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*Kyowa Pharmaceutical Industry Co., Ltd.*

*Nonconsolidated Financial Statements for the  
Year Ended March 31, 2017, and  
Independent Auditor's Report*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kyowa Pharmaceutical Industry Co., Ltd.:

We have audited the accompanying nonconsolidated balance sheet of Kyowa Pharmaceutical Industry Co., Ltd. (the "Company") as of March 31, 2017, and the related nonconsolidated statements of income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated 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 nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Kyowa Pharmaceutical Industry Co., Ltd. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

As discussed in Note 3 to the nonconsolidated financial statements, the Company changed its depreciation method for property, plant and equipment (excluding leased assets) from the declining-balance method to the straight-line method, except for buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998, to which the straight-line method has already been applied. Our conclusion is not qualified in respect of this matter.

Member of  
Deloitte Touche Tohmatsu Limited

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown in 'Supplementary Information 1-3' is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

### Restriction on Distribution and Use

This report is intended solely for the information and use of the boards of directors and management of the Company and Lupin Limited, and is not intended to be, and should not be, distributed to or used by anyone other than these specified parties.

*Deloitte Touche Tohmatsu LLC*

April 28, 2017

Kyowa Pharmaceutical Industry Co., Ltd.

Nonconsolidated Balance Sheet  
March 31, 2017

|   | Thousands of Yen |              | Thousands of Yen |      |
|---|------------------|--------------|------------------|------|
|   | 2017             | 2016         | 2017             | 2016 |
| <b>ASSETS</b>   |                  |              |                  |      |
| <b>CURRENT ASSETS:</b>  |                  |              |                  |      |
| Cash and cash equivalents (Note 14)   | ¥ 238,430        | ¥ 340,516    |                  |      |
| Receivables (Notes 11 and 14):  |                  |              |                  |      |
| Trade notes   | 1,567,885        | 1,897,492    |                  |      |
| Electronically-recorded monetary claims   | 839,949          | 469,450      |                  |      |
| Trade accounts  | 6,939,978        | 4,667,975    |                  |      |
| Other   | 378,131          | 173,967      |                  |      |
| Allowance for doubtful receivables  | (25,145)         |              |                  |      |
| Inventories (Note 5)  | 9,955,805        | 6,783,802    |                  |      |
| Short-term loan to subsidiary (Notes 11 and 14)                                   | 300,000          | 300,000      |                  |      |
| Consumption taxes receivable  | 1,635,895        |              |                  |      |
| Deferred tax assets (Note 10)   | 676,052          | 435,488      |                  |      |
| Prepaid expenses and other current assets (Note 11)                               | 223,576          | 94,432       |                  |      |
| Total current assets  | 22,430,556       | 15,163,122   |                  |      |
| <b>PROPERTY, PLANT AND EQUIPMENT (Note 6):</b>                                    |                  |              |                  |      |
| Land  |                  |              |                  |      |
| Buildings and structures  | 2,066,874        | 2,062,014    |                  |      |
| Machinery and equipment   | 9,588,218        | 5,137,306    |                  |      |
| Furniture and fixtures  | 7,295,148        | 6,552,716    |                  |      |
| Lensed assets (Note 13)   | 1,508,659        | 1,188,178    |                  |      |
| Construction in progress  |                  | 115,500      |                  |      |
| Total   | 2,781,864        | 1,146,180    |                  |      |
| Accumulated depreciation  | 23,240,763       | 16,201,894   |                  |      |
|   | (8,129,495)      | (7,372,433)  |                  |      |
| Net property, plant and equipment   | 15,111,268       | 8,829,461    |                  |      |
| <b>INVESTMENTS AND OTHER ASSETS:</b>  |                  |              |                  |      |
| Investment in subsidiary (Note 14)  |                  |              |                  |      |
| Lease deposits (Note 14)  | 5,021,096        | 5,021,096    |                  |      |
| Long-term prepaid expenses  | 261,255          | 124,237      |                  |      |
| Software  | 3,007            | 17,265       |                  |      |
| Sales rights  | 261,236          | 178,781      |                  |      |
| Deferred tax assets (Note 10)   | 14,996,320       | 49,890       |                  |      |
| Other assets  | 151,171          | 118,280      |                  |      |
|   | 350              | 350          |                  |      |
| Total investments and other assets  | 20,694,435       | 5,509,899    |                  |      |
| <b>TOTAL</b>  | ¥ 58,236,259     | ¥ 29,502,482 |                  |      |
| <b>LIABILITIES AND EQUITY</b>   |                  |              |                  |      |
| <b>CURRENT LIABILITIES:</b>   |                  |              |                  |      |
| Short-term bank loans (Notes 6 and 14)  |                  |              |                  |      |
| Current portion of long-term debt (Notes 6 and 14)                                | ¥ 25,600,000     | ¥ 7,700,000  |                  |      |
| Payables (Notes 11 and 14):   |                  |              |                  |      |
| Trade notes   | 30,500           | 875,788      |                  |      |
| Electronically-recorded obligations   | 260,753          | 191,882      |                  |      |
| Trade accounts  | 2,421,286        | 2,509,021    |                  |      |
| Notes and accounts payable - construction   | 2,394,764        | 1,203,149    |                  |      |
| Other   | 1,027,641        | 777,801      |                  |      |
| Income taxes payable (Note 10)  | 540,035          | 422,557      |                  |      |
| Accrued expenses  | 391,490          | 239,059      |                  |      |
| Other current liabilities (Note 11)   | 957,786          | 691,458      |                  |      |
|   | 32,231           | 62,014       |                  |      |
| Total current liabilities   | 33,656,486       | 14,672,730   |                  |      |
| <b>LONG-TERM LIABILITIES:</b>   |                  |              |                  |      |
| Long-term debt (Notes 6 and 14)   | 7,500,000        | 30,500       |                  |      |
| Liability for retirement benefits (Note 7)  | 432,386          | 380,816      |                  |      |
| Customer deposits (Note 14)   | 549,640          | 542,849      |                  |      |
| Other   | 51,421           | 249          |                  |      |
| Total long-term liabilities   | 8,533,447        | 954,414      |                  |      |
| <b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 8)</b>                            |                  |              |                  |      |
| <b>EQUITY (Note 9):</b>   |                  |              |                  |      |
| Common stock, authorized, 700,000 shares; issued, 196,000 shares in 2017 and 2016 | 101,000          | 101,000      |                  |      |
| Retained earnings:  |                  |              |                  |      |
| Legal reserve   | 25,000           | 25,000       |                  |      |
| Retained earnings - Unappropriated  | 15,920,326       | 13,749,338   |                  |      |
| Total equity  | 16,046,326       | 13,875,338   |                  |      |
| <b>TOTAL</b>  | ¥ 58,236,259     | ¥ 29,502,482 |                  |      |

