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Dear Shareholders,

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

I would also like to offer my greetings together with this Notice of Convocation of the 22nd Annual General Meeting of Shareholders (for the fiscal year from July 1, 2017 to June 30, 2018).

At the EF-ON Group, we operate two businesses, an “energy saving” 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 our 22nd fiscal year, thanks to the growth business of “wood biomass power generation” where the Bungo-Ono Power Plant that came online in August 2016 contributed to business performance over the full year, and smooth operation of the Shirakawa Power Plant and the Hita Power Plant, we achieved a year-on-year increase in revenue and profits. In addition, we shall continue to focus on construction of the Mibu Power Plant that will begin operations at the end of 2019, and promotion of plans for the Shingu Power Plant, our fifth unit, for our goals in “development of new power plants”.

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.

To Shareholders with Voting Rights:

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

**NOTICE OF CONVOCATION OF
THE 22ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 22nd Annual General Meeting of Shareholders of EF-ON INC. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights by means of either of the following. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and cast your vote by 5 p.m. Japan time on Tuesday, September 25, 2018.

[If exercising voting rights in writing]

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it will be received by the above deadline.

[If exercising voting rights via electronic means (the Internet)]

If exercising voting rights via the Internet, please review the “Guide to Exercise of Voting Rights via the Internet” (page 4), visit the Company’s designated voting website (<https://www.web54.net>), use the “Voting Rights Exercise Code” and “Password” displayed on the enclosed Voting Rights Exercise Form, and indicate your vote for or against each proposal by following the on-screen instructions.

[Handling of duplicate voting]

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.

- 1. Date and Time:** Wednesday, September 26, 2018 at 10 a.m. Japan time
- 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 22nd Fiscal Year (July 1, 2017 - June 30, 2018) 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 22nd Fiscal Year (July 1, 2017 – June 30, 2018)
 - Proposals to be resolved:**
 - Proposal 1:** Election of Eight Directors
 - Proposal 2:** Election of One Audit & Supervisory Board Member
 - Proposal 3:** Revision of Compensation Limits for Officers

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.

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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, and therefore accompanying persons must wait in the designated waiting room until the conclusion of the meeting.

Guide to Exercise of Voting Rights via the Internet

The exercise of voting rights via the Internet is only possible via the Voting Rights Exercise Website designated by the Company (<https://www.web54.net>). When exercising voting rights, shareholders shall be able to indicate approval/disapproval for the proposals by accessing the website and using the “Voting Rights Exercise Code” and “Password” indicated on the right side of the Voting Rights Exercise Form while following the on-screen instructions. Shareholders may enter a new password at their own choosing. Furthermore, please note that the website may not be used to exercise voting rights when opened via a mobile phone.

Please note the following matters when using the website to exercise voting rights.

1. Handling of exercise of voting rights

- (1) Please exercise your voting rights by 5 p.m. Japan time on Tuesday, September 25, 2018.
- (2) 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.
- (3) If voting rights are exercised more than once via the Internet, only the most recent vote shall be deemed valid.
- (4) Fees such as connection fees and communication fees to be paid to communications providers when connecting to the Voting Rights Exercise Website shall be borne by the shareholder.

2. Handling of the password

- (1) The password is a means of confirming that the person exercising voting rights is the shareholder, so please store it carefully until the conclusion of the General Meeting of Shareholders. Furthermore, the Company is unable to respond to inquiries regarding forgotten passwords.
- (2) If an incorrect password is entered more than a certain number of times, the website will be locked and become inaccessible. In such case, please follow the instructions on the screen.
- (3) The password you have received is effective only for this General Meeting of Shareholders. A new password will be assigned for the next Ordinary General Meeting of Shareholders.

3. Inquiries

- (1) For inquiries on how to use the personal computer, etc., in relation to the exercise of voting rights via the Internet, please contact the following.

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Dedicated Hotline
Telephone: 0120 (65) 2031
Business Hours: 9 a.m. ~ 9 p.m. (Japan time)

- (2) For inquiries regarding the registered address, number of shares, etc., please contact the following.
 - For shareholders with accounts at securities companies
Shareholders with accounts at securities companies are asked to contact the securities companies with which they conduct transactions.
 - For shareholders without accounts at securities companies (or shareholders with special accounts)

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Operation Center
Telephone: 0120 (78) 2031
Business Hours: 9 a.m. ~ 5 p.m. (Japan time; except Saturdays, Sundays and official holidays)

Reference Documents for the General Meeting of Shareholders

Proposal 1: Election of Eight Directors

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

The candidates for Directors are as follows.

