

# SPARX

S P A R X  
C O M P A N Y  
R E P O R T

Vol. **5**

[Apr.1 2008–Mar.31 2009]





SPARX Group (hereinafter "SPARX") has vowed to become the world's most trusted and respected investment company by delivering to investors in Japan and across the globe the highest level of creative and innovative investment intelligence based on a consistent investment philosophy.

We at SPARX constantly strive to be a cut above, to reach the pinnacle of our profession. We look forward to new and difficult challenges. Though the times and the business environment may change, we never lose sight of our starting point: a set of principles we call the "Spirit of ARTS."

## A ggressive

We will always act with an aggressive approach, reflecting our belief that bold and decisive actions enable us to make the best decisions with the best information.

## R esponsive

We will always act with speed and precision, reflecting our belief that alertness and agility are the best ways to deal with change.

## T horough

We will always act with discernment and care, reflecting our belief that innovative knowledge is created when one is meticulous and complete.

## S ympathetic

We will always act with sympathy and dignity, reflecting our belief that treating clients and colleagues with empathy, sincerity and respect lead to harmony, goodwill and mutual growth.

## SPARX is moving forward to pursue its long-standing vision of becoming the most trusted and respected investment company in the world.

A key event in the year ended March 31, 2009 was the bankruptcy of the U.S. securities firm Lehman Brothers on September 15, 2008. World financial markets had already been destabilized by the subprime mortgage problem in the United States, and the bankruptcy triggered a global financial crisis that has since caused a dramatic fall in the value of financial assets, and forced financial institutions and investors throughout the world to downsize their balance sheets and liquidate assets. The collapse of the housing bubble in the United States and the paralysis of financial intermediation systems have meanwhile had a major impact on the real economy, pushing the world economy into a downward spiral comparable to the Great Depression.

Business conditions in the Japanese stock market have also become increasingly difficult. Foreign investors are pulling their money out of the market at an accelerating pace, and SPARX has also experienced withdrawals of funds by some clients.

We have implemented a range of management reforms in response to this situation, including two voluntary retirement solicitations in October 2008 and February 2009. However, continuing caution is needed because of the uncertain outlook for business conditions affecting our asset management business. We are preparing for a future turnaround by building a business and cost structure that will allow us to generate reliable income streams in the new fiscal year and beyond.

In December 2008, we signed a contract providing for the sale of part of our shareholding in the South Korean company Cosmo Investment Management Co., Ltd. ("Cosmo") to companies affiliated to the Lotte Group. The South Korean mutual fund market offers significant growth potential, and we believe that the brand profile of the Lotte Group in the country will further accelerate Cosmo's growth.

Governments in many countries have responded to the continuing global slump by aggressively easing monetary policies and expanding their fiscal expenditure. These measures are expected to reduce the turmoil in financial markets and bring about a gradual recovery trend in the real economy. Another positive sign is the emergence of new industries in response to "Green New Deal" policies implemented by various governments and other factors.

Many companies appear undervalued in the wake of the recent financial upheavals. Although conditions are still challenging, SPARX is firmly convinced that we are now entering a period of rare opportunities. We are determined to identify the investment opportunities that emerge in times of major change in the world, and to turn those opportunities into future growth drivers.

As Chief Executive Officer, I will redouble my efforts to ensure quality decision making that will open the way for SPARX to become the world's most trusted and respected asset management company. We look forward to your continuing support.

President & CEO Shuhei Abe



We responded quickly to the worsening business environment through management reforms and exhaustive cost reductions, thereby laying the groundwork for a future recovery.

### Q1. Please sum up the business environment in the year ended March 31, 2009. What is your assessment of market trends and your business results?

As said previously, the Lehman Brothers bankruptcy on September 15, 2008 came at a time when world financial markets were already in turmoil because of the U.S. subprime mortgage crisis. This situation subsequently escalated into a global financial crisis, whose aftershocks continue to have a serious negative impact on real economies worldwide. Because Japan relies on external demand for a large percentage of its economic growth, the impact on the Japanese economy has been especially severe. Faced with a credit crisis and a global slump comparable to the Great Depression, financial institutions and investors worldwide have been forced to downsize their balance

sheets and sell off assets. The market prices of financial risk assets, including Japanese shares, have fallen sharply.

Some economists have characterized this rapid deterioration in financial markets and the real economy as the worst downturn in a century. The impact on our business environment has been significantly greater than we anticipated, and in the year under review we recorded a loss for the first time in our history. In addition to negative results from our core asset management business, we also recorded impairment losses on our holdings of securities issued by subsidiaries. Consequently, our results for the year ended March 31, 2009 include an operating profit loss of ¥8,045 million, an ordinary profit loss of ¥8,259 million and a net income loss of ¥23,317 million.

We responded quickly to the downturn by implementing a series of management reforms, including two voluntary retirement solicitations

in October 2008 and February 2009. Items relating to these management reforms amounted to ¥880 million in cost reductions. There was also extraordinary income of ¥3,983 million resulting from the sale of part of our shareholding in Cosmo to companies affiliated to the Lotte Group.

We believe that we made significant progress toward developing a business and cost structure capable of generating reliable income streams. We achieved this through exhaustive cost minimization measures and efficiency improvements, strategic allocation of resources to our core business, and a comprehensive review of our management organization.

While the outlook for business conditions remains uncertain, governments around the world have responded to the global financial crisis with coordinated monetary and fiscal measures. There are now indications that these steps are starting to produce major

changes in the world economic structure and the investment environment. The Japanese stock market was sold down heavily during the financial turmoil, but signs of growth are now emerging. We are determined to link each growth opportunity to the recovery and resurgence of the SPARX.