See notes to nonconsolidated financial statements.

Kyowa Pharmaceutical Industry Co., Ltd.

Nonconsolidated Statement of Income  
Year Ended March 31, 2017

|   | Thousands of Yen   |                    |
|---|--------------------|--------------------|
|   | 2017               | 2016               |
| NET SALES (Note 11)   | ¥ 22,677,313       | ¥ 19,352,816       |
| COST OF SALES (Note 11)   | <u>13,847,371</u>  | <u>11,719,505</u>  |
| Gross profit  | 8,829,942          | 7,633,311          |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES<br>(Notes 11 and 12) | <u>6,698,858</u>   | <u>5,038,382</u>   |
| Operating income  | <u>2,131,084</u>   | <u>2,594,929</u>   |
| OTHER INCOME (EXPENSES):  |                    |                    |
| Interest and dividend income (Note 11)                            | 2,448              | 79                 |
| Interest expense  | (58,213)           | (30,910)           |
| Loss on disposal of property, plant and equipment                 | (4,301)            | (20,465)           |
| Foreign exchange gain - net                                       | 41                 | 7,949              |
| Management fee income (Note 11)                                   | 358,465            | 82,959             |
| Compensation income   | 160,000            |                    |
| Other - net (Note 11)   | <u>(24,251)</u>    | <u>37,614</u>      |
| Other income - net  | <u>434,189</u>     | <u>77,226</u>      |
| INCOME BEFORE INCOME TAXES  | <u>2,565,273</u>   | <u>2,672,155</u>   |
| INCOME TAXES (Note 10):   |                    |                    |
| Current   | 667,740            | 615,215            |
| Deferred  | <u>(273,455)</u>   | <u>(9,875)</u>     |
| Total income taxes  | <u>394,285</u>     | <u>605,340</u>     |
| NET INCOME  | <u>¥ 2,170,988</u> | <u>¥ 2,066,815</u> |
|   | Yen                |                    |
| PER SHARE OF COMMON STOCK (Note 2):                               |                    |                    |
| Net income  | ¥11,076.47         | ¥10,544.97         |

See notes to nonconsolidated financial statements.

Kyowa Pharmaceutical Industry Co., Ltd.

Nonconsolidated Statement of Changes in Equity  
Year Ended March 31, 2017

|                         | Thousands  |                 | Thousands of Yen |                                     |              |
|-------------------------|--|-----------------|------------------|-------------------------------------|--------------|
|                         | Outstanding<br>Number of Shares<br>of Common Stock | Common<br>Stock | Legal Reserve    | Retained Earnings<br>Unappropriated | Total Equity |
| BALANCE, APRIL 1, 2015  | 196  | ¥ 101,000       | ¥ 25,000         | ¥ 11,682,523                        | ¥ 11,808,523 |
| Net income              | —  | —               | —                | 2,066,815                           | 2,066,815    |
| BALANCE, MARCH 31, 2016 | 196  | 101,000         | 25,000           | 13,749,338                          | 13,875,338   |
| Net income              | —  | —               | —                | 2,170,988                           | 2,170,988    |
| BALANCE, MARCH 31, 2017 | 196  | ¥ 101,000       | ¥ 25,000         | ¥ 15,920,326                        | ¥ 16,046,326 |

See notes to nonconsolidated financial statements.

