



November 6, 2019

[Translation]

Company Name: Prospect Co., Ltd.  
Representative: President and CEO Masato Tabata  
(Security Code: 3528 TSE 2<sup>nd</sup> Section)  
Contact: Chief of General Affairs Jiro Taketani  
(TEL: +81-03-3470-8411)

### **Notice Regarding a Shareholder Request for Convocation of an Extraordinary General Meeting of Shareholders**

The Company received a letter (hereinafter the “Letter”) concerning a convocation request for an extraordinary general meeting of shareholders (hereinafter the “Request”) from certain Company shareholders on November 1, 2019. The Company has confirmed the shareholder request and would like to inform you as follows.

#### **Note**

#### **1. Requesters’ overview**

This request is based on the joint names of Shinwa Industry Co., Ltd. and Hiroshi Nishimura, who combined have held more than 3% of the voting rights of the Company for the preceding six-month period.

#### **2. Request details**

##### **(1) Objectives of the Extraordinary General Meeting of Shareholders**

- |            |                                                                                                                                                                    |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Proposal 1 | Adopting a resolution requesting an investigation into whether the prolonged stock price stagnation is the result of an inappropriate management execution system. |
| Proposal 2 | Partial changes to the Articles of Incorporation (Article 6, Article 15, Article 19, Article 23, Article 24, Article 32).                                          |
| Proposal 3 | Succession, replacement or additional appointment of Directors and Directors who are Audit and Supervisory Committee members.                                      |
| Proposal 4 | Setting remuneration for Directors and Directors who are Audit and Supervisory Committee members.                                                                  |

*(Note) This is a translation of the original text.*

##### **(2) Reasons for convocation**

Please refer to the annex.

#### **3. The Company’s response policy**

The Company's approach to the Request and the policy for its response will be disclosed promptly after careful consideration of the content of this Request.

End

The content of each proposal in this request and the reasons for convocation of a General Meeting of Shareholders are as follows (this is a translation of the original text).

Proposal 1 Adopting a resolution requesting an investigation into whether the prolonged stock price stagnation is the result of an inappropriate management execution system

At the Company's General Meeting of Shareholders, the total amount of Director remuneration for the year ended March 31, 2018, was voted on, and the distribution of such was left to a rational resolution of the Board of Directors. Even after that, it cannot be said that qualified executives were appointed to monitor reckless management on the part of some directors. In addition to indifference in fostering stable shareholders to stably maintain the common interests of the Company's shareholders, there is a biased, improper allocation of director remuneration, an outflow of useful management personnel, deterioration in business performance, and a slumping stock price, the normalization of management personnel uncritical toward Masato Tabata, who led a series of unclear actions leading to the removal Director Curtis, has emerged as an escape phenomenon for stable shareholders. There are many opinions among shareholders that this poses a risk of neglecting the common interests of shareholders and loosening of the governance system. An investigation of the truth of the facts of these matters, founding of an appropriate investigative team to consider and propose improvement measures to build a fairer governance system in light of various laws and regulations [original text], and adoption of a resolution that such be launched under an appointed director are requested.

Proposal 2 [original text] Partial changes to the Articles of Incorporation (Article 6, Article 15, Article 19, Article 23, Article 24, Article 32)

Reasons for appending each of the following current provisions, Articles 6, 15, 19, 23, 24, and 32 of the Articles of Incorporation, are as shown in the revised section in gothic font. These changes would take effect at the conclusion of this Extraordinary General Meeting of Shareholders.

(Total number of shares authorized to be issued)

(Current) Article 6 Total number of shares authorized to be issued shall be 870 million.

(Total number of shares authorized to be issued)

(Revised) Article 6 Total number of shares authorized to be issued shall be 450 million.

(Reason for change) Because it is recognized that prevention of acts such as arbitrary manipulation of stock prices for the purpose of exercising stock acquisition rights during the provisional period until the company's management system reform plan is formulated is necessary.

If the total number of issued shares exceeds 450 million at the time of this Extraordinary General Meeting of Shareholders, the total number of shares authorized to be issued after the change will be changed to the total number of issued shares.

(Convenor and Chair)

(Current) Article 15 The General Meeting of Shareholders will be convened and chaired by the President and CEO.

2. In the event of an accident involving the President and CEO, another director will convene the General Meeting of Shareholders and serve as the Chair in accordance with the order prescribed by the Board of Directors.

(Convenor and Chair)

(Revised) Article 15 The General Meeting of Shareholders shall be convened and chaired by the President and CEO, unless otherwise stipulated by law.

2. If there is an accident involving the convenor in the preceding paragraph, or if any two or more directors request convocation of the President and CEO despite the items of the preceding paragraph [original text], should the President and CEO not respond to the request, another director will convene the General Meeting of Shareholders in accordance with the decision of one of the two requesting Directors, or in the order predetermined by the Board of Directors, and serve as Chair.

