Lupin Inc.

LUPIN INC. AND SUBSIDIARIES

Consolidated Financial Statements
As of and for the Years Ended
March 31, 2025 and 2024

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors

Lupin Inc. and Subsidiaries:

Opinion

We have audited the consolidated financial statements of Lupin Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of March 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in stockholder's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Baltimore, Maryland
April 30, 2025

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2025	March 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,558	$ 12,716
Accounts receivable, net	374,303	320,311
Intercompany receivables	34,609	31,703
Federal income taxes receivable	645	—
Inventories	332,554	194,609
Prepaid expenses and other current assets	16,703	14,346
Total current assets	797,372	573,685
Property, plant and equipment, net	61,148	62,924
Goodwill	95,089	95,089
Intangible assets, net	63,429	78,494
Other assets	5,202	18,574
Total assets	$ 1,022,240	$ 828,766
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	$ 22,265	$ 27,408
Accrued expenses	48,693	39,669
Intercompany payables	480,639	299,972
Federal income taxes payable	—	553
State income taxes payable	4,646	4,399
Short-term debt	348,333	275,000
Other current liabilities	88,532	106,917
Series A mandatorily redeemable preferred stock	—	280,000
Total current liabilities	993,108	1,033,918
Long term debt, net	206,667	—
Other liabilities	4,837	14,515
Total liabilities	1,204,612	1,048,433
Stockholder's deficit:		
Common stock	896,000	896,000
Additional paid-in capital	230,050	230,050
Accumulated deficit, net of taxes	(1,316,808)	(1,355,242)
Accumulated other comprehensive income	26	—
Total Lupin Inc. stockholder's deficit	(190,732)	(229,192)
Noncontrolling interest	8,360	9,525
Total stockholder's deficit	(182,372)	(219,667)
Total liabilities and stockholder's deficit	$ 1,022,240	$ 828,766

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(*in thousands*)

	Year Ended March 31,	
	2025	**2024**
Product revenues	$ 911,251	790,978
Service and other revenues	24,013	20,285
Profit sharing revenues	16,761	15,008
Total revenues	952,025	826,271
Costs and expenses:		
Cost of product revenues	704,229	576,255
Cost of service and other revenues	22,096	18,868
Selling, general and administrative	106,082	99,874
Research and development	55,875	37,238
Asset impairment charges	1,707	17,656
Income from operations	62,036	76,380
Interest expense, net	25,000	32,372
Other income, net	(540)	(587)
Income from operations before income taxes	37,576	44,595
Provision for income taxes	307	5,190
Net income	37,269	39,405
Less: net loss attributable to noncontrolling interest	(1,165)	(1,865)
Net income attributable to Lupin Inc.	$ 38,434	$ 41,270
Other Comprehensive Income		
Unrealized gain on cash flow hedge, net of taxes	26	—
Total Comprehensive Income	$ 38,460	$ 41,270

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S DEFICIT

(*in thousands*)

	Stockholder's Deficit						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated other comprehensive income	Non-controlling Interest	Total Stockholder's Deficit
	Shares	Amount					
Balance at April 1, 2024	89,600	$ 896,000	230,050	(1,355,242)	—	9,525	(219,667)
Net income attributable to Lupin Inc.				38,434			38,434
Net income attributable to noncontrolling interests						(1,165)	(1,165)
Unrealized gain on cash flow hedge, net of taxes					26		26
Balance at March 31, 2025	89,600	896,000	230,050	(1,316,808)	26	8,360	(182,372)

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(*in thousands*)

	Year Ended March 31	
	2025	**2024**
Operating activities:		
Net income	$ 37,295	$ 39,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	6,690	6,546
Amortization of intangible assets	14,958	19,586
Amortization of operating lease right-of-use assets	2,071	2,188
Amortization of debt issuance cost	217	—
Intangible asset impairment charges	1,707	14,505
Fixed asset impairment charges	—	3,151
Change in inventory provision	7,870	702
Changes in operating assets and liabilities:		
Accounts receivable	(53,992)	4,576
Intercompany receivables	(2,906)	(11,022)
Inventory	(147,369)	(95,534)
Prepaid expenses and other assets	9,227	4,908
Accounts payable	(3,589)	4,296
Accrued expenses and other liabilities	(9,039)	27,523
Intercompany payables	180,667	133,747
Income taxes receivable/payable	(951)	2,624
Net cash provided by operating activities	42,856	157,201
Investing activities:		
Purchases of property, plant, equipment	(4,914)	(5,336)
Purchase of intangible asset	(1,600)	—
Net cash used in investing activities	(6,514)	(5,336)
Financing activities:		
Proceeds from issuance of debt	280,000	—
Debt issuance cost	(500)	—
Repayment of debt	—	(155,000)
Redemption of preferred shares	(280,000)	—
Solosec acquisition milestone payment	(10,000)	(10,000)
Net cash used in financing activities	(10,500)	(165,000)
Net change in cash and cash equivalents	25,842	(13,135)
Cash and cash equivalents-beginning of period	12,716	25,851
Cash and cash equivalents-end of period	$ 38,558	$ 12,716
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 15,414	$ 22,362
Cash (received)/paid for taxes	(80)	1,411
Intercompany property, plant, and equipment transfer	—	781
Cash paid for preferred shares dividend	5,944	6,300

See accompanying notes to consolidated financial statements.

Note 1. Organization and Description of the Business

Lupin Inc., including its consolidated subsidiaries, (collectively, the Company) was incorporated in the United States of America (USA) under the Laws of the State of Maryland on June 27, 2013 as a Maryland Corporation and converted to a Delaware Corporation on March 8, 2016. The Company became a wholly owned subsidiary of Nanomi B.V. (Nanomi), effective March 31, 2020.

The Company's core business as a distributor is to trade in pharmaceutical products in addition to acquire, own intellectual properties, develop, and manufacture pharmaceutical products and to render marketing and ancillary services related thereto.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) of the Financial Accounting Standards Board (FASB). Lupin Pharmaceuticals, Inc. (LPI) is owned 97% by the Company; the remaining 3% interest is owned by Lupin Limited (LL) directly and presented as a noncontrolling interest herein. Lupin Oncology Inc (LOI) is owned 81.13% by the Company, with 18.75% owned by LL and 0.13% owned by an unrelated third party, which is presented as a noncontrolling interest. The consolidated financial statements include the accounts of controlled subsidiaries after the elimination of intercompany accounts and transactions.

