

SPARX Group Co., Ltd.

Consolidated Financial Results for 2nd Qtr of the Fiscal Year ending in March 2009 (FY 2008)

November 25, 2008



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

Financial Results for the 2nd Quarter, FY2008



Executive Summary

- ▶ **Recurring profit totaled JPY -5.7 billion** (Corresponding period in 2007; JPY 18.8 billion)
- ▶ **Net profit totaled JPY -11.5 billion** (Corresponding period in 2007; JPY 1.1 billion)
- ▶ **Asset under management (AUM) as of the end of September 2008**
 - SPARX group: JPY 1,057.8 billion
 - SPARX Asset Management Co. Ltd. (“SAM,” JPY 564.3 billion)
 - Cosmo Investment Management Co., Ltd. (“Cosmo,” JPY 252.4 billion)
 - PMA Capital Management Limited (“PMA,” JPY 241.0 billion)
- ▶ **Management fees in the period totaled JPY 6.09 billion (27.7% decrease, year-on-year comparison)**
 - Net management fee rate in the period totaled 0.84% (0.01 percentage point increase, year-on-year comparison).
- ▶ **Performance fees in the period totaled JPY 1.20 billion (73.0% decrease, year-on-year comparison).**
 - Percentage of AUM eligible to earn a performance fee was 64.8% (0.4 percentage point decrease).



Selected Financial Highlights

	FY2007		FY2008	
	Six months ended Sep.30	Twelve months ended Mar. 31	Six months ended Sep. 30	YoY change
Average AUM (100 Mil. Yen)	17,684	16,197	12,368	-30.1%
Operating revenue (Mil. Yen)	12,973	30,552	6,702	-48.3%
Operating and general administrative expenses (Mil. Yen)	11,424	22,933	7,743	-32.2%
Operating profit (Mil. Yen)	1,549	7,619	-1,040	-
Recurring profit (Mil. Yen)	1,881	8,157	-573	-
Net profit (Mil. Yen)	113	3,213	-1,152	-
Number of personnel (period-end)	303	312	338	+11.6%
TOPIX (period-end)	1,616.62	1,212.96	1,087.41	-32.7%



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 (period-end) shows the figure that does not include the number of "not full-time personnel" with adjustment of double-counting.
3. The figure of personnel, excluding board members, is 297 as of the end of September 2008.
4. AUM figures cited above include Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiary (PMA Capital Management Limited).

Balance Sheet Summary

	<u>Sep. 30, 2007</u> (Mil. Yen)	<u>Sep. 30, 2008</u> (Mil. Yen)	YoY Change
Current Assets	30,737	25,907	-15.7%
Cash and Cash Equivalents	11,431	14,325	+25.3%
Operational investment securities	10,446	5,463	-47.7%
Fixed Assets	51,956	35,716	-31.3%
Goodwill	23,703	20,544	-13.3%
Investment securities	26,211	13,225	-49.5%
Total Assets	82,694	61,624	-25.5%
Short-term borrowings	4,300	107	-97.5%
Long-term debt due within one year	-	2,000	-
Corporate bond	5,000	5,000	0.0%
Long-term borrowings	12,000	10,000	-16.7%
Total Liabilities	28,952	19,403	-33.0%
Common stock, Additional Paid in Capital	25,604	26,696	+4.3%
Retained Earnings	18,875	18,540	-1.8%
Common Stock in Treasury at Cost	-2,602	-4,438	-
Minority Interests	3,635	2,498	-31.3%
Total Shareholders' Equity	53,741	42,220	-21.4%



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

Flow of Funds [Mar 2008~Sep 2008]

<AUM by Company>

(Units: 100 million JPY)

Business entity	Mar. 31, 2008	Subscription	Redemption	Net	Appreciation etc.	Sep. 30, 2008
SPARX Asset Management Co., Ltd.	7,159	357	-1,251	-894	-621	5,643
Cosmo Investment Management Co., Ltd.	2,928	1,338	-1,106	232	-636	2,524
PMA Capital Management Limited	2,561	104	-284	-180	29	2,410
SPARX Group (Total)	12,649	1,800	-2,642	-842	-1,228	10,578

<AUM by Investment Strategy>

(Units: 100 million JPY)

SPARX Asset Management Co., Ltd.	Mar. 31, 2008	Subscription	Redemption	Net	Appreciation etc.	Sep. 30, 2008
Long-short strategy	1,310	123	-194	-70	-11	1,228
Value creation investment strategy	744	0	-460	-460	-34	250
Strategic (or "Focused") investment strategy	525	21	-47	-25	-79	421
Multi-manager alternative investment strategies	701	38	-168	-129	3	575
All Cap strategy	2,431	30	-264	-233	-322	1,874
Mid & small cap strategy	1,345	142	-117	25	-160	1,209
Private equity investments	53	0	0	0	-6	46
Others	47	0	0	0	-9	37
Total	7,159	357	-1,251	-894	-621	5,643

Notes:

1. The figures above are truncated. "Redemption" figure includes mandate terminations.
2. "Appreciation, etc." contains any gains and losses from the exchange rate differential between Mar. 31, 2008 and Sep. 30, 2008.



