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Financial Results of Astellas for Fiscal Year 2008

Japan, May 13, 2009 – Astellas Pharma Inc. (hereinafter referred as "the Company") today announced the financial results for the fiscal year 2008 (FY2008), ended March 31, 2009.

(1) Consolidated financial results for FY2008 (April 1, 2008 – March 31, 2009)

(¥ million – fractions dropped)

	FY2007	FY2008	Changes (%)
Net sales	972,586	965,698	-0.7%
Operating income	275,904	250,394	-9.2%
Ordinary income	284,193	271,451	-4.5%
Net income	177,437	170,986	-3.6%
R&D expenses	134,463	159,058	18.3%
(% of net sales)	(13.8%)	(16.5%)	

(2) Forecasts of consolidated financial results for FY2009 (April 1, 2009 – March 31, 2010)

(¥ million – fractions dropped)

	FY2008	FY2009 forecasts	Changes (%)
Net sales	965,698	968,000	0.2%
Operating income	250,394	215,000	-14.1%
Ordinary income	271,451	219,000	-19.3%
Net income	170,986	135,000	-21.0%
R&D expenses	159,058	169,000	+6.3%
(% of net sales)	(16.5%)	(17.5%)	

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. 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 product effectively, interruptions in production, infringement of the company's intellectual property rights and the adverse outcome of material litigation.

Summary of Business Results and Financial Conditions

(1) Business results for FY2008 and forecasts for FY2009

Consolidated business results for the fiscal year ended March 31, 2009 (FY2008) and consolidated business forecasts for the fiscal year ending March 31, 2010 (FY2009) of the Company are as follows.

Business results for FY2008

Consolidated financial results

(¥ million – fractions dropped)

	FY2007	FY2008	Changes (%)
Net sales	972,586	965,698	-6,888 (-0.7%)
Operating income	275,904	250,394	-25,509 (-9.2%)
Ordinary income	284,193	271,451	-12,742 (-4.5%)
Net income	177,437	170,986	-6,451 (-3.6%)

Exchange rate for FY2008: ¥101/US$, ¥143/€
Exchange rate for FY2007: ¥114/US$, ¥162/€

Overview of FY2008

In the consolidated business results for the fiscal year under review, net sales, operating income, ordinary income and net income all decreased. During the fiscal year under review, the yen appreciated against both the U.S. dollar and the euro compared with the previous fiscal year. As a result of these fluctuations in exchange rates, net sales decreased by ¥62.0 billion and operating income decreased by ¥16.8 billion.

Net sales

Consolidated net sales amounted to ¥965.6 billion (a decrease of 0.7% from the previous fiscal year).

- With respect to global products, sales of a treatment for overactive bladder Vesicare soared to ¥71.4 billion, an increase of ¥11.2 billion (or 18.8%) from the previous fiscal year. Sales of an immunosuppressant Prograf remained robust in terms of local currencies in Japan, Europe and Asia as well as in the United States, where its patent expired in April 2008. However, the sales stood at ¥201.0 billion (a decrease of 1.0% from the previous fiscal year) due to the impact of the strong yen. Sales of Harnal, a treatment for the symptoms of benign prostatic hyperplasia,

amounted to ¥116.6 billion (a decrease of 4.7% from the previous fiscal year).

- Sales of ethical pharmaceuticals in the Japanese market steadily expanded to ¥491.5 billion (an increase of 2.8% from the previous fiscal year). In addition to Vesicare, Prograf, a hypnotic Myslee and a long-acting angiotensin-II receptor antagonist Micardis, new drugs, such as Celecox, a selective COX-2 inhibitor (launched in June 2007), Geninax, an oral-administrated quinolone antibacterial agent (launched in October 2007), and Irribow, a treatment for diarrhea-predominant irritable bowel syndrome in males (launched in October 2008), contributed to an increase in sales.
- In overseas, in addition to the global products discussed above, a pharmacologic stress agent Lexiscan (launched in the fiscal year under review) contributed to sales in the United States, and sales of Eligard for the treatment of advanced prostate cancer expanded in Europe.
- Overseas sales totaled ¥468.9 billion (a decrease of 4.2% from the previous fiscal year) due in part to the strong yen and the percentage of overseas sales accounted for 48.6% (a decrease of 1.7 percentage points form the previous fiscal year) of consolidated net sales.

Operating income

Consolidated operating income amounted to ¥250.3 billion (a decrease of 9.2% from the previous fiscal year).

- The cost-to-sales ratio accounted for 27.4% (improved 1.3 percentage points from the previous fiscal year), though net sales decreased. As a result, gross profit amounted to ¥701.2 billion (an increase of 1.2% from the previous fiscal year).
- Selling, general and administrative expenses amounted to ¥450.8 billion (an increase of 8.0% from the previous fiscal year). The year-on-year growth surpassed that of gross profit. Research and development (R&D) expenses substantially increased compared with the previous fiscal year, amounting to ¥159.0 billion (an increase of 18.3% from the previous fiscal year); the percentage to the consolidated net sales accounted for 16.5% for the fiscal year under review, up 2.7 percentage points. In addition to the progress in development projects, expenses for the enhancement of the R&D base increased, including i) an upfront payment (¥8.0 billion) for the conclusion of an in-licensing agreement with CoMentis Inc., in the United States in April 2008, for products for treatment of Alzheimer's disease, ii) R&D expenses of Agensys, Inc., in the United States, which the Company acquired in December 2007, and iii) depreciation expenses of the new research buildings in the Tsukuba Research Center (Miyukigaoka), which was completed in September 2008. Selling, general and administrative expenses excluding R&D expenses also increased due in part to recording of expenses to amortize the goodwill of Agensys, Inc. (¥7.4 billion).

