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Dear Shareholders,

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

I am pleased to present to you this Notice of Convocation of the 26th Annual General Meeting of Shareholders.

At the EF-ON Group, we are developing our business to realize a sustainable society in terms of both the use and supply of energy.

In the fiscal year ended June 30, 2022, we faced a difficult environment in terms of earnings due to the rising cost of fuel caused by the ‘Wood Shock’ and soaring prices in the wholesale electricity market. Despite these circumstances, each of the Group’s power plants generally achieved solid operations.

In addition, completion of construction of the Shingu Power Plant was slightly delayed due to a defect in some equipment in the last phase of the project, but we have since been working on progress to make up for the delay.

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 6, 2022

Tomotada Shimazaki  
President and Representative Director  
EF-ON INC.  
1-9-2, Marunouchi, Chiyoda-ku,  
Tokyo, Japan

## **NOTICE OF CONVOCATION OF THE 26TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We are pleased to announce the 26th 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 26, 2022.

- 1. Date and Time:** Tuesday, September 27, 2022 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 26th Fiscal Year (July 1, 2021 – June 30, 2022) 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 26th Fiscal Year (July 1, 2021 – June 30, 2022)

**Proposals to be resolved:**

- Proposal 1:** Amendment to the Articles of Incorporation
- Proposal 2:** Election of Nine (9) Directors
- Proposal 3:** Election of One (1) Audit & Supervisory Board Member

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

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

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

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

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

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

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

### **Requests to 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.

<b>Attending the meeting in person</b>	<b>Exercising voting rights in writing (by mail)</b>	<b>Exercising voting rights via the Internet</b>
<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 27, 2022 at 10 a.m.</p>	<p>No later than 5 p.m. on Monday, September 26, 2022</p>	<p>No later than 5 p.m. on Monday, September 26, 2022</p>

- \* The voting website will be down due to maintenance for the duration of the period specified below:  
From Saturday September 17, 2022 to Tuesday September 20, 2022

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>
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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

In accordance with the revised provisions stipulated in the proviso of Article 1 of the Supplementary Provision of the “Law Partially Revising the Companies Act” (Law No. 70 of 2022), which will come into effect on September 1, 2022, and the introduction of a system for electronic provision of materials for general meetings of shareholders, the following amendments are made to the Articles of Incorporation.

- (1) Paragraph 1 of Article 13 (Measures, etc. for Providing Information in Electronic Format) of the Proposed amendments is newly established because the Articles of Incorporation are required to stipulate that the Company shall take measures for electronic provision of information that constitutes the contents of reference documents for the General Meeting of Shareholders, etc.
- (2) Paragraph 2 of Article 13 (Measures, etc. for Providing Information in Electronic Format) of the Proposed amendments is newly established to allow the Company to limit the scope of matters to be included in the document to be delivered to shareholders who have requested delivery of the document to the scope specified by the applicable the Ministry of Justice Order, among the matters for which electronic provision of information is required.
- (3) Article 13 (Internet Disclosure and Deemed Provision of Reference Documents, Etc.) of the current Articles of Incorporation shall be deleted as it will become unnecessary once the system of electronic provision of materials for the General Meeting of Shareholders is introduced.
- (4) Supplementary provisions regarding the effect of the above deleted provision are to be established. These supplementary provisions shall be deleted after the expiration of the date.

### 2. Details of the amendments

Details of the amendments are as follows.

(Underlines indicate amended parts.)

Current Articles of Incorporation	Proposed amendments
<u>(Internet Disclosure and Deemed Provision of Reference Documents, Etc.)</u> <u>Article 13.</u> <u>The Company may deem that it has provided information pertaining to matters to be stated or indicated in the reference documents for the General Meeting of Shareholders, business report, financial statements and consolidated financial statements to its shareholders by disclosing such information by means of the Internet in accordance with the provisions of laws and regulations.</u>	(Deletion)

Current Articles of Incorporation	Proposed amendments
(Newly established)	<p data-bbox="802 248 1410 327"><u>(Measures, etc. for Providing Information in Electronic Format)</u></p> <p data-bbox="802 353 927 387"><u>Article 13.</u></p> <ol data-bbox="802 414 1410 1025" style="list-style-type: none"> <li data-bbox="802 414 1410 633">1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></li> <li data-bbox="802 660 1410 1025">2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></li> </ol>
(Newly established)	<p data-bbox="802 1055 1118 1088"><u>(Supplementary Provisions)</u></p> <p data-bbox="802 1115 1410 1238"><u>(Transitional Measures for Providing Informational Materials for the General Meeting of Shareholders in Electronic Format)</u></p>
(Newly established)	<p data-bbox="802 1267 911 1301"><u>Article 1.</u></p> <ol data-bbox="802 1328 1410 1888" style="list-style-type: none"> <li data-bbox="802 1328 1410 1597">1. <u>Article 13 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents, Etc.) shall remain effective regarding any General Meeting of Shareholders held on a date within six months from September 1, 2022.</u></li> <li data-bbox="802 1624 1410 1888">2. <u>These Supplementary Provisions shall be deleted on the date when six months have elapsed from September 1, 2022 or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></li> </ol>

