AvanStrate Taiwan Inc

Financial statement and Accountant's Audit report

Fiscal Years 2021 and 2020

The originals of this financial report were prepared in Chinese language, and in case of any inconsistency or differences arising between this financial report and the originals, the Chinese financial statements shall prevail.

AvanStrate Taiwan Inc

Statement of financial position

As on March 31, 2022 and March 31, 2021

Units: NTD

Assets	Notes	March 31 2022		March 31 2021		Liabilities and capital	Note	March 31 2022		March 31 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets						Current liabilities					
Cash and cash equivalents	4/6.1	$681,011,059	5	$72,474,371	-	Advance received	4	$674,454,267	5	221,535,149	2
Accounts receivable/ debtors	4/6.2	64,804,447	-	135,823,926	1	Trade payables	4	2,599,813	-	6,579,717	-
Debtors – related parties	4/6.2/7	85,833,363	1	2,030,097	-	Trade payables – related parties	4/. 7	4,539,856	-	36,383,074	-
Other outstanding accounts of relate	04-Jul	275,110,417	2	265,920,028	2	Other payables	4	93,627,124	-	108,843,378	-
Inventory assets	4/6.3/7	286,342,812	2	220,147,590	2	Other payables – related parties	4/. 7	1,679,490,098	12	1,765,305,343	12
Other current assets		276,546,331	2	279,212,393	3	Other current liabilities		1,640,985	-	1,621,753	-
Total current assets		1,669,648,429	12	975,608,405	8	Total current liabilities		2,456,352,143	17	2,140,268,414	14
non-current assets						**Non- current liabilities**					
Tangible fixed assets	4/6.4/7/8	5,731,252,196	41	6,062,126,845	40	Deferred tax liabilities	4/6.11	116,129,000	1	116,129,000	1
Guarantee deposit	4	23,400,246	-	23,398,246	-	Other non-current liabilities	4/6.5	25,863,863	-	23,505,364	-
Deferred tax assets	4/6.12	-	-	-	-	Total non-current liabilities		141,992,863	1	139,634,364	1
Other outstanding accounts of relate	04-Jul	6,613,085,600	47	7,542,749,500	52						
Other non- current assets		8,537,896	-	20,767,534	-	Total liabilities		2,598,345,006	18	2,279,902,778	15
Total non-current assets		12,376,275,938	88	13,649,042,125	92						
						Capital					
						Amount of capital	6.6/7	1,600,000,000	12	1,600,000,000	11
						Retained earnings					
						Statutory benefit reserveUnappropri	6.6	1,437,725,061	10	1,437,725,061	10
						Total retained earnings	6.6	8,409,854,300	60	9,307,022,691	64
								9,847,579,361	70	10,744,747,752	74
						Total capital		11,447,579,361	82	12,344,747,752	85
Total assets		$14,045,924,367	100	$14,624,650,530	100	**Total liabilities and capital**		$14,045,924,367	100	$14,624,650,530	100

(Refer to notes on financial statements)

AvanStrate Taiwan Inc

Comprehensive Profit and Loss Statement

From April 1, 2021 till March 31, 2022 (Fiscal year 2021) and

From April 1, 2020 till March 31, 2021 (Fiscal year 2020)

Units: NTD

Items	Notes	FY 2021		FY 2020	
		Amount	%	Amount	%
Sales	4/6.7/7	$1,720,796,030	100	$890,814,926	100
Cost of sales	6.3.8.9/7	(1,867,482,228)	(109)	(1,523,021,298)	(171)
Gross loss		(146,686,198)	(9)	(632,206,372)	(71)
Selling and general administrative exp	4/6.8.9/7	(266,910,297)	(15)	(191,801,791)	(22)
Operating loss		(413,596,495)	(24)	(824,008,163)	(93)
Non-operating income and expense	4/6.10/7				
Other income		123,793,789	7	114,167,506	13
Other profit and loss		(594,906,055)	(34)	(361,247,102)	(41)
Finance costs		(12,459,630)	(1)	(2,143,871)	-
Total Non-operating income and expense		(483,571,896)	(28)	(249,223,467)	(28)
Pretax net loss		(897,168,391)	(52)	(1,073,231,630)	(121)
Corporate income tax expense	4/6.11	-	-	-	-
Current net loss after tax		(897,168,391)	(52)	(1,073,231,630)	(121)
Total comprehensive income for the current fiscal		$(897,168,391)	(52)	$(1,073,231,630)	(121)

(Refer to notes on financial statements)

AvanStrate Taiwan Inc

Equity change statement

From April 1, 2021 till March 31, 2022 (Fiscal year 2021) and

From April 1, 2020 till March 31, 2021 (Fiscal year 2020)

Units: NTD

Items	Amount of capital	Amount of retained earnings		Total capital
		Statutory benefit reserve	Unappropriated retained ea	
Balance as on April 1, 2020	$1,600,000,000	$1,437,725,061	$10,380,254,321	$13,417,979,382
Net loss for fiscal year 2020]	-	-	(1,073,231,630)	(1,073,231,630)
Other comprehensive income for fiscal year 2020	-	-	-	-
Total comprehensive income for current term	-	-	(1,073,231,630)	(1,073,231,630)
Balance as on March 31st 2021	$1,600,000,000	$1,437,725,061	$9,307,022,691	$12,344,747,752
Balance as on April 1 2021	$1,600,000,000	$1,437,725,061	$9,307,022,691	$12,344,747,752
Net loss for fiscal year 2021	-	-	(897,168,391)	(897,168,391)
Other comprehensive income for fiscal year 2021	-	-	-	-
Total comprehensive income for current term	-	-	(897,168,391)	(897,168,391)
Balance as on March 31st 2022	$1,600,000,000	$1,437,725,061	$8,409,854,300	$11,447,579,361

(Refer to notes on financial statements)

AvanStrate Taiwan Inc

Cash flow statement

From April 1, 2021 till March 31, 2022 (Fiscal year 2021) and

From April 1, 2020 till March 31, 2021 (Fiscal year 2020)

