

Financial Section

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Management's Discussion and Analysis

OVERVIEW OF YEAR ENDED MARCH 31, 2009 (FISCAL 2008)

BUSINESS ENVIRONMENT

• Japan

The Japanese ethical pharmaceutical market grew 2.9% in fiscal 2008 to ¥8.4 trillion. Astellas ranked second with a market share of approximately 7.2%.

The biennial NHI (National Health Insurance) drug price revision was implemented in April 2008 and drug prices were reduced by an industry-wide average of around 5.2%.

The government also continued to promote various other measures aimed at containing drug expenditures. A framework is being established to enhance the access of patients and medical professionals to generic pharmaceuticals that are safe with the stated goal of increasing the volume market share of such drugs from the current level of nearly 20% to 30% by fiscal 2012.

• North America

The rate of growth in the North American pharmaceuticals market slowed to 1.4%, the lowest level in 5 years. The market was worth US\$309.7 billion in value terms according to *IMS World Review 2009*. The main factors depressing growth were delays with new drug approvals and the impact of the economic slowdown caused by financial uncertainty.

• Europe

Pharmaceutical market growth was in the 1–5% range in the major countries such as France, Germany, Italy and the UK, but reached 6–9% in Spain. Markets such as Russia and Turkey recorded double-digit growth.

• Asia

The region posted a robust expansion, with growth in markets such as China and South Korea reaching double digits.

NET SALES

- Reflecting mainly the impact of a stronger yen, consolidated net sales declined in year-on-year terms by ¥6.9 billion, or 0.7%, to ¥965.7 billion.
- Sales of overactive bladder (OAB) treatment Vesicare® increased across all regions. Global sales of the drug grew by ¥11.3 billion, or 18.8%, to ¥71.4 billion.
- In local currency terms, sales of immunosuppressant Prograf® in North America grew by US\$33 million, or 3.9%, to US\$884 million. The US substance patent expired in April 2008.

- In Japan, sales of Celecox®, the selective COX-2 inhibitor launched in June 2007, increased by ¥6.7 billion, or 178.7%, to ¥10.4 billion. Other new products such as oral quinolone antibiotic Geninax® and insomnia treatment Myslee® recorded double-digit growth in sales. The launch in June 2008 of Lexiscan®, a pharmacologic stress imaging agent used in cardiac function testing, also contributed to Astellas' sales growth.

PROFITS AND EXPENSES

- Cost of sales declined in year-on-year terms by ¥14.9 billion, or 5.3%, to ¥264.4 billion. This resulted in an improvement of 1.3 percentage points in the cost of sales ratio.
- R&D expenses increased by ¥24.6 billion, or 18.3%, to ¥159.1 billion. The ratio of R&D expenses to net sales was 16.5%.
- Factors behind the increase in R&D expenses included a one-time upfront fee of US\$80 million to US-based CoMentis relating to a treatment for Alzheimer's disease and a one-time payment of US\$10 million associated with the agreement with US-based Maxygen.
- Other factors behind the increase in R&D expenses included Phase 3 clinical trials in the US and Europe for YM178 and progress with the development of other clinical projects, R&D spending related to therapeutic antibodies at Agensys and depreciation costs for the new buildings at the Tsukuba Research Center.
- Reflecting the above factors, operating income declined by ¥25.5 billion, or 9.2%, to ¥250.4 billion. The operating margin was 25.9%.

FINANCIAL CONDITION

- Cash and cash equivalents at the fiscal year-end amounted to ¥409.8 billion, a decline of ¥50.7 billion, or 11.0%, in year-on-year terms.
- The ratio of shareholders' equity to total assets as of March 31, 2009 was 76.3%.

SHAREHOLDER RETURNS

- Total dividends per share in fiscal 2008 were ¥120, an increase of ¥10 compared with the previous year.
- The dividend-on-equity (DOE) ratio improved by 0.4 percentage points to 5.4%.
- During fiscal 2008, Astellas acquired 28.09 million of its own shares and canceled 15 million shares of treasury stock.

OPERATING PERFORMANCE OVERVIEW

Net sales decreased by 0.7% compared with the previous fiscal year to ¥965.7 billion. Factors negatively affecting sales included the appreciation of the yen against both the US dollar and the euro and an NHI drug price revision in Japan of a little over 5%. Growth from international operations helped to offset this drag. Operating income declined 9.2% to ¥250.4 billion due to a substantial increase in R&D expenses, which outweighed the improvement in the gross margin. Reflecting the effect of foreign exchange gains, a net improvement in other income (expenses) and a lower effective tax rate, net income declined only 3.6% to ¥171.0 billion.

NET SALES

Consolidated net sales amounted to ¥965.7 billion in fiscal 2008, a year-on-year decline of ¥6.9 billion, or 0.7%.

A review of sales by product and by geographic segment is provided below.

SALES BY MAINSTAY PRODUCTS (GLOBAL)	¥ billion		YoY	CER*
	2008.3	2009.3		
Global products				
Prograf®	¥203.0	¥201.0	(1.0)	—
Japan	24.6	28.5	16.0	—
North America	97.2	88.8	(8.6)	3.9
Europe	65.3	66.0	1.1	13.8
Asia	11.0	11.2	1.7	—
Exports	4.8	6.3	30.9	—
Harnal®	122.4	116.6	(4.7)	—
Japan	37.5	35.6	(5.1)	—
Europe	29.5	25.7	(12.7)	(1.7)
Asia	8.2	8.1	(0.1)	—
Bulk/Royalties	46.7	46.6	(0.3)	12.2
Vesicare®	60.1	71.4	18.8	—
Japan	13.5	19.0	40.9	—
North America	27.7	31.0	12.0	27.3
Europe	18.5	20.6	11.1	25.1
Asia	0.3	0.7	112.0	—
Funguard®/Mycamine®	17.8	17.5	(1.9)	—
Japan	12.8	11.6	(9.0)	—
North America	4.7	5.1	8.7	23.5
Europe	—	0.1	—	—
Asia	0.2	0.5	100.9	—
Protopic®	16.4	16.1	(2.0)	—
Japan	2.7	2.7	(0.2)	—
North America	8.0	7.6	(5.5)	7.5
Europe	5.2	5.2	0.7	13.4
Asia	0.4	0.5	15.3	—

* Year-on-year comparison, local currency base

EFFECT OF EXCHANGE RATES

FOREIGN EXCHANGE RATES (AVERAGE)

	2008.3	2009.3
US\$1	¥114	¥101
€1	¥162	¥143

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

FOREIGN EXCHANGE IMPACT FOR FISCAL 2008

The appreciation of the yen against both the US dollar and the euro reduced net sales and operating income by ¥62.0 billion and ¥16.8 billion, respectively.

SALES BY GEOGRAPHICAL AREA (LOCAL)	¥ billion		%	
	2008.3	2009.3	YoY	CER*
Japan				
Lipitor®	97.7	95.3	(2.5)	—
Micardis®	62.6	64.4	2.9	—
Gaster®	60.9	53.0	(12.9)	—
Myslee®	21.5	25.7	19.5	—
Seroquel®	19.2	21.0	9.6	—
Celecox®	3.7	10.4	178.7	—
Geninax®	3.7	6.4	71.9	—
North America				
Scan (Adenoscan® and Lexiscan®)	37.6	39.3	4.5	18.8
Lexiscan®	—	9.4	—	—
AmBisome®	7.6	6.1	(19.0)	(8.0)
Europe				
Eligard®	9.2	12.5	35.2	52.2

* Year-on-year comparison, local currency base

SALES BY PRODUCT

PROGRAF®

Prograf® is an immunosuppressant that is used to suppress organ rejection in organ transplants.

Sales in Japan increased by ¥3.9 billion to ¥28.5 billion, a gain of 16.0% compared with the previous year. Although the NHI drug price revision in fiscal 2008 resulted in a reduction of around 8.5% in price, sales increased due to expansion of the organ transplantation indication. The additional indications gained for rheumatoid arthritis (RA) and lupus nephritis also contributed to sales growth. The RA indication accounted for approximately 30% of sales of Prograf® in Japan.

Astellas launched a once-a-day formulation of Prograf® under the brand name Graceptor® in October 2008 in Japan. Graceptor® maintains efficacy and safety at a similar level to the existing drug, Prograf®. It is expected to improve compliance with its more convenient dosing option, and may lead to further improvements in long-term transplant outcomes.

Sales in North America fell by ¥8.3 billion, or 8.6%, to ¥88.8 billion. In local currency terms, sales grew by US\$33 million, or 3.9%, to US\$884 million. On a total prescription basis, the calcineurin

inhibitor (CNI) market grew by approximately 5% in the United States during fiscal 2008. Prograf® achieved approximate shares of the CNI market of 90% in liver transplants, 87% in kidney transplants and 72% in heart transplants, according to figures from the United Network for Organ Sharing (UNOS). The US substance patent on Prograf® expired in April 2008. (A generic version was approved in August 2009.)

Sales in Europe increased by ¥0.7 billion, or 1.1%, to ¥66.0 billion. In local currency terms, sales grew by €55 million, or 13.8%, to €460 million. Prograf® gained a share of approximately half of the CNI market. The once-daily modified release formulation Advagraf®, which was launched in the UK and Germany in June 2007, is currently marketed in approximately 20 countries and regions in Europe. Advagraf® accounted for around 10% of total Prograf® sales in the region in fiscal 2008, up from 2% in the previous year. The substance patent on Prograf® expired in most major European markets in June 2009.

In Asia, sales expanded steadily in markets such as China and South Korea. Although yen-based regional sales only increased slightly as the result of a currency translation effect due to Korean won depreciation, sales grew rapidly in local currency terms.

HARNAL®

Harnal® is a treatment for relieving the functional symptoms associated with benign prostatic hyperplasia (BPH). Sales in Japan declined by ¥1.9 billion, or 5.1%, to ¥35.6 billion. The NHI drug price revision for Harnal® in fiscal 2008 resulted in a price reduction of around 4.8%. The Japanese substance patent for Harnal® expired in February 2005. Sales volumes have remained steady, however, amid increasingly intense competition. Harnal® maintained a share of around 55% of the BPH market in Japan in fiscal 2008.

The drug is marketed under the brand name Omnic® in Europe. Sales dropped by ¥3.7 billion, or 12.7%, to ¥25.7 billion, reflecting appreciation of the yen against the euro. On a local currency basis, sales declined by €3 million, or 1.7%, to €179 million. Sales of the drug have continued to increase in markets such as Spain and Russia despite the expiry of the substance patent in February 2006; monthly sales remain steady. The additional OCAS® (oral controlled absorption system) formulation generated about 64% of the drug's regional sales.

