

These documents have been translated from the Japanese originals for reference purposes only. In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

Dear Shareholders,

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

I would also like to express heartfelt sympathy to all persons affected by the spread of the novel coronavirus disease (COVID-19) which has spread from last year.

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

In the fiscal year ended June 30, 2021, in the wood biomass power generation business, the Shirakawa Power Plant, Hita Power Plant, and Bungo-Ono Power Plant all operated smoothly, and the Mibu Power Plant made a full-year contribution for the first time. We are now concentrating our efforts to launch operations at the Shingu Power Plant in 2022. In addition, we have commenced forestry operations as an upstream operation for our wood biomass power generation, and through performing our own production of wood fuel, we will carry out continuous electric power generation.

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.

(Translation)

Securities Code: 9514
September 7, 2021

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

NOTICE OF CONVOCATION OF THE 25TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We are pleased to announce the 25th Annual General Meeting of Shareholders of EF-ON INC. (the “Company”). The meeting will be held for the purposes as described below.

In order to prevent the spread of COVID-19, you are strongly encouraged to exercise your voting rights prior to the meeting in writing or via the Internet, if at all possible. You are strongly urged to refrain from traveling to the venue on the date of the meeting. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and cast your vote by 5 p.m. Japan time on Monday, September 27, 2021.

- 1. Date and Time:** Tuesday, September 28, 2021 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 25th Fiscal Year (July 1, 2020 – June 30, 2021) 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 25th Fiscal Year (July 1, 2020 – June 30, 2021)

Proposals to be resolved:

- Proposal 1:** Amendment to the Articles of Incorporation
- Proposal 2:** Election of Nine (9) Directors
- Proposal 3:** Determination of Amount and Details of Stock-Based Compensation for Directors

4. Other Matters related to Exercise of Voting Rights

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

5. Other Matters related to this Notice

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

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

Notice Regarding Measures to Prevent COVID-19 Infection

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

Request to our shareholders

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

Measures to be taken by the Company

- Certain measures may be taken to prevent infection at the General Meeting of Shareholders.
- Please note that shareholders will be asked to undergo a check of body temperature at the reception desk on the day, and if any shareholders have a fever, appear to be unwell, or refuse to wear a mask, the Company reserves the right to stop those shareholders from attending the meeting and ask them to leave.
- The meeting staff will all be wearing masks.
- If changes to the above information are made in response to future circumstances, updates will be provided on the corporate website (<http://www.ef-on.co.jp/>). Please check the website for updates.

Guide to Exercise of Voting Rights

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

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

Attending the meeting in person	Exercising voting rights in writing (by mail)	Exercising voting rights via the Internet
<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 style="text-align: center;">Deadline for voting:</p>	<p style="text-align: center;">Deadline for voting:</p>
<p>Tuesday, September 28, 2021 at 10 a.m.</p>	<p>No later than 5 p.m. on Monday, September 27, 2021</p>	<p>No later than 5 p.m. on Monday, September 27, 2021</p>

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

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

<p>For inquiries on how to use the personal computer or smart phone in relation to the exercise of voting rights via the Internet, please contact:</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>
--	---

Institutional investors may use the electronic voting platform for institutional investors operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Amendment to the Articles of Incorporation

1. Reasons for the proposal

We aim to enhance our functional control of group companies and improve our operational efficiency by increasing personnel to accompany the increase in scale and activities of the Group's wood biomass power generation business, forestry business and electricity retailing business. We also wish to add a supplementary provision stating that the effective date of the amendment to the Articles of Incorporation shall be the date of head office relocation, and such supplementary provision shall be deleted from the Articles of Incorporation on the passing of the effective date.

2. Details of the amendments

Details of the amendments are as follows.

(Underlines indicate amended parts.)

Current Articles of Incorporation	Proposed amendments
<p>(Location of Head Office)</p> <p>Articles 3.</p> <p>The head office of the Company shall be located at <u>Chuo-ku</u>, Tokyo, Japan.</p> <p>(Newly established)</p>	<p>(Location of Head Office)</p> <p>Articles 3.</p> <p>The head office of the Company shall be located at <u>Chiyoda-ku</u>, Tokyo, Japan.</p> <p><u>Supplementary Provision</u></p> <p><u>The amendment to Article 3. (Location of head office) shall take effect on the date of relocation of the head office, which will be determined at a meetings of the Board of Directors held by December 25, 2021. This Supplementary Provision shall be deleted after the effective date of said amendment to the Articles of Incorporation of Article 3.</u></p>

Proposal 2: Election of Nine (9) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of nine (9) Directors is proposed.

The candidates for Directors are as follows.

Candidate No.	Name				Current position at the Company
1	Tomotada Shimazaki	<u>Reelection</u>			President and Representative Director
2	Makoto Nagasawa	<u>Reelection</u>			Managing Director
3	Hisahito Koike	<u>Reelection</u>			Managing Director
4	Koutaro Fujii	<u>Reelection</u>			Director
5	Yuji Sato	<u>New election</u>			—
6	Hiroshi Suto	<u>New election</u>			—
7	Shinichi Suzuki	<u>Reelection</u>	<u>Outside</u>	<u>Independent</u>	Outside Director
8	Norio Minagawa	<u>Reelection</u>	<u>Outside</u>	<u>Independent</u>	Outside Director
9	Maiko Sako	<u>Reelection</u>	<u>Outside</u>	<u>Independent</u>	Outside Director

<Reference> Areas of expertise and experience of candidates for Director (Skill Matrix)

* Not every area of expertise and experience possessed by each candidate is presented.

No.	Name	Corporate management	Finance and accounting	Compliance and risk management	Long-term outlook & strategic thinking	Sustainability management thinking	The Company's business management	Personnel management
1	Tomotada Shimazaki	○	○	○	○	○	○	
2	Makoto Nagasawa	○		○	○	○	○	○
3	Hisahito Koike	○	○	○	○			○
4	Koutaro Fujii	○		○	○	○	○	○
5	Yuji Sato			○	○	○	○	
6	Hiroshi Suto			○	○	○	○	
7	Shinichi Suzuki	○		○	○	○		
8	Norio Minagawa	○	○	○	○	○		
9	Maiko Sako	○		○	○	○		

Candidate No. 1 <u>Reelection</u>	<p>Tomotada Shimazaki (Date of Birth: August 27, 1962)</p> <p>Number of shares of the Company held: 24,000 shares</p>	<p>Past experience, positions and responsibilities at the Company, and significant concurrent positions</p> <p>September 2002 Deputy General Manager, Mitsubishi Securities Co., Ltd.</p> <p>June 2005 Corporate Planning Department, the Company</p> <p>September 2006 Director</p> <p>May 2008 President and Representative Director (to present)</p>
		<p>Reasons for selection as a candidate</p> <p>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.</p>
Candidate No. 2 <u>Reelection</u>	<p>Makoto Nagasawa (Date of Birth: January 9, 1969)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>Past experience, positions and responsibilities at the Company, and significant concurrent positions</p> <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</p> <p>September 2019 Executive Officer, Head of Business Division, General Manager, Technology & Development Department, and General Manager, Energy Saving Support Department</p> <p>September 2020 Managing Director, 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 abundant experience and achievements in power plant development, which is the foundation of the Company's businesses. The Company has judged that he will be able to utilize his operational experience and expertise in the management of the Company.</p>