Ordinary income

Consolidated ordinary income amounted to ¥271.4 billion (a decrease of 4.5% from the previous fiscal year).

- Non-operating income amounted to ¥22.2 billion, including currency exchange gains of ¥9.2 billion, in comparison with the previous fiscal year, in which non-operating income stood at ¥24.8 billion, primarily attributable to investment gains by the equity method of ¥7.9 billion. Non-operating expenses amounted to ¥1.1 billion, compared with ¥16.5 billion recorded in the previous fiscal year,

including currency exchange losses of ¥14.8 billion.
- As a result, non-operating income/expenses (net) improved.

Net income

Consolidated net income amounted to ¥170.9 billion (a decrease of 3.6% from the previous fiscal year).
- Extraordinary gains decreased from the previous fiscal year to stand at ¥1.9 billion, since a gain on sales of fixed assets amounting to ¥13.3 billion and other gains were recorded during the previous fiscal year. Extraordinary losses amounted to ¥10.6 billion, including special retirement benefits, loss on devaluation of investments in securities and business compensation attendant upon cancellation of the subcontracting contract at the Group company. Extraordinary losses decreased from the previous fiscal year, in which extraordinary losses reached ¥28.7 billion, including special retirement benefits due to the implementation of an early retirement program, among other factors.
- As a result, extraordinary gains/loses (net) improved.

Segment information

Japan

Net sales in Japan segment amounted to ¥510.4 billion (an increase of 1.0% from the previous fiscal year) and operating income in Japan amounted to ¥175.5 billion (a decrease of 0.3% from the previous fiscal year).
- Sales of mainstay products, such as Vesicare, Myslee, Prograf, Micardis and Seroquel, a treatment for schizophrenia, expanded, and new products, such as Celecox (launched in June 2007), Geninax (launched in October 2007) and Irribow (launched in October 2008), contributed to an increase in sales, although net sales were affected by the NHI drug price reduction. However, sales of Gaster, a treatment for peptic ulcers and gastritis, and Cefzon, an oral cephalosporin antibiotic, decreased.
- Export sales also decreased due to a decline in sales of Cefzon.
- Operating income in Japan slightly decreased due mainly to a large increase in R&D expenses despite a gross profit increase as a result of a transfer pricing (inter-group transaction price) revision for Prograf, an improvement in cost-to-sales ratio and the increase in net sales.

Overseas

<North America>

Net sales in North America segment amounted to ¥188.8 billion (a decrease of 2.9% from the previous fiscal year) and operating income in North America amounted to ¥32.8 billion (a decrease of 41.7% from the previous fiscal year).
- Sales of VESIcare increased favorably and sales of Lexiscan performed well. Sales of Prograf, whose patent expired in the United States during the fiscal year under review, decreased due to the strong yen, though its sales remained brisk in terms of local currencies since no generic products has been marketed yet.
- Operating income in North America decreased due not only to the decrease in net sales but also a decrease in gross profit following the transfer pricing revision for Prograf and the amortization of goodwill and increases in R&D expenses as a result of the acquisition of Agensys, Inc.

<Europe>
Net sales in Europe segment amounted to ¥239.1 billion (a decrease of 2.3% from the previous fiscal year), and operating income in Europe amounted to ¥39.8 billion (a decrease of 2.9% from the previous fiscal year).

- Sales of Vesicare, Prograf and Eligard expanded. Sales of Harnal (sold under the name of Omnic/Omnic OCAS in Europe) and bulk sales and royalty income of Harnal substantially decreased due to the strong yen.
- Operating income in Europe decreased mainly due to the decrease in net sales and the transfer pricing revision for Prograf.

(note) Astellas has promoted establishment of an optimal business structure with an effective use of the funds that are retained mainly in Europe, in connection with inter-regional transactions between Europe and North America. As a result, gross profit and a portion of expenses for some businesses in North America are accounted for in the Europe segment of the geographical segment information.

<Asia>
Net sales in Asia segment amounted to ¥27.2 billion (a decrease of 2.2% from the previous fiscal year) and operating income in Asia amounted to ¥3.3 billion (an increase of 22.3% from the previous fiscal year).

- Sales of Prograf and Harnal remained firm and sales of Vesicare expanded steadily, although the strong yen had negatively affected net sales.
- Although net sales decreased, operating income in Asia increased due to an improvement in cost-to-sales ratio and a decrease in expenses.

Other information

Research & Development

The Company actively promotes R&D activities as one of its primary policies. It aims to ensure sustainable mid- and long-term growth by continually and quickly developing highly innovative and useful new pharmaceuticals in therapeutic categories, where effective pharmaceuticals do not exist and the level of patient satisfaction is low.

In regards to drug discovery research, the Company intends to use management resources to concentrate on its six priority research fields: urology, inflammatory/immunology, CNS/pains, diabetes, infectious diseases (including viruses) and cancer. At the same time, in order to further improve the speed and quality of its drug discovery research, the Company constructed new research buildings in its Tsukuba Research Center (Miyukigaoka) in September 2008 and concentrated the drug discovery research functions in the Tsukuba region in April 2009. Furthermore, the Company has aggressively strengthened the basic technologies to further improve its capability to discover new drugs, actively working on the establishment of antibody pharmaceutical technologies, in addition to synthesis technologies for low molecular weight compounds and fermentation technologies, in which the Company has expertise.

