

AvanStrate Inc.

11-1 1 Chome Nishi Gotanda Shinagawa-ku Tokyo
Representative Director & President
Josef Zimmer

Notice on the Convocation of 13th Ordinary General Meeting of Stockholders

Dear Sir,

I would like to thank you for your continued cooperation.

We will hold the 13th General Meeting of Shareholders according to the following, so kindly notify your attendance.

Also, in case if you are unable to attend the meeting, you can exercise your voting right in writing, so please review the "Reference Documents for General Meeting of Shareholders" below and kindly fill in the enclosed voting right exercise form with your approval or disapproval of the agenda, affix seal and send back to us by 5 PM June 24, 2020 (Wednesday) .

Best regards

Description

1. **Date and Timing:** June 25, 2020(Thursday) Noon 12: 30pm

2. **Location:** 11 - 1, Nishi Gotanda 1-chome Shinagawa-ku, Tokyo
Gotanda station, 3rd floor, 1st meeting room

3. **Objective:**

Resolution matters:

1. Approval of 13th period (from April 1, 2018 to March 31, 2019) Business report, Financial Statement and Consolidated Financial Statements
2. Election of 5 directors
3. Election of 2 Corporate Auditors

The content of the agenda is as described in the "Reference Materials for General Meeting of Shareholders" to be described later.

- The End -

(Attachment)

Report on Business

From April 1, 2019 to March 31, 2020

1 . Matters Related to the Status of Business Group

(1) Business Situation of Current Business Year

① Business Progress and the Results

In the current consolidated fiscal year, the global economy continues to improve in the employment and income environment and the economy has turned to a modest recovery trend, but in addition to deepening and long-term prolonging US-China trade friction, due to the effect of the spread of new viral infectious disease (COVID-19), the economic activities of each country have been greatly restricted, and the impact is unprecedented, and the outlook continues to be uncertain.

In the liquid crystal display/panels industries, which are the customers of the Company group, oversupply has continued due to sluggish demand for global TV and the stagnation in growth of smartphone market, causing a continuous drop in panel prices for both large and medium/small types.

Under these circumstances, the Company group has been working to cultivate new customers while continuing to strive to maintain good business relationships with major customers, but as the number of orders received from major customers have decreased significantly, and as the price continues to decline, the income decreased significantly compared to the same period of the previous year. On the other hand, the Company group has focused on cost reductions, such as restructuring of production system due to the suspension of some production lines, and lay-off of workers after production adjustment, but as a result, it has become a difficult situation in terms of production and sales.

As a result of the above, the sales for the current consolidated fiscal year were 4,441 million yen (5,947 million yen decrease compared to the previous consolidated fiscal year), and operating loss was \triangle 5,344 million yen (4,225 million yen decrease compared to the previous year), and ordinary loss was \triangle 6,215 million yen (4,511 million yen decrease compared to the previous year), which resulted in a significant decrease in income compared to the previous year.

In addition, as special income, the bond purchase & retirement income incurred due to purchase & retirement of some bonds is included in the calculation, and the fixed assets sales income incurred due to sales of fixed assets is also included in the calculation. As special loss, the impairment loss, etc. of machinery are included in the calculation. Therefore net loss vesting in stockholders of parent company is \triangle 12,980 million yen (11,383 million yen loss increased compared to the previous year).

② Facilities Investment

The gross amount of facilities investment made by the Company group during the current consolidated fiscal year was 1,587 million yen. The investment is mainly for repair and improvement of existing facilities.

③ Funding

During the current consolidated fiscal year, 1,500 million yen is borrowed from Cairn India Holdings Limited, which is the Company's parent company as working capital of the Company group (long-term borrowings of 44,673 million yen from affiliated companies as specified in the consolidated balance sheet) within the maximum borrowings limit of 2,916 million yen.

④ Business Assignment, Split-Up Merger or Split-Up Consolidation

Not Applicable

⑤ Business Acquisition from Other Companies

Not Applicable

⑥ Succession to Rights and Obligations Related to Other Companies due to Merger or Split-Up Merger

Not Applicable

⑦ Acquisition or Disposition of Stocks, Other Equity or Preemptive Rights from Other Companies
Not Applicable

(2) Assets and Income/Loss in the Last 3 Fiscal Years

Description		10th Period (2017 March)	11th Period (2018 March)	12th Period (2019 March)	13th Period (2020 March) (Current Consolidated Fiscal Year)
Sales	(1,000 yen)	18,361,723	14,442,926	10,388,174	4,441,211
Ordinary Income/Loss(△)	(1,000 yen)	1,010,099	△1,373,660	△1,703,878	△6,215,155
Net Income/Loss(△) Vesting in the Stockholders of Parent Company	(1,000 yen)	156,267	△10,528,814	△1,597,101	△12,980,164
Net Income/Loss(△) per Stock	(yen)	1. 57	△106. 07	△16. 09	△130. 77
Total Assets	(1,000 yen)	69,618,251	47,120,159	46,420,069	33,254,022
Net Assets	(1,000 yen)	1,463,161	△9,077,854	△10,647,832	△23,665,535
Net Assets per Stock	(yen)	14. 74	△91. 46	△107. 27	△238. 42

(Note) The excise tax, etc. are not included in the sales.

(3) Important Parent Company and Subsidiaries

① Parent Company

Company Name	Capital	Voting Right Ratio for the Company	Relationship with the Company
Cairn India Holdings Limited	USD 755,567,901	51. 63%	Not Applicable

② Important Subsidiaries

Company Name	Capital	Voting Right Ratio of the Company	Contents of Principal Business
AvanStrate Taiwan Inc.	TWD 1,600 million	100. 0%	Manufacture and sales of liquid crystal displays and glass substrates for panels
AvanStrate Korea Inc.	KRW 148,577 million	100. 0%	Manufacture and sales of liquid crystal displays and glass substrates for panels

③ Matters Related to Wholly Owned Specific Subsidiary

Company Name	Address	Total Book Value	Total Assets of the Company
AvanStrate Taiwan Inc.	Tainan City, Taiwan	34,420,853 thousand yen	45,493,516 thousand yen

(4) Issues to be addressed :

The Company group supplies liquid crystal displays and glass substrates for panels, but the penetration rate of liquid crystal TV and liquid crystal monitors for PC, which are users of liquid crystal displays and panels, has already been saturated in Japan and Europe, and it also shows a slow growth in emerging countries, which move to a mature market.

As a result, the supply and demand balance of liquid crystal displays and glass substrates for panels has been eased, and the competition in the industry has been promoted, requiring the price reduction, quality improvement, and strict adherence to delivery deadlines. The tasks for the Company to cope with are as follows.

① Ensuring Stable Production

The glass melting furnaces in factories of the Company group require regular repairs, and the frequency of repairs required differs for each melting furnace, but we plan to repair them approx. once every three years. The Company group believes that it is important to minimize the period of downtime by reducing the frequency of repairs, shortening the repair work period and eliminating sudden troubles during operation period. In addition, the production cost and quality can be stabilized by the stabilization of production, and this is a premise for keeping the delivery date for customers, so we will continue to focus our efforts on these.

② Appropriate approach towards Customers

The Company group has shown a high level of concentration toward specific customers for sales due to limitations in existing production capacity, but we will continue to work to increase the number of customers in the future.

We believe that increasing the number of customers is important for improving the status of the Company group in the overall market and reducing the risk of business fluctuation of the Company group.

③ Expansion of Production Capacity and Cost Reduction by Improving Production Efficiency

In order to secure income in an environment where the pressure to drop prices on liquid crystal displays and glass substrates for panels continues, we believe it is extremely important to promote cost reduction by improving production efficiency. To achieve this goal, the Company group will continue to work to increase the number of liquid crystal displays and glass substrates for panels produced from a single melting furnace by making the existing melting furnace much bigger.

④ Ensuring superior quality and providing Glass Substrates Suitable for High-Precision Liquid Crystal Displays and Panels

In order to provide optimal solutions to customers in the industry of liquid crystal displays and panels, where the panel size is made bigger and the image quality advances into a high-precision, it is required essentially to maintain high competitiveness in the quality of liquid crystal displays and glass substrates for panels. To this end, the Company group will actively devote limited management resources to research and development, and will continue to work for the stable realization of high-quality and strengthening of technology development.

In particular, among the liquid crystal displays and panels, requests for the development of more high-precision liquid crystal displays and panels, including low-temperature polysilicon (LTPS), which are used in high-precision smartphones, are increasing. In order to realize this, we will work on the development of liquid crystal displays and glass substrates for panels with high quality and low heat shrinkage.

⑤ Reform of Management System, Company Culture, etc.

The Company group has a system which enables more active management than before, but we believe that strengthening the management system has become a task. In particular, the establishment of management system which executes business operations while accurately judging the market conditions and conducting careful risk analysis is recognized as a challenge facing the Company group at present. In addition, we believe that it is indispensable to cultivate a company culture based on autonomous behavior standards at the same time in order to realize such task. From this point of view, we will build a structure which allows the entire group to pursue the optimum without being dominated by the hierarchical structure in the future, and continue to enhance the faithful function of monitoring.

In addition, in terms of the personnel system, we will review the treatment system and appraisal system, and by establishing a remuneration system which improves the performance of the Company

group and the return linkage of officers and employees, we aim to motivate ourselves, strengthen the spirit of challenge, and further continue to work on the strengthening of competitiveness of the Company group.

⑥ Improvement of Financial Structure

Since the Company group has a large amount of debt, the Company group is in a situation where it is necessary to improve cash flow for debt repayment. In addition, making proper investments in equipment while keeping an eye on market trends has become a task for the Company group.

In implementing these, we will always take into account the task of improving our financial constitution at the same time, aim to make appropriate decisions, and continue to work to expand cash flow.

(5) **Contents of Principal Business** (as of March 31, 2020)

As a single business, the Company group is engaged in a business of liquid crystal displays and glass substrates for panels (manufacture and sales of liquid crystal displays and glass substrates for panels).

(6) **Principal Business Offices and Factories** (as of March 31, 2020)

The Company	Head Office: Shinagawa-ku, Tokyo
AvanStrate Taiwan Inc.	Head Office: Tainan City, Taiwan
AvanStrate Korea Inc.	Head Office: Gyeonggi-do, Korea

(7) **Employee Status** (as of March 31, 2020)

① Employees in Company Group

Description	Number of Employees	Change from the End of the Previous Consolidated Fiscal Year
AvanStrate Inc.	10 persons	4 persons reduced
AvanStrate Taiwan Inc.	377 persons	193 persons reduced
AvanStrate Korea Inc.	109 persons	11 persons reduced
Total	496 persons	208 persons reduced

(Note) 1. The number of employees indicates the number of employed persons.

2. The decreased number of employees by 208 compared to the end of the previous fiscal year is mainly due to lay-off caused by the reduction of production lines

② Employee Status of the Company

Number of Employees	Change from the End of the Previous Business Year	Average Age	Average Years in Service
10 persons	4 persons reduced	43 Years and 7 Months Old	4 Years and 10 Months

(Note) The number of employees indicates the number of employed persons.

