Consolidated Financial Statements under IFRS
with Independent Auditor's Report

Astellas Pharma Inc.
and Subsidiaries

For the fiscal year ended 31 March 2026

Consolidated Financial Statements

(1) Consolidated Statement of Income

	Note	Fiscal year ended 31 March 2025 (Millions of yen)	Fiscal year ended 31 March 2026 (Millions of yen)	Fiscal year ended 31 March 2026 (Millions of U.S. dollars)
Revenue	6	1,912,323	2,139,245	$13,454
Cost of sales		(349,206)	(408,426)	(2,569)
Gross profit		1,563,117	1,730,820	10,886
Selling, general and administrative expenses		(843,032)	(860,312)	(5,411)
Research and development expenses		(327,651)	(314,827)	(1,980)
Amortisation of intangible assets	17	(136,762)	(135,982)	(855)
Gain on divestiture of intangible assets	17	1,049	4,349	27
Share of profit (loss) of investments accounted for using equity method		(259)	(1,775)	(11)
Other income	7	20,344	32,800	206
Other expenses	8	(235,768)	(72,440)	(456)
Operating profit		41,039	382,633	2,406
Finance income	10	7,874	8,026	50
Finance expenses	11	(17,677)	(14,072)	(89)
Profit before tax		31,237	376,587	2,368
Income tax expense	12	19,510	(85,013)	(535)
Profit		50,747	291,575	$1,834
Profit attributable to:				
Owners of the parent		50,747	291,535	1,834
Non-controlling interest		—	40	0
Profit		50,747	291,575	$1,834
Earnings per share:		(Yen)	(Yen)	(U.S. dollars)
Basic	13	28.35	162.77	$1.02
Diluted	13	28.24	162.22	1.02

(2) Consolidated Statement of Comprehensive Income

	Note	(Millions of yen) Fiscal year ended 31 March 2025	(Millions of yen) Fiscal year ended 31 March 2026	(Millions of U.S. dollars) Fiscal year ended 31 March 2026
Profit		50,747	291,575	$1,834
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income		3,251	2,264	14
Remeasurements of defined benefit plans		4,607	9,855	62
Subtotal		7,858	12,118	76
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	14	(9,716)	145,779	917
Subtotal		(9,716)	145,779	917
Other comprehensive income		(1,858)	157,897	993
Comprehensive income		48,888	449,472	$2,827
Comprehensive income attributable to:				
Owners of the parent		48,888	449,432	2,827
Non-controlling interest		—	40	0
Comprehensive income		48,888	449,472	$2,827

(3) Consolidated Statement of Financial Position

	Note	As of 31 March 2025 (Millions of yen)	As of 31 March 2026 (Millions of yen)	As of 31 March 2026 (Millions of U.S. dollars)
Assets				
Non-current assets				
Property, plant and equipment	15	328,921	358,424	$2,254
Goodwill	16	415,207	441,175	2,775
Intangible assets	17	1,123,714	996,932	6,270
Investments accounted for using equity method		18,989	20,297	128
Deferred tax assets	18	98,113	146,588	922
Other financial assets	29	124,648	138,296	870
Other non-current assets		28,602	43,408	273
Total non-current assets		2,138,195	2,145,119	13,491
Current assets				
Inventories	19	297,261	331,014	2,082
Trade and other receivables	20	632,525	746,808	4,697
Income tax receivable		13,691	14,955	94
Other financial assets	29	29,941	9,572	60
Other current assets		39,197	37,969	239
Cash and cash equivalents	21	188,372	281,605	1,771
Subtotal		1,200,986	1,421,923	8,943
Assets held for sale		363	—	—
Total current assets		1,201,349	1,421,923	8,943
Total assets		3,339,544	3,567,042	$22,434

	Note	(Millions of yen) As of 31 March 2025	(Millions of yen) As of 31 March 2026	(Millions of U.S. dollars) As of 31 March 2026
Equity and liabilities				
Equity				
Share capital	22	103,001	103,001	$648
Capital surplus	22	185,259	185,162	1,165
Treasury shares	22	(37,524)	(34,945)	(220)
Retained earnings		740,939	902,836	5,678
Other components of equity		521,580	672,989	4,233
Total equity attributable to owners of the parent		1,513,255	1,829,044	11,503
Non-controlling interest		—	1,840	12
Total equity		1,513,255	1,830,884	11,515
Liabilities				
Non-current liabilities				
Bonds and borrowings	29	564,893	320,000	2,013
Income tax payable		3,230	6,726	42
Deferred tax liabilities	18	5,353	1,275	8
Retirement benefit liabilities	25	22,746	21,473	135
Provisions	26	8,130	8,188	51
Other financial liabilities	29	106,759	89,082	560
Other non-current liabilities	27	53,569	71,013	447
Total non-current liabilities		764,679	517,757	3,256
Current liabilities				
Bonds and borrowings	29	266,533	245,952	1,547
Trade and other payables	28	187,840	199,752	1,256
Income tax payable		34,549	68,934	434
Provisions	26	17,291	23,544	148
Refund liabilities		348,021	422,557	2,658
Other financial liabilities	29	20,144	22,342	141
Other current liabilities	27	187,232	235,319	1,480
Total current liabilities		1,061,610	1,218,401	7,663
Total liabilities		1,826,289	1,736,158	10,919
Total equity and liabilities		3,339,544	3,567,042	$22,434

(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 2024		103,001	184,070	(33,783)	809,400	376	518,302
Comprehensive income							
Profit		—	—	—	50,747	—	—
Other comprehensive income		—	—	—	—	—	(9,716)
Comprehensive income		—	—	—	50,747	—	(9,716)
Transactions with owners etc.							
Acquisition of treasury shares	22	—	—	(6,960)	—	—	—
Disposals of treasury shares	22	—	(3,136)	3,219	—	(78)	—
Dividends	23	—	—	—	(128,993)	—	—
Share-based payments	24	—	4,325	—	—	—	—
Transfer to retained earnings		—	—	—	9,784	—	—
Total transactions with owners etc.		—	1,189	(3,740)	(119,208)	(78)	—
As of 31 March 2025		103,001	185,259	(37,524)	740,939	298	508,585
Comprehensive income							
Profit		—	—	—	291,535	—	—
Other comprehensive income		—	—	—	—	—	145,779
Comprehensive income		—	—	—	291,535	—	145,779
Transactions with owners etc.							
Acquisition of treasury shares	22	—	—	(730)	—	—	—
Disposals of treasury shares	22	—	(3,165)	3,309	—	(27)	—
Dividends	23	—	—	—	(136,099)	—	—
Share-based payments	24	—	3,069	—	—	—	—
Payment from non-controlling shareholders		—	—	—	—	—	—
Transfer to retained earnings		—	—	—	6,461	—	—
Total transactions with owners etc.		—	(97)	2,579	(129,637)	(27)	—
As of 31 March 2026		103,001	185,162	(34,945)	902,836	271	654,364

(Millions of yen)

		Equity attributable to owners of the parent				Non-controlling interest	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 1 April 2024		14,623	–	533,300	1,595,988	–	1,595,988
Comprehensive income							
Profit		–	–	–	50,747	–	50,747
Other comprehensive income		3,251	4,607	(1,858)	(1,858)	–	(1,858)
Comprehensive income		3,251	4,607	(1,858)	48,888	–	48,888
Transactions with owners etc.							
Acquisition of treasury shares	22	–	–	–	(6,960)	–	(6,960)
Disposals of treasury shares	22	–	–	(78)	6	–	6
Dividends	23	–	–	–	(128,993)	–	(128,993)
Share-based payments	24	–	–	–	4,325	–	4,325
Transfer to retained earnings		(5,177)	(4,607)	(9,784)	–	–	–
Total transactions with owners etc.		(5,177)	(4,607)	(9,862)	(131,622)	–	(131,622)
As of 31 March 2025		12,697	–	521,580	1,513,255	–	1,513,255
Comprehensive income							
Profit		–	–	–	291,535	40	291,575
Other comprehensive income		2,264	9,855	157,897	157,897	–	157,897
Comprehensive income		2,264	9,855	157,897	449,432	40	449,472
Transactions with owners etc.							
Acquisition of treasury shares	22	–	–	–	(730)	–	(730)
Disposals of treasury shares	22	–	–	(27)	117	–	117
Dividends	23	–	–	–	(136,099)	–	(136,099)
Share-based payments	24	–	–	–	3,069	–	3,069
Payment from non-controlling shareholders		–	–	–	–	1,800	1,800
Transfer to retained earnings		3,393	(9,855)	(6,461)	–	–	–
Total transactions with owners etc.		3,393	(9,855)	(6,488)	(133,643)	1,800	(131,843)
As of 31 March 2026		18,354	–	672,989	1,829,044	1,840	1,830,884

