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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 23rd Annual General Meeting of Shareholders.

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 23rd fiscal year, the growth business of “wood biomass power generation” reported that the Shirakawa Power Plant, Hita Power Plant, and Bungo-Ono Power Plant all operated smoothly. Also, for the Mibu Power Plant, which is scheduled to begin operation in this fiscal year, the construction, efforts for securing the personnel for starting operation, etc. progressed smoothly.

In this fiscal year, we shall continue to focus on the stable operation of existing power plants, a smooth launch of the Mibu Power Plant, 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.

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 23RD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 23rd 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 either of the following methods indicated on the next page. 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 24, 2019.

- 1. Date and Time:** Wednesday, September 25, 2019 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 23rd Fiscal Year (July 1, 2018 – June 30, 2019) 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 23rd Fiscal Year (July 1, 2018 – June 30, 2019)

Proposals to be resolved:

Proposal 1: Election of Seven Directors

Proposal 2: Election of Two Audit & Supervisory Board Members

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

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
<p>If you attend the meeting in person, please submit the enclosed Voting Rights Exercise Form at the reception desk.</p> <p>Date and time of the General Meeting of Shareholders:</p>	<p>Please indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it to us.</p> <p>Deadline for voting:</p>	<p>Deadline for voting:</p>
<p>Wednesday, September 25, 2019 at 10 a.m.</p>	<p>No later than 5 p.m. on Tuesday, September 24, 2019</p>	<p>No later than 5 p.m. on Tuesday, September 24, 2019</p>

If voting rights are exercised both in writing and via the Internet, the vote received last shall be deemed valid. However, if the both votes are received on the same day, voting rights exercised via the Internet shall be deemed valid. Additionally, if voting rights are exercised more than once via the Internet, only the most recent vote shall be deemed valid.

<p>For inquiries on how to use the personal computer, smartphone or mobile phone in relation to the exercise of voting rights via the Internet, please contact:</p>	<p>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))</p>
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Reference Documents for the General Meeting of Shareholders

Proposal 1: Election of Seven Directors

The terms of office of all eight Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of seven 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 Corporate Planning Department, the Company September 2006 Director May 2008 President and Representative Director (to present)
		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.
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)
		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		Past experience, positions and responsibilities at the Company, and significant concurrent positions
		<p>April 1997 South Kanto Manager, Sales Division, Copal Electronics Co., Ltd.</p> <p>April 2005 General Manager, Electric Power Business Department, the Company</p> <p>April 2007 General Manager, ESCO Business Division</p> <p>October 2007 Managing Director, VEGLIALaboratories Inc.</p> <p>September 2013 Director and Vice President</p> <p>May 2016 Joined the Company, Technology & Development Department</p> <p>Seconded to EF-BIOS INC., General Manager, Bungo-Ono Office</p> <p>September 2016 Director, the Company</p> <p>General Manager, Bungo-Ono Office, EF-BIOS INC.</p> <p>July 2017 Director, the Company</p> <p>General Manager, Hita Office, EF-BIOS INC.</p> <p>September 2019 Director, the Company</p> <p>Executive Officer and General Manager, Preparatory Office, Mibu Power Plant, EF-BIOS INC. (to present)</p>
		<p>Koutaro Fujii (March 26, 1964)</p> <p>Number of shares of the Company held 4,800 shares</p>
Candidate No. 4		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 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.
		Past experience, positions and responsibilities at the Company, and significant concurrent positions
		<p>April 1988 Joined Kankyo Mirai Kosan, K.K.</p> <p>July 2010 Joined EF-BIOS INC.</p> <p>January 2012 General Manager, Hita Office</p> <p>July 2015 General Manager, West Japan Fuel Business Department</p> <p>September 2015 Executive Officer</p> <p>January 2017 Executive Officer and General Manager, Fuel Business Department (to present)</p>
	<p>Hideki Kaneda (March 6, 1968)</p> <p>Number of shares of the Company held 0 shares</p>	Reasons for selection as a candidate 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 utilize his operational experience and expertise in the management of the Company.

