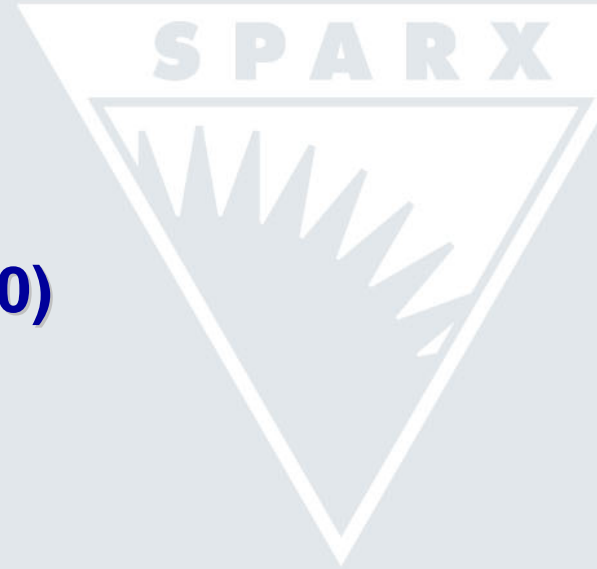


**SPARX Group Co., Ltd.
Consolidated Financial Results for
the FY2009 (April 2009 – March, 2010)**

May 27, 2010



Financial Results for FY2009 & Plans for FY2010



Achievements and issues

- ▶ Achievements: Completed to create management fundamentals for recovery
 - Returned to profitability (net income: +0.39B JPY)
 - Regained the positive number in operating cash-flow (due to the significant impact of cost reduction)
 - Increase of equity capital (YoY: +2.4B JPY)



- ▶ Issues: Accelerate the pace of recovery, increase of revenue and fixed trend of positive number in profit
 - Enhancement of investment capability (Japanese equity), of product development and of client service quality
 - Expansion in Asian market, including Japan market
 - Continual initiatives for cost reduction and corporate streamlining



Summary of FY2009 (Overview)

- ▶ Operating Revenue: 7.89B JPY (YoY: +7.6%) -- negative impact of decline of AUM
- ▶ Operating & General Admin. Exp.: 8.85B JPY (YoY:- 42.4%) – significant cost reduction
- ▶ Operating Loss: - 0.95 B JPY (FY2008: -8.04B JPY) – positive in operating cash-flow
- ▶ Net Income: 0.39 B JPY (FY2008: -23.31B JPY) – returned to positive

- ▶ Shareholders' Equity: 18.23B JPY (as of March 31, 2009: 15.82B JPY)



Achieve the increase of revenue and the return to profitability



Financial Highlights

		<u>FY2008</u>	<u>FY2009</u>	
		Apr. 08 – Mar. 09	Apr. 09 – Mar. 10	YoY change
Average AUM	(100MM JPY)	9,914	6,527	-34.2%
Operating Revenue	(MM JPY)	7,335	7,893	7.6%
Operating & General Administrative Expenses	(MM JPY)	15,380	8,852	-42.4%
Operating Loss	(MM JPY)	-8,045	-959	-
Recurring Loss	(MM JPY)	-8,259	-446	-
Net Income	(MM JPY)	-23,317	398	-
Number of Employees (as of the period-end)		270	203	-24.8%
TOPIX (as of the period-end)		773.66	978.81	26.5%



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 March 31, 2010 are based on in-house calculations and should be regarded as preliminary.

Summary of FY2009 (Profit-and-loss statement)

▶ Operating Revenue: 7.89B JPY (YoY: 7.6%)

- Average AUM decreased: 652.7B JPY (YoY: -34.2%)
- Management fee 6.01B JPY (YoY: -38.3%)
- Performance fee sharply decreased to 0.8B JPY (YoY: -65.3%)
- Posted gains from selling investment securities: 0.44B JPY

▶ Operating and General Administrative Expenses: 8.85B JPY (YoY: -42.4%)

- Fixed cost has been decreased, due to the corporate streamlining initiatives (-3.4B JPY per annual)
- Decline in bonus payout

⇒ Operating Loss: -0.95B JPY (FY2008: -8.04B JPY)

Positive number in operating cash-flow

▶ Extraordinary Profit (2.97B JPY)

- Reversal of allowance for tax-related loss (1.36B JPY), Gains on sales of subsidiaries' and affiliates' stocks (0.69B JPY), etc. (note)

▶ Extraordinary Loss (1.96B JPY)

- Reversal of reserve for foreign currency translation adjustment (1.42B JPY), Loss from the corporate streamlining initiatives (0.23B JPY) etc.

⇒ Net Income: 0.39B JPY (FY2008: -23.31B 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.

Details of expenses

(Units: MM JPY)	Category	FY2008		FY2009	
		Full Year (Apr. 08 – Mar. 09)		Full Year (Apr. 09 – Mar. 10)	
					YoY change
		Bonus 1,971 MM JPY		Bonus 825 MM JPY	
Commissions paid	Operating	1,484		960	-35.3%
Personnel exp.	General admin.	6,290		3,379	-46.3%
Entrusted fund admin. fees	Operating	205		127	-38.0%
Travel exp.	General admin.	529		219	-58.7%
Property rent	General admin.	913		732	-19.9%
Entrusted business expenses	General admin.	1,070		646	-39.6%
Depreciation on fixed assets	General admin.	299		202	-32.4%
Other expenses	General admin.	1,521		1,062	-30.1%
Amortization of goodwill	General admin.	3,065		1,522	-50.3%
Total: Operating and general administrative expenses		15,380		8,852	-42.4%

8.86 B JPY

Ordinary expense 5.54 B JPY



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, 145 MM JPY (FY2008) and 110 MM JPY (FY2009) are posted in non-operating income.

Consolidated “Base earnings”

Net management fee revenue vs. annualized ordinary expense

		<u>FY2008</u>	<u>FY2009</u>
		Full Year	Full Year
Average AUM	(100 MM JPY)	9,914	6,527
Net management fee rate (After the deduction of commissions paid)	(%)	0.83	0.79
Annualized net management fee revenue (After the deduction of commissions paid)	(MM JPY)	8,228	5,135
Annualized ordinary expenses	(MM JPY)	8,859	5,543
Annualized “Base earnings”	(MM JPY)	▲ 630	▲ 408



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.