Units: NTD

Items	FY 2021 Amount	FY 2020 Amount
Cash flow from operating activities		
Current profit before tax	$(897,168,391)	$(1,073,231,630)
Adjustment items:		
Revenue and expense items		
Interest income	(114,935,686)	(107,083,540)
Interest expense	12,459,630	2,143,871
Decreased depreciation cost	446,095,675	482,324,743
Depreciation expenses	12,192,129	7,398,023
Net loss on disposal of property, plant and equipment	-	(33,284)
Impairment loss	25,802,301	21,484,336
Transfer amount to tangible fixed asset's cost	39,959,646	144,985,591
Changes in current assets and liabilities related to operating activities		
Debtors decrease (increase)	71,019,479	(3,881,597)
Debtors decrease – related parties (increase)	(83,803,266)	(2,030,097)
Other receivables decrease – related parties (increase)	920,473,511	458,698,416
Inventory assets decrease (increase)	(66,195,222)	(11,716,611)
Other current assets (increase) decrease	(2,523,439)	(63,381,736)
Other non-current assets (increase) decrease	5,227,010	(17,693,760)
Advance received increase	452,919,118	221,272,577
Account payable (decrease) increase	(3,979,904)	5,679,315
Account payable (decrease) increase – related parties	(31,843,218)	20,145,614
Other accrued payment (decrease)	(15,216,254)	48,909,071
Other accrued payment - affiliated companies (decrease)	(85,815,245)	(81,958,511)
Other current liabilities (decrease) increase	19,232	(88,754)
Other non-current liabilities increase (decrease)	2,358,499	(100,868,739)
Sub Total	687,045,605	(48,926,702)
Interest received	114,935,686	107,083,540
Interest paid	(12,459,630)	(2,143,871)
Cash flow from operating activities	789,521,661	56,012,967
Cash flow from investing activities		
Acquisition of tangible fixed assets	(180,982,973)	(87,008,034)
Tangible fixed assets disposed	-	105,000
Decrease in guarantee deposit (increase)	(2,000)	1,540,000
Cash flow from financing activities	(180,984,973)	(85,363,034)
Amount of cash and cash equivalents (decrease) for the current term	608,536,688	(29,350,067)
Cash and cash equivalents at beginning of year	72,474,371	101,824,438
Cash and cash equivalents at year end	$681,011,059	$72,474,371

(Refer to notes on financial statements)

AvanStrate Taiwan Inc

Notes on Financial statements

Fiscal year 2021 and Fiscal year 2020

(Unless otherwise specified, all units of the amount are based on NTD)

(1) Company history:

1. The former name of AvanStrate Taiwan Inc (Hereinafter referred to as "This company") was Taiwan NH Techno Glass Corporation; it is a company based on foreign investment authorized by the Investment Council of Economic Affairs on August 1, 2000 under the foreign investment regulations. In addition, in December 1, 2008 we changed the name of the company to "AvanStrate Taiwan Inc" by resolution of the Board of Directors, and the permission was obtained from the administration body in December 8, 2008. Both the registered address and business management location is No. 8, Industry III Road Annan, Tainan.

2. Our company’s major business products are manufacturing and sales of glass substrates for TFT-LCD.

(2) Financial statements - Approval date and procedure:

The financial statements of this company have been approved by the Board of Directors on May 13, 2022.

(3) Changes in important accounting policies:

There is no matter relevant to this clause.

(4) Description of important accounting policies:

1. Conformity check

The Company's financial statements are prepared in accordance with the provisions concerning the preparation of financial statements under the Commercial Accounting Act, the standards for commercial accounting treatment, and the accounting statements of the corporate accounting standards and their interpretation.

2. Creation of basics

Financial statements are based on acquisition cost, excluding financial instruments measured at fair value. In addition, all units of financial statements, except those that are noted, others shall be in New Taiwan Dollar.

3. Foreign currency transactions

Our company's financial statements are to be represented in New Taiwan Dollar, the functional currency.

Transactions denominated in foreign currencies are converted into functional currency at the exchange rate on the transaction date. At the end of each reporting period, monetary items denominated in foreign currencies are converted at the exchange rate on the reporting date, and foreign currency denominated items measured at fair value are converted at the exchange rate on the date of fair value calculation. Non-monetary items denominated in foreign currency that are measured at acquisition cost are converted at the exchange rate on the initial trading day.

Except for the following, the conversion differences due to settlement or conversion of monetary items are recognized as gains or losses in the period in which they arise.

(1) In the case where borrowings denominated in foreign currencies arise in order to acquire assets that satisfy certain requirements and the resulting conversion difference is regarded as amendment to interest cost, it shall be capitalized as part of borrowing costs and the said asset is taken as acquisition cost.

(2) Process in accordance with the accounting policy of financial instruments denominated in Foreign Currency applicable to Corporate Accounting Standards Bulletin No. 15 "Financial Instruments", financial instruments policy.

(3) The conversion differences arising from monetary items constituting a part of net investment in a company's foreign operations are initially recognized in other comprehensive income. When the net investment is disposed of, it transfers from capital to profit and loss.

If gains or losses on non-monetary items are recognized in other comprehensive income, the foreign exchange portion of such gain or loss is also recognized in other comprehensive income. If gains or losses on non-monetary items are recognized in profit or loss, any foreign exchange portion of such gain or loss is recognized in profit or loss.

4. Classification criteria for current and non-current assets and liabilities

If the asset falls under any of the following, it is classified as current asset and the assets not falling under current assets are classified as non-current assets.

(1) Assets that are scheduled to be realized during the normal business circulation period or are intended to be sold or consumed.

(2) Assets that are held mainly for trading purposes.

(3) Assets that are scheduled to be realized within 12 months after the end of the reporting period.

(4) Cash or cash equivalents. However, that it shall be exchanged for at least twelve months after the last day of the reporting period or used for settlement of liabilities and other restrictions.

If a liability falls under any of the following, it is classified as current liability and any liability not falling under current liability is classified as non-current liability.

(1) Liabilities scheduled to be settled in the normal business circulation period

(2) Liabilities which are held mainly for trading purposes.

(3) Liabilities with settlement due within 12 months after the reporting period.

(4) Liabilities that do not have the right to postpone settlement unconditionally for at least 12 months after the date of financial statement calculation.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of short-term liquid deposits or investments that can be converted into cash on hand, ordinary deposits and regularly scheduled cash, with little risk of fluctuation in value.

6. Financial instruments

Financial assets and financial liabilities are recognized when our company becomes a party to one of the contractual terms of the financial instrument.

Financial assets and financial liabilities covered by the Accounting Standards Board No. 15 "Financial Instruments" are measured at fair value at initial recognition. Transaction costs related to acquisition or issuance that can be directly attributed to financial assets and financial liabilities (excluding those classified as financial assets and financial liabilities measured at fair value through profit or loss) are added to or subtracted from the fair value.

(1) Financial assets

The recognition of the financial asset and non-recognition of financial assets based on all of our company's trading practices shall be based on the transaction date as the base point of accounting.

Our financial assets are classified as loans and receivables. The classification shall be decided on the basis of its nature and purpose at the initial recognition of the financial asset.

