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Financial Results of Astellas for FY2005

Japan, May 15, 2006 – Astellas Pharma Inc. (hereinafter referred as “the Company”) today announced the financial results for FY2005 (the fiscal year ended March 31, 2006).

(Note) The figures of FY2004 are simple sums of those of former Yamanouchi and former Fujisawa (pro forma).

(1) Consolidated financial results for FY2005 (April 1, 2005 – March 31, 2006)

(all amounts are in million of yen – fractions dropped)

	FY2005	FY2004 pro forma	Change (%)
Net sales	879,361	862,011	+2.0%
Operating income	193,020	192,239	+0.4%
Ordinary income	202,588	194,235	+4.3%
Net income	103,658	59,532	+74.1%
Per share profit (Yen)	183.88	--	--
R&D expenses (% of net sales)	142,076 (16.2%)	127,622 (14.8 %)	+11.3%

(2) Forecasts of consolidated financial results for FY2006 (the fiscal year ending March 31, 2007)

(all amounts are in million of yen – fractions dropped)

	FY2006 forecasts	FY2005 results	Change (%)
Net sales	902,000	879,361	+2.6%
Operating income	180,000	193,020	-6.7%
Ordinary income	184,000	202,588	-9.2%
Net income	123,000	103,658	+18.7%
R&D expenses (% of net sales)	175,000 (19.4%)	142,076 (16.2%)	+23.2%

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.

1. Business Results and Financial Conditions

(1) Consolidated business results for FY2005

Consolidated business results

(millions of yen – fractions dropped)

	FY2005	FY2004 pro forma	Changes (%)
Net sales	879,361	862,011	+ 17,350 (+2.0%)
Operating income	193,020	192,239	+ 780 (+0.4%)
Ordinary income	202,588	194,235	+ 8,353 (+ 4.3%)
Net income	103,658	59,532	+ 44,126 (+74.1%)

Exchange rate for FY2005: ¥113/US$, ¥138/ Euro
Exchange rate for FY2004: ¥108/US$, ¥135/ Euro

(Note) Exchange rate fluctuations caused a ¥13.7 billion increase in net sales and ¥5.6 billion increase in operating income due to the depreciation of the yen against US$ and Euro as stated in the notes above.

1) Overview of FY2005

Net sales and incomes at all level increased compared to FY2004.

Net sales

- Consolidated net sales for FY2005 increased ¥17.3 billion to ¥879.3 billion. Sales of ethical pharmaceutical business came to ¥847.9 billion, up ¥15.9 billion from FY2004.
- Sales in Japan decreased ¥18.4 billion to ¥511.1 billion. In ethical pharmaceutical business, the main products such as a long-acting angiotensin-II receptor antagonist Micardis and hypercholesterolemia treatment Lipitor made a steady growth. However, some temporary factors such as the extra shipment at the end of the previous fiscal year due to the merger and the product transfer in the previous fiscal year had a negative impact on sales. Sales decrease was also attributable to business restructuring of non-ethical pharmaceutical business.
- In overseas, sales of immunosuppressant Prograf in Europe and North America, and Harnal (brand name in Europe: Omnic / Omnic OCAS) for functional symptoms associated with benign prostatic hyperplasia in Europe continued growth. In addition, Vesicare for the treatment of overactive bladder with the symptoms of urgency, urinary frequency or urinary urge incontinence contributed to sales increase in both Europe and U.S. Meanwhile, sales of the treatment for atopic dermatitis Protopic declined significantly in North America. As a result, sales in Europe and North America increased ¥16.8 billion to ¥203.2 billion and ¥15.5

billion to ¥145.3 billion, respectively.
- Overseas sales for FY2005 increased ¥39.6 billion to ¥398.2 billion accounting for 45.3 % of consolidated net sales.

Operating income
- Operating income increased ¥0.7 billion to ¥193.0 billion.
- Gross profit increased due to the increase in net sales and an improvement of 1.4 percentage points in cost-of-sales ratio to 31.0 % which was mainly attributable to changes in product mix and cost reduction efforts.
- Total SG&A expenses increased ¥22.8 billion to ¥413.3 billion. R&D expenses increased due to proactive in-licensing activities and sales and marketing expenses for new products in Europe and North America also increased, while other SG&A expenses including personnel expenses decreased.
- R&D expenses amounted ¥142.0 billion, ¥14.4 billion increase accounting for 16.2% of consolidated net sales.

Ordinary income
- Ordinary income increased ¥8.3 billion to ¥202.5 billion.
- In addition to increase of operating income, net amount of non-operating profits and losses improved mainly due to exchange gains.

Net income
- Net income increased ¥44.1 billion to ¥103.6 billion.
- Total amounts of extraordinary losses including expenses for business integration (¥21.2 billion) and impairment loss (¥8.6 billion) were lower than those in FY2004. Expenses for business integration were significantly lower than those in FY2004 and other extraordinary losses were reported in FY2004 such as extraordinary amortization of patent and loss on business restructuring accompanying the spin-off of formulation plants in Japan.

2) Segment information

Business segment information

The Company’s businesses are segmented into “Pharmaceutical and related products” and “Other”. As net sales, operating income and total assets of “Pharmaceutical and related products” segment constitutes more than 90% of the consolidated totals, the disclosure of business segment information has been omitted.

Geographical segment information

Japan
- Sales in Japan decreased ¥18.4 billion to ¥511.1 billion.
- In ethical pharmaceutical business, although main products showed a continued growth as described below, the following factors had negative impacts on sales in Japan; the extra shipment at the end of the previous fiscal year (about ¥11.9 billion), the product transfer in the previous fiscal year including Rescula, an anti-glaucoma and anti-ocular hypertension agent and the penem-type antibiotic Farom, and a change in accounting method for process fees. Sales after adjustment of these factors generally did well.
- In the Japanese market, sales of Lipitor, Micardis, the hypnotic Myslee and Prograf

showed continued growth. Meanwhile, sales of Harnal declined due to the intensifying competition with generic drugs although Harnal D, a new orally disintegrating tablet, was launched in June 2005.
In addition, export sales of the oral cephalosporin antibiotic Cefzon to the licensee increased.
- Sales of OTC drug business by Zepharma Inc. amounted to ¥21.9 billion. In FY2005, sales by Zepharma during October 2005 to March 2006 was a factor to increase consolidated net sales by ¥11.8 billion compared to FY2004. As it was the equity method affiliate during the period, sales by Zepharma Inc. during the corresponding period in FY2004 was not included in consolidated net sales of the Company in FY2004.
- Sales of non-ethical pharmaceutical business decreased as a result of business restructuring aiming at concentration on ethical pharmaceutical business including the *de facto* withdrawal form home care business.
- Operating income in Japan decreased ¥22.9 billion to ¥138.1 billion. In addition to the sales decrease, R&D expenses increased as a result of proactive in-licensing activities.

