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Dear Shareholders,

I would like to express my appreciation for your continued support and patronage.

I would also like to express heartfelt sympathy to all persons affected by the Heavy Rain Event of July 2020, as well as by the spread of the novel coronavirus disease (COVID-19).

At the EF-ON Group, we operate two businesses, an “energy saving support” business and a “wood biomass power generation” business, with the objective of pursuing the rationality and safety as required by modern society in terms of both energy usage and supply.

In the fiscal year ended June 30, 2020, in the “wood biomass power generation,” the Shirakawa Power Plant, Hita Power Plant, and Bungo-Ono Power Plant all operated smoothly, and in January 2020, the Mibu Power Plant also started commercial operation. In addition, the Company decided to resume operations in the “electricity retailing business.”

Going forward, we shall continue to focus on the stable operation of power plants and the construction of the Shingu Power Plant, our fifth unit.

I would like to conclude this message by asking all shareholders for their further understanding and support.

Tomotada Shimazaki  
President and Representative Director  
EF-ON INC.

Tomotada Shimazaki  
President and Representative Director  
EF-ON INC.  
3-1-1 Kyobashi, Chuo-ku,  
Tokyo, Japan

## NOTICE OF CONVOCATION OF THE 24TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We are pleased to announce the 24th Annual General Meeting of Shareholders of EF-ON INC. (the “Company”). The meeting will be held for the purposes as described below.

Instead of attending the meeting in person, you can exercise your voting rights in writing or via the Internet in advance. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and cast your vote by 5 p.m. Japan time on Thursday, September 24, 2020.

- 1. Date and Time:** Friday, September 25, 2020 at 10 a.m. Japan time (The venue opens at 9:30 a.m.)
- 2. Place:** Tokyo Convention Hall in Tokyo Square Garden, 5F,  
3-1-1 Kyobashi, Chuo-ku, Tokyo, Japan
- 3. Meeting Agenda:**  
**Matters to be reported:**
  1. The Business Report, Consolidated Financial Statements for the Company’s 24th Fiscal Year (July 1, 2019 – June 30, 2020) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
  2. Non-Consolidated Financial Statements for the Company’s 24th Fiscal Year (July 1, 2019 – June 30, 2020)

**Proposals to be resolved:**

- Proposal 1:** Election of Eight (8) Directors
- Proposal 2:** Election of One (1) Substitute Audit & Supervisory Board Member

**4. Other Matters related to Exercise of Voting Rights**

If exercising voting rights by proxy, the proxy must be another shareholder with voting rights.

**5. Other Matters related to this Notice**

Of the documents to be provided with this Notice, “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” are disclosed on our website (<http://www.ef-on.co.jp/>) pursuant to laws and regulations and the Article 13 of the Articles of Incorporation, and are therefore not included in this Notice.

1. Any updates to the Business Report, Non-Consolidated Financial Statements, Consolidated Financial Statements, and Reference Documents for the General Meeting of Shareholders will be posted on the Company’s website at the following URL: <http://www.ef-on.co.jp/>
2. If exercising voting rights at the General Meeting of Shareholders, please submit the enclosed Voting Rights Exercise Form at the reception desk. While doing so, please do not tear off the Voting Rights Exercise Form.
3. Except in special circumstances, only shareholders may enter the venue. Due to measures to prevent infection and stem the spread of COVID-19, no waiting room will be set up for the meeting.

## **Notice Regarding Measures to Prevent COVID-19 Infection**

We request your understanding and cooperation regarding our measures to prevent infection of COVID-19 as outlined below.

### **Request to our shareholders**

- If attending the meeting in person, please give proper consideration to preventing infection by wearing a mask, etc.
- The chairs at the meeting will be spaced more widely apart compared with previous years. Consequently, we cannot rule out the possibility that there will not be enough seats for the shareholders who attend in person. We sincerely apologize in advance should such an inconvenience arise.
- Please consider exercising your voting rights beforehand, either in writing or via the Internet.

### **Measures to be taken by the Company**

- Certain measures may be taken to prevent infection at the General Meeting of Shareholders. Also, the Company reserves the right to prevent any shareholders who refuse to wear a mask from attending the meeting and asking those shareholders to leave. We appreciate your cooperation with these measures.
- The meeting staff will all be wearing masks.
- If changes to the above information are made in response to future circumstances, updates will be provided on the corporate website (<http://www.ef-on.co.jp/>). Please check the website for updates.

## Guide to Exercise of Voting Rights

Exercise of voting rights at the Company's General Meeting of Shareholders is shareholders' important right. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and exercise your voting rights.

There are three methods to exercise your voting rights as indicated below.

Attending the meeting in person	Exercising voting rights in writing (by mail)	Exercising voting rights via the Internet
If you attend the meeting in person, please submit the enclosed Voting Rights Exercise Form at the reception desk.	Please indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it to us.	
Date and time of the General Meeting of Shareholders:	Deadline for voting:	Deadline for voting:
Friday, September 25, 2020 at 10 a.m.	No later than 5 p.m. on Thursday, September 24, 2020	No later than 5 p.m. on Thursday, September 24, 2020

\*If you attend the meeting in person, please take precautions to prevent the spread of COVID-19 such as by wearing a mask. Shareholders who do not wear a mask may be refused entry and asked to leave.

If voting rights are exercised both in writing and via the Internet, votes arriving later shall be considered valid; if both arrive on the same day, voting rights exercised via the Internet shall be considered valid. Additionally, if voting rights are exercised more than once via the Internet, only the most recent vote shall be deemed valid.

For inquiries on how to use the personal computer or smart phone in relation to the exercise of voting rights via the Internet, please contact:	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Dedicated Hotline Telephone: 0120 (652) 031 (toll free, available only in Japan) (Business Hours: 9 a.m. ~ 9 p.m. (Japan time))
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# Reference Documents for the General Meeting of Shareholders

## Proposal 1 : Election of Eight (8) Directors

The terms of office of all seven (7) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of eight (8) Directors is proposed.

The candidates for Directors are as follows.

Candidate No. 1	<b>Tomotada Shimazaki</b> (Date of Birth: August 27, 1962)	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		September 2002	Deputy General Manager, Mitsubishi Securities Co., Ltd.
		June 2005 September 2006 May 2008	Corporate Planning Department, the Company Director President and Representative Director (to present)
Candidate No. 2	<b>Hisahito Koike</b> (Date of Birth: May 18, 1961)	Reasons for selection as a candidate	
		The Company has selected Mr. Tomotada Shimazaki as a candidate for Director because he has abundant experience and achievements from his duties as Representative Director in overseeing management as a whole and is well-versed in business management. The Company has judged that he will be able to continue utilizing his abundant experience and expertise in the management of the Company.	
		Number of shares of the Company held: 24,000 shares	
Candidate No. 2	<b>Hisahito Koike</b> (Date of Birth: May 18, 1961)	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		May 2003	Deputy General Manager, Group Management Department, Administrative Division, and General Manager, KMG Accounting Center, Kyoritsu Maintenance Co., Ltd.
		October 2006	General Manager, Accounting Department, the Company
Candidate No. 2	<b>Hisahito Koike</b> (Date of Birth: May 18, 1961)	September 2009	Director and General Manager, Finance and Accounting Department
		March 2011	Director and General Manager, Administrative Division
		September 2011	Managing Director and General Manager, Administrative Division
Candidate No. 2	<b>Hisahito Koike</b> (Date of Birth: May 18, 1961)	October 2013	Managing Director and Head of Administrative Division (to present)
		Reasons for selection as a candidate	
		The Company has selected Mr. Hisahito Koike as a candidate for Director because he has abundant experience and achievements in the administrative division of the Company as a Director. The Company has judged that he will be able to continue utilizing his operational experience and expertise in the management of the Company.	

