

# Financial section

Year ended March 31, 2008

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## Key financial data

Years ended March 31	¥ billion			(US\$ million)
	2008	2007	2006	2008
Net sales	<b>¥972.6</b>	¥920.6	¥879.4	<b>\$9,726</b>
Cost of sales	<b>279.3</b>	284.1	273.0	<b>2,794</b>
Gross profit	<b>693.2</b>	636.6	606.4	<b>6,932</b>
SG&A expenses	<b>417.3</b>	446.0	413.3	<b>4,173</b>
R&D expenses	<b>134.5</b>	167.9	142.1	<b>1,345</b>
Operating income	<b>275.9</b>	190.5	193.0	<b>2,759</b>
Other income (expenses)	<b>(7.1)</b>	21.3	(16.0)	<b>(71)</b>
Income before income taxes and minority interests	<b>268.8</b>	211.8	177.1	<b>2,688</b>
Income taxes	<b>89.2</b>	78.6	71.7	<b>892</b>
Net income	<b>177.4</b>	131.3	103.7	<b>1,774</b>

Note: The translation of yen amounts into US dollar amounts in this section is included solely for convenience at the rate of ¥100 = US\$1.00, the approximate exchange rate on March 31, 2008.

# Management's discussion and analysis

## Astellas posts record-high revenues and earnings for the year ended March 31, 2008 (fiscal 2007)

### Business environment

#### Japan

The ethical pharmaceutical market grew at 5.5% in fiscal 2007, to ¥8.1 trillion, of which Astellas' sales accounted for approximately 7.3%.

The government has been taking a variety of steps to cut drug costs. With the aim of raising the market share of generic drugs from just under 20% at present to around 30% on a volume basis by fiscal 2012, the authorities are creating a system that will enable medical staff and patients to prescribe and take generic drugs without any worries. In April 2008, the drug prescription format was changed to require physicians to append their signature in cases where they refuse to approve the change of a patient's prescription from an original drug to a generic one.

Additionally, in April 2008, NHI (National Health Insurance) drug prices were lowered by an average of 5.2% for the whole ethical pharmaceutical industry.

#### North America

In the US market, the growth rate is slowing down due to a decrease in the number of new product launches compared with previous years, and the prolonged periods required for the acquisition of new drug approval.

#### Europe

Despite measures by European governments to curtail medical expenses, the ethical pharmaceutical market showed steady growth in 2007.

### Astellas' operations

Astellas' raison d'être is to "contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products."

The Company is a research-driven pharmaceuticals provider with a global R&D presence. Ethical pharmaceutical sales account for nearly all of the Company's sales on a consolidated basis. The Company is engaged in R&D, manufacturing, distribution and marketing, and import/export operations.

### Business overview

#### Statements of income

Astellas performed favorably in fiscal 2007 despite the difficult operating environment.

On a consolidated basis, net sales rose 5.6% year-on-year, to ¥972.6 billion (US\$9,726 million) thanks to strong growth in global sales of key products and contributions from new products launched in Japan. Operating income jumped 44.8% to ¥275.9 billion (US\$2,759 million) as the gross margin on net sales improved and R&D expenses dropped sharply because of one-time R&D expenses of ¥37.5 billion incurred in the previous year. Net income increased 35.2% to ¥177.4 billion (US\$1,774 million), thanks to robust operating profit growth and an improvement in the effective tax rate.

#### Foreign exchange impact

Foreign exchange rates (average)	FY2006	FY2007
US\$1	¥117	¥114
€1	¥150	¥162

Foreign exchange rates affected net sales and operating income as indicated below.

Foreign exchange impact for FY2007	Net sales	Operating income
US\$	¥ (4.7) billion	¥ 1.1 billion
€	¥17.4 billion	¥10.2 billion
Consolidated	¥12.8 billion	¥11.4 billion

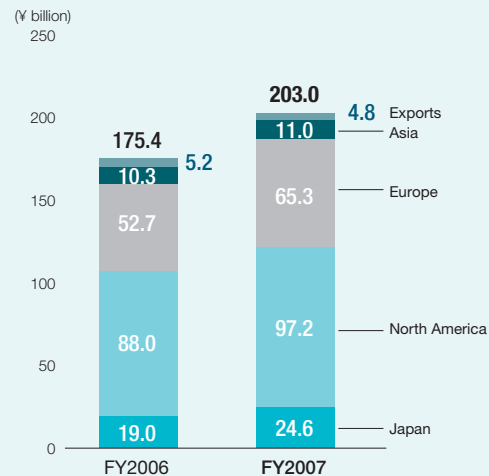
## Net sales

On a global basis, sales of the immunosuppressant Prograf® and Vesicare®, the overactive bladder (OAB) treatment expanded in fiscal 2007. Sales also increased due to contributions from sales of angiotensin II receptor antagonist Micardis® in Japan, the selective COX-2 inhibitor Celecox® (launched in June 2007), and the oral quinolone antibiotic Geninax® (launched in October 2007).

### Sales by mainstay product

Product name	(¥ billion)	
	FY2006	FY2007
<b>Global products</b>		
Prograf®	175.4	203.0
Harnal®	127.0	122.4
Vesicare®	36.2	60.1
Funguard®/Mycamine®	16.5	17.8
Protopic®	14.7	16.4
<b>Japan</b>		
Lipitor®	94.7	97.7
Micardis®	50.3	62.6
Gaster®	62.2	60.9
Myslee®	19.4	21.5
Seroquel®	16.8	19.2
Celecox®	—	3.7
Geninax®	—	3.7
<b>North America</b>		
Adenoscan®	37.1	37.6
AmBisome®	8.8	7.6
<b>Europe</b>		
Eligard®	5.9	9.2

## Prograf®



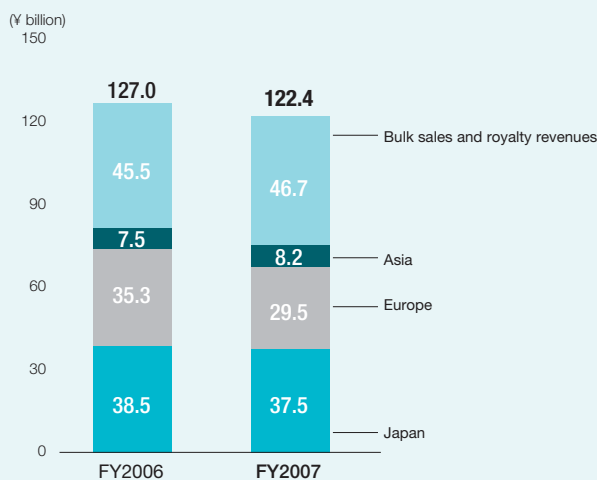
In Japan, sales of Prograf® jumped 29.2% year-on-year to ¥24.6 billion. The strong growth is attributable to solid expansion of sales for transplant indication and the additional indications for rheumatoid arthritis (RA) and lupus nephritis. Sales for RA indication accounted for approximately 25% of Prograf® sales in Japan, while lupus nephritis-related sales amounted to several hundred million yen.

In North America, sales of Prograf® rose 10.4% year-on-year to ¥97.2 billion (up 13.1% year-on-year to US\$850 million). The US calcineurin inhibitor (CNI) market grew approximately 5% on a total prescription basis. According to data from UNOS (the United Network for Organ Sharing), Prograf®'s share of the base drug (CNI) market for new transplant patients is approximately 90% for liver transplant recipients, 85% for kidney transplant recipients, and 64% for heart transplant recipients.

In Europe, sales of Prograf® climbed 23.9% year-on-year to ¥65.3 billion (up 15.1% year-on-year to €404 million). Prograf®'s share of the CNI market stands at approximately 54% (March 2008). Advagraf®, the modified release formulation of Prograf®, reached market in the UK and Germany in June 2007. At present, Advagraf® is marketed in more than 16 countries in Europe.

In Asia, sales were particularly strong in China and Korea.

## Harnal®



In Japan, sales of Harnal®, the treatment of functional symptoms associated with benign prostatic hyperplasia (BPH) declined 2.6% year-on-year to ¥37.5 billion. Harnal®'s substance patent expired in February 2005. Despite intensifying competition, active marketing efforts and our expertise in the urology field helped maintain its sales on a volume basis. Harnal®'s share of the Japanese BPH market reached 56% in fiscal 2007.

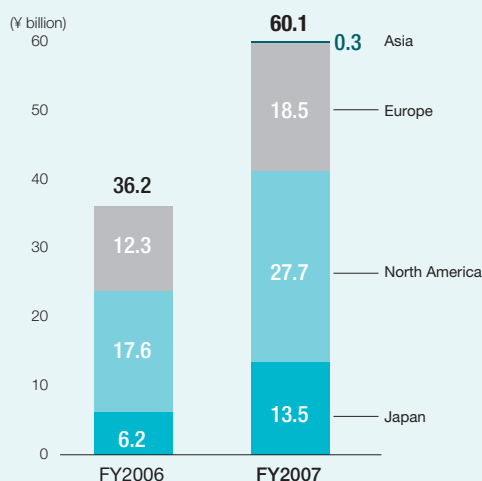
In Europe, sales of Harnal®, which is marketed under the name Omnic®, fell 16.3% to ¥29.5 billion (down 22.2% to €182 million). Patent expirations in February 2006 caused sales to drop in Germany, the UK, and other key European markets. However, sales remained steady in Spain and Russia. In addition, Omnic OCAS® (oral controlled absorption system, additional formulation of Omnic®) grew steadily.

Sales of Harnal® are expanding steadily in Asia.

Bulk sales to and royalty revenues from our licensee Boehringer Ingelheim Pharmaceuticals (BIPI) grew 2.7% to ¥46.7 billion. Sales of Flomax® (brand name in the US of Harnal® marketed by BIPI) jumped US\$1,545 million, up

32% year-on-year in the US, however, the negative impact of the US dollar's appreciation against the yen resulted in a slight increase in our bulk sales and royalty revenues. Astellas' co-promotion of Flomax® with BIPI in the US market is progressing favorably.

## Vesicare®



Global sales of Vesicare® are expanding steadily thanks to its considerable product characteristics and a wealth of evidence.

Vesicare® reached market in Japan in June 2006. Sales have expanded steadily since then, surging 117.6% year-on-year to ¥13.5 billion in fiscal 2007. Vesicare® has achieved a 35.7% market share, becoming the No. 1 drug in its category in the second year after its launch. The latent market for OAB treatments is significant, as is the potential for market expansion. Astellas is working to further develop the market for both Vesicare® and Harnal® by strengthening its promotion to urologists and raising public awareness of these diseases.

