4503.T gideon lens

Astellas Pharma Inc. (4503.T) - Gideon Lens

Report date: 2026-09-07 **Price anchor:** JPY 2,355.50 at the 2026-09-04 Tokyo close **Financial anchor:** TTM ended 2026-06-30; exact horizon ended 2031-06-30 **Listed security:** XTKS:4503 ordinary shares; reporting and valuation currency JPY **ER2 mode:** Production **Report ID:** ER2-ASTELLAS-20260907-100241

Decision

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Better execution, but Iveric returns and incentives remain unproven
Moat	FAIL	Product defenses exist; the 2046 durability test fails
P/E <= 15 on confident EPS at TTM + 5 calendar years	PASS	Base EPS implies a narrow 7.29% entry cushion
Compounder Score	Audited 39 / 100	Reject classification; diagnostic evidence rejects dream-investment status
Business Quality Score	Audited 32 / 80	Differentiated products do not prove durable high-return renewal
20% Return UW Score	Audited 7 / 20	Only the 10%-probability Bull case clears 20%

One-line reason to pass: Astellas has credible medicines and improving execution, but XTANDI replacement, capital-allocation durability and central shareholder returns are too weak to meet the Gideon compounder bar at JPY 2,355.50.

The PASS verdict follows the exhaustive ER2 decision rule. The P/E-15 diagnostic passes, but the Moat gate fails, so neither BUY nor WATCH is permitted. This is not a claim that Astellas lacks valuable assets. PADCEV, IZERVAY, VYLOY, VEOZAH and XOSPATA provide real product breadth, and TTM cash generation is substantial. The problem is that the evidence does not yet prove that these assets can replace XTANDI's retained profit through the 2027-2029 patent-expiry period while supporting rising R&D, alliance leakage, acquired-intangible charges and the dividend.

Management earns YELLOW rather than FAIL because disclosure, launch execution, pruning and deleveraging have improved. The qualification remains material: the JPY 784.974 billion Iveric acquisition was followed by a JPY 115.1 billion ex-US IZERVAY impairment, full-basis returns on acquired capital remain weakly disclosed, and incentives do not directly anchor to ROIC or free cash flow. The Moat gate is stricter. Product IP, clinical evidence, specialist channels and regulated execution create temporary advantages, but they do not establish a durable renewal engine through 2046. XTANDI concentration and finite exclusivity dominate the long-duration test.

The accounting and perimeter work is deliberately conservative. Astellas reports one Pharmaceutical segment, so the reviewed model uses statutory consolidated operating income as the single-segment fallback. PADCEV and XTANDI alliance economics are counted once, product sales are not treated as wholly retained profit, and statutory diluted EPS is the shareholder-return denominator. The live FMP product endpoints were empty; official Astellas IFRS disclosures therefore control the product, statutory-profit and cash-flow record. The quantitative foundation reconciled 8/8 checks, the synthesis reconciled 11/11 checks, and valuation preflight cleared all five foundations.

Security return underwriting

Measure	Result	Notes
Primary valuation method	P/E	One audited method controls all scenarios, probability weighting and net-SGD
Gross local-currency bear / base / bull IRR	-18.08% / 0.80% / 21.71%	Five-year annualized shareholder return in JPY

Measure	Result	Notes
Probability-weighted gross local-currency IRR	0.05%	CAGR of probability-weighted terminal wealth; 30% / 60% / 10% weights
Return bridge	JPY 2,355.50 -> scenario terminal wealth	Statutory diluted EPS x 10x / 12x / 17x, plus distributions once; no net-debt add-on

The audited primary valuation method is **P/E**. The normalized current denominator is FY2026 guided statutory diluted EPS of JPY 167.019170, implying 14.103172x at the price anchor. Reported TTM statutory diluted EPS of JPY 203.173810 implies 11.593522x but reflects a different earnings cadence; it is disclosed, not used to select the exit. The terminal denominators are statutory diluted EPS on the same 1,796.201 million listed-equivalent shares. Valuation preflight independently selected 10x Bear, 12x Base and 17x Bull. The Base multiple was reduced from 14x after red-team review because a post-cliff company with flat revenue and failed durability gates should not automatically retain its normalized pre-cliff multiple.

Probability weighting is based on terminal shareholder wealth, not an arithmetic average of scenario IRRs. Expected terminal wealth is JPY 2,360.917924 per share: 30% of JPY 869.107540, 60% of JPY 2,451.821164 and 10% of JPY 6,290.929639. Annualizing that expected wealth from JPY 2,355.50 over exactly five years gives 0.045960%, displayed as 0.05%. P/E already capitalizes the statutory earnings available to common shareholders, so no terminal cash, debt, lease or non-operating-asset adjustment is added a second time.

Gross local-currency underwriting in JPY; net-SGD adjustments appear separately in CIO actionability. The tables use the 2026-09-04 price anchor and 2031-06-30 terminal date. Revenue and operating earnings start from the TTM ended 2026-06-30.

Bear-case operating and return bridge

Bear case	Start (2026-09-04)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	JPY 2,274.37bn	JPY 1,595.50bn	-6.84%	Faster XTANDI erosion and weak launch replacement dominate
Operating margin	20.77%	10.00%	-10.77 pp	Launch/R&D burden and lost mature-product mix outweigh fee relief
Operating earnings	JPY 472.49bn	JPY 159.60bn	-19.51%	Statutory operating income from revenue x modeled margin
Diluted share count	1,796.201m	1,796.201m	0.00%	No unsupported buyback or SBC offset is assumed
EPS	JPY 167.02	JPY 63.71	-17.53%	Comparable normalized current to terminal statutory diluted EPS
Valuation denominator	FY2026 guided statutory diluted EPS	2031 statutory diluted EPS	Comparable	Same listed unit, currency, claim perimeter and diluted basis
Valuation	14.10x normalized P/E	10.00x P/E	-4.10x	Discount reflects the trough, impairment risk and failed durability
Share value	JPY 2,355.50	JPY 637.11	-23.01%	JPY 63.710754 EPS x 10.00x; no net-debt adjustment
Annual dividend	JPY 80.00	JPY 50.00	-8.97%	Repaired path cuts payouts when Bear earnings cannot fund progression
Dividend yield	3.40%	7.85%	+4.45 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	JPY 232.00	cumulative	Cash-capacity repair; aggregate dividends remain below cumulative owners' NI
Total ending value	JPY 2,355.50	JPY 869.11	-18.08% gross local IRR	JPY 637.11 share value plus JPY 232.00 distributions

Base-case operating and return bridge

Base case	Start (2026-09-04)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	JPY 2,274.37bn	JPY 2,308.60bn	0.30%	New brands and JPY 200bn pipeline revenue only offset the XTANDI cliff
Operating margin	20.77%	17.00%	-3.77 pp	Mix rebuild remains below the current TTM margin after full-basis charges
Operating earnings	JPY 472.49bn	JPY 392.50bn	-3.64%	Statutory operating income from revenue x modeled margin
Diluted share count	1,796.201m	1,796.201m	0.00%	Flat shares avoid inventing a buyback-funded EPS tailwind
EPS	JPY 167.02	JPY 168.49	0.17%	Terminal statutory diluted EPS is nearly flat to normalized current
Valuation denominator	FY2026 guided statutory diluted EPS	2031 statutory diluted EPS	Comparable	Same listed unit, currency, claim perimeter and diluted basis
Valuation	14.10x normalized P/E	12.00x P/E	-2.10x	Post-cliff maturity and failed durability justify a lower central multiple
Share value	JPY 2,355.50	JPY 2,021.82	-3.01%	JPY 168.485097 EPS x 12.00x; no net-debt adjustment
Annual dividend	JPY 80.00	JPY 90.00	2.38%	Progressive dividend is retained in the central operating path
Dividend yield	3.40%	4.45%	+1.05 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	JPY 430.00	cumulative	Audited distributions are added once to shareholder wealth
Total ending value	JPY 2,355.50	JPY 2,451.82	0.80% gross local IRR	JPY 2,021.82 share value plus JPY 430.00 distributions

Bull-case operating and return bridge

Bull case	Start (2026-09-04)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	JPY 2,274.37bn	JPY 3,211.90bn	7.15%	Broad launch and pipeline success more than replaces XTANDI
Operating margin	20.77%	24.00%	+3.23 pp	Strong mix, scale and lower cliff drag outweigh higher R&D
Operating earnings	JPY 472.49bn	JPY 770.90bn	10.29%	Statutory operating income from revenue x modeled margin
Diluted share count	1,796.201m	1,796.201m	0.00%	No buyback benefit is required even in the upside case
EPS	JPY 167.02	JPY 344.76	15.60%	Broad operating success drives statutory owners' earnings
Valuation denominator	FY2026 guided statutory diluted EPS	2031 statutory diluted EPS	Comparable	Same listed unit, currency, claim perimeter and diluted basis
Valuation	14.10x normalized P/E	17.00x P/E	+2.90x	Premium requires the modeled portfolio renewal and 24% margin
Share value	JPY 2,355.50	JPY 5,860.93	20.00%	JPY 344.760567 EPS x 17.00x; no net-debt adjustment
Annual dividend	JPY 80.00	JPY 90.00	2.38%	Upside value comes mainly from earnings, not a richer payout path
Dividend yield	3.40%	1.54%	-1.86 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	JPY 430.00	cumulative	Audited distributions are added once to shareholder wealth

Bull case	Start (2026-09-04)	Horizon (2031-06-30)	CAGR / change	Justification
Total ending value	JPY 2,355.50	JPY 6,290.93	21.71% gross local IRR	JPY 5,860.93 share value plus JPY 430.00 distributions

CIO actionability

Measure	Result	Notes
Status	PASS	Separate from ER2 verdict; hard Moat FAIL and sub-8% Base return control
Bear / Base / Bull net SGD IRR	-21.24% / -2.82% / 17.70%	Five-year annualized after costs, withholding and uniform FX stress
Probability-weighted net SGD IRR	-3.50%	CAGR of probability-weighted net SGD terminal wealth; 30% / 60% / 10%
10% mandate hurdle	FAIL	Both Base and probability-weighted cases are below 10%
15% stretch hurdle	FAIL	Only the 10%-probability Bull case exceeds 15%
Downside and portfolio fit	FAIL / UNAVAILABLE	Bear downside fails; portfolio context was not provided
Proposed sizing ceiling	none	No research sizing proposal; owner approval would be required

Net-SGD uses the same P/E terminal values. It applies 0.90% entry and 0.90% exit friction, 15% dividend withholding with no reclaim, no dividend reinvestment, and a uniform 15% yen-depreciation stress across Bear, Base and Bull. Applying the same FX stress to every case avoids unsupported favorable correlation between operating success and currency. A 0%-30% uniform-depreciation grid is preserved in the structured score artifact. The probability-weighted net-SGD figure annualizes expected net terminal wealth rather than averaging scenario returns.

Trade execution authorized: NO

Kill, upgrade and re-entry criteria

- **No price-only BUY trigger:** the Moat gate fails and Management is YELLOW. A lower price can improve expected return, but cannot turn the present evidence into a Gideon-quality compounder.
- **Forced exit / thesis-break signal:** combined Strategic Brands constant-currency revenue growth below 15% year over year for two consecutive reported quarters before FY2027 ends. That would invalidate the modeled replacement cadence before the XTANDI cliff is fully visible.
- **Operating failure trigger:** full-basis statutory operating margin below 10% for two consecutive quarters after adjusting only for clearly identified one-offs, or two material misses of initially issued statutory guidance caused by foreseeable launch, pipeline or impairment assumptions.
- **Capital-allocation failure trigger:** another acquisition-related impairment above JPY 100bn, or a large rescue acquisition before leverage returns to management's stated range.
- **Upgrade path:** Strategic Brands must replace a substantial share of XTANDI retained profit while statutory operating margin stays above roughly 15% through the 2027-2029 cliff; full-basis diagnostic ROIC must exceed 10% for two consecutive fiscal years; and incentives must add an explicit ROIC, FCF or economic-profit metric.
- **Re-entry valuation:** after those qualitative upgrades, rerun the complete return bridge using then-current price, earnings, FX and independently selected exit multiples. The current probability-weighted 20% gross-return price diagnostic of roughly JPY 1,190 is not a standing order or an automatic BUY level.

Research sizing if actionable: none. This PASS conclusion has zero sizing proposal, does not rank Astellas against the portfolio, and cannot authorize a trade.

Final assessment

Astellas can execute a credible operational transition without becoming an attractive security at today's price. The Base case already assumes successful offsetting of a major patent cliff, yet terminal revenue is almost flat, terminal operating profit is

below the TTM anchor, and terminal EPS is nearly unchanged from normalized current EPS. The lower, independently justified 12x Base exit P/E turns that operating recovery into only 0.80% gross JPY annual return. Dividends are economically useful but cannot bridge the gap.

The Bull case is valuable as an upside map, not as a central thesis. It requires JPY 3,211.9 billion revenue, a 24% statutory margin, JPY 344.76 EPS and a 17x exit multiple. The reviewed probability calibration gives this correlated success stack only 10% weight. Bear is equally explicit: the dividend path was repaired downward, and the 10x exit sits below low-peer evidence despite positive terminal EPS. The resulting distribution is therefore two-sided, not engineered simply to reject the stock.

The correct action is to pass and monitor the transition with hard data. Constant-currency Strategic Brands growth, statutory margin, full-basis ROIC, impairment discipline and launch-to-retained-profit conversion should decide whether a future rerun is warranted. Until those measures improve together, the evidence supports no capital action.

Appendix A - Company Primer

Astellas Pharma Inc. (4503.T) — Company Primer

Report ID: ER2-ASTELLAS-20260907-100241 **Information cutoff:** 7 September 2026, Asia/Singapore **Financial anchor:** Q1 FY2026 ended 30 June 2026; TTM ended 30 June 2026 **Reporting convention:** IFRS; fiscal year ends 31 March; JPY millions unless stated otherwise **Scope:** Reader orientation only. This appendix does not forecast earnings, decide valuation, recommend a trade, or authorize execution. `trade_execution_authorized=false`

The quantitative foundation is the controlling source for every consolidated, product, cash-flow, balance-sheet, share-count and price figure in this appendix. The QFR-sealed listing is the Tokyo Stock Exchange ordinary share (`XTKS:4503`), quoted and reported in JPY, with a 1:1 financial-share-to-listed-share bridge and no intervening split. The exact sealed close was JPY 2,355.5 on 4 September 2026; it is included here only as identifying metadata, not as a valuation opinion. Where the quantitative foundation does not contain a qualitative fact—such as how collaboration economics work, how drugs reach patients, or how manufacturing is organized—this primer cites current Astellas primary materials. Geographic figures supplement, and reconcile to, the quantitative foundation's consolidated total.

1. Business overview

Astellas is a global, research-based prescription-drug company. Its economic job is to discover or acquire drug candidates, prove safety and efficacy, obtain regulatory approval, manufacture reliably at pharmaceutical quality, secure reimbursement, and persuade specialist clinicians that an approved medicine improves outcomes enough to justify its use and cost. It is not a consumer self-service business. The end user is a patient, but the economic chain runs through prescribers, hospitals or specialty pharmacies, wholesalers, public and private payers, national health systems and regulators.

The company is legally and operationally complex but reports one IFRS operating segment: **Pharmaceutical**. Astellas's audited FY2025 statements say its main activities are research and development, manufacture and sale of pharmaceutical products and that there are no separate operating segments. This matters. Investors can analyze franchises—oncology, ophthalmology, women's health, transplantation and urology—but Astellas does not publish independently governed segment profit for them. The sealed ER2 accounting basis therefore models the company as one consolidated unit using statutory operating income, not as a sum of invented segment margins. [Astellas FY2025 audited IFRS statements, Note 5](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/consolidated-financial-statements consolidated-financial-statements-under-ifrs-with-independent-auditors-report-fy2025.pdf)

Commercially, Astellas is in the middle of a portfolio transition. XTANDI, an androgen-receptor inhibitor for several stages of prostate cancer, remains the largest product. A group of newer “Strategic Brands”—PADCEV, IZERVAY, VYLOY, VEOZAH/VEOZA and XOSPATA—is intended to broaden growth and improve product mix. PROGRAF, a tacrolimus transplant-immunosuppression franchise, illustrates the cash-generating longevity that some established medicines can retain well after loss of exclusivity. The strategic challenge is not simply to launch more drugs. It is to replace a very large, collaboration-burdened franchise before and after its patent cliff with products that have adequate clinical differentiation, access, manufacturing reliability and retained economics.

2. Reporting perimeter and revenue architecture

One reportable segment, several economic franchises

The absence of reportable segments should not be read as economic homogeneity. Oral small molecules, an antibody-drug conjugate, an intravitreal RNA aptamer, a monoclonal antibody and mature transplant therapies have different prescribers, channels, safety monitoring, manufacturing requirements and collaboration terms. Astellas's official product taxonomy, however, gives only three named lines plus a residual “Other.” The residual contains important Strategic Brands including IZERVAY, VYLOY, VEOZAH and XOSPATA, so it must not be mistaken for an undifferentiated tail.

Official product/service line	FY2025 revenue	Share of FY2025	TTM revenue to 30 Jun 2026	Share of TTM	Economic interpretation
XTANDI	960,768	44.9%	1,004,368	44.2%	Largest franchise; prostate-cancer volume, price, payer rules and Pfizer co-promotion economics dominate

Official product/service line	FY2025 revenue	Share of FY2025	TTM revenue to 30 Jun 2026	Share of TTM	Economic interpretation
PADCEV	221,170	10.3%	241,170	10.6%	Rapidly expanding urothelial-cancer ADC; jointly owned and subject to profit sharing in major markets
PROGRAF	207,666	9.7%	214,966	9.5%	Established transplant-immunosuppression franchise with durable clinical use despite generic competition
Other	749,641	35.0%	813,861	35.8%	Includes IZERVAY, VYLOY, VEOZAH, XOSPATA, mirabegron and other products, royalties and smaller activities
Total	**2,139,245**	**100.0%**	**2,274,365**	**100.0%**	Consolidated Pharmaceutical revenue

Percentages are calculated from the reconciled figures in `quant_foundation.md`; rounding may prevent displayed percentages from summing to exactly 100.0%.

The principal medicines

Franchise	What it does and who chooses it	How Astellas participates economically	Principal commercial driver
XTANDI (enzalutamide)	Oral androgen-receptor inhibitor used across advanced prostate-cancer settings; prescribed mainly by oncologists and urologists	Co-promoted with Pfizer in the United States; Astellas has disclosed a 50% US sales-linked co-promotion payout, recorded within SG&A rather than as cost of goods	Eligible-patient expansion, sequencing versus other androgen-pathway drugs, payer access and generic timing
PADCEV (enfortumab vedotin)	Nectin-4-directed antibody-drug conjugate for urothelial/bladder cancer, increasingly used with KEYTRUDA across metastatic and muscle-invasive settings; oncology teams administer and monitor it	Jointly owned with Pfizer's Seagen business and subject to profit share in certain major markets; partner-booked in-market sales are not identical to Astellas statutory revenue	Penetration of first-line metastatic disease, perioperative MIBC approvals and extension to bladder-sparing treatment
IZERVAY (avacincaptad pegol)	Complement C5 inhibitor injected into the eye to slow geographic-atrophy growth secondary to age-related macular degeneration; retina specialists diagnose, inject and monitor	Wholly owned through the Iveric Bio acquisition; Astellas bears commercial costs, amortization of acquired marketing rights and impairment risk	Retina-specialist adoption, diagnosis/referral, repeat-injection persistence, comparative safety and perceived functional benefit
VEOZAH/VEOZA (fezolinetant)	Oral, non-hormonal neurokinin-3 receptor antagonist for moderate-to-severe menopausal vasomotor symptoms; prescribed by gynecologists and primary-care clinicians	Developed from Ogeda, which Astellas acquired; predominantly an owned-brand model, with local commercial partnerships where useful	Awareness, safety monitoring, coverage, competition with hormone therapy and other non-hormonal choices
XOSPATA (gilteritinib)	Oral FLT3 inhibitor for adults with relapsed or refractory FLT3-mutated acute myeloid leukemia; hematologist-oncologists select it after molecular testing	Astellas-led global brand; economics depend on a small, molecularly defined population and high-value specialist treatment	Testing rates, label extension, clinical sequencing and competitive FLT3-directed therapies
VYLOY (zolbetuximab)	CLDN18.2-targeting monoclonal antibody for biomarker-positive gastric or gastroesophageal-junction cancer; use depends on pathology testing	Largely owned strategic brand with conventional product-sales economics	CLDN18.2 testing, country launches and uptake in eligible first-line patients
PROGRAF family (tacrolimus)	Calcineurin-inhibitor immunosuppression to prevent organ rejection; transplant specialists titrate and monitor narrow-therapeutic-index treatment	Mature, established-brand economics across formulations and geographies	Transplant volumes, clinician familiarity, formulation mix and generic pressure

Medicine descriptions and ownership history are grounded in Astellas's [main-products overview](https://www.astellas.com/en/investors/for-individual-investors), [corporate history](https://www.astellas.com/en/about/our-history) and [Iveric Bio acquisition announcement](https://newsroom.astellas.com/2023-04-30-Astellas-Enters-into-Definitive-Agreement-to-Acquire-Iveric-Bio).

Astellas's FY2026 Q1 presentation described continued momentum across all Strategic Brands, including PADCEV penetration in first-line metastatic urothelial cancer and US muscle-invasive bladder cancer, growing IZERVAY new-patient

starts, increasing CLDN18 testing for VYLOY and resilience for VEOZAH despite new US competition. These are company-reported operating observations, not independently forecast revenue assumptions. [Astellas Q1 FY2026 presentation](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_pre_en.pdf)

Collaboration accounting is central, not incidental

Three different ideas must be kept separate: patient-level or “in-market” sales, Astellas revenue under IFRS, and Astellas retained profit. For PADCEV, Astellas explicitly says the sales measure used in its peak-sales materials is in-market sales and that Americas sales are based on sales booked by its partner. The audited accounts separately recognize profit-sharing income from non-customer partners that share the risks and rewards of joint promotion. Thus, a dollar of partner-booked PADCEV demand does not automatically become a dollar of Astellas product revenue, and neither equals retained operating profit.

XTANDI works differently. Astellas bears a substantial US co-promotion fee linked to sales and classifies it in SG&A. This can make reported product revenue look economically richer than the retained margin. It also creates an unusual offset at loss of exclusivity: lower US XTANDI sales are clearly negative, but the associated co-promotion payout also falls. Astellas has highlighted that newer brands are mostly owned and higher margin, while PADCEV remains jointly owned. [Astellas 2026 J.P. Morgan meeting script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/44th_Annual_JPM_Healthcare_Conference_meeting_script_Astellas.pdf)

More generally, licensing deals can create upfront payments, milestones and running royalties. The audited accounting policy recognizes internal pre-approval R&D as expense, accrues collaboration R&D settlements within R&D expense, and calculates running royalties from partner-reported net sales multiplied by contractual rates. This means the pipeline's cash cost, reported expense and later product economics can differ materially by ownership route. [Astellas FY2025 audited IFRS statements, revenue and R&D policies](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/consolidated-financial-statementsconsolidated-financial-statements-under-ifrs-with-independent-auditors-report-fy2025.pdf)

3. Customer, payer and regulator chain

The prescribing clinician is the decisive user-facing customer, but usually not the accounting customer. A simplified chain is:

- A regulator such as the FDA, EMA, PMDA or another national agency approves a specific label after reviewing efficacy, safety and manufacturing quality. A narrow label limits the eligible population; a broader label expands it. Post-marketing safety findings can add warnings, monitoring or restrictions.
- Professional guidelines, diagnostic pathways and specialist habits determine which approved patients are actually identified and offered treatment. Biomarker testing is especially important for XOSPATA and VYLOY; specialist referral and imaging are critical for IZERVAY.
- Payers and health-technology bodies decide coverage, prior authorization, rebates and, outside the United States, frequently negotiated or regulated price. In the US, Medicare, Medicaid and managed-care rebates reduce gross revenue as variable consideration.
- Wholesalers and specialty distributors buy and move product; hospitals, clinics, specialty pharmacies or retail pharmacies dispense it. McKesson and Cencora each represented at least 10% of FY2025 consolidated revenue, demonstrating distribution concentration even though end demand is dispersed. [Astellas FY2025 audited IFRS statements, Notes 5–6](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/consolidated-financial-statementsconsolidated-financial-statements-under-ifrs-with-independent-auditors-report-fy2025.pdf)
- Astellas commercial, medical-affairs and market-access teams support approved use, evidence generation, reimbursement and clinician education. They cannot create durable demand if clinical outcomes, safety, convenience or budget impact are uncompetitive.

The implications differ by product. Oral oncology and women's-health drugs require formulary access and patient persistence. Hospital-infused PADCEV requires oncology capacity, drug acquisition and reimbursement, combination coordination and adverse-event management. IZERVAY is a repeated intravitreal procedure; the retina practice's injection capacity and the patient's willingness to return matter almost as much as the written prescription. In transplant medicine, PROGRAF benefits from embedded protocols and familiarity but faces generic substitution and tender pressure.

Gross-to-net deductions are economically important. Astellas recognizes refund liabilities for US Medicaid, Medicare and managed-care rebates based on expected product eligibility, sales, contractual rates, legislation and historical claims. The QFR-sealed balance sheet shows total current refund liabilities of JPY 422,557 million at FY2025 year-end. The size of this balance is a reminder that invoiced or prescription demand is not the same as realized net revenue, and that policy changes can alter economics after a medicine is clinically established.

4. Unit economics and cost structure

At group level, the TTM ended 30 June 2026 produced revenue of JPY 2,274,365 million, statutory operating profit of JPY 472,492 million and a 20.77% operating margin. Operating cash flow was JPY 591,827 million; purchases of property, plant and equipment were JPY 57,530 million, leaving the quantitative foundation's simple free-cash-flow measure at JPY 534,297 million. These figures describe a cash-generative pharmaceutical model, but they should not be naively extrapolated: the portfolio is approaching a major patent transition, R&D and acquired-intangible charges are lumpy, and working capital can move with rebates, receivables and inventory.

Layer from demand to operating profit	Main driver	Astellas-specific consideration
Net revenue	Eligible patients, price, coverage, persistence, rebates, royalties and partner sales	Product “sales” have different ownership and accounting perimeter across XTANDI, PADCEV and owned brands
Manufacturing cost	Active ingredient, biologic/ADC/aptamer production, fill-finish, packaging, quality testing, scrap and external suppliers	Small molecules are generally simpler than ADCs, antibodies, intravitreal sterile products, cell or gene therapy
Commercial and medical cost	Sales force, market access, medical affairs, launches, diagnostic activation and post-marketing evidence	Specialist launches require concentrated capabilities; XTANDI's US co-promotion fee is an unusually large sales-linked SG&A item
R&D expense	Discovery, trials, regulatory work, lifecycle management and collaboration settlements	Internal pre-approval R&D is expensed; failed trials have no balance-sheet recovery, while external acquisitions can create amortizing or impairable intangibles
Other operating items	Intangible amortization, impairment, restructuring, divestitures and litigation	Statutory profit can diverge sharply from management's core measure, so the IFRS bridge must remain visible

The gross-margin attraction of patented pharmaceuticals is offset by high fixed and quasi-fixed costs. Astellas must maintain global regulatory, pharmacovigilance, medical, commercial and manufacturing infrastructure before knowing whether each pipeline asset will succeed. Conversely, an additional prescription of an established drug can carry high incremental contribution after rebates, partner shares and product cost. Product mix is therefore crucial: a fully owned small molecule can retain more economics than an equally large co-promoted or jointly owned product, while complex biologics can require more manufacturing and administration support.

Capital intensity is moderate if measured only by PP&E, but substantially higher when economic investment is measured correctly. TTM PP&E purchases were less than one tenth of operating cash flow, yet Astellas also spent JPY 69,469 million on purchased intangibles during the TTM. The balance sheet held JPY 996,932 million of intangible assets at FY2025 year-end, reflecting acquired rights and technologies. Failed acquired programs can produce impairments; internally generated pre-approval research is expensed immediately. A drug company can therefore appear asset-light in factories while deploying very large capital through R&D, licenses and acquisitions.

5. Geographic mix and currency exposure

The business is global, but the United States is the economic center of gravity because of market size, specialist uptake, pricing and the concentration of XTANDI, PADCEV and IZERVAY. The official FY2025 geographic table, classified by location of the group company recording revenue, reconciles exactly to the quantitative foundation's JPY 2,139,245 million total.

Geography	FY2025 revenue	Share of total	Investor interpretation
United States	945,722	44.2%	High-value market with substantial gross-to-net rebates, large wholesaler concentration and policy exposure
Japan	317,057	14.8%	Home market with national reimbursement and periodic price revision

Geography	FY2025 revenue	Share of total	Investor interpretation
Other regions	876,466	41.0%	Europe/Canada, China and broader international markets with heterogeneous launch timing, reimbursement and currency
Total	**2,139,245**	**100.0%**	Reconciles to FY2025 consolidated revenue

The same filing also provides a commercial-management view—United States, Japan, Established Markets, China and International Markets—that is useful operationally but is not identical to the company-location view above. The distinction matters when partner income or centralized entities book revenue. [Astellas FY2025 audited IFRS statements, Notes 5–6](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/consolidated-financial-statementsconsolidated-financial-statements-under-ifrs-with-independent-auditors-report-fy2025.pdf)

Because reporting is in JPY while much revenue and cost occur in USD and EUR, translation can move reported growth and profit without changing local prescription demand. Currency can also affect acquired-intangible balances and foreign-operation equity translation. An institutional reader should separate local operational momentum, price/rebate changes and currency translation rather than treating reported JPY growth as a single demand signal.

6. R&D and pipeline economics

Astellas's R&D model combines internal discovery, acquisitions and licensing. Its “Focus Area” approach begins with disease biology, then applies modalities such as small molecules, antibody-drug conjugates, T-cell engagers, targeted protein degradation, mRNA, cell therapy and gene therapy. Current strategic domains include immuno-oncology, induced proximity/targeted protein degradation, genetic regulation, and blindness and regeneration. The model is deliberately modality-diverse, which broadens opportunity but raises technical, clinical and manufacturing complexity.

The key economic gate is clinical proof of concept. Before PoC, attrition is high and valuations are fragile. After credible PoC, the company must fund much larger pivotal trials, scale chemistry, manufacturing and controls, and prepare commercial access. CSP2026 states an intention to start more than ten Phase 3 or pivotal studies during FY2026–FY2030, with more than five by FY2027, and to devote an average base R&D spend equal to 20% of revenue plus optional additional investment of up to 5% for acceleration. These are management commitments, not this appendix's forecast. [Astellas CSP2026 presentation](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/astellas_csp2026_presentation_20260526_en.pdf)

The near-term pipeline has two layers. First is lifecycle management of existing Strategic Brands: PADCEV across muscle-invasive and bladder-sparing settings, IZERVAY geographic expansion and a prefilled syringe, VYLOY combinations and additional geographies, VEOZAH in breast-cancer patients with vasomotor symptoms, and potential XOSPATA label expansion. These programs begin with known drug behavior and commercial infrastructure, usually reducing some discovery risk but not trial, safety or reimbursement risk.

Second is new-asset creation. As of July 2026 Astellas highlighted Phase 3 recruitment for setidegrasib, a KRAS G12D degrader, in non-small-cell lung cancer, and for ASP2138, a CLDN18.2 T-cell engager, in gastric/gastroesophageal-junction cancer. It also cited ASP546C, a licensed CLDN18.2 antibody-drug conjugate; ASP7317, an investigational retinal pigment epithelial cell therapy; and gene, cell, mRNA and induced-proximity programs. [Astellas Q1 FY2026 presentation](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_pre_en.pdf)

The accounting makes pipeline risk visible in different places. Internal development expense reduces profit as incurred until major-market approval satisfies capitalization criteria. Purchased or licensed programs may create intangible assets, milestone liabilities or contingent consideration. After launch, acquired marketing rights amortize; if probability of approval, expected sales or discount-rate assumptions deteriorate, impairment can be abrupt. The balance sheet therefore embeds management judgments about science, regulatory probability, commercial uptake and competitive response.

This distinction is particularly important for IZERVAY. Astellas acquired Iveric Bio and its ophthalmology infrastructure rather than building the asset solely through expensed internal research. That accelerated entry into retinal disease but created acquired marketing-rights balances, amortization and impairment exposure. The asset's economic return depends on repeat treatment, physician adoption, geographic expansion and competitive performance, not merely on reported product revenue.

7. Manufacturing and distribution

Astellas operates owned manufacturing sites in Japan, Europe, the United States and Asia and supplements them with contract manufacturing partners. Its Integrated Report described 11 manufacturing sites and five technology centers spanning clinical supply and commercial production. The network must support chemically synthesized tablets, sterile injectable and intravitreal products, antibodies, ADCs and emerging cell/gene-therapy modalities. [Astellas Integrated Report 2025](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/integrated-report/integrated-report-2025-en_20251031.pdf)

Manufacturing is not merely procurement. Regulators approve a product together with its process, facilities, analytical methods and control strategy. A quality deviation, contamination, capacity shortfall or failure at an external manufacturer can interrupt supply or delay approval even when clinical data are positive. Complex modalities make technology transfer and reproducibility harder. Astellas emphasizes standardized global processes, digital operations, robotics and closer integration of chemistry, manufacturing and controls with development; it also uses inventory positioning, alternative logistics routes and substitute raw-material sources to improve resilience. [Astellas sustainability in business practice](https://www.astellas.com/en/sustainability/astellas-and-society/sustainability-in-business-practice)

Distribution risk is concentrated. Large wholesalers efficiently aggregate demand, but McKesson and Cencora each account for a material share of revenue. Cold-chain or specialty handling can be more demanding for injectable products than oral tablets. The economic objective is not maximum inventory: it is enough qualified capacity and safety stock to avoid patient interruption while limiting expiry, obsolescence and working-capital drag.

The route to patient also changes working capital. Wholesalers can build or draw down channel inventory around launches, price changes or quarter ends; government and managed-care rebates settle after sale; specialty products can generate receivables before final payer adjudication. For this reason, cash conversion should be read over multiple periods and alongside rebate liabilities, receivables and inventory rather than inferred solely from one quarter's profit.

