April 26, 2018

Contact:
Corporate Communications,
Astellas Pharma Inc.
TEL +81-3-3244-3201

Financial Results of Astellas for Fiscal Year 2017

Japan, April 26, 2018 – Astellas Pharma Inc. (TSE: 4503, President and CEO: Kenji Yasukawa, "the Company") today announced the financial results for fiscal year 2017 (FY2017) ended March 31, 2018.

Consolidated financial results for FY2017 (April 1, 2017 – March 31, 2018) (core basis)

(Millions of yen)

	FY2016	**FY2017**	Change (%)
Sales	1,311,665	**1,300,316**	-11,349 (-0.9%)
Core operating profit	274,554	**268,698**	-5,856 (-2.1%)
Core profit for the year	213,343	**204,326**	-9,017 (-4.2%)

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. Overview of business performance and others

(1) Overview of business performance and financial position for FY2017

1) Overview of consolidated financial results for FY2017

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

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

Consolidated financial results (core basis)

(Millions of yen)

	FY2016	**FY2017**	Change (%)
Sales	1,311,665	**1,300,316**	-11,349 (-0.9%)
Cost of sales	320,503	**294,250**	-26,254 (-8.2%)
Selling, general and administrative expenses	470,777	**478,330**	+7,553 (+1.6%)
R&D expenses	208,129	**220,781**	+12,652 (+6.1%)
Amortisation of intangible assets	35,837	**35,838**	+1 (+0.0%)
Share of profits/losses of associates and joint ventures	-1,864	**-2,419**	-555 (–)
Core operating profit	274,554	**268,698**	-5,856 (-2.1%)
Core profit for the year	213,343	**204,326**	-9,017 (-4.2%)
Basic core earnings per share (yen)	101.15	**100.64**	-0.51 (-0.5%)

(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 41 of the "Supplementary Documents for Results FY2017."

Sales

Consolidated sales in FY2017 decreased by 0.9% compared to those in the previous fiscal year ("year-on-year") to ¥1,300.3 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 year

- Gross profit increased by 1.5% year-on-year to ¥1,006.1 billion. The cost-to-sales ratio fell by 1.8 percentage points year-on-year to 22.6%, 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 1.6% year-on-year to ¥478.3 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 6.1% year-on-year to ¥220.8 billion, 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 1.1 percentage points year-on-year to 17.0%.
- Amortisation of intangible assets increased by 0.0% year-on-year to ¥35.8 billion.

As a result of the above, core operating profit decreased by 2.1% year-on-year to ¥268.7 billion and core profit for the year decreased by 4.2% year-on-year to ¥204.3 billion.

Impact of exchange rate on financial results

The exchange rates for the yen in FY2017 are shown in the table below. The resulting impacts were a ¥43.3 billion increase in sales and a ¥13.1 billion increase in core operating profit compared with if the exchange rates of FY2016 were applied.

Average rate	FY2016	**FY2017**	Change
US$/¥	108	**111**	¥2 (Weakening of yen)
€/¥	119	**130**	¥11 (Weakening of yen)

Change from beginning to end of period	As of March 31, 2017	**As of March 31, 2018**
US$/¥	¥0 (Strengthening of yen)	**¥6** **(Strengthening of yen)**
€/¥	¥8 (Strengthening of yen)	**¥11** **(Weakening of yen)**

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in FY2017 are shown in the table below. Sales, operating profit, profit before tax and profit for the year 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.
Impairment losses and other items were recorded in “Other expense”, due to reviewing development project plans pertaining to Ganymed Pharmaceuticals AG and termination of research operation of Agensys , Inc. Meanwhile, a gain from remeasurement relating to the business was recorded in “Other income” due to the completion of the acquisition of Mitobridge , Inc. In addition to the aforementioned, as the Company also recorded foreign exchange losses among other factors, in FY2017, “Other income” was ¥11.9 billion (¥9.6 billion in the previous fiscal year) and “Other expense” was ¥67.3 billion (¥23.3 billion in the previous fiscal year). Gain on sales of available-for-sale financial assets in FY2017 was ¥4.7 billion (¥21.3 billion in the previous fiscal year).

Consolidated financial results (full basis)

(Millions of yen)

	FY2016	**FY2017**	Change (%)
Sales	1,311,665	**1,300,316**	-11,349 (-0.9%)
Operating profit	260,830	**213,258**	-47,572 (-18.2%)
Profit before tax	281,769	**218,113**	-63,656 (-22.6%)
Profit for the year	218,701	**164,679**	-54,022 (-24.7%)
Basic earnings per share (yen)	103.69	**81.11**	-22.58 (-21.8%)
Comprehensive income	174,644	**198,539**	+23,895 (+13.7%)

<Sales of Main Products>

Sales of three main therapeutic areas

(Billions of yen)

	FY2016	**FY2017**	Change
Oncology franchise	307.7	**345.2**	+12.2%
XTANDI	252.1	**294.3**	+16.8%
Urology OAB franchise	214.9	**228.1**	+6.1%
Vesicare	116.1	**102.3**	-11.9%
Betanis / Myrbetriq / BETMIGA	98.8	**125.7**	+27.2%
Transplantation franchise	186.2	**198.5**	+6.6%

<Oncology franchise>

- Sales of XTANDI increased by 16.8% year-on-year to ¥294.3 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 27.2% year-on-year to ¥125.7 billion. Sales increased in all regions of Japan, the Americas, EMEA, and Asia and Oceania. On the other hand, sales of Vesicare decreased by 11.9% year-on-year to ¥102.3 billion.

<Transplantation franchise>

- Sales of Prograf increased by 6.6% year-on-year to ¥198.5 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. Meanwhile, we have been working on the steady market penetration of the new products Repatha for the treatment of hypercholesterolemia (launched in April 2016) and Linzess for the treatment of irritable bowel syndrome with constipation (launched 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.

	FY2016	**FY2017**	Change
Japan (Billions of yen)	480.8	**421.2**	-12.4%
Of which, sales in the Japanese market	452.7	**383.4**	-15.3%
The Americas (Millions of U.S. dollars)	3,805	**3,909**	+2.7%
EMEA (Millions of euro)	2,785	**2,651**	-4.8%
Asia and Oceania (Billions of yen)	87.7	**102.0**	+16.3%

*Sales by region calculated according to locations of sellers.