VESicare® was launched in the US market in January 2005. In fiscal 2007, the drug's third year on the market, sales jumped 57.1% to ¥27.7 billion (up 60.8% to US\$242 million). VESicare®'s US market share is expanding steadily

thanks to an effective co-promotion effort with US partner GlaxoSmithKline (GSK). VESicare®'s share of total prescriptions has reached 15%.

Vesicare® is marketed in more than 20 countries throughout Europe, and the market share is constantly growing. Vesicare® is now the No. 1 or No. 2 product in each market. In fiscal 2007, sales of Vesicare® jumped 50.3% to ¥18.5 billion (up 39.7% to €114 million). In Europe, the OAB market is expanding steadily, and is expected to continue growing hereafter.

In Asia, Vesicare® is marketed in eight countries.

### Funguard®/Mycamine®

	(¥ billion)	
	FY2006	FY2007
Japan	12.8	12.8
North America	3.5	4.7
Asia	0.0	0.2
Total	16.5	17.8

Sales of Funguard® echinocandin antifungal injections were almost flat in Japan, amounting to ¥12.8 billion in fiscal 2007. Sales grew at a slower pace with the increase in the number of hospitals applying the DPC (diagnosis procedure combination) system and intensifying competition. Nevertheless, Funguard®'s market share held firm at the year-earlier level of approximately 49%.

In North America, sales climbed 32.3% to ¥4.7 billion (up 35.5% to US\$41 million). While price competition is intensifying, volume sales of Mycamine® (another brand name of Funguard®) are rising steadily. In January 2008, Mycamine® received approval for the additional indication of candidemia in the US, and sales are expected to continue rising hereafter.

Mycamine® is marketed in six countries in Asia, where sales are also expanding steadily.

Mycamine® received approval in Europe in April 2008, and was launched in the UK in August.

### Protopic®

	(¥ billion)	
	FY2006	FY2007
Japan	2.6	2.7
North America	7.1	8.0
Europe	4.5	5.2
Asia	0.3	0.4
Total	14.7	16.4

In North America, prescription of the atopic dermatitis treatment Protopic® declined after the revision of its label several years ago. However, the share of Protopic® in total prescriptions by dermatologists has been steadily increasing, and reached 52.5% due to strengthened detailing to specialists.

In Europe, sales are gradually recovering in Spain and France.

### Lipitor®

	(¥ billion)	
	FY2006	FY2007
Japan	94.7	97.7

Sales of Lipitor®, the treatment for hypercholesterolemia, increased 3.2% to ¥97.7 billion. In Japan, the statin market grew 6.4% to ¥277.7 billion (NHI drug price base). The share of Lipitor® in the Japanese statin market decreased by approximately 1 percentage point to 39.4%. Despite severe competition Astellas is strengthening its co-promotion efforts with Pfizer and taking advantage of extensive efficacy evidence to maximize value for Lipitor®. Astellas is also working to raise patient awareness of the importance of reducing LDL cholesterol levels to the target values.

## Micardis®

(¥ billion)

	FY2006	FY2007
Japan	50.3	62.6

In fiscal 2007, Japan's angiotensin II receptor blocker (ARB) market grew 14.7% to ¥491.8 billion. The market share of Micardis® grew 1.1 percentage points to 14.2%, making it the No. 3 player in this market. Sales of Micardis® surged 24.4% to ¥62.6 billion thanks to its superior features. As such, the drug is registering steady growth in the burgeoning ARB market.

## Gaster®

(¥ billion)

	FY2006	FY2007
Japan	62.2	60.9

Sales of the treatment for peptic ulcers and gastritis Gaster® decreased by 2.2% to ¥60.9 billion. The Japan patent on Gaster® has already expired. Nevertheless, for the last several years annual volume has been declining by about 2% per year. In fiscal 2007 the share of Gaster® in the Japanese H<sub>2</sub> receptor antagonists and PPI market shrank 2.3 percentage points to 24.0%, moving it into the No. 2 slot in this market.

## Myslee®

(¥ billion)

	FY2006	FY2007
Japan	19.4	21.5

Sales of the hypnotic Myslee® increased 11.1% to ¥21.5 billion. In fiscal 2007, Japan's market for hypnotics grew 4.0% to ¥72.6 billion. Myslee® holds the No. 1 slot in this market, with a share of 33.1%, up 2.3 percentage points. Japan's hypnotics market is expanding yearly, and the latent market potential is significant, as demonstrated by a study

commissioned by the Ministry of Health, Labor, and Welfare in 2000, which estimates that one in four or five individuals suffers from some kind of sleep disorder. Astellas deploys medical representatives focusing on central nervous system (CNS) field to increase both the quality and quantity of its promotional activities in the CNS field.

## Seroquel®

(¥ billion)

	FY2006	FY2007
Japan	16.8	19.2

Sales of the schizophrenia treatment Seroquel® expanded 14.2% to ¥19.2 billion. In fiscal 2007, Japan's market for antipsychotic drugs grew 10% to approximately ¥130.0 billion. Seroquel® ranks third in this market with a 16.4% share, up 0.6 percentage point. With the launch of atypical antipsychotics, the Japanese market for antipsychotics is shifting away from typical antipsychotics, which is driving market expansion. Astellas' CNS medical representatives continue working to boost prescriptions of Seroquel®.

## Celecox®

(¥ billion)

	FY2006	FY2007
Japan	—	3.7

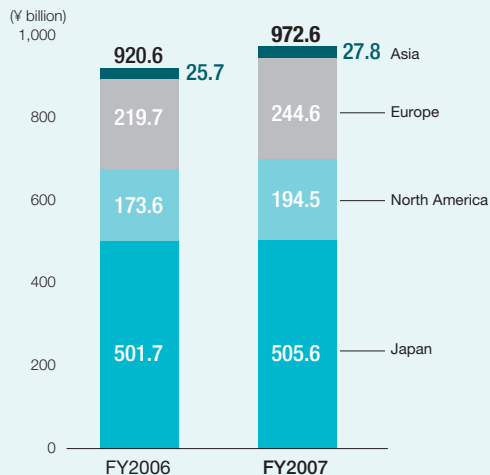
Celecox®, launched in June 2007, is a selective COX-2 inhibitor indicated for rheumatoid arthritis and osteoarthritis. At present, it is prescribed primarily by specialists in these diseases. Going forward, Astellas plans to strengthen its co-promotion efforts with Pfizer and encourage appropriate product use.

## Geninax®

	(¥ billion)	
	FY2006	FY2007
Japan	—	3.7

Geninax® sales, which commenced in October 2007, are growing steadily, achieving a market share of approximately 9% just six months after launch. Astellas plans to continue promoting appropriate product use through co-promotion with Taisho Toyama Pharmaceutical.

### Sales by geographical areas



### Japan

Sales in Japan rose 0.8% to ¥505.6 billion.

Astellas' domestic ethical pharmaceutical sales rose 5.0% to ¥478.2 billion, thanks to the contribution of an increase in sales of such mainstay products as Prograf®, Vesicare® and Micardis® as well as new products including Celecox® and Geninax®. However, export sales declined by ¥5.1 billion due to the expiration of the oral cephalosporin antibiotic Cefzon®'s US patent. In addition, changes in the booking of sales of

Cefzon® raw materials to an outsourcing manufacturer resulted in a decline of ¥6.3 billion. Other sales declined ¥7.3 billion with the divestiture of non-pharmaceutical businesses.

### North America

Sales in North America grew 12.1% to ¥194.5 billion despite the continued appreciation of the yen against the US dollar.

On a US dollar basis, sales in this region jumped 14.8% to US\$1,702 million, thanks to a sharp increase in sales of Prograf® and VESicare®.

In addition, Protopic®, Mycamine®, and Vaprisol® (for the treatment hyponatremia) contributed to a rise in overall sales.

### Europe

Sales in Europe jumped 11.4% to ¥244.6 billion. On a euro basis, sales in this region increased 3.5% to €1,514 million.

Sales of Prograf® and Vesicare® jumped sharply, while rises were also seen in bulk sales to and royalty revenues from licensees related to Flomax®, and in sales of Protopic® and Eligard®, the treatment for advanced prostate cancer.

### Asia

In Asia, sales of Prograf® and Harnal® were strong. New products including Vesicare® and Mycamine® also helped boost sales.

### Overseas sales

	(¥ billion)	
	FY2006	FY2007
North America	223.2	247.1
Europe	182.8	195.6
Asia	31.2	34.4
Other	12.9	12.4
<b>Total</b>	<b>450.1</b>	<b>489.6</b>
<b>Overseas sales ratio</b>	<b>48.9%</b>	<b>50.3%</b>

Overseas sales include the sales attributed by the locations of customers.

In North America, sales of Prograf® and VESicare® trended strongly, and both bulk sales to and royalty revenues from licensees related to Flomax® (Harnal®) in the US also increased.

In Europe, sales of Prograf®, Vesicare®, and Eligard® rose, while sales of Harnal® (Omnice®) declined.

Sales of Prograf® and Harnal® expanded in Asia.

## Cost of sales

	(¥ billion)	
	FY2006	FY2007
Net sales	920.6	972.6
Cost of sales	284.1	279.3
Cost of sales ratio	30.9%	28.7%

Cost of sales declined 1.7% to ¥279.3 billion (US\$2,794 million), improving the cost of sales ratio by 2.2 percentage points. Of this, changes in product composition resulting from strong sales of in-house products such as Prograf® and Vesicare® accounted for 1.2 percentage points. The other 1-point improvement came from reductions in the cost of manufacturing and the impact of foreign exchange fluctuations on elimination of unrealized gains.

## Selling, general and administrative expenses including R&D expenses

	(¥ billion)	
	FY2006	FY2007
Net sales	920.6	972.6
SG&A expenses	446.0	417.3
SG&A ratio	48.5%	42.9%
R&D expenses	167.9	134.5
R&D ratio	18.2%	13.8%

SG&A expenses declined 6.4% year-on-year, to ¥417.3 billion. The SG&A ratio decreased by 5.6 percentage points to 42.9%.

The following is a breakdown of SG&A expenses.

