Consolidated Financial Statements under IFRS with Independent Auditor's Report

Astellas Pharma Inc. and Subsidiaries

For the fiscal year ended 31 March 2024

Consolidated Financial Statements

(1) Consolidated Statement of Income

	Note	Fiscal year ended 31 March 2023 (Millions of yen)	Fiscal year ended 31 March 2024 (Millions of yen)	Fiscal year ended 31 March 2024 (Millions of U.S. dollars)
Revenue	6	1,518,619	1,603,672	$10,620
Cost of sales		(288,353)	(292,485)	(1,937)
Gross profit		1,230,266	1,311,187	8,683
Selling, general and administrative expenses		(630,272)	(740,110)	(4,901)
Research and development expenses		(276,128)	(294,187)	(1,948)
Amortisation of intangible assets	17	(38,436)	(98,820)	(654)
Gain on divestiture of intangible assets	17	212	9,735	64
Share of profit (loss) of investments accounted for using equity method		1,260	(3,165)	(21)
Other income	7	3,642	8,691	58
Other expenses	8	(157,515)	(167,814)	(1,111)
Operating profit		133,029	25,518	169
Finance income	10	8,110	11,455	76
Finance expenses	11	(8,779)	(12,005)	(80)
Profit before tax		132,361	24,969	165
Income tax expense	12	(33,647)	(7,924)	(52)
Profit		98,714	17,045	$113
Profit attributable to:				
Owners of the parent		98,714	17,045	113
Earnings per share:		(Yen)	(Yen)	(U.S. dollars)
Basic	13	54.24	9.51	$0.06
Diluted	13	54.09	9.47	0.06

(2) Consolidated Statement of Comprehensive Income

	Note	(Millions of yen) Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024	(Millions of U.S. dollars) Fiscal year ended 31 March 2024
Profit		98,714	17,045	$113
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income		8,733	(5,868)	(39)
Remeasurements of defined benefit plans		7,175	5,965	40
Subtotal		15,908	96	1
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	14	90,655	194,026	1,285
Cash flow hedges	14	-	(7,682)	(51)
Hedging cost	14	-	2,098	14
Subtotal		90,655	188,442	1,248
Other comprehensive income		106,563	188,538	1,249
Total comprehensive income		205,277	205,583	$1,361
Total comprehensive income attributable to:				
Owners of the parent		205,277	205,583	1,361

(3) Consolidated Statement of Financial Position

	Note	As of 31 March 2023 (Millions of yen)	As of 31 March 2024 (Millions of yen)	As of 31 March 2024 (Millions of U.S. dollars)
Assets				
Non-current assets				
Property, plant and equipment	15	286,459	293,742	$1,945
Goodwill	16	328,411	418,694	2,773
Intangible assets	17	562,496	1,453,824	9,628
Trade and other receivables	20	24,173	20,043	133
Investments accounted for using equity method		12,689	15,684	104
Deferred tax assets	18	84,169	45,594	302
Other financial assets	29	97,886	108,694	720
Other non-current assets		10,280	18,597	123
Total non-current assets		1,406,564	2,374,873	15,728
Current assets				
Inventories	19	174,386	248,738	1,647
Trade and other receivables	20	427,965	534,985	3,543
Income tax receivable		17,813	13,051	86
Other financial assets	29	19,784	28,784	191
Other current assets		32,428	32,241	214
Cash and cash equivalents	21	376,840	335,687	2,223
Subtotal		1,049,216	1,193,485	7,904
Assets held for sale		738	1,245	8
Total current assets		1,049,954	1,194,730	7,912
Total assets		2,456,518	3,569,603	$23,640

	Note	(Millions of yen) As of 31 March 2023	As of 31 March 2024	(Millions of U.S. dollars) As of 31 March 2024
Equity and liabilities				
Equity				
Share capital	22	103,001	103,001	$682
Capital surplus	22	181,280	184,070	1,219
Treasury shares	22	(25,123)	(33,783)	(224)
Retained earnings		908,158	809,400	5,360
Other components of equity		340,640	533,300	3,532
Total equity attributable to owners of the parent		1,507,954	1,595,988	10,569
Total equity		1,507,954	1,595,988	10,569
Liabilities				
Non-current liabilities				
Bonds and borrowings	29	50,000	447,738	2,965
Trade and other payables	28	4,217	2,199	15
Deferred tax liabilities	18	6,048	51,346	340
Retirement benefit liabilities	25	24,818	24,674	163
Provisions	26	6,537	7,369	49
Other financial liabilities	29	89,924	105,602	699
Other non-current liabilities	27	40,987	48,962	324
Total non-current liabilities		222,530	687,889	4,556
Current liabilities				
Bonds and borrowings	29	75,000	472,278	3,128
Trade and other payables	28	140,236	185,193	1,226
Income tax payable		5,137	38,515	255
Provisions	26	17,855	15,700	104
Other financial liabilities	29	105,131	97,565	646
Other current liabilities	27	382,675	476,474	3,155
Total current liabilities		726,034	1,285,725	8,515
Total liabilities		948,564	1,973,615	13,070
Total equity and liabilities		2,456,518	3,569,603	$23,640

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Note	Equity attributable to owners of the parent					
						Other components of equity	
		Share capital	Capital Surplus	Treasury shares	Retained earnings	Subscription rights to shares	Exchange differences on translation of foreign operations
As of 1 April 2022		103,001	179,467	(13,934)	944,261	630	233,621
Comprehensive income							
Profit		-	-	-	98,714	-	-
Other comprehensive income		-	-	-	-	-	90,655
Total comprehensive income		-	-	-	98,714	-	90,655
Transactions with owners							
Acquisition of treasury shares	22	-	-	(60,556)	-	-	-
Disposals of treasury shares	22	-	(1,442)	1,680	(118)	(94)	-
Cancellation of treasury shares	22	-	-	47,686	(47,686)	-	-
Dividends	23	-	-	-	(100,355)	-	-
Share-based payments	24	-	3,254	-	-	-	-
Transfer to retained earnings		-	-	-	13,342	-	-
Total transactions with owners		-	1,812	(11,190)	(134,817)	(94)	-
As of 31 March 2023		103,001	181,280	(25,123)	908,158	536	324,276
Comprehensive income							
Profit		-	-	-	17,045	-	-
Other comprehensive income		-	-	-	-	-	194,026
Total comprehensive income		-	-	-	17,045	-	194,026
Transactions with owners							
Acquisition of treasury shares	22	-	-	(10,735)	-	-	-
Disposals of treasury shares	22	-	(1,452)	2,075	(450)	(161)	-
Dividends	23	-	-	-	(116,653)	-	-
Share-based payments	24	-	4,242	-	-	-	-
Transfer to retained earnings		-	-	-	1,300	-	-
Transfer to non-financial assets		-	-	-	-	-	-
Total transactions with owners		-	2,790	(8,660)	(115,803)	(161)	-
As of 31 March 2024		103,001	184,070	(33,783)	809,400	376	518,302

(Millions of yen)

	Note	Equity attributable to owners of the parent						Total equity
		Other components of equity					Total	
		Cash flow hedges	Hedging cost	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
As of 1 April 2022		-	-	13,261	-	247,512	1,460,308	1,460,308
Comprehensive income								
Profit		-	-	-	-	-	98,714	98,714
Other comprehensive income		-	-	8,733	7,175	106,563	106,563	106,563
Total comprehensive income		-	-	8,733	7,175	106,563	205,277	205,277
Transactions with owners								
Acquisition of treasury shares	22	-	-	-	-	-	(60,556)	(60,556)
Disposals of treasury shares	22	-	-	-	-	(94)	27	27
Cancellation of treasury shares	22	-	-	-	-	-	-	-
Dividends	23	-	-	-	-	-	(100,355)	(100,355)
Share-based payments	24	-	-	-	-	-	3,254	3,254
Transfer to retained earnings		-	-	(6,167)	(7,175)	(13,342)	-	-
Total transactions with owners		-	-	(6,167)	(7,175)	(13,435)	(157,630)	(157,630)
As of 31 March 2023		-	-	15,827	-	340,640	1,507,954	1,507,954
Comprehensive income								
Profit		-	-	-	-	-	17,045	17,045
Other comprehensive income		(7,682)	2,098	(5,868)	5,965	188,538	188,538	188,538
Total comprehensive income		(7,682)	2,098	(5,868)	5,965	188,538	205,583	205,583
Transactions with owners								
Acquisition of treasury shares	22	-	-	-	-	-	(10,735)	(10,735)
Disposals of treasury shares	22	-	-	-	-	(161)	12	12
Dividends	23	-	-	-	-	-	(116,653)	(116,653)
Share-based payments	24	-	-	-	-	-	4,242	4,242
Transfer to retained earnings		-	-	4,664	(5,965)	(1,300)	-	-
Transfer to non-financial assets		7,682	(2,098)	-	-	5,584	5,584	5,584
Total transactions with owners		7,682	(2,098)	4,664	(5,965)	4,123	(117,550)	(117,550)
As of 31 March 2024		-	-	14,623	-	533,300	1,595,988	1,595,988

(Millions of U.S dollars)

	Note	Equity attributable to owners of the parent					
						Other components of equity	
		Share capital	Capital Surplus	Treasury shares	Retained earnings	Subscription rights to shares	Exchange differences on translation of foreign operations
As of 31 March 2023		$682	$1,201	$(166)	$6,014	$4	$2,148
Comprehensive income							
Profit		-	-	-	113	-	-
Other comprehensive income		-	-	-	-	-	1,285
Total comprehensive income		-	-	-	113	-	1,285
Transactions with owners							
Acquisition of treasury shares	22	-	-	(71)	-	-	-
Disposals of treasury shares	22	-	(10)	14	(3)	(1)	-
Dividends	23	-	-	-	(773)	-	-
Share-based payments	24	-	28	-	-	-	-
Transfer to retained earnings		-	-	-	9	-	-
Transfer to non-financial assets		-	-	-	-	-	-
Total transactions with owners		-	18	(57)	(767)	(1)	-
As of 31 March 2024		$682	$1,219	$(224)	$5,360	$2	$3,432

(Millions of U.S. dollars)

	Note	Equity attributable to owners of the parent						Total equity
		Other components of equity					Total	
		Cash flow hedges	Hedging cost	Financial assets measured at fair value through other comprehen-sive income	Remeasure-ments of defined benefit plans	Total		
As of 31 March 2023		$-	$-	$105	$-	$2,256	$9,986	$9,986
Comprehensive income								
Profit		-	-	-	-	-	113	113
Other comprehensive income		(51)	14	(39)	40	1,249	1,249	1,249
Total comprehensive income		(51)	14	(39)	40	1,249	1,361	1,361
Transactions with owners								
Acquisition of treasury shares	22	-	-	-	-	-	(71)	(71)
Disposals of treasury shares	22	-	-	-	-	(1)	0	0
Dividends	23	-	-	-	-	-	(773)	(773)
Share-based payments	24	-	-	-	-	-	28	28
Transfer to retained earnings		-	-	31	(40)	(9)	-	-
Transfer to non-financial assets		51	(14)	-	-	37	37	37
Total transactions with owners		51	(14)	31	(40)	27	(778)	(778)
As of 31 March 2024		$-	$-	$97	$-	$3,532	$10,569	$10,569

(5) Consolidated Statement of Cash Flows

	Note	(Millions of yen) Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024	(Millions of U.S. dollars) Fiscal year ended 31 March 2024
Cash flows from operating activities				
Profit before tax		132,361	24,969	$165
Depreciation and amortisation		105,738	157,840	1,045
Impairment losses (reversal of impairment losses)		84,499	78,931	523
Finance income and expenses		668	549	4
(Increase) decrease in inventories		(7,086)	(60,036)	(398)
(Increase) decrease in trade and other receivables		(4,849)	(55,948)	(371)
Increase (decrease) in trade and other payables		(12,274)	29,466	195
Other		98,189	34,816	231
Subtotal		397,246	210,587	1,395
Income tax paid		(69,479)	(38,112)	(252)
Net cash flows from operating activities		327,767	172,475	1,142
Cash flows from investing activities				
Purchases of property, plant and equipment		(36,441)	(38,056)	(252)
Purchases of intangible assets		(52,100)	(44,441)	(294)
Proceeds from sales of intangible assets		212	11,003	73
Proceeds from sales of equity instruments		12,624	-	-
Payments for acquisition of subsidiaries	31	-	(784,974)	(5,199)
Interest and dividends received		4,558	8,850	59
Other		(13,353)	1,816	12
Net cash flows provided by (used in) investing activities		(84,500)	(845,802)	(5,601)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial papers	31	(15,000)	324,337	2,148
Proceeds from issuance of bonds and long-term borrowings	31	50,000	472,275	3,128
Redemption of bonds and repayments of long-term borrowings	31	(50,000)	(25,379)	(168)
Acquisition of treasury shares	22	(60,556)	(10,735)	(71)
Dividends paid to owners of the parent	23	(100,355)	(116,653)	(773)
Repayments of lease liabilities	31	(16,495)	(13,246)	(88)
Other		(3,218)	(16,539)	(110)
Net cash flows provided by (used in) financing activities		(195,623)	614,060	4,067

	Note	Fiscal year ended 31 March 2023 (Millions of yen)	Fiscal year ended 31 March 2024 (Millions of yen)	Fiscal year ended 31 March 2024 (Millions of U.S. dollars)
Effect of exchange rate changes on cash and cash equivalents		13,210	18,113	120
Net increase (decrease) in cash and cash equivalents		60,854	(41,153)	(273)
Cash and cash equivalents at the beginning of the year	21	315,986	376,840	2,496
Cash and cash equivalents at the end of the year	21	376,840	335,687	$2,223

Notes to Consolidated Financial Statements

1. Reporting Entity

Astellas Pharma Inc. and its subsidiaries (collectively, the “Group”) are engaged in the manufacture and sales of pharmaceutical products. The parent company of the Group, Astellas Pharma Inc. (the “Company”), is incorporated in Japan, and the registered address of headquarters and principal business offices are available on the Company’s website (https://www.astellas.com/en/). Also, shares of the Company are publicly traded on the Tokyo Stock Exchange (Prime Market).

The Group’s Japanese language consolidated financial statements for the fiscal year ended 31 March 2024 were authorised for issue on 20 June 2024 by Naoki Okamura, Representative Director, President and Chief Executive Officer, and Atsushi Kitamura, Corporate Executive (“*Senmu Tantou-Yakuin*”), Chief Financial Officer.

These English language consolidated financial statements were approved by them subsequently on 7 August 2024. There are no material differences between these consolidated financial statements and the Japanese language consolidated financial statements.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

(2) Basis of measurement

The Group’s consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value, etc.

(3) Presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency, and figures are rounded to the nearest million yen, except as otherwise indicated.

For the convenience of readers, the accompanying consolidated financial statements are also presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥151 to U.S. $1, the approximate rate of exchange as of 31 March 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) Changes in presentation

Consolidated Statement of Financial Position

“Bonds and borrowings” which was included as “Other financial liabilities” under non-current liabilities and current liabilities for the fiscal year ended 31 March 2023, is separately presented from the fiscal year ended 31 March 2024 as the amount became material.

To reflect this change in presentation, the consolidated statement of financial position for the fiscal year ended 31 March 2023 has been reclassified.

As a result, ¥50,000 million and ¥75,000 million which were presented as “Other financial liabilities” under non-current liabilities and current liabilities, respectively, on consolidated statement of financial position for the fiscal year ended 31 March 2023, are now reclassified to “Bonds and borrowings” under non-current liabilities and current liabilities.

(5) IFRS standards and interpretations issued but not yet adopted

The following is a list of the major new or amended IFRS standards and interpretations that the Group has not early adopted among those issued by the date of the approval of the Group's consolidated financial statements. The effect of the application of the new IFRS standard on the Group's consolidated financial statements is still under consideration.

