etc.	Mar. 31, 2008
SPARX Asset Management Co., Ltd.	12,825	1,018	-3,905	-2,887	-2,778	7,159
Cosmo Investment Management Co., Ltd.	2,587	1,665	-1,338	326	14	2,928
PMA Capital Management Limited	2,370	1,449	-943	506	-315	2,561
SPARX Group (Total)	17,783	4,132	-6,186	-2,054	-3,079	12,649

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

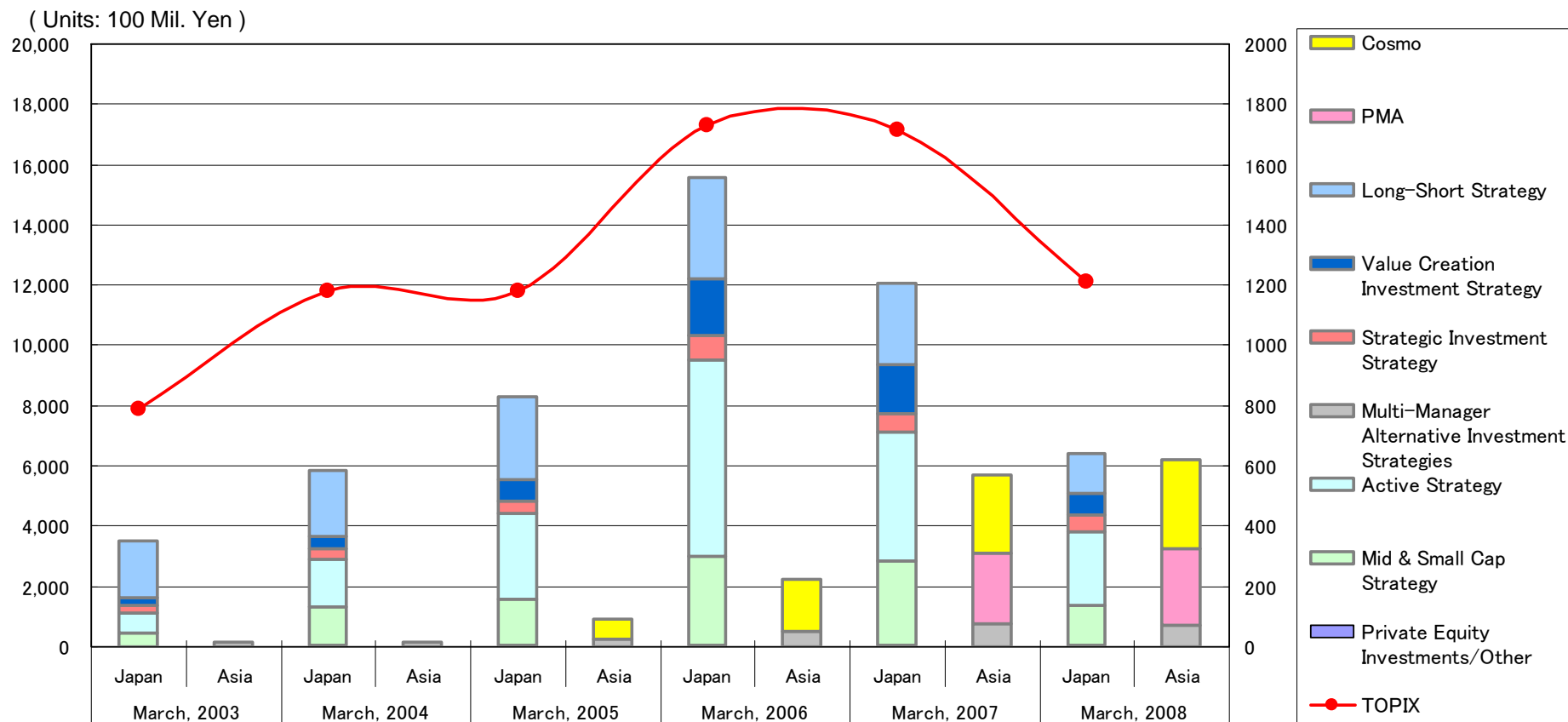
investment strategy	Mar. 31, 2007	Subscription	Redemption	Net	Appreciation etc.	Mar. 31, 2008
SPARX Asset Management Co., Ltd.						
Long-short strategy	2,704	188	-1,226	-1,078	-316	1,310
Value creation investment strategy	1,634	0	-329	-329	-560	744
Strategic (or "Focused") investment strategy	620	53	-83	-29	-64	525
Multi-manager alternative investment strategies	751	328	-242	85	-135	701
Active strategy	4,247	201	-990	-788	-1,027	2,431
Mid & small cap strategy	2,821	218	-993	-774	-702	1,345
Private equity investments	44	0	0	0	8	53
Others	-	27	0	27	20	46
Total	12,825	1,018	-3,905	-2,887	-2,778	7,159

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 Mar. 31, 2008.



Historical Assets Under Management – Asia & Japan



↑
(February, 2005)
Cosmo's acquisition

↑
(June, 2006)
PMA's acquisition

↑
(January, 2007)
FoF Team transferred to H.K.



