

**SPARX Group Co., Ltd.
Consolidated Financial Results for
the 1st Qtr of the FY2010 (April, 2010 – March, 2011)**

August 18, 2010



SPARX Group Co., Ltd.

Financial Results for the 1st Qtr of the FY2010 & Future Plans



Summary of 1st Quarter (April - June 2010) (Overview)

Low recovery of revenue (mainly of Japanese equity investment business)
Major cost reduction effect has been achieved and operating loss/net loss were declared.

- ▶ Operating Revenue: 2.04B JPY (YoY: -8.9%)
- ▶ Operating & General Admin. Exp.: 2.22B JPY (YoY: -0.6%)
- ▶ Operating Loss: -0.17B JPY (1st Qtr of FY2009: 8 million JPY)
- ▶ Net Loss: -0.70B JPY (YoY: -0.64B JPY)

Achieved the increase in operating revenue, excluding the extraordinary effect of last fiscal year

Achieved the positive operating cash-flow (excluding goodwill amortization (0.39B JPY))

- ▶ Shareholders' Equity : 16.59B JPY (as of March, 2010: 18.23B JPY)



By pursuing the “Asia business with SPARX group competence”, SPARX aims to recover its business.




Summary for 1st Quarter (Profit-and-loss statement)

▶ Operating Revenue: 2.04B JPY (YoY: -8.9%)

- Performance fee (0.46B JPY) and Other operating revenue (0.26B JPY) showed positive results.
- The size and profitability of management fee decreased. (1.32B JPY, YoY: -22.8%)
 - Average of AUM decreased by 6.0%. (644.8B JPY)
 - Net management fee rate also decreased. (0.71%)

▶ Operating and General Administrative Expenses: 2.22B JPY (YoY: -0.6%)

- Extraordinary factor (payment of severance package to key members of overseas subsidiaries, etc.) caused the large size of expenses.

 Operating Loss: -0.17B JPY (1st Qtr of FY2009: 8 million JPY)

▶ Non-operating revenues (0.16B JPY), Non-operating expenses (0.30B JPY)

- Exchange loss was caused by the JPY depreciation toward KRW.

▶ Extraordinary profit (0.03B JPY), Extraordinary loss (0.25B JPY)

- Due to the introduction of new accounting rules of asset disposal and the additional loss of corporate streamline initiatives



Net Loss: -0.70B JPY (1st Qtr of FY2009: -0.64B JPY)



Financial Highlights

		<u>FY2009</u>		<u>FY2010</u>	
		Apr – Jun 09	Full Year	Apr – Jun 10	YoY Change
Average AUM	(100MM JPY)	6,860	6,527	6,448	-6.0%
Operating Revenue	(MM JPY)	2,246	7,893	2,047	-8.9%
Operating & General Administrative Expenses	(MM JPY)	2,238	8,852	2,224	-0.6%
Operating Profit	(MM JPY)	8	-959	-176	-
Recurring Profit	(MM JPY)	-194	-446	-313	-
Net Profit	(MM JPY)	-641	398	-707	-
Number of Employees		239	203	184	-22.6%
(as of the period-end)		929.76	978.81	841.42	-9.5%

