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Financial Results of Astellas for the First Three Months of FY2020

Japan, August 4, 2020 – Astellas Pharma Inc. (TSE: 4503, President and CEO: Kenji Yasukawa, "the Company") today announced the financial results for the first three months (April 1, 2020 – June 30, 2020) of the fiscal year 2020 (FY2020) ending March 31, 2021.

Consolidated financial results for the first three months of FY2020 (core basis)

(Millions of yen)

	First three months of FY2019	**First three months of FY2020**	Change (%)
Revenue	334,134	**306,969**	-27,165 (-8.1%)
Core operating profit	84,738	**63,370**	-21,368 (-25.2%)
Core profit	67,101	**51,990**	-15,111 (-22.5%)

Cautionary Notes
In this material, statements made with respect to current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Astellas. These statements are based on management's current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to: (i) changes in general economic conditions and in laws and regulations, relating to pharmaceutical markets, (ii) currency exchange rate fluctuations, (iii) delays in new product launches, (iv) the inability of Astellas to market existing and new products effectively, (v) the inability of Astellas to continue to effectively research and develop products accepted by customers in highly competitive markets, and (vi) infringements of Astellas' intellectual property rights by third parties.
Information about pharmaceutical products (including products currently in development) which is included in this material is not intended to constitute an advertisement or medical advice.

1. Qualitative information on consolidated financial results for the first three months of FY2020

(1) Business performance

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

Consolidated financial results (core basis) in the first three months of FY2020 are shown in the table below. Revenue, core operating profit and core profit decreased across the board.

Consolidated financial results (core basis)

(Millions of yen)

	First three months of FY2019	**First three months of FY2020**	Change (%)
Revenue	334,134	**306,969**	-27,165 (-8.1%)
Cost of sales	70,512	**59,654**	-10,859 (-15.4%)
Selling, general and administrative expenses	117,470	**120,776**	+3,306 (+2.8%)
R&D expenses	53,507	**57,288**	+3,781 (+7.1%)
Amortisation of intangible assets	7,178	**5,855**	-1,323 (-18.4%)
Share of profit (loss) of investments accounted for using equity method	-728	**-26**	+702 (–)
Core operating profit	84,738	**63,370**	-21,368 (-25.2%)
Core profit	67,101	**51,990**	-15,111 (-22.5%)
Basic core earnings per share (yen)	35.58	**27.99**	-7.59 (-21.3%)

(Note) The Company discloses financial results on a core basis as an indicator of its recurring profitability. Certain items reported in financial results on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items from these financial results on a core basis. These adjusted items include impairment losses, gain/loss on sales of property, plant and equipment, restructuring costs, loss on disaster, a large amount of losses on compensation or settlement of litigations and other legal disputes, and other items that are deemed to be excluded based on the Company's judgment. A reconciliation table between results on a full basis and results on a core basis is provided in the "Supplementary Documents for Results Q1/FY2020."

Revenue

Revenue in the first three months of FY2020 decreased by 8.1% compared to those in the corresponding period of the previous fiscal year ("year-on-year") to ¥307.0 billion.

- Sales of main product XTANDI for the treatment of prostate cancer continued to grow. Sales of XOSPATA for the treatment of acute myeloid leukemia increased due to sales growing in Japan and United States in addition to the contribution of its sales in Europe, where it was launched in November 2019. Additionally, co-promotion revenue of PADCEV for the treatment of urothelial cancer, which was launched in United States in December 2019, contributed to revenue.
- The sales growth of the products above offset the revenue decline mainly due to the end of market exclusivity for overactive bladder ("OAB") treatment Vesicare in Europe, and the termination of agreements in Japan of Symbicort for the treatment of asthma, human vaccines of KM Biologics Co., Ltd. and Micardis family for the treatment of hypertension. However, sales were negatively affected by the impact of the spread of Coronavirus Disease (COVID-19).

