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Annual Report 2016

Creating Value, The AMITA Way

What is value?

“No one will be able to live if the seas are polluted and nature disappears”

– The story of a small miracle in Minamisanriku –

Have you heard of Minamisanriku in Japan's Miyagi Prefecture?

After the tsunami in 2011, Minamisanriku became known for the steel girders that were all that remained of the town's disaster response center. However, in happier times it's a beautiful place surrounded by fertile mountains and abundant seas.

The tsunami caused huge damage to the town's fishing industry. The rafts and nets the fishermen had used for decades for aquaculture were swept away. Some of these fishermen said that, for a while, they lost the will to live. However, feeling a solemn duty to those who died, and thinking of Minamisanriku's future, they rebuilt their businesses.

Then in March 2016, the town's aquaculture organization became the first in Japan to achieve certification under the Aquaculture Stewardship Council's (ASC) Bivalve Standard. Before the earthquake, the local oyster-farmers cultivated oysters in crowded conditions, squeezing in as many rafts as possible to boost output. After the disaster, they cut the raft area by two thirds and switched to cultivation methods that do not have an adverse impact on the marine environment.

“At first there was strong opposition. Everyone was worried. However, we found that after sharply reducing the number of rafts, we harvested as much in a year as we had previously in three, and the reputation of our oysters improved in the marketplace. We thought we knew all there was to know about oysters, but actually we knew nothing. The disaster was our teacher. Before it happened we never dreamed we'd be the first cooperative in Japan to achieve international certification. Sales fell slightly, but whereas we used to work even on weekends, now the family can go to the movies! We have more breathing space now, a more fulfilling life.” (Kiyohiro Goto, chairman, Togura oyster group)

What is genuine fulfillment? True sustainability? The answers are here.

The AMITA Group established a base in Minamisanriku in March 2012. It has since developed in tandem with the town's recovery. To realize the town's vision – “Forests, fields, ocean, people: the Minamisanriku cycle of life” – AMITA supports the creation of a community that places great value on linking people with the abundance of their natural surroundings. Our work includes establishing arrangements for recycling resources, conducting forest and marine environment certification assessments and providing guidance with regard to environmental farming practices. (See pp.16 & 19 for details)

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

W. Eugene Smith

*Quote approved by Aileen M. Smith, W. Eugene Smith's wife

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40 years: a fresh resolve

Creating the future with “Innovation 3.0”: social innovation

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



Top Priority: Value Creation and an Earnings Rebound

In April 2017, the AMITA Group will celebrate 40 years in business. I would like to offer my heartfelt thanks to the many stakeholders, including our shareholders, whose help has made this possible.

In FY 2016, sales totaled ¥4,729mn (initial forecast: ¥4,868mn), operating income ¥77mn (initial forecast: ¥70mn), and ordinary income ¥53mn (initial forecast: ¥41mn). The company booked a net loss of ¥26mn (initial forecast: ¥19mn).

While we hit our operating and ordinary income targets, I'm afraid to say we incurred a net loss. However, results improved sharply year on year. We think the restructuring we have implemented over the past few years in the group as a whole is steadily yielding fruit.

Things are starting to take shape.

A decade has passed already since the company was listed in 2006. Looking back, soon after listing, as society was being shaken by the subprime mortgage crisis and the collapse of Lehman Brothers, we failed to understand and anticipate market trends and in 2010 incurred a substantial net loss of ¥550mn. We immediately restructured, ceasing some business activities and merging companies. The next year, 2011, net profits rebounded to ¥250mn. Subsequently, the core of our business gradually shifted from recycling (a volume business) to providing total solutions (a quality business). We aimed to establish a business model that was lucrative even with modest sales growth. Regrettably, in FY 2016, capex remained a priority and we missed our profit targets. However, the biogas facility in Minamisanriku has started to contribute to earnings, and the construction of a plant by an affiliate

in Malaysia is going smoothly. We will work very hard to secure stable earnings in FY 2017.

Will the AMITA Group be able to keep its promises to the market in FY 2017, its 40th year in business and 11th year as a listed company? It will be a year in which the AMITA Group's enterprise value will be tested. We need to prove through our actions that we can simultaneously offer social value and pursue profits. We have therefore made extensive management changes, bringing in many younger leaders in their 30s and early 40s who have extensive experience on the front lines of business and outstanding project management skills. We have also made a major change in direction in terms of our marketing methods, moving away from face-to-face marketing (mainly visits) to inside sales (non-face-to-face sales). Via a combination that includes effective visits when necessary, but with telephone and email as the main contact methods, we are striving to stay in close touch with clients in real time, boost client

satisfaction, and reduce marketing expenses. In terms of management, creating value and hitting our operating and net income targets of ¥110mn and ¥15mn are top priorities. We are working hard to achieve these targets and have established a structure in which all senior management get involved in front line activities.

AMITA's history and path to the future

The political, economic, and social setup in Japan and elsewhere has been shaken in recent years. At a time when it's hard to forecast even a year ahead, I continue to tell employees and students, "You are the future." I bring together like-minded people with a strong urge to achieve a sustainable society, and together we turn ideals into reality. This is the AMITA Group's business principle, and it has not changed in the 40 years since our founding. This is what keeps us moving steadily forward in an uncertain world.

AMITA was founded as a metal resources trading company in Himeji in 1977. When demand declined due to the second oil crisis, we began to focus on the value of industrial waste, which offered higher quality than natural raw materials and represented a competitively priced alternative. At the time, few people were ready to accept this approach. Many were adamant that waste could not be used. But circumstances changed in our favor—there were sharp rises in prices of natural resources, Japan's economic bubble collapsed, and environmental awareness increased worldwide. Slowly but surely, business expanded.

In 1992, we started operating the Himeji Resource Recycling Plant, our first manufacturing plant. Our recycling technology, which fully recycles waste into resources, has been highly praised. Today we have 7 manufacturing plants and 3 partner plants in Japan and elsewhere, and a network of more than 300 partner business bases in Japan. This constitutes Japan's largest resource cycle platform. At the end of the 1990s, we started our Eco-solutions Business, which simultaneously reduces a company's environmental risk, environmental costs, and environmental footprint. Eventually we came to provide a wide range of environmental support programs, including environmental certification assessments and CSR activities. In 2005, we established a sustainable economy research institute to handle sustainability needs in regional areas. After the Great East Japan Earthquake, we worked on creating a comprehensive regional recycling model in Minamisanriku, a town in Miyagi Prefecture. This resources recycling model centered on Minamisanriku BIO, a biogas facility that started operating in 2015. It has attracted attention from local governments all over Japan and a similar approach is now being adopted in regional areas across the country.

It has been 40 years since we in the AMITA Group first developed our core ideal of realizing a sustainable society. We have continued to devote ourselves to that goal in these turbulent times, with support from countless people, including our many clients and staff, shareholders, local governments, national ministries and agencies, people in regional areas, and our employees' families. It is my responsibility to repay this debt by

realizing our company's ideals, and by achieving business performance. This challenge gives my life meaning.

Vision of the future

Japan is fast becoming a "super-aged" society, with 30% of the population elderly. A vicious circle is starting to form, affecting not just remote villages, but also regional cities: a declining population results in economic degeneration, which leads to deterioration in the natural and living environment, which in turn causes populations to decline. A prevailing view is that without an increase in population there will be no economic development, and that a nation will decline unless it relies on international demand. But this is mistaken. In the second half of the Edo period, when Japan was closed to the outside world, the Japanese population remained broadly unchanged, and yet per capita GDP rose (from \$570 in 1700 to \$669 in 1820*).

Japanese people at the time achieved sustainable growth without population growth by competing over value, rather than over short-term growth based on mass production, consumption, and disposal. They improved the Japanese morning glory, peonies and decorative carp. They focused on extensive recycling and the pursuit of culture and arts. This inspires me. It makes me think that the quality of society can be improved through private-sector knowledge and techniques without relying on the government or politics.

The AMITA Group, along with client companies and

*Ministry of Health, Labour and Welfare (MHLW) white paper

local governments, will bring about “Innovation 3.0” —social reform that fulfills this ideal. The first step is two major services: The Sustainable Stage, our integrated service established in FY 2016, which boosts corporate sustainability, and our BIO System, which boosts the sustainability of regions and local governments. In addition, we are developing outside Japan, mainly elsewhere in Asia, a region of striking growth. Through these business activities our aim is to establish a Social Systems Design Business that will work against the negative social legacies that are increasing due to technological and market advances—namely environmental pollution, resource depletion, and growing human isolation.

Earnings have been sluggish in recent years, but with growing social needs and the development of young people who will be leaders of the next generation, I am confident that we will be able to bring you plenty of good news in the years ahead.

I seek your understanding and support as we strive to make this future a reality, and I seek your constructive guidance. I would be delighted if together, we can play an active role in changing society. In fact, nothing would make me happier.

March 2017

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

熊野英介

AMITA 40 years of pioneering the future

1977–2016

1970

1978-
The Second Oil Crisis

1980

1985
The Plaza Accord
1987
Global population
surpasses 5.0bn

1990

1993
Basic Law on the
Environment enacted
Japan signs
Convention on
Biological Diversity

1998
Global population
surpasses 6.0bn

2000

2001
USA multiple
simultaneous
terrorist attacks

2005
Kyoto Protocol enters
into force

2007
Subprime mortgage
crisis

- 1977 Establishes SUMIEITO KOSAN
- 1979 Issues first proposal to use waste in place of natural resources
- 1986 Starts to recover precious metals and rare earths from electronic components
- 1987 Establishes Tokyo office
- 1989 New head office building completed in Himeji

- 1992 Establishes Himeji Resource Recycling Plant



Issues resource recycling magazine WIEDER

- 1995 Establishes Ibaraki Resource Recycling Plant
- 1996 SlurMix®, a method of recycling that turns industrial waste into alternative fuel, successfully patented (No. 2594418)
- 1999 FSC® certification assessment service begins



- 2000 SUMIEITO Co., Ltd. becomes AMITA CORPORATION
- 2001 AMITA moves head office to Tokyo
AMITA business initiatives win Good Design award
- 2002 AMITA joins the UN Global Compact
- 2004 Starts to provide corporate environmental risk consulting service in earnest
- 2005 Establishes Institute for Sustainable Economies
Establishes Kyotango Resource Recycling Plant
- 2006 Listed on the Nippon New market Hercules (which became part of JASDAQ in July 2013)
Starts MSC fisheries certification assessment service
- 2008 CSR and environmental strategy support site "Daily AMITA Update" website set up
- 2009 Waste management cloud service
Digital Waste Management System starts

2010

2010
Eurobond crisis
2011
Great East Japan
Earthquake
Global population
surpasses 7.0bn

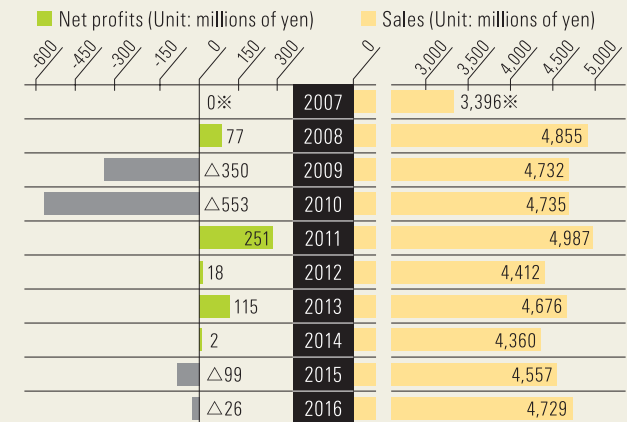
2016
UK Brexit vote

- 2010 Establishes AMITA HOLDINGS Co., Ltd.
Establishes Kawasaki and Kitakyushu Resource Recycling Plant
- 2012 Opens Minamisanriku Office
- 2013 Establishment of AMITA Resource Recycling Partner: AICHI KAIUN Co., Ltd. Gamagori Recycling S.C.
- 2014 Launches waste management business outsourcing service "Best Way Waste Management Service"
- 2015 Establishment of AMITA Resource Recycling Partner: FUJI UNYU KAISHA, LTD. Resource Recycling Plant
Establishes Minamisanriku BIO