Kyowa Pharmaceutical Industry Co., Ltd.

Nonconsolidated Statement of Cash Flows  
Year Ended March 31, 2017

|   | Thousands of Yen |             |
|---|------------------|-------------|
|   | 2017             | 2016        |
| <b>OPERATING ACTIVITIES:</b>  |                  |             |
| Income before income taxes  | ¥ 2,565,273      | ¥ 2,672,155 |
| Adjustments for:  |                  |             |
| Income taxes paid   | (515,309)        | (891,650)   |
| Depreciation and amortization   | 1,528,794        | 1,254,560   |
| Changes in assets and liabilities:  |                  |             |
| Increase in trade accounts receivable, trade notes receivable and electronically-recorded monetary claims | (2,312,895)      | (499,602)   |
| Increase in inventories   | (3,172,003)      | (1,498,121) |
| Increase in other receivables, consumption tax receivable, prepaid expenses and other current assets      | (1,969,203)      | (38,682)    |
| Increase in trade accounts payable, trade notes payable and electronically-recorded monetary obligations  | 1,172,751        | 462,522     |
| Increase (decrease) in accrued expenses   | 266,328          | (24,076)    |
| Other - net   | 226,675          | (41,338)    |
| Total adjustments   | (4,774,862)      | (1,276,387) |
| Net cash (used in) provided by operating activities   | (2,209,589)      | 1,395,768   |
| <b>INVESTING ACTIVITIES:</b>  |                  |             |
| Purchases of property, plant and equipment  | (6,972,383)      | (2,768,272) |
| Purchases of software, sales rights and other assets  | (15,622,165)     | (78,117)    |
| Decrease (increase) in short-term loan to subsidiary  | 300,000          | (300,000)   |
| Others - net  | (122,161)        | (20,289)    |
| Net cash used in investing activities   | (22,416,709)     | (3,166,678) |
| <b>FINANCING ACTIVITIES:</b>  |                  |             |
| Increase in short-term bank loans - net   | 17,900,000       | 2,700,000   |
| Proceed from long-term bank loans   | 7,500,000        |             |
| Repayments of long-term debt  | (875,788)        | (1,143,438) |
| Net cash provided by financing activities   | 24,524,212       | 1,556,562   |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | (102,086)        | (214,348)   |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | 340,516          | 554,864     |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | ¥ 238,430        | ¥ 340,516   |

See notes to nonconsolidated financial statements.

## Kyowa Pharmaceutical Industry Co., Ltd.

### Notes to Nonconsolidated Financial Statements Year Ended March 31, 2017

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#### 1. BASIS OF PRESENTING NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by Kyowa Pharmaceutical Industry Co., Ltd. (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 nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the Company's nonconsolidated 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* - Regarding goods sold to wholesalers, the significant risks and rewards of ownership of the goods are retained by the manufacturer until wholesalers sell them to their customers. Therefore, the sales of goods to certain wholesalers are recognized only after shipments from the wholesalers are confirmed. Other sales are recognized upon shipment of goods to customers.
- b. *Nonconsolidation* - The nonconsolidated financial statements do not include the accounts of a subsidiary. Investment in the subsidiary is stated at cost.
- c. *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.
- d. *Allowance for Doubtful Receivables* - The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- e. *Inventories* - Inventories are stated at the lower of cost, determined by the moving weighted-average method, or market.
- f. *Property, Plant and Equipment* - Property, plant, and equipment are stated at cost. Depreciation is computed by the straight-line method (see Note 3). The range of useful lives is from 7 to 38 years for buildings and structures, from 5 to 8 years for machinery and equipment, and from 4 to 15 years for furniture and fixtures. Leased assets are depreciated by the straight-line method over the respective lease periods.
- g. *Long-Lived Assets* - The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- h. *Investment in Subsidiary* - Investment in the subsidiary is stated at cost.



- i. **Retirement and Pension Plans** - The Company has an unfunded retirement benefit plan covering substantially all of its employees who meet eligibility requirements under the retirement allowance plan. Under the plan, employees are entitled to benefits based on level of salary, length of service, and certain other factors at the time of retirement or termination.

The Company accounts for the liability for retirement benefits based on projected benefit obligations at the balance sheet date.

Prior service cost and actuarial loss are recognized at the time of occurrence.

In May 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

The revised accounting standard and guidance made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and guidance are effective for the beginning of annual periods beginning on or after April 1, 2014. No retrospective application of this accounting standard to nonconsolidated financial statements in prior periods is required.

Retirement allowances for directors are recorded to state the liability at the amount that would be required if all directors retired at the balance sheet date.

- j. **Research and Development Costs** - Research and development costs are charged to income as incurred.