Candidate No. 1	Tomotada Shimazaki (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)
	Number of shares of the Company held 20,000 shares	Reasons for selection as a candidate The Company has selected Mr. Tomotada Shimazaki as a candidate for Director because he has an abundant track record and experience 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.	
Candidate No. 2	Hisahito Koike (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
		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
		October 2013	Managing Director and Head of Administrative Division (to present)
	Number of shares of the Company held 38,500 shares	Reasons for selection as a candidate The Company has selected Mr. Hisahito Koike as a candidate for Director because he has an abundant track record and experience 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	<p>Hirokazu Kojima (August 27, 1968)</p> <p>Number of shares of the Company held 40,500 shares</p>	Past experience, positions and responsibilities at the Company, and significant concurrent positions
		<p>April 1992 Joined West Japan Railway Company</p> <p>September 2005 Corporate Planning Department, the Company</p> <p>September 2008 Director and Head of Business Division</p> <p>September 2011 Senior Managing Director</p> <p>September 2016 Director, Head of Business Division, and General Manager, Energy Saving Support Department</p> <p>October 2016 Director, the Company Shirakawa Office, EF-BIOS INC.</p> <p>January 2017 Director, the Company General Manager, Shirakawa Office, EF-BIOS INC. (to present)</p>
		<p>Reasons for selection as a candidate</p> <p>The Company has selected Mr. Hirokazu Kojima as a candidate for Director because he has an abundant track record and experience in the business 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.</p>
Candidate No. 4	<p>Makoto Nagasawa (January 9, 1969)</p> <p>Number of shares of the Company held 0 shares</p>	Past experience, positions and responsibilities at the Company, and significant concurrent positions
		<p>April 1992 Joined TAISEI SETSUBI CO., LTD.</p> <p>October 2011 Technology & Development Department, the Company</p> <p>May 2013 General Manager, Technology & Development Department</p> <p>September 2015 Director and General Manager, Technology & Development Department</p> <p>October 2016 Director, Head of Business Division, General Manager, Technology & Development Department, and General Manager, Energy Saving Support Department (to present)</p>
		<p>Reasons for selection as a candidate</p> <p>The Company has selected Mr. Makoto Nagasawa as a candidate for Director because he has an abundant track record and experience in power plant development, which is the foundation of the Company's businesses. The Company has judged that he will be able to continue utilizing his operational experience and expertise in the management of the Company.</p>

Candidate No. 5		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
	Koutaro Fujii (March 26, 1964) Number of shares of the Company held 4,000 shares	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. (to present)
		Reasons for selection as a candidate	
		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 an abundant track record and experience 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.	
Candidate No. 6		Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		April 1995	Registered as attorney-at-law
			Joined Teruo Matsushita Law Office
		May 2000	Representative, Shinichi Suzuki Law Office
	Shinichi Suzuki (February 25, 1962) Number of shares of the Company held 0 shares	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	Director, the Company (to present)
		Reasons for selection as a candidate	
		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 Audit & Supervisory Board Member, the Company (to present)</p>
		<p>Reasons for selection as a candidate</p> <p>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 & Supervisory Board Member of the Company. The Company has judged that he will 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 (to present)</p>
		<p>Reasons for selection as a candidate</p> <p>The Company has selected Ms. Maiko Sako as a candidate for Outside Director because she has experience and specialist knowledge in corporate legal affairs as an attorney. The Company has judged that she will 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 with the Tokyo Stock Exchange as an independent officer under the stipulations of the said exchange. If his re-election is approved, the Company intends to maintain his designation as an independent officer. In addition, the Company intends to register Mr. Norio Minagawa and Ms. Maiko Sako with the Tokyo Stock Exchange as independent officers under the stipulations of the said exchange.
4. Mr. Shinichi Suzuki currently serves as Outside Director of the Company and his term of office as Outside Director will be approximately eight years as of the conclusion of this General Meeting of Shareholders.
5. Mr. Norio Minagawa currently serves as Outside Audit & Supervisory Board Member of the Company and his term of office as Outside Audit & Supervisory Board Member will be approximately five years as of the conclusion of this General Meeting of Shareholders.
6. In accordance with the provisions of the Article 427, Paragraph 1 of the Companies Act, Mr. Shinichi Suzuki has entered into an agreement with the Company 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 minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act. The agreement shall be continued after his re-election. In addition, Mr. Norio Minagawa and Ms. Maiko Sako are scheduled to enter into the same

agreements with the Company after their election.

