

Astellas Pharma to Acquire a U.S. Company for Approx. USD 5.9 Billion—Finances Will Deteriorate, but Immediate Rating Revision Is Not Necessary

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the acquisition of U.S.-based Iveric bio, Inc. by Astellas Pharma Inc. (security code: 4503).

- (1) Astellas Pharma Inc. (the "Company") announced on May 1 that it has entered into an agreement with Iveric bio, Inc. ("Iveric Bio"), a U.S. biopharmaceutical company, to acquire the latter for approximately USD 5.9 billion through its subsidiary. The acquisition is expected to complete in the second quarter of the fiscal year ending March 2024. Iveric Bio is a biopharmaceutical company focusing on the discovery and development of novel treatments in the field of ophthalmology. Its new drug candidate Avacincaptad Pegol ("ACP") for geographic atrophy secondary to age-related macular degeneration is currently under evaluation by a U.S. authority, which has granted priority review. The acquisition can be seen as a measure to strengthen the Company's earnings and R&D bases with an eye to the anticipated patent expiration of one of core products, XTANDI, later this decade.
- (2) The Company plans to finance the acquisition with cash on hand and new financing transactions totaling approximately 800 billion yen. It expects to repay this debt within the next five to seven years, but, given that the post-acquisition ratio of equity attributable to owners of the parent to total assets is projected to fall below 50% (61.4% at March 31, 2023) and that large amounts of goodwill and intangible assets will likely be reported, the financial structure will inevitably weaken, placing downward pressure on the rating as a result. That said, JCR has concluded that no immediate rating revision is necessary, on the grounds that core products generate stable cash flows and that financial improvement in the medium run can be expected as a certain level of financial soundness will be maintained even after the acquisition. Looking ahead, JCR will watch how effectively the acquisition will affect R&D and overall performance, including the status of the approval process for ACP in the U.S., as well as how fast the financial structure is improving.

Akihisa Motonishi, Yosuke Sato

<Reference>

Issuer: Astellas Pharma Inc.

Long-term Issuer Rating: AA+p Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)