

SPARX Group Co., Ltd.

Consolidated Financial Results for FY2008 (April, 2008 – March, 2009)

May 22, 2009



Financial Results for FY2008 & Plans for FY2009



Summary of FY2008 (Overview)

The toughest environment since the establishment of SPARX:

※ Sharp decline in revenue, significant loss, and no dividend payout

- ▶ Operating Revenue: 7.33B JPY (YoY: ▲76.0%)
- ▶ Operating & General Admin. Exp.: 15.38B JPY (YoY: ▲32.9%)
- ▶ Operating Loss: ▲8.04B JPY (FY2007: +7.61B JPY)
- ▶ Net Loss: ▲23.31B JPY (FY2007: +3.21B JPY)

- ▶ Shareholders' Equity: 18.12B JPY (FY2007: 43.42B)



Corporate streamlining initiatives have been completed in terms of finance.
The clear path to recovery will clearly be defined in FY2009.



Note:

FY2009 = April, 2009 through March, 2010, FY2008 = April, 2008 through March, 2009,
FY2007 = April, 2007 through March, 2008

Summary of FY2008 (Profit-and-Loss Statement)

▶ Operating Revenue: 7.33B JPY (YoY: ▲76.0%)

- AUM decreased: 723.9B JPY (as of March 31, 2009) (YoY: ▲42.8%) ⇒ Management Fee: 9.74B JPY (YoY: ▲38.1%)
- Performance fee sharply decreased to 2.32B JPY (YoY: ▲82.0%)
- Posted appraisal losses on operational investment securities: ▲4.89B JPY

▶ Operating and General Administrative Expenses: 15.38B JPY (YoY: ▲32.9%)

- Sharp decline in bonus payout (YoY: ▲4.43B JPY)
- Financial impact of the corporate streamlining initiative (Phase 1 and 2) will be fully achieved in FY2009 by reducing the ordinary expenses.

⇒ Operating Loss: ▲8.04B JPY

▶ Extraordinary Gain (4.56B JPY)

- Gained 3.98B JPY on sale of Cosmo shares to Lotte Group. ⇒ Expecting further gains on additional sales of Cosmo shares in the future

▶ Extraordinary Loss (18.20B JPY)

- Depleted goodwill of PMA significantly in FY2008 that caused the loss amounting to 13.51B JPY ⇒ The amount of annual amortization of goodwill will decrease from this fiscal year.
- Loss on sales of investment securities (0.93B JPY), appraisal loss of investment securities (1.08B JPY) and loss from proceeding the corporate streamlining initiatives (0.88B JPY)