Breakdown of Consolidated Operating Revenue

	FY2006		FY2007	
	Full Year		Full Year	
	SPARX Gr. Total		SPARX Gr. Total	YoY change (%)
Management fees (Million in JPY)	17,414		15,745	-9.6%
Net management fee rate (%)	0.80%		0.83%	+0.03
Performance fees (Million in JPY)	9,397		12,897	37.2%
Percentage of AUM eligible to earn performance fees (%)	62.4%		63.9%	+1.5
Other operating revenue (Million in JPY)	692		1,909	176.0%
Total operating revenue (Million in JPY)	27,504		30,552	11.1%

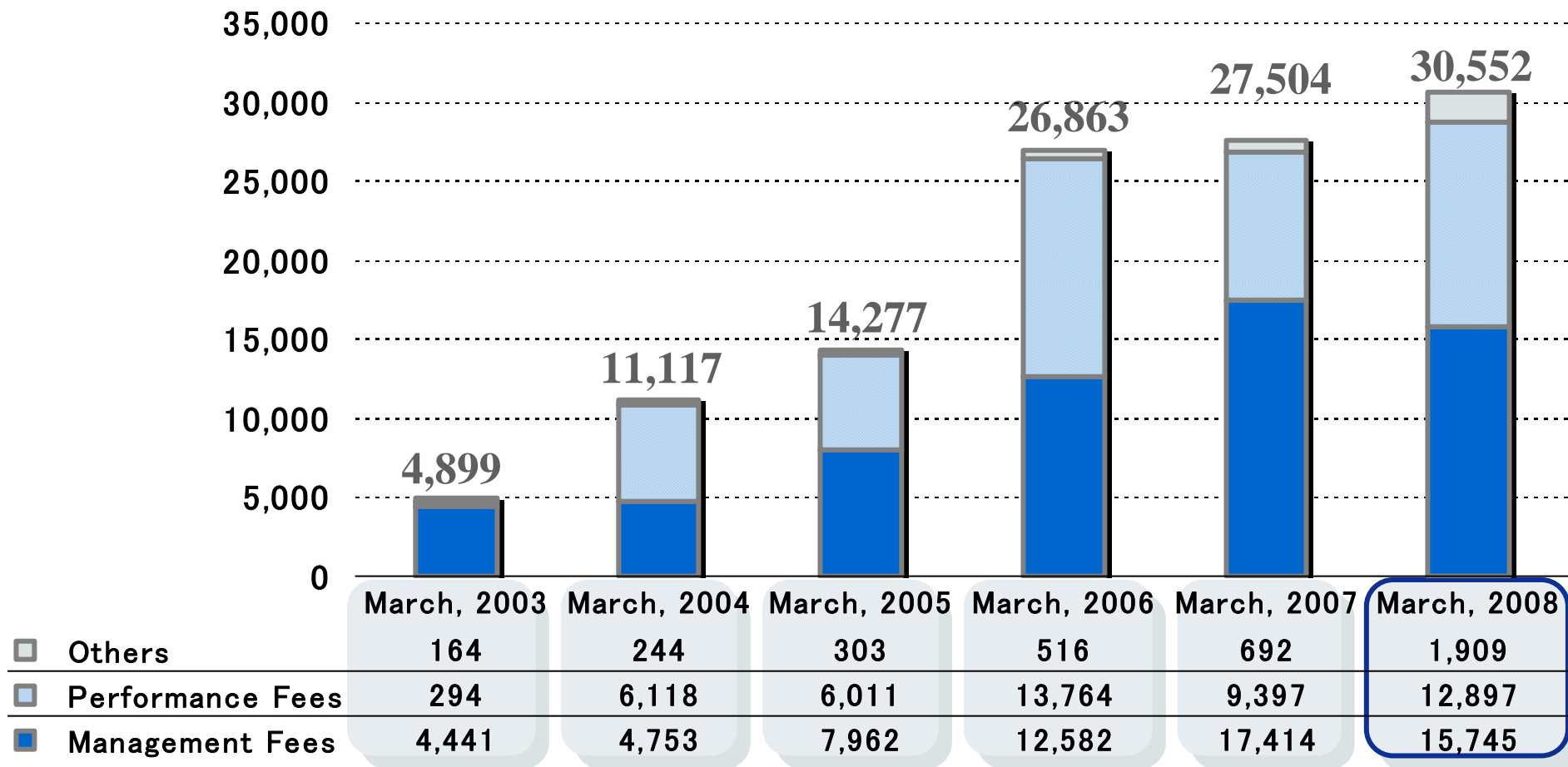
Note:

- 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
As of this term, the method used to calculate the net management fee rate has been changed. Net management fee rates for FY 2006 (full-year) have been calculated above via this new method. According to the previous method, the net management fee rate would have been calculated as follows.
Net management fee rate = (management fee - related commissions, charge and minority interests) ÷ average AUM
FY2006 (full-year): 0.78%, FY 2007(full-year): 0.81%



Growth in Operating Revenue, 2003-2008

(Units: Mil. Yen)