IFRS		Effective date (fiscal year beginning on or after)	The Group's application date (fiscal year ending)	Outline of new or amended IFRS standards and interpretations
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	31 March 2028	Introduces new requirements to improve companies' reporting of financial performance and give investors a better basis for analysing and comparing companies

3. Material Accounting Policies

The material accounting policies of the Group set forth below are applied continuously to all periods indicated in the consolidated financial statements.

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group has power over the entity, is exposed to, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date on which the Group loses control.

All intragroup assets and liabilities, transactions and unrealised gains or losses arising from intragroup transactions are eliminated on consolidation.

(ii) Associates

Associates are entities over which the Group has significant influence on their financial and operating policies but does not have control or joint control. If the Group owns between 20% and 50% of the voting power of an entity, it is presumed that the Group has significant influence over the entity. The Group accounts for investments in associates using the equity method.

(iii) Joint arrangements

A joint arrangement is an arrangement in which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Joint arrangements in which the Group has an interest are classified and accounted for as follows:

・ Joint operation—when the Group has rights to the assets and obligations for the liabilities relating to an arrangement, it accounts for each of its assets, liabilities, revenue and expenses, in relation to its interest in the joint operation.

・ Joint venture—when the Group has rights only to the net assets of the arrangement, it accounts for its interest in the joint venture using the equity method in the same way as associates.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred is measured at fair value and calculated as the aggregate of the fair values of the assets transferred, liabilities assumed, and the equity interests issued by the Group. The consideration transferred also includes any assets or liabilities resulting from a contingent consideration arrangement.

The identifiable assets acquired, the liabilities and contingent liabilities assumed that meet the recognition principles of IFRS 3 "Business Combinations" are measured at their acquisition-date fair values, except:

・ Deferred tax assets or liabilities, liabilities (or assets, if any) related to employee benefits, and liabilities related to share-based payment transactions are recognised and measured in accordance with IAS 12 "Income Taxes," IAS 19 "Employee Benefits," and IFRS 2 "Share-based Payment," respectively; and

・ Non-current assets and disposal groups classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

・ Right-of-use assets and lease liabilities are measured in accordance with IFRS 16 "Leases."

The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recorded as goodwill. If the excess is negative, then a gain is immediately recognised in profit or loss.

Acquisition-related costs incurred in connection with business combinations, such as finder's fees and advisory fees, are expensed when incurred.

(3) Foreign currency translation

(i) Functional and presentation currency

The financial statements of an entity of the Group are prepared using the functional currency of the entity. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

(ii) Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or an approximation of the rate.

Monetary assets and liabilities denominated in foreign currencies at the end of fiscal year are translated into the functional currency using the exchange rates at the end of fiscal year and exchange differences arising from translation are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of fiscal year. Income and expenses are translated into Japanese yen using the average exchange rate for the period.

Exchange differences arising on translating the financial statements of foreign operations are recognised in other comprehensive income. On the disposal of the interest in a foreign operation, the cumulative amount of the exchange differences is reclassified to profit or loss.

(4) Revenue

The Group generates revenue from the sale of pharmaceuticals and royalty income from agreements under which third parties have been granted rights to manufacture or market pharmaceutical products or rights to use technologies.

(i) Sales of pharmaceutical products

Revenue from sales of pharmaceuticals is recognised when control of the promised pharmaceutical product is transferred to the customer by the Group. The Group determines that control of a pharmaceutical product is usually transferred to the customer upon delivery.

There are no contracts for which the payment terms of consideration are longer than one year, in principle, and thus no significant financing component is included. If the transaction price in a contract includes variable amounts such as rebates or discounts, the variable consideration is estimated by using either of the expected value method or the most likely amount method, and is reduced from the consideration received from the customer. The variable consideration is recognised only when it is probable that a significant reversal will not occur.

In certain transactions, the Group may be deemed to be contracted by other companies to sell pharmaceuticals on their behalf. For such transactions in which the Group acts as an agent, the Group recognises revenue as the net amount of the remuneration or fees for which it expects to obtain rights.

(ii) Royalty income

Royalty income includes upfront payments, milestone payments received when certain contractual conditions are fulfilled, and running royalties based on net sales and other factors.

For upfront payments, revenue is recognised at a point in time when each performance obligation is satisfied or over time as the performance obligation is satisfied. For performance obligations satisfied at a point in time, revenue is recognised when control of the promised right is transferred to the customer by the Group in accordance with the contract. For performance obligations satisfied over time, revenue is recognised based on the ratio between the elapsed period and the remaining period available to provide the promised services in the contract.

Receipt of milestone payments is subject to uncertainty and such uncertainty is not eliminated until conditions have been fulfilled. As such, revenue is recognised for milestone payments at a point in time when the conditions for the milestone payments have been fulfilled, in principle.

Running royalties based on net sales and other factors are recognised at a point in time when the later of either of the following events occurs: subsequent sales, etc. are realised, or performance obligations with allocated running royalties based on net sales and other factors are satisfied.

Revenue is recognised for upfront payments and milestone payments at the amounts stipulated by the contracts, in principle. Revenue from running royalties is calculated as the amount of net sales, etc. for the calculation period reported by the customer, multiplied by the contractual fee rate. In almost all the contracts, a payment deadline has been set within a short period after the conclusion of contracts, fulfilment of conditions or the final day of the calculation period for running royalties.

(5) Research and development expenses

Expenditure on research and development of an internal project is fully expensed as “Research and development expenses” in the consolidated statement of income when incurred.

Internal development expenditure incurred is recognised as an intangible asset only if the capitalisation criteria under IAS 38 are satisfied. Therefore, internal expenditure incurred for ongoing internal development projects is not capitalised until marketing approval is obtained from the regulatory authorities in a major market, which is considered the time at which the criteria of capitalisation under IAS 38 are met.

In addition to the Group’s internal research and development activities, the Group has entered into research and development collaboration agreements with some alliance partners. The payments and receipts associated with the settlement of expenditure incurred for the research and development collaboration activities are accounted for as research and development expenses on an accrual basis in the same way as research and development expenditure incurred within the Group.

(6) Income tax expense

Income tax expense is comprised of current and deferred taxes, and recognised in profit or loss, except for taxes related to business combinations and to items that are recognised in other comprehensive income or directly in equity.

Current taxes are calculated at the amount expected to be paid to or refunded from the taxation authority by applying the statutory tax rate and tax laws enacted or substantially enacted at the end of the fiscal year.

Deferred tax assets and deferred tax liabilities are recognised for temporary differences between the carrying amounts of certain assets or liabilities in the consolidated statement of financial position and their tax base. However, deferred tax assets and liabilities are not recognised for:

・ taxable temporary differences arising from the initial recognition of goodwill.
・ taxable or deductible temporary differences arising from the initial recognition of assets or liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss) and does not give rise to equal taxable and deductible temporary differences at the time of the transaction.
・ deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements when it is not probable that the temporary difference will reverse in the foreseeable future or there will not be sufficient taxable profits against which the deductible temporary differences can be utilised.
・ taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses, and unused tax credits can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income tax expense levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and current tax liabilities on a net basis.

The Group applies the exception provided for in IAS 12 and does not recognise or disclose deferred tax assets and deferred tax liabilities related to income tax expense arising from the Pillar Two Model Rules.

(7) Property, plant and equipment (except for right-of-use assets)

Property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment includes costs directly attributable to the acquisition and the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located.

Costs incurred after initial recognition are recognised as an asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and its cost can be reliably measured. Costs of day-to-day servicing for items of property, plant and equipment, such as repairs and maintenance, are expensed when incurred.

Depreciation of an asset begins when it is available for use. When an item of property, plant and equipment has significant components, each component is depreciated separately. The depreciable amount of items of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of each component. The depreciable amount of an asset is determined by deducting its residual value from its cost.

The estimated useful lives of major classes of property, plant and equipment are as follows:

Buildings and structures	2 to 60 years
Machinery and vehicles	2 to 20 years
Equipment, furniture and fixtures	2 to 20 years

The useful lives, residual values, and depreciation methods of property, plant and equipment are reviewed at the end of fiscal year, and changed, if necessary.

(8) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on the substance of the contract. The Group determines the lease term as the non-cancellable period of a lease in consideration of both options to extend and terminate the lease from perspective of reasonability and certainty. The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics. For short-term leases and leases for which the underlying asset is of low value, the Group may recognise the lease payments as an expense over the lease term instead of recognising a right-of-use asset and a lease liability.

(i) Right-of-use asset

Right-of-use assets are measured at cost, which comprises the amount of the initial measurement of the corresponding lease liability at the commencement date, adjusted for initial direct costs, etc.

Right-of-use assets are depreciated on a straight-line basis after the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term (2 to 40 years).

(ii) Lease liability

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, which are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After the commencement date, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasured to reflect any reassessment or lease modifications when necessary.

(9) Goodwill

Measurement of goodwill on initial recognition is described in “(2) Business combinations.” After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Impairment of goodwill is described in “(11) Impairment of property, plant and equipment, goodwill, and intangible assets.”

(10) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, other than goodwill, including research and production technology, in-process research and development (IPR&D), and marketing rights acquired in business combinations or acquired separately.

Intangible assets acquired separately are measured at cost upon initial recognition, and those acquired in business combinations are measured at fair value at acquisition dates. After initial recognition, the Group applies the cost model and intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Among rights related to products or research and development acquired separately or through business combinations, those that are still in the research and development stage or those that marketing approval has not yet been obtained for from the regulatory authorities and thus have not yet been launched are recognised under intangible assets as "IPR&D."

Expenditure on an acquired IPR&D, including initial upfront and milestone payments to the third parties, is capitalised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the asset is identifiable.

An intangible asset recognised as IPR&D is not amortised because it is not yet available for use, but instead, it is tested for impairment whenever there is an indication of impairment or annually at the same time each year irrespective of whether there is any indication of impairment.

Once marketing approval from the regulatory authorities is obtained and the product is launched, IPR&D is transferred to "Marketing rights" and amortisation begins from that time on a straight-line basis over its estimated useful life.

Intangible assets are amortised over their estimated useful lives (2 to 25 years) on a straight-line basis beginning at the time when they are available for use. Amortisation of research and production technology, and rights related to products or research and development acquired separately or acquired through business combinations is presented in the consolidated statement of income under "Amortisation of intangible assets." The estimated useful life of intangible assets is the shorter of the period of legal protection or its economic life, and it is also regularly reviewed.

Gains arising from the transfer of rights related to products or research and development are presented in the consolidated statement of income under "Gain on divestiture of intangible assets."

(11) Impairment of property, plant and equipment, goodwill, and intangible assets

(i) Impairment of property, plant and equipment and intangible assets

At the end of each quarter, the Group assesses whether there is any indication that its property, plant and equipment and intangible assets may be impaired.

If there is an indication of impairment, the recoverable amount of the asset is estimated. Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually at the same time each year irrespective of whether there is any indication of impairment.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In measuring the value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects the time value of money and the risks specific to the asset at the measurement date. The discount rate used for calculating the recoverable amount is set at a rate appropriate to each geographical area of operations.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.

(ii) Impairment of goodwill

Goodwill is allocated to each of the cash-generating units or groups of cash-generating units, that is expected to benefit from the synergies of the business combination, and it is tested for impairment annually at the same time each year and whenever there is an indication of impairment. If, at the time of the impairment test, the recoverable amount of a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount of the cash-generating unit or the group of cash-generating units is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.

Impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of cash-generating units and then to the other assets on a pro rata basis of the carrying amount of each asset in the cash-generating unit or group of cash-generating units.

(iii) Reversal of impairment loss

At the end of each quarter, the Group assesses whether there is any indication that an impairment loss recognised in prior years may no longer exist or may have decreased. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated. If the recoverable amount of the asset or the cash-generating unit is greater than its carrying amount, a reversal of an impairment loss is recognised, to the extent the increased carrying amount does not exceed the carrying amount (net of depreciation or amortisation) that would have been determined had no impairment loss been recognised in prior years.

Any impairment loss recognised for goodwill is not reversed in a subsequent period.

(12) Financial instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised on the trade date when the Group becomes a party to the contractual provisions of the instrument.

Except for trade receivables which do not contain a significant financing component, financial assets and financial liabilities are measured at fair value at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issuance of financial liabilities other than financial assets measured at fair value through profit or loss (“financial assets at FVTPL”) and financial liabilities measured at fair value through profit or loss (“financial liabilities at FVTPL”), are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL and financial liabilities at FVTPL are recognised in profit or loss.

(ii) Financial assets

At initial recognition, all financial assets are classified as “financial assets measured at amortised cost,” “financial assets measured at fair value through other comprehensive income (“financial assets at FVTOCI”)” or “financial assets at FVTPL.”

(a) Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest revenue using the effective interest method is recognised in profit or loss.

(b) Financial assets at FVTOCI (debt instruments)

Financial assets are classified as financial assets at FVTOCI (debt instruments) if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

After initial recognition, the financial assets are measured at fair value, and any gain or loss resulting from changes in fair value is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gain or loss recognised in other components of equity is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Financial assets at FVTOCI (equity instruments)

The Group has made an irrevocable election for equity instruments, with some exceptions, to present subsequent changes in fair value in other comprehensive income, and classifies such instruments as financial assets at FVTOCI.

After initial recognition, the financial assets are measured at fair value, and any gain or loss resulting from changes in fair value is recognised in other comprehensive income. When the financial asset is derecognised or the fair value has significantly decreased, the cumulative gain or loss recognised in other component of equity is transferred to retained earnings. Dividends on such financial assets are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Financial assets at FVTPL

Financial assets not classified as financial assets measured at amortised cost or financial assets at FVTOCI are classified as financial assets at FVTPL.

After initial recognition, the financial assets are measured at fair value with subsequent changes in fair value recognised in profit or loss.

(iii) Impairment of financial assets

Loss allowances are recognised for expected credit losses for financial assets measured at amortised cost or debt instruments classified as financial assets at FVTOCI.

At the end of each quarter, the loss allowance is measured for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. The loss allowance is measured for a financial asset at an amount equal to 12-month expected credit losses if the credit risk on that financial asset has not increased significantly since initial recognition.

However, for trade receivables, contract assets and lease receivables, the loss allowance is always measured at an amount equal to lifetime expected credit losses.

If all or part of a financial asset is determined to be unrecoverable based on reasonable grounds, the financial asset is considered to be default.

The amounts of loss allowances are calculated to reflect the following factors:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money
- reasonable and supportable information that is available without undue cost or effort about past events, current conditions, and forecasts of future economic conditions.

When evaluating whether credit risk has increased significantly, the Group considers reasonable and supportable information that is available, as well as past-due information. Moreover, if there is objective evidence of credit impairment such as legal liquidation procedures due to the bankruptcy of a borrower, the Group considers the financial asset to be a credit-impaired financial asset. The carrying amount of such financial asset is directly reduced by the amount that clearly cannot be recovered in the future and the corresponding loss allowance is also reduced.

(iv) Financial liabilities

At initial recognition, all financial liabilities are classified as “financial liabilities at FVTPL” or “financial liabilities measured at amortised cost.”

(a) Financial liabilities at FVTPL

Derivative financial liabilities, financial liabilities designated as financial liabilities at FVTPL and contingent consideration recognised in a business combination that meets the definition of financial liabilities, are classified as financial liabilities at FVTPL.

After initial recognition, the financial liabilities are measured at fair value with subsequent changes in fair value recognised in profit or loss.

(b) Financial liabilities measured at amortised cost

Financial liabilities not classified as financial liabilities at FVTPL are classified as financial liabilities measured at amortised cost.

After initial recognition, the financial liabilities are measured at amortised cost using the effective interest method.

(v) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the contractual rights to receive the cash flows of the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset are transferred or the contractual rights to receive the cash flows of the financial asset have been transferred but substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained and control of the financial asset has not been retained.