Flow of Funds 【Mar 2008~Sep 2008】

(Units: 100 million JPY)

Cosmo Investment Management Co., Ltd.	Mar. 31, 2008	Subscription	Redemption	Net	Appreciation etc.	Sep. 30, 2008
Korean index-relative strategy	1,505	1,309	-1,019	289	-382	1,413
Korean active strategy	742	17	-25	-7	-210	524
Korean long-short strategy	409	12	-61	-48	23	384
Korean strategic investment strategy	142	0	0	0	-39	102
Others	128	0	0	0	-28	100
Total	2,928	1,338	-1,106	232	-636	2,524

(Units: 100 million JPY)

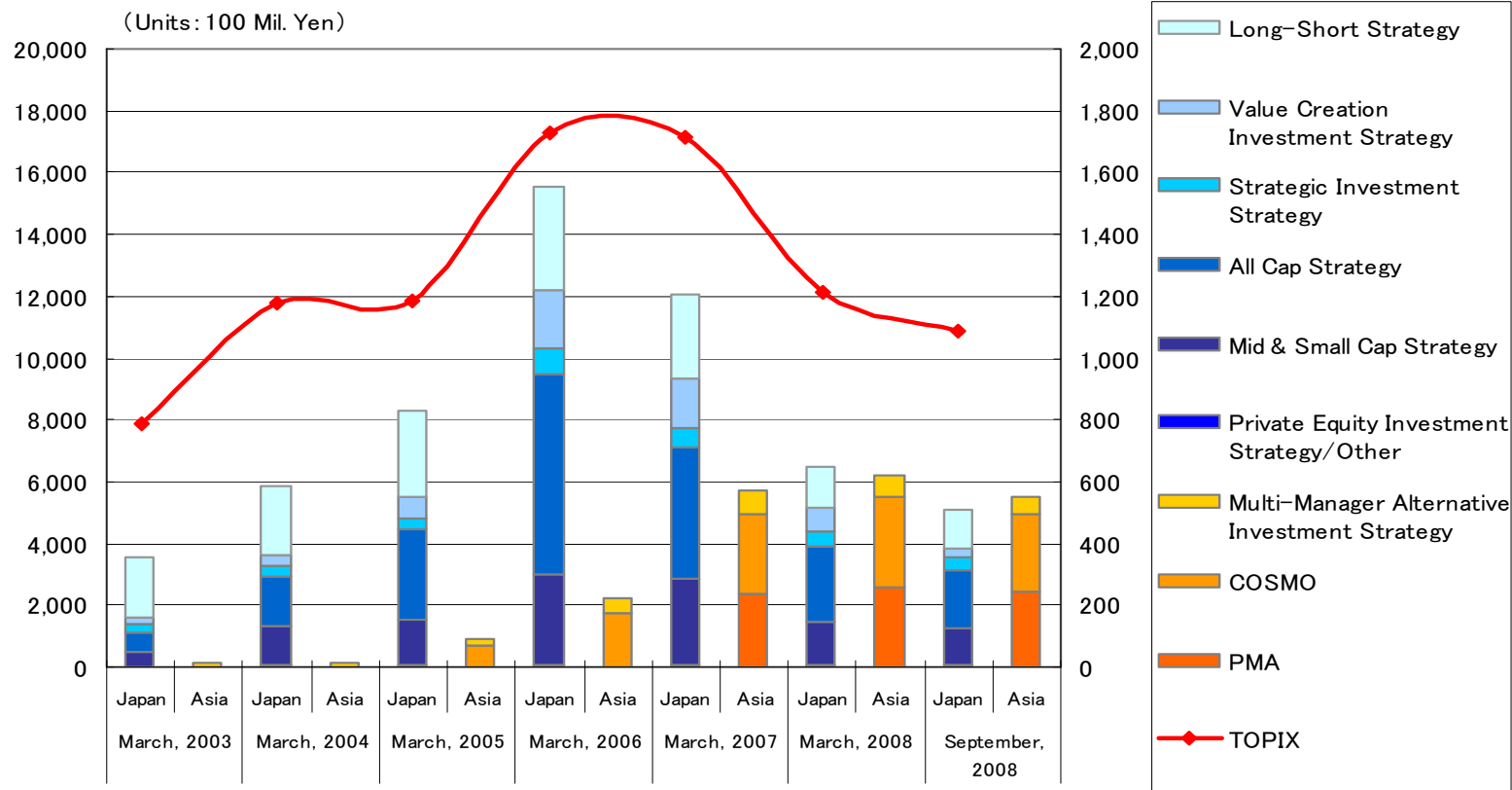
PMA Capital Management Limited	Mar. 31, 2008	Subscription	Redemption	Net	Appreciation etc.	Sep. 30, 2008
Asian equity strategy	1,417	11	-112	-100	-236	1,079
Asian/Europe credit strategy	988	83	-143	-59	131	1,059
Asian macro strategy	155	8	-28	-20	135	270
Total	2,561	104	-284	-180	29	2,410

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, 2008 and Sep. 30, 2008.