Proposal 2: Election of One Audit & Supervisory Board Member

The terms of office of Mr. Norio Minagawa as an Audit & Supervisory Board Member will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of one Audit & Supervisory Board Member is proposed. In addition, this proposal has received the approval of the Audit & Supervisory Board.

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

Shinichi Yada (September 7, 1960) Number of shares of the Company held 0 shares	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
	January 2006	Assistant General Manager, Corporate Banking Business Promotion Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
	December 2008	Full-time Audit & Supervisory Board Member, KONAKA CO., LTD.
	December 2012	Senior Manager, Public Relations Department, Headquarters, Teikyo University
	September 2016	Director, the Company (to present)
	October 2017	Senior Manager, Personnel Department, Headquarters, Teikyo University
Reasons for selection as a candidate The Company has selected Mr. Shinichi Yada as a candidate for Audit & Supervisory Board Member because he has experience as an Outside Director of the Company and an Outside Audit & Supervisory Board Member, in addition to specialist knowledge developed through serving at a major financial institution. The Company has judged that he will appropriately execute his duties as an Audit & Supervisory Board Member.		

- (Notes) 1. No particular relationship of interest exists between the Company and the candidate for Audit & Supervisory Board Member.
2. In accordance with the provisions of the Article 427, Paragraph 1 of the Companies Act, Mr. Shinichi Yada intends to enter into an agreement with the Company 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 minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act.

Proposal 3: Revision of Compensation Limits for Officers

The amount of compensation for Directors of the Company was resolved to be within ¥120 million per year at the Extraordinary General Meeting of Shareholders held on February 19, 2004, and that for Audit & Supervisory Board Members of the Company was resolved to be within ¥20 million per year at the Extraordinary General Meeting of Shareholders held on November 30, 2004, and these resolutions have been maintained to this date. However, in consideration of subsequent changes in economic circumstances and other factors, it is proposed to revise the amount of compensation for Directors to be within ¥240 million per year (including within ¥40 million for Outside Directors), and that for Audit & Supervisory Board Members to be within ¥40 million per year.

Furthermore, the total amount of compensation for Directors shall not include the portion of salary as an employee for Directors concurrently serving as employees.

At present, the Company has seven Directors (including two Outside Directors) and three Audit & Supervisory Board Members. If Proposal 1: “Election of Eight Directors” and Proposal 2: “Election of One Audit & Supervisory Board Member” are approved as originally proposed, the number of Directors will be eight (including three Outside Directors) and that of Audit & Supervisory Board Members will be three.

Business Report

(July 1, 2017 – June 30, 2018)

1. Overview of the Company Group

(1) Business Progress and Results

In the fiscal year ended June 30, 2018, despite improved business confidence due to buoyant corporate earnings and higher stock market prices in the first half of the year, the future outlook in the Japanese economy continued to be uncertain, reflecting increased tension in the global economy caused by protectionist policies in the US after the turn of the last year.

In the industry where the Company operates, the power sales business sector is facing tougher competition with new power companies due to factors such as supply systems beyond the frameworks of regional power grids and the development of combined sales menus for electricity and gas, and discussions are ongoing regarding more effective utilization of the residual capacity of power grid lines. In the power generation business sector, it was decided to further lower feed-in tariffs for solar power generation from FY2018 onward, and to introduce a bidding system to biomass power generation in the categories of “general wood (10,000kW or more)” and “biomass liquid fuel,” which has an impact on the formulation of development plans for new entrant companies. Although the price revisions will have no impact on the Group’s new power plant, which is planned to be built in Shingu City, Wakayama Prefecture as the plan had already been approved for prices from FY2017, the Company believes that attention will be required in the formulation of future development plans.

Under these conditions, in the Group’s power generation business, the existing power plants of EF-ON SHIRAKAWA and EF-ON HITA maintained a high operating rate and the EF-ON BUNGO-ONO power plant, which is approximately 1.5 times as large, operated smoothly throughout the year. As a result, net sales and operating profit increased significantly compared to the previous consolidated fiscal year. In addition, construction of the new biomass power plant in Mibu Town, Tochigi Prefecture, which started in November 2017, is progressing steadily, with the foundation and steel frame of its turbine building under construction.

