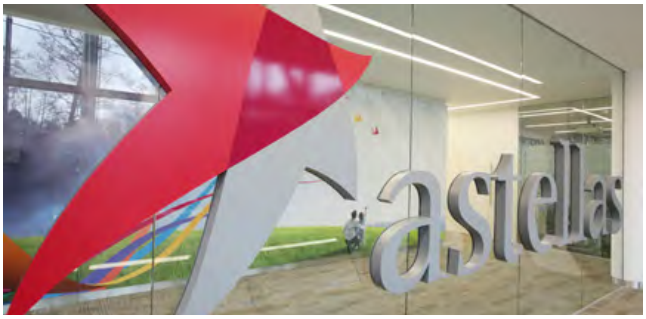
astellas

ANNUAL REPORT 2014

For the Year Ended March 31, 2014

Changing tomorrow



Vision

What path will we take from here, and in what environment?
What target will we work to achieve?
Astellas has charted a roadmap for achieving its business philosophy in VISION 2015.

Business Philosophy

Raison d'être

Contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products

Mission

Sustainable enhancement of enterprise value

Beliefs

High Sense of Ethics
Customer Focus
Creativity
Competitive Focus

VISION

Environment

External environment

- Advance of population aging
- Growth in ethical pharmaceutical market
- Technological innovation
- Drug price controls
- Promoting use of generic drugs
- More rigorous requirements for development and sales of new drugs
- Strong demand from society to strengthen transparency and compliance

CSR-Based Management

Realize business philosophy

Maximize value for people seeking better health

2015

Activities

Value Innovation Cycle

[Two Strategies]

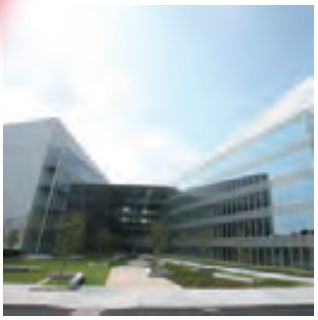
- Improve ability to generate products
- Establish a solid business infrastructure

[Three Systems]

- Human resources management system
- Management control system
- System to promote CSR-based management

Objective

Global Category Leader



The Five Fields of CSR-Based

Astellas defines its CSR-based management as: A means through which we strive toward sustainable enhancement of enterprise value while remaining acutely aware of our social responsibilities and taking a broad view that considers business, society and humanity so we can exist not merely as a market entity, but also as a valuable member of society.

Astellas has established five fields of CSR-based management: the economy, employees, society, the environment and compliance. Specifically in the area of compliance and legal compliance, where we will conduct our business activities with the highest ethical standards; we consider this to be the cornerstone of all our corporate activities.

ECONOMY (BUSINESS ACTIVITIES)

Conduct business activities from the research and development (R&D) of new drugs through to production and marketing

EMPLOYEES

Actively cultivate human resources and foster a workplace in which employees can concentrate on their work

SOCIETY

Develop initiatives aimed towards contributing to society with a focus on issues related to human health

ENVIRONMENT

Create strategy to reduce the environmental burden and promote a sustainable society

COMPLIANCE

Advance efforts to maintain integrity in all actions and uphold the highest ethical standards in corporate activities

Management

Creating and Sustaining Enterprise Value and Social Value in Each Field

→	Supporting healthy living for people all over the world through the development of innovative drugs	Re-investing in R&D and rewarding stakeholders by generating profits
→	Creating a competitive edge by developing human resources who can sustain high performance	Boosting creativity by promoting diversity and work-life balance
→	Improving the lives of people living in local communities through social contributions to health	Creating business opportunities by solving health-related social issues
→	Mitigating impact on climate change by reducing environmental burden	Preserving biodiversity by reducing the impact of business activities
→	Earning trust from society by diligently ensuring compliance	Preventing damage to enterprise value by taking steps to prevent corruption

How Astellas Creates New

The value innovation cycle is a value creation process that Astellas uses to continuously generate new value. Through this process, Astellas will provide value for people seeking better health, in alignment with the Company's business philosophy.

Develop and expand the administrative infrastructure and accelerate the cycle

Three Systems

- Human resources management
- Management control
- CSR-based management

- Nurture excellence in the core business activity of drug discovery and incorporate new technologies
- Utilize the external network to strengthen our technology synergistically

- Create competitive product groups in multiple focus therapeutic areas
- Build a robust business platform to generate high profitability

Core competence in drug discovery

Efficient use of external resources

- Networking of information and technology

Enhance product creativity

Human resources and organization culture

- Driving force for the cycle
- Create a corporate culture that enhances competitive capabilities

Value

Continuous launch of new products

Strong business infrastructure

Acquisition of external resources

- In-licensing of products
- Acquisition of companies

Maximization of consolidated earnings

- Allocate profits appropriately to internal and external resources
- Continuously create products with high added value

Maximize value for people seeking better health

A Business Model that Sustains Enterprise Value

Astellas' ultimate aim is to translate innovation into value for patients. We will concentrate our resources on ethical pharmaceuticals, particularly in the innovative drug business, and our efforts in research and development (R&D) will be unwavering. Astellas champions a Global Category Leader (GCL) business model, based on which we establish a competitive edge by creating innovative pharmaceutical products in multiple therapeutic areas with a high level of unmet medical needs and deliver them to patients all over the world. We have already established our position as a GCL in urology and transplantation, and we are now focusing our efforts on oncology as a third field.

Concentrate management resources

Innovative drug business

Global

Provide innovative pharmaceutical products to the world

Category

Multiple therapeutic areas with a high level of unmet medical needs

Leader

Establish competitive edge as a leader

Current GCL areas

- Urology
- Transplantation

Our Strengths

- Focus on innovative drug business
- Superior R&D capabilities
- Astellas' own distribution channels in over 50 countries
- Robust sales and marketing platform in Japan

and Enhances

Take on the challenge of new opportunities with the innovative drug business as our core

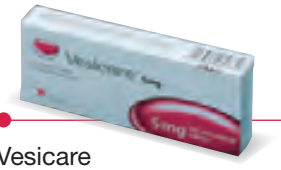
Future GCL candidates

- Immunology and Infectious diseases
- Neuroscience
- Diabetes mellitus (DM) complications and Kidney diseases
- New therapeutic areas

Next GCL area

- Oncology

XTANDI
Treatment for prostate cancer



Vesicare
Treatment for overactive bladder

Betanis/Myrbetriq/ BETMIGA
Treatment for overactive bladder

Prograf
Immunosuppressant

CONTENTS

Guidelines

- ISO 26000
- Sustainability Reporting Guideline (Version 3.1) published by the Global Reporting Initiative (GRI)
  Astellas believes that its Annual Report 2014 satisfies the GRI Application Level B for reporting standards.
  A GRI Contents Index is posted on the Company's website: http://www.astellas.com/en/csr/
- Environmental Reporting Guidelines (Fiscal Year 2012 Version) issued by Japan's Ministry of the Environment

Editorial Policy

With the aim of deepening stakeholders' understanding of our business activities and CSR-based management, which is the basis for those activities, we have integrated our Annual Report with our CSR Report, and now publish an integrated Annual Report.

The basis of this report is to provide an overview of the activities of Astellas Pharma Inc. and its consolidated subsidiaries worldwide in fiscal 2013, which covers the period from April 1, 2013 to March 31, 2014. In places where the period or scope differs from these parameters, we have provided clarification. This report also includes the latest information available at the time of publishing. The figures indicated in the fiscal 2013 status report for the field of "Environment," however, present the results for fiscal 2013 (April 1, 2013 to March 31, 2014) in Japan and the calendar year 2013 (January 1, 2013 to December 31, 2013) for overseas operations. Furthermore, in the environment field, the report covers all business sites in Japan and only manufacturing sites overseas.

Astellas has adopted the International Financial Reporting Standards (IFRS), effective from fiscal 2013. Generally the information in this report is based on IFRS; however, in order to facilitate comparison with information from previous years, some sections are presented following J-GAAP, with an accompanying note.

To make the report effective as a tool for communicating with our many stakeholders, we have used charts, photographs and other devices to make it easy to understand.

Notes

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.

Information about pharmaceutical products (including products currently in development) has been included. This content is not intended to constitute an advertisement or medical advice.

Inclusion in SRI Indexes

Astellas is included in the following global "social responsible investment (SRI) indexes."

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

WEBSITES

CORPORATE WEBSITE

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

INVESTOR RELATIONS

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

CORPORATE SOCIAL RESPONSIBILITY

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

Note: In the information about pharmaceutical products in this report, market size, market share and product ranking are sourced from IMS Health Information Services.
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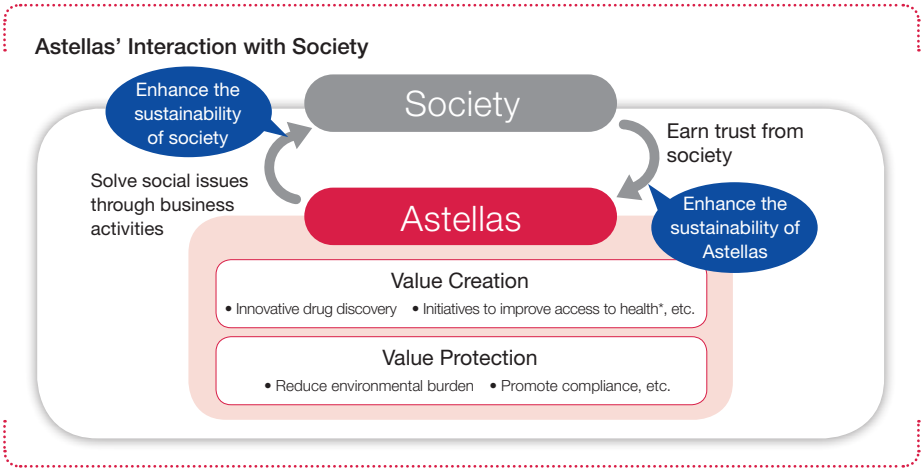
Yoshihiko Hatanaka
Representative Director,
President and CEO

Changing tomorrow

Responding flexibly to a dynamic environment,
we intend to meet the expectations of all stakeholders
by achieving sustainable growth.



* For further details, please refer to pages 63–64.

Astellas' Business Environment

There are signs that the global economy is recovering gradually. Prescription drug markets around the world are expected to grow steadily, with increasing medical needs as a background. In recent years, the number of new drugs gaining regulatory approval in the U.S., Europe and Japan has also been very stable.

Yet, the fact remains that the pharmaceutical industry still faces various challenges. Controlling the cost of healthcare is a critical issue for governments worldwide, and both developed and emerging countries are promoting cost-saving measures such as cutting drug reimbursement prices or promoting greater use of generics. Regulatory authorities are introducing stricter safety criteria and demonstrating added value of new drugs compared to existing therapies is more demanding than before. This requires more activities in development and marketing for pharmaceuticals each year.

The business environment surrounding the pharmaceutical industry is changing faster than ever before. There is a trend toward business restructuring on a global level as a way of surviving fierce competition. To realize sustainable growth amidst constant change, we need a business model to maximize our strengths coupled with the flexibility to respond to change.

Astellas' Raison d'Être and Long-Term Value Creation

At Astellas, our stated business philosophy is to "contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products." Our unchanging identity is to turn innovation into value and to deliver this for patients worldwide.

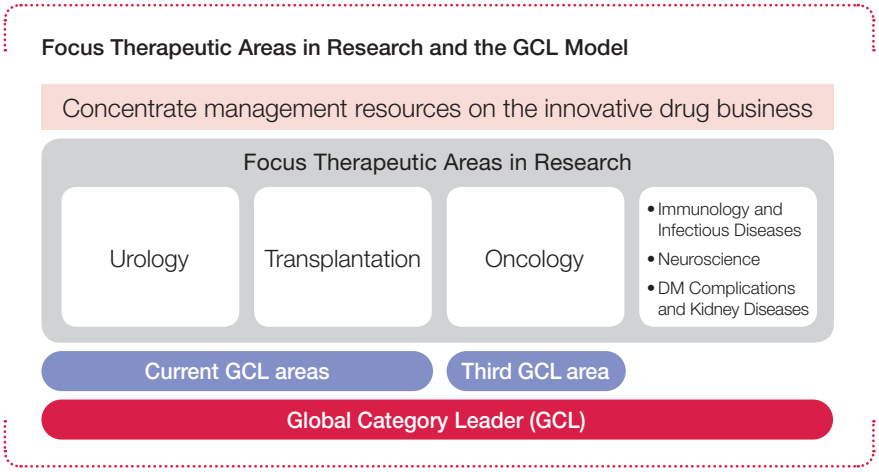
Our business is creating new medicines that will contribute to better health for people around the world, and I believe it is highly connected to social value. We also recognize that the healthy development of society is a prerequisite for the sustainable growth of Astellas and the entire pharmaceutical industry. Therefore, since its inception, Astellas has practiced CSR-based management based on a strong awareness of its social responsibilities. This means that we aim to grow our business through contributing to human health and be recognized as a valued corporate citizen by society in general. We will continue to implement CSR-based management by constantly monitoring all of our corporate activities from a CSR perspective and taking appropriate action where necessary.

There are two aspects to Corporate Social Responsibility (CSR) at Astellas. The first is "value protection," which enables the sustainable growth of society and the Company through measures such as environmental activities and rigorous compliance. The second aspect is "value creation," which is to create stakeholder value by solving social issues and, at the same time, create enterprise value by assimilating such a process into our business growth and future business opportunity. At Astellas, we see our core business of discovering new drugs as a source of enterprise value creation that underpins CSR.

In line with this concept, we have been supporting the United Nations (UN) Global Compact since October 2011. We have incorporated its ten principles covering the four fields of human rights, labor, the environment and anti-corruption into our daily business activities. Through this endorsement of the UN Global Compact, we have enhanced the quality of our CSR-based management.

Business Model for Continuous Value Creation

We are pursuing a Global Category Leader (GCL) business model at Astellas to continuously generate value. Based on our R&D capabilities, we aim to establish a competitive edge across multiple therapeutic areas with a high level of unmet medical needs by supplying the global market with high-value-added products. This is the way we aim to build



a leading global position in those categories. The GCL business model is the most important tool in our drive to create sustainable growth for Astellas.

We are implementing the "value innovation cycle" as a business cycle that will strengthen our competitive edge in the pharmaceutical market. We believe that this approach will enable us to deliver a constant stream of high added value for people seeking better health.

Risks and Opportunities on the Road to Further Growth

The risks to our future growth that we must consider are trends that will remain essentially the same: government efforts to restrict healthcare spending, increasing difficulties in new drug development and higher costs once a product has been launched. We also recognize that we cannot avoid the risks posed by patent expiry on mainstay products. The substance patents on two such products, the overactive bladder (OAB) treatment Vesicare and the anticancer product Tarceva, are due to expire in 2018–2020 in major countries. We will build a resilient organization and related systems, along with continuously creating new drugs so we can overcome the impact of patent expiry and generate sustained growth. This is a priority task for us in targeting the next stage of growth.

Meanwhile, the business opportunities for the pharmaceutical industry are broad. There are still many diseases where unmet medical need exists. Such areas provide opportunities for Astellas. Moreover, recent scientific and technical advances are opening vast new possibilities to create highly innovative drugs at a time when regulatory authorities worldwide are starting to introduce systems to recognize innovation.

To ensure that we seize these opportunities, we never miss a chance for in-licensing new products and technologies or M&A deals. Our main aim, however, is not to expand our operational scale, but rather to acquire products and innovative technologies that are consistent with our strategic approach. We will actively look at acquiring opportunities including alliances in new therapeutic areas and varied fields with new drug business as our core, considering our business areas, existing product portfolio and drug discovery technology. Furthermore, we will continue the never-ending challenge of drug discovery in order to deliver new value to patients.

Compliance is vital to sustaining and growing our business and we in management are acutely aware of that. On the Board of Directors, which is responsible for making management decisions and overseeing business execution, outside Directors with a high degree of independence constitute a majority of four of the seven members. Under this governance structure, we aim to achieve a level of transparency and reliability in management that satisfies the increasing demands of society.

Progress on the 2014 Mid-Term Management Plan*

When we embarked on the 2014 Mid-Term Management Plan in fiscal 2010, we faced a significant challenge from the emergence of generic competition for two of our mainstay products—Prograf, an immunosuppressant, and Harnal (also known as Flomax in the U.S.), a treatment for functional symptoms of benign prostatic hyperplasia—following the expiry of related U.S. patents. Under the plan, we pursued three growth strategies and an efficiency strategy to overcome this situation and engineer a new growth stage for Astellas. We have made steady progress in executing each of these strategies.

* 2014 Mid-Term Management Plan: Covers the five-year period from fiscal 2010 to fiscal 2014

Therapeutic Area Strategy

Under the therapeutic area strategy, we are working to maintain and reinforce our GCL status in the therapeutic

Review of the 2014 Mid-Term Management Plan (Main Initiatives)

Therapeutic Area Strategy	Regional Strategy
- Strengthen OAB franchise - Establish business in the oncology field - Develop future fields	- Continuously launch new products in each region - Form strategic alliance with Amgen, Inc. in Japan - Strengthen sales platform in emerging countries
R&D Innovation Strategy	**Efficiency Strategy**
- Reshape the research framework and introduce a new system - Take steps for R&D in new therapeutic areas and novel platform technologies - Promote project prioritization and Multi-Track R&D	- Strengthen global management system - Optimize production framework - Outsource group-wide shared operations - Consolidate domestic business sites, dispose of assets, etc.

areas of urology and transplantation, where we are already established, while also working to establish oncology as a third field as quickly as possible.

In the urology therapeutic area, we are further reinforcing our leading position by steadily expanding sales of our OAB treatments Vesicare and mirabegron (generic name). In the therapeutic area of oncology, which we are working to develop as a third GCL field, we are making steady progress in building our presence through the launch of XTANDI in the U.S., Europe and Japan. In the therapeutic area of transplantation, we are maintaining global leadership in the category despite the loss of patent protection for Prograf, whose sales we are working to preserve.

Regional Strategy

Astellas has its own global sales network covering more than 50 countries around the world. We are seeing steady growth in new global products such as mirabegron and XTANDI, in addition to global products such as Vesicare. We also draw strength from the fact that our growth is underpinned by distinctive products in each region.

Efforts are also being made to strengthen our sales platform in emerging markets that are expected to grow in the years to come. We have achieved high growth primarily in China and Russia. We are pressing ahead with well-balanced business expansion initiatives in the global market spanning the four regions of Japan, the Americas, Europe, Middle East and Africa (EMEA) and Asia & Oceania.

Faced with the continuing globalization of business, we believe that it is imperative to identify the common thread running through issues faced by each regional community and Astellas' business activities, specifically when conducting business in emerging countries, and incorporate those considerations into our medium- to long-term corporate strategies. We are confident that moving forward with these perspectives in mind will support value creation at Astellas over the long term.

R&D Innovation Strategy

Under the R&D innovation strategy, we are pursuing a "Precision Medicine" approach aimed at enhancing therapeutic effectiveness by more precisely identifying the target groups of patients. We are also promoting a "Multi-Track R&D" approach based on effective utilization of external resources. Moreover, to strengthen our drug discovery capabilities, we decided to reshape our research framework and introduce a new system. In these ways, we are now seeing steady progress in innovation.

CSR Activities

Social, environmental and employee-related CSR activities are part of the 2014 Mid-Term Management Plan. We are achieving solid results across a range of activities. Among them are promoting CSR-based procurement initiatives, measures to achieve greenhouse gas emissions reduction targets, promoting human resources development and diversity and implementing measures focused on research into drugs for the treatment of neglected tropical diseases (NTDs). In particular, combatting NTDs is an issue addressed in global health, where Astellas can leverage its expertise and strengths. We have established collaborative research programs with various external research and educational institutions to help tackle these social issues. At the same time, we think our efforts in this area will develop synergies with our business activities in the long run.

Progress on Mid-Term Management Plan Targets

Our sales progressed fairly well against our plan target. However, we do not expect to achieve the target for operating income in fiscal 2014. This is attributable to three main factors. First, the growth of generic drugs has been greater than we predicted. Second, R&D expenses have increased above the initially anticipated level, mainly due to the increase in the expenses for late-stage clinical trials. Third, our sales expenses have increased due to

Review of the 2014 Mid-Term Management Plan (Numerical Aspects) J-GAAP

	Mid-Term Management Plan Targets for Fiscal 2014*1	Fiscal 2014 Forecasts*2
Net sales (¥ billion)	1,096.0	1,215.6
Operating income (¥ billion)	226.0	197.0
(R&D ratio)	(Around 16% or higher)	(Mid-18% level)
ROE	15% or higher	Due to lower income level forecast to fall below target
DOE	6% or more	
Assumed foreign exchange rates	US$1 = ¥80 €1 = ¥110	US$1 = ¥100 €1 = ¥140

*1 Announced in November 2010
*2 The Company does not disclose forecasts for fiscal 2014 under J-GAAP.
Figures represent forecasts on an IFRS core basis calculated under J-GAAP.

upfront investments in the oncology business.

Compared with the start point of fiscal 2010, we have been able to steer the Company towards growth during the period covered so far by the 2014 Mid-Term Management Plan. I am confident that our application of growth and efficiency strategies has produced significant results.

Fiscal 2013 Performance

Effective the fiscal 2013, we have adopted International Financial Reporting Standards (IFRS) to help improve the international comparability of our financial information. This move reflects our current global business development and shareholder composition.

In line with the change to IFRS, we disclose financial results on a core basis as an indicator of our recurring profitability.

In fiscal 2013, we reported steady overall growth in results, with increases in sales, core operating profit and core profit for the year.

As our business continues to develop steadily, to realize sustainable growth while responding flexibly to a rapidly changing business environment, we are focusing on three strategic initiatives: maximize value of new products, enhance innovation and pursue operational excellence.

Maximize the Value of New Products

In the therapeutic area of urology, on top of our mainstay product Vesicare, we have now launched mirabegron which has a different mechanism of action, in many countries. Due to steady growth of both products, our overactive bladder (OAB) treatment sales increased by 40% year on year in fiscal 2013, and we reinforced our position as No. 1 in this market.

In oncology, we launched XTANDI in Europe in July 2013, following its launch in the U.S. In Japan, we received approval in March 2014, and launched it in May 2014. Our oncology sales rose 87% year on year in fiscal 2013 driven by the growth of XTANDI.

In May 2013, we entered into a strategic alliance in Japan with Amgen Inc. to expand our product pipeline. Under this alliance, we will co-develop and co-commercialize five of Amgen's pipeline medicines.
(For more details on maximizing the value of new products, please refer to pages 24–25.)

Enhance Innovation

In May 2013, to enhance our ability to generate innovative drugs, we decided to reshape our research framework and introduce a new system for R&D. Along with strengthening of our own research capability, the aim of these moves is to achieve more flexibility in our research system and related resource allocation so that we can benefit from incorporating external innovation and making forays into new disease areas and try new technologies.

Specifically, our R&D reforms are centered on four themes: integrating and reinforcing our drug discovery research functions, expanding our use of external cutting-edge science; targeting new therapeutic areas and drug discovery platform technologies; and accelerating drug discovery.

The establishment of Astellas Innovation Management (AIM) in October 2013 was a related move to enable more systematic and wide-ranging capture of opportunities to develop innovative drugs from external bio-ventures and academia. This initiative has already generated some achievements.
(For more details on enhancing innovation, please refer to pages 26–28.)

Pursue Operational Excellence

To support our continued investment in high-value-added areas, we are targeting optimized allocation of resources and pursuing operational excellence by building an optimal manufacturing framework and boosting operational

efficiency through use of external resources.

In terms of optimizing the allocation of resources, we have implemented measures such as transferring business in a plant of the Japanese manufacturing subsidiary to an external company, and outsourcing certain administrative functions shared by the group to an external specialist company. As for pursuing operational excellence, at the start of April 2013, we created the post of Chief Medical Officer (CMO). The aims are to strengthen global functions responsible for creating scientifically based drug information and accurately gathering and supplying safety information, while also more clearly defining decision-making authority in this area. In April 2014, we made a number of functions accountable to the CMO to further ensure the complete global deployment of product compliance systems and integrate them organically with our global clinical development functions. This should enable us to ensure patient safety around the world with more certainty, while also enabling faster feedback from the healthcare frontline into drug development.

(For more details on operational excellence, please refer to page 29.)

Outlook for Fiscal 2014

In our forecasts for fiscal 2014 (core basis), we are projecting increases in both sales and profit, with sales of ¥1,192.0 billion, up 4.6% year on year and core operating profit of ¥208.0 billion, an increase of 11.7% year on year.

Astellas has advanced to a new growth stage since fiscal 2010. However, we expect conditions surrounding the pharmaceutical industry worldwide to become increasingly challenging going forward. We will continue to try to optimize our resource allocation as we target sustained growth, while ensuring that we seize opportunities provided by new products such as XTANDI and mirabegron, which we expect to be the next growth drivers.

Approach to Shareholder Returns

Our basic policy on shareholder returns remains unchanged. We are working to achieve stable and sustained growth, taking into account dividend on equity attributable to owners of parent (DOE) and other factors in setting dividends, based on medium- to long-term earnings growth on a consolidated basis, while prioritizing business investments to assure future growth. We will also flexibly implement share buybacks to improve capital efficiency and boost the level of return to shareholders.

Guided by this basic policy, in fiscal 2013 we paid annual dividends of ¥135 per share, up ¥5 from the previous year. In fiscal 2013, we also conducted a ¥30.0 billion share buyback by acquiring approximately 5 million of our own shares before the stock split*.

In fiscal 2014, we plan to increase the annual dividend paid by ¥2 after the stock split*, to ¥29 per share. Furthermore, we conducted a ¥30.0 billion share buyback by acquiring approximately 23 million shares* from May to June 2014.

* We conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014.

To Our Stakeholders

We believe that Astellas' rationale as a company is to transform scientific progress—namely innovation—into value that will benefit patients, and to deliver such value to those patients. Our core mission is to provide innovative, high-value-added pharmaceuticals to help patients in their struggle for better health. Fulfilling this mission will ultimately boost Astellas' enterprise value.

Looking to the future, we aim to generate sustained growth as a company by working through these initiatives as a cycle. In doing so, we sincerely hope to meet the expectations of all of our stakeholders, most notably patients and their families.

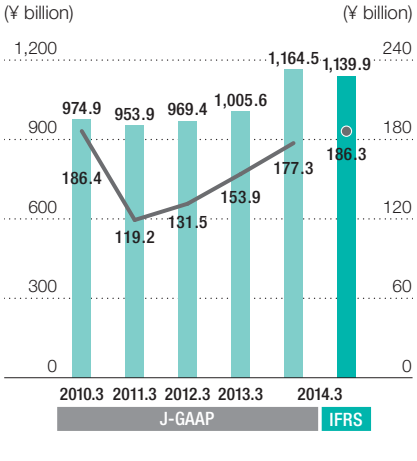
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

* Astellas has adopted the International Financial Reporting Standards ("IFRS"), effective from fiscal 2013. However, results for fiscal 2013 have been reported in accordance with both J-GAAP and IFRS.

							(¥ billion)	(US$ million)*1
	2010.3	2011.3	2012.3	2013.3	2014.3			2014.3
	J-GAAP	J-GAAP	J-GAAP	J-GAAP	J-GAAP	IFRS		IFRS
For the year								
Net sales	¥ 974.9	¥ 953.9	¥ 969.4	¥1,005.6	**¥1,164.5**	**¥1,139.9**[*2]		**$11,067**[*2]
Cost of sales	289.2	296.0	318.6	324.1	**345.6**	**330.6**[*2]		**3,210**[*2]
SG&A expenses[*3]	499.2	538.8	519.2	527.6	**641.6**	**397.0**[*2]		**3,855**[*2]
R&D expenses	195.6	217.3	189.8	182.0	**214.6**	**191.5**[*2]		**1,859**[*2]
R&D ratio (%)	20.1	22.8	19.6	18.1	**18.4**	**16.8**[*2]		**—**
Operating income	186.4	119.2	131.5	153.9	**177.3**	**186.3**[*2]		**1,808**[*2]
Operating margin (%)	19.1	12.5	13.6	15.3	**15.2**	**16.3**[*2]		**—**
Net income/Profit for the year	122.3	67.7	78.2	82.9	**92.4**	**132.8**[*2]		**1,289**[*2]
At year-end								
Total assets	1,364.2	1,335.1	1,400.6	1,445.6	**1,551.8**	**1,653.1**		**16,050**
Total net assets/Total equity	1,053.9	1,021.1	1,018.1	1,062.0	**1,140.1**	**1,268.5**		**12,315**
							(¥)	(US$)*1
Per share data								
Net income*4/Profit for the year*4	¥ 261.84	¥ 146.49	¥ 169.38	¥ 36.08	**¥ 41.15**	**¥ 59.11**[*2]		**$ 0.57**[*2]
Total net assets*4/Total equity*4	2,278.77	2,207.70	2,200.64	469.92	**510.03**	**568.53**		**5.52**
Cash dividends	125.00	125.00	125.00	130.00	**135.00**	**135.00**		**1.31**
Major indicators								
ROE (%)	11.7	6.5	7.7	8.0	**8.4**	**7.4**		**—**
DOE (%)	5.6	5.6	5.7	5.7	**5.5**	**5.0**		**—**
Equity ratio (%)	77.1	76.4	72.6	73.3	**73.3**	**76.7**		**—**
Free cash flows (¥ billion, US$ million)	118.6	(142.0)	146.7	95.5	**187.1**	**187.4**		**1,819**
Average exchange rate (¥/US$)	93	86	79	83	**100**	**100**		**—**
(¥/€)	131	113	109	107	**134**	**134**		**—**

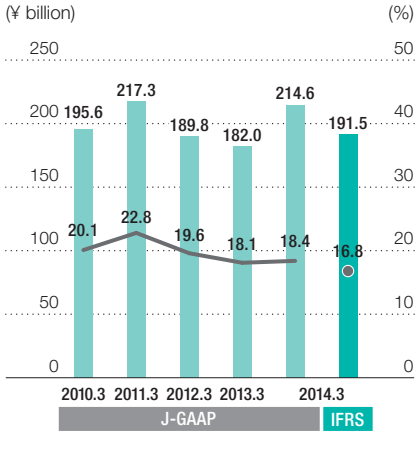
*1 US dollars have been converted at the rate of ¥103 to US$1, the approximate exchange rate on March 31, 2014.
*2 Core basis
*3 R&D expenses are included under J-GAAP but excluded under IFRS.
*4 The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014. Net income/profit for the year per share and total net assets/total equity per share are calculated based on the number of shares issued after the stock split (excluding treasury shares) on the assumption that the stock split was conducted at the beginning of fiscal 2012. Moreover, the number of shares outstanding has also been calculated on the assumption that the stock split was conducted at the beginning of fiscal 2012.

