

Fund Corporation for the Overseas Development
of Japan's ICT and Postal Services Inc.
(Japan ICT Fund)

Financial Statements

For the 5th fiscal year
From April 1, 2019 to March 31, 2020

Independent Auditors' Report
(Translation)

May 27,2020

To the Board of Directors of
Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc.

Crowe Toyo & Co.
Tokyo Office

Akihiro Tanaka
Designated Partner
Engagement Partner
Certified Public Accountant

Hiroaki Izawa
Designated Partner
Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436 (2) (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet as of March 31, 2020, and the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules (hereinafter the "financial statements, etc.") of Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc. (hereinafter the "Company") for the 5th fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements, etc. were prepared, in accordance with accounting principles generally accepted in Japan.

Rationale for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility with respect to auditing standards is described in "Auditor's Responsibility in Auditing the Financial Statements, etc." We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, etc. in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management and the Company Auditor's Responsibility for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the financial statements, etc. in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements, etc. that are free from material misstatements, 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, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Company Auditor is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibility in Auditing the Financial Statement, etc.

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express our opinion on

the financial statements, etc. in an auditor's report based on our audit from an independent point of view. 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 decisions of users of these financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the audit objective of the financial statements, etc. is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the financial statements, etc. with the assumption of a going concern by management, 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 auditor's report to the notes to the financial statements, etc. or, if the notes to the financial statements, etc. on material uncertainty are inadequate, to express an opinion with exceptive items on the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate whether the presentation and disclosure of the financial statements, etc. are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, etc. including the disclosures, and whether the financial statements, etc. represent the underlying transactions and events in a manner that achieves fair presentation.

We report to the Company Auditor 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 process, and other matters required by auditing standards.

Conflict of Interest

Our firm or the engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Balance Sheet

(As of March 31, 2020)

(Thousands of yen)

Assets		Liabilities and net assets	
(Assets)		(Liabilities)	
Current assets:	32,608,992	Current liabilities:	232,034
Cash and deposits	8,745,106	Accounts payable-Other	33,769
Operational investment securities	18,921,870	Income taxes payable	165,830
Operating loans	4,878,985	Provision for bonuses	23,380
Other	63,030	Other	9,053
Non-current assets:	1,567,557	Total liabilities	232,034
Property and equipment:	20,988	(Net assets)	
Buildings	22,775	Shareholders' equity:	34,812,065
Tools, furniture and fixtures	32,594	Capital stock	19,313,500
Accumulated depreciation	△ 34,381	Capital surplus:	19,313,500
Intangible assets:	4,582	Legal capital surplus	19,313,500
Software	3,381	Retained earnings:	△ 3,814,934
Other	1,200	Other retained earnings:	△ 3,814,934
Investments and other assets:	1,541,987	Retained earnings brought forward	△ 3,814,934
Investments in capital of subsidiaries and associates	1,520,699	Valuation and translation adjustments:	△ 867,550
Lease deposits	20,996	Valuation difference on available-for-sale securities	△ 867,550
Other	291	Total net assets	33,944,515
Total assets	34,176,549	Total liabilities and net assets	34,176,550

Amounts of less than 1 thousand yen are rounded off.

Statement of Operations

(From April 1, 2019 to March 31, 2020)

(Thousands of yen)

Net sales		284,171
Gross profit		284,171
Selling, general and administrative expenses		794,433
Operating loss		510,262
Non-operating income		
Interest income	94	
Miscellaneous income	47	141
Non-operating expenses		
Interest expenses	1,616	
Share issuance costs	78,647	
Foreign exchange losses	68,443	
Miscellaneous loss	1,176	149,883
Ordinary loss		660,005
Loss before income taxes		660,005
Income taxes		1,210
Net loss		661,215

Amounts of less than 1 thousand yen are rounded off.

Statement of Changes in Equity

(From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity				Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Other retained earnings			
			Retained earnings brought forward			
Balance at April 1, 2019	8,078,500	8,078,500	△ 3,153,719	13,003,280	△ 97,530	12,905,750
Changes of items during period						
Issuance of common stock	11,235,000	11,235,000	-	22,470,000	-	22,470,000
Net loss	-	-	△ 661,215	△ 661,215	-	△ 661,215
Net changes of items other than shareholders' equity	-	-	-	-	△ 770,020	△ 770,020
Total changes of items during period	11,235,000	11,235,000	△ 661,215	21,808,784	△ 770,020	21,038,764
Balance at March 31, 2020	19,313,500	19,313,500	△ 3,814,934	34,812,065	△ 867,550	33,944,515

Amounts of less than 1 thousand yen are rounded off.

Notes to Financial Statements

Amounts of less than 1 thousand yen are rounded off.

1. Significant Accounting Policies

(1) Basis and method of valuation of securities

- ① Available-for-sale securities (including operational investment securities)

Securities without market quotations:

Stated at cost determined by the moving-average method

- ② Investments in capital of subsidiaries and associates

Securities without market quotations:

Stated at cost determined by the moving-average method

(2) Depreciation method of non-current assets

- ① Property and equipment (excluding leased assets)

Depreciation is provided by the declining-balance method, except for the buildings, building facilities and acquired on or after April 1, 2016, which are depreciated using the straight-line method.

The useful lives adopted for major assets are as follows:

Buildings (Building facilities):	8-20 years
Tools, furniture and fixtures:	3-15 years

- ② Intangible assets (excluding leased assets)

Intangible assets are amortized using the straight-line method.