With regard to the business performance of the Group in the consolidated fiscal year under review, net sales amounted to ¥11,040 million (11.3% increase on a year-on-year basis), operating profit amounted to ¥3,074 million (19.6% increase on a year-on-year basis), ordinary profit amounted to ¥2,884 million (25.1% increase on a year-on-year basis), and profit attributable to owners of parent was ¥2,366 million (18.1% increase on a year-on-year basis).

(Energy Saving Support Business)

In the consolidated fiscal year under review, external sales declined due to a decrease in the total amount of projects in operation, despite sales from the purchase of facilities at period expiration in some projects of existing onsite in-house power generation business in the first quarter. Meanwhile, internal sales, including sales under the percentage of completion method for construction of the new power plant by EF-ON MIBU, a consolidated subsidiary, and sales concerning field maintenance work for existing power plants, exceeded sales relating to the construction of the new EF-ON BUNGO-ONO power plant posted in the same period of the previous fiscal year. As a result, sales increased for the segment as a whole.

With regard to the business performance of this segment in the consolidated fiscal year under review, net sales including transactions within the Group was ¥3,580 million (37.2% increase on a year-on-year basis), net sales to external clients was ¥1,303 million (11.2% decrease on a year-on-year basis), and operating profit amounted to ¥98 million (24.3% increase on a year-on-year basis).

(Green Energy Business)

In the consolidated fiscal year under review, the EF-ON SHIRAKAWA and EF-ON HITA power plants conducted biennial statutory inspections in the second quarter and the EF-ON BUNGO-ONO power plant performed scheduled maintenance in the fourth quarter, for two weeks respectively. In the other quarters, all power plants enhanced the usage rate of unused wood compared with the same period of the previous fiscal year and operated smoothly without issue, and as a result, net sales and operating profit increased significantly.

With regard to the business performance of this segment in the fiscal year under review, net sales were ¥9,736 million (15.2% increase on a year-on-year basis) and operating profit amounted to ¥3,175 million (17.0% increase on a year-on-year basis).

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

(In millions of yen)		
Business classification	Consolidated net sales	Consolidated operating profit
Energy Saving Support Business	1,303	98
Green Energy Business	9,736	3,175
Corporate and Elimination	—	(198)
Total	11,040	3,074

(2) Capital Investments

In the consolidated fiscal year under review, the total amount of capital investments made by companies in the Group was ¥3,691 million, and the main components thereof are as follows.

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

Green Energy Business	EF-BIOS INC.	Transportation vehicles for woodchips
	EF-ON BUNGO-ONO INC.	Wood biomass power plant field maintenance
	EF-ON MIBU INC.	Acquisition of business site

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

Green Energy Business	EF-ON MIBU INC.	Wood biomass power plant facility
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c) Sales, Removal, or Loss of Significant Non-current Assets in the Consolidated 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 consolidated fiscal year under review, each wood biomass power plant contributed significantly to the business performance of the Group by maintaining a high operating rate and increasing net sales. In the Green Energy Business of the Group, the Company shall endeavor to further enhance the usage rate of unused wood and thereby increase net sales, in addition to promoting detailed inspections and maintenance in order to maintain a high operating rate, and further expanding suppliers of woodchip fuel to support stable operation. In order to broaden fuel procurement and enhance unprocessed timber and chip processing volumes, reduce costs by utilizing economies of scale in power plant operation, and promote the active utilization of forest resources, the Company also considers the securing and training of specialist personnel a significant management issue.

