

13 June 2019

Dear Shareholder,

11-1, Nishi Gotanda 1-chome Shinagawa-ku, Tokyo
AvanStrate Inc.
Representative Director and President
Josef Zimmer

Notice of 12th General Meeting of Shareholders

Dear Sir, I would like to thank you for your continued cooperation.

We will hold the 12th 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 June 27 (Thursday), 2019 ,5 pm.

Best regards

Description

1. **Date and Timing:** June 28, 2019 (Friday) Noon 12: 30pm
2. **Location:** 11 - 1, Nishi Gotanda 1-chome Shinagawa-ku, Tokyo
Gotanda station, 3rd floor, 1st meeting room
3. **Objective & Reporting matters:** 1. 12th period (from April 1, 2018 to March 31, 2019) Business report and audit result of accounting auditors and board of corporate auditors on consolidated financial statements
2. 12th period (From April 1, 2018 to March 31, 2019) Reports on financial statements

Resolution matters:

Proposal : Election of 5 directors

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

(Attached document)

Business report

From April 1, 2018
Until March 31, 2019

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

(1) Business status in the current fiscal year

① Progress and results of the business

There was a gradual recovery in the Global economy during the current fiscal year. In the East Asia region Taiwan's economy recovered moderately while the business condition of Korea deteriorated. Japanese economy was gradually recovering, China continued to grow but with the economic friction with the USA and there was also impact on the Group's customer of LCD Panel industry

During this tough situation also our Group worked to develop new customers while continuing to maintain good business relationships with major customers, but it failed to expand sales channels during the fiscal year under review and repair of equipment, the situation became severe in terms of production and sales.

As a result of the above, net sales for the current consolidated fiscal year was 10,388 million yen (down 4,055 million yen from the previous consolidated fiscal year), and the operating income was Ordinary income decreased by 330 million yen to 1,704 million yen.

Net income attributable to company's shareholders with a net loss of 1,597 million yen (up to 8,932 million yen), as extraordinary income was recorded as insurance income received in Taiwan

② Status of capital investment

Total amount of capital investment of our group incorporated during the current consolidated fiscal year was 3969 million yen. The main purpose of investment was to repair and reform the existing equipments.

③ Funding status

For the new funding in the current consolidated fiscal year, our subsidiary Avanstrate Taiwan Inc. as a borrower had raised fund of 540 million EURO (short-term debt of 673 million yen on the consolidated balance sheet) is procured.

④ Transfers, Absorption-type Splits, or Incorporation-type Splits of Business

Not applicable

5 Status of transfer of business from other companies

Not applicable.

6 Status of succession of rights and obligations regarding business of other corporations etc. by absorption merger or absorption split

Not applicable.

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

Not applicable.

(2) Asset and profit & loss status in the previous 3 fiscal years

Category	9 th period (Fiscal year ending March 31, 2016)	10 th period (Fiscal year ending March 31, 2017)	11 th period (Fiscal year ending March 31, 2018))	12 th period (Fiscal year ending March 31, 2019) (Current consolidated fiscal year)
Amount of sales (million yen)	20,751	18,362	14,443	10,388
Ordinary profit or ordinary loss (Δ) (million yen)	Δ384	1,010	Δ1,374	Δ1,704
Net profit or net loss attributable to parent company shareholder (Δ) (million yen)	Δ8,900	156	Δ10,529	Δ1,597
Net profit or net loss per share (Δ)	Δ89.66	1.57	Δ106.07	Δ16.09
Total assets (million yen)	70,490	69,618	47,120	46,420
Net assets (million yen)	1,289	1,463	Δ9,078	Δ10,648
Net assets per share (yen)	12.99	14.74	Δ91.46	Δ107.27

(Note) Consumption taxes are not included in net sales.

(3) Main parent company and subsidiaries status

① Status of parent company

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

② Status of important subsidiaries

Company name	Capital	Ratio of voting rights to the Company	Main Business Information
AvanStrate Taiwan Inc.	1,600 TWD million	100.0%	Manufacture and sales of glass substrates for liquid crystal displays and panels

AvanStrate Inc.	Korea	148,577 million Korean won	100.0%	Manufacture and sales of glass substrates for liquid crystal displays and panels
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③ Matters concerning specified wholly owned subsidiaries

Company name	Address	Total amount of book value	Total assets of our company
AvanStrate Inc.	Taiwan Tainan City	34,421 million yen	46,420 million yen

(4) Issues to be addressed

Our Group supplies glass substrates for liquid crystal displays and panels, the penetration rate of liquid crystal TVs and PCs that are users of liquid crystal displays and panels is already saturated in Japan, Europe and the United States, and in emerging countries Growth has slowed down and is moving to a mature market.

As a result, the balance between supply and demand for glass substrates for liquid crystal displays and panels is mitigated, competition within the industry is promoted, and following efforts are being made by the Group to address this issue by reducing , improve quality, strictly follow deadlines, etc.

① Ensuring a stable production

The glass melting furnaces in the plants are required to repair regularly, and the frequency at which the repair is necessary differs depending on the melting furnace, the repair is scheduled to be performed approximately once every three years. It is important to minimize the inoperative period by reducing the frequency of repairs, shortening the period of repair work and eliminating sudden problems during the period of operation. In addition, with the stabilization of production, it is also possible to stabilize the manufacturing cost and quality, and since this is also a premise for protecting the delivery date to the customer, we will continue to focus on in the future.

② Appropriate approach towards customers

Our Group has traditionally concentrated on sales to specific customers due to limited production capacity, but in future we will work to expand the number of customers. Increase in number of customers is important not only to improve the position of the Group in the entire market but also to reduce the fluctuation risk of the business.

③ Expansion of production capacity and cost reduction by improvement of production efficiency

We understand that it is extremely important to promote cost reduction through improvement of production efficiency in order to secure profits in an environment where price pressure on glass substrates for liquid crystal displays and panels is continuing.

In order to achieve this goal, the Group is working to expand the number of glass substrates for liquid crystal displays and panels produced from a single melting furnace by further increasing the size of the existing melting furnace.

④ Ensuring superior quality and providing glass substrates suitable for high definition liquid crystal display panels

In order to provide the optimum solution for LCD display panel customers where image quality is getting higher with increasing panel size, it is essential to maintain the competitiveness in the quality of glass substrates for LCD panels. For this reason, the Group will aggressively invest in management resources for research and development, and work to achieve stable high quality and strengthen technological development. Particularly among liquid crystal display panels, there is an increasing demand for the development of higher definition liquid crystal display panels such as low temperature polysilicon (LTPS) used in high definition smartphones. In order to achieve that, we will continue working on the development of glass substrates for liquid crystal displays and panels with high quality and low thermal shrinkage.

⑤ Reforming Management system & corporate culture

Group has been able to conduct more proactive management than before, but at the same time believes that strengthening the management system is an issue. In particular, we recognize that the establishment of a management system that executes business operations while accurately determining market conditions and conducting in-depth risk analysis is an issue faced by our Group. At the same time, we believe that fostering a corporate culture based on autonomous standards of conduct is also essential to realize these issues. In

future we will work on creating a system that can pursue the entire optimization of the group and enhancing monitoring functions without being dominated by a hierarchical structure.

We will also strengthen the evaluation system and by establishing a compensation system that links the Group's performance with the returns of executives and employees, and in order to increase the motivation we will strengthen the spirit of challenge and the competitiveness of the Group.

