



June 28, 2018

[Translation]

To whom it may concern:

Prospect Co., Ltd.
Representative Director and President: Curtis Freeze
(Code No.: 3528, 2nd Section of TSE)
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Notice regarding Issuance of Stock Acquisition Rights (Stock Options with Charge)

The Company announces as resolved at the board of directors' meeting held on June 28, 2018 that stock acquisition rights will be issued to its directors and employees as stock options pursuant to Articles 236, 238 and 240 of the Companies Act.

I. Reason for Issuing Stock Acquisition Rights as Stock Options

The existing condominium sales business has been the principal business of the Company, however, the Company has promoted diversification of its business categories by adding a house builder in Yamagata, a construction company in Osaka and a U.S. investment advisory company as its group companies. Further, by making Prospect Japan Fund Limited having its principal office in the U.K. a wholly owned subsidiary in July 2017, the Group's financial foundation has been significantly reinforced, with the result that the Company's consolidated net assets increased to 25,650 million yen for the fiscal year ended March 31, 2018 from 12,489 million yen for the fiscal year ended March 31, 2017, etc. This has provided us with an opportunity to enter into further new businesses, such as embarking on the wood pellet project (construction and operation of a plant) in Russia, etc., and we intend to positively consider further investment in overseas projects.

In order to promote these new projects, it is necessary for the Company to secure talented personnel with a global point of view, and we consider that it is necessary to provide sufficient incentives. The stock options offered this time target mainly those who fulfill such requirements among the Company's directors and employees (including executive officers).

The Stock Acquisition Rights are subject to conditions that in a case where the share price falls below a certain level, the rights must be exercised at an exercise price exceeding such share price, and we consider that the issuance conditions ensure emphasis on management accountability by imposing such burden.

II. Outline of the Issuance of the Stock Acquisition Rights

Name of Stock Acquisition Rights : 5th Stock Acquisition Rights of Prospect Co., Ltd.
Total Number of Stock Acquisition : 80,000 units

Rights

- Pay-in Amount** : 100 yen per Stock Acquisition Right
(0.1 yen per share for shares subject to the Stock Acquisition Rights)
- * *The above-mentioned pay-in amount was determined based on the results of calculation using Monte Carlo Simulation, which is a common option pricing model, performed by Plutus Consulting Co., Ltd., a third-party evaluation institution, taking the Company's share price information, etc., into account.*
- Subscription Period** : From June 29, 2018 to August 28, 2018
- Allocation Date** : August 29, 2018
- Persons Eligible for Allocation** : The Company's directors and employees (including executive officers)
(13 persons in total)

<<Details of Stock Acquisition Rights>>

1. Number of the Shares Subject to Stock Acquisition Rights

- (1) The number of shares subject to Stock Acquisition Rights shall be 1,000 shares per unit (hereinafter referred to as "Number of Subject Shares").
- (2) The Number of Subject Shares shall be adjusted according to the following formula in a case where the Company consolidates or splits its shares (including gratis allocation of the Company's shares; the same applies hereafter); provided that, such adjustment shall be made only to the number of shares subject to the Stock Acquisition Rights which have not been exercised as of such time, and any fraction less than one whole share arising as a result of the adjustment shall be rounded down to the nearest whole.

$$\text{No. of Subject Shares after Adjustment} = \text{No. of Subject Shares before Adjustment} \times \text{Split (or Consolidation) Ratio}$$

- (3) In addition to the above, in a case where the Company undergoes a merger, company split or capital reduction, or otherwise requires adjustment of the Number of Subject Shares as in such cases, the Number of Subject Shares shall be adjusted appropriately to the extent reasonable.

2. Value of Property Contributed in Exercising Stock Acquisition Rights

- (1) The value of property contributed in exercising the Stock Acquisition Rights shall be the amount calculated by multiplying the pay-in amount per share specified below (hereinafter referred to as "Exercise Price") by the Number of Subject Shares.
- (2) The initial Exercise Price shall be 49 yen.

