Consolidated Financial Statements under IFRS with Independent Auditor's Report

Astellas Pharma Inc. and Subsidiaries

For the fiscal year ended 31 March 2022

Consolidated Financial Statements

(1) Consolidated Statement of Income

	Note	Fiscal year ended 31 March 2021 (Millions of yen)	Fiscal year ended 31 March 2022 (Millions of yen)	Fiscal year ended 31 March 2022 (Millions of U.S. dollars)
Revenue	6	1,249,528	1,296,163	$10,624
Cost of sales		(246,063)	(253,009)	(2,074)
Gross profit		1,003,465	1,043,154	8,550
Selling, general and administrative expenses		(504,316)	(548,840)	(4,499)
Research and development expenses		(224,489)	(246,010)	(2,016)
Amortisation of intangible assets	17	(23,763)	(28,283)	(232)
Gain on divestiture of intangible assets	17	-	24,234	199
Share of profit (loss) of investments accounted for using equity method		478	489	4
Other income	7	7,639	15,256	125
Other expenses	8	(122,963)	(104,314)	(855)
Operating profit		136,051	155,686	1,276
Finance income	10	11,608	6,149	50
Finance expenses	11	(2,335)	(4,949)	(41)
Profit before tax		145,324	156,886	1,286
Income tax expense	12	(24,734)	(32,800)	(269)
Profit		120,589	124,086	$1,017
Profit attributable to:				
Owners of the parent		120,589	124,086	1,017
Earnings per share:		(Yen)	(Yen)	(U.S. dollars)
Basic	13	64.93	67.08	$0.55
Diluted	13	64.90	67.05	0.55

(2) Consolidated Statement of Comprehensive Income

	Note	(Millions of yen) Fiscal year ended 31 March 2021	(Millions of yen) Fiscal year ended 31 March 2022	(Millions of U.S. dollars) Fiscal year ended 31 March 2022
Profit		120,589	124,086	$1,017
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income		5,374	(5,078)	(42)
Remeasurements of defined benefit plans		1,788	2,512	21
Subtotal		7,162	(2,566)	(21)
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	14	53,748	86,597	710
Subtotal		53,748	86,597	710
Other comprehensive income		60,910	84,031	689
Total comprehensive income		181,499	208,117	$1,706
Total comprehensive income attributable to:				
Owners of the parent		181,499	208,117	1,706

(3) Consolidated Statement of Financial Position

	Note	As of 31 March 2021 (Millions of yen)	As of 31 March 2022 (Millions of yen)	As of 31 March 2022 (Millions of U.S. dollars)
Assets				
Non-current assets				
Property, plant and equipment	15	264,623	269,044	$2,205
Goodwill	16	284,011	303,030	2,484
Intangible assets	17	651,427	623,431	5,110
Trade and other receivables	20	33,924	29,796	244
Investments accounted for using equity method		7,117	10,035	82
Deferred tax assets	18	54,176	72,331	593
Other financial assets	29	95,850	91,844	753
Other non-current assets		9,913	9,531	78
Total non-current assets		1,401,040	1,409,041	11,550
Current assets				
Inventories	19	164,080	153,072	1,255
Trade and other receivables	20	343,178	382,462	3,135
Income tax receivable		13,984	21,539	177
Other financial assets	29	5,560	21,297	175
Other current assets		19,658	28,997	238
Cash and cash equivalents	21	326,128	315,986	2,590
Total current assets		872,588	923,354	7,568
Total assets		2,273,628	2,332,395	$19,118

	Note	(Millions of yen) As of 31 March 2021	As of 31 March 2022	(Millions of U.S. dollars) As of 31 March 2022
Equity and liabilities				
Equity				
Share capital	22	103,001	103,001	$844
Capital surplus	22	177,830	179,467	1,471
Treasury shares	22	(15,377)	(13,934)	(114)
Retained earnings		953,289	944,261	7,740
Other components of equity	22	167,373	247,512	2,029
Total equity attributable to owners of the parent		1,386,115	1,460,308	11,970
Total equity		1,386,115	1,460,308	11,970
Liabilities				
Non-current liabilities				
Trade and other payables	28	400	676	6
Deferred tax liabilities	18	18,161	5,823	48
Retirement benefit liabilities	25	38,982	37,226	305
Provisions	26	5,796	5,831	48
Other financial liabilities	29	199,021	95,886	786
Other non-current liabilities	27	32,782	39,234	322
Total non-current liabilities		295,141	184,676	1,514
Current liabilities				
Trade and other payables	28	124,777	130,739	1,072
Income tax payable		8,395	32,388	265
Provisions	26	22,187	16,570	136
Other financial liabilities	29	148,163	184,964	1,516
Other current liabilities	27	288,851	322,751	2,646
Total current liabilities		592,372	687,411	5,635
Total liabilities		887,513	872,087	7,148
Total equity and liabilities		2,273,628	2,332,395	$19,118

(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 2020		103,001	177,506	(7,178)	905,851	899	93,277
Comprehensive income							
Profit		-	-	-	120,589	-	-
Other comprehensive income		-	-	-	-	-	53,748
Total comprehensive income		-	-	-	120,589	-	53,748
Transactions with owners							
Acquisition of treasury shares	22	-	-	(9,163)	-	-	-
Disposals of treasury shares	22	-	(444)	964	(365)	(154)	-
Dividends	23	-	-	-	(76,157)	-	-
Share-based payments	24	-	768	-	-	-	-
Transfers		-	-	-	3,371	-	-
Total transactions with owners		-	324	(8,199)	(73,151)	(154)	-
As of 31 March 2021		103,001	177,830	(15,377)	953,289	745	147,024
Comprehensive income							
Profit		-	-	-	124,086	-	-
Other comprehensive income		-	-	-	-	-	86,597
Total comprehensive income		-	-	-	124,086	-	86,597
Transactions with owners							
Acquisition of treasury shares	22	-	-	(50,717)	-	-	-
Disposals of treasury shares	22	-	(391)	735	(229)	(115)	-
Cancellation of treasury shares	22	-	-	51,427	(51,427)	-	-
Dividends	23	-	-	-	(85,236)	-	-
Share-based payments	24	-	2,028	-	-	-	-
Transfers		-	-	-	3,777	-	-
Total transactions with owners		-	1,638	1,444	(133,114)	(115)	-
As of 31 March 2022		103,001	179,467	(13,934)	944,261	630	233,621

(Millions of yen)

	Note	Equity attributable to owners of the parent				Total equity
		Other components of equity			Total	
		Financial assets measured at fair value through other comprehen-sive income	Remeasure-ments of defined benefit plans	Total		
As of 1 April 2020		15,813	-	109,989	1,289,168	1,289,168
Comprehensive income						
Profit		-	-	-	120,589	120,589
Other comprehensive income		5,374	1,788	60,910	60,910	60,910
Total comprehensive income		5,374	1,788	60,910	181,499	181,499
Transactions with owners						
Acquisition of treasury shares	22	-	-	-	(9,163)	(9,163)
Disposals of treasury shares	22	-	-	(154)	1	1
Dividends	23	-	-	-	(76,157)	(76,157)
Share-based payments	24	-	-	-	768	768
Transfers		(1,583)	(1,788)	(3,371)	-	-
Total transactions with owners		(1,583)	(1,788)	(3,525)	(84,552)	(84,552)
As of 31 March 2021		19,604	-	167,373	1,386,115	1,386,115
Comprehensive income						
Profit		-	-	-	124,086	124,086
Other comprehensive income		(5,078)	2,512	84,031	84,031	84,031
Total comprehensive income		(5,078)	2,512	84,031	208,117	208,117
Transactions with owners						
Acquisition of treasury shares	22	-	-	-	(50,717)	(50,717)
Disposals of treasury shares	22	-	-	(115)	0	0
Cancellation of treasury shares	22	-	-	-	-	-
Dividends	23	-	-	-	(85,236)	(85,236)
Share-based payments	24	-	-	-	2,028	2,028
Transfers		(1,265)	(2,512)	(3,777)	-	-
Total transactions with owners		(1,265)	(2,512)	(3,893)	(133,925)	(133,925)
As of 31 March 2022		13,261	-	247,512	1,460,308	1,460,308

