

7 June 2021

Dear shareholder,

No: 11-1, Nishi Gotanda, No: 1 Chome,
Shinagawa-Ku, Tokyo city
AvanStrate Inc
Representative Director and President
Wu MingHsun

Notice of 14th General Meeting of the Shareholders

Dear Sir, We would like to express our gratitude for your continued support.

The 14th General Meeting of the Shareholders of the our company will be held as follows, we would like to be informed of your attendance.

And, in case if you are unable to attend the meeting on the mentioned day, you can exercise your voting right in writing, apologies for the trouble, but, we request to review the below mentioned "Reference Documents for General Meeting of Shareholders" and kindly fill in the voting right exercise form that has been enclosed, disclose your approval or disapproval of the agenda, affix your seal and kindly send back to us by June 23 (Wednesday), 2021 at 5 pm.

Best regards

Description

1. **Date and timing** June 24, 2021 (Thursday) Noon 0:30
2. **Location** Meeting room, 3rd floor, AIOS Gotanda-Ekimae
No: 11 - 1, Nishi Gotanda 1-chome Shinagawa-ku, Tokyo city
3. **Purpose matters**
 1. **Reporting matters** 1. Matters regarding 14thperiod(From April 1, 2020 to March 31, 2021) Project report, consolidated financial statements and consolidated financial statements of accounting auditors and board of corporate auditor's report
 2. Matters regarding 14thperiod(From April 1, 2020 to March 31, 2021)
Reports on financial statements

Resolution matters

- | | |
|-----------------------|------------------------------------|
| Proposal No: 1 | Appointment of 5 directors |
| Proposal No: 2 | Appointment of 1 corporate auditor |

Content of agenda is in accordance with "Reference documents for General Meeting of Shareholders" to be described later.

End

(Attached document)

Business report

From April 1, 2020
Until March 31, 2021

1. Matters related to the current state of the corporate group

(1) Business status during the current fiscal year

① Business progress and its results

Global economy in the current consolidated fiscal year faced the impact of the spread of the new coronavirus infection (COVID-19) not only in Japan but also on a larger scale, even the social life and economic activities had been severely restricted in each country, thus it became an unprecedented turmoil throughout the year.

As in the case of liquid crystal display and panel industry, which is a customer of our company group, along with the activation of PC, tablet, and LCD TV markets due to the effects of the new coronavirus infection, the demand has turned from a state of saturation which was until last year to a vigorous situation. There was a tendency for the price of liquid crystal displays and panels to rise continuously throughout the current fiscal year, which had been on a downward trend for a long time.

During such circumstances, our group had been working in the development of new customers while also continuing to maintain good business relationships with major customers, a rapid recovery was seen regarding the sales due to the commencement of transactions with new customers in the latter half of the current fiscal year, and since the orders from major customers had also recovered. On the other hand, since last year, there was a continuous focus on cost reduction, unfortunately, there was no recovery of the financial situation during the current fiscal year which was caused by capital investment, repairs, and other manufacturing costs those which were required to maintain and increase production capacity.

As per the above results, for this current consolidated fiscal year, the amount of sales was 4,110 million yen (a decrease of 331 million yen when compared to the previous consolidated fiscal year) which was a decline in comparison to the previous year, the operating loss was Δ 4,326 million yen (Profit increased by same 1,018 million yen year-on-year), the ordinary loss was Δ 5,187 million yen (Profit increased by same 1,028 million yen year-on-year), despite the amount of loss decreasing compared to the previous year, the profit and loss situation remained severe.

The gains on sales of fixed assets due to the sale of fixed assets were recorded in extraordinary profit and loss. As a result, net loss for the current year attributable to owners of the parent company was Δ 4,740 million yen (Profit increased by same 8,240 million yen year-on-year).

② Status of capital investment

The total capital expenditure of this Group, which was implemented during the fiscal year under review, was 1,066 million yen. The main one was for the repair and improvement of existing facilities.

③ Status of fund procurement

During the current consolidated fiscal year, our parent company, Cairn India Holdings Limited, increased the loan limit of the loan agreement that had been concluded to US \$ 36.5 million, procuring 1,767 million yen (Affiliated companies long-term loans payable of 46,654 million yen on the consolidated balance sheet).

④ Status of business transfer, absorption split or newly established company split

Not applicable.

⑤ Status of acquisition of business of another company

Not applicable.

⑥ Status of succession of rights and obligations concerning the business of other corporations, etc. through absorption-type merger or absorption-type split

Not applicable.

⑦ Status of acquisition or disposition of shares and other interests or stock acquisition rights etc. of other companies

Not applicable.

(2) Property and profit and loss status of the last 3 fiscal years

Category		11 th period (Fiscal year ending March, 2018)	12 th period (Fiscal year ending March, 2019)	13 th period (Fiscal year ending March, 2020)	14 th period (Fiscal year ending March, 2021)(Current consolidated fiscal year)
Amount of sales	(1000 円)	14,442,926	10,388,174	4,441,211	4,110,128
Ordinary loss(Δ)	(1000 円)	Δ1,373,660	Δ1,703,878	Δ6,215,155	Δ5,187,393
Net profit or net loss attributable to parent company shareholder (Δ)	(1000 円)	Δ10,528,814	Δ1,597,101	Δ12,980,164	Δ4,739,799
Net profit or net loss per share (Δ)	(円)	Δ106.07	Δ16.09	Δ130.77	Δ47.75
Total assets	(1000 円)	47,120,159	46,420,069	33,254,022	31,986,157
Net assets	(1000 円)	Δ9,077,854	Δ10,647,832	Δ23,665,535	Δ28,418,176
Net assets per share	(円)	Δ91.46	Δ107.27	Δ238.42	Δ286.30

(Note) Consumption taxes have not been included in net sales.

(3) Status of important parent company and subsidiaries**① Status of parent company**

Company name	Capital	Ratio of voting rights to the Company	Relationship with our company
Caim India Holdings Limited	USD 755,567,901	51.63%	Not applicable.

② Status of important subsidiaries

Company name	Capital	Ratio of voting rights to our company	Main Business Contents
AvanStrate Taiwan Inc.	1,600 million TWD	100.0%	Manufacture and sales of glass substrates for liquid crystal displays and panels
AvanStrate Korea Inc.	148, 577 million KRW	100.0%	Manufacture and sales of glass substrates for liquid crystal displays and panels

③ Matters concerning specified wholly owned subsidiaries

Company name	Address	Total amount of book value	Total assets of our company
AvanStrate Taiwan Inc.	Taiwan Tainan City	34,420,853 thousand 円	45,315,283 thousand 円

(4)Issues to be addressed

Although our company group supplies glass substrates for liquid crystal displays and panels, the industry has been revitalizing the markets from the latter half of 2020 for personal computers, tablets, televisions, etc due to the effects of the global coronavirus infection, and the demand has turned from a state of saturation which was until last year to a vigorous situation, it continues to be booming in 2021.

Along with this, the supply of glass substrates for liquid crystal displays and panels, which constitute the main components, has changed to a shortage, especially from the latter half of 2020, in addition, due to the issues in production by competitors, it is more important than ever to provide customers with stable quality, under such circumstances, we believe that the issues to be addressed are as follows.

① Securing stable production

The glass melting furnace at our factory requires periodic repair, and the frequency of repair required for each melting furnace is different, but we are planning to repair it almost once every three years. Our company group believes that it is important to minimize the inoperative period and stabilize the production by reducing this repair frequency, shortening the repair work period, and eradicating troubles during the operation period. In addition, it is possible to stabilize manufacturing cost and quality by stabilizing production, which is also a prerequisite for keeping the delivery date to customers, so we will continue to focus on it in the future.

②Improvement of financial structure

Our Group has a large amount of debt, and since some of it has already reached its repayment period, we are in a situation of establishing clear repayment plan for debt repayment while working to improve the cash flow. In addition, making appropriate capital investment while keeping an eye on market trends is an issue faced by our group.

In the course of implementing these, simultaneously we aim to make appropriate decisions while always taking into consideration the issue of improving our financial position, and we will work to expand cash flow.

③ Appropriate approach to customers

Conventionally, due to restrictions on production capacity, sales to specific customers have been highly concentrated, but we also worked to expand the number of customers.

Regarding the expansion of the number of customers, we believe that it is important to improve the status of our company group as a whole in the market as well as to reduce the risk of fluctuations in the business of our company group.

④ Expansion of production capacity and cost down by improving production efficiency

From the environment where the downward pressure on the price of glass substrates for liquid crystal displays and panels has continued even in the scenario of vigorous demand it is not easy to raise prices by turning around, and in order to secure further profits, we believe that it is extremely important to promote cost reduction by improving production efficiency. In order to achieve this objective, our company group is working to expand the volume of glass substrates for liquid crystal displays and panels produced from one melting furnace by further increasing the size of existing melting furnaces.

⑤Ensuring superiority in terms of quality and developing new products

In order to provide optimal solutions for customers in the liquid crystal display and panel industry, which are progressing toward higher panel sizes and higher image quality, and it is essential to maintain high competitiveness in the quality of glass substrates for liquid crystal displays and panels. For this reason, this company group will actively invest limited resources on research and development, and will work to strengthen the development of technologies such as stable achievement of high quality.

And, the business tends to be influenced by market trends since we only manufacture and sell glass substrate products for liquid crystal display panels, and we recognize that the development of new products based on our thin glass manufacturing capacity is also a necessary initiative to establish a future business foundation.

⑥Innovation of management system, corporate culture etc.

Although our Group has become a system that can perform more aggressive management than before, on the other hand, we believe that strengthening the management system has become an issue. In particular, we recognize that it is an important task to establish a management structure that can accurately judge the situation of the market and carry out business management while conducting meticulous risk

analysis. Also, in order to realize that task, we also believe that it is essential to foster a corporate culture based on autonomous behavioral standards at the same time. From this point of view, we will create a system that will allow us to pursue the overall optimization of the group without being dominated by the hierarchical structure and we will work to enhance the monitoring function.

Also, on the personnel system side, we will continue to review the treatment system and evaluation system, and build a remuneration system that enhances the linkage between the results of this company group and the returns of executives and employees, thereby enhancing motivation and we will strive to strengthen our spirit of challenge and eventually shall strengthen the Group's competitiveness.

(5) Major business contents (As on March 31, 2021)

Our company group is engaged in the glass substrate business for liquid crystal displays and panels (manufacturing and sales of glass substrates for liquid crystal displays and panels) in the form of a single business.

