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## **Financial Results of Astellas for the First Six Months of FY2023**

Japan, November 1, 2023 – Astellas Pharma Inc. (TSE: 4503, President and CEO: Naoki Okamura, “the Company”) today announced the financial results for the first six months (April 1, 2023 – September 30, 2023) of the fiscal year 2023 ending March 31, 2024 (FY2023).

### **Consolidated financial results for the first six months of FY2023 (core basis)**

(Millions of yen)

	First six months of FY2022	<b>First six months of FY2023</b>	Change (%)
Revenue	762,185	<b>767,138</b>	+4,953 (+0.6%)
Core operating profit	145,384	<b>109,817</b>	-35,568 (-24.5%)
Core profit	119,973	<b>89,768</b>	-30,205 (-25.2%)

#### **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 FY2023

## (1) Business performance

### <Consolidated financial results (core basis <sup>(Note)</sup>)>

Consolidated financial results (core basis) in the first six months of FY2023 are shown in the table below.

While revenue increased, core operating profit and core profit decreased.

### Consolidated financial results (core basis)

(Millions of yen)

	First six months of FY2022	First six months of FY2023	Change (%)
Revenue	762,185	<b>767,138</b>	+4,953 (+0.6%)
Cost of sales	151,651	<b>143,359</b>	-8,292 (-5.5%)
Selling, general and administrative expenses	307,956	<b>347,462</b>	+39,506 (+12.8%)
R&D expenses	139,177	<b>141,947</b>	+2,770 (+2.0%)
Amortisation of intangible assets	19,967	<b>33,733</b>	+13,766 (+68.9%)
Gain on divestiture of intangible assets	172	<b>9,417</b>	+9,245 (-)
Share of profit (loss) of investments accounted for using equity method	1,779	<b>-237</b>	-2,016 (-)
Core operating profit	145,384	<b>109,817</b>	-35,568 (-24.5%)
Core profit	119,973	<b>89,768</b>	-30,205 (-25.2%)
Basic core earnings per share (yen)	65.78	<b>50.05</b>	-15.73 (-23.9%)

(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 Q2/FY2023 Financial Results."

## **Revenue**

- Sales of main products XTANDI for the treatment of prostate cancer, PADCEV for the treatment of urothelial cancer and XOSPATA for the treatment of acute myeloid leukemia showed steady growth.
- Sales of PADCEV increased significantly in the United States and Europe in particular.
- On the other hand, sales of pharmacologic stress agent LEXISCAN sold in the United States decreased significantly affected by generic brands (a decrease of 87.6% in US dollar compared to those in the same period of the previous fiscal year (“year-on-year”)).

As a result of the above, revenue in the first six months of FY2023 increased by 0.6% year-on-year to ¥767.1 billion.

## **Core operating profit / Core profit**

- Gross profit increased by 2.2% year-on-year to ¥623.8 billion. The cost-to-revenue ratio fell by 1.2 percentage points year-on-year to 18.7%.
- Selling, general and administrative expenses increased by 12.8% year-on-year to ¥347.5 billion. Although expenses decreased as a result of the reduction of mature products-related costs (decrease of approximately ¥4.0 billion year-on-year), the total amount increased mainly due to foreign exchange rate impact (increase of ¥16.1 billion year-on-year), an increase in investment for VEOZAH for the treatment of vasomotor symptoms due to menopause (increase of approximately ¥13.0 billion year-on-year), and the impact of the acquisition of IVERIC bio, Inc. (approximately ¥10.0 billion). Selling, general and administrative expenses, excluding co-promotion fees of XTANDI in the United States, increased by 16.5% year-on-year to ¥254.4 billion.
- Research and development (R&D) expenses increased by 2.0% year-on-year to ¥141.9 billion. The total amount increased mainly due to development expenses for zolbetuximab, an anti-Claudin 18.2 monoclonal antibody, exceeding the expected expenses, foreign exchange rate impact (increase of ¥4.5 billion year-on-year), and the impact of the acquisition of IVERIC bio, Inc. (approximately ¥4.0 billion).
- Amortisation of intangible assets increased by 68.9% year-on-year to ¥33.7 billion. This was mainly due to amortisation of intangible assets, which the Company received in its acquisition of IVERIC bio, Inc., for IZERVAY that was launched in the second quarter as treatment for geographic atrophy secondary to age-related macular degeneration.

