

To our shareholders

Prospect Co., Ltd.

Supplemental Explanation on Agenda to Be Presented at the 118th Annual General Meeting of Shareholders

In the current consolidated fiscal year, the Company's financial results disclosure was delayed, and it raised concerns among our shareholders. In addition, due to the recording of a large deficit, the Company regrettably decided not to distribute a dividend. Therefore, in the fiscal year ending March 2020, the Company is committed to restore confidence, improve business performance and resume dividend distribution. The Company is providing the following supplemental explanation regarding the specific policies, which are described on page 8 (5) in the Notice of Convening the 118th Annual General Meeting of Shareholders, the information contained in the financial results disclosed on May 15, 2019, and part of the propositions.

Note

1. Regarding financial results

The final net loss is ¥ 9,833 million, as described on page 11 of the Notice of Convening the 118th Annual General Meeting of Shareholders (6) Changes in Status of Assets and Loss and Profit.

The main factors contributing to performance are detailed below. Please note that these are “accounting valuations and assessments” that do not involve cash outflows (expenses).

“Cash and deposits” at the end of the current consolidated fiscal year amounted to ¥ 5,049 million, which is sufficient for conducting business activities to recover performance under the cash flow (plan) for the fiscal year ending March 2020.

(1) Breakdown of losses in Asset Management Business

- a) Valuation of securities held by consolidated subsidiary The Prospect Japan Fund Limited
7,323 million yen
- b) Loss on valuation of stock acquisition rights held by consolidated subsidiaries
895 million yen
- c) Impairment loss on fixed assets (goodwill)
711 million yen

(2) Other businesses (real estate sales business and renewable energy business) are making steady progress as planned.

2. About future business development

(1) The Company's core real estate sales business, and the solar power generation business have been steady.

(2) Regarding solar power generation business, the power generation capacity (total) during the fiscal year ending March 2020 will reach approximately 41.3 MW, about double comparing to current consolidated fiscal year.

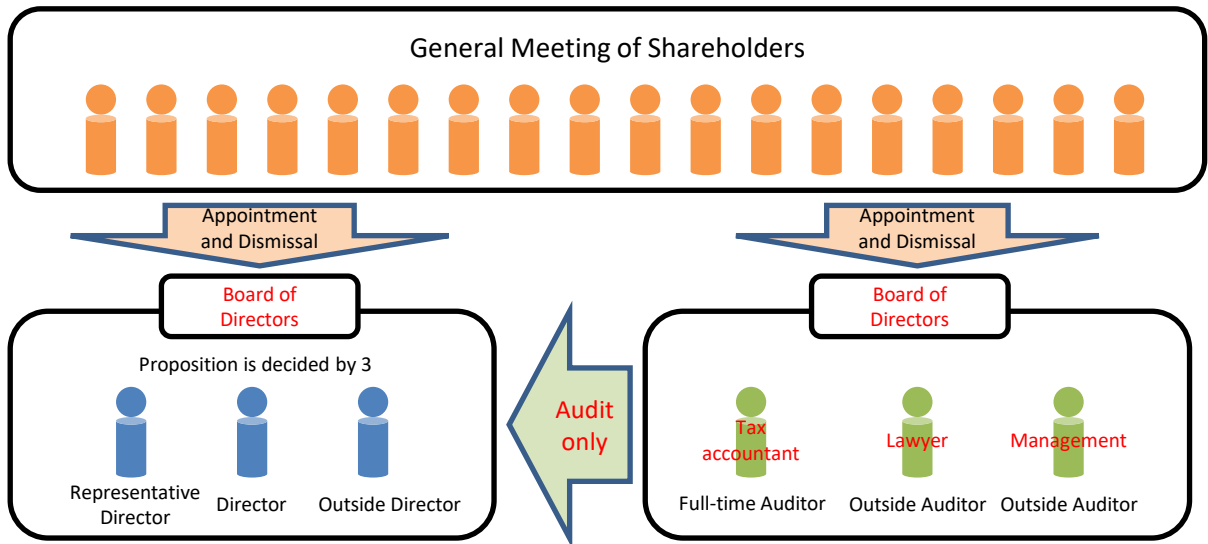
(3) In addition, wood pellet (biomass power generation fuel) production projects in Russia are progressing smoothly, and the production plant is scheduled to be completed and put into operation in the fiscal year ending March 2020.