Candidate No. 5		Past experience, positions and responsibilities at the Company, and significant concurrent positions
		<p>April 1995 Registered as attorney-at-law Joined Teruo Matsushita Law Office</p> <p>May 2000 Representative, Shinichi Suzuki Law Office</p> <p>June 2004 Audit & Supervisory Board Member, HC Asset Management Co., Ltd. (to present)</p> <p>March 2006 Representative, Saiwaibashi Law Office (to present)</p> <p>June 2008 Audit & Supervisory Board Member, Bansei Securities Co., Ltd.</p> <p>July 2008 Audit & Supervisory Board Member, PCPhase Corporation</p> <p>September 2010 Outside Director, the Company (to present)</p>
		<p>Shinichi Suzuki (February 25, 1962)</p> <p>Number of shares of the Company held 0 shares</p>
		<p>Reasons for selection as a candidate</p> <p>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.</p>
Candidate No. 6		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 & Supervisory Board Member, the Company</p> <p>September 2018 Outside Director (to present)</p>
		<p>Norio Minagawa (June 1, 1949)</p> <p>Number of shares of the Company held 0 shares</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. 7		Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		December 2008	Registered as attorney-at-law
		January 2009	Joined Kasumigaseki Law and Accounting Offices
		October 2013	Junior Partner, Kasumigaseki Law and Accounting Offices
		March 2015	Junior Partner, SAKURADA DORI PARTNERS (to present)
	Maiko Sako (November 21, 1980) Number of shares of the Company held 0 shares	September 2018	Outside Director, the Company (to present)
		Reasons for selection as a candidate 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.	

- (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 nine 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 approximately one year 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 re-election is approved, the Company plans to renew the aforementioned agreements.

Proposal 2: Election of Two Audit & Supervisory Board Members

The terms of office of Mr. Tadashi Ueda and Mr. Toshio Shimizu as Audit & Supervisory Board Member will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of two Audit & Supervisory Board Members is proposed. In addition, this proposal has received the approval of the Audit & Supervisory Board.

The candidates for Audit & Supervisory Board Members are as follows.

Candidate No. 1		Past experience, positions at the Company, and significant concurrent positions
		<div>June 1996</div> <div>Director, Bussan-Kikai Information Service Co., Ltd.</div> <div>April 2001</div> <div>President and Representative Director, Japan Busitec Co., Ltd.</div> <div>November 2001</div> <div>Audit & Supervisory Board Member, Kunimare Shuzo Co., Ltd. (to present)</div> <div>December 2002</div> <div>President and Representative Director, Career Network Inc.</div> <div>April 2006</div> <div>Part-time Lecturer, Faculty of Computer and Information Sciences, Hosei University</div> <div>September 2011</div> <div>Outside Audit & Supervisory Board Member, the Company (to present)</div>
		<div>Reasons for selection as a candidate</div> <div>The Company has selected Mr. Toshio Shimizu as a candidate for Outside Audit & Supervisory Board Member because he has wide-ranging insight in the field of business management gained through his work responsibilities so far and has abundant operational experience as an Audit & Supervisory Board Member. The Company has judged that he will appropriately execute his duties as an Outside Audit & Supervisory Board Member.</div>
Candidate No. 2		Past experience, positions at the Company, and significant concurrent positions
		<div>October 1986</div> <div>Joined Showa Ota & Co.</div> <div>July 1990</div> <div>Audit & Supervisory Board Member, Muto Marketing Research Co., Ltd. (to present)</div> <div>September 1990</div> <div>Director, Mochizuki Tax Accountant Office (to present)</div> <div>July 1991</div> <div>Director, Mochizuki Certified Public Accountant Office (to present)</div> <div>May 1998</div> <div>Audit & Supervisory Board Member, Garage Film Inc. (to present)</div> <div>February 2016</div> <div>Director, WITH ALS General Incorporated Association (to present)</div> <div>November 2018</div> <div>Director, Kashima-kai Medical Corporation (to present)</div>
		<div>Reasons for selection as a candidate</div> <div>The Company has selected Mr. Hidehito Mochizuki as a candidate for Outside Audit & Supervisory Board Member because he is well-versed in corporate tax matters as a certified public tax accountant and certified public accountant and has a considerable level of insight in accounting and tax matters. The Company has judged that he will monitor Directors from a fair and impartial viewpoint, as well as offer recommendations and advice.</div>

- (Notes) 1. No particular relationship of interest exists between the Company and any of the candidates for Directors.
2. Mr. Toshio Shimizu and Mr. Hidehito Mochizuki are candidates for Outside Audit & Supervisory Board Members.

