July 28, 2017

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Financial Results of Astellas for the First Three Months of FY2017

Japan, July 28, 2017 – Astellas Pharma Inc. (TSE: 4503, President and CEO: Yoshihiko Hatanaka, "the Company") today announced the financial results for the first three months (April 1, 2017 – June 30, 2017) of the fiscal year 2017 (FY2017) ending March 31, 2018.

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

(Millions of yen)

	First three months of FY2016	**First three months of FY2017**	Change (%)
Sales	337,752	**322,571**	-15,182 (-4.5%)
Core operating profit	93,951	**65,124**	-28,827 (-30.7%)
Core profit for the period	67,148	**51,914**	-15,233 (-22.7%)
Basic core earnings per share (yen)	31.60	**25.14**	-6.46 (-20.4%)

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 three months of FY2017

(1) Business performance

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

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

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

(Millions of yen)

	First three months of FY2016	**First three months of FY2017**	Change (%)
Sales	337,752	**322,571**	-15,182 (-4.5%)
Cost of sales	71,465	**79,272**	+7,806 (+10.9%)
Selling, general and administrative expenses	111,885	**112,335**	+449 (+0.4%)
R&D expenses	51,022	**56,477**	+5,455 (+10.7%)
Amortisation of intangible assets	8,982	**8,971**	-12 (-0.1%)
Share of profits/losses of associates and joint ventures	-446	**-392**	+53 (－)
Core operating profit	93,951	**65,124**	-28,827 (-30.7%)
Core profit for the period	67,148	**51,914**	-15,233 (-22.7%)
Basic core earnings per share (yen)	31.60	**25.14**	-6.46 (-20.4%)

(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 23 of the “Supplementary Documents for Results Q1/FY2017.”

Sales

Consolidated sales in the first three months of FY2017 decreased by 4.5% compared to those in the corresponding period of the previous fiscal year ("year-on-year") to ¥322.6 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 XTANDI for the treatment of prostate cancer grew. Sales of overactive bladder ("OAB") treatments Betanis / Myrbetriq / BETMIGA expanded, but total sales of OAB treatments including Vesicare decreased. Sales of Prograf, an immunosuppressant, remained largely unchanged year on year.

Core operating profit / Core profit for the period

- Gross profit decreased by 8.6% year-on-year to ¥243.3 billion. The cost-to-sales ratio rose by 3.4 percentage points year-on-year to 24.6%, 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 0.4% year-on-year to ¥112.3 billion, remaining almost at the same level.
- Research and development ("R&D") expenses increased by 10.7% year-on-year to ¥56.5 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 2.4 percentage points year-on-year to 17.5%.
- Amortisation of intangible assets decreased by 0.1% year-on-year to ¥9.0 billion.

As a result of the above, core operating profit decreased by 30.7% year-on-year to ¥65.1 billion and core profit for the period decreased by 22.7% year-on-year to ¥51.9 billion.

Impact of exchange rate on financial results

The exchange rates for the yen in the first three months of FY2017 are shown in the table below. The resulting impacts were a ¥3.2 billion increase in sales and a ¥11.5 billion decrease in core operating profit compared with if the exchange rates of the first three months of FY2016 were applied.

Average rate	First three months of FY2016	**First three months of FY2017**	Change
US$/¥	108	**111**	¥3 (Weakening of yen)
€/¥	122	**122**	¥0 (Weakening of yen)

Change from beginning to end of period	As of June 30, 2016	**As of June 30, 2017**
US$/¥	¥10 (Strengthening of yen)	**¥0** **(Strengthening of yen)**
€/¥	¥13 (Strengthening of yen)	**¥8** **(Weakening of yen)**

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in the first three months of FY2017 are shown in the table below. Sales, operating profit 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 the first three months of FY2017, “other income” was ¥9.7 billion (¥0.2 billion in the same period of the previous fiscal year) and “other expense” was ¥31.3 billion (¥1.3 billion in the same period of the previous fiscal year), as a result of having recorded other income and impairment losses upon having reviewed development project plans pertaining to Ganymed Pharmaceuticals AG, which was acquired in December 2016, the recording of net foreign exchange losses, and other factors. Gain on sales of available-for-sale financial assets in the first three months of FY2017 was ¥4.7 billion (¥0.7 billion in the same period of the previous fiscal year).

