

# SPARX

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

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Vol.

[Apr.1 2010-Mar.31 2011]



## To Our Shareholders

SPARX is moving forward in pursuit of its long standing vision to become the most trusted and respected investment company in the world.

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.

President & CEO Shuhei Abe



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**  
**Aggressive**

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**  
**Responsive**

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

**T**  
**Thorough**

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

**S**  
**Sympathetic**

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.

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The fiscal year ended March 31, 2011 (fiscal 2010) ended amid extreme uncertainty and turmoil in the aftermath of the Great East Japan Earthquake. Witnessing the unprecedented natural disaster that claimed so many precious lives, I was reminded of the utter powerlessness of human beings when nature unleashes its fury. I would like to take this opportunity to offer prayers for the repose of those who perished in the disaster and heartfelt sympathies to all those affected. The corporate officers of the SPARX Group have made a monetary donation to contribute to the recovery effort, and SPARX plans to consider ways of contributing to the recovery of the stricken area and all of Japan from this devastating disaster and assist in any way we can.

I'd like to begin with a brief review of fiscal 2010. Amid concerns of a worldwide economic recession triggered by the financial crisis in Greece, Japan's deflationary trend came into increasingly sharp relief. The return on ten-year government bonds fell below 1% for the first time in seven years, and in the foreign exchange market the yen continuously appreciated against the U.S. dollar, rising from the ¥94 level to the ¥ 80 level. The Nikkei Stock Average fell 12% in response to these factors, and an adverse environment for investment in Japanese equities continued.

In this difficult operating environment, SPARX achieved results from the restructuring process we began implementing in fiscal 2009, and I believe the year will prove to have been a turning point. Even as we drastically cut costs throughout the Group, we were able to address several new management priorities. First of all, with respect to ongoing implementations based on the One Asia growth model, we recognize that greater Asia, including Japan, constitutes a single growth economic system. Accordingly,

we strove to develop a business structure we call "One Asia, One SPARX" by means including renewal of the management systems of Group companies in Hong Kong and South Korea and the integration of Group company research capabilities into a research system that covers all of Asia. Second, as the result of forming a team that specializes in clean energy, an investment sector we have developed since 2010, and strengthening our investment and research capabilities in this field, we launched a fund with approximately ¥30.0 billion of assets under management. I believe that through these activities we have succeeded in establishing solid new investment sectors based on SPARX's research capabilities.

The SPARX Japan Small-Cap Fund received a prestigious award for the second consecutive year, and the Long-Short Strategy delivered investment results far superior to those of competitors thanks to calm judgment even after the earthquake disaster. Cosmo has established a preminent position in South Korea in both quality and size and has grown to the point of becoming a growth driver for the SPARX Group as a whole. As a result of these developments, the Group had a net increase in the balance of assets under management for the first time in four years. Although we didn't achieve a sudden V-shaped recovery, we believe that fiscal 2010 marked the beginning of the next stage of growth for SPARX and the Group.

Although we have only taken the first step toward business recovery, the Group will move forward in unison, guided by our vision of becoming the world's most trusted and respected investment company and a Center for Asia Investment Intelligence. We look forward to your continuing support and guidance.

### Q1 Please sum up the business environment in fiscal 2010. What is your assessment of market trends, and how were the business results?

Japan's deflationary trend is serious, and at a time when real interest rates rise even though long-term interest rates fall, the yen has appreciated sharply against other currencies. Due to the emergence of geopolitical risks, such as the Greek financial crisis in May 2010 and the Senkaku Islands dispute, and of course the enormous impact of the March earthquake, it was a year of continued adversity in Japan's equity markets. In these circumstances, the Group continued to decisively implement the restructuring programs begun in the autumn of 2008. We pursued exhaustive cost reductions and operating efficiency improvements, renewed the management organization to further Group integration, and strove to build a more solid management foundation. Nevertheless, we recorded an operating loss of ¥865 million, an ordinary loss of ¥998 million and a net loss of ¥3,698 million.

At the same time, positive signs have begun to appear. SPARX Asset Management in Tokyo saw a net inflow of funds for the first time in four years. Furthermore, Cosmo in South Korea recorded its highest-ever balance of assets under management on a local currency basis. As a result, the Group's overall balance of assets under management rose, marking the first net year-on-year increase in four years. These

positive developments are the result of gradual, sustained extensive restructuring and management renewal efforts. In fiscal 2011 we will press ahead with further unification of Group management based on the One Asia, One SPARX business structure and redouble our efforts to steadily develop an organization that can return profits to investors.

