

Securities Code No.: 3528  
June 15, 2020

Dear Shareholders,

1-30-8 Sendagaya, Shibuya-ku, Tokyo

## **Prospect Co., Ltd.**

Representative Director, President Masaru Oka

### **Notice of Convening the 119th Annual General Meeting of Shareholders**

Thank you very much for your continuous support and good offices.

We are pleased to inform you that the 119th Annual General Meeting of Shareholders will be held as stated below, and we request that you attend this meeting.

**If, however, you are unable to attend the meeting on the scheduled day, you may exercise your voting rights by electromagnetic means (Internet, etc.) or in writing as stated in the “Information on How to Exercise Voting Rights” (p.3). Please consider the reference documents for the annual general meeting of shareholders below, and exercise your voting rights no later than 6:00 p.m., Monday, June 29, 2019.**

Sincerely

- |                 |   |
|-----------------|---|
| <b>1. Date</b>  | 10:00 a.m., June 30 (Tuesday), 2020   |
| <b>2. Place</b> | Conference Room, 4F, Kosei Hogo Kaikan<br>5-10-9 Sendagaya, Shibuya-ku, Tokyo<br>(Please refer to the information map of the venue at the end.) |

\*In order to prevent the spread of the novel coronavirus, we recommend exercising your voting rights through the voting form or the Internet, etc. For shareholders planning to attend this Annual General Meeting of Shareholders, please check the situation status and your physical condition on the day of the meeting, and consider infection prevention measures such as wearing a mask at the venue. Please be aware that admission may be restricted to reduce the risk of infection.

### **3. Purpose of Meeting of Shareholders**

#### **Reporting Matters**

1. Business report and report on the consolidated financial statements, and the results of audit of the consolidated financial statements conducted by the Accounting Auditors and the Board of Auditors for the 119th term (from April 1, 2019 to March 31, 2020)
2. Report on the financial statements for the 119th term (from April 1, 2019 to March 31, 2020)

#### **Resolution Matters**

##### **Proposition No. 1**

Appropriation of Surplus

##### **Proposition No. 2**

Appointment of 2 Directors who are Audit and Supervisory Committee Members

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### **4. Matters Determined for Convening the General Meeting of Shareholders (Information on Exercising Voting Rights)**

- (1) If you do not indicate approval or disapproval of each proposal in the Form for Exercising Voting Rights, it shall be treated as expressing your intention that you approve of the Company's proposals and disapprove of the shareholders' proposals.
  - (2) If you exercised your voting rights multiple times via the Internet, the last time that you exercised your voting rights shall be treated as valid. If you exercised your voting rights both by the Form for Exercising Voting Rights and via the Internet, the exercise of voting rights on the Internet shall be treated as valid, regardless of the arrival date.
  - (4) If you wish to diversely exercise your voting rights, you are requested to give a written notice to that effect and the reasons therefore to the Company no later than three (3) days prior to the date designated for the meeting of shareholders.
- ◎ If you can attend the Annual General Meeting of Shareholders on the date noted above, we would kindly ask that you present the enclosed Form for Exercising Voting Rights at the meeting reception desk.
- ◎ In the event that it becomes necessary to revise the matters to be stated in the reference documents for the Annual General Meeting of Shareholders, as well as business report, financial statements and consolidated financial statements, the revised matters will be published on the Company's website (<http://www.prospectjapan.co.jp>).

## Information on How to Exercise your Voting Rights

If you are unable to attend the general meeting of shareholders, you may exercise your voting rights by either method below. Please exercise your voting rights no later than 6:00 p.m., Monday, June 29, 2019, the due date for exercising your voting rights.

### 1. Exercising Voting Rights via the Internet

#### (1) Method of “Smart Exercise”

[1] Read the QR Code shown on the right side of the enclosed Form for Exercising Voting Rights by smartphones, etc., to access the “Smart Exercise” website designated by the Company and enter your approval or disapproval in accordance with the instructions displayed on the screen (You are not required to enter the voting rights exercise code (ID) and password).

[2] Exercising voting rights by “Smart Exercise” shall be limited to one time.

If you wish to change your approval or disapproval after exercising your voting rights, you are required to exercise again by the method described in paragraph (2) below.

#### (2) Method by Entering Your Voting Rights Exercise Code (ID) and Password

[1] Access the “Voting Rights Exercising Website” (URL below), log in with the voting rights exercise code (ID) and the password shown on the right side of the enclosed Form for Exercising Voting Rights on the back of the form and enter your approval or disapproval in accordance with the instructions displayed on the screen. Password must be changed at the initial login.

<https://soukai.mizuho-tb.co.jp/>

[2] Voting Rights Exercise Code (ID) and Password (including those changed by a shareholder) shall be newly issued at each general meeting of shareholders.

[3] As the password is a means to confirm that the person exercising voting rights is the shareholder itself, please handle with care. The Company (shareholder registry administrator) will not request your password.

[4] You will not be able to use the password if you continuously enter your password incorrectly exceeding the prescribed number of times. In such a case, please take the procedure in accordance with the instructions displayed on the screen.

### 2. Exercising Voting Rights by Mail

Indicate your approval or disapproval on the enclosed Form for Exercising Voting Rights and return it by the due date for exercising your voting rights. Use the enclosed surface protection seal for your return.

### 3. Inquiries

If you have any questions, please contact Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Department, the shareholder registry administrator.

[Contact for inquiries regarding how to operate “Smart Exercise,” “Voting Rights Exercise Website”]

Toll-free: 0120-768-524 (Weekdays: 9:00 a.m. - 9:00 p.m.)

(Attached Document)

**Business Report**  
( From April 1, 2019  
to March 31, 2020 )

**1. Current Status of Corporate Group**

**(1) Development and Results of Business**

Japan's economy in the current consolidated fiscal year is in a severe situation as it has been significantly depressed since the fourth quarter due to the impact of the novel coronavirus. With regard to the outlook, as it is unclear when the spread of the virus will subside, there are concerns about the risk of a further downturn in the domestic and overseas economies due to the impact. At the same time, trends in consumer sentiment remain uncertain since the consumption tax rate increase. In the Tokyo metropolitan area condominium market, despite continuing low interest rates and housing support measures, the business plan for the next term may be affected by factors such as customers refraining from purchases due to future uncertainty and a decrease in the number of people visiting condominium showrooms due to requests to refrain from going out.

The Company Group has set "Challenge & Ambition" as our philosophy, which sets out the philosophy of sharing a future vision from a long-term perspective, challenging creation and maximization of new value, and pursuit of strategies that bring benefits to all stakeholders. Based on this philosophy, in the condominium sales business, in addition to conventional individual unit sales, a single-building sales method was also implemented. In the solar power generation business, each project started operations following their development periods and contributed to cash flow. In addition, there is steady transition with the Company's largest Narita Kanzaki PJ (24MWh) being completed according to the original business plan, while development profits were realized at the timing of profit maximization, etc., by selling the solar power plant. Regarding the biomass power generation-related business, the main equipment at the wood pellet manufacturing plant in Russia was completed in February 2020, and in March we signed a 12-year minimum long-term supply contract.

In addition, in the current consolidated fiscal year, the Company began to dissolve and liquidate Prospect Japan Fund Limited, an overseas subsidiary that was the main cause of losses in the previous fiscal year, and withdrew from the asset management business as a stock management business. In addition, two of the Company's securities were properly disposed of through tender offers and sale on the market.

As a result, sales for the current consolidated fiscal year were 6,731 million yen (6,325 million yen in the previous consolidated fiscal year), operating loss was 1,281 million yen (6,653 million in the previous consolidated fiscal year), ordinary loss was 435 million yen (ordinary loss of 6,780 million yen in the previous consolidated fiscal year), and net profit attributable to owners of parent was 237 million yen (8,445 million yen in the previous consolidated fiscal year).

In addition to the domestic real estate sales business, such as condominium sales, the Company Group's main business portfolio is the renewable energy business and overseas real estate related businesses and, due to our approach to these businesses, revenue will be recorded as non-operating income or non-operating expenses, or extraordinary income or extraordinary loss, rather than as sales.

Business performance by segment is as follows.

Segment Name	Previous Consolidated Fiscal Year From April 1, 2018 to March 31, 2019		Current Consolidated Fiscal Year From April 1, 2019 to March 31, 2020	
	Amount	Composition ratio	Amount	Composition ratio
	Thousand yen	%	Thousand yen	%
Real Estate Sales Business				
Condominium Sales Business	3,829,005	60.5	2,602,299	38.7
Land and Buildings	-	-	1,967,276	29.2
Custom-Built Homes	2,098,035	33.2	2,044,884	30.4
Asset Management Business	△5,885,859	△93.0	△1,010,646	△15.0
Construction Business	6,226,073	98.4	-	-
Renewable Energy Business	569,504	9.0	1,099,475	16.3
Total	6,836,759	108.1	6,703,288	99.6
Other	45,333	0.7	19,751	0.3
Elimination of intersegment transactions	△556,527	△8.8	8,373	0.1
Total	6,325,565	100.0	6,731,412	100.0

(Real Estate Sales Business, Condominium Sales Business)

We engage in construction and sales of "GRO-BEL Condominium" developed by the Company, mainly in the Tokyo Metropolitan Area.

In the current consolidated fiscal year, we completed construction of three (3) buildings, 70 housing units for "GRO-BEL Mansion", including "GRO-BEL The Shakuji Koen" (total 21 housing units) (three (3) buildings, 111 housing units in the previous consolidated fiscal year).

As for sales, in the current consolidated fiscal year, we executed new contracts on 45 housing units of 2,016 million yen (103 housing units of 4,271 million yen in the previous consolidated fiscal year) and delivered 56 housing units and recorded sales of 2,602 million yen and segment profit of 20 million yen (96 housing units, sales of 3,829 million yen and segment profit of 321 million yen in the previous consolidated fiscal year).

(Real Estate Sales Business, Land and Buildings)

We focus our sales on residential land and detached homes as well as individual buildings.

As for sales, in the current consolidated fiscal year, we executed 1 new contract on a renovated condominium (area: 176.58 m<sup>2</sup>) at 212 million yen (1 buildings, 37 housing units, 1,508.01 m<sup>2</sup>, 1,950 million yen in the previous consolidated fiscal year), recorded sales of 1,967 million yen and segment profit of 368 million yen (no sales in the previous consolidated fiscal year).

(Real Estate Sales Business, Custom-Built Homes)

We undertake contract construction and reform construction for detached homes, etc., in Yamagata Prefecture as a main business area.

As for sales, in the current consolidated fiscal year, we executed new contracts on 47 houses at 1,276 million yen (78 houses of 2,104 million yen in the previous consolidated fiscal year) and delivered 65 houses and recorded sales of 2,044 million yen and segment profit of 71 million yen (58 houses, sales of 2,098 million yen and segment profit of 69 million yen in the previous consolidated fiscal year) (including reforms, etc.).

(Asset Management Business)

We engage in the research and management business of Japanese stocks, real estate investment advisory agency business and real estate investment.

As for sales, in the current consolidated fiscal year, we recorded sales of  $\Delta$ 1,010 million yen and segment loss of 1,173 million yen (sales of  $\Delta$ 5,885 million yen and segment loss of 6,156 million yen in the previous consolidated fiscal year).

The Group has withdrawn from the asset management business during the current consolidated fiscal year.

(Renewable Energy Business)

We conduct sales of electricity generated by photovoltaic power, development of power plants and biomass related business, etc.

As for sales, in the current consolidated fiscal year, we recorded sales of 1,099 million yen and segment profit of 291 million yen (sales of 569 million yen and segment profit of 65 million yen in the previous consolidated fiscal year).

(Other)

Mainly as a real estate lease business, we lease condominiums, etc., owned by the Company.

In the current consolidated fiscal year, we recorded sales of 19 million yen and segment profit of 8 million yen (sales of 45 million yen and segment profit of 16 million yen in the previous consolidated fiscal year).

## **(2) Status of Capital Investment**

The total amount of capital investment for the current consolidated fiscal year was 3,506 million yen, which was mainly capital investment in the renewable energy business owned by the Group.

## **(3) Status of Financing**

During the current consolidated fiscal year, a total of 3,284 million yen in financing was raised for the renewable energy business including funds for photovoltaic generation facility installation, etc.