(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 2025		$648	$1,165	$(236)	$4,660	$2	$3,199
Comprehensive income							
Profit		—	—	—	1,834	—	—
Other comprehensive income		—	—	—	—	—	917
Comprehensive income		—	—	—	1,834	—	917
Transactions with owners etc.							
Acquisition of treasury shares	22	—	—	(5)	—	—	—
Disposals of treasury shares	22	—	(20)	21	—	0	—
Dividends	23	—	—	—	(856)	—	—
Share-based payments	24	—	19	—	—	—	—
Payment from non-controlling shareholders		—	—	—	—	—	—
Transfer to retained earnings		—	—	—	41	—	—
Total transactions with owners etc.		—	(1)	16	(815)	0	—
As of 31 March 2026		$648	$1,165	$(220)	$5,678	$2	$4,115

(Millions of U.S. dollars)

		Equity attributable to owners of the parent				Non-controlling interest	Total equity
		Other components of equity			Total		
		Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total			
As of 31 March 2025		$80	$－	$3,280	$9,517	$－	$9,517
Comprehensive income							
Profit		－	－	－	1,834	0	1,834
Other comprehensive income		14	62	993	993	－	993
Comprehensive income		14	62	993	2,827	0	2,827
Transactions with owners etc.							
Acquisition of treasury shares	22	－	－	－	(5)	－	(5)
Disposals of treasury shares	22	－	－	(0)	1	－	1
Dividends	23	－	－	－	(856)	－	(856)
Share-based payments	24	－	－	－	19	－	19
Payment from non-controlling shareholders		－	－	－	－	11	11
Transfer to retained earnings		21	(62)	(41)	－	－	－
Total transactions with owners etc.		21	(62)	(41)	(841)	11	(829)
As of 31 March 2026		$115	$－	$4,233	$11,503	$12	$11,515

(5) Consolidated Statement of Cash Flows

	Note	(Millions of yen) Fiscal year ended 31 March 2025	(Millions of yen) Fiscal year ended 31 March 2026	(Millions of U.S. dollars) Fiscal year ended 31 March 2026
Cash flows from operating activities				
Profit before tax		31,237	376,587	$2,368
Depreciation and amortisation		199,132	194,594	1,224
Impairment losses (reversal of impairment losses)		187,564	54,187	341
Finance income and expenses		9,803	6,046	38
(Increase) decrease in inventories		(50,225)	(16,218)	(102)
(Increase) decrease in trade and other receivables		(104,735)	(63,794)	(401)
Increase (decrease) in trade and other payables		(11,409)	(307)	(2)
Increase (decrease) in refund liabilities		46,524	43,334	273
Other		(27,902)	64,370	405
Subtotal		279,989	658,800	4,143
Income tax paid		(85,478)	(98,612)	(620)
Net cash flows from operating activities		194,512	560,188	3,523
Cash flows from investing activities				
Purchases of property, plant and equipment		(37,003)	(57,723)	(363)
Purchases of intangible assets		(20,327)	(26,922)	(169)
Proceeds from sales of equity instruments		12,920	—	—
Interest and dividends received		7,101	6,063	38
Other		(52,110)	11,860	75
Net cash flows provided by (used in) investing activities		(89,419)	(66,722)	(420)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial papers	31	(236,449)	(185,625)	(1,167)
Proceeds from issuance of bonds and long-term borrowings	31	200,000	–	—
Redemption of bonds and repayments of long-term borrowings	31	(52,073)	(81,793)	(514)
Acquisition of treasury shares	22	(6,960)	(730)	(5)
Dividends paid to owners of the parent	23	(128,993)	(136,099)	(856)
Repayments of lease liabilities	31	(13,079)	(15,476)	(97)
Other		(23,814)	14,945	94
Net cash flows provided by (used in) financing activities		(261,367)	(404,779)	(2,546)

	Note	(Millions of yen) Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026	(Millions of U.S. dollars) Fiscal year ended 31 March 2026
Effect of exchange rate changes on cash and cash equivalents		8,960	4,547	29
Net increase (decrease) in cash and cash equivalents		(147,315)	93,234	586
Cash and cash equivalents at the beginning of the year	21	335,687	188,372	1,185
Cash and cash equivalents at the end of the year	21	188,372	281,605	$1,771

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 2026 were authorised for issue on 16 June 2026 by Naoki Okamura, Representative Director, President and Chief Executive Officer, and Atsushi Kitamura, Corporate Executive, Chief Financial Officer.

These English language consolidated financial statements were approved by them subsequently on 6 August 2026. 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 Accounting Standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) 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 ¥159 to U.S. $1, the approximate rate of exchange as of 31 March 2026. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) Changes in presentation

Consolidated Statement of Financial Position

“Refund liabilities” which was included as “Other current liabilities” under current liabilities for the fiscal year ended 31 March 2025, is separately presented from the fiscal year ended 31 March 2026 as the amount became material.

Additionally, “Trade and other receivables” under non-current assets, which was separately presented during the fiscal year ended 31 March 2025, is included in “Other financial assets” under non-current assets from the fiscal year ended 31 March 2026 as the amount became immaterial.

To reflect this change in presentation, the consolidated statement of financial position for the fiscal year ended 31 March 2025 has been reclassified.

As a result, ¥348,021 million which was presented as “Other current liabilities” under current liabilities in the consolidated statement of financial position for the fiscal year ended 31 March 2025, is now reclassified to “Refund liabilities” under current liabilities.

Additionally, ¥18,453 million which was presented as “Trade and other receivables” under non-current assets in the consolidated statement of financial position for the fiscal year ended 31 March 2025, is now reclassified to “Other financial assets” under non-current assets.

Consolidated Statement of Cash Flows

"Increase (decrease) in refund liabilities" which was included as "Other" under cash flows from operating activities for the fiscal year ended 31 March 2025, is separately presented from the fiscal year ended 31 March 2026 as the amount became material.

Additionally, "Proceeds from sales of intangible assets" under cash flows from investing activities, which was separately presented during the fiscal year ended 31 March 2025, is included in "Other" under cash flows from investing activities from the fiscal year ended 31 March 2026 as the amount became immaterial.

To reflect this change in presentation, the consolidated statement of cash flows for the fiscal year ended 31 March 2025 has been reclassified.

As a result, ¥46,524 million which was presented as "Other" under cash flows from operating activities in the consolidated statement of cash flows for the fiscal year ended 31 March 2025, is now reclassified to "Increase (decrease) in refund liabilities."

Additionally, ¥1,159 million which was presented as "Proceeds from sales of intangible assets" under cash flows from investing activities in the consolidated statement of cash flows for the fiscal year ended 31 March 2025, is now reclassified to "Other."

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

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

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

The effect of the application of IFRS 18 on the Group's consolidated financial statements is still under review. However, the main effect is a reclassification in presentation, and it is not expected to have an effect on profit.

3. Material Accounting Policies

The material accounting policies of the Group set forth below are applied continuously to all periods presented 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 is exposed 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. The Group begins consolidation of a subsidiary from the date the Group obtains control of the subsidiary, and ceases when 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 holds 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 of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities 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 recognises its assets, liabilities, revenue and expenses, in relation to its interest in the joint operation.
- Joint venture—when the Group has rights to the net assets of the arrangement, it accounts for its interest in the joint venture using the equity method.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method.

The consideration transferred in a business combination is measured at fair value and calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree, 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 or equity instruments 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.”
- For Leases identified in accordance with IFRS 16 “Leases” ,where the acquiree is the lessee, lease liabilities are measured at the present value of the remaining lease payments as of the acquisition date, and right-of-use assets are measured at the same amount as the lease liabilities, adjusted for any favourable or unfavourable terms of the lease compared to market conditions.

The Group measures goodwill as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the equity interests in the acquiree previously held by the Group over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the excess is negative, a gain is immediately recognised in profit or loss.

Acquisition-related costs incurred to effect business combinations are accounted for as expenses when incurred.

(3) Foreign currency translation

(i) Functional and presentation currency

The individual financial statements of each entity of the Group are prepared in their respective functional currencies. 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 spot exchange rate at the date of the transaction or an approximation of the rate.

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

(iii) Foreign operations

Assets and liabilities for each statement of financial position presented of foreign operations are translated into Japanese yen using the spot exchange rate at the end of reporting period. Income and expenses for each statement presenting profit or loss and other comprehensive income 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 that grant third parties 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 the customer obtains control of the pharmaceutical product that the Group promises to transfer. The Group determines that the customer usually obtains control of a pharmaceutical product upon delivery.

There are no contracts for which the payment terms of consideration are longer than one year, in principle, 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.

For transactions in which the Group is deemed to be entrusted by other companies to sell pharmaceuticals, i.e., transactions in which the Group is acting 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 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 right which the Group promised to transfer in accordance with the contract is obtained by the customer. For performance obligations satisfied over time, revenue is recognised based on the ratio between the output such as elapsed period and the remaining period 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 the following events occurs: subsequent sales, etc. occur, or performance obligations to which royalties based on net sales and other factors are allocated 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 recognised 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 recognition criteria under IAS 38 are satisfied. The Group considers that the recognition criteria are not met until marketing approval is obtained from the regulatory authorities in major markets, and recognises internal expenditure incurred for ongoing internal development projects as expenses.

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

(6) Income tax expense

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

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

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

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

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

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

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

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

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

Property, plant, and equipment is measured by using the cost model and is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are recognised as an asset, 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 recognised in profit or loss when incurred.