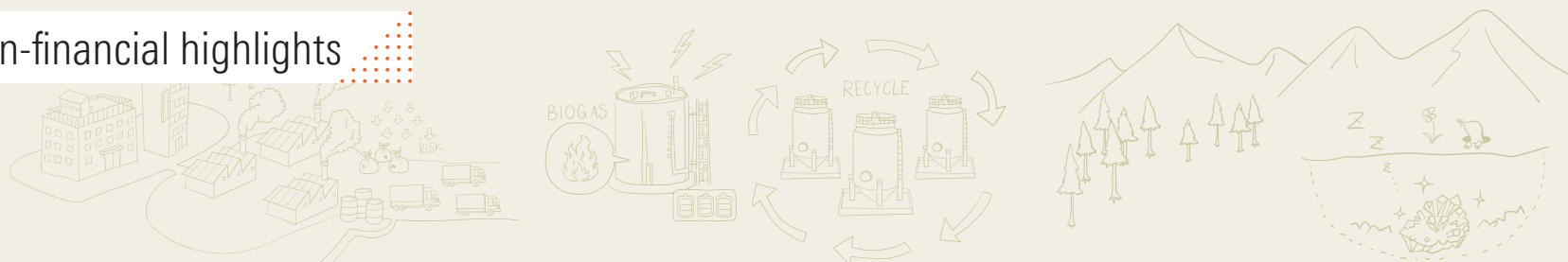
- 2016 Accredited as Japan's first ASC aquaculture certification body
Establishes The Sustainable Stage, integrated service to enhance corporate sustainability
Establishes integrated service BIO System to enhance regional sustainability
Establishes Taiwan Resource Recycling Plant
Establishment of AMITA Resource Recycling Partner: KIMURA DOBOKU Co., Ltd. Kuchinofuto Resource Recycling Plant

Consolidated accounting since listing



Results for 2007 are for nine months due to a change of accounting period

FY 2016 financial and non-financial highlights



INPUT-OUTPUT overview

Energy input

Actual at own plant (excluding Taiwan plant, headquarters, offices, and partner plants)

Electricity **2,013,000 kWh**
(renewable energy 730,000 kWh)

Diesel oil **139 kl**

Kerosene **65 kl**

Gasoline **7 kl**

Water used

Mains water **6,078 m³**

By-products and residues received that become resources

Actual at own and partner plants (excluding Taiwan plant)

Industrial waste (own plant 140,000t) **160,000t**

Household waste (Minamisanriku BIO, Kyotango plant) **282t**

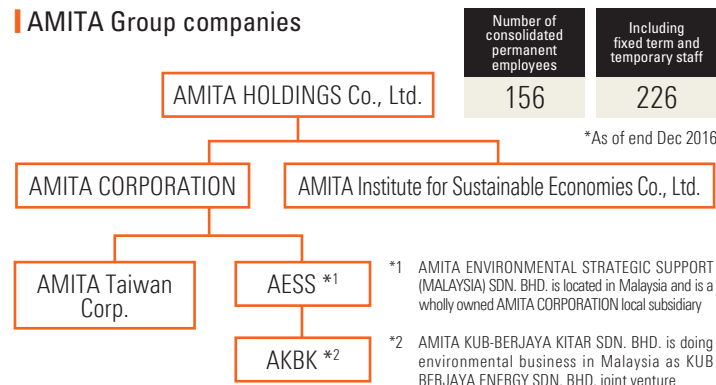
Commercial food waste (Minamisanriku BIO, Kyotango plant) **45t**

Sludge (Minamisanriku BIO only) **2,175t**

Other raw materials (treatment agents, etc.) **11,000t**

INPUT

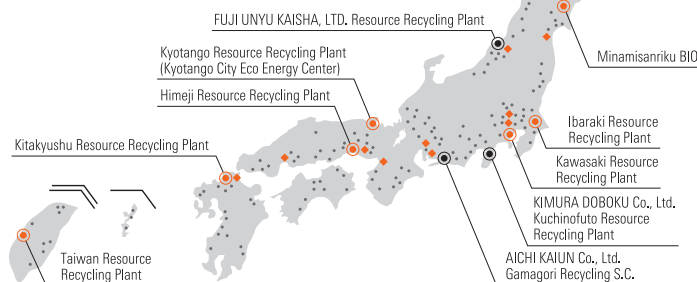
AMITA Group companies



AMITA Resource Cycle Platform

- AMITA CORPORATION Resource Recycling Plants/BIO
- ◆ AMITA CORPORATION offices/sales offices/branch offices
- AMITA Resource Recycling Partners' Plants
 - Partner companies

Own plants	Partner plants
7 manufacturing plants	3 bases
Waste generators	Collection, transportation, disposal companies
Around 900 operational bases	Around 300 operational bases



OUTPUT

Financial performance (Unit: millions of yen)

	Sales	Operating income	Ordinary income	Net income
FY 2016 forecast	4,868	70	41	19
FY 2016 results	4,729	77	53	△26

Recycling performance

Actual at own and partner plants (excluding Taiwan plant)

Cement raw material	153,085 t
Specialty steel raw materials (Ni, etc.)	1,957 t
Metal raw materials (Cu)	673 t
Liquid fertilizer	9,358 t
Power generated	750,000 kWh

Number of clients (companies, local governments, etc.)

1,216 companies, including 300 listed companies

Company recognition

Total number of websites operated by the group

Number of website pages viewed/year	227.9 PV
Number of users/year	689,000 UV

CO₂ emissions

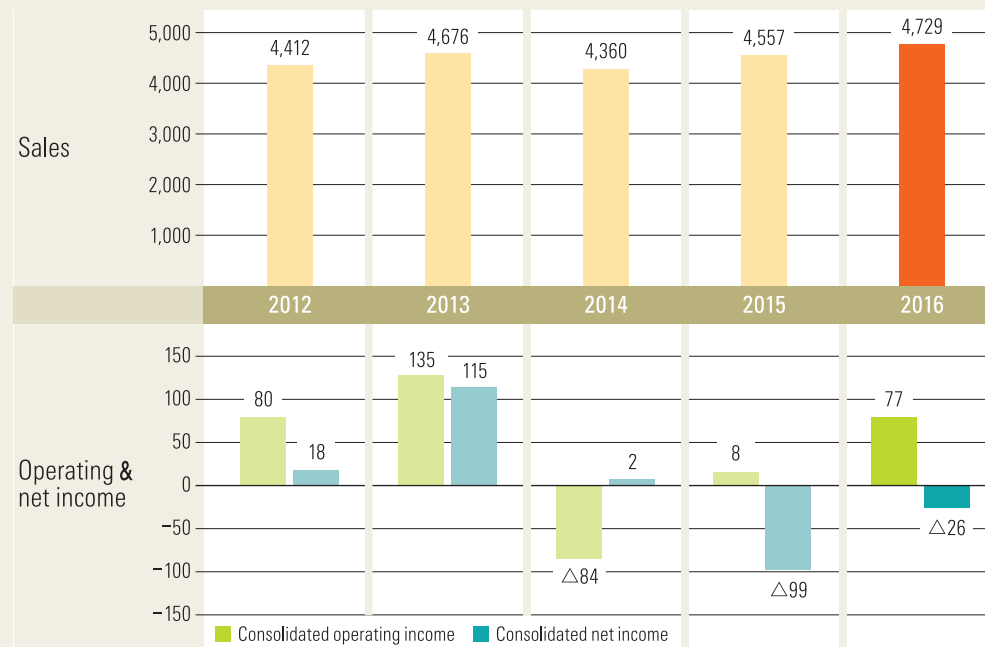
Excluding Taiwan plant, partner plants (AMITA estimate)

In process of collecting raw materials at own plants	119.8 t-CO₂
In process of manufacturing at own plants	880.6 t-CO₂
Headquarters, sales offices, etc.	104.1 t-CO₂

Key financial data



Consolidated results (Unit: millions of yen)



Sales, operating income, and ordinary income were broadly in line with expectations. The company posted a net loss of ¥26mn

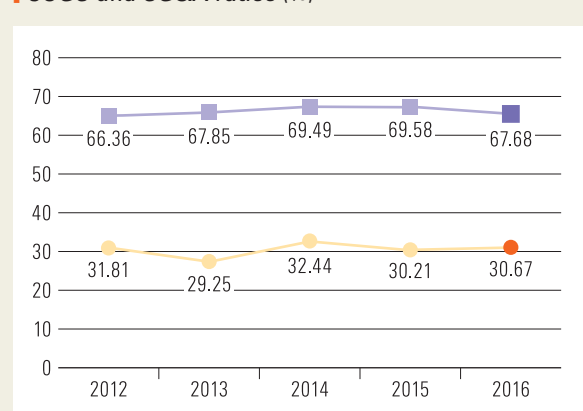
The AMITA Group's full-year consolidated results for the year ended in December 2016 are as follows: sales ¥4,729mn, operating income ¥77mn, ordinary income ¥53mn, net loss ¥26mn (sales missed initial forecast by ¥138mn, operating income beat our forecast by ¥7mn, ordinary income beat our forecast by ¥12mn, net income missed expectations by ¥45mn).

Sales, operating, and ordinary income rose YoY, and although sales slightly missed forecast results were broadly in line with expectations. The company booked a net loss, due mainly to lower-than-expected compensation from TEPCO for damages caused by the Fukushima Daiichi nuclear power plant accident (booked as extraordinary gains).

Margins on recycling business increased due to business restructuring

Operating and ordinary income slightly beat expectations. Due mainly to establishment of a structure enabling the AMITA Group to respond quickly to emergency spot recycling projects (one-off waste disposal), the company won more for high-margin projects. However, the Taiwan Resource Recycling Plant, which started operating in March, was slow to make an earnings contribution due mainly to delay in administrative procedure, shipping adjustment and facility maintenance in Q4.

COGS and SG&A ratios (%)

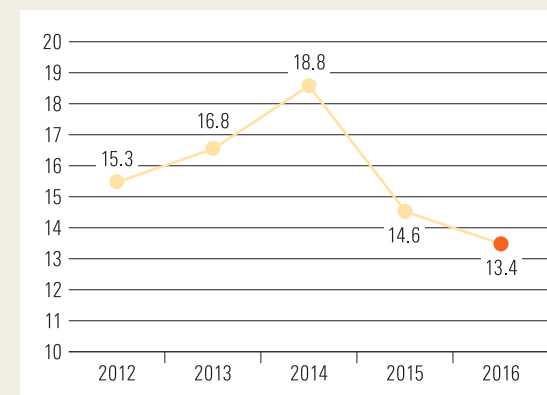


COGS improved slightly

COGS and the gross margin improved slightly to 67.7% and 32.3%, from 69.6% and 30.4% last year, due to higher total sales and reductions in manufacturing costs.

SG&A was broadly flat at 30.7% (versus 30.2% last year).

Equity capital ratio (%)



The equity capital ratio declined slightly

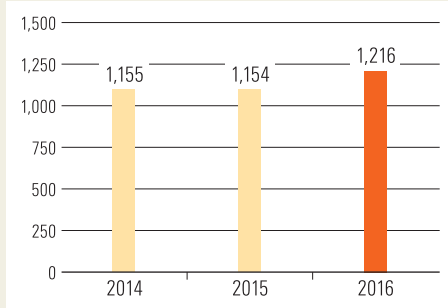
The equity ratio was 13.4%, down slightly from 14.6% last year. This was mainly due to the booking of a net loss. We intend to reduce interest-bearing debt and boost our equity ratio while maintaining a balance with investment designed to improve earnings and rebuild a sound financial structure.

Key non-financial data

Key products supplied

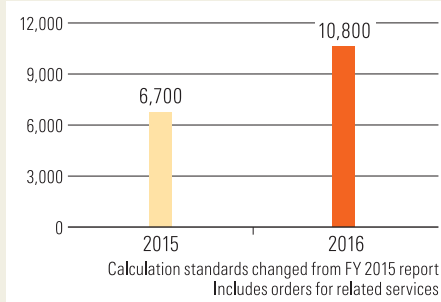
Number of clients

Companies, local governments, etc.



The number of clients in the environmental solutions menu (consulting, environmental certification, etc.) increased, rising by 62 companies compared with FY 2015.

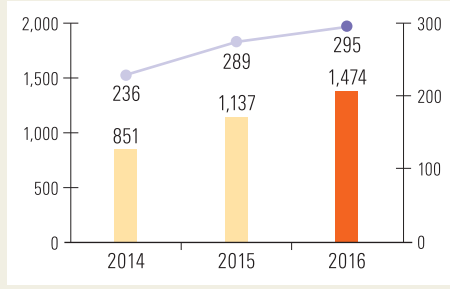
Waste Management Best Way sales (Unit: ten thousands of yen)



Sales increased due to fresh orders and expansion of range of services provided to existing clients. We will strive in FY 2017 to strengthen the functionality of The Sustainable Stage as a key business.

Introduction of Digital Waste Management System

Business Office



We have enhanced commerciality in terms of product appeal, marketing capabilities, and client satisfaction and are steadily increasing the number of business premises where the service has been introduced. In FY 2016, we received new orders for company-wide engagement from two companies. (Details on p.17)

Environmental certification

		2014	2015	2016
Forestry certification	FSC® FM (cases)	23	22	23
	FSC® COC (cases)	246	229	256
	FSC® project certification (cases)	6	8	10
Fisheries certification	MSC COC (cases)	41	44	54
	ASC COC (cases)	4	10	20
	ASC aquaculture (cases)	—	—	1

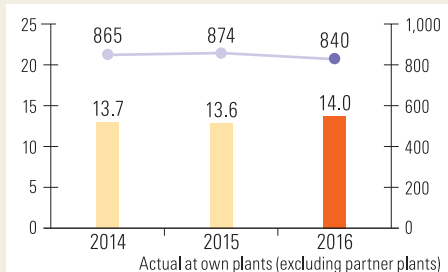
Includes annual audit of existing clients
FSC® project certifications are totals

FSC® COC certification assessments increased, especially in the cardboard industry. The AMITA Group became Japan's first certification body for ASC aquaculture certification. (Details on pp.17 & 19)

Results for receipt/manufacture of 100% recycled materials

Volume of industrial waste received, number of trading premises

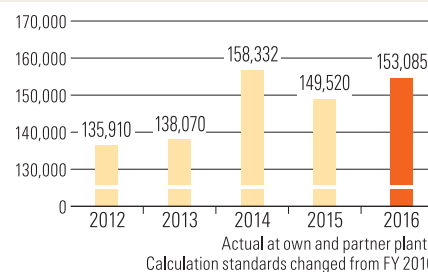
Trading premises Waste



Although the number of trading premises declined, the volume received increased. In FY 2017, our aim is for further growth via group-wide efforts, including drawing up effective plans for collecting raw materials.

