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Financial Results of Astellas for Fiscal Year 2007

Japan, May 13, 2008 – Astellas Pharma Inc. (hereinafter referred as "the Company") today announced the financial results for the fiscal year 2007 (FY2007), ended March 31, 2008.

(1) Consolidated financial results for FY2007 (April 1, 2007 – March 31, 2008)

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

	FY2006	FY2007	Changes (%)
Net sales	920,624	972,586	+5.6%
Operating income	190,514	275,904	+44.8%
Ordinary income	197,813	284,193	+43.7%
Net income	131,285	177,437	+35.2%
Earnings per share (Yen)	244.07	349.89	+43.4%
R&D expenses (% of net sales)	167,945 (18.2%)	134,463 (13.8%)	-19.9%

(2) Forecasts of consolidated financial results for FY2008 (April 1, 2008 – March 31, 2009)

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

	FY2007	FY2008 forecasts	Changes (%)
Net sales	972,586	962,000	-1.1%
Operating income	275,904	232,000	-15.9%
Ordinary income	284,193	246,000	-13.4%
Net income	177,437	159,000	-10.4%
Earnings per share (Yen)	349.89	319.22.	-8.8%
R&D expenses (% of net sales)	134,463 (13.8%)	161,000 (16.7%)	+19.7%

1. Summary of Business Results and Financial Conditions

(1) Business results for FY2007 and forecasts for FY2008

Consolidated business results for the fiscal year ended March 31, 2008 (FY2007) and consolidated business forecasts for the fiscal year ending March 31, 2009 (FY2008) of the Company are as follows.

Business results for FY2007

Consolidated financial results

(millions of yen – fractions dropped)

	FY2006	FY2007	Changes (%)
Net sales	920,624	972,586	+51,962 (+5.6%)
Operating income	190,514	275,904	+85,389 (+44.8%)
Ordinary income	197,813	284,193	+86,380 (+43.7%)
Net income	131,285	177,437	+46,152 (+35.2%)

Exchange rate for FY2007: ¥114/US$, ¥162/€
Exchange rate for FY2006: ¥117/US$, ¥150/€

Overview of FY2007

In this fiscal year, net sales and income at each level, including operating income, ordinary income and net income, increased compared to the previous fiscal year shown in the table above. Exchange rate fluctuations caused ¥12.8 billion increase in net sales and ¥11.4 billion increase in operating income due to the depreciation of the yen against euro and appreciation of the yen against US$ compared to the previous fiscal year.

Net sales
Consolidated net sales increased 5.6% to ¥972.5 billion.

- Sales of ethical pharmaceutical business increased 5.8% from the previous fiscal year to ¥971.5 billion mainly due to the continuous growth of global products and the increase in the sales of main products in Japan.
- Of all above, the sales of the immunosuppressant Prograf and Vesicare, a treatment for overactive bladder, increased significantly. The sales of Prograf and Vesicare reached ¥203.0 billion, up 15.8 %, and ¥60.1 billion, up 65.8% compared to the previous fiscal year ended March 31, 2007, respectively.
- In addition to a long-acting angiotensin-II receptor antagonist Micardis, new

products launched during this fiscal year also contributed to an increase in domestic sales.
- Overseas sales were ¥489.5 billion, representing a 8.8% increase over the previous fiscal year, and accounting for 50.3% of consolidated net sales.

Operating income

Operating income increased 44.8% to ¥275.9 billion.
- Gross profit came to ¥693.2 billion, up 8.9% thanks to the sales increase and cost-of-sales ratio improvement by 2.2 percentage points to 28.7% of consolidated net sales due to the factors such as changes in product mix.
- In terms of expenses, selling, general and administrative expenses decreased 6.4% to ¥417.3 billion. The decrease was attributable to a significant decrease in research and development expenses by 19.9% to ¥134.4 billion accounting for 13.8% of consolidated net sales mainly due to the upfront fees for in-licensing of oral anemia treatments from FibroGen, Inc. accounted in the previous fiscal year ended March 31, 2007. Selling, general and administrative expenses excluding research and development expenses increased due to an increase in sales promotion expenses in North America compared to the previous fiscal year.

Ordinary income

Ordinary income increased 43.7% to ¥284.1 billion.
- Non-operating income/expenses (net) improved mainly due to investment profit under equity method increased due to the restructuring of joint venture activities of Fujisawa sanofi-aventis K.K. while the exchange losses resulted in an increase in non-operating expenses.

Net income

Net income increased 35.2% to ¥177.4 billion.
- Extraordinary gains decreased due to the factors such as gains amounting ¥21.2 billion from sell of all outstanding shares of affiliated company and ¥12.3 billion from sell of investment securities, both were accounted in the previous fiscal year.
- Extraordinary losses in this fiscal year including ¥12.9 billion of special retirement benefits from early retirement program etc. increased while expenses for integration and closure of business bases decreased.