Candidate No. 3	<b>Koutaro Fujii</b> (Date of Birth: March 26, 1964)  Number of shares of the Company held: 4,800 shares	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		April 1997	South Kanto Manager, Sales Division, Copal Electronics Co., Ltd.
		April 2005	General Manager, Electric Power Business Department, the Company
		April 2007	General Manager, ESCO Business Division
		October 2007	Managing Director, VEGLIALaboratories Inc.
		September 2013	Director and Vice President
		May 2016	Joined the Company, Technology & Development Department Seconded to EF-BIOS INC., General Manager, Bungo-Ono Office
		September 2016	Director, the Company General Manager, Bungo-Ono Office, EF-BIOS INC.
		July 2017	Director, the Company General Manager, Hita Office, EF-BIOS INC.
		September 2019	Director, the Company Executive Officer and General Manager, Preparatory Office, Mibu Power Plant, EF-BIOS INC.
Candidate No. 4	<b>Hideki Kaneda</b> (Date of Birth: March 6, 1968)  Number of shares of the Company held: 0 shares	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		April 1988	Joined Kankyo Mirai Kosan, K.K.
		July 2010	Joined EF-BIOS INC.
		January 2012	General Manager, Hita Office
		July 2015	General Manager, West Japan Fuel Business Department
		September 2015	Executive Officer
		January 2017	Executive Officer and General Manager, Fuel Business Department (to present)
		September 2019	Director, the Company Executive Officer and General Manager, Fuel Business Department, EF-BIOS INC. (to present)
		<b>Reasons for selection as a candidate</b> The Company has selected Mr. Koutaro Fujii as a candidate for Director because he is well-versed in the energy saving business and the electric power business, and has abundant experience and achievements in these areas. The Company has judged that he will be able to continue utilizing his operational experience and expertise in the management of the Company.	
		<b>Reasons for selection as a candidate</b> The Company has selected Mr. Hideki Kaneda as a candidate for Director because he has abundant experience and achievements as Executive Officer and General Manager of Fuel Business Department of EF-BIOS INC., which is the Company's consolidated subsidiary. The Company has judged that he will be able to continue utilizing his operational experience and expertise in the management of the Company.	

Candidate No. 5	<b>Makoto Nagasawa</b> (Date of Birth: January 9, 1969)  Number of shares of the Company held: 0 shares	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		April 1992	Joined TAISEI SETSUBI CO., LTD.
		October 2011	Technology & Development Department, the Company
		May 2013	General Manager, Technology & Development Department
		September 2015	Director and General Manager, Technology & Development Department
		October 2016	Director, Head of Business Division, General Manager, Technology & Development Department, and General Manager, Energy Saving Support Department
Candidate No. 6	<b>Shinichi Suzuki</b> (Date of Birth: February 25, 1962)  Number of shares of the Company held: 0 shares	September 2019	Executive Officer, Head of Business Division, General Manager, Technology & Development Department, and General Manager, Energy Saving Support Department (to present)
		<b>Reasons for selection as a candidate</b> The Company has selected Mr. Makoto Nagasawa as a candidate for Director because he has abundant experience and achievements in power plant development, which is the foundation of the Company’s businesses. The Company has judged that he will be able to utilize his operational experience and expertise in the management of the Company.	
		Past experience, positions and responsibilities at the Company, and significant concurrent positions	
Candidate No. 6	<b>Shinichi Suzuki</b> (Date of Birth: February 25, 1962)  Number of shares of the Company held: 0 shares	April 1995	Registered as attorney-at-law Joined Teruo Matsushita Law Office
		May 2000	Representative, Shinichi Suzuki Law Office
		June 2004	Audit & Supervisory Board Member, HC Asset Management Co., Ltd. (to present)
		March 2006	Representative, Saiwaibashi Law Office (to present)
		June 2008	Audit & Supervisory Board Member, Bansei Securities Co., Ltd.
		July 2008	Audit & Supervisory Board Member, PCPhase Corporation
		September 2010	Outside Director, the Company (to present)
Candidate No. 6	<b>Shinichi Suzuki</b> (Date of Birth: February 25, 1962)  Number of shares of the Company held: 0 shares	<b>Reasons for selection as a candidate</b> The Company has selected Mr. Shinichi Suzuki as a candidate for Outside Director because he has abundant knowledge and experience as an attorney and as an Outside Audit & Supervisory Board Member. The Company has judged that he will continue to appropriately execute his duties as an Outside Director.	

Candidate No. 7		Past experience, positions and responsibilities at the Company, and significant concurrent positions
		<p>July 1998 Deputy General Manager, ALM Office, Tokyo Head Office, Nissho Iwai Corporation</p> <p>October 2002 Director; General Manager, Administrative Division and General Manager, Finance Department, DIANA Co., Ltd.</p> <p>January 2010 General Manager, Audit Office, Fuji Nihon Seito Corporation</p> <p>June 2010 Auditor, UNITEC FOODS CO., LTD.</p> <p>September 2013 Full-time Outside Audit &amp; Supervisory Board Member, the Company</p> <p>September 2018 Outside Director (to present)</p> <p>February 2020 Director, Reiwakai Medical Corporation (to present)</p>
		<p><b>Norio Minagawa</b> (Date of Birth: June 1, 1949)</p> <p>Number of shares of the Company held: 0 shares</p> <p><b>Reasons for selection as a candidate</b> The Company has selected Mr. Norio Minagawa as a candidate for Outside Director because he has been involved in finance and accounting operations over many years, and has a considerable level of insight regarding finance and accounting, in addition to abundant knowledge and experience in corporate management with experience as an Outside Audit &amp; Supervisory Board Member of the Company. The Company has judged that he will continue to appropriately execute his duties as an Outside Director.</p>
Candidate No. 8		Past experience, positions and responsibilities at the Company, and significant concurrent positions
		<p>December 2008 Registered as attorney-at-law</p> <p>January 2009 Joined Kasumigaseki Law and Accounting Offices</p> <p>October 2013 Junior Partner, Kasumigaseki Law and Accounting Offices</p> <p>March 2015 Junior Partner, SAKURADA DORI PARTNERS</p> <p>September 2018 Outside Director, the Company (to present)</p> <p>February 2020 Partner, SAKURADA DORI PARTNERS (to present)</p>
		<p><b>Maiko Sako</b> (Date of Birth: November 21, 1980)</p> <p>Number of shares of the Company held: 0 shares</p> <p><b>Reasons for selection as a candidate</b> The Company has selected Ms. Maiko Sako as a candidate for Outside Director because, although she has never been directly involved in the management of a company except as an outside officer, she has experience and specialist knowledge in corporate legal affairs as an attorney. The Company has judged that she will continue to appropriately execute her duties as an Outside Director from an objective standpoint as a legal specialist.</p>

- (Notes) 1. No particular relationship of interest exists between the Company and any of the candidates for Directors.
2. Mr. Shinichi Suzuki, Mr. Norio Minagawa and Ms. Maiko Sako are candidates for Outside Directors.
3. The Company has registered Mr. Shinichi Suzuki, Mr. Norio Minagawa and Ms. Maiko Sako with the Tokyo Stock Exchange as independent officers under the stipulations of the said exchange. If their re-election is approved, the Company intends to maintain their designation as independent officers.
4. Mr. Shinichi Suzuki currently serves as Outside Director of the Company and his term of office as Outside Director will be approximately ten years as of the conclusion of this General Meeting of Shareholders. Mr. Norio Minagawa and Ms. Maiko Sako currently serve as Outside Directors of the Company and their term of office as Outside Directors will be two years as of the conclusion of this General Meeting of Shareholders.



5. In accordance with the provisions of the Article 427, paragraph (1) of the Companies Act, Mr. Shinichi Suzuki, Mr. Norio Minagawa and Ms. Maiko Sako have entered into an agreement with the Company to limit their liability for damages, as stipulated in Article 423, paragraph (1) of the same Act. The maximum amount of liability pursuant to the said agreement is the minimum amount stipulated in Article 425, paragraph (1) of the Companies Act. If their reelection is approved, the Company plans to renew the aforementioned agreements.

## Proposal 2 : Election of One (1) Substitute Audit & Supervisory Board Member

In accordance with the provisions of Article 329, paragraph (3) of the Companies Act, the Company proposes to elect one substitute Audit & Supervisory Board Member to prepare for a contingency in which the Company does not have the number of Audit & Supervisory Board Members required by laws and regulations.

The election of substitute Audit & Supervisory Board Member can be nullified by resolution of the Board of Directors if the approval of the Audit & Supervisory Board has been received; provided, however, that it is only in a time before assuming office.

In addition, this proposal has received the approval of the Audit & Supervisory Board.

The candidate for substitute Audit & Supervisory Board Member is as follows.

<b>Takayoshi Izu</b> (Date of Birth: May 6, 1959)  Number of shares of the Company held: 0 shares	<b>Past experience, positions at the Company, and significant concurrent positions</b>	
	April 1988      Registered as attorney-at-law (Joined Tokyo Bar Association)  April 1988      Joined Azuma and Kaiya Law Office (currently KAIYA EGUCHI IKEDA LAW OFFICE)  April 1994      Established Takayoshi Izu Law Office  December 2000      Joined the establishment of Tokyo Green Law Office (to present)  April 2004      Member of Soka City Development Investigation Committee (to present)  October 2010      Executive Governor of Japan Law Foundation (to present)  January 2012      Investigating Member of Nichibenren Traffic Accident Consultation Center (to present)  April 2016      Member of Center for Housing Renovation and Dispute Settlement Support (to present)	
	<b>Reasons for selection as a candidate</b> The Company has selected Mr. Takayoshi Izu as a candidate for substitute Outside Audit & Supervisory Board Member because he has expert knowledge gained over his many years as an attorney and has abundant knowledge and experience in corporate legal affairs. The Company has judged that he will appropriately execute his duties as an Outside Audit & Supervisory Board Member.	

