astellas

Leading Light for Life

Annual Report 2010

For the Year Ended March 31, 2010

Contents

Interview With the President & CEO

In May 2010, Astellas launched a new mid-term management plan (MTP14) covering the period to March 2015 (FY2010–2014). The slogan of MTP14 is "Leveraging our strengths to grow." In this section, President & CEO Masafumi Nogimori talks about Astellas' aims and specific strategies to achieve them.

R&D Feature

Astellas is making steady progress developing its drug pipeline. The R&D feature section looks at global progress with development of new drugs and the oncology pipeline that we are developing as drivers of future growth at Astellas.

Review of Global Operations

Astellas has a well-balanced global business network covering the four regions of Japan, the Americas, Europe and Asia. Here we review business results in fiscal 2009 and planned developments in each region going forward.

Note about forward-looking statements and forecasts

Statements made in this annual report with respect to current plans, estimates, strategies and beliefs and other statements of Astellas that are not historical facts are forward-looking statements about the future performance of Astellas. These statements are based on management's current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. Consequently, undue reliance should not be placed on these statements. Astellas cautions the reader that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to: (i) changes in general economic conditions, and in the Pharmaceutical Affairs Law and other laws and regulations relating to markets of Astellas, (ii) currency exchange rate fluctuations, (iii) delays in new product launches, (iv) the inability of Astellas to market existing and new products effectively, (v) the inability of Astellas to continue to effectively research and develop products accepted by customers in highly competitive markets and (vi) infringements of intellectual property rights of third parties.

* Market size, market share and product ranking; sourced from IMS Health Information Services.

Profile

Astellas Pharma Inc.'s raison d'être is to contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. Guided by this business philosophy, Astellas is actively developing its business operations as a research-oriented global pharmaceutical company.

Through the tireless pursuit of R&D, we are determined to continuously discover innovative and highly useful new drugs in therapeutic areas where there is a high degree of unmet medical needs. In delivering these drugs to the world, our desire is to be a source of strength for each and every patient battling illness. Our communications slogan, "Changing tomorrow," was borne from this desire. This slogan encapsulates the commitment and resolve of Astellas Group employees worldwide to constantly rise to the challenge of creating drugs that are really needed. It also reflects our desire to give courage and hope to patients afflicted by illness.

Looking ahead, Astellas will work to change tomorrow for patients and their family members with new ethical pharmaceutical products.

astellas
Leading Light for Life

"Leading Light for Life"

Superior pharmaceuticals that provide the promise of a healthier and more enriched life to people from all over the world. That is Astellas' earnest wish. Our challenge, our vision, and our mission are to illuminate the future and constantly seek a better life for all. As a global pharmaceutical company, Astellas is determined to be the "Leading Light for Life."

This corporate message directly reflects our business philosophy (raison d'être): "Contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products."

Message to Stakeholders

We will do our utmost from a patient-oriented perspective to supply patients around the world with innovative medicines that satisfy unmet medical needs.

Masafumi Nogimori
President & CEO

The Corporate Vision of Astellas

The business philosophy of Astellas describes our corporate raison d'être as that of contributing toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. To help realize this business philosophy, we formulated "Vision 2015" in 2006 to define the direction that we must take, and the company that we want Astellas to be in 2015. Our goal is to build a business model that we call "global category leader" (GCL). This means establishing Astellas' competitive edge as a leader in highly specialized fields (categories) where there is a high degree of unmet medical needs through the supply of high-value-added drugs on a worldwide basis. Realization of this GCL business model will enable us to maximize value for people seeking good health. In doing so, we aim to generate sustainable growth in enterprise value as well.

MTP14: Leveraging Our Strengths to Grow

We have steadily expanded Astellas' business to date through the active pursuit of two strategies. First, we have sought to improve our drug discovery capabilities so that we can create a stream of innovative new drugs for our focus diseases. Second, we have focused on establishing a solid global business infrastructure. We are now experiencing significantly harsher business conditions because we face generic competition in the US for two of our mainstay products—the immunosuppressant Prograf and Harnal, a treatment for the functional symptoms associated with benign prostatic hyperplasia—following expiry of the US substance patents.

Under such circumstances, Astellas formulated the mid-term management plan (MTP14: FY2010-2014) as a concrete five-year course of action through the fiscal year ending March 31, 2015 (fiscal 2014), to overcome the decrease in sales and income, and accelerate growth to a new stage. The slogan of MTP14 is "Leveraging our strengths to grow." Specifically, we aim to make the best strategic use of Astellas' strengths in three areas to realize faster growth. This three-pronged approach involves distinct growth strategies targeting therapeutic areas, regional coverage and R&D innovation.

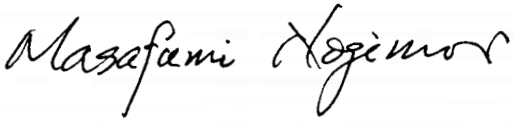
Improving the Health of the World by Focusing on Patient Needs

Our goal at Astellas is to continue delivering new drugs that address unmet medical needs to patients worldwide by realizing our GCL business model and achieving the other objectives described in Vision 2015. Going forward, we will focus specifically on building our proprietary ethical pharmaceutical business, particularly in therapeutic areas where there remain unmet medical needs or where growth will be spurred by technological innovation. We will also focus on an innovative pharmaceutical business approach that makes the most of our strengths at Astellas; and our in-house R&D functions, which are a core function as a GCL and the source of our future competitiveness.

Astellas is a company dedicated to working tirelessly to earn the trust and meet the expectations of patients and their families in particular—not to mention a wide range of other stakeholders that includes medical professionals, shareholders, employees and local communities.

I hope that we will continue to enjoy your collective support and understanding.

September 2010



Masafumi Nogimori
President & CEO

Financial Highlights

Years ended March 31

				(¥ billion)	(US$ million)		(% Change)
	2007.3	2008.3	2009.3	**2010.3**	**2010.3**	09/08	**10/09**
For the year							
Net sales	¥ 920.6	¥ 972.6	¥ 965.7	**¥ 974.9**	**$10,483**	(0.7)	**1.0**
Cost of sales	284.1	279.3	264.4	**289.2**	**3,111**	(5.3)	**9.4**
SG&A expenses (incl. R&D expenses)	446.0	417.3	450.9	**499.2**	**5,368**	8.1	**10.7**
Operating income	190.5	275.9	250.4	**186.4**	**2,004**	(9.2)	**(25.6)**
Operating margin (%)	20.7	28.4	25.9	**19.1**	**—**	—	**—**
Net income	131.3	177.4	171.0	**122.3**	**1,315**	(3.6)	**(28.5)**
Overseas sales	450.1	489.6	469.0	**460.7**	**4,954**	(4.2)	**(1.8)**
Overseas sales ratio (%)	48.9	50.3	48.6	**47.3**	**—**	—	**—**
R&D expenses	167.9	134.5	159.1	**195.6**	**2,103**	18.3	**23.0**
R&D ratio (%)	18.2	13.8	16.5	**20.1**	**—**	—	**—**
At year-end							
Total assets	1,470.7	1,439.2	1,348.4	**1,364.2**	**14,669**	(6.3)	**1.2**
Total net assets	1,099.0	1,110.9	1,030.2	**1,053.9**	**11,333**	(7.3)	**2.3**
Working capital	657.2	692.7	680.1	**711.4**	**7,650**	(1.8)	**4.6**

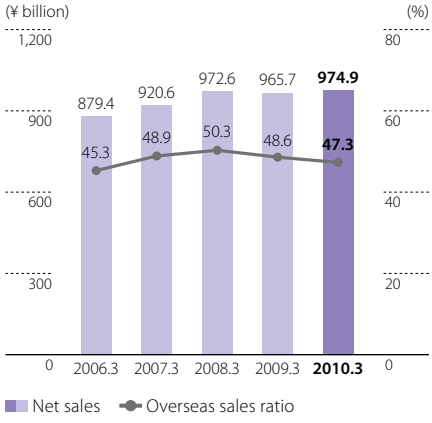
				(¥)	(US$)		(% Change)
Per share data							
Net income	¥ 244.07	¥ 349.89	¥ 356.11	**¥ 261.84**	**$ 2.82**	1.8	**(26.5)**
Total net assets	2,135.34	2,228.34	2,189.26	**2,278.77**	**24.50**	(1.8)	**4.1**
Cash dividends	80.00	110.00	120.00	**125.00**	**1.34**	9.1	**4.2**
Major Indicators							
ROE (%)	11.3	16.1	16.0	**11.7**	**—**	—	**—**
DOE (%)*[1]	3.7	5.0	5.4	**5.6**	**—**	—	**—**
Shareholders' equity ratio (%)	74.7	77.1	76.3	**77.1**	**—**	—	**—**
EBITDA*[2] (¥ billion)	246.1	305.8	305.6	**235.3**	**2,529**	(0.1)	**(23.0)**
Free cash flows (¥ billion)	200.4	178.5	168.8	**118.6**	**1,274**	(5.4)	**(29.7)**
Average exchange rate (¥/US$)	117	114	101	**93**	**—**	(11.4)	**(7.9)**
(¥/€)	150	162	143	**131**	**—**	(11.7)	**(8.4)**
Other Indicators							
Number of shares outstanding	563,964,635	518,964,635	503,964,635	**475,964,635**	**—**	—	**—**

Notes: US dollars have been converted at the rate of ¥93 to US$1, the approximate exchange rate on March 31, 2010. US dollar amounts are included solely for convenience.

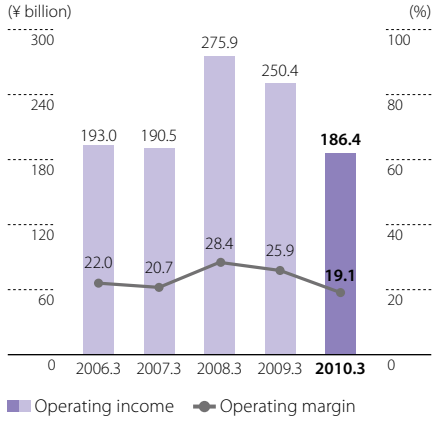
*[1] DOE (dividend on equity) = (payout ratio) x ROE

*[2] EBITDA = Income before income taxes and minority interests + interest expense + depreciation and amortization

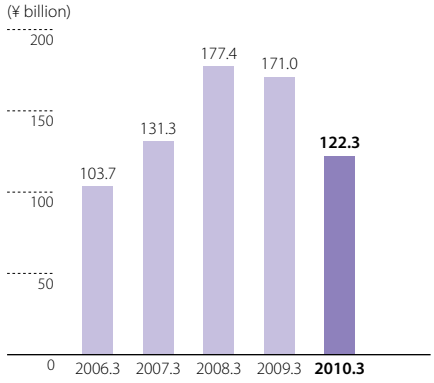
Net Sales/Overseas Sales Ratio



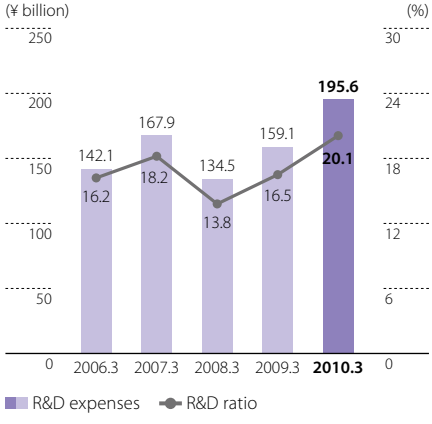
Operating Income/Operating Margin



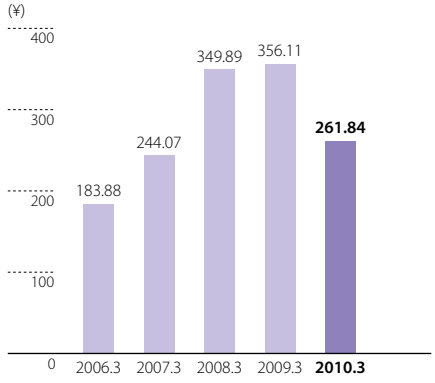
Net Income



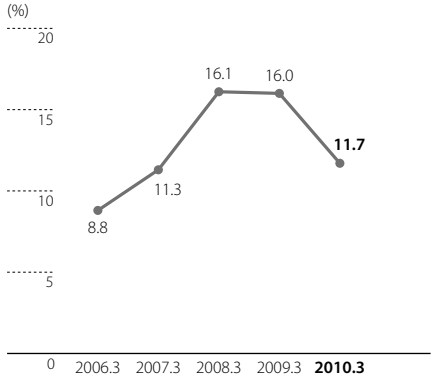
R&D Expenses/R&D Ratio



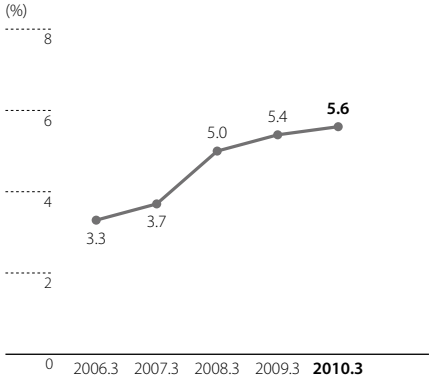
Net Income per Share



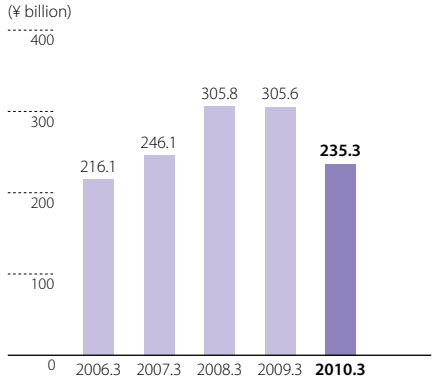
ROE



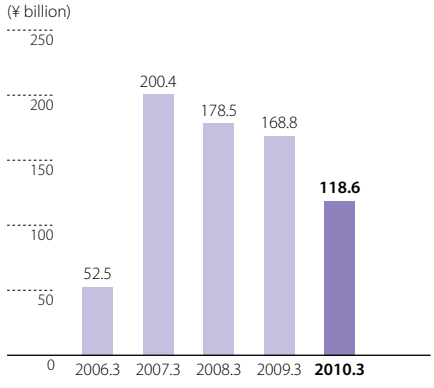
DOE



EBITDA



Free Cash Flows



Interview With the President & CEO

Masafumi Nogimori
President & CEO

Under the mid-term management plan MTP14, we will leverage our strengths to achieve accelerated growth in the period from April 2010 to March 2015 to take Astellas to the next stage.

Q It is now five years since the formation of Astellas. Please review the first mid-term management plan to March 2011 that was formulated in 2006.

A Currency headwinds, delayed new product launches and worse-than-expected generic competition for our mainstay products meant that we fell short of the numerical performance targets in the plan. On the other hand, the past five years saw us quickly reap synergy benefits from the merger to establish a global business platform. We also actively invested to position Astellas for the next stage of growth.

In the five years since Astellas was formed, we have achieved the critical goal of the previous mid-term management plan to establish foundations for global growth.

A key achievement during this period was to expand Astellas' global franchises in the therapeutic areas of transplantation and urology, based around the mainstay products Prograf, Harnal and overactive bladder (OAB) treatment Vesicare. I believe that we substantially reinforced our position as a global category leader (GCL) in both of these fields.

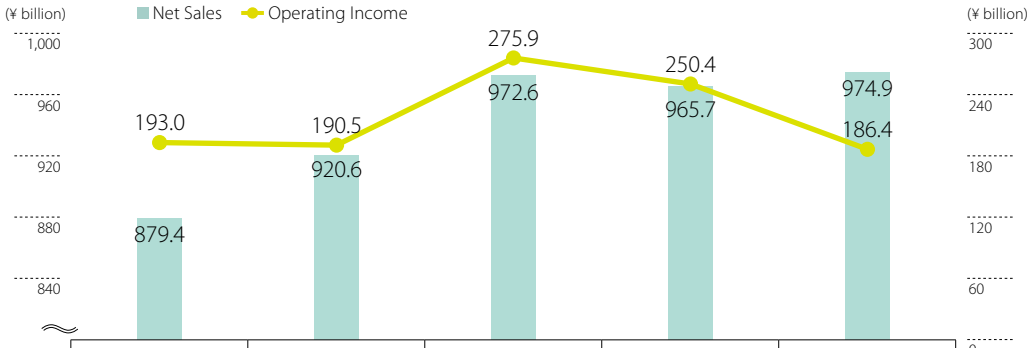
During these five years, we also established a global management system. We increased sales and earnings in each of the four geographic regions of Japan, the Americas, Europe and Asia to create a well-balanced structure. We also continued building a business platform in the BRICs nations and other emerging markets as part of strengthening our global operations.

At the same time we actively reformed our cost structures. We reduced manufacturing costs without hesitating, optimized the number of production bases, and moved quickly to generate merger-related consolidation and synergy benefits in human resources and other areas. We successfully squeezed our cost base.

In addition, we reinforced our in-house R&D capabilities and significantly expanded and enriched the development pipeline through a combination of in-licensing and strategic alliances. We invested heavily in upgrading our drug discovery capabilities. This included the integration of Agensys, into the Astellas Group through which we gained a presence in antibody technologies. I believe we have successfully developed a range of strengths that are unique to Astellas through these various initiatives.

In terms of quantitative performance, we did not attain the numerical targets in the plan due to a combination of significant adverse currency movements, delays in launching new products and the advent of generic competition for mainstay products that was greater than we had anticipated. On a currency-adjusted basis, our net sales grew at a relatively steady pace in the five years to March 2010. Operating income also expanded steadily due to the growth in sales, although the launch of generic versions of Prograf in the US market did depress profits in the fiscal year ended March 31, 2010 (fiscal 2009) to a certain extent. Our capital efficiency improved rapidly, with return on equity (ROE) reaching 16% in the third year after the merger. ROE was in single digits at the time of the merger. We also adopted a proactive stance toward shareholder returns in this period.

FY2005 to FY2009 Performance



Exchange Rate	FY2005	FY2006	FY2007	FY2008	FY2009
US$	¥113	¥117	¥114	¥101	¥93
EUR€	¥138	¥150	¥162	¥143	¥131
ROE	8.8%	11.3%	16.1%	16.0%	11.7%
ROA	3.3%	3.7%	5.0%	5.4%	5.6%

Q How do you see Astellas' current strengths and issues?

A Broadly, Astellas has five main strengths. The key issue that we face at the moment is how to recover quickly following the decrease in sales and profits associated with the expiry of patents for Prograf and Harnal in the US.

In terms of the strengths of Astellas, the first is the leading global position that we have developed as a GCL in the areas of transplantation and urology. Second is the well-balanced global sales network that we have established covering the four regions of Japan, the Americas, Europe and Asia. Third is our powerful position in the Japanese market, where our large sales platform enables us to maximize the potential of our diversified product portfolio. Fourth is our unique pipeline, which includes many molecules that are either "first-in-class" or "best-in-class." Fifth, we possess a range of strong drug discovery research capabilities by virtue of our wide-ranging expertise spanning low-molecule synthesis, fermentation, antibody and protein drug technologies.

I believe that these strengths will constitute a major driving force that will support the future growth of Astellas.

We recognize that a significant issue we face is turning around the downward trend in sales and earnings caused by the loss of patent protection in the US for Prograf and Harnal. The other key issues are further enriching our late-stage clinical development pipeline; establishing Astellas as a GCL in another therapeutic area to augment transplantation and urology; and further upgrading our drug discovery research capabilities. I believe that overcoming each of these issues will help us realize growth over the medium to long term and enhance enterprise value in a sustained manner. To address these different issues, we have formulated MTP14 to specify what we plan to do over the next five years to the end of March 2015 to achieve accelerated growth and reach a new stage. The strategic theme of MTP14 is "leveraging our strengths to grow."

Q Please describe the strategic policy framework of MTP14.

A MTP14 aims to help us accelerate Astellas to the next stage of growth by leveraging our strengths to the maximum extent. We will promote a three-pronged growth strategy composed of a therapeutic area strategy, a regional strategy and an R&D innovation strategy, alongside a separate strategy to boost efficiency.

As I mentioned earlier, the strategic goal of MTP14 is to accelerate growth to a new stage so that we can overcome the declines in sales and profits caused by the loss of patent protection for Prograf and Harnal in the US. To do this, we plan to pursue two separate strategies to promote higher growth and increased efficiency. The growth strategy consists of three pillars: a therapeutic area strategy, a regional strategy and an R&D innovation strategy. The efficiency strategy focuses on realizing higher cost efficiencies in three ways: first, through efficient allocation of resources, linked to the promotion of the therapeutic area strategy; second, through better and more dynamic expense allocation; and third, by reviewing business processes to achieve cost savings.

In particular, we plan to implement the following five sets of specific measures aimed at overcoming the decline in financial performance due to the expiry of patents for our mainstay products Prograf and Harnal in the US.

❶ Grow and maintain global products in urology and transplantation areas

Our plan is to maintain the global Prograf and Harnal businesses while at the same time generating significant growth in the urology franchise with the OAB treatments Vesicare and mirabegron, which we expect to launch during the MTP14 period.

❷ Expand sales of growth products in each region

The antifungal agent Mycamine is a growth product that we promote globally. In Japan, our other major growth products are Symbicort, a treatment for adult bronchial asthma, the non-steroidal anti-inflammatory analgesic agent Celecox, and the anti-hypertensive Micardis. In the Americas, the main growth products we will be promoting are the pharmacologic stress agent Lexiscan, Sumavel DosePro, a treatment for migraine that uses a needle-free delivery system, and the antibiotic VIBATIV. In Europe, we have the advanced prostate cancer treatment Eligard and Qutenza, a treatment for peripheral neuropathic pain. We aim to expand the sales of each of these growth products in their respective regions.

❸ Continuously launch new products

We aim to launch a continuous stream of new products through steady development of our drug pipeline.

❹ Actively in-license products and develop alliances

We will continue reinforcing our in-licensing and alliance activities, targeting drugs that are a good fit with our therapeutic area strategy and local franchises.

❺ Further expand global sales network

We will also continue expanding and upgrading our sales presence in global markets, including in emerging countries.

MTP14 (FY2010 to FY2014)—Basic Policy and Strategy

Growth strategy	Therapeutic area strategy • Maintain and strengthen GCL position in urology and transplantation • Strengthen oncology franchise to realize third GCL
	Regional strategy • Expand well-balanced four-region business base • Invest further in emerging countries with high potential
	R&D innovation strategy (Strengthen drug discovery research capabilities) • Actively approach Precision Medicine drug discovery • Utilize cutting-edge technologies in drug discovery research • Prioritize strategic therapeutic areas • Leverage global development framework to bolster pipelines
Efficiency strategy	Improve cost efficiency • Efficiently allocate resources through execution of therapeutic area strategy • Better and more dynamically allocate expenses • Review business processes to achieve cost savings

I am confident that by steadily implementing these policies we can address the impact of generic competition affecting our two mainstay products and move Astellas back onto a solid growth trajectory.

In terms of numerical targets, we are aiming for net sales of ¥1,100 billion in the year ending March 2015. Since our business depends on discovering innovative new drugs, it is also important that we continue to invest in R&D to support long-term growth. We will continue to invest actively in R&D, with related spending of at least 16% of net sales through fiscal 2014. Our fiscal 2014 target for operating income is ¥240 billion, which is based on increased sales and cost savings achieved through the efficiency strategy. We are targeting an operating margin of 22% in fiscal 2014. We also expect to generate ROE in excess of 15%, reflecting gains in enterprise value due to substantial improvements in both profitability and capital efficiency.

Financial Targets: Improve Management Indicators

Move back onto a growth trajectory beginning in FY2010	Net sales	FY2010 ¥940 billion → **FY2014 ¥1,100 billion**
Invest substantially in R&D in support of long-term growth	R&D as a percentage of net sales	**Around 16% or more**
Actively and continuously endeavor to raise cost efficiency	Cost of sales and SG&A expense ratio	**Reduction of cost of sales** **Efficient use of expenses**
Raise enterprise value by increasing profits and improving capital efficiency	Operating income Operating margin ROE	FY2010 ¥152 billion 16% → **FY2014 ¥240 billion** **22%** **Over 15%**

(Note) As of mid-term management plan announcement (May 25, 2010)
Excludes the impact of acquiring OSI.

Assumed exchange rates: 90 yen/USD, 130 yen/EUR

We will strive continuously to increase returns to Astellas shareholders through a number of measures. While prioritizing business investment for future growth, we will also seek to increase dividends steadily and continuously based on medium- to long-term growth in profits. Complementing this policy, we will maintain our stance of flexible share buybacks. Based on this policy mix, we aim to generate sustained growth in enterprise value so that we can boost returns to shareholders.

Payout Policy

Put highest priority on business investment for future growth

Increase enterprise value

Improve capital efficiency

Continuously improve returns to shareholders

Increase dividends continuously through medium- to long-term profit growth	Implement flexible share buybacks

Q Please describe Astellas' growth strategy relating to therapeutic areas.

A We have already established Astellas as a GCL in the therapeutic areas of urology and transplantation. We aim to maintain and expand on these positions while also aiming to establish GCL status in the third area of oncology.

Urology

We aim to establish an overwhelming presence in urology through the launch of new products such as mirabegron.