Historical Assets Under Management – Asia & Japan



Note:
 February, 2005 COSMO's acquisition
 June, 2006 PMA's acquisition
 January, 2007 Transfer of operation of "Multi-manager alternative investment strategy"

Breakdown of Consolidated Operating Revenue and Percentage of AUM Eligible to Earn Performance Fees

Breakdown of Consolidated Operating Revenue	FY2007		FY2008	
	2Q	Full Year	2Q	
	SPARX Gr. Total	SPARX Gr. Total	SPARX Gr. Total	YoY change (%)
Management fees (Million in JPY)	8,432	15,745	6,096	-27.7%
Net management fee rate (%)	0.83%	0.83%	0.84%	+0.01
Performance fees (Million in JPY)	4,466	12,897	1,204	-73.0%
Appraisal losses and gains on investment securities (Million in JPY)	-	-	-647	-
Other operating revenue (Million in JPY)	74	1,909	47	-36.2%
Total operating revenue (Million in JPY)	12,973	30,552	6,702	-48.3%

Percentage of AUM eligible to earn performance fees	FY2007		FY2008	
	2Q	Full Year	2Q	
	SPARX Gr. Total	SPARX Gr. Total	SPARX Gr. Total	YoY change (%)
SPARX Asset Management Co., Ltd. (100 Million JPY)	5,402	3,607	2,718	-49.7%
(%)	50.4%	50.4%	48.2%	-2.2
Cosmo Investment Management Co., Ltd. (100 Million JPY)	3,338	2,553	2,190	-34.4%
(%)	85.4%	87.2%	86.8%	+1.4
PMA Capital Management Limited (100 Million JPY)	2,317	1,922	1,948	-15.9%
(%)	100.0%	75.1%	80.9%	-19.1
Total (100 Million JPY)	11,058	8,082	6,857	-38.0%
(%)	65.2%	63.9%	64.8%	-0.4

Note:

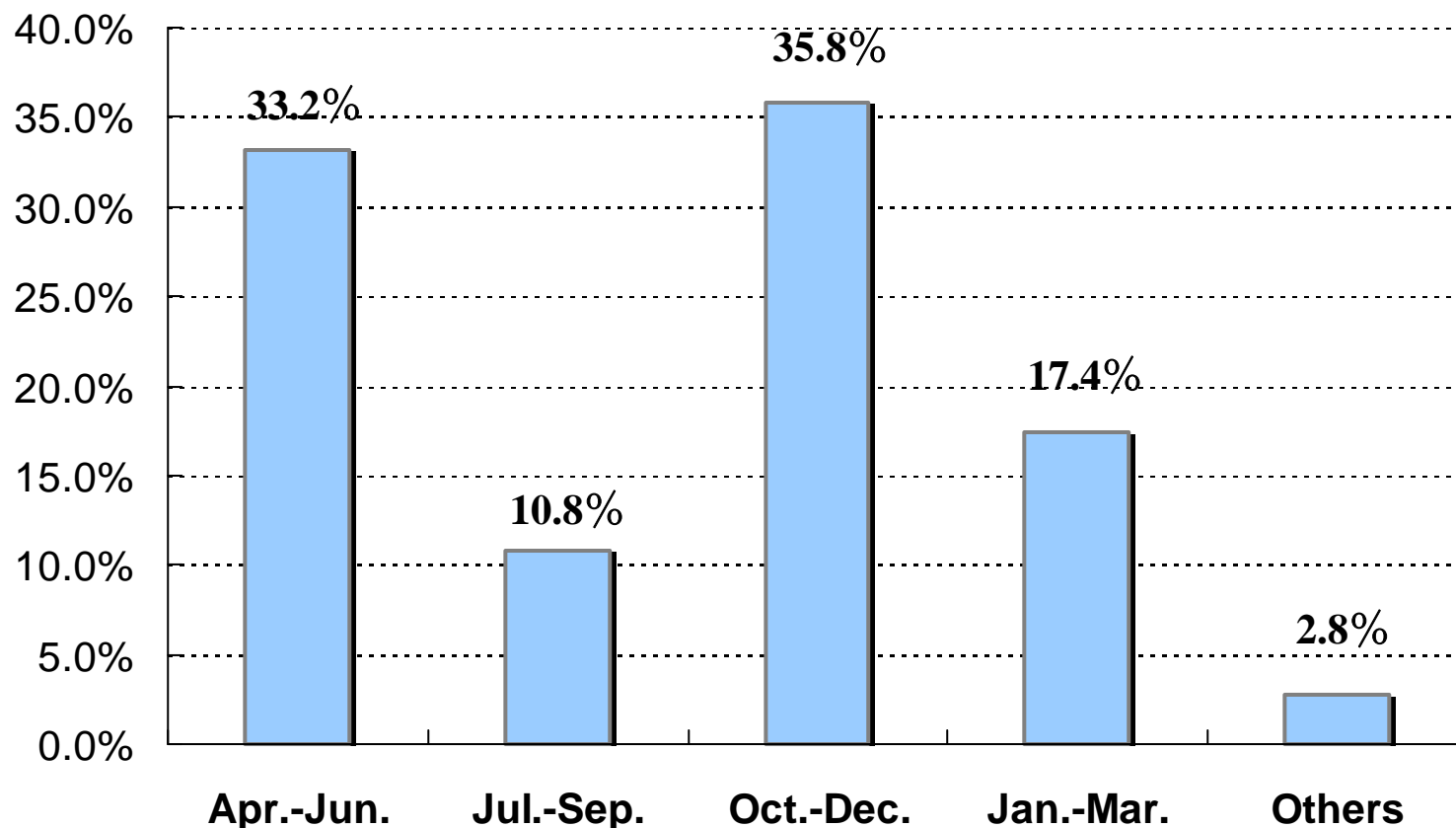
1. The figures above, excluding "YoY change", "net management fee rate(%)" and "percentage of AUM eligible to earn performance fees(%)", are truncated. "YoY change" is rounded to the nearest tenth of a percent. "YoY change" of "net management fee rate" and "percentage of AUM eligible to earn performance fees(%)" shows the amount of decrease/increase instead of percentage of change.

