AVANSTRATE INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2025 AND 2024

The reader is advised that financial statements have been prepared originally in Japanese Language. In the event of a conflict between these financial statements and the original Japanese language version or difference in interpretation between the two versions, the Japanese language financial statements shall prevail

Independent Auditor's Report

May 16, 2025

To : Board of Directors

AvanStrate Co., Ltd.

EY ShinNihon LLC
Osaka Office

Designated Limited Liability Partner
Engagement Partner

Certified Public Accountant
Daiji Tokuno

Audit Opinion

Based on the provisions of Article 444, Paragraph 4 of the Companies Act, our audit firm has conducted an audit of the consolidated financial statements of AvanStrate Co., Ltd. for the fiscal year from April 1, 2024 to March 31, 2025, namely the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and consolidated notes. Our audit firm recognizes that the above consolidated financial statements appropriately present the financial position and profit and loss status of the corporate group consisting of AvanStrate Co., Ltd. and its consolidated subsidiaries for the relevant period in all material respects in accordance with generally accepted accounting principles in Japan.

Basis for Audit Opinion

Our audit firm conducted the audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under these standards are described in the section " Auditor's Responsibilities in the Audit of Consolidated Financial Statements. " Our audit firm is independent from the company and its consolidated subsidiaries in accordance with ethical requirements applicable in Japan and has fulfilled other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Descriptions

Other descriptions refer to the business report and its supplementary statements. The responsibility for preparing and disclosing these other descriptions lies with the management. The responsibility of the audit committee is to oversee the execution of duties by directors in the process of preparing and operating these other descriptions. The audit firm's audit opinion does not cover these other descriptions, and we do not express an opinion on them.

Our responsibilities regarding the audit of the consolidated financial statements include reading the other descriptions and, during that process, considering whether there are any material inconsistencies between the other descriptions and the consolidated financial statements or knowledge obtained during the audit. Additionally, we pay attention to whether there are indications of material misstatements in the other descriptions. If we find material misstatements based on the work performed, we are required to report these facts.

There are no matters to report concerning the other descriptions.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for preparing and fairly presenting the consolidated financial statements in accordance with generally accepted accounting principles in Japan. This includes establishing and operating internal controls deemed necessary by management to ensure the consolidated financial statements are free from material misstatement due to fraud or error.

When preparing the consolidated financial statements, management is responsible for evaluating whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption, and if necessary to disclose matters related to the going concern in accordance with generally accepted accounting principles in Japan, management must disclose such matters.
The responsibility of the audit committee is to oversee the execution of duties by the directors in the process of establishing and operating the financial reporting process.

Auditor’s Responsibility in the Audit of Consolidated Financial Statements
The auditor’s responsibility is to obtain reasonable assurance, based on the audit conducted, whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to express an independent opinion on the consolidated financial statements in the audit report. A misstatement may arise from fraud or error and is considered material if, individually or in aggregate, it could reasonably be expected to influence the decisions of users of the consolidated financial statements.
The auditor conducts the audit in accordance with auditing standards generally accepted in Japan, exercising professional judgment and maintaining professional skepticism throughout the audit process by performing the following:

- Identifying and assessing risks of material misstatement due to fraud or error. Planning and performing audit procedures responsive to these risks. The selection and application of audit procedures are at the auditor’s discretion. Furthermore, obtaining sufficient and appropriate audit evidence as the basis for the audit opinion.
- Although the objective of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of internal control, the auditor considers internal controls relevant to the audit to plan appropriate audit procedures according to the circumstances during risk assessment.
- Evaluating the appropriateness of accounting policies adopted by management and the methods of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related disclosures.
- Concluding whether it is appropriate for management to prepare the consolidated financial statements on a going concern basis, and based on audit evidence obtained, determining whether there is significant uncertainty regarding events or conditions that may cast significant doubt on the going concern assumption. If significant uncertainty is recognized, the auditor is required to draw attention to the relevant notes in the consolidated financial statements or, if the disclosures are inadequate, express a qualified opinion on the consolidated financial statements. The auditor’s conclusion is based on audit evidence obtained up to the date of the audit report, but future events or conditions may cause the company to be unable to continue as a going concern.
- Evaluating whether the presentation and disclosures in the consolidated financial statements conform with generally accepted accounting principles in Japan, including whether the presentation, structure, and content of the consolidated financial statements, including related notes, appropriately represent the underlying transactions and accounting events.
- Planning and performing the audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence about the financial information of the company and its consolidated subsidiaries that forms the basis for the audit opinion. The auditor is responsible for the direction, supervision, and review of the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the audit committee on the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control identified during the audit, and other matters required by auditing standards.
Conflicts of Interest
There are no conflicts of interest to report between the company and its consolidated subsidiaries and our audit firm or the audit partners pursuant to the provisions of the Certified Public Accountants Act.

End

Independent Auditor's Report

May 16, 2025

AvanStrate Co., Ltd.

To Auditor Sonal Parakh

EY ShinNihon LLC
Osaka Office

Designated Limited Liability Partner /
Executive Officer

Certified Public Accountant
Daiji Tokuno

Audit Opinion

We have audited the consolidated financial statements of AvanStrate Co., Ltd. for the consolidated fiscal year from April 1, 2024 to March 31, 2025 (Reiwa 6 to Reiwa 7) , in accordance with Article 444, Paragraph 4 of the Companies Act. The consolidated financial statements audited consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to the consolidated financial statements.
In our opinion, the above consolidated financial statements fairly present, in all material respects, the financial position and results of operations of the corporate group consisting of AvanStrate Co., Ltd. and its consolidated subsidiaries for the relevant period, in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the section titled " Auditor's Responsibilities for the Audit of the Consolidated Financial Statements."
We are independent of the Company and its consolidated subsidiaries in accordance with the rules of professional ethics in Japan and have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

The other information comprises the business report and its attached detailed statements.
Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board members are responsible for overseeing the performance of directors' duties concerning the development and operation of the process for preparing the other information.
Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.
Our responsibility in auditing the consolidated financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of the other information , we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing, implementing, and maintaining internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on a going concern basis, and, where required under accounting principles generally accepted in Japan, disclosing matters relating to the going concern assumption.
The Audit & Supervisory Board Members are responsible for overseeing the execution of duties by the Directors with respect to the development and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures are based on the auditor’s judgment.
- Although the purpose of our audit is not to express an opinion on the effectiveness of the entity's internal control, we consider the internal control relevant to the audit in order to design audit procedures appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures in the consolidated financial statements, including the related notes, are in accordance with accounting principles generally accepted in Japan, as well as whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Relationships with the Company
There are no relationships between the Company and its consolidated subsidiaries and our audit firm or the engagement partners that are required to be disclosed under the provisions of the Certified Public Accountants Act.