Volume of cement raw material manufactured (t)

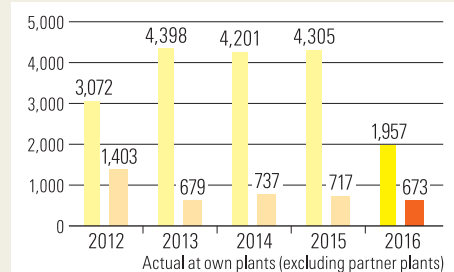
(including SlurMix®)



Manufacturing volume increased at the Kawasaki and Kitakyushu plants. In FY 2016, new facilities installation at the Kitakyushu plant, opening of a new partner plant, and development of new user companies contributed to this increase. (Details on pp.14 & 15)

Metal raw materials production volume (t)

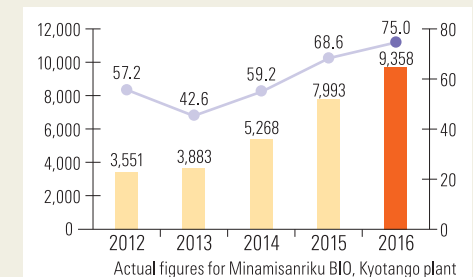
Specialty steel raw materials (Ni, etc.) Metal raw materials (Cu)



Production volume of specialty steel raw materials (Ni, etc.) declined sharply due to circumstances at key clients. We intend from now on to cultivate new clients and engage in product development that matches clients' needs.

Total power production and amount of liquid fertilizer used (kWh/t)

Total power generated Amount of liquid fertilizer used



Total power generated and the amount of liquid fertilizer distributed both increased due mainly to the company obtaining a permit for general waste disposal business and full-fledged operation of Minamisanriku BIO. (Details on p.16)

Non-financial information

The AMITA Group categorizes its capitals into the 6 types of capital advocated by the IIRC* and strives to increase it.

*International Integrated Reporting Council

Manufacturing capital

AMITA Resource Cycle Platform, etc.

Intellectual capital

AMITA's unique expertise, technology, brand strength, etc.

Human capital

Ability of group employees to create value

Social and relationship capital

Relationship with stakeholders created via business activity and the impact of this relationship

Natural capital

Reduction of environmental impact via business activity and conservation of the natural environment, etc.

Financial capital

Financial resources, which are the source of business activity

The 6 types of capital are inter-related, impact each other, and ultimately are given form as financial capital.

Manufacturing capital

We use the term "AMITA Resource Cycle Platform" to refer to the resources manufacturing bases inside and outside Japan that handle recycling, together with the network of collaborating companies. We view this platform as manufacturing capital. Since the Himeji Resource Recycling Plant opened in 1992, the AMITA Group has in stages expanded manufacturing bases, increased recycling capacity, and expanded facilities.

KIMURA DOBOKU Co., Ltd. joins AMITA Resource Recycling Partners!

Due to its becoming an AMITA Resource Recycling Partners, recycling has accelerated in the Western Kanto and Tokai regions. (Details on p.14)

Kitakyushu Resource Recycling Plant installs new recycling facilities!

We aim to increase processed volume of powder waste via introduction of recycling facilities. (Details on p.15)

Minamisanriku BIO starts treating commercial food waste!

Obtained approval to treat general waste in June 2016. (Details on p.16)

However, an area needing improvement is that slight accidents, such as damage to property at manufacturing plants, have increased in number since FY 2015. We aim to provide safe, secure services via analysis of the mid-to-long-term trend in accidents and by changing the working environment and daily safety training.

Number of accidents at manufacturing plants including slight damage to property, etc.

There were no major accidents in FY 2016.

	2014	2015	2016
Cases	21	7	23

Excludes partner plants and the Taiwan plant.
Minamisanriku BIO added from FY 2016

The Himeji plant failed to re-obtain a superior certification due to inadequacies in past administrative procedures. The company will do all it can to improve the quality of management. (Details on p.17)

Intellectual capital

The AMITA Group has accumulated a great deal of environment-related knowledge and knowhow. This is applied in product and business development.

Blending: AMITA's unique recycling technology

Waste is inherently unstable in terms of quality and volume. Blending is a recycling technology in which highly variegated waste is analyzed at the elemental level, then adjusted and combined according to the client's product specifications. Ultimately it is shipped in a stable form as resources. We have a database of all past waste analysis data (around 16,000 cases in FY 2016). This information is used, for example, in the development of new recycled products.

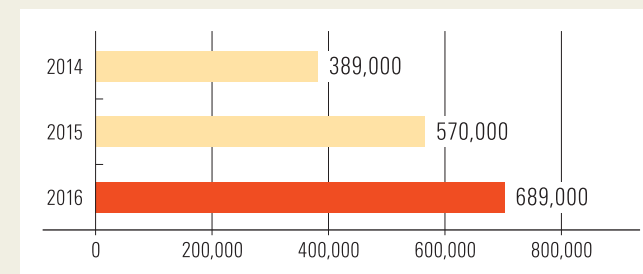
Since FY 2013, AMITA has been developing AMITA Resource Recycling Partners, a network of companies that employs blending technology. At present, partner plants have opened in three prefectures (Aichi, Niigata, and Shizuoka). Compared with building new plants independently, the partner system enables the company to develop resource manufacturing bases more efficiently in terms of time and costs.

Establishing "Environment = AMITA" branding

AMITA operates the Daily AMITA Update website, Japan's largest environmental information website. This helps build a solid corporate brand so that people think of AMITA when they think of the environment and recycling. It leads to service inquiries and orders via the internet.

We intend to strengthen existing business and develop new business to establish a new corporate brand that links the concept of sustainability with AMITA in people's minds.

▶ Number of users of group website (UV)



Non-financial information

Human capital

Based on the idea that people are an asset, not a cost, we use team evaluation in assessment of target achievement and individual evaluation in assessment of ability (inventiveness, planning, human resource development). In this system, teams meet their mission targets while boosting their individual abilities.

AMITA has established a leave system so that employees can take part in social action, and has established assigned books and training by grade to improve employees' capabilities. Due to staff churn, total average evaluation has remained flat over the past three years. However, evaluation of core employees (staff in their fourth to tenth year with the company) has improved year by year.

In addition, in FY 2016, as part of work environment development, we broadened the range of applicability for our paternity/maternity leave and care leave schemes and held a briefing

to promote their use. Also, via steps such as having a Bring Your Child to Work Day we deepened understanding of and support for the company's childcare system.

The staff survey we conduct every year showed that degree of support for our mission and philosophy increased to a historical high of 94%. (See p.23 for details of staff evaluation, p.27 for details of our staff survey)

Employee human resources (work ability) evaluation average

	All employees' evaluation	Staff in their 4th to 10th year with AMITA
2014	101.04	99.93
2015	100.73	101.26
2016	100.75	102.20

The AMITA Group employment situation/use of welfare and benefits system

The numbers cover Jan. 1 to Dec. 31. (The number of days taken off, childcare leave and leave taken to care for relatives cover Jan. 11 to Jan. 10 the following year.)

Categories	Initiatives/performance	2014	2015	2016	
Employment conditions	Number of employees (full time)	143	147	156	
	Gender ratio male : female	75 : 25	71 : 29	71 : 29	
	Female management ratio (%) ^{*1}	7	11	14	
	Average age	38.18	39.90	37.43	
	Employee turnover rate (%)	13	6	6	
Welfare and benefits system	Number of days taken off ^{*2}	13.14	12.24	13.07	
	Number of employees taking childcare leave	Nursing leave	5	9	13
		Short time working hours	5	5	6
		Childcare leave	5	3	4
	Number of employees taking care leave	1	1	1	
	AMITIME system ^{*3} Use of system	4	5	6	

^{*1} Period measured changed from FY 2016 ^{*2} Number of days leave including annual paid leave and other leave ^{*3} System in which employees who need to take leave to care for relatives and for childcare can make use of annual paid leave other employees do not take

Social and relationship capital

The AMITA Group aims to increase social and relationship capital via business activities.

Recruiting Reform

Since FY 2014, the AMITA Group has focused on the following two areas as part of reform of hiring, which is the core of an organization.

- (1) Construction of channels to students with strong affinity
- (2) Establishment of hiring methods unique to AMITA

In FY 2016, to deepen links to university organizations engaged in environmental and social technology R&D in the Kansai region, AMITA hosted three study meetings with research professors and students at Fudenkan and the Himeji plant. In addition to contacting people who would like to join the company or are looking for an internship, AMITA is widening possibilities of joint research in the longer term.

Stakeholder communication leveraging our forum

Our 6 Japanese plants and the Fudenkan, which contains the AMITA museum, receive many visitors, including via corporate and regional events, shareholder gatherings, and study groups for students. The number of visitors and attendees from outside Japan has also increased year by year, and the plants and Fudenkan contribute to marketing activity and hiring as places where people can experience AMITA's knowledge.

Number of visitors in FY 2016

Number of visitors to all plants	Around 2,300
Number of visitors to Fudenkan	Around 1,900

Links with administrative organizations, local governments

AMITA is striving to forge new partnerships with central and local government. In April, in Minamisanriku in Miyagi Prefecture, the company hosted a symposium in a tie-up with the municipal government and Ministry of the Environment (around 160 participants). Minamisanriku BIO, the town's biogas facility, is drawing attention as a forum for environmental education and a model of public-private collaboration. In FY 2016, around 1,000 students, company and government-related figures and local people visited the facility. AMITA is also contributing to horizontal business development in Kami, another town in Miyagi Prefecture, and to increasing the precision of waste separation by local residents. (For details about AMITA's efforts in Minamisanriku see p.16 and p.21)



Local elementary school pupils visiting Minamisanriku BIO

We have strengthened other connections including by hosting joint press conferences with Kitakyushu City about the opening of the Taiwan Resource Recycling Plant.



Joint press conference with Kitakyushu City

Natural capital

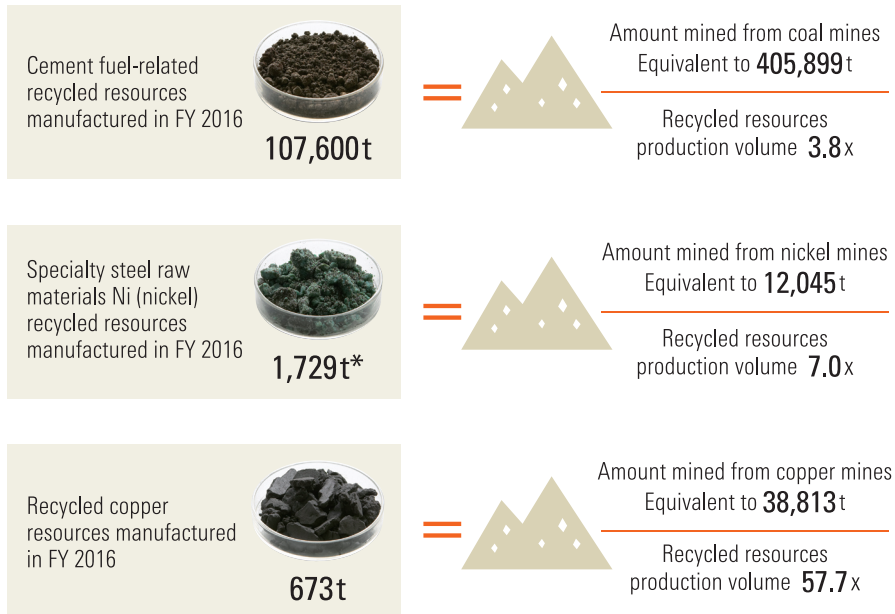
All the AMITA Group's business is connected with growth of natural capital and relationship capital. 100% recycling contributes to preservation of the environment and reduction in the volume of natural resources mined, while support for efforts in biodiversity and environmental certification assessments and audits, including forestry and fisheries certification, helps promote sustainable use

of natural capital. Business support services such as the Digital Waste Management System and Waste Management Best Way lead to reductions in inappropriate treatment such as illegal dumping. Compliance with laws, regulations and standards is observed. BIO System, our service for regional areas, helps to revitalize communities and to create jobs.