(6) Major offices and plants (As on March 31, 2021)

Our company	Head office: Shinagawa-ku, Tokyo
AvanStrate Taiwan Inc.	Head office: Tainan, Taiwan
AvanStrate Korea Inc.	Head office: South Korea Gyeonggi-do

(7) Status of employees (as on March 31, 2021)

① Status of employees of the corporate group

Business classification	No. of users	Change from the end of the previous consolidated fiscal year
AvanStrateCo Ltd	7 people	3 people reduced
AvanStrate Taiwan Inc.	383 people	6 people increased
AvanStrate Korea Inc.	119 people	10 people increased
Total	509 people	13 people increased

(Note) 1. The number of people used is the number of employees.

② Status of employees of this company

No. of users	Change ratio from previous year end	Average age group	Average years of service
7 people	3 people reduced	46 years and 6 months	5 years and 0 months

(Note) The number of users is the number of employees.

(8) Status of major borrowers (As on March 31, 2021)

Parties involved	Amount of borrowings
Cairn India Holdings Ltd.	37,985,938000 円
HOYA Corporation	8,667,834000 円
Hakodate Bank, Ltd.	1,899,699000 円

(9) Other important matters concerning the current situation of the corporate group

In response to Taiwan intellectual property court and the Seoul central district court on October 9, 2019, respectively, our subsidiaries, AvanStrate Taiwan Inc (Taiwan) and AvanStrate Korea Inc. (Korea), were

produced by Corning Incorporated Inc. of the United States, alleging infringement of patent rights held by the said company, injunction of use of equipment and sale of products produced by this equipment, in addition, a lawsuit has been filed seeking the disposal of the equipment and the products produced by the equipment. In addition, as of November 19, 2020, an additional NT \$ 30 million (approximately 115 million yen) has been claimed as damages in the proceedings in Taiwan.

We believe that there is no fact of patent infringement, and we have already filed a lawsuit and are dealing with the proceedings.

2. Current status of the company

(1) Stock status (As on March 31, 2021)

- ① Total number of issuable shares 400,000,000 shares
- ② Total number of issued shares 99,258,900 shares
- ③ Number of shareholders 18 people
- ④ Major shareholders (Top 11 people)

Name of shareholders	No. of shares	Holding ratio
Cairn India Holdings Limited	51,251,800 shares	51.63%
HOYA CORPORATION	46,227,200	46.57
Innolux Corporation	900,000	0.91
Dai Nippon Printing Co., Ltd.	333,300	0.34
Toray Engineering Co., Ltd.	111,100	0.11
Jun Makino	60,000	0.06
Kazuhiko Hoshino	60,000	0.06
Tanaka Kikinzoku Kogyo Co., Ltd.	55,500	0.06
Kiichi Yoshida	50,000	0.05
Yuugi Nagayama	40,000	0.04
Takami Tanaka	40,000	0.04

((Note) We do not own treasury shares.

(2) Stock acquisition rights etc.

① Status of stock acquisition rights delivered as consideration for the execution of duties held by our officers (as on March 31, 2021)

Not applicable.

② Status of stock acquisition rights delivered to employees of this company etc. as consideration for the performance of duties during the current fiscal year

Not applicable.

(3) Status of Corporate Officers

① Status of Directors and Corporate Auditors (As on March 31, 2021)

Position	Name	Status of charge and important concurrent positions
President and CEO	W u M i n g H s u n	AvanStrate Korea Inc. Representative Director AvanStrate Taiwan Inc. President
Managing director	A k a r s h K H e b b a r	-
Director	A n a n d A g a w a l	Sterlite Technologies Limited Board of Directors CEO
Director	J o h n K o l a d a	Vedanta Resources Group Strategy and Special Project Chairperson
Director (external)	R y o u i c h i K a s h i w a z a k i	General Manager, Corporate Planning Office, HOYA Corporation (in charge of business strategy)
Full-time auditor	M a k o t o H a r a	-
Audit & Supervisory Board Member (External)	N o b u a k i T a n i s h i m a	HOYA Corporation Audit Committee Secretary General Seiko Optical Producer Co., Ltd. External audit & Supervisory Board Member
Audit & Supervisory Board Member (External)	A k i r a N a k a i	Attorney Hisaka Works Co., Ltd. External audit & Supervisory Board Member

- (Note) 1. Mr. Wu MingHsun was newly appointed as a director at the extraordinary general meeting of shareholders which was held on February 26, 2021, and has been continuously elected as president and representative director by the board of directors.
2. Mr. Takuo Lee was newly appointed as a director at the extraordinary general meeting of shareholders on November 20, 2020, was subsequently elected as president and representative director at the board of directors, and resigned on February 25, 2021.
3. Auditing & Supervisory Board Member Nobuaki Tanishima concurrently serves as Secretary-General of the Audit Committee of HOYA Corporation, has experience in business management of HOYA Group companies and has considerable knowledge in finance and accounting.

② Directors and corporate auditors who retired during the fiscal year

Name	Retirement date	Reason for retirement	Status and responsibilities at the time of retirement and status of important concurrent positions
Masanori Mizutani	August 10, 2020	Resignation	Full-time auditor
Justin Chen	August 31, 2020	Resignation	Partner CEO of Construction Law Office Chairperson of Intellectual Enterprise Management Advisor Co., Ltd. Auditor of Tomoe Hibiki Net Road Technology Co., Ltd. External Director of SIMPLE MART RETAIL CO., LTD. External Director of Shinto Electric Power Co., Ltd. External Director of Otsuka Kagaku Gijutsu Co., Ltd. External Director of Kanpai Co Ltd.
Joseph Zimmer	Nov 20, 2020	Resignation	CEO of AvanStrate Korea Inc. Chairman of AvanStrate Taiwan Inc.
Lee Takuo	Feb 25, 2021	Resignation	CEO of AvanStrate Korea Inc. Chairman of AvanStrate Taiwan Inc.

③ Remuneration etc. for directors and corporate auditors

(a) Total amount of remuneration etc. for the current fiscal year

Category	Salaried employees	Amount of remuneration
Director (Including external director)	3 people (-)	48 million (-) 円
Auditor (Including external auditor)	4 (2)	10 (3)
Total (Including external employees)	7 (2)	59 (3)

(Note) 1. Amount of remuneration etc. for directors does not include wage salaries of directors concurrently serving as employees.

2. The maximum amount of remuneration for directors is resolved at a resolution of the general shareholders meeting on Dec 28, 2018 to be within the amount of 200 million yen per year (but not including employee wages).

3. The maximum remuneration of Corporate Auditors has been resolved within 24 million yen per annum at the shareholders meeting resolution on August 20, 2008.

(b) Retirement bonuses paid for the current fiscal year

Not applicable.

(c) Total amount of officer remuneration etc received by external officers from the parent company or subsidiary

Not applicable.

④ Matters concerning external officers

(a) The status of important concurrent positions of other corporations and the relationship between this Company and the other corporation

- Mr. RyouichiKashiwazaki, Director, is the General Manager (in charge of business strategy) of the Corporate Planning Office of HOYA Corporation, has a business relationship with the company on a loan for money consumption with the said company as the lender and our company as the borrower.
- Mr. Nobuaki Tanishima, Auditing & Supervisory Board Member, is the secretary general of the Audit Committee of HOYA Corporation, and has a business relationship with HOYA Corporation for monetary consumption loans with the said company as the lender and our company as the borrower.

(b) Major activities in this fiscal year

Classification	Name	Attendance status and remark status
Director	RyouichiKashiwazaki	Attended 11 among 12 Board of Directors Meeting held in the current fiscal year. Remarks were made at the Board of Directors meeting to ensure the appropriateness and validity of the Board of Directors' decisions.
Auditor	Nobuaki Tanishima	Attended 11 among 12 Board of Directors Meeting held in the current fiscal year. Also attended 8 meetings of the Audit & Supervisory Board. Remarks were made at the Board of Directors meeting to ensure the appropriateness and validity of the Board of Directors' decisions. In addition, the Board of Corporate Auditors make remarks regarding necessary opinions and requests regarding the audit activities of full-time corporate auditors.
Auditor	Justin Chen	Attended 7 meetings of the Board of Directors and 4 meetings of the Audit & Supervisory Board held during the current fiscal year and during their tenure. From the standpoint of being a Taiwanese lawyer, particularly necessary opinions and other statements were provided to ensure legality, such as comments specifically focused on the Chinese-Taiwan system. In addition, the Board of Corporate Auditors makes remarks regarding necessary opinions and requests regarding the audit activities of full-time corporate auditors.
Auditor	Akira Nakai	Attended 4 among 5 meetings of the Board of Directors and 2 meetings of the Audit & Supervisory Board held during the current fiscal year and during their tenure. From the standpoint of being a lawyer, particularly necessary opinions and other statements were provided for compliance and other matters to ensure legality. In

		addition, the Board of Corporate Auditors makes remarks regarding necessary opinions and requests regarding the audit activities of full-time corporate auditors.
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(C) Outline about the contents of liability limitation contract

Based on the provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, our company, external directors and corporate auditors have concluded into a contract to limit the liability for damages under Article 423, Paragraph 1 of the same Act.

The maximum amount of liability for damages under this agreement is limited to the amount prescribed by legal regulations.

(4) Status of Accounting Auditor

① Name EY Shin Nihon LLC

② Amount of remuneration

	Amount of remuneration
Amount of remuneration etc. of accounting auditor for the current fiscal year	25,000000 円
Total amount of cash and other property benefits to be paid by our company and its subsidiaries to the accounting auditor	— 円

(Note) 1. Because the audit contract between our company and the accounting auditor does not clearly distinguish the amount of the audit fee etc. of the audit based on the Companies Act and the audit based on the Financial Instruments and Exchange Act, it cannot be classified practically; The total amount of these items is stated in the amount of remuneration etc. of the accounting auditor for the current fiscal year.

2. Ernst & Young, which belongs to the same network as our audit certified public accountants etc., conducts auditing for our subsidiaries AvanStrate Taiwan Inc. and AvanStrate Korea Inc.

(5) System to ensure the appropriateness of operations

The outline of the decisions with regard to "System for ensuring that the execution of duties by directors conforms to laws and regulations and the Articles of Incorporation and other systems in order to ensure the appropriateness of company operations" is as follows.

Although it exists as a regulation, etc., as a result of our organizational reduction and efficiency improvement, those that are not actually operated are also included in the following description.

① System for ensuring that the execution of duties by directors and employees conforms to laws and regulations and the Articles of Incorporation

(a) "Management Principles" and "Action Guidelines" shall be established in order to ensure that the execution of duties by executives and employees conforms to laws and regulations and the Articles of Incorporation.

(b) Executives and employees shall establish a system to comply with laws and regulations through the establishment and dissemination of various in-house regulations such as the "Board of Directors Regulations" and "Compliance Regulations".

