

Financial Statements
年次決算書

From April 1, 2018
To March 31, 2019

YL Biologics Limited
YLバイオロジクス株式会社

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
YL Biologics Limited**

We have audited the accompanying financial statements of YL Biologics Limited, which comprise the balance sheet as at March 31, 2019, and the statements of income and changes in equity for the year then ended, the notes to the financial statements, and the supplementary schedule.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Regulation on Corporate Accounting and with accounting principles generally accepted in Japan, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 entity'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 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 financial statements of YL Biologics Limited for the year ended March 31, 2019 and the supplementary schedule are prepared, in all material respects, in accordance with Regulation on Corporate Accounting and with accounting principles generally accepted in Japan.

Conflict of interest

Grant Thornton Taiyo LLC and our engagement partner have no interest in YL Biologics Limited which should be disclosed in accordance pursuant to the provisions of the Certified Public Accountants Law of Japan.



April 22, 2019
Tokyo, Japan

Balance Sheet

貸借対照表

As of March 31, 2019

(Unit: Yen) (単位: 円)

Assets 【資産】		Liabilities 【負債】	
Accounts	勘定科目	Accounts	勘定科目
Amount		金額	
Current assets		Current liabilities	
【流動資産】		【流動負債】	
Cash and cash equivalents	現金及び預金	Accounts payable	買掛金
Accounts receivable	売掛金	Other payable	未払金
Inventories	棚卸資産	Accrued expenses	未払費用
Advance payments	前渡金	Income taxes payable	未払法人税等
Prepaid expenses	前払費用	Accrued consumption tax	未払消費税
Other receivable	未収入金	Advance received	前受金
		Deposits received	預り金
1,349,897,686		728,058,752	
739,037,733		39,699,480	
24,084,868		557,035,825	
45,161,500		12,809,581	
108,605,830		42,687,900	
20,250,312		49,204,100	
412,757,443		23,850,017	
		2,771,849	
Non-Current assets		Total liabilities 負債合計	
【固定資産】		Equity 【純資産】	
Property, plant and equipment	有形固定資産	Shareholders' equity	
Building fixtures	建物附属設備	Capital stock	株主資本
Tools, equipment and fixtures	工具器具備品	Capital surplus	資本金
Accumulated depreciation	減価償却累計額	Legal capital surplus	資本剰余金
Construction in progress	建設仮勘定	Other capital surplus	資本準備金
		Retained earnings	その他資本剰余金
Intangible assets	無形固定資産	Other retained earnings	利益剰余金
Software	ソフトウェア	Retained earnings carried forward	その他利益剰余金
			繰越利益剰余金
Other assets	投資その他の資産	Total equity 純資産合計	
Long-term prepaid expenses	長期前払費用	896,582,720	
Deferred tax assets	繰延税金資産	50,000,000	
		50,000,000	
		12,500,000	
		37,500,000	
		796,582,720	
		796,582,720	
		796,582,720	
Total assets 資産合計		Total liabilities and equity 負債・純資産合計	
1,624,641,472		896,582,720	
		1,624,641,472	

Statement of Income

損益計算書

From April 1, 2018 to March 31, 2019

Accounts 勘定科目		(Unit: Yen) (単位: 円)	
		Amount 金額	
Sales	【売上高】		
R&D revenue	研究開発売上	2,359,143,256	
Product sales	商品販売売上	8,970,000	
Service revenue	役務収益	2,761,828	2,370,875,084
Cost of Sales	【売上原価】		
R&D expenses	研究開発費	1,988,470,745	
Cost of product sales	商品販売原価	6,394,782	1,994,865,527
Selling, general and administrative expenses	【販売費及び一般管理費】		376,009,557
	Gross Profit		172,167,381
	Operating Income		203,842,176
Other Income	【営業外収益】		
Interest income	受取利息	7,765	
Miscellaneous income	雑収入	7,658,079	7,665,844
Other Expenses	【営業外費用】		
Foreign exchange loss	為替差損	7,286,713	
Miscellaneous losses	雑損失	365,043	
Loss on disposal of fixed asset	固定資産除却損	49,981	7,701,737
	Ordinary income		203,806,283
	Income before income taxes		203,806,283
	Income taxes-current	74,922,889	
	Income taxes-deferred	△ 4,008,300	70,914,589
	Net income		132,891,694

Statement of Changes in Equity

株主資本等変動計算書

From April 1, 2018 to March 31, 2019

(Unit: Yen) (単位:円)