End.

Independent Auditor's Report

May 16, 2025

AvanStrate Co., Ltd.

To the Board of Directors

EY ShinNihon LLC
Osaka Office

Designated Limited Liability Partner,
Executive Officer

Certified Public Accountant
Daiji Tokuno

Audit Opinion
Based on the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, our audit firm conducted an audit of the accounting documents of AvanStrate Co., Ltd. for the 18th fiscal year from April 1, 2024, to March 31, 2025. These accounting documents consist of the balance sheet, income statement, statement of changes in shareholders' equity, individual notes, and their supplementary schedules (hereinafter referred to as "the accounting documents, etc.").
Our audit firm recognizes that the above accounting documents, etc., have been prepared and properly presented, in all material respects, the financial position and operating results of the relevant period in accordance with generally accepted accounting principles in Japan.

Basis for Audit Opinion
Our audit firm conducted the audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under these standards are described in the section " Auditor's Responsibilities in an Audit of Accounting Documents, etc. " We maintain independence from the company in accordance with the ethical requirements applicable in Japan and have fulfilled other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Other Information
Other information consists of the business report and its supplementary schedules. The responsibility for preparing and disclosing other information lies with management. The audit committee is responsible for monitoring the execution of directors' duties in the preparation and operation of the process for reporting other information.
Our audit opinion on the accounting documents, etc., does not cover other information, and we do not express any opinion on such other information.
Our responsibility regarding the audit of the accounting documents, etc., includes reading other information to consider whether there are any material inconsistencies between the other information and the accounting documents, etc., or knowledge obtained in the audit process, as well as paying attention to any indications of material misstatements in other information.
If we identify any material misstatements in other information based on the work performed, we are required to report those facts. We have nothing to report regarding other information.

Responsibilities of Management and the Audit Committee Regarding the Accounting Documents , etc.
Management is responsible for preparing and properly presenting the accounting documents, etc., in accordance with generally accepted accounting principles in Japan. This responsibility includes establishing and operating internal controls that management deems necessary to prepare accounting documents, etc., that are free from material misstatement, whether due to fraud or error.
When preparing the accounting documents , etc., management is also responsible for assessing whether it is appropriate to prepare the accounting documents , etc., on a going concern basis and disclosing matters related to going concern in accordance with generally accepted accounting principles in Japan, if necessary.
The audit committee is responsible for monitoring the execution of directors' duties in the preparation and operation of the financial reporting process.

Auditor's Responsibilities in the Audit of Accounting Documents , etc.

The auditor's responsibility is to obtain reasonable assurance, based on the audit conducted, about whether the accounting documents, etc. as a whole are free from material misstatement caused by fraud or error, and to express an opinion on the accounting documents, etc. from an independent standpoint in the audit report. A misstatement may arise from fraud or error and is considered material if, individually or in aggregate, it could reasonably be expected to influence the decisions of users of the accounting documents, etc.

The auditor conducts the audit in accordance with auditing standards generally accepted in Japan and, throughout the audit process, exercises professional judgment and maintains professional skepticism while performing the following:

- Identify and assess risks of material misstatement due to fraud or error. The auditor plans and performs audit procedures responsive to those assessed risks. The selection and application of audit procedures are at the auditor's discretion. Furthermore, the auditor obtains sufficient and appropriate audit evidence as the basis for the opinion expressed.
- Although the objective of the audit of the accounting documents, etc. is not to express an opinion on the effectiveness of internal controls, the auditor considers internal controls relevant to the audit when assessing risks and plans appropriate audit procedures based on the circumstances.
- Evaluate the appropriateness of accounting policies adopted by management and the methods of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related disclosures.
- Conclude whether it is appropriate for management to prepare the accounting documents, etc. on a going concern basis, and based on obtained audit evidence, determine whether there are any material uncertainties related to events or conditions that may cast significant doubt on the going concern assumption. If material uncertainties are identified, the auditor is required to draw attention to the related notes in the accounting documents, etc. in the audit report or, if those notes are inadequate, express a qualified opinion or disclaimer of opinion. The auditor's conclusions are based on audit evidence obtained up to the date of the audit report; however, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the accounting documents, etc., including related notes, comply with accounting standards generally accepted in Japan, and assess whether the presentation, structure, and content of the accounting documents, etc., appropriately reflect the underlying transactions and accounting events.

The auditor reports to the audit committee the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal controls identified during the audit, and other matters required under auditing standards.

Independence

There are no conflicts of interest between the company and our audit firm or its managing partners that need to be disclosed under the Certified Public Accountants Act.

End

Independent Auditor's Report

May 16, 2025

AvanStrate Co., Ltd.

To Auditor Sonal Parakh

EY ShinNihon LLC
Osaka Office

Designated Limited Liability Partner,
Managing Partner

Certified Public Accountant
Daiji Tokuno

Audit Opinion

Our audit firm has conducted an audit of the financial statements of AvanStrate Co., Ltd. for the 18th fiscal year from April 1, 2024, to March 31, 2025, namely the balance sheet, profit and loss statement, statement of changes in shareholders' equity, individual notes, and their accompanying detailed statements (hereinafter referred to as the "financial statements, etc.") pursuant to the provisions of Article 436 , Paragraph 2 , Item 1 of the Companies Act.

Our audit firm recognizes that the above financial statements, etc. have been prepared in accordance with the generally accepted accounting principles in Japan and fairly present the financial position and results of operations for the period covered, in all material respects.

Basis for Audit Opinion

Our audit firm conducted the audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under these auditing standards are described in the section "Auditor's Responsibilities for the Audit of the Financial Statements." We have complied with the ethical requirements applicable to audits in Japan, including independence from the company, and fulfilled other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises the business report and its accompanying detailed statements. The responsibility for preparing and disclosing other information rests with the management. The responsibility of the Audit & Supervisory Board members is to oversee the execution of duties by the directors in the process of preparing the other information.

Our audit opinion on the financial statements, etc. does not cover the other information, and we do not express an opinion on the other information.

Our responsibilities related to the audit of the financial statements, etc. include reading the other information and, during that process, considering whether there are any material inconsistencies between the other information and the financial statements, or with knowledge obtained during the audit, and also paying attention to whether there are indications of material misstatements in the other information.

If, based on the work performed, we conclude that there is a material misstatement in the other information, we are required to report that fact.

We have no matters to report regarding the other information.

