

SPARX Group Co., Ltd.
Consolidated Financial Results for 1st Qtr of
the FY2009 (April, 2009 – March, 2010)

August 24, 2009



Financial Results for the 1st Quarter & Plans for FY2009



Summary for 1st Quarter (April - June 2009)

Slow recovery in operating revenue & AUM. However, obtained the positive operating profit, supported by the significant cost reduction.

- ▶ Operating Revenue : 2.24B JPY (YoY: ▲39.9%)
- ▶ Operating & General Admin. Exp.: 2.23B JPY (YoY: ▲49.1%)
- ▶ Operating profit: 8MM JPY (1Q of FY2008: ▲0.66B JPY)
- ▶ Net Loss : ▲0.64B JPY (1Q of FY2008: ▲0.80B JPY)

- ▶ Shareholders' Equity : 16.10B JPY (15.82B JPY: as of Mar 31, 2009)



Focus on increasing operating revenue to obtain net income promptly.



Summary for 1st Quarter (Profit-and-Loss Statement)

- ▶ Operating Revenue: 2.24B JPY (YoY: ▲39.9%)
 - Average AUM decreased: 686.0B JPY (YoY: ▲47.6%)
 - ⇒ Management Fee: 1.71B JPY (YoY: ▲46.6%)
 - Performance fee sharply decreased to 0.06B JPY (YoY: ▲94.5%)
 - Posted losses & gains from selling or buying investment securities: ▲0.42B JPY

- ▶ Operating and General Administrative Expenses: 2.23B JPY (YoY: ▲49.1%)
 - Decline in bonus payout that is linked to the performance (YoY: ▲0.73B JPY)
 - Fixed cost has been decreased in FY2009, due to the corporate streamlining initiatives.

⇒ Operating profit: 8MM JPY

- ▶ Foreign exchange loss of non-operating expense (0.32B JPY), and the corporate streamlining initiative expense of extraordinary loss (0.06B Yen)

⇒ Net Loss▲0.64B JPY



Financial Highlights

		<u>FY2008</u>		<u>FY2009</u>	
		Apr – Jun 08	Apr 08 – Mar 09	Apr – Jun 09	YoY change
Average AUM	(100MM JPY)	13,102	9,914	6,860	-47.6%
Operating Revenue	(MM JPY)	3,735	7,335	2,246	-39.9%
Operating & General Administrative Expenses	(MM JPY)	4,396	15,380	2,238	-49.1%
Operating Profit	(MM JPY)	-660	-8,045	8	-
Recurring Profit	(MM JPY)	-273	-8,259	-194	-
Net Profit	(MM JPY)	-809	-23,317	-641	-
Number of Employees (as of the period-end)		293	270	239	-18.4%
TOPIX (as of the period-end)		1320.10	773.66	929.76	-29.6%



