

# **Overview of 1H/FY2005 Business Results**

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# Summary of Business Results for 1H/FY2005



1. Increase in sales and profits at all levels
2. Steady growth of RX business in Japan  
(after adjustment of impact of extra shipment)
3. Robust growth of RX business in Europe
4. Contribution of new products in Europe and U.S.A.
5. Synergy effects in both sales and costs/expenses
6. Delay in execution of budget for SG&A and R&D expenses
7. Business integration expenses as extraordinary loss

# Net Sales

(billion yens)

	1H/FY04	1H/FY05	
	pro forma		Changes
Net sales	424.7	426.7	+2.0

## <Extraordinary factors>

- Year-end extra shipment: ¥11.9 bil. (full amounts absorbed during 1Q)
- Product transfer: ¥5.1 bil. yen (Rescula, Farom, Cholebine, etc.)
- Business restructuring: ¥2.5 bil. yen (Home care business, etc.)
- Change in accounting method for process fee: ¥3.3 bil. yen  
(Revenue from processing is offset by purchase costs)

**Sales increase excluding extraordinary factors:  
¥24.9 billion**

# Sales of Global Products

(billion yen)



	1H/FY04	1H/FY05	Changes	Forecasts FY05
<b>Prograf</b>	61.0	69.6	+8.6	141.9
Japan*1	5.0	6.5	+1.4	13.7
North America	32.6	35.2	+2.5	73.0
Europe	18.4	21.3	+2.8	42.9
<b>Harnal</b>	68.0	69.0	+0.9	134.9
Japan*2	24.1	23.8	-0.3	47.0
Europe	21.8	25.2	+3.4	47.6
Bulk & Royalty	19.9	17.1	-2.7	34.8
<b>Protopic</b>	10.1	6.5	-3.5	16.7
Japan*1	1.2	1.3	0	3.0
North America	6.1	2.7	-3.3	8.2
Europe	2.4	2.3	-0.1	5.3
<b>Funguard/Mycamine</b>	6.4	7.7	+1.3	18.6
Japan*1	6.4	7.3	+0.8	16.0
North America	-	0.4	+0.4	2.6
<b>Vesicare</b>	0.1	5.0	+4.9	17.2
North America	-	2.2	+2.2	10.0
Europe	0.1	2.8	+2.6	7.2

Launched in May 05

Launched in Jan. 05

\*1: figures for 1H/FY04 are on net sales basis

\*2: increase by ¥1.2 bil. after adjustment of ¥1.5 bil. year-end extra shipment

# Main Products in Japan

(billion yen)

	1H/FY04	1H/FY05					FY05
	Results	Results	Changes	Extra shipment**	Extraordinary factors***	Actual changes	Forecasts
Rx sales in Japan	228.8	215.4	-13.4	-11.9	-8.4	+6.9	451.0
Lipitor	41.6	43.4	+1.7	-3.0		+4.7	92.5
Micardis	10.7	16.5	+5.8	-2.0		+7.8	37.0
Myslee*	6.3	8.1	+1.7				16.8
Luvox*	4.3	5.0	+0.6				11.0
Gaster	36.4	33.8	-2.5	-2.0		-0.5	68.7
Cefzon*	8.2	8.6	+0.3				20.0
Seroquel*	6.3	7.4	+1.0				16.2

\* Figures for 1H/FY04 are on net sales basis.

\*\* Impact of year-end extra shipment

\*\*\* Extraordinary factors include the ¥5.1 bil. by product transfer and ¥3.3 bil. by change in accounting method for process fee

# COG, SG&A Expenses ,R&D Expenses

(billion yen)

	1H/FY04	1H/FY05	
	pro forma		Changes
Net sales	424.7	426.7	+2.0
COG	135.5	125.6	-9.8
COG ratio	31.9%	29.4%	-2.5 points
SG&A expenses	128.7	127.8	-0.8
R&D expenses	61.8	56.0	-5.7
Operating income	98.6	117.1	+18.5

## ■ Improvement in COG ratio

- 1) Product mix: - 1.2 points
  - Growth of in-house products overseas (Prograf, Harnal, Vesicare)
  - Effect of year-end extra shipment in Japan, business restructuring, product transfer
- 2) Cost reduction efforts: - 0.7 points (spin out of plants in Japan, synergy effects, etc.)
- 3) Change in accounting method: - 0.6 points (no impact on operating income)

