

**SPARX Group Co., Ltd.
Consolidated Financial Results for
the 2nd Qtr of the FY2010 (April, 2010 – March, 2011)**

November 25, 2010



SPARX Group Co., Ltd.

Financial Results for the 2nd Qtr of the FY2010 & Future Plans



“Achievements” and “Future Plans”

▶ **Achievements: Focus on establishment of management fundamentals for recovery**

- Reduction of cost so as to meet the break-even point in base earnings under the current AUM level
 - Regained a positive number in operating profit (before the amortization of goodwill)
- Built up the fundamentals of SPARX group to grow as one company
 - New management of subsidiaries by changing their CEOs
 - Lotte Group (Korean) did not exercise the second call option and the capital structure of Cosmo has been fixed.
 - Transfer of SIHK’s shares to MCP Asset Management
- Launched new products based on the SPARX intelligence
 - Launched “SPARX Haitong Greater China Fund”



▶ **Future Plans: Accelerate the speed of recovery and establish the growth of revenue / sustainable profit**

- Recovery of SPARX group’s subsidiaries and increase AUM of the group as one company
 - Recovery of Japan business (SAM), maintaining good performance (Cosmo), aiming for a recovery (PMA)
 - Increase of AUM by implementing marketing activities of current products by the group as one company
- Quantum leap by launching new investment strategies
 - SPARX’s unique products by introducing SPARX investment hypothesis
 - Launch “Pan-Asia Long-Short investment strategy”
 - Launch “Pan-Asia Long-only investment strategy”
 - Launch “SPARX Green Society Fund” focusing on green technologies



Summary of 2nd Quarter (April - September 2010) (Overview)

Due to the major cost reduction, the base earnings are at the break-even point under the current AUM level.

- ▶ Operating Revenue : 3.72B JPY (YoY: -11.1%)
- ▶ Operating & General Admin. Exp.: 4.04B JPY (YoY: -6.9%)
- ▶ Operating Loss: -0.31B JPY (2nd Qtr of FY2009: -0.14B JPY)
- ▶ Net Loss: -1.21B JPY (2nd Qtr of FY2009: -0.11B JPY)

- ▶ Shareholders' Equity : 16.21B JPY (as of March, 2010: 18.23B JPY)

Operating Loss (before goodwill amortization: 0.46B JPY (2nd Qtr of FY2009: 0.09B JPY))



By pursuing the “Asia business with SPARX group competence”, SPARX aims to increase its revenue and to achieve its sustainable profit-making.



Note:

Operating loss (before goodwill amortization) does not include “Losses & gains from selling or buying investment securities (2nd Qtr of FY2009: 0.44 B JPY, 2nd Qtr of FY2010: nil.)

Summary for 2nd Quarter (Profit-and-loss statement)

- ▶ Operating Revenue: 3.72B JPY (YoY: -11.1%)
 - Performance fee (0.87B JPY) and other operating revenue (0.30B JPY) showed positive results.
 - The management fee is on the slow road to recovery. (2.54B JPY, YoY: -23.5%)
 - Average of AUM decreased by 10.2%. (616.0B JPY)
 - Net management fee rate decreased. (0.72%)
- ▶ Operating and General Administrative Expenses: 4.04B JPY (YoY: -6.9%)
 - Extraordinary factor (payment of severance package to key members of overseas subsidiaries, etc.) caused a large size of expenses.

⇒ Operating Loss: -0.31B JPY (2nd Qtr of FY2009: -0.14B JPY)

Operating Loss (before goodwill amortization: 0.46B JPY (2nd Qtr of FY2009: 0.09B JPY))

- ▶ Non-operating revenues (0.27B JPY)、Non-operating expenses (0.44B JPY)
 - Exchange loss had the significant impact.
- ▶ Extraordinary profit (0.04B JPY)、Extraordinary loss (0.41B JPY)
 - Due to introduction of the new accounting rules on asset disposals and the additional loss of corporate streamline initiatives

⇒ Net Loss: -1.21B JPY (2nd Qtr of FY2009: -0.11B JPY)



Note:

Operating loss (before goodwill amortization) does not include "Losses & gains from selling or buying investment securities (2nd Qtr of FY2009: 0.44 B JPY, 2nd Qtr of FY2010: nil.)"

