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Financial Results of Astellas for the First Six Months of FY2020

Japan, October 30, 2020 – Astellas Pharma Inc. (TSE: 4503, President and CEO: Kenji Yasukawa, “the Company”) today announced the financial results for the first six months (April 1, 2020 – September 30, 2020) of the fiscal year 2020 (FY2020) ending March 31, 2021.

Consolidated financial results for the first six months of FY2020 (core basis)

(Millions of yen)

	First six months of FY2019	First six months of FY2020	Change (%)
Revenue	650,470	615,480	-34,989 (-5.4%)
Core operating profit	167,951	130,278	-37,673 (-22.4%)
Core profit	135,903	106,158	-29,746 (-21.9%)

Cautionary Notes

In this material, statements made with respect to current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Astellas. These statements are based on management’s current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to: (i) changes in general economic conditions and in laws and regulations, relating to pharmaceutical markets, (ii) currency exchange rate fluctuations, (iii) delays in new product launches, (iv) the inability of Astellas to market existing and new products effectively, (v) the inability of Astellas to continue to effectively research and develop products accepted by customers in highly competitive markets, and (vi) infringements of Astellas’ intellectual property rights by third parties. Information about pharmaceutical products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

1. Qualitative information on consolidated financial results for the first six months of FY2020

(1) Business performance

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

Consolidated financial results (core basis) in the first six months of FY2020 are shown in the table below. Revenue, core operating profit and core profit decreased across the board.

Consolidated financial results (core basis)

(Millions of yen)

	First six months of FY2019	First six months of FY2020	Change (%)
Revenue	650,470	615,480	-34,989 (-5.4%)
Cost of sales	138,872	119,549	-19,323 (-13.9%)
Selling, general and administrative expenses	226,067	242,135	+16,068 (+7.1%)
R&D expenses	104,974	111,700	+6,726 (+6.4%)
Amortisation of intangible assets	11,200	11,550	+349 (+3.1%)
Share of profit (loss) of investments accounted for using equity method	-1,405	-268	+1,136 (-)
Core operating profit	167,951	130,278	-37,673 (-22.4%)
Core profit	135,903	106,158	-29,746 (-21.9%)
Basic core earnings per share (yen)	72.07	57.15	-14.91 (-20.7%)

(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 in the "Supplementary Documents for Results Q2/FY2020."

Revenue

- Sales of main products XTANDI for the treatment of prostate cancer and Betanis / Myrbetriq / BETMIGA for the treatment of overactive bladder (“OAB”) continued to grow. Sales of XOSPATA for the treatment of acute myeloid leukemia increased due to sales growing in Japan and the United States in addition to the contribution of its sales in Europe, where it was launched in November 2019. In addition, co-promotion revenue of PADCEV for the treatment of urothelial cancer, which was launched in the United States in December 2019, contributed to revenue and new product group in Japan achieved sales growth, notably EVENITY for the treatment of osteoporosis.
- However, revenue decreased mainly due to the loss of market exclusivity of Vesicare for the treatment of OAB in Europe and Celecox for the treatment of inflammation and pain in Japan, and the termination of sales agreements for Symbicort for the treatment of asthma, human vaccines of KM Biologics Co., Ltd. and Micardis family for the treatment of hypertension. In addition, sales were negatively impacted by the spread of Coronavirus Disease (COVID-19).

As a result of the above, revenue in the first six months of FY2020 decreased by 5.4% compared to those in the corresponding period of the previous fiscal year (“year-on-year”) to ¥615.5 billion.

Core operating profit / Core profit

- Gross profit decreased by 3.1% year-on-year to ¥495.9 billion. The cost-to-revenue ratio fell by 1.9 percentage points year-on-year to 19.4%, mainly due to changes in product mix.
- Selling, general and administrative expenses increased by 7.1% year-on-year to ¥242.1 billion. There was a decrease in expenses due to refraining from promotional activities, etc. due to the spread of COVID-19, but total selling, general and administrative expenses increased due to the increase of co-promotion fees associated with the growth of sales of XTANDI in the United States, and there was a one-off reducing factor on expenses from a reversal of loss allowances in the corresponding period of the previous fiscal year.
- Research and development (R&D) expenses increased by 6.4% year-on-year to ¥111.7 billion. There was a decrease in development expenses due to the impact of the spread of COVID-19 on the execution of a portion of clinical trials, but total R&D expenses increased due to an increase in development expenses for key post-POC pipeline projects, and the addition of R&D expenses from Audentes Therapeutics, Inc., which was acquired in January 2020. The R&D cost-to-revenue ratio was up 2.0 percentage points year-on-year to 18.1%.
- Amortisation of intangible assets increased by 3.1% year-on-year to ¥11.5 billion.