The Company earned profit from operations during the fiscal year 2025 primarily attributable to higher sales and product mix. As of March 31, 2025, the Company had a working capital deficit of $196 million, primarily due to third-party loans of $348 million due within the next 12 months (see Note 10 for details). The Company's ultimate parent company, LL, has provided guarantee towards these third-party loans of $275 million and the remaining loans of $280 million are secured by the Company's fellow subsidiary Lupin Atlantis Holdings S.A. Switzerland (LAHSA) fixed deposit. LL has also committed to fund the continued operations of the Company through May 1, 2026.

Use of Estimates

Management considers many factors in developing the estimates and assumptions that are used in the preparation of these consolidated financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes and management must select an amount that falls within that range of reasonable estimates. This process may result in actual results differing materially from those estimated amounts used in the preparation of the financial statements if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. The most significant estimates and assumptions relate to sales reserves and allowances, valuation of goodwill and intangible assets, contingencies, and the recoverability of deferred tax assets.

Revenue Recognition

The Company recognizes revenue pursuant to ASC 606. The Company derives its revenue from product sales, services and profit sharing. Under ASC 606, a contract with a customer only exists when the parties to the contract have approved it and are committed to perform their respective obligations; the Company can identify each party's rights regarding the goods or services to be transferred; the Company can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Company will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. We recognize revenue from the contracts meeting these criteria when we satisfy our performance obligations for such contracts by transferring control of the underlying promised goods or services to our customers. The amount of revenue we recognize reflects our estimate of the consideration we expect to be entitled to receive, excluding amounts collected on behalf of other third parties and sales taxes (if any). Payment terms of our contracts generally fall within 30 to 90 days of invoicing. The Company does not incur costs to obtain a contract or costs to fulfill a contract that would result in the capitalization of contract costs. The Company's revenue contracts do not generally give rise to contract liabilities, as we do not generally receive consideration until the performance obligation is satisfied. Shipping and handling costs after control over a product has been transferred to a customer are accounted for as a fulfillment cost (if any).

Product sales

The majority of the Company's contracts related to product sales include only one performance obligation, which is to deliver products to customers based on purchase orders received. Revenue from sales of products is recognized at a point in time when control of the products is transferred to the customer, generally upon delivery, which the Company has determined is when physical possession, legal title, risks, and rewards of ownership of the products transfer to the customer and the Company is entitled to payment. The amount of consideration the Company expects to be entitled includes a fixed amount of the transaction price, net of accruals for estimated variable considerations including, but not limited to, wholesaler chargebacks, distribution service fees, returns and allowances, discounts, rebates, sales incentives and other allowances. The Company utilizes the expected value method when estimating the amount of variable consideration. Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Reductions to revenue relating to amounts expected to be settled in payments to customers are recorded within other current liabilities when estimated. Reductions to revenue that are expected to be netted against future outstanding customer accounts receivable are recorded as a reduction to accounts receivable. In addition, the Company reassesses variable consideration at each reporting period end.

The following describes the major variable consideration components and other reductions to the revenue and how they are estimated.

Chargebacks/Billbacks

Chargebacks are discounts that occur when a contracted customer purchases through an intermediary wholesaler (commonly referred to as indirect sales). In an indirect sale, the wholesalers are our customers, and the end customers who purchase products from the wholesalers are considered an extension of the customer. In the arrangement, the Company enters into a contract with its customers, establishing prices for certain products. While these arrangements are made between the Company and the customers, the customers independently select a wholesaler from which they purchase the product at their contracted prices. The wholesaler, in turn, charges the Company back for the difference between the price initially paid by the wholesaler and the contract price paid to the wholesaler by the customer. Billbacks also relate to indirect sales. The difference is the customers purchase the products from a wholesaler at the price agreed by the wholesaler, and then charge the Company back the difference between the price paid to the wholesaler and the contractual price with the Company. The provision for chargebacks/billbacks is based on expected sell-through levels by the Company's wholesale customers to contracted customers, as well as estimated wholesaler inventory levels.

Distribution Service Fees

Consistent with industry practices, the Company establishes contracts with wholesalers that provide services for fees under the wholesaler Distribution Services Agreements ("DSA fees"). Settlement of DSA fees generally occur monthly or quarterly based on net sales for the period. The DSA fees are accounted for as a reduction to transaction price. DSA fee accruals are based on contractual fees to be paid to the wholesale distributor when products are sold to the customer.

Right of Return

Consistent with industry practice, the Company maintains a return policy that allows its customers to return product within a specified period both subsequent to and prior to the product's expiration date. The Company's return policy generally allows customers to receive credit for expired products within six months prior to expiration and within one year after expiration. The primary factors considered in estimating potential product returns include: the shelf life or expiration date of each product, historical data of expired product returns, and external data with respect to inventory levels in the wholesale distribution channel. Due to the nature of the products, the Company's returned products cannot be re-sold and must be destroyed, the Company recognizes the estimated refund liability when product revenues are recognized and no expected returned assets are recorded in connection with those products.

Prompt Payment Discount

Prompt pay discounts are offered to some major customers to encourage timely payment. Discounts are estimated at the time of invoice based on historical discounts in relation to sales. Prompt pay discounts are almost always utilized by customers. As a result, the actual discounts do not vary significantly from the estimated amount.

Failure to Supply

Failure to supply penalties from major customers are primarily based on the difference between the substitution price the customers paid against the Company's contract price for the quantity that is not supplied. Failure to supply penalties are recorded as reductions to revenue and adjusted each reporting period based on the variable consideration guidance.

Services and other revenues

Services and other revenues primarily consist of management services and R&D services provided to the related parties under LL, the Company's ultimate parent company. The service contracts are time and materials based. The Company elected to use the "as invoiced" practical expedient, under which the Company recognizes revenue over time in the amount to which it has a right to invoice after the services are provided. The invoice amount generally represents the costs incurred to provide the service plus a markup specified by the service contract.

Profit sharing revenues

Profit sharing revenues relate to product sales: 1) the Company provides contract manufacturing services to customers through its wholly owned subsidiary Novel Laboratories, Inc. ("Novel") receiving a percentage of profits of product sales and 2) the Company receives royalty payments on authorized generic products sold by other third-party pharmaceutical companies. Profit sharing revenues are recognized at a point in time when related product revenues are recognized. The amount of profit sharing revenue is estimated using the expected value method based on contract terms and historical experience to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company reassesses profit sharing revenue at each reporting period end.

