



Tel: +81 3 5322 3531  
Fax: +81 3 5322 3593  
www.bdo.or.jp

BDO Sanyu & Co.  
STEC Bldg., 15<sup>th</sup> Floor  
1-24-1 Nishi-shinjuku  
Shinjuku-ku, Tokyo 160-0023  
Japan

## Independent Auditor's Report

Board of Directors  
Sun Pharma Japan, Ltd.

We have audited the accompanying balance sheet of Sun Pharma Japan, Ltd. as of March 31, 2017 and the related statement of operations for the year then ended ("the financial statements").

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and presentation of the 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 the financial statement based on our audit. We conducted our audit in accordance with Internal Standards on Auditing. Those standards require that we 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 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 Company's preparation and presentation 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that our audit provides a reasonable basis for our audit opinion.

### *Opinion*

In our opinion, except for the matter described below, the financial statements referred to above present fairly, in all material respects, the financial position and the results of operations

of Sun Pharma Japan, Ltd. as of and for the year ended March 31, 2017, for which the financial statements are prepared in accordance with accounting principles generally accepted in Japan.

The accompanying financial statements as of and for the year ended March 31, 2017 are translated into English from the financial statements issued in Japan. Certain modifications and reclassifications have been made for the convenience of readers unfamiliar with Japanese GAAP presentation rules and methods.

Management has elected to omit all of the disclosures ordinarily included in financial statements prepared in accordance with accounting principles generally accepted in Japan. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenue and expenses.

BDO Sanyu & Co.  
Tokyo, Japan  
May 16, 2017

**Asset****Current Asset**

Cash and Cash Equivalents	3,158,764,054
Trade Receivable	2,575,109,463
Inventories	314,087,726
Consumption Tax Refundable	22,719,343
Prepaid Expenses	28,798,963

**Total Current Asset** **6,099,479,549**

**Non-Current Asset****Property and Equipment**

Buildings	3,400,000
Leasehold Improvement	24,923,534
Office Equipments	28,877,207
Accumulated Depreciation	(12,976,474)

**Total Property and Equipment** **44,224,267**

**Intangible Fixed Asset** **100,000**

**Other Assets**

Long Term Prepaid Expenses	4,059,002
Security Deposit	47,588,545

**Total Other Asset** **51,647,547**

**Total Non-Current Asset** **95,971,814**

**Total Asset** **6,195,451,363**

**Liability and Equity****Liability****Current Liability**

Trade Accounts Payable	5,569,281,727
Accounts Payable-Other	74,773,349
Accrued Expenses	30,798,641
Deposit Received	3,922,346
Income Tax Payable	912,200

**Total Current Liability** **5,679,688,263**

**Non-Current Liability**

Long Term Loan	1,253,102,577
Deferred Rent Liability	11,513,222
Asset Retirement Obligation	10,660,000
Provision for Retirement Benefit	2,205,000
Other Liability	2,381,400

**Total Non-Current Liability** **1,279,862,199**

**Total Liability** **6,959,550,462**

**Equity****Equity**

Share Capital	158,000,000
Deficits	(922,099,099)

**Total Equity** **(764,099,099)**

**Total Liability and Equity** **6,195,451,363**

<b>Product Sales</b>		<b>18,357,973</b>
<b>Commission Revenue</b>		<b>468,634,100</b>
<b>Cost of Product Sales and Commission</b>		<b>439,248,238</b>
<b>Gross Profit</b>		<b>47,743,835</b>
<b>Selling, General and Administrative Expenses</b>		
<b>Personnel expenses</b>		<b>69,321,531</b>
<b>Reserch and Development</b>		<b>37,373,079</b>
<b>Depreciation and Amortization</b>		<b>8,525,683</b>
<b>Other</b>		<b>117,227,739</b>
<b>Total Selling, General and Administrative Expenses</b>		<b>232,448,032</b>
<b>Operating Loss</b>		<b>(184,704,197)</b>
<b>Non-Operating Income</b>		
<b>Interest Income</b>	<b>4,843</b>	
<b>Miscellaneous Income</b>	<b>443,891</b>	
<b>Total Non-Operating Income</b>		<b>448,734</b>
<b>Non-Operating Expenses</b>		
<b>Interest Expense</b>	<b>954,348</b>	
<b>Miscellaneous Expenses</b>	<b>1,142,658</b>	
<b>Total Non-Operating Expense</b>		<b>2,097,006</b>
<b>Ordinary Loss</b>		<b>(186,352,469)</b>
<b>Loss before Income Tax</b>		<b>(186,352,469)</b>
<b>Income Tax</b>		<b>290,741</b>
<b>Net Loss</b>		<b>(186,643,210)</b>