### Q2 Please provide an overview of the restructuring program and management renewal implemented since fiscal 2008.

We have adapted to dramatic environmental changes by decisively implementing major restructuring programs designed to create a business structure that can deliver earnings. We have restructured every aspect of our operations, including substantial reduction in directors' remuneration, reshuffling of the Board of Directors, the closing or sale of overseas subsidiaries, solicitation of voluntary retirement, and consolidation of subsidiaries. As a result, we succeeded in reducing operating, general and administrative expenses from ¥10.1 billion in fiscal 2007 to ¥4.2 billion in fiscal 2010.

In addition to strengthening the business and cost structure through cost-cutting, we have further implemented the One Asia, One SPARX business structure. First, we appointed new top management at PMA in Hong Kong and Cosmo in South Korea. Second, we consolidated the research capabilities of Group companies and developed a research system that covers

SPARX decisively implemented major restructuring programs on two fronts with the aim of transformation to a business structure capable of generating reliable income streams.

all of Asia. Third, to solidify the Center for Asia Investment Intelligence vision for the SPARX Group, at the end of fiscal 2010 we announced the establishment of the Group Executive Board, a cross-organizational body to provide overall support for business execution by the Group CEO, whose members will include the top managers of each Group company. We consider this new organization to be essential for ensuring rapid decision-making by the three principal companies of the SPARX Group and prompt implementation of decisions under the direction of the CEO. We simultaneously announced a policy of changing the name of PMA to a new company name based on the SPARX brand. This, too, reflects our determination to further solidify the One Asia, One SPARX strategy.

Investment capabilities have been further strengthened through steady investment based on the investment philosophy we have maintained ever since the founding of SPARX as well as the inauguration of a research system that covers the entire Asia region. The results of these efforts are especially evident in investment in Japanese equities and Korean equities in the previously mentioned adverse environment. In small-





SPARX is further implementing the One Asia, One SPARX business strategy based on the One Asia growth model.

and mid-cap investment, the SPARX Japan Small-Cap Fund (“Rising Sun”) was awarded the Excellent Fund Award in the Japanese equities category of the Morningstar Award “Fund of the Year 2010.” This is the second consecutive year of recognition for the fund, which was awarded the Best Fund Award last year. We also achieved investment results that surpassed those of competitors for the Japanese equities Long-Short Strategy that SPARX pioneered. In Japanese equities investment, SPARX demonstrated risk management expertise developed over many years, especially in the calm, agile response when stock prices plunged following the earthquake.

**Q3** What business sectors do you see as growth areas, and what policies do you have to realize that growth potential?

A policy that I have mentioned several times is implementation of the One Asia, One SPARX business structure based on the One Asia growth model. Asia is expected to grow at a far higher speed than North America or Europe in the coming decade. SPARX estimates that whereas in 2010 total gross domestic product (GDP) was nearly the same in North America, Europe, and Asia, approximately US\$16 trillion, in 2020 the total GDP of Asia will grow to exceed \$30 trillion, while that of North America and Europe will be approximately \$22 trillion each. This suggests that we are on the cusp of an era in which Asia will truly become

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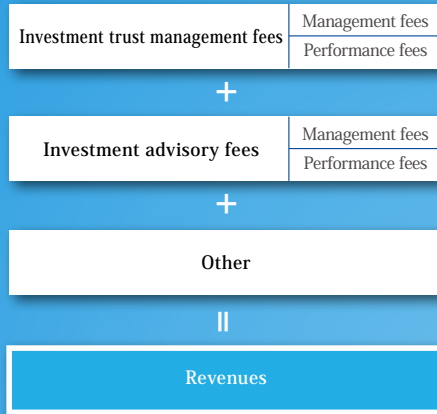
the economic center of the world. Nevertheless, before integration of the SPARX Group companies in Japan, Hong Kong, and South Korea began two years ago, these companies did not always move in the same direction with respect to management strategy and investment strategy in Japan and elsewhere in Asia. To improve this situation, in fiscal 2010 the three SPARX Group companies have embraced the One Asia growth model as the core principle of their new investment strategies. It is grounded in the recognition that greater Asia, including Japan, constitutes a single economic growth system. They have set up a research system that covers all of Asia by concentrating within Tokyo analysts that had previously been working at separate business sites. We intend to move ahead with further unification of Group management and steadily solidify a framework for the early realization of the Center for Asia Investment Intelligence vision.

