

[Translation]



June 24, 2019

Company Name: Prospect Co., Ltd.
Representative: President and CEO Masato Tabata
(Security Code: 3528 TSE 2nd Section)
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(Revision) Notice regarding partial revision of "Notice of Convening the 118th Annual General Meeting of Shareholders"

Prospect Co., Ltd. (the "Company") hereby gives notice as described below that the Company has made partial revision of the "Notice of Convening the 118th Annual General Meeting of Shareholders", which was announced on June 11, 2019.

In addition, because the audit reports from the independent auditor Hibiscus and the Board of Auditors has been submitted again, the resubmitted audit reports are also attached.

Note

1. Revised content (underlined)

Page 5, (1) Development and Results of Business
(before revision)

As a result, sales for the current consolidated fiscal year were 4,937 million yen (11,688 million yen in the previous consolidated fiscal year), operating loss was 8,041 million yen (1,543 million yen in the previous consolidated fiscal year), ordinary loss was 8,167 million yen (1,098 million yen in the previous consolidated fiscal year), and net loss attributable to owners of the parent was 9,833 million yen (net profit attributable to owners of the parent of 1,483 million yen in the previous consolidated fiscal year).

(after revision)

As a result, sales for the current consolidated fiscal year were 6,325 million yen (11,688 million yen in the previous consolidated fiscal year), operating loss was 6,653 million yen (1,543 million yen in the previous consolidated fiscal year), ordinary loss was 6,780 million yen (1,098 million yen in the previous consolidated fiscal year), and net loss attributable to owners of the parent was 8,445 million yen (net profit attributable to owners of the parent of 1,483 million yen in the previous consolidated fiscal year).

2. Revised content (underlined)

Page 6, (1) Development and Results of Business

(before revision)

Business performance by segment is as follows.

| Segment Name | Previous Consolidated Fiscal Year From April 1, 2017 to March 31, 2018 | | Current Consolidated Fiscal Year From April 1, 2018 to March 31, 2019 | |
|--|--|-------------------|---|-------------------|
| | Amount | Composition ratio | Amount | Composition ratio |
| | Thousand yen | % | Thousand yen | % |
| Real Estate Sales Business | | | | |
| Condominium Sales Business | 4,926,757 | 42.1 | 3,829,005 | <u>77.5</u> |
| Land and Buildings | - | - | - | - |
| Custom-Built Homes | 1,482,837 | 12.7 | 2,098,035 | <u>42.5</u> |
| Asset Management Business | 158,072 | 1.4 | <u>△7,273,723</u> | <u>△147.3</u> |
| Construction Business | 4,615,440 | 39.4 | 6,226,073 | <u>126.1</u> |
| Renewable Energy Business | 533,713 | 4.6 | 569,504 | <u>11.5</u> |
| Total | 11,716,820 | 100.2 | <u>5,448,895</u> | <u>110.3</u> |
| Other | 50,159 | 0.4 | 45,333 | <u>0.9</u> |
| Elimination of intersegment transactions | △78,262 | △0.6 | △556,527 | <u>△11.2</u> |
| Total | 11,688,717 | 100.0 | <u>4,937,701</u> | 100.0 |

(after revision)

Business performance by segment is as follows.

| Segment Name | Previous Consolidated Fiscal Year From April 1, 2017 to March 31, 2018 | | Current Consolidated Fiscal Year From April 1, 2018 to March 31, 2019 | |
|--|--|-------------------|---|-------------------|
| | Amount | Composition ratio | Amount | Composition ratio |
| | Thousand yen | % | Thousand yen | % |
| Real Estate Sales Business | | | | |
| Condominium Sales Business | 4,926,757 | 42.1 | 3,829,005 | <u>60.5</u> |
| Land and Buildings | - | - | - | - |
| Custom-Built Homes | 1,482,837 | 12.7 | 2,098,035 | <u>33.2</u> |
| Asset Management Business | 158,072 | 1.4 | <u>△5,885,859</u> | <u>△93.0</u> |
| Construction Business | 4,615,440 | 39.4 | 6,226,073 | <u>98.4</u> |
| Renewable Energy Business | 533,713 | 4.6 | 569,504 | <u>9.0</u> |
| Total | 11,716,820 | 100.2 | <u>6,836,759</u> | <u>108.1</u> |
| Other | 50,159 | 0.4 | 45,333 | <u>0.7</u> |
| Elimination of intersegment transactions | △78,262 | △0.6 | △556,527 | <u>△8.8</u> |
| Total | 11,688,717 | 100.0 | <u>6,325,565</u> | 100.0 |

3. Revised content (underlined)

Page 7, (1) Development and Results of Business

(before revision)

(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 △7,273 million yen and segment loss of 7,543 million yen (sales of 158 million yen and segment loss of 122 million yen in the previous consolidated fiscal year).

(after revision)

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 △5,885 million yen and segment loss of 6,156 million yen (sales of 158 million yen and segment loss of 122 million yen in the previous consolidated fiscal year).

