

Financial Section

Year ended March 31, 2007

Key Financial Data

Years ended March 31	(\u00a5 billion)		(US\$ million)
	2007	2006	2007
Net sales	\u00a5920.6	\u00a5879.4	\$7,802
Cost of sales	284.1	273.0	2,407
Gross profit	636.6	606.4	5,395
SG&A expenses	446.0	413.3	3,780
(R&D expenses)	167.9	142.1	1,423
Operating income	190.5	193.0	1,615
Other income (expenses)	21.3	(16.0)	180
Income before income taxes and minority interests	211.8	177.1	1,795
Income taxes	78.6	71.7	666
Net income	131.3	103.7	1,113

Note: The translation of yen amounts into U.S. dollar amounts in this section is included solely for convenience at the rate of \u00a5118=US\$1.00, the approximate exchange rate on March 31, 2007.

Contents

Key Financial Data	27
Management's Discussion & Analysis	28
Consolidated Balance Sheets	38
Consolidated Statements of Income	40
Consolidated Statements of Cash Flows	41
Consolidated Statements of Changes in Net Assets	42
Notes to Consolidated Financial Statements	44
Report of Independent Auditors	61

Management's Discussion & Analysis

■ Business Philosophy and Management Policies

The business philosophy of Astellas comprises three parts: our *raison d'être*, our mission, and our beliefs. This business philosophy expresses our vision of contributing to the health of people around the world by providing effective and reliable pharmaceutical products, thereby continuously enhancing the enterprise value of Astellas. Our beliefs, which form the bedrock of our code of conduct, can be summarized under the following four short headings: high ethical standards; customer focus; creativity; and competitive focus.

To translate this business philosophy into specific guidelines for action at the level of day-to-day business operations, we have drawn up the Astellas Charter of Corporate Conduct. Similarly, to guide each of our employees in their conduct of their tasks on a day-to-day basis, we have drawn up and distributed to all our staff a manual entitled: *Our Code of Conduct*. We have chosen the term "CSR-based management" to describe the practical application of these guidelines and principles to the actual conduct of business. The prime purpose of our CSR activities – which include environmental preservation as a priority task – is to gain and keep the support and trust of all our stakeholders, including our customers, shareholders, employees, and the general public.

The Astellas Business Philosophy

Raison d'être: To contribute to the health of people around the world through the provision of innovative and reliable pharmaceutical products

Mission: To enhance the Company's enterprise value in a sustainable manner

Beliefs: High ethical standards

Customer focus

Creativity

Competitive focus

■ Overview

Advanced countries are continuing to promote measures to curb medical expenses. The NHI drug price revision implemented in Japan in April 2006 was one such example. Under such conditions, to beat off even fiercer competition, we worked to maximize sales of new and existing products, and also made proactive R&D investment aimed at future growth.

On a consolidated basis, net sales increased 4.7% year-on-year, to ¥920.6 billion (\$7,802 million), while operating income decreased 1.3% to ¥190.5 billion (\$1,615 million). Net income amounted to ¥131.3 billion (\$1,113 million), up 26.7%.

On the sales front, the NHI drug price revision implemented in April 2006 in Japan had a negative impact of around 7.5% on our sales, and the divestiture of OTC subsidiary Zepharm, Inc. also pushed sales down. However, the global expansion of mainstay ethical pharmaceuticals Prograf[®], an immunosuppressant, and Vesicare[®], a treatment for overactive bladder, was the driving force behind sales, and in Japan, products such as the hypercholesterolemia treatment Lipitor[®], the long-acting angiotensin II receptor antagonist Micardis[®] and the hypnotic Myslee[®] also showed continued sales growth. On the other hand, sales of mainstay product the selective alpha-1 blocker Harnal[®] declined, reflecting decreased sales in Japan and Europe as a result of patent expiry. Consequently, net sales increased 4.7% to ¥920.6 billion.

Gross profit came to ¥636.6 billion (\$5,395 million), up 5.0% thanks to the sales increase and improvement in the cost-of-sales ratio, which edged up 0.1 percentage point to 30.9%. In terms of expenses, selling, general and administrative expenses increased 7.9% to ¥446.0 billion (\$3,780 million). The increase was attributable to a significant increase in research and development expenses, which swelled 18.2% to ¥167.9 billion (\$1,423 million), mainly because of the upfront fees and development milestones for in-licensing of oral anemia treatments from FibroGen, Inc. As a result, operating income decreased 1.3% to ¥190.5 billion.

Notwithstanding the decline in operating income, net income increased 26.7% to ¥131.3 billion due to extraordinary gains, including a gain on the sale of subsidiaries' shares and a gain on the sale of investment securities.

■ Net sales

Sales of global mainstay products

Prograf®

Prograf® has established a strong presence in the transplant field worldwide as a drug for the prevention of rejection after organ transplants. In the United States, the largest transplant market, Prograf® is used by around 90% of new liver transplant recipients and around 80% of new kidney transplant recipients.

In Japan, too, sales of Prograf® are steadily expanding, boosted by the additional indications of autoimmune diseases such as rheumatoid arthritis approved in 2005, as well as a steady increase from transplant indications.

In fiscal 2006, sales of Prograf® increased in North America, Europe, Japan and other Asian countries, and consolidated sales of Prograf® rose 20.2% to ¥175.4 billion (\$1,486 million).

Harnal®

Harnal® is a global top-selling product for the functional symptoms of benign prostatic hyperplasia (BPH). However, its substance patent expired in 2005 in Japan and in 2006 in Europe, and generics have now entered the market. Although we launched an orally disintegrating tablet in Japan and a new sustained-release formulation using the Oral Controlled Absorption System (OCAS) technology in Europe, sales in Japan decreased 14.1%, reflecting additional reductions in both price and sales amount, as a result of market entry by generics in April, while in Europe sales declined 28.7% year-on-year. On the other hand, Harnal® bulk sales to and royalty revenues from licensees increased 21.6%, bolstered by brisk sales in the United States via Boehringer Ingelheim. As a result, fiscal 2006 sales of Harnal® (on a consolidated basis) decreased 7.8% to ¥127.0 billion (\$1,076 million).

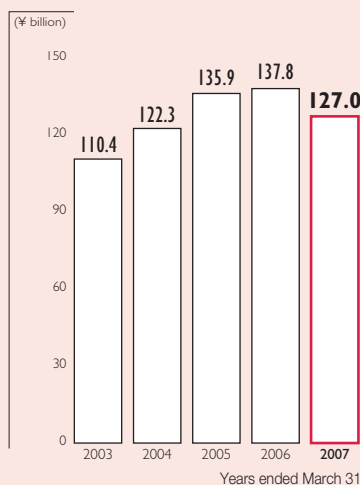
Vesicare®

Following its launch into Europe in 2004 and in the United States in 2005, Vesicare® was brought to market in Japan in June 2006. Vesicare® has also been put on sale in Asia, and is being marketed in an increasing

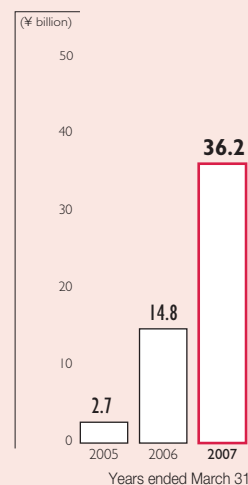
Sales of Prograf®



Sales of Harnal®



Sales of Vesicare®



number of countries worldwide.

In the United States, promotional activities with co-promotion company GlaxoSmithKline also proved a success, and the share of prescriptions in the market of VESicare® for treatments of overactive bladder is steadily increasing, making VESicare® the second major brand-name drug.

In Europe, Vesicare® is the second major treatment for overactive bladder in the five main European countries, the UK, Germany, France, Italy and Spain, and, even in European countries that are promoting measures to curb medical expenses, Vesicare® is steadily expanding market share.

In Japan, Vesicare® has penetrated the market extremely smoothly from the start, and in fiscal 2006 was already the second major product of its type.

Buoyed by extremely large sales gains of 128.7% in the United States and 73.3% in Europe and the recent launch in Japan, fiscal 2006 consolidated sales of Vesicare® jumped 144.3% to ¥36.2 billion (\$307 million).

Sales of mainstay products in Japan

Since its launch in 2000, Lipitor® has expanded its share of the statin market, and in fiscal 2006, as the best selling drug of its type, it commanded a market share exceeding 40%. Fiscal 2006 sales of Lipitor® rose 3.4% to ¥94.7 billion (\$803 million). In our co-promotion activities with Pfizer, we will continue to exploit this drug's efficacy in reducing cholesterol to a specific target level and the wealth of evidence accumulated globally.

The sales growth of Micardis® continues to outpace the extremely competitive angiotensin II receptor antagonist market. Micardis® is steadily expanding its share in this very competitive market thanks to its unique characteristics of sustained blood pressure-lowering effects over a full 24-hour period and elimination by biliary excretion. Fiscal 2006 sales of Micardis® increased 34.8% to ¥50.3 billion (\$426 million).

Sales of Prograf® rose 33.4% to ¥19.0 billion (\$161 million), and Myslee® and the antipsychotic Seroquel® also continued to show steady sales growth, with sales of Myslee® rising 13.4% to ¥19.4 billion (\$164 million) and sales of Seroquel® climbing 10.2% to ¥16.8 billion (\$142 million). Vesicare®, launched in June 2006, also posted sales of ¥6.2 billion (\$53 million).

