

October 31, 2019

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Financial Results of Astellas for the First Six Months of FY2019

Japan, October 31, 2019 – Astellas Pharma Inc. (TSE: 4503, President and CEO: Kenji Yasukawa, “the Company”) today announced the financial results for the first six months (April 1, 2019 – September 30, 2019) of the fiscal year 2019 (FY2019) ending March 31, 2020.

Consolidated financial results for the first six months of FY2019 (core basis)

(Millions of yen)

	First six months of FY2018	First six months of FY2019	Change (%)
Revenue	647,096	650,470	+3,374 (+0.5%)
Core operating profit	154,191	167,951	+13,761 (+8.9%)
Core profit	124,790	135,903	+11,113 (+8.9%)

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 FY2019

(1) Business performance

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

Consolidated financial results (core basis) in the first six months of FY2019 are shown in the table below. Revenue, core operating profit and core profit increased across the board.

Consolidated financial results (core basis)

(Millions of yen)

	First six months of FY2018	First six months of FY2019	Change (%)
Revenue	647,096	650,470	+3,374 (+0.5%)
Cost of sales	143,539	138,872	-4,667 (-3.3%)
Selling, general and administrative expenses	231,530	226,067	-5,463 (-2.4%)
R&D expenses	99,566	104,974	+5,409 (+5.4%)
Amortisation of intangible assets	17,668	11,200	-6,468 (-36.6%)
Share of profit (loss) of investments accounted for using equity method	-602	-1,405	-803 (-)
Core operating profit	154,191	167,951	+13,761 (+8.9%)
Core profit	124,790	135,903	+11,113 (+8.9%)
Basic core earnings per share (yen)	63.92	72.07	+8.15 (+12.8%)

(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 of the "Supplementary Documents for Results Q2/FY2019."

Revenue

Revenue in the first six months of FY2019 increased by 0.5% compared to those in the corresponding period of the previous fiscal year (“year-on-year”) to ¥650.5 billion.

- Revenue increased due to expanding sales of main products and sales growth of new products, despite the impact of the end of exclusivity for overactive bladder (“OAB”) treatment Vesicare and anticancer drug Tarceva.
- Contributing to this increase in revenue was the continuing expansion of sales of XTANDI for the treatment of prostate cancer and OAB treatments Betanis / Myrbetriq / BETMIGA, as well as the launch of FLT3 inhibitor XOSPATA in Japan and United States in December 2018.
- In addition, the new product groups in Japan are achieving sales growth, notably EVENITY for the treatment of osteoporosis, which was launched in March 2019.

Core operating profit / Core profit

- Gross profit increased by 1.6% year-on-year to ¥511.6 billion. The cost-to-revenue ratio fell by 0.8 percentage points year-on-year to 21.3%, mainly owing to the foreign exchange rate impact from the elimination of unrealized gains.
- Selling, general and administrative expenses decreased by 2.4% year-on-year to ¥226.1 billion. Factors included an increase in XTANDI co-promotion fees in United States, which accompanied sales growth. There was also the investment required to start up operations for new products, but various efforts were employed to keep the increase in costs down through improving cost efficiency and optimizing resource allocation. In addition, during the first six months of FY2019, there was a reversal of loss allowances, which was a one-time factor affecting the first six months of FY2019 only, in reducing expenses.
- Research and development (R&D) expenses increased by 5.4% year-on-year to ¥105.0 billion. Expenses increased in relation to key post-POC pipeline projects and enhanced investment in new opportunities such as new areas and technologies. The R&D cost-to-revenue ratio was up 0.8 percentage points year-on-year to 16.1%.
- Amortisation of intangible assets decreased by 36.6% year-on-year to ¥11.2 billion.

As a result of the above, core operating profit increased by 8.9% year-on-year to ¥168.0 billion, and core profit increased by 8.9% year-on-year to ¥135.9 billion.

