

The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.



May 6, 2022

For Immediate Release

SPARX Group Co., Ltd.
President and Group CEO Shuhei Abe
(Code: 8739, TSE Prime Market)

Notification of a Reverse Stock Split and Amending the Articles of Incorporation

TOKYO—May 6, 2022—SPARX Group Co., Ltd. (the “Company”) would like to inform you that , during today’s board of directors meeting, the directors voted to propose a reverse stock split (the “Reverse Stock Split”) at the 33rd Ordinary General Meeting of Shareholders (the “Ordinary General Meeting of Shareholders”), which is scheduled for June 10, 2022.

1. Reverse Stock Split

(1) Purpose of the Reverse Stock Split

The Reverse Stock Split will merge five shares of the Company’s common stock into one share.

The Company’s share price and investment unit are JPY 252 and JPY 25,200 (as of May 2, 2022), respectively. These figures are far below the range of “between JPY 50,000 and JPY 500,000,” the ideal investment unit under the Securities Listing Regulations of the Tokyo Stock Exchange. The Reverse Stock Split aims to address this situation.

(2) Reverse Stock Split details

① Type of stock for the Reverse Stock Split

Common stock

② Reverse Stock Split ratio

The Reverse Stock Split ratio will be one share for every five shares. (The number of shares held by shareholders listed or recorded in the shareholders’ register as of September 30, 2022, will be the basis for the Reverse Stock Split.)

③ Effective date

October 1, 2022

④ Total number of shares authorized for issue on the effective date

128,800,000 shares

The provisions of the Articles of Incorporation regarding the total number of authorized shares will be modified on the effective date of the Reverse Stock Split, per Article 182, Paragraph 2 of the Companies Act. Please refer to Section 2 below for more details.

⑤ Share count reduction due to the Reverse Stock Split

Total number of shares issued before the Reverse Stock Split (as of March 31, 2022)	209,577,400 shares
Share count reduction due to the Reverse Stock Split	167,661,920 shares
Total number of shares issued after the Reverse Stock Split	41,915,480 shares

Note: The “share count reduction due to the Reverse Stock Split” and the “total number of shares issued after the Reverse Stock Split” are theoretical values obtained based on the total number of shares issued before the Reverse Stock Split by the Reverse Stock Split ratio.

(3) Shareholder reduction due to the Reverse Stock Split

The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.



As of March 31, 2022, the shareholder composition per the shareholders' register is as follows:

	Number of Shareholders (%)	Issued shares (%)
Total shareholders	12,926 (100.00%)	209,577,400 shares (100.00%)
Shareholders with fewer than five shares	550 (4.25%)	684 shares (0.00%)
Shareholders with between 5 and 100 shares	178 (1.38%)	4,122 shares (0.00%)
Shareholders with between 100 and 500 shares	6,091 (47.12%)	1,347,219 shares (0.64%)
Shareholders with 500 or more shares	6,107 (47.25%)	208,225,375 shares (99.36%)

Note: Upon the Reverse Stock Split, shareholders who own fewer than five shares will lose their status as shareholders. Further, shareholders who own between 100 and 500 shares will lose their trading opportunities on the stock exchange and their voting rights at the general meetings of shareholders.

Shareholders who hold shares that do not meet a complete voting unit may follow the procedures for selling these excess shares back to the Company. Interested shareholders should contact their securities broker or the Company's shareholder registry administrator.

(4) How the Company will treat fractional shares

The Company will dispose of any fractional shares resulting from the Reverse Stock Split per the Companies Act's provisions. The Company will deliver the proceeds of this transaction to shareholders who hold fractional shares in proportion to their fractional share holdings.

(5) Conditions of the Reverse Stock Split

The Reverse Stock Split is subject to the Ordinary General Meeting of Shareholders approving the relevant proposal.

2. Partial modification of the Articles of Incorporation

(1) Reasons for the modification

Once the Reverse Stock Split takes effect, the relevant provisions of the Articles of Incorporation will be deemed to be modified, reducing its number of shares authorized for issue to 128,800,000 shares, per Article 182, Paragraph 2 of the Companies Act. To reflect and clarify this point in the Articles of Incorporation, the Company shall amend Article 5 of the current Articles of Incorporation subject to the Reverse Stock Split coming into effect. The supplementary provisions concerning the Reverse Stock Split shall be established to stipulate that this amendment will become effective as of October 1, 2022, the effective date of the Reverse Stock Split, and those provisions shall be deleted on or after such effective date.

Furthermore, as the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will come into effect on September 1, 2022, the Company will introduce a system for providing electronic materials for its general meetings of shareholders. Thus the Company shall amend the Articles of Incorporation as follows:

(1) The Company shall establish Paragraph 1 of Article 14: Providing Electronic Materials with the proposed amendment. This proposal stems from the requirement that the Articles of Incorporation must stipulate that the Company shall take measures to electronically provide reference materials and other information for its general meetings of shareholders;

(2) The Company shall establish Paragraph 2 of Article 14: Providing Electronic Materials with the proposed amendment. This paragraph will allow the Company to define the scope of matters included in the documents to be delivered to shareholders who have requested the delivery of written documents, per the Ministry of Justice's ordinance.