(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 2021		$844	$1,458	$(126)	$7,814	$6	$1,205
Comprehensive income							
Profit		-	-	-	1,017	-	-
Other comprehensive income		-	-	-	-	-	710
Total comprehensive income		-	-	-	1,017	-	710
Transactions with owners							
Acquisition of treasury shares	22	-	-	(416)	-	-	-
Disposals of treasury shares	22	-	(3)	6	(2)	(1)	-
Cancellation of treasury shares	22	-	-	422	(422)	-	-
Dividends	23	-	-	-	(699)	-	-
Share-based payments	24	-	17	-	-	-	-
Transfers		-	-	-	31	-	-
Total transactions with owners		-	13	12	(1,091)	(1)	-
As of 31 March 2022		$844	$1,471	$(114)	$7,740	$5	$1,915

(Millions of U.S. dollars)

	Note	Equity attributable to owners of the parent				Total equity
		Other components of equity			Total	
		Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
As of 31 March 2021		$161	$-	$1,372	$11,362	$11,362
Comprehensive income						
Profit		-	-	-	1,017	1,017
Other comprehensive income		(42)	21	689	689	689
Total comprehensive income		(42)	21	689	1,706	1,706
Transactions with owners						
Acquisition of treasury shares	22	-	-	-	(416)	(416)
Disposals of treasury shares	22	-	-	(1)	0	0
Cancellation of treasury shares	22	-	-	-	-	-
Dividends	23	-	-	-	(699)	(699)
Share-based payments	24	-	-	-	17	17
Transfers		(10)	(21)	(31)	-	-
Total transactions with owners		(10)	(21)	(32)	(1,098)	(1,098)
As of 31 March 2022		$109	$-	$2,029	$11,970	$11,970

(5) Consolidated Statement of Cash Flows

	Note	(Millions of yen) Fiscal year ended 31 March 2021	(Millions of yen) Fiscal year ended 31 March 2022	(Millions of U.S. dollars) Fiscal year ended 31 March 2022
Cash flows from operating activities				
Profit before tax		145,324	156,886	$1,286
Depreciation and amortisation		72,652	79,684	653
Impairment losses (reversal of impairment losses)		100,348	74,850	614
Finance income and expenses		(9,273)	(1,200)	(10)
(Increase) decrease in inventories		(2,318)	24,058	197
(Increase) decrease in trade and other receivables		22,161	(8,001)	(66)
Increase (decrease) in trade and other payables		(51,569)	(10,101)	(83)
Other		47,389	(16,639)	(136)
Subtotal		324,714	299,537	2,455
Income tax paid		(17,870)	(42,093)	(345)
Net cash flows from operating activities		306,843	257,444	2,110
Cash flows from investing activities				
Purchases of property, plant and equipment		(31,384)	(30,739)	(252)
Proceeds from sales of property, plant and equipment		6,831	441	4
Purchase of intangible assets		(46,057)	(45,709)	(375)
Proceeds from sales of intangible assets		-	24,281	199
Payments for acquisition of subsidiaries		(14,916)	(670)	(5)
Interest and dividends received		1,037	716	6
Other		2,594	(10,733)	(88)
Net cash flows provided by (used in) investing activities		(81,894)	(62,413)	(512)
Cash flows from financing activities				
Increase (decrease) in bonds and short-term borrowings		(206,000)	(30,000)	(246)
Proceeds from long-term borrowings		80,000	-	-
Repayments of long-term borrowings		-	(30,000)	(246)
Acquisition of treasury shares	22	(9,163)	(50,717)	(416)
Dividends paid to owners of the parent	23	(76,157)	(85,236)	(699)
Repayments of lease liabilities		(15,891)	(17,815)	(146)
Other		(2,268)	(2,530)	(21)
Net cash flows provided by (used in) financing activities		(229,479)	(216,298)	(1,773)
Effect of exchange rate changes on cash and cash equivalents		12,267	11,125	91
Net increase (decrease) in cash and cash equivalents		7,737	(10,143)	(83)
Cash and cash equivalents at the beginning of the year	21	318,391	326,128	2,673
Cash and cash equivalents at the end of the year	21	326,128	315,986	$2,590

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 2022 were authorised for issue on 20 June 2022 by Kenji Yasukawa, Representative Director, President and Chief Executive Officer, and Minoru Kikuoka, Corporate Executive (*Senmu Tantou-Yakuin*) and Chief Financial Officer.

These English language consolidated financial statements were approved by them subsequently on 31 August 2022. 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 ¥122 to U.S. $1, the approximate rate of exchange as of 31 March 2022. 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) New or amended IFRS standards and interpretations issued but not yet adopted

There was no material new or amended IFRS standards and interpretations that the Group had not adopted among those issued by the date of the approval of the Group’s consolidated financial statements.

3. Significant Accounting Policies

The significant 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) Finance income and finance expenses

Finance income mainly comprises interest income and dividend income. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Financial expenses mainly comprise interest expense and fees.

(7) 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 and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss) on the transaction date.
- 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.

(8) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of the parent by the weighted-average number of ordinary shares outstanding during the year, adjusting treasury shares.

For the purpose of calculating diluted earnings per share, profit attributable to owners of the parent and the weighted average number of shares outstanding, adjusting treasury shares, are adjusted for the effects of all dilutive potential ordinary shares.

(9) 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.

When an item of property, plant and equipment has a significant component, such component is accounted for as a separate item of property, plant and equipment. Depreciation of an asset begins when it is available for use. 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.

(10) 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.

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

(12) 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 for which marketing approval has not yet been obtained from the regulatory authorities are recognised under intangible assets as “IPR&D.”

Subsequent expenditure, including initial upfront and milestone payments to the third parties, on an acquired IPR&D 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 asset is available for use, 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”.

(13) 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 for intangible assets 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.

(14) 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 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.

(15) 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.

(16) 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.

(17) Assets held for sale

Non-current assets or disposal groups are classified as “Assets held for sale” if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. To be classified as assets held for sale, the asset must be available for immediate sale in its present condition, and the sale must be highly probable. Specifically, management of the Group must have a firm commitment to execute the plan to sell the asset and the sale is expected to be completed within one year from the date of classification, as a general rule. Assets held for sale are measured at the lower of their carrying amounts and fair values less costs to sell, and they are not depreciated or amortised while they are classified as held for sale.

(18) Equity

(i) Ordinary shares

Proceeds from the issuance of ordinary shares by the Company are included in share capital and capital surplus. Transaction costs of issuing ordinary shares (net of tax) are deducted from capital surplus.

(ii) Treasury shares

When the Company reacquires its own ordinary shares, the amount of the consideration paid including transaction costs is deducted from equity. When the Company sells treasury shares, the difference between the carrying amount and the consideration received from the sale is recognised in equity.

(19) 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.

(20) 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.

(21) 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.

In addition, there are many uncertain factors that might be affected by Coronavirus Disease (COVID-19). These include the market penetration of new products, regulatory timelines, research and development schedule for new drugs and cost necessary for crisis response. However, when making the following significant accounting estimates, COVID-19 is assumed to have a limited impact on the Group’s future performance in consideration of the fact that it did not have a material impact on the Group’s financial results for the fiscal year ended 31 March 2022 as well as other factors such as the Group’s business nature and product characteristics. If such estimates and underlying assumptions differ from actual results, there may be a material impact on the carrying amounts of assets and liabilities within the next fiscal year.