Financial Highlights

		<u>FY2009</u>		<u>FY2010</u>	
		Apr – Sep 09	Full Year	Apr – Sep 10	YoY Change
Average AUM	(100MM JPY)	6,860	6,527	6,160	-10.2%
Operating Revenue	(MM JPY)	4,193	7,893	3,726	-11.1%
Operating & General Administrative Expenses	(MM JPY)	4,342	8,852	4,040	-6.9%
Operating Profit	(MM JPY)	-149	-959	-314	-
Recurring Profit	(MM JPY)	-253	-446	-487	-
Net Profit	(MM JPY)	119	398	-1,217	-
Number of Employees (as of the period-end)		208	203	176	-15.4%
TOPIX (as of the period-end)		909.84	978.81	829.51	-8.8%



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 subsidiary (PMA Capital Management Limited). The figures for September 30, 2010 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		FY2009		FY2010	
		Apr - Sep 2009	Apr 09 - Mar 2010	Apr - Sep 2010	YoY change (%)
Management fees	(MM JPY)	3,323	6,012	2,541	-23.5%
Net management fee rate	(%)	0.82%	0.79%	0.72%	-0.10
Performance fees	(MM JPY)	321	805	876	172.8%
Losses & gains from selling or buying investment securities	(MM JPY)	442	442	-	-
Other operating revenue	(MM JPY)	105	631	308	192.0%
Total operating revenue	(MM JPY)	4,193	7,893	3,726	-11.1%
Percentage of AUM eligible to earn performance fees		FY2009		FY2010	
		Apr - Sep 2009	Apr 09 - Mar 2010	Apr - Sep 2010	YoY change (%)
SPARX Asset Management Co., Ltd.	(100MM JPY)	1,449	1,203	1,081	-25.4%
	(%)	47.0%	43.1%	44.3%	-2.7
Cosmo Investment Management Co., Ltd.	(100MM JPY)	1,925	2,037	1,959	4.8%
	(%)	87.7%	84.2%	81.1%	-6.5
PMA Capital Management Limited	(100MM JPY)	1,001	918	546	-45.5%
	(%)	72.7%	64.9%	52.7%	-20.0
Total	(100MM JPY)	4,377	4,158	3,587	-18.0%
	(%)	65.7%	62.8%	60.9%	-4.8

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



Details of Expenses

(Units: MM JPY)	Category	FY2009		FY2010	
		Apr.- Sep. 2009	Full Year	Apr. – Sep. 2010	YoY change
		Bonus 72 MM JPY		Bonus 696 MM JPY	
Commissions paid	Operating	505	960	327	-35.3%
Personnel exp.	General admin.	1,428	3,379	1,797	25.9%
Entrusted fund admin. fees	Operating	90	127	35	-60.8%
Travel exp.	General admin.	121	219	98	-18.9%
Property rent	General admin.	433	732	249	-42.6%
Entrusted business expenses	General admin.	367	646	211	-42.5%
Depreciation on fixed assets	General admin.	108	202	80	-25.5%
Other expenses	General admin.	602	1,062	458	-24.0%
Amortization of goodwill	General admin.	684	1,522	782	14.3%
Total: Operating and general administrative expenses		4,342	8,852	4,040	-6.9%

5.54B JPY (2009)
Ordinary expenses
(annualized) 4.47B JPY (2010)



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, 57 MM JPY (2Q of FY2009) and 49 MM JPY (2Q of FY2010) are posted in non-operating income.
4. Other expenses (2Q of FY2010) includes "Other expenses (Operating)" and "Other expenses (General admin.)".

Consolidated “Base Earnings”

Net management fee revenue vs. annualized ordinary expense

		<u>FY2009</u>	<u>FY2010</u>
		(Full Year)	Apr – Sep 10 (Annualized)
Average AUM	(100 MM JPY)	6,527	6,160
Net management fee rate (After the deduction of commissions paid)	(%)	0.79	0.72
Annualized net management fee revenue (After the deduction of commissions paid)	(MM JPY)	5,135	4,428
Annualized ordinary expenses	(MM JPY)	5,543	4,470
Annualized “Base earnings”	(MM JPY)	▲ 408	▲ 42

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.



Summary for 2nd Quarter (Balance sheet)

- ▶ **Assets: 33.17B JPY (36.77B JPY: as of Mar 31, 2010)**
 - Cash and cash equivalent: 12.36B JPY (15.27B JPY: as of Mar 31)
 - Investment securities (8.39B JPY): The significant portion is seed money to SPARX funds.

- ▶ **Liabilities: 15.01B JPY (15.68B JPY: as of Mar 31, 2010)**
 - Long-term borrowings due within 1yr (3.00B JPY), Long-term borrowings (5.00B JPY), Corporate bond (4.90B JPY)

- ▶ **Net Assets: 18.15B JPY (21.08B JPY: as of Mar 31, 2010)**



Maintained the healthy Balance Sheet and liquidity

Balance sheet summary

(Units: MM JPY)	<u>Mar. 2010</u>	<u>Sep. 2010</u>	<u>YoY change</u>
Current assets	19,090	15,457	-19.0%
Cash and cash equivalents	15,270	12,364	-19.0%
Securities	726	584	-19.5%
Fixed assets	17,684	17,714	0.2%
Goodwill	7,623	8,655	13.5%
Investment securities	9,254	8,392	-9.3%
Total assets	36,774	33,172	-9.8%
Long-term borrowings due within 1yr	3,000	3,000	0.0%
Corporate bond	5,000	4,900	-2.0%
Long-term borrowings	5,000	5,000	0.0%
Total liabilities	15,689	15,018	-4.3%
Common stock, Add. Paid in Capital	26,696	26,717	0.1%
Retained earnings	-3,868	-5,086	-
Common stock in treasure at cost	-4,438	-4,438	-
Minority interests	2,715	1,835	-32.4%
Total Net Assets	21,084	18,153	-13.9%