Sales in Asia edged down ¥0.1 billion, or 0.1%, to ¥8.1 billion. This mainly reflected the impact of the yen's strength against the Korean won; sales grew steadily in local currency terms.

Sales in the United States by licensee Boehringer Ingelheim (BI) under the brand name Flomax® were US\$321 million higher than in the previous year, jumping 21.0% to US\$1,868 million. However, the effect of US dollar depreciation against the euro resulted in a slight overall decline in bulk sales and royalty revenues. In local currency terms, bulk sales and royalty revenues increased by €35 million, or 12.2%, to €324 million. Astellas is co-promoting Flomax® with BI in the US.

VESICARE®

Global sales of Vesicare® continue to expand due to a compelling product profile that is backed by an increasing wealth of evidence.

Sales in Japan have expanded steadily since Vesicare® was launched in June 2006. Sales grew 40.9% in year-on-year terms in fiscal 2008, rising by ¥5.5 billion to ¥19.0 billion. Vesicare® secured the top spot in its category with a market share of over 40%. There remains significant untapped demand in the market for OAB treatments, making it a sector with excellent growth potential. Astellas is working to develop the market for Vesicare® further by raising public awareness of this condition.

VESIcare® was introduced in North America in January 2005. In its fourth year on the market in fiscal 2008, sales climbed by ¥3.3 billion, or 12.0%, to ¥31.0 billion. In local currency terms, sales

increased US\$66 million, or 27.3%, to US\$308 million. Co-promotion with US partner GlaxoSmithKline (GSK) has been a success, producing a steady increase in market share to around 17% on a total prescription basis. VESIcare® is now the second-ranked branded drug in its category in the US. Although the overall market for pharmaceuticals in the US has slowed due to the economic downturn, the market for OAB treatments remains in a growth phase. This makes the market share gains by Vesicare® all the more remarkable.

In Europe, Vesicare® is now marketed in about 20 countries and regions and has a market share of about 32% (as of May 2009). It is the leading treatment for OAB within the European regional market. Sales increased by ¥2.0 billion, or 11.1%, to ¥20.6 billion; on a local currency basis, sales grew by €28 million, or 25.1%, to €144 million. The market in Europe for OAB treatments is expanding steadily and growth is projected to continue.

Vesicare® is available in eight countries in Asia outside Japan. Sales grew steadily in fiscal 2008, rising by ¥0.3 billion, or 112.0%, to ¥0.7 billion.

FUNGUARD®/MYCAMINE®

Sales in Japan were affected by the NHI drug price revision, which resulted in a reduction of about 4.1% in price. Fierce competition also reduced sales volumes slightly. Overall, domestic sales of Funguard® fell 9.0% in year-on-year terms, declining by ¥1.1 billion to ¥11.6 billion.

This injectable antifungal agent is marketed as Mycamine® outside Japan. Sales in North America increased by ¥0.4 billion, or 8.7%, to ¥5.1 billion. On a local currency basis, sales grew by US\$9 million, or 23.5%, to US\$51 million. While more intense competition caused prices to trend downward, Mycamine® recorded steady growth in sales volume and added market share in the injectable antifungal agent market. The regulatory approval gained in January 2008 for the additional indication of candidemia also contributed to sales.

Mycamine® is available in six countries in Asia outside Japan. Sales expanded steadily in fiscal 2008, rising by ¥0.2 billion, or 100.9%, to ¥0.5 billion.

After gaining regulatory approval in Europe in April 2008, Mycamine® was launched in the UK in August 2008. The European market for injectable antifungal agents is worth around €350 million and continues to expand each year. Astellas aims to reinforce its franchise within the field of infectious diseases through the launch of Mycamine®.

PROTOPIC®

Sales in North America declined ¥0.4 billion, or 5.5%, year-on-year to ¥7.6 billion. On a local currency basis, sales grew steadily by US\$5 million, or 7.5%, to US\$75 million.

Sales in Europe rose by 0.7% year-on-year to ¥5.2 billion. In local currency terms, sales grew by €4 million, or 13.4%, to €36 million.

LIPITOR®

In Japan, the market for statins grew 1.3% on an NHI drug price basis to ¥281.3 billion. The hypercholesterolemia treatment Lipitor® recorded a 38.3% share of this market, which represented a year-on-year fall in share of about a percentage point.

Although the NHI drug price revision in April 2008 resulted in a price reduction of about 5.4%, this was offset by sales volume growth of around 4%. The introduction of new products further increased competition within the statins market. Amid these conditions, Astellas continues to strengthen co-promotional efforts with Pfizer Japan and take advantage of extensive clinical evidence of efficacy to maximize value for Lipitor®. At the same time, Astellas is working to raise patient awareness of the importance of LDL cholesterol reduction therapy as part of broader efforts to educate patients about hypercholesterolemia.

MICARDIS®

The Japanese angiotensin II receptor blocker (ARB) market grew to ¥514.3 billion in fiscal 2008. An NHI drug price reduction of around 10.1% was imposed on all products in this category in the April 2008 NHI drug price revision following a recalculation of the size of the ARB market. Double-digit volume gains offset this effect, resulting in growth of 4.6% over the previous year for the category as a whole. Micardis® was the third-ranked product with a market share of 14.1%, which was on a par with the figure achieved in the previous year. Sales of Micardis® are continuing to grow in line with the expanding ARB market owing to product characteristics such as a long-acting effect and almost complete excretion in the bile. Astellas is co-promoting Micardis® in Japan with Nippon Boehringer Ingelheim.

GASTER®

The NHI drug price revision reduced prices of the H₂ receptor antagonist Gaster® by about 4.8% for the oral formulation and about 4.7% for the injectable formulation. Japanese authorities continue to introduce various measures to promote increased use of generics. In April 2008, the rules affecting prescribing were changed to make generic substitution easier.

As a result of this change, the share of generics within famotidine products increased from over 10% to approximately 17% (excluding direct sales).

In fiscal 2008, Gaster® recorded a 20.9% share of the overall Japanese market for H₂ receptor antagonists and proton pump inhibitors (PPI), a decline of 3.1 percentage points in year-on-year terms. This result made Gaster® the second-ranked drug in this category.

MYSLEE®

The market in Japan for insomnia treatments grew 6.8% in fiscal 2008 to ¥77.6 billion. Myslee® was the top drug in this category with a share of 36.8%, a year-on-year gain of 3.7 percentage points. Sales increased 19.5% despite an NHI drug price cut of around 4.1% that was implemented in April 2008.

While the Japanese market for insomnia treatments continues to expand, according to research commissioned by Japan's Ministry of Health, Labour and Welfare in 2000, there remains considerable latent potential. Astellas aims to continue strengthening detailing capabilities in qualitative and quantitative terms in the central nervous system (CNS) field by deploying specialist medical representatives. Astellas is co-promoting Myslee® with Sanofi-aventis in Japan.

SEROQUEL®

The market in Japan for anti-schizophrenic agents grew 6.2% in fiscal 2008 to ¥137.9 billion. Seroquel® ranked third in this market with a share of 17.0%, up 0.6 percentage points in year-on-year terms. This market has shifted away from conventional antipsychotics following the introduction of atypical antipsychotics, and this trend is driving the expansion of the overall market. Astellas is working to increase prescriptions of Seroquel®, primarily through the efforts of specialist CNS medical representatives.

CELECOX®

Launched in June 2007, Celecox® is a selective COX-2 inhibitor indicated in the treatment of rheumatoid arthritis (RA) and osteoarthritis (OA). Prescription growth is being generated primarily from specialists in these diseases at present. Although the NHI drug price revision in April 2008 reduced the price of Celecox® by 4.2%, sales volumes increased significantly during the year as restrictions on its long-term prescription were lifted. As a result, sales of Celecox® rose by ¥6.7 billion, or 178.7%, in year-on-year terms to ¥10.4 billion.

Regulatory approval was gained in June 2009 for the additional indication of lumbago. Going forward, Astellas plans to strengthen co-promotional efforts with Pfizer Japan while continuing to encourage appropriate product use.

GENINAX®

Sales of Geninax® continued to expand steadily following its launch in October 2007. Sales in fiscal 2008 totaled ¥6.4 billion, an increase of ¥2.6 billion, or 71.9%, compared with the previous year. The category market share of Geninax® increased from 5% to 10%. Going forward, Astellas plans to continue promoting appropriate usage through co-promotional efforts with Taisho Toyama Pharmaceutical.

ADENOSCAN®/LEXISCAN®

Following the US launch of Lexiscan® in June 2008, total sales of these pharmacologic stress agents Adenoscan® and Lexiscan® on a local currency basis, grew by US\$61 million, or 18.8%, to US\$390 million. The introduction of Lexiscan® was smooth, and the new product notched up US\$93 million in sales in its first year on the market. Total sales of the two products in fiscal 2008 increased by ¥1.6 billion, or 4.5%, to ¥39.3 billion, reflecting the impact of the yen strengthening against the US dollar.

ELIGARD®

Boosted by a strong performance from the six-month formulation, sales in Europe of the advanced prostate cancer treatment Eligard® rose 52.2% in year-on-year local currency terms, increasing by €29 million to €87 million. Reflecting the appreciation of the yen, fiscal 2008 sales of this product increased by ¥3.2 billion, or 35.2%, to ¥12.5 billion.

SALES BY GEOGRAPHICAL AREA

	2008.3	(¥ billion) 2009.3
Consolidated	¥972.6	¥965.7
Japan	505.6	510.5
North America	194.5	188.9
Europe	244.6	239.1
Asia	27.8	27.2

* Sales to outside customers

• Japan

Sales of ethical pharmaceuticals in Japan rose 2.8% in fiscal 2008 to ¥491.5 billion. Sales of others, including exports to third parties, declined, reflecting lower sales to the US licensee after the expiry of the US patent on Cefzon®, an oral cephalosporin antibiotic, as well as the impact of currency movements.

• North America

Sales in North America declined 2.9% to ¥188.9 billion as the result of the appreciation of the yen against the US dollar, among other factors. Substantially increased sales of Prograf® and VESicare® and the launch of Lexiscan® in June 2008 contributed to a 10.4% advance in sales in local currency terms to US\$1,878 million. Other products that recorded higher sales included Protopic® and Mycamine®.

