

[Translation]



December 13, 2018

Company Name: Prospect Company Limited
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Notice on Receipt of Investigation Report of Special Investigation Committee

As the Company disclosed in the “Notice on the Establishment of a Special Investigation Committee and Appointment of the Committee Members” as of November 20, 2018, it was proved on the occasion of tax payment for a specific overseas project in a foreign country that there was an error in the amount of tax recorded in past years retroactively to the year ended March 31, 2017. Accordingly, the Company established a Special Investigation Committee, comprised of external experts who had no interests in the Company in November 20, 2018 and also added as of November 28, 2018 accounting treatment that made The Prospect Japan Fund Limited a wholly owned subsidiary in the second quarter of the year ended March 31, 2018 as an investigation target and the Committee has conducted professional and objective investigations. As the Company received an investigation report (hereinafter referred to as “Report”) as of December 13, 2018 from a Special Investigation Committee, we hereby notify you. For the details of the Report, please refer to the “Investigation Report (for disclosure)” in the attached documents.

Based on the Report, the Company corrected the business results in the past years and will submit the correction report of the past financial reports and correction of past announcement of closing, etc. For the scope of correction of business results and the affected amount, please refer to the “Notice on Submission of the Correction Report of the Past Financial Reports and Correction of Past Announcement of Closing, etc.” which is separately disclosed on this date. In this regard, as we partly correct the “Notice regarding Agreement on Commencement of a Friendly Acquisition Procedure to Make The Prospect Japan Fund Limited a Wholly-owned Subsidiary and Proposals to be Presented at the Annual Shareholders Meeting,” disclosed as of May 31, 2017, we separately disclose it on this date. Please refer to “Partial Correction of “(Correction)

Notice regarding Agreement on Commencement of a Friendly Acquisition Procedure to Make The Prospect Japan Fund Limited a Wholly-owned Subsidiary and Proposals to be Presented at the Annual Shareholders Meeting.”

The background cause for correction of the accounting treatment was, as indicated in the Report, that in our accounting department, there were not sufficient personnel who had adequate tax accounting skills for global projects. Specifically, in reviewing various issues on overseas projects, communication between personnel concerned, in particular, between our accounting department personnel and overseas personnel were insufficient and review of the accounting treatment from various perspectives was insufficient regarding foreign corporation tax on overseas real property business, which the Company has recently started engagement and accounting treatment of acquisition of overseas business. With respect to these issues, we could not properly use external experts according to risk.

The Company takes the investigation results seriously and will promote the following specific responses in line with the proposals of the Special Investigation Committee for prevention of recurrence. Through efforts toward improvement and operation of the following measures for prevention of recurrence, we will strive to further raise awareness of compliance and also seriously strengthen governance, which was indicated in the part “Lastly” of the Report and make our best efforts to recover the trust of stakeholders.

The Company expresses its sincerest apologies to its shareholders, business partners and all other stakeholders for any concern or inconvenience caused.

Note

Measures for Prevention of Recurrence

(1) Training System for Tax Accounting

In response to deployment of overseas business and diversification of business in recent years, we will continue to plan and provide management with training, including external experts for tax and accounting, which have become more complicated than before, and also by requiring attendance at external training according to the skill set of our accounting department personnel, we will improve the knowledge of tax and accounting.

(2) Enhancement of Personnel, Including Employment of Personnel Familiar with Tax Accounting

In addition to skill improvement of the current staff of our accounting department, who leads the closing and financial reporting process, toward

expansion of business to be expected in the future, we will employ personnel who are well-acquainted with tax accounting to enhance the skill set of the staff in charge.

As it may take time to employ proper staff, for the time being, we will request cooperation of external accounting and tax experts to take a comprehensive response.

(3) Assignment of Proper Personnel Enabling Response to Global Projects

In reviewing various issues on overseas projects, in particular, we cannot deny insufficient ability of English communication skills among our staff as the cause for insufficient communication between our accounting department and overseas personnel and the fact that review was not performed with a great attention to detail. In order to communicate more closely with overseas personnel in the future, we will employ and assign personnel in terms of communication ability with overseas in addition to the aforementioned accounting and tax skills.

As it also may take time to employ proper staff, for the time being, we will request cooperation of external accounting and tax experts to take a comprehensive response.

(4) Proper Engagement of Experts According to Risk

As we continue to strengthen our overseas business and expand, we will undoubtedly face various challenges and hurdles, which we expect that our internal resources will not be able to handle alone. Based on the stated strengthening of the internal system, with the premise of raising the risk sensitivity within the company, by appropriate timing and utilizing the strengths of external experts in response to risk recognized at each stage to supplement our ability, we will better manage and eliminate risk to the extent possible.

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