In regards to clinical development, the Company attempts to accelerate development by concentrating its resources on prioritized development projects. In order to establish a management system that enables quick and accurate decision making,

Astellas Pharma Global Development, Inc. in the United States, which has the headquarters (HQs) function for global development, was established and started its operation in April 2008. Furthermore, the Company also established in April 2009 a system aimed at enhancing the operational platform for global development, improving global project management functions and strengthening functions to formulate and promote development strategies.

The progress of new compounds under development during the fiscal year under review is as stated below:

In Japan, the Company obtained approval for Irribow and Graceptor, a once-daily formulation of Prograf, in July 2008 and launched the products in October 2008. The Company filed an application for an additional indication of Prograf for the treatment of ulcerative colitis in June 2008 and for the treatment of myasthenia gravis in September 2008. It also obtained approval for an additional indication of Starsis, a fast-acting postprandial hypoglycemic agent, for use in combination therapy with thiazolidines in December 2008, while it obtained approval for Bonoteo, a treatment for osteoporosis, in January 2009 and launched the product in April 2009.

In the United States, the Company obtained approval for Lexiscan in April 2008 and launched the product in June 2008. It also obtained approval for Vaprisol Premixed in 5% Dextrose, a treatment for euvolemic and hypervolemic hyponatremia, in October 2008, and filed an application for telavancin, an injectable antibacterial, for the treatment of hospital-acquired pneumonia in January 2009.

In Europe, the Company obtained approval for the use of Mycamine, an injectable antifungal agent, for use in treatment of invasive candidiasis etc. in April 2008 and launched the product in the United Kingdom in August 2008. Furthermore, Protopic ointment was granted approval for prevention of flares in the treatment of atopic dermatitis in February 2009.

The Company is encouraging the practice of in-licensing products from outside companies as well as in-house drug discovery research. Through these activities, the Company strives to enrich development pipelines. For example, during the fiscal year under review, the Company entered into an exclusive license agreement with CoMentis, Inc. in the United States in April 2008, for worldwide collaboration in the research, development and commercialization of CoMentis's beta-secretase inhibitor being developed for Alzheimer's disease. The Company also entered into an agreement with Maxygen, Inc. in the United States in September 2008, under which it received worldwide rights to develop and commercialize MAXY-4, Maxygen's program to create a next-generation protein for transplant rejection and other autoimmune indications.

On the other hand, in March 2009 the Company terminated the license agreement regarding ASP2314/ACR16, an antipsychotic agent, in-licensed from a subsidiary of NeuroSearch A/S in Denmark.

With respect to telavancin, which was in-licensed from Theravance, Inc. in the United States and for which the Company had filed an application for use in the treatment of complicated skin and soft tissue infections in Europe, the Company withdrew the

application in October 2008. The Company also withdrew the application for the modified release formulation of the immunosuppressant FK506, which had been filed in the United States, in January 2009.

With respect to vernakalant, intravenous formulation for the acute conversion of atrial fibrillation, which was in-licensed from Cardiome Pharma Corp. in Canada and has been jointly developed with Cardiome. An approvable letter was issued by the United States Food and Drug Administration (FDA) in August 2008. With respect to telavancin, which has been filed for the use in the treatment of complicated skin and skin structure infections in the United States, following the approvable letter from the FDA in October 2007, the FDA issued a Complete Response letter in February 2009, and Theravance Inc. submitted the response to the Complete Response letter.

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Revision of global management system

The Company revised its global management system in April 2008 in order to further strengthen its competitiveness in the global pharmaceutical market. The Company has been implementing a global matrix management system, under which Profit Centers in Japan, the United States, Europe and Asia, together with their support functions, are locally operated under Regional HQs, whereas the functions of Drug Discovery Research, Development and Technology are implementing functional management throughout the world. In support of this plan, the Company has established a new company which acts as its global development HQs.

The Company also revised its decision making system. Starting April 2008, the Global Management Committee was newly established to discuss and decide important global business related issues. At the same time, the Corporate Administration and Finance Committee was also established to discuss and decide on the important finance and administrative issues of the Company HQs as a Japanese legal entity. Upon the establishment of these two committees, the Corporate Executive Committee and Product Strategy Executive Committee were disbanded.

Reinforcement and expansion of global business

The Company is expanding its business areas as it established a sales affiliate in Turkey and it started its business in June 2008. In order to further expand its business in Asia, the Company established Astellas Pharma India Private Limited.

The company is also proceeding restructuring of manufacturing sites to optimize its manufacturing system. In support of this, the Company transferred the Grand Island plant owned by Astellas Pharma Manufacturing, Inc. to APP Pharmaceuticals, Inc. in the United States in September 2008.

Consolidated business forecasts for FY2009

<Forecasts for 2Q/FY2009>

(¥ million – fractions dropped)

	2Q/FY2008	2Q/FY2009 forecasts	Change (amount)	Change (%)
Net sales	493,257	486,000	-7,257	-1.5%
Operating income	131,351	117,000	-14,351	-10.9%
Ordinary income	147,631	119,000	-28,631	-19.4%
Net income	90,937	73,000	-17,937	-19.7%

<Annual forecasts>

(¥ million – fractions dropped)

	FY2008	FY2009 forecasts	Change (amount)	Change (%)
Net sales	965,698	968,000	+2,302	0.2%
Operating income	250,394	215,000	-35,394	-14.1%
Ordinary income	271,451	219,000	-52,451	-19.3%
Net income	170,986	135,000	-35,986	-21.0%

(Notes) Expected exchange rate for FY2009: ¥100/US$, ¥130/€
Exchange rate for FY2008: ¥101/US$, ¥143/€
Exchange rate for 2Q/FY2008: ¥106/US$, ¥163/€

The annual forecasts for the fiscal year ending March 31, 2010 (FY2009) are as follows; net sales is anticipated to increase whereas operating income, ordinary income and net income is anticipated to decrease compared to the previous fiscal year. The yen is anticipated to appreciate against the euro among others compared with the previous fiscal year, and these fluctuations in exchange rate are anticipated to cause ¥27.6 billion decrease in net sales and ¥17.8 billion decrease in operating income.