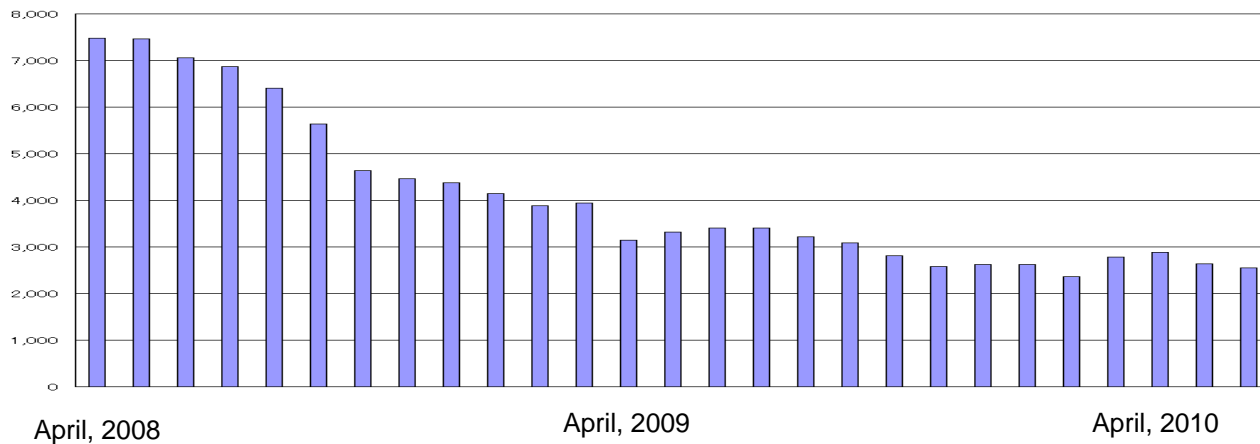
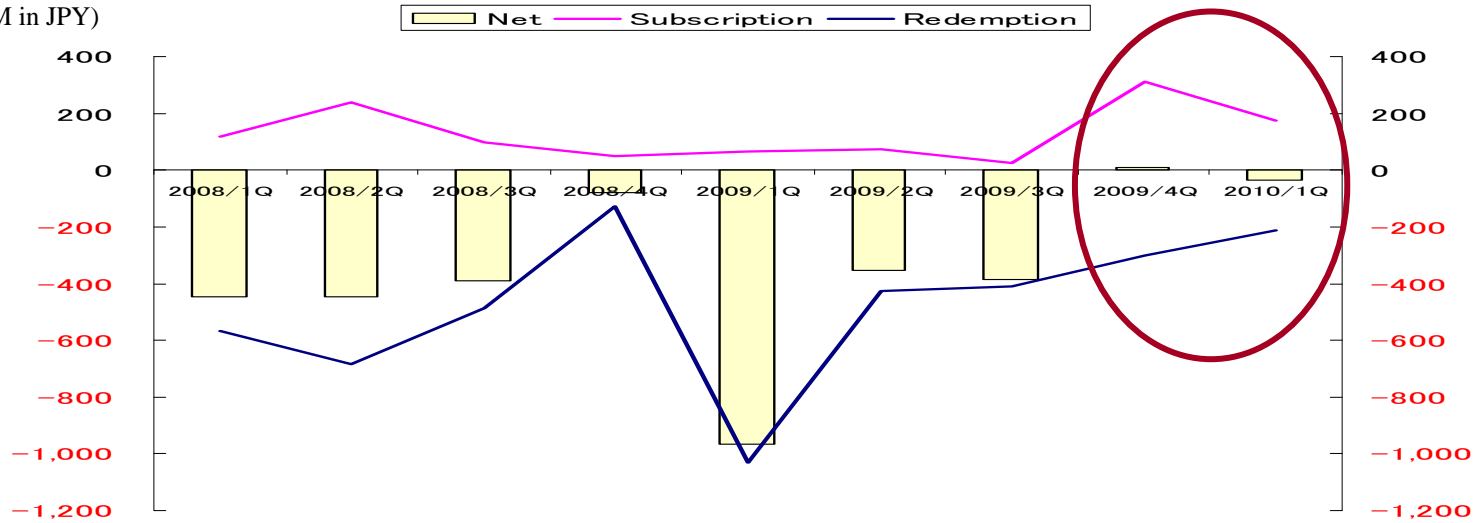


Note:

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 June 30, 2010 are based on in-house calculations and should be regarded as preliminary.

SAM: Subscriptions did not make the continuous increase in AUM

(Unit: 100MM in JPY)



254.7B in JPY
(as of the end of July, 2010)



SAM: Current status

► Positive Side :

- Continuously improved the performance of Japanese equity investment
- Launched the new investment strategies (Multi strategy, Smart Grid strategy) and achieved several subscriptions
- Completed the process of merger of SAM and SEC and increased the other operating revenues
- Retained the key members during the significant reduction of employees

► Negative Side :

- The needs of Japanese equity investment stay stagnant.
- Delay of recovery of AUM (management fee and difficulty to expect the realized performance fee in this fiscal year)
- Unbalance of product line-ups and mismatching between the product and size of organization