### Q2. What were the reasons for your decision to sell part of your shareholding in Cosmo to Lotte Group affiliates?

In 2005, we formed a capital tie-up with Cosmo in preparation for the establishment of the Center for Asia Investment Intelligence. In December 2008, we signed a contract providing for the sale of some of the shares issued by Cosmo to companies affiliated to the Lotte Group. In a press release in June 2008, we announced that we had initiated studies

concerning the establishment of a capital tie-up with the Lotte Group of South Korea. With this sale, we have turned that concept into reality.

The South Korean investment mutual fund business has considerable growth potential, and Cosmo has been working to raise its profile in the market with the aim of expanding its business. Lotte, which is one of the biggest of South Korea's chaebol groups, has established a foothold in the financial sector by acquiring a non-life insurance company and a card company. It was looking for a strong asset management company as a vehicle for expansion into the pension management and mutual fund markets, which are expected to grow dramatically. The content of the contract reflects the convergence of strategic goals among SPARX, Cosmo and the Lotte Group. The brand profile of the Lotte Group in South Korea is expected to trigger further growth for Cosmo.

We see this kind of alliance as one of the models that we can use to provide Asian investment intelligence to investors worldwide through the SPARX's networks.

### Q3. In the year ended March 31, 2009 SPARX recorded its first loss ever. What progress have you made through your two restructuring programs, and what recovery policies will you implement?

We implemented two major management reform programs in October 2008 and February 2009, in response to the dramatic changes that began to affect our business environment in the second half of the fiscal year. Their purpose was to build a business structure capable of generating reliable income streams. We substantially reduced directors' remuneration, reshuffled our Board

Our aim is to become an investment company that plays a central role in Asian investment intelligence.



of Directors and undertook a major review of our overseas subsidiaries. We also called for applications under voluntary retirement solicitations. Through these measures, we have improved our business structure and shifted to a cost structure commensurate with our current level of assets under management ("AUM"). We have significantly reduced the work force, including executives and temporary staff, of group companies other than Cosmo in South Korea and PMA Capital Management Co., Ltd. ("PMA") in Hong Kong. This is expected to result in recurrent cost savings.

One of our subsidiaries, SPARX Asset Management Co., Ltd., has made major changes to its management structure, including senior management positions. We have also implemented restructuring measures designed to create flat organizational structures for each of the SPARX's core business segments. We intend to improve efficiency and earning

power further by centralizing our business activities into six groups: the Investment Management Business Group, Investment Advisory Business Group, Mutual Fund Business Group, Securities Business Group and Corporate Business Group.

We are determined to restore the performance of the SPARX Group by creating streamlined business administration systems capable of supporting timely decisions. The aim of all these changes is to enhance our ability to provide clients and investors with attractive investments, and innovative products and services.

#### Q4. What areas do you see as growth areas, and what will you do to realize that growth potential?

First, as we have previously stated, we believe that there are major investment opportunities in Asia, especially in Japan. Since the

emergence of the subprime mortgage crisis in the United States, Asian economies have been seriously impacted by the downturn in the West. However, China and other emerging economies are already starting to shake off the effects of the global recession. While the advanced economies are expected to register negative growth in fiscal 2009, the growth rates of emerging economies are likely to remain in positive figures. This situation will further raise the profile of emerging economies in the world economy.

Asia's emerging economies have grown as production centers for consumer goods destined for the West and are now catching up with the advanced economies. Rapid economic growth has brought a dramatic rise in the spending power of individuals. In the future, this region can be expected to develop as an economic sphere in its own right. Because of its enormous population, it is

also likely to become one of the world's most important consumer markets.

Japan is geographically close to Asia's emerging markets and has many cultural similarities. Japanese companies have established brands that are highly regarded in these countries. We see this region as one with high growth potential in both relative and absolute terms, and where Japanese companies can play a major role.

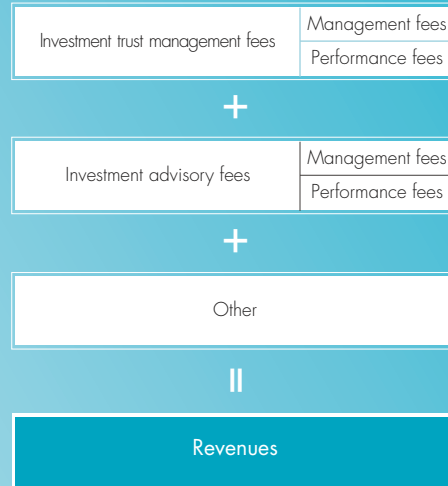
Second, governments have taken coordinated action, including monetary easing and demand stimulation through fiscal expenditure, in response to a worldwide demand shortfall caused by the global recession. One of these demand-stimulating initiatives is the Green New Deal policy, which focuses on the development and implementation of alternative energy technologies that can reduce the burden on the global environment. Environmental initiatives leading to the creation of a low-carbon

society have become a key area of interest for businesses. There is also concern about the limitations of socio-economic structures that are dependent on fossil fuels. Many countries are now implementing green energy projects as part of their efforts to generate demand, and significant growth can be expected in this area in the future. Japanese companies have highly efficient economic structures that were developed in response to the oil shocks of the 1970s, and have accumulated significant resources of basic alternative energy technology through continuous innovation. As governments implement Green New Deal policies, there is a strong possibility that Japanese companies will gain increasing recognition for their technologies.