・ 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)

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 2021	Fiscal year ended 31 March 2022
XTANDI	458,434	534,317
Prograf	182,650	185,362
Betanis/Myrbetriq/BETMIGA	163,569	172,293
Other	444,875	404,191
Total	1,249,528	1,296,163

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 2021	Fiscal year ended 31 March 2022
Japan	297,230	268,940
United States	478,768	544,103
Other	473,530	483,120
Total	1,249,528	1,296,163

(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 2021	As of 31 March 2022
Japan	452,144	410,425
United States	640,120	674,761
Other	107,796	110,318
Total	1,200,060	1,195,505

Information about major customers

The following external customer accounts for 10% or more of the consolidated revenue of the Group:

(Millions of yen)

	Segment	Fiscal year ended 31 March 2021	Fiscal year ended 31 March 2022
McKesson Group	Pharmaceutical	193,182	218,745

6. Revenue

(1) Breakdown of revenue

The breakdown of revenue is as follows:

Fiscal year ended 31 March 2021

(Millions of yen)

	Japan	United States	Established Markets	Greater China	International Markets	Others	Total
Sales of pharmaceutical products							
XTANDI	40,201	238,614	149,265	4,885	25,469	-	458,434
Prograf	40,739	11,844	64,155	34,200	31,711	-	182,650
Betanis/Myrbetriq/BETMIGA	35,062	87,962	29,865	2,191	8,488	-	163,569
Other	161,623	121,439	48,406	18,024	44,284	6,248	400,024
Subtotal	277,625	459,859	291,692	59,300	109,953	6,248	1,204,677
Royalty income	1,505	-	1,464	-	1,160	26,706	30,835
Other	-	13,330	-	-	-	686	14,016
Total	279,130	473,190	293,156	59,300	111,113	33,639	1,249,528

Fiscal year ended 31 March 2022

(Millions of yen)

	Japan	United States	Established Markets	Greater China	International Markets	Others	Total
Sales of pharmaceutical products							
XTANDI	47,164	276,943	170,078	7,917	32,215	-	534,317
Prograf	38,202	9,402	67,884	38,128	31,747	-	185,362
Betanis/Myrbetriq/BETMIGA	37,491	87,158	36,656	2,922	8,065	-	172,293
Other	135,286	144,291	39,245	17,338	36,531	1,922	374,613
Subtotal	258,142	517,794	313,863	66,305	108,558	1,922	1,266,584
Royalty income	616	132	1,299	-	1,523	6,472	10,042
Other	-	19,526	-	-	-	12	19,537
Total	258,758	537,452	315,162	66,305	110,081	8,406	1,296,163

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

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

(2) Contract balances

The breakdown of contract balances is as follows:

(Millions of yen)

	As of 1 April 2020	As of 31 March 2021	As of 31 March 2022
Receivables from contracts with customers			
Trade and notes receivables	324,150	328,726	368,038
Loss allowance	(1,429)	(1,256)	(2,063)
Total	322,721	327,470	365,975
Contract liabilities	12,345	4,032	3,752

(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 in the fiscal years ended 31 March 2021 and 2022, the amounts included in the balance of contract liabilities as of the beginning of the fiscal years were ¥11,703 million and ¥3,534 million, respectively.

2. In the fiscal years ended 31 March 2021 and 2022, 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 2021	Fiscal year ended 31 March 2022
Changes in fair value of contingent consideration	3,592	5,369
Net foreign exchange gains	-	8,172
Other	4,047	1,715
Total other income	7,639	15,256

(Note) The amount of “Net foreign exchange gains” for the fiscal year ended 31 March 2022 included foreign exchange gains resulting from foreign exchange forward contracts (¥7,931 million).

8. Other Expenses

The breakdown of other expenses is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2021	Fiscal year ended 31 March 2022
Impairment losses for property, plant and equipment	2,309	662
Impairment losses for goodwill	-	5,173
Impairment losses for intangible assets	99,437	69,015
Changes in fair value of contingent consideration	6,002	7,049
Restructuring costs	9,293	19,556
Litigation costs	2,012	948
Net foreign exchange losses	2,332	-
Other	1,577	1,911
Total other expenses	122,963	104,314

(Notes) 1. "Impairment losses for intangible assets" for the fiscal year ended 31 March 2021 were mainly due to the termination of development for ASP8374/PTZ-201 and the revision of development plan for AT132.
2. The amount of "Net foreign exchange losses" for the fiscal year ended 31 March 2021 included foreign exchange gains resulting from foreign exchange forward contracts (¥15,855 million).
3. "Impairment losses for goodwill" for the fiscal year ended 31 March 2022 was due to the impairment for goodwill recognised as a result of the acquisition of Potenza Therapeutics, Inc., a subsidiary in the United States, in relation to the termination of development for its immuno-oncology programs.
4. "Impairment losses for intangible assets" for the fiscal year ended 31 March 2022 were mainly due to the termination of development for ASP0892 and the revision of development plan for AT132.
5. "Changes in fair value of contingent consideration" for the fiscal year ended 31 March 2022 were mainly due to the revision of development plan of zolbetuximab for pancreatic adenocarcinoma.
6. "Restructuring costs" for the fiscal year ended 31 March 2022 were mainly due to the introduction of an early retirement incentive program for employees of the Company and Group companies in Japan.

9. Employee Benefit Expenses

The breakdown of employee benefit expenses is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2021	Fiscal year ended 31 March 2022
Remunerations and salaries	165,757	172,094
Bonuses	58,720	64,732
Social security and welfare expenses	27,194	28,570
Retirement benefit expenses—Defined contribution plan	14,821	15,921
Retirement benefit expenses—Defined benefit plan	5,949	4,878
Restructuring and termination benefits	9,930	21,092
Other employee benefit expenses	2,489	2,912
Total employee benefit expenses	284,860	310,200

(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 2021	Fiscal year ended 31 March 2022
Interest income	683	794
Dividend income		
Investments derecognised during the year	-	22
Investments held at the end of the year	77	46
Gain on valuation of investments in funds	10,558	5,084
Other	289	203
Total finance income	11,608	6,149

(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 2021	Fiscal year ended 31 March 2022
Interest expense	2,118	2,315
Other	216	2,633
Total finance expenses	2,335	4,949

(Note) Interest expense was mainly related to financial liabilities measured at amortised cost.

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 2021	Fiscal year ended 31 March 2022
Current income tax expense	31,979	57,532
Deferred income tax expense	(7,245)	(24,732)
Income tax expense recognised on the consolidated statement of income	24,734	32,800

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

(Millions of yen)

	Fiscal year ended 31 March 2021			Fiscal year ended 31 March 2022		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Remeasurements of defined benefit plans	3,410	(1,621)	1,788	2,674	(162)	2,512
Exchange differences on translation of foreign operations	53,748	-	53,748	86,597	-	86,597
Financial assets at FVTOCI	7,712	(2,338)	5,374	(7,927)	2,849	(5,078)
Total other comprehensive income	64,869	(3,960)	60,910	81,345	2,686	84,031

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 2021 and 2022 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 2021	Fiscal year ended 31 March 2022
	%	%
Effective statutory tax rate	30.5	30.5
Tax credit for research and development expenses	(5.4)	(5.3)
Non-deductible expenses	4.4	5.8
Non-taxable income	(3.2)	(1.0)
Difference in tax rates applied to foreign subsidiaries	(11.5)	(11.2)
Undistributed earnings of foreign subsidiaries	0.2	0.1
Other	2.2	2.1
Actual tax rate	17.0	20.9

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 2021	Fiscal year ended 31 March 2022
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent (Millions of yen)	120,589	124,086
Profit not attributable to ordinary shareholders of the parent (Millions of yen)	-	-
Profit used to calculate basic earnings per share (Millions of yen)	120,589	124,086
Weighted average number of ordinary shares (Thousands of shares)	1,857,125	1,849,713
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share (Millions of yen)	120,589	124,086
Adjustment (Millions of yen)	-	-
Profit used to calculate diluted earnings per share (Millions of yen)	120,589	124,086
Weighted average number of ordinary shares (Thousands of shares)	1,857,125	1,849,713
Increase in the number of ordinary shares due to exercise of subscription rights to shares (Thousands of shares)	1,068	889
Weighted average number of diluted ordinary shares (Thousands of shares)	1,858,193	1,850,602
Earnings per share (attributable to owners of the parent)		
Basic (Yen)	64.93	67.08
Diluted (Yen)	64.90	67.05