Depreciation of an asset begins when it is available for use. When an item of property, plant and equipment has significant components, each component is depreciated separately. The depreciable amount of an asset is determined by deducting its residual value from its cost. 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 estimated useful lives of major classes of property, plant and equipment are as follows:

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

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

(8) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on the substance of the contract. The Group determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised and period covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics. For short-term leases and leases for which the underlying asset is of low value, the Group may recognise the lease payments as an expense over the lease term instead of recognising a right-of-use asset and a lease liability.

(i) Right-of-use asset

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

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

(ii) Lease liability

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

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

(9) Goodwill

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

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

(10) Intangible assets

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

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

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

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

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

Once marketing approval from the regulatory authorities is obtained and the product is launched, IPR&D is transferred to "Marketing rights" and amortised 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 from 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 regularly reviewed.

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

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

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

At the end of each reporting period, 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 determined as the higher of fair value less costs of disposal and value in use. In determining 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 determining 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 (group 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 (group of cash-generating units) is less than its carrying amount, the carrying amount of the cash-generating unit (group of cash-generating units) is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.

The impairment loss firstly reduces the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then is allocated to the other assets on a pro rata basis of the carrying amount of each asset in the cash-generating unit (group of cash-generating units).

(iii) Reversal of impairment loss

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

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

(12) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Financial assets

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

(a) Financial assets measured at amortised cost

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

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

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

(b) Financial assets at FVTOCI (debt instruments)

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

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

After initial recognition, the financial assets are measured at fair value, and any gain or loss resulting from subsequent 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 subsequent 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 reporting period, 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.

Expected credit losses are measured to reflect the following factors:

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

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

(iv) Financial liabilities

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

(a) Financial liabilities at FVTPL

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

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

(b) Financial liabilities measured at amortised cost

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

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

(v) Derecognition

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

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

(vi) Derivatives and hedge accounting

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

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

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

Qualifying hedging relationships are accounted for as follows.

(a) Fair value hedges

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

(b) Cash flow hedges

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

(c) Hedges of net investments in foreign operations

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

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

(13) Cash and cash equivalents

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

(14) Inventories

Inventories are measured at the lower of cost and net realisable value, and if net realisable value is less than the cost, write-down is recognised. The cost of inventories includes costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition. Net realisable value is 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 assigned mainly by using the first-in, first-out (FIFO) method.

(15) Share-based payments

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

(i) Equity-settled share-based payment plan

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

(16) Employee benefits

(i) Retirement benefits

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

(a) Defined benefit plans

Net defined benefit liabilities (assets) are determined as the present value of the defined benefit obligation less the fair value of plan assets adjusted for the effect of limiting the net defined benefit assets to the asset ceiling. The defined benefit obligation and the related service cost is determined by using the projected unit credit method. The discount rate is determined by reference to market yield, at the end of reporting period, on high-quality corporate bonds having maturity terms consistent with the estimated term of the related pension obligations.

Service cost and net interest 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, and any change in the effect of the asset ceiling are recognised 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 recognised as expenses in the period in which the employees render the related service.

(ii) Short-term employee benefits

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

(17) Provisions

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

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

4. Significant Accounting Estimates, Judgements and Assumptions

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

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

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

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

・ Revenue recognition and recording of estimated refund liabilities (Note 6)
・ Impairment of goodwill and in-process research and development (IPR&D) (Notes 16 and 17)
・ Recoverability of deferred tax assets (Note 18)

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 2025	Fiscal year ended 31 March 2026
XTANDI	912,288	960,768
PADCEV	164,060	221,170
PROGRAF	200,998	207,666
Other	634,977	749,641
Total	1,912,323	2,139,245

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 2025	Fiscal year ended 31 March 2026
United States	871,903	945,722
Japan	280,106	317,057
Other	760,314	876,466
Total	1,912,323	2,139,245

(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 2025	As of 31 March 2026
United States	1,447,056	1,353,750
Japan	273,746	316,334
Other	147,040	126,447
Total	1,867,842	1,796,531

Information about major customers

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

(Millions of yen)

	Segment	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
McKesson Group	Pharmaceutical	291,485	312,508
Cencora Group	Pharmaceutical	271,974	307,123

6. Revenue

(1) Breakdown of revenue

The breakdown of revenue is as follows:

Fiscal year ended 31 March 2025

(Millions of yen)

	United States	Japan	Established Markets	China	International Markets	Others	Total
Revenue recognised from contracts with customers							
Sales of pharmaceutical products	757,284	266,675	485,038	78,311	202,076	3,702	1,793,086
Other	—	323	—	—	1,436	7,992	9,751
Subtotal	757,284	266,998	485,038	78,311	203,512	11,694	1,802,837
Revenue recognised from other sources							
Profit-sharing income	109,094	—	379	—	—	14	109,487
Subtotal	109,094	—	379	—	—	14	109,487
Total	866,378	266,998	485,417	78,311	203,512	11,708	1,912,323

Fiscal year ended 31 March 2026

(Millions of yen)

	United States	Japan	Established Markets	China	International Markets	Others	Total
Revenue recognised from contracts with customers							
Sales of pharmaceutical products	807,836	288,971	563,274	101,474	228,648	837	1,991,041
Other	3,168	11	—	—	2,092	13,397	18,668
Subtotal	811,004	288,982	563,274	101,474	230,741	14,234	2,009,709
Revenue recognised from other sources							
Profit-sharing income	129,197	—	339	—	—	—	129,536
Subtotal	129,197	—	339	—	—	—	129,536
Total	940,201	288,982	563,613	101,474	230,741	14,234	2,139,245

(Notes)
1. Revenue is categorised based on the organizational grouping of business management in the commercial division.
2. "Other" under revenue recognised from contracts with customers mainly includes royalty income.
3. Profit-sharing income represents mainly revenue from non-customer partners who share the risks and rewards of joint sales promotion activities.
4. 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.

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

(2) Contract balances

The breakdown of contract balances is as follows:

(Millions of yen)

	As of 1 April 2024	As of 31 March 2025	As of 31 March 2026
Receivables from contracts with customers			
Trade receivables	493,583	588,733	689,524
Loss allowance	(3,192)	(5,476)	(4,374)
Total	490,391	583,257	685,149
Contract liabilities	1,638	1,620	28,202

(Notes) 1. The Group recognises as contract liabilities the unsatisfied portion of upfront payments received from customers, mainly relating to licensing agreements. For the fiscal years ended 31 March 2025 and 2026, the amounts of revenue recognised that were included in the balance of contract liabilities at the beginning of the period were not material.

2. For the fiscal years ended 31 March 2025 and 2026, 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 2025	Fiscal year ended 31 March 2026
Changes in fair value of contingent consideration	16,672	16,950
Net foreign exchange gains	-	4,888
Other	3,672	10,962
Total other income	20,344	32,800

(Notes) 1. “Changes in fair value of contingent consideration” for the fiscal year ended 31 March 2025 were mainly due to the changes in fair value of contingent consideration resulting from termination of programs related to Xyphos Biosciences, Inc.

2. “Changes in fair value of contingent consideration” for the fiscal year ended 31 March 2026 were mainly due to the changes in fair value of contingent consideration resulting from termination of the VYLOY program for pancreatic adenocarcinoma.

3. The amount of “Net foreign exchange gains” for the fiscal year ended 31 March 2026 included foreign exchange gains resulting from foreign exchange forward contracts (¥22,967 million).

4. “Other” for the fiscal year ended 31 March 2026 was mainly due to Mirabegron litigation settlements in the United States.

8. Other Expenses

The breakdown of other expenses is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Impairment losses for intangible assets	187,618	52,803
Restructuring costs	15,523	9,923
Litigation costs	1,573	1,379
Net foreign exchange losses	18,578	—
Other	12,475	8,335
Total other expenses	235,768	72,440

(Notes) 1. “Impairment losses for intangible assets” for the fiscal year ended 31 March 2025 were mainly due to the revision of future business plans due to the withdrawal of the marketing authorization application for IZERVAY (avacincaptad pegol intravitreal solution) for the treatment of geographic atrophy secondary to age-related macular degeneration in Europe, and the update to the research and development plan for the gene therapy program AT466 for patients with myotonic dystrophy.

2. The amount of “Net foreign exchange losses” for the fiscal year ended 31 March 2025 included foreign exchange losses resulting from foreign exchange forward contracts (¥9,063 million).

3. “Impairment losses for intangible assets” for the fiscal year ended 31 March 2026 were mainly due to reassessment of intangible asset following the strategic halt of the development of resamirigene bilparvovec (AT132), a genetic medicine.