Contribution to reducing volume of natural resources mined

100% recycling manufactures alternative resources from waste. We protect natural resources many times the amount of manufacturing volume by supplying alternative resources, which are higher quality than natural resources.

Quantifiable volume of natural resources



*Calculated from Ni substitutes among specialty steel raw materials (Ni, etc.).

Contribution to biodiversity conservation

To contribute to biodiversity conservation, AMITA offers technical training on symbiotic farming. In Kaga City, Ishikawa Prefecture, AMITA proposes standards for selecting agrochemicals (basing selection on agrochemicals' impact on the environment for living things nearby, and cultivating crops using very safe agrochemicals). AMITA provides agricultural training to substantially reduce the environmental impact of agriculture. Since this initiative began in 2014, the number of farmers working this way has increased eight-fold, while the area under cultivation has expanded 14 times.



Farming in Kaga City

Efforts aimed at reducing CO₂

In FY 2016, AMITA started to measure the CO₂ group plants and offices and emissions generated by their own recycling, including transportation of raw materials and products (up until FY 2015 the company had only measured CO₂ processes at its own plants). Jan-Dec 2016 emissions are due to be disclosed on AMITA HOLDINGS' website by the end of 1H 2017.

The around 112t-CO₂ produced in FY 2016 by biogas facility Minamisanriku BIO will be offset via the use of credits issued by Minamisanriku's forestry management organization and other groups for which AMITA conducted certification assessments. This should further enhance our value proposition.

From FY 2017, in addition to existing efforts to reduce power consumption in offices, the

following were implemented:

- Distribution efficiency gains through provision of recycling services
 - Reduction in frequency of usage of vehicles via strengthening of non-face-to-face marketing and promotion of the use of public transportation.
- Other energy-saving activities in a bid to further reduce CO₂ emissions.

Minamisanriku BIO CO₂ (FY 2016)

Emissions from offices and manufacturing facilities	70.5t-CO ₂
Emissions associated with collecting raw materials	38.4t-CO ₂
Emissions associated with dispersal of liquid fertilizer	3.1t-CO ₂

Due to differences in measurement methods, figures can change when emissions are offset.

What is carbon offset?

Striving as far as possible to reduce emissions of greenhouse gases such as CO₂ that are emitted in the course of daily life and economic activity, carbon offset refers to activities aimed at absorbing

unavoidable emissions directly and indirectly in other locations via reduction efforts based on planting forests, protecting forests, and clean energy business (purchase of emissions rights).

Financials – These are the AMITA Group's financial results for FY 2016 (Jan.1,2016 - Dec.31,2016)–

FY 2016 results

(Unit: millions of yen)

	Results in previous period	Initial forecast for period	Results	Rate up/down against forecast
Sales	4,557	4,868	4,729	97%
Gross profit	1,386	—	1,528	—
Selling, general and administrative expenses	1,377	—	1,450	—
Operating income	8	70	77	110%
Ordinary income or ordinary losses	△10	41	53	129%
Net income or net losses	△99	19	△26	△137%

Although the recycling business in Japan was firm, sales in FY 2016 missed the initial forecast by ¥138mn due mainly to lower-than-expected treatment volume at the Taiwan Resource Recycling Plant. Operating and ordinary income were both broadly in line with expectations due mainly to lower forex losses and high-margin recycling orders. The

company booked a net loss of 26 million yen due mainly to lower-than-expected compensation from TEPCO for damages caused by the Fukushima Daiichi nuclear power plant accident (booked as extraordinary gains). (YoY: sales +¥172mn, operating income +¥69mn, ordinary income +¥63mn, net income +¥73mn)

Dividends

(Unit: yen)

2010	2011	2012	2013
0	0	0	10
2014	2015	2016	FY 2017 (projected)
0	0	0	0

Our basic policy with respect to dividends is to return profits commensurate with results to our shareholders while striving to achieve financial soundness and strengthen our management base. Accordingly, our aim is to distribute around 30% of consolidated net income at the end of the fiscal year. As regards dividend payments for FY 2016, unfortunately, as forecast in February 2016, due to sluggish earnings over the past few years our priority is to improve our financial soundness and we will therefore not pay a dividend. For the same reason, we also expect to pay no dividend in FY 2017.

Consolidated balance sheet

(Unit: thousands of yen)

Items	Year concerned (ended 31 Dec 2016)	Preceding year (ended 31 Dec 2015)
(Assets)		
Current assets	1,795,395	1,676,424
Fixed assets	2,434,981	2,464,822
Tangible fixed assets	2,171,766	2,219,948
Intangible fixed assets	48,094	57,816
Investments and other assets	215,120	187,057
Total assets	4,230,376	4,141,247
(Liabilities)		
Current liabilities	1,935,160	1,783,043
Fixed liabilities	1,726,378	1,755,050
Total liabilities	3,661,538	3,538,094
(Net assets)		
Equity	577,206	604,095
Capital	474,920	474,920
Capital surplus	244,683	244,683
Retained earnings	△142,213	△115,324
Treasury stock	△183	△183
Other comprehensive income	△8,368	△941
Total net assets	568,837	603,153
Total liabilities and net assets	4,230,376	4,141,247

Consolidated income statement

(Unit: thousands of yen)

Items	Year concerned (Jan.1,2016-Dec.31,2016)	Preceding year (Jan.1,2015-Dec.31,2015)
Sales	4,729,691	4,557,791
Cost of sales	3,201,030	3,171,637
Gross profit	1,528,660	1,386,153
Selling, general and administrative expenses	1,450,711	1,377,258
Operating income	77,948	8,894
Non-operating income	3,372	19,036
Non-operating expenses	27,360	38,145
Ordinary income or ordinary losses	53,960	△10,214
Extraordinary income	169,183	34,453
Extraordinary losses	148,886	44,602
Net income or net losses before tax	74,257	△20,363
Corporation tax, residence tax, and business tax	122,137	39,243
Corporation tax adjustment	△21,631	39,456
Net losses	△26,249	△99,062

Consolidated cash flow statement

(Unit: thousands of yen)

Items	Year concerned (Jan.1,2016-Dec.31,2016)	Preceding year (Jan.1,2015-Dec.31,2015)
Net cash provided by (used in) operating activities	430,713	49,049
Net cash provided by (used in) investment activities	△516,642	△360,600
Net cash provided by (used in) financing activities	△34,930	281,345
Effect of exchange rate changes on cash and cash equivalents	△17,001	5,959
Net increase/decrease in cash and cash equivalents	△137,859	△24,245
Cash and cash equivalents at beginning of period	714,857	737,775
Increase in cash and cash equivalents from newly consolidated subsidiaries	2,812	1,327
Cash and cash equivalents at end of period	579,810	714,857

Three-year mid-term plan



We aim to enhance group profitability and achieve mid-to-long-term growth

AMITA HOLDINGS Co., Ltd.
CFO
Taro Shimizu

As we approach our 40-year milestone, looking at current social and environmental issues inside and outside Japan, I feel society's need for our business is going to increase. As CFO of a company forging a flourishing future that meets these needs, I believe my mission is to boost our own sustainability from a financial perspective and strengthen our organizational foundation.

We missed our sales and net income forecasts for FY 2016. However, operating and ordinary income were broadly in line with forecast and improved sharply year on year. This was due mainly to marketing and operational reform, implemented as part of extensive business format reforms that the group as a whole has grappled with for some years. I believe this points to gradually restoring profitability for our business. Especially as regards domestic recycling, where urgent projects are concerned we have established a structure that accelerates the work flow after receiving a request. This includes analysis of waste materials, consideration and selection of recycling methods, coordination of downstream user

companies, and contact administration. These tasks can be completed in 1/3 to 1/2 the time it took before, enabling us to take on high-margin urgent projects. Margins have improved. The sales to operating income ratio was 1.6% (versus 0.2% last year), while the sales to ordinary income ratio was 1.1% (versus minus 0.2% last year). However, as margins are still low relative to the domestic average, we will continue to work to enhance business profitability in partnership with all divisions including marketing, consulting, manufacturing, and development.

Partly due to lower-than-expected compensation from Tokyo Electric Power, we booked a net loss of 26 million yen. In view of FY 2016 results and forecasts of change in market conditions, we have drawn up a three-year medium-term plan covering FY 2017-19 as shown. In 2017 (year ending December 2017), reaching our forecasts is our top priority. We plan to implement financial measures conscious of longer-term growth and organizational resilience (tough, stable). We therefore continue to ask you for your support and encouragement.

Three-year mid-term plan unveiled in Feb 2016

(Unit: millions of yen)

	FY 2016 (plan)	FY 2016 (actual)	FY 2017 (plan)	FY 2018 (plan)
Sales	4,868	4,729	5,078	5,318
Operating income	70	77	144	231
Ordinary income	41	53	137	248
Net income or net losses	19	△26	55	143



Three-year mid-term plan renewed in Feb 2017

(Unit: millions of yen)

	FY 2016 (actual)	FY 2017 (plan)	FY 2018 (plan)	FY 2019 (plan)
Sales	4,729	4,791	4,990	5,403
Operating income	77	110	200	320
Ordinary income	53	68	166	315
Net income or net losses	△26	15	82	201

Although we booked net losses in FY 2016, we met our operating and ordinary income targets and were able to realize the benefits of our business format reforms. However, the social and economic environment has become increasingly uncertain and unstable. Factors include falling crude oil prices and major policy change with Donald Trump taking over as US president.

With external circumstances marked by major uncertainties, we have revised our three-year plan to a more concrete plan aimed at strategic and stable growth while anticipating business risk. We aim to be a company that continues to marketize social needs by steadily making mid-to-long-term efforts focused on growth and profitability. (For details of AMITA's mid-to-long-term strategy see pp.12 & 13)

Mid-to-long-term business scenario aimed at realizing a “sustainable society”

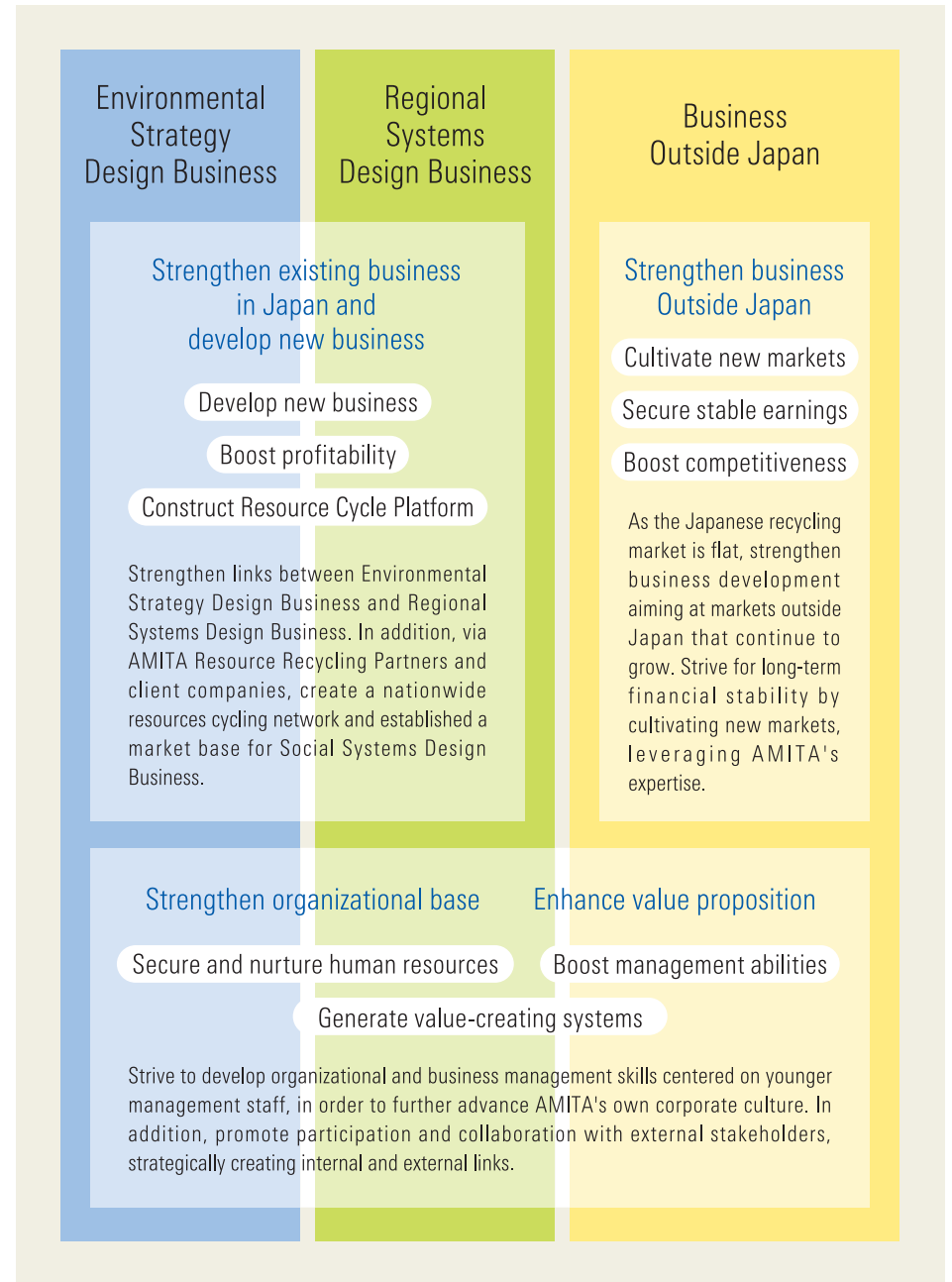
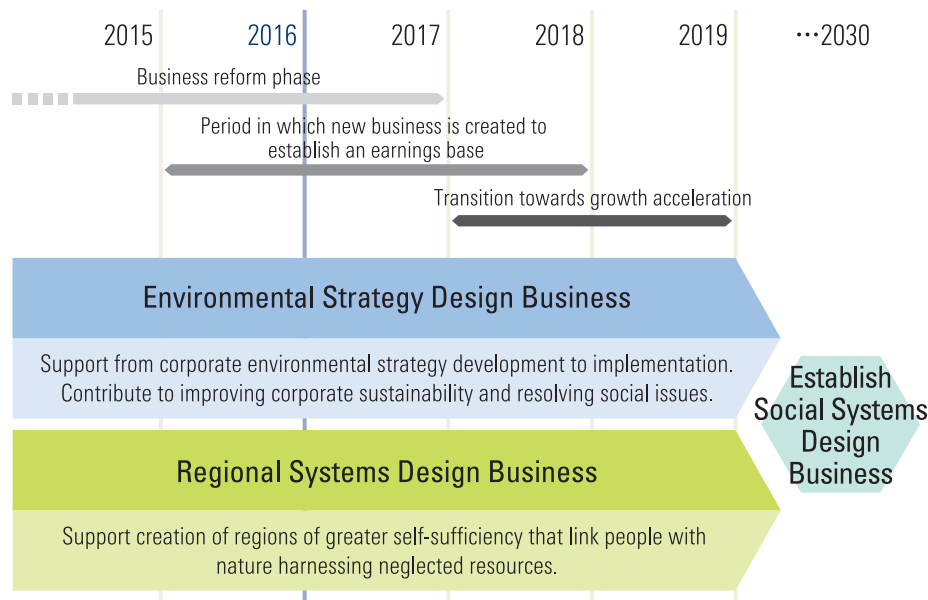
Global financial markets in 2016 were unstable due to Brexit and the US presidential election. AMITA sees its mission as realizing a sustainable society by bringing about social change in a highly turbulent age.