4. Revised content (underlined)

Page 12, (6) Changes in Status of Assets and Loss and Profit

(before revision)

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

(Unit: Thousand yen)

| Category \ Term | 115th Term (FY ended March 31, 2016) | 116th Term (FY ended March 31, 2017) | 117th Term (FY ended March 31, 2018) | 118th Term (FY ended March 31, 2019) (Current Consolidated Fiscal Year) |
|--|--|--|--|--|
| Sales | 16,724,251 | 14,143,071 | 11,688,717 | <u>4,937,701</u> |
| Operating profit or loss (△) | 386,461 | △43,869 | △1,543,756 | <u>△8,041,395</u> |
| Ordinary profit or loss (△) | 273,251 | 516,457 | △1,098,369 | <u>△8,167,983</u> |
| Net profit attributable to owners of the parent or net loss attributable to owners of the parent (△) | 7,458 | 213,029 | 1,483,797 | <u>△9,833,754</u> |
| Net profit per share or net loss per share (△) | 0 yen 05 sen | 1 yen 25 sen | 4 yen 46 sen | <u>△22 yen 18 sen</u> |
| Total assets | 24,447,892 | 27,432,530 | 40,541,850 | <u>30,780,872</u> |
| Net assets | 12,209,222 | 12,213,875 | 25,218,682 | <u>15,750,522</u> |
| Net assets per share | 65 yen 96 sen | 66 yen 15 sen | 59 yen 89 sen | <u>34 yen 04 sen</u> |

(after revision)

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

(Unit: Thousand yen)

| Category \ Term | 115th Term (FY ended March 31, 2016) | 116th Term (FY ended March 31, 2017) | 117th Term (FY ended March 31, 2018) | 118th Term (FY ended March 31, 2019) (Current Consolidated Fiscal Year) |
|--|--|--|--|--|
| Sales | 16,724,251 | 14,143,071 | 11,688,717 | <u>6,325,565</u> |
| Operating profit or loss (△) | 386,461 | △43,869 | △1,543,756 | <u>△6,653,531</u> |
| Ordinary profit or loss (△) | 273,251 | 516,457 | △1,098,369 | <u>△6,780,119</u> |
| Net profit attributable to owners of the parent or net loss attributable to owners of the parent (△) | 7,458 | 213,029 | 1,483,797 | <u>△8,445,890</u> |
| Net profit per share or net loss per share (△) | 0 yen 05 sen | 1 yen 25 sen | 4 yen 46 sen | <u>△19 yen 05 sen</u> |
| Total assets | 24,447,892 | 27,432,530 | 40,541,850 | <u>31,676,580</u> |
| Net assets | 12,209,222 | 12,213,875 | 25,218,682 | <u>16,646,230</u> |
| Net assets per share | 65 yen 96 sen | 66 yen 15 sen | 59 yen 89 sen | <u>36 yen 02 sen</u> |

5. Revised content (underlined)

Page 13, (8) Major Business Offices (As of March 31, 2019)

(before revision)

Prospect Asset Management (Channel Islands) Ltd.

Head Office: British Channel Islands

The Prospect Japan Fund Limited

Head Office: British Channel Islands

(after revision)

Kanji character changed, no change for the English version.

6. Revised content (underlined)

Page 27, Consolidated Balance Sheet

(before revision)

Consolidated Balance Sheet

(As of March 31, 2019)

(Unit: Thousand yen)

| Item | Amount | Item | Amount |
|---|--------------------------|--|--------------------------|
| Assets | <u>30,780,872</u> | Liabilities | 15,030,349 |
| Current Assets | <u>16,784,711</u> | Current Liabilities | 3,997,090 |
| Cash and deposits | 5,049,760 | Notes and accounts payable | 57,720 |
| Notes and accounts receivable | 130,663 | Accrued construction payment | 295,807 |
| Accounts receivable for completed construction projects | 21,087 | Short-term borrowings | 272,625 |
| Accounts receivable for investment advisory fees | 2,511 | Bonds to be redeemed within a year | 74,000 |
| Securities | <u>6,904,372</u> | Current portion of long-term borrowings | 1,823,069 |
| Real estate for sale | 1,263,907 | Corporate income tax, etc., payable | 35,805 |
| Real estate for sale in process | 2,409,079 | Amount received for uncompleted construction projects | 79,208 |
| Real estate for development | 442,074 | Reserve for bonuses | 34,053 |
| Expenses for uncompleted construction projects | 55,122 | Reserve for officers' bonuses | 10,000 |
| Raw materials and stores | 4,550 | Allowance for compensation for completed construction projects | 3,929 |
| Other | 502,703 | Other | 1,310,871 |
| Allowance for doubtful accounts | △1,122 | Fixed Liabilities | 11,033,259 |
| Fixed assets | 13,996,160 | Bonds | 48,000 |
| Tangible fixed assets | 9,876,685 | Long-term borrowings | 10,366,761 |
| Buildings | 192,591 | Net defined benefit liabilities | 144,860 |
| Machinery, equipment and delivery equipment | 3,764,366 | Reserve for retirement benefits for officers | 138,571 |
| Tools, furniture and fixtures | 3,849 | Asset retirement obligations | 68,820 |
| Land | 994,538 | Deferred tax liabilities | 14,247 |
| Leased assets | 2,860 | Other | 251,998 |
| Construction in progress | 4,918,480 | Net Assets | <u>15,750,522</u> |
| Intangible fixed assets | 186,554 | Shareholders' equity | <u>14,868,037</u> |
| Goodwill | 4,929 | Capital | 12,086,958 |
| Software | 2,993 | Capital surplus | 10,217,645 |
| Other | 178,631 | Retained earnings | <u>△7,296,146</u> |
| Investments and other assets | 3,932,920 | Treasury stock | △140,420 |
| Investment securities | 230,517 | Accumulated other comprehensive income | <u>254,680</u> |
| Investments in capital | 1,368,009 | Foreign currency translation adjustments | <u>254,680</u> |
| Long-term loans | 2,365,201 | New share subscription rights | <u>533,381</u> |
| Deferred tax assets | 27,229 | Non-controlling interest | 94,423 |
| Other | 697,622 | | |
| Allowance for doubtful accounts | △755,660 | | |
| Total Assets | <u>30,780,872</u> | Total Liabilities and Net Assets | <u>30,780,872</u> |