As a result of the above, core operating profit decreased by 22.4% year-on-year to ¥130.3 billion, and core profit decreased by 21.9% year-on-year to ¥106.2 billion.

Impact of exchange rate on financial results

The exchange rates for the yen in the first six months of FY2020 are shown in the table below. The resulting impacts were a ¥5.3 billion decrease in revenue and a ¥6.5 billion decrease in core operating profit compared with if the exchange rates of the first six months of FY2019 were applied.

Average rate	First six months of FY2019	First six months of FY2020	Change
US\$/¥	109	107	¥2 (Strengthening of yen)
€/¥	121	121	¥0 (Strengthening of yen)

Change from beginning to end of period	As of September 30, 2019	As of September 30, 2020
US\$/¥	¥3 (Strengthening of yen)	¥3 (Strengthening of yen)
€/¥	¥7 (Strengthening of yen)	¥5 (Weakening of yen)

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in the first six months of FY2020 are shown in the table below. Revenue, operating profit, profit before tax and profit decreased across the board.

The full basis financial results include “Other income,” “Other expenses,” which are excluded from the core basis financial results. In the first six months of FY2020, “Other income” was ¥4.3 billion (¥7.2 billion in the same period of the previous fiscal year) and “Other expenses” was ¥47.7 billion (¥13.0 billion in the same period of the previous fiscal year). As “Other expenses,” the Company recorded impairment losses of ¥30.5 billion in relation to the termination of development for the anti-TIGIT antibody ASP8374/PTZ-201 in the first six months of FY2020, and as a result, the decrease in profit was larger compared to the financial results on a core basis.

Consolidated financial results (full basis)

(Millions of yen)

	First six months of FY2019	First six months of FY2020	Change (%)
Revenue	650,470	615,480	-34,989 (-5.4%)
Operating profit	162,196	86,872	-75,324 (-46.4%)
Profit before tax	161,584	89,091	-72,493 (-44.9%)
Profit	128,527	72,838	-55,690 (-43.3%)
Basic earnings per share (yen)	68.16	39.21	-28.94 (-42.5%)
Comprehensive income	74,581	78,100	+3,519 (+4.7%)

<Sales of Main Products>

(Billions of yen)

	First six months of FY2019	First six months of FY2020	Change
XTANDI	195.0	225.5	+15.6%
XOSPATA	5.7	11.0	+91.9%
PADCEV	–	6.0	–
Betanis / Myrbetriq / BETMIGA	78.8	80.0	+1.5%
Vesicare	25.1	16.2	-35.4%
Prograf*	96.2	89.6	-6.9%

* Prograf: Includes Advagraf, Graceptor, and ASTAGRAF XL.

- Sales of XTANDI increased by 15.6% year-on-year to ¥225.5 billion. Sales increased in all regions of Japan, United States, Established Markets, Greater China, and International.
- Sales of XOSPATA increased by 91.9% year-on-year to ¥11.0 billion due to sales growing in Japan and United States in addition to the contribution of its sales in Established Markets, where it was launched in November 2019.
- Co-promotion revenue of PADCEV amounted to ¥6.0 billion in United States.
- Sales of Betanis / Myrbetriq / BETMIGA increased by 1.5% year-on-year to ¥80.0 billion. While sales grew in United States, Established Markets and Greater China, sales decreased in Japan and International due to decreased demand, etc. associated with the reduction of in-person visits to hospitals/clinics as a result of the impact of the spread of COVID-19.
- Sales of Vesicare decreased by 35.4% year-on-year to ¥16.2 billion due to the impact of the effect of generic drugs resulting from the loss of market exclusivity for the drug in Europe.
- Sales of Prograf decreased by 6.9% year-on-year to ¥89.6 billion. While sales grew in Greater China, sales decreased in other regions.
- In Japan, new product group sales continued to increase, including those of EVENITY, Suglat and SUJANU Combination Tablets for the treatment of diabetes mellitus. On the other hand, the main factors for the decrease in sales were the loss of market exclusivity for Celecox and the termination of sales agreements for Symbicort, human vaccines of KM Biologics Co., Ltd. and Micardis family.
- In United States, sales of pharmacologic stress agent Lexiscan decreased due to decreased demand associated with the reduction of in-person visits to hospitals/clinics as a result of the impact of the spread of COVID-19.

