

UPL Limited, Japan

*Financial Statements for the Year
Ended March 31, 2016
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

The Directors of
UPL Limited, Japan

We have audited the accompanying balance sheet of UPL Limited, Japan (the "Company") as of March 31, 2016 and the related statement of income and changes in net assets for the year then ended, and notes to the financial statements all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Note 2. Basis of Presenting Financial Statements and Note 3. Summary of Significant Accounting Policies to the financial statements and the evaluation whether the accounting policies applied to the preparation of the financial statements are acceptable; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation 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 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 and fair 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. 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 present fairly, in all material respects, the financial position of the Company as of March 31, 2016, and the results of its operations for the year then ended, in accordance with Note 2. Basis of Presenting Financial Statements and Note 3. Summary of Significant Accounting Policies to the financial statements

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2. Basis of Presenting Financial Statements and Note 3. Summary of Significant Accounting Policies to the financial statements, which describes the basis of accounting. These financial statements are prepared to assist the Company to meet the requirement of the preparation of the consolidated financial statements of UPL Limited, India. As a result, the financial statements may not suitable for another purposes.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Kisaragi Audit Corporation
Kisaragi Audit Corporation
April 15, 2016

Balance Sheet
March 31, 2016 and 2015

<i>Assets</i>	<u>2015</u>	<u>2016</u>
Current Assets:		
Cash	¥ 324,130,917	¥ 104,549,572
Accounts receivable - trade	620,741,305	773,090,619
Accounts receivable - other	1,595,379	1,603,767
Inventories	51,587,474	10,303,398
Prepaid expenses	1,803,902	1,909,375
Advance payments	46,136,612	18,981,461
Deferred tax assets	4,492,000	5,131,000
Total current assets	<u>1,050,487,589</u>	<u>915,569,192</u>
Non-current Assets:		
Property and equipment:		
Leasehold improvement	3,941,847	3,941,847
Furniture and fixtures	8,621,352	7,634,852
Other	327,800	327,800
Accumulated depreciation	(8,259,806)	(7,905,829)
Property and equipment - net	<u>4,631,193</u>	<u>3,998,670</u>
Intangible fixed assets	369,938	266,700
Investments and other assets:		
Investment securities	2,334,509,452	2,330,869,552
Lease deposits	16,308,870	16,832,450
Other deposits	2,000,000	2,000,000
Insurance reserve fund	25,364,429	33,126,816
Golf-club membership	-	850,000
Deferred tax assets	16,682,000	14,203,000
Total other assets	<u>2,394,864,751</u>	<u>2,397,881,818</u>
Total non-current assets	<u>2,399,865,882</u>	<u>2,402,147,188</u>
Total	<u>¥3,450,353,471</u>	<u>¥3,317,716,380</u>

	2015	2016
<i>Liabilities and Net Assets</i>		
Current Liabilities:		
Accounts payable - trade	637,487,976	679,698,927
Accounts payable - other	21,064,747	24,623,180
Accrued expenses	44,489,585	43,297,293
Income tax payable	10,662,500	18,826,400
Accrued bonuses	8,280,000	9,510,000
Suspense receipt	304,528,298	73,629,189
Other current liabilities	2,504,034	2,736,667
Total current liabilities	<u>1,029,017,140</u>	<u>852,321,656</u>
Long-term Liabilities		
Long-term borrowings	1,802,931,185	1,788,274,953
Allowance for retirement benefits to directors	26,405,000	31,865,250
Accrued retirement benefits	3,211,000	3,993,000
Total long-term liabilities	<u>1,832,547,185</u>	<u>1,824,133,203</u>
Total liabilities	<u>2,861,564,325</u>	<u>2,676,454,859</u>
Net Assets:		
Shareholder's Equity:		
Share Capital	50,000,000	50,000,000
Capital surplus	494,950,000	494,950,000
Retained earnings	43,839,146	96,311,521
Total shareholder's equity	<u>588,789,146</u>	<u>641,261,521</u>
Total net assets	<u>588,789,146</u>	<u>641,261,521</u>
Total	<u>¥3,450,353,471</u>	<u>¥3,317,716,380</u>

