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Financial Results of Astellas for Fiscal Year 2012

Japan, May 13, 2013 – Astellas Pharma Inc. (hereinafter referred to as "the Company") today announced the financial results for the fiscal year 2012 (FY2012) ended March 31, 2013.

Consolidated financial results for FY2012 (April 1, 2012 – March 31, 2013)

(Millions of yen – fractions dropped)

	FY2011	**FY2012**	Change (%)
Net sales	969,387	**1,005,611**	+36,224 (+3.7%)
Operating income	131,519	**153,867**	+22,348 (+17.0%)
Ordinary income	135,107	**157,156**	+22,048 (+16.3%)
Net income	78,230	**82,851**	+4,620 (+5.9%)
Comprehensive income	54,429	**152,801**	+98,372 (+180.7%)

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

1. Business performance

(1) Analysis of business performance

1) Overview of FY2012

Consolidated business performance in FY2012 showed increases in net sales, operating income, ordinary income and net income, as follows.

Consolidated financial results

(Millions of yen – fractions dropped)

	FY2011	**FY2012**	Change (%)
Net sales	969,387	**1,005,611**	+36,224 (+3.7%)
Operating income	131,519	**153,867**	+22,348 (+17.0%)
Ordinary income	135,107	**157,156**	+22,048 (+16.3%)
Net income	78,230	**82,851**	+4,620 (+5.9%)
Comprehensive income	54,429	**152,801**	+98,372 (+180.7%)

Research and development (R&D) expenses

(Millions of yen – fractions dropped)

	FY2011	**FY2012**
R&D expenses	189,840	**181,954**

Exchange rate

Average rate	FY2011	**FY2012**	Change
¥/US$	¥79	**¥83**	+¥4
¥/€	¥109	**¥107**	-¥2

Current rate	As of March 31, 2012	**As of March 31, 2013**	Change
¥/US$	¥82	**¥94**	+¥12
¥/€	¥110	**¥121**	+¥11

Impact of exchange rate on financial results

The exchange rates for the yen in FY2012 are shown in the table above. As a result, there was a ¥9.0 billion increase in net sales and a ¥7.5 billion decrease in operating income. Due to the depreciation in the yen in the run-up to March 31, 2013, the effect of elimination of unrealized gains related to foreign currency-denominated inventories held by overseas subsidiaries in intra-group transactions put downward pressure on gross profit in the consolidated financial statements after these items were translated into yen. This is in contrast with the previous fiscal year, when the exchange rates were moving in the direction of yen appreciation on March 31, 2012, and the effect of elimination of unrealized gains raised gross profit. Consequently, the impact of the exchange rates on financial results is to increase net sales but to decrease operating income.

Net sales

Consolidated net sales increased by 3.7% compared to the previous fiscal year ("year-on-year"), to ¥1,005.6 billion.

- New products contributed to increased sales, including XTANDI, a treatment for prostate cancer, and Betanis / Myrbetriq, a treatment for overactive bladder (OAB). While sales of Vesicare, a treatment for OAB , and Funguard / Mycamine, a Candin-type antifungal agent, continued to increase, sales of Prograf, the immunosuppressant, showed expansion. However, sales of Harnal, a treatment for functional symptoms of benign prostatic hyperplasia, declined mainly due to the impact of generics.

Sales by region

*Sales by region calculated according to locations of sellers.

<Japan>

Net sales in Japan decreased by 0.2% year-on-year to ¥557.5 billion. Sales in the Japanese market were impacted mainly by the NHI drug price revision enforced in April 2012 and generics, but the resulting decrease was kept to a slight 0.8% year-on-year to ¥535.7 billion.

- Products such as Prograf, Vesicare, Micardis, an angiotensin II receptor blocker (including its combination drug, Micombi and Micamlo), Celecox, a non-steroidal anti-inflammatory and anti-pain drug, Symbicort, for the treatment of bronchial asthma and Bonoteo, an oral osteoporosis treatment, showed growth in sales.
- In addition, new products contributed to sales, including Betanis and the hyperkalemia treatment ARGAMATE (on sale from April 2012).
- On the other hand, sales declined for products such as Lipitor, a treatment for hypercholesterolemia, Gaster, a peptic ulcer and gastritis treatment, and Harnal mainly due to the impact of generics.
- The hyperphosphatemia treatment Kiklin and the restless legs syndrome treatment Regnite were launched in June and July 2012, respectively. Also, Gonax, a treatment for prostate cancer, and Quattrovac, a combined vaccine for the prevention of pertussis, diphtheria, tetanus, and poliomyelitis, were launched in October of the same year, and in March 2013, Cimzia, the treatment of adult patients with rheumatoid arthritis, was launched.

