Other Matters Subject to Measures for Electronic Provision When Convening the 50th Ordinary General Meeting of Shareholders

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

(April 1, 2024 to March 31, 2025)

JCR Pharmaceuticals Co., Ltd.

Pursuant to laws and regulations and the provisions of Article 16, Paragraph 2 of the Articles of Incorporation, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided to shareholders by posting them on the Company's website (https://www.jcrpharm.co.jp/en/site/en/index.html).

Notes to Consolidated Financial Statements

Notes on Significant Matters Forming the Basis for Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries	8
Names of consolidated subsidiaries	Chromatech Co., Ltd.
	JCR Engineering Co., Ltd.
	JCR INTERNATIONAL SA
	JCR USA, Inc.
	ArmaGen, Inc.
	JCR DO BRASIL FARMACÊUTICOS IMPORTAÇÃO E EXPORTAÇÃO LTDA.
	JCR Luxembourg S.A.
	JCR Europe B.V.

(2) All subsidiaries are in the scope of consolidation.

2. Application of equity method

(1) Number and name of affiliated companies accounted for using the equity method

Number of affiliated companies accounted for using the equity method	1
Name of affiliated companies accounted for using the equity method	AlliedCel Corporation

(2) The equity method is used for the investment in all affiliated companies

(3) Changes in the scope of the application of the equity method

Due to the sale of part of the equity interest in Mycenax Biotech Inc., which was an affiliated company accounted for using the equity method in the previous fiscal year, the company has been excluded from the scope of being accounted for using the equity method from the fiscal year under review.

(4) Fiscal year of affiliated companies accounted for using the equity method

AlliedCel Corporation has a balance sheet date of March 31.
When creating consolidated financial statements, the financial statements of the company as of the said balance sheet date are used.

3. Fiscal year, etc., of consolidated subsidiaries

Fiscal year of consolidated subsidiaries

All consolidated subsidiaries have a balance sheet date of December 31.

When creating consolidated financial statements, the financial statements of each company as of the same balance sheet date are used, and necessary adjustments for consolidation are made if there are material transactions between the balance sheet date and the consolidated balance sheet date.

4. Accounting policies

(1) Valuation criteria and methods for material assets

(i) Valuation criteria and methods for securities

Available-for-sale securities

Ones other than stocks without market price, etc.

Stated at fair value (valuation differences are included in a separate component of net assets, and cost of sales is calculated using the moving average method)

Stocks without market price, etc.

Stated at cost using the moving average method

(ii) Valuation criteria and methods for derivatives

Derivatives

Stated at fair value

(iii) Valuation criteria and methods for inventory assets

Valuation criteria are based on cost (book value is written down if profitability declines)

Finished goods and work in process

Gross average method

Raw materials

Gross average method

Supplies

Primarily, gross average method

(2) Depreciation method for material depreciable assets

(i) Property, plant and equipment

Property, plant and equipment other than leased assets

For the Kobe Plant and overseas subsidiaries, the straight-line method is used, and for other items, the declining-balance method. However, for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, the Company uses the straight-line method.

The main useful lives are as given below.

Buildings and structures	7-38 years
Machinery, equipment and vehicles	4-10 years

Leased assets

Leased assets under financial lease transactions in which ownership is not transferred

Straight-line method with the lease period as the useful life and zero residual value (if agreement stipulates a guaranteed amount of residual value, that guaranteed amount) is used.

(ii) Intangible assets

Intangible assets other than leased assets

Straight-line method

However, for software used for internal purposes, the straight-line method over the internally expected useful life (five years) is used.

Leased assets

Leased assets under financial lease transactions in which ownership is not transferred

The straight-line method is used with the lease period as the useful life and zero residual value.

Patents

Evenly amortized over the remaining patent period.

(iii) Long-term prepaid expenses

Straight-line method

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To provide for losses from bad debts including accounts receivable, the expected uncollectable amount is recorded based on the historical rate of default for ordinary receivables or based on individual consideration on the possibility of recovery for doubtful accounts and other specific receivables.

(ii) Provision for bonuses

A provision for bonuses is recorded based on the expected amount of bonuses to be paid to employees.

(iii) Provision for directors' bonuses

A provision for directors' bonuses is recorded based on the expected amount of bonuses to be paid to directors.