• Europe

Sales in Europe declined 2.3% to ¥239.1 billion, due primarily to the appreciation of the yen against the euro during the year. Sales grew substantially on a local currency basis, boosted by strong growth in sales of Prograf®, Vesicare® and Eligard®, together with increased revenue from bulk sales and royalty revenues for tamsulosin due to favorable licensee sales under the brand name of Flomax® in the US. Sales of tamsulosin by Astellas under the brand name Omnic® were flat despite the impact of generic competition. Total sales in the region in local currency terms were €1,666 million, an increase of 10.0% compared with the previous year.

• Asia

Besides growth generated by Prograf® and Harnal®, new products such as Vesicare® and Mycamine® also contributed to higher sales. Regional sales declined 2.2% to ¥27.2 billion, reflecting mainly the impact of the Korean won's depreciation against the yen.

OVERSEAS SALES

	(¥ billion)	
	2008.3	2009.3
Overseas sales	¥489.6	¥469.0
North America	247.1	235.0
Europe	195.6	180.4
Asia	34.4	35.9
Other	12.4	17.7
Consolidated net sales	972.6	965.7
Overseas sales ratio	50.3%	48.6%

Overseas sales are attributed by the location of customers.

Overseas sales declined 4.2% in fiscal 2008 due to the impact of the yen's appreciation against the US dollar and the euro.

In North America, sales were boosted by strong sales performances from Prograf® and Vesicare® as well as tamsulosin bulk sales and royalty revenues from BI. In yen terms, however, sales were lower than in the previous year.

In Europe, sales declined in yen terms despite increased sales of Prograf®, Vesicare® and Eligard®.

In Asia, while sales of products such as Prograf®, Harnal® and Vesicare® increased in local currency terms, regional sales were affected by foreign exchange movements. The export sales booked within the Asia segment also increased favorably.

Overall, the overseas sales ratio for fiscal 2008 was 48.6%.

COST OF SALES

	(¥ billion)	
	2008.3	2009.3
Net sales	¥972.6	¥965.7
Cost of sales	279.3	264.4
Cost of sales ratio	28.7%	27.4%

Cost of sales declined by 5.3%, or ¥14.9 billion, to ¥264.4 billion.

The cost of sales ratio improved by 1.3 percentage points relative to the previous year, falling to 27.4%. Reduced manufacturing costs and the impact of foreign exchange fluctuations on elimination of unrealized gains helped to offset the effect of the NHI drug price revision in Japan. Changes in product composition did not exert any significant net effect on the cost of sales ratio.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

	(¥ billion)	
	2008.3	2009.3
SG&A expenses	¥417.3	¥450.9
SG&A ratio	42.9%	46.7%
Personnel expenses	120.1	115.1
Advertising & sales promotional expenses	83.0	84.8
R&D expenses	134.5	159.1
Other	79.6	91.8

* SG&A expenses include R&D expenses

Including R&D expenses, SG&A expenses increased ¥33.5 billion, or 8.0%, in year-on-year terms to ¥450.9 billion. The ratio of SG&A expenses to net sales was 46.7%, an increase of 3.8 percentage points.

Personnel expenses fell ¥5.0 billion, or 4.2%, to ¥115.1 billion. These expenses were flat in Japan, but were ¥4.5 billion lower in Europe and the United States due to the effects of a stronger yen. The number of sales, marketing and administrative staff increased in North America, which pushed up personnel expenses in local currency terms. Personnel expenses declined in Europe due to currency effects as well as the impact of functional reorganization. The dip in personnel expenses in fiscal 2008 also reflected the payment of special incentive bonuses to employees during the previous year.

Advertising and sales promotional expenses increased by ¥1.7 billion, or 2.1%, to ¥84.8 billion. These expenses increased by ¥2.1 billion in Japan. Promotional spending in Japan included efforts to raise patient awareness of conditions such as hypercholesterolemia and insomnia as well as increased spending on corporate brand advertising. Promotional costs declined by ¥0.5 billion in Europe and the US, primarily due to the effects of yen appreciation. Factors pushing up these expenses included increased payments to GSK due to higher sales of Vesicare® in the US and launch costs relating to the introduction of Lexiscan® in the US and Mycamine® in Europe.

Other SG&A expenses were ¥12.2 billion higher than in the previous year, at ¥91.8 billion. Within this figure, goodwill amortization costs relating to the Agensys acquisition increased by ¥5.7 billion to ¥7.4 billion.

R&D EXPENSES

	(¥ billion)	
	2008.3	2009.3
R&D expenses	¥134.5	¥159.1
R&D ratio	13.8%	16.5%

R&D expenses increased by ¥24.6 billion, or 18.3%, to ¥159.1 billion. The ratio of R&D expenses to net sales was 16.5%, an increase of 2.7 percentage points compared with the previous year.

Astellas is actively engaged in R&D activities with the aim of generating sustained growth over the medium and long term through early and ongoing discovery of a stream of innovative and useful new drugs in therapeutic areas where effective treatments do not exist currently and there is a high degree of unmet medical needs. Drug discovery efforts are selectively targeting the six strategic therapeutic areas of urology, inflammation/immunology, CNS/pain, diabetes, infectious diseases (including viral infections), and cancer. To further improve the speed and quality of drug discovery research, Astellas completed the construction of new research buildings at the Tsukuba Research Center (Miyukigaoka) in September 2008. Drug discovery research functions were consolidated at the Tsukuba site in April 2009. Astellas is also actively seeking to upgrade drug discovery capabilities further through the reinforcement of technological platforms by establishing a presence in therapeutic antibody technology. This approach promises to supplement the Group's traditional strengths in small molecule synthesis and fermentation technology.

In clinical development, the Group aims to speed up the pace of development programs by concentrating resources on the highest priority projects. During fiscal 2008, further progress was made in the development of in-house compounds such as YM178, YM150 and ASP1941. A number of therapeutic antibodies created by Agensys also entered clinical development. Separately, to create a management structure capable of making quick, precise development-related decisions, Astellas Pharma Global Development (APGD) was set up in the United States to act as the Group's global development headquarters. APGD commenced operations in April 2008. Further organizational changes were made in April 2009 to strengthen the operational base for global clinical development, to upgrade project management functions, and to enhance the capabilities of the Group in terms of devising and executing drug development strategy.

Alongside the development of compounds discovered in-house, the Group also actively seeks to expand and improve the

drug pipeline through the development of compounds licensed from other companies. The Group concluded a number of licensing agreements during fiscal 2008. In April 2008, Astellas signed an exclusive worldwide agreement with CoMentis of the United States to collaborate on the research, development and commercialization of beta-secretase inhibitors for the treatment of Alzheimer's disease. In September 2008, Astellas concluded an agreement with Maxygen of the United States granting Astellas worldwide rights to develop and commercialize Maxygen's MAXY-4 lead candidates for the indications of organ transplant rejection and all autoimmune diseases. In March 2009, Astellas terminated a licensing agreement with a subsidiary of NeuroSearch A/S of Denmark for the antipsychotic agent ASP2314/ACR16.

The Group withdrew two submissions for regulatory approval during fiscal 2008. In October 2008, a European marketing authorization application was withdrawn for telavancin, an antibiotic in-licensed from US-based Theravance, Inc. with a target indication in the treatment of complicated skin and soft tissue infections (cSSTI). In January 2009, the Group withdrew an application for the modified release formulation of the immunosuppressant FK506 that had been filed in the United States.

In August 2008, the US Food and Drug Administration (FDA) issued an approvable letter for vernakalant, an injectable anti-rhythmic agent that had been licensed from and jointly developed with Cardiome Pharma Corp. of Canada. In February 2009, following the issuance of an approvable letter in October 2007, the US FDA also issued a Complete Response letter to Theravance for the regulatory application submitted for telavancin for the target indication of complicated skin and skin structure infections (cSSSI) caused by Gram-positive bacteria. A reply has been submitted to the FDA.

OPERATING INCOME

	(¥ billion)	
	2008.3	2009.3
Net sales	¥972.6	¥965.7
Operating income	275.9	250.4
Operating margin	28.4%	25.9%

Operating income declined by ¥25.5 billion, or 9.2%, to ¥250.4 billion. Although the gross margin improved by 1.3 percentage points, the operating margin was 2.5 points lower than in the previous year due to a higher ratio of R&D expenses to sales.

OTHER INCOME AND EXPENSES

Interest and dividend income declined by ¥3.6 billion to ¥11.4 billion. This mainly reflected a drop in interest income primarily due to lower interest rates.

Astellas recorded an exchange gain of ¥9.3 billion mainly on the US dollar-denominated assets of European subsidiaries due to the effect of the euro strengthening against the US dollar. In the previous year, euro depreciation against the US dollar had resulted in an exchange loss of ¥14.9 billion.

An expense of ¥2.5 billion was recorded for special retirement benefits relating to the implementation of an early retirement program at a US production plant in Norman, Oklahoma in October 2008, accompanying the expiry of the US patent for tamsulosin (Flomax®). Astellas had booked ¥13.0 billion in special retirement benefits in fiscal 2007 in conjunction with an early retirement program implemented in Japan.

A loss on devaluation of investment securities of ¥2.0 billion was recognized mainly due to the write-down of corporate bonds.

An expense of ¥1.4 billion was recognized as compensation for cancellation of contracts in relation to the transfer of subcontractor personnel as employees into the Group at one of the Group's domestic production subsidiaries.

FOREIGN EXCHANGE TRENDS

	2008.3	2009.3
US\$	¥100	¥ 98
€	158	130

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS, INCOME TAXES, AND NET INCOME

Income before income taxes and minority interests declined by ¥6.1 billion, or 2.3%, in year-on-year terms to ¥262.7 billion.

Incomes taxes increased by ¥0.4 billion, or 0.5%, to ¥89.6 billion. The effective tax rate was 0.9 percentage points higher at 34.1% mainly due to amortization of goodwill relating to the acquisition of Agensys.

Reflecting the factors outlined above, net income decreased by ¥6.5 billion, or 3.6%, to ¥171.0 billion.

CONSOLIDATED FORECASTS FOR YEAR ENDING MARCH 31, 2010 (FISCAL 2009) (ANNOUNCED MAY 2009)

NET SALES

Net sales are forecast to increase by ¥2.3 billion, or 0.2%, to ¥968.0 billion.

By product, Astellas expects sales of Vesicare® to continue expanding globally, with growth also coming from Funguard®/Mycamine®. Sales of Prograf® and Harnal® are expected to decline due to increased generic competition following the expiry of the respective substance patents in Europe and the United States.

In Japan, Astellas expects sales of ethical pharmaceuticals to increase, with growth led by major products such as Lipitor® and Micardis® as well as Celecox® and other new products.