(8) **Major Lenders** (as of March 31, 2020)

Lender	Borrowings
Cairn India Holdings Ltd.	36,218,518 thousand yen
HOYA Ltd.	8,454,480 thousand yen
Hyakugo Bank Ltd.	1,899,699 thousand yen

(9) Other Important Matters Related to the Current Status of the Applicable Company

On October 9, 2019, Corning Inc. in the United States has filed a lawsuit before the Taiwan Intellectual Property Court and the Seoul Central District Court against AvanStrate Taiwan Inc. (Taiwan) and AvanStrate Korea Inc. (Korea), respectively which are the Company's subsidiaries, asserting that they infringed patent rights held by Corning Inc. with claiming that the use of equipment and the sales of products produced by the equipment shall be prohibited, and that the equipment and products produced by the equipment shall be disposed of.

The Company does not think there is any patent infringement, and we are already responding to such litigation by filing an answer to it.

2. Current Status of Company

(1) Current Status of Stocks (as of March 31, 2020)

① Total Number of Authorized Stocks	400,000,000 stocks	
② Total Number of Issued Stocks	99,258,900 stocks	
③ Number of Stockholders	18 persons	
④ Majority Stockholders (top 11 persons)		
Name of Stockholders	Number of Owned Stocks	Share
Cairn India Holdings Ltd.	51,251,800	51. 63%
HOYA Ltd.	46,227,200	46. 57
Innolux Corporation	900,000	0. 91
Dai Nippon Printing Ltd.	333,300	0. 34
Toray Engineering Ltd	111,100	0. 11
Makino, Jun	60,000	0. 06
Hoshino, Kazuhiko	60,000	0. 06
Tanaka Kikinzoku Kogyo K.K.	55,500	0. 06
Yoshida, Keiichi	50,000	0. 05
Nagayama, Yuji	40,000	0. 04
Tanaka, Takami	40,000	0. 04

(Note) No treasury stocks are owned.

(2) Preemptive Rights, etc.

- ① Preemptive rights issued to, and owned by the Company's officers as consideration for the execution of duties (as of March 31, 2020)
Not Applicable
- ② Preemptive rights issued to the Company's employees, etc. as consideration for the execution of duties during the current business year.
Not Applicable

(3) Officers of the Company**① Directors and Auditors (as of March 31, 2020)**

Position	Name	Duty in Charge and Important Additional Position
Representative Director, President	Josef Zimmer	Representative Director, AvanStrate Korea Inc. President, AvanStrate Taiwan Inc.
Managing Director	Akarsh K. Hebbar	-
Director	Anand Agarwal	CEO, Sterlite Technologies Limited
Director	John Kolada	Vedanta Resources group strategy and project, Chairman's office Blackburn Professional Services Company President
Outside Director	Kashiwazaki, Ryoichi	General Manager, Planning Office, HOYA Ltd. (In charge of business strategy)
Regular Auditor	Mizutani, Masanori	-
Outside Auditor	Tanishima, Nobuaki	Secretary-General, Audit Committee, HOYA Ltd. Outside Auditor, SEIKO OPTICAL PRODUCTS CO.,LTD.
Outside Auditor	Yen-Hsun Chen	Partner CEO of CHIEN YEH law office, and the president of Knowledge Extension Management Consultant Co., Ltd., and the auditor of Papyrus Taiwan Co., Ltd., and the outside auditor of Simple Mart Retail, and the outside auditor of HSIN TAO Power Corp., and the outside auditor of OTSUKA Information Technology Corp., and the outside auditor of Kanpai Group

② Directors and Auditors Retired during Business Year
Not Applicable**③ Remuneration for Directors and Auditors****(a) Total Amount of Remuneration Related to Current Business Year**

Description	Persons	Remuneration
Director (Outside Director)	2 Persons (-)	40 million yen (-)
Auditor (Outside Auditor)	2 Persons (1)	9 million yen (3 million yen)
Total (Outside Officer)	4 Persons (1)	49 million yen (3 million yen)

(Note) 1. The amount of remuneration, etc. for directors does not include the remuneration of employees for directors holding another position of employees.

2. The remuneration limit for directors is determined within 200 million yen per year (however, the remuneration of employees is not included) according to the resolution by the general meeting of stockholders on December 28, 2018.

3. The remuneration limit for auditors is determined within 24 million yen per year according to the resolution by the general meeting of stockholders on August 20, 2008.

(b) Retirement allowances for officers paid in the current business year.
Not Applicable

(c) Total amount of remuneration, etc. for outside officers received from parent company or subsidiaries
Not Applicable

④ Matters Related to Outside officers

(a) Important concurrent positions held in other corporations and the Company's relationship with applicable other corporations

- Director, Kashiwazaki Ryoichi is the general manager (in charge of business strategy) of corporate planning office, HOYA Ltd., and there is a transaction relationship of monetary loans for consumption that HOYA Ltd. is a lender and the Company is a borrower.
- Auditor, Tanishima Nobuaki is the secretary general of the Audit Committee, HOYA Ltd., and there is a transaction relationship of monetary loans for consumption that HOYA Ltd. is a lender and the Company is a borrower.
- Auditor, Yen-Hsun Chen is a partner CEO of CHIEN YEH law office, and the president of Knowledge Extension Management Consultant Co., Ltd., and the auditor of Papyrus Taiwan Co., Ltd., and the outside auditor of Simple Mart Retail, and the outside auditor of HSIN TAO Power Corp., and the outside auditor of OTSUKA Information Technology Corp., and the outside auditor of Kanpai Group, and among these there is an advisor agreement entered into between CHIEN YEH law office, which is the Company's subsidiary and AvanStrate Taiwan Inc. There are no special relationships between the Company and other companies.

(b) Major Activities in the current business year

Description	Name	Attendance and Speech Made
Director	Kashiwazaki Ryoichi	Attended the board meeting held in the current business year all 6 times. Made a speech at the board meeting to secure the propriety and appropriateness of resolutions made by the board of directors.
Auditor	Tanishima Nobuaki	Attended the board meeting held in the current business year 5 times among all 6 times. In addition attended the audit committee all 8 times. Made a speech at the board meeting to secure the propriety and appropriateness of resolutions made by the board of directors. In addition, made a speech at the audit committee regarding opinions and requests, etc. necessary for audit activities of regular auditors.
Auditor	Yen-Hsun Chen	Attended the board meeting held in the current business year all 6 times, and attended the audit committee all 8 times. Made a speech at the board meeting to secure opinions and propriety necessary for compliance with laws from the viewpoint of the lawyer. In addition, made a speech at the audit committee regarding opinions and requests, etc. necessary for audit activities of regular auditors.

(c) Overview on the Contents of the Limited Liability Agreement

An agreement limiting the amount of liability for damages under Article 423 (1) of the Company Act is entered into among the Company, outside directors and auditors in accordance with Article 427 (1) of the Company Act and the Company's Articles of Association.

The amount of liability for damages based on the agreement is limited to the amount prescribed by the Same Act.

(4) Independent Auditor

① Name: Ernst & Young ShinNihon LLC

② Amount of Remuneration, etc.

Description	Amount of Remuneration, etc.
Amount of remuneration, etc. for independent auditor regarding the current business year	46,952 thousand yen
Total amount of money and other property income which the Company and its subsidiaries shall pay to the independent auditor	- yen

(Note) 1. In the audit agreement between the Company and the independent auditor, the amount of audit fees based on the Company Act is not distinguished clearly from, and cannot be distinguished substantially from the audit fees based on the Financial Instruments Transaction Act, therefore the total amount of such is filled out in the independent auditor's remuneration in the current business year.

2. AvanStrate Taiwan Inc. and AvanStrate Korea Inc., which are the Company's subsidiaries, are audited by EY, which belongs to the same network as the certified public audit accountant of the Company.

(5) System to ensure appropriateness of Operations

The outline of decisions on the system to ensure the compliance with the laws and articles of association for the director's duty execution, and other system to ensure the appropriateness of the Company business is as follows.

In addition, the following description includes the matters which exist as regulations, but which are not actually operated as a result of the reduction and efficiency of the Company's organization.

① The system to ensure the compliance with the laws and articles of association for the duty execution of directors and employees

(a) In order to ensure the compliance with the laws and articles of association for the duty execution of officers and employees, the 『Management Philosophy』 and 『Action Guidelines』 shall be enacted.

(b) Various in-house regulations, including the 『Regulations of Board of Directors』 and the 『Compliance Obligation Regulations』 shall be enacted and notified thoroughly, and the system to ensure the compliance with laws and regulations by officers and employees shall be established.

(c) A comprehensive department responsible for compliance shall be established to build an appropriate education and training system for employees, and the enlightenment activities for compliance shall be performed.

(d) An internal notification/consultation system related to compliance shall be established, and an external window shall be provided by an outside lawyer.

② The system for preservation and management of information related to the director's duty execution

(a) For the handling of important documents related to the director's duty execution, an appropriate preservation and management (including disposal) shall be enforced in accordance with the 『Regulations of Board of Directors』.

(b) When requested by the auditor, the department in charge shall ensure the view of documents requested at any time, or provide the certified copies.

③ Regulations and other system related to loss risk management

(a) The 『Risk Management Regulations』 and the 『Crisis Management Regulations』 shall be established to prevent various risks arising from daily business activities as much as possible in advance, and the system for minimizing damages to corporate values in the event of a crisis shall be established.

④ The system to secure the efficient execution of director's duty

- (a) The board of directors shall be held temporarily as needed, in addition to regular holdings, and in order to increase mobility, the Company shall secure a system which does not interfere with proper job performance, such as using a video conference system.
- (b) For the execution of business based on the decisions made by the Board of Directors, it shall be in accordance with the 「Job Description Regulations」, the 「Duty Authority Regulations」, the 「Request for Approval Regulations」 and the 「Affiliated Company Management Regulations」.
- (c) In order to properly manage the achievement of management objectives, the status of achievement of individual policies, including budget management based on calculation shall be continuously verified, and the system which reflects the results shall be established.
- ⑤ The system for securing business appropriateness in the Company group
 - (a) The 「Affiliated Company Management Regulations」 shall be enacted, and the administrative management of each group company shall be performed based on approval and reporting system for the Company in accordance with these regulations
 - (b) The heads of each group company shall attend the monthly meetings on management, and share the execution status of business and the stock information on each group company.
- ⑥ The matters related to the use of employees to assist the auditor's duty and the independence of employees from directors
 - (a) If an auditor requests for the use of employees to assist the auditor's duty, the board of directors, in consultation with the auditor, shall endeavor to appoint personnel who are deemed necessary as persons to assist the auditor.
 - (b) A prior consent of the audit committee shall be required for personnel transfers and oversights of employees who are appointed to assist the auditor's duty.
- ⑦ The system for directors and employees to report to the auditors, and other systems for reporting to the auditors
 - (a) Auditors shall attend the board of directors and other meetings as necessary.
 - (b) If there are any significant violation of laws and the articles of association, or if there are serious damages or such concerns to the Company group, directors and employees shall promptly report to the auditors.
- ⑧ Other systems to ensure the efficient execution of auditor's audit
 - (a) The auditor shall exchange opinions with the representative director, president regarding important issues related to the audit.
 - (b) The auditor shall maintain the linkage with the independent auditor, exchange opinions and information, and request reports from the independent auditor as necessary.
 - (c) The Company shall establish a system which enables the provision of necessary reports and information in response to the request of each auditor, who attends as an observer the meetings that review investment/loans and new establishment or abolishment of important in-house systems, or other important internal meetings.
 - (d) Directors and employees shall cooperate with requests for investigation or hearing from auditors.
 - (e) Directors and employees shall respect the matters specified in the 「Audit Committee Regulations」 and 「Audit Regulations for Auditors」.
- ⑨ The system to secure appropriateness of financial reports
 - (a) Directors and employees shall secure the appropriateness of financial reports in accordance with business execution which complies with the 『Internal Control Regulations Related to Financial Reports』
 - (b) Directors and employers shall operate, maintain, and improve the appropriate system to identify, analyze, and reduce the risk of false statements in important matters of financial reports, and establish a system which ensures the appropriateness of financial reports for each business year.
- ⑩ The system to cut off relations with anti-social forces
 - (a) Directors and employees shall observe the 『Anti-Social Forces Response Guidelines』 and cut off the relationships with anti-social forces.
 - (b) Directors and employers shall execute faithfully the matters specified in the 『Anti-Social Forces

Response Guidelines』 to ensure the smooth operation of the system to cut off the relations with anti-social forces.