## Proposal 2: Election of Nine (9) Directors

The terms of office of all nine (9) 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	<b>Tomotada Shimazaki</b>	Reelection			President and Representative Director
2	<b>Makoto Nagasawa</b>	Reelection			Senior Managing Director
3	<b>Hisahito Koike</b>	Reelection			Managing Director
4	<b>Koutaro Fujii</b>	Reelection			Director
5	<b>Hiroshi Suto</b>	Reelection			Director
6	<b>Yasuyuki Matsuo</b>	New election			—
7	<b>Shinichi Suzuki</b>	Reelection	Outside	Independent	Outside Director
8	<b>Norio Minagawa</b>	Reelection	Outside	Independent	Outside Director
9	<b>Maiko Sako</b>	Reelection	Outside	Independent	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	<b>Tomotada Shimazaki</b>	○	○	○	○	○	○	
2	<b>Makoto Nagasawa</b>	○		○	○	○	○	○
3	<b>Hisahito Koike</b>	○	○	○	○	○		○
4	<b>Koutaro Fujii</b>	○		○	○	○	○	○
5	<b>Hiroshi Suto</b>			○	○	○	○	
6	<b>Yasuyuki Matsuo</b>			○	○	○	○	
7	<b>Shinichi Suzuki</b>	○		○	○	○		
8	<b>Norio Minagawa</b>	○	○	○	○	○		
9	<b>Maiko Sako</b>	○		○	○	○		



Candidate No. 1 <u>Reelection</u>	<p><b>Tomotada Shimazaki</b> (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><b>Reasons for selection as a candidate</b></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><b>Makoto Nagasawa</b> (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 &amp; Development Department, the Company</p> <p>May 2013 General Manager, Technology &amp; Development Department</p> <p>September 2015 Director and General Manager, Technology &amp; Development Department</p> <p>October 2016 Director, Head of Business Division, General Manager, Technology &amp; Development Department, and General Manager, Energy Saving Support Department</p> <p>September 2019 Executive Officer, Head of Business Division, General Manager, Technology &amp; Development Department, and General Manager, Energy Saving Support Department</p> <p>September 2020 Managing Director, General Manager, Technology &amp; Development Department, and General Manager, Energy Saving Support Department</p> <p>September 2021 Senior Managing Director, General Manager, Technology &amp; Development Department, and General Manager, Energy Saving Support Department (to present)</p>
		<p><b>Reasons for selection as a candidate</b></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 Reelection	<b>Hisahito Koike</b> (Date of Birth: May 18, 1961)  Number of shares of the Company held: 51,000 shares	Past experience, positions and responsibilities at the Company, and significant concurrent positions	
		May 2003	Deputy General Manager, Group Management Department, Administrative Division, and General Manager, KMG Accounting Center, Kyoritsu Maintenance Co., Ltd.
		October 2006	General Manager, Accounting Department, the Company
		September 2009	Director and General Manager, Finance and Accounting Department
		March 2011	Director and General Manager, Administrative Division
		September 2011	Managing Director and General Manager, Administrative Division
		October 2013 (to present)	Managing Director and Head of Administrative Division
		<b>Reasons for selection as a candidate</b> The Company has selected Mr. Hisahito Koike as a candidate for Director because he has abundant experience and achievements in the administrative division of the Company as a Director. The Company has judged that he will be able to continue utilizing his operational experience and expertise in the management of the Company.	

Candidate No. 4 Reelection	<b>Koutaro Fujii</b> (Date of Birth: March 26, 1964)  Number of shares of the Company held: 4,800 shares	<b>Past experience, positions and responsibilities at the Company, and significant concurrent positions</b>
		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      Technology & Development Department, the Company  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 July 2020      Director and General Manager, Electric Power Project Department June 2022      Director and General Manager, Electric Power Project Department, and General Manager, Sustainability Promotion Preparatory Office (to present)
		<b>Reasons for selection as a candidate</b> The Company has selected Mr. Koutaro Fujii as a candidate for Director because he is well-versed in the energy saving business and the electric power business, and has abundant experience and achievements in these areas. The Company has judged that he will be able to continue utilizing his operational experience and expertise in the management of the Company.

<p>Candidate No. 5 Reelection</p>	<p><b>Hiroshi Suto</b> (Date of Birth: August 26, 1974)</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>September 2013 Deputy General Manager, Forestry Department, Kyowa Mokuzai Co., Ltd.</p> <p>November 2016 Deputy General Manager, Tokyo Sales Office</p> <p>September 2017 Joined EF-BIOS INC.</p> <p>October 2017 Deputy Manager, Forestry Section, Forestry Department</p> <p>October 2019 General Manager, Forestry Business Department</p> <p>July 2020 Executive Officer and General Manager, Forestry Business Department</p> <p>September 2021 Director, the Company, General Manager, Forestry Business Department, EF-BIOS INC. (to present)</p> <p><b>Reasons for selection as a candidate</b> The Company has selected Mr. Hiroshi Suto as a candidate for Director because he is well-versed in 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>
<p>Candidate No. 6 New election</p>	<p><b>Yasuyuki Matsuo</b> (Date of Birth: October 9, 1975)</p> <p>Number of shares of the Company held: 20 shares</p>	<p>Past experience, positions and responsibilities at the Company, and significant concurrent positions</p> <p>April 1994 DAIICHI DENRO KOGYO K.K.</p> <p>June 2006 Joined EF-BIOS INC.</p> <p>October 2011 Manager, Facilities Group Section, Hita Office</p> <p>April 2016 Manager, Facilities Group Section, Bungo-Ono Office</p> <p>September 2019 Acting General Manager, Hita Office</p> <p>October 2020 General Manager, Hita Office (to present)</p> <p><b>Reasons for selection as a candidate</b> The Company has selected Mr. Yasuyuki Matsuo 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>