3. Mr. Toshio Shimizu 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 eight years as of the conclusion of this General Meeting of Shareholders.
4. The Company has registered Mr. Toshio Shimizu 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. Hidehito Mochizuki with the Tokyo Stock Exchange as an independent officer under the stipulations of the said exchange.
5. In accordance with the provisions of the Article 427, Paragraph 1 of the Companies Act, Mr. Toshio Shimizu 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. If his re-election is approved, the Company plans to renew the aforementioned agreement. In addition, Mr. Hidehito Mochizuki is scheduled to enter into the same agreement with the Company after his election.

Business Report

(July 1, 2018 – June 30, 2019)

1. Overview of the Company Group

(1) Business Progress and Results

In the fiscal year ended June 30, 2019, the Japanese economy recovered gradually due to buoyant corporate earnings and sustained improvement in the employment environment, as well as continued increases in personal consumption and capital investments ahead of the increase in the consumption tax.

In the industry where the Company operates, based on The Fifth Strategic Energy Plan approved by the Cabinet in July 2018, there have been discussions regarding the costs, securing stable business operators, building the next-generation power supply network, and other issues in order to shift toward renewable energy as the main energy source. Meanwhile, since the liberalizing of entry into the electricity retailing industry in 2016, the competition between the existing large electric power and gas companies and the new entrants to acquire customers has become fierce and, in addition to the extremely high prices in procuring electricity from the wholesale electricity market last summer, etc., it has been difficult for the new entrants to ensure profitability. In the power generation business sector, it was decided to divide the output category for solar power into smaller segments and further lower feed-in tariffs from FY2018 onward. In addition, the problems with output suppression in power transmission became apparent. For biomass power generation, a bidding system was introduced for the output categories of “general wood (10,000kW or more)” and “biomass liquid fuel” and, because this system is expected to continue to be used from FY2019 onward, etc., this has had 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, EF-ON HITA and EF-ON BUNGO-ONO had scheduled shutdowns of approximately two weeks for annual maintenance. Although some power plants had unscheduled shutdowns of approximately two days, operation was mostly smooth throughout the year and, as a result, net sales were nearly at the same level as those in the previous fiscal year. Meanwhile, in the fiscal year under review, we increased the usage rate of unused wood for the woodchip fuel from the beginning of the fiscal year, and the amounts of various types of woodchips used increased and fuel costs were pushed higher because the moisture content increased due to the record rainfall and the effects of typhoons in West Japan. Furthermore, labor costs, etc. increased for securing personnel for power plants under construction and personnel in the forestry business for procuring unused wood, causing operating profit to fall.

With regard to the business performance of the Group in the fiscal year under review, net sales amounted to ¥11,049 million (0.1% increase on a year-on-year basis), operating profit amounted to ¥2,849 million (7.3% decrease on a year-on-year basis), ordinary profit amounted to ¥2,600 million (9.9% decrease on a year-on-year basis), and profit attributable to owners of parent was ¥2,084 million (11.9% decrease on a year-on-year basis).

(Energy Saving Support Business)

In the fiscal year under review, external sales declined due to a decrease in the total number of projects in operation as a result of the expiration of some projects in the existing onsite in-house power generation business and a decrease in the sales of new energy-saving equipment. Although the purchases of energy-saving equipment declined and maintenance costs, etc. decreased due to the above-mentioned decreases, the business struggled to secure revenue overall and, as a result, profits fell. Meanwhile, for internal sales, sales under the percentage of completion method for construction increased as construction of the new power plant by EF-ON MIBU INC., a consolidated subsidiary, entered the main phase.

With regard to the business performance of this segment in the fiscal year under review, net sales including transactions within the Group were ¥7,862 million (119.6% increase on a year-on-year basis), net sales to external clients were ¥723 million (44.5% decrease on a year-on-year basis), and operating profit amounted to ¥24 million (75.0% decrease on a year-on-year basis).