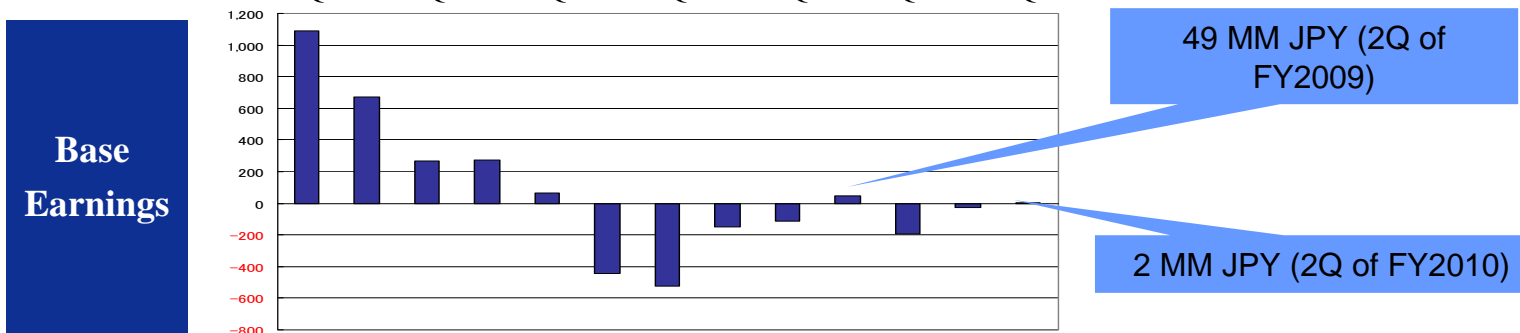
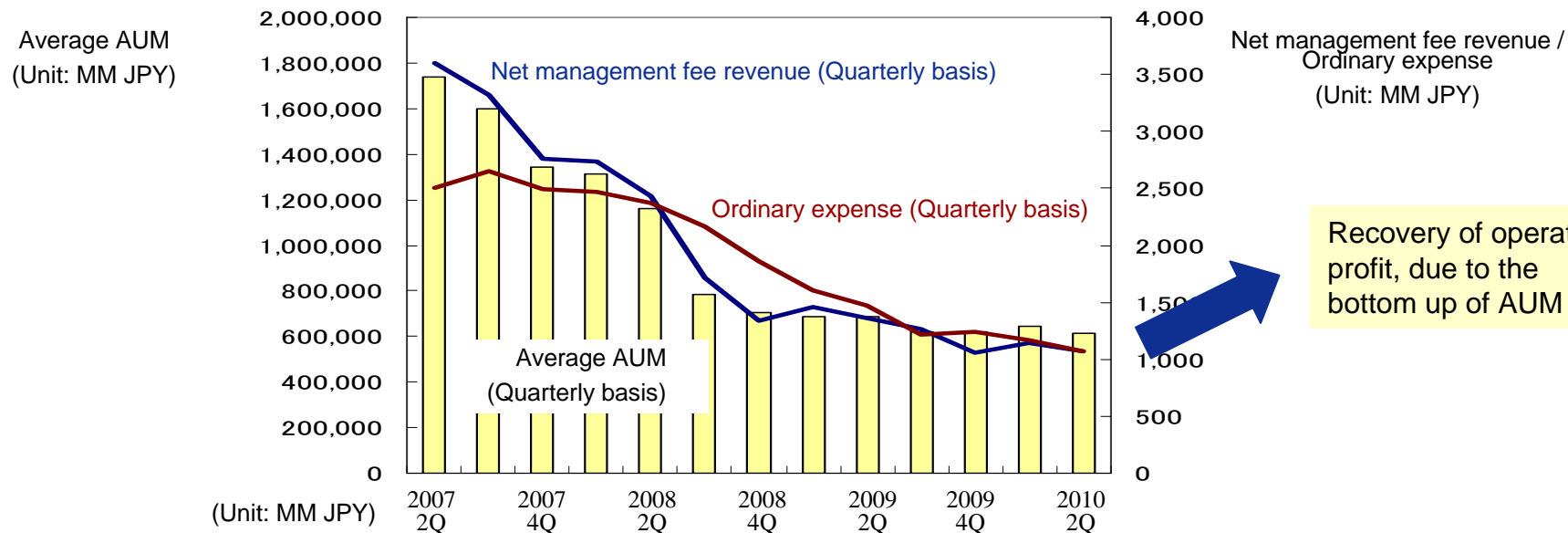
Note:

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



“Base earnings (Quarterly basis) reached to the break-even points.