- k. **Leases** - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

- l. **Bonuses to Directors** - Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

- m. Asset Retirement Obligation* - In March 2008, the ASBJ issued the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard and guidance, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- n. 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.

On March 31, 2016, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate was reduced from approximately 33.0% to 30.8% effective from the year beginning April 1, 2016, and to 30.5% effective from the year beginning April 1, 2018. The effect of these changes on the Company's nonconsolidated financial statements as of and for the year ended March 31, 2017 is immaterial.

On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework that included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit, temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The change had no effect on the nonconsolidated financial statements of the Company.

- o. 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 nonconsolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- p. Derivative Financial Instruments* - The Company enters into interest rate swap agreements as a means of managing its interest rate exposures on certain assets and liabilities.

It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Company does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

- q. 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.
- r. Segment Information* - Considering the similarity of product types, product characteristics, production methods, and markets, all of the Company's business and operations belong to the "Pharmaceutical Segment," as the Company only manufactures and sells pharmaceutical products, and therefore, the Company does not disclose "Segment Information."

### 3. ACCOUNTING CHANGE

#### *Change in Accounting Policy that Is Difficult to Distinguish from Change in Accounting Estimate*

Effective April 1, 2016, the Company changed its depreciation method for property, plant and equipment (excluding leased assets) from the declining-balance method to the straight-line method, except for buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998, to which the straight-line method has already been applied.

This change is the result of a review of the actual usage pattern of the majority of the Company's property, plant and equipment and better matches the expenses with the reflected revenue that is generated.

The change of the depreciation method decreased depreciation expense by ¥382,482 thousand and increased operating income and income before income taxes by ¥315,771 thousand for the period ended March 31, 2017.

### 4. PRESENTATION CHANGE

#### *Change in Presentation of Electronically-Recorded Monetary Claims and Electronically-Recorded Obligations*

Prior to April 1, 2016, electronically-recorded monetary claims and electronically-recorded obligations were included in trade notes receivable and trade notes payable, respectively, on the nonconsolidated balance sheet.

For the fiscal year ended March 31, 2017, the amount of electronically-recorded transactions increased as the Company has been promoting electronic settlement to improve operational efficiency. Such amounts are disclosed separately in the current assets and current liabilities sections on the nonconsolidated balance sheet as of March 31, 2017.

5. INVENTORIES

Inventories as of March 31, 2017 and 2016, consisted of the following:

|                            | Thousands of Yen   |                    |
|----------------------------|--------------------|--------------------|
|                            | 2017               | 2016               |
| Merchandise                | ¥ 1,666,396        | ¥ 149,644          |
| Finished products          | 5,023,546          | 3,542,426          |
| Work in process            | 1,496,021          | 1,401,140          |
| Raw materials and supplies | 1,769,842          | 1,690,592          |
| Total                      | <u>¥ 9,955,805</u> | <u>¥ 6,783,802</u> |

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2017 and 2016 consisted of the following:

|  | Thousands of Yen    |                    |
|--|---------------------|--------------------|
|  | 2017                | 2016               |
| Loan from a bank with interest rate 0.38%:   |                     |                    |
| Unsecured  | ¥ 15,400,000        |                    |
| Overdraft with interest rates ranging 0.28% and 0.38% at March 31, 2017 and 2016, respectively | 10,200,000          | ¥ 7,700,000        |
| Short-term bank loans  | <u>¥ 25,600,000</u> | <u>¥ 7,700,000</u> |

Long-term debt as of March 31, 2017 and 2016, consisted of the following:

|  | Thousands of Yen   |                 |
|--|--------------------|-----------------|
|  | 2017               | 2016            |
| Loans from banks and other financial institutions, due serially to 2023 with interest rates ranging from 0.24% to 0.75%: |                    |                 |
| Collateralized   | ¥ 30,500           | ¥ 167,100       |
| Unsecured  | 7,500,000          | 739,188         |
| Total  | 7,530,500          | 906,288         |
| Less current portion   | (30,500)           | (875,788)       |
| Long-term debt, less current portion   | <u>¥ 7,500,000</u> | <u>¥ 30,500</u> |

Annual maturities of long-term debt as of March 31, 2017, were as follows:

| Year Ending March 31: | Thousands of Yen   |
|-----------------------|--------------------|
| 2018                  | ¥ 30,500           |
| 2019                  | 1,500,000          |
| 2020                  | 1,500,000          |
| 2021                  | 1,500,000          |
| 2022                  | 1,500,000          |
| 2023 and thereafter   | 1,500,000          |
| Total                 | <u>¥ 7,530,500</u> |

The carrying amounts of assets pledged as collateral for the above-collateralized long-term debt as of March 31, 2017, were as follows:

|   | Thousands<br>of Yen |
|---|---------------------|
| Land  | ¥ 1,341,976         |
| Buildings - net of accumulated depreciation | <u>2,485,558</u>    |
| Total                                       | <u>¥ 3,827,534</u>  |

A short-term bank loan of ¥15,400,000 thousand and Long-term debt of ¥7,500,000 thousand are guaranteed by Lupin Limited.