Net Sales*2/Operating Income*2



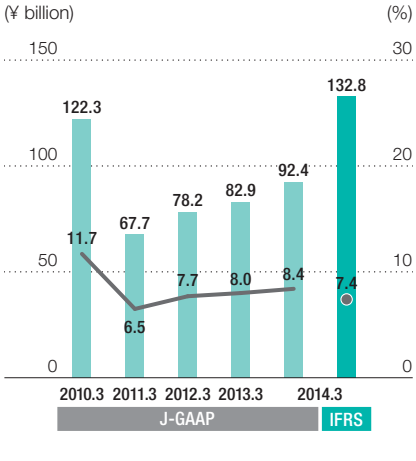
Net sales (Left) Operating income (Right)

R&D Expenses*2/R&D Ratio*2



R&D expenses (Left) R&D ratio (Right)

Net Income*2/ROE

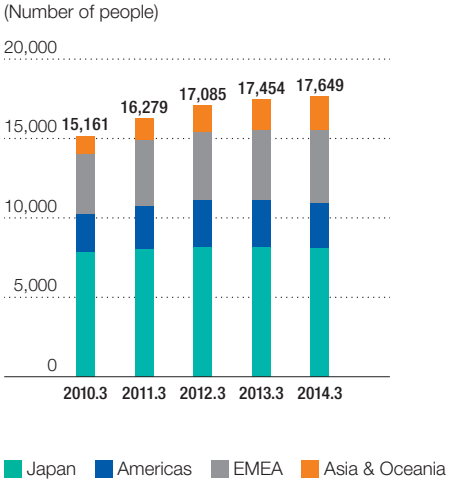


Net income (Left) ROE (Right)

	2010.3 J-GAAP	2011.3 J-GAAP	2012.3 J-GAAP	2013.3 J-GAAP	2014.3 J-GAAP	2014.3 IFRS	(¥ billion) (US$ million)*1 2014.3 IFRS
Other indicators							
Number of shares outstanding*4	475,964,635	467,964,635	467,964,635	2,339,823,175	**2,284,823,175**	**2,284,823,175**	**—**
Overseas sales*5	¥460.7	¥422.5	¥421.6	¥464.0	**¥622.4**	**¥609.3**	**$5,916**
Overseas sales ratio (%)	47.3	44.3	43.5	46.1	**53.4**	**53.5**	**—**
Sales by geographical area*6							
Japan	529.2	543.8	558.4	557.5	**550.7**	**530.6**	**5,151**
Americas	179.8	186.5	183.5	208.7	**288.5**	**287.0**	**2,786**
EMEA	235.9	189.9	191.7	196.5	**267.4**	**264.3**	**2,566**
Asia & Oceania	30.0	33.7	35.7	42.9	**58.0**	**58.0**	**563**
							(Number of people, Change)
Number of employees by geographical area							
Total	15,161	16,279	17,085	17,454	**17,649**		**195**
Japan	7,860	8,023	8,176	8,153	**8,082**		**(71)**
Americas	2,375	2,742	2,919	2,980	**2,883**		**(97)**
EMEA	3,775	4,102	4,286	4,356	**4,580**		**224**
Asia & Oceania	1,151	1,412	1,704	1,965	**2,104**		**139**
							(% Change)
Key environmental impact indicators							
Amounts of energy consumption (terajoule)	4,359	4,463	4,257	4,274	**4,441**		**3.9**
Water withdrawal (thousand m^3)	14,441	14,110	12,365	12,114	**10,983**		**(9.3)**
Greenhouse gas emissions (kilotons)*7	203	201	186	208	**218**		**4.8**
VOCs emissions (tons)	132	102	94	66	**68**		**3.1**
NOx emissions (tons)	44	41	31	33	**31**		**(6.3)**
SOx emissions (tons)	5	5	1	0	**0**		

*5 Sales attributed by the location of customers
*6 Attributed by the location of sellers
*7 The past-years CO_2 emissions for overseas production facilities have been recalculated pursuant to changes in the CO_2 emissions coefficients for electricity use in each country published by the International Energy Agency (IEA), which included changes for past years.

Number of Employees by Geographical Area



Definition of Core Results

We disclose our financial results under IFRS on a core basis to help provide an accurate indication of the Group's recurring profitability. Certain items reported in financial results under IFRS on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items on a core basis.

Consolidated Statements of Income (IFRS)

Sales
Cost of sales
Gross profit
Selling, general and administrative expenses
R&D expenses
Amortisation of intangible assets
Share of profits of associates and joint ventures
Other income
Other expense
Operating profit
Finance income
Finance expense
Profit before tax
Income tax expense
Profit for the year

Core Results

Non-recurring other income and other expenses within IFRS-based operating profit are excluded (for example, items such as impairment losses or restructuring expenses)

Core operating income

Adjustments for finance income and finance expense (for example, gain (loss) on sale of available-for-sale ("AFS") financial assets and impairment losses on AFS financial assets are excluded)

Core profit for the year

FISCAL 2013 TOPICS

Continuous Launch of New Products

2013

- **May** ● Launch in Japan of Micamlo Combination Tablets BP for hypertension containing high-dose ingredient
- **Jun.** ● Launch in Japan of Acofide for functional dyspepsia treatment
- **Jul.** ● Launch in U.K. of XTANDI for prostate cancer treatment
- **Aug.** ● Launch in the U.S. of ASTAGRAF XL (extended-release capsules), a new formulation of immunosuppressant Prograf
- **Sep.** ● Launch in Europe of VESOMNI, a combination tablet of solifenacin and tamsulosin (generic name) for treatment of voiding symptoms in protostatic hyperplasia
  ● Launch in Japan of Bisono Tape, a transdermal anti-hypertensive treatment

2014

- **Jan.** ● Launch in Japan of Irribow OD Tablets for diarrhea-predominant irritable bowel syndrome
  ● Marketing approval received in Japan for Suglat for treatment of type 2 diabetes
  → Launched in April 2014
- **Mar.** ● Marketing approval received in Japan for XTANDI for prostate cancer treatment
  → Launched in May 2014

R&D Alliances with Other Companies

2013

- **May** ● Agreement on strategic alliance in Japan signed with Amgen Inc.
  —Co-development and co-commercialization of five Amgen pipeline products and establishment of Amgen Astellas BioPharma K.K.
- **Jun.** ● Collaboration agreement signed with Cytokinetics, Inc. in the field of skeletal muscle disease
- **Oct.** ● Collaboration agreement signed with Mitokyne, Inc. in the area of mitochondria-related diseases
  ● Established Astellas Innovation Management to identify and obtain external innovation opportunities
- **Dec.** ● Astellas and Immuno-Biological Laboratories Co., Ltd. concluded a co-research agreement regarding pharmaceutical applications of recombinant human proteins made using transgenic silkworms

2014

- **Jan.** ● Formed a strategic alliance with ClearPath Development Company to build vaccine portfolio
  —Invested in respiratory syncytial virus vaccine development
- **Mar.** ● Entered collaboration agreement with Daiichi Sankyo Company, Limited regarding sharing of compound libraries

Achieving Operational Excellence

2013

- **Apr.** ● Established the position of Chief Medical Officer (CMO)
- **Jul.** ● Established a sales affiliate in Singapore
- **Sep.** ● Signed an agreement with Accenture Japan Ltd. on business process outsourcing in regard to certain Group-wide operations in Japan
- **Dec.** ● Signed an agreement with Mitsui Fudosan Co., Ltd. regarding comprehensive transfer of the Company's owned real estate → Transferred in March 2014
  ● Production subsidiary Astellas Pharma Tech concluded a definitive agreement with Nichi-Iko on succession of the Fuji Plant business → Succeeded in April 2014
  ● Entered into an agreement with Taiho Pharmaceutical Co., Ltd. to transfer assets related to fermentation research owned by the Company to Taiho

2014

- **Feb.** ● Decided to conduct a stock split → A five-for-one stock split was conducted effective April 1, 2014

Other Initiatives for Fulfilling Our Social Responsiblities

2013

- **Apr.** ● Initiatives to Contribute to Access to Health: Became a member of the Global Health Innovative Technology Fund (GHIT Fund)
- **Jul.** ● Many employees participated in the community contribution volunteer activity, Astellas' Changing Tomorrow Day
- **Aug.** ● Initiatives to Contribute to Access to Health: Received the Minister of Health, Labour and Welfare Award of the 11th Annual Merit Awards for Industry-Academia-Government Collaboration granted by the Cabinet Office of Japan for initiatives in Neglected Tropical Diseases (NTDs) and integrated drug discovery database iNTRODB
- **Sep.** ● Included for a third consecutive year in the Dow Jones Sustainability Asia Pacific Index, one of the world's premier indexes for socially responsible investment (SRI)
- **Nov.** ● Received an award for Pharmaceutical Company of the Year at the 9th SCRIP Awards hosted by SCRIP Intelligence
  ● Received the IAUD Award in the packaging design category for the Bonoteo Tablets 50 mg container at the IAUD Awards 2013, hosted by the International Association for Universal Design (IAUD)

2014

- **Mar.** ● Selected by the Ministry of Economy, Trade and Industry for inclusion in the Diversity Management Selection 100
  ● Initiatives to Contribute to Access to Health: Awarded a GHIT Fund grant from the Pediatric Praziquantel Consortium, in which Astellas participates

PRODUCT PORTFOLIO TO SUPPORT GROWTH

(*Sales are shown based on IFRS)

In highly specialized therapeutic areas including urology and transplantation, Astellas has created innovative new drugs such as overactive bladder (OAB) treatments and an immunosuppressant, and has established a global competitive advantage.

Mainstay Products in Urology

Treatment for OAB

Vesicare

Fiscal 2013 sales: ¥133.8 billion

Vesicare is a treatment for OAB that helps to relieve associated symptoms such as urinary urgency, frequent urination and urinary incontinence. Launched in Europe in 2004, it is now sold in approximately 80 countries and regions.

Treatment for OAB

Betanis/Myrbetriq/BETMIGA

(Generic name: mirabegron)

Fiscal 2013 sales: ¥28.2 billion

This is an OAB treatment with a different mechanism of action from Vesicare. After its initial launch in Japan in 2011 with the brand name of Betanis, the product has been successively launched in the U.S. and in Europe with the brand name of Myrbetriq and BETMIGA, respectively. It is currently sold in over 25 countries and regions.

Mainstay Products in Immunology (including Transplantation) and Infectious Diseases

Immunosuppressant

Prograf, Advagraf/Graceptor/ ASTAGRAF XL

Fiscal 2013 sales: ¥181.1 billion

This product is an immunosuppressant used to suppress organ rejection in organ transplants. It is sold in approximately 100 countries and regions and has made a significant global contribution to the field of transplantation.

Candin-type antifungal agent

Funguard/MYCAMINE

Fiscal 2013 sales: ¥36.1 billion

This product is a candin-type antifungal agent that treats fungal infections with a mechanism of action that inhibits cell wall biosynthesis. It is sold in approximately 50 countries and regions.

Mainstay Products in Oncology

Treatment for prostate cancer

XTANDI

Fiscal 2013 sales: ¥54.6 billion

This product is used in the treatment of prostate cancer. It was launched in the U.S. in 2012 for indications of metastatic castration-resistant prostate cancer in patients who have previously received docetaxel. It is currently sold in over 25 countries and regions, including Europe, North America and Japan.

Treatment for non-small cell lung cancer and pancreatic cancer

Tarceva

Fiscal 2013 sales: ¥44.7 billion

This product is a low-molecule drug developed to target the epidermal growth factor receptor (EGFR) that plays a key role in cancer formation and growth. In the U.S., Astellas is co-promoting Tarceva with Genentech, Inc. In regions outside the U.S., Astellas has a license agreement with F. Hoffmann-La Roche Ltd.

Latest Innovative Products

1 Suglat

for the treatment of type 2 diabetes

Japan's first SGLT2 inhibitor to receive approval for the treatment of type 2 diabetes. It was launched in April 2014 and we co-promote it with Kotobuki Pharmaceutical Co., Ltd. and MSD K.K.

3 Acofide

for the treatment of functional dyspepsia

Acofide was launched in Japan in June 2013 as the first treatment for the indication of functional dyspepsia. Astellas is co-promoting Acofide with Zeria Pharmaceutical Co., Ltd.

2 Cimzia

for the treatment of adult patients with rheumatoid arthritis

Cimzia is the world's first PEGylated anti-TNF (tumor necrosis factor)-alpha antibody. It was launched in Japan in March 2013 as a treatment for rheumatoid arthritis. Astellas is co-promoting Cimzia with UCB Japan Co., Ltd.

4 DIFICLIR

for the treatment of *Clostridium difficile* infections

DIFICLIR is an oral macrocyclic antibiotic with a selective antibiotic spectrum. It was launched in Europe in 2012 as a treatment for *Clostridium difficile* infections in adults.

Business Strategy

For Sustainable Growth

This section looks at the business environment faced by Astellas, as well as the business model and strategic priorities that we are targeting to realize sustainable growth over the medium to long term.

Business Model & Mid-Term Management Plan

Business Model

Astellas pursues a Global Category Leader (GCL) business model, focusing resources on the creation of innovative pharmaceuticals based on its excellent R&D capabilities. Under the GCL business model, our aim is to establish a competitive edge as a leader in multiple highly specialized therapeutic areas with a high level of unmet medical need, and to supply high-value-added pharmaceuticals worldwide. In this way, we are targeting the sustainable enhancement of enterprise value by contributing to better health for people around the world.

We have established GCL status for Astellas in the areas of urology and transplantation, two categories where we are globally competitive. We are currently building up our business platform to develop oncology as a third GCL area.

2014 Mid-Term Management Plan

Under the 2014 Mid-Term Management Plan covering the five-year period from fiscal 2010 to fiscal 2014, we are pursuing three types of growth strategies; a therapeutic area strategy, a regional strategy and an R&D innovation strategy—underpinned by a focus on efficient operations.

Three Growth Strategies Under the 2014 Mid-Term Management Plan

Therapeutic Area Strategy	- Maintain and strengthen GCL position in urology and transplantation - Swiftly establish a business base in oncology to realize a third GCL goal
Regional Strategy	- Achieve a well-balanced four-region business base covering Japan, Americas, EMEA and Asia & Oceania (expand growth products and launch new products in each region) - Invest further in emerging countries
R&D Innovation Strategy	- Promote Precision Medicine drug discovery approach based on molecular targeting and precision diagnostics - Concentrate management resources on focus therapeutic areas (urology, immunology (including transplantation) & infectious diseases, oncology, neuroscience and DM complications & kidney diseases) - Utilize cutting-edge technologies (e.g. antibody pharmaceuticals) and take initiatives in new areas and drug discovery platform technologies (vaccines and regenerative medicine) - Leverage global development framework to bolster drug development pipelines

Business Environment and Growth Opportunities

The business environment for the pharmaceutical industry is changing with unprecedented speed. Governments around the world are strengthening measures to rein in healthcare costs, including reductions in drug prices and promotion of generics. Another change is the increasing burden associated with meeting the requirements for developing and marketing new drugs. On the other hand, the global market for pharmaceuticals is projected to keep growing, and we have seen a steady level of new drug approvals in developed countries in recent years.

There remain numerous diseases where medical needs are largely unmet and Astellas is targeting these in its R&D activities. Moreover, recent scientific and technological advances are opening up vast new possibilities to create highly innovative drugs at a time when regulatory authorities worldwide are starting to introduce systems to recognize innovation. Going forward, we will continue to focus on new drugs, seeking to take advantage of growth opportunities for Astellas through the development of high-value-added pharmaceuticals.

Business Risks

Business activities are subject to many risks and uncertainties, both known and unknown, that have the potential to impact operating and financial performance significantly. These risks include factors relating to R&D or marketing activities, intellectual property, side effects and other safety aspects, the impact of regulatory actions, environmental issues, litigation and foreign exchange rate movements. (For further details, please refer to page 102.) Each business division of Astellas has the basic responsibility for managing its own risks, and works to mitigate them and ensure appropriate responses.

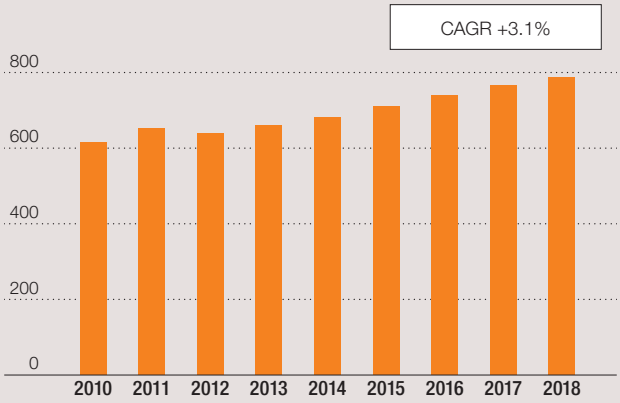
In particular, one inherent risk that pharmaceutical companies face relates to the advent of tough competition from generic drugs after the expiry of patents on mainstay products. Minimizing the fluctuation of sales revenue and ensuring sustained growth over the medium and long term are critical management issues.

Towards the Next Growth Stage

Having overcome the “patent cliff” that we faced with earlier growth drivers Prograf, an immunosuppressant, and Harnal, a treatment for functional symptoms of benign prostatic hyperplasia, we have made steady progress since fiscal 2010 in implementing growth and efficiency strategies that will support Astellas’ sustainable growth into the future. To support swift and flexible responses to a rapidly changing business environment and to ensure continued growth, we are focusing on three strategic initiatives: maximize the value of new products; enhance innovation; and pursue operational excellence.

Global Pharmaceutical Market Size Forecast

(US$ billion)



Source: EvaluatePharma

Strategic Initiatives for Sustainable Growth

Continue to pursue three strategic initiatives to respond smoothly to environmental changes and achieve sustainable growth

- Maximize the value of new products
- Enhance innovation
- Pursue operational excellence

Growth strategy | Efficiency strategy

Maximizing the Value of New Products

To derive the greatest value from new products, we are focusing on maximizing the overactive bladder (OAB) franchise; building a business base in the field of oncology; launching new products on an ongoing basis worldwide; and reinforcing our sales operations in emerging markets.

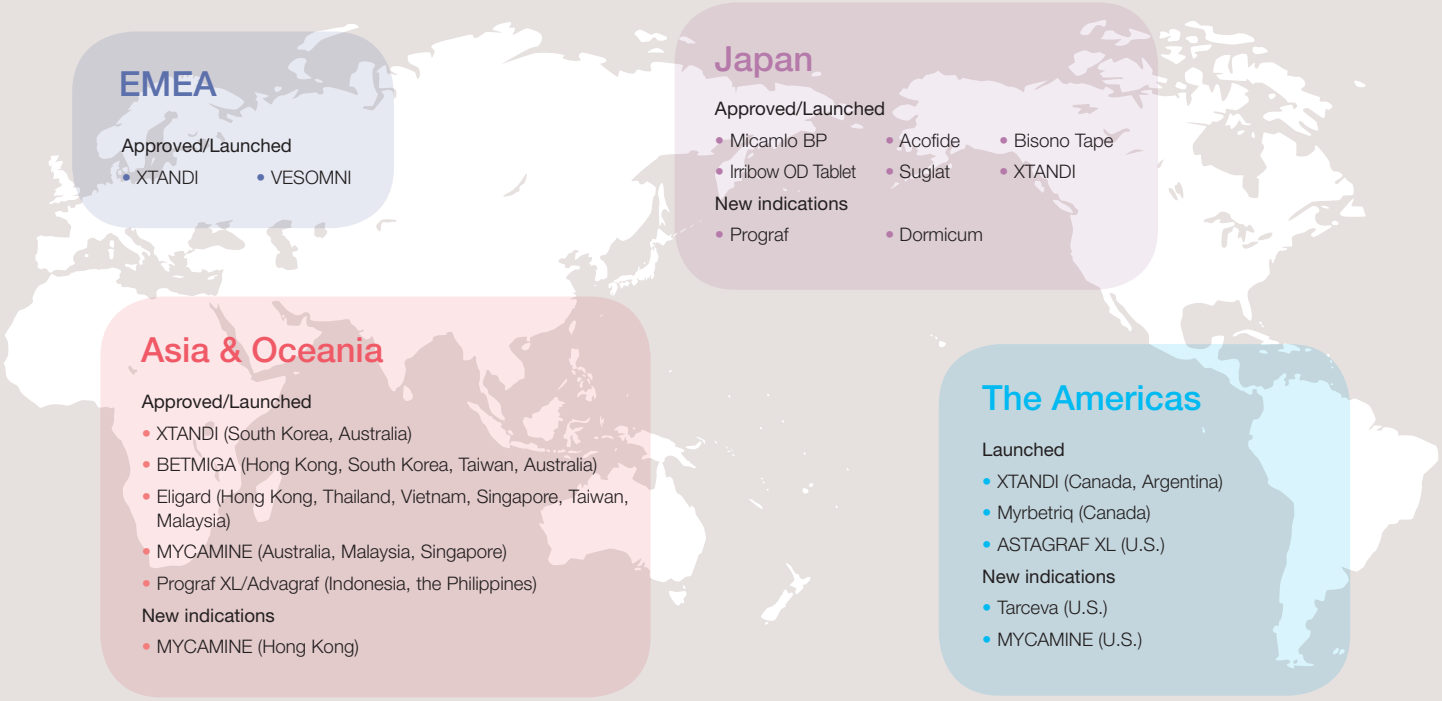
Maximizing the OAB Franchise

Vesicare is one of the leading branded prescription drugs on the market for OAB treatments. We have also begun the global introduction of mirabegron (generic name), which provides a new therapeutic option in OAB as the result of its different mechanism of action to Vesicare. Mirabegron is now available in over 25 countries around the world. Going forward, while focusing even more on achieving market penetration with mirabegron, we will maximize the OAB franchise.

The Oncology Field as a Future Growth Driver

We are working to establish oncology as our third GCL area next to urology and transplantation. We are building up our business base in this field in various regions, and steadily starting up our operations with the prostate cancer treatment XTANDI as the key driver of growth. XTANDI is sold in over 25 countries worldwide. Currently we are conducting clinical trials in earlier stages of prostate cancer than current indication and breast cancer. Looking ahead, we plan to launch XTANDI in more countries, while also seeking to expand the range of indications for the drug to maximize its value.

Continuous Product Introductions (Approvals and Launches from April 2013 to July 2014)



Continuous Launch of New Products

Having developed its own sales network in more than 50 countries around the world, Astellas has a well-balanced global business spanning the four regions of Japan, the Americas, EMEA and Asia & Oceania. In addition to global products, such as mirabegron and XTANDI, we also market distinctive new products in each region. These products underpin our growth and constitute one of our key strengths.

Expanding New Products in Japan

Astellas has one of Japan's top sales/marketing platforms, with a sales force of around 2,400 medical representatives (MRs). Our strong presence supports a broad portfolio that contains numerous growth drivers and new products.

In 2014, we launched Suglat as Japan's first SGLT2 inhibitor for the treatment of type 2 diabetes in April, followed by XTANDI in May. Both of these new products will support our future growth in Japan as we work to steadily increase their market penetration.

In May 2013, we entered into a strategic alliance in Japan with Amgen Inc. to expand our product portfolio. Under this alliance, we will co-develop and co-commercialize five of Amgen's pipeline medicines through our Tokyo-based joint venture, Amgen Astellas BioPharma KK.

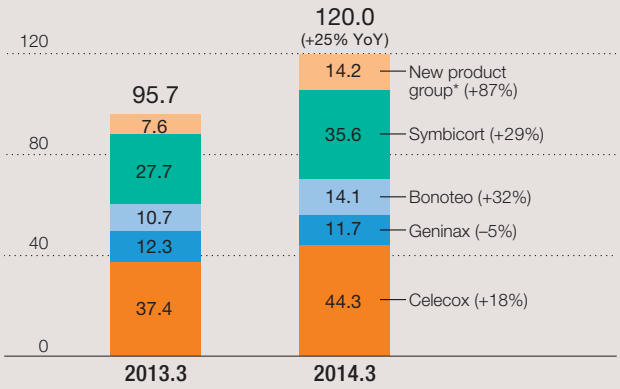
Strengthening Our Sales Platform in Emerging Countries

In emerging countries, we are looking to reinforce our sales platform, notably in China and Russia. We expect emerging markets to continue growing, but governments in these countries are implementing measures to curb healthcare spending at an even faster rate than developed countries. National and regional market characteristics also vary greatly.

While taking the characteristics and changes in business conditions in these emerging markets into account, our strategy is to focus on high-value-added new drugs, just as in advanced economies. Our policy is to develop operations steadily to help generate reliable future earnings streams.

Sales of Growth Drivers and New Products in Japan (Excluding Global Products) J-GAAP

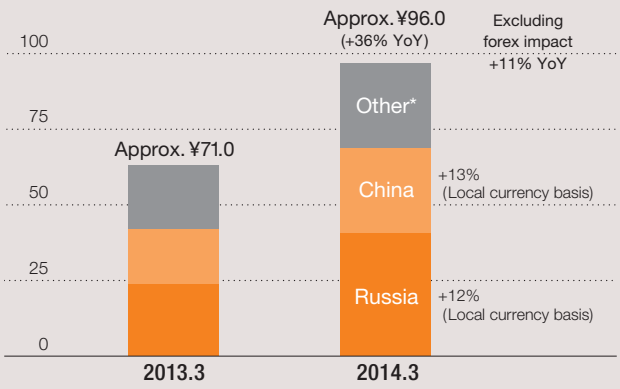
(¥ billion)



* New product group: Total sales of products launched within the past three years. (ARGAMATE, Kiklin, Regnite, Gonax, Cimzia, Acofide)

Sales in Emerging Markets J-GAAP

(¥ billion)



* Other: Total sales of affiliates located in emerging pharmaceutical markets as defined by IMS Health Incorporated, excluding China and Russia. (Brazil, India, Turkey, Thailand, Vietnam, Indonesia, Poland, Romania, South Africa)

Enhancing Innovation

Reinforcing drug discovery capabilities and boosting R&D productivity are vital issues for us as we aim to achieve sustainable growth based on creating a continuous stream of innovative and reliable new drugs. We have taken a proactive approach, deciding in May 2013 to reshape our research framework and introduce a new structure for R&D enabling allocation of resources to new therapeutic areas and drug discovery technologies.

Reshaping the Research Framework

In May 2013, we initiated moves to reshape our research framework and introduce a new system for R&D, seeking to optimize the allocation of R&D resources while reinforcing our drug discovery capabilities to accelerate the development of new drugs.