Movement of average AUM / net management fee revenue / ordinary expenses / base earnings (Quarterly basis)



Note:

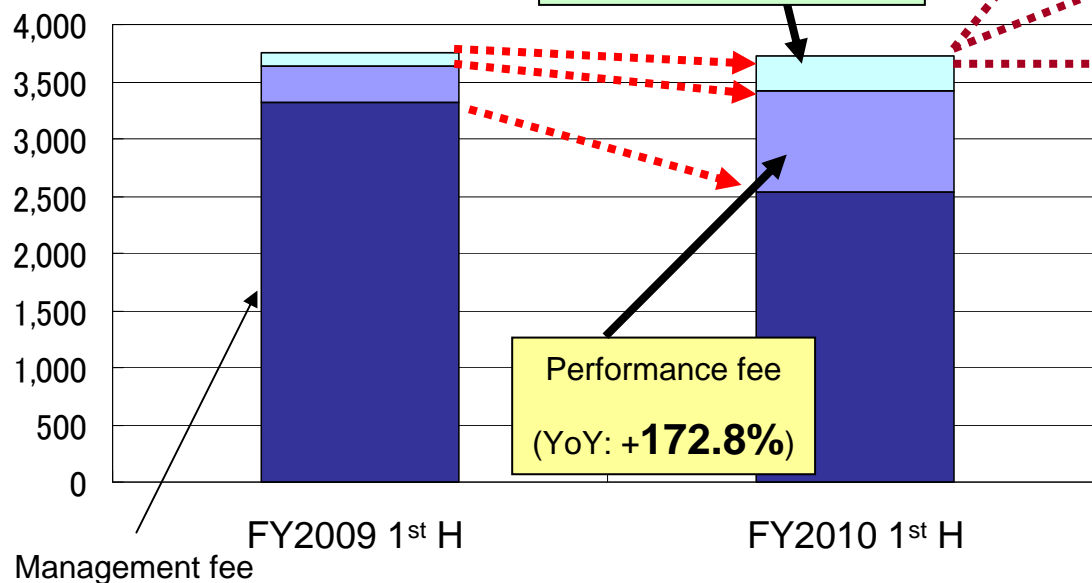
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Increase operating revenue by “growth of each subsidiary” and “quantum leap as a group”

Movement of management fee / performance fee / other revenue (quarterly basis)

(Unit: MM JPY)



2

Quantum leap

- SPARX's unique products (Pan-Asia Long/Short investment strategy, etc.)

1

Organic growth

- Recovery of performance fee
 - Maintain competitive performance
- Recovery of AUM based on good performance

(Note) The above-mentioned chart does not include the “Losses & gains from selling or buying investment securities”.

Achievements of 2nd Quarter for recovering the revenue

Built up the fundamentals of SPARX to grow as one company

- ▶ Started the new organization with new CEOs of subsidiaries as one company
 - Cosmo: July 2010, assigned new CEO, SHC dispatched Co-CEO.
 - PMA: October 2010, assigned new CEO, SHC dispatched Vice Chairman.
- ▶ Lotte Group (Korea) did not exercise 2nd call option. SPARX and Lotte will collaborate for developing Cosmo's corporate value.
 - Maintain Cosmo's shareholders' structure (SPARX: 70.1%, Lotte 29.9%)
 - No change in Cosmo's management and corporate strategy
- ▶ Transfer of SIHK's shares to MCP Asset Management

Launched "SPARX Haitong Greater China Fund"

- Trust period: from November 30, 2010
- Collaborating with Haitong Securities Co., Ltd., the largest financial group in China
- Enhanced SPARX distribution channel through a joint partnership with Toyo Securities Co., Ltd. that has the expertise in Asian products



Cosmo: New management member



▶ Hahn Sull, CEO

- Joined Cosmo in July, 2010
- 21 years of industry experience
- Founded and managed OOJOO Capital Partners Pte., Ltd.; Fund manager at Morgan Stanley I.M.
- Education: Columbia University (B.A. in Economics)



▶ Toshifumi Shimanaka, Co-CEO

- Graduated from Keio University with a B.A. in Business in 1982. Started his career as marketing planner at Toyota Motor Corporation. In 1989, he earned a MBA degree at the University of Chicago. In 1990 he joined McKinsey & Company where worked on management consulting. Then, joined UFJ Bank as a M&A officer.
- In 2005, he joined SPARX Securities Co., Ltd.



PMA: New management member



▶ Takahisa Matsuura, Vice Chairman

- Apr. 1974 Joined Nomura Securities Co., Ltd.
- Jun. 1997 Joined Nomura Asset Management Co., Ltd.
- Dec. 2000 Joined Mizuho Securities Co., Ltd.
- Jun. 2008 Established TM Advisor Co., Ltd.
- Jan. 2010 Joined SPARX Group
- Mar. 2010 Appointed Vice Chairman of PMA Investment Advisors Limited (present)
- Jun. 2010 Appointed Director of SPARX Group Co., Ltd.