⑥ Improvement of financial structure

The Group has a large amount of debt and it is necessary to work to improve cash flow for debt repayment. In addition, making appropriate capital investments while keeping an eye on market trends is a challenge for the Group. In carrying out these activities, we will continuously strive to improve our financial position and at the same time we are aiming to take appropriate decisions to increase cash flow. In carrying out these activities, we will always take into consideration the issue of improving our financial position at the same time, aim to make appropriate and appropriate decisions, and work to expand cash flow.

(5) Major business (as of March 31, 2019)

As a single business, it conducts the glass substrate business for liquid crystal displays and panels (manufacturing and selling glass substrates for liquid crystal displays and panels).

(6) Major offices and plants (as of March 31, 2019)

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

(7) Status of employees (as on March 31, 2019)

① Status of employees of the corporate group

Business	No.of Emp	Change from the end of the previous consolidated fiscal year
AvanStrateInc	14	Increase of 5 emp
AvanStrate Taiwan Inc.	570	Increase of 27 emp
AvanStrate Korea Inc.	120	Increase of 36 emp
Total	704	Increase of 68 emp

Note:-

1. The number of employees are the number of full time employees.
2. The number of employees increased by 68 as compared with the end of the previous fiscal year, mainly due to the hiring of personnel following resumption of new furnaces.

② Status of employees of this company

No. of Emp	Change ratio from previous year end	Average age of group	Average years of service
14	Increase of 5	41.6 years	6 years 7 months

(8) Status of major borrowers (as on March 31, 2019)

Parties involved	Amount of borrowings
Cairn India Holdings Ltd.	34,719 million yen
HOYA Corporation	8,248 million yen
Hyakugo Bank	1,900 million yen
ICICI Bank UK PLC	673 million yen

(9) Other matter related to current state of Incorporation

About the note on premise of a going concern

As of the end of the current consolidated fiscal year, the Group's business results are consolidated net sales of 10,388 million yen, consolidated operating income of -1,119 million yen, consolidated ordinary loss of -1,704 million yen, net loss attributable to parent company shareholders was of -1,597 million yen, the amount of net assets in the consolidated balance sheet is 10,648 million yen in excess of debt and liabilities.

At the end of the current consolidated fiscal year, the total amount of “short-term borrowing”, “long-term debt”, “long-term debt of affiliated company” and “bonds” in the consolidated balance sheet is 52,179 million yen, this is of high level as compared to the liquidity assets and operating cash flow.

In addition, as stated in consolidated balance sheet, the borrowings from Hoya Corporation have been subject to financial covenants under the contract from mid-September, given the current business condition of the Group, we cannot ruled out the possibility of conflicts of maintaining net assets above certain level every six month till mid-September.

The financial covenants described above are determined by financial index values calculated based on consolidated financial statements.

If the financial covenants are violated and it is not possible to respond to a claim for loss of profit due to timeline or change the same clause, and will lose benefit of time. In that case, we will also lose the profit due to the bonds and other borrowings issued by our group.

In order to resolve this situation, the Group plans to implements below measures:-

1)Ensuring orders and sales

In addition to allocating the production capacity to market order condition, we are also working to secure ongoing orders from new customers through quality improvement and development of new products.

2)Stabilizing cash flow

We report the business results and financial position of our group to the correspondent financial institutions etc. in a timely manner, and build a good relationship and understanding and working to further stabilize funding.

3)Financial support from parent company Cairn India Holdings Limited

In order to pay the necessary capital investment funds, we request the parent company to postpone the payment of interest for borrowing to the company for the time being, and support the debt guarantee and also requested parent company to support debt financing and other support for financing from financial institutions etc. In order to improve financial position, we are considering equity conversion of some debt with the parent company.

In addition to the above, Parent company has confirmed its willingness to carry out financial support necessary for the continuation of the Group's business from 2nd May 2019 for at least one year.

The Group recognizes that there are events or circumstances that cause significant doubts in the premise of a going concern, but these measures have been implemented as of the end of the current consolidated fiscal year. It was determined that significant uncertainty regarding the premise of the going concern was not recognized at present, and it was decided not to make a note on the premise of a going concern attached to the consolidated financial statements.

2. Current Status of the company

(1) Status of shares (as of March 31, 2019)

- ① Total number of available shares 400,000,000 Share
- ② The total number of outstanding shares 99,258,900 Shares
- ③ Number of shareholders 18 People
- ④ Major Shareholder(11 Main)

Shareholder name	Number of shares held	Shareholding ratio
Cairn India Holdings Limited	51,251,800	51.63%
HOYA CORPORATION	46,227,200	46.57
Innolux Corporation	900,000	0.91
Dai Nippon Printing Co., Ltd.	333,300	0.34
HOYA CORPORATION	111,100	0.11
Jun Makino	60,000	0.06
Kazuhiko Hoshino	60,000	0.06
Tanaka Kikinzoku Kogyo Co., Ltd.	55,500	0.06
Kiichi Yoshida	50,000	0.05
Yuugi Nagayama	40,000	0.04
Takami Tanaka	40,000	0.04

(Note) We do not own treasury shares.

(2) Status of Stock Acquisition Rights, etc.

① Status of stock acquisition rights delivered as consideration for the execution of duties held by our officers (as on March 31, 2019)

Not applicable.

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

Not applicable.

(3) Status of Corporate Officers

(1) Status of Directors and Corporate Auditors (As on March 31, 2019)

Position	Name	Important concurrent positions
Managing Director	Akarsh K Hebbar	-
Director	Anand Agarwal	Sterlite Technologies Limited Director/CEO
Director	John Kolada	Vedanta Resources group strategy and project, Chairman's office Blackburn Professional Services Company President
Director (External)	Kashiwazaki Ryoichi	HOYACorporation(Business Strategy)
Full time corporate auditor	Mizutani Masanori	-
Auditor(External)	Tanishima Nobuaki	HOYA Corporation(Audit Division)
Auditor(External)	Chen Yen Hsun	CEO PAPYLESS TAIWAN CO., LTD Audit & Supervisory Board Member

Note

- As the articles of incorporation were approved at the extraordinary general meeting of shareholders on December 28, 2018, the Company has transitioned from a company with corporate auditors to a company with corporate auditors. Nobuaki Tanishima has been changed from a corporate auditor to an external corporate auditor. At the same general meeting of shareholders, Mr. Masanori Mizutani was newly appointed as a full-time corporate auditor and Mr. Chen as a new external corporate auditor.
- At EGM of shareholders on April 1, 2019, Mr. Joseph Zimmer was newly appointed as a director, and continued to be appointed as the representative director and president at the board of directors meeting.
- At Board of Directors meeting on April 1, 2019, Akarsh K Hebbar resigned as CEO and became Managing Director of the company.

① Directors and corporate auditors retired during the fiscal year

Name	Resignation Date	Reason	Status and responsibilities and important concurrent position at the time of retirement
Takeuchi Yusuke	2018 April 20	Resignation	External Director HOYACorp General corporation
Hideki Horiuchi	2018 June 29	Retirement	President AvanStrate Taiwan Inc. President AvanStrate Korea Inc. Rep Director
Saumil Shah	2018 June 29	Resignation	Dhruva Advisors Partner
Kimura Toshihito	2018 December 7	Resignation	External Director Corporate Planning Office Manager
Shuji Miyake	2018 December 7	Resignation	HOYACorp Audit Committee HOYA Service Corporate Auditor HOYA CANDEO OPTRONICS Corp Auditor SEIKO-Optical Products Corporation Auditor
Anupam Jindal	2018 December 28	Retirement	Sterlite Technologies Limited CFO

③ Remuneration etc. for directors and corporate auditors

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

Category	Salaried Employee	Remuneration Amt
Directors (Including external directors)	2 People (-)	38 Million Yen (-)
Auditors (Including external directors)	2 (1)	1 (1)
Total (Including external Directors)	3 (1)	39 (1)

(Note)

1. Amount of remuneration etc. for directors does not include wage salaries of directors concurrently serving as employees.
2. The maximum amount of remuneration for directors is resolved at a resolution of the general shareholders meeting on December 28, 2018 to be within the amount of 200 million yen per year (but not including employee wages).
3. The maximum remuneration of Corporate Auditors has been resolved within 24 million yen per annum at the shareholders meeting resolution on August 20, 2008.