Financial liabilities are derecognised when a financial liability is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expired.

(vi) Derivatives and hedge accounting

Changes in the fair value of derivatives not designated as hedging instruments are recognised in profit or loss.

Derivatives designated as hedging instruments are accounted for differently depending on the type of hedging relationships.

At the inception of hedging relationships, the Group formally designates and documents the hedging relationships and its risk management objective and strategy for executing the hedges. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group assesses whether the hedging relationship meets the hedge effectiveness requirements. The group also assesses whether the hedging relationship meets the hedge effectiveness requirements at the inception of the hedge and on an ongoing basis.

Qualifying hedging relationships are accounted for as follows.

(a) Fair value hedges

The gain or loss on the derivatives is recognised in profit or loss. The hedging gain or loss on the hedged items adjusts the carrying amount of the hedged items and is recognised in profit or loss.

(b) Cash flow hedges

The portion of the gain or loss on the derivatives that is determined to be an effective hedge is recognised in other comprehensive income, and the ineffective portion is recognised in profit or loss. Gain or loss accumulated in other comprehensive income is reclassified to profit or loss in the same period or periods during which the cash flows of the hedged items affect profit or loss.

(c) Hedges of net investments in foreign operations

The portion of the gain or loss on the derivatives that is determined to be an effective hedge is recognised in other comprehensive income, and the ineffective portion is recognised in profit or loss. Gain or loss accumulated in other comprehensive income is reclassified to profit or loss on the disposal of foreign operations.

Hedge accounting is discontinued when the hedging relationships cease to meet the qualifying criteria, including instances when the hedging instruments expire or are sold, terminated or exercised.

(13) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturities of three months or less from the date of acquisition which are subject to an insignificant risk of changes in value.

(14) Inventories

Inventories are measured at the lower of cost and net realisable value, and if net realisable value is less than the cost, write-down is recognised. The cost of inventories includes costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell. Write-downs are recognised for inventory associated with products for which marketing approval has not yet been obtained from the regulatory authorities. These write-downs are reversed when the marketing approval becomes highly probable to be obtained. Cost of inventories is calculated mainly using the first-in, first-out

(FIFO) method.

(15) Share-based payments

The Group operates an equity-settled share-based payment plan and a cash-settled share-based payment plan as share-based payment plans.

(i) Equity-settled share-based payment plan

Under the equity-settled share-based payment plan, services received are measured at the fair value of the equity instruments at the grant date, and are recognised as expenses from the grant date over the vesting period, with a corresponding increase in equity.

(ii) Cash-settled share-based payment plan

Under the cash-settled share-based payment plan, services received are measured at the fair value of the liabilities incurred and recognised as expenses over the vesting period, with a corresponding increase in liabilities. Until the liabilities are settled, the fair value of liabilities is remeasured at the end of each quarter and at the settlement date, with changes in fair value recognised in profit or loss.

(16) Employee benefits

(i) Retirement benefits

The Group operates defined benefit and defined contribution retirement plans for its employees.

(a) Defined benefit plans

Net defined benefit assets or liabilities are calculated as the present value of the defined benefit obligation less the fair value of plan assets and they are recognised in the consolidated statement of financial position as assets or liabilities. The defined benefit obligation is calculated by using the projected unit credit method. The present value of the defined benefit obligation is calculated by the expected future payments using discount rate. The discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms consistent with the estimated term of the related pension obligations.

Service cost and net interest expense (income) on the net defined benefit liabilities (assets) are recognised in profit or loss.

Actuarial gains and losses, the return on plan assets, excluding amounts included in net interest expense, and any change in the effect of the asset ceiling are recognised immediately in other comprehensive income under “Remeasurements of defined benefit plans,” and transferred from other components of equity to retained earnings immediately.

(b) Defined contribution plans

Contributions paid for defined contribution plans are expensed in the period in which the employees provide the related service.

(ii) Short-term employee benefits

Short-term employee benefits are expensed when the related service is provided. Bonus accrual is recognised as a liability when the Group has present legal or constructive obligations resulting from past service rendered by the employees and reliable estimates of the obligations can be made.

(17) Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

4. Significant Accounting Estimates, Judgements and Assumptions

The preparation of the consolidated financial statements requires management of the Group to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses.

Given their nature, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, and the effects resulting from revisions of accounting estimates are recognised in the period in which the estimates are revised and in future periods affected by the revision.

Accounting estimates that may have a material impact on the consolidated financial statements in the next fiscal year are as follows:

- Revenue recognition and recording of estimated refund liabilities (Notes 6 and 27)
- Impairment of goodwill and in-process research and development (IPR&D) (Notes 16 and 17)
- Recoverability of deferred tax assets (Note 18)
- Fair value measurement of contingent consideration (Note 29)
- Fair value measurement of IPR&D acquired through the business combination with IVERIC bio, Inc. (Notes 17 and 34)

5. Segment Information

The main activities of the Group are research and development, manufacture, and sales of pharmaceutical products, and there are no separate operating segments. Therefore, the Group has a single reporting segment, “Pharmaceutical.”

Information about products and services

Revenue by type of product and service is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
XTANDI	661,118	750,466
PROGRAF	198,777	203,085
BETANIS/MYRBETRIQ/BETMIGA	188,575	198,066
Other	470,148	452,055
Total	1,518,619	1,603,672

Information about geographical areas

Revenue and non-current assets by geographical areas are as follows:

Revenue by geographical areas

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Japan	284,844	286,218
United States	658,247	668,551
Other	575,528	648,903
Total	1,518,619	1,603,672

(Note) Revenue by geographical areas is categorised based on the geographical location of each Group company.

Non-current assets (property, plant and equipment, goodwill and intangible assets) by geographical areas

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Japan	349,083	308,014
United States	710,513	1,734,228
Other	117,771	124,018
Total	1,177,367	2,166,260

Information about major customers

The following external customers account for 10% or more of the consolidated revenue of the Group:

(Millions of yen)

	Segment	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
McKesson Group	Pharmaceutical	259,992	243,433
Cencora Group	Pharmaceutical	166,934	175,018

6. Revenue

(1) Breakdown of revenue

The breakdown of revenue is as follows:

Fiscal year ended 31 March 2023

(Millions of yen)

	Japan	United States	Established Markets	Greater China	International Markets	Others	Total
Sales of pharmaceutical products							
XTANDI	54,720	341,793	197,935	11,062	55,608	-	661,118
PROGRAF	35,604	10,737	69,773	46,823	35,841	-	198,777
BETANIS/MYRBETRIQ /BETMIGA	33,533	96,471	42,852	3,945	11,774	-	188,575
Other	137,273	174,242	49,245	18,181	38,654	3,841	421,436
Subtotal	261,131	623,242	359,805	80,011	141,877	3,841	1,469,906
Royalty income	1,172	-	6	-	1,454	16,359	18,991
Other	-	29,199	-	-	-	522	29,721
Total	262,303	652,441	359,811	80,011	143,331	20,722	1,518,619
Revenue recognised from contracts with customers	262,303	623,242	359,811	80,011	143,331	20,722	1,489,420
Revenue recognised from other sources	-	29,199	-	-	-	-	29,199

Fiscal year ended 31 March 2024

(Millions of yen)

	Japan	United States	Established Markets	Greater China	International Markets	Others	Total
Sales of pharmaceutical products							
XTANDI	56,724	379,687	231,581	16,923	65,550	-	750,466
PROGRAF	29,506	9,987	73,841	49,167	40,584	-	203,085
BETANIS/MYRBETRIQ /BETMIGA	27,356	101,302	51,251	3,908	14,249	-	198,066
Other	155,717	111,450	58,894	18,505	37,423	79	382,068
Subtotal	269,304	602,426	415,567	88,503	157,806	79	1,533,685
Royalty income	822	-	-	-	1,267	6,795	8,885
Other	-	60,682	-	-	-	420	61,102
Total	270,126	663,108	415,567	88,503	159,073	7,295	1,603,672
Revenue recognised from contracts with customers	270,126	602,426	415,567	88,503	159,073	7,295	1,542,990
Revenue recognised from other sources	-	60,682	-	-	-	-	60,682

(Notes) 1. Revenue is categorised based on the organizational grouping of business management in the commercial division.

2. Revenue recognised from other sources represents revenue from non-customer partners who share the risks and rewards of joint sales promotion activities.

3. From the fiscal year ended 31 March 2024, the commercial segment of some countries was changed from International Markets to Established Markets. Figures of the fiscal year ended 31 March 2023 reflect this change.

Established Markets: Europe, Canada, etc.
Greater China: China, Hong Kong, Taiwan
International Markets: Latin America, Middle East, Africa, South East Asia, South Asia, Russia, Korea, Australia, Export sales, etc.

(2) Contract balances

The breakdown of contract balances is as follows:

(Millions of yen)

	As of 1 April 2022	As of 31 March 2023	As of 31 March 2024
Receivables from contracts with customers			
Trade and notes receivables	368,038	408,792	493,583
Loss allowance	(2,063)	(1,991)	(3,192)
Total	365,975	406,801	490,391
Contract liabilities	3,752	2,677	1,638

(Notes) 1. With regard to upfront payments mainly related to licensing contracts, the Group recognises the portion as contract liabilities for which it has received consideration from customers but has not yet satisfied the corresponding performance obligations. Of the revenue recognised for the fiscal years ended 31 March 2023 and 2024, the amounts included in the balance of contract liabilities as of the beginning of the fiscal years were ¥1,158 million and ¥867 million, respectively.

2. For the fiscal years ended 31 March 2023 and 2024, the amounts of revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods were not material.

(3) Transaction price allocated to the remaining performance obligations

As a practical expedient, notes on the transaction price allocated to the remaining performance obligations are omitted since there were no material contracts with an original expected duration exceeding one year.

7. Other Income

The breakdown of other income is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Changes in fair value of contingent consideration	2,337	2,636
Other	1,305	6,055
Total other income	3,642	8,691

8. Other Expenses

The breakdown of other expenses is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Impairment losses for property, plant and equipment	621	15,105
Impairment losses for intangible assets	83,964	63,826
Changes in fair value of contingent consideration	53,059	24,667
Restructuring costs	4,510	25,407
Litigation costs	1,497	514
Net foreign exchange losses	10,124	807
Replacement awards with business combination	-	33,434
Other	3,740	4,054
Total other expenses	157,515	167,814

(Notes)
1. "Impairment losses for intangible assets" for the fiscal year ended 31 March 2023 were mainly due to the termination of development for AT702, AT751 and AT753, and the revision of future business plans for EVRENZO.
2. "Changes in fair value of contingent consideration" for the fiscal year ended 31 March 2023 were mainly due to the changes in fair value of contingent consideration resulting from a decision relating to the application for approval of zolbetuximab.
3. The amount of "Net foreign exchange losses" for the fiscal year ended 31 March 2023 included foreign exchange gains resulting from foreign exchange forward contracts (¥9,003 million).
4. "Impairment losses for property, plant and equipment" for the fiscal year ended 31 March 2024 were mainly due to the agreement to sell and transfer the manufacturing plant and business based in Meppel, the Netherlands.
5. "Impairment losses for intangible assets" for the fiscal year ended 31 March 2024 were mainly due to the reevaluation of asset value of AT808 gene therapy program and the revision of future business plans for EVRENZO.
6. "Changes in fair value of contingent consideration" for the fiscal year ended 31 March 2024 were mainly due to the progress in development of zolbetuximab.
7. "Restructuring costs" for the fiscal year ended 31 March 2024 were mainly related to organizational restructuring on a global scale.
8. The amount of "Net foreign exchange losses" for the fiscal year ended 31 March 2024 included foreign exchange losses resulting from foreign exchange forward contracts (¥8,584 million).
9. "Replacement awards with business combination" for the fiscal year ended 31 March 2024 were expense recognised for the payment of share-based payments such as unvested share options related to the acquisition of IVERIC bio, Inc.

9. Employee Benefit Expenses

The breakdown of employee benefit expenses is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Remunerations and salaries	196,407	224,154
Bonuses	71,043	72,494
Social security and welfare expenses	35,132	41,303
Retirement benefit expenses—Defined contribution plan	18,487	21,008
Retirement benefit expenses—Defined benefit plan	5,577	6,334
Restructuring and termination benefits	6,988	26,475
Other employee benefit expenses	3,637	4,100
Total employee benefit expenses	337,273	395,868

(Note) Employee benefit expenses are included in “Cost of sales,” “Selling, general and administrative expenses,” “Research and development expenses” and “Other expenses.”

10. Finance Income

The breakdown of finance income is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Interest income	5,209	8,772
Dividend income	43	79
Gain on valuation of investments in funds	152	2,384
Other	2,706	220
Total finance income	8,110	11,455

(Notes) 1. Interest income was mainly earned on cash and cash equivalents.
2. Dividend income was earned on financial assets at FVTOCI (equity instruments).
3. Gain on valuation of investments in funds arose from valuation of financial assets at FVTPL.

11. Finance Expenses

The breakdown of finance expenses is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Interest expense	3,217	7,423
Loss on valuation of investments in funds	5,159	2,637
Other	403	1,945
Total finance expenses	8,779	12,005

(Notes) 1. Interest expense was mainly related to financial liabilities measured at amortised cost.
2. Loss on valuation of investments in funds arose from valuation of financial assets at FVTPL.

12. Income Tax Expense

The breakdown of income tax expense recognised in profit or loss is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Current income tax expense	45,293	77,072
Deferred income tax expense	(11,646)	(69,148)
Income tax expense recognised on the consolidated statement of income	33,647	7,924

Income tax expense recognised in other comprehensive income is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023			Fiscal year ended 31 March 2024		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Financial assets at FVTOCI	11,022	(2,288)	8,733	(7,828)	1,959	(5,868)
Remeasurements of defined benefit plans	9,237	(2,063)	7,175	8,252	(2,287)	5,965
Exchange differences on translation of foreign operations	90,655	-	90,655	194,026	-	194,026
Cash flow hedges	-	-	-	(7,682)	-	(7,682)
Hedging cost	-	-	-	2,098	-	2,098
Total other comprehensive income	110,914	(4,351)	106,563	188,866	(328)	188,538

Reconciliation of effective tax rate

The Company is subject mainly to corporate tax, inhabitant tax, and enterprise tax on its income and the effective statutory tax rate calculated based on those taxes for the fiscal years ended 31 March 2023 and 2024 was both 30.5%. Foreign subsidiaries are subject to income taxes on their income in their respective countries of domicile.

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
	%	%
Effective statutory tax rate	30.5	30.5
Tax credit for research and development expenses	(7.3)	(59.3)
Non-deductible expenses	17.2	97.1
Non-taxable income	(1.8)	(0.0)
Difference in tax rates applied to foreign subsidiaries	(17.5)	(39.7)
Undistributed earnings of foreign subsidiaries	0.0	5.8
Other	4.4	(2.6)
Actual tax rate	25.4	31.7

In Japan, where the Company is incorporated, tax law has been enacted for the Pillar Two Model Rules which will become effective on 1 April 2024. Under this law, the Company is obliged to pay the top-up tax, which is imposed on profits of subsidiaries whose effective tax rate is less than 15%, to the Japanese taxation authority. From the next fiscal year, if tax laws for the Pillar Two Model Rules become effective in countries where those subsidiaries are incorporated, the Group may be obliged to pay the top-up tax to the taxation authority of those countries.

The exposure to the tax law for the Pillar Two Model Rules is not material.

