

The following is a translation summary of the official announcement given to the JASDAQ and the media in Tokyo, Japan.



May 13, 2005

Company: SPARX Asset Management Co., Ltd
(JASDAQ Code: 8739)

SPARX Asset Management Announces Stock Options (Equity Warrants) for Stock-Linked Compensation Plan

SPARX Asset Management Co., Ltd. (President & Representative Director: Shuhei Abe) is pleased to announce that a meeting of the Board of Directors held today resolved to make a proposal to the 16th regular general shareholders meeting of the Company to be held on June 18, 2005 for the issuing of equity warrants to persons other than shareholders under favorable conditions for the purpose of granting stock options, based on the provisions of Articles 280-20 and 280-21 of the Commercial Code. Details are as follows.

NOTE

1. Reasons why equity warrants to be issued persons other than shareholders under favorable conditions

Equity warrants will be issued without consideration to directors and employees of the Company and subsidiaries and affiliated companies of the Company (collectively referred to as the "Group") and persons who have an ongoing contractual relationship with the Group with respect to the asset management of the Group to further motivate them to improve their performance, based on the provisions of Articles 280-20 and 280-21 of the Commercial Code.

The amount of payment to be made at the time of the exercise of equity warrants will be set at an amount lower than the market price (by one yen per share). The equity warrants shall be granted to the directors and employees of the Group as a part of their performance-based bonus, thereby making it possible to reduce cash payments. In addition, providing for a fixed period during which the exercise of equity warrants will be restricted after the grant of equity warrants will enable treatment such as the deferred payment of compensation. The granting of equity warrants to persons who have an ongoing contractual relationship with the Group will also create a stronger incentive to improve business results.

Economically, the granting of equity warrants will have almost the same effect as the granting of stocks with a restriction on transfer, which is one of the types of stock incentive plans in the United States.

The following is a translation summary of the official announcement given to the JASDAQ and the media in Tokyo, Japan.

2. Summary issue of equity warrants

(1) Type and number of shares as the object of subscription rights

The upper limit shall be 2,000 common shares of the Company.

When the Company executes a stock split or a reverse stock split, the number of shares associated with those equity warrants not exercised at the time of the stock split or reverse stock split will be adjusted based on the following formula. Any fractional shares resulting from the adjustment shall be disregarded.

Number of shares after adjustment = number of shares before adjustment × ratio of stock split (or reverse stock split)

When the Company issues new shares or disposes of treasury shares (excluding cases attributable to the exercise of equity warrants or subscription rights) at a price below market price, the number of shares involved shall be adjusted based on the following formula. Any fractional shares resulting from the adjustment shall be disregarded.

Payment amount after adjustment = $\frac{\text{Number of shares before adjustment} \times \text{Exercise price before adjustment}}{\text{Exercise price after adjustment}}$

Please refer to (4) for the exercise price after adjustment.

In addition to the foregoing, where the number of shares needs to be adjusted because the Company merges with another company, executes a corporate spin-off, or decreases its capital stock after the date of the issue of equity warrants or because of similar reasons, the said number of shares shall be adjusted properly to a reasonable extent.

(2) Total number of equity warrants to be issued

The upper limit shall be 2,000 equity warrants (the number of shares associated with one equity warrant shall be one share. However, when the number of shares is adjusted as set out in (1) above, the number of shares as the object of one equity warrant shall be adjusted similarly.)

(3) Issuing price of equity warrants

Equity warrants shall be issued free of charge.

(4) Amount of payment made when exercising equity warrants

The amount of payment for one share associated with the exercise of equity warrants shall be one yen (hereinafter referred to as the “exercise price”).

When the Company executes a stock split or a reverse stock split after the issue of equity warrants, the exercise price shall be adjusted based on the following formula. Any fractional amount of less than one yen resulting from the adjustment shall be disregarded.

The following is a translation summary of the official announcement given to the JASDAQ and the media in Tokyo, Japan.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

When the Company issues new shares or disposes of treasury shares (excluding cases attributable to the exercise of equity warrants or subscription rights) at a price below market price, the number of shares involved shall be adjusted based on the following formula. Any fractional shares resulting from the adjustment shall be disregarded.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of outstanding shares} \times \text{Amount of payment per share}}{\text{Market price per share} \times (\text{Number of already issued shares} + \text{number of newly issued shares})}$$

In addition to the foregoing, where the exercise price needs to be adjusted because the Company merges with another company, executes a corporate spin-off, or decreases its capital stock after the date of the issue of equity warrants or for similar reasons, the exercise price shall be adjusted to the reasonable extent.

(5) Period for exercise of equity warrants

The period for the exercise of equity warrants will be decided based on a resolution of the Board of Directors of the Company within the period from June 20, 2005 to June 18, 2017.

(6) Conditions for the exercise of equity warrants

A person who is allotted equity warrants shall be required to be a director, statutory auditor, employee, corporate advisor, advisor, or consultant of the Company or its subsidiaries and affiliated companies or have an ongoing contractual relationship with the Company or the subsidiaries and affiliated companies of the Company, irrespective of name, at the time of the exercise of rights. However, when a person who was allotted equity warrants retires at the expiration of his or her term of office, retires on reaching mandatory retirement age, or is acknowledged as having made a special contribution to the Company, that person shall be able to exercise equity warrants after retirement.

Other conditions shall be based on the provisions of an equity warrant allotment agreement which will be entered into by and between the Company and the holders of equity warrants based on the resolutions of the above regular general shareholders meeting and the Board of Directors.

(7) Reasons and conditions for cancellation of equity warrants

When a merger agreement under which the Company will not be the surviving company is approved, or when a proposal for the approval of a stock exchange agreement under which the Company will become a wholly-owned subsidiary and a proposal for the transfer of shares is approved by shareholders meeting, all equity warrants held by the holders of equity warrants may be cancelled without consideration based on a resolution of the Board of Directors.

The following is a translation summary of the official announcement given to the JASDAQ and the media in Tokyo, Japan.

When equity warrants are unable to be exercised because the conditions for the exercise of equity warrants are not satisfied before the holder exercises the equity warrants, or when the holder waives all or part of the equity warrants, the equity warrants may be cancelled without consideration.

(8) Restriction on the transfer of equity warrants

The transfer of equity warrants will require the approval of the Board of Directors.

(NOTE) The above decision is conditional on the approval of the issuing of equity warrants as a stock option at the 16th regular general shareholders meeting of the Company to be held on June 18, 2005.