AvanStrate Taiwan Inc
Financial statement and Audit report
Fiscal Years 2017 and 2016

Financial Statements
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Tel: 886 6 292 5888
Fax: 886 6 200 6888
www.ey.com/taiwan

Ernst and Young Accounting Office
11F, No. 189, Sec 1, Yongfu road, 70051, Tainan city, Taiwan city
11F, No. 189, Sec 1, Yongfu road, 70051, Tainan city, Taiwan city, R. O. C

Audit Report

Messer. AvanStrate Taiwan Inc

May 30, 2018
Ernst and Young Accounting Office
Certified public accountant: Hitoshi Hataka

We have conducted auditing with regard to AvanStrate Taiwan Inc's statement of financial position as on March 31, 2018 and March 31, 2017, as well as audited comprehensive income statement, statement of changes in equity and cash flow statement from April 1, 2017 till March 31, 2018 (Fiscal year 2017) and from April 1, 2016 till March 31, 2017 (Fiscal year 2016). The responsibility for the preparation of these financial statements lies with the management of the company and our responsibility is to express an opinion on these financial statements based on the audit we conducted.

We conducted our audits in accordance with auditing rules of financial statements issued by certified public accountants and as per the generally accepted auditing standards. Those standards require that we prepare an audit and conduct inspection based on this, in order to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves verification, by examination of the evidence supporting the amounts and disclosures in the financial statements. An audit involves reviewing the presentation of financial statements as a whole, as well as assessing the accounting policies adopted by management and significant estimates made by the management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements mentioned in the first stage have been prepared in accordance with the provisions on the preparation of financial statements in the commercial accounting law, the standards for commercial accounting treatment, and the corporate accounting standards publication and its interpretation; we recognize that AvanStrate Taiwan Inc's statement of financial position as on March 31, 2018 and March 31, 2017, the business results and cash flow status from April 1, 2017 till March 31, 2018 (Fiscal year 2017) and from April 1, 2016 till March 31, 2017 (Fiscal year 2016) are properly displayed in all important respects.

End

AvanStrate Taiwan Inc
Statement of financial position
As on March 31, 2018 and March 31, 2017

Units: NTD

Assets	Notes	March 31, 2018 Amount	%	March 31, 2017 Amount	%
Current assets					
Cash and cash equivalents	4./ 6. 1	$ 619, 138, 983	4	$ 1, 000, 117, 318	6
Accounts receivable	4./ 6. 2/ 8.	505, 148, 186	3	903, 763, 027	5
Other outstanding accounts of affiliated companies	7.	8, 422, 486, 709	48	7, 709, 528, 248	41
Inventory assets	4./ 6. 3/ 6.	323, 103, 325	2	454, 742, 948	2
Receivable income tax refund amount	4./ 6. 12	79, 453, 021	-	1, 665, 329	-
Other current assets		255, 089, 006	1	200, 677, 622	1
Total current assets		10, 204, 419, 230	58	10, 270, 494, 492	55
Non- current assets					
Tangible fixed assets	4./ 6. 4/ 8	7, 150, 090, 608	40	8, 041, 147, 139	43
Intangible assets		1, 866, 898	-	3, 909, 288	-
Guarantee deposit	8.	24, 490, 464	-	24, 574, 664	-
Deferred tax assets	4./ 6. 12	273, 224, 000	2	205, 078, 000	1
Other non – current assets	8.	33, 742, 344	-	270, 571, 758	1
Total non – current assets		7, 483, 414, 314	42	8, 545, 280, 849	45
Total assets		$ 17, 687, 833, 544	100	$ 18, 815, 775, 341	100

Liabilities and capital	Notes	March 31, 2018 Amount	%	March 31, 2017 Amount	%
Current liabilities					
Amount of short term borrowings	6. 2/ 6. 5	$ -	-	$ 676, 500, 000	4
Accounts payable	4.	7, 292, 315	-	17, 252, 175	-
Account payable – affiliated companies	7.	205, 408, 308	1	99, 838, 717	1
Current income tax liabilities	4./ 6. 12	-	-	271, 710, 384	1
Other payables		130, 717, 165	1	162, 882, 621	1
Other payables – affiliated companies	7.	1, 800, 568, 466	10	1, 807, 043, 035	10
Other current liabilities		1, 781, 653	-	5, 970, 333	-
Total current liabilities		2, 145, 767, 907	12	3, 041, 197, 265	16
Non- current liabilities					
Deferred tax liabilities	4./ 6. 12	78, 972, 000	-	-	-
Other non – current liabilities	4./ 6. 7	111, 068, 582	1	104, 959, 525	-
Total non – current liabilities		190, 040, 582	1	104, 959, 525	-
Total liabilities		2, 335, 808, 489	13	3, 146, 156, 790	16
Capital					
Amount of capital	6. 7	1, 600, 000, 000	9	1, 600, 000, 000	9
Earned surplus					
Statutory benefit reserve	6. 7	1, 437, 725, 061	8	1, 426, 033, 918	8
Undisclosed profits	6. 7	12, 314, 299, 994	70	12, 643, 584, 633	67
Total earned surplus		13, 752, 025, 055	78	14, 069, 618, 551	75
Total capital		15, 352, 025, 055	87	15, 669, 618, 551	84
Total liabilities and capital		$ 17, 687, 833, 544	100	$ 18, 815, 775, 341	100

(Refer to notes on financial statements)

AvanStrate Taiwan Inc
Consolidated Income Statement
From April 1, 2017 till March 31, 2018 (Fiscal year 2017) and
From April 1, 2016 till March 31, 2017 (Fiscal year 2016)