(c) Establish a supervising department responsible for compliance, establish an appropriate education and training system for employees, and in addition conduct educational activities on compliance.

(d) Establish an internal reporting and consultation system on compliance and establish external contacts by outside lawyers and others.

② System concerning the preservation and management of information during the execution of duties by directors

(a) The handling of important documents related to the execution of duties by the Board of Directors shall be appropriately preserved and managed (including disposal) in accordance with the "Regulations of the Board of Directors".

(b) When requested by the Corporate Auditor, the department in charge shall always make the requested document available for inspection or provide a copy.

③ Regulations on the management of the risk of loss and other systems

(a) "Risk Management Regulations" and "Crisis Management Regulations" shall be established and the first priority given to prevent various risks arising from the daily work execution as much as possible, and at the same time we will establish a system to minimize damages on the corporate value when a crisis occurs.

④ System for ensuring efficient execution of duties by directors

(a) The Board of Directors meeting shall be held on a regular basis as well as on an extraordinary basis as

necessary, and a system that does not interfere with proper job performance, such as using a video conferencing system shall be ensured to improve mobility.

- (b) The execution of duties based on the decisions of the Board of Directors shall be in accordance with the "Division of Duties of Work", "Regulations of Job Functions", "Rules of Approval" and "Regulations of Affiliated Companies".
- (c) For the proper management and achievement of management targets, we will continuously verify the status of achievement of individual measures including counting forecast management, and develop a system to reflect the results.
- ⑤ Structure to ensure the appropriateness of operations in our company group
 - (a) Establishment of "Rules for Management of Affiliated Companies" and conducting business management of each group company based on the settlement and reporting system for our company based on the rules.
 - (b) The persons responsible for each group company shall attend the monthly management related conference, and carry out the business execution and share information among group companies.
- ⑥ Matters concerning the placement of users/employees who should support the duties of Corporate Auditors and the independence of such employees from Directors
 - (a) If the Corporate Auditor requests that an employee who should assist the duties be appointed, then in such cases the Board of Directors will negotiate with the Corporate Auditors and designate persons that the Corporate Auditor deems necessary as employees to assist the Corporate Auditors.
 - (b) The prior consent of each corporate auditor is required for personnel changes and appraisals of employees who should assist the corporate auditors' duties.
- ⑦ System related to directors and employees reporting to corporate auditors, and system for reporting to other Audit & Supervisory Board Members
 - (a) Corporate auditors shall attend meetings of the Board of Directors and other meetings as necessary.
 - (b) Prompt reporting of facts by the directors and employees to the corporate auditors if there is a risk of significant violation of laws and regulations or the Articles of Incorporation of our company group, any serious damage, or there is a risk of such damage.
- ⑧ System for ensuring the effective implementation of audits by other corporate auditors
 - (a) Corporate auditors exchange views with representative director and president on important matters concerning audits.
 - (b) The corporate auditors shall maintain cooperation and render support to the accounting auditors, shall exchange opinions and information, and shall request reports from the accounting auditor when deemed necessary.
 - (c) The corporate auditors shall attend as observers the meeting body in which audit & supervisory board members examine investment and financing and the establishment, revision and abolition of important internal systems and other important in-house meetings, and build a system that can provide necessary reports and information in response to requests from each corporate auditor's request.
 - (d) Directors and employees shall cooperate with investigations from the corporate auditors or requests for hearing.
 - (e) In addition, directors and employees shall respect the matters stipulated in the "Rules of the Board of Corporate Auditors" and the "Rules of Audit and Supervisory Board Members".
- ⑨ System to ensure the appropriateness of financial reporting
 - (a) Directors and employees shall ensure the appropriateness of financial reporting through business execution in compliance with the "Internal Control Regulations for Financial Reporting".
 - (b) Directors and employees shall operate, develop and improve appropriate systems to identify, analyze, and reduce the risks of misstatements in important matters of financial reporting, and make financial reporting to ensure the appropriateness of the system.
- ⑩ System to block relations with antisocial forces
 - (a) Directors and employees shall comply with the "Guidelines for handling anti-social forces" and block the relationship with antisocial forces.
 - (b) The Directors and Employees shall ensure the smooth operation of the system for fulfilling prescribed matters in good faith "Guidelines for handling anti-social forces" and for blocking relations with antisocial forces.

(6) Basic policy regarding control on company

The Company does not specifically stipulate the basic policy regarding the ideal form of the person who controls the decision of financial and business policies.

Consolidated balance sheet

As on March 31, 2021

(Unit: 1000 円)

Items	Amount	Items	Amount
(Assets section)		(Liabilities section)	
Current assets	4,104,448	Current Liabilities	4,067,111
Cash and deposits	463,735	Accounts payable	46,457
Accounts receivable	823,033	Lease debt	131,487
Merchandise and finished goods	573,313	Accounts payable	178,180
Work in process	490,391	Accrued corporate tax, etc.	290
Raw materials and supplies	884,382	Accrued expenses	684,002
Others	869,594	Affiliated company accrued expenses	1,482,242
		Bonus reserve	31,332
		Advance payment	1,400,599
		Others	112,522
Fixed assets	27,881,709	Fixed liabilities	56,337,222
Tangible fixed assets	27,225,015	Long-term debt	1,899,699
Buildings and structures	3,662,258	Affiliated company long-term debt	46,653,772
Machinery equipment and vehicles	21,739,959	Lease debt	1,161,340
Tools, equipment and supplies	318,954	Corporate bonds	5,906,340
Land	1,149,395	Deferred tax liability	603,233
Construction in progress	354,449	Asset retirement obligations	112,838
Intangible fixed assets	73	Total liabilities	60,404,333
Others	73	(Net Assets section)	
Investments and other assets	656,621	Shareholders' equity	△28,396,461
Long-term deposit	370,545	Capital	100,000
Assets related to retirement benefits	154,058	Capital surplus	50,089,410
Others	132,018	Earned surplus	△ 78,585,871
		Other accumulated comprehensive income	△21,715
		Accumulated adjustment on retirement benefits	△21,715
		Total net assets	△ 28,418,176
Total assets	31,986,157	Total liabilities net assets	31,986,157

(Note) Amount below 1000 yen is rounded off.

Consolidated income statement

From April 1 2020
till Mar 31 2021

(Unit: 1000 円)

Items	Amount	
Amount of sales		4,110,128
Cost of sales		7,085,669
Gross loss		$\Delta 2,975,541$
Selling, general and administrative expenses		1,350,627
Operating loss		$\Delta 4,326,168$
Non-operating income		
Interest income	162	
Gain on sale of work scrap	6,409	
Subsidy income	206,607	
Others	10,185	223,363
Non-operating expenses		
Interest expense	23,088	
Affiliated company interest expense	882,265	
Corporate bond interest	7,111	
Exchange loss	120,237	
Commission paid	1,422	
Others	50,465	1,084,588
Ordinary loss		$\Delta 5,187,393$
Special profit		
Gain on sale of fixed assets	379,158	
Insurance money received	4,095	383,253
Special loss		
Loss on sale of fixed assets	108	
Loss on retirement of fixed assets	878	986
Net loss before taxes and other adjustments		$\Delta 4,805,126$
Corporate tax, inhabitant tax and business tax	641	
Corporate tax adjustment amount	$\Delta 65,968$	$\Delta 65,327$
Net loss		$\Delta 4,739,799$
Net loss attributable to parent company holder		$\Delta 4,739,799$

(Note) Amount below 1000 yen is rounded off.

Consolidated Statement of Changes in Net Assets

From April 1, 2020

To March 31, 2021

(Unit: 1000 円)

	Shareholders' equity				Other accumulated comprehensive income		Total net assets
	Capital	Capital surplus	Retained earnings	Total Shareholders' equity	Accumulated adjustment on retirement benefits	Total other accumulated comprehensive income	
Beginning balance of current period	100,000	50,089,410	△73,846,072	△23,656,662	△8,873	△8,873	△23,665,535
Changes in current period							
Capital reduction			△4,739,799	△4,739,799			△4,739,799
Net loss attributable to parent company shareholder					△12,842	△12,842	△12,842
Current change in items other than shareholders' equity (net)	-	-	△4,739,799	△4,739,799	△12,842	△12,842	△4,752,641
Total changes in current period	100,000	50,089,410	△78,585,871	△28,396,461	△21,715	△21,715	△28,418,176

(Note) Amount below 1000 yen is rounded off.

Notes to Consolidated Financial Statements

1. Notes concerning premises of ongoing business

The total amount of "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 54,459,811 thousand yen, the amount of borrowings from HOYA Corporation included in "Long-term debts of affiliated companies" were 1,332,054 thousand yen on April 30, 2021, 1,332,054 thousand yen as on October 29, 2021, 1,332,054 thousand yen as on April 4 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 Δ 28,418,176 thousand yen.

And, the debt related to the interest on the loan agreement from HOYA Corporation and the repayment of the principal whose repayment date reached on April 30, 2021 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 2021 and end of March 2022.

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 favorable 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.

In addition, we requested that the payment of interest on loans to the company be deferred tentatively, and we have obtained the consent of this request. 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, 2021.

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.

2. Notes concerning important matters as the basis for preparing consolidated financial statements

(1) Matters concerning the scope of consolidation

① Status of consolidated subsidiaries

Number of consolidated subsidiaries 2 companies

Name of consolidated subsidiaries AvanStrate Taiwan Inc.
AvanStrate Korea Inc.

② Status of non-consolidated subsidiaries

Not applicable.

③ Status of companies etc. that did not become subsidiary despite their majority voting rights

Not applicable.

(2) Matters concerning the application of equity method

Not applicable.

(3) Matters concerning the scope of consolidation and the scope of application of equity method

Not applicable.

(4) Matters concerning the fiscal year etc. of consolidated subsidiaries

The end of the fiscal year of all consolidated subsidiaries is consistent with the consolidated fiscal year.

(5) Matters related to accounting standards

① Evaluation criteria and methods for important assets

1. Inventory assets Our company adopts the cost method based on the specific identification method for stored goods (the balance sheet value is calculated by the book value devaluation method based on the decline in profitability).

For consolidated subsidiaries, merchandise and products, work in progress and raw materials are stated at the lower of cost or market, using the moving-average method, and for stored goods, the lower of cost or market is determined by the specific identification method.

② Method of depreciation of important depreciable assets

1. Tangible fixed assets Our company adopts the declining-balance method. The consolidated subsidiaries adopt the straight-line method.

The main useful lives are as follows.

