

**Translation  
Independent Auditor's Report**

May 3rd, 2021

The Board of Directors  
Kayaku Co., Ltd.

Kuno Yasunari CPA Firm  
Certified Public Accountant

**Auditor's opinion**

I have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, and notes to the financial statements of Kayaku Co., Ltd. (the "Company") for the fiscal year from April 1, 2020 to March 31, 2021.

In my opinion, the accompanying financial statements has been prepared in all material respects, for the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

**Basis of Opinion**

I conducted my audit in accordance with auditing standards generally accepted in Japan. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Japan, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Responsibilities of Management and the Corporate Auditor for the Financial Statements**

Management is responsible for the preparation of these financial statements in accordance with accounting principles generally accepted in Japan, and for design and operation of such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor is responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, I exercise professional judgement and maintain professional skepticism throughout the audit.

I also:

- Identify and assess the risks of material misstatement of the 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 my opinion.
- Obtain an understanding of internal control relevant to the audit as part of our risk assessment 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 Company's internal control.
- 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 exist or related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events of condition may cause the Company to cease to continue as a going concern.
- Evaluate whether the financial statements are presented and the disclosures contained therein prepared in accordance with accounting principles generally accepted in Japan.

I communicate with the Corporate Auditor regarding, among matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### **Conflicts of Interest**

I have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

#### **Notes to the Readers of Independent Auditor's Report**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

KAYAKU CO.,LTD.  
KAYAKU CO.,LTD.  
Balance Sheet as of Mar 31, 2021

(Unit : Japanese yen)

| Asset                                |                      |
|--------------------------------------|----------------------|
| <b>Current Assets</b>                |                      |
| Cash and Deposits                    | 442,986,038          |
| Trade Receivable                     | 743,188,116          |
| Accounts Receivable Other            | 84,196,273           |
| Inventories                          | 1,146,487,456        |
| Prepaid Expenses                     | 4,824,034            |
| Consumption tax receivable           | 49,798,710           |
| <b>Total Current Assets</b>          | <b>2,471,480,627</b> |
| <b>Non-Current Assets</b>            |                      |
| <b>Property and Equipment</b>        |                      |
| Buildings                            | 3,922,934,393        |
| Machinery & Equipment                | 3,016,998,699        |
| Construction in progress             | 61,696,403           |
| Accumulated Depreciation             | (5,684,560,384)      |
| Land                                 | 531,500,700          |
| <b>Total Property and Equipment</b>  | <b>1,848,569,811</b> |
| <b>Intangible Assets</b>             | <b>6,908,253</b>     |
| <b>Other Assets</b>                  |                      |
| Security Deposits                    | 550,000              |
| Deferred tax assets                  | 319,259,444          |
| <b>Total Other Assets</b>            | <b>319,809,444</b>   |
| Total Non-Current Assets             | 2,175,287,508        |
| <b>Total Assets</b>                  | <b>4,646,768,135</b> |
| <b>Liabilities</b>                   |                      |
| <b>Current Liabilities</b>           |                      |
| Trade Payable                        | 499,681,525          |
| Accounts Payable Other               | 218,787,178          |
| Accrued Expenses                     | 63,210,031           |
| Income tax payable                   | 25,917,300           |
| Deposits received                    | 3,071,469            |
| Provision for Bonus                  | 53,253,000           |
| <b>Total Current Liabilities</b>     | <b>863,920,503</b>   |
| <b>Non-Current Liabilities</b>       |                      |
| Long Term Loan                       | 900,000,000          |
| Asset Retirement Obligation          | 9,700,000            |
| Provision for Retirement Benefits    | 81,528,834           |
| Other Liabilities                    | 8,474,671            |
| <b>Total Non-Current Liabilities</b> | <b>999,703,505</b>   |
| <b>Total Liability</b>               | <b>1,863,624,008</b> |
| <b>Equity</b>                        |                      |
| <b>Equity</b>                        |                      |
| Share Capital                        | 110,000,000          |
| Capital surplus and Retained earning | 2,673,144,127        |
| <b>Total Equity</b>                  | <b>2,783,144,127</b> |
| <b>Total Liabilities and Equity</b>  | <b>4,646,768,135</b> |

## KAYAKU CO.,LTD.

Profit &amp; Loss Statement for the period ended Mar 31, 2021 (Apr-Mar)