measures with corporate environmental strategy. By fusing Environmental Strategy Design and Regional Systems Design, AMITA is striving to become a “second public body” that improves society as whole.

AMITA aims to establish a coexisting economy in place of a monetary economy by about 2018 through setting up small, dispersed independent cyclical systems that do not rely on external economies in a number of regions and, by 2030, expanding to regions nationwide and forming them all into a network.

To address this challenge, we will aim to boost profitability and cultivate new business by strengthening existing business, developing new business and strengthening business outside Japan. That being the case, we will need to strengthen our organizational foundation and enhance our value proposition. Accordingly, we will come to grips with establishing structures that create value both within and outside the company and that nurture human resources.

What is important here is linking local government and residents' environmental

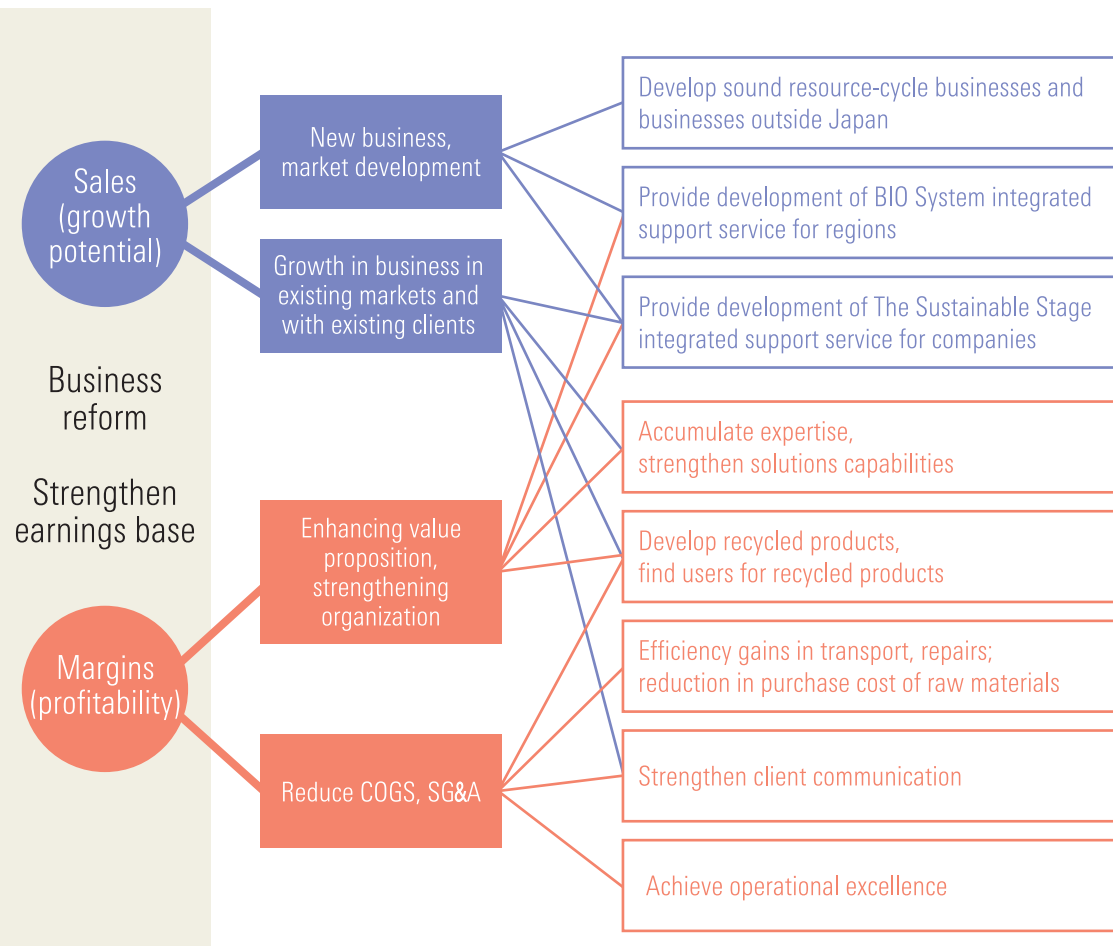


Medium-term strategy 2016-2018

Since 2014, the AMITA Group has been working on business reform aimed at improving profitability. Since 2016, the company has been engaged in structural improvement and restructuring on an all-company basis aimed at creating new business to strengthen its earnings base. Here we outline our medium-term strategy and efforts aimed at boosting growth potential and profitability.



- ▶ Nurture creative, constructive staff who can realize their ideas, and focus on appointing younger staff.
- ▶ Create a better business climate by broadening internal and external affinity.
- ▶ Focus on introducing IT technology and systems that enable the company to develop new business and achieve business efficiency.



Actions

- Human resources investment, surveys of rivals, consideration of cooperation, etc. aimed at stable operation and expanding business at Taiwan Resource Recycling Plant
- Develop recycling business in Malaysia
- Market surveys and environmental measure needs in East Asia and elsewhere
- Develop small and medium-sized biogas facilities
- Establish high-margin business model based on Minamisanriku model
- Consider regional industry creation model leveraging IoT
- Develop business outside Japan, especially on islands
- Develop marketing channels aimed at management, business development departments
- Alliances with influential external parties and network organization
- Boost order unit prices by proposing integrated support
- Implement staff training by level and division
- Run internal business model contests
- Construct environmental database using IT systems
- Strategically secure a delivery quota for cement companies
- Develop new recycled products for the non-ferrous metal smelting industry
- Expand Resource Cycle Platform via partner development
- Set up new special logistics team
- Revise repair plans and training of manufacturing facilities maintenance engineers
- Rather than purchasing resources for quality adjustment purposes, advance towards use of resources derived from waste
- Strengthen inside sales (non-face-to-face marketing) and client service
- Strengthen functions of website marketing system
- Consolidate sales bases, team restructuring
- Introduce total management method that enables management to always be aware of margins for each business activity
- Reduce risk of accident or injury by improving the working environment at manufacturing plants

Highlights of key initiatives in FY 2016

In FY 2016, we focused on the 3 fundamental themes in order to reform our business and create new business

Highlights of main initiatives in FY 2016			Results
Business growth in existing markets and with existing clients	Environmental Strategy Design	100% recycling raw materials procurement support • Introduced new facilities at Kitakyushu Resource Recycling Plant to boost input volume • Improved business model and reduced COGS • Addition of AMITA Terrestrial Resource Manufacturing Partner • Focused on securing major spot contracts	◎
		Expanded provision of environmental certification surveys • Engaged in PR and marketing activities to boost awareness • Strengthened certification team and increased number of team members	◎
		Expanded provision of Digital Waste Management System • Strengthened product appeal, marketing capabilities, client satisfaction	○
	Regional Systems Design	Created recycling model in Minamisanriku, Miyagi Prefecture • Creating values centered around Minamisanriku BIO • Obtained permit for general waste treatment business at Minamisanriku BIO	◎
New business, new market development	Environmental Strategy Design	Developed new services for companies • Developed and provided The Sustainable Stage, an integrated service to enhance sustainability • Developed video training service aimed at nurturing human resources	△
		Launched ASC aquaculture certification assessments • Obtained Japan's first accreditation to conduct ASC aquaculture certification assessment for bivalve cultivation	○
	Regional Systems Design	• Developed BIO System • Ran resources recycling trial in Minamisanriku, Miyagi Prefecture • Won order for concept drafting of biomass industry community in Kami, Miyagi Prefecture	○
	Business Outside Japan	Taiwan • Opened Taiwan Resource Recycling Plant, started full-fledged operation • Conducted staff training, facilities maintenance, marketing activities, etc. Malaysia • Set up joint venture with local company; started building plant Palau • Concluded partnership agreement with Koror State aimed at business engagement	△
Enhancing value proposition, strengthening organization		• Visualized internal environmental burden (broadened range of calculation of CO ₂) • Established crisis management tools to cope with corporate risk • Ran business model contests and various forms of staff training • Consolidated labor environment by expanding range of welfare and benefits system	○

Growth in business in existing markets and with existing clients

KIMURA DOBOKU Co., Ltd. joined AMITA Resource Recycling Partners!

AMITA Resource Cycle Platform further widened via partner development in Shizuoka Prefecture

In August 2016, KIMURA DOBOKU Co., Ltd. Kuchinofuto Resource Recycling Plant joined AMITA Resource Recycling Partners. It was the third partner plant after AICHI KAIJUN, Co., Ltd. and FUJI UNYU KAISHA, LTD.

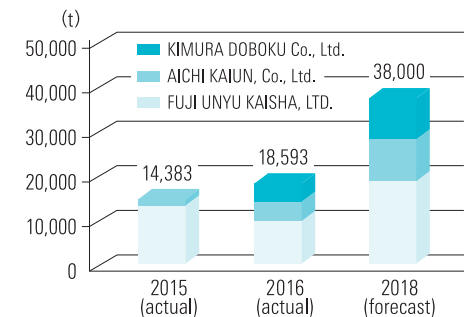
The new partner plant is located in Numazu City, Shizuoka Prefecture, and is focused on markets in the West Kanto and Tokai areas. It manufactures cement raw materials from eleven kinds of waste it receives.

With this plant, AMITA Resource Cycle Platform has grown to 10 locations in Japan and elsewhere. As well as promoting resource recycling in each plant's area, AMITA is striving to expand business utilizing strengths arising from nationwide expansion, namely marine transportation and risk reduction when disasters strike.



KIMURA DOBOKU Co., Ltd. Kuchinofuto Resource Recycling Plant

Results and forecasts for manufacturing volumes at partner plants



AMITA Resource Recycling Partners

Collaborating partners that provide AMITA's 100% recycling technology. AMITA handles marketing, collection & transportation, and delivery, while partner companies run manufacturing plants, and engage in manufacturing.



Benefits of partner development

- ▶ Expansion of business area, use of partner network
- ▶ Cost reductions including cost of building new plants and purchasing facilities
- ▶ Contribute to reducing clients' transportation costs

(For details of the AMITA Resource Cycle Platform see p.4)

Kitakyushu Resource Recycling Plant installs new powder silo recycling facility!

Aiming for growth in volume received in Kitakyushu area, where business is firm

In July 2016, we installed a new recycling facility known as a powder silo at the Kitakyushu Resource Recycling Plant in a bid to increase the volume of waste accepted. This made it possible to safely accept various types of powder waste.