Units: NTD

Items	Notes	Fiscal year 2017		Fiscal year 2016	
		Amount	%	Amount	%
Net sales	4./ 6. 8	$ 3, 951, 386, 760	100	$ 5, 133, 014, 743	100
Cost of sales	6. 3 and 10/ 7.	(3, 436, 005, 545)	(87)	(3, 508, 148, 132)	(68)
Gross profit		515, 381, 215	13	1, 624, 866, 611	32
Selling and general administrative expenses	4./ 6. 10/ 7	(760, 352, 240)	(19)	(925, 589, 466)	(18)
Operating (loss) profit		(244, 971, 025)	(6)	699, 277, 145	14
Non-operating income and expense	6. 11				
Other income		97, 751, 803	2	101, 833, 991	2
Other profit and loss		(114, 001, 826)	(3)	(535, 433, 698)	(10)
Finance costs		(9, 487, 295)	-	(18, 881, 492)	-
Total Non-operating income and expense		(25, 737, 318)	(1)	(45, 481, 199)	(8)
Pretax net (loss) profit		(270, 708, 343)	(7)	246, 795, 946	6
Income tax expense	4./ 6. 12	(46, 885, 153)	(1)	(129, 884, 520)	(3)
Current net profit after tax (loss)		(317, 593, 496)	(8)	116, 911, 426	3
Total comprehensive income for the current fiscal year (net after tax)		$ (317, 593, 496)	(8)	$ 116, 911, 426	3

(Refer to notes on financial statements)

AvanStrate Taiwan Inc
Statement of changes in equity
From April 1, 2017 till March 31, 2018 (Fiscal year 2017) and From April 1, 2016 till March 31, 2017 (Fiscal year 2016)

Units: NTD

Items	Capital amount	Amount of earned surplus		Total equity
		Statutory benefit reserve	Undisclosed profit	
Balance as on April 1, 2016	$ 1, 600, 000, 000	$ 1, 351, 365, 688	$ 12, 601, 341, 437	$ 15, 552, 707, 125
Appropriation of disposition and distribution in 2015				
Legal profit reserve fund		74, 668, 230	(74, 668, 230)	-
Net profit after tax for fiscal year 2016			116, 911, 426	116, 911, 426
Other comprehensive income for fiscal year 2016				-
Total comprehensive income for current term	-	-	116, 911, 426	116, 911, 426
Balance as on March 31st 2017	$ 1, 600, 000, 000	$ 1, 426, 033, 918	$ 12, 643, 584, 633	$ 15, 669, 618, 551
Balance as on April 1 2017	$ 1, 600, 000, 000	$ 1, 426, 033, 918	$ 12, 643, 584, 633	$ 15, 669, 618, 551
Appropriation of disposition and distribution in 2015				
Legal profit reserve fund		11, 691, 143	(11, 691, 143)	-
Net profit after tax for fiscal year 2017			(317, 593, 496)	(317, 593, 496)
Other comprehensive income for fiscal year 2017			-	-
Total comprehensive income for current term	-	-	(317, 593, 496)	(317, 593, 496)
Balance as on March 31st 2018	$ 1, 600, 000, 000	$ 1, 437, 725, 061	$ 12, 314, 299, 994	$ 15, 352. 025, 055

(Refer to notes on financial statements)

AvanStrate Taiwan Inc
Cash flow statement
From April 1, 2017 till March 31, 2018 (Fiscal year 2017) and From April 1, 2016 till March 31, 2017 (Fiscal year 2016)

Units: NTD

Items	Fiscal year 2017 Amount	Fiscal year 2016 Amount
Cash flow from operating activities		
Current profit before tax	$ (270, 708, 343)	$ 246, 795, 946
Adjustment items:		
Revenue and expense items		
Interest income	(89, 731, 320)	(96, 837, 578)
Interest expense	9, 487, 295	18, 881, 492
Decreased depreciation cost	723, 606, 327	968, 221, 004
Depreciation expenses	6, 496, 466	10, 216, 841
Net loss on disposal of property, plant and equipment	27, 838, 363	40, 997, 200
Impairment loss	32, 503, 526	46, 064, 571
Transfer amount to tangible fixed asset's cost	106, 581, 084	133, 429, 754
Changes in current assets and liabilities related to operating activities		
Account receivables (increase) decrease	398, 614, 841	(130, 861, 073)
Other receivables decrease – affiliated companies (increase)	(712, 958, 461)	33, 392, 144
Inventory assets decrease (increase)	131, 639, 623	(131, 064, 027)
Other current assets (increase) decrease	(121, 677, 048)	39, 479, 929
Account payable (decrease) increase	(9, 959, 860)	8, 381, 841
Other payables increase- affiliated companies (decrease)	105, 569, 591	12, 788, 610
Other accrued payment (decrease)	(32, 165, 456)	(119, 117, 824)
Other accrued payment - affiliated companies (decrease)	(6, 474, 569)	(104, 329, 566)
Other current liabilities (decrease) increase	(4, 188, 680)	4, 225, 328
Other non-current liabilities increase (decrease)	6, 109, 057	(611, 159)
Sub Total	300, 582, 436	980, 053, 433
Interest received	89, 731, 320	96, 837, 578
Interest paid	(11, 117, 781)	(13, 028, 004)
Payment amount for corporate income tax	(310, 621, 850)	(121, 227, 612)
Cash flow from operating activities	68, 574, 125	942, 635, 395
Cash flow from investing activities		
Acquisition of tangible fixed assets	(107, 987, 326)	(592, 957, 930)
Tangible fixed assets disposed	102, 475, 328	114, 305, 897
Other non-current assets decrease	232, 375, 338	162, 911, 523
Decrease in guarantee deposit	84, 200	74, 000
Cash flow from investing activities	226, 947, 540	(315, 666, 510)
Cash flow from financing activities		
Short-term borrowings (decrease)	(676, 500, 000)	(38, 000, 000)
Cash flow from financing activities	(676, 500, 000)	(38, 000, 000)
Increase in cash and cash equivalents (decrease) for the current term	(380, 978, 335)	588, 968, 885
Cash and cash equivalents at beginning of year	1, 000, 117, 318	411, 148, 433
Cash and cash equivalents at end of period	$ 619, 138, 983	$ 1, 000, 117, 318

(Refer to notes on financial statements)

AvanStrate Taiwan Inc
Notes on Financial statements
Fiscal year 2017 and Fiscal year 2016
(Unless otherwise specified, all units are based on NTD)

(1) Company history:

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

(2) Financial statements - Approval date and procedure:

The financial statements of this company have been approved by the Board of Directors on May 30, 2018.

