January 22, 2019

Company: SPARX Group Co., Ltd.
(JASDAQ Standard Code: 8739)

SPARX: Shareholder Proposal to TEIKOKU SEN-I (3302 JP) for Second Consecutive Year

—Hoping to appoint SPARX-endorsed candidate new outside director. SPARX continues to ask for dividends, to rein in growth in cash reserves, and for shorter director terms, to promote engagement.—

Tokyo(January 22, 2019) —Today, SPARX Group Co., Ltd., announced that the fund ("the proposing shareholder") managed by SPARX Asset Management Co., Ltd. (President CEO Shuhei Abe), a wholly-owned subsidiary of SPARX Group, exercised its shareholder proposal rights and requested that the following three items be made objectives at the ordinary general shareholders' meeting of TEIKOKU SEN-I Co., Ltd. ("TEISEN" or the "Company") for the Company's 93rd fiscal year, to be held this March. This is the third time that SPARX Asset Management through its funds under management has made a shareholder proposal to a listed company, and this is the second proposal it has made to TEISEN in as many years.

1. Election of directors
   The Company will appoint Katsuya Natori as an outside director.
2. Dividends from retained earnings
   The Company will pay ¥95 in DPS for year-end FY12/18.
   (At the time of this publication, the Company's guidance had DPS at ¥35.) (※)
3. Partial modification of the articles of incorporation
   The Company will shorten the term of office for board members from "up to two years from appointment" to "up to one year from appointment."

The proposing shareholder made this new proposal concerning the election of directors because the current two outside directors continue to refuse the proposing shareholder's requests for meetings, without providing any rational explanation, and to otherwise neglect their roles and responsibilities as independent outside directors, in contradiction to the intent of the Corporate Governance Code.

The proposing shareholder's recommended outside director, Katsuya Natori, not only has a long track record as a leading corporate attorney but also has served as a director, auditor, and executive officer for many corporations. SPARX expects that he will play a significant role in improving the corporate governance-related issues that TEISEN is facing.

Through its continual efforts to engage with the Company over the past five years, the proposing shareholder has suggested that the Company (1) sell its Hulic shares in a reasonable amount of time and (2) set forth a clear policy related to growth investments and shareholder returns. Because the proposing shareholder has yet to receive a valid response to these suggestions, it proposes that, until the Company takes these specific actions, TEISEN should pay dividends to prevent the further deterioration of capital efficiency.

Specifically, the proposing shareholder asks that the Company pay dividends at a level sufficient to rein in the growth of cash equivalents (the proposed dividends figure is an estimate based on the Company's earnings forecast for FY12/18).

Simultaneously, the proposing shareholder proposes reducing the term of office for board members. This will increase opportunities for approval by shareholders, thereby allowing the Company's board of directors to handle its management issues—represented by the massive amount of its cross-shareholdings—after incorporating shareholder perspectives into their decision-making processes.

The belief that sound corporate governance is vital to the growth of the Japanese economy is becoming more prevalent daily. Even in Japan, the consensus is that an unreasonable excess of internal reserves slows down the growth of national wealth.

Thus, the proposing shareholder again hopes that this proposal will encourage TEISEN to consider sound corporate governance and practical applications for its capital.

The proposing shareholder intends to continue engaging with TEISEN in the future.

(※) As of January 21st, 2019.

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Refer to the following explanatory materials regarding these shareholder proposals:
URL: https://www.sparx.co.jp/proposal/20190122_E.html (English)
URL: https://www.sparx.co.jp/proposal/20190122_J.html (Japanese)

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