<p>Candidate No. 7</p> <p>Reelection</p> <p>Outside</p> <p>Independent</p>	<p><b>Shinichi Suzuki</b> (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>March 2006</td> <td>Representative, Saiwaibashi Law Office (to present)</td> </tr> <tr> <td>March 2008</td> <td>Outside Audit &amp; Supervisory Board Member, HC Asset Management Co., Ltd. (to present)</td> </tr> <tr> <td>June 2008</td> <td>Audit &amp; Supervisory Board Member, Bansei Securities Co., Ltd.</td> </tr> <tr> <td>July 2008</td> <td>Audit &amp; Supervisory Board Member, PCPhase Corporation</td> </tr> <tr> <td>September 2010</td> <td>Outside Director, the Company (to present)</td> </tr> <tr> <td>May 2022</td> <td>Outside Audit &amp; Supervisory Board Member, UOKIN GROUP (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate and outline of roles expected</b> The Company has selected Mr. Shinichi Suzuki as a candidate for Outside Director because, although he has never been directly involved in the management of a company except as an outside officer, he has abundant knowledge and experience as an attorney and as an Outside Audit &amp; 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	March 2006	Representative, Saiwaibashi Law Office (to present)	March 2008	Outside Audit & Supervisory Board Member, HC Asset Management Co., Ltd. (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)	May 2022	Outside Audit & Supervisory Board Member, UOKIN GROUP (to present)
April 1995	Registered as attorney-at-law Joined Teruo Matsushita Law Office																	
May 2000	Representative, Shinichi Suzuki Law Office																	
March 2006	Representative, Saiwaibashi Law Office (to present)																	
March 2008	Outside Audit & Supervisory Board Member, HC Asset Management Co., Ltd. (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)																	
May 2022	Outside Audit & Supervisory Board Member, UOKIN GROUP (to present)																	
<p>Candidate No. 8</p> <p>Reelection</p> <p>Outside</p> <p>Independent</p>	<p><b>Norio Minagawa</b> (Date of Birth: June 1, 1949)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>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 &amp; Supervisory Board Member, the Company</td> </tr> <tr> <td>September 2018</td> <td>Outside Director, the Company (to present)</td> </tr> <tr> <td>February 2020</td> <td>Director, Reiwakai Medical Corporation (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate and outline of roles expected</b> The Company has selected Mr. Norio Minagawa as a candidate for Outside Director because he has been involved in finance and accounting operations over many years, and has a considerable level of insight regarding finance and accounting, in addition to abundant knowledge and experience in corporate management with experience as an Outside Audit &amp; Supervisory Board Member of the Company. The Company has judged that he will continue to appropriately execute his duties as an Outside Director.</p>	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, the Company (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, the Company (to present)																	
February 2020	Director, Reiwakai Medical Corporation (to present)																	

Candidate No. 9 Reelection Outside Independent	<b>Maiko Sako</b> (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)
		<b>Reasons for selection as a candidate and outline of roles expected</b> The Company has selected Ms. Maiko Sako as a candidate for Outside Director because, although she has never been directly involved in the management of a company except as an outside officer, she has experience and specialist knowledge in corporate legal affairs as an attorney. The Company has judged that she will continue to appropriately execute her duties as an Outside Director from an objective standpoint as a legal specialist.	

- (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 12 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 four 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 agreement.
6. 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 all of the Company's Directors and Audit & Supervisory Board Members as the insureds. This insurance policy covers the insured's losses and such costs as related litigation expenses incurred from claims for damages arising from acts (including nonfeasance) carried out by the insured as an officer or a person at a certain position of the Company. If each candidate is elected and assumes office, the Company plans to include each of them as an insured in the insurance policy. In addition, when this insurance policy is renewed, the Company plans to renew the policy with the same terms.

### Proposal 3: Election of One (1) Audit & Supervisory Board Member

The term of office of Mr. Shinichi Yada as Audit & Supervisory Board Member will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of one (1) Audit & Supervisory Board Member is proposed. In addition, this proposal has received the approval of the Audit & Supervisory Board.

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

<p><b>Shinichi Yada</b> (Date of Birth: September 7, 1960)</p> <p>Number of shares of the Company held: 0 shares</p>	Past experience, positions at the Company, and significant concurrent positions	
	April 1984	Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)
	December 2008	Full-time Audit & Supervisory Board Member, KONAKA CO., LTD.
	December 2012	Senior Manager, Public Relations Department, Headquarters, Teikyo University
	September 2016	Outside Director, the Company
	October 2017	Senior Manager, Personnel Department, Headquarters, Teikyo University
	September 2018	Full-time Outside Audit & Supervisory Board Member, the Company (to present)
<p><b>Reasons for selection as a candidate</b></p> <p>The Company has selected Mr. Shinichi Yada as a candidate for Audit &amp; Supervisory Board Member because he has experience as an Outside Director of the Company and an Outside Audit &amp; Supervisory Board Member, in addition to specialist knowledge developed through serving at a major financial institution. The Company has judged that he will appropriately execute his duties as an Audit &amp; Supervisory Board Member.</p>		

- (Notes) 1. No particular relationship of interest exists between the Company and the candidate for Audit & Supervisory Board Member.
2. 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 all of the Company's Directors and Audit & Supervisory Board Members as the insureds. This insurance policy covers the insured's losses and such costs as related litigation expenses incurred from claims for damages arising from acts (including nonfeasance) carried out by the insured as an officer or a person at a certain position of the Company. If the candidate is elected and assumes office, the Company plans to include him as an insured in the insurance policy. In addition, when this insurance policy is renewed, the Company plans to renew the policy with the same terms.