**(4) Status of Acquisition or Disposal of Stocks and Other Equities or New Share Subscription Rights, etc., of Other Companies**

As of September 26, 2019, our subsidiary Prospect Japan Fund Limited has transferred all of the Company's third stock acquisition rights to Prospect Asset Management Inc.

**(5) Tasks to be addressed**

Because a large loss was recorded in the previous consolidated fiscal year, the Company had no choice but to pay no dividends. Therefore, an urgent task for us was to recover market valuation by swiftly recovering business performance, and to realize dividend and stock price recovery in the current consolidated fiscal year. Making the most of diverse human resources, one of our strengths, and while taking on all business opportunities, we aim, through sound and steady management, to recover business performance by maintaining a financial structure that can withstand changes in the market environment. As a result, the consolidated final profit and loss turned to the black and dividends were returned.

Based on the management philosophy of “Challenge & Ambition,” the Company Group will continue to strive to create new value for sustainable growth and a sustainable society with the establishment of “Strategy & Action” as the concrete medium-term management plan. At present, in a rapidly changing economic climate, the Company aims to build a business portfolio that can respond to environmental changes from a long-term perspective. However, the environment surrounding the Company is beyond expectations and continues to change at an accelerated rate. In this environment, as a future growth driver in “Strategy & Action,” and with the global “Renewable Energy Business” as the core business, the Company has clarified the aim to renew the existing Condominium Sales Business as the “Real Estate Business,” including peripheral business areas.

On the other hand, while the domestic economy is declining due to the impact of the novel coronavirus outbreak, and with the timing of the virus subsiding being unclear, we foresee this having a significant impact on our business.

Based on this, measures to achieve the medium-term management plan are as follows.

1. Measures at the Company

a. In the conventional Tokyo Metropolitan Area condominium sales business, it remains difficult to secure profitability due to intensifying competition for land acquisition and high construction costs. In addition, due to the spread of the novel coronavirus, going forward, if an environment in which sales activities are difficult continues, it is expected that business results will be greatly affected and, therefore, the Company will promote the creation of a sales method in which entire buildings are sold, rather than individual units.

In order to make the business structure itself a more profitable one, the Company decided to move away from specializing in condominium sales and expand the business domain as a real estate developer. Going forward, we will continue to focus on demand trends and cultivate entry into product fields that meet the demands of the times, while actively establishing new business methods and collaborating with other companies.

b. Regarding the overseas real estate business, the Company is supplying funds through an overseas subsidiary for a real estate development business in the US state of Hawaii and a detached home sales project. However, regarding the latter, we reviewed the evaluation to

reflect the business environment. Going forward, the Company will continue to carry out appropriate evaluations, and at the same time further strengthen management in relevant departments against risks in collaboration with local stakeholders.

c. As for the Renewable Energy Business in Japan, the Company is promoting the solar power generation business nationwide. During the current consolidated fiscal year, there were 11 projects that began selling electricity, and the revenue from such sales increased significantly. In March 2020, 5 projects were sold at the optimal timing to earn development profit and maximize future cash flow. In addition, regarding the outlook for the solar power generation industry, it is said that business opportunities related to new projects are shrinking due to the decline in FIT prices, however we are focusing on new projects including profitable projects and secondary markets.

d. Regarding the Renewable Energy Business overseas, the Company is proceeding with the biomass power generation related business with partners in Russia. The wood pellet manufacturing plant, which began construction in May 2018, completed its main equipment in February 2020, a long-term supply contract was signed in March of the same year, and plans are to begin supply during the fiscal year ending March 2021. A plan is also being implemented to expand the manufacturing capacity of the current plant. Furthermore, the Company believes that there is significant business opportunity in renewable energy-related businesses overseas, has plans to promote biomass power generation-related businesses overseas based on the policy of actively considering new projects, and has made investments. On the other hand, changes in the market environment due to the novel coronavirus are spreading around the world, and we will continue to pay close attention to the effects, as we are in Japan. Although we consider these businesses to have great potential for future growth, in addition to being new businesses, they are also overseas projects so more sophisticated risk management is required. Therefore, we will appropriately and proactively promote business development based on the knowledge of experts in fields such as legal affairs, accounting, taxation, and finance, not only at the stage of project adoption.

e. Following the dissolution of Prospect Japan Fund Limited, all securities held by Prospect Japan Fund Limited were transferred to the Company, and two of these securities have already been sold. Appropriate disposal of the remaining domestic issues is under consideration.

## 2. Measures at Group Companies

a. In the Custom-Built Homes Business, we will strive to strengthen orders for high-airtight and high-insulation dual-family housing, which is the original strength of Sasaki House, and aim to improve profitability by developing products that make the most of the Yamagata area's characteristics.

b. As mentioned above, it was resolved that Prospect Japan Fund Limited, which was a corporate investment fund, would be dissolved in May 2019, and it was liquidated in December of the same year.

c. Although Prospect Asset Management Inc.'s core business was a securities investment advisory that invested in Japanese equities, due to our withdrawal from the asset management business, its business format was changed to real estate research, investment, and management in Hawaii. Going forward, we will deepen ties with our overseas business

divisions and promote new projects.

### 3. Measures in the Group

In the previous consolidated fiscal year, the Company Group submitted correction reports, such as securities reports, etc., for previous years. The Company Group takes this matter seriously and, as preventive measures against recurrence, along with appointing advisory experts in domestic and overseas tax accounting and overseas business projects, as well as allocating appropriate human resources, we are continuing to strengthen the internal management system by improving the skills of existing staff and creating an organization that can respond quickly to various problems. Furthermore, in strengthening the governance system, as a result of transitioning the institutional design to a company with an Audit and Supervisory Committee, inviting two directors with certified public accountant qualifications, and strengthening the appropriateness of accounting and tax affairs in particular, the effects are being fully demonstrated.

Going forward, along with strengthening our system, we will construct and operate a highly effective internal control system, strengthen the sustainability of management based on the newly formulated medium-term management plan, and utilize our diverse human resources to effectively improve profitability, with the entire group using its full strength and working together to achieve the plan and increase our corporate value.

## (6) Changes in Status of Assets and Loss and Profit

### [1] Changes in status of assets and loss and profit of the corporate group

(Unit: Thousand yen)

Category \ Term	116th Term (FY ended March 31, 2017)	117th Term (FY ended March 31, 2018)	118th Term (FY ended March 31, 2019)	119th Term (FY ended March 31, 2020) (Current Consolidated Fiscal Year)
Sales	14,143,071	11,688,717	6,325,565	6,731,412
Operating profit or loss (△)	△43,869	△1,543,756	△6,653,531	△1,281,138
Ordinary profit or loss (△)	516,457	△1,098,369	△6,780,119	△435,457
Net profit attributable to owners of the parent or net loss attributable to owners of the parent (△)	213,029	1,483,797	△8,445,890	237,773
Net profit per share or net loss per share (△)	1 yen 25 sen	4 yen 46 sen	△19 yen 05 sen	54 sen
Total assets	27,432,530	40,541,850	31,754,801	29,764,089
Net assets	12,213,875	25,218,682	16,738,698	15,369,336
Net assets per share	66 yen 15 sen	59 yen 89 sen	36 yen 23 sen	33 yen 40 sen

(Note) 1. The figures for the 116th and 117th terms reflect the previous year's closing corrections.

2. "Net profit per share or net loss per share (△)" is calculated by the average number of shares during the year and "Net assets per share" is calculated by the number of shares issued at the end of the year. In this regard, the average number of shares during the year and the number of shares issued at the end of the year are calculated by excluding the number of treasury stocks.

### [2] Changes in status of assets and loss and profit of the Company

(Unit: Thousand yen)

Category \ Term	116th Term (FY ended March 31, 2017)	117th Term (FY ended March 31, 2018)	118th Term (FY ended March 31, 2019)	119th Term (FY ended March 31, 2016) (Current Business Year)
Sales	6,565,701	5,103,662	3,985,512	4,605,905
Operating profit or loss (△)	△96,371	△1,123,672	△751,798	△508,123
Ordinary profit or loss (△)	643,691	△299,823	△1,522,751	1,505,300
Net profit or loss (△)	394,712	△335,877	△8,190,696	1,348,986
Net profit per share or net loss per share (△)	2 yen 32 sen	△1 yen 01 sen	△18 yen 47 sen	3 yen 04 sen
Total assets	15,371,051	32,799,237	21,221,254	20,045,361
Net assets	11,217,495	25,396,621	16,018,975	15,609,847
Net assets per share	61 yen 48 sen	56 yen 98 sen	34 yen 50 sen	33 yen 62 sen

(Note) 1. The figures for the 116th and 117th terms reflect the previous year's closing corrections.

2. "Net profit per share or net loss per share (△)" is calculated by the average number of shares during the year and "Net assets per share" is calculated by the number of shares issued at the end of the year. In this regard, the average number of shares during the year and the number of shares issued at the end of the year are calculated by excluding the number of treasury stocks.

**(7) Major Business Line (As of March 31, 2020)**

The Company Group mainly carries on the following businesses.

[1] Real Estate Sales Business, Condominium Sales Business

We engage in construction and sales of “GRO-BEL Condominium” developed by the Company, mainly in the Tokyo metropolitan area.

[2] Real Estate Sales Business, Land and Buildings

We focus our sales on residential land and detached homes as well as individual buildings, etc.

[3] Real Estate Sales Business, Custom-Built Homes

We engage in contract construction and reform construction for detached homes, etc., mainly in Yamagata Prefecture as a business area.

[4] Asset Management Business

We engage in the research and management business of Japanese stocks, real estate investment advisory agency business and real estate investments.

[5] Renewable Energy Business

We conduct sales of electricity generated by photovoltaic power, development of power plants and biomass related business, etc.

**(8) Major Business Offices (As of March 31, 2020)**

(Head Office of the Company)

Head Office: Shibuya-ku, Tokyo

(Head Offices of Subsidiaries)

SASAKI-HOUSE CO., LTD.

Head Office: Yamagata-shi, Yamagata

Prospect Asset Management, Inc.

Head Office: Hawaii, USA

Prospect Energy Management Co., Ltd.

Head Office: Shibuya-ku, Tokyo

Prospectbiomass Co., Ltd.

Head Office: Shibuya-ku, Tokyo

(Note) Prospect Asset Management (Channel Island) Limited and Prospect Japan Fund Limited (both companies are headquartered in British Channel Islands) were dissolved during the current fiscal year due to withdrawal from the asset management business.

**(9) Status of Employees (As of March 31, 2020)**

[1] Status of employees of the corporate group

Number of employees	Increase/decrease from the end of the previous consolidated fiscal year
82	Decreased by 6

(Note) Number of employees decreased by 100 as compared with the end of previous year due to the fact that KIDOH CONSTRUCTION CO., LTD. is no longer a consolidated subsidiary.

[2] Status of employees of the Company

Number of employees	Increase/decrease from the end of the previous fiscal year	Average age (years old)	Average years of service
38	Decreased by 3	47 years and 0 months	14 years and 2 months

(Note) "Number of employees" indicates regular employees and does not include temporary workers.

**(10) Significant Status of Parent Company and Subsidiaries**

(Status of parent company)

No applicable matter.

(Status of subsidiaries)

Company name	Capital	Voting rights ratio	Business line
SASAKI-HOUSE CO., LTD.	80 million yen	100.0%	Contract construction and reform construction for detached homes
Prospect Asset Management, Inc.	115 thousand USD	100.0%	Hawaii real estate investment research, investments, and management
Prospect Energy Management Co., LTD.	10 million yen	100.0%	Advisory agency and contracting of business concerning Renewable Energy Business, etc.
Prospectbiomass Co., Ltd.	41 million yen	100.0%	Operation and management of power generation by natural energy, etc.

(Note) Prospect Asset Management (Channel Island) Limited and Prospect Japan Fund Limited (both companies are headquartered in British Channel Islands) were dissolved during the current fiscal year due to withdrawal from the asset management business.

**(11) Status of Major Lenders (As of March 31, 2019)**

(Unit: Thousand yen)

Lender	Borrowings outstanding
Syndicated loan (Note)	6,700,000
Shizuoka Chuo Bank, Ltd.	4,491,555

(Note) The syndicated loan is cofinanced by the following 7 companies with Resona Bank, Ltd. as the coordinator.