2) Other

The Company has pursued initiatives geared towards achieving sustainable growth over the mid to long term, based on its three-year Strategic Plan 2015–2017 whose final year was FY2017 and which set forth three main strategies geared toward: “Maximizing the Product Value,” “Creating Innovation” and “Pursuing Operational Excellence.”
The following are the main initiatives during the FY2017:

<Initiatives for Maximizing the Product Value>

The Company has been making efforts to steadily develop and maximize the value of products that have been realized through our investments to date in the oncology franchise, centered on XTANDI, and in the overactive bladder (“OAB”) franchise comprised of Vesicare and Betanis / Myrbetriq / BETMIGA, among others.

- We are working to expand sales of our growth driver XTANDI, a treatment of prostate cancer, in approx. 70 countries, as of March 31, 2018. Along with expanding sales of XTANDI to new regions, the Company has been working to expand the indication in each country and further increase the market penetration of this drug to chemotherapy-naïve patients. Moreover, we have been steadily advancing clinical trials with the aim of expanding indications for earlier stages of prostate cancer.

- Betanis / Myrbetriq / BETMIGA has earned a strong reputation as a new treatment option of OAB treatments. Number of countries/areas where Betanis / Myrbetriq / BETMIGA launched are approx. 50, as of March 31, 2018. Looking ahead to when the patent protection duration for Vesicare will expire, which is to be from 2019 onward, the Company has been focusing on achieving further market penetration for Betanis / Myrbetriq / BETMIGA to maximize the value of the OAB franchise as a whole.

In addition to these efforts in maximizing the value of global products, we has been focusing our efforts on mainstay product and new product groups in each region. The following are main newly launched products in FY2017.

- In January 2018, Amgen Astellas BioPharma K.K., a joint venture between the Company and Amgen Inc. (U.S.), launched sales in Japan of the Repatha SC injection 420mg Auto Mini Doser, an additional dosage formulation of Repatha*.

  *Indication: Familial Hypercholesterolemia, Hypercholesterolemia. Only when patients who have high risk in cardiovascular events and do not adequately respond to HMG-CoA Reductase Inhibitors.

  *The official guidance for points of consideration regarding Repatha under the coverage of NHI is issued by Medical Affairs Division of Ministry of Health, Labour and Welfare.

- In November 2017, the Company concluded a co-promotion agreement in Japan with MSD K.K. for SUJANU Combination Tablets, a combination drug of the DPP-4 inhibitor sitagliptin phosphate hydrate (brand name: JANUVIA Tablets) and Suglat Tablets.

<Initiatives for Creating Innovation>

To create innovation, the wellspring of our sustainable growth, we have been further enhancing our capabilities to deliver innovative medicine while actively advancing into new opportunities. In addition to the existing focus therapeutic areas, the Company is actively taking on challenges in new therapeutic areas including muscle diseases and ophthalmology as well as new technologies and modalities including next-generation vaccines and cell therapies. While utilizing alliance opportunities with external partners that have strong expertize, the Company has been striving to achieve long-term growth through investments in new innovation.

- In April 2017, the Company and Kyoto University opened the Alliance Station as part of a new open innovation scheme at Kyoto University to realize advanced medical treatments, and established the Alliance Laboratory for Advanced Medical Research in Graduate School of Medicine Kyoto University, which is intended to be a platform for implementing this framework.

- In May 2017, with the aim of further enriching our development pipeline, we have completed the acquisition of Ogeda SA in Belgium and made it a wholly owned subsidiary. With this acquisition we gained the NK3 receptor antagonist fezolinetant (generic name, development code: ESN364), which is in development for menopause-related vasomotor symptoms.

- In May 2017, the Company signed an agreement to broaden the scope of our collaborative research with the Institute of Medical Science of the University of Tokyo, which is utilizing the MucoRice rice-based oral vaccine, to include viral gastroenteritis diarrhea in addition to the existing cholera and enterotoxigenic Escherichia coli (E.coli). Furthermore, in December 2017, the Company signed a collaborative research agreement aiming at the practical application of the rice-based oral vaccine MucoRice-CTB with the Institute of Medical Science of the University of Tokyo, Chiba University, and ASAHI KOGYOSHA CO., LTD.

- In October 2017, as part of our open innovation with Mitsubishi Tanabe Pharma Corporation and Daiichi Sankyo Company, Limited, we agreed to jointly conduct “JOINUS,” a new drug discovery program using a drug-repositioning compound library, and launched the program.

- In October 2017, the Astellas Institute for Regenerative Medicine (AIRM, U.S.), the Company's international center for regenerative medicine and cell therapy research, entered into an exclusive worldwide license agreement with Universal Cells Inc. (U.S.), which owns a proprietary Universal Donor Cell technology to produce pluripotent stem cells that have the potential to lower immunological rejection, for research, development, and commercialization of new cell therapies. Furthermore, in February 2018, the Company acquired Universal Cells Inc.

- In November 2017, the Company exercised its exclusive option right to acquire Mitobridge, Inc., its partner in R&D collaboration in the field of mitochondrial diseases, in which effective treatment options have not yet been established. In January 2018, Mitobridge became a wholly-owned subsidiary of the Company.

- In February 2018, the Company entered into the global exclusive licensing agreements on development/commercialization of immunostimulating gene loading oncolytic virus with Tottori University.

With respect to clinical development, the Company has been accelerating the speed by concentrating management resources on high-priority projects. The following are the main development advances made during the FY2017:

- In September 2017, during phase 3 PROSPER trial, the oral androgen receptor-inhibitor enzalutamide (generic name, brand name: XTANDI) for non-metastatic castration-resistant prostate cancer patients, achieved its primary endpoint of improved metastasis-free survival. In January 2018, based on the result of the trial, the Company filed applications for approval of an additional indication for non-metastatic castration-resistant prostate cancer in Europe and the U.S., respectively. Furthermore, regarding the requested approval of an additional dosage form of XTANDI Tablets, in February 2018, approval was received in Japan for castration-resistant prostate cancer.