Personnel expenses, which account for approximately 28.8% of SG&A expenses, increased ¥3.1 billion to ¥120.2 billion. An early retirement program implemented in Japan reduced the number of employees, paring personnel expenses by ¥4.1 billion. The combined increase in Europe and the US was ¥6.7 billion. In North America, in conjunction with its launch of new hospital products, Astellas increased the number of medical representatives for hospitals, from 120 to 240. In Europe, functional reorganization within regions resulted in a decline in the number of employees. As operating income reached the benchmark of ¥250 billion, we made a provision for special employee incentive bonuses.

Advertising and sales promotional expenses, which account for 19.9% of SG&A expenses, increased ¥5.6 billion to ¥83.1 billion. In Japan, approximately ¥1.4 billion of this amount was spent to raise awareness of high cholesterol symptoms and strengthening the corporate brand. Expenditures rose ¥4.2 billion in Europe and the US. Foreign exchange rates were also a factor. Other factors contributing to the rise included an increase in co-promotion payments to GSK in conjunction with the increase of VESicare® sales in the US.

R&D expenses decreased by ¥33.5 billion to ¥134.5 billion (US\$1,345 million). In fiscal 2006, Astellas had acquired the rights related to the HIF-PH inhibitor program on renal anemia from FibroGen. In conjunction with this acquisition, Astellas booked ¥37.5 billion in one-time R&D expenses that included upfront payments and milestone payments. The ordinary expenses for R&D, however, increased.

## Operating income

	(¥ billion)	
	FY2006	FY2007
Net sales	920.6	972.6
Operating income	190.5	275.9
Operating margin	20.7%	28.4%

Operating income rose sharply by ¥44.8% to ¥275.9 billion (US\$2,759 million).

The operating margin jumped by 7.7 percentage points to 28.4% in fiscal 2007, with an improvement in the gross margin and a decline in the ratio of R&D expenses to net sales.

### Other income (expenses)

Interest and dividend income improved ¥3.2 billion to ¥15.0 billion.

Expenses for integration and closure of business bases in fiscal 2007 amounted to ¥3.3 billion as a result of functional reorganization undertaken in Europe during the term.

Astellas also booked ¥13.0 billion in special retirement benefits in fiscal 2007 in conjunction with an early retirement program implemented in Japan. This included payments to 436 employees taking early retirement and the transfer of expenses for 164 employees to group companies.

Losses on impairment of fixed assets amounted to ¥9.3 billion, which mainly included write-offs associated with the closure of company housing and dormitories in Japan.

Foreign exchange losses amounted to ¥14.9 billion. As the US dollar declined against the euro, Astellas incurred foreign exchange losses on dollar deposits held by European subsidiaries settling their accounts in euros. Foreign exchange losses totaled ¥3.6 billion for the previous year.

#### Foreign exchange trends

	(March 31; ¥)		
	2006	2007	2008
US\$	117	118	100
€	143	157	158

Fujisawa Sanofi-Aventis, which is a joint venture company owned 49% by Astellas, booked gains on the transfer of product rights to sanofi-aventis, boosting equity in earnings of affiliates by ¥6.8 billion to ¥8.0 billion.

As a result of the above, income before income

taxes and minority interests rose 26.9% to ¥268.8 billion (US\$2,688 million).

### Income before income taxes and minority interests, Net income

Income taxes rose 13.5% to ¥89.2 billion (US\$892 million). The effective tax rate improved 3.9 percentage points to 33.2%. The improvement of tax rates reflected an improvement of 1.6 percentage points in the different tax rates applied to income of foreign subsidiaries due to the improvement of earnings at our Irish subsidiary, and 1 percentage point of equity earnings of affiliates.

As a result, income before minority interests increased 34.8% to ¥179.6 billion (US\$1,796 million).

Net income rose 35.2% to ¥177.4 billion (US\$1,774 million).

### Number of employees

As of March 31, 2008, Astellas' workforce totaled 7,453 employees (down 450 from March 31, 2007) in Japan; 2,084 (up 284) in North America; 3,177 (down 130) in Europe; and 952 (up 50) in Asia.

In Japan, the reduction was realized through the implementation of an early retirement program. In North America, the increase was primarily due to the addition of hospital medical representatives and the Agensys acquisition. In Europe, the functional reorganization resulted in the reduction of the number of employees.

### Acquisition of stock of Agensys

Astellas decided to actively engage in the field of antibodies in our medium-term business plan. In March 2007, we licensed-in the VelocImmune® technology for monoclonal antibody from Regeneron Pharmaceuticals and a phage

display antibody technology from MorphoSys.

On December 18, 2007 Astellas acquired a 100% equity stake in the biotech company Agensys. The entire purchase price amount of ¥38,596 million (US\$386 million) was paid in cash. In addition, Astellas will pay up to a maximum of US\$150 million if certain predefined milestones are achieved.

The purpose of this acquisition is to speed up the Company's antibody drug creation process and thereby strengthen its research capabilities in the cancer field.

#### Company acquired: Agensys

Main business indicators:	
Employees .....	100 (approx.)
Total assets .....	US\$81 million
Total liabilities .....	US\$4 million
Acquisition price .....	US\$386 million
Milestone payments .....	US\$150 million

Agensys has already discovered 30 novel marker antigens from 14 cancer types by identifying candidate genes through a gene expression analysis method that uses human cancer tissues. Agensys has the facilities to manufacture early clinical drug samples. It also has extensive experience in therapeutic antibody development, for example using a human antibody-producing mouse (XenoMouse®) licensed-in from Abgenix (currently Amgen), and obtaining antibodies using a hybridoma method, even from antigens where antibody production is usually difficult. Today, Agensys has a number of candidate compounds at the preclinical and clinical stages.

For further details, please see "No. 18 of Notes to Consolidated Financial Statements."

## Assets, and liabilities & net assets

Principal changes in the Company's balance sheets during fiscal 2007 are as follows.

### Assets

Total assets as of March 31, 2008 stood at ¥1,439.2 billion, representing a decrease of ¥31.5 billion from March 31, 2007.

Cash and cash equivalents rose by ¥38.0 billion to ¥460.5 billion and short-term investments decreased by ¥15.3 billion to ¥108.2 billion. Other current assets decreased by ¥11.6 billion to ¥11.4 billion. This change reflects the fund management policy of the Company.

Notes and accounts receivable declined by approximately ¥10.0 billion to ¥238.4 billion.

Property, plant and equipment stood at ¥179.9 billion, down by ¥14.7 billion from March 31, 2007, which is mainly attributable to the impairment.

Investments and other assets declined by ¥28.2 billion year-on-year to ¥282.0 billion, and recognition of goodwill of ¥29.3 billion accompanying the stock of Agensys.

### Liabilities

Total liabilities stood at ¥328.3 billion, for a year-on-year decrease of ¥43.4 billion.

Current liabilities decreased by ¥24.3 billion to ¥284.5 billion. Accrued expenses decreased by ¥8.4 billion and accrued income taxes decreased by ¥6.3 billion.

Long-term liabilities decreased by ¥19.1 billion to ¥43.8 billion. This was principally due to the transference of current portion of long-term accounts payable.

### Net assets

Total net assets stood at ¥1,110.9 billion, for a rise of ¥11.9 billion from March 31, 2007.

Net income of ¥177.4 billion was recorded, but outflows included the payment of dividends on retained earnings in the amount of ¥45.9 billion and the purchase of treasury stocks (16.3 million shares) on the stock market in the amount of ¥81.9 billion.

In June of 2007 the Company cancelled 45 million shares in treasury at a cost of ¥219.5 billion.

**Per share data**

	(¥)	
	FY2006	FY2007
Net income		
Basic	244.07	349.89
Diluted	243.99	349.71
Cash dividends	80.00	110.00
Net assets	2,135.34	2,228.34

**Number of shares issued**

	March 31, 2007	March 31, 2008
Total number of shares		
Issued	563,964,635	518,964,635
Shares in treasury	49,593,400	20,881,100

**Increase in treasury shares during FY2007**

	(thousand of shares)
Start of term (April 1, 2007)	49,593
Increase	16,327
Decrease	45,039
End of term (March 31, 2008)	20,881

**Shares bought back**

Aug. 29 – Sep. 10, 2007	
Number of shares:	8,300 thousand
Acquisition cost:	¥43.1 billion
Dec. 3, 2007 – Jan. 18, 2008	
Number of shares:	8,000 thousand
Acquisition cost:	¥38.7 billion

**Cancellation of treasury shares**

	(thousand of shares)
June 26, 2007	
Number of shares cancelled	45,000

**ROE and DOE**

We are actively working to ensure continuous growth in the enterprise value of Astellas and, through that, the realization of an improved shareholder return. In line with this policy, we prioritize investments in business aimed at achieving growth over the medium-to-long term, while increasing dividend payments whenever possible on the basis of growth in earnings on a consolidated basis. In addition, we take a flexible stance toward the purchase of the Company's own shares as part of our efforts to realize more efficient utilization of capital and a further increase in shareholder return.

ROE for fiscal 2007 stood at 16.1%, a substantial improvement of 4.8 percentage points from the previous year. Net income rose 35.2% to ¥177.4 billion. At the same time, in line with the abovementioned policy of improving capital efficiency, owners' equity increased by ¥11.9 billion to ¥1,110.9 billion.

DOE (dividend on equity), which represents ROE multiplied by the dividend payout ratio, improved by 1.3 percentage points to 5.0%.

**Cash flows****Cash flows from operating activities**

Net cash provided by operating activities amounted to ¥186.9 billion, an increase of ¥59.0 billion over the previous year.

Income before income taxes and minority interests came to ¥268.8 billion, for an increase of ¥57.0 billion over the previous term.

**Cash flows from investing activities**

Net cash used in investing activities amounted to ¥8.4 billion, compared with net cash provided of ¥72.4 billion for the previous term.

Cash outflow for the acquisition of Agensys amounted to ¥40.4 billion.

Cash inflow from the sale of property, plant and equipment amounted to ¥17.9 billion, an increase of ¥10.6 billion over the previous term.

### Cash flows from financing activities

Net cash used in financing activities amounted to ¥131.4 billion, down by ¥132.1 billion from the figure for outflow in the previous term.

Outflow resulting from the purchase of treasury stocks amounted to ¥81.9 billion, for a decrease of ¥138.1 billion compared with the previous term.

The payment of dividends caused an outflow of ¥45.9 billion, for an increase of ¥1.8 billion over the previous term.

Cash and cash equivalents as of March 31, 2008 stood at ¥460.5 billion, for a year-on-year increase of ¥38.0 billion.

