

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 31, 2023

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

Notice Regarding the Continuation of the Stock-Granting ESOP Trust

TOKYO—July 31, 2023—SPARX Group Co., Ltd. (the “Company”) today announced that its Board of Directors has voted to continue the stock-granting ESOP trust incentive plan (the “Plan”) - initially introduced in August 2017—for the employees of the Company and five of its subsidiaries (the “Group Employees”). The five subsidiaries include SPARX Asset Management Co., Ltd.; SPARX Green Energy & Technology Co., Ltd.; SPARX Asset Trust & Management Co., Ltd.; SPARX AI & Technologies Investment Co., Ltd.; and SPARX Innovation for the Future Co., Ltd.; (collectively, the “Group Companies”). The details of the Plan are as follows:

1. The Plan Overview and Purpose

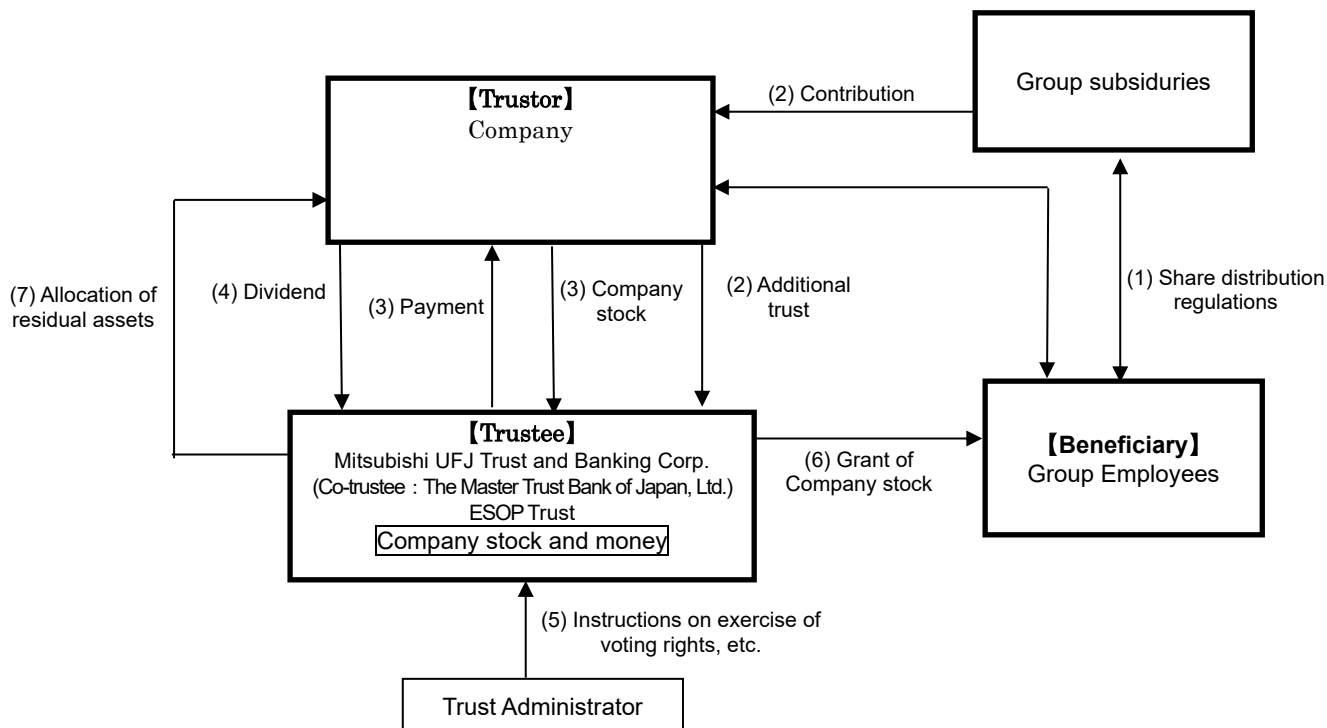
- (1) The Plan’s purpose is to enhance the Group’s medium- to long-term corporate value by motivating the Group Employees to improve business performance and increase the share price of the Company.
- (2) The Plan employs a framework known as a stock-granting Employee Stock Ownership Plan trust (the “ESOP Trust”). The ESOP Trust is an employee incentive plan based on the ESOP frameworks found in the US, under which Company shares* allotted to the ESOP Trust are distributed to Group Employees during their employment depending on their qualifications and how well the Group achieved its performance targets.
- (3) With the Plan continuing, Group Employees will receive economic benefits from increases in the Company’s stock price, which should encourage them to perform their duties with an awareness of the stock price and motivate them to work harder. Moreover, the framework allows Group Employees to express their intentions as potential beneficiaries by exercising the voting rights derived from the Company’s shares belonging to the ESOP Trust, making it effective as a plan to enhance corporate value by encouraging Group Employees’ participation in management.