Segment information

Geographical segment information

Japan

Sales in Japan increased 0.8% to ¥505.5 billion.
- Sales of main products including Micardis, Vesicare, Prograf, a hypercholesterolemia treatment Lipitor and the hypnotic Myslee showed a continued growth, and the selective COX-2 inhibitor Celecox (available since June 2007) and a quinolone antibacterial agent Geninax (available since October 2007) also contributed to an increase in domestic sales.
- Export sales decreased due to a decrease in sales of an oral cephalosporin antibiotic Cefzon.
- Operating income in Japan increased 50.9% to ¥176.0 billion mainly due to a

decrease in research and development expenses.

Overseas

<North America>

Sales in North America increased 12.1% to ¥194.5 billion.

- In addition to a brisk growth of Prograf and VESIcare, the candin antifungal agent Mycamine (brand name in Japan: Funguard) increased its sales.
- Operating income in North America increased 9.2% to ¥56.3 billion.

<Europe>

Sales in Europe increased 11.4% to ¥244.6 billion.

- While sales of Omnic/Omnic OCAS (brand name in Japan: Harnal) in the European market declined due to the intensified competition with generic drugs after the patent expiry in major European countries, Prograf, Vesicare and Eligard for the treatment of advanced prostate cancer showed continuous growth. Harnal bulk sales to and royalty revenue from licensees increased thanks to a robust growth in the US market.
- Operating income in Europe increased 72.5% to ¥41.0 billion.

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

<Asia>

Sales in Asia increased 8.3% to ¥27.8 billion.

- Prograf and Harnal showed continuous growth.
- Operating income was ¥2.7 billion, a 26.6% decrease.

Other information

Research & Development

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 research and development activities as its most important measures.

In the drug discovery field, the Company settled important therapeutic areas, including urology, inflammation/immunology, CNS/pains, diabetes, infectious diseases (virus) and cancer, and concentrates its resources on these areas. In order to accelerate its drug discovery, the Company is working on integration/restructuring of research function to strengthen research infrastructure. As a part of the measure, the construction of new buildings at Miyukigaoka Research Center in Tsukuba area is now undergoing. Further, the Company acquired US-based Agensys, Inc. in December 2007 to proceed its antibody R&D capabilities, aiming at further improvement of drug discovery basic technology.

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

During this fiscal year, the Company established the functional headquarters (HQs) for global development, Astellas Pharma Global Development, Inc. in order to strengthen its competitiveness in the pharmaceutical market worldwide, and it started its operation in April 2008. The company expects it will further enhance its global competitiveness by accelerating product development and the launch of new products.

Major progress achieved in this fiscal year was as follows;

In Japan, Geninax obtained approval in July 2007 and was launched in October 2007, and STARSIS Tablet, a fast-acting postprandial hypoglycemic agent, for the additional indication of combination therapy with biguanide agents was approved in November 2007. A supplemental New Drug Application (sNDA) of YM617 for lower urinary tract syndrome in male patients was filed in June 2007.

In overseas, Advagraf, a once-daily formulation of the Company's immunosuppressant, Prograf, for prophylaxis of transplant rejection in organ allograft recipients was granted a marketing authorisation in EU and was launched initially in the UK and Germany in June 2007 and across the European market after this. Further, an injectable antibiotic telavancin for complicated skin and soft tissue infections was filed in April 2007. In the US, an sNDA seeking approval for the use of MYCAMINE for Injection in the treatment of patients with Candidemia, Acute Disseminated Candidiasis, *Candida* Peritonitis and Abscesses was approved in January 2008.
As an up-to-date information, a pharmacologic stress agent CVT-3146 (brand name: Lexiscan) was approved in April 2008. Further, Mycamine was granted a marketing authorisation in EU for the use in treatment of invasive candidiasis etc. in April 2008. As a result, MYCAMINE/Funguard will be available in the world major markets, including Japan, the US, Europe and Asia.
Moreover, several projects including an agent for overactive bladder YM178, an antithrombotic agent YM150 and an anticancer agent YM155 are ongoing.
In the US, the Food and Drug Administration (FDA) issued the second approvable letter for FK506 Modified Release formulation for the use in patients receiving allogeneic kidney transplants in March 2008 and for the use in patients receiving allogeneic liver transplants in April 2008, respectively.
The FDA accepted the complete response seeking to resume clinical trials of compounds for oral anemia treatment licensed from FibroGen, Inc FG-2216 (YM311)/FG-4592 (ASP1517) in March 2008, which have been on clinical hold.
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Enhancement of product pipeline by in-licensing activities
The Company works on not only in-house research but also in-licensing activities from third parties to fulfill its pipeline. As a part of the activities, the Company and the US-based CoMentis, Inc. entered into an exclusive worldwide collaboration agreement to develop and commercialize products from CoMentis's bata-secretase inhibitor program, including CTS-21166 which is being developed for Alzheimer's disease, in April 2008.