- Regarding Symbicort, approval was obtained in June 2012 for new dosage and administration on an as-needed basis used for reliever therapy in addition to maintenance therapy. Approval for Symbicort was also obtained for the additional indication of chronic obstructive pulmonary disease in August 2012.

<Outside of Japan>

Net sales in the Americas increased by 13.7% year-on-year to ¥208.7 billion. The sales on a local currency basis increased by 8.2% year-on-year to US$2,511 million.

- There was a contribution from sales of XTANDI and Myrbetriq launched in the US in September and October 2012, respectively.
- In addition, products such as Prograf, VESIcare, Mycamine, and Lexiscan, a pharmacologic stress agent, continuously grew. Also, income from anticancer drug Tarceva increased.

Net sales in Europe* increased by 2.5% year-on-year to ¥196.4 billion. The sales on a local currency basis increased by 4.2% year-on-year to €1,833 million.

* This category includes sales from the Middle and Near East, and Africa in addition to Europe.

- Vesicare and Mycamine, as well as Eligard, a treatment for prostate cancer, showed sales expansion.
- Sales of Prograf and Harnal sold through the Company's own distribution channel decreased as a result of the impacts of price reductions and generics in each country.
- DIFICLIR, for the treatment of Clostridium difficile infections and BETMIGA*, for the treatment of OAB, were launched in May 2012 and February 2013, respectively.

  * BETMIGA is sold under the brand name of Betanis in Japan and Myrbetriq in the US.

Net sales in Asia* increased by 20.1% year-on-year to ¥42.9 billion.

* This category includes sales from Oceania in addition to Asia.

- Products such as Prograf and Harnal, as well as Vesicare, Mycamine and Protopic, a treatment for atopic dermatitis, showed growth in sales, resulting in an increase in revenue.

Operating income

Consolidated operating income increased by 17.0% year-on-year to ¥153.8 billion.

- The cost-to-sales ratio fell 0.6 percentage points year-on-year to 32.2%, owing to changes in product mix and other factors. Coupled with the increase in net sales, this reduction resulted in a gross profit of ¥681.4 billion, up 4.7% year-on-year.
- Selling, general and administrative expenses increased by 1.6% year-on-year to ¥527.6 billion.
- Research and development (R&D) expenses included therein were ¥181.9 billion, down 4.2% year-on-year, mainly owing to a change in the method for depreciating property, plant and equipment and a decrease in the R&D expenses of the Company's British subsidiary Prosidion Limited. The R&D cost-to-sales ratio was down 1.5 percentage points year-on-year to 18.1%.
- Selling, general and administrative expenses, excluding R&D expenses, increased 4.9% year-on-year to ¥345.6 billion, owing to the foreign exchange impact and other factors,

coupled with increased expenditures related to oncology business in US and to strengthening of sales and marketing capabilities in Asia.

Ordinary income

Consolidated ordinary income increased by 16.3% year-on-year to ¥157.1 billion.

- Non-operating income was about the same level as the previous fiscal year at ¥4.0 billion. Non-operating expenses increased by ¥0.2 billion year-on-year to ¥0.7 billion.

Net income

Consolidated net income increased by 5.9% year-on-year to ¥82.8 billion.

- Special gains totaled ¥5.8 billion due to the recording of gain on sales of investment securities of ¥5.4 billion. Special losses totaled ¥38.2 billion mainly due to the recording of ¥34.7 billion in loss on impairment of fixed assets, which consists of property, plant and equipment, and intangible fixed assets relating to in-process R&D and the like.
- The income tax burden rate declined compared to the previous fiscal year, when the rate rose temporarily due to a change in policy regarding dividends from subsidiaries outside of Japan and the impact of the tax reform, etc.

2) Other

R&D and in-licensing activities

The Company is aiming for mid- to long-term sustainable growth through the continuous and early creation of new pharmaceuticals that are innovative and useful in therapeutic areas where no effective drugs are available and unmet medical needs exist. To achieve this, we have made it our top priority to rigorously advance R&D activities.

[Drug discovery research]

Drug discovery research, in which we are concentrating management resources, focuses on the prioritized therapeutic areas of Urology, Immunology (including Transplantation) and Infectious Diseases, Oncology, Neuroscience and Diabetes Mellitus (DM) Complications and Kidney Diseases.

In drug discovery research, we aim to discover innovative new drugs, promoting the Precision Medicine approach, which is based on the molecular target and diagnostic workup, and proactively making use of leading-edge technologies and knowhow through alliances with outside organizations. Furthermore, in preparation for future changes in the market structure, we take on the challenge of R&D for new technologies such as regenerative medicine and vaccines.

[Technical development]

With the aim of ensuring a stable supply of active pharmaceutical ingredients with high pharmacological activities, for which demand is expected to increase in line with expansion of the development pipeline focused on oncology, construction of Building No. 8 at Takahagi Technology Center of Astellas Pharma Tech Co., Ltd. began in August 2012. The construction is expected to be completed at the end of July 2013.