## **Business Report** (July 1, 2021 – June 30, 2022)

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

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

During the fiscal year ended June 30, 2022, the Japanese economy experienced a rapid resurgence of the spread of novel coronavirus (COVID-19) infections, with repeated declarations of a state of emergency and priority measures to prevent the spread of the virus being issued and extended to major cities. The Tokyo Olympics held in the summer were held on the premise that there would be no spectators, and the Beijing Winter Olympics held in February had limited economic effects from the perspective of preventing the spread of infection, and in addition, the invasion of Ukraine by Russia triggered a global energy crisis, causing oil and natural gas prices to soar.

In our industry, the price of oil and natural gas continued to soar and trading unit prices on the Japan Wholesale Electric Power Exchange remained high, forcing many new electric power retailers that utilize market electricity to withdraw from the business.

In addition, the withdrawal of new electric power retailers from the business has made it impossible to conclude regular power supply contracts with customers, and this has accelerated the trend toward making power supply contracts themselves market-linked.

Under these circumstances, in our electricity retail business, we have been promoting the sale of electricity generated by our Group power plants to customers as green power in combination with non-fossil certificates with traceability, but we continue to hold off on aggressive expansion of contracts due to high market prices.

In the Group's power generation business, although some power plants experienced lower transmission volume and unplanned outages due to issues in the first and second quarters, the annual transmission volume for the Group as a whole exceeded that of the previous year due to the contribution of the volume of electricity transmitted from the trial operation of the EF-ON Shingu Power Plant. At the same time, fuel costs increased due to worsening procurement conditions for logs and higher prices for unused wood chips as a result of soaring prices in the lumber market. In addition, distribution costs for the transportation of woody fuels such as diesel fuel and outsourcing costs increased, and personnel, travel, and recruiting and training costs increased significantly due to the increase in personnel involved in preparing for the operation startup of the Shingu Power Plant, which put pressure on earnings.

The Group's forestry business secures a certain level of external income by expanding the land it operates on; however, we do not view the forestry business as a stand-alone profit-making business but rather as a platform that we develop for protecting forests and extracting Japan's abundant forest resources into the economic market. In addition, we will promote the supply of logs to the Group's power plants to secure a stable supply of wood chip fuel for resources that are not suitable for lumber production. While our main goal is to utilize lumber as building materials, we believe that we can contribute to society through the supply of truly renewable energy by utilizing the wood fuel necessary for wood biomass power generation in combination with our forestry business and by recycling the wood fuel in the future.

The transition to commercial operation of the new power plant, EF-ON Shingu Power Plant, was delayed to a considerable extent due to some issues that occurred in the process of trial operation of maximum output of the power generation facilities. Restoration work was completed by the end of June, and work is proceeding diligently toward completion.

In the fiscal year under review, EF-ON MIBU received a subsidy from Tochigi Prefecture to promote the location of energy industry and recorded it as extraordinary income. Also, an extraordinary loss was recorded on retirement of fixed assets and relocation expenses in connection with the relocation of the head office of EF-ON.

As a result, with regard to the business performance of the Group in the fiscal year under review, net sales amounted to ¥13,258 million (0.9% increase on a year-on-year basis), operating profit amounted to ¥1,299 million (49.7% decrease on a year-on-year basis), ordinary profit amounted to ¥1,174 million (51.0% decrease on a year-on-year basis), and profit attributable to owners of parent was ¥893 million (46.6% decrease on a year-on-year basis).



### (Energy Saving Support Business)

During the fiscal year under review, projects that were finished during the previous fiscal year resulted in a significant decrease in revenues related to existing projects, and although the performance of projects that were renewed and continued remained strong, the overall performance of the segment was significantly lower. In addition, periodic maintenance of equipment for some on-site power generation projects put pressure on earnings in comparison with the same period of the previous year. Internal sales between segments were significantly lower than in the same period of the previous year, as they were related to the construction of a power plant within the Group and construction progress was in the final stage.

With regard to the business performance of this segment in the fiscal year under review, net sales was ¥2,689 million (66.3% decrease on a year-on-year basis) and operating profit amounted to ¥15 million (70.7% decrease on a year-on-year basis).

### (Green Energy Business)

For Green Energy Business during the fiscal year under review, EF-ON HITA Power Plant experienced a circulation failure of the silica sand circulator in the boiler in the first quarter and a trouble with the steam pipe in the furnace in the second quarter, resulting in a significant decrease in the amount of electricity transmitted throughout the year. In addition in the third quarter, the EF-ON SHIRAKAWA Power Plant experienced an emergency shutdown due to the earthquake off the coast of Fukushima Prefecture, resulting in an unplanned shutdown of approximately 8 hours for the inspection of each facility at the station, and in the fourth quarter, the planned shutdown of EF-ON BUNGO-ONO was extended by about two days due to the expansion of maintenance points to prevent future breakdowns. Also, at the EF-ON SHINGU Power Plant, we carried out restoration work on a portion of the plant that was damaged due to an issue that occurred during the trial operation period in February, and the total annual transmission volume exceeded that of the previous fiscal year, including the transmission volume from this trial operation. At the same time, the steep rise in lumber market prices has continued since the beginning of the business year, and the deterioration of log distribution conditions has spread nationwide, putting pressure on earnings with regard to the Group's fuel procurement. In addition, higher prices for diesel and gasoline pushed up logistics costs, leading to higher outsourcing costs for the forestry business and other expenses related to power plant operations, a significant increase in personnel, travel, and recruiting and training expenses due to an increase in personnel related to preparations for the operation of the Shingu Power Plant, and depreciation expenses on large facilities related to forestry operations, and as a result, net sales in this business segment increased, but profits decreased significantly.