Loans and receivables

Loans and receivables refer to debt-type financial instruments that do not have a quoted price in an active market and whose recoveries are fixed or determinable. Provided, those classified as held for sale immediately or in the event of initial recognition (classified as held for sale), those designated as measured at fair value through profit or loss at initial recognition, those designated as available for sale upon initial recognition, and those other than credit deterioration Including those that the owner may not be able to recover the initial investment due to factors of the reason (classified as available for sale) is not included.

These financial assets are individually presented in the Balance sheet as debt instruments without receivables and active markets and are measured after the initial measurement at the amount after the impairment loss is deducted from the amortized cost by the effective interest method. To calculate amortized cost, consider the discount or premium at the time of acquisition or transaction costs. Amortization by the effective interest method is recognized in profit or loss.

Impairment of financial assets

Financial assets are evaluated for impairment at the end of each reporting period. In other words, if there is objective evidence that the estimated future cash flows of financial assets will be lost due to individual or multiple loss events that occurred after the initial recognition of the financial asset, then impairment is assumed to have occurred. Decrease in the carrying amount of financial assets is deducted directly from the carrying amount, unless the allowance on the receivable is to be reversed, and the loss is recognized in profit or loss.

Loss events of financial assets may include the following.

A. Significant financial difficulties of issuers or debtors

B. Contractual violation such as default or overdue for payment of principal and interest

C. Increased possibility that debtors will fall into bankruptcy or other financial restructuring

D. The depletion of the active market of financial assets due to financial difficulties

E. Significant decline or long-term decline in the fair value acquisition cost of equity instruments

Our company first evaluates the existence of objective evidence of impairment individually for each important financial asset or assesses the existence of objective evidence of impairment individually or collectively for non-significant financial assets. If it is determined that there is no objective evidence of impairment on individually assessed financial assets, in addition, the asset is included in a group of financial assets with similar credit risk and collectively assessed for impairment. As a result of individually assessing impairment, the financial assets that have already recognized an impairment loss or are continually recognized as impairment losses are not included in the collective assessment of impairment. If there is objective evidence that an impairment loss is occurring, the impairment loss is calculated by comparing the carrying amount of the asset and the estimated future cash flows (Excluding future credit losses that have not yet occurred) with the initial effective interest rate (in other words, the effective interest rate calculated at initial recognition) of the financial asset. Subsequently, the interest income recognized will be estimated on an ongoing basis using the interest rate discounted from the estimated future cash flow when measuring the impairment loss.

If it is anticipated that the receivables will not be collected in the future, immediately offset the provision related to the claim. In the year following recognition of an impairment loss, if the estimated amount of impairment loss increases or decreases due to the same event, adjust the provision and increase or decrease the previously recognized impairment loss. If the receivables are collected after offsetting, the said recoverable amount is recognized as net profit or loss.

Derecognizing the financial assets

Our company derecognizes financial assets held by either of the following cases.

A. If the contractual right to receive the cash flow from the financial asset is cancelled or is settled

B. When almost all of the risks and economic values of ownership of financial assets are transferred

C. We reserve a part of the important risks and economic value of ownership of financial assets, but transfer the control over the asset and the actual ability of the transferee to sell the entire asset to an unrelated third party, and if it is unilaterally able to exercise its capability and it is not necessary to impose additional restrictions on such assignment it shall cease to recognize the financial asset and shall have the right and obligation incurred or retained in the transfer individually as assets or liabilities.

When derecognizing a certain financial asset as a whole, the difference between the carrying amount and the total sum of the recoverable consideration plus the cumulative gain or loss recognized in other comprehensive income is recognized as net profit or loss.

(2) Financial liabilities and equity instruments

Classification of liabilities or capital

Financial liabilities and equity instruments issued by our company are classified as financial liabilities or equity instruments based on the real and consulted financial liabilities and the definition of equity instruments under contract.

Equity financial instruments

Capital financial instruments are entire contracts representing the remaining capital after deducting all liabilities from our company's assets and, the capital instruments issued by our company are recognized as an amount after deducting directly from issued costs from the acquired value.

Financial liability

The financial liabilities of our company are classified into financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include accounts payable and borrowings, etc. and are initially measured by the effective interest method after recognition. Upon cessation of recognition of financial liabilities and amortization under the effective interest method, the related gains and losses and amortization are recognized by net profit or loss.

In calculating the amortized cost, consider the discount or premium at the time of acquisition and transaction costs.

Derecognition of financial liabilities

If the obligation of financial liability is fulfilled, exempted, or if it matures, the recognition of the financial liability shall be suspended.

If our company exchanges with a creditor with a debt-type financial instrument of significantly different terms, or if you make substantial or partial changes to the terms of the existing financial liability (also due to financial difficulties whether or not is unquestionable, it is treated as derecognition of the original financial liability and recognition of new liabilities and the carrying amount and payment consideration at the time of termination of recognition of the financial liability (any transferred non-cash assets or liabilities assumed) are to recognized as net profit or loss.

(3) Offsetting financial assets and liabilities

Financial assets and financial liabilities currently have legal rights that can forcefully offset the recognized amounts and at the same time they either settle at net or intend to collect assets and settle the liabilities at the same time it is possible to offset, and it can be shown net in the Balance sheet.

7. Inventory assets

Inventories are measured at the lower of cost or market, which compares the acquisition cost and net realizable value for each individual item.

The acquisition cost of inventories includes purchase costs, processing costs, and costs incurred until the inventory has reached the current location and condition.

Raw materials and commodities - The gross average method is adopted based on the actual purchase price.

Work in process and product - Direct material costs and labor costs, as well as fixed manufacturing costs allocated based on normal production capacity. However, excluding borrowing costs.

Net realizable value is the amount less than the estimated manufacturing cost and estimated selling expenses required from the projected selling price in the course of normal business to completion.

8. Tangible fixed assets

Tangible fixed assets are measured and presented based on the acquisition cost at purchase or construction and then from the acquisition cost less the accumulated depreciation and accumulated impairment losses. For revaluation of tangible fixed assets pursuant to the provisions of laws and regulations, unrealized revaluation differences in the current period are recognized in other comprehensive income and accumulated in revaluation difference subjects in other capital components. From the year following the revaluation year, depreciation is recognized based on the book value after revaluation. The above acquisition cost includes purchase price, expenses directly attributable to placing the asset in the necessary location and state to make it operable by the intended method, dismantling and removal cost of tangible fixed assets and restoration of the original condition of the site, costs, and necessary interest expense arising from unfinished construction. Subsequent acquisition costs include the cost of additional tangible fixed asset items and partial replacement. Where periodic replacement is required for material components of tangible fixed assets, the company considers this as an individual asset and recognizes it with a specific useful life and depreciation method, respectively. The carrying amount of such replaced part shall be derecognized pursuant to the provision of derecognition of the company Accounting Standards Gazette No. 8 "Property, Plant and Equipment". Significant inspection costs that meet recognition criteria are recognized as replacement assets and included in the carrying amount of property, plant and equipment, while other daily repair expenses are recognized as expense.