[Clinical development]

In tandem with moves to further reinforce its global development framework, the Company plans to accelerate the pace of product development by channeling resources into high-priority projects. The following are main development advances made during FY2012.

(Clinical development in Japan)

- The Company obtained approval in June 2012 for Gonax (generic name: degarelix acetate), a treatment for prostate cancer, and launched it in October of the same year.
- The Company submitted an application in August 2012 for approval of the orally disintegrating tablet, of Irribow (generic name: ramosetron hydrochloride) as an additional formulation, for the indication of diarrhea-predominant irritable bowel syndrome in male.
- In October 2012, the Company entered into a joint development agreement with Ajinomoto Pharmaceuticals Co., Ltd. for trials of Starsis (generic name: nateglinide), a fast-acting postprandial hypoglycemic agent, in combination with DPP-4 inhibitors.
- Approval for Cimzia (generic name: certolizumab pegol), a treatment for adult patients with rheumatoid arthritis under joint development with UCB Japan, was obtained in December 2012 for the indication for treatment of rheumatoid arthritis not responding to conventional

therapy (including inhibition of progression of bone structural damage), and the treatment was launched in March 2013.

- With respect to the hypnosedative Dormicum (generic name: midazolam), the Company submitted an additional indication application for conscious sedation in dentistry and dental surgery in February 2013.
- The Company obtained approval in February 2013 for synthetic penicillin Sawacillin (generic name: amoxicillin hydrate) for the additional indication of Helicobacter pylori eradication in patients with Helicobacter pylori gastritis by triple therapy with proton pump inhibitors and either clarithromycin or metronidazole.
- The Company submitted an application for the approval of ipragliflozin (generic name / code name: ASP1941), the treatment of type 2 diabetes in March 2013. Development in the US and Europe was discontinued after comprehensive consideration of the intensified competition for this product and the prioritization in our pipeline etc.
- In March 2013, approval was obtained for Acofide, a treatment for functional dyspepsia (generic name: acotiamide hydrochloride hydrate) jointly developed with Zeria Pharmaceutical Co., Ltd.

(Clinical development overseas)

- For enzalutamide (generic name / code name: MDV3100), an oral androgen receptor inhibitor under joint development with Medivation, Inc. of the US, applications for approval were submitted for the indication of metastatic castration-resistant prostate cancer in patients who have previously received docetaxel, in the US in May 2012 and in Europe the following month. In the US, approval was obtained for the treatment through a priority review in August 2012, and it was launched under the brand name XTANDI in September 2012.
- The Company obtained approval in the US in June 2012 for mirabegron (generic name / code name: YM178), a treatment for OAB, for the indication for treatment of OAB with symptoms of urge urinary incontinence, urgency and urinary frequency. The treatment was launched in the US in October 2012 under the brand name Myrbetriq. The Company also obtained approval for the treatment in Europe in December 2012 (brand name in Europe: BETMIGA), and it was launched in February 2013.
- The Company submitted an application for approval for tacrolimus extended release capsules (generic name / code name: FK506), an immunosuppressant, for the indication of prophylaxis of organ rejection in adult patients receiving kidney transplants and in adult male patients receiving liver transplants, in the US in September 2012. However the Company has withdrawn the submission for the indication relating to adult male patients receiving liver transplants.
- Also in September 2012, an application for approval was submitted in the US for tivozanib (generic name / code name: ASP4130), an inhibitor of all three vascular endothelial growth factor receptors 1,2 and 3 under joint development with AVEO Pharmaceuticals Inc. of the US, for the indication of advanced renal cell carcinoma.
- The Company submitted an application for approval in the US in September 2012 for

micafungin (generic name / code name: FK463), a Candin-type antifungal agent, for the additional pediatric indication of candidemia, acute disseminated candidiasis, Candida peritonitis and abscesses, esophageal Candidiasis, and the prophylaxis of candida infections in patients undergoing hematopoietic stem cell transplantation.

- With respect to the HER1/EGFR tyrosine kinase inhibitor Tarceva (generic name: erlotinib), the Company submitted an application for approval in the US in November 2012 for the additional indication of first-line treatment of patients with locally advanced or metastatic non-small cell lung cancer whose tumors have epidermal growth factor receptor activating mutations.
- With respect to the exclusive option granted by our British subsidiary Prosidion Limited to AstraZeneca to acquire assets related to PSN821 and PSN842, a potential new class of medicines for type 2 diabetes, we received notice from AstraZeneca of its decision not to exercise the option in November 2012. In response, we decided to discontinue the development based on the strategic priority among focused therapeutic areas and pipeline at Astellas.
- In March 2013, the Company exercised its right to terminate a worldwide license agreement with Ambit Biosciences Corporation of the US concluded in 2009 for the joint development and commercialization of FLT3 kinase inhibitors including quizartinib (generic name / code name: AC220). The agreement, which the Company has decided to terminate for its strategic reasons, will come to an end on September 3, 2013.