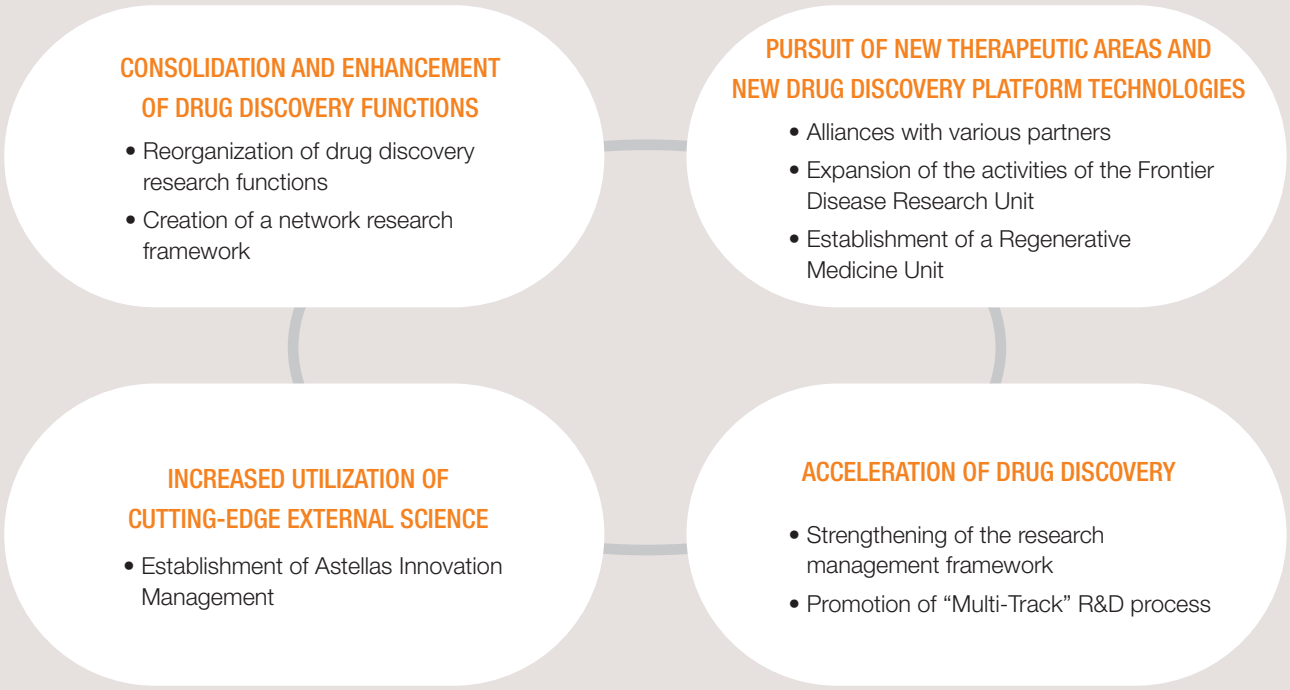
These reforms involve reshaping drug discovery research functions with the aim of constructing a global research network. We also reinforced our research management to accelerate the drug discovery process.

Research units for each therapeutic area have been delegated broader authority and responsibility to identify potential development candidates in an effort to enhance the autonomy and agility of each unit.

Creating a Network Research Framework

Our aim is to construct a global network research framework based on the principles of Best Science, Best Talent and Best Place—promoting an open innovation approach based on cutting-edge science (Best

Reshaping Our Research Framework



Science) utilizing most appropriate human resources (Best Talent) to engage in dynamic research activities in optimal environments (Best Place).

In October 2013, we created Astellas Innovation Management (AIM) to expand our use of external cutting-edge science. Previously, multiple divisions separately explored external innovation opportunities of the preclinical stage. These functions have been integrated into AIM. AIM is working closely with each research unit to systematically secure innovation opportunities of a broad range from bio-ventures and academia.

Developing New Therapeutic Areas and a Novel Technology Platform

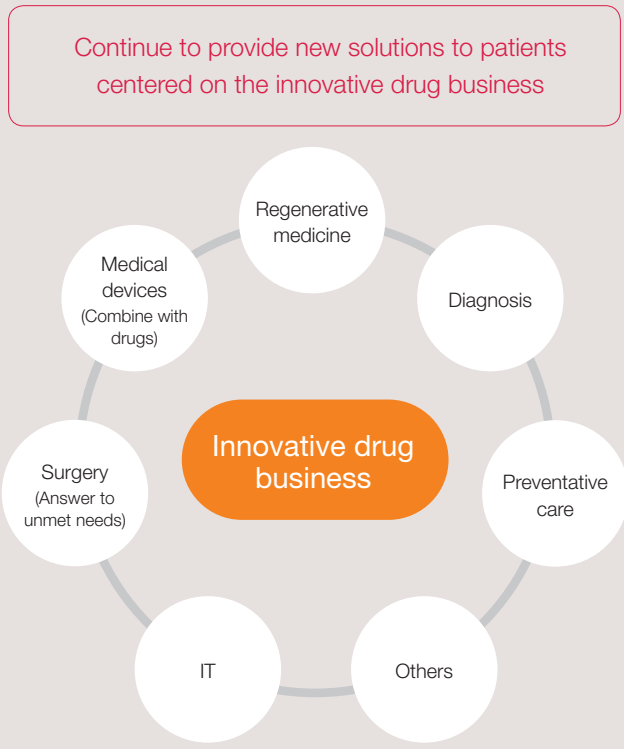
Under the new research framework, we aim to capture more opportunities for new drug discovery, by allocating resources more flexibly, while still valuing the strategy of selection and concentration we have pursued to date. In addition to our focus therapeutic areas, we plan to allocate resources to new disease areas and drug discovery platform technologies, while exploring potential uses of external resources. As part of this approach, we concluded a number of alliances with bio-ventures and other partners during fiscal 2013. We also established a special unit dedicated to accelerating our initiatives in regenerative medicine and embarked on full-scale research into cell therapies.

Aiming to Provide New Value

Centered on the innovative new drug business, we have begun looking at ways of delivering new value to patients besides targeting new therapeutic areas. We make collaborative efforts across varied fields such as surgery and preventive care. We have established a special unit inside Astellas and are implementing specific measures to develop new business opportunities in fields outside of therapeutic agents, leveraging the strengths we have built up in our innovative pharmaceutical business.

Promoting Open Innovation in Drug Discovery

Approach to Providing New Value



New Framework for Accelerating R&D

Controlling uncertainties while making efficient and early decisions is critical to assessing new R&D challenges. We have introduced a multi-track process called FASTEN, under which R&D projects are managed along one of three different tracks: New-standard Track, Fast Track or Ex. Track. The aim of this process is to accelerate achieving the Proof of Concept (POC) for R&D projects from the preclinical late stage of research to the early stage of clinical development so that a greater number of promising drug candidates end up entering late-stage clinical development. The process also aims to reduce the overall time from R&D inception to marketing launch.

FAST TRACK

Prioritized projects are designated on the Fast Track. We concentrate resources on them from an early stage in drug development in an attempt to reduce the total time spent in R&D and achieve market launch as early as possible.

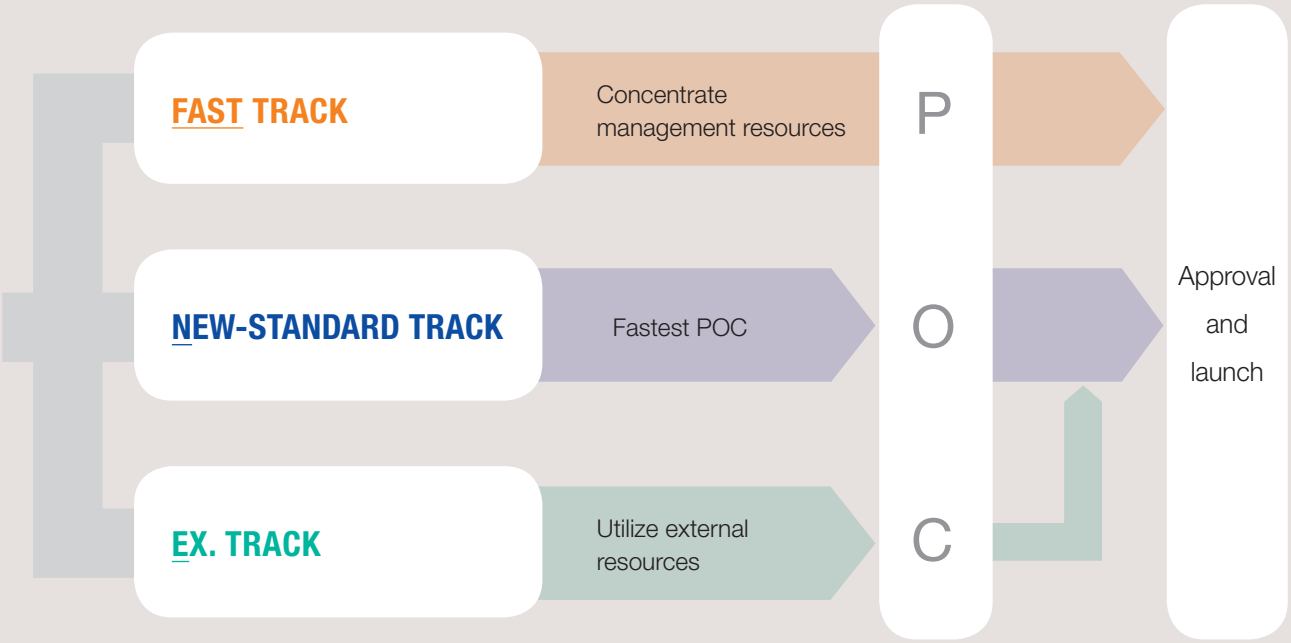
NEW-STANDARD TRACK

Most projects are located on this new-standard track, where the aim is to minimize the time and costs involved from the identification of the drug candidate to the POC. In this way, we increase the number of candidate projects at the early R&D stages without changing the total amount of management resources invested.

EX. TRACK

This track is used to accommodate particularly unique or challenging projects. The aim is to demonstrate POC efficiently, making flexible use of external resources.

Promotion of "Multi-Track" R&D Process (FASTEN Project)



POC: Proof of Concept

Pursuit of Operational Excellence

We are working to optimize the allocation of management resources to achieve sustainable growth. At the same time, we are building an organizational structure and systems that will enable us to respond resiliently to the rapidly changing business environment, while working to enhance operational excellence even further.

Building an Optimal Production Framework

To maintain a reliable and efficient supply of high-quality medicines, we continue to make progress in optimizing our production framework, including succession of business in one of our production subsidiary plants in Japan.

Improving Our Global Medical and Development Functions

The post of Chief Medical Officer (CMO) was created in April 2013 to help reinforce Astellas' medical and development functions globally. Furthermore, aimed to integrate oversight of the product compliance functions with global development, several functions were unified under the CMO including pharmacovigilance, medical affairs, regulatory affairs and quality assurance.

Boosting Operational Efficiency through Use of External Resources

As part of efforts to boost operational efficiency by using specialized external resources, we have outsourced some administrative functions shared by the group in Japan to an external specialist company. This will enable us to optimize the allocation of resources to functions that can demonstrate our competitive advantages.

Streamlining Assets and Consolidating Domestic Business Locations

To increase our business process efficiency, we relocated and consolidated functions such as clinical development and QA in Japan to an office near the Tokyo Headquarters. In addition to divesting properties owned by the parent company and some Group companies in Japan, as part of the reshaping of our research framework, we also signed an agreement to transfer assets relating to fermentation research to another company in conjunction with our withdrawal from fermentation drug discovery research.

Solutions Pursued for Operational Excellence

MATERIALITY IN CSR ACTIVITIES: IDENTIFICATION AND PRIORITIZATION OF MATERIAL ISSUES

Astellas will strive to earn the trust of a range of stakeholders and thereby enhance its enterprise value, while giving consideration to the sustainability of society. Astellas constantly checks all corporate business activities from a CSR standpoint, and takes action as necessary.

Based on this approach, Astellas reflects the views of society in the process of identifying material issues in its CSR activities.

In the course of identifying our material CSR issues, we first define social issues to be addressed by Astellas

Materiality Determination Process

Step 1

Identify Issues

Astellas' material issues are identified with reference to various principles and guidelines (such as ISO 26000, the UN Global Compact's ten principles and the SASB* Materiality Map), communications with stakeholders, and evaluation items for Socially Responsible Investment (SRI) indices, etc.

* SASB: Sustainability Accounting Standards Board. A U.S. non-profit organization exploring disclosure standards for non-financial information on an industry-by-industry basis. SASB has prepared industry-specific materiality maps by evaluating the materiality of 43 factors related to the environment, society and governance.

Step 2

Prioritize

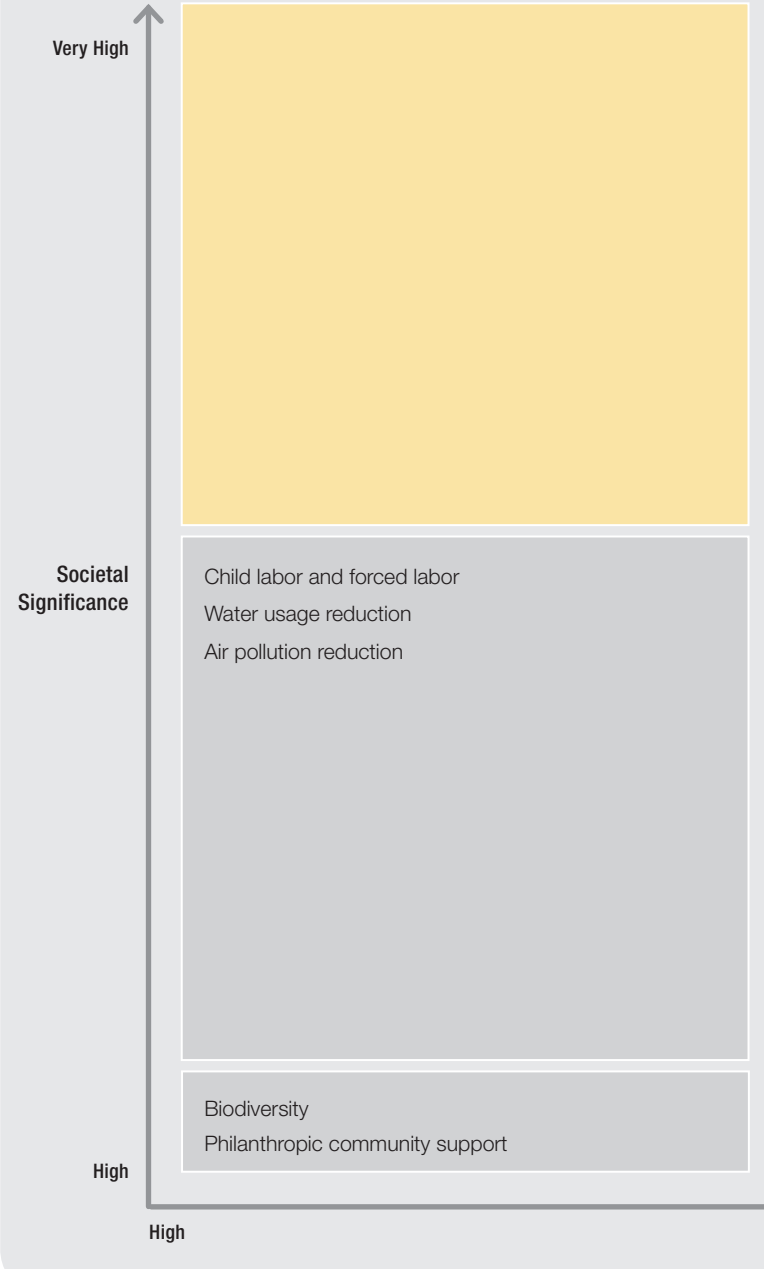
We will prioritize Astellas' material issues from the dual perspectives of societal significance and relevance to our business.

Step 3

Review

Astellas' material issues will be periodically reviewed and verified. They will be modified depending on the attainment level of initiatives implemented and/or any changes in society's demands.

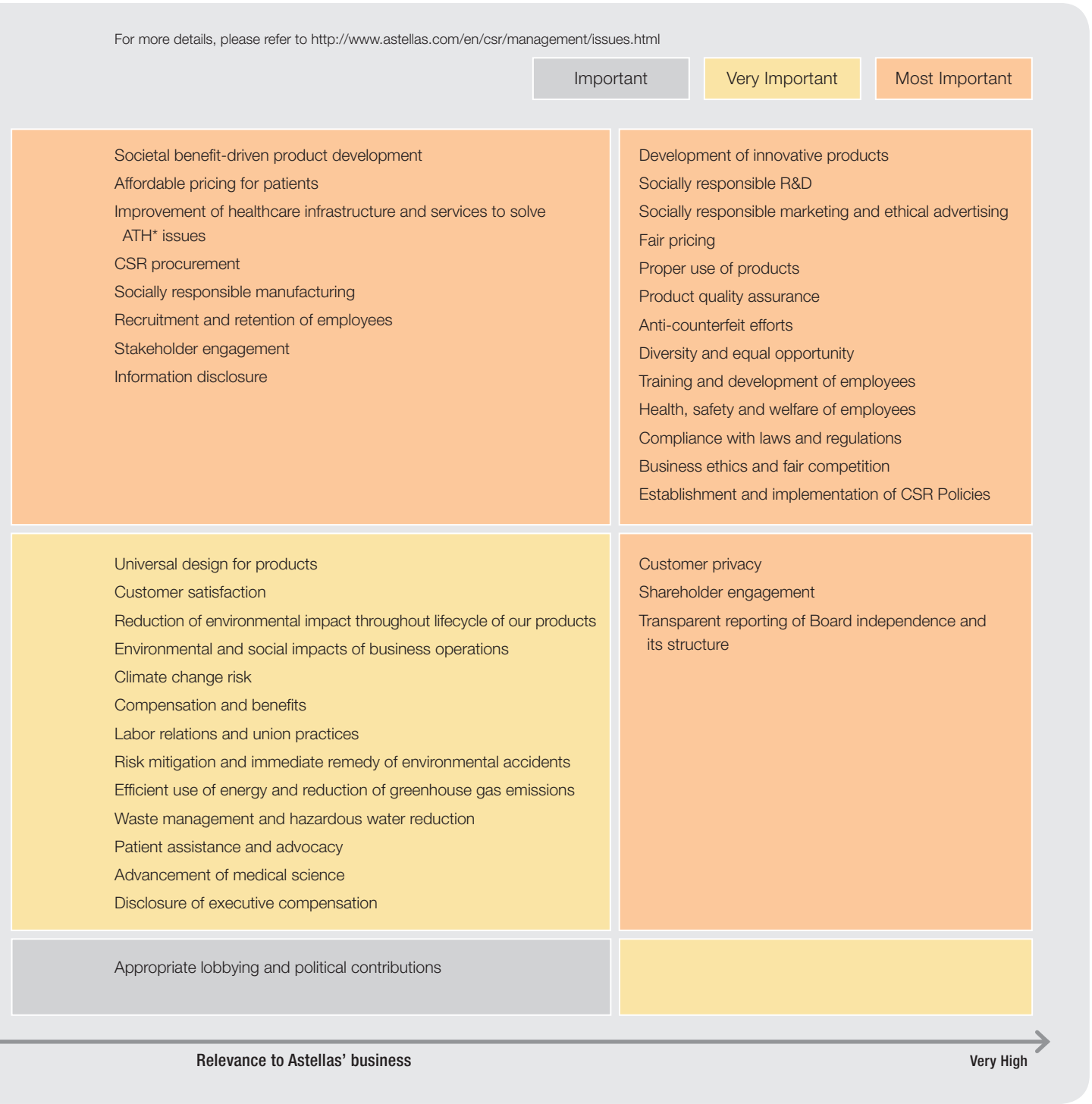
CSR Materiality Matrix



(Astellas' material issues) and then classify them into three categories depending on their materiality by evaluating their social significance and relevance to our business. Based on this materiality and the attainment level of our initiatives, we determine the concrete actions to be addressed with priority.

In fiscal 2013, we identified material issues by reflecting views from a more expansive range of perspectives than before, by conducting stakeholder dialogue to incorporate feedback from outside the Company as well as encouraging participation from our global employees.

For more details, please refer to http://www.astellas.com/en/csr/management/issues.html



* ATH: Astellas refers to two problems as the "Access to Health" (ATH) issues, one is the existence of many therapeutic areas with unmet medical needs and the other is the existence of many people who are unable to access the healthcare they need due to such reasons as poverty and healthcare system flaws.

CSR Activities Expected of Astellas

Astellas believes that communication with stakeholders is crucial when considering how it will promote its CSR activities aimed at achieving a sustainable society.
Astellas held the following stakeholder dialogue with the aim of ascertaining expert opinions on selection of CSR core issues and medium- to long-term CSR activities that should be implemented.

Date: January 2014 Place: Astellas Pharma Inc. Headquarters

External stakeholders

Naoki Aikawa, M.D., Ph.D.
Professor Emeritus, Keio University; Special Advisor, Social Welfare Organization Tokyo Saiseikai Central Hospital*

Toshihiko Goto
Chairman, Environmental Auditing Research Group; Chief Executive Officer, Sustainability Forum Japan

Kaori Kuroda
Executive Director, CSO Network Japan

* Naoki Aikawa, M.D., Ph.D. is an outside Director of Astellas Pharma Inc., but participated in this stakeholder dialogue in the capacity of a medical doctor.

Participants from Astellas

Kenji Yasukawa, Ph.D.
Senior Vice President and Chief Strategy Officer, Chair of the CSR Committee

Participants from Legal & Compliance, General Affairs, Human Resources and Corporate Planning

Moderator

Ayako Sonoda
President, Cre-en Inc.

EXPLORING THE CSR ACTIVITIES EXPECTED OF ASTELLAS

From your perspectives as external stakeholders, what are your expectations for CSR activities as Astellas pursues CSR-based management?

Dr. Aikawa: More than half of Astellas' shares are held by foreign shareholders, and the ratio of sales from regions outside Japan is nearly 50%. These attributes make Astellas a global corporation. Therefore, I believe that Astellas should consider its CSR activities from a global perspective.

Mr. Goto: Discussions on global development goals beyond 2015 (Post-2015 Development Goals) are now gathering pace, as 2015 is the final year for achieving the current United Nations Millennium Development Goals (MDGs)*1. I believe that this new framework will help to shape major global trends over 15 years from 2016. In the course of exploring the direction for CSR at Astellas, the Company should focus on trends surrounding the Post-2015 Development Goals.

Ms. Kuroda: Even among the themes of the MDGs, it has been quite difficult to achieve goals, specifically in the areas of reducing the child mortality rate and improving maternal health. In the Post-2015 Development Goals, private-sector companies will be expected to fulfill a much larger role. Notably, there will be high hopes for pharmaceutical companies to step in and play a bigger role.

Dr. Aikawa: Looking at this issue from a consumer perspective, the fact is that while consumer feedback about drug problems and side effects is often heard, consumers seldom say that they could not have recovered from an illness without a particular drug because of access to a particular drug. Based on an understanding of the existence of such "silent consumers," we should give thought to how to go about gathering opinions from consumers in a well-balanced manner that considers both the health risks and benefits.

Mr. Goto: Recently, companies have been called upon to step up stakeholder engagement*2 in their CSR activities. In the course of exploring a company's long-term strategic direction, companies are expected to reflect the opinions of stakeholders in this process.

Ms. Kuroda: To solve social issues, it will become increasingly crucial for companies to engage and collaborate with various stakeholders, instead of trying to solve social issues on their own.

*1 United Nations Millennium Development Goals (MDGs): MDGs are a series of eight time-bound targets with a deadline of 2015 drafted under the United Nations Millennium Declaration, which was adopted by the United Nations in September 2000.

*2 Stakeholder engagement refers to the process where companies hold constructive dialogue with stakeholders, and reflect the discussions and proposals from these dialogues in management activities.

ADDRESSING UNMET MEDICAL NEEDS

How should Astellas work to address unmet medical needs?

Dr. Aikawa: In the case of pharmaceutical companies, the act of supplying drugs to fulfill unmet medical needs is seen in itself as a CSR activity, and will become more closely tied to the viability, sustainability and development of pharmaceutical companies. I believe that pharmaceutical companies are expected to fulfill their social responsibilities by harnessing their strengths and driving innovation. Meanwhile, pharmaceutical companies can also implement CSR initiatives in developing countries, harnessing their strengths through means other than innovation. For example, pharmaceutical companies could expand the indications of existing drugs to treat diseases unique to a developing country. This approach can, in fact, save many lives and could eradicate widespread diseases. I believe that a flexible approach is necessary. Furthermore, I believe that it is crucial for employees to directly participate in CSR activities over the long term on a face-to-face basis, as this will also go a long way toward developing an understanding of local social issues.

Mr. Goto: I also believe that employee participation is extremely important. Even if a project does not generate profits in the short term, it could help to strengthen the operating base of a company over the long term through the formation of human networks with the local country and its government, and by facilitating monitoring and understanding of market conditions. Companies should implement CSR activities from this type of strategic viewpoint. In the process, the key point will be how much experience and knowledge employees can amass locally on the ground. For example, companies could position

Toshihiko Goto

Kaori Kuroda

In the course of exploring a company's long-term strategic direction, companies are expected to reflect the opinions of stakeholders in this process. (Mr. Goto)

measures to address unmet medical needs as a strategic social contribution activity. From now on, it will be crucial to strategically implement social contribution activities based on clearly defined goals.

Ms. Kuroda: When actually addressing the needs of developing countries, there are many achievements that cannot be measured solely by economic performance indicators. It may be helpful, for instance, to establish social performance indicators, such as the number of lives saved by a CSR activity.

Astellas: This reminds us that when making decisions to implement or continue R&D projects targeting unmet medical needs, we need to be aware that we must make a comprehensive decision that encompasses not only economic value but also social value, as well as consider partnerships with other organizations.

ENSURING RESPONSIBLE BUSINESS DEVELOPMENT

I believe that companies should be strongly aware of their social responsibilities in business processes. What specific points should companies pay attention to?

Mr. Goto: The important point to consider when looking at social responsibilities in business processes is to think about how to address the so-called "soft law*," while addressing "hard law" as a matter of course. Recently, stronger demands have been placed on companies to recognize that the scope of their social responsibilities extends across the entire value chain, from upstream to downstream, including suppliers, and not just the company itself.

Ms. Kuroda: When implementing CSR activities in the supply chain and the rest of the value chain, it is important to clearly think about how to approach the key partners in the value chain, rather than try to cover all partners comprehensively. It is essential to examine CSR activities in a clear-cut manner by, for example, prioritizing those partners involved with key products and those partners in regions where there is a higher risk of human rights infringements and so forth.

Dr. Aikawa: Considering the characteristics of the pharmaceutical business, society is strongly interested in how pharmaceutical companies and medical professionals establish and maintain sound relationships. First and foremost, I believe that it is important to develop and maintain these relationships in a transparent manner.

Astellas: Besides fulfilling our legal responsibilities, we need to raise our awareness of the demands placed on the Company, namely the need to carefully address "soft law," to be aware that the scope of a company's responsibility extends beyond the confines of the organization to include all partners from upstream to downstream, and to develop relationships with transparency.

* Soft law: Refers to non-legally binding international guidelines and principles, as well as standards and other rules (e.g., ISO 26000 and OECD Guidelines for Multinational Enterprises)

Kenji Yasukawa

HUMAN RESOURCES MANAGEMENT FROM A LONG-TERM PERSPECTIVE

How should Astellas implement CSR activities utilizing the human resources underpinning business operations?

Dr. Aikawa: Overseas, it is no longer unusual for women to serve as leaders of corporations or heads of state. Therefore, Astellas must recognize that non-Japanese investors see Astellas from a different perspective.

Mr. Goto: Astellas is a global enterprise. From the viewpoint of diversity, it should regard the appointment of women and non-Japanese human resources in management positions as an important issue. Going forward, I believe that Astellas must steadily implement a human resources portfolio strategy from a long-term point of view.

Ms. Kuroda: It is no easy feat to promote diversity in Japan, because this requires changing social values and customs. Even so, companies can gradually change the awareness of their employees by taking the initiative to establish diversity policies and targets. In doing so, the thinking and awareness of families and society at large will gradually change. For this reason, I believe that companies must steadfastly work to promote diversity from a long-term perspective.

Astellas: Until now, we have formulated and implemented medium-term human resources management policies. As for long-term growth strategies, we have so far considered mainly research and development and business areas. Based on what the experts have talked about today, we are strongly aware that we must now consider our human resources portfolio strategy from a more long-term perspective.

Naoki Aikawa

Ayako Sonoda

Business customs can differ, particularly among emerging countries. For this reason, I believe that it is crucial to conduct business activities with an even higher awareness of compliance in these countries. (Dr. Aikawa)

REDUCING ENVIRONMENTAL IMPACT

Are there any points that should be considered with regard to environmental activities?

Mr. Goto: I believe that companies developing business globally must be aware of water issues; that is, they must pay close attention to using water resources efficiently. There are many water-stressed* regions overseas. Most multinational companies already understand this point and are responding to water issues. Furthermore, steadfast efforts to reduce energy usage are needed to address climate change mitigation measures.

Astellas: In our case, industrial-use water sourced from Japan accounts for 97% of our water withdrawal in R&D and manufacturing activities. Therefore, it is unlikely that water withdrawal will pose any major issues for us in the near future. However, we must give due consideration to water resource issues when moving into developing countries going forward.

* Water-stressed: Refers to a condition where the water available for use per person is below a certain threshold, causing inconveniences in daily life.

IN CLOSING

Are there any other issues besides those discussed so far that Astellas should address?