In North America, Astellas expects sales growth from VESicare®, Mycamine® and Lexiscan® to offset an anticipated decline in sales of Prograf® following the expiry of the US substance patent.

In Europe, Astellas forecasts contributions to sales growth from Vesicare®, Eligard® and Mycamine®. Sales of Prograf® and Harnal® are expected to decline following the expiry of the European substance patents. Appreciation of the yen against the euro is also expected to depress regional sales.

In Asia, the strength of the yen against the Korean won is expected to be the main factor negatively affecting regional sales performance.

OPERATING INCOME

Operating income is forecast to decline by ¥35.4 billion, or 14.1%, to ¥215.0 billion.

Gross profit is expected to be lower due to projected changes in product composition, which will tend to push up the cost of sales ratio.

R&D expenses are projected to increase by ¥9.9 billion, or 6.2%, to ¥169.0 billion. The main factors pushing up R&D expenses are late-stage clinical development projects for YM178, YM150 and other compounds, higher depreciation costs relating to the new research buildings at Tsukuba, and increased R&D costs incurred at Agensys. The ratio of R&D expenses to net sales in fiscal 2009 is estimated to rise to 17.5%.

Excluding R&D expenses, SG&A expenses are projected to increase due to higher sales promotional expenses associated with launches of new products, together with an increase in goodwill amortization costs relating to the Agensys acquisition.

NET INCOME

Net income is projected to decline by ¥36.0 billion, or 21.0%, to ¥135.0 billion.

This forecast is based on an assumed deterioration in net financial income, as well as an anticipated slight increase in the effective tax rate.

EFFECT OF CURRENCY MOVEMENTS

Astellas forecasts negative impacts on net sales and operating income of ¥28.0 billion and ¥18.0 billion, respectively, due mainly to yen appreciation against the euro.

FISCAL 2009 FORECASTS

		(¥ billion)
	2009.3	2010.3 (Forecasts)
Net sales	¥965.7	¥968.0
Operating income	250.4	215.0
Net income	171.0	135.0

		(¥)
Average foreign exchange rates		
US\$1	¥101	¥100
€1	143	130

NUMBERS OF EMPLOYEES

As of March 31, 2009, the Astellas Group employed 14,261 people (a year-on-year increase of 595).

Employee headcount was 7,522 in Japan (up 69) following slight increases in personnel in sales, marketing and other divisions. Employee numbers in North America were 2,318 (up 234), reflecting further recruitment at the sales, marketing and R&D divisions as well as exceptional factors that included the classification of subcontracting expenses as personnel expenses. Employee numbers in Europe were 3,390 (up 213), reflecting the establishment of a local subsidiary in Turkey, a stronger presence within the field of infectious diseases, and the hiring of additional medical representatives (MRs) in Russia, Spain and other markets based on good prospects for further sales growth. The Group also recruited more MRs in South Korea and China, pushing up total headcount in Asia to 1,031 (up 79).

The total number of MRs employed by the Astellas Group worldwide was 5,150 at the end of March 2009, a year-on-year increase in the sales force of 150 people.

NUMBER OF EMPLOYEES BY GEOGRAPHICAL AREA

		(persons)
	2008.3	2009.3
Japan	7,453	7,522
North America	2,084	2,318
Europe	3,177	3,390
Asia	952	1,031
Total	13,666	14,261

NUMBER OF MRS BY GEOGRAPHICAL AREA

		(persons)
	2008.3	2009.3
Total	5,000	5,150
Japan	2,400	2,400
North America	880	890
Europe	1,300	1,350
Asia	500	580

FINANCIAL CONDITION

ASSETS

Total assets as of March 31, 2009 amounted to ¥1,348.4 billion. This figure was ¥90.7 billion, lower than at the previous fiscal year-end.

Current assets of ¥963.6 billion were ¥13.6 billion lower than a year earlier. This reflected a drop in cash and cash equivalents of ¥50.7 billion to ¥409.8 billion.

At ¥181.4 billion, net property, plant and equipment was ¥1.6 billion higher than a year earlier. Buildings and structures increased by ¥14.6 billion to ¥234.0 billion following the completion of new buildings at the Tsukuba Research Center in Miyukigaoka. For the same reason, the value of construction in progress was ¥11.6 billion lower at ¥14.0 billion.

Investments and other assets dropped by ¥78.6 billion to ¥203.4 billion. Investment securities as of March 31, 2009 was ¥89.3 billion, a year-on-year drop of ¥68.0 billion. This was due to a number of factors, including the transfer of some investment securities to current assets, and a decline in the carrying values of certain securities due to stock market falls. Goodwill associated with the Agensys acquisition declined by ¥2.9 billion to ¥26.4 billion. Goodwill declined from ¥29.3 billion (US\$292.6 million) at the end of March 2008 to a balance of ¥26.4 billion (US\$268.5 million) at the end of March 2009. In fiscal 2008, milestone payments relating to the entry of therapeutic antibodies into Phase 1 development and the successful transfer of Regeneron's Veloclmmune® mouse technology were booked as goodwill. Amortization expense of ¥7.4 billion (US\$74.1 million) was recorded in fiscal 2008. Other intangible assets fell by ¥6.7 billion to ¥32.0 billion.

LIABILITIES

Total liabilities of ¥318.2 billion at March 31, 2009 represented a decline of ¥10.1 billion, compared with the previous fiscal year-end.

Current liabilities of ¥283.6 billion were ¥1.0 billion lower than a year earlier. This reflected a decline of ¥6.4 billion in accrued expenses to ¥55.1 billion.

Total long-term liabilities of ¥34.7 billion were ¥9.1 billion lower than a year earlier. This reflected a drop of ¥2.5 billion in accrued retirement benefits for employees to ¥15.0 billion.

NET ASSETS

Net assets totaled ¥1,030.2 billion at the fiscal 2008 year-end. This figure was ¥80.6 billion, lower than at the previous fiscal year-end.

Total shareholders' equity amounted to ¥1,081.9 billion at March 31, 2009, a decline of ¥11.0 billion compared with a year earlier. Major items included net income of ¥171.0 billion, payments of ¥58.6 billion in cash dividends from retained earnings, and acquisition of the Company's own shares totaling ¥123.4 billion.

Valuation, translation adjustments and others became -¥52.9 billion. This represented a net decline of ¥69.9 billion from the previous fiscal year-end. Reflecting share market falls, the unrealized holding gain on securities dropped by ¥17.8 billion to ¥10.0 billion. Translation adjustments decreased by ¥52.0 billion in year-on-year terms to -¥62.9 billion. This was principally due to the year-end value of the yen being stronger than at the end of March 2008 against both the US dollar and the euro.

LIQUIDITY AND FINANCING

To strengthen and develop the ethical pharmaceutical business, Astellas is constantly working to build market share in the Japanese market, while also developing a global sales and marketing network to boost Astellas' presence in overseas markets. Moreover, the Group continues to reinforce R&D capabilities to maintain a strong drug discovery capability. In addition, the Company is pursuing in-licensing activities globally in order to strengthen its pipeline as part of pursuing strategic business investment opportunities.

A sufficient level of liquidity is maintained to enable the Group to target such strategic investment opportunities while also supplying working capital and funding capital expenditures. As of the end of March 2009, the Group's balance sheet carried no interest-bearing debt other than lease obligations.

As outlined in the section on business risks, the Group's pharmaceutical operations face a varied set of risks that are peculiar to the industry.

Going forward, in the event of demand for funding, the Group's financial policy is to maintain a healthy balance sheet at all times by raising capital smoothly.

CASH FLOWS

The balance of cash and cash equivalents at the end of March 2009 was ¥409.8 billion, a decline of ¥50.7 billion compared with the previous fiscal year-end.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities amounted to ¥197.8 billion, an increase of ¥10.9 billion in year-on-year terms. Major factors included a fall in income before income taxes and minority interests of ¥6.1 billion to ¥262.7 billion, and a decline in income taxes paid of ¥11.7 billion to ¥86.5 billion.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities totaled ¥29.0 billion, an increase in cash outflow of ¥20.6 billion compared with the previous year. Major factors included a sharp decline in the amount of cash generated by decreases in short-term investments, to ¥24.5 billion (a year-on-year fall of ¥39.9 billion), and an increase of ¥9.3 billion to ¥36.7 billion in cash used for purchases of property, plant and equipment, including the completion of the new buildings at the Tsukuba Research Center in Miyukigaoka. Proceeds from sales of property, plant and equipment were also lower than in the previous year, dropping by ¥12.1 billion to ¥5.8 billion. A cash outflow of ¥40.4 billion had been recorded in the previous fiscal year relating to the acquisition of shares in Agensys.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities totaled ¥184.7 billion, an increase of ¥53.3 billion compared with the previous year. Major factors included cash outflows due to purchases of treasury stock, which increased by ¥41.7 billion relative to the previous year to ¥123.6 billion, and a year-on-year increase in cash dividends of ¥12.7 billion to ¥58.6 billion.

CAPITAL EXPENDITURES

Astellas makes capital expenditures on an ongoing basis with the aim of reinforcing R&D, production, sales and marketing capabilities and boosting operational efficiency. Capital expenditures in fiscal 2008 totaled ¥37.6 billion (based on the value of property, plant and equipment). Capital spending was financed mainly from internal cash flow.

Capital expenditures in the pharmaceutical and related products business segment were directed at improving productivity through reorganization and consolidation of drug discovery research functions. Major expenditures included the construction of new research buildings at the Tsukuba Research Center (located in Miyukigaoka, Tsukuba, Ibaraki Prefecture). Other capital spending was undertaken to upgrade and renew various functional capabilities and equipment across production and research.

Capital spending is forecast to increase 0.1% to ¥37.7 billion in fiscal 2009.

NET INCOME, CASH DIVIDENDS AND NET ASSETS PER SHARE

PER SHARE DATA

	2008.3	2009.3
Net income		(¥)
Basic	¥ 349.89	¥ 356.11
Diluted	349.71	355.90
Cash dividends	110.00	120.00
Net assets	2,228.34	2,189.26

POLICY ON SHAREHOLDER RETURNS

Astellas is working to improve capital efficiency with the aim of achieving sustained growth in enterprise value. The Group's extensive reserves of cash and cash equivalents are prioritized for use in investments to generate growth in the pharmaceuticals business. The Group also actively seeks ways to increase returns to shareholders.

Based on earnings growth over the medium and long term, the Group aims to raise dividends in a sustained fashion.