Acquisitions

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with limited exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are recognized at fair value if fair value can reasonably be estimated. If the acquisition date fair value of an asset acquired or liability assumed that arises from a contingency cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in the Company's consolidated financial statements after the date of the acquisition.

If the Company determines the assets acquired do not meet the definition of a business under the acquisition method of accounting, the transaction will be accounted for as an acquisition of assets rather than a business combination and, therefore, no goodwill will be recorded. Contingent consideration arising from the asset acquisition is recognized when probable and reasonably estimable and is recorded as an increase to the cost of the assets acquired.

The Company may acquire assets, including intellectual property, in process research and development (IPR&D) and other intangible assets, through license and supply agreements. These acquisitions are accounted for as asset acquisitions rather than business combinations when the acquired set of activities and assets does not meet the definition of business combinations under GAAP. Through these license and supply agreements, they often include milestone payments based on the achievement of specified development, regulatory, and commercial milestones.

Pre- Food and Drug Administration (FDA) Approval Milestones: Milestone payments made prior to obtaining FDA approval are expensed as incurred. These payments are included in operating cash flows in the Statement of Cash Flows, reflecting their nature as part of ongoing research and development activities.

Post-FDA Approval Milestones: Upon obtaining FDA approval, milestone payments are capitalized as intangible assets. These payments are included in investing cash flows in the Statement of Cash Flows, as they represent the acquisition of long-term assets expected to generate future economic benefits.

Fair Value

The Company follows the provisions of FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*," for fair value measurement recognition and disclosure purposes for its financial assets and financial liabilities that are remeasured and reported at fair value each reporting period. The Company measures certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. Categorization is based on a three-tier valuation hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs that are other than quoted prices in active markets for identical assets and liabilities, inputs that are quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are either directly or indirectly observable; and

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying amount of certain financial instruments, including cash and cash equivalents, accounts receivable, intercompany payables/receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Debt and contingent consideration are not carried at fair value.

Collaboration and Research Arrangements

Payments to and from our collaboration partners are presented in our consolidated statements of comprehensive income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. The Company determined since their central operations are not consistent with regular performance of research and development services to outside customers, reimbursements from our collaboration partners for development costs are typically recorded as reduction in research and development expenses as these arrangements are under ASC 808, Collaborative Arrangements. During fiscal year 2022, the Company entered into one agreement whereby up to $38.4 million of research and development expenses will be reimbursed upon hitting developmental milestones, of which $5.2 million and $5.8 million were recognized in the years ended March 31, 2025 and 2024, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in banks and all highly liquid investments with original maturities of three months or less.

Accounts receivable, net

Accounts receivables represent the Company's unconditional rights to consideration due from customers. Accounts receivables are recorded at the invoiced amount net of certain chargebacks, sales incentives and allowances, and do not bear interest.

Inventories

Inventories consist of raw materials, work-in-process and finished goods. The cost of inventories is determined using the weighted average method. Inventories are recorded at the lower of cost or net realizable value, including materials, labor, direct costs and indirect costs. Any net realizable value adjustment related to purchased inventory from LL is recorded as a reduction to Intercompany payables. A net realizable value adjustment related to inventory manufactured by LI is recorded as an expense in cost of revenue. Inventories may also include certain finished goods produced in preparation for product launches that are considered to have a high probability of regulatory approval. In evaluating the recoverability of inventories produced in preparation for product launches, the Company considers the likelihood that revenue will be obtained from the future sale of the related inventory together with the status of the product within the regulatory approval process**.**

Intercompany Receivables and Payables

Intercompany receivables and payables represent balances due to and due from related parties which are consolidated subsidiaries of LL.

Property, Plant and Equipment

Property, plant and equipment includes land, buildings, machinery and equipment, leasehold improvements, office equipment and computers, software, furniture and fixture, and construction in-progress. We record property, plant and equipment at cost less accumulated depreciation. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets:

Buildings	25 - 40 years
Machinery and equipment	3 to 10 years
Leasehold improvements	5 - 7 years, not beyond the lease term
Office equipment and computers	2 - 3 years
Software	3 - 5 years
Furniture and fixtures	3 - 5 years

Maintenance and repairs are expensed as incurred. Upon disposal, retirement, or sale, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations.

Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of accounting for business combinations.

Intangible assets, net

The Company's intangible assets include both finite lived and indefinite lived assets. Finite lived intangible assets, consisting of Currently Marketing Products (CMPs), New Drug Applications (NDAs) and Approved Abbreviated New Drug Applications (ANDAs) are amortized on a straight-line basis over the estimated useful life of the assets. Indefinite-lived intangible assets consist of acquired IPR&D product rights and filed ANDAs not yet approved by the FDA. IPR&D and Filed ANDA assets acquired in a business combination and those transferred in from entities under common control are recorded at fair value or at the transferring entity's historical cost basis at date of transfer, respectively. IPR&D and Filed ANDAs are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. Amortization over the estimated useful life will commence at the time of the respective product's launch. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

Goodwill and Other Indefinite-Lived Intangible Asset Impairment Testing

Goodwill and other indefinite-lived intangible assets are not amortized but are evaluated annually for impairment. The Company performs its evaluation of impairment for goodwill and other indefinite-lived intangible assets as of January 1, and when events or changes in circumstances indicate that the assets may be impaired. The Company may utilize a qualitative evaluation about the likelihood of impairment to determine whether it is necessary to perform the quantitative impairment test. If determined to be necessary, the quantitative impairment test shall be used to identify impairment and measure the amount of impairment loss to be recognized (if any). As part of our assessment, we estimate the fair values of our reporting unit and our intangible assets using an income approach that utilizes a discounted cash flow model. The discounted cash flow models are dependent upon our estimates of future cash flows and other factors. These estimates of future cash flows involve assumptions concerning (i) future operating performance, including future sales, long-term growth rates, operating margins, tax rates, variations in the amount and timing of cash flows and the probability of achieving the estimated cash flows and (ii) future economic conditions. The discount rates applied to the estimated cash flows are based on the overall risk associated with the particular assets and other market factors. If the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized.

Long-Lived Asset Impairment Testing

Long-lived assets, including property, plant and equipment and finite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the carrying amounts of the assets may not be recoverable. Recoverability of an asset that will continue to be used in our operations is measured by comparing the carrying amount of the asset to the forecasted undiscounted future cash flows related to the asset. In the event the carrying amount of the asset exceeds its undiscounted future cash flows and the carrying amount is not considered recoverable, impairment may exist. An impairment loss, if any, is measured as the excess of the asset's carrying amount over its fair value, generally based on a discounted future cash flow method, independent appraisals or preliminary offers from prospective buyers. An impairment loss would be recognized in the consolidated statements of comprehensive income in the period that the impairment occurs.