(after revision)

Consolidated Balance Sheet

(As of March 31, 2019)

(Unit: Thousand yen)

| Item | Amount | Item | Amount |
|---|--------------------------|--|--------------------------|
| Assets | <u>31,676,580</u> | Liabilities | 15,030,349 |
| Current Assets | <u>17,680,419</u> | Current Liabilities | 3,997,090 |
| Cash and deposits | 5,049,760 | Notes and accounts payable | 57,720 |
| Notes and accounts receivable | 130,663 | Accrued construction payment | 295,807 |
| Accounts receivable for completed construction projects | 21,087 | Short-term borrowings | 272,625 |
| Accounts receivable for investment advisory fees | 2,511 | Bonds to be redeemed within a year | 74,000 |
| Securities | <u>7,800,080</u> | Current portion of long-term borrowings | 1,823,069 |
| Real estate for sale | 1,263,907 | Corporate income tax, etc., payable | 35,805 |
| Real estate for sale in process | 2,409,079 | Amount received for uncompleted construction projects | 79,208 |
| Real estate for development | 442,074 | Reserve for bonuses | 34,053 |
| Expenses for uncompleted construction projects | 55,122 | Reserve for officers' bonuses | 10,000 |
| Raw materials and stores | 4,550 | Allowance for compensation for completed construction projects | 3,929 |
| Other | 502,703 | Other | 1,310,871 |
| Allowance for doubtful accounts | △1,122 | Fixed Liabilities | 11,033,259 |
| Fixed assets | 13,996,160 | Bonds | 48,000 |
| Tangible fixed assets | 9,876,685 | Long-term borrowings | 10,366,761 |
| Buildings | 192,591 | Net defined benefit liabilities | 144,860 |
| Machinery, equipment and delivery equipment | 3,764,366 | Reserve for retirement benefits for officers | 138,571 |
| Tools, furniture and fixtures | 3,849 | Asset retirement obligations | 68,820 |
| Land | 994,538 | Deferred tax liabilities | 14,247 |
| Leased assets | 2,860 | Other | 251,998 |
| Construction in progress | 4,918,480 | Net Assets | <u>16,646,230</u> |
| Intangible fixed assets | 186,554 | Shareholders' equity | <u>16,255,901</u> |
| Goodwill | 4,929 | Capital | 12,086,958 |
| Software | 2,993 | Capital surplus | 10,217,645 |
| Other | 178,631 | Retained earnings | <u>△5,908,282</u> |
| Investments and other assets | 3,932,920 | Treasury stock | △140,420 |
| Investment securities | 230,517 | Accumulated other comprehensive income | <u>△251,387</u> |
| Investments in capital | 1,368,009 | Foreign currency translation adjustments | <u>△251,387</u> |
| Long-term loans | 2,365,201 | New share subscription rights | <u>547,293</u> |
| Deferred tax assets | 27,229 | Non-controlling interest | 94,423 |
| Other | 697,622 | | |
| Allowance for doubtful accounts | △755,660 | | |
| Total Assets | <u>31,676,580</u> | Total Liabilities and Net Assets | <u>31,676,580</u> |

7. Revised content (underlined)

Page 28, Consolidated Profit and Loss Statement

(before revision)

Consolidated Profit and Loss Statement

From April 1, 2018

(to March 31, 2019)

(Unit: Thousand yen)

