January 31, 2018

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Financial Results of Astellas for the First Nine Months of FY2017

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

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

(Millions of yen)

	First nine months of FY2016	**First nine months of FY2017**	Change (%)
Sales	1,005,587	**999,443**	-6,144 (-0.6%)
Core operating profit	241,837	**220,459**	-21,378 (-8.8%)
Core profit for the period	177,189	**167,877**	-9,312 (-5.3%)

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

(1) Business performance

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

Consolidated financial results (core basis) in the first nine 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 nine months of FY2016	**First nine months of FY2017**	Change (%)
Sales	1,005,587	**999,443**	-6,144 (-0.6%)
Cost of sales	250,763	**238,925**	-11,838 (-4.7%)
Selling, general and administrative expenses	336,666	**350,015**	+13,349 (+4.0%)
R&D expenses	148,289	**161,623**	+13,334 (+9.0%)
Amortisation of intangible assets	26,743	**26,995**	+252 (+0.9%)
Share of profits/losses of associates and joint ventures	-1,289	**-1,427**	-137 (–)
Core operating profit	241,837	**220,459**	-21,378 (-8.8%)
Core profit for the period	177,189	**167,877**	-9,312 (-5.3%)

(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 24 of the "Supplementary Documents for Results Q3/FY2017."

Sales

Consolidated sales in the first nine months of FY2017 decreased by 0.6% compared to those in the corresponding period of the previous fiscal year ("year-on-year") to ¥999.4 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 increased by 0.8% year-on-year to ¥760.5 billion. The cost-to-sales ratio fell by 1.0 percentage points year-on-year to 23.9%, mainly owing to changes in product mix, despite the foreign exchange rate impact from the elimination of unrealized gains in intra-group transactions and other factors.
- Selling, general and administrative expenses increased by 4.0% year-on-year to ¥350.0 billion, mainly owing to the foreign exchange rate impact, despite the promotion of the expense efficiency and the optimization of resource allocation.
- Research and development ("R&D") expenses increased by 9.0% year-on-year to ¥161.6 billion, which, mainly due to increased expenses related to progress of late-stage development projects and enhanced investment in new opportunities. The R&D cost-to-sales ratio was up 1.4 percentage points year-on-year to 16.2%.
- Amortisation of intangible assets increased by 0.9% year-on-year to ¥27.0 billion.

As a result of the above, core operating profit decreased by 8.8% year-on-year to ¥220.5 billion and core profit for the period decreased by 5.3% year-on-year to ¥167.9 billion.

Impact of exchange rate on financial results

The exchange rates for the yen in the first nine months of FY2017 are shown in the table below. The resulting impacts were a ¥40.1 billion increase in sales and a ¥9.5 billion increase in core operating profit compared with if the exchange rates of the first nine months of FY2016 were applied.

Average rate	First nine months of FY2016	**First nine months of FY2017**	Change
US$/¥	107	**112**	¥5 (Weakening of yen)
€/¥	118	**129**	¥11 (Weakening of yen)

Change from beginning to end of period	As of December 31, 2016	**As of December 31, 2017**
US$/¥	¥4 (Weakening of yen)	**¥1** **(Weakening of yen)**
€/¥	¥5 (Strengthening of yen)	**¥15** **(Weakening of yen)**

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in the first nine 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 U.S. subsidiary Agensys, Inc. In addition to the aforementioned, as the Company also recorded foreign exchange losses among other factors, in the first nine months ended December 31, 2017, “other income” was ¥10.4 billion (¥6.6 billion in the same period of the previous fiscal year) and “other expense” was ¥51.2 billion (¥17.1 billion in the same period of the previous fiscal year). Gain on sales of available-for-sale financial assets in the first nine months of FY2017 was ¥4.7 billion (¥12.7 billion in the same period of the previous fiscal year).

