

SPARX Group Co., Ltd.
Consolidated Financial Results for 3rd Qtr of
the FY2009 (April – December, 2009)

February 22, 2010



Financial Results for the 3rd Quarter & Plans for FY2009 / FY2010



Key points of 3rd Quarter and Plans for FY2009 / FY2010

- A) SPARX has been recovering its base earnings by significantly reducing cost through the streamlining initiatives.
- B) The Asia businesses at Cosmo and PMA achieved strong financial results.
- C) The Japanese equities business is recovering. SPARX started seeing some potential subscriptions, so as to increase SPARX AUM.
- D) It is important that this trend will continue to improve SPARX Japanese equities business. As SPARX are getting more inquiries from the domestic and overseas investors, SPARX are gaining more confidence about our business.



Summary for 3rd Quarter (April - December 2009)

Continue to strive for recovery in operating revenue & AUM. Base earnings are on a track to recovery as SPARX significantly cut cost.

- ▶ Operating Revenue: 6.03B JPY (YoY: ▲35.6%)
- ▶ Operating & General Admin. Exp.: 6.59B JPY (YoY: ▲45.4%)
- ▶ Operating Loss: ▲0.56B JPY (3Q of FY2008: ▲2.70B JPY)
- ▶ Net Loss: 0.89B JPY (3Q of FY2008: ▲4.00B JPY)

- ▶ Shareholders' Equity: 16.77B JPY (15.82B JPY: as of Mar. 31, 2009)



Focus on increasing operating revenue to obtain net profit promptly



Summary for 3rd Quarter (Profit-and-Loss Statement)

- ▶ Operating Revenue: 6.03B JPY (YoY: ▲35.6%)
 - Average AUM decreased (Average AUM (Apr.-Dec. 2009): 663.2B JPY, YoY: ▲39.0%)
 - ⇒ Management Fee: 4.74B JPY (YoY: ▲41.5%)
 - Performance fee sharply decreased to 0.55B JPY (YoY: ▲76.3%)
 - Posted losses & gains from selling or buying investment securities: ▲0.44B JPY

- ▶ Operating and General Administrative Expenses: 6.59B JPY (YoY: ▲45.4%)
 - Decline in bonus payout that is linked to the performance (YoY: ▲1.15B JPY)
 - Fixed cost has been decreased, due to the corporate streamlining initiatives.

- ⇒ Operating Loss: ▲0.56B JPY (3Q of FY2008: ▲2.70B JPY)

- ▶ Foreign exchange loss of non-operating expense (0.14B JPY)
- ▶ Extraordinary loss: Reversal of reserve for foreign currency translation adjustment (1.38B JPY), loss from the corporate streamlining initiatives (0.23B JPY) , etc. (Note)

⇒ Net Profit: 0.89B JPY (3Q of FY2008: ▲4.00B JPY)



Note:

As SPARX transferred the Cosmo shares to Lotte as of February 2, 2010, SPARX obtained 691MM JPY as an extraordinary gain of FY2009.

Financial Highlights

		<u>FY2008</u>		<u>FY2009</u>	
		Apr – Dec 08	Apr 08 – Mar 09	Apr – Dec 09	YoY change
Average AUM	(100MM JPY)	10,865	9,914	6,632	-39.0%
Operating Revenue	(MM JPY)	9,364	7,335	6,031	-35.6%
Operating & General Administrative Expenses	(MM JPY)	12,068	15,380	6,595	-45.4%
Operating Loss	(MM JPY)	-2,704	-8,045	-564	-
Recurring Loss	(MM JPY)	-3,280	-8,259	-190	-
Net Loss	(MM JPY)	-4,007	-23,317	-896	-
Number of Employees (as of the period-end)		289	270	203	-29.8%
TOPIX (as of the period-end)		859.24	773.66	907.59	5.6%