Impact of exchange rate on financial results

The exchange rates for the yen in the first six months of FY2019 are shown in the table below. The resulting impacts were a ¥18.4 billion decrease in revenue and a ¥0.7 billion decrease in core operating profit compared with if the exchange rates of the first six months of FY2018 were applied.

Average rate	First six months of FY2018	First six months of FY2019	Change
US\$/¥	110	109	¥2 (Strengthening of yen)
€/¥	130	121	¥8 (Strengthening of yen)

Change from beginning to end of period	As of September 30, 2018	As of September 30, 2019
US\$/¥	¥7 (Weakening of yen)	¥3 (Strengthening of yen)
€/¥	¥2 (Weakening of yen)	¥7 (Strengthening of yen)

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in the first six months of FY2019 are shown in the table below. Revenue, operating profit, profit before tax and profit increased across the board.

The full basis financial results include “Other income,” “Other expense” (including impairment losses and net foreign exchange losses), which are excluded from the core basis financial results.

“Other income” was ¥7.2 billion (¥4.7 billion in the same period of the previous fiscal year) mainly due to recording foreign exchange gains. “Other expense” was ¥13.0 billion (¥32.0 billion in the same period of the previous fiscal year). As a result of the development of selective neurokinin-3 (NK3) receptor antagonist fezolinetant advancing to Phase 3, there was an increase in the fair value of contingent consideration to former shareholders of Ogeda SA, which is paid commensurately with the progress of development, and this increased portion was recorded as “Other expense” in the first three months of FY2019.

Consolidated financial results (full basis)

(Millions of yen)

	First six months of FY2018	First six months of FY2019	Change (%)
Revenue	647,096	650,470	+3,374 (+0.5%)
Operating profit	126,842	162,196	+35,354 (+27.9%)
Profit before tax	128,298	161,584	+33,285 (+25.9%)
Profit	103,867	128,527	+24,661 (+23.7%)
Basic earnings per share (yen)	53.20	68.16	+14.96 (+28.1%)
Comprehensive income	150,222	74,581	-75,641 (-50.4%)

<Sales of Main Products>

(Billions of yen)

	First six months of FY2018	First six months of FY2019	Change
XTANDI	164.0	195.0	+18.9%
XOSPATA	–	5.7	–
Betanis / Myrbetriq / BETMIGA	68.6	78.8	+14.9%
Vesicare	48.1	25.1	-47.9%
Prograf*	100.4	96.2	-4.2%

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

<XTANDI>

- Sales increased by 18.9% year-on-year to ¥195.0 billion. Sales grew in all regions of Japan, United States, Established Markets*¹, Greater China*², and International*³.

<XOSPATA>

- Sales of XOSPATA, which was launched in Japan and United States in December 2018, were ¥5.7 billion.

<OAB products in Urology>

- Sales of Betanis / Myrbetriq / BETMIGA increased by 14.9% year-on-year to ¥78.8 billion. Sales increased in all regions. In addition, sales of Vesicare decreased by 47.9% year-on-year to ¥25.1 billion, impacted by the effect of generic drugs resulting from the end of exclusivity for the drug in United States and Europe.

<Prograf>

- Sales decreased by 4.2% year-on-year to ¥96.2 billion. While sales grew in Greater China, sales decreased in other regions.

<Other main products and new products>

- In Japan, sales of Suglat and SUJANU Combination Tablets for the treatment of type 2 diabetes mellitus, Repatha for the treatment of hypercholesterolemia and Linzess for the treatment of chronic constipation continued to grow. Also, sales of EVENITY, launched in March 2019, contributed to the increase in revenue.
- In United States, sales of azole antifungal CRESEMBA, etc. grew.

*1 Established Markets: Europe, Canada, Australia.

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

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

<Revenue by region>

Revenue by region is shown in the table below. Revenue in Japan, United States, etc. increased. Although the revenue of Established Markets decreased due to the foreign exchange rate impact, it increased when calculated excluding such adverse effects.