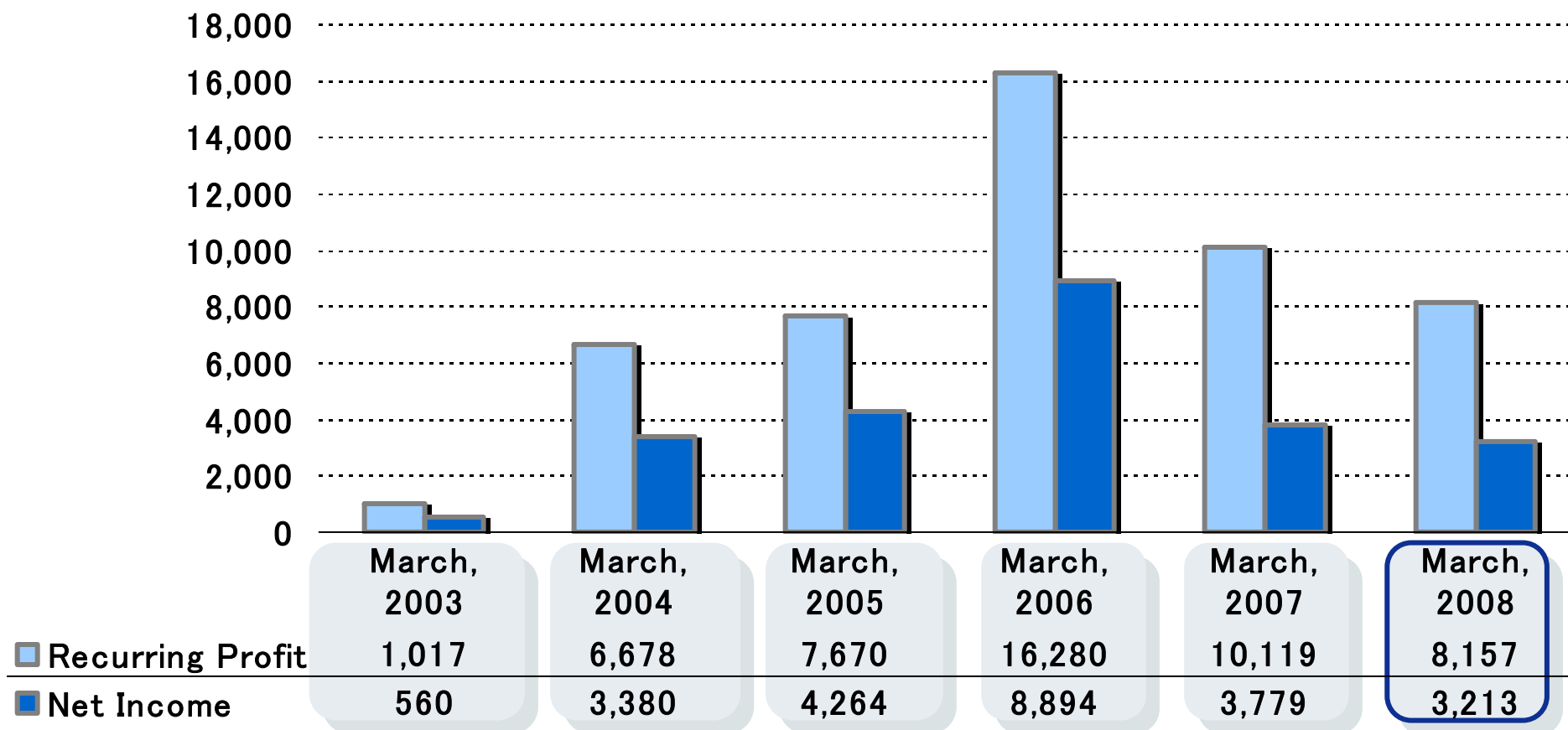


Note: The figures above are truncated.

Source: SPARX Group Co., Ltd. (Tokyo, Japan) as of March 31, 2008. Based on internal estimates.

Changes in Recurring Profit / Net income, 2003-2008

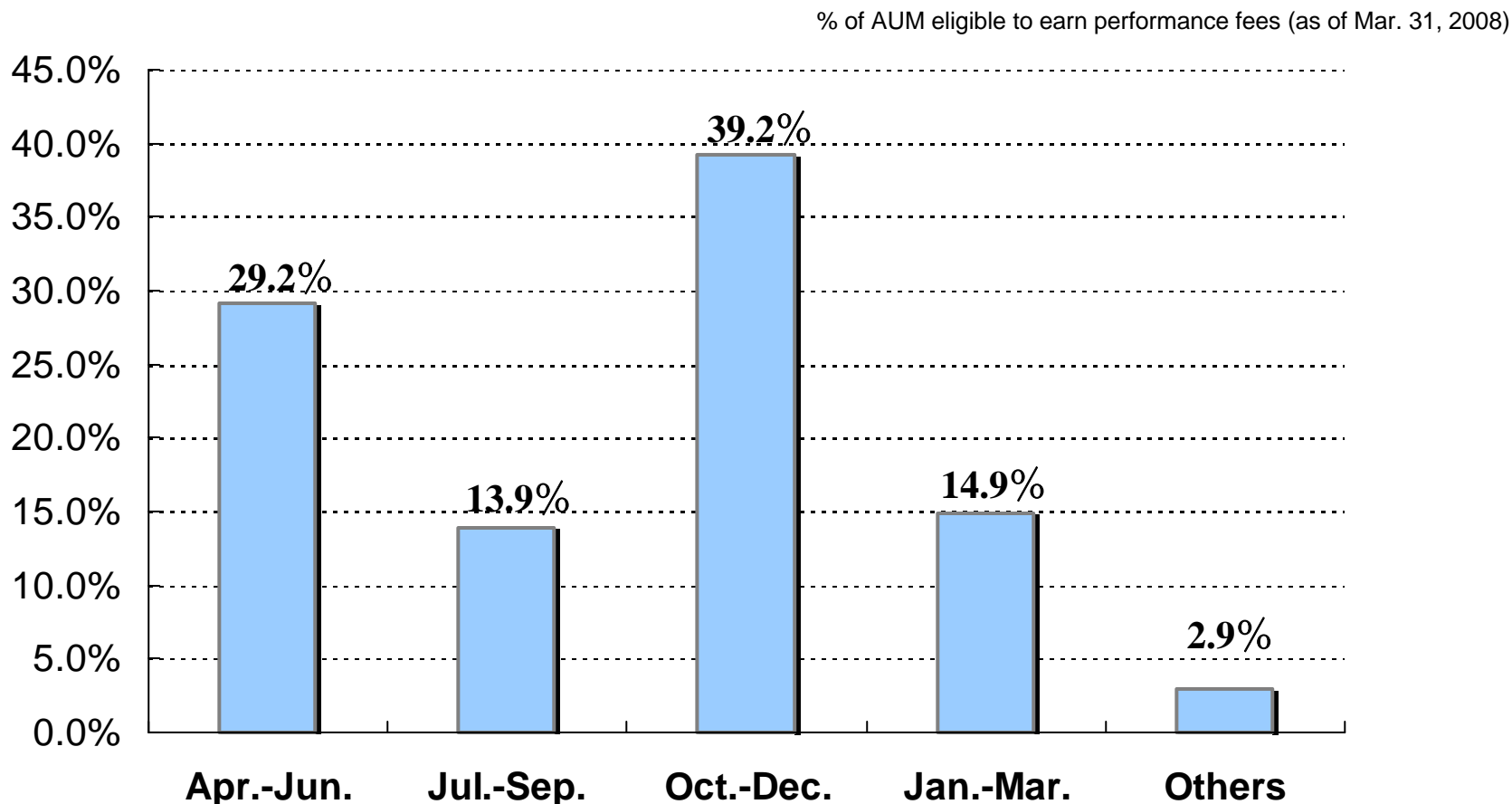
(Units: Mill. Yen)



Note: The figures above are truncated.

