

[Translation]



December 13, 2018

Company Name: Prospect Company Limited
Representative: President and CEO Curtis Freeze
(Security Code: 3528 TSE 2nd Section)
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**Notice on Submission of the Correction Report of the Past Financial Reports and
Correction of Past Announcement of Closing, etc.**

As the Company disclosed in the “Notice on Receipt of Investigation Report of Special Investigation Committee” as of December 13, 2018, based on the investigation results of a Special Investigation Committee and indication of the accounting auditor, the Company submitted on this date to the Kanto Local Finance Bureau a correction report of past financial reports and also disclosed the past announcement of closing, etc., and we hereby notify you.

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

Note

1. History and Reason for Correction

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 (hereinafter referred to as “PJF”) 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. The Company received an investigation report (hereinafter referred to as "Report") on this date from the Special Investigation Committee.

As it became necessary for the Company based on the Report and the indication of the accounting auditor to correct the past closing, the financial reports for the year ended March 31, 2017 and the year ended March 31, 2018, and quarterly reports from the first quarter of the year ended March 31, 2018 to the first quarter of the year ending March 31, 2019, under the Financial Instruments and Exchange Act, Article 24-2, paragraph 1 and the Financial Instruments and Exchange Act, Article 24-4-7, paragraph 4, the Company submitted a correction report of financial reports.

2. Details of Correction of Closing

(1) Correction of Past Tax Expenses, etc., for Overseas Projects

The Company submitted a final tax return and paid taxes in September 2018 with respect to the federal corporation income tax and state corporation income tax (hereinafter referred to as "Foreign Corporation Tax") imposed in the United States on the income gained by KL Holdings Company, LLLP, a Limited Liability Limited Partnership, organized under the laws of the state of Hawaii, U.S.A. Regarding the Foreign Corporation Tax, based on the Report of the Special Investigation Committee that the Tax shall be recorded as a corporation tax, etc., for the year ended March 31, 2017 and the year ended March 31, 2018 when corresponding taxable income accrued and also tax effect accounting shall be conducted for the portion of which reduction effect of taxable income is recognized for the following year as the Foreign Corporation Tax subject to deduction, the Company will record corporation tax, etc., and deferred tax assets retroactively to the year ended March 31, 2017 and the year ended March 31, 2018.

(2) Correction of Consolidated Accounting, etc., of PJF

The Company consolidated PJF as a wholly owned subsidiary in the second quarter of the year ended March 31, 2018, and based on the Report of the Special Investigation Committee, the Company reviews and corrects the accounting to make more appropriate treatment of consolidated accounting in terms of investment judgment of the users of financial statements.

Specifically, as PJF, acquired on July 27, 2017, is a company with its closing period in December, September 30, 2017 shall be the date of deemed acquisition and in the accounting before the correction, for the second quarter of the year ended March 31, 2018, the balance sheet of PJF at the end of June, 2017 was consolidated and for the third quarter of the same year, the balance sheet of PJF

as of September 30, 2017 and the statement of income for the period from July to September, 2017 were consolidated and in the same consolidated financial year, the balance sheet of PJF as of December 31, 2017 and the statement of income for the period from July to December, 2017 were consolidated. However, after the review, accounting shall be corrected as follows; for the second quarter of the year ended March 31, 2018, the balance sheet of PJF as of September 30, 2017, the date of deemed acquisition, shall be consolidated and in the third quarter of the same year, only the balance sheet of PJF as of September 30, 2017 shall be consolidated and in the same consolidated financial year, the balance sheet of PJF as of December 31, 2017 and the statement of income for the period from October to December of the same year shall be consolidated.

3. Affected Amount of Correction of Closing

Affected amount in the consolidated financial statements and individual financial statements after correction of closing as stated above shall be as follows.

[Consolidated Financial Statements]

(Unit: thousand yen)