Kitakyushu plant, even among the 6 own plants we operate in Japan, has maintained especially firm manufacturing volumes. In the future, based on clients' needs and marketability, we intend to consider beefing up the facilities in stages, so as to increase productivity.



The powder silo

Outcome of introduction of powder silo

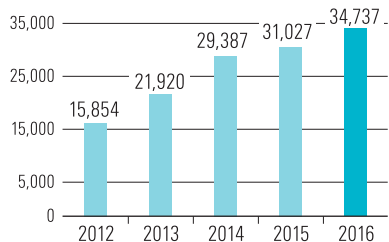
- Enabled a further 4,500t of waste a year to be recycled. Expect growth in volume accepted.

Via acceptance of powder waste, it has become possible to recycle an additional 4,500t of waste per year. Handling powder waste, which easily disperses in the air, requires care. Clients have a great need for recycling companies that handle such waste appropriately, and we expect to win new clients.

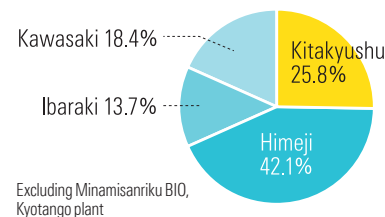
- Not just improvement in the working environment: improved productivity and lower labor costs

Working conditions were substantially improved in terms of safety and environment thanks to the decline in the amount of dust. The outcomes include boosted productivity and improved safety while working, and reduced overtime work.

Kitakyushu Resource Recycling Plant production volume (t)



FY 2016, at all own plants: Cement raw materials manufacturing volume shares



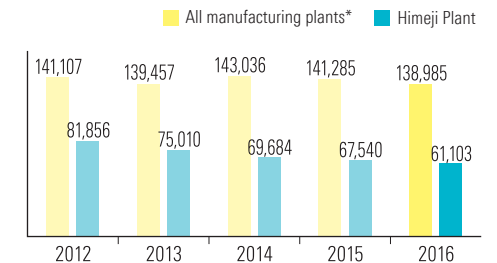
Recycling service production improvement and switch to high added value

Striving to boost profitability via radical revision of business model

Due to the decline in the amount of waste generated in Japan, production at all of AMITA's manufacturing plants has been flat year on year over the past few years. Production at the Himeji Resource Recycling Plant, the mother plant, has been declining. To improve profitability, in FY 2016, we strove for higher added value, and reduced COGS via production reforms.

As a result, we now have a system that enables the workflow in relation to highly urgent recycling requests – consideration, contract, acceptance, shipment – to be carried out in 1/2 to 1/3 the time it used to take, allowing us to accept high-margin urgent contracts.

Production volume at all own plants and the Himeji Resource Recycling Plant (t)



* Excluding Minamisanriku BIO, Kyotango plant

High added value Production reforms	Reduced COGS	Instead of purchasing adjusting agents used during production, we switched to alternative resources derived from waste. This reduced raw material costs by 23 million yen YoY. Also, for the sake of greater logistical efficiency, trials were conducted of marine transport among plants.
	New product development	Among the various raw materials procured in each industry, attention focused on surveying subsidiary materials. The possibility of utilizing alternative resources derived from waste materials was investigated, technologies and systems were developed for implementation, and three types of new materials were developed for the iron & steel and cement industries.
	Cultivating user firms	The number of firms using alternative resources was increased, and contracts relating to delivery amounts were agreed, thus securing a stable recipient framework and strengthening competitiveness. A further 12 user firms were added in FY 2016.

Business model of own manufacturing plants

AMITA is responsible for all operation and intermediate processing. AMITA's earnings are calculated by subtracting manufacturing costs, collection & transportation costs, and final disposal costs from treatment fees received from companies that produce waste.



Growth in business in existing markets and with existing clients

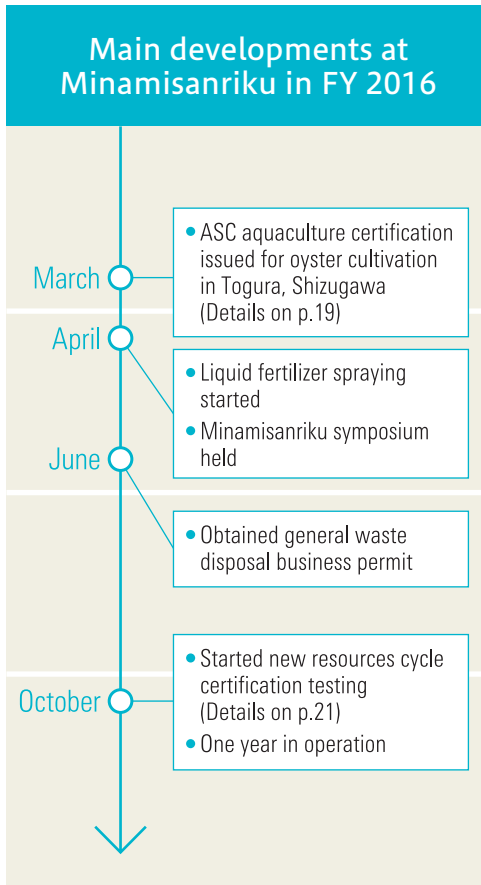
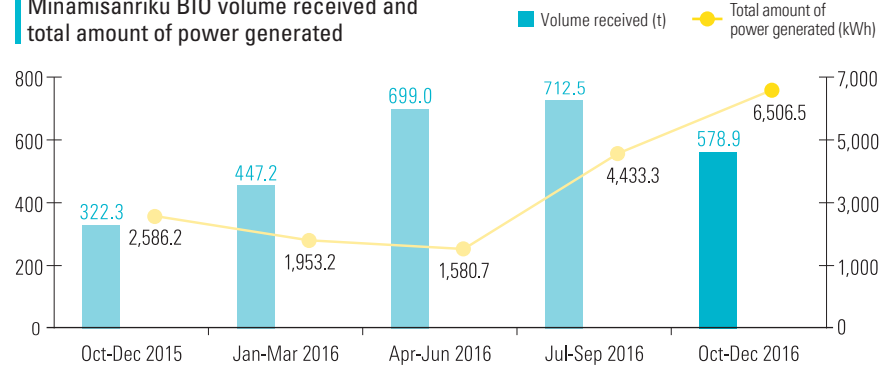
Minamisanriku BIO became cornerstone of regional resource cycle. Obtained general waste disposal business permit!

With the support of local residents, facilities are becoming pivotal to the town's resource cycle

Minamisanriku BIO, the biogas facility in Minamisanriku, a town in Miyagi Prefecture, reached the end of its first year in operation in October 2016. Since it opened, the amount of waste accepted has increased, in FY 2016 reaching around 2,400t. Production totaled around 14,500kWh of electricity from biogas and roughly 2,700t of liquid fertilizer,

and the plant is beginning to play a key role in the town's resources cycle. In FY 2016, having focused on stable operation from the start, we also concentrated on creating added value in regional areas, and on the horizontal development and boosted profitability of the Minamisanriku model.

Minamisanriku BIO volume received and total amount of power generated



Creating added value for regional areas

- Spraying of liquid fertilizer

We sell liquid fertilizer manufactured at Minamisanriku BIO to local farmers. To local residents who help us by separating waste, we distribute liquid fertilizer free for use in their gardens. As a result of running extensive information campaigns about using liquid fertilizer in partnership with the town hall, in FY 2016, around 2,000t of liquid fertilizer was used. People are happy that food waste collected after eating is being turned into high-quality fertilizer. What was previously burned is now being put to good use. This initiative has also contributed to improving waste separation practices.



Liquid fertilizer being sprayed on farmland

- Creating value via environmental education and raising awareness

Minamisanriku BIO has drawn attention locally and more widely as a model of cooperation between the government and the private sector, and as a place of environmental education. In the first year of operation, over a thousand people visited the plant, including children from the local elementary school as part of a social studies course. There were also visits from private companies and government organizations. Such visits add value and increase environmental awareness among local residents, who express pride that the town has such facilities and come to see that waste offers endless possibilities.

Inside the plant, signs explain how things are separated in each food waste collection area, making local visitors more conscious of the value of separation. Biogas facilities in which ordinary local residents participate are said to have contamination rates of around 5%. The rate at Minamisanriku BIO is 1-2%, greatly reducing the cost of pre-processing in order to remove unwanted items.

Boosting profitability and horizontal development

- Start of acceptance of commercial food waste

In June, AMITA obtained a permit to engage in the general disposal of food waste in Minamisanriku. Having obtained this permit, it became possible to collect food waste from the town's hotels and restaurants and the plan is to gather an annual 365t of resources. This is scheduled to generate 71,596kWh/year, and we expect annual cost savings of around a million yen.

- Transmission of the Minamisanriku model aimed at horizontal development

In April, in partnership with Minamisanriku, the Ministry of the Environment, and other bodies, we hosted the Minamisanriku Symposium (around 160 attendees). In September, we opened a new Regional Systems Design Business website and beefed up communications aimed at local government. We also gave lectures at seminars including at university institutions and took a proactive stance toward media reporting, publicizing our efforts to promote horizontal business development. A concrete result was the receipt of an order from Kami, Miyagi Prefecture to support the drawing up of a concept for making the town a biomass industry community.

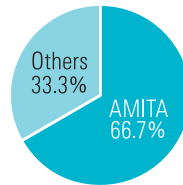
Regional Systems Design Business website: <http://www.aise.jp/> (Please refer to p.21 for details about horizontal development regions and Kami, Miyagi Prefecture)

Increase in number of surveys for FSC® project certification

Japan share 67%! Certification of buildings, products using certified timber

In 2016, AMITA conducted two new FSC® project certifications (hereafter PJ certification), bringing the total number of assessments it has conducted to date to 10. PJ certification is a system of certification of projects (buildings, products, etc.) using FSC-certified timber. It is part of FSC® Forestry Certification, which certifies forests that are appropriately managed. The system has spread around the world as a way to address the challenge of forest deterioration and decline. It is expected to be applied to a wide range of buildings.

AMITA's share of PJ certification assessments in Japan



Among the 98 FSC® project certifications worldwide, 15 were in Japan. AMITA conducted 10 of these assessments. (As of end Dec 2016)

Publicity to raise awareness of environmental certification

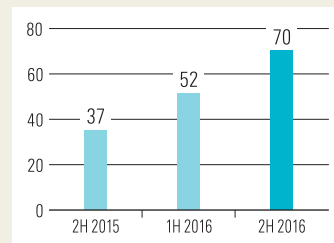
The FSC® certification system is well known in Europe and elsewhere, but is little known in Japan. To raise awareness in Japan, since 2014 AMITA has been beefing up website publicity. Since FY 2016, efforts have also been made to encourage the media to publicize the assessments. The PJ certification assessment at Hamamatsu City Chubu Junior High School Area Combined Elementary and Junior High School in Shizuoka Prefecture in September was covered by four media outlets, including a television broadcaster. The assessment was widely reported.



Expectations for environmental certification

In FY 2016, we received a very large number of inquiries about FSC® forest certification, ASC aquaculture certification, and MSC fisheries certification from the media, other companies and other bodies. FSC® certification gained more attention. The number of inquiries, including requests for estimates and requests for assessments, roughly doubled year on year. More companies in the cardboard industry have gained FSC® COC certification. The number of companies that would like to obtain it with an eye on the Olympic and Paralympic Games has also increased.

There were 122 environmental certification inquiries in FY 2016



Working hard to get clients to install Digital Waste Management System at all bases!

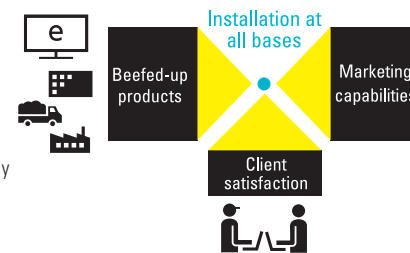
Thanks to beefed-up products, two companies placed orders for introduction at all their bases

Digital Waste Management System, a cloud service for waste disposal, is a business based on an ID paid for monthly (plus joining fee and training costs, etc.). AMITA has worked hard to get it introduced in all the bases of companies that have facilities nationwide rather than in individual business bases. Introduction in all bases provides major benefits for clients as information management at all facilities is of uniform quality. Universal introduction also makes it easy for head office to issue instructions and administer the system.

In FY 2016, thanks to beefed-up products, marketing capabilities, and client satisfaction, AMITA won orders for introduction of the system at all bases of two new companies (a total of 359 business bases). At end-2016, 295 companies had introduced the system at a total of 1,474 business bases. Since FY 2016, as a key business of The Sustainable Stage, we have been marketing the system in combination with other products such as drawing up proposals for environmental strategies. (Companies in the same group counted as single companies. Please refer to p.6 for details about introduction track record)

Efforts to strengthen Digital Waste Management System

- Product improvement in line with clients' needs
- Added value gains via comprehensive proposals in line with environmental strategy



- Product marketing seminars (eight)
- Publicity campaigns targeted at different industries
- In-service training to improve skill level of staff responsible for marketing
- Marketing tool upgrades, etc.