[Initiatives to optimize the allocation of resources in R&D]

- The Company is proactively promoting utilization of “Multi-Track” process. This approach includes having multiple strategies at every stage of the R&D process and promoting the uptake of innovative research, as well as constructing a high-quality and robust pipeline for the Company while at the same time managing risks and costs through the effective use of outside resources. As part of this, in April 2012, the Company and Drais Pharmaceuticals, Inc. (“Drais”) of the US entered into a partnership regarding ASP3291, which the Company has developed as a treatment for ulcerative colitis. In June 2012, the two companies entered into a partnership regarding ASP7147, which the Company has developed as a treatment for diarrhea-predominant irritable bowel syndrome. Under each of these partnerships, ownership of the compounds has been transferred to companies operated by Drais.
- In October 2012, the Company entered into a license agreement with Janssen Biotech, Inc. of the US regarding ASP015K, an oral Janus Kinase inhibitor created by the Company, for the exclusive development and commercialization of the compound worldwide except for Japan. The Company will continue to develop and commercialize ASP015K in Japan.
- In March 2013, the Company entered into an agreement with Cubist Pharmaceuticals, Inc. (“Cubist”) of the US, under which Cubist obtains the rights to ceftolozane (generic name), an injectable cephalosporin antibiotic in certain Asia-Pacific and Middle East territories from Astellas. With the attainment of these rights, Cubist now owns worldwide rights to develop, manufacture, and commercialize a combination of ceftolozane and tazobactam

(CXA 201).

- Urogenix, Inc., a US subsidiary of the Company, which is a research facility focusing on drug discovery in the field of urology, closed down at the end of December 2012. Urology continues to be one of the Company's prioritized therapeutic areas, and the research functions of Urogenix have been transferred to the Company's Tsukuba Research Center in Japan.

[Initiatives for Access to Health]

The Company is committed to improving "Access to Health" in developing countries. As part of its contribution to Access to Health, the Company is undertaking initiatives for the swift discovery of new drugs for patients infected with and suffering from neglected tropical diseases (NTDs) by utilizing its know-how and partnership initiatives, etc.

(Initiatives for drug discovery research for NTDs)

The number of patients suffering from NTDs is estimated to exceed more than 1 billion people, most of who reside in developing countries in Asia, Africa and Central and South America. Moreover, each year, more than 500,000 people loose their lives to these diseases. As drugs for such diseases are in low demand in developed countries, presently, there is a lack of proactive R&D in this area. The Company has constructed a drug discovery joint research structure with six research institutes in Japan and international NPOs to tackle those NTDs for which new drug treatments are required, particularly leishmaniasis, Chagas disease, sleeping sickness, dengue fever, and dengue hemorrhagic fever. Under this structure, revolutionary open-innovation drug discovery is taking place with a cutting-edge drug discovery approach.

- In June 2012, the Company entered into a joint research agreement with the Drugs for Neglected Diseases *initiative* (DND*i*) for drug discovery research.
- In addition, the Company entered into a joint research agreement in July 2012 with Tokyo Institute of Technology for drug candidates discovery for the treatment, utilizing the institute's TSUBAME2.0 supercomputer. In March 2013, the Company entered into a joint research agreement, also with Tokyo Institute of Technology to efficiently discover candidates for the treatment of diseases caused by dengue virus.
- In September 2012, the Company entered into a joint research agreement with the High Energy Accelerator Research Organization for drug discovery research with the use of the organization's synchrotron X-ray crystallography.
- In October 2012, the Company entered into a joint research agreement with the National Institute of Advanced Industrial Science and Technology for drug discovery research for the efficient discovery of candidates for the treatment, using the Company's unique "Fragment Evolution" drug designing method as a key technology.
- In November 2012, the Company entered into a joint research agreement with the University of Tokyo for drug candidate discovery for the treatment, under which experiments and verifications on the validity of plural target candidate molecules will be conducted.

- In November 2012 the Company entered into a joint research agreement with Nagasaki University for drug candidate discovery for the treatment, under which the Institute of Tropical Medicine at Nagasaki University will evaluate the compounds the Company provides with. In March 2013, the Company entered into a joint research agreement, also with Nagasaki University, for drug discovery for the treatment of diseases caused by dengue virus.