Dr. Aikawa: Business customs can differ, particularly among emerging countries. For this reason, I believe that it is crucial to conduct business activities with an even higher awareness of compliance in these countries.

Mr. Goto: Approaches to facilitation payments* can differ among different countries, creating an extremely vexing problem. The question of how to address this problem as a global enterprise is an issue that demands real decisiveness on the part of companies. On a slightly different note, approaches to CSR-related investment have been changing considerably. Until now, CSR-related investment had been fairly limited in scope. Under the Socially Responsible Investment (SRI) approach, a limited number of investors actively invested in companies that were recognized to be fulfilling their social responsibilities. Investments were selected from among a group of investment target companies that had been screened by market research firms from the standpoint of CSR. However, we are now seeing more Environment, Society and Governance (ESG) investment activity. Under this approach, investors proactively base investment decisions on a company's CSR activities, particularly its ESG activities, in order to execute long-term, stable investments. This trend is starting to show signs of catching on more widely in the stock market. Notably, ESG investment appears to now represent around half of the total investment in the stock markets in Europe. It may be helpful to keep these sorts of changes in mind when communicating with stakeholders outside the Company.

Ms. Kuroda: Astellas already seems to be taking a variety of interesting initiatives, such as measures to improve access to healthcare in developing countries and to accept research fellows from developing countries. I would recommend communicating these initiatives using a story line that is easier for readers to understand, such as organizing measures around the MDG's agenda.

Astellas: Through this dialogue, Astellas increased its understanding of what society expects of the Company and its main issues. At the same time, we obtained many valuable insights. The dialogue reaffirmed to us the importance of strengthening stakeholder engagement. We are currently reviewing our CSR issues in terms of their materiality and examining specific CSR measures. We intend to utilize and incorporate the opinions expressed in this dialogue session.

* Facilitation payments: In certain countries and regions, the Company is required by public officials and others, although not by relevant laws, to pay a small fee in order to receive smooth public service operations such as customs, inspections and issuance of entry visas.

For information about communication with our stakeholders, please visit the following website:
http://www.astellas.com/en/csr/communication/

Fiscal 2013 Initiatives

As part of CSR-based management, Astellas aims to generate sustained growth by creating innovative drugs and delivering them to patients. We actively undertake CSR activities across the five fields of Economy (business activities), Employees, Society, Environment and Compliance, which we consider to be the foundation for the other fields. This section introduces some of the specific activities that we conducted in fiscal 2013, considering them from various aspects.

ECONOMY (BUSINESS ACTIVITIES)

R&D Initiatives

Drug Discovery Research: Challenge for Innovation

Wataru Uchida, Ph.D.
Senior Vice President and President, Drug Discovery Research

Since May 2013, we have reshaped Astellas' drug discovery research functions and reinforced the research management structure. These changes have enabled more dynamic management of our research organization, while further enhanced our expertise, clarifying roles within the organization and reallocating functions.

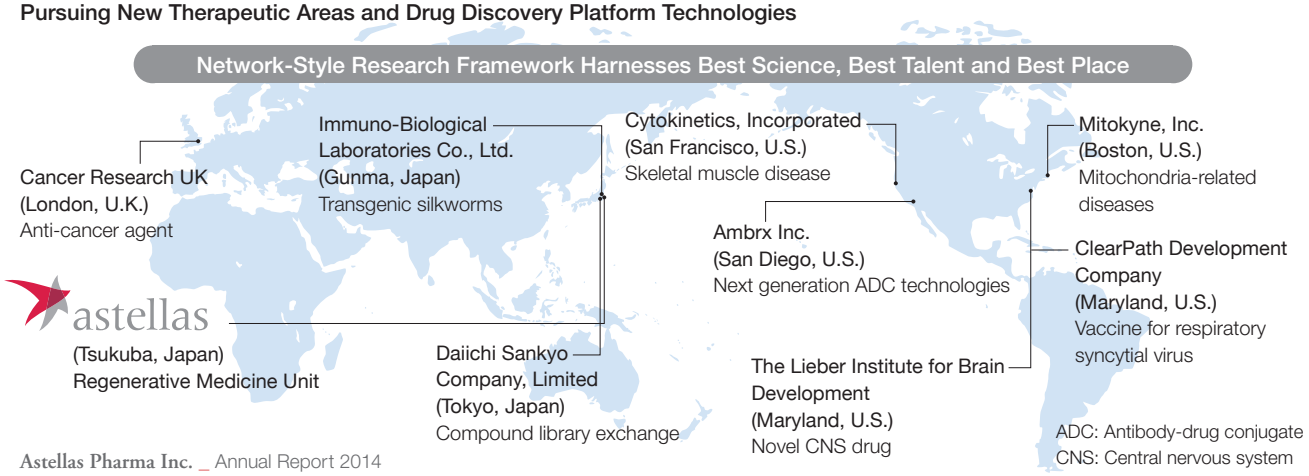
Another important aspect of this reorganization has been the creation of a network-style research system that aims to promote an open approach to innovation in drug discovery. We are engaging in dynamic research activities by deploying cutting-edge science, utilizing distinguished internal and external talents, and adapting the most suitable locations worldwide.

Under this structure, we aim to actively utilize state-of-the-art external technologies, as we attempt to enter new therapeutic areas and adopt new platform technologies for drug discovery. In fiscal 2013, we formed alliances with bio-ventures in the fields of skeletal muscle disease, mitochondrial disorders and oncology. As part of adopting new platform technologies, we established a unit for regenerative medicine in Drug Discovery Research. This unit promotes research in cell therapies that treat patients by taking advantage of the diversity of cells and their advanced functionality.

At the same time, we continued to channel research efforts into our focus therapeutic areas of urology, immunology (including transplantation) & infectious diseases, oncology, neuroscience and diabetes mellitus (DM) complications & kidney diseases. In these areas too, we are advancing multiple promising compounds to clinical stages.

Our R&D reforms are steadily generating results. On top of pursuing research in our existing focus therapeutic areas, we also promote a network-style research framework to acquire external innovation timely and further develop our capability in new therapeutic areas and drug discovery platform technologies.

Pursuing New Therapeutic Areas and Drug Discovery Platform Technologies



Clinical Development: Bringing Innovative Therapeutics to Patients

Sef Kurstjens, M.D., Ph.D.
Chief Medical Officer and President, Global Development

In clinical development, we aim to maximize the potential of Astellas' portfolio by extracting the full value from both pipeline medicines and approved products. We are focused on obtaining regulatory approvals with commercially desirable labels and bringing innovative medicines to patients.

Currently, we have over 15 Phase 3 projects in the development pipeline, along with many unique projects at earlier stages. In fiscal 2013, we obtained regulatory approvals for 10 projects in Japan, the U.S. and Europe, including the new molecular entities XTANDI and Suglat. We have maintained this momentum in fiscal 2014, and these efforts are continuing to produce many successful results. Our competitive advantage in each therapeutic area and region is supported by the world class talent who are attracted to our organization.

Looking ahead, we will continue to pursue development in line with our Global Category Leader (GCL) strategy. In the fields of urology, immunology and infectious diseases for example, we will seek to maximize the potential of our existing franchises, while expanding our focus to cover new and related diseases. In oncology, our goals are to establish a business platform with our cornerstone treatments, and to channel advances in research into expanding the patient population for those treatments and adding further indications.

Through these efforts we will contribute even more to Astellas' goal of delivering effective new drugs to patients as quickly as possible.

Status of R&D Pipeline

Products approved in/after April 2013

(as of August 1, 2014)

Code No. Generic Name	Product Name (Approval Date)	Classification	Target Disease	Area	Dosage Form	Origin*1	Remarks
erlotinib	Tarceva (May 2013)	HER1/EGFR tyrosine kinase inhibitor	First-line treatment of people with metastatic non-small cell lung cancer whose tumors have certain epidermal growth factor receptor activating mutations as detected by an FDA-approved test	US	Oral	In-house (co-development with Roche/ Genentech)	New indication
EC905 solifenacin/ tamsulosin	VESOMNI (May 2013)	Fixed dose combination of solifenacin and tamsulosin	Moderate to severe storage symptoms (urgency, increased micturition frequency) and voiding symptoms associated with benign prostatic hyperplasia in men who are not adequately responding to treatment with monotherapy	Europe	Oral	In-house	
MDV3100 enzalutamide	XTANDI (Jun. 2013)	Androgen receptor inhibitor	Metastatic castration-resistant prostate cancer in patients whose disease has progressed on or after docetaxel therapy	Europe	Oral	Medivation	
	XTANDI (Mar. 2014)		Castration-resistant prostate cancer*2	Japan			
FK506 tacrolimus	Prograf (Jun. 2013)	Immuno-suppressant	Interstitial pneumonia associated with polymyositis/dermatomyositis	Japan	Oral	In-house	New indication
	ASTAGRAF XL (Jul. 2013)		Prophylaxis of organ rejection in adult kidney transplant recipients (Extended release capsules)	US	Oral		New formulation
FK463 micafungin	MYCAMINE (Jun. 2013)	Candin-type antifungal agent	Treatment of pediatric patients four months and older with candidemia, acute disseminated candidiasis, *Candida* peritonitis and abscesses, esophageal candidiasis, prophylaxis of *Candida* infections in patients undergoing hematopoietic stem cell transplants	US	Injection	In-house	New indication
YM060 ramosetron	Irribow OD tablets (Aug. 2013)	5-HT3 receptor antagonist	Diarrhea-predominant irritable bowel syndrome in males (Orally-disintegrating tablet)	Japan	Oral	In-house	New formulation
midazolam	Dormicum (Dec. 2013)	Benzodiazepine sedative	Sedation during surgery and procedures for dental, oral and maxillofacial care	Japan	Injection	Roche	New indication
ASP1941 ipragliflozin	Suglat (Jan. 2014)	SGLT2 inhibitor	Type 2 diabetes	Japan	Oral	In-house (co-development with Kotobuki)	

*1 "In-house" shown in the "Origin" column includes discovery through collaborative research (same below).
*2 Precautions regarding indication include the description that the efficacy and safety of the drug have not been established in patients with prostate cancer who have not received chemotherapy.

Products currently under clinical development

(as of August 1, 2014)

Code No. Generic Name	Classification	Target Disease	Phase 1	Phase 2	Phase 3	Filed	Area	Dosage Form	Origin	Remarks
Urology										
YM905 solifenacin	Muscarine M_3 receptor antagonist	Neurogenic detrusor overactivity and idiopathic overactive bladder in pediatric patients					US/ Europe	Oral	In-house	New indication (pediatric)
EB178 solifenacin/mirabegron	Concomitant use of solifenacin and mirabegron	Urinary frequency, urinary incontinence or urgency associated with overactive bladder					US/ Europe/ Asia	Oral	In-house	
ASP3652	Inhibition of afferent nerve activity	Bladder pain syndrome/ Interstitial cystitis					Europe	Oral	In-house	
							Japan			
ASP4901 (AKP-002)	PDE9 inhibitor	Lower urinary tract symptoms associated with benign prostatic hyperplasia					Japan	Oral	ASKA	
YM178 mirabegron		Neurogenic detrusor overactivity and idiopathic overactive bladder in pediatric patients						Oral	In-house	New indication (pediatric)
ASP5633		Stress urinary incontinence						Oral	In-house	
Immunology (including Transplantation) and Infectious Diseases										
ASP7374	Influenza vaccine	Prophylaxis of seasonal influenza				(14/05)	Japan	Injection	UMN Pharma	*1
certolizumab pegol	PEGylated anti-tumor necrosis factor-alpha antibody	Disease modifying anti-rheumatic drugs (DMARD)-naïve rheumatoid arthritis				(14/06)	Japan	Injection	UCB	New indication*1
isavuconazole	Azole antifungal	Invasive aspergillosis and invasive mucormycosis				(14/07)	US	Injection Oral	Basilea	*2
		Candidemia/Invasive candidiasis					US			
ASP0113 (VCL-CB01)	DNA vaccine for cytomegalovirus	Cytomegalovirus reactivation in hematopoietic cell transplant recipients					US/ Europe/ Japan	Injection	Vical	
		Cytomegalovirus infection or reactivation in solid organ transplant recipients					US/ Europe			
fidaxomicin	Macrocyclic antibiotic	Infectious enteritis (bacterial target: *Clostridium difficile*)					Japan	Oral	Cubist	
		Clostridium difficile infection in pediatric patients					Europe	Oral		
ASP015K	JAK inhibitor	Rheumatoid arthritis					Japan	Oral	In-house	
							US/ Europe*3			
ASKP1240	Anti-CD40 monoclonal antibody	Prevention of organ transplant rejection					US	Injection	Kyowa Hakko Kirin	
							Japan			
ASP7373	Influenza vaccine	Prophylaxis of H5N1 influenza					Japan	Injection	UMN Pharma	*1

*1 Local development (Japan)
*2 Local development (US)
*3 A license agreement was executed with Janssen Biotech, Inc. for the development and commercialization worldwide except for Japan. Phase 2b studies were completed by Astellas.

Products currently under clinical development (continued)

(as of August 1, 2014)

Code No. Generic Name	Classification	Target Disease	Phase 1	Phase 2	Phase 3	Filed	Area	Dosage Form	Origin	Remarks
Oncology										
MDV3100 enzalutamide	Androgen receptor inhibitor	Metastatic castration-resistant prostate cancer in patients who have not received chemotherapy				(14/03)	US	Oral	Medivation	New indication
							Europe			
						(14/04)				
							Japan			
							Asia			
		Non-metastatic castration-resistant prostate cancer					US			New indication
							Europe			
							Asia			
		Breast cancer					US/ Europe			New indication
erlotinib	HER1/EGFR tyrosine kinase inhibitor	Pediatric ependymoma					US	Oral	In-house (co-development with Roche/ Genentech)	Not a new indication, rather a supplement whose results are to be submitted to the FDA
ASP3550 degarelix	GnRH antagonist	Prostate cancer (Three-month formulation)					Japan	Injection	Ferring	New formulation*1
AMG 102 rilotumumab	Anti-HGF monoclonal antibody	Gastric cancer					Japan	Injection	Amgen (co-development with Amgen Astellas)	*1
ASP1707	GnRH antagonist	Prostate cancer					Europe	Oral	In-house	
AGS-16M8F/ AGS-16C3F		Cancer (ADC technology)						Injection	In-house (ADC technology in-licensed from Seattle Genetics)	
ASG-22ME		Cancer (ADC technology)						Injection	In-house (co-development with Seattle Genetics)	
ASG-15ME		Cancer (ADC technology)						Injection	In-house (co-development with Seattle Genetics)	
ASP2215		Cancer						Oral	In-house	
ASP5878		Cancer						Oral	In-house	
AMG 337		Gastric cancer						Oral	Amgen (co-development with Amgen Astellas)	*1
ASP8273		Cancer						Oral	In-house	
AGS67E		Cancer (ADC technology)						Injection	In-house (ADC technology in-licensed from Seattle Genetics)	

*1 Local development (Japan)

Products currently under clinical development (continued)

(as of August 1, 2014)

Code No. Generic Name	Classification	Target Disease	Phase 1	Phase 2	Phase 3	Filed	Area	Dosage Form	Origin	Remarks
Neuroscience										
FK949E quetiapine	Serotonin/ dopamine antagonist	Depressive episode in bipolar disorders					Japan	Oral	AstraZeneca	New indication/ New formulation*1
NGX-4010 capsaicin	TRPV1 agonist	Peripheral diabetic neuropathy					Europe	Patch	NeurogesX	New indication*2
ASP8477	Inhibition of central sensitization	Neuropathic pain					Europe	Oral	In-house	
ASP9226		Neuropathic pain						Oral	In-house	
ASP3662		Alzheimer's disease						Oral	In-house	
ASP7962		Osteoarthritis, Chronic low back pain						Oral	In-house	
ASP3700		Osteoarthritis						Oral	In-house	
DM Complications and Kidney Diseases, Others										
nateglinide	Fast acting insulin secretion enhancer	Type 2 diabetes Combination with DPP-4 inhibitor				(14/07)	Japan	Oral	Ajinomoto	New indication*1
YM060 ramosetron	5-HT3 receptor antagonist	Irritable bowel syndrome with diarrhea in female patients				(14/07)	Japan	Oral	In-house	New indication*1
ASP1517 (FG-4592) roxadustat	HIF stabilizer	Anemia associated with chronic kidney disease in patients not on dialysis and on dialysis					Europe	Oral	FibroGen	
							Japan			
YM533 beraprost sodium	Prostacyclin receptor stimulator	Chronic renal failure (primary, nephrosclerosis)					Japan/ Asia	Oral	Toray	New indication*1
ASP1585 (AMG 223) bixalomer	Amine-functional polymer	Hyperphosphatemia in patients not on dialysis with chronic kidney disease					Japan	Oral	Amgen	New indication*1
		Hyperphosphatemia in patients on dialysis with chronic kidney disease (granule formulation)	Bioequivalence study				Japan	Oral		New formulation*1
AMG 785 romosozumab	Anti-Sclerostin monoclonal antibody	Osteoporosis					Japan	Injection	Amgen (co-development with Amgen Astellas)	*1
AMG 145 evolocumab	Anti-PCSK-9 monoclonal antibody	Hyperlipidemia					Japan	Injection	Amgen (co-development with Amgen Astellas)	*1
YM311 (FG-2216)	HIF stabilizer	Renal anemia					Europe	Oral	FibroGen	
							Japan			
ASP1707	GnRH antagonist	Endometriosis					Europe/ Japan	Oral	In-house	
ASP0456 linaclotide	Guanylate cyclase type-C receptor agonist	Irritable bowel syndrome					Japan	Oral	Ironwood	*1
ASP7991	Calcium-sensing receptor activator	Secondary hyperparathyroidism					Japan	Oral	In-house	*1
ASP8232		Diabetic nephropathy						Oral	In-house	
ASP3325		Hyperphosphatemia						Oral	In-house	
CK-2127107		Skeletal muscle disease (non-neuromuscular indications)						Oral	Cytokinetics	
ASP7657		Diabetic nephropathy						Oral	In-house	

*1 Local development (Japan)
*2 Local development (Europe)

Review of Operations by Therapeutic Area

* In this section, all figures for sales and year-on-year changes are based on J-GAAP.

Urology

With Vesicare and mirabegron, Astellas aims to reinforce its overactive bladder (OAB) franchise.

Urology is a therapeutic area in which Astellas has already established its status as a Global Category Leader (GCL). Through sales of Harnal, Vesicare and mirabegron (generic name), we command a strong presence in the market for drugs used to treat the conditions of benign prostatic hyperplasia (BPH) and OAB.

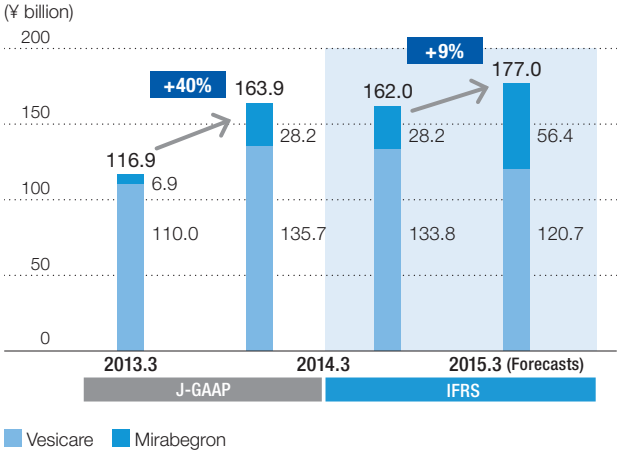
Our OAB franchise expanded steadily due to the growth of Vesicare and a contribution from mirabegron. In fiscal 2013, aggregate sales of these two OAB treatments grew 40% year on year to ¥163.9 billion. On a regional basis, we recorded double-digit sales growth in Japan, EMEA, the Americas and Asia & Oceania.

Anticholinergics such as Vesicare are still the standard therapy for OAB. Mirabegron, which is a beta-3 adrenergic receptor agonist, has a different mechanism of action. Since its launch in Japan in 2011, it has become a well-established new treatment option for OAB patients. We plan to strengthen our OAB franchise further by focusing on promoting sales of mirabegron, which is marketed under the brand names of Myrbetriq in the U.S.; BETMIGA in EMEA, Asia & Oceania; and Betanis in Japan. The product is currently available in over 25 countries around the world.

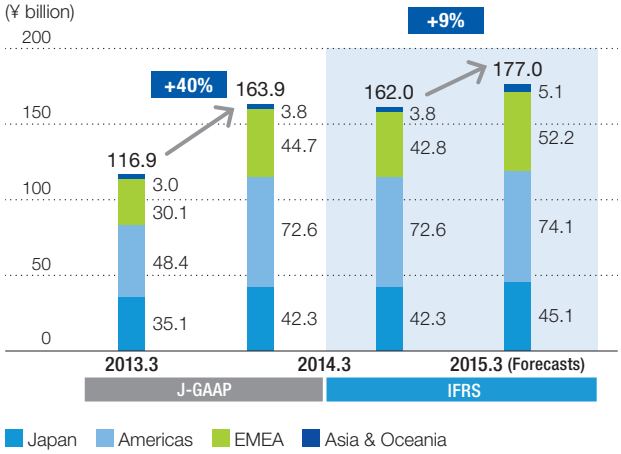
Sales of Harnal fell in Japan and EMEA, reflecting erosion by generic competition. In contrast, sales of Harnal continued to increase in Asia & Oceania.

We are working to maintain Astellas' GCL status in urology by introducing a stream of new products. We gained regulatory approval in Europe for VESOMNI, a combination drug of Vesicare and Harnal, in May 2013, and launched it in September 2013. We are also advancing several projects in various stages of clinical development, including EB178 (a combination therapy comprising solifenacin and mirabegron). Currently in Phase 3 trials, EB178 is an important development program in our efforts to reinforce the OAB franchise.

Total Sales of Vesicare and Mirabegron (By Product)



Total Sales of Vesicare and Mirabegron (By Region)



Oncology

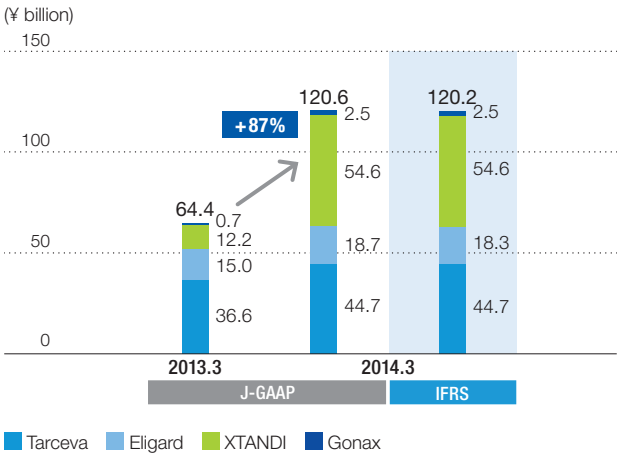
New drug XTANDI is driving strong growth in our oncology franchise toward GCL status.

Astellas is focusing on establishing a Global Category Leader (GCL) position in the field of oncology after urology and transplantation.

Our current oncology product lineup consists of XTANDI, Eligard and Gonax (all prostate cancer treatments) and Tarceva (for treatment of non-small cell lung cancer and pancreatic cancer). Aggregate sales of these four products saw sales in the oncology field soar 87% year on year in fiscal 2013 to ¥120.6 billion.

XTANDI is a significant growth driver for us in the oncology field. It grew significantly with the U.S. net sales of US$441 million in fiscal 2013, an increase of 201% in year-on-year terms. XTANDI was launched in the U.K. in July 2013 and later in other EMEA markets. Net sales in EMEA in fiscal 2013 totaled €71 million. In Japan, we launched XTANDI in May 2014 after gaining regulatory approval in March. The product is currently available in over 25 countries around the world. With the aim of maximizing the value of XTANDI, we have filed applications in Europe and the U.S. for its approval for prostate cancer in chemotherapy-naïve patients. Clinical trials in earlier stage prostate cancer and breast cancer patients are also ongoing.

Total Sales of XTANDI, Tarceva, Eligard and Gonax



In fiscal 2013, Tarceva-related revenues grew steadily, increasing 1.4% year on year on a U.S. dollar basis to US$446 million. In the U.S., Astellas is co-promoting Tarceva with Genentech, Inc., with earnings split equally. In regions outside the U.S., Astellas has a license agreement with F. Hoffmann-La Roche Ltd and receives royalties based on sales.

Eligard is currently marketed in EMEA, Asia & Oceania. Net sales in EMEA in fiscal 2013 declined 0.5% to €139 million. Sales of Gonax, which was launched in Japan in October 2012, was ¥2.5 billion in fiscal 2013.

As for new drug candidates, clinical trials are also ongoing for more than ten projects in the oncology field at present.

Oncology Pipeline

(as of August 1, 2014)

	Project	Phase 1	Phase 2	Phase 3	Filed
Small molecule	Enzalutamide (XTANDI)	Prostate cancer: pre-chemo, EU/US/JP/Asia (Filed in EU/US)			
		Non-metastatic castration-resistant prostate cancer: EU/US/Asia			
		Breast cancer: EU/US			
	Erlotinib (Tarceva)	Pediatric ependymoma: US			
	Degarelix (Gonax)	Prostate cancer: Japan (3-month formulation)			
	ASP1707	Prostate cancer			
	ASP2215	Acute Myeloid Leukemia			
	ASP5878	Cancer			
	AMG 337	Gastric cancer: Japan			
	ASP8273	Non-small cell lung cancer			
Antibody	Rilotumumab AMG 102	Gastric cancer: Japan			
	AGS-16M8F/ AGS-16C3F	Renal cancer			
	ASG-22ME	Solid tumors			
	ASG-15ME	Bladder cancer			
	AGS67E	Lymphoid malignancy			

Immunology (including Transplantation) and Infectious Diseases

Worldwide sales of Prograf have held up due to growth in Japan, Asia & Oceania.

In the field of immunology including transplantation, Astellas is working to sustain its Prograf business on a global scale.

Sales of Prograf (including the once-daily formulation Advagraf/Graceptor/ASTAGRAF XL) rose 12% year on year in fiscal 2013 to ¥181.4 billion, partly due to the effect of foreign exchange rates. Local-currency sales declined in the Americas and EMEA due to generic competition, but global sales held up as the result of growth in Japan and Asia & Oceania.

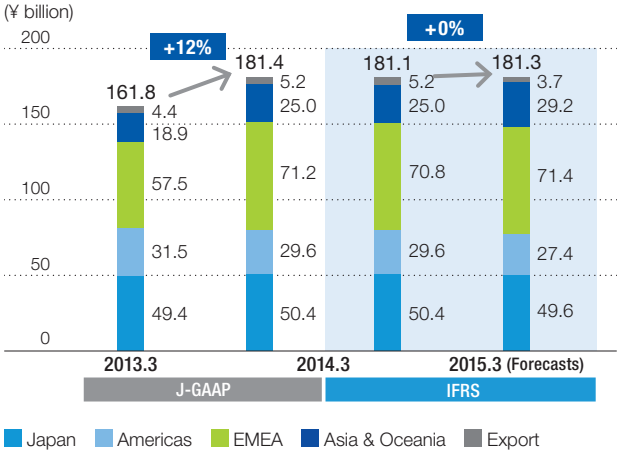
Sales in Japan rose 2.0% due to steady growth in Graceptor. The growth was partially offset by a fall in sales after the entry of generic versions of the drug in June 2013. Generic competition also eroded sales in the Americas, where sales declined 22% year on year on a U.S. dollar basis. We launched ASTAGRAF XL in the U.S. in August 2013. In EMEA, while sales of Advagraf continued to grow, price reductions in multiple countries and generic competition led to a 1.3% decline in euro-based sales of Prograf via in-house distribution channels.

Supported by growth in China and South Korea, sales increased 32% in Asia & Oceania.

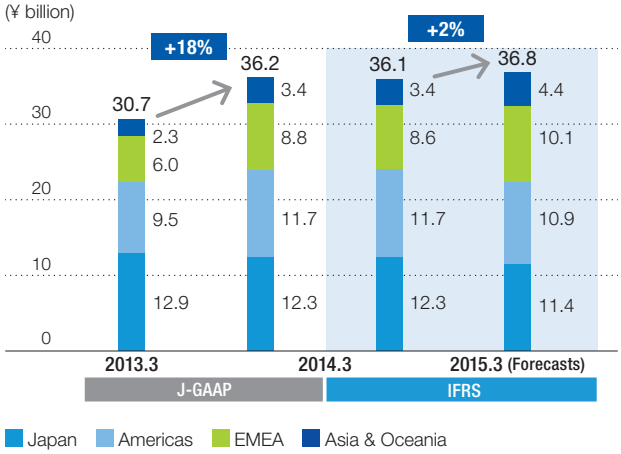
Rheumatoid arthritis treatment Cimzia, which was launched in Japan in March 2013, posted fiscal 2013 sales of ¥3.2 billion. In June 2014, we filed an application for the approval of an expanded indication that includes rheumatoid arthritis in patients not previously treated with anti-rheumatic drugs. In the field of infectious diseases, sales in fiscal 2013 of Funguard/MYCAMINE rose 18% compared with the previous year, partly due to foreign exchange effects.