2. Net management fee rate = (management fee - related commissions and charges) ÷ average AUM



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

% of AUM eligible to earn performance fees (as of Sep. 30, 2008)



Notes:

- All funds managed by SPARX Group (investment trusts and discretionary investment accounts) as of Sep. 30, 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 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	FY2007		FY2008	
	Six month ended Sep. 30	Twelve months ended Mar. 31	Six months ended Sep. 30	YoY change
Commissions paid	1,637	3,558	890	-45.6%
Entrusted fund administrative fees	115	247	94	-17.8%
Other operating expenses	174	422	210	+20.2%
Personnel expenses (Including temporary staff, etc.)	5,818	11,059	3,005	-48.4%
Travel expenses	358	692	358	+0.1%
Property rent	365	821	473	+29.5%
Entrusted business expenses	663	1,421	533	-19.6%
Depreciation on fixed assets	196	372	157	-7.1%
Amortization of goodwill	1,430	2,772	1,386	-3.1%
Other general administrative expenses	690	1,564	633	-8.4%
Total (Operating & general administrative) expenses	11,424	22,933	7,743	-32.2%



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.

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>FY2007</u> Twelve months ended Mar. 31	<u>FY2008</u> Six months ended Sep. 30 <u>(Annualized)</u>
Average AUM	(100 Mil. Yen)	16,197	12,368
Net management fee rate (After the deduction of commissions paid)	(%)	0.83	0.84
Annualized net management fee revenue (After the deduction of commissions paid)	(Mil. Yen)	13,414	10,339
Annualized ordinary expenses	(Mil. Yen)	10,197	9,665
Annualized “Base earnings”	(Mil. Yen)	3,216	673
Number of personnel (Full-Time : period-end)		312	338

Notes:

- 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.
- 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.
- The “Number of personnel (Full-Time : period-end)” data shows the figure that does not include the number of “not full-time personnel” with adjustment of double-counting.