8. Exclusivity and lifecycle cliffs

XTANDI is the central cliff. Astellas has disclosed substance-patent expiries in August 2027 in the United States, June 2028 in Europe and July 2029 in Japan. Management also notes that a tablet formulation patent extends into the early 2030s, but it does not build its plan on fully preventing generic entry. Different countries will decline at different times, so loss of exclusivity should be viewed as a curve rather than a single-day event. [Astellas shareholder Q&A on XTANDI patents](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/QA%20at%20the%2017th%20Annual%20Shareholders%20Meeting_en.pdf) [Astellas Q3 FY2025 earnings script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/3q2025_script_en.pdf)

The risk is large because XTANDI represented 44.2% of TTM revenue. Generic entry can compress both price and branded volume rapidly, especially for a widely used oral cancer medicine. Tablet intellectual property, patient/physician continuity and country-specific launch timing may slow the decline, but should not be treated as permanent protection. The collaboration structure softens but does not eliminate the hit because sales-linked US co-promotion fees fall with revenue.

Established products show that post-LOE revenue need not go to zero. PROGRAF still represented 9.5% of TTM revenue despite long-standing generic competition, supported by transplant protocols, formulation breadth, monitoring complexity and clinician familiarity. That is a useful counterexample, not a template: prostate-cancer competition and substitution dynamics differ materially from immunosuppression.

For PADCEV, IZERVAY, VYLOY, VEOZAH and XOSPATA, near-term value depends more on successful indication expansion, global reimbursement, safety, competitive differentiation and execution than on the XTANDI-style patent dates emphasized in current Astellas materials. Investors should not infer long exclusivity merely because no exact date is presented here. Patent, regulatory and litigation status must be refreshed product by product before any long-horizon valuation.

9. Competitive dynamics

Astellas competes at four levels. First is clinical efficacy and safety. XTANDI competes with other androgen-pathway agents and treatment sequences. PADCEV competes and collaborates within rapidly evolving bladder-cancer regimens; its value can rise when combined with checkpoint inhibition, but adverse events and new ADCs can change positioning. IZERVAY competes in a young complement-inhibitor market where injection burden, ocular safety, retinal-atrophy slowing and physician confidence matter. VEOZAH competes with hormone therapy and other non-hormonal approaches, while XOSPATA competes in a molecularly defined AML setting where trial evidence and sequencing are decisive.

Second is access. Even a clinically differentiated product may be restricted by prior authorization, health-technology assessment, tendering, budget impact or mandated price cuts. US gross-to-net pressure and Medicare redesign can change realized economics. Outside the US, launch timing can be limited by sequential country reimbursement.

Third is execution. Specialty sales forces, medical affairs, biomarker testing, retina referral networks and post-marketing evidence create launch advantages that patents alone do not. The Iveric acquisition brought an ophthalmology commercial platform; VYLOY needs pathology testing; XOSPATA needs FLT3 testing; PADCEV depends on multidisciplinary oncology adoption.

Fourth is innovation speed. Competitors can leapfrog an approved therapy with better efficacy, safety, dosing or combination compatibility before patent expiry. Astellas's broad modality toolkit can create differentiated assets, but it also spreads technical risk across platforms that require different expertise and infrastructure. Category growth is therefore not synonymous with durable market share.

10. Key investor risks

Risk	Why it matters	What to monitor
XTANDI loss of exclusivity	Largest product is exposed to staggered generic entry beginning in major markets from 2027	Generic approvals and launch timing, branded volume/price, tablet share, co-promotion-fee offset
Strategic Brand execution	Replacement economics depend on multiple launches rather than one proven franchise	New-patient starts, testing/referral rates, geographic reimbursement, persistence and safety
Collaboration leakage	In-market demand can overstate Astellas revenue and retained margin	Partner-booked sales, profit-sharing income, co-promotion fees, milestone and royalty terms
Clinical and regulatory failure	Phase 3 spending rises sharply and negative data can erase program value	Enrollment, endpoints, safety signals, label breadth, regulator requests and discontinuations
Acquired-intangible impairment	Purchased rights embed assumptions about approval, sales and discount rates	Impairment testing, revised forecasts, commercialization delays and new competition
Pricing and reimbursement	Payers can reduce net price despite prescription growth	US rebate liabilities, Medicare/Medicaid rules, HTA decisions and Japanese price revisions
Manufacturing and supply	Sterile, ADC, antibody, cell and gene products are operationally demanding	Inspection outcomes, recalls, shortages, single-source inputs, CMO performance and capacity
Currency	Large non-JPY revenue and costs can obscure local demand and margin	Constant-currency growth and USD/EUR sensitivity rather than headline JPY alone
Customer concentration	Two large wholesalers each exceed 10% of revenue	Receivable quality, channel inventory, contract terms and distribution continuity
Capital allocation	R&D, licenses and acquisitions are economically capital intensive despite modest PP&E	Program attrition, milestone commitments, debt, cash conversion and post-deal impairments

Several risks interact rather than operate independently. A slower Strategic Brand launch is more damaging when XTANDI generics arrive earlier; a regulatory delay can strand manufacturing capacity and trigger intangible impairment; weaker currencies can make local growth look smaller in JPY even when demand is intact; an unfavorable payer change can reduce net revenue without reducing prescriptions. The later ER2 model should therefore avoid treating each risk as an isolated percentage haircut.

11. What an institutional reader should carry forward

Astellas should be read as one IFRS segment with several distinct ownership and margin structures. XTANDI is the current cash engine but is collaboration-burdened and approaching a known, staggered patent cliff. PADCEV is clinically important and growing, yet jointly owned; its global in-market sales are not interchangeable with Astellas revenue. IZERVAY, VYLOY, VEOZAH and XOSPATA diversify disease exposure and are generally more fully owned, but each must earn adoption through a different specialist pathway.

The operating model is economically capital intensive through research, licensing and acquired intangibles even though factory capex is moderate relative to cash generation. Pipeline productivity must therefore be judged not by the number of assets but by PoC quality, probability of pivotal success, retained economics, manufacturing readiness and achievable access. Statutory IFRS profit should remain the anchor because management's core measure excludes amortization and other items that are economically relevant when acquired science underperforms.

Finally, the revenue transition and margin transition must be analyzed together. Losing XTANDI revenue is not equivalent to losing the same amount of retained profit because the US co-promotion fee also disappears. Conversely, replacing that

revenue with Strategic Brands is valuable only to the extent that Astellas owns the economics, can manufacture and distribute reliably, and secures reimbursement. Those are the essential business facts; forecasting and valuation belong in the later ER2 appendices.

Primary sources used

- `quant_foundation.md` and the QFR-sealed `quote_packet.json` in the report work directory — controlling financial and listing basis.
- [Astellas FY2025 audited IFRS statements](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/consolidated-financial-statementsconsolidated-financial-statements-under-ifrs-with-independent-auditors-report-fy2025.pdf) — segment perimeter, products, geography, customers, revenue recognition and accounting policies.
- [Astellas FY2025 results presentation](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/4q2025_pre_en.pdf) and [earnings script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/4q2025_script_en.pdf) — product roles, cost structure and collaboration context.
- [Astellas Q1 FY2026 presentation](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_pre_en.pdf) — current commercial and pipeline milestones.
- [Astellas Corporate Strategic Plan 2026](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/astellas_csp2026_presentation_20260526_en.pdf) — R&D model, pipeline priorities and product-mix strategy.
- [Astellas Integrated Report 2025](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/integrated-report/integrated-report-2025-en_20251031.pdf) — manufacturing, commercial model and risk context.

All newly fetched official evidence is archived under `raw\pulse-cio-20260907T100241+0800\a\`. No local data-warehouse file was used as an input.

Appendix M - Management Assessment

Astellas Pharma Inc. — Management Assessment

Ticker: 4503.T **Assessment date:** 7 September 2026 **Financial anchor:** TTM ended 30 June 2026; assessment horizon ends 30 June 2031 **Management gate: YELLOW Trade execution authorized:** `false`

Executive assessment

Astellas has substantially better formal governance than its recent capital-allocation record might imply. The board is 60% independent, nomination and compensation committees are composed entirely of independent outside directors, cross-shareholdings are immaterial, and the compensation framework contains real malus and clawback provisions. President and CEO Naoki Okamura communicates more directly than the typical “black box” pharmaceutical executive and has permitted unusually detailed investor questioning on impairment, pipeline failure, cost reduction and the XTANDI patent cliff.

The unresolved issue is stewardship rather than governance architecture. Okamura was Chief Strategy Officer before becoming CEO in April 2023 and therefore cannot be treated as a clean-break outsider from the acquisition strategy. The JPY785.0 billion FY2023 acquisition cash outflow, overwhelmingly Iveric Bio, was followed by a JPY115.1 billion impairment on IZERVAY ex-US after withdrawal of the European filing. Other acquired-platform failures continued with Xyphos and AT132 charges. FY2025 performance recovered sharply, strategic brands are growing, and management has pruned programs and delevered; however, one strong year is not enough to prove that the return on the acquisition-created asset base will exceed the cost of capital. The appropriate gate is YELLOW: credible corrective action and improving execution, but not yet a proven decade-long capital allocator.

1. Who is running the company

Astellas reports one Pharmaceutical segment, so “segment heads” are functional leaders of a single global operating business rather than separately accountable divisional CEOs. Current biographies are from the [Astellas leadership page](https://www.astellas.com/en/about/leadership) and the [FY2026 governance report](https://www.astellas.com/content/dam/astellas-com/global/en/documents/corporate_governance_report_EN.pdf).

Leader	Current responsibility	Tenure and relevant background	Assessment
Naoki Okamura	Representative Director, President and CEO	CEO since April 2023; joined predecessor Yamanouchi in 1986; former CEO of OSI Pharmaceuticals; former Licensing & Alliances head, CStO and interim CFO	Deep institutional and business-development knowledge; owns both the turnaround and much of the acquisition legacy
Atsushi Kitamura	CFO	Joined as CFO in November 2023; former finance leader at P&G, TNT, Skylark and Pioneer	External finance perspective; has overseen deleveraging and more conservative full-basis guidance, but only three years in seat
Tadaaki Taniguchi	Chief Research & Development Officer	Physician-scientist; leads research, clinical development and portfolio decisions	Central owner of pipeline stage gates and the new end-to-end R&D model
Claus Zieler	Chief Commercial & Medical Affairs Officer	Long global-pharma commercial career, including Bayer; combines commercial and medical leadership	Accountable for strategic-brand launch execution and lifecycle value
Takahiko Iwaya	Chief Strategy Officer	Current strategy and business-development leader following the 2026 transition	Must prove that “value-enhancing BD” is more disciplined than the prior acquisition cycle
Rao Mantri	Chief Manufacturing Officer	About 25 years of manufacturing experience	Important for complex biologics and launch supply; no separate segment P&L disclosed
Kenji Yasukawa	Representative Director and Chairman	CEO from 2018 to March 2023; chairman since April 2023	Provides continuity, but is not an independent chair and shares responsibility for earlier acquisition and R&D decisions

The board had ten directors as of 19 June 2026, six of whom were independent outsiders. The Audit & Supervisory Committee had four members, three independent, and the nomination and compensation committees each had three members, all independent. This is strong structural oversight. The counterweight is that a former CEO chairs the board and

the CEO is a 40-year insider. The formal independence majority therefore matters more than it would at a company with an independent chair.

2. Tenure and track record

Okamura has been CEO for roughly three and a half years at the assessment date, long enough to own current decisions but not enough to demonstrate a full pharmaceutical reinvestment cycle. Three decisions define the record.

Decision	Timing and quantitative evidence	Result so far
Acquire Iveric Bio and build ophthalmology around IZERVAY	Announced immediately after Okamura became CEO; FY2023 acquisition cash paid was JPY784.974bn	IZERVAY sales reached JPY77.6bn in FY2025 and JPY88.9bn TTM, but the European filing withdrawal drove a JPY115.1bn ex-US impairment; the return on purchase price is unproven
Accelerate strategic brands and Sustainable Margin Transformation	FY2024-FY2025 cost optimization was about JPY65bn; FY2025 strategic-brand sales reached JPY480.3bn	FY2025 revenue rose to JPY2,139.2bn, statutory operating profit to JPY382.6bn, and diagnostic ROIC to 13.6% from 1.4% in FY2024; encouraging, but partly a rebound from an impairment-depressed base
Rebuild R&D accountability and prune weak programs	FY2025 R&D was JPY314.8bn; Xyphos impairment approximately JPY12.0bn and AT132 charge JPY16.4bn; CSP2026 targets at least five Phase III or pivotal starts by FY2027 and ten by FY2030	Portfolio pruning is rational and transparent, but pipeline output remains prospective; inherited and internally sponsored platforms have not yet established repeatable productivity

The Iveric decision is the key test. The acquired product is commercially real, not a zero: sales are growing and the US intangible is amortizing. Yet FY2025 sales represented only about 9.9% of the acquisition cash outflow before gross-to-net deductions, commercialization costs, R&D, tax and capital charges. That is not an ROIC calculation, but it illustrates why management has not yet earned a PASS. Astellas also changed its core-profit definition from FY2024 to exclude intangible amortization after the acquisition increased that expense. Core profit is useful operationally, but shareholders should judge acquisition economics on full-basis profit and cash returns as well.

Management did not bury the failure. The Integrated Report states that the IZERVAY impairment exceeded expectations, acknowledges damage to investor trust, and says guidance was made more prudent. CFO Kitamura told investors the company was reviewing why impairments occurred and how to apply lessons to future external acquisitions. That response supports YELLOW rather than FAIL, but accountability must become measurable, not merely verbal.

3. Capital allocation behavior

The following table is reproduced from the DR-cleared data package Sections 7 and 9; values are JPY billions except ratios.

Fiscal year	Capex	Capex / revenue	R&D	R&D / revenue	Buybacks	Dividends	M&A cash paid
FY2021	30.739	2.4%	246.0	19.0%	50.717	85.236	0.229
FY2022	36.441	2.4%	276.1	18.2%	60.556	100.355	0.000
FY2023	38.056	2.4%	294.2	18.3%	10.735	116.653	784.974
FY2024	37.003	1.9%	327.7	17.1%	6.960	128.993	0.000
FY2025	57.723	2.7%	314.827	14.7%	0.730	136.099	0.000

The pattern is coherent with stated priorities: buybacks stopped after the acquisition, dividends rose, and cash was directed to debt reduction, launches and R&D. It is not evidence of price-sensitive repurchasing; buybacks were material in FY2021-FY2022 and then became effectively absent because balance-sheet capacity was consumed. The progressive dividend is shareholder-friendly, but the CSP2026 commitment to increase dividends by at least JPY2 per share annually reduces flexibility just as XTANDI exclusivity expires and late-stage R&D spending rises.

CSP2026 is more disciplined in language than the previous plan. It targets R&D around 20% of revenue, with up to five additional percentage points when pipeline progress warrants; JPY850bn of strategic investment; gross debt/EBITDA of 1.0-1.5x; and no “rescue-type” large deal merely to replace near-term revenue. The shareholder meeting Q&A says Iveric added approximately JPY790bn of interest-bearing debt and that repayment is progressing. This is a sensible correction. The remaining weakness is that Astellas does not publish deal-level return hurdles, post-investment ROIC scorecards or a transparent bridge from acquisition underwriting to realized cash flows.

4. Compensation alignment

The [21st shareholder-meeting notice](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/shareholders-meeting_260527_en_1.pdf) gives the most useful proxy-equivalent disclosure. CEO target pay is weighted roughly 24% fixed, 30% short-term bonus and 46% stock compensation using the stated 1:1.25:1.85 target ratio. Long-term stock compensation is measured over three years using relative TSR versus TOPIX and a global-pharma peer group.

Incentive component	Weight or design	Strength	Weakness
Annual revenue	25% of bonus	Rewards franchise execution	Can reward scale without adequate return on capital
Core operating margin	25% of bonus	Encourages cost discipline	Excludes acquisition amortization and impairment economics
Core EPS	12.5% of bonus	Per-share measure	Still based on adjusted profit
Full-basis EPS	12.5% of bonus	Introduced welcome statutory accountability	Weight is too small relative to adjusted and revenue metrics
R&D performance	25% of bonus	Direct pipeline accountability	Targets are not disclosed in enough detail for shareholders to reproduce the score
Three-year relative TSR	100% of LTI	Aligns with market-relative shareholder return	No explicit ROIC, FCF or economic-profit measure; three years is short for drug development

FY2025's bonus payout rate was 190%: revenue, core margin, core EPS and full-basis EPS each scored 200%; R&D scored 150%; sustainability reduced the result by 2.5 percentage points. This outcome is mechanically consistent with the disclosed formula, but it exposes the design flaw: management can earn near-maximum annual compensation after a period containing substantial acquisition-related write-downs because the acquisition cost is weakly represented in the scorecard.

Consolidated share-based-payment expense is small, so chronic dilution is not the concern.

Fiscal year	Share-based payment expense, JPYbn	Revenue, JPYbn	Expense / revenue
FY2021	2.101	1,296.3	0.16%
FY2022	3.346	1,518.6	0.22%
FY2023	4.322	1,603.7	0.27%
FY2024	4.423	1,912.3	0.23%
FY2025	5.551	2,139.2	0.26%

Okamura owned 84,300 shares at the 2026 meeting. This is meaningful but not founder-like ownership. The company "encourages," rather than requires, the CEO to reach holdings worth 1.5 times annual basic remuneration within four years. Malus and clawback cover bonuses and stock compensation for misconduct, material accounting error or fraud, including the event year and prior three years. The reviewed materials did not disclose a separate hedging-policy statement; absence of evidence should not be read as permission to hedge.

5. Disclosure quality and candor

Eight consecutive official earnings scripts were reviewed live. Together they contained roughly 198 marked analyst questions. Management generally answered with product sales, market share, expense or milestone data and routed technical questions to the accountable functional leader. Deferral language appeared in seven of eight quarters, but most deferrals concerned unreleased clinical data, proprietary supply economics or unresolved regulation. Economically material opacity was concentrated in FY2024 around impairment forecasting and an undisclosed portion of restructuring and risk allowances.

Event	Guidance behavior	Candor and question handling
Q2 FY2024	Raised revenue and core-profit forecasts	Flagged USD1.1bn IZERVAY ex-US intangible at risk, but could not yet quantify outcome
Q3 FY2024	Raised revenue and core profit again	Disclosed JPY180.5bn total impairment, including JPY115.1bn IZERVAY ex-US; CFO acknowledged the need to learn from acquisition mistakes
FY2024 results	Revenue and core profit beat revised forecast	Full-basis economics remained weak; some risk and restructuring details were withheld

Event	Guidance behavior	Candor and question handling
Q1 FY2025	Strong start; deferred a fuller forecast reset to Q2	Disclosed Xyphos pruning and a failed IZERVAY Stargardt endpoint directly
Q2 FY2025	Raised revenue and both core and statutory operating profit	Cut IZERVAY forecast by JPY25bn while raising other brands; balanced disclosure
Q3 FY2025	Raised guidance again	Explicitly said late-stage investment would rise; provided product and statutory bridges
FY2025 results	Beat initial and revised expectations; introduced FY2026 record guidance	Direct on AT132 impairment and XTANDI timing, though core-profit framing remained prominent
Q1 FY2026	Maintained FY2026 guidance despite 26.7% revenue growth	Explained FX and later-year investment rather than annualizing Q1; prudent so far

Guidance credibility is improving. FY2024-FY2025 core operating execution exceeded forecasts, FY2025 guidance was raised twice, and Q1 FY2026 management resisted a premature upgrade because FX, XTANDI timing and R&D phasing made the first quarter unusually strong. The blemish is that forecast credibility on full-basis profit was damaged by impairments that management itself later described as larger than expected. The company's willingness to name failed programs and quantify impairments is better than average; the market still needs consistent statutory delivery.

6. Strategic coherence

Astellas defines its purpose as turning innovative science into "VALUE for patients." CSP2026 translates that broad mission into four financial-operating goals: profitable growth and cash generation, pipeline-led growth, disciplined cash allocation and higher productivity. It targets strategic-brand sales of more than twice FY2025 by FY2030, a 30% core operating margin from FY2027, JPY200bn cumulative cost optimization, at least five Phase III or pivotal starts by FY2027, and pipeline-led growth from FY2029. The [CSP2026 materials](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/CSP2026_script_en.pdf) explicitly acknowledge the XTANDI cliff and competitive threats in KRAS, oncology and ophthalmology.

The investment pattern supports the strategy: R&D is the major reinvestment line, capex is modest, commercial resources are concentrated on five strategic brands, and weak programs have been stopped. The weakness is not strategic incoherence but repeated overconfidence in pipeline conversion. CSP2021's pipeline-value goal was missed because late-stage programs failed to advance. CSP2026 replaces an opaque sales-potential target with milestone counts, which are easier to monitor but can still reward activity rather than risk-adjusted value. Investors should require both milestone delivery and evidence of per-share return.

7. Governance and minority-shareholder flags

Formal shareholder protection is good. Astellas has no controlling shareholder or parent and no dual-class structure. The latest report says cross-shareholdings fell from 106 stocks in 2005 to 17 stocks worth only JPY2.8bn at March 2026. Related-party transactions require board approval, and no material related-party transaction was identified in the reviewed governance and securities reports. The Audit & Supervisory Committee is majority independent, and all members of the nomination and compensation committees are independent.

There are four monitorable blemishes. First, the chair is the former CEO, which weakens perceived separation between oversight and the prior strategy. Second, outside director Andreas Busch resigned immediately before the 2026 meeting; the company disclosed only that it was at his request. Third, ISS opposed new audit-committee member Shigeki Takahara on independence-disclosure grounds related to former employment at Pfizer Japan. Astellas responded that there had been no transactions with Pfizer Japan for three years and he had left six years earlier; shareholders elected him with 80.7% support, materially below the 93%-99% range for other nominees. Fourth, Astellas corrected its meeting notice after reversing the reported TOPIX and company TSR figures. The correction was prompt, but a compensation-table error is not trivial.

No material restatement, internal-control weakness or enforcement action was found in the current official filings reviewed. Japan does not provide US-style real-time Form 4 insider-sale transparency; the absence of a disclosed clustered sale is therefore not equivalent to a fully tested negative finding.

8. Peer comparison

Company and current CEO	Five-year stewardship signal	Relative assessment versus Astellas
Daiichi Sankyo; Hiroyuki Okuzawa since April 2025	Inherited a highly productive ADC franchise and partnership-led capital model; board is independently chaired; current leadership provides clearer long-range portfolio economics	Better recent per-dollar R&D and partnership outcomes; first in this peer set
Shionogi; Isao Teshirogi since 2008	Long record of meeting strategic targets, balance-sheet discipline and shareholder returns; unusually long tenure creates succession risk	Better proven stewardship and owner orientation, though less diversified; second
Takeda; Julie Kim since 2026	New CEO inherited Christophe Weber's Shire integration, deleveraging and global scale; pipeline payoff remains mixed	More proven integration and leverage reduction, but new-CEO continuity risk; broadly ahead on capital-process evidence
Astellas; Naoki Okamura since 2023	Strong launch and cost execution offset by Iveric and other impairment history; more explicit recent pruning and milestone accountability	Fourth today; could move above Takeda if CSP2026 converts to statutory cash returns without further major write-downs

9. Management gate verdict

VERDICT: YELLOW. Okamura and Kitamura are investable managers with good disclosure instincts, a credible turnaround and a governance structure capable of challenging them. They are not yet proven high-return capital allocators: Iveric consumed nearly JPY785bn of acquisition cash, the ex-US thesis was impaired by JPY115.1bn, other acquired platforms have been written down, and incentives still emphasize adjusted profit and relative TSR rather than ROIC or free cash flow. YELLOW is appropriate because management has acknowledged the errors, pruned programs, delevered and improved statutory earnings; a repeat of large acquisition-led value destruction would move the gate to FAIL.

Upgrade to PASS if all occur:

- Full-basis diagnostic ROIC remains above 10% for two consecutive fiscal years through FY2028, without excluding acquisition amortization or impairments.
- Astellas meets its initially issued statutory operating-profit guidance and strategic-brand guidance for two consecutive years, while initiating at least five Phase III or pivotal studies by FY2027.
- No new acquisition-related impairment above JPY50bn occurs, gross debt/EBITDA reaches the stated 1.0-1.5x range, and the board adds an explicit ROIC, FCF or economic-profit measure to long-term incentives.

Downgrade to FAIL if any occur:

- Another acquisition-related impairment above JPY100bn, or a large "rescue" acquisition before leverage returns to target.
- Two material misses of initially issued statutory guidance caused by foreseeable pipeline, launch or impairment assumptions.
- The board weakens independent oversight, permits renewed cross-shareholding growth, or continues near-maximum incentive payouts while per-share full-basis value deteriorates.

Primary-source record

Live evidence was archived under `raw/pulse-cio-20260907T100241+0800/m/`. Core documents include the [2026 Corporate Governance Report](https://www.astellas.com/content/dam/astellas-com/global/en/documents/corporate_governance_report_EN.pdf), [2026 Shareholders Meeting notice](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/shareholders-meeting_260527_en_1.pdf), [Integrated Report 2025](https://www.astellas.com/content/dam/astellas-com/global/en/documents/integrated-reports/integrated-report-2025-en.pdf), [CSP2026 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/CSP2026_script_en.pdf), [FY2025 audited IFRS statements](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/consolidated-financial-statementsconsolidated-financial-statements-under-ifrs-with-independent-auditors-report-fy2025.pdf), [outside-director resignation notice](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/shareholders-meeting_260529_en_2.pdf), [ISS response](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/shareholders-meeting_260529_en_1.pdf), [voting results](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/21st_term_voting_re

sult_en.pdf), and the [shareholder Q&A](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/qa_at_the_21st_term_annual_shareholders_meeting_en.pdf).

Appendix W - Moat

Astellas Pharma Inc. — Moat and 2046 Durability

Ticker: 4503.T **Assessment date:** 2026-09-07, Asia/Singapore **Financial anchor:** TTM ended 2026-06-30; forecast horizon ends 2031-06-30 **2046 test date:** 2046-09-07 **Reporting perimeter:** one modeled segment, **Consolidated company**. Product, therapeutic-area and geographic discussion below is a competitive lens, not invented segment profit disclosure. **Authority:** research only; `trade_execution_authorized=false`.

Executive assessment

Astellas has meaningful but wasting product-level moats. The strongest are clinical-data differentiation, patents and regulatory exclusivity, embedded specialist prescribing pathways, companion-diagnostic or administration infrastructure, and know-how in regulated global development and complex manufacturing. Those protections can sustain individual profit pools for years. They do not establish that the corporation will repeatedly replace expired medicines at high returns for twenty years.

That distinction is decisive. XTANDI generated JPY960.8bn in FY2025, 44.9% of group revenue, while all five Strategic Brands together generated JPY480.3bn. XTANDI's substance patents expire in August 2027 in the United States, June 2028 in Europe and July 2029 in Japan; formulation patents extending into the early 2030s may shape, but do not eliminate, generic risk. PADCEV has exceptional clinical positioning and new indications, yet its worldwide economics are shared approximately 50:50 with Pfizer. Newer, more fully owned launches are promising but still small and require expensive specialist activation. The corporate replacement burden is therefore substantially larger than the current launch headlines suggest.

The governed financial record does not show through-cycle margin persistence consistent with an established corporate moat. Statutory operating margin moved from 12.0% in FY2021 to 1.6% in FY2023, 2.1% in FY2024 and 17.9% in FY2025. The TTM margin recovered to about 20.8%, but a single strong year and quarter do not erase the earlier impairments, launch costs and acquired-intangible burden. The conclusion is **Moat gate: FAIL** under the strict ER2 twenty-year standard, even though several current franchises possess real medium-term defenses. The **2046 test is FAIL** because a specific, observable repeatable discovery-to-commercialization engine has not yet been demonstrated strongly enough to bridge from today's products to protected 2046 profit pools.

1. Moat taxonomy applied

Network effects — absent as a true economic moat. More oncologists using PADCEV or retina specialists using IZERVAY can increase familiarity, referral efficiency and post-marketing evidence, but the medicine does not become intrinsically better for each additional user. Prescribers can switch when superior efficacy, safety or reimbursement appears. VYLOY's companion-diagnostic pathway creates an ecosystem around CLDN18.2 testing, yet competing drugs can use the same biomarker. These are adoption and evidence advantages, not self-reinforcing network economics.

Switching costs — moderate and clinical rather than contractual. Stable patients, transplant protocols and physician familiarity can slow switching; PROGRAF's persistence after generic entry illustrates that clinical routines can preserve a residual franchise. In oncology, however, therapy changes with progression and new lines of treatment, and guidelines can move quickly after decisive trial data. IZERVAY requires monthly intravitreal administration by a qualified physician, embedding it in retina-office workflow, but that also creates treatment burden and gives a competing dosing or safety profile an attack vector. Switching costs help at the margin; they cannot protect XTANDI-like economics after substitutable generics arrive.

Scale economies — present but not unique. Astellas spreads regulatory, pharmacovigilance, market-access and launch infrastructure across products and geographies. Its integrated report identifies 11 manufacturing sites and capabilities spanning small molecules, sterile products, antibodies, ADCs, and cell and gene therapies. Larger peers have comparable or greater scale, making this a shared entry threshold rather than a proprietary moat.

Brand — weak at the corporate level, meaningful only as trust. Prescriptions are selected through clinicians, formularies and guidelines; “Astellas” does not command consumer-style premium pricing. PROGRAF and XTANDI have accumulated trust, but clinical outcomes and guideline position dominate. Brand is supportive, not an independent return source.

Regulatory protection — strong per product, finite by design. Approval packages, validated processes, pharmacovigilance systems and country-by-country reimbursement create material barriers. FDA approval of PADCEV combinations and VYLOY's biomarker-defined indication required large controlled trials and a regulated companion

diagnostic. IZERVAY's label requires qualified-physician intravitreal administration and aseptic handling. These hurdles protect approved products against casual entrants, but do not prevent another sponsor from producing superior evidence. Regulatory exclusivity windows expire; they cannot carry a 2046 thesis without replenishment.

IP and patents — strong now, inadequate as a twenty-year claim. Product composition, formulation, use and manufacturing patents can sustain monopoly-like economics during exclusivity and support lifecycle management. XTANDI demonstrates both the power and the limit: it became the cash engine, yet disclosed substance-patent expiries begin in 2027. Astellas does not disclose a complete global patent and regulatory-exclusivity calendar for the entire portfolio in the governed materials, so this report does not manufacture one. PADCEV, IZERVAY, VYLOY, VEOZAH and XOSPATA have product-specific protected periods, but none should be presumed to protect 2046 economics.

High-trust procurement — moderate. Hospitals, specialists and payers value regulatory compliance, reliable supply, medical information and real-world evidence. Astellas's established oncology, retina and transplant relationships make launch access faster than for a new entrant. The Iveric acquisition explicitly brought an experienced retina team, relationships and an ambition to cover retina accounts and referral networks. Nevertheless, formulary access is contestable and increasingly price-sensitive. Trust helps earn consideration; payers can still impose prior authorization, rebates and negotiated prices.

2. Consolidated-company moat by product and platform

Astellas reports one pharmaceutical segment. The blended company moat is therefore the weighted result of a highly concentrated set of finite franchises plus a not-yet-proven replenishment engine. No standalone product profit is disclosed, and alliance revenue is not equivalent to wholly retained economics.

Product or capability lens	Current defense	Likely durability	What breaks it	Earliest observable signal
XTANDI	Deep prostate-cancer evidence, prescriber familiarity, global access, patents	Strong through remaining exclusivity; sharply weaker from 2027-2029	Generic enzalutamide, payer price reset, newer mechanisms	Generic approvals/launches, US net-price decline, tablet share and volume erosion
PADCEV	Large survival benefit, broadening standard-of-care role, ADC know-how, oncology network	Medium-high for 5-10 years, subject to data and exclusivity	Better ADC/combination, safety burden, partner dependence	Guideline displacement, adverse-event restrictions, slowing new-patient share
IZERVAY	FDA-approved GA therapy, retina account coverage, injection workflow	Medium for 5-10 years; no twenty-year presumption	Better efficacy, less frequent dosing, ocular safety differentiation	New starts, discontinuation, injection frequency, head-to-head perception
VYLOY/CLDN18.2	First-mover evidence, Roche companion diagnostic, testing activation, follow-on modalities	Medium if the franchise expands beyond one antibody	Better CLDN18.2 agents, testing friction, CMO/quality failure	Testing penetration, eligible-patient conversion, competitor Phase 3 data
VEOZAH/XOSPATA	Differentiated labels and specialist evidence	Medium but narrower; small molecules remain copyable after LOE	New mechanisms, payer restrictions, generic entry	Formulary position, prescriptions, net sales per patient
PROGRAF and established products	Protocol familiarity, monitoring complexity, supply reliability	Residual durability, but mature and lower growth	Further generic substitution and tender pressure	Price/mix deterioration and protocol substitution
R&D and modality platforms	Biology-first approach, AI/robotics, TPD/TCE/ADC/cell/gene capabilities	Unproven as a repeatable high-return moat	Clinical attrition, fragmented expertise, external innovation outpacing internal programs	PoC conversion, Phase 3 starts/readouts, discontinuations, impairments

PADCEV is the strongest medium-term franchise. The EV-302 data showed median overall survival of 33.8 months for PADCEV plus pembrolizumab versus 15.9 months for chemotherapy, and the July 2026 US approval extended the combination into perioperative muscle-invasive bladder cancer. Such outcome improvement can entrench guidelines and specialist habits. But the defense is therapeutic, not corporate: Merck supplies pembrolizumab, Pfizer shares PADCEV economics, and a future competitor with better efficacy, tolerability or convenience can reset the standard.

IZERVAY and VYLOY show how commercial infrastructure can magnify a protected product. Iveric supplied retina specialists, regulatory/manufacturing capabilities and market-access infrastructure; VYLOY requires CLDN18.2 testing through an approved Roche assay, giving Astellas a first-mover education advantage. Neither is an unassailable chokepoint. Retina offices can administer competing intravitreal drugs, while the CLDN18.2 biomarker is not proprietary to Astellas. The blended moat is weaker than PADCEV's clinical position because XTANDI concentration, alliance leakage and smaller launch scale dominate consolidated economics.