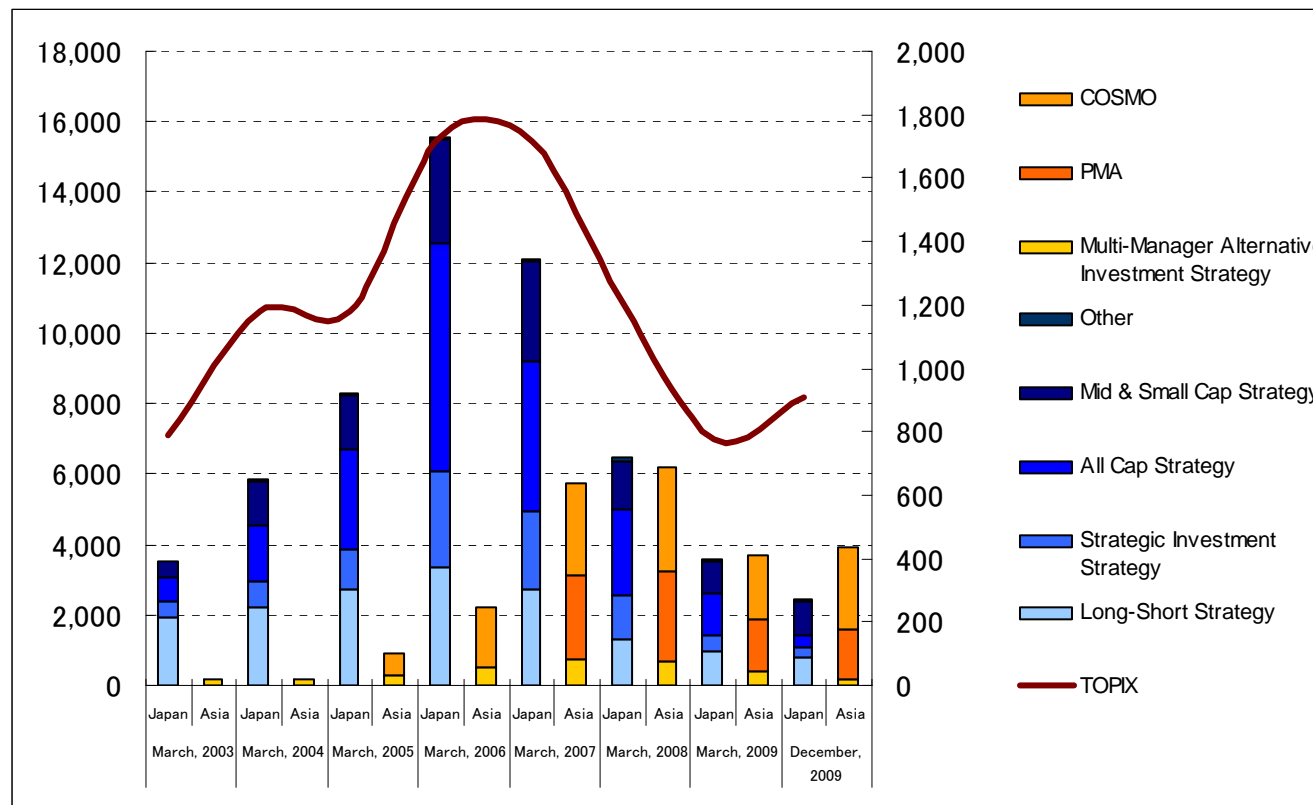
Note:

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".
3. AUM figures cited above include those of Korean subsidiary (Cosmo Investment Management Co., Ltd.) and Hong Kong subsidiaries. The figures for December 31, 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 December 31, 2009 are based on in-house calculations and should be regarded as preliminary.