## Pipeline status

In Japan, Geninax<sup>®</sup> was approved in July 2007 and we launched the product in October 2007. The fast-acting postprandial hypoglycemic agent Starsis<sup>®</sup> was approved in November 2007 for the additional indication of combination therapy with a biguanide. YM617 was filed for approval in June 2007 for the additional indication of lower urinary tract syndrome in male patients.

Overseas, Advagraf<sup>®</sup> was approved in Europe in April 2007 for suppression of organ rejection in organ transplant, and we are promoting the drug across the region starting with the June 2007 launches in the UK and Germany. The antibiotic telavancin was filed for approval in April 2007 in Europe for the indication of complicated skin and skin structure infections (cSSSI). In the US, Mycamine<sup>®</sup> was approved in January 2008 for the additional indications of candidemia, acute disseminated candidiasis, and candida peritonitis and abscesses. In April 2008, Lexiscan<sup>®</sup> was approved in the US as a pharmacologic stress imaging agent. In Europe,

Mycamine<sup>®</sup> was approved in April 2008 for the treatment of invasive candidiasis and other conditions. Astellas is now in a position to market Mycamine<sup>®</sup>/Funguard<sup>®</sup> in the main markets worldwide, covering Japan, the US, Asia, and Europe.

We are also making steady progress in Japan and overseas on many other projects, including YM178 for urinary frequency, and urinary incontinence or urgency associated with OAB; and the antithrombotic YM150.

With regard to the modified release formulation of the immunosuppressant FK506, for which application for approval has been filed in the US, we have received approvable letters for the second time from the Food and Drug Administration (FDA) for kidney transplantation application (March 2008) and liver transplantation application (April 2008).

In March 2008, the FDA concluded that clinical trials could be resumed on YM311 (FG-2216)/ASP1517 (FG-4592) in response to the complete clinical hold response submitted to the FDA in February 2008.

(For our complete pipeline, see the next page.)

## Strengthening our business foundations through product in-licensing

As well as in-house drug discovery efforts, we are also working to license-in products from other firms in a bid to expand our development pipeline. These efforts have resulted in a licensing agreement signed in April 2008 with CoMentis on the exclusive rights worldwide to jointly research, develop, and commercialize beta-secretase inhibitors, including CTS-21166, which has potential as a treatment for Alzheimer's disease.

## Products under clinical development (as of August 1, 2008)

## Global development

Generic name	Code No.	Classification	Therapeutic target	Area / Phase	Dosage form	Origin	Remarks
tacrolimus	FK506	Immunosuppressant	Suppression of organ rejection in organ transplant (modified release)	US Filed (Dec. 2005) *	Oral	In-house	New formulation
			Use of FK506 and MMF as an adjunct therapy for the prophylaxis of organ rejection in kidney transplantation	US Filed (Feb. 2006) **	Oral	In-house	New indication
			Suppression of organ rejection in organ transplant (granules)	Europe Filed (Nov. 2007)	Oral	In-house	New formulation
			Atopic dermatitis (Prophylaxis of relapse)	Europe Filed (Jan. 2008)	Ointment	In-house	New indication
			Ulcerative colitis	Japan Filed (June 2008)	Oral	In-house	New indication
			Myasthenia gravis (all)	Japan Phase-III	Oral	In-house	New indication
tamsulosin	YM617	Alpha-1 receptor antagonist	Lower urinary tract syndrome in male patients	Japan Filed (June 2007)	Oral	In-house	New indication
			Pediatric neurogenic bladder	US Phase-III	Oral	In-house	New indication
telavancin		Lipoglycopeptide antibiotic	Complicated skin and skin structure infections (cSSSI)	US Filed (Dec. 2006) *** Europe Filed (April 2007)	Injection	Theravance	
			Hospital-acquired pneumonia (HAP)	US Phase-III Europe Phase-III	Injection	Theravance	
			MRSA infections	Japan Phase-I	Injection	Theravance	
	YM178	Beta 3 receptor agonist	Urinary frequency, urinary incontinence or urgency associated with overactive bladder	US Phase-III Europe Phase-III Japan Phase-II	Oral	In-house	
	YM150	Factor Xa inhibitor	Prevention of venous thromboembolism (VTE) after major orthopedic surgery Prophylaxis of thromboembolic complications associated with atrial fibrillation (AF)	Europe Phase-II US Phase-II Japan/Asia Phase-II Europe Phase-II Japan/Asia Phase-II	Oral	In-house	
	YM443	Acetylcholine esterase inhibitor	Functional dyspepsia	Japan Phase-III US Phase-II	Oral	Zeria	
ramosetron	YM060	5-HT <sub>3</sub> receptor antagonist	Irritable bowel syndrome (IBS)	Europe Phase-II	Oral	In-house	
	YM155	Survivin suppressant	Hormone refractory prostate cancer, Non-small cell lung cancer, Metastatic melanoma, Non-Hodgkin's lymphoma	US Phase-II Europe Phase-II Japan Phase-I	Injection	In-house	
	ASP2151	Helicase-primase inhibitor	Herpes zoster, Genital herpes	Japan Phase-II US Phase-II	Oral	In-house	
alefacept	ASP0485	Immunosuppressant	Prophylaxis of kidney transplant rejection	US Phase-II Europe Phase-II	Injection	In-house	
	YM543	SGLT2 inhibitor	Type 2 diabetes	Europe Phase-II	Oral	Kotobuki (co-development)	
	ASP1941	SGLT2 inhibitor	Type 2 diabetes	Japan Phase-II US Phase-II	Oral	Kotobuki (co-development)	
	ASP9831	PDE4 inhibitor	Non-alcoholic steatohepatitis	Europe Phase-II	Oral	In-house	
	YM311 (FG-2216)	HIF stabilizer	Renal anemia	Europe Phase-II Japan Phase-I	Oral	FibroGen	
	ASP1517 (FG-4592)	HIF stabilizer	Renal anemia	Europe Phase-II	Oral	FibroGen	
solifenacin/ tamsulosin		Co-administration of solifenacin and tamsulosin	Lower urinary tract syndrome associated with benign prostatic hyperplasia (BPH)	Europe Phase-II	Oral	In-house	

(Notes) \* FK506 (modified release): Received an action letter from the FDA in January 2007; "Approvable" for liver and kidney and "not approvable" for heart transplant. Received second action letters from the FDA; "Approvable" for kidney and Liver in March and April 2008, respectively.

\*\* FK506: Received an approvable letter from the FDA in March 2007

\*\*\* telavancin: Received an approvable letter from the FDA in October 2007

### Local development: Japan

Generic name	Code No.	Classification	Therapeutic target	Area / Phase	Dosage form	Origin	Remarks
telmisartan/ hydrochlorothiazide	BIBR277HCT	Combination drug of angiotensin II receptor blocker / diuretic	Hypertension	Japan Filed (April 2006)	Oral	Boehringer Ingelheim	Combination drug
telmisartan	YM086 (BIBR277)	Angiotensin II receptor blocker	Type 2 diabetic nephropathy	Japan Filed (June 2006)	Oral	Boehringer Ingelheim	New indication
minodronate	YM529	Bisphosphonate	Osteoporosis (once daily)	Japan Filed (July 2006)	Oral	In house (co-development with Ono)	
			Osteoporosis (intermittent administration)	Japan Phase-I			
nateglinide	YM026	Rapid onset insulin secretion enhancer	Type 2 diabetes (concomitant treatment with insulin sensitizers)	Japan Filed (Nov.2006)	Oral	Ajinomoto	New indication
celecoxib	YM177	Cyclooxygenase-II inhibitor	Low back pain, Shoulder periarthritis, Cervico-omo-brachial syndrome and Tenosynovitis	Japan Filed (Feb. 2007)	Oral	Pfizer	New indication
			Acute pain	Japan Phase-III			
zolpidem	FK199B	Omega-1 receptor agonist	Insomnia (modified release)	Japan Phase-III	Oral	sanofi-aventis	New formulation
beraprost sodium	YM533	Prostacyclin receptor stimulator	Chronic renal failure (primary/nephrosclerosis)	Japan Phase-II	Oral	Toray	New indication New formulation
	ASP8825 (XP13512)	Prodrug of gabapentin	Restless legs syndrome, Painful diabetic neuropathy	Japan Phase-II	Oral	XenoPort	
	ASP1585 (AMG223)	Non-absorbed, polymer-based phosphate binder	Hyperphosphatemia	Japan Phase-II	Oral	Ilypsa/Amgen	
degarelix	ASP3550	GnRH receptor antagonist	Prostate cancer	Japan Phase-II	Injection	Ferring	

### Local development: US

Generic name	Code No.	Classification	Therapeutic target	Area / Phase	Dosage form	Origin	Remarks
vernakalant	RSD1235	Atrial fibrillation (AF)	Antiarrhythmic agent	US Filed (Dec. 2006)	Injection	Cardiome	
conivaptan	YM087	V1a/V2 receptor antagonist	Hyponatremia (Pre-mix bag formulation)	US Filed (Mar. 2008)	Injection	In-house	New formulation

### Phase-I

Code No.	Therapeutic target	Dosage form	Origin
ASP0265	Prostate cancer, Endometriosis	Oral	In-house
ASK8007	Rheumatoid arthritis	Injection	IBL Kaketsuken (co-development)
ASP2535	Alzheimer's disease Schizophrenia	Oral	In-house
ASP2314	Schizophrenia	Oral	NeuroSearch
ASP2905	Alzheimer's disease Schizophrenia	Oral	In-house
ASP015K	Suppression of organ rejection in organ transplant	Oral	In-house
AGS-16M18	Cancer	Injection	In-house (Agensys)
AGS-8M4	Cancer	Injection	In-house (Agensys)

## Principal risks that may affect Astellas' business results and financial conditions include:

### Impact of pharmaceuticals regulations

Astellas' core business, the pharmaceutical business, is subject to various regulations in each country where Astellas operates. Medical cost containment measures in developed countries, such as the NHI drug price reduction in Japan could have negative impacts on revenues and earnings. More stringent regulations governing clinical development, production and distribution of pharmaceuticals could also affect our business results.

### Product risk

Astellas' business results could be adversely affected if it 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, Astellas business results 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. Further, it takes a large amount of investments and a great deal of time to successfully launch a new product after discovery of a new compound. However, it may be necessary to discontinue clinical development if the effectiveness of a drug is not proven as initially expected, or if safety issues arise. In addition, pharmaceuticals are subject to legal restrictions in each country, 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 new products can be obtained.

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

### Foreign exchange rate fluctuations

As the operations of Astellas are carried out in many countries and exchange rate fluctuations can affect the business results and financial conditions of Astellas.