(iv) Provision for employee shares benefit

The expected amount of liabilities for share benefit at the end of the fiscal year under review is recorded in order to provide the Company's employees with the Company's shares based on the Share Benefit Rules.

(4) Criteria for recording material revenue and expenses

The Group recognizes revenue from contracts with customers based on the following five-step approach.

Step 1: Identify contracts with customers

Step 2: Identify performance obligations in contracts

Step 3: Calculate transaction price

Step 4: Allocate transaction price to performance obligations in contracts

Step 5: Recognize revenue when performance obligations are satisfied (or as they are satisfied)

(i) Revenue from pharmaceutical sales

For pharmaceutical sales, revenue is recognized when products are delivered to customers because customers normally obtain control of the products when they are delivered, and the Company is judged to have satisfied its performance obligations. For pharmaceutical sales within Japan, paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied, and revenue is recognized when merchandise or products are shipped because the period from the time of shipment of the merchandise or products to the time when control of such merchandise or products is transferred to the customer is considered reasonable in light of the number of days required to ship and deliver merchandise and products in Japan. As for overseas pharmaceutical sales, revenue is primarily recognized when bearing of risk is transferred to customers based on the trade terms stipulated in Incoterms, etc.

The transaction price is measured using the promised compensation in contracts with customers less discounts, rebates, etc., estimated using the mode method based on contract terms, historical results, etc.

(ii) Revenue from licensing

Revenue from licensing related to the Group's developed products or finished goods (upfront, milestone, and sales-based royalty income) is recognized as revenue.

Upfront income is recognized as revenue at the time when the Company grants marketing rights, etc., in the case where it is judged to have satisfied its performance obligations at that time.

Milestone income is recognized as revenue when the contract-stipulated milestone is achieved, taking into consideration the possibility of a subsequent large reimbursement.

Sales-based royalty income is recognized as revenue when sales used to calculate the royalties are generated or when performance obligations allocated by sales–based royalties are satisfied, whichever is later.

Compensation related to revenue that the Group recognized is normally received within one year from when the performance obligations are satisfied, and they do not include material financial factors.

(5) Other significant matters forming the basis for preparing consolidated financial statements

(i) Hedge accounting

Deferred hedges are generally used. For forward exchange contracts that meet the requirements for the allocation method, the allocation method is used, and for interest rate swaps that meet the requirements for special treatment, the special treatment is used.

(ii) Accounting for retirement benefits

When calculating retirement benefit obligations, the method used to attribute expected retirement benefits to the period up to the end of the fiscal year under review is based on benefit calculation criteria.

Prior service costs are amortized by the straight-line method over a certain period within the average remaining service years for employees when the costs are recognized (five years), starting from the fiscal year in which the cost is recognized.

Actuarial differences are amortized by the straight-line method over a certain period within the average remaining service years for employees when differences are recognized (five years), starting from the fiscal year following the fiscal year in which the differences are recognized.

To prepare for paying retirement benefits for corporate officers of the Company, the amount that needs to be paid at the end of the fiscal year under review based on internal rules is recorded.

Notes on Changes in Accounting Policies

(Application of "Accounting Standard for Current Income Taxes," Etc.)

The Group has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Application Guidance of 2022"). This change has no impact on the consolidated financial statements.

Additionally, regarding the revised approach in the consolidated financial statements for deferred tax effects related to gains and losses on intra-group sales of subsidiary shares, the Revised Application Guidance of 2022 has been applied from the beginning of the fiscal year under review. This change in accounting policies has no impact on the consolidated financial statements.

Notes on Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

(million yen)

	Amount
Recombinant human growth hormone product GROWJECT®	18,098
Mucopolysaccharidosis Type II treatment IZCARGO®	5,718
Renal anemia treatments	3,784
Epoetin Alfa BS Inj. [JCR]	1,690
Darbepoetin Alfa BS Inj. [JCR]	2,093
Regenerative medical products TEMCELL® HS Inj.	2,904
Fabry disease treatment Agalsidase Beta BS I.V. Infusion [JCR]	1,149
Medical devices	94
Revenue from licensing	517
Others	803
Total	33,072

(Note) Since the amount of revenue other than revenue from contracts with customers is immaterial, it is not presented separately from revenue from contracts with customers.