(Develop of pediatric formulation for the treatment of schistosomiasis)

- In July 2012, the Company participated in the establishment of a new international public-private partnership to develop a pediatric formulation for the treatment of schistosomiasis. We are utilizing our own drug formulation technology, which is of the world's highest standard, to manufacture candidate formulations for pediatrics. Through studies to verify stability, tablet properties, and manufacturing feasibility, the Company is contributing to the development of these treatments.

Other commercial partnerships

In April 2012, the Company entered into an agreement with KAKETSUKEN (The Chemo-Sero-Therapeutic Research Institute) regarding a sales and promotional framework for a combined vaccine for the prevention of pertussis, diphtheria, tetanus, and poliomyelitis that the Institute manufactures. Under the agreement, the Company will conduct sales and promotional activities for the vaccine all over Japan, while promotional activities in the Kyushu region will be carried out jointly by both companies. The vaccine was launched under the brand name Quattrovac in October 2012.

3) Consolidated business forecasts for FY2013

Consolidated full-year business forecasts

(Millions of yen – fractions dropped)

	FY2012 Full-year results	**FY2013 Full-year forecasts**	Change (%)
Net sales	1,005,611	**1,170,000**	+164,388 (+16.3%)
Operating income	153,867	**170,000**	+16,132 (+10.5%)
Ordinary income	157,156	**170,000**	+12,843 (+8.2%)
Net income	82,851	**110,000**	+27,148 (+32.8%)

(Notes)

1. Expected exchange rates assumed for consolidated full-year forecasts are shown below:

Expected exchange rate for FY2013	**¥100/US$**	**¥130/€**
Exchange rate for FY2012	¥83/US$	¥107/€

2. Although the Company will voluntarily adopt the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2014, the consolidated business forecasts presented here continue to be based on the Japanese Generally Accepted Accounting Principles.

The annual forecasts for the fiscal year ending March 31, 2014 (FY2013) are shown above.
Net sales is anticipated to increase whereas operating income, ordinary income and net income are anticipated to increase compared to FY2012. The yen is anticipated to weaken against the US dollar and the euro compared with FY2012, and the fluctuations in the exchange rate is anticipated to cause a ¥101.1 billion increase in net sales and a ¥17.6 billion increase in operating income.

Net sales

The net sales forecast is ¥1,170.0 billion (up 16.3% year-on-year). Sales of new products XTANDI and Betanis / Myrbetriq / BETMIGA are forecasted to expand, while sales of Vesicare and Fungard / Mycamine are forecasted to continue growing. In addition, revenue from Prograf and Harnal is expected to increase as a result of the weaker yen.

Sales by geographical segments

<Japan>

Sales in the Japanese market are forecasted to increase. In addition to an anticipated sales expansion in products such as Vesicare, Prograf, Micardis (including Micombi and Micamlo), Celecox, Symbicort and Bonoteo, new products such as Betanis and Cimzia are also expected to contribute to

an increase in revenues. On the other hand, sales declined for products such as Lipitor, Gaster, Myslee, and Seroquel, mainly due to the impact of generics.

<Overseas>

In the Americas, we forecast an increase in net sales. Sales of the new products Myrbetriq and XTANDI are forecasted to expand, while sales of VESIcare and Mycamine and income from Tarceva are forecasted to continue growing. On the other hand, we anticipate a decrease in sales of Prograf and overall sales of the pharmacologic stress agents Adenoscan and Lexiscan, mainly due to the impact of generics.

In Europe, we forecast an increase in net sales. We anticipate sales of Vesicare, Mycamine and Eligard to continue expanding. In addition, although we expect sales of Prograf and Harnal through the Company's own distribution channel to decrease on a local currency basis, we anticipate the revenues we receive from this to increase on a yen basis as a result of the foreign exchange impact.

In Asia, sales of Prograf, Vesicare, Mycamine and others are forecasted to continue to grow to realize an increase in net sales.

Operating income, ordinary income and net income

We expect an increase in gross profit owing to an increase in net sales, in addition to a fall in the cost-to-sales ratio as a result of impact of exchange rate and other factors.

Selling, general and administrative expenses are expected to increase, partly due to increased expenses related to sales of new products and various development projects, as well as the impact of foreign exchange. Among them, we project research and development (R&D) expenses of ¥212.0 billion (up 16.5% year-on-year) and the R&D cost-to-sales ratio of 18.1%.

As a result, we project an operating income of ¥170.0 billion (up 10.5% year-on-year).

Ordinary income is forecasted at ¥170.0 billion (up 8.2% year-on-year). Net income is forecasted at ¥110.0 billion (up 32.8% year-on-year).

(2) Analysis of financial conditions

1) Assets, liabilities and net assets

An overview of the consolidated balance sheets as of March 31, 2013 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of March 31, 2013 saw an increase of ¥44.9 billion compared to the end of the previous fiscal year to ¥1,445.5 billion.