Buildings and structures 3-51 years

Mechanical equipment and vehicles 2-7 years

Tools, fixtures and furniture 2-10 years

2. Intangible fixed assets Our company and its consolidated subsidiaries use the straight-line method.

Also, For in-house use software, it is based on the in-house period (3 to 5 years) available.

③ Criteria for recording important provisions

Accrued bonuses Our company and its consolidated subsidiaries record the payment for the current consolidated fiscal year in order to cover the payment of bonuses to employees.

④ Other important matters for preparing consolidated financial statements

1. Accounting treatment of consumption tax etc. Consumption tax and local consumption tax are accounted using the tax exclusion method

2. Conversion standards of assets or liabilities denominated in foreign currencies into Japanese currency Monetary assets and liabilities denominated in foreign currencies are converted into yen at the spot exchange rate on the consolidated closing date, and the converted differences are treated as gains or losses.

3. Method of accounting for retirement benefits In order to prepare for retirement benefits of some of the consolidated subsidiaries, an amount deemed to have occurred at the end of the current consolidated fiscal year is posted which is based on the projected benefit obligation and the estimated amount of plan assets at the end of the consolidated fiscal year.

1. Period attribution method for estimated retirement benefit amount

For the calculation of retirement benefit obligation, the method for calculating the estimated retirement benefit attributable to the period until the end of the current consolidated fiscal year is based on the standard formula for benefit calculation.

2. Cost accounting method of actuarial difference

Actuarial gains and losses are amortized as incurred by the straight-line method over the fixed years (1 year) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year in the following consolidated fiscal year.

In addition to the above, our company and its consolidated subsidiaries have adopted a defined

4. Accounting principles and procedures adopted when the provisions of related accounting standards, etc. are unclear

contribution pension plan.

Among the machineries, platinum equipment and bullion are treated as non-depreciable assets. However, although the platinum equipment is used by attaching it to the melting furnace, the platinum device itself gradually wears out due to use. In addition, after use for a certain period of time, it is refined, reduced to the original precious metal, later it is re-processed to be restored as a device, but the precious metal is also depleted in the process. The depletion of these precious metals is treated as a depletion cost. In addition, since it is difficult to measure the actual depletion cost of the platinum equipment used in the melting furnace and the depleted product before refining, an estimated amount is calculated based on the past depletion record.

(Additional Information)

"Accounting standards for disclosure of accounting policies, accounting changes and correction of errors" (Corporate Accounting Standard No. 24, March 31, 2020) is applicable for the consolidated financial statements for the end of the current consolidated fiscal year, we have newly disclosed the accounting principles and procedures adopted when the provisions of related accounting standards, etc. are not clear.

⑤ Accounting method for lease related transactions

Our consolidated subsidiaries are subject to International Financial Reporting Standards No. 16 "Lease" (hereinafter referred to as "IFRS No. 16"). As a result, all leases are recorded by principle as assets and liabilities on the balance sheet.

However, the right-of-use asset and lease liability are not recognized for short-term leases and leases with a small amount of underlying assets, and the said lease payments related to the lease are recognized as expenses over the lease term.

1. Right-of-use assets

The right-of-use asset is initially measured at the acquisition cost, and the acquisition cost consists of the initial measurement amount of the lease liability and the initial estimated amount such as the initial direct cost. A cost model has been adopted as a measurement after recognizing the right-of-use asset.

The right-of-use asset is depreciated by the straight-line method over the lease term (3 to 20 years), and it is the value obtained by deducting the accumulated depreciation from the acquisition cost and is included in the display items on the consolidated balance sheet that is displayed when the corresponding underlying asset is owned by the company.

2. Lease liability

Lease liabilities have been initially recognized as the present value of lease payments that were not paid as of the lease start date, and those which were discounted using the Group's additional interest rate (When the calculated interest rate of the lease cannot be calculated easily) on borrowings.

Lease liabilities are measured by before-after measurement by increasing the carrying amount to reflect the interest rate on the lease liability and decreasing the carrying amount to reflect the lease payments paid, it is included under the lease obligations in the consolidated balance sheet.

3. Note on change of display method

(Application of "Accounting standards for disclosure of accounting estimates")

"Accounting standard for disclosure of accounting estimates" (Corporate Accounting Standard No. 31, March 31, 2020) is applied from the consolidated financial statements for the end of the current consolidated fiscal year and, the consolidated financial statements include notes regarding important accounting estimates.

4. Notes on accounting estimates

(Accounting estimate for impairment of tangible fixed assets)

With regard to the said asset groups with signs of impairment of fixed assets, the total amount of undiscounted future cash flows from the relevant asset group is compared with the carrying amount in order to determine whether it is necessary to recognize an impairment loss or not.

As a result of the judgment, if it is determined that it is necessary to recognize the impairment loss, the carrying amount is reduced to the recoverable amount, and the decrease in the carrying amount is regarded as the impairment loss.

In the current fiscal year, there are signs of impairment of tangible fixed assets of 27,225 million yen due to a decline in profitability caused by changes in the business environment.

As a result of determining whether or not it is necessary to recognize an impairment loss, no impairment loss is recognized because the total amount of estimated undiscounted future cash flows exceeds the carrying amount of the asset.

Estimates of undiscounted future cash flows are based on the business plan approved by management and the net selling price of platinum equipment and bullions, which are key assets, the main assumptions are sales and growth rate, which are the basis for formulating business plans.

Furthermore, the total amount of undiscounted future cash flows is sufficiently higher than the carrying amount in the current fiscal year, even if there are reasonable fluctuations in the sales or growth rate used to calculate the recoverable amount, we judge that it is unlikely that an important impairment loss will occur.

5. Notes on changes in accounting estimates

Regarding asset retirement obligations that were recorded as an obligation to restore the original state due to the real estate lease contract for factory land, the discount rate estimate has been changed due to the extension of the contract period.

The decrease amount of 340,935 thousand yen due to this change in the estimate is subtracted from the balance of asset retirement obligations before the change.

Due to the estimate change, total sales loss, operating loss, ordinary loss, income before income taxes and minority interests and net loss for the current consolidated fiscal year decreased by 406,763 thousand yen.

6. Notes on Consolidated Balance Sheet

(1) Assets pledged as collateral and debt obligations related to collateral

① Assets pledged as collateral

Machinery equipment and transport vehicles	18,027,327 thousand ¥
Long-term guarantee deposit	322,957 thousand ¥
Affiliated company stock	34,420,853 thousand ¥
Total	52,771,137 thousand ¥

② Debt obligations related to collateral

Long-term debt	1,899,699 thousand ¥
Affiliated company long-term debt	45,838,983 thousand ¥
Total	47,738,682 thousand ¥

(Note) Shares of affiliated companies are not recorded in the consolidated financial statements because they are eliminated on a consolidated basis

(2) Accumulated depreciation of tangible fixed assets 45,987,643 thousand ¥

(3) Financial covenant provision

① Upon "Cash loan for consumption contract" (hereinafter "HOYA loan contract") concluded with HOYA Corporation on June 20, 2014 (including the change in contract which was concluded on "October 27, 2015" and on December 22, 2017) we pledge to satisfy the following financial index values calculated on the basis of consolidated financial statements as a general rule.

- (1) The amount by adding 15,916,688 thousand yen which is equivalent to the impairment loss of goodwill that occurred in the fiscal year ended September 30, 2017, to the amount of net assets on the consolidated balance sheet at the end of fiscal year and each interim period from September 30, 2019, shall maintain at least 7,800,000 thousand yen.
- (2) Record ordinary income and net income in the consolidated income statement for each business year after the fiscal year ended March 31, 2020.
- (3) Maintain the consolidated free cash flows for each interim period and each settlement period after the interim period of September 31, 2019, at an amount exceeding 0 yen.

The financial covenants are in conflict with the fiscal year ending March 2, 2020, the interim period of September, 2020, and the fiscal year ending March, 2021. There is confirmation from HOYA Corporation that our company is in default on the HOYA loan contract with respect to the financial covenants in the fiscal year ending March, 2020 and the interim period of September, 2020, a notice has been received that we will not waive any rights associated with the default and reserve it.

② Our company concluded a "loan agreement" with Cairn India Holdings Limited as on December 22, 2017 (hereinafter referred to as, "CIHL loan agreement") (including a change of contract concluded on December 22, 2017), wherein, it was pledged to meet the following financial index values calculated on the basis of consolidated financial statements.

- (1) To maintain the amount of the amount of net assets on the consolidated balance sheet for the interim period and the last day of the fiscal year of each fiscal year, at more than whichever is greater 80% of the amount of net assets on the consolidated balance sheet on the last day of the relevant fiscal year and interim period or the last day of the fiscal year ending March 2010.
- (2) Not to record ordinary loss in the consolidated income statement for each business year for two consecutive terms.
- (3) Not to record a net loss for the second consecutive term regarding net income and loss in the consolidated income statement for each fiscal year.

The financial covenants are in conflict with the fiscal year ending March 2, 2020, the interim period of September, 2020, and the fiscal year ending March, 2021, for at least one year from March 31, 2021, the parent company has confirmed its intention to provide financial support necessary for the continuation of our company's business, in addition, we attached the approval of the request for it to defer the time being the payment of debt interest to the company. Based on the above, we recognize that it is synonymous with not exercising any right to claim loss of profit due to the deadline, at least until March 31, 2022.

7. Notes on consolidated income statement

(1) Research and development expenses included in selling, general and administrative expenses
 Research and development expenses included in selling, general and administrative expenses are as follows.

115,891 thousand
 円

(2) Insurance money received

The insurance money received is due to the application of non-life insurance for cargo damage during transportation in Taiwan in May 2020.

8. Note on consolidated statement of changes in shareholders' equity, etc.

(1) Matters concerning the type and total number of issued shares

Type of stock	Number of shares at the beginning of current consolidated fiscal year	Number of shares increased during current consolidated fiscal year	Number of shares decreased during current consolidated fiscal year	Number of shares at the end of current consolidated fiscal year
Common stock	99,258,900 shares	- shares	- shares	99,258,900 shares

(2) Matters concerning types and number of treasury shares

Not applicable.

(3) Matters concerning the distribution of surplus

Not applicable.

(4) Matters concerning stock acquisition rights as of the end of the current consolidated fiscal year

Not applicable.

9. Notes on financial products

(1) Matters concerning financial products status

① Policy initiatives for financial products

It is our group's policy to limit fund management to short-term deposits and to raise funds by borrowing from corporate bonds and affiliated companies.

② Contents of financial products and risks related to the financial products

Accounts receivable, that is, the trade receivables, are exposed to the credit risk of customers. In addition, the selling price with customers is based on the yen-denominated price or the price negotiated based on the yen-denominated price, and the exchange risk of our company group is limited.