(Unit: Thousand yen)

Lender	Borrowings outstanding
Resona Bank, Limited	3,800,000
The Chiba Bank, Ltd.	800,000
Daishi Bank, Ltd.	700,000
Tokushima Taisho Bank, Ltd.	500,000
Minato Bank, Ltd.	500,000
Joyo Bank, Ltd.	300,000
Musashino Bank, Ltd.	100,000

## 2. Status of Stocks of the Company (As of March 31, 2020)

- (1) Number of Shares to be Issued 870,000,000 shares
- (2) Number of Shares Issued 447,090,984 shares  
(including treasury stock: 2,780,152 shares)
- (3) Number of Shareholders 22,608

### (4) Large Shareholders (Top 10)

Name of shareholder	Number of shares held	Stockholding ratio
	Shares	%
Hiroshi Nishimura	39,384,500	8.86
SHINWA INDUSTRY CO., LTD.	19,199,200	4.32
Japan Pocket Co., Ltd.	18,796,100	4.23
Euroclear Bank SA/NV	9,333,023	2.10
Nobuyoshi Fujisawa	7,530,500	1.69
Masao Tsutsumi	5,000,000	1.13
SMBC Nikko Securities Co., Ltd.	4,922,500	1.11
Kenichi Uchiyama	4,187,400	0.94
Tops Limited Company	3,870,100	0.87
INTERNATIONAL CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,130,900	0.70

- (Note) 1 Shareholding ratio is calculated by excluding treasury stocks (2,780,152 shares).  
2 Shareholding ratio is shown by rounding to the nearest 2nd decimal point.

### 3. Status of New Share Subscription Rights, etc., of the Company

#### (1) Status of New Share Subscription Rights Issued as Consideration for Execution of Duties Held by the Officers of the Company at the End of the Current Business Year

	2nd New Share Subscription Rights	4th New Share Subscription Rights	5th New Share Subscription Rights	
Date of resolution of issuance	October 18, 2013	December 16, 2015	June 28, 2018	
Number of new share subscription rights	1,970,000	2,138	3,100	
Class and number of shares subject to new share subscription rights	Common stock: 1,970,000 shares (1 share per new share subscription right)	Common stock: 2,138,000 shares (1,000 shares per new share subscription right)	Common stock: 3,100,000 shares (1,000 shares per new share subscription right)	
Paid-in amount of new share subscription rights	Payment is not required in exchange for new share subscription rights	Payment is not required in exchange for new share subscription rights	100 yen per new share subscription right	
Value of the property contributed in exercising the new share subscription right (Note) 4	55 yen per new share subscription right (55 yen per share)	48,000 yen per new share subscription right (48 yen per share)	49,000 yen per new share subscription right (49 yen per share)	
Period of exercising rights	From October 19, 2015 to October 18, 2023	From December 17, 2017 to December 16, 2025	From April 1, 2019 to March 31, 2029	
Conditions for exercise	(Note) 1	(Note) 2	(Note) 3	
Status of holdings by officers	Directors (except for Outside Directors)	Number of new share subscription rights: 1,470,000 Number of subject shares: 1,470,000 shares Number of holding persons: 3	Number of new share subscription rights: 2,138 Number of subject shares: 2,138,000 shares Number of holding persons: 3	Number of new share subscription rights: 3,100 Number of subject shares: 3,100,000 shares Number of holding persons: 2
	Outside Directors (Note) 5	Number of new share subscription rights: 100,000 Number of subject shares: 100,000 shares Number of holding persons: 1	Number of new share subscription rights: --- Number of subject shares: --- shares Number of holding persons: ---	Number of new share subscription rights: --- Number of subject shares: --- shares Number of holding persons: ---
	Auditors (Note) 5	Number of new share subscription rights: 400,000 Number of subject shares: 400,000 shares Number of holding persons: 2	Number of new share subscription rights: --- Number of subject shares: --- shares Number of holding persons: ---	Number of new share subscription rights: --- Number of subject shares: --- shares Number of holding persons: ---

(Note)1. [1] New Share Subscription Right Holders must be in positions of Director of the Company or Auditor of the Company at the time of exercising rights; except in a case where Director or Auditor resigned due to expiration of the term and where there are any other due reasons.

[2] Any other conditions for exercise of new share subscription rights shall be in accordance with the “New Share Subscription Rights Allotment Agreement” executed between the Company and the New Share Subscription Right Holders based on the resolution of the board of directors.

2. [1] In a case where a New Share Subscription Right Holder lost any of the status of a Director, an Auditor, an adviser or an employee of the Company or the subsidiaries of the Company, the person may not exercise the New Share Subscription Rights thereafter; except for resignation due to expiration of the term, retirement due to age limit or due to any reasons on the side of the Company.

[2] Heirs to the New Share Subscription Right Holder may not exercise the New Share

- Subscription Rights.
- [3] If the total outstanding shares of the Company exceed the number of shares authorized to be issued at that time by exercising New Share Subscription Rights, the New Share Subscription Rights may not be exercised.
  - [4] Each of the New Share Subscription Rights may not be exercised at less-than-one unit.
3. [1] Regarding the closing price of the ordinary trading of the shares of the Company at the Tokyo Stock Exchange, if the average price of consecutive 21 trading days during the Exercise Period becomes lower than the price obtained by multiplying the then effective Exercise Price at that time by 20%, the price obtained by multiplying the then effective Exercise Price at that time after the following day by 45% (a fraction less than one yen shall be rounded up) shall be the Exercise Price and New Share Subscription Right Holder shall exercise all New Share Subscription Rights held by the end of the Exercise Period; except for either of the following cases.
- (a) If it was proved that materially false information was included in the information disclosed by the Company.
  - (b) If it was proved that the Company has not properly disclosed material facts to be disclosed in accordance with laws and rules of financial instruments exchanges.
  - (c) If delisting of the shares of the Company, commencement of legal bankruptcy proceedings of the Company occurred or any other material changes occurred from the circumstances assumed as of the date of issue of the New Share Subscription Rights.
- [2] Heirs to the New Share Subscription Right Holders may not exercise the New Share Subscription Rights.
- [3] If the total outstanding shares of the Company exceed the total number of shares authorized to be issued at that time by exercise of the New Share Subscription Rights, the New Share Subscription Rights may not be exercised.
- [4] Each of the New Share Subscription Rights may not be exercised at less-than-one unit.
4. By issuance of common stock of the Company as of July 28, 2017, adjusted “amount of properties contributed in exercise of new share subscription rights” are stated.
5. The holdings of directors (outside directors excluding Audit and Supervisory Committee members) and directors (Audit and Supervisory Committee members) were granted when he/she was in the position of Corporate Auditor of the Company when the stock acquisition rights were issued.

**(2) Status of New Share Subscription Rights Issued to Employees, etc., as Consideration for Execution of Duties during the Current Business Year**

Not applicable.

**(3) Other Status of New Share Subscription Rights, etc.**

Not applicable.

#### 4. Status of Officers of the Company

##### (1) Status of Directors and Auditors (as of March 31, 2020)

Position	Name	Status of responsibilities and important concurrent positions of officers
Representative Director, President	Masato Tabata	Group CEO
Managing Director	Mitsuharu Iida	In charge of Renewable Energy Business and Real Estate Business Department of the Company
Executive Director	Dominic Henderson	In charge of Overseas Business of the Company and Director of Akatsuki Corp.
Director	Thomas R. Zengage	Pacific Communicators, Inc., Representative Investor Impact, Inc., Representative Director, Chairman & CEO
Full-time Auditor (Audit and Supervisory Committee)	Akio Tsukishima	Certified public tax accountant
Auditor (Audit and Supervisory Committee)	Yuki Ichikawa	Attorney Outside auditor of Katitas Co., Ltd.
Auditor (Audit and Supervisory Committee)	Hitoshi Matsufuji	Certified Public Accountant Office Outside auditor of NIHON TOKUSHU TORYO CO., LTD., supervisory directors of D&F Logistics Investment Corporation
Auditor (Audit and Supervisory Committee)	Tomonori Utsumi	Certified Public Accountant Office Utsumi CPA Office Representative

- (Note) 1. Based on the resolution of the 118th Ordinary General Meeting of Shareholders held on June 27, 2019, the Company changed to a company with an Audit and Supervisory Committee on the same date. As a result, Audit and Supervisory Board Members Thomas R. Zenghage, Akio Tsukishima, and Yuki Ichikawa retired due to the expiration of their term of office. Thomas R. Zengage was appointed as a Director, and Akio Tsukishima and Yuki Ichikawa were appointed as Directors who serve as Audit and Supervisory Committee members.
- Directors Thomas R. Zenghage and Directors (Audit and Supervisory Committee Members) Akio Tsukishima, Yuki Ichikawa, Hitoshi Matsufuji and Tomonori Utsumi are outside directors.
  - Director Thomas R. Zenghage and the Directors who are Audit and Supervisory Committee members, Akio Tsukishima, Yuki Ichikawa, Hitoshi Matsufuji and Tomonori Utsumi were designated as independent Directors who are not likely to cause any conflict of interest with shareholders requiring designation by the Tokyo Stock Exchange and it has been so notified with the Tokyo Stock Exchange.
  - Akio Tsukishima was appointed as a full-time Audit and Supervisory Committee member in order to enhance the effectiveness of auditing and strengthen the auditing and supervisory function through collection of information and sufficient cooperation with internal audit departments.
  - Directors who are Audit and Supervisory Committee members, Akio Tsukishima is a certified tax accountant, Yuki Ichikawa is a lawyer, Hitoshi Matsufuji and Tomonori Utsumi are certified public accountants. They are experts and have considerable knowledge in tax, law, finance and accounting.

**(2) Amount of Compensation, etc., for Directors and Auditors in the Current Business Year**

Category	Number of persons paid	Amount of compensation
	Number of Directors/Auditors	Thousand yen
Directors (excluding Audit and Supervisory Committee members)	6	114,125
(Out of which, Outside Director)	(2)	(4,500)
Directors (Audit and Supervisory Committee members)	4	20,700
(Out of which, Outside Auditors)	(4)	(20,700)
Auditors	3	5,100
(Out of which, Outside Auditors)	(3)	(5,100)
Total	13	139,925
(Out of which, Outside Officers)	(9)	(30,300)

- (Note) 1. Regarding the number of paid members, the total number is shown, but the actual number of payees is 10 (of which 6 are outside directors).
2. In the table above, 2 directors (including 1 outside director) and 3 auditors (including 3 outside auditors) who retired at the end of the 118 Annual General Meeting of Shareholders held on June 27, 2019, are included. The Company transitioned from a company with auditors to a company with an Audit and Supervisory Committee on June 27, 2019. Regarding the 3 retired auditors, because 1 was appointed as a Director and 2 as Directors who are Audit and Supervisory Committee Members, regarding the amounts paid and the number of members, the auditor term of office portion is included in Auditors, and the term of office portion after the Annual General Meeting is included in Directors and Directors who are Audit and Supervisory Committee Members.
3. The maximum amount of remuneration for directors before the transition to a company with an Audit and Supervisory Committee was set at the 114th Annual General Meeting of Shareholders held on June 26, 2015, to be an annual sum of less than 888 million yen. In addition, the maximum amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members) following the transition to a company with an Audit and Supervisory Committee was set at the 118th Annual General Meeting of Shareholders held on June 27, 2019, to be an annual sum of less than 230 million yen (including compensation for outside directors of 12 million yen per year).
4. The maximum amount of remuneration for auditors before the transition to a company with an Audit and Supervisory Committee was set at the 95th Annual General Meeting of Shareholders held on June 27, 1996, to be an annual sum of less than 36 million yen. In addition, the maximum amount of remuneration for directors who are members of the Audit and Supervisory Committee following the transition to a company with an Audit and Supervisory Committee was set at the 118th Annual General Meeting of Shareholders held on June 27, 2019, to be an annual sum of less than 28 million yen.
5. The above total remuneration, etc., includes director retirement benefits of 32,865 thousand yen and director bonuses of 5,600 thousand yen, which are recorded as provisional expenses. In addition to the total above remuneration amount, based on a resolution of the 118th Annual General Meeting of Shareholders held on June 27, 2019, a director who retired as of the end of the general meeting received 132,444 thousand yen, 110,370 thousand in retirement benefits for directors in addition to a merit bonus of 20%.
6. Contributions to the defined contribution pension plan began from February 2019, and the contributions are included.