Revision of global management system
The Company revised its global management system to strengthen its competitiveness in the worldwide pharmaceutical market, aiming at accomplishing VISION 2015, its long term management vision. In order to built an optimal global management system, the Company has been implementing a global matrix management system, under

which Profit Centers in Japan, the US, Europe and Asia, together with their support functions, are locally operated under Regional HQs, whereas the functions of Drug Discovery Research, Development and Technology are implementing functional management throughout the world. The Company intends to further enhance the management of these key functions by locating their HQs in optimal locations to achieve a competitive advantage. As a part of above, the Company established a new subsidiary which acts as the functional HQs for global development in the US.
The Company also revised its decision making system. The Global Management Committee was newly established to discuss and decide important global business related issues. The Corporate Administration and Finance Committee was also established to discuss and decide on the important finance and administrative issues of the Company HQs as a Japanese legal entity. Upon the establishment of these two committees, the Corporate Executive Committee and Product Strategy Executive Committee were disbanded.

Reorganization of European business functions

The Company, in its medium-term plan, has positioned the European business as a stable revenue and profit base and aims to further optimize the European business. As a part of it, the Company transferred its three production plants in Europe to a third party in March 2007. Further, the Company consolidated its Development sites into the Dutch site (Germany site to be closed), reduced sales force in Germany and integrated other support stuff functions located in the UK, Germany and the Netherlands to the UK and the Netherlands in this fiscal year. Extraordinary losses of ¥3.3 billion was accounted as expenses for integration and closure of business bases in this fiscal year.

Number of employees

The number of employees as of March 31, 2008 is 13,666. In its medium term plan, the Company plans to reduce the number of employees to 13,500 as of March 2011 from 14,600 as of June 2006.
In addition to the reorganization of European business function, the Company has completed the early retirement program to employees of the Company and its group companies (excluding particular parties) in Japan to realize optimal organization during this fiscal year and there were 436 applicants.

Consolidated business forecasts for FY2008

<Forecasts for 2Q/FY2008>

(Millions of yen – fractions dropped)

	1H/FY2007	2Q/FY2008 forecasts	Change (amount)	Change (%)
Net sales	483,516	470,000	-13,516	-2.8%
Operating income	148,138	114,000	-34,138	-23.0%
Ordinary income	151,573	122,000	-29,573	-19.5%
Net income	88,927	79,000	-9,927	-11.2%

<Annual forecasts>

(Millions of yen – fractions dropped)

	FY2007	FY2008 forecasts	Change (amount)	Change (%)
Net sales	972,586	962,000	-10,586	-1.1%
Operating income	275,904	232,000	-43,904	-15.9%
Ordinary income	284,193	246,000	-38,193	-13.4%
Net income	177,437	159,000	-18,437	-10.4%

(Notes) Expected exchange rate for FY2008: ¥100/US$, ¥150/€
Exchange rate for FY2007: ¥114/US$, ¥162/€
Exchange rate for FY2007/1H: ¥119/US$, ¥162/€

The annual forecasts for the fiscal year ending March 31, 2009 (FY2008) are as follows; income at each level is anticipated to decrease compared to this fiscal year. The yen against US$ and euro is anticipated to appreciate, and these exchange rate fluctuations are anticipated to cause ¥49.7 billion decrease in net sales and ¥18.0 billion decrease in operating income.

Net sales

A patent of Prograf, one of the global products, expired in this April in the US and the NHI drug price reduction was implemented this April in Japan. Although these severe circumstances are anticipated, Vesicare, another global product, is expected to increase its sales and main products such as Micardis are also expected to increase. However, as a result of exchange rate fluctuations, net sales are anticipated to total ¥962.0 billion, a decrease of 1.1% compared to this fiscal year.
Overseas sales are anticipated to decrease 4.6% compared to this fiscal year to ¥466.9 billion accounting for 48.5% of consolidated net sales.

Sales by geographical segments

<Japan>

Sales in Japan are anticipated to total ¥506.9 billion, up 0.3% from this fiscal year. Sales of key products such as Micardis, Lipitor, Vesicare, Myslee and Prograf are anticipated to continue increasing its sales.