(6) Basic Policy on the Control of Company

The Company does not specifically set forth the basic policy regarding the natural attitude of the person who controls the decisions of financial and business policy.

Consolidated Balance Sheet
as of March 31, 2020

(Unit: 1,000 yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	3,423,349	Current Liabilities	2,312,561
Cash & Bank Deposit	537,622	Trade Payable	3,391
Trade Receivable	475,125	Lease Debts	223,396
Goods & Products	210,970	Account Payable	171,697
Work in Process	810,832	Corporate Tax Payable, etc.	290
Raw Materials and Goods in Storage	899,209	Expenses Payable	339,055
Others	489,591	Expenses Payable to Affiliated Companies	866,076
		Bonus Payable	27,680
		Advance Received	540,546
		Others	140,430
Fixed Assets	29,830,673	Non-current Liabilities	54,606,996
Tangible Fixed Assets	29,271,370	Long-Term Borrowings	1,899,699
Building and Structures	3,961,213	Long-Term Borrowings from Affiliated Companies	44,672,998
Machinery and Transport Equipment	20,963,904	Lease Debts	1,017,542
Tools, Apparatus and Equipment	74,621	Bond	5,906,340
Land	1,175,452	Deferred Corporate Tax Liabilities	672,412
Assets under Construction	3,096,180	ARO (Assets Retirement Obligation)	438,005
Intangible Fixed Assets	801	Total Liabilities	56,919,557
Others	801	(Net Assets)	
Investment and Other Assets	558,502	Equity Capital	△23,656,662
Security Deposit for Long-Term Borrowings	369,576	Capital	100,000
Assets Related to Retirement Allowances	108,206	Capital Surplus	50,089,410
Others	80,720	Earned Surplus	△ 73,846,072
		Other Cumulative Comprehensive Income	△8,873
		Cumulative Adjustment on Retirement Allowances	△8,873
		Total Net Assets	△ 23,665,535
Total Assets	33,254,022	Total Liabilities and Net Assets	33,254,022

(Note) Less than 1,000 yen is rounded off to the nearest whole number.

Consolidated Income Statement
From April 1, 2019 to March 31, 2020

(Unit: 1,000 yen)

Account	Amount	
Sales		4,441,211
Sales Cost		8,486,700
Gross Loss		△4,045,489
Sales & Administrative Expenses		1,298,393
Operating Loss		△5,343,882
Non-Operating Income		
Interest Received	1,296	
Gains on Foreign Currency Transaction	18,163	
Income from Sales of Waste and Scrap	19,107	
Subsidy Income	6,435	
Others	19,463	64,464
Non-Operating Expenses		
Interest Paid	35,184	
Interest Paid to Affiliated Companies	856,664	
Bond Interest	4,399	
Fees Paid	3,499	
Others	35,991	935,737
Ordinary Loss		△6,215,155
Extraordinary Income		
Gain on redemption of bonds	664,809	
Fixed Assets Sales Income	206,040	
Insurance Received	14,116	884,965
Extraordinary Loss		
Fixed Assets Disposal Loss	84,515	
Impairment Loss	8,226,571	8,311,086
Net Loss before Adjustment of Tax, etc.		△13,641,276
Corporate Tax, Resident Tax and Business Tax	15,781	
Adjustment of Corporate Tax, etc.	△676,893	△661,112
Net Loss		△12,980,164
Net Loss Vesting in Stockholders of Parent Company		△12,980,164

(Note) Less than 1,000 yen is rounded off to the nearest whole number.

Consolidated Statement on Changes in Equity

From April 1, 2019 to March 31, 2020

(Unit: 1,000 yen)

	Equity Capital				Other Cumulative Comprehensive Income		Total of Net Assets
	Capital	Capital Surplus	Earned Surplus	Total of Equity Capital	Cumulative Adjustment on Retirement Allowances	Total of Other Cumulative Comprehensive Income	
Balance at the Beginning of Current Period	100,000	50,089,410	△60,865,908	△10,676,498	28,666	28,666	△10,647,832
Changes in Current Period							
Net Loss Vesting in Stockholders of Parent Company			△12,980,164	△12,980,164			△12,980,164
Changes (Net Amount) in Other Items in Current Period Other Than Equity Capital					△37,539	△37,539	△37,539
Total of Changes in Current Period	-	-	△12,980,164	△12,980,164	△37,539	△37,539	△13,017,703
Balance at the End of Current Period	100,000	50,089,410	△73,846,072	△23,656,662	△8,873	△8,873	△23,665,535

(Note) Less than 1,000 yen is rounded off to the nearest whole number.

Notes on Consolidated Financial Statements

1. Note on Going concern of the company

The Company group's performance as of the end of current fiscal year showed the excess of debts corresponding to $\triangle 23,665,535$ thousand yen in net assets amount specified in the consolidated balance sheet, which reflects the consolidated sales of 4,441,211 thousand yen, the consolidated operating loss of $\triangle 5,343,882$ thousand yen, the consolidated ordinary loss of $\triangle 6,215,155$ thousand yen and the net loss of $\triangle 12,980,164$ thousand yen vesting in the parent company's stockholders.

In addition, in the consolidated balance sheet at the end of the current consolidated fiscal year, The total amount of 『long-term borrowings』, 『long-term borrowings of affiliated companies』 and 『bonds』 is 52,479,037 thousand yen, which is higher than short-term liquidity and operating cash flow.

As a result of the above performance, at the end of March 2020, among the financial limit clauses specified in the agreement of borrowing from HOYA Ltd., there were breaches of the following clauses: the clause that at each interim period and end date of settlement period after mid-September 2019, the amount of net assets in the consolidated balance sheet to which the sum of 15,916,688 thousand yen corresponding to the loss of good incurred in September 2019 is added shall be maintained more than 7,800,000 thousand yen, and the clause that ordinary income and net income shall be included in the calculation in the consolidated income statement for each business year after March 2020, and the clause that the consolidated surplus cash flow associated with each interim period and each settlement period after the mid-September 2019 shall be maintained more than 0 yen. In addition, regarding all or part of the above clauses, it is highly likely that there will be breaches based on the current business plan and the business environment surrounding the Company group at the present time even in the mid-September 2020 and March 2021.

The above clauses of financial limitation are determined by the financial index values calculated based in the consolidated financial statements. If there are any breaches of applicable financial limitation clauses, there occurs the forfeit of benefit of time, the waiver of claim rights, or if it is not possible to respond like the change of applicable clause, etc., there occurs the forfeit of benefit of time. In addition, in that case, there occurs the forfeit of benefit of time even for bonds issued by the Company group and other borrowings.

Due to the above reasons, there exist some phenomena or state which could lead to significant doubts in the premise of a continuing company.

In order to resolve this state, the Company group plans or implements the following countermeasures.

1. Securement of order receipt and sales

The Company continues to work on securing new orders from new customers by quality improvement and development of new products while focusing on the distribution of the group's production capacity in a market where order receipt is good.

2. Stabilization of funding

For the correspondent financial institutions, etc., the Company makes more efforts for the stabilization of funding or financing through the establishment of good relationship with them by reporting the management performance and financial status of the Company group in a timely manner and obtaining their understanding.

3. Financial support from parent company, Cairn India Holdings Limited

The Company requested Cairn India Holdings Limited to postpone the payment of borrowing interest to it for the time being for the payment of required facility investment funds, and obtained the consent on such request. In addition, to improve the financial constitution, the Company conducts a review on stock conversion of some debts with the parent company.

In addition to the above countermeasures, the parent company has confirmed its intention to provide financial support necessary for the Company group's business to continue for at least one year starting March 31, 2020.

Moreover, in addition to the above, the Company consults with HOYA Ltd. not to exercise any claim rights for forfeited benefit of time in connection with breaches of financial limitation in the March 2020. .

However, even if these measures are taken, it is necessary to seek improvement in terms of performance and funding to repay high levels of borrowings. To this end, the securement of sales, which

is an important factor in achieving the business plan, is highly dependent on external factors, which may have a significant effect on future funding and financing. Therefore, significant uncertainties on the premise of a continuing company is acknowledged.

In addition, the consolidated financial statements were prepared on the premise of a continuing company, and the effects of significant uncertainties on the premise of such continuing company were not reflected in the consolidated financial statements.

2. Notes on important matters which are the basis for preparing the consolidated financial statements	
(1) Matters concerning the scope of consolidation	
① Consolidated subsidiaries	
Number of Consolidated subsidiaries	2 Companies
Name of Consolidated subsidiaries	AvanStrate Taiwan Inc. AvanStrate Korea Inc.
② Non-consolidated subsidiaries	
Not Applicable	
③ The company that does not become a subsidiary despite having a majority of voting rights	
Not Applicable	
(2) Matters concerning the application of the equity method	
Not Applicable	
(3) Matters concerning changes in the scope of consolidation and the application scope of the equity method	
Not Applicable	
(4) Matters concerning the business year, etc. of the consolidated subsidiaries	
The end day of business year for all consolidated subsidiaries is consistent with the consolidated fiscal year.	
(5) Matters concerning accounting policy	
① Appraisal standards and appraisal method of important assets	
1. Inventory Assets	The Company uses the cost method (the balance sheet amount is calculated by the method of lowering the book price based on a decrease in profitability) for goods in storage. The consolidated subsidiaries use a low-cost method based on the weighted average method for goods and products, work in process and raw materials, and uses a low-cost method based on individual methods for goods in storage.
② Depreciation method for important depreciable assets	

1. Tangible Fixed Assets	The Company uses the constant rate method. The consolidated subsidiaries use the straight-line method. In addition, the main durable years are as follows. Buildings and Structures 3 ~ 51 years Machinery and transport equipment 2~7 years
2. Intangible Fixed Assets	Tools, apparatus and equipment 2~10 years The Company and its consolidated subsidiaries use the straight-line method. In addition, the software used by the Company is based on the period of available use within the Company (3~5 years).
③ Basis for the calculation of important appropriations	
Bonus Appropriation	The Company and its consolidated subsidiaries include in calculation the amount borne of expected amount for payment in the consolidated fiscal year to appropriate the bonus payments payable to employees.
④ Important matters for preparing other consolidated financial statements	
1. Accounting for consumption tax	Accounting for excise tax and local excise tax is based on a separate tax method.
2. The standards on conversion of the assets or debts denominated in foreign currency of debt into Japanese currency	Monetary credits and debts denominated in foreign currency are converted into yen at the spot exchange rate on the date of consolidated settlement, and the difference is handled as income or loss.
3. Accounting method for retirement allowances	In order to prepare for retirement allowances for employees in case of some consolidated subsidiaries, the Company includes in calculation the amount acknowledged as occurring at the end of the current consolidated fiscal year based on the expected amount of retirement allowances obligations and pension assets at the end of the current consolidated fiscal year. 1. Method to assign the expected amount of retirement allowances to the period In the calculation of the retirement allowances obligation, with regard to the method of assigning the expected amount of retirement allowances to the period until the end of the current fiscal year, the Company follows the standards for calculating the retirement allowances. 2. Cost handling method of difference in pension valuation Differences in pension valuation are handled when they occur in each consolidated fiscal year as expenses in the consolidated fiscal year following the occurrence in accordance with the straight-line method by a certain number of years (one year) within the employee's average remaining working period. In addition to the above, the Company and its consolidated subsidiaries adopts fixed-income pension plans.
(6) Matters concerning important accounting methods	
The Company group has applied the International Financial Reporting Standards No. 16 『Lease』 (hereinafter referred to as IFRS No. 16) from the current consolidated fiscal year, and recognizes licensed assets and lease liabilities at the date of lease commencement.	
① Leased assets	
Leased assets are measured originally at acquisition cost, and the acquisition cost consists of the originally measured amount of lease liabilities and the original estimate of original direct cost, etc. A cost model is adopted as a measure after recognition of licensed assets. Licensed assets are represented in indication items in the consolidated balance sheet indicated when the corresponding	

original assets are owned by the Company by deducting cumulative depreciation from acquisition cost.