- The FLT3/AXL inhibitor gilteritinib (generic name, development code: ASP2215) has been granted Orphan Drug Designation in the U.S. in July 2017, in Europe in January 2018, and in Japan in March 2018, respectively. Furthermore, in the U.S., it has received Fast Track Designation as the treatment of adult patients with FLT3 mutation-positive(FLT3mut+) relapsed or refractory acute myeloid leukemia in October 2017.

- In May 2017, MSD K.K filed an application for approval in Japan with regard to the indication of type 2 diabetes for SUJANU Combination Tablets, a combination drug of JANUVIA Tablets and Suglat Tablets. In March 2018, MSD K.K. obtained approval for the indication of type 2 diabetes.

- In June 2017, the Company filed an application for approval in the U.S. for the use of mirabegron in combination with solifenacin succinate 5mg for the treatment of OAB.

- In July 2017, the Company filed an application for marketing approval in Japan with regard to the oral macrocyclic antimicrobial agent fidaxomicin for the treatment of infectious enteritis (including pseudomembranous colitis).

- In August 2017, Amgen Astellas BioPharma K.K. obtained approval in Japan for the Repatha SC Injection 420mg Auto Mini Doser, an additional dosage formulation of Repatha.

- In September 2017, the Company filed an application for approval for Linzess in Japan, as an additional indication of chronic constipation (other than constipation associated with organic disorders).

- In November 2017, the Company submitted a new drug application in Japan for a 12-week extended-release formulation as an additional dosage formulation of Gonax for the treatment of prostate cancer.

- In January 2018, Amgen Astellas BioPharma K.K. submitted an application in Japan for the bispecific CD19-directed CD3 T cell engager antibody construct blinatumomab (Genetically Recombination) (generic name, development code: AMG103) to treat relapsed or refractory B-cell precursor acute lymphoblastic leukemia.

- In January 2018, the Company submitted an application for the additional indication of Suglat for the treatment of type 1 diabetes mellitus in Japan.

- In February 2018, the Company obtained approval in Europe for solifenacin succinate(generic name, development code: YM905) oral suspension for the treatment of neurogenic detrusor overactivity (NDO) in pediatric patients aged 2 to 18 years.

- In March 2018, enfortumab vedotin, an Antibody-Drug Conjugate (ADC), has been granted Breakthrough Therapy Designation for the treatment of patients with locally advanced or metastatic urothelial cancer who were previously treated with checkpoint inhibitors in the U.S.

- In July 2017, the Company announced the end of joint development of enzalutamide (generic name, development code: MDV3100) with Pfizer Inc. (U.S.) in advanced, triple-negative breast cancer, and the end of development of the selective tyrosine kinase inhibitor naquotinib (generic name, development code: ASP8273) for non-small cell lung cancer (NSCLC) harboring sensitizing epidermal growth factor receptor (EGFR) mutation. Furthermore, with respect to the in-licensing agreement for a

cytomegalovirus vaccine with Vical Incorporated (U.S.), the Company exercised its right to terminate the agreement in February 2018, and the agreement is scheduled to be terminated in August 2018.

<Initiatives for Pursuing Operational Excellence>

In order to strengthen the foundations of our business operations, we have been not only actively investing in fields that promise growth and a superior position competitively, but also continuing to work at optimizing the allocation of our management resources such as by restricting investment in non-growth areas. The Company has been continuing to engage in initiatives in anticipation of changing environments from various perspectives with the aims of creating organizations and systems capable of resiliently responding to changing environments and further improving quality and efficiency of operations.

- In April 2017, with regard to the transfer of 16 long-listed products in Japan, supply business of active pharmaceutical ingredients/bulk of these products to third parties in Japan and outside of Japan and royalty business of these products to LTL Pharma Co., Ltd., the conditions prescribed in the asset purchase agreement came into effect. In FY2017, the Company succeeded to LTL Pharma Co., Ltd. the manufacturing and marketing approval for multiple products.

- In April 2017, we newly established a new global function that will manage the respective regional legal functions and intellectual property functions of Japan, the Americas, EMEA, and Asia and Oceania.

- In October 2017, the Company succeeded to Maruho Co., Ltd. the manufacturing and marketing approval in Japan for Protopic, a treatment for atopic dermatitis.

- The Company terminated research operations of Agensys, Inc. (USA), a consolidated subsidiary of the Company, by March 2018. In the oncology research, the Company will further refine its oncology strategy by expanding its investment in the research in new technologies and modalities and reducing its focus on Antibody-Drug Conjugate (ADC) research.

Enhancing and strengthening the corporate governance system

The Company recognizes enhancing and strengthening the corporate governance system as a material issue for management and to this date has been pushing ahead with continuous initiatives. Amid ongoing globalization and complication of the business environment, the Company is working to achieve sustainable improvement of enterprise value. To realize this, the Company resolved at the meeting of the Board of Directors held in January 2018 to transition to a company with an Audit & Supervisory Committee, which will enable the delegation of a substantial part of the Board of Directors' decision-making authority of the execution of business to executive Directors. In this way, the Company will further enhance deliberation on matters such as business strategy in the Board of Directors and further strengthen the supervisory functions of the Board of Directors.

The transition is subject to the approval at the Company's 13th Term Annual Shareholders Meeting to be held in June 2018.

3) Overview of financial position

i. Assets, equity and liabilities

An overview of the consolidated statement of financial position as of March 31, 2018 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets saw an increase of ¥44.1 billion compared to the end of the previous fiscal year to ¥1,858.2 billion.

<Non-current assets> ¥1,012.6 billion (an increase of ¥75.2 billion)

- Goodwill increased by ¥44.5 billion compared to the end of the previous fiscal year to ¥213.0 billion, and other intangible assets increased by ¥29.5 billion compared to the end of the previous fiscal year to ¥416.9 billion. These increases are due to the completion of the acquisition of Ogeda SA and Mitobridge Inc. and other factor.