Overseas

<North America>
- Sales in North America increased ¥15.5 billion to ¥145.3 billion.
- In addition to continuous growth of Prograf and the pharmacologic stress imaging agent Adenoscan, VESIcare which was launched in January 2005 showed a steady market penetration through co-promotion with GlaxoSmithKline. New products such as VESIcare and the candin antifungal agent Mycamine which was launched in May 2005 also contributed to increase in sales. Meanwhile, sales of Protopic significantly declined.
- Operating income in North America increased ¥9.6 billion to ¥32.7 billion.

<Europe>
- Sales in Europe increased ¥16.8 billion to ¥203.2 billion.
- Prograf showed continuous growth and sales of Harnal (brand name in Europe: Omnic/Omnic OCAS) in Europe market showed the considerable increase. The market penetration of new formulation Omnic OCAS made good progress. Vesicare also contributed to sales increase. Harnal bulk sales to and royalty revenue from licensees were almost flat.
- Operating income in Europe increased ¥6.6 billion to ¥18.3 billion.

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

<Asia>
- Sales and operating income in Asia increased ¥3.4 billion to ¥19.6 billion and ¥1.5 billion to ¥3.8 billion, respectively due to the growth of Prograf and Harnal.

Other information

<u>R&D</u>

The Company aims to make a sustainable growth in mid- and long-term by generating a continuous and fast stream of innovative new products. From that perspective, the Company is proactively promoting its R&D activities as its most important measure.

In terms of drug discovery research, the Company has built a seamless infrastructure ranging from exploratory research to development research at laboratories in Tsukuba (Ibaraki) and Kashima (Osaka). Aiming at generating high-quality compounds as quickly as possible, the Company is striving for the efficient research activities by focusing resource allocation on priority research area – urology, inflammation and immunology, infectious disease, diabetes, gastrointestinal disease and CNS.
To strengthen its research capability in urology area, the Company acquired research operation of Dynogen Pharmaceuticals, Inc. in U.S. to established fully owned subsidiary Urogenix, Inc. in March 2006.

In terms of clinical development, the Company prioritizes all development projects and allocates its R&D resources efficiently in order to accelerate its development activities.

In Japan, additional indication of Prograf for rheumatoid arthritis was approved in April 2005. In October 2005, FK506 for lupus nephritis was filed and additional indication of Luvox for social anxiety disease also obtained approval. Further, an NDA for YM060 for irritable bowel syndrome was filed in January 2006 and Vesicare obtained approval in April 2006. In addition, projects including FK199B, a modified release formulation of zolpidem, a treatment for insomnia, is in phase III.

In overseas, a treatment for euvolemic hyponatremia Vaprisol was approved in U.S. in December 2005 and launched in April 2006. Further, an NDA or MAA for a modified release version of FK506 was filed in U.S. in December 2005 and in Europe in January 2006. In March 2006, Prograf was approved for use in heart transplant patients and an NDA for RSD1235 for the treatment of atrial fibrillation was filed in U.S. In April 2006, an NDA for the candin antifungal agent FK463 was filed in Europe. In addition, many new drug candidates are under development such as factor Xa inhibitor YM150.

<u>Enhancement of product line by in-licensing activities</u>

The Company is striving to enhance its product line by proactive in-licensing activities as well as strengthening its in-house R&D activities in order to mid- and long-term growth.
The Company has concluded following in-licensing agreements at local or global basis during FY2005.

Date	Product	Licensor	Area
Nov. 2005	antibiotic “telavancin”	Theravance (US)	Worldwide excluding Japan
Dec. 2005	treatment of neuropathic pain “XP13512”	Xenoport (US)	Japan and Asia
Jan. 2006	treatment of prostate cancer “degarelix”	Ferring (Switzerland)	Japan
Mar. 2006	anti-human osteopontin antibodies	Immuno-Biological Laboratories	Worldwide
Mar. 2006	quinolon antibiotic “T-3811”	Toyama Chemical	Japan

Further, in March 2006, the Company concluded the agreement to acquire the worldwide rights to Amevive for the treatment of psoriasis from Biogen Idec Inc.
In April 2006, the Company entered into licensing agreement with Ilypsa, Inc. for the right of development and marketing the treatment of hyperphosphatemia ILY-101 in Japan. The Company also concluded the license agreement with FibroGen Inc. in April 2006 for oral anemia therapies FG-2216, FG-4592 and other compounds with similar mechanisms of action for exclusive development and marketing in Europe and other regions.

Production

The Company continuously reviews its production system to ensure further competitiveness in global market by establishing more efficient production system. As a part of the measures, it decided to spin off its manufacturing and analytical functions for active pharmaceutical ingredients including the ones for clinical trials at its Takahagi site and established Astellas Pharma Chemicals Co., Ltd. in April 2006. As a result, the Company has transferred all its production functions to its subsidiaries.
Further, the Company closed its Kuanyin plant in Taiwan in June 2005 and Osaka plant of Astellas Toyama, the Company's manufacturing subsidiary in March 2006.
The Company will continuously improve efficiency of its production system to enable itself to address the environmental changes in a timely and flexible manner.

Concentration on ethical pharmaceutical business

Based on its corporate strategy to concentrate on ethical pharmaceutical business, the Company implemented the following restructuring measures. The Company substantively withdrew from the home care business at May 31, 2005 and also withdrew from its medical supplies and systems business which engaged in distribution of reagents for biotechnological research and clinical diagnoses as of September 30, 2005 by business transfer.
In January 2006, FMS Co., Ltd. which engaged in sales of various systems such as medical administration was transferred.
The Company also concluded to transfer all outstanding shares of Zepharma Inc., its OTC subsidiary, to Daiichi Sankyo Co., Ltd. in March 2006 and received ¥35.5 billion for the consideration of the transfer in April 2006.

The Company is striving for enhancing its corporate value by focusing its resource allocation on ethical pharmaceutical business.

3) Appropriation of retained earnings

- The Company will pay an year-end dividend of ¥40 per share to shareholders on March 31, 2006 (annual dividend per share: ¥70). This will result in a payout ratio on consolidated basis of 38.1% and dividend on equity (DOE) 3.3%.
- As a part of appropriation of retained earnings and as a measure of its capital policy, the Company implemented share buyback of approximately 11,000,000 shares, which amounted to around ¥46.1 billion, during FY2005.
- The Company decided at its Board of Directors meeting on May 15, 2006 for cancellation of 10,000,000 shares of its treasury stock.

