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Financial Results of Astellas for the First Six Months of FY2017

Japan, October 31, 2017 – Astellas Pharma Inc. (TSE: 4503, President and CEO: Yoshihiko Hatanaka, "the Company") today announced the financial results for the first six months (April 1, 2017 – September 30, 2017) of the fiscal year 2017 (FY2017) ending March 31, 2018.

Consolidated financial results for the first six months of FY2017 (core basis)

(Millions of yen)

	First six months of FY2016	**First six months of FY2017**	Change (%)
Sales	651,673	**639,754**	-11,919 (-1.8%)
Core operating profit	166,455	**136,353**	-30,102 (-18.1%)
Core profit for the period	120,569	**106,638**	-13,932 (-11.6%)

1. Qualitative information on consolidated financial results for the first six months of FY2017

(1) Business performance

<Consolidated financial results (core basis (Note))>

Consolidated financial results (core basis) in the first six months of FY2017 are shown in the table below. Sales, core operating profit and core profit for the period decreased across the board.

Consolidated financial results (core basis)

(Millions of yen)

	First six months of FY2016	**First six months of FY2017**	Change (%)
Sales	651,673	**639,754**	-11,919 (-1.8%)
Cost of sales	146,206	**148,816**	+2,610 (+1.8%)
Selling, general and administrative expenses	220,842	**228,314**	+7,471 (+3.4%)
R&D expenses	99,671	**107,480**	+7,809 (+7.8%)
Amortisation of intangible assets	17,707	**17,936**	+228 (+1.3%)
Share of profits/losses of associates and joint ventures	-792	**-856**	-64 (–)
Core operating profit	166,455	**136,353**	-30,102 (-18.1%)
Core profit for the period	120,569	**106,638**	-13,932 (-11.6%)

(Note) The Company discloses financial results on a core basis as an indicator of its recurring profitability. Certain items reported in financial results on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items from these financial results on a core basis. These adjusted items include impairment losses, gain/loss on sales of property, plant and equipment, restructuring costs, loss on disaster, a large amount of losses on compensation or settlement of litigations and other legal disputes, and other items that are deemed to be excluded based on the Company’s judgment. A reconciliation table between results on a full basis and results on a core basis is provided on page 27 of the “Supplementary Documents for Results Q2/FY2017.”

Sales

Consolidated sales in the first six months of FY2017 decreased by 1.8% compared to those in the corresponding period of the previous fiscal year ("year-on-year") to ¥639.8 billion.

- Consolidated sales decreased due to the impacts such as the transfer of the global dermatology business in April 2016 and the transfer of long-listed products in Japan in April 2017.
- Sales of the mainstay products such as XTANDI for the treatment of prostate cancer, overactive bladder ("OAB") treatments Betanis / Myrbetriq / BETMIGA, and Prograf, an immunosuppressant, increased.

Core operating profit / Core profit for the period

- Gross profit decreased by 2.9% year-on-year to ¥490.9 billion. The cost-to-sales ratio rose by 0.8 percentage points year-on-year to 23.3%, mainly owing to the foreign exchange rate impact from the elimination of unrealized gains in intra-group transactions.
- Selling, general and administrative expenses increased by 3.4% year-on-year to ¥228.3 billion, mainly owing to the foreign exchange rate impact.
- Research and development ("R&D") expenses increased by 7.8% year-on-year to ¥107.5 billion, which, in addition to increased expenses related to progress of late-stage development projects, was partly due to increased expenses as a result of the acquisition of Ganymed Pharmaceuticals AG and Ogeda SA. The R&D cost-to-sales ratio was up 1.5 percentage points year-on-year to 16.8%.
- Amortisation of intangible assets increased by 1.3% year-on-year to ¥17.9 billion.

As a result of the above, core operating profit decreased by 18.1% year-on-year to ¥136.4 billion and core profit for the period decreased by 11.6% year-on-year to ¥106.6 billion.

Impact of exchange rate on financial results

The exchange rates for the yen in the first six months of FY2017 are shown in the table below. The resulting impacts were a ¥24.2 billion increase in sales and a ¥7.4 billion decrease in core operating profit compared with if the exchange rates of the first six months of FY2016 were applied.