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

(Millions of yen)

	First nine months of FY2016	**First nine months of FY2017**	Change (%)
Sales	1,005,587	**999,443**	-6,144 (-0.6%)
Operating profit	231,289	**179,751**	-51,538 (-22.3%)
Profit before tax	243,898	**184,605**	-59,293 (-24.3%)
Profit for the period	178,800	**142,614**	-36,185 (-20.2%)
Basic earnings per share (yen)	84.38	**69.84**	-14.54 (-17.2%)
Comprehensive income	170,919	**237,115**	+66,196 (+38.7%)

<Sales of Main Products>

Sales of three main therapeutic areas

(Billions of yen)

	First nine months of FY2016	**First nine months of FY2017**	Change
Oncology franchise	232.3	**260.8**	+12.3%
XTANDI	189.2	**219.9**	+16.2%
Urology OAB franchise	160.9	**171.6**	+6.6%
Vesicare	89.3	**78.5**	-12.1%
Betanis / Myrbetriq / BETMIGA	71.6	**93.1**	+30.0%
Transplantation franchise	142.2	**150.2**	+5.6%

<Oncology franchise>

- Sales of XTANDI increased by 16.2% year-on-year to ¥219.9 billion. Sales grew steadily in all regions of Japan, the Americas, EMEA*, and Asia and Oceania.

<Urology OAB franchise>

- Sales of Betanis / Myrbetriq / BETMIGA increased by 30.0% year-on-year to ¥93.1 billion. Sales increased in all regions of Japan, the Americas, EMEA, and Asia and Oceania. On the other hand, sales of Vesicare decreased by 12.1% year-on-year to ¥78.5 billion.

<Transplantation franchise>

- Sales of Prograf increased by 5.6% year-on-year to ¥150.2 billion, and continued to grow in Japan, 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 and EMEA decreased, while in the Americas and 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 nine months of FY2016	**First nine months of FY2017**	Change
Japan (Billions of yen)	380.1	**337.3**	-11.3%
Of which, sales in the Japanese market	358.2	**309.0**	-13.7%
The Americas (Millions of U.S. dollars)	2,889	**2,926**	+1.3%
EMEA (Millions of euro)	2,143	**2,023**	-5.6%
Asia and Oceania (Billions of yen)	64.5	**75.3**	+16.8%

*Sales by region calculated according to locations of sellers.

(2) Financial position

i. Assets, equity and liabilities

An overview of the consolidated statement of financial position as of December 31, 2017 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of December 31, 2017 saw an increase of ¥119.8 billion compared to the end of the previous fiscal year to ¥1,933.8 billion.

<Non-current assets> As of December 31, 2017: ¥1,008.6 billion (an increase of ¥71.2 billion)

- Goodwill increased by ¥24.0 billion compared to the end of the previous fiscal year to ¥192.5 billion, and other intangible assets increased by ¥40.6 billion compared to the end of the previous fiscal year to ¥428.0 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 in the first quarter ended June 30, 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 December 31, 2017: ¥925.2 billion (an increase of ¥48.5 billion)

- Cash and cash equivalents decreased by ¥9.2 billion compared to the end of the previous fiscal year to ¥331.7 billion.

Equity

Total equity as of December 31, 2017 saw an increase of ¥95.1 billion compared to the end of the previous fiscal year to ¥1,366.9 billion, making the ratio of equity attributable to owners of the parent to gross assets 70.7%.

- While profit for the period stood at ¥142.6 billion, the Company paid ¥71.6 billion of dividends of surplus and executed a ¥70.7 billion acquisition of own shares.
- The effect of foreign currency translation adjustments increased equity by ¥86.3 billion.
- Cancellation of treasury shares totaling ¥132.2 billion (85 million shares) was carried out on May 31, 2017.

Liabilities

Total liabilities increased by ¥24.7 billion compared to the end of the previous fiscal year to ¥567.0 billion.

<Non-current liabilities> As of December 31, 2017: ¥171.3 billion (an increase of ¥28.9 billion)

- Deferred tax liabilities increased by ¥20.5 billion compared to the end of the previous fiscal year to ¥39.0 billion, mainly due to the completion of the acquisition of Ogeda SA in the first quarter ended June 30, 2017.