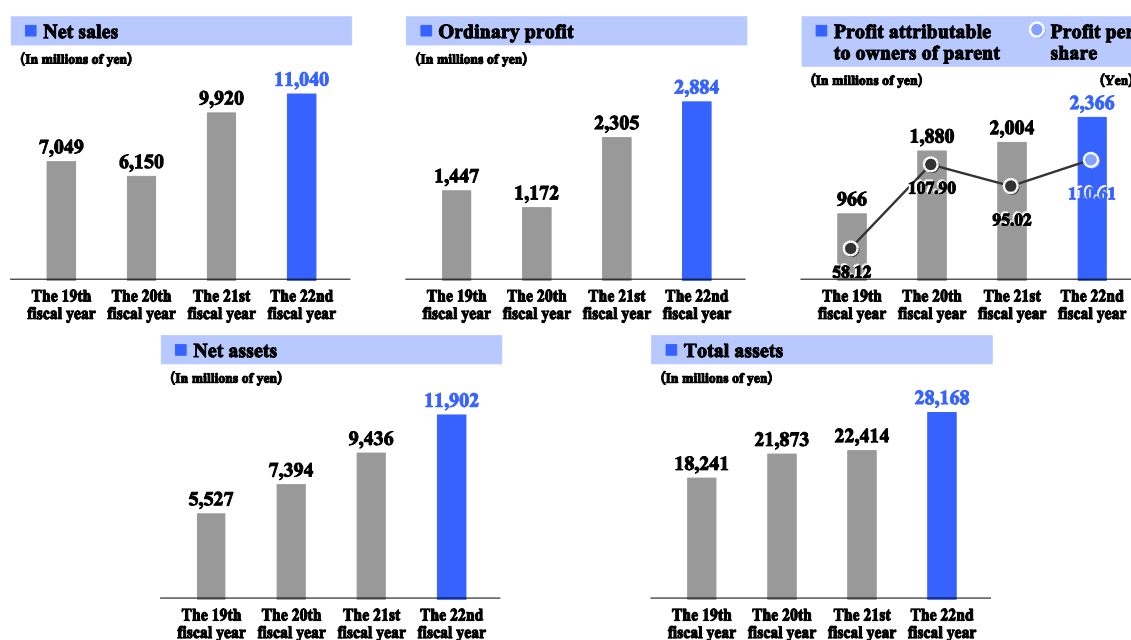
In addition, the Company shall make every effort to progress with plans for the construction of the new wood biomass power plants by EF-ON MIBU and EF-ON SHINGU. The Company recognizes that building and equipping the necessary business environment for the operation of this power plant is its most significant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

(4) Assets and Income

(In millions of yen)

Item \ Period	The 19th fiscal year (ended June 30, 2015)	The 20th fiscal year (ended June 30, 2016)	The 21st fiscal year (ended June 30, 2017)	The 22nd fiscal year (fiscal year under review) (ended June 30, 2018)
Net sales	7,049	6,150	9,920	11,040
Ordinary profit	1,447	1,172	2,305	2,884
Profit attributable to owners of parent	966	1,880	2,004	2,366
Profit per share	¥58.12	¥107.90	¥95.02	¥110.61
Net assets	5,527	7,394	9,436	11,902
Total assets	18,241	21,873	22,414	28,168

(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.



(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-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, 2018)

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, and EF-ON BUNGO-ONO. In addition, the Company is also currently making progress on new wood biomass power plants under construction in Mibu Town, Tochigi Prefecture and in the planning stage 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, 2018)

The Company	Head Office:	Tokyo Square Garden 3-1-1 Kyobashi, Chuo-ku, Tokyo
	Kansai Office	Wakayama Chuo-dori Building 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-BIOS INC.	Chuo-ku, Tokyo
	SOLEIL HITA COMPANY, LIMITED:	Hita City, Oita Prefecture

(8) Employees (as of June 30, 2018)

Group Employees

Business division	Number of employees	Increase (decrease) from the previous consolidated fiscal year-end
Energy Saving Support Business	6	2
Green Energy Business	121	16
Corporate (common)	16	(1)
Total	143	17

- (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, 2018)

(In millions of yen)

Lender	Outstanding loan amount
MUFG Bank, Ltd.	3,606
Sumitomo Mitsui Banking Corporation	2,434
Mizuho Bank, Ltd.	2,298
The Bank of Yokohama, Ltd.	2,080

(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, 2018)

- 1) Total number of shares authorized to be issued 58,200,000 shares
 (Note) The Company conducted a share split at a ratio of 1.2 shares per share of common stock on July 1, 2018. As a result, the total number of shares authorized to be issued, which increased by 11,640,000 shares, is 69,840,000 shares as of the same date.
- 2) Total number of shares outstanding 18,004,571 shares
 (Note) The Company conducted a share split at a ratio of 1.2 shares per share of common stock on July 1, 2018. As a result, the total number of shares outstanding, which increased by 3,600,914 shares, is 21,605,485 shares as of the same date.
- 3) Number of shareholders 4,704 persons
- 4) Major shareholders (top 10 shareholders)

Shareholder name	Number of shares	Shareholding ratio (%)
NIHON TECHNO CO., LTD.	5,874,400	32.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,170,700	12.06
Japan Trustee Services Bank, Ltd. (Trust Account)	1,801,000	10.00
GOLDMAN SACHS INTERNATIONAL	1,050,900	5.84
THE BANK OF NEW YORK MELLON SA/NV 10	249,300	1.38
BARCLAYS CAPITAL SECURITIES LIMITED	235,400	1.31
Japan Trustee Services Bank, Ltd. (Trust Account 9)	205,000	1.14
Aioi Nissay Dowa Insurance Co., Ltd.	200,000	1.11
JAPAN SECURITIES FINANCE CO., LTD.	198,100	1.10
Japan Trustee Services Bank, Ltd. (Trust Account 5)	190,800	1.06

(Note) The above number of shares represents the number of shares held before the share split at a ratio of 1.2 shares per share of common stock on July 1, 2018.