3. Margin persistence evidence

The data package provides five comparable annual statutory years, not ten; extending beyond that governed history would create an inconsistent series. Because Astellas discloses one reportable segment and no separate segment-profit metric, consolidated statutory operating margin is the only valid segment-level margin history.

Fiscal year ended March	FY2021	FY2022	FY2023	FY2024	FY2025	TTM Jun-26
Revenue, JPY bn	1,296.2	1,518.6	1,603.7	1,912.3	2,139.2	2,274.4
Statutory operating profit, JPY bn	155.7	133.0	25.5	41.0	382.6	472.5
Statutory operating margin	12.0%	8.8%	1.6%	2.1%	17.9%	20.8%

Revenue compounded at about 13.3% from FY2021 to FY2025, yet operating profit was highly non-linear. Diagnostic ROIC likewise ran 8.6%, 7.5%, 0.8%, 1.4% and 13.6%. This is not the stable margin-and-return record expected from a proven twenty-year compounder. Some volatility is intrinsic to expensed R&D and impairments, but that is economically relevant: failed science and acquired-intangible write-downs are part of the cost of replenishment, not noise to be erased.

Recent margins demonstrate operating leverage but not persistence. The four discrete quarters through June 2026 produced margins of 20.0%, 23.5%, 9.1% and 28.8%. Q1 FY2026 benefited from approximately JPY60bn of revenue FX benefit and JPY25.5bn of core operating-profit FX benefit, while management expects investment to rise from Q2. Astellas targets a 30% core operating margin by FY2027, but the moat gate uses observed statutory economics; core targets exclude designated amortization, impairment and other costs that matter to acquired-innovation returns.

Reviewed segment cross-check through 2031

The peer-reviewed consolidated appendix independently confirms that the moat question is a portfolio-transition problem rather than a smooth growth extrapolation. Its 50%-weighted base case has XTANDI falling from JPY1,004.4bn TTM to JPY337.3bn by June 2031, while PADCEV rises to JPY557.3bn, IZERVAY to JPY190.7bn, VEOZAH to JPY131.5bn, VYLOY to JPY210.9bn, and pipeline/new launches contribute JPY200.0bn. Despite those offsets, consolidated revenue reaches only JPY2,308.6bn versus JPY2,274.4bn TTM, and statutory operating margin falls to 11.5% in June 2029 before recovering to 17.0% in June 2031. Statutory operating profit ends at JPY392.5bn, below the JPY472.5bn TTM anchor.

The reviewed range is appropriately wide: June 2031 revenue and statutory margin are JPY1,595.5bn/10.0% in bear, JPY2,308.6bn/17.0% in base, and JPY3,211.9bn/24.0% in bull. The bull requires slower XTANDI erosion, strong multi-brand scaling, JPY380bn of pipeline revenue, 20% R&D intensity and lower SG&A intensity together. The bear retains 25% R&D during a revenue trough and produces only JPY159.6bn of operating profit. This asymmetry supports—not changes—the moat FAIL: even a successful five-year transition does not prove that the replenishment engine compounds through 2046.

4. Pricing power verification

Observable pricing power is weak. Sales growth has come primarily from prescription volume, new indications, geography and currency rather than disclosed broad net-price increases with stable retention. The company does not provide product-level gross-to-net history, churn, multi-year escalators or minimum commitments. Pharmaceutical demand is not subscription demand: patients and prescribers do not sign durable contracts protecting price.

The clearest contrary evidence is public procurement policy. CMS set a calendar-2027 maximum fair price of **$7,004** for a 30-day XTANDI supply versus a 2024 list price of **$13,480**, a 48% discount. List-price comparison is not the same as the change from Astellas's already-rebated net realization, so this report does not overstate the exact profit impact. It does show that the largest franchise cannot unilaterally preserve US price. Japan's administered pricing and other countries' health-technology assessments add further constraints.

Strategic Brand launches can improve mix and clinical outcomes strengthen negotiation leverage. But Astellas shares PADCEV economics and paid Pfizer a JPY248.2bn XTANDI US co-promotion fee in FY2025. That fee should decline with sales, making the post-LOE profit hit smaller than the revenue hit; it is not pricing power. Upgrade evidence would require stable product-level net sales per patient despite payer pressure, with continued access and volume—data not disclosed.

5. AI disruption stress test

The core pharmaceutical product is not a prompt-to-output workflow. A model cannot replicate an approved molecule, pivotal clinical data, GMP process, regulatory license, pharmacovigilance system, specialist adoption or payer contract. Thus in-market medicines are protected chokepoint economics for the duration of exclusivity. Complex ADC, sterile intravitreal, cell

and gene manufacturing increases the physical and regulatory burden.

AI can nevertheless compress the upstream advantage. Astellas says its human-in-the-loop AI/robotics platform may reduce candidate-discovery time by about 70%, and CSP2026 embeds AI and data-driven decisions across R&D. Yet this is not proprietary evidence of superior outcomes: AstraZeneca reports that more than 90% of its small-molecule discovery pipeline is AI-enabled, while Pfizer describes AI across discovery, development, regulatory, medical and commercial activities. Model architectures, compute and public biology diffuse broadly. AI may expand the number of credible drug programs and increase competition for targets, trials and patients faster than it improves any one company's win rate.

The **most AI-exposed capability is early small-molecule discovery**, where prediction and design tools become common. The **most protected capability is regulated commercialization and manufacturing of complex approved modalities**, particularly where validated process know-how, specialist administration and post-marketing evidence matter. Astellas's advantage will exist only if AI produces better PoC conversion, faster trials, fewer late failures and superior retained economics—not because it owns AI tools. Monitor clinical productivity rather than digital-initiative counts.

6. The 2046 test

Base description as of 2046-09-07: Astellas would sell precision oncology, retinal/regenerative and selected neuromuscular therapies to hospitals, specialists and public/private payers. The surviving businesses would combine biomarker-selected medicines, ADCs or immune engagers, and complex cell/gene or regenerative products delivered through regulated manufacturing and specialist networks. XTANDI and today's Strategic Brands would be mature, generic/biosimilar, or replaced; the economic core would need to be multiple successor franchises generated by the Focus Area system and selective business development. Operating margin could be in the mid-teens to low-20s directionally—similar to the current recovered statutory range, not structurally higher—because high gross margins would fund continuous R&D, market access and complex manufacturing.

This is a coherent pharmaceutical business description, but it does **not** clear the test as an underwriting fact. The named therapies are categories, not evidenced 2046 products. Current patents cannot bridge twenty years, and today's pipeline extends management's visibility into the mid-2030s, not 2046. CSP2026 targets more than ten Phase 3/pivotal starts by FY2030 and about JPY1tn of pipeline revenue potential in the mid-2030s, while base R&D averages 20% of revenue plus up to 5% incremental acceleration. Those targets show commitment, not repeatable realized returns. The five-year ROIC and impairment record provides insufficient proof that Astellas consistently converts this spending into protected profits.

Bear description: By 2046, Astellas is a smaller, acquisition-dependent specialty pharma company. XTANDI cash flows vanished faster than replacement brands scaled; PADCEV economics were shared and eventually displaced; retina and CLDN18.2 first-mover advantages diffused; externally purchased programs generated amortization and impairments; and payer negotiation compressed net pricing. AI increased industry discovery throughput but did not confer differentiation, causing more competing assets and higher clinical-development congestion. The company still sells medicines, but margins and returns resemble an average innovator rather than a durable compounder.

That bear mechanism is credible enough to fail the current test. Failure does not mean Astellas will disappear or that no future blockbuster will emerge. It means evidence available on 2026-09-07 cannot identify the specific protected 2046 profit pool or demonstrate a replenishment process with sufficiently persistent statutory returns. The probability is not precisely quantifiable from disclosed data, but it is material—not a remote tail—given the 2027-2029 cliff, concentrated alliance economics and volatile historical returns.

7. Competitive threat inventory

Threat	Mechanism	Segment/product lens	Earliest observable signal	Plausibility
XTANDI LOE and payer reset	Generic substitution and negotiated net-price pressure	Consolidated / XTANDI	Generic launch dates, CMS realization, branded volume and co-promotion-fee decline	High
Clinical leapfrogging	Superior ADC, targeted agent, combination, dosing or safety profile changes guidelines	PADCEV, IZERVAY, VYLOY, VEOZAH	Phase 3 readouts, label changes, guideline placement, new-patient share	High
Replenishment shortfall	PoC assets fail, pivotal starts slip, acquired science disappoints	R&D platform / consolidated	Phase 3 starts below plan, discontinuations, impairments, pipeline target cuts	Medium-high

Threat	Mechanism	Segment/product lens	Earliest observable signal	Plausibility
Alliance dependence	Partner priorities, shared economics and combination dependency dilute control and return	PADCEV, XTANDI	Contract changes, development delays, partner spend or strategy shift	Medium
Complex-modality execution	CMC, inspection, CMO, sterile/biologic supply or scale-up failure delays launch	VYLOY, IZERVAY, ADC/cell/gene pipeline	FDA observations, shortages, recalls, filing delays, capacity slippage	Medium

8. Monitorable gate conditions

Upgrade toward YELLOW, then PASS: Strategic Brands must replace a substantial part of XTANDI's retained profit—not merely revenue—while statutory operating margin remains above roughly 15% through the 2027-2029 LOE period. At least several non-lifecycle pipeline assets should deliver positive Phase 3 data and approvals on schedule, with evidence that internal Focus Area programs produce competitive products rather than relying mainly on expensive rescue acquisitions. Disclosed net-price/access trends should show that clinically differentiated brands retain economic value despite CMS, rebates and non-US reimbursement. ROIC should remain clearly above the five-year trough and avoid repeated major acquired-intangible impairments.

Downgrade reinforcement: Faster XTANDI erosion, Strategic Brand sales below plan, guideline displacement of PADCEV, weak IZERVAY persistence, low CLDN18.2 testing conversion, or manufacturing/regulatory disruption would reinforce FAIL. So would missed pivotal-start targets, repeated PoC reversals, renewed large-acquisition dependence, or statutory margin returning to low single digits. AI spending without measured clinical productivity is neutral.

9. Verdict

Moat gate: FAIL. Astellas has real product-level defenses—especially PADCEV's clinical evidence, finite IP/exclusivity, specialist networks and complex regulated execution—but the blended consolidated moat is dominated by XTANDI concentration, payer exposure, alliance leakage and a volatile margin/ROIC history. Present scale and scientific breadth have not yet demonstrated a repeatable, high-return corporate replenishment engine.

2046 test: FAIL. A plausible 2046 Astellas can be described only at the level of future oncology, ophthalmology and complex-modality categories; today's specific protected profit pools expire well before then. Astellas can upgrade only by navigating the XTANDI cliff with durable statutory margins and repeatedly converting its current R&D platforms into multiple owned, clinically differentiated franchises.

Primary evidence

- [Astellas FY2021-FY2025 and Q1 FY2026 governed history in the ER2 data package](./data_package.md)
- [Astellas Corporate Strategic Plan 2026](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/astellas_csp2026_presentation_20260526_en.pdf)
- [Astellas Integrated Report 2025](https://www.astellas.com/content/dam/astellas-com/global/en/documents/integrated-reports/integrated-report-2025-en.pdf)
- [Astellas current pipeline, updated 2026-08-05](https://www.astellas.com/en/science/research-and-development/pipeline)
- [Astellas shareholder Q&A on XTANDI patents](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/shareholders-meeting/QA%20at%20the%2017th%20Annual%20Shareholders%20Meeting_en.pdf)
- [CMS negotiated prices for initial price applicability year 2027](https://www.cms.gov/files/document/fact-sheet-negotiated-prices-ipay-2027.pdf)
- [Astellas PADCEV collaboration business update](https://www.astellas.com/content/dam/astellas-com/global/en/documents/financial-results/presentation-material-for-information-meeting-%28q3-ytd-fy2023%29-q3-2023.pdf)
- [Astellas PADCEV July 2026 US approval](https://newsroom.astellas.com/2026-07-13-us-fda-approves-padcev-plus-keytruda-as-neoadjuvant-and-adjuvant-treatment-for-muscle-invasive-bladder-cancer-regardless-of-cisplatin-eligibility)
- [Astellas Iveric Bio acquisition presentation](https://www.astellas.com/content/dam/astellas-com/global/en/documents/financial-results/presentation-material-for-information-meeting-%28q1-ytd-fy2024%29-q1-2023.pdf)

- [FDA IZERVAY prescribing information](https://www.accessdata.fda.gov/drugsatfda_docs/label/2025/217225s001lbl.pdf)
- [Astellas VYLOY US approval and companion diagnostic](https://newsroom.astellas.com/2024-10-21-Astellas-VYLOYTM-zolbetuximab-clzb-Approved-by-U-S-FDA-for-Treatment-of-Advanced-Gastric-and-GEJ-Cancer)
- [Astellas manufacturing and supply network](https://www.astellas.com/en/science/manufacturing-and-supply)
- [AstraZeneca AI in R&D, 2026](https://www.astrazeneca.com/r-d/science-and-technologies/ai-data.html)
- [Pfizer 2025 Annual Review: Scaling AI Impact](https://annualreview.pfizer.com/)

Live evidence and hashes are archived under `raw/pulse-cio-20260907T100241+0800/w/`. No cache or warehouse file was used as an input.

Appendix B1 - Consolidated Company

Consolidated company — Segment Deep Dive

Company: Astellas Pharma Inc. **Ticker:** 4503.T **Forecast anchor:** TTM ended 2026-06-30 **Exact five-year endpoint:** 2031-06-30 **Currency:** JPY billions unless stated otherwise **Modeled financial segments:** one, named **Consolidated company Exact profit metric: Statutory operating income (single-segment consolidated fallback) Authority:** research only; `trade_execution_authorized=false`

0. Segment boundary and taxonomy note

Astellas discloses one reportable pharmaceutical business segment. The sealed statutory bridge confirms that neither the filings nor the required live FMP product endpoints disclose a segment-profit value, so this appendix uses the contractually permitted one-line modeling convention, **Consolidated company**. It is not an issuer-described operating segment and it must not be split into product, therapeutic-area, or geographic financial segments. The reportable structure has been stable since FY2023. Geography definitions changed through transfers involving Australia, selected International Markets, and Taiwan, but those are revenue-disclosure taxonomy changes rather than a reportable-segment realignment. Product franchises below are revenue and economic drivers only. They never become separate profit segments. [data_package §1, “Business model, segment schema and reporting basis”; §3, “Segment historicals — sealed modeling segment”]

The sealed bridge basis is `single_segment_consolidated_fallback`, and its required label is **Statutory operating income (single-segment consolidated fallback)**. The latest-FY and TTM values are JPY382.633bn and JPY472.492bn, respectively. The model does not introduce corporate allocations or product margins because the bridge arrays for corporate/unallocated and operating adjustments are empty, and product-level retained profit is not disclosed. [data_package §3a, FY2025 bridge and TTM bridge; statutory_bridge.json, `segment_profit_basis` and `periods`]

1. What this segment actually is

Astellas is a global prescription-drug developer and commercializer. Revenue is earned primarily when medicines are sold through wholesalers, hospitals, specialty pharmacies, and national health systems. The economics differ from an ordinary branded-goods business: clinical evidence, regulatory approval, formulary access, reimbursement, physician adoption, manufacturing quality, and patent or regulatory exclusivity determine the commercial life of each medicine. Pricing is negotiated or regulated market by market, and the company must fund long-duration research before knowing whether a program will become an approved product.

The current portfolio has one outsized mature engine and several newer growth franchises. XTANDI, an androgen-receptor inhibitor for prostate cancer, generated JPY1,004.4bn in the TTM, almost 44% of consolidated revenue. PADCEV, an antibody-drug conjugate used in urothelial cancer, generated JPY241.2bn. Strategic launches also include IZERVAY for geographic atrophy, VEOZAH for menopausal vasomotor symptoms, VYLOY for CLDN18.2-positive gastric or gastroesophageal-junction cancer, and the established leukemia medicine XOSPATA. PROGRAF and the mirabegron franchise provide mature cash flows but have lower structural growth. [data_package §0a.1, product rows; §4, product descriptions]

Go-to-market is indication-specific. Oncology products require medical education, diagnostic and treatment-pathway adoption, reimbursement, and evidence in multiple lines of therapy. Ophthalmology requires retinal-specialist access and repeated intravitreal-treatment capacity. Women’s health requires awareness and prescriber comfort with a new nonhormonal mechanism. Mature products depend more on geographic reach, supply reliability, price, and lifecycle management. Consequently, aggregate revenue growth is a portfolio sum rather than a single unit-volume formula.

Two alliances need special treatment. For XTANDI, Astellas books worldwide sales, pays Pfizer a share of US profit as a co-promotion fee within SG&A, and pays Pfizer royalties outside the United States. TTM US co-promotion fees were JPY252.8bn. For PADCEV, Pfizer books Americas sales and Astellas recognizes 50% of gross profit as PADCEV-related product revenue; ex-Americas Astellas books sales and pays Pfizer its share of gross profit. The PADCEV arrangement aims at an approximately 50:50 global profit split, but the detailed regional mechanisms vary. In this appendix each alliance is counted once: XTANDI fee economics appear once in consolidated cost assumptions, and PADCEV’s reported Astellas revenue line is forecast once without inventing another global-sales or product-profit line. [data_package §4, “XTANDI” and “PADCEV and Pfizer collaboration”]

2. Current economics at the TTM anchor

TTM revenue was JPY2,274.365bn, derived in the cleared package from Q2 FY2025 through Q1 FY2026. **Statutory operating income (single-segment consolidated fallback)** was JPY472.492bn, a 20.8% margin. The last four quarterly margins ranged from 9.1% to 28.8%, demonstrating that quarterly mix, foreign exchange, launch spending, R&D timing, amortization, impairment, and other designated items can overwhelm smooth product-sales growth. Q1 FY2026 benefited from approximately JPY60.0bn of revenue and JPY25.5bn of core profit from currency; it therefore cannot be annualized as steady state. [data_package §5, discrete-quarter table and discussion; §3a, TTM bridge]

The TTM product mix was XTANDI JPY1,004.4bn, PADCEV JPY241.2bn, PROGRAF JPY215.0bn, mirabegron JPY210.1bn, IZERVAY JPY88.9bn, XOSPATA JPY76.4bn, VYLOY JPY70.2bn, VEOZAH JPY51.9bn, and other established products JPY316.265bn. The last amount is the transparent residual needed to tie disclosed products to consolidated revenue, not a reported business unit. Newly modeled pipeline products have zero revenue at the anchor because the data package does not disclose approved sales for those investigational programs. The eight named products plus the residual equal JPY2,274.365bn exactly.

Capital intensity is low in physical terms but high in intellectual investment. FY2025 capital expenditure was JPY57.723bn, only 2.7% of revenue, while R&D was JPY314.827bn, 14.7% of revenue. Management's new plan is more demanding than that historical ratio: base R&D is intended to be about 20% of revenue, with as much as five additional percentage points when opportunities justify it. That is the relevant reinvestment burden for the forecast. Manufacturing assets matter, but R&D, launch infrastructure, medical affairs, and acquired intangible amortization are the dominant economic charges. [data_package §7a, capital-allocation history; §6, R&D financial framework]

The immediate management anchor is FY2026 guidance: revenue JPY2,220bn, **Statutory operating income (single-segment consolidated fallback)** JPY395bn, strategic-brand sales JPY610bn, XTANDI JPY910bn, the US XTANDI co-promotion fee JPY216bn, and R&D JPY355bn. Despite an unusually strong Q1, guidance was maintained because investment was expected to increase from Q2. That creates a credible near-term reset from the 20.8% TTM margin to roughly the high teens before patent erosion becomes dominant. [data_package §7, FY2026 full-year guidance]

3. Unit economics

At the consolidated level, revenue becomes **Statutory operating income (single-segment consolidated fallback)** after product cost, alliance payments, commercial and administrative expense, R&D, amortization, impairments, restructuring, and other IFRS operating items. The disclosure does not provide a clean gross margin or retained product profit for every named medicine, so a product-by-product profit matrix would create false precision. This model instead forecasts product revenue and then applies a consolidated cost bridge whose components are constrained by disclosed alliance fees, the R&D framework, observed statutory volatility, and the product-cycle mix.

Revenue quality differs by line. XTANDI has scale, physician familiarity, broad prostate-cancer use, and still-positive demand, but it faces disclosed substance-patent expiries in August 2027 in the United States, June 2028 in Europe, and July 2029 in Japan, with earlier expiries in several smaller markets. PADCEV and newer strategic brands are still expanding indications and geographies, so their incremental revenue can leverage existing infrastructure. Mature franchises can contribute cash but generally lack enough growth to replace XTANDI. Pipeline assets may add revenue from FY2029, but the package gives no asset-level probabilities, costs, or approved launch dates. [data_package §4, patent and product sections; §6, milestone inventory]

XTANDI's US co-promotion fee creates an important offset to the patent cliff. The fee was JPY252.8bn TTM and management guides JPY216bn for FY2026, then expects it to be virtually eliminated by FY2030 as US sales fall. A decline in XTANDI sales therefore does not translate yen-for-yen into lost **Statutory operating income (single-segment consolidated fallback)**: lower US gross profit is partly offset by a lower fee paid to Pfizer. The model explicitly schedules both sales erosion and fee contraction. The fee is included once within consolidated SG&A and is not subtracted again from XTANDI revenue or product profit.

PADCEV has the opposite presentation hazard. Reported Astellas revenue in the Americas is already a share of gross profit because Pfizer books end-customer sales; outside the Americas Astellas books product sales and pays Pfizer its share. Adding a second 50% profit-share expense to the reported revenue line would double count the alliance. The forecast grows the Astellas-recognized line as disclosed and leaves the undisclosed regional settlement mechanics inside consolidated costs. It never claims that JPY241.2bn is global in-market sales, and it never assigns PADCEV an undisclosed margin.

Margin can break upward if strategic-brand volume absorbs launch infrastructure, R&D productivity reduces abandoned-program charges, the XTANDI fee collapses faster than the revenue stream, mature-product manufacturing stays efficient, and designated impairments normalize. It can break downward if generic erosion is faster than fee relief, strategic launches require more sales and medical-affairs support, pipeline activity pushes R&D toward 25% of revenue, product mix has lower retained economics, currencies reverse, or acquired programs generate amortization and impairments. The FY2023–FY2025 statutory margins of 1.6%, 2.1%, and 17.9% show why normalization cannot simply erase designated items; those charges are part of the economic record. [data_package §2 and §3]

4. Competitive dynamics

Competition operates by disease setting rather than at the consolidated-company level. In prostate cancer, XTANDI competes with other androgen-receptor pathway inhibitors, generic abiraterone, chemotherapy, radiopharmaceuticals, and evolving combination regimens. Its long commercial history and extensive evidence base support continued use before loss of exclusivity, but patented pricing is not durable beyond generic entry. The relevant “share” signal available in the package is financial concentration: XTANDI represents about 44% of TTM revenue. The package does not disclose prescription share or patient share, so this appendix does not invent either.

PADCEV competes in a fast-changing urothelial-cancer treatment landscape that includes checkpoint inhibitors, other antibody-drug conjugates, chemotherapy, and targeted options for molecularly selected patients. Its advantage is clinically meaningful positioning and expanding perioperative and earlier-line settings. Its competitive risk is not simply another branded drug: new standards of care can reorder combinations, duration, sequencing, and the eligible population. The 50:50 collaboration shares economics with Pfizer but also broadens development and commercial resources. Expansion through EV-303, EV-304, and EV-309 is the largest visible near-term volume driver.

IZERVAY competes in geographic atrophy against another approved complement-pathway therapy and future ocular modalities. Uptake depends on retinal-specialist capacity, injection burden, safety perception, and observed functional benefit rather than only label size. VEOZAH competes against hormonal therapy, nonhormonal generics, and behavior or symptom-management alternatives; reimbursement and prescriber awareness are meaningful constraints. VYLOY competes within gastric and gastroesophageal-junction cancer against immunotherapy, chemotherapy, HER2-directed approaches, and other biomarker-targeted agents; companion-diagnostic testing and label penetration matter. XOSPATA faces competing AML regimens and combination strategies.

Pricing power is strongest where a therapy is differentiated, evidence is compelling, alternatives are limited, and access is manageable. It weakens sharply at loss of exclusivity or when payers can use therapeutic substitutes. Astellas has scale and global regulatory capability, but it does not have platform-level immunity from product cycles. Barriers to entry are high before approval—science, trials, manufacturing quality, regulatory execution, and commercialization—but much lower economically after a small-molecule patent cliff. Biosimilar or complex-biologic erosion can be slower than small-molecule generic erosion, but this appendix does not assume that advantage for XTANDI.

Current third-party market-share figures were not required for the cleared package and are not available on a consistent, indication-matched basis in it. Rather than splice incomparable prescription, value, or global-market measures, the model uses Astellas sales, explicit patent dates, alliance rules, approvals, and milestone timing. `[DATA GAP: consistent current patient- or prescription-share data for each major franchise are not present in the cleared data package.]`

5. Moat at the segment level

The moat is a portfolio of temporary product monopolies, accumulated clinical evidence, regulatory know-how, physician relationships, manufacturing quality systems, and the ability to fund global trials. It is real but wasting. The strongest current asset-level protection is the clinical and commercial franchise around XTANDI and PADCEV, yet XTANDI’s disclosed patent calendar makes its economic moat explicitly finite. PADCEV’s expanding evidence and indications can deepen its position, but alliance sharing caps Astellas’s retained economics relative to wholly owned assets.

Astellas’s global development and commercialization infrastructure is more durable than any single patent. It can extend brands into new indications and countries, manage companion diagnostics, and support complex regulatory filings. Scale also allows the company to carry multiple late-stage programs, which diversifies binary risk. However, the FY2023 acquisition outflow of JPY785bn and subsequent impairment history show that capital alone does not guarantee research productivity. The moat must be renewed through clinically differentiated approvals, not through accounting goodwill.

Over five years, the defensible advantage is moderate rather than exceptional. The company should retain a viable specialty-pharma franchise, but the model cannot assume that launch brands inherit XTANDI's margin or peak scale. Over ten years, durability depends on pipeline conversion. Management's target of more than ten Phase 3 or pivotal starts by FY2030 and roughly JPY1tn of potential mid-2030s pipeline sales demonstrates ambition, not protection. The bear case treats the current moat as insufficient to prevent a deep revenue trough; the bull case requires several assets to validate the pipeline engine.

6. Historical growth rates

The table reproduces directly disclosed FY2023–FY2025 values for every named product. "Three-year CAGR" means the CAGR across the two annual intervals from FY2023 to FY2025. The residual is the arithmetic difference between consolidated revenue and the eight disclosed products; it is the only calculated product-basket row and is not an issuer segment. All citations point to specific rows in the cleared packet.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	Three-year CAGR	Most recent YoY	Data package cite
Consolidated company	1,603.672 [DP §3, Revenue row]	1,912.323 [DP §3, Revenue row]	2,139.245 [DP §3, Revenue row]	15.5% [DP §3, Revenue row]	11.9% [DP §3, YoY row]	data_package §3, Revenue and YoY rows
XTANDI	750.5 [DP §0a.1, XTANDI row]	912.3 [DP §0a.1, XTANDI row]	960.8 [DP §0a.1, XTANDI row]	13.1% [DP §0a.1, XTANDI row]	5.3% [DP §0a.1, XTANDI row]	data_package §0a.1, XTANDI row
PADCEV	85.4 [DP §0a.1, PADCEV row]	164.1 [DP §0a.1, PADCEV row]	221.2 [DP §0a.1, PADCEV row]	60.9% [DP §0a.1, PADCEV row]	34.8% [DP §0a.1, PADCEV row]	data_package §0a.1, PADCEV row
XOSPATA	55.1 [DP §0a.1, XOSPATA row]	68.0 [DP §0a.1, XOSPATA row]	71.8 [DP §0a.1, XOSPATA row]	14.2% [DP §0a.1, XOSPATA row]	5.6% [DP §0a.1, XOSPATA row]	data_package §0a.1, XOSPATA row
PROGRAF	203.1 [DP §0a.1, PROGRAF row]	201.0 [DP §0a.1, PROGRAF row]	207.7 [DP §0a.1, PROGRAF row]	1.1% [DP §0a.1, PROGRAF row]	3.3% [DP §0a.1, PROGRAF row]	data_package §0a.1, PROGRAF row
Mirabegron franchise	198.1 [DP §0a.1, BETANIS row]	170.0 [DP §0a.1, BETANIS row]	189.7 [DP §0a.1, BETANIS row]	-2.1% [DP §0a.1, BETANIS row]	11.6% [DP §0a.1, BETANIS row]	data_package §0a.1, BETANIS/MYRBETRIQ/BETMIGA row
IZERVAY	12.1 [DP §0a.1, IZERVAY row]	58.3 [DP §0a.1, IZERVAY row]	77.6 [DP §0a.1, IZERVAY row]	153.2% [DP §0a.1, IZERVAY row]	33.1% [DP §0a.1, IZERVAY row]	data_package §0a.1, IZERVAY row
VEOZAH	7.3 [DP §0a.1, VEOZAH row]	33.8 [DP §0a.1, VEOZAH row]	46.6 [DP §0a.1, VEOZAH row]	152.7% [DP §0a.1, VEOZAH row]	37.9% [DP §0a.1, VEOZAH row]	data_package §0a.1, VEOZAH row
VYLOY	Pre-launch [DP §0a.1, VYLOY row]	12.2 [DP §0a.1, VYLOY row]	63.1 [DP §0a.1, VYLOY row]	Not meaningful [DP §0a.1, VYLOY row]	417.2% [DP §0a.1, VYLOY row]	data_package §0a.1, VYLOY row
Other established products, residual	292.072 [DP §3 Revenue less §0a.1 rows]	292.623 [DP §3 Revenue less §0a.1 rows]	300.745 [DP §3 Revenue less §0a.1 rows]	1.5% [same disclosed-row arithmetic]	2.8% [same disclosed-row arithmetic]	data_package §3 Revenue row and §0a.1 named-product rows
Pipeline / new launches	Pre-launch [DP §6, milestone rows]	Pre-launch [DP §6, milestone rows]	Pre-launch [DP §6, milestone rows]	Not meaningful [DP §6, milestone rows]	Not meaningful [DP §6, milestone rows]	data_package §6, pipeline inventory

Arithmetic checks pass within the 2% contract tolerance. XTANDI: 912.3 × 1.053 = 960.7, versus 960.8 reported. PADCEV: 164.1 × 1.348 = 221.2. XOSPATA: 68.0 × 1.056 = 71.8. PROGRAF: 201.0 × 1.033 = 207.6. Mirabegron: 170.0 × 1.116 = 189.7. IZERVAY: 58.3 × 1.331 = 77.6. VEOZAH: 33.8 × 1.379 = 46.6. VYLOY: 12.2 × 5.172 = 63.1. Consolidated company: 1,912.323 × 1.119 = 2,139.883, within 0.03% of JPY2,139.245bn because the published percentage is rounded. No named-product historical row is back-solved; only the explicitly labeled consolidated-revenue residual is calculated.

7. Management guidance and quoted anchors

Every forward-looking excerpt in the data package's management ledger is reproduced below. Interpretations are underwriting constraints, not endorsements.

- **Q2 FY2025, CEO, data_package §6a row 1:** "significant upward revision of our full-year forecast." The raise establishes recent execution credibility but is a discrete forecast change, not a perpetual growth rate.
- **Q2 FY2025, CEO, data_package §6a row 2:** "strong growth momentum to continue in H2 of FY2025." The subsequent FY2025 outcome validates that near-term statement; it does not answer the 2028 patent-cliff question.
- **Q3 FY2025, CFO, data_package §6a row 3:** "further growth to continue in FY2026 as well." This supports positive strategic-brand growth in 2027, while the maintained FY2026 guide constrains consolidated extrapolation.
- **Q3 FY2025, CFO, data_package §6a row 4:** "investments to increase aligned with the progression to late-stage development." Base and bear margins therefore include rising R&D rather than treating pipeline work as free optionality.

- **FY2025, CEO, data_package §6a row 5:** “performance is forecast to reach record-high results.” The JPY2,220bn revenue and JPY395bn exact-metric profit guides define the fiscal anchor.
- **FY2025, Chief Commercial and Medical Affairs Officer, data_package §6a row 6:** “expect the EV-304 approval by the PDUFA date.” US approval occurred in July 2026; the forecast incorporates indication expansion through PADCEV revenue, not as a second pipeline line.
- **CSP2026, CEO, data_package §6a row 7:** “drive growth from FY2029 through pipeline assets.” Pipeline/new-launch revenue begins in 2029 in base and bull; bear delays meaningful contribution until 2030.
- **CSP2026, CEO, data_package §6a row 8:** “increase the dividend by minimally JPY2 annually.” This is a cash-allocation constraint rather than a segment cost; it matters to financial flexibility but is below the exact profit metric.
- **Q1 FY2026, CFO, data_package §6a row 9:** “strong growth momentum of Strategic Brands is expected to continue.” The model uses high but decelerating growth for the five strategic brands rather than repeating Q1 percentages for five years.
- **Q1 FY2026, CFO, data_package §6a row 10:** “further increase of investment from Q2 onwards.” The 28.8% Q1 exact-metric margin is not annualized.

Numeric guidance from data_package §7 is equally binding: FY2026 revenue JPY2,220bn; **Statutory operating income (single-segment consolidated fallback)** JPY395bn; strategic brands JPY610bn; XTANDI JPY910bn; US XTANDI co-promotion fee JPY216bn; R&D JPY355bn. The guidance is fiscal-year based and is not confused with the exact TTM+5 endpoint.

8. Forward growth assumptions

The starting point is TTM ended 2026-06-30. The “historical CAGR” column refers to FY2023–FY2025 across two annual intervals. Latest YoY uses FY2025 where a clean disclosed fiscal comparison exists; recent Q1 acceleration is discussed in the justification. The pipeline line has no mathematical CAGR from zero and is modeled in absolute yen.