② Lease liabilities

Lease liabilities are recognized originally at the present value of lease fees not paid as of lease commencement day discounted by using the Company group's additional borrowing interest rate (if the calculated interest rate is not easily calculated). Lease liabilities are measured ex post by increasing the book value to reflect the interest rate associated with lease liabilities and reducing the book value to reflect the lease fees paid, and are represented as lease liabilities in the consolidated balance sheet.

In addition, the Company group's short-term lease and lease of small-amount assets are included in calculation as expenses under the straight-line method over the lease term. All leases for the previous year are classified as operating leases other than finance leases, and are included in calculation as expenses under the straight-line method over the lease term.

② Application of IFRS No. 16

The Company group applies IFRS 16 in accordance with the provisions of interim measure under IFRS No. 16 (retrospective revised approach). For lease classified as operating lease in the past, the Company measures lease liabilities at the present value discounted by using the lender's additional borrowing rate as of the effective date of application, and also measures licensed assets in accordance with either of the following.

- A. The Company recognizes licensed assets as book value as if IFRS 16 has been applied since the day of lease commencement. However, discounts are applied using the lender's additional borrowing rate as of the day of lease commencement.
- B. The Company recognizes licensed assets as the adjusted amount of advance lease fees or unpaid lease fees for the measured amount of lease liabilities.
- C. Licensed assets additionally recognized in the consolidated balance sheet at the end of the current fiscal year (represented as included in tangible fixed assets in the consolidated balance sheet) and lease liabilities (represented as lease liabilities in the consolidated balance sheet) are as follows.

Unit: 1,000 yen)

	Leased Assets		
	Land	Building	Total
Acquisition cost on the day of use commencement	1,017,550	49,611	1,067,161
Increase in lease assets	419,431	94,226	513,657
Cumulative depreciation	261,529	60,249	321,778
Balance of leased assets at the end of period	1,175,452	83,588	1,259,040

(Unit: 1,000 yen)

Lease liabilities (current)	223,396
Lease liabilities (Non-current)	1,017,542
Total	1,240,938

D. The adjustment table of lease liabilities by applying IFRS16 is as follows.

(Unit: 1,000 yen)

Total amount of minimum lease fees in the future of non-cancellable operation lease as of March 31, 2019	1,168,087
Short-term lease expenses	44,337
Lease fees required for small-amount assets	284
Others	44,899
Amount of financial impact discounted from the additional borrowing rate as of the commencement date of application	43,096
Lease liabilities additionally recognized as of the commencement date of application	1,035,471
Increase due to changes in lease agreement conditions	513,657
Interest expenses on lease liabilities	21,349
Total cash outflows related to lease liabilities	325,837
Income/loss of lease liabilities due to conversion at the exchange	3,448
Others	254
Lease liabilities at the end of the current fiscal year	1,240,938

(Note) The additional borrowing rate applied to lease liabilities as of the commencement date of application is 1.75%.

(7) Matters related to changes in accounting policy

The Company's consolidated subsidiaries have applied the International Financial Reporting Standards No. 16 『Lease』 (hereinafter referred to as 『IFRS No. 16』) from the current consolidated fiscal year. The lenders' lease transactions have been handled as operation lease and finance lease in the past, and in accordance with this, lease lenders, in principle, are supposed to include in calculation all leases as assets and liabilities in the balance sheet. However, assets and liabilities are not recognized in the case of short-term lease and small-amount lease.

The application of IFRS No. 16 is subject to a transaction as interim measure, and the method of recognizing cumulative effect of applying the applicable accounting standards on the commencement date of application is adopted.

As a method of measuring licensed assets, the method of adjusting lease liabilities to the advance and unpaid lease fees was adopted, and as a result, there is no effect on earnings surplus at the beginning of period.

As a result, at the end of the consolidated accounting period, 『tangible fixed assets』 increased by 1,259,040 thousand yen, 『lease liabilities』 in current liabilities increased by 223,396 thousand yen, and 『lease liabilities』 in fixed liabilities increased by 1,017,542 thousand yen. In addition, at the end of the current consolidated fiscal year, the cumulative depreciation is 321,778,000 yen. The effect on income/loss for the current fiscal year is △13,842 thousand yen.

3. Notes on changes in indication method

(1) From the current consolidated fiscal year, the indication unit of amount has been changed from 1 million yen to 1,000 yen.

(2) Asset retirement obligation (ARO)』, which was included in 『others』 in fixed liabilities until the previous fiscal year is recorded separately from the previous consolidated fiscal year, since the monetary importance of amount has increased. In addition, 『ARO』 for the previous consolidated fiscal year is 421,13 thousand yen.

4. Note on the consolidated balance sheet

(1) Assets provided as collateral and liabilities on collateral

① Assets provided as collateral

Machinery and Transport Equipment	18,905,125 thousand yen
Security Deposit for Long-Term Borrowings	322,955 thousand yen
Stocks of affiliated companies	34,420,853 thousand yen
Total	53,648,933 thousand yen

② Liabilities on collateral

Long-Term Borrowings	1,899,699 thousand yen
Long-Term Borrowings from Affiliated Companies	43,858,209 thousand yen
Total	45,757,908 thousand yen

(Note) The stocks of affiliated companies are offset and canceled in consolidation, so they are not included in calculation in the consolidated financial statements.

(2) Cumulative Depreciation of Tangible Fixed Assets 43,613,488 thousand yen

Assets

(3) Clauses of Financial Limitations

① Under a 『Loan Agreement』 entered into with HOYA (hereinafter referred to as the 『HOYA

Loan Agreement』) on June 20, 2014 (also includes revised agreements entered into on October 27, 2015 and December 22, 2017), the Company pledged to meet in principle the following financial values calculated based on the consolidated financial statements.

- A. At each interim period and end date of settlement period after mid-September 2019, the amount of net assets in the consolidated balance sheet to which the sum of 15,916,688 thousand yen corresponding to the loss of good will incurred in September 2019 is added shall be maintained more than 7,800,000 thousand yen.
- B. Ordinary income and net income shall be included in the calculation in the consolidated income statement for each business year after March 2020.
- C. The consolidated surplus cash flow associated with each interim period and each settlement period after the mid-September 2019 shall be maintained more than 0 yen.

There exist breaches of applicable financial limitation clauses, and in connection with the breaches of financial limitation clauses in March 2020, the Company requested HOYA Ltd. to waive all claim rights due to forfeit of benefit of time, not to exercise all rights for claim rights due to forfeit of benefit of time, but at present time, a consultation is under way nor reaching a final agreement on the applicable consultation.

② Under a 『Loan Agreement』 entered into with Cairn India Holdings Limited (hereinafter referred to as the 『CIHL Loan Agreement』) on December 22, 2017 (also includes revised agreements entered into on December 22, 2017), the Company pledged to meet in principle the following financial values calculated based on the consolidated financial statements.

- A. At each interim period in each business year and end date of settlement period, the amount of net assets in the consolidated balance sheet shall be maintained more than 80% of the bigger of either the amount of net assets in the consolidated balance sheet on end date of applicable settlement period or interim period, or the amount of net assets in the consolidated balance sheet on end date of March 2020.
- B. For ordinary income and net income, ordinary loss shall not be included consecutively for 2 periods in the calculation in the consolidated income statement for each business year
- C. For net income and loss, net loss shall not be included consecutively for 2 periods in the calculation in the consolidated income statement for each business year.

There exist breaches of applicable financial limitation clauses in the settlement of account in March 2020, but the parent company has confirmed its intention to provide financial support necessary for the Company group's business to continue for at least one year starting March 31, 2020, and requested the parent company to postpone the payment of borrowing interest to it for the time being, and obtained the consent on such request. As seen in the above, the Company recognizes that it has the same meaning as not to exercise all rights for claim rights due to forfeit of benefit of time at least during the period until March 31, 2021.

5 . Notes on the consolidated income statement

(1) R&D Expenses included in Sales & Administrative Expenses R&D expenses included in sales & administrative expenses are 361,553 thousand yen.			
(2) The contents of income from the sales of fixed assets are as follows. (Unit: 1,000 yen)			
Machinery and Transport Equipment	206,040		
(3) Insurance Received Insurance received is based on the application of non-life insurance against typhoon damages in Taiwan in September 2018.			
(4) The contents of loss from the sales of fixed assets are as follows. (Unit: 1,000 yen)			
Machinery and Transport Equipment	84,515		
(5) Impairment Loss The Company group includes in calculation the impairment loss for the following asset groups.			
(Unit: 1,000 yen)			
	Use	Kinds	Impairment Loss
	Manufacture and sales of liquid crystal displays and glass substrates for panels	Machinery and Transport Equipment	8,226,571
In principle, the Company group conducts asset grouping on the basis of the management division, which continues to grasp the income and expenditure.			
For the Company group, when the recoverability was not recognized over the estimated period of future cash flows due to changes in the business environment, the book value was reduced to the recoverable price, and the decrease was included in the calculation of special loss as impairment loss. In addition, the recoverable price was measured by the value in use (discount rate 9.6%) based on future cash flows.			

6 . Notes on consolidated statement on changes in equity capital

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

Type of stocks	Number of stocks at the beginning of the current consolidated fiscal year	Number of increased stocks in the current consolidated fiscal year	Number of decreased stocks in the current consolidated fiscal year	Number of stocks at the end of the current consolidated fiscal year
Common stocks	99,258,900 stocks	- stocks	- stocks	99,258,900 stocks

(2) Matters concerning the types and number of stocks in treasury stock Not Applicable

(3) Matters concerning the dividend of surplus funds Not Applicable

(4) Matters concerning the preemptive rights at the end of the current consolidated fiscal year Not Applicable

7. Notes on financial instruments

(1) Matters concerning the status of financial instruments

① Countermeasures for financial instruments

The Company group plans to limit the fund operation to short-term bank deposits, and for funding, it plans to borrow from bonds and affiliated companies.