(2) Financial condition for FY2005

<u>Assets, Liabilities and Shareholders' equity</u>

- Total assets as of March 31, 2006 increased ¥114.7 billion to ¥ 1,584.5billion.
- Liabilities as of March 31, 2006 increased ¥50.9 billion to ¥367.1 billion.
- Shareholders' equity as of March 31, 2006 increased ¥65.0 billion to ¥1,216.8 billion.

Main changes in the consolidated balance sheet during FY2005 are as follows;

<Assets>

Current assets:¥1,050.3 billion as of March 31, 2006
(up ¥88.5 billion compared to March 31, 2005)

- Cash on hand and in banks (down ¥227.2 billion compared to March 31, 2005):
  Due to investment on marketable securities and investment securities
- Marketable securities (up ¥302.9 billion compared to March 31, 2005):
  Due to increase of investment on commercial papers etc.

Fixed assets:¥534.2 billion as of March 31, 2006
(up ¥26.2 billion compared to March 31, 2005)

- Property, plant and equipment (down ¥16.0 billion compared to March 31, 2005)
- Intangible fixed assets (down ¥4.1 billion compared to March 31, 2005)
- Investments and other assets (up ¥46.3 billion compared to March 31, 2005)
  Due to increase of investment on bonds etc. and increase of investment securities by revaluation

<Liabilities>

Current liabilities:¥300.2 billion as of March 31, 2006
(up ¥56.5 billion compared to March 31, 2005)

- Other accounts payable (up ¥57.0 billion compared to March 31, 2005)
  Due to increase in unsettled accounts payable for securities

Fixed liabilities:¥66.9 billion as of March 31, 2006
(down ¥5.6 billion compared to March 31, 2005)

- Convertible bonds (down ¥4.9 billion compared to March 31, 2005)
  Due to conversion into common shares

Consolidated cash flow

<Cash flow from operating activities>
Cash inflows form operating activities increased ¥15.8 billion compared to FY2004 to ¥140.1 billion.
- Income before income taxes increased ¥61.8 billion compared to FY2004
- Income tax paid increased ¥12.9 billion and payment of retirement benefit payable at the end of FY2004 was made.

<Cash flow from investing activities>
Cash outflows from investing activities was ¥87.6 billion while cash inflows from investing was ¥7.5 billion in the previous fiscal year.
- Cash outflows from investment on investment securities increased ¥44.8 billion.
- In FY2004, cash inflows from sale of subsidiary's shares amounting ¥37.0 billion was recorded.

<Cash flow from financing activities>
Cash outflows from financing increased ¥41.1 billion to ¥76.7 billion compared to FY2004.
- Purchase of treasury stock increased ¥33.8 billion and cash dividends paid increased ¥3.9 billion.
- Payment to shareholders of Fujisawa's shares of common stock in lieu of dividends was made.

As a result, cash and cash equivalents at the end of the period totaled ¥473.4 billion, down ¥15.3 billion compared to March 31, 2005.

Cash Flow Indicators

	FY2005
Shareholders' equity ratio (%)	76.8%
Shareholders' equity ratio on a fair market value basis (%)	157.5%
Interest coverage ratio (times)	148.2
Years to redeem debt (years)	0.00

- Shareholders' equity ratio (%): total shareholders' equity / total assets
- Shareholders' equity ratio on a fair market value basis (%): total market value of shares / total assets
- Interest coverage ratio (times):
  cash flow from operating activities (before eliminating interests and income taxes) / interest payment
- Years to redeem debt:
  interest-bearing liabilities (short-term loans payable, current portion of convertible bonds, convertible bonds, long-term loans payable) / cash flow from operating activities (before eliminating interests and income taxes)

(Notes)
1. Each indicator is calculated using financial data on a consolidated basis.
2. Total market value of shares is calculated using the closing price of shares at the end of the reporting period × the number of outstanding shares at the end of the reporting period (after

eliminating treasury stock).

3. 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).
4. The interest expense reported in the consolidated cash flow statement is used as interest payment.
5. Of all liabilities included in the consolidated balance sheet, those on which the Company pays interest are computed as interest-bearing liabilities.

(3) Forecasts for FY2006 (Fiscal year ending March 31, 2007)

Consolidated Business Results Forecasts:

<Semi-annual forecasts>

(Millions of yen – fractions dropped)

	1H/FY2006 Forecasts	1H/FY2005	Change (amount)	Change (%)
Net sales	438,000	426,723	+11,276	+2.6%
Operating income	68,000	117,147	-49,147	-42.0%
Ordinary income	70,000	122,017	-52,017	-42.6%
Net income	54,000	67,317	-13,317	-19.8%

Expected exchange rate: ¥110/US$, ¥140/Euro

<Annual forecasts>

(Millions of yen – fractions dropped)

	FY2006 Forecasts	FY2005	Change (amount)	Change (%)
Net sales	902,000	879,361	+22,638	+2.6%
Operating income	180,000	193,020	-13,020	-6.7%
Ordinary income	184,000	202,588	-18,588	-9.2%
Net income	123,000	103,658	+19,341	+18.7%

Expected exchange rate: ¥110/US$, ¥140/Euro

Net sales are expected to increase compared to FY2005. However, incomes at all level excluding full-year net income are expected to decrease compared to FY2005. The outline of the full-year consolidated business forecasts is reported below.

Net sales
Net sales are expected to total ¥902.0 billion, an increase of ¥22.6 billion compared to FY2005.
Overseas sales are expected to come to ¥422.9 billion accounting for 46.9% of consolidated net sales.

Sales by geographical segments

<Japan>
Sales in Japan are expected to total ¥509.7 billion, down ¥1.4 billion from FY2005. While sales of ethical pharmaceutical business are expected to increase, the measures of concentration to ethical pharmaceutical business such as sale of Zepharma Inc. in April 2006, *de facto* withdrawal from home care business, withdrawal from medical supplies and systems business, and transfer of FMS Co., Ltd. have negative impacts on net sales.
With regard to ethical pharmaceutical business, the government cut NHI drug prices by about 6.7% on industry average in April 2006 which will affect by mid-seven

percentage on the Company. Under the circumstance, however, sales of main products such as Micardis, Lipitor, Myslee and Prograf are expected to continue to grow. Further, the Company expects the launch of Vesicare. Sales of ethical pharmaceutical business in Japanese market are expected to total ¥467.2 billion, up ¥26.7 billion.