Candidate No. 3 <u>Reelection</u>	<p>Hisahito Koike (Date of Birth: May 18, 1961)</p> <p>Number of shares of the Company held: 51,000 shares</p>	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		<p>May 2003</p> <p>October 2006</p> <p>September 2009</p> <p>March 2011</p> <p>September 2011</p> <p>October 2013</p>	<p>Deputy General Manager, Group Management Department, Administrative Division, and General Manager, KMG Accounting Center, Kyoritsu Maintenance Co., Ltd.</p> <p>General Manager, Accounting Department, the Company</p> <p>Director and General Manager, Finance and Accounting Department</p> <p>Director and General Manager, Administrative Division</p> <p>Managing Director and General Manager, Administrative Division</p> <p>Managing Director and Head of Administrative Division (to present)</p>
		<p>Reasons for selection as a candidate</p> <p>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.</p>	

Candidate No. 4 Reelection	 Koutaro Fujii (Date of Birth: March 26, 1964) Number of shares of the Company held: 4,800 shares	Past experience, positions and responsibilities at the Company, and significant concurrent positions
		April 1997 South Kanto Manager, Sales Division, Copal Electronics Co., Ltd. April 2005 General Manager, Electric Power Business Department, the Company April 2007 General Manager, ESCO Business Division October 2007 Managing Director, VEGLIALaboratories Inc. September 2013 Director and Vice President May 2016 Joined the Company, Technology & Development Department Seconded to EF-BIOS INC., General Manager, Bungo-Ono Office September 2016 Director, the Company General Manager, Bungo-Ono Office, EF-BIOS INC. July 2017 Director, the Company General Manager, Hita Office, EF-BIOS INC. September 2019 Director, the Company Executive Officer and General Manager, Preparatory Office, Mibu Power Plant, EF-BIOS INC. January 2020 Director, the Company Executive Officer and General Manager, Mibu Office, EF-BIOS INC. June 2020 Director, the Company General Manager, Electricity Business Planning Department September 2020 Director and General Manager, Electric Power Project Department (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 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.

Candidate No. 5		Past experience, positions and responsibilities at the Company, and significant concurrent positions												
New election														
	<p>Yuji Sato (Date of Birth: October 28, 1969)</p> <p>Number of shares of the Company held: 0 shares</p>	<table border="0"> <tr> <td data-bbox="644 241 874 275">April 1992</td> <td data-bbox="874 241 1433 309">Joined Sanzo Environment Engineering Co., Ltd.</td> </tr> <tr> <td data-bbox="644 309 874 342">May 2006</td> <td data-bbox="874 309 1433 342">Joined EF-BIOS INC.</td> </tr> <tr> <td data-bbox="644 342 874 376">December 2015</td> <td data-bbox="874 342 1433 376">General Manager, Hita Office</td> </tr> <tr> <td data-bbox="644 376 874 409">July 2017</td> <td data-bbox="874 376 1433 409">General Manager, Bungo-Ono Office</td> </tr> <tr> <td data-bbox="644 409 874 477">January 2021</td> <td data-bbox="874 409 1433 477">General Manager, Bungo-Ono Office and General Manager Supervising Mibu Office</td> </tr> <tr> <td data-bbox="644 477 874 544">June 2021</td> <td data-bbox="874 477 1433 544">General Manager, Preparatory Office, Shingu Power Plant (to present)</td> </tr> </table> <p>Reasons for selection as a candidate The Company has selected Mr. Yuji Sato as a candidate for Director because he has abundant experience and achievements as General Manager of power plant, which is a subsidiary of the Company. The Company has judged that he will be able to utilize his operational experience and expertise in the management of the Company.</p>	April 1992	Joined Sanzo Environment Engineering Co., Ltd.	May 2006	Joined EF-BIOS INC.	December 2015	General Manager, Hita Office	July 2017	General Manager, Bungo-Ono Office	January 2021	General Manager, Bungo-Ono Office and General Manager Supervising Mibu Office	June 2021	General Manager, Preparatory Office, Shingu Power Plant (to present)
April 1992	Joined Sanzo Environment Engineering Co., Ltd.													
May 2006	Joined EF-BIOS INC.													
December 2015	General Manager, Hita Office													
July 2017	General Manager, Bungo-Ono Office													
January 2021	General Manager, Bungo-Ono Office and General Manager Supervising Mibu Office													
June 2021	General Manager, Preparatory Office, Shingu Power Plant (to present)													
Candidate No. 6		Past experience, positions and responsibilities at the Company, and significant concurrent positions												
New election														
	<p>Hiroshi Suto (Date of Birth: August 26, 1974)</p> <p>Number of shares of the Company held: 0 shares</p>	<table border="0"> <tr> <td data-bbox="644 797 874 831">September 2013</td> <td data-bbox="874 797 1433 864">Deputy General Manager, Forestry Department, Kyowa Mokuzai Co., Ltd.</td> </tr> <tr> <td data-bbox="644 864 874 898">November 2016</td> <td data-bbox="874 864 1433 898">Deputy General Manager, Tokyo Sales Office</td> </tr> <tr> <td data-bbox="644 898 874 931">September 2017</td> <td data-bbox="874 898 1433 931">Joined EF-BIOS INC.</td> </tr> <tr> <td data-bbox="644 931 874 999">October 2017</td> <td data-bbox="874 931 1433 999">Deputy Manager, Forestry Section, Forestry Department</td> </tr> <tr> <td data-bbox="644 999 874 1066">October 2019</td> <td data-bbox="874 999 1433 1066">General Manager, Forestry Business Department</td> </tr> <tr> <td data-bbox="644 1066 874 1133">July 2020</td> <td data-bbox="874 1066 1433 1133">Executive Officer and General Manager, Forestry Business Department (to present)</td> </tr> </table> <p>Reasons for selection as a candidate The Company has selected Mr. Hiroshi Suto as a candidate for Director because he is well-versed on forestry business and has abundant experience and achievements as Executive Officer and General Manager of Forestry 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.</p>	September 2013	Deputy General Manager, Forestry Department, Kyowa Mokuzai Co., Ltd.	November 2016	Deputy General Manager, Tokyo Sales Office	September 2017	Joined EF-BIOS INC.	October 2017	Deputy Manager, Forestry Section, Forestry Department	October 2019	General Manager, Forestry Business Department	July 2020	Executive Officer and General Manager, Forestry Business Department (to present)
September 2013	Deputy General Manager, Forestry Department, Kyowa Mokuzai Co., Ltd.													
November 2016	Deputy General Manager, Tokyo Sales Office													
September 2017	Joined EF-BIOS INC.													
October 2017	Deputy Manager, Forestry Section, Forestry Department													
October 2019	General Manager, Forestry Business Department													
July 2020	Executive Officer and General Manager, Forestry Business Department (to present)													