(Unit : Japanese yen)

|  |            |                      |
|--|------------|----------------------|
| Product Sales                                      |            | 5,108,122,609        |
| Cost of Product Sales                              |            | 4,384,701,277        |
| <b>Gross Profit</b>                                |            | <b>723,421,332</b>   |
| Selling, General and Administrative Expenses       |            |                      |
| Personnel expenses                                 |            | 183,250,242          |
| Depreciation and Amortization                      |            | 1,053,569,331        |
| Other  |            | 158,476,361          |
| Total Selling, General and Administrative Expenses |            | 1,395,295,934        |
| <b>Operating Profit</b>                            |            | <b>(671,874,602)</b> |
| Non-Operating Income                               |            |                      |
| Interest Income                                    | 9          |                      |
| Miscellaneous Income                               | 975,646    |                      |
| Total Non-Operating Income                         |            | 975,655              |
| Non-Operating Expenses                             |            |                      |
| Interest Expense                                   | 4,568,699  |                      |
| Foreing Exchange Loss                              | 203,340    |                      |
| Total Non-Operating Expense                        |            | 4,772,039            |
| <b>Ordinary Profit</b>                             |            | <b>(675,670,986)</b> |
| Extraordinary Loss                                 | 12,229,028 |                      |
| Total Extraordinary Loss                           |            | 12,229,028           |
| <b>Profit before Income Tax</b>                    |            | <b>(687,900,014)</b> |
| Income Tax   |            | (152,591,622)        |
| <b>Net Profit</b>                                  |            | <b>(535,308,392)</b> |

Statements of Shareholders' Equity

KAYAKU CO.,LTD.

From April 1, 2020

To March 31, 2021

(Unit : Japanese yen)

|  | Share Capital | Capital Reserve       | Retained Earnings                 | Total Shareholders' Equity |
|--|---------------|-----------------------|-----------------------------------|----------------------------|
|  |               | Other Capital Reserve | Retained Earnings brought forward |                            |
| Balance at April 1, 2020                 | 110,000,000   | 371,000,000           | 2,540,702,186                     | 3,021,702,186              |
| changes of items during the period       |               |                       |                                   |                            |
| Change of depreciation method            |               |                       | 296,750,333                       | 296,750,333                |
| Net Income (Loss)                        | -             | -                     | (535,308,392)                     | (535,308,392)              |
| Total changes of items during the period | -             | -                     | (238,558,059)                     | (238,558,059)              |
| Balance at March 31st, 2021              | 110,000,000   | 371,000,000           | 2,302,144,127                     | 2,783,144,127              |

## Notes to Financial Statements

### (Summary of Significant Accounting Policies)

#### (1) Inventories evaluation standard and evaluation method

Merchandise and finished products···

Cost method based on the moving average method (For the balance sheet value, the book value is written down based on the decline in profitability)

Work in progress·····

Cost method based on the moving average method (For the balance sheet value, the book value is written down based on the decline in profitability)

Raw materials·······

Cost method based on the moving average method (For the balance sheet value, the book value is written down based on the decline in profitability)

Supplies·······

Final purchase cost method

#### (2) Depreciation method for fixed assets

##### ① Tangible fixed assets

The straight-line method is used.

Thus far, the Company used the declining balance method for depreciation of property, plant and equipment (excluding Building), but has changed to the straight-line method from the current accounting period.

The company carried out accelerated depreciation of plant and equipment (excluding leased assets) at the Tokorozawa Plant.

This change is the result of reexamining the depreciation method in light of the usage of equipment based on the factory disposal by sale plan for the next fiscal year in response to changes in the business environment surrounding the company.

The main estimated useful lives are as follows.

|                               |               |
|-------------------------------|---------------|
| Building                      | 3 to 38 years |
| Structures                    | 7 to 42 years |
| Machinery and equipment       | 2 to 16 years |
| Vehicles                      | 4 years       |
| Tools, furniture and fixtures | 2 to 15 years |

##### ② Intangible fixed assets

The straight-line method is used. Software for internal use is amortized by the straight-line method over the usable period within the company (5 years).

#### (3) Provisions

Provision for bonuses

In order to cover the payment of bonuses to employees, the amount is calculated based on the expected payment amount.

##### ① Provision for retirement benefits

To prepare for employees' retirement benefits, the transfer amount to the external and SME retirement allowance mutual aid system is deducted from the required payment amount.

② Provision for environmental measures

To prepare for the disposal of PCB (polychlorinated biphenyl) waste, the estimated amount of disposal costs is recorded.

(4) Consumption tax

Taxable transactions are recorded at amounts exclusive of consumption taxes.

**(Notes to Statements of Shareholders' Equity)**

(1) Type and number of shares issued.

|              | Number of Shares<br>at the beginning of<br>year | Increase of shares<br>issued | Decrease of shares<br>issued | Number of Shares<br>issued at the end of<br>year |
|--------------|---|------------------------------|------------------------------|--|
| Common stock | 262,000   | —                            | —                            | 262,000  |

(2) Matters concerning dividends

① Dividend payment amount

Not applicable.

② Of dividends whose base date belongs to the current period, the effective date of the dividend will be the next period.

Not applicable.