<Overseas>
In North America, Prograf is expected to continue to grow and new products VESIcare and Mycamine are expected to increase the sales. Amevive, acquired from Biogen Idec in April 2006 will also contribute to sales increase. Sales in North America are expected to total ¥168.0 billion, up ¥22.6 billion from FY2005.
In Europe, sales of Prograf and Vesicare are expected to grow. Meanwhile, sales of Omnic whose patent had expired in February 2006 in major countries are expected to decrease due to the generic erosion although market penetration of new formulation Omnic OCAS will be promoted. Sales in Europe are expected to total ¥202.3 billion, down ¥0.9 billion.
Sales in Asia are expected to increase ¥2.3 billion to ¥22.0 billion due to the continuous growth of Prograf and Harnal.

Operating income, Ordinary income and Net income
Operating income is expected to total ¥180.0 billion, decrease of ¥13.0 billion. Gross profit is expected to increase due to sales increase and cost reduction. However, R&D expenses will significantly increase due to the upfront fees and development milestone payment for the in-licensing of FG-2216 from FibroGen for Europe. Total R&D expenses is expected to total ¥175.0 billion, up ¥32.9 billion from FY2005 accounting for 19.4 % of consolidated net sales.
Other SG&A expenses is also expected to increase due to increase of sales and marketing expenses for new products although the effective use of expenses will be continuously promoted.

Ordinary income is expected to decrease ¥18.5 billion to ¥184.0 billion.
Net income is expected to increase ¥19.3 billion to ¥123.0 billion due to extraordinary profit of ¥21.2 billion from sale of Zepharma Inc.

The above forecasts are based on the expected exchange rate of ¥110/US$ and ¥140/Euro.

It is estimated that annual dividends per share will be ¥80 (including ¥40 per share as the interim dividends).

(4) Business Risks

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

<u>Influence of Pharmaceuticals Administration:</u>
The Astellas Group's core business, the pharmaceutical and related products, is subject to various regulations in each country where the business is carried out. Cost containment measures against increasing medical expenses mainly in developed countries such as NHI drug price reduction in Japan which was implemented on April 2006 may have negative impact on earnings of the Astellas Group. More stringent regulations to control clinical development, production and distribution of pharmaceuticals could also increase the costs to be borne by the Group.

<u>Risks regarding Products:</u>
If Astellas Group could not appropriately maintain and protect patents pertaining to its leading products such as Harnal and Prograf, if any significant litigation of product liabilities is initiated, or if such drugs cause unexpected side effects, the Group's business results could be adversely affected.
In addition, technology is rapidly advancing and the competitiveness is very keen in the pharmaceutical industry. In such circumstances, Astellas Group is faced on the intensifying global competition with other pharmaceutical companies. If highly competing products are launched by competitors, the Group's business results could also be adversely affected.

<u>Inherent Uncertainties in R&D of Pharmaceuticals:</u>
In general, the possibility of discovering a promising compound through drug discovery research is not high. Further, it requires a large amount of investments and a long period of time to successfully launch the new product after discovering new compound . However, it may be necessary to discontinue clinical development if the effectiveness of the drug is not proved as initially expected or a serious side effect arises. In addition, pharmaceuticals are subject to legal restrictions in each country so that the authorization from the regulatory authorities in each country is a prerequisite to launch a product in that country. Hence, it is difficult to accurately foresee if and when approvals for a new product can be obtained.
The Astellas Group's R&D activities are accompanied by these inherent risks in the research and development of pharmaceuticals.

<u>Foreign Exchange Fluctuations:</u>
As the businesses of the Astellas Group are carried out in many countries and territories, it is therefore possible that exchange rate fluctuations affect the business results and financial conditions of the Group.

The risks stated above do not represent all risks associated with the Astellas Group, and there are various other additional risks including, i) to be brought a lawsuit during the process of the business , ii) delay/suspension of production due to a disaster, or iii) the fact that business results of Astellas partly depends on in-licensed products.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

Accounts	(A) As of March 31, 2006		(B) As of March 31, 2005 (Aggregation)		Fluctuation (A) - (B)
	Amounts	Ratio	Amounts	Ratio	
Assets		%		%	
I. Current assets					
Cash on hand and in banks	¥178,107		¥405,395		¥(227,288)
Trade notes and accounts receivable	227,222		220,673		6,548
Marketable securities	445,358		142,383		302,975
Inventories	93,863		90,606		3,257
Deferred tax assets	56,047		58,923		(2,876)
Other	50,255		44,298		5,956
Allowance for doubtful receivables	(548)		(497)		(50)
Total current assets	1,050,306	66.3	961,782	65.4	88,523
II. Fixed assets					
Property, plant and equipment					
Buildings and structures	99,271		102,301		(3,029)
Machinery, equipment and vehicles	37,278		43,862		(6,583)
Tools, furniture and fixtures	28,340		28,755		(415)
Land	35,016		38,991		(3,974)
Construction in progress	6,372		7,454		(1,081)
Other	287		1,235		(948)
Total property, plant and equipment	206,567		222,601		(16,033)
Intangible fixed assets	31,515		35,633		(4,118)
Investments and other assets					
Investment securities	242,162		182,931		59,231
Long-term loans receivable	2,386		1,797		589
Deferred tax assets	16,411		25,856		(9,445)
Other	35,559		39,474		(3,914)
Allowance for doubtful receivables	(387)		(280)		(106)
Total investments and other assets	296,133		249,779		46,354
Total fixed assets	534,216	33.7	508,014	34.6	26,201
Total assets	¥1,584,522	100.0	¥1,469,797	100.0	¥ 114,725

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

Accounts	(A) As of March 31, 2006		(B) As of March 31, 2005 (Aggregation)		Fluctuation (A) - (B)
	Amounts	Ratio	Amounts	Ratio	
Liabilities		%		%	
I. Current liabilities					
Trade notes and accounts payable	¥ 62,507		¥ 52,784		¥ 9,723
Short-term loans payable	414		2,087		(1,673)
Other accounts payable	130,411		73,393		57,018
Accrued expenses	50,824		62,058		(11,234)
Accrued income taxes	40,017		28,350		11,667
Accrued consumption tax	1,125		1,415		(290)
Deferred tax liabilities	3		159		(156)
Allowance for sales rebates and others	5,838		5,009		829
Other	9,058		18,438		(9,379)
Total current liabilities	300,201	19.0	243,697	16.6	56,503
II. Long-term liabilities					
Convertible bonds	30		5,020		(4,990)
Long-term loans payable	531		422		109
Deferred tax liabilities	1,408		7,288		(5,879)
Accrued retirement benefits for employees	40,667		34,887		5,780
Accrued retirement benefits for directors	65		1,038		(973)
Other	24,277		23,926		350
Total long-term liabilities	66,980	4.2	72,583	4.9	(5,602)
Total liabilities	367,181	23.2	316,280	21.5	50,900
Minority interests					
Minority interests	443	0.0	1,708	0.1	(1,265)
Shareholders' equity					
I. Common stock	102,985	6.5	144,782	9.9	(41,796)
II. Capital surplus	176,806	11.2	177,347	12.1	(540)
III. Retained earnings	959,217	60.5	938,812	63.9	20,404
IV. Unrealized holding gain on securities	44,252	2.8	25,519	1.7	18,732
V. Translation adjustments	(4,382)	(0.3)	(19,262)	(1.3)	14,879
VI. Treasury stock	(61,982)	(3.9)	(115,392)	(7.9)	53,409
Total shareholders' equity	1,216,897	76.8	1,151,807	78.4	65,089
Total liabilities, minority interests and shareholders' equity	¥1,584,522	100.0	¥1,469,797	100.0	¥114,725