Responsibilities of Management and Audit & Supervisory Board Members for the Financial Statements, etc.

Management is responsible for preparing and fairly presenting the financial statements, etc. in accordance with the generally accepted accounting principles in Japan. This includes designing, implementing, and maintaining internal control necessary to ensure that the financial statements, etc. are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements on a going concern basis and, if necessary, disclosing matters related to going concern in accordance with generally accepted accounting principles in Japan.

The Audit & Supervisory Board members are responsible for overseeing the execution of duties by the directors concerning the preparation and operation of the financial reporting process.

Auditor's Responsibility in the Audit of Financial Statements, etc.
The auditor's responsibility is to obtain reasonable assurance, based on the audit performed, about whether the financial statements, as a whole, are free from material misstatement caused by fraud or error, and to express an opinion on the financial statements from an independent standpoint in the audit report. A misstatement may arise from fraud or error, and is considered material if, individually or in aggregate, it could reasonably be expected to influence the decisions of users of the financial statements.

The auditor conducts the audit in accordance with auditing standards generally accepted in Japan, exercising professional judgment and maintaining professional skepticism throughout the audit process, including the following:

- Identifying and assessing the risks of material misstatement due to fraud or error. Also, planning and performing audit procedures responsive to those risks. The selection and application of audit procedures are at the auditor's discretion. Further, obtaining sufficient and appropriate audit evidence as the basis for the opinion expressed.
- The purpose of the audit of the financial statements is not to express an opinion on the effectiveness of internal controls; however, the auditor considers internal controls relevant to the audit in order to plan appropriate audit procedures based on the risk assessment.
- Evaluating the appropriateness of accounting policies adopted by management and the methods of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related disclosures.
- Assessing whether management's use of the going concern assumption in preparing the financial statements is appropriate and, based on the audit evidence obtained, concluding whether there is a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If a material uncertainty is identified, the auditor is required to draw attention to the related notes in the financial statements in the audit report or, if the disclosures are inadequate, to express a qualified opinion with an emphasis of matter on the financial statements. The auditor's conclusion is based on audit evidence obtained up to the date of the audit report; however, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating whether the presentation and disclosures of the financial statements comply with generally accepted accounting principles in Japan, and whether the presentation, structure, content, and the transactions or accounting events underlying the financial statements are appropriately presented.

The auditor reports to the Audit & Supervisory Board on the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control identified during the audit, and other matters required by auditing standards.

Conflicts of Interest
There are no conflicts of interest to be disclosed between the company and our audit firm or the audit engagement partners in accordance with the Certified Public Accountants Act.

END

Consolidated Balance Sheets
March 2025

(Unit : thousand yen)

Account Title	Amount	Account Title	Amount
Assets		**Liabilities Section**	
Current Assets	**4,819,185**	**Current Liabilities**	**21,490,143**
Cash and Deposits	89,775	Accounts Payable	64,669
Accounts Receivable	712,422	Bonds Payable Due Within One Year	67,620
Merchandise and Finished Goods	593,304	Short-Term Borrowings	225,225
Work in Progress	596,262	Short-Term Borrowings from Affiliates	3,604,252
Raw Materials and Supplies	754,344	Long-Term Borrowings from Affiliates Due Within One Year	9,268,983
Advance payments	1,047,246	Lease Obligations Payable	61,878
Other Assets	1,025,832	Accrued Corporate Taxes	722,018
		Accrued Consumption Taxes	290
		Accrued Expenses Payable to Affiliates	969,533
		Accrued Fees	1,142,833
		Accrued Expenses Payable to Affiliates	4,690,083
Fixed Assets	12,905,302	Advances Received	541,491
Tangible Fixed Assets	12,455,316	Provision for Bonuses	30,910
Buildings and Structures	2,601,152	Other	100,359
Machinery, Equipment and Vehicles	7,874,270	**Long-Term Liabilities**	41,812,409
Tools, Instruments and Fixtures	10,381	Bonds Payable	936,960
Land	907,011	Long-Term Borrowings from Affiliates	39,650,478
Construction in Progress	1,062,502	Lease Obligations	1,061,968
Intangible Fixed Assets	73	Deferred Tax Liabilities	420
Other Assets	73	Asset Retirement Obligations	162,582
Investments and Other Assets	449,913	**Total Liabilities**	63,302,552
Assets Related to Retirement Benefits	291,914	**(Net Assets Section)**	
Deferred Tax Assets	8,106	**Shareholders' Equity**	△45,547,319
Other Assets	149,893	Capital Stock	100,000
		Capital Surplus	50,089,410
		Retained Earnings	△ 95,736,729
		Accumulated Other Comprehensive Income	**△ 30,745**
		Total Net Assets	△ 45,578,064
Total Assets	17,724,487	**Total Liabilities and Net Assets**	17,724,487

(Note) Amounts less than one thousand yen are rounded.

Consolidated Statement of Income

From April 1, 2024 to
March 31, 2025

(Unit : Thousands of Yen)

Account Title	Amount	
Net Sales		3,338,165
Cost of Goods Sold (COGS)		4,901,224
Gross Loss		**△1,563,059**
Selling, general and administrative expenses		1,400,027
Operating Loss		**△2,963,086**
Non-operating Income		
Interest Income	8,970	
Gain on Sale of Scrap Materials	90,440	
Foreign Exchange Gain	95,285	
Others	4,827	199,522
Non-operating Expenses		
Interest Expenses	5,008	
Interest Expenses to Affiliates	1,200,868	
Bond Interest Expenses	3,429	
Delayed Damages to Affiliates	538,270	
Others	3,116	1,750,691
Ordinary Loss		△4,514,255
Extraordinary Gains		
Gain on Sale of Fixed Assets	2,667,971	
Gain on Debt Forgiveness	3,888,483	6,556,454
Extraordinary Losses		
Loss on Sale of Fixed Assets	186,409	
Loss on Retirement of Fixed Assets	20	186,429
Profit before Income Taxes		1,855,770
Corporate, Resident, and Business Taxes	293	
Adjustment for Corporate Taxes	△858,173	△857,880
Net Income		2,713,650
Net Income Attributable to Parent Company Shareholders		2,713,650

(Note) Amounts less than one thousand yen are rounded.

