



Annual Report 2017

Creating Value, The AMITA Way

AMITA

AMITA HOLDINGS Co., Ltd.

What
is
Value?



“Back to Our Roots”

– There is nothing wasted in this world –

The brownish cloth pictured on the cover is part of a centuries-old shichijo shinou kesa (stitched seven-strip surplice), designated as a national treasure and in the possession of Enryakuji Temple. It is said that Saicho (766-822), a Buddhist monk who founded the Tendai sect, brought the cloth back from the Tang Dynasty to Japan. Tangles of pale blue, light blue, and brown linen threads as well as purple linen remnants were stitched on a linen cloth in the tradition of funzoe (surplice made of rags).

A *funzoe* is the earliest form of surplice worn by Buddhist monks in India, made of pieces of discarded dirty rags stitched together and dyed anew. A *funzoe* also embodies the earliest known concept of recycling.

Making and wearing a funzoe reflects a frame of mind that recognizes and cherishes value in every life form and every single thing in our universe. This concept resonates with AMITA’s philosophy that “There is nothing wasted in this world. Value can be found even in something considered useless.”

In this world in which we live, everything changes its form and value and reemerges into being again and again.

As AMITA celebrates its 42nd anniversary, we return to our roots and renew our commitment to establishing a recycling system that keeps things coming back to life in a new form and value.

The morality that pollution is criminal only after legal conviction is the morality that causes pollution.

W. Eugene Smith

*Quotation used with permission granted by Aileen M. Smith, widow of W. Eugene Smith

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Progress Report on United Nations Global Compact



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals. We welcome feedback on its contents.

For details, visit the website of the United Nations Global Compact at: <http://www.unglobalcompact.org/>

The United Nations Global Compact (UNGC), established in 2000 at the urging of then UN Secretary-General Kofi Annan, is an initiative to encourage businesses around the world to support and implement 10 principles in human rights, labor, environment, and anti-corruption. The AMITA Group embraced the 10 principles by becoming, in June 2002, the fourth Japanese organization to sign the UNGC, and worked with other Japanese companies to establish the Global Compact Network Japan in December 2003. The Group considers the UNGC Principles part of the framework that governs its business, and keeps its stakeholders informed of its performance through Communication on Progress reports submitted regularly to the UNGC.

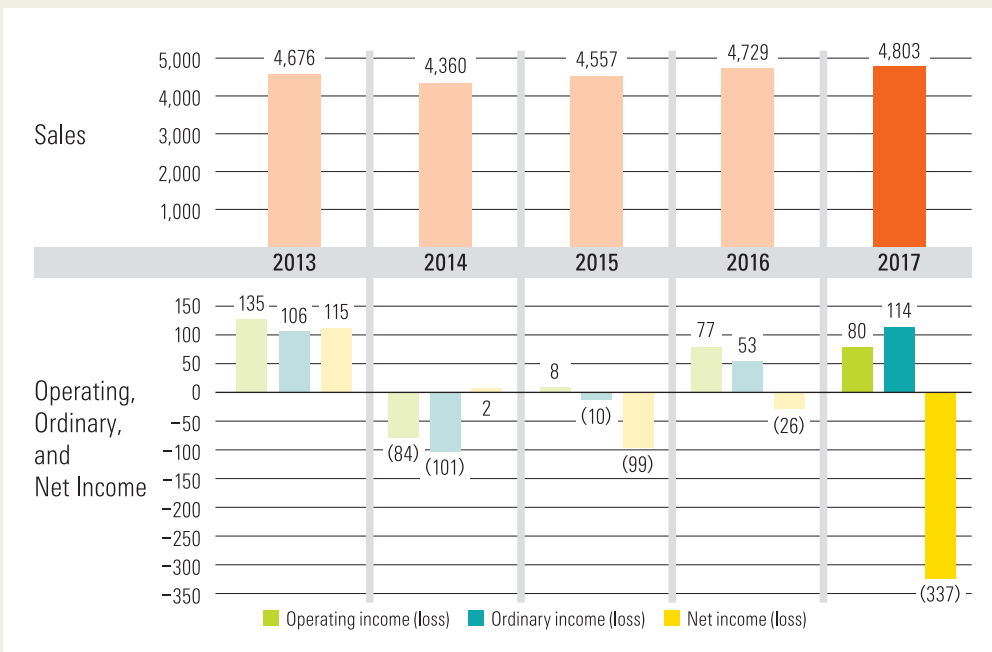
The AMITA Group has been striving to fulfill its mission of achieving a sustainable society through its business operations since its founding in 1977. This mission is in line with the 10 Principles of the UNGC and 17 UN Sustainable Development Goals (SDGs). We are proud to be one of the few companies to embody the vision of the UNGC while conducting core businesses. We will continue to help achieve greater sustainability in society by assisting corporate clients and municipalities in resolving their pressing issues.

Eisuke Kumano Founder and CEO AMITA HOLDINGS Co., Ltd.

COPs (Communication on Progress)

| The 10 Principles of the UN Global Compact | Objectives and Programs for FY 2017 | Self-Assessment | Actions Taken in FY 2017 | Corresponding Pages in this Report |
|--|---|--|---|---|
| Human Rights ① Businesses should support and respect the protection of internationally proclaimed human rights; and | <p>■ Ensure employee wellness Continue to inform employees of the company policy of reimbursing their expenses for follow-up health checks</p> | ★★ | Reimbursed expenses for follow-up health checks for all 24 employees who requested same. | — |
| | <p>■ Enlighten the public and businesses on human rights protection and other social issues</p> | ★★★★ | <ul style="list-style-type: none"> Established the SDGs Strategy Studies group with 15 companies participating to encourage businesses to embrace 12 of the 17 SDGs, which touch on the environment, and incorporate them into their sustainable management practices. Provided enlightenment sessions on social issues and a sustainable society to 1,892 people who visited our Fudenkan communication center. Held the Earth Future Symposium 2017, titled “In Pursuit of Hope” in Kyoto, in which invited experts focused on historical backgrounds and events as well as trendsetting philosophies and technologies in discussing how to resolve today’s mounting social issues and create a sustainable future; the symposium was attended by 261 people. | 9 |
| Labor ③ Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | <p>■ Hold labor-management negotiations Bring management and employees together for meetings to discuss working environments</p> | ★★ | Held a company meeting in which management and employees discussed how to improve working environments. | — |
| | <p>■ Create working environments that encourage employees to stay with the company longer ① Improve the AMITIME program, which lets employees take leave or work shorter hours to take care of small children or look after sick or elderly family members ② Provide flexible working arrangements for employees ③ Consider rehiring retired employees</p> | ★★★★ | <p>① Eight employees, compared with six the previous year, applied for the AMITIME program, which lets an employee who has used all of her or his annual paid holidays to use someone else’s unused paid holidays to take sick or childcare leave. ② Nine employees, compared with six the previous year, worked shorter hours. ③ Rehired three retired employees, compared with two the previous year. *Renewed a one-year contract with two retired employees and rehired another in FY 2017.</p> | — |
| | <p>■ Prohibit and prevent unfair and discriminatory labor practices in our plants outside Japan Apply to our plants outside Japan labor practices comparable to those adopted in our Japanese plants</p> | ★★★★ | <ul style="list-style-type: none"> Promoted three locally hired temporary workers to full-time employees in our Taiwan plant. Created personnel policies, work rules, and related documents in local languages. Provided employees working in our plants outside Japan with hands-on training in Japan. Received officials of the Malaysian government at the Kitakyushu Resource Recycling Plant for a tour and a training session. | — |
| Environment ⑦ Businesses should support a precautionary approach to environmental challenges; | <p>■ Leverage environmental technologies to revitalize communities Promote an environmentally sound lifestyle and push a community-based resource-circulation model based on biomass energy technology; apply the model widely inside and outside Japan</p> | ★★★★ | <ul style="list-style-type: none"> Ensured that the biogas business continued to run smoothly and pushed a community-based resource-circulation model forward in Minamisanriku, Miyagi Prefecture. Advised officials of the town of Kami, Miyagi Prefecture, on the greater use and application of liquid fertilizer in preparation for the launching of a biogas project. Conducted basic research and a feasibility study on a biogas business venture and assisted in a verification test in Taketa, Oita Prefecture. Conducted a feasibility study for a project to implement a comprehensive organic resource-recycling system, which uses a compact methane-fermentation biogas generator, in the Republic of Palau. Our four plants in Japan became certified under ISO 14001:2015 for environmental management system. | 6, 7 |
| | | | <p>⑧ Undertake initiatives to promote greater environmental responsibility; and</p> | |
| | <p>⑨ Encourage the development and diffusion of environmentally friendly technologies.</p> | <p>■ Promote wider application of our technologies ① Assist corporate clients in implementing sustainable management practices under environmental constraints ② Develop recycling business outside Japan</p> | ★ | <p>① Provided Sustainable Stage services to six corporate clients, assisting them in developing an environmental management vision and strategy under environmental constraints to ensure corporate and social sustainability. ② The Taiwan Resource Recycling Plant and the AKBK Sustainable Resource Management Centre in Malaysia started to accept industrial waste to recycle.</p> |
| Anti-Corruption ⑩ Businesses should work against corruption in all its forms, including extortion and bribery. | <p>■ Take preventive anti-corruption measures ① Maintain and enhance regulatory compliance across the organization to stay current with changes in regulatory requirements ② Enhance operational governance over our subsidiaries outside Japan</p> | ★★ | <p>① A total of 74% of employees took a self-test on their knowledge of regulatory compliance, 71% of which gave correct answers. ② Provided training on internal rules and regulatory compliance to Japanese expatriates and locally hired employees in our subsidiaries outside Japan.</p> | — |