(2) Consolidated Statements of Income

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

Accounts	(A) For the year ended March 31, 2006		(B) For the year ended March 31, 2005 (Aggregation)		Fluctuation (A) - (B)
	Amounts	Ratio	Amounts	Ratio	
		%		%	
I. Net sales	¥879,361	100.0	¥862,011	100.0	¥17,350
II. Cost of sales	272,996	31.0	279,312	32.4	(6,315)
Gross profit	606,364	69.0	582,699	67.6	23,665
III. Selling, general and administrative expenses*	413,344	47.0	390,460	45.3	22,884
Operating income	193,020	22.0	192,239	22.3	780
IV. Non-operating income	14,873	1.6	13,163	1.5	1,709
Interest income	7,281		4,685		2,596
Dividend income	1,014		1,134		(120)
Equity in earnings of affiliates	546		970		(423)
Exchange gain	3,901		527		3,374
Other	2,128		5,846		(3,718)
V. Non-operating expenses	5,304	0.6	11,167	1.3	(5,863)
Interest expense	1,381		904		476
Loss on disposal of inventories	2,630		2,582		48
Equity in losses of affiliates	–		725		(725)
Exchange loss	–		407		(407)
Depreciation on fixed assets not in service	–		896		(896)
Loss on sales and disposal of fixed assets	–		3,063		(3,063)
Other	1,292		2,589		(1,296)
Ordinary income	202,588	23.0	194,235	22.5	8,353
VI. Special gains	7,882	0.9	9,924	1.2	(2,042)
Gain on sales of fixed assets	2,543		1,441		1,101
Gain on sales of investment securities	3,148		5,722		(2,573)
Gain on settlements of subsidiaries' shares	1,498		–		1,498
Gain on sales of subsidiaries' shares	–		2,597		(2,597)
Other	691		162		528
VII. Special losses	33,401	3.8	88,901	10.3	(55,499)
Loss on sales and disposal of fixed assets	1,113		4,712		(3,598)
Expenses for business integration	21,293		60,375		(39,081)
Impairment loss	8,699		–		8,699
Loss on business restructuring	–		12,600		(12,600)
Extraordinary amortization of patents	–		10,591		(10,591)
Other	2,294		621		1,673
Income before income taxes and minority interests	177,069	20.1	115,258	13.4	61,811
Income taxes – current	72,160	8.1	58,648	6.8	13,512
Income taxes – deferred	(433)	(0.0)	(4,277)	(0.5)	3,844
Minority interests	1,683	0.2	1,355	0.2	328
Net income	¥ 103,658	11.8	¥ 59,532	6.9	¥44,126

*Total amount of R&D expenses	For the year ended March 31, 2006	For the year ended March 31, 2005 (Aggregation)	Fluctuation
			(Millions of yen)
	¥142,076	¥127,622	¥14,454

(3) Consolidated Statements of Capital Surplus and Retained Earnings

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

Accounts	(A) For the year ended March 31, 2006	(B) For the year ended March 31, 2005 (Aggregation)	Fluctuation (A) - (B)
Capital surplus			
I. Capital surplus at beginning of the year	¥114,414	¥170,922	¥ (56,507)
II. Increase in capital surplus			
Increase due to merger	59,897	–	59,897
Conversion of convertible bonds	2,495	6,425	(3,930)
III. Capital surplus at end of the year	176,806	177,347	(540)
Retained earnings			
I. Retained earnings at beginning of the year	640,517	896,620	(256,102)
II. Increase in retained earnings	397,131	60,523	336,607
Net income	103,658	59,532	44,126
Increase due to merger	266,034	–	266,034
Increase due to the change in scope of consolidation	27,371	990	26,381
Increase due to merger of subsidiaries	66	–	66
III. Decrease in retained earnings	78,431	18,331	60,100
Cash dividends	22,181	18,192	3,988
Bonuses to directors	49	139	(89)
Payment upon merger	3,694	–	3,694
Decrease due to the change in scope of consolidation	203	–	203
Redemption of treasury stock	1,354	–	1,354
Loss on disposal of treasury stock	50,948	–	50,948
IV. Retained earnings at end of the year	¥959,217	¥938,812	¥ 20,404