In terms of the pipeline for new drug candidates to follow these products, in the field of infectious diseases, Astellas filed new drug applications in Japan for ASP7374 (seasonal influenza vaccine) in May 2014 and in the U.S. for isavuconazole (azole antifungal) in July 2014. In the field of immunology including transplantation, Astellas is conducting clinical trials on ASP015K (for the treatment of rheumatoid arthritis) and ASKP1240 (for the prevention of organ transplant rejection).

Sales of Prograf by Region (Including Advagraf/Graceptor/ASTAGRAF XL)



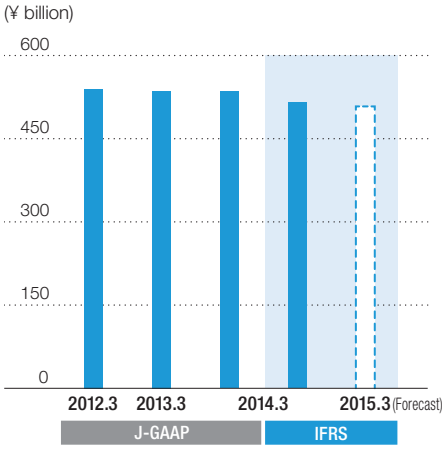
Sales of Funguard/MYCAMINE by Region



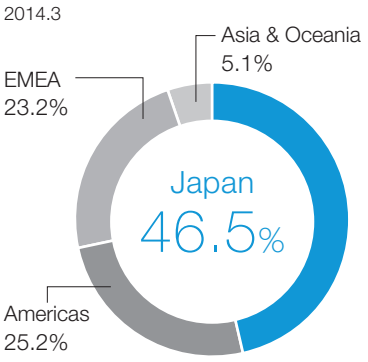
Japan

We will launch a steady stream of new products as we push ahead to become the leader in Japan in terms of quantity and quality.

Net Sales (Japanese Market Sales)



Sales by Geographical Area



Note: Yen base
*Calculated according to the location of sellers
*IFRS

Fiscal 2013 Overview

*Sales and year-on-year changes are based on J-GAAP.

Net sales including revenues related to export products and licenses, etc. in Japan decreased by 1.2% year on year to ¥550.7 billion. Sales in the Japanese market were ¥535.6 billion, mostly unchanged from the previous fiscal year, as the impact of generics was largely offset by steady expansion in sales of growing mainstay products and new products.

By product, growing sales of Betanis contributed with Vesicare to the further expansion of our share of the overactive bladder (OAB) treatment market. In addition to Betanis, products such as Micardis (including its combination drugs, Micombi and Micamlo), Celecox, Symbicort, Bonoteo and vaccines showed growth in sales. There were also contributions from sales of new products including Cimzia and Gonax. Sales of some products declined, including Lipitor, Seroquel and Myslee, mainly due to the impact of generics. Micamlo BP, Acofide, Bisono Tape and Irribow OD were launched in fiscal 2013.

Fiscal 2014 Outlook

*Sales and year-on-year changes are based on IFRS.

For fiscal 2014, we project a 0.4% year-on-year decrease in domestic sales to ¥528.4 billion. This estimate includes only a slight fall in sales in Japan's prescription market to ¥508.3 billion, as the impact of NHI drug price revisions are expected to be offset partly by sales of growing products and new products. We expect sales contributions from Suglat and XTANDI, which were launched in April and May 2014, respectively.

With aspirations to contribute to patients' lives, we aim to deliver Astellas products to as many patients as possible and achieve strong patient satisfaction. For this, we believe that it is crucial to launch a steady stream of new products and provide proper, high-quality information. We recently launched Suglat and XTANDI. To ensure that these new drugs are used appropriately, we will work to provide accurate information to a range of medical professionals, including doctors.

Meanwhile, the Japanese government has begun implementing various measures to optimize medical expenditures. In addition, society is putting increasingly stronger demands on companies for compliance.

We will respond accurately to these changes in the operating environment, as we strive to fulfill medical needs by delivering drugs with high added value to patients.

Yukihiko Sato
Senior Vice President and
President, Sales & Marketing Japan

Sales of Major Products

(¥ billion)

		2013.3 J-GAAP	2014.3 J-GAAP	2014.3 IFRS	2015.3 (Forecast) IFRS
Prescription drug sales in the Japanese market		535.8	↓ 535.6	515.6	↓ 508.3
Hypertension treatment (Long-acting angiotensin II receptor blocker)	Micardis	89.6	↑ 97.6	97.6	↓ 97.5
	Micombi	11.6	↑ 11.8	11.8	
	Micamlo	15.7	↑ 21.4	21.4	
Hypercholesterolemia treatment	Lipitor	70.6	↓ 62.4	62.4	↓ 52.6
	Caduet	9.6	↑ 10.7	10.7	
Immunosuppressant	Prograf	49.4	↑ 50.4	50.4	↓ 49.6
Anti-inflammatory agent (Selective COX-2 inhibitor)	Celecox	37.4	↑ 44.3	44.3	↑ 45.9
Adult bronchial asthma treatment	Symbicort	27.7	↑ 35.6	35.6	↑ 36.3
Vaccines		28.8	↑ 35.0	35.0	↑ 35.7
OAB treatment	Vesicare	29.8	↑ 30.7	30.7	↓ 24.2
Insomnia treatment	Myslee	32.2	↓ 28.2	28.2	↓ 20.2
Treatment for peptic ulcers and gastritis	Gaster	30.2	↓ 25.7	25.7	↓ 19.5
Treatment for the functional symptoms associated with benign prostatic hyperplasia	Harnal	23.0	↓ 20.2	20.2	↓ 16.0
Schizophrenia treatment	Seroquel	28.5	↓ 19.6	19.6	↓ 12.6
Treatment for osteoporosis	Bonoteo	10.7	↑ 14.1	14.1	↑ 14.7
Candin-type antifungal agent	Funguard	12.9	↓ 12.3	12.3	↓ 11.4
Oral quinolone antibiotic	Geninax	12.3	↓ 11.7	11.7	↑ 12.4
OAB treatment	Betanis	5.3	↑ 11.6	11.6	↑ 20.9
Treatment for adult patients with rheumatoid arthritis	Cimzia	0.1	↑ 3.2	3.2	↑ 12.3
Prostate cancer treatment	Gonax	0.7	↑ 2.5	2.5	↑ 4.8

*Invoiced price base

Launch of New Products (2013.4–2014.6)

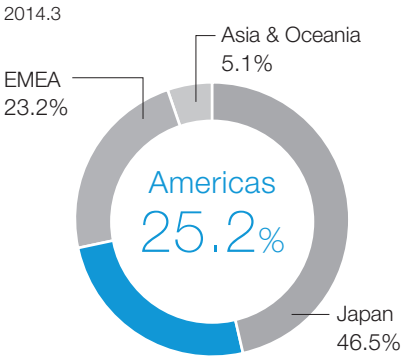
2013	**May**	**June**	**September**
	Micamlo BP (Hypertension treatment)	Acofide (Functional dyspepsia treatment)	Bisono Tape (Essential hypertension medication (for mild to moderate cases))
2014	**January**	**April**	**May**
	Irribow OD (Diarrhea-predominant irritable bowel syndrome treatment)	Suglat (Type 2 diabetes treatment)	XTANDI (Castration-resistant prostate cancer treatment)

Americas

We will accelerate oncology franchise growth and strengthen our solid business platform in urology.

Net Sales

Sales by Geographical Area



Note: Yen base
*Calculated according to the location of sellers
*IFRS

Fiscal 2013 Overview

*Sales and year-on-year changes are based on J-GAAP.

Net sales in the Americas amounted to US$2,878 million, up 14.6% from the previous year on a U.S. dollar basis. When converted to yen, with the impact of foreign exchange rates and other factors, net sales grew 38.2% to ¥288.5 billion.

By product, we posted US$450 million in sales of XTANDI, launched in September 2012, and US$145 million for Myrbetriq, launched a month later in October 2012. Both of these products contributed to the higher overall sales in the Americas. In addition, sales of VESIcare continued to grow, up 2.9% to US$580 million. Our share of the total prescription market for OAB treatments, including VESIcare and Myrbetriq, expanded further. Also, revenues from anticancer drug Tarceva increased. However, sales of Prograf fell due partly to the impact of generics. At the same time, on a U.S. dollar basis overall sales of the pharmacologic stress agents Adenoscan and Lexiscan declined, due mainly to the impact of generics on Adenoscan, despite expanding sales of Lexiscan.

Fiscal 2014 Outlook

*Sales and year-on-year changes are based on IFRS.

We forecast regional sales of US$2,892 million, a year-on-year increase of 1.0% on a U.S. dollar basis. When converted to yen, the regional sales are expected to grow 0.8% to ¥289.2 billion. In addition to XTANDI, sales of the OAB treatments VESIcare and Myrbetriq and revenues from Tarceva are forecast to continue growing. On the other hand, we anticipate a decrease in sales of Prograf and overall sales of the pharmacologic stress agents Adenoscan and Lexiscan, mainly due to the impact of generics.

Despite a shifting landscape in the U.S., Canada and Latin America for the pharmaceutical industry and an ever more challenging business environment, we are continuing to grow a robust business in the Americas region and aggressively pursue opportunities that further reinforce our strength. This has been accomplished by ensuring best-in-class launches of our innovative therapies, including XTANDI and Myrbetriq, that serve the unmet needs of patients. In addition, we continue to ensure we maintain our leadership positions throughout our portfolio.

To accomplish this, we ensure that we prioritize investments appropriately, streamline our operations, improve our cost structure and focus on growth opportunities that contribute to the success of the organization. Finally, we continue to attract, develop and retain top talent in the industry to ensure we are well positioned for the future. We will continue to focus on the needs of patients, and ensure they are at the center of our priorities now and in the future.

Masao Yoshida
President and CEO, Americas Operations

Sales of Major Products

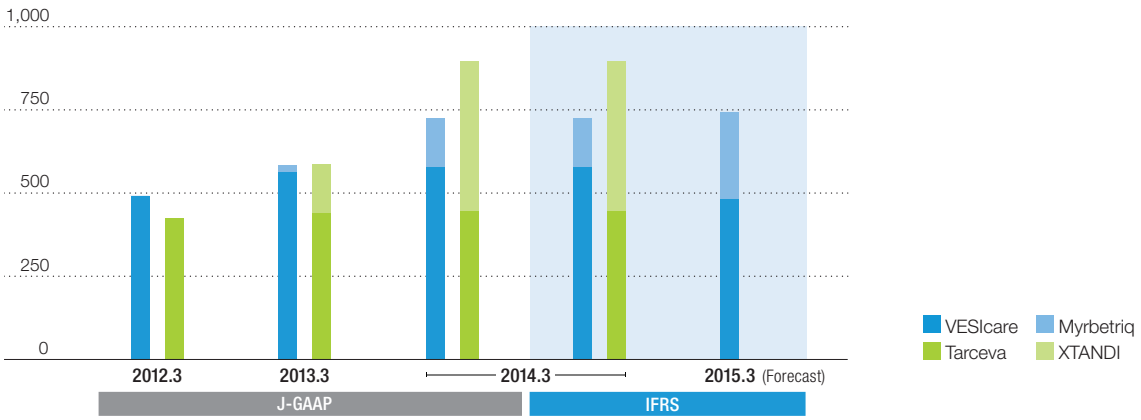
(US$ million)

		2013.3 J-GAAP	2014.3 J-GAAP	2014.3 IFRS	2015.3 (Forecast) IFRS
Sales in the Americas		2,512	↑ 2,878	2,863	↑ 2,892
Immunosuppressant	Prograf and ASTAGRAF XL	379	↓ 296	296	↓ 274
Pharmacologic stress agent	Scan (Adenoscan and Lexiscan)	639	↓ 617	617	↓ 533
	Lexiscan	572	↑ 585	585	
Antifungal agent	AmBisome	76	↑ 80	80	→ 80
Treatment for atopic dermatitis	Protopic	95	↑ 116	116	↓ 84
OAB treatment	VESIcare	563	↑ 580	580	↓ 482
OAB treatment	Myrbetriq (Launched in October 2012)	20	↑ 145	145	↑ 259
Candin-type antifungal agent	MYCAMINE	114	↑ 117	117	↓ 109
Lung and pancreatic cancer treatment	Tarceva	440	↑ 446	446	
	US	284	↑ 288	288	
	Outside of the US	156	↑ 158	158	
Prostate cancer treatment	XTANDI (Launched in September 2012)	147	↑ 450	450	↑ 560*

* Forecast for the U.S. only

Sales/Revenues of Mainstay Products

(US$ million)

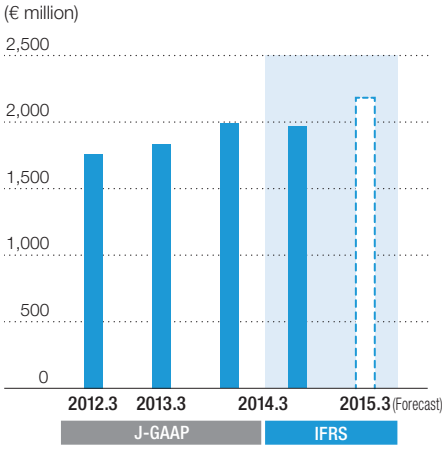


Europe*, Middle East and Africa (EMEA)

We will drive sustained growth by expanding the urology franchise and quickly establishing a business platform in the oncology field.

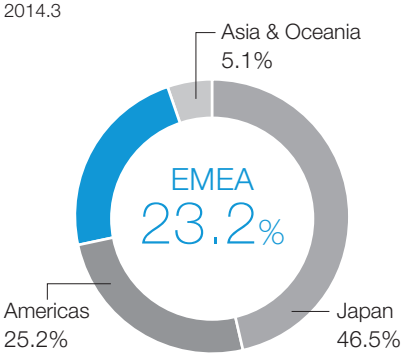
* Includes NIS countries

Net Sales



Sales by Geographical Area

2014.3



Note: Yen base
*Calculated according to the location of sellers
*IFRS

Fiscal 2013 Overview

*Sales and year-on-year changes are based on J-GAAP.

Net sales in EMEA in fiscal 2013 grew 8.5% to €1,990 million. When converted to yen, net sales rose 36.1% to ¥267.4 billion.

By product, sales of Vesicare continued to show steady growth, up strongly by 13.0% on a euro basis. The new products BETMIGA and XTANDI contributed to increased sales. Furthermore, sales of MYCAMINE grew steadily. Sales of Omnic, which goes by the brand name Harnal in Japan, through our own distribution channel were mostly unchanged from the previous fiscal year. Meanwhile, although sales of Advagraf continued growing in EMEA, sales of Prograf (including the Advagraf formulation) through our own distribution channel recorded a 1.3% decline on a euro basis due to the impact of generic products.

In terms of new products, we launched VESOMNI, a Vesicare/Omnic combination drug, in September 2013.

Fiscal 2014 Outlook

*Sales and year-on-year changes are based on IFRS.

In fiscal 2014, we project an 11.0% increase in net sales in EMEA to €2,183 million on a euro basis. This equates to ¥305.6 billion in yen terms, representing a 15.6% increase. Our forecast is based on ongoing growth in sales of XTANDI, as well as OAB treatments Vesicare and BETMIGA. Although sales of Prograf are forecast to decline on a euro basis, we expect the foreign exchange impact to result in higher sales for this product on a yen basis.

In Europe, the Middle East and Africa, Astellas has an expansive business platform, selling products in around 70 countries through more than 20 sales subsidiaries and external distributors.

Our strategic priorities are to expand the urology franchise, sustain the transplantation business, and quickly establish a business platform in the oncology field. In fiscal 2013, we continued to achieve growth in the OAB franchise combining Vesicare and BETMIGA as we worked to develop a sales organization in preparation for the launch of XTANDI.

The business environment is being reshaped by various trends including the increasing importance of economic assessments in determining drug reimbursement prices, as well as more stringent polices to curb medical expenditures in line with fiscal austerity measures. Meanwhile, emerging markets continue to expand.

We will respond flexibly to these changes in the environment and ensure that we seize on opportunities to expand business with the aim of driving sustained growth.

Ken Jones
President and CEO, EMEA Operations

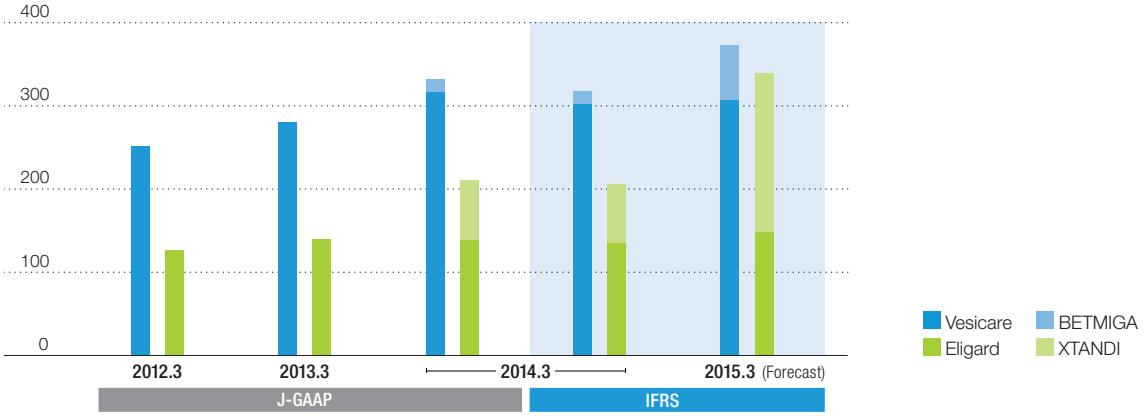
Sales of Major Products

(€ million)

		2013.3 J-GAAP	2014.3 J-GAAP	2014.3 IFRS	2015.3 (Forecast) IFRS
Sales in EMEA		1,834	↑ 1,990	1,967	↑ 2,183
Treatment for the functional symptoms associated with benign prostatic hyperplasia	Omnic, Omnic OCAS (Harnal)	181	↓ 177	176	↓ 162
	Sales by Astellas	144	↑ 145	144	↓ 133
	Bulk and Royalties	37	↓ 32	32	↓ 29
Immunosuppressant	Prograf and Advagraf (Incl. exports to third parties)	577	↓ 568	565	↓ 536
	Sales by Astellas	537	↓ 530	527	↓ 510
	Exports to third parties	40	↓ 38	38	↓ 26
OAB treatment	Vesicare	281	↑ 317	303	↑ 307
OAB treatment	BETMIGA (Launched in February 2013)	0	↑ 15	15	↑ 66
Treatment for atopic dermatitis	Protopic	43	↑ 53	52	↑ 53
Candin-type antifungal agent	MYCAMINE	56	↑ 65	64	↑ 72
Advanced prostate cancer treatment	Eligard	140	↓ 139	136	↑ 149
Prostate cancer treatment	XTANDI (Launched in July 2013)	—	↑ 71	70	↑ 190
Peripheral neuropathic pain treatment	Qutenza	8	↑ 11	11	
Anti-infective agent	DIFICLIR		10	9	

Sales of Mainstay Products

(€ million)

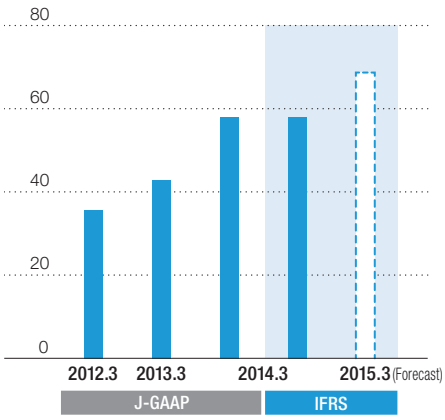


Asia & Oceania

We will achieve sustained high growth with China as the driving force.

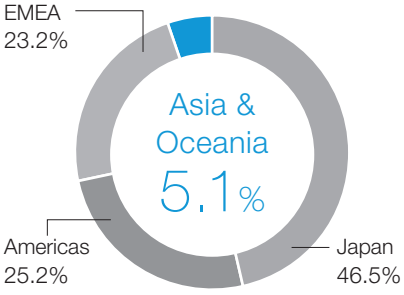
Net Sales

(¥ billion)



Sales by Geographical Area

2014.3



Note: Yen base
*Calculated according to the location of sellers
*IFRS

Fiscal 2013 Overview

*Sales and year-on-year changes are based on J-GAAP.

Net sales in Asia & Oceania increased 35.0% year on year on a yen basis to ¥58.0 billion. Excluding the foreign exchange impact, sales maintained double-digit growth, up 10.9% from the previous year. Particularly, we reported strong growth in China, accounting for about 50% of sales in the Asian region, with net sales rising approximately 13% on a local currency basis and driving overall sales growth for the region.

By product, sales of all mainstay products, including Prograf, Harnal, Vesicare and MYCAMINE, increased during the year.

In emerging markets such as Asia, we are working to expand our business through innovative high-added-value products, just as we are doing in Japan, Europe and the U.S. In the year under review, we launched many products around the region. These included XTANDI in South Korea in October 2013, and Eligard in Hong Kong and Thailand in June and November 2013, respectively.

Fiscal 2014 Outlook

*Sales and year-on-year changes are based on IFRS.

In fiscal 2014, we project sales in Asia & Oceania of ¥68.7 billion, up 18.6%. Excluding the foreign exchange rate impact, we forecast continued double-digit growth of around 18%. This includes a strong and sustained year-on-year sales increase in China. By product, we forecast steady sales growth for all mainstay products.

Astellas has expansive coverage of the Asia & Oceania region. We currently have 10 sales subsidiaries in this region, following the establishment of a sales subsidiary in Singapore in July 2013.

By working to maximize the value of our products, primarily through new drugs sold globally, we are aiming to sustain a high level of growth.

In the course of expanding our business, we remain constantly mindful of the latest developments surrounding the different intellectual property and healthcare systems of each country. We are also working hard to recruit talented human resources and further increase the motivation of employees by improving our corporate culture.

China remains the driving force behind our high growth, supported by the efforts of about 760 MRs. In this manner, we are continuously increasing our sales force in the Asia & Oceania region. At the same time, we are working to upgrade our management systems, including compliance.

Masatoshi Kuroda
Senior Vice President and
President, Asia/Oceania Business

Sales of Major Products

(¥ billion)

		2013.3 J-GAAP	2014.3 J-GAAP	2014.3 IFRS	2015.3 (Forecast) IFRS
Sales in Asia & Oceania		42.9	↑ 58.0	58.0	↑ 68.7
Immunosuppressant	Prograf	18.9	↑ 25.0	25.0	↑ 29.2
Treatment for the functional symptoms associated with benign prostatic hyperplasia	Harnal	10.9	↑ 14.9	14.9	↑ 16.8
OAB treatment	Vesicare	3.0	↑ 3.8	3.8	↑ 4.8
Candin-type antifungal agent	MYCAMINE	2.3	↑ 3.4	3.4	↑ 4.4
Treatment for atopic dermatitis	Protopic	1.7	↑ 2.6	2.6	↑ 3.6

Continuous Product Introductions (Approvals and Launches) (2013.4–2014.6)

2013

May
- **Australia** Approval of MYCAMINE

June
- **Hong Kong** Launch of Eligard

August
- **Malaysia** Approval of MYCAMINE

October
- **South Korea** Launch of XTANDI
- **Indonesia** Launch of Prograf XL

November
- **Thailand** Launch of Eligard

December
- **Vietnam** Approval of Eligard
- **Hong Kong** Approval of BETMIGA
- **Singapore** Approval of MYCAMINE
- **South Korea** Approval of BETMIGA

2014

February
- **Singapore** Approval of Eligard

March
- **Taiwan** Approval of BETMIGA

April
- **Australia** Launch of BETMIGA

May
- **Malaysia** Approval of Eligard
- **Taiwan** Approval of Eligard
- **Philippines** Approval of Advagraf

June
- **Australia** Approval of XTANDI
- **Singapore** Launch of MYCAMINE
- **Hong Kong** Launch of BETMIGA

CSR Initiatives in Business Processes

Astellas is strongly committed to respecting human rights in every stage of its business processes. Furthermore, we endeavor to ensure compliance with the Pharmaceutical Affairs Act of Japan and other relevant laws and regulations throughout our value chain, from research and development to the provision of product information.

- Ethical considerations in research on human subjects and specimens derived from humans
- Ethical considerations in animal testing
- Biosafety control
- Handling of intellectual property

- Protection of human rights, privacy and confidentiality of personal information of research subjects, and assurance of reliability in clinical trials
- Ensuring transparency in relationships with medical institutions in clinical trials
- Disclosure of study information and publication of study results

The Astellas Value Chain

RESEARCH (P54) — GLP

CLINICAL DEVELOPMENT (P54) — GCP

QUALITY AND RELIABILITY ASSURANCE (REGULATORY AFFAIRS (RA), QUALITY ASSURANCE (QA),

GMP

TECHNOLOGY & MANUFACTURING (P56)

PROCUREMENT (P57)

Promote CSR throughout the value chain in collaboration with business partners

- Measures to prevent medical malpractice and to improve the distinguishability of pharmaceuticals
- Introducing universal design to product packaging

Partners

- Suppliers
- Alliance Partners
- Contract Research Organizations

GLP (Good Laboratory Practice): Safety standards for pharmaceutical products in non-clinical studies

GCP (Good Clinical Practice): Quality standards for clinical trials of pharmaceutical products

GMP (Good Manufacturing Practice): Control and management standards for manufacturing and quality assurance of pharmaceutical products

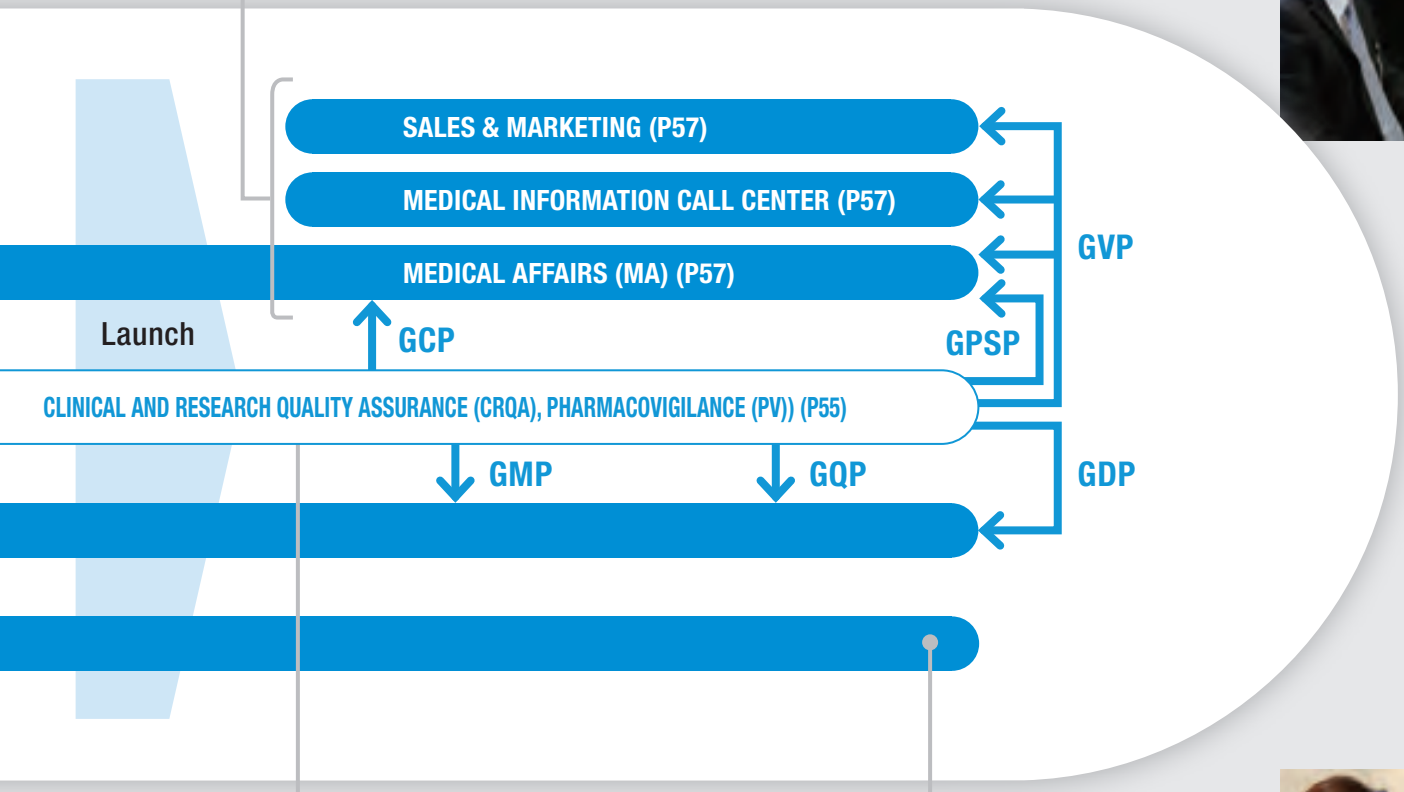
GDP (Good Distribution Practice): Standards for distribution of pharmaceutical products

GQP (Good Quality Practice): Standards governing quality control of pharmaceutical products

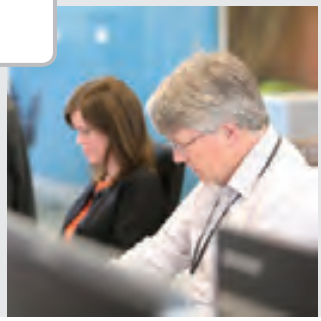
GVP (Good Pharmacovigilance Practice): Standards governing post-marketing safety management of pharmaceutical products

GPSP (Good Post-marketing Study Practice):
Standards governing post-marketing study on pharmaceutical products

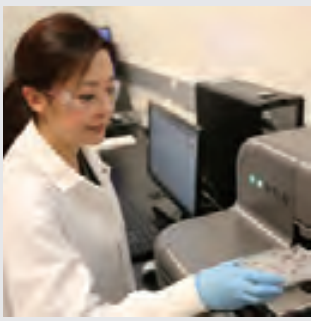
- Promoting the proper use of products and fair marketing
- Responding to inquiries



- Anti-counterfeiting activities
- Product recalls
- Establishing quality assurance policies
- Enhancing the global pharmacovigilance system



- Compliance with the CSR Procurement Guiding Principles
- Questionnaire-based surveys of suppliers
- On-site audit to certain suppliers



RESEARCH

Ethical Considerations in Research on Human Subjects and Specimens Derived from Humans

Astellas conducts research on human subjects and research on specimens derived from humans, following obtained appropriate consent in accordance with the laws, regulations and guidelines of relevant countries. In Japan, Astellas offers training for researchers in areas such as bioethics, genomic research and clinical studies, based on a strong commitment to respecting the human rights of research subjects, protecting privacy and ensuring the reliability of research. Furthermore, Astellas has an Astellas Research Ethics Committee, which consists of nine members of both genders, including 4 outside members. The Committee deliberates on the scientific propriety and the ethical acceptability of research. In fiscal 2013, the Committee met 12 times and deliberated on 27 issues.

