

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ZYDUS PHARMA JAPAN CO. LTD.

We have audited the accompanying financial statements of **ZYDUS PHARMA JAPAN CO. LTD.**, ("the Company") which comprise the Balance Sheet as at 31st December, 2014 and the Statement of Profit and Loss for the year ended on that date and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the accounting principles and the Accounting Standards generally accepted internationally, i.e. in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our broad review. We conducted the review of these financial statements in accordance with the International standards on Auditing issued by the International Auditing and Assurance Standards Board. 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 auditors' 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We have conducted generally accepted audit procedures in accordance with International Auditing Standards in review and carrying out audit of these financial statements. We believe that our review of financials provide a reasonable basis for our opinion. We also believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted internationally, i.e. in accordance with IFRS:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2014;
and
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date.

Emphasis of Matter

Without qualifying our report, the attention of the members is invited to Note No. II-(7) and II-(8) under “Significant Accounting Policies” regarding the financial statements of the company having been prepared on a liquidation basis in view of the closure of the business operations by the company in Japan and consequential scaling down its manufacturing, selling and other operations in the year 2013, initiation of the process of disposing off its fixed assets, other assets and liabilities, preparation and circulation of employee retrenchment plan, its accumulated losses and negative networth as at 31st December, 2014. Accordingly, all the remaining fixed assets (other than land and building) and other assets have been written down to their estimated net realizable values. Provision has also been made for all the accrued liabilities and future costs estimated to be incurred in the process of closure of the business operations.

Report on Other Legal and Regulatory Requirements

Further to our comments in the annexure referred to above, we report that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) The accounts and financial statements of the Company are duly prepared and certified by the management of the company in accordance with the generally accepted IFRSs. These accounts have been forwarded to us for our review and have been appropriately dealt with by us in preparing and submitting our report thereon.
- (iii) The Balance Sheet and the Statement of Profit and Loss dealt with by this Report are in agreement with the books of account.

- (iv) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements including Balance Sheet and statement of Profit and Loss dealt with by this report comply with the generally accepted IFRSs.
- (v) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- a. The Company does not have any pending litigations which would impact its financial position.
 - b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - c. Since the Company is incorporated outside India, this clause regarding reporting on amounts which were required to be transferred to the Investor Education and Protection Fund by the Company is not applicable.

For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

Place : Ahmedabad

Date: 14th May, 2015

Partner
[Chandresh S. Shah]
Membership No.: 042132

Zydus Pharma Japan Co. Ltd
Balance Sheet as at December 31, 2014

Particulars	Note No.	Japanese Yen Thousands		INR Thousands	
		As at December 31			
		2014	2013	2014	2013
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	3,810,500	3,410,500	2,007,752	1,988,662
Reserves and Surplus	2	(3,949,109)	(3,864,912)	(2,080,784)	(2,253,628)
		(138,609)	(454,412)	(73,032)	(264,966)
Non-Current Liabilities:					
Other Long Term Liabilities	3	0	15,000	0	8,747
Long Term Provisions	4	0	45,422	0	26,486
		0	60,422	0	35,233
Current Liabilities:					
Short Term Borrowings	5	0	1,000,000	0	583,100
Trade Payables	6	0	35,697	0	20,815
Other Current Liabilities	7	230,604	269,873	121,505	157,362
Short Term Provisions	8	29,260	298,114	15,417	173,830
		259,864	1,603,684	136,922	935,107
Total		121,255	1,209,694	63,890	705,374
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets	9	28,007	85,365	14,757	49,777
Intangible Assets		95	162,122	50	94,533
		28,102	247,487	14,807	144,310
Current Assets:					
Inventories	10	0	393,623	0	229,523
Trade Receivables	11	1,392	315,198	733	183,792
Cash and Bank Balances	12	89,927	226,248	47,383	131,925
Short Term Loans and Advances	13	1,470	23,885	775	13,927
Other Current Assets	14	364	3,253	192	1,897
		93,153	962,207	49,083	561,064
Total		121,255	1,209,694	63,890	705,374
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 27				

