

[Translation]

May 15, 2020

Company Name: Prospect Co., Ltd.

Representative: President and CEO Masato Tabata

(Security Code: 3528 TSE 2nd Section)

Contact: Chief of General Affairs Jiro Taketani

(TEL: +81-03-3470-8411)

Notice regarding opposition of the Company's Board of Directors to the Proposals to the Extraordinary General Meeting of Shareholders by the Company's Major Shareholders and the Shareholder Proposals to the Annual General Meeting of Shareholders

At the Board of Directors meeting held today, the Company resolved to express an opposition to all proposals to the Extraordinary General Meeting of Shareholders (the "EGM") which will be convened by the Company's major shareholders, Shinwa Industry Co., Ltd. and Hiroshi Nishimura (the "Shareholders"), and all Shareholders' proposals (together with the proposals to the EGM, referred to as the "Shareholder Proposals") to the 119th Annual General Meeting of Shareholders (the "AGM") scheduled to be held in late June 2020. In addition, the Company has received the opinion from the Audit and Supervisory Committee of the Company, along with the Board of Directors of the Company, that all the proposals to the EGM should be opposed (Please refer to Appendix for details). The Company hereby informs you of the following.

Note

1. Agenda items for the EGM

Proposals to be resolved:

Proposal No.1: Partial amendment of Articles of Incorporation concerning the number of directors (excluding directors who are Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members

*The number of directors excluding Audit and Supervisory Committee members will be increased from the current 4 to 10, and the number of Directors who are Audit and Supervisory Committee members will be increased from the current 4 to 10 members.

Proposal No.2: election of 6 directors (excluding directors who are Audit and Supervisory Committee members)

Proposal No.3: election of 6 directors who are members of the Audit and Supervisory Committee

2. Shareholder Proposals to the AGM

Proposal No.1: election of 4 directors (excluding directors who are Audit and Supervisory Committee members)

Proposal No.2: dismissal of Hitoshi Matsufuji and Tomonori Utsumi, who are Audit and Supervisory Committee Members

Proposal No.3: election of 2 directors who are Audit and Supervisory Committee members

3. Opinion of the Company's Board of Directors regarding the Shareholder Proposals

(1) Summary of the Shareholder Proposals

The Shareholder Proposals to the EGM (will be held on June 1, 2020): 1) substantially increase the number of members of the Board of Directors of the Company from the current 8 to 20; 2) the Shareholders proposed to elect 12 directors recommended by the Shareholders and in case these proposals are rejected, at the AGM (will be held in late June 2020); 3) to dismiss two current directors who are the Audit and Supervisory Committee members of the Company; 4) the Shareholders proposed to elect 6 directors recommended by the Shareholders. It appears that the Shareholders try to take control of the Company and build a management system led by them.

- 1) Proposal No.1 to the EGM (will be held on June 1, 2020)
- 2) Proposal No.2 and 3 to the EGM (will be held on June 1, 2020)
- 3) Proposal No.2 to the AGM (will be held in late June 2020)
- 4) Proposal No.1 and 3 to the AGM (will be held in late June 2020)

(2) Information about the Shareholders

Hiroshi Nishimura	Largest shareholder of the Company Number of voting rights held: 393,845 (8.86%)
Shinwa Industry Co., Ltd.	2 nd largest shareholder of the Company Number of voting rights held: 191,992 (4.32%)

(Note) The above numbers and percentages of voting rights held are as of the end of March 2020.

Hiroshi Nishimura (the representative director of Shinwa Industry Co., Ltd.), who submitted the Shareholder Proposals, is currently the subject of a criminal investigation by the Securities and Exchange Surveillance Commission regarding allegations of insider trading (violation of the

Financial Instruments and Exchange Law, Article 166, paragraph 3 of the same law) and, in the future, there is a possibility that a surcharge payment order will be issued and criminal penalties could also be imposed.