Candidate No. 7 Reelection Outside Independent	<p>Shinichi Suzuki (Date of Birth: February 25, 1962)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>Past experience, positions and responsibilities at the Company, and significant concurrent positions</p> <table border="0"> <tr> <td>April 1995</td> <td>Registered as attorney-at-law Joined Teruo Matsushita Law Office</td> </tr> <tr> <td>May 2000</td> <td>Representative, Shinichi Suzuki Law Office</td> </tr> <tr> <td>June 2004</td> <td>Audit & Supervisory Board Member, HC Asset Management Co., Ltd. (to present)</td> </tr> <tr> <td>March 2006</td> <td>Representative, Saiwaibashi Law Office (to present)</td> </tr> <tr> <td>June 2008</td> <td>Audit & Supervisory Board Member, Bansei Securities Co., Ltd.</td> </tr> <tr> <td>July 2008</td> <td>Audit & Supervisory Board Member, PCPhase Corporation</td> </tr> <tr> <td>September 2010</td> <td>Outside Director, the Company (to present)</td> </tr> </table> <p>Reasons for selection as a candidate and outline of roles expected 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>	April 1995	Registered as attorney-at-law Joined Teruo Matsushita Law Office	May 2000	Representative, Shinichi Suzuki Law Office	June 2004	Audit & Supervisory Board Member, HC Asset Management Co., Ltd. (to present)	March 2006	Representative, Saiwaibashi Law Office (to present)	June 2008	Audit & Supervisory Board Member, Bansei Securities Co., Ltd.	July 2008	Audit & Supervisory Board Member, PCPhase Corporation	September 2010	Outside Director, the Company (to present)
April 1995	Registered as attorney-at-law Joined Teruo Matsushita Law Office															
May 2000	Representative, Shinichi Suzuki Law Office															
June 2004	Audit & Supervisory Board Member, HC Asset Management Co., Ltd. (to present)															
March 2006	Representative, Saiwaibashi Law Office (to present)															
June 2008	Audit & Supervisory Board Member, Bansei Securities Co., Ltd.															
July 2008	Audit & Supervisory Board Member, PCPhase Corporation															
September 2010	Outside Director, the Company (to present)															
Candidate No. 8 Reelection Outside Independent	<p>Norio Minagawa (Date of Birth: June 1, 1949)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>Past experience, positions and responsibilities at the Company, and significant concurrent positions</p> <table border="0"> <tr> <td>July 1998</td> <td>Deputy General Manager, ALM Office, Tokyo Head Office, Nissho Iwai Corporation</td> </tr> <tr> <td>October 2002</td> <td>Director; General Manager, Administrative Division and General Manager, Finance Department, DIANA Co., Ltd.</td> </tr> <tr> <td>January 2010</td> <td>General Manager, Audit Office, Fuji Nihon Seito Corporation</td> </tr> <tr> <td>June 2010</td> <td>Auditor, UNITEC FOODS CO., LTD.</td> </tr> <tr> <td>September 2013</td> <td>Full-time Outside Audit & Supervisory Board Member, the Company</td> </tr> <tr> <td>September 2018</td> <td>Outside Director (to present)</td> </tr> <tr> <td>February 2020</td> <td>Director, Reiwakai Medical Corporation (to present)</td> </tr> </table> <p>Reasons for selection as a candidate and outline of roles expected 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 continue to appropriately execute his duties as an Outside Director.</p>	July 1998	Deputy General Manager, ALM Office, Tokyo Head Office, Nissho Iwai Corporation	October 2002	Director; General Manager, Administrative Division and General Manager, Finance Department, DIANA Co., Ltd.	January 2010	General Manager, Audit Office, Fuji Nihon Seito Corporation	June 2010	Auditor, UNITEC FOODS CO., LTD.	September 2013	Full-time Outside Audit & Supervisory Board Member, the Company	September 2018	Outside Director (to present)	February 2020	Director, Reiwakai Medical Corporation (to present)
July 1998	Deputy General Manager, ALM Office, Tokyo Head Office, Nissho Iwai Corporation															
October 2002	Director; General Manager, Administrative Division and General Manager, Finance Department, DIANA Co., Ltd.															
January 2010	General Manager, Audit Office, Fuji Nihon Seito Corporation															
June 2010	Auditor, UNITEC FOODS CO., LTD.															
September 2013	Full-time Outside Audit & Supervisory Board Member, the Company															
September 2018	Outside Director (to present)															
February 2020	Director, Reiwakai Medical Corporation (to present)															

Candidate No. 9 Reelection Outside Independent	Maiko Sako (Date of Birth: November 21, 1980) Number of shares of the Company held: 0 shares	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		December 2008 January 2009 October 2013 March 2015 September 2018 February 2020	Registered as attorney-at-law Joined Kasumigaseki Law and Accounting Offices Junior Partner, Kasumigaseki Law and Accounting Offices Junior Partner, SAKURADA DORI PARTNERS Outside Director, the Company (to present) Partner, SAKURADA DORI PARTNERS (to present)
		Reasons for selection as a candidate and outline of roles expected The Company has selected Ms. Maiko Sako as a candidate for Outside Director because, although she has never been directly involved in the management of a company except as an outside officer, she has experience and specialist knowledge in corporate legal affairs as an attorney. The Company has judged that she will continue to appropriately execute her duties as an Outside Director from an objective standpoint as a legal specialist.	

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

Proposal 3: Determination of Amount and Details of Stock-Based Compensation for Directors

1. Reasons for the proposal and reasonableness of the compensation plan

The compensation for the Company's Directors currently comprises only "fixed compensation." The Company proposes to introduce for the first time a stock-based compensation plan for the Company's Directors (here and hereinafter, Directors refers to Directors excluding Outside Directors; said compensation plan hereinafter referred to as the "Plan"). The Company also proposes the details be entrusted to the discretion of the Board of Directors within the limits as mentioned in 2 below.

The Plan is intended to increase the motivation of Directors to contribute to improving enhancing corporate value over the medium to long term by further clarifying the linkage between the compensation for Directors and the Company's performance and share value, and by sharing both the benefits and risk of share price fluctuations by Directors and shareholders. Thus, the Company judges the compensation plan is appropriate.

This proposal has been submitted to pay to Directors (excluding Outside Directors; the same shall apply hereinafter) who remain in office for the period of three fiscal years beginning with the fiscal year ending June 30, 2022 and ending with the fiscal year ending June 30, 2024 (hereinafter the "Applicable Period") the new share-based compensation that is separate from the limit of Directors' compensation that the shareholders approved at the 22nd Annual General Meeting of Shareholders held on September 26, 2018 (within ¥240 million per year (of which ¥40 million per year is the upper limit for Outside Directors); provided, however, that said limit does not include any employee salary portion).

The purpose for introducing the Plan is as stated above. The policy for determining the details of the compensation, etc. for individual Directors was determined at the Board of Directors meeting held on February 10, 2021, the overview of which is presented on page 26 of the Business Report. The Plan is in alignment with that policy and there are no plans to change that policy upon this proposal's approval.

If Proposal 2 "Election of Nine (9) Directors" is approved and adopted as originally proposed, the number of Directors eligible for the Plan will be six.