Accounts payable, which is an operating debt, is due within one month.

Borrowing is for the purpose of raising funds necessary for capital investment, so we raise funds for long-term capital investment by issuing corporate bonds. Since this loan has a floating interest rate, there is exposure to the risk of fluctuations in interest rates. Corporate bonds have a fixed interest rate.

③ Risk management system for financial products

(1) Credit risk (risk related to breach of contract of business partners) management

Based on the credit management rules, our company group regularly monitors the status of business partners and manages due dates and balances for each business partner. Consolidated subsidiaries also manage in accordance with this.

(2) Market risk (risk of fluctuations in exchange rates, interest rates, etc.) management

Our company group's trade receivables and payables are based on the yen-denominated price or the price negotiated based on the yen-denominated price with the customer, and the exchange risk is limited.

(3) Management of liquidity risk related to financing (risk of inability to make payments on due date)

In our company group, each company is managed by creating a cash flow plan in a timely manner. Borrowings are subject to financial covenants. For details, please refer to "4. Notes on consolidated balance sheet".

④ Supplementary explanation on matters related to the market value of financial products, etc.

The market value of financial instruments includes the value based on the market price and the value reasonably calculated if there is no market price. Since the calculation of the price incorporates variable factors, the price may fluctuate by adopting different preconditions.

⑤ Concentration of credit risk

37% of trade receivables on the consolidated closing date for the current fiscal year are for specific large customers.

(2) Matters concerning the market value of financial products

The amount recorded on the consolidated balance sheet, the market value, and the difference between them as of March 31, 2021 are as follows.

(Unit: 1000 円)

	Amount recorded on consolidated balance sheet	Market value	Differential amount
(1) Cash and deposits	463,735	463,735	—
(2) Accounts receivable	823,033	823,033	—

Total assets	1,286,768	1,286,768	—
(1) Accounts payable	46,457	46,457	—
(2) Long-term borrowings	1,899,699	1,629,409	△270,290
(3) Long-term borrowings of affiliated companies	46,653,772	47,505,427	851,655
(4) Bonds	5,906,340	1,039,142	△4,867,198
Total liabilities	54,506,268	50,220,435	△4,285,833

(Note) Method of calculating fair value of financial instruments

Assets

(1) Cash and deposits, (2) Accounts receivable

Because these are settled in a short period of time, the fair value approximates the carrying amount, so it is based on the book value.

Liabilities

(1) Accounts payable

Because these are settled in a short period of time, the fair value approximates the carrying amount, so it is based on the book value.

(2) Long-term borrowings (3) Long-term borrowings of affiliated companies

For these market prices, we calculate the total amount of principal and interest discounted by the interest rate assumed the similar case of new borrowing.

(4) Bonds

These market values are calculated based on market prices.

10. Notes on per share information

(1) Net assets per share $\Delta 286$ 円30 cents

(2) Net loss per share $\Delta 47$ 円75 cents

11. Other notes

(1) Important disputes

① On October 21, 2019, AvanStrate Taiwan Inc. (hereinafter referred to as AST), a consolidated subsidiary of our company, received a complaint against Corning, Inc. of the United States as a plaintiff and AST as a defendant.

The content of the proceedings was based on the infringement of patent rights to Taiwan Registered Patents No. 570901 and I246989 by AST, for the use of equipment that infringes patent rights, application for sale of goods (infringing products) manufactured by the equipment, prohibition of sales, import, etc., disposal of infringing equipment and disposal of infringing products, burden of legal costs, etc. In addition, on the date of oral argument on November 19, 2020, the plaintiff has added a claim for damages, claiming the total damages to be 000 ten thousand USD, and claiming a portion of it, 3000 ten thousand NT\$ (Approximately JPY 110 million).

② On November 11, 2019, our consolidated subsidiary AvanStrate Korea Inc. (hereinafter referred to as ASK) received a complaint against Corning Inc. of the United States as a plaintiff and ASK as a defendant.

The content of the proceedings was based on the infringement of patent rights to Korean Registered Patents No. 0762054, No. 1230754, and No. 1296484, with regard to suspension of patent infringement, prohibition of production, sales application, sale, import, etc. of goods (infringing products) manufactured by equipment that infringes patent rights, destruction of infringing products (including semi-finished products) and the equipment, legal proceedings, burden of costs, etc.

We believe there is no fact for the infringement of all patent rights, we also believe that there is no basis for calculating the amount of damages. Both proceedings have been filed, and at this time, we believe that the proceedings will not have a significant impact on our financial position and operating results.

(2) About the impact of the new coronavirus infection spread

Our company group makes accounting estimates for impairment of fixed assets based on the information available at the time of preparation of consolidated financial statements.

The impact of the spread of coronavirus disease on accounting estimates regarding impairment of business and fixed assets is currently minor. However, it is considered necessary to pay close attention to the future impact.

12. Notes on important subsequent events

Not applicable.

Balance sheet
As on March 31, 2021

(Unit: thousand ¥)

Items	Amount	Items	Amount
(Assets section)		(Liabilities section)	
Current assets	7,510,167	Current liabilities	2,696,973
Cash and deposits	64,434	Affiliate Short-term borrowings	235,000
Stock	551,312	Accrued expenses	224,314
Accounts receivable from affiliated companies	13,392,642	Accrued expenses of affiliates	2,012,343
Affiliated company short-term loans	12,860,000	Advance payment of affiliates	216,250
Long-term loans of affiliates scheduled to be recovered within one year	3,300,000	Others	9,066
Others	33,989	Fixed liabilities	74,255,403
Allowance for doubtful accounts of affiliated companies	△22,692,210	Long-term debt	1,899,699
Fixed assets	37,805,116	Affiliated company long-term debt	63,533,519
Tangible fixed assets	3,060,689	Corporate bond	5,906,340
Mechanical equipment	3,059,913	Deferred tax liabilities	858,173
Tool Fixtures	776	Provision for loss on guarantees of affiliated companies	2,038,222
Intangible fixed assets	73	Others	19,450
Others	73	Total liabilities	76,952,376
Investments and other assets	34,744,354	(Net assets section)	
Affiliated company stock	34,420,853	Shareholder's equity	△31,637,093
Long-term guarantee deposit	322,957	Capital	100,000
Others	544	Capital surplus	50,089,410
		Capital reserve	100,000
		Other capital surplus	49,989,410
		Earned surplus	△81,826,503
		Other retained earnings	△81,826,503
		Retained earnings carried forward	△81,826,503
		Total net assets	△31,637,093
Total assets	45,315,283	Total liabilities net assets	45,315,283

(Note) Amount below thousand yen is rounded off.

Profit and Loss Statement

From April 1, 20 20

Until March 31, 20 21

(Unit : thousand 円)

Items	Amount	
Amount of sales		—
Cost of sales		—
Gross profit		—
Selling, general and administrative expenses		547,341
Operating loss		△547,341
Non-operating income		
Affiliate interest income	311,278	
Affiliate received royalty	166,886	
Provision for loss on guarantee loss on affiliated companies	3,967,977	
Others	3,526	4,449,667
Non-operating expenses		
Interest expense of affiliates	1,145,453	
Interest expense	2,293	
Corporate bond interest	7,111	
Commission paid	1,422	
Affiliated company loan loss reserve provision amount	2,489,536	
Others	26,730	3,672,545
Ordinary Income		229,781
Special profit		
Gain on cancellation of bond purchase	378,743	378,743
Special loss		
Loss on sale of fixed assets	108	
Loss on retirement of fixed assets	878	986
Income from continuing operations before income taxes		607,538
Corporate tax, inhabitant tax and business tax	642	
Corporate tax adjustment amount	△54,255	△53,613
Net income		661,151

(Note) Amount below thousand yen is rounded off.

Statement of changes in shareholders' equity

From April 1, 2020

Until March 31, 2021

(Unit: thousand 円)

	Shareholders' equity							Total net assets
	Capital	Capital surplus			Retained earnings		Total shareholders' equity	
		Capital reserve	Other capital reserve	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings		
Beginning balance of current period	100,000	100,000	49,989,410	50,089,410	△82,487,654	△82,487,654	△32,298,244	△32,298,244
Amount of current fluctuation								
Net Income					661,151	661,151	661,151	661,151
Current fluctuations (net) for items other than shareholders' equity								
Total changes during current period	-	-	-	-	661,151	661,151	661,151	661,151
Balance at the end of current period	100,000	100,000	49,989,410	50,089,410	△81,826,503	△81,826,503	△31,637,093	△31,637,093

(Note) Amount below thousand yen is rounded off.

Notes on individual financial statements

1. Notes concerning premises of ongoing business

The total amount of "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 54,459,811 thousand yen, the amount of borrowings from HOYA Corporation included in "Long-term debts of affiliated companies" were 1,332,054 thousand yen on April 30, 2021, 1,332,054 thousand yen as on October 29, 2021, 1,332,054 thousand yen as on April 4 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 Δ 28,418,176 thousand yen.

And, the debt related to the interest on the loan agreement from HOYA Corporation and the repayment of the principal whose repayment date reached on April 30, 2021 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 2021 and end of March 2022.

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 favorable 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.

In addition, we requested that the payment of interest on loans to the company be deferred tentatively, and we have obtained the consent of this request. 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, 2021.

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.

2. Notes on matters related to important accounting policies

(1) Evaluation standards and methods of evaluation of securities

- ① Stock of affiliated companies
Cost method by moving average method

(2) Evaluation standards and methods for evaluation of inventories

Stocks are stated at cost using the specific identification method (Balance sheet value is calculated by the book value devaluation method based on the decline in profitability)

(3) Method of depreciation of fixed assets

① Tangible fixed assets

The declining-balance method is used.

Also, the main useful lives are as follows.

Tool furniture and fixtures 10 years

② Intangible fixed assets

The straight-line method is used.

(4) Accounting standards for reserves

- ① Allowance for doubtful accounts of affiliated companies
In order to prepare for losses on doubtful accounts of affiliates, we record an uncollectible amount based on individual recoverability of specific claims such as doubtful receivables.

- ② Reserve for loss on guarantees of affiliated companies
: In order to prepare for losses on guarantees of subsidiaries and affiliates, the estimated amount of losses is recorded at the end of the fiscal year, taking into consideration the financial condition etc. of the guaranteed party.

(5) Other important matters as the basis for preparing the financial statements

Accounting treatment of consumption tax etc
Consumption tax and local consumption tax are accounted for using the tax exclusion method.

