

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.



July 29, 2022

For Immediate Release

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

Notice regarding Disposition of Treasury Stock through Third-Party Allotment with the Introduction of Stock Compensation System

TOKYO—July 29, 2022—SPARX Group Co., Ltd. (the “Company”) would like to inform you that the Board of Directors, at its meeting held today, resolved to dispose of its treasury stock as stock compensation (the “Disposition of Treasury Stock”) as described below.

1. Overview

1. Disposition Date	August 17, 2022
2. Type and number of shares for disposition	Company’s common stock 2,800,000 shares
3. Disposition price	JPY 302 per share
4. Total amount of disposition	JPY 845,600,000
5. Intended Recipient	Sumitomo Mitsui Trust Bank, Limited.(trust account) (Secondary trustee: Custody Bank of Japan, Ltd. (trust account))
6. Other Matters	The disposition of treasury stock is conditional on entry into force of notification under the Financial Instruments and Exchange Act

2. Purpose and reason for the disposition

At the meeting of the Board of Directors held on May 6, 2022, we adopted a resolution to introduce a stock compensation system (the “System”) for the Company’s non-Audit and Supervisory Committee directors (excluding outside directors; hereinafter, “Director” refers to non-Audit and Supervisory Committee directors who are not outside directors). The System aims to raise director awareness of improving medium- to long-term performance and improving corporate value. It should achieve this goal by further clarifying the link among director compensation and stock value, while sharing with shareholders the risks and benefits of share price fluctuations. The adoption of the System for Directors was approved at the 33rd Ordinary General Meeting of Shareholders held on June 10, 2022.

Please refer to “Notice on Implementing a Performance-Based Stock Compensation System for Directors” announced on May 6, 2022 for more overview of the System.

The Disposition of Treasury Stock will be implemented by disposition of Company’s treasury stock through a third-party allotment to Sumitomo Mitsui Trust Bank, Limited. (trust account) (secondary trustee: Custody Bank of Japan, Ltd. (trust account)), which shall be the trustee of the trust established pursuant to the System (the “Trust”).

The number of shares for disposition corresponds to the number of shares expected to be distributed, taking in consideration matters relating to the Directors’ during the trust period, such as the position and changes in compositions, etc. based on the established rules for issuing shares to directors on introduction of the System. The scale of dilution is small, constituting 1.34% of the total number of shares issued as of the March 31, 2022, which is 209,577,400 shares (the ratio to the total number of voting rights as of the same date, which is 2,018,699, is 1.39%; both ratios were rounded

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to two decimal places). The Company believes that the System will clarify the link between the compensation of Directors and the Company's results and share-price, will contribute to improvement of the Company's corporate value in the medium- and long-term, and it has determined that, in the Disposition of Treasury Stock, both the number of treasury stock for disposition and the scale of stock dilution are reasonable, and the impact on the secondary market is insignificant.

(Reference) Overview of the Trust Agreement

Trustor	SPARX Group Co., Ltd.
Trustee	Sumitomo Mitsui Trust Bank, Limited (Secondary trustee : Custody Bank of Japan, Ltd.)
Beneficiaries	Company directors who satisfy the beneficiary requirements
Trust administrator	Plan to elect a third party independent from the Company and its directors
Exercising voting rights	The Trust shall not exercise the voting rights for the shares in the Trust during the trust period
Type of trust	Non-monetary trust for cash and other assets (a third-party-benefit trust)
Trust agreement date	August 17, 2022
Trust period	August 17, 2022 ~ August-end, 2029 (provisional)
Purpose	To deliver Company's shares to the beneficiaries based on the established rules

3. Disposition Price Calculation Basis and Details

The disposition price is 302 Yen, which is the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on July 28, 2022 (the business day immediately preceding the date of the resolution of the Board of Directors on the disposition of treasury shares), and was decided on order to take into consideration recent stock price movements and eliminate arbitrariness. The Company was also determined to use its closing price to be highly objective and reasonable for the basis of price calculation.

The disposition price represents a deviation of (6.71)% from 283 Yen (rounded down to the nearest whole number), which is the average closing price for the one-month period immediately preceding the date of the resolution of the Board of Directors (June 29, 2022 to July 28, 2022), a deviation of (13.96)% from 265 Yen (rounded down to the nearest whole number), which is the average closing price for the three-month period immediately preceding the date of the resolution of the Board of Directors (May 2, 2022 to July 28, 2022), and a deviation of (15.27)% from 262 Yen (rounded down to the nearest whole number), which is the average closing price for the six-month period immediately preceding the date of the resolution of the Board of Directors (Jan 31, 2022 to July 28, 2022). As such, based on the percentage deviation from the recent share prices of the Company's ordinary shares (the percentage deviation in each case, is rounded to two decimal places).

As a result of having considered the above, the Company believes that the disposition price for the Disposition of Treasury Stock is reasonable and cannot be regarded as specially favorable to the intended recipients of the disposition.

Furthermore, the Audit and Supervisory Committee directors (consisting of four members; four of whom are external directors) has issued an opinion to the effect that the above-stated disposition price is legitimate and not specially favorable to the intended recipients of the disposition.

4. Matters regarding procedures pertaining to the Code of Corporate Conduct

The Disposition of Treasury Stock (1) will result in a dilution rate of less than 25% and (2) will not be accompanied by a change in the controlling shareholders and, as such, the procedures for obtaining an opinion from an independent third party and confirming shareholders' intent, provided for in Article 432 of the Securities Listing Regulations established by Tokyo Stock Exchange, Inc., are not required.

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No further entry