Period	Item	Before Correction	Affected Amount (1)	Affected Amount (2)	After Correction
116th Term (year ended March 31, 2017) Full-year	Sales	14,143,071	-	-	14,143,071
	Operating profit	Δ43,869	-	-	Δ43,869
	Ordinary Profit	516,457	-	-	516,457
	Net profit	488,588	Δ275,558	-	213,029
	Total assets	27,368,038	64,491	-	27,432,530
	Net assets	12,489,433	Δ275,558	-	12,213,875
117th Term (year ended March 31, 2018), First quarter	Sales	1,648,226	-	-	1,648,226
	Operating profit	Δ303,396	-	-	Δ303,396
	Ordinary Profit	Δ120,477	-	-	Δ120,477
	Quarterly net profit	Δ212,560	Δ37,017	-	Δ249,577
	Total assets	26,708,737	83,571	-	26,792,308
	Net assets	11,754,144	Δ312,575	-	11,441,569
117th Term (year ended March 31, 2018), Second quarter	Sales	3,486,452	-	-	3,486,452
	Operating profit	Δ1,006,619	-	-	Δ1,006,619
	Ordinary Profit	Δ295,546	-	-	Δ295,546
	Quarterly net profit	1,903,294	Δ142,622	108,729	1,869,400
	Total assets	39,162,330	138,003	Δ11,793	39,288,540
	Net assets	23,845,795	Δ418,180	157,352	23,584,968
117th Term (year ended March 31, 2018), Third quarter	Sales	8,086,679	-	Δ244,669	7,842,009
	Operating profit	Δ461,686	-	Δ195,313	Δ657,000
	Ordinary Profit	245,936	-	Δ196,948	48,987
	Quarterly net profit	2,083,536	Δ142,622	182,031	2,122,944
	Total assets	40,516,463	138,003	Δ435	40,654,031
	Net assets	24,562,150	Δ418,180	268,044	24,412,014
117th Term (year ended March 31, 2018), Full-year	Sales	11,927,587	-	Δ238,870	11,688,717
	Operating profit	Δ1,354,427	-	Δ189,328	Δ1,543,756
	Ordinary Profit	Δ909,040	-	Δ189,328	Δ1,098,369
	Net profit	1,720,037	Δ156,216	Δ80,023	1,483,797
	Total assets	40,396,840	145,010	-	40,541,850
	Net assets	25,650,456	Δ431,774	-	25,218,682
118th Term (year ending March 31, 2019), First quarter	Sales	1,840,738	-	2,773	1,843,511
	Operating profit	Δ752,193	-	2,773	Δ749,419
	Ordinary Profit	Δ560,070	-	2,773	Δ557,296
	Quarterly net profit	Δ602,187	-	2,773	Δ599,414
	Total assets	36,697,797	145,010	-	36,842,807

	Net assets	23,031,659	Δ431,774	-	22,599,884
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(Note): Affected Amount (1) indicates the amount affected by correction of the past tax expenses, etc., for overseas projects and Affected Amount (2) indicates the amount affected by correction of consolidated accounting, etc., of PJF.

[Individual Financial Statements]

(Unit: thousand yen)

Period	Item	Before Correction	Affected Amount (1)	After Correction
116th Term (year ended March 31, 2017) Full-year	Sales	6,565,701	-	6,565,701
	Operating profit	Δ96,371	-	Δ96,371
	Ordinary Profit	643,691	-	643,691
	Net profit	670,270	Δ275,558	394,712
	Total assets	15,306,559	64,491	15,371,051
	Net assets	11,493,053	Δ275,558	11,217,495
117th Term (year ended March 31, 2018) Full-year	Sales	5,103,662	-	5,103,662
	Operating profit	Δ1,123,672	-	Δ1,123,672
	Ordinary Profit	Δ299,823	-	Δ299,823
	Net profit	Δ179,660	Δ156,216	Δ335,877
	Total assets	32,654,226	145,010	32,799,237
	Net assets	25,828,396	Δ431,774	25,396,621

(Note) Affected Amount (1) indicates the amount affected by correction of the past tax expenses, etc., for overseas projects.

4. Corrected Financial Reports, etc., Submitted to the Kanto Local Finance Bureau as of This Date

(1) Financial Reports

116th Term (from April 1, 2016 to March 31, 2017)

117th Term (from April 1, 2017 to March 31, 2018)

(2) Quarterly Reports

117th Term, First Quarter (from April 1, 2017 to June 30, 2017)

117th Term, Second Quarter (from July 1, 2017 to September 30, 2017)

117th Term, Third Quarter (from October 1, 2017 to December 31, 2017)

118th Term, First Quarter (from April 1, 2018 to June 30, 2018)

5. Corrected Announcement of Closing, etc., Submitted as of This Date

116th Term (from April 1, 2016 to March 31, 2017)

117th Term (from April 1, 2017 to March 31, 2018)

117th Term, First Quarter (from April 1, 2017 to June 30, 2017)

117th Term, Second Quarter (from July 1, 2017 to September 30, 2017)

117th Term, Third Quarter (from October 1, 2017 to December 31, 2017)

118th Term, First Quarter (from April 1, 2018 to June 30, 2018)

End