(a) Retirement bonus paid for the current fiscal year

Not applicable.

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

Not applicable.

④ Matters related to external officers

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

- Director Yusuke Takeuchi is the general counsel of HOYA Corporation, there is a business relationship of money consumption loaning with this company as the lender and our company as the borrower.
- Director Akihito Kimura appointed as the manager of the Corporate Planning Department of Hoya Corporation, which has a business relationship with the company as a lender and a financial consumption loaning with this company as the lender and our company as the borrower.
- Director Ryoichi Kashiwazaki is in charge of business strategy of the Corporate Planning Department of Hoya Corporation, there is a business relationship of money consumption loaning with this company as the lender and our company as the borrower.
- Auditor Shuji Miyake is the Secretary General of the Audit Committee of HOYA Corporation, and the corporate auditor for Hoya service company limited, Hoya CANDEO OPTRONICS Co., Ltd., and Seiko - Optical Products Co., Ltd., but with HOYA Corporation there is a transaction relationship of money consumption and borrowing with this company as the lender and our company as the borrower. There is no special relationship between our company and any other company.
- Nobuaki Tanijima, Corporate Auditor, is general secretary of the audit committee of Hoya Corporation and there is a business relationship of money consumption loaning with this company as the lender and our company as the borrower.
- Auditor . Saumil Shah is partner of Dhruva Advisors, but there is no special relationship with us.
- Corporate Auditor:-Chen Yen Hsun is a partner CEO of a law firm, he is also CEO and intellectual property management advisor for PAPYLESS TAIWAN CO., LTD, there is a contractual agreement signed between our company and Corporate Auditor Chen's company and there is no special relationship with us

Major activities in the current fiscal year

Classification	Name	Attendance status and remark status
Director	Kimura Toshihito	He attended all 3 meetings of the Board of Directors held from starting of June 29, 2018 to the time of his resignation on December 7. At the Board of Directors meetings, he made remarks to ensure the adequacy and appropriateness of the decisions of the Board of Directors.
Director	Kashiwazaki Ryoichi	Of the Board of Directors meeting held after December 7, 2018, of the current fiscal year, he attended all 3 meetings. At the Board of Directors meetings, he made remarks to ensure the adequacy and appropriateness of the decisions of the Board of Directors.
Auditor	Saumil Shah	Participated in one meeting of the Board of Directors held by the time of the resignation of June 29, 2018 of the current fiscal year.
Auditor	Shuji Miyake	He attended all 4 meetings of the Board of Directors till the time his resignation on December 7, 2018. At the Board of Directors meetings, he made remarks to ensure the adequacy and appropriateness of the decisions of the Board of Directors.
Auditor	Anupam Jindal	He attended 3 out of 4 meetings of the Board of Directors held from starting of June 29, 2018 to the time of his resignation on December 7.
Auditor	Tanishima Nobuaki	He attended all 3 meetings of the Board of Directors since the time his joining on December 28, 2018. At the Board of Directors meetings, he made remarks to ensure the adequacy and appropriateness of the decisions of the Board of Directors. In addition, at the Board of Corporate Auditors, he also is in favour of audit activities of full-time corporate auditors.
Auditor	Chen Yen Hsun	He attended all meetings of the Board of Directors as well as Board of corporate auditors from the time of joining on December 28, 2018. In the meetings he made remarks to ensure the adequacy and appropriateness of the decisions in compliance, In addition, at the Board of Corporate Auditors, he also is in favour of audit activities of full-time corporate auditors.

Note.

1. Director Kimura Toshihito resigned on December 7th 2018, at the conclusion of the extraordinary general meeting of shareholders. The number of meetings of the Board of Directors and Board of Corporate Auditors mentioned above, and the number of attendance are stated during the term of office.
2. Kashiwazaki Ryoichi joined the term on 7th Dec 2018, and number of meetings of the above-mentioned board of directors and the number of attendance are the number of times during the term of office.
3. Auditor Saumil Shah resigned as Auditor at the conclusion of the Ordinary General Meeting of Shareholders on June 29, 2018. The number of meetings of the Board of Directors and Board of Corporate Auditors mentioned above, and the number of attendance are stated during the term of office.
4. Corporate Auditors Shuji Miyake resigned as Corporate Auditor at the conclusion of the extraordinary general meeting of shareholders on December 7, 2018. The number of meetings of the Board of Directors and Board of Corporate Auditors mentioned above, and the number of attendance are stated during the term of office.

5. Anupam Jindal was appointed as an auditor at the general meeting of shareholders on June 29, 2018 and retired at the conclusion of the extraordinary general meeting of shareholders on December 28, 2018. The number of meetings of the Board of Directors and Board of Corporate Auditors mentioned above, and the number of attendance are stated during the term of office.

6. Corporate Auditor Nobuaki Tanishima was appointed on December 7, 2018. The number of meetings of the Board of Directors and Board of Corporate Auditors mentioned above, and the number of attendance are stated during the term of office.

7. Mr. Chen appointed as Corporate Auditor on December 28, 2018. The number of meetings of the Board of Directors and Board of Corporate Auditors mentioned above, and the number of attendance are stated during the term of office.

c) Outline about the contents of liability limitation contract

Our Company, External Directors, Corporate Auditor have concluded a contract to limit the liability for damages under Article 423, Paragraph 1 of the same Act, pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company.

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

(4) Status of Accounting Auditor

① Name: Ernst & Young Shin Nihon LLC

② Amount of remuneration

	Amount of remuneration
Amount of remuneration etc. of accounting auditor for the current fiscal year	42 million yen
Total amount of profit to be paid by our company and its subsidiaries to the accounting auditor	- yen

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

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

(5) System to ensure the appropriateness of operations

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

It should be also noted that, as a result of our company downsizing and efficiency improvement, those not actually used are included in the following description.

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

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

(b) Through the establishment and dissemination of various in-house regulations such as the "Board of

Directors Regulations" and "Compliance Regulations", executives and employees shall establish a system to comply with laws and regulations.

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

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

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

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

(b) When requested by the Corporate Auditor, the department in charge shall at any time offer the document requested for inspection or provide a transcript.

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

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

④ System for ensuring efficient execution of duties by directors

(a) In addition to holding regular meetings, the Board of Directors shall hold temporary meetings as necessary, and secure a system that will not hinder the proper performance of duties, such as using a TV conference system to enhance mobility.

(b) The execution of duties based on the decisions of the Board of Directors shall be in accordance with the "Division of Duties of Work", "Regulations of Job Functions", "Rules of Approval" and "Regulations of Affiliated Companies".

(c) In order to properly manage and achieve management targets, we will continuously verify the status of achievement of individual measures including counting forecast management, and develop a system to reflect the results.

⑤ Structure to ensure the appropriateness of operations in our company group

(a) Establish "Rules for Management of Affiliated Companies" and conduct business management of each group company based on the settlement and reporting system for our company based on the rules.

(b) The persons responsible for each group company shall attend the monthly management related conference, and carry out the business execution and share information among group companies.