Statement of Income
For the years ended March 31, 2016 and 2015

	2015	2016
Revenue	¥3,557,126,756	¥3,565,052,270
Cost of sales	3,157,553,670	3,231,905,843
Gross Profit	399,573,086	333,146,427
Selling, General and Administrative expenses:		
Directors' remuneration	49,800,000	51,500,000
Staff salary	38,756,800	41,809,360
Bonus	4,972,833	7,501,144
Retirement benefits	850,000	-
Provision for retirement benefits	671,000	782,000
Provision for retirement benefits to directors	5,257,000	5,460,250
Accrued bonuses	8,280,000	9,510,000
Temporary staff fees	6,909,202	6,032,482
Legal welfare	10,700,612	11,060,182
Staff welfare expenses	1,642,259	1,528,273
Freight	1,109,880	960,799
Sample cost	1,639,958	1,390,440
Entertainment	17,189,102	17,662,379
Meeting	7,503,574	6,259,355
Transportation	12,806,132	14,471,285
Travel	11,831,741	14,231,691
Communication	2,756,884	2,856,935
Office supplies	3,968,051	4,011,585
Utilities	373,298	349,188
Subscription	271,677	246,054
Membership fees	5,425,096	3,587,000
Commission	6,355,018	4,413,742
Rent	19,570,644	19,675,360
Lease	1,270,791	1,721,310
Insurance	10,771,542	11,365,136
Sundry taxes	115,300	106,200
Outsourcing fees	14,205,910	10,628,396
Professional fees	4,505,000	5,219,000
Training	576,689	43,520
Advertisement	115,075	1,823,706
Promotion cost	5,000,000	9,855,556
Depreciation and amortization	805,429	735,759
Donation	70,000	40,000
Research and development	1,160,000	-
Miscellaneous	8,666	14
Total selling, general and administrative expenses	257,245,163	266,838,101
Operating income	142,327,923	66,308,326
Other Income (Expenses)		
Interest income	43,019	37,783
Other income	18,814,689	16,905,553
Exchange gains (losses)	(86,827,867)	40,048,217
Interest expenses	(40,086,342)	(32,774,050)
Loss on disposal of fixed assets	-	(2)
Loss on valuation of investment securities	-	(3,639,900)
Other Income (expenses) – net	(108,056,501)	20,577,601
Income (loss) before income taxes	34,271,422	86,885,927
Income taxes		
Current	28,904,011	32,573,552
Deferred	(12,653,000)	1,840,000
Net Income (loss)	¥ 18,020,411	¥ 52,472,375

Statement of Changes in Net assets
For the year ended March 31, 2016

	Shareholder's equity				Total net assets
	Share Capital	Capital surplus	Retained earnings	Total shareholder's equity	
Balance as of March 31, 2015	¥ 50,000,000	¥ 494,950,000	¥ 43,839,146	¥ 588,789,146	¥ 588,789,146
Change during the period					
Net income			52,472,375	52,472,375	52,472,375
Total change during the period			52,472,375	52,472,375	52,472,375
Balance as of March 31, 2016	¥ 50,000,000	¥ 494,950,000	¥ 96,311,521	¥ 641,261,521	¥ 641,261,521

Statement of Changes in Net assets
For the year ended March 31, 2015

	Shareholder's equity				Total net assets
	Share Capital	Capital surplus	Retained earnings	Total shareholder's equity	
Balance as of March 31, 2014	¥ 50,000,000	¥ 494,950,000	¥ 25,818,735	¥ 570,768,735	¥ 570,768,735
Change during the period					
Net income			18,020,411	18,020,411	18,020,411
Total change during the period			18,020,411	18,020,411	18,020,411
Balance as of March 31, 2015	¥ 50,000,000	¥ 494,950,000	¥ 43,839,146	¥ 588,789,146	¥ 588,789,146

Notes to Financial Statements

1. General

UPL Limited, Japan (the “Company”) was incorporated in Japan on February 1, 2008 and is wholly owned by Bio-win Corporation Limited, Mauritius. Effective as of March 12, 2009, the Company merged with United Phosphorus Japan Limited and United Phosphorus Holding Japan Co., which were wholly-owned subsidiaries of Bio-win Corporation Limited, Mauritius and changed its name from NIPPON UPL K.K. to United Phosphorus Limited, Japan. In May 2014, the Company changed its name again from United Phosphorus Limited, Japan to UPL Limited, Japan as UPL Limited, India had changed its name from United Phosphorus Limited.