(3) Changes in important accounting policies:

There is no matter relevant to this clause.

(4) Description of important accounting policies:

1. Conformity check

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

2. Creation of basics

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

3. Foreign currency transactions

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

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

Except for the following, the conversion differences due to settlement or conversion of monetary items are recognized as gains or losses in the period in which they arise.
(1) In the case where borrowings denominated in foreign currencies arise in order to acquire assets that satisfy certain requirements and the resulting conversion difference is regarded as amendment to interest cost, it shall be capitalized as part of borrowing costs and the said asset is taken as acquisition cost.
(2) Process in accordance with the accounting policy of financial instruments denominated in Foreign Currency applicable to Corporate Accounting Standards Bulletin No. 15 "Financial Instruments", financial instruments policy.
(3) The conversion differences arising from monetary items constituting a part of net investment in a company's foreign operations are initially recognized in other comprehensive income. When the net investment is disposed of, it transfers from capital to profit and loss.

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

4. Classification criteria for current and non-current assets and liabilities
If the asset falls under any of the following, it is classified as current asset and the assets not falling under current assets are classified as non-current assets.
(1) Assets that are scheduled to be realized during the normal business circulation period or are intended to be sold or consumed.
(2) Assets that are held mainly for trading purposes.
(3) Assets that are scheduled to be realized within 12 months after the end of the reporting period.
(4) Cash or cash equivalents. However, that it shall be exchanged for at least twelve months after the last day of the reporting period or used for settlement of liabilities and other restrictions.

If a liability falls under any of the following, it is classified as current liability and any liability not falling under current liability is classified as non-current liability.
(1) Liabilities scheduled to be settled in the normal business circulation period
(2) Liabilities which are held mainly for trading purposes.
(3) Liabilities with settlement due within 12 months after the reporting period.
(4) Liabilities that do not have the right to postpone settlement unconditionally for at least twelve months after the date of financial statement calculation.

5. Cash and Cash Equivalents

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

6. Financial instruments

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

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

(1) Financial assets

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

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

Loans and receivables

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

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

Impairment of financial assets

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

Loss events of financial assets may include the following.
A. Significant financial difficulties of issuers or debtors
B. Contractual violation such as default or overdue for payment of principal and interest
C. Increased possibility that debtors will fall into bankruptcy or other financial restructuring
D. The depletion of the active market of financial assets due to financial difficulties
E. Significant decline or long-term decline in the fair value acquisition cost of equity instruments

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

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

Derecognizing the financial assets

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

A. If the contractual right to receive the cash flow from the financial asset is cancelled or is settled
B. When almost all of the risks and economic values of ownership of financial assets are transferred
C. We reserve a part of the important risks and economic value of ownership of financial assets, but transfer the control over the asset and the actual ability of the transferee to sell the entire asset to an unrelated third party, and if it is unilaterally able to exercise its capability and it is not necessary to impose additional restrictions on such assignment it shall cease to recognize the financial asset and shall have the right and obligation incurred or retained in the transfer individually as assets or liabilities.
When derecognizing a certain financial asset as a whole, the difference between the carrying amount and the total sum of the recoverable consideration plus the cumulative gain or loss recognized in other comprehensive income is recognized as net profit or loss.

(2) Financial liabilities and equity instruments

Classification of liabilities or capital

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

Equity financial instruments

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

Financial liability

Our financial liabilities are classified as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost

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

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

Cancellation of recognition of financial liabilities

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

(3) Offsetting financial assets and liabilities

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

7. Inventory assets

Inventories are measured at the lower of cost or market, which compares the acquisition cost and net realizable value for each individual item.
The acquisition cost of inventories includes purchase costs, processing costs, and costs incurred until the inventory has reached the current location and condition.

Raw materials and commodities - The gross average method is adopted based on the actual purchase price.
Work in process and product - Direct material costs and labor costs, as well as fixed manufacturing costs allocated based on normal production capacity. However, excluding borrowing costs.

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

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

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

Buildings and structures 3 ~ 50 years
Mechanical equipment 2 ~ 8 years
Vehicle carrier 5 ~ 6 years
Office equipment 2 ~ 7 years

If the main components of tangible fixed assets provide economic benefits in different ways, or if there are significant differences in their useful lives, depreciate individually according to the individual period of tolerance. In case of changes in usage of tangible fixed assets, significant unexpected depletion, technological advancements, market price fluctuations, etc. are indicative of changes in asset's residual value or durability, review traditional estimates and change salvage value, depreciation method or durability according to the change. In the event that there is an indication that a significant change has occurred in the forecast expenditure pattern of future economic benefits of tangible fixed assets, in order to reflect the new expenditure pattern, review the original depreciation method and follow the change in depreciation method.
Recognition is discontinued at the time of disposal or when the future economic benefit can no longer be anticipated due to the use or disposal of the item of tangible fixed assets or one important component. Unrealized revaluation differences in other capital components are transferred to net income or loss as a reclassification adjustment upon disposition of assets.

9. Lease

<u>The company's position as a lessee</u>
Lease payments under operating lease are recognized by the straight-line method over the lease term.