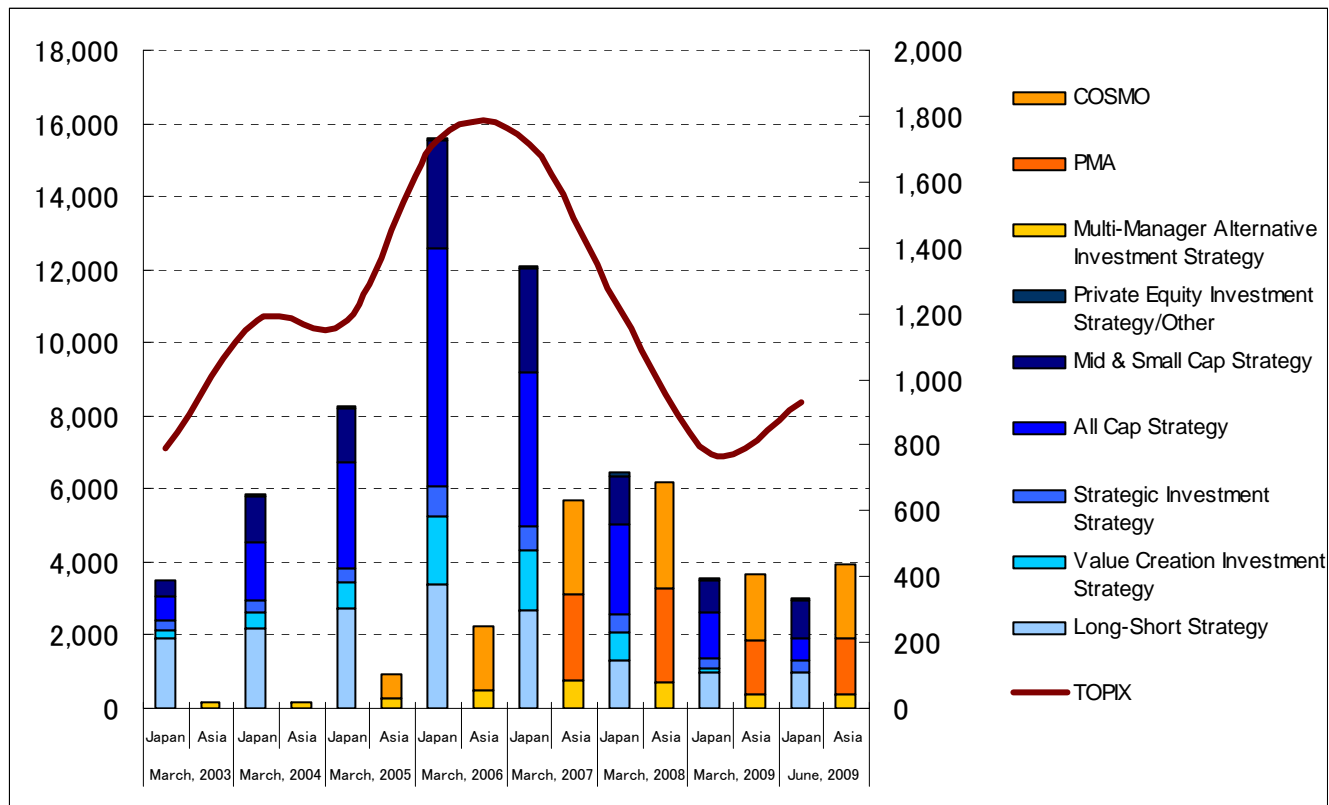
Note:

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 21 employees who applied for the voluntary retirement solicitation and other related-program of "corporate streamlining initiative" (as of June 30, 2009), the number is 218.
3. AUM figures cited above include those of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiaries. The figures for June 30, 2009 are based on in-house calculations and should be regarded as preliminary.

Historical Assets Under Management – Japan vs. Asia

(Units: 100 MM JPY)

(TOPIX)



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 June 30, 2009 are based on in-house calculations and should be regarded as preliminary.



Flow of Funds (March 31, 2009 – June 30, 2009)

(Unit: 100MM JPY)

Companies	March 31, 2009	Subscription	Redemption	Net	Appreciation/Loss	June 30, 2009
SPARX Asset Management Co., Ltd.	3,940	64	-1,032	-968	436	3,409
Cosmo Investment Management Co., Ltd	1,804	55	-123	-68	310	2,046
PMA Capital Management Limited	1,489	116	-120	-3	44	1,529
SPARX Group Co., Ltd. (Total)	7,234	236	-1,276	-1,040	791	6,985



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 March 31, 2009 and June 30, 2009.
3. The figures for June 30, 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		FY2008		FY2009	
		Apr - Jun 08	Apr 08 - Mar 09	Apr - Jun 09	YoY change (%)
Management fees	(MM Yen)	3,205	9,745	1,710	-46.6%
Net management fee rate	(%)	0.84%	0.83%	0.85%	+0.01
Performance fees	(MM Yen)	1,171	2,322	64	-94.5%
Losses & gains from selling or buying investment securities	(MM Yen)	-	-9	427	-
Appraisal losses and gains on operating investment securities	(MM Yen)	-647	-4,898	-	-
Other operating revenue	(MM Yen)	5	175	43	641.0%
Total operating revenue	(MM Yen)	3,735	7,335	2,246	-39.9%
Percentage of AUM eligible to earn performance fees		FY2008		FY2009	
		Apr - Jun 08	Apr 08 - Mar 09	Apr - Jun 09	YoY change (%)
SPARX Asset Management Co., Ltd.	(100MM Yen)	3,339	1,981	1,593	-52.3%
	(%)	47.3%	50.2%	46.7%	-0.6
Cosmo Investment Management Co., Ltd.	(100MM Yen)	2,541	1,631	1,842	-27.5%
	(%)	86.5%	90.4%	90.0%	+3.5
PMA Capital Management Limited	(100MM Yen)	2,009	1,232	1,178	-41.4%
	(%)	76.2%	82.8%	77.1%	0.9
Total	(100MM Yen)	7,891	4,845	4,614	-41.5%
	(%)	62.5%	66.9%	66.1%	3.6

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 June 30, 2009 are based on in-house calculations and should be regarded as preliminary.



