

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, 2020 in compliance with Japanese Company law.

We have audited the attached balance sheet of Neuland Laboratories K.K., as at March 31, 2020 and 2019, 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, 2020.
- 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 24, 2020

Neuland Laboratories K.K.
BALANCE SHEET AS AT MARCH 31, 2020 and MARCH 31, 2019

Unit : JPY

	Note to account	Year ended 31 March 2020	Year ended 31 March 2019
Assets			
Current Assets			
Cash & deposit		10,991,900	4,006,287
Accounts receivables – Affiliates	2	9,511,252	13,568,503
Accounts receivable – Service fee			-
Prepaid expenses – Rent		381,251	381,251
Prepaid expenses – Others		133,160	346,710
Advance payment			0
Consumption taxes (VAT)		919,219	1,263,003
Current Assets Total		21,936,782	19,565,754
Fixed Assets			
Tangible assets		135,612	193,716
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		3,142,652	3,058,688
Assets Total		25,079,434	22,624,442
Liabilities			
Current Liabilities			
Accounts payable /Accrued expenses			-
Withholding social insurance		346,223	347,125
Withholding income taxes		605,420	552,150
Advance received	2	2,841,300	2,841,300
Provision for corporate income taxes		331,200	504,600
Current Liabilities Total		4,124,143	4,245,175
Fixed Liabilities			
Retirement allowance		4,353,300	2,772,000
Fixed Liabilities Total		4,353,300	2,772,000
Liabilities Total		8,477,443	7,017,175
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		12,607,267	11,205,792
(Net Profit for the Year)		(994,724)	(1,401,475)
Earned surplus Total		13,601,991	12,607,267
Net Assets Total		16,601,991	15,607,267
Net Assets /Liabilities Total		25,079,434	22,624,442

Neuland Laboratories K.K.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020 and MARCH 31, 2019

Unit : JPY

	Notes to Account	Year ended 31 March 2020	Year ended 31 March 2019
Income			
Services fee income	1, 2	37,211,252	48,168,503
Gross income		37,211,252	48,168,503
General and administration expenses	3	35,439,301	45,874,772
Operating profit		1,771,951	2,293,731
Other operating income		3,073	6,444
Interest income		3,073	6,444
Others		0	0
Other operating expenses			-
Interest expense			-
Others			-
Ordinary profit		1,775,024	2,300,175
Extraordinary item			-
Others			-
Profit before taxes		1,775,024	2,300,175
Corporate tax, resident tax & business tax		780,300	898,700
Deferred taxes			-
Net income for the year		994,724	1,401,475

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 2019 to March 2020 and April 2018 to March 2019

Unit : JPY

	March 31, 2020	March 31, 2019
Total operating expenses	35,439,301	45,874,772
Less taxes	0	0
Sub total	35,439,301	45,874,772
Mark up 5%	1,771,951	2,293,731
Service fee income for the year	37,211,252	48,168,503

2. Inter company account

The below detail is the summary to Neuland Laboratories Limited

Unit : JPY

	March 31, 2020	March 31, 2019
Account receivable	9,511,252	13,568,503
Advanced received	2,841,300	2,841,300
Service fee	37,211,252	48,168,503

3. Details of General and administration expenses

From April 2019 to March 2020 and April 2018 to March 2019

Unit : JPY

Accounts	Year ended 31 March 2020	Year ended 31 March 2019
Advertising & promotion	876,702	8,579,634
Delivery expenses	136,639	165,690
Salaries	18,146,043	18,140,413
Commutation fee	641,725	634,511
Social insurance	2,158,591	2,086,866
Recruiting fee	0	700,000
Retirement allowance	1,581,300	1,572,000
Depreciation expense	58,104	38,736
Office supplies	253,579	231,532
Water, lighting fee	184,900	207,010
Traveling expenses	5,037,660	6,846,221
Commission paid (Bank charge)	82,868	137,397
Taxes (Inc. Revenue stamp)	13	11,207
Entertainment expenses	847,043	876,080
Communication fee	389,455	412,670
PC maintenance	14,500	14,500
Book & subscription fee	57,408	9,259
Meeting expenses	91,033	305,907
Rent of office	4,236,120	4,236,120
Deferred renewal fee	142,062	142,068
Professional service fee	503,556	526,951
Total General and administration expenses	35,439,301	45,874,772
Others		
TOTAL	35,439,301	45,874,772