The risks stated above do not represent all risks to which the business operations of Astellas are subject. There are various other additional 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, 2008 and 2007

ASSETS	Millions of yen		Millions of U.S. dollars (Note 5)
	2008	2007	2008
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 460,486	¥ 422,513	\$ 4,605
Short-term investments (Note 16) .....	108,187	123,440	1,082
Notes and accounts receivable .....	238,370	248,370	2,384
Allowance for doubtful receivables .....	(648)	(563)	(6)
	237,722	247,807	2,378
Inventories (Note 6) .....	91,445	90,979	914
Deferred tax assets (Note 9) .....	68,000	58,181	680
Other current assets .....	11,437	23,064	114
Total current assets .....	977,277	965,984	9,773
<b>Property, plant and equipment, at cost:</b>			
Land .....	31,297	35,637	313
Buildings .....	219,325	226,631	2,193
Machinery and equipment .....	224,022	232,005	2,240
Other .....	847	1,032	9
Construction in progress .....	25,524	16,744	255
Accumulated depreciation .....	(321,132)	(317,493)	(3,211)
Property, plant and equipment, net .....	179,883	194,556	1,799
<b>Investments and other assets:</b>			
Investment securities (Note 16) .....	157,315	207,375	1,573
Investments in and advances to affiliates .....	458	3,320	5
Goodwill .....	29,319	—	293
Other intangible assets .....	38,671	41,511	387
Deferred tax assets (Note 9) .....	39,734	37,179	397
Other assets .....	16,495	20,776	165
Total investments and other assets .....	281,992	310,161	2,820
<b>Total assets .....</b>	<b>¥1,439,152</b>	<b>¥1,470,701</b>	<b>\$14,392</b>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Millions of U.S. dollars (Note 5)
	2008	2007	2008
<b>Current liabilities:</b>			
Short-term bank loans (Note 7) .....	¥ —	¥ 1,671	\$ —
Notes and accounts payable:			
Trade .....	166,105	170,898	1,661
Construction .....	11,380	10,949	114
Accrued expenses .....	61,499	69,864	615
Accrued income taxes (Note 9) .....	38,047	44,352	380
Deferred tax liabilities (Note 9) .....	35	—	0
Other current liabilities .....	7,464	11,099	75
Total current liabilities .....	284,530	308,833	2,845
<b>Long-term liabilities:</b>			
Accrued retirement benefits for employees (Note 10) .....	17,492	18,480	175
Accrued retirement benefits for directors .....	41	35	0
Deferred tax liabilities (Note 9) .....	258	584	3
Other long-term liabilities .....	25,968	43,774	260
Total long-term liabilities .....	43,759	62,873	438
<b>Net assets (Note 8):</b>			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 2,000,000,000 shares;			
Issued: 518,964,635 shares in 2008 and			
563,964,635 shares in 2007 .....	103,001	103,001	1,030
Capital surplus .....	176,822	176,822	1,768
Retained earnings .....	917,206	1,006,648	9,172
Treasury stock, at cost:			
20,881,100 shares in 2008 and			
49,593,400 shares in 2007 .....	(104,123)	(241,920)	(1,041)
Total shareholders' equity .....	1,092,906	1,044,551	10,929
Valuation, translation adjustments and others			
Unrealized holding gain on securities .....	27,853	38,086	279
Translation adjustments .....	(10,861)	15,723	(109)
Total valuation, translation adjustments and others .....	16,992	53,809	170
Stock subscription rights .....	637	284	6
Minority interests .....	328	351	4
Total net assets .....	1,110,863	1,098,995	11,109
<b>Contingent liabilities (Note 13)</b>			
<b>Total liabilities and net assets .....</b>	<b>¥1,439,152</b>	<b>¥1,470,701</b>	<b>\$14,392</b>

## Consolidated Statements of Income

Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Millions of U.S. dollars (Note 5)
	2008	2007	2006	2008
<b>Net sales</b> .....	<b>¥972,586</b>	¥920,624	¥879,362	<b>\$9,726</b>
<b>Cost of sales</b> .....	<b>279,342</b>	284,063	272,997	<b>2,794</b>
Gross profit .....	<b>693,244</b>	636,561	606,365	<b>6,932</b>
<b>Selling, general and administrative expenses</b> (Note 11) .....	<b>417,340</b>	446,047	413,345	<b>4,173</b>
Operating income .....	<b>275,904</b>	190,514	193,020	<b>2,759</b>
<b>Other income (expenses):</b>				
Interest and dividend income .....	<b>15,026</b>	11,796	8,296	<b>150</b>
Interest expense .....	<b>(53)</b>	(343)	(1,381)	<b>(1)</b>
Expenses for integration and closure of business bases .....	<b>(3,308)</b>	(17,660)	—	<b>(33)</b>
Special retirement benefits .....	<b>(12,979)</b>	(1,224)	—	<b>(130)</b>
Loss on impairment of fixed assets .....	<b>(9,331)</b>	(6,072)	(8,699)	<b>(93)</b>
Expenses for business integration .....	—	—	(21,294)	—
Exchange (loss) gain .....	<b>(14,869)</b>	(3,595)	3,902	<b>(148)</b>
Equity in earnings of affiliates .....	<b>7,994</b>	1,164	547	<b>80</b>
Gain on sales of investment securities .....	<b>138</b>	12,259	3,021	<b>1</b>
Gain on sales of subsidiaries' shares .....	—	21,242	—	—
Other, net .....	<b>10,256</b>	3,684	(342)	<b>103</b>
	<b>(7,126)</b>	21,251	(15,950)	<b>(71)</b>
Income before income taxes and minority interests .....	<b>268,778</b>	211,765	177,070	<b>2,688</b>
<b>Income taxes</b> (Note 9):				
Current .....	<b>93,999</b>	97,259	72,161	<b>940</b>
Deferred .....	<b>(4,812)</b>	(18,676)	(433)	<b>(48)</b>
	<b>89,187</b>	78,583	71,728	<b>892</b>
Income before minority interests .....	<b>179,591</b>	133,182	105,342	<b>1,796</b>
<b>Minority interests</b> .....	<b>(2,153)</b>	(1,896)	(1,683)	<b>(22)</b>
<b>Net income</b> (Note 14) .....	<b>¥177,438</b>	¥131,286	¥103,659	<b>\$1,774</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Millions of U.S. dollars (Note 5)
	2008	2007	2006	2008
<b>Operating activities</b>				
Income before income taxes and minority interests .....	¥268,778	¥211,765	¥177,070	\$2,688
Depreciation and amortization .....	36,946	33,971	37,636	369
Loss on impairment of fixed assets .....	9,331	6,072	8,699	93
Gain on sales of investment securities .....	(138)	(12,259)	(3,021)	(1)
Gain on sales of subsidiaries' shares .....	—	(21,242)	—	—
Notes and accounts receivable .....	4,524	(4,996)	6,532	45
Inventories .....	(5,262)	3,541	(4,736)	(53)
Notes and accounts payable .....	(20,745)	14,840	(4,824)	(207)
Accrued expenses .....	(7,046)	12,407	(10,510)	(71)
Accrued retirement benefits for employees .....	(835)	(23,099)	5,259	(8)
Other .....	(26,082)	(11,141)	(20,662)	(260)
Subtotal .....	259,471	209,859	191,443	2,595
Interest and dividends received .....	25,756	10,682	8,733	257
Interest paid .....	(50)	(318)	(1,351)	(1)
Income taxes paid .....	(98,247)	(92,293)	(58,674)	(982)
Net cash provided by operating activities .....	186,930	127,930	140,151	1,869
<b>Investing activities</b>				
Purchases of property, plant and equipment .....	(27,314)	(24,660)	(21,454)	(273)
Proceeds from sales of property, plant and equipment .....	17,923	7,349	8,889	179
Acquisition of subsidiaries' shares .....	(40,407)	—	—	(404)
Proceeds from sales of subsidiaries' shares .....	—	33,417	—	—
Decrease (increase) in short-term investments .....	64,360	65,021	(13,602)	644
Increase in investment securities .....	(12,660)	(5,770)	(60,767)	(127)
Increase in other assets .....	(12,974)	(16,078)	(2,845)	(130)
Other .....	2,656	13,152	2,118	27
Net cash (used in) provided by investing activities .....	(8,416)	72,431	(87,661)	(84)
<b>Financing activities</b>				
Purchases of treasury stock .....	(81,914)	(220,046)	(46,400)	(819)
Cash dividends .....	(45,878)	(44,066)	(22,181)	(459)
Payment upon merger .....	—	—	(3,695)	—
Other .....	(3,630)	591	(4,493)	(36)
Net cash used in financing activities .....	(131,422)	(263,521)	(76,769)	(1,314)
<b>Effects of exchange rate changes on cash and cash equivalents</b> .....	(8,037)	12,926	7,406	(80)
<b>Increase (decrease) in cash and cash equivalents</b> .....	39,055	(50,234)	(16,873)	391
<b>Increase in cash and cash equivalents due to merger</b> .....	—	—	39,325	—
<b>(Decrease) increase in cash and cash equivalents due to decrease or increase in subsidiaries</b> .....	(1,082)	(676)	27,403	(11)
<b>Increase in cash and cash equivalents due to merger of subsidiaries</b> .....	—	—	90	—
<b>Cash and cash equivalents at beginning of year</b> .....	422,513	473,423	423,478	4,225
<b>Cash and cash equivalents at end of year</b> .....	¥460,486	¥422,513	¥473,423	\$4,605

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
<b>Balance as of March 31, 2005</b>	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 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
<b>Balance as of March 31, 2006</b>	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)
<b>Balance as of March 31, 2007</b>	563,964,635	103,001	176,822	1,006,648	(241,920)	1,044,551
Cash dividends paid				(45,878)		(45,878)
Net income				177,438		177,438
Purchase of treasury stock					(81,914)	(81,914)
Disposal of treasury stock				(53)	197	144
Cancellation of treasury stock	(45,000,000)			(219,514)	219,514	
Other				(1,435)		(1,435)
Net change in items other than shareholders' equity						
Total movements during the year				89,442	137,797	48,355
<b>Balance as of March 31, 2008</b>	518,964,635	¥103,001	¥176,822	¥917,206	¥(104,123)	¥1,092,906

	Millions of U.S. dollars (Note 5)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of March 31, 2007</b>	\$1,030	\$1,768	\$10,066	\$(2,419)	\$10,445
Cash dividends paid			(459)		(459)
Net income			1,774		1,774
Purchase of treasury stock				(819)	(819)
Disposal of treasury stock			(1)	2	1
Cancellation of treasury stock			(2,195)	2,195	
Other			(13)		(13)
Net change in items other than shareholders' equity					
Total movements during the year			(894)	1,378	484
<b>Balance as of March 31, 2008</b>	\$1,030	\$1,768	\$ 9,172	\$(1,041)	\$10,929

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
¥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
					(45,878)
					177,438
					(81,914)
					144
					(1,435)
(10,233)	(26,584)	(36,817)	353	(23)	(36,487)
(10,233)	(26,584)	(36,817)	353	(23)	11,868
¥27,853	¥(10,861)	¥16,992	¥637	¥ 328	¥1,110,863

Millions 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
\$381	\$157	\$538	\$3	\$4	\$10,990
					(459)
					1,774
					(819)
					1
					(13)
(102)	(266)	(368)	3	0	(365)
(102)	(266)	(368)	3	0	119
\$279	\$(109)	\$170	\$6	\$4	\$11,109

# Notes to Consolidated Financial Statements

March 31, 2008

## 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 International Financial Reporting Standards or accounting principles generally accepted in the United States. 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 Financial Instruments and Exchange Law.