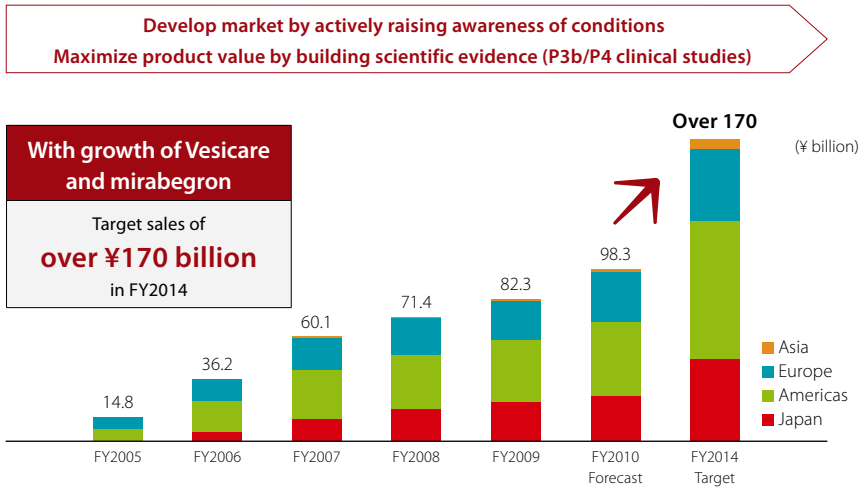
Within the therapeutic area of urology, Astellas has a global leading position in the markets of benign prostatic hyperplasia (BPH) and OAB. We are currently achieving steady global growth in sales of Vesicare in the OAB market in particular. In June 2010, we filed an application in Japan for regulatory approval of mirabegron, which we believe has major sales potential worldwide. Regulatory filings are being prepared in the US and Europe as well. Leveraging Astellas' strengths in urology, we will expand the OAB franchise further, while also seeking to maintain our BPH franchise. We are looking to generate franchise synergies with prostate cancer, where we have a number of compounds currently in development. In addition, we are actively conducting R&D to discover promising drugs to treat other urological diseases with market potential.

We have high expectations for mirabegron as a growth driver in urology. The most commonly prescribed medicines in the OAB market are anticholinergics (ACs). The introduction of mirabegron will provide a novel treatment option for the many OAB patients who do not respond to ACs or cannot adhere to an AC therapeutic regimen.

We think that there is huge untapped potential in the OAB market. Since the launch of Vesicare, we have been trying to develop the OAB market by actively working to raise patient awareness of diseases. We are also continuing to maximize product value by collecting scientific evidence from ongoing Phase 3b/Phase 4 clinical studies. This helped us to achieve high rates of growth and an increased share of the OAB market in the year ended March 2010, when our OAB sales reached ¥82.3 billion. We expect to launch mirabegron around 2012. In fiscal 2014, with both Vesicare and mirabegron on the market, we aim to increase our annual sales from the OAB franchise to more than ¥170 billion.

We are targeting fiscal 2014 sales of at least ¥230 billion for the urology therapeutic area as a whole. In addition to sales from the growing OAB franchise, we aim to maintain our sales of Harnal outside the US and to launch EC905 (for treating lower urinary tract syndrome associated with benign prostatic hyperplasia) in Europe.

Maximize Global Sales of the OAB Franchise



(Note) As of mid-term management plan announcement (May 25, 2010)

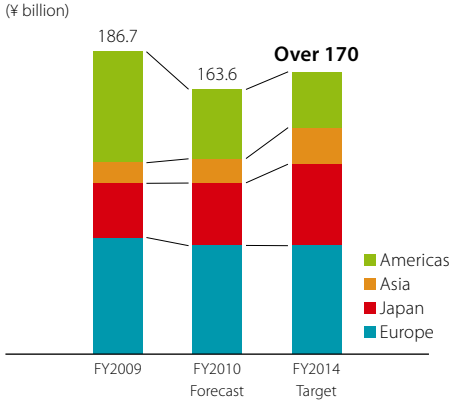
Transplantation

Our goal is to make a further contribution to the transplant community and to maintain our GCL status within this therapeutic area.

In addition to urology, based on the Prograf business, transplantation is another therapeutic area where Astellas has established GCL status. While we do not expect to launch any new products in this area in the MTP14 period, we do have a number of potential successors to Prograf with unique mechanisms of action currently in Phase 2 or pre-clinical development. We believe that Astellas can make a further contribution as a GCL to the therapeutic area of transplantation since there are still unmet medical needs, including issues such as chronic rejection and delayed graft function. Leveraging our strengths, our strategy is to continue seeking to maintain and maximize the Prograf business so that we can bolster our GCL status in this area.

In terms of specifics, in addition to the transplantation area, we plan to continue growing Prograf sales in Japan through contributions from other non-transplantation autoimmune diseases such as rheumatoid arthritis. In the US market, although we expect a significant fall in sales of Prograf in fiscal 2010 due to the impact of generic competition, we project that sales thereafter will only decline slightly. Our goal is to limit the extent of sales deceleration to maintain the business. In Europe, we expect the impact of generic competition to be much less than in the US. Combined with a sales contribution from the once-daily formulation Advagraf, we expect to maintain sales in the region from this franchise over the MTP14 period. In Asia, we are targeting high rates of growth with Prograf due to increasing sales in China and regulatory approvals for additional indications to treat autoimmune diseases. Based on these different measures, we aim to generate over ¥170 billion in sales from the Prograf business in the year ending March 2015.

Maintain and Maximize Prograf Business



Strengths in Transplantation

- Global leading position
- Pipelines with unique mechanisms of action
- Existing unmet medical needs

Marketed Products	Pipeline
Prograf Advagraf /Graceptor	ASP0485 (P2: alefacept) ASP015K (P2: Immunosuppressant) ASKP1240 (P2: CD40 antagonistic monoclonal antibody) Maxy-4 (Preclinical)

(Note) As of mid-term management plan announcement (May 25, 2010)

Oncology

With the aim of making oncology into our third GCL area after urology and transplantation, we are working to strengthen our drug pipeline and to establish a business base in this therapeutic area.

One of our strengths is that the acquisition of OSI Pharmaceuticals (OSI) has enabled us to acquire a fully integrated business platform in the oncology area. Another major strength is the advanced antibody and antibody-drug conjugate (ADC) technologies of Agensys, which was integrated into the Astellas Group in 2007. In addition, we already have a significant number of first-in-class compounds and antibody drugs in various stages of research and development. We expect to begin launching some of these products in the latter half of the MTP14 period.

Besides utilizing OSI's integrated oncology platform, we will leverage our strengths by employing novel drug targets and the latest drug discovery technologies to reinforce our oncology pipeline based on an active research program. At the same time, we will strengthen our global marketing and product strategy functions within the oncology area.

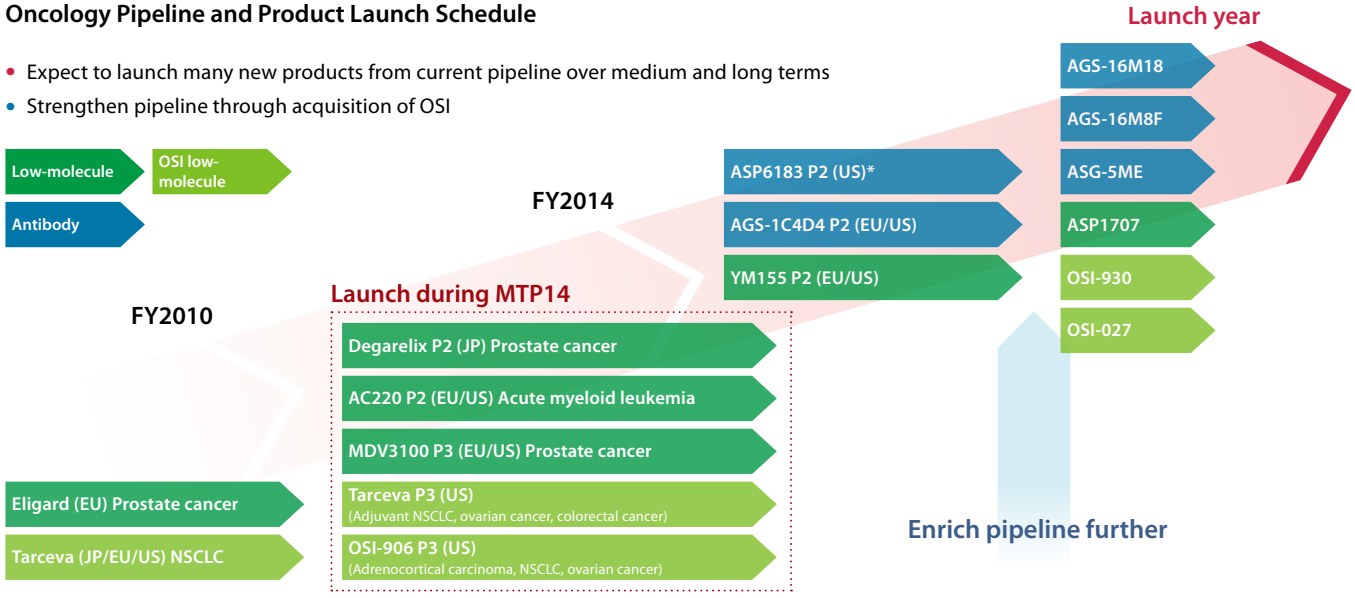
Let me explain why we decided to target oncology as Astellas' third GCL area.

The first point to make is that oncology is a good strategic fit for Astellas in terms of our GCL business model concept. Since cancer comes in many different forms, the field of oncology is one where there is still a high level of unmet medical needs. For example, prostate cancer, breast cancer and colorectal cancer all have high rates of incidence. There are also many types of cancer where mortality rates remain high, such as lung cancer, pancreatic cancer, stomach cancer and leukemia. Oncology is also a good fit with our GCL concept because it is a highly specialized market and it is an area based on advanced science that continues to evolve.

Perhaps most significantly, we targeted oncology as our third GCL area because we see it as an area where we can leverage Astellas' strengths to establish a competitive edge. We believe we can prevail in this highly competitive sector based on a portfolio of first-in-class compounds and therapeutic antibodies, strong drug discovery engine and cutting-edge ADC technology that I mentioned earlier.

We have a three-pronged strategic approach to developing first-in-class and best-in-class products to create a competitive oncology portfolio. First, we will adopt a "Precision Medicine" approach to develop drugs with high efficacy in certain patient population segments. Second, we will select drug targets that are applicable across multiple tumor types. Third, we will seek to leverage the specialized expertise that we possess in other therapeutic areas. Our drug pipeline includes first-in-class and best-in-class compounds and antibody drugs with novel mechanisms of action that we have developed by applying these approaches.

Oncology Pipeline and Product Launch Schedule



* Development suspended

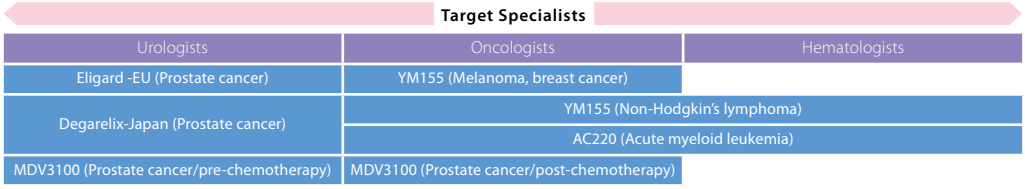
Our strategy for entering the oncology market is to build a sales organization and strengthen product strategy functions ahead of our anticipated launch of new drugs in this area from the second half of the MTP14 period. We aim to develop an efficient sales force that will target specialist physicians according to product and regional characteristics. Sales force build-up will be timed to coincide with product launches.

We expect to launch three new oncology drugs within the MTP14 period. In Japan, we plan to introduce degarelix, a treatment for advanced prostate cancer. In Western markets, our lead compounds are AC220, a treatment for acute myeloid leukemia, and MDV3100 for prostate cancer. We aim to secure regulatory approval for an additional indication for OSI's anticancer drug Tarceva and to complete the development of novel molecules such as the IGF-1R/IR tyrosine kinase inhibitor OSI-906 to augment our existing pipeline. The OSI acquisition has augmented the Astellas oncology pipeline substantially, and it now consists of a total of nine low-molecules and five antibody drugs. I am confident this pipeline will be a major driver of future growth.

Oncology: Market Entry Strategy

Build efficient sales organization

- Target specialists according to product and regional characteristics (Oncologists, hematologists, urologists, etc.) and build efficient sales organization to coincide with product launch years.



- Actively use OSI's established business platform in the US

Early Establishment of Astellas' Oncology Franchise Through OSI Acquisition

OSI is a firm with unique, highly profitable and fully integrated operations spanning the discovery, development and commercialization of innovative molecular targeted therapies for the treatment of cancer, diabetes and obesity. The company's mainstay product, Tarceva, achieved worldwide sales of US$1.2 billion in 2009.

Through the OSI acquisition, Astellas has gained a fully integrated drug discovery, development and commercialization platform in the US, an expanded clinical-stage oncology pipeline, and access to a low-molecular compound discovery research platform in oncology. These will help accelerate the development of our oncology franchise.

OSI's business platform accelerates Astellas' oncology business strategy

- **Acquire fully integrated oncology capabilities in the US including discovery, development and commercialization**
- **Expand clinical stage oncology pipeline**
- **Access to low-molecular compound discovery research platform in oncology**

Discovery & Clinical Development	Sales & Marketing
+	+
Proven low-molecular compound discovery research capabilities in oncology	Experienced sales representatives focused on oncology

Q Please explain Astellas' regional growth strategy.

A We will make further investments to expand and upgrade our own sales network in emerging markets while continuing to pursue a well-balanced global development strategy based around the four regions of Japan, the Americas, Europe and Asia.

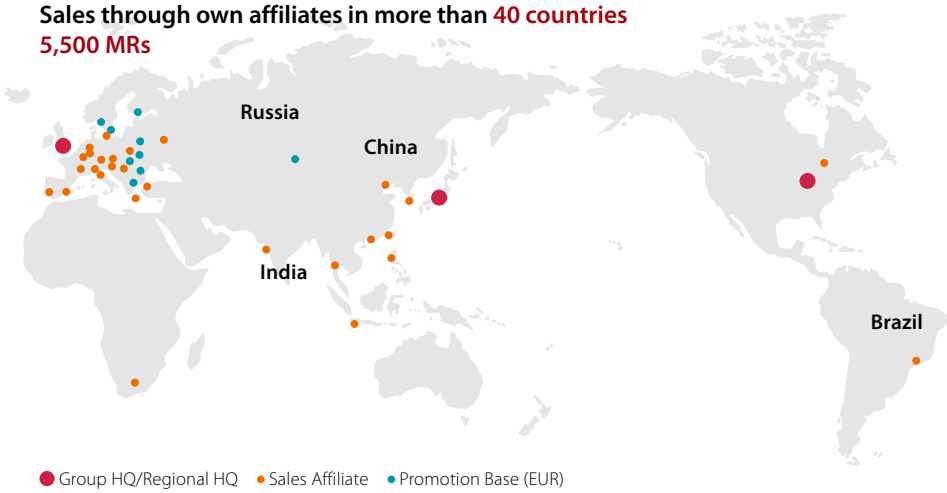
One of the major strengths of Astellas is that we have developed a well-balanced global business spanning the four key regions of Japan, the Americas, Europe and Asia. At the same time, we are continuing to build a broad-based independent sales network spanning the BRICs countries and other emerging markets with significant future growth potential. We now have sales operations through local affiliates in more than 40 countries worldwide, with a global sales force of approximately 5,500 MRs. We plan to further reinforce our global business development during the MTP14 period, based on the operational infrastructure that we have established within each of these four regions. I am confident that these efforts will translate into future growth.

In Japan, our aim is to secure the leading market share in the MTP14 period through expanded sales of growth products and a steady stream of new drug launches. In the Americas, we are aiming to generate fresh growth to offset the loss of Prograf sales through the OAB franchise with VESIcare and mirabegron, complemented by growth products and new product launches, and the expansion of Astellas' business in Latin America. In Europe, our goal is to reinforce our current position as the top Japanese pharmaceutical company in the region based on the growth drivers of Vesicare and mirabegron, and Advagraf as well as growth products. We will also look to expand our sales coverage in the region to include new countries. In Asia, we are targeting dramatic growth, with growth from the Vesicare and mirabegron, Prograf and Harnal franchises. Business expansion through reinforcement of our sales organization in the Chinese market will also spur growth in Asia.

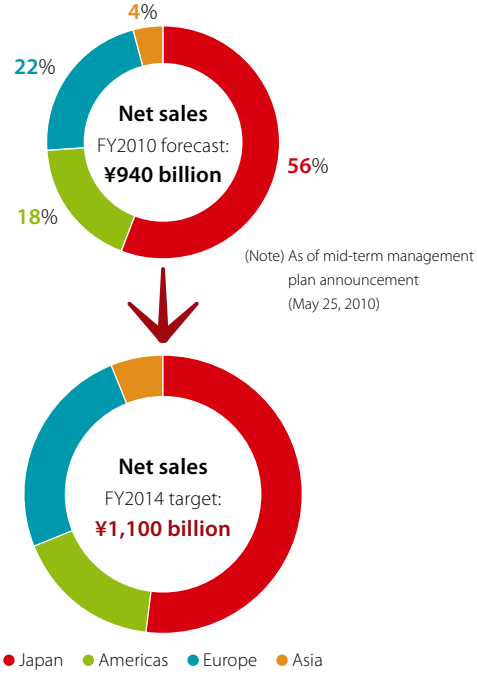
Well-Balanced Business Expansion in 4 Regions

Wide coverage with own sales network including emerging countries such as BRICs

Sales through own affiliates in more than 40 countries
5,500 MRs



Achieve well-balanced growth in all 4 regions

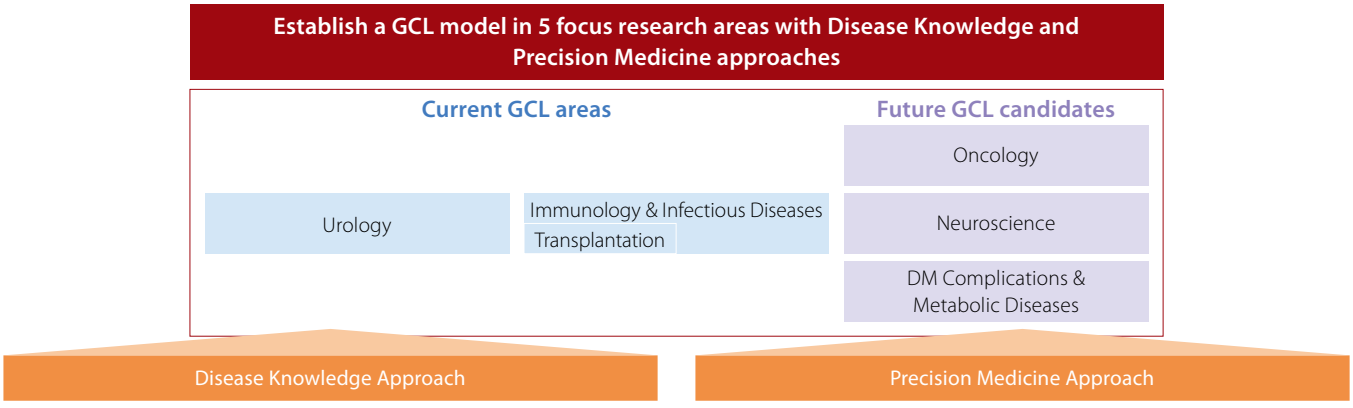


Q Please explain the R&D innovation strategy, another key element of the strategy to ensure Astellas' future growth.

A Besides channeling our research resources into five focus research areas, this strategy involves leveraging the strengths of Astellas through a dual approach to innovative drug discovery.

In 2009, we redefined our therapeutic area research strategy to focus on the five areas of urology, immunology and infectious diseases (including transplantation), oncology, neuroscience, and diabetes complications and metabolic diseases. Within these areas of focus, we identify specific research themes at the level of individual diseases and seek to discover innovative new drugs by concentrating our research resources. Within each therapeutic area, we will also seek to establish a GCL model for Astellas by applying two distinct approaches that we refer to as "Disease Knowledge" and "Precision Medicine."

Five Focus Research Areas



The Disease Knowledge approach seeks to maximize the experience and knowledge that we have accumulated in disease-related R&D and marketing. This approach to drug discovery focuses on leveraging the existing strengths of Astellas.

The Precision Medicine approach to drug discovery is based on precise molecular targets and mechanisms of action. It refers to offering highly effective therapeutic options for precisely defined patient populations based on molecular targeting and accurate diagnosis using tools such as biomarkers. Until now, many drugs developed by pharmaceutical companies have followed the "Mass Medicine" approach, in which the same medicine is prescribed for many patients that are diagnosed with the same disease. While such drugs have been successful in overcoming many diseases, mass prescription to patients is requiring greater efforts to ensure safety and demonstrate the long-term benefits of these medicines. As science advances, we are now beginning to pinpoint the specific causes of disease and gain an understanding of the biological factors that lead to differences in efficacy and safety between individual patients. If we are to create more effective and useful medicines while maintaining safety, I believe that we need to build on the results of this advanced science so that we can address areas of unmet clinical demand. At Astellas, we plan to adopt this Precision Medicine approach actively to discover drugs that satisfy unmet medical needs.

Drugs discovered using the Precision Medicine approach are expected to combine high efficacy with fewer side effects. We can develop these drugs using clinical trials of smaller scale to target a specific patient population. There are also some potential pharmacoeconomic advantages because such drugs would only be prescribed to those patients that would be expected to respond to them. There are already a number of oncology drugs that have been discovered using the Precision Medicine approach. In the future, we expect these kinds of drugs to provide an increasing range of therapeutic options. Our aim for Astellas is to establish a leading position within Precision Medicine by leveraging our translational science base, including in-house biomarker research.

Actively Approach Precision Medicine Drug Discovery

Astellas aims to establish a leading position in Precision Medicine by leveraging translational science and biomarker research

Past	Future
Mass Medicine	**Precision Medicine**
"One-size fits all" prescription	Highly effective drugs for defined patients

We plan to use multiple NME (new molecular entity) platforms for drug discovery across each of Astellas' focus research areas. The integration of Agensys and the establishment of the joint venture Perseid Therapeutics with US-based Maxygen have helped reinforce our technical research capabilities. In addition to traditional strengths in low-molecule synthesis and fermentation technologies, we have been able to build a base of expertise in antibody/protein drug technologies. As a result, we now have an increased range of drug discovery technologies on which we can draw. In each area of research focus, we can choose the most appropriate drug discovery technology for each project, whether this be low-molecule synthesis, fermentation, antibodies or protein drug technologies. During the MTP14 period, we plan to invest aggressively in our antibody drug platform in particular. Specifically, we will be investing in new manufacturing facilities to supply antibody drugs and to gain access to critical new technologies such as VelocImmune technology for generating fully human monoclonal antibodies and ADC technology.

Utilize Multiple NME Platforms

Focused Area	NME platform		
	Low-molecule synthesis	Fermentation	Antibody/Protein
Oncology	◎	◎	◎
Immunology (transplantation) and Infectious Diseases	◎	◎	◎
DM Complications and Metabolic Diseases	◎		◎
Neuroscience	◎		○
Urology	◎		○

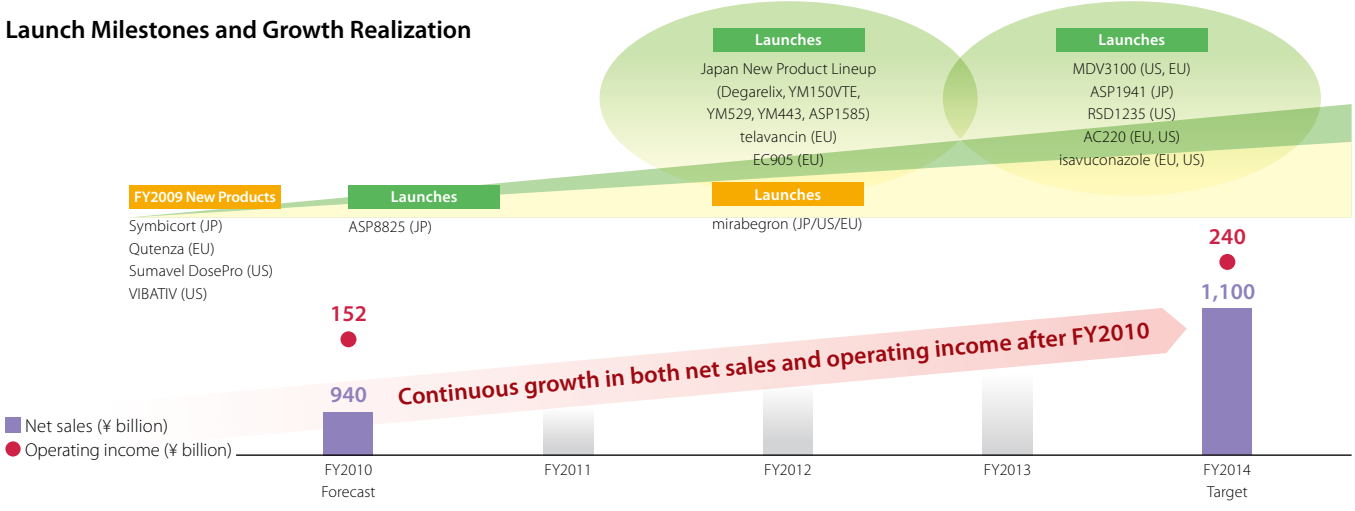
Q What is your message to the company's stakeholders?

A We will accelerate growth, targeting the realization of our GCL ambitions based on implementing five policies.

As I have explained, Astellas has numerous strengths and a range of strategies to generate growth going forward. Specifically, they cover the numbers one to five. First is the realization of the No. 1 market share in Japan. Second is the maximization of our existing two GCL areas. Third is to upgrade oncology into Astellas' third GCL area. Fourth is well-balanced globalization across four regions. And fifth is to enrich our pipeline in five areas of research focus. We will steadily implement all of these policies so that we can become a GCL. Our aim in financial terms is to realize accelerated growth in sales and profits, starting in the year to March 2011.