Astellas' policy is to buy back its own shares as considered appropriate as a means of providing shareholder returns. Treasury stock acquisitions in fiscal 2008 are summarized to the right.

TREASURY STOCK

	2008.3	2009.3
Number of shares bought back	16,330 thousand	28,085 thousand
Acquisition cost	¥81.9 billion	¥123.6 billion
Number of shares cancelled	45,000 thousand	15,000 thousand
Amount cancelled	¥219.5 billion	¥72.1 billion

TOTAL NUMBER OF SHARES ISSUED

	2008.3	2009.3
Total number of shares issued	518,965	503,965
Shares in treasury	20,881	33,948

ROE AND DOE

	2008.3	2009.3
ROE	16.1	16.0
DOE	5.0	5.4

Return on equity (ROE) was 16.0% in fiscal 2008, compared with 16.1% in fiscal 2007. The DOE ratio rose by 0.4 percentage points to 5.4%.

BUSINESS RISKS

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

- Inherent uncertainties in pharmaceutical R&D

In general, the probability of discovering a promising compound through drug discovery research is not high. Further, it takes a large amount of 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.

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

- Sales-related risk

The pharmaceutical industry operates in a highly competitive environment characterized by rapid technological innovation. The Astellas Group faces fierce competition from drug makers and generics manufacturers based in Japan or overseas. The launch of competitive products by rivals could impact the Astellas Group's business results significantly.

- Intellectual property (IP) risk

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

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

- Risks relating to product side effects and safety

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

- Pharmaceutical regulatory risk

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

- Environment-related risks

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

- Foreign exchange rate fluctuations

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

In addition to the risks outlined above, the Astellas Group is exposed to a wide range of business-related risks, including but not limited to (1) general commercial litigation, (2) delays or suspension of manufacturing activities due to natural disasters or other factors, and (3) partial dependence on licensing or sales agreements relating to pharmaceuticals developed by other companies.

Consolidated Balance Sheets

Astellas Pharma Inc. and Subsidiaries

March 31, 2009 and 2008

ASSETS	Millions of yen		Millions of U.S. dollars (Note 4)
	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥ 409,827	¥ 460,486	\$ 4,182
Short-term investments (Note 16)	122,510	108,187	1,250
Notes and accounts receivable	242,053	238,370	2,470
Allowance for doubtful receivables	(1,020)	(648)	(10)
	241,033	237,722	2,460
Inventories (Note 5)	105,430	91,445	1,076
Deferred tax assets (Note 9)	67,564	68,000	689
Other	17,277	11,437	176
Total current assets	963,641	977,277	9,833
Property, plant and equipment, at cost:			
Land	29,115	31,297	297
Buildings and structures	233,952	219,325	2,387
Machinery and equipment	216,929	224,022	2,214
Other	2,977	847	31
Construction in progress	13,964	25,524	142
Accumulated depreciation	(315,489)	(321,132)	(3,219)
Property, plant and equipment, net	181,448	179,883	1,852
Investments and other assets:			
Investment securities (Note 16)	89,315	157,315	911
Investments in and advances to affiliates	268	458	3
Goodwill	26,377	29,319	269
Other intangible assets	31,985	38,671	326
Deferred tax assets (Note 9)	46,223	39,734	472
Other	9,189	16,495	94
Total investments and other assets	203,357	281,992	2,075
Total assets	¥1,348,446	¥1,439,152	\$13,760

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Millions of U.S. dollars (Note 4)
	2009	2008	2009
Current liabilities:			
Notes and accounts payable:			
Trade	¥ 169,615	¥ 166,105	\$ 1,730
Construction	11,947	11,380	122
Accrued expenses	55,057	61,499	562
Accrued income taxes (Note 9)	39,682	38,047	405
Deferred tax liabilities (Note 9)	833	35	9
Other (Note 6)	6,419	7,464	66
Total current liabilities	283,553	284,530	2,894
Long-term liabilities:			
Accrued retirement benefits for employees (Note 10)	15,030	17,492	153
Deferred tax liabilities (Note 9)	—	258	—
Other (Note 6)	19,642	26,009	201
Total long-term liabilities	34,672	43,759	354
Net assets (Note 7):			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 2,000,000,000 shares;			
Issued: 503,964,635 shares in 2009 and 518,964,635 shares in 2008	103,001	103,001	1,051
Capital surplus	176,822	176,822	1,804
Retained earnings	957,346	917,206	9,770
Treasury stock, at cost:			
33,948,017 shares in 2009 and 20,881,100 shares in 2008	(155,295)	(104,123)	(1,585)
Total shareholders' equity	1,081,874	1,092,906	11,040
Valuation, translation adjustments and others			
Unrealized holding gain on securities	10,019	27,853	102
Translation adjustments	(62,905)	(10,861)	(642)
Total valuation, translation adjustments and others	(52,886)	16,992	(540)
Stock subscription rights	895	637	9
Minority interests	338	328	3
Total net assets	1,030,221	1,110,863	10,512
Contingent liabilities (Note 13)			
Total liabilities and net assets	¥1,348,446	¥1,439,152	\$13,760

Consolidated Statements of Income

Astellas Pharma Inc. and Subsidiaries

Year ended March 31, 2009, 2008 and 2007

	Millions of yen			Millions of U.S. dollars (Note 4)
	2009	2008	2007	2009
Net sales	¥965,698	¥972,586	¥920,624	\$9,854
Cost of sales	264,431	279,342	284,063	2,698
Gross profit	701,267	693,244	636,561	7,156
Selling, general and administrative expenses (Note 11)	450,872	417,340	446,047	4,601
Operating income	250,395	275,904	190,514	2,555
Other income (expenses):				
Interest and dividend income	11,380	15,026	11,796	116
Interest expense	—	(53)	(343)	—
Exchange gain (loss)	9,251	(14,869)	(3,595)	94
Equity in (losses) earnings of affiliates	(47)	7,994	1,164	(0)
Gain on sales of investment securities	500	138	12,259	5
Special retirement benefits	(2,526)	(12,979)	(1,224)	(26)
Loss on devaluation of investment securities	(1,976)	—	—	(20)
Compensation for cancellation of contracts	(1,364)	—	—	(14)
Loss on impairment of fixed assets	(1,340)	(9,331)	(6,072)	(14)
Expenses for integration and closure of business bases	—	(3,308)	(17,660)	—
Gain on sales of subsidiaries' shares	—	—	21,242	—
Other, net	(1,581)	10,256	3,684	(15)
	12,297	(7,126)	21,251	126
Income before income taxes and minority interests	262,692	268,778	211,765	2,681
Income taxes (Note 9):				
Current	86,851	93,999	97,259	887
Deferred	2,771	(4,812)	(18,676)	28
	89,622	89,187	78,583	915
Income before minority interests	173,070	179,591	133,182	1,766
Minority interests	(2,084)	(2,153)	(1,896)	(21)
Net income (Note 14)	¥170,986	¥177,438	¥131,286	\$1,745

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Astellas Pharma Inc. and Subsidiaries

Year ended March 31, 2009, 2008 and 2007

Number of shares issued	2009	2008	2007
Beginning of year	518,964,635	563,964,635	573,949,476
Conversion of convertible bonds	—	—	15,159
Cancellation of treasury stock	(15,000,000)	(45,000,000)	(10,000,000)
End of year	503,964,635	518,964,635	563,964,635

	Shareholders' equity					Valuation, translation adjustments and others	Stock subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity				
Balance as of March 31, 2006	¥ 102,986	¥ 176,807	¥ 959,217	¥ (61,983)	¥ 1,177,027	¥ 39,870		¥ 444	¥ 1,217,341
Conversion of convertible bonds	15	15			30				30
Cash dividends paid			(44,066)		(44,066)				(44,066)
Bonuses to directors and corporate auditors			(94)		(94)				(94)
Net income			131,286		131,286				131,286
Purchase of treasury stock				(220,046)	(220,046)				(220,046)
Disposal of treasury stock			(118)	477	359				359
Cancellation of treasury stock			(39,632)	39,632					
Other			55		55				55
Net change in items other than shareholders' equity						13,939	¥ 284	(93)	14,130
Total movements during the year	15	15	47,431	(179,937)	(132,476)	13,939	284	(93)	(118,346)
Balance as of March 31, 2007	103,001	176,822	1,006,648	(241,920)	1,044,551	53,809	284	351	1,098,995
Cash dividends paid			(45,878)		(45,878)				(45,878)
Net income			177,438		177,438				177,438
Purchase of treasury stock				(81,914)	(81,914)				(81,914)
Disposal of treasury stock			(53)	197	144				144
Cancellation of treasury stock			(219,514)	219,514					
Other			(1,435)		(1,435)				(1,435)
Net change in items other than shareholders' equity						(36,817)	353	(23)	(36,487)
Total movements during the year			(89,442)	137,797	48,355	(36,817)	353	(23)	11,868
Balance as of March 31, 2008	103,001	176,822	917,206	(104,123)	1,092,906	16,992	637	328	1,110,863
Cash dividends paid			(58,625)		(58,625)				(58,625)
Net income			170,986		170,986				170,986
Purchase of treasury stock				(123,600)	(123,600)				(123,600)
Disposal of treasury stock			(80)	287	207				207
Cancellation of treasury stock			(72,141)	72,141					
Net change in items other than shareholders' equity						(69,878)	258	10	(69,610)
Total movements during the year			40,140	(51,172)	(11,032)	(69,878)	258	10	(80,642)
Balance as of March 31, 2009	¥103,001	¥176,822	¥ 957,346	¥(155,295)	¥1,081,874	¥(52,886)	¥895	¥338	¥1,030,221

	Shareholders' equity					Valuation, translation adjustments and others	Stock subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity				
Balance as of March 31, 2008	\$ 1,051	\$ 1,804	\$ 9,360	\$ (1,063)	\$ 11,152	\$ 173	\$ 7	\$ 3	\$ 11,335
Cash dividends paid			(598)		(598)				(598)
Net income			1,745		1,745				1,745
Purchase of treasury stock				(1,261)	(1,261)				(1,261)
Disposal of treasury stock			(1)	3	2				2
Cancellation of treasury stock			(736)	736					
Net change in items other than shareholders' equity						(713)	2	0	(711)
Total movements during the year			410	(522)	(112)	(713)	2	0	(823)
Balance as of March 31, 2009	\$1,051	\$1,804	\$9,770	\$(1,585)	\$11,040	\$(540)	\$9	\$3	\$10,512

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Astellas Pharma Inc. and Subsidiaries

