



[Translation]

March 26, 2019

Company Name: Prospect Co., Ltd.
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Notice of Change in the Company's Consolidated Subsidiary (Share Transfer) and Acquisition of Silent Partnership Equity

Prospect Co., Ltd. (hereinafter referred to as the "Company") and its consolidated subsidiary, Kidoh Construction Industry Co., Ltd. (hereinafter referred to as "Kidoh Construction"), on approval of both companies' Board of Director's Meetings held today, have decided that all of the shares of Kidoh Construction owned by the Company will be sold to Kidoh Global Holdings Co. Ltd (hereinafter referred to as "KGH") and that the Company is to acquire an equity interest in a silent partnership related to the Narita Kozaki Solar Project owned by Kidoh Construction.

Note

1. Reasons for the Share Transfer

As of March 20, 2014, the Company acquired all issued shares of Kidoh Construction and made the company a subsidiary. Kidoh Construction is a leading company in the underground pipe jacking (underground microtunneling work such as water and sewage, gas, subway, utility tunneling, etc.), and in addition to the prestressed concrete (PC) work, it has made significant contributions to increasing the corporate value of our group by way of synergy effects in our solar business, such as contracting cable laying work for public roads covering approximately 5 km at power stations.

At this time, a management buyout (MBO) has been offered by KGH, which was established by Mr. Masaaki Nakano, President and Representative Director of Kidoh Construction (hereinafter referred to as Mr. Nakano), and Mr. Noriyasu Uehara (hereinafter referred to as Mr. Uehara), Executive Vice President, to purchase all of the Kidoh Construction stock held by the Company.

The intent of Kidoh Construction officers is to return Kidoh Construction as quickly as possible to a family-like corporate culture as it was at the time of its founding, without the need for external capital, and a system where it is possible to make quick decisions independently. With the environment in place, including the necessary funding for the MBO, Kidoh Construction has made offer for the Share Transfer for the purpose of independence.



In the approximately five years since becoming a subsidiary of the Company, Kidoh Construction has been steadily improving its earning power, however in the future it will have amplified motivation for further development and corporate value growth. In addition, as for the Company, we anticipate the opportunity to further future development by reinvesting the proceeds from the Share Transfer.

In conjunction with the Share Transfer, the Company plans to acquire an additional 25% stake in the silent partnership investment for the Narita Kozaki Solar Project currently owned by Kidoh Construction. The Company currently holds 55% of the silent partnership equity interest, and after the additional acquisition, the Company will have an 80% interest.

2. Overview of consolidated subsidiary to be changed

1. Company Name	Kidoh Construction Industry Co., Ltd.		
2. Location	Osaka Prefecture, Osaka City, Fukushima Ward Fukushima 4-6-31		
3. Title and Name of Corporate Head	President and CEO Masaaki Nakano		
4. Business Description	Underground pipe jacking construction such as water and sewage, underground passage, common duct, large box culvert, shield construction, PC (Prestressed Concrete) bridge and PC tank construction Others, general civil engineering construction work		
5. Capitalization	JPY 83,303,500		
6. Established	October 29, 1946		
7. Major shareholders and shareholding ratio	Prospect Co., Ltd 94.95%		
8. Relationship between listed company and relevant company	Capital ties※	The Company holds 94.95% of Kidoh Construction's stock.	
	Personnel ties	One executive officer of the Company concurrently serves as a part-time director of Kidoh Construction.	
	Business relationship	Kidoh Construction is engaged in civil engineering work for projects promoted by the Company.	
	Status of related parties	Kidoh Construction falls under the Company's consolidated subsidiary.	
9. Business performance and financial position (consolidated) of the company over the last 3 years			
Accounting Period	FY 3/2016	FY 3/2017	FY 3/2018
Net Assets (thousand yen)	3,102,322	3,254,736	3,412,727
Total assets (thousand yen)	7,178,441	6,320,315	6,357,843
Net assets per share (yen)	74,637.85	78,304.73	82,105.80
Revenue (thousand yen)	7,302,695	5,722,541	4,615,440
Operating Profit (thousand yen)	378,648	264,022	222,804
Ordinary income (thousand yen)	359,424	264,423	226,027
Net Income (thousand yen)	152,898	205,077	210,654
Net income per share (yen)	3,868.65	4,933.89	5,068.06
Dividend per share (yen)	1,202.99	1,267.00	1,267.00

※ The share ratio of the Company decreased from 100% to 94.95% due to exercise of the Kidoh Construction Stock Acquisition Rights granted to Mr. Nakano and Mr. Uehara on March 22, 2016.

3. Overview of the counterparty of the Share Transfer

1. Company Name	Kidoh Global Holdings Co., Ltd.	
2. Location	Osaka Prefecture, Osaka City, Fukushima Ward Fukushima 4-6-31	
3. Title and Name of Corporate Head	Representative Director Masaaki Nakano Representative Director Norikazu Uehara	
4. Business Description	Management of business activities of group companies, management guidance, etc.	
5. Capitalization	JPY 1,000,000	
6. Established	February 15, 2019	
7. Major shareholders and shareholding ratio	Masaaki Nakano 50% Norikazu Uehara 50%	
8. Relationship between listed company and relevant company	Capital ties	There is no capital relationship between the Company and the concerned company. In addition, there is no capital relationship to be noted between the related parties and affiliated companies of the Company and the related parties and affiliated companies of the company.
	Personnel ties	There is no personal relationship to be stated with the company. In addition, there is no noteworthy personal relationship between our company's associates and related companies and the company's associates and related companies.
	Business relationship	There is no business relationship to be noted between the Company and the concerned company. In addition, there is no noteworthy business relationship between the related parties and affiliated companies of the Company and the related parties and affiliated companies of the company.
	Status of related parties	The company does not fall under the related party of the Company. In addition, the related persons and affiliated companies of the company do not fall under the related parties of the Company.
9. Operating results and financial position of the company for the last 3 years	The financial statements have not been prepared because the company has just been established.	

4. The number of shares transferred, the transfer price and the status of shares owned before and after the transfer

1. Number of shares owned before transfer	39,465 shares (Number of Voting Rights: 39,465) (Percentage of voting rights: 94.95%)
2. Number of shares transferred and transfer price	39,465 shares (Price: 1,850 million yen) ※ (Number of Voting Rights: 39,465) (Percentage of voting rights: 94.95%)
3. Number of shares owned after transfer	0 shares (Number of Voting Rights: 0) (Percentage of voting rights: 0%)

※ Regarding the sale amount, the agreed amount was decided following a third-party evaluation, verification by internal and outside experts (including lawyers and certified public accountants), and discussions with Mr. Nakano and Mr. Uehara.

5. Outline of Silent Partnership

1. Company Name	Prospect Narita Kozaki Silent Partnership
2. Location	30-8, Sendagaya 1-chome, Shibuya-ku, Tokyo
3. Partnership contract conclusion date	August 29, 2017
4. Operating Company	Godo Kaisha Prospect Narita Kozaki
5. Acquisition Amount	JPY 200 million
6. Acquisition ratio	25%

6. Schedule of Transfer

Board resolution	March 26, 2019
Contract date	March 26, 2019
Stock Transfer Execution Date	March 29, 2019
Transfer payment date	March 29, 2019

7. Future outlook

Although the Share Transfer will result in the company's exclusion from the Company's consolidated subsidiaries, the impact on the business performance of the current fiscal year is currently being reviewed and will be disclosed as it becomes clear.

End