On the other hand, sales of Harnal® declined 14.1% to ¥38.5 billion (\$326 million). Amid fierce competition, Gaster®, a drug for peptic ulcer and gastritis, and Funguard®, a candidin antifungal agent for injection, both registered sales declines, with sales of Gaster falling 9.6% to ¥62.2 billion (\$527 million) and sales of Funguard® sinking 8.8% to ¥12.8 billion (\$108 million).

Major products sold in Japan

Years ended March 31	¥ billion		US\$ million
	2007	2006	2007
Lipitor®.....	¥94.7	¥91.5	\$803
Gaster®.....	62.2	68.8	527
Micardis®.....	50.3	37.3	426
Harnal®.....	38.5	44.9	326
Myslee®.....	19.4	17.1	164
Prograf®.....	19.0	14.2	161
Seroquel®.....	16.8	15.2	142
Cefzon®.....	14.7	18.4	125
Funguard®.....	12.8	14.0	108

■ Sales by geographical area

Years ended March 31	¥ billion		US\$ million
	2007	2006	2007
Japan.....	¥501.7	¥511.1	\$4,251
North America	173.6	145.3	1,471
Europe	219.7	203.2	1,862
Asia (excluding Japan)	25.7	19.6	218

Japan

Sales in Japan decreased 1.9% year-on-year, to ¥501.6 billion (US\$4,251 million). Although sales in the non-ethical pharmaceuticals business decreased as a result of the divestiture of OTC subsidiary Zepharmia in April 2006, sales of ethical pharmaceuticals on the Japanese market, which is our mainstay business, overcame the negative impact of the NHI drug price revision in April 2006, and increased 3.4% to ¥455.2 billion (US\$3,858 million), thanks to continued growth in sales of our main products, including Lipitor[®], Micardis[®], Prograf[®] and Myslee[®], as well as the launch of Vesicare[®].

North America

Sales in North America rose 19.4% year-on-year, to ¥173.6 billion (US\$1,471 million).

Prograf[®] and Vesicare[®] drove sales growth, with sales of Prograf[®] rising 18.0% to ¥88.0 billion (US\$746 million), and sales of Vesicare[®] jumping 128.7% to ¥17.6 billion (US\$149 million). The candidin anti-fungal agent Mycamine[®] and the psoriasis treatment Amevive[®], to which we acquired the worldwide rights from Biogen Idec Inc. in April 2006, also contributed to the sales increase.

Europe

Sales in Europe climbed 8.1% year-on-year, to ¥219.7 billion (US\$1,862 million).

Both Prograf[®] and Vesicare[®] registered sales gains, with sales of Prograf expanding 21.5% to ¥52.7 billion (US\$447 million), and sales of Vesicare[®] growing 73.3% to ¥12.3 billion (US\$104 million), and Harnal[®] bulk sales to and royalty revenue from licensees increased 21.6% to ¥45.5 billion (US\$386 million) thanks to robust growth in US market sales. Sales of Eligard[®] for the treatment of advanced prostate cancer also soared 122.0% to ¥5.9 billion (\$50 million). On the other hand, sales of Harnal[®] (brand name in Europe: Omnic[®]/OmnicoCAS[®]) declined 28.7% to ¥35.3 billion (\$299 million) due to intensified competition with generic drugs after patent expiry in major European countries.

Asia

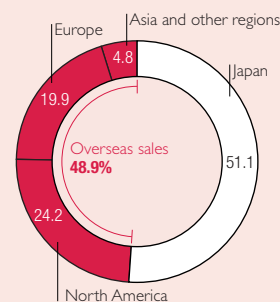
Sales in Asia rose 30.9% year-on-year, to ¥25.7 billion (US\$218 million).

The two mainstay products – Prograf[®] and Harnal[®] – both posted sales gains, with Prograf[®] sales rising 31.4% to ¥10.3 billion (\$87 million) and Harnal[®] sales increasing 28.1% to ¥7.5 billion (\$64 million).

■ Overseas sales

Overseas sales by geographical area

Years ended March 31	¥ billion		US\$ million
	2007	2006	2007
North America	¥223.2	¥192.0	\$1,892
Europe	182.8	172.2	1,549
Asia and other regions	44.1	34.1	374
Total.....	¥450.1	¥398.3	\$3,814



Overseas sales increased 13.0% year-on-year, to ¥450.1 billion (\$3,814 million). Sales expanded in North America, Europe and Asia, fuelled by global products such as Prograf® and Vesicare®. As a result, overseas sales accounted for 48.9% of net sales, up 3.6 percentage points year-on-year.

■ Gross profit and operating income

■ Gross profit

Sales increased 4.7% year-on-year, and the cost of manufacturing amounted to ¥284.1 billion (\$2,407 million), leading to a year-on-year improvement of 0.1 percentage point in the cost-to-sales ratio, which edged up to 30.9%. As a result, gross profit increased 5.0% to ¥636.6 billion.

■ Operating income

In April 2006 we concluded the licensing agreement on FibroGen's investigational oral therapies for anemia — FG-2216, FG-4592 and other compounds with similar mechanisms — for exclusive development and marketing in Europe and other regions. As a result, in fiscal 2006 upfront fees for in-licensing of \$300 million, and development milestone payments and other expenses totaling ¥37.5 billion (\$318 million) were recorded under R&D expenses. Besides in-licensing development compounds, in March 2007 we licensed Regeneron's VelocImmune® technology for discovering human monoclonal antibodies. As a result of our active involvement in this and other alliance activities, fiscal 2006 research and development expenses increased sharply, up 18.2% to ¥167.9 billion, bringing the ratio of research and development expenses to sales to 18.2%. Sales & marketing expenses decreased due to the divestiture of OTC subsidiary Zepharm, but we proactively invested in areas such as the launch of Vesicare® in Japan and sales promotion in the United States and Europe. In spite of staff reductions in Japan, labor expenses increased due to factors such as an increase in the number of medical representatives in the United States. As a result, overall selling, general and administrative expenses increased 7.9% year-on-year, to ¥446.0 billion, and operating income decreased 1.3% to ¥190.5 billion.

■ Other income (expenses), net income

In fiscal 2006, interest and dividend income increased 42% to ¥11.8 billion (\$100 million) and we recognized extraordinary gains, including a gain of ¥21.2 billion (\$180 million) on the transfer of shares of OTC subsidiary Zepharm, and gains on the sale of investment securities of ¥12.3 billion (\$104 million) which increased sharply from ¥3.0 billion the previous year. On the other hand, extraordinary losses included costs of integration and closure of business bases of ¥17.7 billion (\$150 million) and a loss on impairment of fixed assets of ¥6.1 billion (\$51 million) as a result of the reorganization of our research bases in Japan and the restructuring of our overseas production function. However, in the last business year we also booked expenses for integration and closure of business bases of ¥21.3 billion and a loss on the impairment of fixed assets of ¥8.7 billion. As a result, we posted a net other income balance of ¥21.3 billion (\$180 million) for this fiscal year and a net other expense balance of ¥16.0 billion for the previous year. Although operating income shrank, income before income taxes and minority interests rose 19.6% to ¥2,118 billion (\$1,795 million).

Income taxes amounted to ¥78.6 billion (\$666 million) and the effective tax rate improved 3.4 percentage points year-on-year, to 37.1% mainly due to an improvement in the performance at overseas subsidiaries. Net income rose 26.7% to ¥131.3 billion.

■ Assets, liabilities and net assets

As of March 31	¥ billion		US\$ million
	2007	2006	2007
Total assets	¥1,470.7	¥1,584.5	\$12,464
Total liabilities	371.7	367.2	3,150
Total net assets	1,099.0	1,217.3	9,314

Total assets as of March 31, 2007 stood at ¥1,470.7 billion (\$12,464 million), a year-on-year decrease of ¥113.8 billion compared to March 31, 2006. Current assets shrank ¥84.3 billion year-on-year, to ¥966.0 billion (\$8,186 million), due to a decrease in liquidity mainly attributable to share buybacks and an increase in upfront payments for in-licensing activities. Property plant and equipment declined ¥12.0 billion year-on-year, to ¥194.6 billion (\$1,649 million), mainly due to the transfer of three European plants in January 2007. Intangible fixed assets increased due to factors such as product acquisition and milestone payments for in-licensed products, but investment securities decreased mainly due to sales, and, reflecting this, investments and other assets decreased ¥17.5 billion year-on-year, to ¥310.2 billion (\$2,628 million).

On the liabilities side, current liabilities totaled ¥308.8 billion (\$2,617 million), down ¥8.6 billion year-on-year. Long-term liabilities shrank ¥4.1 billion year-on-year, to ¥62.9 billion (\$533 million), mainly due to a significant decrease in accrued retirement benefits for employees as a result of the revision of retirement benefit plans.

Net assets (after deduction of minority interests) declined ¥118.3 billion year-on-year, to ¥1,099.0 billion (\$9,314 million), mainly due to an increase in the balance of treasury shares as a result of an aggressive share buyback scheme.

■ Cash flows

Years ended March 31

	¥ billion		US\$ million
	2007	2006 (Pro forma)	2007
Cash flows from operating activities.....	¥127.9	¥140.2	\$1,084
Cash flows from investing activities.....	72.4	(87.7)	614
Cash flows from financing activities	(263.5)	(76.8)	(2,233)

■ Cash flows from operating activities

Net cash provided by operating activities decreased ¥12.2 billion year-on-year, to ¥127.9 billion (\$1,084 million). While income before income taxes increased ¥34.7 billion, income taxes paid increased by ¥33.6 billion.

■ Cash flows from investing activities

Net cash provided by investing activities totaled ¥72.4 billion (\$614 million), compared with a net outflow of ¥87.7 billion in the previous term. Cash outflows on short-term investments and cash outflows from the acquisition of investment securities decreased ¥78.6 billion and ¥55.0 billion respectively. In addition, the Company recorded an inflow of ¥33.4 billion (\$283 million) from the sale of shares of subsidiaries.