<Revenue by region>

Revenue by region is shown in the table below. Revenue in United States increased, while revenue in Japan, Established Markets and International decreased.

(Billions of yen)

	First six months of FY2019	First six months of FY2020	Change
Japan	183.3	144.2	-21.3%
United States	216.7	236.7	+9.2%
Established Markets	146.7	138.9	-5.4%
Greater China	29.4	29.6	+0.5%
International	63.4	56.7	-10.5%

Established Markets: Europe, Canada, Australia.

Greater China: China, Hong Kong, Taiwan.

International: Russia, Latin America, Middle East, Africa, South East Asia, South Asia, Korea, Export sales, etc.

(2) Financial position

i. Assets, equity and liabilities

In the first three months of FY2020, the consolidated statement of financial position as of March 31, 2020 was retrospectively revised due to adjustments of fair value of assets acquired and liabilities assumed for Audentes Therapeutics, Inc., which was acquired in January 2020. As a result, goodwill increased, and intangible assets and deferred tax liabilities decreased in comparison to the figures prior to the retrospective adjustment. The Company is still in the process of finalizing the fair value measurement.

An overview of the consolidated statement of financial position as of September 30, 2020 and the main changes from the end of the previous fiscal year after the retrospective adjustment are shown below.

Assets

Total assets as of September 30, 2020 saw a decrease of ¥78.2 billion compared to the end of the previous fiscal year to ¥2,237.0 billion.

<Non-current assets> As of September 30, 2020: ¥1,417.1 billion (a decrease of ¥30.5 billion)

- Property, plant and equipment decreased by ¥2.9 billion compared to the end of the previous fiscal year to ¥265.7 billion.
- Goodwill decreased by ¥4.9 billion compared to the end of the previous fiscal year to ¥273.4 billion, and intangible assets decreased by ¥37.5 billion compared to the end of the previous fiscal year to ¥687.3 billion. Intangible assets decreased mainly due to the recording of impairment losses in relation to the termination of development for the anti-TIGIT antibody ASP8374/PTZ-201 in the first six months of FY2020.

<Current assets> As of September 30, 2020: ¥819.9 billion (a decrease of ¥47.6 billion)

- Cash and cash equivalents decreased by ¥31.7 billion compared to the end of the previous fiscal year to ¥286.7 billion.

Equity

Total equity as of September 30, 2020 saw an increase of ¥40.5 billion compared to the end of the previous fiscal year to ¥1,329.6 billion, making the ratio of equity attributable to owners of the parent to gross assets 59.4%.

- While profit stood at ¥72.8 billion, the Company paid ¥37.2 billion of dividends of surplus.

Liabilities

Total liabilities decreased by ¥118.6 billion compared to the end of the previous fiscal year to ¥907.4 billion.

<Non-current liabilities> As of September 30, 2020: ¥290.5 billion (an increase of ¥63.2 billion)

- Other financial liabilities increased by ¥74.2 billion compared to the end of the previous fiscal year to ¥203.5 billion mainly due to converting ¥80.0 billion from short-term borrowings to long-term borrowings in the first three months of FY2020.

<Current liabilities> As of September 30, 2020: ¥616.9 billion (a decrease of ¥181.8 billion)

- As of September 30, 2020, the balance of bonds amounted to ¥184.0 billion. Other financial liabilities decreased by ¥140.0 billion compared to the end of the previous fiscal year to ¥205.7 billion due to the conversion from short-term borrowings to long-term borrowings stated above, repayments, etc.

ii. Cash flow

Cash flows from operating activities

Net cash flows from operating activities in the first six months of FY2020 increased year-on-year by ¥13.3 billion to ¥115.0 billion.

- Income tax paid decreased by ¥12.3 billion year-on-year to ¥6.2 billion.