<Current assets> ¥827.1 billion (an increase of ¥46.1 billion)

- Cash on hand and in banks as well as trade notes and accounts receivable increased.

<Fixed assets> ¥618.3 billion (a decrease of ¥1.1 billion)

- Property, plant and equipment increased by ¥19.3 billion compared to the end of the previous fiscal year to ¥218.4 billion.
- Intangible fixed assets decreased by ¥19.4 billion compared to the end of the previous fiscal year to ¥294.8 billion.
- Investments and other assets decreased by ¥1.0 billion compared to the end of the previous fiscal year to ¥105.0 billion.

Liabilities

Liabilities increased by ¥1.0 billion compared to the end of the previous fiscal year to ¥383.5 billion.

<Current liabilities> ¥313.5 billion (a decrease of ¥0.6 billion)

<Long-term liabilities> ¥69.9 billion (an increase of ¥1.6 billion)

Net assets

Net assets increased by ¥43.9 billion compared to the end of the previous fiscal year to ¥1,062.0 billion, making the equity ratio 73.3%.

- While net income stood at ¥82.8 billion, the Company paid ¥60.0 billion of dividends of surplus and purchased ¥49.3 billion of treasury stock. In addition, the change in foreign currency translation adjustments of ¥66.2 billion had the effect of increasing net assets by the same amount.

2) Cash flow

Cash flows from operating activities

Net cash provided by operating activities decreased year-on-year by ¥28.5 billion to ¥144.1 billion.

- Income before income taxes and minority interests decreased year-on-year by ¥2.4 billion to ¥124.6 billion and income taxes paid was ¥43.4 billion, a decrease in outflow of ¥6.8 billion year-on-year.

Cash flows from investing activities

Net cash used in investing activities was ¥48.6 billion, an increase in outflow of ¥22.6 billion year-on-year.

- While proceeds from sales of investment securities provided cash of ¥10.4 billion, purchases of property, plant and equipment used cash of ¥31.3 billion and purchases of intangible fixed assets used cash of ¥36.2 billion.

Cash flows from financing activities

Net cash used in financing activities was ¥109.7 billion, an increase in outflow of ¥51.7 billion year-on-year.

- Cash dividends paid totaled ¥60.0 billion, an increase in outflow of ¥2.3 billion year-on year. Also, cash of ¥49.3 billion was used for the purchase of treasury stock.

As a result of the above, cash and cash equivalents totaled ¥264.9 billion as of March 31, 2013, an increase of ¥12.5 billion compared to the end of the previous fiscal year.

Cash flow indicators

	FY2008	FY2009	FY2010	FY2011	FY2012
Equity ratio (%)	76.3	77.1	76.4	72.6	73.3
Equity ratio on a fair market value basis (%)	105.3	114.6	106.5	112.1	157.9
Cash flows to interest-bearing liabilities ratio (%)	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	–	–	659.9	–	–

- Equity ratio: total equity / total assets
- Equity ratio on a fair market value basis: market capitalization / total assets
- Cash flows to interest-bearing liabilities ratio:
  interest-bearing liabilities / cash flows from operating activities (before eliminating interests and income taxes)
- Interest coverage ratio:
  cash flows 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 total number of issued shares at the end of the reporting period (after eliminating treasury stock).
3. Of all liabilities included in the consolidated balance sheets, those on which the Company pays interest are computed as interest-bearing liabilities.
4. Cash flows from operating activities reported in the consolidated statements of cash flows are used as cash flows from operating activities (before eliminating interests and income taxes).
5. The interest expense reported in the consolidated statements of cash flows is used as interest payment.

(3) Profit distribution policy

The Company is working aggressively towards increasing corporate value on a continual basis and, as a consequence, improves its return to shareholders. While putting priority on business investment to assure future growth, the Company will strive to increase dividend payments stably and continuously, taking into consideration the dividend on equity ratio (DOE) and other factors based on medium- to long-term profit growth on a consolidated basis. Further, the Company will flexibly acquire its own shares whenever necessary to further increase capital efficiency and shareholder return.

The annual dividend for FY2012 is planned to be ¥130 per share (including a year-end dividend of ¥65 per share) to shareholders, yielding a DOE of 5.7 %.

As a part of profit distribution to its shareholders and as measures of its capital policy, the Company implemented share buyback from stock market of 10.80 million shares, which amounted to ¥49.3 billion, during the fiscal year under review.
Further, the Company decided to cancel 11.00 million shares of its treasury stock.

The Company anticipates that the annual dividend in FY2013 will be ¥135 per share (composed of interim dividend of ¥65 per share and a year-end dividend of ¥70 per share).

The Company is not planning any amendment to the articles of incorporation in regard to delegation of the dividend to the Board of Directors, and nor in regard to a quarterly dividend etc., at this moment.