Consolidated Statements of Changes in Net Assets

From April 1, 2024 to
March 31, 2025

(Unit : Thousands of Yen)

	Shareholders' Equity				Accumulated Other Comprehensive Income		Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	Cumulative Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income	
Beginning Balance of the Current Period	100,000	50,089,410	△98,450,380	△48,260,970	△1,678	△1,678	△48,262,648
Changes During the Current Period							
Net Income Attributable to Parent Company Shareholders			2,713,650	2,713,650			2,713,650
Changes During the Current Period for Items Other Than Shareholders' Equity (Net Amount)					△29,067	△29,067	△29,067
Total Changes During the Current Period	―――	―――	2,713,650	2,713,650	△29,067	△29,067	2,684,583
Ending Balance of the Current Period	100,000	50,089,410	△95,736,79	△45,547,319	△30,745	△30,745	△45,578,064

(Note) Amounts less than one thousand yen are rounded.

Consolidated Notes

1 Important Matters Regarding the Basis for Preparing the Consolidated Financial Statements

(1) Matters Related to the Scope of Consolidation

① Status of Consolidated Subsidiaries

Number of consolidated subsidiaries: 2 companies

Names of consolidated subsidiaries: AvanStrate Taiwan Inc., AvanStrate Korea Inc.

② Status of Non-consolidated Subsidiaries

No applicable matters.

③ Status of Companies in Which Majority Voting Rights Are Held but Not Consolidated

No applicable matters.

(2) Matters Related to Application of the Equity Method

No applicable matters.

(3) Matters Related to Changes in Scope of Consolidation and Application of the Equity Method

No applicable matters

(4) Matters Related to Fiscal Year-End of Consolidated Subsidiaries

The fiscal year-end of all consolidated subsidiaries coincides with the consolidated fiscal year.

(5) Matters Related to Accounting Policies

① Important Standards and Methods for Asset Valuation

1. Inventories — Our company adopts the cost method using the specific identification method for supplies (balance sheet value is calculated based on write-downs due to profitability declines).
Consolidated subsidiaries adopt the lower of cost or market method using the moving average method for merchandise, finished goods, and work in progress, and the specific identification method for supplies.

② Depreciation Methods for Important Depreciable Assets

1. Tangible Fixed Assets — Our company adopts the declining balance method. Consolidated subsidiaries adopt the straight-line method.
The main useful lives are as follows:
Buildings and structures: 3 to 50 years
Machinery and transportation equipment: 2 to 7 years
Tools, instruments, and fixtures: 2 to 7 years

2. Intangible Fixed Assets — Our company and consolidated subsidiaries adopt the straight-line method.

③ Criteria for Recognizing Important Allowances

Bonus Allowance — Our company and consolidated subsidiaries recognize the estimated amount payable for bonuses to employees as an expense for the current consolidated fiscal year.

④ Criteria for Recognizing Revenue and Expenses

Our group's main business is the manufacture and sale of glass substrates for liquid crystal display panels. Revenue is recognized at the point when control of the promised goods is transferred to the customer, based on the amount reflecting the consideration expected to be received from the transfer. Revenue from sales of these products is recognized either at the time of shipment or delivery, depending on when the customer gains control of the products

⑤ Other Important Matters for Preparing Consolidated Financial Statements

1. Accounting Treatment of Consumption Taxes
The accounting treatment for consumption tax and local consumption tax is based on the tax-exclusive method.

2. Conversion Standard for Foreign Currency-Denominated Assets and Liabilities into Japanese Yen
Foreign currency-denominated monetary receivables and payables are converted into yen at the spot exchange rate on the consolidated closing date. Exchange differences arising from conversion are recorded in profit or loss.

3. Accounting Treatment for Retirement Benefits
For certain consolidated subsidiaries, to prepare for employee retirement benefits, the estimated amounts of retirement benefit obligations and pension assets as of the end of the consolidated fiscal year are recognized as liabilities and assets, respectively, to the extent that they are deemed to have arisen by that date.

1. Method of Attribution of Estimated Retirement Benefits
When calculating retirement benefit obligations, the estimated retirement benefits are attributed to the period up to the consolidated fiscal year-end based on the benefit formula method.

1. Method of Expense Treatment for Actuarial Differences
Actuarial differences are recognized as expenses on a straight-line basis over a certain number of years (one year), within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year, and are expensed in the fiscal year following their occurrence.

4. Principles and Procedures for Accounting Treatments Adopted When Relevant Accounting Standards Are Not Clearly Established

Among machinery and equipment, platinum devices and bullion are treated as non-depreciable assets. However, platinum devices, which are attached and used in melting furnaces, gradually deteriorate through use. After a certain period of use, these devices are refined back into their original precious metals and then reprocessed into devices again; during this process, loss of precious metals also occurs. These losses of precious metals are accounted for as depletion expenses.

Additionally, because it is difficult to measure the actual depletion expenses for platinum devices in use within melting furnaces and for defective products before refining, depletion expenses are recognized based on estimated amounts derived from past depletion experience.

⑥ Accounting Treatment for Lease Transactions

Our consolidated subsidiaries apply International Financial Reporting Standard (IFRS) No. 16 " Leases " (hereinafter referred to as " IFRS 16 "). Accordingly, in principle, all leases are recognized on the consolidated balance sheet as both assets and liabilities.

However, for short-term leases and leases of low-value underlying assets, right-of-use assets and lease liabilities are not recognized; instead, lease payments related to these leases are recognized as expenses over the lease term.

1. Right-of-use Assets
Right-of-use assets are initially measured at acquisition cost, which consists of the initial measurement amount of lease liabilities, initial direct costs, and other estimated initial amounts.
Subsequent measurement of right-of-use assets adopts the cost model.
Right-of-use assets are depreciated on a straight-line basis over the lease term (3 to 20 years), and are presented on the consolidated balance sheet within the same line items as owned assets corresponding to the leased assets, at their acquisition cost less accumulated depreciation.

2. Lease Liabilities
Lease liabilities are initially recognized at the present value of unpaid lease payments at the lease commencement date, discounted using our Group’s incremental borrowing rate (used when the lease implicit interest rate cannot be readily determined).
Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities and reducing it by lease payments made. These lease liabilities are presented as lease obligations on the consolidated balance sheet.

2. Notes on Accounting Estimates

(Regarding accounting estimates related to impairment of tangible fixed assets)

(1) Information to aid understanding of the content of accounting estimates

① Calculation Method
Our Group, as a general rule, groups the entire fixed assets in the consolidated financial statements as the smallest cash-generating unit from the perspective of business unity. Idle assets, on the other hand, are grouped individually by asset.
For fixed assets or asset groups showing signs of impairment, we determine whether recognition of impairment loss is necessary. When it is determined that impairment loss recognition is required, the carrying amount is reduced to the recoverable amount, and the decrease in carrying amount is recognized as impairment loss.
The recoverable amount is mainly measured by the net selling price calculated from the fair value of buildings, platinum equipment, and bullion.
Additionally, for idle assets other than platinum equipment and bullion, the recoverable amount is measured as zero because future cash flow estimates from asset use are uncertain.