▶ Kam Bahra, CEO

- Over 20 years experience in financial control within the investment banking industry
- Before he was promoted to CEO, he was the COO of PMA.
- Prior to joining PMA, he worked for Deutsche Bank, Credit Suisse First Boston, etc.
- Bachelor of Science Degree in Aeronautical Engineering from University London



1 SAM Status

▶ Current Status : "Strive for its Recovery"

- Continued improvement of performance of Japanese equity investments
- Subscriptions from large overseas funds
 - High evaluation on Japanese equity investment performance and its product uniqueness (Smart Grid fund)
- Established mutual funds based on regions in Asia (especially greater China)

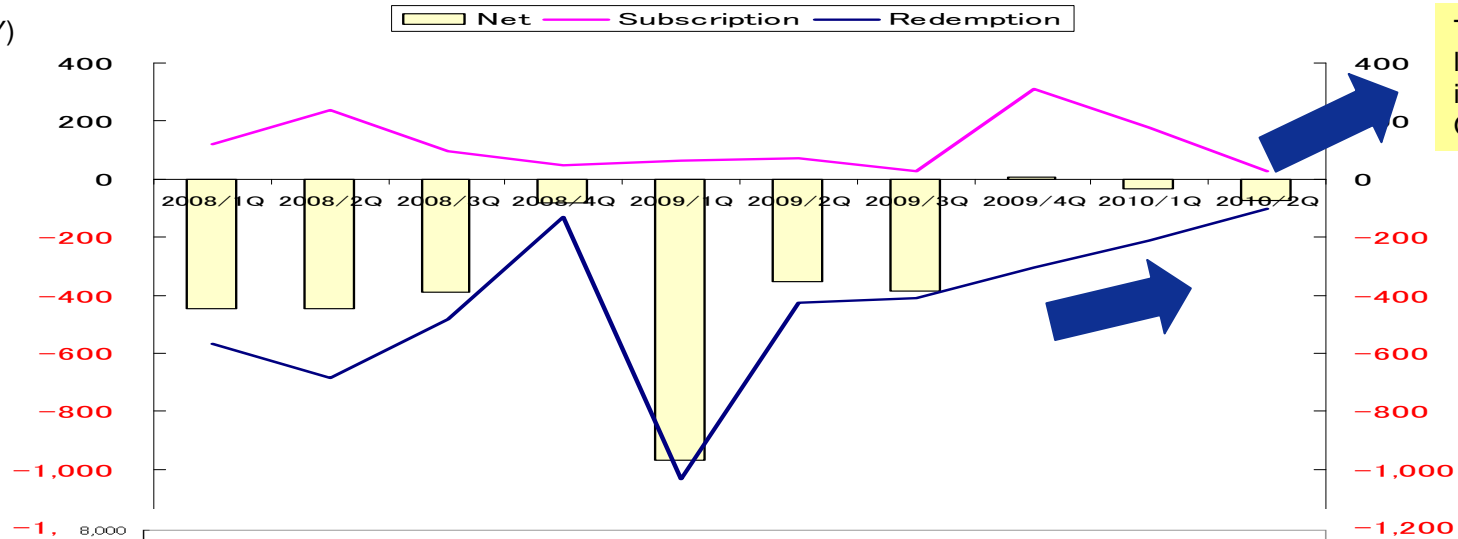
▶ Future Challenges :

- Strive for taking advantage of Japanese equity market recovery
- Overcome an unbalance of product line-ups and mismatching between the product and size of organization
- Contribute to SPARX' s growth as a whole

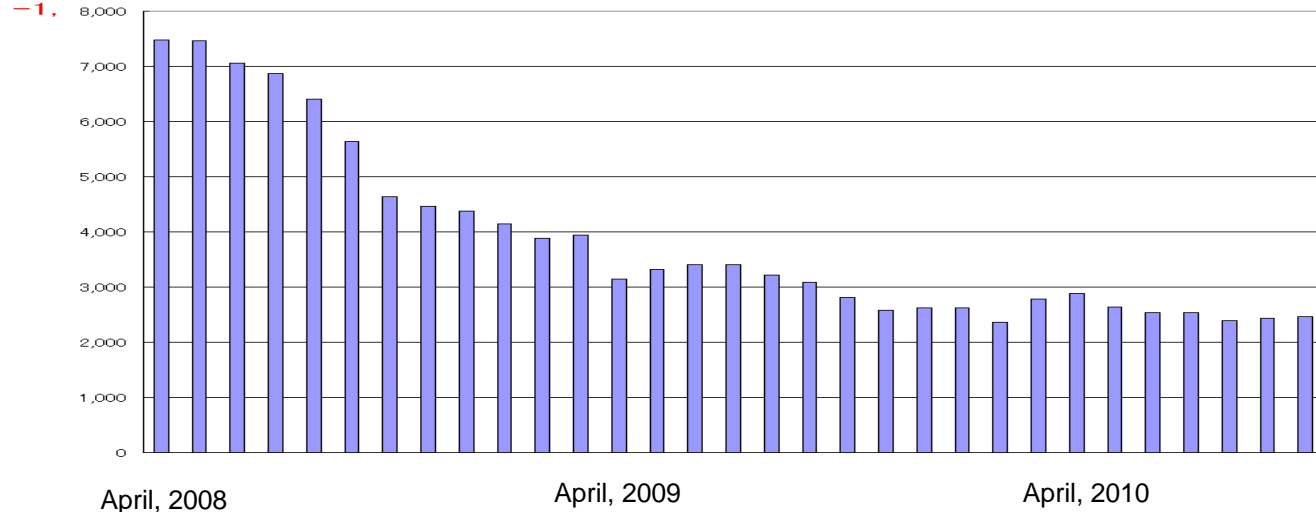


SAM: AUM redemption decreased. The trend of significant subscriptions.