## ■ SG&A expenses (excl. R&D expenses)

- 1) Increase in sales & marketing costs in overseas (costs for new products in Europe and U.S.A., etc.)
- 2) Decrease in personnel expenses (synergy effects)

## ■ Decrease in R&D expenses

- 1) Decrease in patent amortization costs due to extraordinary amortization for Searle PJ in 2Q/FY04
- 2) Termination of payment for cooperative research programs
- 3) Efficient cost spending (synergy effects)
- 4) Delay of execution of budget just after the merger

# Non-operating Income and Loss and Extraordinary Income and Loss

(billion yen)

	1H/FY04	1H/FY05	
	pro forma		Changes
Operating income	98.6	117.1	+18.5
Non-operating income and loss	2.1	4.8	+2.7
Financial gains and losses (net)	2.3	3.3	+1.0
Exchange gains	1.6	3.5	+1.9
Losses on retirement of products	-1.3	-2.3	-0.9
Others	-0.4	0.3	+0.7
Ordinary income	100.7	122.0	+21.2
Extraordinary income and loss	-17.8	-12.6	+5.1
Gains on sale of investment securities	5.0	2.3	-2.7
Losses on business integration	-4.1	-9.2	-5.0
Losses on asset impairment	0	-6.1	-6.1
Others*	-18.6	0.3	-19.0
Net income	47.3	67.3	+19.9

\* including losses on business restructuring (¥7.9 bil.) and extraordinary amortization of patent (¥10.5 bil.) for 1H/FY04

# Sales by Geographic Regions



(billion yen)

	1H/FY04 pro forma	1H/FY05	Changes	Remarks (figures are impact on sales)
Consolidated	424.7	426.7	+2.0	
Japan	260.6	250.1	-10.5	Effect of year-end extra shipment - 11.9, Product transfer - 5.1, Increase in export sales +4.5, Change in accounting method for process fee - 3.3, Business restructuring - 2.6
North America	66.2	68.4	+2.2	Prograf +2.5, Protopic - 3.3, VESIcare +2.2, Mycamine + 0.4
Europe	89.9	98.8	+8.8	Harnal +0.6 (sales by Astellas: +3.4), Prograf +3.4, Vesicare +2.6, Eligard +0.4, Others +1.5
Asia	7.8	9.2	+1.4	Harnal +0.6, Prograf +1.1

# Operating Income by Geographic Regions



(billion yen)

	1H/FY04 pro forma	1H/FY05	Changes	Remarks
Consolidated	98.6	117.1	+18.5	
Japan	80.9	87.7	+6.7	Decrease in gross profit Decrease in R&D expenses Decrease in SG&A expenses (including personnel expenses)
North America	14.9	12.3	-2.6	Almost flat in gross profit Increase in SG&A expenses
Europe	5.9	15.1	+9.2	Increase in gross profit Increase in SG&A expenses Decrease in R&D expenses
Asia	1.5	1.8	+0.2	Increase in sales of Prograf, Harnal
Eliminations	- 4.8	0	+4.9	

# Forecasts for Full Year of FY2005



(billion yen)

	Actual FY04	Forecasts FY05		
	pro forma	Initial forecasts	Revised forecasts	Changes
Net sales	862.0	885.0	885.0	0
Operating income	192.2	195.0	205.0	+10.0
Ordinary income	194.2	199.0	211.0	+12.0
Net income	59.5	104.0	117.0	+13.0

<Changes from the initial forecasts announced on May 17, 2005>

- COG ratio: Improvement by around 2.5 points compared to FY2004
- SG&A expenses: almost flat with the initial forecasts  
(slight decrease on an actual basis due to impact of exchange rate)
- R&D expenses: ¥135.0 billion (flat with the initial forecasts)
- Extraordinary gains and losses:  
Losses are expected to increase by over ¥3.0 bil. from the initial forecasts of ¥16.0 bil.

## **Cautionary statement regarding forward-looking information**

**This material includes forward-looking statements based on assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Actual financial results may differ materially depending on a number of factors including adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launch, pricing and product initiatives of competitors, the inability of the company to market existing and new products effectively, interruptions in production, infringements of the company's intellectual property rights and the adverse outcome of material litigation.**

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