<Overseas>
In North America, although Prograf is anticipated to decrease its sales due to its patent expiry, sales is anticipated to increase in local currency mainly due to VESIcare growth. However, sales in North America are anticipated to total ¥189.3 billion, down 2.4% due to the appreciation of the yen against US$.
In Europe, although sales of Omnic/Omnic OCAS are anticipated to decrease, sales is anticipated to increase in local currency mainly due to growth of Vesicare, Prograf and Eligard. However, sales in Europe are anticipated to total ¥233.6billion, down 4.5% due to the appreciation of the yen against euro.
Sales in Asia are anticipated to increase 14.0% to ¥31.7 billion.

Operating income, Ordinary income and Net income
Operating income is anticipated to total ¥232.0 billion, 15.9% decrease compared to this fiscal year, which is attributable to the sales decrease and an increasing in selling, general and administrative expenses including research and development expenses. In addition to an upfront payment of ¥8.0 billion to the US-based CoMentis, Inc. for license agreement concluded in this April and other upfront payments associated with development, the initiation of amortization associated with Research Center in Tsukuba area and an increase in development expenses associated with new drug development are anticipated. Overall, research and development expenses are anticipated to increase 19.7% to ¥161.0 billion, or 16.7% of the consolidated sales. Expenses excluding research and development expenses will also increase due to increases of sales promotion expenses in both Japan and overseas and amortization of goodwill for the acquisition of Agensys, Inc.

Ordinary income is anticipated to decrease 13.4% to ¥246.0 billion and net income is anticipated to decrease 10.4% to ¥159.0 billion.

(2) Financial conditions for FY2007

Assets, Liabilities and Shareholders' equity

Main changes in the consolidated balance sheet compared to the end of the previous fiscal year are as follows;

<Assets>

Total assets as of March 31, 2008 decreased ¥31.5 billion to ¥1,439.1 billion compared to March 31, 2007.

Current assets: ¥977.2 billion (up ¥11.2 billion compared to March 31, 2007)

- While cash and cash equivalents increased ¥25.1 billion and marketable securities also increased ¥9.2 billion compared to March 31, 2007, trade notes and accounts receivable decreased ¥9.0 billion and other current assets also decreased ¥24.2 billion.

Fixed assets: ¥461.8 billion (down ¥42.8 billion compared to March 31, 2007)

- Property, plant and equipment decreased ¥14.6 billion to ¥179.8 billion compared to March 31, 2007.
- Intangible fixed assets increased ¥26.4 billion to ¥67.9 billion compared to March 31, 2007 mainly due to goodwill of ¥30.8 billion for the acquisition of shares of Agensys, Inc.
- Investments and other assets decreased ¥54.6 billion compared to March 31, 2007 to ¥214.0 billion due to factors such as a decrease of ¥52.9 billion in investment securities.

<Liabilities>

Liabilities as of March 31, 2008 decreased ¥43.4 billion to ¥328.2 billion compared to March 31, 2007.

Current liabilities: ¥284.5 billion (down ¥24.3 billion compared to March 31, 2007)

- Notes and accounts payable decreased ¥9.4 billion and accrued income taxes also decreased ¥6.3 billion.

Fixed liabilities: ¥43.7 billion (down ¥19.1 billion compared to March 31, 2007)

<Shareholders' equity>

Shareholders' equity as of March 31, 2008 increased ¥11.8 billion to ¥1,110.8 billion compared to March 31, 2007.

- Treasury stock

  While accounting net income of ¥177.4 billion, the Company paid dividends amounting ¥45.8 billion and acquired 16.3 million shares from the stock market amounting ¥81.7 billion during this fiscal year. In June 2007, 45.0 million shares with the value of ¥219.5 billion were canceled.

Consolidated cash flow

<Cash flow from operating activities>
Cash inflows from operating activities increased ¥58.9 billion compared to the previous fiscal year to ¥186.9 billion.

- Income before income taxes increased ¥57.0 billion to ¥268.7 billion.

<Cash flow from investing activities>
Cash outflows from investing activities came to ¥8.4 billion, ¥80.8 billion decrease from the previous fiscal year.

- While cash outflows from acquisitions of marketable securities decreased ¥79.8 billion to ¥49.1 billion, incomes from sell of securities decreased ¥77.0 billion to ¥113.1 billion and incomes from sell of investment securities also decreased ¥18.6 billion to ¥10.3 billion.
- Incomes from sell of property, plant and equipment increased ¥10.5 billion to ¥17.9 billion.
- Outflows of ¥40.4 billion from acquisition of shares of Agensys, Inc. was accounted.
- There were inflows included ¥33.5 billion from sell of all outstanding shares of an affiliate company in the previous fiscal year.