As a result of the above, core operating profit decreased by 24.5% year-on-year to ¥109.8 billion, and core profit decreased by 25.2% year-on-year to ¥89.8 billion.

### **Impact of exchange rate on financial results**

The exchange rates for the yen in the first six months of FY2023 are shown in the table below. The resulting impacts were a ¥37.8 billion increase in revenue and an ¥11.0 billion increase in core operating profit compared with if the exchange rates of the first six months of FY2022 were applied.

Average rate	First six months of FY2022	<b>First six months of FY2023</b>	Change
US\$/¥	134	<b>141</b>	¥7 (Weakening of yen)
€/¥	139	<b>153</b>	¥15 (Weakening of yen)

## <Consolidated financial results (full basis)>

Consolidated financial results on a full basis in the first six months of FY2023 are shown in the table below.

Operating profit and profit decreased, while revenue increased.

The full basis financial results include “Other income” and “Other expenses,” which are excluded from the core basis financial results. In the first six months of FY2023, “Other income” was ¥7.1 billion (¥16.2 billion in the same period of the previous fiscal year), and “Other expenses” was ¥65.9 billion (¥41.7 billion in the same period of the previous fiscal year).

As “Other expenses,” the Company booked payments for unvested share-based payments such as share options due to the acquisition of IVERIC bio, Inc. (¥36.7 billion) and an increase in fair value of contingent consideration for zolbetuximab, an anti-Claudin 18.2 monoclonal antibody (¥8.8 billion) mainly due to the fluctuations of the foreign exchange rate.

### Consolidated financial results (full basis)

(Millions of yen)

	First six months of FY2022	<b>First six months of FY2023</b>	Change (%)
Revenue	762,185	<b>767,138</b>	+4,953 (+0.6%)
Operating profit	119,891	<b>51,016</b>	-68,875 (-57.4%)
Profit before tax	120,480	<b>52,178</b>	-68,302 (-56.7%)
Profit	96,434	<b>31,670</b>	-64,764 (-67.2%)
Basic earnings per share (yen)	52.87	<b>17.66</b>	-35.22 (-66.6%)
Comprehensive income	243,707	<b>188,288</b>	-55,419 (-22.7%)

**<Sales of Main Products>**

(Billions of yen)

	First six months of FY2022	<b>First six months of FY2023</b>	Change
XTANDI	332.0	<b>360.9</b>	+8.7%
PADCEV	20.8	<b>32.7</b>	+57.4%
XOSPATA	23.5	<b>26.3</b>	+12.1%
VEOZAH	–	<b>1.3</b>	–
IZERVAY	–	<b>1.2</b>	–
BETANIS / MYRBETRIQ / BETMIGA	93.4	<b>95.8</b>	+2.6%
PROGRAF*1	100.4	<b>100.0</b>	-0.3%

**<XTANDI>**

- Sales increased in all regions.
- Prescriptions continued to expand for M1 CSPC (metastatic castration-sensitive prostate cancer), contributing to sales growth.

**<PADCEV>**

- Sales increased in all regions.
- In the United States, prescriptions for “PADCEV combined with pembrolizumab as first-line therapy for locally advanced or metastatic urothelial cancer” have penetrated faster than expected, contributing significantly to sales growth.

**<XOSPATA>**

- Sales increased in all regions, except in Greater China\*2.
- If the impact of inventory build in the second quarter of FY2022 is excluded, sales were in line with the full-year forecasts even in Greater China.

**<VEOZAH>**

- VEOZAH was launched in the United States in May 2023 as treatment for moderate-to-severe vasomotor symptoms associated with menopause.

**<IZERVAY>**

- IZERVAY was launched in the United States in September 2023 as treatment for geographic atrophy secondary to age-related macular degeneration.

**<BETANIS / MYRBETRIQ / BETMIGA>**

- Global sales increased, although there were regional differences.

<PROGRAF>

- Although global sales were in line with the full-year forecasts, there were regional differences, and sales decreased slightly year-on-year.

\*1 PROGRAF: Includes ADVAGRAF, GRACEPTOR, and ASTAGRAF XL.

\*2 Greater China: China, Hong Kong, Taiwan.