The communication slogan of Astellas is "Changing tomorrow." It expresses our core message that we hope to change tomorrow for patients and their families by providing a continuous supply of drugs that satisfy unmet medical needs to patients all around the world. It is our conviction that maximizing the value added by Astellas for everyone who seeks better health will ensure that we increase the company's long-term enterprise value.

Launch Milestones and Growth Realization



(Note) As of mid-term management plan announcement (May 25, 2010)
Excludes the impact of acquiring OSI.




R&D Feature

Astellas' pipeline is growing steadily in various therapeutic areas through global development projects, local development projects, and development projects for additional indications or formulations. All pipeline projects are progressing toward late-phase development.

YM178 (mirabegron), YM150, and ASP1941, as well as the rapidly expanded oncology pipeline in recent years, all have the potential to become future growth drivers for Astellas.

YM178 (mirabegron)

Mirabegron is a beta 3 receptor agonist with a novel mechanism of action. The compound will be first-in-class for this mechanism of action.

Global development of mirabegron is progressing steadily. In Japan, an NDA filing was submitted in June 2010 for the indications of urgency, urinary frequency, and urge urinary incontinence associated with overactive bladder (OAB). In Europe and the US, we have obtained results from pivotal Phase 3 trials that will allow us to file for NDA approval. We will prepare NDA filings in the second half of the fiscal year ending March 31, 2011. We are currently conducting long-term studies and additional thorough QT studies in the US and Europe. In Asia, we are conducting Phase 3 trials.

Anticholinergics such as Vesicare are currently the most common treatment for OAB. As mirabegron is a beta 3 receptor agonist with a different mechanism of action, we expect it to be useful in patients insufficiently responsive to anticholinergics or who discontinue anticholinergic therapy due to side effects such as dry mouth.

Growth Driver—mirabegron

Strengthen No.1 position in global OAB market together with Vesicare

Confirmed clinical benefit of mirabegron in Phase 3 trials in Japan, the US and Europe

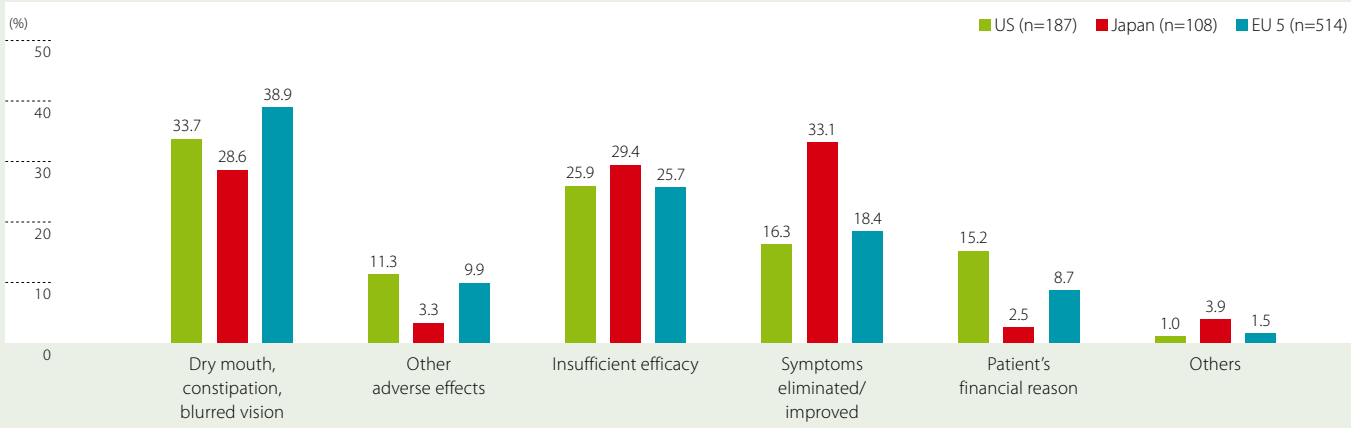
Mirabegron Product Profile

- Indications
  Treatment of urinary frequency, urinary incontinence or urgency associated with OAB
- Mechanism of Action
  Beta 3 receptor agonist (first-in-class)
- Target Product Profile
  Comparable (better) efficacy to anticholinergics (ACs) in improvement of OAB symptoms
  Placebo-level incidence of anticholinergic side effects (dry mouth, etc.)
  Placebo-level acute urinary retention risk (ACs: use caution in patients with clinically significant bladder outflow obstruction)

Provide a new treatment option with new mechanisms of action to patients who do not respond to ACs or who cannot adhere to ACs

Unmet Medical Needs in OAB Treatment

Reasons for discontinuing anticholinergic drug therapy (female patients, stopped taking drugs within 6 months of beginning treatment)



(Note) Global market research by TNS/Astellas, 2007

YM150

YM150 is a factor Xa inhibitor for the prevention of thrombosis. The compound is undergoing Phase 2 and Phase 3 trials worldwide for the indications of prevention of postoperative venous thromboembolism (VTE) and thromboembolic complications associated with atrial fibrillation (AF), and for the indication of acute coronary syndrome (ACS).

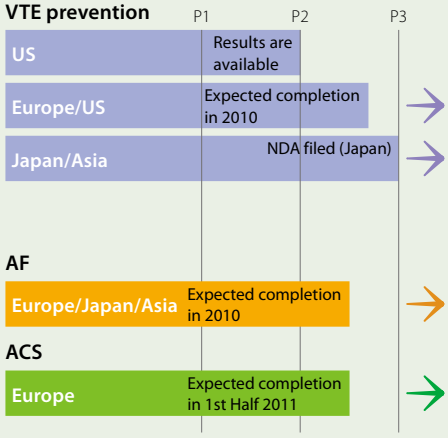
In Japan, summary results from two Phase 3 pivotal studies on VTE prevention have confirmed positive outcomes. In September 2010, we filed for regulatory approval for the indication of VTE prevention.

There is fierce competition to develop factor Xa inhibitors. We are developing YM150 globally and aim to obtain a superior risk-benefit profile compared with competitor compounds.

YM150 Development Progress

Clinical trial status P2b and P3 are ongoing for VTE, AF and ACS

- **NDA filing for the indication of VTE prevention in Japan in September 2010.**
- **P2b/3 for VTE in EU/US, P2b for AF in EU/JP/Asia and P2b for ACS in EU: Patient recruitment completed.**



P2b completed n=681 (YM150: QD/BID, warfarin)

P2b/3 ongoing n=2,000 (YM150: QD/BID, enoxaparin)

P3 ❶❷❸❹❺ completed ❻ ongoing

❶ TKR n=366, ❷ THR n=609, (YM150: BID, placebo, enoxaparin)

❸ Hip fracture surgery, ❹ Abdominal surgery, ❺ Acute medical illness, ❻ History of VTE

P2a completed P2b ongoing n=1,280 (YM150: QD/BID, warfarin)

P2b ongoing n=1,264 (YM150: QD/BID, placebo)

YM150 development aims for an anticoagulant with the best risk-benefit balance.

ASP1941

ASP1941 is a sodium-glucose co-transporter 2 (SGLT2) inhibitor to treat type 2 diabetes. SGLT2 inhibitors suppress glucose reabsorption in the renal tubules, providing a novel mechanism of action for the treatment of type 2 diabetes.

Global development is progressing steadily. ASP1941 is at Phase 3 in Japan and Phase 2b in Europe and the US.

In Japan, we are conducting two Phase 3 trials on ASP1941 monotherapy and a study on combination use with metformin. We also plan to start other studies on combination use with anti-hyperglycemic drugs during the fiscal year ending March 31, 2011.

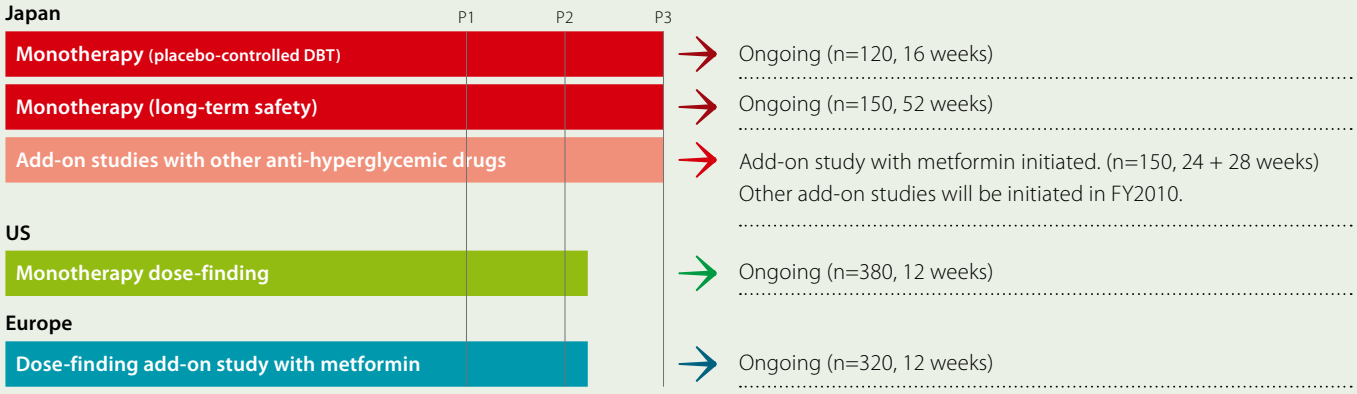
In spring 2010, we started a Phase 2b trial on monotherapy in the US and a Phase 2b trial on combination use with metformin in Europe.

We presented positive results of the Japanese Phase 2b study and the US Phase 2a study at the American Diabetes Association in June 2010.

ASP1941 (SGLT2 Inhibitor) Development Progress

Development status

- **Japan: Two monotherapy P3 studies are ongoing. Add-on P3 study with metformin initiated. Other add-on studies will be initiated in FY2010.**
- **US/EU: Monotherapy P2b study in the US and add-on P2b study with metformin in Europe are ongoing.**



The results of P2b in Japan and P2a in the US were presented at American Diabetes Association (ADA) in June 2010.

Expanded anticancer pipeline

We have rapidly expanded our oncology pipeline and now have five low-molecules and five antibody drugs at the clinical stages of development.

The table below summarizes these projects. Each compound has a unique profile, acts on a novel target or has a new mechanism of action, and has the potential to become an important therapeutic option in the treatment of cancer.

Global projects at the late stages of clinical development include MDV3100 in-licensed from US company Medivation in October 2009 for the treatment of prostate cancer, and AC220 in-licensed from US company Ambit Biosciences Corporation in December 2009 for the treatment of acute myeloid leukemia. Phase 3 and Phase 2 trials, respectively, are underway for each product. We are also preparing to file for approval in 2010 for degarelix, a local project under development in Japan for the treatment of prostate cancer.

Oncology Pipeline Expansion

	Project-Product name	Target cancer	Characteristics	P1	P2	P3	Launch
Low-molecule	**Eligard**	Prostate cancer	GnRH* agonist/Flexible dosing options (1, 3, 6-monthly injections)		(EU)		
	MDV3100	Prostate cancer	Second-generation AR* antagonist		(EU/US)		
	AC220	Acute myeloid leukemia	Potent and highly selective second-generation FLT3 kinase inhibitor		(EU/US)		
	ASP3550 degarelix	Prostate cancer	First GnRH* antagonist in Japan		(Japan)	NDA preparation	
	YM155	Breast cancer, Non-Hodgkin's lymphoma, melanoma	A "First-in-class" survivin suppressant		(EU/US/Japan)		
	ASP1707	Prostate cancer, endometriosis					
Antibody	**AGS-1C4D4**	Pancreatic cancer	Novel antibody target (Prostate stem cell antigen)		(EU/US)		
	ASP6183 (AGS-8M4)	Ovarian cancer	A "First-in-class" antibody binds to human chondrolectin (AGS-8)		(US)	Development suspended	
	AGS-16M18		Novel antibody target				
	AGS-16M8F		Antibody utilizing ADC technology				
	ASG-5ME		Antibody utilizing ADC technology				

* GnRH: Gonadotropin-releasing hormone
AR: Androgen Receptor

Pipeline List (All)

(As of August 2010)

Pipeline development at Astellas mainly targets therapeutic fields such as transplantation, infectious diseases, urology and cancer where there is a high degree of unmet medical needs and few effective treatments.

Global Development

Code No. [Generic Name]	Classification	Therapeutic Target	Phase 1	Phase 2	Phase 3	Filed	Area	Dosage Form	Origin	Remarks
YM617 [tamsulosin]	Alpha-1 receptor antagonist	Lower urinary tract syndrome in male patients				(June 2007)	Japan	Oral	In-house	New indication
[telavancin]	Lipoglycopeptide antibiotic	Complicated skin and soft tissue infections (cSSTI)				(Oct. 2009)	Europe	Injection	Theravance	
		Nosocomial pneumonia (NP)				(Jan. 2009)	US*			
						(Oct. 2009)	Europe			
		MRSA infections					Japan			
YM905 [solifenacin]	Muscarine M_3 receptor antagonist	Urinary frequency, urinary incontinence or urgency associated with overactive bladder (orally-disintegrating tablet)				(Dec. 2009)	Japan	Oral	In-house	New formulation
YM178 [mirabegron]	Beta 3 receptor agonist	Urinary frequency, urinary incontinence or urgency associated with overactive bladder				(Jun. 2010)	Japan	Oral	In-house	
							US			
							Europe			
YM150	Factor Xa inhibitor	Prevention of venous thromboembolism (VTE) after major orthopedic surgery				(Sep. 2010)	Japan/Asia	Oral	In-house	
							Europe			
							US			
		Prophylaxis of thromboembolic complications associated with atrial fibrillation (AF)					Europe			
							Japan/Asia			
		Acute coronary syndrome (ACS)					Europe			
[solifenacin] [tamsulosin]	Concomitant use of solifenacin/tamsulosin	Lower urinary tract syndrome associated with benign prostatic hyperplasia (BPH)					Europe	Oral	In-house	
MDV3100	Androgen antagonist	Prostate cancer					US	Oral	Medivation	
							Europe			
ASP1941	SGLT2 inhibitor	Type 2 diabetes					Japan	Oral	In-house (co-development with Kotobuki)	
							US			
							Europe			

Code No. [Generic Name]	Classification	Therapeutic Target	Phase 1	Phase 2	Phase 3	Filed	Area	Dosage Form	Origin	Remarks
[Isavuconazole]	Azole antifungal	Invasive aspergillosis			■		US/Europe	Injection/ Oral	Basilea	
		Candidemia/Invasive candidiasis			■		US/Europe			
YM155	Survivin suppressant	Breast cancer, Non-Hodgkin's lymphoma, Melanoma		■			US	Injection	In-house	
				■			Europe			
			■				Japan			
AC220	FLT3 kinase inhibitor	Acute Myeloid Leukemia		■			US	Oral	Ambit	
				■			Europe			
ASP2151	Helicase-primase inhibitor	Herpes zoster, Genital herpes		■			Japan**	Oral	In-house	
				■			US**			
ASP0485 [alefacept]	Immunosuppressant	Prophylaxis of kidney transplant rejection		■			US	Injection	In-house	
				■			Europe			
ASP9831	PDE4 inhibitor	Non-alcoholic steatohepatitis		■			Europe	Oral	In-house	
YM311 (FG-2216)	HIF stabilizer	Renal anemia		■			Europe	Oral	FibroGen	
			■				Japan			
ASP1517 (FG-4592)	HIF stabilizer	Renal anemia		■			Europe	Oral	FibroGen	
			■				Japan			
YM060 [ramosetron]	5-HT3 receptor antagonist	Irritable bowel syndrome (IBS)		■			Europe	Oral	In-house	
AGS-1C4D4	Antibody (Prostate stem cell antigen)	Pancreatic cancer		■			US/Europe	Injection	In-house (Agensys)	
ASP6183 (AGS-8M4)	Antibody binds to human chondrolectin (AGS-8)	Ovarian cancer		■			US**	Injection	In-house (Agensys)	
ASP015K	Immunosuppressant	Suppression of organ rejection in organ transplant		■			US	Oral	In-house	
			■				Japan			
ASKP1240	Anti-CD40 antagonist	Suppression of organ rejection in organ transplant		■			US	Injection	Kyowa Hakko Kirin	

(Notes) * Received a Complete Response letter from the FDA in November 2009
** Development suspended

Local Development: Japan

Code No. [Generic Name]	Classification	Therapeutic Target	Phase 1	Phase 2	Phase 3	Filed	Area	Dosage Form	Origin	Remarks
ASP8825 (XP13512)	Prodrug of gabapentin	Restless legs syndrome				(Nov. 2009)	Japan	Oral	XenoPort	
YM529 [minodronate]	Bisphosphonate	Osteoporosis (intermittent administration)				(Sep. 2010)	Japan	Oral	In-house (co-development with Ono)	New formulation
YM443 [acotiamide]	Acetylcholine esterase inhibitor	Functional dyspepsia				(Sep. 2010)	Japan	Oral	Zeria	
ASP1585 (AMG223)	Non-absorbed, polymer-based phosphate binder	Hyperphosphatemia					Japan	Oral	Ilypsa/Amgen	
YM177 [celecoxib]	Cyclooxygenase-II inhibitor	Acute pain					Japan	Oral	Pfizer	New indication
YM533 [beraprost sodium]	Prostacyclin receptor stimulator	Chronic renal failure (primary, nephrosclerosis)					Japan/Asia	Oral	Toray	New indication New formulation
ASP3550 [degarelix]	GnRH receptor antagonist	Prostate cancer					Japan*	Injection	Ferring	

* Under preparation for NDA filing by using abroad clinical data.

Local Development: US

Code No. [Generic Name]	Classification	Therapeutic Target	Phase 1	Phase 2	Phase 3	Filed	Area	Dosage Form	Origin	Remarks
RSD1235 [vernakalant]	Antiarrhythmic agent	Atrial fibrillation (AF)				(Dec. 2006)*	US	Injection	Cardiome	

* Received an approvable letter from the FDA in August 2008

Phase-I

Code No. [Generic Name]	Therapeutic Target	Dosage Form	Origin
ASP2905	Alzheimer's disease (Dementia), Schizophrenia	Oral	In-house
AGS-16M18	Cancer	Injection	In-house (Agensys)
AGS-16M8F	Cancer (ADC)	Injection	In-house (Agensys)
ASG-5ME	Cancer (ADC)	Injection	In-house (Agensys) [Co-development with Seattle Genetics]
ASP3652	Overactive bladder	Oral	In-house
ASP7035	Nocturia	Oral	In-house
ASP0777	Alzheimer's disease (Dementia)	Oral	In-house

Code No. [Generic Name]	Therapeutic Target	Dosage Form	Origin
ASP3291	Ulcerative colitis	Oral	In-house
FK949E	Major depressive disorder	Oral	AstraZeneca
ASP4178	Type 2 diabetes	Oral	In-house
ASP5034	Type 2 diabetes	Oral	In-house
ASP1707	Prostate cancer, Endometriosis	Oral	In-house
ASP0306	Lower urinary tract syndrome	Oral	In-house
ASP4058	Multiple sclerosis	Oral	In-house

Pipeline by Therapeutic Area

	Filed	Phase 3	Phase 2	Phase 1
Urology	YM617 (LUTs, J) YM905 (OAB D tablet, J) YM178 (OAB, J)	YM178 (OAB, E, US) solifenacin/tamasulosin (E)		ASP3652 ASP7035 ASP0306
Transplant Immunology		YM177 (Acute Pain, J)	ASP0485 (Transplant, E, US) ASP9831 (E) ASP015K (Transplant, US) ASKP1240 (Transplant, US)	ASP015K (J) ASP3291 ASP4058
Anti-Infective	telavancin (NP, US) telavancin (cSSTI/NP, E)	Isavuconazole (E, US)	ASP2151 (US, J)*	telavancin (J)
Diabetes Cardiology Renal	YM150 (VTE, J) RSD1235 (US)	ASP1941 (J) ASP1585 (Hyperphosphatemia, J) YM533 (Chronic renal failure, J, A)	YM150 (VTE, E, US) YM150 (AF, E, J, A) YM150 (ACS, E) ASP1941 (US, E) YM311 (US) ASP1517 (US)#	YM311 (J) # ASP1517 (J) # ASP4178 ASP5034
CNS	ASP8825 (Restless legs syndrome, J)			ASP2905 ASP0777 FK949E
Oncology		MDV3100 (Prostate cancer, E, US)	ASP3550 (Prostate cancer, J) AGS-1C4D4 (Pancreatic cancer E, US) YM155 (E, US) ASP6183 (AGS-8M4) (Ovarian cancer US)* AC220 (Acute Myeloid Leukemia E, US)	AGS-16M18 AGS-16M8F ASG-5ME YM155 (J) ASP1707
Others	YM443 (J) YM529 (1M, J)		YM060 (E)	

Local New Indication, New Formulation In-house Global Licensed-in Global

* Development suspended, # Licensed territory: E and J etc.

cSSTI: Complicated Skin and Soft Tissue Infections
HAP: Hospital-acquired Pneumonia
NP: Nosocomial pneumonia
VTE: Venous thromboembolism prophylaxis
AF: Atrial fibrillation prophylaxis
ACS: Acute Coronary Syndrome

Pipeline of OSI (Astellas acquired OSI Pharmaceuticals in June 2010.)

Compounds	Classification	Indication	Phase 1	Phase 2	Phase 3
Tarceva (erlotinib) **(Extension)**	HER1/EGFR tyrosine kinase inhibitor	Adjuvant NSCLC, Ovarian cancer, Colorectal cancer			■
		Other indications		■	
OSI-906	IGF-1R/IR tyrosine kinase inhibitor	Adrenocortical Carcinoma			■
		Ovarian cancer		■	
OSI-930 **(Out-licensed to Simcere Pharma in China)**	c-kit/VEGFR-2 tyrosine kinase inhibitor	Small cell lung cancer, glioblastoma, Colorectal, renal, head and neck, non-small cell lung cancer, Gastric cancers	■		
OSI-027	mTOR kinase inhibitor	Advanced solid tumor, lymphoma	■		
PSN821	GPR119 agonist	Type 2 diabetes /obesity		■	
PSN010 **(Out-licensed to Eli Lilly)**	Glucokinase activator	Type 2 diabetes		■	

Review of Global Operations

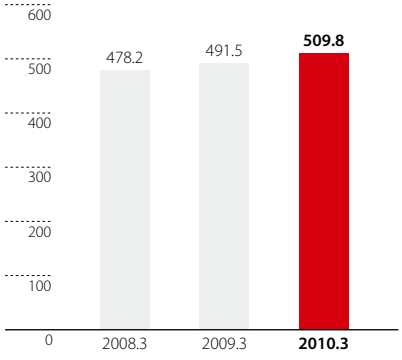
Japan

Core Objective:

Achieve the No. 1 market share in Japan during MTP14 (fiscal 2010 to fiscal 2014)

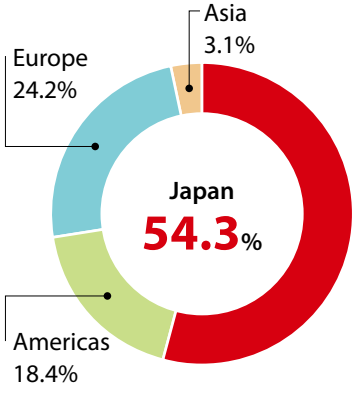
Net Sales (Japanese Market Sales)

(¥ billion)



* Invoiced prices base

Sales by Geographical Area 2010.3



* Yen base
Calculated according to the location of sellers

Fiscal 2009 Overview

Net sales in the Japanese ethical pharmaceuticals market expanded steadily in the year ended March 2010, growing 3.7% on a year-on-year basis to ¥509.8 billion. Mainstay products making a positive contribution to growth included long-acting angiotensin II receptor blocker Micardis (together with the combination drug Micombi), immunosuppressant Prograf, hypercholesterolemia treatment Lipitor, overactive bladder (OAB) treatment Vesicare, insomnia treatment Myslee, and schizophrenia treatment Seroquel. New products included non-steroidal anti-inflammatory analgesic agent Celecox, oral quinolone antibiotic Geninax, osteoporosis treatment Bonoteo, and Symbicort, a treatment for adult bronchial asthma. Sales of seasonal vaccines and a vaccine for the prevention of H1N1 influenza also generated growth.

Sales of Major Products

(¥ billion)

	2009.3	2010.3		2011.3 (Forecasts)
Rx sales in Japan	491.5	509.8	↗	**510.9**
Lipitor	95.3	99.9	↘	**92.4**
Micardis	64.4	71.6	↗	**72.7**
Micombi	—	1.6		**—**
Gaster	53.0	49.9	↘	**41.4**
Harnal	35.6	35.0	↘	**30.3**
Prograf	28.5	33.8	↗	**38.8**
Myslee	25.7	29.1	↗	**32.0**
Seroquel	21.0	23.6	↗	**25.8**
Vesicare	19.0	22.9	↗	**26.5**
Celecox	10.4	17.8	↗	**26.6**
Geninax	6.4	8.1	↗	**9.4**
Irribow	1.6	0.2	↗	**1.9**
Bonoteo	—	1.0	↗	**1.6**
Symbicort	—	1.5	↗	**7.1**

* Invoiced prices base.

Strengths:

- One of the biggest and best teams of MRs: approx. 2,400
- Rich product lineup (Therapeutic areas and product numbers)
- Solid sales force structure and support system
- Successful experience in marketing alliances

Strategy: Leveraging Our Strengths to Grow

The strength of Astellas in Japan lies in its robust sales and marketing platform.

Astellas boasts a number of key strengths in the domestic Japanese market: one of the largest teams of quality MRs with high-level detailing skills; a rich lineup of products, both in terms of therapeutic areas and numbers of products; and solid promotional and support systems capable of marketing numerous products at the same time.