14. Other Comprehensive Income

Reclassification adjustments of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended 31 March 2021	Fiscal year ended 31 March 2022
Other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the year	53,748	86,597
Reclassification adjustment	-	-
Subtotal	53,748	86,597
Tax effect	-	-
Total other comprehensive income that may be reclassified to profit or loss	53,748	86,597

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 2021 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 2020	214,624	132,992	87,252	16,664	13,872	98,783	564,186
Acquisitions	3,704	1,933	4,153	-	23,914	12,446	46,148
Disposals	(7,384)	(4,376)	(6,507)	-	(12)	(5,769)	(24,048)
Reclassification from construction in progress	3,906	516	3,832	-	(8,255)	-	-
Other	3,155	3,090	1,527	148	1,015	(2,893)	6,041
Balance at 31 March 2021	218,005	134,154	90,257	16,812	30,533	102,567	592,328
Accumulated depreciation and accumulated impairment losses							
Balance at 1 April 2020	(98,195)	(108,923)	(70,508)	-	-	(17,960)	(295,586)
Depreciation	(8,969)	(6,236)	(6,725)	-	-	(18,055)	(39,985)
Impairment losses	(584)	-	-	-	-	(1,725)	(2,309)
Disposals	2,592	4,285	6,109	-	-	1,909	14,895
Other	(1,596)	(2,486)	(1,131)	-	-	492	(4,721)
Balance at 31 March 2021	(106,752)	(113,360)	(72,256)	-	-	(35,339)	(327,706)
Carrying amounts							
Balance at 1 April 2020	116,429	24,069	16,743	16,664	13,872	80,823	268,600
Balance at 31 March 2021	111,253	20,794	18,002	16,812	30,533	67,228	264,623

(Note) "Other" mainly included exchange differences.

The movement of property, plant and equipment for the fiscal year ended 31 March 2022 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 2021	218,005	134,154	90,257	16,812	30,533	102,567	592,328
Acquisitions	4,395	2,321	6,633	-	16,814	9,322	39,485
Disposals	(1,865)	(3,812)	(5,313)	-	(373)	(9,744)	(21,107)
Reclassification from construction in progress	4,651	908	1,925	-	(7,484)	-	-
Other	4,677	1,385	2,213	274	336	4,461	13,347
Balance at 31 March 2022	229,864	134,956	95,716	17,086	39,827	106,605	624,054
Accumulated depreciation and accumulated impairment losses							
Balance at 1 April 2021	(106,752)	(113,360)	(72,256)	-	-	(35,339)	(327,706)
Depreciation	(9,542)	(5,556)	(6,863)	-	-	(18,097)	(40,059)
Impairment losses	(651)	-	(2)	-	(9)	-	(662)
Disposals	1,691	3,708	5,027	-	-	5,822	16,248
Other	(1,916)	(1,262)	(1,472)	-	(1)	1,820	(2,832)
Balance at 31 March 2022	(117,170)	(116,470)	(75,566)	-	(10)	(45,794)	(355,010)
Carrying amounts							
Balance at 1 April 2021	111,253	20,794	18,002	16,812	30,533	67,228	264,623
Balance at 31 March 2022	112,694	18,486	20,150	17,086	39,817	60,812	269,044

(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 2021 and 2022 amounted to ¥2,309 million and ¥662 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 2020	278,253	-	278,253
Exchange differences	5,758	-	5,758
Balance at 31 March 2021	284,011	-	284,011
Impairment losses	-	(5,173)	(5,173)
Disposals	(5,173)	5,173	-
Exchange differences	24,192	-	24,192
Balance at 31 March 2022	303,030	-	303,030

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 2021	As of 31 March 2022
Whole pharmaceutical business	284,011	303,030

(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 2021 and as of 31 March 2022.

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, 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 2021	As of 31 March 2022
Discount rates (after-tax)	Whole pharmaceutical business	6.0%	7.0%
Discount rates (pre-tax)	Whole pharmaceutical business	7.5%	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 2021	As of 31 March 2022
Growth rates	Whole pharmaceutical business	1.0%	2.0%

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.

The Group recorded impairment loss of ¥5,173 million in the fiscal year ended 31 March 2022, which was included in the consolidated statement of income under “Other expenses”. The impairment loss recognised for the fiscal year ended 31 March 2022 was due to the recoverable amount of the goodwill recognised as a result of the acquisition of Potenza Therapeutics, Inc., a subsidiary in the United States, becoming zero, in relation to the termination of development for its immuno-oncology programs.

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 2021 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 2020	147,911	546,941	383,316	81,862	1,160,030
Acquisitions	18,967	14,608	2,132	16,442	52,149
Disposals	(24,645)	(26,541)	(22,243)	(5,293)	(78,722)
Other	2,664	7,488	4,619	1,661	16,432
Balance at 31 March 2021	144,897	542,496	367,824	94,672	1,149,889
Accumulated amortisation and accumulated impairment losses					
Balance at 1 April 2020	(29,162)	(60,999)	(301,754)	(43,341)	(435,257)
Amortisation	(9,389)	-	(14,374)	(8,905)	(32,667)
Impairment losses	(1,268)	(95,231)	(2,882)	(56)	(99,437)
Reversal of impairment losses	-	-	1,398	-	1,398
Disposals	24,645	26,541	22,243	5,202	78,631
Other	(468)	(3,935)	(5,883)	(844)	(11,130)
Balance at 31 March 2021	(15,642)	(133,624)	(301,252)	(47,944)	(498,462)
Carrying amounts					
Balance at 1 April 2020	118,748	485,941	81,562	38,521	724,773
Balance at 31 March 2021	129,254	408,872	66,572	46,728	651,427

(Note) “Other” mainly included exchange differences.

The movement of intangible assets for the fiscal year ended 31 March 2022 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 2021	144,897	542,496	367,824	94,672	1,149,889
Acquisitions	10,900	-	15,058	22,276	48,234
Disposals	-	(32,031)	(202,679)	(18,033)	(252,743)
Reclassification	-	(58,885)	58,885	-	-
Other	13,463	28,540	3,179	3,382	48,564
Balance at 31 March 2022	169,260	480,120	242,267	102,297	993,943
Accumulated amortisation and accumulated impairment losses					
Balance at 1 April 2021	(15,642)	(133,624)	(301,252)	(47,944)	(498,462)
Amortisation	(12,364)	-	(15,919)	(11,342)	(39,625)
Impairment losses	(505)	(68,469)	-	(41)	(69,015)
Disposals	-	32,031	202,679	18,004	252,714
Other	(2,134)	(9,224)	(3,489)	(1,277)	(16,124)
Balance at 31 March 2022	(30,645)	(179,285)	(117,981)	(42,601)	(370,512)
Carrying amounts					
Balance at 1 April 2021	129,254	408,872	66,572	46,728	651,427
Balance at 31 March 2022	138,614	300,835	124,286	59,696	623,431

(Note) "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 2021	As of 31 March 2022
Discount rates (after-tax)	6.0% to 9.0%	6.0% to 9.0%
Discount rates (pre-tax)	7.4% to 13.6%	7.4% to 13.6%

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 2021 and 2022.

For the fiscal year ended 31 March 2021, impairment losses recognised for intangible assets were ¥99,437 million, and mainly composed of impairment loss of ¥30,227 million resulting from the termination of development for ASP8374/PTZ-201 and impairment loss of ¥58,842 million resulting from the revision of development plan for AT132. The recoverable amount of AT132 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.

For the fiscal year ended 31 March 2022, impairment losses recognised for intangible assets were ¥69,015 million, and mainly composed of impairment loss of ¥21,463 million resulting from the termination of development for ASP0892 and impairment loss of ¥31,166 million resulting from the revision of development plan for AT132. The recoverable amount of AT132 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 8.5% and 10.8%, 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”.

For the fiscal year ended 31 March 2022, gain on divestiture of intangible assets was ¥24,234 million, and mainly composed of gain of ¥12,329 million resulting from the transfer of five products for infection therapies, etc., which are sold in Europe, Russia, Commonwealth of Independent States (CIS) and Asia, to Cheplapharm Arzneimittel GmbH.