#### 7. RETIREMENT AND PENSION PLANS

Reconciliations of beginning and ending balances of the projected benefit obligations are as follows:

|  | Thousands of Yen |                  |
|--|------------------|------------------|
|  | 2017             | 2016             |
| Projected benefit obligations at beginning of year | ¥ 333,975        | ¥ 281,159        |
| Service cost                                       | 45,125           | 37,305           |
| Interest cost                                      | 1,336            | 1,968            |
| Actuarial loss                                     | (8,315)          | 20,230           |
| Benefits paid                                      | <u>(4,192)</u>   | <u>(6,687)</u>   |
| Projected benefit obligations at end of year       | <u>¥ 367,929</u> | <u>¥ 333,975</u> |

The components of net periodic benefit costs as of March 31, 2017 and 2016, were as follows:

|                            | Thousands of Yen |                 |
|----------------------------|------------------|-----------------|
|                            | 2017             | 2016            |
| Service cost               | ¥ 45,125         | ¥ 37,305        |
| Interest cost              | 1,336            | 1,968           |
| Recognized actuarial loss  | <u>(8,315)</u>   | <u>20,230</u>   |
| Net periodic benefit costs | <u>¥ 38,146</u>  | <u>¥ 59,503</u> |

Assumptions used for the years ended March 31, 2017 and 2016, were as follows:

|               | 2017 | 2016 |
|---------------|------|------|
| Discount rate | 0.7% | 0.4% |

The liability for retirement benefits at March 31, 2017 and 2016, for directors was ¥64,457 thousand and ¥46,841 thousand, respectively. The retirement benefits for directors were paid following the approval of the shareholder.

#### 8. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments for capital expenditures outstanding at March 31, 2017 totaled ¥2,021,779 thousand.

The Company has entered into in-license agreement of a product with Astellas Pharma Inc. in February 2017. Under this agreement, the maximum payment to be made is ¥1,000,000 thousand, which does not include sales target milestone because amount may vary considerably.

At March 31, 2017, the Company has the following contingent liabilities:

|  | <u>Thousands<br/>of Yen</u> |
|--|-----------------------------|
| Guarantees for bank loan of subsidiary | ¥900,000                    |

## 9. 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.

### (c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 10. INCOME TAXES

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 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets as of March 31, 2017 and 2016, are as follows:

|                                   | Thousands of Yen |                  |
|-----------------------------------|------------------|------------------|
|                                   | <u>2017</u>      | <u>2016</u>      |
| Deferred tax assets:              |                  |                  |
| Current:                          |                  |                  |
| Receivables                       | ¥ 283,031        | ¥ 84,950         |
| Inventories                       | 103,760          | 118,135          |
| Accrued expenses                  | 251,032          | 207,443          |
| Others                            | <u>38,229</u>    | <u>24,960</u>    |
| Total                             | <u>676,052</u>   | <u>435,488</u>   |
| Noncurrent:                       |                  |                  |
| Liability for retirement benefits | 112,547          | 102,166          |
| Others                            | <u>38,624</u>    | <u>16,114</u>    |
| Total                             | <u>151,171</u>   | <u>118,280</u>   |
| Deferred tax assets               | <u>¥ 827,223</u> | <u>¥ 553,768</u> |

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying nonconsolidated statements of income for the years ended March 31, 2017 and 2016, was as follows:

|  | <u>2017</u>  | <u>2016</u>  |
|--|--------------|--------------|
| Normal effective statutory tax rate              | 30.8%        | 33.0%        |
| Expenses not deductible for income tax purposes  | 2.0          | 0.4          |
| Tax deduction for research and development costs | (8.8)        | (7.0)        |
| Tax deduction for salary expense                 | (3.3)        | (2.5)        |
| Tax deduction for property, plant and equipment  | (5.3)        | (1.3)        |
| Effect of tax rate reduction                     | 0.0          | 1.5          |
| Other - net                                      | <u>(0.0)</u> | <u>(1.4)</u> |
| Actual effective tax rate                        | <u>15.4%</u> | <u>22.7%</u> |