(Green Energy Business)

In the fiscal year under review, the Group had unscheduled shutdowns as preventive-maintenance measures for 47 hours in October at EF-ON BUNGO-ONO due to faulty control-system equipment and 37 hours in June at EF-ON SHIRAKAWA to replace condenser parts. Regarding scheduled shutdowns for annual maintenance, EF-ON SHIRAKAWA and EF-ON HITA were shut down for approximately two weeks in November and EF-ON BUNGO-ONO was shut down for approximately two weeks in April. In other quarters, all power plants operated smoothly and maintained a high operating rate, and net sales were nearly at the same level as those in the same period of the previous fiscal year. Meanwhile, purchasing costs for the woodchips used as fuel rose, exceeding our estimates, due to an increase in the amount of woodchips used as a result of record heavy rainfall associated with a stationary seasonal rain front and typhoons in West Japan in the first half of the fiscal year causing higher-moisture-content woodchips, and an increase in the usage rate of unused wood in anticipation of higher revenue in the future. Furthermore, because the Group actively recruited power plant operating personnel, fuel procurement and coordinating personnel, and forestry business personnel for procuring more unused wood to prepare for the start of operation at the Mibu Power Plant under construction, and OJT and other training at the existing power plants for the training of the recruited personnel, labor costs, housing expenses, traveling expenses, and other costs increased, leading to a drop in operating profit.

With regard to the business performance of this segment in the fiscal year under review, net sales were ¥10,325 million (6.1% increase on a year-on-year basis) and operating profit amounted to ¥2,921 million (8.0% decrease 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	723	24
Business				
Green Energy Business			10,325	2,921
Corporate (common)			—	(97)
Total			11,049	2,849

(2) Capital Investments

In the fiscal year under review, the total amount of capital investments made by companies in the Group was ¥3,134 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.	Transportation vehicles for woodchips, and forestry business machinery
	EF-ON BUNGO-ONO INC.	Additional maintenance for wood biomass power plant facility
	EF-ON SHINGU INC.	Acquisition of business site

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

Green Energy Business	EF-ON MIBU INC.	Wood biomass power plant 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

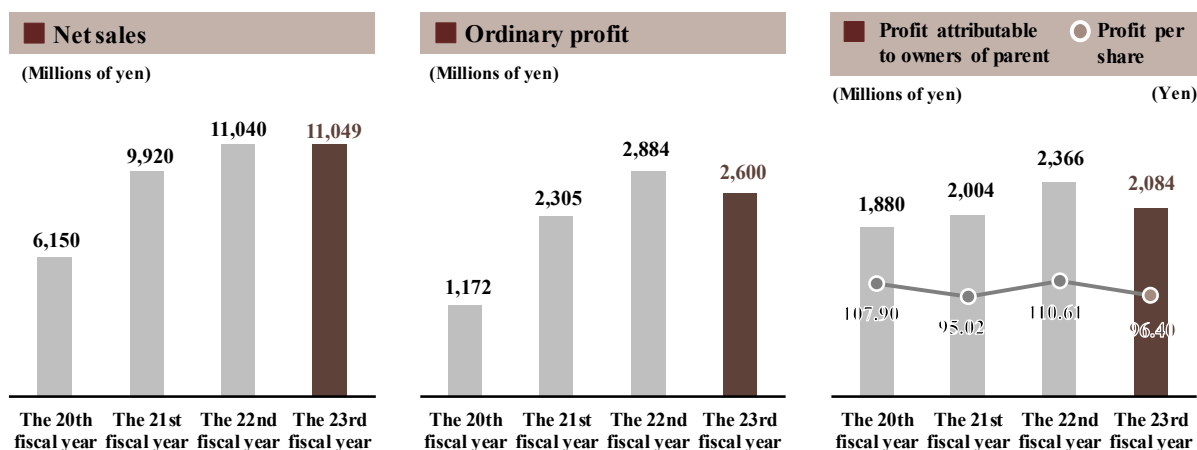
In the fiscal year under review, although each wood biomass power plant maintained a high operating rate, we were not able to achieve the targets according to the original profit plan due to increased fuel costs, because the woodchip fuel had a high moisture content, and increased labor costs, etc. to secure personnel for the new power plant. Based on this experience, 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. Therefore, we will focus on training the personnel who will promote these measures. Also, 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 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.