For platinum, the depreciation expenses are calculated by the straight-line method over the estimated useful lives of the following assets, except for historical past experience of evaluating wear losses (as an impairment loss).

Buildings and structures	3 ~ 51 years
Machinery	1 ~ 8 years
Vehicles	3 ~ 6 years
Office equipment	2 ~ 7 years

If the main components of tangible fixed assets provide economic benefits in different ways, or if there are significant differences in their useful lives, depreciate individually according to the individual period of tolerance. In case of changes in usage of tangible fixed assets, significant unexpected depletion, technological advancements, market price fluctuations, etc. are indicative of changes in asset's residual value or durability, review traditional estimates and change salvage value, depreciation method or durability according to the change. In the event that there is an indication that a significant change has occurred in the forecast expenditure pattern of future economic benefits of tangible fixed assets, in order to reflect the new expenditure pattern, review the original depreciation method and follow the change in depreciation method.

Recognition is discontinued at the time of disposal or when the future economic benefit can no longer be anticipated due to the use or disposal of the item of tangible fixed assets or one important component. Unrealized revaluation differences in other capital components are transferred to net income or loss as a reclassification adjustment upon disposition of assets.

9. Lease

The company's position as a lessee

Lease payments under operating lease are recognized by the straight-line method over the lease term.

10. Intangible assets

Individually acquired intangible assets are measured at cost at initial recognition. The acquisition cost of intangible assets acquired through business combination shall be the fair value of the acquisition date. After initial recognition of intangible assets, the book value is the amount after subtracting accumulated amortization and cumulative impairment loss from the acquisition cost. For revaluation of intangible assets pursuant to the provisions of laws and ordinances, the unrealized revaluation difference in the current period is recognized as other comprehensive income and cumulatively recorded as an item of increase in unrealized revaluation difference on other capital. From the year following the reevaluation year, amortization is calculated based on the book value after revaluation. Internally generated intangible assets that do not meet recognition criteria are recognized as profit or loss in the period in which they occurred without capitalization.

The useful life of intangible assets is determinable.

Intangible assets with determinable useful lives are amortized within their useful lives and tested for impairment if there are signs of impairment. If the estimated periodic duration of the asset is different from the original estimate or if significant changes occur in the expected economic benefit pattern of future economic benefits, the method of amortization or period of amortization is changed and treated as a change in accounting estimate.

Software

Software is recognized at cost and estimated to be an unpredictable expense of its economic benefit and amortized using the straight-line method.

11. Impairment of non-financial assets

Our company evaluates the presence or absence of any indication that there is a possibility of impairment for all assets to which Corporate Accounting Practice Gazette No. 19 "Impairment of Assets" is applied at the end of each reporting period. In the event that there are indications of impairment, our company will conduct an impairment test on the cash generating unit to which the individual asset or asset belongs. As a result of the impairment test, If the carrying amount of the cash generating unit to which the asset or asset belongs exceeds the recoverable amount, it shall be recognized as impairment loss. The recoverable amount is the amount of the value in use and fair value after deducting disposal expenses, whichever is higher among them.

At the end of each reporting period, we evaluate the presence or absence of indications that the impairment loss recognized in prior years for assets other than goodwill no longer exists or is decreasing. If such indication exists, our company estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount is increasing due to the change in the potential service provision ability of the asset, the impairment loss is reversed. Provided, that the carrying amount after the reversal shall not exceed the carrying amount after deducting the depreciation expense if the impairment loss was not recognized.

Reversals of impairment losses and impairment losses arising from continuing operations are recognized as net profit or loss.

12. Allowance

Allowance is a current obligation (legal obligation or presumptive obligation) arising from the result of a past event, our company shall recognize that there is a high probability that an outflow of economic resources will occur to settle the obligation and the amount of the obligation can be reliably estimated. Our company shall expect to be able to cover some or all provisions, we recognize the assets separately for those portions where compensation is nearly determinate. Where the impact of the time value of money is material, the reserve discounts the pre-tax discount rate, which reflects the time value of money and the current market valuation for the specific risk of the liability.

Asset retirement obligation

With regard to the asset retirement obligations based on the dismantling and removal of buildings and equipment and on the obligation to recover the site's original condition, we measure that amount at the discounted amount of the projected cash flow expected to settle the obligation and recognize the removal cost as part of the cost of the asset. Cash flow discounts are made at pre-tax discount rates that reflect the current market valuation of the time value of money and the specific risk of the removal obligation.

13. Revenue Recognition

Revenue is recognized only when the economic benefit is likely to flow into the company and when the amount can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The requirements for recognition of each revenue are as follows.

Product sales

Revenue from sales of goods is recognized when all the following conditions are satisfied. These conditions include the transfer of important risks and economic values associated with the ownership of the goods to the buyers, that they have not maintained continuous control or substantial control over the sold products, it is possible to reliably measure the amount of profits, the high possibility of economic benefits related to transactions flowing in, and the ability to reliably measure costs related to transactions.

Interest income

Regarding the financial assets (including loans and receivables) measured at amortized cost, its interest income is estimated by the effective interest method and interest income is recognized in net profit or loss.

14. Postretirement benefit system

Debt relating to employee retirement allowance is the amount of retirement allowance to be contributed by legislation during the employee's term of office and is recognized as current expenses.

In accordance with the provisions of the International Accounting Standards No. 19 "Employee Benefits" in accordance with the provisions of the Subscription No. 304 (105) in fiscal year 2016, regarding the retirement allowance under the defined contribution retirement plan, the retirement payment contribution incurred must not be less than 6% of employee salary, and the contribution amount is recognized as current expenses.

15. Income tax

Income tax expense (income) is the total of current income tax and deferred tax at the time of determining net income or loss.

Corporate income Tax for current term

The corporate income tax liability (assets) for the current term was enacted by the last day of the reporting period, among the applicable tax rates and current income taxes to be measured under the tax law, items recognized in other comprehensive income or items recognized in direct capital are recognized separately from other comprehensive income or capital rather than profit or loss.

For-profit business income tax, which is additionally collected for unappropriated profits, is recognized as corporate income tax expenses for the current fiscal year when the profit appropriation proposal is resolved at the general meeting of shareholders to be held in the following fiscal year for retained earnings of the current fiscal year.

Deferred tax

Deferred tax is calculated based on the difference (temporary difference) between the base value of taxable assets and liabilities and the book value in the Balance sheet at the end of the reporting period.