Significant intangible assets

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

(Millions of yen)

		As of 31 March 2021	As of 31 March 2022
ESN364/fezolinetant	IPR&D	75,679	81,596
Roxadustat (Evrenzo)	IPR&D and marketing rights	68,753	76,520
Technology platform and manufacturing technology for Adeno-associated virus-based gene therapy	Research and production technology	66,724	68,007
IMAB362/zolbetuximab	IPR&D	64,017	64,017

For intangible assets already starting amortisation, the remaining amortisation period was 8 to 13 years in the fiscal year ended 31 March 2021 and 9 to 12 years in the fiscal year ended 31 March 2022.

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 2021	As of 31 March 2022
Financial assets at FVTOCI	(7,704)	(3,472)
Retirement benefit assets and liabilities	7,775	9,045
Property, plant and equipment	(2,884)	(3,540)
Intangible assets	(88,404)	(78,050)
Accrued expenses	24,769	26,861
Inventories	62,554	70,150
Tax loss carry-forwards	16,688	18,976
Other	23,223	26,537
Net deferred tax assets	36,015	66,508

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

(Millions of yen)

	As of 31 March 2021	As of 31 March 2022
Balance at the beginning of the year	28,206	36,015
Recognised in profit or loss	7,245	24,732
Recognised in other comprehensive income	(3,347)	4,382
Other	3,911	1,378
Balance at the end of the year	36,015	66,508

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 2021	As of 31 March 2022
Deductible temporary differences	28,802	28,938
Tax loss carry-forwards	9,421	9,484
Unused tax credits	3,723	3,993
Total	41,946	42,415

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 2021	As of 31 March 2022
Within 1 year	156	240
1 year to 2 years	219	101
2 years to 5 years	290	220
More than 5 years	8,756	8,922
Total	9,421	9,484

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, launch schedule of main products, 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 2021	As of 31 March 2022
Raw materials	44,356	61,040
Work in progress	25,140	30,517
Merchandise and finished goods	94,584	61,515
Total	164,080	153,072

(Note) The carrying amounts of inventories are measured at the lower of cost and net realisable value.

Inventories recognised as an expense in “Cost of sales” for the fiscal years ended 31 March 2021 and 2022 amounted to ¥167,389 million and ¥161,670 million, respectively.

The write-down of inventories recognised as an expense for the fiscal years ended 31 March 2021 and 2022 amounted to ¥5,666 million and ¥10,851 million, respectively.

20. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	As of 31 March 2021	As of 31 March 2022
Trade and notes receivables	328,726	368,038
Other accounts receivables	49,632	46,284
Loss allowances	(1,256)	(2,063)
Total trade and other receivables	377,102	412,258

21. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	As of 31 March 2021	As of 31 March 2022
Cash and deposits	326,128	315,986
Cash and cash equivalents in the consolidated statement of financial position	326,128	315,986
Cash and cash equivalents in the consolidated statement of cash flows	326,128	315,986

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 issued shares (Thousands of shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of 1 April 2020	9,000,000	1,861,787	103,001	177,506
Increase	-	-	-	768
Decrease	-	-	-	(444)
As of 31 March 2021	9,000,000	1,861,787	103,001	177,830
Increase	-	-	-	2,028
Decrease	-	(25,935)	-	(391)
As of 31 March 2022	9,000,000	1,835,851	103,001	179,467

(Note) Decrease in the number of ordinary issued shares during the fiscal year ended 31 March 2022 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 2020	4,276	7,178
Increase	5,037	9,163
Decrease	(555)	(964)
As of 31 March 2021	8,757	15,377
Increase	26,359	50,717
Decrease	(26,339)	(52,161)
As of 31 March 2022	8,777	13,934

(3) Other components of equity

Subscription rights to shares

The Company had adopted share option plans through the fiscal year ended 31 March 2015, and has issued subscription rights to shares under the former Commercial Code and the Companies Act of Japan. Contract conditions and amounts are described in Note “24. Share-based Payments.”

23. Dividends

For the fiscal year ended 31 March 2021

(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 14 May 2020	Ordinary shares	37,210	20.00	31 March 2020	1 June 2020
Board of Directors meeting held on 30 October 2020	Ordinary shares	39,072	21.00	30 September 2020	1 December 2020

(Notes) 1. The amount of dividends approved by resolution of the Board of Directors meeting on 14 May 2020 included dividends of ¥60 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 30 October 2020 included dividends of ¥65 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 2021 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 2021	Ordinary shares	39,075	21.00	31 March 2021	1 June 2021

(Note) The amount of dividends above included dividends of ¥161 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 2022

(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 2021	Ordinary shares	39,075	21.00	31 March 2021	1 June 2021
Board of Directors meeting held on 29 October 2021	Ordinary shares	46,519	25.00	30 September 2021	1 December 2021

(Notes) 1. The amount of dividends approved by resolution of the Board of Directors meeting on 27 April 2021 included dividends of ¥161 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 29 October 2021 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) Dividends whose record date is in the fiscal year ended 31 March 2022 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 2022	Ordinary shares	45,873	25.00	31 March 2022	1 June 2022

(Note) The amount of dividends above includes dividends of ¥197 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

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

Since the fiscal year ended 31 March 2016, 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"). Since the fiscal year ended 31 March 2021, the Company has also introduced a Performance-linked Stock Compensation 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.

The BIP Trust and the ESOP Trust acquire the Company's shares and delivers those shares to the eligible persons based on the level of growth of enterprise and shareholder value, etc. The index used for determining the number of shares to be delivered is a stock price indicator.

The Performance-linked Stock Compensation Scheme under which the Company's shares are delivered from the BIP Trust and the ESOP Trust is accounted for as an equity-settled share-based payment transaction.

(ii) Expenses recognised in the consolidated statement of income

(Millions of yen)

	Fiscal year ended 31 March 2021	Fiscal year ended 31 March 2022
Total expenses recognised for the Performance-linked Stock Compensation Scheme	817	2,101

(iii) Measurement approach for the fair value of the Company's shares granted during the fiscal year based on the Performance-linked Stock Compensation Scheme

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

		Fiscal year ended 31 March 2021	Fiscal year ended 31 March 2022
Share price at the grant date		1,739.0 yen	1,916.5 yen
Vesting period	(Note 1)	3 years	3 years
Expected dividend yield	(Note 2)	2.3%	2.6%
Discount rate	(Note 3)	(0.1%)	(0.1%)
Weighted average fair value		1,646 yen	1,849 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.

(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 Company accounts for those share option plans as equity-settled share-based payment transactions.

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

	Fiscal year ended 31 March 2021		Fiscal year ended 31 March 2022	
	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)	Number of shares
Outstanding, beginning of the year	1	1,176,300	1	963,900
Granted	-	-	-	-
Exercised	1	(212,400)	1	(174,900)
Forfeited or expired	-	-	-	-
Outstanding, end of the year	1	963,900	1	789,000
Options exercisable, end of the year	1	963,900	1	789,000

(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 2021 and 2022 were ¥1,674 and ¥1,846, respectively.

(iii) Expiration dates and exercise prices of share options outstanding at the end of fiscal year

	Expiration date	Exercise price per share (Yen)	Number of shares	
			As of 31 March 2021	As of 31 March 2022
Granted in August 2005	24 June 2025	1	10,000	10,000
Granted in February 2007	27 June 2026	1	8,500	8,500
Granted in August 2007	26 June 2027	1	16,500	16,500
Granted in September 2008	24 June 2028	1	18,000	13,500
Granted in July 2009	23 June 2029	1	43,500	34,500
Granted in July 2010	23 June 2030	1	77,000	53,500
Granted in July 2011	20 June 2031	1	193,000	128,500
Granted in July 2012	20 June 2032	1	255,500	212,000
Granted in July 2013	19 June 2033	1	196,000	179,000
Granted in July 2014	18 June 2034	1	145,900	133,000
Total		-	963,300	789,000

(Note) There are vesting conditions in which share subscription rights are vested according to the service record over approximately one year from the grant date of the share option to the vesting date.

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 and its domestic subsidiaries offer 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.