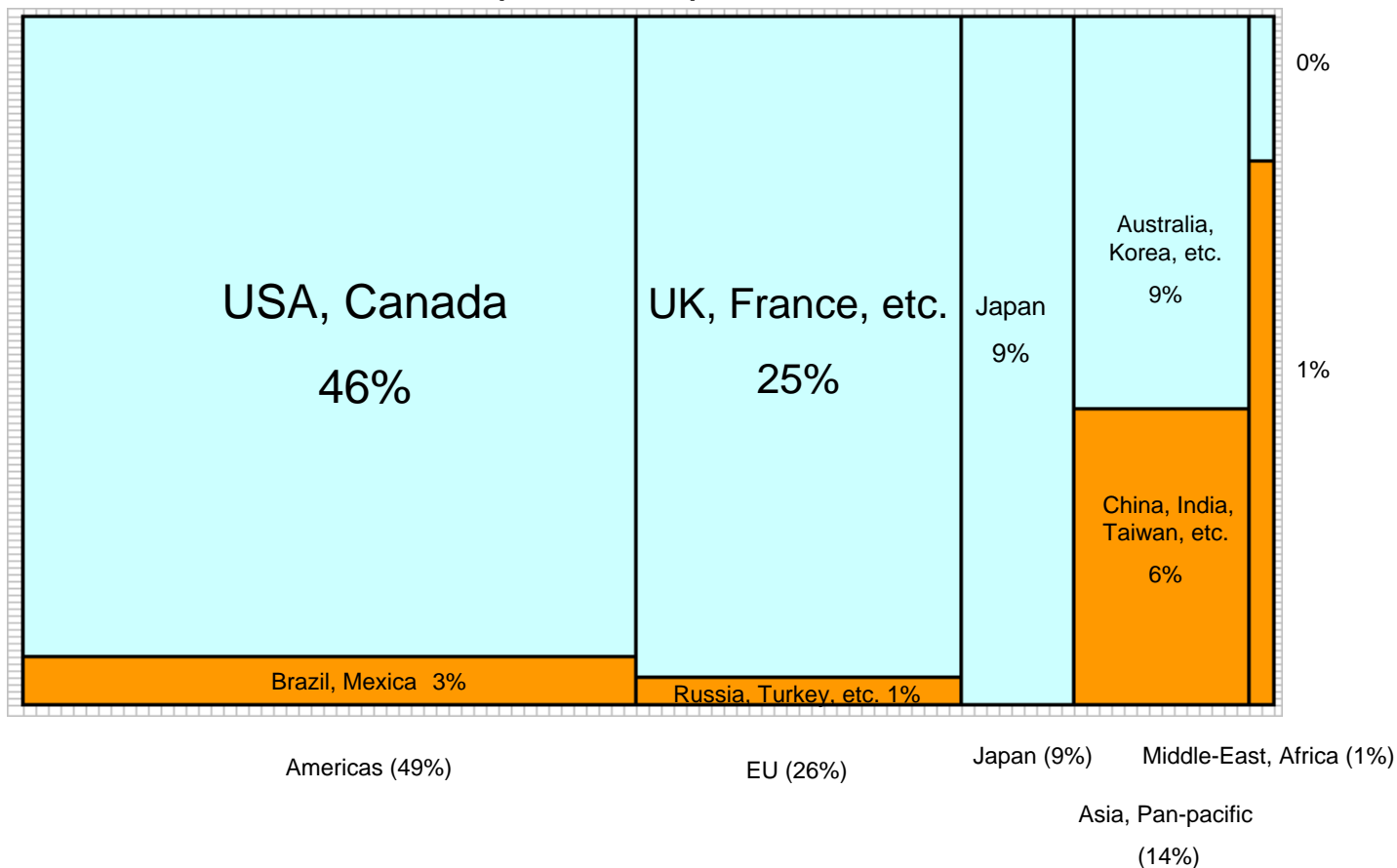


The mandate to Japanese equity investment stays stagnant

**Allocation of Countries of FTSE All-World index
(June, 2010)**

**Developed countries
(88%)**

**Developing countries
(12%)**

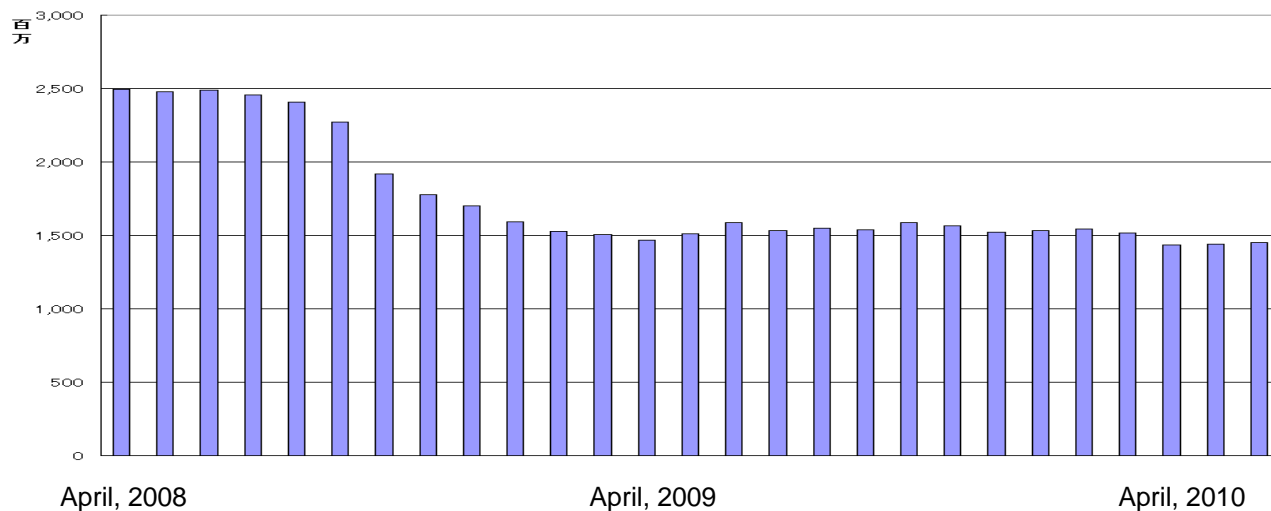
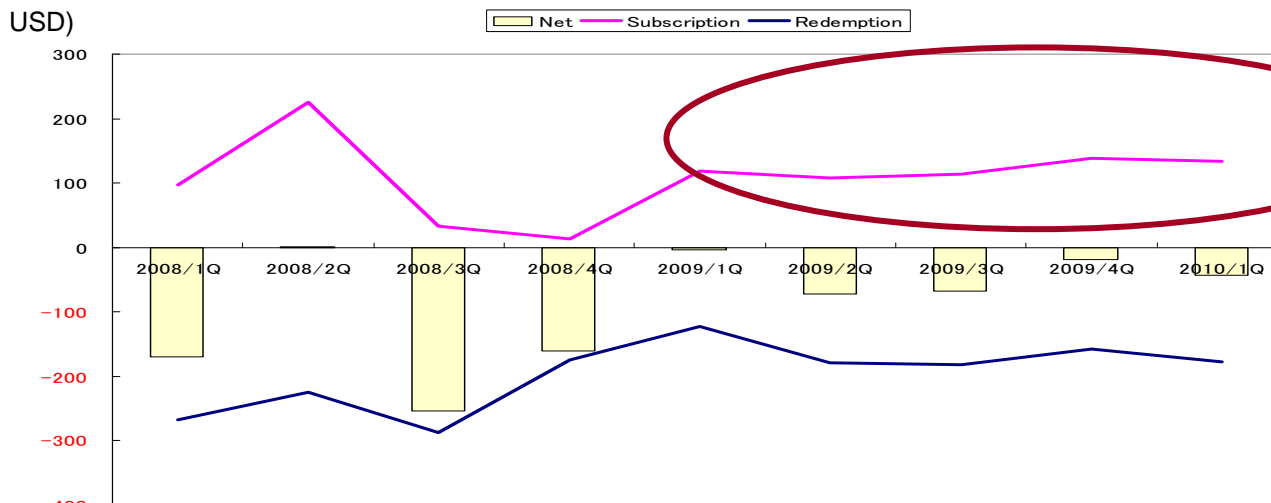