(4) Consolidated Statements of Cash Flows

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

Accounts	(A) For the year ended March 31, 2006	(B) For the year ended March 31, 2005 (Aggregation)	Fluctuation (A) - (B)
I. Cash flows from operating activities			
Income before income taxes and minority interests	¥177,069	¥115,258	¥61,811
Depreciation and amortization	37,439	36,609	829
Impairment loss	8,699	–	8,699
Amortization of excess of cost over net assets acquired	196	320	(123)
Extraordinary amortization of patents	–	10,591	(10,591)
Gain on sales of investment securities	(3,148)	(6,229)	3,080
Gain on sales of subsidiaries' shares	–	(2,597)	2,597
Net (gain) loss on sales and disposal of property, plant and equipment	(1,429)	5,648	(7,078)
Decrease in allowance for doubtful receivables	(113)	(238)	124
Decrease in accrued retirement benefits	5,259	(23,550)	28,810
Interest and dividend income	(8,296)	(5,819)	(2,476)
Equity in earnings of affiliates	(546)	(245)	(301)
Interest expense	1,381	904	476
Exchange loss	188	599	(411)
Decrease(increase) in trade receivables	6,084	(23,260)	29,344
(Increase)decrease in inventories	(4,735)	4,328	(9,064)
(Decrease)increase in trade payables	(504)	2,846	(3,351)
Payments of bonuses to directors	(49)	(139)	89
Other	(26,050)	50,165	(76,215)
Subtotal	191,443	165,193	26,250
Interest and dividends received	8,732	5,817	2,915
Interest paid	(1,350)	(975)	(375)
Income taxes paid	(58,673)	(45,769)	(12,904)
Net cash provided by operating activities	140,151	124,265	15,885
II. Cash flows from investing activities			
Net (decrease) increase in marketable securities	(9,021)	9,150	(18,172)
Purchases of fixed assets	(24,299)	(33,851)	9,552
Proceeds from sales of fixes assets	8,889	3,591	5,298
Purchases of investment securities	(80,852)	(35,993)	(44,858)
Proceeds from sales of investment securities	20,084	16,286	3,798
Additional acquisition of shares of consolidated subsidiaries	–	(293)	293
Proceeds from sales of shares of subsidiaries' stock resulting in changes in the scope of consolidation	–	37,085	(37,085)
Proceeds from sales of subsidiaries' shares	–	2,962	(2,962)
Net (increase)decrease in loans receivable	(47)	102	(150)
Other	(2,413)	8,484	(10,898)
Net cash (used in) provided by investing activities	(87,660)	7,524	(95,184)
III. Cash flows from financing activities			
Net decrease in short-term loans payable	(1,692)	(4,031)	2,338
Repayment of long-term loans payable	(135)	(467)	332
Proceed from long-term debts	201	490	(288)
Purchase of treasury stock	(46,399)	(12,581)	(33,817)
Cash dividends paid	(22,181)	(18,191)	(3,989)
Cash dividends paid to minority shareholders	(3,045)	(41)	(3,004)
Payment upon merger	(3,694)	–	(3,694)
Other	179	(812)	991
Net cash used in financing activities	(76,768)	(35,636)	(41,132)
IV. Effects of exchange rate changes on cash and cash equivalents	7,405	5,018	2,386
V. (Decrease) increase in cash and cash equivalents	(16,873)	101,171	(118,044)
VI. Increase in cash and cash equivalents due to merger	39,324	–	39,324
VII. Increase in cash and cash equivalents due to the change in cope of consolidation	27,403	3,024	24,378
VIII. Increase in cash and cash equivalents due to merger of subsidiaries	89	–	89
IX. Cash and cash equivalents at beginning of the year	423,478	384,605	38,872
X. Cash and cash equivalents at end of the year	¥473,423	¥488,801	¥ (15,378)

(Retirement Benefits)

Current fiscal year
(For the year ended March 31, 2006)

1. Description of retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified plans, welfare pension fund plan, tax-qualified plans (closed type) and lump-sum payment plans. In addition, certain employees may be entitled to additional special retirement benefits upon early termination of employment based on the conditions under which termination occurs. Such benefits are not subject to the actuarial calculation required by the accounting standard for retirement benefits.

Certain foreign consolidated subsidiaries have defined benefit plans and defined contribution plans.

2. Funded status of retirement benefit obligation
(As of March 31, 2006)

(Millions of yen)

(1)	Retirement benefit obligation	¥(167,464)
(2)	Plan assets at fair value	125,351
(3)	Unfunded retirement benefit obligation (1)+(2)	(42,112)
(4)	Unrecognized actuarial gain or loss	17,257
(5)	Unrecognized prior service cost (a reduction of liability)	(9,023)
(6)	Net retirement benefit obligation recognized in the consolidated balance sheet (3)+(4)+(5)	(33,878)
(7)	Prepaid pension costs	6,789
(8)	Accrued retirement benefits (6)-(7)	¥(40,667)

(Note) Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

3. Components of retirement benefit expenses

(Millions of yen)

(1)	Service cost	¥ 8,569
(2)	Interest cost	4,141
(3)	Expected return on plan assets	(2,826)
(4)	Amortization of actuarial gain or loss	3,195
(5)	Amortization of prior service cost	(553)
(6)	Other	4,187
(7)	Retirement benefit expenses	¥16,713

(Notes) 1. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost."

2. "Other." included special retirement benefits in the amount of ¥3,990 million paid to employees who transferred to subsidiaries and affiliates and those early terminated their employment in relation to the business restructuring. Such payments were accounted for as a special loss during the year ended March 31,2006

Current fiscal year (For the year ended March 31, 2006)
4. Assumptions used in accounting for the retirement benefit obligation (As of March 31, 2006) (1) Attribution of retirement benefit obligation Straight-line method over the estimated years of services of the eligible employees (2) Discount rates 2.0~12.0% (3) Expected rates of return on plan assets 1.6~8.0% (4) Amortization period of prior service cost Prior service cost is being amortized as incurred by the straight-line method over the average remaining years of services of the employees (13 years to 19 years) for certain tax-qualified plans and lump-sum benefit plans, and mainly over 10 years for certain welfare pension fund plans, tax-qualified plans (closed type) and lump-sum payment plans. (5) Amortization period of actuarial gain or loss Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of services of the employees (11 years to 18 years) for certain tax-qualified plans and lump-sum benefit plans and mainly over 10 years for certain welfare pension fund plan, tax-qualified plans (closed type) and lump-sum payment plans. Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain or loss.

Prior fiscal year (For the year ended March 31,2005)	
Former Yamanouchi	Former Fujisawa
1. Description of retirement benefit plans The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified plans and lump-sum payment plans. Certain foreign consolidated subsidiaries have defined benefit plans and defined contribution plans.	1. Description of retirement benefit plans The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plan, tax-qualified plans (closed type) and lump-sum payment plans. In addition, certain employees may be entitled to additional special retirement benefits upon early termination of employment based on the conditions under which termination occurs. Such benefits are not subject to the actuarial calculation required by the accounting standard for retirement benefits. Certain foreign consolidated subsidiaries have defined benefit plans and defined contribution plans. On March 1, 2005, the Company and certain domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare with respect to their application for exemption from the obligation for benefits related to past employee services under the substitutional portion of the welfare pension fund plan.

Prior fiscal year
(For the year ended March 31,2005)

Former Yamanouchi

2. Funded status of retirement benefit obligation
(As of March 31, 2005)

(Millions of yen)

(1) Retirement benefit obligation	¥(85,970)
(2) Plan assets at fair value	58,327
(3) Unfunded retirement benefit obligation (1)+(2)	(27,643)
(4) Unrecognized actuarial gain or loss	14,869
(5) Unrecognized prior service cost (a reduction of liability)	(10,433)
(6) Net retirement benefit obligation recognized in the consolidated balance sheet (3)+(4)+(5)	(23,206)
(7) Prepaid pension costs	199
(8) Accrued retirement benefits (6)-(7)	¥(23,406)

(Note) Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

3. Components of retirement benefit expenses

(Millions of yen)

(1) Service cost	¥ 4,042
(2) Interest cost	2,694
(3) Expected return on plan assets	(1,473)
(4) Amortization of actuarial gain or loss	559
(5) Amortization of prior service cost	(659)
(6) Other	15,404
(7) Retirement benefit expenses	¥20,566

(Notes) 1. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in “Service cost.”
2. Special retirement benefits are included in “Other.”