3. Company Officers

(1) Company Officers

1) Directors and Audit & Supervisory Board Members (as of June 30, 2018)

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	Hirokazu Kojima	General Manager, Shirakawa Office, EF-BIOS INC.
Director	Makoto Nagasawa	Head of Business Division, General Manager, Technology & Development Department, and General Manager, Energy Saving Support Department
Director	Koutaro Fujii	General Manager, Hita Office, EF-BIOS INC.
Director	Shinichi Suzuki	Representative, Saiwaibashi Law Office
Director	Shinichi Yada	
Full-time Audit & Supervisory Board Member	Norio Minagawa	
Audit & Supervisory Board Member	Tadashi Ueda	Representative, Ueda Accounting Office
Audit & Supervisory Board Member	Toshio Shimizu	

- (Notes)
1. Directors, Mr. Shinichi Suzuki and Mr. Shinichi Yada, are Outside Directors.
 2. Full-time Audit & Supervisory Board Member, Mr. Norio Minagawa, and Audit & Supervisory Board Members, Mr. Tadashi Ueda and Mr. Toshio Shimizu, are Outside Audit & Supervisory Board Members.
 3. Full-time Audit & Supervisory Board Member, Mr. Norio Minagawa, 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 relation to corporate management. Audit & Supervisory Board Member, Mr. Tadashi Ueda, has a considerable level of insight as a certified public tax accountant, in addition to abundant knowledge and experience in relation to corporate management. 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.
 4. The Company has registered Directors, Mr. Shinichi Suzuki and Mr. Shinichi Yada, and Full-time Audit & Supervisory Board Member, Mr. Norio Minagawa, 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

There is no relevant information.

(2) Remunerations 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 remunerations
Director	7	112 million yen
(of which, Outside Directors)	(2)	(4 million yen)
Audit & Supervisory Board Members	3	17 million yen
(of which, Outside Audit & Supervisory Board Members)	(3)	(17 million yen)
Total	10	129 million yen
(of which, Outside Officers)	(5)	(22 million yen)

- (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 ¥120 million per year (however, this does not include the portion of salary as an employee) at the Extraordinary General Meeting of Shareholders held on February 19, 2004.
 3. The amount of compensation for Audit & Supervisory Board Members was resolved to be within ¥20 million per year at the Extraordinary General Meeting of Shareholders held on November 30, 2004.

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

There is no relevant information.

3) Total Amount of Officer Remunerations 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. Tadashi Ueda concurrently serves as Representative of Ueda Accounting Office. There is no business relationship between the Company and Ueda Accounting Office.

2) Main Activities in the Fiscal Year Under Review

	Name	Activities
Director	Shinichi Suzuki	Mr. Shinichi Suzuki attended all twelve 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	Shinichi Yada	Mr. Shinichi Yada attended all twelve meetings of the Board of Directors held in the fiscal year under review, and appropriately expressed opinions as necessary on proposal deliberations in order to ensure the validity and appropriateness of the Board of Directors' decision-making, based on his experience and specialist knowledge developed through serving as an Outside Audit & Supervisory Board Member and at a major financial institution.
Audit & Supervisory Board Member	Norio Minagawa	Mr. Norio Minagawa attended all twelve meetings of the Board of Directors and all thirteen meetings of the Audit & Supervisory Board held in the fiscal year under review, and conducted high-level audits based on his past experience as an Audit & Supervisory Board Member at other companies, his experience as a Director at other companies, and his insight in the areas of finance and accounting, 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	Tadashi Ueda	Mr. Tadashi Ueda attended all twelve meetings of the Board of Directors and all thirteen meetings of the Audit & Supervisory Board held in the fiscal year under review, and conducted high-level audits based on his profound understanding from a specialist perspective as a 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.
Audit & Supervisory Board Member	Toshio Shimizu	Mr. Toshio Shimizu attended all twelve meetings of the Board of Directors and all thirteen 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.