⑥ Matters concerning the placement of employees who should support the duties of Corporate Auditors and the independence of such employees from Directors

(a) If the Corporate Auditor requests that an employee who should assist the duties be appointed, the Board of Directors will negotiate with the Corporate Auditors and designate persons that the Corporate Auditor deems necessary as employees to assist the Corporate Auditors.

(b) The prior consent of each corporate auditor is required for personnel changes / appraisals of employees who should assist the corporate auditors' duties. In case

⑦ System for reporting to the corporate auditors by directors and employees, and systems related to reports to other corporate auditors

(a) Corporate auditors attend meetings of the Board of Directors and other meetings as necessary.

(b) Directors and employees shall promptly report the facts to the corporate auditors if there is a risk of significant violation of laws and regulations or the Articles of Incorporation of the Company, any serious damage, or there is a risk of such damage.

⑧ System for ensuring that audits by other corporate auditors are carried out effectively

(a) Corporate auditors exchange views with representative director and president on important matters concerning audits.

(b) The corporate auditors maintain cooperation with the accounting auditors, exchange opinions and information, and request reports from the accounting auditor as necessary.

(c) The Corporate Auditors attend as observers on investment and loans meetings for reviewing the revision or abolition of important internal company systems, or other important internal meetings and build a system that can provide information, necessary reports and reports according to each Corporate Auditor's request.

(d) Directors and employees shall cooperate with investigations from the corporate auditors or requests for hearing.

(e) In addition, the directors and employees shall respect matters stipulated in the "Corporate Audit Audit

Regulations".

⑨ System to ensure the appropriateness of financial reporting

(a) Directors and employees shall ensure the appropriateness of financial reporting through business execution in compliance with the "Internal Control Regulations for Financial Reporting".

(b) Directors and employees shall operate, develop and improve appropriate systems to identify, analyze, and reduce the risks of misstatements in important matters of financial reporting, and make financial reporting to ensure the appropriateness of the system.

⑩ Structure to block relations with antisocial forces

(a) Directors and employees shall comply with the "anti-social forces action guidelines" and block the relationship with antisocial forces.

(b) The Directors and Employees shall ensure the smooth operation of the system for fulfilling prescribed matters in good faith "antisocial forces response guidelines" and for blocking relations with antisocial forces.

(6) Basic policy on the control of company

We have not specified any basic policies concerning the way people control dominance of finance and business policies.

Consolidated Balance Sheet
As of March 31,2019

(Unit:Million Yen)

Items	Amount	Items	Amount
(Assets section)		(Liabilities section)	
Current assets	7,266	Current Liabilities	3,104
Cash and deposits	1,610	Accounts payables	73
Accounts receivable	1,924	Short-term bank loan	673
Merchandise and finished goods	740	Accrued expenses	589
Work in process	1,037	Affiliated company accrued expenses	452
Raw materials and supplies	931	Accounts Payables	583
Other current assets	1,024	Corporate tax payable etc	0
		Bonus payable	83
		Advance payment	540
Non-current asset	39,154	Others	111
Tangible fixed assets	37,960	Non-current Liabilities	53,964
Buildings and structures	4,286	Long-term debt	1,900
Machinery and Vehicles	31,164	Affiliate long-term debt	42,967
Tools, fixtures and equipments	131	Corporate bonds	6,640
Construction in progress	2,380	Deferred tax liability	2,036
Intangible fixed assets	2	Others	421
Others	2	Total Liabilities	57,068
Investment and other assets	1,191	(Net Assets section)	
Deferred tax asset	701	Shareholders' equity	△10,677
Long-term deposits	361	Capital	100
Assets pertaining to retirement benefits	54	Capital surplus	50,089
Others	74	Retained earnings	△60,866
		Accumulated other comprehensive income	29
		Total adjustment amount for retirement benefits	29
		Total Net Assets	△10,648
Total Assets	46,420	Total Liabilities and Net Assets	46,420

(Note) Amount below one million yen is rounded off.

Consolidated income statement

**From April 1, 2018
Until March 31, 2019**

(Unit: million yen)

Items	Amount	
Sales		10,388
Cost of sales		10,122
Gross profit		266
Selling, general and administrative expenses		1,385
Operating loss		△1,119
Non-operating income		
Interest income	1	
Gain on sale of scrap	25	
Compensation received	5	
Custom duty reversal gain of last year	6	
Borrowing related revenue	323	
Other	1	
		362
Non-operating expenses		
Interest expense	0	
Affiliates Interest expense	844	
Bond interest	1	
Foreign exchange losses	41	
Commission paid	3	
Others	58	
		947
Ordinary loss		△1,704
Extraordinary income		
Bonds buy-backs gains	51	
Gain on sales of fixed assets	1	
Insurance claims received	443	
		495
Extraordinary loss		
Loss on disposal of fixed assets	141	
		141
Loss before tax adjustments		△1,350
Corporate tax, inhabitant tax and enterprise tax	16	
Income tax for previous years	31	
Deferred tax adjustments	201	
		248
Net loss		△1,597
Net loss attributable to parent company shareholders		△1,597

(Note) Amount below one million yen is rounded off.

Consolidated Statement of Changes in Net Assets

From April 1,2018

Until March

31,2019

**(Unit:
million yen)**

	Shareholders' equity				Other accumulated comprehensive income		Total net assets
	Capital	Capital surplus	Retained earnings	Total Shareholders' equity	Accumulated adjustment on retirement benefits	Total other accumulated comprehensive income	
Beginning balance of current period	100	50,089	△59,269	△9,079	2	2	△9,078
Changes in current period							
Net loss attributable to parent company shareholder			△1,597	△1,597			△1,597
Current change in items other than shareholders' equity (net)					27	27	27
Total changes in current period			△1,597	△1,597	27	27	△1,570
Balance at end of current period	100	50,089	△60,866	△10,677	29	29	△10,648

(Note) Amount below one million yen is rounded off.

2. Notes on important items for preparation of consolidated financial statements

(1) Matters concerning the scope of consolidation

① Status of consolidated subsidiaries

Number of consolidated subsidiaries: 2 companies

Name of consolidated subsidiaries: AvanStrate Taiwan Inc.

AvanStrate Korea Inc.

② Status of non-consolidated subsidiaries

Not applicable.

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

Not applicable.

(2) Matters concerning the application of equity method

Not applicable.

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

Not applicable.

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

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

(5) Matters related to accounting standards

① Evaluation Criteria and Methods for Important Assets

1. Inventory assets

Our company adopts the cost method based on the specific identification method for stored goods (the balance sheet value is calculated by the book value devaluation method based on the decline in profitability). For consolidated subsidiaries, merchandise and products, work in progress and raw materials are stated at the lower of cost or market, using the moving-average method, and for stored goods, the lower of cost or market is determined by the specific identification method.

② Method of depreciation of important depreciable assets

1. Tangible fixed assets

This company adopts the declining-balance method. However, buildings (excluding attached facilities) are depreciated using the straight-line method. The consolidated subsidiaries adopt the straight-line method.

The main useful life are as follows.

Buildings and structures 3-51 years

Machineries equipment and vehicles 2-7 years

Tools, fixtures and furniture 2-10 years

2. Intangible fixed assets

Our company and its consolidated subsidiaries adopt the straight-line method.

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

③ Criteria for recording important provisions

Accrued bonuses

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

④ Other important matters for preparing consolidated financial statements

1. Accounting treatment of consumption tax etc.

Consumption tax and local consumption tax are accounted using the tax exclusion method.

2. Conversion standards of assets or liabilities denominated in foreign currencies into Japanese currency

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

3. Matters concerning amortization of goodwill

Amortization of goodwill is amortized using the straight-line method over 20 years.