- Surveys of target companies
- Strengthening of operators (regular study meetings)

Report on re-certification of Himeji Resource Recycling Plant

In August 2016, the Himeji Resource Recycling Plant failed to re-obtain certification as a superior industrial waste processing plant* due to inadequacies in past administrative procedures (delays in disclosing information via the internet). We did not lose any clients as a result, but it was a major blow for the AMITA Group. The group will work hard on reforming management structure in order to re-obtain certification.

*System in which prefectures and designated cities conduct assessments and issue certification to superior industrial waste disposal companies that clear stricter standards than the ordinary permit standards. If certified, the industrial waste disposal business permit is usually valid for longer than an ordinary permit (seven years instead of five).

New business, market development

The Sustainable Stage

Service for companies that meets their needs for sustainability

Many companies are entering a period of change. They have long had to cope with unstable economies and financial markets inside and outside Japan. But these days environmental constraints, including climate change, resource depletion, and social demands, are getting tighter every year, and longer-term strategies that contribute to business sustainability are essential. The

Sustainable Stage is a comprehensive service AMITA has cultivated for 40 years—born from services, technology, expertise, and networks—that boosts corporate sustainability. Since its February release, AMITA has conducted many consultations, mainly with major companies. In FY 2016, AMITA won orders from six companies for vision creation and the drafting of strategy.

Three features of The Sustainable Stage

Feature 1 Draft and propose strategies taking sustainable development goals (SDGs) into account that result in social improvements in tandem with corporate development.

We extract constraints and opportunities from Goal 17 of the SDGs and insert them into the strategy (details of the SDGs on the right). As explaining CSR policy to stakeholders will become easier, we expect corporate needs to increase.

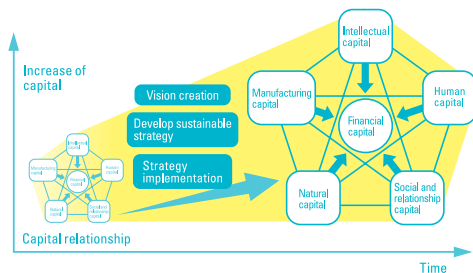
Feature 2 Support reliable strategy implementation using AMITA's expertise, technology, and network.

As AMITA can handle everything from drafting environmental strategy to implementation, it can accept orders for every aspect of a client company's environmental business.

- Largest collection of environmental solutions in Japan
 - ▶ Environmental certification starting with waste management; wide range of services up to boosting biodiversity
 - ▶ Track record of supporting over 4,000 companies
 - ▶ Doing business with over 300 listed companies
- Japan's largest resource cycle platform
 - ▶ Own recycling plants in six locations nationwide
 - ▶ Partner plants in 3 locations
 - ▶ Recycling network comprising over 300 business bases

Feature 3 Quantitative and qualitative evaluation of change in business capital due to environmental actions.

Forecasts based on the measures and the results of efforts are evaluated quantitatively and qualitatively via change in the 6 capitals advocated by the IIRC*. While the effects of environmental measures are difficult to evaluate, it is possible to improve both financial and non-financial capital. We anticipate requests for long-term consulting contracts.



*International Integrated Reporting Council

Examples of The Sustainable Stage marketing strategy and implementation strategy

- Proposals to corporate headquarters, management planning department, and divisions under the direct control of executives
- Initiatives for horizontal development on a unit company basis from business bases with which we already work
- Business matching via banks
- Marketing via industry organizations, industry media, etc.

Efforts to strengthen ability to provide solutions

We engage in the following efforts to boost the service quality of The Sustainable Stage (ability to resolve issues, propose solutions, etc.) and differentiate ourselves from competitors.

Gather expertise required

- In-service training, study meetings to boost the expertise of sales staff and consultants
- Collect and share client information and environmental research data from Japan and abroad via IT systems
- Survey and analyze market needs using the company's own environmental information website

Proactive use of external resources

- Form an organization from groups of influential people with knowledge pertaining to SDGs

Responding to the SDGs is indispensable to sustained social and corporate growth



The Sustainable Development Goals (SDGs) were adopted by the United Nations General Assembly in September 2015. The SDGs are common global goals of the 2030 Agenda for Sustainable Development. They clarify global priorities and how the world should develop leading up to 2030. The Agenda calls for countries to take ownership and establish national frameworks for the achievement of the 17 goals (please refer to the figure above). Indispensable to SDGs implementation is commitment not only by international institutions and state governments, but by all stakeholders

including companies, financial institutions, and consumers/citizens. Companies in particular are under pressure to respond quickly as their stance on the SDGs will have a big impact on their business activities, affecting global ratings and customer purchasing behavior.

The Sustainable Stage incorporates these SDGs in vision creation and strategy development at the heart of the service. This makes corporate CSR policy clearer, supports planned implementation, and enhances overall corporate sustainability.

First in Japan! The AMITA Group accredited as a certification body for ASC aquaculture certification

Supports sustainability of aquaculture and higher corporate and brand value

AMITA was Japan's first accredited certifier for the ASC, which manages global standards for responsible aquaculture. In March 2016, AMITA issued Japan's first ASC aquaculture certificate for the oyster farms of the Shizugawa Branch of Miyagi Prefecture Fisheries Cooperative in the Togura area.

The ASC certificate is awarded when various matters have been assessed. Both the natural and social environments are considered. The assessment looks at whether sustainable methods are used, whether efforts are made to reduce the environmental burden of aquaculture, and whether the farm is being run considering the labor environment and local society.

Seriola and cobia added to ASC aquaculture standards

In November 2016, seriola and cobia were added to the scope of ASC aquaculture certification. AMITA, aiming to be the first certification body to start assessments for these species in Japan, in 2016 undertook auditor training. The first certification assessments in Japan are scheduled for mid-2017 in West Japan.

Japan accounts for around 90% of seriola farming worldwide. In Japan, about half the production of seriola (specifically buri, a variety of amberjack) is via aquaculture. Seriola is also the second most heavily exported fish from Japan after mackerel, with exports in 2015 totaling 13.8 billion yen. Many organizations and companies in Japan and elsewhere have sustainable procurement policies, making obtaining environmental certification increasingly vital.



ASC certification logo

Expert comment Satoshi Maekawa, Marine Products Group, Nature Conservation Division, The World Wide Fund for Nature Japan (WWF Japan)

Impact of ASC certification on corporate competitiveness

With the Japanese population trending down, and seafood consumption declining further, many Japanese firms in the marine resources business are seeking export paths. Japan's aquaculture techniques have been described as among the best in the world, but recently technological progress in other countries has been striking, and taste/quality alone are no longer sufficient to survive the competition. The global market is very concerned about the environment. With people in Europe seeking information from Japanese buyers about their ASC status, the front line of business itself is changing. When Japanese laws and other regulations

concerning the marine products industry are compared with FAO and WHO guidelines, discrepancies are evident. Looking ahead, conforming to ASC and other global benchmarks of environmental certification, and providing evidence of doing so, can be expected to serve as a means to strengthen corporate competitiveness.

Future development of ASC certification

Following seriola and cobia in 2016, the drafting of standards for tuna and red seabream is also being considered. With both species being farmed in Japan, efforts will be needed to have information from the front line of Japanese aquaculture reflected as soon as the formulation of standards begins.

Drawing up standards for “Certificate to an enterprise weaving a thousand years into the future”

Support for social business development in tie-up with the city of Kyoto

Leveraging a solid track record of environmental certification, AMITA provides design support for various social certification and approval systems in partnership with companies, local governments, and other bodies.

For example, in connection with a social business certification system called “Certificate to an enterprise weaving a thousand years into the future,” which was being promoted by the city of Kyoto in 2015-16, AMITA supported the design of an assessment and participated in the assessment itself. This certification system focuses on whether value will be offered sustainably rather than just temporarily. It also examines if a contribution is being made to creating a good future by resolving social

challenges based on a cornerstone of CSR in Japan: benefits in four “directions.” These include the three traditional directions of seller, buyer, and local community, plus one new one: the future.

Demand for third-party certification of social business services is growing year by year. Via certification, AMITA will continue to support the promotion of business that truly contributes to society.



Developing an HR education and training program via video production

A completely new kind of training that asks: What is work? What is enterprise value?

Together with external partners, AMITA is developing an original human resources education and training program in which employees question their companies' enterprise values and try to present them in a video format.

In place of enterprise value statements that rely on major external advertising agencies, the aim is PR that generates a strong affinity among stakeholders via the medium of employee commitment and loyalty.

This service will boost companies' human and intellectual capital. It is currently under development, with full release planned for 2017.



In-service training program

New business, market development

Taiwan Resource Recycling Plant fully operational, but targets missed

Hit by delayed start of shipments and technical issues

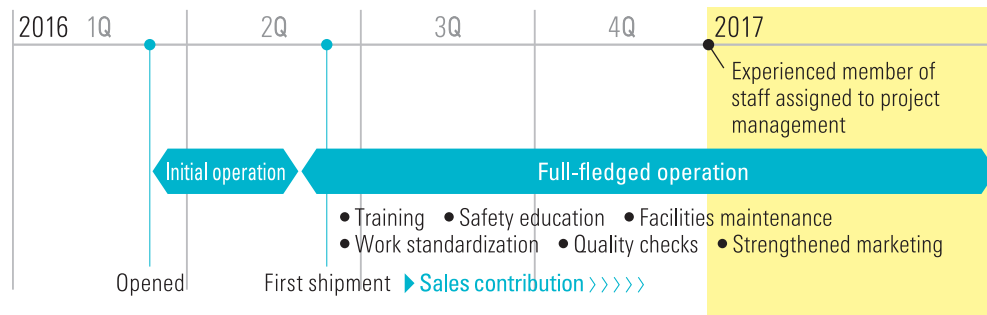
The Taiwan Resource Recycling Plant, which opened in March 2016, is engaged in 100% recycling of waste generated by solar cell production in Taiwan.

Production and shipment volume fell short of initial expectations due mainly to an earthquake in February, delays in administrative procedures, and shipping adjustments and facility maintenance in Q4. Annual sales failed to reach the initial forecast.

The following steps are being taken: (1) manufacturing staff are undergoing training, (2)

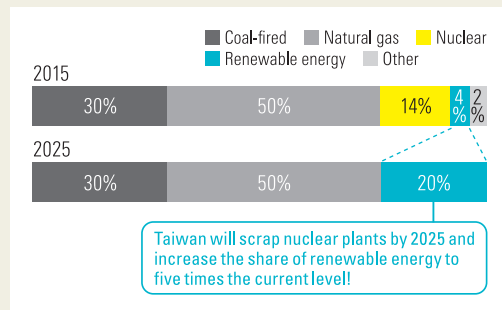
regular maintenance is being planned, (3) operating manuals are being drawn up and safety measures tightened up.

In order to achieve a full-fledged earnings contribution in FY 2017, in January 2016/2017 AMITA dispatched an experienced member of staff to handle project management locally. In addition, efforts are being made to achieve stable operation and greater marketing capabilities. A basic assessment aimed at further development of services in Taiwan is also being conducted.



Taiwanese solar cell market

In October 2016, the Taiwanese authorities announced plans to scrap nuclear power and boost use of renewable energy in Taiwan from 4% at present to at least 20% by 2025. Production volume of solar cells in Taiwan is expected to increase, and demand for our recycling services in Taiwanese manufacturing plants is expected to grow.



Construction of Malaysia Resource Recycling Plant (provisional name)

AMITA's first cement recycling business outside Japan!

The AMITA Group is building the Malaysia Resource Recycling Plant (provisional name), and planning to offer recycling services from FY 2017 in Malaysia, a rapidly developing country. This will be the first example outside Japan of AMITA's cement recycling technology, one of the many industrial-waste recycling technologies that AMITA has amassed in the company's first 40 years.



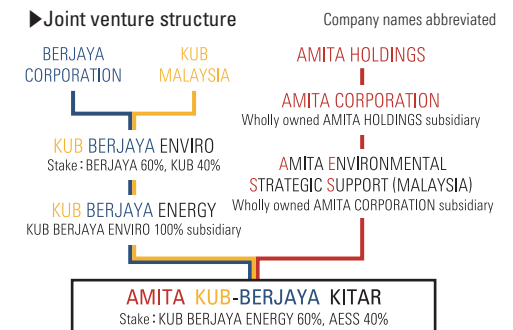
Under construction (as of Feb 2017)

Collaboration with the BERJAYA Group

AMITA set up a joint venture with BERJAYA Group, a major local conglomerate, in Malaysia. AMITA's stake and share of the profits is 40%.

Benefits of collaboration with local companies

- Lower investment risk
- Credibility
- Smooth administrative procedures
- Access to potential client list, etc.



Marketability of recycling business in Malaysia

Malaysia's targets by 2020 include recycling 22% of the nation's waste and recycling scheduled waste. Much recyclable waste is currently incinerated or disposed of in landfill, and Malaysia is under pressure to promote resource recycling.

Contracts between a company that monopolized the market and the government expired in 2015,

and the recycling market is expected to pick up.