9. Employee Benefit Expenses

The breakdown of employee benefit expenses is as follows:

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Remunerations and salaries	232,668	222,283
Bonuses	96,399	98,889
Social security and welfare expenses	47,000	48,817
Retirement benefit expenses—Defined contribution plan	18,632	19,251
Retirement benefit expenses—Defined benefit plan	5,156	4,160
Restructuring and termination benefits	17,643	11,429
Other employee benefit expenses	2,624	2,101
Total employee benefit expenses	420,122	406,930

(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 2025	Fiscal year ended 31 March 2026
Interest income	6,839	6,255
Dividend income	46	43
Gain on valuation of investments in funds	812	1,522
Other	177	207
Total finance income	7,874	8,026

(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 2025	Fiscal year ended 31 March 2026
Interest expense	13,952	10,325
Loss on valuation of investments in funds	3,328	3,297
Other	397	451
Total finance expenses	17,677	14,072

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

12. Income Tax Expense

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

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Current tax expense	82,974	134,758
Deferred tax expense	(102,484)	(49,745)
Income tax expense recognised on the consolidated statement of income	(19,510)	85,013

(Notes) 1. Current tax expense and deferred tax expense include the amount of the benefit arising from previously unrecognised tax losses, tax credits, or temporary differences of prior periods. The main item among these is tax benefits related to investments in subsidiaries in conjunction with decision to liquidate. Because of this benefit, current tax expense and deferred tax expense for the fiscal year ended 31 March 2025 decreased ¥16,613 million and ¥3,981 million, respectively.
2. For the fiscal years ended 31 March 2025 and 2026, the amount of tax expense related to Pillar Two income taxes included in current tax expense was not material.

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

(Millions of yen)

	Fiscal year ended 31 March 2025			Fiscal year ended 31 March 2026		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Financial assets at FVTOCI	4,330	(1,079)	3,251	3,136	(872)	2,264
Remeasurements of defined benefit plans	6,577	(1,970)	4,607	13,763	(3,908)	9,855
Exchange differences on translation of foreign operations	(9,716)	—	(9,716)	145,779	—	145,779
Total other comprehensive income	1,191	(3,049)	(1,858)	162,678	(4,781)	157,897

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 2025 and 2026 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 2025	Fiscal year ended 31 March 2026
	%	%
Effective statutory tax rate	30.5	30.5
Tax credit for research and development expenses	(55.0)	(6.2)
Non-deductible expenses	25.8	2.2
Non-taxable income	(16.3)	(2.2)
Difference in tax rates applied to foreign subsidiaries	25.2	(5.3)
Effect of decision to liquidate subsidiaries	(65.9)	–
Other	(6.8)	3.5
Actual tax rate	(62.5)	22.6

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 2025	Fiscal year ended 31 March 2026
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent (Millions of yen)	50,747	291,535
Profit not attributable to ordinary shareholders of the parent (Millions of yen)	—	—
Profit used to calculate basic earnings per share (Millions of yen)	50,747	291,535
Weighted average number of ordinary shares (Thousands of shares)	1,790,205	1,791,105
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share (Millions of yen)	50,747	291,535
Adjustment (Millions of yen)	—	—
Profit used to calculate diluted earnings per share (Millions of yen)	50,747	291,535
Weighted average number of ordinary shares (Thousands of shares)	1,790,205	1,791,105
Effects of dilutive potential ordinary shares (Thousands of shares)	6,953	6,010
Weighted average number of diluted ordinary shares (Thousands of shares)	1,797,159	1,797,116
Earnings per share (attributable to owners of the parent)		
Basic (Yen)	28.35	162.77
Diluted (Yen)	28.24	162.22

14. Other Comprehensive Income

Reclassification adjustments of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the year	(9,716)	145,779
Reclassification adjustment	–	–
Subtotal	(9,716)	145,779
Tax effect	–	–
Total other comprehensive income that may be reclassified to profit or loss	(9,716)	145,779

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 2025 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 2024	275,304	144,558	118,381	18,865	15,699	116,671	689,479
Acquisitions	3,445	1,115	4,446	–	38,794	43,004	90,804
Disposals	(5,552)	(7,804)	(10,169)	–	(202)	(20,470)	(44,197)
Reclassification from construction in progress	9,439	710	8,178	–	(18,327)	–	–
Reclassification to assets held for sale	–	(1)	(2)	(415)	–	–	(418)
Other	(1,635)	(233)	(469)	(40)	1,226	3,806	2,654
Balance at 31 March 2025	281,002	138,345	120,365	18,410	37,189	143,011	738,322
Accumulated depreciation and accumulated impairment losses							
Balance at 1 April 2024	(137,072)	(120,000)	(87,172)	–	–	(51,493)	(395,737)
Depreciation	(11,617)	(5,479)	(10,929)	–	–	(16,869)	(44,893)
Disposals	5,045	7,663	9,736	–	–	9,572	32,016
Reclassification to assets held for sale	–	–	0	–	–	–	0
Other	431	213	298	–	–	(1,728)	(787)
Balance at 31 March 2025	(143,213)	(117,603)	(88,067)	–	–	(60,519)	(409,401)
Carrying amounts							
Balance at 1 April 2024	138,232	24,558	31,209	18,865	15,699	65,179	293,742
Balance at 31 March 2025	137,789	20,742	32,298	18,410	37,189	82,492	328,921

(Notes) 1. “Other” mainly included exchange differences.

2. “Acquisitions” and “Disposals” included increase and decrease, respectively, in right-of-use assets due to lease modifications.

The movement of property, plant and equipment for the fiscal year ended 31 March 2026 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 2025	281,002	138,345	120,365	18,410	37,189	143,011	738,322
Acquisitions	5,981	1,480	6,703	—	35,142	12,353	61,659
Disposals	(9,138)	(7,124)	(6,419)	—	(212)	(7,643)	(30,535)
Reclassification from construction in progress	3,723	397	6,808	—	(10,928)	—	—
Reclassification to assets held for sale	(3,747)	(920)	(360)	(1,098)	—	—	(6,125)
Other	13,883	3,761	4,105	889	5,900	4,183	32,721
Balance at 31 March 2026	291,705	135,938	131,202	18,200	67,090	151,905	796,041
Accumulated depreciation and accumulated impairment losses							
Balance at 1 April 2025	(143,213)	(117,603)	(88,067)	—	—	(60,519)	(409,401)
Depreciation	(10,928)	(4,971)	(11,862)	—	—	(15,874)	(43,635)
Impairment losses	(26)	(9)	(8)	(1,342)	—	—	(1,385)
Disposals	6,988	7,074	6,073	—	—	5,133	25,268
Reclassification to assets held for sale	3,747	920	360	1,098	—	—	6,125
Other	(4,768)	(3,174)	(2,745)	(66)	(72)	(3,765)	(14,590)
Balance at 31 March 2026	(148,200)	(117,763)	(96,248)	(309)	(72)	(75,025)	(437,617)
Carrying amounts							
Balance at 1 April 2025	137,789	20,742	32,298	18,410	37,189	82,492	328,921
Balance at 31 March 2026	143,505	18,175	34,954	17,891	67,018	76,880	358,424

(Notes) 1. "Other" mainly included exchange differences.

2. "Acquisitions" and "Disposals" included increase and decrease, respectively, in right-of-use assets due to lease modifications.

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 2026 amounted to ¥1,385 million.

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 2024	418,694	–	418,694
Exchange differences	(3,487)	–	(3,487)
Balance at 31 March 2025	415,207	–	415,207
Exchange differences	25,967	–	25,967
Balance at 31 March 2026	441,175	–	441,175

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

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Whole pharmaceutical business	415,207	441,175

(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 2025 and as of 31 March 2026.

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

		As of 31 March 2025	As of 31 March 2026
Discount rates (after-tax)	Whole pharmaceutical business	7.0%	8.2%
Discount rates (pre-tax)	Whole pharmaceutical business	9.0%	10.5%

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 (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 2025	As of 31 March 2026
Growth rates	Whole pharmaceutical business	5.0%	2.2%

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

17. Intangible Assets

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

The movement of intangible assets for the fiscal year ended 31 March 2025 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 2024	233,348	616,780	1,131,080	125,312	2,106,520
Acquisitions	9,756	3,441	50	8,528	21,775
Disposals	(27,232)	(81,448)	(16,183)	(10,177)	(135,041)
Reclassification	—	(91,614)	91,614	—	—
Other	(1,519)	(3,298)	(8,028)	(3,502)	(16,346)
Balance at 31 March 2025	214,354	443,861	1,198,532	120,160	1,976,908
Accumulated amortisation and accumulated impairment losses					
Balance at 1 April 2024	(73,706)	(237,798)	(271,069)	(70,123)	(652,696)
Amortisation	(24,600)	—	(112,161)	(17,477)	(154,238)
Impairment losses	(13,339)	(171,778)	—	(2,501)	(187,618)
Disposals	27,232	81,448	15,902	10,054	134,637
Reclassification	—	27,597	(27,597)	—	—
Other	671	3,354	2,275	421	6,721
Balance at 31 March 2025	(83,743)	(297,177)	(392,649)	(79,625)	(853,194)
Carrying amounts					
Balance at 1 April 2024	159,642	378,982	860,011	55,189	1,453,824
Balance at 31 March 2025	130,611	146,685	805,883	40,535	1,123,714

(Notes) "Other" mainly included exchange differences.