⇒ Net Loss ▲23.31B JPY



Financial Highlights

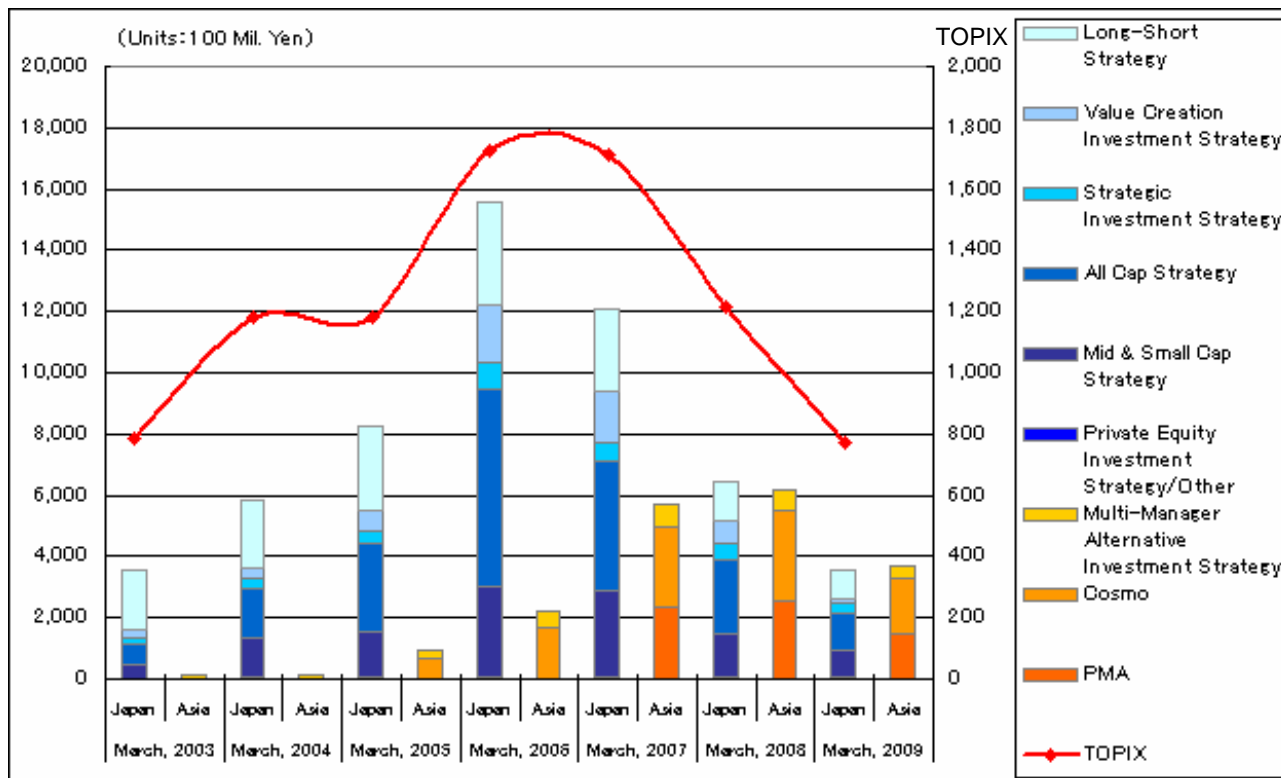
		<u>FY2007</u>		<u>FY2008</u>	
		Full Year (Apr., 08 – Mar., 09)		Full Year (Apr., 08 – Mar., 09)	
				YoY change	
Average AUM	(100MM JPY)	16,197	9,914	-38.8%	
Operating Revenue	(MM JPY)	30,552	7,335	-76.0%	
Operating & General Administrative Expenses	(MM JPY)	22,933	15,380	-32.9%	
Operating Profit	(MM JPY)	7,619	-8,045	-	
Recurring Profit	(MM JPY)	8,157	-8,259	-	
Net Profit	(MM JPY)	3,213	-23,317	-	
Number of Employees (as of the period-end)		284	270	-4.9%	
TOPIX (as of the end of the period)		1,212.96	773.66	-36.2%	

Note:

1. The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.
2. Number of employees (period-end) shows the figure that does not include the number of "board members". After deducting 27 employees who applied for the voluntary retirement solicitation of "corporate streamlining initiative" (as of March 31, 2009), the number is 243. The number on-peak (quarterly basis) in FY2008 was 297 employees (as of September 30, 2008).
3. AUM figures cited above include those of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiaries. The figures for March 31, 2009 are based on in-house calculations and should be regarded as preliminary.



Historical Assets Under Management – Japan vs. Asia



Note:

1. February, 2005: Acquisition of COSMO.
2. June, 2006: Acquisition of PMA.
3. January, 2007: Transfer of operation of "Multi-manager alternative investment strategy"
4. The figures for March 31, 2009 are based on in-house calculations and should be regarded as preliminary.

Flow of Funds (March 31, 2008 – March 31, 2009)

(Unit: 100MM JPY)

Companies	March 31, 2008	Subscription	Redemption	Net	Appreciation/Loss	March 31, 2009
SPARX Asset Management Co., Ltd.	7,159	896	-1,911	-1,015	-2,199	3,944
Cosmo Investment Management Co., Ltd.	2,928	1,542	-1,433	109	-1,233	1,805
PMA Capital Management Limited	2,561	371	-960	-588	-483	1,489
SPARX Group Co., Ltd. (Total)	12,649	2,810	-4,304	-1,494	-3,916	7,239



Notes:

1. The figures stated above are truncated. "Redemption" includes mandate terminations.
2. "Appreciation, etc." contains any gains and losses from the exchange rate differential between Mar. 31, 2008 and Mar. 31, 2009.
3. The figures for March 31, 2009 are based on in-house calculations and should be regarded as preliminary.