Average rate	First six months of FY2016	**First six months of FY2017**	Change
US$/¥	105	**111**	¥6 (Weakening of yen)
€/¥	118	**126**	¥8 (Weakening of yen)

Change from beginning to end of period	As of September 30, 2016	**As of September 30, 2017**
US$/¥	¥12 (Strengthening of yen)	**¥1** **(Weakening of yen)**
€/¥	¥14 (Strengthening of yen)	**¥13** **(Weakening of yen)**

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in the first six months of FY2017 are shown in the table below. Sales, operating profit, profit before tax and profit for the period decreased across the board.

The full basis financial results include “other income,” “other expense” (including impairment losses and net foreign exchange losses), and gain on sales of available-for-sale financial assets (included in “finance income”) which are excluded from the core basis financial results.
In addition to other income and impairment losses being recorded in the first quarter ended June 30, 2017, upon having reviewed development project plans pertaining to Ganymed Pharmaceuticals AG, impairment losses and other items were recorded in the second quarter ended September 30, 2017 in association with the Company’s decision to wind down research operations of its subsidiary Agensys, Inc. (U.S.). In addition to the aforementioned, as the Company also recorded foreign exchange losses among other factors, in the first six months of FY2017, “other income” was ¥10.0 billion (¥0.4 billion in the same period of the previous fiscal year) and “other expense” was ¥50.3 billion (¥9.8 billion in the same period of the previous fiscal year). Gain on sales of available-for-sale financial assets in the first six months of FY2017 was ¥4.7 billion (¥1.6 billion in the same period of the previous fiscal year).

<u>**Consolidated financial results (full basis)**</u>

(Millions of yen)

	First six months of FY2016	**First six months of FY2017**	Change (%)
Sales	651,673	**639,754**	-11,919 (-1.8%)
Operating profit	157,057	**96,077**	-60,980 (-38.8%)
Profit before tax	157,772	**101,224**	-56,548 (-35.8%)
Profit for the period	115,064	**82,117**	-32,947 (-28.6%)
Basic earnings per share (yen)	54.16	**39.97**	-14.19 (-26.2%)
Comprehensive income	2,662	**164,168**	+161,506 (–)

<Sales of Main Products>

Sales of three main therapeutic areas

(Billions of yen)

	First six months of FY2016	**First six months of FY2017**	Change
Oncology franchise	153.9	**167.8**	+9.1%
XTANDI	126.0	**140.3**	+11.4%
Urology OAB franchise	105.5	**107.3**	+1.7%
Vesicare	59.8	**49.7**	-16.9%
Betanis / Myrbetriq / BETMIGA	45.7	**57.6**	+26.0%
Transplantation franchise	94.2	**99.3**	+5.4%

<Oncology franchise>

- Sales of XTANDI increased by 11.4% year-on-year to ¥140.3 billion. Sales in the U.S. remained largely unchanged year-on-year, but sales grew steadily in Japan, the Americas excluding the U.S., EMEA*, and Asia and Oceania regions.

<Urology OAB franchise>

- Sales of Betanis / Myrbetriq / BETMIGA increased by 26.0% year-on-year to ¥57.6 billion. Sales increased in all regions of Japan, the Americas, EMEA, and Asia and Oceania. On the other hand, sales of Vesicare decreased by 16.9% year-on-year to ¥49.7 billion.

<Transplantation franchise>

- Sales of Prograf increased by 5.4% year-on-year to ¥99.3 billion, and continued to grow in EMEA and Asia and Oceania regions.

<Other new products and main products>

- In the Japanese market, continued growth was achieved with products that include Celecox for the treatment of inflammation and pain, Symbicort for the treatment of bronchial asthma, Suglat for the treatment of type 2 diabetes, and Cimzia for the treatment of adult patients with rheumatoid arthritis. Meanwhile, we have been steadily working to penetrate the market with our launch of Repatha for the treatment of hypercholesterolemia in April 2016 and of LINZESS for the treatment of irritable bowel syndrome with constipation in March 2017.
- In the Americas, sales of azole antifungal CRESEMBA grew.