According to Hiroshi Nishimura's Report of Possession of Large Volume, he sold 3 million of the Company's shares on the stock market on February 14, 2019. The Company had made timely disclosures on February 14, 2019, at 3:00 pm (after the market closed) in "Notice Regarding Extraordinary Losses" and "Notice Regarding Revision of Dividend Forecast" (hereinafter referred to as "Timely disclosure of this matter") that we recorded an extraordinary loss of 1,748 million yen in the third quarter of the fiscal year ending March 31, 2019, and had revised the dividend forecast for the same period to no dividend. As a result, the price of our stock, which was 27 yen (closing price on that day) dropped to 17 yen per share (opening price on the following day, the 15th). The criminal investigation by the Securities and Exchange Surveillance Commission is based on suspicion that an insider transaction in which Nishimura's sale of the Company's stock on the 14th of the same month was carried out by acquiring the content of the disclosures from a former Executive Officer of the Company before the timely disclosure of the matter was announced publicly (hereinafter referred to as "alleged insider trading").

The allegations of insider trading have been reported by several news media such as the Nikkei (February 19, 2020, morning edition) and NHK (NEWS WEB article dated the same day). According to these reports, The Securities and Exchange Surveillance Commission had already conducted a compulsory investigation into related parties, such as Shinwa Industry Co., Ltd.

The truthfulness of the alleged insider trading should be judged by the results of the investigation by the Securities and Exchange Surveillance Commission, however, should Hiroshi Nishimura be appointed a director of the Company, there may be increased risk to the management of the Company. The details of our opinion regarding this point are as described in (3) 5) below.

(3) Opinion of Opposition to The Shareholder Proposals

The Board of Directors of the Company **opposes** all of Proposals No.1 to No.3 on the agenda of the EGM, and the Shareholder Proposals No.1 to No.3 at the AGM, for the following reasons.

In addition, the Company has received the opinion from the Audit and Supervisory Committee of the Company, along with the Board of Directors of the Company, that all the proposals to the EGM should be opposed (Please refer to Appendix for details).

1) The Company Proposal is the best option from the perspective of improving corporate value and the common interests of our Shareholders

(Opinion of Opposition to Proposals No.1 to No.3 of the EGM and Proposals No.1 to No.3 of the AGM)

Our consolidated business results for the fiscal year ending March 31, 2020, were net sales of approximately 6.7 billion yen, a year-on-year increase, and a net profit of approximately 240 million yen, a significant improvement from the previous year's 8.4 billion yen loss. We believe that we have taken a steady first step toward the achievement of our 2022 consolidated performance target (sales of 10.87 billion yen and net profit of 1.3 billion yen) in the medium-term management plan announced on March 24, 2020. In addition, with the above performance improvement, we have decided to pay a dividend of 1 yen per share as originally planned and, from this term forward, we will strive to further enhance shareholder returns while working to stabilize the management base and strengthen profitability.

We believe that achieving a recovery in business performance in the most recent fiscal year, and having made steady progress toward the achievement of the medium-term management plan for further development of the Company Group, is the result of us coming together and working hard on management, along with the support of our shareholders, customers who love our brand, the cooperation of our business partners, and the support of our all stakeholders, such as the hard work and training of all employees.

Furthermore, as a result of careful consideration by the Board of Directors on ways of further strengthening management due to changes in the business portfolio and certain prospects for business performance recovery, and based on the Nomination and Compensation Committee's report, as described in 2) below, **following the AGM we resolved to shift to a new management system**. Specifically, as stated in "Notice regarding changes in Representative Directors and Officers" dated today, **at the conclusion of the AGM, President Masato Tabata is scheduled to retire, and four candidates for directors, who are not Audit and Supervisory Committee members (Dominic Henderson, Mitsuharu Iida, Thomas R. Zengage, and Toshiya Justin Kuroda), will be submitted to the AGM (hereinafter referred to as the "Company Proposal")**.

If the Company Proposal is approved, the Board of Directors of the Company will consist of 4 directors who are not Audit and Supervisory Committee members (of which 2 are independent outside directors) and 4 Directors who are Audit and Supervisory Committee members (all of which are independent outside directors). **As for the Board of Directors, the core members of the current structure will continue to organize the board in view of the potential to achieve sustainable growth strategies and strengthen shareholder returns, and we**

believe that the Company Proposal is the best option from the perspective of improving the Company's corporate value and the common interests of shareholders.