Statement of Profit and Loss for the year ended December 31, 2014

Particulars	Note No.	Japanese Yen Thousands		INR Thousands	
		Year ended December 31			
		2014	2013	2014	2013
REVENUE:					
Revenue from Operations:					
Sale of Products	16	229,222	902,885	132,949	526,472
Other Income	17	0	413	0	241
Total Revenue		229,222	903,298	132,949	526,713
EXPENSES:					
Cost of Materials Consumed	18	4,025	96,497	2,336	55,375
Purchases of Stock-in-Trade	19	0	298,325	0	173,953
Changes in Inventories Finished goods and Work-in-progress	20	191,862	86,736	112,143	48,459
Employee Benefits Expense	21	114,221	355,498	65,849	207,291
Finance Costs	22	17,323	33,607	10,048	19,597
Depreciation Amortisation and impairment expenses	9	11,783	98,965	6,834	57,705
Other Expenses	23	137,988	458,653	79,569	289,847
Total Expenses		477,202	1,428,281	276,779	852,227
Loss before Exceptional Items and tax		(247,980)	(524,983)	(143,830)	(325,514)
Less: Exceptional Items	24	(163,782)	379,567	(94,993)	221,326
Loss before Tax		(84,197)	(904,550)	(48,837)	(546,840)
		Japanese Yen		INR	
Basic & Diluted Earning per Equity Share [EPS]	25	(1,091.44)	(13,139.25)	(633.07)	(7,943.25)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 27				

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 14, 2015

Director

Zydus Pharma Japan Co. Ltd
Significant Accounting Policies

I-Company overview:

Zydus Pharma Japan Co. Ltd [the Company] was incorporated on August 25, 2006. The Company's registered office is situated at Hirakawacho Fushimi Building 2F, 4-3 Hirakawacho Chiyoda-ku, Tokyo 102-0093 JAPAN. The Company was engaged in manufacture and sales of prescription based pharmaceutical products.

II-Significant Accounting Policies:

1 Basis of Accounting:

The financial statements have not been prepared with an assumption of going concern but have been prepared on liquidation basis.

2 Reporting Currency Translations:

The Local accounts are maintained in local and functional currency which is "JPY". These accounts have been translated in Indian Rupees [INR] considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to INR from "JPY" is performed for assets and liabilities using the exchange rate prevailing on the Balance sheet date and for revenue and expenses using the average exchange rate for the respective period. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Reserves and Surplus.

3 Use of Estimates:

The preparation of the financial statements in conformity with Japanese generally accepted principles requires management to make estimate and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

4 Fixed Assets and Depreciation:

All the remaining fixed assets have been written down to their estimated net realizable values.

5 Inventories:

Inventories are stated at the lower of cost or net realisable value. Cost is determined principally by the average method. Net realisable value is the estimated selling price as per the prevailing market condition.

6 Revenue Recognition:

- A** Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates and VAT.
- B** Revenue in respect of sales is recognised when goods are dispatched to the customers.
- C** Interest income is recognised on time proportionate method.
- D** Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

7 Closure of operation:

- A** The Company has been incurring operating losses since the Company purchased Nippon Universal Pharmaceuticals Ltd. and started manufacturing and selling of the ethical pharmaceutical products in Japan.
- B** During the previous year, Cadila Healthcare Limited, the ultimate parent company, has carried out a portfolio and strategy review of its business in Japan operated through the Company and has decided to discontinue its existing business in Japan. Consequently, the management of the Company stopped manufacturing and selling of the ethical pharmaceutical products from end of March 2014.
- C** Pursuant to this, the Company has started scaling down its manufacturing, selling and other operations in 2013. The Company has also initiated the process of disposing off its fixed assets, other assets and liabilities. An employee retrenchment plan has been prepared by the Company, pursuant to which the Company had carried out the process of relieving its employees including medical representatives in phased manner during the year 2014 by providing them separation package as agreed by the Company with them.
- D** In view of the above, the financial statements of the Company for the year ended December 31, 2014 and December 31, 2013 have not been prepared with an assumption of going concern but have been prepared on liquidation basis. All the remaining fixed assets (other than land and building) and other assets have been written down to their estimated net realizable values. Provision has been made for all the accrued liabilities and future costs estimated to be incurred in the process of discontinuing the business operations. Difference between the carrying values and realizable values of fixed and other assets and provision for liabilities arising on account of discontinuance of operations have been charged to Income Statement and their net amount has been separately disclosed under the head "Exceptional Items" [Refer Note 23].
- E** In consultation of the relevant Japanese regulatory authorities, the Company had applied for drug price deletion of all products, which was published in the Official Gazette in November 2014. Pursuant to this, the Company had carried out cancellation of marketing approvals and manufacturing & sales permits. The said cancellation has been accepted by the Pharmaceuticals and Medical Devices Agency.

