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

*Financial Statements for the Year Ended March 31, 2020, and  
Independent Auditor's Report*

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## **Independent Auditor's Report**

The Board of Directors of Lupin Japan & Asia Pacific K.K.:

### **Opinion**

We have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the statement of cash flows, a summary of significant accounting policies and other explanatory information and the supplementary information of Lupin Japan & Asia Pacific K.K. ("the Company") as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at March 31, 2020, and the results of operations and its cash flows for the year then ended in accordance with the basis of accounting described in the Note 1 to the financial statements.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter - Basis of Accounting**

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to provide information to Lupin Limited, the ultimate parent company of the Company. As a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Corporate Auditor for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in the Note 1 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the basis of accounting described in the Note 1 to the financial statements, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditor is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with the basis of accounting described in the Note 1 to the financial statements, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditor regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **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 BSR & Co. LLP, Mumbai, the auditor of Lupin Limited, and is not intended to be, and should not be, distributed to or used by anyone other than these specified parties.

Osaka Office, Japan  
April 24, 2020

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

**Balance Sheet**  
**March 31, 2020**

ASSETS	Thousands of Yen		LIABILITIES AND EQUITY	Thousands of Yen	
	2020	2019		2020	2019
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	¥ 16,700	¥ 50,475	Short-term loans (Note 3 and 6)	¥ 97,209	¥ 160,000
Receivables:			Payables :		
Trade accounts (Note 6)	123,711	167,448	Trade accounts (Note 6)	6,112	10,639
Prepaid expenses and other current assets	6,033	5,996	Other	36,022	28,903
Total current assets	<u>146,444</u>	<u>223,919</u>	Income taxes payable (Note 5)	-	18,153
			Accrued expenses	5,071	5,456
PROPERTY, PLANT AND EQUIPMENT:			Accrued bonus to employees	23,409	25,495
Buildings and structures	22,518	22,518	Accrued bonus to directors	43,654	34,971
Furniture and fixtures	8,639	8,639	Total current liabilities	<u>211,477</u>	<u>283,617</u>
Others	1,637	1,637			
Total	32,794	32,794	NON CURRENT LIABILITIES:		
Accumulated depreciation	(8,462)	(4,780)	Asset Retirement Obligation	7,293	7,293
Net property, plant and equipment	<u>24,332</u>	<u>28,014</u>	Liability for retirement benefits	307	445
			Other	-	229
INVESTMENTS AND OTHER ASSETS:			Total non current liabilities	<u>7,600</u>	<u>7,967</u>
Deposits	18,625	18,625			
Deferred tax assets (Note 5)	21,182	15,684	EQUITY (Note 4):		
Right of licence	27	70	Common stock, authorized, 300 shares; issued, 100 shares in 2019 and 2020	5,000	5,000
Total investments and other assets	<u>39,834</u>	<u>34,379</u>	Retained earnings - Unappropriated	(13,467)	(10,272)
			Total equity	<u>(8,467)</u>	<u>(5,272)</u>
TOTAL	¥ <u>210,610</u>	¥ <u>286,312</u>	TOTAL	¥ <u>210,610</u>	¥ <u>286,312</u>

See notes to financial statements.

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

### Statement of Income Year Ended March 31, 2020

	Thousands of Yen	
	<u>2020</u>	<u>2019</u>
REVENUE FROM OPERATION (Note 6)	¥ 560,666	¥ 552,949
OPERATING EXPENSE		
GENERAL AND ADMINISTRATIVE EXPENSES (Note 6)	<u>551,569</u>	<u>538,061</u>
Operating Income	<u>9,097</u>	<u>14,888</u>
OTHER INCOME (EXPENSES):		
Interest and dividend income	0	1
Interest expense (Note 6)	(1,411)	(575)
Consumption tax gain - net	-	14,708
Foreign exchange gain/(loss) - net	<u>30</u>	<u>(200)</u>
Other income/(expense) - net	<u>(1,381)</u>	<u>13,934</u>
INCOME BEFORE INCOME TAXES	<u>7,716</u>	<u>28,822</u>
INCOME TAXES (Note 5):		
Current	16,409	38,676
Deferred	<u>(5,498)</u>	<u>(19,890)</u>
Total income taxes	<u>10,911</u>	<u>18,786</u>
NET INCOME/(LOSS)	<u>¥ (3,195)</u>	<u>¥ 10,036</u>
	Thousands of Yen	
PER SHARE OF COMMON STOCK (Note 2):		
NET INCOME/(LOSS)	¥ (32)	¥ 100

See notes to financial statements.