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 subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries. 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.

All 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 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

Until the year ended March 31, 2007, inventories of the Company and its domestic subsidiaries are mainly stated at cost by the average method.

Effective April 1, 2007, inventories of the Company and its domestic subsidiaries are stated principally at the lower of cost or market, cost being determined by the average method. However, inventories of the foreign 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 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 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 sub-

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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 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, 2007 the Company and its domestic subsidiaries implemented early adoption of a new accounting standard for measurement of inventories, which requires all the inventories to be stated at the lower of cost or market. The effect of this change was to decrease gross profit by ¥99 million (\$1 million) and to increase operating income and income before income taxes and minority interests by ¥493 million (\$5 million) and ¥939 million (\$9 million), respectively, for the year ended March 31, 2008 compared to the corresponding amounts which would have been recognized under the previous method.
- (b) Effective April 1, 2007, the Company and its domestic subsidiaries changed the depreciation rate and the salvage value of property, plant and equipment mainly based on the amendment of Corporate Tax Law of Japan and the change in the Company's investment strategy. The effect of these changes was to decrease gross profit by ¥449 million (\$4 million) and to decrease operating income and income before income taxes and minority interests by ¥1,477 million (\$15 million) for the year ended March 31, 2008.
- (c) 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.

- (d) 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 million) for the year ended March 31, 2007.
- (e) 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 (\$1 million) for the year ended March 31, 2007.

(f) Effective April 1, 2005, the Company and its domestic subsidiaries 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.

## 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 ¥100 = U.S.\$1.00, the approximate rate of exchange on March 31, 2008. 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, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Merchandise and finished goods .....	<b>¥65,516</b>	¥46,697	<b>\$655</b>
Work in process .....	<b>12,360</b>	16,422	<b>123</b>
Raw materials and supplies .....	<b>13,569</b>	27,860	<b>136</b>
	<b>¥91,445</b>	¥90,979	<b>\$914</b>

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

The Company had no short-term bank loans at March 31, 2008.

Short-term bank loans consisted mainly of secured loans bearing interest at rate of 5.84% per annum as of March 31, 2007.

The Company had no long-term debt outstanding at March 31, 2008 and 2007.

## 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, 2008 is as follows:

a. Treasury stock

(Thousands of shares)				
Types of share	Number of shares at March 31, 2007	Increase	Decrease	Number of shares at March 31, 2008
Treasury stock:				
Common stock (Notes 1 and 2)	49,593	16,327	45,039	20,881

(Thousands of shares)

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

Increase due to purchase of the stocks..... 16,300

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

2. Details of the decrease are as follows:

Decrease due to cancellation ..... 45,000

Decrease due to sale of the stocks of less than standard unit..... 2

Decrease due to exercise of stock subscription rights ..... 36

b. Stock subscription rights

In August 2007, the Company issued 74,000 units of stock subscription rights, for which ¥258 million (\$2 million) was recorded as a component of net assets as of March 31, 2008. The stock subscription rights included those which were not vested as of March 31, 2008.

(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	Stock subscription rights granted on August 10, 2007 as a stock option plan
Individuals covered by the Plan	Directors of the Company	18	4	6	4	4
	Corporate officers of the Company	—	16	26	27	26
	Employees of the Company	37	36	—	—	—
	Total	55	56	32	31	30
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	74,000
Vesting period		no	no	From July 1, 2005 to June 23, 2006	From July 1, 2006 to June 26, 2007	From July 1, 2007 to June 25, 2008
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	From August 11, 2007 to June 26, 2027

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 granted on August 10, 2007 as a stock option plan
Stock subscription rights which have not been vested					
Outstanding as of March 31, 2007	—	—	—	18,925	—
Granted	—	—	—	—	74,000
Forfeited	—	—	—	—	—
Vested	—	—	—	18,925	55,500
<b>Outstanding as of March 31, 2008</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>18,500</b>
Stock subscription rights which have been vested					
Outstanding as of March 31, 2007	40,400	97,700	102,100	56,775	—
Vested	—	—	—	18,925	55,500
Exercised	12,700	24,100	—	—	—
Forfeited	—	—	—	—	—
<b>Outstanding as of March 31, 2008</b>	<b>27,700</b>	<b>73,600</b>	<b>102,100</b>	<b>75,700</b>	<b>55,500</b>
Exercise price (Yen)	3,209	3,690	1	1	1
Weighted average exercise price (Yen)	5,300	4,886	—	—	—
Weighted average fair value per stock at the granted date (Yen)	—	—	—	5,009	4,639
Exercise price (U.S. dollars)	32.09	36.90	0.01	0.01	0.01
Weighted average exercise price (U.S. dollars)	53.00	48.86	—	—	—
Weighted average fair value per stock at the granted date (U.S. dollars)	—	—	—	50.09	46.39

Stock option expense included in selling, general and administrative expenses for the year ended March 31, 2008 amounted to ¥352 million (\$4 million). The fair value of options granted is estimated using the binominal model with the following weighted average assumptions.

	Stock subscription rights granted on August 10, 2007 as a stock option plan
Expected volatility	28.49%
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 subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rate of approximately 41% for 2008, 2007 and 2006. Income taxes of the foreign 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, 2008, 2007 and 2006 differ from the statutory tax rate for the following reasons:

	2008	2007	2006
Statutory tax rate .....	<b>41.0%</b>	41.0%	41.0%
Effect of:			
Tax deductions for research and development expenses .....	<b>(3.3)</b>	(5.1)	(3.9)
Different tax rates applied to income of foreign subsidiaries .....	<b>(4.0)</b>	(2.4)	(1.3)
Expenses not deductible for income tax purposes .....	<b>1.8</b>	2.1	2.7
Change in valuation allowance .....	<b>(0.5)</b>	0.8	0.9
Equity in earnings of affiliates .....	<b>(1.2)</b>	(0.2)	(0.1)
Other, net .....	<b>(0.6)</b>	0.9	1.2
Effective tax rates .....	<b>33.2%</b>	37.1%	40.5%

The significant components of the deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Loss on devaluation of investment securities .....	¥ 3,820	¥ 3,924	\$ 38
Accrued retirement benefits .....	6,660	7,777	67
Depreciation and amortization .....	37,296	39,527	373
Loss on impairment of fixed assets .....	6,704	5,572	67
Accrued expenses .....	26,432	20,059	264
Inventories .....	23,641	22,889	236
Accrued enterprise and other taxes .....	3,348	3,111	33
Other .....	43,159	37,557	432
Gross deferred tax assets .....	<b>151,060</b>	140,416	<b>1,510</b>
Valuation allowance .....	<b>(13,424)</b>	(16,181)	<b>(134)</b>
Total deferred tax assets .....	<b>137,636</b>	124,235	<b>1,376</b>
Deferred tax liabilities:			
Unrealized holding gain on securities .....	<b>18,661</b>	25,716	<b>187</b>
Depreciation and amortization .....	<b>1,144</b>	1,082	<b>11</b>
Other .....	<b>10,390</b>	2,661	<b>104</b>
Total deferred tax liabilities .....	<b>30,195</b>	29,459	<b>302</b>
Net deferred tax assets .....	<b>¥107,441</b>	¥ 94,776	<b>\$1,074</b>

## 10. Retirement Benefit Plans

Until October 1, 2006, the Company and its domestic 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 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 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, 2008 and 2007 for the Company's and the subsidiaries' defined benefit plans:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Retirement benefit obligation .....	¥(150,721)	¥(158,627)	\$ (1,507)
Plan assets at fair value .....	130,883	144,430	1,309
Unfunded retirement benefit obligation .....	(19,838)	(14,197)	(198)
Unrecognized actuarial loss .....	13,694	8,287	137
Unrecognized prior service cost .....	(10,042)	(10,642)	(101)
Net retirement benefit obligation .....	(16,186)	(16,552)	(162)
Prepaid pension cost .....	1,306	1,928	13
Accrued retirement benefits .....	¥ (17,492)	¥ (18,480)	\$ (175)

The components of retirement benefit expenses for the years ended March 31, 2008, 2007 and 2006 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	2008
Service cost .....	¥ 5,690	¥ 6,218	¥ 8,569	\$ 57
Interest cost .....	4,323	4,249	4,141	43
Expected return on plan assets .....	(3,768)	(3,359)	(2,826)	(38)
Amortization of actuarial loss .....	1,681	2,234	3,195	17
Amortization of prior service cost .....	(880)	(215)	(554)	(9)
Other .....	16,571	10,951	4,188	166
Total .....	¥23,617	¥20,078	¥16,713	\$236

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

	2008	2007
Discount rates .....	2.0% – 10.0%	2.0% – 10.0%
Expected rates of return on plan assets .....	2.0% – 8.0%	2.0% – 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, 2008, 2007, and 2006, totaled

¥134,464 million (\$1,345 million), ¥167,946 million and ¥142,076 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, 2008 and 2007, 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
<b>March 31, 2008</b>			
Machinery and equipment .....	<b>¥2,204</b>	<b>¥529</b>	<b>¥1,675</b>

	Millions of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value
<b>March 31, 2008</b>			
Machinery and equipment .....	<b>\$22</b>	<b>\$5</b>	<b>\$17</b>

	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
March 31, 2007			
Machinery and equipment .....	¥2,420	¥1,882	¥537

Lease payments relating to finance leases accounted for as operating leases amounted to ¥423 million (\$4 million), ¥793 million and ¥1,074 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, 2008, 2007 and 2006, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Millions of U.S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
Year ending March 31,				
2009 .....	¥ 559	¥10	\$ 6	\$0
2010 and thereafter .....	1,116	14	11	0
Total .....	¥1,675	¥24	\$17	\$0

### 13. Contingent Liabilities

Contingent liabilities of the Company and its subsidiaries at March 31, 2008 were as follows:

	Millions of yen	Millions of U.S. dollars
Contingent liabilities as guarantors of indebtedness of the Company's employees and affiliates.....	<b>¥3,644</b>	<b>\$36</b>
Other contingent liabilities relating to a debt assumption contract.....	<b>120</b>	<b>1</b>
Other.....	<b>128</b>	<b>1</b>

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

	2008	Yen 2007	2006	U.S. dollars 2008
Net income:				
Basic .....	<b>¥ 349.89</b>	¥ 244.07	¥ 183.88	<b>\$ 3.50</b>
Diluted .....	<b>349.71</b>	243.99	183.56	<b>3.50</b>
Cash dividends.....	<b>110.00</b>	80.00	70.00	<b>1.10</b>
Net assets .....	<b>2,228.34</b>	2,135.34	2,179.44	<b>22.28</b>

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 company had no convertible bonds as of March 31, 2008 and 2007.