8 Significant events after balance sheet date:

- A** Pursuant to the employee retrenchment plan, the Company relieved its employees including medical representatives in phased manner from 31st January, 2014 by providing them separation package as agreed by the Company with them. Up to 30th September 2014, 35 out of total 38 employees have been relieved in three different phases. The remaining 3 employees of Regulatory Department have been relieved on 31st March, 2015.
- B** During the year 2014, the company sold manufacturing and marketing rights of 14 products to another Japanese company (the Buyer). The rights were actually transferred to the Buyer in March/April -2015, as agreed with them.

Zydus Pharma Japan Co. Ltd
Notes to the Financial Statements

	Japanese Yen Thousands		INR Thousands	
	As at December 31			
	2014	2013	2014	2013
Note: 1-Share Capital:				
Authorised:				
400,000 [as at December 31, 2013: 400,000] Ordinary Shares of JPY 50,000/- each [Stated value]	20,000,000	20,000,000	10,538,000	11,662,000
	20,000,000	20,000,000	10,538,000	11,662,000
Issued, Subscribed and Paid-up:				
91,395 [as at December 31, 2013: 83,395] Ordinary Shares	4,125,500	3,725,500	2,173,726	2,172,339
Less : 2,700 [as at December 31, 2013: 2,700] Treasury Stock	(315,000)	(315,000)	(165,974)	(183,677)
Total	3,810,500	3,410,500	2,007,752	1,988,662
A Number of shares at the beginning of the year	80,695	73,295		
Add: Shares issued during the year	8,000	7,400		
Number of shares at the end of the year	88,695	80,695		
Shares held by itself as Treasury Stock	2,700	2,700		
B The Company has only ordinary shares. All ordinary shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the ordinary shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Ordinary shares (other than treasury stock) of JPY 26,976/- each, fully paid held by Holding Company, Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India.				
Number of Shares	19,295	19,295		
% to total share holding	22%	24%		
Ordinary shares (other than treasury stock) of JPY 50,000/- each, fully paid held by Holding Company, Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India.				
Number of Shares	69,400	61,400		
% to total share holding	78%	76%		
D Treasury Stock are held by Zydus Pharma Japan Co. Limited itself				
Number of Shares	2,700	2,700		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Capital Reserve:				
Balance as per last Balance Sheet	20,000	20,000	10,538	11,662
Other Reserves:				
General Reserve: [*]				
Balance as per last Balance Sheet	364,500	364,500	192,055	212,540
Foreign Currency Translation Reserve: [**]				
Balance as per last Balance Sheet	0	0	0	0
Add/ [Less]: Exchange differences on translation to Indian Rupee	0	0	243,290	0
	0	0	243,290	0
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(4,249,412)	(3,344,862)	(2,477,830)	(1,930,990)
Add: Loss for the year	(84,197)	(904,550)	(48,837)	(546,840)
Balance as at the end of year	(4,333,609)	(4,249,412)	(2,526,667)	(2,477,830)
Total	(3,949,109)	(3,864,912)	(2,080,784)	(2,253,628)
[*] General reserve can be used as per Japanese regulations.				
[**] Hitherto, the gain/ loss arising on the translation of the Financial Statements to INR was given effect into Statement of Profit and Loss. However, from the year under report, it is now included in "Foreign Currency Translation Reserve" [FCTR] under Reserves and Surplus. Consequent to this change, loss for the year (on INR conversion only) is higher by INR 244,155 thousands, with a corresponding effect in "Reserves and Surplus".				
Note: 3-Other Long Term Liabilities:				
Trade Deposits	0	15,000	0	8,747
Total	0	15,000	0	8,747
Note: 4-Long Term Provisions:				
Provision for Employee Benefits	0	45,422	0	26,486
Total	0	45,422	0	26,486
Note: 5-Short Term Borrowings:				
Secured Working Capital Loans repayable on demand	0	1,000,000	0	583,100
Total	0	1,000,000	0	583,100