<Current assets> ¥845.6 billion (a decrease of ¥31.0 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 March 31, 2018 saw a decrease of ¥3.5 billion compared to the end of the previous fiscal year to ¥1,268.3 billion, making the ratio of equity attributable to owners of the parent to gross assets 68.3%.

- While profit for the year stood at ¥164.7 billion, the Company paid ¥71.6 billion of dividends of surplus and executed a ¥130.7 billion acquisition of own shares.
- The effect of foreign currency translation adjustments increased equity by ¥28.6 billion.
- Cancellation of treasury shares totaling ¥132.2 billion (85 million shares) was carried out on May 31, 2017.

Liabilities

Total liabilities increased by ¥47.7 billion compared to the end of the previous fiscal year to ¥589.9 billion.

<Non-current liabilities> ¥168.3 billion (an increase of ¥25.9 billion)

<Current liabilities> ¥421.6 billion (an increase of ¥21.8 billion)

ii. Cash flow

Cash flows from operating activities

Net cash flows from operating activities increased year-on-year by ¥77.0 billion to ¥312.6 billion.

- Income tax paid was ¥65.0 billion.

Cash flows from investing activities

Net cash flows used in investing activities was ¥121.8 billion, an increase in outflow of ¥48.4 billion year-on-year.

- The outflows included cash of ¥83.7 billion used for the purchase of shares of subsidiaries mainly due to the acquisition of Ogeda SA.

Cash flows from financing activities

Net cash flows used in financing activities was ¥203.4 billion, an increase in outflow of ¥37.3 billion year-on-year.

- Dividends paid increased by ¥1.5 billion year-on-year to ¥71.6 billion. In addition, the Company executed a ¥130.7 billion acquisition of own shares.

As a result, cash and cash equivalents totaled ¥331.7 billion as of March 31, 2018, a decrease of ¥9.2 billion compared to the end of the previous fiscal year.

Cash flow indicators

	FY2015	FY2016	FY2017
Ratio of owners' equity to gross assets (%)	70.0	70.1	68.3
Ratio of owners' equity to gross assets on a fair market value basis (%)	176.7	166.9	171.6
Cash flows to interest-bearing liabilities ratio (%)	0.0	0.0	0.0
Interest coverage ratio (times)	–	–	–

- Ratio of owners' equity to gross assets: equity attributable to owners of parent / total assets
- Ratio of owners' equity to gross assets on a fair market value basis: market capitalization / total assets
- Cash flows to interest-bearing liabilities ratio: interest-bearing liabilities / cash flows
- Interest coverage ratio: cash flows / interest payment

(Notes)

1. Each indicator is calculated using financial data on a consolidated basis.
2. Market capitalization is calculated based on the total number of issued shares (after eliminating treasury share).
3. Cash flows from operating activities are used as cash flows.
4. Of all liabilities included in the consolidated statement of financial position, those on which the Company pays interest are computed as interest-bearing liabilities.

(2) Future Outlook

The Company's business forecasts for FY2018 are presented on a core basis and full basis. The consolidated full-year business forecasts (core basis) are shown below.

Consolidated full-year business forecasts (core basis)

(Millions of yen)

	FY2017 Results	**FY2018 Forecasts**	Change (%)
Sales	1,300,316	**1,278,000**	-22,316 (-1.7%)
R&D expenses	220,781	**214,000**	-6,781 (-3.1%)
Core operating profit	268,698	**262,000**	-6,698 (-2.5%)
Core profit for the year	204,326	**210,000**	+5,674 (+2.8%)
Basic core earnings per share (yen)	100.64	**106.27**	+5.63 (+5.6%)

(Note) The forecast of the basic core earnings per share is calculated based on the number of issued shares (excluding treasury shares) at the end of FY2017.

Expected exchange rate for

FY2018 (Forecast)	**¥105/US$**	**¥130/€**
FY2017 (Result)	¥111/US$	¥130/€

Sales and core operating profit are anticipated to decrease, while core profit for the year is anticipated to increase compared with FY2017.

In FY2018, we expect negative impact on sales and profit owing to the decrease in the amount of recognized deferred income following the transfer of the global dermatology business and the transfer of long-listed products in Japan, the foreign exchange rate impact, and other factors. Despite the negative impact of the NHI drug price revision in Japan and other factors, we are forecasting sales and core operating profit excluding the factors associated with these business transfers and the impact of the foreign exchange to remain largely unchanged year-on-year.

The yen is anticipated to strengthen against the U.S. dollar and remain at the same level against the euro compared with FY2017, and the fluctuations in the exchange rate is anticipated to cause a ¥23.9 billion decrease in sales and a ¥1.9 billion decrease in core operating profit compared with if the exchange rates of FY2017 were applied.

Sales

The sales forecast is ¥1,278.0 billion (down 1.7% year-on-year).
While we anticipate continuous sales growth for XTANDI and Betanis / Myrbetriq / BETMIGA, we also forecast a decrease in sales primarily due to the impact of the NHI drug price revision, implemented in Japan in April 2018, and the impact of generics on long-listed products in Japan such as Micardis for the treatment of hypertension.

Core operating profit/ Core profit for the year

Gross profit is anticipated to decrease owing to a decrease in sales.
Concerning selling, general and administrative (SG&A) expenses, although sales decreased and the SG&A expenses to sales ratio is forecasted to increase, considering the continued efficient use of expenses in addition to the decrease in expenses due to the foreign exchange rate impact, we forecast the amount to stay about level on a value basis.
We project R&D expenses of ¥214.0 billion (down 3.1% year-on-year) due to focusing resources primarily on investment in major late-stage development programs and investment for the development of new technologies such as cell therapies, and an R&D expenses to sales ratio of 16.7% (compared with 17.0% in FY2017).
As a result, we project a core operating profit of ¥262.0 billion (down 2.5% year-on-year).
Core profit for the year is forecasted at ¥210.0 billion (up 2.8% year-on-year) and basic core earnings per share is forecasted at ¥106.27 (up 5.6 % year-on-year).