Summary of FY2009 (Balance sheet)

- ▶ **Assets: 36.77B JPY (37.63B JPY: as of Mar 31, 2009)**
 - Maintained a high level in cash and cash equivalent (15.27B JPY, YoY: +0.96B JPY)
 - Operational investment securities (current assets): Ended the proprietary investment business. The outstanding amount decreased to nil in total.
 - Investment securities: The significant portion is seed money to SPARX funds (High liquidity, 9.25B JPY)

- ▶ **Liabilities: 15.68B JPY (19.62B JPY: as of Mar 31, 2009)**
 - Bank loans and corporate bond: Decrease due to the prepayment (13.0B JPY, YoY change: - 2B JPY)

- ▶ **Net Assets: 21.08B JPY (18.00B JPY: as of Mar 31, 2009)**
 - Foreign currency translation adjustment: Significantly improved (0.67B JPY, YoY change: -1.29B JPY)
 - Shows good progress of re-organizing overseas subsidiaries, Lowers the risk of volatility



Conservative management of liability and liquidity for maintaining healthy Balance Sheet

Balance sheet summary

(Units: MM JPY)

	<u>FY2008</u>	<u>FY2009</u>	<u>YoY change</u>
Current assets	21,088	19,090	-9.5%
Cash and cash equivalents	14,307	15,270	6.7%
Securities	247	726	193.5%
Operational inv. securities	1,945	-	-100.0%
Fixed assets	16,541	17,684	6.9%
Goodwill	7,573	7,623	0.7%
Investment securities	7,600	9,254	21.8%
Total assets	37,630	36,774	-2.3%
Short-term borrowings	-	-	-
Long-term borrowings due within 1yr	2,000	3,000	50.0%
Corporate bond	5,000	5,000	0.0%
Long-term borrowings	8,000	5,000	-37.5%
Total liabilities	19,624	15,689	-20.1%
Common stock, Add. Paid in Capital	26,696	26,696	0.0%
Retained earnings	-4,136	-3,868	-
Common stock in treasure at cost	-4,438	-4,438	-
Minority interests	2,085	2,715	30.2%
Total net assets	18,005	21,084	17.1%



Note:

1. The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.
2. The Significant portion of investment securities is the seed money of SPARX Group product.

Recovery of Japanese equity investment business (1)

Develop the reputation of existing investment strategy in the market

- ▶ Newly re-establish the SPARX value
 - Implement the consistent investment philosophy
 - Long-term performance record
 - Competitive performance in recent term
- ▶ Japan Mid & Small Cap Investment Strategy
 - “Rising Sun” received Morningstar’s 2009 Best Japan Equity Fund Award (February 2010)
 - Swisscanto (LU) EF Small & Mid Caps Japan B (Advised by SPARX) received 1st rank of LIPPER (Equity Japan Small & Mid Caps: 5 years)
 - Improvement of evaluation of Nomura Research Institute, Mercer, etc.
- ▶ Japan Long & Short Investment Strategy
 - Significant improvement of investment performance (Several funds reached the positions where they can exceed the current High Water Mark level.)
 - Japan Long & Short Investment Strategy can maintain the position in the top-ranked group in terms of asset size.



(Case study) Awards of SPARX funds

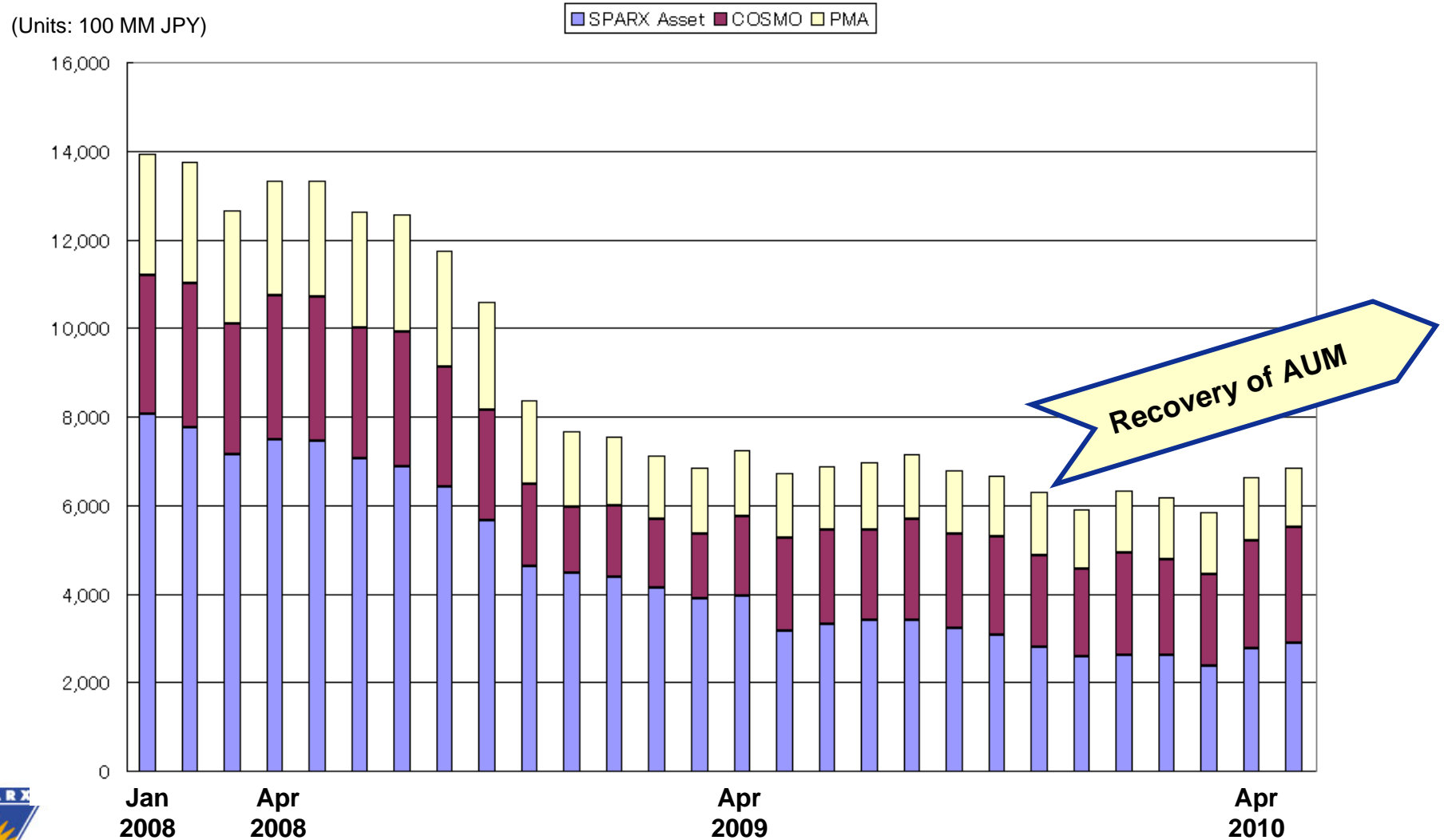
- ▶ SPARX Japan Small Cap Fund (“Rising Sun”): Award for the Best Fund of Japanese Equity Section



- ▶ Swisscanto (LU) EF Small & Mid Caps Japan B (Advised by SPARX): 1st rank of LIPPER (Equity Japan Small & Mid Caps (5 years))



AUM: bottom out and change to the trend of increase



Breakdown of operating revenue & percentage of AUM eligible to earn performance fees