■ Cash flows from financing activities

Net cash used in financing activities increased ¥186.8 billion year-on-year, to ¥263.5 billion (\$2,233 million). Purchases of the Company's own shares increased ¥173.6 billion and cash dividends rose ¥18.2 billion from the amount paid in the previous year, which included payments in lieu of dividends on the merger with Fujisawa.

As a result, cash and cash equivalents at March 31, 2007 totaled ¥422.5 billion (\$3,581 million), down ¥50.9 billion year-on-year.

■ Capital policy

The Company is aiming to sustained improvement in its enterprise value, leading to improved return to shareholders. While putting priority on investment to assure future growth, the Company will continuously increase dividend payments assuming improvement in medium-to long-term earnings on a consolidated basis, and also implement share buybacks in a proactive and flexible manner to improve capital efficiency and raise the level of return to shareholders. Based on these policies, the Company has a medium-term DOE (dividend on equity) target of 8% for the fiscal year ending March 31, 2011 (fiscal 2010).

The Company paid an annual dividend for this fiscal year at ¥80 per share (including a year-end dividend of ¥40 per share) to shareholders, yielding a DOE of 3.7%. As part of its profit distribution and capital policy, the Company implemented a share buyback from the stock market of 44 million shares, which amounted to approximately ¥219.9 billion, during the term under review.

Further, the Company cancelled 10 million shares of its treasury stock in May 2006 and 45 million shares of its treasury stock in June 2007.

Pipeline Status

In Japan, Vesicare® obtained approval and was launched in June 2006, and the selective COX-2 inhibitor Celecox® was approved in January 2007 and launched in June. An additional indication of Prograf® for lupus nephritis, and of Funguard® for pediatric use and prophylaxis of infections in hematopoietic stem cell transplantation patients were also approved in the term under review. Several candidates were filed, including the immunosuppressant FK506 (modified release formulation), and YM529 for osteoporosis. Several projects, including FK199B, a modified release formulation of zolpidem, a treatment for insomnia, are in phase III, and the anti-thrombosis drug YM150 and some other projects are in phase II.

Further, T-3811, a quinolone antibiotic (product name: Geninax®), obtained approval in July 2007.

Overseas, YM087 obtained approval for an additional indication of hypervolemic hyponatremia in the US in February 2007. In Europe, the candin antifungal agent FK463 was filed in April 2006. In the US, an injectable antibiotic telavancin for complicated skin and skin structure infections, RSD1235 for atrial fibrillation, and an additional indication of FK463 for candidemia and other candida infections were filed in December 2006. Several projects, including ASP2151 for herpes zoster and genital herpes, entered phase II. Clinical studies for many new drug candidates such as YM150 are ongoing.

FK506 modified release (product name: Advagraf) obtained approval in Europe in April 2007 and was launched in Britain and Germany in June 2007.

– Enhancement of product line by in-licensing activities

At Astellas, we are striving to enhance our product line by proactive in-licensing activities as well as strengthening our in-house research and development activities, to contribute to medium- and long-term growth.

In April 2006, the Company entered into a licensing agreement with Ilypsa, Inc. (currently Amgen Inc.) for the right to develop and market the treatment of hyperphosphatemia ILY-101 in Japan. We also concluded a license agreement with FibroGen, Inc. in April 2006 for oral anemia therapies FG-2216 (YM311), FG-4592 and other compounds with similar mechanisms of action for exclusive development and marketing in Europe and other regions. In July 2006, we agreed with Theravance, Inc. to add Japan to the collaboration for the development and commercialization of the antibiotic telavancin. Astellas also entered into a licensing agreement with Kirin on exclusive collaboration in developing and marketing its fully human anti-CD40 antagonistic monoclonal antibodies.

Business Risks

Principal risks that may affect the business results and financial position of Astellas include:

Impact of Pharmaceuticals Regulations:

The Company's core business, the pharmaceutical business, is subject to different regulations in each country where Astellas operates. Medical cost containment measures in developed countries, such as the NHI drug price reduction implemented in Japan in April 2006, could have negative impacts on earnings. More stringent regulations governing clinical development, production and distribution of pharmaceuticals could also increase costs.

Product Risk:

Business results could be adversely affected if Astellas cannot appropriately maintain and protect patents on its leading products such as Prograf[®], if any significant litigation is initiated, or if our products cause any unexpected adverse effects.

In addition, technology is rapidly advancing and Astellas faces intensifying global competition. If highly competitive peer products are launched by competitors, the business results of Astellas could also be adversely affected.

Inherent Uncertainties in Pharmaceutical R&D:

In general, the probability of discovering a promising compound through drug discovery research is not high. It also requires a large amount of investment and a great deal of time to successfully launch a new product after discovery of a new compound. Furthermore, it may be necessary to discontinue clinical development if the effectiveness of a drug is not proven as initially expected, or if serious adverse effects arise. In addition, pharmaceuticals are subject to legal restrictions in each country, so that 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 a new product can be obtained.

The research and development activities of Astellas are subject to these inherent risks.

Foreign Exchange Rate Fluctuations:

As the operations of Astellas are carried out in many countries, exchange rate fluctuations can affect the Company's business results and financial position.

The risks to which the business operations of Astellas are subject include, but are not limited to, those stated above. There are various other risks, including: i) being made subject to a lawsuit during the process of business, ii) delay/suspension of production due to disaster, or iii) the partial dependence of business results on in-licensed products.

Consolidated Balance Sheets

March 31, 2007 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 5)
	2007	2006	2007
Current assets:			
Cash and cash equivalents.....	¥ 422,513	¥ 473,423	\$ 3,580,619
Short-term investments (Note 16).....	123,440	165,830	1,046,102
Notes and accounts receivable	248,370	244,205	2,104,830
Allowance for doubtful receivables	(563)	(548)	(4,771)
	247,807	243,657	2,100,059
Inventories (Note 6)	90,979	93,864	771,008
Deferred tax assets (Note 9)	58,181	56,047	493,059
Other current assets.....	23,064	17,485	195,458
Total current assets.....	965,984	1,050,306	8,186,305
Property, plant and equipment, at cost:			
Land	35,637	35,017	302,008
Buildings	226,631	233,452	1,920,602
Machinery and equipment	232,005	257,859	1,966,144
Other.....	1,032	1,237	8,746
Construction in progress	16,744	6,372	141,898
Accumulated depreciation.....	(317,493)	(327,369)	(2,690,618)
Property, plant and equipment, net	194,556	206,568	1,648,780
Investments and other assets:			
Investment securities (Note 16).....	207,375	239,967	1,757,415
Investments in and advances to unconsolidated subsidiaries and affiliates	3,320	2,235	28,136
Intangible assets	41,511	31,515	351,788
Deferred tax assets (Note 9)	37,179	16,411	315,076
Other assets.....	20,776	37,521	176,068
Total investments and other assets	310,161	327,649	2,628,483
Total assets	¥1,470,701	¥1,584,523	\$12,463,568

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 5)
	2007	2006	2007
Current liabilities:			
Short-term bank loans (Note 7)	¥ 1,671	¥ 414	\$ 14,161
Notes and accounts payable:			
Trade	170,898	189,657	1,448,288
Construction	10,949	3,262	92,788
Accrued expenses	69,864	56,663	592,068
Accrued income taxes (Note 9)	44,352	40,018	375,864
Deferred tax liabilities (Note 9)	—	3	—
Other current liabilities	11,099	10,184	94,060
Total current liabilities	308,833	300,201	2,617,229
Long-term liabilities:			
Long-term debt (Note 7)	—	562	—
Accrued retirement benefits for employees (Note 10)	18,480	40,668	156,610
Accrued retirement benefits for directors	35	65	297
Deferred tax liabilities (Note 9)	584	1,409	4,949
Other long-term liabilities	43,774	24,277	370,966
Total long-term liabilities	62,873	66,981	532,822
Net assets (Note 8):			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 2,000,000,000 shares;			
Issued: 563,964,635 shares in 2007 and			
573,949,476 shares in 2006	103,001	102,986	872,890
Capital surplus	176,822	176,807	1,498,492
Retained earnings	1,006,648	959,217	8,530,914
Treasury stock, at cost:			
49,593,400 shares in 2007 and			
15,639,913 shares in 2006	(241,920)	(61,983)	(2,050,169)
Total shareholders' equity	1,044,551	1,177,027	8,852,127
Valuation, translation adjustments and others			
Unrealized holding gain on securities	38,086	44,252	322,763
Translation adjustments	15,723	(4,382)	133,245
Total valuation, translation adjustments and others	53,809	39,870	456,008
Stock subscription rights	284	—	2,407
Minority interests	351	444	2,975
Total net assets	1,098,995	1,217,341	9,313,517
Contingent liabilities (Note 13)			
Total liabilities and net assets	¥1,470,701	¥1,584,523	\$12,463,568