Source: Bloomberg, NRI

PMA(USD) :

The continuous subscriptions did not make the increase of cash-flow (net basis)

(Units: MM USD)



1,378 MM USD
(as of the end of July, 2010)



PMA: Current status

► Positive Side :

- Good performance of funds (Macro investment strategy) that achieved the continuous cash-in-flows
- Fund of credit investment strategy maintains its presence well.
- The other operating revenues has increased, caused by the related business from existing business domain.
- Closure of Dubai office: PMA continuously implements the corporate streamlining initiatives.
- Highly evaluated the quality of fund operation (SAS70)

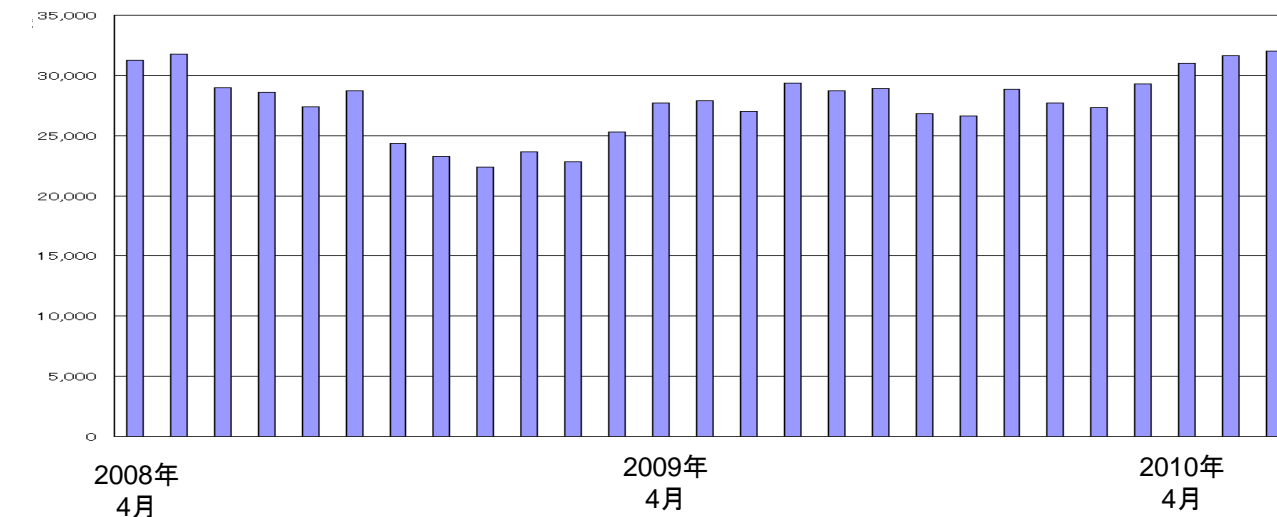
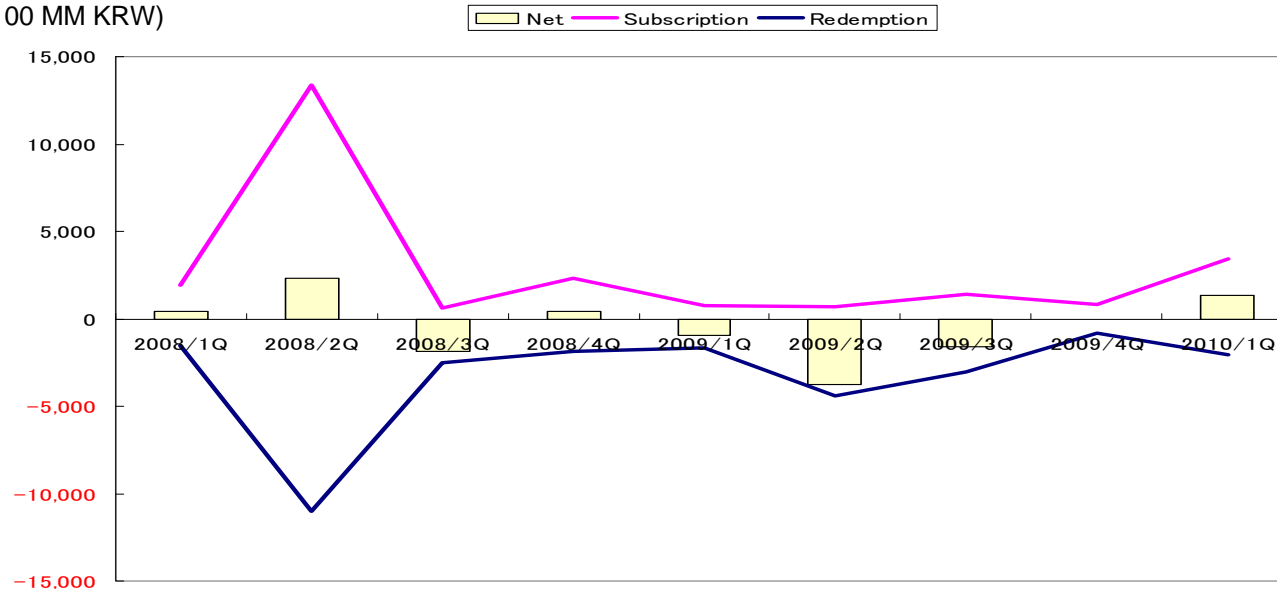
► Negative Side :