(*) In conjunction with an additional monetary contribution to the ESOP Trust, the Company has decided to simultaneously allot to the ESOP Trust 800,000 shares (worth JPY 1,190,400,000) of the 1,162,708 shares in treasury stock it holds as of March 31, 2023. For more details, please refer to today’s press release titled “Notice Regarding a Treasury Stock Disposal by a Third-Party Allotment in Conjunction with Continuing the Stock-Granting ESOP Trust.”

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2. Structure of the ESOP Trust



- (1) In continuing the Plan, the Company and Group Companies will partially revise the Share Distribution Regulations.
- (2) The Group Companies will contribute funds for the Plan to the Company. The Company will make additional contributions, together with those from the Group Companies, to an ESOP Trust established with eligible Group Employees as beneficiaries.
- (3) The ESOP Trust will use its existing assets and the additional contribution in (2) above to purchase the number of the Company's shares expected to be distributed to the beneficiaries during the trust period from the Company through a treasury stock disposal.
- (4) The ESOP Trust will receive distributions of dividend as a shareholder of the Company
- (5) The ESOP Trust will exercise, in accordance with the instructions from the trust administrator, voting and other rights to the Company stock held in the trust as a shareholder during the term of the trust.
- (6) The Company stock shall be granted to Group Employees of the Company who fulfill certain requirements in accordance with the Company's and its subsidiaries' share distribution regulations.
- (7) When liquidating the ESOP Trust, after all required distributions to beneficiaries, residual assets, which are within a certain limit, shall belong to the Company as a holder of a vested right.

* If the ESOP Trust is depleted of all the Company stock due to granting of the Company stock to Group Employees who meet the beneficiary requirements, the ESOP Trust shall expire before its scheduled expiration date. The Company may make additional contribution to the ESOP Trust for acquisition of the Company stock.

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(Reference)

[Overview of Trust Agreement]

- (1) Type of trust: Money trust other than a specified individually managed money trust (other-benefit trusts)
- (2) Purpose of trust: Granting of incentives to Group Employees
- (3) Trustor: The Company
- (4) Trustee: Mitsubishi UFJ Trust and Banking Corporation.
(Co-trustee: The Master Trust Bank of Japan, Ltd.)
- (5) Beneficiaries: Group Employees who meet the beneficiary requirements
- (6) Trust administrator: A third-party professional trust administrator that has no conflict of interest with the Company (certified public accountant)
- (7) Date of trust agreement: August 18, 2017 (scheduled to change trust agreement on July 31, 2023)
- (8) Trust term: From August 18, 2017 to August 31, 2029 (scheduled)
- (9) Start of the Plan: August 18, 2017
- (10) Exercise of voting rights: The trustees will exercise the voting rights of the Company stock in accordance with the instructions of the trust administrator, which reflects the will of candidate beneficiaries.
- (11) Classification of shares to be acquired: Common stock of the Company
- (12) Additional trust amount : 1,190,400,000 yen
- (13) Share acquisition method: To acquire the Company's treasury stock through a third -party allotment

- For inquiries related to this release, contact:
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No further entry