Breakdown of Operating Revenue		FY2008	FY2009	
		Apr 08 - Mar 09	Apr 09 - Mar 10	YoY change (%)
Management fees	(MM JPY)	9,745	6,012	-38.3%
Net management fee rate	(%)	0.83%	0.79%	-0.04
Performance fees	(MM JPY)	2,322	805	-65.3%
Losses & gains from selling or buying investment securities	(MM JPY)	-	442	-
Appraisal losses and gains on operating investment securities	(MM JPY)	-4,898	-	-
Other operating revenue	(MM JPY)	166	631	280.0%
Total operating revenue	(MM JPY)	7,335	7,893	7.6%
Percentage of AUM eligible to earn performance fees		FY2008	FY2009	
		Apr 08 - Mar 09	Apr 09 - Mar 10	YoY change (%)
SPARX Asset Management Co., Ltd.	(100MM JPY)	1,981	1,203	-39.3%
	(%)	50.2%	43.1%	-7.1
Cosmo Investment Management Co., Ltd.	(100MM JPY)	1,631	2,037	24.9%
	(%)	90.4%	84.2%	-6.1
PMA Capital Management Limited	(100MM JPY)	1,232	918	-25.5%
	(%)	82.8%	64.9%	-17.9
Total	(100MM JPY)	4,845	4,159	-14.2%
	(%)	66.9%	62.8%	-4.2

Note:

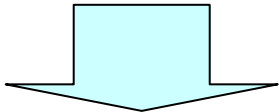
- The figures stated above are truncated excluding "YoY change," "Net management fee rate(%)," and "Percentage of AUM eligible to earn performance fees(%)." "YoY change" is rounded to the nearest tenth of a percent. "YoY change" of "net management fee rate" and "percentage of AUM eligible to earn performance 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, 2010 are based on in-house calculations and should be regarded as preliminary.



Recovery of Japanese equity investment business (2)

Offer new investment strategies

- ▶ Emergence of Asian “Socio-economic model”
- ▶ Global trend of ”Green Energy Society” (Post Fossil Fuel Economy)



- ▶ Find out the opportunity of growth for realizing corporate value of Japanese companies (generating “alpha”)
 - Realized the significant interests from overseas investors
 - Newly created the “Corporate Value Enhancement Division” headed by Mr. Abe.
 - Launch the new fund of new investment strategy (June, 2010)
 - Merge SPARX Asset with SPARX Securities for consolidating SPARX resources



History of SPARX investment strategy

History of Nikkei Index since 1989

(units: JPY)



Mid & Small

Long & Short

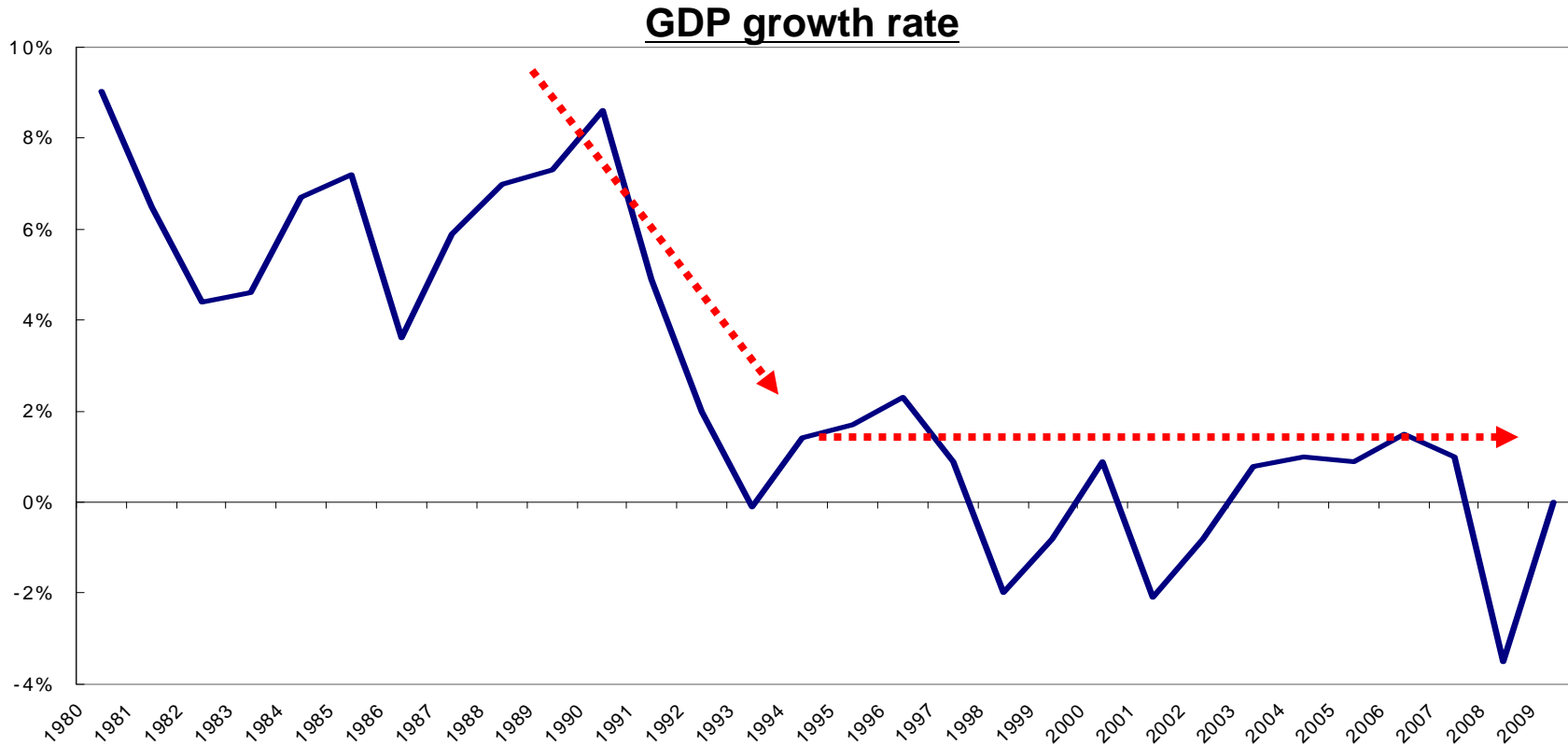
Strategic, Corporate Value Enhancement

New investment opportunity



- Validation and implementation of investment hypothesis = Achievements of investment strategy that created alpha
- Alternative investment strategy that seeks for investment itself, not for performance.
- The investment strategy that does not have philosophy, background, hypothesis, story will not continue.