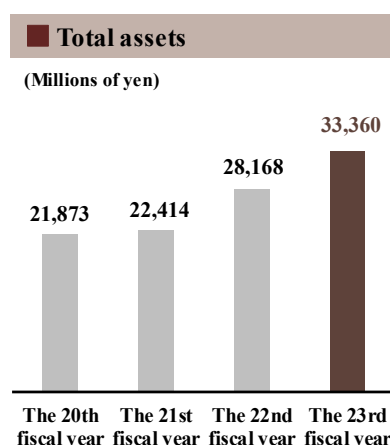
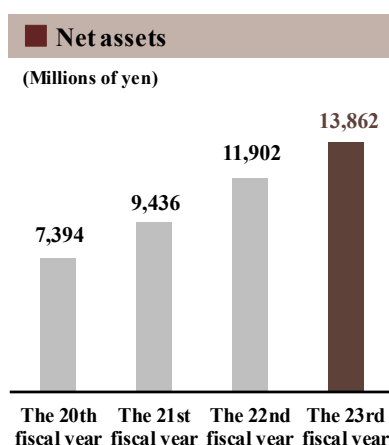
In addition, the Company shall make every effort to execute the planned business operation for completing the construction of the new wood biomass power plant by EF-ON MIBU INC. The Company recognizes that building and equipping the necessary business environment for the operation of this power plant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

(4) Assets and Income

(Millions of yen)				
Item \ Period	The 20th fiscal year (ended June 30, 2016)	The 21st fiscal year (ended June 30, 2017)	The 22nd fiscal year (ended June 30, 2018)	The 23rd fiscal year (fiscal year under review) (ended June 30, 2019)
Net sales	6,150	9,920	11,040	11,049
Ordinary profit	1,172	2,305	2,884	2,600
Profit attributable to owners of parent	1,880	2,004	2,366	2,084
Profit per share	¥107.90	¥95.02	¥110.61	¥96.40
Net assets	7,394	9,436	11,902	13,862
Total assets	21,873	22,414	28,168	33,360

(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-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, 2019)

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 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, 2019)

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, 2019)

Group Employees

Business division	Number of employees	Increase (decrease) from the previous fiscal year-end
Energy Saving Support Business	5	(1)
Green Energy Business	147	26
Corporate (common)	20	4
Total	172	29

- (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, 2019)

(Millions of yen)

Lender	Outstanding loan amount
MUFG Bank, Ltd.	4,459
Sumitomo Mitsui Banking Corporation	2,779
Mizuho Bank, Ltd.	2,499
The Bank of Yokohama, Ltd.	2,454
Japan Finance Corporation	2,155

(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, 2019)

1) Total number of shares authorized to be issued	69,840,000 shares
2) Total number of shares outstanding	21,626,959 shares
3) Number of shareholders	4,981 persons
4) Major shareholders (top 10 shareholders)	

Shareholder name	Number of shares	Shareholding ratio (%)
NIHON TECHNO CO., LTD.	7,049,280	32.59
Japan Trustee Services Bank, Ltd. (Trust Account)	2,370,500	10.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,682,100	7.78
GOLDMAN SACHS INTERNATIONAL	976,495	4.52
Japan Trustee Services Bank, Ltd. (Trust Account 9)	561,100	2.59
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	361,100	1.67
Fumiya Shino	332,200	1.54
GOVERNMENT OF NORWAY	308,700	1.43
BNYM AS AGT/CLTS 10 PERCENT	292,800	1.35
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	265,440	1.23

3. Company Officers

(1) Company Officers

1) Directors and Audit & Supervisory Board Members (as of June 30, 2019)

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	Norio Minagawa	
Director	Maiko Sako	
Full-time Audit & Supervisory Board Member	Shinichi Yada	
Audit & Supervisory Board Member	Tadashi Ueda	Representative, Ueda Accounting Office
Audit & Supervisory Board Member	Toshio Shimizu	

- (Notes)
1. Directors, Mr. Shinichi Suzuki, Mr. Norio Minagawa and Ms. Maiko Sako, are Outside Directors.
 2. 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. 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. 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, Mr. Norio Minagawa and Ms. Maiko Sako, and Audit & Supervisory Board Members, Mr. Tadashi Ueda and Mr. Toshio Shimizu, 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
Shinichi Yada	September 26, 2018	End of term	Outside Director
Norio Minagawa	September 26, 2018	End of term	Full-time Outside Audit & Supervisory Board Member

- (Notes)
1. Mr. Shinichi Yada retired from office as Outside Director as of the conclusion of the 22nd Annual General Meeting of Shareholders and assumed the office as Full-time Audit & Supervisory Board Member.
 2. Mr. Norio Minagawa retired from office as Full-time Outside Audit & Supervisory Board Member as of the conclusion of the 22nd Annual General Meeting of Shareholders and assumed the office as Outside Director.