(Billions of yen)

	First six months of FY2018	First six months of FY2019	Change
Japan	180.7	183.3	+1.5%
United States	207.9	216.7	+4.2%
Established Markets	149.6	146.7	-1.9%
Greater China	29.3	29.4	+0.4%
International	63.2	63.4	+0.3%

(2) Financial position

i. Assets, equity and liabilities

An overview of the consolidated statement of financial position as of September 30, 2019 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of September 30, 2019 saw an increase of ¥82.2 billion compared to the end of the previous fiscal year to ¥1,979.8 billion.

<Non-current assets> As of September 30, 2019: ¥1,124.2 billion (an increase of ¥83.7 billion)

- Goodwill decreased by ¥6.5 billion compared to the end of the previous fiscal year to ¥219.4 billion, and intangible assets increased by ¥2.6 billion compared to the end of the previous fiscal year to ¥432.3 billion.
- Due to the application of IFRS 16 "Leases," right-of-use assets of ¥83.1 billion was recognized at the beginning of the period. Consequently, property, plant and equipment increased by ¥81.2 billion compared to the end of the previous fiscal year to ¥254.7 billion.

<Current assets> As of September 30, 2019: ¥855.6 billion (a decrease of ¥1.6 billion)

- Cash and cash equivalents increased by ¥0.3 billion compared to the end of the previous fiscal year to ¥311.4 billion.

Equity

Total equity as of September 30, 2019 saw an increase of ¥37.7 billion compared to the end of the previous fiscal year to ¥1,296.1 billion, making the ratio of equity attributable to owners of the parent to gross assets 65.5%.

- While profit stood at ¥128.5 billion, the Company paid ¥35.8 billion of dividends of surplus.
- Exchange differences on translation of foreign operations decreased equity by ¥46.5 billion.
- Cancellation of treasury shares totaling ¥159.6 billion (91 million shares) was carried out in May 2019.

Liabilities

Total liabilities increased by ¥44.4 billion compared to the end of the previous fiscal year to ¥683.7 billion.

<Non-current liabilities> As of September 30, 2019: ¥200.1 billion (an increase of ¥58.5 billion)

- Due to the application of IFRS 16 "Leases," lease liabilities of ¥75.5 billion was recognized at the beginning of the period. Consequently, other financial liabilities

increased by ¥67.6 billion compared to the end of the previous fiscal year to ¥120.5 billion.

<Current liabilities> As of September 30, 2019: ¥483.6 billion (a decrease of ¥14.0 billion)

- Due to the application of IFRS 16 “Leases,” lease liabilities of ¥16.9 billion was recognized at the beginning of the period. Consequently, other financial liabilities increased by ¥31.3 billion compared to the end of the previous fiscal year to ¥45.4 billion.

ii. Cash flow

Cash flows from operating activities

Net cash flows from operating activities in the first six months of FY2019 decreased year-on-year by ¥10.4 billion to ¥101.7 billion.

Cash flows from investing activities

Net cash flows used in investing activities in the first six months of FY2019 was ¥46.6 billion, an increase in outflow of ¥38.8 billion year-on-year.

Cash flows from financing activities

Net cash flows used in financing activities in the first six months of FY2019 was ¥46.0 billion, a decrease in outflow of ¥90.5 billion year-on-year.

- Dividends paid increased by ¥0.3 billion year-on-year to ¥35.8 billion.

As a result, cash and cash equivalents totaled ¥311.4 billion as of September 30, 2019, an increase of ¥0.3 billion compared to the end of the previous fiscal year.

(3) Consolidated business forecasts for FY2019 and other forward-looking statements

Consolidated full-year business forecasts for FY2019 are shown below.