4. Method of accounting for retirement benefits

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

1. Period attribution method for estimated retirement benefit amount

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

2. Cost method of actuarial difference

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

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

5. Change in display method

(Consolidated Balance Sheet) (Application of "Partial revision of Accounting Standard pertaining to tax effect accounting "" "Partial revision of" Accounting Standard pertaining to tax effect accounting "" (Corporate Accounting Standard No. 28 February 16, 2018) is effective from the beginning of the current consolidated accounting period, deferred tax assets are presented in the category of investments and other assets, and deferred tax liabilities are presented in the category of noncurrent liabilities.

5.Unapplied accounting
standard(Lease)

Overseas Affiliates

(1) IFRS 16 "Lease"

①overview

According to this accounting standard and general rule, lessees are required to record all leases as assets and liabilities on the balance sheet. There are no significant changes in lessor accounting

②Application Date

It will be applied from the fiscal year ending March 2020.

③Impact of applying this accounting standard

The impact of the application of this accounting standard on our consolidated financial statements is currently being evaluated.

3. Notes on Consolidated Balance Sheet

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

① Assets pledged as collateral

Machinery equipment and transport vehicles	26,489 million yen
Long-term guarantee deposit	323 million yen
Affiliated company stock	34,421 million yen
Total	61,233 million yen

② Debt obligations related to collateral

Long-term debt	1,900 million yen
Affiliated company long-term debt	42,152 million yen
Total	44,052 million yen

(Note) Stocks of affiliated companies are eliminated on consolidation and therefore are not included in the consolidated financial statements.

(2) Accumulated depreciation of tangible fixed assets 42,991million yen

(3) Financial covenant provision

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

- The amount by adding 15,917 million yen which is equivalent to the impairment loss of goodwill that occurred in the fiscal year ended September 30, 2017, to the amount of net assets on the consolidated balance sheet at the end of fiscal year and each interim period from September 30, 2019, shall maintain at least 7,800 million yen.
- Record ordinary income and net income in the consolidated income statement for each business year after the fiscal year ended March 31, 2020.
- Maintain the consolidated free cash flows for each interim period and each settlement period after the interim period of September 31, 2019, at an amount exceeding 0 yen.

② AvanStrate Taiwan Inc.a consolidated subsidiary, and with regard to the "Cash loan agreement" (hereinafter referred to as "Executed and Dated Facility Agreement"), whose lender is ICICI BANK UK PLC, concluded on March 25, 2019,in principle pledge to meet the following financial covenants values calculated based on the financial statements of our consolidated subsidiary AvanStrate Taiwan Inc.

- The interest cover rate at the end of each interim period and the fiscal year ending March 31, 2019 (Operating income plus royalty and depreciation expenses minus taxes) divided by annual interest expense shall not be less than twice the interest coverage rate at the end of the fiscal year ending December 30, 2018.
- The current ratio (except for assets and liabilities between affiliated companies) at the end of each interim period and fiscal year ending March 31, 2019,and thecurrent ratio on the last day of the fiscal year ending December 30, 2018 should not be less than 1.5 times.
- Working capital debt guarantee ratio (the borrowing balance ratio to working capital (current

assets excluding assets between affiliates and current liabilities excluding liabilities among affiliates)) and always maintain at least twice the working capital debt guarantee rate as of the end of the fiscal year ending December 31, 2018.

g.Total assets to be secured always be maintained at least 1.5 times of the asset.

3. Notes on consolidated income statement

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

174 million
yen

(2) Insurance Claim

Insurance claims received from the application of non-life insurance related to the earthquake damage that occurred in Taiwan in February 2016.

(3) Corporate Tax

The main item is the amount of foreign withholding tax and tax refunds for tax audits at consolidated subsidiary AvanStrate Taiwan Inc.

4. Notes on Consolidated Statement of Changes in Shareholders' Equity

(1) Matters related to types and total number of issued shares

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

(2) Matters concerning types and number of treasury shares

Not applicable.

(3) Matters concerning the distribution of surplus

Not applicable.

(4) Matters concerning stock acquisition rights at current consolidated fiscal year end

	2 nd time new share subscription rights	3 rd time new share subscription rights	4 th time new share subscription rights
Type of target stock	Common stock	Common stock	Common stock
Number of target stocks	64,200 shares	48,000 shares	20,500 shares
Balance of the stock acquisition rights	642	480	205

5. Notes on financial instruments

(1) Matters related to the status of financial instruments

① Policy for financial products

Our Group Company restricts fund investment to short-term deposits, and the fund procurements are based on borrowing from corporate bonds and financial institutions.

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

Trade receivables, which are account receivables, are exposed to customers' credit risk. In addition, the selling price with customers depends on either yen-denominated price or negotiated price based on yen denominated price, and our company group's exchange rate risk is limited.

Accounts payable, which is an operating obligation, is due within 1 month.

Borrowings are aimed at procuring necessary funds for capital investment, and we issue funds for long-term capital investment by issuing corporate bonds. Since this loan is with floating interest rate, it is exposed to the risk of interest rate fluctuation. For corporate bonds, we have fixed interest rates.

③ Risk management system related to financial instruments

a. Management of credit risk (risks related to counterparty's nonperformance to contracts, etc.)

Our company group regularly monitors the status of business partners based on the credit management rules and manages the due dates and balances for each business partner. Consolidated subsidiaries also manage them accordingly.

b. Management of market risk (fluctuation risk of foreign exchange and interest rates)

Our company group's operating receivables and payables, the sales prices with customers depend on yen-denominated value or the negotiated prices based on yen-denominated, foreign exchange risk is limited.

c. Management of liquidity risk on financing (risk of failing to make payment by due date)

In our company group, each company manages by a method such as creating a fund-raising plan in a timely manner at the Group. Financial restriction clauses are attached to borrowings. Please refer to "3. Notes on Consolidated Balance Sheet" for details.

④ Supplementary explanation about matters related to the market value of financial instruments

The fair value of financial instruments includes the value based on market price, and the value reasonably calculated when there is no market price. Since the fluctuation factor is included in the calculation of the above value, the value may fluctuate by adopting different assumptions etc.

⑤ Concentration of credit risk

93% of operating receivables at the consolidated closing date for the current fiscal year are for specific large customers.

(2) Matters concerning fair value etc. of financial instruments

The amount recorded on the consolidated balance sheet, the fair value and the difference between them on March 31, 2019 are as follows.

(Unit: million yen)

	Consolidated balance sheet	Market value	Differential amount
(1) Cash and deposits	1,610	1,610	—
(2) Accounts receivable	1,924	1,924	—
Total assets	3,534	3,534	—
(1) Accounts payable	73	73	—
(2) Short-term debt	673	673	—
(3) Long-term debt	1,900	1,571	△329
(4) Affiliated company long-term debt	42,967	42,850	△117
(5) Bonds	6,640	497	△6,143
Total liabilities	52,252	45,663	△6,588

(Note) Method of calculating fair value of financial instruments

Assets

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

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

Liabilities

(1) Accounts payable (2) Short Term-debt

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

(3) Long-term borrowings (4) Long-term borrowings of affiliated companies

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

(5) Bonds

These market values are calculated based on market prices.

6. Notes on per share information

(1) Net assets per share	△107.27 yen
(2) Net loss per share	△16.09yen

7. Other notes

Not applicable.

8. Note on significant subsequent events

In the end of the current consolidated fiscal year, Group's business results are consolidated net sales of 10,388,174 thousand yen, consolidated operating income of -1,118,914 thousand yen, consolidated ordinary loss of 1,704,091 thousand yen and net loss attributable to parent company shareholders of 1,597,101 thousand yen. The amount of net assets in the balance sheet is over 10,647,832 yen thousand.