Except for the following 2 cases, deferred tax liabilities are recognized for all future temporary differences.

(1) Initial recognition of goodwill. Also, temporary differences arising from the initial recognition of assets or liabilities that do not affect taxable income (loss) on accounting as well as accounting profit at the time of the transaction, except those arising from business combinations.

(2) Temporary addition, temporary differences that are likely to occur due to investment in subsidiaries, affiliates and jointly controlled entities, with the possibility that control will be timely controlled and will not be resolved in the foreseeable future.

Except for the following 2 cases, deferred tax assets are recognized to the extent that there is a high likelihood of future taxable income being generated for future subtotal instruments, tax loss carry forwards and unused tax deductions.

(1) Not due to a business combination, future subtractive temporary difference arising from initial recognition of assets or liabilities not affecting accounting profit or taxable income (loss) at the time of transaction.

(2) It is a future temporary subtractive temporary difference arising from investment in subsidiaries, affiliates and jointly controlled entities and it is highly probable that it will be dissolved in the foreseeable future and sufficient taxable income to be used for utilization of the temporary difference at the time of resolution those that recognize only within a certain range.

Deferred tax assets and liabilities are measured at the anticipated tax rate in the period in which the assets are realized or settled, and the tax rate is based on the tax law established as of the end of the reporting period. Deferred tax related to the items recognized other than net profit or loss are likewise recognized in other than net profit or loss, and recognized in other comprehensive income or direct capital by related transactions. The deferred tax assets are reviewed and recognized at the end of each reporting period.

Deferred tax assets and liabilities have legally enforceable rights to offset current tax assets and current tax liabilities and either settle either on a net basis or at the same time realize the asset and settle the liabilities only when there is an intention to offset it.

(5) Key factors for uncertainty in significant accounting assumptions and estimates

Not applicable.

(6) Description of important accounting items

1. Cash and cash equivalents

	2022.3.31	2021.3.31
Cash on hand	$200,000	$200,000
Bank deposits	680,811,059	72,274,371
total	$681,011,059	$72,474,371

2. Debtors and debtors – related companies

	2022.3.31	2021.3.31
Debtors	$64,804,447	$135,823,926
Decrease: Allowance for doubtful accounts	-	-
Debtors – related companies	85,833,363	2,030,097
Total	$150,637,810	$137,854,023

There are no circumstances that the account receivables and debtors of our company are pledged as collateral.

3. Inventories

	2022.3.31	2021.3.31
Commodities	$42,601,229	$23,501,479
Raw materials	17,712,873	13,298,884
Work in progress	152,877,028	67,420,780
Finished goods	73,151,682	115,926,447
Total	$286,342,812	$220,147,590

Amounts recognized by our company as cost of sales as of fiscal years 2021 and 2020 are $1,867,482,228 and $1,523,021,298 respectively.

There are no circumstances regarding the above-mentioned collateral status of inventories.

4. **Tangible fixed assets**

	Buildings and structures	**Plant and Machinery**	**Office equipment**	**Vehicle transportation**	**Platinum**	**Construction in progress**	**Total**
Acquisition cost and revaluation difference:							
April 1 2020	$5,218,166,787	$10,231,294,195	$154,612,221	$8,692,678	$4,702,462,030	$686,445,294	$21,001,673,205
Increase	-	-	-	-	-	87,008,034	87,008,034
Disposal	-	-	-	(1,492,183)	-	-	(1,492,183)
Transfer	4,511,489	460,916,553	2,669,240	-	-	(468,097,282)	-
Other changes	(77,849,072)	184,963	-	-	-	(134,826,426)	(212,490,535)
March 31 2021	$5,144,829,204	$10,692,395,711	$157,281,461	$7,200,495	$4,702,462,030	$170,529,620	$20,874,698,521
Increase	-	-	-	-	-	180,982,973	180,982,973
Disposal	-	(7,880,000)	-	-	-	-	(7,880,000)
Transfer	198,000	48,017,081	2,836,985	498,000	-	(51,550,066)	-
Other changes	-	-	-	-	-	(39,959,646)	(39,959,646)
March 31 2022	$5,145,027,204	$10,732,532,792	$160,118,446	$7,698,495	$4,702,462,030	$260,002,881	$21,007,841,848

Depreciation and impairment loss:

	Buildings and structures	Plant and Machinery	Office equipment	Vehicle transportation	Platinum	Construction in progress	Total
April 1 2020	$3,760,963,757	$9,724,225,763	$139,430,896	$7,682,174	$635,400,591	$109,984,827	$14,377,688,008
Depreciation	140,978,842	335,144,736	5,788,938	412,227	-	-	482,324,743
Impairment loss	-	-	-	-	21,484,336	-	21,484,336
Disposal - accumulated depreciation	-	-	-	(1,420,467)	-	-	(1,420,467)
Disposal - accumulated loss on impairment	-	-	-	-	-	-	-
Other changes	(67,504,944)	-	-	-	-	-	(67,504,944)
March 31 2021	$3,834,437,655	$10,059,370,499	$145,219,834	$6,673,934	$656,884,927	$109,984,827	$14,812,571,676
Depreciation	109,863,950	331,366,775	4,515,171	349,779	-	-	446,095,675
Impairment loss	-	-	-	-	25,802,301	-	25,802,301
Disposal - accumulated depreciation	-	(7,809,643)	-	-	-	-	(7,809,643)
Disposal - accumulated loss on impairment	-	(70,357)	-	-	-	-	(70,357)
March 31 2022	$3,944,301,605	$10,382,857,274	$149,735,005	$7,023,713	$682,687,228	$109,984,827	$15,276,589,652

Book value:

March 31 2022

Original value	$5,145,027,204	$10,732,532,792	$160,118,446	$7,698,495	$4,702,462,030	$260,002,881	$21,007,841,848

	Buildings and structures	Plant and Machinery	Office equipment	Vehicle transportation	Platinum	Construction in progress	Total
Accumulated depreciation	(3,944,301,605)	(10,179,819,673)	(149,735,005)	(7,023,713)	-	-	(14,280,879,996)
Accumulated impairment loss	-	(203,037,601)	-	-	(682,687,228)	(109,984,827)	(995,709,656)
	$1,200,725,599	$349,675,518	$10,383,441	$674,782	$4,019,774,802	$150,018,054	$5,731,252,196
March 31 2021							
Original value	$5,144,829,204	$10,692,395,711	$157,281,461	$7,200,495	$4,702,462,030	$170,529,620	$20,874,698,521
Accumulated depreciation	(3,834,437,655)	(9,856,262,541)	(145,219,834)	(6,673,934)	-	-	(13,842,593,964)
Accumulated impairment loss	-	(203,107,958)	-	-	(656,884,927)	(109,984,827)	(969,977,712)
	$1,310,391,549	$633,025,212	$12,061,627	$526,561	$4,045,577,103	$60,544,793	$6,062,126,845
March 31 2020							
Original value	$5,218,166,787	$10,231,294,195	$154,612,221	$8,692,678	$4,702,462,030	$686,445,294	$21,001,673,205
Accumulated depreciation	(3,760,963,757)	(9,521,117,805)	(139,430,896)	(7,682,174)	-	-	(13,429,194,632)
Accumulated impairment loss	-	(203,107,958)	-	-	(635,400,591)	(109,984,827)	(948,493,376)
	$1,457,203,030	$507,068,432	$15,181,325	$1,010,504	$4,067,061,439	$576,460,467	$6,623,985,197

For details on pledge on collateral status of the above-mentioned tangible fixed assets, refer to the Notes.