Consolidated financial results (full basis)

(Millions of yen)

	First three months of FY2016	**First three months of FY2017**	Change (%)
Sales	337,752	**322,571**	-15,182 (-4.5%)
Operating profit	92,866	**43,529**	-49,337 (-53.1%)
Profit before tax	93,184	**48,471**	-44,714 (-48.0%)
Profit for the period	66,613	**42,468**	-24,145 (-36.2%)
Basic earnings per share (yen)	31.35	**20.57**	-10.78 (-34.4%)
Comprehensive income	-34,006	**83,520**	+117,526 (－)

<Sales of Main Products>

Sales of three main therapeutic areas

(Billions of yen)

	First three months of FY2016	**First three months of FY2017**	Change
Oncology franchise	79.1	**81.8**	+3.4%
XTANDI	64.2	**67.9**	+5.8%
Urology OAB franchise	54.0	**51.8**	-4.0%
Vesicare	30.4	**24.6**	-19.2%
Betanis / Myrbetriq / BETMIGA	23.6	**27.2**	+15.6%
Transplantation franchise	49.4	**49.4**	+0.0%

<Oncology franchise>

- Sales of XTANDI increased by 5.8% year-on-year to ¥67.9 billion. Sales in the U.S. decreased, 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 15.6% year-on-year to ¥27.2 billion. Sales increased in all regions of Japan, the Americas, EMEA, Asia and Oceania. On the other hand, sales of Vesicare decreased by 19.2% year-on-year to ¥24.6 billion.

<Transplantation franchise>

- Sales of Prograf remained largely unchanged year-on-year to ¥49.4 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. Accordingly total sales of the four products increased by 4.6% year-on-year to ¥27.7 billion. 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 during the first three months of FY2017. 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 three months of FY2016	**First three months of FY2017**	Change
Japan (Billions of yen)	124.2	**114.2**	-8.1%
Of which, sales in the Japanese market	114.8	**106.1**	-7.5%
The Americas (Millions of U.S. dollars)	995	**914**	-8.1%
EMEA (Millions of euro)	699	**683**	-2.4%
Asia and Oceania (Billions of yen)	20.7	**23.4**	+13.2%

*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 June 30, 2017 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of June 30, 2017 saw an increase of ¥80.3 billion compared to the end of the previous fiscal year to ¥1,901.2 billion.

<Non-current assets> As of June 30, 2017: ¥1,025.3 billion (an increase of ¥81.1 billion)

- Goodwill increased by ¥27.9 billion compared to the end of the previous fiscal year to ¥203.3 billion, and other intangible assets increased by ¥47.7 billion compared to the end of the previous fiscal year to ¥435.1 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.

<Current assets> As of June 30, 2017: ¥875.9 billion (a decrease of ¥0.7 billion)

- Cash and cash equivalents decreased by ¥26.5 billion compared to the end of the previous fiscal year to ¥314.4 billion.

Equity

Total equity as of June 30, 2017 saw an increase of ¥47.8 billion compared to the end of the previous fiscal year to ¥1,319.7 billion, making the ratio of owners' equity to gross assets 69.4%.

- While profit for the period stood at ¥42.5 billion, the Company paid ¥35.1 billion of dividends of surplus.
- The effect of foreign currency translation adjustments increased equity by ¥40.0 billion.
- Cancellation of treasury shares totaling ¥132.2 billion (85 million shares) was carried out on May 31, 2017.

Liabilities

Total liabilities increased by ¥32.5 billion compared to the end of the previous fiscal year to ¥581.6 billion.

<Non-current liabilities> As of June 30, 2017: ¥180.5 billion (an increase of ¥31.3 billion)

- Deferred tax liabilities increased by ¥19.2 billion compared to the end of the previous fiscal year to ¥44.5 billion, mainly due to the completion of the acquisition of Ogeda SA in the first quarter ended June 30, 2017.

<Current liabilities> As of June 30, 2017: ¥401.0 billion (an increase of ¥1.2 billion)

ii. Cash flow

Cash flows from operating activities

Net cash flows from operating activities in the first three months of FY2017 increased year-on-year by ¥41.3 billion to ¥59.5 billion.

- Income tax paid was ¥5.6 billion.

Cash flows from investing activities

Net cash flows used in investing activities in the first three months of FY2017 was ¥56.0 billion, an increase in outflow of ¥49.4 billion year-on-year.

- The outflows included cash of ¥55.4 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 three months of FY2017 was ¥36.2 billion, a decrease in outflow of ¥0.9 billion year-on-year.

- Dividends paid increased by ¥1.1 billion year-on-year to ¥35.1 billion.

As a result, cash and cash equivalents totaled ¥314.4 billion as of June 30, 2017, an decrease of ¥26.5 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 for FY2017 are shown below. The Company has chosen to leave its business forecasts unchanged from the consolidated full-year business forecasts announced in April 2017 .

