

***Lupin Japan & Asia Pacific K.K.***

*Unaudited Financial Statements for the Year Ended  
March 31, 2018*

**Lupin Japan & Asia Pacific K.K.**

**Balance Sheet**  
**March 31, 2018**

ASSETS	Thousands of Yen		LIABILITIES AND EQUITY	Thousands of Yen	
	2018	2017		2018	2017
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents (Note 2)	¥ 94,589	¥ 5,000	Short-term loans (Note 3 and 6)	¥ 160,000	¥ -
Receivables:			Payables :		
Trade accounts (Note 6)	195,392	-	Trade accounts (Note 6)	15,358	1,162
Deferred tax assets (Note 5)	8,759	-	Other	26,313	-
Prepaid expenses and other current assets	175	86	Income taxes payable (Note 5)	32,815	-
Total current assets	<u>298,915</u>	<u>5,086</u>	Accrued expenses	5,720	-
			Accrued bonus to employees	6,748	-
			Accrued bonus to directors	<u>78,694</u>	<u>-</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			Total current liabilities	<u>325,648</u>	<u>1,162</u>
Buildings and structures	15,225	-			
Furniture and fixtures	8,639	-	<b>NON CURRENT LIABILITIES:</b>		
Others	1,637	-	Deferred tax liabilities (Note 5)	<u>12,966</u>	<u>-</u>
Total	<u>25,501</u>	<u>-</u>			
Accumulated depreciation	(1,519 )	-	<b>EQUITY (Note 4):</b>		
Net property, plant and equipment	<u>23,982</u>	<u>-</u>	Common stock, authorized, 300 shares; issued, 100 shares in 2017 and 2018	5,000	5,000
			Retained earnings - Unappropriated	<u>(20,308 )</u>	<u>(1,076 )</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			Total equity	<u>(15,308)</u>	<u>3,924</u>
Deposits	300	-			
Right of licence	109	-	<b>TOTAL</b>	<u>¥ 323,306</u>	<u>¥ 5,086</u>
Total investments and other assets	<u>409</u>	<u>-</u>			
<b>TOTAL</b>	<u>¥ 323,306</u>	<u>¥ 5,086</u>			

See notes to financial statements.

## Lupin Japan & Asia Pacific K.K. .

### Statement of Income Year Ended March 31, 2018

	Thousands of Yen	
	<u>2018</u>	<u>2017</u>
REVENUE FROM OPERATION (Note 6)	¥ 278,709	¥ -
OPERATING EXPENSE		
GENERAL AND ADMINISTRATIVE EXPENSES (Note 6)	<u>267,440</u>	<u>1,076</u>
Operating Income/(Loss)	<u>11,269</u>	<u>(1,076)</u>
OTHER INCOME (EXPENSES):		
Interest and dividend income	0	-
Interest expense (Note 6)	(261)	-
Consumption tax gain - net	6,674	-
Foreign exchange gain - net	<u>113</u>	<u>-</u>
Other income - net	<u>6,526</u>	<u>-</u>
INCOME/(LOSS) BEFORE INCOME TAXES	<u>17,795</u>	<u>(1,076)</u>
INCOME TAXES (Note 5):		
Current	32,820	-
Deferred	<u>4,207</u>	<u>-</u>
Total income taxes	<u>37,027</u>	<u>-</u>
NET INCOME/(LOSS)	<u>¥ ( 19,232 )</u>	<u>¥ (1,076)</u>
	Thousands of Yen	
PER SHARE OF COMMON STOCK (Note 2):		
NET INCOME/( LOSS)	¥ (192)	¥ (11)

See notes to financial statements.

**Lupin Japan & Asia Pacific K.K. .**

**Statement of Changes in Equity  
Year Ended March 31, 2018**

	Outstanding Number of Shares of Common Stock	Thousands of Yen		
		Common Stock	Retained Earnings Unappropriated	Total Equity
BALANCE, MARCH 13, 2017	100	¥ 5,000	-	¥ 5,000
Net income/(loss)	—	—	¥ (1,076)	(1,076)
BALANCE, MARCH 31, 2017	<u>100</u>	<u>5,000</u>	<u>(1,076)</u>	<u>3,924</u>
Net income/(loss)	—	—	(19,232)	(19,232)
BALANCE, MARCH 31, 2018	<u>100</u>	<u>¥ 5,000</u>	<u>¥ (20,308)</u>	<u>¥ (15,308)</u>

See notes to financial statements.

## Lupin Japan & Asia Pacific K.K.

### Statement of Cash Flows Year Ended March 31, 2018

	Thousands of Yen	
	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES:		
Income before income taxes	¥ 17,795	¥ (1,076)
Adjustments for:		
Income taxes paid	(5)	-
Depreciation and amortization	1,525	-
Changes in assets and liabilities:		
Increase in trade accounts receivable	(195,392)	-
Increase in prepaid expenses and other current assets	(88)	(86)
Increase in trade accounts payable	14,196	1,161
Increase in accrued bonus to directors	78,694	-
Other - net	38,781	-
Total adjustments	<u>(62,289)</u>	<u>1,076</u>
Net cash (used in) provided by operating activities	<u>(44,494)</u>	<u>-</u>
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(25,501)	-
Purchases of software, sales rights and other assets	(116)	-
Others - net	<u>(300)</u>	<u>-</u>
Net cash used in investing activities	<u>(25,917)</u>	<u>-</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of shares	-	5,000
Increase in short-term loans - net	<u>160,000</u>	<u>-</u>
Net cash provided by financing activities	<u>160,000</u>	<u>5,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,589	5,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,000</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 94,589</u>	<u>¥ 5,000</u>

See notes to financial statements.