**(3) Matters concerning Outside Officers**

[1] Relationship between significant corporations where concurrent positions by officers are held

Category	Name	Name of the company where concurrent positions by officers are held	Details of concurrently holding office	Relationship with other corporations, etc.
Director	Thomas R. Zengage	Pacific Communicators, Inc.	Representative	We have no material transactions or any other relationship.
		Investor Impact, Inc.	Representative Director, Chairman & CEO	We have no material transactions or any other relationship.
Audit and Supervisory Committee members	Akio Tsukishima	-	-	-
Audit and Supervisory Committee members	Yuki Ichikawa	Katitas Co., Ltd.	Outside auditor	We have no material transactions or any other relationship.
Audit and Supervisory Committee members	Hitoshi Matsufuji	NIHON TOKUSHU TORYO CO., LTD.	Outside auditor	We have no material transactions or any other relationship.
		D&F Logistics Investment Corporation	Supervisory directors	We have no material transactions or any other relationship.
Audit and Supervisory Committee members	Tomonori Utsumi	Utsumi CPA Office	Representative	We have no material transactions or any other relationship.

[2] Status of major activities of outside officers

Category	Name	Status of major activities
Director	Thomas R. Zengage	<p>Attended 7 times as an Auditor and 16 times as a Director out of all 23 Board of Directors' meetings held in the current fiscal year and stated opinions from a professional viewpoint mainly from the IR/ESG consulting industry from time to time necessary to ensure validity and appropriateness of decision-making of the board of directors.</p> <p>Attended all 6 Audit and Supervisory Board meetings held during the current fiscal year, exchanged opinions on audit results, and discussed important matters regarding audits.</p>
Director (Audit and Supervisory Committee members)	Akio Tsukishima	<p>Attended 7 times as an Auditor and 16 times as an Audit and Supervisory Committee member out of all 23 Board of Directors' meetings held in the current fiscal year and making full use of extensive experience and wide-ranging knowledge cultivated in the financial and real estate industries, etc., and stated opinions from time to time necessary to ensure validity and appropriateness of decision-making at material meetings including board of directors' meetings and management committees, etc.</p> <p>Attended all 6 Audit and Supervisory Board meetings and all 10 Audit and Supervisory Committee meetings held during the current fiscal year and exchanged opinions on the audit results, and had consultations, etc., on material matters concerning audit.</p>
Director (Audit and Supervisory Committee members)	Yuki Ichikawa	<p>Attended 7 times as an Auditor and 16 times as an Audit and Supervisory Committee member out of all 23 Board of Directors' meetings held in the current fiscal year and stated opinions from a professional viewpoint as an attorney from time to time necessary to ensure validity and appropriateness of decision-making of the board of directors.</p> <p>Attended all 6 Audit and Supervisory Board meetings and all 10 Audit and Supervisory Committee meetings held during the current fiscal year and exchanged opinions on the audit results, and had consultations, etc., on material matters concerning audit.</p>
Director (Audit and Supervisory Committee members)	Hitoshi Matsufuji	<p>Attended 7 times as an Auditor and 16 times as an Audit and Supervisory Committee member out of all 23 Board of Directors' meetings held in the current fiscal year and stated opinions from a professional viewpoint as a Certified Public Accountant from time to time necessary to ensure validity and appropriateness of decision-making of the board of directors.</p> <p>Attended all 10 Audit and Supervisory Committee meetings held during the current fiscal year and exchanged opinions on the audit results, and had consultations, etc., on the material matters concerning audit.</p>
Director (Audit and Supervisory Committee members)	Tomonori Utsumi	<p>Attended 7 times as an Auditor and 16 times as an Audit and Supervisory Committee member out of all 23 Board of Directors' meetings held in the current fiscal year and stated opinions from a professional viewpoint as a Certified Public Accountant from time to time necessary to ensure validity and appropriateness of decision-making of the board of directors.</p> <p>Attended all 10 Audit and Supervisory Committee meetings held during the current fiscal year and exchanged opinions on the audit results, and had consultations, etc., on the material matters concerning audit.</p>

(Note) Directors who are Audit and Supervisory Committee Members, Hitoshi Matsufuji and Tomonori Utsumi were elected at the 118th Ordinary General Meeting of Shareholders held on June 27, 2019, so the number of meetings of the Board of Directors differs from other outside directors.

[3] Outline of the details of Liability Limitation Agreement

The Company, the Outside Director and each of Outside Auditors executed the agreements to limit the damage liabilities provided for in the Companies Act, Article 423, paragraph 1 under the Companies Act, Article 427, paragraph 1.

The Outside Director and each of Outside Auditors of the Company shall be liable for the damages up to the minimum liability amount provided for in the Companies Act, Article 425, paragraph 1 for the liabilities under the Companies Act, Article 423, paragraph 1.

## 5. Status of Accounting Auditor

### (1) Name of Accounting Auditor

Yotsuya Audit Corporation

(Note) Hibiscus, an accounting auditor of the Company, has retired at the conclusion of the 118th Ordinary General Meeting of Shareholders held on June 27, 2019.

### (2) Amount of Compensation, etc., for Accounting Auditor in the Current Consolidated Fiscal Year

	Yotsuya Audit Corporation	Audit Firm HIBISCUS
Amount of compensation, etc., for Accounting Auditor in the current consolidated fiscal year	19,000 thousand yen	35,335 thousand yen
Amount of compensation, etc., for the engagement provided for in the Certified Public Accountant Act (Act No. 103 of 1948), Article 2, paragraph 1		
Total amount of money and any other proprietary interest to be paid by the Company and subsidiaries	19,000 thousand yen	35,335 thousand yen

- (Note) 1. In the audit agreement between the Company and Accounting Auditor, the amount for audit under the Companies Act and audit compensation, etc., under the Financial Instruments and Exchange Act are not clearly separated and they cannot be separated in fact, in the amount of compensation, etc., for Accounting Auditor in the current consolidated fiscal year, the total amount is stated.
2. The board of auditors made a decision to approve the compensation, etc., for Accounting Auditor after conducting necessary review of the details of the audit plan of Accounting Auditor, the status of performance of accounting audit and whether the grounds for calculating, etc., the estimation of compensation are appropriate.
3. Out of the important subsidiaries of the Company, Prospect Asset Management, Inc. receives audits by a public certified accountant or audit corporation other than Accounting Auditor of the Company.

### (3) Policy for Determination of Dismissal or No-reappointment

#### [1] Resolution method

If it fell under any of the specific events set forth below, it shall be referred to the general meeting of shareholders; provided, however, that in the case of [2] A. b. through d., where a resolution of dismissal of the board of auditors was adopted, it shall be reported to the general meeting of shareholders.

#### [2] Specific events

- A. Dismissal
- In the event that Accounting Auditor no longer has the statutory qualification.
  - In the event that Accounting Auditor breached the official obligations or failed to perform its duties.
  - In the event that Accounting Auditor committed any act inappropriate as an Accounting Auditor.
  - If Accounting Auditor had difficulty in execution of duties or cannot execute.

- e. In the event that the quality of audit was recognized to have significantly deteriorated and it was determined that Accounting Auditor could not be expected to execute duties properly.
- f. In the event that any event similar to the above was proved.
- B. No-reappointment
  - a. In the event that it was recognized as there was material defect or fault in the system to ensure proper execution of duties of Accounting Auditor.
  - b. Continuous years of audit became long, and there was the possibility of material doubt about independence of Accounting Auditor; provided, however, that we will carefully consider, taking into account the interruption of knowledge and experience, cost and practical difficulties, etc., in connection with replacement.
  - c. In the event that the basic manner, etc., of management of the Company or Accounting Auditor changed and it was recognized that it would be unreasonable to reappoint the Accounting Auditor.
  - d. Otherwise, any events similar to the above were proved.

**(4) Outline of liability limitation contract**

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company and the accounting auditor Yotsuya Audit Corporation have entered into a contract to limit liability for damages as provided for in Article 423, Paragraph 1 of the same law.

The Company and the accounting auditor Yotsuya Audit Corporation consider the liability of Article 423, Paragraph 1 of the Companies Act to be the limit of liability for damages, with the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.

**6. System and Policy of the Company**

**(1) System to Ensure Proper Operations**

- [1] System to ensure that execution of duties of Directors complies with the laws and the Articles of Incorporation
  - A. In the management philosophy, the direction to be aimed at by the Company is clarified and strict practices of compliance are provided in the code of conduct.
  - B. Directors execute their duties based on management organization and division of duties determined by the board of directors.
  - C. Directors report to the board of directors the status of execution of duties at least once every three (3) months.
  - D. By keeping Outside Directors, the supervising function of execution of duties of the Directors is maintained and improved.
  - E. Transactions of conflict of interest and unusual transactions are determined by the board of directors and reported to the board of auditors as necessary.
- [2] System for retention and management of information of execution of duties of the Directors
  - Important documents are appropriately retained and managed by determining the

retention period under internal regulations.

- [3] Regulations and any other system for management of risk of loss
  - A. By the risk management regulations, operational risks at each department (including subsidiaries) are identified, analyzed and managed by market risk, business risk and disaster risk, etc., and General Affairs Department administers the management method, etc., through reports from the administered departments and monitoring.
  - B. General Affairs Department Manager regularly and as necessary reports to the President and the board of auditors the information on risk management and makes proposals for improvement, etc.
- [4] System to ensure that execution of duties of the Directors is efficiently made
  - A. As for the material matters concerning management which affects the Company and the entire Company Group, the management system of deliberation and decision at the management committee, comprised of Managing Directors and Executive Officers, etc., is established.
  - B. Division of duties and functional authorities are provided for in the internal regulations and a system to properly and efficiently execute the duties of Directors determined by the board of directors is established.
- [5] System to ensure that execution of duties of employees complies with the laws and the Articles of Incorporation
  - A. In the management philosophy, the direction to be aimed at by the Company is clarified and strict practices of compliance are provided in the code of conduct.
  - B. In order to ensure the proper operations, General Affairs Department promotes compliance and risk management and Audit Office conducts monitoring of the status of operation of internal control.
  - C. Clarify the guidelines for employees to take actions in compliance with the management philosophy, internal regulations, the laws and the Articles of Incorporation and social norms, etc., by providing compliance training and distribution of the compliance manual, etc.
  - D. The compliance contact is established in collaboration with outside attorneys and the whistleblowing system has been constructed in a case where employees discovered acts in breach of internal regulations, laws, Articles of Incorporation and social norms, etc., and efforts are made for appropriate operation thereof and prevention of doubtful acts regarding compliance.
- [6] System to ensure the proper operations of the Company and the corporate group, comprised of the subsidiaries of the Company
  - A. Establish the regulations for management of affiliated companies and conduct appropriate management such as checking the details of transactions of subsidiaries and properly understanding the details of business.
  - B. Dispatch Directors and Auditors of subsidiaries from the Company depending on situations and conduct monitoring and supervision of the status of execution of operations at subsidiaries.
  - C. Auditors and internal audit department of the Company conducts an audit of

operations of subsidiaries as necessary.

D. The Company receives regular reports on the details of operations from subsidiaries, while respecting the autonomy of subsidiaries and determines the material matters through prior consultations on the details of operations.

[7] Matters concerning employees who are to assist duties of Auditors

If it is necessary to execute the duties, Auditors may delegate investigations to the employees of Audit Office and request a report from them.

[8] Matters concerning Independence of the employees under the preceding item from Directors

Appointment, dismissal and relocation of important employees of Audit Office are made, respecting the opinions of the board of auditors and efforts are made to ensure the independence of the employees and effectiveness of instructions of Auditors.

[9] System for Directors and employees to report to Auditors and other system for reporting to Auditors

A. When Directors and employees of the Company and subsidiaries discovered facts of material breach of the laws and the Articles of Incorporation and wrongful acts or facts that might adversely affect the Company in relation to execution of duties, they immediately report to the board of auditors.

B. When the details of whistleblowing, which were made using the Compliance Consultation Contact, might materially damage operations or assets, such facts are reported to the board of auditors without delay.