- (Notes) 1. No particular relationship of interest exists between the Company and the candidate for Audit & Supervisory Board Member.
2. Mr. Takayoshi Izu is a candidate for substitute Outside Audit & Supervisory Board Member.
3. If the candidate assumes the position, the Company intends to, in accordance with the provisions of the Article 427, paragraph (1) of the Companies Act, enter into an agreement with him to limit his liability for damages, as stipulated in Article 423, paragraph (1) of the same Act. The maximum amount of liability pursuant to the said agreement is the amount stipulated in Article 425, paragraph (1) of the Companies Act.
4. The candidate satisfies the requirements for an independent officer under the stipulations of the Tokyo Stock Exchange. If he assumes the position of Outside Audit & Supervisory Board Member, the Company intends to register him with the Tokyo Stock Exchange as an independent officer under the stipulations of said exchange.

## **Business Report**

(July 1, 2019 – June 30, 2020)

### **1. Overview of the Company Group**

#### **(1) Business Progress and Results**

In the fiscal year ended June 30, 2020, the Japanese economy suddenly deteriorated as a result of downward pressure on personal consumption due to the increase in consumption tax implemented in October 2019, in addition to factors such as people refraining from going out on a country-wide scale as well as voluntarily refraining from doing business and requests to temporarily suspend operations in a wide range of industries in order to limit human contact due to the global spread of COVID-19 from the beginning of the year.

In the industry where the Company operates, the demand for electric power throughout Japan significantly declined compared with previous years due to the impact of the suppression of manufacturing operations, the suspension of various types of events, people refraining from going out, etc. due to the spread of COVID-19.

With regard to industry trends, the Electricity Business Act was revised in June 2015, and a separation of electrical power production from power transmission and distribution has been conducted from April 2020. Under these circumstances, profit level of the Group's power generation business declined as a result of the deteriorating fuel efficiency caused by the abundant rainfall in the first quarter, the declining unit price for electric power sales due to the allocation of fuel, mainly recycled wood, and the abolition of premiums due to changing the power transmission and distribution company as a purchaser for EF-ON HITA and EF-ON BUNGO-ONO's power plant. On the other hand, revenue and profits increased in comparison to the previous fiscal year due to the significant contribution of the extremely smooth operation of EF-ON MIBU, after the completion of its construction, boosting the Group's business performance.

Regarding annual maintenance, EF-ON SHIRAKAWA and EF-ON HITA went through maintenance from October to December, and EF-ON BUNGO-ONO in April. Despite the shutdown period for the maintenance of these power plants taking one to two days longer than previous years during this year when statutory inspections are made for boilers and turbines, all power plants operated smoothly in other quarters. A voluntary inspection was carried out for EF-ON MIBU's power plant in May, and the Company made efforts for preventive maintenance against faulty new equipment. Various initiatives are being carried out at each power plant in order to improve energy efficiency of electric power and to reduce the total amount of fuel used, to improve profits. These are mutually shared within the Group, and they significantly contribute to the further improvement of technology related to power plant operation.

Through these initiatives, the overall amount of electricity transmitted significantly exceeded the previous fiscal year, which includes the operation of EF-ON MIBU. The power plant construction plan for Shingu City, Wakayama Prefecture has not been affected by the COVID-19 at this point and is proceeding according to plan.

In the Energy Saving Support Business, net sales decreased a considerable amount in comparison to the previous fiscal year as a result of multiple onsite in-house power generation projects reaching the end of their full terms. Within a portion of these projects, a reversal of deferred tax assets was carried out in association with the end of the projects' full terms due to carrying out taxable depreciation of equipment. Furthermore, regarding tax loss carried forward, the portion for which the appropriation period has expired was discarded, which led to the recognition of depreciation in excess of the tax allowable limit and an increase in income taxes - deferred, meaning a deterioration in the profit front.

With regard to the business performance of the Group in the fiscal year under review, net sales amounted to ¥12,218 million (10.6% increase on a year-on-year basis), operating profit amounted to ¥2,927 million (2.7% increase on a year-on-year basis), ordinary profit amounted to ¥2,826 million (8.7% increase on a year-on-year basis), and profit attributable to owners of parent was ¥1,757 million (15.7% decrease on a year-on-year basis).

### (Energy Saving Support Business)

In the fiscal year under review, external sales declined due to a significant decrease in the total number of projects in operation, proportional to the number of projects expired during the first quarter and third quarter in the existing onsite in-house power generation business, resulting in year-on-year decreases in both net sales and operating profit. The Company will continue to promote new projects in the next fiscal year as time is needed to adjust details with customers due to taking measures to prevent the spread of COVID-19. For internal sales, sales under the percentage of completion method for construction were recorded as construction of the new power plant by EF-ON MIBU, a consolidated subsidiary, was completed.

With regard to the business performance of this segment in the fiscal year under review, net sales including transactions within the Group were ¥5,752 million (26.8% decrease on a year-on-year basis), net sales for external customers were ¥477 million (34.0% decrease on a year-on-year basis), and operating profit amounted to ¥16 million (34.0% decrease on a year-on-year basis), and operating profit amounted to ¥16 million (34.0% decrease on a year-on-year basis).

### (Green Energy Business)

In the fiscal year under review, the Green Energy Business promoted initiatives that change the usage ratio of several types of woodchips with the aim of improving fuel consumption, based on the experience of an increased usage amount of woodchips due to a steady increase in rainfall in recent years.

The Company started the Green Energy Business with the aim of reducing the amount of fuel used overall by suppressing the use of unused wood, which includes wood with high moisture content. However, the Company was unable to demonstrate an overall reduction in the amount of fuel used as the moisture content of all types of fuel that are used in biomass boilers was high, and frequent use of recycled wood caused the unit price for electric power sales to be pushed down.

Furthermore, business performance was affected by factors such as the decline of the unit price for electric power sales due to the changing of purchasers for EF-ON HITA and EF-ON BUNGO-ONO, the increase of expenses pertaining to the personnel necessary for power plants prior to operation, as well as expenses related to the forestry business. On the other hand, EF-ON MIBU's power plant, which is a newly constructed business office, was able to realize an operating rate that exceeded expectations despite commencing operations from the latter half of the year, and revenue and profits increased in this segment overall.

Construction of the foundation of the turbine building and supports for the Shingu Power Plant, which is under construction, are proceeding according to plan. Regarding the impact of measures to prevent the spread COVID-19, there are currently no problems such as labor shortages due to delays in the procurement of construction materials or restrictions on movement.

With regard to the business performance of this segment in the fiscal year under review, net sales were ¥11,740 million (13.7% increase on a year-on-year basis) and operating profit amounted to ¥2,964 million (1.5% increase on a year-on-year basis).

Business performance in relation to external transactions in each segment is as follows.

(Millions of yen)		
Business classification	Consolidated net sales	Consolidated operating profit
Energy Saving Support Business	477	16
Green Energy Business	11,740	2,964
Corporate (common)	—	(53)
Total	12,218	2,927

## (2) Capital Investments

In the fiscal year under review, the total amount of capital investments made by companies in the Group was ¥5,446 million, and the main components thereof are as follows.

### a) Key Facilities Completed in the Fiscal Year Under Review

Green Energy Business	EF-BIOS INC.	Woodchip production facility and forestry business machinery
	EF-ON BUNGO-ONO INC.	Additional maintenance for wood biomass power plant facility
	EF-ON MIBU INC.	Wood biomass power plant facility

b) Ongoing Construction of New Key Facilities and Expansion of Existing Key Facilities  
in the Fiscal Year Under Review

Green Energy Business	EF-BIOS INC.	Woodchip production facility
	EF-ON SHINGU INC.	Wood biomass power plant facility

c) Sales, Removal, or Loss of Significant Non-current Assets in the Fiscal Year Under Review

Energy Saving Support Business	EF-ON INC.	Sale of onsite in-house power generation facilities
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(3) **Issues to be Addressed**

In the fiscal year under review, the spread of COVID-19 progressed, and the Group carried out measures such as working from home with regard to peoples' movement being restricted and head office functions so that there are no problems with the operation of power plants. In addition to measures to prevent infection at each facility, the Group also formulated emergency response measures that mutually help each power plant should someone become infected.