In addition, the total amount of "short-term debt," "long-term debt," "long-term debt of affiliated company," and "bonds" on the consolidated balance sheet at the end of the current consolidated fiscal year is 52,178,993 thousand yen. It is at a high level compared to operating cash flow.

In addition, as stated in the notes to the consolidated balance sheet, the borrowings from Hoya Corporation have been subject to financial covenants by contract since the middle of September, given the current business environment surrounding the Group, we cannot exclude the possibility of conflicts with maintaining net assets more than a certain level every half year till mid-September.

The financial covenants described above are determined by financial index values calculated based on consolidated financial statements. If the financial covenants are violated and it is not possible to respond to a claim for loss of profit due to a time limit or change the same clause, the profit for the time limit is lost. In that case, we will also lose the profit due to the bonds and other borrowings issued by our group. In that case, we will also lose the profit due to the bonds and other borrowings issued by our group.

In order to resolve this situation, the Group plans to implement below measures:-

1) Ensuring orders and sales

In addition to allocating the production capacity to market order condition, we are also working to secure ongoing orders from new customers through quality improvement and development of new products.

2) Stabilizing cash flow

We report the business results and financial position of our group to the correspondent financial institutions etc. in a timely manner, and build a good relationship and understanding and working to further stabilize funding.

3) Financial support from parent company Cairn India Holdings Limited

In order to pay the necessary capital investment funds, we request the parent company to postpone the payment of interest for borrowing to the company for the time being, and support the debt guarantee and also requested parent company to support debt financing and other support for financing from financial institutions etc. In order to improve financial position, we are considering equity conversion of some debt with the parent company.

In addition to the above, Parent company has confirmed its willingness to carry out financial support necessary for the continuation of the Group's business from 2nd May 2019 for at least one year.

The Group recognizes that there are events or circumstances that cause significant doubts in the premise of a going concern, but these measures have been implemented as of the end of the current consolidated fiscal year. It was determined that significant uncertainty regarding the premise of the going concern was not recognized at present, and it was decided not to make a note on the premise of a going concern attached to the consolidated financial statements.

Balance sheet
As on March 31, 2019

(Unit: million yen)

Items	Amount	Items	Amount
(Assets section)		(Liabilities section)	
Current assets	8,019	Current Liabilities	30,857
Cash and deposits	160	Affiliate Short-term borrowings	30,200
Stock	550	Accrued expenses	54
Accounts receivable from affiliated companies	13,179	Accrued expenses of affiliates	598
Affiliated company short-term loans	9,100	Others	5
Long-term loans of affiliates scheduled to be recovered within one year	3,300	Fixed liabilities	46,956
Refund income tax etc.			
Others	60	Long-term debt	1,900
Allowance for doubtful accounts of affiliated companies	△18,331	Affiliated company long-term debt	30,531
Fixed asset	38,572	Corporate bond	6,640
Property, plant and equipment	3,825	Deferred tax liabilities	1,088
Machinery and equipment	3,823	Allowance for loss on affiliated companies	6,778
Tool and fixtures	2	Others	19
Intangible fixed assets	1	Total liabilities	77,814
Others	1	(Net Assets)	
Investment and other assets	34,746	Shareholders' equity	△31,223
Affiliate company stock	34,421	Capital Stock	100
Long-term deposit guarantee	324	Capital surplus	50,089
Others	2	Capital surplus	100
		Other capital surplus	49,989
		Retained earnings	△81,412
		Other retained earnings	△81,412
		Retained earnings carried forward	△81,412
		Total net assets	△31,223
Total assets	46,591	Total liabilities net assets	46,591

(Note) Amount below one million yen is rounded off.

Profit and Loss Statement

From April 1, 2018
Until March 31, 2019

(Unit: million yen)

Items	Amount	
Sales		—
Sales value		—
Gross profit		—
Selling, general and administrative expenses		509
Operating loss		△509
Non-operating income		
Affiliated companies Interest income	259	
Affiliated companies royalty receive	1,507	
Affiliated companies allowance for baddebts reversal	48	
Borrowing related revenue	323	
Other	20	2,158
Non-operating expenses		
Affiliates Interest expense	1,121	
Bond interest	1	
Commission paid	3	
Affiliates guarantees provisions for losses	671	
Other	43	1,840
Ordinary loss		△191
Special profit		
Bonds buy-backs gains	51	51
Pre-tax net loss		△140
Corporate tax, resident tax and business tax	2	2
Net loss		△143

(Note) Amount below one million yen is rounded off.

Consolidated Statement of Changes in Net Assets

From April 1, 2018

Until March 31, 2019

(Unit: million yen)

	Shareholders' equity							Total Net Assets
	Capital	Capital surplus			Retained earnings		Total shareholders equity	
		Capital surplus	Other capital surplus	Total capital surplus	Other Retained earnings	Retained earnings		
					Retained earnings brought forward			
Beginning balance of current period	100	100	49,989	50,089	△81,270	△81,270	△31,080	△31,080
Changes in current period								
Net loss					△143	△143	△143	△143
Current change in items other than shareholders' equity (net)								
Total changes in current period	-	-	-	-	△143	△143	△143	△143
Balance at end of current period	100	100	49,989	50,089	△81,412	△81,142	△31,223	△31,223

(Note) Amount below one million yen is rounded off.

Notes concerning matters pertaining to significant accounting policies

(1) Valuation standards and valuation method of securities

① Stock of affiliated companies Cost method by moving average method

(2) Valuation standards and Valuation method of inventories

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

(3) Method of depreciation of fixed assets

① Tangible fixed assets:

The declining-balance method is used.

Also, the main useful lives are as follows.

Tool furniture and fixtures 10 years

② Intangible fixed assets

Software for in-house use: Line method over the useful life (5 years) within the company.

(4) Accounting standard for reserves

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

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

③ Reserve for bonuses: To prepare for payment of bonuses to employees, the amount to be borne by the current fiscal year in the amount of bonus payment is recorded.

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

① Accounting treatment of consumption tax etc.

Consumption tax and local consumption tax are accounted for using the tax exclusion method.

② Amortization of goodwill

Regarding the amortization of goodwill, the period during which the effect appears is estimated and it is amortized equally over 20 years.

(6) Change in display method

(Balance sheet)

"Accrued expenses of affiliated companies" which had been presented in the "Accrued expenses" section of "Current liabilities" in the previous fiscal year was separately stated from the current fiscal year, as the amount of material importance increased.

2.Consolidated balance sheet

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

① Assets pledged as collateral

Mechanical equipment	2,681 million yen
Long-term guarantee deposit	323 million yen
Affiliated company stock	34,421 million yen
<u>Total</u>	<u>37,425 million yen</u>

② Debt obligations related to collateral

Long-term debt	1,900 million yen
Affiliated company long-term debt	29,717 million yen
<u>Total</u>	<u>31,617 million yen</u>

(2) Guarantee obligation for debt

① The following affiliated companies guarantee the debt against borrowings from Cairn India Holdings Inc., totaling 21,468 million yen.

AvanStrate Taiwan Inc.

AvanStrate Korea Inc.

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

AvanStrate Taiwan Inc

③ the following affiliated companies guarantee debt for the loan agreement with Hoya Co., Ltd., totaling ¥ 8,248 million.

AvanStrate Taiwan Inc.

(3) Monetary claims against affiliated companies, liabilities are as follows.

