ZPD A/S

H E Bluhmes Vej 63, 6700 Esbjerg

CVR No. 32 83 48 25

Annual report
for the year ended 31 December 2015

Approved at the annual general meeting of shareholders on 23 March 2016

Chairman:

M. Kishimoto
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Makoto Kishimoto

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Company details

Name	ZPD A/S
Address, Postal code, City	H E Bluhmes Vej 63, 6700 Esbjerg
CVR No.	32 83 48 25
Established	1 July 2009
Registered office	Esbjerg
Financial year	1 January - 31 December
Board of Directors	Makoto Kishimoto, Chairman Hiroyasu Nishioka Junkichi Izumi Keiji Ishiyama
Executive Board	Hiroyasu Nishioka Robert Villum Nielsen Frank Marek
Auditors	Ernst & Young, Godkendt Revisionspartnerselskab Kolding Åpark 1, 3. sal, 6000 Kolding, Denmark

Financial highlights

5-year summary (in DKK thousands, except per share data):

	2015	2014	2013	2012	2011
Key figures (in DKK thousands)					
Gross margin	47,779	45,173	43,392	41,512	72,970
Operating profit	25,605	22,634	21,203	18,300	41,456
Net financials	265	47	-173	-347	-2,797
Profit/loss for the year	19,816	16,975	16,159	13,370	28,678
Balance sheet total	133,617	118,631	118,145	115,130	110,553
Equity	123,997	110,181	105,206	89,047	75,677
Average number of employees	28	28	27	28	24
Financial ratios in %					
Current ratio	1,434.2	1,354.0	898.2	364.0	320.0
Equity ratio	92.8	92.9	89.0	77.3	68.5
Return on equity	16.9	15.8	16.6	16.2	46.7

Operating review

The Company's business review

ZPD A/S produces mainly pharmaceutical and food grade products and sells them abroad.

Financial review

The income statement for 2015 shows a profit of DKK 19,816 thousand against a profit of DKK 16,975 thousand last year, and the balance sheet at 31 December 2015 shows equity of DKK 123,997 thousand. In the annual report for 2014, management expressed expectations as to profit at the same level or slightly higher than for 2014. Management considers the Company's financial performance in the year satisfactory.

Knowledge resources

One of the Company's most important resources is its employees. The continued development of the competences of the employees as well as professional challenges are therefore given high priority.

Special risks

The Company has no special risks apart from the risks that trading primarily with one large customer, the parent company, may lead to.

The Company's transactions in foreign currency are mainly in euro. Consequently, no significant risks related to transactions in foreign currency have been identified.

Impact on the external environment

ZPD A/S is environmentally conscious and is continously working to reduce the environmental effects from the operations of the company, including continous efforts to reduce use of water in production.

Post balance sheet events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Outlook

For the coming year, a positive development is expected, but the profit is expected to decrease compared to 2015.

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of ZPD A/S for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

Esbjerg, 23 March 2016

Executive Board:

Hiroyasu Nishioka	Robert Villum Nielsen	Frank Marek

Board of Directors:

Makoto Kishimoto Chairman	Hiroyasu Nishioka	Junkichi Izumi
Keiji Ishiyama		

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To the shareholders of ZPD A/S

Independent auditors' report on the financial statements

We have audited the financial statements of ZPD A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Further, Management is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulations. This requires 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 auditors' judgement, including an 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 of financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as 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.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Kolding, 23 March 2016
Ernst & Young
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Claus E. Andreasen	Michael Vakker Maass
State Authorised Public Accountant	State Authorised Public Accountant

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Balance sheet at 31 December

Notes		2015 DKKt	2014 DKKt
	Assets		
	Fixed assets		
	Acquired intangible assets	198	316
4	**Intangible assets**	**198**	**316**
	Land and buildings	11,854	12,844
	Plant and machinery	7,469	9,845
	Other fixtures and fittings, tools and equipment	1,448	2,090
	Prepayments for property, plant and equipment	392	0
5	**Property, plant and equipment**	**21,163**	**24,779**
	Total fixed assets	**21,361**	**25,095**
	Current assets		
	Raw materials and consumables	6,548	9,519
	Work in progress	0	3,664
	Manufactured goods and goods for resale	11,399	4,249
	Inventories	**17,947**	**17,432**
	Trade receivables	904	154
	Receivables from group entities	12,261	19,551
	Income taxes receivable	1,698	0
	Other receivables	1,678	1,386
	Prepayments	344	216
	Receivables	**16,885**	**21,307**
	Cash	**77,424**	**54,797**
	Total current assets	**112,256**	**93,536**
	Total assets	**133,617**	**118,631**

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Income statement for the year ended 31 December

Notes		2015 DKKt	2014 DKKt
	Gross profit	**47,779**	**45,173**
2	Staff costs	-17,725	-17,386
	Amortisation/depreciation of intangible assets and property, plant and equipment	-4,449	-5,153
	Operating profit	**25,605**	**22,634**
	Financial income	721	348
	Financial expenses	-456	-301
	Profit before tax	**25,870**	**22,681**
3	Tax for the year	-6,054	-5,706
	Profit/loss for the year	**19,816**	**16,975**
	Recommended appropriation of the profit/loss for the year		
	Proposed dividend recognised under equity	0	6,000
	Retained earnings	19,816	10,975
		19,816	16,975

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Balance sheet at 31 December

Notes		2015 DKKt	2014 DKKt
	Equity and liabilities		
	Equity		
6	Share capital	1,000	1,000
	Retained earnings/Accumulated loss	122,997	103,181
	Dividend proposed for the year	0	6,000
	Total equity	123,997	110,181
	Provisions		
7	Provisions for deferred tax	1,793	1,542
	Total provisions	1,793	1,542
	Liabilities		
	Trade payables	5,015	2,522
	Income taxes payable	0	1,061
	Other payables	2,812	3,325
	Short-term liabilities	7,827	6,908
	Total liabilities	7,827	6,908
	Total equity and liabilities	133,617	118,631

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Statement of changes in equity

(DKKt)	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1/1 2015	1,000	103,181	6,000	110,181
Dividend distributed			-6,000	-6,000
Profit/loss for the year, cf. appropriation of profit/loss		19,816	0	19,816
Equity at 31/12 2015	1,000	122,997	0	123,997

1. Accounting policies

The annual report of ZPD A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards medium-sized reporting class C enterprises.