Source: SPARX Group Co., Ltd. (Tokyo, Japan) as of March 31, 2008. Based on internal estimates.

Base Date Calculation Distribution for Performance Fees (Qtrly)



Notes:

- All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of Mar. 31, 2008, 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 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 one percent.
- The figures are preliminary and based on internal information and materials, therefore we do not guarantee their accuracy.



Consolidated Expenses

(Unit: million JPY)

Expense Category		FY2006	FY2007	
		Twelve months ended Mar. 31	Twelve months ended Mar. 31	YoY change
Commissions paid	Operating	3,265	3,558	+9.0%
Entrusted fund administrative fees	Operating	236	247	+4.7%
Other operating expenses	Operating	467	422	-9.6%
Personnel expenses (Including temporary staff, etc.)	General administrative	7,555	11,059	+46.4%
Travel expenses	General administrative	447	692	+54.7%
Property rent	General administrative	804	821	+2.0%
Entrusted business expenses	General administrative	964	1,421	+47.3%
Depreciation on fixed assets	General administrative	353	372	+5.3%
Amortization of goodwill	General administrative	2,230	2,772	+24.3%
Other general administrative expenses	General administrative	1,527	1,564	+2.4%
Total (Operating & general administrative) expenses		17,854	22,933	+28.4%



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	Mar. 31, 2008
SPARX Group Co., Ltd.	36	4	40
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	6	24
IT	10	-1	9
SPARX Asset Management Co., Ltd.	75	19	94
Director (include those who holds double posts as employee)	4	0	4
Investment & Research	28	9	37
Trading	4	0	4
Marketing	16	6	22
General Affairs	2	3	5
Fund Administration	11	4	15
Legal & Compliance / Internal Audit	5	-1	4
Risk & Performance Measurement	5	-2	3
SPARX Securities Co., Ltd.	21	-2	19
SPARX Capital Partners Co., Ltd.	9	2	11
U.S. Subsidiaries	21	-7	14
U.K. Subsidiaries	12	0	12
Hong Kong Subsidiaries	18	3	21
Cosmo Investment Management Co., Ltd.	33	2	35
PMA Investment Advisors Limited / PMA Capital Services Limited	56	10	66
Total	281	31	312

(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” indicate 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	Twelve months ended Mar. 31
Average AUM	(100 Mil. Yen)	18,922	16,197
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	13,414
Annualized ordinary expenses	(Mil. Yen)	9,120	10,197
Annualized “Base earnings”	(Mil. Yen)	6,017	3,216
Number of personnel (Full-Time : period-end)		281	312

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 allowances 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. PMA has been consolidated since June 20, 2006, so the PMA annualized ordinary expenses (from April 1, 2006 until June 19, 2006) are calculated on a pro-rated basis and added thusly under total annualized ordinary expenses.