Core operating profit / Core profit

- Gross profit decreased by 6.2% year-on-year to ¥247.3 billion. The cost-to-revenue ratio fell by 1.7 percentage points year-on-year to 19.4%, mainly due to changes in product mix.
- Selling, general and administrative expenses increased by 2.8% year-on-year to ¥120.8 billion. There was a decrease in expenses due to refraining from promotional activities, etc. due to the spread of COVID-19, but total selling, general and administrative expenses increased due to the increase of co-promotion fees associated with the growth of sales of XTANDI in United States.
- Research and development (R&D) expenses increased by 7.1% year-on-year to ¥57.3 billion. There was a decrease in development expenses due to the impact of the spread of COVID-19 on the execution of a portion of clinical trials, but total R&D expenses increased due to an increase in development expenses for key post-POC pipeline projects, and the addition of R&D expenses from Audentes Therapeutics, Inc., which was acquired in January 2020. The R&D cost-to-revenue ratio was up 2.6 percentage points year-on-year to 18.7%.
- Amortisation of intangible assets decreased by 18.4% year-on-year to ¥5.9 billion.

As a result of the above, core operating profit decreased by 25.2% year-on-year to ¥63.4 billion, and core profit decreased by 22.5% year-on-year to ¥52.0 billion.

Impact of exchange rate on financial results

The exchange rates for the yen in the first three months of FY2020 are shown in the table below. The resulting impacts were a ¥7.1 billion decrease in revenue and a ¥5.8 billion decrease in core operating profit compared with if the exchange rates of the first three months of FY2019 were applied.

Average rate	First three months of FY2019	**First three months of FY2020**	Change
US$/¥	110	**108**	¥2 (Strengthening of yen)
€/¥	123	**118**	¥5 (Strengthening of yen)

Change from beginning to end of period	As of June 30, 2019	**As of June 30, 2020**
US$/¥	¥3 (Strengthening of yen)	**¥1 (Strengthening of yen)**
€/¥	¥2 (Strengthening of yen)	**¥2 (Weakening of yen)**

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in the first three months of FY2020 are shown in the table below. Revenue, operating profit, profit before tax and profit decreased across the board.

The full basis financial results include “Other income,” “Other expenses,” which are excluded from the core basis financial results. In the first three months of FY2020, “Other income” was ¥2.2 billion (¥4.5 billion in the same period of the previous fiscal year) and “Other expenses” was ¥4.8 billion (¥12.2 billion in the same period of the previous fiscal year).

Consolidated financial results (full basis)

(Millions of yen)

	First three months of FY2019	**First three months of FY2020**	Change (%)
Revenue	334,134	**306,969**	-27,165 (-8.1%)
Operating profit	77,086	**60,815**	-16,272 (-21.1%)
Profit before tax	76,528	**60,238**	-16,290 (-21.3%)
Profit	58,518	**50,413**	-8,106 (-13.9%)
Basic earnings per share (yen)	31.03	**27.14**	-3.89 (-12.5%)
Comprehensive income	27,045	**55,426**	+28,381 (+104.9%)

<Sales of Main Products>

(Billions of yen)

	First three months of FY2019	**First three months of FY2020**	Change
XTANDI	96.0	**112.0**	+16.6%
XOSPATA	2.5	**5.6**	+128.3%
PADCEV	–	**3.0**	–
Betanis / Myrbetriq / BETMIGA	39.9	**40.4**	+1.2%
Vesicare	13.6	**7.7**	-43.0%
Prograf*	50.4	**45.3**	-10.2%

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

- Sales of XTANDI increased by 16.6% year-on-year to ¥112.0 billion. Sales grew in Japan, United States, Greater China, and International.
- Sales of XOSPATA increased by 128.3% year-on-year to ¥5.6 billion due to sales growing in Japan and United States in addition to the contribution of its sales in Europe, where it was launched in November 2019.
- Co-promotion revenue of PADCEV amounted to ¥3.0 billion due to exceed-expected sales in United States.
- Sales of OAB treatment Betanis / Myrbetriq / BETMIGA increased by 1.2% year-on-year to ¥40.4 billion. While sales grew in United States and Greater China, sales decreased in Japan and International due to decreased demand associated with reduction of in-person visits to hospital/clinic as a result of the impact of the spread of COVID-19.
- Sales of Vesicare decreased by 43.0% year-on-year to ¥7.7 billion, impacted by the effect of generic drugs resulting from the end of market exclusivity for the drug in Europe.
- Sales of Prograf decreased by 10.2% year-on-year to ¥45.3 billion. Sales decreased in Japan, Established Markets, and International.
- In Japan, new product group sales continued to grow, including those of Suglat and SUJANU Combination Tablets for the treatment of diabetes mellitus, and EVENITY for the treatment of osteoporosis. The factor for the decrease in sales was the termination of agreements for Symbicort, human vaccines of KM Biologics Co., Ltd. and Micardis family in the previous fiscal year.
- In United States, sales of pharmacologic stress agent Lexiscan decreased due to decreased demand associated with reduction of in-person visits to hospital/clinic as a result of the impact of the spread of COVID-19.