<Cash flow from financing activities>
Cash outflows from financing activities decreased ¥132.0 billion compared to the previous fiscal year to ¥131.4 billion.

- Purchase of treasury stock decreased ¥138.1 billion to ¥81.9 billion.
- Cash dividends paid increased ¥1.8 billion to ¥45.8 billion.

As a result, cash and cash equivalents at March 31, 2008 totaled ¥460.4 billion, a ¥37.9 billion increase compared to March 31, 2007.

Cash Flow Indicators

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

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

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

(3) Profit distribution policy

The Company is committed to sustained improvement in its enterprise value, leading to improved return to shareholders. While putting priority on investment to assure future growth, the Company will continuously increase dividend payments assuming improvement in medium- to long-term earnings on a consolidated basis, and also implement share buybacks in a flexible manner to improve capital efficiency and raise the level of return to shareholders. Based on these policies, the Company has a medium-term DOE (dividend on equity) target of 8% in the fiscal year ending March 31, 2011 (FY2010).

Annual dividend for this fiscal year is planned to be ¥110 per share (including year-end dividend of ¥60 per share) to shareholders, yielding DOE of 5.0 %. As a part of profit distribution and as measures of its capital policy, the Company implemented share buyback from the stock market of 16.3 million shares, which amounted to approximately ¥81.7 billion, during this fiscal year.
Further, the Company cancelled 45.0 million shares of its treasury stock in June 2007 and decided to cancel 15.0 million shares of its treasury stock subject to the approval for the reversal of general reserve at the Company’s Annual Shareholders’ Meeting to be held in June 2008.

The Company anticipates that the annual dividend in the next fiscal year to be ¥120 (composed of interim dividend of ¥60 and year-end dividend of ¥60).

(4) Risk Factors

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

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

Product Risk
Astellas' business results could be adversely affected if it cannot appropriately maintain and protect patents on its leading products such as Prograf, if any significant litigation is initiated, or if our products cause any unexpected adverse effects.
In addition, technology is rapidly advancing and Astellas faces intensifying global competition. If highly competitive peer products are launched by competitors, Astellas business results could also be adversely affected.

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

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

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

Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

Accounts	(B) As of March 31, 2007		(A) As of March 31, 2008		Fluctuation (A)-(B)
	Amounts	Ratio	Amounts	Ratio	
Assets		%		%	
I. Current assets					
1. Cash on hand and in banks	¥223,398		¥248,527		¥25,129
2. Trade notes and accounts receivable	231,070		222,063		(9,007)
3. Marketable securities	284,355		293,582		9,227
4. Inventories	90,979		91,444		465
5. Deferred tax assets	58,180		68,000		9,819
6. Other	78,563		54,306		(24,256)
Allowance for doubtful receivables	(562)		(647)		(84)
Total current assets	965,984	65.7	977,277	67.9	11,293
II. Fixed assets					
1. Property, plant and equipment					
(1) Buildings and structures	88,924		78,613		(10,311)
(2) Machinery, equipment and vehicles	30,655		26,957		(3,698)
(3) Tools, furniture and fixtures	22,358		17,287		(5,071)
(4) Land	35,637		31,296		(4,340)
(5) Construction in progress	16,744		25,524		8,780
(6) Other	235		203		(31)
Total property, plant and equipment	194,555	13.2	179,883	12.5	(14,672)
2. Intangible fixed assets	41,511	2.8	67,989	4.7	26,478
3. Investments and other assets					
(1) Investment securities	210,694		157,773		(52,921)
(2) Long-term loans receivable	2,286		1,955		(330)
(3) Deferred tax assets	37,179		39,734		2,554
(4) Other	18,667		14,783		(3,884)
Allowance for doubtful receivables	(178)		(244)		(66)
Total investments and other assets	268,650	18.3	214,002	14.9	(54,647)
Total fixed assets	504,717	34.3	461,875	32.1	(42,842)
Total assets	¥1,470,701	100.0	¥1,439,152	100.0	¥(31,548)