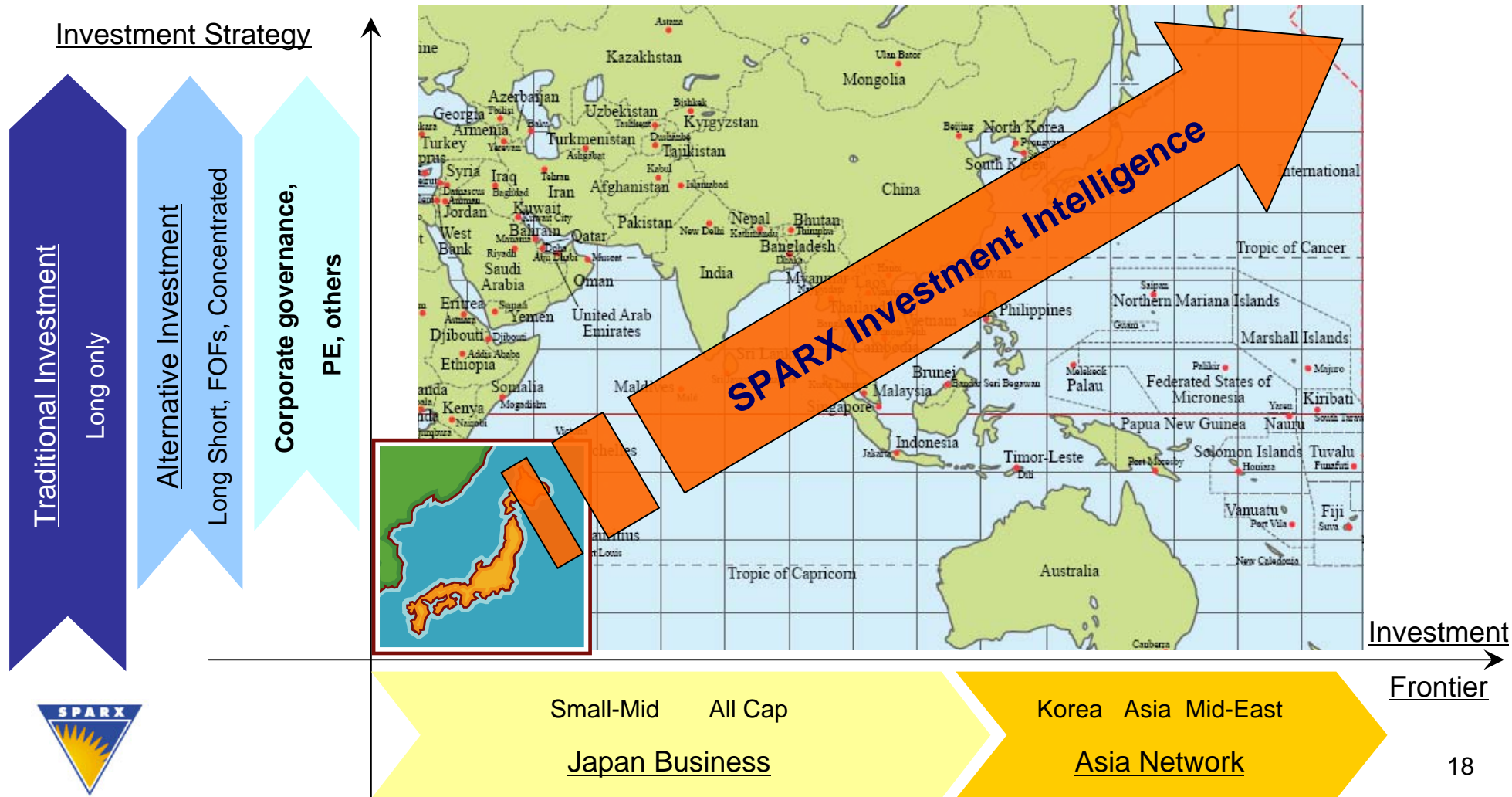


Outlook for SPARX Group



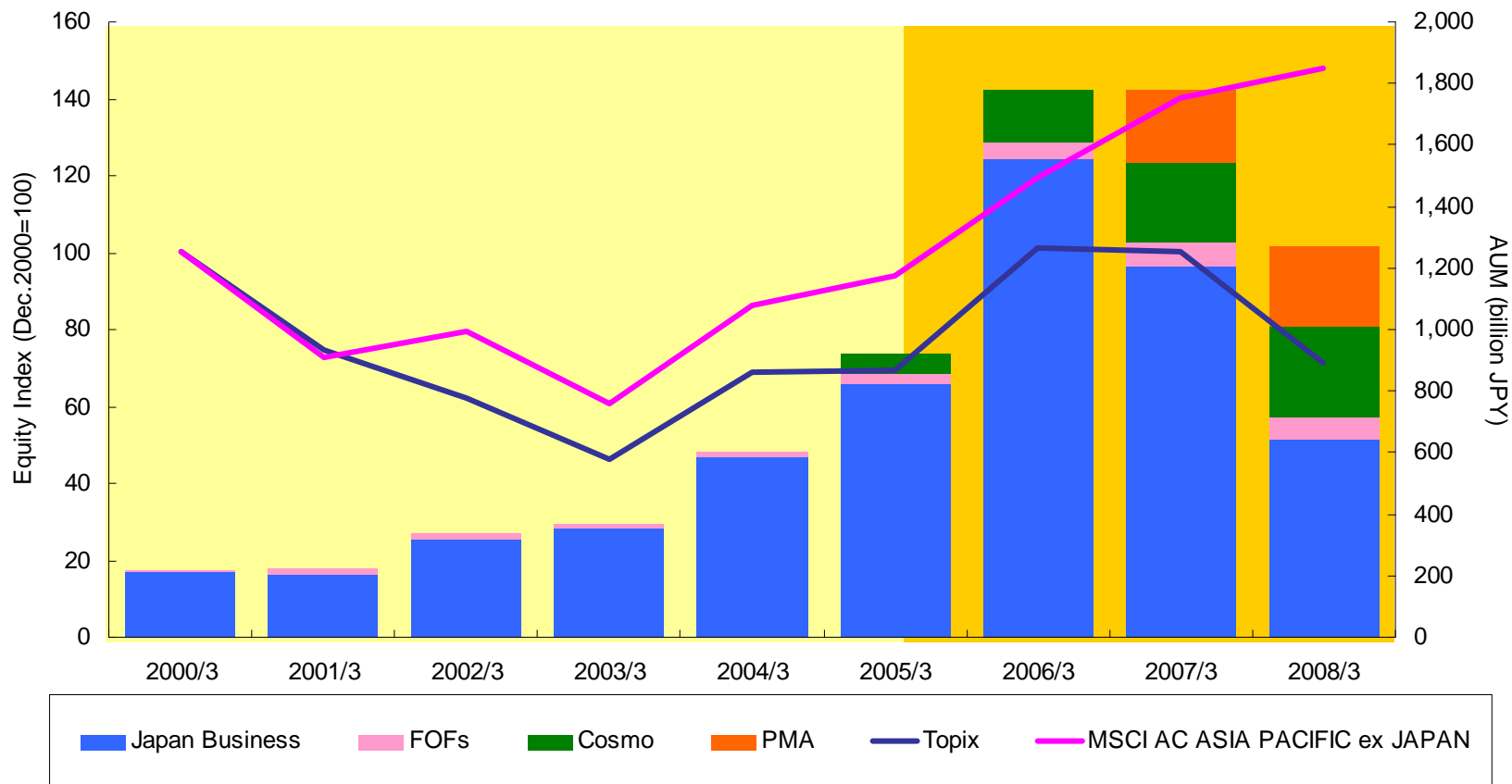
Development of a Pro-Growth, Pan-Asian Strategy