Clean energy investment, a sector we have developed since 2010, is another high-priority area. It is our view that the lessons learned from the earthquake disaster and subsequent nuclear power plant accident will put countries around the world under varying degrees of pressure to review their long-term energy strategies. SPARX was quick to focus on the importance of clean energy, and we have engaged in repeated research and analysis in this field. As a result, we have been entrusted with funds amounting to ¥30.0 billion from various sources, including European government funds invested the previous term. We will aim for further expansion and growth in the AUM balance in this sector, and this

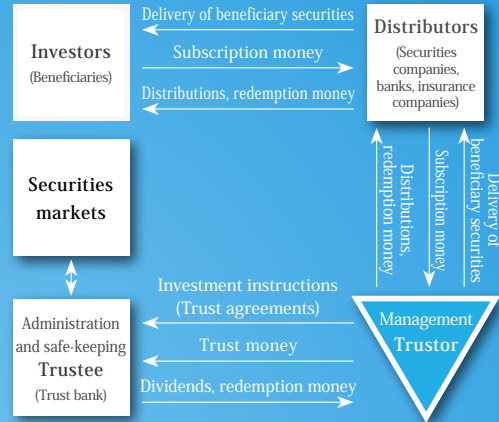
year we intend to solidify the foundation for implementation of our investment strategy in this sector not only in Japan, but throughout Asia.

The Bank of Japan swiftly implemented large-scale quantitative easing measures in response to the earthquake in March. Furthermore, fiscal 2011 is likely to bring a major change of course in government financial policy from a deflationary policy of balanced contraction to an expansionary policy to support recovery. As a result, the year will likely bring major changes in every aspect of the economy, including correction of the unidirectional yen appreciation trend in the foreign exchange market and pressure for a drastic review of energy systems. At a time of historical paradigm shift, the companies of the SPARX Group will work in unison to solidify the framework for the next stage of dramatic growth based on the One Asia, One SPARX strategy.

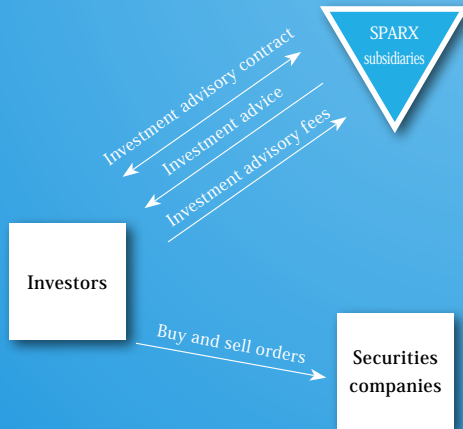
## Revenue Structure



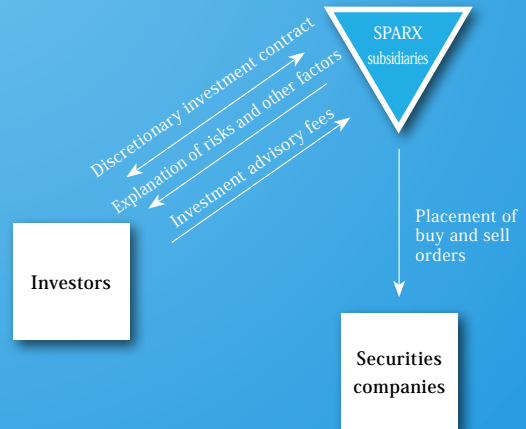
## Investment Trust (Contract Type) Structure (Note)\*



## Structure of Investment Advisory Operations



## Structure of Discretionary Investment Management Operations



# 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 2011, the percentage of AUM subject to performance fees was 57.9% (for details, refer to AUM Data on page 16).

## 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.

## 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.

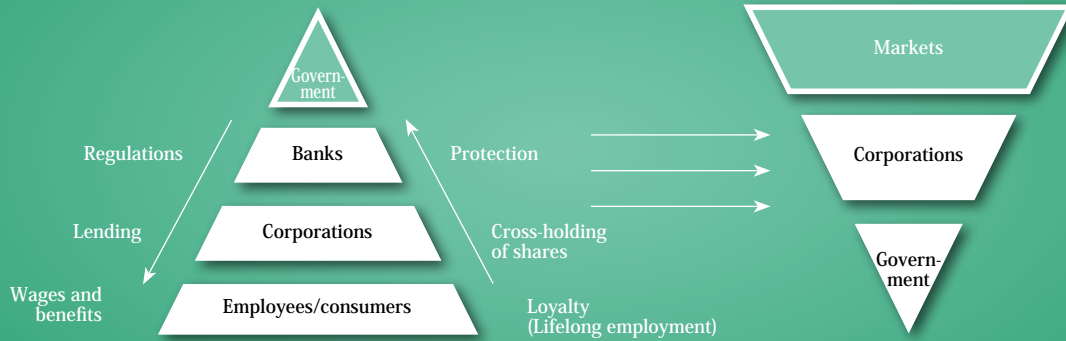
When that value has not been reflected in day-to-day stock prices, we regard the value gap that exists between market value and actual value as an investment opportunity. However, it is not sufficient merely to discover a value gap; it is important to examine whether a catalyst to eliminate the gap exists.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