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

**Statement of Changes in Net Assets  
Year Ended March 31, 2020**

	Outstanding Number of Shares of Common Stock	Thousands of Yen		
		Common Stock	Retained Earnings Unappropriated	Total Equity
BALANCE, APRIL 1, 2018	100	¥ 5,000	¥ (20,308)	¥ (15,308)
Net income/(loss)	—	—	10,036	10,036
BALANCE, MARCH 31, 2019	<u>100</u>	<u>5,000</u>	<u>(10,272)</u>	<u>(5,272)</u>
Net income/(loss)	—	—	(3,195)	(3,195)
BALANCE, MARCH 31, 2020	<u>100</u>	<u>¥ 5,000</u>	<u>¥ (13,467)</u>	<u>¥ (8,467)</u>

See notes to financial statements.

## Lupin Japan & Asia Pacific K.K.

### Statement of Cash Flows Year Ended March 31, 2020

	Thousands of Yen	
	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES:		
Income before income taxes	¥ 7,716	¥ 28,822
Adjustments for:		
Income taxes paid	(35,677)	(53,339)
Depreciation and amortization	3,725	3,299
Changes in assets and liabilities:		
Decrease/(increase) in trade accounts receivable	43,737	27,944
Decrease/(increase) in prepaid expenses and other current assets	1,077	(5,820)
Increase/(decrease) in trade accounts payable	(4,527)	(4,720)
Increase/(decrease) in accrued bonus to directors	8,683	(43,723)
Increase/(decrease) in accrued bonus to employees	(2,086)	18,747
Increase/(decrease) in other current liabilities	7,119	-
Other - net	(754)	3,002
Total adjustments	<u>21,298</u>	<u>(54,610)</u>
Net cash used out by operating activities	<u>29,015</u>	<u>(25,788)</u>
INVESTING ACTIVITIES:		
Lease Deposit	-	(18,325)
Net cash used in investing activities	-	(18,325)
FINANCING ACTIVITIES:		
Decrease in short-term loans - net	(62,791)	-
Net cash provided by financing activities	<u>(62,791)</u>	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(33,776)	(44,113)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>50,475</u>	<u>94,589</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 16,700</u>	<u>¥ 50,475</u>

See notes to financial statements.

# Lupin Japan & Asia Pacific K.K.

## Notes to Financial Statements Year Ended March 31, 2020

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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 4 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".
- i. 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.

- j. 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, using a simplified method, in which the company is responsible for employees at the fiscal year end for employee self-retirement.

**(Standards and guidance not yet adopted)** - The following standard and guidance were issued but not yet adopted.

-“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 30, 2018)

-“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5; Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

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

Short-term loans as of March 31, 2020 consisted of the following:

	Thousands of Yen	
	<u>2020</u>	<u>2019</u>
Loan from Affiliate with interest rate 3%:		
Unsecured	¥ 97,209	¥ 160,000
Short-term loans	<u>¥ 97,209</u>	<u>¥ 160,000</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 34.6% for the year ended March 31, 2020.

The tax effects of significant temporary differences which resulted in deferred tax assets as of March 31, 2020 is as follows:

	Thousands of Yen	
	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Accrued bonus and expenses	28,180	23,860
Asset Retirement Obligation	2,523	2,523
Retirement reserve	106	154
Business enterprise tax payable	-	1,706
Total	<u>¥ 30,809</u>	<u>¥ 28,243</u>
Deferred tax liabilities:		
Adjustment for negative goodwill	(7,204 )	(10,084 )
Fixed asset (ARO)	(2,281)	(2,475 )
Business enterprise tax receivable	(142)	-
Total	<u>¥ (9,627)</u>	<u>¥ (12,559)</u>
Deferred tax assets/(liabilities) - net	<u>¥ 21,182</u>	<u>¥ 15,684</u>