Astellas can also point to several successful marketing alliances for major products, including Micardis, Lipitor and Myslee. The latest example of co-promotion is the marketing of Symbicort with AstraZeneca.

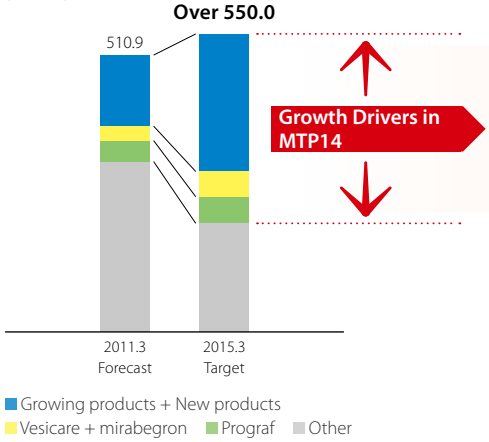
By leveraging such strengths, Astellas aims to grow sales in Japan over the MTP14 period, to at least ¥550 billion in the year ending March 2015.

The growth drivers in Japan include existing products with growth potential such as the Micardis family (Micardis, Micombi and Micamlo), Celecox and Geninax; recently launched products such as Symbicort, Bonoteo and Irribow, a treatment for diarrhea-predominant irritable bowel syndrome in males; several products that are expected to be launched in the MTP14 period; OAB treatments Vesicare and mirabegron; and Prograf, which is expected to generate further growth in Japan.

Relative to projected sales in fiscal 2010, these various growth drivers are expected to generate an increase in net sales in Japan of over ¥160 billion.

Sales Target (Japanese Market Sales)

(¥ billion)



(Note) As of mid-term management plan announcement (May 25, 2010)

With growing products (incl. recently launched products)*, new products, Vesicare, mirabegron and Prograf,**
we are aiming for a more than ¥160 billion revenue increase from projected fiscal 2010 sales.

* Growing products (incl. recently launched products):
Micardis family, Celecox, Geninax, Irribow, Bonoteo, Symbicort

** New products: ASP1585, degarelix, YM443, ASP1941, ASP8825, YM150

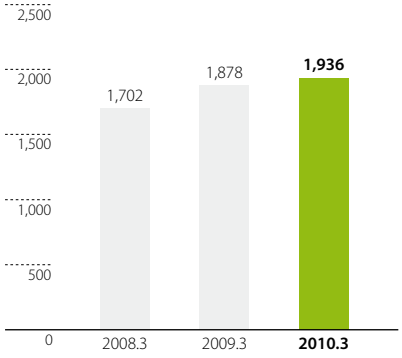
Americas

Core Objective:

Improve and bolster existing business platform for future growth

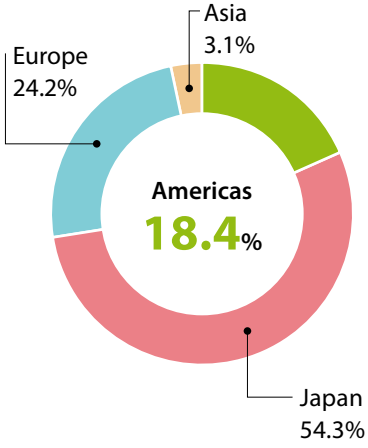
Net Sales

(US$ million)



* Local currency base

Sales by Geographical Area 2010.3



* Yen base
Calculated according to the location of sellers

Fiscal 2009 Overview

Reflecting the impact of a stronger yen and other factors, regional net sales declined 4.8% in year-on-year terms to ¥179.8 billion in the year ended March 2010. In local currency terms, however, sales increased 3.1% to US$1,936 million. Sales generated by Prograf were lower than in fiscal 2008 due to increased competition from generic versions, which first entered the US market in August 2009. Astellas focused on continuing to strengthen the urology and hospital franchises to develop a broader portfolio for the future. OAB treatment VESIcare, pharmacologic stress imaging agent Lexiscan and the antifungal agent Mycamine all generated steady growth in sales.

Sales of Major Products

(US$ million)

	2009.3	2010.3		**2011.3 (Forecasts)**
Sales in the Americas	1,878	1,936	↗	**1,941**
Prograf	884	734	↘	**479**
Scan (Adenoscan and Lexiscan)	390	495	↗	**563**
Lexiscan	93	326		**—**
AmBisome	61	67	→	**67**
Protopic	75	78	↗	**96**
VESIcare	308	378	↗	**467**
Mycamine	51	81	↗	**93**
Vaprisol	7	10	↗	**15**
Amevive	16	13	→	**13**
VIBATIV	—	4		**—**

Strengths

- **US:** **Business model focused on specialty areas, and slim, efficient and flexible organization**
  (High-quality sales force, efficient adaptation to customer needs and market trends, abundant experience in strategic alliances)
- **Canada:** **Solid sales platform centered on in-house products**
- **Latin America:** **Sales affiliate in Brazil and business network in Latin America**

Strategy: Leveraging Our Strengths to Grow

In the Americas, Astellas is focused on improving and bolstering the existing business platform for future growth.

In the US, Astellas is currently pursuing a business model that is focused on specialty areas, and has built a slim, efficient organization. Alongside a high-quality MR sales force, the major strength is that the organization has the flexibility to adapt efficiently to customer needs and market trends. Astellas has also established a solid sales platform centered on in-house products in Canada.

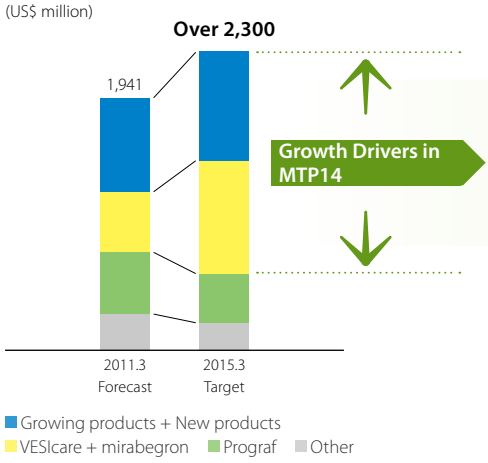
In Latin America, Astellas is stepping up activities. Augmenting its current, robust distribution network, Astellas set up a sales affiliate in Brazil in July 2009.

By leveraging these strengths, Astellas aims to grow regional sales during the MTP14 period to at least US$2,300 million in the year ending March 2015.

In the US, although Prograf sales are declining, OAB treatments VESIcare and mirabegron are expected to be significant growth drivers. In addition, growing products such as Mycamine, Lexiscan and Adenoscan; the recently launched product Sumavel DosePro, a treatment for migraine presented in a novel needle-free delivery system; and new products that are due to be launched in the MTP14 period are also expected to be growth drivers.

Relative to projected sales in fiscal 2010, these various growth drivers are expected to generate an increase in net sales of more than US$500 million in local currency terms. Astellas is also targeting business expansion within the region, including development of its own sales and marketing capabilities within Latin America.

Sales Target
(US$ million)



(Note) As of mid-term management plan announcement (May 25, 2010)

With growing products (incl. recently launched products)*, new products, VESIcare and mirabegron,**
we are aiming for a more than $500 million revenue increase from projected fiscal 2010 sales.

* Growing products (incl. recently launched products):
Mycamine, Lexiscan, Protopic, Sumavel DosePro, VIBATIV, Vaprisol

** New products: RSD1235, MDV3100, AC220, isavuconazole

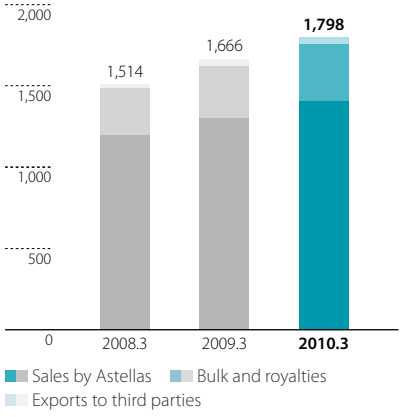
Europe

Core Objective:

Expand and reinforce business further as the leading Japanese pharmaceutical company in the region

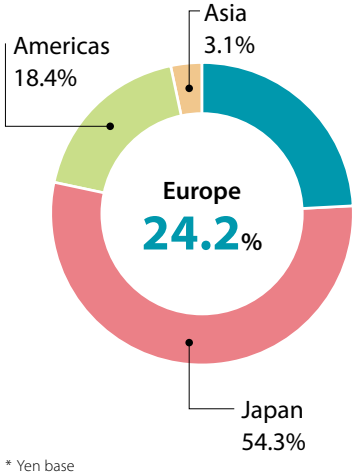
Net Sales

(€ million)



* Local currency base

Sales by Geographical Area 2010.3



* Yen base
Calculated according to the location of sellers

Fiscal 2009 Overview

Reflecting the impact of a stronger yen, regional net sales declined 1.4% in year-on-year terms to ¥235.9 billion in the year ended March 2010. In local currency terms, however, sales increased 7.9% to €1,798 million.

Sales of Harnal (which is marketed in Europe under the brand names Omnic and Omnic OCAS) through our own distribution channel as well as bulk sales and royalty income from licensees were both higher in local currency terms, but declined in yen terms due to currency appreciation. Prograf sales declined in yen terms due to the yen's appreciation, but continued to increase in local currency terms. Following the expiry of the substance patent for Prograf in major European countries in June 2009, generic versions of the drug received marketing approval in several European countries during fiscal 2009. Vesicare and the advanced prostate cancer treatment Eligard recorded steady increases in sales, and Mycamine also contributed to growth.

Sales of Major Products

(€ million)

	2009.3	2010.3		2011.3 (Forecasts)
Sales in Europe	1,666	1,798	↘	**1,560**
Harnal (Omnic, Omnic OCAS, Flomax)	504	533	↘	**205**
Sales by Astellas (Omnic, Omnic OCAS)	179	185		**172**
Bulk Sales and Royalties	324	348		**33**
Prograf and Advagraf (Incl. exports to third parties)	502	545	↘	**516**
Vesicare	143	175	↗	**216**
Protopic	36	42	↗	**49**
Mycamine	0	9	↗	**23**
Eligard	87	107	↗	**117**

Strengths

- ***No. 1 in sales among Japanese pharmaceutical companies**
- **Agile and lean organization** (Efficient adaptation to customer needs and market trends)
- **Extensive geographic coverage** (Most extensive geographical coverage among Japanese pharmaceutical companies: 20 sales affiliates)
- **Success in emerging markets** (Russia generates the 5th largest sales among European countries; recently established sales affiliate in Turkey, as well as legal entity for promotion in Romania and Bulgaria)

Strategy: Leveraging Our Strengths to Grow

The solid business platform developed in Europe is one of Astellas' major strengths. Astellas is now the leading Japanese pharmaceutical company in the region by sales.

This position is due to the development of a dynamic and efficient sales organization with extensive geographic coverage. Astellas is the leading Japanese pharmaceutical company in the region by geographical coverage as well.

Astellas is also enjoying success in emerging markets within the European region. For instance, Russia is already Astellas' fifth largest market in Europe by sales due to a growing presence in that country.

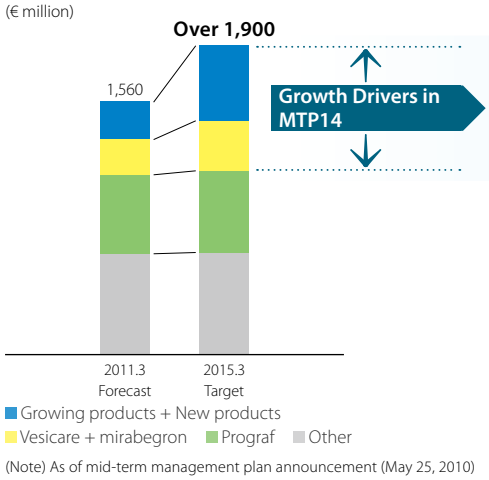
By leveraging these strengths, Astellas aims to grow regional sales during the MTP14 period to at least €1,900 million in the year ending March 2015.

Growth drivers during the MTP14 period include growing products such as Eligard and Mycamine, the OAB treatments Vesicare and mirabegron, and new products scheduled for launch in this period such as EC905 (for treating lower urinary tract syndrome associated with benign prostatic hyperplasia). Relative to projected sales in fiscal 2010, Astellas aims to generate growth in net sales of more than €300 million in local currency terms from these various growth drivers.

Astellas also aims to maintain sales of Prograf and other existing products, which still account for a substantial proportion of regional sales. In addition, royalty revenue relating to anti-cancer agent bendamustine is expected to contribute to sales expansion in Europe. Further, the company plans to expand its sales network in other emerging countries in Europe.

Sales Target

(€ million)



With growing products (incl. recently launched products)*, new products, Vesicare and mirabegron,**

we are aiming for more than €300 million revenue increase from projected fiscal 2010 sales.

* Growing products (incl. recently launched products): Eligard, Mycamine, Protopic and Qutenza

** New products: EC905, telavancin, MDV3100, AC220, isavuconazole

(Note) As of mid-term management plan announcement (May 25, 2010)

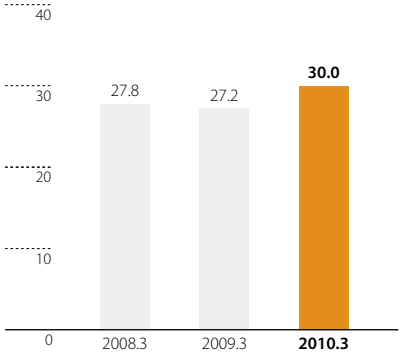
Asia

Core Objective:

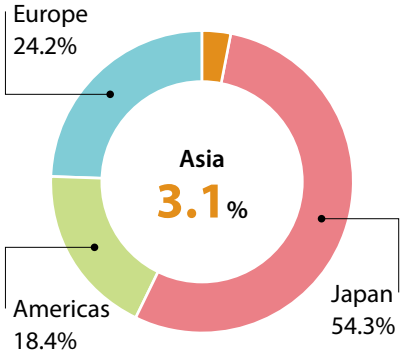
Realize dramatic growth by expanding sales in each country in the growing Asian region

Net Sales

(¥ billion)



Sales by Geographical Area 2010.3



* Yen base
Calculated according to the location of sellers

Fiscal 2009 Overview

Net sales in Asia advanced 10.0% to ¥30.0 billion compared with the previous year, despite the impact of yen appreciation. Sales of Prograf grew steadily, and products such as Harnal, Vesicare and Mycamine also contributed to continued growth.

Strategy: Leveraging Our Strengths to Grow (Asia)

Astellas is developing its own sales network that covers most major markets in the Asian region (China, Hong Kong, Taiwan, South Korea, Indonesia, Thailand, the Philippines and India). Excluding India, Astellas has the highest aggregate sales in this region of any Japanese pharmaceutical company.

A high-margin business structure that is centered around in-house products within the transplantation and urology fields, together with a successful sales strategy tailored to the market needs of each country, has enabled Astellas to cultivate a strong presence in the region.

Astellas aims to achieve dramatic growth by leveraging these strengths, increasing regional sales to at least ¥60 billion in the year ending March 2015. Virtually all products are expected to see sales growth, with regional net sales increasing by more than ¥30 billion relative to projected sales in fiscal 2010.

The key focus of regional expansion in Asia remains business in China, where further market growth is expected. Astellas is also considering expanding its own sales capabilities in new territories in the region.

Sales of Major Products

(¥ billion)

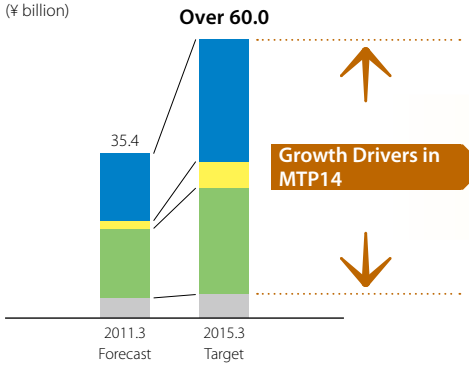
	2009.3	2010.3		2011.3 (Forecasts)
Sales in Asia	27.2	30.0	↗	**35.4**
Prograf	11.2	12.8	↗	**14.5**
Harnal	8.1	8.6	↗	**9.2**
Vesicare	0.7	1.0	↗	**1.7**
Mycamine	0.5	1.0	↗	**1.9**
Protopic	0.5	0.7	↗	**1.4**

Strengths:

- **Expansion of sales network by own affiliates**
  (*No. 1 sales among Japanese pharmaceutical companies (7 areas except India), coverage of Asian main market)
- **Business foundation with high profit structure**
  (In-house products in transplantation and urology as the business core, marketing strategy that accurately meets market needs in each country)

Sales Target

(¥ billion)



(Note) As of mid-term management plan announcement (May 25, 2010)

For Asia as a whole,
we are aiming for a more than ¥30 billion revenue increase from projected fiscal 2010 sales.

* Growing products: Harnal, Mycamine, Protopic, Irribow, Nasea, Dorner

** New products: febuxostat

China

Raise presence as the leading* Japanese pharmaceutical company

Leveraging Our Strengths to Grow

Net sales in China grew rapidly in fiscal 2009, increasing by about 20% compared with the previous year.

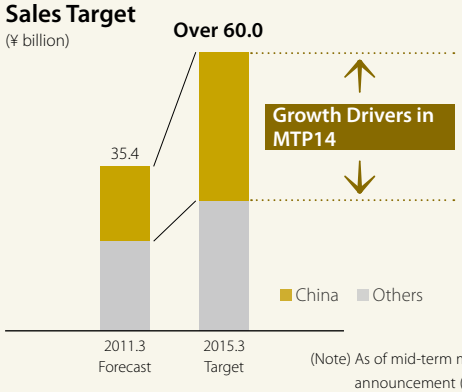
Astellas first entered the Chinese market in 1994 and has established a strong track record in the country. The company has reinforced the local business platform over the years with the establishment of a manufacturing facility for product formulation and multiple sales bases.

Going forward, Astellas expects to maintain high growth by leveraging these strengths. The goal is to more than double sales within the MTP14 period relative to projected sales in fiscal 2010.

Many products are expected to act as growth drivers in China, notably Prograf, Harnal, Vesicare and Mycamine. Astellas also plans to expand the local MR sales force to boost customer coverage.

Sales Target

(¥ billion)



(Note) As of mid-term management plan announcement (May 25, 2010)

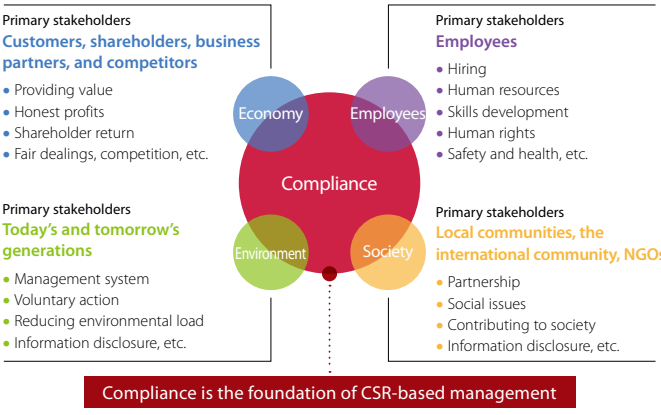
Aim for sales of more than double projected fiscal 2010 sales in China in fiscal 2014

* Sourced from IMS Health Information Services data from January through December 2009

The Five Fields of CSR-Based Management

Corporate performance is evaluated not only from an economic perspective but also in terms of the company's environmental and social performance. The determination of a company's overall rating using this "triple bottom line" has become a commonly accepted practice. At Astellas, we break this down further by making society and employees into separate categories, and add compliance as an additional factor. We call these the five fields of CSR-based management. Compliance is the very foundation of all our corporate activities, and we are strongly committed to fulfilling our social responsibilities in the other four fields as well.

The Five Fields



Compliance

Integrity in Corporate Management

For a company to carry out its business activities on a sustainable basis, it is necessary that it and its individual employees act in accordance with the expectations of society. As individual employees, we endeavor to uphold the highest level of integrity in our interactions with our stakeholders. Given our high standard of ethics, we must naturally choose to act conscientiously, and with integrity. Accordingly, individual employees are required to maintain high ethical standards when acting on their own initiative. This is what enables the company to fulfill its social responsibilities.

Our Ethical Principles

The Astellas Business Ethics Policy is a package of ethical principles that provides a basis for all individuals working at Astellas across the globe in performing their respective duties. It demonstrates important values that we all should share in maintaining the highest standards of ethics. The five ethical principles of integrity, respect, responsibility, fairness and transparency have been determined by identifying common values from different corporate codes of behavior and behavioral criteria in different countries of Group companies. These principles are respected by all those who work at Astellas.

Astellas Business Ethics Policy

~doing the right thing~

Each of us as employees of Astellas will aspire to behave in accordance with the following ethical principles.

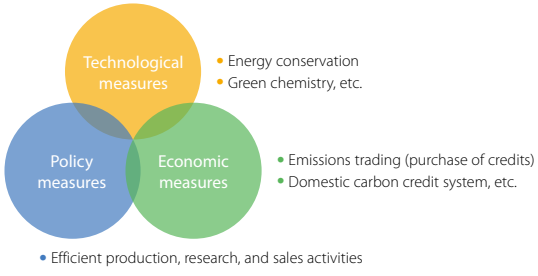
integrity	We will consistently do what is right.
respect	We will value each other as individuals, recognizing our diverse viewpoints and unique contributions.
responsibility	We will be accountable for our actions toward each other and the environment, reporting workplace concerns without fear of retribution, and seeking clarification when in doubt.
fairness	We will conduct our business in an equitable manner and will make business decisions without bias.
transparency	We will conduct our business in an open and truthful manner with appropriate respect for confidentiality.

Environment

The global environment has been recognized as the greatest issue of the 21st century, threatening not only the sustainability of the economy, but the existence of humankind. There are many issues that must be resolved to realize a sustainable society. At Astellas, we believe that promoting "corporate activities in harmony with the global environment" is a theme of the highest priority for realizing our business philosophy.

To this end, we have set concrete numerical targets for combating global warming, preserving biodiversity, controlling chemical substances, and managing waste, and we are actively working to reduce our environmental load. We have positioned efforts to combat global warming as an important management theme in our new mid-term management plan. Leading our efforts in this regard is the Global Warming Prevention Committee. This committee plays a key role in formulating medium- and long-term action plans and investment plans for the entire Astellas Group, while our Headquarters leads implementation of strategic measures.

Measures for Reducing Greenhouse Gas Emissions Considered by Astellas



Society

CSR-based management is more than a simple matter of taking initiative in the fulfillment of a company's social responsibilities. It is also crucial to ensure accountability for our activities through communication with society, and to recognize any discrepancies between solutions to the challenges that society is facing and the initiatives that we are implementing, in order to keep improving our corporate activities. Astellas will continue to faithfully disclose information on the current state of its activities from a CSR perspective, and promote a fruitful dialogue with the greater community.

Cooperation with a Science Lab Tour Program for Children Organized by the Tsukuba Board of Education

As part of a science lab tour program for children organized by the Tsukuba Board of Education to develop future researchers, we offered a tour of the Tsukuba Research Center. We first gave young visitors an easy-to-understand lecture on drugs, and after the tour we invited them to the laboratory where they helped out with protein concentration experiments.

Tsukuba Research Center

Indonesia

Astellas constructed and donated a birth center and health clinic (Poskesdes) in Pontang Legon village, Indonesia, in cooperation with Peoples Hope Japan (PH-Japan), an NGO working on medical assistance programs in developing countries. At Poskesdes, trained midwives are on duty 24 hours a day to provide antenatal and postmaternal healthcare services as well as childbirth assistance.

Consultation room

Poskesdes birth center (overview)

US

Our employees assembled 50 bicycles to contribute to the local community and donated them to children via a local charity organization. Employees also donated various goods to two charity organizations.

Employees assembling a bicycle for donation

Employees

Separating the field of employees from that of society, and making it a field of its own is the most distinctive part of Astellas' CSR-based management philosophy. This embodies the idea that employees, as the driving force of corporate activities, are an important stakeholder group of a company, and one of the company's objectives is to provide them with benefits and welfare systems. Astellas' CSR-based management also incorporates our desire to be a company that deeply values its employees. Based on this stance, we strive to enrich our human resources and work to provide an HR management, training, and welfare and benefits system targeted at raising employee satisfaction. Furthermore, by respecting employees' individual rights and characteristics, we provide a safe, discrimination-free workplace.

Increasing Active Roles of Women in the Workforce

Diversity among human resources includes differing ethnic groups, nationalities, genders, and ages. Astellas launched its diverse human resource initiatives by first considering the active roles of women in the workforce. We must change our corporate culture and employee awareness to enable women to more completely utilize their abilities at work. We also have to overcome issues that make it more difficult for people from diverse backgrounds to demonstrate their abilities. We believe these initiatives will help Astellas strengthen its overall competitiveness. To this end, we are working to reform how personnel systems are structured and operate, to improve business processes and to raise awareness among employees, managers and women themselves.

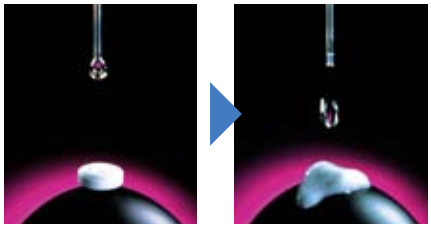
Economy

Efforts to Improve Product Convenience and Encourage Proper Use

It goes without saying that drugs must be effective and have a good safety profile, but many patients also want drugs that are easy to take and easy to handle.

Before drugs are prescribed to patients in a clinical setting, the drug name, dosage, administration route and many other points are checked to prevent prescription of wrong drugs and wrong usage. Patients also feel more secure if they can easily confirm the name of the drug and the manufacturer before taking it.