* If this proposal is approved and adopted as originally proposed, the Company plans to adopt a similar share-based compensation plan for directors of some of the Company's subsidiaries and executive officers with whom the Company's subsidiaries have entered into mandate agreements (hereinafter collectively referred to as "Subsidiary Directors, etc.").

2. Amount and other details of compensation, etc. under the Plan

(1) Outline of the Plan

The Plan is a share-based compensation plan, under which a trust established and funded with money contributed by the Company (hereinafter the "Trust"), shall acquire shares of the Company, and a number of such shares, which shall correspond to the number of points granted to each Director by the Company, shall be delivered to each Director through the Trust.

The Directors shall receive the Company's shares upon their retirement, in principle.

1) Persons eligible for the Plan	Directors (excluding Outside Directors)
2) Applicable Period	From the fiscal year ending June 30, 2022 to the fiscal year ending June 30, 2024
3) Maximum amount of contribution of money by the Company during the Applicable Period as defined in 2), as funds necessary to acquire the Company's shares to be delivered to eligible persons as defined in 1):	A total of ¥144 million
4) Method of acquiring the Company's shares	Acquisition by a disposal of treasury shares or purchase from the exchange market (including after-hour trading)
5) Maximum total points granted to eligible persons as defined in 1)	80,000 points per fiscal year
6) Criteria for granting points	Points are granted at a number calculated in accordance with position, etc.

7) Timing of delivering the Company's shares to eligible persons as defined in 1)	At the time of their retirement as Director, in principle
---	---

(2) Maximum amount of contribution of money by the Company

Initially the trust period of the Trust shall be approximately three years, and the Company shall establish the Trust for the benefit of Directors who meet certain beneficiary requirements, by contributing, during the Applicable Period, an amount not exceeding ¥144 million in total, as funds necessary for the Trust to acquire shares of the Company to be delivered to Directors under the Plan, as part of the remuneration for the Directors in office during the Applicable Period. The Trust shall acquire shares of the Company using the money entrusted by the Company, either from the Company in the form of disposal of its treasury shares or on the exchange market (including in after-hours trading).

(Note) The monetary amount to be actually entrusted to the Trust by the Company shall be the amount including the estimated necessary expenses such as trust fees and payment for the trust administrator, etc. on top of the abovementioned funds for acquiring shares of the Company. If the Company introduces a similar share-based compensation plan to the Plan for the Subsidiary Directors, etc., the necessary funds for acquiring the Company's shares based on such plan shall also be entrusted.

Note that the Plan may be continued, by resolution of the Board of Directors of the Company, by extending the Applicable Period until any time within three fiscal years prescribed each time and, in line with this, extending the trust period of the Trust (including the case where the trust property of the Trust is transferred to a trust that has the same purpose as that of the Trust established by the Company, effectively extending the trust period; the same shall apply hereinafter). In this instance, the Company will contribute additional money of the amount up to ¥48 million multiplied by the number of fiscal years of the extended Applicable Period as the funds necessary to acquire additional shares of the Company to be delivered to Directors under the Plan, and continue to grant points and deliver shares of the Company described in (3) below.

Furthermore, even in the event that the Company does not extend the Applicable Period as described above and does not continue the Plan, then if, upon the expiry of the Trust Period, there are still Directors who have already been granted points but not yet retired as Director, the trust period of the Trust may be extended until said Directors retire from office and the delivery of shares of the Company to them has been completed.

(3) Calculation method and maximum number of shares of the Company to be delivered to Directors

1) Method of granting points to Directors

The Company shall, pursuant to the Share Grant Regulations established by its Board of Directors, grant to each Director the number of points, which is calculated in accordance with their position, etc., at the date of granting points set forth in the Share Grant Regulations during the trust period.

However, the aggregate number of points to be granted by the Company to Directors shall be up to 80,000 points for each fiscal year.

2) Delivery of shares of the Company based on the number of points granted

Directors shall receive, in accordance with the procedure described in 3) below, the delivery of the number of shares of the Company corresponding to the number of points granted under 1) above.

One point shall correspond to one share of the Company. However, that in the event of circumstances that can reasonably justify adjustment to the number of the shares of the Company to be delivered, such as share split or share consolidation, the Company shall make reasonable adjustment according to the ratio of such share split or share consolidation or other circumstances.

3) Delivery of shares of the Company to Directors

Delivery of shares of the Company to each Director as described in 2) above shall be done from the Trust, subject to the completion of the predetermined beneficiary verification procedures by each Director at the time of his/her retirement as Director in principle.

However, a certain portion of shares of the Company to be delivered may be sold/realized in the Trust first for the purpose of the Company to withhold funds to pay taxes such as withholding taxes, and delivered in the form of money in lieu of shares of the Company. In addition, in the event of realization of shares of the Company held in the Trust due to the settlement following the circumstances such as subscription to a tender offer for shares of the Company held in the Trust, the Trust may also effect the delivery in the form of money in lieu of shares of the Company.

(4) Exercise of voting rights

Pursuant to the instructions of the trust administrator who is independent from the Company and its officers, the voting rights associated with shares of the Company held in the Trust shall not be exercised without exception, which will assure the neutrality of the Company's management in relation to exercise of voting rights of such shares.

(5) Handling of dividends

Dividends on shares of the Company held in the Trust shall be received by the Trust, and shall be appropriated towards payment for acquisition of shares of the Company, trust fees for the trustee associated with the Trust, etc.

Business Report (July 1, 2020 – June 30, 2021)

1. Overview of the Company Group

(1) Business Progress and Results

During the fiscal year ended June 30, 2021, the Japanese economy has continued to be significantly affected by the as yet unabated spread of infection of the novel coronavirus (COVID-19), particularly in regard to the restaurant, event, and tourism industries, despite the issuances of multiple state of emergency declarations and strict infection control measures, etc. and countermeasures such as the swiftly progressing vaccination rollout.

In our industry, the Act of Partial Revision of the Electricity Business Act and Other Acts (Act for Establishing Energy Supply Resilience) was established in June 2020, and in order to establish a resilient and sustainable electricity supply system; to improve the major transmission line infrastructure in order to more swiftly respond to power outages caused by natural disaster, etc.; and realize “Carbon Neutral by 2050,” the relevant government authorities have embarked on formulating policy for concrete measures, and amongst the private sector, there is a growing interest in utilizing electricity produced using renewable energy. On the other hand, new electricity operators who use wholesale market electricity suffered a significant impact to their financial results as a result of that market’s trading unit price soaring from the end of 2020.