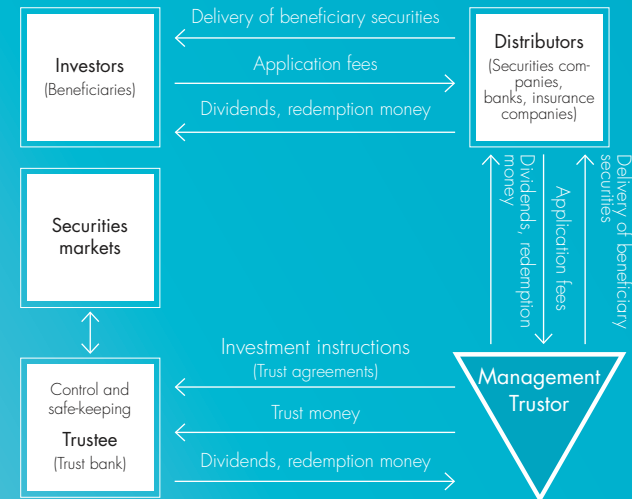
SPARX aims to create new growth opportunities by discovering new development paths for Japanese companies whose potential in these two areas has not yet been

recognized in the markets, including the potential of their technology, brands, products and service and sales networks, and by linking that growth to investment. We are determined to lay the foundation for a new phase of success for SPARX by accurately identifying growth opportunities for Japanese companies, and by packaging those companies into funds that can be supplied to investors through efficient subscription systems.

## Revenue Structure



## Investment Trust (Contract Type) Structure (Note)\*



## Business Model

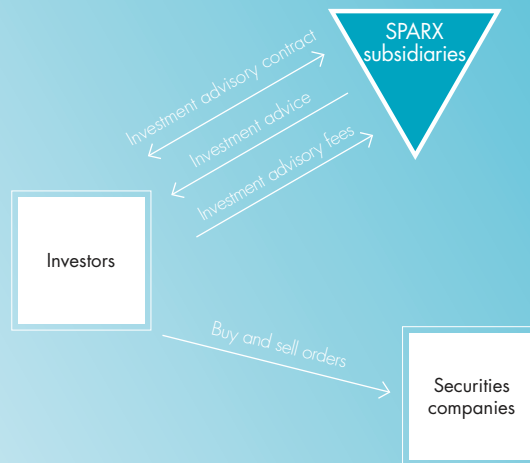
The majority of SPARX's operating revenues consist of income from the investment advisory business. Revenues from the investment advisory business can be broadly divided into management fees, calculated by multiplying the balance of assets under management "AUM" by the asset management fee rate, and performance fees based on asset management results. Management fees are received for all investment advisory business contracts. SPARX strives to receive performance fees from as many contracts as possible through negotiations with investors and distributors. At the end of March 2009, the percentage of AUM subject to performance fees was 66.9% (for details, refer to AUM Data on page 16). In addition, brokerage commissions from SPARX Securities Co., Ltd. and other income are booked under other operating revenue.

### Investment Trust Management Business

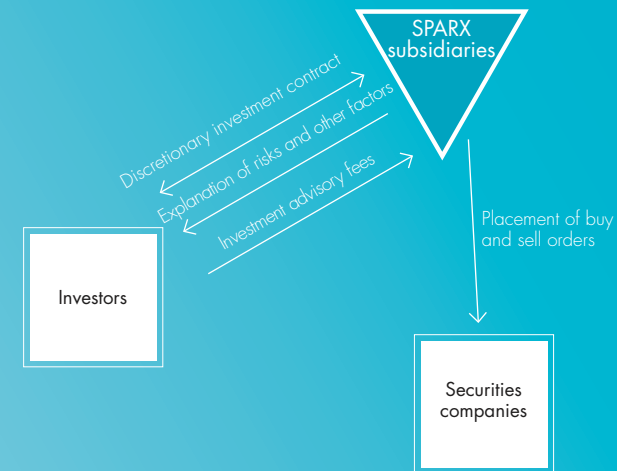
The investment trust management business involves the establishment and operation of investment trusts by entering into trust agreements with trust banks (trustees) and issuing instructions for the operation of investment trusts. As an investment trust management company that specializes in trust operations (trustor), SPARX collects capital from investors (beneficiaries) for the purpose of investing in investment trusts, engages in diversified investment in negotiable securities (in the case of SPARX, primarily Japanese stocks), and distributes the proceeds (investment gain or loss) to investors.

\*Note: There are two types of investment trusts: contract-type and corporation-type trusts. The principal type in Japan is the contract-type investment trust, and all the Japanese investment trusts operated by SPARX are contract-type investment trusts. The chart to the left shows the structure of contract-type investment trusts.

## Structure of Investment Advisory Operations



## Structure of Discretionary Investment Management Operations



### Investment Advisory Business

The investment advisory business involves acting in a specialist's capacity to provide advice to investors on investment decisions about stocks, bonds and other negotiable securities (decisions about types of negotiable securities, issues, price, buy and sell timing and so forth).

The investment advisory business can be further subdivided into two categories: investment advisory operations and discretionary investment management operations. In investment advisory operations, SPARX enters into investment advisory contracts with investors and provides investment advice in accordance with the contract details. Investors themselves make the actual investment decisions and place buy and sell orders.

In discretionary investment management operations, investors entrust SPARX with the authority necessary to make all or some investment decisions and to place buy and sell orders on their behalf. SPARX enters into discretionary investment management contracts with investors and, in accordance with the contracts, makes investment decisions about negotiable securities in which to invest investors' assets and places buy and sell orders.

## Investment Capabilities — A Keen Eye for Current Opportunities

Throughout its history, SPARX has expounded the investment hypothesis based on a shift in Japan's socioeconomic system from a government and bureaucracy-driven system to a market-driven system. SPARX's basic business concept is to take advantage of this change in the socioeconomic system and provide optimal investment strategies.