10. Intangible assets
Individually acquired intangible assets are measured at cost at initial recognition. The acquisition cost of intangible assets acquired through business combination shall be the fair value of the acquisition date. After initial recognition of intangible assets, the book value is the amount after subtracting accumulated amortization and cumulative impairment loss from the acquisition cost. For revaluation of intangible assets pursuant to the provisions of laws and ordinances, the unrealized revaluation difference in the current period is recognized as other comprehensive income and cumulatively recorded as an item of increase in unrealized revaluation difference on other capital. From the year following the reevaluation year, amortization is calculated based on the book value after revaluation. Internally generated intangible assets that do not meet recognition criteria are recognized as profit or loss in the period in which they occurred without capitalization.
The useful life of intangible assets is determinable.
Intangible assets with determinable useful lives are amortized within their useful lives and tested for impairment if there are signs of impairment. If the estimated periodic duration of the asset is different from the original estimate or if significant changes occur in the expected economic benefit pattern of future economic benefits, the method of amortization or period of amortization is changed and treated as a change in accounting estimate.

Software
Software is recognized at cost and estimated to be an unpredictable expense of its economic benefit (3 years) and amortized using the straight-line method.

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

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

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

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

Provision for sales returns and discounts
Our company estimates reserves for sales returns and discounts based on historical experience and other known causes.

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

Product sales

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

Interest income

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

14. Postretirement benefit system

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

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

15. Income tax

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

Income Tax for current term

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

For profit-making business income tax to which 10% is additionally collected for undistributed earnings, as for the retained earnings of the current fiscal year, it is recognized as income tax expense as of the time when the appropriation of profit is resolved at the general shareholders' meeting to be held the following fiscal year.

Deferred tax

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

Except for the following two cases, deferred tax liabilities are recognized for all future temporary differences.
(1) Initial recognition of goodwill. Also, temporary differences arising from the initial recognition of assets or liabilities that do not affect taxable income (loss) on accounting as well as accounting profit at the time of the transaction, except those arising from business combinations.
(2) Temporary addition, temporary differences that are likely to occur due to investment in subsidiaries, affiliates and jointly controlled entities, with the possibility that control will be timely controlled and will not be resolved in the foreseeable future.

Except for the following 2 cases, deferred tax assets are recognized to the extent that there is a high likelihood of future taxable income being generated for future subtotal instruments, tax loss carryforwards and unused tax deductions.
(1) Not due to a business combination, future subtractive temporary difference arising from initial recognition of assets or liabilities not affecting accounting profit or taxable income (loss) at the time of transaction.
(2) It is a future temporary subtractive temporary difference arising from investment in subsidiaries, affiliates and jointly controlled entities and it is highly probable that it will be dissolved in the foreseeable future and sufficient taxable income to be used for utilization of the temporary difference at the time of resolution those that recognize only within a certain range.

Deferred tax assets and liabilities are measured at the anticipated tax rate in the period in which the assets are realized or settled, and the tax rate is based on the tax law established as of the end of the reporting period. Deferred tax related to the items recognized other than net profit or loss are likewise recognized in other than net profit or loss, and recognized in other comprehensive income or direct capital by related transactions. The deferred tax assets are reviewed and recognized at the end of each reporting period.
Deferred tax assets and liabilities have legally enforceable rights to offset current tax assets and current tax liabilities and either settle either on a net basis or at the same time realize the asset and settle the liabilities only when there is an intention to offset it.

(5) Key factors in accounting important assumptions and estimation uncertainty
Not applicable.

(6) Description of important accounting items

1. Cash and cash equivalents

	March 31 2018	**March 31 2017**
Cash on hand	$ 200, 000	$ 500, 000
Bank deposit	618, 938, 938	999, 617, 318
Total	$ 619, 138, 938	$ 1, 000, 117, 318

2. Account receivables

	March 31 2018	March 31 2017
Account receivable	$ 505, 148, 186	$ 903, 763, 027
Decrease: Allowance for doubtful accounts	-	-
Total	$ 505, 148, 186	$ 903, 763, 027

Our company has a contract with collateral bank to collateral accounts receivable. A pledge has been set for the accounts receivable selected by the said bank and it is taken as collateral for the loan that was received. The details are as follows.

March 31 2018

Not applicable.

March 31 2017

Target bank	Contract term	Loan limit	Borrowings (Recorded as short-term loans)	Collateral settled accounts receivable
Entie bank	Sept 12 2016 to Sept 13 2017	$ 676, 500, 000 (JPN 2, 500, 000, 000)	$ 676, 500, 000 (JPN 2, 500, 000, 000)	$ 566, 810, 307 (JPY 1, 891, 259, 912)

The credit period for our customers is usually 30 to 90 days.

3. Inventories

	March 31 2018	March 31 2017
Raw materials	$ 12, 810, 437	$ 15, 137, 270
Work-in-progress	115, 319, 099	304, 264, 530
Product	193, 973, 789	135, 341, 148
Total	$ 323, 103, 325	$ 454, 742, 948

Amounts recognized by our company as cost of sales as of fiscal years 2017 and 2016 are 3, 436, 005, 545 and 3, 508, 148, 132 respectively.

See Note 8 regarding the above-mentioned collateral insertion status of inventories.