### <Revenue by region>

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

(Billions of yen)

	First six months of FY2022	<b>First six months of FY2023</b>	Change
Japan	133.3	<b>137.6</b>	+3.2%
United States	328.3	<b>306.7</b>	-6.6%
Established Markets* <sup>1</sup>	175.6	<b>199.1</b>	+13.4%
Greater China* <sup>2</sup>	45.0	<b>44.9</b>	-0.3%
International Markets* <sup>3</sup>	67.9	<b>74.6</b>	+10.0%

(Note) From the first nine months of FY2022, the commercial segment of Australia was changed from Established Markets to International Markets. Figures of the first six months of FY2022 reflect this change.

\*1 Established Markets: Europe, Canada, etc.

\*2 Greater China: China, Hong Kong, Taiwan.

\*3 International Markets: Latin America, Middle East, Africa, South East Asia, South Asia, Russia, Korea, Australia, Export sales, etc.

## (2) Financial position

### 1) Assets, equity and liabilities

An overview of the consolidated statement of financial position as of September 30, 2023 and the main changes from the end of the previous fiscal year are shown below.

In July 2023, the Company acquired IVERIC bio, Inc. and made it a consolidated subsidiary. The Company's assets and liabilities have been subject to substantial change due to the acquisition of IVERIC bio, Inc. and having arranged financing in the form of bank loans and issuances of bonds and commercial papers to procure requisite funds for the acquisition.

#### Assets

Total assets as of September 30, 2023 saw an increase of ¥1,086.5 billion compared to the end of the previous fiscal year to ¥3,543.0 billion.

**<Non-current assets>** As of September 30, 2023: ¥2,426.3 billion (an increase of ¥1,019.7 billion)

- Property, plant and equipment increased by ¥10.1 billion compared to the end of the previous fiscal year to ¥296.6 billion.
- Due to the acquisition of IVERIC bio, Inc. in July 2023, goodwill increased by ¥75.4 billion compared to the end of the previous fiscal year to ¥403.8 billion, and intangible assets increased by ¥970.1 billion compared to the end of the previous fiscal year to ¥1,532.6 billion.

**<Current assets>** As of September 30, 2023: ¥1,116.8 billion (an increase of ¥66.8 billion )

- Cash and cash equivalents decreased by ¥42.8 billion compared to the end of the previous fiscal year to ¥334.0 billion.

#### Equity

Total equity as of September 30, 2023 saw an increase of ¥131.4 billion compared to the end of the previous fiscal year to ¥1,639.3 billion, making the ratio of equity attributable to owners of the parent to total assets 46.3%.

- While profit stood at ¥31.7 billion, the Company paid ¥53.9 billion of dividends of surplus.

#### Liabilities

Total liabilities increased by ¥955.1 billion compared to the end of the previous fiscal year to ¥1,903.7 billion.

**<Non-current liabilities>** As of September 30, 2023: ¥741.4 billion (an increase of ¥518.9 billion)

- The Company has procured requisite funds for the acquisition of IVERIC bio, Inc.,

resulting in the balances of bonds payable amounting to ¥250.0 billion (an increase of ¥200.0 billion) and long-term borrowings amounting to ¥223.1 billion as of September 30, 2023.

- Deferred tax liabilities increased by ¥86.6 billion mainly due to the acquisition of IVERIC bio, Inc.

**<Current liabilities>** As of September 30, 2023: ¥1,162.3 billion (an increase of ¥436.2 billion)

- The Company has procured requisite funds for the acquisition of IVERIC bio, Inc., resulting in the balances of commercial papers amounting to ¥365.0 billion (an increase of ¥290.0 billion) and current portion of long-term borrowings amounting to ¥51.6 billion as of September 30, 2023.
- Other current liabilities increased by ¥73.1 billion compared to the end of the previous fiscal year to ¥455.8 billion.

## 2) Cash flow

### **Cash flows from operating activities**

Net cash flows from operating activities in the first six months of FY2023 decreased by ¥90.8 billion year-on-year to ¥49.1 billion.

- There were payments of ¥36.7 billion for unvested share-based payments such as share options due to the acquisition of IVERIC bio, Inc.
- Income tax paid decreased by ¥20.2 billion year-on-year to ¥15.0 billion.