① Short-term monetary claims	25,581 million yen
② Short-term monetary debt	30,798 million yen
③ Long-term monetary debt	30,531 million yen

(4) Financial covenant provision

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

(1) The amount by adding 15,917 million yen which is equivalent to the impairment loss of goodwill that occurred in the fiscal year ended September 30, 2017, to the amount of net assets on the consolidated balance sheet at the end of fiscal year and each interim period from September 30, 2019, shall maintain at least 7,800 million yen.

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

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

3.Note on profit and loss statement

(1) Transaction turnover with affiliated company

Interest Income	259 million yen
-----------------	-----------------

Patent Income	1,507 million yen
Other Income	343 million yen
Interest Expense	1,121 million yen
Other Expense	2 million yen

(2) Provision for doubtful accounts of affiliated companies

AvanStrate Korea Inc., a consolidated subsidiary of our company, is in excess of liabilities, and as a result of reviewing the possibility of collection of claims against such subsidiary, provision for allowance for doubtful accounts of affiliated companies has been recorded.

4. Notes on statement of change in Shareholders' Equity

Items related to the type and number of issued and outstanding shares

Share Type	Number of shares at the beginning of the period	Current fiscal year Increase in the number of shares	Current fiscal year Decrease in the number of shares	Number of shares at the end of the current fiscal year
Common Shares	99,258,900 shares	— shares	— shares	99,258,900 shares

5. Notes concerning tax effect accounting

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

Deferred tax asset	
Bonus reserve	1 million yen
Carry Forward deficit	9,036 million yen
Allowance for doubtful accounts of affiliated companies	2,915 million yen
Asset retirement obligation	6 million yen
Impairment loss	59 million yen
Others	35 million yen
Subtotal of deferred tax assets	12,053 million yen
Valuation allowance on deferred tax losses	△9,036 million yen
Valuation allowance for the total of temporary differences etc.	△3,017 million yen
Valuation allowance subtotal	△12,053 million yen
Deferred tax assets total	— million yen
Deferred tax liability	
Profit on valuation of owned gold	△1,088 million yen
Net deferred tax liabilities	△1,088 million yen

6. Notes concerning transactions with related parties

(1) Parent company and major corporate shareholders, etc.

(Unit: million yen)

Type	Name of company	Percentage of owned (held) voting rights	Relationship with related parties	Transaction contents	Transaction amount (One million yen)	Items	Balance at year end
------	-----------------	------------------------------------------	-----------------------------------	----------------------	--------------------------------------	-------	---------------------

Parent Company	Cairn India Holdings Ltd.	Directly held ownership 51.6%	Concurrent director	Borrowing funds Payment of interest	- 360	Affiliate long-term debt Affiliated company accrued expenses	22,283 331
Major shareholder	HOYA Corporation	Directly held ownership 46.6%	Concurrent director	Repayment of funds Borrowing related revenue Payment of interest	- 323 411	Affiliated companies long-term debt Affiliated company accrued expenses Affiliated companies Accounts receivable	8,248 56 323

(2) Subsidiaries and affiliates

(Unit:Million Yen)

Type	Name of company	Percentage of owned (held) voting rights	Relationship with related parties	Transaction contents	Transaction amount (One million yen)	Items	Balance at year end
Subsidiary company	AvanStrate Taiwan Inc.	Direct ownership 100.0 %	Concurrently serving as patent officer	Payment of interest Patent income Repayment of funds Debt guarantee Other receivables Debt guarantee	348 1,507 400 672 7 29,717	Affiliated company accrued expenses Affiliated companies Accounts receivable Affiliate short-term borrowing Affiliate advance payment	210 6,925 30,200 2
Subsidiary company	AvanStrate Korea Inc.	Direct ownership 100.0 %	Concurrently serving as patent officer	Receive interest Repayment of funds Debt guarantee Other receivables Other payment Debt guarantee	259 300 12,435 13 2 21,469	Accounts receivable from affiliated companies Affiliated company short-term loans Long-term loans of affiliates scheduled to be recovered within one year	5,931 9,100 3,300

Policy determining transaction terms and conditions

(1) The transaction price and other transaction conditions are carried out under the same general transaction conditions as those for an independent third-party transaction.

② As for the lending of funds and the receipt of interest, the interest rate is reasonably determined taking market interest rates and business conditions into consideration. "Transaction amount" indicates the net change in annual transaction amount.

③ Borrowing of funds is based on reasonable interest rates taking market interest rates into account. "Transaction amount" indicates the net change in annual transaction amount.

④ With regard to the patent revenue of glass type NA 32 SG developed independently by our company, we have entered into a technical license agreement with our consolidated subsidiary. Regarding the tariff rate, we implemented a transfer pricing case study to reduce transfer pricing risk, and we decided it to be between 2% and 15% in this fiscal year.

⑤ Guarantee for debt is provided for AvanStrate Korea Inc. borrowings.

⑥ The following affiliated companies guarantee the debt against borrowings from Cairn India Holdings Inc., for a total amount 21,468 million yen.

AvanStrate Taiwan Inc.

AvanStrate Korea Inc.

⑦ The following affiliated companies provide guarantee obligations to our company's total of 8,248 million yen for cash loan agreements with HOYA Corporation.

AvanStrate Taiwan Inc.

(3) Officers and individual major shareholders

Not applicable.

7. Notes on per share information

(1) Net assets per share: Δ 314.56 Yen

(2) Net loss per share: Δ 1.44 Yen

8. Other related Notifications

Not applicable.

9. Other matter related to current state of Incorporation

About the note on premise of a going concern

As of the end of the current consolidated fiscal year, the Group's business results are consolidated net sales of 10,388 million yen, consolidated operating income of -1,119 million yen, consolidated ordinary loss of -1,704 million yen, net loss attributable to parent company shareholders was of -1,597 million yen, the amount of net assets in the consolidated balance sheet is 10,648 million yen in excess of debt and liabilities.

At the end of the current consolidated fiscal year, the total amount of "short-term borrowing", "long-term debt", "long-term debt of affiliated company" and "bonds" in the consolidated balance sheet is 52,179 million yen, this is of high level as compared to the liquidity assets and operating cash flow.

In addition, as stated in consolidated balance sheet, the borrowings from Hoya Corporation have been subject to financial covenants under the contract from mid-September, given the current business condition of the Group, we cannot rule out the possibility of conflicts of maintaining net assets above certain level every six month till mid-September.

The financial covenants described above are determined by financial index values calculated based on consolidated financial statements.

If the financial covenants are violated and it is not possible to respond to a claim for loss of profit due to timeline or change the same clause, and will lose benefit of time. In that case, we will also lose the profit due to the bonds and other borrowings issued by our group.

In order to resolve this situation, the Group plans to implement below measures:-

1) Ensuring orders and sales

In addition to allocating the production capacity to market order condition, we are also working to secure ongoing orders from new customers through quality improvement and development of new products.

2) Stabilizing cash flow

We report the business results and financial position of our group to the correspondent financial institutions etc. in a timely manner, and build a good relationship and understanding and working to further stabilize funding.

3) Financial support from parent company Cairn India Holdings Limited

In order to pay the necessary capital investment funds, we request the parent company to postpone the payment of interest for borrowing to the company for the time being, and support the debt guarantee and also requested parent company to support debt financing and other support for financing from financial institutions etc. In order to improve financial position, we are considering equity conversion of some debt with the parent company.

In addition to the above, Parent company has confirmed its willingness to carry out financial support necessary for the continuation of the Group's business from 2nd May 2019 for at least one year.

The Group recognizes that there are events or circumstances that cause significant doubts in the premise of a going concern, but these measures have been implemented as of the end of the current consolidated fiscal year. It was determined that significant uncertainty regarding the premise of the going concern was not recognized at present, and it was decided not to make a note on the premise of a going concern attached to the consolidated financial statements.

