

January 29, 2016

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Financial Results of Astellas for the First Nine Months of FY2015

Japan, January 29, 2016 – Astellas Pharma Inc. (hereinafter referred to as “the Company”) today announced the financial results for the first nine months of the fiscal year 2015 (FY2015) ending March 31, 2016.

Consolidated financial results for the first nine months of FY2015 (April 1, 2015 – December 31, 2015) (core basis)

(Millions of yen)

	First nine months of FY2014	First nine months of FY2015	Change (%)
Sales	952,772	1,065,666	+112,894 (+11.8%)
Core operating profit	200,193	233,863	+33,670 (+16.8%)
Core profit for the period	140,285	169,379	+29,094 (+20.7%)
Basic core earnings per share (yen)	63.42	78.16	+14.75 (+23.3%)

Cautionary statement regarding forward-looking information

This press release includes forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. 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 launches, the 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.

1. Qualitative information on consolidated financial results for the first nine months of FY2015

(1) Information on business performance

[Consolidated financial results (core basis ^(Note))]

Consolidated financial results (core basis) in the first nine months of FY2015 showed increases in sales, core operating profit and core profit for the period, as follows.

Consolidated financial results (core basis)

(Millions of yen)

	First nine months of FY2014	First nine months of FY2015	Change (%)
Sales	952,772	1,065,666	+112,894 (+11.8%)
Core operating profit	200,193	233,863	+33,670 (+16.8%)
Core profit for the period	140,285	169,379	+29,094 (+20.7%)
Basic core earnings per share (yen)	63.42	78.16	+14.75 (+23.3%)

Research and development (R&D) expenses

(Millions of yen)

	First nine months of FY2014	First nine months of FY2015	Change
R&D expenses	148,000	164,996	+16,996

(Note) The Company discloses financial results on a core basis as an indicator of its recurring profitability.

Certain items reported in financial results on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items from these financial results on a core basis. These adjusted items include impairment losses, gain/loss on sales of property, plant and equipment, restructuring costs, loss on disaster, a large amount of losses on compensation or settlement of litigations and other legal disputes, and other items that are deemed to be excluded based on the Company's judgment. A reconciliation table between results on a full basis and results on a core basis is provided on page 21 of the "Supplement Documents for Results 3Q/FY2015."

Impact of exchange rate on financial results

The exchange rates for the yen in the first nine months of FY2015 are shown in the table below. The resulting impacts were a ¥ 36.2 billion increase in sales and a ¥ 15.4 billion increase in core operating profit compared with if the exchange rates of the nine months of FY2014 were applied.

Average rate	First nine months of FY2014	First nine months of FY2015	Change
US\$/¥	107	122	¥15 (Weakening of yen)
€/¥	140	134	¥6 (Strengthening of yen)

Change from beginning to end of period	As of December 31, 2014	As of December 31, 2015
US\$/¥	¥18 (Weakening of yen)	¥0 (Weakening of yen)
€/¥	¥5 (Weakening of yen)	¥1 (Weakening of yen)

Sales

Consolidated sales in the first nine months of FY2015 increased by 11.8% compared to those in the corresponding period of the previous fiscal year (“year-on-year”) to ¥1,065.7 billion.

- In addition to XTANDI for the treatment of prostate cancer, sales of overactive bladder (OAB) treatments Vesicare and Betanis / Myrbetriq / BETMIGA grew. Additionally, sales of products including Prograf, an immunosuppressant, increased.

Sales by region

*Sales by region calculated according to locations of sellers.

<Japan>

Sales in Japan increased by 2.1% year-on-year to ¥396.8 billion. Sales in the Japanese market increased by 2.9% year-on-year to ¥386.1 billion.

- There was growth in sales of XTANDI and other products, including overall sales of OAB treatments Vesicare and Betanis, Prograf, the anti-inflammatory and anti-pain drug Celecox, Symbicort for the treatment of bronchial asthma and Micardis for the treatment of hypertension.
- On the other hand, sales of products, including Lipitor for the treatment of hypercholesterolemia and Gaster for the treatment of peptic ulcer and gastritis declined, mainly due to the impact of generics.