(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	¥130 million
(of which, Outside Directors)	(4)	(¥6 million)
Audit & Supervisory Board Members	4	¥17 million
(of which, Outside Audit & Supervisory Board Members)	(3)	(¥7 million)
Total	13	¥147 million
(of which, Outside Officers)	(7)	(¥14 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. 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	Norio Minagawa	Since assuming the office, Mr. Norio Minagawa attended all meetings of the Board of Directors held in the fiscal year under review (ten meetings held during the term of office), 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	Since assuming the office, Ms. Maiko Sako attended all meetings of the Board of Directors held in the fiscal year under review (ten meetings held during the term of office), 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	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, 2019**

	Payment amount
Accounting Auditor's compensation, etc., for the fiscal year ended June 30, 2019	¥24 million
Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor	¥24 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, 2019)

(Millions of yen)

Description	Amount
Assets	
I. Current assets	6,286
Cash and deposits	4,412
Notes and accounts receivable - trade	1,037
Supplies	340
Other	496
II. Non-current assets	27,073
1. Property, plant and equipment	25,993
Buildings and structures	3,959
Machinery, equipment and vehicles	8,101
Tools, furniture and fixtures	72
Land	3,014
Leased assets	272
Trees	131
Construction in progress	10,441
2. Intangible assets	140
Right of using electric supply facilities	130
Other	9
3. Investments and other assets	938
Deferred tax assets	849
Other	89
Total assets	33,360

(Millions of yen)

Description	Amount
Liabilities	
I. Current liabilities	3,536
Notes and accounts payable - trade	639
Short-term loans payable	200
Current portion of long-term loans payable	1,192
Accounts payable - other	407
Current portion of long-term accounts payable	319
Lease obligations	114
Income taxes payable	162
Provision for bonuses	36
Provision for maintenance cost	312
Other	151
II. Non-current liabilities	15,961
Long-term loans payable	15,378
Long-term accounts payable - other	388
Lease obligations	193
Total liabilities	19,497
Net assets	
I. Shareholders' equity	13,833
Capital stock	2,288
Capital surplus	1,288
Retained earnings	10,256
II. Subscription rights to shares	28
Total net assets	13,862
Total liabilities and net assets	33,360

Consolidated Statement of Income

(July 1, 2018 – June 30, 2019)

(Millions of yen)

Description	Amount	
Net sales		11,049
Cost of sales		7,548
Gross profit		3,501
Selling, general and administrative expenses		651
Operating profit		2,849
Non-operating income		
Interest income	0	
Gain on sales of scraps	2	
Insurance claim income	13	
Gain on sales of non-current assets	4	
Other	7	27
Non-operating expenses		
Interest expenses	119	
Commission fee	92	
Share issuance cost	0	
Loss on retirement of non-current assets	28	
Loss on disposal of non-current assets	28	
Other	7	277
Ordinary profit		2,600
Extraordinary income		
Gain on reversal of subscription rights to shares	2	2
Profit before income taxes		2,602
Income taxes-current	314	
Income taxes-deferred	203	518
Profit		2,084
Profit attributable to owners of parent		2,084

Consolidated Statement of Changes in Equity

(July 1, 2018 – June 30, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of July 1, 2018	2,276	1,276	8,321	–	11,874
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	12	12			24
Dividends of surplus			(144)		(144)
Profit attributable to owners of parent			2,084		2,084
Purchase of treasury shares				(4)	(4)
Retirement of treasury shares			(4)	4	–
Change of scope of consolidation			(0)		(0)
Net changes of items other than shareholder' equity during the fiscal year					–
Total changes of items during period	12	12	1,934	–	1,959
Balance as of June 30, 2019	2,288	1,288	10,256	–	13,833