2. Fundamental information for understanding revenue from contracts with customers

This is omitted because the same information can be found in "(4) Criteria for recording material revenue and expenses in 4. Accounting policies in Notes on Significant Matters Forming the Basis for Preparing Consolidated Financial Statements."

3. Relationship between satisfying performance obligations based on contracts with customers and cash flows from those contracts and amount and timing of revenue projected to be recognized in the following fiscal year and after from contracts with existing customers as of the end of the fiscal year under review

(1) Balance of contract assets and contract liabilities

(million yen)

	Fiscal year under review
Receivables from contract with customers (balance at the beginning of the fiscal year)	14,183
Receivables from contracts with customers (balance at the end of the fiscal year)	12,236
Contract assets (balance at the beginning of the fiscal year)	–
Contract assets (balance at the end of the fiscal year)	–
Contract liabilities (balance at the beginning of the fiscal year)	245
Contract liabilities (balance at the end of the fiscal year)	334

(Note) Contract liabilities are included in "other" under "current liabilities" and "other" under "non-current liabilities" on the consolidated balance sheet.

Contract liabilities are mainly the consideration received from customers before the provision of services for research and development support and others. Contract liabilities are written down as revenue is recognized.

Of revenue recognized during the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the fiscal year was 89 million yen. The 89 million yen increase in contract liabilities was mainly due to consideration received prior to the provision of services for research and development support.

The amount of material revenue recognized during the fiscal year under review because of the performance obligations that were fully or partially satisfied in the past is 200 million yen.

(2) Transaction price allocated to remaining performance obligation

Contracts with an initially expected contract period of within one year are not included because the Group adopts operationally expedient measures when noting the transaction price allocated to remaining performance obligations.

Of milestone income, revenue related to obligations to cooperate with R&D and clinical studies is not included in the transaction price allocated to remaining performance obligations because it is assumed that uncertainties cannot be eliminated until the milestones agreed to with related parties, such as filing an application for approval to regulatory authorities, are met.

Notes to Accounting Estimates

Recoverability of deferred tax assets

With respect to the tax effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, deferred tax assets are recognized using the effective statutory tax rate applicable to the temporary differences, to the extent that there is future taxable income against which the deferred tax assets can be utilized. The amount recognized in the consolidated financial statements at the end of the fiscal year under review was 2,985 million yen.

In evaluating the recoverability of deferred tax assets, the Company takes into consideration the expected schedule for the reversal of taxable temporary differences, projected future taxable income, and tax planning. Among these, future taxable income based on earning capacity is primarily estimated using the Company's business plans. If net sales forecasts for specific products included in the business plans change, this may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

Valuation of intellectual property (patents)

Shares of U.S.-based ArmaGen, Inc. (ArmaGen) were acquired on April 10, 2020, and through the acquisition, intellectual property (patents) owned by ArmaGen that are widely applicable to the diseases, including lysosomal storage diseases, were acquired.

These patents are amortized over the remaining patent period, and as of the end of the fiscal year under review, the amount recorded on the consolidated financial statements was 1,881 million yen.

An impairment loss may be recorded if an event were to occur that had a material impact on the launch timing and market share of the Company's products or price of rival products assumed when calculating the fair values of the patents.

Notes to Consolidated Balance Sheet

1. Cumulative depreciation of property, plant and equipment 21,669 million yen

2. Commitment line agreements

   The Group must ensure flexible and stable methods to procure funds in order to generate sustainable growth globally, and the Group has concluded commitment line agreements with various financial institutions as a backup for ensuring working capital.

Of the amount in those agreements, 26,500 million yen was from commitment line agreements to raise funds related to the construction of a new formulation plant. As for the construction of the new plant, the project has been selected by the Ministry of Economy, Trade and Industry (METI) for its "Developing biopharmaceutical manufacturing sites to strengthen vaccine production" project, and the construction for this project will be carried out using subsidies from METI. The commitment line agreements are intended to provide the necessary funds until receipt of the subsidies.

(million yen)

	Fiscal year under review (As of March 31, 2025)
Total amount of commitment lines	49,500
Balance of borrowings	16,325
Difference	33,175

3. Of accounts receivable - trade and contract assets, the amounts of contract assets and receivables from contract with customers are given in section 3. (1) of Notes on Revenue Recognition. The amount of contract liabilities included in "other" under current liabilities and "other" under non-current liabilities is also given in section 3. (1) of Notes on Revenue Recognition.