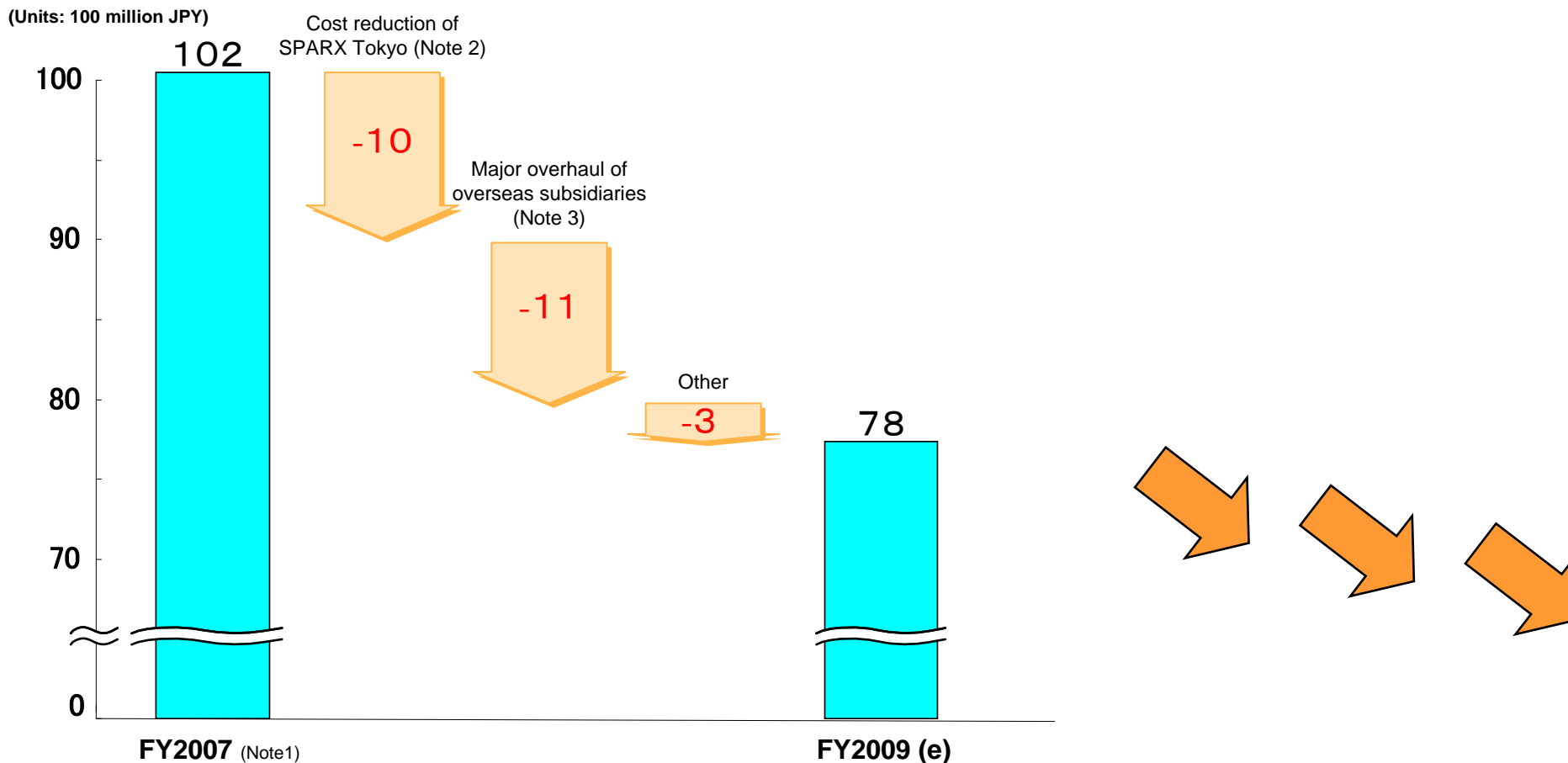


Update on Corporate Streamlining Initiative



Financial impact of corporate streamlining initiative

SPARX continues to streamline the framework for surviving the significant changes in the market



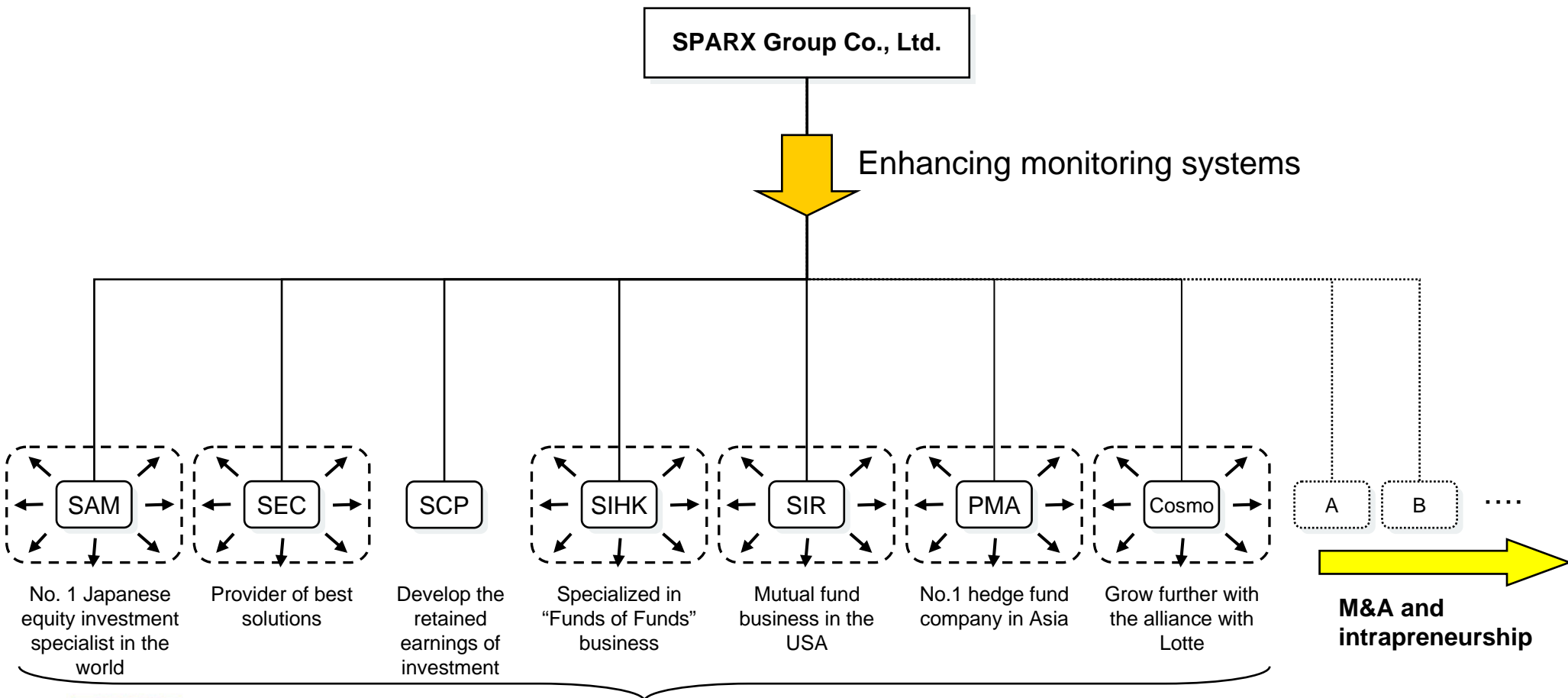
(Note 1) The number equals to the total operating & general administrative expenses that excludes the commission paid to distributor and bonus