(Unit: 100 MM JPY)



The subscription of large-sized institutional investor (12.5 B JPY, Oct. 2010, etc.)



246.4 B JPY
(as of the end of Oct., 2010)



1 Cosmo Status

▶ Current Status :

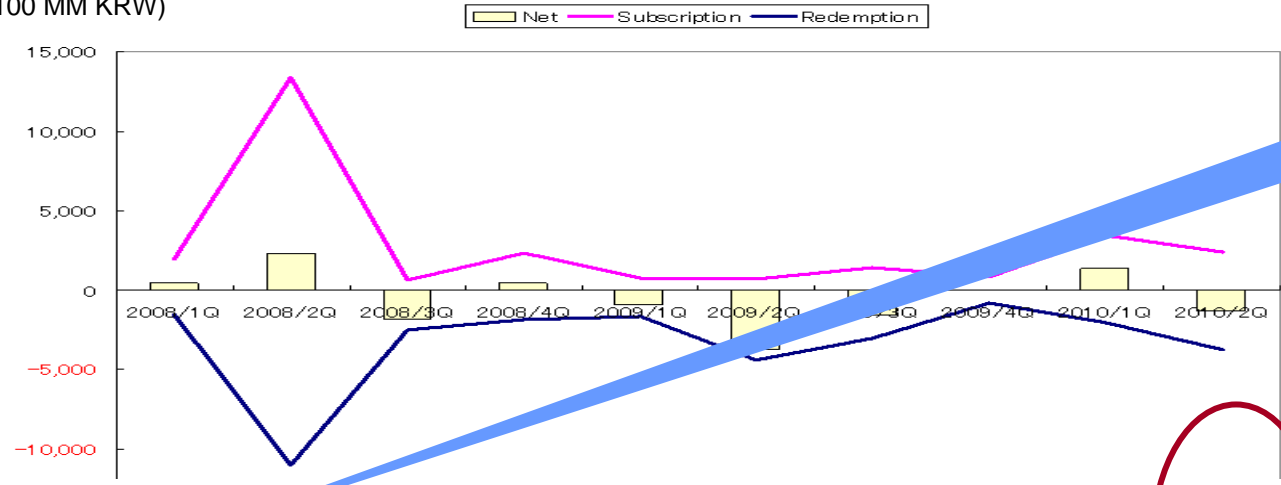
- Excellent performance of investment and its high evaluation
 - Increase in performance fee
- New record for high AUM value
- Changes for better in regulatory environment including mutual fund business license
 - Collaborate with Lotte Group in Korea to expand its opportunities

▶ Future Challenges :

- Recovery from redemptions by overseas clients: Not only to maintain local client base in Korea, but also to re-expand and re-establish global client base --- Work closely with other SPARX companies to promote aggressively
- Expansion of product range / diversification of distribution channels
- Contribute to the growth of SPARX group as a whole
 - Strive for penetrating into Japanese market

Cosmo (in KRW) : Cosmo achieved a new record in AUM. The change of top management caused some redemptions.

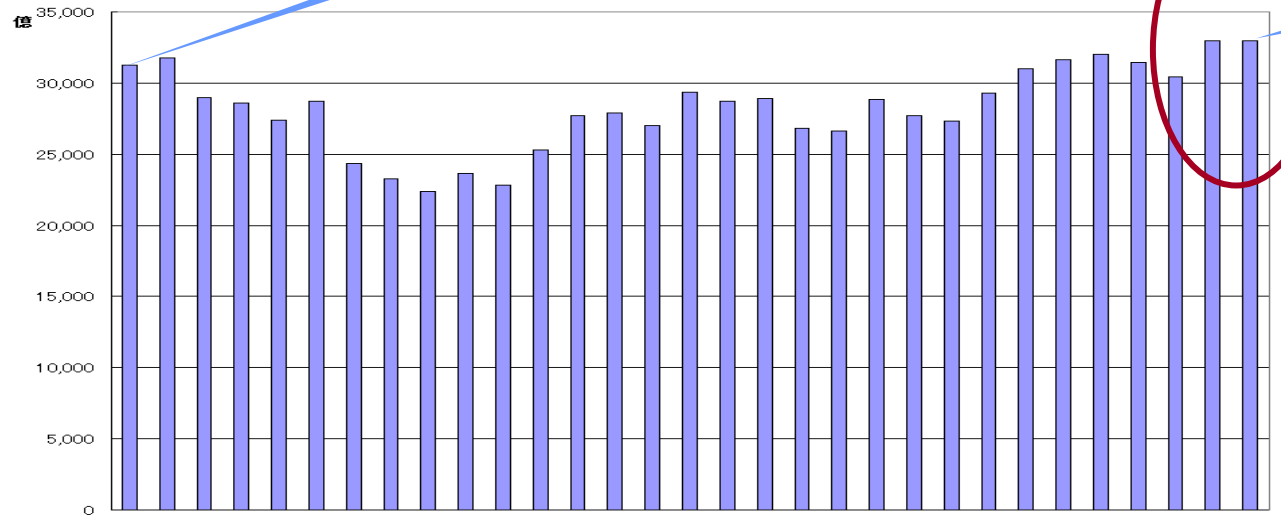
(Unit: 100 MM KRW)