| Item | Amount | |
|---|---------|--------------------------|
| Sales | | <u>4,937,701</u> |
| Cost of Goods Sold | | <u>10,289,751</u> |
| Gross Loss on Sales | | <u>5,352,050</u> |
| Selling, General and Administrative Expenses | | <u>2,689,345</u> |
| Operating loss | | <u>8,041,395</u> |
| Non-operating Income | | |
| Interest income | 68,467 | |
| Dividend income | 172,740 | |
| Gain on investments in capital | 506,467 | |
| Clerical affairs fee received | 3,550 | |
| Penalties income | 100 | |
| Foreign currency exchange profit | 63,749 | |
| Reversal of selling expenses | 1,270 | |
| Other non-operating income | 75,727 | 892,074 |
| Non-operating Expenses | | |
| Interest expenses | 174,051 | |
| Investment loss by equity method | 3,280 | |
| Borrowing fees | 125,594 | |
| Valuation loss on securities | 5,872 | |
| Transfer to allowance for doubtful accounts | 665,937 | |
| Other non-operating expenses | 43,925 | 1,018,662 |
| Ordinary loss | | <u>8,167,983</u> |
| Extraordinary Profits | | |
| Profit on sale of fixed assets | 1,822 | |
| Profit on sale of stocks of affiliated companies | 49,193 | |
| Profit on sale of investments in capital | 262,231 | |
| Profit on reversal of new share subscription rights | 8,090 | 321,336 |
| Extraordinary Losses | | |
| Loss on sale of fixed assets | 733 | |
| Retirement loss on fixed assets | 3,315 | |
| Special investigation expenses | 140,437 | |
| Loss on impairment | 729,687 | |
| Valuation loss on new treasury share subscription right | 895,707 | |
| Valuation loss on investments in capital | 19,106 | 1,788,987 |
| Net loss before taxes, etc., before dividends distribution from silent partnership | | <u>9,635,633</u> |
| Dividends distribution from silent partnership | △30,652 | △30,652 |
| Net loss before taxes, etc. | | <u>9,604,980</u> |
| Corporate income tax, resident tax and business tax payable | 58,263 | |
| Adjustment of corporate income tax, etc. | 181,232 | 239,495 |
| Net loss | | <u>9,844,476</u> |
| Net loss attributable to non-controlling interests | | 10,722 |
| Net loss attributable to owners of the parent | | <u>9,833,754</u> |

(after revision)

Consolidated Profit and Loss Statement

From April 1, 2018

(to March 31, 2019)

(Unit: Thousand yen)

| Item | Amount | |
|---|---------|--------------------------|
| Sales | | <u>6,325,565</u> |
| Cost of Goods Sold | | <u>10,289,751</u> |
| Gross Loss on Sales | | <u>3,964,186</u> |
| Selling, General and Administrative Expenses | | <u>2,689,345</u> |
| Operating loss | | <u>6,653,531</u> |
| Non-operating Income | | |
| Interest income | 68,467 | |
| Dividend income | 172,740 | |
| Gain on investments in capital | 506,467 | |
| Clerical affairs fee received | 3,550 | |
| Penalties income | 100 | |
| Foreign currency exchange profit | 63,749 | |
| Reversal of selling expenses | 1,270 | |
| Other non-operating income | 75,727 | 892,074 |
| Non-operating Expenses | | |
| Interest expenses | 174,051 | |
| Investment loss by equity method | 3,280 | |
| Borrowing fees | 125,594 | |
| Valuation loss on securities | 5,872 | |
| Transfer to allowance for doubtful accounts | 665,937 | |
| Other non-operating expenses | 43,925 | 1,018,662 |
| Ordinary loss | | <u>6,780,119</u> |
| Extraordinary Profits | | |
| Profit on sale of fixed assets | 1,822 | |
| Profit on sale of stocks of affiliated companies | 49,193 | |
| Profit on sale of investments in capital | 262,231 | |
| Profit on reversal of new share subscription rights | 8,090 | 321,336 |
| Extraordinary Losses | | |
| Loss on sale of fixed assets | 733 | |
| Retirement loss on fixed assets | 3,315 | |
| Special investigation expenses | 140,437 | |
| Loss on impairment | 729,687 | |
| Valuation loss on new treasury share subscription right | 895,707 | |
| Valuation loss on investments in capital | 19,106 | 1,788,987 |
| Net loss before taxes, etc., before dividends distribution from silent partnership | | <u>8,247,769</u> |
| Dividends distribution from silent partnership | △30,652 | △30,652 |
| Net loss before taxes, etc. | | <u>8,217,116</u> |
| Corporate income tax, resident tax and business tax payable | 58,263 | |
| Adjustment of corporate income tax, etc. | 181,232 | 239,495 |
| Net loss | | <u>8,456,612</u> |
| Net loss attributable to non-controlling interests | | 10,722 |
| Net loss attributable to owners of the parent | | <u>8,445,890</u> |

8. Revised content (underlined)

Page 29, Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
(before revision)

**Consolidated Statements of Changes in
Shareholders' Equity and Other Net Assets**

(From April 1, 2018
to March 31, 2019)

(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 | 11,803,729 | 11,546,845 | 3,049,406 | △140,389 | 26,259,592 |
| Cumulative amount affected by corrections | - | 120,423 | △511,798 | - | △391,375 |
| Balance at the beginning of period reflecting corrections | 11,803,729 | 11,667,268 | 2,537,608 | △140,389 | 25,868,217 |
| Changes during the current consolidated fiscal year | | | | | |
| Issue of new shares | 283,228 | 283,228 | | | 566,457 |
| Dividends of surplus | | △1,732,852 | | | △1,732,852 |
| Net loss attributable to owners of the parent | | | <u>△9,833,754</u> | | <u>△9,833,754</u> |
| Acquisition of treasury stock | | | | △30 | △30 |
| Changes in items other than shareholders' equity during the current consolidated fiscal year (net) | | | | | |
| Total changes during the current consolidated fiscal year | 283,228 | △1,449,623 | <u>△9,833,754</u> | △30 | <u>△11,000,179</u> |
| Balance at the end of the current consolidated fiscal year | 12,086,958 | 10,217,645 | <u>△7,296,146</u> | △140,420 | <u>14,868,037</u> |