When SPARX was founded, we invested primarily in over-the-counter small- and medium-cap stocks. The reason for this approach was that the impact of government and bureaucracy protection and regulation on small- and medium-cap companies is relatively small, and we believed that the next generation of growth companies would emerge from among these companies.

At that time, nearly no other asset management firms invested in small- and medium-cap stocks or rigorously engaged in bottom-up research, and only a few pursued direct research with such companies.

SPARX, however, placed importance on more deeply understanding the actual circumstances of companies by visiting them and talking directly with management. This is because we recognized that at small- and medium-cap companies the influence of management is powerful, and it is impossible to comprehend actual circumstances without directly approaching management. By implementing this research technique company-wide, we have established a high-quality bottom-up research method.

In conducting bottom-up research, SPARX focuses on three points of view: quality of earnings, market growth potential and management strategy. On that basis, we forecast the future earnings and other aspects of the companies we research and evaluate share value from the point of view of the actual circumstances affecting companies.

When that value has not been reflected in day-to-day stock prices, we regard the value gap that exists between market value and actual value as an investment opportunity. However, it is not sufficient merely to discover a value gap; it is important to examine whether a catalyst to eliminate the gap exists. After clearly ascertaining whether such a catalyst exists, we make an investment decision.

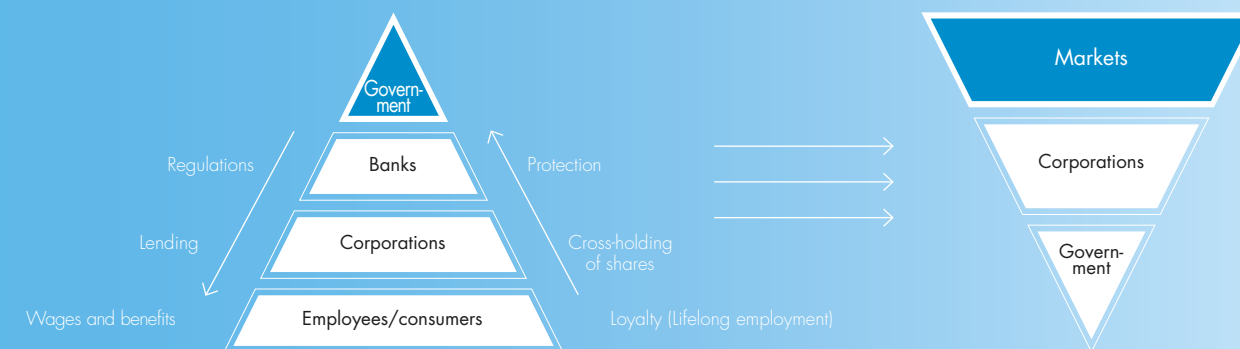
From the second half of the 1990s onward, SPARX has paid attention to the phenomenon of a "separation of winners and losers" that has occurred in the market. With the aim of producing stable returns regardless of the overall market direction by simultaneously taking long and short stock positions, we launched the Long-Short Strategy for Japanese equities.

Thinking that a separation of winners and losers was also occurring in the market for large-cap stocks, we launched the Active Strategy, which covers all listed companies.

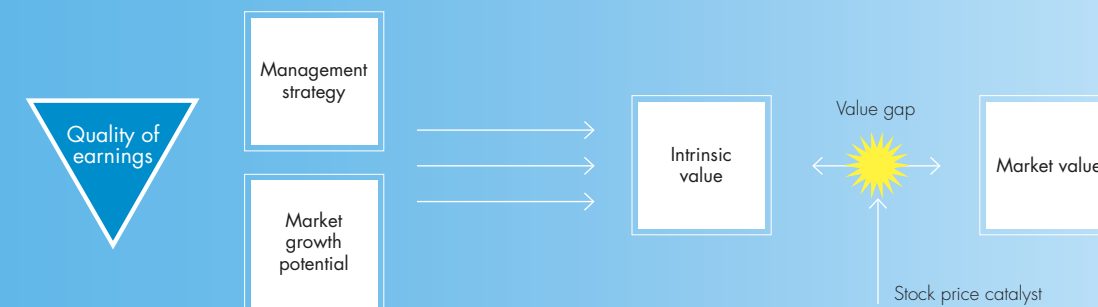
In addition, to capture new growth opportunities, we have launched the Strategic Investment Strategy and Value Creation Investment Strategy. Both of these concentrate investment of large sums in companies whose enterprise value SPARX can aim to increase.

We plan to deploy the investment strategies developed for Japanese equities in the greater Asian region. In addition to the existing Multi-Manager Alternative Investment Strategy and investment in South Korean equities, we would like to make use of the expanded range of investment vehicles encompassing the entire Asian region made available through the acquisition of PMA. We believe these will satisfy the needs of a broad client base.

## Change in the Governance Structure of Japan



## The SPARX Investment Process



## Our Global Network

SPARX is currently involved primarily in investment activities and client marketing in four regions. Our overseas activities began with the establishment of SPARX Investment & Research, USA, Inc. in Hawaii in July 1994 to handle marketing activities in the United States and provide management services for foreign-registered funds. In October 2002, this company was relocated to New York to facilitate marketing activities within the United States and expand our investment advisory business. In addition, SPARX Asset Management International, Ltd., which opened its doors in London in August 2004, has been very successful in providing services to existing clients and attracting new clients in Europe.

Through our investment activities, we have aggressively expanded our activities in Asia. In addition to our February 2005 acquisition of a majority shareholding in Cosmo, which is an asset management company in South Korea, we established in August 2005 a Hong Kong-based subsidiary, SPARX International (Hong

Kong) Limited, to handle trading and operations relating to foreign-registered funds. In June 2006, we acquired 100% of PMA, which is the biggest manager in Asia outside of Japan in terms of alternative assets under management.

