

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

Financial Statements

For the 9th fiscal year
From April 1, 2023 to March 31, 2024

Independent Auditors' Report
(Translation)

May 24,2024

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

Atsuo Nakano
Designated Partner
Engagement Partner
Certified Public Accountant

Takayuki Kawakubo
Designated Partner
Engagement Partner
Certified Public Accountant

<Audit of financial statements, etc.>

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, 2024, 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 9th fiscal year from April 1, 2023 to March 31, 2024.

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.

Other information

The other information comprises the Business Report and the accompanying supplemental schedules. Management is responsible for the preparation and disclosure of the other information. The Company Auditor is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express our opinion on the other information.

Our responsibilities for the audit of the financial statements are to read the other information, and in doing so, consider whether the other information is materially inconsistent with the 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

We also provide the Company Auditor with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

<Fee-related information>

Audit fee and non-audit fee, to our firm and to any party belonging to the same network with our firm, for the Company and its subsidiary for the current fiscal year are 8,600 thousand yen and 600 thousand yen, respectively.

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, 2024)

(Thousands of yen)

Assets		Liabilities and net assets	
(Assets)		(Liabilities)	
Current assets:	120,918,444	Current liabilities:	571,814
Cash and deposits	12,848,651	Accounts payable-other	91,215
Operational investment securities	103,995,399	Income taxes payable	241,520
Operating loans	8,606,536	Provision for bonuses	61,159
Other	627,880	Other	177,918
Allowance for doubtful accounts	△ 5,160,023	Non-current liabilities:	28,250,072
		Bonds	20,000,000
		Deferred tax liabilities	8,250,072
Non-current assets:	753,264	Total liabilities	28,821,886
Property and equipment:	40,022	(Net assets)	
Buildings	22,775	Shareholders' equity:	77,113,961
Tools, furniture and fixtures	114,572	Capital stock	44,713,500
Accumulated depreciation	△ 97,326	Capital surplus:	44,713,500
Intangible assets:	12,747	Legal capital surplus	44,713,500
Software	12,276	Retained earnings:	△ 12,313,038
Other	471	Other retained earnings:	△ 12,313,038
Investments and other assets:	700,494	Retained earnings brought forward	△ 12,313,038
Investments in capital of subsidiaries and associates	1,520,699	Valuation and translation adjustments:	15,783,158
Lease deposits	17,618	Valuation difference on available-for-sale securities	17,626,323
Other	1,575	Deferred gains or losses on hedges	△ 1,843,164
Allowance for investment loss	△ 839,399		
Deferred assets:	47,298	Total net assets	92,897,120
Bond issuance costs	47,298		
Total assets	121,719,007	Total liabilities and net assets	121,719,007

Amounts of less than 1 thousand yen are rounded off.

Statement of Operations

(From April 1, 2023 to March 31, 2024)

(Thousands of yen)

Net sales		1,950,184
Cost of sales		283,493
Gross income		1,666,690
Selling, general and administrative expenses		1,350,249
Operating income		316,441
Non-operating income		
Interest income	6,110	
Foreign exchange gains	343,918	
Miscellaneous income	24	350,053
Non-operating expenses		
Interest on bonds	61,568	
Bond issuance costs	6,103	
Share issuance costs	7,420	75,091
Ordinary income		591,403
Income before income taxes		591,403
Income taxes		1,210
Income taxes - deferred		202,244
Net income		387,948

Amounts of less than 1 thousand yen are rounded off.

Statement of Changes in Equity

(From April 1, 2023 to March 31, 2024)

(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	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other retained earnings					
			Retained earnings brought forward					
Balance at April 1, 2023	43,653,500	43,653,500	△ 12,700,986	74,606,013	9,641,385	△ 35,487	9,605,898	84,211,911
Changes of items during period								
Issuance of common stock	1,060,000	1,060,000	-	2,120,000	-	-	-	2,120,000
Net income	-	-	387,948	387,948	-	-	-	387,948
Net changes of items other than shareholders' equity	-	-	-	-	7,984,937	△ 1,807,677	6,177,260	6,177,260
Total changes of items during period	1,060,000	1,060,000	387,948	2,507,948	7,984,937	△ 1,807,677	6,177,260	8,685,209
Balance at March 31, 2024	44,713,500	44,713,500	△ 12,313,038	77,113,961	17,626,323	△ 1,843,164	15,783,158	92,897,120

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)

Shares, etc. that do not have a market price:

Stated at cost determined by the moving-average method

The amounts equivalent to equity interests of limited partnerships are accounted for on the net amount equivalent to equity interests regarding to the balance sheet and the statement of income based on the most recent financial statements as of the closing date which is specified in the Partnership Agreement.

- ② Investments in capital of subsidiaries and associates

Shares, etc. that do not have a market price:

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.

- ③ Allowance for investment loss

Estimated amount of possible losses from operational investment securities and investments in capital of subsidiaries and associate held at the balance sheet date are accrued based on the status of the investees, etc.

(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.

Commission income is recognized as revenue when the performance obligation over a certain period of time is satisfied.

(6) Significant method of hedge accounting

- a. Hedge accounting

In principle, deferral hedge accounting is applied.

If foreign currency forward contracts meet the requirements for allocation, the allocation method is applied.

- b. Hedging instruments and hedged items

Hedge methods is foreign currency forward contracts, and hedged item is investment securities.