(4) The Company will continue to actively develop M & A strategies in Japan and overseas.

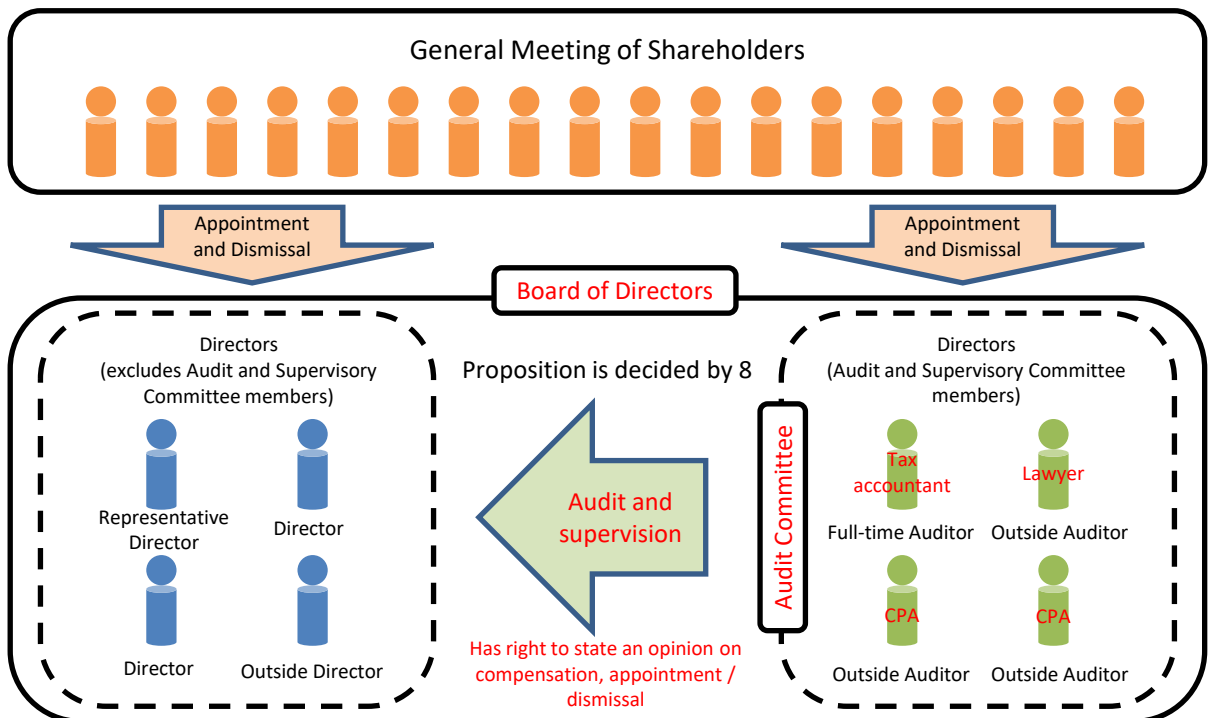
3. Regarding transition (the first proposition) to a company with Audit and Supervisory Committee

In order to strengthen the governance system, the Company will change to a company with an Audit and Supervisory Committee organizational structure after the Annual General Meeting of Shareholders. The inclusion of two candidates who are Certified Public Accountants with expertise required to ensure appropriate accounting and taxation practices will especially strengthening the governance system.

(Present) Company with Board of Auditors



(New) Company with Audit & Supervisory Committee



In order to further enhance management transparency, the Company will strengthen corporate governance and the supervisory function of the Board of Directors by establishing an Audit and Supervisory Committee, which consists of experts.