Consolidated full-year business forecasts (core basis)

(Millions of yen)

	FY2016 Results	**FY2017 Forecasts**	Change (%)
Sales	1,311,665	**1,279,000**	-32,665 (-2.5%)
R&D expenses	208,129	**218,000**	+9,871 (+4.7%)
Core operating profit	274,554	**254,000**	-20,554 (-7.5%)
Core profit for the year	213,343	**195,000**	-18,343 (-8.6%)
Basic core earnings per share (yen)	101.15	**94.43**	-6.72 (-6.6%)

Consolidated full-year business forecasts (full basis)

(Millions of yen)

	FY2016 Results	**FY2017 Forecasts**	Change (%)
Sales	1,311,665	**1,279,000**	-32,665 (-2.5%)
Operating profit	260,830	**254,000**	-6,830 (-2.6%)
Profit before tax	281,769	**260,000**	-21,769 (-7.7%)
Profit for the year	218,701	**198,000**	-20,701 (-9.5%)
Basic earnings per share (yen)	103.69	**95.88**	-7.81 (-7.5%)

Expected exchange rate for FY2017	**¥110/US$**	**¥120/€**
Exchange rate for FY2016 (Result)	¥108/US$	¥119/€

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

(Millions of yen)

	Three months ended 30 June 2016	Three months ended 30 June 2017
Sales	337,752	322,571
Cost of sales	(71,465)	(79,272)
Gross profit	266,287	243,299
Selling, general and administrative expenses	(111,885)	(112,335)
Research and development expenses	(51,022)	(56,477)
Amortisation of intangible assets	(8,982)	(8,971)
Share of losses of associates and joint ventures	(446)	(392)
Other income	230	9,702
Other expense	(1,315)	(31,297)
Operating profit	92,866	43,529
Finance income	1,218	5,223
Finance expense	(899)	(281)
Profit before tax	93,184	48,471
Income tax expense	(26,572)	(6,003)
Profit for the period	66,613	42,468
Profit attributable to:		
Owners of the parent	66,613	42,468
Earnings per share		
Basic (Yen)	31.35	20.57
Diluted (Yen)	31.31	20.54

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended 30 June 2016	Three months ended 30 June 2017
Profit for the period	66,613	42,468
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(1,496)	1,343
Subtotal	(1,496)	1,343
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	(95,141)	40,039
Fair value movements on available-for-sale financial assets	(3,981)	(330)
Subtotal	(99,122)	39,710
Other comprehensive income, net of tax	(100,618)	41,053
Total comprehensive income	(34,006)	83,520
Total comprehensive income attributable to:		
Owners of the parent	(34,006)	83,520

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2017	As of 30 June 2017
Assets		
Non-current assets		
Property, plant and equipment	191,115	193,665
Goodwill	175,350	203,291
Other intangible assets	387,419	435,142
Trade and other receivables	22,263	23,437
Investments in associates and joint ventures	2,988	2,870
Deferred tax assets	90,349	94,858
Other financial assets	61,597	59,937
Other non-current assets	13,154	12,116
Total non-current assets	944,235	1,025,316
Current assets		
Inventories	182,537	168,272
Trade and other receivables	309,817	337,599
Income tax receivable	10,986	3,475
Other financial assets	13,554	32,086
Other current assets	18,849	20,072
Cash and cash equivalents	340,923	314,417
Sub total	876,665	875,921
Assets held for sale	—	—
Total current assets	876,665	875,921
Total assets	1,820,901	1,901,237

(Millions of yen)

	As of 31 March 2017	As of 30 June 2017
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,091	177,068
Treasury shares	(138,207)	(6,459)
Retained earnings	1,013,923	890,384
Other components of equity	116,002	155,658
Total equity attributable to owners of the parent	1,271,810	1,319,652
Total equity	1,271,810	1,319,652
Liabilities		
Non-current liabilities		
Trade and other payables	440	3,768
Deferred tax liabilities	25,343	44,519
Retirement benefit liabilities	36,614	36,855
Provisions	4,921	7,063
Other financial liabilities	28,389	33,726
Other non-current liabilities	53,528	54,605
Total non-current liabilities	149,235	180,536
Current liabilities		
Trade and other payables	182,826	152,683
Income tax payable	10,900	16,037
Provisions	96,589	114,644
Other financial liabilities	2,992	3,950
Other current liabilities	106,548	113,736
Total current liabilities	399,856	401,050
Total liabilities	549,091	581,585
Total equity and liabilities	1,820,901	1,901,237

(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	—	—	—	66,613	—	—
Other comprehensive income	—	—	—	—	—	(95,141)
Total comprehensive income	—	—	—	66,613	—	(95,141)
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(765)	—	—	—
Disposals of treasury shares	—	(78)	253	(103)	(71)	—
Cancellation of treasury shares	—	—	110,219	(110,219)	—	—
Dividends	—	—	—	(34,000)	—	—
Share-based payments	—	88	—	—	—	—
Transfers	—	—	—	(1,496)	—	—
Total transactions with owners of the parent	—	10	109,706	(145,817)	(71)	—
As of 30 June 2016	103,001	176,913	(47,405)	893,849	2,055	36,993