- Fund of equity investment strategy continuously stay stagnant.
- The amount of subscriptions does not exceed the amount of redemption.
 - The significant size of subscription is limited.



Cosmo (KRW) : Cosmo achieved a new record in AUM.

(Unit: 100 MM KRW)



3,147.3B KRW (as of the end of July, 2010)



Cosmo: Current status

► Positive Side :

- Competitive performance that is highly evaluated by the clients
- Recorded the largest size of AUM since Cosmo started
- Expanded the business for high-net-worth individuals
- Regulatory environment (i.e. license of mutual fund business) has been improved.
- Well-managed transition of top management (CEO/CIO)



High possibility of collaboration with Lotte Group

► Negative Side :

- Highly relied on the Korean domestic clients
- Unbalance of product line-up allocation



Key points of recovery: Asia and SPARX Group competence

<Re-defined the power of SPARX Group>

- ▶ Hubs of investment activity in three regions of Asia (Japan/HK/Korea) that have necessary size and achievements
 - PMA that established last in the group has over 8 years' track record of investment.
- ▶ Independent from financial groups and transparent management system
 - Maintain the neutral position in grouping and reorganizing investment companies
 - Maintain the management discipline and transparency as publicly-traded firm
- ▶ Diversified client base
 - Global-based brands and client base established by the group companies



Platform for providing the product/service toward clients' needs



While the group company focused on each restructuring, they will enhance the business with SPARX group competence.



Key point for recovery: Action plans

- ▶ Research: re-identify the SPARX strength
 - Expand/Develop SPARX core competence (bottom-up research) from Japan/Korea to Asia (Utilize the human resources of SPARX Group)
 - Share and utilize the SPARX group's intelligence toward macro economy
- ▶ Products: challenge for the SPARX group "FLAG SHIP FUND"
 - KOREA/JAPAN Long/Short: to be pan-Asia Long/Short
 - Asia Multi Strategy (pan-Asia Macro, Asia Credit, Japanese equity, Korean equity, etc.)
- ▶ Marketing: required the contribution in short-term for recovery
 - Approaching to the group-wide client base
 - Shared use tool and style of marketing
- ▶ Operation: develop the business efficiency over the border and company
 - Shared use of administration function of offshore fund: PB, Custodian
 - Shared use "Best Practice" within the group



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

Breakdown of Operating Revenue		FY2009		FY2010	
		Apr - Jun 2009	Apr 09 - Mar 2010	Apr - Jun 2010	YoY change (%)
Management fees	(MM JPY)	1,710	6,012	1,320	-22.8%
Net management fee rate	(%)	0.85%	0.79%	0.71%	-0.14
Losses & gains from selling or buying investment securities	(MM JPY)	427	442	-	-
Other operating revenue	(MM JPY)	43	631	263	506.5%
Total operating revenue	(MM JPY)	2,246	7,893	2,047	-8.9%
Percentage of AUM eligible to earn performance fees		FY2009		FY2010	
		Apr - Jun 2009	Apr 09 - Mar 2010	Apr - Jun 2010	YoY change (%)
SPARX Asset Management Co., Ltd.	(100MM JPY)	1,593	1,203	1,114	-30.1%
	(%)	46.7%	43.1%	43.8%	-2.9
Cosmo Investment Management Co., Ltd.	(100MM JPY)	1,842	2,037	1,930	4.8%
	(%)	90.0%	84.2%	83.3%	-6.8
PMA Capital Management Limited	(100MM JPY)	1,178	918	761	-35.4%
	(%)	77.1%	64.9%	59.3%	-17.7
Total	(100MM JPY)	4,614	4,159	3,807	-17.5%
	(%)	66.1%	62.8%	61.9%	-4.1