Consolidated Financial Performance (In millions of yen)

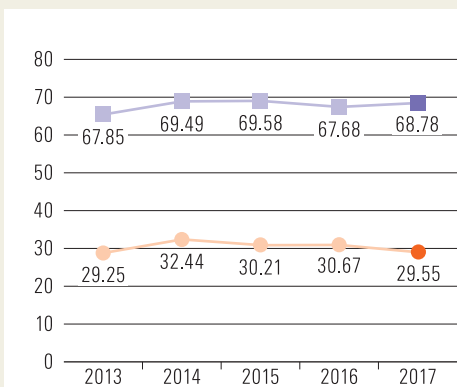


Higher net sales and ordinary income achieved than forecasted, with net loss posted due to an impairment loss incurred by the Taiwan Resource Recycling Plant

The AMITA Group posted consolidated net sales of 4,803 million yen, operating income of 80 million yen, ordinary income of 114 million yen, and a net loss of 337 million yen for the fiscal year ended December 31, 2017. Compared with forecasts made at the beginning of the year, net sales were up by 12 million yen, nearly flat; operating income was down 30 million yen due to disappointing performance in our business in Taiwan; ordinary income was up 45 million yen due to favorable foreign currency exchanges; and net income was down by 352 million yen due to an impairment loss incurred by the Taiwan Resource Recycling Plant.

While net sales in our recycling business in Japan for FY 2017 were flat from the previous fiscal year, we closed more deals with clients in Japan on our cloud-based online waste management system, consulting services, and environmental certification services in FY 2017 than in FY 2016. This accomplishment was a result of stepped-up efforts by the inside sales team as well as greater overall efficiency achieved in operations. We opened the AKBK Sustainable Resource Management Centre in Selangor, Malaysia, which is our first cementrecycling plant outside Japan and which offers zero-emission recycling services. We recognized an impairment loss at the Taiwan Resource Recycling Plant, which became operational in 2016 and has been having a hard time recouping investments from an intended business model as a result of changes in technologies used for producing photovoltaic (PV) cells.

Cost of Sales Ratio and SG&A Ratio(%)

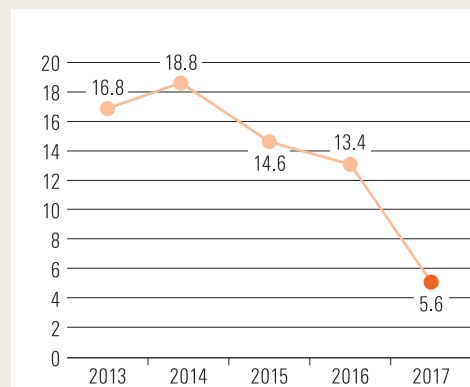


COS and SG&A ratios unchanged

The COS ratio was unchanged from the previous fiscal year, with a decline in the cost of goods manufactured in the recycling business offset by an increase in the cost of goods purchased.

The SG&A ratio was flat, with a decrease in rent and lease expenses resulting from the consolidation of facilities offset by an increase in expenses for market research conducted outside Japan.

Equity Capital Ratio (%)



Equity capital ratio fell sharply

The Group had shareholders' equity of 214 million yen at the end of FY 2017, with an equity capital ratio down sharply from 13.4% in the previous year to 5.6%. This was largely because we posted a net loss on impairment loss at the Taiwan Resource Recycling Plant.

We have given top priority to taking action to regain financial soundness.

Financial Results for FY 2017

(In millions of yen)

| | FY 2016 (results) | Forecast for FY 2017 | FY 2017 (results) | Changes from forecast |
|--|----------------------|-------------------------|----------------------|--------------------------|
| Sales | 4,729 | 4,791 | 4,803 | 0.3% |
| Gross profit | 1,528 | — | 1,499 | — |
| Selling, general and administrative expenses | 1,450 | — | 1,419 | — |
| Operating income | 77 | 110 | 80 | (27.5%) |
| Ordinary income | 53 | 68 | 114 | 65.9% |
| Net income (loss) | (26) | 15 | (337) | — |

The Group's consolidated net sales for the fiscal year ended December 31, 2017, were ahead of the previous fiscal year by 73 million yen and were close to the forecast made at the beginning of the year. Operating income was up 2 million yen from a year earlier, but was short of the forecast by 30 million; ordinary income was up 60 million

yen and exceeded the forecast by 45 million yen due to favorable foreign currency exchanges. A net loss of 337 million yen was posted for the year, which was due to an impairment loss at the Taiwan Resource Recycling Plant and which was worse by 310 million yen than the year before.

Dividends

(In yen)

| FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---------|---------|---------|---------------------|
| 0 | 0 | 10 | 0 |
| FY 2015 | FY 2016 | FY 2017 | FY 2018 (projected) |
| 0 | 0 | 0 | 0 |

The Group has a dividend policy that seeks the right balance between the need to maintain a sound financial position and make its operating foundation more solid and the need to return profit to shareholders in proportion to its business performance for the year; the Group makes a good-faith effort to pay yearend dividends equivalent to 30% of consolidated net income for the year. However, the Group suspended its dividend payments for the fiscal year ended December 31, 2017, due to net loss posted for the year. We project that we will again pass a dividend for the year ending December 31, 2018, as we will focus our efforts on making our financial foundation more robust.

Consolidated Balance Sheet

(In thousands of yen)

| Items | As of December 31, 2016 | As of December 31, 2017 |
|--|-------------------------|-------------------------|
| (Assets) | | |
| Current assets | 1,795,395 | 1,826,447 |
| Non-current assets | 2,434,981 | 1,975,844 |
| Property, plant and equipment | 2,171,766 | 1,676,247 |
| Intangible assets | 48,094 | 71,736 |
| Investments and other assets | 215,120 | 227,860 |
| Total assets | 4,230,376 | 3,802,291 |
| (Liabilities) | | |
| Current liabilities | 1,935,160 | 1,816,139 |
| Non-current liabilities | 1,726,378 | 1,771,846 |
| Total liabilities | 3,661,538 | 3,587,985 |
| (Net assets) | | |
| Shareholder's equity | 577,206 | 240,020 |
| Capital stock | 474,920 | 474,920 |
| Capital surplus | 244,683 | 244,683 |
| Retained earnings | (142,213) | (479,399) |
| Treasury stock | (183) | (183) |
| Accumulated other comprehensive income | (8,368) | (25,713) |
| Total net assets | 568,837 | 214,306 |
| Total liabilities and net assets | 4,230,376 | 3,802,291 |

Consolidated Statement of Income

(In thousands of yen)

| Items | Fiscal year ended December 31, 2016 | Fiscal year ended December 31, 2017 |
|---|--|--|
| Sales | 4,729,691 | 4,803,630 |
| Cost of sales | 3,201,030 | 3,304,134 |
| Gross profit | 1,528,660 | 1,499,495 |
| Selling, general and administrative expense | 1,450,711 | 1,419,309 |
| Operating income | 77,948 | 80,186 |
| Non-operating income | 3,372 | 64,973 |
| Non-operating expenses | 27,360 | 30,832 |
| Ordinary income | 53,960 | 114,327 |
| Extraordinary income | 169,183 | — |
| Extraordinary loss | 148,886 | 371,780 |
| Net income (loss) before income taxes | 74,257 | (257,452) |
| Income taxes - current | 122,137 | 65,475 |
| Income taxes - deferred | (21,631) | 14,258 |
| Net loss | (26,249) | (337,186) |