Under such conditions, the Group’s power generation business implemented annual inspections on each of its power plants, conducting two-week planned stoppages on EF-ON SHIRAKAWA and EF-ON HITA in the second quarter, on EF-ON MIBU in the third quarter, and on EF-ON BUNGO-ONO in the fourth quarter. In addition to the above, unplanned stoppages were conducted on EF-ON MIBU for a little less than a week in the first quarter and for about four days in the fourth quarter. However, during the fiscal year under review, the impact from such stoppages on overall operations was minor and it was possible to maintain the expected level of operations at each of the power plants. Net sales was significantly higher year on year owing to the Mibu Power Plant supplying electricity over the full fiscal year. Operating profit, on the other hand, was lower year on year due to the abolition of premiums due to a change in the purchasers of sales from the existing power plants. At Shingu Power Plant, major facilities such as the turbine building, condensers, and fuel storage buildings are almost completed and pipes and auxiliary equipment are being installed. We are conducting training of personnel in the lead up to operation by spreading out lessons across the existing power plants, and we are recognizing that expense up front. In addition, we will pay utmost attention to preventing COVID-19 infections at each power plant and undertake new measures to share important information for promoting stable operation at each power plant and improve fuel quality, strive to reduce electricity consumption inside the power plants and otherwise continue to focus efforts on further honing know how. Concerning the future fuel to be used at the Shingu Power Plant, we will secure the supply of unprocessed timber, focusing on material sourced from Wakayama Prefecture, and in addition to steadily expanding new sources of supply, the plant will zealously proceed with acquiring the forestry land required in cooperation with our forestry business.

In the Energy Saving Support Business in recent years, there has been an increase in cases where quite some time has passing since the initial installation of on-site in-house power generation projects and contracts have expired. In this period where contracts are expiring, sales from the projects themselves declined year on year. However, through facility related sales recorded, sales for external customers were level with the previous fiscal year.

In addition, the Group started a business of selling electricity to customers with environment-added value for electricity generated by the Group’s wood biomass power plants.

As a result, with regard to the business performance of the Group in the fiscal year under review, net sales amounted to ¥13,144 million (7.6% increase on a year-on-year basis), operating profit amounted to ¥2,584 million (11.7% decrease on a year-on-year basis), ordinary profit amounted to ¥2,397 million (15.2% decrease on a year-on-year basis), and profit attributable to owners of parent was ¥1,673 million (4.8% decrease on a year-on-year basis).

(Energy Saving Support Business)

In the fiscal year under review, in addition to the business's sales related to the repair and improvement of energy saving facilities, the business earned robust sales from existing projects. The Company will continue to promote new projects in the next fiscal year as time is needed to adjust details with customers due to taking measures to prevent the spread of COVID-19. For internal sales between segments in relation to power plant construction carried out by business inside the Group, sales under the percentage of completion method were recorded by EF-ON SHINGU, a consolidated subsidiary.

With regard to the business performance of this segment in the fiscal year under review, net sales was ¥7,975 million (38.6% increase on a year-on-year basis) and operating profit amounted to ¥52 million (224.3% increase on a year-on-year basis).

(Green Energy Business)

In the Green Energy Business in the fiscal year under review, net sales increased considerably due to the full-year contribution from Mibu Power Plant despite it experiencing unplanned stoppages. The prescribed regular inspections were carried out at each power plant and initiatives to reduce electricity consumed inside the plants by switching to energy saving devices in some plants is steadily being put into operation. Operating profit was lower compared with the previous fiscal year. This was due to quite a drop in unit price for electric power sales in connection with the abolition of premiums due to the change in purchasers of sales from existing power plants, along with an increase in costs related to the securing of personnel for the new power plant and increased depreciation accompanying the introduction of large facilities for the forestry business.

With regard to the business performance of this segment in the fiscal year under review, net sales were ¥12,642 million (7.7% increase on a year-on-year basis) and operating profit amounted to ¥2,670 million (9.9% decrease on a year-on-year basis).

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

Business classification	Consolidated net sales	Consolidated operating profit
Energy Saving Support Business	482	52
Green Energy Business	12,570	2,670
Other Business	91	(111)
Corporate (common)	–	(26)
Total	13,144	2,584

(2) Capital Investments

In the fiscal year under review, the total amount of capital investments made by companies in the Group was ¥1,280 million, and the main components thereof are as follows.

a) Key Facilities Completed in the Fiscal Year Under Review

Green Energy Business	EF-BIOS INC.	Woodchip production facility and forestry business machinery
	EF-ON MIBU INC.	Wood biomass power plant facility

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

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

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

Energy Saving Support Business	EF-ON INC.	Sale of onsite in-house power generation facilities
--------------------------------	------------	---

(3) Issues to be Addressed

In the fiscal year under review, with a resurgence in the spread of COVID-19, the Group continued on from the previous fiscal year with measures such as working from home to address the restriction of peoples' movement and issues regarding head office functions to ensure there are no problems with the

operation of power plants. In addition to measures to prevent infection at each facility, the Group also formulated emergency response measures that mutually help each power plant should someone become infected. Based on these experiences, the Group believes that maintaining systems to respond to the risk of infection is the most significant issue.

In the Green Energy Business of the Group's core business, we will endeavor to reduce the fuel costs while further improving the usage rate of unused wood, and achieve stable operation by continuing promoting detailed inspections and maintenance in order to maintain a high operating rate. In addition, in the forestry business, while working to acquire new land for forestry operations, secure personnel, and focus efforts on training, we will make efforts to improve production volumes of the chip processing centers attached to each power plant and reduce the moisture content when storing unprocessed timber in connection with the power plant operation. Therefore, we consider that the significant management issues are securing and training the specialist personnel who will actively utilize forest resources and establish the management approaches, which includes backup systems that respond to infection, and continuing to execute operations remotely.

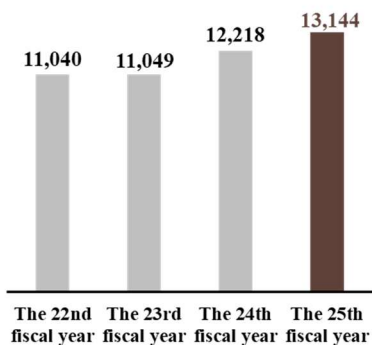
The Company recognizes that building and equipping the necessary business environment for the operation of the new wood biomass power plants under construction by EF-ON SHINGU is the most significant issue for the plant.

(4) Assets and Income

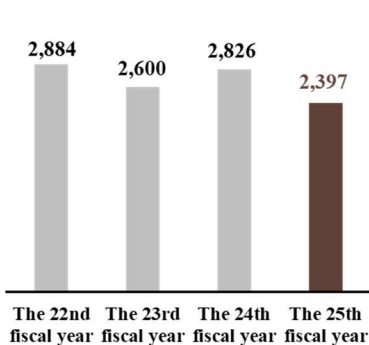
		(Millions of yen)			
Item \ Period	The 22nd fiscal year (ended June 30, 2018)	The 23rd fiscal year (ended June 30, 2019)	The 24th fiscal year (ended June 30, 2020)	The 25th fiscal year (fiscal year under review) (ended June 30, 2021)	
Net sales	11,040	11,049	12,218	13,144	
Ordinary profit	2,884	2,600	2,826	2,397	
Profit attributable to owners of parent	2,366	2,084	1,757	1,673	
Profit per share (Yen)	110.61	96.40	81.22	77.35	
Net assets	11,902	13,862	15,434	16,924	
Total assets	28,168	33,360	39,847	45,603	

(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 22nd fiscal year.