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

(Units: 100MM JPY)

Companies	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Dec 31, 2009
SPARX Asset Management Co., Ltd.	3,940	163	-1,870	-1,708	385	2,620
Cosmo Investment Management Co., Ltd.	1,804	216	-689	-473	964	2,296
PMA Capital Management Limited	1,489	325	-462	-137	60	1,412
SPARX Group Co., Ltd. (Total)	7,234	705	-3,022	-2,316	1,410	6,328



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 December 31, 2009.
3. The figures for December 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		FY2008		FY2009	
		Apr - Dec 08	Apr 08 - Mar 09	Apr - Dec 09	YoY change (%)
Management fees	(MM JPY)	8,104	9,745	4,742	-41.5%
Net management fee rate	(%)	0.85%	0.83%	0.82%	-0.02
Performance fees	(MM JPY)	2,343	2,322	555	-76.3%
Losses & gains from selling or buying investment securities	(MM JPY)	-	-	442	-
Appraisal losses and gains on operating investment securities	(MM JPY)	-1,199	-4,898	-	-
Other operating revenue	(MM JPY)	115	168	290	150.6%
Total operating revenue	(MM JPY)	9,364	7,335	6,031	-35.6%
Percentage of AUM eligible to earn performance fees		FY2008		FY2009	
		Apr - Dec 08	Apr 08 - Mar 09	Apr - Dec 09	YoY change (%)
SPARX Asset Management Co., Ltd.	(100MM JPY)	2,199	1,981	1,187	-46.0%
	(%)	50.2%	50.2%	45.3%	-4.9
Cosmo Investment Management Co., Ltd.	(100MM JPY)	1,440	1,631	2,033	41.2%
	(%)	89.4%	90.4%	88.5%	-0.9
PMA Capital Management Limited	(100MM JPY)	1,265	1,232	962	-24.0%
	(%)	82.2%	82.8%	68.1%	-14.1
Total	(100MM JPY)	4,906	4,845	4,182	-14.8%
	(%)	65.1%	66.9%	66.1%	1.0

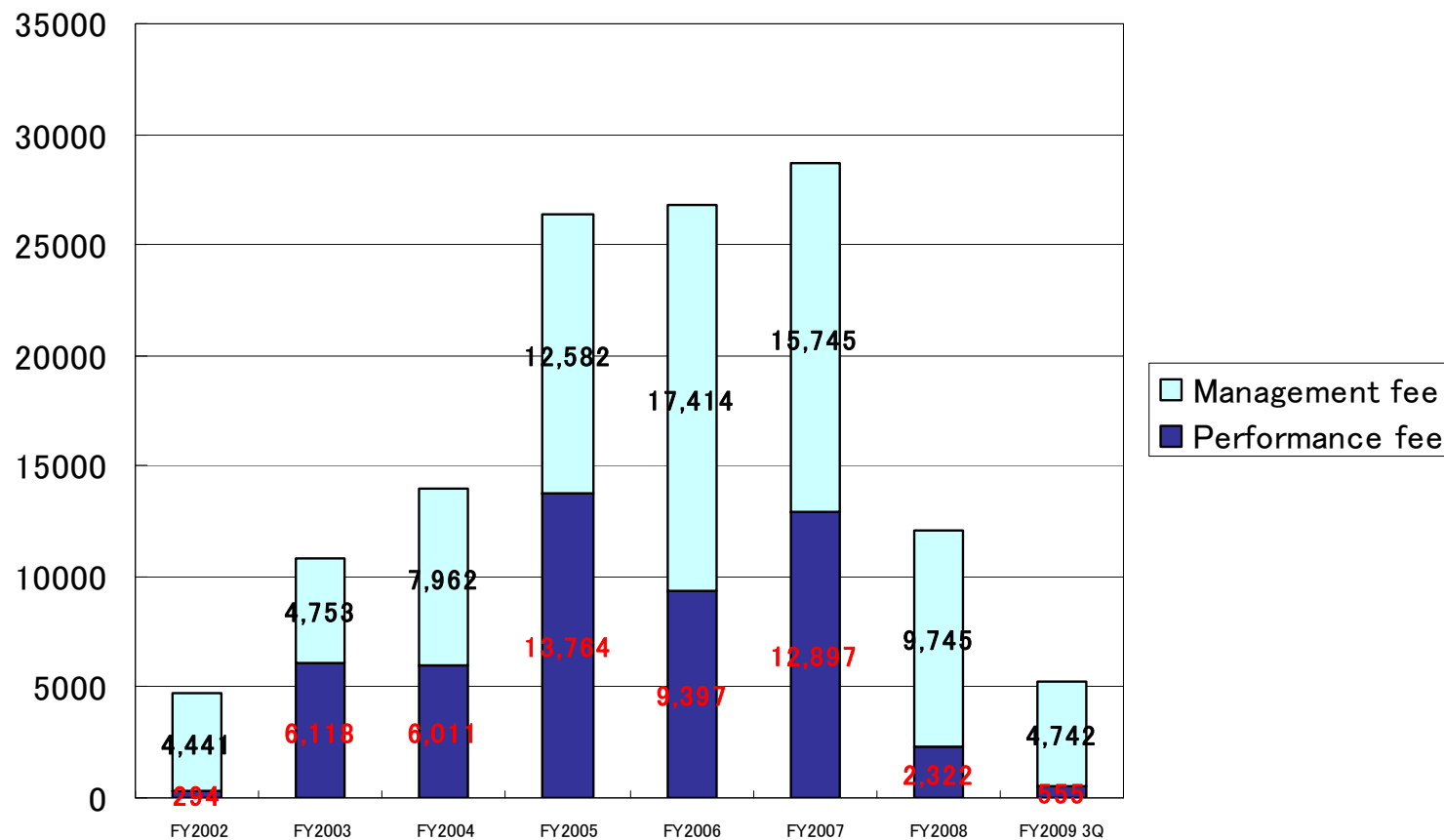
Note:

- 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 December 31, 2009 are based on in-house calculations and should be regarded as preliminary.



Historical data : Performance fee / Management fee

(Units: MM JPY)



Note:
The figures stated above are truncated.

Details of Expenses

(Units: MM JPY)	Category	FY2008		FY2009	
		Apr – Dec ,08	Apr, 08 – Mar, 09	Apr – Dec ,09	YoY change
Commissions paid	Operating	1,218	1,484	720	-40.9%
Entrusted fund admin. fees	Operating	151	205	108	-28.1%
Personnel exp.	General admin.	5,032	6,290	2,403	-52.2%
Travel exp.	General admin.	505	529	174	-65.5%
Property rent	General admin.	696	913	581	-16.4%
Entrusted business expenses	General admin.	791	1,070	488	-38.3%
Depreciation on fixed assets	General admin.	233	299	157	-32.4%
Amortization of goodwill	General admin.	2,251	3,065	1,121	-50.2%
Other general admin. exp.	General admin.	1,187	1,521	838	-29.4%
Total: Operating and general administrative expenses		12,068	15,380	6,595	-45.4%



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. “Other general admin. Exp. (General admin.)” includes “Other operating exp. (Operating)” and “Other general admin. exp. (General admin.)”.

Summary for 3rd Quarter (Balance Sheet)

- ▶ **Assets: 34.30B JPY (37.63B JPY: as of Mar 31, 2009)**
 - Maintained a high level in cash and cash equivalent (13.66B JPY, YoY: ▲0.63B JPY)
 - Operational investment securities (current assets) were reduced to nil in total. (YoY: ▲1.94B JPY)
 - Investment securities (8.65B JPY): Seed money of SPARX Funds (high liquidity), etc.
 - Goodwill increased since SPARX acquired the Cosmo shares from its employees

- ▶ **Liabilities: 15.59B JPY (19.62B JPY: as of Mar 31, 2009)**
 - Bank loans and corporate bond: from 15.0B JPY (Mar 31, '09) to 13.0B JPY (Dec 31, '09)