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying statements of income for the year ended March 31, 2020 was as follows:

	<u>2020</u>	<u>2019</u>
Normal effective statutory tax rate	34.6%	34.8%
Tax Addition for Permanent differences	112.0	20.9
Over (under) tax provision	(3.8)	9.5
Other - net	<u>(1.4)</u>	<u>0</u>
Actual effective tax rate	<u>141.4%</u>	<u>65.2%</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, 2020 was as follows:

	Thousands of Yen								
	2020								
	Lupin Limited	Lupin Atlantis Holding S.A.	Lupin Inc.	GENERIC HEALTH PTY LTD.	Multicare Pharmaceuticals Philippines Inc.	Nanomi B.V.	Kyowa Pharmaceutical Industry Co., Ltd.	KYOWA CritiCare Co., Ltd.	Total
Transactions in 2020:									
Revenue	¥ 228,460	¥ 38,010		¥ 15,302	¥ 48,220	¥ 116,030	¥ 114,644		¥ 560,666
General and administrative expenses	14,855						410		15,265
Interest expense		1,023					388		1,411
Balance as of March 31, 2020:									
Trade accounts receivable	89,125	17,160	-	3,858	7,183	6,385	-	-	123,711
Short-term loans		97,209							97,209
Trade accounts payable	5,019								5,019

	Thousands of Yen								
	2019								
	Lupin Limited	Lupin Atlantis Holding S.A.	Lupin Inc.	GENERIC HEALTH PTY LTD.	Multicare Pharmaceuticals Philippines Inc.	Nanomi B.V.	Kyowa Pharmaceutical Industry Co., Ltd.	KYOWA CritiCare Co., Ltd.	Total
Transactions in 2019:									
Revenue	¥ 126,434	¥ 80,547	¥ 9,597	¥ 21,146	¥ 63,682		¥ 246,519	¥ 5,024	¥ 552,949
General and administrative expenses	15,399						576		15,975
Interest expense							575		575
Balance as of March 31, 2019									
Trade accounts receivable	38,382	31,807	1,559	3,898	22,763		69,039	-	167,448
Short-term loans							160,000		160,000
Trade accounts payable	7,570						1,563		9,133

(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, 2020, were as follows:

Description	Useful Life (Years)	Thousands of Yen									
		Acquisition Cost			Accumulated Depreciation			Total Net			
		Balance, March 31, 2019	Increase	Decrease	Balance, March 31, 2020	Balance, March 31, 2019	Increase	Decrease	Balance, March 31, 2020	Balance, March 31, 2019	Balance, March 31, 2020
Buildings and structures	7 - 14	¥ 22,518	-	-	¥ 22,518	¥ 2,432	¥ 2,089	-	¥ 4,521	¥ 20,086	¥ 17,996
Furniture and fixtures	4 - 14	8,639	-	-	8,639	1,792	1,222	-	3,014	6,847	5,625
Other	4 - 9	1,637	-	-	1,637	556	371	-	927	1,081	711
Total		32,794	-	-	32,794	4,780	3,682	-	8,462	28,014	24,332

2. DETAILS OF ACCRUAL

Description	Balance, March 31, 2019	Increase	Decrease	Balance, March 31, 2020
Accrued bonus to employees	¥ 25,495	¥ 22,548	¥ 24,634	¥ 23,409
Accrued bonus to directors	¥ 34,971	¥ 43,654	¥ 34,971	¥ 43,654

### 3. GENERAL AND ADMINISTRATIVE EXPENSES

The statement of selling, general and administrative expenses for the year ended March 31, 2020, was as follows:

	Thousands of Yen
Salaries and wages	¥ 396,979
Staff welfare expenses	12,313
Rent	15,066
Rates and taxes	21,812
Entertainment	1,108
Contract labor charges	5,888
Market research expenses	11,392
Lease rent and hire charges	26,412
Postage and telephone expenses	7,173
Travelling and conveyance	20,862
Legal and professional charges	12,625
Recruitment	10,930
Repair and maintenance	2,113
Depreciation and amortization	3,725
Other expenses	<u>3,171</u>
Total general and administrative expenses for the year	<u>¥ 551,569</u>

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