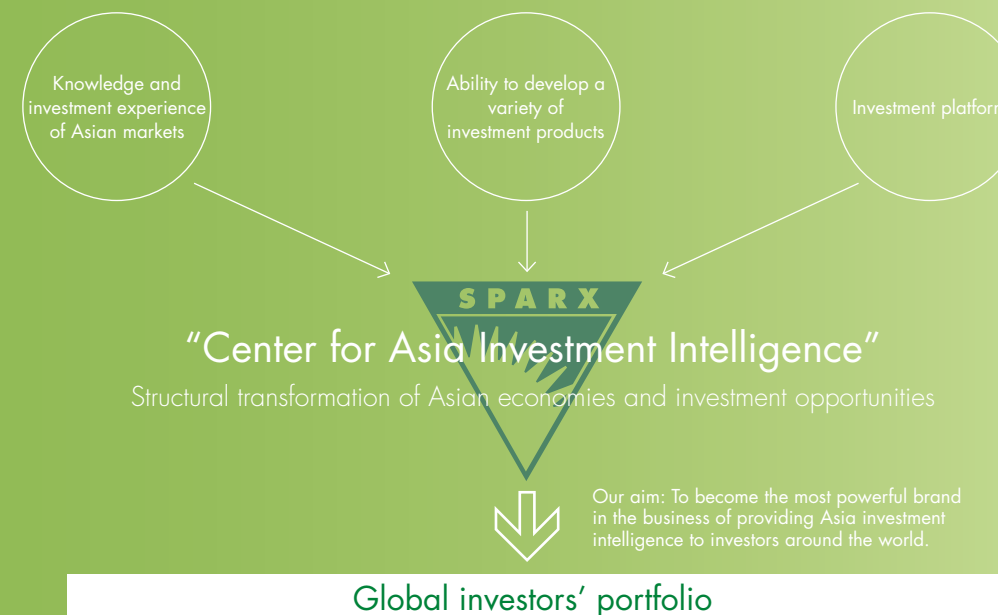
We have allocated our management resources with the aim of creating a network through which we can share the SPARX's management methods and know-how across the entire group, as well as provide the best investment intelligence in Asia.

However, the deterioration of the business environment since October 2008 has necessitated a wide-ranging review of our overseas subsidiaries, including changes to their operations and capital structures. We will continue to streamline our systems and improve efficiency, while also enhancing the ability of our management structure to ensure compliance and transparency throughout our organization.

### Global Development of SPARX



## Asia Investment Intelligence



## Our Growth Strategy

We believe that there are major growth opportunities in Asia, especially in Japan. Asian economies other than Japan are becoming an economic sphere in their own right and are expected to achieve expansion not only as production areas, but also as consumer markets.

Governments around the world are introducing Green Energy New Deal policies designed to generate demand. These policies have the potential to transform the world's economic structure, and offer enormous opportunities for Japanese companies to apply their accumulated knowledge of related elemental technologies.

Our growth strategy for SPARX calls for the discovery of companies that offer value as investment targets. We will focus in particular on companies that can develop business activities in ex-Japan Asian economies, which boast growth rates that are among

the world's highest in both relative and absolute terms and are expected to evolve into major consumer markets, and companies whose technology will enable them to play a key role in the global trend toward green energy.

We aim to provide investors worldwide with Asian investment intelligence. We will achieve this by building an investment platform covering all of Asia's emerging markets, and by sharing investment services through our alliances with Cosmo in South Korea, PMA in Hong Kong and the Lotte Group in South Korea.

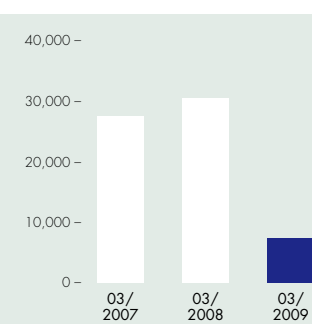
Our ambitions for SPARX call for its evolution from a specialist in investment in Japan into an investment company capable of playing a central role in Asian investment intelligence.

# Financial Section

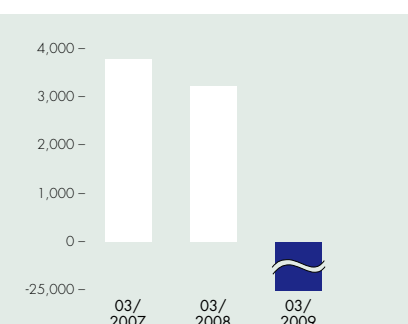
## Consolidated Balance Sheets (Millions of yen)