Cash flows from investing activities

Net cash flows used in investing activities in the first six months of FY2020 was ¥38.3 billion, a decrease in outflow of ¥8.3 billion year-on-year.

Cash flows from financing activities

Net cash flows used in financing activities in the first six months of FY2020 was ¥109.7 billion, an increase in outflow of ¥63.8 billion year-on-year.

- While proceeds from long-term borrowings amounted to ¥80.0 billion, the balance of bonds and short-term borrowings decreased by ¥142.0 billion. Dividends paid increased by ¥1.3 billion year-on-year to ¥37.2 billion.

As a result, cash and cash equivalents totaled ¥286.7 billion as of September 30, 2020, a decrease of ¥31.7 billion compared to the end of the previous fiscal year.

(3) Consolidated business forecasts for FY2020 and other forward-looking statements

The Company's business forecasts are presented on a core basis and full basis.

The consolidated full-year business forecasts for FY2020 are shown below.

Regarding business forecasts on a core basis, the Company has left its business forecasts unchanged from the consolidated full-year business forecasts announced in August 2020.

On the other hand, regarding business forecasts on a full basis, the Company has downwardly revised the operating profit, profit before tax and profit, considering the impairment losses of ¥30.5 billion recorded in relation to the termination of development for the anti-TIGIT antibody ASP8374/PTZ-201 and other factors.

Consolidated full-year business forecasts (core basis)

(Millions of yen)

	Previous forecasts (FY2020)	Latest forecasts (FY2020)	Change	Results (FY2019)
Revenue	1,256,500	1,256,500	–	1,300,843
R&D expenses	233,500	233,500	–	224,226
Core operating profit	251,000	251,000	–	277,758
Core profit for the year	200,500	200,500	–	223,178
Basic core earnings per share (yen)	107.94	107.94	–	118.95

Consolidated full-year business forecasts (full basis)

(Millions of yen)

	Previous forecasts (FY2020)	Latest forecasts (FY2020)	Change	Results (FY2019)
Revenue	1,256,500	1,256,500	–	1,300,843
Operating profit	246,500	210,500	-36,000	243,991
Profit before tax	245,500	209,500	-36,000	245,350
Profit for the year	197,500	169,500	-28,000	195,411
Basic earnings per share (yen)	106.32	91.25	-15.07	104.15

Expected exchange rate for

FY2020 (Forecast)	¥109/US\$	¥120/€
FY2019 (Result)	¥109/US\$	¥121/€

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

(Millions of yen)

	Six months ended 30 September 2019	Six months ended 30 September 2020
Revenue	650,470	615,480
Cost of sales	(138,872)	(119,549)
Gross profit	511,597	495,931
Selling, general and administrative expenses	(226,067)	(242,135)
Research and development expenses	(104,974)	(111,700)
Amortisation of intangible assets	(11,200)	(11,550)
Share of profit (loss) of investments accounted for using equity method	(1,405)	(268)
Other income	7,248	4,263
Other expenses	(13,004)	(47,668)
Operating profit	162,196	86,872
Finance income	1,336	3,445
Finance expenses	(1,949)	(1,227)
Profit before tax	161,584	89,091
Income tax expense	(33,056)	(16,253)
Profit	128,527	72,838
Profit attributable to:		
Owners of the parent	128,527	72,838
Earnings per share:		
Basic (Yen)	68.16	39.21
Diluted (Yen)	68.10	39.19

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended 30 September 2019	Six months ended 30 September 2020
Profit	128,527	72,838
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(6,917)	6,585
Remeasurements of defined benefit plans	(577)	(844)
Subtotal	<u>(7,494)</u>	<u>5,741</u>
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(46,452)	(479)
Subtotal	<u>(46,452)</u>	<u>(479)</u>
Other comprehensive income	<u>(53,946)</u>	<u>5,262</u>
Total comprehensive income	<u>74,581</u>	<u>78,100</u>
Total comprehensive income attributable to:		
Owners of the parent	74,581	78,100