13. Earnings per Share

The basis of calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent (Millions of yen)	98,714	17,045
Profit not attributable to ordinary shareholders of the parent (Millions of yen)	-	-
Profit used to calculate basic earnings per share (Millions of yen)	98,714	17,045
Weighted average number of ordinary shares (Thousands of shares)	1,820,019	1,793,276
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share (Millions of yen)	98,714	17,045
Adjustment (Millions of yen)	-	-
Profit used to calculate diluted earnings per share (Millions of yen)	98,714	17,045
Weighted average number of ordinary shares (Thousands of shares)	1,820,019	1,793,276
Effects of dilutive potential ordinary shares (Thousands of shares)	5,042	6,384
Weighted average number of diluted ordinary shares (Thousands of shares)	1,825,061	1,799,660
Earnings per share (attributable to owners of the parent)		
Basic (Yen)	54.24	9.51
Diluted (Yen)	54.09	9.47

14. Other Comprehensive Income

Reclassification adjustments of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the year	90,655	194,026
Reclassification adjustment	-	-
Cash flow hedges		
Amount arising during the year	-	(7,682)
Reclassification adjustment	-	-
Hedging cost		
Amount arising during the year	-	1,671
Reclassification adjustment	-	427
Subtotal	90,655	188,442
Tax effect	-	-
Total other comprehensive income that may be reclassified to profit or loss	90,655	188,442

15. Property, Plant and Equipment

Movement of cost, accumulated depreciation and impairment losses for property, plant and equipment

The movement of property, plant and equipment for the fiscal year ended 31 March 2023 is as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Equipment, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
Cost							
Balance at 1 April 2022	229,864	134,956	95,716	17,086	39,827	106,605	624,054
Acquisitions	4,553	2,029	5,086	293	24,600	27,547	64,108
Disposals	(7,248)	(2,554)	(6,601)	-	(23)	(24,573)	(40,999)
Reclassification from construction in progress	12,760	13,937	4,117	-	(30,814)	-	-
Reclassification to assets held for sale	-	(173)	-	-	-	(2,059)	(2,233)
Other	8,137	5,664	2,125	633	1,521	(2,173)	15,907
Balance at 31 March 2023	248,065	153,859	100,443	18,013	35,111	105,348	660,838
Accumulated depreciation and accumulated impairment losses							
Balance at 1 April 2022	(117,170)	(116,470)	(75,566)	-	(10)	(45,794)	(355,010)
Depreciation	(10,370)	(6,264)	(7,776)	-	-	(15,610)	(40,021)
Impairment losses	(0)	(56)	(0)	-	-	(564)	(621)
Disposals	6,541	2,460	6,116	-	10	16,741	31,868
Reclassification to assets held for sale	-	35	-	-	-	1,701	1,736
Other	(4,406)	(5,981)	(1,924)	-	(0)	(20)	(12,332)
Balance at 31 March 2023	(125,406)	(126,277)	(79,150)	-	-	(43,546)	(374,379)
Carrying amounts							
Balance at 1 April 2022	112,694	18,486	20,150	17,086	39,817	60,812	269,044
Balance at 31 March 2023	122,660	27,582	21,293	18,013	35,111	61,801	286,459

(Note) “Other” mainly included exchange differences.

The movement of property, plant and equipment for the fiscal year ended 31 March 2024 is as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Equipment, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
Cost							
Balance at 1 April 2023	248,065	153,859	100,443	18,013	35,111	105,348	660,838
Acquisitions	4,516	1,064	4,781	471	24,614	16,741	52,187
Disposals	(2,205)	(4,962)	(3,009)	-	(648)	(14,337)	(25,162)
Reclassification from construction in progress	23,734	4,249	13,636	-	(41,619)	-	-
Reclassification to assets held for sale	(10,921)	(15,271)	(2,929)	(251)	(1,848)	-	(31,220)
Other	12,115	5,619	5,460	633	89	8,920	32,836
Balance at 31 March 2024	275,304	144,558	118,381	18,865	15,699	116,671	689,479
Accumulated depreciation and accumulated impairment losses							
Balance at 1 April 2023	(125,406)	(126,277)	(79,150)	-	-	(43,546)	(374,379)
Depreciation	(10,974)	(6,379)	(9,337)	-	-	(15,712)	(42,403)
Impairment losses	(5,204)	(189)	(576)	-	-	(791)	(6,759)
Disposals	1,967	4,922	2,862	-	-	10,252	20,003
Reclassification to assets held for sale	7,211	12,569	2,645	-	-	-	22,425
Other	(4,665)	(4,647)	(3,615)	-	-	(1,696)	(14,624)
Balance at 31 March 2024	(137,072)	(120,000)	(87,172)	-	-	(51,493)	(395,737)
Carrying amounts							
Balance at 1 April 2023	122,660	27,582	21,293	18,013	35,111	61,801	286,459
Balance at 31 March 2024	138,232	24,558	31,209	18,865	15,699	65,179	293,742

(Note) “Other” mainly included exchange differences.

Impairment losses for property, plant and equipment are included in the consolidated statement of income under “Other expenses.”

Impairment losses recognised for property, plant and equipment for the fiscal years ended 31 March 2023 and 2024 amounted to ¥621 million and ¥6,759 million, respectively.

16. Goodwill

The movement of cost and accumulated impairment losses

The movement of cost and accumulated impairment losses for goodwill is as follows:

(Millions of yen)

	Cost	Accumulated impairment losses	Carrying amount
Balance at 1 April 2022	303,030	-	303,030
Exchange differences	25,382	-	25,382
Balance at 31 March 2023	328,411	-	328,411
Business combinations	43,610	-	43,610
Exchange differences	46,672	-	46,672
Balance at 31 March 2024	418,694	-	418,694

(Note) Increase due to “Business combinations” during the fiscal year ended 31 March 2024 resulted from the acquisition of IVERIC bio, Inc. For details of the business combination, please refer to Note “34. Business Combinations.”

The carrying amount of goodwill allocated to the cash-generating unit or group of cash-generating units is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Whole pharmaceutical business	328,411	418,694

(Note) Primarily, goodwill recognised as a result of the acquisition of OSI Pharmaceuticals, Inc. and Audentes Therapeutics, Inc. was allocated to the whole pharmaceutical business as of 31 March 2023 and as of 31 March 2024.

In the impairment test of goodwill, the recoverable amount is measured by value in use based on a three-year future forecast. Assumptions such as the probability of obtaining marketing approvals from regulatory authorities, projected sales after product launch, discount rate, and growth rate are used for the calculation. The discount rate is calculated based on the weighted average cost of capital (WACC), and the discount rates used for the calculation of the value in use are as follows:

		As of 31 March 2023	As of 31 March 2024
Discount rates (after-tax)	Whole pharmaceutical business	7.0%	7.0%
Discount rates (pre-tax)	Whole pharmaceutical business	8.8%	8.8%

The terminal value after the three-year future forecast is calculated using the growth rate. The growth rate reflects the status of the country and the industry to which the cash-generating unit or group of cash-generating units belongs. The growth rates used for the calculation of the value in use are as follows:

		As of 31 March 2023	As of 31 March 2024
Growth rates	Whole pharmaceutical business	3.0%	4.0%

The value in use sufficiently exceeds the carrying amount of the cash-generating unit or group of cash-generating units. Therefore, even if the key assumptions used in the calculation of the value in use fluctuate within a reasonable range, the Group assumes that the possibility that the value in use will be lower than the carrying amount is remote.

17. Intangible Assets

Movement of cost, accumulated amortisation and impairment losses for intangible assets

The movement of intangible assets for the fiscal year ended 31 March 2023 is as follows:

(Millions of yen)

	Research and production technology	Rights related to products or research and development		Other intangible assets	Total
		IPR&D	Marketing rights		
Cost					
Balance at 1 April 2022	169,260	480,120	242,267	102,297	993,943
Acquisitions	21,784	4,002	5,898	20,416	52,100
Disposals	(9,836)	(42,034)	(2,743)	(2,336)	(56,949)
Reclassification	-	(2,273)	2,273	-	-
Reclassification to assets held for sale	-	-	(11,009)	-	(11,009)
Other	14,013	29,119	1,173	8,337	52,642
Balance at 31 March 2023	195,221	468,935	237,857	128,714	1,030,727
Accumulated amortisation and accumulated impairment losses					
Balance at 1 April 2022	(30,645)	(179,285)	(117,981)	(42,601)	(370,512)
Amortisation	(18,146)	-	(20,290)	(27,281)	(65,717)
Impairment losses	(5,176)	(31,654)	(47,077)	(57)	(83,964)
Reversal of impairment losses	-	-	86	-	86
Disposals	9,836	42,034	2,743	2,246	56,860
Reclassification to assets held for sale	-	-	10,100	-	10,100
Other	(2,164)	(8,936)	(1,166)	(2,817)	(15,083)
Balance at 31 March 2023	(46,295)	(177,841)	(173,585)	(70,509)	(468,230)
Carrying amounts					
Balance at 1 April 2022	138,614	300,835	124,286	59,696	623,431
Balance at 31 March 2023	148,925	291,094	64,272	58,205	562,496

(Note) “Other” mainly included exchange differences.

The movement of intangible assets for the fiscal year ended 31 March 2024 is as follows:

(Millions of yen)

	Research and production technology	Rights related to products or research and development		Other intangible assets	Total
		IPR&D	Marketing rights		
Cost					
Balance at 1 April 2023	195,221	468,935	237,857	128,714	1,030,727
Acquisitions	20,192	31,209	5,128	13,333	69,861
Business combinations	-	884,331	-	-	884,331
Disposals	(5,314)	(314)	(227)	(21,999)	(27,854)
Reclassification	-	(849,263)	849,263	-	-
Reclassification to assets held for sale	-	-	-	(2,369)	(2,369)
Other	23,250	81,883	39,059	7,633	151,825
Balance at 31 March 2024	233,348	616,780	1,131,080	125,312	2,106,520
Accumulated amortisation and accumulated impairment losses					
Balance at 1 April 2023	(46,295)	(177,841)	(173,585)	(70,509)	(468,230)
Amortisation	(21,104)	-	(77,715)	(16,617)	(115,436)
Impairment losses	(5,752)	(39,852)	(16,384)	(1,837)	(63,826)
Disposals	5,282	314	227	21,921	27,744
Reclassification to assets held for sale	-	-	-	2,274	2,274
Other	(5,836)	(20,419)	(3,611)	(5,355)	(35,221)
Balance at 31 March 2024	(73,706)	(237,798)	(271,069)	(70,123)	(652,696)
Carrying amounts					
Balance at 1 April 2023	148,925	291,094	64,272	58,205	562,496
Balance at 31 March 2024	159,642	378,982	860,011	55,189	1,453,824

(Notes) 1. Increase due to “Business combinations” resulted from the acquisition of IVERIC bio, Inc. For details of the business combination, please refer to Note “34. Business combinations.”

2. “Other” mainly included exchange differences.

Amortisation of intangible assets related to the research and production technology, and the rights related to products or research and development are presented in the consolidated statement of income under “Amortisation of intangible assets.”

Impairment losses for intangible assets is included in the consolidated statement of income under “Other expenses” and reversal of impairment losses is included in the consolidated statement of income under “Other income,” respectively.

Impairment test and impairment losses for intangible assets

For intangible assets, the Group assesses the necessity of impairment mainly by individual asset. Also, intangible assets not yet being amortised are tested for impairment annually whether or not there is any indication of impairment. In the impairment test, the recoverable amount of an asset is measured by value in use mainly based on a future forecast. Assumptions such as the probability of obtaining marketing approvals from regulatory authorities, projected sales after product launch and discount rates are used for the calculation. The discount rate is calculated based on the WACC, and the range of discount rates used for the calculation of the value in use are as follows.

	As of 31 March 2023	As of 31 March 2024
Discount rates (after-tax)	6.0% to 10.9%	6.3% to 10.0%
Discount rates (pre-tax)	7.4% to 14.9%	8.6% to 13.8%

The major assumptions used for the calculation of the value in use entail uncertainties. Thus, changes in the major assumptions may affect the amount of intangible assets within the next fiscal year.

As a result of the impairment test, the Group recognised the following impairment losses for the fiscal years ended 31 March 2023 and 2024.

For the fiscal year ended 31 March 2023, impairment losses recognised for intangible assets were ¥83,964 million, and mainly composed of an impairment loss of ¥23,005 million resulting from the termination of research and development for AT702, AT751 and AT753, and an impairment loss of ¥47,077 million resulting from the revision of future business plans for EVRENZO. The recoverable amount of EVRENZO is calculated using the value in use measured by discounting estimated future cash flows. The after-tax discount rate and the pre-tax discount rate used for the calculation of the value in use are 6.3% to 10.9% and 9.1% to 14.9%, respectively.

For the fiscal year ended 31 March 2024, impairment losses recognised for intangible assets were ¥63,826 million, and mainly composed of an impairment loss of ¥39,852 million resulting from the reevaluation of asset value of AT808 gene therapy program and an impairment loss of ¥16,384 million resulting from the revision of future business plans for EVRENZO. The recoverable amount of AT808 is calculated using the value in use measured by discounting estimated future cash flows. The after-tax discount rate and the pre-tax discount rate used for the calculation of the value in use are 9.0% and 11.3%, respectively. The recoverable amount of EVRENZO is calculated using the value in use measured by discounting estimated future cash flows. The after-tax discount rate and the pre-tax discount rate used for the calculation of the value in use are 6.3% to 10.0% and 9.1% to 13.8%, respectively.

Gain on divestiture of intangible assets

Gains arising from the transfer of rights related to products or research and development are presented in the consolidated statement of income under “Gain on divestiture of intangible assets.”

Gain on divestiture of intangible assets recognised for the fiscal years ended 31 March 2023 and 2024 amounted to ¥212 million and ¥9,735 million, respectively.

The main breakdown for the fiscal year ended 31 March 2024 is the gain on divestiture of intangible assets of ¥9,334 million resulting from the transfer of worldwide manufacturing and marketing authorisation including Japan, for antifungal agent FUNGUARD (generic name: micafungin sodium/product name overseas: MYCAMINE) to Sandoz AG.

Significant intangible assets

Significant intangible assets recognised in the consolidated statement of financial position are as follows:

(Millions of yen)

		As of 31 March 2023	As of 31 March 2024
avacincaptad pegol (IZERVAY)	IPR&D	-	166,441
	Marketing rights	-	730,585
fezolinetant (VEOZAH)	IPR&D	88,465	-
	Marketing rights	-	94,117
Technology platform and manufacturing technology for Adeno-associated virus-based gene therapy	Research and production technology	68,426	71,357
IMAB362/zolbetuximab	IPR&D	64,017	64,017
AT466	IPR&D	47,379	53,987

For intangible assets already starting amortisation, the remaining amortisation period was 11 years in the fiscal year ended 31 March 2023 and 7 to 13 years in the fiscal year ended 31 March 2024. The intangible assets not yet being amortised are tested for impairment annually.

18. Deferred Taxes

The breakdown of deferred tax assets and deferred tax liabilities are as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Financial assets at FVTOCI	(1,185)	(1,406)
Retirement benefit assets and liabilities	5,631	1,848
Property, plant and equipment	(3,392)	(5,978)
Intangible assets	(37,391)	(184,595)
Accrued expenses	30,786	40,045
Inventories	49,385	53,219
Tax loss carry-forwards	11,411	49,892
Other	22,876	41,225
Net deferred tax assets and deferred tax liabilities	78,121	(5,751)

Changes in net deferred tax assets and deferred tax liabilities are as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Balance at the beginning of the year	66,508	78,121
Recognised in profit or loss	11,646	69,148
Recognised in other comprehensive income	(2,741)	(306)
Business combinations		
Intangible assets	-	(188,897)
Tax loss carry-forwards	-	29,496
Other	-	6,103
Other	2,708	583
Balance at the end of the year	78,121	(5,751)

(Note) The increase in deferred tax assets and deferred tax liabilities due to “Business combinations” during the fiscal year ended 31 March 2024 resulted from the acquisition of IVERIC bio, Inc. For details of the business combination, please refer to Note “34. Business Combinations.”