Change of Japanese economy and industrial structure



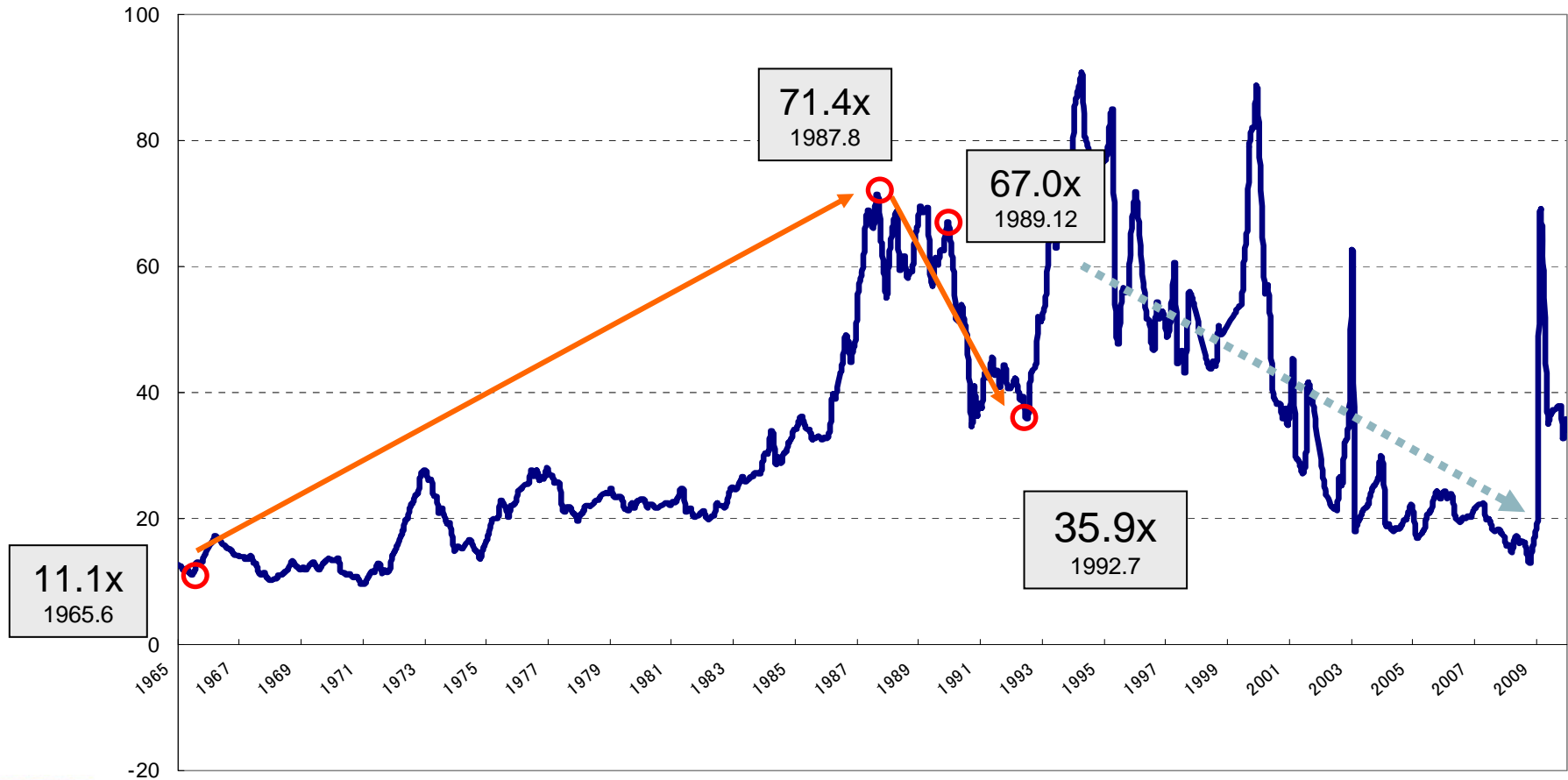
Growth of total profit, "Increase of PER" to "Increase in stock price"

Slow-down of growth, Decline of PER – Decrease in stock price



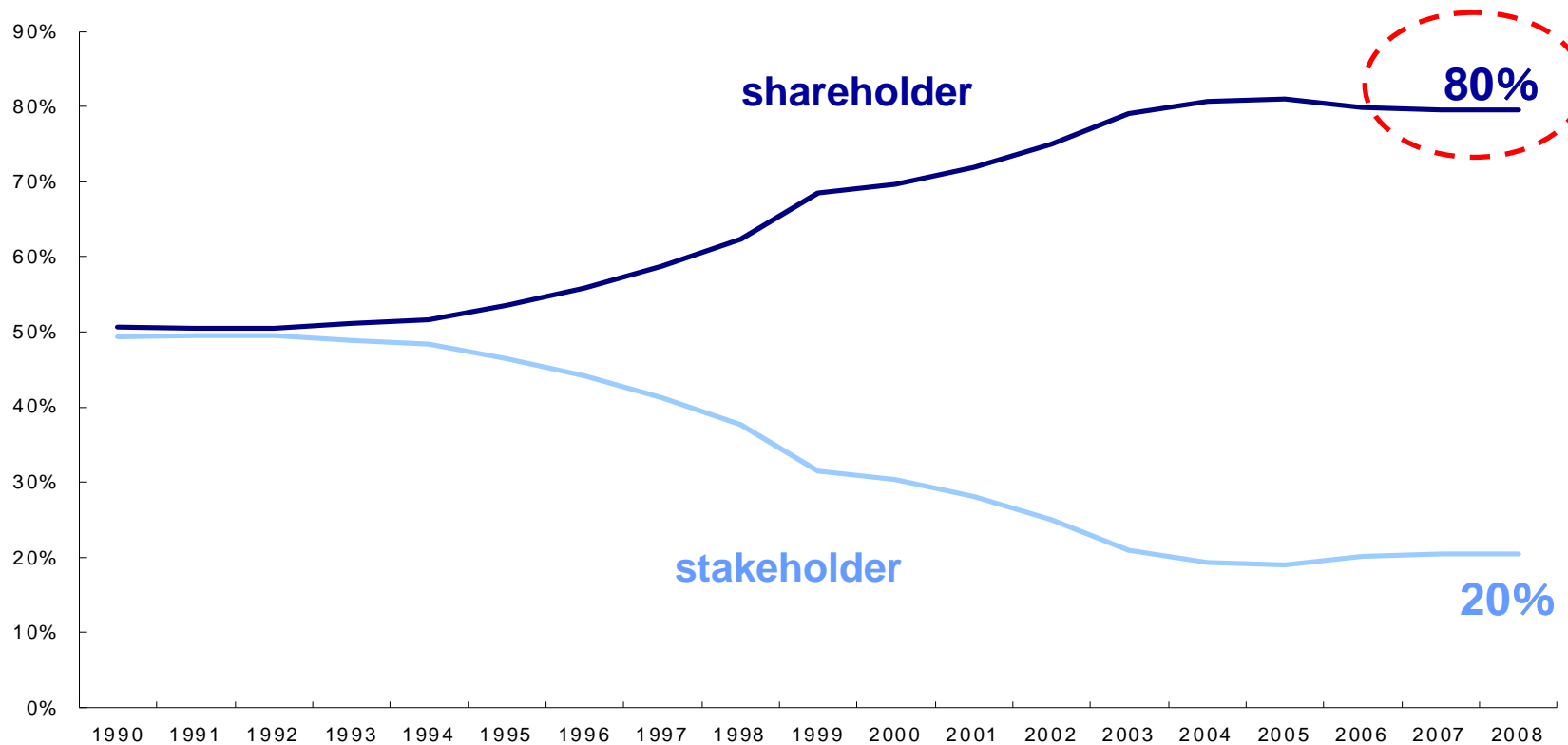
Emergence of long-short investment opportunities

Trend of PER (Actual) (Average of TOPIX)