* EMEA: Europe, the Middle East and Africa.

<Sales by region>

Sales by region are shown in the table below. Sales in Japan, the Americas and EMEA decreased, while in Asia and Oceania increased.
As for the Japanese market, sales decreased largely due to effects of 16 long-listed products having been transferred in April 2017, and generics going on sale with respect to Micardis for the treatment of hypertension in June 2017. Meanwhile in EMEA, sales decreased due to adverse effects of having transferred the global dermatology business in April 2016 yet sales showed an increase when calculated excluding such adverse effects.

	First six months of FY2016	**First six months of FY2017**	Change
Japan (Billions of yen)	237.2	**213.0**	-10.2%
Of which, sales in the Japanese market	221.8	**194.1**	-12.5%
The Americas (Millions of U.S. dollars)	1,963	**1,876**	-4.4%
EMEA (Millions of euro)	1,406	**1,339**	-4.8%
Asia and Oceania (Billions of yen)	41.8	**49.4**	+18.1%

*Sales by region calculated according to locations of sellers.

2) **Other**

The Company has been pursuing initiatives geared towards achieving sustainable growth over the mid to long term, and in May 2015 accordingly released its three-year Strategic Plan 2015–2017 which sets forth three main strategies geared toward: “Maximizing the Product Value,” “Creating Innovation” and “Pursuing Operational Excellence.”

<Initiatives for Maximizing the Product Value>

The Company will make efforts to steadily develop and maximize the value of products that have been realized through our investments to date in the oncology franchise, centered on XTANDI, in the overactive bladder (“OAB”) franchise comprised of Vesicare and Betanis / Myrbetriq / BETMIGA, among others.

- We are working to expand sales of our growth driver XTANDI, a treatment of prostate cancer, in approx. 70 countries, as of September 30, 2017. Along with expanding sales of XTANDI to new regions, the Company is working to expand the indication in each country and further increase the market penetration of this drug to chemotherapy-naïve patients. Moreover, we are steadily advancing clinical trials with the aim of expanding indications for earlier stages of prostate cancer.

- Betanis / Myrbetriq / BETMIGA has earned a strong reputation as a new treatment option of OAB treatments. Number of countries/areas where Betanis / Myrbetriq / BETMIGA launched are approx. 50, as of September 30, 2017. Looking ahead to when the patent protection for Vesicare will expire, which is expected to be from 2019 onward, the Company will focus on achieving further market penetration for Betanis / Myrbetriq / BETMIGA to maximize the value of the OAB franchise as a whole.

<Initiatives for Creating Innovation>

With respect to our strategy of creating innovation, the wellspring of our sustainable growth, we have been further enhancing our capabilities to deliver innovative medicine while actively advancing into new opportunities.

- In May 2017, with the aim of further enriching our development pipeline, we acquired Ogeda SA, a drug discovery company located in Belgium and made it a consolidated subsidiary. With this acquisition we gained fezolinetant, which is in development for menopause-related vasomotor symptoms.

In addition to the existing focus therapeutic areas, the Company is actively taking on challenges in new therapeutic areas including muscle diseases and ophthalmology as well as new technologies and modalities including next-generation vaccines and cell therapies. While utilizing alliance opportunities with external partners that have strong expertize, the

Company is striving to achieve long-term growth through investments in new innovation. The following are the alliances with external partners made during the first six months of FY2017:

- In May 2017, the company signed an agreement to broaden the scope of our collaborative research with the Institute of Medical Science of the University of Tokyo, which is utilizing the “MucoRice” rice-based oral vaccine, to include viral gastroenteritis diarrhea in addition to the existing cholera and enterotoxigenic Escherichia coli (E.coli).

- In June 2017, the company and Kyoto University opened the Alliance Station as part of a new open innovation scheme at Kyoto University to realize advanced medical treatments , and established the “Alliance Laboratory for Advanced Medical Research” in Graduate School of Medicine Kyoto University, which is intended to be a platform for implementing this framework.