② Key Assumptions
The fair value of buildings is based on appraisals by external real estate appraisal specialists. The fair value of platinum equipment and bullion is based on the price of precious metals publicly announced by external precious metals specialists.

③ Impact on the Next Fiscal Year's Consolidated Financial Statements
These assumptions may be affected by fluctuations in the real estate appraisal values of buildings and the market prices of precious metals. If there are significant fluctuations in these prices, it may have a material impact on the determination of the necessity to recognize impairment loss and the amount of impairment loss measured in the next consolidated fiscal year.

3. Notes on the Consolidated Balance Sheet

(1) Assets Pledged as Collateral and Liabilities Related to Collateral

① Assets Pledged as Collateral

Machinery and equipment, transportation equipment, and shares of affiliated	7,715,467 thousand yen
companies	34,420,853 thousand yen
Total	42,136,320 thousand yen

② Liabilities Secured by Collateral

Short-term borrowings from affiliated companies:	3,604,252 thousand yen
Long-term borrowings from affiliated companies due within one year:	9,122,321 thousand yen
Long-term borrowings from affiliated companies:	38,982,350 thousand yen
Total	**51,708,924 thousand yen**

Note 1 : Shares of affiliated companies are not recorded in the consolidated financial statements as they are eliminated in consolidation.

(2) Accumulated depreciation of property, plant and equipment: ¥46,615,161 thousand

(3) Financial covenants

① The Company, under the "Loan Agreement" (hereinafter referred to as the "CIHL Loan Agreement") entered into with Cairn India Holdings Limited on December 22, 2017 (including the amendment agreement executed on the same date) , has pledged to comply with the following financial covenants, which are in principle calculated based on the consolidated financial statements:

a. To maintain the amount of net assets on a consolidated balance sheet basis as of the end of each interim and fiscal year-end at not less than 80% of the greater of either the amount of net assets on a consolidated basis as of the end of the relevant period or that as of the end of the fiscal year ended March 2010.

b. Not to record ordinary losses for two consecutive fiscal years in the consolidated statement of income.

c. Not to record net losses for two consecutive fiscal years in the consolidated statement of income.

Although the Company has breached the financial covenants at each interim and fiscal year-end since the fiscal year ending March 2020, it has received confirmation from the parent company of its intention to provide the financial support necessary for the continued operation of the Group's business for at least one year from March 31, 2025.

② The loan claims under the " Loan Agreement " entered into with HOYA Corporation on June 20, 2014 (including the amendment agreements dated October 27, 2015 and December 22, 2017, hereinafter referred to as the "HOYA Loan Agreement"), in which the Company was the borrower, were transferred from HOYA Corporation to Cairn India Holdings Limited (" CIHL ") based on a " Letter of Agreement " executed among CIHL, HOYA Corporation, AvanStrate Taiwan Inc., and the Company on August 5, 2024. Accordingly, the Company has pledged to comply with the following financial covenants, which were originally stipulated in the HOYA Loan Agreement and are in principle calculated based on the consolidated financial statements:

- **a.** From the interim period ending September 2019 onward, to maintain an amount equal to the net assets on a consolidated basis plus ¥15,916,688 thousand (the amount equivalent to the goodwill impairment loss incurred in the fiscal year ended September 2017) at or above ¥7,800,000 thousand at each interim and fiscal year-end.
- **b.** From the fiscal year ending March 2020 onward, to record both ordinary income and net income in the consolidated statement of income for each fiscal year.
- **c.** From the interim period ending September 2019 onward, to maintain consolidated free cash flow at a positive value (above ¥0) at each interim and fiscal year-end.

Although the Company has breached these financial covenants at each interim and fiscal year-end since the fiscal year ending March 2020, it has received confirmation from the parent company of its intention to provide the financial support necessary for the continued operation of the Group's business for at least one year from March 31, 2025.

(4) Idle Assets

The following item is included as an idle asset among tangible fixed assets :

- Machinery and transportation equipment **:** ¥1,668 thousand

(5) Contingent Liabilities

Provisional seizure orders have been issued on the following assets as a result of provisional seizure petitions filed by the Company's suppliers and subcontractors:

- Machinery and equipment **:** ¥2,075,345 thousand
- Guarantee deposits : ¥67,568 thousand
- Advance payments : ¥10,000 thousand

4. Notes on the Consolidated Statement of Changes in Equity

(1) Matters Concerning the Type and Total Number of Issued Shares

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

(2) Matters concerning types and number of treasury stock
There are no applicable matters.

(3) Matters concerning dividends of surplus
There are no applicable matters.

(4) Matters concerning stock acquisition rights as of the end of the current consolidated fiscal year
There are no applicable matters.

5. Notes on Financial Instruments

(1) Information Regarding the Status of Financial Instruments

① Policy Regarding Financial Instruments
The Group limits its fund management to short-term deposits, and its funding policy involves raising funds through corporate bonds and borrowings from affiliated companies and others.

② Nature of Financial Instruments and Associated Risks
Accounts receivable, which are operating claims, are exposed to customer credit risk. The sales prices negotiated with customers are primarily denominated in Japanese yen or based on yen prices, so the Group's foreign exchange risk is limited.
Accounts payable, which are operating liabilities, have payment terms within one month.
Borrowings are intended for funding capital investments. Long-term capital investments are financed by issuing corporate bonds. These borrowings carry variable interest rates, thus exposing the Group to interest rate risk. Corporate bonds have fixed interest rates.

③ Risk Management System for Financial Instruments
Credit Risk (Risk of counterparty default, etc.) Management:
The Group’s sales departments monitor customer credit regularly based on credit management regulations and manage payment terms and balances for each customer. Consolidated subsidiaries follow similar management procedures.
Market Risk (Risk of exchange rate or interest rate fluctuations) Management:
The Group's operating receivables and payables are mainly priced in yen or based on yen prices negotiated with customers, so foreign exchange risk is limited.
Liquidity Risk (Risk of being unable to make payments on due dates) Management:
The Group manages liquidity risk by having each company prepare timely cash flow plans. Regarding borrowings, financial covenants apply. For details, refer to “4. Notes on the Consolidated Balance Sheet.”

④ Supplementary Explanation on Fair Values of Financial Instruments
The fair values of financial instruments include market prices when available and reasonably calculated values when market prices are not available. These valuations incorporate various factors, so they may fluctuate if different assumptions or conditions are applied.