Shareholders' equity 株主資本									
		Capital surplus 資本剰余金			Retained earnings 利益剰余金			Total shareholders' equity	
		Legal capital surplus 資本準備金	Other capital surplus その他資本剰余金	Total capital surplus 資本剰余金合計	Total retained earnings				
					Other retained earnings その他利益剰余金	Total retained earnings			
							Retained earnings carried forward 繰越利益剰余金		利益剰余金合計
Capital stock 資本金								株主資本合計	
Balance, April 1, 2018	当期首残高	50,000,000	12,500,000	37,500,000	50,000,000	663,691,026	663,691,026	763,691,026	
Changes during the year:	当期変動額								
Net income	当期純利益				0	132,891,694	132,891,694	132,891,694	
Total changes during the year	当期変動額の合計	0	0	0	0	132,891,694	132,891,694	132,891,694	
Balance, March 31, 2019	当期末残高	50,000,000	12,500,000	37,500,000	50,000,000	796,582,720	796,582,720	896,582,720	

Notes to Financial Statements

1. Summary of Significant Accounting Policies

(1) Basis of presenting financial statements

The accompanying financial statements and the supplementary schedule of YL Biologics Limited (the "Company") have been prepared in accordance with Regulation on Corporate Accounting, from the accounts maintained by the Company in accordance with accounting principles generally accepted in Japan.

(2) Inventories

Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out basis.

(3) Property, plant and equipment, and intangible assets

Property, plant and equipment, and intangible assets are depreciated using the straight-line method.

(4) Accounting for consumption taxes

Consumption taxes are excluded from sales, costs and expenses in the Statement of Income.

(5) Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated to Japanese yen at period-end exchange rates.

2. Changes in Accounting Principle

(1) Classification of deferred tax asset and liability

On Feb. 16, 2018, Accounting Standard Board of Japan issued "Partial Amendments to Accounting Standard for Tax Effect Accounting". The Company adapted the new standard effective April 1, 2018, and as a result, deferred tax asset is classified as a non-current asset and deferred tax liability as a non-current liability.

3. Notes to the Balance Sheet

The balance of receivables and payables to affiliated companies as of March 31, 2019 are as follows:

Accounts receivable and Other receivable	¥413,239,524
Accounts payable, Other payable, and Advance received	¥426,585,447

4. Notes to Statement of Income

Transactions with affiliated companies for the year ended March 31, 2019 are as follows:

R&D revenue	¥2,359,143,256
Product sales	¥2,490,000
Service revenue	¥2,761,828
R&D expenses	¥237,803,222
Purchase of inventories	¥20,724,000
Other expenses	¥10,562,203

5. Notes to Statement of Changes in Equity

Total number of shares outstanding as of March 31, 2019

Common stock: 1,000 shares

6. A note to tax effect accounting

Deferred tax asset was recognized on enterprise tax payable as of March 31, 2019 that will be tax deductible in the next fiscal year.

7. Notes to transactions with related parties

(1) Parent company and other shareholders

(Yen)

Category	Name of the company, etc.	Ownership of voting rights	Relationship	Description of transactions	Amount of transaction (*9)	Account	Balance, March 31, 2019 (*9)
Parent company	Yoshindo Inc.	Directly owned 55%	Contract Services	Development service provided for pharmaceutical products (*1)	1,928,797,459	Advance received	23,128,089
				Sales of promotional goods (*2)	2,490,000	Accounts receivable	2,689,200
				Trade administration fee revenue (*3)	2,761,828	Accounts receivable	2,982,770
				Reimbursement charged for purchase of pen device etc. (*4)	48,469,740	Other receivable	48,469,740
				Subcontract fee charged for pharmaceutical products (*5)	56,638,891	Other payable	21,248,798
				Commissions paid (*6)	10,562,203	Other payable	950,567
				Reimbursement for License-in payment(*5)	183,166,500	Other receivable	197,819,820
Other affiliate	Lupin Atlantis Holdings SA	Directly owned 45%	Contract Services	Development service provided for pharmaceutical products (*1)	430,345,797	Accounts receivable	11,414,494
				Purchase of DS/PFS materials (*7)	106,471,343	Other payable	4,336,558
				License in payment (*8)	333,030,000	Other payable	333,030,000
				Reimbursement for the License-in payment(*8)	149,863,500	Other receivable	149,863,500

