

[Translation]

December 13, 2019

Company Name: Prospect Co., Ltd.

Representative: President and CEO Masato Tabata

(Security Code: 3528 TSE 2nd Section)

Announcement concerning the biomass business progress

The following is an overview and progress of the Company's project of constructing a wood pellet manufacturing plant in Russia as of the end of November 2019.

Note

Construction on the facility started in May 2018 at the site (Amursk, Khabarovsk region, Russia). The Project is located adjacent to two wood processing plants owned and operated by JV partner RFP Group (a group of technologically-integrated companies from wood harvesting to wood processing), enabling long-term, low-cost access to high quality sawmill residues and direct access to railway service to the warm water ports in Vladivostok.

The facility was originally scheduled for completion in the fall of 2019, but the targeted completion has been changed to February 2020 due to bad weather. Meanwhile, the Company is in ongoing negotiations with potential buyers on the terms of a long-term off-take contract for wood pellet sales representing the total production output of the facility. The Company will promptly disclose details of the contract once finalized.



Equipment installation (wood pellet silo/packaging)



Boiler building construction



Equipment installation (Hammermill)



Equipment installation (main production building)

The Company views its tie-up with RFP as a long-term strategic partnership to build a robust platform for the export of industrial wood pellet fuel to Japan. The initial phase calls for a 90,000 metric tons per annum (MTA) production plant with further expansion to 135,000 MTA following successful production ramp-up. The Company aims for eventual expansion at the existing and other sites in Far East Russia to reach up to 500,000 MTA.

Off-take contracts for wood pellets are generally long-term (over 10 year), take-or-pay contracts with fixed pricing, which includes an annual escalation. This contract structure enables long-term visibility of stable cashflows with highly creditworthy counterparties.

Location	Amursk, Russian Federation
Production Capacity	90,000 MTA (expansion to 135,000 MTA)
Construction Start	May 2018
Expected Completion	February 2020

※Inquiries regarding this matter

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