⑤ Concentration of Credit Risk
As of the consolidated fiscal year-end, 72% of accounts receivable are from specific major customers.

(2) Matters Related to the Fair Value of Financial Instruments
The carrying amounts, fair values, and the differences between them as of March 31, 2025, are as follows.

(Unit : Thousands of Yen)

	Carrying amount in the consolidated balance sheet	market value	Difference
(1) Accounts Receivable	712,422	712,422	——
Total Assets	802,197	802,197	——
(1) Accounts Payable	64,669	64,669	——
(2) Short-term borrowings from related companies	3,604,252	3,604,252	——
(3) Accounts payable (accrued expenses) to related companies	4,690,083	4,690,083	——
(4) Long-term borrowings from related companies (*)	48,919,461	48,437,734	△481,727
(5) Corporate bonds (*)	1,004,580	368,430	△636,150
Total liabilities	54,614,124	53,496,247	△1,117,877

※ The current portion of long-term borrowings from affiliated companies is included in (4) Long-term borrowings from affiliated companies, and the current portion of corporate bonds due within one year is included in (5) Corporate bonds.

(Note) Methods for Determining the Fair Value of Financial Instruments

Assets : (1) *Accounts Receivable*
Since these are settled in a short period of time, their fair values are approximately equal to their book values, and thus the book values are used.

Liabilities : (1) *Accounts Payable*, (2) *Short-term Borrowings from Affiliated Companies*,(3) *Accrued Expenses to Affiliated Companies*
Since these are settled in a short period of time, their fair values are approximately equal to their book values, and thus the book values are used.

(4) *Long-term Borrowings from Affiliated Companies*
The fair value is calculated by discounting the total principal and interest using a rate that would be applicable if a similar new borrowing were undertaken.

(5) *Corporate Bonds*
The fair value is calculated as the present value of the total principal and interest, discounted using a rate that reflects the remaining term of the bonds and the associated credit risk.

6. Notes on Revenue Recognition

Information forming the basis for understanding revenue

Information forming the basis for understanding revenue is stated in " 2. Notes on Significant Matters Forming the Basis for Preparation of the Consolidated Financial Statements (5) Notes on Accounting Policies – ④ Standards for Recognition of Revenue and Expenses."

7. Notes on Per Share Information

(1) Net assets per share : ¥△459.18
(2) Net income per share : ¥27.34

8. Notes on Significant Subsequent Events

There are no applicable matters.

Balance Sheet

As of March 31, 2025

(Unit : Thousands of Yen)

Account Title	Amount	Account Title	Amount
(Assets Section)		(Liabilities Section)	
Current Assets	8,585,564	Current Liabilities	27,688,564
Cash and Deposits	2,818	Bonds Payable Due Within One Year	67,620
Stored goods	476,721	Short-term loans from affiliated companies	3,604,252
Due from related parties	16,702,956	Long-term borrowings from affiliates due within one year	7,702,141
Prepaid expenses	21,966	Accrued expenses	540,503
Other	11,881	Accounts payable to related companies	14,481,614
Allowance for Doubtful Accounts from Affiliates	△8,630,778	Accrued consumption tax and others payable	173,554
		Deposits received	786,020
		Advances received from related companies	332,570
		Accrued corporate taxes and other taxes payable	290
Fixed assets	34,422,697	Long-term liabilities	58,549,642
Tangible fixed assets	1,668	Bonds payable	936,960
Machinery and equipment	1,668	Long-term loans from affiliated companies	53,562,642
Tools, furniture, and fixtures	0	Allowance for losses on guarantees of affiliated companies' obligations	4,049,660
Intangible fixed assets	73		
Others	73	Total liabilities	86,237,829
Investments and other assets	34,420,956	(Net Assets Section)	
Investment securities in affiliated companies	34,420,853	Shareholders' Equity	△43,229,569
Long-term loans to affiliated companies	21,684,250	Capital Stock	100,000
Others	103	Capital Surplus	100,000
Allowance for Doubtful Accounts - Related Companies	△21,684,250	Capital Reserve	100,000
		Other Capital Surplus	49,989,410
		Other Retained Earnings	△93,418,979
		Retained Earnings Carried Forward	△93,418,979
		Total Net Assets	△43,229,569
Total Assets	43,008,260	Total Liabilities and Net Assets	43,008,260

(Note) Amounts less than one thousand yen are rounded to the nearest thousand.

Income Statement (Profit and Loss Statement)

For the period from April 1, 2024
to March 31, 2025

(Unit : Thousands of Yen)

Account Title	Amount	
Net sales		———
Cost of Sales		———
Gross Profit		———
Selling, General and Administrative Expenses		478,714
Operating Loss		△478,714
Non-operating Income		
Interest Income from Affiliates	426,918	
Royalty income received from affiliated companies	160,548	
Reversal of allowance for loss on guarantee obligations to affiliated companies	4,186,215	
Others	7,302	4,780,982
Non-operating expenses		
Interest expenses paid to affiliated companies	1,317,694	
Bond Interest Expense	3,429	
Provision for Doubtful Accounts for Affiliates	1,091,263	
Late Payment Penalty from Affiliates	538,270	
Others	1,264	2,951,922
Ordinary income		1,350,347
Extraordinary Loss		
Loss on Sale of Fixed Assets	113,043	
Others	20	113,063
Profit before income taxes		1,237,283
Corporate tax, inhabitant (local) tax, and business tax	293	
Adjustment amount for corporate taxes, etc.	△858,173	△857,880
Net income for the current period		2,095,164

(Note) Amounts less than one thousand yen are rounded to the nearest thousand.

Statement of Changes in Equity

From April 1, 2024

to March 31, 2025

(Unit : Thousands of Yen)

	Shareholders' Equity							Total Net Assets
	Capital Stock	Capital Surplus			Retained Earnings		Total Shareholders' Equity	
		Capital Reserve	Other Capital Surplus	Total Capital Surplus	Other Retained Earnings Retained Earnings Carried Forward	Total Retained Earnings		
Beginning balance of the current period	100,000	100,000	49,989,410	50,089,410	△95,514,142	△95,514,142	△45,324,732	△45,324,732
Changes during the current period								
Net income for the current period					2,095,164	2,095,164	2,095,164	2,095,164
Changes during the current period in items other than shareholders' equity (net amount)								
Total changes during the current period	-	-	-	-	2,095,164	2,095,164	2,095,164	2,095,164
Ending balance of the current period	100,000	100,000	49,989,410	50,089,410	△93,418,979	△93,418,979	△43,229,569	△43,229,569

(Note) Amounts less than one thousand yen are rounded to the nearest thousand.