The conversion of convertible bonds for the years ended March 31, 2007, and 2006 amounted to ¥30 million and ¥4,990 million, respectively.

Agensys, Inc. was newly consolidated as a result of the acquisition of 100% of its stock during the year ended March 31, 2008. The following is a summary of the assets acquired and liabilities assumed:

	Millions of yen	Millions of U.S. dollars
Current assets .....	¥ 3,305	\$ 33
Property, plant and equipment .....	4,781	47
Goodwill .....	30,862	309
Current liabilities .....	(345)	(3)
Long-term liabilities .....	(7)	(0)
Acquisition cost of stock of Agensys, Inc. ....	¥38,596	\$386
Cash and cash equivalents of Agensys, Inc. ....	(3,171)	(32)
Effect of exchange rate fluctuation .....	4,982	50
Net cash used in the acquisition .....	¥40,407	\$404

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

	Millions of yen
Current assets .....	¥18,234
Long-term assets .....	3,975
Total assets .....	¥22,209
Current liabilities .....	¥ 6,600
Long-term liabilities .....	807
Total liabilities .....	¥ 7,407

## 16. Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2008 and 2007 is summarized as follows:

### Marketable held-to-maturity debt securities

	Millions of yen			Millions of U.S. dollars		
	2008	2008	2008	2008	2008	2008
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Government bonds .....	¥1,201	¥1,202	¥ 1	\$12	\$12	\$ 0
Corporate bonds .....	—	—	—	—	—	—
Other .....	—	—	—	—	—	—
Total .....	¥1,201	¥1,202	¥ 1	\$12	\$12	\$ 0

	Millions of yen		
	2007		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:			
Government bonds .....	¥1,801	¥1,792	¥ (9)
Corporate bonds .....	—	—	—
Other .....	—	—	—
Total .....	¥1,801	¥1,792	¥ (9)

**Marketable other securities**

	Millions of yen			Millions of U.S. dollars			Millions of yen		
	2008			2008			2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock .....	¥ 22,273	¥ 70,385	¥48,112	\$ 223	\$ 704	\$481	¥ 29,056	¥ 91,448	¥62,392
Debt securities .....	55,150	55,351	201	551	553	2	21,561	21,638	77
Other .....	1,302	2,174	872	13	22	9	8,416	10,531	2,115
Subtotal .....	78,725	127,910	49,185	787	1,279	492	59,033	123,617	64,584
Securities whose acquisition cost exceeds their carrying value:									
Stock .....	9,596	8,485	(1,111)	96	85	(11)	1,373	1,309	(64)
Debt securities .....	102,474	101,016	(1,458)	1,025	1,010	(15)	169,904	169,228	(676)
Other .....	976	856	(120)	10	9	(1)	1,976	1,900	(76)
Subtotal .....	113,046	110,357	(2,689)	1,131	1,104	(27)	173,253	172,437	(816)
Total .....	¥191,771	¥238,267	¥46,496	\$1,918	\$2,383	\$465	¥232,286	¥296,054	¥63,768

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Millions of Yen			Millions of U.S. dollars
	2008	2007	2006	2008
Proceeds from sales .....	¥25,996	¥50,571	¥42,367	\$260
Gain on sales .....	123	12,506	3,201	1
Loss on sales .....	4	159	132	0

The redemption schedule for securities with maturities classified as other securities and held-to-maturity debt securities as of March 31, 2008 is summarized as follows:

	Millions of yen			Millions 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.....	¥ 69,177	¥13,542	¥3,887	\$ 692	\$135	\$39
Corporate bonds.....	23,021	47,510	—	230	475	—
Others.....	192,805	422	—	1,928	4	—
Total.....	¥285,003	¥61,474	¥3,887	\$2,850	\$614	\$39

### Securities without determinable market value

Other securities

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Non marketable stocks.....	¥ 4,534	¥ 3,030	\$ 45
Senior investment securities.....	5,000	5,000	50
Commercial paper.....	192,797	183,120	1,928
Money management fund.....	8,579	2,198	86

## 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, 2008 and 2007 are summarized as follows:

	Millions of yen			Millions of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sell:						
Euro.....	¥2,355	¥2,362	¥(7)	\$24	\$24	\$(0)
Buy:						
U.S. dollars.....	298	299	1	3	3	0
Total.....	¥2,653	¥2,661	¥(6)	\$27	\$27	\$(0)

	Millions of yen		
	2007		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sell:			
U.S. dollars .....	¥1,394	¥1,412	¥(18)
Currency option			
Sell:			
Call			
Euro Contract amount .....	1,567		
Option premium .....	12	9	3
Buy:			
Put .....			
Euro Contract amount .....	783		
Option premium .....	13	9	(4)
Total .....	¥3,744	¥1,430	¥(19)

## 18. Acquisition of stock of Agensys, Inc.

On December 18, 2007, Astellas acquired 100% of stock of Agensys, Inc., a biotechnology company specializing in therapeutic antibody research and development in cancer. The acquisition was to reinforce and to accelerate its antibody research and development in cancer, which is one of the important areas for therapeutic research.

All of purchase price of ¥38,596 million (\$386 million) was paid by cash. In addition, Astellas will pay up to a maximum

of \$150 million if certain predefined milestones are achieved. The acquisition has been accounted for as a purchase business combination. Under the purchase method of accounting, the assets acquired and liabilities assumed from Agensys, Inc. were recorded at their respective fair values as of the date of acquisition. Those fair values are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Current assets .....	¥3,305	\$33
Long-term assets .....	4,781	47
Total assets .....	¥8,086	\$80
Current liabilities .....	¥ 345	\$ 3
Long-term liabilities .....	7	0
Total liabilities .....	¥ 352	\$ 3

The excess of cost over underlying net assets at fair value at the date of acquisition was recognized as goodwill in the amount of ¥30,862 (\$309 million) and has been amortized over a period of five years on a straight-line basis. In addition, contingent payments of \$150 million will also be recognized as goodwill upon payments.

The consolidated statement of income for the year ended March 31, 2008 includes the results of operations of

Agensys, Inc. from the date of acquisition. Had the business combination had completed at the beginning of the year, the effect for the year ended March 31, 2008 on sales would have been immaterial, however, operating income, and income before income taxes and minority interests would have been decreased by approximately ¥7,899 million (\$79 million) for the year ended March 31, 2008.

## 19. Segment Information

### 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

Geographical areas, which include the results of the operation attributed by the locations of the Company and the subsidiaries, for the ended March 31, 2008, 2007 and 2006 are summarized as follows:

Year ended March 31, 2008	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	¥ 505,596	¥194,506	¥244,643	¥27,841	¥ 972,586	¥ —	¥ 972,586
Intergroup sales and transfers	111,792	64,497	58,048	10	234,347	(234,347)	—
Total sales	617,388	259,003	302,691	27,851	1,206,933	(234,347)	972,586
Operating expenses	441,348	202,672	261,657	25,098	930,775	(234,093)	696,682
Operating income	¥ 176,040	¥ 56,331	¥ 41,034	¥ 2,753	¥ 276,158	¥ (254)	¥ 275,904
Total assets	¥1,034,390	¥148,591	¥278,727	¥18,221	¥1,479,929	¥ (40,777)	¥1,439,152

Year ended March 31, 2008	Millions of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	\$ 5,056	\$1,945	\$2,446	\$279	\$ 9,726	\$ —	\$ 9,726
Intergroup sales and transfers	1,118	645	580	0	2,343	(2,343)	—
Total sales	6,174	2,590	3,026	279	12,069	(2,343)	9,726
Operating expenses	4,413	2,027	2,616	251	9,307	(2,340)	6,967
Operating income	\$ 1,761	\$ 563	\$ 410	\$ 28	\$ 2,762	\$ (3)	\$ 2,759
Total assets	\$10,344	\$1,486	\$2,787	\$182	\$14,799	\$ (407)	\$14,392

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, 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

**Overseas sales**

Overseas sales, which include the sales attributed by the locations of customers, for the ended March 31, 2008, 2007 and 2006 are summarized as follows:

Year ended March 31, 2008	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales .....	¥247,129	¥195,636	¥34,399	¥12,407	¥489,571
Consolidated net sales .....					972,586

Year ended March 31, 2008	Millions of U.S. dollars				
	North America	Europe	Asia	Other	Total
Overseas sales .....	\$2,471	\$1,957	\$344	\$124	\$4,896
Consolidated net sales .....					9,726
Overseas sales as a percentage of consolidated net sales...	25.4%	20.1%	3.5%	1.3%	50.3%

Year ended March 31, 2007	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales .....	¥223,226	¥182,753	¥31,158	¥12,925	¥450,062
Consolidated net sales .....					920,624
Overseas sales as a percentage of consolidated net sales...	24.2%	19.9%	3.4%	1.4%	48.9%

Year ended March 31, 2006	Millions of yen				
	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%

## 20. Loss on Impairment of Fixed Assets

The Group bases its grouping for assessing 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. Loss on impairment of fixed assets, which was recognized by reducing the book value of such assets to their respective realized value, for the years ended March 31, 2008, 2007 and 2006 amounted to ¥9,331 million (\$93

million), ¥17,453 million and ¥8,699 million, respectively. Loss on impairment of fixed assets for the year ended March 31, 2008 mainly consists of losses on land in the aggregate amount of ¥3,389 million and on buildings in the aggregate amount of ¥3,248 million. Loss on impairment of fixed assets for the year ended March 31, 2007 mainly consists of closure of business bases.