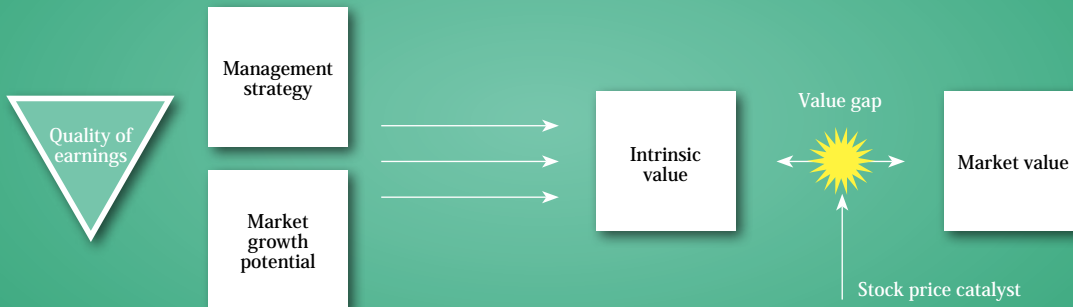
Thinking that a separation of winners and losers was also occurring in the market for large-cap stocks, we launched the All Cap Strategy, which covers all listed companies.

We will seek to integrate our experience and knowledge as a specialist in Japanese equities with the capabilities developed by the subsidiaries in South Korea and Hong Kong, evolve into a center for Asia investment intelligence, and devote ourselves to delivering investment intelligence that meets the needs of investors around the world interested in investment in Asia.

## Change in the Governance Structure of Japan



## The SPARX Investment Process





## Our Global Network

We will seek to integrate our experience and knowledge as a specialist in Japanese equities with the capabilities developed by the subsidiaries in South Korea and Hong Kong, evolve into a center for Asia investment intelligence, and devote ourselves to delivering investment intelligence that meets the needs of investors around the world interested in investment in Asia.

We have continually invested resources into expanding 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, in June 2006, we acquired 100% of PMA, which is the biggest investment manager in Asia outside of Japan in terms of alternative assets under management.

However, since October 2008 we have conducted a fundamental review of our overseas subsidiaries in light of the adverse business environment since the subprime loan crisis and Lehman Shock, including a full-scale review of operations and capital restructuring. Although this resulted

in the closure of offices in Europe and the Americas, we were able to achieve a substantial reduction in expenses with no deterioration in customer service or asset management capabilities. Furthermore, through the development of a One Asia, One SPARX business structure entailing renewal of the management structure of Group subsidiaries, we are striving for integrated Group-wide investment product development and information and service provision to clients.

In the coming years, we intend to achieve earnings recovery by doing business with the aim of becoming a company worthy of being rated as "The best and strongest Asia investment company" by investors around the world.



## Our Growth Strategy

SPARX recognizes that economic growth in China and other Asia regions has entered a new stage. Asian economies other than Japan will develop beyond the role of production bases that supply inexpensive labor to Japan, Europe, and North America and will grow into an enormous market with a vast middle-class population, and the economic ties of Asian countries will grow stronger and closer. For its part, Japan is in the process of discovering new growth opportunities within the context of Asian development. Since there is no doubt that the integrated growth of Asia, including Japan, will drive the global economy in the coming years, the SPARX Group has positioned the One Asia growth theory as a shared core principle in investment strategy development.

In addition, Green Energy New Deal policies that governments around the world have begun to adopt will greatly transform the world's economic structure. We foresee many examples of commercial application of elemental technologies related to the environment and other sectors that Japanese companies have accumulated

and consequent increase in corporate value.

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.

SPARX Asset Management and Cosmo will focus on further business expansion as top-flight specialists in investment in Japanese equities and Korean equities, respectively. At the same time, the Group will concentrate its management resources, notably the research capabilities of Group companies, in Hong Kong. We believe that this will position the SPARX Group to embark on a new growth stage made possible through product development and customer service under the One Asia, One SPARX business structure.

