

Oshio Asia International CPA Office
1-5-22, Bunkyo, Minami-ku, Sagamihara-shi, Kanagawa-ken, Japan

AUDITORS' REPORT

To the members of Neuland Laboratories K.K.

Report on the accounts for the year ended on March 31, 2015 in compliance with Japanese Company law.

We have audited the attached balance sheet of Neuland Laboratories K.K., as at March 31, 2015 and 2014, and also the profit and loss account for the years ended on those dates. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- c. The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account.

- d. In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the generally accepted accounting standards.
- e. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Company law in manner so required and give a true and fair view in conformity with the accounting principles generally accepted in Japan.
- i. in the case of the balance sheet , of the state of affairs of the company as at March 31, 2015
- ii. in the case of the profit and loss account, of the income for the year ended on that date.

for Oshio Asia International CPA Office

Takio Oshio

Takio Oshio
(Japanese Certified Public Accountant)
April 13, 2015

Neuland Laboratories K.K.

BALANCE SHEET AS AT MARCH 31, 2015 and MARCH 31, 2014

Unit : JPY

	Note to account	Year ended 31 March 2015	Year ended 31 March 2014
Assets			
Current Assets			
Cash & deposit		3,892,909	411,763
Accounts receivables – Affiliates	2	4,733,317	7,266,202
Accounts receivable – Service fee		-	-
Prepaid expenses – Rent		381,251	381,251
Prepaid expenses – Others		-	-
Advance payment		1,117,800	1,117,800
Consumption taxes (VAT)		703,498	418,759
Current Assets Total		10,828,775	9,595,775
Fixed Assets			
Tangible assets		-	-
Intangible assets		-	-
Investment & other assets			
Deposit for rent		2,841,300	2,841,300
Long-term prepaid expenses		24,860	174,028
Investment & other assets Total		2,866,160	3,015,328
Fixed Assets Total		2,866,160	3,015,328
Assets Total		13,694,935	12,611,103
Liabilities			
Current Liabilities			
Accounts payable /Accrued expenses		-	-
Withholding social insurance		305,799	354,137
Withholding income taxes		356,400	316,740
Advance received	2	2,841,300	2,841,300
Provision for corporate income taxes		197,300	227,200
Current Liabilities Total		3,700,799	3,739,377
Fixed Liabilities		-	-
Fixed Liabilities Total		-	-
Liabilities Total		3,700,799	3,739,377
Net Assets			
Shareholder's equity			
Paid in capital		3,000,000	3,000,000
Capital surplus		-	-
Earned surplus			
Other earned surplus		-	-
Earned surplus carried forward		5,871,726	4,778,824
(Net Profit for the Year)		(1,122,410)	(1,092,902)
Earned surplus Total		6,994,136	5,871,726
Net Assets Total		9,994,136	8,871,726
Net Assets /Liabilities Total		13,694,935	12,611,103

Neuland Laboratories K.K.
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015 and MARCH 31, 2014

Unit : JPY

	Notes to Account	Year ended 31 March 2015	Year ended 31 March 2014
Income			
Services fee income	1, 2	31,833,317	31,666,202
Gross income		31,833,317	31,666,202
General and administration expenses	3	30,317,605	30,158,435
Operating profit		1,515,712	1,507,767
Other operating income		798	735
Interest income		798	728
Others		0	7
Other operating expenses		-	-
Interest expense		-	-
Others		-	-
Ordinary profit		1,516,510	1,508,502
Extraordinary item		-	-
Others		-	-
Profit before taxes		1,516,510	1,508,502
Corporate tax, resident tax & business tax		394,100	415,600
Deferred taxes		-	-
Net income for the year		1,122,410	1,092,902

Neuland Laboratories K.K.

SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING AND USE OF ESTIMATES

- i. Financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the accounting principles generally accepted in Japan and in compliance with the provisions of Company's law.
- ii. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities if any at that date of the financial statements and the results of operations during the reporting period end.

B. REVENUE RECOGNITION

The company is engaged primarily in the support of active pharmaceutical ingredient, marketing and business support services on behalf of the parent company. The services fee for the support is calculated as 105% of the incurred expenses related to the support. The treatment is recognized by the Japanese tax authority.

C. TAXATION

Tax expenses comprises of current taxes. Current income tax is measured at the amount to be paid to the tax authorities in Japan.

NOTES TO ACCOUNT

1. Marketing support services fee

From April 2014 to March 2015 and April 2013 to March 2014

Unit : JPY

	March 31, 2015	March 31, 2014
Total operating expenses	30,317,605	30,158,435
Less taxes	160	147
Sub total	30,317,445	30,158,288
Mark up 5%	1,515,872	1,507,914
Service fee income for the year	31,833,317	31,666,202

2. Inter company account

The below detail is the summary to Neuland Laboratories Limited

Unit : JPY

	March 31, 2015	March 31, 2014
Account receivable	4,733,317	7,266,202
Advanced received	2,841,300	2,841,300
Service fee	31,833,317	31,666,202

3. Details of General and administration expenses

From April 2014 to March 2015 and April 2013 to March 2014

Unit : JPY

Accounts	Year ended 31 March 2015	Year ended 31 March 2014
Advertising & promotion	1,197,000	1,161,150
Delivery expenses	18,758	16,352
Salaries	18,700,000	18,000,000
Commutation fee	548,869	584,876
Social insurance	2,000,971	2,161,972
Supplies	90,490	147,057
Office supplies	143,319	80,745
Water, lighting fee	180,723	161,043
Traveling expenses	1,095,193	1,861,612
Commission paid (Bank charge)	132,098	122,400
Taxes (Inc. Revenue stamp)	12,560	147
Entertainment expenses	1,043,123	586,308
Communication fee	171,202	162,980
PC maintenance	66,200	128,648
Book & subscription fee	5,989	4,600
Meeting expenses	136,201	132,990
Rent of office	4,236,120	4,236,120
Deferred renewal fee	142,064	142,064
Professional service fee	396,725	467,371
Total General and administration expenses	30,317,605	30,158,435
Others	-	-
TOTAL	30,317,605	30,158,435

2015年3月31日	2014年3月31日	2014年3月31日
30,317,605	30,158,435	30,158,435