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



Details of Expenses

(Units: MM JPY)	Category	FY2009		FY2010		YoY change
		Apr.- Jun. 2009	Full Year	Apr. – Jun. 2010		
		Bonus 30 MM JPY		Bonus 493 million in JPY		
Commissions paid	Operating	258	960	171	-33.8%	
Personnel exp.	General admin.	734	3,379	1,064	44.8%	
Entrusted fund admin. fees	Operating	49	127	17	-64.6%	
Travel exp.	General admin.	62	219	61	-1.8%	
Property rent	General admin.	217	732	125	-42.1%	
Entrusted business expenses	General admin.	204	646	122	-40.0%	
Depreciation on fixed assets	General admin.	55	202	40	-26.9%	
Other expenses	General admin.	313	1,062	229	-26.7%	
Amortization of goodwill	General admin.	342	1,522	391	14.3%	
Total: Operating and general administrative expenses		2,238	8,852	2,224	-0.6%	

Annotations:

- 5.54B JPY (difference between Full Year FY2009 and Full Year FY2010)
- Ordinary expenses (difference between Apr.-Jun. FY2009 and Apr.-Jun. FY2010)
- (annualized) 4.67B JPY (difference between Apr.-Jun. FY2009 and Apr.-Jun. FY2010)



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, 28 MM JPY (1Q of FY2009) and 24 MM JPY (1Q of FY2010) are posted in non-operating income.

Consolidated “Base Earnings”

Net management fee revenue vs. annualized ordinary expense

		<u>FY2009</u>	<u>FY2010</u>
		(Full Year)	Apr – Jun 09 (Annualized)
Average AUM	(100 MM JPY)	6,527	6,448
Net management fee rate (After the deduction of commissions paid)	(%)	0.79	0.71
Annualized net management fee revenue (After the deduction of commissions paid)	(MM JPY)	5,135	4,578
Annualized ordinary expenses	(MM JPY)	5,543	4,674
Annualized “Base earnings”	(MM JPY)	▲ 408	▲ 95

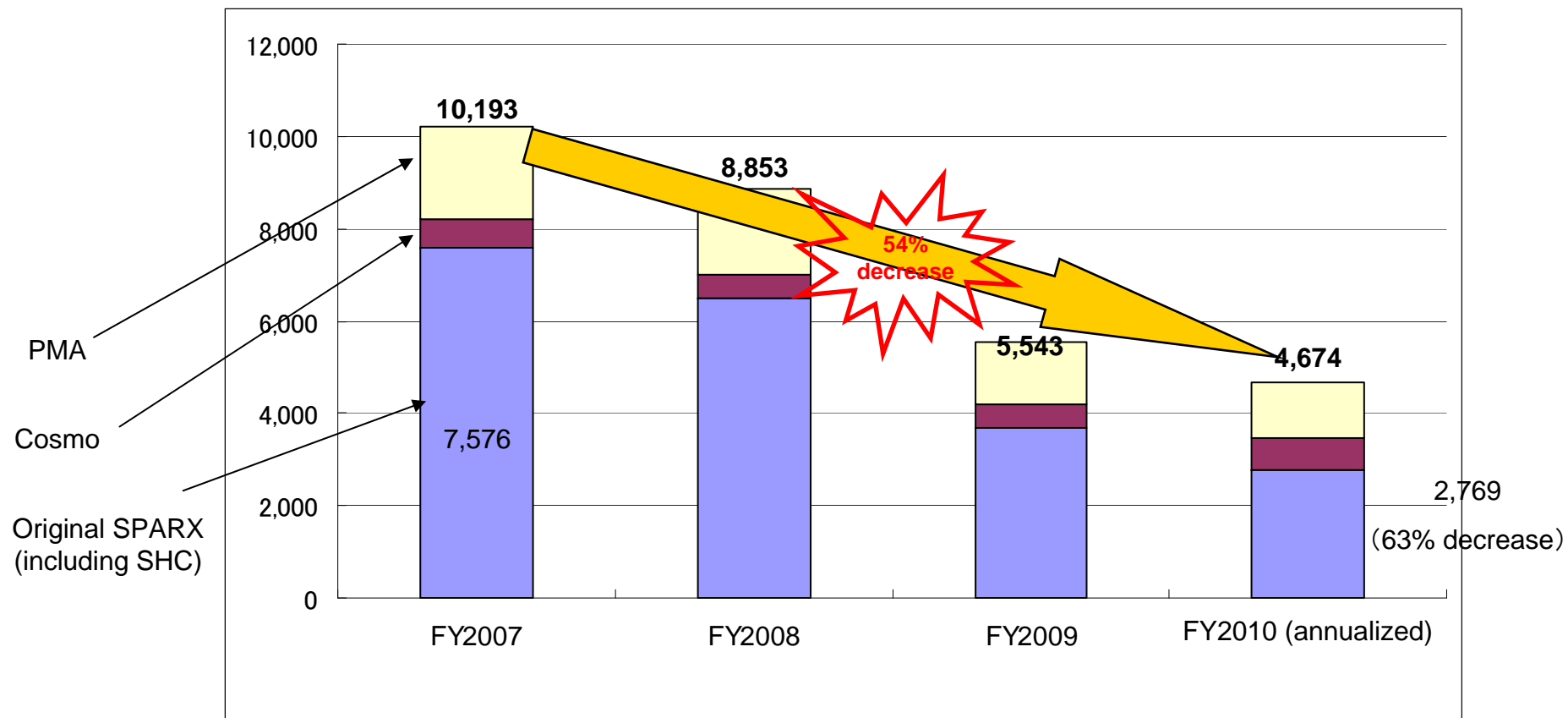
Note:

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), (3) Severances package for key members of overseas subsidiaries and (4) 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”.



Cost reduction initiatives

(units: MM JPY)



Summary for 1st Quarter (Balance sheet)

▶ Assets: 33.85B JPY (36.77B JPY: as of Jun 30, 2009)

- Cash and cash equivalent (13.24B JPY, YoY: -2.02B JPY)
- Advance payment (1.65B JPY): Purchased Cosmo share from Cosmo's employee
- Investment securities (8.80B JPY): The significant portion is seed money to SPARX funds.

▶ Liabilities: 14.73B JPY (15.68B JPY, as of Jun 30, 2009)

- Long-term borrowings due within 1yr (3.00B JPY), Long-term borrowings (5.00B JPY), Corporate bond (5.00B JPY)

▶ Net Assets: 19.11B JPY (21.08B JPY (as of Jun 30, 2009), YoY: -1.97B JPY)

- Mainly due to the net loss (-0.70B JPY) and the decrease of "Valuation difference on available-for-sale securities" and "Foreign currency translation adjustment" (YoY: -0.95B JPY): the rapid JPY depreciation toward KRW (from 0.0826 to 0.0724), regarding the consolidation of Cosmo



Maintained the healthy Balance Sheet and liquidity

Balance sheet summary

(Units: MM JPY)	<u>Mar. 2010</u>	<u>Jun. 2010</u>	<u>YoY change</u>
Current assets	19,090	17,171	-10.1%
Cash and cash equivalents	15,270	13,241	-13.3%
Securities	726	110	-84.9%
Fixed assets	17,684	16,679	-5.7%
Goodwill	7,623	7,257	-4.8%
Investment securities	9,254	8,802	-4.9%
Total assets	36,774	33,850	-8.0%
Long-term borrowings due within 1yr	3,000	3,000	0.0%
Corporate bond	5,000	5,000	0.0%
Long-term borrowings	5,000	5,000	0.0%
Total liabilities	15,689	14,732	-6.1%
Common stock, Add. Paid in Capital	26,696	26,713	0.1%
Retained earnings	-3,868	-4,576	-
Common stock in treasure at cost	-4,438	-4,438	-
Minority interests	2,715	2,418	-11.0%
Total Net Assets	21,084	19,117	-9.3%

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.