## 21. Subsequent Events

### (a) Conclusion of licensing agreement with CoMentis, Inc. to collaborate on the research, development and commercialization of beta-secretase inhibitors

On April 25, 2008, the Company entered into a licensing agreement with CoMentis, Inc. of the U.S. to collaborate on the research, development and commercialization of beta-secretase inhibitors including CTS-21166 which is being developed as a disease-modifying treatment for Alzheimer's disease. Under the agreement, the Company paid an upfront fee of \$80 million to CoMentis, Inc. and purchased shares newly issued by CoMentis, Inc. for \$20 million upon signing of the agreement. The Company will further pay up to \$660 million in development milestones and may also pay performance-based commercialization milestones. In addition, the Company will pay development milestones for next-generation beta-secretase inhibitors discovered under the terms of the research collaboration. An upfront fee of ¥8,076 million (\$80 million) and a part of development milestones will be recorded as research and development expenses in selling, general and administrative expenses for the fiscal year ending March 31, 2009.

### (b) Acquisition of treasury stock

Pursuant to Article 156 and Article 165, Paragraph 3, of the Corporation Law of Japan, on May 13, 2008, the Board of Directors of the Company approved a resolution to acquire shares of the Company's own common stock in order to enhance the rate of return to its shareholders as well as to utilize its capital effectively. As a result, the Company is authorized to acquire up to 9.1 million shares of its common stock as treasury stock (representing 1.82% of the number of shares of common stock currently in issue), up to a maximum acquisition cost of ¥40,000 million (\$400 million), during the period from May 15, 2008 to June 20, 2008. Pursuant to this resolution, the Company has already acquired 9,085,500 shares of its common stock for ¥40,000 million (\$400 million).

### (c) The following appropriations of retained earnings of the Company were approved at a shareholders' meeting held on June 24, 2008:

	Millions of yen	Millions of U.S. dollars
Year-end cash dividends (¥60 = \$0.60 per share) .....	¥29,885	\$298
Bonuses to directors and corporate auditors .....	181	2
	¥30,066	\$300

# 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 subsidiaries as of March 31, 2008 and 2007, 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, 2008, 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 subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008 in conformity with accounting principles generally accepted in Japan.

## *Supplementary Information*

- (1) As described in Note 4 (f), effective April 1, 2005, the Company and its domestic subsidiaries adopted a new accounting standard for the impairment of fixed assets.
- (2) As described in Note 21 (b), pursuant to the resolution approved by the Board of Directors on May 13, 2008, the Company acquired its shares of common stock.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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 24, 2008

# Principal subsidiaries and affiliates (as of July 2008)

## ■ North America

### Holding company in North America

#### **Astellas US Holding, Inc.**

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

### Headquarters in North America

#### **Astellas US LLC**

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

#### **Astellas Pharma US, Inc.**

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

#### **Astellas Pharma Global Development, Inc.**

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

#### **Astellas Pharma Canada, Inc.**

675 Cochrane Drive, Suite 500, Markham, Ontario L3R 0B8, Canada  
TEL: +1-905-470-7990

#### **Astellas Pharma Technologies, Inc.**

3300 Marshall Avenue, Norman, OK 73072, U.S.A.  
TEL: +1-405-217-6501

#### **Astellas Pharma Manufacturing, Inc.**

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

#### **Agensys, Inc.**

2225 Colorado Avenue, Santa Monica, CA 90404, U.S.A.  
TEL: +1-310-820-8029

#### **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, U.S.A.

## ■ Europe

### Holding company in Europe

#### **Astellas B.V.**

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

### European headquarters

#### **Astellas Pharma Europe Ltd.**

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

### Other principal subsidiaries and affiliates in Europe

#### **Astellas Pharma Europe B.V.**

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

#### **Astellas Ireland Co., Limited**

Damastown Road, Damastown Industrial Park, Mulhuddart, Dublin 15, Republic of Ireland  
TEL: +353-1-825-111

### Germany

#### **Astellas Pharma GmbH**

Georg-Brauchle-Ring 64-66, Munich, Germany  
TEL: +49-89-45-44-01

### Spain

#### **Astellas Pharma S.A.**

Centro64 'La Finca', Paseo del Club Deportivo nº1, Bloque 14, 2ª planta, 28223 Pozuelo de Alarcón, Madrid, Spain  
TEL: +34-91-495-2700

### France

#### **Astellas Pharma S.A.S**

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

### Italy

#### **Astellas Pharma S.p.A.**

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

### United Kingdom

#### **Astellas Pharma Ltd.**

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

### Export

#### **Astellas Pharma International B.V.**

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

### Northern Europe

#### **Astellas Pharma A/S**

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

## Poland

### Astellas Pharma Sp.zo.o.

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

## Russia

### ZAO Astellas Pharma

Marksistskaya Ulitsa 16, 109147, Moscow, Russia  
TEL: +709-5737-0755

## Netherlands

### Astellas Pharma B.V.

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

## Belgium

### Astellas Pharma B.V. (Branch)

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

## Portugal

### Astellas Farma Limitada

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Paço de Arcos, Portugal  
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## Austria

### Astellas Pharma Ges.mbH

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

## Ireland

### Astellas Pharma Co., Limited

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

## Czech Republic

### Astellas Pharma s.r.o

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

## Greece

### Astellas Pharma AE

10th Kim National Road Athens, Lamia 14451, Metamorfosi, Greece  
TEL: +30-210-281-2640

## Switzerland

### Astellas Pharma A.G.

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

## 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

## Hungary

### Astellas Pharma Kft

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

## Turkey

### Astellas Pharma İlaç Ticaret ve Sanayi Anonim Şirketi

Tekstilkent Koza Plaza, A Blok 16.Kat No:60, 34235 Esenler, Istanbul, Turkey

## Asia

### Astellas Pharma China, Inc.

1901-1904, Capital Tower Beijing, No.6 Jia Jianguomenwai Avenue, Chaoyang District, Beijing 100022, People's Republic of China  
TEL: +86-24-2581-4488

### Astellas Pharma Hong Kong Co., Ltd.

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

### 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

### Astellas Pharma Korea, Inc.

41-2 Chungdam-Dong Kangnam-Ku, Seoul, 135-766 Korea  
TEL: +82-2-3448-0504

### 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

### Astellas Pharma (Thailand) Co., Ltd.

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

### P.T. Astellas Pharma Indonesia

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

## Japan

### Manufacturing subsidiaries

#### Astellas Tokai Co., Ltd.

#### Astellas Toyama Co., Ltd.

#### Astellas Pharma Chemicals Co., Ltd.

## 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

Authorized: 2,000,000,000

Issued: 518,964,635 (including 20,881,100 treasury stock)

### ■ Number of shareholders: 45,820

### ■ Stock exchange listing

Tokyo (Ticker Code: 4503), Osaka

### ■ Independent auditors

Ernst & Young ShinNihon LLC

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

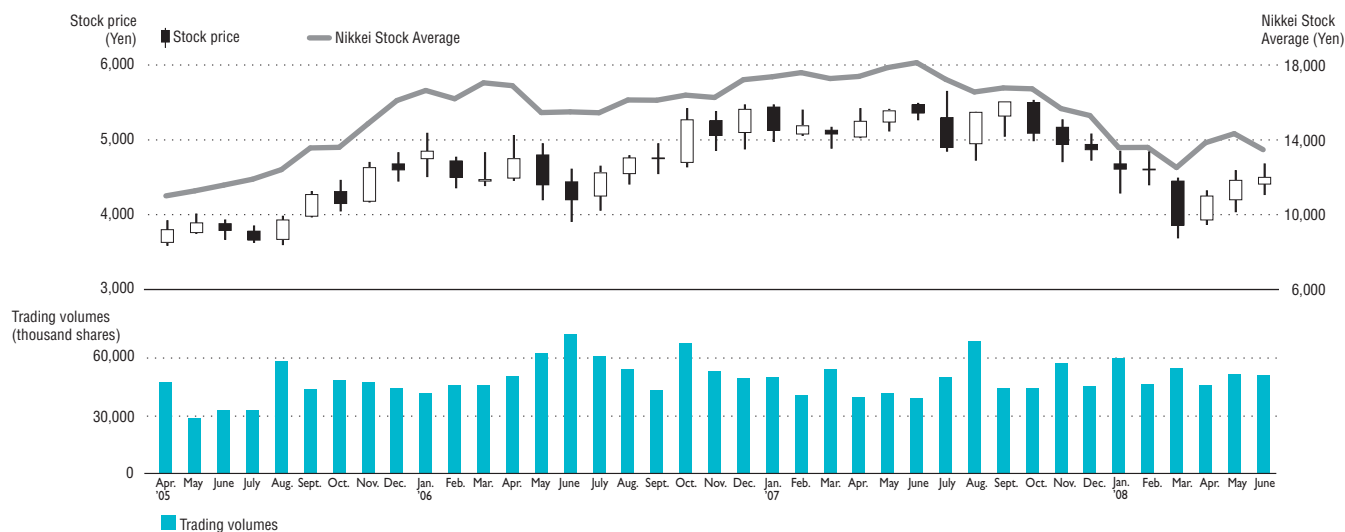
Chuo-ku, Osaka-shi, Osaka 541-0052, Japan

### ■ 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)	26,605	5.12
Nippon Life Insurance Company	25,587	4.93
The Master Trust Bank of Japan, Ltd. (trust account)	25,362	4.88
The Chase Manhattan Bank, NA London, SL Omnibus account	19,386	3.73
State Street Bank and Trust Company	18,302	3.52
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,720	2.64
State Street Bank and Trust Company 505103	13,191	2.54
Nomura Securities, Co., Ltd.	10,267	1.97
Rabobank Nederland Tokyo Branch	7,297	1.40
Mellon Bank N.A. as agent for its client Mellon Omnibus U.S. Pension	7,232	1.39

Note: The Company owned 20,881,100 shares of treasury stock as of March 31, 2008, but they are not included in the principal shareholders stated above.

## Breakdown of shareholders