The principal business activities of the Company are to produce, import/export and distribute agricultural chemicals and raw materials of the agricultural chemicals, primarily in Japan.

2. Basis of Presenting Financial Statements

The accompanying financial statements have been prepared on the basis of the accounting guideline for small businesses in Japan and the accounting policies requested by UPL Limited, India, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The information provided in the notes to the financial statements is limited to that required by the accounting guideline for small businesses in Japan. The financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

3. Summary of Significant Accounting Policies

Investment securities

Investment securities are carried at cost.

Inventories

Inventories are stated at cost determined by the last purchase price method.

Depreciation and amortization

(1) Property and equipment

Depreciation of leasehold improvement is computed by the straight line method over their estimated useful lives. Depreciation of furniture and fixtures is computed by the declining balance method at rates based on the estimated useful lives of the assets. The estimated useful lives of major assets are as follows:

Leasehold improvement: 15–50 years

Furniture and fixtures: 4–10 years

(2) Intangible fixed assets

Amortization of intangible fixed assets is calculated by the straight-line method.

Basis for reserves

(1) Accrued bonuses

Accrued bonuses for employees are provided for using the estimated amount which the Company is obligated to pay to employees after the fiscal year-end.

(2) Accrued retirement benefits

The Company's employees are entitled to lump-sum severance payments based on current basic salaries, length of services and certain other factors. The Company accrues 100% of obligations for employees based on a calculation assuming that all employees retired at the balance sheet date.

(3) Allowance for retirement benefits to directors

An allowance for retirement benefits to directors is provided in accordance with internal regulations.

Lease

Leases are accounted for as operating leases. Under the accounting guideline for small businesses in Japan, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized; while other financial leases are permitted to be accounted for as operating lease transactions.

Accounting for consumption tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

4. Notes to Statement of Changes in Net Assets

Number of shares issued as of March 31, 2016 — 5,000 shares

Number of shares issued as of March 31, 2015 — 5,000 shares

5. Details of Related party transactions

	<u>2016</u>
Revenues	
Hodogaya UPL Co., Ltd.	¥ 656,099,476
Purchase	
UPL Limited, India	137,292,103
UPL Limited, Gibraltar	389,476,837
Bio-win Corporation Limited, Mauritius	2,294,632,646
Hodogaya UPL Co., Ltd.	303,249,775
Interest expenses	
UPL Europe Ltd.	26,128,616
Financial service charge	
United Phosphorus Holdings B.V.	123,000
Accounts receivable - trade	
Hodogaya UPL Co., Ltd.	224,189,607
Accounts receivable - other	
Hodogaya UPL Co., Ltd.	1,361,412
Advance payments - other	
UPL Limited, India	917,528
Accounts payable - trade	
UPL Limited, India	6,888,127
UPL Limited, Gibraltar	188,622,000
Bio-win Corporation Limited, Mauritius	334,331,871
Hodogaya UPL Co., Ltd.	146,463,062
Accrued expenses	
Bio-win Corporation Limited, Mauritius	17,431,523
UPL Europe Ltd.	25,742,770
United Phosphorus Holdings B.V.	123,000
Long-term debts	
UPL Europe Ltd.	1,788,274,953

6. Details of Investment Securities

	<u>Number of shares</u>	<u>Book value</u>
Ishihara Sangyo Kaisha Ltd.	11,700,000	¥ 2,330,869,452
Natural Art K.K.	100	100

7. Notes to Receivables

At March 31, 2016, the amounts of trade receivables sold to UPL Finance B.V. on a non-recourse basis in the framework of the receivables sale agreement amount to ¥148,763,340 and USD497,320. These receivables are derecognized from the Balance Sheet.