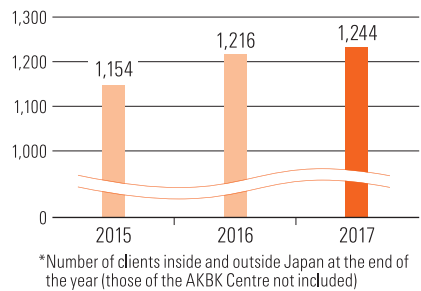
Consolidated Statement of Cash Flows

(In thousands of yen)

| Items | Fiscal year ended December 31, 2016 | Fiscal year ended December 31, 2017 |
|--|--|--|
| Net cash provided by (used in) operating activities | 430,713 | 165,443 |
| Net cash provided by (used in) investing activities | (516,642) | (79,601) |
| Net cash provided by (used in) financing activities | (34,930) | (40,348) |
| Effect of exchange rate changes on cash and cash equivalents | (17,001) | (2,762) |
| Net increase (decrease) in cash and cash equivalents | (137,859) | 42,731 |
| Cash and cash equivalents at beginning of period | 714,857 | 579,810 |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | 2,812 | — |
| Cash and cash equivalents at end of period | 579,810 | 622,541 |

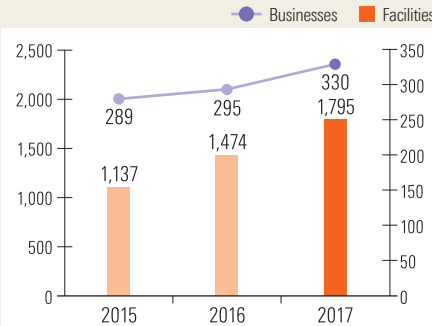
Key Products and Services Provided

Number of Clients



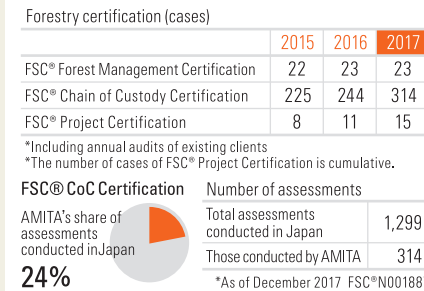
We had 28 more corporate and municipal clients in FY 2017 than in FY 2016, as environmental solutions services, such as consulting and environmental certification services, attracted new clients.

Online Waste Management System Provided



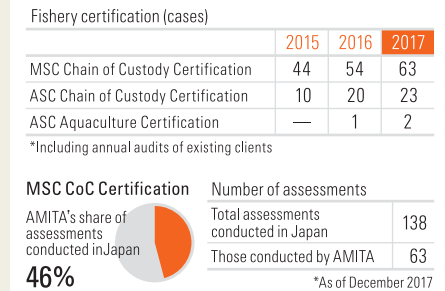
The imminent mandatory implementation of an online waste management has been driving an increasing number of companies and offices to adopt our cloud-based online waste management system.

FSC Certification Assessments Conducted



With the number of FSC®-certified goods sold by retailers on the rise, we conducted FSC® CoC Certification assessments on a substantially larger number of printing and packaging companies in FY 2017 than in FY 2016.

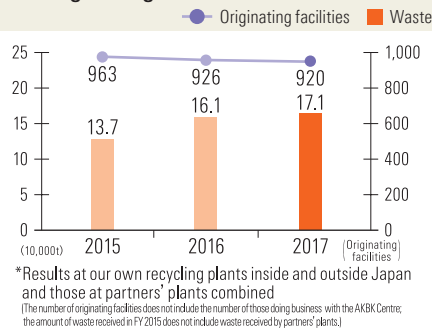
MSC and ASC Certification Assessments Conducted



Yellowtail and cobia were added to the type of fish subject to ASC certification. AMITA was the second company in Japan to assess farms for yellowtail.

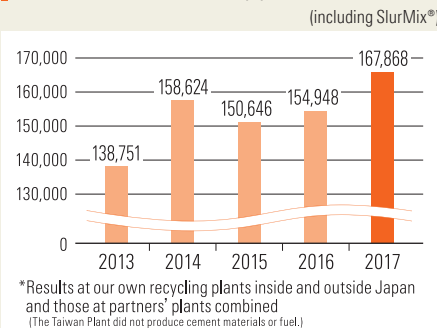
Amount of Waste Received and Amount of Output from Zero-Emission Recycling Processes

Industrial Waste Received and Number of Originating Facilities



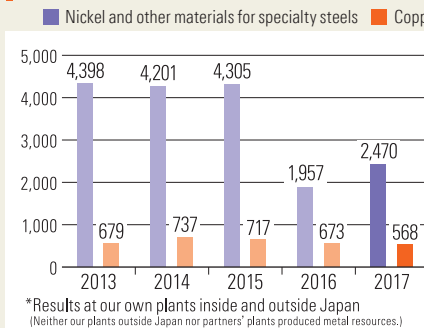
While the number of facilities from which we received waste remained flat, the total amount of waste received was on the rise due to an increase in larger projects for which we were contracted.

Cement Raw Materials and Fuel Materials Produced (t)



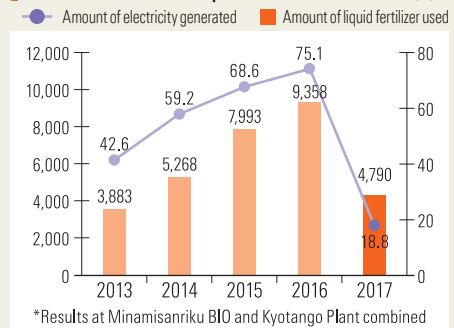
The production amount at the Ibaraki, Himeji, and Kitakyushu Plants as well as at our partners' plants has been increasing. Cementrecycling at the AKBK Centre in Malaysia partly drove the total amount up.

Metal Raw Materials Produced (t)



Production amount of nickel and other materials for specialty steels dropped sharply in FY 2016, when major corporate users stopped placing orders. The amount picked up in FY 2017 as other existing clients increased their purchase amount.

Electricity Generated (in 10,000 kWh) and Amount of Liquid Fertilizer Used (t)



Both the amount of electricity generated and the amount of liquid fertilizer used plunged in FY 2017 as a result of discontinuation of recycling services at the Kyotango Plant.

Highlights of Key Initiatives Implemented in FY 2017

In FY2017, the AMITA Group placed the top priority on achieving its targets for consolidated operating income and net income for the year as part of its groupwide efforts to create more value and boost profitability. However, as a result of an impairment loss recognized by the Taiwan Resource Recycling Plant, we posted an

operating loss and a net loss on a consolidated basis for the year. Furthermore, we acknowledged the need to address various issues such as an overhaul of the business model applied to our Regional Systems Design Business, as well as a transformation of our corporate culture.

| Business Strategy | Highlights of Key Initiatives for FY 2017 | Achievements | Corresponding pages in this Report | |
|--|---|--|------------------------------------|------|
| Develop New Businesses and Markets | Environmental Strategy Design Business | <ul style="list-style-type: none"> Focus sales efforts for the Sustainable Stage on clients in prospective industries Improve customer satisfaction by combining inside sales and outside sales practices Launch a dedicated website for Environmental Strategy Design Business to increase its public awareness | ★★★ | 4, 6 |
| | Regional Systems Design Business | <ul style="list-style-type: none"> Develop and establish an approach and technology for the zero-emission recycling of unused waste in communities Increase the public awareness of the BIO System in Japan and overseas to accelerate its business expansion Develop the BIO System in Kami, Miyagi Prefecture Consider and test new financing methods | ★★ | 7 |
| | Business Outside Japan | <ul style="list-style-type: none"> Enhance sales efforts and train employees to boost production at the Taiwan Resource Recycling Plant Open the AKBK Sustainable Resource Management Centre by the end of the year and achieve stable operations as quickly as possible Conduct business feasibility studies for China, India, Indonesia, and Vietnam | Taiwan ★ Malaysia ★★★★★ | 7 |
| Reduce Cost of Sales and SG&A | Environmental Strategy Design Business | <ul style="list-style-type: none"> Conduct a survey and operational improvement to optimize worker allocation and equipment productivity at our plants Optimize logistic operations by establishing a dedicated logistics team Achieve greater operational efficiency by reorganizing our back-office functions and making greater use of IT systems Reduce sales cost by combining inside sales and outside sales practices | ★★★ | 4, 6 |
| | Regional Systems Design Business | <ul style="list-style-type: none"> Reduce implementation and operation costs by promoting greater participation of local residents Promote packaged offerings of services built around a compact biomass facility Improve profitability at Minamisanriku Bio by accepting more commercial food waste | ★★ | 7 |
| | Overall Management | <ul style="list-style-type: none"> The corporate planning team to create a comprehensive strategy and apply PDCA cycles Improve performance management methods All departments to review their SG&A and implement cost-cutting measures | ★★ | 2 |
| Enhance Value Propositions and Organizational Excellence | Environmental Strategy Design Business | <ul style="list-style-type: none"> Raise awareness among businesses of a sustainable management strategy by launching a workshop Organize a team of experts on sustainable management | ★★ | 9 |
| | Human Resource Development | <ul style="list-style-type: none"> Conduct leadership development programs for entry- and senior-level managers Stimulate the organization by promoting younger employees to managerial positions | ★★★★ | 9 |
| | External Communications | <ul style="list-style-type: none"> Consider business alliance with companies in different industries Develop a system for business collaboration that promotes investment and participation by external supporters Conduct public relations activities to establish a perception that AMITA is at the forefront of sustainable development | ★★ | 8 |

Establishing an Integrated Sales Approach

Provision of the Sustainable Stage

The Sustainable Stage is our integrated service that assists corporate clients in achieving sustainable growth. In FY 2017, the second year of the service, we focused our efforts on the three areas described below.