	Prior Period (As of March 31, 2008)	Current Period (As of March 31, 2009)
<b>1 Assets</b>		
Current assets	33,176	21,088
Cash and cash equivalents	15,833	14,307
Short-term investment securities	257	247
Operational investment securities	6,153	1,945
Allowance for investment loss	—	△ 845
Short-term loans receivable	—	478
Prepaid expenses	236	187
Accounts receivable-other	3,821	1,896
Accrued investment trust management fee	574	340
Account receivable-advisory fee	4,666	1,098
Income taxes refunds receivable	—	830
Deposits paid	714	500
Deferred tax asset	250	0
Other current assets	667	100
Fixed assets	40,880	16,541
Tangible assets	650	541
Intangible assets	22,058	7,702
Investments and other assets	18,171	8,297
<b>Total assets</b>	<b>74,056</b>	<b>37,630</b>
<b>2 Liabilities</b>		
Current liabilities	10,607	6,511
Short-term loans payable	2,506	—
Current-portion of long-term loans payable	2,000	2,000
Commission fee	437	188
Accounts payable-other	1,613	870
Income taxes payable	3,235	206
Provision for bonuses	323	210
Allowance for corporate streamlining initiatives expenses	—	194
Allowance for tax-related losses for directors and employees of overseas subsidiaries	—	1,571
Deferred tax liabilities-current	201	1,028
Other current liabilities	289	240
Long-term liabilities	15,828	13,113
Bonds payable	5,000	5,000
Long-term loans payable	10,000	8,000
Deferred tax liabilities-fixed	165	54
Negative goodwill	598	—
Other fixed liabilities	63	59
Statutory reserves	0	0
<b>Total liabilities</b>	<b>26,435</b>	<b>19,624</b>
<b>3 Net assets</b>		
Shareholders' equity		
Capital stock	12,144	12,404
Legal capital surplus	14,030	14,291
Retained earnings	21,685	△ 4,136
Treasury stock	△ 4,438	△ 4,438
<b>Total shareholders' equity</b>	<b>43,422</b>	<b>18,121</b>
Accumulated gain (losses) from revaluation and translation adjustments		
Valuation difference on available-for-sale securities	40	△ 1,000
Foreign currency translation adjustment	1,037	△ 1,290
<b>Total accumulated gain (losses) from revaluation and translation adjustments</b>	<b>1,077</b>	<b>△ 2,291</b>
Subscription rights to shares	45	90
Minority interests	3,075	2,085
<b>Total net assets</b>	<b>47,621</b>	<b>18,005</b>
<b>Total liability and net assets</b>	<b>74,056</b>	<b>37,630</b>

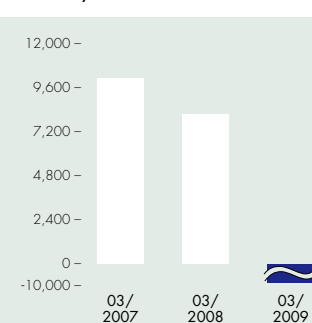
## Operating Revenues (millions of yen)



## Net Income (millions of yen)

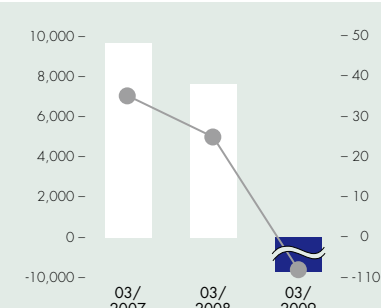


## Ordinary Profit (millions of yen)

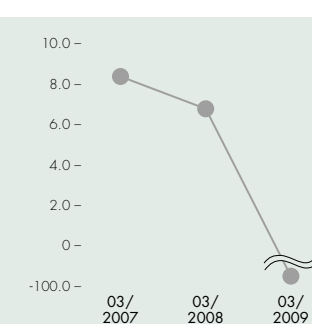


## Recurring Profit (millions of yen, left axis)

## Ratio of Recurring Profit to Operating Revenues (right axis)

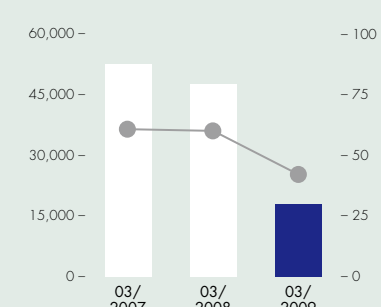


## ROE (%)



## Total Assets (millions of yen, left axis)

## Equity Ratio (% , right axis)



## Consolidated Statements of Income (Millions of yen)

	Prior Period (Year ended March 31, 2008)	Current Period (Year ended March 31, 2009)
<b>4</b> Operating revenues	30,552	7,335
<b>5</b> Operating expenses, general and administrative expenses	22,932	15,380
Operating profit (loss)	7,619	△ 8,045
Non-operating income	1,331	772
Non-operating expenses	794	986
Recurring profit (loss)	8,157	△ 8,259
Extraordinary gains	2,083	4,560
Extraordinary losses	1,078	18,208
Net income (loss) before income taxes	9,162	△ 21,906
Income taxes-current and income taxes-deferred	4,572	1,666
Minority interests in income (loss) of consolidated subsidiaries	1,375	△ 254
Net profit (loss)	3,213	△ 23,317

### 1 Assets

Total assets as of March 31, 2009 decreased by ¥36,426 million from the previous fiscal year end to ¥37,630 million. This decrease was mainly due to decreases in goodwill by ¥14,311 million, investment securities by ¥9,262 million, operational investment securities by 427 million, account receivable-advisory fee by ¥3,567 million, and accounts receivable-other by ¥1,924 million.

### 2 Liabilities

Total liabilities dropped by ¥6,810 million to ¥19,624 million. This decrease was attributable mainly to decreases in income taxes payable by ¥3,028 million, short-term loans payable by ¥2,506 million, and long-term loans payable by ¥2,000 million.

### 3 Net Assets

Net assets decreased by ¥29,615 million year on year to ¥18,005 million. In addition to decreases in valuation difference on available-for-sale securities by ¥1,041 million and foreign currency translation adjustment by ¥2,328 million, net loss of ¥23,317 million was posted for the fiscal year ended March 31, 2009.

### 4 Operating Revenues

Operating revenues decreased in all categories; management fees by 38.1% to ¥9,745 million, performance fees by 82.0% to ¥2,322 million, and other revenues by 91.3% to ¥166 million. In addition, ¥4,898 million losses on revaluation of operational investment securities were recorded due to substantial declines in values of portfolio companies SPARX invests in with its proprietary funds. As a result, total operating revenue decreased by 76.0% from the previous fiscal year to ¥7,335 million.