(Reference) Composition of the Board of Directors based on the Company Proposal (planned for after the AGM in late June 2020)

The abilities of candidates for Directors and Audit and Supervisory Committee Members are as follows.

Name		Domain of control	Corporate management	Sales Marketing	Finance	Legal Taxation Accounting	IR ESG SDGs	Global experience
Dominic Henderson		Overseas business Renewable energy business	•	•	•			•
Mitsuharu Iida		Real estate business		•				
Thomas R. Zengage	Independent outside		• MBA	•			•	•
Toshiya Justin Kuroda	Independent outside		• MBA	•	•	•Lawyer *1		•
Akio Tsukishima	Independent outside Audit and Supervisory Committee	-			•	• Certified tax accountant		
Yuki Ichikawa	Independent outside Audit and Supervisory Committee	-				• Lawyer *2		•
Hitoshi Matsufuji	Independent outside Audit and Supervisory Committee	-				• Chartered accountant		•
Tomonori Utsumi	Independent outside Audit and Supervisory Committee	-				• Chartered accountant	•	

*1 Toshiya Justin Kuroda is a lawyer in the state of New York in the United States.

*2 Yuki Ichikawa is a lawyer, and a lawyer in the state of New York in the United States.

2) The Company Proposal and the Shareholder Proposals were considered and discussed under a process that ensured fairness, transparency, and objectivity.

(Opinion of Opposition to Proposals No.1 to No.3 of the EGM and Proposals No.1 to No.3 of the AGM)

The Company nominates candidates worthy of being a Director of the Company from amongst persons who are able to fulfill the duties and responsibilities of the management delegated by our shareholders, persons who are able contribute to the sustainable development of the Company Group and the enhancement of corporate value in the medium to long term, in addition to those who have a good understanding of the history, corporate culture, employee characteristics, etc. of the Company Group, as well as the business environment in which the Company Group is placed, trends in competition, etc. Specifically, with respect to directors who are not Audit and Supervisory Committee members, in addition to possessing highly insightful and abundant experience that is useful for the management of the Company Group, the Board of Directors accurately understands the trends of the times and changes in the market, and objective opinions from specialized businesses and fields, and nominates candidates based on comprehensive consideration of whether or not they can stand out from a company-wide perspective. In addition, directors who are Audit and Supervisory Committee members must have the high level of knowledge and abundant experience necessary to carry out the duties of Audit and Supervisory Committee members. In particular, those who are outside directors have knowledge and abundant experience in fields such as corporate management, law, taxation, financial accounting, and risk management, as well as objective execution of director duties from a neutral position, and candidates are nominated by conducting an audit and comprehensively judging whether they are able to contribute to the improvement of management soundness and transparency (for details, please refer to our official website (<http://www.prospectjapan.co.jp/>)).

To ensure fairness, transparency, and objectivity in procedures regarding the concept of the composition of the Board of Directors, and matters regarding the appointment and dismissal of directors, etc., the Nomination and Compensation Committee has been established with a majority of its members being independent outside directors, and the Board of Directors will make decisions on the selection of specific candidates for directors by respecting the reports of the Nomination and Compensation Committee.

The Company Proposal was decided on by the Board of Directors based on the report of the Nomination and Compensation Committee in accordance with the above concept, and for the following reasons, in light of the Company's current situation described in 1) above, we have determined that the proposal is the best option from the perspective of improving the corporate value and the common interests of shareholders.

I. Candidates for directors who are not Audit and Supervisory Committee members in the Company Proposal have diverse knowledge and experience in corporate governance, global business, renewable energy business, real estate business, the fields of financial securities, IR/ESG, etc., and are human resources that are suitable for the business environment and management issues of the Company, which develops various businesses in Japan and overseas.

II. Directors who are Audit and Supervisory Committee Members in the Company Proposal are composed of persons who have specialized knowledge and experience in finance, accounting, tax affairs, and legal affairs, are both independent outside directors who are neutral and objective, are human resources that can perform effective audits from various perspectives, and there is no need to change this composition.