Notes to the Individual Financial Statements

1. Notes on Significant Accounting Policies

(1) Standards and Methods for Valuation of Securities

① Shares of Affiliates: Cost method based on the moving average method

(2) Valuation Standards and Methods for Inventories

Supplies are valued at cost using the specific identification method (the carrying amount on the balance sheet is calculated by write-down based on a decline in profitability).

(3) Depreciation Methods for Fixed Assets

① Tangible Fixed Assets

Depreciation is calculated using the declining balance method.
The main useful lives are as follows: tools, furniture, and fixtures — 4 to 10 year

② Intangible Fixed Assets

Depreciation is calculated using the straight-line method.

(4) Provision Recognition Criteria

① Allowance for Doubtful Accounts for Affiliates

To prepare for losses from bad debts related to claims on affiliates,for specific claims such as doubtful accounts, the estimated uncollectible amount is recorded based on an individual assessment of collectability

② Provision for Loss on Guarantee of Affiliate Liabilities

To prepare for losses related to guarantees of affiliate liabilities, an estimated loss amount as of the end of the current fiscal year is recorded, taking into consideration the financial condition, etc., of the guaranteed party.

(5) Basis for Recording Revenue and Expenses

The Company recognizes revenue from the licensing of its developed products or manufactured goods (revenue based on sales-based royalties).
Revenue from sales-based royalties is recognized at the point in time when the underlying sales, which form the basis for calculation, occur.

(6) Other Important Matters Forming the Basis for the Preparation of Financial Statements

Accounting treatment of consumption taxes:
Consumption tax and local consumption tax are accounted for using the tax-excluded method.

2. Notes to the Balance Sheet

(1) Assets pledged as collateral and related liabilities

① Assets pledged as collateral

Machinery and equipment:	¥1,668 thousand
Shares of affiliated companies:	¥34,420,853 thousand
Total :	¥34,422,521 thousand

② Secured Liabilities

Short-term borrowings from affiliated companies :	¥3,604,252 thousand
Long-term borrowings from affiliated companies due within one year :	¥7,555,479 thousand
Long-term borrowings from affiliated companies :	¥31,844,515 thousand
Total :	¥43,004,247 thousand

(2) Accumulated Depreciation of Tangible Fixed Assets ¥505 thousand

(3) Guarantee Obligations

① Of the borrowings from Cairn India Holdings Inc. totaling ¥43,819,036 thousand, the following affiliated companies have provided debt guarantees :
AvanStrate Taiwan Inc.
AvanStrate Korea Inc.

② The Company and the following affiliated company have provided debt guarantees for AvanStrate Korea Inc.’s loan agreement totaling ¥8,704,677 thousand:
AvanStrate Taiwan Inc.

(4) Monetary Claims Against Affiliated Companies

Short-term monetary claims : ¥1,574 thousand

(5) Financial Covenants

① Under the “Loan Agreement” (hereinafter referred to as the “CIHL Loan Agreement”) concluded with Cairn India Holdings Limited on December 22, 2017 (including the amendment agreement signed on the same date), the Company has pledged to meet the following financial covenant ratios, in principle, based on consolidated financial statements.

i. Maintain the amount of net assets on a consolidated basis at the end of each fiscal year and interim period at no less than 80% of the greater of either:

The amount of net assets on the consolidated balance sheet as of the end of the relevant fiscal year or interim period, or

The amount of net assets as of the end of the fiscal year ended March 2010.

ii. Do not record ordinary losses for two consecutive fiscal years on the consolidated statement of income for each fiscal year.

iii. Do not record net losses for two consecutive fiscal years on the consolidated statement of income for each fiscal year.

Although these financial covenants have been breached for each interim and fiscal year-end period since the fiscal year ending March 2020, the parent company has confirmed its intention to provide the financial support necessary to continue the operations of the Group for at least one year from March 31, 2025.

② The claims for which our company is the debtor under the "Loan Agreement" (including the amendment agreements dated October 27, 2015 and December 22, 2017) concluded with HOYA Corporation on June 20, 2014 (hereinafter referred to in this section as the "HOYA Loan Agreement"), were transferred from HOYA Corporation to Cairn India Holdings Limited (hereinafter, "CIHL") pursuant to the "Agreement" concluded on August 5, 2024, among CIHL, HOYA Corporation, AvanStrate Taiwan Inc., and our company.

As a result, our company has pledged to meet the following financial covenant indicators, which were stipulated in the HOYA Loan Agreement and are, in principle, calculated based on consolidated financial statements:

i. Maintain a consolidated net asset amount on the balance sheet as of the end of each interim and fiscal year period from the interim period ending September 2019 onwards, by adding ¥15,916,688 thousand, corresponding to the goodwill impairment loss recorded in the fiscal year ended September 2017, to the net assets section, and ensuring the total amount is at least ¥7,800,000 thousand.

ii. Record ordinary income and net income on the consolidated income statement for each fiscal year from the fiscal year ending March 2020 onwards.

iii. Maintain positive consolidated free cash flow amounts (i.e., amounts exceeding zero yen) for each interim and fiscal period from the interim period ending September 2019 onwards.

Although these financial covenants have been breached since the fiscal year ending March 2020, we have received confirmation from our parent company of its intention to provide the financial support necessary for the continued operations of our corporate group for at least one year from March 31, 2025.

(6) Idle Assets

The following item is included as an idle asset among tangible fixed assets:

Machinery and equipment :	¥1,668 thousand

(7) Contingent Liabilities

A provisional seizure order has been issued for the following asset due to a provisional seizure application filed by one of our suppliers or partner companies:

Advance payment :	¥10,000 thousand

3. Notes to the Statement of Income

(1) Transactions with Affiliated Companies

Non-operating transactions :

Interest income :	¥426,918 thousand
Patent royalty income :	¥160,548 thousand
Interest expense :	¥1,317,694 thousand

(2) Provision and Reversal of Provision for Loss on Guarantees of Debts of Affiliated Companies

As a result of evaluating the financial condition of our consolidated subsidiary, AvanStrate Korea Inc., at the end of the fiscal year, we recorded a reversal of the provision for loss on guarantees of debts of affiliated companies.

(3) Provision and Reversal of Allowance for Doubtful Accounts Related to Affiliated Companies

AvanStrate Korea Inc., our consolidated subsidiary, is in a state of excess liabilities. Based on an assessment of the recoverability of claims against this subsidiary, we recorded a provision for doubtful accounts related to affiliated companies.

4. Notes to the Statement of Changes in Net Assets

Type and number of treasury shares as of the end of the fiscal year :

There are no applicable items.