Consolidated full-year business forecasts (core basis)

(Millions of yen)

	FY2019 Initial forecasts	FY2019 Revised forecasts	Change	FY2018 Results
Revenue	1,224,000	1,256,000	+32,000	1,306,348
R&D expenses	211,000	216,000	+5,000	208,682
Core operating profit	240,000	264,000	+24,000	278,514
Core profit	194,000	214,000	+20,000	249,343
Basic core earnings per share (yen)	102.87	113.49	+10.62	129.07

Consolidated full-year business forecasts (full basis)

(Millions of yen)

	FY2019 Initial forecasts	FY2019 Revised forecasts	Change	FY2018 Results
Revenue	1,224,000	1,256,000	+32,000	1,306,348
Operating profit	229,000	263,000	+34,000	243,912
Profit before tax	230,000	263,000	+33,000	248,967
Profit	182,000	210,000	+28,000	222,265
Basic earnings per share (yen)	96.51	111.37	+14.86	115.05

The Company has revised its forecasts from the figures announced in April 2019 (“initial forecasts”) based on the financial results for the first six months of FY2019 and the trend of foreign exchange rates. Regarding business forecasts on a core basis, revenue, core operating profit, and core profit have been revised upward. Revised expected exchange rates are anticipated to cause a ¥27.9 billion decrease in revenue and a ¥7.0 billion decrease in core operating profit compared to if the expected exchange rates of the initial forecasts were applied.

The Company forecasts revenue of ¥1,256.0 billion (upwardly revised by ¥32.0 billion from the initial forecasts). Sales of products including XTANDI, Prograf, and the new product groups in Japan, notably EVENITY, are projected to exceed the initial forecasts.

Selling, general and administrative expenses are anticipated to fall below the initial forecasts due mainly to the impact of exchange rates although XTANDI co-promotion fees in the United States are projected to increase. On the contrary, R&D expenses are projected to exceed the initial forecasts due mainly to an increase of expenses in relation to key post-POC pipeline projects.

As a result of the above, the Company forecasts core operating profit and core profit of ¥264.0 billion (upwardly revised by ¥24.0 billion from the initial forecasts) and ¥214.0 billion (upwardly revised by ¥20.0 billion from the initial forecasts), respectively.

Regarding business forecasts on a full basis, in addition to the revision to business forecasts on a core basis, the Company has taken into account the “Other income” and “Other expense”, recorded in the first six months of FY2019, as well as the forecasts for the remaining of the year, and upwardly revised the operating profit, profit before tax, and profit.

Expected exchange rate for

FY2019 (Forecast)	¥108/US\$	¥120/€
(Expected exchange rate for the last six months of FY2019: ¥108/US\$, ¥118/€)		
FY2018 (Result)	¥111/US\$	¥128/€

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

(Millions of yen)

	Six months ended 30 September 2018	Six months ended 30 September 2019
Revenue	647,096	650,470
Cost of sales	(143,539)	(138,872)
Gross profit	503,557	511,597
Selling, general and administrative expenses	(231,530)	(226,067)
Research and development expenses	(99,566)	(104,974)
Amortisation of intangible assets	(17,668)	(11,200)
Share of profit (loss) of investments accounted for using equity method	(602)	(1,405)
Other income	4,697	7,248
Other expense	(32,045)	(13,004)
Operating profit	126,842	162,196
Finance income	2,106	1,336
Finance expense	(650)	(1,949)
Profit before tax	128,298	161,584
Income tax expense	(24,432)	(33,056)
Profit	103,867	128,527
Profit attributable to:		
Owners of the parent	103,867	128,527
Earnings per share		
Basic (Yen)	53.20	68.16
Diluted (Yen)	53.14	68.10

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended 30 September 2018	Six months ended 30 September 2019
Profit	103,867	128,527
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	7,847	(6,917)
Remeasurements of defined benefit plans	461	(577)
Subtotal	<u>8,308</u>	<u>(7,494)</u>
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	38,048	(46,452)
Subtotal	<u>38,048</u>	<u>(46,452)</u>
Other comprehensive income	<u>46,356</u>	<u>(53,946)</u>
Total comprehensive income	<u>150,222</u>	<u>74,581</u>
Total comprehensive income attributable to:		
Owners of the parent	150,222	74,581