# Financial Section

## Consolidated Balance Sheets (Millions of yen)

	Prior Period (Year ended March 31, 2010)	Current Period (Year ended March 31, 2011)
<b>1 Assets</b>		
Current assets	19,090	13,281
Cash and cash equivalents	15,270	8,659
Short-term investment securities	726	1,959
Cash collateral advanced under margin transactions	787	—
Guaranty money deposited for margin transactions	255	—
Prepaid expenses	162	99
Accounts receivable-other	413	24
Accrued investment trust management fee	241	246
Account receivable-advisory fee	1,083	1,292
Income taxes refunds receivable	100	340
Deposits paid	29	525
Deferred tax asset	—	1
Other current assets	21	134
Allowance for bad debt	△1	△1
Fixed assets	17,684	14,629
Tangible assets	273	156
Intangible assets	7,700	6,370
Investments and other assets	9,709	8,102
Total assets	36,774	27,911
<b>2 Liabilities</b>		
Current liabilities	5,502	6,704
Cash collateral received under margin transactions	787	—
Current-portion of long-term loans payable	3,000	5,000
Commission fee	140	188
Accounts payable-other	509	640
Income taxes payable	714	671
Provision for bonuses	172	0
Allowance for tax-related losses for directors and employees of overseas subsidiaries	120	108
Deferred tax liabilities-current	5	—
Other current liabilities	52	95
Long-term liabilities	10,187	5,186
Bonds payable	5,000	4,900
Long-term loans payable	5,000	—
Deferred tax liabilities-fixed	89	184
Other fixed liabilities	98	101
Statutory reserves	0	0
Total liabilities	15,689	11,890
<b>3 Net assets</b>		
Shareholders' equity		
Capital stock	12,404	12,435
Legal capital surplus	14,291	14,295
Retained earnings	△3,868	△7,566
Treasury stock	△4,438	△4,438
Total shareholders' equity	18,389	14,725
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△833	△931
Foreign currency translation adjustment	679	370
Total accumulated other comprehensive income	△154	△561
Subscription rights to shares	133	95
Minority interests	2,715	1,761
Total net assets	21,084	16,021
Total liability and net assets	36,774	27,911

### 1 Assets

Total assets amounted to ¥27,911 million at the end of the current fiscal year (ended March 31, 2011), ¥8,862 million lower than the level a year earlier. The lower figure resulted mainly from decreases of ¥6,610 in cash and cash equivalents, ¥1,285 million in goodwill, and ¥1,578 operational investment securities.

### 2 Liabilities

At ¥11,890 million, total liabilities were ¥3,799 million below the level at the previous fiscal year-end. This decrease resulted from factors including the repayment of the current portion of long-term loans payable in the amount of ¥3,000 million.

### 3 Net Assets

Net assets decreased by ¥5,063 million compared with the position at the previous fiscal year-end to ¥16,021 million.

### 4 Operating Revenues

The Group's balance of assets under management (AUM) showed a net increase for the first time in four years, rising by 1.6% from the previous fiscal year-end to ¥672.1 billion. By investment company, SPARX Asset Management's AUM fell by 1.6% to ¥274.0 billion while Cosmos' AUM rose by 26.1% to ¥305.1 billion, exceeding those of SPARX Asset Management. PMA's AUM fell by 34.3% to ¥92.9 billion. Despite the increase in the Group's AUM, asset management fees fell by 19.0% to ¥4,869 million due to a decrease in the asset management fee rate. Although performance fees rose by 132.5% to ¥1,873 million, reflecting favorable asset management results, operating revenues fell by ¥791 million to ¥711 million.

### 5 Operating, General and Administrative Expenses

Operating, general and administrative expenses decreased by ¥885 million year on year to ¥7,967 million. Further reductions in fixed expenses were achieved through group-wide cost-cutting measures based on a management restructuring process that began in fiscal 2009, which made it possible to absorb an increase in bonus payments linked to performance-based fee income.