Deductible temporary differences, tax loss carry-forwards, and unused tax credits for which no deferred tax asset is recognised are as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Deductible temporary differences	29,079	41,811
Tax loss carry-forwards	10,187	22,334
Unused tax credits	3,718	3,589
Total	42,985	67,734

The expiration period and amount of tax loss carry-forwards for which no deferred tax asset is recognised are as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Within one year	106	268
One year to two years	236	3
Two years to five years	3	37
Over five years	9,843	22,026
Total	10,187	22,334

In assessing the recoverability of deferred tax assets, the Group takes into account the expected reversal of deferred tax liabilities, projected future taxable profits and tax planning, and estimates the taxable profits based on business plans.

The timing of taxable profits arising and the amount thereof may be affected by trends in pharmaceutical markets in various countries, the probability of obtaining marketing approvals from regulatory authorities, projected sales after product launch, and other factors. As these estimates entail uncertainties, the actual amount of taxable profits may differ from the estimated amount.

19. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Raw materials	65,667	107,282
Work in progress	45,397	68,795
Merchandise and finished goods	63,322	72,660
Total	174,386	248,738

Inventories recognised as an expense in “Cost of sales” for the fiscal years ended 31 March 2023 and 2024 amounted to ¥170,728 million and ¥174,633 million, respectively.

The breakdown of write-down of inventories that is recognised as an expense is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Cost of sales	5,440	9,073

Reversal of write-down of inventories that is recognised as a reduction in expense is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Research and development expenses	(3,855)	-

(Note) The reversal was recognised because the marketing approval from the regulatory authority became highly probable to be obtained.

20. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Trade and notes receivables	408,792	517,874
Other accounts receivables	45,337	40,347
Loss allowances	(1,991)	(3,192)
Total trade and other receivables	452,138	555,028

21. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Cash and deposits	376,840	317,966
Short-term investments (Cash equivalents)	-	17,720
Cash and cash equivalents in the consolidated statement of financial position	376,840	335,687
Cash and cash equivalents in the consolidated statement of cash flows	376,840	335,687

22. Equity and Other Components of Equity

(1) Share capital and capital surplus

The movement of the number of issued shares fully paid and share capital is as follows:

	Number of authorised shares (Thousands of shares)	Number of ordinary shares issued (Thousands of shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of 1 April 2022	9,000,000	1,835,851	103,001	179,467
Increase	-	-	-	3,254
Decrease	-	(26,188)	-	(1,442)
As of 31 March 2023	9,000,000	1,809,663	103,001	181,280
Increase	-	-	-	4,242
Decrease	-	-	-	(1,452)
As of 31 March 2024	9,000,000	1,809,663	103,001	184,070

(Note) Decrease in the number of ordinary shares issued during the fiscal year ended 31 March 2023 resulted from the cancellation of treasury shares.

(2) Treasury shares

The movement of treasury shares is as follows:

	Number of shares (Thousands of shares)	Amount (Millions of yen)
As of 1 April 2022	8,777	13,934
Increase	31,374	60,556
Decrease	(27,251)	(49,366)
As of 31 March 2023	12,900	25,123
Increase	4,639	10,735
Decrease	(978)	(2,075)
As of 31 March 2024	16,561	33,783

23. Dividends

For the fiscal year ended 31 March 2023

(1) Dividends paid

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on 27 April 2022	Ordinary shares	45,873	25.00	31 March 2022	1 June 2022
Board of Directors meeting held on 31 October 2022	Ordinary shares	55,049	30.00	30 September 2022	1 December 2022

(Notes) 1. The amount of dividends approved by resolution of the Board of Directors meeting on 27 April 2022 included dividends of ¥197 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

2. The amount of dividends approved by resolution of the Board of Directors meeting on 31 October 2022 included dividends of ¥370 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

(2) Dividends whose record date is in the fiscal year ended 31 March 2023 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on 27 April 2023	Ordinary shares	54,266	30.00	31 March 2023	1 June 2023

(Note) The amount of dividends above included dividends of ¥363 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

For the fiscal year ended 31 March 2024

(1) Dividends paid

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on 27 April 2023	Ordinary shares	54,266	30.00	31 March 2023	1 June 2023
Board of Directors meeting held on 1 November 2023	Ordinary shares	63,313	35.00	30 September 2023	1 December 2023

(Notes) 1. The amount of dividends approved by resolution of the Board of Directors meeting on 27 April 2023 included dividends of ¥363 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

2. The amount of dividends approved by resolution of the Board of Directors meeting on 1 November 2023 included dividends of ¥562 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

(2) Dividends whose record date is in the fiscal year ended 31 March 2024 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on 25 April 2024	Ordinary shares	63,318	35.00	31 March 2024	3 June 2024

(Note) The amount of dividends above included dividends of ¥559 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

24. Share-based Payments

(1) Performance-linked Stock Compensation Scheme and Performance-linked Stock Delivery Scheme

(i) Outline of the Performance-linked Stock Compensation Scheme and Performance-linked Stock Delivery Scheme

The Company has introduced a Performance-linked Stock Compensation Scheme for Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members) and Corporate Executives (*Tantou-Yakuin*) for the purpose of promoting management focused on increasing enterprise and shareholder value over the medium- to long-term. The scheme employs a framework referred to as the executive remuneration BIP (Board Incentive Plan) trust (hereinafter, the “BIP Trust”). The Company has also introduced a Performance-linked Stock Delivery Scheme, a framework referred to as the stock-delivery ESOP (Employee Stock Ownership Plan) trust (hereinafter, the “ESOP Trust”) for the domestic and global Group’s executives. At the date of commencement of the plan each fiscal year, basic points (with 1 point corresponding to 1 share of the Company’s share), which are calculated based on the basic amount set according to factors such as professional responsibilities, are granted to the individuals eligible under the plan. The number of shares delivered is determined within the range of 0% to 200% of the basic points based on the level of growth of enterprise value and shareholder value and the stock price evaluation indicator over three consecutive fiscal years (hereinafter, the “Applicable Period”). In principle, there are vesting conditions to satisfy the beneficiary requirements, such as being individuals eligible under the plan continuously until the date after conclusion of the Applicable Period specified by each Trust. The BIP Trust and ESOP Trust acquire the Company’s shares and deliver them to individuals eligible under the plan who have satisfied the beneficiary requirements at the time after conclusion of the Applicable Period specified by each Trust.

The Performance-linked Stock Compensation Scheme and Performance-linked Stock Delivery Scheme under which the Company’s shares are delivered from the BIP Trust and ESOP Trust are accounted for mainly as equity-settled share-based payment transactions. For individuals eligible under the plan residing in countries where the Company’s shares cannot be delivered due to local laws, regulations, or other reasons, cash equivalent to the value of shares to be delivered is paid and the transactions are accounted for as cash-settled share-based payment transactions.

(ii) Expenses recognised in the consolidated statement of income

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Total expenses recognised for the Performance-linked Stock Compensation Scheme and Performance-linked Stock Delivery Scheme	3,346	4,322

(iii) Number of points granted during the fiscal year and weighted average fair value of points

The number of points granted during the fiscal year is as follows:

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Number of points granted during the fiscal year	2,752,145	3,224,980

The weighted average fair value of the points granted during the period is calculated based on the following assumptions using the Monte Carlo simulation.

		Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Share price at the grant date		2,058.5 yen	2,149.0 yen
Vesting period	(Note 1)	3 years	3 years
Expected dividend yield	(Note 2)	2.7%	3.0%
Discount rate	(Note 3)	0.1%	0.1%
Weighted average fair value		2,061 yen	1,963 yen

(Notes) 1. Refers to the number of years from the grant date until the shares are expected to be delivered.
2. Calculated based on the past dividends paid.
3. Based on the yield on Japanese government bonds corresponding to the vesting period.

(iv) The Company's shares held in the BIP Trust and ESOP Trust

The Company's shares held in the BIP Trust and ESOP Trust as of 31 March 2023 and 2024 were 12,110 thousand shares and 15,973 thousand shares, respectively.

(2) Share option plans

(i) Outline of share option plans

The Company had adopted share option plans through the fiscal year ended 31 March 2015, and has granted share options to Directors and Corporate Executives of the Company. The purpose of share option plans is to improve the sensitivity to the share price and financial results of the Company and also increase the enterprise value by motivating the members to whom share options are granted.

After obtaining approval at the Company's Annual Shareholders Meeting, share options are granted as subscription rights to shares to individuals approved at the Company's Board of Directors meeting.

Holders of subscription rights to shares can exercise their share subscription rights only from the day following the date of resignation from their position as Director or Corporate Executive of the Company. Share options not exercised during the exercise period defined in the allocation contract will be forfeited. The exercise price per share of stock options is ¥1.

The Company accounts for those share option plans as equity-settled share-based payment transactions. All outstanding balances for the fiscal years ended 31 March 2023 and 2024 have been vested and are exercisable.

(ii) Movement of the number of share options outstanding and their weighted average exercise price

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Outstanding, at the beginning of the year	789,000	664,800
Exercised	(124,200)	(205,200)
Outstanding, at the end of the year	664,800	459,600

(Notes) 1. The number of share options is presented as the number of underlying shares.
2. The weighted average share prices at the date of exercise for share options exercised during the fiscal years ended 31 March 2023 and 2024 were ¥1,948 and ¥1,852, respectively.
3. The weighted average remaining contractual lives of outstanding share options for the fiscal years ended 31 March 2023 and 2024 were 9 years.

25. Retirement Benefits

The Group, excluding a part of foreign subsidiaries, offers post-employment benefits such as defined benefit plans and defined contribution plans. Among the defined benefit plans offered, the defined benefit plan adopted in Japan is a major one, accounting for approximately 70% of the total defined benefit obligations.

(i) Defined benefit plan adopted in Japan as post-employment benefit

The Company offers corporate pension plans and retirement lump-sum payment plans as defined benefit plans.

The benefits of the defined benefit plan are determined based on the base compensation calculated by accumulated points earned by the time of retirement and promised rate of return based on the yield of 10-year government bonds. Also, the option of receiving benefits in the form of a pension is available for plan participants who have been enrolled for 15 years or more.

Defined benefit plans are administered by the Astellas Corporate Pension Fund. Directors of the pension fund are jointly liable for damages to the fund due to their neglect of duties about management of the funds.

Contributions of the employer are made monthly and also determined as 4.0% of standard salary, which is calculated based on the estimate of the points granted during a year to each participant. When the plan assets are lower than the minimum funding standard at the end of fiscal year, the employer will make additional contributions. In order to maintain the financial soundness of the fund in the future and to ensure stable fund management, risk-related premiums are contributed starting from the fiscal year ended 31 March 2023.

Defined benefit plans are exposed to actuarial risks. The Astellas Corporate Pension Fund assigns staff with professional knowledge and expertise about the composition of plan asset to determine the asset mix ratio and manages risks by monitoring on a quarterly basis.

(ii) Defined benefit plans of overseas subsidiaries as post-employment benefits

Among foreign subsidiaries, ones located in the United Kingdom, Germany, Ireland, and some other countries offer defined benefit plans as post-employment benefits.

Assets and liabilities of defined benefit plans recognised in the consolidated statement of financial position are as follows:

As of 31 March 2023

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	95,551	38,951	134,502
Fair value of plan assets	(94,921)	(17,121)	(112,042)
Net defined benefit liability (asset)	630	21,831	22,460
Amounts in the consolidated statement of financial position			
Assets (other non-current assets)	(2,220)	(137)	(2,357)
Liabilities (retirement benefit liabilities)	2,850	21,968	24,818

As of 31 March 2024

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	88,681	46,497	135,179
Fair value of plan assets	(98,987)	(22,138)	(121,125)
Net defined benefit liability (asset)	(10,306)	24,359	14,053
Amounts in the consolidated statement of financial position			
Assets (other non-current assets)	(10,306)	(315)	(10,621)
Liabilities (retirement benefit liabilities)	-	24,674	24,674

The movement of the present value of defined benefit obligations is as follows:

(Millions of yen)

	Japan	Overseas	Total
Balance at 1 April 2022	104,052	44,732	148,784
Current service cost	3,460	1,702	5,162
Interest cost	877	842	1,720
Remeasurements of defined benefit obligations			
−actuarial gains/losses arising from changes in demographic assumptions	88	(3)	85
−actuarial gains/losses arising from changes in financial assumptions	(6,168)	(9,797)	(15,965)
−other	(620)	1,471	851
Past service cost, and gains and losses arising from settlements	-	(89)	(89)
Contributions to the plan by plan participants	-	82	82
Payments from the plan	(6,149)	(2,382)	(8,531)
Effect of changes in foreign exchange rates, and other	11	2,393	2,404
Balance at 31 March 2023	95,551	38,951	134,502
Current service cost	3,228	2,195	5,423
Interest cost	1,264	1,418	2,682
Remeasurements of defined benefit obligations			
−actuarial gains/losses arising from changes in demographic assumptions	50	236	286
−actuarial gains/losses arising from changes in financial assumptions	(4,082)	(138)	(4,220)
−other	(96)	350	254
Past service cost, and gains and losses arising from settlements	-	167	167
Contributions to the plan by plan participants	-	175	175
Payments from the plan	(7,234)	(1,907)	(9,141)
Effect of changes in foreign exchange rates, and other	-	5,051	5,051
Balance at 31 March 2024	88,681	46,497	135,179

The movement of fair value of plan assets is as follows:

(Millions of yen)

	Japan	Overseas	Total
Balance at 1 April 2022	97,191	18,576	115,766
Interest income	812	403	1,215
Remeasurements of the fair value of the plan assets			
−return on plan assets	(4,089)	(484)	(4,573)
−actuarial gains/losses arising from changes in financial assumptions	467	(1,985)	(1,518)
Contributions to the plan			
−by employer	6,689	1,016	7,705
−by plan participants	-	154	154
Payments from the plan	(6,149)	(1,603)	(7,752)
Effect of changes in foreign exchange rates, and other	0	1,044	1,044
Balance at 31 March 2023	94,921	17,121	112,042
Interest income	1,251	688	1,939
Remeasurements of the fair value of the plan assets			
−return on plan assets	3,039	95	3,133
−actuarial gains/losses arising from changes in financial assumptions	324	1,114	1,438
Contributions to the plan			
−by employer	6,687	1,209	7,896
−by plan participants	-	175	175
Payments from the plan	(7,234)	(815)	(8,049)
Effect of changes in foreign exchange rates, and other	-	2,551	2,551
Balance at 31 March 2024	98,987	22,138	121,125

(Note) The Group expects to contribute ¥8,360 million, including risk-related premiums, to its defined benefit plans in the fiscal year ending 31 March 2025.

Changes in the effect of the asset ceiling is as follows:

(Millions of yen)

	Japan	Overseas	Total
Balance at 31 March 2022	-	253	253
Interest income	-	-	-
Remeasurements			
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	-	(299)	(299)
Effect of changes in foreign exchange rates, and other	-	45	45
Balance at 31 March 2023	-	-	-

The breakdown of the fair value of plan assets is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Japan		
Equity	12,758	18,282
Bonds	34,775	40,854
Cash and other investments	47,389	39,851
Total	94,921	98,987
Overseas		
Equity	4,922	6,485
Bonds	3,222	5,335
Cash and other investments	8,976	10,317
Total	17,121	22,138
Total fair value of plan assets	112,042	121,125

(i) Japanese plan assets

Equity comprises mainly investment trust funds and it is categorised as Level 2 within the fair value hierarchy. The fair values of bonds are measured using quoted prices for identical or similar assets in markets that are not active, and they are categorised as Level 2 within the fair value hierarchy. Cash and other investments include alternative investments.

(ii) Overseas plan assets

Equity is mainly composed of investments with quoted prices in active markets or with measured value using quoted prices for identical or similar assets in markets that are not active, and they are mainly categorised as Level 1 or Level 2 within the fair value hierarchy. The fair values of bonds are measured using quoted prices in active markets or quoted prices for identical or similar assets in markets that are not active, and they are categorised as Level 1 or Level 2 within the fair value hierarchy. Cash and other investments include alternative investments.