<Current liabilities> As of December 31, 2017: ¥395.6 billion (a decrease of ¥4.2 billion)

ii. Cash flow

Cash flows from operating activities

Net cash flows from operating activities in the first nine months of FY2017 increased year-on-year by ¥28.9 billion to ¥215.3 billion.

- Income tax paid was ¥51.2 billion.

Cash flows from investing activities

Net cash flows used in investing activities in the first nine months of FY2017 was ¥93.8 billion, an increase in outflow of ¥23.0 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 nine months of FY2017 was ¥143.1 billion, an increase in outflow of ¥22.9 billion year-on-year.

- Dividends paid increased by ¥1.5 billion year-on-year to ¥71.6 billion. In addition, the Company executed a ¥70.7 billion acquisition of own shares.

As a result, cash and cash equivalents totaled ¥331.7 billion as of December 31, 2017, a decrease of ¥9.2 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 FY2017 are shown below. The Company has chosen to leave its business forecasts unchanged from the consolidated full-year business forecasts announced in October 2017 because it does not expect large deviations from the forecasts.

<u>Consolidated full-year business forecasts (core basis)</u>

(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%)

<u>Consolidated full-year business forecasts (full basis)</u>

(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	**88.44**	-15.25 (-14.7%)

<u>Expected exchange rate for</u>

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

(Note) The forecasts for basic core earnings per share and basic earnings per share reflect acquisitions of own shares carried out from July 31 to October 31, 2017.

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

(Millions of yen)

	Nine months ended 31 December 2016	Nine months ended 31 December 2017
Sales	1,005,587	999,443
Cost of sales	(250,763)	(238,925)
Gross profit	754,824	760,519
Selling, general and administrative expenses	(336,666)	(350,015)
Research and development expenses	(148,289)	(161,623)
Amortisation of intangible assets	(26,743)	(26,995)
Share of losses of associates and joint ventures	(1,289)	(1,427)
Other income	6,580	10,448
Other expense	(17,128)	(51,155)
Operating profit	231,289	179,751
Finance income	14,035	6,052
Finance expense	(1,426)	(1,198)
Profit before tax	243,898	184,605
Income tax expense	(65,098)	(41,991)
Profit for the period	178,800	142,614
Profit attributable to:		
Owners of the parent	178,800	142,614
Earnings per share		
Basic (Yen)	84.38	69.84
Diluted (Yen)	84.26	69.76

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended 31 December 2016	Nine months ended 31 December 2017
Profit for the period	178,800	142,614
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(404)	2,780
Subtotal	(404)	2,780
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	1,985	86,307
Fair value movements on available-for-sale financial assets	(9,461)	5,414
Subtotal	(7,476)	91,721
Other comprehensive income, net of tax	(7,881)	94,501
Total comprehensive income	170,919	237,115
Total comprehensive income attributable to:		
Owners of the parent	170,919	237,115

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2017	As of 31 December 2017
Assets		
Non-current assets		
Property, plant and equipment	191,115	184,332
Goodwill	168,521	192,547
Other intangible assets	387,419	428,018
Trade and other receivables	22,263	23,855
Investments in associates and joint ventures	2,988	3,289
Deferred tax assets	90,349	96,273
Other financial assets	61,597	70,517
Other non-current assets	13,154	9,800
Total non-current assets	937,407	1,008,631
Current assets		
Inventories	182,537	146,261
Trade and other receivables	309,817	347,940
Income tax receivable	10,986	10,714
Other financial assets	13,554	61,549
Other current assets	18,849	15,667
Cash and cash equivalents	340,923	331,683
Subtotal	876,665	913,813
Assets held for sale	—	11,387
Total current assets	876,665	925,200
Total assets	1,814,072	1,933,831

(Millions of yen)