<Revenue by region>

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

(Billions of yen)

	First three months of FY2019	**First three months of FY2020**	Change
Japan	98.5	**77.8**	-21.0%
United States	105.3	**117.2**	+11.3%
Established Markets	75.8	**64.0**	-15.5%
Greater China	14.7	**14.2**	-3.4%
International	34.2	**30.2**	-11.8%

Established Markets: Europe, Canada, Australia.

Greater China: China, Hong Kong, Taiwan.

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

(2) Financial position

i. Assets, equity and liabilities

In the first three months of FY2020, the consolidated statement of financial position as of March 31, 2020 was retrospectively revised due to adjustments of fair value of assets acquired and liabilities assumed for Audentes Therapeutics, Inc., which was acquired in January 2020. As a result, goodwill increased, and intangible assets and deferred tax liabilities decreased in comparison to the figures prior to the retrospective adjustment. The Company is still in the process of finalizing the fair value measurement.

An overview of the consolidated statement of financial position as of June 30, 2020 and the main changes from the end of the previous fiscal year after the retrospective adjustment are shown below.

Assets

Total assets as of June 30, 2020 saw a decrease of ¥59.1 billion compared to the end of the previous fiscal year to ¥2,256.0 billion.

<Non-current assets> As of June 30, 2020: ¥1,460.1 billion (an increase of ¥12.4 billion)

- Property, plant and equipment decreased by ¥1.5 billion compared to the end of the previous fiscal year to ¥267.1 billion.
- Goodwill decreased by ¥1.4 billion compared to the end of the previous fiscal year to ¥276.9 billion, and intangible assets increased by ¥4.6 billion compared to the end of the previous fiscal year to ¥729.4 billion. In the first three months of FY2020, intangible assets increased due to payments of development milestone to FibroGen, Inc., a co-development partner of roxadustat for treatment of renal anemia, in association with the submission of an marketing authorization application in Europe.

<Current assets> As of June 30, 2020: ¥796.0 billion (a decrease of ¥71.5 billion)

- Cash and cash equivalents decreased by ¥78.5 billion compared to the end of the previous fiscal year to ¥239.9 billion.

Equity

Total equity as of June 30, 2020 saw an increase of ¥17.5 billion compared to the end of the previous fiscal year to ¥1,306.7 billion, making the ratio of equity attributable to owners of the parent to gross assets 57.9%.

- While profit stood at ¥50.4 billion, the Company paid ¥37.2 billion of dividends of surplus.

Liabilities

Total liabilities decreased by ¥76.7 billion compared to the end of the previous fiscal year to ¥949.4 billion.

<Non-current liabilities > As of June 30, 2020: ¥301.7 billion (an increase of ¥74.4 billion)

- Oher financial liabilities increased by ¥79.0 billion compared to the end of the previous fiscal year to ¥208.3 billion mainly due to converting ¥80.0 billion from short-term borrowings to long-term borrowings in the first three months of FY2020.

<Current liabilities > As of June 30, 2020: ¥647.7 billion (a decrease of ¥151.0 billion)

- As of June 30, 2020, the balance of short-term bonds and short-term borrowings amounted to ¥176.0 billion and ¥40.0 billion, respectively. Other financial liabilities decreased by ¥110.0 billion compared to the end of the previous fiscal year to ¥235.7 billion due to the conversion to long-term borrowings stated above, repayments, etc.

ii. Cash flow

Cash flows from operating activities

Net cash flows from operating activities in the first three months of FY2020 increased year-on-year by ¥14.2 billion to ¥21.6 billion.

- Income tax paid was ¥3.3 billion.

Cash flows from investing activities

Net cash flows used in investing activities in the first three months of FY2020 was ¥28.3 billion, an increase in outflow of ¥14.3 billion year-on-year.

Cash flows from financing activities

Net cash flows used in financing activities in the first three months of FY2020 was ¥73.0 billion, an increase in outflow of ¥32.6 billion year-on-year.

- Dividends paid increased by ¥1.3 billion year-on-year to ¥37.2 billion.

As a result, cash and cash equivalents totaled ¥239.9 billion as of June 30, 2020, a decrease of ¥78.5 billion compared to the end of the previous fiscal year.