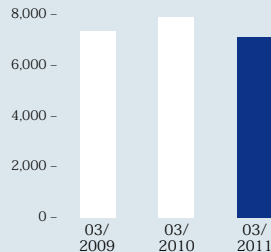
### Consolidated Statements of Income (Millions of yen)

	Prior Period (Year ended March 31, 2010)	Current Period (Year ended March 31, 2011)
<b>4</b> Operating revenues	7,893	<b>7,101</b>
<b>5</b> Operating expenses, general and administrative expenses	8,852	<b>7,967</b>
Operating profit (loss)	△959	<b>△865</b>
Non-operating income	776	<b>497</b>
Non-operating expenses	263	<b>630</b>
Recurring profit (loss)	△446	<b>△998</b>
Extraordinary gains	2,979	<b>88</b>
Extraordinary losses	1,963	<b>2,145</b>
Net income (loss) before income taxes	569	<b>△3,056</b>
Income taxes-current and income taxes-deferred	△78	<b>316</b>
Minority interests in income (loss) of consolidated subsidiaries	249	<b>326</b>
Net profit (loss)	398	<b>△3,698</b>

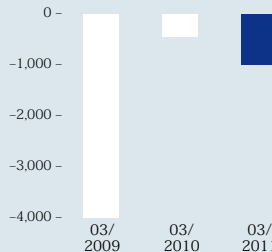
### Consolidated Statements of Comprehensive Income (Millions of yen)

	Prior Period (Year ended March 31, 2010)	Current Period (Year ended March 31, 2011)
Income before minority interests	—	<b>△3,372</b>
Other comprehensive income:		
Valuation difference on available-for-sale securities	—	<b>△99</b>
Foreign currency translation adjustment	—	<b>△491</b>
Total other comprehensive income	—	<b>△590</b>
Comprehensive income	—	<b>△3,962</b>
<Breakdown>		
Comprehensive income attributable to shareholders of the parent company	—	<b>△4,105</b>
Comprehensive income attributable to minority interests	—	<b>142</b>

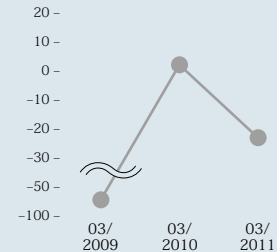
Operating Revenues (millions of yen)



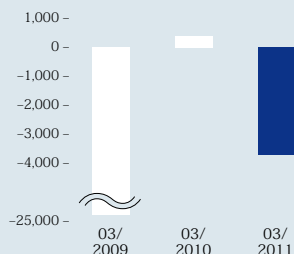
Ordinary Profit (millions of yen)



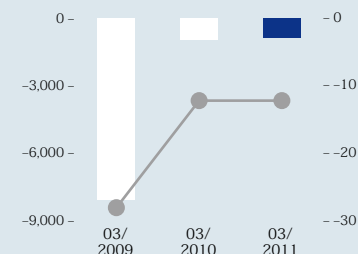
ROE(%)



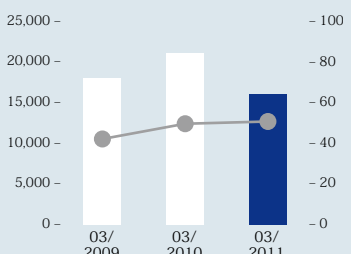
Net Income (millions of yen)



Recurring Profit (millions of yen)/  
Ratio of Recurring Profit to Operating Revenues (%)



Total Assets (millions of yen)/  
Equity Ratio (%)



# Financial Section

## Consolidated Statements of Changes in Net Assets (Millions of yen)

(Year ended March 31, 2011)	Shareholders' equity					Accumulated other comprehensive income			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 other comprehensive income			
Balance at March 31, 2010	12,404	14,291	△3,868	△4,438	18,389	△833	679	△154	133	2,715	21,084
Changes in the current fiscal year											
Issue of new share	30	4	—	—	34	—	—	—	—	—	34
Payment of retained earnings	—	—	—	—	—	—	—	—	—	—	—
Changes in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Net income	—	—	△3,698	—	△3,698	—	—	—	—	—	△3,698
Net change in the current fiscal year(excl. shareholders' equity)	—	—	—	—	—	△97	△309	△407	△37	△954	△1,399
Net change in the current fiscal year	30	4	△3,698	—	△3,663	△97	△309	△407	△37	△954	△5,063
Balance at March 31, 2011	<b>12,435</b>	<b>14,295</b>	<b>△7,566</b>	<b>△4,438</b>	<b>14,725</b>	<b>△931</b>	<b>370</b>	<b>△561</b>	<b>95</b>	<b>1,761</b>	<b>16,021</b>