<The Americas>

Sales in the Americas increased by 30.0% year-on-year to ¥348.7 billion. The sales on a U.S. dollar basis increased by 14.1% year-on-year to US\$2,865 million.

- In addition to the sales of XTANDI, overall sales of OAB treatments VESicare and Myrbetriq grew.
- Sales of the pharmacologic stress agent Lexiscan increased, and new products azole antifungal CRESEMBA contributed to increased sales.

<EMEA*>

Sales in EMEA increased by 3.3% year-on-year to ¥251.4 billion. The sales on a euro basis increased by 7.9% year-on-year to €1,871 million.

- In addition to XTANDI and overall OAB treatments Vesicare and BETMIGA, sales of Prograf and others grew.

* EMEA: Europe, Middle East and Africa.

<Asia and Oceania>

Sales in Asia and Oceania increased by 31.0% year-on-year to ¥68.8 billion.

- Products such as Prograf and Harnal for the treatment of functional symptoms of benign prostatic hyperplasia showed growth in sales.
- In addition, XTANDI and overall OAB treatments Vesicare and BETMIGA contributed to increased sales.

Core operating profit / Core profit for the period

- The increase in sales and a decrease in the cost-to-sales ratio resulted in a gross profit of ¥795.2 billion, up 14.7% year-on-year. The cost-to-sales ratio decreased 1.9 percentage points year-on-year to 25.4%, owing to changes in the product mix and other factors.
- Selling, general and administrative expenses increased by 14.3% year-on-year to ¥362.7 billion, which in addition to increased expenditures for co-promotion of XTANDI in the US, was partly due to the foreign exchange rate impact.
- Research and development (R&D) expenses were ¥165.0 billion, up 11.5% year-on-year, which, in addition to increased expenses related to progress of development projects, was partly due to the foreign exchange rate impact. The R&D cost-to-sales ratio was 15.5%.
- Amortisation of intangible assets was ¥33.2 billion, up 18.3% year-on-year.

As a result of the above, core operating profit increased by 16.8% year-on-year to ¥233.9 billion. Meanwhile, core profit for the period increased by 20.7% year-on-year to ¥169.4 billion and basic core earnings per share increased by 23.3% year-on-year to ¥78.16.

[Consolidated financial results (full basis)]

Consolidated financial results on a full basis in the first nine months of FY2015 are shown below. Sales, operating profit, profit before tax and profit for the period increased.

Items totaling of ¥19.4 billion, including impairment losses for property, plant and equipment, and net foreign exchange losses, which are excluded from results on a core basis, were recorded in “other expense.” In addition, gain on sales of available-for-sale financial assets of ¥12.1 billion was recorded in “finance income.” “Other expense” and gain on sales of available-for-sale financial assets in the same period of the previous fiscal year were ¥42.6 billion and ¥1.1 billion, respectively.

Consolidated financial results (full basis)

(Millions of yen)

	First nine months of FY2014	First nine months of FY2015	Change (%)
Sales	952,772	1,065,666	+112,894 (+11.8%)
Operating profit	161,680	215,599	+53,919 (+33.3%)
Profit before tax	161,617	228,463	+66,846 (+41.4%)
Profit for the period	114,744	164,547	+49,803 (+43.4%)
Basic earnings per share (yen)	51.87	75.93	+24.06 (+46.4%)
Comprehensive income	197,624	166,544	-31,080 (-15.7%)

(2) Information on financial position

1) Assets, equity and liabilities

An overview of the consolidated statement of financial position as of December 31, 2015 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of December 31, 2015 saw a decrease of ¥5.8 billion compared to the end of the previous fiscal year to ¥1,787.8 billion.

<Non-current assets> ¥875.7 billion (an increase of ¥48.1 billion)

- Other intangible assets increased by ¥35.9 billion compared to the end of the previous fiscal year to ¥331.8 billion.

<Current assets> ¥912.1 billion (a decrease of ¥53.8 billion)

- Cash and cash equivalents decreased by ¥56.0 billion compared to the end of the previous fiscal year to ¥340.5 billion.

Equity

Total equity as of December 31, 2015 saw an increase of ¥4.4 billion compared to the end of the previous fiscal year to ¥1,322.3 billion, making the ratio of owners' equity to gross assets 74.0%.