In a large consulting project, in which we assist a

corporate client in creating a vision and strategy for sustainable growth, although the revenue we take in is high, there is a significant amount of time between submitting a proposal to a client and closing the deal. We will accelerate the process for deal closure.

Key initiatives implemented in FY 2017

- ① Focus sales efforts on industries and businesses that are highly compatible with our service
- ② Take an integrated sales approach to offer assistance to clients in increasing their corporate value
- ③ Achieve greater efficiency in sales activities by establishing the right balance between inside sales and outside sales

Achievements

- Won six projects to assist clients in creating a vision and strategy
- Stepped up sales efforts for existing clients by keeping close track of their order placements (achieved sales of 141 million yen)
- Undertook 37 more projects than the year before

Boosting the Profitability of Our Zero-Emission Recycling Services

Operational reform at production sites

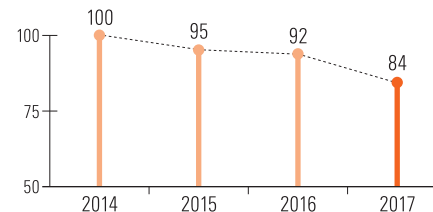
We continued as in FY 2016 to reduce cost of sales and improve safety.

Achievements

- Reduced facility repair expenses by 15 million yen
- Reduced the purchase cost of materials at Kitakyushu Plant by 85% year on year
- Reduced the number of incidents that occurred in our plants to 17, a decrease of 21.8% from the previous year

We completed the transition to ISO 14001:2015, an international standard for environmental management systems, at our Himeji, Ibaraki, Kawasaki, and Kitakyushu Plants. We continued to develop new recycled products and a sales channel for them and started shipping new products to a steelmaker in March 2018. (See page 4 for the production amount of recycled products)

Manufacturing Cost of Recycled Resources per Metric Ton



*Expressed as relative values with the cost in FY 2014 being 100
 *Average cost at our Himeji, Ibaraki, Kawasaki, and Kitakyushu Plants

Enjoyed Strong Orders for Online Waste Management System

Source of our profitable revenue growth

Our cloud-based Online Waste Management System has been offered to a growing number of clients. In FY 2017, additional four businesses adopted this service in all of their facilities, bringing the total to 1,795 locations of 330 entities as of the end of the year.

The reasons behind this fast growth include the companies' heightened awareness of the need for waste management and the imminent mandatory implementation of online waste

management processes. The number of facilities having our system is increasing at a rate of one location per business day. In addition, as a result of a streamlined workflow, the time required for AMITA to set up the system in a new facility has been reduced to one-third, helping us reduce the cost of sales and improve profitability. (See page 4 for the numbers of businesses and facilities that have adopted Online Waste Management System)

Growing Needs for Environmental Certification Services

Accelerating trend toward sustainable resource procurement

With an eye to the Tokyo 2020 Olympic Games, Japanese companies are accelerating their efforts to achieve sustainable procurement. The FSC® certification program is seeing a significant increase in applications for FSC® CoC certification from pulp and paper, cardboard, and printing companies (an increase of 70 applications year-on-year).

In addition, we expanded the range of fish species for which we can provide our ASC assessment and certification services, and in FY 2017, we started conducting on-site assessments of yellowtail farms. (See page 4 for the number of environmental certification assessments provided.)



Assessment of a yellowtail farm

Kyotango Resource Recycling Plant Closed

The Kyotango Resource Recycling Plant (or Kyotango City Eco Energy Center; operated by Kyotango City and managed by AMITA) ceased providing recycling services on September 4, 2017, and was closed at the end of May 2018. This was because, when recycling equipment in the plant was found damaged, Kyotango City decided to terminate the plant's operations. The impact of this closure on our consolidated business performance for FY 2017 was immaterial.

AKBK Sustainable Resource Management Centre Becomes Operational in Malaysia

Business model built on lessons learned from operations in Taiwan

AKBK Sustainable Resource Management Centre became operational in Malaysia in May 2017, operated by AMITA KUB-BERJAYA KITAR SDN. BHD. (AKBK), a joint venture between AMITA and the Malaysia-based Berjaya Group. The AKBK Centre recycles all waste received from businesses into alternative cement materials and supplies them to cement companies in Malaysia. Operations have been running smoothly since the first shipment in August 2017, and the production in December 2017 was 120% ahead of the plan for the month. The business model adopted by this plant is based on lessons learned in our operations in Taiwan and has the following two features:



- Location: Bukit Tagar, Selangor, Malaysia
- Waste received: 14 types of designated waste
- Items produced: Alternative cement materials and fuel

▶AKBK Centre's Business

Recycling a wide variety of waste into alternative cement materials

- Sources of waste are industry-independent and are not affected by ups and downs in any particular industry.
- Japanese-owned subsidiaries operating in Malaysia trust AMITA's recycling technologies with proven track records in Japan.

Jointly operated by AMITA and a reputable local enterprise

- Joint operation with the Berjaya Group, one of the leading conglomerate in Malaysia, makes it easy to gain support and cooperation from the local regulatory authorities.

Impairment loss on non-current assets recognized by the Taiwan Resource Recycling Plant

The Taiwan Resource Recycling Plant, which became operational in 2016, posted an impairment loss on its non-current assets in FY 2017. The plant engaged mainly in recycling silicon slurry generated in the production of PV cells, and was affected by innovations in PV cell production, which substantially reduced the amount of silicon slurry generated.

The BIO System Taken to a New Level

Public-private partnership to develop sustainable communities

The AMITA Group offers the BIO System, a package of integrated services for recycling waste and untapped natural resources so as to achieve greater sustainability in a community. In FY 2017, the second year of the launch,

we advanced the business model applied to Minamisanriku, Miyagi Prefecture, in which the first BIO System was implemented. We also laid the groundwork for applying the BIO System in Kami, Miyagi Prefecture, and in the Republic of Palau.

Minamisanriku, Miyagi Prefecture

The Minamisanriku BIO biogas facility continued to operate without problem, receiving 1,733 metric tons of waste and converting it into 40,000 kWh of electricity and 1,600 metric tons of liquid fertilizer. As a result of AMITA's assessment, Minamisanriku Town Hall became

the first public facility in Japan to be awarded the FSC full project certification. AMITA played an instrumental role in promoting the circulation of materials in the town and enhanced its brand presence.

Kami, Miyagi Prefecture

AMITA proposed to the town of Kami, designated as a biomass industrial town, in Miyagi Prefecture that the town implement a BIO System. As part of a feasibility study, AMITA conducted verification tests of the use of liquid fertilizer and the sorting of household food waste in cooperation with local residents.



Sorting of household food waste

The Republic of Palau

AMITA participated in a feasibility study for a project to implement a comprehensive resources recycling system in Koror, the Republic of Palau, which was authorized by the Japan International Cooperation Agency in June 2017. Working toward the goal of installing a compact biogas facility by the end of 2019, we researched waste sources and collection routes, cultivated on a test basis energy crops using liquid fertilizer, and studied the specifications for a biogas facility.



A compact biogas facility to be installed (Photo courtesy of Vioce Co., Ltd.)