Breakdown of Operating Revenue & Percentage of AUM Eligible to Earn Performance Fees

Breakdown of Operating Revenue		FY2007	FY2008	
		Full Year	Full Year	YoY change (%)
Management fees	(MM Yen)	15,745	9,745	-38.1%
Net management fee rate	(%)	0.83%	0.83%	+0.00
Performance fees	(MM Yen)	12,897	2,322	-82.0%
Losses & gains from selling or buying investment securities	(MM Yen)	1,730	-9	-
Appraisal losses and gains on operating investment securities	(MM Yen)	-	-4,898	-
Other operating revenue	(MM Yen)	179	175	-2.2%
Total operating revenue	(MM Yen)	30,552	7,335	-76.0%

Percentage of AUM eligible to earn performance fees		FY2007	FY2008	
		Full Year	Full Year	YoY change (%)
SPARX Asset Management Co., Ltd.	(100MM Yen)	3,607	1,981	-45.1%
	(%)	50.4%	50.2%	-0.2
Cosmo Investment Management Co., Ltd.	(100MM Yen)	2,553	1,631	-36.1%
	(%)	87.2%	90.4%	+3.2
PMA Capital Management Limited	(100MM Yen)	1,922	1,232	-35.9%
	(%)	75.1%	82.8%	7.7
Total	(100MM Yen)	8,082	4,845	-40.1%
	(%)	63.9%	66.9%	3.0

Note:

- The figures stated above are truncated excluding "YoY change," "Net management fee rate(%)," and "Percentage of AUM eligible to earn performance fees(%)." "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
- The figures for March 31, 2009 are based on in-house calculations and should be regarded as preliminary.



Details of Expenses

(MM JPY)	Category	FY2007		FY2008	
		Full Year		Full Year	YoY change
Commissions paid	Operating	3,558		1,484	-58.3%
Entrusted fund admin. fees	Operating	247		205	-17.3%
Other operating exp.	Operating	422		339	-19.5%
Personnel exp.	General admin.	11,059		6,290	-43.1%
Travel exp.	General admin.	692		529	-23.5%
Property rent	General admin.	821		913	+11.3%
Entrusted business expenses	General admin.	1,421		1,070	-24.7%
Depreciation on fixed assets	General admin.	372		299	-19.6%
Amortization of goodwill	General admin.	2,772		3,065	+10.5%
Other general admin. exp.	General admin.	1,564		1,181	-24.5%
Total: Operating and general administrative expenses		22,933		15,380	-32.9%

Note:

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.
3. As amortization of negative goodwill, 145MM JPY is posted in non-operating income.

Summary for FY2008 (Balance Sheet)

- ▶ **Assets: 37.63B JPY (FY2007: 74.05B JPY)**
 - Maintained a high level in cash and cash equivalent (14.3B JPY) (YoY: ▲1.52B JPY)
 - Operational investment securities (current assets) and investment securities (fixed assets) decreased to 8.7B JPY in total.
 - Goodwill decreased from 21.88B JPY (FY2007) to 7.57B JPY (FY2008).

- ▶ **Liabilities: 19.62B JPY (FY2007: 26.43B JPY)**
 - Cut interest-bearing liabilities, including bank loans and corporate bond, from 19.5B JPY (FY2007) to 15.0B JPY (FY2008)

- ▶ **Net Assets: 18.00B JPY (FY2007: 47.62B JPY)**
 - Retained earnings decreased due to the dividend payout (2.00B JPY) and the net loss of FY2008 (23.31B JPY).
 - Net unrealized holding loss on investment securities and foreign currency translation adjustments negatively affected.



Maintaining a healthy BS by strictly assessing assets / liabilities and by managing the liquidity.

Balance Sheet Summary

	<u>FY2007</u> (MM JPY)	<u>FY2008</u> (MM JPY)	<u>YoY change</u>
Current assets	33,176	21,088	-36.4%
Cash and cash equivalents	15,833	14,307	-9.6%
Operational inv. securities	6,153	1,945	-68.4%
Fixed assets	40,880	16,541	-59.5%
Goodwill	21,885	7,573	-65.4%
Investment securities	16,863	7,600	-54.9%
Total assets	74,056	37,630	-49.2%
Short-term borrowings	2,506	-	-100.0%
Long-term borrowings due within 1yr	2,000	2,000	-
Corporate bond	5,000	5,000	-
Long-term borrowings	10,000	8,000	-20.0%
Negative goodwill	598	-	-
Total liabilities	26,435	19,624	-25.8%
Common stock, Add. Paid in Capital	26,175	26,696	+2.0%
Retained earnings	21,685	-4,136	-
Common stock in treasure at cost	-4,438	-4,438	-
Minority interests	3,075	2,085	-32.2%
Total net assets	47,621	18,005	-62.2%

Note:

1. The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.
2. In FY2008, the allowance reserve for operational inv. securities (0.854 B JPY) is made.