(Note 2) Reduction and reexamination of board members' compensation and employees' salary, voluntary retirement solicitation and entrusted business expenses

(Note 3) These efforts center on SPARX's Japanese equity operations and therefore exclude our Hong Kong and Seoul-based subsidiaries, PMA Capital Management Limited and Cosmo Investment Management Co., Ltd.

SPARX group growth strategy

SPARX will monitor and evaluate each entities as an independent entities.

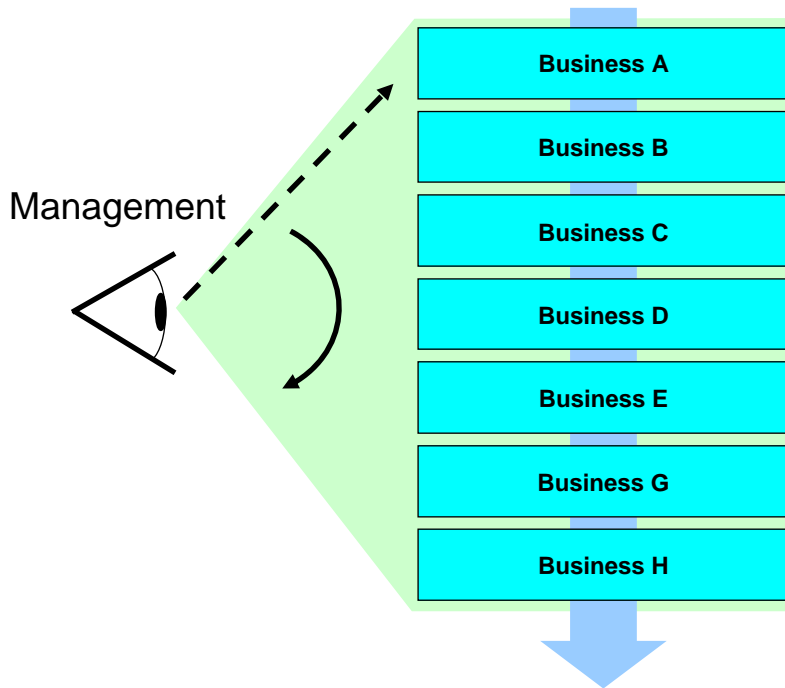


Targeting for the optimal situation for each entities and seeking for its synergies as a group

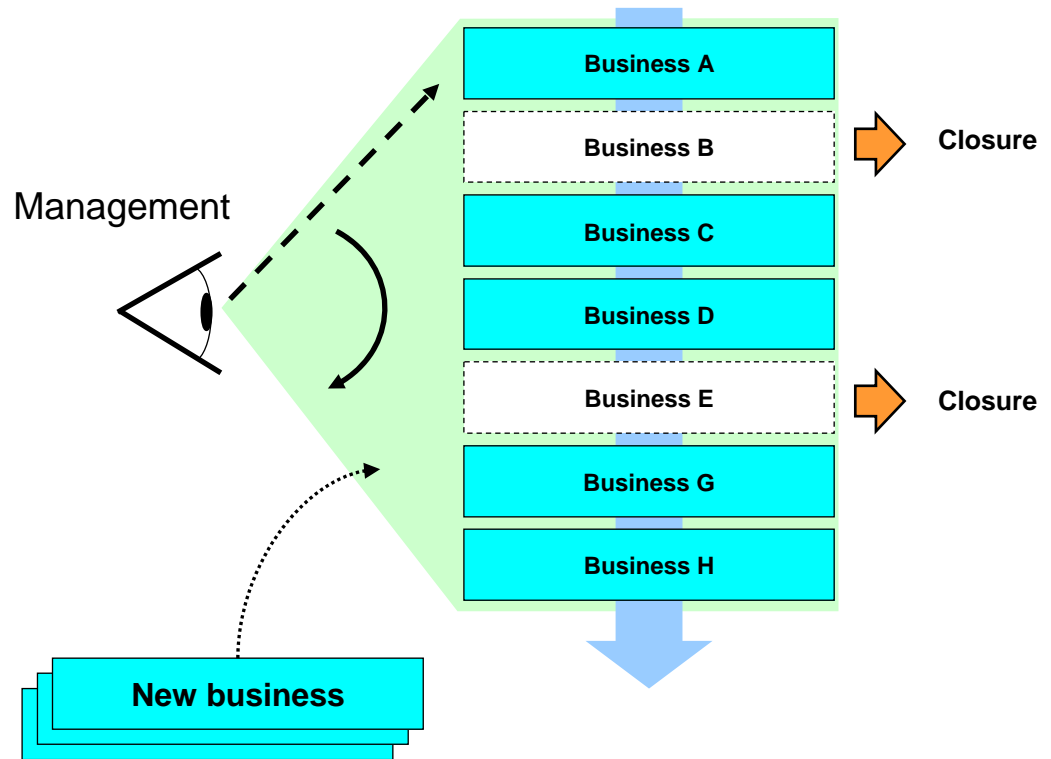
SPARX group corporate strategy (Selection and Focus)