C. Any person who gave a report of breach of laws and wrongful acts by the Company and subsidiaries is not treated unfavorably by reason of the whistleblowing.

D. In a case where Directors and employees of the Company and subsidiaries are requested to report the status of execution of operations by the board of auditors, they promptly make reports.

[10] Other system for ensuring that audit of Auditors are effectively conducted

A. Standing Auditor attends the management committee and any other important meetings and states opinions as necessary. Important minutes and request forms for approval are forwarded to Auditors as needed.

B. Directors and employees of the Company and subsidiaries report to the board of auditors the monthly status of business and the quarterly status of closing as necessary and are heard by the board of auditors.

C. In a case where the details of whistleblowing made by using the Compliance Consultation Contact are related to accounting, internal control of accounting and audit, they may be directly reported to Auditors.

D. Audit Office Head reports to the board of auditors the internal audit plan and the results of audit.

E. The board of auditors receives explanations about the audit plan from Accounting Auditor and may hear the status of audit from the Accounting Auditor as necessary.

F. In a case where Auditor requested payment of the expenses for execution of duties,

the expenses are borne, except as the expenses were recognized as unnecessary for execution of duties of the Auditor.

[11] Basic idea and system for exclusion of antisocial force

- A. The Company and subsidiaries basically shut out any relationships with antisocial force, following the “Officers and Employees Ethical Code of Conduct” and the “Compliance Manual” and make them thoroughly understood by the officers and employees.
- B. As for responses to antisocial force, close cooperation with the police and outside organizations is kept and the system to prepare for unexpected situations is established.

**(2) Outline of the Status of Operation of the System to Ensure Proper Operations**

The Company and subsidiaries, in accordance with the Financial Instruments and Exchange Act, evaluate the status of preparation and operation of internal control every term and conduct an audit of the appropriateness by the Outside Auditor. For the purpose of maintaining and strengthening the control level, Audit Office conducts an audit of the Company and subsidiaries every term and makes reports to the management and the board of directors and the board of auditors as necessary.

In the current fiscal year, the Company dismissed an executive officer because it was discovered that the former executive officer leaked information. Going forward, we will make further efforts to prevent recurrence by requiring all executives and employees of Company Group to strictly comply with the law, the Articles of Incorporation, and the Compliance Manual.

**(3) Policy for Determination of Dividend, etc., of Surplus**

The Company puts return of profits to shareholders as a top priority of management. We implement our basic policy to ensure maintaining of a stable and continuous dividend and paying a dividend, also taking into account business results, while securing internal reserves required for stable growth of the Company and to respond to changes in the business environment.

We regret that no dividends were paid for the previous consolidated fiscal year. However, for the current consolidated fiscal year we have decided to pay an annual dividend of 1 yen per share as a result a comprehensive examination of business performance, and other factors.

In the future, based on the newly formulated medium-term management plan, we aim to set the total payout ratio, which is the dividend payout ratio and share buybacks, to 50% as our shareholder return policy.

However, depending on the situation of the spread of the novel coronavirus, the above policy is subject to change should the Company’s performance be affected.

(Note) The amount stated in the Business Report is indicated by rounding down the amount less than the unit of indication.

## Consolidated Balance Sheet

(As of March 31, 2020)

(Unit: Thousand yen)

Item	Amount	Item	Amount
<b>Assets</b>	<b>29,764,089</b>	<b>Liabilities</b>	<b>14,394,752</b>
<b>Current Assets</b>	<b>10,598,713</b>	<b>Current Liabilities</b>	<b>4,329,749</b>
Cash and deposits	5,080,700	Notes and accounts payable	36,932
Notes and accounts receivable	174,807	Accrued construction payment	196,243
Accounts receivable for completed construction projects	13,106	Short-term borrowings	1,510,900
Securities	10,000	Bonds to be redeemed within a year	24,000
Real estate for sale	1,795,151	Current portion of long-term borrowings	2,034,266
Real estate for sale in process	2,037,029	Corporate income tax, etc., payable	76,758
Real estate for development	260,171	Amount received for uncompleted construction projects	172,572
Expenses for uncompleted construction projects	154,600	Reserve for bonuses	44,578
Raw materials and stores	4,682	Reserve for officers' bonuses	5,600
Other	1,068,463	Allowance for compensation for completed construction projects	3,300
<b>Fixed assets</b>	<b>19,165,375</b>	Other	224,598
<b>Tangible fixed assets</b>	<b>9,838,907</b>	<b>Fixed Liabilities</b>	<b>10,065,003</b>
Buildings	249,234	Bonds	24,000
Machinery, equipment and delivery equipment	8,928,028	Long-term borrowings	9,186,237
Tools, furniture and fixtures	2,796	Net defined benefit liabilities	163,568
Land	487,962	Reserve for retirement benefits for officers	35,710
Leased assets	3,634	Asset retirement obligations	284,910
Construction in progress	167,252	Other	370,576
<b>Intangible fixed assets</b>	<b>610,162</b>	<b>Net Assets</b>	<b>15,369,336</b>
Goodwill	372,225	<b>Shareholders' equity</b>	<b>16,493,674</b>
Software	9,653	Capital	12,086,958
Other	228,283	Capital surplus	1,979,761
<b>Investments and other assets</b>	<b>8,716,306</b>	Retained earnings	2,567,374
Investment securities	3,273,965	Treasury stock	△140,420
Investments in capital	2,064,612	<b>Accumulated other comprehensive income</b>	<b>△1,654,979</b>
Long-term loans	2,711,133	Valuation difference on investment securities	△1,642,377
Deferred tax assets	156,359	Foreign currency translation adjustments	△12,610
Other	706,129	<b>New share subscription rights</b>	<b>530,641</b>
Allowance for doubtful accounts	△195,894	<b>Non-controlling interest</b>	<b>94,423</b>
<b>Total Assets</b>	<b>29,764,089</b>	<b>Total Liabilities and Net Assets</b>	<b>29,764,089</b>

## Consolidated Profit and Loss Statement

( From April 1, 2019  
to March 31, 2020 )

(Unit: Thousand yen)

Item	Amount	
<b>Sales</b>		<b>6,731,412</b>
<b>Cost of Goods Sold</b>		<b>5,936,478</b>
<b>Gross Loss on Sales</b>		<b>794,933</b>
<b>Selling, General and Administrative Expenses</b>		<b>2,076,072</b>
<b>Operating loss</b>		<b>1,281,138</b>
<b>Non-operating Income</b>		
Interest income	78,645	
Dividend income	243,019	
Investment gain on equity method	17,561	
Gain on investments in capital	100,661	
Gain on silent partnership	71,193	
Clerical affairs fee received	2,200	
Income from recovery of bad debts	135,943	
Reversal of allowance for doubtful accounts	560,888	
Other	28,189	1,238,302
<b>Non-operating Expenses</b>		
Interest expenses	191,155	
Valuation loss on securities	195	
Borrowing fees	124,064	
Foreign currency exchange loss	55,280	
Other	21,924	392,621
<b>Ordinary loss</b>		<b>435,457</b>
<b>Extraordinary Profits</b>		
Profit on sale of fixed assets	3,324	
Profit on reversal of stock acquisition rights	16,651	
Profit on sale of investment securities	400,332	
Return of directors' bonus	64,098	
Insurance proceeds	29,215	
Profit on liquidation of subsidiaries	5,976	
Profit on sale of investment in capital of subsidiaries	694,621	
Other	8,238	1,222,458
<b>Extraordinary Losses</b>		
Loss on retirement of fixed assets	0	
Loss on sale of investment securities	26,070	
Loss on liquidation of subsidiaries	434,044	
Loss from disaster	26,491	
Loss on valuation of investment	3,331	489,937
<b>Net loss before taxes, etc., before dividends distribution from silent partnership</b>		<b>297,063</b>
Dividends distribution from silent partnership	5,614	5,614
<b>Net loss before taxes, etc.</b>		<b>291,448</b>
Corporate income tax, resident tax and business tax payable	86,777	
Adjustment of corporate income tax, etc.	△33,102	53,674
<b>Net loss</b>		<b>237,773</b>

<b>Net loss attributable to owners of the parent</b>		<b>237,773</b>
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**Consolidated Statements of Changes in  
Shareholders' Equity and Other Net Assets**

( From April 1, 2019  
to March 31, 2020 )

(Unit: Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current consolidated fiscal year	12,086,958	10,217,645	△5,908,282	△140,420	16,255,901
Changes during the period					
Deficit disposition		△8,237,883	8,237,883		-
Net profit attributable to owners of the parent			237,773		237,773
Acquisition of treasury stock				△0	△0
Changes in items other than shareholders' equity during the period (net)					
Total changes during the period	-	△8,237,883	8,475,657	△0	237,773
Balance at the end of period	12,086,958	1,979,761	2,567,374	△140,420	16,493,674

	Accumulated other comprehensive income			New share subscription rights	Non-controlling interest	Total net assets
	Valuation difference on investment securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of period	-	△158,919	△158,919	547,293	94,423	16,738,698
Changes during the period						
Deficit disposition						-
Net profit attributable to owners of the parent						237,773
Acquisition of treasury stock						△0
Changes in items other than shareholders' equity during the period (net)	△1,642,377	146,317	△1,496,060	△16,651	△94,423	△1,607,135
Total changes during the period	△1,642,377	146,317	△1,496,060	△16,651	△94,423	△1,369,362
Balance at the end of period	△1,642,377	△12,601	△1,654,979	530,641	-	15,369,336

## Notes to Consolidated Financial Statements

### Notes, etc., to Underlying Material Matters for Preparation of Consolidated Financial Statements

#### 1. Matters concerning the Scope of Consolidation

##### (1) Number of consolidated subsidiaries: 11 companies

Names of Major Consolidated Subsidiaries

SASAKI-HOUSE CO., LTD.

Prospect Energy Management Co., Ltd.

Prospect Asset Management, Inc.

Changes in the scope of consolidation during the current consolidated fiscal year increased by 2 companies and decreased by 11 companies.

From the current consolidated fiscal year, the joint venture Prospect Yorii G.K. is included in the scope of consolidation due its new establishment. In addition, since we acquired an interest in SOLAER ONCE G.K., it is also included in the scope of consolidation.

With the completion of the liquidation of Prospect Japan Fund Limited and Prospect Asset Management (Channel Islands) Limited, the six overseas subsidiaries that were consolidated subsidiaries in the previous consolidated fiscal year are excluded from the scope of consolidation. Asago Mega Solar G.K. and four other limited liability companies have been sold and are therefore excluded from the scope of consolidation. Profit or loss for the period until they are excluded from the scope of consolidation is included in the consolidated income statement.

##### (2) Names of major non-consolidated subsidiaries, etc.

No applicable matter.

#### 2. Matters concerning Application of the Equity Method

##### (1) Number of affiliated companies to which the equity method was applied

Name of the companies to which the equity method is applied:

RFP Wood Pellets, LLC

##### (2) Non-consolidated subsidiaries to which the equity method was not applied

No applicable matter.

##### (3) Among the companies to which the equity method was applied, the financial statements for the fiscal year of each company are used for the companies whose closing dates differ from the consolidated closing date.

#### 3. Matters concerning Business Year, etc., of Consolidated Subsidiaries

Out of the consolidated subsidiaries, the closing date of Prospect Asset Management, Inc. and other six (6) companies is December 31. In preparation of the consolidated financial statements, the financial statements as of the closing date of each company, and adjustment necessary for consolidation was applied for material transactions that accrued between the closing date.

#### 4. Matters concerning Accounting Policy

##### (1) Valuation criteria and valuation method of material assets

Securities held for sale and purchase: Market value method (sales cost is calculated by the moving-average method)

Bonds held for maturity: Depreciation cost method (straight-line method)

Other securities

Securities with market value: Valued at market value based on the market price on the last day of the term, etc. (All valuation differences are transferred directly to net assets and

sales cost is calculated by the moving-average method.)

Securities without market value: Valued at cost by the moving-average method

Inventories

Real estate for sale, real estate for sale in process, real estate for development and expenses for uncompleted construction projects:

Valued at cost by the specific identification method (The value in the consolidated balance sheet is calculated by writing down the book value due to declined profitability.)