- Seeking a healthy expansion in our investment strategy and investment frontier



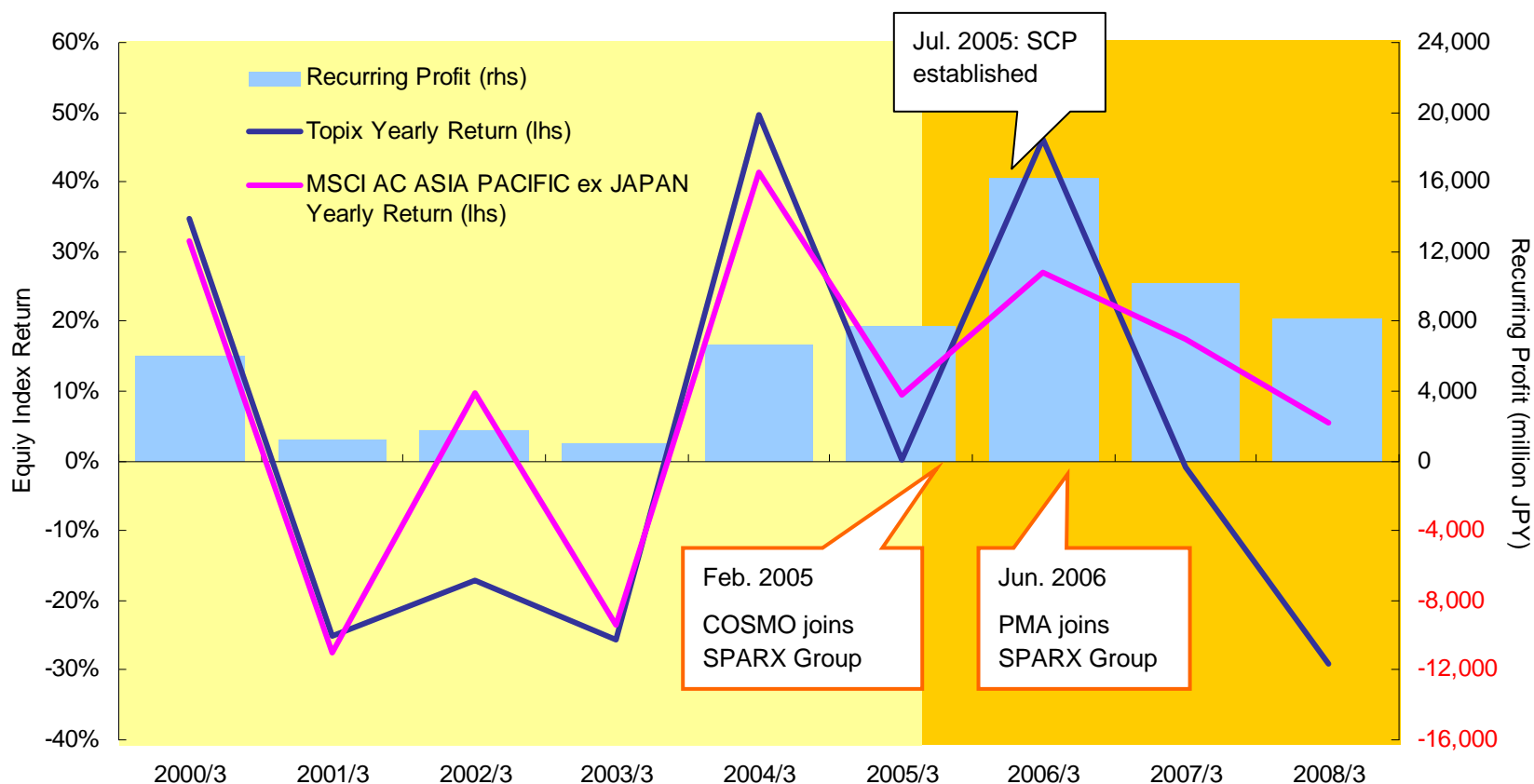
Growth in Asia Ex-Japan Supporting Overall AUM Position

- AUM by region and Asian regional equity index trends



Business Diversification Key to Stabilizing Profit Growth

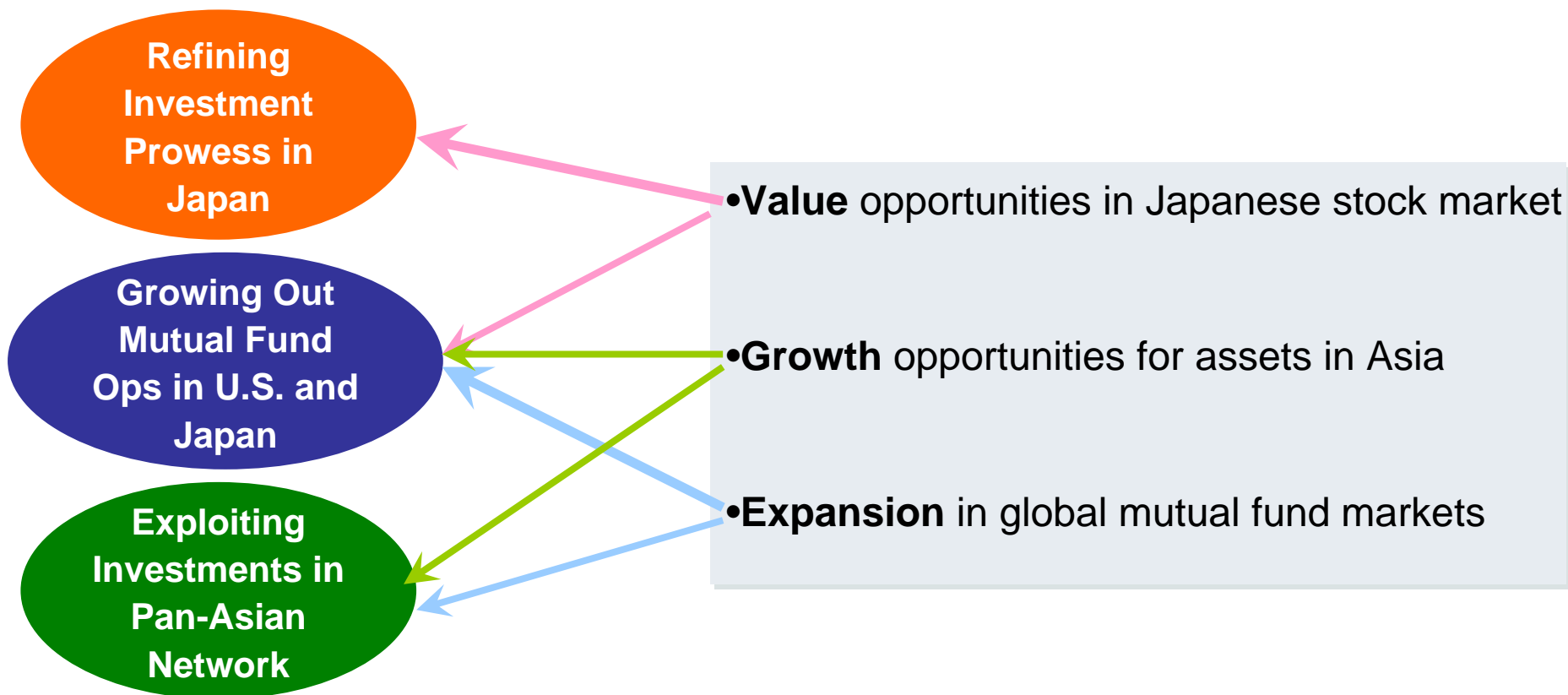
- Recurring profit and Asia regional equity index returns