### **Cash flows from investing activities**

Net cash flows used in investing activities in the first six months of FY2023 was ¥783.3 billion, an increase in outflow of ¥748.7 billion year-on-year.

- Payments for acquisition of subsidiaries increased by ¥760.1 billion year-on-year to ¥760.1 billion due to the acquisition of IVERIC bio, Inc.

### **Cash flows from financing activities**

Net cash flows from financing activities in the first six months of FY2023 was ¥670.2 billion (outflow of ¥81.4 billion in the same period of the previous fiscal year).

- The increase of ¥274.9 billion in short-term borrowings and commercial papers as a result of having procured requisite funds for the acquisition of IVERIC bio, Inc., and proceeds from issuance of bonds and long-term borrowings of ¥470.5 billion.
- There was an acquisition of treasury shares of ¥10.7 billion (an increase in outflow of ¥0.2 billion year-on-year). Furthermore, dividends paid increased by ¥8.2 billion year-on-year to ¥53.9 billion.

As a result, cash and cash equivalents totaled ¥334.0 billion as of September 30, 2023, a decrease of ¥42.8 billion compared to the end of the previous fiscal year.

### (3) Consolidated business forecasts for FY2023 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 FY2023 are shown below.

Giving consideration, on one hand, to the expected decline in sales of LEXISCAN from the effect of generic brands, and on the other, to the situation regarding the three products performing well in the oncology field (XTANDI, PADCEV and XOSPATA) and the trend of yen depreciation in foreign exchange, the Company upwardly revised its business forecast for revenue from the amount announced in April 2023.

On the other hand, the Company has downwardly revised its forecasts for profit items on both a core basis and a full basis after taking into consideration the increases in selling, general and administrative expenses, R&D expenses, amortization of intangible assets, and costs related to payment of share-based payments such as unvested stock options, etc., associated with the acquisition of IVERIC bio, Inc.

#### Consolidated full-year business forecasts (core basis)

(Millions of yen)

	FY2023 Previous forecasts*	<b>FY2023 Latest forecasts</b>	Change (%)	FY2022 Results
Revenue	1,520,000	<b>1,608,000</b>	+88,000 (+5.8%)	1,518,619
Selling, general and administrative expenses	661,000	<b>737,000</b>	+76,000 (+11.5%)	630,272
R&D expenses	251,000	<b>290,000</b>	+39,000 (+15.5%)	276,128
Core operating profit	290,000	<b>199,000</b>	-91,000 (-31.4%)	286,902
Core profit for the year	228,000	<b>154,000</b>	-74,000 (-32.5%)	224,619
Basic core earnings per share (yen)	126.89	<b>85.87</b>	-41.02	123.42

**Consolidated full-year business forecasts (full basis)**

(Millions of yen)

	FY2023 Previous forecasts*	<b>FY2023 Latest forecasts</b>	Change (%)	FY2022 Results
Revenue	1,520,000	<b>1,608,000</b>	+88,000 (+5.8%)	1,518,619
Operating profit	259,000	<b>123,000</b>	-136,000 (-52.5%)	133,029
Profit before tax	260,000	<b>121,000</b>	-139,000 (-53.5%)	132,361
Profit for the year	204,000	<b>85,000</b>	-119,000 (-58.3%)	98,714
Basic earnings per share (yen)	113.54	<b>47.39</b>	-66.15	54.24

\* Business forecasts on a core basis were announced in April 2023 and profit items on a full basis were announced in August 2023

**Expected exchange rate for**

<b>FY2023 (Forecast)</b>	<b>¥140/US\$</b>	<b>¥152/€</b>
FY2022 (Result)	¥135/US\$	¥141/€

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

(Millions of yen)

	Six months ended 30 September 2022	Six months ended 30 September 2023
Revenue	762,185	767,138
Cost of sales	(151,651)	(143,359)
Gross profit	610,534	623,779
Selling, general and administrative expenses	(307,956)	(347,462)
Research and development expenses	(139,177)	(141,947)
Amortisation of intangible assets	(19,967)	(33,733)
Gain on divestiture of intangible assets	172	9,417
Share of profit (loss) of investments accounted for using equity method	1,779	(237)
Other income	16,250	7,087
Other expenses	(41,743)	(65,888)
Operating profit	119,891	51,016
Finance income	4,493	6,150
Finance expenses	(3,904)	(4,989)
Profit before tax	120,480	52,178
Income tax expense	(24,046)	(20,508)
Profit	96,434	31,670
Profit attributable to:		
Owners of the parent	96,434	31,670
Earnings per share:		
Basic (Yen)	52.87	17.66
Diluted (Yen)	52.85	17.60