Merchandise, and raw materials and stores:

Valued at cost by the FIFO method (The value in the consolidated balance sheet is calculated by writing down the book value due to declined profitability.)

(2) Depreciation method for important depreciable assets

Tangible fixed assets (except for leased assets):

The fixed percentage method is adopted.

Provided, however, that buildings are mainly valued by the straight-line method.

For buildings, usable years were shortened as a result of the amendment of the taxation system in 1998, but the usable years before the amendment have continuously been applied. To the facilities annexed to buildings and structures, which were acquired on or after April 1, 2016, the straight-line method has been applied.

Major usable years shall be as follows.

Buildings:	6 to 47 years
Machinery, equipment and vehicles:	6 to 17 years
Tools, fixing and equipment:	4 to 20 years

Intangible fixed assets (except for leased assets):

For software (for internal use), the straight-line method based on the usable years (5 years) is adopted.

Leased assets:

Leased assets related to finance lease in which the ownership is transferred

The straight-line method is adopted, where the period of a lease is set as the useful life and the salvage value is set at zero.

(3) Posting standards for important allowances

Allowance for doubtful accounts:

In order to reserve for losses, etc., on monetary claims, etc., the amount calculated at the actual rate of default is recorded for general accounts receivables, and for specified claims such as doubtful accounts receivables, the estimated uncollectible amount is recorded in consideration of the collectability of each claim.

Reserve for bonuses:

In order to appropriate to payment of bonuses for executive officers and employees, it is recorded based on the expected amount of payment.

Reserve for officers' bonuses:

In order to appropriate to payment of bonuses for officers, it is recorded based on the expected amount of payment.

Allowance for compensation for completed construction projects:

In order to prepare for expenses for repair to be conducted free of charge in relation to the completed construction projects, for the construction projects delivered before the end of the current consolidated fiscal year, in addition to the expected amount of compensation based on the previous actual rate, for specific individual construction projects, loss of which can reasonably be estimated, future expected amount for compensation is recorded.

Reserve for retirement benefits for officers:

In order to prepare for payment of retirement benefits for officers and executive officers, the amount required to pay at the end of the year is recorded in accordance with the internal regulations.

(4) Accounting method of retirement benefits

The Company and consolidated subsidiaries adopt, in calculation of liabilities for net defined benefit liabilities and expenses for retirement benefits, a simplified method recording the amount of voluntary based retirement benefits at the end of the year in relation to retirement benefits as the retirement benefit liabilities. The Company has established the defined contribution scheme.

(5) Standards for converting important foreign currency denominated assets or liabilities into Japanese currency

Foreign currency monetary claims and liabilities are converted into yen at the spot exchange rate on the consolidated balance sheet date, and the difference in conversion is treated as profit or loss.

The assets and liabilities of overseas subsidiaries are converted into yen at the spot exchange rate on the closing date, income and expenses are converted into yen at the average rate during the period, and the difference in exchange is included in the foreign currency conversion adjustment account in the net assets section.

(6) Method and period of depreciation of goodwill

It is evenly depreciated for 5 to 10 years.

(7) Other underlying material matters for preparation of the consolidated financial statements

Accounting method of consumption taxes, etc.

Accounting is made exclusive of tax.

Consumption taxes, etc., on inventories, etc., which are not deductible, are accounted for the expenses to be borne during the year.

**Notes to Consolidated Balance Sheet**

1. Accumulated depreciation of tangible fixed assets	849,466 thousand yen
2. Assets for security and secured debt	
Assets provided as security	
Cash and deposits	1,891,818 thousand yen
Accounts receivable	126,646 thousand yen
Real estate for sale	964,571 thousand yen
Real estate for sale in process	1,583,888 thousand yen
Real estate for development	235,566 thousand yen
Buildings	10,202 thousand yen

Machinery, equipment and delivery equipment	8,922,859 thousand yen
Land	9,511 thousand yen
Construction in progress	167,252 thousand yen
Liabilities with security for the above	12,518,883 thousand yen

In addition to the above, we have offered for security (186,010 thousand yen), which has been eliminated from consolidation.

Other than that, in order to guarantee funds for the credit guarantee company, security deposits (investments and other assets) of 24,500 thousand yen and time deposits of 163,245 thousand yen are used as collateral to guarantee affiliated company transactions. In addition, securities of 10,000 thousand yen are pledged as business guarantee deposits.

3. Overdraft agreement and loan commitment agreement

The Company has overdraft agreements with three banks to efficiently procure working capital.

The balance of unexecuted loans as of the end of the current consolidated fiscal year is as follows.

Total overdraft contract	330,000	thousand yen
<u>Balance of borrowing</u>	<u>20,000</u>	<u>thousand yen</u>
Balance of unexecuted loans	310,000	thousand yen

**Notes to Consolidated Statement of Changes in Shareholders' Equity and Other Net Assets**

1. Number of outstanding shares at the end of the current consolidated fiscal year

Common stock 447,090,984 shares

2. Number of treasury stocks at the end of the current consolidated fiscal year

Common stock 2,780,152 shares

3. Matters concerning Dividends

(1) Dividends paid

No applicable matter.

(2) Out of dividends the record date of which belongs to the current consolidated fiscal year, those the effective date of dividends of which is the next consolidated fiscal year.

We propose the following regarding dividends on common stock to the Annual General Meeting of Shareholders held on June 30, 2020,

A. Stock type	Common stock
B. Total amount	444,309 thousand yen
C. Dividend source	Retained earnings
D. Dividend per share	1 yen
E. Record date	March 31, 2020
F. Effective date	June 30, 2020

4. Class and number of shares subject to new share subscription rights at the end of the current consolidated fiscal year (except for those the 1st day of the period of exercising rights of which has not arrived.)

Common stock: 207,198,646 shares

**Notes to Financial Instruments**

1. Matters concerning the Status of Financial Instruments

(1) Policy for Handling Financial Instruments

The Company Group finances necessary funds (mainly borrowings from banks and issuance of bonds) in consideration of the procurement plan of the lands, etc., in the real estate sales business and the capital investment plan in the construction business and renewable energy business, etc. Some consolidated subsidiaries have conducted investment management business of listed Japanese stocks, etc., and temporary surplus funds are managed by short-term deposits, etc. We set out a policy of not conducting

speculative transactions, and derivatives are used only for avoiding fluctuation risks of borrowings.

(2) Details, Risks and Risk Management System of Financial Instruments

Notes and accounts receivable, which are operating receivables, accounts receivable for completed construction projects and long-term loans are exposed to credit risks of customers. Operating receivables in foreign currencies, which accrue from overseas business are exposed to foreign currency exchange fluctuation risks. Regarding such risks, we strive to reduce risks by regularly checking the credit status of customer companies and recognizing the outstanding receivables from time to time.

Securities are bonds held to maturity and shares of companies with which we have a business relationship, and each are exposed to the issuer's credit risk and market price fluctuation risk. Bonds held to maturity have low credit risk because they are Japanese government bonds and, as for stock, we regularly check the financial condition of the issuers and continuously review the holding status.

All of the notes and accounts payable, which are operating payables, and accrued construction payment will become due within a year. Borrowings are made and bonds are issued mainly for financing the business funds for acquisition of lands and capital investment and the repayment date is within 17 years at the longest after the closing date.

The Company Group manages liquidity risks by the Accounting Department preparing and updating the financing plan in a timely manner based on reports from each department, etc.

2. Matters concerning Market Value, etc., of Financial Instruments

The amount recorded in the consolidated balance sheet, market value and the difference as of March 31, 2020 are as follows. In this regard, for items it is deemed to be extremely difficult to recognize the market value, the market value is not included in the following table.

(Unit: Thousand yen)

	Amount recorded on the consolidated balance sheet (*2)	Market value (*2)	Difference
(1) Cash and deposits	5,080,700	5,080,700	-
(2) Notes and accounts receivable	174,807	174,807	-
(3) Accounts receivable for completed construction projects	13,106	13,106	-
(4) Securities	10,000	10,000	-
(5) Investment securities	3,170,998	3,170,998	-
(6) Long-term loans	199,607	199,607	-
Allowance for doubtful accounts (*1)	△195,894	△195,894	-
	3,713	3,713	-
<b>Total Assets</b>	<b>8,453,326</b>	<b>8,453,326</b>	
(7) Notes and accounts payable	(36,932)	(36,932)	-
(8) Accrued construction payment	(196,234)	(196,234)	-
(9) Short-term borrowings	(1,510,900)	(1,510,900)	-
(10) Bonds to be redeemed within a year	(24,000)	(23,991)	△8

(11) Current portion of long-term borrowings	(2,034,266)	(2,034,076)	△189
(12) Bonds	(24,000)	(23,605)	△394
(13) Long-term borrowings	(9,186,237)	(9,178,637)	△7,599
Total Liabilities	(13,012,578)	(13,004,386)	△8,192

(\*1) The allowance for doubtful accounts, which is individually recorded as long-term loans, is deducted.

(\*2) Items recorded as liabilities are shown in parentheses.

(Note 1) Matters concerning calculation method of market values of financial instruments

(1) Cash and deposits, (2) Notes and accounts receivable, and (3) Accounts receivable for completed construction projects

As these are settled within a short period of time and the market values are similar to the book values, they are recorded at the book values.

(4) Securities, and (5) Securities

Market values of securities are determined as follows: bonds are according to the prices presented by issuers, stocks are according to the prices on the stock exchange, and investment trusts are according to the published reference prices.

(6) Long-term loans

The market values of general accounts receivables are calculated by present value, discounting the total amount of principal and interest at the interest rate expected for similar loans. For doubtful accounts receivables, we calculate the estimated amount of bad debt based on the present value of the estimated future cash flow, or the expected recoverable amount, etc., with securities and guarantees. Accordingly, market values are similar to the amount deducting the current allowance for doubtful accounts from the amount recorded in the consolidated balance sheet as of the consolidated closing date, and it is recorded at book value.

(7) Notes and accounts payable, (8) Accrued construction payment, and (9) Short-term borrowings

As these are settled within a short period of time and the market values are similar to the book values, they are recorded at the book values.

(10) Bonds to be redeemed within a year, (11) Current portion of long-term borrowings, (12) Bonds, and (13) Long-term borrowings

For market values of bonds and long-term borrowings, as to those with fixed interest rates, they are calculated by discounting the total amount of principal and interest by the expected interest rate for similar borrowings. As to those with variable interest rates, it is determined by the book value, because it reflects the market interest rate in a short period of time and the creditworthiness of the Company has not significantly changed after drawing down and it is considered to be similar to book value.

(Note 2) Financial instruments whose market value is deemed to be extremely difficult to recognize

(Unit: Thousand yen)

Category	Amount shown on Consolidated Balance Sheet
Investments in capital	2,064,612
Investment securities (Unlisted shares)	102,967
Long-term loans	2,511,526

Investments in capital and investment securities are not subject to market price disclosure, as there is no market price and it is extremely difficult to determine the market price. In addition, long-term loans are not subject to market price disclosure because it is difficult to calculate the discounted present value at this point because the repayment deadline is determined based on the status of business development of the lender.

**Notes to Leased Real Estate, etc.**

1. Matters concerning Status of Leased Real Estate, etc.

The Company and some subsidiaries hold condominiums, office buildings and warehouses, etc., (including lands) for lease in Tokyo and other areas.

As some of the office buildings for lease are used by some subsidiaries, they are indicated as real estate including the portion used for leased real estate.

2. Matters concerning Market Value of Leased Real Estate, etc.

(Unit: Thousand yen)

	Amount shown on Consolidated Balance Sheet	Market value
Leased Real Estate, etc.	187,519	234,004
Real estate including the portion used for leased real estate.	73,379	199,642

(Note 1) The amount shown on the consolidated balance sheet is the amount deducting the accumulated depreciation and accumulated impairment losses from the acquisition cost.

(Note 2) Market value at the end of the current consolidated fiscal year is the price calculated by the Company mainly based on the “Fixed Asset Tax Assessment Price.”

**Notes to Per Share Information**

Net assets per share	33 yen 40 sen
Net loss per share	0 yen 54 sen

**Notes to Material Subsequent Events**

No applicable matter.