(2) Subsidiaries of Parent company

(Yen)

Category	Name of the company, etc.	Ownership of voting rights	Relationship	Description of transactions	Amount of transaction (*9)	Account	Balance, March 31, 2019 (*9)
Subsidiary of Parent company	AY Pharmaceuticals Co., Ltd.	None	Contract Services	Subcontract fee charged for pharmaceutical products (*5)	74,692,988	Other payable	21,509,515
				Purchase of promotional goods (*2)	20,724,000	Accounts payable	22,381,920

Transaction conditions, policy for determining transaction conditions, etc., are as follows:
(Notes)

- (*1) The Company charged development service fee to Yoshindo Inc. ("Yoshindo") and Lupin Atlantis Holdings SA ("LAHSA") at the service rate as set by the Joint Venture Agreement and the Contract Research Service Agreement with the two companies.
- (*2) The Company purchased promotional goods from AY Pharmaceuticals Co., Ltd. ("AY Pharma") and sold them to Yoshindo, at a price determined in the same manner as general terms of transaction.
- (*3) Trade administration fee charged to Yoshindo is determined based on the total trade volume and the charge rate as agreed with Yoshindo.
- (*4) The Company charged to Yoshindo the actual cost of purchase of pen device etc.
- (*5) Subcontract fee charged by Yoshindo and AY Pharma is determined in the same manner as general terms of transactions.
- (*6) Commissions paid to Yoshindo are determined based on the agreement with Yoshindo.
- (*7) The Company purchased DS/PFS materials from LAHSA at a price determined in the Joint Venture Agreement and the Contract Research Service Agreement
- (*8) License-in payment to LAHSA is made in accordance with the License Agreement between Yoshindo, LAHSA and the Company, whereby the Company pays the License-in to LAHSA, and Yoshindo and LAHSA reimburse to the Company.
- (*9) Consumption taxes are excluded from the amount of transactions while it is included in the year-end balances.

8. Notes to the per share information

- (1) Book value per share ¥896,582.72
- (2) Net earnings per share ¥132,891.69

個別注記表

1. 重要な会計方針に係る事項に関する注記

(1) 計算書類等の作成のための基礎となる重要な事項

会計処理に関しては、我が国において一般に公正妥当と認められる企業会計の基準に準拠し、表示及び開示に関しては、会社計算規則に準拠して、計算書類及びその付属明細書を作成しております。

(2) 棚卸資産の評価基準及び評価方法

仕掛品 先入先出法による原価法を採用しております。

商品 先入先出法による原価法を採用しております。

(3) 固定資産の減価償却の方法

有形固定資産 定額法を採用しております。

無形固定資産 定額法を採用しております。

(4) 消費税等の会計処理

消費税等の会計処理は、税抜方式によっております。

(5) 外貨建ての資産または負債の本邦通貨への換算基準

外貨建て金銭債権債務は、決算日の直物為替相場により円貨に換算しております。

2. 会計方針の変更等に関する注記

(1) 表示方法の変更に関する注記

「『税効果に係る会計基準』の一部改正」（2018年2月16日）を当事業年度の期首から適用し、繰延税金資産は投資その他の資産の区分に表示し、繰延税金負債は固定負債の区分に表示する方法に変更しております。

3. 貸借対照表に関する注記

関係会社に対する金銭債権及び金銭債務

短期金銭債権	413,239,524円
短期金銭債務	426,585,447円

4. 損益計算書に関する注記

関係会社との取引高

研究開発売上	2,359,143,256円
商品販売売上	2,490,000円
役務収入	2,761,828円
研究開発費	237,803,222円
商品仕入	20,724,000円
その他の営業費用	10,562,203円