3. Notes related to balance sheet

(1) Assets pledged as collateral and obligations related to collateral

① Assets pledged as collateral

Mechanical equipment and vehicles	2,323,239 thousand ¥
Long-term guarantee deposit	322,957 thousand ¥
Affiliated company stock	34,420,853 thousand ¥
Total	37,067,049 thousand ¥

② Debt obligations related to collateral

Long-term debt	1,899,699 thousand ¥
Affiliated company long-term debt	33,403,730 thousand ¥
Total	35,303,429 thousand ¥

- (2) Accumulated depreciation of tangible fixed assets 768 thousand ¥

(3) Guarantee obligation for debt

- ① The following affiliated companies guarantee the debt among the borrowings from Cairn India Holdings Inc., totaling 24,735,896 thousand yen.

AvanStrate Taiwan Inc.

AvanStrate Korea Inc.

- ② Our company and the following affiliated companies have guaranteed loans to AvanStrate Korea Inc.'s loan agreement, totaling 12,435,253 thousand yen.

AvanStrate Taiwan Inc.

- ③ The following affiliated companies guarantee debt with respect to the total amount of 8,667,834 thousand yen as a money consumption loan agreement with our company HOYA Corporation.

AvanStrate Taiwan Inc.

(4) Monetary claims and obligations to affiliated companies are as follows.

Short-term monetary claim	1,611 thousand ¥
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(5) Financial covenant provision

① Upon "Cash loan for consumption contract" (hereinafter "HOYA loan contract") concluded with HOYA Corporation on June 20, 2014 (including the change in contract which was concluded on "October 27, 2015" and on December 22, 2017) we pledge to satisfy the following financial index values calculated on the basis of consolidated financial statements as a general rule.

(1) The amount by adding 15,916,688 thousand yen which is equivalent to the impairment loss of goodwill that occurred in the fiscal year ended September 30, 2017, to the amount of net assets on the consolidated balance sheet at the end of fiscal year and each interim period from September 30, 2019, shall maintain at least 7,800,000 thousand yen.

(2) Record ordinary income and net income in the consolidated income statement for each business year after the fiscal year ended March 31, 2020.

(3) Maintain the consolidated free cash flows for each interim period and each settlement period after the interim period of September 31, 2019, at an amount exceeding 0 yen.

The financial covenants are in conflict with the fiscal year ending March 2, 2020, the interim period of September, 2020, and the fiscal year ending March, 2021. There is confirmation from HOYA Corporation that our company is in default on the HOYA loan contract with respect to the financial covenants in the fiscal year ending March, 2020 and the interim period of September, 2020, a notice has been received that we will not waive any rights associated with the default and reserve it.

② Our company concluded a "loan agreement" with Cairn India Holdings Limited as on December 22, 2017 (hereinafter referred to as, "CIHL loan agreement") (including a change of contract concluded on December 22, 2017), wherein, it was pledged to meet the following financial index values calculated on the basis of consolidated financial statements.

(1) To maintain the amount of the amount of net assets on the consolidated balance sheet for the interim period and the last day of the fiscal year of each fiscal year, at more than whichever is greater 80% of the amount of net assets on the consolidated balance sheet on the last day of the relevant fiscal year and interim period or the last day of the fiscal year ending March 2010.

(2) Not to record ordinary loss in the consolidated income statement for each business year for two consecutive terms.

(3) Not to record a net loss for the second consecutive term regarding net income and loss in the consolidated income statement for each fiscal year.

The financial covenants are in conflict with the fiscal year ending March 2, 2020, the interim period of September, 2020, and the fiscal year ending March, 2021, for at least one year from March 31, 2021, the parent company has confirmed its intention to provide financial support necessary for the continuation of our company's business, in addition, we attached the approval of the request for it to defer the time being the payment of debt interest to the company. Based on the above, we recognize that it is synonymous with not exercising any right to claim loss of profit due to the deadline, at least until March 31, 2022.

4. Notes on income statement

(1) Transaction volume with affiliated companies

Transactions besides than business transactions

Interest income	311,278 thousand ¥
Patent right income	166,886 thousand ¥
Other revenue	3,520 thousand ¥
Interest expense	1,145,453 thousand ¥
Other expenses	16,584 thousand ¥

(2) Provision for debt guarantee loss for affiliated companies and reversal of reserve for debt guarantee loss of affiliated companies

In order to prepare for loss on debt guarantee to AvanStrate Korea Inc., our consolidated subsidiary, the reversal of reserve for debt guarantee loss of affiliated companies is recorded.

(3) Provision of allowance for doubtful accounts of affiliated companies and reversal of allowance for doubtful accounts of affiliated companies

Our consolidated subsidiary, AvanStrate Korea Inc., is insolvent, the provision for bad debts of affiliated companies has been recorded as a result of examining the collectability of the receivables from the subsidiary.

5. Notes on Statement of Changes in Shareholders' Equity

Matters concerning the type and total number of issued shares

Type of stock	Number of shares at the beginning of current fiscal year	Number of shares increased during current fiscal year	Number of shares decreased during current fiscal year	Number of shares at the end of current fiscal year
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Common stock	99,258,900 shares	— shares	— shares	99,258,900 shares
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6. Notes concerning tax effect accounting

(1) Major causes of deferred tax assets and deferred tax liabilities breakdown

Deferred tax asset

Loss carried forward	9,231,690 thousand ¥
Affiliated company allowance for doubtful accounts	1,980,300 thousand ¥
Asset retirement obligations	6,588 thousand ¥
Impairment loss	53,712 thousand ¥
Others	46,818 thousand ¥
Deferred tax asset subtotal	11,319,108 thousand ¥
Valuation allowance for tax loss carryforwards	△9,231,690 thousand ¥
Valuation allowance for the total of future subtraction temporary differences, etc.	△2,087,418 thousand ¥
Evaluation allowance subtotal	△11,319,108 thousand ¥
Total deferred tax assets	— thousand ¥

Deferred tax liability

Valuation gain on bullion holdings	△858,173 thousand ¥
Net deferred tax liability	△858,173 thousand ¥

7. Notes concerning transactions with related parties

(1) Parent company and major corporate shareholders, etc

(Unit: thousand ¥)

Type	Name of company	Percentage of owned (held) voting rights	Relationship with related parties	Transaction contents	Transaction amount (One million yen)	Items	Balance at end of year
Parent company	Cairn India Holdings Ltd.	Directly held ownership 51.6%	Concurrent director	Payment of interest on borrowed funds	1,767,420 378,018	Affiliated company long-term borrowings accrued expenses of affiliates	25,550,685 1,072,543
Other affiliates	HOYA Corporation	Directly held ownership 46.6%	Concurrent director	Payment of interest on borrowing repayment related costs	- 432,965	Affiliated company long-term borrowings accrued expenses of affiliates	8,667,834 202,424

(2) Subsidiaries and affiliates

(Unit: thousand ¥)

Type	Name of company	Percentage of owned (held) voting rights	Relationship with related parties	Transaction contents	Transaction amount (thousand yen)	Items	Balance at end of year
Subsidiary company	AvanStrate Taiwan Inc.	Direct ownership 100.0%	Concurrently serving as patent officer	Interest payment Patent rights income Repayment of funds Receipt of bullion leasing fees, etc. Debt Guarantee	334,470 149,719 150,000 - 33,403,730	Affiliated company accounts receivable Affiliated company short-term borrowing Affiliated companies long-term liabilities Affiliated company accrued expenses Affiliated company advance payment Affiliated company advance account	6,860,831 235,000 29,315,000 737,275 216,250 1,213

						receivable	
Subsidiary company	AvanStrate KoreaInc.	Direct ownership 100.0%	Concurrentl y serving as patent officer	Receipt of interest	311,278	Affiliated company	6,531,811
				Lending of funds	2,160,000	accounts receivable	12,860,000
				loan guarantee	12,435,253	Affiliated company	3,300,000
				Receipt of bullion leasing fees, etc.	3,520	short-term loan	
				Payment of collateral provision fees, etc.	16,584	Long-term loans of affiliated companies	100
				Debt Guarantee	24,735,896	scheduled to be collected within one year	398
						Affiliated company accrued expenses	
						Affiliated company advance account receivable	

(Note) Regarding advance account receivable for affiliated companies, it is included in "Other" of current assets on the balance sheet.

Policy determining transaction terms and conditions

- ① The transaction price and other transaction conditions are carried out under the same general transaction conditions as those for an independent third-party transaction.
- ② Regarding the loan of funds and the receipt of interest, the interest rate is reasonably determined in consideration of the market interest rate and the business situation. "Transaction amount" refers to the net increase or decrease in annual transactions.
- ③ Borrowing of funds is based on reasonable interest rates taking market interest rates into account. "Transaction amount" indicates the net change in annual transaction amount.
- ④ With regard to the patent revenue of glass type NA 32 SG developed independently by our company, we have concluded a technical license agreement with our consolidated subsidiary. Regarding the tariff rate, we implemented a transfer pricing case study to reduce transfer pricing risk, and we decided it will be between 2% and 15% in this fiscal year.
- ⑤ Guarantee for debt is provided for AvanStrate Korea Inc. borrowings.
- ⑥ The following affiliated companies guarantee the debt against borrowings from Cairn India Holdings Inc., for a total amount 24,735,896 thousand yen.
AvanStrate Taiwan Inc.
AvanStrate Korea Inc.
- ⑦ The following affiliated companies provide guarantee obligations to our company's total of 8,667,834 thousand yen for cash loan agreements with HOYA Corporation.
AvanStrate Taiwan Inc.

(3) Officers and individual major shareholders

Not applicable

8. Notes on per share information

- | | |
|--------------------------|---------------|
| (1) Net assets per share | △318円73 cents |
| (2) Net loss per share | 6円66 cents |

9. Other notes

(1) Important disputes

- ① On October 21, 2019, AvanStrate Taiwan Inc. (hereinafter referred to as AST), a consolidated subsidiary of our company, received a complaint against Corning, Inc. of the United States as a plaintiff and AST as a defendant.

The content of the proceedings was based on the infringement of patent rights to Taiwan Registered Patents No. 570901 and I246989 by AST, for the use of equipment that infringes patent rights, application for sale of goods (infringing products) manufactured by the equipment, prohibition of sales, import, etc., disposal of infringing equipment and disposal of infringing products, burden of legal costs, etc. In addition, on the date of oral argument on November 19, 2020, the

plaintiff has added a claim for damages, claiming the total damages to be 000 ten thousand USD, and claiming a portion of it, 3000 ten thousand NT\$ (Approximately JPY 110 million).

- ② On November 11, 2019, our consolidated subsidiary AvanStrate Korea Inc. (hereinafter referred to as ASK) received a complaint against Corning Inc. of the United States as a plaintiff and ASK as a defendant.