* *The above-mentioned Initial Exercise Price was determined based on the closing price of the regular transaction of the Company's shares on the Tokyo Stock Exchange as of the transaction date immediately preceding the date of the board of directors' meeting on the issuance of the Stock Acquisition Rights (June 27, 2018).*
- (3) In a case where the Company splits or consolidates its shares, the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen arising as a result of such adjustment shall be rounded up to the nearest whole.

$$\text{Exercise Price after Adjustment} = \text{Exercise Price before Adjustment} \times \frac{1}{\text{Ratio of Gratis Allocation, Split or Consolidation}}$$

- (4) In a case where the Company issues new shares or disposes of treasury stock at a price below market

price (excluding cases where new shares are issued or treasury stock is disposed of upon exercise of the Stock Acquisition Rights or where treasury stock is transferred by stock-swap), the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen arising as a result of such adjustment shall be rounded up to the nearest whole.

$$\text{Exercise Price after Adjustment} = \text{Exercise Price before Adjustment} \times \frac{\text{No. of Shares Issued} + \frac{\text{No. of Shares Newly Issued} \times \text{Pay-in Amount per Share}}{\text{Market Price per Share before New Issuance}}}{\text{No. of Shares Issued} + \text{No. of Shares Newly Issued}}$$

- (a) In the above formula, “No. of Shares Issued” shall be calculated by subtracting the number of treasury stocks from the total number of shares issued, and in a case of disposal of treasury stock, “No. of Shares Issued” shall be replaced by “No. of Treasury Stock Disposed of.”
- (b) In addition to the above, in a case where the Company undergoes a merger with another company (or other companies) or a company split, or otherwise requires adjustment of the Exercise Price as in such cases, the Exercise Prices shall be adjusted appropriately to the extent reasonable.

3. Period during Which the Stock Acquisition Rights Are Exercisable

The period during which the Stock Acquisition Rights are exercisable (hereinafter referred to as “Exercise Period”) shall be from April 1, 2019 until March 31, 2029.

4. Matters Relating to Increases in Capital and Capital Reserve

- (1) The amount of an increase in capital upon issuance of shares by exercise of the Stock Acquisition Rights shall be one half of the maximum limit of an increase in capital, etc., calculated according to the Company Accounting Regulations (any fraction less than one yen arising as a result of the calculation shall be rounded up to the nearest whole).
- (2) The amount of an increase in capital reserve upon issuance of shares by exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of capital increase specified above from the maximum limit of an increase in capital, etc., specified above.

5. Restriction on the Acquisition of Stock Acquisition Rights by Assignment

Acquisition of the Stock Acquisition Rights by assignment shall require approval based on a resolution of the Company’s board of directors.

6. Conditions on the Exercise of Stock Acquisition Rights

- (1) In a case where the average of the daily closing price of the regular transaction of the Company’s shares on the Tokyo Stock Exchange for any consecutive 21 trading days during the Exercise Period falls below the amount calculated by multiplying the then-effective Exercise Price by 20%, the price obtained by multiplying the then-effective Exercise Price by 45% (any fraction less than one yen shall be rounded up) shall be the Exercise Price as from the following day, and the Stock Acquisition Rights Holders must exercise all the Stock Acquisition Rights they hold by the last day of the Exercise Period, unless:
 - (a) It is found that any material misstatement is included in the Company’s disclosure information;
 - (b) It is found that the Company has failed to disclose any material fact which should be disclosed according to the laws and regulations of the financial instruments exchange; or

- (c) Any significant change has occurred to the conditions precedent as of the issuance date of the Stock Acquisition Rights, such as delisting of the Company's shares, commencement of legal proceedings of bankruptcy of the Company, etc.
- (2) Heirs of the Stock Acquisition Rights Holders shall not be allowed to exercise the Stock Acquisition Rights.
- (3) In a case where the total number of shares issued by the Company would exceed the number of authorized shares due to exercise of any Stock Acquisition Right, such Stock Acquisition Right(s) may not be exercised.
- (4) No fraction less than one unit of Stock Acquisition Right may be exercised.