Source: UBS, Jan 1965 – Dec 2009

Change of corporate governance



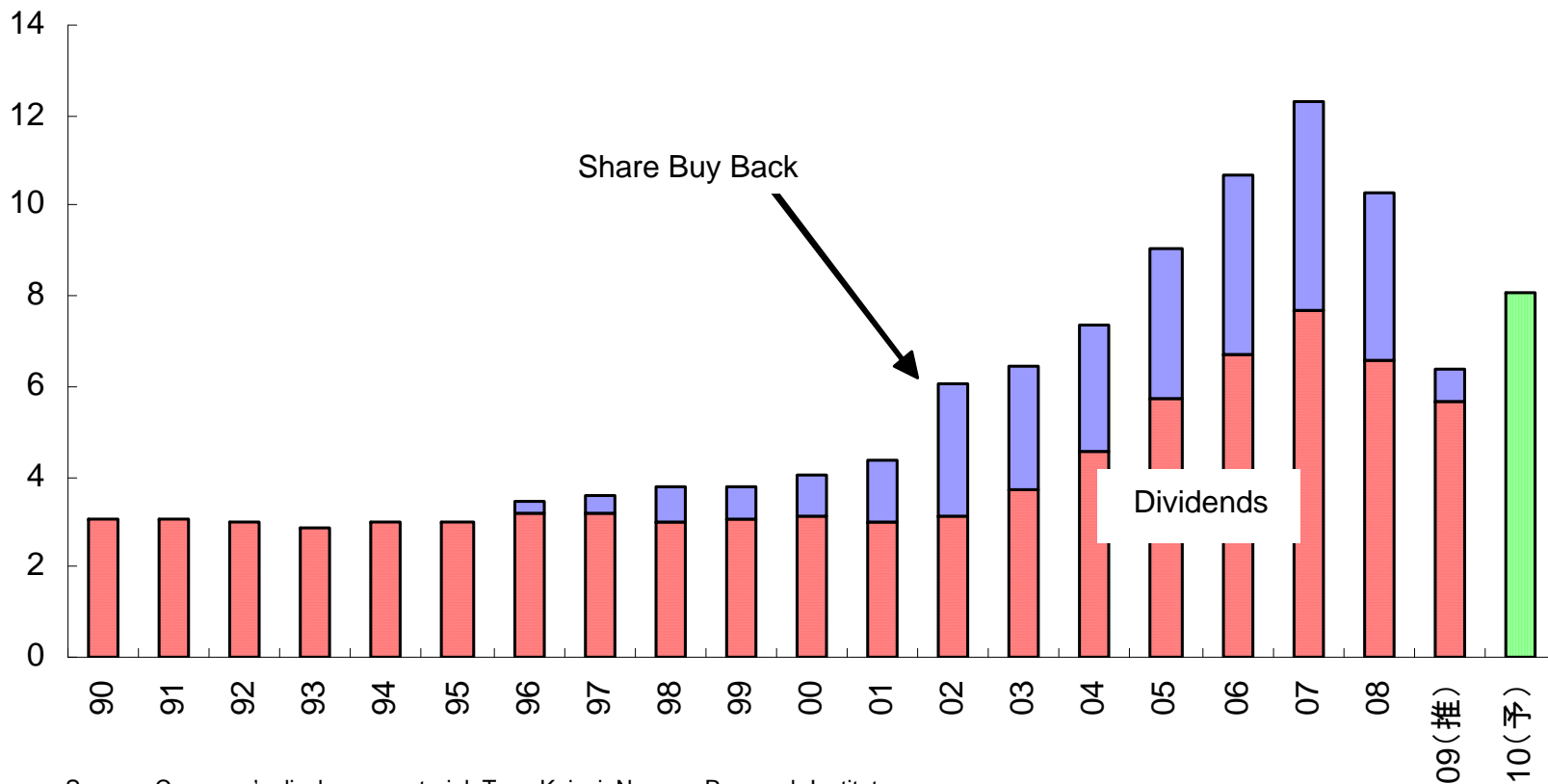
(Note) non-liquidated stock = stocks of crossholding of shares + stocks owned by life insurance companies
 ratio of crossholding of shares = stocks owned by listed companies (market value) / market value of all stocks of markets (not including JASDAQ listed companies and stocks of subsidiaries and affiliates)



Source: Major shareholders' data (Toyo Keizai Shinposya), Yukasyoken houkokusyo, Data of stock exchange (Tokyo, Osaka, Nagoya, Fukuoka, Sapporo), Nomura Research Institute (April 2010)
 Shareholder ratio: SPARX analysis

Actions for creating shareholder's value

(Units: trillion JPY)

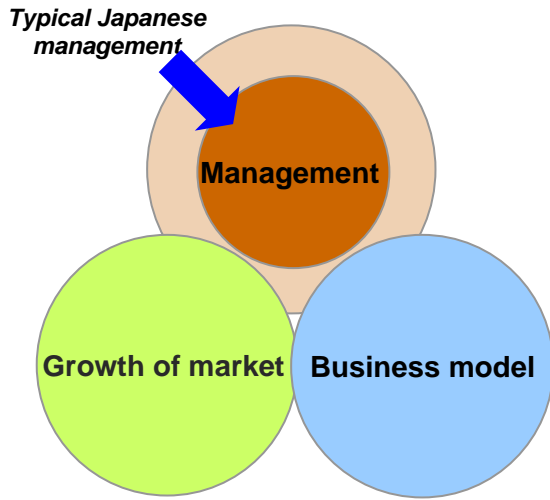


Source: Company's disclosure material, Toyo Keizai, Nomura Research Institute
 2010 estimates: Nomura Kinyu Keizai Research Institute (April 2010)



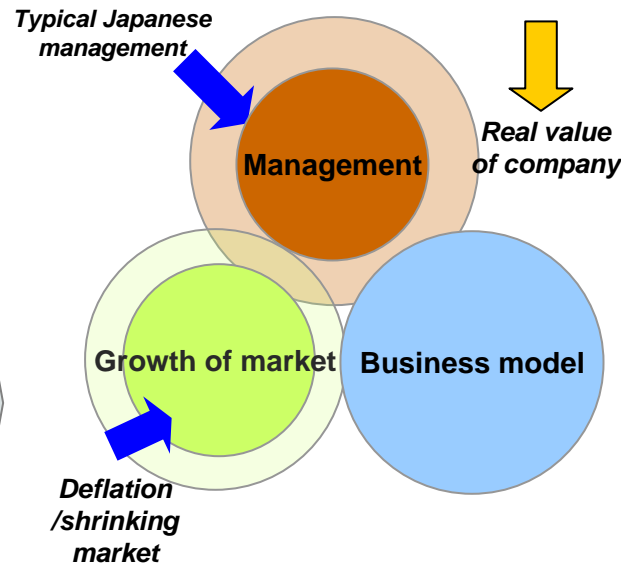
Issues that companies face – new investment opportunities

Around 2000



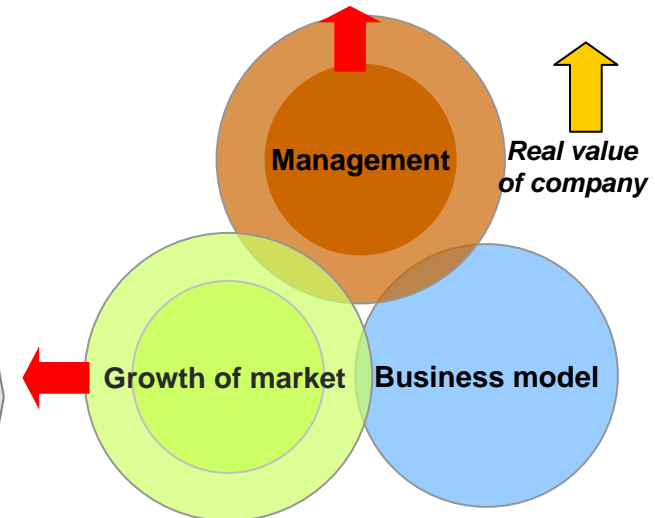
- In spite of inefficient balance sheet, the monopolized position in the market made management not to have crisis mentality.