## Consolidated Statements of Cash Flows (Millions of yen)

	Prior Period (Year ended March 31, 2010)	Current Period (Year ended March 31, 2011)
<b>6</b> Cash Flows from operating activities	2,167	<b>441</b>
<b>7</b> Cash Flows from investing activities	741	<b>△2,698</b>
<b>8</b> Cash Flows from financing activities	△1,889	<b>△3,587</b>
Effect of exchange rate changes on cash and cash equivalents	624	<b>△766</b>
Net change in cash and cash equivalents	1,644	<b>△6,610</b>
Cash and cash equivalents at beginning of year	14,307	<b>15,270</b>
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries to the scope of consolidation	△681	—
Cash and cash equivalents at end of year	15,270	<b>8,659</b>

### 6 Cash Flows from Operating Activities

Net cash provided by operating activities in the current fiscal year amounted to ¥441 million, a 79.7% decrease year on year. Principal items were the recording of a net loss of ¥3,056 million, partially offset by the recording of a goodwill impairment loss and goodwill amortization, ¥347 million in interest and dividends received, interest payments of ¥190 million, and income tax payments of ¥106 million.

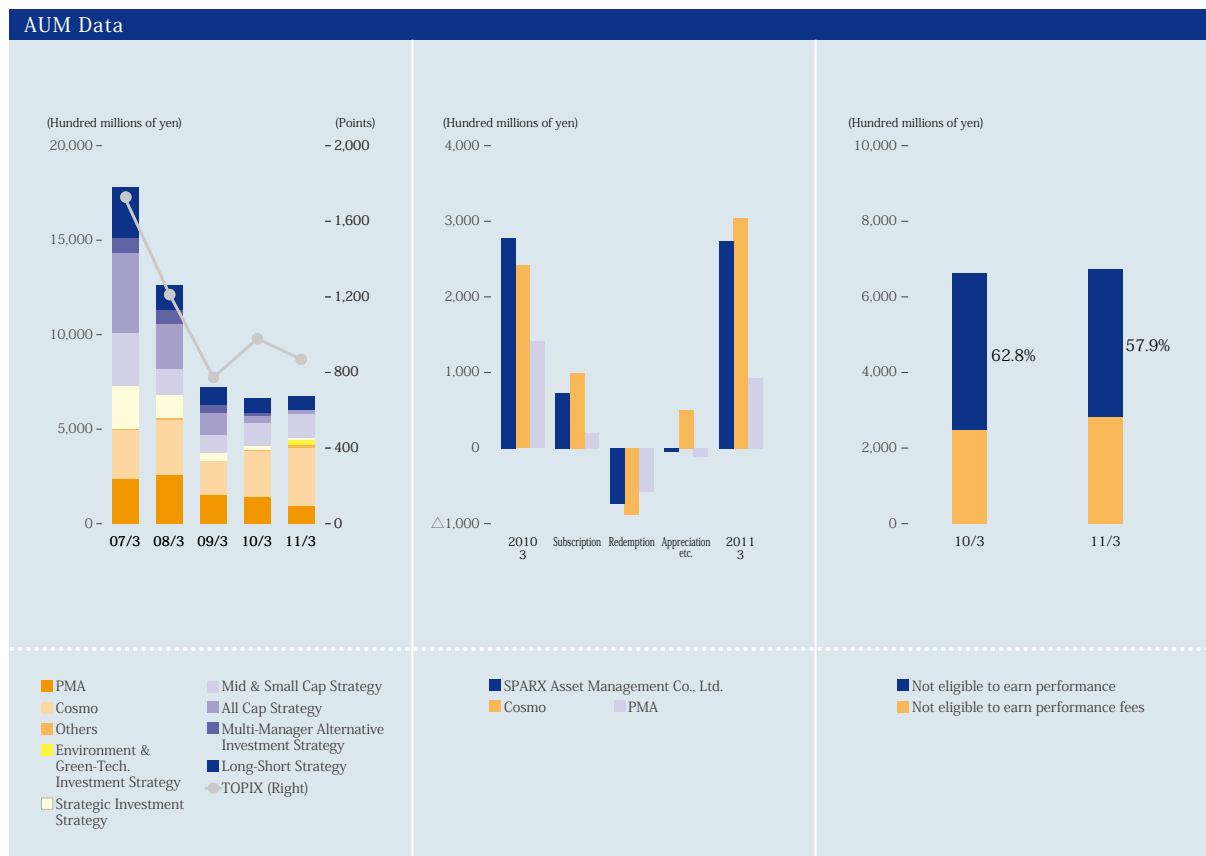
### 7 Cash Flows from Investing Activities

Net cash used in investing activities in the current fiscal year amounted to ¥2,698 million, compared to ¥741 million in cash provided the previous year. The main items were expenditures of ¥1,494 million on the acquisition of short-term investment securities, ¥2,189 million on the acquisition of operational investment securities, and ¥2,332 million on the purchase of additional shares in a subsidiary, Cosmo Investment Management Co., Ltd., proceeds of ¥1,868 million from the sale of operational investment securities, and ¥1,618 million in proceeds from sales and redemptions of investment securities.