Research and Development Expenses

Research and development costs are charged to expense as incurred. These costs include, but are not limited to, employee-related expenses, including salaries, benefits, and travel as well as expenses related to collaborations and contract research agreements; expenses incurred under agreements with contract research organizations and investigative sites that conduct preclinical and clinical studies; the cost of acquiring, developing and manufacturing clinical trial materials; facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies; and costs associated with preclinical and clinical activities and regulatory operations.

Costs for certain development activities, such as preclinical and clinical studies, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, preclinical site activations, or information provided to the Company by its vendors with respect to their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the consolidated financial statements as prepaid or accrued research and development expense, as the case may be.

Under a Product Development Agreement, certain research and development costs are cross charged as intercompany invoices to LL. These transactions are reflected in cost of service and other revenues with a 10% markup. The Company's remuneration for such services is subject to an annual transfer pricing study.

Other Income, net

Other income is comprised of related party billings for reimbursements of management fees, and other miscellaneous income (expense) from non-core businesses.

Income Taxes

Income taxes are recorded in accordance with ASC Topic 740, *Income Taxes* (ASC 740), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances.

Contingencies

The Company records accruals for contingencies expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount is accrued. When no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held by two financial institutions and the amounts on deposit were in excess of Federal Deposit Insurance Company insurance limits. The Company mitigates this risk by depositing its uninsured cash in major well capitalized financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the number of customers, all of whom are creditworthy customers representing the FORTUNE 500. The Company derives the majority of revenue from sales to US-based supply chain distributors, pharmacies, etc. The following companies represent more than 10% of revenue for the years ended March 31, 2025 and 2024: Cencora Global Procurement Ltd., McKesson Financial Center, Cardinal Health, and CVS Pharmacy, Inc. The following companies represent more than 10% of accounts receivable as of March 31, 2025 and 2024: Cencora Global Procurement Ltd. and McKesson Financial Center.

Leases

The Company determines if an arrangement is a lease considering whether there is an identified asset, and the contract conveys the right to control its use. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Right-of-Use (ROU) assets and lease liabilities are established on the consolidated balance sheets for leases with an expected term greater than one year. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate (IBR) at the commencement date in determining the present value of lease payments. The IBR is estimated based on our parent company LL's credit standing and is adjusted by the guarantee fees we make to LL as the Company does not have its own treasury function, and all of its borrowings are negotiated and guaranteed by LL centrally.

Our variable lease payments primarily consist of non-lease services related to the lease. We have elected the practical expedient to not separate non-lease components from lease components in calculating the amounts of ROU assets and lease liabilities for all underlying asset classes. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. The Company generally does not provide residual value guarantees in the operating leases with the exception of the lease of a vehicle fleet. No amounts related to this residual value guarantee have been deemed probable.

The Company leases real estate, vehicle, and office equipment under non-cancelable operating leases for use in our operations. Our leases generally have lease terms of 1 to 10 years, some of which include options to renew for up to 5 to 10 years or on a month-to-month basis. We do not include the options in our minimum lease terms unless they are reasonably certain to be exercised.

Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. On occasion, the Company subleases excess office facilities to third parties. Rental expense, net of sublease income, is included in the selling, general and administrative expense in the consolidated statements of comprehensive income

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740),* which requires entities to disclose additional information with respect to the effective tax rate reconciliation and to disclose the disaggregation by jurisdiction of income tax expense and income taxes paid. The standard is effective with annual periods beginning after December 15, 2025, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. The Company plans to adopt the guidance for the fiscal year ending March 31, 2027. The Company expects ASU 2023-09 to require additional disclosures in the notes to the consolidated financial statements. The Company is currently evaluating the effects adoption of this guidance will have on the consolidated financial statements.

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Company as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Company has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated above, believes the new guidance will not have a material impact on our consolidated balance sheets, statements of comprehensive income, or cash flows.

Note 3. Accounts Receivable, net

The composition of accounts receivable, net is as follows (*in thousands*):

	March 31, 2025	March 31, 2024
Gross accounts receivable	$ 531,492	$ 471,427
Less: chargeback reserve	(131,867)	(107,143)
Less: indirect reserve	(13,349)	(17,239)
Less: price protection	(1,038)	(12,445)
Less: distribution services reserve	(1,228)	(939)
Less: discount reserve	(9,707)	(12,508)
Less: POS couponing	—	(842)
Accounts receivable, net	$ 374,303	$ 320,311

Note 4. Inventories

Inventories consist of (*in thousands*):

	March 31, 2025	March 31, 2024
Raw materials	$ 24,194	$ 28,111
Work in process	4,413	4,995
Finished goods	312,153	186,477
	340,760	219,583
Less: valuation reserve	(8,206)	(24,974)
Inventories	$ 332,554	$ 194,609

Note 5. Property, Plant and Equipment, net

Property, plant and equipment, net consists of the following (*in thousands*):

	March 31, 2025	March 31, 2024
Land	$ 3,740	$ 3,740
Buildings	37,161	37,161
Machinery and equipment	59,685	57,694
Leasehold improvements	19,412	21,807
Office equipment and computers	6,342	6,199
Software	6,091	4,260
Construction in-progress	4,765	7,428
Furniture and fixtures	2,583	4,103
	139,779	142,392
Less: accumulated depreciation	(78,631)	(76,317)
Less: impairment provision	—	(3,151)
Property, plant and equipment, net	$ 61,148	$ 62,924

Depreciation expense was $6.7 million and $6.5 million for the years ended March 31, 2025 and 2024, respectively.