Consolidated Statements of Income

Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 5)
	2007	2006	2005	2007
Net sales	¥920,624	¥879,362	¥447,051	\$7,801,898
Cost of sales	284,063	272,997	141,171	2,407,313
Gross profit.....	636,561	606,365	305,880	5,394,585
Selling, general and administrative expenses (Note 11).....	446,047	413,345	196,990	3,780,060
Operating income	190,514	193,020	108,890	1,614,525
Other income (expenses):				
Interest and dividend income.....	11,796	8,296	4,451	99,966
Interest expense.....	(343)	(1,381)	(780)	(2,907)
Expenses for integration and closure of business bases	(17,660)	—	—	(149,661)
Special retirement benefits	(1,224)	—	—	(10,373)
Loss on impairment of fixed assets	(6,072)	(8,699)	—	(51,458)
Expenses for business integration	—	(21,294)	(20,936)	—
Loss on business restructuring.....	—	—	(12,600)	—
Extraordinary amortization of patents	—	—	(10,591)	—
Exchange (loss) gain.....	(3,595)	3,902	527	(30,466)
Gain on sales of investment securities	12,259	3,021	5,723	103,890
Gain on sales of subsidiaries' shares	21,242	—	—	180,017
Other, net.....	4,848	205	(4,066)	41,086
	21,251	(15,950)	(38,272)	180,094
Income before income taxes and minority interests.....	211,765	177,070	70,618	1,794,619
Income taxes (Note 9):				
Current.....	97,259	72,161	37,329	824,229
Deferred	(18,676)	(433)	(1,715)	(158,271)
	78,583	71,728	35,614	665,958
Income before minority interests	133,182	105,342	35,004	1,128,661
Minority interests	(1,896)	(1,683)	(1,287)	(16,068)
Net income (Note 14).....	¥131,286	¥103,659	¥ 33,717	\$1,112,593

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 5)
	2007	2006	2005	2007
Operating activities				
Income before income taxes and minority interests	¥211,765	¥177,070	¥ 70,618	\$1,794,619
Depreciation and amortization	33,971	37,636	28,039	287,890
Loss on impairment of fixed assets	6,072	8,699	—	51,458
Gain on sales of investment securities	(12,259)	(3,021)	(5,723)	(103,890)
Gain on sales of subsidiaries' shares	(21,242)	—	—	(180,017)
Notes and accounts receivable	(4,996)	6,532	(16,309)	(42,339)
Inventories	3,541	(4,736)	7,016	30,008
Other current assets	(10,917)	2,320	(973)	(92,517)
Notes and accounts payable	14,840	(4,824)	1,554	125,763
Accrued expenses	12,407	(10,510)	2,680	105,144
Other current liabilities	200	(10,389)	2,982	1,695
Accrued retirement benefits for employees	(23,099)	5,259	(12,935)	(195,754)
Other	10,258	(3,860)	3,573	86,932
Subtotal	220,541	200,176	80,522	1,869,992
Interest paid	(318)	(1,351)	(799)	(2,695)
Income taxes paid	(92,293)	(58,674)	(31,135)	(782,144)
Net cash provided by operating activities	127,930	140,151	48,588	1,084,153
Investing activities				
Purchases to property, plant and equipment	(24,660)	(21,454)	(8,656)	(208,983)
Proceeds from sales of property, plant and equipment	7,349	8,889	2,620	62,280
Proceeds from sales of subsidiaries' shares	33,417	—	36,792	283,195
Decrease (increase) in short-term investments	65,021	(13,602)	3,329	551,025
(Increase) decrease in investment securities	(5,770)	(60,767)	8,288	(48,898)
Other	(2,926)	(727)	4,587	(24,797)
Net cash provided by (used in) investing activities	72,431	(87,661)	46,960	613,822
Financing activities				
Increase (decrease) in short-term bank loans	2,204	(1,693)	(800)	18,678
Purchases of treasury stock	(220,046)	(46,400)	(12,582)	(1,864,797)
Cash dividends	(44,066)	(22,181)	(10,211)	(373,441)
Payment upon merger	—	(3,695)	—	—
Other	(1,613)	(2,800)	(1,099)	(13,669)
Net cash used in financing activities	(263,521)	(76,769)	(24,692)	(2,233,229)
Effects of exchange rate changes on cash and cash equivalents ...	12,926	7,406	4,096	109,542
(Decrease) increase in cash and cash equivalents	(50,234)	(16,873)	74,952	(425,712)
Increase in cash and cash equivalents due to merger	—	39,325	—	—
(Decrease) increase in cash and cash equivalents due to increase in consolidated subsidiaries	(676)	27,403	3,025	(5,728)
Increase in cash and cash equivalents due to merger of consolidated subsidiaries	—	90	—	—
Cash and cash equivalents at beginning of year	473,423	423,478	345,501	4,012,059
Cash and cash equivalents at end of year	¥422,513	¥473,423	¥423,478	\$3,580,619

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen					
	Shareholders' equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2004	361,216,470	¥ 99,761	¥113,685	¥ 616,112	¥(101,456)	¥ 728,102
Conversion of convertible bonds	737,745	730	730			1,460
Cash dividends paid				(10,211)		(10,211)
Bonuses to directors and corporate auditors				(92)		(92)
Net income				33,717		33,717
Purchase of treasury stock					(12,582)	(12,582)
Increase due to change in scope of consolidation				991		991
Net change in items other than shareholders' equity						
Total movements during the year		730	730	24,405	(12,582)	13,283
Balance as of March 31, 2005	361,954,215	100,491	114,415	640,517	(114,038)	741,385
Conversion of convertible bonds	2,521,473	2,495	2,495			4,990
Cash dividends paid				(22,181)		(22,181)
Bonuses to directors and corporate auditors				(50)		(50)
Net income				103,659		103,659
Purchase of treasury stock					(46,435)	(46,435)
Disposal of treasury stock				(50,949)	98,490	47,541
Cancellation of treasury stock				(1,354)		(1,354)
Increase due to merger	209,473,788		59,897	266,035		325,932
Increase due to change in scope of consolidation				27,372		27,372
Increase due to merger of consolidated subsidiaries				66		66
Payment upon merger				(3,695)		(3,695)
Decrease due to change in scope of consolidation				(203)		(203)
Net change in items other than shareholders' equity						
Total movements during the year		2,495	62,392	318,700	52,055	435,642
Balance as of March 31, 2006	573,949,476	102,986	176,807	959,217	(61,983)	1,177,027
Conversion of convertible bonds	15,159	15	15			30
Cash dividends paid				(44,066)		(44,066)
Bonuses to directors and corporate auditors				(94)		(94)
Net income				131,286		131,286
Purchase of treasury stock					(220,046)	(220,046)
Disposal of treasury stock				(118)	477	359
Cancellation of treasury stock	(10,000,000)			(39,632)	39,632	
Other				55		55
Net change in items other than shareholders' equity						
Total movements during the year		15	15	47,431	(179,937)	(132,476)
Balance as of March 31, 2007	563,964,635	¥103,001	¥176,822	¥1,006,648	¥(241,920)	¥1,044,551

	Thousands of U.S. dollars (Note 5)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	\$872,763	\$1,498,365	\$8,128,957	\$ (525,279)	\$9,974,806
Conversion of convertible bonds	127	127			254
Cash dividends paid			(373,441)		(373,441)
Bonuses to directors and corporate auditors			(797)		(797)
Net income			1,112,593		1,112,593
Purchase of treasury stock				(1,864,797)	(1,864,797)
Disposal of treasury stock			(1,000)	4,043	3,043
Cancellation of treasury stock			(335,864)	335,864	
Other			466		466
Net change in items other than shareholders' equity					
Total movements during the year	127	127	401,957	1,524,890	(1,122,679)
Balance as of March 31, 2007	\$872,890	\$1,498,492	\$8,530,914	\$(2,050,169)	\$8,852,127

See accompanying notes to consolidated financial statements.

Millions of yen

Valuation, translation adjustments and others					
Unrealized holding gain on securities	Translation adjustments	Total valuation, translation adjustments and others	Stock subscription rights	Minority interests	Total net assets
¥13,848	¥(16,557)	¥ (2,709)		¥ 2,462	¥ 727,855
					1,460
					(10,211)
					(92)
					33,717
					(12,582)
					991
(2,248)	5,466	3,218		(884)	2,334
(2,248)	5,466	3,218		(884)	15,617
11,600	(11,091)	509		1,578	743,472
					4,990
					(22,181)
					(50)
					103,659
					(46,435)
					47,541
					(1,354)
13,920	(8,171)	5,749		130	331,811
					27,372
					66
					(3,695)
					(203)
18,732	14,880	33,612		(1,264)	32,348
32,652	6,709	39,361		(1,134)	473,869
44,252	(4,382)	39,870		444	1,217,341
					30
					(44,066)
					(94)
					131,286
					(220,046)
					359
					55
(6,166)	20,105	13,939	¥284	(93)	14,130
(6,166)	20,105	13,939	284	(93)	(118,346)
¥38,086	¥ 15,723	¥53,809	¥284	¥ 351	¥1,098,995

Thousands of U.S. dollars (Note 5)

Valuation, translation adjustments and others					
Unrealized holding gain on securities	Translation adjustments	Total valuation, translation adjustments and others	Stock subscription rights	Minority interests	Total net assets
\$375,017	\$ (37,136)	\$337,881		\$3,763	\$10,316,450
					254
					(373,441)
					(797)
					1,112,593
					(1,864,797)
					3,043
					466
(52,254)	170,381	118,127	\$2,407	(788)	119,746
(52,254)	170,381	118,127	2,407	(788)	(1,002,933)
\$322,763	\$133,245	\$456,008	\$2,407	\$2,975	\$ 9,313,517

Notes to Consolidated Financial Statements

March 31, 2007

1. Basis of Presentation

Astellas Pharma Inc. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the

application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions are eliminated in consolidation.

Investments in subsidiaries and affiliates, which are not consolidated or accounted for by the equity method, are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down.