Astellas is applying proprietary technologies to develop tablets that quickly dissolve even in small amount of water. We are also working to make drugs easier to handle, so that we can enhance safety. For example, we make the markings on drug packaging easier to understand and mark product names directly onto tablets.



Orally disintegrating tablets quickly dissolve in water. The tablet (left photograph) disintegrates after 10–20 seconds (right photograph)

Corporate Governance

Outside Director
Yasuyuki Takai

Representative Director, Executive Vice President and Chief Sales & Marketing Officer
Yasuo Ishii

Outside Director
Shiro Yasutake

Outside Director
Takao Saruta, MD, Ph. D.

Outside Director
Kanoko Oishi

Representative Director, President and Chief Executive Officer
Masafumi Nogimori

Senior Corporate Executives

Iwaki Miyazaki
Katsuro Yamada
Yoshiro Miyokawa
Yoshihiko Hatanaka
Masao Yoshida
Shinichi Tsukamoto Ph. D.
Masaru Imahori
Masaharu Asano Ph. D.

Representative Director and Chairman
Toichi Takenaka, Ph. D.

Outside Corporate Auditor
Yukiko Kuroda

Corporate Auditor
Osamu Nagai

Outside Corporate Auditor
Hideo Yamada Ph. D.

Corporate Auditor
Shigeo Aoyagi

Corporate Executives

Seitaro Mutoh Ph. D.
Seigo Kashii
Hidetoshi Shuto
Masaki Doi Ph. D.
Kohei Nomoto
Yasumasa Masuda
Hirofumi Seki
Shinichiro Katayanagi
Yoshiaki Nakashima
Toshihiko Iwata
Yoshihiro Minami
Yutaka Unno
Mitsunori Matsuda
Shoji Yokota
Takahisa Iizuka
Yukihiko Sato
Haruhisa Hirosaki
Kenji Yasukawa

Basic Policy on Corporate Governance

The company strives to improve its corporate governance system based on the basic policy of maximizing its corporate value, improving business transparency and fulfilling accountability requirements to society.

The Astellas business philosophy has three elements—raison d'être, mission and beliefs. The company's raison d'être is to contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. Our mission is to achieve sustainable enhancement of our enterprise value. And our beliefs—high sense of ethics, customer focus, creativity and competitive focus—underpin our Code of Conduct.

The company has established the "Charter of Corporate Conduct," which states this business philosophy in concrete terms of specific business conduct, and the "Astellas Business Ethics Policy" as ethical principles common to the Astellas Group in accordance with which "high ethical views" stated in the business philosophy and Charter of Corporate Conduct are realized. Furthermore, the company and Astellas Group companies have established "Our Code of Conduct" relating to the daily operational activities of officers and employees. The company defines the faithful practice of them as "CSR management." Our goal is to earn the support and trust of all our stakeholders, including customers, shareholders, employees and the general public.

The company has introduced the Corporate Executives System. This system clearly separates the roles of the Directors who have management decision-making and business execution supervisory functions from the roles of the Corporate Executives who are responsible for business execution. The Board of Directors has seven members, four of whom are outside Directors in order to promote decision-making and supervise business execution from a broader viewpoint.

The company has established the Global Management Committee, the Corporate Administration & Finance Committee, and the Human Resources Committee. These committees discuss important issues involving global management, important issues involving finance, accounting and administration, and important issues involving human resources, respectively, of the company and Group companies.

The Board of Directors has the Nomination Committee and the Compensation Committee as advisory bodies for the purpose of enhancing the transparency and objectivity of the deliberation process for nomination of Directors, Corporate Executives and Corporate Auditors and of the compensation system.

The company also adopted the Corporate Auditors System with the Board of Corporate Auditors that has four members, including two outside Corporate Auditors. The Corporate Auditors audit the performance of duties by the Directors.

Internal Control

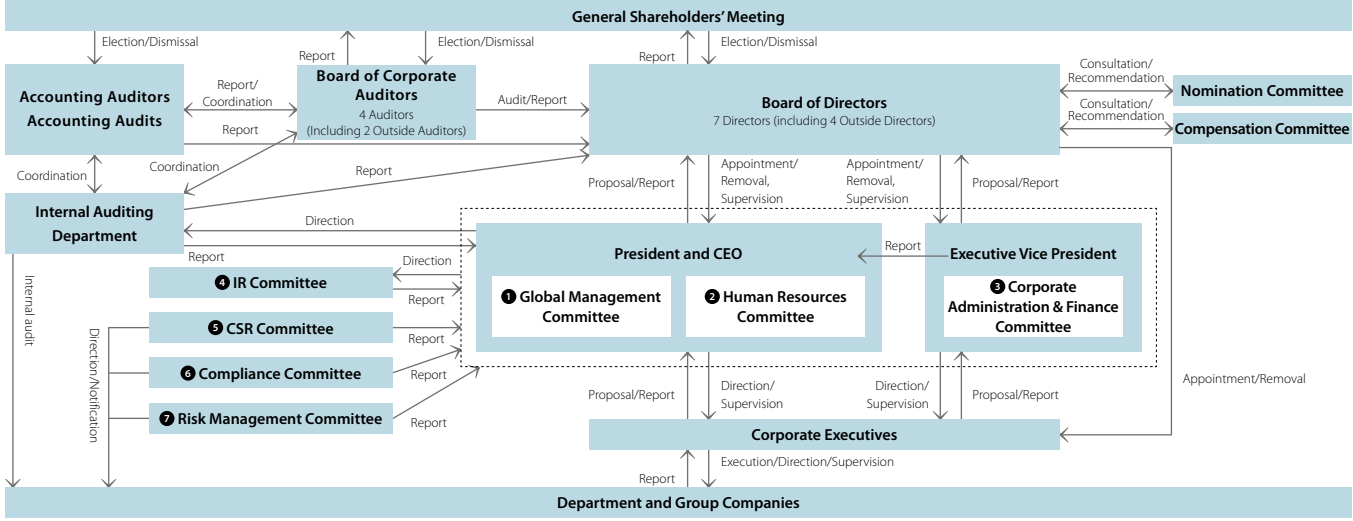
The company has established an internal control system in every part of the Astellas Group and will further establish, develop, and enhance systems, such as the system to improve work efficiency, the risk management system, the system for compliance with laws and other matters, and the internal audit system, as well as promote systems and an environment for ensuring audits by Corporate Auditors are carried out effectively. Through these efforts, the company will endeavor to ensure that the entire Astellas Group's business is duly executed.

Internal Controls Over Financial Reporting

The company will establish and operate an internal control system for financial reporting in accordance with standards generally accepted to be fair and reasonable in Japan, in order to ensure improved reliability of financial reporting, and will assess effectiveness in an appropriate way.

The company will formulate the "Regulations for Internal Control Assessment of Financial Report" and General Manager of Internal Auditing Department will carry out the internal control assessment for financial reports, under the direction of the President and CEO, who is responsible for assessment for internal control system.

Corporate Governance at Astellas



Business Execution Committees: ❶ Discuss important issues concerning global management ❷ Discuss important issues concerning human resources ❸ Discuss important issues concerning finance, accounting and administration ❹ Promote investor relations (IR) activities/Discuss issues concerning corporate information disclosure ❺ Discuss policies and plans concerning the environment, safety, etc. ❻ Discuss policies and plans, etc., concerning compliance, etc. ❼ Discuss policies, measures, etc., for risk management

Financial Section

Contents

Overview of Year Ended March 31, 2010 (Fiscal 2009)

Operating Performance Overview

Net sales increased by 1.0% compared with the previous fiscal year to ¥974.9 billion on the back of steady business growth globally. One factor negatively affecting sales, however, was the appreciation of the yen against both the dollar and the euro. Operating income dropped 25.6% to ¥186.4 billion due to a substantial increase in R&D expenses, in addition to lower gross profit. Net income declined 28.5% to ¥122.3 billion on account of lower interest and dividend income, primarily due to lower interest rates, and a decline in exchange gain.

Effect of Exchange Rates

Foreign Exchange Rates (Average)

(¥)

	2009.3	**2010.3**
US$1	¥101	**¥93**
€1	143	**131**

Foreign Exchange Impact for Fiscal 2009

In fiscal 2009, the yen appreciated by ¥8 on average against the US dollar and by ¥12 on average against the euro compared with the previous fiscal year. The appreciation of the yen reduced net sales and operating income by ¥39.3 billion and ¥17.2 billion, respectively.

Net Sales

Consolidated net sales amounted to ¥974.9 billion in fiscal 2009, a year-on-year increase of ¥9.2 billion, or 1.0%.

A review of sales by product and geographic segment is provided below.

Sales by Mainstay Product (Global)

(¥ billion) (%)

	2009.3	**2010.3**	**YoY**	**CER***
Global products				
Prograf	¥201.0	**¥186.7**	**(7.1)**	**—**
Japan	28.5	**33.8**	**18.4**	**—**
North America	88.8	**68.1**	**(23.3)**	**(16.9)**
Europe	66.0	**65.7**	**(0.5)**	**8.9**
Asia	11.2	**12.8**	**13.8**	**—**
Exports	6.3	**6.2**	**(1.8)**	**—**
Harnal	116.6	**113.9**	**(2.4)**	**—**
Japan	35.6	**35.0**	**(1.7)**	**—**
Europe	25.7	**24.3**	**(5.6)**	**3.3**
Asia	8.1	**8.6**	**5.0**	**—**
Bulk/Royalties	46.6	**45.6**	**(2.1)**	**7.2**
Vesicare	71.4	**82.3**	**15.3**	**—**
Japan	19.0	**22.9**	**20.7**	**—**
North America	31.0	**35.1**	**13.2**	**22.6**
Europe	20.6	**22.9**	**11.4**	**21.9**
Asia	0.7	**1.0**	**48.7**	**—**
Funguard/Mycamine	17.5	**21.6**	**23.6**	**—**
Japan	11.6	**11.8**	**1.3**	**—**
North America	5.1	**7.5**	**47.7**	**59.9**
Europe	0.1	**1.2**	**934.4**	**1,031.7**
Asia	0.5	**1.0**	**79.4**	**—**
Protopic	16.1	**16.4**	**1.9**	**—**
Japan	2.7	**2.8**	**5.8**	**—**
North America	7.6	**7.3**	**(4.1)**	**3.9**
Europe	5.2	**5.5**	**5.1**	**15.0**
Asia	0.5	**0.7**	**35.9**	**—**

* Year-on-year comparison, local currency base

Sales by Geographical Area (Local)	2009.3	(¥ billion) 2010.3	YoY	(%) CER*
Japan				
Lipitor	95.3	**99.9**	**4.8**	**—**
Micardis	64.4	**71.6**	**11.2**	**—**
Micombi	—	**1.6**	**—**	**—**
Gaster	53.0	**49.9**	**(5.9)**	**—**
Myslee	25.7	**29.1**	**13.2**	**—**
Seroquel	21.0	**23.6**	**12.2**	**—**
Celecox	10.4	**17.8**	**70.2**	**—**
Geninax	6.4	**8.1**	**26.1**	**—**
Irribow	1.6	**0.2**	**(87.1)**	**—**
Bonoteo	—	**1.0**	**—**	**—**
Symbicort	—	**1.5**	**—**	**—**
North America				
Scan (Adenoscan and Lexiscan)	39.3	**46.0**	**17.2**	**26.9**
Lexiscan	9.4	**30.2**	**221.1**	**247.7**
AmBisome	6.1	**6.2**	**0.8**	**9.2**
VIBATIV	—	**0.3**	**—**	**—**
Europe				
Eligard	12.5	**14.1**	**13.0**	**23.7**

* Year-on-year comparison, local currency base

Sales by Product

Prograf (Immunosuppressant)

Sales in Japan increased by ¥5.2 billion to ¥33.8 billion, a gain of 18.4% compared with the previous year. The steady growth in sales in the area of transplantation was supplemented by sales contributions from new indications for autoimmune diseases such as rheumatoid arthritis (RA), lupus nephritis and myasthenia gravis. The RA indication now accounts for more than 30% of sales of Prograf in Japan.

In the area of transplantation, the once-daily formulation launched under the brand name Graceptor in October 2008 became eligible for long-term prescription in October 2009. Sales of this product continue to expand steadily. Graceptor offers patients a more convenient dosing regimen that is expected to enhance compliance, while delivering similar levels of efficacy and safety as Prograf, which could lead to further improvements in long-term transplant outcomes.

Sales in North America fell by ¥20.6 billion, or 23.3%, to ¥68.1 billion. Besides the impact of a stronger yen, this result reflected fierce competition from generic versions launched in the US in August 2009 after the expiry of the US substance patent. In local currency terms, sales fell by US$149 million, or 16.9%, to US$734 million. The share achieved by Prograf of the calcineurin inhibitor (CNI) market in new organ transplant patients was approximately 82% in liver transplants, 82% in kidney transplants and 80% in heart transplants, based on data collected by the United Network for Organ Sharing (UNOS data for January–March 2010).

Reflecting the impact of yen appreciation, sales in Europe declined by ¥0.3 billion, or 0.5%, to ¥65.7 billion. In local currency terms, sales continued growing, rising by €40 million, or 8.9%, to €501 million. The CNI market share of Prograf in Europe was approximately 50%. The once-daily formulation Advagraf is currently marketed in 23 countries in Europe. Advagraf generated about 18% of total Prograf sales in the region in fiscal 2009, up from approximately 10% in the previous year. The substance patent on Prograf expired in most major European markets in June 2009. Generic versions of the drug received regulatory approval during fiscal 2009 in several countries.

In Asia, sales increased by ¥1.5 billion, or 13.8%, to ¥12.8 billion. Sales expanded steadily in markets such as China and South Korea. Following the launch of Advagraf in South Korea in January 2009, Prograf was launched in India in March 2010.

Harnal (Treatment for the functional symptoms associated with benign prostatic hyperplasia (BPH))

Sales in Japan declined by ¥0.6 billion, or 1.7%, to ¥35.0 billion. Competition has intensified following the expiry of the substance patent in February 2005. Harnal had a share of approximately 51% of the BPH market in Japan in fiscal 2009, maintaining its position as the leading product.

The drug is marketed under the brand name Omnic in Europe. Sales dropped by ¥1.4 billion, or 5.6%, to ¥24.3 billion in fiscal 2009, reflecting the impact of the yen's appreciation. On a local currency basis, sales increased by €5 million, or 3.3%, to €185 million. Sales of the drug have continued to increase in markets such as Spain and Russia despite the expiry of the substance patent in February 2006. Sales of the additional formulation, Omnic OCAS, grew 7.5% on a local currency basis in fiscal 2009 and generated about 66% of regional sales of Omnic.

Sales in Asia increased ¥0.4 billion, or 5.0%, to ¥8.6 billion. This mainly reflected steady sales growth in China, South Korea and other markets.

Bulk sales and royalty revenues of Harnal decreased by ¥0.9 billion, or 2.1%, to ¥45.6 billion, reflecting the impact of the yen's appreciation. Strong sales in the US by licensee Boehringer Ingelheim under the brand name Flomax helped sales increase in local currency terms by €23 million, or 7.2%, to €348 million. Generic versions were launched in the US market in early March 2010.

Vesicare (Overactive bladder (OAB) treatment)

Sales in Japan have expanded steadily since Vesicare was launched in June 2006. Sales grew by ¥3.9 billion, or 20.7%, to ¥22.9 billion in fiscal 2009. Vesicare strengthened its hold on the top spot in this category by growing its market share to approximately 46%. There remain significant unmet medical needs in the market for OAB treatments, making it a sector with excellent growth potential. Astellas is working to develop the market for Vesicare further by raising public awareness of this condition.

VESIcare was introduced in North America in January 2005. In fiscal 2009, sales rose by ¥4.1 billion year on year, or 13.2%, to ¥35.1 billion. In local currency terms, sales increased US$69 million, or 22.6%, to US$378 million. Co-promotion with US partner GlaxoSmithKline (GSK) continues to achieve high growth. Market share on a total prescription basis was 18% (as of April 2010). VESIcare is the second-ranked branded drug in its category in the US.

In Europe, Vesicare is marketed in 37 countries and has a market share of about 35% (in value terms, as of February 2010). It is the leading treatment for OAB within the European regional market. Sales increased by ¥2.3 billion, or 11.4%, to ¥22.9 billion in fiscal 2009. On a local currency basis, sales grew €31 million, or 21.9%, to €175 million. Vesicare continues to grow at a high rate in Europe.

In Asia outside Japan, sales grew steadily in fiscal 2009, rising ¥0.3 billion, or 48.7%, to ¥1.0 billion. Sales started in China in December 2009.

Funguard/Mycamine (Candin-type injectable antifungal agent)

Sales in Japan rose ¥0.1 billion, or 1.3%, to ¥11.8 billion. Astellas has secured a 50% market share in the market for injectable antifungal agents and is maintaining steady growth.

This injectable antifungal agent is marketed as Mycamine outside Japan. Sales in North America increased by ¥2.4 billion, or 47.7%, to ¥7.5 billion. On a local currency basis, sales climbed by US$30 million, or 59.9%, to US$81 million. The regulatory approval gained in January 2008 for the additional three indications of candidemia, acute disseminated candidiasis, and candida peritonitis and abscesses has also contributed to steady growth in sales volumes and market share gains. In terms of patient days per month, the share of Mycamine of the market for injectable candin-type antifungal agents improved significantly, increasing to approximately 56% in February 2010.

In Europe, sales increased by ¥1.1 billion to ¥1.2 billion. On a local currency basis, sales grew €8 million to €9 million. Mycamine is now marketed in 23 countries in Europe following the August 2008 launch in the UK. The European market for injectable antifungal agents continues to expand each year. Astellas aims to reinforce its franchise within the field of infectious diseases through the launch of Mycamine.

In Asia outside of Japan sales expanded steadily in fiscal 2009, rising by ¥0.4 billion, or 79.4%, to ¥1.0 billion. Mycamine was launched in India in January 2010 and Astellas has begun co-promoting the product with GlaxoSmithKline.

Protopic (Treatment for atopic dermatitis)

Sales in North America declined by ¥0.3 billion, or 4.1%, to ¥7.3 billion. On a local currency basis, sales increased steadily, growing US$2 million, or 3.9%, to US$78 million.

Sales in Europe rose by ¥0.2 billion, or 5.1%, year-on-year to ¥5.5 billion. On a local currency basis, sales grew €5 million, or 15.0%, to €42 million. Steady growth was recorded due to ongoing activities targeting dermatologists.

Lipitor (Hypercholesterolemia treatment)

Lipitor sales grew steadily, rising ¥4.6 billion, or 4.8%, to ¥99.9 billion. In Japan, the market for statins grew 8.0% on an NHI drug price basis to approximately ¥304.0 billion. Lipitor recorded a 37.1% share of the market, which represented an approximate 1.2 percentage point decline from the previous fiscal year. The introduction of new products further increased competition within the statins market. Amid these conditions, Astellas continues to strengthen co-promotional

efforts with Pfizer Japan and take advantage of extensive clinical evidence of efficacy to maximize value for Lipitor. At the same time, Astellas is working to raise patient awareness of the importance of LDL cholesterol reduction therapy as part of broader efforts to educate patients about hypercholesterolemia.

In December 2009, Astellas launched Caduet Combination Tablets (generic name: amlodipine besylate and atorvastatin calcium), a combination drug for the treatment of hypertension and hypercholesterolemia. In Japan, Pfizer Japan is responsible for manufacturing and sales of Caduet Combination Tablets, and Pfizer Japan and Astellas are co-promoting this drug.

Micardis (Anti-hypertensive)

Sales of Micardis rose ¥7.2 billion, or 11.2%, to ¥71.6 billion. Amid an increasingly competitive angiotensin II receptor blocker (ARB) market in Japan, Astellas successfully expanded aggregate sales of Micardis and Micombi, a combination formulation with a diuretic that was launched in June 2009. The Japanese ARB market grew 9.4% in fiscal 2009 to approximately ¥563.0 billion. The market share of Micardis was on a par with the previous year at 14.0%. Sales of Micardis have grown steadily within a rapidly expanding ARB market because, in addition to its powerful antihypertensive effect, the drug possesses specific properties such as PPAR-gamma activation. Astellas is co-promoting Micardis in Japan with Nippon Boehringer Ingelheim.

Gaster (Treatment for peptic ulcers and gastritis)

Sales of Gaster (generic name: famotidine) declined ¥3.1 billion, or 5.9%, to ¥49.9 billion. In fiscal 2009, Gaster recorded an 18.3% share of the overall Japanese market for H_2 receptor antagonists and proton pump inhibitors (PPIs), a decline of 2.6 percentage points in year-on-year terms.

Japanese authorities continue to introduce various measures to promote increased use of generics. Rules affecting prescribing were changed in April 2008 to make generic substitution easier. Since this change, the share of generics within famotidine products has grown to about 20% (on a volume basis, excluding direct sales).

Myslee (Insomnia treatment)

Sales of Myslee grew strongly, rising ¥3.3 billion, or 13.2%, to ¥29.1 billion.

The market in Japan for insomnia treatments grew 5.5% in fiscal 2009 to approximately ¥81.0 billion. Myslee solidified its grip on the top spot in this category with a market share of 40.2%, a year-on-year gain of 3.5 percentage points. While the Japanese market for insomnia treatments continues to expand year after year, there remains considerable latent potential. Astellas aims to continue strengthening detailing capabilities in qualitative and quantitative terms in the central nervous system (CNS) field by deploying specialist medical representatives (MRs). Astellas is co-promoting Myslee with Sanofi-aventis in Japan.

Seroquel (Schizophrenia treatment)

Sales of Seroquel grew strongly, rising ¥2.5 billion, or 12.2%, to ¥23.6 billion. The market for anti-schizophrenic agents grew by 11.8% to approximately ¥154.0 billion in fiscal 2009. Seroquel ranked third in this market with a share of 17.0%, the same as in fiscal 2008. This market has shifted away from conventional antipsychotics following the introduction of atypical antipsychotics, and this trend is driving the expansion of the overall market. Astellas is working to increase prescriptions of Seroquel, primarily through the efforts of specialist CNS medical representatives.

Celecox (Selective COX-2 inhibitor)

Sales of Celecox grew strongly, climbing ¥7.3 billion, or 70.2%, to ¥17.8 billion.

In addition to rheumatoid arthritis (RA) and osteoarthritis (OA), in June 2009 Astellas gained approval for the additional indication of lumbago, etc., which helped lift sales sharply. The market for anti-inflammatory agents grew 4.7% to approximately ¥84.0 billion in fiscal 2009. Celecox had a market share of 23.3%, up 8.0 percentage points from the previous fiscal year.

Going forward, through co-promotional efforts with Pfizer Japan, Astellas will promote the special characteristics of Celecox while continuing to encourage appropriate product use.

Geninax (Oral quinolone antibiotic)

Sales of Geninax increased ¥1.6 billion, or 26.1%, to ¥8.1 billion. The category share of Geninax increased by 3.5 percentage points to 14.3%, giving it second spot in the market for oral quinolone antibiotics. Going forward, Astellas plans to penetrate the market further, through co-promotion with Taisho Toyama Pharmaceutical.

Adenoscan/Lexiscan (Pharmacologic stress agent)

Total sales of Adenoscan and Lexiscan in the US rose by ¥6.7 billion, or 17.2%, to ¥46.0 billion. On a local currency basis, total sales grew US$105 million, or 26.9%, to US$495 million. Sales on a local currency basis of Lexiscan, which was launched in June 2008, increased sharply by US$232 million from fiscal 2008 to US$326 million.

Eligard (Advanced prostate cancer treatment)

Sales of Eligard in Europe grew by ¥1.6 billion, or 13.0%, to ¥14.1 billion. Boosted by a strong performance from the six-month formulation, sales in local currency terms rose €20 million, or 23.7%, to €107 million.

Several new products also contributed to higher sales. In Japan, sales of Bonoteo, a treatment for osteoporosis that was launched in April 2009, were ¥1.0 billion, while sales of Symbicort, a treatment for adult bronchial asthma launched in January 2010, were ¥1.5 billion. Sales of the antibiotic VIBATIV, which was launched in the US in November 2009, were ¥0.3 billion.

Sales by Geographical Area

(¥ billion)

	2009.3	**2010.3**
Consolidated	¥965.7	**¥974.9**
Japan	510.5	**529.2**
North America	188.9	**179.8**
Europe	239.1	**235.9**
Asia	27.2	**30.0**

* Calculated according to the location of sellers

• Japan

Sales in Japan rose 3.7% in fiscal 2009 to ¥529.2 billion.

Sales of ethical pharmaceuticals in the Japanese market grew steadily, rising 3.7% to ¥509.8 billion.

Sales increased of mainstay products such as Micardis (including Micombi), Prograf, Lipitor, Vesicare, Myslee and Seroquel. Furthermore, new products including Celecox, Geninax, Bonoteo, and Symbicort, as well as vaccines contributed to sales growth. On the other hand, sales of Gaster and Harnal declined.

• North America

Sales in North America on a local currency basis rose by 3.1% to US$1,936 million. However, sales on a yen basis declined 4.8% to ¥179.8 billion as a result of a stronger yen and other factors. VESIcare, Lexiscan and Mycamine recorded higher sales. Prograf, however, saw sales decline in the face of intensifying competition from generic versions, which entered the US market in August 2009.

• Europe

Sales in Europe declined by 1.4% to ¥235.9 billion because of a stronger yen. In local currency terms, however, sales increased 7.9% to €1,798 million.

Sales of Harnal (which is marketed in Europe under the brand names Omnic and Omnic OCAS) through our own distribution channels as well as bulk sales and royalty income from licensees were both higher in local currency terms, but declined in yen terms due to currency appreciation. Prograf sales declined in yen terms due to the yen's appreciation, but continued to increase in local currency terms. Vesicare and Eligard recorded steady increases in sales, and Mycamine also contributed to growth.