Year ended March 31, 2009, 2008 and 2007

	Millions of yen			Millions of U.S. dollars (Note 4)
	2009	2008	2007	2009
Operating activities				
Income before income taxes and minority interests	¥ 262,692	¥ 268,778	¥ 211,765	\$ 2,681
Depreciation and amortization	42,890	36,946	33,971	438
Loss on impairment of fixed assets	1,340	9,331	6,072	14
Gain on sales of investment securities	(500)	(138)	(12,259)	(5)
Gain on sales of subsidiaries' shares	—	—	(21,242)	—
Notes and accounts receivable	(17,487)	4,524	(4,996)	(178)
Inventories	(26,569)	(5,262)	3,541	(271)
Notes and accounts payable	26,012	(20,745)	14,840	265
Accrued expenses	(54)	(7,046)	12,407	(1)
Accrued retirement benefits for employees	(93)	(835)	(23,099)	(1)
Other	(16,107)	(26,082)	(11,141)	(165)
Subtotal	272,124	259,471	209,859	2,777
Interest and dividends received	12,196	25,756	10,682	124
Interest paid	—	(50)	(318)	—
Income taxes paid	(86,529)	(98,247)	(92,293)	(883)
Net cash provided by operating activities	197,791	186,930	127,930	2,018
Investing activities				
Purchases of property, plant and equipment	(36,653)	(27,314)	(24,660)	(374)
Proceeds from sales of property, plant and equipment	5,811	17,923	7,349	59
Acquisition of subsidiaries' shares	—	(40,407)	—	—
Proceeds from sales of subsidiaries' shares	—	—	33,417	—
Decrease in short-term investments	24,454	64,360	65,021	250
Increase in investment securities	(18,013)	(12,660)	(5,770)	(184)
Increase in other assets	(10,902)	(12,974)	(16,078)	(111)
Other	6,315	2,656	13,152	64
Net cash (used in) provided by investing activities	(28,988)	(8,416)	72,431	(296)
Financing activities				
Purchases of treasury stock	(123,600)	(81,914)	(220,046)	(1,261)
Cash dividends	(58,625)	(45,878)	(44,066)	(598)
Other	(2,451)	(3,630)	591	(25)
Net cash used in financing activities	(184,676)	(131,422)	(263,521)	(1,884)
Effects of exchange rate changes on cash and cash equivalents	(34,786)	(8,037)	12,926	(355)
(Decrease) increase in cash and cash equivalents	(50,659)	39,055	(50,234)	(517)
Decrease in cash and cash equivalents due to decrease in subsidiaries	—	(1,082)	(676)	—
Cash and cash equivalents at beginning of year	460,486	422,513	473,423	4,699
Cash and cash equivalents at end of year	¥ 409,827	¥ 460,486	¥ 422,513	\$ 4,182

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Astellas Pharma Inc. and Subsidiaries

Year ended March 31, 2009, 2008 and 2007

1. BASIS OF PRESENTATION

Astellas Pharma Inc. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with International Financial Reporting Standards or accounting principles generally accepted in the United States.

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS)

or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. See Note 3(b).

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' consolidated 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. As of March 31, 2009, the numbers of consolidated subsidiaries and subsidiaries and affiliates accounted for by the equity method were 64 and 2 (64 and 3 in 2008), respectively. 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 the year ended March 31, 2007 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 (excluding lease assets)

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	2 to 20 years

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

(f) Leases

Noncancelable leases of the Company and its subsidiaries are generally classified and accounted for as either finance or operating leases. Depreciation of finance leases for which ownership of the leased assets is not transferred to the lessee is calculated principally by the straight-line method over their useful life being lease period with remaining value being zero.

(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).

3. ACCOUNTING CHANGES

- (a) Effective April 1, 2008 the Company and its domestic subsidiaries adopted a new accounting standard for lease transactions and related implementation guidance, which requires all finance lease transactions to be capitalized. Until the year ended March 31, 2008, finance leases in which there was no transfer of ownership of leased assets upon the expiration of lease periods had been accounted for as operating leases. This change had no impact on the operating results.
- (b) Effective April 1, 2008, PITF No. 18 has been adopted. This change had no impact on the operating results and finance condition.
- (c) 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 and to increase operating income and income before income taxes and minority interests by ¥493 million and ¥939 million, respectively, for the year ended March 31, 2008 compared to the corresponding amounts which would have been recognized under the previous method.

(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.

- (d) 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 and to decrease operating income and income before income taxes and minority interests by ¥1,477 million for the year ended March 31, 2008.
- (e) 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.
- (f) 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 for the year ended March 31, 2007.

(g) 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 for the year ended March 31, 2007.

4. 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 ¥98=U.S. \$1.00, the approximate rate of exchange on March 31, 2009. 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.

5. INVENTORIES

Inventories as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Millions of U.S. dollars
	2009	2008	2009
Merchandise and finished goods	¥ 80,755	¥65,516	\$ 824
Work in process	12,506	12,360	128
Raw materials and supplies	12,169	13,569	124
	¥105,430	¥91,445	\$1,076

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The Company had no short-term borrowings or long-term debt except for lease obligations at March 31, 2009. The Company included current portion of lease obligations of ¥598 million (\$6 million) in other current liabilities and included

lease obligations excluding current portion of ¥911 million (\$9 million) in other long-term liabilities.

The aggregate annual maturities of lease obligations for 5 years subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥ 598	\$ 6
2011	471	5
2012	227	2
2013	148	1
2014 and thereafter	65	1
Total	¥1,509	\$15

The Company had no short-term borrowings or long-term debt at March 31, 2008.

7. NET ASSETS

Information regarding changes in net assets for the year ended March 31, 2009 is as follows:

a. Treasury stock

(Thousands of shares)				
Types of share	Number of shares as of March 31, 2008	Increase	Decrease	Number of shares as of March 31, 2009
Treasury stock:				
Common stock (Notes 1 and 2)	20,881	28,128	15,061	33,948

(Thousands of shares)

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

Increase due to purchase of the stocks	28,086
Increase due to purchase of the stocks of less than standard unit	42

2. Details of the decrease of treasury stock are as follows:

Decrease due to cancellation	15,000
Decrease due to sale of the stocks of less than standard unit	26
Decrease due to exercise of stock subscription rights	35

b. Dividends

1) Dividends paid

For the year ended March 31, 2009

Resolution	Type of shares	Total amounts paid (Millions of yen)	Dividends per share (yen)	Cut-off date	Total amounts paid (Millions of U.S. dollars)	Dividends per share (U.S. dollars)
Annual shareholders' meeting on June 24, 2008	Common stock	29,885	60	March 31, 2008	305	0.61
Board of Directors on November 5, 2008	Common stock	28,740	60	September 30, 2008	293	0.61

2) Dividends of which the cut-off date was in the year ended March 31, 2009 and the effective date will be in the year ending March 31, 2010

Resolution	Type of shares	Total amounts paid (Millions of yen)	Dividends per share (yen)	Cut-off date	Total amounts paid (Millions of U.S. dollars)	Dividends per share (U.S. dollars)
Annual shareholders' meeting on June 23, 2009	Common stock	28,201	60	March 31, 2009	288	0.61

c. Stock subscription rights

In September 2008, the Company issued 727 units of stock subscription rights, for which ¥217 million (\$2 million) was recorded as a component of net assets as of March 31, 2009.

The stock subscription rights included those which were not vested as of March 31, 2009.

8. STOCK OPTION PLAN

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 as a stock option plan		
		Granted on July 1, 2003	Granted on July 1, 2004	Granted on August 31, 2005
Individuals covered by the plan	Directors of the Company	18	4	6
	Corporate officers of the Company	—	16	26
	Employees of the Company	37	36	—
	Total	55	56	32
Type and number of shares to be issued upon the exercise of the stock subscription rights	Common stock	141,000	147,000	104,800
Vesting period		no	no	From July 1, 2005 to June 23, 2006
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

		Stock subscription rights granted as a stock option plan		
		Granted on February 13, 2007	Granted on August 10, 2007	Granted on September 16, 2008
Individuals covered by the plan	Directors of the Company	4	4	3
	Corporate officers of the Company	27	26	23
	Employees of the Company	—	—	—
	Total	31	30	26
Type and number of shares to be issued upon the exercise of the stock subscription rights	Common stock	75,700	74,000	72,700
Vesting period		From July 1, 2006 to June 26, 2007	From July 1, 2007 to June 25, 2008	From July 1, 2008 to June 23, 2009
Exercise period		From February 14, 2007 to June 27, 2026	From August 11, 2007 to June 26, 2027	From September 17, 2008 to June 24, 2028

Conditions for the exercise of stock subscription rights are as follows:

- 1) For stock options granted in 2003 and 2004, there are no vesting conditions.
- 2) For stock options granted in 2005 and thereafter, individuals granted stock options are required to meet certain criteria.

The following table summarizes the movements of stock subscriptions rights:

	Stock subscription rights granted as a stock option plan		
	Granted on July 1, 2003	Granted on July 1, 2004	Granted on August 31, 2005
Unvested stock subscription rights (shares)			
Outstanding as of March 31, 2008	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2009	—	—	—
Vested stock subscription rights (shares)			
Outstanding as of March 31, 2008	27,700	73,600	102,100
Vested	—	—	—
Exercised	10,200	4,500	10,600
Forfeited	—	—	—
Outstanding as of March 31, 2009	17,500	69,100	91,500
Exercise price (Yen)	3,209	3,690	1
Weighted average exercise price (Yen)	4,332	4,019	3,295
Weighted average fair value per stock at the granted date (Yen)	—	—	—
Exercise price (U.S. dollars)	32.74	37.65	0.01
Weighted average exercise price (U.S. dollars)	44.20	41.01	33.62
Weighted average fair value per stock at the granted date (U.S. dollars)	—	—	—

	Stock subscription rights granted as a stock option plan		
	Granted on February 13, 2007	Granted on August 10, 2007	Granted on September 16, 2008
Unvested stock subscription rights (shares)			
Outstanding as of March 31, 2008	—	18,500	—
Granted	—	—	72,700
Forfeited	—	—	—
Vested	—	18,500	54,525
Outstanding as of March 31, 2009	—	—	18,175
Vested stock subscription rights (shares)			
Outstanding as of March 31, 2008	75,700	55,500	—
Vested	—	18,500	54,525
Exercised	5,400	3,800	—
Forfeited	—	—	—
Outstanding as of March 31, 2009	70,300	70,200	54,525
Exercise price (Yen)	1	1	1
Weighted average exercise price (Yen)	3,704	3,368	—
Weighted average fair value per stock at the granted date (Yen)	5,009	4,639	3,980
Exercise price (U.S. dollars)	0.01	0.01	0.01
Weighted average exercise price (U.S. dollars)	37.80	34.37	—
Weighted average fair value per stock at the granted date (U.S. dollars)	51.11	47.34	40.61

Stock option expense was included in selling, general and administrative expenses for the year ended March 31, 2009 amounted to ¥303 million (\$3 million). The fair value

of options granted on September 16, 2008 was estimated using the binominal model with the following weighted average assumptions.