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, 2018**

	Payment amount
Accounting Auditor's compensation, etc., for the fiscal year ended June 30, 2018	24 million yen
Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor	24 million yen

- (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 have given their 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 a 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 a 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 an 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 a 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, 2018)

(In millions of yen)

Description	Amount
Assets	
I. Current assets	6,400
Cash and deposits	3,436
Notes and accounts receivable - trade	1,046
Securities	1,000
Supplies	282
Deferred tax assets	428
Other	206
II. Non-current assets	21,767
1. Property, plant and equipment	20,121
Buildings and structures	4,150
Machinery, equipment and vehicles	8,573
Tools, furniture and fixtures	52
Land	2,034
Leased assets	432
Construction in progress	4,878
2. Intangible assets	155
Right of using electric supply facilities	143
Other	11
3. Investments and other assets	1,491
Long-term prepaid expenses	1
Deferred tax assets	625
Other	864
Total assets	28,168

(In millions of yen)

Description	Amount
Liabilities	
I. Current liabilities	3,945
Notes and accounts payable - trade	612
Short-term loans payable	200
Current portion of long-term loans payable	1,310
Current portion of bonds	72
Accounts payable - other	364
Current portion of long-term accounts payable	368
Lease obligations	134
Income taxes payable	321
Provision for bonuses	27
Provision for maintenance cost	385
Other	150
II. Non-current liabilities	12,319
Long-term loans payable	11,245
Long-term accounts payable - other	702
Lease obligations	346
Asset retirement obligations	20
Interest rate swap liabilities	4
Total liabilities	16,265
Net assets	
I. Shareholders' equity	11,874
Capital stock	2,276
Capital surplus	1,276
Retained earnings	8,321
II. Accumulated other comprehensive income	(3)
Deferred gains or losses on hedges	(3)
III. Subscription rights to shares	31
Total net assets	11,902
Total liabilities and net assets	28,168

Consolidated Statement of Income

(July 1, 2017 – June 30, 2018)

(In millions of yen)

Description	Amount	
Net sales		11,040
Cost of sales		7,384
Gross profit		3,656
Selling, general and administrative expenses		581
Operating profit		3,074
Non-operating income		
Interest income	0	
Gain on sales of scraps	3	
Gain on sales of non-current assets	14	
Other	2	20
Non-operating expenses		
Interest expenses	120	
Commission fee	59	
Share issuance cost	1	
Loss on retirement of non-current assets	26	
Other	3	211
Ordinary profit		2,884
Profit before income taxes		2,884
Income taxes-current	419	
Income taxes-deferred	98	517
Profit		2,366
Profit attributable to owners of parent		2,366

Consolidated Statement of Changes in Equity

(July 1, 2017 – June 30, 2018)

(In millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of July 1, 2017	2,164	1,164	6,097	–	9,426
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	111	111			223
Dividends of surplus			(142)		(142)
Profit attributable to owners of parent			2,366		2,366
Purchase of treasury shares				(0)	(0)
Retirement of treasury shares			(0)	0	–
Net changes of items other than shareholder' equity during the consolidated fiscal year					–
Total changes of items during period	111	111	2,224	–	2,447
Balance as of June 30, 2018	2,276	1,276	8,321	–	11,874

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance as of July 1, 2017	(11)	(11)	21	9,436
Changes of items during period				
Issuance of new shares - exercise of subscription rights to shares				223
Dividends of surplus				(142)
Profit attributable to owners of parent				2,366
Purchase of treasury shares				(0)
Retirement of treasury shares				–
Net changes of items other than shareholder' equity during the consolidated fiscal year	7	7	10	18
Total changes of items during period	7	7	10	2,466
Balance as of June 30, 2018	(3)	(3)	31	11,902

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(As of June 30, 2018)

(In millions of yen)

Description	Amount
Assets	
I. Current assets	8,533
Cash and deposits	1,041
Accounts receivable - trade	2,026
Securities	1,000
Supplies	12
Prepaid expenses	33
Costs on uncompleted construction contracts	3,065
Short-term loans receivable from subsidiaries and associates	300
Accounts receivable - other	660
Deferred tax assets	293
Other	100
II. Non-current assets	6,210
1. Property, plant and equipment	1,309
Buildings	211
Machinery and equipment	628
Tools, furniture and fixtures	23
Leased assets	432
Vehicles	3
Land	10
2. Intangible assets	6
Software	3
Other	3
3. Investments and other assets	4,893
Shares of subsidiaries and associates	2,157
Long-term loans receivable from subsidiaries and associates	2,151
Deferred tax assets	492
Other	93
Total assets	14,744