(3) The Company shall delete the provisions of Article 14: Providing Reference Documents for General Meetings of Shareholders Through Internet Disclosure in the current Articles of Incorporation.

The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.



This Article will become unnecessary once the Company introduces the system for electronically providing materials for its general meetings of shareholders.

(4) The Company shall establish supplementary provisions regarding the validity of the above newly established and deleted provisions. It shall delete these supplementary provisions after their expiration date.

(2) Details of the Amendment

(Changes are indicated by underlined text.)

Current	Proposed Amendments
<p>(Total Number of Shares Authorized to be Issued) Article 5: The total number of Company shares authorized to be issued shall be six hundred forty-four million (<u>644,000,000</u>) shares.</p>	<p>Total Number of Shares Authorized to be Issued Article 5: The total number of Company shares authorized to be issued shall be one hundred-twenty-eight million eight hundred thousand (<u>128,800,000</u>) shares.</p>
<p><u>Reference Materials, etc. of General Meetings of Shareholders Deemed Furnished by Internet Disclosure</u> <u>Article 14: When convening a general meeting of shareholders, the Company may, by disclosing the information concerning matters required to be recorded or presented in the reference materials of the general meetings of shareholders, business reports, financial statements, and consolidated financial statements by using the Internet in accordance with the Ordinances of Ministry of Justice, be assumed as having provided such information to the shareholders of the Company.</u></p>	<p>(Deleted)</p>
<p>(Newly established)</p>	<p><u>Providing Electronic Materials</u></p>
<p>(Newly established)</p>	<p><u>Article 14: The Company shall, upon convening a general meeting of shareholders, electronically provide the information from all reference materials for the meeting.</u> <u>② The Company may choose not to include all or part of the matters it provides electronically, per the applicable Ministry of Justice ordinance, in the document it delivers to shareholders who have requested document delivery by the Record Date for Voting Rights.</u></p>
<p>(Newly established)</p>	<p><u>Supplementary Provisions</u> <u>Transitional Measures Concerning Total</u></p>

The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.



(Newly established)

Number of Shares Authorized to be Issued
Article 1: The amendment to Article 5 (concerning total number of Company shares authorized to be issued) shall become effective as of October 1, 2022. This Article shall be removed on or after such effective date.
Transitional Measures Concerning Electronically Providing Materials for General Meetings of Shareholders
Article 2: The amendment to Article 14 shall take effect as of September 1, 2022.
② Notwithstanding the preceding paragraph, Article 14: Providing Reference Documents for General Meetings of Shareholders Through Internet Disclosure of the Articles of Incorporation shall remain in force with respect to any general meetings of shareholders whose date is within six months from September 1, 2022.
③ The Company shall delete this Article after six months from September 1, 2022, or after three months from the date of any general meetings of shareholders described in the preceding paragraph, whichever is later.

3. Key upcoming dates (provisional)

Board of directors vote	May 6, 2022
Ordinary General Meeting of Shareholders	June 10, 2022 (provisional)
Effective date of the Reverse Stock Split	October 1, 2022 (provisional)

- For inquiries related to this release, contact:
SPARX Group Co., Ltd., Finance & Management Control Dept.
Tel: 81-3-6711-9100 / Fax: 81-3-6711-9101

The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.



[For Reference] FAQ Regarding the Reverse Stock Split

Q1. What is a reverse stock split?

A1. A reverse stock split is an action stipulated in the Companies Act for combining several shares into a smaller number of shares. The Company plans to consolidate five shares of common stock into one share.

Q2. What is the purpose of the Reverse Stock Split?

A2. The Company's share price and investment unit are JPY 252 and JPY 25,200 (as of May 2, 2022), respectively. These figures are far below the range of "between JPY 50,000 and JPY 500,000," the ideal investment unit under the Securities Listing Regulations of the Tokyo Stock Exchange.

The Company has decided to implement the Reverse Stock Split to address this situation. Five shares will be consolidated into one share, subject to the Ordinary General Meeting of Shareholders' approving the relevant proposal.

Q3. What will happen to the number of shares and voting rights held by shareholders?

A3. The number of shares held by shareholders after the Reverse Stock Split will be the quotient of dividing the number of their shares recorded in the shareholders' register as of September 30, 2022 (any fraction of a share will be rounded down) by five. Moreover, shareholders will receive one voting right per 100 shares held after the Reverse Stock Split. The following table lays out examples of shares held and voting rights:

	Before the effective date		After the effective date		
	Number of shares held	Number of voting rights	Number of shares held	Number of voting rights	Fractional shares
Example 1	10,000 shares	100 votes	2,000 shares	20 votes	None
Example 2	6,600 shares	66 votes	1,320 shares	13 votes	None
Example 3	1,234 shares	12 votes	246 shares	2 votes	0.8 shares
Example 4	500 shares	5 votes	100 shares	1 vote	None
Example 5	123 shares	1 vote	24 shares	None	0.6 shares
Example 6	40 shares	None	8 shares	None	None
Example 7	4 shares	None	None	None	0.8 shares

- Examples 1 and 4: No special procedures are necessary.
- Examples 3, 5, and 7: The Company will dispose of any fractional shares resulting from the Reverse Stock Split per the Companies Act's provisions. The Company will deliver the proceeds of this transaction to all shareholders who hold fractional shares in proportion to their fractional share holdings. The Company plans to notify shareholders of the payments from these fractional shares sometime in October 2022.
- Example 7: All held shares will become fractional shares due to the Reverse Stock Split, with such shareholders losing their holdings in the Company.
- Examples 2, 3, 5, and 6: If they wish, shareholders may use the system for selling shares constituting less than one voting unit to eliminate shares below the voting threshold after the

The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.