5. Debt Provision (Other non-current liabilities)

	2022.3.31	2021.3.31
Opening balance	$23,505,364	$124,374,103
Increase in current period	2,358,499	4,276,992
Decrease in current period	-	(105,145,731)
Closing balance	$25,863,863	$23,505,364
Non-current	$25,863,863	$23,505,364

The said allowances etc recognize the removal expenditures related to the factories owned by our company. By contract, we must restore the factory site to its original state after the factory is removed.

6. Capital

(1) Common stock

As of March 31, 2022 and March 31, 2021, the authorized capital amount was 1,600,000,000 yuan, the paid-in capital amount was 1,600,000,000 yuan, the total number of shares was 160, 000, 000 shares, the share price of 10 yuan per share and it is fully issued.

(2)Profit sharing

According to the company's articles of incorporation, if there is profit after the fiscal year settlement, the distribution shall be in the following order.

A. Pay the corporate income tax

B. Correct the defect

C. Fund 10% as statutory interest profit

D. In addition, accumulate or reverse the extraordinary profit margin by the provisions of laws or orders of the competent institution.

E. The remaining amount is distributed by the Board of Directors based on the dividend policy and distributed as per resolution of the shareholders meeting.

Under the provisions of the corporate regulations, the company must accumulate the statutory surplus reserve equal to the capital amount. The statutory surplus reserve may be withdrawn due to the compensation of deficits. If there is no deficiency in the company, dividends on new shares or cash may be made in accordance with the shareholding ratio of the shareholder in excess of 25% of the paid-up capital amount of the funded amount.

At the Board of Directors meeting on held on May 13, 2022 and June 4, 2021, it was resolved not to pay dividends on the proposal for loss treatment in fiscal year 2021 and fiscal year 2020.

7. Amount of sales

	FY 2021	FY 2020
Amount of sales	$1,481,367,416	$927,884,345
Amount of sales – related companies	264,704,638	2,159,012
Decrease: Returns and discounts	(25,276,024)	(39,228,431)
Total	$1,720,796,030	$890,814,926

8. Operating lease

<u>Transaction of lessee by our company</u>

The following are the lease contracts that our company has as commitments as on March 31, 2022.

(1)

Lease object	Lease term	Monthly lease charges	Security deposit
Tainan Science and Technology Industry zone no: 70 (note)	April 30 2020～April 29 2040	$196,890	$2,368,920
Tainan Science and Technology Industry zone no: 66. 67. 68 (note)	March 19 2020～March 18 2040	556,272	6,647,310
Tainan Science and Technology Industry zone no: 69 (note)	April 18 2020～April 17 2040	185,549	2,232,822
Tainan Science and Technology Industry zone no: 81 (note)	April 28 2020～April 27 2040	652,543	7,850,646

Employee Dormitory-Haian Road	March 21 2022~ March 31 20023	25,714	54,000
Employee Dormitory-Minxing Road-1	Feb 1 2022~ Jan 31 2023	21,905	46,000
Employee Dormitory-Minxing Road-2	Feb 1 2022~ Jan 31 2023	20,000	42,000
Employee Dormitory-Park South Road	June 1 2021~ May 31 2022	24,762	52,000
Employee Dormitory-Anchu Road	July 1 2011~ June 30 2022	63,432	108,000
Honda External Warehouse	Jan 1 2020~ Dec 31 2022	590,952	600,000

(Note): Adjustments based on the consumer price index adjustment rate promulgated annually by Directorate-General of Budget, Accounting & Statistics, Executive Yuan (Taiwan)

For the non-cancellable operating lease contract, the future minimum lease payments as of March 31, 2022 and March 31, 2021 are as follows.

	March 31 2022	March 31 2021
Within 1 year	$ 25,277,319	$ 29,768,395
Beyond 1 year and within 5 years	76,615,346	82,170,386
Beyond 5 years	345,817,192	365,147,212
Total	$ 447,709,857	$ 477,085,993

Costs recognized by the operating leases are as follows.

	FY 2021	FY 2020
Rent expenditure	$ 66,474,626	$ 57,590,560

9. Table showing total personnel expenses, depreciation and amortization expenses, occurred in FY 2021 and FY 2020

By function / By nature	FY 2021			FY 2020		
	Cost of sales	**Selling, general and administrative expenses**	Total	**Cost of sales**	**Selling, general and administrative expenses**	Total
Personnel expenses						
Salary	$233,677,155	$57,265,240	$290,942,395	$209,438,750	$55,625,364	$265,064,114
Social welfare costs	25,364,544	4,847,776	30,212,320	22,544,413	4,321,244	26,865,657
Retirement expenses	13,213,849	3,011,598	16,225,447	12,542,592	2,397,196	14,939,788
Other personnel expenses	6,345,724	1,052,038	7,397,762	6,312,332	997,178	7,309,510
Depreciation cost	441,432,365	4,663,310	446,095,675	476,594,447	5,730,296	482,324,743
Amortization cost	7,002,628	5,189,501	12,192,129	2,116,987	5,281,036	7,398,023

According to the provisions of our Articles of Incorporation, if we record profits in the fiscal year, we must distribute more than 0.1% as employee compensation. However, if cumulative deficiency exists, reserve amount shall be retained in advance. The above-mentioned employee compensation can be paid by shares or cash, at a meeting of the Board of Directors attended by more than two-thirds of the directors, resolving by a consent of a majority of the attending directors and reporting it to the shareholders meeting.

Both 2021 and 2020 are into losses, the employee compensation is not estimated.