Malaysia continues to grow strongly among the members of ASEAN. Many foreign companies have moved in, including Japanese firms. AMITA has received many inquiries from Malaysia about advanced recycling technology and compliance.

Outlook for business development in Malaysia

This initiative represents an opportunity to learn about business, build a network, and boost the AMITA profile in Malaysia. Future possibilities

are also being considered, including wide-ranging business development via individual investment.

A fresh challenge in Minamisanriku, Miyagi Prefecture

Proof-of-concept recycling station as a step to region-wide resource recycling

The Minamisanriku BIO biogas facility turns food waste generated by the town's households and businesses into resources. Other waste that cannot be turned into resources (around 60% or more of burnable waste) is currently incinerated or buried in landfill by neighboring local governments. Incinerators will age and landfill capacities will shrink. AMITA believes arrangements will become necessary whereby all waste generated in regional areas is recycled.

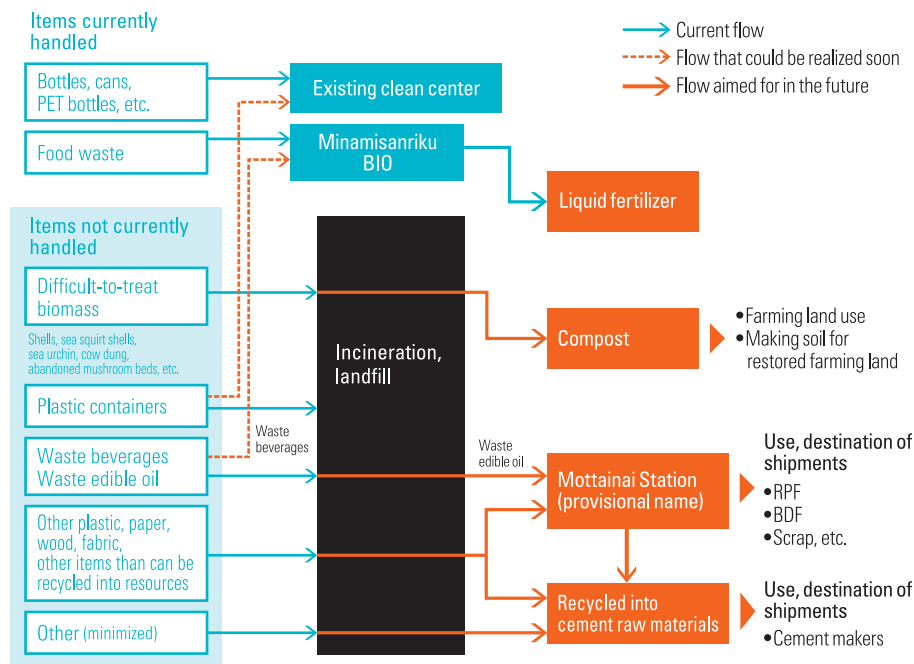
Accordingly, in Nov-Dec 2016, proof-of-concept trials aimed at 100% recycling of segregated waste were conducted using AMITA's technology

and network. This included the use of Mottainai Station (provisional name), in which waste is carefully separated.



Waste sorting conducted with local residents on a trial basis

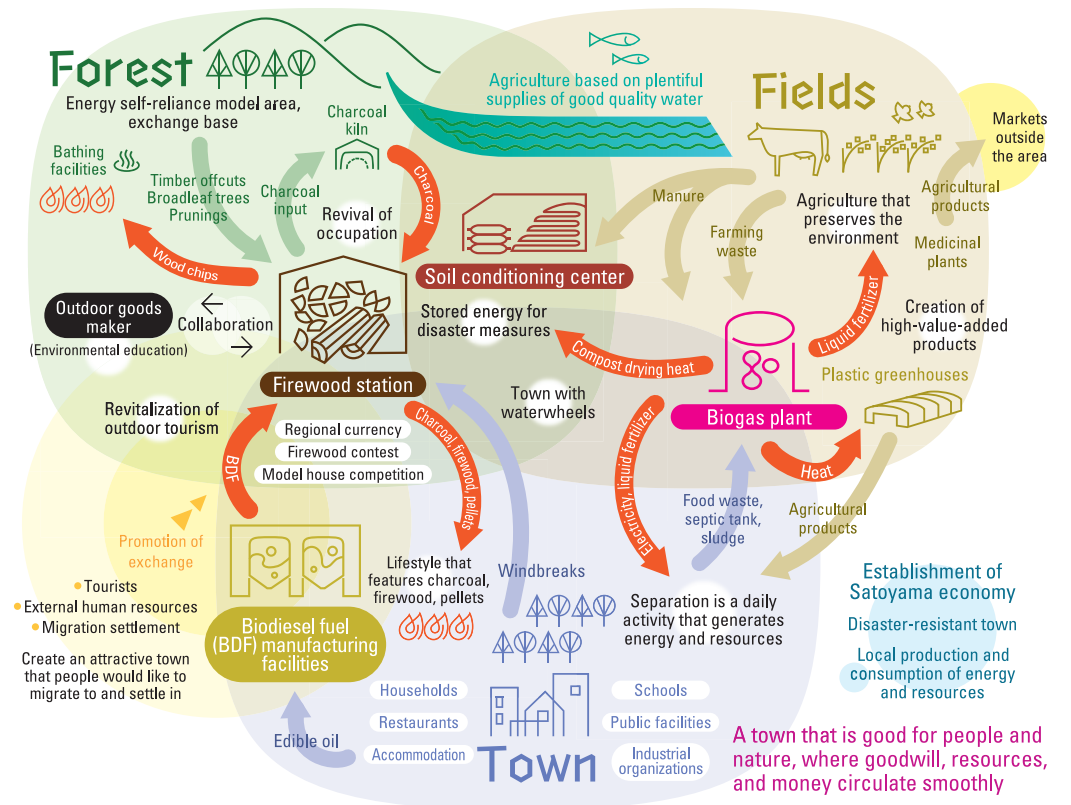
►Flow of total regional resource cycling



Drafting of biomass industry community concept in Kami, Miyagi Prefecture

Applying the BIO system devised in Minamisanriku in other regions

The BIO system service for local governments boosts regional sustainability via resource recycling, and moves to introduce this system have accelerated in Kami, Miyagi Prefecture. In 2016, Kami was designated a biomass industry community. The aim is to create a town that conserves the environment, resists disaster, and is based on biomass usage. AMITA plans to contribute to this vision starting with contracted support.



UN Global Compact progress report

The UN Global Compact (UNGC) is a United Nations initiative established in 2000 after a proposal by then UN Secretary-General Kofi Annan. In June 2002, being in agreement with the 10 UNGC principles on human rights, labor, environment and anti-corruption, the AMITA Group became the fourth Japanese organization to join the initiative. AMITA also put efforts into establishing a Japanese local network, GC-JN, with other Japanese companies (Dec 2003). The AMITA Group is reflecting UNGC principles in its business operations and provides stakeholders with information about its actions via Communication on Progress (COPs) reports submitted to UNGC headquarters.



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.

Please refer to the UN website for details on the UN Global Compact.
<http://www.unglobalcompact.org/>

Since its founding in 1977, the AMITA Group's mission has been to realize a sustainable society by solving social problems via business. This mission aligns perfectly with the principles of the UNGC and the SDGs, and we are proud to be one of the few companies that can promote UNGC ideas in our business. We intend to continue to contribute to boosting the sustainability of society as a whole by helping to resolve challenges confronting client companies and local governments.

AMITA HOLDINGS Chairman Eisuke Kumano

COPs (Communication on Progress)

The 10 Principles of the UN Global Compact	Details and aims of actions in FY 2016	Assessment	FY 2016 performance	Related pages	
Human rights	<p>■ Maintaining employee health Regarding employees in need of follow-up examinations, AMITA to continue to cover costs and announce positive changes to the cost coverage system.</p>	○	Covered full cost (100%) of 20 such applications received.	—	
	<p>① Support and respect the protection of internationally proclaimed human rights</p> <p>■ Preserving the human dignity of disaster victims Propose ways to create disaster-resistant regions (designs). Support learning from the Great East Japan Earthquake and efforts to make use of the knowledge gained on a future occasion.</p>	○	<ul style="list-style-type: none"> • Dispatched volunteers to the area hit by the Kumamoto earthquake. Donated to organizations providing local support. • Ran a new business idea contest on the theme of disaster prevention and reduction. 	23	
Labor	<p>② Make sure not to be complicit in human rights abuses</p> <p>■ Run information campaign about social problems including human rights</p>	○	<ul style="list-style-type: none"> • Set up a booth at an eco-event on the theme of recycling everything, including life and resources. Exhibited items on the theme of everyday resource recycling. • Ran an information campaign about social issues and sustainable society via the Fudenkan communication space (1,961 visitors over the year). 	8, 22	
	<p>③ Uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p>■ Labor negotiations</p> <p>① Provide employees and management with opportunities to discuss the working environment together. ② Create an environment that enables employees to propose suggestions for improving the work environment.</p>	○	<p>① Held company meetings about how management and labor could improve the working environment. ② Held opinion exchange meetings (Waigaya meetings) twice a month to improve and clarify company meetings.</p>	—	
	<p>④ Support the elimination all forms of forced and compulsory labor</p> <p>■ Improve work environment (create a company that enables employees to continue working)</p> <p>① Improve AMITIME System to support employees who need to take leave or work shorter hours in order to care for children, or sick or elderly relatives. ② Diversify workstyles. ③ Study the possibility of rehiring former employees after retirement.</p>	◎	<p>① Six people (versus five in FY 2015) used the AMITIME system, in which unused leave is stored up so that other employees who need to take care of their children or relatives can make use of this otherwise wasted paid leave to take time off or work shorter hours. ② Six people (five in FY 2015) used the labor system including working shorter hours. ③ Set up system for rehiring retired employees, and rehired two.</p>	8, 23	
	<p>⑤ Support the effective abolition of child labor</p>	<p>■ Prohibit and prevent discriminatory practices with regards to the work environment of employees at plants outside Japan. Maintain the same level of work environment as in Japan.</p>	◎	<ul style="list-style-type: none"> • Four locally hired staff at a plant outside Japan (Taiwan) were made regular employees. • Prepared local language versions of human resources stipulations and related documentation. • Ran training programs in Japan for employees working at manufacturing bases outside Japan. 	—
	<p>⑥ Support the elimination of discrimination in respect of employment and occupation in respect of employment and occupation</p>				
Environment	<p>⑦ Support a precautionary approach to environmental challenges</p> <p>■ Revitalize regions via environmental technologies Promote environmentally friendly lifestyles and a model of regional resource recycling using biomass energy technology. Engage in horizontal development in Japan and elsewhere.</p>	◎	<ul style="list-style-type: none"> • Promoted resource recycling in the region and stable operation of biogas business in Kyotango City, Kyoto Prefecture. • Further promoted a regional resources recycling model and stable operation of biogas business in Minamisanriku, Miyagi Prefecture (obtained permit for general waste disposal). • Supported accreditation of biomass industry community concept in Kami, Miyagi Prefecture. • Supported spread and establishment of eco-farming aiming to boost biodiversity in Kaga City, Ishikawa Prefecture. • Conducted commercialization survey and its coordination outside Japan (Palau). • In an area affected by the Great East Japan Earthquake (Minamisanriku), hosted symposium to spread understanding leading to realization of a sustainable society, and conducted eco-tours of Minamisanriku as a model to achieve this goal. Around 160 people from the town and elsewhere took part. The event was heavily reported in the media, including TV and newspapers. 	9, 16, 21	
	<p>⑧ Undertake initiatives to promote greater environmental responsibility</p>	<p>■ Technology proliferation</p> <p>① Provide sustainable management implementation services under environmental restrictions. ② Develop recycling business outside Japan.</p>	△	<p>① Started new service The Sustainable Stage, which creates sustainability for companies and society, supporting corporate environmental strategy from drafting to implementation under environmental constraints (six orders). ② Opened Taiwan Resource Recycling Plant (March) and moved into Malaysia (plant due to open in FY 2017).</p>	18, 20
	<p>⑨ Encourage the development and diffusion of environmentally friendly technologies</p>				
Anticorruption	<p>⑩ Work against corruption in all its forms, including extortion and bribery</p> <p>■ Preventive measures</p> <p>① Strive to support and improve compliance systems in relation to legal revisions. ② Strengthen governance at bases outside Japan, realize controlled corporate governance.</p>	○	<p>① Conducting regular compliance checks (test rate 76%, percentage of correct answers 69%). ② Ran training courses etc. in internal rule compliance for local and expat staff.</p>	22	

Our Mission II

Wisdom and Life are infinite.

Through 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.

AMITA AMITA HOLDINGS Co., Ltd.

AMITA HOLDINGS Co., Ltd.

535 Akinono-cho, Oshikoji-agaru, Karasuma-dori Nakagyo-ku,
Kyoto, 604-0847 Japan

TEL: +81-75-277-0378 FAX: +81-75-255-4527

e-mail: press@amita-net.co.jp

JASDAQ (Securities Code 2195)

<http://www.amita-hd.co.jp/>

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