Notes to Consolidated Statements of Changes in Equity

1. Type and total number of outstanding shares as of the end of the fiscal year under review

   Common shares 129,686,308 shares

2. Treasury shares

Type of shares	Number at beginning of the fiscal year	Increase	Decrease	Number at end of the fiscal year
Common shares	4,881,914 shares	3,672,088 shares	703,000 shares	7,851,002 shares

(Notes) 1. The number of treasury shares at the beginning and at the end of the fiscal year respectively include 296,000 shares and 256,500 shares of the Group's shares held by the trust account of the Benefit Trust Scheme.

2. Description of reasons for the change

The breakdown of the increase is as follows.

Increase due to request for purchase of shares less than one unit 88 shares

Increase due to acquisitions based on the resolution of the meeting of the Board of Directors on October 30, 2024 3,672,000 shares

The breakdown of the decrease is as follows.

Decrease due to disposals based on the resolution of the meeting of the Board of Directors on July 23, 2024 663,500 shares

Decrease due to the provision of shares under the Benefit Trust Scheme (J-ESOP) 39,500 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Reference date	Effective date
The meeting of the Board of Directors on May 10, 2024	Common shares	1,251	10.00	March 31, 2024	June 27, 2024
The meeting of the Board of Directors on October 30, 2024	Common shares	1,257	10.00	September 30, 2024	December 6, 2024
Total		2,508			

(Note) The total amounts of dividends based on the resolutions of the meeting of the Board of Directors on May 10, 2024 and the meeting of the Board of Directors on October 30, 2024 each include 2 million yen of dividends for the Company's shares held in trust in the Benefit Trust Scheme.

(2) Dividends whose reference date falls in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Reference date	Effective date
The meeting of the Board of Directors on May 13, 2025	Common shares	Retained earnings	1,220	10.00	March 31, 2025	June 26, 2025

(Note) The total amount of dividends includes 2 million yen of dividends for the Company's shares held in trust in the Benefit Trust Scheme.

(3) Number of shares to be acquired by exercise of new share acquisition rights as of the end of the fiscal year under review

(Shares)

Breakdown	Type of shares to be acquired by exercise of new share acquisition rights	Number of shares to be acquired by exercise of new share acquisition rights
2014 No. 1 share acquisition rights (issued on August 15, 2014)	Common shares	4,000
2015 No. 1 share acquisition rights (issued on July 15, 2015)	Common shares	16,000
2016 No. 1 share acquisition rights (issued on July 13, 2016)	Common shares	12,000
2017 No. 1 share acquisition rights (issued on July 14, 2017)	Common shares	12,000
2018 No. 1 share acquisition rights (issued on November 9, 2018)	Common shares	12,000
2019 No. 1 share acquisition rights (issued on July 12, 2019)	Common shares	12,000
2020 No. 1 share acquisition rights (issued on July 14, 2020)	Common shares	4,000

(Note) With the introduction of the restricted share compensation plan, Directors, etc. have waived all new share acquisition rights in the form of stock-linked compensation stock options that have already been granted to Directors, etc. but not yet exercised in the fiscal year under review.

Notes on Financial Instruments

1. Status of financial instruments

The core of the Group's financing is from cash income from operating activities and loans from financial institutions. Financial instruments such as deposits and highly safe bonds are used to manage funds in the short and medium term. Derivatives are used to reduce not only the foreign exchange fluctuation risks related to the import of raw materials, etc., and held foreign currency but also the interest rate fluctuation risks related to interest on loans payable.

The Company works to quickly ascertain and mitigate not only client credit risk related to accounts receivable - trade and contract assets by managing the payment date and balance for each client but also price fluctuation risk related to securities and investment securities by regularly ascertaining fair value.

Loans payable are used as working capital and funds for capital investments, and derivatives (interest rate swaps) are used to mitigate interest rate fluctuation risk of loans payable based on variable interest rate. Furthermore, derivatives (forward exchange contract and currency options) are used to reduce foreign exchange fluctuation risks related to the import of raw materials, etc., and held foreign currency.

2. Fair value of financial instruments, etc.

(million yen)

	Consolidated balance sheet carrying amount	Fair value	Difference
Securities and investment securities (*2) (*3)	9,225	9,225	–
Total assets	9,225	9,225	–
Long-term loans payable (*4)	15,100	14,798	(301)
Total liabilities	15,100	14,798	(301)

*1 Cash and deposits; accounts receivable - trade and contract assets; accounts payable - trade; short-term loans payable; and accounts payable - other are omitted because the fair value approximates book value as they are settled in a short time.