10. Non-operating income and expenses

(1) Other income

	FY 2021	FY 2020
Lease rental received	$ 1,913,707	$ 2,763,708
Interest received	114,935,686	107,083,540
Other income	6,944,396	4,320,258
Total	$ 123,793,789	$ 114,167,506

(2) Other profit and loss

	FY 2021	FY 2020
Profit on disposal of property, plant and equipment (loss)	$-	$33,284
Foreign exchange gains / (losses)-realized	(55,153,002)	(26,565,868)
Foreign exchange gains / (losses)-unrealized	(552,920,544)	(476,226,789)
Other Miscellaneous expenditure	(5,196,410)	(9,269,981)
Subsidy income	16,322,871	56,973,421
Compensation received	2,041,030	1,140,790
Other profits – others	-	92,668,041
Total	$ (594,906,055)	$ (361,247,102)

(3) Financial expenses

	FY 2021	FY 2020
Interest expenses	$ (12,459,630)	$ (2,143,871)

11. Corporate income taxes

The main components of corporate income tax expenses for FY 2021 and FY 2020 are as follows.

The reconciliation between the corporate income tax expense and the amount multiplied by the corporate income tax rate applied to the accounting profit is as follows.

	FY 2021	FY 2020
Profit before tax from continuing operations	$ (897,168,391)	$ (1,073,231,630)
Corporate income tax calculated at the statutory corporate income tax rate	(179,433,678)	(214,646,326)
Current tax loss on unrecognized deferred tax assets	48,479,643	122,914,425
Impact of corporate income tax by tax exemption	(2,350,954)	-
Impact of corporate income tax effect by non-deductible expenses	311,982	302,686
Income tax impact due to other tax adjustments based on tax law	17,925,609	5,291,048
Impact of corporate income tax by deferred tax assets / liabilities	115,067,398	86,138,167
Total corporate income tax expense (profit) recognized in net profit or loss	$-	$-

Balance of deferred tax assets (liabilities):

	2022.3.31	2021.3.31
Temporary difference		
Unrealized foreign exchange gains	$(116,129,000)	$(116,129,000)
Information displayed in the Balance sheet is as follows:		
Deferred tax asset	$-	$-
Deferred tax (liabilities)	$ (116,129,000)	$ (116,129,000)

Overview of our company's unused loss carry forwards is as follows:

		Unused balance		
Year of occurrence	Amount of losses	March 31 2022	March 31 2021	Last deductibles
Year 2017	$352,549,170	$352,549,170	$352,549,170	Year 2027
Year 2018	$398,491,461	398,491,461	398,491,461	Year 2028
Year 2019	$728,404,095	728,404,095	728,404,095	Year 2029
Year 2020	$617,872,886	617,872,886	-	Year 2030
		$2,097,317,612	$1,479,444,726	

Unrecognized deferred tax assets

As of March 31, 2022 and March 31, 2021, the total amount of our unrecognized deferred tax assets is $664,094,000 and $450,727,000 respectively.

Confirmation status of corporate income tax filing

As of March 31, 2022, our corporate income tax return has been finalized until fiscal year 2019.

(7) Related party transactions

The affiliated and related companies having business transactions with our company during the financial reporting period are as follows:

Name of the affiliated company and the relationship

Name of the affiliated company	Relationship with the company
AvanStrate Inc.	Our parent company
AvanStrate Korea inc.	Our affiliated company

Important transaction matters with affiliated companies

1. Sales

	FY 2021	FY 2020
Our affiliated company	$ 264,704,638	$ 2,159,012

(1) Comparison with price policy for non-related parties: we sell to above affiliated companies only, and there is no other comparable selling price.

(2) Comparison with collection terms for non-related parties: The terms of payment for the above company are no difference from general transactions.

2. Purchases

	FY 2021	FY 2020
Our affiliated company	$ 301,878,373	$ 65,435,845

(1) Comparison with price policy for non-related parties: above related company is our sole supplier, and there is no other comparable purchase price.

(2) Comparison with payment terms for non-related parties: The terms of payment for the above company are no difference from general transactions.

3. Account receivables - Related parties

	Mar 31 2022	Mar 31 2021
Our affiliated company	$ 85,833,363	$ 2,030,097

4. Other account receivables - Related parties

	Mar 31 2022	Mar 31 2021
Our parent company	$ 216,988,707	$ 170,767,031
Our affiliated company	58,121,710	34,687,497
Total	$ 275,110,417	$ 205,454,528

5. Account payables - Related parties

	Mar 31 2022	Mar 31 2021
Our affiliated company	$ 4,539,856	$ 36,383,074

6. Other account payables - Related parties

	Mar 31 2022	Mar 31 2021
Our parent company	$1,674,774,634	$1,765,291,753

Our affiliated company	4,715,464	13,590
Total	$1,679,490,098	$1,765,305,343

7. Property transactions

Details of tangible, fixed asset purchases from related parties are as follows.

FY 2021:

Name of related company	Name of assets	Contractual amount (excluding tax)	Price valuation method
Our parent company	Machinery	$ 61,149,083	Negotiation
Our affiliated company	Machinery	1,200,707	Negotiation

FY 2020：Not applicable

8. Fund loan

FY 2021：

Lending to affiliates (recorded as other receivables)

Name of Related parties	Maximum balance	Ending Balance	Interest Rate	Annual interest
Our parent company	$ 8,219,962,000	$ 6,613,085,600	1.13636%	$ 82,843,821

FY 2020：

Lending to related parties (recorded as other receivables)

Name of Related parties	Maximum balance	Ending Balance	Interest Rate	Annual interest
Our parent company	$ 10,468,191,000	$ 7,603,215,000	1.13636%	$ 91,485,221

9. Endorsements and debt guarantees

The details of the amount which our company is guaranteeing and endorsement are as follows.

Name of Related parties	March 31 2022	March 31 2021
Major shareholders of our parent company Cairns India Holdings Limited	JPY30,328,034,000	JPY37,985,938,000

Major shareholders of our parent company HOYA Inc	JPY8,886,567,000	JPY7,992,324,000
Major shareholders of our affiliates Cairns India Holdings Limited	JPY12,435,253,000	

10. Others

(1) In FY 2020, our company negotiated with ASI and entered into a technology partnership patent contract for SG glass production. Our company shall pay 5% of sales for production parts, and 0.25 % of sales for commodities as royalty. The royalty fees for fiscal 2021 and fiscal 2020 are $56,726,845 and $40,515,935, respectively, which are recorded in selling, general and administrative expenses.

(2) In FY 2021 and FY 2020, our company has entrusted the affiliated companies with purchase of expendables, provision of technical assistance and construction repair. The details of the transaction are as follows (recorded in cost of sales).

Name of Related parties	FY 2021	FY 2020
Our parent company	$ 4,650,242	$-
Our affiliated company	5,533,845	-
Total	$ 10,184,087	$-

(3)The net interest income on platinum lent to affiliated companies in FY 2021 and FY 2020 is as follows:

Name of Related parties	FY 2021	FY 2020
Our affiliated company	$ 32,076,476	$ 15,573,332

(4) The net interest expense related to platinum borrowed from our affiliated companies in FY 2021 and FY 2020 is as follows.

