

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, 2018 in compliance with Japanese Company law.

We have audited the attached balance sheet of Neuland Laboratories K.K., as at March 31, 2018 and 2017, 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.

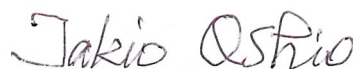
We report that:

- 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, 2018.
- 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
(Japanese Certified Public Accountant)
April 16, 2018

Neuland Laboratories K.K.
BALANCE SHEET AS AT MARCH 31, 2018 and MARCH 31, 2017

Unit : JPY

	Note to account	Year ended 31 March 2018	Year ended 31 March 2017
Assets			
Current Assets			
Cash & deposit		101,660	3,524,190
Accounts receivables – Affiliates	2	10,670,950	4,381,301
Accounts receivable – Service fee		-	-
Prepaid expenses – Rent		381,251	381,251
Prepaid expenses – Others		147,842	102,050
Advance payment		4,919,185	4,641,928
Consumption taxes (VAT)		1,117,428	942,990
Current Assets Total		17,338,316	13,973,710
Fixed Assets			
Tangible assets		-	-
Intangible assets		-	-
Investment & other assets			
Deposit for rent		2,841,300	2,841,300
Long-term prepaid expenses		165,740	23,672
Investment & other assets Total		3,007,040	2,864,972
Fixed Assets Total		3,007,040	2,864,972
Assets Total		20,345,356	16,838,682
Liabilities			
Current Liabilities			
Accounts payable /Accrued expenses		843,447	
Withholding social insurance		233,027	422,985
Withholding income taxes		510,190	401,820
Advance received	2	2,841,300	2,841,300
Provision for corporate income taxes		511,600	348,200
Current Liabilities Total		4,939,564	4,014,305
Fixed Liabilities			-
Retirement allowance		1,200,000	
Fixed Liabilities Total		1,200,000	-
Liabilities Total		6,139,564	4,014,305
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		9,824,377	8,092,312
(Net Profit for the Year)		(1,381,415)	(1,732,065)
Earned surplus Total		11,205,792	9,824,377
Net Assets Total		14,205,792	12,824,377
Net Assets /Liabilities Total		20,345,356	16,838,682

Neuland Laboratories K.K.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018 and MARCH 31, 2017

Unit : JPY

	Notes to Account	Year ended 31 March 2018	Year ended 31 March 2017
Income			
Services fee income	1, 2	45,470,950	48,481,301
Gross income		45,470,950	48,481,301
General and administration expenses	3	43,305,672	46,195,672
Operating profit		2,165,278	2,285,629
Other operating income		5,137	1,936
Interest income		37	1,936
Others		5,100	0
Other operating expenses		-	-
Interest expense		-	-
Others		-	-
Ordinary profit		2,170,415	2,287,565
Extraordinary item		-	-
Others		-	-
Profit before taxes		2,170,415	2,287,565
Corporate tax, resident tax & business tax		789,000	555,500
Deferred taxes		-	-
Net income for the year		1,381,415	1,732,065

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 2017 to March 2018 and April 2016 to March 2017

Unit : JPY

	March 31, 2018	March 31, 2017
Total operating expenses	43,305,672	46,195,672
Less taxes	0	23,004
Sub total	43,305,672	46,172,668
Mark up 5%	2,165,278	2,308,633
Service fee income for the year	45,470,950	48,481,301

2. Inter company account

The below detail is the summary to Neuland Laboratories Limited

Unit : JPY

	March 31, 2018	March 31, 2017
Account receivable	10,670,950	4,381,301
Advanced received	2,841,300	2,841,300
Service fee	45,470,950	48,481,301

3. Details of General and administration expenses

From April 2017 to March 2018 and April 2016 to March 2017

Unit : JPY

Accounts	Year ended 31 March 2018	Year ended 31 March 2017
Advertising & promotion	5,408,168	2,104,790
Delivery expenses	101,097	131,686
Salaries	19,102,650	28,040,000
Commutation fee	376,536	493,785
Social insurance	1,972,589	2,635,311
Retirement allowance	1,536,000	0
Office supplies	193,082	318,773
Water, lighting fee	181,700	154,401
Traveling expenses	7,682,398	5,659,886
Commission paid (Bank charge)	127,825	157,400
Taxes (Inc. Revenue stamp)	455	23,004
Entertainment expenses	922,080	995,663
Communication fee	467,708	297,588
Others	1	8
PC maintenance	14,500	14,500
Book & subscription fee	32,378	9,259
Meeting expenses	306,619	225,806
Rent of office	4,236,120	4,236,120
Deferred renewal fee	142,062	142,068
Professional service fee	501,704	555,624
Total General and administration expenses	43,305,672	46,195,672
Others		
TOTAL	43,305,672	46,195,672