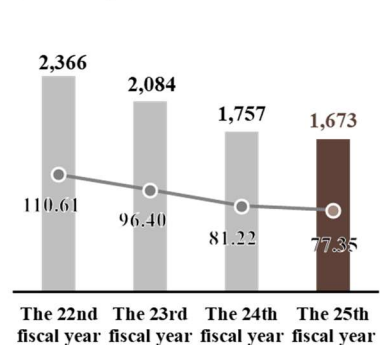
Net sales
(Millions of yen)



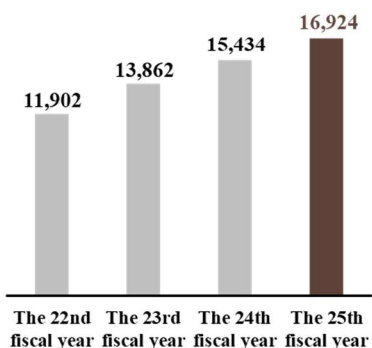
Ordinary profit
(Millions of yen)



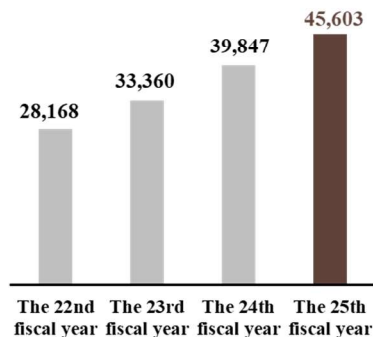
Profit attributable to owners of parent (Millions of yen)
Profit per share (Yen)



Net assets
(Millions of yen)



Total assets
(Millions of yen)



(5) Significant Subsidiaries

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

(6) Principal Business (as of June 30, 2021)

1) Energy Saving Support Business

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

2) Green Energy Business

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

(Note) Wood biomass

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

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

(7) Main Business Locations and Plants (as of June 30, 2021)

The Company	Head Office:	3-1-1 Kyobashi, Chuo-ku, Tokyo
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.:	Shimotsuga District, Tochigi Prefecture
	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, 2021)

Group Employees

Business division	Number of employees	Increase (decrease) from the previous consolidated fiscal year-end
Energy Saving Support Business	3	(3)
Green Energy Business	221	42
Other Business	7	7
Corporate (common)	17	(2)
Total	248	44

- (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, 2021)

(Millions of yen)

Lender	Outstanding loan amount
Japan Finance Corporation	6,088
MUFG Bank, Ltd.	5,445
Sumitomo Mitsui Banking Corporation	4,712
Mizuho Bank, Ltd.	3,243
The Bank of Yokohama, Ltd.	3,072

(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, 2021)

1) Total number of shares authorized to be issued	69,840,000 shares
2) Total number of shares outstanding	21,636,579 shares
3) Number of shareholders	9,208 persons
4) Major shareholders (top 10 shareholders)	

Shareholder name	Number of shares	Shareholding ratio
NIHON TECHNO CO., LTD.	7,049,280	32.58%
Hikari Tsushin K.K.	2,054,000	9.49%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,535,200	7.10%
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	645,600	2.98%
Custody Bank of Japan, Ltd. (Trust Account)	586,400	2.71%
Custody Bank of Japan, Ltd. (Trust Account 9)	382,500	1.77%
UH Partners 2, Inc.	264,200	1.22%
Aioi Nissay Dowa Insurance Co., Ltd.	240,000	1.11%
RBC ISB LUX NON RES/DOM RATE-UCITS CLIENTS ACCOUNT-MIG	239,200	1.11%
SMBC Nikko Securities Inc.	236,100	1.09%

3. Company Officers

(1) Company Officers

Directors and Audit & Supervisory Board Members (as of June 30, 2021)

Position at the Company	Name	Responsibilities and significant concurrent positions
President and Representative Director	Tomotada Shimazaki	
Managing Director	Makoto Nagasawa	General Manager, Technology & Development Department, and General Manager, Energy Saving Support Department
Managing Director	Hisahito Koike	Head of Administrative Division
Director	Koutaro Fujii	General Manager, Electric Power Project Department
Director	Hideki Kaneda	Executive Officer and General Manager, Fuel Business Department, 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	Toshio Shimizu	
Audit & Supervisory Board Member	Hidehito Mochizuki	Director, Mochizuki Certified Public Accountant Office Director, Mochizuki Tax Accountant Office

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

(2) Overview of Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, with Directors of the Company (including Directors in office during the fiscal year under review) as the insureds. The Company bears the full amount of the insurance premiums.

With regard to the overview of the details of this insurance policy, eligible officers who are the insureds are covered under this insurance policy with an insurance company for their liability borne from performance of their duties or for their liability arising from claims in pursuit of that liability, and the policy will be renewed every year.

In this insurance policy, an event in which the Company pursues liability for damages from the eligible officers is excluded from the insurance policy, and measures have been put into place to prevent the

impairment of the appropriateness of the execution of duties by the eligible officers by setting a limit for the amount covered.

When the policy is renewed, the Company plans to renew the policy with the same terms.

(3) Compensations for Directors and Audit & Supervisory Board Members

1) Policy on Decisions on Details of Compensation, etc. for Officers

Compensation for individual Directors of the Company shall be within the range of the amount determined by the General Meeting of Shareholders, and the President and Representative Director, entrusted by the Board of Directors, shall hold interviews with each individual, determine an amount of compensation for each individual that suitably reflects their role and responsibility expected of them as an officer of the Company, giving comprehensive consideration to economic circumstances, the Company's financial results, and their individual management capabilities, level of contribution, past compensation, etc., and report to the Board of Directors. The Board of Directors, then conducts oversight of the decision of the amount of remuneration by considering and reviewing the compensation amounts, placing emphasis on the suitability, fairness and transparency of the amounts of compensation. The Board of Directors shall determine the timing and conditions of payment of compensation, etc. by resolution.

In addition, the compensation, etc. for Directors is the fixed compensation only and the compensation plans such as bonus, performance-linked compensation and retirement benefits are not adopted.

The individual compensation etc. for the Company's Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the range of the amount that has been resolved at the General Meeting of Shareholders.

2) Total Amount of Compensation in the Fiscal Year Under Review

Classification	Number of people	Total amount of compensation
Directors	8	¥129 million
(of which, Outside Directors)	(3)	(¥7 million)
Audit & Supervisory Board Members	3	¥17 million
(of which, Outside Audit & Supervisory Board Members)	(2)	(¥4 million)
Total	11	¥146 million
(of which, Outside Officers)	(5)	(¥12 million)

- (Notes)
1. The total amount of compensation for Directors does not include the portion of salary as an employee for Directors concurrently serving as employees.
 2. The maximum 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 for Directors concurrently serving as employees) at the Annual General Meeting of Shareholders held on September 26, 2018. The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was seven (7) (including two (2) Outside Directors).
 3. The maximum amount of compensation for Audit & Supervisory Board Members was resolved to be within ¥40 million per year at the Annual General Meeting of Shareholders held on September 26, 2018. The number of Audit & Supervisory Board Members at the conclusion of the said Annual General Meeting of Shareholders was three (3).

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

There is no relevant information.

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

There is no relevant information.