Zyudus Pharma Japan Co. Ltd
Notes to the Financial Statements

	Japanese Yen Thousands		INR Thousands		
	As at December 31				
	2014	2013	2014	2013	
Note: 6-Trade Payables:					
Trade Payables	0	35,697	0	20,815	
Total	0	35,697	0	20,815	
Note: 7-Other Current Liabilities:					
Advances from Customers	172,800	189,250	91,048	110,352	
Interest accrued but not due on borrowings	0	853	0	497	
Others:					
Provision for Expenses	21,110	64,614	11,123	37,676	
Payable to Statutory Authorities	36,694	15,156	19,334	8,837	
Total	230,604	269,873	121,505	157,362	
Note: 8-Short Term Provisions::					
Provision for Employee Benefits	29,260	186,697	15,417	108,863	
Others:					
Provision for claims for product expiry and return of goods	0	111,417	0	64,967	
Total	29,260	298,114	15,417	173,830	
Note: 9-Fixed Assets:					
A Tangible Assets:	Freehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Total
	Japanese Yen Thousands				
Gross Block:					
As at December 31, 2012	5,471	134,216	140,415	52,029	332,131
Additions	0	20,300	51,374		71,674
Disposals	0	0	(1,980)		(1,980)
Other adjustments	0	0	0	2,209	2,209
As at December 31, 2013	5,471	154,516	189,809	54,238	404,034
Additions					0
Disposals			(189,809)	(54,200)	(244,009)
Other adjustments					0
As at December 31, 2014	5,471	154,516	0	38	160,025
Depreciation and Impairment:					
As at December 31, 2012		116,205	81,146	49,525	246,876
Depreciation for the year	0	5,500	64,804	1,489	71,793
Disposals	0	0	0	0	0
As at December 31, 2013	0	121,705	145,950	51,014	318,669
Charge for the year	0	1,011	5,639	405	7,055
Disposals	0	9,302	(151,589)	(51,419)	(193,706)
As at December 31, 2014	0	132,018	0	0	132,018
Net Block:					
As at December 31, 2013	5,471	32,811	43,859	3,224	85,365
As at December 31, 2014	5,471	22,498	0	38	28,007
Tangible Assets:	INR Thousands				
Gross Block:					
As at December 31, 2012	3,158	77,483	81,062	30,036	191,739
Additions	0	11,837	29,956	0	41,793
Disposals	0	0	0	0	0
Other adjustments	32	778	(340)	1,590	2,060
As at December 31, 2013	3,190	90,098	110,678	31,626	235,592
Additions		0	0		0
Disposals					
Other adjustments	(307)	(8,684)	(110,678)	(31,606)	(151,275)
As at December 31, 2014	2,883	81,414	0	20	84,317
Depreciation and Impairment:					
As at December 31, 2012	0	67,085	46,846	28,591	142,522
Depreciation for the year	0	3,207	37,787	868	41,862
Disposals	0	0	0	0	0
Other adjustments	0	674	470	287	1,431
As at December 31, 2013	0	70,966	85,103	29,746	185,815
Depreciation for the year	0	586	3,271	235	4,092
Disposals	0	4,901	(79,872)	(27,093)	(102,064)
Other adjustments	0	(6,893)	(8,502)	(2,888)	(18,283)
As at December 31, 2014	0	69,560	0	0	69,560
Net Block:					
As at December 31, 2013	3,190	19,132	25,575	1,880	49,777
As at December 31, 2014	2,883	11,854	0	20	14,757

Zydus Pharma Japan Co. Ltd
Notes to the Financial Statements

Note: 9-Fixed Assets-Continue:

B Intangible Assets:	Brands/ Trademarks	Computer Software	Marketing Autho. Rights	Total
	Japanese Yen Thousands			
Gross Block:				
As at December 31, 2012	238,892	6,511	21,153	266,556
Additions	0	135	0	135
Disposals	0	0	0	0
Other adjustments	0	0	0	0
As at December 31, 2013	238,892	6,646	21,153	266,691
Additions	0	0	0	0
Disposals	(238,892)	(6,551)	0	(245,443)
Other adjustments	0	0	(21,153)	(21,153)
As at December 31, 2014	0	95	0	95
Amortisation and Impairment:				
As at December 31, 2012	53,594	3,783	20,020	77,397
Amortisation for the year	23,909	2,863	400	27,172
Disposals	0	0	0	0
As at December 31, 2013	77,503	6,646	20,420	104,569
Amortisation for the year	4,085	643	0	4,728
Disposals	(81,588)	(7,289)	(20,420)	(109,297)
As at December 31, 2014	0	0	0	0
Net Block:				
As at December 31, 2013	161,389	0	733	162,122
As at December 31, 2014	0	95	0	95
	INR Thousands			
Gross Block:				
As at December 31, 2012	137,912	3,759	12,212	153,883
Additions	0	79	0	79
Disposals	0	0	0	0
Other adjustments	1,386	37	122	1,545
As at December 31, 2013	139,298	3,875	12,334	155,507
Additions	0	0	0	0
Disposals	(125,872)	(3,452)	0	(129,324)
Other adjustments	(13,426)	(373)	(12,334)	(26,133)
As at December 31, 2014	0	50	0	50
Amortisation and Impairment:				
As at December 31, 2012	30,940	2,184	11,558	44,682
Amortisation for the year	13,941	1,669	233	15,843
Disposals	0	0	0	0
Other adjustments	311	22	116	450
As at December 31, 2013	45,192	3,875	11,907	60,974
Amortisation for the year	2,369	373	0	2,742
Disposals	(42,989)	(3,841)	(10,759)	(57,589)
Other adjustments	(4,572)	(407)	(1,148)	(6,127)
As at December 31, 2014	0	0	0	0
Net Block:				
As at December 31, 2013	94,106	0	427	94,533
As at December 31, 2014	0	50	0	50

Zydus Pharma Japan Co. Ltd				
Notes to the Financial Statements				
	Japanese Yen Thousands		INR Thousands	
	As at December 31			
	2014	2013	2014	2013
Note: 10-Inventories:				
[The Inventory is valued at lower of cost and net realisable value]				
Finished Goods – Trading	0	247,871	0	144,534
Raw Materials	0	91,572	0	53,396
Work-in-progress	0	30,375	0	17,712
Others:				
Packing Materials	0	23,805	0	13,881
Total	0	393,623	0	229,523
Note: 11-Trade Receivables:				
[Unsecured]				
Considered doubtful	0	3,349	0	1,953
Less : Provision for doubtful debts	0	3,349	0	1,953
	0	0	0	0
Others - Considered good				
Outstanding for a period exceeding six months	0	1,152	0	672
Others	1,392	314,046	733	183,120
	1,392	315,198	733	183,792
Due from Holding/ Subsidiaries/ Fellow Subsidiaries	0	0	0	0
Total	1,392	315,198	733	183,792
Note: 12-Cash and Bank Balances:				
Balances with Banks	89,927	226,185	47,383	131,888
Cash on Hand	0	63	0	37
Total	89,927	226,248	47,383	131,925
Note: 13-Short Term Loans and Advances:				
Others:				
Advances recoverable in cash or in kind or for value to be received				
Considered good	1,470	22,648	775	13,206
Considered doubtful	0	1,237	0	721
	1,470	23,885	775	13,927
Total	1,470	23,885	775	13,927
Note: 14-Other Current Assets:				
Prepaid Expenses	364	3,253	192	1,897
Total	364	3,253	192	1,897
	Japanese Yen Thousands		INR Thousands	
	Year ended December 31			
	2014	2013	2014	2013
Note: 15-Revenue from Operations:				
Sale of Pharmaceutical Products	229,222	902,885	132,949	526,472
Total	229,222	902,885	132,949	526,472
Note: 16-Other Income:				
Other Non-operating Income	0	413	0	241
Total	0	413	0	241
Note: 17-Cost of Materials Consumed:				
Raw Materials:				
Stock at commencement	91,572	153,697	53,396	88,729
Add : Purchases	0	4,078	0	2,378
Less : Inventory destroyed	950		554	0
Less : Cost adjusted against sale of API [Refer Note No. 23]	90,215		52,604	0
	407	157,775	238	91,107
Less : Stock at close	0	91,572	0	53,396
	407	66,203	238	37,711
Packing Materials consumed	3,618	30,294	2,098	17,664
Total	4,025	96,497	2,336	55,375
Note: 18-Purchase of Stock-in-Trade:				
Purchase of Stock-in-Trade	0	298,325	0	173,953
Total	0	298,325	0	173,953
Note: 19-Changes in Inventories:				
Stock at commencement:				
Work-in-progress	30,375	25,428	17,712	14,680
Stock-in-Trade	247,871	339,554	144,534	196,025
	278,246	364,982	162,246	210,705
Less : Destruction of Inventory	86,384	0	50,103	0
Less : Stock at close:				
Work-in-progress	0	30,375	0	17,712
Stock-in-Trade	0	247,871	0	144,534
	0	278,246	0	162,246
Total	191,862	86,736	112,143	48,459