4. Tangible, fixed assets

	Buildings and structures	Machines and equipment	Office equipment	Vehicle transportation	Platinum	Construction in progress	Total
Acquisition cost and revaluation difference:							
April 1 2016	$ 5, 218, 735, 378	$ 10, 626, 382, 416	$ 133, 293, 793	$ 11, 841, 726	$ 4, 665, 959, 876	$ 610, 013, 613	$ 21, 266, 226, 802
Increase	-	-	-	-	-	592, 957, 930	592, 957, 930
Disposal	(2, 526, 849)	(223, 860, 047)	(4, 447, 500)	-	-	(114, 270, 121)	(345, 104, 517)
Transfer	19, 751, 000	580, 358, 646	2, 049, 152	1, 160, 000	36, 502, 154	(639, 820, 952)	-
Other changes	99, 211, 006	(383, 273)	-	-	-	(145, 800, 291)	(46, 972, 558)
March 31 2018	5, 335, 170, 535	10, 982, 497, 742	130, 895, 445	13, 001, 726	4, 702, 462, 030	303, 080, 179	21, 467, 107, 657
Increase	-	-	-	-	-	107, 987, 326	107, 987, 326
Disposal	(364, 100)	(497, 915, 268)	-	(1, 144, 048)	-	-	(499, 423, 416)
Transfer	28, 729, 312	31, 548, 788	12, 301, 734	1, 065, 000	-	(73, 644, 834)	-
Other changes	-	-	-	-	-	(103, 542, 365)	(103, 542, 365)
March 31 2018	$ 5, 363, 535, 747	$ 10, 516, 131, 262	$ 143, 197, 179	$ 12, 922, 678	$ 4, 702, 462, 030	$ 233, 880, 306	$ 20, 972, 129, 202
Depreciation and impairment loss:							
April 1 2016	$ 2, 949, 471, 318	$ 9, 191, 915, 149	$ 100, 699, 604	$ 9, 026, 254	$ 240, 379, 211	$ 109, 984, 827	$ 12, 601, 476, 363
Depreciation	270, 975, 083	683, 973, 969	11, 990, 398	1, 281, 554	-	-	968, 221, 004
Impairment loss	-	-	-	-	46, 064, 571	-	46, 064, 571
Disposal - accumulated depreciation	(2, 521, 765)	(170, 653, 770)	(4, 436, 746)	-	-	-	(177, 612, 281)
Disposal - accumulated loss on impairment	-	(12, 189, 139)	-	-	-	-	(12, 189, 139)
March 31 2017	3, 217, 924, 636	9, 693, 046, 209	108, 253, 256	10, 307, 808	286, 443, 782	109, 984, 827	13, 425, 960, 518
Depreciation	247, 304, 309	465, 261, 857	10, 511, 531	528, 630	-	-	723, 606, 327
Impairment loss	-	9, 077, 948	-	-	32, 503, 526	-	41, 581, 474
Disposal - accumulated depreciation	(347, 550)	(368, 318, 127)	-	(444, 048)	-	-	(369, 109, 725)
March 31 2018	$ 3, 464, 881, 395	$ 9, 799, 067, 887	$ 118, 764, 787	$ 10, 392, 390	$ 318, 947, 308	$ 109, 984, 827	$ 13, 822, 038, 594

	Buildings and structures	Machines and equipment	Office equipment	Vehicle transportation	Platinum	Construction in progress	Total
Book valuation:							
March 31 2018							
Original value	$ 5, 363, 535, 747	$ 10, 516, 131, 262	$ 143, 197, 179	$ 12, 922, 678	$ 4, 702, 462, 030	$ 233, 880, 306	$ 20, 972, 129, 202
Accumulated depreciation	(3, 464, 881, 395)	(9, 799, 067, 887)	(118, 764, 787)	(10, 392, 390)	-	-	(13, 393, 106, 459)
Accumulated impairment loss	-	-	-	-	(318, 947, 308)	(109, 984, 827)	(428, 932, 135)
	$ 1, 898, 654, 352	$ 717, 063, 375	$ 24, 432, 392	$ 2, 530, 288	$ 4, 383, 514, 722	$ 123, 895, 479	$ 7, 150, 090, 608
March 31 2017							
Original value	$ 5, 335, 170, 535	$ 10, 982, 497, 742	$ 130, 895, 445	$ 13, 001, 726	$ 4, 702, 462, 030	$ 303, 080, 179	$ 21, 467, 107, 657
Accumulated depreciation	(3, 217, 924, 636)	(9, 434, 218, 063)	(108, 253, 256)	(10, 307, 808)	-	-	(12, 770, 703, 763)
Accumulated impairment loss	-	(258, 828, 146)	-	-	(286, 443, 782)	(109, 095, 827)	(655, 256, 755)
	$ 2, 117, 245, 899	$ 1, 289, 451, 533	$ 22, 642, 189	$ 2, 693, 918	$ 4, 416, 018, 248	$ 193, 095, 352	$ 8, 041, 147, 139
March 31 2016							
Original value	$ 5, 218, 735, 378	$ 10, 626, 382, 416	$ 133, 293, 793	$ 11, 841, 726	$ 4, 665, 959, 876	$ 610, 013, 613	$ 21, 266, 226, 802
Accumulated depreciation	(2, 949, 471, 318)	(8, 920, 897, 864)	(100, 699, 604)	(9, 026, 254)	-	-	(11, 980, 095, 040)
Accumulated impairment loss	-	(271, 017, 285)	-	-	(240, 379, 211)	(109, 984, 827)	(621, 381, 323)
	$ 2, 269, 264, 060	$ 1, 434, 467, 267	$ 32, 594, 189	$ 2, 815, 472	$ 4, 425, 580, 665	$ 500, 028, 786	$ 8, 664, 750, 439

For the pledge on collateral status of tangible fixed assets, refer to Note 8 for details.

5. Short term debts

	Rate of interest (%)	March 31 2018	March 31 2017
Bank collateral borrowings	2. 19 ~ 2. 337	$ -	$ 676, 500, 000

As on March 31, 2018 and March 31, 2017, our unused short-term borrowings were 0 yuan for both years.

Bank collateral borrowing pledges the tangible fixed assets as collateral. For details on the collateral insertion status, see note 8.

6. Allowances etc. (Other non-current liabilities)

Asset retirement obligation

	Fiscal year 2017	Fiscal year 2016
Opening balance	$ 104, 959, 525	$ -
Increase in current period	6, 109, 057	104, 959, 525
Reversion to current term	-	-
Closing balance	$ 111, 068, 582	$ 104, 959, 525

Our company recognizes the removal expenditure relating to our factory owned by our company. By contract, we restore factory site to its original condition after the factory removal.

7. Capital

(1) Common stock
As of March 31, 2018 and March 31, 2017, the authorized capital amount was 1, 600, 000, 000 yuan, the paid-in capital amount was 1, 600, 000, 000 yuan, the total number of shares was 160, 000, 000 shares, the share price of 10 yuan per share and it is fully issued.