SPARX Stock Price (May 31, 2007 – March 31, 2009)



Action Plans for Recovery

By implementing the corporate streamlining initiatives (financial development and cost reduction), SPARX aims to achieve the followings;

- 1) Restore the base earnings soon
- 2) Move forward with the new growth strategy

▶ Restore the base earnings

- Develop the capability of investment / product development and Develop client service capability, regarding Japanese stocks
- Establish the management structure in order to make business decisions in a timely manner

▶ Move forward with the new growth strategy

- Strengthen SPARX's brand with its hybrid investment business model combining its traditional investment with its alternative investment
- Establish the uniqueness of SPARX as the only player in Japan that is capable of providing "Asia investment intelligence"
- Introduce a new investment strategy for targeting "Green Energy Society"



Consolidated “Base Earnings”

Net management fee revenue vs. annualized ordinary expense

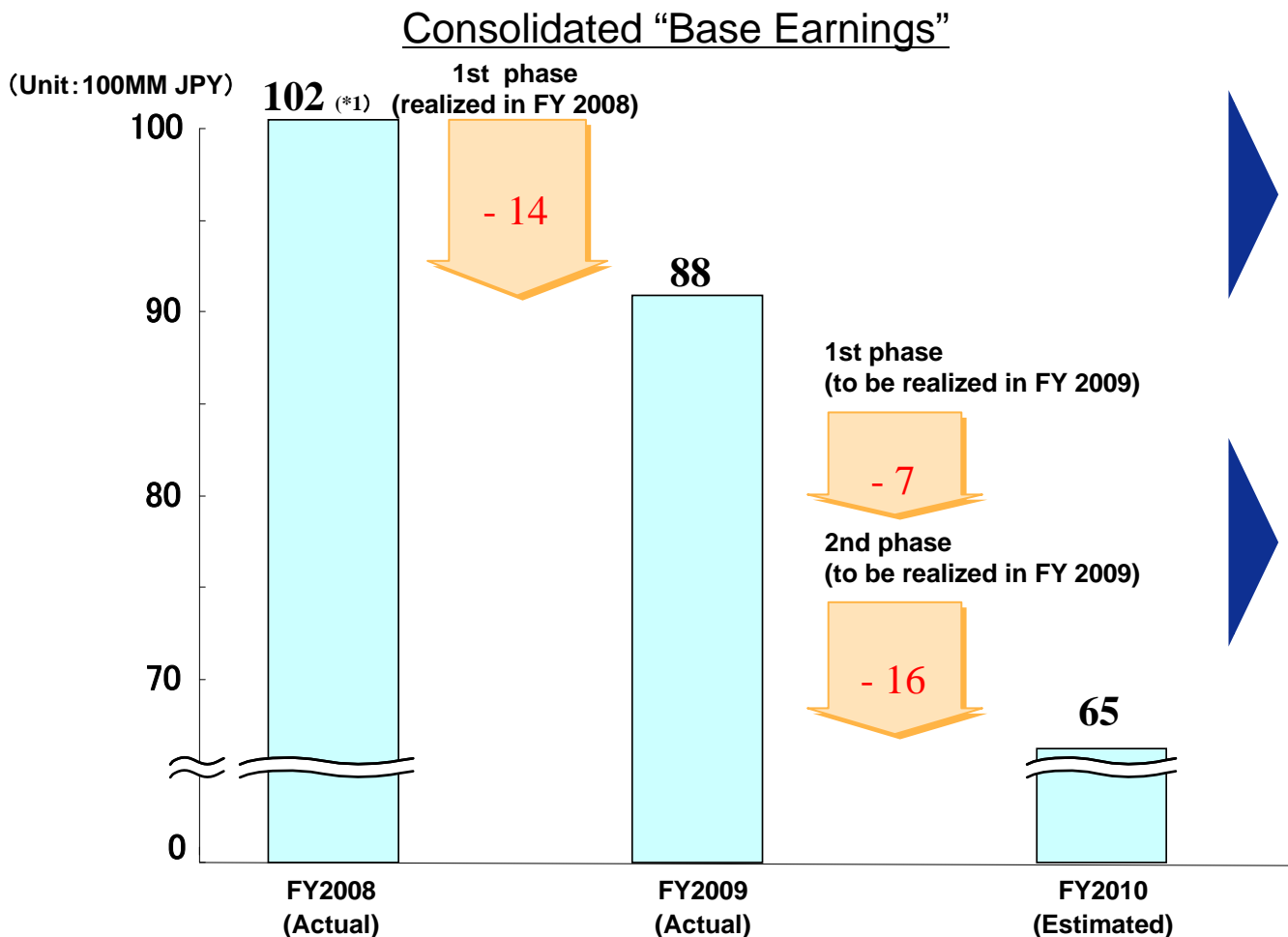
		FY2007 Full Year	FY2008 Full Year
Average AUM	(100 MM JPY)	16,197	9,914
Net management fee rate (After the deduction of commissions paid)	(%)	0.83	0.83
Annualized net management fee revenue (After the deduction of commissions paid)	(MM JPY)	13,414	8,228
Annualized ordinary expenses	(MM JPY)	10,197	8,859
Annualized “Base earnings”	(MM JPY)	3,216	▲ 630
Number of employees (Full-Time: as of the period-end)		284	270