Based on these experiences, the Group believes that enhancing systems to respond to the risk of infection is the most significant issue. In addition, in the Green Energy Business of the Group, we will endeavor to reduce the fuel costs while maintaining the usage rate of unused wood at a certain level, and achieve stable operation by continuing promoting detailed inspections and maintenance in order to maintain a high operating rate. Furthermore, for the forestry business, in addition to broadening fuel procurement and enhancing unprocessed timber and chip processing volume, we will make efforts to reduce the moisture content when storing unprocessed timber in connection with the power plant operation.

In order to secure the business environment of the wood biomass power generation business into the future and substantially help make the use of renewable energy even more widespread, we consider that the most significant management issues regarding the operations are the following: improving efficiency by bringing together all of our accumulated knowledge to achieve stable operation; utilizing economies of scale when procuring parts for maintenance to reduce costs; and securing and training the specialist personnel who will actively utilize forest resources and establish the management approaches, which includes backup systems that respond to infection, and continuing to execute operations remotely.

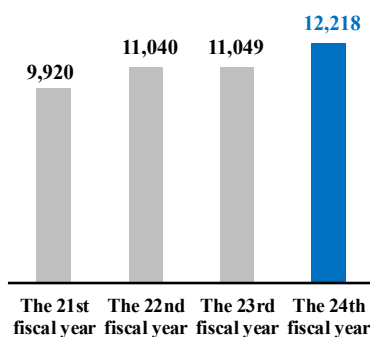
In addition, the Company shall make every effort to carry on in accordance with the construction plan regarding the construction of the new wood biomass power plant by EF-ON SHINGU. The Company recognizes that building and equipping the necessary business environment for the operation of this power plant is its most significant issue.

(4) **Assets and Income**

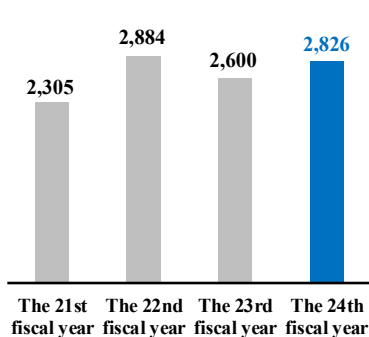
(Millions of yen)				
Item \ Period	The 21st fiscal year (ended June 30, 2017)	The 22nd fiscal year (ended June 30, 2018)	The 23rd fiscal year (ended June 30, 2019)	The 24th fiscal year (fiscal year under review) (ended June 30, 2020)
Net sales	9,920	11,040	11,049	12,218
Ordinary profit	2,305	2,884	2,600	2,826
Profit attributable to owners of parent	2,004	2,366	2,084	1,757
Profit per share (Yen)	95.02	110.61	96.40	81.22
Net assets	9,436	11,902	13,862	15,434
Total assets	22,414	28,168	33,360	39,847

(Note) Effective July 1, 2018, the Company conducted a share split at a ratio of 1.2 shares per share of common stock. Profit per share has been calculated assuming the share split was conducted at the beginning of the 21st fiscal year.

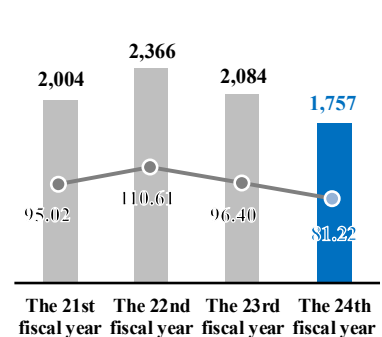
**Net sales**  
(Millions of yen)



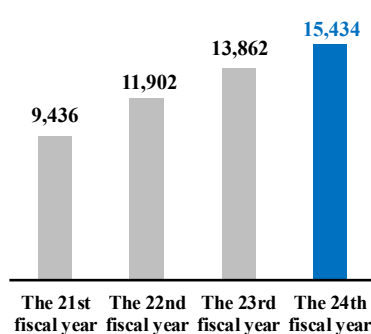
**Ordinary profit**  
(Millions of yen)



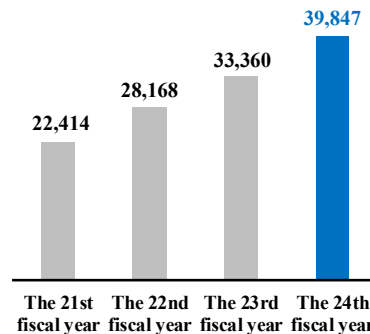
**Profit attributable to owners of parent** **Profit per share**  
(Millions of yen) (Yen)



**Net assets**  
(Millions of yen)



**Total assets**  
(Millions of yen)



**(5) Significant Subsidiaries**

Company name	Capital	Ratio of voting rights held	Principal business
EF-ON HITA INC.	¥495 million	100.00%	Wood biomass power generation business
EF-ON SHIRAKAWA INC.	¥441 million	100.00%	Wood biomass power generation business
EF-ON BUNGO-ONO INC.	¥450 million	100.00%	Wood biomass power generation business
EF-ON MIBU INC.	¥1 million	100.00%	Wood biomass power generation business
EF-ON SHINGU INC.	¥1 million	100.00%	Wood biomass power generation business
EF-BIOS INC.	¥10 million	100.00%	Sale of biomass fuel, contracted power plant operation business
SOLEIL HITA COMPANY, LIMITED	¥10 million	100.00%	Solar power plant operation and management business

**(6) Principal Business (as of June 30, 2020)****1) Energy Saving Support Business**

In the Energy Saving Support Business, the Company provides services supporting energy saving for the facilities of corporate clients and other clients, as well as the introduction of renewable energy. In addition to finding out the energy usage of clients and providing an energy saving diagnosis, the Company provides a full range of services, from the design and installation of actual energy saving equipment and systems based on the results of the diagnosis, to subsequent operation. As a form of integrated energy management, the Company also provides services related to tracking clients' energy usage, formulating plans for reducing energy usage, improving operation and facilities, and measurement of the reduction in energy usage, in addition to services such as support for the introduction of renewable energy, and consulting regarding the control and reduction of carbon dioxide emissions.

**2) Green Energy Business**

In the Green Energy Business, the Company converts renewable, natural energy into electric power. In response to social demands to improve the environment such as reducing carbon dioxide emissions, etc., the Company develops, constructs, and operates environmentally friendly power plants, particularly those using wood biomass (Note) as a source of energy among various forms of renewable energy. At present, in the Group, FIT-approved wood biomass power plants are operated by EF-ON HITA, EF-ON SHIRAKAWA, EF-ON BUNGO-ONO, and EF-ON MIBU. In addition, the Company is also currently making progress on new wood biomass power plant under construction in Shingu City, Wakayama Prefecture. Through the effective utilization of waste wood materials and forest resources, EF-BIOS INC. is at the core of the Green Energy Business as a company specializing in the operation of wood biomass power plants and the supply of wood biomass fuel.

**(Note) Wood biomass**

Biomass is a concept that expresses a mass of biological resources (bio), and is described as “renewable, organic, biological resources, excluding fossil resources.”

Wood biomass refers to organic matter originating in trees that may be used as an energy source. The Group engages in the business of generating power from new energy sources, whereby woodchips are used as fuel for generating power after being selected and crushed from waste materials from lumbermills and wood processing plants, etc., waste construction materials from construction and demolition sites, and other sources of wood. Biomass resources are considered “carbon neutral,” as the carbon dioxide emitted by burning biomass does not harm the balance of carbon dioxide on a global scale because plants take carbon dioxide from the air by photosynthesis in order to grow. In addition, biomass resources have garnered attention as a “renewable resource” which, if properly managed, can be used on a long-term basis without being depleted, unlike fossil fuels such as oil.

**(7) Main Business Locations and Plants (as of June 30, 2020)**

The Company	Head Office:	3-1-1 Kyobashi, Chuo-ku, Tokyo
	Kansai Office:	22 Itayamachi, Wakayama City, Wakayama Prefecture
Subsidiaries	EF-ON HITA INC.:	Hita City, Oita Prefecture
	EF-ON SHIRAKAWA INC.:	Shirakawa City, Fukushima Prefecture
	EF-ON BUNGO-ONO INC.:	Bungo-Ono City, Oita Prefecture
	EF-ON MIBU INC.:	Chuo-ku, Tokyo
	EF-ON SHINGU INC.:	Chuo-ku, Tokyo
	EF-BIOS INC.:	Chuo-ku, Tokyo
	SOLEIL HITA COMPANY, LIMITED:	Hita City, Oita Prefecture

**(8) Employees (as of June 30, 2020)**

**Group Employees**

Business division	Number of employees	Increase (decrease) from the previous consolidated fiscal year-end
Energy Saving Support Business	6	1
Green Energy Business	179	32
Corporate (common)	19	(1)
Total	204	32

- (Notes) 1. The number of employees refers to full-time employees, and does not include temporary employees (employees working on a part-time, commission, advisory, or dispatch basis).
2. The increase in the number of employees in the Green Energy Business is mainly the result of the augmentation of staff serving in power plants.