## (2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended 30 September 2022	Six months ended 30 September 2023
Profit	96,434	31,670
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,184	(4,302)
Remeasurements of defined benefit plans	1,375	2,201
Subtotal	<u>4,559</u>	<u>(2,102)</u>
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	142,714	164,304
Cash flow hedges	—	(7,682)
Hedging cost	—	2,098
Subtotal	<u>142,714</u>	<u>158,720</u>
Other comprehensive income	<u>147,273</u>	<u>156,618</u>
Total comprehensive income	<u>243,707</u>	<u>188,288</u>
Total comprehensive income attributable to:		
Owners of the parent	243,707	188,288

### (3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2023	As of 30 September 2023
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	286,459	296,555
Goodwill	328,411	403,822
Intangible assets	562,496	1,532,551
Trade and other receivables	24,173	21,693
Investments accounted for using equity method	12,689	15,344
Deferred tax assets	84,169	44,284
Other financial assets	97,886	103,293
Other non-current assets	10,280	8,722
Total non-current assets	1,406,564	2,426,265
Current assets		
Inventories	174,386	213,648
Trade and other receivables	427,965	487,893
Income tax receivable	17,813	16,710
Other financial assets	19,784	29,656
Other current assets	32,428	33,653
Cash and cash equivalents	376,840	333,993
Subtotal	1,049,216	1,115,553
Assets held for sale	738	1,203
Total current assets	1,049,954	1,116,756
Total assets	2,456,518	3,543,021

(Millions of yen)

	As of 31 March 2023	As of 30 September 2023
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	103,001	103,001
Capital surplus	181,280	182,148
Treasury shares	(25,123)	(34,417)
Retained earnings	908,158	884,514
Other components of equity	340,640	504,100
Total equity attributable to owners of the parent	1,507,954	1,639,345
Total equity	1,507,954	1,639,345
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bonds and borrowings	50,000	473,054
Trade and other payables	4,217	2,299
Deferred tax liabilities	6,048	92,673
Retirement benefit liabilities	24,818	24,507
Provisions	6,537	5,394
Other financial liabilities	89,924	100,815
Other non-current liabilities	40,987	42,675
Total non-current liabilities	222,530	741,417
<b>Current liabilities</b>		
Bonds and borrowings	75,000	416,558
Trade and other payables	140,236	147,250
Income tax payable	5,137	31,324
Provisions	17,855	12,647
Other financial liabilities	105,131	98,702
Other current liabilities	382,675	455,777
Total current liabilities	726,034	1,162,259
Total liabilities	948,564	1,903,676
Total equity and liabilities	2,456,518	3,543,021

#### (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 2022	103,001	179,467	(13,934)	944,261	630	233,621
Comprehensive income						
Profit	—	—	—	96,434	—	—
Other comprehensive income	—	—	—	—	—	142,714
Total comprehensive income	—	—	—	96,434	—	142,714
Transactions with owners						
Acquisition of treasury shares	—	—	(10,553)	—	—	—
Disposals of treasury shares	—	(1,054)	1,162	(98)	(10)	—
Dividends	—	—	—	(45,677)	—	—
Share-based payments	—	1,733	—	—	—	—
Transfer to retained earnings	—	—	—	8,652	—	—
Total transactions with owners	—	679	(9,391)	(37,124)	(10)	—
As of 30 September 2022	103,001	180,147	(23,325)	1,003,572	620	376,335
As of 1 April 2023	103,001	181,280	(25,123)	908,158	536	324,276
Comprehensive income						
Profit	—	—	—	31,670	—	—
Other comprehensive income	—	—	—	—	—	164,304
Total comprehensive income	—	—	—	31,670	—	164,304
Transactions with owners						
Acquisition of treasury shares	—	—	(10,732)	—	—	—
Disposals of treasury shares	—	(1,274)	1,439	(109)	(45)	—
Dividends	—	—	—	(53,903)	—	—
Share-based payments	—	2,142	—	—	—	—
Transfer to retained earnings	—	—	—	(1,303)	—	—
Transfer to non-financial assets	—	—	—	—	—	—
Total transactions with owners	—	868	(9,294)	(55,315)	(45)	—
As of 30 September 2023	103,001	182,148	(34,417)	884,514	492	488,580