As of 1 April 2017	103,001	177,091	(138,207)	1,013,923	1,784	99,590
Comprehensive income						
Profit for the period	—	—	—	42,468	—	—
Other comprehensive income	—	—	—	—	—	40,039
Total comprehensive income	—	—	—	42,468	—	40,039
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(708)	—	—	—
Disposals of treasury shares	—	(159)	307	(95)	(54)	—
Cancellation of treasury shares	—	—	132,150	(132,150)	—	—
Dividends	—	—	—	(35,105)	—	—
Share-based payments	—	135	—	—	—	—
Transfers	—	—	—	1,343	—	—
Total transactions with owners of the parent	—	(24)	131,749	(166,007)	(54)	—
As of 30 June 2017	103,001	177,068	(6,459)	890,384	1,730	139,629

(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	―	―	―	66,613	66,613
Other comprehensive income	(3,981)	(1,496)	(100,618)	(100,618)	(100,618)
Total comprehensive income	(3,981)	(1,496)	(100,618)	(34,006)	(34,006)
Transactions with owners of the parent					
Acquisition of treasury shares	―	―	―	(765)	(765)
Disposals of treasury shares	―	―	(71)	0	0
Cancellation of treasury shares	―	―	―	―	―
Dividends	―	―	―	(34,000)	(34,000)
Share-based payments	―	―	―	88	88
Transfers	―	1,496	1,496	―	―
Total transactions with owners of the parent	―	1,496	1,425	(34,677)	(34,677)
As of 30 June 2016	25,122	―	64,169	1,190,527	1,190,527

As of 1 April 2017	14,629	―	116,002	1,271,810	1,271,810
Comprehensive income					
Profit for the period	―	―	―	42,468	42,468
Other comprehensive income	(330)	1,343	41,053	41,053	41,053
Total comprehensive income	(330)	1,343	41,053	83,520	83,520
Transactions with owners of the parent					
Acquisition of treasury shares	―	―	―	(708)	(708)
Disposals of treasury shares	―	―	(54)	0	0
Cancellation of treasury shares	―	―	―	―	―
Dividends	―	―	―	(35,105)	(35,105)
Share-based payments	―	―	―	135	135
Transfers	―	(1,343)	(1,343)	―	―
Total transactions with owners of the parent	―	(1,343)	(1,396)	(35,678)	(35,678)
As of 30 June 2017	14,299	―	155,658	1,319,652	1,319,652

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended 30 June 2016	Three months ended 30 June 2017
Cash flows from operating activities		
Profit before tax	93,184	48,471
Depreciation and amortisation	15,970	15,996
Impairment losses and reversal of impairment losses	—	25,953
Finance income and expense	(318)	(4,941)
(Increase) decrease in inventories	(10,947)	18,807
(Increase) decrease in trade and other receivables	(36,638)	(19,763)
Increase (decrease) in trade and other payables	(5,253)	(43,499)
Other	(14,678)	24,044
Cash generated from operations	41,320	65,068
Income tax paid	(23,170)	(5,576)
Net cash flows from operating activities	18,150	59,492
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,420)	(2,388)
Proceeds from sales of property, plant and equipment	485	149
Purchase of intangible assets	(1,012)	(3,650)
Purchase of available-for-sale financial assets	(189)	(129)
Proceeds from sales of available-for-sale financial assets	993	6,954
Acquisition of subsidiaries, net of cash acquired	—	(55,367)
Interest and dividends received	572	477
Other	(11)	(2,073)
Net cash flows used in investing activities	(6,583)	(56,026)
Cash flows from financing activities		
Acquisition of treasury shares	(765)	(708)
Dividends paid to owners of the parent	(34,000)	(35,105)
Other	(472)	(340)
Net cash flows used in financing activities	(35,237)	(36,154)
Effect of exchange rate changes on cash and cash equivalents	(24,375)	6,182
Net increase (decrease) in cash and cash equivalents	(48,044)	(26,506)
Cash and cash equivalents at the beginning of the year	360,030	340,923
Cash and cash equivalents at the end of the period	311,985	314,417

(6) Notes to condensed interim consolidated financial statements

Notes on going concern assumption

Not applicable.

Business Combinations

For the three months ended 30 June 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	(1,747)
Fair value of assets acquired and liabilities assumed (net)	49,004
Goodwill	26,058
Total	75,062
Cash	62,134
Contingent consideration	12,928
Total fair value of purchase consideration transferred	75,062

Certain items above reflect provisional amounts based on reasonable information obtained at 30 June 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 (38,391 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	75,062
Fair value of contingent consideration included in purchase consideration transferred	(12,928)
Purchase consideration payable	(6,248)
Cash and cash equivalents held by the acquiree	(519)
Acquisition of subsidiaries, net of cash acquired	55,367

(5) Acquisition-related costs

Acquisition-related costs: 59 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 three months ended 30 June 2017 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): Immaterial