### 5 Operating, General and Administrative Expenses

Total operating, general and administrative expenses decreased by 32.9% to ¥15,380 million, due to a sizable drop in variable expenses such as commissions and bonuses related to performance fees. SPARX has implemented its corporate streamlining initiatives (phase I and II), aiming at responding to rapid changes in the business environment, as well as at drastically improving its cost structure. SPARX anticipates that the results of these initiatives will be shown after the next fiscal year and on as reductions in fixed expenses.

## Financial Section

Consolidated Statements of Changes in Net Assets (Millions of yen)											
Year ended March 31, 2009	Shareholders' equity					Accumulated gains (losses) from revaluation and translation adjustments			Subscription rights to share	Minority interests	Total net assets
	Capital stock	Legal capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated gains (losses) from revaluation and translation adjustments			
Balance at March 31, 2008	12,144	14,030	21,685	△4,438	43,442	40	1,037	1,077	45	3,075	47,621
Increase due to accounting changes in overseas subsidiaries			13		13						13
Changes in the current fiscal year											
Issue of new share	260	260	—	—	520	—	—	—	—	—	520
Payment of retained earnings	—	—	△2,009	—	△2,009	—	—	—	—	—	△2,009
Adjustments of LLP dividends of prior periods	—	—	21	—	21	—	—	—	—	—	21
Changes in scope of consolidation	—	—	△529	—	△529	—	—	—	—	—	△529
Net income	—	—	△23,317	—	△23,317	—	—	—	—	—	△23,317
Purchase of treasury stock	—	—	—	△0	△0	—	—	—	—	—	△0
Net change in the current fiscal year (excl. shareholders' equity)	—	—	—	—	—	△1,041	△2,328	△3,369	44	△990	△4,314
Net change in the current fiscal year	260	260	△25,834	△0	△25,314	△1,041	△2,328	△3,369	44	△990	△29,628
Balance at March 31, 2009	12,404	14,291	△4,136	△4,438	18,121	△1,000	△1,290	△2,291	90	2,085	18,005

Consolidated Statements of Cash Flows (Millions of yen)		
	Prior Period (Year ended March 31, 2008)	Current Period (Year ended March 31, 2009)
<b>6</b> Cash Flows from operating activities	8,096	△427
<b>7</b> Cash Flows from investing activities	△433	9,332
<b>8</b> Cash Flows from financing activities	△5,159	△6,113
Effect of exchange rate changes on cash and cash equivalents	△1,584	△3,791
Net change in cash and cash equivalents	918	△1,000
Cash and cash equivalents at beginning of year	14,914	15,833
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries to the scope of consolidation	—	△525
Cash and cash equivalents at end of year	15,833	14,307

### 6 Cash Flows from Operating Activities

Cash flows from operating activities for the fiscal year ended March 31, 2009 was ¥△427 million. This result was mainly due to a ¥3,485 million decrease in accrued investment trust management fees and account receivable-advisory fee, and ¥3,289 million income taxes paid.

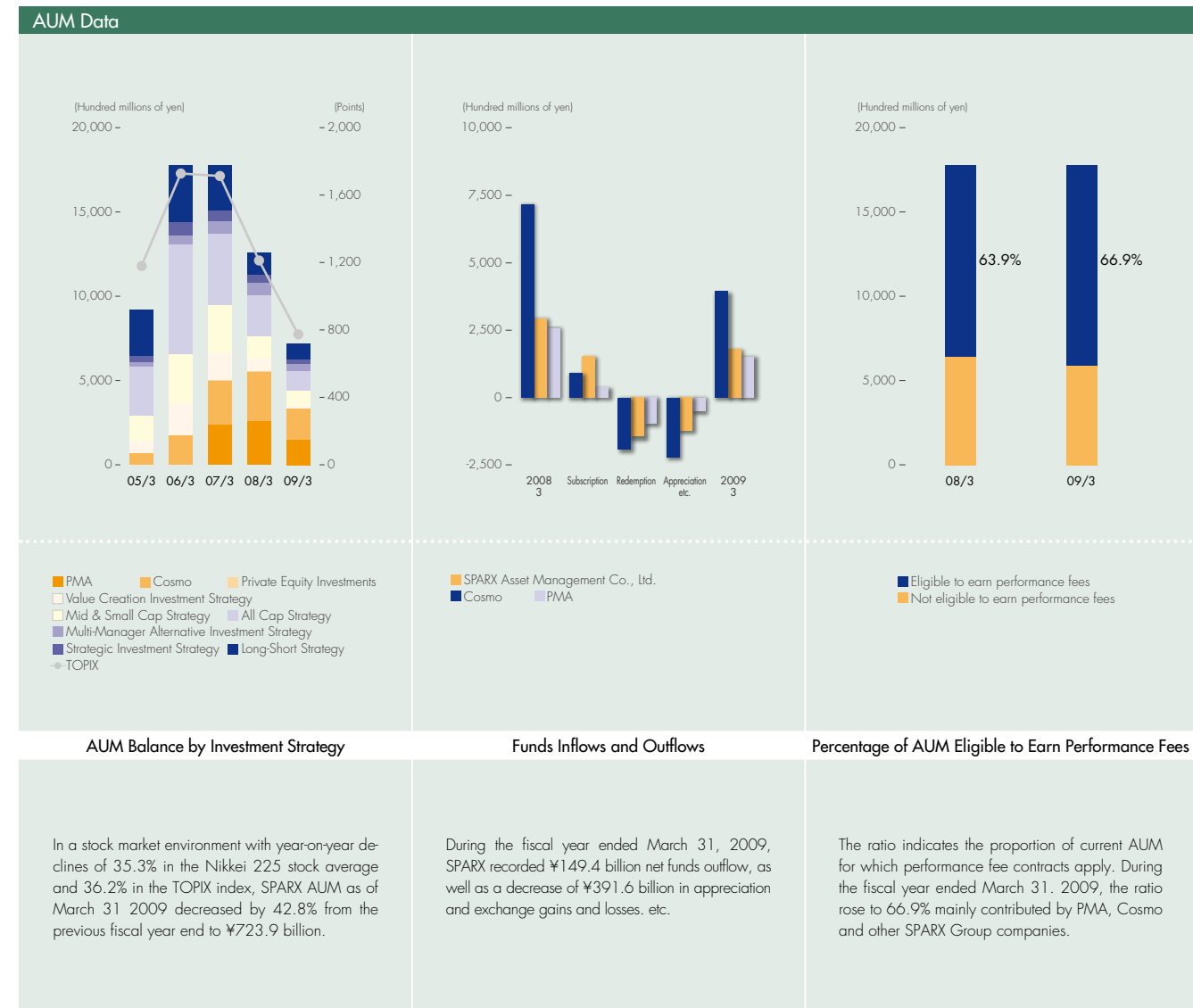
### 7 Cash Flows from Investing Activities