As of April, 2008
 3,127.0B KRW
 325.9B JPY



As of Oct., 2010
 3,300.1B KRW (+5.5%)
 236.2B JPY (-27.5%)



April, 2008

April, 2009

April, 2010

1 PMA Status

▶ Current Status: "Striving for its Recovery"

- AUM figure is not so much optimistic, yet high evaluation on investment performance
 - Significant increase in performance fees due to high performance on macro funds
 - Nominated for Asia-Hedge awards and high performance assessment from market
- Other revenue increased, which was derived from existing business opportunities

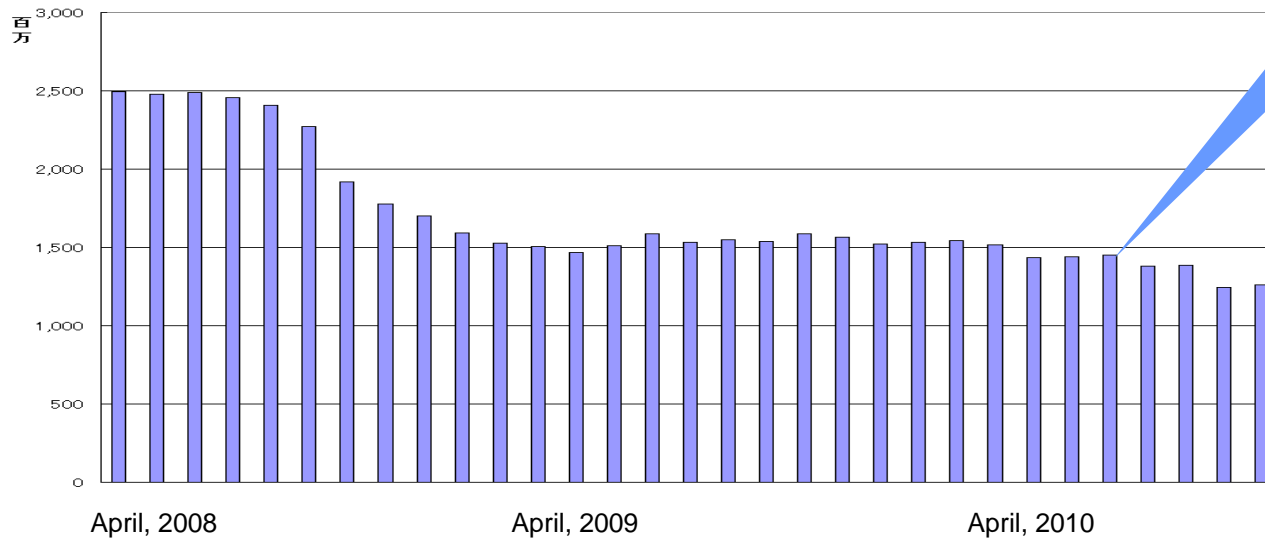
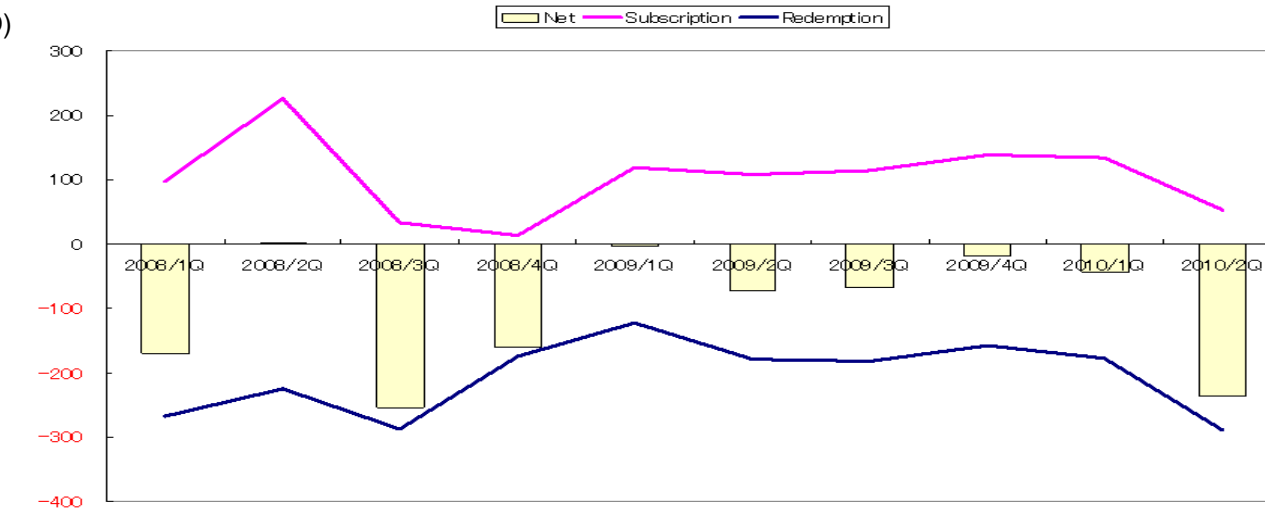
▶ Future Challenges:

- Re-establish its portfolio for existing fund clients
 - Acquire new/additional clients to recover the result of redemptions due to top management change
- Strive for greater business opportunities
 - Use Asian network, which has been developed by our asset management business
- Contribute to the growth of SPARX group as a whole
 - Become central core for Asian business expansion



PMA (in US\$): Stable trend of subscriptions / The change of top management caused some redemptions.

(Unit: MM USD)



As of April, 2010
 1,433MM US\$
 134.7B JPY



As of Oct., 2010
 1,258MM US\$ (-12.2%)
 101.3B JPY (-29.5%)



2

Revenue Growth Action Plan—①

Launch “Pan-Asia Long-Short investment strategy”

- ▶ Plan to Set up the funds within this fiscal year
 - Plan to increase the fund to 0.2-0.3B USD in one year from its initial operation
 - Identify Asian business with remarkable growth based on our through analysis on Japanese business opportunities
- ▶ Completion of re-building of the management structure
 - Setting up the comprehensive analyst team globally
 - Consisting of fund managers from SHC, PMA, and Cosmo who have achieved great performance in the past
- ▶ Analyze and understand the Asian market dynamics
 - Especially focusing on eco-friendly technology, agriculture, commodity, lifestyle and so forth



2

Revenue Growth Action Plan – ②

Launch “Pan-Asia Long-only investment strategy”

- ▶ Collaborate, operate and engage in investment management closely together among Japanese professionals and Asian professionals

Establish SPARX Green Society Fund based on Green Technology

- ▶ Possible subscriptions from overseas institutional clients, amounting to approx. 20-30 B JPY



Appendix



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

(Units: 100 MM JPY)

Companies	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Sep 30, 2010
SPARX Asset Management Co., Ltd.	2,783	205	-313	-108	-234	2,440
Cosmo Investment Management Co., Ltd.	2,419	453	-452	0	-5	2,414
PMA Capital Management Limited	1,415	165	-411	-246	-130	1,038
SPARX Group Co., Ltd. (Total)	6,618	823	-1,178	-355	-370	5,892



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

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

(Units: 100 MM JPY)

SPARX Asset	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Sep 30, 2010
Long-short strategy	759	29	-75	-45	-12	702
Strategic (or "Focused") investment strategy	205	15	-38	-23	-20	160
Multi-manager alternative investment strategy	173	0	-19	-19	-17	137
All Cap strategy	339	6	-27	-21	-38	279
Mid-small cap strategy	1,253	40	-102	-61	-142	1,049
Others	51	113	-50	62	-3	111
Total	2,783	205	-313	-108	-234	2,440

COSMO	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Sep 30, 2010
Korean index-relative strategy	1,622	184	-48	136	11	1,770
Korean active strategy	407	267	-194	73	-83	398
Korean long-short strategy	162	0	-96	-95	56	123
Korean strategic investment strategy	120	0	-24	-24	8	105
Others	104	0	-89	-89	0	16
Total	2,419	453	-452	0	-5	2,414

PMA	March 31, 2010	Subscription	Redemption	Net	Appreciation etc.	Sep 30, 2010
Asian equity strategy	386	1	-144	-142	2	246
Asian/Europe credit strategy	582	19	-221	-201	-87	292
Asian macro strategy	153	58	-4	53	-50	157
Others	292	85	-41	44	5	342
Total	1,415	165	-411	-246	-130	1,038



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 September 30, 2010.
3. The figures for September 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 September 30, 2010)

	Long-only Active (Commingled funds)	Mid & Small Caps	Long - Short (USD, Lev.2)	Long - Short	Strategic Investment
Composites	6.35%	1.42%	12.86%	2.54%	3.36%
Reference Index	-2.88%	-0.83%	-0.85%	-4.46%	-3.43%
Excess Return	9.23%	2.25%	13.71%	7.00%	6.79%

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)	23.49%	18.52%	11.14%	6.70%	21.30%

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

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>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.

Gate City Ohsaki East Tower 16F
1-11-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032,
Japan
Tel: +81-(0)3-5437-9700