Net sales

In addition to the fluctuations in exchange rate where the yen is anticipated to appreciate, competition with generic products in response to a patent expiry of Prograf and Harnal both in the United States and Europe is anticipated to negatively affect net sales. Vesicare is expected to increase its sales globally and Funguard/Mycamine is also expected to increase. Furthermore, new products are expected to contribute to increases in net sales in Japan in addition to the mainstay products. As a result of these, net sales are anticipated to total ¥968.0 billion (an increase of 0.2% from the previous fiscal year).

Overseas sales are anticipated to amount to ¥444.4 billion (a decrease of 5.2% form the previous fiscal year) and the percentage of overseas sales are anticipated to account for 45.9%.

Sales by geographical segments

<Japan>
Sales of mainstay products, such as a hypercholesterolemia treatment Lipitor, Micardis, Prograf (including Graceptor), Vesicare and Myslee are expected to expand, and new products, such as Celecox, Geninax and Irribow are expected to contribute to increases in sales. Therefore, sales of ethical pharmaceuticals in Japanese market is expected to increase. As a result, net sales in Japan segment are anticipated to amount ¥523.6 billion (an increase of 2.6% from the previous fiscal year).

<Overseas>
In North America, although Prograf is anticipated to decrease its sales due to its patent expiry, sales is anticipated to increase mainly due to the growth of VESIcare, Mycamine and Lexiscan. Net sales in North America segment are anticipated to amount ¥202.4 billion (an increase of 7.2% from the previous fiscal year).
In Europe, Vesicare and Eligard is expected to expand its sales steadily and Mycamine is expected to contribute where sales of Prograf is anticipated to decrease due to a patent expiry in major countries in June 2009. In addition to a decrease in sales of Harnal (sold under the name of Omnic/Omnic OCAS in Europe), bulk sales and royalty income of Harnal are also anticipated to decrease due to a patent expiry in the United States. In addition to those, the strong yen is anticipated to affect sales in Europe amounting to ¥215.0 billion (a decrease of 10.1% from the previous fiscal year).
Although business expansion is expected to proceed steadily, sales in Asia are anticipated to amount to ¥27.0 billion (a decrease of 0.9% from the previous fiscal year) due to the strong yen.

Operating income, Ordinary income and Net income
Operating income is anticipated to amount to ¥215.0 billion (a decrease of 14.1% from the previous fiscal year), which is attributable to the gross profit decrease associated with cost-to-sales ratio increase due mainly to change in product mix and an increase in selling, general and administrative expenses including R&D expenses. In terms of R&D expenses, development expenses is expected to increase associated with new drug development. Furthermore, as a result of amortization associated with Tsukuba Research Center (Miyukigaoka) and an increase in R&D expenses in Agensys Inc., R&D expenses are anticipated to amount to ¥169.0 billion (an increase of 6.3% from the previous fiscal year); the percentage to the consolidated net sales is anticipated to account for 17.5%. Selling, general and administrative expenses excluding R&D expenses will also increase due to increases of sales promotion expenses associated with new products launch and amortization of goodwill as a result of the acquisition of Agensys, Inc.
Ordinary income is anticipated to amount to ¥219.0 billion (a decrease of 19.3% from the previous fiscal year), and net income is anticipated to amount to ¥135.0 billion (a decrease of 21.0% from the previous fiscal year).

(2) Financial conditions for FY2008

Assets, Liabilities and Net Assets

Main changes in the consolidated balance sheet compared to the end of the previous fiscal year (March 31, 2008) are as follows;

<Assets>

Total assets as of March 31, 2009 decreased ¥90.7 billion to ¥1,348.4 billion compared to March 31, 2008.

Current assets: ¥963.6 billion (a decrease of ¥13.6 billion)

- While marketable securities decreased ¥47.1 billion compared to March 31, 2008, cash and cash equivalents increased ¥18.9 billion and inventories also increased ¥13.9 billion.

Fixed assets: ¥384.8 billion (a decrease of ¥77.0 billion)

- Property, plant and equipment increased ¥1.5 billion to ¥181.4 billion.
- Intangible fixed assets decreased ¥9.6 billion to ¥58.3 billion.
- Investments and other assets decreased ¥69.0 billion to ¥144.9 billion due to factors such as a decrease of ¥68.2 billion in investment securities.

<Liabilities>

Total liabilities as of March 31, 2009 decreased ¥10.0 billion to ¥318.2 billion compared to March 31, 2008.

Current liabilities: ¥283.5 billion (a decrease of ¥0.9 billion)

- While trade notes and accounts payable increased ¥19.7 billion, other accounts payable decreased ¥15.6 billion.

Fixed liabilities: ¥34.6 billion (a decrease of ¥9.0 billion)

<Net assets>

Total net assets as of March 31, 2009 decreased ¥80.6 billion to ¥1,030.2 billion compared to March 31, 2008 resulting in a shareholder's equity ratio of 76.3%.

- While accounting net income of ¥170.9 billion, the Company paid dividends amounting ¥58.6 billion and acquired treasury stock from the stock market amounting ¥123.6 billion during the fiscal year under review. In June 2008, 15.0 million shares with the value of ¥72.1 billion were cancelled.