(Note) The amounts shown in the consolidated balance sheet, consolidated profit and loss statement, consolidated statement of changes in shareholders’ equity, and other net assets and notes to consolidated financial statements are rounding down the amount less than the unit of indication.

**Balance Sheet**  
(As of March 31, 2020)

(Unit: Thousand yen)

Item	Amount	Item	Amount
<b>Assets</b>	<b>20,045,361</b>	<b>Liabilities</b>	<b>4,435,514</b>
<b>Current Assets</b>	<b>8,739,175</b>	<b>Current Liabilities</b>	<b>3,152,606</b>
Cash and deposits	3,631,395	Accrued construction payment	34,703
Accounts receivable	821	Short-term borrowings	1,490,900
Securities	10,000	Bonds to be redeemed within a year	14,000
Real estate for sale	1,714,313	Current portion of long-term borrowings	1,375,020
Real estate for sale in process	2,037,029	Unpaid amount	18,765
Real estate for development	260,171	Accrued expenses	96,600
Prepaid expenses	62,268	Advances received	51,758
Accounts receivable	270,992	Deposits received	10,485
Advance money	334,718	Reserve for bonuses	29,456
Other	417,463	Reserve for officers' bonuses	5,600
<b>Fixed assets</b>	<b>11,306,186</b>	<b>Fixed Liabilities</b>	<b>1,282,908</b>
<b>Tangible fixed assets</b>	<b>504,452</b>	Bonds	9,000
Buildings	182,499	Long-term borrowings	1,009,000
Tools, furniture and fixtures	331	Reserve for retirement allowance	161,244
Land	321,622	Reserve for retirement benefits for officers	35,710
<b>Intangible fixed assets</b>	<b>7,333</b>	Long-term guarantee deposited	2,508
Software	7,333	Other	65,445
<b>Investments and other assets</b>	<b>10,794,400</b>	<b>Net Assets</b>	<b>15,609,847</b>
Investment securities	3,172,998		
Other securities of affiliated companies	231,798		
Stocks of affiliated companies	570,739	<b>Shareholders' equity</b>	<b>16,678,067</b>
Investments in capital	1,773,978	<b>Capital</b>	<b>12,086,958</b>
Investments in capital of affiliated companies	2,144,554	<b>Capital surplus</b>	<b>3,382,543</b>
Long-term loans	195,894	Capital reserve	3,382,543
Long-term loans to affiliated companies	2,511,526	<b>Retained earnings</b>	<b>1,348,986</b>
Long-term loans to employees	3,713	Other reserve for retained earnings	1,348,986
Long-term prepaid expenses	3,721	Retained earnings carried forward	1,348,986
Guarantee money deposited	25,500	<b>Treasury stock</b>	<b>△140,420</b>
Differed tax assets	116,400	<b>Valuation and translation adjustments</b>	<b>△1,741,462</b>
Other	239,470	Valuation difference on investment securities	△1,741,462
Allowance for doubtful accounts	△195,894	<b>New share subscription rights</b>	<b>673,241</b>
<b>Total Assets</b>	<b>20,045,361</b>	<b>Total Liabilities and Net Assets</b>	<b>20,045,361</b>

## Profit and Loss Statement

( From April 1, 2019  
to March 31, 2020 )

(Unit: Thousand yen)

Item	Amount	
<b>Sales</b>		<b>4,605,905</b>
<b>Cost of Goods Sold</b>		<b>3,660,556</b>
<b>Gross Profit on Sales</b>		<b>945,349</b>
<b>Selling, General and Administrative Expenses</b>		<b>1,453,472</b>
<b>Operating loss</b>		<b>508,123</b>
<b>Non-operating Income</b>		
Interest income	226,587	
Dividend income	184,320	
Gain on investments in capital	100,661	
Gain on silent partnership	122,400	
Clerical affairs fee received	2,200	
Income from recovery of bad debts	135,943	
Reversal of allowance for doubtful accounts	1,423,605	
Miscellaneous revenue	35,257	2,230,975
<b>Non-operating Expenses</b>		
Interest on bond	151	
Interest expenses	61,756	
Valuation loss on investment securities	195	
Borrowing fees	8,913	
Foreign currency exchange loss	60,390	
Miscellaneous losses	86,144	217,551
<b>Ordinary loss</b>		<b>1,505,300</b>
<b>Extraordinary Profits</b>		
Profit on reversal of stock acquisition rights	16,651	
Profit on sale of investment securities	731,380	
Return of directors' bonus	64,098	
Profit on sale of investment in capital of subsidiaries	646,657	
Other	14,214	1,473,002
<b>Extraordinary Losses</b>		
Valuation loss on stocks of affiliated companies	1,523,340	
Loss on liquidation of subsidiaries	21,190	
Other	2,540	1,547,071
<b>Net loss before tax</b>		<b>1,431,231</b>
Corporate income tax, resident tax and business tax payable	22,274	
Adjustment of corporate income tax, etc.	59,970	82,245
<b>Net loss</b>		<b>1,348,986</b>

## Statements of Changes in Shareholders' Equity and Other Net Assets

( From April 1, 2019  
to March 31, 2020 )

(Unit: Thousand yen)

	Shareholders' equity						
	Capital	Capital surplus			Retained earnings		
		Capital reserve	Other capital surplus	Total capital surplus	Reserve for retained earnings	Other retained earnings	Total retained earnings
					Retained earnings carried forward		
Balance at the beginning of year	12,086,958	10,945,323	675,103	11,620,426	83,651	△8,321,534	△8,237,883
Changes during the year							
Deficit disposition		△7,562,779	△675,103	△8,237,883	△83,651	8,321,534	8,237,883
Net profit attributable to owners of the parent				-		1,348,986	1,348,986
Acquisition of treasury stock				-			-
Changes in items other than shareholders' equity during the period (net)							
Total changes during the year	-	△7,562,779	△675,103	△8,237,883	△83,651	9,670,521	9,586,869
Balance at the end of year	12,086,958	3,382,543	-	3,382,543	-	1,348,986	1,348,986

	Shareholders' equity		Valuation and translation adjustments		New share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on investment securities	Foreign currency translation adjustments		
Balance at the beginning of year	△140,420	15,329,082	-	-	689,893	16,018,975
Changes during the year						
Deficit disposition		-				-
Net profit attributable to owners of the parent		1,348,986				1,348,986
Acquisition of treasury stock	△0	△0				△0
Changes in items other than shareholders' equity during the period (net)			△1,741,462	△1,741,462	△16,651	△1,758,113
Total changes during the year	△0	1,348,985	△1,741,462	△1,741,462	△16,651	△409,128
Balance at the end of year	△140,420	16,678,067	△1,741,462	△1,741,462	673,241	15,609,847

## Notes to Non-Consolidated Financial Statements

### Notes to Important Accounting Policy

#### 1. Valuation criteria and valuation method of assets

##### (1) Valuation criteria and valuation method of securities

Securities held for sale and purchase:

Market value method (sales cost is calculated by the moving-average method)

Bonds held for maturity: Depreciation cost method (straight-line method)

Stocks of affiliated companies and investments in capital of affiliated companies:  
Valued at cost by the moving-average method

Other securities

Securities with market value: The market value method based on the market price, etc. at the end of the period (all valuation differences are processed by the net asset direct method, and the selling cost is calculated by the moving average method).

Securities without market value: Valued at cost by the moving-average method

With regard to equity interests in silent partnerships, the net equivalent amount is stated based on the latest financial statements as of the financial statement reporting date specified in the partnership agreement.

##### (2) Valuation criteria and valuation method of inventories

Real estate for sale, real estate for sale in process, and real estate for development:

Valued at cost by the specific identification method (The value in the consolidated balance sheet is calculated by writing down the book value due to declined profitability.)

#### 2. Depreciation method for fixed assets

##### (1) Tangible fixed assets (except for leased assets)

The fixed percentage method is adopted. Provided, however, that buildings which were acquired on or after April 1, 1998 (excluding facilities annexed to buildings and structures) and facilities annexed to buildings and structures which were acquired on or after April 1, 2016, are valued by the straight-line method.

##### (2) Intangible fixed assets (except for leased assets)

The straight-line method is adopted.

For internal-use software, the straight-line method based on the internal usable years (5 years) is adopted.

Goodwill is evenly depreciated for ten (10) years.

##### (3) Leased assets

Leased assets related to finance lease in which the ownership is transferred

The straight-line method is adopted, where the period of a lease is set as the useful life and the salvage value is set at zero.

#### 3. Posting standards for allowances

##### (1) Allowance for doubtful accounts

In order to reserve for losses, etc., on claims such as operating receivables and loans, the amount calculated at the actual rate of default is recorded for general accounts receivables, and for specified claims such as doubtful accounts receivables, the estimated uncollectible amount is recorded in consideration of the collectability of each claim.

##### (2) Reserve for bonuses

In order to appropriate to payment of bonuses for executive officers and employees, it is recorded based on the expected amount of payment.

- (3) Reserve for officers' bonuses  
In order to appropriate to payment of bonuses for officers, it is recorded based on the expected amount of payment.
- (4) Reserve for retirement allowance  
In order to prepare for payment of retirement benefits of employees, based on the retirement benefits liabilities at the end of the business year by the simplified method, the amount recognized to accrue at the end of the business year is recorded.
- (5) Reserve for retirement benefits for officers  
In order to prepare for payment of retirement bonuses for officers and executive officers, the amount required to pay at the end of the year is recorded in accordance with the regulations on reserve for retirement benefits for officers.
4. Criteria for converting foreign currency assets or liabilities into Japanese currency  
Monetary claims and debts denominated in foreign currencies are converted to yen at the spot exchange rate on the closing date, and the difference in conversion is treated as profit or loss.
5. Other Important Underlying Matters for Preparation of Financial Statements  
Accounting method of consumption taxes, etc.  
Accounting is made exclusive of tax.  
Consumption taxes, etc., on inventories, etc., which are not deductible, are accounted for the expenses to be borne during the year.

#### Notes to Balance Sheet

1. Accumulated depreciation of tangible fixed assets	122,560 thousand yen
2. Assets for security and secured debt	
Assets provided as security	
Cash and deposits	1,650,000 thousand yen
Real estate for sale	964,571 thousand yen
Real estate for sale in process	1,583,888 thousand yen
Real estate for development	235,566 thousand yen
Buildings	10,202 thousand yen
Land	9,511 thousand yen
Liabilities with security for the above	3,746,900 thousand yen
	In addition to the above collateral, a security deposit of 24,500 thousand yen and a time deposit of 163,245 thousand yen are provided as collateral for guarantee of deposits to credit guarantee companies and transaction guarantee of affiliated companies. In addition, securities of 10,000 thousand yen are pledged as business guarantee deposits.
3. Guarantee Obligation Outstanding	
	The Company provides guarantee for the borrowing liabilities of the following affiliated companies from financial institutions.
Godokaisha Prospect Sanmu Nishi	403,244 thousand yen
Godokaisha Prospect Sanmu Minami	578,000 thousand yen
Godokaisha Prospect Narita Kanzaki	6,700,000 thousand yen
Godokaisha Prospect Rikuzen Takata	248,184 thousand yen
Godokaisha Prospect Yorii	351,555 thousand yen
Godokaisha Prospect SOLAER ONE	491,000 thousand yen
4. Monetary Claims to Affiliated Companies	
Short-term monetary claims	618,530 thousand yen
Long-term monetary claims	4,415,617 thousand yen

Short-term monetary liabilities	164 thousand yen
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**Notes to Profit and Loss Statement**

Transaction amount with Affiliated Companies	
Sales	15,979 thousand yen
Transaction amount other than sales transactions	453,536 thousand yen

**Notes to Statement of Changes in Shareholders' Equity and Other Net Assets**

Class and number of treasury stocks at the end of current business year

Common stock	2,780,152 shares
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(Note) The increase in the number of treasury stocks is due to purchase of 34 shares of a less-than-a unit stock.