② Contents of financial instruments and risks related to applicable financial instruments

Trade receivables, which are sales receivables, are exposed to customer credit risk. In addition, the sales price between the Company and customers is based on the price in yen or the price negotiated on the basis of the price in yen, and the exchange rate risk of the Company group is limited.

Trade payables, which are sales payables, become due within one month.

Borrowings are for the purpose of funding necessary for facilities investment, and long-term facilities investment is funded by issuing bonds. This borrowings are exposed to variable risk of interest rates because they are based on a variable interest rate. The bonds are based on a fixed interest rate.

③ Risk management system for financial instruments

A. Credit risk management (risk related to failure in implementation of agreement by the customer)

The Company group regularly monitors the status of customers based on credit management regulations and manages the date and balance for each customer. The consolidated subsidiaries also conducts such management.

B. Management of market risk (risk of changes in exchange rates and interest rates, etc.)

The Group's credits and debts related to business are based on the price negotiated with the customer based on the yen-denominated price, and the exchange rate risk is limited.

C. Management of liquidity risk related to funding (risk of not being able to execute payment on the due date)

In the Company group, each company manages in a timely manner such as preparing a funding plan. In addition, financial limitations are attached to borrowings. For details, see 「4. Notes on consolidated balance sheet」.

④ Supplementary explanations on matters like market value of financial instruments

The market price of financial instruments includes a price reasonably calculated when there is no market price, in addition to the price based on the market price. Since the variable is included in the calculation of price, the price may fluctuate depending on other prerequisites.

⑤ Concentration of credit risk

92% of the business receivables for the current consolidated closing date are for certain large customers.

(2) Matters concerning market prices of financial instruments

Amount included in the consolidated balance sheet, market prices and their differences in amount on March 31, 2020 are as follows.

(Unit: 1,000 yen)

	Amount included in the consolidated balance sheet	Market prices	Differences in amount
(1) Cash & Bank Deposit	537,622	537,622	-
(2) Trade Receivable	475,125	475,125	-
Total Assets	1,012,747	1,012,747	-
(1) Trade Payable	3,391	3,391	-
(2) Long-Term Borrowings	1,899,699	1,579,073	△320,626
(3) Long-Term Borrowings from Affiliated Companies	44,672,998	44,779,237	106,239

(4) Bond	5,906,340	694,700	△5,211,640
Total Liabilities	52,482,428	47,056,401	△5,426,027

(Note) Calculation method for the market price of financial instruments

Assets

(1) Cash & Bank Deposit、 (2) Trade Receivable

Since these are paid in a short period of time, the market price is based on the book value from one nearest to book value.

Liabilities

(1) Trade Payable

Since these are paid in a short period of time, the market price is based on the book value from one nearest to book value.

(2) Long-Term Borrowings、 (3) Long-Term Borrowings from Affiliated Companies

For market prices of these, the Company follows the method calculated by discounting at a rate assumed when new borrowings equal to the sum of principal and interest are made.

(4) Bond

The market prices of these are calculated based on prices at the market.

8 . Note on information per stock

(1) Net assets per stock	△238.42 yen
(2) Net loss per stock	△130.77 yen

9 . Others Notes

(1) Occurrence of important litigation cases

① AvanStrate Taiwan Inc., the Company's consolidated subsidiary (hereinafter referred to as AST) received a petition on October 21, 2019, in which Corning in the United States was designated as plaintiff, and AST was designated as defendant. The contents of lawsuit are the prohibition of use of facilities infringing patent rights due to infringement of patent rights by AST on Chinese patent registrations Nos. 570901 and I246989 (added on March 17, 2020), and the prohibition of application for sales, sales and import, etc., of goods (infringing goods) manufactured by use of applicable facilities, disposal of infringing facilities, disposal of infringing goods, and payment of litigation costs, etc.

② AvanStrate Korea Inc., the Company's consolidated subsidiary (hereinafter referred to as ASK) received a petition on November 11, 2019, in which Corning in the United States was designated as plaintiff, and ASK was designated as defendant. The contents of lawsuit are the prohibition of use of facilities infringing patent rights due to infringement of patent rights by AST on Korean patent registration Nos. 0762054, 1230754, and 1296484, and the suspension of patent infringement, prohibition of production, application for sales, sales and import, etc., of goods (infringing goods) manufactured by use of facilities infringing the patent, disposal of infringing facilities, disposal of infringing goods (including semi-products), and payment of litigation costs, etc.

The Company believes that there is no infringement of all patent rights, and is responding to all litigations, but the effect of the litigation on our financial condition and business performance at this time is unclear.

10. Notes on important events occurring subsequently

Not Applicable

Balance Sheet
As of March 31, 2020

(Unit: 1,000 yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	7,337,139	Current Liabilities	9,110,272
Cash & Bank Deposit	133,281	Short-Term Borrowings from Affiliated Companies	7,700,000
Goods in Storage	550,030	Expenses Payable	52,011
Account Receivable from Affiliated Companies	12,854,288	Expenses Payable to Affiliated Companies	1,135,252
Short-Term Loans to of Affiliated Companies	10,700,000	Advance Received from Affiliated Companies	207,040
Long-Term Loans to Affiliated Companies to be Recovered within 1 year	3,300,000	Others	15,970
Others	2,214	Non-current Liabilities	68,681,489
Allowance for Bad Debts of Affiliated Companies	△ 20,202,674	Long-Term Borrowings	1,899,699
		Long-Term Borrowings from Affiliated Companies	53,937,745
Fixed Assets	38,156,377	Bond	5,906,340
Tangible Fixed Assets	3,410,630	Deferred Corporate Tax Liabilities	912,428
Machinery	3,409,259	Debt Guarantee for Affiliated Companies	6,006,199
Tool, Appliances and Equipment	1,372	Others	19,078
Intangible Fixed Assets	801		
Others	801	Total Liabilities	77,791,760
Investment and Other Assets	34,744,946	(Net Assets)	
Stocks of Affiliated Companies	34,420,853	Equity Capital	△
Security Deposit for Long-Term Borrowings	322,955	Capital	32,298,244
Others	1,139	Capital Surplus	100,000
		Capital Surplus	50,089,410
		Capital Reserve	100,000
		Other Capital Surplus	49,989,410
		Earned Surplus	△82,487,654
		Other Earned Surplus	△82,487,654
		Earned Surplus Carried-Over	△82,487,654
		Total Net Assets	△32,298,244
Total Assets	45,493,516	Total Liabilities and Net Assets	45,493,516

(Note) Less than 1,000 yen is rounded off to the nearest whole number.

Income Statement
From April 1, 2019 to March 31, 2020

(Unit: 1,000 yen)

Account	Amount	
Sales		-
Sales Cost		-
Gross Profit		-
Sales & Administrative Expenses		306,678
Operating Loss		△306,678
Non-Operating Income		
Interest Received from Affiliated Companies	268,784	
Royalty Received from Affiliated Companies	214,386	
Return of Appropriation for Loss against the Debt Guarantee for Affiliated Companies	771,854	
Others	31,293	1,286,317
Non-Operating Expenses		
Interest Paid to Affiliated Companies	1,128,966	
Interest Paid	1,348	
Bond Interest	4,399	
Fees Paid	3,499	
Return of Allowance for Bad Debts from Affiliated Companies	1,871,780	
Others	33,834	3,043,826
Ordinary Loss		△2,064,187
Extra ordinary Income		
Gain on bonds redemption	664,809	
Fixed Assets Sales Income	203,882	868,691
Extra ordinary Loss		
Impairment Loss	53,784	53,784
Net Loss Before Tax Deduction		△1,249,279
Corporate Tax, Resident Tax and Business Tax	2,142	
Adjustment of Corporate Tax, etc.	△176,071	△173,929
Net Loss		△1,075,349

(Note) Less than 1,000 yen is rounded off to the nearest whole number.

Statement on Changes in Equity

From April 1, 2019 to March 31, 2020

(Note) Less than 1,000 yen is rounded off to the nearest whole number.

(Unit: 1,000 yen)

	Equity Capital							Total Net Assets
	Capital	Capital Surplus			Earned Surplus		Total Equity Capital	
		Capital Reserve	Other Capital Surplus	Total Capital Surplus	Other Earned Surplus Capital Surplus Carried-Over	Total Earned Surplus		
Balance at the Beginning of Current Period	100,000	100,000	49,989,410	50,089,410	△81,412,305	△81,412,305	△31,222,895	△31,222,895
Changes in Current Period								
Net Loss					△1,075,349	△1,075,349	△1,075,349	△1,075,349
Changes (Net Amount) in Other Items in Current Period Other Than Equity Capital								
Total of Changes in Current Period	-	-	-	-	△1,075,349	△1,075,349	△1,075,349	△1,075,349
Balance at the End 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

Notes on Standalone Financials Statements

1. Note on the premise of a continuing company

The Company group's performance as of the end of current fiscal year showed the excess of debts corresponding to $\triangle 23,665,535$ 1,000 yen in net assets amount specified in the consolidated balance sheet, which reflects the consolidated sales of 4,441,211 thousand yen, the consolidated operating loss of $\triangle 5,343,882$ thousand yen, the consolidated ordinary loss of $\triangle 6,215,155$ thousand yen and the net loss of $\triangle 12,980,164$ thousand yen vesting in the parent company's stockholders.

In addition, in the consolidated balance sheet at the end of the current consolidated fiscal year, The total amount of 『long-term borrowings』, 『long-term borrowings of affiliated companies』 and 『bonds』 is 52,479,037 thousand yen, which is higher than short-term liquidity and operating cash flow.

As a result of the above performance, at the end of March 2020, among the financial limit clauses specified in the agreement of borrowing from HOYA Ltd., there were breaches of the following clauses: the clause that at each interim period and end date of settlement period after mid-September 2019, the amount of net assets in the consolidated balance sheet to which the sum of 15,916,688 thousand yen corresponding to the loss of good will incurred in September 2019 is added shall be maintained more than 7,800,000 thousand yen, and the clause that ordinary income and net income shall be included in the calculation in the consolidated income statement for each business year after March 2020, and the clause that the consolidated surplus cash flow associated with each interim period and each settlement period after the mid-September 2019 shall be maintained more than 0 yen. In addition, regarding all or part of the above clauses, it is highly likely that there will be breaches based on the current business plan and the business environment surrounding the Company group at the present time even in the mid-September 2020 and March 2021.

The above clauses of financial limitation are determined by the financial index values calculated based in the consolidated financial statements. If there are any breaches of applicable financial limitation clauses, there occurs the forfeit of benefit of time, the waiver of claim rights, or if it is not possible to respond like the change of applicable clause, etc., there occurs the forfeit of benefit of time. In addition, in that case, there occurs the forfeit of benefit of time even for bonds issued by the Company group and other borrowings.

Due to the above reasons, there exist some phenomena or state which could lead to significant doubts in the premise of a continuing company.

In order to resolve this state, the Company group plans or implements the following countermeasures.

1. Securement of order receipt and sales

The Company continues to work on securing new orders from new customers by quality improvement and development of new products while focusing on the distribution of the group's production capacity in a market where order receipt is good.