- While profit for the period stood at ¥164.5 billion, the Company paid ¥69.6 billion of dividends of surplus and acquired ¥92.7 billion of its own shares.
- Cancellation of treasury shares totaling ¥49.6 billion (38 million shares) was carried out on May 29, 2015.

Liabilities

Total liabilities decreased by ¥10.2 billion compared to the end of the previous fiscal year to ¥465.5 billion.

<Non-current liabilities> ¥55.9 billion (an increase of ¥1.1 billion)

<Current liabilities> ¥409.6 billion (a decrease of ¥11.3 billion)

2) Cash flow

Cash flows from operating activities

Net cash flows from operating activities increased year-on-year by ¥20.1 billion to ¥174.7 billion.

- Income tax paid was ¥62.5 billion, an increase in outflow of ¥13.1 billion year-on-year.

Cash flows from investing activities

Net cash flows used in investing activities was ¥68.5 billion, an increase in outflow of ¥20.2 billion year-on-year.

- Purchases of property, plant and equipment used cash of ¥28.6 billion, and purchase of intangible assets used cash of ¥55.8 billion, while proceeds from sales of available-for-sale financial assets provided cash of ¥16.4 billion.

Cash flows from financing activities

Net cash flows used in financing activities was ¥163.1 billion, an increase in outflow of ¥70.4 billion year-on-year.

- Dividends paid totaled ¥69.6 billion, an increase in outflow of ¥7.5 billion year-on-year.
Other outflow included cash of ¥92.7 billion used for the acquisition of own shares.

As a result of the above, cash and cash equivalents totaled ¥340.5 billion as of December 31, 2015, a decrease of ¥56.0 billion compared to the end of the previous fiscal year.

(3) Information on consolidated business forecasts for FY2015 and other forward-looking statements

The Company's business forecasts for FY2015 are presented on a core basis and full basis. The consolidated full-year business forecasts for the fiscal year ending March 31, 2016 (FY2015) are shown below. The Company has chosen to leave its business forecasts unchanged from the consolidated full-year business forecasts announced in October 2015 because it does not expect large deviations from the forecasts.

Consolidated full-year business forecasts (core basis)

(Millions of yen)

	FY2014 Full-year results	FY2015 Full-year forecasts	Change (%)
Sales	1,247,259	1,384,000	+136,741 (+11.0%)
Core operating profit	216,500	244,000	+27,500 (+12.7%)
Core profit for the year	153,244	175,000	+21,756 (+14.2%)
Basic core earnings per share (yen)	69.37	80.99	+11.62 (+16.8%)

Consolidated full-year business forecasts (full basis)

(Millions of yen)

	FY2014 Full-year results	FY2015 Full-year forecasts	Change (%)
Sales	1,247,259	1,384,000	+136,741 (+11.0%)
Operating profit	185,663	229,000	+43,337 (+23.3%)
Profit before tax	189,683	242,000	+52,317 (+27.6%)
Profit for the year	135,856	172,000	+36,144 (+26.6%)
Basic earnings per share (yen)	61.50	79.60	+18.10 (+29.4%)

(Note1) The definition of financial results on a core basis is described in page 2.

(Note2) The forecasts for basic core earnings per share and basic earnings per share reflect acquisitions of own shares carried out from November 2 to December 1, 2015.

2. Matters Related to Summary Information (Notes)

(1) Changes in Accounting Policies and Accounting Estimates

The significant accounting policies adopted for the condensed interim consolidated financial statements of Astellas Pharma Inc. and its subsidiaries (collectively, the “Group”) for the nine months ended 31 December 2015 are the same as those applied for its consolidated financial statements for the fiscal year ended 31 March 2015, except for the new standard listed below.

The Group calculated income tax expense for the nine months ended 31 December 2015 based on the estimated average annual effective tax rate.

The following accounting standard is newly applied by the Group from the three months ended 30 June 2015. The standard does not have a material impact on the Group's condensed interim consolidated financial statements.