Significant actuarial assumptions and sensitivity analysis for each significant actuarial assumption are as follows:

	As of 31 March 2023	As of 31 March 2024
Discount rate (%)		
Japan	1.1% to 1.3%	1.4% to 1.7%
Overseas	3.7% to 4.6%	3.3% to 4.8%

The impact of a 0.5% increase or decrease in the discount rate as significant actuarial assumption used on the defined benefit obligations as of 31 March 2024 would result in an ¥8,393 million decrease or an ¥8,740 million increase, respectively, in the defined benefit obligation.

The sensitivity analysis does not consider correlations between assumptions, assuming that all other assumptions are held constant. In practice, changes in some of the assumptions may occur in a correlated manner. When calculating the sensitivity of the defined benefit obligations, the same method has been applied as calculating the defined benefit obligations recognised in the consolidated statement of financial position.

The weighted-average duration of the defined benefit obligations is as follows:

	As of 31 March 2023	As of 31 March 2024
Japan	13.2 years	13.1 years
Overseas	15.8 years	15.5 years

26. Provisions

The movement of provisions for the fiscal year ended 31 March 2023 is as follows:

(Millions of yen)

	Pharma Fee	Other	Total
Balance at 1 April 2022	10,528	11,874	22,402
Increase during the year	7,129	6,577	13,706
Decrease due to intended use during the year	(5,912)	(6,236)	(12,148)
Decrease due to reversal during the year	-	(994)	(994)
Other	939	487	1,426
Balance at 31 March 2023	12,684	11,708	24,392
Non-current	2,034	4,503	6,537
Current	10,650	7,205	17,855
Total provisions	12,684	11,708	24,392

The movement of provisions for the fiscal year ended 31 March 2024 is as follows:

(Millions of yen)

	Pharma Fee	Other	Total
Balance at 1 April 2023	12,684	11,708	24,392
Increase during the year	5,928	6,013	11,941
Decrease due to intended use during the year	(9,879)	(5,681)	(15,559)
Decrease due to reversal during the year	-	(479)	(479)
Other	1,584	1,191	2,775
Balance at 31 March 2024	10,317	12,752	23,069
Non-current	2,377	4,992	7,369
Current	7,940	7,760	15,700
Total provisions	10,317	12,752	23,069

(Note) Provision was recorded to provide for the expected payment of the pharma fee to the U.S. government after the end of the fiscal year, which is paid based on the actual sales of branded prescription drugs, etc. in the United States. The outflow of economic benefits is mainly expected within one year after the end of each fiscal year.

27. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Other non-current liabilities		
Other long-term employee benefit obligations	36,504	44,599
Refund liabilities	1,403	1,817
Other	3,079	2,547
Total other non-current liabilities	40,987	48,962
Other current liabilities		
Accrued expenses	143,817	155,233
Refund liabilities	226,874	307,654
Other	11,984	13,588
Total other current liabilities	382,675	476,474

(Note) The Group mainly recognises refund liabilities for rebates related to U.S. Medicaid, U.S. Medicare and U.S. Managed Care programs. The Group deducts the rebates from gross revenue as variable consideration in the same period that the corresponding revenues are recognised, and recognises refund liabilities to provide for refunds expected to be paid after the end of the fiscal year. In estimating refund liabilities, the Group estimates the expected value based on the identification of the products subject to each rebate program, product sales forecasts, rebate rates based on current pricing, executed contracts and government pricing legislation, and trends of prior year actual sales. However, as these estimates entail uncertainties the actual rebate payment may differ from the estimated amount.

28. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Trade payables	68,566	81,226
Other payables	75,886	106,166
Total trade and other payables	144,453	187,392

29. Financial Instruments

(1) Capital management

The Group's capital management principle is to maintain an optimal capital structure by improving capital efficiency and ensuring sound and flexible financial conditions in order to achieve sustained improvement in the enterprise value, which will lead to improved return to shareholders.

The Group monitors financial indicators in order to maintain an optimal capital structure. Credit ratings are monitored for financial soundness and flexibility, and so is return on equity attributable to owners of the parent (ROE) for capital efficiency. The Group is not subject to material capital regulation.

(2) Classification of financial assets and financial liabilities

The breakdown of financial assets and financial liabilities is as follows:

(Millions of yen)

	As of 31 March 2023			As of 31 March 2024		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets						
Financial assets at FVTPL (Note 1)	47,576	106	47,683	60,613	93	60,706
Financial assets measured at amortised cost						
Trade and other receivables	24,173	427,965	452,138	20,043	534,985	555,028
Loans and other financial assets (Note 1)	8,620	19,677	28,297	7,719	28,690	36,410
Cash and cash equivalents	-	376,840	376,840	-	335,687	335,687
Financial assets at FVTOCI (equity instruments) (Note 1)	41,690	-	41,690	40,362	-	40,362
Total financial assets	122,059	824,588	946,647	128,737	899,456	1,028,193
Financial liabilities						
Financial liabilities at FVTPL (Note 2)	27,971	90,772	118,743	34,381	80,526	114,907
Financial liabilities measured at amortised cost						
Bonds and borrowings	50,000	75,000	125,000	447,738	472,278	920,016
Trade and other payables	4,217	140,236	144,453	2,199	185,193	187,392
Lease liabilities (Note 2)	61,461	13,546	75,007	70,756	14,944	85,701
Other (Note 2)	492	813	1,305	212	2,095	2,306
Derivatives to which hedge accounting is applied (Note 2)	-	-	-	253	-	253
Total financial liabilities	144,141	320,367	464,508	555,539	755,036	1,310,575

(Notes) 1. This is included in "Other financial assets" in the consolidated statement of financial position.
2. This is included in "Other financial liabilities" in the consolidated statement of financial position.

The breakdown of bonds and borrowings is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024	Average interest rate (Note 1)	Final maturity
Bonds	50,000	250,000	(Note 2)	(Note 2)
Long-term borrowings	-	197,738	1.4%	2026
Commercial papers	75,000	285,000	0.0%	-
Current portion of long-term borrowings	-	51,885	3.8%	-
Short-term borrowings	-	135,393	2.1%	-
Total bonds and borrowings	125,000	920,016	-	-

(Notes) 1. The average interest rates were calculated using the outstanding balance and interest rate at the end of the fiscal year ended 31 March 2024.
2. Refer to the details of bonds.

The details of bonds are as follows:

(Millions of yen)

Issuer	Name	Issue date	As of 31 March 2023	As of 31 March 2024	Interest rate (%)	Maturity date
The Company	Astellas Series 1 Unsecured Corporate Bonds	5 December 2022	30,000	30,000	0.260	5 December 2025
The Company	Astellas Series 2 Unsecured Corporate Bonds	5 December 2022	20,000	20,000	0.419	3 December 2027
The Company	Astellas Series 3 Unsecured Corporate Bonds	31 August 2023	-	100,000	0.320	31 August 2026
The Company	Astellas Series 4 Unsecured Corporate Bonds	31 August 2023	-	100,000	0.519	31 August 2028
Total	-	-	50,000	250,000	-	-

Equity instruments held for the purpose of maintaining and strengthening relationships in line with the Group's pharmaceutical business strategy etc., have been designated by the Group as financial assets at FVTOCI.

The main equity instruments designated as financial assets at FVTOCI are as follows:

(Millions of yen)

Description	As of 31 March 2023	As of 31 March 2024
Quoted equity shares		
FibroGen, Inc.	12,311	1,767
Other	1,185	7,752
Unquoted equity shares	28,194	30,844

In the fiscal years ended 31 March 2023 and 2024, the Group disposed of and derecognised certain equity instruments designated as financial assets at FVTOCI through sales and other means, mainly for the purpose of revising business relationships.

The fair value and cumulative gain and loss at the time of disposal were as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Fair value	12,616	6
Cumulative gain and loss	8,624	(407)

For the fiscal years ended 31 March 2023 and 2024, cumulative gains and losses (after-tax) transferred from other components of equity to retained earnings due to derecognition and a significant decrease in the fair value of equity instruments designated as financial assets at FVTOCI were ¥6,167 million and ¥(4,664) million, respectively.

(3) Financial risk management policy

The Group is exposed to financial risks such as credit risk, liquidity risk, foreign exchange risk and interest rate risk in operating businesses. To mitigate them, it manages risks in accordance with certain policies and procedures.

The Group uses derivatives only for the purpose of hedging financial risks and does not use them for speculative purposes.

(i) Credit risk

(a) Credit risk management

Receivables, such as trade receivables, resulting from the business activities of the Group are exposed to the customer's credit risk. This risk is managed by grasping the financial condition of the customer and monitoring the trade receivables balance. Also, the Group reviews collectability of trade receivables depending on the credit conditions of customers and recognises loss allowances as necessary.

Securities held by the Group are exposed to the issuer's credit risk, and deposits are exposed to the credit risk of banks. Also, derivative transactions that the Group conducts in order to hedge financial risks are exposed to the credit risk of the financial institutions which are counterparties of those transactions. In regard to securities transactions and deposit transactions in fund management, the Group only deals with banks and issuers with certain credit ratings and manages investments within the defined period and credit limit, in accordance with Global Cash Investment Policy and Global Treasury Policy. In addition, regarding derivative transactions, the Group only deals with financial institutions with certain credit ratings in accordance with Global Treasury Policy.

(b) Concentrations of credit risk

The Group is not exposed to any credit risk excessively concentrated in a specific counterparty or group to which a specific counterparty belongs.

(c) Maximum exposure to credit risk

Other than guaranteed obligations, the Group's maximum exposure to credit risks without taking into account any collateral held or other credit enhancements is the carrying amount of financial instruments less impairment losses in the consolidated statement of financial position. The Group's maximum exposures to credit risks of guaranteed obligations as of 31 March 2023 and 2024 were ¥30 million and ¥19 million, respectively.

(d) Collateral

The Group has securities and deposits received as collateral for certain trade receivables and other receivables.

The credit risk exposure of financial assets measured at amortised cost as of 31 March 2023 is as follows:

(Millions of yen)

	Financial assets for which loss allowance is measured at an amount equal to 12-month expected credit losses	Financial assets for which loss allowance is measured at an amount equal to lifetime expected credit losses			Total
		Financial assets on which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at an amount equal to lifetime expected credit losses	
Trade and other receivables	45,335	-	2	408,792	454,129
Loans and other financial assets	23,897	-	-	4,403	28,299
Total	69,232	-	2	413,194	482,428

The movement of loss allowances for the fiscal year ended 31 March 2023 is as follows:

(Millions of yen)

	Financial assets for which loss allowance is measured at an amount equal to 12-month expected credit losses	Financial assets for which loss allowance is measured at an amount equal to lifetime expected credit losses			Total
		Financial assets on which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at an amount equal to lifetime expected credit losses	
Balance at 1 April 2022	-	-	3	2,063	2,066
Increase during the year	-	-	-	1,080	1,080
Decrease due to intended use during the year	-	-	(0)	(762)	(762)
Decrease due to reversal during the year	-	-	(0)	(650)	(650)
Other	-	-	0	260	260
Balance at 31 March 2023	-	-	2	1,991	1,993

The credit risk exposure of financial assets measured at amortised cost as of 31 March 2024 is as follows:

(Millions of yen)

	Financial assets for which loss allowance is measured at an amount equal to 12-month expected credit losses	Financial assets for which loss allowance is measured at an amount equal to lifetime expected credit losses			Total
		Financial assets on which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at an amount equal to lifetime expected credit losses	
Trade and other receivables	40,345	-	2	517,874	558,221
Loans and other financial assets	32,243	-	-	4,168	36,412
Total	72,588	-	2	522,042	594,633

The movement of loss allowances for the fiscal year ended 31 March 2024 is as follows:

(Millions of yen)

	Financial assets for which loss allowance is measured at an amount equal to 12-month expected credit losses	Financial assets for which loss allowance is measured at an amount equal to lifetime expected credit losses			Total
		Financial assets on which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at an amount equal to lifetime expected credit losses	
Balance at 1 April 2023	-	-	2	1,991	1,993
Increase during the year	-	-	-	2,158	2,158
Decrease due to intended use during the year	-	-	-	(908)	(908)
Decrease due to reversal during the year	-	-	(0)	(257)	(257)
Other	-	-	-	208	208
Balance at 31 March 2024	-	-	2	3,192	3,195

(ii) Liquidity risk

Liquidity risk management

The Group is exposed to liquidity risk that the Group might have difficulty settling financial obligations. However, the Group is maintaining the liquidity on hand that enables the Group to meet the assumed repayment of financial obligations and respond flexibly to strategic investment opportunities. Also, the balance is reported monthly to *Senmu Tantou-Yakuin*, Chief Financial Officer. In addition, the Company has concluded commitment line agreements with counterparty financial institutions. The Company uses them as well as uncommitted facilities and commercial papers to mitigate liquidity risk. The balance of unexecuted borrowings under the commitment line agreements for the fiscal year ended 31 March 2024 is ¥200,000 million.

Financial liabilities by maturity date are as follows:

As of 31 March 2023

(Millions of yen)

	Carrying amount	Contractual cash flows	Within one year	Between one year and two years	Between two years and five years	Over five years
Bonds and borrowings	125,000	125,660	75,169	162	50,329	-
Trade and other payables	144,453	144,453	140,236	2,280	1,937	-
Lease liabilities	75,007	125,841	13,820	12,117	21,708	78,196
Other financial liabilities measured at amortised cost	1,305	1,305	813	265	109	119
Derivatives	55	55	55	-	-	-
Total	345,820	397,314	230,092	14,823	74,084	78,315

	Carrying amount	Maximum payment amount	Within one year	Between one year and five years	Over five years
Contingent consideration	118,688	233,300	93,815	20,491	13,824

As of 31 March 2024

(Millions of yen)

	Carrying amount	Contractual cash flows	Within one year	Between one year and two years	Between two years and five years	Over five years
Bonds and borrowings	920,016	933,436	479,148	86,263	368,025	-
Trade and other payables	187,392	187,392	185,193	1,296	903	-
Lease liabilities	85,701	144,765	15,285	13,437	24,213	91,829
Other financial liabilities measured at amortised cost	2,306	2,306	2,095	-	105	107
Derivatives	1,591	1,591	1,273	174	144	-
Total	1,197,007	1,269,910	683,414	101,170	393,389	91,936

	Carrying amount	Maximum payment amount	Within one year	Between one year and five years	Over five years
Contingent consideration	113,568	232,849	81,800	37,223	757

(iii) Foreign exchange risk

Foreign exchange risk management

The Group operates its business in many countries and regions, and the Group's business results and financial position are exposed to foreign exchange risks.

The Group considers necessity of using derivatives to mitigate foreign exchange risk on each transaction. In regard to the intercompany loan in foreign currencies, the Group used foreign exchange forward contracts to mitigate the impact of exchange rate fluctuations on business results in the fiscal years ended 31 March 2023 and 2024. The status of the hedge against foreign exchange risk by currency and the balance of derivative transactions are reported monthly to *Senmu Tantou-Yakuin*, Chief Financial Officer.

Foreign exchange sensitivity analysis

The impact on profit before tax of the Group's consolidated statement of income for the fiscal years ended 31 March 2023 and 2024 in the case of a 10% appreciation of Japanese yen, which is the Company's functional currency, against the U.S. dollar and euro at the end of each fiscal year is as follows.

Also, it is based on the assumption that currencies other than the ones used for the calculation do not fluctuate and other change factors are held constant.

(Millions of yen)

Item	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Impact on profit before tax		
U.S. dollar	(3,950)	(1,608)
Euro	7,441	6,569

(Note) The above negative amounts represent the negative impact on profit before tax in the event of a 10% appreciation in Japanese yen.