With regard to the business performance of this segment in the fiscal year under review, net sales were ¥12,950 million (2.4% increase on a year-on-year basis) and operating profit amounted to ¥1,716 million (35.7% decrease on a year-on-year basis).

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

(Millions of yen)		
Business classification	Consolidated net sales	Consolidated operating profit
Energy Saving Support Business	234	15
Green Energy Business	12,615	1,716
Other Business	407	(186)
Corporate (common)	-	(245)
Total	13,258	1,299

## (2) Capital Investments

In the fiscal year under review, the total amount of capital investments made by companies in the Group was ¥934 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
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### b) Ongoing Construction of New Key Facilities and Expansion of Existing Key Facilities in the Fiscal Year Under Review

Green Energy Business	EF-ON SHINGU INC.	Wood biomass power plant facility
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c) Sales, Removal, or Loss of Significant Non-current Assets in the Fiscal Year Under Review

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

For Green Energy Business, the Group's mainstay business, we will strive to ensure stable operation of our five woody biomass power plants, including newly constructed power plants, and will continue to maintain high utilization rates and implement conservation measures that take advantage of economies of scale in order to improve business earnings. 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 to undertake these operations and continuing to execute operations remotely.

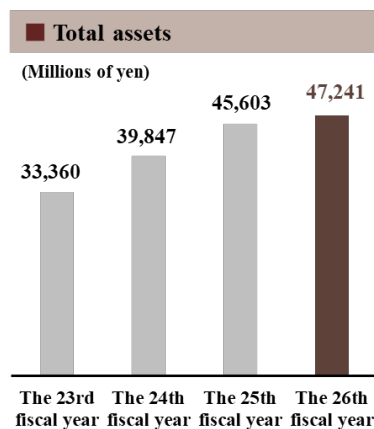
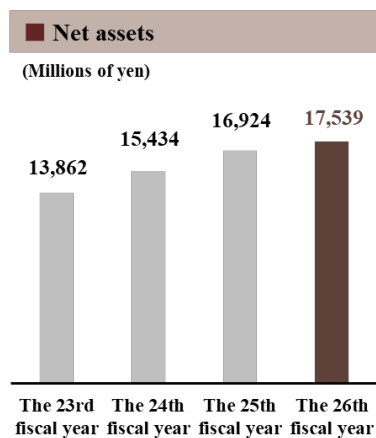
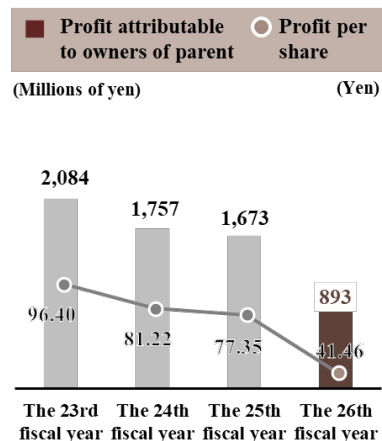
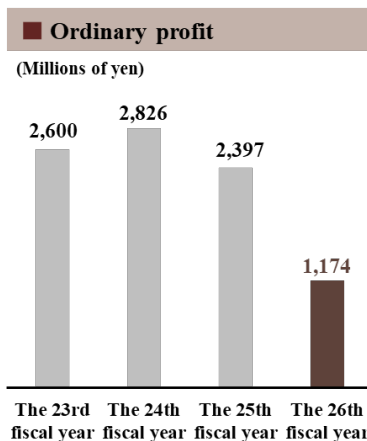
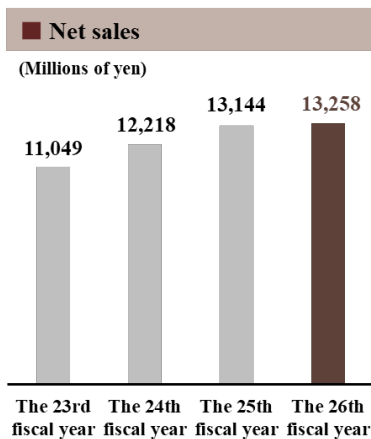
The Company recognizes that bringing the EF-ON SHINGU Power Plant into operation as soon as possible and improving the business environment necessary for the stable operation of this power plant are also important issues.

In addition, under the circumstances of repeated outbreaks of COVID-19, the Group continues to implement measures such as restricting the movement of people and telecommuting for head office functions so as not to impede 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. The Group recognizes that maintaining systems to respond to the risk of infection is the most significant issue.

**(4) Assets and Income**

		(Millions of yen)			
Item \ Period	The 23rd fiscal year (ended June 30, 2019)	The 24th fiscal year (ended June 30, 2020)	The 25th fiscal year (ended June 30, 2021)	The 26th fiscal year (fiscal year under review) (ended June 30, 2022)	
Net sales	11,049	12,218	13,144	13,258	
Ordinary profit	2,600	2,826	2,397	1,174	
Profit attributable to owners of parent	2,084	1,757	1,673	893	
Profit per share (Yen)	96.40	81.22	77.35	41.46	
Net assets	13,862	15,434	16,924	17,539	
Total assets	33,360	39,847	45,603	47,241	

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and each figure for the fiscal year under review is the figure after applying the accounting standard and relevant ASBJ regulations.