(2) Profit sharing

According to the company's articles of incorporation, if there is profit after the fiscal year settlement, the distribution shall be in the following order.
A. Pay the corporate income tax
B. Correct the defect
C. Fund 10 % as statutory interest profit
D. In addition, accumulate or reverse the extraordinary profit margin by the provisions of laws or orders of the competent institution.
E. The remaining amount is distributed by the Board of Directors based on the dividend policy and distributed as per resolution of the shareholders meeting.

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

The proposed profit distribution for 2016 and 2015, respectively, resolved by the Board of Directors on May 30, 2017 and June 29, 2016, is as follows.

Profit funding and distribution

	Fiscal year 2016	**Fiscal year 2015**
Statutory benefit reserve	$ 11, 691, 143	$ 74, 668, 230

At the Board of Directors meeting on May 30, 2018, it was resolved not to pay dividends on the proposal for loss treatment in 2017.

8. Amount of sales

	Fiscal year 2016	**Fiscal year 2015**
Amount of sales	$ 4, 060, 260, 500	$ 5, 434, 536, 176
Decrease: Returns and discounts	(108, 873, 740)	(301, 521, 433)
Total	$ 3, 951, 386, 760	$ 5, 133, 014, 743

9. Operating lease

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

(1)

Lease object	**Lease term**	**Monthly lease charges (Note)**	**Security deposit**
Tainan Science and Technology Industry zone no: 70	Apr 30 2004 ~ Apr 29 2024	$ 714, 833	$ 2, 144, 498
Tainan Science and Technology Industry zone no: 66. 67. 68	Sept 19 2000 ~ Sept 18 2020	3, 166, 385	9, 499, 155
Tainan Science and Technology Industry zone no: 69	Apr 18 2003 ~ Apr 17 2013	736, 998	2, 210, 993
Tainan Science and Technology Industry zone no: 81	Jan 28 2005 ~ Jan 27 2025	2, 442, 423	7, 327, 270
Employee dormitory	Jul 1 2017 ~ Jun 30 2018	37, 000	60, 000
Honda external warehouse	Jan 1 2017 ~ Dec 31 2019	620, 000	630, 000
International Minami warehouse	Aug 20 2017 ~ Aug 19 2020	819, 048	1, 656, 000

(Note): Adjustments based on the consumer price index adjustment rate promulgated annually.

For the non-cancelable operating lease contract, the future minimum lease payments as of March 31, 2018 and March 31, 2017 are as follows.

	March 31, 2018	March 31, 2017
Within 1 year	$ 72, 963, 396	$ 72, 774, 858
Beyond 1 year and within 5 years	228, 211, 344	253, 668, 240
Beyond 5 years	64, 599, 755	112, 819, 344
Total	$ 365, 774, 495	$ 439, 262, 442

Costs recognized by the operating leases are as follows.

	Fiscal year 2017	Fiscal year 2016
Rent expenditure	$ 121, 877, 526	$ 108, 071, 824

10. Table total personnel expenses, depreciation and amortization expenses, generated in FY 2017 and FY 2016:

By function / By nature	Fiscal year 2017			Fiscal year 2016		
	Cost of sales	Selling, general and administrative expenses	Total	Cost of sales	Selling, general and administrative expenses	Total
Personnel expenses						
Salary	$ 360, 554, 188	$ 78, 772, 124	$ 439, 326, 312	$ 437, 457, 461	$ 84, 611, 115	$ 522, 068, 576
Social insurance costs	37, 003, 020	4, 718, 669	41, 721, 689	36, 989, 423	3, 688, 998	40, 678, 421
Retirement expenses	19, 401, 224	2, 634, 711	22, 035, 935	21, 280, 223	2, 117, 548	23, 397, 771
Other personnel expenses	10, 379, 655	1, 017, 509	11, 397, 164	11, 274, 602	930, 698	12, 205, 300
Depreciation cost	706, 168, 728	17, 437, 599	723, 606, 327	945, 906, 477	22, 314, 527	968, 221, 004
Amortization cost	5, 815, 691	680, 775	6, 496, 466	9, 648, 185	568, 656	10, 216, 841

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

Losses in FY 2017, estimates of employee compensation and officer fee are not estimated.

In fiscal 2016, based on the status of profit recognition, we have estimated an employee compensation of 954, 971 yuan, and recognized it as salary. There is no material difference between the amount of actual employee compensation and officer compensation for fiscal 2016 and the amount recorded as expenses in the fiscal year 2016 financial statements.

11. Non-operating income and expenses
(1) Other income

	Fiscal year 2017	Fiscal year 2016
Lease rental received	$ 79, 995	$ 138, 658
Interest received	89, 731, 320	96, 837, 578
Other income	7, 940, 488	4, 857, 755
Total	$ 97, 751, 803	$ 101, 833, 991

(2) Other profit and loss

	Fiscal year 2017	Fiscal year 2016
Profit on disposal of property, plant and equipment (loss)	$ (27, 838, 363)	$ (40, 997, 200)
Foreign exchange gains / losses	36, 616, 204	(470, 475, 561)
Other expenditure	(122, 779, 667)	(23, 960, 937)
Total	$ (114, 001, 826)	$ (535, 433, 698)

(3) Financial expenses

	Fiscal year 2017	Fiscal year 2016
Interest expenses	$ (9, 487, 295)	$ (18, 881, 492)

12. Corporate income taxes

The main components of corporate income tax expenses for FY 2017 and FY 2016 are as follows.