2. Stabilization of funding

For the correspondent financial institutions, etc., the Company makes more efforts for the stabilization of funding or financing through the establishment of good relationship with them by reporting the management performance and financial status of the Company group in a timely manner and obtaining their understanding.

3. Financial support from parent company, Cairn India Holdings Limited

The Company requested Cairn India Holdings Limited to postpone the payment of borrowing interest to it for the time being for the payment of required facility investment funds, and obtained the consent on such request. In addition, to improve the financial constitution, the Company conducts a review on stock conversion of some debts with the parent company.

In addition to the above countermeasures, the parent company has confirmed its intention to provide financial support necessary for the Company group's business to continue for at least one year starting March 31, 2020.

Moreover, in addition to the above, the Company consults with HOYA Ltd. not to exercise any claim rights for forfeited benefit of time in connection with breaches of financial limitation in the March 2020. ◦

However, even if these measures are taken, it is necessary to seek improvement in terms of performance

and funding to repay high levels of borrowings. To this end, the securing of sales, which is an important factor in achieving the business plan, is highly dependent on external factors, which may have a significant effect on future funding and financing. Therefore, significant uncertainties on the premise of a continuing company is acknowledged.

In addition, the financial statements and their annexed statements were prepared on the premise of a continuing company, and the effects of significant uncertainties on the premise of such continuing company were not reflected in the financial statements and their annexed statements.

2 . Note about matters related to important accounting policy

(1) Appraisal standards and appraisal methods for securities

① Stocks of affiliated companies	Cost method based on moving average method
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(2) Appraisal standards and appraisal methods for inventory asserts

The goods in storage are calculated by the cost method based on the individual method (the balance sheet amount is calculated by the book price reduction method based on the decrease in profitability)

(3) Method of depreciation for fixed assets

① Tangible Fixed Assets

The diminishing method of depreciation is used.
In addition, the main durable years are as follows.
Tools, apparatus, equipment 10 years

② Intangible Fixed Assets

The straight line depreciation method is used.

(4) Standards for calculation of appropriation

① Allowance for bad debts of affiliated companies	To prepare for losses due to bad debts of affiliated companies, certain receivables such as doubtful accounts receivable are individually accounted for recoverability, and the estimated unrecoverable amount is included in calculation.
② Appropriation for loss arising from debt guarantees of affiliated companies	To prepare for losses related to debt guarantees of affiliated companies, the financial condition of the warrantee, etc. are taken into account, and the Company includes in calculation the expected loss amount at the end of the business year.

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

Accounting for excise tax, etc.	Accounting for excise tax and local excise tax is based on a separate tax method.
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3 . Notes on changes in indication method

From the current fiscal year, the amount indication unit has been changed from 1 million yen unit to 1,000 yen unit.

4 . Notes on balance sheet

(1) Assets provided as collateral and liabilities on collateral

① Assets provided as collateral

Machinery	2,672,585 thousand yen
Security Deposit for Long-Term Borrowings	322,955 thousand yen
Stocks of affiliated companies	34,420,853 thousand yen
Total	37,416,393 thousand yen

② Liabilities on collateral

Long-Term Borrowings	1,899,699 thousand yen
Long-Term Borrowings from Affiliated Companies	31,422,956 thousand yen
Total	33,322,655 thousand yen

(2) Cumulative depreciation of tangible fixed assets	787 thousand yen
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(3) Guarantee debt

- ① Among the borrowings from Cairn India Holdings Inc., the following affiliated companies guarantee the debt for total amount of 22,968,476 thousand yen.

AvanStrate Taiwan Inc.

AvanStrate Korea Inc.

- ③ The Company and the affiliated company below guarantee debts for AvanStrate Korea Inc.'s loan agreement, totaling 12,435,253 thousand yen.

AvanStrate Taiwan Inc.

- ④ For loan agreement with HOYA Ltd., the total amount of 8,454,480 thousand yen is guaranteed by the following affiliated company

AvanStrate Taiwan Inc.

(4) Monetary credits and debts for affiliated companies are as follows.

① Short-term monetary credits	1,588 thousand yen
③ Short-term monetary debts	612,208 thousand yen

(5) Clauses of Financial Limitation

- ① Under a 『Loan Agreement』 entered into with HOYA (hereinafter referred to as the 『HOYA Loan Agreement』) on June 20, 2014 (also includes revised agreements entered into on October 27, 2015 and December 22, 2017), the Company pledged to meet in principle the following financial values calculated based on the consolidated financial statements.

A. At each interim period and end date of settlement period after mid-September 2019, the amount of net assets in the consolidated balance sheet to which the sum of 15,916,688 thousand yen corresponding to the loss of good will incurred in September 2019 is added shall be maintained more than 7,800,000 thousand yen.

B. Ordinary income and net income shall be included in the calculation in the consolidated income statement for each business year after March 2020.

C. The consolidated surplus cash flow associated with each interim period and each settlement period after the mid-September 2019 shall be maintained more than 0 yen.

There exist breaches of applicable financial limitation clauses, and in connection with the breaches of financial limitation clauses in March 2020, the Company requested HOYA Ltd. to waive all claim rights due to forfeit of benefit of time, not to exercise all rights for claim rights due to forfeit of benefit of time, but at present time, a consultation is under way nor reaching a final agreement on the applicable consultation.

- ② Under a 『Loan Agreement』 entered into with Cairn India Holdings Limited (hereinafter referred to as the 『CIHL Loan Agreement』) on December 22, 2017 (also includes revised

agreements entered into on December 22, 2017), the Company pledged to meet in principle the following financial values calculated based on the consolidated financial statements.

A. At each interim period in each business year and end date of settlement period, the amount of net assets in the consolidated balance sheet shall be maintained more than 80% of the bigger of either the amount of net assets in the consolidated balance sheet on end date of applicable settlement period or interim period, or the amount of net assets in the consolidated balance sheet on end date of March 2020.

B. For ordinary income and net income, ordinary loss shall not be included consecutively for 2 periods in the calculation in the consolidated income statement for each business year

C. For net income and loss, net loss shall not be included consecutively for 2 periods in the calculation in the consolidated income statement for each business year.

There exist breaches of applicable financial limitation clauses in the settlement of account in March 2020, but the parent company has confirmed its intention to provide financial support necessary for the Company group's business to continue for at least one year starting March 31, 2020, and requested the parent company to postpone the payment of borrowing interest to it for the time being, and obtained the consent on such request. As seen in the above, the Company recognizes that it has the same meaning as not to exercise all rights for claim rights due to forfeit of benefit of time at least during the period until March 31, 2021.

5. Notes on income statement

(1) Transaction amount with affiliated companies

Transactions other than business transactions	
Interest Received	268,784 thousand yen
Income from patent	214,386 thousand yen
Other income	20,176 thousand yen
Interest Paid	1,128,966 thousand yen
Other expenses	14,682 thousand yen

(2) Amount assigned to loss appropriation due to debt guarantee for affiliated companies and the returned amount of loss appropriation due to debt guarantee for affiliated companies

In order to prepare for the loss related to debt guarantee for AvanStrate Korea Inc., the Company's consolidated subsidiary includes in calculation, the returned amount of loss appropriation due to debt guarantee for affiliated companies

(3) Amount assigned to allowance for bad debts for affiliated companies and the returned amount of allowance for bad debts for affiliated companies

AvanStrate Korea Inc., the Company's consolidated subsidiary, is in a state of debt excess, and, as a result of reviewing the recoverability of credits against the applicable subsidiary, the company includes in calculation, the amount assigned to allowance for bad debts for affiliated companies.

(4) The contents of income from the sales of fixed assets are as follows.

(Unit: 1,000 yen)

Machinery and Transport Equipment	203,882
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(5) Impairment Loss

The Company included in calculation the impairment loss or the following assets.

(Unit: 1,000

yen)

Use	Kinds	Impairment Loss
Manufacture and sales of liquid crystal displays and glass substrates for panels	Machinery and Transport Equipment	53,784

For the Company group, when the recoverability was not recognized over the estimated period of future cash flows due to changes in the business environment, the book value was reduced to the recoverable price, and the decrease was included in the calculation of special loss as impairment loss.

In addition, the recoverable price was measured by the value in use (discount rate 9.6%) based on future cash flows.

6 . Notes on statement on changes in equity capital

Matters concerning the type and total number of stocks issued

Type of stocks	Number of stocks at the beginning of the current consolidated fiscal year	Number of increased stocks in the current consolidated fiscal year	Number of decreased stocks in the current consolidated fiscal year	Number of stocks at the end of the current consolidated fiscal year
Common stocks	99,258,900 stocks	- stocks	- stocks	99,258,900 stocks

7 . Notes on tax effect accounting

(1) Details by major causes for deferred corporate tax assets and occurrence of deferred corporate tax

Deferred Corporate Tax Assets		
Deficit carried-over		8,314,730 thousand yen
Allowance for bad debts to affiliated companies		2,881,057 thousand yen
ARO (Assets Retirement Obligation)		6,158 thousand yen
Impairment Loss		53,276 thousand yen
Others		44,961 thousand yen
Subtotal of Deferred corporate tax assets		11,300,182 thousand yen
Appropriation of appraisal for deficit carried-over in tax		△8,314,730 thousand yen
Appropriation of appraisal for total of deductible temporary difference, etc.		△2,985,452 thousand yen
Subtotal of Appropriation of appraisal		△11,300,182 thousand yen
Total of deferred corporate tax assets		- thousand yen
Deferred Corporate Tax Liabilities		
Appraisal income from gold in possession		△912,428 thousand yen
Net amount of deferred corporate tax liabilities		△912,428 thousand yen

8 . Notes on transactions with related parties

(1) Major stocks of parent company and corporation

(Unit: 1,000 yen)

Kinds	Company Name	Ownership (owned) ratio of voting rights, etc.	Relationship with related parties	Transaction details	Transaction amount (1,000 yen)	Account	End Balance
Parent company	Cairn India Holdings Ltd.	Owned directly 51.6%	Additionally held position of officer	Borrowings of fund, and payment of interest	1,500,000 363,477	Long-Term Borrowings from Affiliated Companies Expenses Payable to Affiliated Companies	23,783,265 694,525
Major Stock holders	HOYA Ltd.	Owned directly 46.6%	Additionally held position of officer	Repayment of fund, and payment of	- 422,339	Long-Term Borrowings from Affiliated Companies	8,454,480 35,559

				interest		Expenses Payable to Affiliated Companies	
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(2) Subsidiaries and Affiliated Companies

(U

nit: 1,000 yen)

Kinds	Company Name	Ownership (owned) ratio of voting rights, etc.	Relationship with related parties	Transaction details	Transaction amount (1,000 yen)	Account	End Balance
Subsidiaries	AvanStrate Taiwan Inc.	Direct ownership 100.0%	Use of patent, Additional position of officer	Payment of interest, Income from patent, Repayment of fund, gold in possession, Receipt of less fees, etc. Debt guarantee	343,149 214,386 800,000 7,664 31,422,956	Receivables from affiliated companies Short-term borrowings from affiliated companies Long-Term Borrowings from Affiliated Companies Expenses Payable to Affiliated Companies Advance Received from affiliated companies Payment by proxy for affiliated companies	6,652,012 7,700,000 21,700,000 0 405,063 207,040 1,189
Subsidiaries	AvanStrate Korea Inc.	Direct ownership 100.0%	Use of patent, Additional position of officer	Receipt of interest, Fund financing, Debt guarantee, gold in possession, Receipt of less fees, etc. Payment of fees for offering of collateral, Debt guarantee	268,784 1,600,000 12,435,253 12,512 14,682 22,968,476	Receivables from affiliated companies Short-term loan for affiliated companies Long-term loan expected to be recovered within 1 year for affiliated companies Expenses Payable to Affiliated Companies Payment by proxy for affiliated companies	6,202,276 10,700,000 0 3,300,000 105 398

Transaction conditions and decision policy of transaction conditions, etc.