Present



- It is difficult for companies to find out their growth opportunities in matured market.

In the Future



- The growth opportunities that enhance corporate value exist.
 - China and other Asian countries, Emerging countries
 - New opportunities for growth (CO2 reduction, Smart Grid)



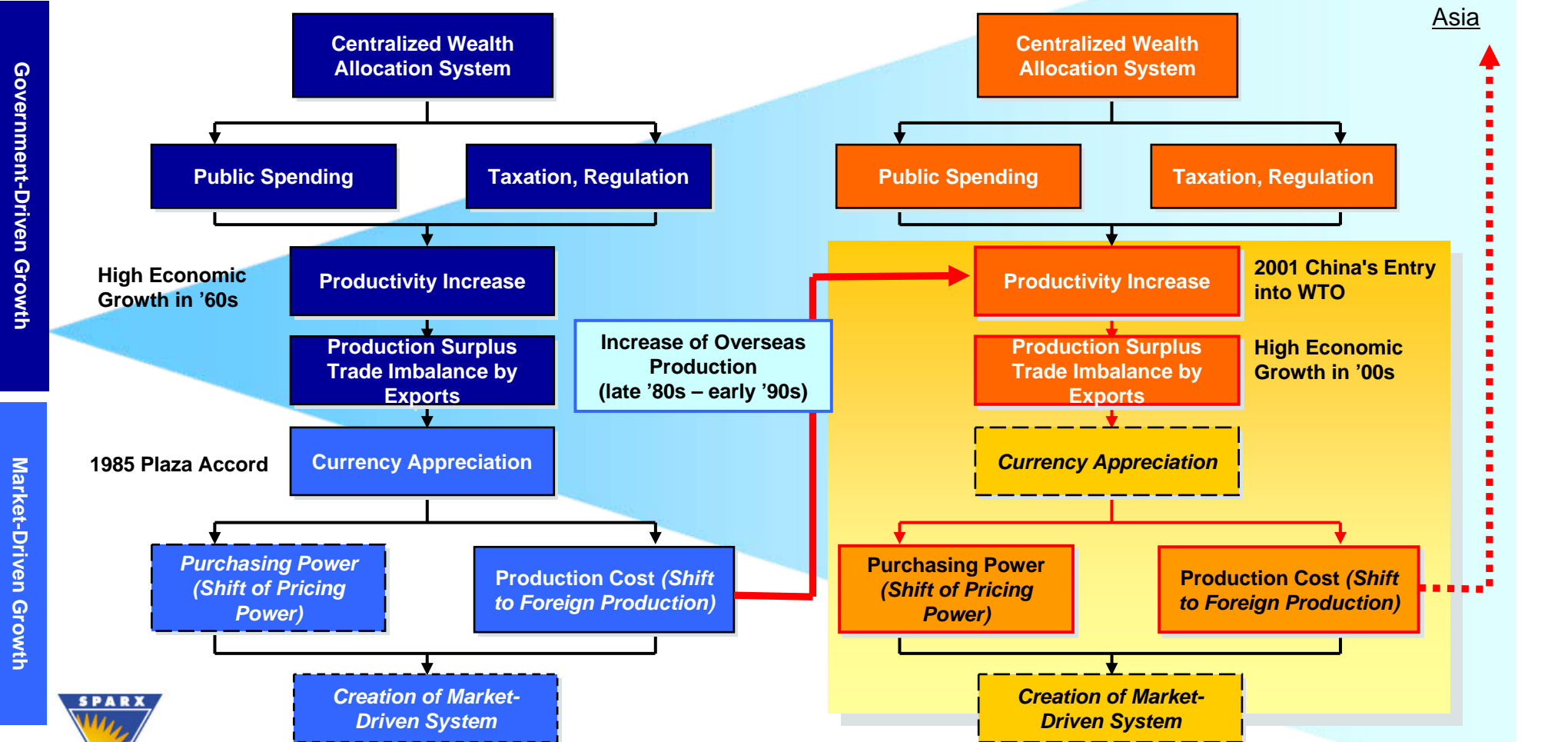
Socio-Economic Development Model in Asia

► Structural change from “Government-Driven Growth” to “Market-Driven Growth”