(Millions of yen)

	Equity attributable to owners of the parent						Total equity
	Other components of equity					Total	
	Cash flow hedges	Hedging cost	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
As of 1 April 2022	—	—	13,261	—	247,512	1,460,308	1,460,308
Comprehensive income							
Profit	—	—	—	—	—	96,434	96,434
Other comprehensive income	—	—	3,184	1,375	147,273	147,273	147,273
Total comprehensive income	—	—	3,184	1,375	147,273	243,707	243,707
Transactions with owners							
Acquisition of treasury shares	—	—	—	—	—	(10,553)	(10,553)
Disposals of treasury shares	—	—	—	—	(10)	0	0
Dividends	—	—	—	—	—	(45,677)	(45,677)
Share-based payments	—	—	—	—	—	1,733	1,733
Transfer to retained earnings	—	—	(7,277)	(1,375)	(8,652)	—	—
Total transactions with owners	—	—	(7,277)	(1,375)	(8,662)	(54,497)	(54,497)
As of 30 September 2022	—	—	9,168	—	386,123	1,649,518	1,649,518
As of 1 April 2023	—	—	15,827	—	340,640	1,507,954	1,507,954
Comprehensive income							
Profit	—	—	—	—	—	31,670	31,670
Other comprehensive income	(7,682)	2,098	(4,302)	2,201	156,618	156,618	156,618
Total comprehensive income	(7,682)	2,098	(4,302)	2,201	156,618	188,288	188,288
Transactions with owners							
Acquisition of treasury shares	—	—	—	—	—	(10,732)	(10,732)
Disposals of treasury shares	—	—	—	—	(45)	12	12
Dividends	—	—	—	—	—	(53,903)	(53,903)
Share-based payments	—	—	—	—	—	2,142	2,142
Transfer to retained earnings	—	—	3,503	(2,201)	1,303	—	—
Transfer to non-financial assets	7,682	(2,098)	—	—	5,584	5,584	5,584
Total transactions with owners	7,682	(2,098)	3,503	(2,201)	6,842	(56,898)	(56,898)
As of 30 September 2023	—	—	15,028	—	504,100	1,639,345	1,639,345

## (5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended 30 September 2022	Six months ended 30 September 2023
<b>Cash flows from operating activities</b>		
Profit before tax	120,480	52,178
Depreciation and amortisation	59,724	62,213
Impairment losses (reversal of impairment losses)	22,768	13,201
Finance income and expenses	(589)	(1,161)
(Increase) decrease in inventories	113	(28,622)
(Increase) decrease in trade and other receivables	(13,978)	(6,296)
Increase (decrease) in trade and other payables	(19,359)	(29,457)
Other	5,893	1,982
Subtotal	175,052	64,037
Income tax paid	(35,195)	(14,955)
Net cash flows from operating activities	139,857	49,082
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(13,795)	(20,053)
Purchases of intangible assets	(25,894)	(27,250)
Proceeds from sales of intangible assets	172	10,685
Proceeds from sales of equity instruments	12,104	—
Payments for acquisition of subsidiaries	—	(760,051)
Interest and dividends received	1,022	4,611
Other	(8,268)	8,725
Net cash flows provided by (used in) investing activities	(34,660)	(783,332)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings and commercial papers	(15,000)	274,855
Proceeds from issuance of bonds and long-term borrowings	—	470,490
Acquisition of treasury shares	(10,553)	(10,732)
Dividends paid to owners of the parent	(45,677)	(53,903)
Repayments of lease liabilities	(8,853)	(6,699)
Other	(1,348)	(3,854)
Net cash flows provided by (used in) financing activities	(81,431)	670,156
Effect of exchange rate changes on cash and cash equivalents	21,321	21,246
Net increase (decrease) in cash and cash equivalents	45,087	(42,847)
Cash and cash equivalents at the beginning of the year	315,986	376,840
Cash and cash equivalents at the end of the period	361,073	333,993

## (6) Notes to condensed interim consolidated financial statements

### **Notes on going concern assumption**

Not applicable.