- ① The transaction price and other terms and conditions are the same as those of independent third parties.
- ② For loans and interest receipts, the interest rate is reasonably determined in consideration of market interest rates and business conditions. The 『transaction amount』 is the net increase or decrease in annual transactions.
- ③ The borrowing of fund is based on a reasonable interest rate considering the market interest rate. For the 『transaction amount』, the net increase or decrease in the annual transaction is filled out.
- ④ For the patented import of the glass type NAS32SV developed by the company alone, the Company entered into a technology license agreement with the Company's consolidated subsidiaries. For rates, the Company conducted case studies on transfer prices to reduce transfer price risk, and decided the rates to be between 2% and 5% in the business year.
- ⑤ The Company provided debt guarantee to borrowings for AvanStrate Korea Inc.
- ⑥ The following subsidiaries provide debt guarantee for borrowings of 22,968,476 thousand yen in total from Cairn India Holdings Inc.
AvanStrate Taiwan Inc.
AvanStrate Korea Inc.
- ⑦ The following affiliated company provided debt guarantee against the loan agreement with HOYA Ltd., totaling 8,454,480 thousand yen.

AvanStrate Taiwan Inc.

(3) Officers and individual major stockholders

Not Applicable

9. Notes on information per stock

- | | |
|--------------------------|-------------|
| (1) Net assets per stock | △325.39 yen |
| (2) Net loss per stock | △10.83 yen |

10. Other notes

(1) Occurrence of important litigation cases

① AvanStrate Taiwan Inc., the Company's consolidated subsidiary (hereinafter referred to as AST) received a petition on October 21, 2019, in which Corning in the United States was designated as plaintiff, and AST was designated as defendant. The contents of lawsuit are the prohibition of use of facilities infringing patent rights due to infringement of patent rights by AST on Chinese patent registrations Nos. 570901 and I246989 (added on March 17, 2020), and the prohibition of application for sales, sales and import, etc., of goods (infringing goods) manufactured by use of applicable facilities, disposal of infringing facilities, disposal of infringing goods, and payment of litigation costs, etc.

② AvanStrate Korea Inc., the Company's consolidated subsidiary (hereinafter referred to as ASK) received a petition on November 11, 2019, in which Corning in the United States was designated as plaintiff, and ASK was designated as defendant. The contents of lawsuit are the prohibition of use of facilities infringing patent rights due to infringement of patent rights by AST on Korean patent registration Nos. 0762054, 1230754, and 1296484, and the suspension of patent infringement, prohibition of production, application for sales, sales and import, etc., of goods (infringing goods) manufactured by use of facilities infringing the patent, disposal of infringing facilities, disposal of infringing goods (including semi-products), and payment of litigation costs, etc.

The Company believes that there is no infringement of all patent rights, and is responding to all litigations, but the effect of the litigation on our financial condition and business performance at this time is unclear

11. Notes on important events occurring subsequently
Not Applicable

A certified copy of auditor's report in the consolidated financial statements

Audit Report of Independent Auditor

June 5 2020

To Board of Directors, AvanStrate Inc.

Ernst & Young ShinNihon LLC Osaka office

Designated Partner with Limited Liability, Executive Officer	Certified Public Accountant	Matsumura, Yutaka	Ⓔ
Designated Partner with Limited Liability, Executive Officer	Certified Public Accountant	Tokuno Daiji	Ⓔ

Audit Opinion

This audit corporation performed an audit in the consolidated financial statements of AvanStrate Inc. for the consolidated fiscal year from April 1, 2019 to March 31, 2020, i.e. the consolidated balance sheet, the consolidated income statement, the consolidated statement on changes in equity capital and the consolidated notes based on the provisions of Article 444 (4) of the Company Act.

This audit corporation acknowledges that the above-mentioned consolidated financial statements indicate properly the properties and income/loss state during the period related to the relevant consolidated financial statements of a company group of AvanStrate Inc. and its affiliated companies in all important matter based on the corporate accounting standards generally accepted as fair and proper

Basis for audit opinion

This audit corporation performed an audit in accordance with the audit standards generally accepted as fair and proper in Japan. Responsibilities of this audit corporation in terms of audit standards are described in the 『Auditor's Responsibilities in Auditing Consolidated Financial Statements』. This audit corporation is independent from the Company and its affiliated companies in accordance with Japan's rules on professional ethics, and also fulfills other ethical responsibilities as an auditor. This audit corporation judges that sufficient and appropriate audit evidences have been obtained as a basis for expressing the audit opinion.

Significant Uncertainty of the Premise on a Continuing Company

As stated in the note on the premise of a continuing company, the Company group's performance as of the end of current consolidated fiscal year showed the excess of debts corresponding to \triangle 23,665,535 thousand yen in net assets amount specified in the consolidated balance sheet, which reflects the consolidated sales of 4,441,211 thousand yen, the consolidated operating loss of \triangle 5,343,882 thousand yen, the consolidated ordinary loss of \triangle 6,215,155 thousand yen and the net loss of \triangle 12,980,164 thousand yen vesting in the parent company's stockholders. In addition, in the consolidated balance sheet at the end of the current consolidated fiscal year, The total amount of 『long-term borrowings』, 『long-term borrowings of affiliated companies』 and 『bonds』 is 52,479,037 thousand yen, which is higher than short-term liquidity and operating cash flow. As mentioned above, there exists the phenomenon or state in the AvanStrate Inc. group that will cause important significance to the premises on a continuing company, and at present, significant uncertainties regarding the premises on a continuing company are acknowledged.

In addition, the countermeasures for such state and the reasons why significant uncertainties were acknowledges are described in the relevant notes. The consolidated financial statements are prepared on the premise of a continuing company, and the effects of such important uncertainties are not reflected in the financial statements. This does not affect the opinions of this audit corporation.

Management Responsibilities for Consolidated Financial Statements

The manager's responsibility is to prepare and properly indicate the consolidated financial statements in accordance with corporate accounting standards generally accepted as fair and proper in Japan. This includes the establishment and operation of internal control deemed necessary by a manager in order to prepare and properly indicate the financial statements, etc. without significant false representations due to fraud or errors.

In preparing the consolidated financial statements, the manager has the responsibilities to appraise whether it is appropriate to prepare the consolidated financial statements based on the premise of a continuing company, and disclose the applicable matters regarding a continuing company in accordance with the corporate accounting standards generally accepted as fair and proper in Japan, if necessary.

The responsibilities of the auditors and audit committee is to monitor the directors' duty execution in the establishment and operation of financial reporting process.

Auditor's responsibility in auditing the consolidated financial statements

The auditor's responsibility is to obtain a reasonable assurance as to whether or not there are any significant false representations due to fraud or errors in the entire consolidated financial statements and express opinions in the consolidated financial statements , etc. in the audit report from an independent standpoint. False representations are considered to be of importance when they are reasonably expected to affect the decision-making of users of consolidated financial statements, either individually or aggregated, as they may be caused by fraud or errors.

The auditor makes judgments as professional experts through the audit process in accordance with audit standards generally accepted as fair and proper in Japan, and performs the following with professional doubts.

- The auditor identifies and appraises the risks of important false representations due to fraud or errors. In addition, the auditor plans and performs an audit procedure to cope with the risks of important false representations. The selection and application of audit procedure is determined at the discretion of the auditor. Also, the auditor obtains sufficient and appropriate audit evidences to be the basis for expressing the opinion.
- The purpose of audit on consolidated financial statements is not to express opinions on the effectiveness of internal control, but when conducting risk appraisal, the auditor reviews internal controls related to audit to prepare appropriate audit procedures matching the state.
- The auditor appraises the propriety of accounting policy adopted by a manager and its application method, and the appropriateness of notes related to the reasonableness of accounting estimates made by a manager.
- The auditor determines whether or not it is appropriate for a manager to prepare the consolidated financial statements on the premise of a continuing company, and whether significant uncertainties are acknowledged on phenomenon or state, such as those which will cause important significance to the premise of a continuing company based on the audit evidences obtained. Conclude whether or not. If significant uncertainty on the premise of a continuing company is acknowledged, the auditor draws attention to the notes in the consolidated financial statements in the audit report, or if the notes in the consolidated financial statements on significant uncertainties are not appropriate, the auditor is required to express opinions with exclusions specified in the consolidated financial statements. The auditor's conclusion is based on the audit evidences obtained by the date of audit report, but depending on the future state or circumstances, there is a possibility that the company may not be able to continue as a continuing company.
- The auditor appraises whether or not the representations and notes in the consolidated financial statements are based on the corporate accounting standards generally accepted as fair and proper in Japan, and also appraises whether or not the representations, composition and contents in the consolidated financial statements indicate properly their underlying transactions and accounting phenomena.
- In order to express opinions in the consolidated financial statements , the auditor obtains sufficient and appropriate audit evidences regarding the financial information of the Company and its consolidated subsidiaries. The auditor is responsible for directing,

supervising, and conducting audit in the consolidated financial statements. The auditor is solely responsible for audit opinion.

- The auditor reports to the auditors and audit committee of the Company important findings in the audit and other matters required by the audit standards, including the scope and timing of planned audit, and the significant lack of internal control identified during the audit process..

Conflict of Interest

There are no interest relations among the Company, its consolidated subsidiaries, this auditor or executive officer which must be entered in accordance with the provisions of the Certified Public Accountants Act.

The End

A certified copy of auditor's report on the financial statements

Audit Report of Independent Auditor

June 5 2020

To Board of Directors, AvanStrate Inc.

Ernst & Young ShinNihon LLC Osaka office

Designated Partner with Limited Liability, Executive Officer	Certified Public Accountant	Matsumura, Yutaka	Ⓔ
Designated Partner with Limited Liability, Executive Officer	Certified Public Accountant	Tokuno Daiji	Ⓔ

Audit Opinion

This audit corporation performed an audit on the financial statements, etc. of AvanStrate Inc. for the business year from April 1, 2019 to March 31, 2020 (13th period), i.e. the balance sheet, the income statement, the statement on changes in equity capital and the individual notes and their annexed statements (hereinafter referred to as the financial statement, etc.) based on the provisions of Article 436 (2), No.1 of the Company Act.

This audit corporation acknowledges that the above-mentioned financial statements, etc. indicate properly the properties and income/loss state during the period related to the applicable financial statements, etc. in all important matter based on the corporate accounting standards generally accepted as fair and proper.

Basis for audit opinion

This audit corporation performed an audit in accordance with the audit standards generally accepted as fair and proper in Japan. Responsibilities of this audit corporation in terms of audit standards are described in the 『Auditor's Responsibilities in Auditing Financial statements, etc.』. This audit corporation is independent from the Company and its affiliated companies in accordance with Japan's rules on professional ethics, and also fulfills other ethical responsibilities as an auditor. This audit corporation judges that sufficient and appropriate audit evidences have been obtained as a basis for expressing the audit opinion.