- Project period: October 2017 through June 2018
- Partnered with: AMITA Institute for Sustainable Economies Co., Ltd. and other
- Project leader: Vioce Co., Ltd.
- Project budget: 30 million yen

Non-Financial Capitals of the AMITA Group

Under the mission of achieving a sustainable society, the AMITA Group strives to increase its natural capital as well as its social and relationship capital through its business operations. On this page and the next, descriptions of five forms of our capitals other than financial capital are provided, as defined by the International

Integrated Reporting Council. Each of the five forms of capital interacts with each other to ultimately materialize into financial capital. (See pages 2 and 3 for information about our financial capital)

Natural Capital

Our business activities to reduce environmental loads and preserve the natural environment are intended to sustain natural capital. Our zero-emission recycling services help reduce the amount of natural resources to be mined and preserve the surrounding environment; our assistance in preserving biodiversity and our environmental certification assessments for forestry and fishery help promote the sustainable use of

natural capital. Our assistance in environmental management, such as providing Online Waste Management System and Best Way to Manage Waste, helps businesses achieve greater regulatory compliance, reducing cases of illegal waste-dumping and other wrongdoings. (See pages 4 and 6 for information about environmental certification assessments conducted)

Our Zero-Emission Recycling Services Help Reduce Environmental Loads

Alternative resources produced with zeroemission recycling processes have a higher quality than their natural equivalents and substantially reduce the use of natural resources. Both the energy input into recycling operations and the greenhouse gas (GHG) emissions from them were far less than the norm in the industry.

| | | |
|--|--|--|
| Production amount of recycled resources used as fuel in cement production 111,925t *1 | Equivalent to 392,002t of mined coal | 3.5 times as much as the amount of recycled resources produced |
| Production amount of recycled resources, such as nickel, used as materials for specialty steels 2,470t *2 | Equivalent to 16,194t of mined nickel | 6.6 times as much as the amount of recycled resources produced |
| Production amount of recycled copper 568t | Equivalent to 23,329t of mined copper | 41.1 times as much as the amount of recycled resources produced |

Note: *1. Including SturMix® *2. Only for nickel-substitute resources used as materials for specialty steels. See page 4 for information about the amount of metal resources produced by AMITA.

| | | |
|---|---|------------------------------------|
| Amount of waste disposed by incineration and landfill at the end of recycling processes 0 gram | Energy input*1 Unit of input divided by sales (in millions of yen) 4.7 GJ | 1/2 of the industry norm |
| Amount of effluent generated in manufacturing*2 0 m³ | GHG emissions*1 Unit of output divided by sales (in millions of yen) 0.43t-CO₂ | 1/15 of the industry norm*2 |

Measurement period: From January 1 through December 31, 2017

*1. Data compiled in Ibaraki, Kawasaki, Himeji, Kyotango, and Kitakyushu Plants and Minamisanriku BIO

*2. Data published by the National Institute for Environmental Studies

Actions Taken to Reduce CO₂ Emissions



CO₂ emissions of 113 toperations of the Minamisanriku BIO biogas facility in Minamisanriku, Miyagi Prefecture, in FY 2016 were offset in FY 2017 by credits issued by FSC-certified forests in the town under a carbon-offset program. This arrangement helped promote resourcecirculation efforts in the town. In FY 2018, we intend to step up our efforts for greener business operations. For instance, we plan to source some of electricity used in our own plants in Japan from renewable energy sources. We also plan to start a new employee welfare program intended to promote the use of renewable energy.

Breakdown of CO₂ AMITA Group in FY 2017

| | |
|---|---------------------------------|
| Waste-collection phase at own plants | 121.0 t-CO ₂ |
| Production phase at own plants | 1,349.4 t-CO ₂ |
| Product-shipping phase at own plants | 1,249.9 t-CO ₂ |
| Headquarters and regional sales offices | 90.3 t-CO ₂ |
| Total | 2,810.6 t-CO₂ |

Our plants outside Japan and partners' plants not included

Social and Relationship Capital

We consider the relationships we build with society and stakeholders through business activities as well as the positive outcomes generated by those relationships to be our social and relationship capital. AMITA cannot go it alone to achieve a sustainable society, but must build relationships with other companies, municipalities, shareholders, and community residents and turn them into capital, with which we conduct business and help achieve a sustainable society.

Sustainable Economy Association Pursues Sustainable Market

AMITA is a founding company of the Sustainable Economy Association, established in 2017 to promote the development of a sustainable market. While conducting verification tests of IoT and ecosystem technologies, 16 member companies (as of December 2017) will develop a plan for new businesses and put it into practice in several locations in Japan by the end of 2020.

Website: <http://www.sustainable-economy-association.com/>

Building Stronger Community Relationship through the BIO System



The BIO System has been playing an important role in creating jobs in the community, building stronger relationships among residents, and revitalizing the community. We published a book in FY 2017 that discusses how the town of Minamisanriku has regained its vitality and which touches on the relationship-building effort in the town through the BIO System.

AMITA uses the book to raise awareness of the services it offers.

An e-book titled "Revolution Started with a Garbage Bucket" can be downloaded for free at AMITA Books at: <http://www.amita-hd.co.jp/books/>

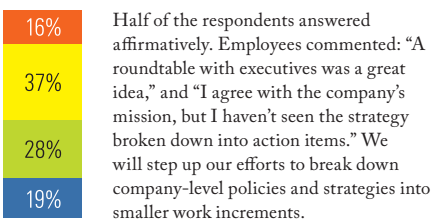
Human Capital

A company must have organizational excellence and people capable of creating value in order to initiate innovation and transformation and achieve its mission in a volatile, everchanging business environment. The AMITA Group considers

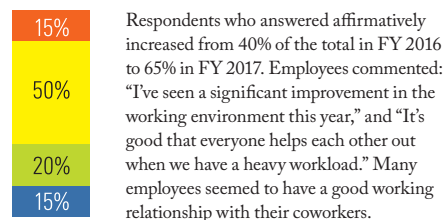
its employees not as cost but as capital, and it provides a talent development program and creates a comfortable workplace so that employees can continually improve their human and professional skills and achieve their full potential.

Results of Employee Survey for FY2017 (excerpt)

Q: Do you have a deeper understanding of AMITA's mission, corporate culture, and management policy than a year earlier?



Q: Do you find your working environment comfortable?



■ Yes, definitely ■ Yes, somewhat ■ Not sure ■ I don't think so/no response

Respondents: 107 of 151 AMITA Group full-time employees Survey period: From November 2 through December 31, 2017

AMITA Group Employees' Demographics and Their Use of Employee Welfare Programs

| Category | Description | FY2015 | FY2016 | FY2017 | |
|--|--|-----------------------|--------|--------|----|
| Employee demographics | Number of employees | 147 | 156 | 161 | |
| | Male-female ratio | 71:29 | 71:29 | 73:27 | |
| | Percentage of female managers (%) *1 | 11 | 14 | 15 | |
| | Average age | 39.90 | 37.43 | 36.26 | |
| | Turnover rate (%) | 6 | 6 | 8 | |
| Employees' use of welfare programs | Average number of days taken off *2 | 12.24 | 13.07 | 13.13 | |
| | Number of employees who took childcare leave | Sick-child leave | 9 | 13 | 16 |
| | | Working shorter hours | 5 | 6 | 9 |
| | | Childcare leave | 3 | 4 | 6 |
| | Number of employees who took caregiver's leave | 1 | 1 | 1 | |
| Number of employees who applied for the AMITIME program *3 | 5 | 6 | 8 | | |

*1. Reporting period changed from FY 2016 *2. Including annual paid holidays and all other forms of leave *3. Allows an employee who has used all her or his annual paid holidays to use someone else's unused paid holidays to take childcare or caregiver's leave

Data from January 1 through December 31 of each year for full-time employees
The average number of days taken off by employees and the numbers of employees who took childcare leave and caregiver's leave are counted from January 1 through January 10 the following year.

Intellectual Capital

Our intellectual capital includes our knowledge, engineering prowess, and brand strength that set us apart from other companies. We use the intellectual capital we have accumulated in the field of environmental protection to develop products and technologies as well as to create a

business model that fulfils social needs. We strive to establish a perception in people's mind that AMITA is a brand at the forefront of sustainable development, which we use as a competitive advantage in the market.

Developing Recycling Technologies

We established a research laboratory tasked with developing recycling technologies in FY 2017. Laboratory members consisting of experienced recycling engineers and former sales staffers develop new recycled products, design equipment, and find ways to achieve greater efficiency in recycling operations.