The movement of intangible assets for the fiscal year ended 31 March 2026 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 2025	214,354	443,861	1,198,532	120,160	1,976,908
Acquisitions	1,508	21,787	23,776	2,393	49,464
Disposals	(41,956)	－	(11,500)	(13,890)	(67,345)
Reclassification	－	(165,836)	165,836	－	－
Other	9,285	16,427	33,525	3,238	62,475
Balance at 31 March 2026	183,191	316,239	1,410,169	111,901	2,021,501
Accumulated amortisation and accumulated impairment losses					
Balance at 1 April 2025	(83,743)	(297,177)	(392,649)	(79,625)	(853,194)
Amortisation	(19,386)	－	(116,596)	(14,977)	(150,959)
Impairment losses	(23,051)	(20,458)	－	(9,293)	(52,803)
Disposals	41,956	－	11,500	13,825	67,281
Reclassification	－	113,824	(113,824)	－	－
Other	(3,637)	(11,741)	(15,748)	(3,769)	(34,894)
Balance at 31 March 2026	(87,861)	(215,551)	(627,317)	(93,840)	(1,024,569)
Carrying amounts					
Balance at 1 April 2025	130,611	146,685	805,883	40,535	1,123,714
Balance at 31 March 2026	95,330	100,688	782,852	18,062	996,932

(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 is presented in the consolidated statement of income under “Amortisation of intangible assets.”

Impairment losses for intangible assets are included in the consolidated statement of income under “Other expenses.”

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 2025	As of 31 March 2026
Discount rates (after-tax)	6.0% to 9.5%	6.0% to 9.0%
Discount rates (pre-tax)	7.4% to 13.6%	7.5% to 12.2%

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 2025 and 2026.

For the fiscal year ended 31 March 2025, impairment losses recognised for intangible assets were ¥187,618 million and mainly composed of an impairment loss of ¥115,092 million resulting from the withdrawal of the marketing authorization application for IZERVAY (avacincaptad pegol intravitreal solution) for the treatment of geographic atrophy secondary to age-related macular degeneration in Europe and an impairment loss of ¥51,799 million resulting from the update to the research and development plan for the gene therapy program AT466 for patients with myotonic dystrophy. The recoverable amount of IZERVAY 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 9.5% and 12.1%, respectively. The recoverable amount of AT466 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 9.5% and 12.0%, respectively.

For the fiscal year ended 31 March 2026, impairment losses recognised for intangible assets were ¥52,803 million and mainly composed of an impairment loss of ¥16,373 million resulting from reassessment of intangible asset following the strategic halt of the development of resamirigene bilparvovec (AT132), a genetic medicine. The recoverable amount of AT132 is estimated as zero in recognising the impairment losses.

Gain on divestiture of intangible assets

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

Gain on divestiture of intangible assets recognised for the fiscal years ended 31 March 2025 and 2026 amounted to ¥1,049 million and ¥4,349 million, respectively.

Significant intangible assets

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

(Millions of yen)

		As of 31 March 2025	As of 31 March 2026
avacincaptad pegol (IZERVAY)	IPR&D	51,733	—
	Marketing rights	632,563	624,593
fezolinetant (VEOZAH)	Marketing rights	86,246	85,774
Technology platform and manufacturing technology for Adeno-associated virus-based gene therapy	Research and production technology	64,163	60,976
zolbetuximab (VYLOY)	Marketing rights	59,720	54,564

For intangible assets already starting amortisation, the remaining amortisation period was 6 to 12 years in the fiscal year ended 31 March 2025 and 5 to 11 years in the fiscal year ended 31 March 2026. 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 2025	As of 31 March 2026
Financial assets at FVTOCI	(695)	(1,879)
Retirement benefit assets and liabilities	(1,911)	(7,550)
Property, plant and equipment	(6,778)	(7,013)
Intangible assets	(110,358)	(96,750)
Accrued expenses	50,963	60,752
Inventories	61,397	74,688
Tax loss carry-forwards	49,632	71,535
Other	50,511	51,529
Net deferred tax assets and deferred tax liabilities	92,760	145,313

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

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Balance at the beginning of the year	(5,751)	92,760
Recognised in profit or loss	102,484	49,745
Recognised in other comprehensive income	(759)	(5,102)
Other	(3,214)	7,909
Balance at the end of the year	92,760	145,313

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 2025	As of 31 March 2026
Deductible temporary differences	27,793	102,630
Tax loss carry-forwards	21,333	22,490
Unused tax credits	2,685	1,895
Total	51,811	127,015

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 2025	As of 31 March 2026
Within one year	3	0
One year to two years	—	12
Two years to five years	22	88
Over five years	21,308	22,390
Total	21,333	22,490

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

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

Of the balances of deferred tax assets as of 31 March 2025 and 2026, the amount attributable to U.S. subsidiaries that recognised losses in fiscal years ended 31 March 2025 or 2026 were ¥38,411 million and ¥77,873 million, respectively.

19. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Raw materials	133,870	167,059
Work in progress	78,819	76,131
Merchandise and finished goods	84,571	87,824
Total	297,261	331,014

Inventories recognised as an expense in “Cost of sales” for the fiscal years ended 31 March 2025 and 2026 amounted to ¥201,983 million and ¥227,309 million, respectively.

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

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Cost of sales	6,794	4,761

20. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Trade receivables	619,513	732,452
Other accounts receivables	36,941	33,793
Loss allowances	(5,476)	(4,374)
Total trade and other receivables	650,978	761,870
Amounts in the consolidated statement of financial position		
Non-current assets (other financial assets)	18,453	15,063
Current assets (trade and other receivables)	632,525	746,808

21. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Cash and deposits	181,979	280,924
Short-term investments (Cash equivalents)	6,392	681
Cash and cash equivalents in the consolidated statement of financial position	188,372	281,605
Cash and cash equivalents in the consolidated statement of cash flows	188,372	281,605

22. Equity and Other Components of Equity

(1) Share capital and capital surplus

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

	Number of authorised shares (Thousands of shares)	Number of ordinary shares issued (Thousands of shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of 1 April 2024	9,000,000	1,809,663	103,001	184,070
Increase	–	–	–	4,325
Decrease	–	–	–	(3,136)
As of 31 March 2025	9,000,000	1,809,663	103,001	185,259
Increase	–	–	–	3,069
Decrease	–	–	–	(3,165)
As of 31 March 2026	9,000,000	1,809,663	103,001	185,162

(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 2024	16,561	33,783
Increase	4,453	6,960
Decrease	(1,661)	(3,219)
As of 31 March 2025	19,353	37,524
Increase	517	730
Decrease	(1,699)	(3,309)
As of 31 March 2026	18,170	34,945

23. Dividends

For the fiscal year ended 31 March 2025

(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 25 April 2024	Ordinary shares	63,318	35.00	31 March 2024	3 June 2024
Board of Directors meeting held on 30 October 2024	Ordinary shares	66,937	37.00	30 September 2024	2 December 2024

(Notes) 1. The amount of dividends approved by resolution of the Board of Directors meeting on 25 April 2024 included dividends of ¥559 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 2024 included dividends of ¥703 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 2025 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on 25 April 2025	Ordinary shares	66,939	37.00	31 March 2025	3 June 2025

(Note) The amount of dividends above included dividends of ¥698 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 2026

(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 25 April 2025	Ordinary shares	66,939	37.00	31 March 2025	3 June 2025
Board of Directors meeting held on 30 October 2025	Ordinary shares	70,558	39.00	30 September 2025	1 December 2025

(Notes) 1. The amount of dividends approved by resolution of the Board of Directors meeting on 25 April 2025 included dividends of ¥698 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 2025 included dividends of ¥701 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 2026 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 2026	Ordinary shares	70,558	39.00	31 March 2026	3 June 2026

(Note) The amount of dividends above included dividends of ¥690 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

24. Share-based Payments

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

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

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

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

(ii) Expenses recognised in the consolidated statement of income

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Total expenses recognised for the Performance-linked Stock Compensation Scheme and Performance-linked Stock Delivery Scheme	4,423	5,551

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

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

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Number of points granted during the fiscal year	4,240,886	4,658,465

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

		Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Share price at the grant date		1,588.5 yen	1,391.0 yen
Vesting period	(Note 1)	3 years	3 years
Expected dividend yield	(Note 2)	3.6%	4.6%
Discount rate	(Note 3)	0.5%	0.6%
Weighted average fair value		1,285 yen	1,187 yen

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

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

The Company's shares held in the BIP Trust and ESOP Trust as of 31 March 2025 and 2026 were 18,862 thousand shares and 17,699 thousand shares, respectively.

(2) Share option plans

(i) Outline of share option plans

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

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

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

The Company accounts for those share option plans as equity-settled share-based payment transactions. All outstanding balances for the fiscal years ended 31 March 2025 and 2026 have been vested and are exercisable.

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

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Outstanding, at the beginning of the year	459,600	360,100
Exercised	(99,500)	(20,800)
Outstanding, at the end of the year	360,100	339,300

(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 2025 and 2026 were ¥1,493 and ¥2,071, respectively.
3. The weighted average remaining contractual lives of outstanding share options for the fiscal years ended 31 March 2025 and 2026 were 8 years and 7 years, respectively.

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 60% of the total defined benefit obligations.