<Sales of Main Products>

Sales of main therapeutic areas

(Billions of yen)

	FY2017 Results	**FY2018 Forecasts**	Change
XTANDI	294.3	**310.3**	+5.5%
Urology OAB franchise	228.1	**243.1**	+6.6%
Vesicare	102.3	**96.9**	-5.2%
Betanis / Myrbetriq / BETMIGA	125.7	**146.2**	+16.3%
Transplantation franchise	198.5	**190.7**	-3.9%

<XTANDI>

- Sales of XTANDI are forecasted to increase by 5.5% year-on-year to ¥310.3 billion. Sales are anticipated to grow in Japan, EMEA, and Asia and Oceania. The sales on a local currency basis are anticipated to grow in all regions including the Americas.

<Urology OAB franchise>

- Sales of Betanis / Myrbetriq / BETMIGA are forecasted to increase by 16.3% year-on-year to ¥146.2 billion. Sales are anticipated to increase in all regions of Japan, the Americas, EMEA, and Asia and Oceania. On the other hand, sales of Vesicare are anticipated to decrease by 5.2% year-on-year to ¥96.9 billion.

<Transplantation franchise>

- Sales of Prograf are forecasted to decrease by 3.9% year-on-year to ¥190.7 billion, and anticipated to continue to grow in Asia and Oceania.

<Other new products and main products>

- In the Japanese market, continued growth is forecasted with products that include Celecox for the treatment of inflammation and pain, Suglat for the treatment of type 2 diabetes, and Cimzia for the treatment of adult patients with rheumatoid arthritis. Meanwhile, we are working on the steady market penetration of the new products Repatha for the treatment of hypercholesterolemia and Linzess for the treatment of irritable bowel syndrome with constipation.
- In the Americas, sales of azole antifungal CRESEMBA are anticipated to continue to grow.

Consolidated full-year business forecasts (full basis)

(Millions of yen)

	FY2017 Results	**FY2018 Forecasts**	Change (%)
Sales	1,300,316	**1,278,000**	-22,316 (-1.7%)
Operating profit	213,258	**265,000**	+51,742 (+24.3%)
Profit before tax	218,113	**266,000**	+47,887 (+22.0%)
Profit for the year	164,679	**213,000**	+48,321 (+29.3%)
Basic earnings per share (yen)	81.11	**107.79**	+26.68 (+32.9%)

(Note) The forecast of the basic earnings per share is calculated based on the number of issued shares (excluding treasury shares) at the end of FY2017.

Expected exchange rate for

FY2018 (Forecast)	**¥105/US$**	**¥130/€**
FY2017 (Result)	¥111/US$	¥130/€

(3) Profit distribution policy and dividends for FY2017 and FY2018

The Company is working towards increasing corporate value on a continual basis and, as a consequence, improves its return to shareholders. While putting priority on business investment to assure future growth, the Company will strive to increase dividend payments stably and continuously, based on medium- to long-term profit growth on a consolidated basis. Further, the Company will flexibly acquire its own shares whenever necessary to further increase capital efficiency and shareholder return.

The annual dividend for FY2017 is planned to be ¥36 per share (including a year-end dividend of ¥18 per share) to shareholders.

As a part of profit distribution to its shareholders and as measures of its capital policy, the Company implemented acquisition of own shares from the stock market of 88.87 million shares, which amounted to ¥129.9 billion, during FY2017.

The Company anticipates that the annual dividend in FY2018 will be ¥38 per share (composed of interim dividend of ¥19 per share and a year-end dividend of ¥19 per share).

(4) Risk factors

The main risks that could significantly impact the business results and financial position of the Astellas Group are outlined below.

Inherent Uncertainties in Pharmaceutical R&D

In general, the probability of discovering a promising compound through drug discovery research is not high. Further, it takes a large amount of investment and a great deal of time to successfully launch a new product after discovery of a new compound. However, it may be necessary to discontinue clinical development if the effectiveness of a drug is not proven as initially expected, or if safety issues arise. In addition, pharmaceuticals are subject to legal restrictions in each country, thus authorization from local regulatory authorities is a prerequisite for a product launch in each country. It is difficult to accurately foresee if and when approvals for new products can be obtained.

The Astellas Group’s research and development activities are subject to these inherent risks.

Sales-related Risk

The pharmaceutical industry operates in a highly competitive environment characterized by rapid technological innovation. The launch of competitive products by rivals could impact the Astellas Group's business results significantly.

Intellectual Property (IP) Risk

The Astellas Group's business benefits from the protection of many patents. Although the Astellas Group manages intellectual property rights properly and is vigilant against third-party violation of such rights, the adverse impact on the Astellas Group's business results of actual IP violations may still be substantial. The Astellas Group's business results are also subject to the outcome of litigation undertaken by the Astellas Group to protect patents where infringement has occurred.

While the Astellas Group strives to ensure that its actions do not infringe the IP rights of other parties, there is a risk of litigation in the event of any inadvertent violations. Such litigation could also impact the Astellas Group's business results significantly.

Risks Relating to Product Side Effects and Safety

Any problems arising due to serious side effects or other safety issues that are caused by the Astellas Group's products could impact the Astellas Group's business results significantly.

Pharmaceutical Regulatory Risk

The ethical pharmaceutical business is governed by a wide variety of regulations in each country. In Japan, for example, the authorities periodically revise the NHI drug prices. Governments in developed countries in particular continue to adopt measures aimed at containing medical expenditures. Any trend toward stricter regulations governing the development, production and distribution of pharmaceuticals is a factor that could impact business results.

Environment-related Risks

The Astellas Group is careful to observe laws and regulations relating to environmental or health and safety issues, and has instituted internal standards that aim to exceed most statutory requirements. Despite such precautions, the costs involved in the unlikely event of a business-related incident causing a serious breach of compliance in this area could impact the Astellas Group's business results significantly.

Foreign Exchange Rate Fluctuations

The Astellas Group's business results and financial position are subject to the impact of exchange rate fluctuations due to the Astellas Group's extensive international operations.

In addition to the risks outlined above, the Astellas Group is exposed to a wide range of business-related risks, including but not limited to (1) general commercial litigation, (2)

delays or suspension of manufacturing activities due to natural disasters or other factors, and (3) partial dependence on licensing or sales agreements relating to pharmaceuticals developed by other companies.