• Asia

Sales in Asia rose 10.0% to ¥30.0 billion.

Sales rose despite the impact of yen appreciation. Sales of Prograf grew steadily, and products such as Harnal, Vesicare and Mycamine also contributed to continued growth.

Overseas Sales

(¥ billion)

	2009.3	**2010.3**
Consolidated	¥469.0	**¥460.7**
North America	235.0	**224.9**
Europe	180.4	**181.2**
Asia	35.9	**40.5**
Other	17.7	**14.1**
Overseas sales ratio	48.6%	**47.3%**

Overseas sales are attributed by location of customers.

The overseas sales ratio declined 1.3 percentage points in fiscal 2009 due to the impact of the yen's appreciation against the US dollar and the euro.

Cost of Sales

(¥ billion)

	2009.3	**2010.3**
Net sales	¥965.7	**¥974.9**
Cost of sales	264.4	**289.2**
Cost of sales ratio	27.4%	**29.7%**

Cost of sales increased by ¥24.8 billion, or 9.4%, to ¥289.2 billion.

The cost of sales ratio rose 2.3 percentage points in fiscal 2009 to 29.7% due to the impact of changes in product composition and other factors.

Selling, General and Administrative (SG&A) Expenses

(¥ billion)

	2009.3	**2010.3**
SG&A expenses	¥450.9	**¥499.2**
SG&A ratio	46.7%	**51.2%**
Personnel expenses	115.1	**120.1**
Advertising and sales promotional expenses	84.8	**87.7**
R&D expenses	159.1	**195.6**
Other	91.9	**95.8**

* SG&A expenses include R&D expenses.

Including R&D expenses, SG&A expenses increased ¥48.4 billion, or 10.7%, in year-on-year terms to ¥499.2 billion. The ratio of SG&A expenses to net sales was 51.2%, an increase of 4.5 percentage points.

Personnel expenses rose ¥5.0 billion, or 4.3%, to ¥120.1 billion. The main reasons for this increase were the launch of new products in each region, the establishment of a sales affiliate in Brazil, sales area expansion in Europe, and an increase in personnel such as MRs in line with the strengthening of sales and marketing capabilities in Asia.

Advertising and sales promotional expenses increased by ¥2.9 billion, or 3.4%, to ¥87.7 billion. These expenses increased by ¥0.8 billion in Japan due to expenses associated with new product launches. In Europe and the US, these expenses increased by ¥2.0 billion. Significant factors pushing up costs included increased payments to GlaxoSmithKline due to higher sales of VESIcare in the US, and costs relating to the launches of VIBATIV and Sumavel DosePro in the US and of Mycamine and Qutenza in Europe.

Other SG&A expenses were ¥4.0 billion, or 4.3%, higher than in the previous year, at ¥95.8 billion. Within this figure, goodwill amortization costs relating to the Agensys acquisition increased by ¥2.3 billion.

R&D Expenses

(¥ billion)

	2009.3	**2010.3**
R&D expenses	¥159.1	**¥195.6**
R&D ratio	16.5%	**20.1%**

R&D expenses increased by ¥36.5 billion, or 23.0%, to ¥195.6 billion. The ratio of R&D expenses to net sales was 20.1%, an increase of 3.6 percentage points compared with the previous year. The growth in R&D expenses reflected higher costs associated with progress made in clinical development projects and increased depreciation expenses for the new research buildings at the Tsukuba Research Center. One-time upfront fees linked to in-licensing agreements, including MDV3100 for the treatment of prostate cancer from Medivation, Inc., were also higher than in the previous year.

The Astellas Group aims to generate sustained growth over the medium and long term through early and ongoing discovery of a stream of innovative and useful new drugs in therapeutic areas where effective treatments do not exist currently and there is a high degree of unmet medical need. To this end, the Astellas Group actively promotes R&D activities as a priority measure.

Drug discovery efforts are selectively targeting the following focus research areas: urology, immunology and infectious diseases, oncology, neuroscience, and diabetes complications and metabolic diseases. Astellas is also actively seeking to reinforce technological platforms for drug discovery by establishing a presence in therapeutic antibody technology. This approach promises to supplement the Group's traditional strengths in low-molecule synthesis and fermentation technology. To further improve the speed and quality of drug discovery research, Astellas consolidated drug discovery research functions at its Tsukuba site in April 2009, and in October 2009, reorganized fermentation research functions and created the Bioimaging Research Labs.

In clinical development, the Group aims to speed up the pace of development programs by concentrating resources on the highest priority projects. Furthermore, in order to strengthen global development systems further, in April 2009, Astellas introduced a framework for strengthening the operational base for global clinical development, upgrading project management functions, and enhancing the capabilities of the Group in terms of devising and executing drug development strategy by therapeutic area. Based on this set-up, further progress was made in fiscal 2009 in the development of in-house compounds such as OAB treatment YM178, antithrombotic YM150 and diabetes treatment ASP1941.

On the technical development side, work commenced in September 2009 on building a Fermentation Technology Research Building at the Toyama Plant of manufacturing subsidiary Astellas Toyama. The facility will enable stable global supplies of active pharmaceutical ingredients for candidate compounds derived from the fermentation of natural substances. The building is due to be completed in October 2010.

Alongside in-house drug discovery programs, the Group also actively seeks to expand and improve the drug development pipeline by utilizing compounds and technologies licensed from alliance partners. In September 2009, Astellas established an R&D joint venture with Maxygen of the US to focus on protein drugs emerging from Maxygen's MAXY-4 program aimed at generating candidates for indications of organ rejection suppression in transplantation and other autoimmune therapies, and other protein drugs generated by early-stage drug discovery research programs. In October 2009, Astellas concluded an agreement with Medivation of the US granting Astellas worldwide rights to develop and commercialize the prostate cancer treatment MDV3100. In November 2009, Astellas concluded an agreement with US-based Ironwood Pharmaceuticals granting Astellas exclusive rights to develop and market linaclotide (generic name), an agent for the treatment of irritable bowel syndrome with constipation and chronic constipation in Japan, Indonesia, Korea, the Philippines, Taiwan and Thailand. In December 2009, Astellas also entered into a worldwide agreement with Ambit Biosciences Corporation of the US for the joint development and commercialization of FLT3 kinase inhibitors, including AC220, in oncology and non-oncology indications. In February 2010, Astellas concluded an exclusive licensing agreement with Basilea Pharmaceutica International of Switzerland covering the development and marketing in all countries except Japan for isavuconazole (generic name), an azole antifungal agent. In other major licensing developments, Astellas affiliate Agensys revised the terms of its licensing agreement with US-based Seattle Genetics in November 2009 concerning antibody-drug conjugate (ADC) technology, which is technology related to Seattle Genetics' antibody pharmaceuticals, to expand the scope of the license.

In October 2009, Astellas terminated the development of ASK8007, an anti-human osteopontin antibody for rheumatoid arthritis that was under co-development with the Chemo-Sero-Therapeutic Research Institute of Japan. Astellas also terminated the US development of functional dyspepsia treatment agent YM443 (Z-338), a compound that had been in-licensed from Zeria Pharmaceutical. Astellas and Zeria dissolved the exclusive development and sales agreement for this compound in the US and Canada in January 2010.

The Group also actively seeks to develop promotional tie-ups with various partners. In April 2009, the Taiwanese subsidiary of Astellas concluded an exclusive agreement with Teijin Pharma covering the sale in Taiwan of TMX-67 for the treatment of hyperuricemia in patients with gout. In June 2009, the Group's European subsidiary Astellas Pharma Europe made an exclusive licensing agreement with US-based NeurogesX for the commercialization of peripheral neuropathic pain treatment Qutenza covering Europe, the Middle East and Africa. In July 2009, Astellas concluded an alliance with AstraZeneca, covering the co-promotion of the adult bronchial asthma treatment Symbicort in Japan. In August 2009, Astellas Pharma US concluded a co-promotion agreement covering the US market with US-based Zogenix for Sumavel DosePro, a treatment for migraine that uses a needle-free delivery system. And with Pfizer Japan, Astellas concluded a co-promotion agreement in Japan for Caduet Combination Tablets, a combination drug for the treatment of hypertension and hypercholesterolemia.

Operating Income

(¥ billion)

	2009.3	**2010.3**
Net sales	¥965.7	**¥974.9**
Operating income	250.4	**186.4**
Operating margin	25.9%	**19.1%**

Operating income declined ¥64.0 billion, or 25.6%, to ¥186.4 billion. The operating margin dropped 6.8 percentage points from fiscal 2008 due to a 2.3 point decline in the gross margin and a higher ratio of R&D expenses to sales.

Other Income and Expenses

Interest and dividend income declined by ¥7.4 billion to ¥3.9 billion. This mainly reflected a drop in interest income due to lower interest rates. Astellas recorded an exchange gain of ¥0.2 billion, down considerably from the ¥9.3 billion recorded in fiscal 2008. A gain on sale of investment securities of ¥2.7 billion was recognized. Astellas also recorded a loss on impairment of fixed assets of ¥4.1 billion, which included asset write-downs associated with the relocation of the Fermentation and Biotechnology Labs.

Foreign Exchange Trends (Year-end rate)

(¥)

	2009.3	**2010.3**
US$	¥ 98	**¥ 93**
€	130	**125**

Income Before Income Taxes and Minority Interests, Income Taxes, and Net Income

Income before income taxes and minority interests declined by ¥75.9 billion, or 28.9%, to ¥186.8 billion.

Income taxes decreased by ¥27.0 billion, or 30.1%, to ¥62.6 billion. The tax rate improved by 0.6 percentage points to 33.5%. The main factor behind the net improvement in the tax rate was a change in the corporate tax regulations applicable to fiscal 2009, which resulted in additional tax relief for spending on research and development.

Reflecting the factors outlined above, net income decreased ¥48.7 billion, or 28.5%, to ¥122.3 billion.

Consolidated Forecasts for Year Ending March 31, 2011 (Fiscal 2010) (Announced August 2010)

Consolidated forecasts for fiscal 2010 are as follows.

In June 2010, Astellas purchased all the shares of OSI Pharmaceuticals (OSI) through a tender offer, making the US-based pharmaceuticals company a consolidated subsidiary. However, fiscal 2010 forecasts in this annual report do not include the impact on earnings of the OSI acquisition.

Fiscal 2010 Forecasts

(¥ billion)

	2010.3	**2011.3 (Forecasts)**
Net sales	¥974.9	**¥914.0**
Operating income	186.4	**135.0**
Net income	122.3	**94.0**

(¥)

Average foreign exchange rates US$1	¥ 93	**¥ 91**
€1	131	**112**

Net sales are forecast to decrease by 6.2% to ¥914.0 billion.

Astellas expects sales of the global products Vesicare and Funguard/Mycamine to continue expanding, but sales of Prograf and Harnal are expected to fall due to increased generic competition following the expiry of the respective substance patents in the US and Europe. In Japan, growth from mainstay products and sales contributions from a range of new and recently launched products are expected to offset a negative impact from the NHI drug price cuts implemented in April 2010.

Astellas expects to report higher ethical pharmaceuticals sales in the Japanese market in fiscal 2010. The main contributors to growth are projected to be mainstay products such as Vesicare, Prograf (including Graceptor), Micardis (including Micombi) and Myslee, as well as new products such as Geninax, Celecox and Symbicort.

In the Americas, Astellas expects steady growth in sales of VESIcare, Mycamine and Lexiscan to help counter an anticipated decline in sales of Prograf due to increased generic competition in the US. Astellas also expects the US healthcare reform legislation that was passed in March 2010 to depress regional sales revenues by around ¥6.0 billion.

In Europe, Astellas expects Vesicare, Mycamine, Eligard and other products to generate steady growth in sales. However, sales of Prograf are expected to decline following the launch of generic versions of the drug. With Harnal, in addition to lower sales of the product through our own regional sales channels (under the brand names Omnic and Omnic OCAS), we expect the impact of generic competition in the US to result in substantially reduced bulk sales and royalty income from our licensee.

Sales in Asia are expected to grow due to products such as Prograf, Vesicare and Mycamine.

Operating income is forecast to decline by 27.6% to ¥135.0 billion.

Gross profit is expected to decline due to lower sales, together with an increase in the cost of sales ratio associated with projected changes in product composition.

Astellas expects a reduction in overall SG&A expenses in fiscal 2010. R&D spending is projected to decline 1.3% in year-on-year terms to ¥193.0 billion, equivalent to a ratio of R&D spending to net sales of 21.1%. One-time payments from in-licensing agreements are expected to be lower than in fiscal 2009. Excluding R&D spending, SG&A expenses are projected to rise due to higher sales promotional expenses associated with launches of new products. The lack of refunds of marketing expenses by Harnal licensees in the US will be an additional factor pushing up SG&A expenses.

Net income is projected to decline by 23.1% to ¥94.0 billion.

Number of Employees

As of March 31, 2010, the Astellas Group employed 15,161 people (a year-on-year increase of 900).

Employee headcount was 7,860 in Japan (up 338 from the previous year-end). This reflected increases in employee numbers across sales and marketing and other divisions, together with the transfer of 165 employees from a subcontractor to a domestic Group firm. In the Americas, regional headcount was 2,375 (up 57) due to increases in sales and marketing, and R&D personnel, which offset a decline in the number employed by the manufacturing division. Employee numbers in Europe were 3,775 (up 385), reflecting continued recruitment in the sales and marketing division to strengthen regional sales capabilities and expand into new territories. The Group also recruited more MRs in China, South Korea, Indonesia and India, which increased the regional headcount in Asia to 1,151 (up 120).

The total number of MRs employed by the Astellas Group worldwide was 5,500 at the end of March 2010, a year-on-year increase in the sales force of 350 people.

Number of Employees by Geographical Area

(persons)

	2009.3	**2010.3**
Japan	7,522	**7,860**
Americas	2,318	**2,375**
Europe	3,390	**3,775**
Asia	1,031	**1,151**
Total	14,261	**15,161**

Number of MRs by Geographical Area

(persons)

	2009.3	**2010.3**
Total	5,150	**5,500**
Japan	2,400	**2,400**
Americas	890	**980**
Europe	1,350	**1,500**
Asia	580	**670**

Financial Condition

Assets

Total assets as of March 31, 2010 amounted to ¥1,364.2 billion. This figure was ¥15.7 billion higher than at the end of the previous fiscal year-end.

Current assets of ¥988.5 billion were ¥24.9 billion higher than a year earlier. This reflected an increase in cash and cash equivalents of ¥22.1 billion to ¥431.9 billion.

At ¥184.5 billion, net property, plant and equipment, net was ¥3.0 billion higher than a year earlier. Contributory factors included the commencement of construction work on a new Fermentation Technology Research Building at Astellas Toyama.

Investments and other assets dropped ¥12.2 billion to ¥191.1 billion. Investment securities declined by ¥19.5 billion to ¥69.8 billion due mainly to reclassifications to current assets. Goodwill associated with the Agensys acquisition declined by ¥4.2 billion to ¥22.2 billion. Goodwill at the end of March 2009 was ¥26.4 billion (US$284 million). Additions to goodwill in fiscal 2009 totaled ¥7.0 billion (US$75 million) and reflected the initiation of Phase 2 clinical trials for AGS-8M4 and milestone payments made following the filing of investigational new drug (IND) applications for AGS-16M8E and AGS-5ME. Amortization expense of ¥9.8 billion (US$105 million) was recorded in fiscal 2009. As a result, the balance at March 31, 2010 was ¥22.2 billion (US$238 million). Other intangible assets increased by ¥8.6 billion to ¥40.6 billion. Acquisitions of patents and of sales rights for products such as Symbicort in Japan and Qutenza in Europe more than offset the reduction due to amortization of assets.

Liabilities

Total liabilities of ¥310.2 billion at March 31, 2010 represented a decline of ¥8.0 billion, compared with the previous fiscal year-end.

Current liabilities of ¥277.2 billion were ¥6.4 billion lower than a year earlier. There was an ¥18.5 billion decline in accrued income taxes, which outweighed an ¥11.0 billion increase in accrued expenses.

Total long-term liabilities of ¥33.1 billion were ¥1.6 billion lower than a year earlier.

Net Assets

Net assets totaled ¥1,053.9 billion at March 31, 2010, an increase of ¥23.7 billion compared with a year earlier.

Total shareholders' equity amounted to ¥1,120.8 billion at March 31, 2010, an increase of ¥38.9 billion. Major items included net income of ¥122.3 billion, payments of ¥56.4 billion in cash dividends from retained earnings, and acquisition of the company's own shares via open market purchases totaling ¥27.0 billion.

Valuation, translation adjustments and others became negative ¥68.4 billion. This represented a net increase of ¥15.5 billion from the previous fiscal year-end. Translation adjustments increased by ¥19.6 billion in year-on-year terms to negative ¥82.5 billion. This was principally due to the year-end value of the yen appreciating from the end of March 2009 against both the US dollar and the euro.

Liquidity and Financing

To strengthen and develop the ethical pharmaceutical business, the Astellas Group is constantly working to build market share in the Japanese market, while also developing a global sales and marketing network to boost Astellas' presence in overseas markets. Moreover, the Group continues to reinforce R&D capabilities to maintain a strong drug discovery capability. In addition, the company is pursuing in-licensing activities globally in order to strengthen its pipeline as part of pursuing strategic business investment opportunities.

A sufficient level of cash and cash equivalents is maintained to enable the Group to target such strategic investment opportunities while also supplying working capital and funding capital expenditures. As of the end of March 2010, the Group's balance sheet carried no interest-bearing debt other than lease obligations. After the OSI acquisition, Astellas secured short-term borrowings of ¥40.0 billion in the first quarter of 2010 to provide a temporary boost to working capital for use in Japanese operations.

As outlined in the section on business risks, the Group's pharmaceutical operations face a varied set of risks that are peculiar to the industry. Going forward, in the event of demand for funding, the Group's financial policy is to maintain a healthy balance sheet at all times so we can raise capital smoothly.

Cash Flows

The balance of cash and cash equivalents at the end of March 2010 was ¥431.9 billion, an increase of ¥22.1 billion compared with the previous fiscal year-end.

Cash Flows From Operating Activities

Net cash provided by operating activities amounted to ¥150.1 billion, a decrease of ¥47.7 billion in year-on-year terms. Major factors included a fall in income before income taxes and minority interests of ¥75.9 billion to ¥186.8 billion, and a decline in income taxes paid of ¥7.2 billion to ¥79.3 billion.

Cash Flows From Investing Activities

Net cash used in investing activities totaled ¥31.6 billion, an increase in cash outflow of ¥2.6 billion compared with the previous year. Major factors included an increase in purchases of property, plant and equipment of ¥2.9 billion to ¥39.5 billion, and an increase in cash outflows for the acquisition of intangible assets, such as sales rights to Symbicort in Japan and Qutenza in Europe. In addition, there was a decrease in investment securities of ¥1.9 billion compared with an increase of ¥18.0 billion in the previous fiscal year.

Cash Flows From Financing Activities

Net cash used in financing activities totaled ¥85.9 billion, a decrease of ¥98.8 billion compared with the previous year. Major factors included cash outflows due to the purchase of treasury stock, which decreased ¥96.6 billion relative to the previous year to ¥27.0 billion, and a year-on-year decrease in cash dividends of ¥2.2 billion to ¥56.4 billion.

Capital Expenditures

The Astellas Group makes capital expenditures on an ongoing basis with the aim of reinforcing R&D, production, sales and marketing capabilities and boosting operational efficiency. Capital expenditures in fiscal 2009 totaled ¥37.8 billion (based on the value of property, plant and equipment). Construction work commenced on a Fermentation Technology Research Building at Astellas Toyama to reinforce production capacity for active pharmaceutical ingredients for candidate compounds derived from the fermentation of natural substances. Other capital spending was undertaken to upgrade and renew various functional capabilities and equipment across production and research.

Capital spending is forecast to increase 8.5% to ¥41.0 billion in fiscal 2010.

Net Income, Cash Dividends and Net Assets per Share

Per Share Data

(¥)

	2009.3	**20010.3**
Net income		
Basic	¥ 356.11	**¥ 261.84**
Diluted	355.90	**261.62**
Cash dividends	120.00	**125.00**
Net assets	2,189.26	**2,278.77**

Policy on Shareholder Returns

Astellas is actively working to boost shareholder returns through sustained growth in enterprise value. While prioritizing the re-investment of funds in the business to foster growth, Astellas strives to achieve stable and sustained growth in dividends, based on medium- to long-term consolidated earnings growth and taking the dividend-on-equity (DOE) ratio into consideration. Furthermore, Astellas will flexibly purchase treasury stock if appropriate to improve capital efficiency and the level of return to shareholders.

Treasury stock acquisitions in fiscal 2009 are summarized below.

Treasury Stock

	2009.3	**2010.3**
Number of shares bought back	28,080 thousand	**8,200 thousand**
Acquisition cost	¥123.4 billion	**¥27.0 billion**
Number of shares cancelled	15,000 thousand	**28,000 thousand**
Amount cancelled	¥72.1 billion	**¥128.1 billion**

Total Number of Shares Issued

(thousands of shares)

	2009.3	**2010.3**
Total number of shares issued	503,965	**475,965**
Shares in treasury	33,948	**14,147**

ROE and DOE

(%)

	2009.3	**2010.3**
ROE	16.0	**11.7**
DOE	5.4	**5.6**

Return on equity (ROE) was 11.7%, down 4.3 percentage points from fiscal 2008. The DOE ratio increased 0.2 percentage point to 5.6%.

Business Risks

The main risks that could significantly impact the business results and financial position of the Astellas Group are outlined below.

• Inherent uncertainties in pharmaceutical R&D

In general, the probability of discovering a promising compound through drug discovery research is not high. Further, it takes a large amount of 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.

The Astellas Group's research and development activities are subject to these inherent risks.

• Sales-related risk

The pharmaceutical industry operates in a highly competitive environment characterized by rapid technological innovation. The Astellas Group faces fierce competition from drug makers and generics manufacturers based in Japan or overseas. The launch of competitive products by rivals could impact the Astellas Group's business results significantly.

• Intellectual property (IP) risk

The Astellas Group's ethical pharmaceuticals business benefits from the protection of many patents. Although the Astellas Group manages intellectual property rights properly and is vigilant against third-party violation of such rights, the adverse impact on the Astellas Group's business results of actual IP violations may still be substantial. The Astellas Group's business results are also subject to the outcome of litigation undertaken by the Astellas Group to protect patents where infringement has occurred.

While the Astellas Group strives to ensure that its actions do not infringe the IP rights of other parties, there is a risk of litigation in the event of any inadvertent violations. Such litigation could also impact the Astellas Group's business results significantly.

• Risks relating to product side effects and safety

Any problems arising due to serious side effects or other safety issues that are caused by the Astellas Group's products could impact the Astellas Group's business results significantly.

• Pharmaceutical regulatory risk

The ethical pharmaceutical business is governed by a wide variety of regulations in each country. In Japan, for example, the authorities periodically revise the NHI drug prices. Governments in developed countries in particular continue to adopt measures aimed at containing medical expenditures. Any trend toward stricter regulations governing the development, manufacture or distribution of pharmaceuticals is a factor that could impact business results.

• Environment-related risks

The Astellas Group is careful to observe laws and regulations relating to environmental or health and safety issues, and has instituted internal standards that aim to exceed most statutory requirements. Despite such precautions, the costs involved in the unlikely event of a business-related incident causing a serious breach of compliance in this area could impact the Astellas Group's business results significantly.

• Foreign exchange rate fluctuations

The Astellas Group's business results and financial position are subject to the impact of exchange rate fluctuations due to the Astellas Group's extensive international operations.

In addition to the risks outlined above, the Astellas Group is exposed to a wide range of business-related risks, including but not limited to (1) general commercial litigation, (2) delays or suspension of manufacturing activities due to natural disasters or other factors, and (3) partial dependence on licensing or sales agreements relating to pharmaceuticals developed by other companies.

Consolidated Balance Sheets

Astellas Pharma Inc. and Subsidiaries
March 31, 2010 and 2009

Assets	Millions of yen 2010	Millions of yen 2009	Millions of U.S. dollars (Note 4) 2010
Current assets:			
Cash and cash equivalents	**¥ 431,920**	¥ 409,827	**$ 4,644**
Short-term investments (Note 16)	**117,354**	122,510	**1,262**
Notes and accounts receivable	**256,870**	242,053	**2,762**
Allowance for doubtful receivables	**(1,651)**	(1,020)	**(18)**
	255,219	241,033	**2,744**
Inventories (Note 5)	**111,054**	105,430	**1,194**
Deferred tax assets (Note 9)	**63,316**	67,564	**681**
Other	**9,681**	17,277	**105**
Total current assets	**988,544**	963,641	**10,630**
Property, plant and equipment, at cost:			
Land	**30,190**	29,115	**325**
Buildings and structures	**233,831**	233,952	**2,514**
Machinery and equipment	**218,612**	216,929	**2,351**
Other	**3,142**	2,977	**33**
Construction in progress	**18,680**	13,964	**201**
Accumulated depreciation	**(319,965)**	(315,489)	**(3,440)**
Property, plant and equipment, net	**184,490**	181,448	**1,984**
Investments and other assets:			
Investment securities (Note 16)	**69,772**	89,315	**750**
Investments in and advances to affiliates	**1,251**	268	**13**
Goodwill	**22,159**	26,377	**238**
Other intangible assets	**40,601**	31,985	**437**
Deferred tax assets (Note 9)	**46,900**	46,223	**504**
Other	**10,460**	9,189	**113**
Total investments and other assets	**191,143**	203,357	**2,055**
Total assets	**¥1,364,177**	¥1,348,446	**$14,669**

See accompanying notes to consolidated financial statements.