(i) Defined benefit plan adopted in Japan

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

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

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

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

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

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

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

As of 31 March 2025

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	77,536	45,685	123,221
Fair value of plan assets	(96,573)	(23,402)	(119,974)
Net defined benefit liability (asset)	(19,036)	22,283	3,247
Amounts in the consolidated statement of financial position			
Assets (other non-current assets)	(19,036)	(462)	(19,499)
Liabilities (retirement benefit liabilities)	–	22,746	22,746

As of 31 March 2026

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	69,028	49,015	118,043
Fair value of plan assets	(102,892)	(28,194)	(131,086)
Net defined benefit liability (asset)	(33,864)	20,820	(13,043)
Amounts in the consolidated statement of financial position			
Assets (other non-current assets)	(33,864)	(652)	(34,516)
Liabilities (retirement benefit liabilities)	–	21,473	21,473

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

(Millions of yen)

	Japan	Overseas	Total
Balance at 1 April 2024	88,681	46,497	135,179
Current service cost	2,641	1,956	4,597
Interest cost	1,481	1,494	2,975
Remeasurements of defined benefit obligations			
−actuarial gains/losses arising from changes in demographic assumptions	104	(2)	102
−actuarial gains/losses arising from changes in financial assumptions	(6,725)	(2,450)	(9,175)
−other	337	546	883
Contributions to the plan by plan participants	−	209	209
Payments from the plan	(8,983)	(1,743)	(10,727)
Effect of changes in foreign exchange rates, and other	−	(821)	(821)
Balance at 31 March 2025	77,536	45,685	123,221
Current service cost	2,405	1,461	3,867
Interest cost	1,831	1,695	3,526
Remeasurements of defined benefit obligations			
−actuarial gains/losses arising from changes in demographic assumptions	222	40	262
−actuarial gains/losses arising from changes in financial assumptions	(8,096)	(2,227)	(10,323)
−other	742	(957)	(215)
Contributions to the plan by plan participants	−	234	234
Payments from the plan	(5,612)	(2,347)	(7,958)
Effect of changes in foreign exchange rates, and other	−	5,430	5,430
Balance at 31 March 2026	69,028	49,015	118,043

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

(Millions of yen)

	Japan	Overseas	Total
Balance at 1 April 2024	98,987	22,138	121,125
Interest income	1,648	766	2,415
Remeasurements of the fair value of the plan assets			
−return on plan assets	(2,199)	7	(2,191)
−actuarial gains/losses arising from changes in financial assumptions	686	(107)	578
Contributions to the plan			
−by employer	6,433	1,185	7,618
−by plan participants	−	209	209
Payments from the plan	(8,983)	(519)	(9,502)
Effect of changes in foreign exchange rates, and other	−	(277)	(277)
Balance at 31 March 2025	96,573	23,402	119,974
Interest income	2,278	954	3,232
Remeasurements of the fair value of the plan assets			
−return on plan assets	2,326	121	2,447
−actuarial gains/losses arising from changes in financial assumptions	861	179	1,040
Contributions to the plan			
−by employer	6,465	1,241	7,707
−by plan participants	−	442	442
Payments from the plan	(5,612)	(1,041)	(6,653)
Effect of changes in foreign exchange rates, and other	−	2,897	2,897
Balance at 31 March 2026	102,892	28,194	131,086

(Note) The Group expects to contribute ¥8,320 million, including risk-related premiums, to its defined benefit plans in the fiscal year ending 31 March 2027.

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

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Japan		
Equity	16,513	19,894
Bonds	34,088	37,687
Cash and other investments	45,971	45,311
Total	96,573	102,892
Overseas		
Equity	6,771	7,169
Bonds	7,878	8,294
Cash and other investments	8,753	12,732
Total	23,402	28,194
Total fair value of plan assets	119,974	131,086

(i) Japanese plan assets

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

(ii) Overseas plan assets

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

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

	As of 31 March 2025	As of 31 March 2026
Discount rate (%)		
Japan	2.1% to 2.4%	3.0% to 3.3%
Overseas	3.7% to 5.7%	4.2% to 6.0%

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 2026 would result in an ¥6,373 million decrease or an ¥7,064 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 2025	As of 31 March 2026
Japan	13.2 years	12.8 years
Overseas	14.5 years	14.1 years

26. Provisions

The movement of provisions for the fiscal year ended 31 March 2025 is as follows:

(Millions of yen)

	Pharma Fee	Other	Total
Balance at 1 April 2024	10,317	12,752	23,069
Increase during the year	7,563	8,726	16,289
Decrease due to intended use during the year	(6,298)	(5,923)	(12,221)
Decrease due to reversal during the year	—	(1,410)	(1,410)
Other	(113)	(194)	(307)
Balance at 31 March 2025	11,469	13,952	25,421
Non-current	2,733	5,397	8,130
Current	8,736	8,555	17,291
Total provisions	11,469	13,952	25,421

The movement of provisions for the fiscal year ended 31 March 2026 is as follows:

(Millions of yen)

	Pharma Fee	Other	Total
Balance at 1 April 2025	11,469	13,952	25,421
Increase during the year	7,519	8,565	16,083
Decrease due to intended use during the year	(3,599)	(7,341)	(10,940)
Decrease due to reversal during the year	—	(509)	(509)
Other	877	801	1,678
Balance at 31 March 2026	16,266	15,467	31,732
Non-current	2,970	5,218	8,188
Current	13,295	10,249	23,544
Total provisions	16,266	15,467	31,732

(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 2025	As of 31 March 2026
Other non-current liabilities		
Other long-term employee benefit obligations	48,151	59,225
Other	5,418	11,788
Total other non-current liabilities	53,569	71,013
Other current liabilities		
Accrued expenses	169,119	193,886
Other	18,113	41,434
Total other current liabilities	187,232	235,319

28. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Trade payables	87,037	97,323
Other payables	100,803	102,429
Total trade and other payables	187,840	199,752

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 2025			As of 31 March 2026		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets						
Financial assets at FVTPL (Note 1)	65,226	1,504	66,729	79,394	1,264	80,659
Financial assets measured at amortised cost						
Trade and other receivables (Note 2)	18,453	632,525	650,978	15,063	746,808	761,870
Loans and other financial assets (Note 1)	6,589	28,437	35,026	5,322	8,308	13,629
Cash and cash equivalents	—	188,372	188,372	—	281,605	281,605
Financial assets at FVTOCI (equity instruments) (Note 1)	34,381	—	34,381	38,517	—	38,517
Total financial assets	124,648	850,837	975,485	138,296	1,037,985	1,176,280
Financial liabilities						
Financial liabilities at FVTPL (Note 3)	16,371	3,046	19,417	276	3,266	3,542
Financial liabilities measured at amortised cost						
Bonds and borrowings	564,893	266,533	831,425	320,000	245,952	565,952
Trade and other payables	—	187,840	187,840	—	199,752	199,752
Lease liabilities (Note 3)	89,326	16,335	105,662	88,786	17,615	106,401
Other (Note 3)	103	762	865	20	996	1,017
Derivatives to which hedge accounting is applied (Note 3)	959	—	959	—	465	465
Total financial liabilities	671,652	474,516	1,146,168	409,082	468,047	877,129

(Notes) 1. This is included in “Other financial assets” in the consolidated statement of financial position.
2. Non-current assets are included in "Other financial assets" in the consolidated statement of financial position.
3. 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 2025	As of 31 March 2026	Average interest rate (Note 1)	Final maturity
Bonds	320,000	220,000	(Note 2)	(Note 2)
Current portion of bonds	30,000	100,000	(Note 2)	―
Long-term borrowings	244,893	100,000	1.4%	2027
Current portion of long-term borrowings	51,658	145,952	1.6%	―
Commercial papers	164,874	―	―	―
Short-term borrowings	20,000	―	―	―
Total bonds and borrowings	831,425	565,952	―	―

(Notes) 1. The average interest rates were calculated using the outstanding balance and interest rate at the end of the fiscal year ended 31 March 2026.

2. Refer to the details of bonds.

The details of bonds are as follows:

(Millions of yen)

Issuer	Name	Issue date	As of 31 March 2025	As of 31 March 2026	Interest rate (%)	Maturity date
The Company	Astellas Series 1 Unsecured Corporate Bonds	5 December 2022	30,000	―	0.260	5 December 2025
The Company	Astellas Series 2 Unsecured Corporate Bonds	5 December 2022	20,000	20,000	0.419	3 December 2027
The Company	Astellas Series 3 Unsecured Corporate Bonds	31 August 2023	100,000	100,000	0.320	31 August 2026
The Company	Astellas Series 4 Unsecured Corporate Bonds	31 August 2023	100,000	100,000	0.519	31 August 2028
The Company	Astellas Series 5 Unsecured Corporate Bonds	9 September 2024	80,000	80,000	0.870	7 September 2029
The Company	Astellas Series 6 Unsecured Corporate Bonds	9 September 2024	20,000	20,000	1.038	9 September 2031
Total	―	―	350,000	320,000	―	―

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

The breakdown of equity instruments designated as financial assets at FVTOCI are as follows. Fair values of investments in each investee company are not material.

(Millions of yen)

Description	As of 31 March 2025	As of 31 March 2026
Quoted equity shares	2,490	8,382
Unquoted equity shares	31,890	30,135

In the fiscal years ended 31 March 2025 and 2026, 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 2025	Fiscal year ended 31 March 2026
Fair value	12,709	—
Cumulative gain and loss	10,369	(1,956)

For the fiscal years ended 31 March 2025 and 2026, 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 ¥5,177 million and ¥(3,393) 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 are not material.