SDGs Strategy Studies Established

AMITA organizes the SDGs (sustainable development goals) Strategy Studies group to assist corporate executives and planning staffers in incorporating SDGs into their business strategies. All lecturers on the roster have distinguished experience and expertise in the environment, CSR, and sustainability. The study group provides participants with an opportunity to enlighten themselves in these fields and build a human network with other participants and lecturers. We publish on our website the knowledge and expertise gained from group sessions and use them as intellectual capital in our business operations. Website: <http://sdgs-strategy.jp/>

Manufacturing Capital

We consider our own resource recycling plants inside and outside Japan to be our terrestrial-resource manufacturing platform, and more than 300 business partners to be our terrestrial-resource manufacturing network, both of which constitute

manufacturing capital that supports AMITA's businesses. We will continue to improve our manufacturing foundation by adding more plants, increasing their processing capacity, and upgrading recycling equipment.

AKBK Sustainable Resource Management Centre Becomes Operational

The AKBK Sustainable Resource Management Centre was established in Malaysia as a joint venture between AMITA and its Malaysian partner and it has been operating smoothly. Its business model, which was built on lessons we learned from our operations in Taiwan, is intended to accelerate waste-recycling operations in the country. (See page 7 for details)

Kyotango Resource Recycling Plant Closed

After equipment at our Kyotango Resource Recycling Plant was found to be damaged, the regulatory authorities of Kyotango asked us to discontinue its operations. The plant shut down its recycling services in September 2017, and was closed for good at the end of May 2018. (See page 6 for details)

Taiwan Resource Recycling Plant Posts Impairment Loss

The Taiwan Resource Recycling Plant, which became operational in 2016, posted an impairment loss on its noncurrent assets in FY 2017. The plant was engaged mainly in recycling silicon slurry generated in the production of photovoltaic (PV) cells, and its business model was adversely affected by innovations in PV cell production, which substantially reduced the volume of silicon slurry generated.

Medium-Term Business Plan for 2018-2020

The AMITA Group has updated its medium-term business plan to make it more realistic, reflecting the Group's financial results for FY 2017 and its current financial position. From FY 2018 through FY 2020, our top priority is to achieve greater profitability in our businesses and make our operational foundation robust. To achieve these two objectives, we will step up our efforts to expand our Sustainable Stage integrated services to assist corporate clients in developing and implementing

environmental strategies; improve profitability in our existing services and add more value to them; stabilize our business outside Japan; and transform our organizational structure (see page 11 for details). With the implementation of the updated medium-term plan, we strive to achieve an operating income ratio of 6.4% in FY 2020, up from 1.7% in FY 2017.

Medium-Term Business Plan Announced February 2017

(In millions of yen)

| | FY 2017 (planned) | FY 2017 (results) | FY 2018 (planned) | FY 2019 (planned) |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| Sales | 4,791 | 4,803 | 4,990 | 5,403 |
| Operating income | 110 | 80 | 200 | 320 |
| Ordinary income | 68 | 114 | 166 | 315 |
| Net income (loss) | 15 | (337) | 82 | 201 |

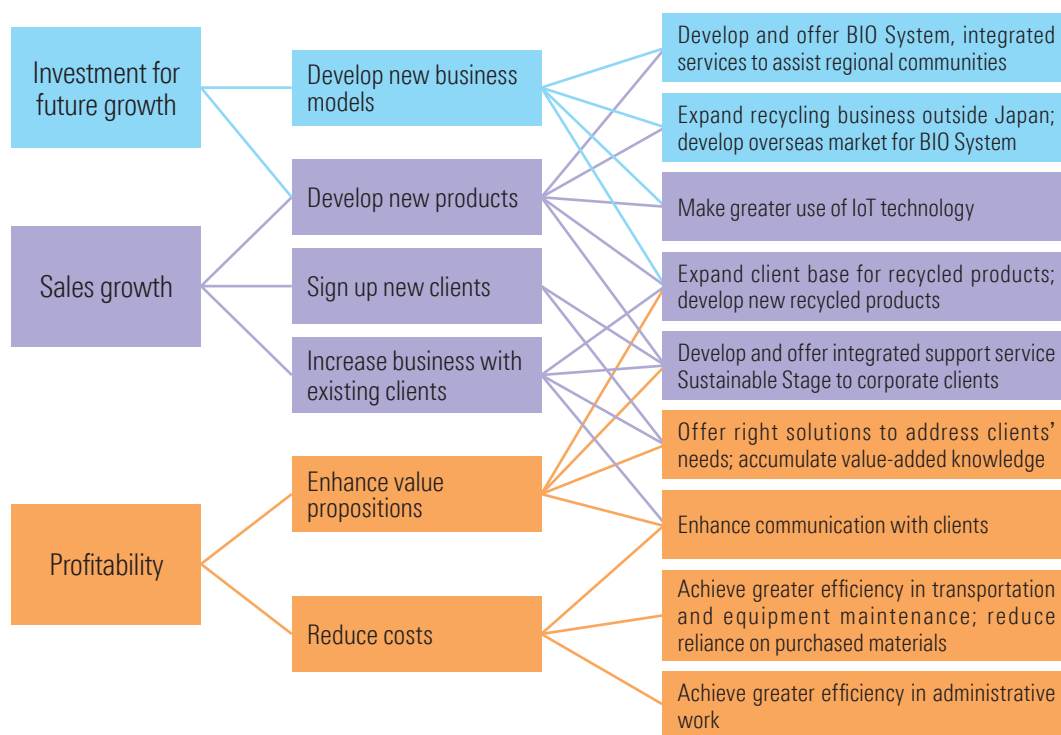


Medium-Term Business Plan Announced February 2018

(In millions of yen)

| | FY 2017 (results) | FY 2018 (planned) | FY 2019 (planned) | FY 2020 (planned) |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| Sales | 4,803 | 4,961 | 5,100 | 5,400 |
| Operating income | 80 | 130 | 250 | 350 |
| Ordinary income | 114 | 109 | 220 | 320 |
| Net income (loss) | (337) | 70 | 145 | 210 |

Objectives for FY 2018 through FY 2020

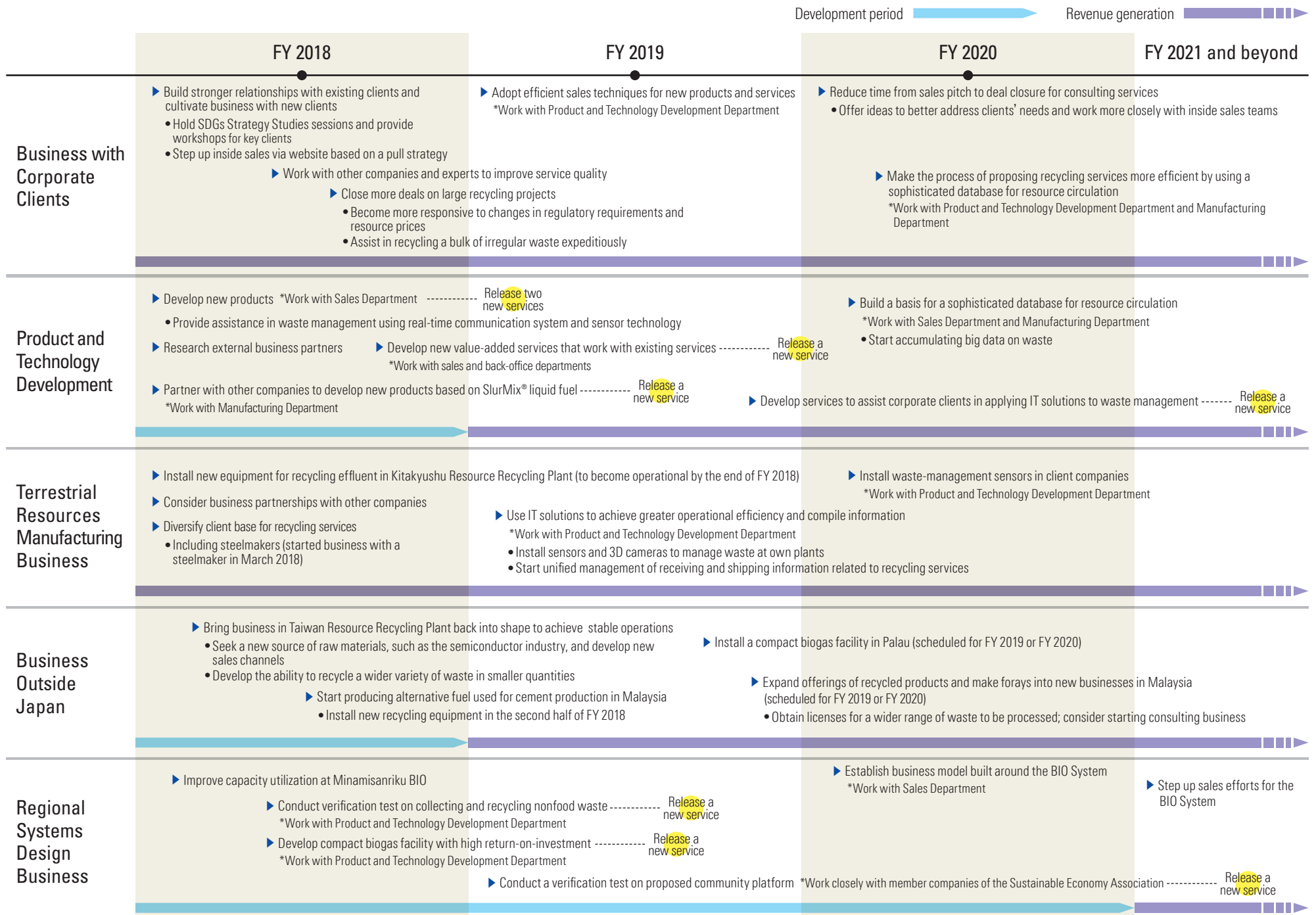


Basis for implementing initiatives outlined above

- Provide competency-based training programs for executives and senior managers
- Foster a corporate culture that embodies AMITA's management philosophy
- Form capital and business alliances with other companies