All consolidated subsidiaries close their books of account at March 31 for financial reporting purposes. Until the year ended March 31, 2006, Astellas Pharma China, Inc. had been consolidated based on the financial statements as of December 31. Astellas Pharma China, Inc. has changed its fiscal year end to March 31 during this fiscal year and accordingly its operating results and cash flows for 15 months ended March 31, 2007 were included in the consolidated financial statements.

The excess of cost over underlying net assets at fair value at the date of acquisition is amortized over periods not exceeding 20 years on a straight-line basis except that when the excess is immaterial, it is fully charged to income in the year of acquisition. Such amortization is included in selling, general and administrative expenses.

(b) Foreign currency translation

Revenue and expense accounts of the foreign consolidated subsidiaries are translated using the average exchange rate during the year and, except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the exchange rates in effect at the

balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests in the accompanying consolidated financial statements.

(c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(d) Inventories

Merchandise is stated principally at the lower of cost or market, cost being determined by the average method. Finished goods are stated principally at cost by the average method. Work in process, raw materials and supplies are stated principally at cost by the average method. However, inventories of the foreign consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the first-in, first-out method.

(e) Depreciation and amortization

Depreciation of property, plant and equipment is calculated principally by the declining-balance method at rates based on the estimated useful lives of the respective assets. However, depreciation of property, plant and equipment of the foreign consolidated subsidiaries is calculated principally by the straight-line method. The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	4 to 15 years

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(f) Leases

Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee

are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally classified and accounted for as either finance or operating leases.

(g) Short-term investments and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into held-to-maturity or other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving average method.

(h) Research and development expenses

Research and development expenses are charged to income as incurred.

(i) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(j) Retirement benefits

Accrued retirement benefits for employees and prepaid pension cost are recorded mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

Actuarial gain and loss are being amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the average remaining

years of service of the employees. Prior service cost is being amortized as incurred by the straight-line method over the average remaining years of service of the employees.

Effective October 1, 2006, the retirement benefit plans of the former Yamanouchi Pharmaceutical Co., Ltd. and those of the former Fujisawa Pharmaceutical Co., Ltd. have been integrated into a newly established retirement benefit plans. Actuarial gain and loss recognized before the integration for the former Fujisawa's plans are being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the period which is shorter than the average remaining years of service of the employees (10 years), and prior service cost recognized before the integration for the former Fujisawa's plans is being amortized as incurred by the straight-line method over the period which is shorter than the average remaining years of service of the employees (10 years).

In addition, directors of certain domestic consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement benefits plans. The provision for retirement benefits for these directors has been made at an estimated amount.

(k) Derivative financial instruments

The Company has entered into various derivatives transactions in order to manage certain risks arising mainly from adverse fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

3. Merger with Fujisawa Pharmaceutical Co. Ltd.

The Company merged with Fujisawa Pharmaceutical Co. Ltd. ("Fujisawa") effective April 1, 2005. This merger was accounted for by the pooling-of-interest method and the operating results of Fujisawa after April 1, 2005 were

included in the Company's consolidated financial statements. The assets acquired and liabilities assumed upon the merger are summarized as follows:

	Millions of yen
Current assets	¥208,829
Non-current assets	282,675
Total assets	¥491,505
Current liabilities	¥ 95,067
Non-current liabilities	7,252
Total liabilities	¥102,320

The consolidated financial information of Fujisawa for the year ended March 31, 2005 is summarized as follows:

	Millions of yen
Net sales	¥414,959
Net income	25,815

4. Accounting Changes

- (a) Effective April 1, 2005, the Company adopted a new accounting standard for the impairment of fixed assets. The Group bases its grouping for assessing such impairment losses on its business segments. However, the Group determines whether an asset is impaired on an individual asset basis when the asset is deemed idle or if it is scheduled to be disposed of. The effect of this adoption was to decrease income before income taxes and minority interests by ¥8,699 million for the year ended March 31, 2006. During the year ended March 31, 2007, the Company recorded loss on impairment of fixed assets in the amount of ¥17,453 million (\$147,907 thousand). Expenses for integration and closure of business bases included the impairment loss of ¥11,381 million (\$96,449 thousand) for the year ended March 31, 2007.
- (b) Effective the year ended March 31, 2007, the Company adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and the consolidated statements of shareholders' equity for the years ended March 31, 2006 and 2005 have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.
- (c) Effective April 1, 2006, the Company adopted a new accounting standard for share-based payment and implementation guidance. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥284 million (\$2,407 thousand) for the year ended March 31, 2007.
- (d) Effective April 1, 2006, the Company adopted a new accounting standard for bonus for directors. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥101 million (\$856 thousand) for the year ended March 31, 2007.

5. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥118 = U.S.\$1.00, the approximate rate of exchange on March 31, 2007. The translation

should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

6. Inventories

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Merchandise and finished goods	¥46,697	¥52,642	\$395,737
Work in process	16,422	16,305	139,169
Raw materials and supplies	27,860	24,917	236,102
	¥90,979	¥93,864	\$771,008

7. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans consisted mainly of secured loans bearing interest at rate of 5.84% per annum as of March 31, 2007 and those bearing interest at rates ranging from 0.71% to 5.24% per annum at March 31, 2006.

The Company had no long-term debt outstanding at March 31, 2007.

Long-term debt at March 31, 2006 consisted of the following:

	Millions of yen
Astellas Pharma Inc.:	
1.25% unsecured convertible bonds, payable in yen, due 2014	¥ 30
	<u>30</u>
Consolidated subsidiaries:	
Secured loans from banks and others, at rates ranging from 1.11% to 11.96%, due through 2010	532
	<u>¥562</u>

8. Net Assets

The new Company Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal

reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

(1) Information regarding changes in net assets for the year ended March 31, 2007 is as follows:

a. Treasury stock

Types of share	(Thousands of shares)			
	Number of shares at March 31, 2006	Increase	Decrease	Number of shares at March 31, 2007
Treasury stock: Common stock (Notes 1 and 2)	15,639	44,059	10,105	49,593

(Thousands of shares)

Notes: 1. Details of the increase are as follows:

Increase due to purchase of the stocks.....44,031
Increase due to purchase of the stocks of less than standard unit.....27

2. Details of the decrease are as follows:

Decrease due to cancellation10,000
Decrease due to sale of the stocks of less than standard unit2
Decrease due to exercise of stock subscription rights102

b. Stock subscription rights

In February 2007, the Company issued 75,700 units of stock subscription rights, for which ¥284 million (\$2,407 thousand) was recorded as a component of net assets as of March 31, 2007. The stock subscription rights included those which were not vested as of March 31, 2007. There are no other movements in net assets relating to stock subscriptions rights during the year ended March 31, 2007.

(2) Stock option

The Company has implemented a stock option plan under which stock subscription rights were granted to directors, corporate officers and employees of the Company.

The following table summarizes the Company's stock option plan:

		Stock subscription rights granted on July 1, 2003 as a stock option plan	Stock subscription rights granted on July 1, 2004 as a stock option plan	Stock subscription rights granted on August 31, 2005 as a stock option plan	Stock subscription rights granted on February 13, 2007 as a stock option plan
Individuals covered by the Plan	Directors of the Company	18	4	6	4
	Corporate officers of the Company	—	16	26	27
	Employees of the Company	37	36	—	—
	Total	55	56	32	31
Type and number of shares to be issued upon the exercise of the stock subscription rights	Common stock	141,000	147,000	104,800	75,700
Vesting period		no	no	From July 1, 2005 to June 23, 2006	From July 1, 2006 to June 26, 2007
Exercise period		From July 1, 2005 to June 27, 2013	From July 1, 2006 to June 24, 2014	From September 1, 2005 to June 24, 2025	From February 14, 2007 to June 27, 2026

Conditions for the exercise of stock subscription rights as follows:

- 1) For stock options granted in 2003 and 2004, there are no vesting conditions.
- 2) For stock options granted in 2005 and 2007, persons granted stock options must meet certain targets.

The following table summarizes the movements of stock subscriptions rights:

	Stock subscription rights granted on July 1, 2003 as a stock option plan	Stock subscription rights granted on July 1, 2004 as a stock option plan	Stock subscription rights granted on August 31, 2005 as a stock option plan	Stock subscription rights granted on February 13, 2007 as a stock option plan
Stock subscription rights which have not been vested				
Outstanding as of March 31, 2006	—	—	26,200	—
Granted	—	—	—	75,700
Forfeited	—	—	—	—
Vested	—	—	26,200	56,775
Outstanding as of March 31, 2007	—	—	—	18,925
Stock subscription rights which have been vested				
Outstanding as of March 31, 2006	91,300	147,000	78,600	—
Vested	—	—	26,200	56,775
Exercised	50,900	49,300	2,700	—
Forfeited	—	—	—	—
Outstanding as of March 31, 2007	40,400	97,700	102,100	56,775
Exercise price (Yen)	3,209	3,690	1	1
Weighted average exercise price (Yen)	4,985	4,949	5,267	—
Weighted average fair value per stock at the granted date (Yen)	—	—	—	5,009
Exercise price (U.S. dollars)	27.19	31.27	0.01	0.01
Weighted average exercise price (U.S. dollars)	42.25	41.94	44.64	—
Weighted average fair value per stock at the granted date (U.S. dollars)	—	—	—	42.45

Stock option expense included in selling, general and administrative expenses for the year ended March 31, 2007 amounted to ¥284 million (\$2,407 thousand). The fair value of options granted is estimated using the binominal model with the following weighted average assumptions.