Details of Expenses

(Units: MM JPY)	Category	FY2008		FY2009	
		Apr. – Jun. ,08	Apr. ,08 – Mar. ,09	Apr. – Jun. ,09	YoY change
Commissions paid	Operating	467	1,484	258	-44.6%
Entrusted fund admin. fees	Operating	43	205	49	13.9%
Other operating exp.	Operating	101	339	79	-21.5%
Personnel exp.	General admin.	1,911	6,290	734	-61.6%
Travel exp.	General admin.	193	529	62	-67.7%
Property rent	General admin.	236	913	217	-8.0%
Entrusted business expenses	General admin.	296	1,070	204	-31.2%
Depreciation on fixed assets	General admin.	76	299	55	-28.0%
Amortization of goodwill	General admin.	693	3,065	342	-50.6%
Other general admin. exp.	General admin.	376	1,181	233	-37.8%
Total: Operating and general administrative expenses		4,396	15,380	2,238	-49.1%



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.

Summary for 1st Quarter (Balance Sheet)

- ▶ Assets: 36.03B JPY (37.63B JPY: as of Mar 31, 2009)
 - Maintained a high level in cash and cash equivalent (12.59B JPY, YoY: ▲1.71B JPY)
 - Operational investment securities (current assets) were reduced to 0.03B JPY in total.

- ▶ Liabilities: 17.58B JPY (19.62B JPY: as of Mar 31, 2009)
 - Had reduced bank loans and corporate bond from 15.0B Yen to 13.5B Yen since Mar 31, 2009.

- ▶ Net Assets: 18.44B JPY (18.00B JPY: as of Mar 31, 2009)
 - Valuation difference on available-for-sale securities and foreign currency transaction adjustment were significantly improved.



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



Balance Sheet Summary

(Units: MM JPY)	<u>FY2008</u>	<u>Jun 09</u>	<u>YoY change</u>
Current assets	21,088	19,189	-9.0%
Cash and cash equivalents	14,307	12,597	-12.0%
Operational inv. securities	1,945	30	-98.5%
Fixed assets	16,541	16,841	1.8%
Goodwill	7,573	7,259	-4.1%
Investment securities	7,600	8,267	8.8%
<u>Total assets</u>	37,630	36,031	-4.2%
Short-term borrowings	-	-	-
Long-term borrowings due within 1yr	2,000	500	-75.0%
Corporate bond	5,000	5,000	0.0%
Long-term borrowings	8,000	8,000	0.0%
<u>Total liabilities</u>	19,624	17,587	-10.4%
Common stock, Add. Paid in Capital	26,696	26,696	0.0%
Retained earnings	-4,136	-4,778	-
Common stock in treasure at cost	-4,438	-4,438	-
Minority interests	2,085	2,240	7.4%
<u>Total net assets</u>	18,005	18,443	2.4%

Note:

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



SPARX Stock Price (August 2008 – August 2009)



Consolidated “Base Earnings”

Net management fee revenue vs. annualized ordinary expense

		<u>FY2008</u> Full Year	<u>FY2009</u> Apr – Jun 09 (Annualized)
Average AUM	(100 MM JPY)	9,914	6,860
Net management fee rate (After the deduction of commissions paid)	(%)	0.83	0.85
Annualized net management fee revenue (After the deduction of commissions paid)	(MM JPY)	8,228	5,826
Annualized ordinary expenses	(MM JPY)	8,859	6,427
Annualized “Base earnings”	(MM JPY)	▲630	▲601
Number of employees (Full-Time: as of the period-end)		270	239

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. Number of employees (period-end) shows the figure that does not include the number of “board members”. After deducting 21 employees who applied for the voluntary retirement solicitation and other related-program of “corporate streamlining initiative” (as of June 30, 2009), the number is 218.