**(9) Main Lenders (as of June 30, 2020)**

(Millions of yen)

Lender	Outstanding loan amount
MUFG Bank, Ltd.	5,684
Japan Finance Corporation	4,117
Sumitomo Mitsui Banking Corporation	3,826
Mizuho Bank, Ltd.	2,911
The Bank of Yokohama, Ltd.	2,799

**(10) Other Important Information Concerning the Company Group**

There is no relevant information.



## 2. Information on Shares of the Company

### Status of Shares (as of June 30, 2020)

1) Total number of shares authorized to be issued	69,840,000 shares
2) Total number of shares outstanding	21,638,199 shares
3) Number of shareholders	5,644 persons
4) Major shareholders (top 10 shareholders)	

Shareholder name	Number of shares	Shareholding ratio
NIHON TECHNO CO., LTD.	7,049,280	32.58%
Hikari Tsushin K.K.	1,775,000	8.20%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,581,600	7.31%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,166,800	5.39%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	368,900	1.70%
GOVERNMENT OF NORWAY	349,200	1.61%
BNYM AS AGT/CLTS 10 PERCENT	292,800	1.35%
Aioi Nissay Dowa Insurance Co., Ltd.	240,000	1.11%
RBC ISB A/C LUX NON RESIDENT/DOMESTIC RATE-UCITS CLIENTS ACCOUNT	239,200	1.11%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	232,600	1.07%

### 3. Company Officers

#### (1) Company Officers

##### 1) Directors and Audit & Supervisory Board Members (as of June 30, 2020)

Position at the Company	Name	Responsibilities and significant concurrent positions
President and Representative Director	Tomotada Shimazaki	
Managing Director	Hisahito Koike	Head of Administrative Division
Director	Koutaro Fujii	General Manager, Electricity Business Planning Department
Director	Hideki Kaneda	
Director	Shinichi Suzuki	Representative, Saiwaibashi Law Office
Director	Norio Minagawa	
Director	Maiko Sako	
Full-time Audit & Supervisory Board Member	Shinichi Yada	
Audit & Supervisory Board Member	Toshio Shimizu	
Audit & Supervisory Board Member	Hidehito Mochizuki	Director, Mochizuki Certified Public Accountant Office Director, Mochizuki Tax Accountant Office

- (Notes)
1. Directors, Mr. Shinichi Suzuki, Mr. Norio Minagawa and Ms. Maiko Sako, are Outside Directors.
  2. Audit & Supervisory Board Members, Mr. Toshio Shimizu and Mr. Hidehito Mochizuki, are Outside Audit & Supervisory Board Members.
  3. Full-time Audit & Supervisory Board Member, Mr. Shinichi Yada has experience as an Outside Director, in addition to specialist knowledge developed through serving at a major financial institution.  
Audit & Supervisory Board Member, Mr. Toshio Shimizu, has wide-ranging insight in the field of business management, in addition to abundant knowledge and experience as an Audit & Supervisory Board Member.  
Audit & Supervisory Board Member, Mr. Hidehito Mochizuki, is well-versed on corporate management matters as a certified public accountant and certified public tax accountant, and has a considerable level of insight in accounting and tax matters, in addition to abundant knowledge and experience as an Audit & Supervisory Board Member.
  4. The Company has registered Directors, Mr. Shinichi Suzuki, Mr. Norio Minagawa and Ms. Maiko Sako, and Audit & Supervisory Board Members, Mr. Toshio Shimizu and Mr. Hidehito Mochizuki, with the Tokyo Stock Exchange as independent officers under the stipulations of the said exchange.

##### 2) Directors and Audit & Supervisory Board Members Retiring in the Fiscal Year Under Review

Name	Date of retirement	Reason for retirement	Position at time of retirement
Hirokazu Kojima	September 25, 2019	End of term	Director
Makoto Nagasawa	September 25, 2019	End of term	Director
Tadashi Ueda	September 25, 2019	End of term	Outside Audit & Supervisory Board Member

## (2) Compensations for Directors and Audit & Supervisory Board Members

### 1) Total Amount of Compensation in the Fiscal Year Under Review

Classification	Number of people	Total amount of compensation
Directors	9	¥111 million
(of which, Outside Directors)	(3)	(¥7 million)
Audit & Supervisory Board Members	4	¥17 million
(of which, Outside Audit & Supervisory Board Members)	(3)	(¥4 million)
Total	13	¥129 million
(of which, Outside Officers)	(6)	(¥12 million)

- (Notes)
1. The total amount of compensation for Directors does not include the portion of salary as an employee for Directors concurrently serving as employees.
  2. The amount of compensation for Directors was resolved to be within ¥240 million per year, including the amount within ¥40 million for Outside Directors, (however, this does not include the portion of salary as an employee) at the 22nd Annual General Meeting of Shareholders held on September 26, 2018.
  3. The amount of compensation for Audit & Supervisory Board Members was resolved to be within ¥40 million per year at the 22nd Annual General Meeting of Shareholders held on September 26, 2018.

### 2) Officer Retirement Benefits Paid in the Fiscal Year Under Review

There is no relevant information.

### 3) Total Amount of Officer Compensation Received by Outside Officers from the Parent Company or Subsidiaries

There is no relevant information.

## (3) Outside Officers

### 1) Relationship of the Company to Other Companies, etc. where Important Concurrent Positions are Held

- Director Mr. Shinichi Suzuki concurrently serves as Representative of Saiwaibashi Law Office. There is no business relationship between the Company and Saiwaibashi Law Office.
- Audit & Supervisory Board Member Mr. Hidehito Mochizuki concurrently serves as Director of Mochizuki Certified Public Accountant Office and Mochizuki Tax Accountant Office. There is no business relationship between the Company and Mochizuki Certified Public Accountant Office or Mochizuki Tax Accountant Office.

## 2) Main Activities in the Fiscal Year Under Review

	Name	Activities
Director	Shinichi Suzuki	Mr. Shinichi Suzuki attended all eleven meetings of the Board of Directors held in the fiscal year under review, and appropriately expressed opinions as necessary on proposal deliberations from his specialist perspective as an attorney, in order to ensure the validity and appropriateness of the Board of Directors' decision-making.
Director	Norio Minagawa	Mr. Norio Minagawa attended all eleven meetings of the Board of Directors held in the fiscal year under review, and express his views as necessary at appropriate opportunities from his in-depth perspective based on his past experience as an Audit & Supervisory Board Member, his experience as a Director at other companies, and his insight in the areas of finance and accounting.
Director	Maiko Sako	Ms. Maiko Sako attended all eleven meetings of the Board of Directors held in the fiscal year under review, and appropriately expressed opinions as necessary on proposal deliberations from her specialist perspective as an attorney, in order to ensure the validity and appropriateness of the Board of Directors' decision-making.
Audit & Supervisory Board Member	Toshio Shimizu	Mr. Toshio Shimizu attended all eleven meetings of the Board of Directors and all twelve meetings of the Audit & Supervisory Board held in the fiscal year under review, and conducted audits from a wide-ranging perspective based on his abundant experience and profound understanding as a corporate manager, in addition to expressing his views as necessary at appropriate opportunities at the meetings of both the Board of Directors and the Audit & Supervisory Board.
Audit & Supervisory Board Member	Hidehito Mochizuki	Since assuming the office, for the fiscal year under review, Mr. Hidehito Mochizuki attended all nine meetings of the Board of Directors and all nine meetings of the Audit & Supervisory Board held during the term of office, and conducted high-level audits based on his profound understanding from a specialist perspective as a certified public accountant and certified public tax accountant, in addition to expressing his views as necessary at appropriate opportunities at the meetings of both the Board of Directors and the Audit & Supervisory Board.

## 3) Summary of the Agreement on Limitation of Liability

In accordance with the provisions of the Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with each Outside Director and each Outside Audit & Supervisory Board Member to limit their liability for damages, as stipulated in Article 423, paragraph (1) of the same Act.