	Stock subscription rights granted on February 13, 2007 as a stock option plan
Expected volatility	28.75%
Expected holding period	4 years
Expected dividend	80 yen
Risk-free rate	2.16%

9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rate of approximately 41% for 2007, 2006 and 2005. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates

applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2007, 2006 and 2005 differ from the statutory tax rate for the following reasons:

	2007	2006	2005
Statutory tax rates	41.0%	41.0%	41.0%
Effect of:			
Tax deductions for research and development expenses	(5.1)	(3.9)	(7.6)
Different tax rates applied to income of foreign consolidated subsidiaries.....	(2.4)	(1.3)	12.0
Expenses not deductible for income tax purposes	2.1	2.7	2.7
Change in valuation allowance	0.8	0.9	4.0
Other, net	0.7	1.1	(1.7)
Effective tax rates	37.1%	40.5%	50.4%

The significant components of the deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Deferred tax assets:			
Loss on devaluation of investment securities.....	¥ 3,924	¥ 4,791	\$ 33,254
Accrued retirement benefits	7,777	11,103	65,907
Depreciation and amortization	39,527	22,288	334,975
Loss on impairment of fixed assets.....	5,572	3,574	47,220
Accrued expenses	20,059	21,530	169,992
Inventories	22,889	20,732	193,975
Accrued enterprise and other taxes	3,111	3,574	26,364
Other	37,557	32,103	318,279
Gross deferred tax assets	140,416	119,695	1,189,966
Valuation allowance	(16,181)	(14,660)	(137,127)
Total deferred tax assets	124,235	105,035	1,052,839
Deferred tax liabilities:			
Unrealized holding gain on securities	25,716	30,324	217,932
Depreciation and amortization	1,082	1,934	9,170
Other	2,661	1,731	22,551
Total deferred tax liabilities	29,459	33,989	249,653
Net deferred tax assets	¥ 94,776	¥ 71,046	\$ 803,186

10. Retirement Benefit Plans

Until October 1, 2006, the Company and its domestic consolidated subsidiaries had defined benefit plans, i.e., tax-qualified plans, welfare pension fund plan, tax-qualified plans (closed type) and lump-sum payment plans. Effective October 1, 2006, a welfare pension fund plan and a lump-sum payment plan were newly established to integrate the former Yamanouchi's and Fujisawa's retirement benefit plans. In addition, a portion of the benefit obligations under the new plans was transferred to a newly established defined contribution plan. In this connection, the pension plan assets of ¥8,791 million (\$74,500 thousand) are being transferred to the defined contribution plan over 8 years commencing from the year ended March 31, 2007.

In addition, certain employees may be entitled to additional special retirement benefits upon early termination of employment based on the conditions under which termination occurs. Such benefits are not subject to the actuarial calculation required by the accounting standard for retirement benefits.

Certain foreign consolidated subsidiaries have defined benefit plans and defined contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retirement benefit obligation	¥(158,627)	¥(167,464)	\$(1,344,297)
Plan assets at fair value	144,430	125,351	1,223,983
Unfunded retirement benefit obligation	(14,197)	(42,113)	(120,314)
Unrecognized actuarial loss	8,287	17,258	70,229
Unrecognized prior service cost	(10,642)	(9,023)	(90,186)
Net retirement benefit obligation	(16,552)	(33,878)	(140,271)
Prepaid pension cost	1,928	6,790	16,339
Accrued retirement benefits	¥ (18,480)	¥ (40,668)	\$ (156,610)

The components of retirement benefit expenses for the years ended March 31, 2007, 2006 and 2005 are outlined as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Service cost	¥ 6,218	¥ 8,569	¥ 4,042	\$ 52,695
Interest cost	4,249	4,141	2,694	36,008
Expected return on plan assets	(3,359)	(2,826)	(1,473)	(28,466)
Amortization of actuarial loss	2,234	3,195	559	18,932
Amortization of prior service cost	(215)	(554)	(659)	(1,822)
Other	10,951	4,188	15,403	92,806
Total	¥20,078	¥16,713	¥20,566	\$170,153

The assumptions used in accounting for the above plans were as follows:

	2007	2006
Discount rates	2.0% – 10.0%	2.0% – 12.0%
Expected rates of return on plan assets	2.0% – 8.0%	1.6% – 8.0%

11. Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses for the years ended March 31, 2007, 2006, and 2005, totaled

¥167,946 million (\$1,423,271 thousand), ¥142,076 million and ¥58,842 million, respectively.

12. Leases

The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of leased assets as of March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
March 31, 2007			
Machinery and equipment	¥2,420	¥1,882	¥537
	Thousands of U.S. dollars		
March 31, 2007	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	\$20,508	\$15,949	\$4,551
	Millions of yen		
March 31, 2006	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥3,302	¥2,191	¥1,111

Lease payments relating to finance leases accounted for as operating leases amounted to ¥793 million (\$6,720 thousand), ¥1,074 million and ¥1,091 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended

March 31, 2007, 2006 and 2005, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 on non-cancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
2008	¥320	¥12	\$2,712	\$102
2009 and thereafter	217	20	1,839	169
Total	¥537	¥32	\$4,551	\$271

13. Contingent Liabilities

Contingent liabilities of the Company and its consolidated subsidiaries at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Contingent liabilities as guarantors of indebtedness of the Company's employees and affiliates.....	¥4,499	\$38,127
Other contingent liabilities relating to a debt assumption contract.....	360	3,051
Other	127	1,076

The Company is involved in various lawsuits from time to time during the normal course of business. The Company's management believes the lawsuits currently involved by the Company would not have material adverse impacts on the Company's financial condition or operating results.

14. Amounts per Share

	Yen			U.S. dollars
	2007	2006	2005	2007
Net income:				
Basic	¥ 244.07	¥ 183.88	¥ 102.52	\$ 2.07
Diluted	243.99	183.56	101.72	2.07
Cash dividends	80.00	70.00	31.00	0.68
Net assets	2,135.34	2,179.44	2,259.68	18.10

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the

conversion of convertible bonds and the exercise of stock subscription rights.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Net assets per share are computed based on the net assets excluding stock subscription rights and minority interests and the number of common stock outstanding at the year end.

15. Supplementary Cash Flow Information

The conversion of convertible bonds for the years ended March 31, 2007, 2006 and 2005 amounted to ¥30 million (\$254 thousand), ¥4,990 million and ¥1,460 million, respectively.

The following is summary of the assets and liabilities of Zepharm Inc., which was sold during the year ended March 31, 2007:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥18,234	\$154,526
Noncurrent assets.....	3,975	33,686
Total assets.....	¥22,209	\$188,212
Current liabilities	¥ 6,600	\$ 55,932
Noncurrent liabilities	807	6,839
Total liabilities	¥ 7,407	\$ 62,771

16. Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2007 and 2006 is summarized as follows:

Marketable held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	2007			2007		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:						
Government bonds	¥1,801	¥1,792	¥ (9)	\$15,260	\$15,188	\$(72)
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	¥1,801	¥1,792	¥ (9)	\$15,260	\$15,188	\$(72)

	Millions of yen		
	2006		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:			
Government bonds	¥2,402	¥2,381	¥(21)
Corporate bonds	—	—	—
Other	—	—	—
Total	¥2,402	¥2,381	¥(21)

Marketable other securities

	Millions of yen			Thousands of U.S. dollars		
	2007			2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 29,056	¥ 91,448	¥62,392	\$ 246,234	\$ 774,980	\$528,746
Debt securities	21,561	21,638	77	182,725	183,376	651
Other	8,416	10,531	2,115	71,325	89,244	17,919
Subtotal	59,033	123,617	64,584	500,284	1,047,600	547,316
Securities whose acquisition cost exceeds their carrying value:						
Stock	1,373	1,309	(64)	11,638	11,094	(544)
Debt securities	169,904	169,228	(676)	1,439,863	1,434,137	(5,726)
Other	1,976	1,900	(76)	16,744	16,104	(640)
Subtotal	173,253	172,437	(816)	1,468,245	1,461,335	(6,910)
Total	¥232,286	¥296,054	¥63,768	\$1,968,529	\$2,508,935	\$540,406

	Millions of yen		
	2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 26,898	¥100,348	¥73,450
Debt securities	31,003	31,024	21
Other	12,470	15,170	2,700
Subtotal	70,371	146,542	76,171
Securities whose acquisition cost exceeds their carrying value:			
Stock	1,467	1,403	(64)
Debt securities	205,946	204,578	(1,368)
Other	6,959	6,779	(180)
Subtotal	214,372	212,760	(1,612)
Total	¥284,743	¥359,302	¥74,559

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of Yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Proceeds from sales	¥50,571	¥42,367	¥11,279	\$428,566
Gain on sales	12,506	3,201	5,722	105,982
Loss on sales	159	132	0	1,346

The redemption schedule for securities with maturities classified as other securities and held-to-maturity debt securities as of March 31, 2007 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	¥ 83,808	¥22,711	¥3,906	\$ 710,236	\$192,470	\$33,097
Corporate bonds	15,102	66,610	—	127,979	564,488	—
Others	183,120	531	—	1,551,869	4,503	—
Total	¥282,030	¥89,852	¥3,906	\$2,390,084	\$761,461	\$33,097

17. Derivative Transactions

The Company utilizes derivatives primarily for the purpose of hedging its exposure to adverse fluctuation in foreign currency exchange rates and interest rates, but does not enter into such transactions for speculative or trading purposes.

The Company is exposed to credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such loss would not be material

because the Company enters into transactions only with financial institutions with high credit ratings. The notional amounts of the derivatives do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure in connection with derivatives.