	Stock subscription rights granted on September 16, 2008 as a stock option plan
Expected volatility	28.73%
Expected holding period	4 years
Expected dividend per share	110 yen
Risk-free rate	2.09%

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 2009, 2008 and 2007. 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, 2009, 2008 and 2007 differ from the statutory tax rate for the following reasons:

	2009	2008	2007
Statutory tax rate	41.0%	41.0%	41.0%
Effect of:			
Tax deductions for research and development expenses	(4.5)	(3.3)	(5.1)
Different tax rates applied to income of foreign subsidiaries	(4.2)	(4.0)	(2.4)
Expenses not deductible for income tax purposes	2.2	1.5	2.1
Amortization of goodwill	1.2	0.3	—
Change in valuation allowance	0.7	(0.5)	0.8
Equity in losses (earnings) of affiliates	0.0	(1.2)	(0.2)
Other, net	(2.3)	(0.6)	0.9
Effective tax rates	34.1%	33.2%	37.1%

The significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Millions of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Loss on devaluation of investment securities	¥ 3,604	¥ 3,820	\$ 37
Accrued retirement benefits	6,401	6,660	65
Depreciation and amortization	34,396	37,296	351
Loss on impairment of fixed assets	4,663	6,704	48
Accrued expenses	23,129	26,432	236
Inventories	24,797	23,641	253
Accrued enterprise and other taxes	2,916	3,348	30
Other	44,236	43,159	450
Gross deferred tax assets	144,142	151,060	1,470
Valuation allowance	(14,940)	(13,424)	(152)
Total deferred tax assets	129,202	137,636	1,318
Deferred tax liabilities:			
Unrealized holding gain on securities	6,229	18,661	64
Depreciation and amortization	1,136	1,144	12
Other	8,883	10,390	90
Total deferred tax liabilities	16,248	30,195	166
Net deferred tax assets	¥112,954	¥107,441	\$1,152

10. RETIREMENT BENEFIT PLANS

Until October 1, 2006, the Company and its domestic subsidiaries had defined benefit plans, i.e., tax-qualified plans, corporate pension fund plans, tax-qualified plans (closed type) and lump-sum payment plans. Effective October 1, 2006, a corporate 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, 2009 and 2008 for the Company's and the subsidiaries' defined benefit plans:

	Millions of yen		Millions of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥(145,364)	¥(150,721)	\$ (1,483)
Plan assets at fair value	106,645	130,883	1,088
Unfunded retirement benefit obligation	(38,719)	(19,838)	(395)
Unrecognized actuarial loss	33,774	13,694	345
Unrecognized prior service cost	(9,075)	(10,042)	(93)
Net retirement benefit obligation	(14,020)	(16,186)	(143)
Prepaid pension cost	1,010	1,306	10
Accrued retirement benefits	¥ (15,030)	¥ (17,492)	\$ (153)

The components of retirement benefit expenses for the years ended March 31, 2009, 2008 and 2007 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Service cost	¥ 4,893	¥ 5,690	¥ 6,218	\$ 50
Interest cost	4,120	4,323	4,249	42
Expected return on plan assets	(4,570)	(3,768)	(3,359)	(47)
Amortization of actuarial loss	2,451	1,681	2,234	25
Amortization of prior service cost	(825)	(880)	(215)	(8)
Other	7,590	16,571	10,951	77
Total	¥13,659	¥23,617	¥20,078	\$139

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

	2009	2008
Discount rates	2.0% – 6.1%	2.0% – 10.0%
Expected rates of return on plan assets	3.0% – 5.0%	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, 2009, 2008, and 2007, totaled ¥159,059 million (\$1,623 million), ¥134,464 million and ¥167,946 million, respectively.

12. LEASES

Future minimum lease payments subsequent to March 31, 2009 on noncancelable operating lease transactions are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥ 4,388	\$ 45
2011 and thereafter	12,240	125
Total	¥16,628	\$170

See note 3(a).

13. CONTINGENT LIABILITIES

Contingent liabilities of the Company and its subsidiaries as of March 31, 2009 and 2008 were as follows:

	Millions of yen	Millions of U.S. dollars
	2009	2009
Contingent liabilities as guarantors of indebtedness of the Company's employees and affiliates	¥3,025	\$31

	Millions of yen
	2008
Contingent liabilities as guarantors of indebtedness of the Company's employees and affiliates	¥3,644
Other contingent liabilities relating to a debt assumption contract	120
Other	128

The Company may be involved in various lawsuits during the normal course of business. The Company's management believes the lawsuits in which the Company is currently involved

would not have material adverse impacts on the Company's financial conditions or operating results.

14. AMOUNTS PER SHARE

	Yen			U.S. dollars
	2009	2008	2007	2009
Net income:				
Basic	¥ 356.11	¥ 349.89	¥ 244.07	\$ 3.63
Diluted	355.90	349.71	243.99	3.63
Cash dividends	120.00	110.00	80.00	1.22
Net assets	2,189.26	2,228.34	2,135.34	22.34

Basic net income per share is computed based on 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 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 exercise of stock subscription rights and the conversion of

convertible bonds. The Company had no outstanding issue of convertible bonds during the years ended March 31, 2009 and 2008.

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

Net assets per share are computed based on the amount of net assets at the year end 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 outstanding issue of convertible bonds during the years ended March 31, 2009 and 2008.

The conversion of convertible bonds for the year ended March 31, 2007 amounted to ¥30 million and the Company had no outstanding issue of convertible bonds as of March 31, 2007.

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
Current assets	¥ 3,305
Property, plant and equipment	4,781
Goodwill	30,862
Current liabilities	(345)
Long-term liabilities	(7)
Acquisition cost of stock of Agensys, Inc.	¥38,596
Cash and cash equivalents of Agensys, Inc.	(3,171)
Effect of exchange rate fluctuation	4,982
Net cash used in the acquisition	¥40,407

Zepharmia 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, 2009 and 2008 is summarized as follows:

Marketable held-to-maturity debt securities

	Millions of yen			Millions of U.S. dollars		
	2009			2009		
	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	¥600	¥602	¥2	\$6	\$6	\$0
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	¥600	¥602	¥2	\$6	\$6	\$0

	Millions of yen		
	2008		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥1,201	¥1,202	¥1
Corporate bonds	—	—	—
Other	—	—	—
Total	¥1,201	¥1,202	¥1

Marketable other securities

	Millions of yen			Millions of U.S. dollars		
	2009			2009		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 20,448	¥ 40,391	¥19,943	\$ 209	\$ 412	\$203
Debt securities	52,361	52,540	179	534	536	2
Other	—	—	—	—	—	—
Subtotal	72,809	92,931	20,122	743	948	205
Securities whose acquisition cost exceeds their carrying value:						
Stock	13,344	11,673	(1,671)	136	119	(17)
Debt securities	125,446	123,243	(2,203)	1,280	1,257	(23)
Other	2,050	2,031	(19)	21	21	(0)
Subtotal	140,840	136,947	(3,893)	1,437	1,397	(40)
Total	¥213,649	¥229,878	¥16,229	\$2,180	\$2,345	\$165

	Millions of yen		
	2008		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 22,273	¥ 70,385	¥48,112
Debt securities	55,150	55,351	201
Other	1,302	2,174	872
Subtotal	78,725	127,910	49,185
Securities whose acquisition cost exceeds their carrying value:			
Stock	9,596	8,485	(1,111)
Debt securities	102,474	101,016	(1,458)
Other	976	856	(120)
Subtotal	113,046	110,357	(2,689)
Total	¥191,771	¥238,267	¥46,496

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Proceeds from sales	¥38,807	¥25,996	¥50,571	\$396
Gain on sales	508	123	12,506	5
Loss on sales	389	4	159	4

The redemption schedule for securities with maturities classified as other securities and held-to-maturity debt securities as of March 31, 2009 is summarized as follows:

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥128,123	¥ 1,514	¥3,887	—
Corporate bonds	23,509	18,907	98	—
Other debt securities	42,775	143	—	¥202
Other	32,000	—	—	—
Total	¥226,407	¥20,564	¥3,985	¥202

	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 after ten years
Government bonds	\$1,307	\$ 15	\$40	—
Corporate bonds	240	193	1	—
Other debt securities	436	1	—	\$2
Other	327	—	—	—
Total	\$2,310	\$209	\$41	\$2

Securities without determinable market value

Other securities

	Millions of yen		Millions of U.S. dollars
	2009	2008	2009
Non marketable stocks	¥ 5,016	¥ 4,534	\$ 51
Senior investment securities	5,000	5,000	51
Certificate of deposits	32,000	—	327
Commercial paper	42,775	192,797	436
Money management fund	20,056	8,579	205

17. DERIVATIVE TRANSACTIONS

The Company utilizes derivative transactions just for the purpose of hedging its exposure to adverse fluctuation primarily in foreign currency exchange rates or 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 non-performance by the counterparties to the derivative transactions. In order to minimize such a credit risk, the Company enters into transactions only with financial institutions with high credit ratings.

The Company assumes that the impacts of the derivatives on the Company's financial conditions would not be material.

