

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

Financial Statements

For the 6th fiscal year  
From April 1, 2020 to March 31, 2021

Independent Auditors' Report  
(Translation)

May 26,2021

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, 2021, 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 6th fiscal year from April 1, 2020 to March 31, 2021.

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, 2021)

(Thousands of yen)

Assets		Liabilities and net assets	
<b>( Assets )</b>		<b>( Liabilities )</b>	
<b>Current assets:</b>	<b>70,111,009</b>	<b>Current liabilities:</b>	<b>494,292</b>
Cash and deposits	1,220,282	Accounts payable-Other	212,689
Operational investment securities	60,952,387	Income taxes payable	235,611
Operating loans	7,114,384	Provision for bonuses	32,382
Allowance for doubtful accounts	△ 563,316	Other	13,608
Other	1,387,271	<b>Non-current liabilities:</b>	<b>10,519,485</b>
		Bonds	10,000,000
		Deferred tax liabilities	519,485
<b>Non-current assets:</b>	<b>1,665,164</b>	<b>Total liabilities</b>	<b>11,013,777</b>
<b>Property and equipment:</b>	<b>92,567</b>	<b>( Net assets )</b>	
Buildings	22,775	<b>Shareholders' equity:</b>	<b>59,690,263</b>
Tools, furniture and fixtures	110,401	<b>Capital stock</b>	<b>32,463,500</b>
Accumulated depreciation	△ 40,609	<b>Capital surplus:</b>	<b>32,463,500</b>
<b>Intangible assets:</b>	<b>31,728</b>	Legal capital surplus	32,463,500
Software	30,709	<b>Retained earnings:</b>	<b>△ 5,236,736</b>
Other	1,018	Other retained earnings:	△ 5,236,736
<b>Investments and other assets:</b>	<b>1,540,869</b>	Retained earnings brought forward	△ 5,236,736
Investments in capital of subsidiaries and associates	1,520,699	<b>Valuation and translation adjustments:</b>	<b>1,102,139</b>
Lease deposits	20,151	Valuation difference on available-for-sale securities	1,102,139
Other	18		
<b>Deferred assets</b>	<b>30,006</b>	<b>Total net assets</b>	<b>60,792,403</b>
Deferred assets	30,006		
<b>Total assets</b>	<b>71,806,180</b>	<b>Total liabilities and net assets</b>	<b>71,806,180</b>

Amounts of less than 1 thousand yen are rounded off.

## Statement of Operations

(From April 1, 2020 to March 31, 2021)

(Thousands of yen)

<b>Net sales</b>		<b>719,023</b>
<b>Cost of sales</b>		<b>1,060,971</b>
<b>Gross profit</b>		<b>△341,947</b>
<b>Selling, general and administrative expenses</b>		<b>1,109,559</b>
<b>Operating loss</b>		<b>1,451,506</b>
<b>Non-operating income</b>		
Interest income	101	
Foreign exchange gains	159,402	
Miscellaneous income	17	159,521
<b>Non-operating expenses</b>		
Interest expenses	1,953	
Interest on bonds	1,024	
Bond issuance cost	508	
Share issuance costs	92,050	95,536
<b>Ordinary loss</b>		<b>1,387,521</b>
<b>Loss before income taxes</b>		<b>1,387,521</b>
Income taxes		1,210
Income taxes - deferred		33,070
<b>Net loss</b>		<b>1,421,801</b>

Amounts of less than 1 thousand yen are rounded off.

## Statement of Changes in Equity

(From April 1, 2020 to March 31, 2021)

(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, 2020	19,313,500	19,313,500	△ 3,814,934	34,812,065	△ 867,550	33,944,515
Changes of items during period						
Issuance of common stock	13,150,000	13,150,000	-	26,300,000	-	26,300,000
Net loss	-	-	△ 1,421,801	△ 1,421,801	-	△ 1,421,801
Net changes of items other than shareholders' equity	-	-	-	-	1,969,689	1,969,689
Total changes of items during period	13,150,000	13,150,000	△ 1,421,801	24,878,198	1,969,689	26,847,887
Balance at March 31, 2021	32,463,500	32,463,500	△ 5,236,736	59,690,263	1,102,139	60,792,403

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 structures 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

- ① Share issuance costs are processed as expenses in full amount when incurred.
- ② Bond issuance costs amortized using the straight-line method over the period up to redemption of the bonds.