8.1 Base case growth assumptions

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
XTANDI	13.1%	5.3%; Q1 18.7% reported	JPY910bn FY2026	-19.6%	Brief 2027 growth gives way to staged US, Europe, and Japan erosion in 2028–2030; Q1 ex-FX growth was only about 7%.
PADCEV	60.9%	34.8%; Q1 36.0%	Strategic-brand group JPY610bn	18.2%	EV-303/304 expansion and filings sustain growth, but scale and alliance presentation drive deceleration from the historical launch rate.
XOSPATA	14.2%	5.6%; Q1 27.3%	Included in strategic-brand group	5.7%	Smaller oncology growth continues but normalizes as the established brand matures.
PROGRAF	1.1%	3.3%	Not separately disclosed	-0.8%	Stable transplant demand is offset by mature-product pricing and erosion.
Mirabegron franchise	-2.1%	11.6%	Not separately disclosed	-11.3%	A near-term rebound does not reverse mature-franchise erosion and competitive substitution over five years.
IZERVAY	153.2%	33.1%; Q1 70.3%	Included in strategic-brand group	16.5%	China filing and lifecycle work expand reach, while retinal capacity and competition cause a steep, explicit launch deceleration.
VEOZAH	152.7%	37.9%; Q1 54.8%	Included in strategic-brand group	20.4%	Geographic expansion and Japan filing support uptake; awareness, reimbursement, and competition prevent repetition of launch CAGR.

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
VYLOY	Not meaningful	417.2%; Q1 50.7%	Included in strategic-brand group	24.6%	Biomarker testing and geographic adoption support high growth from a small base, decelerating as the initial launch cohort matures.
Other established products	1.5%	2.8%	Not separately disclosed	-4.0%	Portfolio maturity and price erosion outweigh individual small launches.
Pipeline / new launches	Not meaningful	Not meaningful	Growth from FY2029	JPY200bn in 2031	The base case adds only JPY20bn in 2029, JPY90bn in 2030, and JPY200bn in 2031, well below the mid-2030s ambition.

8.2 Bull case growth assumptions

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
XTANDI	13.1%	5.3%; Q1 18.7% reported	JPY910bn FY2026	-11.1%	Channel durability, later effective generic penetration, and stronger non-US demand soften but do not remove the disclosed cliffs.
PADCEV	60.9%	34.8%; Q1 36.0%	Strategic-brand group JPY610bn	24.0%	Rapid earlier-line uptake and successful filings sustain a stronger scale curve, still below the historical launch CAGR.
XOSPATA	14.2%	5.6%; Q1 27.3%	Included in strategic-brand group	10.3%	Durable geographic and treatment-setting demand keeps growth near the long-run historical rate.
PROGRAF	1.1%	3.3%	Not separately disclosed	1.0%	Supply reliability and geographic demand broadly offset mature-product pricing.
Mirabegron franchise	-2.1%	11.6%	Not separately disclosed	-6.0%	Lifecycle management and geography soften erosion without restoring durable growth.
IZERVAY	153.2%	33.1%; Q1 70.3%	Included in strategic-brand group	24.7%	Strong specialist uptake, China expansion, and favorable delivery innovation preserve above-base growth.
VEOZAH	152.7%	37.9%; Q1 54.8%	Included in strategic-brand group	29.9%	Japan and other geographic adoption broaden the addressable population with improving reimbursement.
VYLOY	Not meaningful	417.2%; Q1 50.7%	Included in strategic-brand group	34.0%	Diagnostic penetration and positive lifecycle evidence move treatment into additional eligible patients.
Other established products	1.5%	2.8%	Not separately disclosed	-1.0%	Lifecycle support and small launches almost offset normal portfolio erosion.
Pipeline / new launches	Not meaningful	Not meaningful	Growth from FY2029	JPY380bn in 2031	Multiple timely approvals yield JPY50bn in 2029, JPY180bn in 2030, and JPY380bn in 2031, still below management's un-risked mid-2030s potential.

8.3 Bear case growth assumptions

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
XTANDI	13.1%	5.3%; Q1 18.7% reported	JPY910bn FY2026	-26.7%	Generic entry follows patent expiry quickly across major markets, with earlier-market erosion and FX normalization compounding the decline.
PADCEV	60.9%	34.8%; Q1 36.0%	Strategic-brand group JPY610bn	11.1%	Indication uptake is positive but slower, competitive sequencing tightens, and alliance economics limit conversion.

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
XOSPATA	14.2%	5.6%; Q1 27.3%	Included in strategic-brand group	-0.3%	The recent quarter proves transient; mature-line competition causes a flat five-year result.
PROGRAF	1.1%	3.3%	Not separately disclosed	-2.6%	Price and generic pressure exceed volume stability.
Mirabegron franchise	-2.1%	11.6%	Not separately disclosed	-15.9%	Competitive substitution and mature-product erosion accelerate.
IZERVAY	153.2%	33.1%; Q1 70.3%	Included in strategic-brand group	7.8%	Specialist capacity, safety perception, and competition constrain a launch that remains commercially viable.
VEOZAH	152.7%	37.9%; Q1 54.8%	Included in strategic-brand group	9.3%	Reimbursement and prescriber adoption plateau earlier than planned.
VYLOY	Not meaningful	417.2%; Q1 50.7%	Included in strategic-brand group	13.6%	Diagnostic bottlenecks and competitive gastric-cancer regimens slow penetration.
Other established products	1.5%	2.8%	Not separately disclosed	-7.0%	Price and volume erosion outweigh small-product contribution.
Pipeline / new launches	Not meaningful	Not meaningful	Growth from FY2029	JPY60bn in 2031	Delays eliminate contribution in 2029 and restrict revenue to JPY20bn in 2030 and JPY60bn in 2031.

8.4 Year-by-year product revenue cadence

Base-case deceleration is explicit rather than hidden in terminal CAGRs. XTANDI grows 2% in 2027, then declines 18%, 32%, 28%, and 18% as the US, Europe, and Japan cliffs move through the revenue base. PADCEV grows 28%, 22%, 18%, 14%, and 10%. IZERVAY grows 30%, 22%, 16%, 10%, and 6%; VEOZAH 35%, 27%, 20%, 14%, and 8%; VYLOY 45%, 32%, 23%, 16%, and 10%. This is a sharper deceleration than ordinary scale maturation because XTANDI has named patent events, while launches decelerate from unusually low bases and face capacity, reimbursement, and competition.

Base case product revenue	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
XTANDI	1,004.4	1,024.5	840.1	571.3	411.3	337.3
PADCEV	241.2	308.7	376.7	444.5	506.7	557.3
XOSPATA	76.4	85.6	92.4	97.0	99.9	100.9
PROGRAF	215.0	217.2	217.2	215.0	210.7	206.5
Mirabegron franchise	210.1	193.3	162.4	139.6	125.7	115.6
IZERVAY	88.9	115.6	141.0	163.6	179.9	190.7
VEOZAH	51.9	70.1	89.0	106.8	121.7	131.5
VYLOY	70.2	101.8	134.4	165.3	191.7	210.9
Other established products	316.265	303.6	291.5	279.8	268.6	257.9
Pipeline / new launches	0.0	0.0	0.0	20.0	90.0	200.0
Consolidated company revenue	2,274.365	2,420.4	2,344.7	2,202.9	2,206.2	2,308.6

Bear case product revenue	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
XTANDI	1,004.4	1,004.4	753.3	436.9	284.0	213.0
PADCEV	241.2	289.4	332.9	366.1	391.8	407.4
XOSPATA	76.4	80.2	81.8	81.8	79.4	75.4
PROGRAF	215.0	215.0	210.7	204.4	196.2	188.4
Mirabegron franchise	210.1	184.9	144.2	118.3	100.5	88.5
IZERVAY	88.9	106.7	119.5	126.7	129.2	129.2
VEOZAH	51.9	63.3	72.8	78.6	81.0	81.0
VYLOY	70.2	91.3	109.5	122.7	130.0	132.6

Bear case product revenue	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Other established products	316.265	294.1	273.5	254.4	236.6	220.0
Pipeline / new launches	0.0	0.0	0.0	0.0	20.0	60.0
Consolidated company revenue	2,274.365	2,329.3	2,098.2	1,789.9	1,648.7	1,595.5

Bull case product revenue	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
XTANDI	1,004.4	1,044.6	940.1	770.9	632.1	556.3
PADCEV	241.2	323.2	420.2	521.0	620.0	706.8
XOSPATA	76.4	88.6	100.1	110.2	119.0	124.9
PROGRAF	215.0	221.5	225.9	228.1	228.1	225.9
Mirabegron franchise	210.1	201.7	185.6	170.7	160.5	154.1
IZERVAY	88.9	124.5	165.5	206.9	244.2	268.6
VEOZAH	51.9	76.8	106.0	137.8	168.1	191.7
VYLOY	70.2	112.3	159.5	210.5	261.1	302.8
Other established products	316.265	313.1	310.0	306.9	303.8	300.8
Pipeline / new launches	0.0	0.0	0.0	50.0	180.0	380.0
Consolidated company revenue	2,274.365	2,506.3	2,612.9	2,713.0	2,916.9	3,211.9

The rows reconcile arithmetically at the displayed precision. In the base endpoint, JPY337.3bn + JPY557.3bn + JPY100.9bn + JPY206.5bn + JPY115.6bn + JPY190.7bn + JPY131.5bn + JPY210.9bn + JPY257.9bn + JPY200.0bn = JPY2,308.6bn. Equivalent sums produce JPY1,595.5bn bear and JPY3,211.9bn bull. No product profit is inferred.

9. Forward margin assumptions — Statutory operating income (single-segment consolidated fallback)

The TTM margin for **Statutory operating income (single-segment consolidated fallback)** is 20.8%. FY2026 guidance implies 17.8% on JPY2,220bn revenue, consistent with management's warning that investment rises after Q1. The model therefore begins each annual path below the peak TTM margin. It then reflects XTANDI revenue erosion, co-promotion-fee relief, strategic-brand scale, R&D near 20% to 25% of revenue, launch SG&A, amortization, and recurring impairment risk.

Case and exact profit metric	TTM Jun-26 margin	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Endpoint mechanism
Bear — Statutory operating income (single-segment consolidated fallback)	20.8%	13.5%	9.0%	3.0%	6.5%	10.0%	Revenue trough, R&D at 25%, weak launch leverage, and impairment pressure overwhelm fee relief.
Base — Statutory operating income (single-segment consolidated fallback)	20.8%	16.8%	15.5%	11.5%	14.0%	17.0%	XTANDI cliff creates a 2029 trough; fee elimination and pipeline scale rebuild margin to 17.0%.
Bull — Statutory operating income (single-segment consolidated fallback)	20.8%	19.5%	20.5%	18.5%	21.0%	24.0%	Better retained mix, launch leverage, and productive R&D offset gradual XTANDI erosion.

The base endpoint remains 380 basis points below the TTM anchor. Its mechanism is explicit: XTANDI falls from JPY1,004.4bn to JPY337.3bn, while higher-growth brands and JPY200bn of pipeline sales rebuild revenue at lower assumed retained economics and with R&D restored to 20% of revenue. The bull endpoint is 320 basis points above TTM because PADCEV, VYLOY, IZERVAY, VEOZAH, and pipeline launches scale while R&D stays at the plan's 20% base and the XTANDI fee mostly disappears. The bear endpoint is 1,080 basis points below TTM because the company spends the allowed 25% of revenue on R&D during a severe revenue trough and absorbs continuing launch and impairment charges.

Alliance and cost mechanics

Cost / economic driver	TTM Jun-26	Jun-27 bear / base / bull	Jun-28 bear / base / bull	Jun-29 bear / base / bull	Jun-30 bear / base / bull	Jun-31 bear / base / bull
XTANDI US co-promotion fee, JPY bn	252.8	150 / 170 / 185	75 / 110 / 145	25 / 55 / 90	5 / 10 / 30	0 / 5 / 10
R&D as percent of revenue	Not separately TTM-sealed	22% / 20% / 20%	24% / 21% / 20%	25% / 23% / 21%	25% / 22% / 20%	25% / 20% / 20%
Designated-item risk	Volatile	High / normal / low	High / normal / low	High / elevated / low	High / normal / low	High / normal / low

The co-promotion schedule is deliberately inversely related to retained XTANDI duration: faster bear-case sales erosion reduces the fee faster, while slower bull-case erosion keeps it higher. This prevents the model from overstating the downside or upside. The fee is an SG&A component and is counted once. PADCEV does not receive a second alliance charge because the reported revenue line already reflects regional booking mechanics; undisclosed settlements remain inside consolidated costs.

No product-level margins are shown. The data package explicitly classifies retained XTANDI and PADCEV product profit as a true non-disclosure, and the other brands are also not disclosed on a comparable operating basis. A revenue-weighted product-margin average would therefore be fabricated. The permitted and reconstructable method is a consolidated cost ratio applied to the one modeled segment.

Jun-31 consolidated cost bridge	Bear	Base	Bull
Revenue	1,595.5	2,308.6	3,211.9
Product cost and alliance economics	24.0% / 382.9	20.0% / 461.7	17.5% / 562.1
R&D	25.0% / 398.9	20.0% / 461.7	20.0% / 642.4
SG&A including XTANDI fee	31.0% / 494.6	31.0% / 715.7	28.5% / 915.4
Amortization, impairment, restructuring, other	10.0% / 159.6	12.0% / 277.0	10.0% / 321.2
Statutory operating income (single-segment consolidated fallback)	10.0% / 159.6	17.0% / 392.5	24.0% / 770.9
Arithmetic check	100.0% / 1,595.5	100.0% / 2,308.6	100.0% / 3,211.9

The ratio labels are analytical consolidated buckets, not issuer segment disclosure. In the base case, 20% + 20% + 31% + 12% + 17% = 100%. In bear, 24% + 25% + 31% + 10% + 10% = 100%. In bull, 17.5% + 20% + 28.5% + 10% + 24% = 100%. The exact profit metric is the residual only after explicit costs, and the yen amounts equal revenue multiplied by each ratio subject to one-decimal rounding.

The terminal cost buckets also require a two-sided challenge. The bull margin is deliberately demanding: it needs JPY380bn of pipeline/new-launch revenue, slower XTANDI erosion, 20% R&D, lower SG&A intensity, and low designated-item drag at the same time; with no disclosed product-level retained margins, it should not be treated as a second base case. Conversely, the bear may be too punitive if the XTANDI co-promotion fee disappears ahead of sales erosion or management flexes late-stage spend below 25% of revenue. The bear's 10% amortization/impairment/restructuring/other terminal bucket does not imply lower event risk than base: it assumes earlier write-offs reduce the recurring amortization base while the timing and severity of designated charges remain more volatile.

10. Segment rollup

The segment rollup is built from the product tables in Section 8 and the consolidated margin path in Section 9. Because the sealed bridge has one financial segment, consolidated company revenue is the sum of named products, other established products, and pipeline/new launches. **Statutory operating income (single-segment consolidated fallback)** equals that revenue multiplied by the stated margin. There are no corporate or bridge adjustments.

Bear rollup	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Product revenue sum	2,274.365	2,329.3	2,098.2	1,789.9	1,648.7	1,595.5
Statutory operating income (single-segment consolidated fallback) margin	20.8%	13.5%	9.0%	3.0%	6.5%	10.0%
Statutory operating income (single-segment consolidated fallback)	472.492	314.5	188.8	53.7	107.2	159.6

Bear rollup	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Arithmetic	Sealed actual	2,329.3 × 13.5%	2,098.2 × 9.0%	1,789.9 × 3.0%	1,648.7 × 6.5%	1,595.5 × 10.0%

Base rollup	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Product revenue sum	2,274.365	2,420.4	2,344.7	2,202.9	2,206.2	2,308.6
Statutory operating income (single-segment consolidated fallback) margin	20.8%	16.8%	15.5%	11.5%	14.0%	17.0%
Statutory operating income (single-segment consolidated fallback)	472.492	406.6	363.4	253.3	308.9	392.5
Arithmetic	Sealed actual	2,420.4 × 16.8%	2,344.7 × 15.5%	2,202.9 × 11.5%	2,206.2 × 14.0%	2,308.6 × 17.0%

Bull rollup	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Product revenue sum	2,274.365	2,506.3	2,612.9	2,713.0	2,916.9	3,211.9
Statutory operating income (single-segment consolidated fallback) margin	20.8%	19.5%	20.5%	18.5%	21.0%	24.0%
Statutory operating income (single-segment consolidated fallback)	472.492	488.7	535.6	501.9	612.5	770.9
Arithmetic	Sealed actual	2,506.3 × 19.5%	2,612.9 × 20.5%	2,713.0 × 18.5%	2,916.9 × 21.0%	3,211.9 × 24.0%

The base revenue path is intentionally non-linear: +6.4% in 2027, -3.1% in 2028, -6.0% in 2029, +0.2% in 2030, and +4.6% in 2031. That cadence places the trough after the US and European XTANDI cliffs but before pipeline scale. The endpoint is only 1.5% above TTM, a five-year CAGR of about 0.3%. Base **Statutory operating income (single-segment consolidated fallback)** falls from JPY472.492bn to JPY392.5bn because the lower-margin replacement mix and R&D burden outweigh co-promotion-fee relief.

The bear case rises 2.4% in 2027 before declines of 9.9%, 14.7%, 7.9%, and 3.2%. Revenue falls at a roughly 6.9% five-year CAGR. Exact-metric profit bottoms at JPY53.7bn in 2029 and recovers only to JPY159.6bn. The bull path grows 10.2%, 4.3%, 3.8%, 7.5%, and 10.1%, producing a 7.1% five-year CAGR. Exact-metric profit reaches JPY770.9bn as launch and pipeline scale combine with lower alliance fee drag.

Probability calibration after independent red-team reassessment

Final probabilities are **30% bear, 60% base, and 10% bull**. The operating endpoints are unchanged. The bull weight is reduced from 20% to 10% because that scenario is not one upside variable: it jointly requires XTANDI to retain JPY556.3bn of 2031 sales versus JPY337.3bn in base, PADCEV to reach JPY706.8bn, three newer strategic brands to reach a combined JPY763.1bn, pipeline/new launches to contribute JPY380bn, and the margin for **Statutory operating income (single-segment consolidated fallback)** to expand to 24.0%. Those conditions are positively correlated through clinical success, regulatory timing, payer access, commercial execution, and retained alliance economics. The cleared evidence supplies no asset-level probability of success and no product-level retained margins with which to justify a one-in-five joint-success frequency. A 10% bull weight recognizes that the path is possible without pretending the component successes are independent. [data_package §4, alliance economics and patent exposure; §6, pipeline milestones and non-disclosed probabilities]

The reassessment does not move the removed weight to bear. The 30% bear scenario already combines rapid multinational XTANDI erosion, strategic-brand deceleration across several different disease areas, pipeline contribution of only JPY60bn, R&D at the plan ceiling of 25% of revenue, and continued impairment pressure. There is also real counter-evidence to an even larger bear weight: PADCEV has secured recent lifecycle approvals, the strategic brands showed strong Q1 FY2026 growth, management maintained JPY610bn strategic-brand guidance, and the XTANDI co-promotion fee is expected to be virtually eliminated by FY2030. These facts do not eliminate downside, but they make the full bear stack less likely than the central transition case. [data_package §4, PADCEV approvals and XTANDI fee direction; §5a, quarterly strategic-brand trajectory; §7, maintained guidance]

The resulting 60% base weight is supported by a deliberately mixed path rather than a success stack. Base explicitly includes the US, European, and Japanese XTANDI cliffs, a 2029 revenue and margin trough, normalization from Q1's favorable FX, R&D around the 20% framework with a temporary rise above it, only JPY200bn of 2031 pipeline/new-launch revenue versus

management's much later JPY1tn potential framing, and a 17.0% endpoint margin below both the 20.8% TTM level and the bull outcome. It therefore best represents the source-bound central case while preserving substantial downside asymmetry. [data_package §4, XTANDI patent dates; §5, Q1 FX effect; §6, R&D framework and mid-2030s pipeline framing]

Probability-weighted operating disclosure	Bear contribution at 30%	Base contribution at 60%	Bull contribution at 10%	Probability-weighted total
TTM+5y revenue	478.7	1,385.2	321.2	JPY2,185.0bn
TTM+5y Statutory operating income (single-segment consolidated fallback)	47.9	235.5	77.1	JPY360.5bn
Implied probability-weighted profit margin	Not additive	Not additive	Not additive	16.5%

The probability-weighted margin is JPY360.5bn divided by JPY2,185.0bn, not an arithmetic average of scenario margins. The calibration is based only on operating evidence and joint-condition structure; it was not selected to produce a valuation verdict or target return.

11. Key risks and wildcards

- **XTANDI generic timing and erosion [bear/base]:** Substance-patent dates are known, but effective generic launch, channel inventory, litigation, regulatory exclusivity, and country-level behavior are not. A single global cliff rate would be misleading; the model stages the United States, Europe, and Japan separately.
- **XTANDI co-promotion-fee offset [all cases]:** The fee should fall with US profit and is expected to be virtually eliminated by FY2030. If revenue falls faster than the fee, margins are worse than modeled; if fee relief leads, margins are better. Counting sales loss without fee relief overstates downside.
- **PADCEV lifecycle expansion [bull/base]:** EV-303 and EV-304 approvals and EV-309 development widen the opportunity. Competing regimens, sequencing changes, or safety issues could reduce duration or share. The alliance increases resources but shares economics.
- **Strategic-brand launch execution [all cases]:** IZERVAY depends on specialist capacity and repeated-treatment acceptance; VEOZAH on reimbursement and prescriber education; VYLOY on biomarker testing and treatment-pathway adoption. Q1 growth rates are not terminal growth rates.
- **Pipeline timing and probability [bear/bull]:** Setidegrasib, ASP2138, ASP546C, ASP7317, and lifecycle programs have clinical and regulatory risk. The package contains milestones but no asset-level probability or cost. Base pipeline revenue is therefore modest relative to management's un-risked ambition.
- **R&D intensity [bear/base]:** Management can spend up to 25% of revenue. If revenue falls while trials progress, the fixed and semi-fixed burden can create a deep exact-metric profit trough. Cutting research would protect near-term margin but weaken post-2031 durability.
- **Impairment and amortization [bear]:** FY2023–FY2025 statutory volatility demonstrates that acquired-asset charges are economically relevant. This appendix does not normalize them away; the bear case assumes continuing failures and write-downs.
- **Foreign exchange [all cases]:** Q1 FY2026 included about JPY60bn of revenue benefit and approximately JPY25.5bn of core-profit benefit. Base normalizes currency rather than compounding that tailwind. Yen strengthening is a bear risk; sustained weakness is a bull support.
- **Mature-product erosion [bear/base]:** Mirabegron, PROGRAF, and the other established residual can decline faster because of price, substitution, or generic pressure. Their combined size makes modest percentage errors material.
- **Pricing and reimbursement [bear]:** Global payers may demand evidence-based discounts, restrict access, or favor substitutes. This matters especially as Astellas relies on launch products to replace a high-scale franchise.
- **Operational and manufacturing quality [bear]:** Specialty and biologic launches require reliable supply. Shortages or quality remediation can delay uptake and raise costs even when demand exists.

- **Capital-allocation rigidity [bear]:** The minimum annual dividend increase is below the exact profit metric, but it competes with R&D, deleveraging, and business development when cash generation falls. Large acquisitions could add pipeline but also goodwill, amortization, and execution risk.

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	JPY1,595.5bn	Statutory operating income (single-segment consolidated fallback)	10.0%	JPY159.6bn	30%
Base	JPY2,308.6bn	Statutory operating income (single-segment consolidated fallback)	17.0%	JPY392.5bn	60%
Bull	JPY3,211.9bn	Statutory operating income (single-segment consolidated fallback)	24.0%	JPY770.9bn	10%

The pivotal underwriting conclusion is that Astellas's five-year outcome is determined less by near-term Q1 momentum than by the sequencing of three forces: XTANDI sales erosion, related co-promotion-fee relief, and the ramp of strategic brands plus risk-adjusted pipeline launches. Base revenue barely exceeds the current TTM by 2031, yet the path contains a pronounced 2029 trough. The company remains profitable because alliance fee relief and portfolio scale offset part of the revenue loss, but the exact-metric margin does not fully return to the TTM peak. The bull case requires a genuine portfolio renewal; the bear case shows that high R&D during a patent cliff can preserve strategic option value while sharply depressing current earnings.

`trade_execution_authorized=false`

Appendix S - Synthesis

Astellas Pharma Inc. — Synthesis (Combined Earnings Model)

Ticker: 4503.T **Stage:** S mechanical consolidation **Run ID:** `pulse-cio-20260907T100241+0800` **Reporting and quote currency:** JPY **Production status:** all calculations below use the QFR-sealed quote packet, QFR-sealed statutory bridge, DR-cleared data package and peer-reviewed one-segment appendix. This appendix performs no source discovery, accounting reclassification, exit-multiple selection, shareholder-return method selection, portfolio sizing, ranking, messaging, trading or execution. `trade_execution_authorized=false`.

The model is deliberately mechanical. Astellas has one reportable pharmaceutical segment, but it does not disclose a segment-profit metric value suitable for an additive statutory bridge. The reviewed upstream work therefore uses the permitted one-line consolidated fallback. Every operating-profit row retains the exact label **Statutory operating income (single-segment consolidated fallback)**. Products are revenue drivers and do not become invented profit segments. The one modeled segment equals consolidated statutory operating income, and the corporate/unallocated and operating-adjustment arrays remain empty.

1. Anchors and sealed security-unit bridge

Anchor	Governed value
Today	2026-09-07, Asia/Singapore
Fiscal year end	March 31
Latest completed fiscal period	Q1 FY2026 ended 2026-06-30
TTM anchor	TTM ended 2026-06-30
TTM quarters	Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026
Equivalent cumulative bridge	FY2025 less Q1 FY2025 plus Q1 FY2026
Latest completed FY	FY2025 ended 2026-03-31, historical tie-out only
Horizon	2031-06-30
Compounding span	Exactly 5.0 calendar years from 2026-06-30; not six fiscal years
Listing	XTKS:4503, Astellas ordinary share, Tokyo Stock Exchange Prime Market
Price basis	Raw exchange close, one ordinary listed share
Valuation price	JPY2,355.50 per listed unit
Quote session	2026-09-04 close
Quote expiry	2026-09-07T14:30:00+08:00
Quote raw hash	`eec418d77e03d0677576a868a41c6768182d78dc793e16305168cb2de1a3e89a`
Quote packet hash	`fd6e3658872a7400d03912ab0c1c1b2d4157a00225ba146dafffc1f7ea565f7f`
Statutory bridge hash	`5164af0b398c3609df2a882a199dd74e9cb0668c276bcf90eada702261b95c2a`
DR gate	`STATUTORY BRIDGE VERIFIED — CLEARED FOR FORECASTING`

The strict quote-packet validator ran at 2026-09-07T12:02:47+08:00, before model work and before expiry. It returned `QUOTE_PACKET_VALID` and the expected exact packet SHA-256. The statutory validator returned `STATUTORY_BRIDGE_VALID` and its expected SHA-256. The gate manifest contains cleared QF, QFR and DR records, including `DATA PACKAGE VERIFIED — CLEARED FOR WAVE 2`, the durable statutory-forecast gate, and no unresolved items.

Security-unit bridge	Arithmetic	Result
Financial-statement diluted shares	Q1 FY2026 diluted shares	1,796.201m
Split bridge	1,796.201m financial-basis shares × 1.000000 split factor	1,796.201m quote-basis financial shares
Split status	No intervening split from 2026-06-30 to 2026-09-04	Confirmed in packet

Security-unit bridge	Arithmetic	Result
Depositary ratio	Ordinary share, not an ADR	1.000000
Share-class factor	Ordinary share to quoted ordinary share	1.000000
Financial shares per listed unit	Depositary ratio × share-class factor	1.000000
Listed-equivalent diluted units	1,796.201m ÷ 1.000000	1,796.201m
FX	JPY quote per JPY reporting currency	1.000000

The share source basis is 2026-06-30 and quote basis is 2026-09-04. The split evidence has sealed hash `cc86fd7660e54e0a752f3b976d884c61ac9974b363b19b8764988040207478d0`. Listing and unit evidence has sealed hash `e2b45794e41ce8da27146f4663f1243a230b2c05e9f4680151dc1c879a37345e`. The FX bridge is an identity because reporting and quote currencies are both JPY; no currency conversion is inserted.

2. Segment-level forward assumptions

Segment	Exact profit metric	TTM revenue, JPY bn	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear margin	Base margin	Bull margin
Consolidated company	Statutory operating income (single-segment consolidated fallback)	2,274.365	1,595.5	2,308.6	3,211.9	10.0%	17.0%	24.0%

Source: final peer-reviewed `appendix_B_consolidated_company.md`, Sections 8, 9, 10 and Summary, SHA-256 `c5ea5526e2f5604060fc738afe5c1a8e4b2596a127526e13cfa2a9c064c2e2bd`. Probabilities are preserved exactly at 30% Bear, 60% Base and 10% Bull. The operating endpoints are unchanged. The revised Bull weight reflects the reviewed joint-success calibration rather than a return target: Bull requires softer XTANDI erosion, broad strategic-brand execution, JPY380bn of pipeline/new-launch revenue and a 24% statutory margin together.

Bear reflects fast staged XTANDI erosion, slower strategic-brand scale, weaker mature products and JPY60bn of pipeline/new-launch revenue. Base combines the named XTANDI patent sequence with strategic-brand deceleration and JPY200bn of pipeline/new-launch revenue. Bull assumes softer XTANDI erosion, broader launch conversion and JPY380bn of pipeline/new-launch revenue. These are reproduced assumptions, not S-stage research.

Endpoint margins also reproduce the reviewed appendix. Bear holds R&D at 25% of revenue in the terminal year and absorbs weak launch leverage and recurring designated-item risk. Base uses 17% statutory margin after the 2029 trough, 380 basis points below TTM. Bull reaches 24% only with broad portfolio renewal, lower SG&A intensity and productive R&D. The moat appendix does not alter arithmetic: its Moat gate and 2046 test both FAIL, which is a durability warning for later verdict work rather than permission to change Stage B numbers.

3. Combined revenue build

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue, JPY bn	1,595.5	2,308.6	3,211.9
Corporate eliminations	0.0	0.0	0.0
Combined TTM+5y revenue, JPY bn	**1,595.5**	**2,308.6**	**3,211.9**
Implied TTM to TTM+5y CAGR	-6.85%	0.30%	7.15%

The zero corporate-elimination row is not a new bridge item. The single modeled segment is already consolidated and its revenue equals group revenue. The sealed statutory bridge contains no segment eliminations, while the product rollup in the reviewed segment appendix already reconciles to consolidated company revenue.

Combined revenue path, JPY bn	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Bear	2,274.365	2,329.3	2,098.2	1,789.9	1,648.7	1,595.5
Base	2,274.365	2,420.4	2,344.7	2,202.9	2,206.2	2,308.6
Bull	2,274.365	2,506.3	2,612.9	2,713.0	2,916.9	3,211.9

Annual cadence matters more than endpoint CAGR alone. Base grows 6.4% in the first year, then falls 3.1% and 6.0% when the XTANDI cliff becomes most visible, is approximately flat in 2030, and recovers 4.6% in 2031. Bear has one modest positive year followed by four declines. Bull grows every year. Every displayed terminal value remains anchored to 2026-06-30 and compounds over exactly five annual intervals.

4. Combined statutory operating-income build

Line	Bear	Base	Bull
Sum of segment TTM+5y profit on sealed common metric, JPY bn	159.6	392.5	770.9
Corporate or unallocated adjustments	0.0	0.0	0.0
Consolidated TTM+5y segment-profit metric, JPY bn	159.6	392.5	770.9
Operating bridge adjustments	0.0	0.0	0.0
Combined statutory TTM+5y operating income, JPY bn	**159.6**	**392.5**	**770.9**
Implied statutory OI margin	10.0%	17.0%	24.0%

There are no projected corporate, unallocated or operating-adjustment lines. This is required by the sealed `single_segment_consolidated_fallback`: modeled-segment profit, segment-profit sum, consolidated modeled metric and statutory operating income are equal. Adding a zero placeholder to the underlying JSON bridge would violate the contract; the display above only proves there is no adjustment between subtotals.

Statutory OI path, JPY bn	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Bear OI	472.492	314.5	188.8	53.7	107.2	159.6
Bear margin	20.8%	13.5%	9.0%	3.0%	6.5%	10.0%
Base OI	472.492	406.6	363.4	253.3	308.9	392.5
Base margin	20.8%	16.8%	15.5%	11.5%	14.0%	17.0%
Bull OI	472.492	488.7	535.6	501.9	612.5	770.9
Bull margin	20.8%	19.5%	20.5%	18.5%	21.0%	24.0%

In Base, profit troughs in 2029 at JPY253.3bn even though revenue remains above JPY2.2tn, because the transition combines XTANDI erosion, higher late-stage R&D and launch costs. Bear 2029 statutory OI is only JPY53.7bn. Bull still contains a 2029 dip; it is not a straight-line extrapolation of the strong Q1 FY2026 margin.

5. Net income, distributions and EPS build

The below-line schedule applies driver directions already cleared in data_package Section 3a. Finance income is average cash multiplied by a scenario cash-yield assumption. Finance expense is average gross debt plus lease liabilities multiplied by a funding-cost assumption. Bear uses 3.00% cash yield and 2.50% funding cost; Base uses 4.00% and 2.00%; Bull uses 4.50% and 1.75%. These are transparent schedules around the observed TTM finance-income and expense relationship, not new-source forecasts. Other income is zero because the sealed bridge has no separate other-income line. NCI is zero because the cleared package directs zero-to-immaterial forward treatment and the TTM amount is de minimis.

Bear tax is 25%, Base 23%, and Bull 21%. Base is close to the 22.8% TTM effective rate and 22.6% FY2025 rate. Bear allows less favorable mix; Bull allows favorable geographic mix without creating tax benefits or one-offs. Tax is pretax income multiplied by the applicable rate. All scenarios remain profitable, so no loss-carryforward convention is needed.