(4) Outside Officers

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

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

no business relationship between the Company and Mochizuki Certified Public Accountant Office or Mochizuki Tax Accountant Office.

2) Main Activities in the Fiscal Year Under Review

	Name	Activities
Director	Shinichi Suzuki	Mr. Shinichi Suzuki attended all 12 meetings of the Board of Directors held in the fiscal year under review, and provided opinions on deliberation of proposals and business operations. Regarding the role expected of him as an Outside Director, he has been using his expert insight as an attorney and his experience as an audit & supervisory board member at other companies, to make comments on risk management and strengthening group governance and contribute to improvements in practical operations by the Board of Directors. In addition, he is supervising the execution of duties of Directors from an independent standpoint and contributing to securing appropriateness in the decision making of the Board of Directors.
Director	Norio Minagawa	Mr. Norio Minagawa attended all 12 meetings of the Board of Directors held in the fiscal year under review, and provided opinions on deliberation of proposals and business operations. Regarding the role expected of him as an Outside Director, he has been using his experience as Audit & Supervisory Board Member of the Company and as an outside director of other companies, and his high level of insight in the field of finance and accounting to contribute to improving the appropriateness of business through offering advice and suggestions regarding new business. In addition, he is supervising the execution of duties of Directors from an independent standpoint and contributing to securing appropriateness in the decision making of the Board of Directors.
Director	Maiko Sako	Ms. Maiko Sako attended all 12 meetings of the Board of Directors held in the fiscal year under review, and provided opinions on deliberation of proposals and business operations. Regarding the role expected of her as Outside Director, she has been using her expert knowledge and broad insight as an attorney to offer suggestions on putting in place compliance systems and other matters and contributing to energizing discussion in the Board of Directors. In addition, she is supervising the execution of duties of Directors from an independent standpoint and contributing to securing appropriateness in the decision making of the Board of Directors.
Audit & Supervisory Board Member	Toshio Shimizu	Mr. Toshio Shimizu attended all 12 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board held in the fiscal year under review, and conducted audits from a wide-ranging perspective based on his abundant experience and profound understanding as a corporate manager, in addition to expressing his views as necessary at appropriate opportunities at the meetings of both the Board of Directors and the Audit & Supervisory Board.
Audit & Supervisory Board Member	Hidehito Mochizuki	Mr. Hidehito Mochizuki attended all 12 meetings of the Board of Directors and all 14 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 accountant and certified public tax accountant, in addition to expressing his views as necessary at appropriate opportunities at the meetings of both the Board of Directors and the Audit & Supervisory Board.

3) Summary of the Agreement on Limitation of Liability

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

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

4. Accounting Auditor

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

Crowe Toyo & Co.

(2) **Accounting Auditor's Compensation, etc. for the fiscal year ended June 30, 2021**

	Payment amount
Accounting Auditor's compensation, etc., for the fiscal year ended June 30, 2021	¥27 million
Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor	¥27 million

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

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

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

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

There is no relevant information.

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

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

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

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

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

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

5. Company's Systems and Policies

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

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

I. Initiatives of the Group Regarding Internal Control

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

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

II. Basic Policy Regarding the Creation of Internal Control Systems

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

- (iii) Regulations and other systems for management of the risk of loss
 - 1) In accordance with regulations relating to risk, the Internal Control Committee shall manage risks for the Group as a whole in a comprehensive, all-inclusive manner.
 - 2) Officers and employees shall establish a process for each stage of the acquisition, utilization, and disposal of the Group's assets, regardless of whether they are tangible or intangible, and shall endeavor to preserve the Group's assets.
- (iv) System to ensure that the execution of duties by Directors, etc. of the Group is efficiently conducted
 - 1) The Board of Directors shall determine management duties for each Executive Director, in order to clarify the management responsibilities of Executive Directors.
 - 2) Executive Directors shall regularly hold a Management Meeting as an advisory body to the President and Representative Director, and shall strive to coordinate business activities and unify opinions on the execution of business activities.
 - 3) In order to make the execution of duties by Officers and employees more efficient, the Group shall determine their authority and decision-making rules, and shall clarify the division of duties between departments.
- (v) System to ensure propriety of business activities in the corporate group
 - 1) The Company shall establish a system for managing subsidiaries, including formulating regulations for managing subsidiaries and other related rules, etc., and establishing a department within the Company that tracks the status of the Group as a whole at all times and reports the status of assets and other important matters to the Board of Directors.
 - 2) The Group shall coordinate to ensure unified systems, including work processes and accounting systems.
 - 3) The Group shall strive to ensure coordination between Audit & Supervisory Board Members, engaging in the exchange of information and opinions as necessary.
 - 4) The Internal Audit Office shall regularly conduct audits regarding the status of the execution of business activities by the Group.
- (vi) Matters regarding employees assisting Audit & Supervisory Board Members in their duties in the event that Audit & Supervisory Board Members have requested such employees, and matters regarding ensuring the independence of these employees from Directors and the effectiveness of Audit & Supervisory Board Members' instructions to these employees
 - 1) In response to requests from the Audit & Supervisory Board to assign employees to assist with their duties, the Representative Director shall consult with the Audit & Supervisory Board from the perspective of ensuring the effectiveness of audits, and assign employees.
 - 2) Employees assisting Audit & Supervisory Board Members shall do so on a full-time basis, and shall execute their duties under the direction of Audit & Supervisory Board Members.
 - 3) The prior consent of the Audit & Supervisory Board shall be obtained in regard to the appointment, transfer, evaluation, etc. of employees assisting Audit & Supervisory Board Members.
- (vii) System regarding reports from Officers and employees of the Group to the Audit & Supervisory Board or 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 two 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, 2021)

(Millions of yen)

Description	Amount
Assets	
I. Current assets	8,081
Cash and deposits	5,272
Notes and accounts receivable - trade	1,270
Supplies	874
Consumption taxes receivable	31
Deferred consumption taxes	508
Other	123
II. Non-current assets	37,521
1. Property, plant and equipment	37,015
Buildings and structures	7,257
Machinery, equipment and vehicles	14,760
Tools, furniture and fixtures	79
Land	3,229
Leased assets	77
Trees	770
Construction in progress	10,839
2. Intangible assets	338
Right to use electricity supply facilities	329
Other	8
3. Investments and other assets	168
Deferred tax assets	88
Other	80
Total assets	45,603

(Millions of yen)

Description	Amount
Liabilities	
I. Current liabilities	5,344
Notes and accounts payable - trade	1,000
Short-term borrowings	200
Current portion of long-term borrowings	1,938
Accounts payable - other	1,145
Current portion of long-term accounts payable - other	70
Lease obligations	58
Income taxes payable	308
Provision for bonuses	44
Provision for maintenance cost	403
Other	175
II. Non-current liabilities	23,334
Long-term borrowings	23,194
Long-term accounts payable - other	0
Lease obligations	32
Deferred tax liabilities	107
Total liabilities	28,678
Net assets	
I. Shareholders' equity	16,924
Share capital	2,292
Capital surplus	1,292
Retained earnings	13,339
Total net assets	16,924
Total liabilities and net assets	45,603