Consolidated cash flow

<Cash flow from operating activities>
Cash inflows from operating activities increased ¥10.8 billion compared to the corresponding period of the previous fiscal year to ¥197.7 billion.
- Income before income taxes decreased ¥6.0 billion to ¥262.6 billion and corporate and other taxes also decreased ¥11.7 billion to ¥86.5 billion.

<Cash flow from investing activities>
Cash outflows from investing activities came to ¥28.9 billion (a decrease of ¥20.5 billion from the previous fiscal year).
- While cash outflows from purchase of marketable securities increased ¥26.9 billion to ¥76.0 billion, inflows from sale of securities decreased ¥8.5 billion to ¥104.6 billion.
- Outflows from purchase of property, plant and equipment increased ¥9.3 billion to ¥36.6 billion and inflows from sale of property, plant and equipment decreased ¥12.1 billion to ¥5.8 billion.
- Outflows of ¥40.4 billion from the acquisition of shares of Agensys, Inc. was accounted.

<Cash flow from financing activities>
Cash outflows from financing activities increased ¥53.2 billion to ¥184.6 billion.
- Purchase of treasury stock increased ¥41.6 billion to ¥123.6 billion.
- Cash dividends paid increased ¥12.7 billion to ¥58.6 billion.

As a result, cash and cash equivalents as of March 31, 2009 totaled ¥409.8 billion (a decrease of ¥50.6 billion compared to the corresponding period of the previous fiscal year).

Cash Flow Indicators

	FY2005	FY2006	FY2007	FY2008
Shareholders' equity ratio (%)	76.8%	74.7%	77.1%	76.3%
Shareholders' equity ratio on a fair market value basis (%)	157.5%	177.7%	133.6%	105.3%
Cash flow to interest-bearing liabilities ratio (%)	0.5%	0.8%	0.0%	0.0%
Interest coverage ratio (times)	148.2	694.6	5,786.2	-

- Shareholders' equity ratio (%): total shareholders' equity / total assets
- Shareholders' equity ratio on a fair market value basis (%): market capitalization / total assets
- Interest-bearing liabilities ratio on cash flow (%)
  interest-bearing liabilities / cash flow from operating activities (before eliminating interests and income taxes)
- Interest coverage ratio (times):
  cash flow from operating activities (before eliminating interests and income taxes) / interest payment

(Notes)
1. Each indicator is calculated using financial data on a consolidated basis.
2. Market capitalization is calculated based on the number of outstanding shares at the end of the reporting period (after eliminating treasury stock).
3. Of all liabilities included in the consolidated balance sheet, those on which the Company pays interest are computed as interest-bearing liabilities.
4. Cash flow from operating activities reported in the consolidated cash flow statement are used as cash flow from operating activities (before eliminating interests and income taxes).
5. The interest expense reported in the consolidated cash flow statement is used as interest payment.

(3) Profit distribution policy

The Company is committed to sustained improvement in its enterprise value, leading to improved return to shareholders. While putting priority on investment to assure future growth, the Company will continuously increase dividend payments assuming improvement in medium- to long-term earnings on a consolidated basis considering dividend on equity ratio (DOE) and other factors, and also implement share buybacks in a flexible manner to improve capital efficiency and raise the level of return to shareholders.

Annual dividend for this fiscal year is planned to be ¥120 per share (including year-end dividend of ¥60 per share) to shareholders, yielding DOE of 5.4 %. As a part of profit distribution and as measures of its capital policy, the Company implemented share buyback from the stock market of 28.08 million shares, which amounted to ¥123.4 billion, during the fiscal year under review.
Further, the Company cancelled 15.0 million shares of its treasury stock in June 2008 and decided to cancel 28.0 million shares of its treasury stock subject to the approval for the reversal of general reserve at the Company's Annual Shareholders' Meeting to be held in June 2009.

The Company anticipates that the annual dividend in the next fiscal year to be ¥125 (composed of interim dividend of ¥60 and year-end dividend of ¥65).

The Company is not planning to amend the article of incorporation in regard to delegation of dividend, quarterly dividend and others to the meeting of the Board of Directors as of today.

(4) Risk Factors

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

Impact of Pharmaceuticals Regulations

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

Product Risk

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

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

Inherent Uncertainties in Pharmaceutical R&D

In general, the probability of discovering a promising compound through drug discovery research is not high. Further, it takes a large amount of investments and a great deal of time to successfully launch a new product after discovery of a new compound. However, it may be necessary to discontinue clinical development if the effectiveness of a drug is not proven as initially expected, or if safety issues arise. In addition, pharmaceuticals are subject to legal restrictions in each country, so that authorization from local regulatory authorities is a prerequisite for a product launch in each country. It is difficult to accurately foresee if and when approvals for new products can be obtained.

Astellas' R&D activities are subject to these inherent risks.

Foreign Exchange Rate Fluctuations

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

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

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(All amounts are in millions of yen and amounts less than one million have been omitted.)