Bear annual earnings path

Year ended June	Revenue	Statutory OI	Finance income	Finance expense	Other income	Pretax	Tax rate	Tax expense	Owners' NI
2027	2,329.3	314.5	6.971	(17.784)	0.000	303.687	25.0%	(75.922)	227.765
2028	2,098.2	188.8	6.150	(18.346)	0.000	176.604	25.0%	(44.151)	132.453
2029	1,789.9	53.7	5.250	(17.100)	0.000	41.850	25.0%	(10.462)	31.387
2030	1,648.7	107.2	4.650	(14.242)	0.000	97.608	25.0%	(24.402)	73.206
2031	1,595.5	159.6	4.650	(11.667)	0.000	152.583	25.0%	(38.146)	114.437

Base annual earnings path

Year ended June	Revenue	Statutory OI	Finance income	Finance expense	Other income	Pretax	Tax rate	Tax expense	Owners' NI
2027	2,420.4	406.6	9.794	(13.603)	0.000	402.791	23.0%	(92.642)	310.149
2028	2,344.7	363.4	9.900	(12.850)	0.000	360.450	23.0%	(82.904)	277.547
2029	2,202.9	253.3	10.100	(11.990)	0.000	251.410	23.0%	(57.824)	193.586
2030	2,206.2	308.9	10.400	(11.130)	0.000	308.170	23.0%	(70.879)	237.291
2031	2,308.6	392.5	10.800	(10.270)	0.000	393.030	23.0%	(90.397)	302.633

Bull annual earnings path

Year ended June	Revenue	Statutory OI	Finance income	Finance expense	Other income	Pretax	Tax rate	Tax expense	Owners' NI
2027	2,506.3	488.7	11.356	(11.623)	0.000	488.433	21.0%	(102.571)	385.862
2028	2,612.9	535.6	12.375	(10.325)	0.000	537.650	21.0%	(112.907)	424.744
2029	2,713.0	501.9	13.950	(8.768)	0.000	507.083	21.0%	(106.487)	400.595
2030	2,916.9	612.5	15.975	(7.123)	0.000	621.353	21.0%	(130.484)	490.868
2031	3,211.9	770.9	18.450	(5.478)	0.000	783.873	21.0%	(164.613)	619.259

Amounts are JPY billions except percentages. Parent-attributable NI is pretax less tax, with zero forward NCI. Display rounding does not alter the full-precision terminal EPS bridge.

Terminal listed-unit EPS bridge

Line	Bear	Base	Bull
Combined TTM+5y OI, JPY bn	159.600000	392.500000	770.900000
Net interest income or expense, JPY bn	(7.016906)	0.530000	12.972500
Other income, JPY bn	0.000000	0.000000	0.000000
Pretax income, JPY bn	152.583094	393.030000	783.872500
Tax rate	25.00%	23.00%	21.00%
Tax expense, JPY bn	(38.145774)	(90.396900)	(164.613225)
Net income, JPY bn	**114.437321**	**302.633100**	**619.259275**
Quote-basis diluted financial shares, m	1,796.201000	1,796.201000	1,796.201000
Reporting EPS per quote-basis financial share	63.710754	168.485097	344.760567
Financial shares per listed unit	1.000000	1.000000	1.000000
Reporting EPS per listed unit	63.710754	168.485097	344.760567
FX, quote JPY per reporting JPY	1.000000	1.000000	1.000000
EPS in JPY per listed unit	**63.710754**	**168.485097**	**344.760567**

```
EPS_REPORTING_PER_QUOTE_BASIS_FINANCIAL_SHARE = NI_REPORTING ÷
QUOTE_BASIS_DILUTED_FINANCIAL_SHARES
```

```
EPS_QUOTE_PER_LISTED_UNIT = EPS_REPORTING_PER_QUOTE_BASIS_FINANCIAL_SHARE ×
FINANCIAL_SHARES_PER_LISTED_UNIT × FX_QUOTE_PER_REPORTING
```

Base is JPY302.633100bn × 1,000 ÷ 1,796.201m = JPY168.485097 per financial share. Multiplying by 1.000000 listed-unit factor and 1.000000 FX gives JPY168.485097 per listed unit. No ADR, split, class or FX factor is omitted simply because each equals one.

5a. Return-method input bridge for VP and CS

This supplies inputs; it does not select `PE`, `EV_NOPAT` or `PB_ROE`, choose an exit multiple, or calculate an IRR. VP must select and hash-bind one primary method after Stage S. CS may calculate returns only from VP's locked method, denominator,

claim treatment and scenario multiples. The P/E 15 gate is a separate entry-price diagnostic and is not an exit multiple.

The Q1 anchors are JPY244.7bn cash and JPY589.9bn debt. The latest separately supplied lease balance is JPY106.4bn at FY2025 and is an opening proxy because Q1 lease liabilities were not separately supplied. Bear applies the cleared rule of lower cash and higher debt; Base uses gradual deleveraging; Bull faster deleveraging and higher cash conversion. These are scenario inputs, not issuer guidance. Cash paths are post-dividend. No residual forces net debt.

Bear capital structure, JPY bn	Q1 Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Cash	244.7	220.0	190.0	160.0	150.0	160.0
Gross debt	589.9	620.0	634.853	520.380	406.200	314.352
Lease liabilities	106.4 proxy	106.4	106.4	106.4	106.4	106.4
Net debt including leases	451.6	506.4	551.253	466.780	362.600	260.752

Base capital structure, JPY bn	Q1 Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Cash	244.7	245.0	250.0	255.0	265.0	275.0
Gross debt	589.9	560.0	520.0	480.0	440.0	400.0
Lease liabilities	106.4 proxy	104.0	101.0	98.0	95.0	92.0
Net debt including leases	451.6	419.0	371.0	323.0	270.0	217.0

Bull capital structure, JPY bn	Q1 Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Cash	244.7	260.0	290.0	330.0	380.0	440.0
Gross debt	589.9	530.0	450.0	360.0	270.0	180.0
Lease liabilities	106.4 proxy	102.0	98.0	94.0	90.0	86.0
Net debt including leases	451.6	372.0	258.0	124.0	(20.0)	(174.0)

Net debt including leases equals debt plus leases less cash. A negative result is net cash. Short-term investments remain outside cash because a standalone controlling line is not separately disclosed. Separately valued non-operating assets are zero, not an inferred investment balance.

Input at 2031-06-30	Bear	Base	Bull	Source or treatment
Statutory OI, JPY bn	159.600000	392.500000	770.900000	Reviewed segment rollup
Normalized cash tax rate	25.00%	23.00%	21.00%	Mechanical schedule around historical effective rates
Normalized NOPAT, JPY bn	119.700000	302.225000	609.011000	OI × one minus tax rate
Cash, JPY bn	160.000000	275.000000	440.000000	Scenario path; short-term investments excluded
Gross debt, JPY bn	314.352202	400.000000	180.000000	Bear repaired for avoided distributions; Base and Bull unchanged
Lease liabilities, JPY bn	106.400000	92.000000	86.000000	FY2025 proxy and scenario path
Preferred equity, JPY bn	0.000000	0.000000	0.000000	None identified upstream; VP must verify
Minority interest balance	Unavailable	Unavailable	Unavailable	Profit NCI is de minimis, claim balance not separately supplied
Other senior claims, JPY bn	0.000000	0.000000	0.000000	None identified upstream; VP must verify
Separately valued non-operating assets, JPY bn	0.000000	0.000000	0.000000	None established outside cash or EPS
Net debt including leases, JPY bn	260.752202	217.000000	(174.000000)	Debt + leases – cash
Diluted listed-equivalent shares, m	1,796.201000	1,796.201000	1,796.201000	Section 6 path

Input at 2031-06-30	Bear	Base	Bull	Source or treatment
Cumulative distributions per listed unit, JPY	232.000000	430.000000	430.000000	Bear repaired; Base and Bull unchanged

The minority-interest balance is explicitly unavailable rather than hidden in net debt. That may prevent EV/NOPAT from controlling unless VP receives an authorized upstream repair. It does not prevent evaluation of the fully reconciled statutory EPS bridge if VP selects P/E. Stage S does not choose.

Year ended June	Bear DPS, JPY	Base and Bull DPS, JPY	Bear aggregate distribution, JPY bn	Bear owners' NI, JPY bn	Bear payout	Bear cumulative debt reduction vs original, JPY bn
2027	82.00	82.00	147.288	227.765	64.7%	0.000
2028	70.00	84.00	125.734	132.453	94.9%	25.147
2029	0.00	86.00	0.000	31.387	0.0%	179.620
2030	30.00	88.00	53.886	73.206	73.6%	283.800
2031	50.00	90.00	89.810	114.437	78.5%	355.648
Cumulative	**232.00**	**430.00**	**416.719**	**579.249**	**71.9%**	**355.648**

The Bear repair resolves the Red Team objection using only the existing earnings and balance-sheet paths. Management's minimum JPY2 annual increase is a stated intention, not a senior legal claim. The repaired path honors the JPY82 first-forward dividend while Bear earnings still cover it, cuts the 2028 dividend to JPY70 so annual distributions remain within annual owners' NI, suspends the dividend during the 2029 trough, and resumes at JPY30 and JPY50 as earnings recover. Every repaired annual payout is at or below Bear owners' NI; aggregate five-year dividends of JPY416.719bn are below cumulative Bear owners' NI of JPY579.249bn. This is more conservative than management's progressive policy but less punitive than Red Team's non-controlling two-year-only JPY166 sensitivity because it recognizes modeled 2030-2031 profit recovery.

Avoided Bear distributions are not left as an untracked cash plug. Relative to the original JPY82, JPY84, JPY86, JPY88 and JPY90 path, each year's cumulative cash saving is applied dollar-for-dollar to gross-debt reduction while preserving the existing Bear cash floor. The terminal cumulative saving is `(JPY430 − JPY232) × 1,796.201m ÷ 1,000 = JPY355.647798bn`. Terminal Bear gross debt therefore falls from the original JPY670.000bn to JPY314.352202bn. Lower average debt reduces finance expense from 2028 onward, which raises terminal Bear NI and EPS; Base and Bull earnings, distributions, cash and debt are unchanged. Later work must count distributions once. A P/E terminal value must not add net cash or debt again, while EV/NOPAT would still require a complete claim bridge.

5b. P&C insurer lane

NOT TRIGGERED — issuer is not a P&C insurer or reinsurer. Astellas is a pharmaceutical company. The DR-cleared package marks P&C ownership-perimeter, fee, float, retained-investment and solvency schedules not applicable. No `insurer_return_bridge.json` is created.

6. Share-count path

The packet anchor is 1,796.201m, not the FY2025 weighted average of 1,797.116m. Repurchases fell from JPY50.717bn and JPY60.556bn in FY2021-FY2022 to JPY10.735bn, JPY6.960bn and JPY0.730bn in FY2023-FY2025 after the acquisition. Management says buybacks effectively stopped as capacity shifted to debt reduction, launches, R&D and dividends. The package provides no separate TTM SBC cash or share issuance line. The reproducible S path assumes no buyback and no SBC issuance in all cases. It does not invent offsetting issuance to force flatness.

Year	Starting quote-basis shares, m	Buyback, JPY bn	Avg price	Shares retired, m	SBC issuance, m	Ending shares, m
Jun-27	1,796.201	0.000	Not applicable	0.000	0.000	1,796.201
Jun-28	1,796.201	0.000	Not applicable	0.000	0.000	1,796.201
Jun-29	1,796.201	0.000	Not applicable	0.000	0.000	1,796.201
Jun-30	1,796.201	0.000	Not applicable	0.000	0.000	1,796.201
Jun-31	1,796.201	0.000	Not applicable	0.000	0.000	1,796.201

Arithmetic is 1,796.201m + cumulative 0.000m SBC − cumulative 0.000m retired = 1,796.201m. With no repurchase, no purchase-price assumption is needed. The flat path avoids invented SBC offsets. VP remains responsible for warrants, converts, issuance, settlement cash, direct-equity effects and dilution.

7. Binary P/E 15 entry-price test

Case	EPS at TTM+5y, JPY	EPS × 15	Quote price	Cushion	Pass?
Bear	63.710754	955.661317	2,355.50	-59.43%	FAIL
Base	168.485097	2,527.276457	2,355.50	7.29%	PASS
Bull	344.760567	5,171.408503	2,355.50	119.55%	PASS

Required EPS at JPY2,355.50 is JPY157.033333. Cushion is `(EPS × 15 − price) ÷ price`. Base, not Bull, controls. Base EPS × 15 exceeds price by 7.29%, so the binary gate is **PASS**. The cushion is narrow and highly sensitive to statutory margin and revenue transition. This is not a 15x exit-multiple selection.

8. Reflexivity and historical anchor check

TTM revenue reproduces the quarters: JPY524.320bn + JPY571.206bn + JPY537.925bn + JPY640.914bn = JPY2,274.365bn. The one segment equals reported consolidated TTM revenue, zero residual and inside 2%.

TTM statutory OI also reproduces the quarters: JPY104.731bn + JPY134.502bn + JPY48.753bn + JPY184.506bn = JPY472.492bn. Sealed segment-profit sum is JPY472.492bn; corporate and operating adjustments are empty; statutory OI is JPY472.492bn. FY2025 repeats the identity at JPY382.633bn. Bridge residuals are within JPY1m. No scaling factor, plug or analyst residual is used.

9. Latest interim bridge reconciliation

The TTM is both four standalone quarters and `FY2025 − Q1 FY2025 + Q1 FY2026`. The quarters cover 2025-07-01 through 2026-06-30 without overlap. The cumulative formula uses like-for-like April 1 through June 30 periods. Revenue, OI and owners' NI tie to the official TTM component bundle. Diluted shares use the latest packet anchor rather than summing weighted period shares. No half year is mixed with constituent quarters. FY2025 is bridge component and sanity check only; no forecast row starts 2026-03-31.

10. Sensitivity — variables that move the gate

Sensitivities hold other Base terminal inputs constant. Revenue sensitivity compounds the endpoint five years higher or lower by 200 bps. Margin changes the consolidated statutory margin by 200 bps because there is no second segment. Shares move 5%; tax moves 300 bps.

Variable	Down case	Base EPS	Up case	EPS effect	P/E 15 implication
Consolidated revenue CAGR ±200 bps	152.609	168.485	185.980	-15.876 / +17.494	Down fails; up passes
Consolidated statutory margin ±200 bps	148.676	168.485	188.262	-19.809 / +19.777	Down fails; up passes
Diluted shares ±5%	177.336 at 5% fewer	168.485	160.446 at 5% more	+8.850 / -8.039	Both pass narrowly
Tax rate ±300 bps	175.033 at 20%	168.485	161.905 at 26%	+6.547 / -6.580	Both pass; high tax narrow
Segment 2 margin ±200 bps	Not triggered	Not applicable	Not triggered	One segment	Consolidated margin used

The dominant variables are consolidated statutory margin and revenue through the XTANDI cliff. A 200-bp margin decline or five-year revenue-CAGR decline moves Base below JPY157.033 required EPS. Tax and share sensitivities do not overturn the gate at displayed bounds.

11. Combined earnings summary

Case	Revenue, JPY bn	OI, JPY bn	OI margin	NI, JPY bn	EPS, JPY	Probability	EPS × 15	Vs JPY2,355.50
Bear	1,595.5	159.6	10.0%	114.437321	63.710754	30%	955.661317	-59.43%
Base	2,308.6	392.5	17.0%	302.633100	168.485097	60%	2,527.276457	7.29%
Bull	3,211.9	770.9	24.0%	619.259275	344.760567	10%	5,171.408503	119.55%

Case	Revenue, JPY bn	OI, JPY bn	OI margin	NI, JPY bn	EPS, JPY	Probability	EPS × 15	Vs JPY2,355.50
Probability-weighted EPS	2,185.00	360.47	16.50% diagnostic	277.837	154.680341	100%	2,320.205120	-1.50% diagnostic

Probabilities remain 30% Bear, 60% Base and 10% Bull, totaling 100%. Base carries the largest weight because the reviewed operating evidence supports a mixed central transition; Bull's correlated clinical, payer, launch, alliance and margin successes justify only 10%. Probability-weighted rows are arithmetic diagnostics, not a fourth case. Weighted EPS is `0.30 × 63.710754 + 0.60 × 168.485097 + 0.10 × 344.760567 = JPY154.680341`. Probability-weighted cumulative distributions are `0.30 × JPY232 + 0.60 × JPY430 + 0.10 × JPY430 = JPY370.60` per listed unit.

12. Tie-out checks

1. Reported-financial and statutory-bridge tie-out — PASS

TTM segment revenue is JPY2,274.365bn and reported consolidated revenue is identical. TTM segment-profit sum is JPY472.492bn, corporate adjustments are empty, consolidated modeled metric is JPY472.492bn, operating adjustments are empty, and statutory OI is JPY472.492bn. FY2025 repeats at JPY382.633bn. Below-line residuals remain within JPY1m. Source: statutory bridge and data_package Sections 2, 3 and 3a. **PASS.**

2. NI, shares, listed-unit factor and FX reproduce EPS — PASS

Bear: JPY114.437321bn × 1,000 ÷ 1,796.201m = JPY63.710754; Base: JPY302.633100bn × 1,000 ÷ 1,796.201m = JPY168.485097; Bull: JPY619.259275bn × 1,000 ÷ 1,796.201m = JPY344.760567. Each is multiplied by 1.000000 unit factor and 1.000000 FX. **PASS.**

3. Segment sum at the horizon — PASS

There is one segment. Bear combined revenue ÷ segment sum is 1,595.5 ÷ 1,595.5 = 100.000%; Base is 2,308.6 ÷ 2,308.6 = 100.000%; Bull is 3,211.9 ÷ 3,211.9 = 100.000%. Eliminations are zero. **PASS.**

4. Product-to-segment rollup — PASS

The reviewed appendix sums ten revenue rows including established residual and pipeline/new launches. Bear totals JPY1,595.5bn, Base JPY2,308.6bn and Bull JPY3,211.9bn. Base arithmetic is 337.3 + 557.3 + 100.9 + 206.5 + 115.6 + 190.7 + 131.5 + 210.9 + 257.9 + 200.0 = JPY2,308.6bn. Equivalent reviewed sums clear Bear and Bull. **PASS.**

5. Weighted margin check — PASS, not triggered

Astellas discloses no product-level retained profit or comparable product margins. The sealed fallback permits one consolidated segment. A weighted product-margin calculation would fabricate inputs, so it is not triggered. The consolidated cost bridge ties each case to 100% and the peer reviewer reported no unresolved issue. **PASS — not triggered for product margins.**

6. Share count and security-unit path — PASS

Starting diluted shares 1,796.201m × split factor 1.000000 = 1,796.201m quote-basis shares. Dividing by depositary ratio 1.000000 × class factor 1.000000 yields 1,796.201m listed units. Annual path is 1,796.201m + 0.000m SBC – 0.000m retirement = 1,796.201m. **PASS.**

7. Growth plausibility — PASS

For products with history, Base CAGRs do not exceed 1.2 times disclosed FY2023-FY2025 growth: PADCEV 18.2% versus 60.9%, XOSPATA 5.7% versus 14.2%, IZERVAY 16.5% versus 153.2%, VEOZAH 20.4% versus 152.7%, while mature products are flat or declining. VYLOY lacks meaningful pre-launch CAGR but has explicit decelerating cadence. Pipeline uses absolute yen. **PASS.**

8. Historical arithmetic and exact five-year compounding — PASS

Base exact implied CAGRs are XTANDI -19.6063%, PADCEV 18.2340%, XOSPATA 5.7206%, PROGRAF -0.8035%, Mirabegron -11.2627%, IZERVAY 16.4903%, VEOZAH 20.4347%, VYLOY 24.6086%, other established products -3.9981%. Applying each to TTM for five intervals reproduces the endpoint within 1%. Rounded labels differ only by display. Pipeline has no zero-base CAGR. **PASS.**

9. Recency anchor — PASS

Base first-forward revenue is JPY2,420.4bn against TTM JPY2,274.365bn, a 6.42% step, within 10%. The model does not annualize Q1's 26.7% revenue growth or 28.8% margin. **PASS.**

10. Period and horizon integrity — PASS

Four discrete quarters have no overlap. The cumulative formula uses FY2025 less like-for-like April-June Q1 FY2025 plus April-June Q1 FY2026. Anchor is 2026-06-30 and terminal is exactly 2031-06-30. Every CAGR spans five intervals; FY2025 is not the forecast base. **PASS.**

11. Valuation, unit bridge, hashes and probabilities — PASS

Packet bytes hash to `fd6e3658872a7400d03912ab0c1c1b2d4157a00225ba146dafffc1f7ea565f7f`; statutory bytes hash to `5164af0b398c3609df2a882a199dd74e9cb0668c276bcf90eada702261b95c2a`. Price is JPY2,355.50 per XTKS ordinary share. Split, depositary, class and FX factors are 1.000000. Bear EPS × 15 is JPY955.661317, Base JPY2,527.276457 and Bull JPY5,171.408503. Probabilities sum to 30% + 60% + 10% = 100%; weighted EPS is JPY154.680341 and weighted distributions are JPY370.60. Base cushion is 7.29% and controls. **PASS.**

13. Clearance conclusion and governance

All eleven checks pass. The fallback identity is preserved without a plug, the horizon is five years from TTM, the listed-security unit is explicit, and 30/60/10 probabilities match the final reviewed appendix. The Bear dividend-capacity objection is resolved: cumulative Bear distributions are JPY232 per share and JPY416.719bn aggregate versus JPY579.249bn cumulative owners' NI, with JPY355.648bn of avoided distributions traced to debt reduction. Base terminal revenue is JPY2,308.6bn, statutory OI JPY392.5bn, NI JPY302.633bn and EPS JPY168.485. Required EPS is JPY157.033, so Base clears by 7.29%.

This is an earnings-synthesis clearance, not an ER2 BUY verdict or return-method decision. Moat and 2046 gates remain FAIL and management remains YELLOW. VP must next verify normalized cadence, select a method, resolve minority-interest claim perimeter if EV/NOPAT is considered, validate dilution and independently choose exit multiples. CS may then calculate method-consistent returns. No trade or execution authority is present.

SYNTHESIS CLEARED — 11/11 TIE-OUTS PASSED P/E 15 gate: PASS — cushion 7.29%

Appendix CS - Compounder Score

Astellas Pharma Inc. — Compounder Score

Analysis date: 2026-09-07 Ticker and listing: 4503.T / XTKS:4503 ordinary shares Reporting and valuation currency: JPY Price anchor: JPY 2,355.50 at the 2026-09-04 completed Tokyo close TTM operating anchor: 2026-06-30 Exact return horizon: 2026-06-30 to 2031-06-30, 5.00 years Primary valuation method: **P/E**

1. Executive Verdict

Compounder Score: 39/100. Business Quality Score: 32/80. Valuation / 20% Return Underwriting Score: 7/20. Score-implied classification: Reject. Confidence: Medium.

The evidence supports a real, globally scaled pharmaceutical franchise with valuable product-level assets, a manageable balance sheet, strong recent cash generation, and several credible growth brands. It does not support the stronger claim that Astellas is already a proven high-ROIIC compounder. The five-year diagnostic ROIC sequence was 8.60%, 7.50%, 0.80%, 1.40%, and 13.60%. The rebound is encouraging, but the median is only 7.50%, acquired-intangible impairments have been material, and a conservative acquisition-inclusive incremental-return proxy is below 8.00% across the available FY2021-FY2025 history. Astellas must replace a large XTANDI profit pool while funding R&D and launch investment; the moat review therefore fails both the consolidated moat gate and the 2046 durability test.

The stock also fails the rubric's 20% return hurdle at the locked central valuation. The validator-cleared preflight fixes the method at P/E, the comparable normalized current FY2026 guided statutory diluted EPS at JPY 167.02, the normalized current P/E at 14.10x, and Bear/Base/Bull exit P/Es at 10.00x, 12.00x, and 17.00x. On those immutable inputs, gross JPY shareholder IRRs are **-18.08% Bear, 0.80% Base, and 21.71% Bull**. The probability-weighted gross JPY IRR is **0.05%**, calculated as the five-year CAGR of probability-weighted terminal wealth—not an arithmetic average of scenario IRRs. Only the 10%-probability Bull scenario clears 20%.

The locked P/E bridge counts terminal statutory diluted EPS once, applies the exit P/E once, and adds scenario distributions once: JPY 232.00 in Bear and JPY 430.00 in Base and Bull. It does not add terminal cash or subtract debt, because finance income, finance expense, and capital structure already affect statutory EPS and the equity multiple. The net-SGD overlay uses this same P/E terminal value without changing any EPS, multiple, share count, or probability. It removes the earlier unsupported favorable Bull FX correlation by applying the same 15.00% terminal yen-depreciation stress to every operating scenario and publishing a 0%-30% uniform-FX sensitivity grid. With conservative costs and 15.00% dividend withholding, net-SGD IRRs are **-21.24% Bear, -2.82% Base, and 17.70% Bull**, while the probability-weighted net-SGD IRR is **-3.50%**.

The practical focus is the post-XTANDI earnings trough. Base terminal revenue is only slightly above the TTM level, statutory operating margin is 17.00% versus 20.77% at the TTM anchor, and terminal EPS of JPY 168.49 is almost flat against the JPY 167.02 normalized current denominator. At today's price, dividends prevent the gross Base return from being negative but do not create a high-return outcome. A 20% annualized return at the locked 12.00x central exit requires terminal EPS of JPY 452.60, or a 22.06% CAGR from the normalized current denominator, 2.69 times Base terminal EPS and above the locked Bull terminal EPS of JPY 344.76.

2. Data Source Map

The source chain is the sealed ER2 work product. Live FMP pulls were archived upstream and official Astellas IFRS disclosure controls where provider classifications differ. No fresh or stale cache was substituted in this stage.

Evidence need	Controlling source	Period / unit	Use in this score
Price, listing, security unit	`quote_packet.json`, SHA-256 `fd6e3658872a7400d03912ab0c1c1b2d4157a00225ba146dafffc1f7ea565f7f`	JPY per XTKS ordinary share; 2026-09-04 close	JPY 2,355.50 entry price, ordinary-share and split bridge
Market capitalization	Quote packet and 1,796.201m diluted listed units	2026-06-30 shares, 2026-09-04 price	JPY 4,230.95bn diagnostic market capitalization
Enterprise value	Quote packet plus Q1 cash/debt and FY2025 lease proxy in `quant_foundation.md`	JPY bn	JPY 4,682.52bn diagnostic EV; not used in P/E terminal wealth
Income statement	`statutory_bridge.json` and `quant_foundation.md`	FY2021-FY2025 and TTM 2026-06-30	Revenue, statutory OI, tax, owners' NI, NOPAT diagnostics

Evidence need	Controlling source	Period / unit	Use in this score
Balance sheet	`quant_foundation.md` and `data_package.md`	FY2025 and Q1 FY2026	Cash, debt, leases, equity, goodwill and intangibles
Cash flow	`quant_foundation.md` and official IFRS source records	FY2021-FY2025 and TTM	CFO, PP&E purchases, FCF, dividends and repurchases
Diluted shares	Quote packet and `appendix_synthesis.md`	1,796.201m units at 2026-06-30	Current and terminal diluted-share denominator
Share-based compensation	FY2025 audited IFRS note summarized in `quant_foundation.md`	FY2025 JPY 5.551bn	Treated as economic cost; TTM component remains unavailable
Segment / product economics	Final `appendix_B_consolidated_company.md`, SHA-256 `c5ea5526e2f5604060fc738afe5c1a8e4b2596a127526e13cfa2a9c064c2e2bd`	Single pharmaceutical segment	Product runway, alliance leakage, 30% / 60% / 10% probability calibration
Management commentary	`appendix_management.md` and archived official scripts	FY2024-Q1 FY2026 / CSP2026	Execution, R&D, deleveraging, dividend and acquisition assessment
Capital allocation	`appendix_management.md`, `data_package.md`	FY2021-FY2025	Iveric acquisition, dividends, buybacks and debt reduction
Compensation / governance	`appendix_management.md`	2026 governance cycle	Relative-TSR incentive design and board oversight
Market opportunity	`appendix_B_consolidated_company.md`, R&D and pipeline materials	Through mid-2030s	Directional runway only; management pipeline potential is not booked revenue
Competitors and moat	`appendix_moat.md` and reviewed product evidence	Current and 2046 stress	Product IP, clinical differentiation, payer and pipeline-renewal risks
Repaired combined model	`appendix_synthesis.md`, SHA-256 `3220fdec0447593fb89a37ac3ba588f559a6dad0a0f2a1e152e8d5bd4038c82c`	2026-06-30 to 2031-06-30	Bear dividend/debt repair, terminal EPS and distributions
Independent challenge	`appendix_red_team.md`, SHA-256 `cfa634ed6ecb50031030c1316276b16ca93688adede166a4d32a93549e001da5`	Return-model stress	Base-multiple, probability, distribution and FX objections routed for repair
Valuation method and multiples	`valuation_preflight.json`, SHA-256 `416dcc880cb336603de51a8db5853335d511178e1a5e9e92742b83152a62c93b`	Current normalized and 2031 terminal EPS	Mandatory P/E method and locked 10.00x / 12.00x / 17.00x exits

The valuation preflight validator returned `VALUATION_PREFLIGHT_VALID` with the required SHA-256. Its status is `CLEARED`; earnings normalization, method selection, denominator integrity, capital structure, and exit-multiple evidence all pass, and the blocker list is empty. The governance-only reseal removes every downstream Red Team, CS, and CSA evidence binding from VP: the final VP source-binding inventory contains no downstream artifact, avoiding circular evidence ownership. The economic inputs are unchanged—P/E, normalized EPS and P/E, 10.00x / 12.00x / 17.00x exits, 30.00% / 60.00% / 10.00% probabilities, JPY 232.00 / 430.00 / 430.00 distributions, and JPY 63.71 / 168.49 / 344.76 terminal EPS all replay exactly. The preflight reproduces the quote-packet and statutory-bridge hashes exactly. Its quote freshness setting is an advisory actionability disclosure under the owning automation; it does not alter the immutable price anchor or block this analytical stage merely because time advances.

3. Key Financial and Quality Metrics

All growth rates use the longest clean periods available in the reviewed package. The “five-year history” column spans FY2021 through FY2025, four compounding intervals. A true ten-year clean series is not present and is not invented. NOPAT uses statutory operating profit times 75.00%, a consistent diagnostic tax convention rather than management’s core-profit measure.

Metric	1-year	3-year	Five-year history	10-year	Interpretation
Revenue CAGR	11.87%	12.10%	13.34%	Insufficient evidence	Strong reported growth includes acquisitions, launches and FX
NOPAT CAGR	832.37%	42.21%	25.21%	Insufficient evidence	Low FY2023-FY2024 bases make CAGR economically misleading
FCF CAGR	219.01%	19.31%	21.92%	Insufficient evidence	FY2025 and TTM cash conversion benefited from timing

Metric	1-year	3-year	Five-year history	10-year	Interpretation
Diagnostic adjusted ROIC	13.60% latest	5.27% median FY2023-FY2025	7.50% median	Insufficient evidence	Not a persistent high-ROIC record
Organic-like ROIIC proxy	Not meaningful	17.50%	12.32%	Insufficient evidence	Delta NOPAT divided by gross R&D plus capex; excludes working-capital detail
Acquisition-inclusive ROIIC proxy	Not meaningful	10.09%	7.85%	Insufficient evidence	Adds JPY 784.97bn Iveric cash acquisition to denominator
Reinvestment-rate proxy	Insufficient evidence	Above 300.00%	Above 300.00%	Insufficient evidence	Gross R&D plus capex exceeds NOPAT; not a capitalized-R&D roll-forward
FCF / NOPAT	175.09%	Volatile	239.70% cumulative	Insufficient evidence	Strong cash result, but taxes and working capital distort the ratio
Operating margin	17.89%	Volatile	8.48% median	Insufficient evidence	1.60%-17.89% historical range; TTM is 20.77%
Gross margin	Insufficient evidence	Insufficient evidence	Insufficient evidence	Insufficient evidence	No clean comparable series in the sealed packet
Diluted share-count CAGR	0.00%	-0.51%	-0.73%	Insufficient evidence	Historical buybacks reduced shares; forecast count is flat
SBC / revenue	0.26%	Insufficient evidence	Insufficient evidence	Insufficient evidence	FY2025 only; TTM SBC not separately disclosed
SBC / FCF	1.10%	Insufficient evidence	Insufficient evidence	Insufficient evidence	FY2025 only; cost remains included economically
Net debt / EBITDA	0.49x	Not used	Not used	Insufficient evidence	Manageable FY2025 diagnostic excluding leases
EV / normalized NOPAT	13.21x	Not used	Not used	Insufficient evidence	Diagnostic only; EV/NOPAT was rejected as primary method
FCF yield	12.63%	Not used	Not used	Insufficient evidence	TTM FCF divided by current market capitalization
Annual dividend yield	3.40%	Not used	Not used	Insufficient evidence	JPY 80.00 annual guide divided by current price
Net buyback yield	0.01%	Declining	Declining	Insufficient evidence	TTM JPY 0.60bn repurchase is economically immaterial

The ROIIC proxies are intentionally conservative and explicitly incomplete. They use statutory after-tax operating profit, gross R&D, capex, and—in the acquisition-inclusive version—the Iveric cash outflow. A full economic ROIIC would capitalize R&D, amortize the research asset, incorporate non-cash working-capital changes, disposals, and distinguish maintenance from growth spending. Those inputs are not fully available in the sealed package. The evidence therefore does not justify a high ROIIC score. The acquisition-inclusive proxy is especially relevant because acquisition-created goodwill and intangibles are real invested capital and the ex-US IZERVAY asset later incurred a JPY 115.10bn impairment.

4. Rubric Scorecard

Category	Score	Maximum	Evidence-based conclusion
1. Incremental returns on capital	5	25	Five-year median diagnostic ROIC is 7.50%; acquisition-inclusive ROIIC proxy is weak
2. Reinvestment runway	10	20	Strategic brands and pipeline create runway, but successful scaled reinvestment is not yet proven
3. Durability of moat	6	15	Product-level defenses exist; consolidated moat and 2046 tests fail
4. Accounting and financial quality	8	10	Official IFRS bridge is clean and cash generation strong; intangibles and timing require care
5. Capital allocation discipline	3	10	Deleveraging is sensible, but Iveric and prior write-downs weigh heavily
Business Quality Score	**32**	**80**	Below the 65/80 investable threshold
6. Price and 20% return underwriting	7	20	Base IRR is 0.80%; only Bull clears 20%

Category	Score	Maximum	Evidence-based conclusion
Compounder Score	**39**	**100**	Score-implied Reject

The category detail is deliberately non-compensating. Category 1 receives 1/5 for normalized ROIC, 0/8 for high ROIIC, 1/3 for non-deterioration, 1/3 for unit-economics support, 1/3 for cash conversion, and 1/3 for freedom from accounting artifacts. Category 2 receives 3/5 for opportunity, 2/5 for proven scaled reinvestment, 3/4 for organic growth, 1/3 for a repeatable playbook, 1/2 for market structure, and 0/1 for avoiding ROIC collapse. Category 3 receives 2/4 for a clear advantage, 1/3 for pricing power, 2/3 for competitive evidence, 1/2 for customer stickiness, 0/2 for stress resilience, and 0/1 for low disruption risk.

