



[Translation]

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Representative: Representative Director and
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**Notice regarding non-operating expenses (investment loss by equity method)
and extraordinary income (gain on negative goodwill)**

Prospect Co., Ltd. (hereinafter the "Company") recorded non-operating expenses (investment loss by equity method) and extraordinary income (gain on negative goodwill) in the second quarter of the consolidated fiscal year ending March 2021.

Note

1. Details of the non-operating expenses (investment loss by equity method)

The Company recorded an investment loss by equity-method of 180 million yen under non-operating expenses, based on the equity ratio and business results during the period from January 1, 2020 to June 30, 2020 of the Company's equity-method affiliate RFP Wood Pellets, LLC (hereinafter "RFPwp").

As stated in "Notice regarding non-operating income (dividend income) and non-operating expenses (investment loss by equity method) and extraordinary loss (loss on valuation of investment)" dated August 12, 2020, the investment loss by equity method was 297 million yen in the first quarter of the current fiscal year. The amount of loss decreased because RFPwp's business results were improved in the second quarter of the calendar year comparing to the first quarter of the calendar year.

2. Details of the extraordinary profit (gain on negative goodwill)

As stated in "Notice regarding Keynote Co., Ltd. becoming a wholly owned subsidiary through a simplified share exchange and the change of major shareholders" dated August 12, 2020, the Company acquired Keynote through a share exchange and it became a wholly subsidiary of the Company on September 3, 2020. As a result, a gain on negative goodwill of 280 million yen was recorded as extraordinary income during the second quarter of the fiscal year ending March 2021.



3. Impact on consolidated business results

The above non-operating expenses (investment loss by equity method) and extraordinary income (gain on negative goodwill) are reflected in the "Closing Announcement of Second Quarter of the Fiscal Year Ending March 31, 2021 [Japanese Standards] (Consolidated)" disclosed today.

End