	As of 31 March 2017	As of 31 December 2017
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,091	177,217
Treasury shares	(138,207)	(76,045)
Retained earnings	1,013,923	955,231
Other components of equity	116,002	207,460
Total equity attributable to owners of the parent	1,271,810	1,366,864
Total equity	1,271,810	1,366,864
Liabilities		
Non-current liabilities		
Trade and other payables	440	3,761
Deferred tax liabilities	18,514	39,040
Retirement benefit liabilities	36,614	36,965
Provisions	4,921	4,610
Other financial liabilities	28,389	35,695
Other non-current liabilities	53,528	51,269
Total non-current liabilities	142,406	171,339
Current liabilities		
Trade and other payables	182,826	137,899
Income tax payable	10,900	17,319
Provisions	96,589	120,421
Other financial liabilities	2,992	6,814
Other current liabilities	106,548	113,174
Total current liabilities	399,856	395,628
Total liabilities	542,262	566,967
Total equity and liabilities	1,814,072	1,933,831

(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	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	—	—	—	178,800	—	—
Other comprehensive income	—	—	—	—	—	1,985
Total comprehensive income	—	—	—	178,800	—	1,985
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(46,665)	—	—	—
Disposals of treasury shares	—	(78)	420	(190)	(151)	—
Cancellation of treasury shares	—	—	110,219	(110,219)	—	—
Dividends	—	—	—	(70,119)	—	—
Share-based payments	—	207	—	—	—	—
Transfers	—	—	—	(404)	—	—
Total transactions with owners of the parent	—	129	63,973	(180,932)	(151)	—
As of 31 December 2016	103,001	177,032	(93,137)	970,922	1,975	134,119
As of 1 April 2017	103,001	177,091	(138,207)	1,013,923	1,784	99,590
Comprehensive income						
Profit for the period	—	—	—	142,614	—	—
Other comprehensive income	—	—	—	—	—	86,307
Total comprehensive income	—	—	—	142,614	—	86,307
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(70,712)	—	—	—
Disposals of treasury shares	—	(159)	724	(302)	(263)	—
Cancellation of treasury shares	—	—	132,150	(132,150)	—	—
Dividends	—	—	—	(71,634)	—	—
Share-based payments	—	284	—	—	—	—
Transfers	—	—	—	2,780	—	—
Total transactions with owners of the parent	—	125	62,163	(201,306)	(263)	—
As of 31 December 2017	103,001	177,217	(76,045)	955,231	1,521	185,897

(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	—	—	—	178,800	178,800
Other comprehensive income	(9,461)	(404)	(7,881)	(7,881)	(7,881)
Total comprehensive income	(9,461)	(404)	(7,881)	170,919	170,919
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(46,665)	(46,665)
Disposals of treasury shares	—	—	(151)	1	1
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(70,119)	(70,119)
Share-based payments	—	—	—	207	207
Transfers	—	404	404	—	—
Total transactions with owners of the parent	—	404	253	(116,576)	(116,576)
As of 31 December 2016	19,642	—	155,735	1,313,552	1,313,552
As of 1 April 2017	14,629	—	116,002	1,271,810	1,271,810
Comprehensive income					
Profit for the period	—	—	—	142,614	142,614
Other comprehensive income	5,414	2,780	94,501	94,501	94,501
Total comprehensive income	5,414	2,780	94,501	237,115	237,115
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(70,712)	(70,712)
Disposals of treasury shares	—	—	(263)	0	0
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(71,634)	(71,634)
Share-based payments	—	—	—	284	284
Transfers	—	(2,780)	(2,780)	—	—
Total transactions with owners of the parent	—	(2,780)	(3,043)	(142,061)	(142,061)
As of 31 December 2017	20,043	—	207,460	1,366,864	1,366,864