IFRS		Summary of new standard
IAS 19	Employee Benefits	Clarification of accounting for contributions by employees or third parties

3. Condensed Interim Consolidated Financial Statements
(1) Condensed Interim Consolidated Statements of Income

(Millions of Yen)

	Nine months ended 31 December 2014	Nine months ended 31 December 2015
Sales	952,772	1,065,666
Cost of sales	(259,478)	(270,492)
Gross profit	693,294	795,174
Selling, general and administrative expenses	(317,228)	(362,690)
Research and development expenses	(148,000)	(164,996)
Amortisation of intangible assets	(28,015)	(33,151)
Share of profits (losses) of associates and joint ventures	142	(475)
Other income	4,127	1,102
Other expense	(42,640)	(19,366)
Operating profit	161,680	215,599
Finance income	2,870	13,799
Finance expense	(2,933)	(936)
Profit before tax	161,617	228,463
Income tax expense	(46,873)	(63,916)
Profit for the period	114,744	164,547
Profit attributable to:		
Owners of the parent	114,744	164,547
Earnings per share		
Basic (Yen)	51.87	75.93
Diluted (Yen)	51.79	75.82

(2) Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended 31 December 2014	Nine months ended 31 December 2015
Profit for the period	114,744	164,547
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(1,079)	2,497
Subtotal	(1,079)	2,497
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	77,945	590
Fair value movements on available-for-sale financial assets	6,015	(1,090)
Subtotal	83,959	(500)
Other comprehensive income, net of tax	82,880	1,997
Total comprehensive income	197,624	166,544
Total comprehensive income attributable to:		
Owners of the parent	197,624	166,544

(3) Condensed Interim Consolidated Statements of Financial Position

(Millions of Yen)

	As of 31 March 2015	As of 31 December 2015
Assets		
Non-current assets		
Property, plant and equipment	202,869	202,432
Goodwill	136,337	136,836
Other intangible assets	295,844	331,764
Trade and other receivables	15,588	22,285
Investments in associates and joint ventures	2,007	3,009
Deferred tax assets	51,199	58,673
Other financial assets	110,091	104,756
Other non-current assets	13,685	15,923
Total non-current assets	827,621	875,680
Current assets		
Inventories	156,907	148,637
Trade and other receivables	332,923	376,311
Income tax receivable	6,918	7,885
Other financial assets	59,908	21,749
Other current assets	12,732	16,887
Cash and cash equivalents	396,430	340,454
Sub total	965,819	911,922
Assets held for sale	139	200
Total current assets	965,958	912,122
Total assets	1,793,578	1,787,802

(Millions of Yen)

	As of 31 March 2015	As of 31 December 2015
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	176,822	176,868
Treasury shares	(86,997)	(129,871)
Retained earnings	905,083	952,830
Other components of equity	220,007	219,466
Total equity attributable to owners of the parent	1,317,916	1,322,294
Total equity	1,317,916	1,322,294
Liabilities		
Non-current liabilities		
Trade and other payables	90	1,713
Deferred tax liabilities	38	—
Retirement benefit liabilities	30,059	29,301
Provisions	4,817	4,588
Other financial liabilities	626	761
Other non-current liabilities	19,142	19,505
Total non-current liabilities	54,771	55,868
Current liabilities		
Trade and other payables	226,602	199,145
Income tax payable	14,124	23,488
Provisions	85,423	96,296
Other financial liabilities	1,339	7,059
Other current liabilities	93,403	83,652
Total current liabilities	420,890	409,640
Total liabilities	475,662	465,508
Total equity and liabilities	1,793,578	1,787,802