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, 2009 and 2008 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:						
U.S. dollars	¥1,663	¥1,669	¥ (6)	\$17	\$17	\$(0)
Euros	3,224	3,374	(150)	33	34	(1)
British pounds	139	140	(1)	1	1	(0)
Total	¥5,026	¥5,183	¥(157)	\$51	\$52	\$(1)

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

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 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
Current assets	¥3,305
Long-term assets	4,781
Total assets	¥8,086
Current liabilities	¥ 345
Long-term liabilities	7
Total liabilities	¥ 352

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 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 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, which include the results of the operation attributed by the location of the Company and the subsidiaries, for the years ended March 31, 2009, 2008, and 2007 are summarized as follows:

Geographical areas

Millions of yen

Year ended March 31, 2009	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	¥510,500	¥188,853	¥239,114	¥27,231	¥ 965,698	¥ —	¥ 965,698
Intergroup sales and transfers	130,153	68,004	54,649	18	252,824	(252,824)	—
Total sales	640,653	256,857	293,763	27,249	1,218,522	(252,824)	965,698
Operating expenses	465,066	224,013	253,937	23,882	966,898	(251,595)	715,303
Operating income	¥175,587	¥ 32,844	¥ 39,826	¥ 3,367	¥ 251,624	¥ (1,229)	¥ 250,395
Total assets	¥909,020	¥201,035	¥271,139	¥16,869	¥1,398,063	¥ (49,617)	¥1,348,446

Millions of U.S. dollars

Year ended March 31, 2009	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	\$5,209	\$1,927	\$2,440	\$278	\$ 9,854	\$ —	\$ 9,854
Intergroup sales and transfers	1,328	694	558	0	2,580	(2,580)	—
Total sales	6,537	2,621	2,998	278	12,434	(2,580)	9,854
Operating expenses	4,745	2,286	2,591	244	9,866	(2,567)	7,299
Operating income	\$1,792	\$ 335	\$ 407	\$ 34	\$ 2,568	\$ (13)	\$ 2,555
Total assets	\$9,276	\$2,051	\$2,767	\$172	\$14,266	\$ (506)	\$13,760

Millions of yen

Year ended March 31, 2008	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

	Millions of yen						
Year ended March 31, 2007	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

Overseas sales

Overseas sales, which include the sales of attributed by the location of customers, for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen				
Year ended March 31, 2009	North America	Europe	Asia	Other	Total
Overseas sales	¥235,023	¥180,393	¥35,875	¥17,688	¥468,979
Consolidated net sales					965,698

	Millions of U.S. dollars				
Year ended March 31, 2009	North America	Europe	Asia	Other	Total
Overseas sales	\$2,398	\$1,842	\$366	\$180	\$4,786
Consolidated net sales					9,854
Overseas sales as a percentage of consolidated net sales	24.3%	18.7%	3.7%	1.9%	48.6%

	Millions of yen				
Year ended March 31, 2008	North America	Europe	Asia	Other	Total
Overseas sales	¥247,129	¥195,636	¥34,399	¥12,407	¥489,571
Consolidated net sales					972,586
Overseas sales as a percentage of consolidated net sales	25.4%	20.1%	3.5%	1.3%	50.3%

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

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, 2009, 2008 and 2007 amounted to ¥1,340 million (\$14 million), ¥9,331 million and ¥17,453 million, respectively. Loss on impairment of fixed assets

for the year ended March 31, 2009 mainly consists of losses on buildings and structures in the aggregate amount of ¥1,088 million. 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 and structures 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) The following appropriations of retained earnings of the Company were approved at a shareholders' meeting held on June 23, 2009:

	Millions of yen	Millions of U.S. dollars
Year-end cash dividends (¥60 = \$0.61 per share)	¥28,201	\$288

(b) An issuance of new stock subscription rights was approved at a shareholders' meeting and subsequently resolved at the Board of Directors' meeting, both held on June 23, 2009 in which directors, corporate officers of the Company were granted new stock subscription rights totaling 1,149 units. These stock subscription rights will be issued on July 8, 2009 and can be exercised from July 9, 2009 to June 23, 2029.

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, 2009 and 2008, 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, 2009, 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 4.

Ernst & Young ShinNihon LLC

June 23, 2009

Principal Subsidiaries and Affiliates

(as of July 2009)

Americas

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

OTHER PRINCIPAL SUBSIDIARIES AND AFFILIATES IN THE AMERICAS

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.
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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: +1-405-217-6400

Astellas US Technologies, Inc.

Three Parkway North, Deerfield, IL 60015, U.S.A.
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Agensys, Inc.

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TEL: +1-310-820-8029

Astellas Research Institute of America LLC

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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.

Astellas Farma Brasil Importação e Distribuição de Medicamentos Ltda.

Av. das Nações Unidas 14.171, Rochaverá Corporate Towers,
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TEL: +55-11-8228-3052

Europe

HOLDING COMPANY IN EUROPE

Astellas B.V.

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EUROPEAN HEADQUARTERS

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TEL: +44-1784-4194-00

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Republic of Ireland
TEL: +353-1-803-0800

- Germany

Astellas Pharma GmbH

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TEL: +49-89-45-44-01

- Spain

Astellas Pharma S.A.

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- Italy

Astellas Pharma S.p.A.

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- United Kingdom

Astellas Pharma Ltd.

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- Export

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- Northern Europe

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- Poland

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- **Austria**
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TEL: +43-1-877-26-68
- **Ireland**
Astellas Pharma Co., Limited
25 The Courtyard, Kilcarbery Business Park, Clondalkin, Dublin 22, Republic of Ireland
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- **Czech Republic**
Astellas Pharma s.r.o
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- **Greece**
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TEL: +30-2108-189-911
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Astellas Pharma A.G.
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TEL: +41-43-233-60-20
- **South Africa**
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- **Hungary**
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Kelenhegyi út 43, H 1118 Budapest, Hungary
TEL: +36-1-361-4673
- **Turkey**
Astellas Pharma ilaç Ticaret ve Sanayi Anonim Şirketi
Tekstil Kent Koza Plaza, A Blok 16.Kat No:60, 34235 Esenler, Istanbul, Turkey

Asia

Astellas Pharma China, Inc.

1901-1904, SK Tower Beijing, No.6 Jia Jianguomenwai Avenue, Chaoyang District, Beijing 100022, People's Republic of China
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10/F, Wave Place, 55 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand
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P.T. Astellas Pharma Indonesia

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TEL: +62-21-572-4344

Astellas Pharma India Private Limited

Unit No. 505 & 506, Meadows Sahar Plaza Complex, Andheri Kurla Road, Andheri East, Mumbai MM-4-00059, India
TEL: +91-22-4075-7676

Japan

MANUFACTURING SUBSIDIARIES

Astellas Tokai Co., Ltd.

Astellas Toyama Co., Ltd.

Astellas Pharma Chemicals Co., Ltd.

Investor Information

(as of March 31, 2009)

COMPANY NAME

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/en/>

COMMON STOCK

Authorized: 2,000,000,000

Issued: 503,964,635 (including 33,948,017 treasury stock)

NUMBER OF SHAREHOLDERS: 51,294

STOCK EXCHANGE LISTING

Tokyo, Osaka

(Ticker Code: 4503)

INDEPENDENT AUDITORS

Ernst & Young ShinNihon LLC

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

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

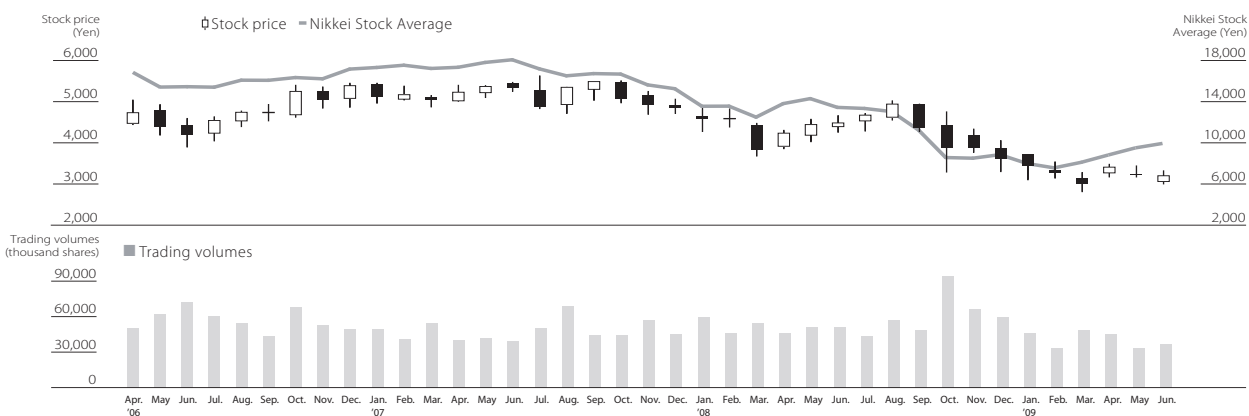
TRANSFER AGENT FOR COMMON STOCK IN JAPAN

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)

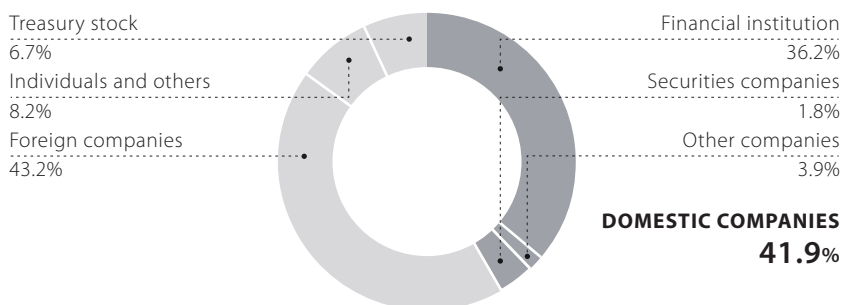


Major Shareholders

Name	Shares owned (Thousand shares)	Percentage of total common shares outstanding
Japan Trustee Services Bank, Ltd. (trust account 4G)	29,064	5.76
Japan Trustee Services Bank, Ltd. (trust account)	28,537	5.66
The Master Trust Bank of Japan, Ltd. (trust account)	25,812	5.12
Nippon Life Insurance Company	25,587	5.07
The Chase Manhattan Bank, NA London, SL Omnibus account	22,612	4.48
State Street Bank and Trust Company	16,985	3.37
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,720	2.72
State Street Bank and Trust Company 505225	9,357	1.85
Mellon Bank N.A. as agent for its client Mellon Omnibus U.S. Pension	8,389	1.66
Trust & Custody Services Bank, Ltd. (securities investment trust account)	6,358	1.26

Note: The Company owned 33,948,017 shares of treasury stock as of March 31, 2009, but they are not included in the principal shareholders stated above.

Breakdown of Shareholders



"Leading Light for Life"

Superior pharmaceuticals that provide the promise of a healthier and more enriched life to people from all over the world. That is Astellas' earnest wish. Our challenge, our vision, and our mission are to illuminate the future and constantly seek a better life for all. As a global pharmaceutical company, Astellas is determined to be the "Leading Light for Life."

This corporate message directly reflects our business philosophy: "Contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products".



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The paper on which this annual report is printed was produced using "green" electricity that emits no CO₂ during papermaking.
(Estim 310,000 kWh/year)