Note:

1. The figures above are truncated. As preliminary figures, the “Annualized net management fee revenue” is calculated by multiplying the “Net management fee rate and the “Average AUM” for the period.
2. The “Annualized ordinary expenses” 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 employees (Full-Time : as of period-end)” shows the figure that does not include the number of “board members”.



Financial Impact of Corporate Streamlining Initiatives - Update



Major points

- 26 full-time employees resigned by applying for the voluntary retirement solicitation in Tokyo.
- Reviewed the expenses, including the entrusted business expenses
- Downsized the operations of overseas subsidiaries, by centralizing those operations to the headquarter in Tokyo
- Hong Kong subsidiary started to cut their jobs.
- 27 full-time employees in Tokyo, who applied for the voluntary retirement solicitation, will resign by the end of June, 2009.
- Revised the personnel and salary structure
- Further review of the overseas subsidiaries' operations
- Cancelled some office space in the headquarter in Tokyo etc.

Manage the annualized ordinary expenses under the AUM of 700B JPY



Note:

1. The ordinary expenses of SPARX Group are used for the graph stated above. The ordinary expenses are calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses), and (3) Amortization of goodwill from total operating and general administrative expenses.
2. The financial impact of Corporate Streamlining Initiatives (phase 1st and 2nd) mentioned above is based on the internal estimate.
3. PMA Capital Management Limited, Cosmo Investment Management Co., Ltd are not included in the overseas subsidiaries in the update above.

Appendix



Flow of Funds (March 31, 2008 – March 31, 2009)

(Unit: 100MM Yen)

SPARX Asset	March 31, 2008	Subscription	Redemption	Net	Appreciation/Loss	March 31, 2009
Long-short strategy	1,310	145	-401	-256	-71	982
Value creation investment strategy	744	31	-498	-467	-140	136
Strategic (or "Focused") investment strategy	525	21	-138	-116	-133	276
Fund of Funds	701	38	-213	-174	-153	373
All Cap strategy	2,431	382	-382	0	-1,221	1,210
Mid-small cap strategy	1,345	275	-275	0	-438	907
Private equity investments	53	0	0	0	-20	32
Others	47	0	0	0	-21	25
Total	7,159	896	-1,911	-1,015	-2,199	3,944

COSMO	March 31, 2008	Subscription	Redemption	Net	Appreciation/Loss	Mar. 31, 2009
Korean index-relative strategy	1,505	1,404	-958	446	-821	1,130
Korean active strategy	742	99	-277	-177	-264	299
Korean long-short strategy	409	38	-173	-135	-42	231
Korean strategic investment strategy	142	0	-6	-6	-61	74
Others	128	0	-18	-18	-42	67
Total	2,928	1,542	-1,433	109	-1,233	1,805

PMA	March 31, 2008	Subscription	Redemption	Net	Appreciation/Loss	Mar. 31, 2009
Asian equity strategy	1,417	47	-482	-434	-448	533
Asian/Europe credit strategy	988	212	-305	-93	-127	767
Asian macro strategy	155	112	-172	-60	92	187
Total	2,561	371	-960	-588	-483	1,489



Notes:

1. The figures stated above are truncated.
2. "Appreciation, etc." contains any gains and losses from the exchange rate differential between Mar. 31, 2008 and Mar. 31, 2009.
3. The figures for March 2009 are based on in-house calculations and should be regarded as preliminary.

