

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

Financial Statements

For the 1st fiscal year
From November 25, 2015 to March 31, 2016

Independent Auditor's Report
(Translation)

May 27, 2016

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

BDO Toyo & Co.
Akihiro Tanaka
Designated Partner
Engagement Partner
Certified Public Accountant

Hiroaki Izawa
Designated Partner
Engagement Partner
Certified Public Accountant

We have audited the accompanying financial statements of Fund Corporation for the Overseas Development of Japan's ICT and Postal Services (the "Company") for the 1st fiscal year from November 25, 2015 to March 31, 2016, which comprise the balance sheet, the statement of operations and changes in equity, the notes to financial statements and the supporting schedules, in accordance with item 1, paragraph 2 of Article 436 of the Companies Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the related supporting schedules in accordance with accounting principles generally accepted in Japan. The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements and the related supporting schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supporting schedules based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supporting schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supporting schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supporting schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supporting schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supporting schedules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements and the related supporting schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

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.

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

Balance Sheet

(As of March 31, 2016)

(Thousands of yen)

Assets		Liabilities and net assets	
(Assets)		(Liabilities)	
Current assets:	3,501,694	Current liabilities:	20,941
Cash and deposits	3,493,506	Accounts payable-Other	7,832
Other	8,187	Income taxes payable	3,592
Non-current assets:	80,665	Provision for bonuses	2,668
Property and equipment:	49,833	Other	6,847
Buildings	23,013	Total liabilities	20,941
Tools, furniture and fixtures	32,090	(Net assets)	
Accumulated depreciation	Δ5,270	Shareholders' equity:	3,561,418
Intangible assets:	6,240	Capital stock	1,872,000
Software	4,311	Capital surplus:	1,872,000
Other	1,929	Legal capital surplus	1,872,000
Investments and other assets:	24,591	Retained earnings:	Δ182,581
Lease deposits	21,708	Other retained earnings:	Δ182,581
Other	2,882	Retained earnings brought forward	Δ182,581
		Total net assets	3,561,418
Total assets	3,582,359	Total liabilities and net assets	3,582,359

Amounts of less than 1 thousand yen are rounded off.

Statement of Operations

(From November 25, 2015 to March 31, 2016)

(Thousands of yen)

Selling, general and administrative expenses		165,122
Operating loss		165,122
Non-operating income		
Interest income	160	160
Non-operating expenses		
Organization expenses	17,303	17,303
Ordinary loss		182,265
Loss before income taxes		182,265
Income taxes		316
Net loss		182,581

Amounts of less than 1 thousand yen are rounded off.

Statement of Changes in Equity

(From November 25, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity				Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	
		Legal capital surplus	Other retained earnings		
			Retained earnings brought forward		
Balance at November 25, 2015	-	-	-	-	-
Changes of items during period					
Issuance of new shares at incorporation	1,872,000	1,872,000	-	3,744,000	3,744,000
Net loss	-	-	△ 182,581	△ 182,581	△ 182,581
Total changes of items during period	1,872,000	1,872,000	△ 182,581	3,561,418	3,561,418
Balance at March 31, 2016	1,872,000	1,872,000	△ 182,581	3,561,418	3,561,418

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) 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 (excluding building facilities), 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

(2) Amortization method of deferred assets

Organization expenses are processed as expenses in full amount when incurred.

(3) 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.

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

Accounting for consumption taxes

Consumption taxes are excluded in transaction amounts.

2. Notes to balance sheet

There are no items to be disclosed.

3. Notes to statement of operations

There are no items to be disclosed.

4. Notes to statement of changes in equity

Number of shares at the end of the fiscal year:

Common stock 74,880 shares

5. Notes to taxes effect accounting

Main sources of deferred tax assets:

Deferred tax assets:

Accrued enterprise taxes	1,010 thousand yen
Lump-sum depreciable asset	882 thousand yen
Provision for bonuses	823 thousand yen
Loss carryforwards	51,921 thousand yen
Other	<u>661 thousand yen</u>
Subtotal	55,300 thousand yen
Valuation Allowance	<u>△ 55,300 thousand yen</u>
Total	<u>— thousand yen</u>

6. 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

Financial instruments held by the Company are short-term deposits. There is no risk of fluctuations in market prices.

③ Risk management of financial instruments

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.

(2) Fair value of financial instruments

Book value, fair value and the difference between them as of March 31, 2016 are as follows.

(Thousands of yen)

	Book value	Fair value	Difference
Cash and deposits	3,493,506	3,493,506	—

(Note1) Fair value measurement of financial instruments

Cash and deposits:

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

(Note2) Future redemption of financial assets with maturities are as follows:

(Thousands of yen)

	Within one year
Cash and deposits	3,493,506

7. 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 50.00%	Investments in capital	Investments in capital (Note)	1,872,000	—	—
Company owned over the majority by principal shareholder	Japan Post Co., Ltd.	Owned directly 2.67%	Investments in capital	Investments in capital (Note)	100,000	—	—

Business conditions and policy for determining the business conditions:

(Note) Minister of Finance and Japan Post Co., Ltd. acquired shares issued by the Company at incorporation in the amount of ¥50 thousand per share.

8. Notes to per share information

Net assets per share	¥47,561.67
Net loss per share	¥2,438.32

9. Notes to significant subsequent events

There are no items to be disclosed.