11. RELATED PARTY DISCLOSURES

Transactions and balances of the Company with the parent company, sister companies and its subsidiary for the years ended March 31, 2017 and 2016, were as follows:

|  | Thousands of Yen |                          |                         |  |                             |            |
|--|------------------|--------------------------|-------------------------|--|-----------------------------|------------|
|  | 2017             |                          | 2016                    |  |                             |            |
|  | Lupin Limited.   | KYOWA ChitCare Co., Ltd. | GENERIC HEALTH PTY LTD. | Multicare Pharmaceuticals Philippines Inc. | Lupin Atlantis Holding S.A. | Total      |
| Transactions in 2017:                                |                  |                          |                         |  |                             |            |
| Sales  |                  | ¥ 9,486                  |                         |  |                             | ¥ 9,486    |
| Cost of sales  | ¥ 662,462        | 57,960                   |                         |  |                             | 720,422    |
| Selling, general and administrative expenses         | 182,545          | (59,790)                 |                         |  |                             | 122,755    |
| Interest income                                      |                  | 2,448                    |                         |  |                             | 2,448      |
| Management fee income                                | 221,037          | 49,832                   | ¥31,312                 | ¥56,284                                    |                             | 358,465    |
| Other income   | 109              | 689                      |                         |  | ¥41                         | 839        |
| Other expense  | 853              |                          |                         |  |                             | 853        |
| Balance as of March 31, 2017:                        |                  |                          |                         |  |                             |            |
| Other receivables                                    | 152,384          | 22,563                   | 14,783                  | 23,495                                     | 41                          | 213,266    |
| Short-term loan                                      |                  |                          |                         |  |                             |            |
| Trade notes and accounts payable                     | 2,473            | 3,589                    |                         |  |                             | 6,062      |
| Other current liabilities                            | 70,532           | 18,407                   |                         |  |                             | 88,939     |
| Off-balance sheet transactions as of March 31, 2017: |                  |                          |                         |  |                             |            |
| Guarantee for long-term debt                         | 22,900,000       | 900,000                  |                         |  |                             | 22,900,000 |
| Guarantor for long-term debt                         |                  |                          |                         |  |                             | 900,000    |

|  | Thousands of Yen |                          |                         |  |            |           |
|--|------------------|--------------------------|-------------------------|--|------------|-----------|
|  | 2016             |                          | 2016                    |  |            |           |
|  | Lupin Limited.   | KYOWA ChitCare Co., Ltd. | GENERIC HEALTH PTY LTD. | Multicare Pharmaceuticals Philippines Inc. | Lupin GmbH | Total     |
| Transactions in 2016:                                |                  |                          |                         |  |            |           |
| Sales  | ¥ 422,479        | ¥ 22,608                 |                         |  |            | ¥ 445,087 |
| Cost of sales  | 26,450           | 53,469                   |                         |  |            | 79,919    |
| Selling, general and administrative expenses         |                  | (60,514)                 |                         |  |            | (60,514)  |
| Interest income                                      |                  | 79                       |                         |  |            | 79        |
| Other income   | 16,715           | 32,984                   | ¥21,853                 | ¥12,262                                    |            | 73,814    |
| Other expense  | 4,843            | 1,885                    |                         |  |            | 6,728     |
| Balance as of March 31, 2016:                        |                  |                          |                         |  |            |           |
| Other receivables                                    | 49,442           | 42,123                   | 21,853                  | 12,262                                     |            | 125,680   |
| Short-term loan                                      |                  | 300,000                  |                         |  |            | 300,000   |
| Trade notes and accounts payable                     | 47,636           | 3,981                    |                         |  |            | 51,617    |
| Other current liabilities                            | 43,445           | 563                      |                         |  | 42,324     | 86,332    |
| Off-balance sheet transactions as of March 31, 2016: |                  |                          |                         |  |            |           |
| Guarantee for long-term debt                         | 739,188          |                          |                         |  |            | 739,188   |
| Guarantor for long-term debt                         |                  |                          |                         |  |            | 500,000   |

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income, which are included in selling, general and administrative expenses, were ¥1,354,175 thousand and ¥1,280,053 thousand for the years ended March 31, 2017 and 2016, respectively.



### 13. LEASES

The Company leases certain machinery, computer equipment, office space, and other assets.

Total lease expenses, including lease payments under finance leases, for the years ended March 31, 2017 and 2016, were ¥295,911 thousand and ¥250,042 thousand, respectively.

### 14. FINANCIAL INSTRUMENTS

#### Policies on Financial Instruments

As a general rule, the Company invests in low-risk assets, such as short-term deposits, and funding is sourced through bank loans. Derivatives are used only to avoid the risk of interest rate fluctuation and not to pursue a return on investment.

#### Risks of Financial Instruments and Risk Management

Trade notes and accounts receivable, electronically-recorded monetary claims and other receivables which are part of operational assets are exposed to credit risk of customers. The risk is managed through monitoring of due dates/outstanding receivable balances and regular tracking of credit status by customer, following the Company's standard credit management procedures.

Notes and accounts payable (trade, construction and other) and electronically-recorded obligations, which are part of operational liabilities are mostly due within one year.

Short-term bank loans are mainly borrowed for operational activities, and long-term debt is primarily due within five years, and used mainly for investment in fixed assets and the acquisition of KYOWA CritiCare Co., Ltd.

Loans with variable rates are exposed to the risk of interest rate fluctuation, but interest swap derivative instruments are applied to such loans as a means of hedging interest rate fluctuation risk.

Hedging is considered effective because of high correlation and effectiveness between the hedging instruments and the hedged items.