Action Plans for Recovery of Earning Power

In order to improve “base earnings” promptly,

- 1) SPARX will control cost and
- 2) SPARX will increase its operating revenue by reviewing the current business strategy and by moving forward with the new growth strategy.

▶ **Plans to achieve the annual base cost of 6.5B JPY, targeted by the corporate streamlining initiatives (Phase I and II).**

▶ **Maintain low cost & improve operation efficiency**

- Entered into the partnership with Hennessy Advisors Inc. (Hennessy) and agreed that Hennessy would manage and distribute the SPARX mutual fund products in the US.
 - The cost structure of SPARX mutual fund business in the US will significantly be improved.
- Plans to restructure the SPARX Hong Kong subsidiary’s operation and organization, which is in charge of its FoFs business.



– PMA started to reduce its head-counts and its ordinary expenses.

Action Plans for Recovery of Earning Power

In order to improve “base earnings” promptly,

- 1) SPARX will control cost and
- 2) SPARX will increase its operating revenue by reviewing the current business strategy and by moving forward with the new growth strategy.

▶ **Strengthen the SPARX brand with its hybrid investment business model, combining its traditional investment with its alternative investment.**

- Japanese Mid & Small Cap.: The fund performance was improved. SPARX had positive flow of funds (net-based) from clients in June and July, 2009.
- Japanese Long-Short : The performance was recently improved, and the fund became competitive.
- Japanese Long-Short Plus (June, 2009) and the global markets strategy (August, 2009) were launched.

▶ **Differentiate as the only company that is capable of providing “Asia investment intelligence” in Japan.**

- Forecasted the recover of AUM at PMA
- The good progress is showed, regarding the joint venture with Lotte (Korea) through Cosmo
- Cosmo took necessary steps of entering into its mutual fund business.

▶ **Introduce a new investment strategy for targeting ”Green Energy Society”.**



Appendix



Flow of Funds (March 31, 2009 – June 30, 2009)

(Unit: 100MM Yen)

SPARX Asset	March 31, 2009	Subscription	Redemption	Net	Appreciation/Loss	June 30, 2009
Long-short strategy	982	21	-35	-14	-9	958
Value creation investment strategy	133	0	-126	-126	11	17
Strategic (or "Focused") investment strategy	277	0	-2	-2	59	333
Multi-manager alternative investment strategy	370	0	0	0	4	374
All Cap strategy	1,211	4	-767	-763	152	601
Mid-small cap strategy	906	38	-99	-60	220	1,066
Private equity investments	31	0	0	0	0	30
Others	27	0	0	0	-1	26
Total	3,940	64	-1,032	-968	436	3,409

COSMO	March 31, 2009	Subscription	Redemption	Net	Appreciation/Loss	June 30, 2009
Korean index-relative strategy	1,130	5	-64	-59	227	1,298
Korean active strategy	299	50	-47	2	65	367
Korean long-short strategy	231	0	-10	-10	-10	210
Korean strategic investment strategy	74	0	0	0	16	91
Others	67	0	0	0	12	79
Total	1,804	55	-123	-68	310	2,046

PMA	March 31, 2009	Subscription	Redemption	Net	Appreciation/Loss	June 30, 2009
Asian equity strategy	533	0	-58	-58	62	538
Asian/Europe credit strategy	767	0	-35	-35	-4	728
Asian macro strategy	187	25	-26	-1	-13	172
Others	-	91	-	91	0	90
Total	1,489	116	-120	-3	44	1,529



Notes:

1. The figures stated above are truncated.
2. "Appreciation/Loss." contains any gains and losses from the exchange rate differential between March 31, 2009 and June 30, 2009.
3. The figures for June 30, 2009 are based on in-house calculations and should be regarded as preliminary.

SAM Annualized Performance by Strategy Since Inception

(Annualized)

(From Composite Start Date to June 30, 2009)

	Long-only Active (Commingled funds)	Mid & Small Caps	Long - Short (USD, Lev.2)	Long - Short (JPY, Lev.1)	Value Creation Investment
Composites	7.23%	2.24%	13.90%	2.64%	4.77%
Reference Index	-2.46%	-0.03%	-1.39%	-4.13%	-3.00%
Excess Return	9.69%	2.27%	15.29%	6.77%	7.77%

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)	24.08%	17.33%	11.35%	6.48%	21.24%

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 June 30, 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%

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