Cash flow from investing activities for the fiscal year ended March 31, 2009 was ¥9,332 million. Major cash flow items included ¥3,942 million payments for additional purchase of shares of a subsidiary Cosmo Investment Management Co., Ltd., ¥5,737 million proceeds from sales of shares of the said subsidiary to the Lotte Group in South Korea, and ¥10,112 million proceeds from sales of investment securities.

### 8 Cash Flows from Financing Activities

Cash flow from financing activities for the fiscal year ended March 31, 2009 was ¥6,113 million. This result was attributable mainly to ¥2,505 million net decrease in short-term loans payable, ¥2,000 million repayment of long-term loans payable, and ¥1,988 million payments of cash dividends.

## AUM Data



## Stock Information

### Investor Information

#### Share-related Information

(As of March 31, 2009)

Number of shares issued	2,075,680 shares
Number of shareholders	21,931
Trading unit	1 share

#### Major Shareholders

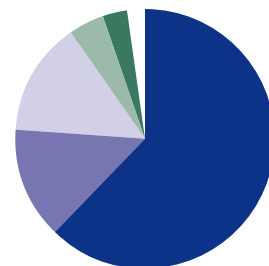
(As of March 31, 2009)

Shareholders	Number of shares held	Percentage of voting rights
Shuhei Abe	825,431	41.00%
Abe Capital Co.	256,000	12.72
CBNY-ORBIS SICAV	77,661	3.86
Japan Trustee Services Bank, Ltd.	50,880	2.53
CREDIT SUISS	41,756	2.07
HSBC Private Bank (Switzerland) SA Geneva	39,149	1.94
THE SHONAI BANK, Ltd.	29,661	1.47
Katsuhisa Aga	23,700	1.18
Goldman Sachs & Co. Regular Account	22,781	1.13
CBNY Fidelity Small cap Value Fund	21,346	1.06

#### Shareholders' Memo

Fiscal year-end	March 31
Ordinary general meeting of shareholders	June
Record date	March 31
Methods of public notice	SPARX Group Co., Ltd. publishes public announcements on its company website, <a href="http://www.sparx.jp">http://www.sparx.jp</a> . In case of a website malfunction, such information will be published in The Nihon Keizai Shimbun.
Stock listing	JASDAQ
Code number	8739

#### Shareholder Composition



Individuals and others	62.40%
Other corporations	13.81%
Foreigners	14.20%
Financial institutions	4.36%
Treasury stock	3.00%
Securities companies	2.19%

Note:

As of March 31, 2009, SPARX owned 62,427 shares of treasury stock that is not included in the figures for the major shareholders stated at left.

Administrative agent for shareholders' list	The Chuo Mitsui Trust and Banking Company, Limited 3-33-1 Shiba, Minato-ku, Tokyo
Transfer agent handling office	The Chuo Mitsui Trust and Banking Company, limited Stock Transfer Agency Department (Stock Transfer Operation Center) 2-8-4 Izumi, Suginami-ku, Tokyo
Intermediating transfer offices	The Chuo Mitsui Trust and Banking Company, limited branch offices JAPAN SECURITIES AGENTS, LTD. head office and branch offices

## Corporate Profile

### Corporate Data (As of March 31, 2009)

#### Company name

SPARX Group Co., Ltd.

#### Head office

Gate City Osaki, 1-1 1-2 Osaki, Shinagawa-ku, Tokyo

#### Date of establishment

July 1, 1989

#### Capitalization

¥12,485 million

#### Number of Group employees

270

#### Principal business activities

Holding company

#### Major consolidated subsidiaries

SPARX Asset Management Co., Ltd. (Tokyo, Japan)

SPARX Securities Co., Ltd. (Tokyo, Japan)

SPARX International (Hong Kong) Limited (Hong Kong)

Cosmo Investment Management Co., Ltd. (Seoul, South Korea)

PMA Investment Advisors Limited (Hong Kong)

#### Directors, Corporate Auditors and Corporate Advisors

(as of July 1, 2009)

##### President, CEO

Shuhei Abe

##### Executive Deputy President and Representative Director

Mikio Fujii

##### Outside Director

Naotaka Murasumi

##### Director

Masaki Taniguchi

##### Full-time Corporate Auditor

Katsumasa Fujita

##### Corporate Auditor

Masakazu Katada

##### Corporate Auditor

Toshiyuki Furukawa

##### Corporate Auditor

Kenji Hashidate



SPARX Group Co., Ltd.  
<http://www.sparxgroup.jp>