III. The composition of the Board of Directors in the Company Proposal is appropriate and advanced in terms of its size, diversity, and the ratio of outside directors (6 out of 8).

On the other hand, the Company's board also, regarding candidates for directors who are not Audit and Supervisory Committee Members and candidates for directors who are Audit and Supervisory Committee Members in the Shareholder Proposals, following deliberation by the Nomination and Compensation Committee and with respect to their report, deliberated on them from the perspectives of their career histories and their roles in the composition of the Company's Board of Directors, etc. As a result, **it was decided that it is not appropriate for the Board of Directors to nominate candidates for directors from the Shareholder Proposals, with the exception of Mitsuharu Iida, who is also a candidate for director who is not an Audit and Supervisory Committee member proposed by the Company, for the reasons described in 3) to 7) below.**

3) The reason in the Shareholder Proposals is based on an evaluation of the Company's business results, the content of which is irrational and contains numerous errors.

(Opinion of Opposition to Proposals No.1 to No.3 of the EGM and Proposals No.1 to No.3 of the AGM)

The Shareholder Proposals document for the AGM (hereinafter "Shareholder Proposals Document"), regarding the Company's business performance, describes the operating profit and loss, which is the profit of the main business, as having decreased significantly in recent years

and states that the corporate value is rapidly deteriorating. However, the evaluation of company performance in the Shareholder Proposals Document is incorrect as company performance should be judged mainly on the basis of net profit or loss.

The Company is developing an overseas real estate business by means of investment or financing, and the income from this business appears as “non-operating income.” In addition, the Company, as a renewable energy business, is selling electricity via solar power generation, developing power plants, a biomass power generation related business, etc., and the revenue at the time of selling developed power plants appears as “extraordinary profit.” As such, our profitability cannot be measured only in terms of operating profit and loss and, in fact, our stakeholders, including our financial institutions, evaluate our business performance from this perspective.

When our business performance is evaluated from this perspective, the business performance for the year ended March 31, 2018, was in the black and, in the fiscal year ended March 31, 2019, we temporarily fell into a large deficit due to the decline in the valuation of securities held because of the deterioration of the stock market environment. However, this was a loss recorded due to accounting “evaluation/estimation” that does not involve cash out (expenditure) and, in relation to our business, we succeeded in diversifying and strengthening our earnings base as a result of business activities under the system at the time, which has contributed significantly to the expansion of corporate value. As a result, as mentioned in 1) above, in the fiscal year ended March 31, 2020, the business performance recovered significantly.

Therefore, **our corporate value has not deteriorated rapidly in recent years.**

In addition, in The Shareholder Proposals Document, the Shareholders state that the Company's medium-term management plan's content is abstract and that no specific measures were proposed. However, **the three-year “Medium-term Management Plan: Strategy & Action” announced by the Company and beginning with the year ending March 2021, is based on the pillars of “strengthening sustainability” and “improving profitability,” we clarify the issues, measures, and policies for each business unit, which drives our path to growth, and the content is in no way left abstract.**

In the first place, in the Shareholder Proposals Document, the Shareholders have only repeatedly stated that the management team needs to be renewed on the basis of the above-mentioned false understanding of the Company's business performance, and no concrete management strategy is shown. Shareholder proposals aimed at renewing management should intrinsically show concrete measures for corporate value and improvement for the common interests of shareholders. However, as this document contains no such content, **we must judge**

that the proposing shareholders and the director candidates proposed do not have clear measures to improve the sustainable corporate value of the Company or for the common interests of shareholders.