2. Basic rationale for selecting accounting standard

Since the consolidated financial statements for the fiscal year ended March 31, 2014, the Astellas Group adopts the International Financial Reporting Standards (“IFRS”), as a means of enabling capital market participants to more readily compare the financial information on an international basis.

3. Consolidated Financial Statements and Notes to Consolidated Financial Statements
(1) Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended 31 March 2017	Fiscal year ended 31 March 2018
Sales	1,311,665	1,300,316
Cost of sales	(320,503)	(294,250)
Gross profit	991,162	1,006,066
Selling, general and administrative expenses	(470,777)	(478,330)
Research and development expenses	(208,129)	(220,781)
Amortisation of intangible assets	(35,837)	(35,838)
Share of losses of associates and joint ventures	(1,864)	(2,419)
Other income	9,594	11,872
Other expense	(23,318)	(67,311)
Operating profit	260,830	213,258
Finance income	22,916	6,637
Finance expense	(1,976)	(1,782)
Profit before tax	281,769	218,113
Income tax expense	(63,069)	(53,434)
Profit for the year	218,701	164,679
Profit attributable to:		
Owners of the parent	218,701	164,679
Earnings per share		
Basic (Yen)	103.69	81.11
Diluted (Yen)	103.55	81.02

(2) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended 31 March 2017	Fiscal year ended 31 March 2018
Profit for the year	218,701	164,679
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	2,962	1,611
Subtotal	2,962	1,611
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	(32,544)	28,590
Fair value movements on available-for-sale financial assets	(14,474)	3,660
Subtotal	(47,018)	32,250
Other comprehensive income, net of tax	(44,056)	33,860
Total comprehensive income	174,644	198,539
Total comprehensive income attributable to:		
Owners of the parent	174,644	198,539

(3) Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2017	As of 31 March 2018
Assets		
Non-current assets		
Property, plant and equipment	191,115	181,295
Goodwill	168,521	212,976
Other intangible assets	387,419	416,912
Trade and other receivables	22,263	25,282
Investments in associates and joint ventures	2,988	3,138
Deferred tax assets	90,349	97,237
Other financial assets	61,597	67,375
Other non-current assets	13,154	8,372
Total non-current assets	937,407	1,012,587
Current assets		
Inventories	182,537	147,626
Trade and other receivables	309,817	319,512
Income tax receivable	10,986	8,412
Other financial assets	13,554	13,517
Other current assets	18,849	14,448
Cash and cash equivalents	340,923	331,731
Subtotal	876,665	835,245
Assets held for sale	—	10,374
Total current assets	876,665	845,619
Total assets	1,814,072	1,858,205

(Millions of yen)

	As of 31 March 2017	As of 31 March 2018
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,091	177,219
Treasury shares	(138,207)	(135,951)
Retained earnings	1,013,923	976,076
Other components of equity	116,002	147,945
Total equity attributable to owners of the parent	1,271,810	1,268,289
Total equity	1,271,810	1,268,289
Liabilities		
Non-current liabilities		
Trade and other payables	440	3,515
Deferred tax liabilities	18,514	26,426
Retirement benefit liabilities	36,614	36,673
Provisions	4,921	4,891
Other financial liabilities	28,389	49,422
Other non-current liabilities	53,528	47,370
Total non-current liabilities	142,406	168,296
Current liabilities		
Trade and other payables	182,826	140,909
Income tax payable	10,900	25,184
Provisions	96,589	126,231
Other financial liabilities	2,992	7,559
Other current liabilities	106,548	121,737
Total current liabilities	399,856	421,620
Total liabilities	542,262	589,916
Total equity and liabilities	1,814,072	1,858,205

(4) 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 year	—	—	—	218,701	—	—
Other comprehensive income	—	—	—	—	—	(32,544)
Total comprehensive income	—	—	—	218,701	—	(32,544)
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(92,193)	—	—	—
Disposals of treasury shares	—	(78)	877	(456)	(342)	—
Cancellation of treasury shares	—	—	110,219	(110,219)	—	—
Dividends	—	—	—	(70,119)	—	—
Share-based payments	—	266	—	—	—	—
Transfers	—	—	—	2,962	—	—
Total transactions with owners of the parent	—	188	18,903	(177,831)	(342)	—
As of 31 March 2017	103,001	177,091	(138,207)	1,013,923	1,784	99,590
Comprehensive income						
Profit for the year	—	—	—	164,679	—	—
Other comprehensive income	—	—	—	—	—	28,590
Total comprehensive income	—	—	—	164,679	—	28,590
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(130,712)	—	—	—
Disposals of treasury shares	—	(159)	819	(353)	(307)	—
Cancellation of treasury shares	—	—	132,150	(132,150)	—	—
Dividends	—	—	—	(71,634)	—	—
Share-based payments	—	286	—	—	—	—
Transfers	—	—	—	1,611	—	—
Total transactions with owners of the parent	—	127	2,257	(202,526)	(307)	—
As of 31 March 2018	103,001	177,219	(135,951)	976,076	1,477	128,179

(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 year	—	—	—	218,701	218,701
Other comprehensive income	(14,474)	2,962	(44,056)	(44,056)	(44,056)
Total comprehensive income	(14,474)	2,962	(44,056)	174,644	174,644
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(92,193)	(92,193)
Disposals of treasury shares	—	—	(342)	1	1
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(70,119)	(70,119)
Share-based payments	—	—	—	266	266
Transfers	—	(2,962)	(2,962)	—	—
Total transactions with owners of the parent	—	(2,962)	(3,304)	(162,044)	(162,044)
As of 31 March 2017	14,629	—	116,002	1,271,810	1,271,810
Comprehensive income					
Profit for the year	—	—	—	164,679	164,679
Other comprehensive income	3,660	1,611	33,860	33,860	33,860
Total comprehensive income	3,660	1,611	33,860	198,539	198,539
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(130,712)	(130,712)
Disposals of treasury shares	—	—	(307)	1	1
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(71,634)	(71,634)
Share-based payments	—	—	—	286	286
Transfers	—	(1,611)	(1,611)	—	—
Total transactions with owners of the parent	—	(1,611)	(1,918)	(202,060)	(202,060)
As of 31 March 2018	18,289	—	147,945	1,268,289	1,268,289