Zydus Pharma Japan Co. Ltd				
Notes to the Financial Statements				
	Japanese Yen Thousands		INR Thousands	
	Year ended December 31			
	2014	2013	2014	2013
Note: 20-Employee Benefit Expense:				
Salaries and wages	104,633	305,521	60,287	178,149
Contribution to provident and other funds	8,213	40,264	4,764	23,478
Staff welfare expenses	1,375	9,713	798	5,664
Total	114,221	355,498	65,849	207,291
Note: 21-Finance Cost:				
Interest on working capital loan	8,827	21,426	5,120	12,494
Bank commission & charges	8,496	12,181	4,928	7,103
Total	17,323	33,607	10,048	19,597
Note: 22-Other Expenses:				
Research Materials	0	3,519	0	2,052
Analytical Expenses	0	4,058	0	2,366
Consumption of Stores and spare parts	1	2,324	1	1,355
Power & fuel	2,379	5,088	1,380	2,967
Rent	17,426	34,479	10,107	20,105
Repairs to Plant and Machinery	537	118	311	69
Insurance	4,756	6,006	2,758	3,502
Rates and Taxes [excluding taxes on income]	12,020	10,000	6,972	5,831
Managing Directors' Remuneration	3,515	25,442	2,039	14,835
Traveling Expenses	7,888	37,556	4,575	21,899
Legal and Professional Fees	33,577	11,568	19,475	6,745
Exchange rate difference due to translation [Refer Note - 2 [**]]	0	0	0	22,407
Net Loss on foreign currency transactions and translation	(648)	17,872	(376)	10,421
Advertisement Expenses	0	2,220	0	1,294
Commission on sales	11,990	77,247	6,954	45,043
Freight and forwarding on sales	8,648	39,558	5,016	23,066
Representative Allowance and Incentives	4,143	21,243	2,403	12,387
Other marketing expenses	15,158	109,279	8,792	63,721
Bad Debts:				
Provision for Doubtful Debts	(3,340)	2,329	(1,937)	1,358
	(3,340)	2,329	(1,937)	1,358
Miscellaneous Expenses [*]	19,938	48,747	11,099	28,424
Total	137,988	458,653	79,569	289,847
Above expenses includes Research related expenses as follows:				
Research Materials	0	3,519	0	2,052
Analytical expenses	0	4,058	0	2,366
Traveling Expenses	0	194	0	113
Miscellaneous Expenses	0	13,622	0	7,943
Total	0	21,393	0	12,474
[*] Miscellaneous Expenses include Payment to the auditors as Auditor	4,618	5,325	2,678	3,105
Note: 23-Exceptional Items:				
Provision made for bringing value of fixed assets to their realizable value	23,391	0	13,567	0
Sale of API [Net of COGS of JPY 90,215 thousands]	(31,347)	0	(18,181)	0
Provision for amount payable to employees pursuant to separation package	0	232,120	0	135,349
Provision for other liabilities	40,666	36,027	23,587	21,008
Provision for diminution in value of Inventory	(3,896)	111,420	(2,260)	64,969
Gain on Sales of Asset [Brand]	(192,597)	0	(111,706)	0
Total	(163,782)	379,567	(94,993)	221,326
Note: 24-Calculation of Earnings per Share [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A Loss attributable to Shareholders	(84,197)	(904,550)	(48,837)	(546,840)
B Basic and weighted average number of Ordinary shares outstanding during the year	77,143	68,843	77,143	68,843
C Equivalent nominal value of ordinary share Japanese Yen	50,000	50,000	50,000	50,000
	Japanese Yen		INR	
D Basic & Diluted EPS	(1,091.44)	(13,139.25)	(633.07)	(7,943.25)