Note 6. Accrued Expenses

Accrued expenses consist of the following (*in thousands*):

	March 31, 2025	March 31, 2024
Selling, general and administrative	$ 3,750	$ 5,488
Bonus and incentives	16,141	13,571
Freight	5,955	3,183
Legal costs	5,731	3,041
Accrued interest	2,109	204
Payroll and benefits	2,151	1,856
Product costs	5,425	5,321
Research and development	2,704	1,322
Profit share	4,727	5,683
Accrued expenses	$ 48,693	$ 39,669

Note 7. Other Current Liabilities

Other current liabilities consist of the following (*in thousands*):

	March 31, 2025	March 31, 2024
Accrued rebates	$ 33,415	$ 35,961
Accrued sales returns	36,277	32,870
Accrued medicaid	7,938	18,510
Accrued penalty	2,228	7,235
Solosec acquisition milestone payment	7,041	10,000
Current portion of operating lease liabilities	1,633	2,341
Other current liabilities	$ 88,532	$ 106,917

Note 8. Asset Acquisitions

License and supply agreements

In fiscal year 2021, the Company acquired the license and supply agreements for several IPR&D generic products for $2.2 million of upfront payments. The remaining payments are contingent consideration based on other future milestones of $1.5 million upon investigational new drug application to FDA, $0.8 million for FDA's formal acceptance of the ANDA filing for the product and $1.6 million upon the FDA approval of the ANDA. The payments up until the FDA approval were recorded as research and development expense when the milestones were met. During the second quarter of fiscal year 2025, the products met the FDA approval milestones, and the Company paid $1.6 million, which is capitalized as intangible assets due to the assets no longer being IPR&D and being marketable products. There are no remaining milestone payments for these assets.

In fiscal year 2022, the Company acquired the license and supply agreements for a generic product that had not yet completed the FDA approval process for $1 million of upfront payments with future payments based upon FDA approval. The remaining payments are contingent consideration based on other future milestones of $0.5 million upon creation of prototypes, $0.4 million upon subsequent delivery, $0.4 million upon client approval of prototypes, $0.8 million upon design transfer for pre-clinical testing, $1 million upon manufacturing of the exhibit batch, $1 million upon filing of the ANDA, and $2 million upon the first commercial sale of the product. The Company recorded research and development expenses of $1.5 million in fiscal year 2023 and $0.4 million in the third quarter of fiscal year 2025.

In fiscal year 2024, the Company acquired the license and supply agreements for several IPR&D generic products for $0.6 million of upfront payments. The remaining payments are contingent consideration based on other future milestones of $0.4 million upon FDA's formal acceptance and approval of the ANDA, $0.3 million upon first commercial sale of the product. The Company recorded $0.3 million as research and development expenses in the first and third quarter of fiscal year 2024, respectively.

In the first quarter of fiscal year 2025, the Company acquired the license and supply agreements for an IPR&D generic product for $1 million of upfront payments. The remaining payments are contingent consideration based on other future milestones of $1.5 million upon the first commercial sale of the product.

The transactions were treated as asset acquisitions of IPR&D, which were expensed immediately. Future payments for milestones are contingent consideration, which will be recognized upon meeting the criteria under ASC 450.

Solosec™ Franchise

On October 10, 2017, the Company acquired all of the outstanding equity of Symbiomix Therapeutics LLC (Symbiomix), a privately held company focused on bringing innovative therapies to market for gynecologic infections that can have serious health consequences. The acquisition of Symbiomix's Solosec™ franchise was accounted for as an asset acquisition. The total consideration was $124.1 million, of which the Company made a $57.5 million upfront cash payment, and discounted future time-based payments of $66.6 million through 2026. As of March 31, 2025, the Company made time-based payments totaling $67.5 million, including $30 million in fiscal year 2019, $7.5 million in fiscal year 2021, $10 million each in fiscal years 2022, 2023, 2024 and 2025. As of March 31, 2025, the last milestone of $7.5 million due within twelve months has been classified as other current liabilities on the consolidated balance sheets.

In the second quarter of fiscal 2025, the Company divested the asset to Evofem Biosciences, Inc. for a consideration of $0.5 million, which was then fully offset by transaction fees of $0.5 million.

Note 9. Goodwill and Other Intangibles

Goodwill

The table below provides a roll-forward of the goodwill balance (*in thousands*):

Goodwill balance at April 1, 2024	$	95,089
Fiscal year 2025 activity		—
Goodwill balance at March 31, 2025	$	95,089

Other Intangibles

The following tables summarize the components of the Company's other intangible assets (*in thousands*):

Period Ended March 31, 2025	Currently Marketed Products	Approved ANDAs	Filed ANDAs	In-process R&D	Total
Balance at April 1, 2024	$ 516,526	3,320	22,140	27,571	569,557
Fiscal 2025 activity	(30,777)	600	—	—	(30,177)
Balance at March 31, 2025	485,749	3,920	22,140	27,571	539,380
Less: accumulated amortization	(142,750)	(351)	—	—	(143,101)
Less: impairment provision	(280,115)	(3,024)	(22,140)	(27,571)	(332,850)
Net carrying amount at March 31, 2025	$ 62,884	$ 545	$ —	$ —	$ 63,429

Period Ended March 31, 2024	Currently Marketed Products	Approved ANDAs	Filed ANDAs	In-process R&D	Total
Balance at April 1, 2023	$ 481,174	$ 6,343	$ 55,559	$ 27,571	$ 570,647
Fiscal 2024 activity	35,352	(3,023)	(33,419)	—	(1,090)
Balance at March 31, 2024	516,526	3,320	22,140	27,571	569,557
Less: accumulated amortization	(159,682)	(238)	—	—	(159,920)
Less: impairment provision	(279,400)	(2,732)	(21,440)	(27,571)	(331,143)
Net carrying amount at March 31, 2024	$ 77,444	$ 350	$ 700	$ —	$ 78,494

Amortization expense was $15 million and $19.6 million for the years ended March 31, 2025 and 2024, respectively. During the annual impairment test during the fourth quarter of fiscal year 2025, the Company determined certain assets failed the recoverability test and subsequently performed a discounted cash flow evaluation and recorded an intangible asset impairment of $1.7 million.