With respect to clinical development, the company have been accelerating the speed by concentrating management resources on high-priority projects. The following are the main development advances made during the first six months of FY2017:

- In May 2017, MSD K.K. filed an application for manufacturing and marketing approval in Japan with the indication of type 2 diabetes for a combination drug of DPP-4 inhibitor sitagliptin phosphate hydrate (brand name: JANUVIA Tablets) and SGLT2 inhibitor ipragliflozin L-Proline (brand name: Suglat Tablets), which it is co-developing with the Company.

- In June 2017, the company filed an application for approval in the U.S. for the use of mirabegron in combination with solifenacin succinate 5mg for the treatment of overactive bladder. (The application was accepted for review by the U.S. Food and Drug Administration (FDA) in September 2017.)

- In July 2017, the U.S. FDA granted orphan drug status to the FLT3/AXL inhibitor gilteritinib (generic name, development code: ASP2215) for treatment of acute myeloid leukemia.

- In July 2017, the company filed an application for marketing approval in Japan with regard to the oral macrocyclic antimicrobial agent fidaxomicin as an indication for infectious enteritis (including pseudomembranous colitis).

- In August 2017, Amgen Astellas BioPharma K.K. received approval in Japan for the Repatha SC Injection 420mg Auto mini doser, an additional dosage formulation of Repatha (generic name evolocumab), a human monoclonal antibody that inhibits PCSK9.

- In September 2017, the company filed an application for marketing approval for the guanylate cyclase-C receptor agonist linaclotide (brand name: LINZESS) in Japan, as an additional indication for chronic constipation (other than constipation associated with organic disorders).

- In September 2017, during phase 3 PROSPER trials, the oral androgen receptor-inhibitor enzalutamide (brand name: XTANDI) for non-metastatic castration-resistant prostate cancer patients, achieved its primary endpoint of improved metastasis-free survival.

<Pursuing Operational Excellence>

The company have been continuing to engage in initiatives in anticipation of changing environments from various perspectives with the aims of creating organizations and systems capable of resiliently responding to changing environments and further improving quality and efficiency of operations.

The following are the main initiatives during the first six months of FY2017:

- In April 2017, with regard to the transfer of 16 long-listed products in Japan to LTL Pharma Co., Ltd., the conditions prescribed in the Asset Purchase Agreement were fulfilled and accordingly the agreement came into effect.

- In July 2017, the Company decided to wind down research operations of Agensys, Inc. (USA), a consolidated subsidiary of the Company, during FY2017. The Company will further refine its oncology strategy by expanding its investment in the research in new technologies and modalities and reducing its focus on Antibody-Drug Conjugate (ADC) research.

(2) Financial position

i. Assets, equity and liabilities

An overview of the consolidated statement of financial position as of September 30, 2017 and the main changes from the end of the previous fiscal year are shown below.

<u>Assets</u>

Total assets as of September 30, 2017 saw an increase of ¥74.8 billion compared to the end of the previous fiscal year to ¥1,895.7 billion.

<Non-current assets> As of September 30, 2017: ¥1,025.5 billion (an increase of ¥81.3 billion)

- Goodwill increased by ¥23.7 billion compared to the end of the previous fiscal year to ¥199.1 billion, and other intangible assets increased by ¥46.0 billion compared to the end of the previous fiscal year to ¥433.4 billion. These increases are due to the completion of the acquisition of Ogeda SA in the first quarter ended June 30, 2017. On the other hand, impairment losses for other intangible assets related to Ganymed Pharmaceuticals AG were recorded, and due to the decision to wind down research operations of Agensys, Inc. in the second quarter ended September 30, 2017, impairment losses for property, plant and equipment and goodwill, etc. were also recorded.

<Current assets> As of September 30, 2017: ¥870.2 billion (a decrease of ¥6.5 billion)

- Cash and cash equivalents decreased by ¥33.0 billion compared to the end of the previous fiscal year to ¥307.9 billion.

<u>Equity</u>

Total equity as of September 30, 2017 saw an increase of ¥79.1 billion compared to the end of the previous fiscal year to ¥1,350.9 billion, making the ratio of owners’ equity to gross assets 71.3%.

