

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 10, 2023

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

Notice on Pilot Project Started in Tomakomai, Hokkaido to Create a Supply Chain for Renewable Hydrogen

Selected as Ministry of the Environment's "FY2023 model pilot project for lower cost hydrogen supply using existing infrastructure"

Through its subsidiary SPARX Green Energy & Technology Co., Ltd. ("SGET"), SPARX Group Co., Ltd. is undertaking a pilot project to create a hydrogen supply chain encompassing all steps from production, through storage and shipping, to utilization. SGET's proposal to "position Hokkaido as a hydrogen oriented island by creating a supply chain for large scale renewable hydrogen that is independent of electricity power systems" was selected as the Ministry of the Environment's "FY2023 model pilot project for lower cost hydrogen supply using existing infrastructure" and will be implemented from this financial year.

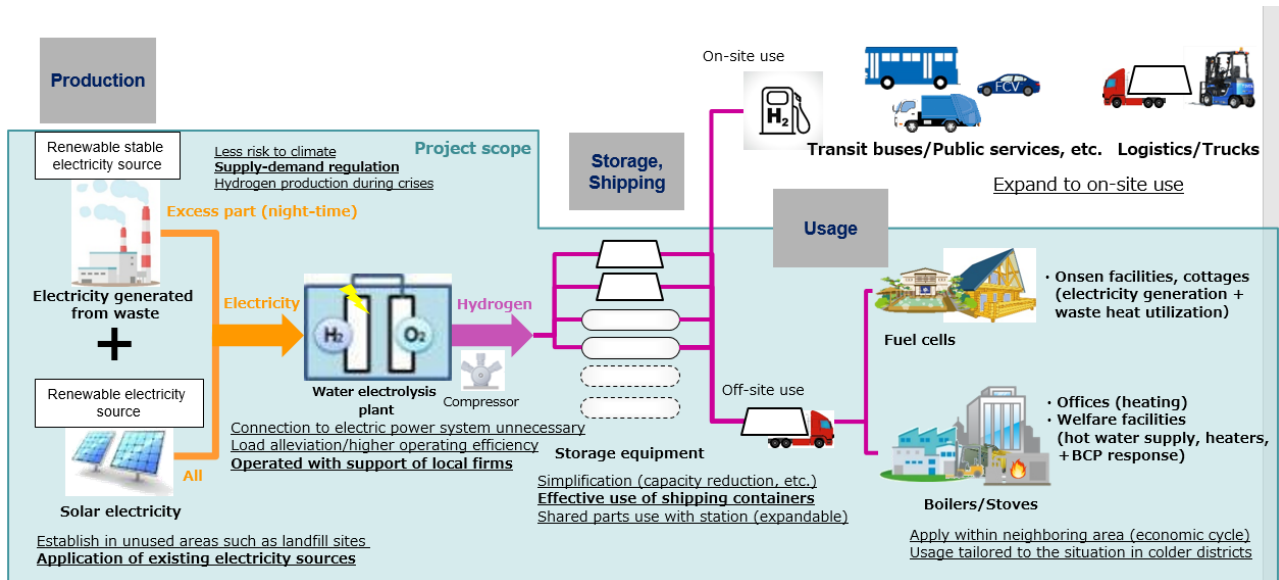
The pilot project plans to create a system capable of the sustained production and supply of up to 1,000,000 Nm³ renewable hydrogen per year by combining electricity generated from waste at Tomakomai City's Numanohata Clean Center with solar power generation in the same area. By directly supplying the self-generated electricity to the water electrolysis plant, the need to install new renewable energy generating plants—a major problem for the electricity supply system—can be eliminated. At the same time, the effective utilization of the surplus electricity generated overnight at the waste-to-energy plant will allow costs to be reduced and the use of hydrogen in the local region is expected to contribute to the creation of demand and a favorable economic cycle.

By transporting hydrogen in high pressure trailer to the city owned Auto Resort Tomakomai Arten and neighborhood businesses (Hokkaido Soda Co., Ltd., Toyota Motor Hokkaido, Inc.), for use in fuel cell batteries (for electricity generation and waste heat utilization), boilers and stoves (for indoor heating and hot water supply), we want to also help reduce the usage of kerosene, a fuel used widely in colder regions.

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< Project Embodiment and Distribution of Roles >



SPARX Green Energy & Technology Co., Ltd.

- Coordinates the overall project, carries out hydrogen production/storage/dispatch, regulates supply and demand

Tomakomai City

- Supplies the surplus electricity generated from waste and the project site (Numanohata Clean Center and adjoining city land)
- Installs hydrogen based equipment (fuel cell batteries) to the city owned Arten Auto Resort

Hokkaido Soda Co., Ltd.

- Maintains and operates the hydrogen production site, performs shipping
- Uses hydrogen at its office (existing hydrogen-mixed combustion boiler)

Toyota Motor Hokkaido, Inc.

- Installs hydrogen based equipment (all-hydrogen boilers, hydrogen stoves) to welfare facilities

Meiji Electric Industries Co., Ltd.

- Constructs equipment for hydrogen dispatch, designs and installs fuel cell batteries (simplification of cooling equipment by heat utilization)

Sumitomo Mitsui Trust Bank, Limited

- Supports business operators, verifies pilot project accomplishment, analyzes and creates roll-out scenarios

SPARX Group will continue activities aimed at rolling out renewable hydrogen across Hokkaido by coordinating with various initiatives studying the introduction of hydrogen to the island and consider the future roll-out to all Japan through measures such as utilizing electricity generating facilities in which

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funds managed by our group companies are invested but which are no longer part of Japan's FIT (Feed-in Tariff) scheme. In addition, we will continue to look for potential new ways to exploit hydrogen by improving the configuration of the present pilot project to include such areas as on-site demand (Please refer to the upper right section of the above diagram).

- This announcement is intended to provide information to explain our group's business activities and should not be taken as a solicitation of investment.

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