Former Fujisawa

2. Funded status of retirement benefit obligation
(As of March 31, 2005)

(Millions of yen)

(1) Retirement benefit obligation	¥(78,952)
(2) Plan assets at fair value	54,082
(3) Unfunded retirement benefit obligation (1)+(2)	(24,870)
(4) Unrecognized actuarial gain or loss	17,473
(5) Unrecognized prior service cost (a reduction of liability)	(1,234)
(6) Net retirement benefit obligation recognized in the consolidated balance sheet (3)+(4)+(5)	(8,631)
(7) Prepaid pension costs	2,849
(8) Accrued retirement benefits (6)-(7)	¥(11,480)

(Note) Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

3. Components of retirement benefit expenses

(Millions of yen)

(1) Service cost	¥ 4,174
(2) Interest cost	2,087
(3) Expected return on plan assets	(1,034)
(4) Amortization of actuarial gain or loss	1,269
(5) Amortization of prior service cost	154
(6) Other	469
(7) Retirement benefit expenses	¥7,120

(Notes) 1. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in “Service cost.”
2. In addition to the retirement benefit expenses shown above, the Company has paid additional retirement benefits in the amount of ¥15,663 million to employees who transferred to an affiliate and those early terminated their employment as a result of the merger with Yamanouchi. Such payments were accounted for as a special loss during the year ended March 31, 2005.

Prior fiscal year (For the year ended March 31,2005)	
Former Yamanouchi	Former Fujisawa
4. Assumptions used in accounting for the retirement benefit obligation (As of March 31, 2005) (1) Attribution of retirement benefit obligation Straight-line method over the estimated years of services of the eligible employees (2) Discount rates 2.0~6.3% (3) Expected rates of return on plan assets 1.6~9.0% (4) Amortization period of prior service cost Prior service cost is being amortized as incurred by the straight-line method over the average remaining years of services of the employees (13 years to 16 years). (5) Amortization period of actuarial gain or loss Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of services of the employees (15 years to 17 years). Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain or loss.	4. Assumptions used in accounting for the retirement benefit obligation (As of March 31, 2005) (1) Attribution of retirement benefit obligation Straight-line method over the estimated years of services of the eligible employees (2) Discount rates Mainly 2.0% (3) Expected rates of return on plan assets Mainly 2.5% (4) Amortization period of prior service cost Prior service cost is being amortized mainly over the period of 10 years. (5) Amortization period of actuarial gain or loss Actuarial gain or loss is being amortized mainly over the period of 10 years.

(Tax-Effect Accounting)

Current fiscal year (As of March 31, 2006)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Loss on devaluation of investments in securities	¥ 4,790
Accrued retirement benefits	11,103
Depreciation	22,288
Accrued expenses	21,530
Inventories	20,731
Accrued enterprise tax	3,574
Other	35,676
Total gross deferred tax assets	119,694
Valuation allowance	(14,659)
Total deferred tax assets	105,035
Deferred tax liabilities	
Unrealized holding gain on securities	(30,323)
Depreciation	(1,934)
Other	(1,730)
Total deferred tax liabilities	(33,988)
Net deferred tax assets	¥ 71,046

2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:

Because the difference between the effective tax rate after adoption of tax-effect accounting and the statutory tax rate is less than 5% of the statutory tax rate, the reconciliation was omitted. The statutory tax rate and the effective tax rate after adoption of tax-effect accounting are 41.0% and 40.5%, respectively.

Prior fiscal year
(As of March 31,2005)

Former Yamanouchi

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Loss on devaluation of investments in securities	¥3,044
Accrued retirement benefits	7,699
Depreciation	10,838
Accrued expenses	7,572
Inventories	6,932
Accrued enterprise tax	1,479
Other	41,818
Total gross deferred tax assets	79,385
Valuation allowance	(15,756)
Total deferred tax assets	63,628
Deferred tax liabilities	
Unrealized holding gain on securities	(8,096)
Depreciation	(798)
Other	(4,227)
Total deferred tax liabilities	(13,122)
Net deferred tax assets	¥50,506

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
(Reconciliation)	
Tax deduction for research expenses	(7.6)
Permanently nondeductible expenses such as entertainment expenses	2.7
Different tax rates applied to foreign subsidiaries	12.0
Change in valuation allowance	4.0
Other	(1.7)
Effective tax rate after adoption of tax-effect accounting	50.4

Former Fujisawa

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Accrued expenses	¥11,273
Inventories (unrealized profit and devaluation loss)	10,719
Amortization of deferred assets for tax purposes	5,205
Prepayments for research and development expenses	3,916
Loss on devaluation of investment securities and others	2,236
Depreciation of fixed assets	2,093
Tax loss carryforwards	1,187
Accrued enterprise tax	918
Other	2,604
Total gross deferred tax assets	40,156
Valuation allowance	(785)
Total deferred tax assets	39,371
Deferred tax liabilities	
Unrealized holding gain on securities	(9,336)
Undistributed earnings of foreign subsidiaries	(1,627)
Reserve for advanced depreciation of fixed assets	(684)
Reserve for special depreciation	(619)
Depreciation	(185)
Other	(104)
Total deferred tax liabilities	(12,558)
Net deferred tax assets	¥ 26,812

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	40.4
(Reconciliation)	
Permanently nondeductible expenses	8.4
Permanently nontaxable income	(0.4)
Change in valuation allowance	1.5
Tax deduction for research expenses	(7.4)
Undistributed earnings of foreign subsidiaries	0.6
Different tax rates applied to foreign subsidiaries	(0.5)
Other	(0.4)
Effective tax rate after adoption of tax-effect accounting	42.0

3. Due to the merger with Yamanouchi Pharmaceutical Co., Ltd. effective April 1, 2005, a tax rate of 41.0% was used for the current year instead of 40.4% for the prior year in the calculation of deferred tax assets and liabilities. However, the impact of the tax rate change on the consolidated financial statements is immaterial.