(4) Condensed Interim Consolidated Statements of Changes in Equity

(Millions of Yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Subscription rights to shares	Foreign currency translation adjustments
As of 1 April 2014	103,001	176,822	(54,535)	864,830	2,110	147,660
Comprehensive income						
Profit for the period	—	—	—	114,744	—	—
Other comprehensive income	—	—	—	—	—	77,945
Total comprehensive income	—	—	—	114,744	—	77,945
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(30,012)	—	—	—
Disposals of treasury shares	—	—	270	(138)	(123)	—
Cancellation of treasury shares	—	—	25,398	(25,398)	—	—
Dividends	—	—	—	(62,146)	—	—
Share-based payments	—	—	—	—	234	—
Transfers	—	—	—	(1,079)	—	—
Total transactions with owners of the parent	—	—	(4,344)	(88,761)	111	—
As of 31 December 2014	103,001	176,822	(58,879)	890,813	2,221	225,605
As of 1 April 2015	103,001	176,822	(86,997)	905,083	2,241	177,306
Comprehensive income						
Profit for the period	—	—	—	164,547	—	—
Other comprehensive income	—	—	—	—	—	590
Total comprehensive income	—	—	—	164,547	—	590
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(92,671)	—	—	—
Disposals of treasury shares	—	—	219	(106)	(113)	—
Cancellation of treasury shares	—	—	49,577	(49,577)	—	—
Dividends	—	—	—	(69,615)	—	—
Share-based payments	—	46	—	—	73	—
Transfers	—	—	—	2,497	—	—
Total transactions with owners of the parent	—	46	(42,874)	(116,800)	(41)	—
As of 31 December 2015	103,001	176,868	(129,871)	952,830	2,200	177,895

(Millions of Yen)

	Equity attributable to owners of the parent				Total equity
	Other components of equity			Total	
	Fair value movements on available-for-sale financial assets	Remeasurements of defined benefit plans	Total		
As of 1 April 2014	28,588	—	178,359	1,268,476	1,268,476
Comprehensive income					
Profit for the period	—	—	—	114,744	114,744
Other comprehensive income	6,015	(1,079)	82,880	82,880	82,880
Total comprehensive income	6,015	(1,079)	82,880	197,624	197,624
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(30,012)	(30,012)
Disposals of treasury shares	—	—	(123)	8	8
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(62,146)	(62,146)
Share-based payments	—	—	234	234	234
Transfers	—	1,079	1,079	—	—
Total transactions with owners of the parent	—	1,079	1,190	(91,915)	(91,915)
As of 31 December 2014	34,603	—	262,429	1,374,186	1,374,186

As of 1 April 2015	40,461	—	220,007	1,317,916	1,317,916
Comprehensive income					
Profit for the period	—	—	—	164,547	164,547
Other comprehensive income	(1,090)	2,497	1,997	1,997	1,997
Total comprehensive income	(1,090)	2,497	1,997	166,544	166,544
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(92,671)	(92,671)
Disposals of treasury shares	—	—	(113)	0	0
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(69,615)	(69,615)
Share-based payments	—	—	73	119	119
Transfers	—	(2,497)	(2,497)	—	—
Total transactions with owners of the parent	—	(2,497)	(2,538)	(162,167)	(162,167)
As of 31 December 2015	39,371	—	219,466	1,322,294	1,322,294

(5) Condensed Interim Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine months ended 31 December 2014	Nine months ended 31 December 2015
Cash flows from operating activities		
Profit before tax	161,617	228,463
Depreciation and amortisation	48,072	53,023
Impairment losses and reversal of impairment losses	9,145	9,309
Finance income and expense	63	(12,864)
(Increase) decrease in inventories	(6,043)	7,954
(Increase) decrease in trade and other receivables	(43,715)	(50,480)
Increase (decrease) in trade and other payables	6,310	(42,655)
Other	28,597	44,476
Cash generated from operations	204,047	237,227
Income tax paid	(49,485)	(62,546)
Net cash flows from operating activities	154,561	174,681
Cash flows from investing activities		
Purchases of property, plant and equipment	(12,420)	(28,630)
Proceeds from sales of property, plant and equipment	5,341	1,646
Purchase of intangible assets	(41,062)	(55,765)
Purchase of available-for-sale financial assets	(3,226)	(522)
Proceeds from sales of available-for-sale financial assets	4,084	16,450
Interest and dividends received	2,071	1,784
Other	(3,044)	(3,458)
Net cash flows used in investing activities	(48,257)	(68,495)
Cash flows from financing activities		
Acquisition of treasury shares	(30,012)	(92,671)
Dividends paid to owners of the parent	(62,146)	(69,615)
Other	(567)	(795)
Net cash flows used in financing activities	(92,724)	(163,081)
Effect of exchange rate changes on cash and cash equivalents	33,054	919
Net increase (decrease) in cash and cash equivalents	46,634	(55,976)
Cash and cash equivalents at the beginning of the year	391,374	396,430
Cash and cash equivalents at the end of the period	438,008	340,454

(6) Notes on going concern assumption
Not applicable.