Therefore, as described in 1) above, in order to further accelerate our future growth, it is essential to carry out new initiatives under the new management system proposed by the Company without interruption while inheriting the foundation of the current management system. **Should the Company's management team be renewed based on the Shareholder Proposals, it would cause unnecessary confusion in the management of the Company, and with our stakeholders including Company Group employees, customers, financial institutions, business partners, etc., that the Company has cultivated up to now, and we must say that it is highly possible that the relationship of trust will be damaged as a result and our future growth would be hindered.**

4) There are no grounds for dismissal of directors who are members of the Audit and Supervisory Committee

(Opinion of Opposition to Proposal No.2 and Proposal No.3 of the AGM)

In the Shareholder Proposals Document, the Shareholders propose to deliberately dismiss Hitoshi Matsufuji and Tomonori Utsumi as directors who are Audit and Supervisory Committee members during their term of office, and newly appoint Nobuhiko Izumi and Shigeyoshi Asano. However, both Hitoshi Matsufuji and Tomonori Utsumi are certified public accountants, and from the perspective of strengthening the supervisory function with persons with specialized knowledge and experience in finance and accounting, we received trust in them from our shareholders as directors who are Audit and Supervisory Committee Members of the Company at the 118th Annual General Meeting of Shareholders. Furthermore, **Hitoshi Matsufuji and Tomonori Utsumi are appropriately performing their duties as directors who are Audit and Supervisory Committee Members of the Company, such as actively speaking at the Company's Board of Directors meetings, and are no grounds for their dismissal.**

The reason given by the Shareholders for dismissal of Hitoshi Matsufuji and Tomonori Utsumi is that they have no experience being involved in corporate management. However, Hitoshi Matsufuji and Tomonori Utsumi are expected to supervise as directors who are members of the Audit and Supervisory Committee based on their specialized knowledge and experience in finance and accounting, and we must say that the proposals made by the Shareholders are based on a lack of understanding of their function.

The Shareholders propose to replace Hitoshi Matsufuji and Tomonori Utsumi as directors who are Audit and Supervisory Committee members, and appoint Nobuhiko Izumi and Shigeyoshi Asano. However, as Nobuhiko Izumi is an advisor to Japan Pocket, which is controlled by Nobuyoshi Fujisawa, and Shigeyoshi Asano worked for many years as an officer and employee of J Trust Co., Ltd. and its group companies, where Nobuyoshi Fujisawa serves as chairman, it cannot at all be expected that Nobuhiko Izumi and Shigeyoshi Asano can appropriately supervise the execution of business as directors who are members of the Audit and Supervisory Committee by management that includes Fujisawa. In addition, in the agenda items of the EGM, Nobuhiko Izumi was nominated as a candidate for director who is not an Audit and Supervisory Committee Member, and Shigeyoshi Asano was not a candidate for director at all, and thus it is unlikely that the Shareholders are seriously proposing that they can appropriately supervise the execution of business by management that includes both of them and Fujisawa.

5) Should Hiroshi Nishimura be appointed a director of the Company, there may be increased risk to the management of the Company.

(Opinion of Opposition to Proposal No.2 of the EGM and Proposals No.1 of the AGM)

The fact that the Securities and Exchange Surveillance Commission is investigating alleged insider trading by Hiroshi Nishimura (see 2) above) poses a major risk for the Company should he become a director.

If the Commission determines that the alleged insider trading is true, an order for payment of a surcharge (Article 175, Paragraph 1 of the Financial Instruments and Exchange Act) will be issued to him, and it is possible that further criminal penalties (imprisonment of under 5 years or a fine of no more than 5 million yen, or a combination of the two, under Article 197-2, No. 13 of the same law) may be imposed. If criminal penalties are imposed on him, such would be grounds for disqualification as a director (Article 331, Paragraph 1, Item 3 of the Companies Act), he would not be allowed to continue as director of the Company, and it is clear that he should not continue as a director of the Company even if he is only subject to an order to pay a surcharge. In the unlikely event that this happens, we would not only be lacking a director, but stakeholders would have serious doubts regarding our compliance system and corporate governance as a listed company. As a result, business continuity may be adversely affected and corporate value impaired.

Of course, the truthfulness of the alleged insider trading should be judged by the results of the Securities and Exchange Surveillance Commission investigation. However, as it is clear that he

may have to leave the Company's directors during his term of office depending on the results of the investigation by the commission, and that it is a major risk for him to take office as a company director, we therefore cannot agree with the proposal to appoint such a person as a director.