Ethical Considerations in Animal Testing

Astellas has established the Institutional Animal Care and Use Committee, in which outside members participate as committee members, overseeing the Company's animal testing and breeding plans in Japan. In fiscal 2013, the Company established the Global Policy for the Use and Care of Animals.

Astellas' initiatives in animal testing are recognized by AAALAC International*. As a result, all of Astellas' animal testing facilities in Japan and our U.S. subsidiary Agensys have acquired accreditation from AAALAC International. In fiscal 2013, the Tsukuba Research Center and the Yaizu Technology Center received follow-up audits by AAALAC International to renew their accreditations. In March 2014, the accreditations of both facilities were renewed.

* AAALAC International: The Association for Assessment and Accreditation of Laboratory Animal Care International. An organization that promotes the humane treatment of animals through voluntary accreditation and assessment programs. Studies are undertaken both from scientific and ethical standpoints to verify the quality of animal control and use programs.

Biosafety Control

Experiments using genetically modified organisms, or materials containing pathogens are performed under the World Health Organization (WHO) Laboratory Biosafety Manual and the Centers for Disease Control and Prevention (CDC)/National Institute of Health (NIH) *Biosafety in Microbiological and Biomedical Laboratories*, as well as the laws of individual countries. In Japan, Astellas has established biosafety management rules in compliance with the Cartagena Protocol on Biosafety* and related ministerial ordinances, and has set forth detailed handling procedures. We have also set up the Biosafety Committee to review whether the experiments meet the standard required by these rules. Laboratory personnel receive regular training courses once a year (1,037 participants in fiscal 2013), in order to rigorously enforce safe and proper biosafety management and use of these organisms and suchlike. In the U.S., we conduct such experiments based on the rules established by the occupational health and safety (OHS) authorities.

* Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms

Handling of Intellectual Property

Astellas regards its intellectual property (patents in particular) relating to new compounds or other findings as valuable business assets. Employees receive ongoing training to raise their awareness on obtaining patents and swiftly making patent applications and acquiring rights. At the same time, we emphasize respecting the rights of others. We make sure our research does not infringe on third-party patents, and if necessary, we obtain approval to use them so as not to infringe on the patent estate of others.

In fiscal 2013, we unified the standards underlying our approach to intellectual property on a global basis by establishing the Global Policy on Intellectual Property.

CLINICAL DEVELOPMENT

Protection of Human Rights, Privacy and Confidentiality of Personal Information of Research Subjects, and Assurance of Reliability in Clinical Trials

In clinical trials, we investigate new drug candidates developed through drug discovery research in further detail, and assess their efficacy and safety in patients. Under the Helsinki Declaration*, clinical trials must be fully ethically planned and safely conducted with full consideration to protecting the human rights and privacy of clinical trial subjects. Furthermore, it is crucial to conduct assessments in clinical trials scientifically and accurately in order to develop new drug candidates into drugs that can be used confidently by patients. Accordingly, Astellas has a clinical development framework in place to ensure compliance with GCP and relevant laws and regulations. Moreover, our clinical trials are conducted only at medical institutions complying with the relevant laws and regulations.

Astellas has established a committee inside the Company that evaluates and monitors the ethical propriety and scientific validity of clinical studies from their planning phases. In addition, we implement education and training for employees and other staff members who are involved in clinical trials, and conduct monitoring of medical institutions that perform trials to ensure that clinical trials are performed properly according to GCP. In the course of performing clinical trials, Astellas confirms that trial subjects have provided their informed consent to participating in clinical trials, i.e., they have given their consent based on a full explanation of the substance of the trials and other details. Moreover, we properly administer the trial data so as to protect the privacy and confidentiality of personal information of the trial subjects.

* Helsinki Declaration: A statement of ethical principles for medical research involving human subjects, addressed to physicians and others who are involved in medical research on human subjects.

Ensuring Transparency in Relationships With Medical Institutions in Clinical Trials

Astellas provides disclosure of information on conflicts of interest* to ensure transparency in its relationships with medical institutions performing clinical trials.

In Japan, Astellas discloses research expenses and other fees/charges paid to medical institutions in line with the Transparency Guidelines of the Japan Pharmaceutical Manufacturers Association on our website (http://www.astellas.com/jp/transparency/index.html (Japanese only)). These efforts are directed at improving transparent relationships with these medical institutions.

* Conflicts of Interest: When companies entrust clinical trials to medical institutions, a variety of potential conflicts of interest arise between the two parties, including those concerning the payment and receipt of research fees. For the purpose of making the relationship between the two parties transparent, the potential conflicts of interests that arise between the two parties as a result of performing clinical trials must be disclosed.

Disclosure of Study Information and Publication of Study Results

Astellas believes that significant benefits of public health are acquired from disclosure of study information and results widely, not only to medical professionals and patients, but also to researchers and the general public. Besides providing information to patients who are eagerly awaiting the development of new drugs, we also believe that the disclosure contributes to medical progress by inducing the effective use of trial results obtained through the cooperation of trial subjects. We also believe that disclosure of this information is crucial to the advancement of medicine.

Astellas has formulated a global policy on the disclosure of clinical trial information and results. At the same time, we are working to disclose information on clinical trials by publishing academic papers on the trial results.

QUALITY AND RELIABILITY ASSURANCE (REGULATORY AFFAIRS (RA), QUALITY ASSURANCE (QA), CLINICAL AND RESEARCH QUALITY ASSURANCE (CRQA), PHARMACOVIGILANCE (PV))

Anti-Counterfeiting Activities

The World Health Organization (WHO) defines a counterfeit medicine as “one which is deliberately and fraudulently mislabeled with respect to contents and/or source.” Counterfeit medicines in commercial distribution not only prevent patients from receiving medical treatment, but could also impair people’s health. Counterfeit medicines have therefore become a serious problem worldwide.

Under these conditions, Astellas has established the Anti-Counterfeit Committee to help prevent and respond to counterfeit medicines globally. It has also appointed members to investigate and take action against counterfeit medicines. When selling products, Astellas systematically introduces effective anti-counterfeit technologies based on risks in each market where products are sold and product characteristics.

Additionally, Astellas carries out educational activities to prevent the spread of counterfeit medicines, in collaboration with members of the pharmaceutical industry and international organizations, such as the WHO, as well as the Pharmaceutical Security Institute and the Transported Asset Protection Association. We also support and cooperate with law enforcement agencies, such as INTERPOL, as well as national governments, judicial authorities and others to crack down on counterfeit medicines.

Product Recalls

Astellas has a recall system that is activated when the safety, efficacy or quality of a product is brought into question. The system ensures that the relevant information is promptly passed on to medical institutions and other affected parties, and a recall of the product in question.

If an event affecting safety, efficacy or quality occurs, an internal committee is convened to assess the risk posed to patients. A process is in place whereby a decision on a product recall is made based on the judgment of the committee.

In fiscal 2013, Astellas voluntarily recalled six products on a global basis. As of June 2014, we have not received any reports of health impairment related to these recalls.

Establishing Quality Assurance Policies

We have formulated the Astellas Quality Assurance Manual, which governs Group-wide policies on quality assurance. Based on this manual, we prepare guidelines and standard operating procedures concerning operational management and procedures for a variety of quality assurance tasks and quality assurance systems at the global, regional and national levels.

In addition, these documents are revised regularly and as necessary. We have a system in place that is able to respond swiftly to developments in the external environment, such as regulatory changes and amendments.

Furthermore, we have assigned quality assurance officers in Japan, the U.S. and Europe in order to promote Astellas' quality assurance efforts on a global basis. Each of these officers works closely with one another to increase awareness of these manuals, guidelines, standard operating procedures, etc., among employees.

Enhancing the Global Pharmacovigilance System

From fiscal 2012, Astellas began taking several initiatives aimed at establishing a high-quality global pharmacovigilance system that can address the different regulatory requirements of various countries. Specific initiatives included establishing an organization that can globally integrate and implement operations previously conducted in each region, improving business processes and systems, and integrating the database on safety information worldwide. We also established the "Astellas Corporate Pharmaceutical Products Safety Policy," which defines the roles that should be fulfilled by all employees, including contract employees. These initiatives have further enhanced the consistency and efficiency of Astellas' pharmacovigilance functions from the clinical development to post-marketing stages.

TECHNOLOGY & MANUFACTURING

In drug manufacturing, we place the highest priority on ensuring a stable supply of high-quality pharmaceuticals. To ensure this, we have established our own standards which comply with GMP. Under these standards, we apply rigorous high-standard quality assurance that encompasses manufacturing facilities and equipment, as well as all stages from the procurement of raw materials through to storage, manufacturing processes and shipments. We are also working to develop packaging designs from the standpoint of patients and medical professionals for the purpose of reducing the risk of any misuse of medicines.

Measures to Prevent Medical Malpractice and to Improve the Distinguishability of Pharmaceuticals

Astellas strives to supply products from the users' perspective to ensure that medical professionals and patients do not mistake one drug for another. We are taking a number of steps to prevent medical malpractice in this respect, including printing product names directly on capsules and tablets, and adopting new barcode printing on packaging sheets (blister sheets) in which the drug name and dosage can be identified even after the blister sheet is split apart. To make drugs easier to identify visually, we have adopted easily discernible colors and font types for the blister sheets of certain products. This is part of our efforts to make it harder to misread blister sheet labeling.

Introducing Universal Design to Product Packaging

We have introduced universal design to certain product packaging. One example is the universal design packaging of Bonoteo 50 mg tablets, which is administered once every 4 weeks and features packaging with outstanding opening and resealing properties. To prevent patients from forgetting to take the drug, there is a space provided on the packaging to write in the day when the drug should be taken. A decal to be used as a calendar is also attached. In addition, the packaging uses a universal design font type.

Bonoteo 50 mg tablet box

PROVISION OF PRODUCT INFORMATION (SALES AND MARKETING, MEDICAL INFORMATION CALL CENTER, MEDICAL AFFAIRS)

Promoting the Proper Use of Products and Fair Marketing

Astellas' Medical Representatives (MRs) and Medical Science Liaisons (MSLs) gather and provide information to ensure that pharmaceutical products are used properly. MRs and MSLs strive to observe high ethical standards. At the same time, MRs and MSLs strive to make compliance their top priority, observing the Astellas Global Code of Conduct, local Codes of Conduct, pharmaceutical laws, and various related ordinances established in each country.

In addition to providing information on the correct and appropriate use of our products and possible adverse effects, our MRs supply wide-ranging information on pharmaceuticals in general as well as the latest knowledge and findings on diseases to people on the medical front line. In these ways, they strive to contribute to the treatment of patients. Furthermore, our MSLs work to ascertain medical needs by discussing medical and scientific issues on a deeper level with medical professionals.

Responding to Inquiries

We also have systems to respond to product-related inquiries from local healthcare professionals, patients and MRs in various countries. In Japan, Astellas has a Medical Information Call Center, which serves as the contact point for a variety of inquiries. For inquiries that require urgent attention, we have a system that allows 24-hours-a-day responses, even late at night and on business holidays. We also have a system that ensures the continuation of the Center's functions in emergency situations, such as in the event of a major earthquake or the outbreak of an influenza pandemic. We receive more than 100,000 inquiries a year.

PROCUREMENT

Astellas believes it is important for us to fulfill our social responsibility across our entire supply chain, including suppliers. To this end, we have formulated our "CSR Procurement Guiding Principles," which require suppliers to do their business with CSR measures. We also conduct regularly questionnaire-based surveys in compliance with our "CSR Procurement Guiding Principles." The surveys cover all suppliers of direct materials as well as suppliers of main in direct materials and service suppliers and facility & equipment suppliers. To date, we have obtained responses to the surveys from 606 companies around the world. We have confirmed from these responses that there are no problems with each company's CSR procurement practices. Furthermore, we have commenced on-site audits of suppliers in countries that pose a high CSR procurement risk.

CSR PROCUREMENT GUIDING PRINCIPLES

Ⅰ Compliance with laws and promotion of CSR

Compliance with relevant laws and rules
Fair business operations based on ethical standards
Maintenance of information security
Encouragement and promotion of CSR activities

Ⅱ Respect for human rights and fair employment practices

Respect for human rights and prohibition of child labor
Employment consistent with labor-related laws

Ⅲ Management of occupational health and safety practices

Maintenance of a safe workplace environment, and the management of occupational health and safety practices

Ⅳ Responsible environmental and sustainability-related practices

Reduction of the global environmental impact, and contribution to sustainability

Ⅴ Social contribution initiatives

Participation in and support for social contribution activities

CSR Activities Related to the Employees

Basic Policy

Astellas employees play the most valuable role in shaping the Company and continuously creating new levels of corporate value, and they are one of our important stakeholders. At the same time, employees are subject to the direct influence of corporate management, and the Company fully recognizes the various social responsibilities that it must fulfill on their behalf. Astellas understands the need to provide a clear direction for employees' career development, a workplace that corresponds to the direction, and a personnel system that enables them to fully demonstrate their capabilities. We also believe that respecting the human rights, personalities and individualities of all employees and providing them with rewarding and safe workplaces will lead us to utilize human resources from around the world, maintaining and strengthening our competitiveness.

Material CSR Issues

Diversity and equal opportunities	Training and development of employees	Health, safety, and welfare of employees

Recruitment and retention of employees	Compensation and benefits	Labor relations and union practices	Child labor and forced labor

Review of Fiscal 2013 Initiatives

Promote the Senior Leadership Series (SLS), training sessions to enhance the business skills of selected directors (including executive directors and senior directors) (Global)
Launch Astellas Leaders in Action (ALA) and Future Leaders (FL) business and communication skills training programs for future potential business leaders (Japan)
Establish autonomous guidelines to prevent from exposing employees to chemical substances (solid state) in order to enhance their health and safety (Japan)

Activities to be Tackled in Fiscal 2014

In fiscal 2014, we will continue the global human resource training program introduced up until fiscal 2013. As part of this initiative, we plan to introduce a program for directors throughout the Group, aiming to strengthen key management abilities for creating corporate value with the goal of enhancing our organizational capabilities. Furthermore, to realize a company where workers find motivation and fulfilment, we will also take steps to further promote diversity and increase work-life balance.

Global Human Resources Strategy

At Astellas, to develop employees who can achieve our Business Philosophy while responding to rapid social changes, we have established personnel strategies, including “Astellas’ Desired Talent” and “Astellas’ Desired Organization.” Guided by these strategies, we are building a framework for effective deployment of our human resources, taking into consideration the best approach to recruitment, placement, appraisal and compensation of human resources, as well as career development.

Career development at Astellas involves offering career development opportunities to employees who show a willingness to take responsibility and possess the required skills. Moreover, we provide a high level of development support for talented and capable employees who show strong commitment to continuous high performance, on the bases of equal opportunity and individual capability regardless of race, gender and so on.

Furthermore, it is important that all employees who are working in various different countries move in the same direction to create corporate value. We have therefore formulated the “Five Messages for the Astellas Way,” which defines a shared set of values and actions to be embraced by our employees around the world, and we are fostering a corporate culture to realize our Business Philosophy.

Five Messages for the Astellas Way

The Five Messages to achieve Astellas’ VISION

Patient Focus
Ask yourself if your decisions or actions contribute to improving patient health.

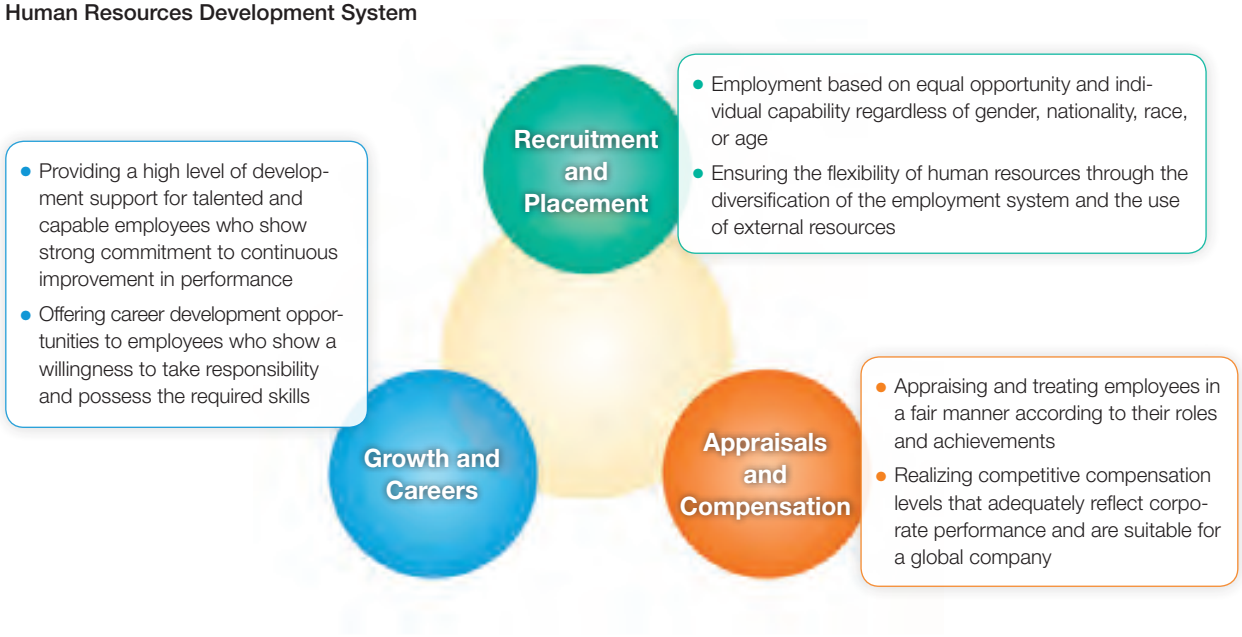
Enthusiasm
Your passion to overcome barriers can inspire others, and together you will achieve greater success.

Results
Commit to results each time you face a challenge, and consider a fresh approach to achieving them.

Communication
Open up discussion, share your concerns or good ideas and be receptive to ideas from others—whoever they are.

Integrity
Act with integrity. Always consider the implications of your actions and take responsibility for them.

Human Resources Development System



Global Human Resources Development Systems (Global Leadership Programs)

Astellas is working to develop human resources around the world in tandem with its business expansion. Since fiscal 2011 we have conducted the Executive Leadership Series (ELS), an approximately 10-month program for senior vice presidents and vice presidents selected from across functions and regions to discuss Astellas' challenges and its future plans. Furthermore, in fiscal 2012 we launched the Senior Leadership Series (SLS), an approximately 6-month program designed to enhance division strategy formulation, communication and project delivery skills of directors who are one rank lower than vice presidents. Moreover, in Japan we have launched the Astellas Leaders in Action (ALA) program for enhancing the strategy-formulation capabilities of selected potential directors, along with the Future Leaders (FL) program for improving the global communication skills of selected young candidates for future business leadership.

Respect for Diversity

Astellas aims to be a company where diverse people can play a role, irrespective of their race, nationality, gender, or age. Promoting diversity is therefore one of our main policies. By respecting diverse values, we can reflect diverse perspectives into our business activities, and we expect this will lead to greater creativity. In Japan in particular, encouraging female employees to take an active role has been a starting point for promoting diversity. Today, women account for more than 40% of our entire workforce. In Japan, however, the ratio of women in the workforce, and especially in management roles, is low compared with other regions. We are therefore working to improve this situation by creating various systems that enable women to continue working, and establishing an appropriate workplace environment. In fiscal 2013, these efforts were recognized by the Ministry of Economy, Trade and Industry, which selected Astellas as the first pharmaceutical company to be included in the Diversity Management Selection 100.

Male/Female Employee Ratio per Region and Ratio of Female Managers (Fiscal 2013)

	Japan	Americas	EMEA	Asia & Oceania	**Total**
Male	72.2%	48.8%	43.3%	46.4%	**57.8%**
Female	27.8%	51.2%	56.7%	53.6%	**42.2%**
Ratio of female managers	6.3%	48.2%	52.0%	45.2%	**28.5%**

Occupational Safety and Health

Ensuring the safety of employees in their business activities is a crucial element of corporate management. Accordingly, prevention of work-related accidents and minimization of accidents caused by workplace mishaps and hazards play an important role in Astellas' ability to provide safe workplaces and fulfill its responsibilities to employees as stakeholders.

Under the Astellas Environmental and Safety Policy, each facility is independently building environmental and safety management systems and promoting associated initiatives. As part of these efforts, to ensure safe and healthy working environments, we autonomously established our own guidelines to prevent from exposing employees to chemical substances (solid state) in 2013.

Between January and December 2013, there were 19 work-related injuries in Japan and one overseas. While paying meticulous attention to occupational safety and health, we will continue working to assure safe workplaces.

Incidence of Work-Related Injuries in Japan

	2011.1-12	2012.1-12	**2013.1-12**
Number of work-related injuries	19	35	**19**
Frequency rate of work-related injuries*1	0.00	0.30	**0.18**
Severity rate of work-related injuries*2	0.000	0.007	**0.008**

Incidence of Work-Related Injuries at Overseas Plants (January-December 2013)

	Norman Plant	Meppel Plant	Dublin Plant	Kerry Plant	Shenyang Plant
Number of injuries requiring leave of absence	0	1	0	0	0
Frequency rate of work-related injuries*1	0.00	1.70	0.00	0.00	0.00
Severity rate of work-related injuries*2	0.000	0.005	0.000	0.000	0.000

*1 Frequency rate of work-related injuries: This rate shows the number of employee deaths or injuries resulting from work-related accidents causing leave of absence per million hours of work. The larger the number, the more frequently work-related injuries occur.

*2 Severity rate of work-related injuries: This rate shows the number of days absent from work due to work-related injuries per thousand hours worked. The higher the number, the more serious the injury.

Best Place to Work

Seeking to provide employees with rewarding and safe workplaces, Astellas gives consideration to a work-life balance, and has introduced systems that enable employees to work in ways that suit their lifestyles according to regional situations. Options include flexible working hours, part-time work, and working from home. In Japan, we anticipate an increase in employees taking on nursing care obligations in the future, and we have started providing necessary information to employees about managing both nursing care and work. In fiscal 2013, we conducted a survey on nursing care covering all employees, and distributed a booklet providing basic information about nursing care.

Astellas' efforts to provide employees with a rewarding and safe workplace have garnered praise both inside and outside the Company. In 2013, the Great Place to Work Institute selected our sales subsidiaries in Brazil, Spain, Portugal and South Korea as Best Workplaces.

Number of Employees per Region and Turnover Rate

		2012.3	2013.3	**2014.3**
Japan	Number of employees	8,176	8,153	**8,082**
	Turnover rate	1.5%	1.7%	**2.1%**
Americas	Number of employees	2,919	2,980	**2,883**
	Turnover rate	12.6%	12.9%	**17.8%**
EMEA	Number of employees	4,286	4,356	**4,580**
	Turnover rate	8.1%	13.7%	**8.3%**
Asia & Oceania	Number of employees	1,704	1,965	**2,104**
	Turnover rate	13.3%	16.3%	**13.8%**
Total	Number of employees	17,085	17,454	**17,649**
	Turnover rate	6.2%	8.3%	**7.7%**

* The turnover rate in Japan excludes people retiring at the mandatory retirement age and employees moving outside of the Group due to transfer of Group businesses.
* In the Americas, the main reason for the decline in employee numbers was the reduction in the number of staff required at OSI Pharmaceuticals, Inc. and Perseid Therapeutics LLC following the reshaping of the research framework.

Respect for Human Rights

The Astellas Charter of Corporate Conduct clearly states that members of the Astellas Group shall respect human rights, the personality and individuality of all its employees, observe all applicable international rules and local regulations, and also respect all cultures and customs. The recognition of the importance of respecting human rights is shared in Group companies worldwide. In accordance with this principle of respect for human rights, the Astellas Global Code of Conduct, established in April 2012, also sets out standards on various initiatives, including respect for the human rights of employees, elimination of forced and compulsory labor, equal opportunities for employment and training, employee health and safety, and the prevention of harassment in the workplace. In order to completely spread the mindset to respect human rights, we have established a system to swiftly deal with human rights issues by setting up external and internal helplines for constant monitoring, as well as conducting training sessions for employees.

In addition, from fiscal 2013, we have conducted a paper survey for all Astellas Group companies throughout the world to determine the awareness of human rights issues in our workplaces and the status of initiatives to deal with them. In fiscal 2013 there were no serious human rights issues reported, nor any issues common to all countries.

For information about other initiatives, please visit the following websites:

Improving Employee Health/Mental Healthcare http://www.astellas.com/en/csr/employee/workplace.html

Labor and Management Communication http://www.astellas.com/en/csr/employee/respect.html

Work-Life Balance http://www.astellas.com/en/csr/employee/workplace.html

CSR Activities Related to the Society

Basic Policy

Astellas is working to enhance the sustainability of the society through its social contribution activities, including providing support to local communities and the advancement of medicine. We are also leveraging partnerships with a range of stakeholders in an effort to solve social issues which affect people throughout the world.

Material CSR Issues

Improvement of healthcare infrastructure and service to solve Access to Health issues	Societal benefit-driven product development	
Patient assistance and advocacy	Philanthropic community contribution	Advancement of medical science

Review of Fiscal 2013 Initiatives

- Promoted joint drug discovery research on neglected tropical diseases (NTDs). Developed the world's first integrated NTDs drug discovery database called iNTRODB.
- Developed an oral dispersible pediatric formulation of praziquantel for schistosomiasis.
- Decided to support “Action on Fistula” program for treating obstetric fistula in Kenya (May 2014)

- Pursued patient assistance and advocacy activities

- Implemented “Changing Tomorrow Day” activities, an initiative for employees to participate in volunteer work

- Implemented skills development training for research fellows from developing countries
- Supported research that contributes to the advancement of medicine

Activities to be Tackled in Fiscal 2014

Astellas will work to improve measures and provide disclosure of information with respect to social contribution activities such as donations, community contribution, and support for patients associations. In addition, Astellas will explore measures and leverage its strengths and technologies in addressing global social issues where it can contribute as a pharmaceuticals company, including the Post-2015 Development Agenda.

Solving Problems Related to Access to Health: Improving Healthcare Infrastructure and Services and Societal Benefit-driven Product Development

Astellas' raison d'être is to "contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products." To fulfill this business philosophy, we are conducting a wide range of activities that harness our strengths and take advantage of partnerships with other organizations. We do this in two ways: through our business activities, in which we discover innovative new drugs in therapeutic areas with high unmet medical needs; and by implementing a variety of activities that aim to solve healthcare issues in regions where access to health, including drug treatment, is inadequate. We believe that these initiatives will generate synergies with our business activities from a long-term perspective. For example, they will help us to build relationships with the governments of countries facing public health issues and our local partners through collaboration.