| | Accumulated other comprehensive income | | New share subscription rights | Non-controlling interest | Total net assets |
|--|--|--|-------------------------------|--------------------------|-------------------|
| | Foreign currency translation adjustments | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the current consolidated fiscal year | 156,437 | 156,437 | △975,219 | 209,646 | 25,650,456 |
| Cumulative amount affected by corrections | △80,558 | △80,558 | 40,159 | - | △431,774 |
| Balance at the beginning of period reflecting corrections | 75,878 | 75,878 | △935,059 | 209,646 | 25,218,682 |
| Changes during the current consolidated fiscal year | | | | | |
| Issue of new shares | | - | | | 566,457 |
| Dividends of surplus | | - | | | △1,732,852 |
| Net loss attributable to owners of the parent | | - | | | <u>△9,833,754</u> |
| Acquisition of treasury stock | | - | | | △30 |
| Changes in items other than shareholders' equity during the current consolidated fiscal year (net) | <u>178,802</u> | <u>178,802</u> | <u>1,468,441</u> | △115,223 | <u>1,532,019</u> |
| Total changes during the current consolidated fiscal year | <u>178,802</u> | <u>178,802</u> | <u>1,468,441</u> | △115,223 | <u>△9,468,159</u> |
| Balance at the end of the current consolidated fiscal year | <u>254,680</u> | <u>254,680</u> | <u>533,381</u> | 94,423 | <u>15,750,522</u> |

(after revision)

**Consolidated Statements of Changes in
Shareholders' Equity and Other Net Assets**

(From April 1, 2018
to March 31, 2019)

(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 | 11,803,729 | 11,546,845 | 3,049,406 | △140,389 | 26,259,592 |
| Cumulative amount affected by corrections | - | 120,423 | △511,798 | - | △391,375 |
| Balance at the beginning of period reflecting corrections | 11,803,729 | 11,667,268 | 2,537,608 | △140,389 | 25,868,217 |
| Changes during the current consolidated fiscal year | | | | | |
| Issue of new shares | 283,228 | 283,228 | | | 566,457 |
| Dividends of surplus | | △1,732,852 | | | △1,732,852 |
| Net loss attributable to owners of the parent | | | <u>△8,445,890</u> | | <u>△8,445,890</u> |
| Acquisition of treasury stock | | | | △30 | △30 |
| Changes in items other than shareholders' equity during the current consolidated fiscal year (net) | | | | | |
| Total changes during the current consolidated fiscal year | 283,228 | △1,449,623 | <u>△8,445,890</u> | △30 | <u>△9,612,315</u> |
| Balance at the end of the current consolidated fiscal year | 12,086,958 | 10,217,645 | <u>△5,908,282</u> | △140,420 | <u>16,255,901</u> |

| | Accumulated other comprehensive income | | New share subscription rights | Non-controlling interest | Total net assets |
|--|--|--|-------------------------------|--------------------------|-------------------|
| | Foreign currency translation adjustments | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the current consolidated fiscal year | 156,437 | 156,437 | △975,219 | 209,646 | 25,650,456 |
| Cumulative amount affected by corrections | △80,558 | △80,558 | 40,159 | - | △431,774 |
| Balance at the beginning of period reflecting corrections | 75,878 | 75,878 | △935,059 | 209,646 | 25,218,682 |
| Changes during the current consolidated fiscal year | | | | | |
| Issue of new shares | | - | | | 566,457 |
| Dividends of surplus | | - | | | △1,732,852 |
| Net loss attributable to owners of the parent | | - | | | <u>△8,445,890</u> |
| Acquisition of treasury stock | | - | | | △30 |
| Changes in items other than shareholders' equity during the current consolidated fiscal year (net) | <u>△327,265</u> | <u>△327,265</u> | <u>1,482,353</u> | △115,223 | <u>1,039,863</u> |
| Total changes during the current consolidated fiscal year | <u>△327,265</u> | <u>△327,265</u> | <u>1,482,353</u> | △115,223 | <u>△8,572,451</u> |
| Balance at the end of the current consolidated fiscal year | <u>△251,387</u> | <u>△251,387</u> | <u>547,293</u> | 94,423 | <u>16,646,230</u> |

9. Revised content (underlined)

Page 30, Notes to Consolidated Financial Statements

(before revision)

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

1. Matters concerning the Scope of Consolidation

(1) Number of consolidated subsidiaries: 20 companies

Names of Major Consolidated Subsidiaries

SASAKI-HOUSE CO., LTD.

Prospect Energy Management Co., Ltd.

Prospect Asset Management, Inc.

As KIDOH CONSTRUCTION CO., LTD. and its three subsidiaries are no longer subsidiaries of the Company due to transfer of shares, they have been excluded from the scope of consolidation at the end of the current consolidated fiscal year. In the consolidated profit and loss statement, profit and loss by the end of the current consolidated fiscal year have been included.

(after revision)

Revision of Consolidated Financial Statements

After sending out the notice of convening the general meeting of shareholders, an error was identified regarding the securities and related items in the consolidated financial statements. As a result, the consolidated financial statements from April 1, 2018 to March 31, 2019 have been revised.