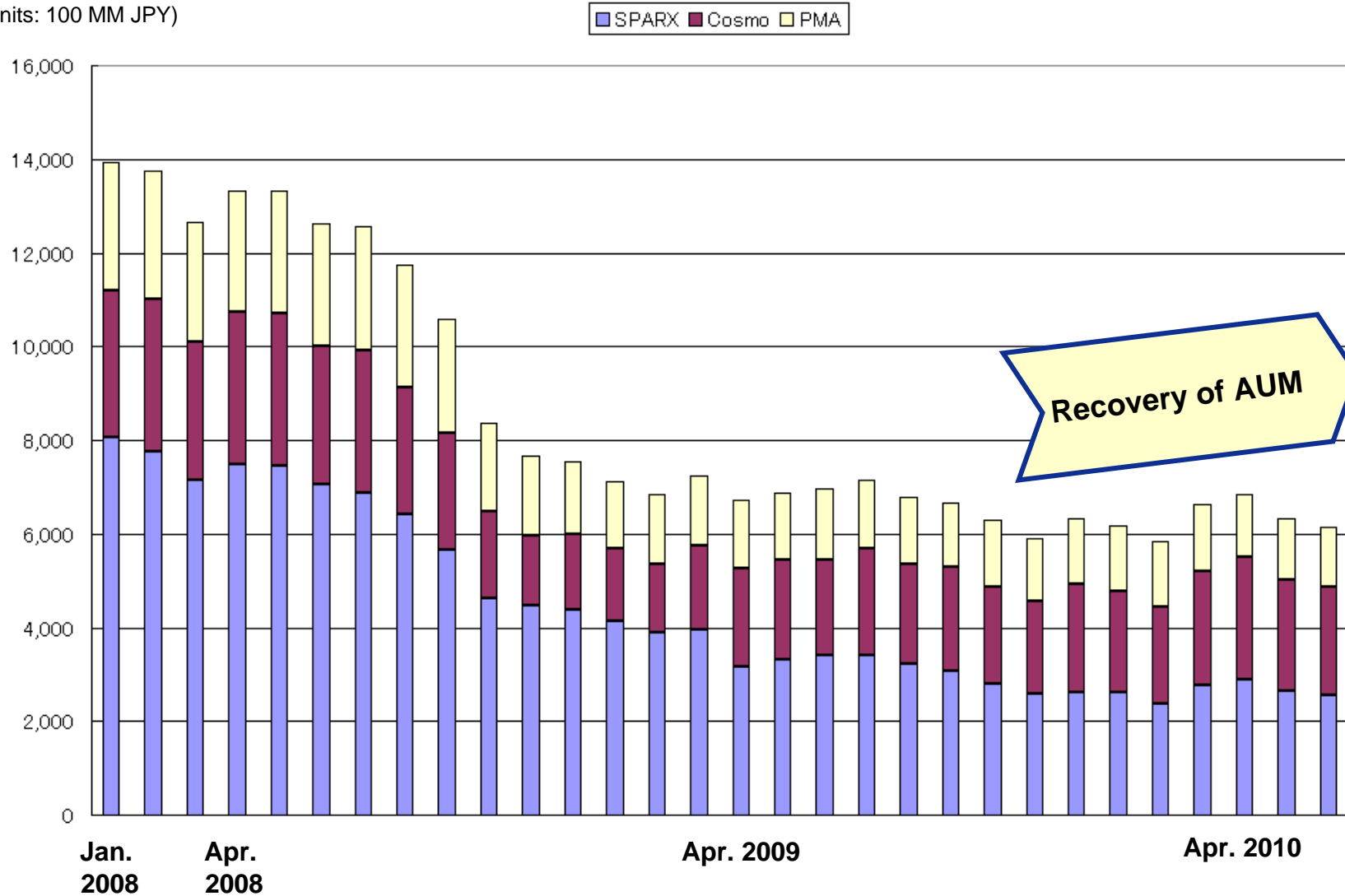


Appendix



AUM bottomed out and the key is the trend of increase in the future.

(units: 100 MM JPY)



Flow of funds (March 31 – June 30, 2010)

(Units: 100 MM JPY)

Companies	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Jun 30, 2010
SPARX Asset Management Co., Ltd.	2,783	176	-210	-34	-203	2,545
Cosmo Investment Management Co., Ltd.	2,419	264	-159	104	-204	2,319
PMA Capital Management Limited	1,415	121	-160	-39	-92	1,284
SPARX Group Co., Ltd. (Total)	6,618	562	-531	31	-500	6,148



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, 2010 and June 30, 2010.
3. The figures for June 30, 2010 are based on in-house calculations and should be regarded as preliminary.

Flow of funds (March 31 – June 30, 2010)

(Units: 100 MM JPY)

SPARX Asset	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Jun 30, 2010
Long-short strategy	759	27	-60	-33	-24	702
Strategic (or "Focused") investment strategy	205	12	-27	-15	-26	163
Multi-manager alternative investment strategy	173	0	0	0	-10	163
All Cap strategy	339	4	-13	-9	-39	291
Mid-small cap strategy	1,253	21	-64	-42	-104	1,108
Others	51	110	-45	65	1	118
Total	2,783	178	-210	-34	-203	2,545

COSMO	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Jun 30, 2010
Korean index-relative strategy	1,622	96	-14	81	-151	1,552
Korean active strategy	407	167	-120	47	-39	415
Korean long-short strategy	162	0	-24	-24	1	139
Korean strategic investment strategy	120	0	0	0	-4	116
Others	104	0	0	0	-10	94
Total	2,419	264	-159	104	-204	2,319

PMA	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Jun 30, 2010
Asian equity strategy	386	1	-31	-29	-33	324
Asian/Europe credit strategy	582	12	-106	-94	-43	444
Asian macro strategy	153	19	-2	16	-13	157
Others	292	87	-20	67	-2	357
Total	1,415	121	-160	-39	-92	1,284



Notes:

1. The figures stated above are truncated.
2. "Appreciation/Loss." contains any gains and losses from the exchange rate differential between March 31, 2010 and June 30, 2010.
3. The figures for June 30, 2010 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, 2010)

	Long-only Active (Commingled funds)	Mid & Small Caps	Long - Short (USD, Lev.2)	Long - Short	Strategic Investment
Composites	6.48%	1.78%	12.97%	2.43%	3.14%
Reference Index	-2.89%	0.63%	-1.26%	-4.51%	-3.45%
Excess Return	9.37%	2.41%	14.23%	6.94%	6.59%

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)	23.64%	18.56%	11.23%	6.74%	21.36%

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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