- While profit for the period stood at ¥82.1 billion, the Company paid ¥35.1 billion of dividends of surplus.
- The effect of foreign currency translation adjustments increased equity by ¥71.3 billion.
- Cancellation of treasury shares totaling ¥132.2 billion (85 million shares) was carried out on May 31, 2017.

<u>Liabilities</u>

Total liabilities decreased by ¥4.3 billion compared to the end of the previous fiscal year to ¥544.8 billion.

<Non-current liabilities> As of September 30, 2017: ¥179.4 billion (an increase of ¥30.2 billion)

- Deferred tax liabilities increased by ¥20.9 billion compared to the end of the previous fiscal year to ¥46.2 billion, mainly due to the completion of the acquisition of Ogeda SA in the first quarter ended June 30, 2017.

<Current liabilities> As of September 30, 2017: ¥365.4 billion (a decrease of ¥34.5 billion)

ii. Cash flow

Cash flows from operating activities

Net cash flows from operating activities in the first six months of FY2017 increased year-on-year by ¥25.2 billion to ¥115.3 billion.

- Income tax paid was ¥34.3 billion.

Cash flows from investing activities

Net cash flows used in investing activities in the first six months of FY2017 was ¥72.7 billion, an increase in outflow of ¥52.8 billion year-on-year.

- The outflows included cash of ¥61.6 billion used for the purchase of shares of subsidiaries due to the acquisition of Ogeda SA.

Cash flows from financing activities

Net cash flows used in financing activities in the first six months of FY2017 was ¥85.9 billion, an increase in outflow of ¥50.3 billion year-on-year.

- Dividends paid increased by ¥1.1 billion year-on-year to ¥35.1 billion. In addition, the Company executed a ¥50.2 billion acquisition of own shares.

As a result, cash and cash equivalents totaled ¥307.9 billion as of September 30, 2017, a decrease of ¥33.0 billion compared to the end of the previous fiscal year.

(3) Consolidated business forecasts for FY2017 and other forward-looking statements

The Company's business forecasts for FY2017 are presented on a core basis and full basis.
The consolidated full-year business forecasts (core basis) are shown below.

Consolidated full-year business forecasts (core basis)

(Millions of yen)

	FY2016 Results	**FY2017 Forecasts**	Change (%)
Sales	1,311,665	**1,297,000**	-14,665 (-1.1%)
R&D expenses	208,129	**218,000**	+9,871 (+4.7%)
Core operating profit	274,554	**258,000**	-16,554 (-6.0%)
Core profit for the year	213,343	**201,000**	-12,343 (-5.8%)

The Company has upwardly revised its forecasts for sales, core operating profit and core profit for the year from the figures announced in April 2017 ("initial forecasts") based on the trend of financial results for the first six months of FY2017 and the situation of foreign exchange rates. Revised expected exchange rates are anticipated to cause a ¥20.2 billion and ¥3.8 billion increase in sales and core operating profit, respectively, compared to if the expected exchange rates of the initial forecasts were applied.

The Company forecasts sales of ¥1,297.0 billion (upwardly revised by ¥18.0 billion from the initial forecasts). Sales of products including XTANDI, Betanis / Myrbetriq / BETMIGA, and Prograf are projected to exceed the initial forecasts due mainly to the impact of exchange rates.

Selling, general and administrative expenses are projected to exceed the initial forecasts due mainly to the impact of exchange rates. R&D expenses will remain unchanged from the initial forecasts.

As a result of the above, the Company forecasts core operating profit and core profit for the year of ¥258.0 billion (upwardly revised by ¥4.0 billion from the initial forecasts) and ¥201.0 billion (upwardly revised by ¥6.0 billion from the initial forecasts), respectively.

The consolidated full-year business forecasts (full basis) are shown below.

Consolidated full-year business forecasts (full basis)

(Millions of yen)

	FY2016 Results	**FY2017 Forecasts**	Change (%)
Sales	1,311,665	**1,297,000**	-14,665 (-1.1%)
Operating profit	260,830	**222,000**	-38,830 (-14.9%)
Profit before tax	281,769	**228,000**	-53,769 (-19.1%)
Profit for the year	218,701	**180,000**	-38,701 (-17.7%)
Basic earnings per share (yen)	103.69	**88.15**	-15.54 (-15.0%)

In light of the revision to business forecasts on a core basis as well as the "other income" and "other expense" recorded in the first six months of FY2017, operating profit, profit before tax and profit for the year have been downwardly revised.