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Consolidated Financial Audit report of ccounting Auditor

Independent Corporate Auditors Report

June 7, 2019

Avanstrate Inc
Board of Directors

Ernst & Young ShinNihon LLC

Designated limited liability partner Executive E m p	Certified public accountant	Matsumura Yutaka	Ⓔ
Designated limited liability partner Executive E m p	Certified public accountant	Tokuno Daiiji	Ⓔ

We have performed auditing of the consolidated financial statements from April 1 2018 to March 31, 2019 for AvanStrate Inc, in other words, consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated notes, in accordance with the provisions of Article 444, Paragraph 4 of the Companies Act.

Management's responsibility for consolidated financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the supplementary schedules based on our audit conducted from our independent position. We conducted our audit in accordance with auditing standards generally accepted in Japan. The standards for auditing are that we have planned to formulate an audit plan and conduct audits based on this, in order to obtain reasonable assurance about whether the financial statements and the supplementary schedules thereof are free of material misstatements.

In the audit, procedures are taken to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. Audit procedures are selected and applied based on the assessment of the risk of material misstatement of the consolidated financial statements due to fraud or error, at the discretion of our company. Although the purpose of the audit is not to express an opinion on the effectiveness of the internal control, we believe that, in implementing the risk assessment, in order to formulate appropriate audit procedures according to the circumstances, our audit corporation considers the internal controls related to the preparation and proper presentation of consolidated financial statements. An audit also includes considering the presentation of the consolidated financial statements as a whole, including the accounting policies adopted by management and their application methods and estimates made by management.

We believe that we have obtained sufficient and appropriate audit evidence as the basis for our opinion.

Auditor's opinion

In our opinion, the consolidated financial statements referred to above present fairly, in conformity with accounting principles generally accepted in Japan, and we believe that the assets of the corporate group consisting of AvanStrate Co., Ltd. and consolidated subsidiaries for the period concerning the consolidated financial statements, the status of profit and loss are indicated properly in all significant respects.

Items to be emphasized

As described in the notes to important subsequent events, the company also implemented measures such as financial support from its parent company Cairn India Holdings Limited. We believe that the significant uncertainty regarding the going concern assumption that existed at the end of the current fiscal year is not recognized at this time. This situation and related matter does not have any impact or influence on audit.

Conflict of interests

Our company and our accounting firm or executive staff have no interests to be stated in accordance with the provisions of the Certified Public Accountants Act.

Standalone Financial Audit report of ccounting Auditor

Independent Corporate Auditors Report

June 7, 2019

Avanstrate Inc
Board of Directors

Ernst & Young ShinNihon LLC

Designated limited liability partner Executive E m p	Certified public accountant	Matsumura Yutaka	Ⓔ
Designated limited liability partner Executive E m p	Certified public accountant	Tokuno Daiiji	Ⓔ

We have performed auditing of the 12th business year financial documents from April 1 2018 to March 31, 2019 for AvanStrate Inc, in other words, the balance sheet, income statement, statement of changes in shareholders' equity, individual notes and their supplementary schedules in accordance with the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act.

Management's responsibility for financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit conducted from our independent position. We conducted our audit in accordance with auditing standards generally accepted in Japan. The standards for auditing are that we have planned to formulate an audit plan and conduct audits based on this, in order to obtain reasonable assurance about whether the financial statements and the supplementary schedules thereof are free of material misstatements.

In the audit, procedures are taken to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. Audit procedures are selected and applied based on the assessment of the risk of material misstatement of the financial statements and the supplementary schedules due to fraud or error, at the discretion of our company. The purpose of an audit is not to express an opinion on the effectiveness of the internal control but in our implementation of the risk assessment, in order to formulate an appropriate audit procedure according to the circumstances, our audit corporation and its financial statements consider internal controls related to the preparation and proper labeling of the supplementary schedules. An audit also includes examining the presentation of the financial statements as a whole and the supporting schedules as well as the assessment of the accounting policies adopted by the management and its application methods and estimates made by management.

We believe that we have obtained sufficient and appropriate audit evidence as the basis for our opinion.

Auditor's opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in conformity with accounting principles generally accepted in Japan, the company and its consolidated subsidiaries properly present the assets and profit and loss status of the financial statements and the accompanying detailed statements in all material respects.

Items to be emphasized

As described in the notes to important subsequent events, the company also implemented measures such as financial support from its parent company Cairn India Holdings Limited. We believe that the significant uncertainty regarding the going concern assumption that existed at the end of the current fiscal year is not recognized at this time. This situation and related matter does not have any impact or influence on audit.

Conflict of interests

Our company and our accounting firm or executive staff have no interests to be stated in accordance with the provisions of the Certified Public Accountants Act.

Transcript of Audit report of the Board of Corporate Auditors

Auditor's Report

Based on the audit report prepared by each Corporate Auditor regarding the execution of duties of the Directors during the 12th Fiscal year from April 1st 2018 to March 31, 2019, after deliberation, this audit report We will report as follows.

1. Corporate Auditors Audit Method and its Content

The Corporate Auditors determine the auditing policies, division of duties besides receiving reports from each auditor on the status and results of audits, reports from directors and other persons and accounting auditors are also received regarding the performance of their duties and requested explanations as necessary. In accordance with auditing standards of corporate auditors, each corporate auditor communicates with directors and other employees, etc. and in accordance with audit policies, division of duties, Corporate auditor strives to collect information and improve the environment for auditing, attends the Board of Directors and other important meetings, receives reports from the directors and employees etc. on the execution status of their duties, asks for explanations as necessary, views important decision documents, etc., at the head office and major business establishments and investigates the status of business and property. As mentioned in the Company Law Enforcement Act 100 it is necessary to ensure the appropriateness of the business of the corporation, the system for ensuring that the execution of the duties of the Directors conforms to laws and regulations and the Articles of Incorporation, as stated in the business report, we received a report in a general way, asked for explanation when necessary, and expressed our opinion regarding the details of the resolution of the Board of Directors concerning the establishment of the framework set out in paragraphs 1 and 3 of the Article and the system (internal control system) developed based on the resolution, from the directors and employees etc. Based on the status of deliberations at the Board of Directors and other matters concerning the basic policy of Article 118, item 3, item A of the Enforcement Regulations of the Companies Act and each of the measures in item b of the same, as described in the business report, we received business reports from subsidiaries as necessary regarding subsidiaries, we made communication and exchanged information with the directors and corporate auditors of subsidiaries. Based on the above method, we examined the business report and supplementary schedules for that business year.

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

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

2. Audit results

(1) Audit result of business report

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

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

(III) We acknowledge that the content of the resolution of the Board of Directors on the internal control system is reasonable. In addition, there are no matters to point out regarding the content of the business report on the internal control system and the execution of duties by the directors.

(IV) Matters to be pointed out are not permitted regarding the basic policy on the persons who control

decisions on the company's finances and business policies as described in the business report. Efforts of Article 118, item 3, b of the Enforcement Regulations of the Companies Act stated in the business report are in line with the basic policy and do not impair the common interests of the Company's shareholders, we are not aiming at maintaining the position of officers.

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

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

(3) Audit results of consolidated financial statements

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

11 June 2019

AvanStrate Inc.

Full time Corporate Auditor, Mizutani Masanori

Auditor Nobuaki Tanishima

Auditor Chen Yen Hsun

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: 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)	Related 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 Director 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)	April1988	Joined East Japan Railways Company	—
	April1996	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	
	Dec2018	Board of Director 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.