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2020	As of 30 September 2020
Assets		
Non-current assets		
Property, plant and equipment	268,600	265,670
Goodwill	278,253	273,395
Intangible assets	724,773	687,306
Trade and other receivables	34,014	34,019
Investments accounted for using equity method	4,692	5,295
Deferred tax assets	52,876	55,230
Other financial assets	74,264	85,998
Other non-current assets	10,184	10,200
Total non-current assets	1,447,655	1,417,114
Current assets		
Inventories	151,017	155,738
Trade and other receivables	347,042	332,732
Income tax receivable	23,556	14,265
Other financial assets	9,459	7,703
Other current assets	18,049	22,730
Cash and cash equivalents	318,391	286,734
Total current assets	867,514	819,902
Total assets	2,315,169	2,237,016

(Millions of yen)

	As of 31 March 2020	As of 30 September 2020
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,506	177,452
Treasury shares	(7,178)	(7,311)
Retained earnings	905,851	941,847
Other components of equity	109,989	114,639
Total equity attributable to owners of the parent	1,289,168	1,329,628
Total equity	1,289,168	1,329,628
Liabilities		
Non-current liabilities		
Trade and other payables	3,142	2,748
Deferred tax liabilities	24,670	13,950
Retirement benefit liabilities	38,074	40,423
Provisions	6,135	4,175
Other financial liabilities	129,272	203,492
Other non-current liabilities	25,999	25,667
Total non-current liabilities	227,293	290,455
Current liabilities		
Trade and other payables	171,954	113,511
Income tax payable	4,009	19,669
Provisions	14,241	14,628
Other financial liabilities	345,707	205,704
Other current liabilities	262,797	263,421
Total current liabilities	798,708	616,933
Total liabilities	1,026,001	907,389
Total equity and liabilities	2,315,169	2,237,016

(4) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Subscription rights to shares	Exchange differences on translation of foreign operations
As of 1 April 2019	103,001	177,301	(164,629)	991,957	1,127	125,656
Comprehensive income						
Profit	—	—	—	128,527	—	—
Other comprehensive income	—	—	—	—	—	(46,452)
Total comprehensive income	—	—	—	128,527	—	(46,452)
Transactions with owners						
Acquisition of treasury shares	—	—	(1,187)	—	—	—
Disposals of treasury shares	—	(313)	681	(247)	(120)	—
Cancellation of treasury shares	—	—	159,581	(159,581)	—	—
Dividends	—	—	—	(35,831)	—	—
Share-based payments	—	175	—	—	—	—
Transfers	—	—	—	(86)	—	—
Total transactions with owners	—	(138)	159,075	(195,745)	(120)	—
As of 30 September 2019	103,001	177,163	(5,554)	924,739	1,007	79,204

As of 1 April 2020	103,001	177,506	(7,178)	905,851	899	93,277
Comprehensive income						
Profit	—	—	—	72,838	—	—
Other comprehensive income	—	—	—	—	—	(479)
Total comprehensive income	—	—	—	72,838	—	(479)
Transactions with owners						
Acquisition of treasury shares	—	—	(881)	—	—	—
Disposals of treasury shares	—	(444)	748	(225)	(79)	—
Dividends	—	—	—	(37,150)	—	—
Share-based payments	—	391	—	—	—	—
Transfers	—	—	—	533	—	—
Total transactions with owners	—	(53)	(133)	(36,842)	(79)	—
As of 30 September 2020	103,001	177,452	(7,311)	941,847	820	92,798

(Millions of yen)

	Equity attributable to owners of the parent				Total equity
	Other components of equity			Total	
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
As of 1 April 2019	23,984	—	150,767	1,258,396	1,258,396
Comprehensive income					
Profit	—	—	—	128,527	128,527
Other comprehensive income	(6,917)	(577)	(53,946)	(53,946)	(53,946)
Total comprehensive income	(6,917)	(577)	(53,946)	74,581	74,581
Transactions with owners					
Acquisition of treasury shares	—	—	—	(1,187)	(1,187)
Disposals of treasury shares	—	—	(120)	0	0
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(35,831)	(35,831)
Share-based payments	—	—	—	175	175
Transfers	(491)	577	86	—	—
Total transactions with owners	(491)	577	(34)	(36,842)	(36,842)
As of 30 September 2019	16,576	—	96,787	1,296,135	1,296,135