Name of Related parties	FY 2021	FY 2020
Our parent company	$ 10,101,131	$-

(8). <u>Collaterally pledged assets/ asset encumbrance</u>

The Company pledges the following assets as collateral.

	Book value		
	March 31 2022	March 31 2021	Contents of collateral debt
Tangible fixed assets, plant and equipment-platinum	$4,019,774,802	$4,045,577,103	Debts of parent company

In addition, our parent company has pledged all of the shares of our company as collateral to Cairns India Holdings Limited, a major shareholder of our parent company.

(9)Important contingent liabilities and unrecorded commitments

Not applicable.

(10) Important subsequent events

Not applicable.

(11) Others

1. Types of financial instruments

Financial assets

	March 31 2022	March 31 2021
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	$ 680,811,059	$ 72,274,371
Debtors/ account receivables	150,637,810	137,854,023

(including related parties)		
Other account receivables -related parties	6,888,196,017	7,808,669,528
Guarantee deposits	23,400,246	23,398,246
Total	$ 7,743,045,132	$ 8,042,196,168

Financial liabilities

	March 31 2022	March 31 2021
Financial liabilities measured at amortized cost:		
Account payables (including Related parties)	$ 7,139,669	$ 42,962,791
Other payables (including Related parties)	1,773,117,222	1,874,148,721
Total	$ 1,780,256,891	$ 1,917,111,512

2. Measurement method adopted in determining fair value for financial instruments measured at fair value

Fair value refers to the price that will be received in order to transfer the price or liability that will be received by selling the asset in an orderly transaction between market participants at the measurement date. The methods and assumptions we used for measuring and disclosing financial assets and financial liabilities are as follows.

A. Make short-term financial instruments the carrying amount in the Balance sheet its fair value. Because this type of financial instrument has a short time to maturity, its carrying amount is taken as a reasonable estimate of fair value. The method applies to cash and cash equivalents, accounts receivable, other receivables, accounts payable and other accruals, short-term borrowings.

B. The restricted assets and the guarantee deposit are valued at their carrying values as fair value. This is because the future receipt or expected payment is close to the carrying amount.

3. Others

The financial statements our parent company, AvanStrate Inc., have been audited by EY Shin Nihon LLC, a member firm of Ernst & Young. In the "Significant Subsequent Events" notes in the financial statements, there is a description of the evaluation and doubts regarding the premise of the going concern and the efforts to deal with it. The outline is as follows.

The total amount of "short-term debts of affiliated companies", "long-term debts of affiliated companies scheduled to be repaid within one year", "long-term debts", "long-term debts of affiliated companies" and "corporate bonds" on the consolidated balance sheet as on the consolidated balance sheet date was 55,492,942 thousand yen, the amount of borrowings from HOYA Corporation included in "Long-term debts from affiliated companies scheduled to be repaid within one year" were 1,332,054 thousand yen on April 28, 2022, and 1,332,054 thousand yen on 31st October, 2022, reaching their respective repayment dates which is at a high level compared to liquidity on hand and operating cash flow, and the amount of net assets on the consolidated balance sheet is insolvent of △ 28,728,596 thousand yen. And, the debt related to the interest on the loan agreement from HOYA Corporation totalling 389,409 thousand yen, and the repayment of the principal whose repayment date reached on April 30, 2022 totalling 2,664,108 thousand yen, have been defaulted.

Furthermore, among the financial covenants stipulated in the loan agreement from HOYA Corporation, the amount obtained by adding 15,916,688 thousand yen, which is equivalent to the impairment loss of goodwill incurred in the fiscal year ended September 2017, to the amount of net assets on the consolidation based balance sheet for each interim period after September 2019 and the last day of the accounting period, since the fiscal year ended March 31, 2020, there has been continuous conflicts with the provision to maintain over 7,800,000 thousand yen, the provision for calculating ordinary income and net income in the consolidated income statement for each business year after the fiscal year ending March 31, 2020 as well as the provision to maintain consolidated free cash flow for each interim period and each accounting period after the first interim period of September of 2019 for an amount exceeding 0 yen. And based on the current business environment surrounding our company group and the latest business plan, it is very likely that you will continue to violate all or part of the above-mentioned conditions even during the interim period of September 2022 and end of March 2023.

If it is not possible to waive the claim for loss of profit due to a breach of the said financial covenant and default of the obligation, or to change the clause, etc, the benefit of the deadline shall be lost. In that case, the corporate bonds and other borrowings issued by our company group will also lose their term profits. As a result of the above, there are events or situations that will cause significant suspicion on the premise of a going concern.

In order to resolve this situation, this company group plans and implements efforts to deal with the following countermeasures.

1．Securing orders and sales

While focusing on allocating the group's production capacity to markets with favourable orders, we are working to secure continuous orders from new customers by improving quality and developing new products.

2．Proposal to HOYA CORPORATION, the major shareholder

We have requested HOYA Corporation to postpone the repayment regarding the default of the obligation stipulated in the loan agreement from HOYA Corporation.

3．Financial support from parent company Cairn India Holdings Limited

By reporting the Group's business results and financial position to the parent company in a timely manner, we are building good relationships by gaining understanding, and striving to further stabilize fund procurement and cash flow. Also, we have confirmed from the parent company that we will provide financial support necessary for the continuation of the Group's business for at least one year from March 31, 2022.

However, even if these measures are taken, HOYA Corporation may request a loss of profit due to the deadline. and, it is necessary to improve performance and finance in order to resolve excess debt and to repay high-level borrowings. Securing sales, which is an important factor in achieving the business plan for that purpose, depends greatly on external factors, because securing necessary capital investment funds is also not certain, there is a possibility that it will have a significant influence on future cash flow. Therefore, important uncertainty regarding the premise of the going concern has been recognized. It should be noted that, the consolidated financial statements are prepared on the premise of a going concern and that the impact of such significant uncertainties regarding the going concern assumption is not reflected in the consolidated financial statements.

The company provides endorsement guarantees to the parent company of the company and its affiliates. The objects of the endorsement guarantees are HOYA Corporation and Cairn India Holdings Limited, the major shareholders of the parent company of the company. In addition, the company except for the pledge disclosed in Note 8 Apart from the assets, there is no mortgage or guarantee for other third parties. Although the parent company of the company and the related companies of the company mentioned in the previous paragraph have defaulted on their debts, the endorsement provided by the company guarantees that as of May 13, 2011, no assets have been subject to compulsory disposal request.