Accounts	As of March 31, 2008	As of March 31, 2009
Assets		
I. Current assets		
1. Cash on hand and in banks	¥248,527	¥267,460
2. Trade notes and accounts receivable	222,063	222,982
3. Marketable securities	293,582	246,463
4. Merchandise and finished goods	65,516	80,755
5. Work in process	12,359	12,505
6. Raw materials and supplies	13,568	12,169
7. Deferred tax assets	68,000	67,564
8. Other	54,306	54,760
Allowance for doubtful receivables	(647)	(1,020)
Total current assets	977,277	963,640
II. Fixed assets		
1. Property, plant and equipment		
(1) Buildings and structures	78,613	96,143
(2) Machinery, equipment and vehicles	26,957	23,606
(3) Tools, furniture and fixtures	17,287	16,801
(4) Land	31,296	29,115
(5) Construction in progress	25,524	13,964
(6) Other	203	1,817
Total property, plant and equipment	179,883	181,447
2. Intangible fixed assets		
(1) Goodwill	29,318	26,377
(2) Other	38,670	31,984
Total intangible fixed assets	67,989	58,361
3. Investments and other assets		
(1) Investment securities	157,773	89,562
(2) Deferred tax assets	39,734	46,222
(3) Other	16,739	9,266
Allowance for doubtful receivables	(244)	(57)
Total investments and other assets	214,002	144,995
Total fixed assets	461,875	384,805
Total assets	¥1,439,152	¥1,348,446

(All amounts are in millions of yen and amounts less than one million have been omitted.)

Accounts	As of March 31, 2008	As of March 31, 2009
Liabilities		
I. Current liabilities		
1. Trade notes and accounts payable	¥70,046	¥89,769
2. Other accounts payable	107,438	91,792
3. Accrued expenses	56,264	52,139
4. Accrued income taxes	38,046	39,681
5. Accrued consumption tax	2,094	413
6. Deferred tax liabilities	34	833
7. Accrued bonus for directors	176	134
8. Allowance for sales rebates	5,058	2,784
9. Other	5,369	6,004
Total current liabilities	284,529	283,553
II. Long-term liabilities		
1. Deferred tax liabilities	257	—
2. Accrued retirement benefits for employees	17,492	15,029
3. Accrued retirement benefits for directors	41	15
4. Other	25,968	19,626
Total long-term liabilities	43,759	34,671
Total liabilities	328,289	318,224
Net assets		
I. Shareholders' equity		
1. Common stock	103,000	103,000
2. Capital surplus	176,821	176,821
3. Retained earnings	917,205	957,346
4. Treasury stock	(104,122)	(155,295)
Total shareholders' equity	1,092,905	1,081,873
II. Valuation, translation adjustments and others		
1. Unrealized holding gains on securities	27,852	10,018
2. Translation adjustments	(10,860)	(62,904)
Total valuation, translation adjustments and others	16,991	(52,886)
III.Stock subscription rights	636	894
IV. Minority interests	328	338
Total net assets	1,110,862	1,030,221
Total liabilities and net assets	¥1,439,152	¥1,348,446

(2) Consolidated Statements of Income

(All amounts are in millions of yen and amounts less than one million have been omitted.)

Accounts	For the year ended March 31, 2008	For the year ended March 31, 2009
I. Net sales	¥972,586	¥965,698
II. Cost of sales	279,342	264,430
Gross profit	693,244	701,267
III. Selling, general and administrative expenses (Note)	417,339	450,872
Operating income	275,904	250,394
IV. Non-operating income	24,868	22,243
Interest income	13,345	9,921
Dividend income	1,680	1,457
Equity in earnings of affiliates	7,994	—
Exchange gain	—	9,250
Other	1,848	1,613
V. Non-operating expenses	16,578	1,186
Interest expense	52	—
Equity in losses of affiliates	—	47
Exchange loss	14,869	—
Other	1,656	1,139
Ordinary income	284,193	271,451
VI. Special gains	13,317	1,902
Gain on sales of fixed assets	11,366	1,333
Gain on sales of investment securities	—	499
Other	1,950	68
VII. Special losses	28,733	10,662
Loss on sales and disposal of fixed assets	2,151	3,078
Loss on impairment of fixed assets	9,330	1,340
Special retirement benefits	12,978	2,526
Loss on devaluation of investment securities	—	1,975
Compensation for cancellation of contracts	—	1,364
Expenses for integration and closure of business bases	3,308	—
Other	963	376
Income before income taxes and minority interests	268,777	262,691
Income taxes-current	93,998	86,851
Income taxes-deferred	(4,811)	2,770
Minority interests	2,153	2,083
Net income	¥177,437	¥170,986

Note:

Total amounts of research and development expenses	For the year ended March 31, 2008	For the year ended March 31, 2009
	¥134,463 million	¥159,058 million

(3) Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2008

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	¥103,000	¥176,821	¥1,006,648	¥(241,919)	¥1,044,551
Movements during the year					
Cash dividends paid			(45,878)		(45,878)
Net income			177,437		177,437
Purchase of treasury stock				(81,913)	(81,913)
Disposal of treasury stock			(52)	196	143
Cancellation of treasury stock			(219,514)	219,514	—
Other			(1,434)		(1,434)
Net change in items other than shareholders' equity					—
Total movements during the year	—	—	(89,442)	137,796	48,354
Balance as of March 31, 2008	¥103,000	¥176,821	¥917,205	¥(104,122)	¥1,092,905

	Valuation, translation adjustments and others			Stock subscription rights	Minority interests	Total net assets
	Unrealized holding gains on securities	Translation adjustments	Total valuation, translation adjustments and others			
Balance as of March 31, 2007	¥38,085	¥15,722	¥53,807	¥284	¥351	¥1,098,994
Movements during the year						
Cash dividends paid						(45,878)
Net income						177,437
Purchase of treasury stock						(81,913)
Disposal of treasury stock						143
Cancellation of treasury stock						—
Other						(1,434)
Net change in items other than shareholders' equity	(10,232)	(26,582)	(36,815)	352	(22)	(36,486)
Total movements during the year	(10,232)	(26,582)	(36,815)	352	(22)	11,868
Balance as of March 31, 2008	¥27,852	¥(10,860)	¥16,991	¥636	¥328	¥1,110,862