As of 1 April 2020	15,813	—	109,989	1,289,168	1,289,168
Comprehensive income					
Profit	—	—	—	72,838	72,838
Other comprehensive income	6,585	(844)	5,262	5,262	5,262
Total comprehensive income	6,585	(844)	5,262	78,100	78,100
Transactions with owners					
Acquisition of treasury shares	—	—	—	(881)	(881)
Disposals of treasury shares	—	—	(79)	0	0
Dividends	—	—	—	(37,150)	(37,150)
Share-based payments	—	—	—	391	391
Transfers	(1,377)	844	(533)	—	—
Total transactions with owners	(1,377)	844	(613)	(37,640)	(37,640)
As of 30 September 2020	21,022	—	114,639	1,329,628	1,329,628

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended 30 September 2019	Six months ended 30 September 2020
Cash flows from operating activities		
Profit before tax	161,584	89,091
Depreciation and amortisation	31,146	35,941
Impairment losses (reversal of impairment losses)	83	34,560
Finance income and expenses	613	(2,218)
(Increase) decrease in inventories	(4,583)	(2,938)
(Increase) decrease in trade and other receivables	(6,945)	17,865
Increase (decrease) in trade and other payables	(24,507)	(50,805)
Other	(37,201)	(328)
Subtotal	120,189	121,167
Income tax paid	(18,530)	(6,207)
Net cash flows from operating activities	101,659	114,960
Cash flows from investing activities		
Purchases of property, plant and equipment	(16,562)	(13,955)
Proceeds from sales of property, plant and equipment	77	22
Purchase of intangible assets	(15,819)	(29,086)
Payments for acquisition of subsidiaries	(5,078)	(1,707)
Interest and dividends received	1,267	500
Other	(10,439)	5,941
Net cash flows provided by (used in) investing activities	(46,553)	(38,285)
Cash flows from financing activities		
Increase (decrease) in bonds and short-term borrowings	—	(142,000)
Proceeds from long-term borrowings	—	80,000
Acquisition of treasury shares	(1,187)	(881)
Dividends paid to owners of the parent	(35,831)	(37,150)
Repayments of lease liabilities	(8,199)	(8,528)
Other	(739)	(1,177)
Net cash flows provided by (used in) financing activities	(45,956)	(109,736)
Effect of exchange rate changes on cash and cash equivalents	(8,857)	1,404
Net increase (decrease) in cash and cash equivalents	293	(31,657)
Cash and cash equivalents at the beginning of the year	311,074	318,391
Cash and cash equivalents at the end of the period	311,367	286,734

(6) Notes to condensed interim consolidated financial statements

Notes on going concern assumption

Not applicable.

Business Combinations

For the six months ended 30 September 2020

Audentes Therapeutics, Inc.

On 15 January 2020, Audentes Therapeutics, Inc. became a consolidated subsidiary of the Company through a cash tender offer followed by a merger.

During the three months ended 30 June 2020, further facts came to light and additional analysis was performed on the fair value measurement of the assets acquired and liabilities assumed at the acquisition date. As a result, the provisional fair values were adjusted as follows. The initial accounting for the business combination is incomplete as of 30 September 2020 as Astellas Pharma Inc. and its subsidiaries are still in the process of finalizing the fair value measurement.

(Millions of yen)

	Provisional fair value as of 31 March 2020	Fair value adjustments	Fair value (as adjusted)
Property, plant and equipment	8,964	—	8,964
Intangible assets	284,944	(13,723)	271,221
Financial assets at FVTOCI (debt instruments)	22,248	—	22,248
Cash and cash equivalents	9,320	—	9,320
Other assets	1,708	—	1,708
Trade and other payables	(6,092)	—	(6,092)
Deferred tax liabilities	(41,517)	2,989	(38,528)
Other liabilities	(6,488)	—	(6,488)
Fair value of assets acquired and liabilities assumed (net)	273,085	(10,734)	262,351
Goodwill	42,497	10,734	53,230
Total	315,582	—	315,582
Total fair value of purchase consideration transferred	315,582	—	315,582

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

Financial assets at FVTOCI (debt instruments) are included in "Other financial assets" in the condensed interim consolidated statement of financial position.

Along with this adjustment, the Company retrospectively revised the corresponding balances in the condensed interim consolidated statement of financial position as of 31 March 2020. As a result, intangible assets and deferred tax liabilities decreased by 13,734 million yen and 2,992 million yen respectively, and goodwill increased by 10,743 million yen.