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2019	As of 30 September 2019
Assets		
Non-current assets		
Property, plant and equipment	173,483	254,707
Goodwill	225,864	219,365
Intangible assets	429,707	432,338
Trade and other receivables	25,248	33,404
Investments accounted for using equity method	3,653	4,916
Deferred tax assets	92,958	91,966
Other financial assets	81,457	77,201
Other non-current assets	8,121	10,321
Total non-current assets	<u>1,040,489</u>	<u>1,124,219</u>
Current assets		
Inventories	151,511	148,036
Trade and other receivables	342,628	335,773
Income tax receivable	20,113	17,898
Other financial assets	2,607	19,957
Other current assets	25,080	22,565
Cash and cash equivalents	311,074	311,367
Subtotal	<u>853,012</u>	<u>855,596</u>
Assets held for sale	4,147	—
Total current assets	<u>857,159</u>	<u>855,596</u>
Total assets	<u><u>1,897,648</u></u>	<u><u>1,979,816</u></u>

(Millions of yen)

	As of 31 March 2019	As of 30 September 2019
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,301	177,163
Treasury shares	(164,629)	(5,554)
Retained earnings	991,957	924,739
Other components of equity	150,767	96,787
Total equity attributable to owners of the parent	1,258,396	1,296,135
Total equity	1,258,396	1,296,135
Liabilities		
Non-current liabilities		
Trade and other payables	1,572	2,966
Deferred tax liabilities	5,175	4,890
Retirement benefit liabilities	40,163	40,090
Provisions	5,416	2,968
Other financial liabilities	52,882	120,509
Other non-current liabilities	36,379	28,632
Total non-current liabilities	141,587	200,055
Current liabilities		
Trade and other payables	185,280	160,333
Income tax payable	17,587	27,973
Provisions	22,843	14,862
Other financial liabilities	14,136	45,429
Other current liabilities	255,913	235,029
Subtotal	495,759	483,626
Liabilities directly associated with assets held for sale	1,906	—
Total current liabilities	497,665	483,626
Total liabilities	639,252	683,681
Total equity and liabilities	1,897,648	1,979,816

(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 2018	103,001	177,219	(135,951)	976,076	1,477	128,179
Cumulative effect of accounting change	—	—	—	—	—	—
Restated balance	103,001	177,219	(135,951)	976,076	1,477	128,179
Comprehensive income						
Profit	—	—	—	103,867	—	—
Other comprehensive income	—	—	—	—	—	38,048
Total comprehensive income	—	—	—	103,867	—	38,048
Transactions with owners						
Acquisition of treasury shares	—	—	(100,439)	—	—	—
Disposals of treasury shares	—	(281)	607	(229)	(96)	—
Cancellation of treasury shares	—	—	130,419	(130,419)	—	—
Dividends	—	—	—	(35,571)	—	—
Share-based payments	—	183	—	—	—	—
Transfers	—	—	—	453	—	—
Total transactions with owners	—	(99)	30,587	(165,765)	(96)	—
As of 30 September 2018	103,001	177,120	(105,364)	914,177	1,381	166,227

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

(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	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
As of 1 April 2018	18,289	—	—	147,945	1,268,289	1,268,289
Cumulative effect of accounting change	(18,289)	18,289	—	—	—	—
Restated balance	—	18,289	—	147,945	1,268,289	1,268,289
Comprehensive income						
Profit	—	—	—	—	103,867	103,867
Other comprehensive income	—	7,847	461	46,356	46,356	46,356
Total comprehensive income	—	7,847	461	46,356	150,222	150,222
Transactions with owners						
Acquisition of treasury shares	—	—	—	—	(100,439)	(100,439)
Disposals of treasury shares	—	—	—	(96)	0	0
Cancellation of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	—	(35,571)	(35,571)
Share-based payments	—	—	—	—	183	183
Transfers	—	7	(461)	(453)	—	—
Total transactions with owners	—	7	(461)	(549)	(135,826)	(135,826)
As of 30 September 2018	—	26,143	—	193,751	1,282,685	1,282,685