Category 4 receives 1/2 for clean earnings quality, 2/2 for cash support, 1/2 for SBC and dilution, 2/2 for balance-sheet strength, 1/1 for disclosure, and 1/1 for absence of a gating governance/accounting red flag. Category 5 receives 1/2 for rational reinvestment priority, 0/2 for acquisition discipline, 1/2 for buyback discipline, 1/2 for incentive alignment, 0/1 for owner mentality, and 0/1 for favorable evidence from past decisions.

Category 6 receives 0/6 because Base IRR is below 10%, 3/4 because the independently justified 12.00x central exit is meaningfully below the comparable normalized current 14.10x multiple, 0/3 because Bear is unacceptable, 0/3 because the reverse-return hurdle is not met by Base, 2/2 because the current normalized multiple does not itself price perfection, and 2/2 because cumulative dividends materially improve ending wealth. The exit-multiple score observes the independently locked preflight; it did not set or change those multiples after seeing returns.

5. ROIIC and Reinvestment Analysis

The central problem is not whether Astellas spends enough. It spends heavily: FY2025 R&D was JPY 314.83bn, capital expenditure JPY 57.72bn, and CSP2026 contemplates base R&D near 20% of revenue plus as much as five additional percentage points when pipeline progress warrants. The problem is whether this spending consistently generates incremental statutory NOPAT above the cost of capital after failed science, acquisition premiums, amortization, and impairments.

The available history does not establish that. Diagnostic ROIC fell from 8.60% and 7.50% in FY2021-FY2022 to 0.80% and 1.40% in FY2023-FY2024 before recovering to 13.60% in FY2025. Some volatility is inherent in pharmaceutical accounting because R&D is expensed, but that does not make failed projects economically free. The Iveric acquisition consumed about JPY 784.97bn, increased debt materially, and was followed by a JPY 115.10bn ex-US IZERVAY impairment. Other acquired programs also generated impairment charges. Goodwill plus other intangibles were JPY 1,438.10bn at FY2025, nearly four-fifths of owners' equity.

An organic-like three-year proxy gives Astellas some credit: FY2025 NOPAT minus FY2022 NOPAT divided by FY2023-FY2025 gross R&D plus capex is 17.50%. Adding the Iveric acquisition lowers that proxy to 10.09%. Across the longer FY2021-FY2025 history, the organic-like proxy is 12.32% and acquisition-inclusive proxy 7.85%. These are diagnostic lower-fidelity calculations, not a claim of precise economic ROIIC. They nevertheless make a >25% or >35% ROIIC score indefensible.

Cash conversion is better. FY2025 FCF was JPY 502.47bn and TTM FCF JPY 534.30bn, well above diagnostic NOPAT. However, the reviewed package explicitly warns that working-capital, cash-tax, and other timing inflated the latest readings. The correct conclusion is that earnings are supported by cash, not that a 150%-plus conversion ratio is sustainable. Likewise, flat modeled shares prevent dilution from masking the terminal EPS path, while the historical decline in shares receives only modest credit because repurchases largely stopped after the acquisition.

6. Runway Analysis

Astellas has credible growth assets. PADCEV is the largest strategic brand and continues to expand across bladder-cancer settings, while IZERVAY, VEOZAH, VYLOY, and XOSPATA provide additional launch breadth. The reviewed Base model uses product-specific deceleration rather than straight-line extrapolation: PADCEV, IZERVAY, VEOZAH, and VYLOY grow from low bases, while XTANDI declines through its staged US, European, and Japanese loss-of-exclusivity sequence. The pipeline includes multiple oncology and ophthalmology assets, and management plans more than ten Phase 3 or pivotal starts by FY2030.

That runway is not the same as a proven reinvestment engine. FY2025 strategic-brand revenue of JPY 480.30bn was only about half XTANDI revenue, and product sales do not convert one-for-one into retained profit. PADCEV economics are shared approximately 50:50 globally, with regional accounting mechanics. Several launches require specialist capacity,

biomarker testing, reimbursement work, repeated-treatment acceptance, or heavy medical-affairs support. Management's roughly JPY 1tn mid-2030s pipeline-sales potential is an un-risked plan objective, not evidence of realized returns.

The scenario spread makes the dependency explicit. Bear terminal revenue is JPY 1,595.50bn and operating income JPY 159.60bn. Base reaches JPY 2,308.60bn revenue and JPY 392.50bn operating income after a 2029 trough. Bull reaches JPY 3,211.90bn and JPY 770.90bn only with broad portfolio renewal, softer XTANDI erosion, productive R&D, and launch leverage. The final 30% / 60% / 10% weights place the removed Bull probability into Base because Bull stacks correlated clinical, regulatory, payer, alliance and margin successes, while Bear already stacks several adverse conditions.

7. Moat Analysis

The moat is product-specific rather than a proven corporate compounder moat. Individual therapies can have strong clinical evidence, regulatory exclusivity, patents, complex manufacturing, biomarker-driven adoption, specialist familiarity, and switching friction. PADCEV's evidence and lifecycle expansion are meaningful; retina and precision-oncology franchises also require regulated commercial and medical infrastructure that is difficult to replicate instantly.

The consolidated evidence is weaker. XTANDI concentration dominates the current profit pool and its finite exclusivity is known. Payer negotiation, CMS pricing, rebates, country reimbursement, generic entry, and alliance profit sharing constrain pricing power. The company's own margin and ROIC history is volatile, and recent acquired-intangible impairments show that buying scientific optionality does not guarantee durable retained economics. AI may lower discovery costs across the industry but can also increase the number of competing assets and clinical-development congestion; it is not a company-specific moat by itself.

The 2046 test fails because today's franchises cannot bridge twenty years without multiple successor products. Astellas may remain a viable global specialist pharmaceutical company, but the sealed evidence does not prove a repeatable process that turns R&D and business development into protected, high-return franchises over successive patent cycles. The moat score is therefore capped even though several current products are competitively differentiated.

8. Accounting and Capital Allocation Analysis

Accounting quality is adequate for underwriting. The official IFRS statements and exact TTM bridge reconcile revenue, statutory operating profit, pretax income, tax, owners' profit, CFO, capex, shares, and EPS. The work explicitly rejects FMP operating-income and CFO classifications when they do not match Astellas's statutory presentation. Management's core measures are not substituted for statutory earnings. FY2026 normalized current EPS retains JPY 140.00bn of acquired-intangible amortization and an JPY 80.00bn impairment/restructuring risk pool through company guidance, so the P/E denominator is not an aggressive core-EPS add-back.

The main caution is economic, not a discovered accounting breach. Core-profit definitions changed after acquisition-related amortization rose, TTM cash conversion is timing-sensitive, and goodwill plus intangibles are material. SBC is modest at 0.26% of FY2025 revenue and 1.10% of FCF, but the TTM component is unavailable; this stage does not assume zero economic cost. No preferred equity, convertible, public warrant, or redeemable-equity claim was identified. Legacy JPY 1 options are already embedded in the diluted-share anchor and are not added again.

Capital allocation is mixed. Management stopped meaningful buybacks, prioritized debt reduction, maintained a progressive dividend, pruned programs, and articulated a gross-debt/EBITDA target. Those are sensible corrections after Iveric. Yet the acquisition record has not earned a high score: Astellas does not publish deal-level return hurdles or post-investment ROIC scorecards, Iveric used substantial debt, and the ex-US asset impairment arrived quickly. Incentives use adjusted profit and three-year relative TSR without a clear long-duration ROIC, FCF, or economic-profit measure. The dividend commitment is shareholder-friendly but reduces flexibility during the XTANDI trough.

9. 20% Return Underwriting

The valuation preflight fixes all controlling inputs. Reported TTM owners' NI of JPY 364.94bn divided by 1,796.201m packet diluted shares gives reported statutory TTM EPS of JPY 203.17 and a disclosure-only P/E of 11.59x. The comparable normalized current denominator is FY2026 company-guided statutory owners' NI of JPY 300.00bn divided by the same 1,796.201m diluted shares, or JPY 167.02 per share and 14.10x. Terminal denominators are statutory diluted EPS on the same XTKS ordinary-share, JPY, and 1,796.201m-share basis. Comparability is true.

The 10.00x Bear multiple is below low-end peer evidence to reflect the post-XTANDI trough, weak margin, impairment risk, and failed durability test. The repaired 12.00x Base multiple is anchored near Astellas's 11.90x packet-price forward P/E and

the 11.15x non-extreme peer low; it no longer grants the post-cliff company the same multiple as the pre-cliff normalized company. The 17.00x Bull multiple is above normalized current P/E but remains within the non-extreme peer range and requires broad portfolio renewal. The resealed preflight confirms that multiples were selected before return replay, both excessive-optimism and excessive-bearishness challenges pass, and no material multiple objection remains unresolved.

Gross local-currency underwriting and net-SGD overlays use the exact audited probabilities: Bear 30.00%, Base 60.00%, Bull 10.00%.

Scenario	Probability	Terminal diluted EPS	Exit P/E	Terminal value / share	Five-year distributions / share	Total terminal wealth / share	Gross JPY IRR
Bear	30.00%	JPY 63.71	10.00x	JPY 637.11	JPY 232.00	JPY 869.11	-18.08%
Base	60.00%	JPY 168.49	12.00x	JPY 2,021.82	JPY 430.00	JPY 2,451.82	0.80%
Bull	10.00%	JPY 344.76	17.00x	JPY 5,860.93	JPY 430.00	JPY 6,290.93	21.71%
Probability weighted	100.00%	Not used	Same method	Not separately averaged	Included once	JPY 2,360.92	0.05%

Probability-weighted terminal wealth is `30.00% × JPY 869.11 + 60.00% × JPY 2,451.82 + 10.00% × JPY 6,290.93 = JPY 2,360.92`. The probability-weighted IRR is `(JPY 2,360.92 / JPY 2,355.50)^(1 / 5.00) − 1 = 0.05%`. It is not the arithmetic average of -18.08%, 0.80%, and 21.71%.

Bear-case operating and return bridge

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	JPY 2,274.37bn	JPY 1,595.50bn	-6.84%	Faster staged XTANDI erosion, slower strategic-brand scale and only JPY 60.00bn pipeline/new-launch revenue
Operating margin	20.77%	10.00%	-10.77 pp	R&D at 25%, weak launch leverage and recurring designated-item risk outweigh fee relief
Operating earnings	JPY 472.49bn	JPY 159.60bn	-19.51%	Statutory operating income on the single-segment consolidated fallback
Diluted share count	1,796.20m	1,796.20m	0.00%	No invented buyback or SBC issuance; existing diluted overhang remains embedded
EPS	JPY 167.02	JPY 63.71	-17.53%	Repaired Bear finance expense reflects avoided distributions reducing debt
Valuation denominator	Guided statutory diluted EPS	Terminal statutory diluted EPS	Comparable	Same JPY XTKS ordinary-share perimeter and diluted denominator
Valuation	14.10x normalized P/E	10.00x P/E	-4.10x	Locked discount for post-XTANDI trough, weak margin and impairment risk
Share value	JPY 2,355.50	JPY 637.11	-23.01%	JPY 63.71 statutory diluted EPS multiplied by 10.00x; no net-debt adjustment
Annual dividend	JPY 80.00	JPY 50.00	-8.97%	Repaired Bear path cuts distributions to remain within modeled owners' NI
Dividend yield	3.40%	7.85%	+4.45 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	JPY 232.00	Cumulative	JPY 82.00, 70.00, 0.00, 30.00 and 50.00, counted once
Total ending value	JPY 2,355.50	JPY 869.11	-18.08% gross JPY IRR	Terminal P/E value plus cumulative distributions

Base-case operating and return bridge

Base case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	JPY 2,274.37bn	JPY 2,308.60bn	0.30%	Strategic brands and JPY 200.00bn pipeline/new-launch revenue offset most, not all, XTANDI erosion
Operating margin	20.77%	17.00%	-3.77 pp	2029 trough from LOE, launch costs and late-stage R&D, followed by partial rebuilding
Operating earnings	JPY 472.49bn	JPY 392.50bn	-3.64%	Statutory operating income on the single-segment consolidated fallback
Diluted share count	1,796.20m	1,796.20m	0.00%	Flat reconciled share path; no invented buyback benefit
EPS	JPY 167.02	JPY 168.49	0.17%	Terminal statutory diluted EPS remains almost flat versus normalized current EPS
Valuation denominator	Guided statutory diluted EPS	Terminal statutory diluted EPS	Comparable	Same statutory owners' earnings and diluted listed-unit perimeter
Valuation	14.10x normalized P/E	12.00x P/E	-2.10x	Resealed central multiple anchored near company forward and low-peer evidence
Share value	JPY 2,355.50	JPY 2,021.82	-3.01%	JPY 168.49 statutory diluted EPS multiplied by 12.00x; no net cash added
Annual dividend	JPY 80.00	JPY 90.00	2.38%	Frozen JPY 2.00 annual increase path
Dividend yield	3.40%	4.45%	+1.05 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	JPY 430.00	Cumulative	Five annual distributions, counted once
Total ending value	JPY 2,355.50	JPY 2,451.82	0.80% gross JPY IRR	Terminal P/E value plus cumulative distributions

Bull-case operating and return bridge

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	JPY 2,274.37bn	JPY 3,211.90bn	7.15%	Softer XTANDI erosion, broad launch conversion and JPY 380.00bn pipeline/new-launch revenue
Operating margin	20.77%	24.00%	+3.23 pp	Lower SG&A intensity, productive R&D and portfolio renewal create launch leverage
Operating earnings	JPY 472.49bn	JPY 770.90bn	10.29%	Statutory operating income on the single-segment consolidated fallback
Diluted share count	1,796.20m	1,796.20m	0.00%	Flat reconciled share path, avoiding an unsourced buyback assumption
EPS	JPY 167.02	JPY 344.76	15.60%	Broad portfolio renewal more than offsets the XTANDI decline
Valuation denominator	Guided statutory diluted EPS	Terminal statutory diluted EPS	Comparable	Same statutory and listed-unit perimeter
Valuation	14.10x normalized P/E	17.00x P/E	+2.90x	Locked reward for diversified renewal, still below the cited peer median
Share value	JPY 2,355.50	JPY 5,860.93	20.00%	JPY 344.76 statutory diluted EPS multiplied by 17.00x; no balance-sheet addition
Annual dividend	JPY 80.00	JPY 90.00	2.38%	Frozen JPY 2.00 annual increase path

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Dividend yield	3.40%	1.54%	-1.86 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	JPY 430.00	Cumulative	Five annual distributions, counted once
Total ending value	JPY 2,355.50	JPY 6,290.93	21.71% gross JPY IRR	Terminal P/E value plus cumulative distributions

Net-SGD overlay

The net-SGD analysis is a currency-stress overlay, not an FX forecast and not a refreshed spot quote. The entry JPY/SGD rate is normalized to **1.0000** because it cancels algebraically from the return ratio. The controlling case assumes terminal JPY/SGD is **1.1500 times the entry rate in every Bear, Base and Bull operating scenario**—a uniform 15.00% yen depreciation against SGD. This removes the earlier favorable-correlation problem in which Bull alone received a stronger yen. The uniform stress is deliberately independent of operating success and is bracketed below by 0.00% and 30.00% yen-depreciation sensitivities.

Costs remain conservative and method-consistent: **0.50% brokerage/market friction plus a 0.40% FX spread at entry**, and the same combined **0.90% at exit**. Japan dividend withholding is **15.00%**; no reclaim, foreign-tax credit, capital-gains tax, custody charge, or dividend reinvestment benefit is assumed. Entry cost is the current JPY price converted at the normalized entry FX and multiplied by 1.009. Terminal share value is reduced by 0.90%, distributions are reduced by 15.00% withholding, and the resulting JPY proceeds are converted at 1.1500 times entry FX. Because entry FX appears in both numerator and denominator, the published IRR is a finite SGD return without relying on an unsupported absolute spot.

Scenario	Probability	Terminal JPY/SGD vs entry	Net JPY proceeds before FX	Net wealth / SGD entry cost	Net-SGD IRR
Bear	30.00%	1.1500x	JPY 828.57	0.3032x	-21.24%
Base	60.00%	1.1500x	JPY 2,369.12	0.8668x	-2.82%
Bull	10.00%	1.1500x	JPY 6,173.68	2.2588x	17.70%
Probability weighted	100.00%	1.1500x	Same P/E method	0.8369x	-3.50%

Probability-weighted net terminal wealth is the probability-weighted sum of scenario net SGD wealth, 0.8369 times the common all-in entry cost. Its five-year CAGR is -3.50%. The result is not an arithmetic average of scenario net IRRs. The same P/E method, exit multiples, terminal EPS, distributions and probabilities control before the currency conversion.

Uniform terminal yen move vs SGD	Bear net-SGD IRR	Base net-SGD IRR	Bull net-SGD IRR	Probability-weighted net-SGD IRR
0.00% depreciation	-19.00%	-0.06%	21.04%	-0.76%
15.00% depreciation — controlling stress	-21.24%	-2.82%	17.70%	-3.50%
30.00% depreciation	-23.14%	-5.17%	14.85%	-5.84%

This grid resolves the Red Team's >2-point FX sensitivity objection directly. It shows the outcome under no currency loss, a controlling 15.00% loss, and a severe 30.00% loss, all without conditioning FX on operating success. The central net-SGD result is therefore conservative, transparent, and free of unsupported favorable Bull correlation.

Reverse-return and maximum-buy-price diagnostic

A 20.00% annual return requires five-year terminal shareholder wealth of JPY 5,861.24 per share. After subtracting the Base JPY 430.00 cumulative distributions, required terminal equity value is JPY 5,431.24. At the locked 12.00x Base exit P/E, required terminal statutory diluted EPS is JPY 452.60. That is a 22.06% CAGR from normalized current EPS of JPY 167.02. Base terminal EPS is only JPY 168.49, while Bull reaches JPY 344.76 and uses a higher 17.00x exit.

Using probability-weighted terminal wealth, the maximum entry price consistent with a 20.00% gross JPY CAGR is **JPY 948.80**, about 59.72% below the current JPY 2,355.50. Using Base terminal wealth alone gives an entry threshold of JPY 985.33. The evidence therefore does not support "Buy only at a modestly lower price"; it supports Reject under this rubric unless operating evidence or price changes materially.

10. Hard Veto Checklist

Hard veto	Result	Evidence conclusion
ROIIC below cost with no credible path	Watch	Acquisition-inclusive longer-history proxy is 7.85%; launches provide a path, not proof
ROIC high only because capital is tiny or negative	Pass	Invested capital is positive and acquisition intangibles are included in the risk assessment
Growth requires persistent external financing	Pass	Leverage is manageable and recent cash generation supports investment
Share count rises without per-share value creation	Pass	Historical shares declined and the forecast count is flat
Large acquisitions without disclosed returns	Watch	Iveric was large and deal-level realized-return scorecards are not disclosed
FCF structurally lags earnings	Pass	FCF supports earnings, though latest conversion is timing-boosted
Concentration, regulation or dependency can impair equity	Fail	XTANDI concentration, LOE, payer pressure and alliance leakage can permanently impair earnings power
20% return requires multiple expansion	Fail	At Base EPS, 20% needs 32.24x P/E; the locked 12.00x bridge instead requires JPY 452.60 EPS
Flawless execution needed at today's price	Fail for 20% hurdle	Only the demanding Bull case clears 20%, and it also uses a 17.00x exit
Moat cannot be explained	Pass	Product IP, clinical evidence, specialist networks and regulated execution are clear, but finite
Accounting or governance impairs trust	Pass	No gating breach found; incentive and core-profit caveats are reflected in scoring
Balance sheet could wipe out equity in downturn	Pass	Net leverage is manageable; intangibles create impairment risk but not a demonstrated wipeout path

The hard-veto screen fails the investable-now threshold. The return veto is decisive: Base does not approach 20%, and the 20% outcome depends on broad pipeline success plus multiple expansion in Bull. This conclusion does not invalidate the preflight's 17.00x Bull multiple; it simply scores the economic result after the independently justified multiple was frozen.

11. Final Decision

Score-implied classification: Reject. The score is below 70, Business Quality is below 65/80, Valuation Underwriting is below 15/20, the incremental-return-plus-runway subtotal is only 15/45, Base IRR is 0.80%, Bear IRR is negative, and multiple-expansion / execution vetoes are present. This diagnostic classification does not mechanically replace the final ER2 verdict, but it should prevent Astellas from being described as a proven compounder at the current price.

The evidence that could change the score is concrete: Strategic Brands must replace a substantial share of XTANDI retained profit, statutory operating margin should remain above roughly 15% through the 2027-2029 trough, several non-lifecycle pipeline assets should reach pivotal success and approval on schedule, acquisition-related impairments should remain contained, and management should publish clearer deal-return and long-term ROIC/FCF accountability. Price alone could improve return underwriting, but at the current evidence set a probability-weighted 20% gross return requires an entry near JPY 948.80.

Compounder Score note: **39/100 — real pharmaceutical assets and cash generation, but unproven high-ROIIC replenishment and a near-zero probability-weighted gross return at the current price.**

Business Quality Score note: **32/80 — product-level differentiation and runway are offset by volatile ROIC, acquisition impairments, XTANDI concentration, and a failed long-duration moat test.**

20% Return UW Score note: **7/20 — gross JPY IRRs are -18.08% Bear, 0.80% Base, and 21.71% Bull; probability-weighted gross JPY IRR is 0.05%.**

12. Machine-Readable JSON

The companion `compounder_score.json` preserves full calculation precision, exact probabilities, valuation-preflight inputs, diluted shares, scenario terminal EPS, exit P/Es, terminal equity value per share, cumulative distributions, terminal shareholder wealth, gross JPY IRRs, and net-SGD IRRs. It records

`valuation_method_consistent_across_scenarios=true`, `net_sgd_uses_same_primary_method=true`, and `double_count_check_passed=true`. Fields belonging only to EV/NOPAT or P/B-ROE are explicitly `null`; they are not silently filled from a second method.

Appendix CSA - Scoring Audit

Astellas Pharma Inc. - Scoring Audit

Analysis date: 2026-09-07 Ticker and listing: 4503.T / XTKS ordinary shares Price anchor: JPY 2,355.50 TTM end: 2026-06-30 Exact horizon: 2031-06-30, 5.00 years Audited primary valuation method: **PE**

1. Original vs Audited Scores

This mandatory rebind uses the governance-only valuation-preflight reseal. The controlling `valuation_preflight.json` hashes to `416dcc880cb336603de51a8db5853335d511178e1a5e9e92742b83152a62c93b`. The repository validator returned `VALUATION_PREFLIGHT_VALID` with evidence-file checking enabled. Status is `CLEARED`; earnings normalization, method selection, denominator integrity, capital structure, and exit-multiple evidence all pass; and the blocker list is empty. The quote packet and statutory bridge retain their immutable hashes, respectively `fd6e3658872a7400d03912ab0c1c1b2d4157a00225ba146dafffc1f7ea565f7f` and `5164af0b398c3609df2a882a199dd74e9cb0668c276bcf90eada702261b95c2a`.

The VP source-binding inventory contains upstream evidence only. It has no path or hash for `appendix_red_team.md`, `appendix_compounder_score.md`, `compounder_score.json`, `appendix_scoring_audit.md`, or `compounder_score_audit.json`. The Base multiple rationale notes that Red Team feedback prompted reconsideration, but independently binds the final 12x decision only to upstream valuation evidence. A text search and structured-key inspection both confirm that no downstream circular artifact binding remains.

The reseal changes governance only. PE remains primary; Bear/Base/Bull exit P/Es remain 10x/12x/17x; probabilities remain 30%/60%/10%; cumulative distributions remain JPY 232/430/430 per share; and terminal diluted EPS remains JPY 63.710754/168.485097/344.760567. CS now binds the new VP hash in both outputs. Its markdown and JSON agree on every score and return field.

Item	Original CS	Audited	Notes
Business Quality Score / 80	32	32	One positive and one negative component adjustment offset
Valuation / 20% Return UW Score / 20	7	7	PE and return arithmetic reproduce exactly
Total Score / 100	39	39	Governance reseal does not alter economics
Classification	Reject	Reject	Every investable-now threshold fails

The original and audited gross JPY IRRs are Bear -18.07846489670465%, Base 0.804782332826659%, and Bull 21.710022820264885%. The probability-weighted gross JPY IRR is 0.04596006304828926%. Net-SGD IRRs under the uniform 15% yen-depreciation stress are Bear -21.235269315892524%, Base -2.8185971923650355%, and Bull 17.699445781707412%; probability-weighted net-SGD IRR is -3.4983870497728775%.

2. Score Reductions and Reasons

The top-level score is unchanged, but the independent component audit does not simply copy CS. Category 1 increases from 5/25 to 6/25 because 1/3 for cash conversion is excessively bearish. Official FCF is positive in every FY2021-FY2025 year, and cumulative FCF is about 239.7% of diagnostic NOPAT. Recent working-capital and tax timing prevents full credit, but multi-year evidence supports 2/3. The other Category 1 components remain unchanged. Five-year median diagnostic ROIC is 7.5%, earning 1/5. The organic-like ROIIC proxy is approximately 17.50% over three years and 12.32% over FY2021-FY2025; acquisition-inclusive proxies are about 10.09% and 7.85%. Because working-capital reinvestment, capitalized-R&D amortization, maintenance/growth separation, and disposals are incomplete, high ROIIC stays at zero.

Category 2 falls from 10/20 to 9/20. Market opportunity is correctly capped at 3/5 because issuer pipeline milestones and management's un-risked sales ambition are not independent TAM evidence. Organic growth opportunity falls from 3/4 to 2/4. PADCEV and the launch portfolio are growing, but the record does not cleanly separate organic retained-profit creation from acquired IZERVAY economics, partnered PADCEV economics, FX, lifecycle expansion, and acquired-intangible charges. Product revenue growth is real; retained organic economics are only partly supported. These two Category 1 and Category 2 changes offset, preserving Business Quality at 32/80.

Category 3 remains 6/15. Clinical evidence, exclusivity, specialist relationships, and global regulatory execution support partial advantage and competition scores. XTANDI patent expiry, payer intervention, alliance leakage, acquired-asset impairments, and full-basis margin troughs justify low pricing-power credit and zero for stress resilience and low disruption risk. Category 4 remains 8/10 because the official IFRS and statutory bridges reconcile, multi-year cash flow supports earnings, SBC is treated as a cost, and leverage is manageable. Large intangibles, volatile full-basis earnings, and missing TTM SBC detail prevent a perfect score.

Category 5 remains 3/10. Astellas lacks a price-sensitive repurchase record, but historical shares declined and management stopped buybacks when Iveric increased leverage. That supports only 1/2 for buyback discipline. Acquisition discipline remains zero because Iveric consumed JPY 784.974bn and was followed by a JPY 115.1bn ex-US IZERVAY impairment without a deal-level realized-return scorecard. Incentive alignment is partial because relative TSR helps but no explicit long-duration ROIC, FCF, or economic-profit measure controls.

Category 6 remains 7/20. Base IRR is below 10%, so 6A is zero. The resealed 12x Base exit is meaningfully below normalized current P/E of 14.103171518333333x and is independently anchored to Astellas's 11.900x packet-price forward P/E and a live peer-forward low of 11.154x. Four points would additionally require clearing 20%; three points are the closest applicable bucket. Bear return is unacceptable and Base EPS is far below the method-matched reverse-return hurdle, so 6C and 6D remain zero. Normalized current P/E does not price perfection, and distributions materially help, supporting 2/2 each in 6E and 6F.

3. Unsupported Claims

Rubric item	Evidence status	Original	Audited	Conclusion
1A Normalized ROIC	Supported	1/5	1/5	Five-year median is 7.5%
1B High ROIIC	Missing data	0/8	0/8	Full reinvestment bridge unavailable
1C ROIIC not deteriorating	Partly supported	1/3	1/3	FY2025 rebound is not durable proof
1D Unit economics	Partly supported	1/3	1/3	Retained product margins unavailable
1E Cash conversion	Supported with caveat	1/3	2/3	Five positive FCF years; timing limits credit
1F Not accounting artifact	Partly supported	1/3	1/3	Positive capital base; R&D/intangibles complicate ROIC
2A Market opportunity	Partly supported/capped	3/5	3/5	Management-claim cap applied
2B Reinvest at scale	Partly supported	2/5	2/5	Launches exist; realized returns weakly disclosed
2C Organic growth	Partly supported	3/4	2/4	No clean retained-organic attribution
2D Repeatable playbook	Partly supported	1/3	1/3	One cycle does not prove repeatability
2E Market structure	Partly supported	1/2	1/2	High barriers and strong payer pressure coexist
2F No ROIC collapse	Unsupported	0/1	0/1	Historical troughs contradict the claim
3A Clear advantage	Partly supported	2/4	2/4	Product-specific and finite
3B Pricing power	Supported at low score	1/3	1/3	LOE and reimbursement constrain pricing
3C Competitive evidence	Partly supported	2/3	2/3	Clinical evidence exists; share data do not
3D Customer stickiness	Partly supported	1/2	1/2	Specialist familiarity is contestable
3E Stress resilience	Unsupported	0/2	0/2	Full-basis margin and ROIC collapsed
3F Low disruption risk	Unsupported	0/1	0/1	Patent, payer, competitor, and pipeline risk
4A Clean earnings	Partly supported	1/2	1/2	IFRS ties; impairments/core adjustments recur

Rubric item	Evidence status	Original	Audited	Conclusion
4B Cash supports earnings	Supported	2/2	2/2	Multi-year official cash evidence
4C SBC and dilution	Partly supported	1/2	1/2	FY2025 modest; TTM detail missing
4D Balance sheet	Supported with caveat	2/2	2/2	Manageable leverage; large intangibles
4E Disclosure	Supported	1/1	1/1	Reconciliation and candor documented
4F No gating red flag	Supported	1/1	1/1	No material breach found
5A Rational reinvestment	Partly supported	1/2	1/2	Deleveraging/pruning are sensible corrections
5B Acquisition discipline	Unsupported	0/2	0/2	Iveric return unproven
5C Buyback discipline	Partly supported	1/2	1/2	Cessation after leverage rose earns limited credit
5D Incentive alignment	Partly supported	1/2	1/2	Relative TSR; no long-duration ROIC/FCF metric
5E Owner mentality	Unsupported	0/1	0/1	Ownership is not founder-like
5F Past decisions	Unsupported	0/1	0/1	Acquisition/pipeline record earns no credit
6A Base IRR	Calculation verified	0/6	0/6	0.804782332826659% is below 10%
6B Exit multiple	Supported	3/4	3/4	12x is below current but does not clear 20%
6C Bear acceptable	Calculation verified	0/3	0/3	-18.07846489670465% is unacceptable
6D Reverse hurdle	Calculation verified	0/3	0/3	Required Base EPS is JPY 452.603147
6E Price perfection	Supported	2/2	2/2	Normalized current P/E is 14.103x
6F Cash returns	Supported	2/2	2/2	Distributions add wealth once

4. Calculation Errors

No arithmetic error was found, and the governance-only VP reseal causes no numerical change. Bear terminal value is `63.710754 x 10 = JPY 637.10754`; adding JPY 232 produces JPY 869.10754 and a five-year gross JPY IRR of -18.07846489670465%. Base terminal value is `168.485097 x 12 = JPY 2,021.821164`; adding JPY 430 produces JPY 2,451.821164 and 0.804782332826659%. Bull terminal value is `344.760567 x 17 = JPY 5,860.929639`; adding JPY 430 produces JPY 6,290.929639 and 21.710022820264885%.

Expected terminal wealth is `0.30 x 869.10754 + 0.60 x 2,451.821164 + 0.10 x 6,290.929639 = JPY 2,360.9179243`. Its CAGR against JPY 2,355.50 is 0.04596006304828926%. CS does not average scenario IRRs; the arithmetic-weighted scenario IRR would be approximately -2.7697%.

The Bear distribution/debt repair remains coherent. JPY 232 per share equals about JPY 416.719bn on 1,796.201m shares, below cumulative Bear owners' NI of roughly JPY 579.249bn. Avoided distributions versus the former JPY 430 path are JPY 355.647798bn and reduce terminal Bear gross debt from JPY 670bn to JPY 314.352202bn. Lower finance expense raises terminal Bear NI to JPY 114.437321bn and EPS to JPY 63.710754. PE adds no separate net-cash/debt or secondary value, so the benefit is counted once.

Net-SGD replay also ties. Net JPY proceeds after 0.9% exit friction and 15% dividend withholding are JPY 828.57357214 Bear, JPY 2,369.124773524 Base, and JPY 6,173.681272249 Bull. Dividing by all-in entry cost and the uniform 1.15 terminal JPY/SGD relative factor gives terminal-wealth multiples of 0.303150969814488, 0.8667938452953443, and 2.258770407284483. Their five-year IRRs are -21.235269315892524%, -2.8185971923650355%, and 17.699445781707412%. Weighted terminal wealth is 0.8368986388500013 times entry cost, producing -3.4983870497728775%.

The 0%, 15%, and 30% uniform yen-depreciation grid remains arithmetically unchanged. Probability-weighted net-SGD IRRs are -0.7628826452504178%, -3.4983870497728775%, and -5.8358761400226666%. Bull receives the same FX stress as Bear and Base, removing the former favorable correlation. The reverse-return bridge also ties: 20% for five years requires JPY 5,861.23776 terminal wealth, JPY 5,431.23776 terminal equity value after distributions, JPY 452.6031466666666 EPS at 12x, and 22.0647454014385% EPS CAGR. Probability-weighted maximum buy price is unchanged at JPY 948.7999631478268.

CS still marks its Red Team objection fields `RESOLVED`, but independent Red Team re-review has not yet occurred. CSA therefore keeps the formal material Red Team status `PENDING`. This is a workflow-governance status, not an economic mismatch.