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

Accounts	(B) As of March 31, 2007		(A) As of March 31, 2008		Fluctuation (A)-(B)
	Amounts	Ratio	Amounts	Ratio	
Liabilities		%		%	
I. Current liabilities					
1. Trade notes and accounts payable	¥73,018		¥70,046		(¥2,972)
2. Short-term loans payable	1,671		-		(1,671)
3. Other accounts payable	108,828		107,438		(1,389)
4. Accrued expenses	65,715		56,264		(9,450)
5. Accrued income taxes	44,352		38,046		(6,305)
6. Accrued consumption tax	2,017		2,094		76
7. Deferred tax liabilities	-		34		34
8. Accrued bonus for directors	101		176		75
9. Allowance for sales rebates	4,047		5,058		1,010
10. Other	9,081		5,369		(3,711)
Total current liabilities	308,833	21.0	284,529	19.8	(24,303)
II. Long-term liabilities					
1. Deferred tax liabilities	583		257		(325)
2. Accrued retirement benefits for employees	18,480		17,492		(988)
3. Accrued retirement benefits for directors	34		41		6
4. Other	43,774		25,968		(17,806)
Total long-term liabilities	62,873	4.3	43,759	3.0	(19,114)
Total liabilities	371,706	25.3	328,289	22.8	(43,417)
Net assets					
I. Shareholders' equity					
1. Common stock	103,000	7.0	103,000	7.2	-
2. Capital surplus	176,821	12.0	176,821	12.3	-
3. Retained earnings	1,006,648	68.4	917,205	63.6	(89,442)
4. Treasury stock	(241,919)	(16.4)	(104,122)	(7.2)	137,796
Total shareholders' equity	1,044,551	71.0	1,092,905	75.9	48,354
II. Valuation, translation adjustments and others					
1. Unrealized holding gains on securities	38,085	2.6	27,852	1.9	(10,232)
2. Translation adjustments	15,722	1.1	(10,860)	(0.7)	(26,582)
Total valuation, translation adjustments and others	53,807	3.7	16,991	1.2	(36,815)
III. Stock subscription rights	284	0.0	636	0.0	352
IV. Minority interests	351	0.0	328	0.0	(22)
Total net assets	1,098,994	74.7	1,110,862	77.2	11,868
Total liabilities and net assets	¥1,470,701	100.0	¥1,439,152	100.0	¥(31,548)

(2) Consolidated Statements of Income

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

Accounts	(B) For the year ended March 31, 2007		(A) For the year ended March 31, 2008		Fluctuation (A)-(B)
	Amounts	Ratio	Amounts	Ratio	
		%		%	
I. Nets sales	¥920,624	100.0	¥972,586	100.0	¥51,962
II. Cost of sales	284,063	30.9	279,342	28.7	(4,721)
Gross profit	636,560	69.1	693,244	71.3	56,683
III. Selling, general and administrative expenses (Note 1)	446,046	48.4	417,339	42.9	(28,706)
Operating income	190,514	20.7	275,904	28.4	85,389
IV. Non-operating income	13,862	1.5	24,868	2.5	11,005
Interest income	10,363		13,345		2,982
Dividend income	1,433		1,680		246
Equity in earnings of affiliates	1,163		7,994		6,830
Other	902		1,848		945
V. Non-operating expenses	6,563	0.7	16,578	1.7	10,015
Interest expense	343		52		(290)
Loss on disposal of inventories	1,130		-		(1,130)
Exchange loss	3,594		14,869		11,274
Other	1,495		1,656		161
Ordinary income	197,813	21.5	284,193	29.2	86,380
VI. Special gains	41,079	4.4	13,317	1.4	(27,762)
Gain on sales of fixed assets	4,210		11,366		7,156
Gain on sales of investment securities	12,382		-		(12,382)
Gain on sales of subsidiaries' shares	21,241		-		(21,241)
Gain on disposition of corporate pension insurance specified assets	2,297		-		(2,297)
Other	947		1,950		1,003
VII. Special losses	27,128	2.9	28,733	3.0	1,604
Loss on sales and disposal of fixed assets	1,117		2,151		1,033
Loss on impairment of fixed assets	6,071		9,330		3,259
Special retirement benefits (Note 2)	1,223		12,978		11,754
Expenses for integration and closure of business bases (Note 3)	17,660		3,308		(14,351)
Other	1,055		963		(91)
Income before income taxes and minority interests	211,764	23.0	268,777	27.6	57,013
Income taxes-current	97,258	10.5	93,998	9.7	(3,259)
Income taxes-deferred	(18,675)	(2.0)	(4,811)	(0.5)	13,863
Minority interests	1,896	0.2	2,153	0.2	257
Net income	¥131,285	14.3	¥177,437	18.2	¥46,152

Notes;

1. Total amounts of R&D expenses

	(B) For the year ended March 31, 2007	(A) For the year ended March 31, 2008	Fluctuation (A)-(B)
	167,945	134,463	(33,481)

2. These expenses are for an early retirement program to employees at the Company and the certain domestic consolidated subsidiaries and for transfer of the employees from the Company to the certain domestic consolidated subsidiaries.

3. These expenses are mainly related to consolidation of research and development facilities and reorganization of manufacturing functions.