### **Business Combinations**

For the six months ended 30 September 2023

#### Acquisition of IVERIC bio, Inc.

(1) Outline of the business combination

(i) Name and business description of the acquiree

Name of the acquiree	IVERIC bio, Inc. ("Iveric Bio")
Business Description	Research & development of pharmaceutical products

(ii) Acquisition date

11 July 2023, U.S. Eastern Time

(iii) Percentage of voting equity interests acquired

100%

(iv) Acquisition method

Acquisition of all shares of stock in cash

(v) Primary reasons for the business combination

The Company aims to become a cutting-edge, VALUE-driven life science innovator to realise its VISION to be "on the forefront of healthcare change to turn innovative science into VALUE for patients." Through the Company's Research and Development strategy, Focus Area Approach, it is working to create innovative drugs for diseases with high unmet medical need by identifying unique combinations of biology and therapeutic modality / technology from multiple perspectives. Currently, the Company has identified five Primary Focuses, including "Blindness & Regeneration," and is prioritising investment resources in these areas. As such, the acquisition of Iveric Bio (the "Acquisition") is a key step in building the Company's product portfolio in this important area.

Iveric Bio focuses on the discovery and development of novel treatments in the field of ophthalmology. The U.S. Food and Drug Administration (FDA) approved IZERVAY™ (avacincaptad pegol intravitreal solution) for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD) on 4 August 2023.

Avacincaptad pegol (ACP), a complement C5 inhibitor, is an investigational drug for GA secondary to AMD and has significant potential to deliver value to a large and underserved patient base. ACP met its primary efficacy endpoint (reduction of the rate of GA progression) with statistical significance across two pivotal clinical trials, (GATHER 1 and 2 Clinical Trials) and has received breakthrough therapy designation from the FDA for this indication.

The Company expects not only that the acquisition of ACP, the lead program of Iveric Bio, will contribute to the Company's fiscal year 2025 revenue targets set in its Corporate Strategic Plan 2021, but also that ACP, in conjunction with fezolinetant and PADCEV, will be a revenue-generating pillar to help compensate for the decline in sales of XTANDI due to anticipated loss of exclusivity later this decade.

In addition, the acquisition of Iveric Bio will provide a foundation of ophthalmology focused capabilities, including a multi-faceted commercial team, expansive network of experts in the ophthalmology field, and established relationships with medical institutions. Furthermore, through acquired capabilities, the Company will accelerate clinical development and commercialisation activities to positively contribute to the goals of Primary Focus, "Blindness & Regeneration."

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

	(Millions of yen)
Intangible assets	884,331
Financial assets at FVTOCI (debt instruments)	9,986
Cash and cash equivalents	44,649
Other assets	2,607
Deferred tax liabilities	(149,046)
Short-term borrowings	(15,079)
Other liabilities	(7,984)
Fair value of assets acquired and liabilities assumed (net)	769,464
Basis adjustments	(5,584)
Goodwill	35,236
Total	799,116
Total fair value of purchase consideration transferred	799,116

Certain items above reflect provisional fair values based on reasonable information obtained at 30 September 2023 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) Cash flow information

	(Millions of yen)
Total fair value of purchase consideration transferred	799,116
Cash and cash equivalents held by the acquiree	(44,649)
Basis adjustments	5,584
Acquisition of subsidiaries, net of cash acquired	760,051

In addition, the Group separated payment for Iveric Bio's unvested share-based payments, such as share options, from the business combination and recognised ¥36,748 million as "Other expenses" in the condensed interim consolidated statement of income.

- (4) Acquisition-related costs

¥3,511 million

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

- (5) 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 for the six months ended 30 September 2023:

¥(59,800) million

(Note) This amount includes payment of ¥36,748 million for Iveric Bio's unvested share-based payments, such as share options, which is recognised separately from the business combination.

- (ii) Effect on profit (loss) before tax in the condensed interim consolidated statement of income for the six months ended 30 September 2023 assuming the acquisition date had been at the beginning of the fiscal year:

¥(51,462) million

(Note) This effect is calculated based on Iveric Bio's financial results for the period from 1 April 2023 to the acquisition date.