Although sales and core operating profit are projected to exceed the initial forecasts as aforementioned, the Company forecasts operating profit of ¥222.0 billion (downwardly revised by ¥32.0 billion from the initial forecasts) because of "other expense" not factored into the initial forecasts, such as impairment losses for other intangible assets and goodwill, and net foreign exchange losses, that have been recorded in the first six months of FY2017.

Furthermore, the Company forecasts profit before tax of ¥228.0 billion (downwardly revised by ¥32.0 billion from the initial forecasts), and profit for the year of ¥180.0 billion (downwardly revised by ¥18.0 billion from the initial forecasts).

Expected exchange rate for

FY2017	**¥111/US$**	**¥128/€**
(Expected exchange rate for the last six months of FY2017: ¥110/US$, ¥130/€)		
FY2016 (Result)	¥108/US$	¥119/€

2. Condensed Interim Consolidated Financial Statements and Notes
(1) Condensed Interim Consolidated Statement of Income

(Millions of yen)

	Six months ended 30 September 2016	Six months ended 30 September 2017
Sales	651,673	639,754
Cost of sales	(146,206)	(148,816)
Gross profit	505,467	490,938
Selling, general and administrative expenses	(220,842)	(228,314)
Research and development expenses	(99,671)	(107,480)
Amortisation of intangible assets	(17,707)	(17,936)
Share of losses of associates and joint ventures	(792)	(856)
Other income	376	10,005
Other expense	(9,774)	(50,281)
Operating profit	157,057	96,077
Finance income	2,392	5,633
Finance expense	(1,677)	(486)
Profit before tax	157,772	101,224
Income tax expense	(42,708)	(19,107)
Profit for the period	115,064	82,117
Profit attributable to:		
Owners of the parent	115,064	82,117
Earnings per share		
Basic (Yen)	54.16	39.97
Diluted (Yen)	54.08	39.92

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended 30 September 2016	Six months ended 30 September 2017
Profit for the period	115,064	82,117
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(2,536)	2,053
Subtotal	(2,536)	2,053
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	(107,226)	71,335
Fair value movements on available-for-sale financial assets	(2,640)	8,663
Subtotal	(109,865)	79,998
Other comprehensive income, net of tax	(112,402)	82,051
Total comprehensive income	2,662	164,168
Total comprehensive income attributable to:		
Owners of the parent	2,662	164,168

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2017	As of 30 September 2017
Assets		
Non-current assets		
Property, plant and equipment	191,115	182,697
Goodwill	175,350	199,053
Other intangible assets	387,419	433,413
Trade and other receivables	22,263	23,749
Investments in associates and joint ventures	2,988	2,620
Deferred tax assets	90,349	99,840
Other financial assets	61,597	74,392
Other non-current assets	13,154	9,777
Total non-current assets	944,235	1,025,540
Current assets		
Inventories	182,537	162,698
Trade and other receivables	309,817	314,065
Income tax receivable	10,986	10,059
Other financial assets	13,554	47,475
Other current assets	18,849	16,591
Cash and cash equivalents	340,923	307,923
Sub total	876,665	858,813
Assets held for sale	—	11,360
Total current assets	876,665	870,173
Total assets	1,820,901	1,895,713

(Millions of yen)

	As of 31 March 2017	As of 30 September 2017
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,091	177,142
Treasury shares	(138,207)	(55,550)
Retained earnings	1,013,923	930,552
Other components of equity	116,002	195,762
Total equity attributable to owners of the parent	1,271,810	1,350,907
Total equity	1,271,810	1,350,907
Liabilities		
Non-current liabilities		
Trade and other payables	440	3,760
Deferred tax liabilities	25,343	46,224
Retirement benefit liabilities	36,614	36,793
Provisions	4,921	4,558
Other financial liabilities	28,389	34,957
Other non-current liabilities	53,528	53,118
Total non-current liabilities	149,235	179,410
Current liabilities		
Trade and other payables	182,826	125,118
Income tax payable	10,900	15,329
Provisions	96,589	108,340
Other financial liabilities	2,992	2,765
Other current liabilities	106,548	113,844
Total current liabilities	399,856	365,396
Total liabilities	549,091	544,806
Total equity and liabilities	1,820,901	1,895,713