(3) Consolidated business forecasts for FY2020 and other forward–looking statements

The Company's business forecasts are presented on a core basis and full basis.
The consolidated full–year business forecasts for FY2020 are shown below.

Consolidated full–year business forecasts (core basis)

(Millions of yen)

	Initial forecasts (FY 2020)	**Revised forecasts (FY 2020)**	Change	Results (FY 2019)
Revenue	1,282,000	**1,256,500**	-25,500	1,300,843
R&D expenses	239,000	**233,500**	-5,500	224,226
Core operating profit	257,000	**251,000**	-6,000	277,758
Core profit for the year	206,000	**200,500**	-5,500	223,178
Basic core earnings per share (yen)	110.90	**107.94**	-2.96	118.95

Consolidated full–year business forecasts (full basis)

(Millions of yen)

	Initial forecasts (FY 2020)	**Revised forecasts (FY 2020)**	Change	Results (FY 2019)
Revenue	1,282,000	**1,256,500**	-25,500	1,300,843
Operating profit	252,000	**246,500**	-5,500	243,991
Profit before tax	251,000	**245,500**	-5,500	245,350
Profit for the year	202,000	**197,500**	-4,500	195,411
Basic earnings per share (yen)	108.75	**106.32**	-2.43	104.15

Expected exchange rate for

FY2020 (Forecast)	**¥109/US$**	**¥120/€**
FY2019 (Result)	¥109/US$	¥121/€

The Company has revised the business forecasts to reflect the impact of the spread of novel Coronavirus Disease (COVID–19) on financial results, which had not been incorporated into the business forecasts announced in May 2020 (“Initial Forecasts”), as well as to reflect the update based on the financial results for the first three months of FY2020, etc.

Regarding business forecasts on a core basis, revenue, core operating profit, and core profit have been revised downward.
Sales of XTANDI and co–promotion revenue of PADCEV are projected to exceed the initial forecasts. On the other hand, sales of the OAB products, Lexiscan, Prograf and others are projected to fall below the initial forecasts, as results of factors caused by the spread of COVID–19, such as reversal of inventory build in the previous fiscal year and demand volume decrease due to reduction of in-person hospital/clinic visits.
As a result of the above, the Company forecasts revenue of ¥1,256.5 billion (downwardly revised by ¥25.5 billion from the initial forecasts).

Selling, general and administrative expenses and R&D expenses are both projected to fall under the initial forecasts. In addition to improved cost efficiency by pursuing operational excellence, the spread of COVID–19 will reduce the spending such as by refraining from promotional activities and the impact on the execution of some clinical trials, .

As a result of the above, the Company forecasts core operating profit and core profit of ¥251.0 billion (downwardly revised by ¥6.0 billion from the initial forecasts) and ¥200.5 billion (downwardly revised by ¥5.5 billion from the initial forecasts), respectively.
Excluding negative impacts of the spread of COVID-19 projected in this revised forecast, revenue and core operating profit are both projected to exceed the initial forecasts.

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 three months of FY2020, as well as the forecasts for the remaining of the year, and downwardly revised the operating profit, profit before tax, and profit.

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

(Millions of yen)

	Three months ended 30 June 2019	Three months ended 30 June 2020
Revenue	334,134	306,969
Cost of sales	(70,512)	(59,654)
Gross profit	263,622	247,315
Selling, general and administrative expenses	(117,470)	(120,776)
Research and development expenses	(53,507)	(57,288)
Amortisation of intangible assets	(7,178)	(5,855)
Share of profit (loss) of investments accounted for using equity method	(728)	(26)
Other income	4,522	2,245
Other expenses	(12,174)	(4,800)
Operating profit	77,086	60,815
Finance income	766	379
Finance expenses	(1,325)	(956)
Profit before tax	76,528	60,238
Income tax expense	(18,010)	(9,825)
Profit	58,518	50,413
Profit attributable to:		
Owners of the parent	58,518	50,413
Earnings per share:		
Basic (Yen)	31.03	27.14
Diluted (Yen)	31.00	27.12

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended 30 June 2019	Three months ended 30 June 2020
Profit	58,518	50,413
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(4,224)	4,572
Remeasurements of defined benefit plans	(908)	273
Subtotal	(5,132)	4,845
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(26,342)	168
Subtotal	(26,342)	168
Other comprehensive income	(31,473)	5,013
Total comprehensive income	27,045	55,426
Total comprehensive income attributable to:		
Owners of the parent	27,045	55,426