*2 Stocks without market price, etc., are not included in "Securities and investment securities." The following is the carrying amount of these financial instruments on the consolidated balance sheet.

(million yen)

Category	Fiscal year under review
Unlisted shares	64
Shares of subsidiaries and associates	339

*3 Includes current portion of long-term loans payable.

3. Breakdown of fair value level of financial instruments

The fair values of financial instruments are categorized into one of the following three levels based on the materiality and observability of inputs used in measuring the fair value.

Level 1 fair value:

Among observable inputs related to fair value measurement, the fair value measured using the market price of assets or liabilities subject to measurement of the fair value that is formed in an active market

Level 2 fair value:

Among observable inputs related to fair value measurement, the fair value measured using other observable inputs related to fair value measurement than those for level 1

Level 3 fair value:

The fair value measured using unobservable inputs related to fair value measurement

If multiple inputs that have a material impact on the measurement of fair value are used, the fair value is categorized into the lowest level in terms of priority in fair value measurement among levels to which the various inputs belong.

(1) Financial instruments recorded on consolidated balance sheet using fair value

(million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Stocks	7,932	–	–	7,932
Investment trusts	1,293	–	–	1,293
Total assets	9,225	–	–	9,225

(2) Financial instruments other than those recorded on consolidated balance sheet using fair value

(million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	–	14,798	–	14,798
Total liabilities	–	14,798	–	14,798

(Note) Explanation of valuation techniques used when and inputs for measuring fair value

Securities and investment securities

Listed stocks and investment trusts are valued using the market price. The fair values of listed stocks and investment trusts are categorized as level 1 fair value because these instruments are traded on active markets.

Long-term loans payable

The fair values of long-term loans payable are categorized as level 2 fair value because it is measured using the discounted present value of principal and interest based on an interest rate that reflects the remaining maturity and credit risk of the corresponding liability.

Notes on Per Share Information

1. Net assets per share 385.50 yen
2. Basic loss per share 38.43 yen

(Note) The number of the Company's shares held by the trust in the Benefit Trust Scheme recorded as treasury shares in shareholders' equity are included in the number of treasury shares deducted when calculating average number of shares during the fiscal year used when determining basic loss per share. They are also included in the number of treasury shares deducted from the total number of outstanding shares at the end of the fiscal year when calculating net assets per share.

The average number of treasury shares during the fiscal year deducted when calculating basic loss per share totals 270,776 shares, and the number of treasury shares at the end of the fiscal year deducted when calculating net assets per share totals 256,500 shares.

Notes to Non-consolidated Financial Statements

Notes to Significant Accounting Policies

1. Valuation criteria and methods for assets

(1) Valuation criteria and methods for securities

Shares of subsidiaries and affiliated companies

Stated at cost using the moving average method

Available-for-sale securities

Ones other than stocks without market price, etc.

Stated at fair value based on market price on the balance sheet date, etc. (valuation differences are included in a separate component of net assets, and cost of sales is calculated using the moving average method)

Stocks without market price, etc.

Stated at cost based on moving average method

(2) Valuation criteria and methods for derivatives

Derivatives

Stated at fair value

(3) Valuation criteria and methods for inventory assets

Valuation criteria are based on cost (book value is written down if profitability declines)

Finished goods and work in process

Gross average method

Raw materials

Gross average method

Supplies

Primarily, gross average method

2. Depreciation method for non-current assets

(1) Property, plant and equipment

Property, plant and equipment other than leased assets

For the Kobe Plant, the straight-line method is used, and for other items, the declining-balance method. However, for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, the straight-line method is used.

The main useful lives are as given below.

Buildings	7-38 years
Machinery and equipment	4-10 years

Leased assets

Leased assets under financial lease transactions in which ownership is not transferred

Straight-line method with the lease period as the useful life and zero residual value (if agreement stipulates a guaranteed amount of residual value, that guaranteed amount) is used

(2) Intangible assets

Intangible assets other than leased assets

Straight-line method

However, for software used for internal purposes, the straight-line method over the internally expected useful life (five years) is used.