The accounting policies applied by the company are consistent with those of last year.

Omission to present a cash flow statement

In accordance with the Danish Financial Statement Act §86 a cash flow statement has not been prepared, as the Company is part of a consolidated financial statement that include a cash flow statement.

Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Reporting currency

The financial statements are presented in Danish kroner.

Currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Leases

Leases concerning fixed assets which qualify for recognition as assets held under finance leases and where the entity bears all significant risks and enjoys all significant benefits associated with the title to such assets are treated according to the same accounting policies as are other fixed assets.

On initial recognition, the cost of assets held under finance leases is measured at the lower of the fair value and the net present value of the lease payments, made up based on the interest rate implicit in the lease or, alternatively, the entity's borrowing rate.

Commitments under finance leases are recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement.

1. Accounting policies - continued

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Gross profit

In accordance with the Danish Financial Statements Act §32 revenue, other operating income, cost of raw materials and consumables and other external costs are aggregated in one line refered to as gross profit.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on disposal of intangible assets and property, plant and equipment.

Other operating expenses comprise items secondary to the activities of the Company, including losses on disposal of intangible assets and property, plant and equipment.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation of intangible assets and property, plant and equipment

The item comprises depreciation of software, property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life.

The expected useful lives of the assets are as follows:

	Useful life (year)
Buildings	10-50
Plant and machinery	5-10
Other fixtures and fittings, tools and equipment	4-10
Acquired intangible assets (software)	3-5

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

1. Accounting policies - continued

Tax

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item where as the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Software costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Gains or losses arising from the sale of items of intangible assets are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, and wages and salaries.

Interest expense on loans to finance the production of property, plant and equipment which concerns the production period is included in cost. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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1. Accounting policies - continued

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio isused as discount rate.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash comprises cash balances and bank balances.

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

1. Accounting policies - continued

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a setoff against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Cash flow statement

ZPD A/S' cash flows are included in the consolidated financial statements of Zeria Pharmaceutical Co., Ltd. Conequently, ZPD A/S does not present any cash flow statement in the annual report, cf. section 86(4) of the Danish Financial Statement Act.

Financial ratios

Financial ratios are calculated in accordance with the following definitions:

Definition of financial ratios:

Current ratio:
Current assets / Current liabilities * 100

Equity ratio:
Closing equity / Equity & liabilities at year-end * 100

Return on equity:
Profit/loss for the year / Average equity * 100

	2015 DKKt	2014 DKKt
2. Staff costs		
Analysis of staff costs:		
Wages/salaries	15,929	15,705
Pensions	671	561
Other social security costs	237	238
Other staff costs	888	882
	17,725	17,386

	Number	Number
Average number of employees	28	28

	2015 DKKt	2014 DKKt
Remuneration to members of management:		
Executive board	3,443	3,490
	3,443	3,490
3. Tax for the year		
Estimated tax charge for the year	5,802	7,015
Deferred tax adjustments in the year	252	-1,309
	6,054	5,706

4. Intangible assets

(DKKt)	Acquired intangible assets
Cost	
Balance at 1/1 2015	577
Cost at 31/12 2015	577
Amortisation and impairment losses	
Balance at 1/1 2015	261
Amortisation in the year	118
Amortisation and impairment losses at 31/12 2015	379
Carrying amount at 31/12 2015	198

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5. Property, plant and equipment

(DKKt)	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment	Total
Cost					
Balance at 1/1 2015	23,603	37,001	3,512	0	64,116
Additions in the year	0	517	0	392	909
Disposals in the year	-40	0	-400	0	-440
Cost at 31/12 2015	23,563	37,518	3,112	392	64,585
Depreciation and impairment losses					
Balance at 1/1 2015	10,759	27,157	1,422		39,338
Depreciation in the year	950	2,892	489		4,331
Reversal of depreciation and impairment losses, disposals	0	0	-247		-247
Depreciation and impairment losses at 31/12 2015	11,709	30,049	1,664		43,422
Carrying amount at 31/12 2015	11,854	7,469	1,448	392	21,163

6. Share capital

The share capital comprises 10,000 shares of DKK 100 each. All shares rank equally.

The Company's share capital has remained DKK 1,000 thousand over the past 5 years.

7. Deferred tax

Provision for deferred tax comprises deferred tax regarding inventories and property, plant and equipment.

8. Contingent liabilities and other financial obligations

Other contingent liabilities

The Company has issued an owner's mortage of DKK 13,500 thousand secured upon the land and buildings. The mortgage is held by the Company.

The Company has entered into operation lease obligations that runs over up to 2 years. The total lease obligation at 31 December 2015 amounts to DKK 152 thousand.

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9. Related parties

Information about consolidated financial statements:

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Zeria Pharmaceutical Co. Ltd.	Japan	www.zeria.co.jp

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Zeria Pharmaceutical Co. Ltd.	Japan