- ▶ **Net Assets: 18.71B JPY (18.00B JPY: as of Mar 31, 2009)**
 - Valuation difference on available-for-sale securities were improved.
 - Foreign currency translation adjustment (+)⇒P/L (Extraordinary profit)⇒Retained earnings (-)



- Prepayment of bank loan
 - Maintaining a sound BS by strictly managing the liquidity



Balance Sheet Summary

(Units: MM JPY)	Mar 09	Dec 09	YoY change
Current assets	21,088	16,364	-22.4%
Cash and cash equivalents	14,307	13,669	-4.5%
Operational inv. securities	1,945	-	-100.0%
Fixed assets	16,541	17,942	8.5%
Goodwill	7,573	8,430	11.3%
Investment securities	7,600	8,658	13.9%
<u>Total assets</u>	37,630	34,307	-8.8%
Short-term borrowings	-	-	-
Long-term borrowings due within 1yr	2,000	-	-100.0%
Corporate bond	5,000	5,000	0.0%
Long-term borrowings	8,000	8,000	0.0%
<u>Total liabilities</u>	19,624	15,594	-20.5%
Common stock, Add. Paid in Capital	26,696	26,696	0.0%
Retained earnings	-4,136	-5,154	-
Common stock in treasure at cost	-4,438	-4,438	-
Minority interests	2,085	1,815	-12.9%
<u>Total net assets</u>	18,005	18,712	3.9%

Note:

1. The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.
2. The investment securities have high liquidity because most portion of investment securities is the seed money of SPARX funds.



Consolidated “Base Earnings”

Net management fee revenue vs. annualized ordinary expense

		<u>FY2008</u> Full Year	<u>FY2009</u> Apr – Dec 09 (Annualized)
Average AUM	(100 MM JPY)	9,914	6,632
Net management fee rate (After the deduction of commissions paid)	(%)	0.83	0.82
Annualized net management fee revenue (After the deduction of commissions paid)	(MM JPY)	8,228	5,442
Annualized ordinary expenses	(MM JPY)	8,859	5,730
Annualized “Base earnings”	(MM JPY)	▲630	▲288
Number of employees (Full-Time: as of the period-end)		270	203