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

1. Matters concerning the Scope of Consolidation

(1) Number of consolidated subsidiaries: 20 companies

Names of Major Consolidated Subsidiaries

SASAKI-HOUSE CO., LTD.

Prospect Energy Management Co., Ltd.

Prospect Asset Management, Inc.

As KIDOH CONSTRUCTION CO., LTD. and its three subsidiaries are no longer subsidiaries of the Company due to transfer of shares, they have been excluded from the scope of consolidation at the end of the current consolidated fiscal year. In the consolidated profit and loss statement, profit and loss by the end of the current consolidated fiscal year have been included.

10. Revised content (underlined)

Page 33, 2. Assets for security and secured debt

(before revision)

In addition to the above, we have offered for security (178,538 thousand yen), which has been eliminated from consolidation.

(after revision)

In addition to the above, we have offered equity for security (178,538 thousand yen), which has been eliminated from consolidation.

11. Revised content (underlined)

Page 36, 2. Matters concerning Market Value, etc., of Financial Instruments

(before revision)

The amount recorded in the consolidated balance sheet, market value and the difference as of March 31, 2019 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 (*1) | Market value (*1) | Difference |
|---|--|---------------------|----------------|
| (1) Cash and deposits | 5,049,760 | 5,049,760 | - |
| (2) Notes and accounts receivable | 130,663 | 130,663 | - |
| (3) Accounts receivable for completed construction projects | 21,087 | 21,087 | - |
| (4) Accounts receivable for investment advisory fees | 2,511 | 2,511 | - |
| (5) Securities | <u>6,904,372</u> | 6,904,372 | = |
| (6) Long-term loans | <u>2,365,201</u> | 2,365,201 | - |
| Allowance for doubtful accounts (*) | <u>△755,660</u> | <u>△755,660</u> | - |
| | 1,609,541 | 1,609,541 | - |
| Total Assets | <u>13,717,936</u> | 13,717,936 | |
| (7) Notes and accounts payable | (57,720) | (57,720) | - |
| (8) Accrued construction payment | (295,807) | (295,807) | - |
| (9) Short-term borrowings | (272,625) | (272,625) | - |
| (10) Bonds to be redeemed within a year | (74,000) | (74,155) | (155) |
| (11) Current portion of long-term borrowings | (1,823,069) | (1,823,234) | (165) |
| (12) Bonds | (48,000) | (47,461) | 538 |
| (13) Long-term borrowings | (10,366,761) | (10,374,272) | (7,510) |
| Total Liabilities | (12,937,984) | (12,945,277) | (7,292) |
| Derivative transactions | - | - | - |

(after revision)

The amount recorded in the consolidated balance sheet, market value and the difference as of March 31, 2019 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 (*1) | Market value (*1) | Difference |
|---|--|-------------------|----------------|
| (1) Cash and deposits | 5,049,760 | 5,049,760 | - |
| (2) Notes and accounts receivable | 130,663 | 130,663 | - |
| (3) Accounts receivable for completed construction projects | 21,087 | 21,087 | - |
| (4) Accounts receivable for investment advisory fees | 2,511 | 2,511 | - |
| (5) Securities | <u>7,800,080</u> | 6,904,372 | <u>895,707</u> |
| (6) Long-term loans | 2,365,201 | 2,365,201 | - |
| Allowance for doubtful accounts (*) | <u>△755,660</u> | <u>△755,660</u> | - |
| | 1,609,541 | 1,609,541 | - |
| Total Assets | <u>14,613,644</u> | 13,717,936 | <u>895,707</u> |
| (7) Notes and accounts payable | (57,720) | (57,720) | - |
| (8) Accrued construction payment | (295,807) | (295,807) | - |
| (9) Short-term borrowings | (272,625) | (272,625) | - |
| (10) Bonds to be redeemed within a year | (74,000) | (74,155) | (155) |
| (11) Current portion of long-term borrowings | (1,823,069) | (1,823,234) | (165) |
| (12) Bonds | (48,000) | (47,461) | 538 |
| (13) Long-term borrowings | (10,366,761) | (10,374,272) | (7,510) |
| Total Liabilities | (12,937,984) | (12,945,277) | (7,292) |
| Derivative transactions | - | - | - |

12. Revised content (underlined)

Page 38, Notes to Per Share Information

(before revision)

Notes to Per Share Information

Net assets per share 34 yen 04 sen

Net loss per share 22 yen 18 sen

(after revision)

Notes to Per Share Information

Net assets per share 36 yen 02 sen

Net loss per share 19 yen 05 sen

13. Revised content (underlined)

Page 40, **Notes to Material Subsequent Events**

(before revision)

(6) Future prospect

As this matter involves a transfer within the accounting items in “Net Assets”, the amount of net assets of the Company will not be changed and it will not affect the business results of the Company. The above content is on condition that the proposals are approved at the 118th Annual General Meeting of Shareholders to be held on June 27, 2019.

(after revision)

(6) Future prospect

As this matter involves a transfer within the accounting items in “Net Assets”, the amount of net assets of the Company will not be changed and it will not affect the business results of the Company. The above content is on condition that the proposals are approved at the 118th Annual General Meeting of Shareholders to be held on June 27, 2019.