The maximum amount of liability pursuant to the said agreement is the minimum amount stipulated in Article 425, paragraph (1) of the Companies Act.

#### 4. Accounting Auditor

(1) **Accounting Auditor's Name**

Crowe Toyo & Co.

(2) **Accounting Auditor's Compensation, etc. for the fiscal year ended June 30, 2020**

	Payment amount
Accounting Auditor's compensation, etc., for the fiscal year ended June 30, 2020	¥27 million
Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor	¥27 million

- (Notes)
1. No companies among the Company's consolidated subsidiaries have entered into an audit agreement, etc. with the Accounting Auditor.
  2. Under the audit agreement between the Company and its Accounting Auditor, the amount of compensation, etc. for audits pursuant to the Companies Act and audits pursuant to Financial Instruments and Exchange Act are not distinctly separated, and otherwise cannot be separated. Consequently, the above Accounting Auditor's compensation, etc., for the fiscal year under review reflects total compensation.

(3) **Reasons for the Audit & Supervisory Board's Consent on Accounting Auditor's Compensation, etc.**

The Audit & Supervisory Board of the Company has given its consent to the Accounting Auditor's compensation, etc. as set forth in Article 399, paragraph (1) of the Companies Act, as a result of confirming and considering the validity of the contents of the Accounting Auditor's audit plan, the Accounting Auditor's execution of duties in previous fiscal years, and the basis for the calculation of the compensation estimate, through obtaining the necessary documents and requesting reports from Directors, related internal departments, and the Accounting Auditor, based on the "Practical Guidelines Regarding Coordination with Accounting Auditors" announced by the Japan Audit & Supervisory Board Members Association.

(4) **Description of Non-Audit Services**

There is no relevant information.

(5) **Summary of the Agreement on Limitation of Liability**

In accordance with the provisions of the Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with Crowe Toyo & Co. to limit the Accounting Auditor's liability for damages, as stipulated in Article 423, paragraph (1) of the same Act.

The maximum amount of liability pursuant to the said agreement is the minimum amount stipulated in Article 425, paragraph (1) of the Companies Act.

(6) **Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditor**

In the event that the Accounting Auditor is deemed to have met any of the grounds set forth in the clauses of Article 340, paragraph (1) of the Companies Act, the Audit & Supervisory Board shall terminate the appointment of the Accounting Auditor subject to the unanimous consent of the Audit & Supervisory Board Members.

In addition, the Audit & Supervisory Board may resolve to submit a proposal to the General Meeting of Shareholders to terminate the appointment or forego the reappointment of the Accounting Auditor, in circumstances when the Audit & Supervisory Board judges it necessary, such as cases when the Accounting Auditor may not execute its duties.

## 5. Company's Systems and Policies

### (1) Overview of the System to Ensure that the Execution of Duties by Directors Complies with Laws and Ordinances and the Articles of Incorporation, Other Systems to Ensure the Propriety of Business Activities, and the Implementation Status thereof

At the meeting of the Board of Directors held on May 15, 2006, the Company made a resolution regarding a "Basic Policy," in order to create a system to ensure the propriety of business activities as required by the Companies Act and other laws and ordinances. At the meeting of the Board of Directors held on May 7, 2015, the Company made the following amendments to the "Basic Policy," in line with the enforcement of the Act Partially Amending the Companies Act (Act No. 90 of 2014). An overview of the "Basic Policy" regarding internal control set forth by the Group and the implementation status thereof are as follows.

#### I. Initiatives of the Group Regarding Internal Control

In accordance with the Basic Policy, the Group has created a system to ensure the propriety of its business activities as a stock company as defined by the Companies Act and the Ordinance for Enforcement of the Companies Act, a system to ensure the appropriateness of documents and other information related to financial accounting as defined by the Financial Instruments and Exchange Act, and other systems to maintain and enhance corporate value (hereinafter, collectively referred to as "internal control systems").

In addition to promoting internal control by its Directors and employees (hereinafter, "Officers and employees"), with the President and Representative Director at the center of those efforts, the Group has also established an Internal Control Committee, and endeavors to ensure that the internal control systems function effectively.

#### II. Basic Policy Regarding the Creation of Internal Control Systems

- (i) System to ensure that the execution of duties by Directors and Employees complies with laws and ordinances and the Articles of Incorporation
  - 1) The Group shall strive to create and implement rules and regulations, etc. under the management of related departments as standards for actions that comply with laws and ordinances, the Articles of Incorporation, and social principles (hereinafter, "laws, etc.").
  - 2) The Group shall strive to ensure thorough implementation of rules and regulations, etc. relating to matters that pertain to compliance with laws, etc., and shall endeavor to educate Officers and employees on such matters.
  - 3) The Group shall establish and operate a helpline as a means for employees to directly provide information about actions that are doubtful in light of laws, etc., and, in addition to promptly discovering violations of laws and ordinances and other misconduct, shall ensure that employees reporting such actions shall not receive unfavorable treatment as a result of having made the report.
  - 4) The Group is sufficiently aware of its corporate social responsibility, and shall take a firm stance toward antisocial forces as an organization, reject improper demands, and block all relationships with such forces, including business transactions and the provision of funds.
- (ii) System regarding the storage and management of information pertaining to the execution of duties
  - 1) Directors shall record information pertaining to the execution of their duties, in order to make clear their respective assessment standards and reasons when executing duties and making decisions. In accordance with laws, etc. and various related rules, the Group shall appropriately store this information in a designated department, and shall create a system whereby it may be viewed at any time, to support the timely execution of duties by Directors and Audit & Supervisory Board Members.
  - 2) In accordance with laws, etc. and various related rules, the Group shall also handle information pertaining to the execution of duties by employees in a similar manner to information pertaining to the execution of duties by Directors.
  - 3) The Group shall determine methods for handling internal information and storing it in documents and electromagnetic records, and shall take all possible precautions in regard to security, in order to prevent information leaks.
  - 4) Persons responsible for managing information and related departments shall coordinate and endeavor to disclose information in a timely and appropriate manner.

- (iii) Regulations and other systems for management of the risk of loss
  - 1) In accordance with regulations relating to risk, the Internal Control Committee shall manage risks for the Group as a whole in a comprehensive, all-inclusive manner.
  - 2) Officers and employees shall establish a process for each stage of the acquisition, utilization, and disposal of the Group's assets, regardless of whether they are tangible or intangible, and shall endeavor to preserve the Group's assets.
- (iv) System to ensure that the execution of duties by Directors, etc. of the Group is efficiently conducted
  - 1) The Board of Directors shall determine management duties for each Executive Director, in order to clarify the management responsibilities of Executive Directors.
  - 2) Executive Directors shall regularly hold a Management Meeting as an advisory body to the President and Representative Director, and shall strive to coordinate business activities and unify opinions on the execution of business activities.
  - 3) In order to make the execution of duties by Officers and employees more efficient, the Group shall determine their authority and decision-making rules, and shall clarify the division of duties between departments.
- (v) System to ensure propriety of business activities in the corporate group
  - 1) The Company shall establish a system for managing subsidiaries, including formulating regulations for managing subsidiaries and other related rules, etc., and establishing a department within the Company that tracks the status of the Group as a whole at all times and reports the status of assets and other important matters to the Board of Directors.
  - 2) The Group shall coordinate to ensure unified systems, including work processes and accounting systems.
  - 3) The Group shall strive to ensure coordination between Audit & Supervisory Board Members, engaging in the exchange of information and opinions as necessary.
  - 4) The Internal Audit Office shall regularly conduct audits regarding the status of the execution of business activities by the Group.
- (vi) Matters regarding employees assisting Audit & Supervisory Board Members in their duties in the event that Audit & Supervisory Board Members have requested such employees, and matters regarding ensuring the independence of these employees from Directors and the effectiveness of Audit & Supervisory Board Members' instructions to these employees
  - 1) In response to requests from the Audit & Supervisory Board to assign employees to assist with their duties, the Representative Director shall consult with the Audit & Supervisory Board from the perspective of ensuring the effectiveness of audits, and assign employees.
  - 2) Employees assisting Audit & Supervisory Board Members shall do so on a full-time basis, and shall execute their duties under the direction of Audit & Supervisory Board Members.
  - 3) The prior consent of the Audit & Supervisory Board shall be obtained in regard to the appointment, transfer, evaluation, etc. of employees assisting Audit & Supervisory Board Members.
- (vii) System regarding reports from Officers and employees of the Group to the Audit & Supervisory Board or the individual Audit & Supervisory Board Members of the Company
  - 1) Officers and employees of the Group shall, without delay, report to Audit & Supervisory Board Members of the Company the occurrence or possible occurrence of events that will cause significant damage to the Company or consolidated subsidiaries of the Company, violations of laws and ordinances and other misconduct, and the occurrence or possible occurrence of any other equivalent events. In addition, persons receiving such a report from an Officer or employee of the Group shall report the content thereof to Audit & Supervisory Board Members of the Company without delay.
  - 2) Audit & Supervisory Board Members may make requests for information including reports, explanations, and the submission of documents on the content of the execution of business activities to Officers and employees of the Group as necessary.
  - 3) The Internal Audit Office shall report the results of internal audits to Audit & Supervisory Board Members of the Company.