Japan

China

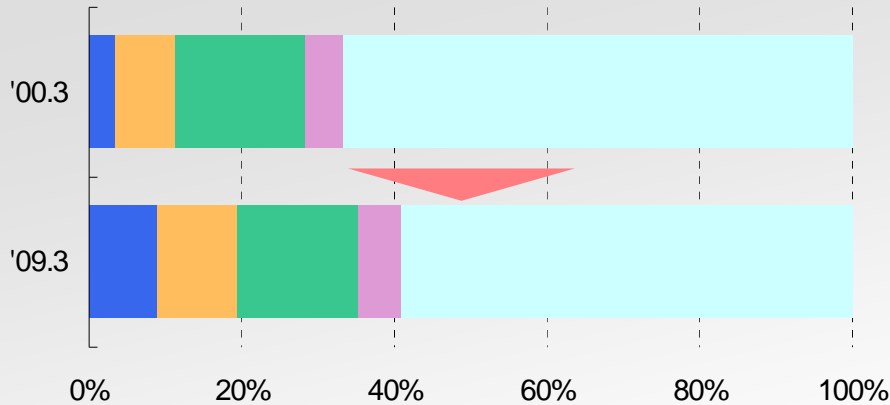
Other Countries in Asia



Mid- and small-caps are increasingly linked to Asia compared to larger firms

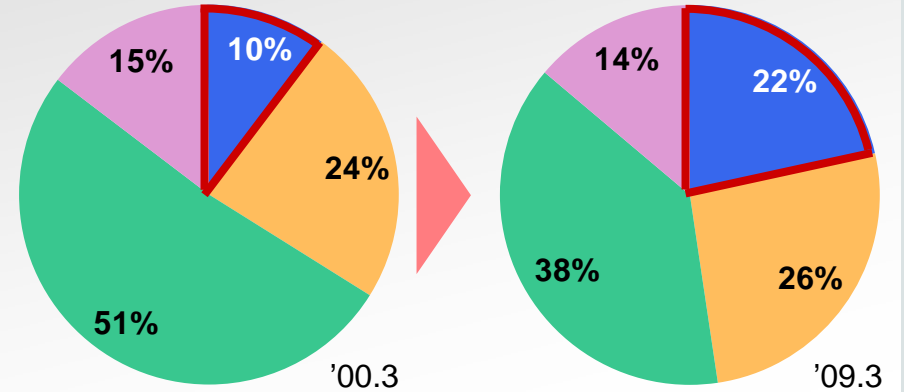
Large

Sales by Region, by Company Size

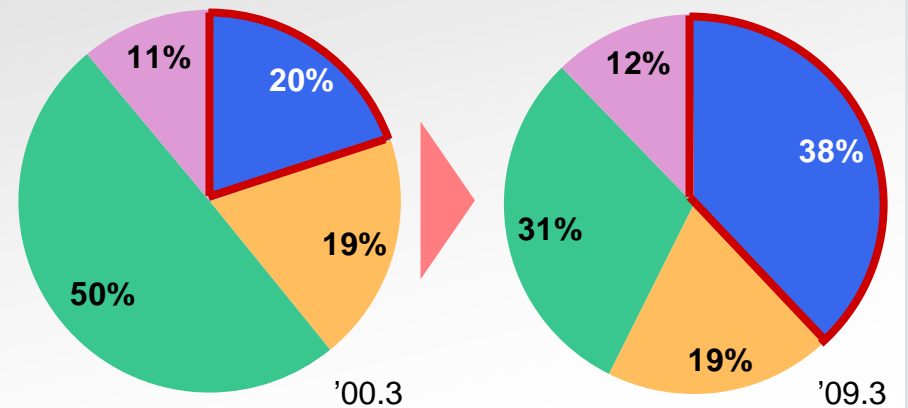
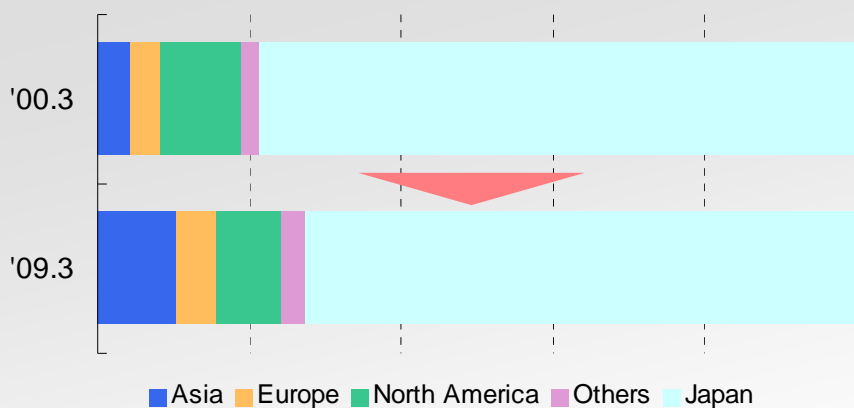


Overseas Sales by Region

(Extraction of overseas sales from left chart)

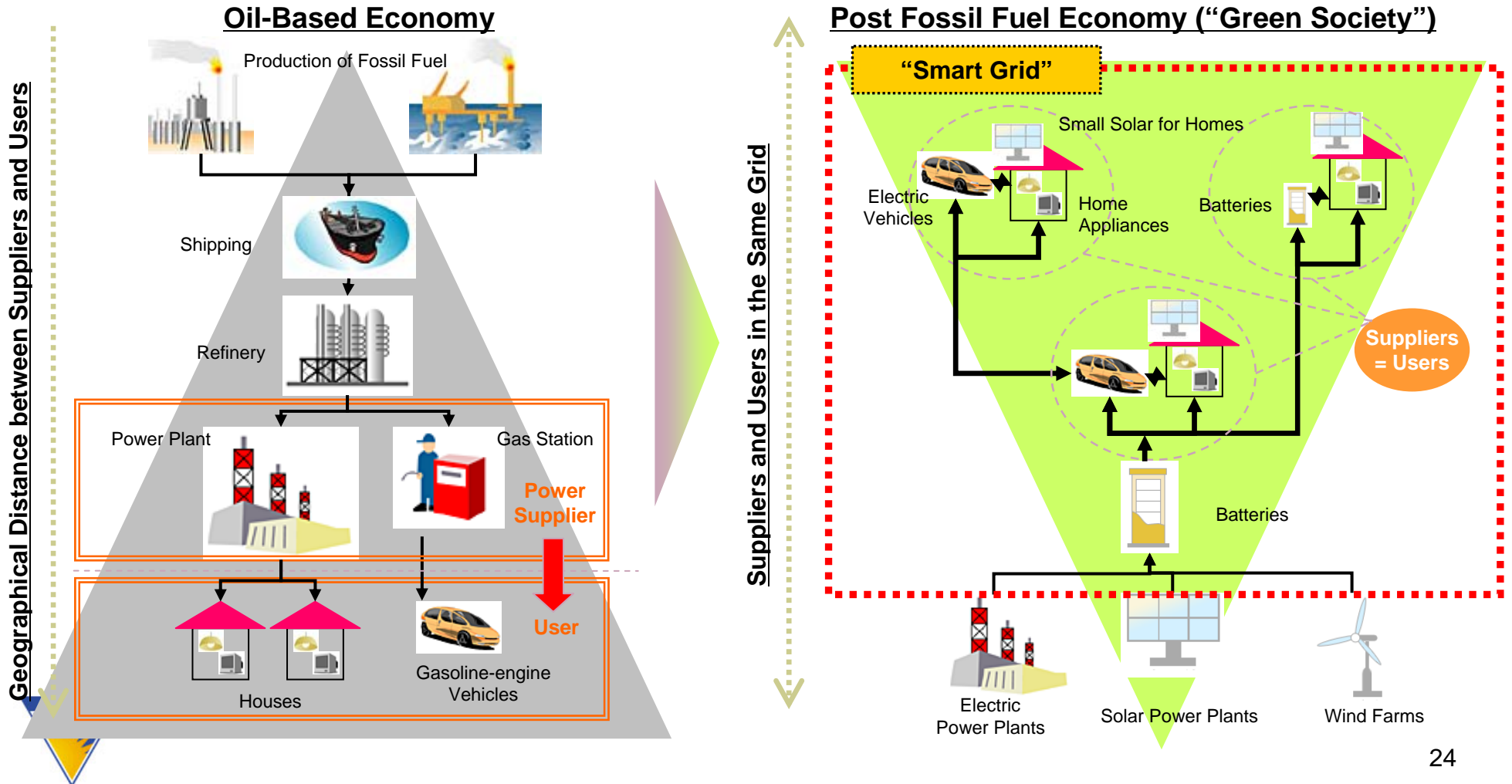


Mid/Small



* SPARX defines market size as follows: Small-Cap is defined as the bottom 15% of the total market cap of the Japanese Market, Mid-Cap is defined as the next 15% of the total market cap of the Japanese Market, and Large-Cap is defined as the top 70% of the total market cap of the Japanese Market. Micro cap which is defined as the bottom 2% of the total market cap of the Japanese market is excluded from this analysis.
 Source: Toyo Keizai as of December 30, 2009

Shift to green society from oil-based economy



Appendix



Flow of funds (March 31, 2009 – March 31, 2010)

(Units: 100MM JPY)

Companies	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Mar 31, 2010
SPARX Asset Management Co., Ltd.	3,940	474	-2,173	-1,698	548	2,790
Cosmo Investment Management Co., Ltd.	1,804	284	-767	-482	1,097	2,419
PMA Capital Management Limited	1,489	459	-615	-156	82	1,415
SPARX Group Co., Ltd. (Total)	7,234	1,218	-3,556	-2,337	1,728	6,625



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 March 31, 2010.
3. The figures for March 31, 2010 are based on in-house calculations and should be regarded as preliminary.

