

[Translation]

Prospect Co., Ltd.
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Notice: Term Sheet signed on joint investments in wood pellet projects

In addition to the Cooperation Agreement signed and announced on May 28, 2018, as part of Prospect Co., Ltd. (hereafter “Company”)’s continuing effort to expand and pursue attractive investment opportunities in the renewable energy business, the Company, Russia Forest Products Group (hereafter “RFP”), Russian Direct Investment Fund (hereafter “RDIF”), the Russia-Japan Investment Fund (hereafter “RJIF”, launched by RDIF and Japan Bank for International Cooperation (hereafter “JBIC”)) signed a Term Sheet and agreed to advance negotiations in pellet projects with capacities up to 500K t/a in the Russian Far East during the Eastern Economic Forum at Vladivostok, Russia on September 11, 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 to Autumn 2019 (planned)
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: up to 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 m³ 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 RDIF

RDIF is Russia's sovereign wealth fund with reserved capital of \$10 billion under management. Working alongside the world's foremost investors, to make direct investments in leading, as well as promising, Russian companies.

4. 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.

5. Reference

Please see the press release from RDIF

https://rdif.ru/Eng_fullNews/3404/

6. Future outlook

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

- End of News Release -