Net Asset Summary

(Unit: MM JPY)

	Mar. 31, 2008	Jun. 30, 2008	Sep. 30, 2008	Dec. 31, 2008	Mar. 31, 2009
Shareholders' equity	43,422	41,137	40,798	37,374	18,121
Common stock	12,144	12,404	12,404	12,404	12,404
Capital surplus	14,030	14,291	14,291	14,291	14,291
Earned earnings	21,685	18,880	18,540	15,116	-4,136
Treasury stock	-4,438	-4,438	-4,438	-4,438	-4,438
Appraisal	1,077	1,879	-1,157	-2,890	-2,291
Net unrealized holding gain (loss) in securities	40	277	-1,342	-2,433	-1,000
Foreign currency translation adjustment	1,037	1,602	185	-457	-1,290
Stock options	45	56	81	94	90
Minority interests	3,075	2,963	2,498	1,300	2,085
Total net asset	47,621	46,037	42,220	35,878	18,005



Long-term/Short-term Borrowings & Corporate Bond

Debt		Dec. 31, 2008 (MM Yen)	Mar. 31, 2009 (MM Yen)	Contact date	Due date	Information
Short-term borrowings (Commitment line)		2,200	0	2008/12/5	n.a.	contract term (2008/6/6 ~ 2009/6/5)
	Total	2,200	0			
Long-term borrowings to be paid in full within one year		2,000	0	2006/11	2009/1/31	already paid in full
		0	2,000	2006/11	2010/1/31	
	Total	2,000	2,000			
Long-term borrowings		2,000	0	2006/11	2010/1/31	Categorized as a long-term debt to be paid within a year
		3,000	3,000	2006/11	2011/1/31	
		5,000	5,000	2006/11	2011/11/25	
	Total	10,000	8,000			
Sub- total		14,200	10,000			
Corporate Bond		5,000	5,000	2005/9	2012/9/28	
Grand-total		19,200	15,000			

Already implemented “stress test” for “liquidity”

SPARX does not have the liquidity problem, based on the existing cash and cash equivalents, currently held investment securities, and the Cosmo shares to be transferred to Lotte.



SAM Annualized Performance by Strategy Since Inception

(Annualized)

(From Composite Start Date to March, 31, 2009)

	Long-only Active (Commingled funds)	Mid & Small Caps	Long - Short (USD, Lev.2)	Long - Short (JPY, Lev.1)	Value Creation Investment
Composites	5.7%	-0.2%	13.9%	2.5%	2.9%
Reference Index	-4.0%	-2.1%	-0.9%	-6.2%	-4.9%
Excess Return	9.7%	1.9%	14.8%	8.7%	7.8%

Reference Index	TOPIX dividend included	Russell/Nomura Mid-Small Cap Index	TOPIX dividend included, USD hedged	TOPIX dividend included	TOPIX dividend included
Start Date	May 1997	Jan. 2000	Aug. 1997	Jun. 2000	Jul. 1999
Volatility of Composite Return (Annualized)	24.1%	18.1%	11.5%	6.6%	21.1%

Notes:

- The figures in the table above are calculated using the composite performance data of the major investment strategies and are based on the internal data. The "Reference index" is shown to facilitate comparisons and is not necessarily a representative of the "benchmark" indexes requested by clients.
 - The calculation methods used for the annualized returns above 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 by using the fully hedged month-end USD forward rate.
- Source: SPARX Group Co., Ltd (Tokyo, Japan), as of March 31, 2009.



SAM, Annualized Performance by Strategy

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>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>
Active Long-only (Commingled funds)	5.54%	60.69%	-14.57%	-28.93%	-34.48%
Mid & Small Caps	13.26%	44.34%	-11.86%	-28.95%	-25.64%
Long - Short (USD, Lev.2)	2.36%	27.95%	-3.74%	-14.43%	5.95%
Long – Short (JPY, Lev.1)	2.96%	18.68%	-7.50%	-11.31%	-4.13%
Strategic Investment	3.13%	48.94%	-18.71%	-10.14%	-25.67%

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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