Significant Uncertainty of the Premise on a Continuing Company

As stated in the note on the premise of a continuing company, the Company group's performance as of the end of consolidated fiscal year showed the excess of debts corresponding to $\Delta 23,665,535$ thousand yen in net assets amount specified in the consolidated balance sheet, which reflects the consolidated sales of 4,441,211 thousand yen, the consolidated operating loss of $\Delta 5,343,882$ thousand yen, the consolidated ordinary loss of $\Delta 6,215,155$ thousand yen and the net loss of $\Delta 12,980,164$ thousand yen vesting in the parent company's stockholders. In addition, in the consolidated balance sheet at the end of the current consolidated fiscal year, The total amount of 『long-term borrowings』, 『long-term borrowings of affiliated companies』 and 『bonds』 is 52,479,037 thousand yen, which is higher than short-term liquidity and operating cash flow. As mentioned above, there exists the phenomenon or state in the AvanStrate Inc. group that will cause important significance to the premises on a continuing company, and at present, significant uncertainties regarding the premises on a continuing company are acknowledged.

In addition, the countermeasures for such state and the reasons why significant uncertainties were acknowledges are described in the relevant notes. The financial statements, etc. are prepared on the premise of a continuing company, and the effects of such important uncertainties are not reflected in the financial statements. This does not affect the opinions of this audit corporation.

Management Responsibilities for Financial statements

The manager's responsibility is to prepare and properly indicate the financial statements, etc. in accordance with corporate accounting standards generally accepted as fair and proper in Japan. This includes the establishment and operation of internal control deemed necessary by a manager in order to prepare and properly indicate the financial statements, etc. without significant false representations due to fraud or errors.

In preparing the financial statements, etc., the manager has the responsibilities to appraise whether it is appropriate to prepare the financial statements, etc. based on the premise of a continuing company, and disclose the applicable matters regarding a continuing company in accordance with the corporate accounting standards generally accepted as fair and proper in Japan, if necessary.

The responsibilities of the auditors and audit committee is to monitor the directors' duty execution in the establishment and operation of financial reporting process.

Auditor's responsibility in auditing the financial statements, etc.

The auditor's responsibility is to obtain a reasonable assurance as to whether or not there are any significant false representations due to fraud or errors in the entire financial statements, etc. and express opinions on the financial statements, etc., etc. in the audit report from an independent standpoint. False representations are considered to be of importance when they are reasonably expected to affect the decision-making of users of financial statements, etc., either individually or aggregated, as they may be caused by fraud or errors.

The auditor makes judgments as professional experts through the audit process in accordance with audit standards generally accepted as fair and proper in Japan, and performs the following with professional doubts.

- The auditor identifies and appraises the risks of important false representations due to fraud or errors. In addition, the auditor plans and performs an audit procedure to cope with the risks of important false representations. The selection and application of audit procedure is determined at the discretion of the auditor. Also, the auditor obtains sufficient and appropriate audit evidences to be the basis for expressing the opinion.
- The purpose of audit on financial statements, etc. is not to express opinions on the effectiveness of internal control, but when conducting risk appraisal, the auditor reviews internal controls related to audit to prepare appropriate audit procedures matching the state.
- The auditor appraises the propriety of accounting policy adopted by a manager and its application method, and the appropriateness of notes related to the reasonableness of accounting estimates made by a manager.
- The auditor determines whether or not it is appropriate for a manager to prepare the financial statements, etc. on the premise of a continuing company, and whether significant uncertainties are acknowledged on phenomenon or state, such as those which will cause important significance to the premise of a continuing company based on the audit evidences obtained. Conclude whether or not. If significant uncertainty on the premise of a continuing company is acknowledged, the auditor draws attention to the notes in the financial statements, etc. in the audit report, or if the notes in the financial statements, etc. on significant uncertainties are not appropriate, the auditor is required to express opinions with exclusions specified in the financial statements, etc.. The auditor's conclusion is based on the audit evidences obtained by the date of audit report, but depending on the future state or circumstances, there is a possibility that the company may not be able to continue as a continuing company.
- The auditor appraises whether or not the representations and notes in the financial statements, etc. are based on the corporate accounting standards generally accepted as fair and proper in Japan, and also appraises whether or not the representations, composition and contents in the financial statements, etc. indicate properly their underlying transactions and accounting phenomena.
- In order to express opinions on the financial statements, etc., the auditor obtains sufficient and appropriate audit evidences regarding the financial information of the Company and its consolidated subsidiaries. The auditor is responsible for directing, supervising, and conducting audit on the financial statements, etc.. The auditor is solely responsible for audit

opinion.

- The auditor reports to the auditors and audit committee of the Company important findings in the audit and other matters required by the audit standards, including the scope and timing of planned audit, and the significant lack of internal control identified during the audit process..

Conflict of Interest

There are no interest relations among the Company, its consolidated subsidiaries, this auditor or executive officer which must be entered in accordance with the provisions of the Certified Public Accountants Act.

The End

Reference documents for soliciting proxy exercise of voting rights

Solicitor on behalf of the exercise of voting rights

Avanstrate Inc
President/CEO Josef Zimmer

Proposal 1: Approval of 13th period (from April 1, 2018 to March 31, 2019) Business report, Financial Statement and Consolidated Financial Statements

The Accounting closing

With regard to the business report, financial statements and consolidated financial statements for the 13th fiscal year, both the accounting audit and the audit by the corporate auditors were significantly delayed from the originally planned schedule. Therefore, the Board of Directors cannot deliberate on the 13th Business Report, the Financial Statements and the Consolidated Financial Statements at the meeting of the Board of Directors to resolve the convocation of this Ordinary General Meeting of Shareholders.

The business report, financial statements and consolidated financial statements for the 13th fiscal year, the accounting audit report is described on pages 2 to 32 (40) of the Notice of Calling.

Proposal 2: Election of 5 Directors

The term of 5 directors will expire at the conclusion of this ordinary general meeting of shareholders.

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

The candidates for the board of directors are as follows.

Phonetics Name (Date of birth)	Profile, position and responsibilities in the Company (Status of important concurrent positions)	R e l a t e d Companies
Jose Zimmer (Aug.31,1967)	Oct.1993 Joined Fraunhofer Institute for Silicate Research Wuerzburg Oct.1996 Joined SCHOOT SG Sep.2010 Vice President Technical Sales Asia Dec.2014 Vice President Business Field Thin Glass and Wafer (current position) April 2019 President/CEO of Avanstrate Inc.(Current Position)	—
Anand Agarwal (Aug 7, 1967)	Aug 1995 Joined Sterlite Technologies Limited Aug 2001 Appointed as COO of the same company Aug 2003 Appointed as Director and CEO of the same company (current position) Feb 2018 Board of Diretor Avanstrate Inc(Current Position)	—
Akarsh K. Hebbar (Nov 10, 1987)	Nov 2009 Joined ORACLE Financial Service Software Ltd Associate consultant June 2014 Joined GOOGLE INDIA PVT. LTD., Mumbai, India YouTube Partner Intern Aug 2015 Joined McKinsey & Co., Mumbai, India as Associate CRM Consultant Feb2018 Managing Director June 2018 Managing Director/CEO April2019 Resigned as CEO/Managing Director Avanstrate Inc(current position)	—

John Kolada (March 5,1965)	Sep 1996	Blake, Cassels & Graydon Law Firm Partner and office representative partner	—
	Sep 2015	Vedanta Resources Group Strategy and Special Project Chairperson (Current position)	
	Dec 2017	Board of Director Avanstrate Inc(Current Position)	
Kashiwazaki Ryoichi (Feb 27,1963)	April 1988	Joined East Japan Railways Company	—
	April 1996	Joined Monitor Group	
	March 2003	Joined HOYA as General Manager, Planning Department, Vision Care Company	
	Jan 2006	Same company, GM Corporate planning group	
	Oct 2008	HOYA, General Manager, Corporate Planning Office (in charge of business strategy) (current position) Avanstrate Board of Director	
Dec 2018	Avanstrate Inc(Current Position)		

(Note)

1. Mr. Kashiwazaki Ryoichi is a candidate for external Director.
2. Mr. Kashiwazaki Ryoichi 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 Outside Director, expecting supervision and guidance for management of the company.
3. In the event that Mr. Kashiwazaki Ryoichi 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 Ryoichi 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 the candidates and our company.

Proposal 2: Election of 5 Directors

The term of Corporate Auditors Mr. Tanishima and Mr. Chen will expire at the conclusion of this ordinary general meeting of shareholders. Therefore, we would like to continue to appoint 2 Corporate Auditors.

The candidates for the board of directors are as follows.

Name (Date of birth)	Past experience, positions and responsibilities	Number of shares of the Company held
Nobuaki Tanishima (Dec.30,1954)	<p>Apl.1977 Joined PENTAX Corporation</p> <p>Jul.2007 Appointed as President of Pentax Corporation</p> <p>Mar.2008 Transferred HOYA corporation</p> <p> PENTAX Life care Business Unit, Unit Manager</p> <p>Oct.2018 PENTAX Life care Business Unit, Supply Chain Department, Operation Section, Manager (current position)</p>	-
Chen Yen Hsun (Nov.25,1973)	<p>Mar.2000 Registered as Lawyer in Taiwan</p> <p> Joined Chen Yeh Law Office</p> <p>Nov.2016 Appointed as Corporate Auditor of PAPYLESS TAIWAN CO., LTD.</p> <p>Jan.2017 Registered as Foreign Law Lawyer in JAPAN (TAIWAN LAW matters)</p> <p> Appointed as Partner and CEO of Chen Yeh Law Office (current position)</p> <p>Jul.2018 Appointed as Representative Director of 智業企業 管理顧問股份有限公司(current position)</p> <p>Jan.2019 Appointed as Outside Director of 三商家購股份有限 公司(current position)</p> <p>May.2019 Appointed as Outside Director of Hsin Tao Power Corporation (current position)</p> <p>Jun.2019 Appointed as Outside Director of Otsuka Information Technology Corp. (current position)</p> <p>Feb.2020 Appointed as Outside Director of Kanpai Co., Ltd.</p>	-

	(current position)	
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(note)

1. Mr. Tanishima and Mr. Chen are both the candidate of Outside Corporate Auditor.
2. Chen Yeh Law Office that Mr. Chen belongs to as CEO has held Advisory Agreement with Subsidiary AvanStrate Taiwan Inc.
3. The reason we selected Mr. Tanishima as a candidate for Outside Corporate Auditor is that he has experience as president of PENTAX Corporation, in addition to his management experience at HOYA Corporation, which is a major shareholder and has a strong connection with the our company business, and therefore we believe that he will be able to conduct appropriate audits from the perspective of corporate management.
4. The reason we selected Mr. Chen as a candidate for Outside Corporate Auditor is that he is a lawyer in both area in Taiwan and Japan, which are important locations for our business, and we expect appropriate audit activities from the perspective of compliance.
5. In the event that Mr. Tanishima and Mr. Chen are appointed as a Corporate Auditor, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, we intend to conclude a contract with Mr. Chen and Mr. Tanishima 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.