	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, 2018	(3)	(3)	31	11,902
Changes of items during period				
Issuance of new shares - exercise of subscription rights to shares				24
Dividends of surplus				(144)
Profit attributable to owners of parent				2,084
Purchase of treasury shares				(4)
Retirement of treasury shares				–
Change of scope of consolidation				(0)
Net changes of items other than shareholder' equity during the fiscal year	3	3	(3)	0
Total changes of items during period	3	3	(3)	1,959
Balance as of June 30, 2019	–	–	28	13,862

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(As of June 30, 2019)

(Millions of yen)

Description	Amount
Assets	
I. Current assets	12,070
Cash and deposits	1,282
Accounts receivable - trade	8,733
Supplies	0
Prepaid expenses	28
Costs on uncompleted construction contracts	888
Short-term loans receivable from subsidiaries and associates	200
Accounts receivable - other	622
Other	314
II. Non-current assets	5,673
1. Property, plant and equipment	881
Buildings	163
Machinery and equipment	356
Tools, furniture and fixtures	22
Leased assets	272
Vehicles	2
Land	56
Construction in progress	7
2. Intangible assets	6
Software	0
Other	5
3. Investments and other assets	4,785
Shares of subsidiaries and associates	2,160
Long-term loans receivable from subsidiaries and associates	1,930
Deferred tax assets	610
Other	84
Total assets	17,744

(Millions of yen)

Description	Amount
Liabilities	
I. Current liabilities	6,919
Accounts payable - trade	36
Short-term loans payable	200
Current portion of long-term loans payable	561
Accounts payable - other	257
Current portion of long-term accounts payable	298
Lease obligations	114
Advances received	5,350
Accrued expenses	6
Income taxes payable	40
Deposits received	7
Provision for bonuses	15
Provision for maintenance cost	28
Other	2
II. Non-current liabilities	2,714
Long-term loans payable	1,535
Long-term loans payable to subsidiaries and associates	600
Long-term accounts payable - other	384
Lease obligations	193
Total liabilities	9,633
Net assets	
I. Shareholders' equity	8,082
1. Capital stock	2,288
2. Capital surplus	1,288
Legal capital surplus	1,288
3. Retained earnings	4,505
Other retained earnings	4,505
Retained earnings brought forward	4,505
II. Subscription rights to shares	28
Total net assets	8,111
Total liabilities and net assets	17,744

Non-Consolidated Statement of Income

(July 1, 2018 – June 30, 2019)

(Millions of yen)

Description	Amount	
Net sales		8,102
Cost of sales		7,761
Gross profit		341
Selling, general and administrative expenses		328
Operating profit		12
Non-operating income		
Interest income	6	
Dividend income	392	
Other	17	416
Non-operating expenses		
Interest expenses	15	
Other	32	48
Ordinary profit		379
Extraordinary income		
Gain on reversal of subscription rights to shares	2	2
Profit before income taxes		382
Income taxes-current	(388)	
Income taxes-deferred	175	(212)
Profit		595

Non-Consolidated Statement of Changes in Equity

(July 1, 2018 – June 30, 2019)

(Millions of yen)

(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, 2018	2,276	1,276	4,059	—	7,611	31	7,643
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares	12	12			24		24
Dividends of surplus			(144)		(144)		(144)
Profit			595		595		595
Purchase of treasury shares				(4)	(4)		(4)
Retirement of treasury shares			(4)	4	—		—
Net changes of items other than shareholder' equity during the fiscal year					—	(3)	(3)
Total changes of items during period	12	12	446	—	471	(3)	467
Balance as of June 30, 2019	2,288	1,288	4,505	—	8,082	28	8,111

Independent Auditor's Report
(English Translation)

August 14, 2019

To the Board of Directors
EF-ON INC.

Crowe Toyo & Co.

Tsugunari Yamada, 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, 2018 to June 30, 2019.

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.

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 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, 2019 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, 2019

To the Board of Directors
EF-ON INC.

Crowe Toyo & Co.

Tsugunari Yamada, 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 23rd fiscal year from July 1, 2018 to June 30, 2019.

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, 2019 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 23rd fiscal year from July 1, 2018 to June 30, 2019, 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 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 15, 2019

EF-ON INC. Audit & Supervisory Board

Audit & Supervisory Board Member (Full-Time)	Shinichi Yada
Outside Audit & Supervisory Board Member	Tadashi Ueda
Outside Audit & Supervisory Board Member	Toshio Shimizu