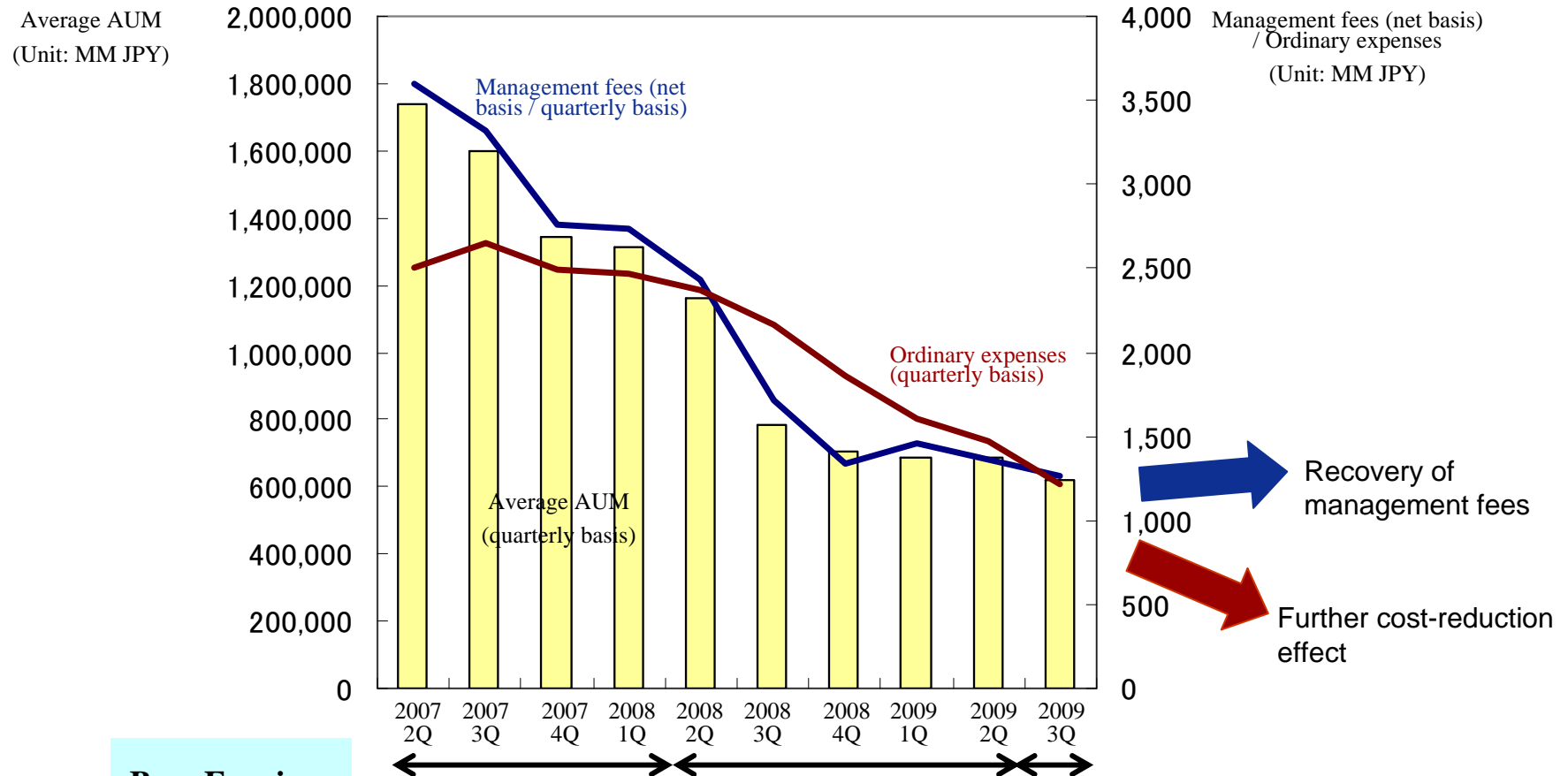
Note:

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”.



A) SPARX has been recovering its base earnings by significantly reducing cost through the streamlining initiatives.

Quarterly change: Average AUM / Management fees (net basis) / Ordinary expenses



Base Earnings

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.



Action Plans for Recovery of Earning Power—(1)

B) The Asia businesses at Cosmo and PMA achieved strong financial results.

- ▶ Achieved the high fund performance at Cosmo. The joint venture with Lotte is proceeding smoothly.
 - Lotte exercised the call option as scheduled.
 - Completed the transfer of the Cosmo shares in Feb. '10 (Shares owned by SPARX: 69.0% → 60.1%)
 - Scheduled to buy the Cosmo shares from its employees in July '10 (→ 70.1% (planned))
 - Enhanced its marketing activities to Japan
 - CEO of Cosmo is aggressively pitching to institutional investors in Japan.

- ▶ PMA reduced cost and improved operational efficiency. Tried to increase AUM more aggressively.
 - Reduced the number of employees and closed the overseas office
 - The number of employees: 66 (as of the end of Jun. '09) → 46 (as of the end of Dec. '09)
 - Closed Australia Office (Nov. '09) and completed the liquidation of the UK subsidiary (Dec. '09)
 - Launched new funds (more potential subscriptions)
 - Equity (PMA India Fund / PMA Pathfinder Asia Equity Fund)
 - Other (PMA Emerging Opportunities Fund SPC)
 - Strengthen the marketing force for Japanese institutional investors
 - Dispatch a senior member of Tokyo Office as a board member of PMA in Hong Kong



Action Plans for Recovery of Earning Power—(2)

C) The Japanese equities business is recovering. SPARX started seeing some potential subscriptions, so as to increase SPARX AUM.