Simultaneously, proceeding the selection and focus of business domain by examining its performance

Examine in viewpoints of business management



Examine the not-good performing business with eyeing the possibility of closure

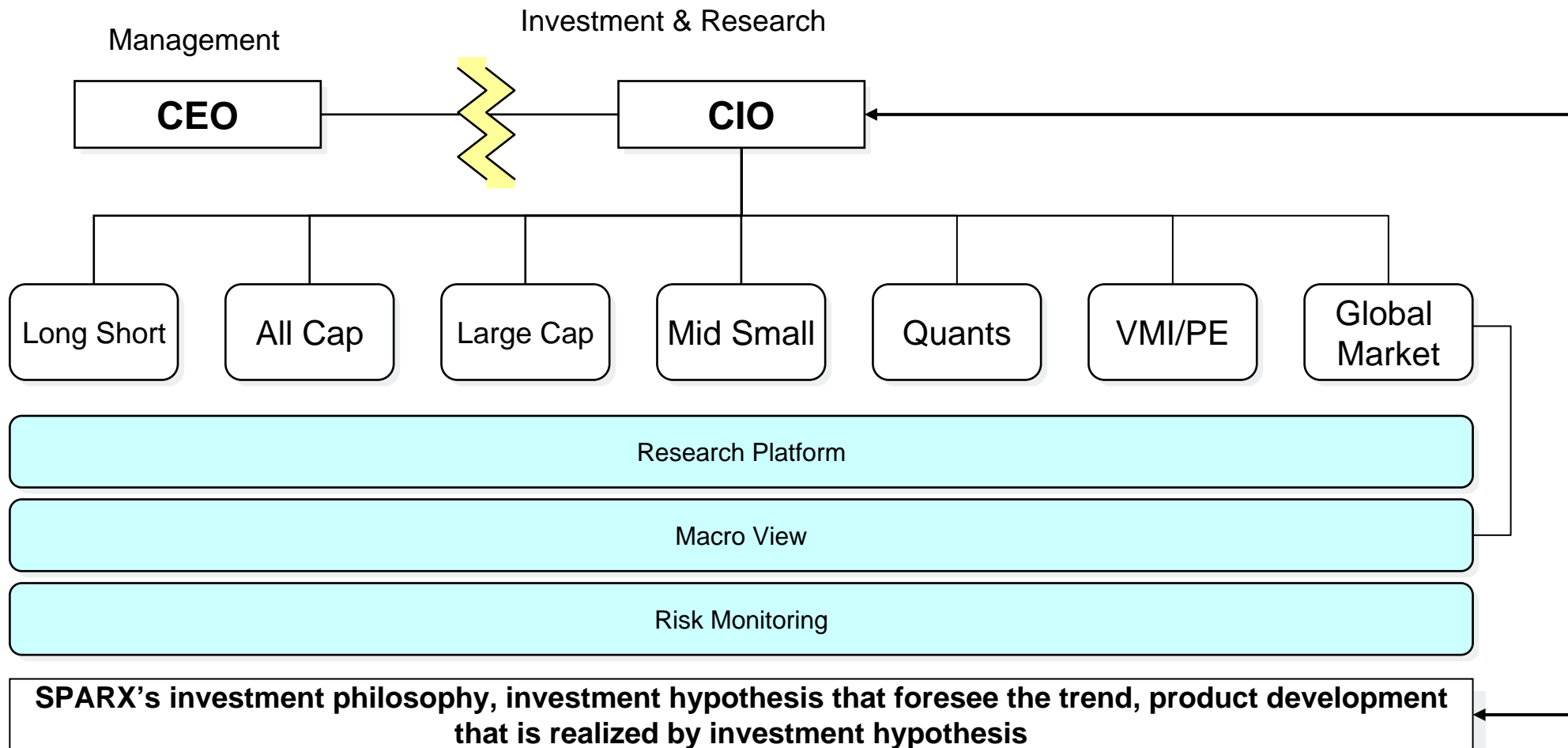


Discuss the closure as well as new business



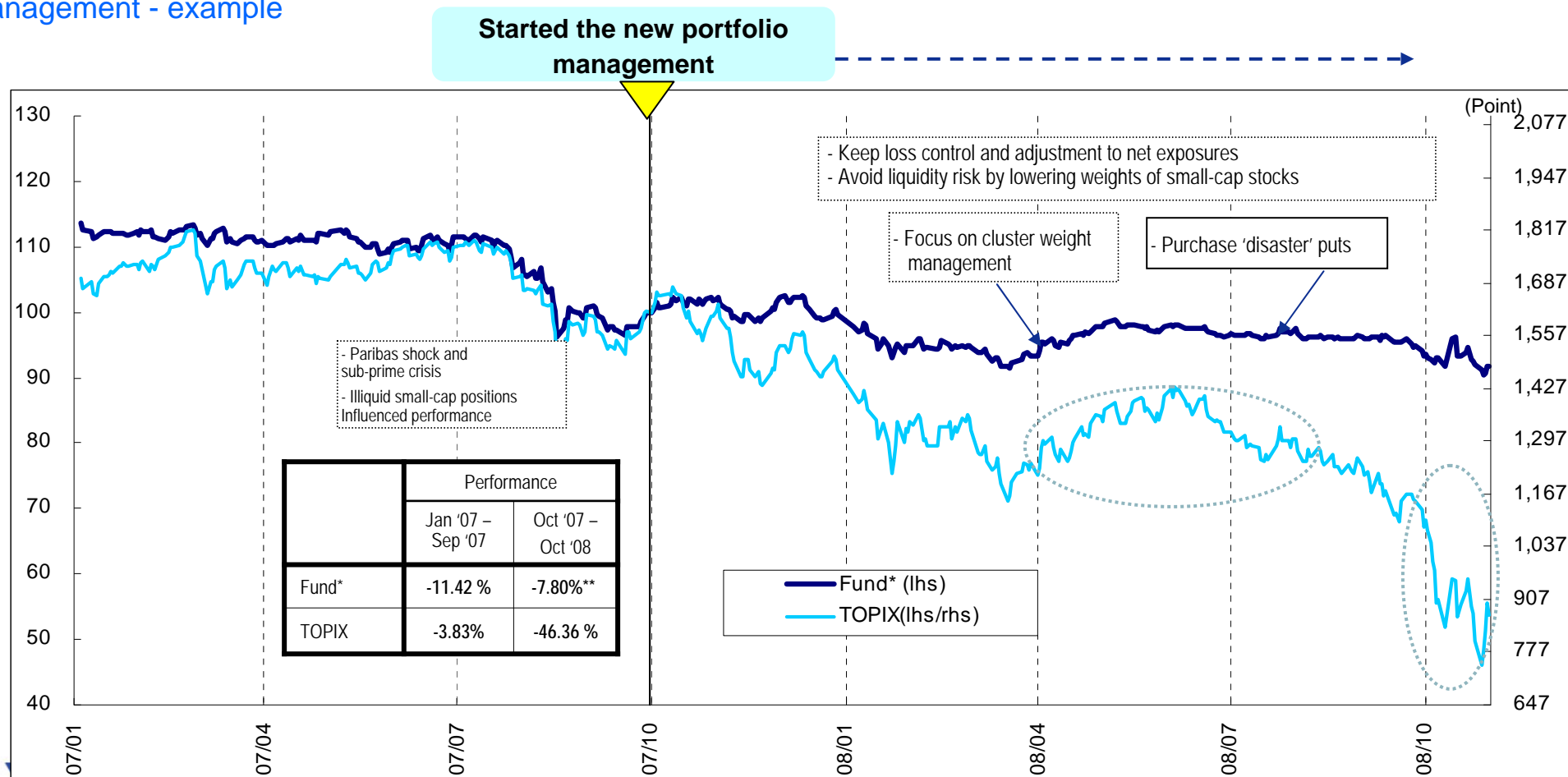
Corporate streamlining initiative: SAM's new management (Investment and Research)

SPARX set up clear demarcation between management and investment & research



Case Study: Performance improvement initiative (Long-short fund) – example 1

SPARX achieves the significant performance that exceeds the market benchmark, by creating new portfolio management - example



Source: Bloomberg, SPARX Asset Management Co., Ltd. (Tokyo, Japan) as of October 31, 2008

Note: The chart reflects gross of fees based on the internal estimate calculation with 100 on September 30, 2007.

Past performance is not indicative of future results. TOPIX is used for reference purposes only and does not parallel the risk or investment style of the Fund.

*: Fund refers to a representative fund of SPARX Long-Short Strategy

** : Performance figures are based on our internal estimate.

The above example shall not in any means imply that all long-short funds have performed the same level of performance.

Appendix



SAM Annualized Performance by Strategy Since Inception (1)

(Annualized)

(From Composite Start Date to Sep. 30, 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	8.8%	1.9%	14.1%	2.8%	4.6%	6.8%
Reference Index	-1.4%	1.0%	2.1%	-2.8%	-1.7%	13.9%
Excess Return	10.2%	0.9%	12.0%	5.7%	6.3%	-7.1%

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)	23.6%	17.1%	11.7%	6.6%	21.3%	21.3%

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 30 Sep. 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%

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