(Number of Directors)

(Current) Article 19 The Company shall have no more than four directors (excluding directors who are Audit and Supervisory Committee members).

2. The Company shall have no more than 4 directors who are Audit and Supervisory Committee members.

(Number of Directors)

(Revised) Article 19 The Company shall have no more than 10 directors (excluding directors who are Audit and Supervisory Committee members).

2. The Company shall have no more than 10 directors who are Audit and Supervisory Committee members.

(Reason for change) Because there is doubt that the Directors of the Company and Directors who are Audit and Supervisory Committee members are aligned with the common interests of shareholders. This change is limited to the provisional period until a management system reform plan is formulated, and the Articles of Incorporation will be further revised to reduce the number of Directors following the provisional period.

(Board of Directors Meeting Convenor and Chair)

(Current) Article 23 Board of Directors Meetings shall be convened and chaired by the President and CEO, unless otherwise stipulated by law.

2. In the event of an accident involving the President and CEO, another director will convene the meeting in accordance with the order prescribed by the Board of Directors.

(Board of Directors Meeting Convenor and Chair)

(Revised) Article 23 Board of Directors Meetings shall be convened and chaired by the President and CEO, unless otherwise stipulated by law.

2. If there is an accident involving the President and CEO, or if any two or more directors request convocation of the President and CEO despite the items of the preceding paragraph [original text], should the President and CEO not respond to the request, another director will convene the Board of Directors Meeting in accordance with the decision of one of the two requesting directors, or in the order predetermined by the Board of Directors, and serve as Chair.

(Reason for change) To eliminate arbitrary neglect of duties by the President and CEO.

(Convocation of Board of Directors Meetings)

(Current) Article 24 Notice of convocation of a Board of Directors Meeting shall be issued to all Directors and Corporate Auditors at least three days before the date of the meeting. However, in an emergency, this period may be shortened.

2. With the consent of all Directors and Audit and Supervisory Committee Members, a Board of Directors Meeting may be held without going through the convocation procedure.

(Convocation of Board of Directors Meetings)

(Revised) Article 24 Notice of convocation of a Board of Directors Meeting shall be issued to all Directors and Corporate Auditors (Directors who are Audit and Supervisory Committee Members) at least seven days before the date of the meeting. However, in an emergency, this period may be shortened.

2. With the consent of all Directors and Audit and Supervisory Committee Members, a Board of Directors Meeting may be held without going through the convocation procedure.

3. The Board of Directors may also hold meetings [original text] by video or telephone conferencing.

(Reason for change) With regards to item 1, unexpected notification is not desirable. As for item 3, in line with business expansion, this is an additional provision to prepare for practical response by seeking suitable Directors from among overseas residents, or the possibility of Directors residing or being stationed in remote locations.

(Notice of convocation of the Audit and Supervisory Committee)

(Current) Article 32 Notice of convocation of the Audit and Supervisory Committee shall be issued to each Audit and Supervisory Committee member at least three days before the date of the meeting. However, in an emergency, this period may be shortened.

(Notice of convocation of the Audit and Supervisory Committee)

(Revised) Article 32 Notice of convocation of the Audit and Supervisory Committee shall be issued to each Audit and Supervisory Committee member at least seven days before the date of the meeting. However, in an emergency, this period may be shortened.

(Reason for change) Unexpected notification is not desirable.

Proposal 3 Succession, replacement or additional appointment of Directors and Directors who are Audit and Supervisory Committee members. [original text]

At the Extraordinary General Meeting of Shareholders to be convened by this request, Directors who will succeed, replace or be added, and the Audit and Supervisory Committee Members who are candidates from those listed on the voting form, or candidates recommended by the attendees of the meeting, will be selected until all ten are appointed.

In this appointment, with the aim of introducing management personnel suitable for the implementation of drastic improvement measures for corporate value, of the candidates expected to have the necessary management ability, shareholder Hiroshi Nishimura will pre-select nominees in advance of the day of the meeting or on the day of the meeting. If appointments do not reach the planned number, self-nominated candidates or those nominated by others selected by Hiroshi Nishimura will be, in listed order, requested for appointment. Furthermore, the term of office for appointed directors shall be the same as that of the end term of incumbents.

(Reason for Proposal) Because there is doubt that the Directors of the Company and Directors who are Audit and Supervisory Committee members are in line with the common interests of shareholders. This change is limited to the provisional period until a management system reform plan is formulated, and the Articles of Incorporation will be further revised to reduce the number of Directors following the provisional period.

Proposal 4        Setting remuneration for Directors and Directors who are Audit and Supervisory Committee members

Remuneration for Directors and Directors who are Audit and Supervisory Committee members was decided on at the General Meeting of Shareholders held on June 27, 2019, and this shall include the amount of remuneration for Directors (Directors who are Audit and Supervisory Committee members and other Directors) who will be additionally appointed under Proposal 2 [Original text].