(4) Risk Factors

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 investment 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, thus 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 and 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, production and 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 Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash on hand and in banks	¥210,986	¥233,814
Trade notes and accounts receivable	264,687	286,068
Marketable securities	88,112	78,862
Merchandise and finished goods	82,233	92,662
Work in process	13,472	13,280
Raw materials and supplies	16,116	22,236
Deferred tax assets	71,549	61,745
Other	36,807	40,444
Allowance for doubtful receivables	(2,887)	(1,926)
Total current assets	781,078	827,189
Fixed assets		
Property, plant and equipment		
Buildings and structures	95,682	116,823
Machinery, equipment and vehicles	25,269	28,871
Tools, furniture and fixtures	10,736	15,420
Land	31,037	30,180
Construction in progress	34,886	25,796
Other	1,547	1,386
Total property, plant and equipment	199,159	218,478
Intangible fixed assets		
Goodwill	94,192	95,977
Patents	161,499	138,069
Other	58,586	60,793
Total intangible fixed assets	314,278	294,841
Investments and other assets		
Investment securities	60,525	61,646
Deferred tax assets	33,875	27,125
Other	11,750	16,302
Allowance for doubtful receivables	(39)	(22)
Total investments and other assets	106,112	105,051
Total fixed assets	619,550	618,371
Total assets	¥1,400,629	¥1,445,561

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

	As of March 31, 2012	As of March 31, 2013
Liabilities		
Current liabilities		
Trade notes and accounts payable	¥108,408	¥102,834
Other accounts payable	82,387	87,717
Accrued expenses	80,932	94,372
Accrued bonus for directors	76	88
Allowance for sales rebates	3,951	4,386
Other	38,413	24,135
Total current liabilities	314,170	313,536
Long-term liabilities		
Deferred tax liabilities	30,932	34,715
Accrued retirement benefits for employees	16,979	18,273
Other	20,424	17,011
Total long-term liabilities	68,336	69,999
Total liabilities	382,506	383,535
Net assets		
Shareholders' equity		
Common stock	103,000	103,000
Capital surplus	176,821	176,821
Retained earnings	894,737	917,511
Treasury stock	(23,131)	(72,284)
Total shareholders' equity	1,151,427	1,125,048
Accumulated other comprehensive income		
Unrealized holding gains on securities	12,257	15,966
Foreign currency translation adjustments	(147,166)	(80,925)
Total accumulated other comprehensive income	(134,909)	(64,959)
Stock subscription rights	1,604	1,936
Total net assets	1,018,123	1,062,025
Total liabilities and net assets	¥1,400,629	¥1,445,561

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

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

	For the year ended March 31, 2012	For the year ended March 31, 2013
Net sales	¥969,387	¥1,005,611
Cost of sales	318,632	324,127
Gross profit	650,754	681,484
Selling, general and administrative expenses	519,235	527,617
Operating income	131,519	153,867
Non-operating income		
Interest income	1,223	671
Dividend income	1,141	1,134
Equity in earnings of affiliates	194	32
Exchange gain	1,004	1,464
Other	548	749
Total non-operating income	4,111	4,052
Non-operating expenses		
Interest expense	123	271
Commission fee	40	121
Other	358	370
Total non-operating expenses	522	763
Ordinary income	135,107	157,156
Special gains		
Gain on sales of fixed assets	10,424	251
Gain on sales of investment securities	2,715	5,428
Other	943	131
Total special gains	14,083	5,811
Special losses		
Loss on sales and disposal of fixed assets	5,923	732
Loss on impairment of fixed assets	9,234	34,790
Loss on disaster	3,192	—
Business integration expenses	644	—
Other	3,120	2,771
Total special losses	22,116	38,294
Income before income taxes and minority interests	127,074	124,673
Income taxes-current	51,157	25,360
Income taxes-deferred	(2,313)	16,461
Total income taxes	48,843	41,821
Income before minority interests	78,230	82,851
Net income	¥78,230	¥82,851

(Consolidated Statements of Comprehensive Income)

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

	For the year ended March 31, 2012	For the year ended March 31, 2013
Income before minority interests	¥78,230	¥82,851
Other comprehensive income		
Unrealized holding gains on securities	2,777	3,708
Foreign currency translation adjustments	(26,579)	66,241
Total other comprehensive income	(23,801)	69,949
Comprehensive income	¥54,429	¥152,801
- attributable to owners of the parent	¥54,429	¥152,801
- attributable to minority interests	—	—