Joint Drug Discovery Research on Neglected Tropical Diseases*

Astellas is exploring effective treatments for diseases caused by parasitic protozoa and dengue fever, which are endemic to the tropical regions of Africa, Central and South America, and South Asia. To tackle this challenge, we are leveraging cutting-edge technology and knowledge, and working closely with the University of Tokyo, Tokyo Institute of Technology, Nagasaki University, High Energy Accelerator Research Organization, National Institute of Advanced Industrial Science and Technology (AIST), and the non-profit organization Drugs for Neglected Diseases initiative (DNDi). Now that about one year has passed since the start of this research, we have prioritized and narrowed down target proteins. Progress is also being made on research aimed at establishing a proper evaluation system for dengue fever and dengue hemorrhagic fever.

Together with Tokyo Institute of Technology, and the University of Tokyo, Astellas has developed an integrated drug discovery database for NTDs called iNTRODB (Integrated Neglected TROpical disease DataBase). In recognition of the development of iNTRODB, we received the Minister of Health, Labour and Welfare Award of the 11th annual Merit Awards for Industry-Academia-Government Collaboration granted by the Cabinet Office of Japan. With researchers from around the world able to access this database, iNTRODB is contributing to global research on NTDs.

* Neglected tropical diseases refer mainly to infectious diseases caused by parasites and bacteria, which are endemic mainly among poor populations in the tropical regions of developing countries. It is said that today more than one billion people worldwide suffer from these diseases.

Researchers from research institutes and the members of Drug Discovery Research at Astellas engaged in drug discovery research on NTDs.

Development of Pediatric Formulation for Schistosomiasis

In collaboration with other pharmaceutical companies, academia, and international non-profit organizations, Astellas is working to develop a pediatric formulation of praziquantel tablets for the treatment of schistosomiasis, which has the second highest incidence rate for a tropical disease in Africa after malaria. The pediatric formulation newly developed by Astellas was reduced to one-fourth of the current size to make it easier to swallow. The tablet is designed to disintegrate in the mouth so that it can be taken even without water. The importance of this initiative has earned international recognition and has obtained research grants from the Bill & Melinda Gates Foundation and the GHIT Fund. Clinical trials of the pediatric formulation in patients are scheduled to begin in fiscal 2014 and Astellas plans to continue providing its expertise and technology in the area of pediatric clinical development.

* GHIT Fund: Global Health Innovative Technology Fund. The GHIT Fund is Japan's first public-private partnership, established by the Japanese government, a consortium of pharmaceutical companies, and the Bill & Melinda Gates Foundation. The objective of the GHIT Fund is to promote the development of medicines to fight infectious diseases that are still endemic among impoverished countries.

Newly developed pediatric formulation of praziquantel tablet (top) and existing tablet for adults (bottom)

Support for Groundbreaking "*Action on Fistula*" Program for Treating Obstetric Fistula* in Kenya

Astellas has committed €1.5 million to establish *Action on Fistula*, an initiative that will be led by the charity Fistula Foundation from 2014 to 2017. This funding will provide support for the International Federation of Gynecology and Obstetrics (FIGO) Competency Based Training Program in Kenya. By increasing the number of fistula surgeons, the program will significantly boost the number of surgeries that take place in the country. A Fistula Treatment Network will also be created across Kenya and a major outreach program will be conducted with community workers identifying patients and encouraging them to access available treatment.

* An obstetric fistula is a hole between the vagina and rectum or bladder, causing incontinence. It is caused by prolonged obstructed labor when emergency care is unavailable. Untreated, fistula can lead to chronic medical problems including ulcerations, kidney diseases and nerve damage in the legs. Whilst virtually eradicated in developed countries, the United Nations Population Fund estimates 3,000 new cases of obstetric fistula occur annually in Kenya, with approximately 1 to 2 fistulas for every 1,000 deliveries.

Astellas employees meeting a fistula patient in Kenya.

For details, please visit the following website.

Action on Fistula Program

http://www.astellas.eu/action-on-fistula/

Support for Patients

Astellas conducts a variety of patient support activities to provide assistance to patients fighting illnesses, and their family members, on a global basis.

Starlight Partners Activities (Support for Patients Associations)

Astellas promotes Starlight Partners Activities in Japan as part of efforts to support the self-reliance and development of patients associations. Astellas Peer Support Training Sessions are held for a wide range of participants, including patients and their families, along with people who have recently formed patients associations. The training sessions help participants understand the principle of peer support, where people who share the same concerns and problems seek to understand and support one other as counselors and obtain peer support techniques. In fiscal 2013, Astellas Peer Support Training Sessions were held in three locations across Japan, attended by 26 organizations and 33 people.

At an Astellas Peer Support Training Session in Fukuoka, Japan

For details, please visit the following website.

Starlight Partners Activities

http://www.astellas.com/en/csr/social/patient/

Philanthropic Community Contribution Activities

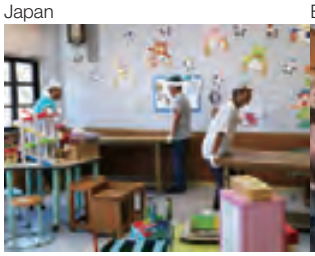
Group-wide Volunteer Activities Changing Tomorrow Day

Astellas Group employees around the world conduct a diverse range of volunteer activities to contribute to their local communities based on their support to promote health-care and maintain the environment. In fiscal 2013, more than 8,000 employees participated in 33 countries worldwide.

Changing Tomorrow Day held in fiscal 2013

Region	Participants	Volunteering hours	Number of locations	Number of countries
Japan	4,308	4,500	152	1
Americas	2,400	9,600	33	3
EMEA	713	4,296	34	21
Asia & Oceania	744	3,724	9	8
Total	8,165	22,120	228	33

Japan



EMEA

Americas

Asia & Oceania

Regional activities

Support for the Advancement of Medicine

Providing Training Opportunities for Research Fellows from Developing Countries

Through the Special Programme for Research and Training in Tropical Diseases (TDR) of the World Health Organization (WHO), Astellas accepted research fellows from developing countries and provided them with job training related to clinical development. In fiscal 2013, Astellas accepted one trainee from Ethiopia at its clinical development division in the U.S. and provided training on management skills related to clinical trials and other related areas.

Support for Research

Astellas has established foundations in Japan, the U.S., Europe, Asia and Oceania. The main activities of these four foundations are to provide financial assistance for research and other support to foster advancement in medical science, conduct philanthropic activities in local communities, and contribute relief funds to assist with disaster recovery efforts. Each foundation is operated according to the laws of the respective regions where they are active. For example, in Japan the Astellas Foundation for Research on Metabolic Disorders provides grants for research in two areas: “highly original and groundbreaking research initiatives” that help to foster an understanding of diseases and develop innovative treatment methods, and “research that promises highly significant clinical results.” In fiscal 2013, the foundation offered research grants totaling ¥104 million to 52 researchers selected from among 593 applicants. In addition, the foundation provided a total of ¥20 million in financial aid to 10 individuals studying abroad who were selected from 186 applicants.

Besides its foundations, Astellas provides support to research activities conducted by academic research institutions and other entities. This support is in line with national guidelines for ensuring transparency with respect to collaboration between pharmaceutical companies and medical professionals.

For details, please visit the following website.

Astellas Foundation for Research on Metabolic Disorders (Japanese only)
http://www.astellas.com/jp/byoutai/

Astellas USA Foundation
http://www.astellasusafoundation.org/

For further information about Astellas activities regarding the society, please visit the following websites:

Initiatives to Support Reconstruction of Areas Affected by the Great East Japan Earthquake
http://www.astellas.com/jp/whats_new/effort/index.html (Japanese only)

Donations of Ambulance http://www.astellas.com/en/csr/social/medical/ambulance.html

Gifts of Wheelchair Vehicles http://www.astellas.com/en/csr/social/medical/gift.html

Supporting United Nations Millennium Development Goals
http://www.astellas.com/en/csr/social/medical/index.html

CSR Activities Related to the Environment

Basic Policy

Astellas understands that maintaining a healthy global environment is an essential theme for building a sustainable society and is also an important element in maintaining sound business activities.

In addition to complying with legal regulations covering various environmental issues, Astellas must fulfill its corporate social responsibilities in order to sustainably grow. If Astellas cannot meet its responsibilities, its corporate value could be damaged due to a loss of social trust.

Going forward, Astellas will formulate its vision for being a responsible corporation based on a long-term global perspective that keeps future generations in mind. At the same time, we will continue efforts to address regional social issues and pursue corporate activities in harmony with the global environment.

Material CSR Issues

Efficient use of energy and reduction of greenhouse gas emissions	Waste management and hazardous water reduction	Risk mitigation and immediate remedy of environmental accidents
Water usage reduction	Air pollution reduction	Biodiversity

Review of Fiscal 2013 Initiatives

Promote measures to combat global warming
Promote initiatives for resource recycling
Continuously improve the biodiversity index

Activities to be Tackled in Fiscal 2014

To review the Environmental Action Plan based on fiscal 2013 results, add new initiatives regarding water resource measures, and step up initiatives for resource recycling.

Environmental Action Plan

Having determined its basic policy on the environment and identified aspirational guidelines, Astellas formulated its Environmental Action Plan, which outlines short- to medium-term activity targets, and has continued pursuing initiatives aimed at achieving its numerical targets. Going forward, we will review the Environmental Action Plan based on various factors including progress status and social circumstances, and add new initiatives and/or set more challenging targets.

The Company's performance on the Environmental Action Plan in fiscal 2013 is summarized below.

Fiscal 2013 Performance (Summary) against Major Numerical Targets

Numerical Targets for Environmental Action Plan	Fiscal 2013 Results
Measures for Global Warming Prevention 1) Reduce greenhouse gas emissions by 35% or more by the end of fiscal 2020 Global • Japan: Reduce greenhouse gas emissions by 30% or more • Overseas plants: Reduce greenhouse gas emissions by 45% or more 2) Reduce CO_2 emissions generated through sales activities by 30% or more by the end of fiscal 2015 Japan 3) Reduce electricity usage at our offices to 80% or less by fiscal 2015 Japan [Base year: Fiscal 2005]	1) Ratio to the base year level: 26.5% reduction Japan: 23.0% reduction Overseas: 38.2% reduction 2) Ratio to the base year level: 25.1% reduction 3) Ratio to the base year level: 92.0%
Reduce water withdrawal to the levels of 80% or less by the end of fiscal 2015 Global [Base year: Fiscal 2005]	Ratio to the base year level: 64.7%
Reduce the volume of waste for final disposal to less than 2% of the total discharged volume Japan	Ratio of the final volume of waste to the total discharged volume: 0.9%
Reduce the amount of volatile organic compounds (VOCs) discharged by 25% or more by the end of fiscal 2015 Japan [Base year: Fiscal 2006]	Ratio to the base year level: 37.3% reduction
Raise the biodiversity index to double by fiscal 2020 Global [Base year: Fiscal 2005]	Ratio to the base year level: 2.27 times

Note: Among the greenhouse gas emissions in Japan, CO_2 emissions generated through electricity usage are calculated using the following two types of coefficients.

(1) A coefficient of 0.330 kg-CO_2/kWh is used to calculate results needed to evaluate progress against the Environmental Action Plan and make investment decisions and implement countermeasures to bridge the gap between results and targets. The figures shown in the table above represent the results calculated using this coefficient.

(2) Greenhouse gas emissions (actual emissions) for each fiscal year presented in series are calculated using the Federation of Electric Power Companies of Japan (FEPC)'s actual end-use greenhouse gas emissions coefficient (hereinafter, "the electricity CO_2 emissions coefficient") for the previous fiscal year. The figures for the greenhouse gas emissions reductions shown below represent results calculated using this coefficient. (A coefficient of 0.487 kg-CO_2/kWh was used in fiscal 2013.)

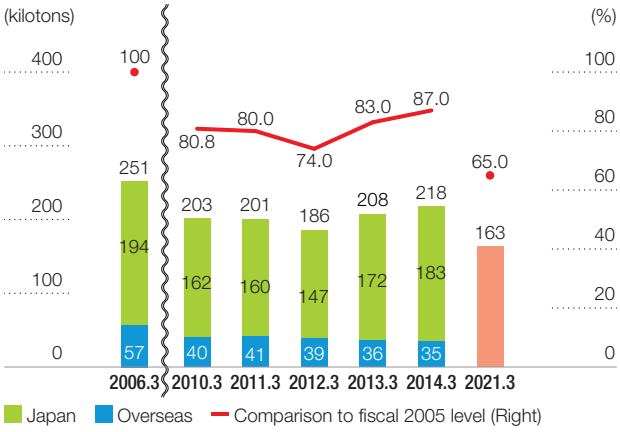
For further information on Astellas activities regarding its Environmental Action Plan, please visit the following website:

http://www.astellas.com/en/csr/environment/enviprogram.html

Reducing Greenhouse Gas Emissions

In fiscal 2013, the Astellas Group's global greenhouse gas emissions (actual emissions) were 218 kilotons. Although this was 13.0% (33 kilotons) lower than the base year level in fiscal 2005, it was 11 kilotons higher than the previous fiscal year. This increase mainly reflected the start of operation of new facilities at production facilities, which among other factors added about 8 kilotons. Another factor was an increase of about 2 kilotons from deterioration in the electricity CO_2 emissions coefficient compared to the previous fiscal year. The difference between the coefficient used to evaluate progress against the Environmental Action Plan and the coefficient used to calculate actual emissions was 0.157 kg-CO_2/kWh. The difference between these coefficients accounted for more than 34 kilotons of greenhouse gas emissions.

Greenhouse Gas Emissions (Global)



(Japan: All business locations and sales fleets; Overseas: All production facilities)

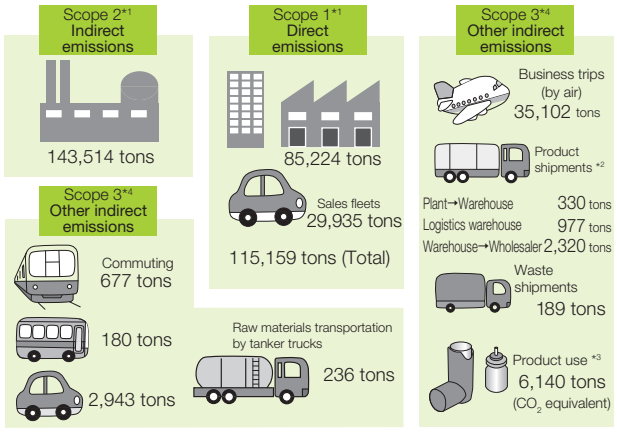
Using Renewable Energy

The direct use of renewable energy such as solar and wind power is the most effective way of mitigating global warming. Therefore, we intend to actively incorporate technologies that can be feasibly introduced. We operate a wind turbine system with a maximum output of 800 kW at the Kerry Plant in Ireland, which generated 1,802 MWh in fiscal 2013. Furthermore, a wood chip biomass boiler (maximum output of 1.8 MW) also used 34,980 GJ of heat at the Kerry Plant. These two initiatives reduced our greenhouse gas emissions by 3,163 tons. In Japan, we have installed photovoltaic panel system at the Tsukuba Research Center and the Kashima R&D Center. In fiscal 2013, those systems together generated 88 MWh, reducing our greenhouse gas emissions by 43 tons. Furthermore, the Norman Plant in the U.S. purchased 19,726 MWh of electricity in fiscal 2013, 19,634 MWh of which was generated by wind turbines.

Photovoltaic panels installed at the Tsukuba Research Center

Monitoring Greenhouse Gas Emissions in the Supply Chain

In recent years, it has become increasingly important to monitor and announce not only greenhouse gas emissions by the Company, but also greenhouse gas emissions in the supply chain, including transportation of employees, raw materials purchasing, product distribution, and waste disposal. Astellas is working to monitor greenhouse gas emissions generated by employees commuting and business trips, product distribution and other stages of operations. We aim to successively expand the scope of this monitoring and disclosure going forward.



*1 Scope is global (Japan: All business premises, sales fleets; and Overseas: All production facilities, sales fleets, principal offices and R&D centers). Includes overseas office buildings, R&D centers, sales fleets, in addition to the scope of the Environmental Action Plan.

*2 All product shipment is outsourced to third parties.

*3 Emissions due to the use of products that employ hydrofluorocarbons (HFCs) as fillers. The figure has been converted into CO_2 equivalent emissions.

*4 Items other than business trips cover all activity in Japan.

Initiatives for Biodiversity

Astellas is working to reduce the impact of its business activities in all fields on the ecosystem in order to make a positive contribution to the preservation of biodiversity. At the same time, we actively contribute to the creation of a society that coexists with the natural world, enabling the preservation of biodiversity and the sustainable use of the benefits of healthy ecosystems.

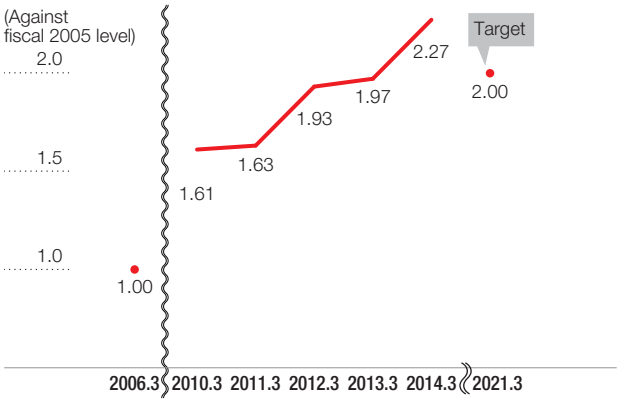
Astellas has created a biodiversity index by assessing the three main factors responsible for the deterioration of biodiversity, namely environmental pollution, resource consumption and global warming. Going forward, we will continue making improvements in each category while working toward achieving the target set for fiscal 2020, which is twice the fiscal 2005 level.

In fiscal 2013, we achieved our target biodiversity index level after this index reached 2.27 times the fiscal 2005 level. (For details on the method: http://www.astellas.com/en/csr/environment/biodiversity_sub_02.html)

Initiatives for Resource Recycling

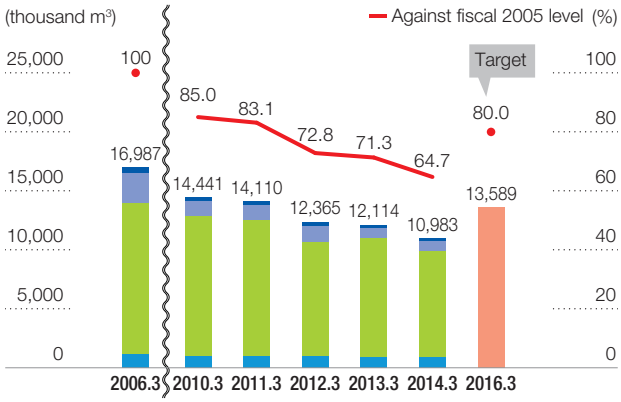
Astellas recognizes that the use of sustainable resources is essential for continuing its business activities. Accordingly, we must play an active role toward the creation of a recycling-oriented society. Astellas conducts various initiatives including the effective use of water resources and the recycling of waste materials (reuse, recycling and use of all thermal energy).

Biodiversity Index*



* Previously, we calculated the biodiversity index using consolidated net sales. From fiscal 2013, we have calculated the biodiversity index using consolidated sales based on International Financial Reporting Standards (IFRS). For reference, the biodiversity index for fiscal 2012, calculated based on IFRS-based consolidated sales of ¥981.9 billion for fiscal 2012, was 1.93.

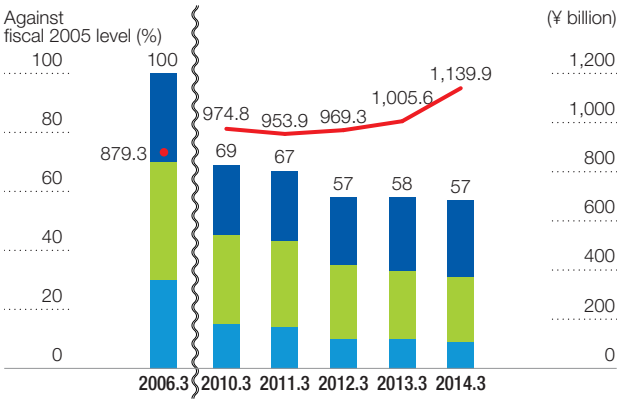
Amount of Water Withdrawal (Global)



Japan: Tap water
Japan: Industrial-use water
Japan: Groundwater
Overseas: Tap water

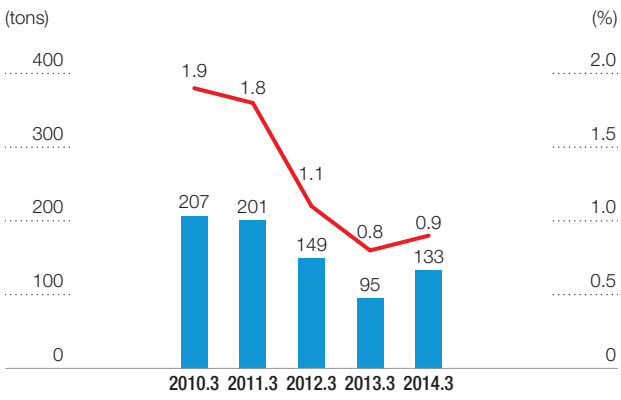
Overseas: All business sites (excluding branches / sales offices)
Japan: All production facilities

Biodiversity Burden Index and Sales



Environmental pollution
Resource consumption
Global warming
Sales (Right)

Landfill Rate and Landfill Volume of Waste



Landfill volume (Left)
Ratio of final volume of waste (Right)

For further information on Astellas activities regarding the environment, please visit the following website:
http://www.astellas.com/en/csr/environment/

CSR Activities Related to the Compliance

Basic Policy

Compliance with the law is fundamental to how Astellas conducts business. Further, we believe that we must uphold high ethical standards in our business activities and continually ask ourselves whether our activities are acceptable to society in light of common social norms and customs. Astellas defines compliance broadly to mean conducting our business activities with high ethical standards in addition to compliance with the law. This concept of compliance is the cornerstone of our CSR-based management.

We believe that always holding ourselves to high ethical standards, fulfilling our social responsibilities, and creating a sustainable society will help us earn and maintain the trust of stakeholders and enable us to achieve sustainable growth as a company.

Material CSR Issues

Compliance with laws and regulations	Business ethics and fair competition	Appropriate lobbying and political donations

Review of Fiscal 2013 Initiatives

Hold the Global Compliance Committee meeting and determine global compliance activities for fiscal 2014 (Global Compliance Initiatives for 2014).
Establish the Global Anti-Bribery and Anti-Corruption Policy and enhance Anti-Bribery and Anti-Corruption Policy regionally. Enhance guidelines to prevent bribery and corruption through third parties. Conduct third party due digligence.
Publicly disclose and/or report to authorities information regarding money paid to medical personnel and institutions in accordance with the Japan Pharmaceutical Manufacturers Association's Transparency Guideline, the "Sunshine Act" and other local laws or guidelines.
Promote compliance-related training in every region.

Activities to be Tackled in Fiscal 2014

To discuss and decide on global policies, training plans and other matters for 14 projects selected as Global Compliance Initiatives for 2014 by holding meetings with a global task force comprised of representatives from each of the Company's regions in order to accelerate and enhance global compliance initiatives.

Promoting Compliance

In addition to requiring all employees to observe applicable laws and regulations, we believe that providing employees specific criteria for making decisions is necessary to uphold high ethical standards in our business activities. Such criteria must be continuously reviewed and modified as appropriate to accommodate changes in society and systems.

Using this basic approach, we have the Astellas Charter of Corporate Conduct, which specifies the Company's business philosophy (raison d'être, mission, beliefs). We also have the "Astellas Global Code of Conduct" as a code that uniformly applies to Astellas employees throughout the world. The Astellas Global Code of Conduct provides employees worldwide with a set of specific rules that follows our business philosophy and the Astellas Charter of Corporate Conduct.

However, since it is not possible for the Astellas Global Code of Conduct to encompass all of Astellas' global business activities, we have codes of conduct and policies specific to each region or country that take into account local requirements, enabling our compliance programs.

In fiscal 2013, Astellas has strengthened compliance and the Global Compliance Committee focused on 14 matters that would benefit from a global approach (e.g. anti-bribery/anti-corruption, conflicts of interest, transparency and anti-harassment). In establishing the Global Compliance Initiatives for 2014 (see the table below), the Committee gave approval for representatives from each region to form a task force to create global policies and create a globally-unified training plan, among other measures.

Global Compliance Initiatives for 2014

	Focus on Financial Transaction		Information	People
	Payments	Anti-Bribery/Anti-Corruption		
Ongoing Risk evaluation	Employee compliance survey			
		Anti-Bribery/Anti-Corruption		
Enhanced Policies	Policy Committee			
Additional Process controls	Global approval system for payments to healthcare professionals and organizations		Internal presentation review process	External presentation review process
	Transparency			
	Global collaboration on review process for payments to healthcare professionals and organizations			Conflicts of interest
	Donations			
Enhanced Training programs			Responsible communication	Anti- Harassment
			Social media	
Ongoing Helpline Activities	Ongoing Helpline Activities			

Anti-Bribery/Anti-Corruption Initiatives

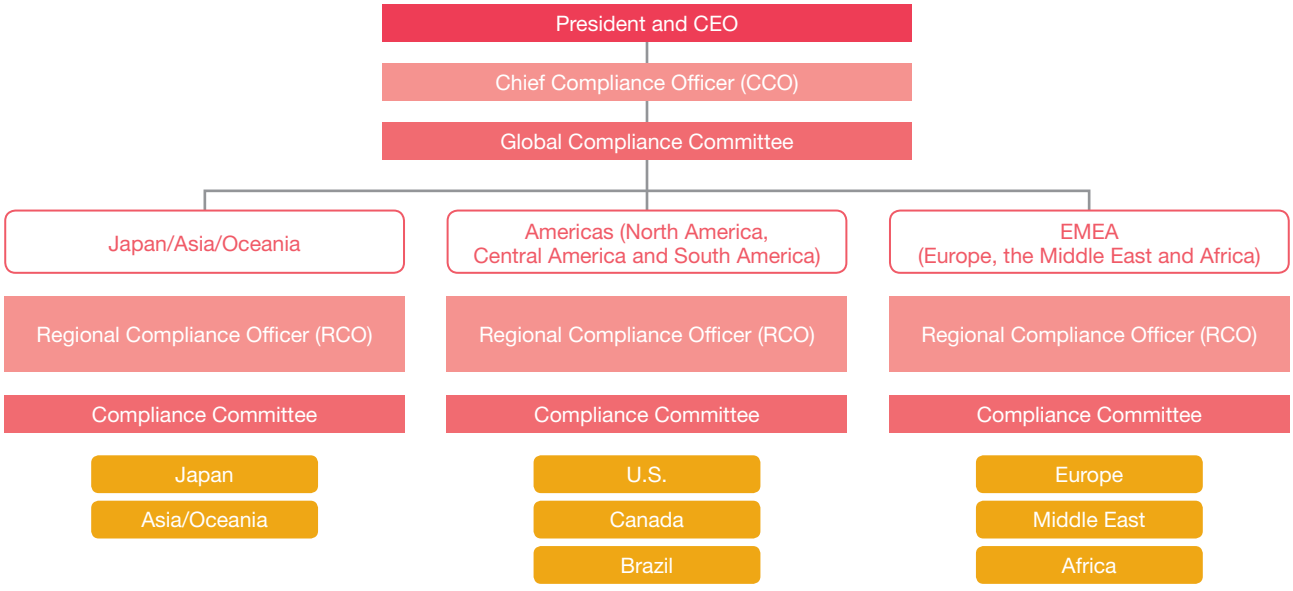
Globally, countries have enacted laws and other measures to target corruption and bribery. In some countries, new stricter laws have been implemented. For example, authorities in both the U.S. and the U.K. have increased enforcement efforts regarding bribery of foreign government officials. Anti-corruption is one of the ten principles of the United Nations Global Compact, to which Astellas is a signatory.

Against this backdrop, Astellas has strengthened its process to prevent bribery and other forms of corruption. Specific steps include establishing Global Anti-Bribery and Anti-Corruption Policy, which elaborates on the rules and principles designed to prevent bribery and corruption set forth in the Astellas Global Code of Conduct. We also have enhanced regional anti-bribery and anti-corruption policies and procedures, and enhanced third party due diligence guidelines. Additionally, we are conducting ongoing global training which includes continued training for chief compliance officers at our bases in Japan, Asia/Oceania, EMEA and the Americas, as well as enhanced global and regional training to our employees. Each of these measures has effectively strengthened awareness of global anti-bribery and anti-corruption regulations.

