

***UPL Limited, Japan***

*Financial Statements for the Year  
Ended March 31, 2015  
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, 2015 and the related statement of income and change in net assets for the year then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2015 and the results of its operations for the year then ended, in conformity with the accounting guidelines for small businesses in Japan and the accounting policies requested by UPL Limited, India.



Yoshie Kato  
Certified Public Accountant  
April 9, 2015

**Balance Sheet**  
**March 31, 2015 and 2014**

<i>Assets</i>	<u>2014</u>	<u>2015</u>
<b>Current Assets:</b>		
Cash	¥ 831,974,820	¥ 324,130,917
Accounts receivable - trade	603,820,120	620,741,305
Accounts receivable - other	1,698,538	1,595,379
Inventories	51,215,142	51,587,474
Prepaid expenses	1,803,902	1,803,902
Advance payments	4,094,706	46,136,612
Deferred tax assets	5,335,000	4,492,000
<b>Total current assets</b>	<u>1,499,942,228</u>	<u>1,050,487,589</u>
<b>Non-current Assets:</b>		
<b>Property and equipment:</b>		
Leasehold improvement	3,941,847	3,941,847
Furniture and fixtures	8,763,552	8,621,352
Other	462,490	327,800
Accumulated depreciation	(8,662,304)	(8,259,806)
<b>Property and equipment - net</b>	<u>4,505,585</u>	<u>4,631,193</u>
<b>Intangible fixed assets</b>	473,176	369,938
<b>Investments and other assets:</b>		
Investment securities	2,334,509,452	2,334,509,452
Lease deposits	16,308,870	16,308,870
Other deposits	2,000,000	2,000,000
Insurance reserve fund	22,713,530	25,364,429
Deferred tax assets	3,186,000	16,682,000
<b>Total other assets</b>	<u>2,378,717,852</u>	<u>2,394,864,751</u>
<b>Total non-current assets</b>	<u>2,383,696,613</u>	<u>2,399,865,882</u>
<b>Total</b>	<u>¥3,883,638,841</u>	<u>¥3,450,353,471</u>

	<u>2014</u>	<u>2015</u>
<b><i>Liabilities and Net Assets</i></b>		
<b>Current Liabilities:</b>		
Accounts payable - trade	1,248,911,335	637,487,976
Accounts payable - other	24,611,047	21,064,747
Accrued expenses	41,284,571	44,489,585
Income tax payable	33,038,900	10,662,500
Accrued bonuses	5,950,000	8,280,000
Suspense receipt	159,199,058	304,528,298
Other current liabilities	4,757,016	2,504,034
<b>Total current liabilities</b>	<u>1,517,751,927</u>	<u>1,029,017,140</u>
<b>Long-term Liabilities</b>		
Long-term borrowings	1,769,030,179	1,802,931,185
Allowance for retirement benefits to directors	23,548,000	26,405,000
Accrued retirement benefits	2,540,000	3,211,000
<b>Total long-term liabilities</b>	<u>1,795,118,179</u>	<u>1,832,547,185</u>
<b>Total liabilities</b>	<u>3,312,870,106</u>	<u>2,861,564,325</u>
<b>Net Assets:</b>		
<b>Shareholder's Equity:</b>		
Share Capital	50,000,000	50,000,000
Capital surplus	494,950,000	494,950,000
Retained earnings	25,818,735	43,839,146
<b>Total shareholder's equity</b>	<u>570,768,735</u>	<u>588,789,146</u>
<b>Total net assets</b>	<u>570,768,735</u>	<u>588,789,146</u>
<b>Total</b>	<u>¥3,883,638,841</u>	<u>¥3,450,353,471</u>