The approximate estimated future amortization expense at March 31, 2025 is as follows (*in thousands*):

	12 Month Period Ended March 31,
2026	14,278
2027	14,278
2028	14,278
2029	14,278
2030	6,070
Thereafter	247
Total	$ 63,429

Note 10. Debt

A summary of outstanding debt is as follows (*in thousands*):

	March 31, 2025	March 31, 2024
Line of credit - SMBC	150,000	150,000
Line of credit - MUFG	265,000	125,000
Line of credit - AXIS	140,000	-
Total debt	555,000	275,000
Short-term debt	348,333	275,000
Long-term debt, net	$ 206,667	$ -

In August 2018, the Company entered into a $75 million uncommitted short-term revolving line of credit facility (RLOC) with Sumitomo Mitsui Banking Corporation Singapore Branch (SMBC). The RLOC was amended to increase the limit to $125 million in March 2021 and $150 million in June 2022. Borrowings under the facility are uncommitted and the credit facility can be terminated by SMBC on written notification. Upon such termination, all outstanding amounts under the facility shall be paid to SMBC. In the quarter ended June 30, 2024, the RLOC with SMBC was converted into a long-term loan of $100 million and a short-term loan of $50 million. The short-term loan of $50 million matures in the first quarter of fiscal year 2026. The long-term loan is to be paid in three equal installments annually with the first installment of $33.3 million due in the first quarter of fiscal year 2026 and the remaining balances due in fiscal year 2027 and 2028, respectively. The Company incurred $0.5 million for debt issuance costs, and it is capitalized on the consolidated balance sheet. Advances made under the amended RLOC bear interest at corresponding SOFR plus margin 102 bps for long-term and SOFR plus margin 95 bps for short-term. The revolving loans are interest-only with principal due at maturity. The Company's ultimate parent company, LL, has provided guarantee towards these third-party loans of $150 million.

In November 2018, the Company entered into a $100 million short-term credit facility (the Facility) with MUFG Bank, Ltd., Singapore Branch. The Facility, which is guaranteed by LL, was first amended in March 2020 to increase the limit to $200 million and further amended in March 2021 to increase the limit to $250 million. The Facility was moved from Singapore branch to GIFT city branch, India in fiscal year 2024. Loan advances drawn under the Facility bear interest at a rate of Daily Cumulative Compounding plus Margin 90 bps. The principal plus interest is due at maturity in the first quarter of fiscal year 2026. In fiscal year 2024, the Company partially repaid the outstanding principal of $125 million. The Company's ultimate parent company, LL, has provided guarantee towards these third-party loans of $125 million.

In March 2025, the Company entered into a $140 million short-term revolving credit facility (the Facility) with MUFG Bank, Ltd. Gift city branch. Loan advances drawn under the Facility bear interest at a fixed rate of 4.51% per annum. The principal plus interest is due at maturity in the fourth quarter of fiscal year 2026. The facility is secured by the Company's fellow subsidiary LAHSA's fixed deposit.

In March 2025, the Company entered into a $140 million term loan facility (the Axis Facility) with Axis Bank Ltd, Dubai International Financial center (DIFC) branch. Loan advances drawn under the Axis Facility bear interest at a rate of SOFR plus margin 120 bps. The term loan is to be paid in five installments annually with the first installment of $30 million due at the end of 3 years and is classified within long-term debt on the consolidated balance sheets. The principal plus interest is due at maturity. The term loan is secured by the Company's fellow subsidiary LAHSA's fixed deposit.

The Company recorded interest expense of $17.5 million and $22.3 million during the year ended March 31, 2025 and 2024, respectively. The Company recorded $0.2 million of amortization of the debt issuance cost as of March 31, 2025. The aggregate outstanding principal and accrued interest balance at March 31, 2025 and March 31, 2024 were $557.1 million and $275.2 million, respectively.

Note 11. Derivative Instruments and Hedging Activities - Interest Rate Swap

On March 10, 2025, the company entered into a term loan facility with Axis Bank Ltd. to fund the redemption of its Series A Preferred Stock. To manage the interest rate risk associated with this borrowing, the Company entered into an interest rate swap agreement with Axis Bank Ltd. on March 10, 2025, to convert variable-rate interest payment to fixed-rate interest payment.

The interest rate swap has a notional amount of $140 million paying a fixed rate of 5.22% per annum and receives a variable rate based on SOFR plus margin 120 bps. The swap matures concurrently with the underlying loan on its contractual maturity date and has been designated as a cash flow hedge under ASC 815. The critical terms of the swap (notional amount, payment dates, maturity and index) match those of the hedged debt, hence the Company applies the simplified hedge accounting (critical-terms-match) approach and assumes perfect effectiveness. Under ASC 815, when using a simplified hedge accounting approach, if the critical terms of the hedging instrument and the hedged item match, there is generally no need to perform a fair value consideration. This is because the simplified hedge accounting approach allows for the assumption that the hedge is perfectly effective if the critical terms match, thereby bypassing the need for complex effectiveness testing and fair value measurements.

As of March 31, 2025, the Company accrued $0.4 million to interest expense to reflect the fixed-rate payments on the swap. The net gain of $0.03 million attributable to hedge effectiveness is recorded in other comprehensive income (OCI). The hedge is expected to remain effective over its term. The first cash settlement will occur in September 2025.

The company does not enter into derivative instruments for speculative purposes.

Note 12. Leases

For operating leases, the ROU assets and liabilities are presented in the consolidated balance sheet as follows (*in thousands)*:

	Balance Sheet Classification	Balance at March 31, 2025
Right-of-use assets	Other assets	$ 5,118
Lease Liabilities – current	Other current liabilities	1,632
Lease Liabilities – noncurrent	Other liabilities	3,866

The components of operating lease costs are as follows (*in thousands)*:

	For the Year Ended March 31, 2025	For the Year Ended March 31, 2024
Operating lease cost	$ 2,889	$ 2,889
Variable lease cost	453	477
Sublease income	(414)	(414)
Total lease cost	$ 2,928	$ 2,952

Supplemental balance sheet information related to leases is as follows:

	March 31, 2025
Weighted average remaining lease terms (in years)	3.50
Weighted average discount rate	4.7%

Other supplemental information includes the following (*in thousands)*:

Cash paid for amounts included in the measurement of lease liabilities:

	For the year ended March 31, 2025	For the year ended March 31, 2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 2,278	2,336
Leased assets obtained for new operating lease liabilities	-	2,460

The table below reconciles the undiscounted cash flows for the first five years and total of the remaining years to the operating lease liabilities recorded in the consolidated balance sheet as of March 31, 2025 *(in thousands)*:

(*in thousands*)

	For the year ended March 31,
2026	$ 1,842
2027	1,477
2028	1,466
2029	1,157
Total undiscounted lease payments	5,942
Less: imputed interest	444
Present value of minimum lease payments	$ 5,498
Less: current portion	1,632
Noncurrent portion	$ 3,866

Note 13. Contingencies

Legal Proceedings

Government Investigations

The Company is involved in government investigations and litigation arising from the marketing and promotion of its pharmaceutical products in the United States.