(3) Consolidated Statements of Changes in Net Assets

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

	For the year ended March 31, 2012	For the year ended March 31, 2013
Shareholders' equity		
Common stock		
Balance at beginning of year	¥103,000	¥103,000
Movements during the year		
Total movements during the year	—	—
Balance at end of year	103,000	103,000
Capital surplus		
Balance at beginning of year	176,821	176,821
Movements during the year		
Total movements during the year	—	—
Balance at end of year	176,821	176,821
Retained earnings		
Balance at beginning of year	874,351	894,737
Movements during the year		
Cash dividends paid	(57,729)	(60,050)
Net income	78,230	82,851
Disposal of treasury stock	(116)	(26)
Total movements during the year	20,385	22,774
Balance at end of year	894,737	917,511
Treasury stock		
Balance at beginning of year	(23,492)	(23,131)
Movements during the year		
Purchase of treasury stock	(11)	(49,392)
Disposal of treasury stock	372	238
Total movements during the year	360	(49,153)
Balance at end of year	(23,131)	(72,284)
Total shareholders' equity		
Balance at beginning of year	1,130,682	1,151,427
Movements during the year		
Cash dividends paid	(57,729)	(60,050)
Net income	78,230	82,851
Purchase of treasury stock	(11)	(49,392)
Disposal of treasury stock	255	212
Total movements during the year	20,745	(26,379)
Balance at end of year	¥1,151,427	¥1,125,048

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

	For the year ended March 31, 2012	For the year ended March 31, 2013
Accumulated other comprehensive income		
Unrealized holding gains on securities		
Balance at beginning of year	¥9,479	¥12,257
Movements during the year		
Net change in items other than shareholders' equity	2,777	3,708
Total movements during the year	2,777	3,708
Balance at end of year	12,257	15,966
Foreign currency translation adjustments		
Balance at beginning of year	(120,587)	(147,166)
Movements during the year		
Net change in items other than shareholders' equity	(26,579)	66,241
Total movements during the year	(26,579)	66,241
Balance at end of year	(147,166)	(80,925)
Total accumulated other comprehensive income		
Balance at beginning of year	(111,107)	(134,909)
Movements during the year		
Net change in items other than shareholders' equity	(23,801)	69,949
Total movements during the year	(23,801)	69,949
Balance at end of year	(134,909)	(64,959)
Stock subscription rights		
Balance at beginning of year	1,522	1,604
Movements during the year		
Net change in items other than shareholders' equity	82	331
Total movements during the year	82	331
Balance at end of year	1,604	1,936
Total net assets		
Balance at beginning of year	1,021,096	1,018,123
Movements during the year		
Cash dividends paid	(57,729)	(60,050)
Net income	78,230	82,851
Purchase of treasury stock	(11)	(49,392)
Disposal of treasury stock	255	212
Net change in items other than shareholders' equity	(23,719)	70,281
Total movements during the year	(2,973)	43,902
Balance at end of year	¥1,018,123	¥1,062,025

(4) Consolidated Statements of Cash Flows

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

	For the year ended March 31, 2012	For the year ended March 31, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	¥127,074	¥124,673
Depreciation and amortization	53,781	47,538
Loss on impairment of fixed assets	9,234	34,790
Amortization of goodwill	11,719	10,317
Increase in accrued retirement benefits for employees	711	59
Interest and dividend income	(2,364)	(1,805)
Net (gain) loss on sales and disposal of fixed assets	(4,500)	481
Increase in trade notes and accounts receivable	(6,091)	(5,405)
Increase in inventories	(17)	(6,221)
Increase (decrease) in trade notes and accounts payable	21,711	(13,781)
Increase (decrease) in other accounts payable	5,704	(5,387)
Other	3,592	523
Subtotal	220,556	185,783
Interest and dividends received	2,373	1,810
Income taxes paid	(50,254)	(43,441)
Net cash provided by operating activities	172,675	144,152
Cash flows from investing activities		
Purchases of marketable securities	(6,997)	—
Proceeds from sales of marketable securities	7,524	—
Purchases of property, plant and equipment	(47,678)	(31,332)
Proceeds from sales of property, plant and equipment	11,978	705
Purchases of intangible fixed assets	(16,449)	(36,213)
Proceeds from sales of intangible fixed assets	45,389	—
Purchases of investment securities	(749)	(816)
Proceeds from sales of investment securities	4,243	10,433
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(3,736)	—
Net (increase) decrease in short-term investments	(18,206)	11,499
Other	(1,272)	(2,891)
Net cash used in investing activities	(25,953)	(48,614)
Cash flows from financing activities		
Purchases of treasury stock	(11)	(49,392)
Cash dividends paid	(57,729)	(60,050)
Other	(197)	(284)
Net cash used in financing activities	(57,938)	(109,726)
Effects of exchange rate changes on cash and cash equivalents	(11,869)	26,721
Increase in cash and cash equivalents	76,914	12,532
Cash and cash equivalents at beginning of year	175,465	252,379
Cash and cash equivalents at end of year	¥252,379	¥264,912