3. Allowance for doubtful accounts

One of the long-term loans recorded by the Group, ¥ 554,950 thousand was repaid in full on June 10, 2019. The long-term loan ¥ 554,950 thousand was recorded as doubtful receivables, but in the first quarter of the next consolidated fiscal year, the same amount will be recorded as extraordinary gain (gain on allowance for doubtful accounts).

14. Revised content (underlined)

Page 47, **Notes to Tax Effect Accounting**

(before revision)

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

| | |
|--|---------------------------------|
| Deferred tax assets | |
| Loss brought forward | 2,412,362 thousand yen |
| Impairment loss on fixed assets | 136,739 thousand yen |
| Accrued business tax | 24,264 thousand yen |
| Reserve for bonuses | 4,773 thousand yen |
| Impairment loss of subsidiary | 7,173,918 thousand yen |
| Reserve for retirement allowance | 43,946 thousand yen |
| Reserve for retirement benefits for officers | 42,430 thousand yen |
| Allowance for doubtful accounts | 495,890 thousand yen |
| Other | <u>502,657 thousand yen</u> |
| Subtotal of Deferred tax assets | <u>10,836,983 thousand yen</u> |
| Reserve for valuation | <u>△10,665,583 thousand yen</u> |
| Total deferred tax assets | <u>171,400 thousand yen</u> |

(after revision)

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

| | |
|--|-----------------------------|
| Deferred tax assets | |
| Loss brought forward | 2,412,362 thousand yen |
| Impairment loss on fixed assets | 136,739 thousand yen |
| Accrued business tax | 24,264 thousand yen |
| Reserve for bonuses | 4,773 thousand yen |
| Impairment loss of subsidiary | 7,173,918 thousand yen |
| Reserve for retirement allowance | 43,946 thousand yen |
| Reserve for retirement benefits for officers | 42,430 thousand yen |
| Allowance for doubtful accounts | 495,890 thousand yen |
| <u>Foreign tax credits</u> | <u>405,563 thousand yen</u> |

Other
Subtotal of Deferred tax assets
Reserve for valuation
Total deferred tax assets

507,628 thousand yen
11,247,517 thousand yen
△11,071,146 thousand yen
176,370 thousand yen

15. Revised content (underlined)

Page 48, **Notes to Transactions with Related Parties**

(before revision)

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 | Godokaisha Prospect Narita Kozaki | Shibuya-ku, Tokyo | 3,000 | Renew-able Energy Business | 100% | Investment | Guarantee obligation | 4,489,000 | - | - |
| Subsidiary | Prospect-biomass Co., Ltd. | Shibuya-ku, Tokyo | 1,000 | Renew-able Energy Business | 100% | Investment | Loan of funds | 1,607,526 | Long-term loans | 1,607,526 |
| Subsidiary | Godokaisha Prospect Tokujiro | Shibuya-ku, Tokyo | 50 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 1,228,405 | - | - |
| Subsidiary | The Prospect Japan Fund Limited | British Channel Islands | <u>92 thousand USD</u> | Renew-able Energy Business | 100% | Holding of shares | Loan of funds Payment of rent | 1,100,000 420,000 | Short-term loans | 680,000 |
| Subsidiary | Godokaisha Prospect Katori | Shibuya-ku, Tokyo | 50 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 651,975 | - | - |
| Subsidiary | Godokaisha Prospect Sanmu Minami | Shibuya-ku, Tokyo | 10 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 612,000 | - | - |
| Subsidiary | Godokaisha Prospect Sendai | Shibuya-ku, Tokyo | 10 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 494,676 | - | - |
| Subsidiary | Godokaisha Prospect Sanmu Nishi | Shibuya-ku, Tokyo | 10 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 469,000 | - | - |
| Subsidiary | Prospect Asset Management, Inc. | Hawaii USA | 1,301 thousand USD | Asset Management Business | 100% | Holding of shares | Loan of funds | 282,600 | Short-term borrowings | 277,475 |
| Subsidiary | Godokaisha Prospect Rikuzen Takata | Shibuya-ku, Tokyo | 50 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 277,724 | - | - |
| Affiliated | RFP Wood Pellets, LLC | Russia | <u>245,108 Russian Ruble</u> | Renew-able Energy Business | 49% | Investment | Underwriting of capital increase | 231,798 | - | - |

(after revision)