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 2021

(Millions of yen)

	Pension and lump-sum payment			Other
	Japan	Overseas	Total	
Present value of defined benefit obligations	112,691	42,735	155,426	2,992
Fair value of plan assets	(107,176)	(17,802)	(124,977)	-
Net defined benefit liability (asset)	5,516	24,933	30,449	2,992
Amounts in the consolidated statement of financial position				
Assets (other non-current assets)	(5,540)	-	(5,540)	-
Liabilities (retirement benefit liabilities)	11,056	24,933	35,989	2,992

As of 31 March 2022

(Millions of yen)

	Pension and lump-sum payment			Other
	Japan	Overseas	Total	
Present value of defined benefit obligations	104,052	40,861	144,913	3,872
Fair value of plan assets	(97,191)	(18,576)	(115,766)	-
Funding position	6,861	22,285	29,146	3,872
Effect of the asset ceiling	-	253	253	-
Net defined benefit liability (asset)	6,861	22,538	29,400	3,872
Amounts in the consolidated statement of financial position				
Assets (other non-current assets)	(3,955)	-	(3,955)	-
Liabilities (retirement benefit liabilities)	10,816	22,538	33,354	3,872

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

(Millions of yen)

	Pension and lump-sum payment			Other
	Japan	Overseas	Total	
Balance at 1 April 2020	117,211	33,455	150,665	2,466
Current service cost	4,177	1,021	5,198	302
Interest cost	731	609	1,340	57
Remeasurements of defined benefit obligations				
−actuarial gains/losses arising from changes in demographic assumptions	310	14	325	1
−actuarial gains/losses arising from changes in financial assumptions	(1,240)	4,841	3,601	147
−other	(275)	1,008	733	(9)
Past service cost, and gains and losses arising from settlements	-	(61)	(61)	13
Contributions to the plan by plan participants	-	126	126	-
Payments from the plan	(5,813)	(1,530)	(7,343)	(62)
Disposals	(2,409)	-	(2,409)	-
Effect of changes in foreign exchange rates, and other	-	3,251	3,251	78
Balance at 31 March 2021	112,691	42,735	155,426	2,992
Current service cost	4,076	1,181	5,257	375
Interest cost	777	511	1,288	59
Remeasurements of defined benefit obligations				
−actuarial gains/losses arising from changes in demographic assumptions	(35)	51	16	1
−actuarial gains/losses arising from changes in financial assumptions	(2,375)	(1,629)	(4,004)	(317)
−other	(102)	78	(25)	259
Past service cost, and gains and losses arising from settlements	-	(1,141)	(1,141)	-
Contributions to the plan by plan participants	-	119	119	-
Payments from the plan	(10,980)	(2,692)	(13,672)	(128)
Effect of changes in foreign exchange rates, and other	-	1,648	1,648	631
Balance at 31 March 2022	104,052	40,861	144,913	3,872

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

(Millions of yen)

	Pension and lump-sum payment			Other
	Japan	Overseas	Total	
Balance at 1 April 2020	105,157	14,015	119,172	-
Interest income	639	261	900	-
Remeasurements of the fair value of the plan assets				
−return on plan assets	6,586	1,566	8,152	-
−actuarial gains/losses arising from changes in financial assumptions	67	(12)	55	-
Contributions to the plan				
−by employer	2,278	1,066	3,344	-
−by plan participants	-	127	127	-
Payments from the plan	(5,422)	(606)	(6,028)	-
Disposals	(2,128)	-	(2,128)	
Effect of movements in exchange rates, and other	-	1,384	1,384	-
Balance at 31 March 2021	107,176	17,802	124,977	-
Interest income	729	230	960	-
Remeasurements of the fair value of the plan assets				
−return on plan assets	(1,456)	172	(1,284)	-
−actuarial gains/losses arising from changes in financial assumptions	161	(28)	134	-
Contributions to the plan				
−by employer	2,245	950	3,195	-
−by plan participants	-	141	141	-
Payments from the plan	(10,917)	(1,511)	(12,428)	-
Effect of movements in exchange rates, and other	(748)	820	72	-
Balance at 31 March 2022	97,191	18,576	115,766	-

The Group expects to contribute ¥3,556 million to its defined benefit plans in the fiscal year ending 31 March 2023.

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

(Millions of yen)

	Pension and lump-sum payment			Other
	Japan	Overseas	Total	
Balance at 1 April 2021	-	-	-	-
Interest income	-	-	-	-
Remeasurements				
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	-	246	246	-
Effect of movements in exchange rates, and other	-	8	8	-
Balance at 31 March 2022	-	253	253	-

The Group has unrecognised surplus for certain European pension plans because the Group cannot gain any economic benefits in the form of reductions in future contributions to the plans or refunds from the plans.

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

(Millions of yen)

	As of 31 March 2021	As of 31 March 2022
Japan		
Equity	20,064	13,172
Bonds	45,619	39,855
Cash and other investments	41,492	44,163
Total	107,176	97,191
Overseas		
Equity	5,134	5,175
Bonds	4,439	5,003
Cash and other investments	8,228	8,398
Total	17,802	18,576
Total fair value of plan assets	124,977	115,766

(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 for identical or similar assets in markets that are not active, and they are mainly categorised as 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 2021	As of 31 March 2022
Discount rate (%)		
Japan	0.5% to 0.7%	0.7% to 0.9%
Overseas	1.0% to 2.0%	1.7% to 2.7%

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 2022 would result in a ¥10,585 million decrease or an ¥11,955 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 2021	As of 31 March 2022
Japan	13.4 years	13.2 years
Overseas	18.2 years	18.0 years

26. Provisions

The movement of provisions for the fiscal year ended 31 March 2021 is as follows:

(Millions of yen)

	Pharma Fee	Other	Total
Balance at 1 April 2020	9,055	11,321	20,376
Increase during the year	6,648	11,385	18,033
Decrease due to intended use during the year	(7,006)	(3,970)	(10,976)
Decrease due to reversal during the year	-	(263)	(263)
Other	141	673	813
Balance at 31 March 2021	8,837	19,146	27,983
Non-current	1,617	4,179	5,796
Current	7,220	14,967	22,187
Total provisions	8,837	19,146	27,983

The movement of provisions for the fiscal year ended 31 March 2022 is as follows:

(Millions of yen)

	Pharma Fee	Other	Total
Balance at 1 April 2021	8,837	19,146	27,983
Increase during the year	8,032	5,071	13,102
Decrease due to intended use during the year	(7,277)	(11,878)	(19,155)
Decrease due to reversal during the year	-	(1,032)	(1,032)
Other	936	568	1,505
Balance at 31 March 2022	10,528	11,874	22,402
Non-current	1,681	4,151	5,831
Current	8,847	7,723	16,570
Total provisions	10,528	11,874	22,402

(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 2021	As of 31 March 2022
Other non-current liabilities		
Other long-term employee benefit obligations	29,270	34,150
Refund liabilities	1,789	1,330
Other	1,723	3,753
Total other non-current liabilities	32,782	39,234
Other current liabilities		
Accrued expenses	124,898	136,553
Refund liabilities	152,461	175,115
Other	11,492	11,083
Total other current liabilities	288,851	322,751

(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 2021	As of 31 March 2022
Trade payables	58,624	60,861
Other payables	66,553	70,554
Total trade and other payables	125,177	131,415

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 2021			As of 31 March 2022		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets						
Financial assets at FVTPL (Note 1)	37,294	-	37,294	43,481	2,281	45,761
Financial assets measured at amortised cost						
Trade and other receivables	33,924	343,178	377,102	29,796	382,462	412,258
Loans and other financial assets (Note 1)	11,264	5,560	16,824	10,870	19,017	29,887
Cash and cash equivalents	-	326,128	326,128	-	315,986	315,986
Financial assets at FVTOCI (equity instruments) (Note 1)	47,293	-	47,293	37,493	-	37,493
Total financial assets	129,774	674,867	804,641	121,640	719,746	841,385
Financial liabilities						
Financial liabilities at FVTPL (Note 2)						
Foreign exchange forward contracts	-	25	25	-	-	-
Contingent consideration	54,960	11,234	66,195	40,226	26,343	66,569
Financial liabilities measured at amortised cost						
Trade and other payables	400	124,777	125,177	676	130,739	131,415
Lease liabilities (Note 2)	62,163	16,101	78,264	55,014	17,730	72,744
Bonds and borrowings (Note 2)	80,000	120,000	200,000	-	140,000	140,000
Other (Note 2)	1,897	804	2,700	646	890	1,537
Total financial liabilities	199,421	272,940	472,360	96,562	315,702	412,264

(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 2021	As of 31 March 2022	Average interest rates	Maturity
Long-term borrowings	80,000	-	-	-
Bonds (commercial papers)	120,000	90,000	0.0%	-
Current portion of long-term borrowings	-	50,000	0.1%	2023

(Note) The average interest rates were calculated using the outstanding balances and interest rates as of 31 March 2022.