(3) Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2007

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	¥102,985	¥176,806	¥959,217	¥(61,982)	¥1,177,027
Movements during the year					
Conversion of convertible bonds	15	15			30
Cash dividends paid			(44,066)		(44,066)
Bonuses to directors and corporate auditors			(93)		(93)
Net income			131,285		131,285
Purchase of treasury stock				(220,046)	(220,046)
Disposal of treasury stock			(118)	477	359
Cancellation of treasury stock			(39,632)	39,632	-
Other			56		56
Net change in items other than shareholders' equity					-
Total movements during the year	15	15	47,431	(179,936)	(132,475)
Balance as of March 31, 2007	¥103,000	¥176,821	¥1,006,648	¥(241,919)	¥1,044,551

	Valuation, translation adjustments and others			Stock subscription rights	Minority interests	Total net assets
	Unrealized holding gains on securities	Translation adjustments	Total valuation, translation adjustments and others			
Balance as of March 31, 2006	¥44,252	¥(4,382)	¥39,869	-	¥443	¥1,217,340
Movements during the year						
Conversion of convertible bonds						30
Cash dividends paid						(44,066)
Bonuses to directors and corporate auditors						(93)
Net income						131,285
Purchase of treasury stock						(220,046)
Disposal of treasury stock						359
Cancellation of treasury stock						-
Other						56
Net change in items other than shareholders' equity	(6,166)	20,104	13,937	284	(92)	14,129
Total movements during the year	(6,166)	20,104	13,937	284	(92)	(118,346)
Balance as of March 31, 2007	¥38,085	¥15,722	¥53,807	¥284	¥351	¥1,098,994

For the year ended March 31, 2008

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

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

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

(4) Consolidated Statements of Cash Flows

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

Accounts	(B) For the year ended March 31, 2007	(A) For the year ended March 31, 2008	Fluctuation (A)-(B)
	Amounts	Amounts	
I. Cash flows from operating activities			
Income before income taxes and minority interests	¥211,764	¥268,777	¥57,013
Depreciation and amortization	34,010	35,186	1,175
Loss on impairment of fixed assets	6,071	9,330	3,259
Amortization of goodwill	-	1,760	1,760
Amortization of excess of net assets acquired over cost	(39)	-	39
Gain on sales of investment securities	(12,382)	-	12,382
Gain on sales of subsidiary's shares	(21,241)	-	21,241
Gain on disposition of corporate pension insurance specified assets	(2,297)	-	2,297
Net gain on sales and disposal of fixed assets	(3,092)	(9,215)	(6,122)
(Decrease) increase in allowance for doubtful receivables	(239)	159	398
Decrease in accrued retirement benefits for employees	(23,099)	(834)	22,264
Interest and dividend income	(11,796)	(15,025)	(3,229)
Equity in earnings of affiliates	(1,163)	(7,994)	(6,830)
Interest expense	343	52	(290)
Exchange (gain) loss	(47)	12	60
(Increase) decrease in trade notes and accounts receivables	(4,995)	4,179	9,175
Decrease (increase) in inventories	3,541	(5,261)	(8,803)
Increase in trade notes and accounts payables	9,213	492	(8,721)
Increase (decrease) in other accounts payable	5,626	(21,237)	(26,864)
Payments of bonuses to directors	(93)	-	93
Other	19,779	(910)	(20,689)
Subtotal	209,859	259,470	49,611
Interest and dividends received	10,682	25,756	15,073
Interest paid	(317)	(49)	268
Income taxes paid	(92,293)	(98,247)	(5,953)
Net cash provided by operating activities	127,930	186,930	58,999

Accounts	(B) For the year ended March 31, 2007 Amounts	(A) For the year ended March 31, 2008 Amounts	Fluctuation (A)-(B)
II. Cash flows from investing activities			
Purchases of marketable securities	(128,984)	(49,103)	79,881
Proceeds from sales of marketable securities	190,183	113,172	(77,010)
Purchases of property, plant and equipment	(24,659)	(27,314)	(2,654)
Proceeds from sales of property, plant and equipment	7,348	17,923	10,574
Purchases of intangible fixed assets	(16,077)	(12,974)	3,103
Purchases of investment securities	(34,769)	(23,047)	11,721
Proceeds from sales of investment securities	28,999	10,387	(18,612)
Acqusition of shares of subsidiaries' stock resulting in change in the scope of consolidation	-	(40,406)	(40,406)
Additional acquisition of shares of consolidated subsidiaries	(85)	-	85
Proceeds from sales of shares of subsidiaries’ stock resulting in changes in the scope of consolidation	33,501	-	(33,501)
Loans receivable made	(242)	(123)	118
Collection of loans receivable	637	346	(291)
Net decrease in short-term investments	3,821	290	(3,531)
Other	12,757	2,433	(10,323)
Net cash provided by (used in) investing activities	72,431	(8,416)	(80,847)
III. Cash flows from financing activities			
Net decrease (increase) in short-term loans payable	2,203	(1,654)	(3,858)
Repayments of long-term loans payable	(127)	-	127
Purchases of treasury stock	(220,046)	(81,913)	138,132
Cash dividends paid	(44,066)	(45,878)	(1,812)
Cash dividends paid to minority shareholders	(1,843)	(2,118)	(274)
Other	359	143	(215)
Net cash used in financing activities	(263,520)	(131,422)	132,098
IV. Effects of exchange rate changes on cash and cash equivalents	12,925	(8,037)	(20,962)
V. (Decrease) increase in cash and cash equivalents	(50,233)	39,054	89,288
VI.Decrease in cash and cash equivalents due to the change in scope of consolidation	(676)	(1,082)	(406)
VII.Cash and cash equivalents at beginning of year	473,423	422,513	(50,909)
VIII.Cash and cash equivalents at end of year	¥422,513	¥460,485	¥37,972