(4) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Subscription rights to shares	Foreign currency translation adjustments
As of 1 April 2016	103,001	176,903	(157,111)	973,054	2,126	132,134
Comprehensive income						
Profit for the period	—	—	—	115,064	—	—
Other comprehensive income	—	—	—	—	—	(107,226)
Total comprehensive income	—	—	—	115,064	—	(107,226)
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(767)	—	—	—
Disposals of treasury shares	—	(78)	317	(137)	(101)	—
Cancellation of treasury shares	—	—	110,219	(110,219)	—	—
Dividends	—	—	—	(34,000)	—	—
Share-based payments	—	147	—	—	—	—
Transfers	—	—	—	(2,536)	—	—
Total transactions with owners of the parent	—	69	109,768	(146,892)	(101)	—
As of 30 September 2016	103,001	176,972	(47,342)	941,226	2,025	24,908

As of 1 April 2017	103,001	177,091	(138,207)	1,013,923	1,784	99,590
Comprehensive income						
Profit for the period	—	—	—	82,117	—	—
Other comprehensive income	—	—	—	—	—	71,335
Total comprehensive income	—	—	—	82,117	—	71,335
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(50,175)	—	—	—
Disposals of treasury shares	—	(159)	683	(286)	(238)	—
Cancellation of treasury shares	—	—	132,150	(132,150)	—	—
Dividends	—	—	—	(35,105)	—	—
Share-based payments	—	209	—	—	—	—
Transfers	—	—	—	2,053	—	—
Total transactions with owners of the parent	—	51	82,658	(165,488)	(238)	—
As of 30 September 2017	103,001	177,142	(55,550)	930,552	1,546	170,924

(Millions of yen)

	Equity attributable to owners of the parent				Total equity
	Other components of equity			Total	
	Fair value movements on available-for-sale financial assets	Remeasurements of defined benefit plans	Total		
As of 1 April 2016	29,103	—	163,363	1,259,209	1,259,209
Comprehensive income					
Profit for the period	—	—	—	115,064	115,064
Other comprehensive income	(2,640)	(2,536)	(112,402)	(112,402)	(112,402)
Total comprehensive income	(2,640)	(2,536)	(112,402)	2,662	2,662
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(767)	(767)
Disposals of treasury shares	—	—	(101)	0	0
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(34,000)	(34,000)
Share-based payments	—	—	—	147	147
Transfers	—	2,536	2,536	—	—
Total transactions with owners of the parent	—	2,536	2,435	(34,619)	(34,619)
As of 30 September 2016	26,463	—	53,396	1,227,253	1,227,253
As of 1 April 2017	14,629	—	116,002	1,271,810	1,271,810
Comprehensive income					
Profit for the period	—	—	—	82,117	82,117
Other comprehensive income	8,663	2,053	82,051	82,051	82,051
Total comprehensive income	8,663	2,053	82,051	164,168	164,168
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(50,175)	(50,175)
Disposals of treasury shares	—	—	(238)	0	0
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(35,105)	(35,105)
Share-based payments	—	—	—	209	209
Transfers	—	(2,053)	(2,053)	—	—
Total transactions with owners of the parent	—	(2,053)	(2,291)	(85,070)	(85,070)
As of 30 September 2017	23,292	—	195,762	1,350,907	1,350,907