5. 株主資本等変動計算書に関する注記

当事業年度末日における発行済株式数の数

普通株式 1,000株

6. 税効果会計に関する注記

繰延税金資産の発生の原因は未払事業税等であります。

7. 関連当事者との取引に関する注記

(1) 親会社及び法人主要株主等

種類	会社等の 名称	議決権の 所有 (被所有) 割合	関連 当事者 との 関係	取引の内容	取引金額 (注9)	科目	期末残高 (注9)
親会社	株式会社 陽進堂	被所有 55%	業務 受委託	医薬品の開発業務 (受託) (注1)	1,928,797,459円	前受金	23,128,089円
				製剤見本等の販売 (注2)	2,490,000円	売掛金	2,689,200円
				貿易事務等代行料 (受託) (注3)	2,761,828円	売掛金	2,982,770円
				製剤原料調達料立替 (受託) (注4)	48,469,740	未収入金	48,469,740円
				医薬品の開発業務 (委託) (注5)	56,638,891円	未払金	21,248,798円
				支払手数料の支払 (注6)	10,562,203円	未払金	950,567円
				医薬品ライセンス料立替 (注8)	183,166,500円	未収入金	197,819,820円
その他の 関係会社	Lupin Atlantis Holdings SA	被所有 45%	業務 受託	医薬品の開発業務 (受託) (注1)	430,345,797円	売掛金	11,414,494円
				医薬品開発用の 原薬購入 他 (注7)	106,471,343円	未払金	4,336,558円
				医薬品ライセンス料 (注8)	333,030,000円	未払金	333,030,000円
				医薬品ライセンス料立替 (注8)	149,863,500円	未収入金	149,863,500円

(2) 兄弟会社等

種類	会社等の名称	議決権の所有 (被所有) 割合	関連当事者との関係	取引の内容	取引金額 (注9)	科目	期末残高 (注9)
親会社の子会社	エイワイファーマ株式会社	なし	業務委託	医薬品の開発業務 (委託) (注5)	74,692,988 円	未払金	21,509,515 円
				製剤見本等の仕入 (注2)	20,724,000円	買掛金	22,381,920円

取引条件及び取引条件の決定方針等

(注1) 株式会社陽進堂およびLupin Atlantis Holdings SAからの医薬品の開発業務受託については、両社との合弁契約並びに研究業務委託契約にて定めた料率を基礎として価格を決定しております。

(注2) 株式会社陽進堂に対する製剤見本等の販売およびエイワイファーマ株式会社からの同製品の仕入については、市場の実勢を勘案して価格を決定しております。

(注3) 株式会社陽進堂に対する貿易事務等代行料については代行する貿易取引の規模に、同社との合意に基づき決定した料率を乗じて価格を決定しております。

(注4) 株式会社陽進堂に対する製剤原料調達料については、実費を請求しております。

(注5) 株式会社陽進堂およびエイワイファーマ株式会社に対する医薬品の開発業務委託については、市場の実勢を勘案して価格を決定しております。

(注6) 株式会社陽進堂に対する支払手数料等については、同社との合意に基づき価格を決定しております。

(注7) Lupin Atlantis Holdings SAからの医薬品開発用の原薬購入については、同社との合弁契約並びに研究業務委託契約にて定めた料率を基礎として価格を決定しております。

(注8) Lupin Atlantis Holdings SAからの医薬品ライセンス導入にかかるライセンス料については、同社とのライセンス契約締結により定めております。また、当該ライセンス料は、実費を株式会社陽進堂およびLupin Atlantis Holdings SAが負担する旨、三者間で合意がなされております。

(注9) 取引金額には消費税等を含めておりません。期末残高には消費税等を含めております。

8. 一株当たり情報に関する注記

- (1) 1株当たり純資産額 896,582円72銭
- (2) 1株当たり当期純損益 132,891円69銭

以 上

Schedule of Selling, general and administrative expenses

販売管理費及び一般管理費の内訳書

From April 1, 2018 to March 31, 2019

(Unit: Yen) (単位:円)

Accounts 勘定科目		Amount 金額
Salaries and allowances	給料手当	68,804,654
Housing Allowance	住宅手当	125,000
Legal welfare	法定福利費	5,714,117
Employee benefit	福利厚生費	1,055,283
Recruitment and training	採用教育費	8,461,364
Advertisement	広告宣伝費	88,000
Entertainment	交際接待費	5,095,387
Meeting expenses	会議費	699,416
Travel and transportation	旅費交通費	9,210,965
Communication	通信費	2,510,346
Consumables	消耗品費	354,829
Office supplies	事務用品費	2,465,571
Books and subscription	新聞図書費	70,980
Research fees	調査費	5,709,835
Membership fees	諸会費	6,793,358
Commissions paid	支払手数料	14,300,773
Rent	地代家賃	14,542,894
Lease	リース料	308,212
Insurance premiums	保険料	71,700
Taxes and dues	租税公課	9,716,000
Professional fees	支払報酬	14,593,502
Depreciation expenses	減価償却費	1,234,787
Amortization of prepaid expenses	長期前払費用償却	240,408
Total	合 計	172,167,381