▶ Strengthen the SPARX brand

- Improved the performance of the Japanese mid-to-small cap strategy
 - “Rising Sun” received Morningstar’s 2009 Best Japan Equity Fund Award (Feb. ‘09).
 - Received better ratings from Nomura Research Institute, Ltd., and other consulting firms.
- Improved the performance of the Japanese long-short strategy

▶ Took a stride towards a new investment strategy, considering “Green Energy Society.”

- Established a limited partnership, which would be a core to manage a new fund (Jan. ‘10).
 - Invest into the Japanese companies, which possess critical technologies and other know-how needed to transition from an oil society to an oil-free, low-carbon society, and are likely to experience high growth in the mid-to-long term



Case study: “Rising Sun” received Morningstar’s 2009 Best Japan Equity Fund Award

SPARX Japan Small Cap Fund (“Rising Sun”) Award for the Best Fund of Japanese Equity Section



Action Plans for Recovery of Earning Power—(3)

D) It is important that this trend will continue to improve SPARX Japanese equities business. As SPARX are getting more inquiries from the domestic and overseas investors, SPARX are gaining more confidence about our business.

- ▶ Created more pipelines to increase AUM in the Japanese equities business
 - Positive flows of funds from the overseas institutional investors to invest into the Japanese mid-to-small cap strategy
 - Global Markets (a new investment strategy): more inquiries from the domestic and overseas institutional investors

- ▶ Taking a step for the new investment strategy, considering “Green Energy Society.”
 - Preparing to start a new fund, introducing the concept of the recently established a limited partnership (targeting Mar. '10)
 - Found the needs of the domestic and overseas institutional investors to invest into a fund, focusing on developing corporate value
 - Top management of SPARX Asset Management, Co., Ltd. is aggressively contacting the overseas institutional investors.
 - Working with the major domestic financial institutions to establish new funds



Appendix



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

(Units: 100MM JPY)

SPARX Asset	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Dec 31, 2009
Long-short strategy	982	33	-243	-209	0	773
Strategic (or "Focused") investment strategy	410	3	-150	-147	48	310
Multi-manager alternative investment strategy	370	1	-179	-178	-10	182
All Cap strategy	1,211	8	-1,077	-1,068	171	314
Mid-small cap strategy	906	116	-219	-102	181	985
Others	59	0	0	0	-5	54
Total	3,940	163	-1,870	-1,706	385	2,620

COSMO	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Dec 31, 2009
Korean index-relative strategy	1,130	81	-455	-373	748	1,505
Korean active strategy	299	128	-206	-78	185	406
Korean long-short strategy	231	7	-26	-19	-46	166
Korean strategic investment strategy	74	0	0	0	42	117
Others	67	0	-1	-1	33	99
Total	1,804	216	-689	-473	964	2,296

PMA	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Dec 31, 2009
Asian equity strategy	533	6	-219	-212	89	410
Asian/Europe credit strategy	767	0	-179	-179	-7	580
Asian macro strategy	187	89	-63	25	-24	188
Others	-	229	0	229	3	233
Total	1,489	325	-462	-137	60	1,412



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 December 31, 2009.
3. The figures for December 31, 2009 are based on in-house calculations and should be regarded as preliminary.

Stock price (April – December 2009)

April – December, 2009

SPARX Group Co. Ltd.

2010/2/9

Splits: ▼



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SAM: Annualized Performance by Strategy Since Inception

(Annualized)

(From Composite Start Date to December 31, 2009)

	Long-only Active (Commingled funds)	Mid & Small Caps	Long - Short (USD, Lev.2)	Long - Short (JPY, Lev.1)	Strategic Investment
Composites	4.82%	1.80%	13.35%	2.48%	3.65%
Reference Index	-0.75%	-0.32%	-1.19%	-4.09%	-3.01%
Excess Return	5.57%	2.12%	14.54%	6.57%	6.66%

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)	21.33%	18.48%	11.22%	6.46%	21.18%

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 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.



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.

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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