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of 31 March 2020	As of 30 June 2020
Assets		
Non-current assets		
Property, plant and equipment	268,600	267,107
Goodwill	278,253	276,874
Intangible assets	724,773	729,400
Trade and other receivables	34,014	34,019
Investments accounted for using equity method	4,692	4,875
Deferred tax assets	52,876	55,487
Other financial assets	74,264	81,991
Other non-current assets	10,184	10,303
Total non-current assets	1,447,655	1,460,056
Current assets		
Inventories	151,017	155,073
Trade and other receivables	347,042	360,717
Income tax receivable	23,556	16,087
Other financial assets	9,459	4,590
Other current assets	18,049	19,577
Cash and cash equivalents	318,391	239,934
Total current assets	867,514	795,979
Total assets	2,315,169	2,256,035

(Millions of yen)

	As of 31 March 2020	As of 30 June 2020
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,506	177,183
Treasury shares	(7,178)	(7,423)
Retained earnings	905,851	918,890
Other components of equity	109,989	115,034
Total equity attributable to owners of the parent	1,289,168	1,306,684
Total equity	1,289,168	1,306,684
Liabilities		
Non-current liabilities		
Trade and other payables	3,142	2,822
Deferred tax liabilities	24,670	20,801
Retirement benefit liabilities	38,074	38,594
Provisions	6,135	7,600
Other financial liabilities	129,272	208,251
Other non-current liabilities	25,999	23,610
Total non-current liabilities	227,293	301,678
Current liabilities		
Trade and other payables	171,954	132,649
Income tax payable	4,009	12,142
Provisions	14,241	14,511
Other financial liabilities	345,707	235,685
Other current liabilities	262,797	252,686
Total current liabilities	798,708	647,672
Total liabilities	1,026,001	949,351
Total equity and liabilities	2,315,169	2,256,035

(4) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Subscription rights to shares	Exchange differences on translation of foreign operations
As of 1 April 2019	103,001	177,301	(164,629)	991,957	1,127	125,656
Comprehensive income						
Profit	—	—	—	58,518	—	—
Other comprehensive income	—	—	—	—	—	(26,342)
Total comprehensive income	—	—	—	58,518	—	(26,342)
Transactions with owners						
Acquisition of treasury shares	—	—	(1)	—	—	—
Disposals of treasury shares	—	(313)	436	(87)	(37)	—
Cancellation of treasury shares	—	—	159,581	(159,581)	—	—
Dividends	—	—	—	(35,831)	—	—
Share-based payments	—	99	—	—	—	—
Transfers	—	—	—	(564)	—	—
Total transactions with owners	—	(214)	160,016	(196,063)	(37)	—
As of 30 June 2019	103,001	177,087	(4,613)	854,412	1,090	99,315

As of 1 April 2020	103,001	177,506	(7,178)	905,851	899	93,277
Comprehensive income						
Profit	—	—	—	50,413	—	—
Other comprehensive income	—	—	—	—	—	168
Total comprehensive income	—	—	—	50,413	—	168
Transactions with owners						
Acquisition of treasury shares	—	—	(880)	—	—	—
Disposals of treasury shares	—	(444)	635	(168)	(23)	—
Dividends	—	—	—	(37,150)	—	—
Share-based payments	—	121	—	—	—	—
Transfers	—	—	—	(55)	—	—
Total transactions with owners	—	(322)	(245)	(37,374)	(23)	—
As of 30 June 2020	103,001	177,183	(7,423)	918,890	876	93,445

(Millions of yen)

	Equity attributable to owners of the parent				Total equity
	Other components of equity			Total	
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
As of 1 April 2019	23,984	—	150,767	1,258,396	1,258,396
Comprehensive income					
Profit	—	—	—	58,518	58,518
Other comprehensive income	(4,224)	(908)	(31,473)	(31,473)	(31,473)
Total comprehensive income	(4,224)	(908)	(31,473)	27,045	27,045
Transactions with owners					
Acquisition of treasury shares	—	—	—	(1)	(1)
Disposals of treasury shares	—	—	(37)	0	0
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(35,831)	(35,831)
Share-based payments	—	—	—	99	99
Transfers	(343)	908	564	—	—
Total transactions with owners	(343)	908	528	(35,733)	(35,733)
As of 30 June 2019	19,416	—	119,821	1,249,708	1,249,708