Overview of Key Initiatives for FY 2018 through FY 2020

Note: Programs and availability of products and services shown below are current as of May 2018 and subject to change.



Key Initiatives of Sales Department for FY 2018 through FY 2020

Our sales objectives and initiatives for the Environmental Strategy Design Business, which assists corporate clients in achieving greater sustainability, are as follows:



Objectives for FY 2020

Recycling services accounted for 80% of our consolidated sales in FY 2017, with consulting services and environmental certification services representing the remaining 20%. To accelerate the momentum of revenue growth and achieve a consolidated operating income ratio of 6.4% in FY 2020, we will focus our efforts on:

- ① Closing more deals on our non-recycling services
 - ② Improving an operating income ratio of each service by achieving greater operational efficiency, reducing cost of sales, and cutting down on SG&A.
 - ③ Promoting sales of new services with higher profit margin!
- We will also seek more corporate clients for our outsourcing services, for which we have made an upfront investment in implementing IT systems, so as to improve their profitability and gain stable revenue.

Underlying Theme

Become a one-stop provider of environmental solutions for corporate clients, ranging from recycling and consulting services to outsourcing of environmental management

Objectives in Each Category

▶ Recycling services

Work with other companies to efficiently close deals on projects for recycling waste bound for landfill as well as ad hoc, large recycling projects.

▶ Consulting services

Become more responsive to client needs and improve operational quality so as to reduce the time between submitting a proposal and closing a deal and improve an operating income ratio of high-ticket consulting services.

▶ Environmental certification assessment

Train and retain professional in-house assessors and upgrade internal deal-closing operations for environmental certification services to take advantage of the growing corporate needs for environmental certification and increase revenue in this category that delivers an operating income ratio of 30%.

▶ Outsourcing services, including Best Way to Manage Waste and Online Waste Management System

Reduce labor hours required for providing services and repackage existing services to achieve greater operational efficiency and close more deals.

▶▶ Details for FY 2018

▶ Build Stronger Relationships with Existing Clients and Cultivate Business with New Clients

We will continue to maintain close, long-term relationships with 20 key corporate clients each in the greater Tokyo area and the greater Osaka area. This is intended to identify their explicit and implicit needs and gain their understanding of and trust in our corporate vision and professional expertise.

In addition, we will step up our efforts for inside sales via our website and emails based on a pull strategy to achieve greater efficiency in sales.

| Number of inquiries received online and at customer service desk | | | |
|--|--------|--------|--------|
| FY2014 | FY2015 | FY2016 | FY2017 |
| 67 | 119 | 232 | 386 |

▶ Close More Deals on Large Recycling Projects

A large amount of waste is generated at one time when a company recalls faulty products it sold or when a community is struck by a natural disaster. Companies must consider changing recycling processes when resource prices fluctuate or when there is a change in regulatory requirements. We strive to keep abreast of these irregular developments and be ready to provide recycling services in a short lead time.

▶ Work Closely with Other Companies and Experts

In addition to assisting corporate clients in developing visions and strategies for achieving greater sustainability, AMITA will work with other companies and experts having extensive expertise in specialty fields to provide integrated, high-quality services.

▶▶ Details for FY 2019 and Beyond

▶ Add More Value to Our Services

We will add more value to our service offerings by developing new products and services that better meet client needs, partnering with other companies, and upgrading customer service and, consequently, will reduce the time between making a proposal to a client and closing a deal. We will establish a business model of offering integrated support to corporate clients over an extended period of time as their environmental-solutions partner who assists them in achieving their medium- and long-term corporate visions.

▶ Establish Database for Resource Circulation

We will start developing a sophisticated database for resource circulation in FY 2019, which will serve as a platform that provides information about where waste is generated and how much and who needs what recycled resources. We will use the database to offer more efficient and higher-quality recycling services to clients.

Key Initiatives of Product and Technology Development Department for FY 2018 through FY 2020

The AMITA Group established in FY 2018 the Innovation Team, which is tasked with turning social needs into business opportunities to create new value. The team works with the Resource Recycling Laboratory, established in FY 2017, to improve the Group's profitability and help society achieve greater sustainability.



Objectives for FY 2020

Development projects planned for FY 2018 through FY 2020 as of this publication are as follows:

| | |
|---------|---|
| FY 2018 | <ul style="list-style-type: none"> Release two new services to provide assistance in waste management using IT solutions Conduct a verification test of a new product based on SlurMix® liquid fuel Develop and implement a system to achieve greater efficiency in providing services to clients and conducting administrative work |
| FY 2019 | <ul style="list-style-type: none"> Develop and release value-added services that work with existing services Release a new product based on SlurMix® liquid fuel Develop services of assisting corporate clients in applying IT solutions to their waste management operations, and implement it in our own plants |
| FY 2020 | <ul style="list-style-type: none"> Build and operate a sophisticated database for resource circulation Release several services of assisting corporate clients in applying IT solutions to their waste management operations |

Details for FY 2018

On-Site Verification of Performance of Waste-Disposal Contractors Using Real-Time Communication System

Businesses in Japan are required by law to conduct on-site verification of the regulatory compliance by their wastedisposal contractors. We will develop and offer a service for reliable remote verification, using a communication system that enables the real-time sharing of live video and audio feeds from the site as well as documents between a business and a contractor.

Automatically Measuring Amount of Stored Waste and Notifying Contractors for Collection

A sensor installed in a waste storage container on the premises of a business automatically notifies a wastedisposal contractor of the need for collection when the container becomes full. This service will help businesses to achieve greater operational efficiency and cut back on labor cost. After conducting a trial run in our own plant, we will start offering this service commercially by the end of FY 2018.

Who Does What in Developing New Products and Services

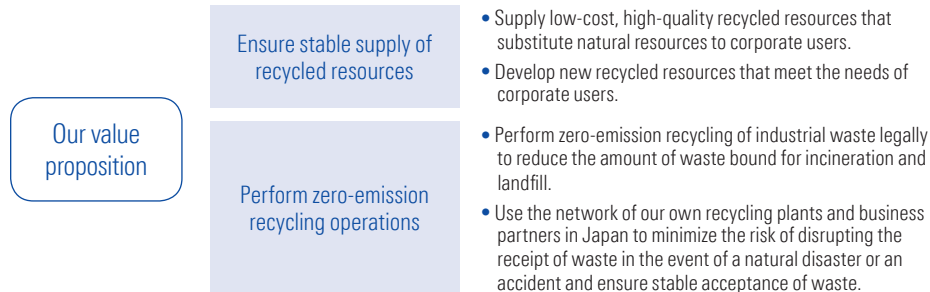
We give priority to the three points listed on the right in developing products and services to follow through with our medium-term business plan. Accordingly, we are partnering with other companies having the right IT solutions and machinery development technologies, bringing in external experts as advisers, encouraging information-sharing among internal departments, and organizing a cross-functional project team.