Consolidated Statement of Income

(July 1, 2020 – June 30, 2021)

(Millions of yen)

Description	Amount	
Net sales		13,144
Cost of sales		9,757
Gross profit		3,387
Selling, general and administrative expenses		802
Operating profit		2,584
Non-operating income		
Interest income	0	
Gain on sale of scraps	2	
Subsidy income	9	
Personnel training and employment-related grant income	4	
Interest on tax refund	3	
Other	5	25
Non-operating expenses		
Interest expenses	150	
Commission expenses	35	
Share issuance costs	0	
Loss on retirement of non-current assets	4	
Other	21	212
Ordinary profit		2,397
Extraordinary income		
Gain on reversal of share acquisition rights	8	8
Profit before income taxes		2,406
Income taxes - current	527	
Income taxes - deferred	205	733
Profit		1,673
Profit attributable to owners of parent		1,673

Consolidated Statement of Changes in Equity

(July 1, 2020 – June 30, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,292	1,292	11,840	–	15,425
Changes during period					
Issuance of new shares - exercise of share acquisition rights					–
Dividends of surplus			(173)		(173)
Profit attributable to owners of parent			1,673		1,673
Purchase of treasury shares				(1)	(1)
Cancellation of treasury shares			(1)	1	–
Net changes of items other than shareholder' equity during the fiscal year					–
Total changes during period	–	–	1,498	–	1,498
Balance at end of period	2,292	1,292	13,339	–	16,924

	Share acquisition rights	Total net assets
Balance at beginning of period	8	15,434
Changes during period		
Issuance of new shares - exercise of share acquisition rights		–
Dividends of surplus		(173)
Profit attributable to owners of parent		1,673
Purchase of treasury shares		(1)
Cancellation of treasury shares		–
Net changes of items other than shareholder' equity during the fiscal year	(8)	(8)
Total changes during period	(8)	1,490
Balance at end of period	–	16,924

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(As of June 30, 2021)

(Millions of yen)

Description	Amount
Assets	
I. Current assets	14,521
Cash and deposits	2,022
Accounts receivable - trade	11,164
Prepaid expenses	35
Short-term loan receivable from subsidiaries and associates	300
Accounts receivable - other	549
Deferred consumption taxes	413
Other	36
II. Non-current assets	6,291
1. Property, plant and equipment	264
Buildings	55
Machinery and equipment	44
Tools, furniture and fixtures	30
Leased assets	77
Vehicles	0
Land	56
2. Intangible assets	7
Software	4
Other	2
3. Investments and other assets	6,019
Shares of subsidiaries and associates	2,161
Long-term loans receivable from subsidiaries and associates	3,730
Deferred tax assets	56
Other	72
Total assets	20,812

(Millions of yen)

Description	Amount
Liabilities	
I. Current liabilities	8,668
Accounts payable - trade	238
Short-term borrowings	200
Current portion of long-term borrowings	522
Accounts payable - other	929
Current portion of long-term accounts payable - other	70
Lease obligations	58
Advances received	6,450
Accrued expenses	5
Income taxes payable	163
Deposits received	5
Provision for bonuses	16
Provision for maintenance cost	6
Other	2
II. Non-current liabilities	1,937
Long-term borrowings	905
Long-term borrowings from subsidiaries and associates	1,000
Long-term accounts payable - other	0
Lease obligations	32
Total liabilities	10,606
Net assets	
I. Shareholders' equity	10,206
1. Share capital	2,292
2. Capital surplus	1,292
Legal capital surplus	1,292
3. Retained earnings	6,620
Other retained earnings	6,620
Retained earnings brought forward	6,620
Total net assets	10,206
Total liabilities and net assets	20,812

Non-Consolidated Statement of Income

(July 1, 2020 – June 30, 2021)

(Millions of yen)

Description	Amount	
Net sales		8,370
Cost of sales		8,022
Gross profit		347
Selling, general and administrative expenses		253
Operating profit		94
Non-operating income		
Interest income	9	
Dividend income	1,184	
Other	3	1,197
Non-operating expenses		
Interest expenses	25	
Other	19	45
Ordinary profit		1,246
Extraordinary income		
Gain on reversal of share acquisition rights	8	8
Profit before income taxes		1,255
Income taxes - current	(104)	
Income taxes - deferred	123	18
Profit		1,236

Non-Consolidated Statement of Changes in Equity

(July 1, 2020 – June 30, 2021)

(Millions of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
		Legal capital surplus	Other retained earnings				
Balance at beginning of period	2,292	1,292	5,559	–	9,144	8	9,153
Changes during period							
Issuance of new shares - exercise of share acquisition rights							
Dividends of surplus			(173)		(173)		(173)
Profit			1,236		1,236		1,236
Purchase of treasury shares				(1)	(1)		(1)
Cancellation of treasury shares			(1)	1	–		–
Net changes of items other than shareholder' equity during the fiscal year					–	(8)	(8)
Total changes during period	–	–	1,061	–	1,061	(8)	1,052
Balance at end of period	2,292	1,292	6,620	–	10,206	–	10,206

Independent Auditor's Report
(Translation)

August 12, 2021

To the Board of Directors
EF-ON INC.

Crowe Toyo & Co.
Tokyo Office

Takeshi Kiriya, CPA
Engagement Partner
Shuyo Goto, CPA
Engagement Partner

Auditors' Opinion

We have audited, pursuant to Article 444, paragraph (4) of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of EF-ON INC. (hereinafter referred to as the "Company") for the fiscal year from July 1, 2020 to June 30, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of June 30, 2021 and the consolidated result of their operations for the year then ended in conformity with the generally accepted accounting principles in Japan.

Basis for Audit Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Relationship of Interest

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

Notice to Readers:

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

Independent Auditor's Report

(Translation)

August 12, 2021

To the Board of Directors
EF-ON INC.

Crowe Toyo & Co.
Tokyo Office

Takeshi Kiriyama, CPA
Engagement Partner
Shuyo Goto, CPA
Engagement Partner

Auditors' Opinion

We have audited, pursuant to Article 436, paragraph (2), item (i) of the Companies Act, the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the supplementary schedules thereof (collectively, "non-consolidated financial statements, etc.") of EF-ON INC. (hereinafter referred to as the "Company") for the 25th fiscal year from July 1, 2020 to June 30, 2021.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and the result of its operation for the year then ended in conformity with the generally accepted accounting principles in Japan.

Basis for Audit Opinion

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

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

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

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

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

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

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

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

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

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

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

Relationship of Interest

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

Notice to Readers:

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

Audit Report (Translation)

The Audit & Supervisory Board hereby reports the results of discussions regarding the performance of duties by the Directors for the 25th fiscal year from July 1, 2020 to June 30, 2021, based on the audit reports prepared by each Audit & Supervisory Board Member.

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

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

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

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

August 12, 2021

EF-ON INC. Audit & Supervisory Board

Full-time Audit & Supervisory Board Member	Shinichi Yada
Outside Audit & Supervisory Board Member	Toshio Shimizu
Outside Audit & Supervisory Board Member	Hidehito Mochizuki