The derivatives are sourced only from highly rated financial institutions in order to reduce credit risk.

Liquidity risk of operational liabilities/bank loans is managed by preparing monthly cash forecasts.

### Fair Value of Financial Instruments

The estimated fair values of financial instruments as of March 31, 2017 and 2016, are summarized as follows:

|   | Thousands of Yen |            |            |
|---|------------------|------------|------------|
|   | 2017             |            |            |
|   | Carrying Amount  | Fair Value | Difference |
| Cash and cash equivalents   | ¥ 238,430        | ¥ 238,430  |            |
| Trade notes receivable  | 1,567,885        | 1,567,885  |            |
| Electronically-recorded monetary claims                                       | 839,949          | 839,949    |            |
| Trade accounts receivable   | 6,939,978        | 6,939,978  |            |
| Other receivables (deducting corresponding allowance for doubtful receivable) | 360,478          | 360,478    |            |
| Short-term bank loans   | 25,600,000       | 25,600,000 |            |
| Trade notes payable   | 260,753          | 260,753    |            |
| Electronically-recorded obligations   | 2,421,286        | 2,421,286  |            |
| Trade accounts payable  | 2,394,764        | 2,394,764  |            |
| Notes and accounts payable - construction                                     | 1,027,641        | 1,027,641  |            |
| Other payables  | 540,035          | 540,035    |            |
| Long-term debt (including current portion)                                    | 7,530,500        | 7,530,613  | ¥113       |

|  | Thousands of Yen |            |            |
|--|------------------|------------|------------|
|  | 2016             |            |            |
|  | Carrying Amount  | Fair Value | Difference |
| Cash and cash equivalents                  | ¥ 340,516        | ¥ 340,516  |            |
| Trade notes receivable                     | 1,897,492        | 1,897,492  |            |
| Electronically-recorded monetary claims    | 469,450          | 469,450    |            |
| Trade accounts receivable                  | 4,667,975        | 4,667,975  |            |
| Other receivables                          | 173,967          | 173,967    |            |
| Short-term loan to subsidiary              | 300,000          | 300,000    |            |
| Short-term bank loans                      | 7,700,000        | 7,700,000  |            |
| Trade notes payable                        | 191,882          | 191,882    |            |
| Electronically-recorded obligations        | 2,509,021        | 2,509,021  |            |
| Trade accounts payable                     | 1,203,149        | 1,203,149  |            |
| Notes and accounts payable - construction  | 777,801          | 777,801    |            |
| Other payables                             | 422,557          | 422,557    |            |
| Long-term debt (including current portion) | 906,288          | 906,534    | ¥246       |

### Method of Evaluating the Fair Value of Financial Instruments

Cash and cash equivalents, trade notes and accounts receivable, electronically-recorded monetary claims, other receivables and short-term loan to subsidiary:

The carrying amounts approximate fair value because of the short maturities of these instruments.

Notes and accounts payable (trade, construction and other) and electronically-recorded obligations:

The carrying amounts approximate fair value because of the short maturities of these instruments.

Short-term bank loans and long-term debt:

The fair value of short-term bank loans and long-term debt is based on the present value of future cash flows associated with each instrument discounted using the current borrowing rate for similar instruments of comparable maturity.

Financial instruments whose fair value cannot be reliably determined were as follows:

|  | Thousands of Yen |            |
|--|------------------|------------|
|  | 2017             | 2016       |
| Investment in subsidiary stated at carrying amount | ¥5,021,096       | ¥5,021,096 |
| Lease deposits                                     | 261,255          | 124,237    |
| Customer deposits                                  | 549,640          | 542,849    |

Maturities of Long-Term Debt

Refer to Note 6, "SHORT-TERM BANK LOANS AND LONG-TERM DEBT."

(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, 2017, were as follows:

| Description              | Useful Life (Years) | Thousands of Yen |             |                    |             |                          |           |                    |             |              |      |
|--------------------------|---------------------|------------------|-------------|--------------------|-------------|--------------------------|-----------|--------------------|-------------|--------------|------|
|                          |                     | Acquisition Cost |             | Balance, March 31, |             | Accumulated Depreciation |           | Balance, March 31, |             | Total Net    |      |
|                          |                     | 2016             | Increase    | 2017               | Decrease    | 2016                     | Increase  | 2017               | Decrease    | 2016         | 2017 |
| Land                     |                     | ¥ 2,062,014      | ¥ 4,860     | ¥ 2,066,874        |             | ¥ 943,114                | ¥ 72,533  | ¥ 1,015,647        | ¥ 2,062,014 | ¥ 2,066,874  |      |
| Buildings and structures | 7 - 38              | 2,053,406        | 2,046,152   | 4,099,558          |             | 1,585,076                | 144,396   | 1,728,990          | 1,110,292   | 3,083,911    |      |
| Attached facilities      | 12 - 38             | 3,083,900        | 2,405,284   | 5,488,660          | ¥ 524       | 2,528,190                | 216,929   | 2,744,637          | 1,498,824   | 3,759,670    |      |
| Subtotal                 |                     | 5,137,306        | 4,451,436   | 9,588,218          | 524         | 3,896,730                | 546,033   | 4,419,292          | 2,609,116   | 6,843,581    |      |
| Machinery and equipment  | 8                   | 6,548,006        | 766,038     | 7,290,438          | 23,606      | 4,575                    | 67        | 4,642              | 2,651,276   | 2,871,146    |      |
| Vehicles                 | 5                   | 4,710            |             | 4,710              |             | 3,901,305                | 546,100   | 4,423,934          | 135         | 68           |      |
| Subtotal                 |                     | 6,552,716        | 766,038     | 7,295,148          | 23,606      | 836,884                  | 163,040   | 960,924            | 2,651,411   | 2,871,214    |      |
| Furniture and fixtures   | 4 - 15              | 1,188,178        | 364,204     | 1,508,659          | 43,723      | 106,054                  | 9,446     |                    | 351,294     | 547,735      |      |
| Lease assets             | 7                   | 115,500          | 115,500     |                    | 115,500     |                          |           |                    | 9,446       |              |      |
| Construction in progress |                     | 1,146,180        | 3,569,607   | 2,781,864          | 1,933,923   |                          |           |                    | 1,146,180   | 2,781,864    |      |
| Total                    |                     | ¥ 16,201,894     | ¥ 9,156,145 | ¥ 23,240,763       | ¥ 2,117,276 | ¥ 7,372,433              | ¥ 935,515 | ¥ 8,129,495        | ¥ 8,829,461 | ¥ 15,111,268 |      |

## 2. COST OF SALES

The statement of cost of sales for the year ended March 31, 2017, was as follows:

|   | Thousands of<br>Yen |
|---|---------------------|
| Materials consumed                        | ¥ 5,573,443         |
| Labor costs:                              |                     |
| Salaries and wages                        | 1,562,049           |
| Contribution to provident and other funds | 257,592             |
| Staff welfare expenses                    | 5,072               |
| Manufacturing overhead:                   |                     |
| Processing charges                        | 3,614,350           |
| Stores and spares consumed                | 180,926             |
| Repairs and maintenance:                  |                     |
| Buildings                                 | 184,229             |
| Plant and machinery                       | 107,268             |
| Others                                    | 36,768              |
| Rent                                      | 43,964              |
| Rates and taxes                           | 51,849              |
| Insurance                                 | 10,059              |
| Power and fuel                            | 239,094             |
| Contract labor charges                    | 170,753             |
| Loss on abandonment of inventories        | 46,366              |
| Freight and forwarding                    | 28,424              |
| Lease rent and hire charges               | 16,626              |
| Postage and telephone expenses            | 4,666               |
| Travelling and conveyance                 | 40,747              |
| Legal and professional charges            | 553                 |
| Clinical and analytical charges           | 16,264              |
| Depreciation                              | 827,485             |
| Other expenses                            | 187,563             |
| Total production expenses                 | 13,206,110          |
| Deduct - net change in work in progress   | (94,881)            |
| Total manufacturing cost                  | 13,111,229          |
| Merchandise and finished goods purchased  | 3,100,164           |
| Loss on inventory valuation               | 295,384             |
| Other                                     | 338,466             |
| Deduct - net change in stock              | (2,997,872)         |
| <b>Total cost of sales for the year</b>   | <b>¥ 13,847,371</b> |

### 3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The statement of selling, general and administrative expenses for the year ended March 31, 2017, was as follows:

|   | <u>Thousands<br/>of Yen</u> |
|---|-----------------------------|
| Salaries and wages  | ¥ 2,007,195                 |
| Contribution to provident and other funds                       | 277,436                     |
| Staff welfare expenses  | 14,342                      |
| Stores and spares consumed                                      | 4,429                       |
| Repairs and maintenance:  |                             |
| Buildings   | 46,854                      |
| Others  | 91,037                      |
| Rent  | 83,384                      |
| Rates and taxes   | 96,549                      |
| Insurance   | 1,441                       |
| Power and fuel  | 4,691                       |
| Contract labor charges  | 191,360                     |
| Selling and promotion expenses                                  | 324,273                     |
| Commission, brokerage and discount                              | 3,973                       |
| Freight and forwarding  | 364,331                     |
| bad debt expense  | 25,145                      |
| Lease rent and hire charges                                     | 157,150                     |
| Postage and telephone expenses                                  | 75,322                      |
| Travelling and conveyance                                       | 351,656                     |
| Legal and professional charges                                  | 200,408                     |
| Donation  | 4,130                       |
| Developments expenses   | 1,354,175                   |
| Depreciation  | 608,462                     |
| Other expenses  | <u>411,115</u>              |
| Total selling, general and administrative expenses for the year | <u>¥ 6,698,858</u>          |

\* \* \* \* \*