Equity instruments held for the purpose of maintaining and strengthening relationships in line with the Group's pharmaceutical business strategy, as well as maintaining and strengthening business relationships in pharmaceutical sales and related activities, 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 2021	As of 31 March 2022
Quoted equity shares		
FibroGen, Inc.	19,092	7,266
Other	8,263	11,054
Unquoted equity shares	19,937	19,173

In the fiscal years ended 31 March 2021 and 2022, 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 2021	Fiscal year ended 31 March 2022
Fair value	1,339	5,332
Cumulative gain and loss	711	4,925

In the fiscal years ended 31 March 2021 and 2022, 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 ¥1,583 million and ¥1,265 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 2021 and 2022 were ¥117 million and ¥46 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 2021 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	49,632	-	-	328,726	378,358
Loans and other financial assets	12,312	-	3	4,512	16,827
Total	61,945	-	3	333,238	395,185

The movement of loss allowances in the fiscal year ended 31 March 2021 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 2020	-	10	3	1,429	1,441
Increase during the year	-	-	3	338	341
Decrease due to intended use during the year	-	(10)	(3)	(400)	(412)
Decrease due to reversal during the year	-	-	(0)	(187)	(187)
Other	-	-	-	76	76
Balance at 31 March 2021	-	-	3	1,256	1,259

The credit risk exposure of financial assets measured at amortised cost as of 31 March 2022 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	46,281	-	3	368,038	414,321
Loans and other financial assets	25,559	-	10	4,320	29,889
Total	71,840	-	12	372,358	444,211

The movement of loss allowances in the fiscal year ended 31 March 2022 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 2021	-	-	3	1,256	1,259
Increase during the year	-	-	2	1,466	1,468
Decrease due to intended use during the year	-	-	-	(269)	(269)
Decrease due to reversal during the year	-	-	(2)	(473)	(475)
Other	-	-	0	83	83
Balance at 31 March 2022	-	-	3	2,063	2,066

(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 Corporate Executive (*Senmu Tantou-Yakuin*) and Chief Financial Officer.

Financial liabilities by maturity date are as follows:

As of 31 March 2021

(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
Financial liabilities at FVTPL						
Foreign exchange forward contracts	25	25	25	-	-	-
Subtotal	25	25	25	-	-	-
Financial liabilities measured at amortised cost						
Trade and other payables	125,177	125,177	124,777	231	169	-
Lease liabilities	78,264	116,841	16,252	14,316	28,470	57,802
Bonds and borrowings	200,000	200,163	120,081	80,081	-	-
Other	2,700	2,700	804	1,074	349	474
Subtotal	406,141	444,881	261,914	95,702	28,989	58,276
Total	406,166	444,906	261,939	95,702	28,989	58,276

	Carrying amount	Maximum payment amount	Within one year	Between one year and five years	Over five years
Contingent consideration	66,195	240,839	11,253	53,889	1,350

As of 31 March 2022

(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
Financial liabilities measured at amortised cost						
Trade and other payables	131,415	131,415	130,739	518	158	-
Lease liabilities	72,744	113,362	17,840	12,508	22,999	60,015
Bonds and borrowings	140,000	140,050	140,050	-	-	-
Other	1,537	1,537	890	195	355	95
Subtotal	345,695	386,364	289,519	13,221	23,513	60,111
Total	345,695	386,364	289,519	13,221	23,513	60,111

	Carrying amount	Maximum payment amount	Within one year	Between one year and five years	Over five years
Contingent consideration	66,569	222,185	26,638	29,408	13,045

(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 has used foreign exchange forward contracts to mitigate the impact of exchange rate fluctuations on business results in the fiscal years ended 31 March 2021 and 2022. The status of the hedge against foreign exchange risk by currency and the balance of derivative transactions are reported monthly to Corporate Executive (*Senmu Tantou-Yakuin*) and 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 2021 and 2022 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 2021	Fiscal year ended 31 March 2022
Profit before tax		
U.S. dollar	(2,351)	(5,724)
Euro	783	2,791

(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 fluctuation 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.

If interest rates rise, increase in interest burden may affect the Group's business results and financial position. However, the Group is not excessively exposed to interest rate risks.

(4) Fair values of financial instruments

(i) Fair value calculation of financial instruments

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 fair value due to the short period of settlement terms.

Financial assets at FVTOCI (equity instruments)

The fair value of marketable securities is measured based on quoted market prices at the end of fiscal year. The fair value of unquoted equity shares is measured based on discounted cash flows, the latest available investee's net assets or projected future profitability, etc.

Financial assets at FVTPL

Financial assets at FVTPL mainly comprise foreign exchange forward contracts and investments in funds. The fair value of foreign exchange forward contracts is measured based on prices provided by counterparty financial institutions. The fair value of investments in funds is measured based on the Group's interest in a fund after estimating the fair value of the fund based on the latest available information.

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise contingent consideration for business combinations and foreign exchange forward contracts. The fair value of contingent consideration for business combinations is measured based on the estimated success probability of development activities and the time value of money. The fair value of foreign exchange forward contracts is measured based on prices provided by counterparty financial institutions.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost comprise trade and other payables, lease liabilities, bonds and borrowings and other financial liabilities. The carrying amount approximates the fair value due to the short period of settlement terms, except for long-term borrowings and lease liabilities. Long-term borrowings categorised as Level 2 mainly bear variable interest rates, and their fair value reflects the market rate on a short-term basis. Therefore, the carrying amount approximates fair value.

(ii) 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 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Investments in funds	-	-	22,069	22,069
Other	-	15,224	-	15,224
Subtotal	-	15,224	22,069	37,294
Financial assets at FVTOCI (equity instruments)				
Quoted equity shares	27,355	-	-	27,355
Unquoted equity shares	-	-	19,937	19,937
Subtotal	27,355	-	19,937	47,293
Total financial assets	27,355	15,224	42,007	84,586
Financial liabilities				
Financial liabilities at FVTPL				
Foreign exchange forward contracts	-	25	-	25
Contingent consideration	-	-	66,195	66,195
Subtotal	-	25	66,195	66,219
Total financial liabilities	-	25	66,195	66,219

(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 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Investments in funds	-	-	25,441	25,441
Foreign exchange forward contracts	-	2,281	-	2,281
Other	-	18,039	-	18,039
Subtotal	-	20,320	25,441	45,761
Financial assets at FVTOCI (equity instruments)				
Quoted equity shares	18,320	-	-	18,320
Unquoted equity shares	-	-	19,173	19,173
Subtotal	18,320	-	19,173	37,493
Total financial assets	18,320	20,320	44,615	83,255
Financial liabilities				
Financial liabilities at FVTPL				
Contingent consideration	-	-	66,569	66,569
Subtotal	-	-	66,569	66,569
Total financial liabilities	-	-	66,569	66,569

(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.