- Design products and services that adapt to social changes and technological innovations
- Acquire and retain talent having professional knowledge and technical skills
- Establish a support organization to accelerate the development of products and services

| | | |
|-------------------|------------------------------------|--|
| Development units | Innovation Team | <ul style="list-style-type: none"> Develop services that meet client needs and adapt to technological innovations Develop a system that streamlines internal business processes |
| | Resource Circulation Research Team | <ul style="list-style-type: none"> Develop recycled resources that substitute natural resources Develop a compact recycling facility necessary to establish a community-based resource-circulation model |
| Supporting units | Sales Department | <ul style="list-style-type: none"> Identify client needs and sell new products and services Collect information about where waste is generated and how much |
| | Manufacturing Department | <ul style="list-style-type: none"> Identify the needs of corporate users of recycled resources Conduct verification tests; provide on-site information |
| | Operations Department | <ul style="list-style-type: none"> Provide assistance in designing a service operation flow Provide assistance in service operations |
| | Administrative Department | <ul style="list-style-type: none"> Ensure regulatory compliance; provide assistance in implementing an IT infrastructure Provide assistance in designing a business model from a financial perspective |

Key Initiatives of Manufacturing Department for FY 2018 through FY 2020

The Manufacturing Department, which turns waste generated by businesses into recycled resources that substitute natural resources, provides a source of revenue and profit to the AMITA Group. The department focuses its efforts on improving its profitability from FY 2018 through FY 2020.



Objectives for FY 2020

Development projects planned for FY 2018 through FY 2020 as of this publication are as follows:

| | |
|---------|---|
| FY 2018 | <ul style="list-style-type: none"> Diversify the client base for recycled resources (develop recycled resources for steelmakers) Install and operate new equipment for recycling effluent in the Kitakyushu Resource Recycling Plant Conduct a field trial of sensors to measure the amount of stored waste in preparation for commercial development Consider business partnerships with other companies |
| FY 2019 | <ul style="list-style-type: none"> Use 3D cameras and other IT solutions to achieve greater operational efficiency in our own plants Partner with other companies to develop new products based on liquid fuel Develop services of assisting corporate clients in applying IT solutions to their waste-management operations, and implement them in our own plants |
| FY 2020 | <ul style="list-style-type: none"> Propose and assist corporate clients in applying IT solutions to achieve greater operational efficiency Build and operate a sophisticated database for resource circulation |

Details for FY 2018

Diversify Client Base for Recycled Resources

More than 90% of our recycled resources are supplied to cement manufacturers. To increase our revenue, we need to diversify the client base. Accordingly, we initiated the development of recycled resources for steelmakers in 2016 and started to deliver them to a steelmaker in March 2018. We expect to supply 5,000 metric tons of recycled resources a year.

Install New Equipment in Kitakyushu Plant

We will install new effluent-processing equipment, acquisition cost of which is 123 million yen as a noncurrent asset, in our Kitakyushu Resource Recycling Plant, which has been seeing its production volume rising steadily. The installation will be completed by the end of September 2018, and the equipment will become operational by the end of the year. This action is expected to bring in a revenue of 20 to 30 million yen a year, starting in FY 2019.

Details for FY 2019 and Beyond

Use IT Solutions to Achieve Greater Operational Efficiency

We are considering installing 3D cameras in our plants to measure the amount of stored waste as well as the amount of recycled resources ready for shipment. The use of 3D cameras is expected to bring greater efficiency to physical inventory counting and enable the remote management of storages in partners' plants, thus achieving a significant improvement in operational efficiency.

Pursue Business Partnerships with Other Companies

Diverse technical prowess in recycling, licenses for waste disposal in designated areas, licenses to use port facilities, and a transportation network, among others, are what it takes to facilitate resource circulation nationwide. We are considering launching a joint venture with another company in FY 2019, which is expected to increase the corporate value of both parties.

Unified Management of Receiving and Shipping Information and Sophisticated Database for Resource Circulation

The Manufacturing Department will work with the Product and Technology Development Department to develop a system for efficient and unified management of receiving and shipping information related to recycling services that is scattered around in our plants and regional sales offices. This system will be based on a commercial cloud service and is expected to bring greater efficiency to preparing for recycling services and adjusting receiving and shipping schedules. In FY 2020, we will establish an information platform that enables the designing and offering of a resource-circulation scheme tailored to each community by matching information about generated waste and information about the need for recycled resources.

Key Initiatives of Business Outside Japan for FY 2018 through FY 2020

This section provides updates on our recycling business in Taiwan and Malaysia and on our plan to establish a resource-circulation model in Palau.

Our value proposition

Recycling technology developed and refined in Japan

- Perform zero-emission recycling operations
- Ensure regulatory compliance and fulfill environmental stewardship

Objectives for FY 2020

▶ Bring Business in Taiwan Resource Recycling Plant Back into Shape to Achieve Stable Operations

We will switch sources of raw materials for recycling from the PV cell industry to the surging semiconductor industry to ensure stable supply. Taiwan is the largest supplier of semiconductors in the world, with a 21.3% share of global production.

We will develop the ability to recycle a wider variety of waste in smaller quantities and develop new sales channels for recycled resources. The Taiwan Plant is expected to return to profitability in FY 2019.

▶ Expand Business Model at AKBK Sustainable Resource Management Centre

The Malaysian government has established a goal of achieving a waste recycling rate of 22% in 2020, and recycling needs are on the rise across the country. We will develop new types of recycled resources and pursue new businesses to meet growing client needs. We will continue to work with the Berjaya Group to accept six times as much waste in FY 2020 as in FY 2017, when we received 3,800 metric tons of waste.

2nd half of 18

- Add a facility to produce alternative fuel used for cement production

FY 2019 and FY 2020

- Increase the types of waste AKBK Centre is licensed to recycle
- Make additional capital investments
- Consider launching an environmental consulting business in anticipation of greater competition in the recycling business

▶ Establish Community-Based Resource-Circulation Model in Palau

We signed a partnership agreement with the province of Koror, the largest province in the Republic of Palau, in 2016 and proposed that the province establish a community-based resource-

circulation model. As an overseas extension of the BIO System being rolled out in Minamisanriku, Miyagi Prefecture, we expect to build and operate a compact biogas facility in FY 2019 or FY 2020.

Key Initiatives of Regional Systems Design Business for FY 2018 through FY 2020

This section discusses a plan to develop and expand the BIO System, launched in FY 2016 to provide integrated services of assisting a community in achieving greater sustainability.

Our value proposition

Optimize resource circulation and energy utilization in a community

- Establish a recycling system for resources and economy in a community, including waste recycling
- Establish an energy-generation scheme in a community
- Bring out the full potential of a community

Provide a community platform

- Establish a mutually aiding, self-contained municipality
- Implement and operate a community infrastructure that encourages full resident participation

Objectives for FY 2020

▶ Focus on Putting BIO System on Solid Footing to Achieve Profitability in FY 2021

We have been developing and operating a business built around the BIO System in Minamisanriku, Miyagi Prefecture, while pursuing opportunities to expand the BIO system into other communities. However, we have decided to focus, for the time being, on putting the business model built around the BIO System on a firm and competitive footing so that we will be able to establish a solid track record and use it as a leverage when offering the system to other communities for consideration.

FY 2019

- Establish a method of recycling non-food waste in a community
- Complete the development of a compact biogas facility with a high return on investment

FY 2020

- Establish a mechanism to revitalize a community

Challenges to Expanding Service Areas for BIO System

▶ Overcome Risks Involving Municipalities

Operating a recycling system and managing a community requires the understanding, cooperation, and support of a municipality to establish a business based on a public-private partnership. As a municipal government undergoes frequent changes in personnel, including its head, we must have a long-term vision that local residents embrace wholeheartedly as well as a business model designed to deliver a recurring revenue stream in order to push a proposal through. The success of the business model being rolled out in Minamisanriku is critical for its acceptance elsewhere.

▶ Build Essential Consensus in Community

In AMITA's Regional Systems Design Business, which is based on participation of all residents in a community, local residents need to be committed to taking ownership and initiative. To create a sense of togetherness between AMITA and residents, we coordinate with local schools to provide environmental education to students, hold town meetings and workshops with local residents and business owners, and participate in community activities.

Our Mission II

Wisdom and Life are infinite.

Thorough changes in our surroundings and the evolution of sympathy,

The formation of external and internal relationships create us.

There are no stable phenomena; the universe is in flux.

Because we are who we are,

We need to have a good relationship with infinite life.

Our hearts hold everything that humanity seeks.

What humanity seeks is to protect the dignity of our future children.

We have the passion to give this goal a form and offer it.

We declare.

To attest that life is capital to create value,

To give priority to building cyclical relationships for realizing a sustainable society,

To conduct only business that contributes to increasing natural capital and relational capital, and

To protect the dignity of living systems.

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Published August 2018

Published by: AMITA HOLDINGS Co., Ltd.

Publisher: Eisuke Kumano

Editor in chief: Akari Fujimoto

Copy written and edited by the Corporate Communications
and Marketing Team

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