Zydus Pharma Japan Co. Ltd
Notes to the Financial Statements

Note: 25-Related Party Transactions:

A Name of the Related Parties and Nature of the Related Party Relationship:

a Holding Company:	Zydus International Private Limited
b Ultimate Holding Company:	Cadila Healthcare Limited, a company incorporated in India
c Fellow Subsidiaries:	
Dialforhealth India Limited	Zydus Pharmaceuticals (USA) Inc. [USA]
Dialforhealth Unity Limited	Nesher Pharmaceuticals (USA) LLC [USA]
Dialforhealth Greencross Limited	Zydus Healthcare (USA) LLC [USA]
German Remedies Limited	Zydus Noveltech Inc. [USA]
Liva Pharmaceuticals Limited	Hercon Pharmaceuticals LLC [USA]
Zydus Wellness Limited	Script Management Services (Pty) Ltd [South Africa]
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Zydus Nikkho Farmaceutica Ltda. [Brazil]
Zydus Technologies Limited	Laboratorios Combix S.L. [Spain]
Biochem Pharmaceutical Industries Limited	Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Zydus BSV Pharma Private Limited	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
M/s. Zydus Healthcare, a Partnership Firm	
Zydus Lanka (Private) Limited [Sri Lanka]	ZAHL B.V. [the Netherlands]
Etna Biotech S.R.L. [Italy]	ZAHL Europe B.V. [the Netherlands]
Zydus Netherlands B.V. [the Netherlands]	Bremer Pharma GmbH [Germany]
Zydus France, SAS [France]	Zydus Worldwide DMCC [Dubai]
Zydus Healthcare Philippines Inc [Philippines]	Zydus Discovery DMCC [Dubai]
d Directors:	
Mr. Ganesh Nayak	
Mr. Jignesh Bhatt	
Mr. Shridharan Jayakrishnan [Retired w.e.f. 11-Sep-14 and reappointed w.e.f. 14-Apr-15]	
Mr. Masaki Ihara [Appointed w.e.f. 11-Sep-14 and retired w.e.f. 14-Apr-15]	

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business :

- a** Details relating to parties referred to in items 25 - A [a & b]

Nature of Transactions	Value of the Transactions [Yen Thousands]			
	Holding company		Ultimate Holding company	
	Year ended December 31,			
	2014	2013	2014	2013
Sales :				
Goods:				
Cadila Healthcare Limited	0		0	7,664
Reimbursement of expenses				
Cadila Healthcare Limited	0		0	2,944
Purchases:				
Goods:				
Cadila Healthcare Limited	0		0	148,708
Services:				
Cadila Healthcare Limited	0		0	10,407
Share Capital:				
Shares Issued:				
Zydus International Private Limited	400,000	370,000	0	
Outstanding:				
Payables:				
Cadila Healthcare Limited	0		0	32,166

Nature of Transactions	Value of the Transactions [INR Thousands]			
	Holding company		Ultimate Holding company	
	Year ended December 31,			
	2014	2013	2014	2013
Sales :				
Goods:				
Cadila Healthcare Limited			0	4,469
Reimbursement of expenses				
Cadila Healthcare Limited			0	1,717
Purchases:				
Goods:				
Cadila Healthcare Limited			0	86,712
Services:				
Cadila Healthcare Limited			0	6,068
Share Capital:				
Shares Issued:				
Zydus International Private Limited	210,760	215,747		
Outstanding:				
Payables:				
Cadila Healthcare Limited			0	18,756

- b** There are no transactions with the parties referred to in items 25 - A [c & d]

Note: 26-Segment Information:

There is only one primary segment namely "Pharmaceuticals".

Zydus Pharma Japan Co. Ltd
Notes to the Financial Statements

Note: 27 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current reporting year's classifications/ disclosure.

Signatures to Significant Accounting Policies and Notes 1 to 27 to the Financial Statements

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 14, 2015

Director