The useful lives adopted for major assets are as follows:

Trademark right:	10 years
Computer software for internal use:	5 years

(3) Amortization method of deferred assets

Share issuance costs are processed as expenses in full amount when incurred.

(4) Accounting for provisions

Provision for bonuses

For payment of employees' bonuses, provision is provided for the portion of the total anticipated bonuses that is attributable to the fiscal year.

(5) Accounting for income and expenses

Net sales and cost of sales

Commission income and interest income, etc. are recorded in net sales.

(6) Other significant matters which constitute the basis for preparation of the financial statements

Accounting for consumption taxes

Consumption taxes are excluded from transaction amounts.

2. Changes in Accounting Policies

There are no items to be disclosed.

3. Notes to change in presentation

There are no items to be disclosed.

4. Notes to balance sheet

There are no items to be disclosed.

5. Notes to statement of operations

There are no items to be disclosed.

6. Notes to statement of changes in equity

Class and number of shares at the end of the fiscal year:

Common stock	772,540 shares
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7. Notes to taxes effect accounting

Main sources of deferred tax assets:

Deferred tax assets:

Operational investment securities	265,643 thousand yen
Operating loans	9,252 thousand yen
Accrued enterprise taxes	50,406 thousand yen
Provision for bonuses	7,159 thousand yen
Loss carryforwards	1,096,133 thousand yen
Other	<u>2,701 thousand yen</u>
Subtotal	1,431,294 thousand yen
Valuation allowance for net operating losses carryforward	△ 1,096,133 thousand yen
Valuation allowance for total deductible temporary difference, etc.	<u>△ 335,161 thousand yen</u>
Subtotal of valuation allowance	<u>△ 1,431,294 thousand yen</u>
Total	<u>— thousand yen</u>

8. Notes to financial instruments

(1) States of financial instruments

① Management policy on financial instruments

The Company conducts investment activities based on the standards stipulated in the Act on Fund Corporation for the Overseas Development of Japan's ICT and Postal Services. To conduct investment activities, the Company raises the necessary funds by equity capital and issuance of Government-Guaranteed Bonds, etc.

Regarding fund management, the Company invests only in short-term deposits and investment securities (certificates of deposit) to secure liquidity and safety of funds.

② Features and risks of financial instruments

Operating loans are exposed to customer credit risk.

Operational investment securities are mainly unlisted stocks and are exposed to credit risk of the investees.

Operating loans, operational investment securities and investment in capital of subsidiaries and associates which are denominated in foreign currencies are exposed to the risk of exchange fluctuations.

③ Risk management of financial instruments

i) Management of credit risk

With regard to operating loans, the Company timely and regularly monitors the business conditions of the investees and seeks to promptly identify and reduce concerns over the collection due to the deterioration in their financial positions, etc.

With regard to operational investment securities, the Company timely and regularly monitors the business conditions of the investees and makes efforts to promptly identify deterioration of their financial conditions and deviation from their business plan, etc.

ii) Management of liquidity risk relating to financing

The Company controls liquidity risks by monitoring deposits and payments, and preparing the statement of cash positions regularly.

iii) Management of exchange fluctuation risk to operating loans, operational investment securities and investment in capital of subsidiaries and associates which are denominated in foreign currencies.

The Company controls exchange fluctuation risks regarding operating loans, operational investment securities and investment in capital of subsidiaries and associates which are denominated in foreign currencies by continuously monitoring exchange rate fluctuations.

④ Supplementary explanation regarding the fair value of financial instruments

The fair value of financial instruments is based on market prices or reasonable calculations in the absence of market prices.

(2) Fair value of financial instruments

Book value, fair value and the difference between them as of March 31, 2020 are as follows. Financial instruments of which the fair value is extremely difficult to measure are not included below.

(Thousands of yen)

	Book value	Fair value	Difference
Cash and deposits	8,745,106	8,745,106	—
Operating loans	4,878,985	4,878,985	—

(Note 1) Fair value measurement of financial instruments

① Cash and deposits:

The book value approximates fair value due to the short term settlements.

② Operating loans

The fair value of operating loans is calculated by discounting the sum of its principal and interest at an interest rate at which a similar new loan transaction is assumed to be made.

(Note 2) Financial instruments of which the fair value is extremely difficult to measure are as follows:

(Thousands of yen)

	Book value
Operational investment securities	18,921,870
Investments in capital of subsidiaries and associates	1,520,699

(Note 3) Future redemption of financial assets with maturities are as follows:

(Thousands of yen)

	Within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	8,745,106	—	—	—
Operating loans	341,421	4,537,564	—	—

9. Notes to related party transactions

The Company directors and principal shareholders, etc.

(Thousands of yen)

Attribution	Name	Percentage of voting rights ,etc.	Relationship	Nature of transactions	Transaction amounts	Accounting classification	Year-end balance
Principal shareholder	Minister of Finance	Owned directly 93.83%	Investments in capital	Investments in capital (Note)	22,470,000	—	—

Business conditions and policy for determining the business conditions:

(Note) Minister of Finance acquired shares issued by the Company in the amount of ¥50 thousand per share.

10. Notes to per share information

Net assets per share ¥43,938.85

Net loss per share ¥1,023.65

(Note)

The basis for calculation of net loss per share is as follows:

Net loss	661,215	thousand yen
Amount not attributable to ordinary shareholders	—	
Net loss relating to common stock	661,215	thousand yen
Average number of shares of common stock during the period	645,937	shares

11. Notes to significant subsequent events

There are no items to be disclosed.