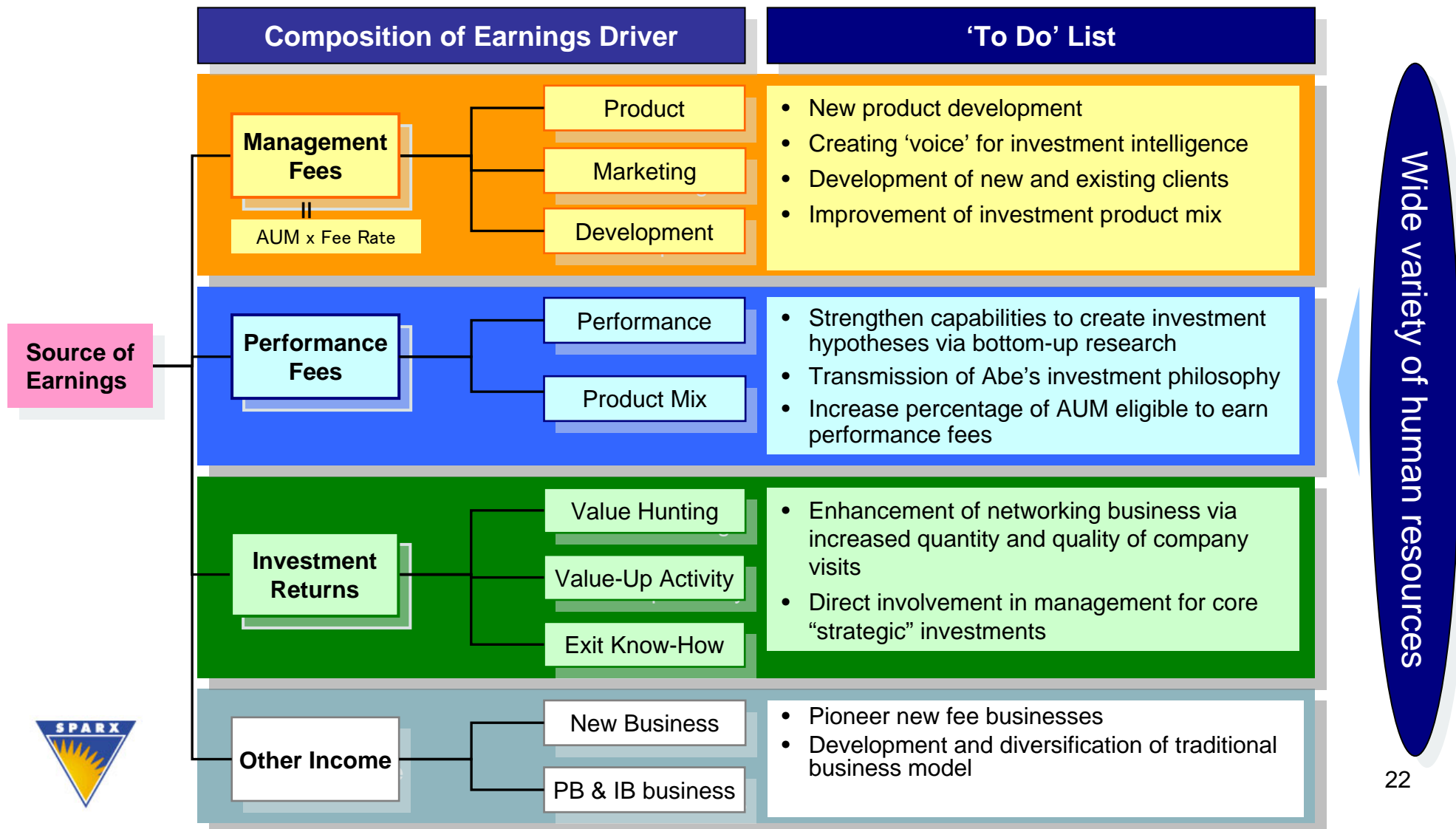
Going Forward: Key Growth Strategies in 2008