5. Missing Data

The main gap remains a complete economic ROIIC bridge: aligned non-cash working capital, capitalized-R&D asset and amortization, maintenance/growth separation, disposal treatment, and asset-level R&D probabilities and costs are unavailable. Product-level retained operating profit for XTANDI, PADCEV, and strategic brands is also unavailable, as are a clean organic/acquired growth split, independent TAM-to-profit support, a true ten-year comparable series, the TTM SBC component, and a deal-level acquisition return scorecard. Source confidence remains Medium.

6. Hard-Veto and Threshold Test Audit

All investable-now thresholds remain false. Total score is 39, Business Quality is 32, return underwriting is 7, and ROIIC-plus-runway is 15/45. Base IRR is below 20%, Bear is negative, and hard vetoes remain for XTANDI/LOE impairment risk and a return case that depends on Bull. The no-expansion requirement for a 20% case also fails: although the locked Base exit contracts to 12x, Base EPS would need a 32.235716x exit P/E to deliver 20%.

The excessive-optimism challenge passes because Bull is only 10%, Base is resealed at 12x, Bear distributions are capacity-constrained, and FX is uniform rather than favorably correlated with Bull. The excessive-bearishness challenge passes because Bear remains a viable, profitable going concern with positive EPS and a nonzero terminal value; the 10x multiple is harsh but not a bankruptcy shortcut. All prior economic repairs remain incorporated, and the governance-only reseal removes the final circular-binding concern.

7. Final 20% Hurdle Pass/Fail

FAIL. Base gross JPY IRR is 0.8048%, probability-weighted gross JPY IRR is 0.0460%, and probability-weighted net-SGD IRR is -3.4984%. Only the 10%-probability Bull case clears 20%.

8. Dream Business / Dream Investment Classification

Neither. Astellas owns real product franchises and produces substantial cash, but it has not demonstrated a durable high-ROIIC replenishment engine through repeated patent cycles. At JPY 2,355.50, expected return is inadequate. The single biggest reason is unproven XTANDI replacement economics while Base EPS is nearly flat and the exit P/E contracts to 12x.

9. Stage 7 Scorecard Notes

Compounder Score note: **39/100 - real pharmaceutical assets and cash generation, but unproven high-ROIIC renewal and near-zero expected gross return.**

Business Quality Score note: **32/80 - differentiated products do not yet establish durable, high-return replenishment across patent cycles.**

20% Return UW Score note: **7/20 - Bear/Base/Bull gross JPY IRRs are -18.08%/0.80%/21.71%; probability-weighted IRR is 0.05%.**

10. Auditor JSON

The companion `compounder_score_audit.json` preserves full-precision gross-local and net-SGD percentage fields, the new VP hash, the non-circular governance finding, score components, threshold results, and non-insurer null fields. Formal Red Team status remains `PENDING` until independent re-review.

Appendix RT - Red Team

Astellas Pharma Inc. — Final Red Team Review

Ticker: 4503.T **Assessment date:** 2026-09-07 **Financial anchor:** TTM ended 2026-06-30; exact horizon ends 2031-06-30 **Price anchor:** JPY2,355.50 at the 2026-09-04 close **Primary valuation method:** P/E **Final Red Team status:** all material economic and governance objections are resolved; the investment remains a Reject.

Control record

The governance-repaired valuation preflight hashes exactly to 416dcc880cb336603de51a8db5853335d511178e1a5e9e92742b83152a62c93b. Independent validation with evidence-file checking returns VALUATION_PREFLIGHT_VALID. Its source-binding inventory contains only upstream artifacts: the quote packet, statutory bridge, data package, synthesis, reviewed segment appendix, valuation contract, issuer evidence, and valuation evidence calculations. It binds no Red Team, CS, CSA, compounder-score, or scoring-audit output. Replacing this downstream appendix therefore does not invalidate VP or recreate the earlier circular reference.

CS and CSA both bind the new VP hash. The governance-only reseal changes no economics. The controlling probabilities remain 30% Bear, 60% Base and 10% Bull; exit P/Es remain 10x/12x/17x; cumulative distributions remain JPY232/JPY430/JPY430 per share; and terminal statutory diluted EPS remains JPY63.710754/JPY168.485097/JPY344.760567. Audited gross JPY IRRs are -18.07846489670465%/0.804782332826659%/21.710022820264885%, and the probability-weighted gross JPY IRR is 0.04596006304828926%. Under uniform 15% yen depreciation, net-SGD IRRs are -21.235269315892524%/-2.8185971923650355%/17.699445781707412%, with -3.4983870497728775% probability-weighted. Audited scores remain 39/100 total, 32/80 Business Quality and 7/20 return underwriting. This review preserves all of those fields.

1. The most fragile assumption

The most fragile operating assumption is the **17.0% Base statutory operating margin in June 2031**. It is a transparent consolidated residual, not directly disclosed product economics. The terminal cost bridge assigns 20% of revenue to product and alliance economics, 20% to R&D, 31% to SG&A, and 12% to amortization, impairment, restructuring and other costs. Astellas does not disclose comparable retained margins for XTANDI, PADCEV or the newer strategic brands. PADCEV is economically shared; launch revenue carries medical-affairs and commercialization costs; acquired products carry amortization; and unsuccessful pipeline programs generate economically real write-offs.

The historical record shows why the margin cannot be taken on faith. Statutory operating margin was 12.0%, 8.8%, 1.6%, 2.1%, 17.9% and 20.8% from FY2021 through the June 2026 TTM. The four latest quarters ranged from 9.1% to 28.8%. Q1 FY2026 benefited from roughly JPY60bn of revenue FX and JPY25.5bn of core operating-profit FX, while management expects investment to rise. The Base model appropriately places the 2029 margin trough at 11.5% before recovery.

A 200-basis-point terminal margin miss reduces Base EPS from JPY168.485 to JPY148.676. At the repaired 12x P/E and JPY430 of distributions, terminal wealth falls from JPY2,451.82 to JPY2,214.11 and gross JPY IRR falls from 0.8048% to -1.2304%, a 2.0352-point decline. It also fails the separate P/E-15 gate. This is the most useful operating sensitivity, but it is not a supportable correction. The reviewed Base margin is already below TTM and the FY2026 guidance-implied statutory margin, includes a deep interim trough, and sits well below Bull. No evidence establishes that 15% is more likely than 17%. A sensitivity becomes an objection only when evidence shows the controlling assumption is wrong; wide but coherent scenarios are not defects.

2. The most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be revised down is **JPY200bn of Base pipeline/new-launch revenue in June 2031**. It arrives late—zero in 2027 and 2028, JPY20bn in 2029, JPY90bn in 2030 and JPY200bn in 2031—so its endpoint depends on timely clinical, regulatory and commercial conversion precisely when R&D investment rises. The evidence identifies programs and pivotal-start targets but supplies no asset-level probability, complete development-cost schedule, launch-date certainty or retained-profit estimate.

A 50% miss removes JPY100bn of revenue. At the modeled 17% margin and 23% tax rate, the simplified endpoint effect is approximately JPY13.1bn of owners' NI, or JPY7.29 per share. A complete miss would reduce EPS by about JPY14.57 and break the P/E-15 gate. This is a real risk, but the final probability design incorporates it: Base assumes only JPY200bn versus management's much later and larger ambition; Bear assumes JPY60bn; and Bull's JPY380bn is assigned only 10% probability. The missing asset probabilities lower confidence without proving a controlling mathematical error.

3. The strongest bear case

Astellas must replace a roughly JPY1tn franchise with successor economics that are shared, acquired or not yet proven. XTANDI faces patent and payer pressure from 2027 onward; PADCEV is clinically strong but alliance economics limit retention; IZERVAY, VYLOY and VEOZAH require sustained commercial and medical spending; and late-stage R&D rises before pipeline revenue arrives. If strategic-brand constant-currency growth falls below 15% while full-basis R&D, amortization and impairment remain elevated, the 2029 profit trough extends rather than recovers. Astellas remains solvent, but solvency does not protect investors from a lower earnings base, repeated capital destruction and persistent sub-cost-of-capital reinvestment.

The repaired Bear case now states that argument in its strongest internally coherent form. Revenue falls to JPY1,595.5bn, statutory margin to 10%, terminal EPS to JPY63.71, cumulative distributions to JPY232 and exit P/E to 10x. Avoided dividends reduce debt and finance expense instead of disappearing into a plug. Even with that rational cash preservation, gross JPY IRR is -18.08% and net-SGD IRR is -21.24%.

4. Cross-examination of management commentary

“Drive growth from FY2029 through pipeline assets.” The skeptical reading is that the patent clock selected FY2029 before clinical evidence did. More than ten Phase 3 or pivotal starts measure activity, not approvals, pricing, retained profit or ROIC. The first contradiction would be failure to meet the FY2027 pivotal-start cadence or no credible commercial contribution by FY2029.

“Strong growth momentum of Strategic Brands is expected to continue.” Q1 FY2026 supports the direction, but the quarter benefited from FX and the smaller launches were not uniformly sequentially strong. PADCEV's reported Astellas revenue is not identical to global retained economics; IZERVAY has already faced affordability and geographic setbacks. The first warning would be two consecutive quarters of combined strategic-brand constant-currency growth below 20%, especially if JPY610bn full-year strategic-brand guidance is cut.

“Increase the dividend by minimally JPY2 annually.” This is a capital-allocation intention, not a senior legal claim. The repaired model correctly distinguishes cases. Base and Bull retain the JPY82/84/86/88/90 path, while Bear pays JPY82/70/0/30/50 as earnings weaken and recover. The first sign of an untenable policy would be borrowing to sustain the dividend while value-creating trials are cut or leverage rises beyond the modeled path.

5. Stage 5 and repair reverification

The recency mechanics tie. TTM revenue of JPY2,274.365bn and statutory operating profit of JPY472.492bn equal Q2 FY2025 through Q1 FY2026. Base first-forward revenue rises only 6.42%, and the model does not annualize Q1's 26.7% revenue growth or 28.8% margin. The normalized current denominator uses FY2026 guided statutory owners' NI of JPY300bn divided by 1,796.201m diluted listed units, producing JPY167.01916990359098 EPS and 14.103171518333333x P/E. It retains acquired-intangible amortization and impairment/restructuring risk and is comparable with terminal statutory diluted EPS.

The Bear distribution repair ties at every step. JPY232 per share equals JPY416.719bn across 1,796.201m shares, below cumulative Bear owners' NI of JPY579.249bn. Relative to the former JPY430 path, avoided distributions are JPY355.647798bn. S reduces terminal Bear gross debt from JPY670bn to JPY314.352202bn by exactly that saving. Lower average debt reduces finance expense, raising terminal Bear NI to JPY114.437321bn and EPS to JPY63.710754. Under P/E, no net debt is added separately, so the benefit enters EPS once and the JPY232 distribution enters terminal wealth once.

Probabilities reconcile across the reviewed B appendix, S, VP, CS and CSA. Bull falls from 20% to 10% because it jointly requires slower XTANDI erosion, JPY706.8bn PADCEV, JPY763.1bn across three newer strategic brands, JPY380bn of pipeline revenue and 24% statutory margin. Bear remains 30% because it also stacks correlated adverse assumptions: rapid multinational erosion, strategic-brand deceleration, only JPY60bn pipeline revenue, 25% R&D and impairment pressure. The 60% Base path contains both the patent cliff and a 2029 trough, making it a reasonable central distribution rather than a return-target choice.

The share count stays flat at 1,796.201m. That is conservative: buybacks effectively stopped after Iveric, legacy option overhang is embedded in diluted shares, and no unsourced repurchase props up EPS. Base product CAGRs do not exceed the mechanical historical-growth guardrail. The remaining uncertainty is retained profit conversion, appropriately captured by the wide operating range.

6. Score-derived 20% return claim

The audited score does not claim that a 20% return is plausible in Base, and the Red Team agrees. Base gross JPY IRR is 0.8048%; probability-weighted gross JPY IRR is effectively zero; probability-weighted net-SGD IRR is -3.4984%. At 12x, a 20% Base return requires JPY452.603147 of terminal EPS after JPY430 distributions, a 22.0647% CAGR from normalized current EPS. Base terminal EPS is only JPY168.485097.

The claim most vulnerable to misreading is that Bull's 21.71% gross JPY result demonstrates general feasibility. It does not. Bull stacks JPY380bn pipeline/new-launch revenue, 24% statutory margin, slower XTANDI erosion, broad launch conversion and 17x. Its probability is only 10%, and under uniform 15% yen depreciation its net-SGD IRR is 17.70%. The 7/20 return-underwriting score correctly treats Bull as an upside tail, not an investment case.

7. Two-sided valuation challenge

Strongest reason the model could be too optimistic

The 17x Bull P/E rewards a company whose Moat and 2046 gates remain FAIL. A non-controlling 15x sensitivity lowers Bull wealth from JPY6,290.93 to JPY5,601.41 and gross JPY IRR from 21.7100% to 18.9167%, a 2.7933-point decline. That would remove Bull's 20% pass.

This is not a supportable correction. The 17x multiple is inside the 11.154x-22.965x non-extreme peer-forward range and below the cited 18.388x peer median. It applies only when the Bull operating conditions have already produced broad renewal and 24% statutory margin, and the case has only 10% probability. The alternative illustrates sensitivity; it does not show that VP selected an invalid denominator or multiple.

The Base P/E repair is stronger. Twelve times is anchored near Astellas's source-bound 11.900x packet-price forward P/E and the 11.154x peer low. It contracts from normalized current 14.103x and recognizes that post-cliff operating profit remains below TTM. No additional haircut is evidence-mandated.

Strongest reason the model could be too bearish

Bear combines a 10% statutory margin and positive recovering EPS with a 10x P/E below the low peer observation. Raising Bear to 12x lifts terminal wealth to JPY996.53 and gross IRR to -15.8060%, 2.2725 points above audited Bear. A 14x sensitivity produces -13.7552%.

The audited 10x remains harsh but coherent. Bear exits a severe product and R&D trough, with failed durability gates and continuing impairment risk. It avoids a zero-equity or single-digit-multiple shortcut and recognizes surviving value. Even the 12x and 14x sensitivities remain deeply negative and cannot change CIO actionability. A severe but evidence-explained Bear scenario is not an unresolved defect.

Prior material objections, now closed

- **Base exit P/E — resolved.** VP reduced Base from 14x to 12x and independently anchored the decision to upstream company-forward and peer evidence.
- **Bear distributions — resolved.** S reduced cumulative distributions from JPY430 to JPY232, constrained every annual payout to owners' NI, traced avoided cash to debt reduction, and recalculated finance expense and EPS.
- **Scenario probabilities — resolved.** Reviewed B recalibrated 30%/60%/10% around the joint-condition structure; every downstream artifact matches.
- **Net-SGD FX — resolved.** CS removed favorable Bull correlation, applies uniform 15% yen depreciation, and publishes 0%/15%/30% sensitivities. Probability-weighted net-SGD IRR ranges from -0.7629% to -5.8359%.
- **Circular VP binding — resolved.** VP binds upstream evidence only. The validator passes with evidence checking even while this downstream appendix is replaced; no new self-reference exists.

8. P&C insurer return bridge

The insurer bridge is **not applicable**. Astellas is a pharmaceutical company, not a property-and-casualty insurer, reinsurer, specialty carrier or similar risk-bearing financial business. Retained premiums, managed capital, float, fee/NCI allocation, common-book roll-forward and solvency sensitivities must not be invented for this issuer.

9. Signal that forces an exit

Exit if combined Strategic Brands constant-currency revenue growth is below 15% year over year for two consecutive reported quarters before FY2027 ends. Base requires PADCEV, IZERVAY, VYLOY, VEOZAH and XOSPATA to scale before XTANDI erosion peaks and before JPY200bn of pipeline revenue arrives. Two sub-15% quarters would show that the replacement portfolio is maturing too early. At that point, Base revenue and 17% terminal statutory margin would require a named near-launch asset and a new retained-profit bridge, not reiteration of management's aggregate pipeline ambition.

10. Conviction and final status

The economic thesis does not survive as an actionable ER2 compounder at JPY2,355.50. Astellas owns real products, can generate cash and remains financially viable, but it has not demonstrated a durable, high-ROIIC replenishment engine across patent cycles. Base return is less than 1%, probability-weighted gross return is approximately zero, and the controlling probability-weighted net-SGD return is negative. Management remains YELLOW; Moat and 2046 remain FAIL; audited score remains 39/100 and classification remains Reject.

The return model itself now survives the formal Red Team. Every previously material objection is incorporated. Fresh sensitivities identify meaningful operating and valuation risks, but none is a new evidence-mandated correction rather than an alternate scenario. The P/E denominator is comparable, the method is consistent, distributions and debt are counted once, probabilities are evidence-calibrated, FX is transparently stressed, and the governance-repaired VP validates without referencing downstream work.

RETURN_MODEL_OBJECTION_STATUS: MATERIAL_RESOLVED.

Appendix D - Data Package

Astellas Pharma Inc. — ER2 Data Package

Ticker: 4503.T **Run ID:** `pulse-cio-20260907T100241+0800` **As-of date:** 2026-09-07, Asia/Singapore **Fiscal year-end:** March 31 **Latest complete interim:** Q1 FY2026, three months ended 2026-06-30 **TTM end:** 2026-06-30 **Exact five-year horizon end:** 2031-06-30 **Currency and units:** Japanese yen; financial tables are JPY billions unless stated otherwise **Evidence rule:** live FMP stable endpoints and live Astellas official IR materials only; the local warehouse was not used as an evidence input **Authority:** data preparation only. `trade_execution_authorized=false`.

0. Source-control note and evidence inventory

This packet treats the reviewed Quant Foundation as the quantitative source of truth. Its sealed quote SHA-256 is `fd6e3658872a7400d03912ab0c1c1b2d4157a00225ba146dafffc1f7ea565f7f`. The statutory bridge SHA-256 was independently recomputed as `5164af0b398c3609df2a882a199dd74e9cb0668c276bcf90eada702261b95c2a`, matching the hard input. The bridge is reproduced, not reclassified. Astellas reports one pharmaceutical business segment, so the required segment representation is the reviewed **single-segment consolidated fallback**.

Live evidence was downloaded into `C:\Users\Admin\OneDrive\GPT\ER 2.0\Astellas Pharma\raw\pulse-cio-20260907T100241+0800\d\`. It includes Astellas FY2021 through FY2025 results and supplements; quarterly FY2025 and Q1 FY2026 results, supplements, presentations and scripts; the Corporate Strategic Plan 2026 materials; the 2025 Integrated Report; R&D Day and oncology pipeline materials; current pipeline, stock and IR-library pages; official collaboration releases; and the shareholder XTANDI patent Q&A. Exact FMP JSON pulls cover annual income statements, balance sheets, cash-flow statements, key metrics, ratios and enterprise values. Both FMP product endpoints returned a literal empty array (`[]`); therefore product and therapeutic analysis below is sourced from official Astellas tables rather than inferred from FMP.

Selected archive hashes for reproducibility include: FY2025 results `dd138a6ab02db63d3e500e7f815022d62a030be65e0e229ebef972427547459b`; FY2025 supplement `5cd3472c7ef374540cba4178e455d5ccb4b236e20488f08a95b68c115a6aba82`; Q1 FY2026 results `cc86fd7660e54e0a752f3b976d884c61ac9974b363b19b87649880402074 78d0`; Q1 script `5ad5a8861b2f3e7c859d804f5636cc41942266d409935913141e48ba43ace369`; CSP2026 presentation `ad7086d604ddffb1fbf8afb1e14d01cfa3da5488747164f0fb11eb7c36436fbb`; CSP2026 script `4ec4a06869e4ce6d3a4e26fa929d34dfcdd1cb8863ed69c741f014568641390a`; Integrated Report 2025 `700b9414db06a05b43acccb1a325bdaac317ab4699e2aa5efc01605ab734fff3`; and XTANDI patent Q&A `5b0da21c114ae329cfd57e3829a92d74b2ef87ae7111943b7d93372b87ec4e9b`.

Primary live links: [financial results library](https://www.astellas.com/en/investors/financial-results-library), [FY2025 results](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/4q2025_en.pdf), [FY2025 supplement](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/4q2025_sup_en.pdf), [Q1 FY2026 results](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_en.pdf), [Q1 FY2026 supplement](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_sup_en.pdf), [CSP2026 presentation](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/astellas_csp2026_presentation_20260526_en.pdf), [current pipeline](https://www.astellas.com/en/science/research-and-development/pipeline), and [Integrated Report 2025](https://www.astellas.com/content/dam/astellas-com/global/en/documents/integrated-reports/integrated-report-2025-en.pdf).

0a. Mandatory ad hoc pharmaceutical disclosure checklist

The checklist below is constructed from Astellas's own table headings because the standard FMP product endpoints are empty. “Disclosed” means an official source contains a directly usable figure or date. “Partly disclosed” means commercial or milestone data exist but important economics are not separately quantified. “Not disclosed” means the company does not provide that data at the requested granularity; it does not mean the item was omitted or not fetched.

Classification and regime: global research-based pharmaceutical manufacturer; Japanese foreign/local-exchange issuer reporting consolidated IFRS; March 31 fiscal year-end; one reportable segment, Pharmaceutical. Controlling official sources are the annual and quarterly IFRS results, audited statements, supplementary product-sales tables, earnings presentations/scripts, Integrated Report, current pipeline page, R&D Day, CSP2026 and official product/collaboration

releases.

Search inventory: “revenue by product,” “sales by product,” “sales by region,” “segment information,” “reportable segment,” “XTANDI patent,” “co-promotion fee,” “PADCEV collaboration,” “strategic brands,” “pipeline,” “Phase III,” “approval,” “filing,” “R&D expenses,” “impairment,” “business combination,” “borrowings,” “cash,” “dividend” and “share repurchase.” The FY2021–FY2025 results and supplements and Q1 FY2026 materials were checked live.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Segment economics	Audited IFRS Note 5 and quarterly notes	Segment information, reportable segment, segment profit	FY2024–FY2025 plus latest interim	Yes	Profit metric value truly not disclosed; sealed fallback used	Governs projection schema and statutory bridge
Major product sales	Annual and quarterly supplements	Product sales, strategic brands	FY2021–FY2025 plus Q1 FY2026 and TTM	Yes	None for selected material products	Product growth, concentration and LOE modeling
Geographic revenue	Annual supplements	Revenue by region, sales by region	FY2021–FY2025 plus Q1 FY2026	Yes	Taxonomy breaks disclosed	Regional growth and FX interpretation
Patent and exclusivity	Shareholder Q&A, Integrated Report, results scripts	XTANDI patent, expiry, co-promotion fee	Current disclosed dates	Yes	Full all-product global exclusivity table truly not disclosed	LOE timing and retained economics
Pipeline milestones	Pipeline page, results, R&D Day, CSP2026	Phase III, filing, approval, readout	Current through Aug-2026	Yes	Asset probability and cost truly not disclosed	Scenario timing and R&D productivity
Capital and balance sheet	IFRS statements and CSP2026	Cash, borrowings, goodwill, intangibles, leverage	FY2021–FY2025 plus Q1 FY2026 where available	Yes	Unit-level capital is not applicable to one-segment model	Solvency, M&A capacity and valuation
Recent trend and guidance	Q2/Q3/FY2025 and Q1 FY2026 results/scripts	Guidance, outlook, strategic brands, investment	Four latest earnings events	Yes	None	Recency and forecast constraints

Required pharma field	Coverage status	Evidence captured and treatment
Product sales by major medicine	Disclosed	FY2021–FY2025 and latest-interim sales backfilled for XTANDI, PADCEV, XOSPATA, PROGRAF, IZERVAY, VEOZAH and VYLOY where products were launched; pre-launch years are labelled, not zeroed.
Product sales by geography	Disclosed with taxonomy breaks	United States, Japan, Established Markets, Greater China and International Markets histories are supplied, with reported recategorizations identified. Product-by-country matrices are not uniformly disclosed.
XTANDI erosion and alliance economics	Partly disclosed	Sales, collaboration structure, US co-promotion fee direction and substance-patent dates are disclosed. Exact region-by-region retained margin and generic-entry curve are not disclosed.
PADCEV growth and Pfizer economics	Partly disclosed	Product sales and 50:50 global development/commercialization arrangement are disclosed. Product-level alliance profit contribution is not disclosed.
VEOZAH, IZERVAY, XOSPATA and other key products	Disclosed	Sales histories and latest-quarter trajectories are captured. Launch curves are not mechanically extrapolated.
Patent/regulatory exclusivity and LOE dates	Partly disclosed	XTANDI substance-patent dates are captured. A complete global product-by-product regulatory-exclusivity calendar is not disclosed in the reviewed materials.
Pipeline phase, readout, filing and approval milestones	Disclosed	Current phase/status and explicitly guided milestones are captured. No probability-of-success assumptions are inserted.
R&D spend and productivity	Spend disclosed; productivity partly disclosed	Five-year R&D expense and CSP pipeline-output targets are captured. Asset-level R&D cost, risk-adjusted NPV and probability of success are not disclosed.
Oncology/urology/immunology mix	Derived transparently	Official product sales are grouped into explicit proxies; these are analytical groupings, not reported IFRS segments.
Launch trajectories	Disclosed	Quarterly paths are shown for the strategic brands. No invented launch-adjusted or demand-normalized figures are used.

Required pharma field	Coverage status	Evidence captured and treatment
Guidance	Disclosed	FY2026 revenue, statutory operating profit, core operating profit, net income and dividend guidance are included.
Impairment/restructuring	Disclosed at announced-event level	Material FY2025 charges/gains described in results materials are captured; no hidden normalization is imposed.
M&A, debt and cash	Disclosed	Five-year acquisition cash flows, latest balance sheet, net-debt diagnostics and CSP leverage framework are captured.

0a.1 Longest clean official product-sales history

Product	FY2021	FY2022	FY2023	FY2024	FY2025	Q1 FY2026	TTM to Jun-26	Source path
XTANDI	534.3	661.1	750.5	912.3	960.8	276.6	1,004.4	FY2021–FY2025 and Q1 FY2026 official supplements in run archive
PADCEV	21.7	44.4	85.4	164.1	221.2	75.5	241.2	FY2021–FY2025 and Q1 FY2026 official supplements in run archive
XOSPATA	34.1	46.6	55.1	68.0	71.8	21.6	76.4	FY2021–FY2025 and Q1 FY2026 official supplements in run archive
PROGRAF	185.4	198.8	203.1	201.0	207.7	58.5	215.0	FY2021–FY2025 and Q1 FY2026 official supplements in run archive
BETANIS/MYRBETRIQ/BETMIGA	172.3	188.6	198.1	170.0	189.7	63.4	210.1	FY2021–FY2025 and Q1 FY2026 official supplements in run archive
IZERVAY	Pre-launch	Not applicable	12.1	58.3	77.6	27.2	88.9	FY2023–FY2025 and Q1 FY2026 official supplements in run archive
VEOZAH	Pre-launch	Not applicable	7.3	33.8	46.6	14.9	51.9	FY2023–FY2025 and Q1 FY2026 official supplements in run archive
VYLOY	Pre-launch	Pre-launch	0.0	12.2	63.1	21.1	70.2	FY2023–FY2025 and Q1 FY2026 official supplements in run archive

For FY2025, Astellas's strategic brands—PADCEV, IZERVAY, VYLOY, VEOZAH and XOSPATA—generated JPY480.3bn. They produced JPY160.3bn in Q1 FY2026. XTANDI remains the largest product by a wide margin, at JPY960.8bn in FY2025, or roughly 44.9% of group revenue. This creates a clear concentration/LOE underwriting issue even while newer strategic brands diversify growth.

0a.2 Geography history and taxonomy control

Geography	FY2021	FY2022	FY2023	FY2024	FY2025	Q1 FY2026	Source path
United States	537.5	652.4	663.1	866.4	940.2	288.8	Annual and Q1 official supplements in run archive
Japan	258.8	262.3	270.1	267.0	289.0	79.6	Annual and Q1 official supplements in run archive

Geography	FY2021	FY2022	FY2023	FY2024	FY2025	Q1 FY2026	Source path
Established Markets	306.5	359.8	415.6	485.4	563.6	152.2	Annual and Q1 official supplements in run archive; restatements used
Greater China	66.3	80.0	70.6	78.3	101.5	32.1	Annual and Q1 official supplements in run archive; restatements used
International Markets	118.7	143.3	177.0	203.5	230.7	85.4	Annual and Q1 official supplements in run archive; restatements used
Other / unallocated residual	8.4	20.7	7.3	11.7	14.2	2.8	Calculated as group revenue less the five official regional rows; labelled Others when separately shown in earlier supplements

The geography history is not perfectly like-for-like. Australia moved from Established Markets to International Markets in FY2022; selected International Markets moved into Established Markets in FY2023; Taiwan moved from Greater China to International Markets in FY2024. Where Astellas supplied comparative restatements, the restated figures were used. The residual row makes each period tie to group revenue; it is a calculation rather than a sixth commercial region from FY2024 onward. These taxonomy shifts are disclosed because apparent regional growth otherwise risks being mistaken for organic demand.

0a.3 Therapeutic-area mix proxy

FY2025 analytical group	Included official product sales	JPY bn	% of group revenue
Oncology	XTANDI, PADCEV, VYLOY, XOSPATA	1,316.8	61.6%
Urology	BETANIS/MYRBETRIQ/BETMIGA franchise	189.7	8.9%
Immunology/transplant	PROGRAF	207.7	9.7%
Ophthalmology	IZERVAY	77.6	3.6%
Women's health	VEOZAH	46.6	2.2%
Other/unallocated products	Residual	300.9	14.1%

These are transparent product groupings, not reportable IFRS segments. Oncology is the dominant economic pool, but most of that exposure is still XTANDI. The residual avoids falsely assigning products for which Astellas does not provide an equivalent therapeutic subtotal.

1. Business model, segment schema and reporting basis

Astellas is a research-based global pharmaceutical company. It discovers, develops, manufactures and commercializes prescription medicines, with a portfolio increasingly centered on oncology and specialty products. The company reports a **single pharmaceutical business segment**. Therefore the data model must not create pseudo-segments from geography, products or therapeutic categories. Products and regions are operating disclosures and concentration lenses only; the reviewed statutory bridge uses one consolidated company row.

Revenue reflects product sales and related pharmaceutical consideration. IFRS statutory operating profit contains research and development, selling/general/administrative costs, amortization and impairment effects. Management also presents “core” measures that exclude designated items, but core results are not substituted for statutory figures in the bridge. FMP statements are used as a cross-check, while exact product and pipeline detail comes from official Astellas disclosure.

The principal economic engines are: the XTANDI alliance with Pfizer; PADCEV, co-developed and commercialized with Pfizer; recent launches IZERVAY, VEOZAH and VYLOY; and established franchises including XOSPATA, PROGRAF and mirabegron. XTANDI scale funds the transition, while strategic-brand execution and pipeline conversion determine whether growth can offset LOE. This makes alliance economics, patent duration, launch investment and R&D productivity more decision-relevant than a conventional reported-segment split.

2. Five-year statutory financial history

Fiscal year ended March	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	1,296.163	1,518.619	1,603.672	1,912.323	2,139.245
Statutory operating profit	155.686	133.029	25.518	41.039	382.633
Operating margin	12.0%	8.8%	1.6%	2.1%	17.9%
Net income attributable to owners	124.086	98.714	17.045	50.747	291.535
Diluted EPS (JPY)	67.05	54.09	9.47	28.24	162.22
Diluted weighted shares (m)	1,850.602	1,825.061	1,799.660	1,797.159	1,797.116
R&D expense	246.0	276.1	294.2	327.7	314.827
Capital expenditure	30.739	36.441	38.056	37.003	57.723
Free cash flow	227.421	295.884	143.269	157.509	502.465

Revenue compounded at about 13.3% from FY2021 to FY2025. Statutory operating profit did not follow a smooth path: it fell sharply through FY2023–FY2024 because of investment, amortization and impairment pressure, then rebounded to JPY382.6bn in FY2025. That rebound is economically important, but the low preceding base makes a one-year margin comparison incomplete. Free cash flow similarly rose to JPY502.5bn in FY2025, helped by the profit recovery and working-capital/cash-tax timing; it should not automatically be treated as a steady-state run rate.

R&D remained substantial at JPY314.8bn in FY2025, although R&D as a share of revenue declined from 19.0% in FY2021 to 14.7% as revenue scaled. The five-year diagnostic ROIC, calculated consistently as after-tax operating profit divided by equity plus debt less cash using a 25% tax convention, was approximately 8.6%, 7.5%, 0.8%, 1.4% and 13.6% from FY2021 to FY2025. These are analytical diagnostics, not company-reported ROIC. The record FY2025 outcome therefore follows two weak-return years and must be tested for durability rather than annualized uncritically.

ROIC diagnostic	FY2021	FY2022	FY2023	FY2024	FY2025
Statutory operating profit	155.686	133.029	25.518	41.039	382.633
NOPAT at 25% tax	116.765	99.772	19.139	30.779	286.975
Approx. invested capital, equity + debt - cash	1,357.7	1,330.3	2,392.4	2,198.5	2,110.1
ROIC, NOPAT / invested capital	8.6%	7.5%	0.8%	1.4%	13.6%

Sources for Section 2 are the live FMP annual income, balance-sheet, cash-flow and key-metrics endpoints, with official Astellas statutory overrides where FMP classifications do not match IFRS. In particular, FY2024 and FY2025 free cash flow uses official IFRS operating cash flow less PP&E purchases; FY2025 is JPY560.188bn less JPY57.723bn = JPY502.465bn. The tax rate in the ROIC diagnostic is a constant analytical 25%, not the volatile reported cash or IFRS tax rate.

3. Segment historicals — sealed modeling segment

Consolidated company	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	1,296.163	1,518.619	1,603.672	1,912.323	2,139.245	Live FMP revenue; official Astellas tie-out
YoY growth	Not shown	17.2%	5.6%	19.2%	11.9%	Calculated
Statutory operating income (single-segment consolidated fallback)	155.686	133.029	25.518	41.039	382.633	Official results; FY2025 sealed bridge
Margin on that exact metric	12.0%	8.8%	1.6%	2.1%	17.9%	Calculated

The issuer-disclosed reportable segment is Pharmaceutical: FY2025 revenue was JPY2,139.245bn, 100% of consolidated revenue. Filings and FMP did not disclose a segment-profit metric value, so “Consolidated company” is the ER2 modeling fallback, not an issuer-disclosed segment profit. **Reporting structure stable since FY2023.** Geography classifications changed as documented in Section 0a, but there was no reportable-segment realignment.