# Lupin Japan & Asia Pacific K.K.

## Notes to Financial Statements Year Ended March 31, 2018

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### 1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by Lupin Japan & Asia Pacific K.K. (the "Company") in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

### 2. SUMMARY OF ACCOUNTING POLICIES

- a. Revenue Recognition* - Service Recipient shall pay an arm's length price for service provider for the services. The price shall be calculated using the cost plus profit margin method. Revenue is recognized at every quarter end.
- b. Cash and Cash Equivalents* - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, which mature or become due within three months of the date of acquisition.
- c. Foreign Currency Transactions* - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.
- d. Property, Plant and Equipment* - Property, plant, and equipment are stated at cost. Depreciation is computed by the straight-line method. The range of useful lives is from 7 to 14 years for buildings and structures, from 5 to 14 years for furniture and fixtures, and from 4 to 9 years for other.
- e. Income Taxes* - The provision for income taxes is computed based on the pretax income included in the statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying current enacted tax laws to the temporary differences.
- f. Bonuses* - Bonuses to directors and employees are accrued at the year-end to which such bonuses are attributable.
- g. Per-Share Information* - Net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.
- h. Segment Information* - There is only one operating segment, reportable business segment i.e. 'Rendering management services to Lupin group companies', the results of which are disclosed in the financial statements, therefore, the Company does not disclose "Segment Information".

### 3. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans as of March 31, 2018 consisted of the following:

	Thousands of Yen <u>2018</u>
Loan from Affiliate with interest rate 0.34807%: Unsecured	¥ <u>160,000</u>
Short-term loans	¥ <u><u>160,000</u></u>

### 4. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions of the Companies Act that affect financial and accounting matters are summarized below:

#### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all of the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3,000 thousand.

#### (b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

### 5. INCOME TAX

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 34.81% for the year ended March 31, 2018.

The tax effects of significant temporary differences which resulted in deferred tax assets as of March 31, 2018 is as follows:

	Thousands of Yen <u>2018</u>
Deferred tax assets:	
Current:	
Accrued bonus to employees and expenses	5,729
Business enterprise tax payable	<u>3,030</u>
Total	<u>¥ 8,759</u>
Deferred tax liabilities:	
Noncurrent:	
Adjustment for negative goodwill	<u>(12,966)</u>
Total	<u>¥ (12,966)</u>
Deferred tax liabilities - net	<u>¥ (4,207 )</u>

Reconciliation between the normal effective statutory tax rates and the actual effective tax rate reflected in the accompanying statements of income for the year ended March 31, 2018 was as follows:

	<u>2018</u>
Normal effective statutory tax rate	34.8%
Tax Addition for Permanent differences	104.2
Tax Credit	(3.2)
Tax addition for Organization restructuring	71.0
Other - net	<u>1.3</u>
Actual effective tax rate	<u><u>208.1%</u></u>



6. RELATED PARTY DISCLOSURES

Transactions and balances of the Company with the parent company, sister companies and its subsidiary for the year ended March 31, 2018 was as follows:

	Thousands of Yen						
	2018						
	Lupin Limited	Lupin Atlantis Holding S.A.	GENERIC HEALTH PTY LTD.	Multicare Pharmaceuticals Philippines Inc.	Kyowa Pharmaceutical Industry Co., Ltd.	KYOWA CriteCare Co., Ltd.	Total
Transactions in 2018:							
Revenue	¥ 79,807	¥ 16,082	¥ 39,928	¥ 28,179	¥ 101,525	¥ 13,188	¥ 278,709
General and administrative expenses	6,017				288		6,305
Interest expense					261		261
Balance as of March 31, 2018:							
Trade accounts receivable	75,712	10,534	21,527	13,436	65,115	9,068	195,392
Short-term loans					160,000		160,000
Trade accounts payable	10,601				3,324		13,925

There was no related party transactions for the year ended March 31, 2017.

(SUPPLEMENTARY INFORMATION)

1. PROPERTY, PLANT AND EQUIPMENT

The changes in acquisition cost and the related depreciation by asset type for the year ended March 31, 2018, were as follows:

Description	Useful Life (Years)	Thousands of Yen									
		Acquisition Cost			Accumulated Depreciation			Total Net			
		Balance, March 31, 2017	Increase	Decrease	Balance, March 31, 2018	Balance, March 31, 2017	Increase	Decrease	Balance, March 31, 2018	Balance, March 31, 2017	Balance, March 31, 2018
Buildings and structures	7 - 14	-	¥ 15,225	-	¥ 15,225	-	¥ 764	-	¥ 764	-	¥ 14,461
Furniture and fixtures	5 - 14	-	8,639	-	8,639	-	570	-	570	-	8,069
Other	4 - 9	-	1,637	-	1,637	-	185	-	185	-	1,452
Total		-	25,501	-	25,501	-	1,519	-	1,519	-	23,982

2. DETAILS OF ACCRUALS

Description	Balance, March 31, 2017	Increase	Decrease	Balance, March 31, 2018
Accrued bonus to employees	-	¥ 6,748	-	¥ 6,748
Accrued bonus to directors	-	¥ 78,694	-	¥ 78,694

### 3. GENERAL AND ADMINISTRATIVE EXPENSES

The statement of selling, general and administrative expenses for the year ended March 31, 2018, was as follows:

	<u>Thousands of Yen</u>
Salaries and wages	¥ 198,061
Staff welfare expenses	5,215
Rent	7,080
Rates and taxes	4,107
Contract labor charges	2,760
Market research expenses	4,791
Commission, brokerage and discount	3,459
Lease rent and hire charges	13,428
Postage and telephone expenses	2,556
Travelling and conveyance	16,735
Legal and professional charges	4,847
Depreciation and amortization	1,525
Other expenses	<u>2,876</u>
Total general and administrative expenses for the year	<u>¥ 267,440</u>

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