**Statement of Income**  
**For the years ended March 31, 2015 and 2014**

	2014	2015
Revenue	¥2,964,625,227	¥3,557,126,756
Cost of sales	2,593,590,728	3,157,553,670
Gross Profit	371,034,499	399,573,086
Selling, General and Administrative expenses:		
Directors' remuneration	49,740,000	49,800,000
Staff salary	32,431,782	38,756,800
Bonus	3,128,572	4,972,833
Retirement benefits	-	850,000
Provision for retirement benefits	1,447,000	671,000
Provision for retirement benefits to directors	4,828,000	5,257,000
Accrued bonuses	5,950,000	8,280,000
Temporary staff fees	2,868,197	6,909,202
Legal welfare	10,243,836	10,700,612
Staff welfare expenses	1,066,993	1,642,259
Freight	693,249	1,109,880
Sample cost	278,788	1,639,958
Entertainment	15,049,684	17,189,102
Meeting	7,723,789	7,503,574
Transportation	12,423,561	12,806,132
Travel	12,494,459	11,831,741
Communication	2,704,400	2,756,884
Office supplies	3,240,886	3,968,051
Utilities	371,077	373,298
Subscription	149,456	271,677
Membership fees	3,367,239	5,425,096
Commission	22,951,447	6,355,018
Rent	19,570,644	19,570,644
Lease	324,702	1,270,791
Insurance	10,023,389	10,771,542
Sundry taxes	138,300	115,300
Outsourcing fees	17,407,903	14,205,910
Professional fees	4,863,000	4,505,000
Training	115,242	576,689
Advertisement	-	115,075
Promotion cost	10,200,000	5,000,000
Depreciation and amortization	1,192,471	805,429
Donation	-	70,000
Research and development	-	1,160,000
Miscellaneous	8	8,666
Total selling, general and administrative expenses	256,988,074	257,245,163
Operating income	114,046,425	142,327,923
Other Income (Expenses)		
Interest income	45,162	43,019
Other income	16,750,911	18,814,689
Interest expenses	(34,091,549)	(40,086,342)
Amortizations of deferred charges	(100,000)	-
Exchange loss	(31,266,493)	(86,827,867)
Loss on disposal of fixed assets	(84,919)	-
Other expenses	(10,416,024)	-
Other Income (expenses) – net	(59,162,912)	(108,056,501)
Income (loss) before income taxes	54,883,513	34,271,422
Income taxes		
Current	38,706,074	28,904,011
Deferred	(9,521,000)	(12,653,000)
Net Income (loss)	¥ 25,698,439	¥ 18,020,411

**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 loss			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

**Statement of Changes in Net assets**  
**For the year ended March 31, 2014**

	Shareholder's equity				Total net assets Capital surplus
	Share Capital	Capital surplus	Retained earnings	Share Capital	
Balance as of March 31, 2013	¥ 50,000,000	¥ 494,950,000	¥ 120,296	¥545,070,296	¥545,070,296
Change during the period					
Net loss			25,698,439	25,698,439	25,698,439
Total change during the period			25,698,439	25,698,439	25,698,439
Balance as of March 31, 2014	¥ 50,000,000	¥ 494,950,000	¥ 25,818,735	¥570,768,735	¥570,768,735

## **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, 2015* — 5,000 shares

*Number of shares issued as of March 31, 2014* — 5,000 shares



## 5. Details of Related party transactions

	<u>2015</u>
Revenues	
Hodogaya UPL Co., Ltd.	¥ 651,960,360
Purchase	
UPL Limited, India	158,603,312
UPL Limited, Gibraltar	400,594,605
Bio-win Corporation Limited, Mauritius	2,115,896,039
Hodogaya UPL Co., Ltd.	411,205,916
Interest expenses	
UPL Europe Ltd.	25,593,288
Accounts receivable - trade	
Hodogaya UPL Co., Ltd.	302,889,542
Accounts receivable - other	
Hodogaya UPL Co., Ltd.	1,360,314
Advance payments - other	
UPL Limited, India	43,374,836
UPL Limited, Gibraltar	11,550
Accounts payable - trade	
UPL Limited, India	22,674,674
UPL Limited, Gibraltar	21,572,100
Bio-win Corporation Limited, Mauritius	356,034,567
Hodogaya UPL Co., Ltd.	211,801,022
Accrued expenses	
Bio-win Corporation Limited, Mauritius	18,446,335
UPL Europe Ltd.	26,043,250
Long-term debts	
UPL Europe Ltd.	1,802,931,185

## 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	3,640,000

## 7. Notes to Receivables

At 31 March 2014, 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 ¥173,121,395 and USD 4,572,804.00. These receivables are derecognized from the Balance Sheet.