The notional amounts and the estimated fair value of derivatives outstanding as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2007			2007		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sell:						
U.S.\$	¥1,394	¥1,412	¥(18)	\$11,814	\$11,967	\$(153)
Currency option						
Sell:						
Call						
Euro Contract amount	1,567			13,280		
Option premium	12	9	3	102	76	26
Buy:						
Put						
Euro Contract amount	783			6,635		
Option premium	13	9	(4)	110	76	(34)
Total	¥3,744	¥1,430	¥(19)	\$31,729	\$12,119	\$(161)

	Millions of yen		
	2006		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sell:			
U.S.\$	¥ 1,169	¥ 1,166	¥ 3
Euro.....	8,141	8,257	(116)
Buy:			
U.S.\$	4,056	4,098	42
Total	¥13,366	¥13,521	¥ (71)

18. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and overseas, primarily in North America and Europe. The Company sold all its shares in its subsidiaries in Japan and the U.S. which were engaged in the nutritional and personal care business and the food and rose business during the year ended March 31, 2005. This transaction was accounted for as if the sale of these shares had taken place at the beginning of the fiscal year.

Business segments

The Company's businesses are segmented into "Pharmaceutical" and "Other" based on their similarity in terms of distribution methods, the nature and type of products sold, and manufacturing methods. As net sales, operating income and total assets in the "Pharmaceutical" segment constituted more than 90% of the consolidated totals, the disclosure of business segment information has been omitted.

Geographical areas

The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2006, and 2005 is outlined as follows:

Year ended March 31, 2007	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	¥ 501,664	¥173,559	¥219,697	¥25,704	¥ 920,624	¥ —	¥ 920,624
Intergroup sales and transfers	100,542	53,729	40,159	2	194,432	(194,432)	—
Total sales	602,206	227,288	259,856	25,706	1,115,056	(194,432)	920,624
Operating expenses	485,564	175,718	236,072	21,955	919,309	(189,199)	730,110
Operating income	¥ 116,642	¥ 51,570	¥ 23,784	¥ 3,751	¥ 195,747	¥ (5,233)	¥ 190,514
Total assets	¥1,053,068	¥175,397	¥266,521	¥21,880	¥1,516,866	¥ (46,165)	¥1,470,701

Year ended March 31, 2007	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	\$4,251,390	\$1,470,839	\$1,861,839	\$217,830	\$ 7,801,898	\$ —	\$ 7,801,898
Intergroup sales and transfers	852,051	455,331	340,330	17	1,647,729	(1,647,729)	—
Total sales	5,103,441	1,926,170	2,202,169	217,847	9,449,627	(1,647,729)	7,801,898
Operating expenses	4,114,949	1,489,136	2,000,610	186,059	7,790,754	(1,603,381)	6,187,373
Operating income	\$ 988,492	\$ 437,034	\$ 201,559	\$ 31,788	\$ 1,658,873	\$ (44,348)	\$ 1,614,525
Total assets	\$8,924,305	\$1,486,415	\$2,258,653	\$185,424	\$12,854,797	\$ (391,229)	\$12,463,568

Year ended March 31, 2006	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	¥ 511,145	¥145,341	¥203,232	¥19,644	¥ 879,362	¥ —	¥ 879,362
Intergroup sales and transfers	94,966	39,582	29,727	26	164,301	(164,301)	—
Total sales	606,111	184,923	232,959	19,670	1,043,663	(164,301)	879,362
Operating expenses	467,939	152,206	214,571	15,836	850,552	(164,210)	686,342
Operating income	¥ 138,172	¥ 32,717	¥ 18,388	¥ 3,834	¥ 193,111	¥ (91)	¥ 193,020
Total assets	¥1,247,860	¥138,426	¥222,818	¥19,074	¥1,628,178	¥ (43,655)	¥1,584,523

Year ended March 31, 2005	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	¥310,388	¥ 8,714	¥120,472	¥7,477	¥447,051	¥ —	¥447,051
Intergroup sales and transfers	40,390	19,568	4,280	48	64,286	(64,286)	—
Total sales	350,778	28,282	124,752	7,525	511,337	(64,286)	447,051
Operating expenses	244,084	29,654	120,907	6,537	401,182	(63,021)	338,161
Operating income (loss)	¥106,694	¥ (1,372)	¥ 3,845	¥ 988	¥110,155	¥ (1,265)	¥108,890
Total assets	¥680,854	¥87,428	¥146,658	¥9,030	¥923,970	¥(10,407)	¥913,563

Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of yen				
Year ended March 31, 2007	North America	Europe	Asia	Other	Total
Overseas sales	¥223,226	¥182,753	¥31,158	¥12,925	¥450,062
Consolidated net sales					920,624

	Thousands of U.S. dollars				
Year ended March 31, 2007	North America	Europe	Asia	Other	Total
Overseas sales	\$1,891,746	\$1,548,754	\$264,051	\$109,534	\$3,814,085
Consolidated net sales					7,801,898
Overseas sales as a percentage of consolidated net sales	24.2%	19.9%	3.4%	1.4%	48.9%

	Millions of yen				
Year ended March 31, 2006	North America	Europe	Asia	Other	Total
Overseas sales	¥191,985	¥172,230	¥25,688	¥8,366	¥398,269
Consolidated net sales					879,362
Overseas sales as a percentage of consolidated net sales.....	21.8%	19.6%	2.9%	1.0%	45.3%

	Millions of yen				
Year ended March 31, 2005	North America	Europe	Asia	Other	Total
Overseas sales	¥42,116	¥88,553	¥10,380	¥3,696	¥144,745
Consolidated net sales					447,051
Overseas sales as a percentage of consolidated net sales.....	9.4%	19.8%	2.3%	0.9%	32.4%

19. Subsequent Events

(a) Cancellation of treasury stock

Pursuant to the resolution approved by the meeting of the Board of Directors held on March 26, 2007, effective June 26, 2007, the Company canceled its 45,000 thousand shares of common stock in treasury with the acquisition cost of ¥219,514 million (\$1,860,288 thousand) in accordance with the Article 178 of the Corporate Law of Japan. As a result, the number of shares of common stock issued decreased to 518,964,635 shares.

(b) The following appropriations of retained earnings of the Company were approved at a shareholders' meeting held on June 26, 2007:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥40=U.S.\$0.34 per share)	¥20,575	\$174,364
Bonuses to directors and corporate auditors.....	135	1,144
	¥20,710	\$175,508

Report of Independent Auditors

The Board of Directors
Astellas Pharma Inc.

We have audited the accompanying consolidated balance sheets of Astellas Pharma Inc. (the "Company") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2007, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astellas Pharma Inc. and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

Supplementary Information

As described in Note 4(a), effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5.

Ernst & Young ShinNikon

June 26, 2007

Principal Subsidiaries and Affiliates

(as of July 2007)

■ North America

Holding Company in North America

Astellas US Holding, Inc.

Three Parkway North, Deerfield, IL 60015-2548, U.S.A.
TEL: +1-847-317-8800 FAX: +1-847-317-7296

Headquarters in North America

Astellas US LLC

Three Parkway North, Deerfield, IL 60015, U.S.A.
TEL: +1-847-317-8800 FAX: +1-847-317-7296

Astellas Pharma US, Inc.

Three Parkway North, Deerfield, IL 60015-2548, U.S.A.
TEL: +1-847-317-8800 FAX: +1-847-317-7296

Astellas Pharma Canada, Inc.

625 Cochrane Drive, Suite 1000, Markham, Ontario L3R9R9, Canada
TEL: +1-905-470-7990 FAX: +1-905-470-7799

Astellas Pharma Manufacturing, Inc.

3125 Staley Road, Grand Island, NY 14072, U.S.A.
TEL: +1-716-775-2200 FAX: +1-716-775-2205

Astellas Pharma Technologies, Inc.

3300 Marshall Avenue, Norman, OK 73072, U.S.A.
TEL: +1-405-217-6400 FAX: +1-405-217-7906

Astellas Research Institute of America LLC

P.O. Box 188, Skokie, IL 60076-0188, U.S.A.

Astellas Venture Management LLC

P.O. Box H, Los Altos, CA 94023, U.S.A.

Urogenix, Inc.

P.O. BOX 12035 Durham, NC 27709, USA

■ Europe

Holding Company in Europe

Astellas B.V.

Elisabethhof 19, P.O. Box 108, 2350 AC, Leiderdorp, The Netherlands

European Headquarters – United Kingdom

Astellas Pharma Europe Ltd.

Lovett House, Lovett Road, Staines, Middlesex, TW18 3AZ, U.K.
TEL: +44-1784-4194-00 FAX: +44-1784-4194-01

Other Principal Subsidiaries and Affiliates in Europe

Austria

Astellas Pharma Ges.mbH

Linzerstrasse 221/E02, A 1140 Vienna, Austria
TEL: +43-1-877-26-68 FAX: +43-1-877-16-36

Belgium

Astellas Pharma B.V. (Branch)

Erasmus Park, Square Marie Curie 50/1, Building 5, 1070 Brussels, Belgium
TEL: + 32-2-558-07-10 FAX: + 32-2-558-07-13

Czech Republic

Astellas Pharma s.r.o

Sokolovská 100/94, 186 00 Prague 8, Czech Republic
TEL: + 420-236-080-300 FAX: + 420-236-080-330

Denmark

Astellas Pharma A/S

Naverland 4, DK - 2600 Glostrup, Denmark
TEL: +45-434-30-355 FAX: +45-434-32-224

France

Astellas Pharma S.A.S

Le Malesherbes, 114 Rue Victor Hugo, 92686, Levallois Perret, Paris, France
TEL: +33-1-55-91-75-00 FAX: +33-1-55-91-75-69

Germany

Astellas Pharma GmbH

Neumarkter Strasse 61, 81673 Munich, Germany
TEL: +49-89-45-44-06 FAX: +49-89-45-44-21-20

Greece

Astellas Pharma AE

10th KIm National Road Athens, Lamia 14451, Metamorfoosi, Greece
TEL: +30-210-281-2640 FAX: +30-210-283-5342

Hungary

Astellas Pharma Kft

Kelenhegyi út 43, H 1118 Budapest, Hungary
TEL: +36-1-361-4673 FAX: +36-1-361-4676

Ireland

Astellas Ireland Co., Limited

Damastown Road, Damastown Industrial Park, Mulhuddart, Dublin 15,
Republic of Ireland
TEL: +353-1-803-0800 FAX: +353-1-803-0801

Astellas Pharma Co., Limited

25 The Courtyard, Kilcarbery Business Park, Clondalkin, Dublin 22,
Republic of Ireland
TEL: +353-1-467-1555 FAX: +353-1-467-1550

Italy

Astellas Pharma S.p.A.