Our Strategy

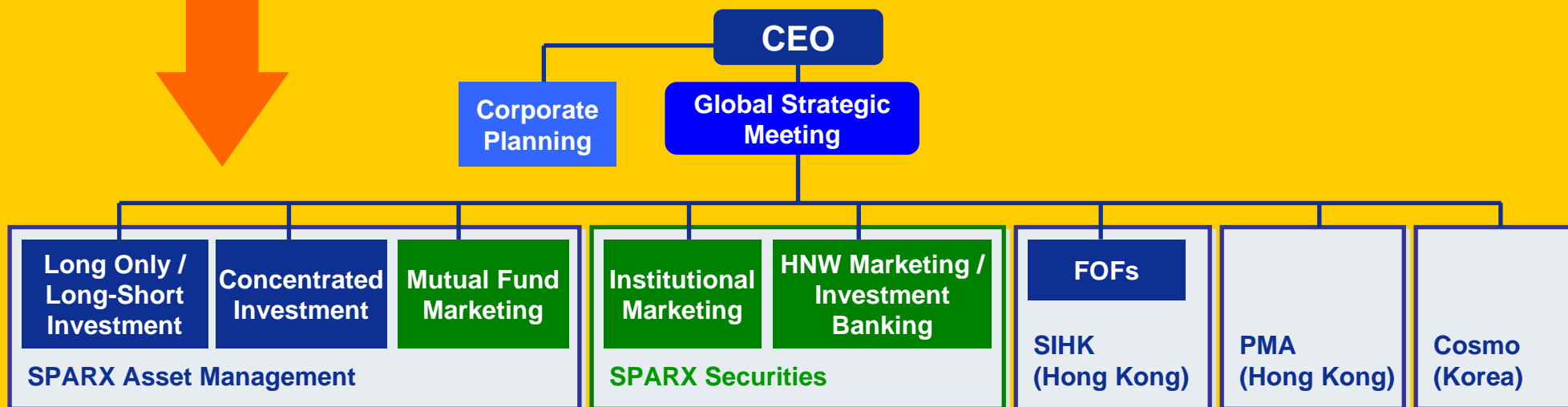
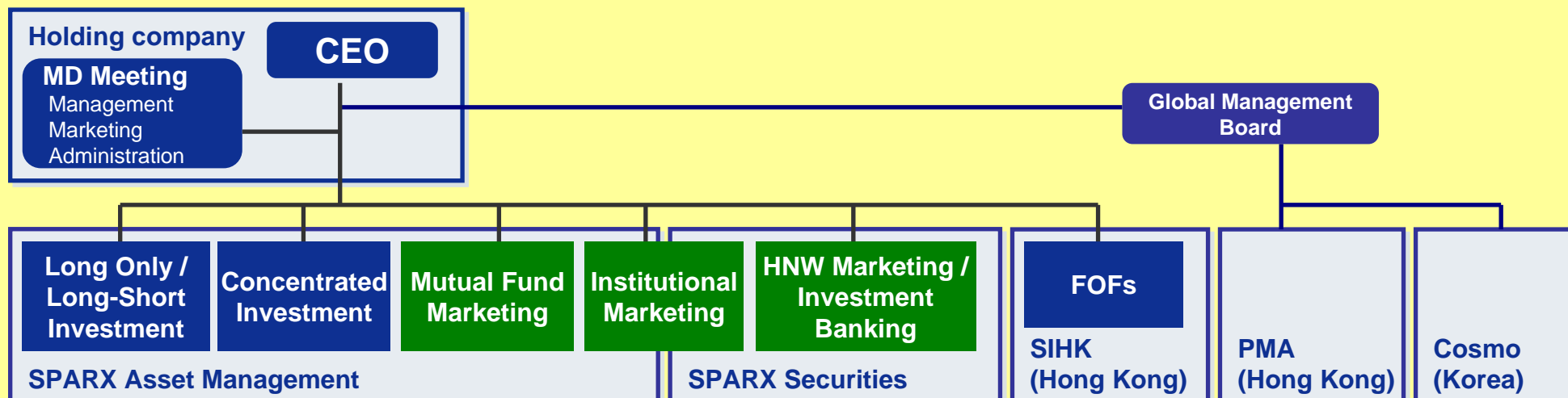
Market Opportunities



Four Targeted Reforms in Growth Strategy



Reorganization of Group Management Structure



Appendix



SAM Annualized Performance by Strategy Since Inception (1)

(Annualized)

(From Composite Start Date to Mar. 31, 2008)

	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	10.4%	3.5%	14.6%	3.4%	6.8%	12.7%
Reference Index	-0.5%	2.1%	2.9%	-1.8%	-0.7%	13.0%
Excess Return	10.9%	1.4%	11.7%	5.2%	7.5%	-0.3%

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%	16.8%	11.9%	6.6%	21.6%	21.0%

Notes:

1. The figures in the above table are calculated using composite performance data of major investment strategies and is based on internal data. The "Reference index" is shown to facilitate comparisons and these 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 Long-Short (JPY, Lev.1); the internal rate of return (pre-deduction of management fees) is applied to 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 Mar. 2008.



SAM Annualized Performance by Strategy Since Inception (2)

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>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
Active Long-only (Commingled funds)	78.05%	5.54%	60.69%	-14.57%	-28.93%
Mid & Small Caps	70.25%	13.26%	44.34%	-11.86%	-28.95%
Long - Short (USD, Lev.2)	37.92%	2.36%	27.95%	-3.74%	-14.43%
Long – Short (JPY, Lev.1)	27.76%	2.96%	18.68%	-7.50%	-11.31%
Strategic Investment	53.23%	3.13%	48.94%	-18.71%	-10.14%

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. Past results are not indicative of future performance. This report contains forward-looking statements that reflect SPARX's plans and expectations. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause SPARX's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. A discussion of these factors which may affect SPARX's actual results, performance, achievements or financial position is contained in SPARX's annual securities report, which is on file with the Kanto Finance Bureau of the Japanese MOF. 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., has prepared and presented the relevant part of this report in 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 registered with Japanese authority to conduct the investment management business, the investment advisory and agency business and the second financial instruments business.

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