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 | Godokaisha Prospect Narita Kozaki | Shibuya-ku, Tokyo | 3,000 | Renew-able Energy Business | 100% | Investment | Guarantee obligation | 4,489,000 | - | - |
| Subsidiary | Prospect-biomass Co., Ltd. | Shibuya-ku, Tokyo | 1,000 | Renew-able Energy Business | 100% | Investment | Loan of funds | 1,607,526 | Long-term loans | 1,607,526 |
| Subsidiary | Godokaisha Prospect Tokujiro | Shibuya-ku, Tokyo | 50 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 1,228,405 | - | - |
| Subsidiary | The Prospect Japan Fund Limited | British Channel Islands | <u>92,352 thousand USD</u> | Renew-able Energy Business | 100% | Holding of shares | Loan of funds Payment of rent | 1,100,000 420,000 | Short-term loans | 680,000 |
| Subsidiary | Godokaisha Prospect Katori | Shibuya-ku, Tokyo | 50 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 651,975 | - | - |
| Subsidiary | Godokaisha Prospect Sanmu Minami | Shibuya-ku, Tokyo | 10 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 612,000 | - | - |
| Subsidiary | Godokaisha Prospect Sendai | Shibuya-ku, Tokyo | 10 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 494,676 | - | - |
| Subsidiary | Godokaisha Prospect Sanmu Nishi | Shibuya-ku, Tokyo | 10 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 469,000 | - | - |
| Subsidiary | Prospect Asset Management, Inc. | Hawaii USA | 1,301 thousand USD | Asset Management Business | 100% | Holding of shares | Loan of funds | 282,600 | Short-term borrowings | 277,475 |
| Subsidiary | Godokaisha Prospect Rikuzen Takata | Shibuya-ku, Tokyo | 50 | Renew-able Energy Business | 100% | Investment | Debt guarantee | 277,724 | - | - |
| Affiliated | RFP Wood Pellets, LLC | Russia | <u>245,108 thousand Russian Ruble</u> | Renew-able Energy Business | 49% | Investment | Underwriting of capital increase | 231,798 | - | - |

16. Revised content (underlined)

Page 41, **Notes to Material Subsequent Events**

(before revision)

Not applicable.

(after revision)

Please refer to the consolidated financial statements “Consolidated notes (Notes to Material Subsequent Events)”.

Certified Copy of Audit Report of Accounting Auditor on Consolidated Financial Statements

Audit Report of Independent Auditor

June 24, 2019

To: Board of Directors
Prospect Co., Ltd.

Audit Firm HIBISCUS

| | | |
|--|--------------------------------|---------------------|
| Designated Member Operating Partner | Certified Public Accountant | Kohei Morisaki |
| Designated Member Operating Partner | Certified Public Accountant | Katsuyuki Takahashi |
| Designated Member Operating Partner | Certified Public Accountant | Kaisuke Abe |

The Audit Firm conducted an audit of the revised consolidated financial statements, including 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 of Prospect Co., Ltd. for the consolidated fiscal year from April 1, 2018 to March 31, 2019 under the Companies Act, Article 444, paragraph 4.

Responsibility of Management for Consolidated Statements

It is the responsibility of management to prepare and properly present consolidated statements in accordance with the corporate accounting standards generally accepted in Japan. This includes improvement and operation of internal control which was determined by management to be necessary for preparing and properly presenting consolidated statements free of material misstatement by fraud or error.

Responsibility of Auditor

It is our responsibility to express our opinions regarding these consolidated statements from an independent position based on the audit conducted by us. We audited in accordance with the audit standards generally accepted in Japan. The audit standards expect us to develop an audit plan and conduct an audit based on the plan in order to obtain a reasonable assurance as to whether material misstatement exists or not in the consolidated statements.

In the audit, procedures are carried out for obtaining audit evidence for the amount and disclosure of the consolidated statements. Audit procedures are selected and applied based on the assessment of risk of material misstatement in the consolidated statements by fraud or error. The objective of an audit is not to express opinions on the validity of internal control, but we review internal control related to preparation and proper presentation of consolidated statements in order to develop appropriate audit procedures corresponding to the situations in conducting risk assessment. The audit also includes a review of the presentation of consolidated statements as a whole, including the assessment of the accounting policy adopted by management and the method of its application and estimate made by management.

We believe we have obtained sufficient and appropriate audit evidence constituting a foundation for expressing our opinions.

Audit Opinions

The Audit Firm recognizes that the above consolidated financial statements fairly represent in every material aspect, conforming to the corporate accounting standards generally accepted in Japan, the status of assets and profit/loss of the corporate group, comprised of Prospect Co., Ltd. and consolidated subsidiaries for the period of the consolidated financial statements.

Emphasized Matter

1. As stated in the notes to corrections, the Company made a correction in the current consolidated fiscal year and corrected the amount of net assets at the beginning of the year.
2. The Company has revised the consolidated financial statements as described in the revised consolidated financial statements under Notes, etc., to Underlying Material Matters for Preparation of Consolidated Financial Statements. The Independent Auditor has submitted an audit report on May 23, 2019 regarding the consolidated financial statements before revision.

This matter shall not affect the opinions of the Audit Firm.

Interest

There exists no special interest between the Company and this audit corporation or the operating partners to be stated under the provisions of the Certified Public Accountants Law.

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 118th business year from April 1, 2018 to March 31, 2019.

In addition, the Board of Auditors audited the consolidated financial statements again after revision since an error was identified in the consolidated financial statements after the audit report was prepared on May 24, 2019. This audit report is intended to correct the audit report dated May 24, 2019, based on the revised consolidated financial statements.

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

June 24, 2019

Board of Audit, Prospect Co., Ltd.

| | |
|-------------------|-------------------|
| Full-time Auditor | Akio Tsukishima |
| Auditor | Yuki Ichikawa |
| Auditor | Thomas R. Zengage |

(Note) Auditors, Akio Tsukishima, Yuki Ichikawa and Thomas R. Zengage are Outside Auditors provided for in the Companies Act, Article 2, item 16 and Article 335, paragraph 3.

End