Via delle Industrie 1, 20061, Carugate, Milan, Italy
TEL: +39-02-92-138-1 FAX: +39-02-92-138-200

Netherlands

Astellas Pharma B.V.

Elisabethhof 19, P.O. Box 108, 2350 AC, Leiderdorp, The Netherlands

Astellas Pharma Europe B.V.

Elisabethhof 19, P.O. Box 108, 2350 AC, Leiderdorp, The Netherlands

Astellas Pharma International B.V.

Elisabethhof 19, P.O. Box 108, 2350 AC, Leiderdorp, The Netherlands

Norway

Astellas Pharma A/S (Branch)

Solbråveien 47, N-1383, Asker, Norway
TEL: +47-667-64-6000 FAX: +47-669-03-520

Poland

Astellas Pharma Sp.zo.o.

ul. Poleczki 21, 02-822, Warsaw, Poland
TEL: +48-22-545-11-11 FAX: +48-22-545-11-10

Portugal

Astellas Farma Limitada

Edificio Cinema, Rua José Fontana, nº1-1 andar, 2770-101
Paço de Arcos, Portugal
TEL: +351-21-440-13-00 FAX: +351-21-440-13-01

Russia

ZAO Astellas Pharma

Marksistskaya Ulitsa 16, 109147, Moscow, Russia
TEL: +7-495-737-0755 FAX: +7-495-737-0753

South Africa

Astellas Pharma Pty Ltd.

Gillooly's View Office Park, Block F, Ground Floor, 5 Osborne Lane,
Bedfordview 2007 Johannesburg, South Africa
TEL: +011-615-9433 FAX: +011-615-9427

Spain

Astellas Pharma S.A.

Parque Empresarial 'La Finca', Paseo del Club Deportivo nº1, Bloque 14,
2ª planta, 28223 Pozuelo de Alarcón, Madrid, Spain
TEL: +34-91-495-2700 FAX: +34-91-495-2711

Sweden

Astellas Pharma AB

Haraldsgatan 5, SE-413 14, Gothenburg, Sweden
TEL: +46-31-741-61-60 FAX: +46-31-711-07-57

Switzerland

Astellas Pharma A.G.

Grindelstrasse 6, CH-8304, Wallisellen, Switzerland
TEL: +41-43-233-60-20 FAX: +41-43-233-60-30

United Kingdom

Astellas Pharma Ltd.

Lovett House, Lovett Road, Staines, Middlesex, TW18 3AZ, U.K.
TEL: +44-1784-4194-00 FAX: +44-1784-4194-01

Asia

Astellas Pharma China, Inc.

No. 3 Jia 6 Road 10, Shenyang Economic & Technological Development Zone,
Shenyang City, Liaoning Province, 110141, People's Republic of China
TEL: +86-24-2581-4488 FAX: +86-24-2581-5211

Astellas Pharma Hong Kong Co., Ltd.

Suite 708-709, 7/F, Prudential Tower, The Gateway, Harbour City, Kowloon,
Hong Kong
TEL: +852-2377-9801 FAX: +852-2856-1440

Astellas Pharma Taiwan, Inc.

5/F, No.10, Sec 3, Min-Sheng E. Rd., Taipei 104 Taiwan, R.O.C.
TEL: +886-2-2507-5799 FAX: +886-2-2507-1808

Astellas Pharma Korea, Inc.

6/F Kumha Bldg., 41-2 Chungdam-Dong Kangnam-Ku, Seoul, 135-766 Korea
TEL: +82-2-3448-0504 FAX: +82-2-3448-0510

Astellas Pharma Philippines, Inc.

23/F, Salcedo Towers 169 H.V. del Costa Street Salcedo Village 1227 Makati
City, Philippines
TEL: +63-2-845-1558 FAX: +63-2-845-1567

Astellas Pharma (Thailand) Co., Ltd.

10/F, Wave Place, 55 Wireless Road, Lumpini, Patumwan, Bangkok 10330,
Thailand
TEL: +66-2-655-4050 FAX: +66-2-655-4051

P.T. Astellas Pharma Indonesia

Wisma Kyoei Prince Building 11/F, Jl. Jend. Sudirman Kav. 3, Jakarta 10220,
Indonesia
TEL: +62-21-572-4344 FAX: +62-21-572-4345

Japan

Manufacturing subsidiaries

Astellas Tokai Co., Ltd.

Astellas Toyama Co., Ltd.

Astellas Pharma Chemicals Co., Ltd.

Investor Information

(as of March 31, 2007)

Astellas Pharma Inc.

■ Head Office

2-3-11, Nihonbashi-Honcho, Chuo-ku, Tokyo 103-8411, Japan

TEL: +81-3-3244-3000

<http://www.astellas.com>

■ Common Stock (as of June 30, 2007)

Authorized: 2,000,000,000

Issued: 518,964,635 (including 4,591,658 treasury stocks)

■ Number of Shareholders: 49,311

■ Stock Exchange Listing

Tokyo (Ticker Code: 4503), Osaka

■ Independent Certified Public Accountants

Shin Nihon & Co.

Osaka Kokusai Bldg., 3-13, Azuchi-machi 2-chome,

Chuo-ku, Osaka 541-0052, Japan

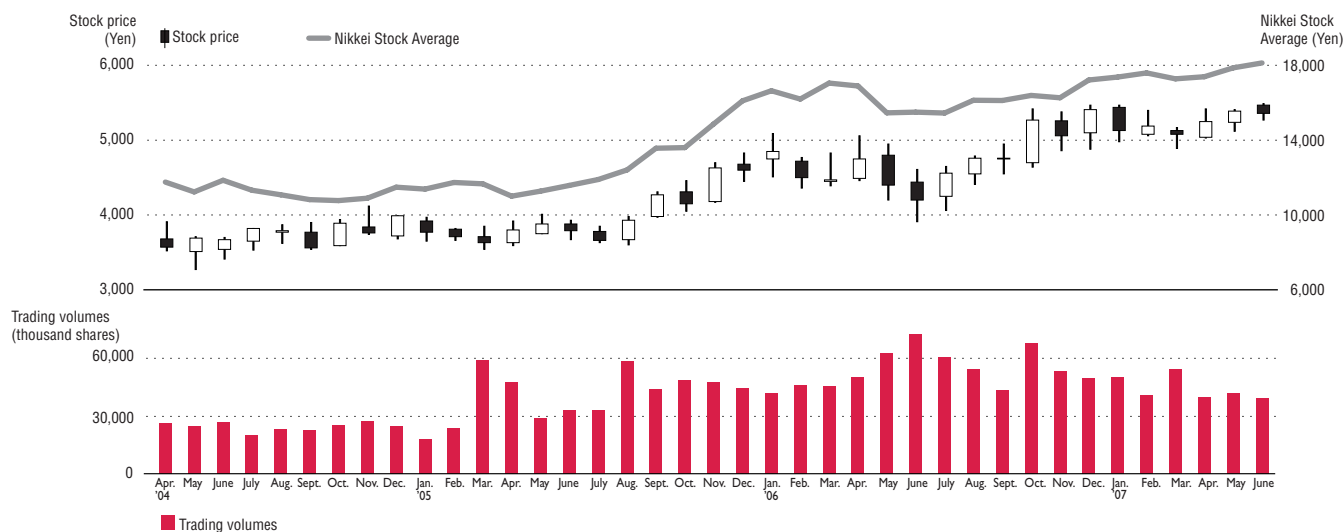
■ Transfer Agent for Common Stock in Japan

The Chuo Mitsui Trust and Banking Company, Limited

33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

■ Stock Prices and Trading Volumes on the Tokyo Stock Exchange

(highest/lowest in the month; yen)



Major Shareholders

Name	Shares owned (Thousand shares)	Percentage of total common shares outstanding
Japan Trustee Services Bank, Ltd. (trust account)	29,237	5.18
The Master Trust Bank of Japan, Ltd. (trust account)	27,346	4.84
Nippon Life Insurance Company	25,587	4.53
The Chase Manhattan Bank, NA London, SL Omnibus account	20,143	3.57
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,600	3.47
State Street Bank and Trust Company 505103	13,092	2.32
State Street Bank and Trust Company	11,724	2.07
Nomura Securities, Co., Ltd.	8,266	1.46
Japan Trustee Services Bank, Ltd. (trust account 4)	7,731	1.37
NIPPONKOA Insurance Company, Limited	6,401	1.13

Note: The Company owned 49,593,400 shares of treasury stock as of March 31, 2007, but they are not included in the principal shareholders stated above. The Company implemented the cancellation of 45,000,000 shares of treasury stock as of June 26, 2007.

Breakdown of Shareholders