Starting in fiscal 2018, the Company was named in both class action and individual cases based on allegations of anticompetitive behavior related to certain products. On April 17, 2018, Lupin and one of its employees received a non-party subpoena from the state of Connecticut Attorney General (CAG) related to a civil antitrust case they filed in 2016, requesting documents and other information. On May 10, 2019, 43 state attorneys general, led by the CAG, filed a second lawsuit against 19 companies (including Lupin Pharmaceuticals, Inc.) and 15 individuals (including the Lupin employee) with allegations of violations of federal and state antitrust laws. The states claim to have been injured by paying supra-competitive prices for the products they purchased or reimbursed. These civil lawsuits were combined into the collection of similar cases referred to as In Re Generic Pharmaceuticals Antitrust Litigation, located in Philadelphia, Pennsylvania. The case is now bifurcated and as a result the state attorney general (AG)’s case is going back to

the state of Connecticut and the multi-district litigation will continue contemporaneously. At this point of time, an estimate of the possible loss or range of loss, if any, cannot be made.

On February 1, 2023, Lupin was named as a defendant in a claim related to the sales of Loestrin, a low-dose birth control pill, in the state of Louisiana. Similar to other pay-for-delay complaints, this claim alleges that the six defendants, including Lupin, used pay-to-delay tactics in order to keep competitors from entering the marketplace. As the case is still in the early stage, an estimate of the possible loss or range of loss, if any, cannot be made.

Note 14. Income Taxes

The Company's income before income taxes was $37.6 million and $44.6 million for the years ended March 31, 2025 and 2024, and was generated entirely in the United States. These include the loss before income taxes from LOI of $7.4 million and $9.9 million for fiscal years ended March 31, 2025 and 2024, respectively.

Income tax provision consists of (*in thousands*):

	Year Ended March 31,	
	2025	**2024**
Current provision:		
U.S. federal	$ (1,492)	$ 3,326
U.S. state and local	462	721
Foreign	1,337	1,143
Total current provision	$ 307	$ 5,190
Deferred benefit:		
U.S. federal	—	—
U.S. state and local	—	—
Total deferred benefit	—	—
Total current and deferred benefit	$ 307	$ 5,190

Income tax provision differed from the amounts computed by applying the U.S. federal income tax rate of 21% to pretax income as a result of the following (*in thousands*):

	Year Ended March 31,	
	2025	**2024**
Income before income tax	$ 37,576	$ 44,595
Statutory tax rate	21.00%	21.00%
Income tax expense at statutory rate	7,891	9,365
U.S. state tax provision	365	569
	8,256	9,934
Increase (decrease) in income tax provision resulting from:		
Non-deductible expenses	6,714	1,408
R&D tax credits (net of reserve)	(850)	(2,749)
Valuation allowance	(10,137)	(9,273)
Foreign taxes	1,337	1,143
BEAT taxes	—	2,816
Other	(5,013)	1,911
Income tax provision	$ 307	$ 5,190

Due to its losses, LOI does not materially impact the Company's overall tax provision. Moreover, since LOI was not part of the LI consolidated group before March 31, 2025, it will file a separate corporate income tax return for its fiscal year ending March 31, 2025. LOI will be included in the consolidated corporate income tax filing for fiscal year ending March 31, 2026 and going forward.

The reduction in income tax provision is mainly related to the Company's waiver of deductions related to the base erosion anti-abuse tax (BEAT), which results in an increase to non-deductible expenses for the BEAT benefits addback. However, this gives the Company the ability to reduce its BEAT taxes to zero, including the ability to utilize its R&D credits to reduce its income tax liability.

The Company is currently under an Internal Revenue Service (IRS) examination for its fiscal year ended March 31, 2019. The examination is still under the Joint Committee on Taxation review and has been extended to April 30, 2026. The Company does not expect the results of the examination to impact the current period.

The components of our deferred tax assets and liabilities include the following (*in thousands*):

	March 31, 2025	March 31, 2024
Deferred tax assets:		
Accounts receivable returns and allowances	$ 8,955	$ 10,839
Fixes Assets impairment	51	755
Inventory reserve	2,217	3,387
Research and development, net of reserve	17,285	18,400
State tax credits	6,031	3,389
Net operating loss	63,957	66,295
Accrued payroll	294	376
Acquisition costs	4,567	4,563
Chargebacks	28,195	23,042
IP	160,049	216,311
BII asset	11,380	11,380
IRC Section 163(j)	27,259	23,168
R&D Capitalized	27,112	16,320
Transaction Costs	4,382	4,009
Other	2,310	2,256
Total deferred tax assets	$ 364,044	$ 404,490
Valuation allowance:	(256,187)	(307,292)
Deferred tax liabilities:		
Goodwill amortization	(3,175)	(3,108)
Intangible asset amortization	(87,387)	(74,926)
Depreciation	(15,756)	(15,882)
Deferred interest	—	(1,713)
Other	(1,539)	(1,569)
Total net deferred tax liabilities	$ (107,857)	$ (97,198)
Net deferred tax liability	$ —	$ —

The Company has cumulative net operating losses (NOLs) of $270 million through fiscal year ended March 31, 2024, including $39 million of separate return limitation year (SRLY). $20 million of the SRLY NOLs were incurred by LOI. The NOLs are available to reduce U.S. federal and/or state income taxes payable in future periods. NOL deductions from tax years beginning after 2021 are limited to 80% of taxable income and have an indefinite life.

The Company provides for a valuation allowance when it believes that deferred tax assets are not realizable based upon an assessment of future taxable income, and/or tax planning strategies implemented to realize the deferred tax assets. The Company considered all available positive and negative evidence in determining the realizability of the Company's deferred tax assets. Although the Company has realized a profitable cumulative three-year income, the Company may experience a decline in its profitability in the near future due to additional competition. Moreover, the Company does not have sufficient deferred tax liabilities as a future source of taxable income,

which indicates negative evidence for the realizability of its deferred tax asset at this time. Therefore, we continue to place a valuation allowance on our deferred tax accounts for fiscal year ended March 31, 2025.

ASC Topic 740 prescribes a minimum recognition threshold and measurement attribute methodology for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company has evaluated all uncertain tax positions in accordance with ASC Topic 740. As of March 31, 2025 and 2024, the Company evaluated its tax positions for additional unrecognized tax benefits and associated interest and penalties, if applicable. There are many factors that are considered when evaluating these tax positions including: interpretation of tax laws, recent tax litigation on a position, past audit or examination history, and subjective estimates and assumptions, which have been deemed reasonable by management. The Company does not expect changes in unrecognized tax benefits, if any, within the next twelve months to have a material impact on the provision from income taxes or the effective tax rate.