3a. Historical statutory-profit bridge — exact single-segment consolidated fallback

Schema version: `1.1.0` **Segment profit basis:** `single_segment_consolidated_fallback` **Metric:** `Statutory operating income (single-segment consolidated fallback)` **Currency / units:** JPY millions **Tolerance:**

JPY1m

FY2025 bridge

Bridge item	JPY m
Consolidated company	382,633
Sum of segment profit	382,633
Consolidated segment profit metric	382,633
Statutory operating income	382,633
Finance income	8,026
Finance expenses	(14,072)
Profit before tax	376,587
Income tax expense	(85,013)
Profit attributable to non-controlling interest	(40)
Net income attributable to owners	291,535

Reconciliation residuals are exactly: segment-to-consolidated `0`; consolidated-to-statutory `0`; operating-to-pretax `0`; pretax-to-net-income `0`; owners' net income tie `1`, all within the JPY1m tolerance. Corporate/unallocated and operating reconciliation arrays are empty. No product, geography or therapeutic subtotal has been promoted to a segment.

TTM ended 2026-06-30 bridge

Bridge item	JPY m
Consolidated company	472,492
Sum of segment profit	472,492
Consolidated segment profit metric	472,492
Statutory operating income	472,492
Finance income	11,489
Finance expenses	(11,295)
Profit before tax	472,685
Income tax expense	(107,781)
Profit attributable to non-controlling interest	36
Net income attributable to owners	364,941

TTM reconciliation residuals are exactly: segment-to-consolidated `0`; consolidated-to-statutory `0`; operating-to-pretax `0`; pretax-to-net-income `-1`; owners' net income tie `1`, all within tolerance. Corporate/unallocated and operating reconciliation arrays are again empty. The sign on NCI is reproduced from the sealed bridge, not normalized.

This fallback is the only valid representation for this packet. Astellas's product, geography and therapeutic tables are useful operational disclosures, but they do not satisfy IFRS segment-profit identity. The bridge was not overwritten, remapped or restated during live-source backfill.

Contract-form bridge ledger

Bridge line	Classification	FY2025 value	FY2025 source ID	FY2025 running subtotal	TTM value	TTM source ID	TTM running subtotal
Consolidated company	segment profit	382,633	official_fy2025_results	382,633	472,492	official_ttm_bridge	472,492
Sum of reportable segment profit	segment profit subtotal	382,633	official_fy2025_results	382,633	472,492	official_ttm_bridge	472,492
Consolidated segment profit metric	subtotal	382,633	official_fy2025_results	382,633	472,492	official_ttm_bridge	472,492
Statutory operating income	statutory subtotal	382,633	official_fy2025_results	382,633	472,492	official_ttm_bridge	472,492
Finance income	below line — interest	8,026	official_fy2025_results	390,659	11,489	official_ttm_bridge	483,981

Bridge line	Classification	FY2025 value	FY2025 source ID	FY2025 running subtotal	TTM value	TTM source ID	TTM running subtotal
Finance expenses	below line — interest	(14,072)	official_fy2025_results	376,587	(11,295)	official_ttm_bridge	472,686
Profit before tax	statutory subtotal	376,587	official_fy2025_results	376,587	472,685	official_ttm_bridge	472,685
Income tax expense	tax	(85,013)	official_fy2025_results	291,574	(107,781)	official_ttm_bridge	364,904
Profit attributable to non-controlling interest	post-tax — NCI	(40)	official_fy2025_results	291,534	36	official_ttm_bridge	364,940
Net income attributable to owners	statutory subtotal	291,535	official_fy2025_results	291,535	364,941	official_ttm_bridge	364,941

Corporate/unallocated adjustments and operating bridge adjustments are empty by contract and therefore have no zero-value placeholder rows. The JPY1m differences between arithmetic running subtotals and reported pretax or owner income reproduce official rounding within the sealed tolerance.

Historical bridge line	FY2025 value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
Consolidated company statutory operating income	382,633	472,492	Independently forecast operating result	Product revenue, alliance economics, gross margin, R&D and SG&A; official results and CSP2026	Bear: faster XTANDI erosion and heavier spend; base: guided transition; bull: stronger strategic-brand/pipeline conversion
Finance income	8,026	11,489	Interest-rate and cash schedule	Average cash and observable yields; official statements	Bear: lower cash; base: current balance path; bull: higher cash conversion
Finance expenses	(14,072)	(11,295)	Interest-rate and debt schedule	Bonds/borrowings and refinancing; official statements	Bear: higher debt/rate; base: CSP leverage path; bull: faster deleveraging
Income tax expense	(85,013)	(107,781)	Tax-rate schedule	Geographic earnings mix and statutory guidance; official results	Bear: higher effective rate; base: normalized rate; bull: favorable mix without invented one-offs
Profit attributable to non-controlling interest	(40)	36	Fixed de minimis unless ownership changes	Official bridge; no recurring material NCI disclosed	Bear/base/bull: zero-to-immaterial, reassess on transaction

STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING

4. Product / sub-segment historicals, alliance economics and patent exposure

Segment	Product	What it is	Dollar disclosure?	Last three fiscal years revenue and source
Pharmaceutical	XTANDI	Androgen-receptor inhibitor for prostate cancer	Yes	FY2023 750.5; FY2024 912.3; FY2025 960.8 — official supplements
Pharmaceutical	PADCEV	Antibody-drug conjugate for urothelial cancer	Yes	FY2023 85.4; FY2024 164.1; FY2025 221.2 — official supplements
Pharmaceutical	XOSPATA	FLT3 inhibitor for acute myeloid leukemia	Yes	FY2023 55.1; FY2024 68.0; FY2025 71.8 — official supplements
Pharmaceutical	PROGRAF	Tacrolimus immunosuppressant franchise	Yes	FY2023 203.1; FY2024 201.0; FY2025 207.7 — official supplements
Pharmaceutical	IZERVAY	Complement C5 inhibitor for geographic atrophy	Yes	FY2023 12.1; FY2024 58.3; FY2025 77.6 — official supplements
Pharmaceutical	VEOZAH	Nonhormonal treatment for vasomotor symptoms	Yes	FY2023 7.3; FY2024 33.8; FY2025 46.6 — official supplements
Pharmaceutical	VYLOY	CLDN18.2-targeted antibody for gastric/GEJ cancer	Yes	FY2023 0.0 pre-launch; FY2024 12.2; FY2025 63.1 — official supplements

Segment	Product	Disclosure method	Last four quarters YoY growth	Source
Pharmaceutical	Growth-only products	None identified among the material products above	Not applicable; official dollar sales were available	FY2025 and Q1 FY2026 official supplements

No product value in this section was back-solved. Historical values are directly reported official sales; pre-launch states are labelled rather than inferred.

XTANDI

XTANDI is commercialized with Pfizer. Astellas books XTANDI sales globally, pays Pfizer a share of US profits through the US co-promotion fee, and pays Pfizer royalties on sales outside the United States. The exact product-level regional profit retention is not separately disclosed in the reviewed results tables. The FY2025 US co-promotion fee was described as exceeding 10% of group revenue, and CSP2026 indicates it is expected to be virtually eliminated by FY2030 as US sales decline. This is a material operating-profit transition, not merely a revenue headwind. The booking description is supported by Astellas's [official XTANDI collaboration disclosure](https://newsroom.astellas.com/2024-09-11-Astellas-Presents-Scientific-Progress-in-Advanced-and-Hard-to-Treat-Cancers-at-ESMO-2024).

US XTANDI co-promotion fee	FY2021	FY2022	FY2023	FY2024	FY2025	Q1 FY2026	TTM to Jun-26	FY2026 guide
JPY bn, expense paid to Pfizer	139.3	175.5	194.9	252.6	248.2	67.5	252.8	216.0

The historical fee series is taken from the FY2021–FY2025 and Q1 FY2026 official supplements; TTM is FY2025 less Q1 FY2025 plus Q1 FY2026. It is an SG&A expense, not revenue received by Astellas.

Astellas's shareholder patent Q&A gives substance-patent expiries of **August 2027 in the United States, June 2028 in Europe and July 2029 in Japan**. Some smaller markets, including Brazil, Turkey, Korea and China, have earlier 2026 expiries. These are patent dates, not assumed generic launch dates. Regulatory, litigation, settlement and channel timing can cause commercial erosion to differ from nominal patent expiry. No invented erosion percentages are included here.

At 44.9% of FY2025 revenue, XTANDI is the central concentration risk. TTM sales of JPY1,004.4bn show that the franchise was still growing into June 2026 rather than already declining. That does not remove the patent cliff; it raises the earnings base that must be replaced. Forecasts should separately model US alliance-economics compression, ex-US sales erosion, regional expiry timing and FX rather than apply one global percentage.

PADCEV and Pfizer collaboration

PADCEV is governed by a 50:50 worldwide development and commercialization collaboration between Astellas and Pfizer; the companies co-promote in the United States. Official disclosures support the collaboration structure, approvals and Astellas-recognized PADCEV revenue, but do not provide a clean stand-alone retained operating profit for Astellas. The data package therefore avoids treating the reported PADCEV revenue line as global in-market sales or converting it into fictional product profit.

PADCEV geography	Sales booking	Astellas presentation	Economic direction
Americas	Pfizer books sales	Astellas recognizes 50% of gross profit as PADCEV-related product revenue	Pfizer to Astellas
Ex-Americas	Astellas books sales	Product sales include the booked revenue	Astellas pays Pfizer its share of gross profit

Astellas describes the arrangement as intended to produce an approximately 50:50 global profit split, while warning that percentages and mechanisms vary by region. Source: [official PADCEV business update, page 7](https://www.astellas.com/content/dam/astellas-com/global/en/documents/financial-results/presentation-material-for-information-meeting-%28q3-ytd-fy2023%29-q3-2023.pdf).

Commercial momentum is strong: FY2025 sales reached JPY221.2bn, Q1 FY2026 sales were JPY75.5bn, and TTM sales were JPY241.2bn. Key recent regulatory expansion includes US approval for the EV-304 perioperative muscle-invasive bladder cancer setting in July 2026 and earlier US approval in the EV-303 setting in November 2025; Europe approved EV-303 in June 2026. Japan and China filings for EV-304 were made in May and July 2026 respectively. EV-309, a bladder-sparing Phase 3 study, began in June 2026. These facts strengthen the volume runway, while alliance sharing means

group profit conversion must be modeled carefully.

Other strategic products

IZERVAY reached JPY77.6bn in FY2025 and JPY88.9bn TTM, with a China filing in May 2026 and a prefilled syringe under development. VEOZAH reached JPY46.6bn in FY2025 and JPY51.9bn TTM; the STARLIGHT 3 primary endpoint was met in April 2026, and the [Japan filing was completed on August 7, 2026](https://newsroom.astellas.com/2026-08-07-submission-of-new-drug-application-for-fezolinetant-in-japan-for-the-treatment-of-vasomotor-symptoms-associated-with-menopause). VYLOY reached JPY63.1bn in FY2025 and JPY70.2bn TTM, while the LUCERNA Phase 3 enrollment milestone was reached in July 2026 and interim readout is expected in FY2027. XOSPATA is a smaller, established oncology growth product at JPY71.8bn FY2025 and JPY76.4bn TTM.

The strategic portfolio has real breadth, but the absolute replacement burden remains large. Combined FY2025 strategic-brand sales of JPY480.3bn were about half XTANDI sales, and several new launches carry elevated selling and medical-affairs costs. Product sales growth therefore does not translate one-for-one into group operating profit.

5. Most recent quarterly trend and bridge to TTM

Astellas FY ends 03-31. Most recently completed fiscal quarter at time of writing: FY2026 Q1, covering 2026-04-01 through 2026-06-30, reported on 2026-08-05 via [Astellas Q1 FY2026 results](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_en.pdf).

Discrete quarter	Revenue	YoY revenue	Statutory operating profit	Operating margin
Q2 FY2025	524.320	13.4%	104.731	20.0%
Q3 FY2025	571.206	10.4%	134.502	23.5%
Q4 FY2025	537.925	17.1%	48.753	9.1%
Q1 FY2026	640.914	26.7%	184.506	28.8%

Q1 FY2026 was the strongest of the four displayed quarters. Revenue rose 26.7% year on year and statutory operating margin reached 28.8%. Foreign exchange was an important contributor: management quantified approximately JPY60.0bn of revenue and JPY25.5bn of core operating profit benefit. For XTANDI specifically, reported Q1 growth was 18.7%, but management described growth excluding FX at roughly 7%. The quarterly result is therefore genuinely strong but not all operational; the FX component must remain explicit in forecasts.

The Q4 margin dip followed by the Q1 spike also warns against straight-line annualization. Q4 contained heavier investment and year-end items, while Q1 benefited from product mix, timing and currency. TTM revenue is the sum of Q2 FY2025 through Q1 FY2026 and statutory operating profit is JPY472.492bn, as used in the sealed bridge. Prior-year Q3 statutory operating profit was negative, so a conventional year-on-year percentage for Q3 FY2025 operating profit is not economically meaningful and is intentionally not shown.

5a. Strategic-brand quarterly launch trajectory

Product	Q2 FY2025	Q3 FY2025	Q4 FY2025	Q1 FY2026	Q1 YoY
XTANDI	244.0	255.2	228.5	276.6	18.7%
PADCEV	46.9	60.1	58.6	75.5	36.0%
IZERVAY	18.2	21.7	21.8	27.2	70.3%
VYLOY	12.5	19.5	17.0	21.1	50.7%
VEOZAH	13.3	12.3	11.4	14.9	54.8%
XOSPATA	17.5	19.0	18.3	21.6	27.3%

PADCEV is the largest strategic growth brand and accelerated to JPY75.5bn in Q1 FY2026. IZERVAY, VYLOY, VEOZAH and XOSPATA all posted high reported year-on-year growth, although they are smaller. The sequence is not uniformly monotonic: VYLOY and VEOZAH softened in Q4 before rising in Q1, which is consistent with launch ordering, geographic additions and normal quarter-to-quarter variability. The CFO expected strategic-brand momentum to continue but also warned that investment would rise from Q2. The combination frames Q1 as a favorable start rather than a guaranteed margin template.

6. Pipeline, R&D productivity and milestone inventory

6a. Management commentary ledger — Pharmaceutical / consolidated company

Fiscal period / actual date	Speaker	Verbatim excerpt	Topic	Modeling interpretation	Official source
Q2 FY2025 / 2025-10-30	Naoki Okamura, President and CEO	“significant upward revision of our full-year forecast”	Guidance	Delivery exceeded the prior plan; do not extrapolate the one-time raise indefinitely.	[Q2 script](https://www.astellas.com/content/dam/astellas-com/global/en/documents/financial-results/2q2025_script_en.pdf)
Q2 FY2025 / 2025-10-30	Naoki Okamura, President and CEO	“strong growth momentum to continue in H2 of FY2025”	Strategic brands	Supports near-term product growth, subject to disclosed launch spend.	[Q2 script](https://www.astellas.com/content/dam/astellas-com/global/en/documents/financial-results/2q2025_script_en.pdf)
Q3 FY2025 / 2026-02-04	Atsushi Kitamura, CFO	“further growth to continue in FY2026 as well”	Strategic brands	Supports growth beyond FY2025 but gives no product-specific forecast.	[Q3 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/3q2025_script_en.pdf)
Q3 FY2025 / 2026-02-04	Atsushi Kitamura, CFO	“investments to increase aligned with the progression to late-stage development”	R&D	Margin forecasts must include rising Phase 3 spend.	[Q3 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/3q2025_script_en.pdf)
FY2025 / 2026-04-27	Naoki Okamura, President and CEO	“performance is forecast to reach record-high results”	FY2026 outlook	Management expects a high absolute earnings base, not just rebound growth.	[FY2025 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/4q2025_script_en.pdf)
FY2025 / 2026-04-27	Claus Zieler, Chief Commercial and Medical Affairs Officer	“expect the EV-304 approval by the PDUFA date”	PADCEV	Approval expectation supports timing but must not replace regulatory evidence.	[FY2025 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/4q2025_script_en.pdf)
CSP2026 / 2026-05-26	Naoki Okamura, President and CEO	“drive growth from FY2029 through pipeline assets”	Pipeline	Pipeline contribution is central to the post-XTANDI bridge.	[CSP2026 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/CSP2026_script_en.pdf)
CSP2026 / 2026-05-26	Naoki Okamura, President and CEO	“increase the dividend by minimally JPY2 annually”	Capital allocation	Dividend growth is an explicit cash claim through the plan period.	[CSP2026 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/Investors-Meeting/CSP2026_script_en.pdf)
Q1 FY2026 / 2026-08-05	Atsushi Kitamura, CFO	“strong growth momentum of Strategic Brands is expected to continue”	Strategic brands	Supports maintained guidance but must be adjusted for Q1 FX benefit.	[Q1 FY2026 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_script_en.pdf)
Q1 FY2026 / 2026-08-05	Atsushi Kitamura, CFO	“further increase of investment from Q2 onwards”	R&D and operating expense	Q1 margin should not be annualized mechanically.	[Q1 FY2026 script](https://www.astellas.com/content/dam/astellas-com/global/en/confidential-documents/financial-results/1q2026_script_en.pdf)

The ledger covers the last four earnings events available at the anchor—Q2 FY2025, Q3 FY2025, FY2025 and Q1 FY2026—plus the most recent strategy day. Astellas has one reportable segment, so all commentary maps to Pharmaceutical / consolidated company; product-level topics are identified rather than presented as separate segments.

Asset/program	Indication or role	Current status / explicit milestone
PADCEV EV-303	First-line locally advanced/metastatic urothelial cancer	Europe approved June 2026; US approved November 2025.
PADCEV EV-304	Perioperative muscle-invasive bladder cancer	US approved July 2026; Japan filed May 2026; China filed July 2026.
PADCEV EV-309	Bladder-sparing MIBC	Phase 3 initiated June 2026.
IZERVAY	Geographic/lifecycle expansion	China filed May 2026; prefilled syringe in development.
VYLOY LUCERNA	Pancreatic cancer	Phase 3 enrollment milestone reached July 2026; interim readout expected FY2027.
VEOZAH STARLIGHT 3	Vasomotor symptoms / Japan	Primary endpoint met April 2026; Japan filing completed August 7, 2026.

Asset/program	Indication or role	Current status / explicit milestone
VEOZAH HIGHLIGHT 1	Additional evidence-generation program	Readout expected FY2027.
Setidegrasib	KRAS G12D-mutant tumors, including PDAC and NSCLC	PDAC Phase 3 initiated in FY2025; NSCLC Phase 3 recruiting by Q1 FY2026; early BTC and gynecologic-cancer data presented in July 2026.
ASP2138	Gastric/gastroesophageal junction cancer	Phase 3 recruiting.
ASP546C	Oncology	Global Phase 1b/2; China Phase 3 sponsored by Evopoint.
ASP7317	Geographic atrophy / ophthalmology	Phase 1b data presented at ARVO in May 2026.

CSP2026 calls for more than ten Phase 3 or pivotal-study starts by FY2030, including at least five by FY2027, with pipeline-driven growth expected from FY2029 and management framing roughly JPY1tn of potential mid-2030s pipeline sales. These are management targets and potential, not risk-adjusted forecasts. No clinical probabilities, launch dates or product dollars beyond management's own aggregate framing have been invented.

The R&D financial framework is unusually explicit. Astellas plans base R&D investment near 20% of revenue and permits up to an additional five percentage points when value-creating opportunities justify it. That is a willingness to tolerate near-term earnings pressure to expand late-stage output. The key productivity test is not raw spending but whether the higher Phase 3 cadence converts into differentiated approvals before and after XTANDI LOE.

The current milestone set spans both commercial lifecycle expansion and internally sourced pipeline growth. PADCEV indications and geographic approvals can contribute sooner; VYLOY, VEOZAH and IZERVAY lifecycle work support the strategic-brand base; setidegrasib, ASP2138, ASP546C and ASP7317 bear more development risk. A complete asset-level development cost and probability-of-success schedule is not disclosed. The proper downstream treatment is scenario analysis, not false precision.

7. Guidance, management cadence and recent actions

FY2026 full-year guidance	JPY bn / JPY per share	Status at Q1 FY2026
Revenue	2,220	Maintained
Statutory operating profit	395	Maintained
Core operating profit	620	Maintained
Net income attributable to owners	300	Maintained
Annual dividend	JPY80/share	Maintained
Strategic Brands sales	610	Maintained
XTANDI sales	910	Maintained
US XTANDI co-promotion fee	216	Maintained
R&D expense	355	Maintained

The FY2026 revenue guide implies modest full-year growth from FY2025 despite a 26.7% reported Q1 increase. Statutory operating-profit guidance of JPY395bn is only moderately above FY2025's JPY382.6bn, and below a simple annualization of Q1. This incorporates an expected rise in investment from Q2 and a more demanding comparison. Core operating profit is materially higher than statutory profit because designated amortization, impairment and other adjustments are excluded from the core measure. The statutory bridge must continue to use JPY395bn guidance, not core profit, when comparing against IFRS operating income.

Management commentary evolved in a traceable sequence. Q2 FY2025 brought a major upward revision and confidence in second-half momentum. Q3 extended the growth expectation into FY2026 while flagging rising late-stage investment. FY2025 results forecast record performance and anticipated EV-304 approval. CSP2026 shifted the narrative toward pipeline-led growth from FY2029 and established a minimum annual dividend increase. Q1 FY2026 confirmed strategic-brand momentum but again warned that investment would rise from Q2. The verbatim ledger in Section 6 records these as management claims, not independent evidence of delivery.

The action log for the last year is material. On October 30, 2025, Astellas raised FY2025 revenue guidance by JPY100bn and statutory operating-profit guidance by JPY80bn. PADCEV received a US approval in the EV-303 setting in November 2025. On February 4, 2026, the company raised guidance again—revenue by JPY70bn, core operating profit by JPY30bn and

statutory operating profit by JPY100bn. A top-management/strategy-officer transition was announced on March 31. FY2025 results on April 27 included an approximately JPY12bn Xyphos impairment, JPY16.4bn AT132-related item, JPY12.8bn VYLOY contingent-consideration gain and JPY9.2bn Myrbetriq settlement item. CSP2026 followed on May 26, and Q1 FY2026 results on August 5 maintained guidance.

No major acquisition cash payment was reported in the latest twelve-month period. This is noteworthy after the JPY785.0bn acquisition cash outflow in FY2023. Current capital priorities are deleveraging, dividends, funding launches and R&D, with selective business development still possible within the leverage framework.

7a. Capital allocation history

Year	Capex	Capex / revenue	R&D	R&D / revenue	Buybacks	Dividends	M&A cash paid	Source
FY2021	30.739	2.4%	246.0	19.0%	50.717	85.236	0.229	Live FMP statements; official Astellas results
FY2022	36.441	2.4%	276.1	18.2%	60.556	100.355	0.000	Live FMP statements; official Astellas results
FY2023	38.056	2.4%	294.2	18.3%	10.735	116.653	784.974	Live FMP statements; official Astellas results
FY2024	37.003	1.9%	327.7	17.1%	6.960	128.993	0.000	Live FMP statements; official Astellas results
FY2025	57.723	2.7%	314.827	14.7%	0.730	136.099	0.000	Live FMP statements; official Astellas results

8. Balance sheet, cash generation and capital allocation

Balance-sheet diagnostic	FY2025	Q1 FY2026
Cash and cash equivalents	281.6	244.7
Bonds and borrowings	566.0	589.9
Lease liabilities	106.4	Not separately supplied here
Net debt excluding leases	284.3	345.2
Goodwill	441.2	450.5
Other intangible assets	996.9	1,022.7
Equity attributable to owners	1,829.0	1,942.7
Tangible book value attributable to owners	390.9	469.5

8a. Contract-form FY2025 balance-sheet snapshot

Item	JPY bn	Source
Cash and cash equivalents	281.605	Official FY2025 IFRS results; live FMP tie-out
Short-term investments	Not separately disclosed as a standalone controlling line	Official FY2025 IFRS results searched for current financial assets
Total debt, current plus long-term bonds and borrowings	565.952	Official FY2025 IFRS results
Net debt excluding leases	284.347	Total debt less cash, calculated
Net debt / EBITDA	0.49x	Net debt divided by live FMP FY2025 EBITDA of JPY585.3bn
Goodwill plus intangible assets	1,438.1	Official FY2025 IFRS results
Tangible book value attributable to owners	390.9	Owners' equity less goodwill and intangibles, calculated

Goodwill and intangible assets together were JPY1,438.1bn at FY2025, equal to nearly four-fifths of owners' equity. Tangible book value was positive but much smaller than accounting equity. This balance-sheet structure is normal for a serially acquisitive pharmaceutical company, yet it makes asset impairment and pipeline-commercialization outcomes especially important. Q1 intangibles rose with FX and other movements; the change should not be read as a new cash acquisition

absent accompanying disclosure.

Using FMP FY2025 EBITDA of JPY585.3bn, net debt excluding leases was approximately 0.49x EBITDA. This is a diagnostic, not Astellas's covenant definition. CSP2026 targets gross debt/EBITDA of 1.0–1.5x under its broader management framework. As definitions differ, the numbers should not be compared without adjustment. The key directional conclusion is that leverage is manageable, but gross debt and acquisition-created intangibles remain material.

Capital allocation / cash flow	FY2021	FY2022	FY2023	FY2024	FY2025
Share repurchases	50.717	60.556	10.735	6.960	0.730
Cash dividends	85.236	100.355	116.653	128.993	136.099
Cash paid for acquisitions	0.229	0.000	784.974	0.000	0.000
Capital expenditure / revenue	2.4%	2.4%	2.4%	1.9%	2.7%
R&D expense / revenue	19.0%	18.2%	18.3%	17.1%	14.7%

Dividend cash outlay grew each year, whereas repurchases largely stopped after the large FY2023 acquisition. CSP2026's minimum JPY2 annual dividend increase reinforces the dividend as a visible capital-allocation commitment. It also narrows flexibility if XTANDI erosion overlaps with peak R&D and launch investment. FY2025 free cash flow comfortably covered dividends, but the preceding two years provide a more conservative view of cyclicality and integration burden.

Capital expenditure remained modest relative to revenue. For Astellas, the larger reinvestment charge is R&D rather than physical plant. The decline in reported R&D intensity in FY2025 reflects revenue scaling and timing, not an abandonment of research: the new plan explicitly contemplates returning base R&D to around 20% of revenue. Downstream valuation should therefore avoid assuming FY2025's 14.7% R&D ratio is a sustainable margin tailwind.

9. Recent corporate actions — last twelve months

- **2025-10-30:** FY2025 revenue guidance raised JPY100bn and statutory operating-profit guidance raised JPY80bn after strong strategic-brand execution.
- **2025-11:** PADCEV received US approval in the EV-303 muscle-invasive bladder cancer setting.
- **2026-02-04:** FY2025 guidance raised again: revenue by JPY70bn, core operating profit by JPY30bn and statutory operating profit by JPY100bn.
- **2026-03-31:** Astellas announced a top-management / strategy-officer transition; no change to the financial reporting segment followed.
- **2026-04-27:** FY2025 results recognized material designated items, including Xyphos and AT132 charges, a VYLOY contingent-consideration gain and a Myrbetriq settlement item.
- **2026-05-26:** CSP2026 established the R&D, leverage, pipeline-output and dividend framework used in this packet.
- **2026-08-05:** Q1 FY2026 results maintained full-year guidance after 26.7% reported revenue growth.
- **2026-08-07:** Astellas submitted VEOZAH for approval in Japan based on the two Japanese Phase 3 STARLIGHT studies and supportive global data.

10. Open data gaps, quality limitations and non-disclosures

Classification	Exact gap	Official sources and searches checked	Treatment
True non-disclosure	Product-level retained operating profit for XTANDI and PADCEV alliances	FY2025 audited/results/supplements, CSP2026 and official collaboration releases; searched profit share, royalty, co-promotion fee and collaboration profit	Do not infer a product margin; model alliance economics separately
True non-disclosure	Complete global product-by-product patent and regulatory-exclusivity calendar	Integrated Report, shareholder XTANDI Q&A, results scripts and product releases; searched patent, expiry, exclusivity and loss of exclusivity	Use only disclosed XTANDI substance-patent dates

Classification	Exact gap	Official sources and searches checked	Treatment
True non-disclosure	Asset-level pipeline R&D cost and probability of success	Pipeline page, R&D Day, CSP2026, results presentations; searched cost, probability, PoS, pivotal and Phase III	Use scenario analysis; no invented probabilities
True non-disclosure	Standalone short-term investment balance controlling line	FY2025 IFRS balance sheet and notes; searched short-term investments and current financial assets	Keep outside cash unless separately identifiable
Not applicable	P&C ownership-perimeter, fees and solvency schedules	Business classification and IFRS segment note	Astellas is a pharmaceutical company, not an insurer
Estimated	Therapeutic-area mix and diagnostic ROIC	Official product sales and live statements	Transparent analytical proxies, clearly labelled
Not fetched / omitted	None material	Full live source inventory completed for the requested checklist	No re-dispatch gap identified

- **Product endpoint failure is documented, not silently substituted.** The live FMP annual and quarterly product endpoint responses were both [ ]. Official Astellas product tables were used instead. No product dollars were invented or reverse-engineered from geography.

- **Single-segment identity is preserved.** Astellas's one-reportable-segment disclosure means the sealed fallback is the only segment-profit table. Therapeutic and product groupings are clearly labeled analytical proxies and never enter the statutory bridge.

- **Currency matters.** Q1 FY2026 benefited materially from foreign exchange. Reported product growth is not the same as constant-currency growth; only the company-quantified XTANDI ex-FX indication is cited.

- **Alliance revenue does not equal retained profit.** XTANDI and PADCEV arrangements are economically significant, but product-level retained margins are not fully disclosed. A product-sales sum should not be multiplied by a guessed margin.

- **Patent dates are not generic dates.** Only official substance-patent dates are recorded. Litigation, settlements, pediatric extensions, regulatory exclusivity and market launch behavior may alter commercial timing. A complete global exclusivity table was not disclosed in the fetched evidence.

- **Pipeline potential is management framing.** The JPY1tn mid-2030s pipeline-sales potential and Phase 3 start targets are plan objectives, not booked revenue or risk-adjusted estimates. No external or invented probability of success is inserted.

- **Core and statutory results differ.** Management's core operating profit excludes designated items. This packet uses statutory operating profit for reconciliation and labels guidance accordingly. Impairments and other designated items are not erased from history.

- **Geography categories changed.** Restated comparatives were used when available and category transfers are disclosed. Cross-year regional trends should be interpreted with those breaks in mind.

- **FY2025 free cash flow is elevated.** The result is accurately reported, but working-capital, cash-tax and other timing can make it a poor one-point estimate of normalized cash generation.

- **R&D productivity is only partly observable.** Spend and trial-start targets are disclosed, but asset-level cost, probability and return are not. The absence of disclosure is recorded rather than filled with assumptions.

11. Underwriting observations for the next ER2 stages

- The central debate is a race between XTANDI LOE/alliance-economics compression and the contribution from strategic brands plus pipeline assets. The new portfolio is growing quickly, but its FY2025 aggregate sales remained only about half of XTANDI sales.
- PADCEV is the most important near-term offset. Its strong launch trajectory and regulatory expansion are visible, yet the reported Astellas revenue line mixes Americas profit-share-related revenue with ex-Americas booked sales and is neither global in-market sales nor wholly retained economics.
- FY2025 and Q1 FY2026 demonstrate substantial operating leverage, but both follow unusually weak statutory years and Q1 includes a large FX benefit. Normalized margin should sit between peak-quarter and trough-year readings, with explicit launch/R&D spending.
- CSP2026 is intentionally investment-heavy. Base R&D around 20% of revenue and up to five additional percentage points can depress near-term earnings while potentially improving post-LOE durability. Valuation must not capitalize the pipeline target without risk adjustment.
- The balance sheet can support the plan, with FY2025 net debt excluding leases around 0.49x diagnostic EBITDA. However, goodwill and intangibles are large, and the dividend commitment adds a competing cash claim.
- The visible milestone calendar is reasonably diversified across PADCEV lifecycle expansion, VYLOY/VEOZAH/IZERVAY development and newer oncology/ophthalmology assets. A delay in multiple FY2027 milestones would weaken the FY2029 pipeline-growth bridge.
- Management raised FY2025 guidance twice and delivered a strong Q1 FY2026, which improves execution credibility. The maintained full-year FY2026 guide and stated investment increase imply deliberate conservatism or a materially tougher remaining nine months; both interpretations should be scenario-tested.
- The exact five-year underwriting horizon ends 2031-06-30, after the disclosed US, Europe and Japan XTANDI substance-patent dates. Any terminal-year model that simply rolls forward current XTANDI economics would contradict the evidence.

12. Source map and verification notes

The FY2021–FY2025 statutory history, cash-flow history, balance-sheet diagnostics and share counts were reconciled to the reviewed Quant Foundation and live FMP statement pulls. Official Astellas results and supplements control product, geography, core/statutory presentation, guidance and pipeline facts. The pipeline page and CSP/R&D materials control phase and milestone language. The shareholder Q&A controls the explicitly cited XTANDI substance-patent dates. Official Astellas and Pfizer collaboration releases control the PADCEV and XTANDI alliance descriptions.

Load-bearing spot checks were performed against archived evidence: Q1 FY2026 reported revenue growth of 26.7% and revenue of JPY640.914bn were found in the live official result; the strategic-brand growth and investment commentary was located in the archived Q1 script; and FY2025 revenue of JPY2,139.245bn agreed between the reviewed foundation, live FMP income statement and official result. All reproduced statutory-bridge identities were checked against the sealed JSON hash.

No local data-warehouse file was used to form a conclusion. In compliance with the archive rule, newly pulled FMP ratios and enterprise-value files were copied to the warehouse only where an equivalent filename was absent and without overwrite. This archival copy is not cited as an evidence input.

13. Completion status

The data package contains the mandatory Section 0a, the longest clean product and geography histories supported by official materials, latest-quarter cadence, alliance and LOE context, pipeline milestones, guidance, R&D, impairments, capital allocation, balance sheet and the exact reviewed statutory fallback. True non-disclosures are distinguished from source failure or omission. No trade, broker, ranking, sizing, portfolio, message, queue, order or execution action was authorized or performed.

STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING

`trade_execution_authorized=false`