The credit risk exposure of financial assets measured at amortised cost as of 31 March 2025 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	36,939	–	2	619,513	656,454
Loans and other financial assets	31,448	–	–	3,580	35,028
Total	68,387	–	2	623,093	691,482

The movement of loss allowances for the fiscal year ended 31 March 2025 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 2024	–	–	2	3,192	3,195
Increase during the year	–	–	–	3,353	3,353
Decrease due to intended use during the year	–	–	–	(996)	(996)
Decrease due to reversal during the year	–	–	(0)	(84)	(84)
Other	–	–	–	11	11
Balance at 31 March 2025	–	–	2	5,476	5,479

The credit risk exposure of financial assets measured at amortised cost as of 31 March 2026 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	33,793	–	–	732,452	766,245
Loans and other financial assets	10,424	–	2	3,205	13,631
Total	44,217	–	2	735,657	779,876

The movement of loss allowances for the fiscal year ended 31 March 2026 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 2025	–	–	2	5,476	5,479
Increase during the year	–	–	–	536	536
Decrease due to intended use during the year	–	–	–	(141)	(141)
Decrease due to reversal during the year	–	–	(0)	(1,972)	(1,972)
Other	–	–	–	475	475
Balance at 31 March 2026	–	–	2	4,375	4,377

(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 the Chief Financial Officer. In addition, the Company has concluded commitment line agreements with counterparty financial institutions. The Company uses them as well as uncommitted facilities and commercial papers to mitigate liquidity risk. The balances of unexecuted borrowings under the commitment line agreements as of 31 March 2025 and 2026 are both ¥200,000 million.

Financial liabilities by maturity date are as follows:

As of 31 March 2025

(Millions of yen)

	Carrying amount	Contractual cash flows	Within one year	Between one year and two years	Between two years and five years	Over five years
Bonds and borrowings	831,425	843,921	272,020	248,051	303,538	20,311
Trade and other payables	187,840	187,840	187,840	—	—	—
Lease liabilities	105,662	147,926	16,990	14,510	30,408	86,018
Other financial liabilities measured at amortised cost	865	865	762	103	—	—
Derivatives	1,249	1,255	854	402	—	—
Total	1,127,041	1,181,808	478,466	263,066	333,946	106,330

	Carrying amount	Maximum payment amount	Within one year	Between one year and five years	Over five years
Contingent consideration	19,127	136,035	2,825	17,200	675

As of 31 March 2026

(Millions of yen)

	Carrying amount	Contractual cash flows	Within one year	Between one year and two years	Between two years and five years	Over five years
Bonds and borrowings	565,952	574,348	250,125	122,200	181,920	20,104
Trade and other payables	199,752	199,752	199,752	—	—	—
Lease liabilities	106,401	148,223	19,004	15,139	30,943	83,136
Other financial liabilities measured at amortised cost	1,017	1,017	996	—	20	—
Derivatives	1,513	1,515	1,515	—	—	—
Total	874,635	924,854	471,392	137,339	212,883	103,240

	Carrying amount	Maximum payment amount	Within one year	Between one year and five years	Over five years
Contingent consideration	2,494	6,322	2,308	301	—

(iii) Foreign exchange risk

Foreign exchange risk management

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

The Group considers necessity of using derivatives to mitigate foreign exchange risk on each transaction. In regard to the intercompany loan in foreign currencies, the Group used foreign exchange forward contracts to mitigate the impact of exchange rate fluctuations on business results in the fiscal years ended 31 March 2025 and 2026. The status of the hedge against foreign exchange risk by currency and the balance of derivative transactions are reported monthly to the 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 2025 and 2026 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 2025	Fiscal year ended 31 March 2026
Impact on profit before tax		
U.S. dollar	(1,034)	1,785
Euro	(2,554)	(3,250)

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

(iv) Interest rate risk

Interest rate risk management

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

The impact on profit before tax of the Group's consolidated statement of income for the fiscal years ended 31 March 2025 and 2026 in the case of a 1% rise in the interest rates of borrowings with floating interest rates held by the Group at the end of each fiscal year is as follows.

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

(Millions of yen)

Item	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Impact on profit before tax	(2,981)	(2,458)

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

(4) Fair values of financial instruments

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

Fair value hierarchy

The levels of the fair value hierarchy are as follows:

− Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;
− Level 2: Fair value measured using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
− Level 3: Fair value measured using significant unobservable inputs for the assets or liabilities.

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

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

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 2025

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL (Note 1)				
Corporate-owned Life Insurance (COLI)	—	28,998	—	28,998
Derivatives	—	255	—	255
Investments in funds	—	—	36,228	36,228
Other	—	—	1,248	1,248
Financial assets at FVTOCI (equity instruments) (Note 1)				
Quoted equity shares	2,490	—	—	2,490
Unquoted equity shares	—	—	31,890	31,890
Total financial assets	2,490	29,254	69,366	101,110
Financial liabilities				
Financial liabilities at FVTPL (Note 2)				
Derivatives	—	290	—	290
Contingent consideration	—	—	19,127	19,127
Derivatives to which hedge accounting is applied (Note 2)	—	959	—	959
Total financial liabilities	—	1,249	19,127	20,376

(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.

As of 31 March 2026

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL (Note 1)				
Corporate-owned Life Insurance (COLI)	—	35,236	—	35,236
Derivatives	—	12	—	12
Investments in funds	—	—	44,158	44,158
Other	—	—	1,252	1,252
Financial assets at FVTOCI (equity instruments) (Note 1)				
Quoted equity shares	8,382	—	—	8,382
Unquoted equity shares	—	—	30,135	30,135
Total financial assets	8,382	35,248	75,545	119,175
Financial liabilities				
Financial liabilities at FVTPL (Note 2)				
Derivatives	—	1,048	—	1,048
Contingent consideration	—	—	2,494	2,494
Derivatives to which hedge accounting is applied (Note 2)	—	465	—	465
Total financial liabilities	—	1,513	2,494	4,007

(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 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 2025

(1) Financial assets

(Millions of yen)

	Financial assets at FVTPL	Financial assets at FVTOCI (equity instruments)	Total
Balance at 1 April 2024	33,976	30,844	64,819
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note 1)	(2,517)	—	(2,517)
Recognised in other comprehensive income	—	74	74
Purchases, issues, sales, and settlements			
Purchases	7,904	3,704	11,609
Sales or settlements	(2,499)	—	(2,499)
Transfer from Level 3 (Note 2)	—	(1,578)	(1,578)
Other	611	(1,154)	(543)
Balance at 31 March 2025	37,476	31,890	69,366
Unrealised gains or losses on assets held at the end of the reporting period (Note 1)	(2,517)	—	(2,517)

(Notes) 1. This is included in “Finance income” and “Finance expenses” in the consolidated statement of income.
2. Due to investee companies going public.

(2) Financial liabilities

(Millions of yen)

	Financial liabilities at FVTPL
Balance at 1 April 2024	113,568
Realised or unrealised gains (losses)	
Recognised in profit or loss (Note)	(16,672)
Settlements	(77,851)
Other	82
Balance at 31 March 2025	19,127
Unrealised gains or losses on liabilities held at the end of the reporting period (Note)	(15,081)

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

For the fiscal year ended 31 March 2026

(1) Financial assets

(Millions of yen)

	Financial assets at FVTPL	Financial assets at FVTOCI (equity instruments)	Total
Balance at 1 April 2025	37,476	31,890	69,366
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note)	(1,775)	—	(1,775)
Recognised in other comprehensive income	—	(3,071)	(3,071)
Purchases, issues, sales, and settlements			
Purchases	9,453	0	9,453
Sales or settlements	(1,093)	—	(1,093)
Other	1,350	1,315	2,665
Balance at 31 March 2026	45,410	30,135	75,545
Unrealised gains or losses on assets held at the end of the reporting period (Note)	(1,775)	—	(1,775)

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

(2) Financial liabilities

(Millions of yen)

	Financial liabilities at FVTPL
Balance at 1 April 2025	19,127
Realised or unrealised gains (losses)	
Recognised in profit or loss (Note)	(16,671)
Other	38
Balance at 31 March 2026	2,494
Unrealised gains or losses on liabilities held at the end of the reporting period (Note)	(16,671)

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

Fair values are measured as follows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair values are measured as follows.

Financial assets measured at amortised cost

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

Financial liabilities measured at amortised cost

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

The fair values of bonds categorised within Level 2 are measured based on quoted market prices at the end of the fiscal year. As of 31 March 2025 and 31 March 2026, the carrying amount approximates the fair value.

The carrying amount of long-term borrowings with floating interest rates approximates the fair value since market interest rates are reflected in a short period of time. The fair values of long-term borrowings with fixed interest rates categorised within Level 2 are measured by discounting future cash flows for the remaining period using interest rates reflecting credit risk. As of 31 March 2025, the carrying amount approximates the fair value.