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 2021

(1) Financial assets

(Millions of yen)

	Financial assets at FVTPL	Financial assets at FVTOCI (equity instruments)	Total
Balance at 1 April 2020	10,029	17,094	27,122
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note 1)	10,470	-	10,470
Recognised in other comprehensive income	-	3,551	3,551
Purchases, issues, sales, and settlements			
Purchases	3,523	1,975	5,497
Sales or settlements	(1,991)	(2,161)	(4,152)
Transfers out of Level 3 (Note 2)	-	(683)	(683)
Other	39	162	201
Balance at 31 March 2021	22,069	19,937	42,007
Gains or losses recognised in profit or loss attributable to the change in unrealised gains or losses relating to those assets held at the end of the reporting period (Note 1)	10,470	-	10,470

(Notes) 1. This is included in “Finance income” and “Finance expenses” in the consolidated statement of income.
2. This is because a significant input used to measure fair value has become observable.

(2) Financial liabilities

(Millions of yen)

	Financial liabilities at FVTPL
Balance at 1 April 2020	59,926
Realised or unrealised gains (losses)	
Recognised in profit or loss (Note)	5,847
Other	421
Balance at 31 March 2021	66,195
Gains or losses recognised in profit or loss attributable to the change in unrealised gains or losses relating to those liabilities held at the end of the reporting period (Note)	5,847

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

For the fiscal year ended 31 March 2022

(1) Financial assets

(Millions of yen)

	Financial assets at FVTPL	Financial assets at FVTOCI (equity instruments)	Total
Balance at 1 April 2021	22,069	19,937	42,007
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note 1)	2,669	-	2,669
Recognised in other comprehensive income	-	1,878	1,878
Purchases, issues, sales, and settlements			
Purchases	3,283	2,827	6,109
Sales or settlements	(2,905)	(4,891)	(7,796)
Transfers out of Level 3 (Note 2)	-	(1,426)	(1,426)
Other	325	848	1,173
Balance at 31 March 2022	25,441	19,173	44,615
Gains or losses recognised in profit or loss attributable to the change in unrealised gains or losses relating to those assets held at the end of the reporting period (Note 1)	2,669	-	2,669

(Notes) 1. This is included in “Finance income” and “Finance expenses” in the consolidated statement of income.
2. This is because a significant input used to measure fair value has become observable.

(2) Financial liabilities

(Millions of yen)

	Financial liabilities at FVTPL
Balance at 1 April 2021	66,195
Realised or unrealised gains (losses)	
Recognised in profit or loss (Note)	3,524
Settlements	(4,650)
Other	1,500
Balance at 31 March 2022	66,569
Gains or losses recognised in profit or loss attributable to the change in unrealised gains or losses relating to those liabilities held at the end of the reporting period (Note)	3,524

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

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

The fair value of significant unquoted equity shares is measured using discounted cash flows. The fair value of unquoted equity shares is categorised within Level 3 because unobservable inputs such as estimates of future net operating profit after-tax and WACC are used for the measurement. The WACC used for the measurement of fair value depends on region or industry. In the fiscal year ended 31 March 2021, the WACC used for measurement was 8.0%. Generally, the fair value would decrease if the WACC capital were higher.

The fair value of investments in funds is 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 value of unquoted equity shares and investments in funds 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 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 value of the contingent consideration is estimated based on the success probability of the 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 change in fair value when one or more of the unobservable inputs is changed to reflect reasonably possible alternative assumptions.

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.

There are also no significant leases not yet commenced to which the lessee is committed and gains or losses arising from sale and leaseback transactions.

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

(Millions of yen)

	Fiscal year ended 31 March 2021	Fiscal year ended 31 March 2022
Depreciation of right-of-use assets		
Buildings and structures	14,449	14,429
Machinery and vehicles	2,910	2,996
Equipment, furniture and fixtures	682	658
Land	13	14
Total depreciation	18,055	18,097
Interest expense on lease liabilities	1,878	1,875
Expense relating to short-term leases	315	252
Expense relating to leases of low-value assets	23	14
Income from subleasing right-of-use assets (Note)	294	205

(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 2021	As of 31 March 2022
Buildings and structures	58,607	53,233
Machinery and vehicles	6,501	5,541
Equipment, furniture and fixtures	1,575	1,487
Land	545	551
Total right-of-use assets	67,228	60,812

The total cash outflow for leases for the fiscal years ended 31 March 2021 and 2022 amounted to ¥18,107 million and ¥19,942 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. 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 2021	As of 31 March 2022
Intangible assets		
Research and development milestone payments	338,686	354,867
Sales milestone payments	365,323	301,980
Total	704,010	656,848
Property, plant and equipment	22,245	21,379

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.

32. 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 2021	Fiscal year ended 31 March 2022
Remunerations and salaries	2,258	2,496
Share-based payments	600	854
Other	389	500
Total compensation	3,246	3,851

Key management personnel consist of the Group's Directors and members of the Executive Committee, and the numbers of such personnel in the fiscal years ended 31 March 2021 and 2022 were 23 and 24, respectively.

33. 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.

34. Subsequent Events

Impairment loss for intangible assets

In April 2022, the Group decided to terminate the research and development of AT702, AT751 and AT753, which are in-process research and development. As a result, the Group will recognise an impairment loss for intangible assets of U.S. $170 million in other expenses in the fiscal year ending 31 March 2023.

Independent Auditor's Report

The Board of Directors
Astellas Pharma Inc.

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 2022, 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 2022, 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.

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 Significant 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 for which marketing approval has not yet been obtained from regulatory authorities are recognised as intangible assets not yet available for use under "IPR&D". The Group recognised IPR&D as intangible assets of ¥300,835 million, which represented 12.9% of total assets, as of 31 March 2022. For the fiscal year ended 31 March 2022, impairment losses recognised for IPR&D were ¥68,469 million, mainly consisting of impairment loss of ¥21,463 million resulting from the termination of development for DNA vaccine ASP0892, which was in Phase 1 study for peanut allergy, and impairment loss of ¥31,166 million resulting from the revision of development plan for gene therapy candidate AT132, which is being developed for the treatment of patients with X-Linked Myotubular Myopathy. IPR&D recognised as intangible asset is not amortised 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 performing an impairment test, 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 in the calculation of value in use depending on 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, a large amount of IPR&D has been recognised as intangible assets related to new drug development, which also accounts for a significant percentage of total assets. 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 approval can be obtained from regulatory authorities as expected, the recoverable amount often significantly exceeds the carrying amount of IPR&D, and impairment is unlikely to occur. However, if development fails and marketing approval cannot be obtained from regulatory authorities, the recoverable amount often becomes zero, and impairment loss is likely to be 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.

- For the probability of obtaining marketing approvals from regulatory authorities, we gained an understanding of management's estimation methods, obtained materials of its basis and evaluated the methods of estimation. In addition, through inquiries of management and personnel in charge of responsible departments, and through inspection of the minutes of meetings in which decisions were made regarding R&D, we gained an understanding of the status of product development and discussions with regulatory authorities, among others, and considered whether such factors were reflected in the Group's estimate. Moreover, for products under development, we considered whether events that could trigger termination of development have occurred and evaluated the probability of obtaining marketing approvals from regulatory authorities set by the Group, taking into account external data on the probability of success in drug development, if available.
- For projected sales after product launch, we gained an understanding of management's estimation methods regarding sales prices and sales volumes, which are key inputs. In addition, for cases deemed necessary, we evaluated projected sales after product launch through inspection of the minutes of meetings in which decisions were made regarding R&D, and through discussions with management and personnel in charge of responsible departments on the status of product development and discussions with regulatory authorities, among others, and took into account available external data, such as populations of countries which were the basis of sales volumes.
- For discount rates, we compared them with estimates calculated by 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 ¥176,445 million, which represented 20.2% of total liabilities, as of 31 March 2022. 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"). 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. In addition to being quantitatively significant, calculations of U.S. Rebates are complex and management's judgements affect the amount of refund liabilities. 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 method of 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 method 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

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

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

Responsibilities of Management, 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, related safeguards.

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.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31 March 2022 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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

31 August 2022

/s/ Hiroaki Kosugi
Hiroaki Kosugi
Designated Engagement Partner
Certified Public Accountant

/s/ Masayuki Nakamura
Masayuki Nakamura
Designated Engagement Partner
Certified Public Accountant

/s/ Kohei Koyama
Kohei Koyama
Designated Engagement Partner
Certified Public Accountant