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended 30 September 2016	Six months ended 30 September 2017
Cash flows from operating activities		
Profit before tax	157,772	101,224
Depreciation and amortisation	31,491	32,213
Impairment losses and reversal of impairment losses	7,615	36,731
Finance income and expense	(716)	(5,146)
(Increase) decrease in inventories	(12,429)	27,972
(Increase) decrease in trade and other receivables	(19,502)	9,599
Increase (decrease) in trade and other payables	(7,182)	(66,057)
Other	(30,540)	13,017
Cash generated from operations	126,509	149,553
Income tax paid	(36,435)	(34,295)
Net cash flows from operating activities	90,075	115,258
Cash flows from investing activities		
Purchases of property, plant and equipment	(16,144)	(10,222)
Proceeds from sales of property, plant and equipment	569	353
Purchases of intangible assets	(5,020)	(5,596)
Purchases of available-for-sale financial assets	(239)	(694)
Proceeds from sales of available-for-sale financial assets	2,064	6,959
Acquisition of subsidiaries, net of cash acquired	—	(61,567)
Interest and dividends received	796	885
Other	(1,923)	(2,784)
Net cash flows used in investing activities	(19,897)	(72,666)
Cash flows from financing activities		
Acquisition of treasury shares	(767)	(50,175)
Dividends paid to owners of the parent	(34,000)	(35,105)
Other	(779)	(593)
Net cash flows used in financing activities	(35,545)	(85,873)
Effect of exchange rate changes on cash and cash equivalents	(28,337)	10,281
Net increase (decrease) in cash and cash equivalents	6,296	(32,999)
Cash and cash equivalents at the beginning of the year	360,030	340,923
Cash and cash equivalents at the end of the period	366,325	307,923

(6) Notes to condensed interim consolidated financial statements

Notes on going concern assumption

Not applicable.

Business Combinations

For the six months ended 30 September 2017

Acquisition of Ogeda SA

(1) Outline of the business combination

(i) Name and business description of the acquiree

Name of the acquiree: Ogeda SA ("Ogeda")

Business description: Development of small molecule drugs targeting G-protein coupled receptors (GPCR)

(ii) Acquisition date

16 May 2017

(iii) Percentage of voting equity interests acquired

100%

(iv) Acquisition method

Acquisition of all shares of common stock in cash with contingent consideration to be paid when certain milestones are achieved in the future.

(v) Primary reasons for the business combination

Ogeda is a formerly privately owned drug discovery company founded in 1994 and focuses on the discovery and development of small molecule drug candidates targeting GPCRs. Ogeda has fezolinetant in the clinical development stage. In addition, Ogeda has several small molecules targeting GPCRs in pre-clinical development in multiple therapeutic areas including inflammatory and autoimmune diseases. Through the acquisition, the Group will expand its late stage pipeline, thereby further solidifying its medium- to long-term growth prospects.

(2) The fair values of assets acquired, liabilities assumed and purchase consideration transferred as at the date of the acquisition are as follows:

(Millions of yen)

Property, plant and equipment	560
Other intangible assets	74,415
Cash and cash equivalents	519
Other assets	513
Deferred tax liabilities	(25,256)
Other liabilities	(1,883)
Fair value of assets acquired and liabilities assumed (net)	48,868
Goodwill	26,145
Total	75,014
Cash	62,086
Contingent consideration	12,928
Total fair value of purchase consideration transferred	75,014

Certain items above reflect provisional amounts based on reasonable information obtained at 30 September 2017 as the purchase price allocation is incomplete.

Goodwill mainly comprises the value of expected synergies arising from the acquisition and future economic benefits, which is not separately recognised.

(3) Contingent consideration

The contingent consideration relates to certain milestones based on progress in the development of fezolinetant, Ogeda's clinical program. Maximum potential future cash outflows associated with the contingent consideration total 300 million euros (39,855 million yen). The fair value of the contingent consideration is calculated based on the success probability of the clinical program adjusted for the time value of money.

(4) Cash flow information

(Millions of yen)

Total fair value of purchase consideration transferred	75,014
Fair value of contingent consideration included in purchase consideration transferred	(12,928)
Cash and cash equivalents held by the acquiree	(519)
Acquisition of subsidiaries, net of cash acquired	61,567

(5) Acquisition-related costs

Acquisition-related costs: 60 million yen

Acquisition-related costs were recognised in selling, general and administrative expenses in the condensed interim consolidated statement of income.

(6) Effect on the condensed interim consolidated statement of income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the condensed interim consolidated statement of income: Immaterial

(ii) Profit (loss) before tax of the combined entity for the six months ended 30 September 2017 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): Immaterial