Corporate income tax recognized in net profit or loss

	Fiscal year 2017	Fiscal year 2016
Expenses on current corporate income tax:		
Income tax payable for current period	$ 7, 576, 607	$ 243, 851, 701
Current income tax adjustment of previous year	28, 482, 546	87, 906, 819
Deferred tax expense (earnings):		
Deferred tax expense (earnings) on the initial occurrence and cancellation of temporary differences	10, 826, 000	(201, 874, 000)
Corporate income tax expense (profit)	$ 46, 885, 153	$ 129, 884, 520

<u>The adjustment between the corporate income tax expense and the corporate income tax rate applied to accounting profit is as follows.</u>

	Fiscal year 2017	Fiscal year 2016
Profit before tax from continuing operations	$ (270, 708, 343)	$ 246, 795, 946
Corporate income tax calculated at legal corporate income tax rate of 17%	$ (46, 020, 418)	$ 41, 955, 310
10% additional taxable corporate income tax on undistributed earnings	-	67, 201, 407
Impact of corporate income tax by tax exemption	-	(11, 680, 520)
Impact of corporate income tax effect by expenses not deductible	51, 168, 580	63, 811, 521
Impact of corporate income tax by deferred tax assets / liabilities	-	(119, 309, 000)
Current adjustments of corporate income tax of previous year	28, 482, 546	87, 906, 819
Other corporate income tax effect resulting from adjustment by tax law	13, 254, 445	(1, 017)
Total corporate income tax expense (profit) recognized in net profit or loss	$ 46, 885, 153	$ 129, 884, 520

<u>Balance of deferred tax assets (liabilities):</u>

	March 31 2017	March 31 2016
Temporary difference		
Unrealized foreign exchange gains	$ (78, 972, 000)	$ 44, 390, 000
Sales value deduction allowance	-	-
Inventory valuation loss reserve	3, 833, 000	418, 000
Inventory allocation difference	9, 691, 000	15, 114, 000
Impairment loss	30, 098, 000	33, 688, 000
Asset retirement obligation	-	3, 846, 000
Others	229, 602, 000	107, 622, 000
Net deferred tax assets	$ 194, 252, 000	$ 205, 078, 000
Information displayed in the statement of financial position is as follows:		
Deferred tax asset	$ 273, 224, 000	$ 205, 078 , 000
Deferred tax liabilities	$ (78, 972, 000)	$ -

<u>Information related to both taxation</u>

	March 31 2018	March 31 2017
Balance of shareholder deductible tax amount	(Notes)	$ 2, 094, 937, 812

Our estimates for fiscal year 2017 and tax credit ratios for actual profit sharing in fiscal year 2016 are 19.25% and 19.29%, respectively.

(Note) Due to the amendment of the Income Tax Law promulgated and issued in February 2018, a partial calculation deduction system for both tax consolidation schemes have been abolished.

Confirmation status of corporate income tax return

As of March 31, 2018, the profitable income tax return of our company has been finalized until FY 2015.

(7) Affiliated company transaction

Important transaction matters with affiliated companies are as follows.

1. Purchases

	Fiscal year 2017	**Fiscal year 2016**
Subsidiary company	$ 718, 771, 037	$ 806, 264, 004

(1) Comparison with price policy for non-affiliated companies: Our suppliers are only one of the above affiliated companies, and there is no other comparable purchase price.
(2) Comparison with payment terms for non-affiliated companies: The terms of payment for the above company are equivalent to general transactions.

2. Other Accounts Receivables - Affiliated company

	March 31 2018	**March 31 2017**
Parent company	$ 46, 495, 249	$ 23, 942, 054
Subsidiary company	771, 460	108, 786, 194
Total	$ 47, 266, 709	$ 132, 728, 248

3. Accounts receivables - Affiliated company

	March 31 2018	**March 31 2017**
Net amount	$ 205, 408, 308	$ 99, 838, 717

4. Other account receivables - Affiliated company

	March 31 2018	**March 31 2017**
Parent company	$ 1, 800, 568, 466	$ 1, 807, 043, 035

5. Property trading

Details of purchases from the affiliated companies are as follows.

	Fiscal year 2016	Fiscal year 2015
Parent company Subsidiary company	$ 112, 583 1, 572, 258	$ 271, 246, 762 14, 932, 748
Total	$ 1, 684, 741	$ 286, 179, 510

6. Fund loan
Fiscal year 2017:
Lending to affiliates (posted as other receivables)

Name of affiliated company	Maximum balance	Balance at term end	Rate	Entire annual interest
Parent company	$ 8, 375, 220, 000	$ 8, 375, 220, 000	1. 13 % 1. 28 %	$ 89, 629, 768

Fiscal year 2016:
Lending to affiliates (posted as other receivables)

Name of affiliated company	Maximum balance	Balance at term end	Rate	Entire annual interest
Parent company	$ 8, 689, 710, 000	$ 7, 576, 800, 000	1. 13 % 1. 28 %	$ 96, 776, 470

7. Endorsements and debt guarantees

The details of the amount which our company is guaranteeing endorsement by financial institutions are as follows.

Name of affiliated company	March 31 2018	March 31 2017
Parent company	JPY 21, 468, 475, 000	JPY 32, 025, 140, 000
Subsidiary company	JPY 12, 435, 252, 000	JPY 12, 720, 134, 000

In addition, all of our company's shares are pledged as collateral for the company's parent company to endorse assurance with financial institutions.

8. Others
(1) In fiscal year 2009, our company negotiated with ASI and entered into a technology partnership patent contract for SG glass production. Our company shall pay 15% of sales for product parts and patent royalty of 0. 75 % of sales for parts of goods. The royalty fees for fiscal 2017 and fiscal 2016 are 681, 897, 412 yen and 769, 411, 270 yen, respectively, which are included in selling, general and administrative expenses.

(2) In FY 2017 and FY 2016, our company has entrusted the affiliated companies with purchase of expendables, provision of technical assistance and construction repair. The details of the transaction are as follows (listed in cost of sales).

Name of affiliated company	March 31 2017	March 31 2016
Parent company	$ 16, 186, 466	$ 35, 111, 017
Subsidiary company	14, 189, 525	5, 919, 066
Total	$ 30, 375, 991	$ 41, 030, 083

(3) The net interest expense related to platinum borrowed from our affiliated companies in FY2017 and FY2016 is as follows.