(5) Hedge accounting

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

Fair value hedges

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

Fiscal year ended 31 March 2025

(Millions of yen)

	Notional principal amount		Carrying amount		Average interest rate
	Within one year	Over one year	Assets	Liabilities (Note)	
Interest rate risk					
Interest rate swap	—	100,000	—	959	Receivable fixed rate 0.3%, Payable floating rate 0.8%

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

Fiscal year ended 31 March 2026

(Millions of yen)

	Notional principal amount		Carrying amount		Average interest rate
	Within one year	Over one year	Assets	Liabilities (Note)	
Interest rate risk					
Interest rate swap	100,000	—	—	465	Receivable fixed rate 0.3%, Payable floating rate 1.1%

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

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

Fiscal year ended 31 March 2025

(Millions of yen)

	Carrying amount	Of which, accumulated amount of fair value hedge adjustments (Note)
Interest rate risk		
Borrowings with fixed interest rates	99,063	(937)

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

Fiscal year ended 31 March 2026

(Millions of yen)

	Carrying amount	Of which, accumulated amount of fair value hedge adjustments (Note)
Interest rate risk		
Borrowings with fixed interest rates	99,393	(607)

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

30. Leases

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

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

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

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Depreciation of right-of-use assets		
Buildings and structures	13,010	11,438
Machinery and vehicles	3,392	4,122
Equipment, furniture and fixtures	449	295
Land	18	20
Total depreciation	16,869	15,874
Interest expense on lease liabilities	4,605	4,028
Expense relating to short-term leases	141	184
Expense relating to leases of low-value assets	69	13
Income from subleasing right-of-use assets (Note)	168	93

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

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

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Buildings and structures	72,931	66,922
Machinery and vehicles	8,502	9,242
Equipment, furniture and fixtures	994	661
Land	66	55
Total right-of-use assets	82,492	76,880

The total cash outflow for leases for the fiscal years ended 31 March 2025 and 2026 amounted to ¥17,894 million and ¥19,702 million, respectively.

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

31. Cash flow information

Changes in liabilities arising from financing activities are as follows:

(Millions of yen)

	Bonds	Long-term borrowings	Commercial papers	Short-term borrowings	Lease liabilities	Derivative liabilities (assets) to hedge liabilities	Total
Balance at 1 April 2024	250,000	249,623	285,000	135,393	85,701	1,498	1,007,215
Changes arising from cash flows	100,000	47,927	(120,740)	(115,709)	(13,079)	(10,260)	(111,861)
Non-cash changes							
New leases and modifications	–	–	–	–	34,025	–	34,025
Changes in fair values	–	–	–	–	–	9,755	9,755
Other	–	(999)	614	316	(985)	–	(1,054)
Balance at 31 March 2025	350,000	296,551	164,874	20,000	105,662	993	938,080
Changes arising from cash flows	(30,000)	(51,793)	(165,849)	(19,777)	(15,476)	23,508	(259,386)
Non-cash changes							
New leases and modifications	–	–	–	–	10,119	–	10,119
Changes in fair values	–	–	–	–	–	(23,001)	(23,001)
Other	–	1,195	974	(223)	6,096	–	8,042
Balance at 31 March 2026	320,000	245,952	–	–	106,401	1,501	673,854

(Note) 1. “Other” mainly includes exchange differences.
2. “Bonds” includes the current portion of bonds.
3. “Long-term borrowings” includes the current portion of long-term borrowings.

32. Commitments

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

(Millions of yen)

	As of 31 March 2025	As of 31 March 2026
Intangible assets		
Research and development milestone payments	353,263	306,201
Sales milestone payments	534,941	466,788
Total	888,204	772,989
Property, plant and equipment	17,601	8,065

Commitments for the acquisition of intangible assets

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

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

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

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

33. Related Party Transactions

(1) Major subsidiaries

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

(2) Compensation of key management personnel

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

(Millions of yen)

	Fiscal year ended 31 March 2025	Fiscal year ended 31 March 2026
Remunerations and salaries	2,688	3,453
Share-based payments	1,016	1,009
Other	1,098	121
Total compensation	4,803	4,582

Key management personnel consist of the Group's Directors and members of the Executive Committee, and the numbers of such personnel for the fiscal years ended 31 March 2025 and 2026 were both 19.

34. 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.

35. Subsequent Events

Not applicable.

Independent Auditor's Report

The Board of Directors
Astellas Pharma Inc.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Astellas Pharma Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2026, 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 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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, including those applicable to audits of financial statements of public interest entities, 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 Material Accounting Policies” and “Note 17 Intangible Assets” to the consolidated financial statements, among rights related to products or research and development acquired separately or through business combinations, those that are still in the research and development stage or those that marketing approvals have not yet been obtained from regulatory authorities and thus have not yet been launched are recognised as intangible assets not yet available for use under IPR&D. The Group recognised IPR&D of ¥100,688 million, which represented 2.8% of total assets, as of 31 March 2026. For the fiscal year ended 31 March 2026, an impairment loss recognised for IPR&D was ¥20,458 million. This impairment loss was recognised mainly as a result of a reassessment of asset values following the strategic halt of the development of resamirigene bilparvovec (AT132), a genetic medicine. The Group does not amortise IPR&D because it is not yet available for use until marketing approvals from regulatory authorities are obtained and the asset becomes available for use, but instead, it is tested for impairment whenever there is an indication of impairment or annually at the same time each year irrespective of whether there is any indication of impairment. In testing IPR&D for impairment, the Group measures the recoverable amount at the higher of fair value less costs of disposal and its value in use. The recoverable amount of IPR&D is measured using value in use mainly based on future forecasts. A number of assumptions are incorporated into the calculation of value in use depending on the nature of each case. Significant assumptions thereof are the probability of obtaining marketing approvals from regulatory authorities and projected sales after product launch. 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 development business where it can play to its strengths, and has made multiple acquisitions and in-licensing deals to expand its pipeline of new drug candidates. As a result, significant amount of IPR&D has been recognised as intangible assets related to new drug development. In addition, there are many cases where there is a large amount of IPR&D per project, and there is often significant impairment loss when such impairment loss is recognised due to events such as the termination of research and development. Therefore, assessing the necessity of impairment significantly impacts the Group’s financial position and financial performance.

- The efficacy, safety, and quality of new drugs are generally examined through the process of basic research, nonclinical studies and clinical research (clinical trials) over a period of 10 years or more, and entail uncertainty as to whether the drugs can obtain marketing approvals from regulatory authorities. In addition, as a general feature of the new drug development business, if a new drug is successfully developed and marketing approvals can be obtained from regulatory authorities as expected, the recoverable amount significantly exceeds the carrying amount of IPR&D and impairment often does not occur. However, if development fails and marketing approvals cannot be obtained from regulatory authorities, the recoverable amount becomes zero and impairment loss is often recognised for related IPR&D. Therefore, estimating the probability of obtaining marketing approvals from regulatory authorities is important and requires significant judgements by management based on factors such as the status of product development and discussions with regulatory authorities.
- Estimating projected sales after product launch also requires significant judgements by management based on factors such as the status of product development and discussions with regulatory authorities.

Auditor's Response

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

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

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
The Group recognised refund liabilities (current) of ¥422,557 million, which represented 24.3% of total liabilities, as of 31 March 2026. The recognised refund liabilities were mainly for rebates related to U.S. Medicaid, U.S. Medicare and U.S. Managed Care programs (“U.S. Rebates”), which are health care insurance systems. The Group deducts U.S. Rebates from gross revenue as variable consideration in the same period that the corresponding revenues are recognised, and recognises refund liabilities to provide for refunds expected to be paid after the end of the fiscal year. In estimating U.S. Rebates, the Group estimates the expected value based on the identification of the products subject to each rebate program, product sales forecasts, rebate rates based on current pricing, executed contracts and government pricing legislation, and trends of prior year actual sales. The calculations involved in estimating U.S. Rebates are complex and management’s judgements affect the amount of refund liabilities and revenues. In addition, the Group’s sales volume in the U.S. continues to be large and, accordingly, the related U.S. Rebates recognised for these sales are quantitatively significant. Thus, we determined this matter to be a key audit matter of the consolidated financial statements.
Auditor’s Response
We involved the component auditor of U.S. consolidated subsidiaries and mainly performed the following procedures to consider the estimation of U.S. Rebates. ・We evaluated the design and operating effectiveness of the internal controls related to estimation of U.S. Rebates. ・We recalculated rebate amounts on a sample basis and evaluated the estimation techniques for U.S. Rebates applied by management. ・We evaluated the accuracy of management’s estimates by comparing U.S. Rebates recognised in the past with final payment amounts. ・In considering product sales forecasts, we gained an understanding of management’s estimation techniques and evaluated the accuracy of past estimates. ・In considering government pricing legislation, we involved specialists of our network firms and evaluated calculations of the Group.

Other Information

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

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 IFRS Accounting Standards, 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 IFRS Accounting Standards, 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 IFRS Accounting Standards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31 March 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Astellas Pharma Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended 31 March 2026 are 1,948 million yen and 60 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

6 August 2026

Daisuke Arikura

Daisuke Arikura
Designated Engagement Partner
Certified Public Accountant

Kohei Koyama

Kohei Koyama
Designated Engagement Partner
Certified Public Accountant

Mitsuharu Konno

Mitsuharu Konno
Designated Engagement Partner
Certified Public Accountant