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

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended 30 September 2018	Six months ended 30 September 2019
Cash flows from operating activities		
Profit before tax	128,298	161,584
Depreciation and amortisation	31,845	31,146
Impairment losses (reversal of impairment losses)	7,574	83
Finance income and expense	(1,456)	613
(Increase) decrease in inventories	3,638	(4,583)
(Increase) decrease in trade and other receivables	5,689	(6,945)
Increase (decrease) in trade and other payables	(11,423)	(24,507)
Other	(11,451)	(37,201)
Subtotal	152,713	120,189
Income tax paid	(40,626)	(18,530)
Net cash flows from operating activities	112,086	101,659
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,142)	(16,562)
Proceeds from sales of property, plant and equipment	14,574	77
Purchase of intangible assets	(9,857)	(15,819)
Payments for acquisition of subsidiaries	(1,426)	(5,078)
Interest and dividends received	1,420	1,267
Other	(3,343)	(10,439)
Net cash flows provided by (used in) investing activities	(7,773)	(46,553)
Cash flows from financing activities		
Acquisition of treasury shares	(100,439)	(1,187)
Dividends paid to owners of the parent	(35,571)	(35,831)
Repayments of lease liabilities	—	(8,199)
Other	(465)	(739)
Net cash flows used in financing activities	(136,474)	(45,956)
Effect of exchange rate changes on cash and cash equivalents	7,297	(8,857)
Net increase (decrease) in cash and cash equivalents	(24,864)	293
Cash and cash equivalents at the beginning of the year	331,731	311,074
Cash and cash equivalents at the end of the period	306,867	311,367

(6) Notes to condensed interim consolidated financial statements

Notes on going concern assumption

Not applicable.

Significant accounting policies

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those applied for the consolidated financial statements for the fiscal year ended 31 March 2019 with exception of the item described below.

Astellas Pharma Inc. and its subsidiaries (collectively, the “Group”) calculated income tax expense for the six months ended 30 September 2019 based on the estimated average annual effective tax rate.

The Group has newly adopted the following standard from the three months ended 30 June 2019:

IFRS		Summary of new or amended IFRS standard and interpretations
IFRS 16	Leases	Amendments related to accounting treatment for leases

With the application of IFRS 16, the Group adopts the practical expedient whereby the Group does not reassess whether a contract is, or contains, a lease at the date of initial application. The Group adopts the method whereby the cumulative effect of initially applying this standard is recognised at the date of initial application as a transitional measure.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on the substance of the contract. The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease and periods covered by an option to terminate the lease, as well as using hindsight at the date of initial application. The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics. For short-term leases and leases for which the underlying asset is of low value, the Group may recognise the lease payments as an expense over the lease term instead of recognising a right-of-use asset and a lease liability.

1) Right-of-use asset

The right-of-use assets are initially measured at cost, which comprises the amount of the initial measurement of the corresponding lease liability adjusted for initial direct costs, etc.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term.

2) Lease liability

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, which is discounted using the interest rate implicit in the lease. If that rate can not be readily determined, the Group uses its incremental borrowing rate.

After the commencement date, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasured to reflect any reassessment or lease modifications when necessary.

Due to the application of IFRS 16, the Group recognises right-of-use assets of 83,061 million yen as “Property, plant and equipment”, lease liabilities of 75,455 million yen and 16,859 million yen as “other financial liabilities” in non-current liabilities and current liabilities, respectively, in the condensed interim consolidated statement of financial position at the date of initial application. There is no material impact on the other assets and liabilities. There is no impact on the beginning balance of retained earnings. There is no material impact on the condensed interim consolidated statement of income. The lease payments are recognised in the condensed interim consolidated statement of cash flows mainly as cash flows from financing activities, whereas previously such payments were recognised as cash flows from operating activities.