- 4) Officers and employees who have made a report to Audit & Supervisory Board Members shall not receive unfavorable treatment as a result of having made the report.
- (viii) Matters regarding policy pertaining to expenses arising from Audit & Supervisory Board Members' execution of duties and reimbursement  
The Company shall promptly pay or reimburse the relevant expenses or debts in cases when Audit & Supervisory Board Members have made reasonable requests for the advance payment of expenses or reimbursement, etc. arising from the execution of their duties.
- (ix) Other systems to ensure that the audits of Audit & Supervisory Board Members are effectively conducted
  - 1) Audit & Supervisory Board Members may obtain the latest information concerning the Group by meetings held regularly to exchange opinions with the President and Representative Director, tours of facilities held by the Group, and other means.
  - 2) Audit & Supervisory Board Members shall regularly attend internal meetings in order to track the latest status of the Group, and may also request the exchange of opinions and submission of information from Officers and employees of the Group as necessary.
  - 3) In cases when it is necessary for the execution of their duties, Audit & Supervisory Board Members may request the opinion of external experts such as attorneys, certified public accountants, and certified public tax accountants.
- (x) Systems to ensure the reliability of financial reporting
  - 1) The Group shall coordinate with experts and truthfully report the financial position of its companies and management performance, in accordance with various related laws and ordinances, related regulations, and generally accepted accounting standards.
  - 2) The Group shall implement the necessary measures to ensure the reliability of financial reporting, based on the "Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" formulated by the Financial Services Agency, etc.

With regard to the overview of the implementation status of the above systems to ensure the propriety of business activities, the Company has created various related regulations based on the "Basic Policy on Internal Control" resolved at the meeting of the Board of Directors of the Company held on May 7, 2015.

In addition, the Internal Control Committee, which is stipulated in the "Basic Policy on Internal Control," met four times during the fiscal year under review, with the President and Representative Director as Chair. It also confirmed at the end of the fiscal year, with the attendance of the Full-time Audit & Supervisory Board Member, that the internal control systems are functioning effectively.

**(2) Basic Policy Regarding the Company's Control**

The Company has not established any particular basic policy regarding persons controlling decisions on the Company's financial or business policies.

**(3) Basic Policy Regarding Decisions on the Distribution of Surplus, etc.**

The Company recognizes the return of profits to shareholders as an important management issue. For the fiscal year under review, the Company decided to pay a dividend of ¥8 per share. From the next fiscal year onward, the Company shall strive to be able to maintain a stable dividend and shall endeavor to return profits to shareholders, while taking into consideration the status of profits for each fiscal year, in addition to capital investments in new wood biomass power plants that are currently under construction or being planned, and other factors.

Furthermore, the Company intends to use internal reserves as a source for strengthening its corporate structure and for future business development.

In addition, the Company's Articles of Incorporation stipulate that matters set forth in each item of Article 459, paragraph (1) of the Companies Act, including the distribution of surplus, shall be determined by resolution of the Board of Directors, excluding cases otherwise provided for by laws and ordinances. The objective of this is to facilitate the flexible return of profits to shareholders by placing the distribution of surplus, etc. under the authority of the Board of Directors.



# Consolidated Financial Statements

## Consolidated Balance Sheet

(As of June 30, 2020)

(Millions of yen)

Description	Amount
<b>Assets</b>	
<b>I. Current assets</b>	<b>7,524</b>
Cash and deposits	4,248
Notes and accounts receivable - trade	1,298
Supplies	708
Consumption taxes receivable	851
Other	418
<b>II. Non-current assets</b>	<b>32,322</b>
<b>1. Property, plant and equipment</b>	<b>31,673</b>
Buildings and structures	6,900
Machinery, equipment and vehicles	15,070
Tools, furniture and fixtures	91
Land	3,127
Leased assets	166
Trees	539
Construction in progress	5,777
<b>2. Intangible assets</b>	<b>361</b>
Right to use electricity supply facilities	354
Other	6
<b>3. Investments and other assets</b>	<b>288</b>
Deferred tax assets	196
Other	92
<b>Total assets</b>	<b>39,847</b>

(Millions of yen)

Description	Amount
<b>Liabilities</b>	
<b>I. Current liabilities</b>	<b>4,057</b>
Notes and accounts payable - trade	948
Short-term loans payable	200
Current portion of long-term loans payable	1,526
Accounts payable - other	293
Current portion of long-term accounts payable	153
Lease obligations	103
Income taxes payable	197
Provision for bonuses	38
Provision for maintenance cost	447
Other	149
<b>II. Non-current liabilities</b>	<b>20,355</b>
Long-term loans payable	20,188
Long-term accounts payable - other	66
Lease obligations	90
Deferred tax liabilities	9
<b>Total liabilities</b>	<b>24,412</b>
<b>Net assets</b>	
<b>I. Shareholders' equity</b>	<b>15,425</b>
Capital stock	2,292
Capital surplus	1,292
Retained earnings	11,840
<b>II. Share acquisition rights</b>	<b>8</b>
<b>Total net assets</b>	<b>15,434</b>
<b>Total liabilities and net assets</b>	<b>39,847</b>

## Consolidated Statement of Income

(July 1, 2019 – June 30, 2020)

(Millions of yen)

Description	Amount	
<b>Net sales</b>		<b>12,218</b>
<b>Cost of sales</b>		<b>8,620</b>
<b>Gross profit</b>		<b>3,597</b>
<b>Selling, general and administrative expenses</b>		<b>669</b>
<b>Operating profit</b>		<b>2,927</b>
<b>Non-operating income</b>		
Interest income	0	
Gain on sales of scraps	6	
Gain on sales of non-current assets	3	
Subsidy income	6	
Miscellaneous income	28	
Other	10	55
<b>Non-operating expenses</b>		
Interest expenses	141	
Commission expenses	6	
Share issuance cost	0	
Loss on retirement of non-current assets	4	
Other	3	156
<b>Ordinary profit</b>		<b>2,826</b>
<b>Extraordinary income</b>		
Gain on reversal of share acquisition rights	19	19
<b>Profit before income taxes</b>		<b>2,845</b>
Income taxes - current	426	
Income taxes - deferred	662	1,088
<b>Profit</b>		<b>1,757</b>
<b>Profit attributable to owners of parent</b>		<b>1,757</b>

## Consolidated Statement of Changes in Equity

(July 1, 2019 – June 30, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at beginning of period</b>	2,288	1,288	10,256	–	13,833
<b>Changes during period</b>					
Issuance of new shares - exercise of share acquisition rights	4	4			8
Dividends of surplus			(173)		(173)
Profit attributable to owners of parent			1,757		1,757
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares			(0)	0	–
Net changes of items other than shareholder' equity during the fiscal year					–
<b>Total changes during period</b>	4	4	1,583	–	1,592
<b>Balance at end of period</b>	2,292	1,292	11,840	–	15,425

	Subscription rights to shares	Total net assets
<b>Balance at beginning of period</b>	28	13,862
<b>Changes during period</b>		
Issuance of new shares - exercise of share acquisition rights		8
Dividends of surplus		(173)
Profit attributable to owners of parent		1,757
Purchase of treasury shares		(0)
Cancellation of treasury shares		–
Net changes of items other than shareholder' equity during the fiscal year	(19)	(19)
<b>Total changes of items during period</b>	(19)	1,572
<b>Balance at end of period</b>	8	15,434

# Non-Consolidated Financial Statements

## Non-Consolidated Balance Sheet

(As of June 30, 2020)

(Millions of yen)