(iv) Interest rate risk

Interest rate risk management

The Group’s interest-bearing liabilities are exposed to interest rate risk. However, in order to mitigate such risk, the Group strives to optimise the fund procurement by combining fixed and floating interest rates and determines the amount, term, method, etc. of fund procurement considering the details of demand for funds, financial position and financing environment. The Group considers necessity of using derivatives to mitigate interest rate risk for each transaction. The status of the hedge against interest rate risk and the balance of derivative transactions are reported monthly to *Senmu Tantou-Yakuin*, Chief Financial Officer.

The impact on profit before tax of the Group’s consolidated statement of income for the fiscal years ended 31 March 2023 and 2024 in the case of a 1% rise in the interest rates of borrowings with floating interest rates held by the Group at the end of each fiscal year is as follows.

Also, it is based on the assumption that other change factors are held constant.

(Millions of yen)

Item	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Impact on profit before tax	-	(3,803)

(Note) The above negative amounts represent the negative impact on profit before tax in the event of a 1% rise in the interest rates.

(4) Fair values of financial instruments

(i) Financial instruments measured at fair value on a recurring basis

Fair value hierarchy

The levels of the fair value hierarchy are as follows:

− Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

− Level 2: Fair value measured using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

− Level 3: Fair value measured using significant unobservable inputs for the assets or liabilities.

The level of the fair value hierarchy is determined based on the lowest level of significant input used for the measurement of fair value.

The Group accounts for transfers between levels of the fair value hierarchy as if they occurred at the end of each quarter.

The breakdown of financial assets and liabilities measured at fair value on a recurring basis, including their levels in the fair value hierarchy, is as follows:

As of 31 March 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Corporate-owned Life Insurance (COLI)	-	18,808	-	18,808
Derivatives	-	106	-	106
Investments in funds	-	-	28,769	28,769
Financial assets at FVTOCI (equity instruments)				
Quoted equity shares	13,495	-	-	13,495
Unquoted equity shares	-	-	28,194	28,194
Total financial assets	13,495	18,914	56,963	89,372
Financial liabilities				
Financial liabilities at FVTPL				
Derivatives	-	55	-	55
Contingent consideration	-	-	118,688	118,688
Total financial liabilities	-	55	118,688	118,743

(Note) Financial assets at FVTPL, financial assets at FVTOCI (equity instruments) and financial liabilities at FVTPL are included in “Other financial assets” and “Other financial liabilities” in the consolidated statement of financial position, respectively.

As of 31 March 2024

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Corporate-owned Life Insurance (COLI)	-	26,637	-	26,637
Derivatives	-	93	-	93
Investments in funds	-	-	33,976	33,976
Financial assets at FVTOCI (equity instruments)				
Quoted equity shares	9,518	-	-	9,518
Unquoted equity shares	-	-	30,844	30,844
Total financial assets	9,518	26,730	64,819	101,068
Financial liabilities				
Financial liabilities at FVTPL				
Derivatives	-	1,338	-	1,338
Contingent consideration	-	-	113,568	113,568
Derivatives to which hedge accounting is applied	-	253	-	253
Total financial liabilities	-	1,591	113,568	115,159

(Note) Financial assets at FVTPL, financial assets at FVTOCI (equity instruments), financial liabilities at FVTPL and derivatives to which hedge accounting is applied are included in “Other financial assets” and “Other financial liabilities” in the consolidated statement of financial position, respectively.

The movement of fair value of financial instruments categorised within Level 3 of the fair value hierarchy is as follows:

For the fiscal year ended 31 March 2023

(1) Financial assets

(Millions of yen)

	Financial assets at FVTPL	Financial assets at FVTOCI (equity instruments)	Total
Balance at 1 April 2022	25,441	19,173	44,615
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note)	(5,007)	-	(5,007)
Recognised in other comprehensive income	-	4,869	4,869
Purchases, issues, sales, and settlements			
Purchases	8,101	3,419	11,520
Other	234	732	966
Balance at 31 March 2023	28,769	28,194	56,963
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note)	(5,007)	-	(5,007)

(Note) This is included in “Finance income” and “Finance expenses” in the consolidated statement of income.

(2) Financial liabilities

(Millions of yen)

	Financial liabilities at FVTPL
Balance at 1 April 2022	66,569
Realised or unrealised gains (losses)	
Recognised in profit or loss (Note)	50,723
Other	1,396
Balance at 31 March 2023	118,688
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period (Note)	50,723

(Note) This is included in “Other income” and “Other expenses” in the consolidated statement of income.

For the fiscal year ended 31 March 2024

(1) Financial assets

(Millions of yen)

	Financial assets at FVTPL	Financial assets at FVTOCI (equity instruments)	Total
Balance at 1 April 2023	28,769	28,194	56,963
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note)	(252)	-	(252)
Recognised in other comprehensive income	-	(2,420)	(2,420)
Purchases, issues, sales, and settlements			
Purchases	6,091	2,568	8,659
Sales or settlements	(1,652)	-	(1,652)
Other	1,021	2,501	3,522
Balance at 31 March 2024	33,976	30,844	64,819
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note)	(252)	-	(252)

(Note) This is included in “Finance income” and “Finance expenses” in the consolidated statement of income.

(2) Financial liabilities

(Millions of yen)

	Financial liabilities at FVTPL
Balance at 1 April 2023	118,688
Realised or unrealised gains (losses)	
Recognised in profit or loss (Note)	22,031
Settlements	(29,444)
Other	2,293
Balance at 31 March 2024	113,568
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period (Note)	19,843

(Note) This is included in “Other income” and “Other expenses” in the consolidated statement of income.

Fair values are measured as follows.

The fair values of quoted equity shares categorised within Level 1 are measured using quoted market prices at the end of the fiscal year.

The financial assets categorised within Level 2 are composed of COLI and derivatives.

The Group possesses COLI to provide for the expected payment of a deferred compensation plan adopted by U.S. subsidiaries. The fair value of COLI is measured based on cash surrender value provided by the counterparty insurance company.

The fair values of derivatives are measured based on prices provided by counterparty financial institutions.

The financial assets categorised within Level 3 are composed of investments in funds and unquoted equity shares.

The fair values of investments in funds are measured based on the Group’s interest in a fund after estimating the fair value of the fund based on the latest available information.

The fair values of unquoted equity shares are measured based on metrics such as the most recent available balance of the investee’s net assets or projections of its future profitability.

The fair values of investments in funds and unquoted equity shares are measured by relevant divisions of the Company and each Group company in accordance with the Group accounting policy every quarter. The results with evidence of changes in fair value are reported to a superior.

The financial liabilities categorised within Level 2 are composed of derivatives.

The fair values of derivatives are measured based on prices provided by counterparty financial institutions.

The financial liabilities categorised within Level 3 are composed of contingent considerations arising from business combinations.

Contingent considerations represent certain milestone payments based on progress, etc. in the development of the clinical programs possessed by the acquirees. The fair values of the contingent consideration are estimated based on the success probability of a clinical program related to the difficulty of new drug development, etc. and the time value of money, etc. As these estimates entail uncertainties, there is an impact such as increase in the fair value of contingent considerations, if the success probability of the clinical program, which is a significant unobservable input, is raised.

In regard to financial instruments categorised within Level 3, there would be no significant changes in fair values when one or more of the unobservable inputs are changed to reflect reasonably possible alternative assumptions.

(ii) Fair values of financial instruments measured at amortised cost

Fair values are measured as follows.

Financial assets measured at amortised cost

Financial assets measured at amortised cost comprise trade and other receivables, loans and other financial assets, and cash and cash equivalents. The carrying amount approximates the fair value due to the short period of settlement terms.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost comprise bonds and borrowings, trade and other payables, lease liabilities and other financial liabilities. The carrying amount approximates the fair value due to the short period of settlement terms, except for bonds, long-term borrowings and lease liabilities.

The fair values of bonds categorised within Level 2 are measured based on quoted market prices at the end of the fiscal year. As of 31 March 2023 and 31 March 2024, the carrying amount approximates the fair value.

The carrying amount of long-term borrowings with floating interest rates approximates the fair value since market interest rates are reflected in a short period of time. The fair values of long-term borrowings with fixed interest rates categorised within Level 2 are measured by discounting future cash flows for the remaining period using interest rates reflecting credit risk. As of 31 March 2024, the carrying amount approximates the fair value.

(5) Hedge accounting

As described in "(3) Financial risk management policy," "(iii) Foreign exchange risk" and "(iv) Interest rate risk," the Group is exposed to foreign exchange risk and interest rate risk. In order to manage those risks, the Group considers necessity of using derivative transactions, i.e. foreign exchange forward contracts or interest rate swap, and application of hedge accounting on each transaction. The critical terms of the hedged items and the hedging instruments match or are closely aligned, and there are economic relationships between the hedged items and the hedging instruments. The hedge ratio is 1:1 in principle.

(i) Fair value hedges

The notional principal amount, carrying amount and average interest rate of the hedging instruments for each risk category are as follows.

Fiscal year ended 31 March 2024

(Millions of yen)

	Notional principal amount		Carrying amount		Average interest rate
	Within one year	Over one year	Assets	Liabilities (Note)	
Interest rate risk					
Interest rate swap	-	100,000	-	253	Receivable fixed rate 0.3%, Payable floating rate 0.2%

(Note) This is included in "Other financial liabilities" in the consolidated statement of financial position.

The carrying amount and the accumulated amount of fair value hedge adjustments of the hedged items for each risk category are as follows.

Fiscal year ended 31 March 2024

(Millions of yen)

	Carrying amount	Of which, accumulated amount of fair value hedge adjustments (Note)
Interest rate risk		
Borrowings with fixed interest rates	99,911	(89)

(Note) This is included in "Bonds and borrowings" in the consolidated statement of financial position.

(ii) Cash flow hedges

The movement of other components of equity and analysis of other comprehensive income for each risk category are as follows.

Fiscal year ended 31 March 2024

(Millions of yen)

	Foreign exchange risk		
	Cash flow hedges	Hedging cost	Total
Balance at 1 April 2023	-	-	-
Amount arising during the year	(7,682)	1,671	(6,011)
Reclassification adjustment (Note)	-	427	427
Transfer to non-financial assets	7,682	(2,098)	5,584
Balance at 31 March 2024	-	-	-

(Note) This is included in “Other income” in the consolidated statement of income.

30. Leases

The Group mainly leases buildings and structures and machinery and vehicles. There are no variable lease payments, residual value guarantees, restrictions or covenants imposed by leases, or sale and leaseback transactions.

There are also no significant leases not yet commenced to which the lessee is committed.

The breakdown of expenses or income related to leases is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Depreciation of right-of-use assets		
Buildings and structures	12,183	12,627
Machinery and vehicles	2,790	2,664
Equipment, furniture and fixtures	621	409
Land	16	13
Total depreciation	15,610	15,712
Interest expense on lease liabilities	2,459	3,990
Expense relating to short-term leases	176	165
Expense relating to leases of low-value assets	47	34
Income from subleasing right-of-use assets (Note)	219	210

(Note) Finance income on the net investment in the lease for finance leases and lease income for operating leases

The breakdown of right-of-use assets is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Buildings and structures	55,991	56,671
Machinery and vehicles	4,288	7,580
Equipment, furniture and fixtures	950	928
Land	572	-
Total right-of-use assets	61,801	65,179

The total cash outflow for leases for the fiscal years ended 31 March 2023 and 2024 amounted to ¥19,176 million and ¥17,435 million, respectively.

For details on the increase in right-of-use assets and maturity analysis on lease liabilities, please refer to Note “15. Property, Plant and Equipment” and “(ii) Liquidity risk” under Note “29. Financial Instruments (3),” respectively.

31. Cash flow information

(1) Payments for acquisition of subsidiaries

The breakdown of assets and liabilities in the subsidiaries over which control is obtained and consideration paid in respect of obtaining control of subsidiaries are as follows.

Fiscal year ended 31 March 2024

(Millions of yen)

Non-current assets	910,067
Current assets	56,973
Non-current liabilities	(153,298)
Current liabilities	(27,728)
Basis adjustments	(5,584)
Goodwill	43,610
Total consideration paid (cash and cash equivalents)	824,040
Cash and cash equivalents in the subsidiaries over which control is obtained	(44,650)
Basis adjustments	5,584
Payments for acquisition of subsidiaries	784,974

(Note) A major subsidiary over which control is obtained is IVERIC bio, Inc. For details of the business combination, please refer to Note “34. Business Combinations.”

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

(Millions of yen)

	Bonds	Long-term borrowings	Commercial papers	Short-term borrowings	Lease liabilities	Derivative liabilities (assets) to hedge liabilities	Total
Balance at 1 April 2022	-	50,000	90,000	-	72,744	-	212,744
Changes arising from cash flows	50,000	(50,000)	(15,000)	-	(16,495)	-	(31,495)
Non-cash changes							
New leases and modifications	-	-	-	-	15,072	-	15,072
Other	-	-	-	-	3,687	-	3,687
Balance at 31 March 2023	50,000	-	75,000	-	75,007	-	200,007
Changes arising from cash flows	200,000	246,896	210,000	114,337	(13,246)	(7,174)	750,813
Business combinations	-	-	-	15,079	-	-	15,079
Non-cash changes							
New leases and modifications	-	-	-	-	16,130	-	16,130
Changes in fair values	-	-	-	-	-	8,672	8,672
Other	-	2,727	-	5,976	7,809	-	16,512
Balance at 31 March 2024	250,000	249,623	285,000	135,393	85,701	1,498	1,007,215

(Note) 1. Increase by “Business combinations” was due to the acquisition of IVERIC bio, Inc. For details of the business combination, please refer to Note “34. Business Combinations.”

2. “Other” mainly includes exchange differences.

3. “Long-term borrowings” includes the current portion of long-term borrowings.

32. Commitments

The breakdown of commitments for the acquisition of property, plant and equipment and intangible assets is as follows:

(Millions of yen)

	As of 31 March 2023	As of 31 March 2024
Intangible assets		
Research and development milestone payments	336,787	479,702
Sales milestone payments	393,759	608,736
Total	730,547	1,088,438
Property, plant and equipment	15,127	16,251

Commitments for the acquisition of intangible assets

The Group has entered into research and development collaborations and in-license agreements of products and technologies with some alliance partners. Under these agreements, the Group is obliged to make milestone payments upon the achievement of agreed objectives or when certain conditions are met as defined in the agreements.

"Research and development milestone payments" represent obligations to pay the amount set out in an individual contract agreement upon achievement of a milestone determined according to the stage of research and development.

"Sales milestone payments" represent obligations to pay the amount set out in an individual contract agreement upon achievement of a milestone determined according to the target of sales.

The amounts shown in the table above represent the maximum payments to be made when all milestones are achieved, and they are undiscounted and not risk adjusted. Since the achievement of the conditions for payment is highly uncertain, it is unlikely that they will all fall due and the amounts of the actual payments may vary considerably from those stated in the table.

33. Related Party Transactions

(1) Major subsidiaries

A list of major subsidiaries is available on the Company's website (https://www.astellas.com/en/).

(2) Compensation of key management personnel

The table below shows, by the type, the compensation of key management personnel:

(Millions of yen)

	Fiscal year ended 31 March 2023	Fiscal year ended 31 March 2024
Remunerations and salaries	2,302	1,845
Share-based payments	1,093	745
Other	1,140	30
Total compensation	4,534	2,620

Key management personnel consist of the Group's Directors and members of the Executive Committee, and the numbers of such personnel for the fiscal years ended 31 March 2023 and 2024 were 23 and 18, respectively.

34. Business Combinations

For the fiscal year ended 31 March 2024

Acquisition of IVERIC bio, Inc.