For the year ended March 31, 2009

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008	¥103,000	¥176,821	¥917,205	¥(104,122)	¥1,092,905
Movements during the year					
Cash dividends paid			(58,624)		(58,624)
Net income			170,986		170,986
Purchase of treasury stock				(123,600)	(123,600)
Disposal of treasury stock			(79)	287	207
Cancellation of treasury stock			(72,140)	72,140	—
Other					—
Net change in items other than shareholders' equity					—
Total movements during the year	—	—	40,140	(51,172)	(11,032)
Balance as of March 31, 2009	¥103,000	¥176,821	¥957,346	¥(155,295)	¥1,081,873

	Valuation, translation adjustments and others			Stock subscription rights	Minority interests	Total net assets
	Unrealized holding gains on securities	Translation adjustments	Total valuation, translation adjustments and others			
Balance as of March 31, 2008	¥27,852	¥(10,860)	¥16,991	¥636	¥328	¥1,110,862
Movements during the year						
Cash dividends paid						(58,624)
Net income						170,986
Purchase of treasury stock						(123,600)
Disposal of treasury stock						207
Cancellation of treasury stock						—
Other						—
Net change in items other than shareholders' equity	(17,833)	(52,044)	(69,877)	258	10	(69,609)
Total movements during the year	(17,833)	(52,044)	(69,877)	258	10	(80,641)
Balance as of March 31, 2009	¥10,018	¥(62,904)	¥(52,886)	¥894	¥338	¥1,030,221

(4) Consolidated Statements of Cash Flows

(All amounts are in millions of yen and amounts less than one million have been omitted.)

Accounts	For the year ended March 31, 2008	For the year ended March 31, 2009
I. Cash flows from operating activities		
Income before income taxes and minority interests	¥268,777	¥262,691
Depreciation and amortization	35,186	35,439
Loss on impairment of fixed assets	9,330	1,340
Amortization of goodwill	1,760	7,450
Increase in allowance for doubtful receivables	159	334
Decrease in accrued retirement benefits for employees	(834)	(93)
Interest and dividend income	(15,025)	(11,379)
Interest expense	52	—
Exchange loss (gain)	12	(310)
Equity in (earnings) losses of affiliates	(7,994)	47
Net (gain) loss on sales and disposal of fixed assets	(9,215)	1,745
Decrease (increase) in trade notes and accounts receivables	4,179	(13,228)
Increase in inventories	(5,261)	(26,569)
Increase in trade notes and accounts payables	492	28,828
Decrease in other accounts payable	(21,237)	(2,817)
Other	(910)	(11,353)
Subtotal	259,470	272,124
Interest and dividends received	25,756	12,196
Interest paid	(49)	—
Income taxes paid	(98,247)	(86,529)
Net cash provided by operating activities	186,930	197,791
II. Cash flows from investing activities		
Purchases of marketable securities	(49,103)	(76,091)
Proceeds from sales of marketable securities	113,172	104,606
Purchases of property, plant and equipment	(27,314)	(36,653)
Proceeds from sales of property, plant and equipment	17,923	5,810
Purchases of intangible fixed assets	(12,974)	(10,902)
Purchases of investment securities	(23,047)	(20,964)
Proceeds from sales of investment securities	10,387	2,951
Acqusition of shares of subsidiaries' stock resulting in change in the scope of consolidation	(40,406)	—
Loans receivable made	(123)	(70)
Collection of loans receivable	346	98
Net decrease (increase) in short-term investments	290	(4,061)
Other	2,433	6,288
Net cash used in investing activities	(8,416)	(28,987)

Accounts	For the year ended March 31, 2008	For the year ended March 31, 2009
III.Cash flows from financing activities		
Net decrease in short-term loans payable	¥(1,654)	—
Purchases of treasury stock	(81,913)	¥(123,600)
Cash dividends paid	(45,878)	(58,624)
Cash dividends paid to minority shareholders	(2,118)	(2,066)
Other	143	(384)
Net cash used in financing activities	(131,422)	(184,676)
IV. Effects of exchange rate changes on cash and cash equivalents	(8,037)	(34,786)
V. Increase (decrease) in cash and cash equivalents	39,054	(50,658)
VI. Decrease in cash and cash equivalents due to the change in scope of consolidation	(1,082)	—
VII. Cash and cash equivalents at beginning of year	422,513	460,485
VIII. Cash and cash equivalents at end of year	¥460,485	¥409,826

(Segment Information)

【Business segment information】

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

【Geographical segment information】

For the year ended March 31, 2008 *(Millions of yen)*

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
1. Sales and operating income							
Sales							
(1) Sales to third parties	¥505,596	¥194,506	¥244,643	¥27,840	¥972,586	—	¥972,586
(2) Intergroup sales and transfers	111,792	64,496	58,047	10	234,347	¥(234,347)	—
Total	617,388	259,002	302,691	27,850	1,206,933	(234,347)	972,586
Operating expenses	441,348	202,671	261,656	25,098	930,775	(234,092)	696,682
Operating income (loss)	¥176,040	¥56,331	¥41,034	¥2,752	¥276,158	¥(254)	¥275,904
2. Total assets	¥1,034,390	¥148,591	¥278,726	¥18,220	¥1,479,929	¥(40,776)	¥1,439,152

(Notes) 1. Countries and areas are segmented based on their geographical proximity.
2. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America -- The United States, Canada
(2) Europe ---------- The United Kingdom, The Republic of Ireland, The Netherlands, Germany, France, Italy, Spain
(3) Asia ---------- Korea, The Peoples' Republic of China, Taiwan