(Segment Information)

<Business segment information>

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

<Geographical segment information>

For the year ended March 31, 2007 *(Millions of yen)*

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
1. Sales and operating income							
Sales							
(1) Sales to third parties	¥501,663	¥173,559	¥219,697	¥25,704	¥920,624	-	¥920,624
(2) Intergroup sales and transfers	100,542	53,729	40,158	1	194,432	¥(194,432)	-
Total	602,206	227,288	259,856	25,705	1,115,056	(194,432)	920,624
Operating expenses	485,564	175,717	236,072	21,955	919,309	(189,199)	730,110
Operating income (loss)	¥116,642	¥51,570	¥23,784	¥3,750	¥195,747	¥(5,233)	¥190,514
2. Total assets	¥1,053,068	¥175,396	¥266,520	¥21,880	¥1,516,866	¥(46,165)	¥1,470,701

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

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

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

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

<Overseas Sales>

For the year ended March 31, 2007

	North America	Europe	Asia	Other	Total
1. Overseas sales (*Millions of yen*)	¥223,226	¥182,752	¥31,158	¥12,924	¥450,062
2. Consolidated net sales (*Millions of yen)*					¥920,624
3. Overseas sales as a percentage of consolidated net sales	24.2%	19.9%	3.4%	1.4%	48.9%

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

For the year ended March 31, 2008

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

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

(Tax-Effect Accounting)

As of March 31, 2007

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Loss on devaluation of investments in securities	¥3,924
Accrued retirement benefits	7,777
Depreciation	39,527
Loss on impairment of fixed assets	5,571
Accrued expenses	20,058
Inventories	22,888
Accrued enterprise tax	3,110
Other	37,558
Total gross deferred tax assets	140,416
Valuation allowance	(16,180)
Total deferred tax assets	124,235
Deferred tax liabilities	
Unrealized holding gain on securities	(25,716)
Depreciation	(1,082)
Other	(2,660)
Total deferred tax liabilities	(29,459)
Net deferred tax assets	94,776

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 credit for research and development expenses	(5.1)
Permanently non-deductible expenses such as entertainment expenses	2.1
Different tax rates applied to foreign subsidiaries	(2.4)
Other	1.5
Effective tax rate after adoption of tax-effect accounting	37.1

As of March 31, 2008

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Loss on devaluation of investments in securities	¥3,819
Accrued retirement benefits	6,660
Depreciation	37,295
Loss on impairment of fixed assets	6,704
Accrued expenses	26,431
Inventories	23,641
Accrued enterprise tax	3,347
Other	43,159
Total gross deferred tax assets	151,059
Valuation allowance	(13,423)
Total deferred tax assets	137,635
Deferred tax liabilities	
Unrealized holding gain on securities	(18,661)
Depreciation	(1,143)
Other	(10,388)
Total deferred tax liabilities	(30,193)
Net deferred tax assets	107,441

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 credit for research and development expenses	(3.3)
Permanently non-deductible expenses such as entertainment expenses	1.8
Different tax rates applied to foreign subsidiaries	(4.0)
Equity in earnings of affiliates	(1.2)
Other	(1.1)
Effective tax rate after adoption of tax-effect accounting	33.2

(Subsequent events)

For the year ended March 31, 2007

Cancellation of treasury stock

Pursuant to the resolution approved by the meeting of the Board of Directors held on March 26, 2007, effective June 26, 2007, the Company canceled its 45,000 thousand shares of common stock in treasury with the acquisition cost of ¥219,514 million in accordance with the Article 178 of the Corporate Law of Japan. As a result, the number of shares of common stock issued decreased to 518,964,635 shares.

For the year ended March 31, 2008

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

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