(1) Outline of the business combination

(i) Name and business description of the acquiree

Name of the acquiree	IVERIC bio, Inc. (“Iveric Bio”)
Business Description	Research & development of pharmaceutical products

(ii) Acquisition date

11 July 2023, U.S. Eastern Time

(iii) Percentage of voting equity interests acquired

100%

(iv) Acquisition method

Acquisition of all shares of stock in cash

(v) Primary reasons for the business combination

The Company aims to become a cutting-edge, VALUE-driven life science innovator to realise its VISION to be “on the forefront of healthcare change to turn innovative science into VALUE for patients.” Through the Company’s Research and Development strategy, Focus Area Approach, it is working to create innovative drugs for diseases with high unmet medical need by identifying unique combinations of biology and therapeutic modality / technology from multiple perspectives. Currently, the Company has identified five Primary Focuses, including “Blindness & Regeneration,” and is prioritising investment resources in these areas. As such, the acquisition of Iveric Bio is a key step in building the Company’s product portfolio in this important area.

Iveric Bio focuses on the discovery and development of novel treatments in the field of ophthalmology. The U.S. Food and Drug Administration (FDA) approved IZERVAY™ (avacincaptad pegol intravitreal solution) for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD) on 4 August 2023.

Avacincaptad pegol (ACP), a complement C5 inhibitor, is an investigational drug for GA secondary to AMD and has significant potential to deliver value to a large and underserved patient base. ACP met its primary efficacy endpoint (reduction of the rate of GA progression) with statistical significance across two pivotal clinical trials, (GATHER 1 and 2 Clinical Trials) and has received breakthrough therapy designation from the FDA for this indication.

The Company expects not only that the acquisition of ACP, the lead program of Iveric Bio, will contribute to the Company’s fiscal year 2025 revenue targets set in its Corporate Strategic Plan 2021, but also that ACP, in conjunction with fezolinetant and PADCEV, will be a revenue-generating pillar to help compensate for the decline in sales of XTANDI due to anticipated loss of exclusivity later this decade.

In addition, the acquisition of Iveric Bio will provide a foundation of ophthalmology focused capabilities, including a multi-faceted commercial team, expansive network of experts in the ophthalmology field, and established relationships with medical institutions. Furthermore, through acquired capabilities, the Company will accelerate clinical development and commercialisation activities to positively contribute to the goals of Primary Focus, “Blindness & Regeneration.”

(2) The fair values of assets acquired, liabilities assumed and purchase consideration transferred as at the acquisition date are as follows:

(Millions of yen)

	Provisional fair value as of 30 September 2023	Fair value adjustments	Fair value (as adjusted)
Intangible assets (in-process research & development)	884,331	-	884,331
Financial assets at FVTOCI (debt instruments)	9,986	-	9,986
Cash and cash equivalents	44,649	-	44,649
Other assets	2,607	-	2,607
Deferred tax liabilities	(149,046)	(4,252)	(153,298)
Short-term borrowings	(15,079)	-	(15,079)
Other liabilities	(7,984)	-	(7,984)
Fair values of assets acquired and liabilities assumed (net)	769,464	(4,252)	765,212
Basis adjustments	(5,584)	-	(5,584)
Goodwill	35,236	8,374	43,610
Total	799,116	4,122	803,238
Total fair value of purchase consideration transferred	799,116	4,122	803,238

During the fiscal year ended 31 March 2024, further facts came to light and additional analysis was performed on the fair value measurement of the assets acquired, liabilities assumed and purchase consideration transferred at the acquisition date. As a result, the provisional fair values were adjusted as above. The initial accounting for the business combination is incomplete as of 31 March 2024 as the Company is still in the process of finalizing the fair value measurement of assets acquired, liabilities assumed and purchase consideration transferred at the acquisition date.

The fair values of intangible assets (in-process research and development) are calculated using the income approach, in which assumptions such as the probability of obtaining marketing approvals from regulatory authorities, projected sales after product launch and discount rates are used.

Goodwill mainly comprises the value of expected synergies arising from the acquisition and future economic benefits, which is not separately recognised.

(3) Cash flow information

(Millions of yen)

Total fair value of purchase consideration transferred	803,238
Cash and cash equivalents held by the acquiree	(44,649)
Basis adjustments	5,584
Payments for acquisition of subsidiaries	764,173

In addition, the Group separated payment for Iveric Bio's unvested share-based payments, such as share options, from the business combination and recognised ¥33,434 million as "Other expenses" in the consolidated statement of income.

(4) Acquisition-related costs

¥3,614 million

Acquisition-related costs were recognised in "Selling, general and administrative expenses" in the consolidated statement of income.

(5) Effect on the consolidated statement of income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the consolidated statement of income for the fiscal year ended 31 March 2024:

¥(107,506) million

(Note) This amount includes payment of ¥33,434 million for Iveric Bio's unvested share-based payments, such as share options, which is recognised separately from the business combination.

(ii) Effect on profit (loss) before tax in the consolidated statement of income for the fiscal year ended 31 March 2024 assuming the acquisition date had been at the beginning of the fiscal year (unaudited):

¥(52,765) million

(Note) This effect is calculated based on Iveric Bio's financial results for the period from 1 April 2023 to the acquisition date.

35. Contingent Liabilities

Legal Proceedings

The Group is involved in various claims and legal proceedings of a nature considered common to the pharmaceutical industry. These proceedings are generally related to product liability claims, competition and antitrust law, intellectual property matters, employment claims, and government investigations. In general, since litigation and other legal proceedings entail many uncertainties and complex factors, it is often not possible to make reliable judgement regarding the possibility of losses nor to estimate expected financial effect if these matters are decided in a manner that is adverse to the Group. In these cases, disclosures would be made as appropriate, but no provision would be made by the Group.

In addition, there were no material contingent liabilities required to be disclosed as at the date of submission.

36. Subsequent Events

Not applicable.

Independent Auditor's Report

The Board of Directors
Astellas Pharma Inc.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Astellas Pharma Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of the acquisition-date fair value of intangible assets (in-process research and development (IPR&D)) acquired in business combination with IVERIC bio, Inc.
Description of Key Audit Matter
As discussed in “Note 4 Significant Accounting Estimates, Judgements and Assumptions,” “Note 17 Intangible Assets” and “Note 34 Business Combinations” to the consolidated financial statements, the Group acquired all of the equity interests of IVERIC bio, Inc. (hereinafter, “Iveric Bio”), which is engaged in the research and development of pharmaceuticals, on 11 July 2023 Eastern Time (acquisition date), making it a subsidiary. For this business combination, the Group measured the identifiable assets acquired and liabilities assumed at the acquisition-date fair value, of which it recognised intangible assets (IPR&D) of ¥884,331 million. Iveric Bio focuses on the discovery and development of novel treatments in the field of ophthalmology and, as of the acquisition date, has a lead program, avacincaptad pegol (ACP), in development for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD), and the intangible assets (IPR&D) noted above correspond to this program. The Group uses the income approach in determining the fair value of the intangible assets (IPR&D). The significant assumptions underlying the determination of fair value using the income approach are the probability of obtaining marketing approvals from regulatory authorities, projected sales after product launch and discount rates. Considering the following, we determined this matter to be a key audit matter of the consolidated financial statements. ・The intangible assets (IPR&D) of ¥884,331 million as of the acquisition date acquired in the business combination with Iveric Bio are quantitatively significant. Mainly as a result of the business combination, total assets increased from ¥2,456,518 million at 31 March 2023 to ¥3,569,603 million at 31 March 2024 and the proportion of intangible assets to total assets increased from 22.9% at 31 March 2023 to 40.7% at 31 March 2024. ・The valuation of the recognised intangible assets (IPR&D) is also qualitatively significant considering factors such as the expectation that ACP will compensate for the decline in sales of XTANDI (the Group’s current primary product) due to the anticipated loss of exclusivity later this decade. ・Estimating the probability of obtaining marketing approvals from regulatory authorities and projected sales after product launch requires significant judgements by management based on factors such as the status of product development and discussions with regulatory authorities. ・Estimation of discount rates requires a high degree of valuation expertise.
Auditor’s Response
We involved the component auditor of U.S. consolidated subsidiaries and mainly performed the following procedures to consider the measurement of the acquisition-date fair value of intangible assets (IPR&D) acquired in the business combination with Iveric Bio.

- In order to gain an understanding of the purpose of the business combination with Iveric Bio, the positioning of the transaction within the Group's business strategy and an overall picture of the transaction and to consider how management made accounting estimates, we made inquiries of management and inspected minutes of management meetings and contracts related to the business combination.
- In order to consider the probability of obtaining marketing approvals from regulatory authorities, we gained an understanding of management's estimation techniques, obtained materials of its basis and evaluated the estimation techniques. In addition, through inquiries of management and personnel in charge of responsible departments, we gained an understanding of the status of product development and discussions with regulatory authorities. Moreover, in order to evaluate management's explanation that, following the acquisition of Iveric Bio, Iveric Bio's lead program, ACP, was approved by the U.S. Food and Drug Administration (FDA) for the treatment of GA secondary to AMD on 4 August 2023 (local time), we inspected the relevant records.
- In order to consider projected sales after product launch, we gained an understanding of management's estimation techniques, obtained materials of its basis and evaluated the estimation techniques. In addition, we inspected external reports related to the characteristics of and treatment market for AMD, the target disease of ACP, and evaluated management's explanations.
- In order to consider the discount rates, we evaluated management's estimation techniques by involving valuation specialists of our network firms.

Assessment on the necessity of impairment of in-process research and development (IPR&D) recognised as intangible assets related to new drug development
Description of Key Audit Matter
As discussed in "Note 3 Material Accounting Policies" and "Note 17 Intangible Assets" to the consolidated financial statements, among rights related to products or research and development acquired separately or through business combinations, those that are still in the research and development stage or those that marketing approvals have not yet been obtained from regulatory authorities and thus have not yet been launched are recognised as intangible assets not yet available for use under IPR&D. The Group recognised IPR&D of ¥378,982 million, which represented 10.6% of total assets, as of 31 March 2024. For the fiscal year ended 31 March 2024, an impairment loss recognised for IPR&D was ¥39,852 million. This impairment loss was recognised for gene therapy program AT808, for which research and development is currently underway, for patients with Friedreich's Ataxia. The Group does not amortise IPR&D because it is not yet available for use until marketing approvals from regulatory authorities are obtained and the asset becomes available for use, but instead, it is tested for impairment whenever there is an indication of impairment or annually at the same time each year irrespective of whether there is any indication of impairment. In testing IPR&D for impairment, the Group measures the recoverable amount at the higher of fair value less costs of disposal and its value in use. The recoverable amount of IPR&D is measured

using value in use mainly based on future forecasts. A number of assumptions are incorporated into the calculation of value in use depending on the nature of each case. Significant assumptions thereof are the probability of obtaining marketing approvals from regulatory authorities, projected sales after product launch and discount rates.

Considering the following, we determined this matter to be a key audit matter of the consolidated financial statements.

- In the pharmaceutical business in which the Group operates, pharmaceutical products are generally classified as “prescription drugs” or “over the counter drugs”. Prescription drugs are prescribed based on diagnoses by physicians, among others, and classified as “new drugs (branded medicines)” or “generic drugs (generic medicines)”. The Group focuses on prescription drugs, particularly in the new drug business where it can play to its strengths, and has made multiple acquisitions and in-licensing deals to expand its pipeline of new drug candidates. As a result, significant amount of IPR&D has been recognised as intangible assets related to new drug development, which also accounts for a large percentage of total assets. In addition, there are many cases where there is a large amount of IPR&D per project, and there is often significant impairment loss when such impairment loss is recognised due to events such as the termination of research and development. Therefore, assessing the necessity of impairment significantly impacts the Group’s financial position and financial performance.
- The efficacy, safety, and quality of new drugs are generally examined through the process of basic research, nonclinical studies and clinical research (clinical trials) over a period of 10 years or more, and entail uncertainty as to whether the drugs can obtain marketing approvals from regulatory authorities. In addition, as a general feature of the new drug development business, if a new drug is successfully developed and marketing approvals can be obtained from regulatory authorities as expected, the recoverable amount significantly exceeds the carrying amount of IPR&D and impairment often does not occur. However, if development fails and marketing approvals cannot be obtained from regulatory authorities, the recoverable amount becomes zero and impairment loss is often recognised for related IPR&D. Therefore, estimating the probability of obtaining marketing approvals from regulatory authorities is important and requires significant judgements by management based on factors such as the status of product development and discussions with regulatory authorities.
- Estimating projected sales after product launch also requires significant judgements by management based on factors such as the status of product development and discussions with regulatory authorities.
- Estimation of discount rates requires a high degree of valuation expertise.

Auditor’s Response

We mainly performed the following procedures to consider the assessment on the necessity of impairment of IPR&D recognised as intangible assets related to new drug development.

- In order to consider the probability of obtaining marketing approvals from regulatory authorities, we gained an understanding of management’s estimation techniques, obtained materials of its basis and evaluated the estimation techniques. In addition, through inquiries of management and personnel in charge of responsible departments, we gained an understanding of the status of product development and discussions with regulatory authorities. Moreover, for cases deemed necessary, we inspected minutes of meetings in which decisions were made regarding research and development and evaluated management’s explanations and, for products under development, we considered whether there were any events that could trigger termination of development.

・In order to consider projected sales after product launch, we gained an understanding of management’s estimation techniques, obtained materials of its basis and evaluated the estimation techniques. In addition, for cases deemed necessary, we inspected minutes of meetings in which decisions were made regarding research and development, inspected records relating to the status of discussions with the FDA and evaluated management's explanations and, for products under development, we considered whether there were any events, such as a major revision in the target patient population, with a significant impact on projected sales.

・In order to consider discount rates, we evaluated management’s estimation techniques by involving valuation specialists of our network firms for cases deemed necessary.

Estimation of rebates related to U.S. Medicaid, U.S. Medicare and U.S. Managed Care programs recognised as refund liabilities
Description of Key Audit Matter
As discussed in “Note 27 Other Liabilities” to the consolidated financial statements, the Group recognised refund liabilities of ¥309,470 million, which represented 15.7% of total liabilities, as of 31 March 2024. The recognised refund liabilities were mainly for rebates related to U.S. Medicaid, U.S. Medicare and U.S. Managed Care programs (“U.S. Rebates”), which are health care insurance systems. The Group deducts U.S. Rebates from gross revenue as variable consideration in the same period that the corresponding revenues are recognised, and recognises refund liabilities to provide for refunds expected to be paid after the end of the fiscal year. In estimating U.S. Rebates, the Group estimates the expected value based on the identification of the products subject to each rebate program, product sales forecasts, rebate rates based on current pricing, executed contracts and government pricing legislation, and trends of prior year actual sales. The calculations involved in estimating U.S. Rebates are complex and management’s judgements affect the amount of refund liabilities and revenues. In addition, the Group’s sales volume in the U.S. continues to be large and, accordingly, the related U.S. Rebates recognised for these sales are quantitatively significant. Thus, we determined this matter to be a key audit matter of the consolidated financial statements.
Auditor’s Response
We involved the component auditor of U.S. consolidated subsidiaries and mainly performed the following procedures to consider the estimation of U.S. Rebates. ・We evaluated the design and operating effectiveness of the internal controls related to estimation of U.S. Rebates. ・We recalculated rebate amounts on a sample basis and evaluated the estimation techniques

for U.S. Rebates applied by management.

- We evaluated the accuracy of management’s estimates by comparing U.S. Rebates recognised in the past with final payment amounts.
- In considering product sales forecasts, we gained an understanding of management’s estimation techniques and evaluated the accuracy of past estimates.
- In considering government pricing legislation, we involved specialists of our network firms and evaluated calculations of the Group.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31 March 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Astellas Pharma Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended 31 March 2024 are 1,805 million yen and 86 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

7 August 2024

Kohei Koyama
Kohei Koyama
Designated Engagement Partner
Certified Public Accountant

Mitsuharu Konno
Mitsuharu Konno
Designated Engagement Partner
Certified Public Accountant