Description	Amount
<b>Assets</b>	
<b>I. Current assets</b>	<b>9,822</b>
Cash and deposits	502
Accounts receivable - trade	6,621
Prepaid expenses	38
Costs on uncompleted construction contracts	1,762
Accounts receivable - other	694
Other	202
<b>II. Non-current assets</b>	<b>7,056</b>
<b>1. Property, plant and equipment</b>	<b>395</b>
Buildings	64
Machinery and equipment	63
Tools, furniture and fixtures	29
Leased assets	166
Vehicles	0
Land	56
Construction in progress	14
<b>2. Intangible assets</b>	<b>5</b>
Software	2
Other	2
<b>3. Investments and other assets</b>	<b>6,655</b>
Shares of subsidiaries and associates	2,161
Long-term loans receivable from subsidiaries and associates	4,230
Long-term prepaid expenses	5
Deferred tax assets	179
Other	79
<b>Total assets</b>	<b>16,878</b>

(Millions of yen)

Description	Amount
<b>Liabilities</b>	
<b>I. Current liabilities</b>	<b>5,323</b>
Accounts payable - trade	132
Short-term loans payable	200
Current portion of long-term loans payable	491
Accounts payable - other	118
Current portion of long-term accounts payable	149
Lease obligations	103
Advances received	3,950
Accrued expenses	6
Income taxes payable	22
Deposits received	5
Provision for bonuses	15
Provision for maintenance cost	78
Other	50
<b>II. Non-current liabilities</b>	<b>2,401</b>
Long-term loans payable	1,244
Long-term borrowings from subsidiaries and associates	1,000
Long-term accounts payable - other	66
Lease obligations	90
<b>Total liabilities</b>	<b>7,724</b>
<b>Net assets</b>	
<b>I. Shareholders' equity</b>	<b>9,144</b>
<b>1. Capital stock</b>	<b>2,292</b>
<b>2. Capital surplus</b>	<b>1,292</b>
Legal capital surplus	1,292
<b>3. Retained earnings</b>	<b>5,559</b>
Other retained earnings	5,559
Retained earnings brought forward	5,559
<b>II. Share acquisition rights</b>	<b>8</b>
<b>Total net assets</b>	<b>9,153</b>
<b>Total liabilities and net assets</b>	<b>16,878</b>

## Non-Consolidated Statement of Income

(July 1, 2019 – June 30, 2020)

(Millions of yen)

Description	Amount	
<b>Net sales</b>		<b>6,010</b>
<b>Cost of sales</b>		<b>5,655</b>
<b>Gross profit</b>		<b>354</b>
<b>Selling, general and administrative expenses</b>		<b>272</b>
<b>Operating profit</b>		<b>81</b>
<b>Non-operating income</b>		
Interest income	4	
Dividend income	1,184	
Other	4	1,193
<b>Non-operating expenses</b>		
Interest expenses	20	
Other	2	23
<b>Ordinary profit</b>		<b>1,251</b>
<b>Extraordinary income</b>		
Gain on reversal of share acquisition rights	19	19
<b>Profit before income taxes</b>		<b>1,271</b>
Income taxes - current	(386)	
Income taxes - deferred	430	44
<b>Profit</b>		<b>1,227</b>

## Non-Consolidated Statement of Changes in Equity

(July 1, 2019 – June 30, 2020)

(Millions of yen)

(millions of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
		Legal capital surplus	Other retained earnings				
			Retained earnings brought forward				
Balance at beginning of period	2,288	1,288	4,505	—	8,082	28	8,111
Changes during period							
Issuance of new shares - exercise of subscription rights to shares	4	4			8		8
Dividends of surplus			(173)		(173)		(173)
Profit			1,227		1,227		1,227
Purchase of treasury shares				(0)	(0)		(0)
Cancellation of treasury shares			(0)	0	—		—
Net changes of items other than shareholder' equity during the fiscal year					—	(19)	(19)
Total changes during period	4	4	1,503	—	1,062	(19)	1,042
Balance at end of period	2,292	1,292	5,559	—	9,144	8	9,153



**Independent Auditor's Report**  
(Translation)

August 13, 2020

To the Board of Directors  
EF-ON INC.

Crowe Toyo & Co.  
Tokyo Office

Tsugunari Yamada, CPA  
Engagement Partner  
Osamu Shimizutani, CPA  
Engagement Partner

**Auditors' Opinion**

We have audited, pursuant to Article 444, paragraph (4) of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of EF-ON INC. (hereinafter referred to as the "Company") for the fiscal year from July 1, 2019 to June 30, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of June 30, 2020 and the consolidated result of their operations for the year then ended in conformity with the generally accepted accounting principles in Japan.

**Basis for Audit Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements. is not expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

#### Relationship of Interest

We have no interests in or relationships with the Company and its consolidated subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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#### *Notice to Readers:*

The original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, are written in Japanese.

## Independent Auditor's Report

(Translation)

August 13, 2020

To the Board of Directors  
EF-ON INC.

Crowe Toyo & Co.  
Tokyo Office

Tsugunari Yamada, CPA  
Engagement Partner  
Osamu Shimizutani, CPA  
Engagement Partner

### Auditors' Opinion

We have audited, pursuant to Article 436, paragraph (2), item (i) of the Companies Act, the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the supplementary schedules thereof (collectively, "non-consolidated financial statements, etc.") of EF-ON INC. (hereinafter referred to as the "Company") for the 24th fiscal year from July 1, 2019 to June 30, 2020.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and the result of its operation for the year then ended in conformity with the generally accepted accounting principles in Japan.

### Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc." section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for Non-Consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of non-consolidated financial statements, etc. in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of non-consolidated financial statements, etc. that are free from material misstatements, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

## Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

## Relationship of Interest

We have no interests in or relationships with the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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## Notice to Readers:

The original non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the supplementary schedules thereof, are written in Japanese.

## **Audit Report** (Translation)

The Audit & Supervisory Board hereby reports the results of discussions regarding the performance of duties by the Directors for the 24th fiscal year from July 1, 2019 to June 30, 2020, based on the audit reports prepared by each Audit & Supervisory Board Member.

1. Summary of Auditing Methods of the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established an audit policy for the fiscal year under review, an audit plan, division of duties, etc., and received reports from each Audit & Supervisory Board Member on the status of audits and results, in addition to receiving reports from Directors, etc. and the Accounting Auditor on the status of the execution of their duties, and requesting explanations as necessary.
- (2) While conforming with the standards for audits by Audit & Supervisory Board Members set forth by the Audit & Supervisory Board, each Audit & Supervisory Board Member followed the audit policy for the fiscal year under review, audit plan, division of duties, etc., made efforts to facilitate mutual understanding with Directors, the Internal Audit Office, other employees, etc., and endeavored to collect information and improve the auditing environment, in addition to conducting their audits with the following methods.
  - 1) We participated in the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal business offices. With respect to subsidiaries, we communicated with, and collected information from, Directors, Audit & Supervisory Board Members and other relevant personnel of subsidiaries and received reports from subsidiaries as necessary as well as studying operations and financial positions at the head offices of subsidiaries, power plants, and other sites.
  - 2) We received regular reports from Directors and employees, etc., requested explanations as necessary, and expressed our opinions regarding the content of resolutions of the Board of Directors on the creation of a system to ensure that the execution of duties by Directors complies with laws and ordinances and the Articles of Incorporation, as described in the Business Report, and other systems set forth in Article 100, paragraphs (1) and (3) of the Ordinance for Enforcement of the Companies Act as necessary to ensure the propriety of business activities of a corporate group formed by a stock company and its subsidiaries, in addition to the systems created based on these resolutions (internal control systems), and the status of their creation and implementation.
  - 3) We monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that "system to ensure that duties are performed properly" (matters set forth in each item of Article 131 of the Rules of Corporate Accounting) had been prepared in accordance with the Product Quality Management Standards Regarding Audits (issued by the Business Accounting Deliberation Council on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and the supplementary schedules thereof, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and non-consolidated notes) and the supplementary schedules thereof, as well as the consolidated financial statements (consolidated

balance sheet, consolidated statement of income, consolidated statement of changes in equity and consolidated notes) related to the relevant fiscal year.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- 1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations, and Articles of Incorporation, and fairly represent the Company's condition.
- 2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, with regard to performance of duties by the Directors.
- 3) In our opinion, the contents of resolutions of the Board of Directors related to the internal control systems are fair and reasonable. In addition, we did not find any matter that needed to be pointed out regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system.

### (2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

In our opinion, the methods and results employed and rendered by the accounting auditor Crowe Toyo & Co. are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by the accounting auditor Crowe Toyo & Co. are fair and reasonable.

August 13, 2020

#### EF-ON INC. Audit & Supervisory Board

Audit & Supervisory Board Member (Full-Time)	Shinichi Yada
Outside Audit & Supervisory Board Member	Toshio Shimizu
Outside Audit & Supervisory Board Member	Hidehito Mochizuki