For the year ended March 31, 2009 *(Millions of yen)*

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
1. Sales and operating income							
Sales							
(1) Sales to third parties	¥510,499	¥188,853	¥239,113	¥27,231	¥965,698	—	¥965,698
(2) Intergroup sales and transfers	130,153	68,003	54,648	17	252,823	¥(252,823)	—
Total	640,653	256,856	293,762	27,249	1,218,521	(252,823)	965,698
Operating expenses	465,066	224,012	253,937	23,881	966,898	(251,594)	715,303
Operating income (loss)	¥175,586	¥32,844	¥39,825	¥3,367	¥251,623	¥(1,228)	¥250,394
2. Total assets	¥909,020	¥201,034	¥271,138	¥16,869	¥1,398,063	¥(49,617)	¥1,348,446

(Notes) 1. Countries and areas are segmented based on their geographical proximity.
2. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America -- The United States, Canada
(2) Europe ---------- The United Kingdom, The Republic of Ireland, The Netherlands, Germany, France, Italy, Spain
(3) Asia ---------- Korea, The Peoples' Republic of China, Taiwan

【Overseas Sales】

For the year ended March 31, 2008

	North America	Europe	Asia	Other	Total
1. Overseas sales (*Millions of yen*)	¥247,129	¥195,636	¥34,398	¥12,406	¥489,570
2. Consolidated net sales (*Millions of yen*)					¥972,586
3. Overseas sales as a percentage of consolidated net sales	25.4%	20.1%	3.5%	1.3%	50.3%

(Notes) 1. Countries and areas are segmented based on their geographical proximity.
2. Major countries and areas in each segment are as follows:
(1) North America -- The United States, Canada
(2) Europe ---------- The United Kingdom, Germany, France, Italy, Spain
(3) Asia ---------- Korea, The Peoples' Republic of China, Taiwan
3. Overseas sales consist of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

For the year ended March 31, 2009

	North America	Europe	Asia	Other	Total
1. Overseas sales (*Millions of yen*)	¥235,022	¥180,393	¥35,875	¥17,687	¥468,979
2. Consolidated net sales (*Millions of yen*)					¥965,698
3. Overseas sales as a percentage of consolidated net sales	24.3%	18.7%	3.7%	1.8%	48.6%

(Notes) 1. Countries and areas are segmented based on their geographical proximity.
2. Major countries and areas in each segment are as follows:
(1) North America -- The United States, Canada
(2) Europe ---------- The United Kingdom, Germany, France, Italy, Spain
(3) Asia ---------- Korea, The Peoples' Republic of China, Taiwan
3. Overseas sales consist of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

(Tax-Effect Accounting)

As of March 31, 2008		As of March 31, 2009	
1. Significant components of deferred tax assets and liabilities		1. Significant components of deferred tax assets and liabilities	
	(Millions of yen)		(Millions of yen)
Deferred tax assets		Deferred tax assets	
Loss on devaluation of investments in securities	¥3,819	Loss on devaluation of investments in securities	¥3,604
Accrued retirement benefits	6,660	Accrued retirement benefits	6,400
Depreciation	37,295	Depreciation	34,395
Loss on impairment of fixed assets	6,704	Loss on impairment of fixed assets	4,663
Accrued expenses	26,431	Accrued expenses	23,129
Inventories	23,641	Inventories	24,797
Accrued enterprise tax	3,347	Accrued enterprise tax	2,915
Other	43,159	Other	44,235
Total gross deferred tax assets	151,059	Total gross deferred tax assets	144,141
Valuation allowance	(13,423)	Valuation allowance	(14,940)
Total deferred tax assets	137,635	Total deferred tax assets	129,201
Deferred tax liabilities		Deferred tax liabilities	
Unrealized holding gain on securities	(18,661)	Unrealized holding gain on securities	(6,229)
Depreciation	(1,143)	Depreciation	(1,135)
Other	(10,388)	Other	(8,882)
Total deferred tax liabilities	(30,193)	Total deferred tax liabilities	(16,247)
Net deferred tax assets	107,441	Net deferred tax assets	112,953
2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:		2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:	
	(%)		(%)
Domestic statutory tax rate	41.0	Domestic statutory tax rate	41.0
(Reconciliation)		(Reconciliation)	
Tax credit for research and development expenses	(3.3)	Tax credit for research and development expenses	(4.5)
Permanently non-deductible expenses such as entertainment expenses	1.8	Permanently non-deductible expenses such as entertainment expenses	3.3
Different tax rates applied to foreign subsidiaries	(4.0)	Different tax rates applied to foreign subsidiaries	(4.2)
Equity in earnings of affiliates	(1.2)	Other	(1.5)
Other	(1.1)	Effective tax rate after adoption of tax-effect accounting	34.1
Effective tax rate after adoption of tax-effect accounting	33.2		

(Subsequent events)

For the year ended March 31, 2008

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

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

Acquisition of treasury stock

Pursuant to Article 156 and Article 165, Paragraph 3, of the Corporation Law of Japan, on May 13, 2008, the Board of Directors of the Company approved a resolution to acquire shares of the Company's own common stock in order to enhance the rate of return to its shareholders as well as to utilize its capital effectively. As a result, the Company is authorized to acquire up to 9.1 million shares of its common stock as treasury stock (representing 1.82% of the number of shares of commmon stock currently in issue), up to a maximum acquisition cost of ¥40,000 million, during the period from May 15, 2008 to June 20, 2008. Pursuant to this resolution, the Company has already acquired 9,085,500 shares of its common stock for ¥39,999,735,000.

For the year ended March 31, 2009

Not applicable