The content of the proceedings was based on the infringement of patent rights to Korean Registered Patents No. 0762054, No. 1230754, and No. 1296484, with regard to suspension of patent infringement, prohibition of production, sales application, sale, import, etc. of goods (infringing products) manufactured by equipment that infringes patent rights, destruction of infringing products (including semi-finished products) and the equipment, legal proceedings, burden of costs, etc.

We believe there is no fact for the infringement of all patent rights, we also believe that there is no basis for calculating the amount of damages. Both proceedings have been filed, and at this time, we believe that the proceedings will not have a significant impact on our financial position and operating results.

10. Notes on important subsequent events

Not applicable.

Certified copy of audit report by accounting auditor related to consolidated financial statements

Independent Auditor's Audit Report

May 27, 2021

AvanStrate Co Ltd
The Board of Directors

Ernst & Young ShinNihon LLC
Osaka Office

Designated limited liability partner Executive member	Certified public accountant	Miho Ueda	Ⓔ
Designated limited liability partner Executive member	Certified public accountant	TokunoDaiji	Ⓔ

Audit opinion

Based on the provisions of Article 444, Paragraph 4 of the Companies Act, our audit company performed auditing of the consolidated financial statements from April 1 2020 to March 31, 2021 for AvanStrateInc, in other words, the auditing of consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated notes were performed.

Our audit company complies with the above consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan, and acknowledge that the status of assets and profits and losses for the period pertaining to the consolidated financial statements of the corporate group consisting of AvanStrate Inc. and its consolidated subsidiaries is properly displayed in all important respects.

Basis for audit opinion

Our audit company conducted audits in accordance with auditing standards generally accepted in Japan. Our responsibility under auditing standards is stated in "Auditor's responsibilities in auditing the consolidated financial statements". Our audit company complies with the rules regarding professional ethics in Japan, it is independent of the company and its consolidated subsidiaries, fulfills other ethical responsibilities as an auditor. Our audit company has determined that we have obtained sufficient and appropriate audit evidence on which to express our opinions.

Significant uncertainty related to on-going business assumption

The total amount of "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 54,459,811 thousand yen, the amount of borrowings from HOYA Corporation included in "Long-term debts of affiliated companies" were 1,332,054 thousand yen on April 30, 2021, 1,332,054 thousand yen as on October 29, 2021, 1,332,054 thousand yen as on April 4 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 Δ 28,418,176 thousand yen. In addition, the debt related to the interest on the loan contract from HOYA Corporation and the repayment of the principal whose repayment date came on April 30, 2021 has become default. And, it has been in conflict with the financial covenants since the fiscal year ended March, 2020.

From the above, the AvanStrate Inc. Group has an event or situation that raises important doubts about the on-going business assumption, and at this point of time, there are significant uncertainties regarding the on-going business assumption.

Furthermore, the countermeasures as against the situation and the reasons for the significant uncertainty are described in the corresponding note. The consolidated financial statements are prepared on the premise of an on-going business, and the effects of such significant uncertainties are not reflected in the consolidated financial statements.

The mentioned matter does not affect the opinion of our audit corporation.

Responsibilities of management, corporate auditors and board of corporate auditors for consolidated financial statements

Management's responsibility is to prepare and properly present the consolidated financial statements and their supporting

schedules in accordance with corporate accounting standards generally accepted in Japan as fair and reasonable. This includes the designing and operation of internal controls that management deems necessary in order to prepare and properly present the consolidated financial statements which is free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, the management evaluates whether it is appropriate to prepare the consolidated financial statements based on the premise of ongoing business, and if it is necessary to disclose matters relating to a going concern based on corporate accounting standards generally accepted in Japan, then it is the responsibility to disclose such matters.

The responsibility of the corporate auditors and the board of corporate auditors is to monitor the execution of duties by the directors in the development and operation of the financial reporting process.

Responsibility of auditor in auditing consolidated financial statements

Based on the audit conducted by the auditor, their responsibility has the purpose to express an opinion on the consolidated financial statements from an independent standpoint in the audit report, providing a reasonable assurance that the overall consolidated financial statements are free of misstatement due to fraud or error. Misrepresentations can be caused by fraud or error and, they are considered important when it is reasonably expected to influence the decision-making of users of consolidated financial statements when individually or aggregated.

Auditors shall comply with auditing standards generally accepted in Japan, conclude judgments as a professional expert through the audit process, maintain professional skepticism and execute the following.

- Perform assessment by identifying the risk of material misstatement due to fraud or error. Also, formulate and implement audit procedures that address important misstatement risks. The selection and application of audit procedures is at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence in order to exhibit opinions.
- Although the purpose of auditing consolidated financial statements is not to express an opinion on the effectiveness of internal control, when conducting a risk assessment, the auditor considers internal controls related to the audit in order to formulate appropriate audit procedures according to the situation.
- Evaluate the adequacy of accounting policies and methods of application thereof which were adopted by the management, as well as assess the rationality of accounting estimates made by management and the adequacy of relevant notes.
- Conclude the existence of significant uncertainties regarding events or circumstances that raise significant doubts about the going concern assumption, based on the audit evidence obtained and whether it is appropriate for management to prepare consolidated financial statements on the premise of an on-going business. Requirement to express an opinion with exclusions on the consolidated financial statements such as if there are significant uncertainties regarding the on-going business assumption, call attention to the notes in the consolidated financial statements in the audit report, or if the notes in the consolidated financial statements regarding material uncertainties are not appropriate. Conclusions drawn by the auditor are based on audit evidence obtained by the date of the audit report, depending on future events and circumstances, a company may not be able to survive as a going concern.
- Along with the assessment as to whether the representations and notes of consolidated financial statements comply with corporate accounting standards generally accepted in Japan, evaluation is to be done whether the representations of consolidated financial statements, including relevant notes, composition and content, and consolidated financial statements properly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the company and its consolidated subsidiaries in order to express their views on the consolidated financial statements. The auditor is responsible for the instructions, supervision and implementation of auditing consolidated financial statements. The auditor shall solely be responsible for the audit opinion.

The auditor shall report for corporate audit and supervisory board and board members about the important audit findings, including planned audit scope and timing, and significant internal control deficiencies identified during the audit process.

The auditor shall report for corporate audit and supervisory board and board members about the compliance with Japan's provisions on professional ethics regarding independence, matters reasonably considered to affect the independence of auditors, and safeguards to eliminate or mitigate impediments.

Concern interest

There are no interests between our company, its consolidated subsidiaries and our audit corporation or business executives, to be stated pursuant to the provisions of the Certified Public Accountants Act.

End

Certified copy of audit report by accounting auditor related to the financial statements

Independent Auditor's Audit Report

May 27 2021

AvanStrate Co Ltd
The Board of Directors

Ernst & Young ShinNihon LLC
Osaka Office

Designated limited liability partner	Certified public accountant	上田 美穂	Ⓜ
Designated limited liability partner	Certified public accountant	徳野 大二	Ⓜ

Audit opinion

Our audit company has performed auditing of the 14th business year financial documents from April 1 2020 to March 31, 2021 for AvanStrateInc, in other words, the balance sheet, income statement, statement of changes in shareholders' equity, individual notes and their supplementary schedules (hereinafter referred to as "financial statements, etc.") in accordance with the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act.

Our audit company complies with the above consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan, and acknowledge that the status of assets and profits and losses for the period pertaining to the financial statements is properly displayed in all important respects.

Basis for audit opinion

Our audit company conducted audits in accordance with auditing standards generally accepted in Japan. Our responsibility under auditing standards is stated in "Auditor's responsibilities in auditing the consolidated financial statements". Our audit company complies with the rules regarding professional ethics in Japan, it is independent of the company and its consolidated subsidiaries, fulfills other ethical responsibilities as an auditor. Our audit company has determined that we have obtained sufficient and appropriate audit evidence on which to express our opinions.

Significant uncertainty related to on-going business assumption

The total amount of "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 54,459,811 thousand yen, the amount of borrowings from HOYA Corporation included in "Long-term debts of affiliated companies" were 1,332,054 thousand yen on April 30, 2021, 1,332,054 thousand yen as on October 29, 2021, 1,332,054 thousand yen as on April 4 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 $\Delta 28,418,176$ thousand yen. In addition, the debt related to the interest on the loan contract from HOYA Corporation and the repayment of the principal whose repayment date came on April 30, 2021 has become default. And, it has been in conflict with the financial covenants since the fiscal year ended March, 2020.

From the above, the AvanStrate Inc. Group has an event or situation that raises important doubts about the on-going business assumption, and at this point of time, there are significant uncertainties regarding the on-going business assumption.

Furthermore, the countermeasures as against the situation and the reasons for the significant uncertainty are described in the corresponding note. The consolidated financial statements are prepared on the premise of an on-going business, and the effects of such significant uncertainties are not reflected in the consolidated financial statements.

The mentioned matter does not affect the opinion of our audit corporation.

Responsibilities of management, corporate auditors and board of corporate auditors for financial statements

Management's responsibility is to prepare and properly present the consolidated financial statements and their supporting schedules in accordance with corporate accounting standards generally accepted in Japan as fair and reasonable. This includes the designing and operation of internal controls that management deems necessary in order to prepare and properly present the consolidated financial statements which is free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, the management evaluates whether it is appropriate to prepare the consolidated financial statements based on the premise of ongoing business, and if it is necessary to disclose matters relating to a going concern based on corporate accounting standards generally accepted in Japan, then it is the responsibility to disclose such matters.

The responsibility of the corporate auditors and the board of corporate auditors is to monitor the execution of duties by the directors in the development and operation of the financial reporting process.

Responsibility of auditor in auditing the financial statements

Based on the audit conducted by the auditor, their responsibility has the purpose to express an opinion on the financial statements from an independent standpoint in the audit report, providing a reasonable assurance that the overall financial statements are free of misstatement due to fraud or error. Misrepresentations can be caused by fraud or error and, they are

considered important when it is reasonably expected to influence the decision-making of users of financial statements when individually or aggregated.

Auditors shall comply with auditing standards generally accepted in Japan, conclude judgments as a professional expert through the audit process, maintain professional skepticism and execute the following.