Leased assets

Leased assets under financial lease transactions in which ownership is not transferred

The straight-line method is used with the lease period as the useful life and zero residual value.

(3) Long-term prepaid expenses

Straight-line method

3. Accounting policy for provisions

(1) Allowance for doubtful accounts

To provide for losses from bad debts including accounts receivable, the expected uncollectable amount is recorded based on the historical rate of default for ordinary receivables or based on individual consideration on the possibility of recovery for doubtful accounts and other specific receivables.

(2) Provision for bonuses

A provision for bonuses is recorded based on the expected amount of bonuses to be paid to employees.

(3) Provision for directors' bonuses

A provision for directors' bonuses is recorded based on the expected amount of bonuses to be paid to directors.

(4) Provision for retirement benefits

To prepare for employee retirement benefits, the amount deemed to have been generated at the end of the fiscal year under review based on the expected amount of retirement benefit obligations and pension assets at the end of the fiscal year is recorded.

When calculating retirement benefit obligations, the method used to attribute expected retirement benefits to the period up to the fiscal year under review is based on benefit calculation criteria.

Prior service costs are amortized by the straight-line method over a certain period within the average remaining service years for employees when the costs are recognized (five years), starting from the fiscal year in which the cost is recognized.

Actuarial differences are amortized by the straight-line method over a certain period within the average remaining service years for employees when differences are recognized (five years), starting from the fiscal year following the fiscal year in which the differences are recognized.

To prepare for paying retirement benefits for corporate officers, the amount that needs to be paid at the end of the fiscal year under review based on internal rules is recorded.

(5) Provision for employee shares benefit

The expected amount of liabilities for share benefit at the end of the fiscal year under review is recorded in order to provide the Company's employees with the Company's shares based on the Share Benefit Rules.

4. Criteria for recording material revenue and expenses

   The Company recognizes revenue from contracts with customers based on the following five-step approach.

   Step 1: Identify contracts with customers

   Step 2: Identify performance obligations in contracts

   Step 3: Calculate transaction price

   Step 4: Allocate transaction price to performance obligations in contracts

   Step 5: Recognize revenue when performance obligations are satisfied (or as they are satisfied)

   (i) Revenue from pharmaceutical sales

   For pharmaceutical sales, revenue is recognized when products are delivered to customers because customers normally obtain control of the products when they are delivered, and the Company is judged to have satisfied its performance obligations. For pharmaceutical sales within Japan, paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied, and revenue is recognized when merchandise or products are shipped because it takes several days to ship and deliver items in Japan and it is rational to think that this is the amount of time from when merchandise or products are shipped to when control over them is transferred to customers. As for overseas pharmaceutical sales, revenue is primarily recognized when bearing of risk is transferred to customers based on the trade terms stipulated in Incoterms, etc.

   The transaction price is measured using the promised compensation in contracts with customers less discounts, rebates, etc., estimated using the mode method based on contract terms, historical results, etc.

   (ii) Revenue from licensing

   Revenue from the licensing related to Company's developed products or finished goods (upfront, milestone, and sales-based royalty income) is recognized as revenue.

   Upfront income is recognized as revenue at the time when the Company grants marketing rights, etc., in the case where it is judged to have satisfied its performance obligations at that time.

   Milestone income is recognized as revenue when the contract-stipulated milestone is achieved, taking into consideration the possibility of a subsequent large reimbursement.

   Sales-based royalty income is recognized as revenue when sales used to calculate the royalties are generated or when performance obligations allocated by sales–based royalties are satisfied, whichever is later.

   Compensation related to revenue that the Company recognized is normally received within one year from when the performance obligations are satisfied, and they do not include material financial factors.

5. Other significant matters forming the basis for preparing non-consolidated financial statements

   Hedge accounting

   Deferred hedges are generally used. For forward exchange contracts that meet the requirements for the allocation method, the allocation method is used, and for interest rate swaps that meet the requirements for special treatment, the special treatment is used.

Notes to Changes in Accounting Policies

(Application of "Accounting Standard for Current Income Taxes," Etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2025.

Revisions to categories for recording current income taxes conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022. This change has no impact on the non-consolidated financial statements.

Notes to Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

   This is omitted because consolidated financial statements are created.

2. Fundamental information for understanding revenue from contracts with customers

   This is omitted because the same information can be found in "4. Criteria for recording material revenue and expenses in Notes to Significant Accounting Policies."