7. Matters Relating to Acquisition of Stock Acquisition Rights

- (1) In a case where approval of the Shareholders Meeting (or a resolution of the board of directors in cases where approval of the Shareholders Meeting is not required) is obtained for any merger agreement under which the Company will be an extinct company, any split agreement or split plan for corporate split under which the Company will be a split company, or any stock-swap agreement or stock transfer plan under which the Company will be a wholly-owned subsidiary, the Company may acquire all of the Stock Acquisition Rights without contribution upon arrival of the date separately determined by the Company's board of directors.
- (2) In a case where the Stock Acquisition Rights become non-exercisable according to the provisions of Article 6, the Company may acquire the Stock Acquisition Rights without contribution.

8. Handling of Fractions

In a case where any fraction of less than one whole share is included in the number of shares to be delivered to a Stock Acquisition Rights Holder who has exercised his/her Stock Acquisition Rights, such fraction shall be rounded off.

9. Notice to Stock Acquisition Rights Holders

- (1) Any notice to Stock Acquisition Rights Holders by the Company shall be sent to the addresses of such Stock Acquisition Rights Holders entered in the Stock Acquisition Rights Ledger for the Stock Acquisition Rights and such notice shall satisfy the requirements.
- (2) In a case where the Number of Subject Shares or the Exercise Price is adjusted for the Stock Acquisition Rights, the Company shall notify the Stock Acquisition Rights Holders of the fact that such adjustment has been made and the details thereof without delay.

10. Handling of Stock Acquisition Rights upon Corporate Reorganization Procedures

In a case where the Company engages in a merger (only if the Company disappears due to a merger), absorption-type company split, incorporation-type company split, stock-swap or stock transfer (hereinafter collectively referred to as "Corporate Reorganization Procedures"), the stock acquisition rights of the stock company listed under (a) through (e) of Article 236 (1)(viii) of the Companies Act (hereinafter referred to as "Reorganized Company"), as applicable, shall be delivered to the Stock Acquisition Rights Holders as of the effective date of the Corporate Reorganization Procedures according to the following terms; provided that, it shall be prescribed in such absorption-type merger agreement, consolidation-type merger agreement,

absorption-type split agreement, incorporation-type split plan, stock-swap agreement or stock transfer plan that the stock acquisition rights of the Reorganized Company will be delivered according to the following terms:

- (1) Number of the stock acquisition rights of the Reorganized Company to be delivered
The same as the Number of the Stock Acquisition Rights hereunder held by the Stock Acquisition Rights Holders.
- (2) Class of shares of the Reorganized Company subject to the stock acquisition rights
Common stocks of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the stock acquisition rights
To be determined in accordance with Article 1 hereof, taking the conditions of the Corporate Reorganization Procedures into account.
- (4) Value of property contributed in exercising the stock acquisition rights
Taking the conditions, etc., of the Corporate Reorganization Procedures into account, it shall be the amount calculated by multiplying the exercise price after reorganization obtained by adjusting the Exercise Price prescribed under Article 2 by the number of shares of the Reorganized Company subject to such stock acquisition rights determined according to (3) above.
- (5) Period during which the stock acquisition rights are exercisable
It shall be from the later of the first day of the Exercise Period prescribed under Article 3 or the effective date of the Corporate Reorganization Procedures until the last day of the Exercise Period prescribed under the same Article.
- (6) Matters relating to increases in capital and capital reserve
To be determined in accordance with Article 4.
- (7) Restriction on the acquisition of the stock acquisition rights by assignment
For restriction on the acquisition by assignment, approval based on a resolution of the board of directors of the Reorganized Company shall be required.
- (8) Other conditions on the exercise of the stock acquisition rights
To be determined in accordance with Article 6.
- (9) Grounds for and conditions on the acquisition of the stock acquisition rights
To be determined in accordance with Article 7.
- (10) Other
Any other conditions shall be determined in accordance with the conditions of the Reorganized Company.