In addition, **regarding Hiroshi Nishimura, there is the fact that he illegally obtained confidential information from a former executive officer of the Company. Specifically, from February to June 2019, it has been revealed that he obtained confidential information, specifically 1. information on the Company's acquisitions, 2. unannounced information on the operation of the Annual General Meeting of Shareholders, 3. an unannounced list of shareholders, and 4. confidential information such as a list that summarizes the outline of our solar power generation business.** Based on such behavior, it seems is highly likely that if he becomes a director, company information would be misused for personal interests at the expense of the common interests of the Company and its shareholders, and it is unlikely that his selections for director candidates (including directors who are members of the Audit and Supervisory Committee) would stop such action by him. **From the viewpoint of compliance as a listed company, the Company cannot agree with the appointment of a director who has acted in an unjust manner that would be detrimental to the Company, and who would not be expected to stop committing acts that would damage the Company's value.**

Further, according to the Report of Possession of Large Volume, Hiroshi Nishimura has, with approval of the Shareholder Proposals at the AGM as a condition, including the appointment of Nobuyoshi Fujisawa and Nishimura as Directors, entered into a transfer agreement with NLHD Kabushiki Kaisya, where Nobuyoshi Fujisawa is employed as the representative director, to transfer of all of the Shareholder's shares (However, the number of shares held at the time of submitting the above-mentioned Report of Possession of Large Volume is the upper limit). This means that if the Shareholder Proposals are passed and the management team is changed to the one aimed at by the Shareholders, the number of shares held by the Shareholders is expected to be zero. It is not clear what kind of agreement has been made between the Shareholders and Nobuyoshi Fujisawa, **however, when the largest shareholder becomes a director and at the same time transfers all of their company shares, it is enough to doubt that they have any intention of conducting management on behalf of shareholders as a director.**

6) It is clear that there is no need to increase the number of directors to a total of 20

(Opinion of Opposition to Proposal No.1 of this Extraordinary General Meeting of Shareholders)

The Shareholder Proposals aim to, by amending the Articles of Incorporation of the Company, increase the number of directors to a total of 20 by additionally appointing 6 directors (excluding directors who are Audit and Supervisory Committee members) and 6 directors who are Audit and Supervisory Committee members.

However, **considering that currently there are 4 directors of the Company (excluding the directors who are Audit and Supervisory Committee members) and 4 directors who are Audit and Supervisory Committee members (8 in total), and the Company has approximately 40 employees, it can be said that the selection of 20 directors is obviously excessive based on the size of the Company.**

According to the “Corporate Governance White Paper 2019” published by the Tokyo Stock Exchange in June 2019, the average number of directors in the Second Section of the Tokyo Stock Exchange, on which the Company is listed, is 7.77, so from the viewpoint of corporate governance based on statistics, etc., the current number of directors of the Company (8) may be said to be an appropriate level.

Therefore, **we can only come to the conclusion that the claims made by the Shareholders cannot be considered to be for the purpose of improving corporate value or shareholder value, are extremely arbitrary, and are for the sole purpose of taking control of the Company.**

7) The Shareholder Proposals have been submitted by Hiroshi Nishimura in accordance with extremely inappropriate procedures.

(Opinion of Opposition to Proposals No.1 to No.3 of this Extraordinary General Meeting of Shareholders)

On November 1, 2019, we received a request for convocation of an Extraordinary General Meeting of Shareholders from the Shareholders. However, despite repeated requests from the Company, the Shareholders would not unequivocally disclose specific director candidates. Finally, on April 23, 2020, about six months after the initial request, the Shareholders revealed specific candidates for directors to the Company, and furthermore requested that if the Board of Directors would like to express an opinion that it do so by the following day, the 24th.

Although information on how the Board of Directors views proposals by shareholders is extremely important information for shareholders to make decisions, the Shareholder's stance of giving the Board of Directors a limited examination time of only one day is nothing but a blatant disregard for the interests of other shareholders of the Company.

and clearly the Shareholder Proposals cannot be said to have been made from the perspective of improving the corporate value of the Company or for the common interests of shareholders.