Liabilities and net assets	Millions of yen 2010	Millions of yen 2009	Millions of U.S. dollars (Note 4) 2010
Current liabilities:			
Notes and accounts payable:			
Trade	**¥ 163,968**	¥ 169,615	**$ 1,763**
Construction	**14,021**	11,947	**151**
Accrued expenses	**66,050**	55,057	**710**
Accrued income taxes (Note 9)	**21,216**	39,682	**228**
Deferred tax liabilities (Note 9)	**12**	833	**0**
Other (Note 6)	**11,891**	6,419	**128**
Total current liabilities	**277,158**	283,553	**2,980**
Long-term liabilities:			
Accrued retirement benefits for employees (Note 10)	**17,638**	15,030	**190**
Other (Note 6)	**15,448**	19,642	**166**
Total long-term liabilities	**33,086**	34,672	**356**
Net assets (Note 7)**:**			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 2,000,000,000 shares;			
Issued: 475,964,635 shares in 2010 and 503,964,635 shares in 2009	**103,001**	103,001	**1,108**
Capital surplus	**176,822**	176,822	**1,901**
Retained earnings	**895,101**	957,346	**9,624**
Treasury stock, at cost:			
14,146,832 shares in 2010 and 33,948,017 shares in 2009	**(54,160)**	(155,295)	**(582)**
Total shareholders' equity	**1,120,764**	1,081,874	**12,051**
Valuation, translation adjustments and others			
Unrealized holding gain on securities	**14,154**	10,019	**152**
Translation adjustments	**(82,543)**	(62,905)	**(887)**
Total valuation, translation adjustments and others	**(68,389)**	(52,886)	**(735)**
Stock subscription rights	**1,206**	895	**13**
Minority interests	**352**	338	**4**
Total net assets	**1,053,933**	1,030,221	**11,333**
Contingent liabilities (Note 13)			
Total liabilities and net assets	**¥1,364,177**	¥1,348,446	**$14,669**

Consolidated Statements of Income

Astellas Pharma Inc. and Subsidiaries
Year ended March 31, 2010, 2009 and 2008

	Millions of yen			Millions of U.S. dollars (Note 4)
	2010	2009	2008	**2010**
Net sales	**¥974,878**	¥965,698	¥972,586	**$10,483**
Cost of sales	**289,241**	264,431	279,342	**3,111**
Gross profit	**685,637**	701,267	693,244	**7,372**
Selling, general and administrative expenses (Note 11)	**499,230**	450,872	417,340	**5,368**
Operating income	**186,407**	250,395	275,904	**2,004**
Other income (expenses):				
Interest and dividend income	**3,939**	11,380	15,026	**42**
Interest expense	**—**	—	(53)	**—**
Exchange gain (loss)	**225**	9,251	(14,869)	**2**
Equity in earnings (losses) of affiliates	**84**	(47)	7,994	**1**
Gain on sale of investment securities	**2,700**	500	138	**29**
Loss on impairment of fixed assets	**(4,082)**	(1,340)	(9,331)	**(44)**
Special retirement benefits	**—**	(2,526)	(12,979)	**—**
Loss on devaluation of investment securities	**—**	(1,976)	—	**—**
Compensation for cancellation of contracts	**—**	(1,364)	—	**—**
Expenses for integration and closure of business bases	**—**	—	(3,308)	**—**
Other, net	**(2,471)**	(1,581)	10,256	**(26)**
	395	12,297	(7,126)	**4**
Income before income taxes and minority interests	**186,802**	262,692	268,778	**2,008**
Income taxes (Note 9)**:**				
Current	**64,717**	86,851	93,999	**696**
Deferred	**(2,111)**	2,771	(4,812)	**(23)**
	62,606	89,622	89,187	**673**
Income before minority interests	**124,196**	173,070	179,591	**1,335**
Minority interests	**(1,939)**	(2,084)	(2,153)	**(20)**
Net income (Note 14)	**¥122,257**	¥170,986	¥177,438	**$ 1,315**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Astellas Pharma Inc. and Subsidiaries
Year ended March 31, 2010, 2009 and 2008

Number of shares issued	2010	2009	2008
Beginning of year	**503,964,635**	518,964,635	563,964,635
Cancellation of treasury stock	**(28,000,000)**	(15,000,000)	(45,000,000)
End of year	**475,964,635**	503,964,635	518,964,635

Millions of yen

	Shareholders' equity					Valuation, translation adjustments and others	Stock subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity				
Balance as of March 31, 2007	¥ 103,001	¥ 176,822	¥1,006,648	¥(241,920)	¥ 1,044,551	¥ 53,809	¥ 284	¥ 351	¥ 1,098,995
Cash dividends paid			(45,878)		(45,878)				(45,878)
Net income			177,438		177,438				177,438
Purchase of treasury stock				(81,914)	(81,914)				(81,914)
Disposal of treasury stock			(53)	197	144				144
Cancellation of treasury stock			(219,514)	219,514					
Other			(1,435)		(1,435)				(1,435)
Net change in items other than shareholders' equity						(36,817)	353	(23)	(36,487)
Total movements during the year			(89,442)	137,797	48,355	(36,817)	353	(23)	11,868
Balance as of March 31, 2008	103,001	176,822	917,206	(104,123)	1,092,906	16,992	637	328	1,110,863
Cash dividends paid			(58,625)		(58,625)				(58,625)
Net income			170,986		170,986				170,986
Purchase of treasury stock				(123,600)	(123,600)				(123,600)
Disposal of treasury stock			(80)	287	207				207
Cancellation of treasury stock			(72,141)	72,141					
Net change in items other than shareholders' equity						(69,878)	258	10	(69,610)
Total movements during the year			40,140	(51,172)	(11,032)	(69,878)	258	10	(80,642)
Balance as of March 31, 2009	103,001	176,822	957,346	(155,295)	1,081,874	(52,886)	895	338	1,030,221
Cash dividends paid			**(56,402)**		**(56,402)**				**(56,402)**
Net income			**122,257**		**122,257**				**122,257**
Purchase of treasury stock				**(26,997)**	**(26,997)**				**(26,997)**
Disposal of treasury stock			**(17)**	**49**	**32**				**32**
Cancellation of treasury stock			**(128,083)**	**128,083**					
Net change in items other than shareholders' equity						**(15,503)**	**311**	**14**	**(15,178)**
Total movements during the year			**(62,245)**	**101,135**	**38,890**	**(15,503)**	**311**	**14**	**23,712**
Balance as of March 31, 2010	**¥103,001**	**¥176,822**	**¥ 895,101**	**¥(54,160)**	**¥1,120,764**	**¥(68,389)**	**¥1,206**	**¥352**	**¥1,053,933**

Millions of U.S. dollars (Note 4)

	Shareholders' equity					Valuation, translation adjustments and others	Stock subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity				
Balance as of March 31, 2009	$ 1,108	$ 1,901	$10,294	$(1,670)	$ 11,633	$ (568)	$ 10	$4	$ 11,079
Cash dividends paid			**(607)**		**(607)**				**(607)**
Net income			**1,315**		**1,315**				**1,315**
Purchase of treasury stock				**(291)**	**(291)**				**(291)**
Disposal of treasury stock			**(0)**	**1**	**1**				**1**
Cancellation of treasury stock			**(1,378)**	**1,378**					
Net change in items other than shareholders' equity						**(167)**	**3**	**0**	**(164)**
Total movements during the year			**(670)**	**1,088**	**418**	**(167)**	**3**	**0**	**254**
Balance as of March 31, 2010	**$1,108**	**$1,901**	**$ 9,624**	**$ (582)**	**$12,051**	**$(735)**	**$13**	**$4**	**$11,333**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Astellas Pharma Inc. and Subsidiaries
Year ended March 31, 2010, 2009 and 2008

	Millions of yen			Millions of U.S. dollars (Note 4)
	2010	2009	2008	**2010**
Operating activities				
Income before income taxes and minority interests	**¥186,802**	¥ 262,692	¥ 268,778	**$2,008**
Depreciation and amortization	**48,466**	42,890	36,946	**521**
Loss on impairment of fixed assets	**4,082**	1,340	9,331	**44**
Gain on sale of investment securities	**(2,700)**	(500)	(138)	**(29)**
Notes and accounts receivable	**1,310**	(17,487)	4,524	**14**
Inventories	**(8,741)**	(26,569)	(5,262)	**(94)**
Notes and accounts payable	**(2,051)**	26,012	(20,745)	**(22)**
Accrued expenses	**12,032**	(54)	(7,046)	**129**
Accrued retirement benefits for employees	**1,547**	(93)	(835)	**17**
Other	**(15,391)**	(16,107)	(26,082)	**(165)**
Subtotal	**225,356**	272,124	259,471	**2,423**
Interest and dividends received	**4,098**	12,196	25,756	**44**
Interest paid	**—**	—	(50)	**—**
Income taxes paid	**(79,323)**	(86,529)	(98,247)	**(853)**
Net cash provided by operating activities	**150,131**	197,791	186,930	**1,614**
Investing activities				
Purchases of property, plant and equipment	**(39,525)**	(36,653)	(27,314)	**(425)**
Proceeds from sale of property, plant and equipment	**1,014**	5,811	17,923	**11**
Acquisition of subsidiaries' shares	**—**	—	(40,407)	**—**
Decrease in short-term investments	**28,584**	24,454	64,360	**307**
Decrease (increase) in investment securities	**1,940**	(18,013)	(12,660)	**21**
Increase in other assets	**(24,776)**	(10,902)	(12,974)	**(266)**
Other	**1,182**	6,315	2,656	**12**
Net cash used in investing activities	**(31,581)**	(28,988)	(8,416)	**(340)**
Financing activities				
Purchases of treasury stock	**(26,997)**	(123,600)	(81,914)	**(291)**
Cash dividends	**(56,402)**	(58,625)	(45,878)	**(607)**
Other	**(2,503)**	(2,451)	(3,630)	**(26)**
Net cash used in financing activities	**(85,902)**	(184,676)	(131,422)	**(924)**
Effects of exchange rate changes on cash and cash equivalents	**(10,555)**	(34,786)	(8,037)	**(113)**
Increase (decrease) in cash and cash equivalents	**22,093**	(50,659)	39,055	**237**
Decrease in cash and cash equivalents due to decrease in subsidiaries	**—**	—	(1,082)	**—**
Cash and cash equivalents at beginning of year	**409,827**	460,486	422,513	**4,407**
Cash and cash equivalents at end of year	**¥431,920**	¥ 409,827	¥ 460,486	**$4,644**

See accompanying notes to consolidated financial statements.

1. Basis of Presentation

Astellas Pharma Inc. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States.

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the years ended March 31, 2010 and 2009 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. See Note 3(c).

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries. Companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements on an equity basis. As of March 31, 2010, the numbers of consolidated subsidiaries, and subsidiaries and affiliates accounted for by the equity method were 66 and 3 (64 and 2 in 2009), respectively. All significant intercompany balances and transactions are eliminated in consolidation.

All subsidiaries close their books of account at March 31 for financial reporting purposes.

The excess of cost over underlying fair value of net assets at the date of acquisition is amortized over periods not exceeding 20 years on a straight-line basis except that when the excess amount is immaterial, it is fully charged to income in the year of acquisition. Such amortization is included in selling, general and administrative expenses.

(b) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates, and foreign exchange gains or losses are charged to current income/expense.

Revenue and expense accounts of the foreign subsidiaries are translated into yen using the average exchange rates during the year and, except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the exchange rates in effect at the balance sheet date. The components of net assets excluding minority interests are translated into yen at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests in the accompanying consolidated financial statements.

(c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered as cash equivalents.

(d) Inventories

Inventories of the Company and its domestic subsidiaries are stated principally at the lower of cost or market, cost being determined by the average method. However, inventories of the foreign subsidiaries are stated principally at the lower of cost or market, cost being determined by the first-in, first-out method.

(e) Depreciation and amortization (excluding lease assets)

Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is calculated principally by the declining-balance method at rates based on the estimated useful lives of the respective assets. However, depreciation of property, plant and equipment of the foreign subsidiaries is calculated principally by the straight-line method. The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	2 to 20 years

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(f) Allowance for doubtful receivables

For normal receivables, an allowance for doubtful receivables is provided using the historical experienced default ratio. For specific receivables such as bankruptcy/rehabilitation claims, an allowance for doubtful receivables is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability.

(g) Leases

Non-cancelable leases are generally classified and accounted for as either finance or operating leases. Depreciation of finance leases for which ownership of the leased assets is not transferred to the lessee is calculated principally by the straight-line method over their useful life being lease period with residual value being zero.

(h) Short-term investments and investment securities

Securities other than equity securities issued by the Company's subsidiaries and affiliates are classified into held-to-maturity or other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving average method.

(i) Research and development expenses

Research and development expenses are charged to income as incurred.

(j) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the effective tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Retirement benefits

Accrued retirement benefits for employees and prepaid pension cost are recorded mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized past service cost.

Actuarial gain and loss are being amortized from the following year in which the gain or loss is recognized primarily by the straight-line method over the average remaining years of service of the employees. Past service cost is being amortized as incurred by the straight-line method over the average remaining years of service of the employees.

(l) Derivative financial instruments

The Company utilizes various derivatives transactions in order to manage certain risks arising mainly from adverse fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

3. Accounting Changes

(a) Effective April 1, 2009, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3), has been adopted. This change had no impact on the operating results and financial conditions.

(b) Effective April 1, 2008, the Company and its domestic subsidiaries adopted a new accounting standard for lease transactions and related implementation guidance, which requires all finance lease transactions to be capitalized. Until the year ended March 31, 2008, finance leases in which there was no transfer of ownership of leased assets upon the expiration of lease periods had been accounted for as operating leases. This change had no impact on the operating results and financial conditions.

(c) Effective April 1, 2008, PITF No. 18 has been adopted. This change had no impact on the operating results and financial conditions.

(d) Effective April 1, 2007, the Company and its domestic subsidiaries implemented earlier adoption of a new accounting standard for measurement of inventories, which requires all the inventories to be stated at the lower of cost or market. The effect of this change was to decrease gross profit by ¥99 million and to increase operating income and income before income taxes and minority interests by ¥493 million and ¥939 million, respectively, for the year ended March 31, 2008 compared to the corresponding amounts which would have been recognized under the previous method.

(e) Effective April 1, 2007, the Company and its domestic subsidiaries changed the depreciation rates and the salvage value of property, plant and equipment mainly based on the amendment of Corporate Tax Law of Japan and the change in the investment strategy. The effect of these changes was to decrease gross profit by ¥449 million and to decrease operating income and income before income taxes and minority interests by ¥1,477 million for the year ended March 31, 2008.

4. U.S. Dollar Amounts

U.S. dollar amounts presented are solely for convenience, as a matter of arithmetic computation only, translated from yen at ¥93 = US $1.00, the approximate rate of exchange on March 31, 2010. The translation should not be construed as a representation that yen has been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rates.

5. Inventories

Inventories as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Millions of U.S. dollars
	2010	2009	**2010**
Merchandise and finished goods	**¥ 82,750**	¥ 80,755	**$ 889**
Work in process	**12,152**	12,506	**131**
Raw materials and supplies	**16,152**	12,169	**174**
Total	**¥111,054**	¥105,430	**$1,194**

6. Short-Term Borrowings and Long-Term Debt

There were no short-term borrowings or long-term debt except for lease obligations at March 31, 2010 and 2009. Current portion of lease obligations of ¥525 million ($6 million) at March 31, 2010 and ¥598 million at March 31, 2009 were included in other current liabilities, and lease obligations excluding current portion of ¥625 million ($7 million) at March 31, 2010 and ¥911 million at March 31, 2009 were included in other long-term liabilities.

The aggregate annual maturities of lease obligations for 5 years subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	**¥ 525**	**$ 6**
2012	**273**	**3**
2013	**190**	**2**
2014	**108**	**1**
2015 and thereafter	**54**	**1**
Total	**¥1,150**	**$13**

7. Net Assets

Changes in net assets for the year ended March 31, 2010 were as follows:

a. Treasury stock

(Thousands of shares)

Types of share	Number of shares as of March 31, 2009	Increase	Decrease	Number of shares as of March 31, 2010
Treasury stock: Common stock (Notes 1 and 2)	33,948	8,210	28,012	14,146

(Thousands of shares)

Notes: 1. Breakdown of the increase of treasury stock are as follows:

Increase due to purchase of the stocks	8,200
Increase due to purchase of the stocks of less than standard unit	10

2. Breakdown of the decrease of treasury stock are as follows:

Decrease due to cancellation	28,000
Decrease due to exercise of stock subscription rights	10
Decrease due to sale of the stocks of less than standard unit	2

b. Dividends

1) Dividends paid during the year ended March 31, 2010

Resolution	Type of shares	Total amounts paid (Millions of yen)	Dividends per share (Yen)	Cut-off date	Total amounts paid (Millions of U.S. dollars)	Dividends per share (U.S. dollars)
Annual shareholders' meeting on June 23, 2009	Common stock	28,201	60	March 31, 2009	303	0.65
Board of Directors on November 5, 2009	Common stock	28,201	60	September 30, 2009	303	0.65

2) Dividends whose cut-off date was in the year ended March 31, 2010 and effective date is in the year ending March 31, 2011

Resolution	Type of shares	Total amounts paid (Millions of yen)	Dividends per share (Yen)	Cut-off date	Total amounts paid (Millions of U.S. dollars)	Dividends per share (U.S. dollars)
Annual shareholders' meeting on June 23, 2010	Common stock	30,018	65	March 31, 2010	323	0.70

c. Stock subscription rights

In July 2009, the Company issued 1,149 units of stock subscription rights, for which ¥253 million ($3 million) was recorded as a component of net assets as of March 31, 2010. The stock subscription rights included rights unvested as of March 31, 2010.

8. Stock Option Plan

The Company has implemented a stock option plan under which stock subscription rights were granted to directors, corporate officers and employees of the Company.

The following table summarizes the Company's stock option plan:

		Stock subscription rights granted as a stock option plan		
		Granted on July 1, 2003	Granted on July 1, 2004	Granted on August 31, 2005
Individuals covered by the plan	Directors of the Company	18	4	6
	Corporate officers of the Company	—	16	26
	Employees of the Company	37	36	—
	Total	55	56	32
Type and number of shares to be issued upon the exercise of the stock subscription rights	Common stock	141,000	147,000	104,800
Vesting period		—	—	From July 1, 2005 to June 23, 2006
Exercise period		From July 1, 2005 to June 27, 2013	From July 1, 2006 to June 24, 2014	From September 1, 2005 to June 24, 2025

		Stock subscription rights granted as a stock option plan		
		Granted on February 13, 2007	Granted on August 10, 2007	Granted on September 16, 2008
Individuals covered by the plan	Directors of the Company	4	4	3
	Corporate officers of the Company	27	26	23
	Employees of the Company	—	—	—
	Total	31	30	26
Type and number of shares to be issued upon the exercise of the stock subscription rights	Common stock	75,700	74,000	72,700
Vesting period		From July 1, 2006 to June 26, 2007	From July 1, 2007 to June 25, 2008	From July 1, 2008 to June 23, 2009
Exercise period		From February 14, 2007 to June 27, 2026	From August 11, 2007 to June 26, 2027	From September 17, 2008 to June 24, 2028

		Stock subscription rights granted as a stock option plan
		Granted on July 8, 2009
Individuals covered by the plan	Directors of the Company	3
	Corporate officers of the Company	25
	Employees of the Company	—
	Total	28
Type and number of shares to be issued upon the exercise of the stock subscription rights	Common stock	114,900
Vesting period		From July 1, 2009 to June 22, 2010
Exercise period		From July 9, 2009 to June 23, 2029

Conditions for the exercise of stock subscription rights are as follows:

1) For stock options granted in 2003 and 2004, there are no vesting conditions.
2) For stock options granted in 2005 and thereafter, individuals granted stock options are required to meet certain criteria.

The following table summarizes the movements of stock subscriptions rights:

	Stock subscription rights granted as a stock option plan		
	Granted on July 1, 2003	Granted on July 1, 2004	Granted on August 31, 2005
Unvested stock subscription rights (shares)			
Outstanding as of March 31, 2009	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2010	**—**	**—**	**—**
Vested stock subscription rights (shares)			
Outstanding as of March 31, 2009	17,500	69,100	91,500
Vested	—	—	—
Exercised	3,700	—	3,500
Forfeited	—	—	—
Outstanding as of March 31, 2010	**13,800**	**69,100**	**88,000**
Exercise price (Yen)	3,209	3,690	1
Weighted average exercise price (Yen)	3,389	—	3,323
Weighted average fair value per stock at the granted date (Yen)	—	—	—
Exercise price (U.S. dollars)	34.51	39.68	0.01
Weighted average exercise price (U.S. dollars)	36.44	—	35.73
Weighted average fair value per stock at the granted date (U.S. dollars)	—	—	—

	Stock subscription rights granted as a stock option plan		
	Granted on February 13, 2007	Granted on August 10, 2007	Granted on September 16, 2008
Unvested stock subscription rights (shares)			
Outstanding as of March 31, 2009	—	—	18,175
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	18,175
Outstanding as of March 31, 2010	**—**	**—**	**—**
Vested stock subscription rights (shares)			
Outstanding as of March 31, 2009	70,300	70,200	54,525
Vested	—	—	18,175
Exercised	3,000	—	—
Forfeited	—	—	—
Outstanding as of March 31, 2010	**67,300**	**70,200**	**72,700**
Exercise price (Yen)	1	1	1
Weighted average exercise price (Yen)	3,338	—	—
Weighted average fair value per stock at the granted date (Yen)	5,009	4,639	3,980
Exercise price (U.S. dollars)	0.01	0.01	0.01
Weighted average exercise price (U.S. dollars)	35.89	—	—
Weighted average fair value per stock at the granted date (U.S. dollars)	53.86	49.88	42.80

	Stock subscription rights granted as a stock option plan
	Granted on July 8, 2009
Unvested stock subscription rights (shares)	
Outstanding as of March 31, 2009	—
Granted	114,900
Forfeited	—
Vested	86,175
Outstanding as of March 31, 2010	**28,725**
Vested stock subscription rights (shares)	
Outstanding as of March 31, 2009	—
Vested	86,175
Exercised	—
Forfeited	—
Outstanding as of March 31, 2010	**86,175**
Exercise price (Yen)	1
Weighted average exercise price (Yen)	—
Weighted average fair value per stock at the granted date (Yen)	2,942
Exercise price (U.S. dollars)	0.01
Weighted average exercise price (U.S. dollars)	—
Weighted average fair value per stock at the granted date (U.S. dollars)	31.63

Stock option expense was included in selling, general and administrative expenses for the year ended March 31, 2010 amounted to ¥326 million ($4 million). The fair value of options granted on July 8, 2009 was estimated using the binomial model with the following weighted average assumptions.

	Stock subscription rights granted on July 8, 2009 as a stock option plan
Expected volatility	30.39%
Expected holding period	4 years
Expected dividend per share	120 yen
Risk-free rate	1.99%

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rate of approximately 41% for 2010, 2009 and 2008. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2010, 2009 and 2008 differ from the statutory tax rate for the following reasons:

	2010	2009	2008
Statutory tax rate	**41.0%**	41.0%	41.0%
Effect of:			
Tax deductions for research and development expenses	**(7.0)**	(4.5)	(3.3)
Different tax rates applied to income of foreign subsidiaries	**(6.3)**	(4.2)	(4.0)
Expenses not deductible for income tax purposes	**3.3**	2.2	1.5
Amortization of goodwill	**2.1**	1.2	0.3
Equity in earnings of affiliates	**—**	—	(1.2)
Other, net	**0.4**	(1.6)	(1.1)
Effective tax rates	**33.5%**	34.1%	33.2%

The significant components of the deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Millions of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Loss on devaluation of investment securities	**¥ 2,743**	¥ 3,604	**$ 29**
Accrued retirement benefits	**6,945**	6,401	**75**
Depreciation and amortization	**39,804**	34,396	**428**
Loss on impairment of fixed assets	**4,907**	4,663	**53**
Accrued expenses	**22,845**	23,129	**246**
Inventories	**20,401**	24,797	**219**
Accrued enterprise and other taxes	**1,779**	2,916	**19**
Other	**36,899**	44,236	**397**
Gross deferred tax assets	**136,323**	144,142	**1,466**
Valuation allowance	**(8,581)**	(14,940)	**(92)**
Total deferred tax assets	**127,742**	129,202	**1,374**
Deferred tax liabilities:			
Unrealized holding gain on securities	**9,071**	6,229	**98**
Depreciation and amortization	**564**	1,136	**6**
Other	**7,903**	8,883	**85**
Total deferred tax liabilities	**17,538**	16,248	**189**
Net deferred tax assets	**¥110,204**	¥112,954	**$1,185**

10. Retirement Benefit Plans

The Company and its domestic subsidiaries have defined benefit plans, corporate pension fund plans and a lump-sum payment plans, and defined contribution 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 subsidiaries have defined benefit plans and defined contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2010 and 2009 for the defined benefit plans:

	Millions of yen		Millions of U.S. dollars
	2010	2009	**2010**
Retirement benefit obligation	**¥(146,961)**	¥(145,364)	**$(1,580)**
Plan assets at fair value	**120,661**	106,645	**1,297**
Unfunded retirement benefit obligation	**(26,300)**	(38,719)	**(283)**
Unrecognized actuarial loss	**18,647**	33,774	**201**
Unrecognized past service cost	**(8,192)**	(9,075)	**(88)**
Net retirement benefit obligation	**(15,845)**	(14,020)	**(170)**
Prepaid pension cost	**1,793**	1,010	**20**
Accrued retirement benefits	**¥ (17,638)**	¥ (15,030)	**$ (190)**

The components of retirement benefit expenses for the years ended March 31, 2010, 2009 and 2008 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2010	2009	2008	**2010**
Service cost	**¥ 4,399**	¥ 4,893	¥ 5,690	**$ 47**
Interest cost	**3,984**	4,120	4,323	**43**
Expected return on plan assets	**(3,778)**	(4,570)	(3,768)	**(41)**
Amortization of actuarial loss	**4,101**	2,451	1,681	**44**
Amortization of past service cost	**(869)**	(825)	(880)	**(9)**
Other	**5,792**	7,590	16,571	**63**
Total	**¥13,629**	¥13,659	¥23,617	**$147**

The assumptions used in accounting for the above plans were as follows:

	2010	2009
Discount rates	**2.0%–5.2%**	2.0%–6.1%
Expected rates of return on plan assets	**3.0%–4.4%**	3.0%–5.0%

11. Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008, totaled ¥195,570 million ($2,103 million), ¥159,059 million and ¥134,464 million, respectively.