(In millions of yen)

Description	Amount
Liabilities	
I. Current liabilities	4,884
Accounts payable - trade	26
Short-term loans payable	200
Current portion of long-term loans payable	531
Current portion of bonds	72
Accounts payable - other	280
Current portion of long-term accounts payable	335
Lease obligations	134
Advances received	3,002
Accrued expenses	32
Income taxes payable	155
Deposits received	6
Provision for bonuses	11
Provision for maintenance cost	92
Other	2
II. Non-current liabilities	2,216
Long-term loans payable	1,171
Long-term accounts payable - other	678
Lease obligations	346
Asset retirement obligations	20
Total liabilities	7,100
Net assets	
I. Shareholders' equity	7,611
1. Capital stock	2,276
2. Capital surplus	1,276
Legal capital surplus	1,276
3. Retained earnings	4,059
Other retained earnings	4,059
Retained earnings brought forward	4,059
II. Subscription rights to shares	31
Total net assets	7,643
Total liabilities and net assets	14,744

Non-Consolidated Statement of Income

(July 1, 2017 – June 30, 2018)

(In millions of yen)

Description	Amount	
Net sales		3,820
Cost of sales		3,387
Gross profit		432
Selling, general and administrative expenses		383
Operating profit		49
Non-operating income		
Interest income	6	
Dividend income	572	
Other	9	587
Non-operating expenses		
Interest expenses	16	
Other	13	30
Ordinary profit		606
Profit before income taxes		606
Income taxes-current	(376)	
Income taxes-deferred	160	(216)
Profit		822

Non-Consolidated Statement of Changes in Equity

(July 1, 2017 – June 30, 2018)

(In millions of yen)

	Shareholders' equity					Subscription rights to shares	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 as of July 1, 2017	2,164	1,164	3,378	—	6,707	21	6,729
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares	111	111			223		223
Dividends of surplus			(142)		(142)		(142)
Profit			822		822		822
Purchase of treasury shares				(0)	(0)		(0)
Retirement of treasury shares			(0)	0	—		—
Net changes of items other than shareholder' equity during the fiscal year					—	10	10
Total changes of items during period	111	111	680	—	903	10	913
Balance as of June 30, 2018	2,276	1,276	4,059	—	7,611	31	7,643

Independent Auditor's Report
(English Translation)

August 14, 2018

To the Board of Directors
EF-ON INC.

Crowe Toyo & Co.

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

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, 2017 to June 30, 2018.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, from an independent viewpoint. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Although the purpose of the audit is not expressly to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Auditors' Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EF-ON INC. and its consolidated subsidiaries as of June 30, 2018 and the consolidated result of their operations for the year then ended in conformity with the generally accepted

accounting principles in Japan.

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.

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
(English Translation)

August 14, 2018

To the Board of Directors
EF-ON INC.

Crowe Toyo & Co.

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

We have audited, pursuant to Article 436, Paragraph 2-1 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 of EF-ON INC. (hereinafter referred to as the "Company") for the 22nd fiscal year from July 1, 2017 to June 30, 2018.

Management's Responsibility for Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of non-consolidated financial statements and the accompanying supplemental schedules 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 and accompanying supplemental schedules that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the financial statements and supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and the result of its operation for the year then ended in conformity with the generally accepted accounting principles in Japan.

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.

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 (English Translation)

The Audit & Supervisory Board hereby reports the results of discussions regarding the performance of duties by the Directors for the 22nd fiscal year from July 1, 2017 to June 30, 2018, 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., held meetings each month on a regular basis, 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 as well as visiting the head offices of subsidiaries, power plants, and other sites to study operations and financial positions as necessary.
 - 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. Furthermore, we received reports on the evaluation of internal control pertaining to financial reporting and the status of audits from the Board of Directors, etc. and Crowe Toyo & Co., and requested explanations as necessary.
 - 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 need 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 15, 2018

EF-ON INC. Audit & Supervisory Board,

Outside Audit & Supervisory Board Member (Full-Time)	Norio Minagawa
Outside Audit & Supervisory Board Member	Tadashi Ueda
Outside Audit & Supervisory Board Member	Toshio Shimizu