Name of affiliated company	Fiscal year 2017	Fiscal year 2016
Subsidiary company	$ -	$ 1, 142, 740

(8) Collaterally pledged assets/ asset encumbrance

The Company pledges the following assets as collateral.

Book value

	March 31 2018	March 31 2017	Contents of collateral debt
Restricted assets	$ 33, 000, 000	$ 265, 375, 338	Deposit to Customs and Short-term Borrowings
Accounts receivable	-	566, 810, 307	Short-term debt
Inventory	293, 776, 733	418, 723, 985	Parent company debt
Tangible fixed assets	18, 386, 774	730, 557, 086	Short-term borrowings and parent company debt
Total	$ 345, 163, 507	$ 1, 981, 466, 716	

(9) Important contingent liabilities and unrecorded commitments

Not applicable.

(10) Important subsequent events

Not applicable.

(11) Others

1. Types of financial products

Financial assets

	March 31 2018	March 31 2017
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	$ 618, 938, 983	$ 999, 617, 318
Accounts receivable	505, 148, 186	903, 763, 027
Other receivables (including affiliates)	8, 422, 486, 709	7, 709, 528, 248
Restricted assets (Other non-current assets)	33, 000, 000	265, 375, 338
Guarantee deposit	24, 490, 464	24, 574, 664
Total	$ 9, 604, 064, 342	$ 9, 902, 858, 595

Financial liabilities

	March 31 2018	March 31 2017
Financial liabilities measured at amortized cost:		
Short-term debt	$-	$ 676, 500, 000
Accounts payables (including affiliated company)	212, 700, 623	117, 090, 892
Other payables (including affiliated company)	1, 931, 285, 631	1, 969, 925, 656
Total	$ 2, 143, 986, 254	$ 2, 763, 516, 548

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

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

A. Make short-term financial instruments the carrying amount in the statement of financial position its fair value. Because this type of financial instrument has a short time to maturity, its carrying amount is taken as a reasonable estimate of fair value. The method applies to cash and cash equivalents, accounts receivable, other receivables, accounts payable and other accruals, short-term borrowings.
B. The restricted asset and the guarantee deposit are valued at their carrying values as fair value. This is because the future receipt or expected payment is close to the carrying amount.

3. Others

The financial statements of Avanstrate Co Ltd, the ultimate parent company of our company, has been audited by Ernst & Young Group's Shin Nihon LLC. In the notes under financial statements, there are statements about the evaluation and doubt concerning the premise of the going concern and the approach to countermeasures. The overview is as follows.

As of the end of the consolidated fiscal year under review, this Group's results were, consolidated net sales of 14, 443 million yen, consolidated operating income of 702 million yen, consolidated ordinary loss of 1, 374 million yen, net loss attributable to parent company shareholder Δ10, 529 million yen, and the amount of net assets in the consolidated balance sheet is an overdraft of 9,078 million yen.

The total amount of "long-term borrowings", "long-term borrowings of subsidiaries of affiliated companies", "bonds" in the consolidated balance sheet as of the consolidated balance sheet date was 51, 362 million yen, and liquidity at hand and operating cash were at high level compared with cash flow.

As a result of the above, there are events or circumstances that cause important doubt on the premise of a going concern.

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

(1) Securing orders and sales

We intensively allocate the Group's production capacity to markets with favourable orders, and we are working to secure continuous orders from new customers by improving quality and developing new products.

(2) Stabilization of cash flow

Based on a business revitalization plan sponsored by Cairn India Holdings Limited, a parent company that was established and approved by the Specified Certified Dispute Settlement Procedure (hereinafter referred to as "Business Revival ADR Procedure") on December 19, 2017, among syndicated loans NEXI insurance loans, having Bank of Tokyo-Mitsubishi UFJ, Ltd. as agent as of December 22, 2017, an amount of 33,904 million yen was transferred to Cairn India Holdings Limited and changed to borrowing conditions with easing repayment conditions and 1,900 million yen was changed to a borrowed condition with repayment and loosening of interest rate conditions. Also, due to these changes, the financial covenant provision of syndicated loans with agents of Bank of Tokyo - Mitsubishi UFJ, Ltd. as agents has been eliminated.

Then, at the resolution of the Board of Directors on December 19, 2017, we resolved to purchase and cancel a part of the 1st unsecured bonds and the 2nd unsecured bonds of AvanStrate Co Ltd, based on these, AvanStrate Co., Ltd. acquired such bonds in December 28, 2017 with the aim of purchasing and canceling part of the first unsecured bond and the second unsecured bond. In order to raise funds to acquire the above-mentioned bonds, we have concluded money consumption lease contracts with Cairn India Holdings Limited on December 22, 2017, and with regard to the bonds we acquired, it was cancelled on December 28, 2017.

Furthermore, on December 22, 2017, with respect to the loan from Hoya Corporation, we entered a change agreement including change in repayment terms.

For the first unsecured bonds and the second unsecured bonds of AvanStrate Co., Ltd., at the bondholders' meeting held on September 29, 2017, partial change of the bonds including change of redemption conditions was approved, respectively, and permission was duly obtained from Tokyo District Court on October 5, 2017.

In addition to the above measures, in addition to reporting the business results and financial condition of the Group, to business financial institutions in a timely manner, building a good relationship by understanding, further stabilizing funding and cash flow has been strived. The degree of uncertainty regarding the stabilization of cash flow, has been reduced by changing the terms of repayment of the above loan and by changing the terms of redemption of bonds.

However, even if these measures are taken, it is necessary to improve performance and finance in order to resolve excessive debt and repay high-level borrowings. Securing sales, which is an important factor in achieving the business plan for that purpose, depends largely on external factors, and because securing sufficient necessary capital investment funds is not certain, there is a possibility that it will have a significant influence on future cash flow.

Therefore, an important uncertainty regarding the premise of the going concern is recognized.

The consolidated financial statements are prepared on the premise of a going concern and the effects of significant uncertainties concerning the premise of such continuing companies are not reflected in the consolidated financial statements.