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended 31 March 2017	Fiscal year ended 31 March 2018
Cash flows from operating activities		
Profit before tax	281,769	218,113
Depreciation and amortisation	63,791	64,863
Impairment losses and reversal of impairment losses	16,340	42,398
Finance income and expense	(20,940)	(4,854)
(Increase) decrease in inventories	(26,644)	37,830
(Increase) decrease in trade and other receivables	5,057	(6,634)
Increase (decrease) in trade and other payables	15,651	(43,804)
Other	(27,409)	69,723
Cash generated from operations	307,616	377,635
Income tax paid	(72,004)	(65,021)
Net cash flows from operating activities	235,612	312,614
Cash flows from investing activities		
Purchases of property, plant and equipment	(29,010)	(25,077)
Proceeds from sales of property, plant and equipment	1,262	1,209
Purchase of intangible assets	(19,638)	(15,208)
Purchase of available-for-sale financial assets	(484)	(693)
Proceeds from sales of available-for-sale financial assets	28,642	6,970
Acquisition of subsidiaries, net of cash acquired	(50,915)	(83,723)
Interest and dividends received	1,618	1,849
Other	(4,858)	(7,125)
Net cash flows used in investing activities	(73,383)	(121,799)
Cash flows from financing activities		
Acquisition of treasury shares	(92,193)	(130,712)
Dividends paid to owners of the parent	(70,119)	(71,634)
Other	(3,841)	(1,083)
Net cash flows used in financing activities	(166,153)	(203,429)
Effect of exchange rate changes on cash and cash equivalents	(15,183)	3,421
Net increase (decrease) in cash and cash equivalents	(19,107)	(9,192)
Cash and cash equivalents at the beginning of the year	360,030	340,923
Cash and cash equivalents at the end of the year	340,923	331,731

(6) Notes to Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of Astellas Pharma Inc. and its subsidiaries (collectively, the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

(3) Presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is also functional currency of Astellas Pharma Inc. (the "Company"), and figures are rounded to the nearest million yen, except as otherwise indicated.

Business Combinations

For the year ended 31 March 2017

Acquisition of Ganymed Pharmaceuticals AG

(1) Outline of business combination

(i) Name and business description of the acquiree

Name of the acquiree: Ganymed Pharmaceuticals AG ("Ganymed")

Business description: Development of antibodies against cancer

(ii) Acquisition date

20 December 2016

(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

Ganymed is a formerly privately-held biopharmaceutical company founded in 2001 and focuses on the development of a new class of cancer drugs. Ganymed has several pipeline assets in pre-clinical and clinical stages including IMAB362. Through the acquisition, Astellas will expand its oncology pipeline with antibody program in the late-stage to build upon its leading oncology franchise as a platform for sustainable growth.

(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	272
Other intangible assets	86,033
Cash and cash equivalents	629
Other assets	1,103
Deferred tax liabilities	(18,852)
Other liabilities	(5,066)
Fair value of assets acquired and liabilities assumed (net)	64,118
Goodwill	16,360
Total	80,478
Cash	51,544
Contingent consideration	28,934
Total fair value of purchase consideration transferred	80,478

Certain items had reflected provisional amounts as of 31 March 2017, however, the Group completed the purchase price allocation during the fiscal year ended 31 March 2018. Along with this, the Group retrospectively revised the corresponding balances in the consolidated statement of financial position as of 31 March 2017. As a result, “Goodwill” and “Deferred tax liabilities” decreased by 6,829 million yen.

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 IMAB362, Ganymed’s clinical program. Potential future cash outflows associated with the contingent consideration total 860 million euros (103,019 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	80,478
Fair value of contingent consideration included in purchase consideration transferred	(28,934)
Cash and cash equivalents held by the acquiree	(629)
Acquisition of subsidiaries, net of cash acquired	50,915

(5) Acquisition-related costs

Acquisition-related costs: 101 million yen

Acquisition-related costs were recognised in selling, general and administrative expenses in the consolidated statement of income.

(6) Effect on the consolidated statement of income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the consolidated statement of income: (1,151) million yen

(ii) Profit (loss) before tax of the combined entity for the fiscal year ended 31 March 2017 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): (3,825) million yen

(Note) This effect is calculated based on the business results of Ganymed from 1 April 2016 to the acquisition date.

For the year ended 31 March 2018

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	(1,883)
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 March 2018 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 (39,156 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 consolidated statement of income.

(6) Effect on the consolidated statement of income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the consolidated statement of income: Immaterial

(ii) Profit (loss) before tax of the combined entity for the fiscal year ended 31 March 2018 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): Immaterial

Acquisition of Mitobridge, Inc.

(1) Outline of the business combination

(i) 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

(ii) Acquisition date

23 January 2018

(iii) 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.

(iv) Acquisition method

Acquisition of all shares of stock in cash with contingent consideration to be paid when certain milestones are achieved in the future.

(v) 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 Group's research and development in diseases associated with mitochondrial dysfunctions and will enable the delivery of innovative new treatment options to patients.

(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	71
Deferred tax assets	1,594
Cash and cash equivalents	27
Other assets	27
Other liabilities	(339)
Fair value of assets acquired and liabilities assumed (net)	1,380
Goodwill	29,329
Total	30,708
Cash	17,951
Contingent consideration	7,048
Fair value of previously held equity interests in Mitobridge	5,709
Total fair value of purchase consideration transferred	30,708

Certain items above reflect provisional fair values based on reasonable information obtained at 31 March 2018 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.

As a result of remeasurement of the Company's previously held equity interests in Mitobridge at fair value as of the acquisition date, the Company recognised a 5,877 million yen gain on remeasurement related to a business combination achieved in stages. This gain was included as a component of “Other income” in the consolidated statement of income.