## (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, 2022)

### 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, 2022)

The Company	Head Office:	1-9-2, Marunouchi, Chiyoda-ku, Tokyo, Japan
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.:	Chiyoda-ku, Tokyo
	EF-BIOS INC.:	Chiyoda-ku, Tokyo
	SOLEIL HITA COMPANY, LIMITED:	Hita City, Oita Prefecture

**(8) Employees** (as of June 30, 2022)

## Group Employees

Business division	Number of employees	Increase (decrease) from the previous consolidated fiscal year-end
Energy Saving Support Business	3	–
Green Energy Business	240	19
Other Business	4	(3)
Corporate (common)	14	(3)
Total	261	13

- (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, 2022)

(Millions of yen)

Lender	Outstanding loan amount
Sumitomo Mitsui Banking Corporation	6,402
Japan Finance Corporation	5,976
MUFG Bank, Ltd.	5,057
Mizuho Bank, Ltd.	3,043
The Bank of Yokohama, Ltd.	2,673

**(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, 2022)

1) Total number of shares authorized to be issued	69,840,000 shares
2) Total number of shares outstanding	21,635,819 shares
3) Number of shareholders	9,407 persons
4) Major shareholders (top 10 shareholders)	

Shareholder name	Number of shares	Shareholding ratio
NIHON TECHNO CO., LTD.	7,049,280	32.58%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,381,000	11.00%
Hikari Tsushin K.K.	1,613,700	7.46%
SIL, Inc	440,300	2.04%
Custody Bank of Japan, Ltd. (Trust Account)	415,600	1.92%
RBC ISB LUX NON RES/DOM RATE-UCITS CLIENTS ACCOUNT-MIG	289,100	1.34%
UH Partners 2, Inc.	264,200	1.22%
GOLDMAN SACHS INTERNATIONAL	252,100	1.17%
Aioi Nissay Dowa Insurance Co., Ltd.	240,000	1.11%
Matsui Securities Co., Ltd.	216,400	1.00%

(Note) The Company has introduced a “Stock Benefit Trust” as a share-based compensation system for Directors (excluding Outside Directors), and of the 415,600 shares held by Custody Bank of Japan Ltd. (in a trust account) listed above, 148,500 are shares of the Company held as the assets in trust of the “Stock Benefit Trust.”

### 3. Company Officers

#### (1) Company Officers

Directors and Audit & Supervisory Board Members (as of June 30, 2022)

Position at the Company	Name	Responsibilities and significant concurrent positions
President and Representative Director	Tomotada Shimazaki	
Senior 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, and General Manager, Sustainability Promotion Preparatory Office
Director	Yuji Sato	Executive Officer and General Manager, Preparatory Office, Shingu Power Plant, EF-BIOS INC.
Director	Hiroshi Suto	Executive Officer and General Manager, Forestry 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)
- Directors, Mr. Shinichi Suzuki, Mr. Norio Minagawa and Ms. Maiko Sako, are Outside Directors.
  - Audit & Supervisory Board Members, Mr. Toshio Shimizu and Mr. Hidehito Mochizuki, are Outside Audit & Supervisory Board Members.
  - 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 in 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.
  - 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) Matters related to Agreement on Limitation of Liability

In accordance with the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with Outside Directors and Audit & Supervisory Board Members of the Company and the Company's subsidiaries 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.

**(3) 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, Audit & Supervisory Board Members and Executive Officers (including persons in office during the fiscal year under review) of the Company and the Company's subsidiaries 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.

**(4) 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 deliberate and approve at a meeting of 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) Policy on Non-monetary Compensation, etc.

At the 25th Annual General Meeting of Shareholders held on September 28, 2021, the Company resolved to introduce the "Stock Benefit Trust," a stock-based compensation plan for Directors, in order to further clarify the linkage between Directors' compensation and stock value, and to raise awareness among eligible Directors and Officers of the need to contribute to improving business performance and increasing corporate value over the medium to long term by sharing profits and risks associated with stock price fluctuations with shareholders.

- The Stock Benefit Trust is a stock-based compensation plan under which the Company's shares are acquired through the Trust using money contributed by the Company as the source of funds, and the Company's shares and money equivalent to the amount obtained by converting the Company's shares at fair value are paid to eligible Directors through the Trust in accordance with the stock benefit regulations established by the Company.

- The maximum number of points is 80,000 (80,000 shares) per fiscal year, and each Director will be granted a certain number of points per fiscal year in consideration of his or her position, and upon retirement, the recipient will receive Company shares in proportion to the number of points accumulated and a cash payment equivalent to the fair value of the Company's shares.



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

Classification	Number of people	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)	
			Basic compensation	Non-monetary compensation, etc.
Directors (of which, Outside Directors)	10 (3)	169 (7)	143 (7)	26 (-)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	3 (2)	18 (5)	18 (5)	-
Total (of which, Outside Officers)	13 (5)	188 (12)	162 (12)	26 (-)

- (Notes)
- The total amount of compensation for Directors does not include the portion of salary as an employee for Directors concurrently serving as employees.
  - The non-monetary compensation, etc. is the Company's shares and the conditions regarding the allotment of the shares and other matters are as stated in "(4) Compensations for Directors and Audit & Supervisory Board Members."
  - 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 eight (8) (including three (3) Outside Directors).
  - 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).

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

There is no relevant information.

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

There is no relevant information.