#### (4) Accounting for provisions

- ① Allowance for doubtful accounts

As provisions for losses from trade receivables, loans and other credits, a reserve calculated on the basis of recoverability for designated claimable assets, including doubtful debt, are made.

② 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 and valuation loss and provision of allowance for doubtful accounts, etc. are recorded in cost of 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**

Adoption of "Accounting standard for disclosure of accounting estimates"

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) from the fiscal year ended and included "Notes to accounting estimates" in the notes to the financial statements.

**4. Notes for significant accounting estimates**

Valuation of operational investment securities, investments in capital of subsidiaries and associates and operating loans

(1) Amounts recorded on the financial statements for the current fiscal year

(Thousands of yen)

	Book Value
Operational investment securities	60,952,387
Investments in capital of subsidiaries and associates	1,520,699
Operating loans	7,114,384



Allowance for doubtful accounts	△563,316
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(2) Information on the content of significant accounting estimates for identified items

The company estimates the recoverability of fair value of operational investment securities and investments in capital of subsidiaries and associates, and recovery amount in operating loan in the case of significant decline in those substantial value due to the financial condition of the investee, recent business condition or business plan which reflects it.

The estimate may be affected by future unpredictable changes in economic condition, etc. and it may have a significant impact on the financial statements when revise is required in the business plan of the investee.

## 5. Notes to balance sheet

### Pledged assets

Assets below are pledged as collateral

(Thousands of yen)

	Book Value
Operational investment securities (*1)	4,982,400

(\*1) Share of ORIENT LINK PTE.LTD. is pledged as collateral for its borrowing of the company.

## 6. Notes to statement of operations

There are no items to be disclosed.

## 7. Notes to statement of changes in equity

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

Common stock                      1,298,540 shares

## 8. Notes to taxes effect accounting

Main sources of deferred tax assets:

Deferred tax assets:

Accrued enterprise taxes	71,733 thousand yen
Allowance for doubtful accounts	172,487 thousand yen
Provision for bonuses	9,915 thousand yen
Loss carryforwards	1,362,753 thousand yen
Other	<u>3,404 thousand yen</u>
Subtotal	1,620,332 thousand yen
Valuation allowance for net operating losses carryforward	△ 1,362,753 thousand yen
Valuation allowance for total deductible temporary difference, etc.	<u>△ 257,579 thousand yen</u>
Subtotal of valuation allowance	<u>△ 1,620,332 thousand yen</u>
Total	<u>— thousand yen</u>

Deferred tax liabilities:

Operational investment securities	486,415 thousand yen
Operating loans	<u>33,070 thousand yen</u>
Total	<u>519,485 thousand yen</u>

## 9. 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, 2021 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	1,220,282	1,220,282	—
Operating loans Allowance for	7,114,384	7,114,384	—

doubtful accounts (*1)	△563,316	△563,316	—
Total assets	7,771,350	7,771,350	—
Bonds	10,000,000	10,005,372	5,372
Total liabilities	10,000,000	10,005,372	5,372

(\*1) Allowance for doubtful accounts taken for operating loans is subtracted.

(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.

③ Bonds

The Fair values of bonds are calculated by the present value based on the sum of principal and interest as discounted by the interest rate assumed when new similar straight bonds are issued.

(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	60,952,387
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	1,220,282	—	—	—
Operating loans	553,600	3,022,845	1,312,208	—

Receivables etc. deemed to be uncollectible are not included in a redemption amount since it is difficult to know an exact repayment date.

(Note 4) The amounts of repayment after the day of settlement of bonds 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
Bonds	—	—	10,000,000	—

## 10. 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 96..33%	Investments in capital	Investments in capital (Note)	26,300,000	—	—

### 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.

## 11. Notes to per share information

Net assets per share	¥46,815.96
Net loss per share	¥1,611.90

(Note1)

Although there are potentially dilutive shares, diluted net loss per share is not shown since it is net loss per share.

(Note2)

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

Net loss	1,421,801 thousand yen
Amount not attributable to ordinary shareholders	—
Net loss relating to common stock	1,421,801 thousand yen
Average number of shares of common stock during the period	882,063 shares

## 12. Notes to significant subsequent events

There are no items to be disclosed.