

Oshio Asia International CPA Office
1-5-22, Bunkyo, Minami-ku, Sagami-hara-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, 2019 in compliance with Japanese Company law.

We have audited the attached balance sheet of Neuland Laboratories K.K., as at March 31, 2019 and 2018, 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, 2019.
- 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 15, 2019

Neuland Laboratories K.K.
BALANCE SHEET AS AT MARCH 31, 2019 and MARCH 31, 2018

Unit : JPY

	Note to account	Year ended 31 March 2019	Year ended 31 March 2018
Assets			
Current Assets			
Cash & deposit		4,006,287	101,660
Accounts receivables – Affiliates	2	13,568,503	10,670,950
Accounts receivable – Service fee		-	-
Prepaid expenses – Rent		381,251	381,251
Prepaid expenses – Others		346,710	147,842
Advance payment		0	4,919,185
Consumption taxes (VAT)		1,263,003	1,117,428
Current Assets Total		19,565,754	17,338,316
Fixed Assets			
Tangible assets		193,716	-
Intangible assets		-	-
Investment & other assets			
Deposit for rent		2,841,300	2,841,300
Long-term prepaid expenses		23,672	165,740
Investment & other assets Total		2,864,972	3,007,040
Fixed Assets Total		3,058,688	3,007,040
Assets Total		22,624,442	20,345,356
Liabilities			
Current Liabilities			
Accounts payable /Accrued expenses		-	843,447
Withholding social insurance		347,125	233,027
Withholding income taxes		552,150	510,190
Advance received	2	2,841,300	2,841,300
Provision for corporate income taxes		504,600	511,600
Current Liabilities Total		4,245,175	4,939,564
Fixed Liabilities			
Retirement allowance		2,772,000	1,200,000
Fixed Liabilities Total		2,772,000	1,200,000
Liabilities Total		7,017,175	6,139,564
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		11,205,792	9,824,377
(Net Profit for the Year)		(1,401,475)	(1,381,415)
Earned surplus Total		12,607,267	11,205,792
Net Assets Total		15,607,267	14,205,792
Net Assets /Liabilities Total		22,624,442	20,345,356

Neuland Laboratories K.K.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019 and MARCH 31, 2018

Unit : JPY

	Notes to Account	Year ended 31 March 2019	Year ended 31 March 2018
Income			
Services fee income	1, 2	48,168,503	45,470,950
Gross income		48,168,503	45,470,950
General and administration expenses	3	45,874,772	43,305,672
Operating profit		2,293,731	2,165,278
Other operating income		6,444	5,137
Interest income		6,444	37
Others		0	5,100
Other operating expenses		-	-
Interest expense		-	-
Others		-	-
Ordinary profit		2,300,175	2,170,415
Extraordinary item		-	-
Others		-	-
Profit before taxes		2,300,175	2,170,415
Corporate tax, resident tax & business tax		898,700	789,000
Deferred taxes		-	-
Net income for the year		1,401,475	1,381,415

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 2018 to March 2019 and April 2017 to March 2018

Unit : JPY

	March 31, 2019	March 31, 2018
Total operating expenses	45,874,772	43,305,672
Less taxes	0	0
Sub total	45,874,772	43,305,672
Mark up 5%	2,293,731	2,165,278
Service fee income for the year	48,168,503	45,470,950

2. Inter company account

The below detail is the summary to Neuland Laboratories Limited

Unit : JPY

	March 31, 2019	March 31, 2018
Account receivable	13,568,503	10,670,950
Advanced received	2,841,300	2,841,300
Service fee	48,168,503	45,470,950

3. Details of General and administration expenses

From April 2018 to March 2019 and April 2017 to March 2018

Unit : JPY

Accounts	Year ended 31 March 2019	Year ended 31 March 2018
Advertising & promotion	8,579,634	5,408,168
Delivery expenses	165,690	101,097
Salaries	18,140,413	19,102,650
Commutation fee	634,511	376,536
Social insurance	2,086,866	1,972,589
Recruiting fee	700,000	-
Retirement allowance	1,572,000	1,536,000
Depreciation expense	38,736	-
Office supplies	231,532	193,082
Water, lighting fee	207,010	181,700
Traveling expenses	6,846,221	7,682,398
Commission paid (Bank charge)	137,397	127,825
Taxes (Inc. Revenue stamp)	11,207	455
Entertainment expenses	876,080	922,080
Communication fee	412,670	467,708
Others	-	1
PC maintenance	14,500	14,500
Book & subscription fee	9,259	32,378
Meeting expenses	305,907	306,619
Rent of office	4,236,120	4,236,120
Deferred renewal fee	142,068	142,062
Professional service fee	526,951	501,704
Total General and administration expenses	45,874,772	43,305,672
Others		
TOTAL	45,874,772	43,305,672