**(5) 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 an 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 13 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 13 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, 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 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, 2022**

	Payment amount
Accounting Auditor's compensation, etc., for the fiscal year ended June 30, 2022	¥38 million
Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor	¥38 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 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. System to ensure propriety of business activities

### Summary of decisions on the system to ensure propriety of business activities

The following is a summary of decisions made regarding systems to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, as well as other systems to ensure the appropriateness of the company's operations.

#### (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 three 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, 2022)

(Millions of yen)

Description	Amount
<b>Assets</b>	
<b>I. Current assets</b>	<b>8,031</b>
Cash and deposits	4,534
Accounts receivable - trade	1,304
Supplies	1,244
Consumption taxes refund receivable	89
Deferred consumption taxes	657
Other	200
<b>II. Non-current assets</b>	<b>39,210</b>
<b>1. Property, plant and equipment</b>	<b>38,607</b>
Buildings and structures	7,266
Machinery, equipment and vehicles	14,056
Tools, furniture and fixtures	80
Land	3,334
Leased assets	23
Trees	846
Construction in progress	12,999
<b>2. Intangible assets</b>	<b>317</b>
Right to use electricity supply facilities	305
Other	12
<b>3. Investments and other assets</b>	<b>284</b>
Deferred tax assets	69
Other	215
<b>Total assets</b>	<b>47,241</b>

(Millions of yen)

Description	Amount
<b>Liabilities</b>	
<b>I. Current liabilities</b>	<b>5,368</b>
Notes and accounts payable - trade	1,543
Current portion of long-term borrowings	2,343
Accounts payable - other	680
Current portion of long-term accounts payable - other	0
Lease obligations	24
Income taxes payable	109
Provision for bonuses	44
Provision for maintenance cost	418
Other	204
<b>II. Non-current liabilities</b>	<b>24,334</b>
Long-term borrowings	24,099
Lease obligations	7
Provision for share awards	29
Deferred tax liabilities	197
<b>Total liabilities</b>	<b>29,702</b>
<b>Net assets</b>	
<b>I. Shareholders' equity</b>	<b>17,539</b>
Share capital	2,292
Capital surplus	1,292
Retained earnings	14,058
Treasury shares	(104)
<b>Total net assets</b>	<b>17,539</b>
<b>Total liabilities and net assets</b>	<b>47,241</b>

## Consolidated Statement of Income

(July 1, 2021 – June 30, 2022)

(Millions of yen)

Description	Amount	
<b>Net sales</b>		<b>13,258</b>
<b>Cost of sales</b>		<b>10,920</b>
<b>Gross profit</b>		<b>2,337</b>
<b>Selling, general and administrative expenses</b>		<b>1,038</b>
<b>Operating profit</b>		<b>1,299</b>
<b>Non-operating income</b>		
Interest income	0	
Gain on sale of scraps	4	
Subsidy income	44	
Personnel training and employment-related grant income	6	
Gain on sales of non-current assets	1	
Other	6	63
<b>Non-operating expenses</b>		
Interest expenses	168	
Commission expenses	6	
Loss on retirement of non-current assets	0	
Other	14	188
<b>Ordinary profit</b>		<b>1,174</b>
<b>Extraordinary income</b>		
Subsidy income	228	228
<b>Extraordinary losses</b>		
Head office relocation expenses	65	
Other	0	66
<b>Profit before income taxes</b>		<b>1,336</b>
Income taxes - current	334	
Income taxes - deferred	109	443
<b>Profit</b>		<b>893</b>
<b>Profit attributable to owners of parent</b>		<b>893</b>

## Consolidated Statement of Changes in Equity

(July 1, 2021 – June 30, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at beginning of period</b>	2,292	1,292	13,339	–	16,924
<b>Changes during period</b>					
Dividends of surplus			(173)		(173)
Profit attributable to owners of parent			893		893
Purchase of treasury shares				(105)	(105)
Cancellation of treasury shares			(0)	0	–
Net changes of items other than shareholder' equity during the fiscal year					–
<b>Total changes during period</b>	–	–	719	(104)	614
<b>Balance at end of period</b>	2,292	1,292	14,058	(104)	17,539

	Total net assets
<b>Balance at beginning of period</b>	16,924
<b>Changes during period</b>	
Dividends of surplus	(173)
Profit attributable to owners of parent	893
Purchase of treasury shares	(105)
Cancellation of treasury shares	–
Net changes of items other than shareholder' equity during the fiscal year	–
<b>Total changes during period</b>	614
<b>Balance at end of period</b>	17,539

# Non-Consolidated Financial Statements

## Non-Consolidated Balance Sheet

(As of June 30, 2022)

(Millions of yen)

Description	Amount
<b>Assets</b>	
<b>I. Current assets</b>	<b>17,206</b>
Cash and deposits	1,661
Accounts receivable - trade	13,212
Prepaid expenses	37
Short-term loan receivable from subsidiaries and associates	1,260
Accounts receivable - other	397
Deferred consumption taxes	596
Other	41
<b>II. Non-current assets</b>	<b>6,332</b>
<b>1. Property, plant and equipment</b>	<b>192</b>
Buildings	78
Machinery and equipment	12
Tools, furniture and fixtures	21
Leased assets	23
Vehicles	0
Land	56
<b>2. Intangible assets</b>	<b>11</b>
Software	9
Other	2
<b>3. Investments and other assets</b>	<b>6,127</b>
Shares of subsidiaries and associates	2,161
Long-term loans receivable from subsidiaries and associates	3,730
Deferred tax assets	32
Other	204
<b>Total assets</b>	<b>23,539</b>