Note 15. Intellectual Assets Purchase and Preferred Stock

On March 31, 2020, the Company entered into an intercompany Asset Purchase Agreement (APA) with LAHSA to acquire certain intellectual property rights regarding various pharmaceutical products (Purchased Assets) for $280 million. A valuation analysis was performed by an independent third party to assess the implications of the transfer pricing and it was concluded that the transfer price is substantially representative of the fair value of the Purchased Assets in an arm's length transaction. The consideration of the Purchased Assets was paid by issuing 28,000 shares of the Company's Series A Preferred Stock, with par value of $10,000 per share (Par Value) and a dividend rate of 5% of Par Value per annum, to LAHSA.

In March 2021, the Board of Directors (the Board) of the Company approved a resolution to amend certain terms of the Series A Preferred Stock, including a reduction, effective as of January 1, 2021, in the dividend rate of the Series A Preferred Stock from 5% of Par Value per annum, to 2.25% of Par Value per annum, and a reduction in the maximum term of the Series A Preferred Stock from 15 years to 5 years. As a result of the amendment, we assessed the value of the stock immediately prior to, and immediately after, the effective date of the amendment, and determined that the modification did not result in a substantial change to the terms of the original Series A Preferred Stock. Under US GAAP, a new effective interest rate was determined and the carrying value of the Series A Preferred Stock remained unchanged.

Pursuant to the Certificate of Designations of Series A Preferred Stock governing the terms of the Series A Preferred Stock, these Preferred Stocks could not be convertible into shares of the Company's Common Stock and had no voting rights. The term of the Preferred Stocks commenced on March 31, 2020 and ended on March 31, 2025; at the Company's option, these Preferred Stocks may be redeemed at an earlier date (collectively, Redemption Date). In March 2025, the Board declared cash dividends of $5.9 million to holders of the Series A Preferred Stock based on the applicable coupon rates for stocks held during the period until March 10, 2025. On March 10, 2025, the Preferred Stocks were redeemed for $280 million equal to the Par Value of such Preferred Stocks.

Note 16. Related Party Transactions

The Company enters into transactions with related parties. Related parties are:

Companies where control exists:

- Lupin Limited, India (LL-Ultimate Parent Company)
- Nanomi BV, The Netherland (Direct Parent Company)

Other Related Parties having transactions with the Company's fellow subsidiaries:

- Lupin Pharma Canada Ltd., Canada (LPCL)
- Lupin Atlantis Holdings S.A. Switzerland (LAHSA)
- Laboratories Grin S.A. de C.V. Mexico (Labs Grin)
- Medquimica Industria Farmaceutica LTDA, Brazil (MIFL)
- Multicare Pharmaceuticals Inc., Philippines (Multicare)
- Generic Health Pty Ltd Australia (Generic)
- Pharma Dynamics (South Africa)
- Lupin Management Solutions Limited (LMSL)
- Lupin Healthcare (UK) Limited (LEL)

Transactions, which take place at an arm's length between entities, range from clinical service charges, capital contributions, dividend payments, expense reimbursement, guarantee fees, management fees, research services, short-term borrowings and asset transfers.

During fiscal year 2024, the Company entered into a loan agreement with LOI, who used the proceeds to settle research and development expenses owed to LL. At the time of the agreement, LOI was owned by LL and an unrelated third party. The loan bears interest at the rate of four and nine-tenths percent (4.90%) per annum. The principal, plus interest of $44.3 million, was due at maturity on April 20, 2025.

During fiscal year 2025, LOI and the Company agreed to convert the loan into equity of LOI, thereby becoming the majority owner and consolidating LOI into the Company. No cash was exchanged as a part of the transaction.

As the transaction was between entities under common control (since the ultimate parent of both LI and LOI is LL), the transaction resulted in a transfer of assets or exchange of shares between entities under common control under ASC 805-50-30-5. The transferred assets and liabilities are reflected at the historical cost and the LI financial statements have been recast on a combined basis for all prior periods. The impact to the consolidated financial statements is immaterial.

The following represents related party sales (*in thousands*):

	Twelve Months Ended March 31,	
	2025	**2024**
Sales to LL	$ 16,789	$ 17,079
Sales to LAHSA	1,619	1,545
Sales to MIFL	355	567
Sales to Labs Grin	463	544
Sales to Nanomi BV	673	572
Sales to Generic	257	413
Sales to Multicare	235	379
Sales to LPCL	1,763	3,204
Sales to LMSL	334	—
Sales to LEL	59	—
Sales to PD	37	—
Related party sales	$ 22,584	$ 24,303

In addition to the related party sales noted above, the Company earned an additional $3.5 million and $2.9 million in other revenues from related party sales for management services for the years ended March 31, 2025 and 2024, respectively.

The following represents related party purchases (*in thousands*):

	Year Ended March 31,	
	2025	**2024**
Purchases from LL	$ 663,371	$ 496,875
Purchases from LAHSA	35	5
Purchases from Labs Grin	81	92
Purchases from LPCL	138	136
Purchases from LEL	646	—
Related party purchases	$ 664,271	$ 497,108

The following represents due from/to balances with related parties (*in thousands*):

	March 31, 2025	March 31, 2024
Due from LL	$ 31,491	$ 27,028
Due from LAHSA	398	515
Due from MIFL	131	218
Due from Labs Grin	128	153
Due from Multicare	41	90
Due from LPCL	1,369	3,158
Due from Generic	169	319
Due from Nanomi BV	312	222
Due from LMSL	474	—
Due from PD	37	—
Due from LEL	59	—
Intercompany receivables	$ 34,609	$ 31,703

	March 31, 2025	March 31, 2024
Due to LL	$ 479,921	$ 299,809
Due to LAHSA	35	5
Due to LPCL	13	136
Due to Labs Grin	24	22
Due to LEL	646	—
Intercompany payables	$ 480,639	$ 299,972

Note 17. Employee Benefit Plan

The Company maintains a 401(k) plan, pursuant to which employees may make contributions, which are not to exceed statutory limits. Employer matching contributions are equal to 100% of the first 3%, and 50% of the second 3% of employee contributions. For the years ended March 31, 2025 and 2024, the Company made matching contributions of $2.3 million and $2.0 million, respectively.

Note 18. Subsequent Events

The Company evaluates events or transactions that occur after the consolidated balance sheet date but prior to the issuance of consolidated financial statements and concluded that no subsequent events have occurred through April 30, 2025 that require adjustment to or disclosure in the consolidated financial statements.