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended 31 December 2016	Nine months ended 31 December 2017
Cash flows from operating activities		
Profit before tax	243,898	184,605
Depreciation and amortisation	47,485	48,354
Impairment losses and reversal of impairment losses	10,145	37,264
Finance income and expense	(12,610)	(4,852)
(Increase) decrease in inventories	(1,092)	46,440
(Increase) decrease in trade and other receivables	(26,235)	(20,206)
Increase (decrease) in trade and other payables	(6,698)	(51,755)
Other	(15,829)	26,738
Cash generated from operations	239,065	266,588
Income tax paid	(52,661)	(51,248)
Net cash flows from operating activities	186,403	215,340
Cash flows from investing activities		
Purchases of property, plant and equipment	(21,136)	(19,426)
Proceeds from sales of property, plant and equipment	645	420
Purchases of intangible assets	(15,241)	(9,268)
Purchases of available-for-sale financial assets	(476)	(698)
Proceeds from sales of available-for-sale financial assets	17,503	6,959
Acquisition of subsidiaries, net of cash acquired	(50,915)	(61,567)
Interest and dividends received	1,289	1,294
Other	(2,458)	(11,547)
Net cash flows used in investing activities	(70,790)	(93,832)
Cash flows from financing activities		
Acquisition of treasury shares	(46,665)	(70,712)
Dividends paid to owners of the parent	(70,119)	(71,634)
Other	(3,429)	(752)
Net cash flows used in financing activities	(120,213)	(143,097)
Effect of exchange rate changes on cash and cash equivalents	(6,771)	12,348
Net increase (decrease) in cash and cash equivalents	(11,370)	(9,240)
Cash and cash equivalents at the beginning of the year	360,030	340,923
Cash and cash equivalents at the end of the period	348,660	331,683

(6) Notes to condensed interim consolidated financial statements

Notes on going concern assumption

Not applicable.

Business Combinations

For the nine months ended 31 December 2017

Acquisition of Ganymed Pharmaceuticals AG

On 20 December 2016, Ganymed Pharmaceuticals AG became a consolidated subsidiary of the Company through acquisition of all shares of common stock in cash with contingent consideration to be paid when certain milestones are achieved in the future.

During the nine months ended 31 December 2017, 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:

(Millions of yen)

	Provisional fair value as of 31 March 2017	Fair value adjustments	Fair value (as adjusted)
Property, plant and equipment	272	―	272
Other intangible assets	86,033	―	86,033
Cash and cash equivalents	629	―	629
Other assets	1,103	―	1,103
Deferred tax liabilities	(25,806)	6,954	(18,852)
Other liabilities	(5,066)	―	(5,066)
Fair value of assets acquired and liabilities assumed (net)	57,164	6,954	64,118
Goodwill	23,313	(6,954)	16,360
Total	80,478	―	80,478
Cash	51,544	―	51,544
Contingent consideration	28,934	―	28,934
Total fair value of purchase consideration transferred	80,478	―	80,478

Certain items had reflected provisional fair values as of 31 March 2017, however, the Company completed the purchase price allocation during the period ended 31 December 2017. Along with this, the Company retrospectively revised the corresponding balances in the condensed interim consolidated statement of financial position as of 31 March 2017. As a result, goodwill and deferred tax liabilities decreased by 6,829 million yen.

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 Company 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 fair values based on reasonable information obtained at 31 December 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 (40,482 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 nine months ended 31 December 2017 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): Immaterial

Significant subsequent events

Acquisition of Mitobridge, Inc.

(1) Name and business description of the acquiree
    Name of the acquiree: Mitobridge, Inc. ("Mitobridge")
    Business description: Research and development in diseases associated with mitochondrial dysfunctions
(2) Acquisition date
    23 January 2018
(3) Percentage of voting equity interests
    The Company had owned 26.4% of voting equity interests before the acquisition. As a result of the acquisition, the Company owns 100% of voting equity interests.
(4) Acquisition method
    Acquisition of all shares of stock in cash with contingent consideration to be paid when certain milestones are achieved in the future.
    ・ Cash: 162 million U.S. dollars (The amount will be adjusted depending on the cash and cash equivalents etc. held by Mitobridge at the closing.)
    ・ Milestone payments: Maximum of 165 million U.S. dollars based on the progress in the development of various programs in clinical development
(5) Primary reasons for the business combination
    Mitobridge is a biotechnology company founded in 2011 and discovering and developing compounds that target mitochondrial function. These drug candidates have the potential to treat genetic, metabolic or neurodegenerative disorders as well as conditions of aging. The transaction accelerates the Company's research and development in diseases associated with mitochondrial dysfunctions and will enable the delivery of innovative new treatment options to patients.

Detailed information on the accounting treatment is not disclosed as the initial accounting treatment for this business combination has not been completed.