

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, 2016 in compliance with Japanese Company law.

We have audited the attached balance sheet of Neuland Laboratories K.K., as at March 31, 2016 and 2015, 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, 2016.
 - 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 11, 2016

Neuland Laboratories K.K.

BALANCE SHEET AS AT MARCH 31, 2016 and MARCH 31, 2015

Unit : JPY

| | Note to account | Year ended 31 March 2016 | Year ended 31 March 2015 |
|--|--------------------|-----------------------------|-----------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash & deposit | | 2,311,126 | 3,892,909 |
| Accounts receivables – Affiliates | 2 | 7,190,449 | 4,733,317 |
| Accounts receivable – Service fee | | - | - |
| Prepaid expenses – Rent | | 381,251 | 381,251 |
| Prepaid expenses – Others | | - | - |
| Advance payment | | 1,137,240 | 1,117,800 |
| Consumption taxes (VAT) | | 751,714 | 703,498 |
| Current Assets Total | | 11,771,780 | 10,828,775 |
| Fixed Assets | | | |
| Tangible assets | | - | - |
| Intangible assets | | - | - |
| Investment & other assets | | | |
| Deposit for rent | | 2,841,300 | 2,841,300 |
| Long-term prepaid expenses | | 165,740 | 24,860 |
| Investment & other assets Total | | 3,007,040 | 2,866,160 |
| Fixed Assets Total | | 3,007,040 | 2,866,160 |
| Assets Total | | 14,778,820 | 13,694,935 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable /Accrued expenses | | - | - |
| Withholding social insurance | | 309,068 | 305,799 |
| Withholding income taxes | | 311,040 | 356,400 |
| Advance received | 2 | 2,841,300 | 2,841,300 |
| Provision for corporate income taxes | | 225,100 | 197,300 |
| Current Liabilities Total | | 3,686,508 | 3,700,799 |
| Fixed Liabilities | | | |
| Fixed Liabilities Total | | | |
| Liabilities Total | | 3,686,508 | 3,700,799 |
| 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 | | 6,994,136 | 5,871,726 |
| (Net Profit for the Year) | | (1,098,176) | (1,122,410) |
| Earned surplus Total | | 8,092,312 | 6,994,136 |
| Net Assets Total | | 11,092,312 | 9,994,136 |
| Net Assets /Liabilities Total | | 14,778,820 | 13,694,935 |

Neuland Laboratories K.K.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016 and MARCH 31, 2015

Unit : JPY

| | Notes to Account | Year ended 31 March 2016 | Year ended 31 March 2015 |
|--|------------------|--------------------------|--------------------------|
| Income | | | |
| Services fee income | 1, 2 | 31,690,449 | 31,833,317 |
| Gross income | | 31,690,449 | 31,833,317 |
| General and administration expenses | 3 | 30,181,486 | 30,317,605 |
| Operating profit | | 1,508,963 | 1,515,712 |
| Other operating income | | 4,013 | 798 |
| Interest income | | 4,013 | 798 |
| Others | | 0 | 0 |
| Other operating expenses | | - | - |
| Interest expense | | - | - |
| Others | | - | - |
| Ordinary profit | | 1,512,976 | 1,516,510 |
| Extraordinary item | | - | - |
| Others | | - | - |
| Profit before taxes | | 1,512,976 | 1,516,510 |
| Corporate tax, resident tax & business tax | | 414,800 | 394,100 |
| Deferred taxes | | - | - |
| Net income for the year | | 1,098,176 | 1,122,410 |

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 2015 to March 2016 and April 2014 to March 2015

Unit : JPY

| | March 31, 2016 | March 31, 2015 |
|---------------------------------|----------------|----------------|
| Total operating expenses | 30,181,486 | 30,317,605 |
| Less taxes | 106 | 160 |
| Sub total | 30,181,380 | 30,317,445 |
| Mark up 5% | 1,509,069 | 1,515,872 |
| Service fee income for the year | 31,690,449 | 31,833,317 |

2. Inter company account

The below detail is the summary to Neuland Laboratories Limited

Unit : JPY

| | March 31, 2016 | March 31, 2015 |
|--------------------|----------------|----------------|
| Account receivable | 7,190,449 | 4,733,317 |
| Advanced received | 2,841,300 | 2,841,300 |
| Service fee | 31,690,449 | 31,833,317 |

3. Details of General and administration expenses

From April 2015 to March 2016 and April 2014 to March 2015

Unit : JPY

| Accounts | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|-----------------------------|-----------------------------|
| Advertising & promotion | 1,249,840 | 1,197,000 |
| Delivery expenses | 7,073 | 18,758 |
| Salaries | 18,280,000 | 18,700,000 |
| Commutation fee | 400,812 | 548,869 |
| Social insurance | 1,938,464 | 2,000,971 |
| Recruiting fee | 756,000 | 0 |
| Supplies | 0 | 90,490 |
| Office supplies | 228,244 | 143,319 |
| Water, lighting fee | 163,150 | 180,723 |
| Traveling expenses | 1,014,646 | 1,095,193 |
| Commission paid (Bank charge) | 114,500 | 132,098 |
| Taxes (Inc. Revenue stamp) | 106 | 12,560 |
| Entertainment expenses | 682,764 | 1,043,123 |
| Communication fee | 198,990 | 171,202 |
| PC maintenance | 28,000 | 66,200 |
| Book & subscription fee | 5,063 | 5,989 |
| Meeting expenses | 122,082 | 136,201 |
| Rent of office | 4,236,120 | 4,236,120 |
| Deferred renewal fee | 142,066 | 142,064 |
| Professional service fee | 613,566 | 396,725 |
| Total General and administration expenses | 30,181,486 | 30,317,605 |
| Others | | - |
| TOTAL | 30,181,486 | 30,317,605 |