12. Leases

Future minimum lease payments subsequent to March 31, 2010 on non-cancelable operating lease transactions are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2011	**¥ 4,983**	**$ 54**
2012 and thereafter	**16,335**	**176**
Total	**¥21,318**	**$230**

See Note 3 (b).

13. Contingent Liabilities

Contingent liabilities of the Company and its subsidiaries as of March 31, 2010 and 2009 were as follows:

	Millions of yen	Millions of U.S. dollars
	2010	**2010**
Contingent liabilities as guarantors of indebtedness of the Company's employees and affiliates	**¥2,545**	**$27**

	Millions of yen
	2009
Contingent liabilities as guarantors of indebtedness of the Company's employees and affiliates	¥3,025

The Company and its subsidiaries may be involved in various lawsuits during the normal course of business. The management believes the lawsuits in which the Company and its subsidiaries are currently involved would not have material adverse impacts on the financial conditions and/or operating results.

14. Amounts per Share

			Yen	U.S. dollars
	2010	2009	2008	**2010**
Net income:				
Basic	**¥ 261.84**	¥ 356.11	¥ 349.89	**$ 2.82**
Diluted	**261.62**	355.90	349.71	**2.81**
Cash dividends	**125.00**	120.00	110.00	**1.34**
Net assets	**2,278.77**	2,189.26	2,228.34	**24.50**

Basic net income per share is computed based on net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock subscription rights and the conversion of convertible bonds. There were no outstanding issues of convertible bonds during the years ended March 31, 2010 and 2009.

Cash dividends per share represent the annual cash dividends declared as applicable to the respective years including the interim cash dividends paid.

Net assets per share are computed based on the amount of net assets at the year end excluding stock subscription rights and minority interests, and the number of common stock outstanding at the year end.

15. Supplementary Cash Flow Information

Agensys, Inc. was consolidated as a result of the acquisition of 100% of its stock during the year ended March 31, 2008. The following is a summary of the assets acquired and liabilities assumed:

	Millions of yen
Current assets	¥ 3,305
Property, plant and equipment	4,781
Goodwill	30,862
Current liabilities	(345)
Long-term liabilities	(7)
Acquisition cost of stock of Agensys, Inc.	¥38,596
Cash and cash equivalents of Agensys, Inc.	(3,171)
Effect of exchange rate fluctuation	4,982
Net cash used in the acquisition	¥40,407

16. Financial Instruments

Basic policy to manage financial instruments and related risks

The Company has set its financial investment policy, which aims to preserve financial assets for strategic investment opportunities, by putting priority on safety, and mitigating opportunity loss while keeping sufficient liquidity. In the case that financing is necessary, the most appropriate measure will be chosen among the various options including bank loans, bond issuance or stock offering, taking into account business circumstances and financial market conditions. Derivative transactions are utilized solely for the purpose of hedging exposure to adverse fluctuation primarily in foreign currency exchange rates or interest rates, but the Company does not enter into such transactions for speculative or trading purposes.

With regard to bank deposits, the Company and its subsidiaries enter into transactions only with financial institutions with high credit ratings. Although accounts receivable are exposed to credit risk in relation to customers, the risk is managed by monitoring business conditions, creditworthiness and outstanding balances by individual customer. In addition, monthly collections of accounts receivable are monitored. With regard to listed stocks that the Company has invested in, the Company manages the price volatility risk by monthly monitoring of market prices of those stocks. Derivative transactions are executed based on internal rules and the balance of derivative transactions is monitored monthly. To minimize credit risk in the event of nonperformance by the counterparties, the Company and its subsidiaries enter into derivative transactions only with financial institutions with high credit ratings.

Fair value of financial instruments

The following table summarizes carrying values and fair values of financial instruments at March 31, 2010.

	Millions of yen			Millions of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and cash equivalents	**¥ 431,920**	**¥ 431,920**	**¥—**	**$ 4,644**	**$ 4,644**	**$—**
Notes and accounts receivable	**256,870**	**256,870**	**—**	**2,762**	**2,762**	**—**
Short-term investments and Investment securities						
Other securities	**172,146**	**172,146**	**—**	**1,851**	**1,851**	**—**
Notes and accounts payable	**¥(177,989)**	**¥(177,989)**	**¥—**	**$(1,914)**	**$(1,914)**	**$—**

Numbers with parenthesis represent liabilities in the above table.

The above table does not include financial instruments for which it is extremely difficult to determine fair value because no quoted market price nor future cash flow is available.

The following methods and assumptions were used in estimating fair value disclosures for financial instruments:

Cash and cash equivalents, notes and accounts receivable, notes and accounts payable: The carrying amount approximates fair value because of the short maturity of the instruments.

Short-term investments and investment securities: The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities.

Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2010 and 2009 is summarized as follows:

Held-to-maturity debt securities

There were no held-to-maturity debt securities outstanding as of March 31, 2010.

	Millions of yen		
	2009		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government/local bonds	¥600	¥602	¥ 2
Corporate bonds	—	—	—
Other	—	—	—
Total	¥600	¥602	¥ 2

Other securities

	Millions of yen			Millions of U.S. dollars		
	2010			2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	**¥ 20,532**	**¥ 45,659**	**¥25,127**	**$ 221**	**$ 491**	**$270**
Debt securities	**76,785**	**76,854**	**69**	**826**	**827**	**1**
Other	**2,000**	**2,097**	**97**	**21**	**22**	**1**
Subtotal	**99,317**	**124,610**	**25,293**	**1,068**	**1,340**	**272**
Securities whose acquisition cost exceeds their carrying value:						
Stock	**467**	**417**	**(50)**	**5**	**4**	**(1)**
Debt securities	**41,461**	**41,330**	**(131)**	**445**	**444**	**(1)**
Other	**113,513**	**113,513**	**—**	**1,221**	**1,221**	**—**
Subtotal	**155,441**	**155,260**	**(181)**	**1,671**	**1,669**	**(2)**
Total	**¥254,758**	**¥279,870**	**¥25,112**	**$2,739**	**$3,009**	**$270**

	Millions of yen		
	2009		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 20,448	¥ 40,391	¥19,943
Debt securities	52,361	52,540	179
Other	—	—	—
Subtotal	72,809	92,931	20,122
Securities whose acquisition cost exceeds their carrying value:			
Stock	13,344	11,673	(1,671)
Debt securities	125,446	123,243	(2,203)
Other	2,050	2,031	(19)
Subtotal	140,840	136,947	(3,893)
Total	¥213,649	¥229,878	¥16,229

Proceeds from sales of securities classified as other securities and the related aggregate gains and losses for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of yen			Millions of U.S. dollars		
			2010			**2010**
	Proceeds	Aggregate gain	Aggregate loss	Proceeds	Aggregate gain	Aggregate loss
Stock	**¥ 3,705**	**¥2,700**	**¥39**	**$ 40**	**$29**	**$ 0**
Debt securities	**4,613**	**—**	**3**	**50**	**—**	**0**
Other	**53,558**	**—**	**—**	**576**	**—**	**—**
Total	**¥61,876**	**¥2,700**	**¥42**	**$666**	**$29**	**$ 0**

				Millions of yen		
			2009			2008
	Proceeds	Aggregate gain	Aggregate loss	Proceeds	Aggregate gain	Aggregate loss
	¥38,807	¥508	¥389	¥25,996	¥123	¥4

The redemption schedule for securities with maturities as of March 31, 2010 is summarized as follows:

				Millions of yen
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government/local bonds	**¥ 97,522**	**¥ 92**	**¥1,995**	**¥ 20**
Corporate bonds	**14,044**	**4,262**	**—**	**—**
Other debt securities	**40,998**	**59**	**—**	**153**
Other	**9,000**	**—**	**—**	**—**
Total	**¥161,564**	**¥4,413**	**¥1,995**	**¥173**

	Millions of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government/local bonds	**$1,049**	**$ 1**	**$21**	**$ 0**
Corporate bonds	**151**	**46**	**—**	**—**
Other debt securities	**441**	**1**	**—**	**2**
Other	**97**	**—**	**—**	**—**
Total	**$1,738**	**$48**	**$21**	**$2**

Securities without determinable fair value

	Millions of yen	Millions of U.S. dollars
	2010	**2010**
	Carrying value	Carrying value
Non marketable stocks	**¥15,595**	**$168**
Total	**¥15,595**	**$168**

	Millions of yen
	2009
	Carrying value
Non marketable stocks	¥ 5,016
Senior investment securities	5,000
Certificate of deposits	32,000
Commercial paper	42,775
Money management fund	20,056

Impairment loss on securities

Impairment loss on securities amounting to ¥675 million ($7 million) in the year ended March 31, 2010.

Derivative Transactions

There were no outstanding derivative transactions as of March 31, 2010.

The notional amounts and the estimated fair value of derivatives outstanding as of March 31, 2009 are summarized as follows:

			Millions of yen
			2009
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sell:			
U.S. dollars	¥1,663	¥1,669	¥ (6)
Euros	3,224	3,374	(150)
British pounds	139	140	(1)
Total	¥5,026	¥5,183	¥(157)

The notional amounts of the derivatives do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the risk exposure in connection with derivatives.

17. Acquisition of Stock of Agensys, Inc.

On December 18, 2007, Astellas acquired 100% shares of stock of Agensys, Inc., a biotechnology company specializing in therapeutic antibody research and development in cancer area. The acquisition was to reinforce and to accelerate the antibody research and development in oncology field, which is one of the important research areas.

All of the upfront purchase price of ¥38,596 million was paid by cash. In addition, Astellas was to pay up to a maximum of US$150 million if certain predefined milestones are achieved. The acquisition has been accounted for as a purchase business combination. Under the purchase method of accounting, the assets acquired and liabilities assumed from Agensys, Inc. were recorded at their respective fair values as of the date of acquisition. The summarized information of those fair values were as follows:

	Millions of yen
Current assets	¥3,305
Long-term assets	4,781
Total assets	¥8,086
Current liabilities	¥ 345
Long-term liabilities	7
Total liabilities	¥ 352

The consolidated statement of income for the year ended March 31, 2008 included the results of operations of Agensys, Inc. from the date of acquisition. Had the business combination completed at the beginning of the year, the effect for the year ended March 31, 2008 on net sales would have been immaterial, however, operating income, and income before income taxes and minority interests would have been decreased by approximately ¥7,899 million for the year ended March 31, 2008.

The excess of cost over underlying net assets at fair value at the date of acquisition was recognized as goodwill in the amount of ¥30,862 million and has been amortized over a period of five years on a straight-line basis. After the acquisition, five milestones were achieved and US$125 million had been recognized as goodwill by the year ended March 31, 2010. Those goodwill has been amortized over the same period as the goodwill from upfront purchase price.

18. Segment Information

Business segments

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

Geographical areas

Geographical areas, which include the results of the operation attributed by the location of the Company and its subsidiaries, for the years ended March 31, 2010, 2009, and 2008 are summarized as follows:

							Millions of yen
Year ended March 31, 2010	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	**¥529,243**	**¥179,807**	**¥235,861**	**¥29,967**	**¥ 974,878**	**¥ —**	**¥ 974,878**
Intergroup sales and transfers	**106,851**	**67,496**	**66,193**	**28**	**240,568**	**(240,568)**	**—**
Total sales	**636,094**	**247,303**	**302,054**	**29,995**	**1,215,446**	**(240,568)**	**974,878**
Operating expenses	**521,563**	**232,484**	**258,121**	**27,694**	**1,039,862**	**(251,391)**	**788,471**
Operating income	**¥114,531**	**¥ 14,819**	**¥ 43,933**	**¥ 2,301**	**¥ 175,584**	**¥ 10,823**	**¥ 186,407**
Total assets	**¥877,072**	**¥202,982**	**¥303,872**	**¥18,873**	**¥1,402,799**	**¥ (38,622)**	**¥1,364,177**

Millions of U.S. dollars

Year ended March 31, 2010	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	**$5,692**	**$1,933**	**$2,535**	**$323**	**$10,483**	**$ —**	**$10,483**
Intergroup sales and transfers	**1,149**	**726**	**712**	**0**	**2,587**	**(2,587)**	**—**
Total sales	**6,841**	**2,659**	**3,247**	**323**	**13,070**	**(2,587)**	**10,483**
Operating expenses	**5,609**	**2,500**	**2,775**	**298**	**11,182**	**(2,703)**	**8,479**
Operating income	**$1,232**	**$ 159**	**$ 472**	**$ 25**	**$ 1,888**	**$ 116**	**$ 2,004**
Total assets	**$9,431**	**$2,183**	**$3,267**	**$203**	**$15,084**	**$ (415)**	**$14,669**

Millions of yen

Year ended March 31, 2009	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	¥510,500	¥188,853	¥239,114	¥27,231	¥ 965,698	¥ —	¥ 965,698
Intergroup sales and transfers	130,153	68,004	54,649	18	252,824	(252,824)	—
Total sales	640,653	256,857	293,763	27,249	1,218,522	(252,824)	965,698
Operating expenses	465,066	224,013	253,937	23,882	966,898	(251,595)	715,303
Operating income	¥175,587	¥ 32,844	¥ 39,826	¥ 3,367	¥ 251,624	¥ (1,229)	¥ 250,395
Total assets	¥909,020	¥201,035	¥271,139	¥16,869	¥1,398,063	¥ (49,617)	¥1,348,446

Millions of yen

Year ended March 31, 2008	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	¥ 505,596	¥194,506	¥244,643	¥27,841	¥ 972,586	¥ —	¥ 972,586
Intergroup sales and transfers	111,792	64,497	58,048	10	234,347	(234,347)	—
Total sales	617,388	259,003	302,691	27,851	1,206,933	(234,347)	972,586
Operating expenses	441,348	202,672	261,657	25,098	930,775	(234,093)	696,682
Operating income	¥ 176,040	¥ 56,331	¥ 41,034	¥ 2,753	¥ 276,158	¥ (254)	¥ 275,904
Total assets	¥1,034,390	¥148,591	¥278,727	¥18,221	¥1,479,929	¥ (40,777)	¥1,439,152

Overseas sales

Overseas sales, which include the sales of attributed by the location of customers, for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

Millions of yen

Year ended March 31, 2010	North America	Europe	Asia	Other	Total
Overseas sales	**¥224,865**	**¥181,249**	**¥40,470**	**¥14,128**	**¥460,712**
Consolidated net sales					**974,878**

Millions of U.S. dollars

Year ended March 31, 2010	North America	Europe	Asia	Other	Total
Overseas sales	**$2,418**	**$1,949**	**$435**	**$152**	**$ 4,954**
Consolidated net sales					**10,483**
Overseas sales as a percentage of consolidated net sales	**23.1%**	**18.6%**	**4.2%**	**1.4%**	**47.3%**

Millions of yen

Year ended March 31, 2009	North America	Europe	Asia	Other	Total
Overseas sales	¥235,023	¥180,393	¥35,875	¥17,688	¥468,979
Consolidated net sales					965,698
Overseas sales as a percentage of consolidated net sales	24.3%	18.7%	3.7%	1.9%	48.6%

					Millions of yen
Year ended March 31, 2008	North America	Europe	Asia	Other	Total
Overseas sales	¥247,129	¥195,636	¥34,399	¥12,407	¥489,571
Consolidated net sales					972,586
Overseas sales as a percentage of consolidated net sales	25.4%	20.1%	3.5%	1.3%	50.3%

19. Impairment Loss

The Company and its subsidiaries base the grouping for assessing impairment losses on the business segments. However, the Company and its subsidiaries determine whether an asset is impaired on an individual asset basis when the asset is deemed idle or if it is scheduled to be disposed of. Loss on impairment of fixed assets, which was recognized by reducing the book value of such assets to their respective realized value, for the years ended March 31, 2010, 2009 and 2008 amounted to ¥4,082 million ($44 million), ¥1,340 million and ¥9,331 million, respectively. Loss on impairment of fixed assets for the year ended March 31, 2010 mainly consists of losses on buildings and structures in the aggregate amount of ¥3,602 million ($39 million). Loss on impairment of fixed assets for the year ended March 31, 2009 mainly consists of losses on buildings and structures in the aggregate amount of ¥1,088 million. Loss on impairment of fixes assets for the year ended March 31, 2008 mainly consists of losses on land in the aggregate amount of ¥3,389 million and on buildings and structures in the aggregate amount of ¥3,248 million.

20. Subsequent Events

Acquisition of OSI Pharmaceuticals, Inc.

In June 2010, Astellas acquired OSI Pharmaceuticals, Inc. (OSI), a US-based biotechnology company through a tender offer, and OSI became a wholly-owned consolidated subsidiary of the Company.

(1) Objectives of the acquisition

Astellas has set goals of becoming a "Global Category Leader" ("GCL") in its "VISION 2015." In order to realize GCL in the oncology field, Astellas has defined that therapeutic field as one of its prioritized research areas and has been taking initiatives to quickly establish the oncology platform. This acquisition will quickly provide a top-tier oncology business in the United States and further expand its product portfolio and pipeline. Furthermore, by adding not only OSI's oncology infrastructure, but also its discovery platform and talent base to the existing business, Astellas can strengthen its growth strategies through maximizing the value of business resources possessed by both companies. In addition to these contributions to mid- and long-term growth, this acquisition is expected to contribute the performance even in shorter-term through the revenue from Tarceva, an anti-cancer blockbuster product generated by OSI.

(2) Outline of OSI

–Trade name: OSI Pharmaceuticals, Inc.
–Location: Melville, New York, USA
–Representative: Colin Goddard, Ph. D., CEO
–Major business: Research and development, and marketing of pharmaceuticals in oncology and diabetes/obesity field
–Foundation: 1984
–Outstanding shares issued: 61,207,646 (as of May 3, 2010)
–Business performance in the year ended December 31, 2009
Net sales: $428 million
Net income: $76 million

(3) Outline of tender offer

–Tender period: March 2, 2010 to June 7, 2010 (EST)
–Type of shares acquired: Common stocks
–Tender price: $57.50 per share
–Funds to close the tender offer: approximately $40 billion (fully diluted basis)
–Financing to close the tender offer: Cash in hand

Report of Independent Auditors

The Board of Directors
Astellas Pharma Inc.

We have audited the accompanying consolidated balance sheets of Astellas Pharma Inc. (the "Company") and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astellas Pharma Inc. and subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 20, "Subsequent Events," Astellas Pharma Inc. acquired all of the shares of OSI Pharmaceuticals, Inc. ("OSI") on June 8, 2010, and OSI became a consolidated subsidiary of the Company.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 23, 2010

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(as of July 2010)

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- Austria

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TEL: +43-1-877-26-68

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25 The Courtyard, Kilcarbery Business Park, Clondalkin, Dublin 22, Republic of Ireland
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- Czech Republic

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Sokolovská 100/94, 186 00 Prague 8, Czech Republic
TEL: +420-236-080-300

- Greece

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TEL: +30-2108-189-911

- Switzerland

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TEL: +011-615-9433

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TEL: +36-1-361-4673

- Turkey

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Tekstilkent Koza Plaza, A Blok 16.Kat No: 60, 34235 Esenler, Istanbul, Turkey
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Astellas Pharma Hong Kong Co., Ltd.
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Astellas Pharma Taiwan, Inc.
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P.T. Astellas Pharma Indonesia
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Astellas Pharma India Private Limited
Unit No. 505 & 506, Meadows Sahar Plaza Complex, Andheri Kurla Road, Andheri East, Mumbai MM-4-00059, India
TEL: +91-22-4075-7676

Japan

Manufacturing subsidiaries

Astellas Tokai Co., Ltd.

Astellas Toyama Co., Ltd.

Astellas Pharma Chemicals Co., Ltd.

Investor Information

(as of March 31, 2010)

Company Name

Astellas Pharma Inc.

Head Office

2-3-11, Nihonbashi-Honcho, Chuo-ku, Tokyo 103-8411, Japan

TEL: +81-3-3244-3000

http://www.astellas.com/en/

Common Stock

Authorized:	2,000,000,000
Issued:	475,964,635 (including 14,146,832 treasury stock) *On May 31, 2010, Astellas cancelled 8 million shares of common stock held as treasury stock.
Number of shareholders:	51,576

Stock Exchange Listing

Tokyo, Osaka

(Ticker Code: 4503)

Independent Auditors

Ernst & Young ShinNihon LLC

Osaka Kokusai Bldg., 2-3-13, Azuchi-machi,

Chuo-ku, Osaka-shi, Osaka 541-0052, Japan

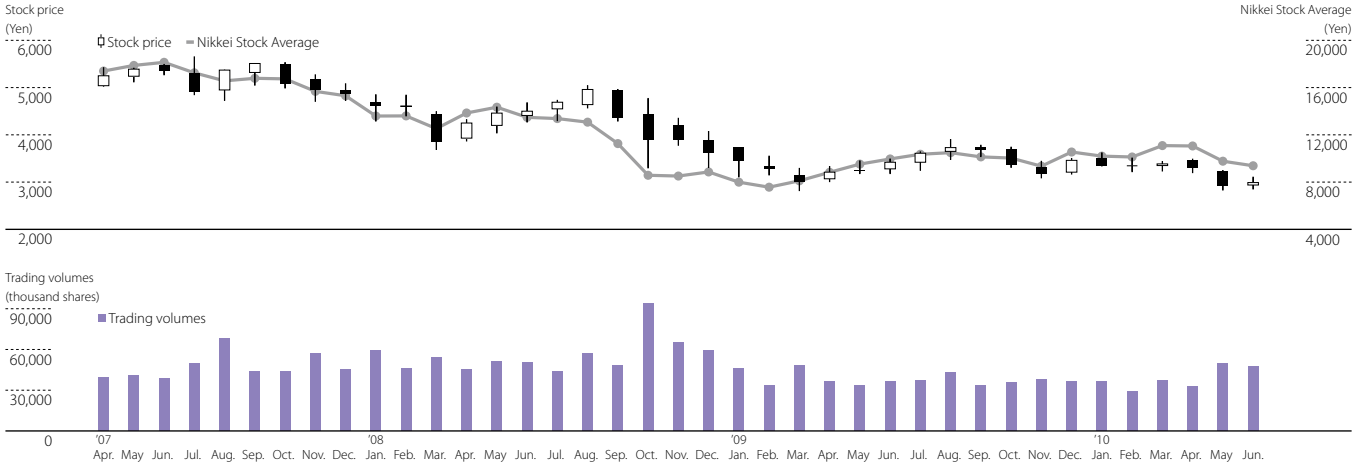
Transfer Agent for Common Stock in Japan

The Chuo Mitsui Trust and Banking Company, Limited

33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Stock Prices and Trading Volumes on the Tokyo Stock Exchange

(highest/lowest in the month; yen)

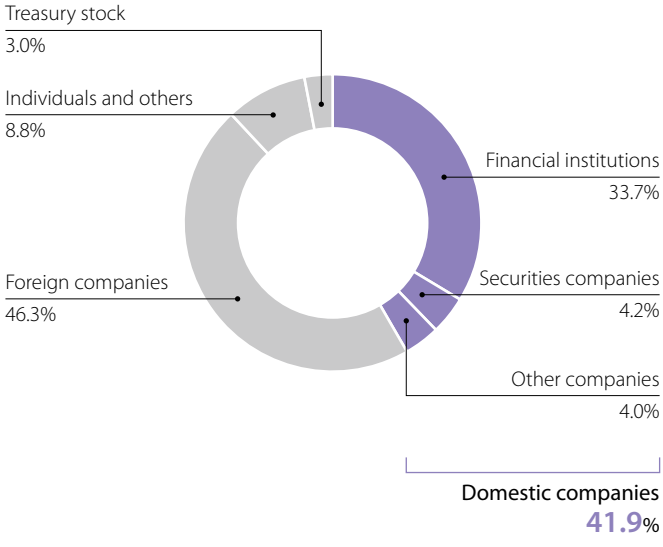


Major Shareholders

Name	Shares owned (Thousand shares)	Percentage of total common shares outstanding (%)
Japan Trustee Services Bank, Ltd. (trust account)	28,727	6.03
Nippon Life Insurance Company	21,749	4.56
The Master Trust Bank of Japan, Ltd. (trust account)	21,542	4.52
State Street Bank and Trust Company	18,465	3.87
JPMorgan Chase Bank 385147	14,265	2.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,669	2.87
State Street Bank and Trust Company 505225	11,989	2.51
Mellon Bank N.A. as agent for its client Mellon Omnibus U.S. Pension	9,071	1.90
Japan Trustee Services Bank, Ltd. (trust account 9)	8,038	1.68
Northern Trust Co. (AVFC) Sub A/C American Clients	6,928	1.45

Note: Shares owned are rounded down to the nearest thousand shares, while the percentage of total common shares outstanding is rounded down to two decimal places.
The Company owned 14,146 thousand shares of treasury stock as of March 31, 2010, but they are not included in the principal shareholders stated above.

Breakdown of Shareholders



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Leading Light for Life

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