

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



May 12, 2006

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

### **Notice on Granting of Stock Options through Equity Warrants**

SPARX Asset Management Co., Ltd. announces that a meeting of the Board of Directors held on May 12, 2006 resolved that the Company will propose the free issue of equity warrants for the purpose of stock options at the 17<sup>th</sup> ordinary general meeting of shareholders to be held on June 23, 2006. Details are as follows:

#### NOTE

#### 1. Reasons for Issue of Equity Warrants to Persons other than Shareholders under Especially Favorable Conditions

The equity warrants stipulated below will be issued free of charge to directors and employees of the Company and the subsidiaries and affiliated companies of the Company (hereinafter collectively referred to as "the Group") and to persons who have a continued contractual relationship such as an authorization or contract to work with the Group relating to the asset management services of the Group as stock options to increase incentives for the improvement of performance and to attract superior human resources.

For one of the stock option plans (hereinafter referred to as "stock option plan A"), the amount of payment to be made at the time of the exercise of the equity warrants will be decided at the time the equity warrants are issued based on the market price.

For the other stock option plan (hereinafter referred to as "stock option plan B"), the amount of payment to be made at the time of the exercise of the 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 granting 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.

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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 type of stock incentive plan in the United States.

2. Summary of Issue of Equity Warrants for Stock Option Plan A

(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 = Number of shares before adjustment × Exercise price before adjustment / 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, but 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

The equity warrants shall be issued free of charge.

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(4) Amount of Payment Made When Exercising Equity Warrants

The amount to be paid for one share associated with the exercise of equity warrants (hereinafter referred to as “the exercise price”) shall be an amount obtained by multiplying 1.05 by the average of the closing price of ordinary trading of the common shares of the Company on the JASDAQ on each day of the month preceding the month that includes the date of the issue of the equity warrants (excluding days when no trading is conducted), or the closing price of ordinary trading of the common shares of the Company on the JASDAQ on the date of issue (if there is no closing price, it shall be a closing price on the date immediately preceding the date of issue), whichever is higher. Any fraction of less than one yen shall be rounded up.

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 rounded up.

Exercise price after adjustment = Exercise price before adjustment  $\times$  1 / 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 exercise price shall be adjusted based on the following formula. Any fraction less than one yen resulting from the adjustment shall be rounded up.

Exercise price after adjustment = Exercise price before adjustment  $\times$  Number of outstanding shares + (Number of newly issued shares  $\times$  Amount of payment per share / Market price per share) / Number of outstanding shares + 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 a reasonable extent.

(5) Period for Exercise of Equity Warrants

The period for the exercise of equity warrants, which shall be selected from between July 1, 2009 and June 30, 2015, will be decided based on resolution of the Board of Directors of the Company.

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(6) Conditions for the Exercise of Equity Warrants

- (i) 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 upon 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.
- (ii) 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 regular general shareholders meeting and the Board of Directors.

(7) Reasons and Conditions for Cancellation of Equity Warrants

- (i) 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 resolution of the Board of Directors.
- (ii) 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 warrant shall require the approval of the Board of Directors.

3. Summary of Issue of Equity Warrants for Stock Option Plan B

(1) Type and Number of Shares as the Object of Subscription Rights

The upper limit shall be 6,000 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.

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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 = Number of shares before adjustment × Exercise price before adjustment / Exercise price after adjustment

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

In addition to the foregoing, when 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 6,000 equity warrants (the number of shares associated with one equity warrant shall be one share, but 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

The 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.

(5) Period for Exercise of Equity Warrants

The period for the exercise of equity warrants, which shall be selected from between July 1, 2006 and June 30, 2018, will be decided based by resolution of the Board of Directors.

Items (6) to (8) of 2. above shall be similarly applied to stock option plan B.

End of release