As of 1 April 2020	15,813	—	109,989	1,289,168	1,289,168
Comprehensive income					
Profit	—	—	—	50,413	50,413
Other comprehensive income	4,572	273	5,013	5,013	5,013
Total comprehensive income	4,572	273	5,013	55,426	55,426
Transactions with owners					
Acquisition of treasury shares	—	—	—	(880)	(880)
Disposals of treasury shares	—	—	(23)	0	0
Dividends	—	—	—	(37,150)	(37,150)
Share-based payments	—	—	—	121	121
Transfers	328	(273)	55	—	—
Total transactions with owners	328	(273)	32	(37,909)	(37,909)
As of 30 June 2020	20,713	—	115,034	1,306,684	1,306,684

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended 30 June 2019	Three months ended 30 June 2020
Cash flows from operating activities		
Profit before tax	76,528	60,238
Depreciation and amortisation	17,012	17,999
Impairment losses (reversal of impairment losses)	—	3,295
Finance income and expenses	558	577
(Increase) decrease in inventories	(3,482)	(3,197)
(Increase) decrease in trade and other receivables	(22,011)	(13,226)
Increase (decrease) in trade and other payables	(44,988)	(30,222)
Other	(5,627)	(10,558)
Subtotal	17,990	24,906
Income tax paid	(10,578)	(3,306)
Net cash flows from operating activities	7,412	21,600
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,342)	(7,586)
Proceeds from sale of property, plant and equipment	30	8
Purchase of intangible assets	(3,156)	(25,676)
Payments for acquisition of subsidiaries	(5,138)	(1,667)
Interest and dividends received	646	347
Other	975	6,244
Net cash flows provided by (used in) investing activities	(13,985)	(28,330)
Cash flows from financing activities		
Increase (decrease) in bonds and short-term borrowings	—	(110,000)
Proceeds from long-term borrowings	—	80,000
Acquisition of treasury shares	(1)	(880)
Dividends paid to owners of the parent	(35,831)	(37,150)
Repayments of lease liabilities	(4,003)	(4,302)
Other	(520)	(644)
Net cash flows provided by (used in) financing activities	(40,354)	(72,977)
Effect of exchange rate changes on cash and cash equivalents	(4,725)	1,250
Net increase (decrease) in cash and cash equivalents	(51,652)	(78,457)
Cash and cash equivalents at the beginning of the year	311,074	318,391
Cash and cash equivalents at the end of the period	259,422	239,934

(6) Notes to condensed interim consolidated financial statements

Notes on going concern assumption

Not applicable.

Business Combinations

For the three months ended 30 June 2020

Audentes Therapeutics, Inc.

On 15 January 2020, Audentes Therapeutics, Inc. became a consolidated subsidiary of the Company through a cash tender offer followed by a merger.

During the three months ended 30 June 2020, further facts came to light and additional analysis was performed on the fair value measurement of the assets acquired and liabilities assumed at the acquisition date. As a result, the provisional fair values were adjusted as follows. The initial accounting for the business combination is incomplete as of 30 June 2020 as Astellas Pharma Inc. and its subsidiaries is still in the process of finalizing the fair value measurement.

(Millions of yen)

	Provisional fair value as of 31 March 2020	Fair value adjustments	Fair value (as adjusted)
Property, plant and equipment	8,964	－	8,964
Intangible assets	284,944	(13,723)	271,221
Financial assets at FVTOCI (debt instruments)	22,248	－	22,248
Cash and cash equivalents	9,320	－	9,320
Other assets	1,708	－	1,708
Trade and other payables	(6,092)	－	(6,092)
Deferred tax liabilities	(41,517)	2,989	(38,528)
Other liabilities	(6,488)	－	(6,488)
Fair value of assets acquired and liabilities assumed (net)	273,085	(10,734)	262,351
Goodwill	42,497	10,734	53,230
Total	315,582	－	315,582
Total fair value of purchase consideration transferred	315,582	－	315,582

Goodwill mainly comprises the value of expected synergies arising from the acquisition and future economic benefits, which is not separately recognised.
Financial assets at FVTOCI (debt instruments) are included in “Other financial assets” in the condensed interim consolidated statement of financial position.
Along with this adjustment, the Company retrospectively revised the corresponding balances in the condensed interim consolidated statement of financial position as of 31 March 2020. As a result, intangible assets and deferred tax liabilities decreased by 13,734 million yen and 2,992 million yen respectively, and goodwill increased by 10,743 million yen.