(3) Contingent consideration

The contingent consideration relates to certain milestones depending on the progress of various programs in clinical development. Maximum potential future cash outflows associated with the contingent consideration total 165 million U.S. dollars (17,582 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	30,708
Fair value of contingent consideration included in purchase consideration transferred	(7,048)
Fair value of previously held equity interests in Mitobridge included in purchase consideration transferred	(5,709)
Cash and cash equivalents held by the acquiree	(27)
Acquisition of subsidiaries, net of cash acquired	17,924

(5) Acquisition-related costs

Immaterial

(6) Effect on the consolidated statement of income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the consolidated statement of income: Immaterial

(ii) Profit (loss) before tax of the combined entity for the fiscal year ended 31 March 2018 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): Immaterial

Acquisition of Universal Cells, Inc.

(1) Outline of the business combination

(i) Name and business description of the acquiree

Name of the acquiree: Universal Cells, Inc. (Universal Cells)

Business description: Research and development of stem cell therapies that overcome immune rejection

(ii) Acquisition date

9 February 2018

(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

Universal Cells is a biotechnology company founded in 2013, which has a proprietary Universal Donor Cell technology to create cell therapy products that do not require Human Leukocyte Antigen (HLA) matching, potentially overcoming a huge treatment challenge by reducing the risk of rejection. The acquisition combines the Group's capability of establishing differentiated functional cells from pluripotent stem cells with Universal Cells' ability to produce pluripotent stem cells that have lower immunological rejection to further enable investigation of innovative cell therapy treatments for various diseases that currently have few or no treatment options.

(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)

Other intangible assets	6,485
Cash and cash equivalents	915
Other assets	82
Deferred tax liabilities	(1,354)
Other liabilities	(812)
Fair value of assets acquired and liabilities assumed (net)	5,315
Goodwill	2,814
Total	8,130
Cash	5,148
Contingent consideration	2,982
Total fair value of purchase consideration transferred	8,130

Certain items above reflect provisional fair values based on reasonable information obtained at 31 March 2018 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 specified clinical milestones. Maximum potential future cash outflows associated with the contingent consideration total 38 million U.S. dollars (3,984 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	8,130
Fair value of contingent consideration included in purchase consideration transferred	(2,982)
Cash and cash equivalents held by the acquiree	(915)
Acquisition of subsidiaries, net of cash acquired	4,233

(5) Acquisition-related costs

Acquisition-related costs: 64 million yen

Acquisition-related costs were recognised in selling, general and administrative expenses in the consolidated statement of income.

(6) Effect on the consolidated statement of income

(iii) Profit (loss) before tax of the acquiree since the acquisition date included in the consolidated statement of income: Immaterial

(iv) Profit (loss) before tax of the combined entity for the fiscal year ended 31 March 2018 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): Immaterial

Segment information

The main activities of the Group are the manufacture and sale of pharmaceutical products, and there are no separate operating segments. Therefore, the Group has a single reporting segment, “Pharmaceutical”.

Information about products and services

Sales by type of product and service are as follows:

(Millions of yen)

	Fiscal year ended 31 March 2017	Fiscal year ended 31 March 2018
XTANDI	252,078	294,302
Prograf	186,156	198,471
Betanis/Myrbetriq/BETMIGA	98,844	125,745
Vesicare	116,075	102,306
Other	658,512	579,492
Total	1,311,665	1,300,316

(Note) Sales of “Betanis/Myrbetriq/BETMIGA” previously included in “Other” are presented separately from the fiscal year ended 31 March 2018 due to an increase in significance. In accordance with this change, sales in “Betanis/Myrbetriq/BETMIGA” for the fuscal year ended 31 March 2017 of 98,844 million yen, which had been included in “Other” March 31, 2017 have been reclassified to conform to the current period presentation.

Information about geographical areas

Sales and non-current assets by geographical areas are as follows:

Sales by geographical areas

(Millions of yen)

	Fiscal year ended 31 March 2017	Fiscal year ended 31 March 2018
Japan	464,082	406,414
Americas	412,625	435,108
U.S.A. (included in Americas)	388,539	404,409
EMEA	343,401	351,280
Asia and Oceania	91,558	107,513
Total	1,311,665	1,300,316

(Note) Sales by geographical areas are categorised by country or areas based on the geographical location of customers.

Non-current assets by geographical areas (Property, plant and equipment, goodwill and other intangible assets)

(Millions of yen)

	As of 31 March 2017	As of 31 March 2018
Japan	356,907	424,603
Americas	253,277	240,566
U.S.A. (included in Americas)	252,943	240,313
EMEA	132,715	141,952
Asia and Oceania	4,155	4,061
Total	747,055	811,183

(Note) Due to the completion of the purchase price allocation for the acquisition of Ganymed Pharmaceuticals AG, the Group retrospectively revised the corresponding balances in the above non-current assets by geographical areas table as of 31 March 2017. For details, please refer to the previous note, “Business Combinations”.

Information about major customers

External customer that accounts for 10% or more of consolidated sales of the Group is as follows:

(Millions of yen)

	Segment	Fiscal year ended 31 March 2017	Fiscal year ended 31 March 2018
McKesson Corporation	Pharmaceutical	150,184	148,962

Earnings per share

The basis of calculation of basic earnings per share and diluted earnings per share is as follows:

(Millions of yen, except as otherwise indicated)

	Fiscal year ended 31 March 2017	Fiscal year ended 31 March 2018
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent	218,701	164,679
Profit not attributable to ordinary shareholders of the parent	—	—
Profit used to calculate basic earnings per share	218,701	164,679
Weighted average number of shares during the year (Thousands of shares)	2,109,149	2,030,203
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share	218,701	164,679
Adjustment	—	—
Profit used to calculate diluted earnings per share	218,701	164,679
Weighted average number of shares during the year (Thousands of shares)	2,109,149	2,030,203
Subscription rights to shares (Thousands of shares)	2,830	2,268
Weighted average number of diluted ordinary shares during the year (Thousands of shares)	2,111,979	2,032,472
Earnings per share (attributable to owners of the parent):		
Basic (Yen)	103.69	81.11
Diluted (Yen)	103.55	81.02

Significant subsequent events

Not applicable.