

**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, 2022 in compliance with Japanese Company law.

We have audited the attached balance sheet of Neuland Laboratories K.K., as at March 31, 2022 and 2021, 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.

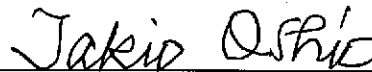
We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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, 2022.
  - 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



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Takio Oshio  
(Japanese Certified Public Accountant)  
April 25, 2022

**Neuland Laboratories K.K.**

**BALANCE SHEET AS AT MARCH 31, 2022 and MARCH 31, 2021**

Unit : JPY

	Note to account	Year ended 31 March 2022	Year ended 31 March 2021
<b>Assets</b>			
Current Assets			
Cash & deposit		14,092,894	8,374,100
Accounts receivables – Affiliates	2	12,414,267	14,691,666
Accounts receivable – Service fee			
Prepaid expenses – Rent		388,311	388,311
Prepaid expenses – Others			0
Advance payment			
Consumption taxes (VAT)		737,929	607,937
Current Assets Total		27,633,401	24,062,014
Fixed Assets			
Tangible assets		19,404	77,508
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		3,026,444	2,942,480
Assets Total		30,659,845	27,004,494
<b>Liabilities</b>			
Current Liabilities			
Accounts payable /Accrued expenses		10,538	58,091
Withholding social insurance		520,860	467,837
Withholding income taxes		1,013,380	721,380
Advance received	2	2,841,300	2,841,300
Provision for corporate income taxes		584,600	342,600
Current Liabilities Total		4,970,678	4,431,208
Fixed Liabilities			
Retirement allowance		7,400,000	5,180,000
Fixed Liabilities Total		7,400,000	5,180,000
Liabilities Total		12,370,678	9,611,208
<b>Net Assets</b>			
Shareholder's equity			
Paid in capital		3,000,000	3,000,000
Capital surplus			
Earned surplus			
Other earned surplus			
Earned surplus carried forward		14,393,286	13,601,991
(Net Profit for the Year)		(895,881)	(791,295)
Earned surplus Total		15,289,167	14,393,286
Net Assets Total		18,289,167	17,393,286
Net Assets /Liabilities Total		30,659,845	27,004,494

**Neuland Laboratories K.K.**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2022 and MARCH 31, 2021**

Unit : JPY

	Notes to Account	Year ended 31 March 2022	Year ended 31 March 2021
<b>Income</b>			
Services fee income	1, 2	38,514,267	31,491,666
Gross income		38,514,267	31,491,666
General and administration expenses	3	36,680,266	29,992,078
Operating profit		1,834,001	1,499,588
Other operating income		1,980	3,407
Interest income		1,980	3,407
Others			0
Other operating expenses			
Interest expense			
Others			
Ordinary profit		1,835,981	1,502,995
Extraordinary item			
Others			
Profit before taxes		1,835,981	1,502,995
Corporate tax, resident tax & business tax		940,100	711,700
Deferred taxes			
Net income for the year		895,881	791,295

## 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 2021 to March 2022 and April 2020 to March 2021

Unit : JPY

	March 31, 2022	March 31, 2021
Total operating expenses	36,680,266	29,992,078
Less taxes	0	0
Sub total	36,680,266	29,992,078
Mark up 5%	1,834,001	1,499,588
Service fee income for the year	38,514,267	31,491,666

#### 2. Inter company account

The below detail is the summary to Neuland Laboratories Limited

Unit : JPY

	March 31, 2022	March 31, 2021
Account receivable	12,414,267	14,691,666
Advanced received	2,841,300	2,841,300
Service fee	38,514,267	31,491,666

### 3. Details of General and administration expenses

From April 2021 to March 2022 and April 2020 to March 2021

Unit : JPY

Accounts	Year ended 31 March 2022	Year ended 31 March 2021
Advertising & promotion	849,776	0
Delivery expenses	33,025	66,509
Salaries	24,360,000	19,560,674
Commutation fee	625,416	561,350
Social insurance	3,007,898	2,272,353
Recruiting fee	0	0
Retirement allowance	2,220,000	1,738,875
Depreciation expense	58,104	58,104
Office supplies	94,787	203,003
Water, lighting fee	62,488	64,263
Traveling expenses	#(17,544)	161,023
Commission paid (Bank charge)	39,550	38,700
Taxes (Inc. Revenue stamp)	20	10,020
Entertainment expenses	75,691	43,304
Communication fee	334,090	291,526
PC maintenance	14,500	14,500
Book & subscription fee	22,273	0
Meeting expenses	18,519	3,700
Rent of office	4,236,120	4,236,120
Deferred renewal fee	142,062	142,068
Professional service fee	503,491	525,986
<b>Total General and administration expenses</b>	<b>36,680,266</b>	<b>29,992,078</b>
Others		
<b>TOTAL</b>	<b>36,680,266</b>	<b>29,992,078</b>

# Flight charge was paid in 2020FY, but the flight was canceled by CORONA VIRUS and about 130,000 yen was paid back in 2021 FY.