Reverse Stock Split (20, 46, 24, and 8 shares in examples 2, 3, 5, and 6, respectively). Shareholders may also avoid disposing of fractional shares by using this system before the Reverse Stock Split. For specific procedures, shareholders should contact their securities brokers or the Company's shareholder registry administrator listed at the end of this document. Currently, the Company does not charge a fee for using the system for selling shares constituting less than one voting unit.

Q4. Will the reduced number of shares after the Reverse Stock Split impact the Company's asset value?

A4. While the number of shares held will decline to one-fifth of the current figure due to the Reverse Stock Split, the asset value per share will increase five-fold since the assets and capital status of the Company will remain unchanged before and after the transaction. Therefore, apart from stock market fluctuations and other factors, the Reverse Stock Split will not impact the shareholders' asset value in Company shares. After the Reverse Stock Split, the share price will theoretically be five times the price before the transaction.

Q5. Will the reduced number of shares after the Reverse Stock Split impact the dividends shareholders receive?

A5. While the number of shares held will decline to one-fifth of the current figure due to the Reverse Stock Split, the Company plans to adjust the dividend per share after the transaction so that shareholders will not experience any change in the economic value of their shares as a result. The Reverse Stock Split will not change the total dividends shareholders receive.

(Reference: Calculations based on preliminary dividends for FY2022, as announced on January 31, 2022)

Before the Reverse Stock Split: 500 shares held * JPY 12 DPS = JPY 6,000 (pre-tax dividend)

After the Reverse Stock Split: 100 shares held * JPY 60 DPS = JPY 6,000 (pre-tax dividend)

Q6. Is there any way to avoid fractional shares?

A6. Shareholders may avoid disposing of fractional shares by using the system for selling shares constituting less than one voting unit before the Reverse Stock Split takes effect. For specific procedures, shareholders should contact their securities brokers or the Company's shareholder registry administrator listed at the end of this document. Currently, the Company does not charge a fee for using the system for selling shares constituting less than one voting unit.

Q7. Is it possible to purchase additional shares or sell excess shares after the Reverse Stock Split to complete a voting unit for shares constituting less than one voting unit?

A7. Shareholders may use the system for selling shares constituting less than one voting unit before or after the Reverse Stock Split. For specific procedures, shareholders should contact their securities brokers or the Company's shareholder registry administrator listed at the end of this document. The Company will not employ a system for purchasing additional shares to complete a voting unit, so shareholders may use the system for selling shares that do not meet a complete voting unit.

Q8. What is the minimum investment unit (the minimum investment amount)?

A8. Based on the Tokyo Stock Exchange's closing price of JPY 252 as of May 2, 2022, the minimum investment unit before the Reverse Stock Split is as follows:

Before the Reverse Stock Split: JPY 252 per share x 100 shares = JPY 25,200

Supposing this share price, the theoretical minimum investment unit after the Reverse Stock Split is as follows: After the Reverse Stock Split: JPY 1,260 per share x 100 shares = JPY 126,000

*The share price after the Reverse Stock Split will theoretically be five times higher.

Q9. What are some key upcoming dates?

A9. The Company's schedule is as follows:

May 6, 2022: Board of Directors meeting

June 10, 2022 (provisional): Ordinary General Meeting of Shareholders

September 30, 2022 (provisional): Record date for the Reverse Stock Split

The following is an English version of the official Japanese announcement, which has been given to the Tokyo Stock Exchange and the media in Tokyo, Japan.



October 1, 2022 (provisional): Effective date of the Reverse Stock Split
October 2022 (provisional): Sending the Reverse Stock Split allotment notice to shareholders
November 2022 (provisional): Pay out proceeds from fractional share disposal

Q10. What are the procedures shareholders must follow for the Reverse Stock Split?

A10. No special procedures are necessary.

However, shareholders should contact their securities brokers or the Company's shareholder registry administrator for specific procedures for using the system for selling shares that do not meet a complete voting unit.

For inquiries, contact:

Shareholders who have any questions about the Reverse Stock Split should contact their securities brokers or the shareholder registry administrator below.

*The Company's shareholder registry administrator:
1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Securities Brokerage Department, Sumitomo Mitsui Trust Bank, Limited
Telephone: +81-120-782-031 (toll-free within Japan)
Reception hours: 9:00 a.m.–5:00 p.m. (excluding weekends and public holidays)

No further entry