As described above, if the Shareholder Proposals are passed, management of the Company would be entrusted to the Shareholders, and it can be said that there is a high risk that the relationship of trust between the Company and its stakeholders, including the shareholders, customers, group employees, financial institutions and business partners that we have built up to now, will be impaired and our future growth would be hindered.

Therefore, our Board of Directors opposes the Shareholder Proposals.

In addition, in closing, we would like to add that the Board of Directors of the Company, while other listed companies in the fiscal year ending March are seriously considering postponing their regular general meeting of shareholders and reducing their sizes to avoid risk from the novel coronavirus outbreak, has serious doubts about the necessity and appropriateness of holding an extraordinary general meeting of shareholders, particularly one that is very close to the same month as the ordinary annual general meeting of shareholders. The agenda for the Shareholders at the EGM and the Shareholder Proposals for the AGM share the common purpose of replacing directors, and the Company has repeatedly argued to the Shareholders that there is little need to hold the EGM. Of course, as the court has granted permission to convene an extraordinary general meeting of shareholders, we have no choice but to comply, and we will also encourage the Shareholders who have convened the meeting to take all possible measures to put the safety of all shareholders first. However, in the current social situation in which society is united to prevent the spread of viral infection, we would like to ask our shareholders to make appropriate judgments as to the appropriateness of the Shareholders and their recommended candidates exercising their statutory rights to convene the EGM in order to become the management team of the Company.

End

[Appendix]

Audit and Supervisory Committee Opinion on the Proposals for the Extraordinary General Meeting of Shareholders

May 15, 2020

Prospect Co., Ltd: Audit and Supervisory Committee

Chairperson: Akio Tsukishima

Member: Yuki Ichikawa

Member: Hitoshi Matsufuji

Member: Tomonori Utsumi

Regarding the proposed agenda (Proposals No.1 to No.3, hereinafter “Proposed Agenda”) for the Extraordinary General Meeting of Shareholders convened by shareholders Shinwa Industry Co., Ltd. and Hiroshi Nishimura, as a result of the discussions by this committee, we hereby state the following conclusions reached unanimously by this committee.

Audit and Supervisory Committee opinion: We oppose the Proposed Agenda.

Reason for opposition: Aiming to strengthen corporate governance, the Company transitioned to a company with an Audit and Supervisory Committee by resolution of last year's Annual General Meeting of Shareholders. Following amendment of its Articles of Incorporation to a maximum of 4 directors who are not Audit and Supervisory Committee members and 4 directors who are Audit and Supervisory Committee members, the Company appointed a total of 8 directors, 4 of whom that are not Audit and Supervisory Committee members and 4 that are Audit and Supervisory Committee members. The majority of the 8 directors (5) are outside directors, and with all Audit and Supervisory Committee members being certified public accountants, tax accountants, or attorneys, our corporate governance system is already in place. In fact, the outside directors (including the 4 who are Audit and Supervisory Committee members) actively asked questions and expressed their opinions at Board of Directors meetings. In addition, the Audit and Supervisory Committee is always critically verifying management of the Company, taking into account the knowledge of each member, and we are confident that the current corporate governance is fully functional.

However, the Proposed Agenda intends to revise the Articles of Incorporation to increase the number of directors who are not Audit and Supervisory Committee members and directors who are Audit and Supervisory Committee members by 6, increasing the number to 10 each for a total of 20

directors, in order to appoint an additional 12 directors selected by the Shareholders, despite it being unnecessary with the current system of corporate governance. It is clear that the Shareholders intention is to create a majority in the Board of Directors and the Audit and Supervisory Committee, which would be strongly influenced by the above Shareholders in determining management policy and business execution, and such may be harmful to corporate governance in that the interests of the above Shareholders may be prioritized over minority shareholders. In particular, if the Audit and Supervisory Committee, which is required to be independent of directors who are not Audit and Supervisory Committee members, could be dominated by directors who are not specifically Audit and Supervisory Committee members, or members who have the intentions of certain shareholders in mind, there is a danger that the auditing and supervision of company management will not be carried out properly, and that the Audit and Supervisory Committee will cease to function.

For the above reasons, we oppose the Proposed Agenda.

End