- Perform assessment by identifying the risk of material misstatement due to fraud or error. Also, formulate and implement audit procedures that address important misstatement risks. The selection and application of audit procedures is at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence in order to exhibit opinions.
- Although the purpose of auditing consolidated financial statements is not to express an opinion on the effectiveness of internal control, when conducting a risk assessment, the auditor considers internal controls related to the audit in order to formulate appropriate audit procedures according to the situation.
- Evaluate the adequacy of accounting policies and methods of application thereof which were adopted by the management, as well as assess the rationality of accounting estimates made by management and the adequacy of relevant notes.
- Conclude the existence of significant uncertainties regarding events or circumstances that raise significant doubts about the going concern assumption, based on the audit evidence obtained and whether it is appropriate for management to prepare consolidated financial statements on the premise of an on-going business. Requirement to express an opinion with exclusions on the consolidated financial statements such as if there are significant uncertainties regarding the on-going business assumption, call attention to the notes in the consolidated financial statements in the audit report, or if the notes in the consolidated financial statements regarding material uncertainties are not appropriate. Conclusions drawn by the auditor are based on audit evidence obtained by the date of the audit report, depending on future events and circumstances, a company may not be able to survive as a going concern.
- Along with the assessment as to whether the representations and notes of consolidated financial statements comply with corporate accounting standards generally accepted in Japan, evaluation is to be done whether the representations of consolidated financial statements, including relevant notes, composition and content, and consolidated financial statements properly represent the underlying transactions and accounting events.

The auditor shall report for corporate audit and supervisory board and board members about the the scope and timing of planned audits, important audit findings, including material deficiencies in internal controls identified during the audit process, and other matters required by auditing standards.

The auditor shall comply with the corporate auditors and the board of corporate auditors regarding the provisions regarding professional ethics in Japan regarding independence and shall report corporate audit and supervisory board and board members about matters reasonably considered to affect the independence of auditors, and safeguards to eliminate or mitigate impediments.

Concern interest

There are no interests between our company and our audit corporation or business executives, to be stated pursuant to the provisions of the Certified Public Accountants Act.

End

A certified copy of audit report of Board of Corporate Auditors

Auditor's Report

Based on the audit report prepared by each Corporate Auditor regarding the execution of duties of the Directors during the 14th business year from April 1, 2020 (2020) to March 31, 2021 (2021), after deliberation, we report this audit report as follows.

1. Method and content of audit by corporate auditors

The Corporate Auditors determine the auditing policies, division of duties, etc. besides receiving reports from each auditor on the status and results of audits, reports from directors and other persons and accounting auditors are also received regarding the performance of their duties and requested explanations as necessary. In compliance with auditing standards, in accordance with audit policies, division of duties, etc. of corporate auditors, each corporate auditor communicates with directors and other employees, etc. and strives to collect information and improve the environment for auditing, attends the Board of Directors and other important meetings (eg: Management meeting), receives reports from the directors and employees etc. on the execution status of their duties, asks for explanations as necessary, views important decision documents, etc., at the head office and also investigates the status of business and property major business establishments. In addition, in order to ensure the appropriateness of the business of the corporation and to ensure the execution of duties by directors described in the business report complies with laws and regulations and the Articles of Incorporation, as deemed necessary, regarding the content of the resolution of Board of Directors related to the establishment of the system stipulated in Article 100, Paragraphs 1 and 3 of the Companies Act Enforcement Regulations and the system (internal control system) established based on the resolution, regular reports were received on the status of its construction and operation from directors and employees, etc and requested for explanations and expression of opinions. Regarding subsidiaries, information was communicated and exchanged with the directors and corporate auditors of the subsidiaries, and we received business reports from the subsidiaries as necessary. Based on the above method, we examined the business report and its supplementary schedules for the relevant business year. (However, a visit to the subsidiary was not conducted due to new corona virus, but we conducted a questionnaire, an interview using the telephone conference system, etc.)

Furthermore, we monitor and verify whether the accounting auditor maintains an independent position and is conducting appropriate audits, receives reports from the accounting auditor on the execution status of the duties, and provide explanations as necessary. In addition, a notification the "system for ensuring proper performance of duties" (matters listed in each item of Article 131 of the Corporate Accounting Regulations) being maintained in "quality control standard for audit" (October 28, 2015 Business Accounting Council), etc. was received from the accounting auditor and was asked for explanation as necessary.

Based on the above method, the financial statements (balance sheet, income statement, statement of changes in shareholders' equity and individual notes) and their supplementary schedules and consolidated financial statements (consolidated balance sheets, consolidated income statement, consolidated statement of changes in consolidated shareholders' equity and consolidated notes) were investigated.

2. Audit results

(1) Audit result of business report etc

1. We acknowledge that the business report and its supplementary schedules correctly indicate the situation of the company in accordance with laws and regulations and the Articles of Incorporation.

2. There are no unlawful acts concerning the execution of duties by directors or serious facts in violation of laws and regulations or the Articles of Incorporation.

3. We acknowledge that the content of the resolution of the Board of Directors on the internal control system is reasonable. In addition, there are no matters to point out regarding the content of the business report on the internal control system and the execution of duties by the directors. However, it is hoped that the institutions that make important company decisions will be clarified in the future.

(2) Audit results of the financial statements and supporting schedules

We acknowledge that the method and results of the audit by the accounting auditor Ernst & Young ShinNihon LLC audit corporation are appropriate.

(3) Audit results of consolidated financial statements

We acknowledge that the method and results of the audit by the accounting auditor Ernst & Young ShinNihon LLC audit corporation are appropriate.

May 31 2021

AvanStrate Co Ltd
Full-time corporate auditor Makoto Hara
Ⓜ

Audit & Supervisory Board Member
Nobuaki Tanishima Ⓜ

Audit & Supervisory Board Member
Akira Nakai Ⓜ

End

Reference Documents for General Meeting of Shareholders

Solicitor on behalf of the exercise of voting rights

AvanStrate Co Ltd
Representative Director and President Wu Mingxun

Proposal No. 1: Appointment of 5 Directors

All 5 Directors will expire at the conclusion of this ordinary general meeting of shareholders.

Therefore, we would request to continue to appoint 5 directors.

The candidates for the board of directors are as follows.

Can didate num ber	Phonetics Name (Date of birth)	Biography	Number of compan y shares owned
1	Wu MingHsun Wu MingHsun (Sept 1, 1966)	Sept 1993 May 1998 May 2000 May 2003 Aug 2003 Jul 2020 Feb 2021 Joined Cygnus Incorporated Joined AeroVision Avionics Inc. Joined Unipac Optoelectronics (currently AU Optronics Corp.) Joined Innolux Corporation Co-founder Vice President of PowerView Display Corporation Joined our company Chief Sales Officer (current position) Appointed as President our company (current position) Chairman of AvanStrate Taiwan Inc. (current position) Representative Director of AvanStrate Korea Inc. (current position)	—
2	Anand Agarwal Anand Agarwal (Aug 7, 1967)	Aug 1995 Aug 2001 Aug 2003 Feb 2018 Joined Sterlite Technologies Limited Appointed as COO of the same company Appointed as CEO of the same company (current position) Appointed as Director of our company (current position)	—
3	Akarsh K. Hebbar Akarsh K. Hebbar (Nov 10, 1987)	Nov 2009 Jun 2014 Aug 2015 Feb 2018 Jun 2018 Apr 2019 Joined ORACLE Financial Service Software Ltd Associate consultant Joined GOOGLE INDIA PVT. LTD., Mumbai, India YouTube Partner Intern Joined McKinsey & Co., Mumbai, India as Associate CRM Consultant Managing Director of our company President of our company Resigned as President and Representative Director of our company, Managing Director (current position)	—
4	John Kolada John Kolada (Mar 5, 1965)	Sept 1996 Sept 2015 Dec 2017 Blake, Cassels & Graydon Law Firm Partner and office representative partner Vedanta Resources Group Strategy and Special Project Chairperson (Current position) Director of our company(current position)	—
5	KashiwazakiRyouichi KashiwazakiRyouichi (Feb 27, 1963)	Apr 1988 Apr 1996 Mar 2003 Jan 2006 Oct 2008 Dec 2018 Joined East Japan Railway Company Joined Monitor Group Joined HOYA Corporation as General Manager, Planning Department, Vision Care Company General Manager of Corporate Planning Group of the same company General Manager of Corporate Planning Office of the same company (in charge of business strategy) (current position) Director of our company (current position)	—

(Note) 1. Mr. RyouichiKashiwazaki is a candidate for external Director.

2. Mr. RyouichiKashiwazaki's appointment as a candidate for external Director is based on his business strategy at the corporate planning office of Hoya Corporation, since he has extensive experience in corporate management, he is expected to be a candidate for external director, expecting supervision and guidance for management of the company.

3. In the event that Mr. RyouichiKashiwazaki is appointed as a director, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, we intend to conclude a contract with Mr. Kashiwazaki to limit the liability for damages under Article 423,

Paragraph 1 of the same law. The maximum amount of liability for damages under this agreement is limited to the sum of the amounts stipulated in Article 425, Paragraph 1 of the Companies Act.

4. There is no special conflict of interest between each candidate and our company.

Proposal 2 Appointment of 1 audit & supervisory board member

Nobuaki Tanishima, audit & supervisory board member, has offered to resign at the conclusion of the Ordinary General Meeting of Shareholders, so one new Audit & Supervisory Board Member will be appointed.

The candidate for corporate auditor are as follows.

Candidate number	Phonetics Name (Date of birth)	Biography	Number of company shares owned
1	Nakamura Norikazu Nakamura Norikazu (Nov 25, 1957)	<p>May 1983 Joined HOYA Corporation</p> <p>Apr 2001 Management Department Manager of HOYA Healthcare Corporation</p> <p>Jul 2008 Corporation</p> <p>Oct 2009 President and general manager of the same company</p> <p>Nov 2016 Management Department Manager of HOYA Corporation Eye Care Company</p> <p>Apr 2019 General Manager of Manufacturing and Sales Department of the same Eye Care Company</p> <p>Mar 2021 Contact Lens SBU General manager of the same company's Vision Care Company</p> <p> Audit Committee Audit Group of the same company (current position)</p>	—

(Note)1. Mr. Nakamura Norikazu is a candidate for external corporate auditor.

2. The reason for Mr. Nakamura Norikazu being selected as a candidate for outside corporate auditor is the long-term experience in accounting, finance and management at HOYA Corporation, he is a major shareholder, and has determined that he will be able to carry out appropriate business audits from the perspective of financial accounting.
3. Mr. Nakamura Norikazu's term of office will be from the end of the Ordinary General Meeting of Shareholders to the end of the Ordinary General Meeting of Shareholders for the fiscal year ending March 2024, in order to take over the term of office of mr.Nobuaki Tanishima.
4. Based on the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with Mr. Nakamura Norikazu to limit the liability for damages under Article 423, Paragraph 1 of the same Act, the maximum amount of liability for damages based on the contract is limited to the total amount stipulated in Article 425, Paragraph 1 of the Companies Act, if Mr. Nakamura Norikazu is reappointed, then the contract with him will be continued.