5. Notes on Deferred Tax Accounting

(1) Breakdown of Deferred Tax Assets and Deferred Tax Liabilities by Major Cause

Deferred Tax Assets	
Loss carryforwards :	¥14,548,285 thousand
Allowance for doubtful accounts related to affiliated companies :	¥2,521,118 thousand
Others :	¥114,443 thousand
Subtotal of Deferred Tax Assets :	¥17,183,845 thousand
Valuation Allowance	
Valuation allowance for tax loss carryforwards :	¥△14,548,285 thousand
Valuation allowance for total future deductible temporary differences, etc. :	¥△2,635,560 thousand
Subtotal of Valuation Allowance :	¥△17,183,845 thousand
Total Deferred Tax Assets :	¥0 thousand

6. Notes on Transactions with Related Parties

(1) Parent Company and Major Corporate Shareholders, etc.

(Unit : Thousands ofYen)

Category	Name of the company, etc.	Ownership (or held) ratio of voting rights, etc.	Relationship with the related party	Details of transactions	Transaction amount (thousand yen)	Account	Balance at the end of the period
Parent company	Cairn India Holdings Ltd.	Direct ownership 98.2%	Concurrent Service as Executive	Borrowing of Funds	3,604,252	Short-term borrowings from affiliated companies	3,604,252
				Payment of Interest	1,075,004	Accrued expenses payable to affiliated companies	4,269,146
						Long-term borrowings from affiliated companies	40,214,784

(1) Subsidiaries and affiliated companies (Unit: Thousands of Yen)

Type	Name of company or entity	Ownership (held) ratio of voting rights, etc.	Relationship with related parties	Transaction details	Transaction amount (thousand yen)	Account	Ending balance
Subsidiary	AvanStrate Taiwan Inc.	Direct ownership 100.0%	Patent usage / Concurrent officer position	Payment of Interest	242,690	Accounts receivable from affiliated companies	8,072,177
				Patent Royalty Income	159,453	Long-term borrowings from affiliated companies	21,050,000
				Repayment of Funds	582,000	Accrued expenses payable to affiliated companies	8,586,875
				Debt Guarantee	43,819,035	Advances paid on behalf of affiliated companies	1,574
				Collateral Provided	43,004,246	Advances received from affiliated companies	332,570
				Acceptance of Subrogation Payment	6,863,791		
Subsidiary	AvanStrate Korea Inc.	Direct Ownership 100.0%	Concurrent Service as Patent-Using Executive	Receipt of Interest	426,918	Accounts Receivable from Affiliates	8,630,777
				Patent Royalty Income	1,095	Long-term Loans to Affiliates	21,684,250
				Lending of Funds	663,250	Accrued Expenses to Affiliates	1,573,104
				Collateral Provided	3,161,002		
				Debt Guarantee / Collateral Provision	8,704,677		
				Acceptance of Subrogation Payment	1,533,741		
				Guaranteed Debt	43,819,035		

(Note) Regarding advances to affiliates, they are presented under "Other" in current assets on the balance sheet.
Transaction Terms and Policy for Determining Transaction Conditions, etc.

1. Transaction prices and other transaction conditions are conducted under general terms similar to those between independent third parties.
2. For lending funds and receiving interest, interest rates are reasonably determined considering market interest rates and business conditions. "Transaction amount" indicates the net increase or decrease of annual transactions.
3. For borrowing funds, borrowing is done based on reasonable interest rates considering market interest rates. "Transaction amount" indicates the net increase or decrease of annual transactions.
4. Regarding patent income from the product NA32SG, independently developed by the company, a technology license agreement is concluded with the company's consolidated subsidiary. The royalty rate has been set between 2% and 5% during the current fiscal year based on a transfer pricing case study to mitigate transfer pricing risks.
5. The company provides a debt guarantee for the borrowings of AvanStrate Korea Inc.

6. Regarding the loan of 43,819,036 thousand yen from Cairn India Holdings Inc., the following affiliated companies provide debt guarantees:

   AvanStrate Taiwan Inc.

   AvanStrate Korea Inc.

   (3) Directors and Major Individual Shareholders
   No applicable matters.

7. Notes on Revenue Recognition
   The fundamental information for understanding revenue is as described in "2. Notes on Significant Accounting Policies (5) Recognition Criteria for Revenue and Expenses."

8. Notes on Per Share Information
   (1) Net assets per share : - 435.52 yen
   (2) Net income per share : 21.11 yen

9. Notes on Significant Subsequent Events
   No applicable matters.

18th Fiscal Term

Supplementary Schedule

From April 1, 2024

To March 31, 2025

AvanStrate Co., Ltd.

(Note) Amounts less than one thousand yen are rounded off.

1. Details of Tangible and Intangible Fixed Assets

Category	Type of Asset	Beginning Balance (Thousands of yen)	Amount Increased During the Period (Thousands of yen)	Amount Decreased During the Period (Thousands of yen)	Ending Balance (Thousands of yen)	Accumulated Depreciation or Amortization at Period-End (Thousands of yen)	Depreciation/Amortization Expense for the Period (Thousands of yen)	Net Book Value at Period-End (Thousands of yen)
Tangible Fixed Assets	Machinery and Equipment	1,891,481	―	1,889,813	1,668	―	―	1,668
	Tools, Furniture, and Fixtures	587	―	82	505	505	102	0
	Total	1,891,068	―	1,889,85	2,173	505	102	1,668
Intangible Fixed Assets	Telephone Subscription Rights	73	―	―	73	―	―	73
	Total	73	―	―	73	―	―	73

(Note) 1. The main content of the "Amount Decreased During the Period" is as follows:

Machinery and Equipment — Sale of precious metals : 1,889,813 thousand yen

2. Details of Allowance Reserves

Account Title	Beginning Balance for the Period (Thousands of yen)	Increase During the Period (Thousands of yen)	Decrease During the Period (Yen)	Ending Balance for the Period (Thousands of yen)
Allowance for Doubtful Accounts – Affiliates	29,223,765	1,091,263	―	30,315,028
Allowance for Loss on Debt Guarantees to Affiliates	8,235,875		△4,186,215 ―	4,049,660

3. Selling, General and Administrative Expenses

Account Title	Amount (Thousands of yen)	Description
Executive Compensation	66,316	
Salary	14,979	
Statutory Welfare Expenses	2,912	
Employee Welfare Expenses	134,337	
Rent Expense	1,912	
Travel and Transportation Expenses	1,100	
Payment Fees	249,414	
Others	7,743	
Total	478,714	