(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

Current fiscal year (For the year ended March 31, 2006)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
1. Sales and operating income							
Sales							
(1) Sales to third parties	¥511,143	¥ 145,341	¥203,232	¥19,643	¥879,361	–	¥879,361
(2) Intergroup sales and transfers	94,966	39,582	29,726	25	164,301	¥(164,301)	–
Total	606,110	184,923	232,959	19,669	1,043,663	(164,301)	879,361
Operating expenses	467,938	152,206	214,571	15,835	850,551	(164,210)	686,341
Operating income (loss)	¥ 138,171	¥ 32,717	¥ 18,388	¥ 3,834	¥ 193,111	¥ (91)	¥ 193,020
2. Total assets	¥1,247,859	¥138,426	¥222,818	¥19,073	¥1,628,177	¥(43,655)	¥1,584,522

(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

Prior fiscal year (Aggregation)(For the year ended March 31, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
1. Sales and operating income							
Sales							
(1) Sales to third parties	¥529,639	¥129,748	¥ 186,402	¥16,220	¥862,011	–	¥862,011
(2) Intergroup sales and transfers	103,740	20,868	8,308	55	132,973	¥(132,973)	–
Total	633,379	150,617	194,711	16,275	994,984	(132,973)	862,011
Operating expenses	472,219	127,529	182,933	13,954	796,636	(126,864)	669,772
Operating income	¥ 161,160	¥ 23,087	¥ 11,778	¥ 2,321	¥ 198,348	¥ (6,109)	¥192,239
2. Total assets	¥ 970,916	¥ 164,150	¥202,992	¥19,337	¥1,357,397	¥112,399	¥1,469,797

(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

3. Corporate assets were included in "Eliminations." Those assets consisting mainly of excess cash (cash and cash equivalents, marketable securities and others) of Former Fujisawa amounted to ¥163,748 million.

4. The Company sold all of its shares of subsidiaries in Japan and the U.S. which engage in nutritional and personal care and food and roses businesses during the year ended March 31, 2005. Such transfer was accounted for as if it had taken place at the beginning of the current fiscal year.

(Overseas Sales)

Current fiscal year (For the year ended March 31, 2006)

	North America	Europe	Asia	Other	Total
1. Overseas sales *(Millions of yen)*	¥191,985	¥172,230	¥25,688	¥8,365	¥398,269
2. Consolidated net sales *(Millions of yen)*					¥879,361
3. Overseas sales as a percentage of consolidated net sales	21.8%	19.6%	2.9%	1.0%	45.3%

(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.

Prior fiscal year (Aggregation)(For the year ended March 31, 2005)

	North America	Europe	Asia	Other	Total
1. Overseas sales *(Millions of yen)*	¥172,261	¥154,827	¥22,284	¥9,236	¥358,609
2. Consolidated net sales *(Millions of yen)*					¥862,011
3. Overseas sales as a percentage of consolidated net sales	20.0%	18.0%	2.6%	1.0%	41.6%

(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.

4. The Company sold all of its shares of subsidiaries in Japan and the U.S. which engage in nutritional and personal care and food and roses businesses during the year ended March 31, 2005. Such transfer was accounted for as if it had taken place at the beginning of the current fiscal year.

(Significant subsequent events)

For the year ended March 31, 2006

Transfer of shares of Zephama Inc.

The Company completed the transfer of all outstanding shares of its wholly-owned OTC subsidiary, Zepharma Inc., to Daiichi Sankyo Co., Ltd. on April 13, 2006 based on the transfer agreement between the Company and Daiichi Sankyo Co., Ltd. dated March 31, 2006. The consideration of the transfer amounted to ¥35,502 million and the Company will record a special gain on sales of subsidiaries' shares of ¥21,241 million for the fiscal year ending March 31, 2007.

(Profile of Zephama Inc.)
Address: Nihonbashi-honcho 2-7-1, Chuo-ku, Tokyo, Japan
President: Masaji Oe
Date of incorporation: October 1, 2004
Operations: development and marketing of drugs, quasi-drugs, cosmetics, food products
Fiscal year end: March 31
Employees: 197 (as of March 31, 2006)
Common stock: ¥300 million
Sales: ¥22,032 million (for the fiscal year ended March 2006)
Major products: gastrointestinal medicine (Gaster-10), comprehensive cold medicine (Precol, Cakonal), skin treatment medication (Makiron, Eurax, Pyroace), antiallergenic (AG Eyes/AG Nose)

Conclusion of licensing agreement of development stage products with FibroGen of the US

On April 28, 2006, the Company entered into the licensing agreement of FG2216, therapy for renal anemia and chemotherapy-induced anemia, and other compounds with similar mechanism of action with FibroGen, a US pharmaceutical company, for exclusive development and marketing in Europe, Middle East, and South Africa. The Company believes FG2216 will contribute to the substantial expansion of the Company's European business by fully utilizing the infrastructure it has established in Europe in the fields of urology and renal transplantation. Under the agreement, the Company will pay an upfront fee of US$ 300 million to FibroGen upon signing of the agreement and will further pay development milestones totaling US$465 million. In addition, the Company will purchase shares to be newly issued by FibroGen for US$ 50 million. The upfront fee (approximately ¥35 billion) and part of development milestones are expected to be recoded as research and development expenses in sales, general and administrative expenses for the fiscal year ending March 31, 2007.

For the year ended March 31, 2005

Former Yamanouchi

Merger with Fujisawa Pharmaceutical Co., Ltd. ("Fujisawa")

Pursuant to the resolution made by general shareholders' meeting of the Company and Fujisawa held on June 24, 2004 to approve the merger agreement, the Company merged with Fujisawa effective April 1, 2005 and changed its name to Astellas Pharma Inc.

The following summarizes the descriptions of the merger.

1. The Company issued 209,473,788 shares of common stock and allotted them to shareholders of Fujisawa registered in the shareholders register as of the day prior to the effective date of merger at the rate of one share of the Company in exchange for 0.71 share of common stock of Fujisawa. Among the shares that were allotted to the shareholders of Fujisawa, 29 million shares were from the Company's common stock in treasury. No share of the Company was

allotted to Fujisawa's common stock in treasury.

2. The Company will pay 11 yen per share as a cash payment upon the merger, in lieu of the dividend to be paid for the fiscal year ending March 2005 to the shareholders of Fujisawa, who were registered in the shareholders register as of the day prior to the effective date of merger as soon as the general shareholders meeting is held on June 24, 2005.

3. Following the merger, capital surplus, legal reserve and voluntary reserve of the Company increased by ¥59,897 million, ¥6,464 million and ¥210,782 million, respectively. As a result, capital surplus, legal reserve and voluntary reserve of the Company amounted to ¥174,311 million, ¥16,826 million and ¥772,884 million, respectively.

4. The assets acquired and liabilities assumed from Fujisawa were as follows:

Total assets	¥491,505 million (current assets – ¥208,829 million and noncurrent assets – ¥282,675 million)
Total liabilities	¥102,320 million (current liabilities – ¥95,067 million and noncurrent liabilities – ¥7,252 million)

Former Fujisawa

Merger with Yamanouchi Pharmaceutical Co., Ltd. ("Yamanouchi")

Pursuant to the resolution made by general shareholders' meeting of the Company and Yamanouchi held on June 24, 2004 to approve the merger agreement, the Company merged with Yamanouchi effective April 1, 2005 and all assets, liabilities, rights and obligations were transferred to Yamanouchi, which changed its name to Astellas Pharma Inc. on April 1, 2005.