**Notes to Tax Effect Accounting**

1. Breakdown by major cause of occurrence of deferred tax assets

Deferred tax assets	
Loss brought forward	4,256,344 thousand yen
Impairment loss on fixed assets	133,383 thousand yen
Accrued business tax	15,477 thousand yen
Reserve for bonuses	7,752 thousand yen
Impairment loss of subsidiary	8,853 thousand yen
Reserve for retirement allowance	49,373 thousand yen
Reserve for retirement benefits for officers	10,934 thousand yen
Allowance for doubtful accounts	59,982 thousand yen
Inventory write-down	39,561 thousand yen
Other	477,781 thousand yen
Subtotal of Deferred tax assets	5,059,445 thousand yen
Reserve for valuation	△4,943,045 thousand yen
Total deferred tax assets	116,400 thousand yen

2. Breakdown by main cause of the difference between the statutory tax rate and the effective tax rate of corporate taxes after the application of tax effect accounting

Statutory tax rate	30.6%
(Adjustment)	
Items that are not permanently included in deductions, such as entertainment expenses	0.1%
Resident tax, etc. per capita rate	0.1%
Increase/decrease in valuation allowance	△52.6%
Foreign tax amount	1.1%
Non-deductible withholding tax	0.4%
Items that are not permanently included in profits, such as dividends received	△1.4%
Expiration of loss carryforwards	26.7%
Other	0.4%
Effective income rate after tax effect accounting is applied	5.7%

## Notes to Transactions with Related Parties

Subsidiaries and affiliated companies, etc.

(Unit: Thousand yen)

Type	Name of company, etc.	Location	Capital or investments in capital	Details of business	Ratio of voting rights holding (held)	Relationship with related parties	Details of trade	Trading amount	Item	Balance at the end of the year
Subsidiary	Prospect-biomass Co., Ltd.	Shibuya-ku, Tokyo	41,000	Renewable Energy Business	100%	Investment	Loan of funds	904,000	Long-term loans	2,511,526
									Long-term accrued income	217,330
Subsidiary	Godokaisha Prospect Narita Kozaki	Shibuya-ku, Tokyo	3,000	Renewable Energy Business	100%	Investment	Guarantee obligation	6,700,000	-	-
							Silent partnership investment	700,000	-	-
Subsidiary	Godokaisha Prospect Sanmu Minami	Shibuya-ku, Tokyo	10	Renewable Energy Business	100%	Investment	Debt guarantee	578,000	-	-
Subsidiary	Godokaisha SOLAER ONCE	Shibuya-ku, Tokyo	60	Renewable Energy Business	100%	Investment	Debt guarantee	491,000	-	-
Subsidiary	Godokaisha Prospect Sanmu Nishi	Shibuya-ku, Tokyo	10	Renewable Energy Business	100%	Investment	Debt guarantee	403,244	-	-
Subsidiary	Godokaisha Prospect Yorii	Shibuya-ku, Tokyo	10	Renewable Energy Business	100%	Investment	Debt guarantee	351,555	-	-
Subsidiary	Prospect Asset Management, Inc.	Hawaii USA	115 thousand USD	Asset Management Business	100%	Holding of shares	-	-	Short-term borrowings	272,075
Subsidiary	Godokaisha Prospect Rikuzen Takata	Shibuya-ku, Tokyo	50	Renewable Energy Business	100%	Investment	Debt guarantee	248,184	-	-

- (Note) 1. Terms of transactions and the policy for determination of terms of transactions, etc., are determined in a similar manner to general terms of transactions.  
2. Debt guarantees are for the borrowings from financial institutions. In this regard, guarantee fees are not paid for debt guarantees.

## Notes to Per Share Information

1. Net assets per share 33 yen 62 sen  
2. Net profit per share 3 yen 04 sen

## Notes to Important Events after Closing the Accounts

No applicable matter.

## Other Notes

No applicable matter.

(Note) The amounts stated in the balance sheet, profit and loss statement, statements of changes in shareholders' equity and other net assets and notes to non-consolidated financial statements are indicated by rounding down the amount less than the unit of indication.

## Certified Copy of Audit Report of Board of Auditors

### Audit Report

The Board of Auditors prepared this Audit Report and submits as follows through deliberations based on the audit reports prepared by each Auditor on execution of duties of the Directors for the 119th business year from April 1, 2019 to March 31, 2020.

#### 1. Method of Audit by the Auditors and the board of auditors and their Details

- (1) The board of auditors determines the policy for audit, focused audit items, etc., and received reports on the implementation status and results of audit from each Auditor and received reports from Directors, etc., and Accounting Auditor on the status of execution of their duties and requested explanations as necessary.
- (2) Each Auditor communicated with Directors, internal audit department and any other employees, etc., in accordance with the policy for audit and audit plan, etc., determined by the board of auditors and made efforts to collect information and improve the environment of audit and conducted an audit by the following methods.
  - [1] Auditors attended the board of directors' meetings and any other important meetings, received reports on the status of execution of duties from Directors and employees, etc., and requested explanations as necessary, read important approval documents, etc., and conducted investigations of the status of operations and assets at head office, etc. For subsidiaries, Auditors communicated and exchanged information with Directors and Auditors, etc., of subsidiaries and received reports on business from subsidiaries as necessary.
  - [2] Auditors received reports regularly from the Directors and employees, etc., on the status of construction and operation of the system to ensure that execution of duties of the Directors stated in the business report shall comply with the laws and the Articles of Incorporation and the details of resolution of the board of directors for establishment of the system, provided for in the Companies Act, Enforcement Regulations, Article 100, paragraph 1 and paragraph 3, which are required to ensure the proper operations of the company group comprised of *kabushikikaisha* and its subsidiaries, and the system (internal control system) established according to the resolution, and requested explanations as necessary and stated opinions.
  - [3] Auditors monitored and examined whether Accounting Auditor kept independent position and conducted an appropriate audit and Auditors received the report from Accounting Auditor on the status of execution of its duties and requested explanations as necessary. Auditors also received the notice from Accounting Auditor that Accounting Auditor has put in place the "system to ensure that performance of duties is properly made" (matters set forth in each item of Article 131 of the Corporation Accounting Regulations) in accordance with the "Standards for Quality Management of Audit" (Business Accounting Council, October 28, 2005), etc.

Based on the above method, the Board of Auditors reviewed the business report and its schedules, financial statements (balance sheet, profit and loss statement, statement of changes in shareholders' equity and other net assets and notes to non-consolidated financial statements) and their schedules and consolidated financial statements (consolidated balance sheet, consolidated profit and loss statement, consolidated statement of changes in shareholders' equity and other net assets and notes to consolidated financial statements) for the business year.

#### 2. Audit Results

- (1) Audit Results of Business Report, etc.
  - [1] We recognize that the business report and its schedules correctly represent the status of the Company pursuant to the laws and the Articles of Incorporation.
  - [2] We did not recognize wrongful acts related to execution of duties of Directors or material facts in violation of the laws or the Articles of Incorporation.
  - [3] We recognize that the details of resolutions of the Board of Directors on the internal control system are reasonable. We did not recognize the facts to point out with respect to the details of business report on the internal control system and execution of duties of the Directors.

(2) Audit Results of Financial Statements and its Schedules

We recognize that the method and result of audit conducted by Audit Firm HIBISCUS are reasonable.

(3) Audit Results of Consolidated Financial Statements

We recognize that the method and result of audit conducted by Audit Firm HIBISCUS are reasonable.

May 22, 2020

Board of Audit, Prospect Co., Ltd.

Audit and Supervisory Committee Akio Tsukishima

Audit and Supervisory Committee Yuki Ichikawa

Audit and Supervisory Committee Hitoshi Matsufuji

Audit and Supervisory Committee Tomonori Utsumi

(Note) Audit and Supervisory Committees, Akio Tsukishima, Yuki Ichikawa, Hitoshi Matsufuji and Tomonori Utsumi are Outside Directors provided for in the Companies Act, Article 2, item 15 and Article 331, paragraph 6.

## **Reference Documents for the Annual General Meeting of Shareholders**

### **Propositions and Reference Matters**

#### **Proposition No. 1: Appropriation of surplus**

The Company Group puts return of profits to shareholders as a top priority of management. We implement our basic policy to ensure maintaining of a stable and continuous dividend and paying a dividend, also taking into account business results, while securing internal reserves required for stable growth of the Company and to respond to changes in the business environment.

In the future, based on the newly formulated medium-term management plan, we aim to set the total payout ratio, which is the dividend payout ratio and share buybacks, to 50% as our shareholder return policy.

We sincerely apologize to our shareholders for not distributing dividends in the 118th term of the previous fiscal year. Based on the result of the company-wide efforts to recover business performance, and the consideration of the business results for the current term and future business development, etc., we would like to resume the year-end dividend for the 119th term as follows.

- (1) Kind of distributed property  
Cash
- (2) Matters concerning allotment of distributed property and the total amount  
¥1 per share of the common stocks of the Company  
Total amount: ¥444,310,832
- (3) Effective date of dividends of retained earnings  
June 30, 2020
- (4) Payment date of dividends of retained earnings  
July 1, 2020



monitor and supervise the management from a global and diverse perspective. We nominated him as a candidate for the Director of the Audit and Supervisory Committee.

- (2) Liability Limitation Agreement between the Company and Candidates for Outside Directors who are Audit and Supervisory Committee Members.

If appointment of Shigeyoshi Asano and Masamitsu Kikuchi is approved, the Company will execute an agreement with both on limiting damage liability under the Companies Act, Article 423, paragraph 1 based on the Companies Act, Article 427, paragraph 1. The damage liability limit under the Agreement shall be the minimum liability amount provided for in the Companies Act, Article 425, paragraph 1.

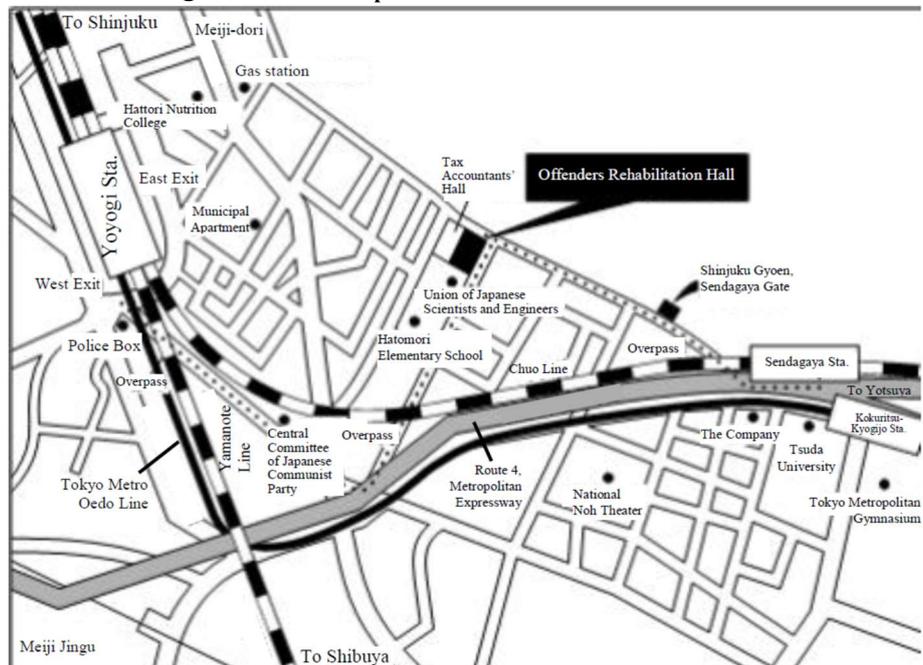
5. Shigeyoshi Asano and Masamitsu Kikuchi are candidates for Outside Directors and if they are appointed, they shall be designated as an independent officer who are not likely to cause any conflict of interest with shareholders requiring designation by the Tokyo Stock Exchange and it shall be so notified with the Tokyo Stock Exchange.



## **Information of the Forum of Annual General Meeting of Shareholders**

Venue: Conference Room, 4F, Kosei Hogo Kaikan  
5-10-9 Sendagaya, Shibuya-ku, Tokyo  
TEL: 03 (3356) 5721 (Key)

### **◎ Information Map**



### **◎ Access**

7 minute walk from JR “Sendagaya Station”  
7 minute walk from Toei Metro Oedo Line “Kokuritsu-kyogijo Station”  
9 minute walk from JR / Toei Metro Oedo Line “Yoyogi Station (West Exit)”

As parking spaces are not available, please refrain from driving a car when you visit the venue.

### **◎ Inquiries**

General Affairs Department of the Company  
TEL: 03 (3470) 8411 (Key)