- c. Hedge policy

Based on internal regulations, the Company engages in hedging transactions within the balance of foreign currency-denominated investment securities, mainly to avoid foreign exchange rate fluctuation risks on investment securities. The Company does not enter derivative transactions for speculative trading purpose.

d. Assessment of hedge effectiveness

In principle, the effectiveness of a hedge is assessed by comparing the cumulative market fluctuations or cash flow fluctuations of the hedged item and the hedging instrument over the period from the start of the hedge to the time of assessing effectiveness and calculating the ratio of the amount of fluctuation between the two, the Company judges this as a basis.

2. 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	103,995,399
Investments in capital of subsidiaries and associates	1,520,699
Allowance for investment loss	△839,399
Operating loans	8,606,536
Allowance for doubtful accounts	△5,160,023

(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.

3. Notes to balance sheet

(1) Receivables from contracts with customers

The amount of receivables arising from contracts with customers included in "Other" current assets is 840 thousand yen.

(2) Pledged assets

Assets below are pledged as collateral.

(Thousands of yen)

	Book Value
Operational investment securities (*1)	6,813,000

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

(3) Loan guarantee liabilities

Completion guarantee 6,813,000 thousands of yen

4. Notes to statement of operations

The amount of revenue from contracts with customers is not presented separately from other revenue. The amount of revenue from contracts with customers in the current fiscal year is 4,620 thousand yen.

5. Notes to statement of changes in equity

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

Common stock 1,788,540 shares

6. Notes to taxes effect accounting

Main sources of deferred tax assets:

Deferred tax assets:

Accrued enterprise taxes	73,583 thousand yen
Allowance for doubtful accounts	1,579,999 thousand yen
Provision for bonuses	18,727 thousand yen
Accounts payable-other	23,271 thousand yen
Accrued interest	33,297 thousand yen
Loss on valuation of operational investment securities	299,775 thousand yen
Translation adjustments on operational investment securities	6 thousand yen
Allowance for investment loss	257,024 thousand yen
Operating loans	674,000 thousand yen
Other current liabilities	42,433 thousand yen
Loss carryforwards	2,422,163 thousand yen
Other	<u>5,841 thousand yen</u>
Subtotal	5,430,123 thousand yen
Valuation allowance for net operating losses carryforward	△ 2,422,163 thousand yen

Valuation allowance for total deductible temporary difference, etc.	<u>△ 3,007,959 thousand yen</u>
Subtotal of valuation allowance	<u>△ 5,430,123 thousand yen</u>
Total	<u>— thousand yen</u>
Deferred tax liabilities:	
Operational investment securities	7,763,864 thousand yen
Operating loans	<u>486,208 thousand yen</u>
Total	<u>8,250,072 thousand yen</u>

7. 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.

The Company does not enter derivative transactions for speculative trading purpose.

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.

Bonds are issued to fund investments and loans to investees with a 10-year term, fixed interest rate, and lump-sum repayment of principal.

For derivative transactions, forward exchange contracts are used for the purpose of hedging the exchange rate fluctuation risk associated with foreign currency-denominated transactions.

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.

Derivative transactions are conducted with the approval of the Board of Directors and the Foreign Exchange Committee, based on the foreign exchange risk management regulations that stipulate transaction authority and limits, and the principles for introducing foreign exchange risk hedge products.

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, 2024 are as follows. Shares, etc. that do not have a market price are not included below.

(Thousands of yen)

Accounting classification (*1) (*2)	Book value	Fair value	Difference
Operating loans	8,606,536	8,606,536	—
Allowance for doubtful accounts (*3)	△5,160,023	△5,160,023	—
Total assets	3,446,513	3,446,513	—
Bonds	20,000,000	19,628,603	371,396
Total liabilities	20,000,000	19,628,603	371,396

Derivative transactions (*4)			
Derivative transactions qualifying for hedge accounting	(138,581)	(138,581)	—
Total derivative transactions	(138,581)	(138,581)	—

(*1) Cash and deposits" are omitted because they are cash and because deposits are settled in a short period of time and their fair value approximates their book value.

(*2) Investments in partnerships, etc., in which the net amount of equity is recorded on the balance sheet, are not subject to fair value disclosure in accordance with the treatment provided in paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, 17 June 2021).

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

(*4) Assets and liabilities arisen from derivative transactions are offset against each other and stated in net, and net liabilities are shown in parentheses.

(Note 1) Fair value measurement of financial instruments

① Operating loans

The fair values of operating loans are 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.

② 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 shares, etc. that do not have a market price are as follows:

(Thousands of yen)

	Book value
Operational investment securities	103,995,399
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
Operating loans	—	—	3,007,453	—

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	—	—	20,000,000	—

8. 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 97.33%	Investments	Investments in capital (Note1)	2,120,000	—	—
			Guarantee of debt	Debt guarantees on bonds (Note2)	20,000,000	—	—

Business conditions and policy for determining the business conditions:

(Note 1) Minister of Finance acquired shares issued by the Company in the amount of ¥50 thousand per share.

(Note 2) The Company receives debt guarantees for its corporate bonds, and the transaction amount is the unredeemed balance (face value) of the corporate bonds at the end of the period. No guarantee fees are paid.

9. Notes to per share information

Net assets per share	¥51,940.20
Net income per share	¥218.14

(Note1) The basis for calculation of net income per share is as follows:

Net income	387,948 thousand yen
Amount not attributable to common shareholders	—
Net income relating to common stock	387,948 thousand yen
Average number of shares of common stock during the period	1,778,461 shares

10. Notes to significant subsequent events

There are no items to be disclosed.