(Millions of yen)

Description	Amount
<b>Liabilities</b>	
<b>I. Current liabilities</b>	<b>11,577</b>
Accounts payable - trade	740
Current portion of long-term borrowings	446
Accounts payable - other	318
Current portion of long-term accounts payable - other	0
Lease obligations	24
Advances received	9,950
Accrued expenses	51
Income taxes payable	19
Deposits received	5
Provision for bonuses	15
Provision for maintenance cost	0
Other	2
<b>II. Non-current liabilities</b>	<b>1,491</b>
Long-term borrowings	458
Long-term borrowings from subsidiaries and associates	1,000
Lease obligations	7
Provision for share awards	26
<b>Total liabilities</b>	<b>13,068</b>
<b>Net assets</b>	
<b>I. Shareholders' equity</b>	<b>10,470</b>
<b>1. Share capital</b>	<b>2,292</b>
<b>2. Capital surplus</b>	<b>1,292</b>
Legal capital surplus	1,292
<b>3. Retained earnings</b>	<b>6,990</b>
Other retained earnings	6,990
Retained earnings brought forward	6,990
<b>4. Treasury shares</b>	<b>(104)</b>
<b>Total net assets</b>	<b>10,470</b>
<b>Total liabilities and net assets</b>	<b>23,539</b>

## Non-Consolidated Statement of Income

(July 1, 2021 – June 30, 2022)

(Millions of yen)

Description	Amount	
<b>Net sales</b>		<b>3,426</b>
<b>Cost of sales</b>		<b>3,175</b>
<b>Gross profit</b>		<b>251</b>
<b>Selling, general and administrative expenses</b>		<b>492</b>
<b>Operating profit</b>		<b>(240)</b>
<b>Non-operating income</b>		
Interest income	12	
Dividend income	798	
Other	1	812
<b>Non-operating expenses</b>		
Interest expenses	19	
Other	4	23
<b>Ordinary profit</b>		<b>547</b>
<b>Extraordinary losses</b>		
Head office relocation expenses	65	65
<b>Profit before income taxes</b>		<b>482</b>
Income taxes - current	(84)	
Income taxes - deferred	23	(60)
<b>Profit</b>		<b>543</b>

## Non-Consolidated Statement of Changes in Equity

(July 1, 2021 – June 30, 2022)

(Millions of yen)

	Shareholders' equity					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other retained earnings Retained earnings brought forward			
<b>Balance at beginning of period</b>	2,292	1,292	6,620	–	10,206	10,206
<b>Changes during period</b>						
Dividends of surplus			(173)		(173)	(173)
Profit			543		543	543
Purchase of treasury shares				(105)	(105)	(105)
Cancellation of treasury shares			(0)	0	–	–
Net changes of items other than shareholder' equity during the fiscal year					–	–
<b>Total changes during period</b>	–	–	369	(104)	264	264
<b>Balance at end of period</b>	2,292	1,292	6,990	(104)	10,470	10,470



Independent Auditor's Report  
(Translation)

August 12, 2022

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 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, 2021 to June 30, 2022.

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, 2022 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.

#### Other information

Other information are the business report and supporting schedules. Management is responsible for the preparation and disclosure of other information. The responsibility Audit & Supervisory Board Members and the Audit & Supervisory Board is to monitor Directors' performance of their duties in establishing and operating the reporting process for other information.

The audit opinion of the independent auditor on the consolidated financial statements does not include other information, and the independent auditor expresses no opinion on other information.

The responsibility of the independent auditor in auditing consolidated financial statements is to read other information carefully and, in the course of that reading, to consider whether there are material differences between other information and the consolidated financial statements or knowledge acquired in the course of the audit, and to pay attention to whether there are any indication of material errors in other information other than such material differences.

If, based on the work performed, the independent auditor determines that there are material errors in other information, the independent auditor is required to report those facts.

The independent auditor has no matters to report with respect to other information.

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

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

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

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

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

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

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

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

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

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

#### Relationship of Interest

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

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#### *Notice to Readers:*

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

Independent Auditor's Report  
(Translation)

August 12, 2022

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 26th fiscal year from July 1, 2021 to June 30, 2022.

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, 2022 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.

#### Other information

Other information are the business report and supporting schedules. Management is responsible for the preparation and disclosure of other information. The responsibility Audit & Supervisory Board Members and the Audit & Supervisory Board is to monitor Directors' performance of their duties in establishing and operating the reporting process for other information.

The audit opinion of the independent auditor on the non-consolidated financial statements, etc., does not include other information, and the independent auditor expresses no opinion on other information.

The responsibility of the independent auditor in auditing the non-consolidated financial statements, etc., is to read other information carefully and, in the course of that reading, to consider whether there are material differences between other information and the non-consolidated financial statements, etc., or knowledge acquired in the course of the audit, and to pay attention to whether there are any indication of material errors in other information other than such material differences.

If, based on the work performed, the independent auditor determines that there are material errors in other information, the independent auditor is required to report those facts.

The independent auditor has no matters to report with respect to other information.

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

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

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

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

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

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

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

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

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

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

#### Relationship of Interest

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

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#### *Notice to Readers:*

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

## **Audit Report** (Translation)

The Audit & Supervisory Board hereby reports the results of discussions regarding the performance of duties by the Directors for the 26th fiscal year from July 1, 2021 to June 30, 2022, 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, and power plants.
  - 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 fiscal year under review.

## 2. Results of Audit

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

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

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

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

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

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

August 15, 2022

#### 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