### 8 Cash Flows from Financing Activities

Net cash used for financing activities in the current fiscal year totaled ¥3,587 million, compared to ¥1,889 million in cash used the previous year. The main factors were repayments of long-term debt of ¥3,000 million and expenditure of ¥495 million on investment refunds following the dissolution of investment partnerships, etc.

# AUM Data



**AUM Balance by Investment Strategy**

During the period under review, our AUM balance increased by 1.6% year on year to ¥672.1 billion. During the same period, the TOPIX declined by 11.2% and the JASDAQ INDEX by 3.6% in a stock market environment.

**Funds Inflows and Outflows**

In the year ended March 31, 2011, there was a net outflow of funds amounting to ¥24.5 billion, and an increase of ¥348 billion in appreciation and exchange gains and losses, etc.

**Percentage of AUM Eligible to Earn Performance Fees**

This ratio indicates the proportion of total AUM covered by performance fee contracts. In the year ended March 31, 2011, the ratio for the entire SPARX Group, including PMA and COSMO, fell to 57.9%.

# Stock Information

## Investor Information

### Share-related Information

(As of March 31, 2011)

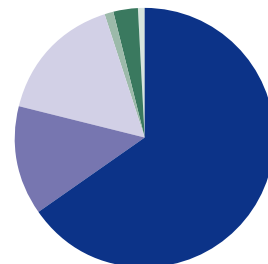
Number of shares issued	2,079,146 shares
Number of shareholders	20,218
Trading unit	1 shares

### Major Shareholders

(As of March 31, 2011)

Shareholders	Number of shares held	Percentage of voting rights
Shuhei Abe	823,431	40.83
Abe Capital Co.	256,000	12.69
CBNY-ORBIS SICAV	95,109	4.72
CREDIT SUISSE (LUXEMBOURG) S.A. ON BEHALF OF CLIENTS	56,000	2.78
SIX SIS LTD.	36,880	1.83
CBNY-NATIONAL FINANCIAL SERVICES LLC	29,627	1.47
THE SHONAI BANK, Ltd.	20,000	0.99
Tomoko Abe	17,067	0.85
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	15,945	0.79
BNYGCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	15,861	0.79

### Shareholder Composition



■ Individuals and others.....	65.32%
■ Other corporations.....	13.58%
■ Foreigners.....	16.18%
■ Financial institutions.....	1.20%
■ Treasury stock.....	3.00%
□ Securities companies.....	0.68%

Note: As of March 31, 2011, SPARX owned 62,427 shares of treasury stock that is not included in the figures for the major shareholders stated at left.

### 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 KeizaiShimbun.
Stock listing	Osaka Securities Exchange (JASDAQ)
Code number	8739

#### Administrative agent for shareholders' list

The Chuo Mitsui Trust and Banking Company, Limited  
3-33-1 Shiba, Minato-ku, Tokyo

#### Transfer agent handling office Intermediating

The Chuo Mitsui Trust and Banking Company, Limited  
Stock Transfer Agency Department (Stock Transfer Operation Center) 2-8-4 Izumi, Suginami-ku, Tokyo

#### 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, 2011)

Company name	SPARX Group Co., Ltd.
Head office	Gate City Osaki, 1-11-2 Osaki, Shinagawa-ku, Tokyo
Date of establishment	July 1, 1989
Capitalization	¥12,435 million
Number of Group employees	168
Principal business activities	Holding company
Major consolidated subsidiaries	SPARX Asset Management Co., Ltd. (Tokyo, Japan) Cosmo Investment Management Co., Ltd. (South Korea) PMA Investment Advisors Limited (Hong Kong)

## Directors and Corporate Auditors

(as of June 19, 2011)

President, CEO	Shuhei Abe
Executive Deputy President and Representative Director	Mikio Fujii
Outside Director	Naotaka Murasumi
Director	Takahisa Matsuura
Full-time Corporate Auditor	Katsumasa Fujita
Corporate Auditor	Masakazu Katada
Corporate Auditor	Kenji Hashidate



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