3. Relationship between satisfying performance obligations based on contracts with customers and cash flows from those contracts and amount and timing of revenue projected to be recognized in the following fiscal year and after from contracts with existing customers as of the end of the fiscal year under review

   This is omitted because consolidated financial statements are created.

Notes to Accounting Estimates

Recoverability of deferred tax assets

With respect to the tax effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, deferred tax assets are recognized using the effective statutory tax rate applicable to the temporary differences, to the extent that there is future taxable income against which the deferred tax assets can be utilized. The amount recognized in the financial statements at the end of the fiscal year under review was 3,011 million yen.

In evaluating the recoverability of deferred tax assets, the Company takes into consideration the expected schedule for the reversal of taxable temporary differences, projected future taxable income, and tax planning. Among these, future taxable income based on earning capacity is primarily estimated using the Company's business plans. If net sales forecasts for specific products included in the business plans change, this may have a significant impact on the amount of deferred tax assets in the financial statements for the following fiscal year.

Valuation of shares of subsidiaries

Shares of U.S.-based ArmaGen, Inc. (ArmaGen) were acquired on April 10, 2020, and through the acquisition, intellectual property (patents) owned by ArmaGen that are widely applicable to diseases, including lysosomal storage diseases, were acquired.

The valuation of these shares is reduced as the patents are amortized over the remaining patent period, and as of the end of the fiscal year under review, the valuation on the non-consolidated financial statements was 1,944 million yen.

Regarding patent rights, an impairment loss may be recorded if an event were to occur that had a material impact on the launch timing and market share of the Company's products or price of rival products assumed when calculating the fair values of the patents, and in that case, an impairment loss on shares of ArmaGen would also be recorded.

Notes to Balance Sheet

1. Cumulative depreciation of property, plant and equipment 21,702 million yen
2. Monetary receivables and payables to affiliated companies

    Short-term monetary receivables 1,761 million yen

    Short-term monetary payables 528 million yen
3. Commitment line agreements

    The Company must ensure flexible and stable methods to procure funds in order to generate sustainable growth globally, and the Company has concluded commitment line agreements with various financial institutions as a backup for ensuring working capital.

    Of the amount in those agreements, 26,500 million yen was from commitment line agreements to raise funds related to the construction of a new formulation plant. As for the construction of the new plant, the project has been selected by the METI for its "Developing biopharmaceutical manufacturing sites to strengthen vaccine production" project, and the construction for this project will be carried out using subsidies from METI. The commitment line agreements are intended to provide the necessary funds until receipt of the subsidies.

(million yen)

	Fiscal year under review (As of March 31, 2025)
Total amount of commitment lines	49,500
Balance of borrowings	16,325
Difference	33,175

Notes to Statement of Income

1. Transaction volume with affiliated companies

    Sales transactions

    Net sales 359 million yen

    Selling, general, and administrative expenses 3,204 million yen

    Transaction volume other than sales 9 million yen
2. The loss on valuation of stocks of subsidiaries and affiliates recorded under non-operating expenses is the result of valuation loss for shares of the subsidiary ArmaGen. The loss on these shares will be recognized along with amortization over the remaining period of the patents ArmaGen holds.

Notes to Statements of Changes in Equity

Type and number of treasury shares

Type of shares	Number at beginning of the fiscal year	Increase	Decrease	Number at end of the fiscal year
Common shares	4,881,914 shares	3,672,088 shares	703,000 shares	7,851,002 shares

(Notes) 1. The number of treasury shares at the beginning and at the end of the fiscal year respectively include 296,000 shares and 256,500 shares of the Company's shares held by the trust account of the Benefit Trust Scheme.

2. The increase in the number of treasury shares was an increase of 88 shares due to the purchase of shares less than one unit, as well as an increase of 3,672,000 shares acquired based on the resolution of the meeting of the Board of Directors on October 30, 2024.

3. The decrease in the number of treasury shares was the decrease due to the provision of 39,500 shares under the Benefit Trust Scheme (J-ESOP), as well as a decrease of 663,500 shares disposed of based on the resolution of the meeting of the Board of Directors on July 23, 2024.