Flow of funds (March 31, 2009– March 31, 2010)

(Units: 100MM JPY)

SPARX Asset	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Dec 31, 2009
Long-short strategy	982	36	-292	-255	33	760
Strategic (or "Focused") investment strategy	410	4	-262	-258	53	205
Multi-manager alternative investment strategy	370	1	-182	-181	-9	178
All Cap strategy	1,211	17	-1,086	-1,068	196	339
Mid-small cap strategy	906	415	-349	66	280	1,253
Others	59	0	0	0	-6	53
Total	3,940	474	-2,173	-1,698	548	2,790

COSMO	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Mar 31, 2010
Korean index-relative strategy	1,130	123	-473	-349	841	1,622
Korean active strategy	299	152	-262	-109	217	408
Korean long-short strategy	231	8	-30	-22	-46	162
Korean strategic investment strategy	74	0	0	0	46	120
Others	67	0	-1	-1	38	104
Total	1,804	284	-767	-482	1,097	2,419

PMA	March 31, 2009	Subscription	Redemption	Net	Appreciation etc.	Mar 31, 2010
Asian equity strategy	533	8	-246	-238	92	386
Asian/Europe credit strategy	767	72	-247	-174	-10	582
Asian macro strategy	187	98	-121	-22	-11	153
Others	-	279	0	279	13	292
Total	1,489	459	-615	-156	82	1,415



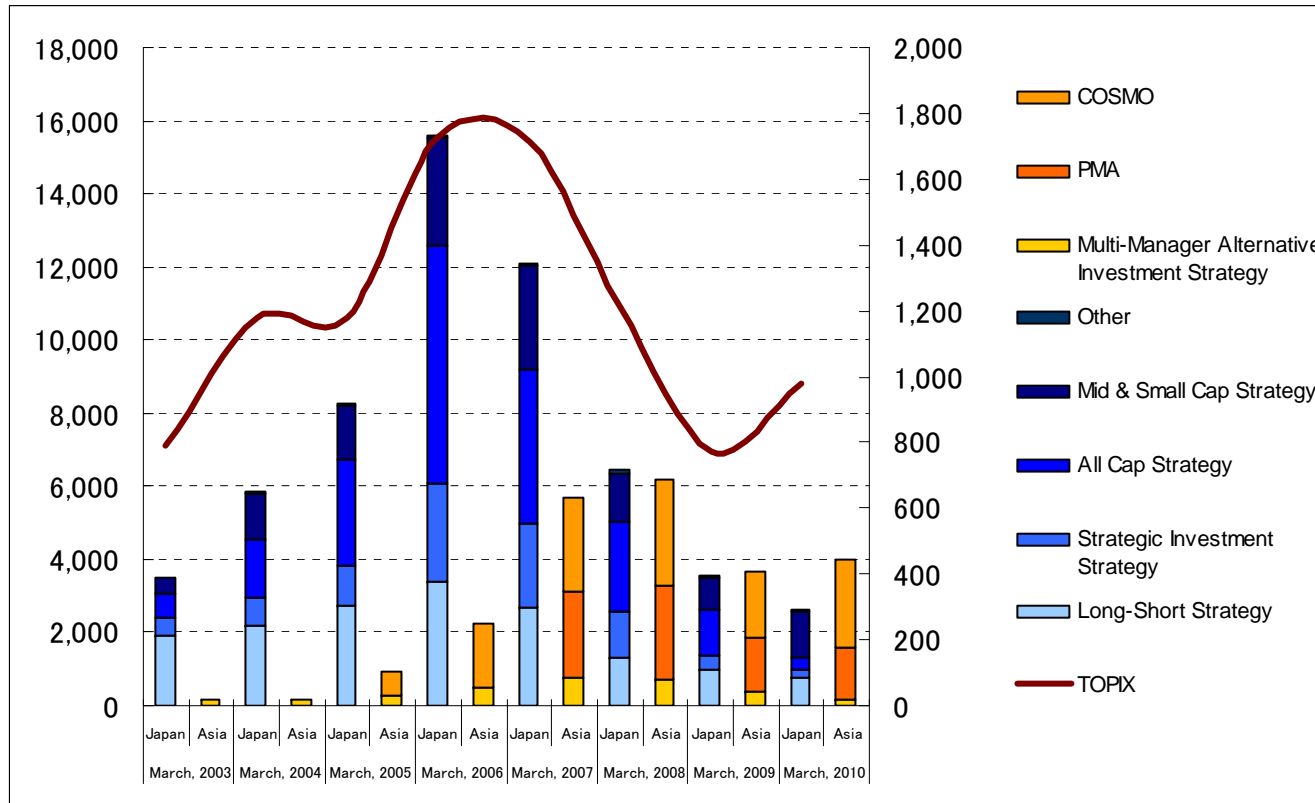
Notes:

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 March 31, 2010.
3. The figures for March 31, 2010 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 March 31, 2010 are based on in-house calculations and should be regarded as preliminary.



Stock price (April 2009 – March 2010)



SAM: Annualized performance by strategy since inception

(Annualized)

(From Composite Start Date to March 31, 2010)

	Long-only Active (Commingled funds)	Mid & Small Caps	Long - Short (USD, Lev.2)	Long - Short	Strategic Investment
Composites	7.66%	2.68%	13.46%	2.85%	4.60%
Reference Index	-1.81%	0.55%	-0.53%	-3.16%	-2.18%
Excess Return	9.47%	2.13%	13.99%	6.01%	6.78%

Reference Index	TOPIX dividend included	Russell/Nomur a Mid-Small Cap Index	TOPIX	Reference Index	TOPIX dividend included
Start Date	May 1997	Jan. 2000	Aug. 1997	Jun. 2000	Jul. 1999
Volatility of Composite Return (Annualized)	23.67%	18.44%	11.18%	6.53%	21.19%

1. 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.
2. 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.
3. "TOPIX dividend included, USD hedged" is calculated by using the fully hedged month-end USD forward rate.



SAM: Annualized performance by strategy

- Each composite includes portfolios managed by companies of the SPARX group, excluding Cosmo and PMA.
- 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>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
Active Long-only (Commingled funds)	60.69%	-14.57%	-28.93%	-34.48%	34.27%
Mid & Small Caps	44.34%	-11.86%	-28.95%	-25.64%	33.32%
Long - Short (USD, Lev.2)	27.95%	-3.74%	-14.43%	5.95%	8.77%
Long – Short (JPY, Lev.1)	18.68%	-7.50%	-11.31%	-4.13%	6.03%
Strategic Investment	48.94%	-18.71%	-10.14%	-25.67%	23.14%

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SPARX Group Co., Ltd.

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