Neuland Laboratories K.K.
BALANCE SHEET

unit : Yen

Description	Year ended 31 March 2019 (Audited)	Year ended 31 March 2018 (Audited)
Assets		
Current assets		
Cash & Deposit	4,006,287	101,660
Accounts receivable - Affiliates	13,568,503	10,670,950
Accounts receivable - Services fee	-	-
Prepaid expenses - Rent	381,251	381,251
Prepaid expenses - Others	346,710	147,842
Advance payment	-	4,919,185
Consumption taxes (VAT)	1,263,003	1,117,428
Current Assets Total	19,565,754	17,338,316
Fixed Assets		
Tangible Assets	193,716	-
Intangible Assets	-	-
Investments & other Assets		
Deposit for rent	2,841,300	2,841,300
Long - term Prepaid expenses	23,672	165,740
Investments & other Assets total	2,864,972	3,007,040
Fixed Assets total	3,058,688	3,007,040
Assets total	22,624,442	20,345,356
Liabilities		
Current liabilities		
Accounts payable / Accrued expenses	-	843,447
Withholding Social Insurance	347,125	233,027
Withholding Income & Local Taxes	552,150	510,190
Advance Received	2,841,300	2,841,300
Provision for Corporate Income Taxes	504,600	511,600
Current Liabilities total	4,245,175	4,939,564
Fixed Liabilities		
Provision for retirement allowances	2,772,000	1,200,000
Fixed Liabilities total	2,772,000	1,200,000
Liabilities total	7,017,175	6,139,564
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	11,205,792	9,824,377
(Net Profit for the Year)	(1,401,475)	(1,381,415)
Earned Surplus total	12,607,267	11,205,792
Net Assets Total	15,607,267	14,205,792
Net Assets /Liabilities Total	22,624,442	20,345,356

Company :

Neuland Laboratories K.K.

Auditor :

Oshio Asia International CPA Office

(Signature)

Name : Yasukazu Ogino

(Signature)

Name : Takio Oshio

(Signature)

Name : Mamoru Shizuishi

Neuland Laboratories K.K.

PROFIT AND LOSS ACCOUNT

Description	Year ended 31 March 2019 (Audited)	Year ended 31 March 2018 (Audited)
Sales		
Services Fee income	48,168,503	45,470,950
Gross Sales	48,168,503	45,470,950
Administration, selling expenses	45,874,772	43,305,672
Operating Profit	2,293,731	2,165,278
Other operating income	6,444	5,137
Interest Income	6,444	5,137
Others	-	-
Other operating expenses	-	-
Interest Expenses	-	-
Others	-	-
Ordinary Profit	2,300,175	2,170,415
Extraordinary Item	-	-
Others	-	-
Profit before taxes	2,300,175	2,170,415
Corporate Tax, Resident Tax & Business Tax	898,700	789,000
Deferred Taxes	-	-
Net Income for the Year	1,401,475	1,381,415

Company :
Neuland Laboratories K.K.

Auditor :
Oshio Asia International CPA Office

(Signature) 
Name : Yasukazu Ogino

(Signature) 
Name : Takio Oshio

(Signature) 
Name : Maru Shizuishi

Neuland Laboratories K.K.**NOTES TO ACCOUNT****Intercompany Account**

Intercompany Accounts	Year ended 31 March 2019	Year ended 31 March 2018
Account Receivable	13,568,503	10,670,950
Suspense Received	2,841,300	2,841,300
Service Fee	48,168,503	45,470,950

Details of Administration, selling expenses

Accounts	Year ended 31 March 2019	Year ended 31 March 2018
Advertising & Promotion	8,579,634	5,408,168
Delivery expenses	165,690	101,097
Salaries	18,140,413	19,102,650
Commutation fee	634,511	376,536
Social Insurance	2,086,866	1,972,589
Recruiting Fees	700,000	
Retirement expenses	1,572,000	1,536,000
Depreciation Expenses	38,736	
Office Supplies	231,532	193,082
Water, lighting fee	207,010	181,700
Travelling expenses	6,846,221	7,682,398
Commission Paid (Bank Charge)	137,397	127,825
Taxes (Inc. Revenue stamp)	11,207	455
Entertainment expenses	876,080	922,080
Communication Fee	412,670	467,708
Pc Maintenance	14,500	14,500
Book & Subscription fee	9,259	32,378
Meeting expenses	305,907	306,619
Rent of office	4,236,120	4,236,120
Deferred renewal fee	142,068	142,062
Professional Service Fee	526,951	501,704
Total Administration & selling expenses	45,874,772	43,305,671
Others	-	1
TOTAL	45,874,772	43,305,672