Notes on Tax Effect Accounting

Breakdown of main reasons for which deferred tax assets and liabilities were generated

Deferred tax assets

	(million yen)
Inventory assets	1,041
Provision for bonuses	362
R&D expenses	260
Investment securities	17
Shares of subsidiaries and associates	435
Provision for retirement benefits	308
Share-based payment expenses	54
Restricted share compensation	42
Tax loss carryforwards	1,271
Other	317
Subtotal	4,112
Valuation allowance	(524)
Total deferred tax assets	3,587

Deferred tax liabilities

Enterprise tax receivable	55
Valuation difference on available-for-sale securities	433
Prepaid pension costs	75
Other	11
Total deferred tax liabilities	575
Net deferred tax assets	3,011

(Note) Revisions to the amount of deferred tax assets and deferred tax liabilities due to change in the tax rate for income taxes

Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) in the Japanese Diet on March 31, 2025, the "Special Corporation Tax for National Defense" will be imposed from the fiscal years beginning on or after April 1, 2026. Consequently, the deferred tax assets and deferred tax liabilities for which the temporary differences are expected to be reversed from the fiscal year commencing April 1, 2026 are calculated with the effective statutory tax rate changed from 30.6% to 31.5%.

Impact of this change on the non-consolidated financial statements for the fiscal year under review is immaterial.

Notes on Business with Related Parties

1. Affiliated company

Attribute	Company name	Percentage of voting rights	Relationship		Business	Amount (million yen)	Balance at end of the fiscal year	
			Interlocking of officers, etc.	Operational relationship			Item	Amount (million yen)
Subsidiary	JCR Luxembourg S.A.	100% (–)	Yes	Distribution management of pharmaceuticals	Advance payment for construction costs	–	Advances paid	1,183

(Note) The price and other transaction terms are set based on negotiations and depend on transaction terms that are the same as those for arm’s length transactions.

2. Fellow subsidiary

Attribute	Company name	Percentage of voting rights	Relationship		Business	Amount (million yen)	Balance at end of the fiscal year	
			Interlocking of officers, etc.	Operational relationship			Item	Amount (million yen)
Subsidiary of other affiliated company	MEDICEO CORPORATION (subsidiary of MEDIPAL HOLDINGS CORPORATION)	– (–)	–	Supply of pharmaceuticals	Finished good sales	14,722	Accounts receivable - trade	6,348
							Accounts payable - other	582
	SPLine Corporation (subsidiary of MEDIPAL HOLDINGS CORPORATION)	– (–)	–	Supply of pharmaceuticals	Finished good sales	5,718	Accounts receivable - trade	2,313
							Accounts payable - other	55

(Note) The price and other transaction terms are set based on negotiations and depend on transaction terms that are the same as those for arm’s length transactions.

3. Officers and major shareholders, etc.

Attribute	Name	Percentage of voting rights	Relationship with related parties	Business	Amount (million yen)	Balance at end of the fiscal year	
						Item	Amount (million yen)
Officer	Shin Ashida	Held Directly 0.20%	Representative Director of the Company	Contribution in kind of monetary compensation claims	145	–	–
Officer	Toru Ashida	Held Directly 0.30% Indirectly 7.46%	Director of the Company	Contribution in kind of monetary compensation claims	60	–	–
Officer	Hiroyuki Sonoda, Ph.D.	Held Directly 0.06%	Director of the Company	Contribution in kind of monetary compensation claims	40	–	–
Officer	Yoshio Hiyama, Ph.D.	Held Directly 0.03%	Director of the Company	Contribution in kind of monetary compensation claims	23	–	–
Officer	Andrea Spezzi	Held Directly 0.02%	Director of the Company	Contribution in kind of monetary compensation claims	18	–	–

(Note) This is contribution in kind of monetary compensation claims associated with the restricted share compensation plan.

Notes on Per Share Information

1. Net assets per share 379.03 yen
2. Basic loss per share 38.33 yen

(Note) The number of the Company's shares held by the trust in the Benefit Trust Scheme recorded as treasury shares in shareholders' equity are included in the number of treasury shares deducted when calculating average number of shares during the fiscal year used when determining basic loss per share. They are also included in the number of treasury shares deducted from the total number of outstanding shares at the end of the fiscal year when calculating net assets per share.

The average number of treasury shares during the fiscal year deducted when calculating basic loss per share totals 270,776 shares, and the number of treasury shares at the end of the fiscal year deducted when calculating net assets per share totals 256,500 shares.