

[Translation]

Prospect Co., Ltd.  
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**Notice: Cooperation Agreement signed on joint investments in wood pellet projects**

As part of Prospect Co., Ltd. (hereafter “Company”)’s plan to expand and pursue attractive investment opportunities in the renewable energy business, the Company, Russia Forest Products Group (hereafter “RFP”), the Russia-Japan Investment Fund (hereafter “RJIF”, launched by the Russian Direct Investment Fund (hereafter “RDIF”) and Japan Bank for International Cooperation (hereafter “JBIC”)) signed the Cooperation Agreement in pellet projects with capacities of 90K t/a and up to 500K t/a in the Russian Far East during the St. Petersburg International Economic Forum on May 25, 2018.

**Note**

1. Project summary

A. The first project

Type: Wood pellet manufacturing plant  
Capacity: 90,000 tons per annum, with expansion to 135,000 tons per annum  
Location: Russian Far East  
Construction: May 2018  
Funding: Joint investment or borrowing from Japanese financial institutions  
Off-take: Pellets manufactured from 2019 will be 100% exported to Japan

B. The second project

Type: Wood pellet manufacturing plant  
Capacity: 500,000 tons per annum  
Funding: Joint investment or borrowing from Japanese financial institutions  
Off-take: Based on non-industrial wood/forest residue as a raw material and will be focused on the Japanese end user market

2. About RFP

RFP is the largest forest industry holding of the Russian Far East and the Company believes that Russia has the potential to become Japan's fastest growing source of biomass fuel. RFP comprises a group of technologically-integrated companies from wood harvesting to wood processing. RFP holds forest lease rights for 4.5 million hectares of timberlands; annual harvesting volume exceeds 2.3 million m<sup>3</sup> of industrial round wood. RFP operates the Russian Far East’s largest wood processing

complex in Amursk, Khabarovsk region. RFP leased forests and production facilities are certified according to FSC international standards.

3. About RJIF

RJIF was established in August 2017 by two government-backed investment vehicles – RDIF and JBIC IG Partners, which is a subsidiary of JBIC. RJIF will, together with RDIF, invest the total commitment amount of \$1 billion obtained from RDIF and JBIC. The investment fund aims to generate competitive returns by investing in projects and corporations that foster economic cooperation between Russia and Japan.

4. Reference

Please see the press release from RDIF  
[https://rdif.ru/Eng\\_fullNews/3097/](https://rdif.ru/Eng_fullNews/3097/)

5. Future outlook

The impact on the consolidated financial results of current fiscal year is expected to be insignificant.

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