Transparency Guideline and the Sunshine Act

Astellas conducts basic medical and pharmaceutical research and clinical development of new drugs in collaboration with physicians, researchers, universities, and other research and medical institutions in bringing innovative medicines to patients worldwide. It is therefore important to reassure stakeholders that the business activities of pharmaceutical companies are founded in a high sense of ethics and are intended to contribute to the advancement of medicine and pharmacology. To this end, pharmaceutical and medical device companies are required to provide information on their payments to physicians and medical institutions. In Japan, this disclosure is stipulated by the guideline of the Japan Pharmaceutical Manufacturers Association (Transparency Guideline), while in the U.S. it is set out in the Sunshine Act. There are also similar laws and regulations in other countries. Following these laws and guidelines, Astellas has established a structure for collecting and organizing this information swiftly and appropriately. Having done so, we then disclose it publicly, report it to the authorities, or take other steps as required in a timely and appropriate manner.

Astellas Global Compliance System



Compliance Training

In addition to continuing to enhance compliance globally through enhanced policies, controls and organizational structure, we are expanding compliance training in each region to help maintain a compliance-oriented mindset in our employees.

In fiscal 2013, we conducted training for employees in every region in a number of ways including, according to necessity and priority, in-person and online training. The training themes included anti-bribery and anti-corruption, national transparency laws and guidelines, the Astellas Global Code of Conduct, national pharmaceutical association codes, conflicts of interest, preventing fraud and abuse, anti-harassment, pharmacovigilance, and increasing compliance awareness overall. In Japan, each division determined its own key compliance risks and conducted training. In fiscal 2014, we plan to add new training themes, including responsible use of social media, protection of personal information, and continuing to encourage use of helplines. We will carry out appropriate training at both global and local levels.

Compliance Helpline

We have compliance helplines (hotlines) in each region. By making use of these helplines, employees can report and receive advice on how to respond to and report actual or suspected misconduct. In many countries, external and internal helplines have also been put in place. Employees in each region are directed to and provided with guidance and training on how to use the helplines. In Japan, a separate sexual harassment helpline is also available.

Helplines are available in employees' native languages. Astellas fosters an environment that encourages employees to use the compliance helplines and has stipulated a regulation of non-retaliation against those who raise a concern or report a suspected compliance breach truthfully and in good faith, even if the concern or report is not substantiated.

In fiscal 2014, our helplines received reports and consultation requests in each region. Matters raised include conflicts of interest, power harassment, sexual harassment and the promotion code. In response, we conducted thorough investigations and took appropriate actions in accordance with local requirements and processes.

For further information on Astellas activities regarding compliance issues, please visit the following website:

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

UNITED NATIONS GLOBAL COMPACT INITIATIVES

Endorsing the United Nations Global Compact

In October 2011, Astellas expressed its support for the United Nations Global Compact (the UN Global Compact), which consists of ten basic principles related to the four fields of human rights, labor, the environment and anti-corruption. The UN Global Compact requires its signatories to make voluntary efforts in realizing the ten principles.

Since the signing of the UN Global Compact, we have been further reinforcing our CSR based management approach to “Contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products” to realize our raison d’être.

THE GLOBAL COMPACT
WE SUPPORT

The UN Global Compact’s Ten Principles and Astellas’ Initiatives

	The UN Global Compact’s Ten Principles	Our Initiatives
HUMAN RIGHTS	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2 Make sure that they are not complicit in human rights abuses.	• Respect for human rights (P52, P61) • Emphasis on diversity (P60) • Respect for the human rights and personal information of patients undergoing clinical trials (P55) • Ethical considerations in the use of specimens derived from humans (P54) • Promotion of CSR procurement (Respect for human rights and fair employment practices at our business partners) (P57) • Compliance helpline (P73)
LABOR	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4 The elimination of all forms of forced and compulsory labor; Principle 5 The effective abolition of child labor; and Principle 6 The elimination of discrimination in respect of employment and occupation.	• Provision of opportunities for communication between labor and management (P61) • Prohibition of forced and compulsory labor (P61) • Promotion of CSR procurement (Management of occupational health and safety practices and prohibition of child labor at our business partners) (P57)
ENVIRONMENT	Principle 7 Businesses should support a precautionary approach to environmental challenges; Principle 8 Undertake initiatives to promote greater environmental responsibility; and Principle 9 Encourage the development and diffusion of environmentally friendly technologies.	• Reduction of greenhouse gas emissions (P68) • Initiatives for biodiversity (P69) • Initiatives for resource recycling (P69)
ANTI-CORRUPTION	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	• Reinforcement of global compliance system (P71) • Anti-bribery/Anti-corruption Initiatives (P72) • Promotion of CSR procurement (Compliance with laws and promotion of CSR at our business partners) (P57)

Source: The UN Global Compact’s ten principles

The UN Global Compact asks companies, as responsible members of society, to pursue voluntary activities aimed at building global frameworks for realizing sustainable growth. As of the end April, 2014, over 10,000 companies and organizations in 145 countries have declared their agreement with the principles.

Global Compact Japan Network and Astellas

The Global Compact Japan Network (GC-JN) was launched as a local network in Japan in December 2003, to serve as a platform for implementing the ten principles of the United Nations Global Compact, which are related to four fields. The GC-JN is made up of 186 Japanese companies and organizations that have agreed with the philosophy of the United Nations Global Compact (as of April 2014). The organization plans and holds symposiums, workshops and study meetings based on the four fields and ten principles. It also conducts research and makes proposals on sustainable global development. As a member of the GC-JN, Astellas dispatches personnel to the organization, and uses its membership to promote CSR-based management by learning about social trends and leading examples from other companies, while participating in subcommittees and study groups and building networks that include companies in other sectors.

At the fiscal 2013 GC-JN Symposium
Participants took discussion and ideas on CSR activities to a deeper level by examining the theme of "CSR and Management for the Future."

My Experience in the Global Compact Japan Network

I have been working on assignment at the GC-JN since October 2012. Through meetings and close exchange of information with the United Nations Global Compact Headquarters in New York, and over 100 local networks, I have directly experienced the global trend in CSR and its dynamism. I have seen first-hand the front lines where a vigorous discussion on the common theme of CSR is taking place between people of different cultural and political backgrounds, and across different industries. Seeing the day-to-day progress of the CSR world has been a tremendous stimulation for me.

In Japan, enthusiastic network members organize regular activities such as subcommittees and seminars across industry boundaries to share their initiatives and issues related to CSR activities between companies and organizations. They disseminate the results of these activities to the public in an effort to raise the level of one another's CSR activities. These self-initiated initiatives are an extremely unique and valuable characteristic among the local networks throughout the world. The practice and promotion of CSR-based management is founded on the awareness of individual employees, and I recognize that I have an important role in ensuring that the knowledge and experience that I am gaining from GC-JN is fully utilized in Astellas' CSR activities. I believe that the daily efforts of each employee in their workplace can change the future for patients, and increase Astellas' enterprise value.

Yoshimi Ohno
On assignment to GC-JN since October 2012

CORPORATE GOVERNANCE

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

Basic Policy on Corporate Governance

The Astellas business philosophy comprises 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 four Beliefs—a 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 Global Code of Conduct" as basic compliance rules that are common throughout the group. By adhering steadfastly to these principles and standards, we strive to earn the support and trust of all stakeholders.

Corporate Governance Systems and Measures

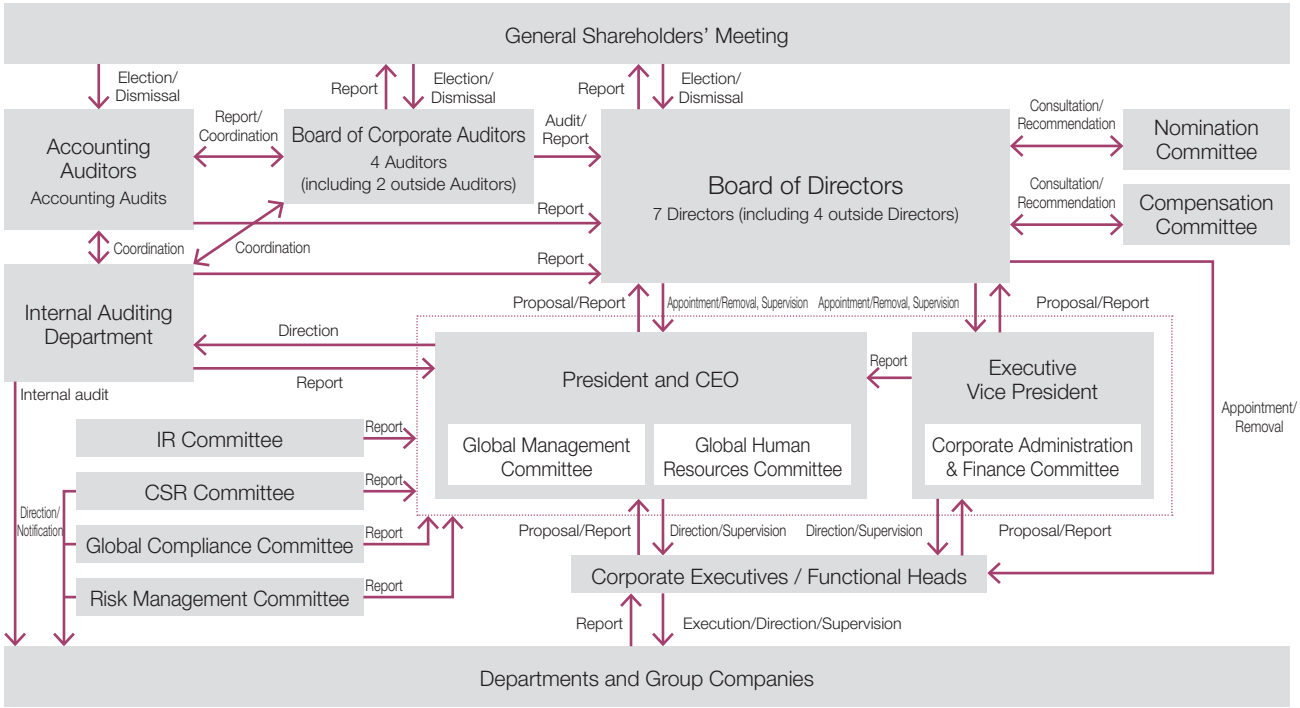
■ Board of Directors

The Company has put into place a Corporate Executive System. This system clearly separates the roles of the Directors, who are in charge of management decision making and supervising business execution, from the roles of the Corporate Executives, who are in charge of business execution.

With respect to the Board of Directors, it now comprises seven members, including four outside Directors, in order to promote decision-making and supervise business execution from a broader viewpoint, and it meets once every month as a general rule. Directors are elected at the annual General Shareholders' Meeting. In the interest of clarifying management responsibilities and strengthening corporate governance, each Director is elected for a one-year term.

At Astellas, the Nomination Committee and the Compensation Committee serve as advisory bodies to the Board of Directors. Outside Directors account for the majority of members on these committees. These committees ensure the transparency and objectivity of the deliberation process for the nomination and the compensation system of Directors and Corporate Executives.

Corporate Governance at Astellas



■ Board of Corporate Auditors

Astellas uses a Corporate Auditor System. The Board of Corporate Auditors consists of four Corporate Auditors, including two outside ones, and each Corporate Auditor conducts audits of performance of duties by Directors. Audits are carried out effectively by both full-time internal Corporate Auditors, who are very familiar with issues in the Company, and outside Corporate Auditors, who have a high degree of independence and a wealth of actual experience and familiarity in various specialist fields. Furthermore, a full-time staff member is assigned to assist the Corporate Auditors in carrying out their duties. The function of the Corporate Auditors is enhanced through cooperation with the Accounting Auditors and the Internal Auditing Department.

As a general rule, the Board of Corporate Auditors meets once a month.

■ Outside Directors and Outside Corporate Auditors

All four outside Directors are independent Directors with no conflict of interest with general shareholders. Each outside Director has a specific area of expertise, such as business management, law, or medicine. They make use of their wide-ranging experience and expertise to participate in decision-making at Board of Directors meetings and oversee business execution from an independent standpoint.

Both of the two outside Corporate Auditors are also independent Auditors. They draw on their specific expertise in such areas as finance, accounting, and business management, and their extensive experience to audit the Directors' performance of their duties from an independent standpoint.

Expected Role of Outside Directors and Outside Corporate Auditors

Position	Name	Expected Role	Attendance at meetings of the Board of Directors and Board of Corporate Auditors during fiscal 2013
Outside Director	**Naoki Aikawa, M.D. Ph.D.**	Naoki Aikawa currently plays a key role as an outside Director for management of the Company from an independent position. The Company is confident that he will draw on his abundant specialized knowledge and experience as a doctor of medicine in management of the Company in the future as well.	16/17 times
	Yutaka Kase	Yutaka Kase currently plays a key role as an outside Director for management of the Company from an independent position. The Company is confident that he will draw on his abundant experience in corporate management in management of the Company in the future as well.	14/14 times
	Hironobu Yasuda	Hironobu Yasuda currently plays a key role as an outside Director for management of the Company from an independent position. The Company is confident that he will draw on his abundant specialized knowledge and experience as an attorney-at-law in management of the Company in the future as well.	13/14 times
	Etsuko Okajima	Etsuko Okajima has abundant experience in corporate management. The Company is confident that she will draw on her experience in corporate management in management of the Company from an independent position.	Inaugurated in June 2014
Outside Corporate Auditor	**Shigeru Nishiyama**	Shigeru Nishiyama currently plays a key role as an outside Corporate Auditor from an independent position. The Company is confident that he will draw on his abundant specialized knowledge and experience as a business scholar and a certified public accountant in audit of the Company in the future as well.	17/17 Board of Directors meetings 15/15 Board of Corporate Auditors meetings
	Toshiko Oka	Toshiko Oka has abundant experience in corporate management. The Company is confident that she will draw on her experience in corporate management in audit of the Company from an independent position.	Inaugurated in June 2014

■ Compensation of Directors and Corporate Auditors

With a basic policy of contributing to continued growth of business results and improved enterprise value of the Company, the compensation paid to Directors and Corporate Auditors of the Company is designed to enable the Company to attract and retain competent persons, and maintain sufficient compensation standards and system to meet the duties and responsibilities of the Directors and Corporate Auditors. In establishing compensation standards, the Company has improved objectivity by using, among other things, research data issued by an outside research company.

Compensation paid to Directors consists of three components, namely, basic fixed compensation, bonuses and stock options. Outside Directors receive only basic fixed compensation. Corporate Auditors (including outside Corporate Auditors) receive only basic fixed compensation.

(¥ million)

		Type of Compensation*		
	Total Compensation*	Base Salary	Stock Options	Bonus
Directors (excluding outside Directors): 4	511	284	112	114
Corporate Auditors (excluding outside Corporate Auditors): 3	88	88	—	—
Outside Directors and outside Corporate Auditors: 8	72	72	—	—

* The total amount of compensation shown here is the amount paid as compensation for the performance of duties during fiscal 2013, and includes the amount paid to those of three Directors (including two outside Directors) and one Corporate Auditor who retired during fiscal 2013.

Top Management Structure

Current Position	Department in-charge
President and CEO Yoshihiko Hatanaka	Internal Auditing, Medical Affairs, Drug Discovery Research, Technology, Sales & Marketing, Asia/Oceania Business, EMEA Operations, Americas Operations
Executive Vice President Yoshiro Miyokawa	External Relations, General Affairs, Human Resources, Legal & Compliance, Executive Office
Chief Financial Officer Yasumasa Masuda	Corporate Finance & Control, Accounting & Tax, Corporate Communications, Procurement, Information Systems
Chief Strategy Officer Kenji Yasukawa, Ph.D.	Corporate Planning, Product and Portfolio Strategy, Licensing & Alliances, Innovation Management, Intellectual Property
Chief Medical Officer Sef Kurstjens, M.D., Ph.D.	Global Development, Global Pharmacovigilance, Global Medical Affairs, Global Regulatory Affairs, Global Clinical and Research Quality Assurance, Global Quality Assurance

Reinforcement of the Global Management System

The Company has established the Global Management Committee, the Corporate Administration & Finance Committee, and the Global Human Resources Committee to ensure the smooth execution of business at a global level. These committees discuss important matters related to global management, finance, accounting and corporate administration, and human resources, respectively.

In order to respond quickly to changes in the business environment and to make quicker and more appropriate decisions, Astellas is promoting a “matrix management” structure that consists of a functional axis—covering the functions of Drug Discovery Research, Medical and Development, and Technology—as well as a geographical region axis covering the sales & marketing function.

Top management and the officers responsible for each of the functions and regions attend Global Management Committee meetings. Astellas also has committees responsible for other aspects of business execution. They are the CSR Committee, the Global Compliance Committee, the Risk Management Committee, and the IR Committee.

Business Execution Committees

Committee Name/ Chairman	Role
Global Management Committee/ President and CEO	Discusses important matters pertaining to product strategy as well as management-related matters, such as research, development, technology, and sales and marketing.
Corporate Administration & Finance Committee/ Executive Vice President	Discusses important matters concerning finance, accounting and corporate administration.
Global Human Resources Committee/ President and CEO	Discusses appointment and dismissal of Corporate Executives, department general managers, and important positions in Group companies as well as other important matters concerning human resources.
CSR Committee/ Chief Strategy Officer	Discusses matters pertaining to CSR initiatives for Astellas as a whole.
Global Compliance Committee/Executive Vice President	Discusses policies and plans concerning compliance covering the whole of Astellas as well as important matters concerning compliance.
Risk Management Committee/Executive Vice President	Discusses important policies, measures and other matters for promoting risk management.
IR Committee/ Chief Financial Officer	Discusses investor relations (IR) activity policies and plans as well as the formulation, revision, and other matters concerning the Company’s corporate disclosure policy.

Accounting Audit

Ernst & Young ShinNihon LLC serves as the Company's Accounting Auditor. The Accounting Auditor and the Company's Corporate Auditors maintain close cooperation by meeting several times a year. At these meetings, they discuss their annual audit plans and the results of audits, and they share important audit information. Furthermore, to ensure the reliability of financial reporting, the Company has established and is operating an internal control system for financial reporting that complies with standards generally accepted in Japan, and assesses the effectiveness of the system as appropriate.

	(¥ million)
Accounting Auditor's compensation in fiscal 2013	165
Total amount of cash and other material benefits payable to Accounting Auditor by the Company and its subsidiaries	193

Measures to Improve the Internal Control System

The Company has put into practice a group-wide system to promote honest corporate activities firmly rooted in a disciplined and sound corporate culture. The Company has established an internal control system in every part of the 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 that audits by Corporate Auditors are carried out effectively. Through these efforts, the Company is working to ensure that the entire Astellas group's business is duly executed.

Details on this system of internal controls are available on the Company's Web site, and in the reports concerning corporate governance submitted to the stock exchanges, etc.

Efforts to Invigorate the General Shareholders' Meeting and Facilitate Smooth Exercise of Voting Rights

Seeking to invigorate its General Shareholders' Meeting, the Company sends out convocation notices three weeks in advance of its annual General Shareholders' Meeting. We also hold such meetings on days when there is no concentration of other companies' shareholders' meetings. To enhance the environment for the exercise of voting rights, meanwhile, we utilize an electronic voting platform operated by a joint venture in which the Tokyo Stock Exchange and other entities own equity stakes.

Astellas also prepares an English translation of its convocation notices and makes both the Japanese original and its English translation available on its corporate website.

Disclosure of Information

Astellas recognizes that the timely and appropriate disclosure of corporate information underpins the creation of a healthy capital market. The Company has established the Disclosure Policy based on its policy to make timely and fair disclosure of accurate corporate information concerning financial results and other matters to participants of capital markets and the news media in accordance with laws, regulations and listing regulations.

The Company has established the IR Committee, with the aim of implementing proper IR activities for investors. The IR Committee discusses matters, such as the disclosure of material information, pursuant to the Disclosure Policy.

The Company's main IR activities in fiscal 2013 included holding regular briefings on financial results for securities analysts, institutional investors and news media, as well as participation in conferences held by securities companies both in Japan and overseas. In Japan, we also held briefings for individual shareholders and other individual investors.

DIRECTORS AND CORPORATE AUDITORS (as of June 18, 2014)

1. Masafumi Nogimori
Representative Director and Chairman

1970: Joined Fujisawa Pharmaceutical Co., Ltd.
1997: Member of the Board, Fujisawa Pharmaceutical Co., Ltd.
1998: President, Fujisawa GmbH
2000: Resigned as Member of the Board, Fujisawa Pharmaceutical Co., Ltd., Corporate Vice President, Fujisawa Pharmaceutical Co., Ltd.
2001: Corporate Vice President, Associate Executive Director of Ethical Pharmaceuticals and Director of Pharmaceutical Planning, Fujisawa Pharmaceutical Co., Ltd.
2001: Corporate Senior Vice President and Director of Global Corporate Strategies Planning, Fujisawa Pharmaceutical Co., Ltd.
2003: Member of the Board, Fujisawa Pharmaceutical Co., Ltd.
2004: Corporate Executive Vice President and Member of the Board, Fujisawa Pharmaceutical Co., Ltd.
2005: Executive Vice President and Representative Director of the Company
2006: President & CEO and Representative Director of the Company
2011: Chairman and Representative Director of the Company (present post)

2. Yoshihiko Hatanaka
Representative Director, President and CEO

1980: Joined Fujisawa Pharmaceutical Co., Ltd.
2003: Director of Corporate Planning, Fujisawa Pharmaceutical Co., Ltd.
2005: Vice President of Corporate Planning, Corporate Strategy Division of the Company
2005: Corporate Executive and Vice President of Corporate Planning, Corporate Strategy of the Company
2006: Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.
2008: Senior Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.
2009: Senior Corporate Executive of the Company, Corporate Strategy and Corporate Finance (CFO & CSTO)
2011: President & CEO and Representative Director of the Company (present post)

3. Yoshiro Miyokawa
Representative Director and Executive Vice President

1975: Joined the Company
2003: Vice President of Business Process Reengineering of the Company
2005: Vice President of Post-Merger Integration Operation of the Company
2005: Corporate Executive and Vice President of Post-Merger Integration Operation of the Company
2005: Corporate Executive and Vice President of Business Innovation of the Company
2006: Corporate Executive and Vice President of Human Resources, Corporate Administration Division of the Company
2007: Corporate Executive and Vice President of Human Resources of the Company
2008: Corporate Executive of the Company, Corporate Administration (CAO)
2008: Senior Corporate Executive of the Company, Corporate Administration (CAO)
2011: Executive Vice President and Senior Corporate Executive of the Company, Corporate Administration (CAO)
2013: Executive Vice President and Representative Director of the Company, Corporate Administration and Compliance (CAO & CCO) (present post)

4. Naoki Aikawa, M.D., Ph.D.
Outside Director

1969: Assistant in Surgery, School of Medicine, Keio University
1973: Research Fellow in Surgery, Harvard Medical School
1978: Chief Surgeon, Saiseikai Kanagawaken Hospital
1988: Associate Professor, Emergency & Critical Care Medicine, School of Medicine, Keio University
1992: Professor, School of Medicine, (Emergency and Critical Care), Keio University
1999: Director, Keio University Medical Media Center
2003: General Director, Keio University Hospital
2009: Professor Emeritus, Keio University (present post)
2009: Special advisor (Part-time), Social Welfare Organization Tokyo Saiseikai Central Hospital (present post)
2011: Director of the Company (present post)

5. Yutaka Kase
Outside Director

1970: Joined Nissho Iwai Corporation
2001: Executive Officer, Nissho Iwai Corporation
2003: Managing Executive Officer and Director, Nissho Iwai Corporation
2004: Senior Managing Executive Officer and Representative Director, Sojitz Corporation
2004: Executive Vice President and Representative Director, Sojitz Corporation
2007: President and Representative Director, Sojitz Corporation
2012: Chairman and Representative Director, Sojitz Corporation (present post)
2013: Director of the Company (present post)

6. Hironobu Yasuda
Outside Director

1978: Public Prosecutor, Tokyo District Public Prosecutors Office
2004: Public Prosecutor, Tokyo High Public Prosecutors Office
2005: Chief Appeals Judge (Director of Tokyo Regional Tax Tribunal)
2009: Chief Prosecutor, Yamaguchi District Public Prosecutors Office
2010: Public Prosecutor, Supreme Public Prosecutors Office
2010: Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association)
2012: Partner, Seiryo Law Office (present post)
2013: Director of the Company (present post)

7. Etsuko Okajima
Outside Director

1989: Joined Mitsubishi Corporation
2001: Joined McKinsey & Company, Inc., Japan
2002: Joined GLOBIS Management Bank, Inc.
2004: Executive Officer, GLOBIS Corporation
2005: President and Representative Director, GLOBIS Management Bank, Inc.
2007: Established ProNova Inc.
President and Representative Director, ProNova Inc. (present post)
2014: Director of the Company (present post)

8. Go Otani
Corporate Auditor

1980: Joined the Company
2009: Vice President of Internal Auditing Department of the Company
2013: Assistant to President
2013: Corporate Auditor of the Company (present post)

9. Tomokazu Fujisawa
Corporate Auditor

1984: Joined Fujisawa Pharmaceutical Co., Ltd.
1999: Director of Planning, Medical Supply Business, Fujisawa Pharmaceutical Co., Ltd.
2006: Assistant to Senior Vice President, Corporate Finance & Accounting and Project Leader of J-SOX Project of the Company
2007: Project Leader of J-SOX Project of the Company
2013: Vice President of Internal Auditing of the Company
2014: Assistant to President of the Company
2014: Corporate Auditor of the Company (present post)

10. Shigeru Nishiyama
Outside Corporate Auditor

1984: Joined Sanwa Tokyo Marunouchi Audit Corporation (currently Deloitte Touche Tohmatsu LLC)
1995: Established Nishiyama Associates
2002: Associate Professor, Graduate School of Asia-Pacific Studies, Waseda University
2006: Professor, Graduate School of Asia-Pacific Studies, Waseda University
2008: Professor, Graduate School of Commerce, Waseda University (present post)
2012: Corporate Auditor of the Company (present post)

11. Toshiko Oka
Outside Corporate Auditor

1986: Joined Tohmatsu Touche Ross Consulting Limited (currently ABeam Consulting Ltd.)
2000: Joined Asahi Arthur Andersen Limited
2002: Principal, Deloitte Tohmatsu Consulting Co., Ltd. (currently ABeam Consulting Ltd.)
2005: President and Representative Director, ABeam Consulting Ltd. (currently maval partners Inc.) (present post)
2008: Outside Director, Netyear Group Corporation (present post)
2014: Corporate Auditor of the Company (present post)

GLOBAL MANAGEMENT COMMITTEE MEMBERS (as of July 1, 2014)

CORPORATE EXECUTIVES (as of July 1, 2014)

Representative Director, President and CEO*

Yoshihiko Hatanaka

Representative Director and Executive Vice President*

Yoshiro Miyokawa

Senior Corporate Executives

Masao Yoshida
Yasumasa Masuda
Kenji Yasukawa, Ph.D.
Masaru Imahori

* Concurrently serves as a corporate executive

Masatoshi Kuroda
Senior Vice President and
President, Asia/Oceania Business

Wataru Uchida, Ph.D.
Senior Vice President and
President, Drug Discovery Research

Yasumasa Masuda
Senior Vice President and
Chief Financial Officer

Ken Jones
President and CEO,
EMEA Operations

Yoshiro Miyokawa
Representative Director and
Executive Vice President,
Chief Administrative Officer &
Chief Compliance Officer

Corporate Executives

Mitsunori Matsuda	Masatoshi Kuroda	Takahisa Iizuka	Kiyotaka Hayashi
Yukihiko Sato	Hirofumi Seki	Kenji Sumi	Kazunori Okimura
Chihiro Yokota	Yoshihiro Minami	Makoto Takeuchi	Akihiko Iwai, Ph.D.
Wataru Uchida, Ph.D.	Shoji Yokota	Atsushi Kamide	Chikashi Takeda

MESSAGES FROM THE OUTSIDE DIRECTORS

Comprised of seven Directors, four of whom are outside Directors, the Board of Directors oversees management from perspectives that are both diverse and broad-ranging.

For Astellas to develop sustainably as a R&D-oriented pharmaceutical company and meet the expectations of its stakeholders, particularly shareholders and patients, it is essential that resources be allocated for the development of a succession of innovative new drugs. In addition, steady efforts such as monitoring side effects also contribute to maintaining a stable supply of safe prescription drugs. Based on my experience in university medical research and as a clinician, I intend to offer input and opinions to help ensure that the Company's decision-making is appropriate for a global pharmaceutical company.

Naoki Aikawa, M.D., Ph.D. Outside Director

As chair of the Nomination Committee and Compensation Committee, I work to ensure that appropriate processes are followed in selecting executives and determining compensation and that sound management is maintained. In addition, with globalization progressing rapidly not only in Europe and North America but in emerging and other countries as well, it is inevitable that the ratio of business outside of Japan will increase at Astellas in the future. It will therefore be necessary to adequately monitor the implementation of governance and compliance measures not only in Japan but overseas as well.

I intend to fulfill my duties as an outside Director, with a particular focus on sound management, to help Astellas create a firm foundation for contributing wholeheartedly to the global community through new drug discovery.

Yutaka Kase Outside Director

Astellas' business philosophy is to contribute toward improving the health of people around the world. To realize its philosophy and basic strategy through creation of innovative new drugs with leading-edge technologies, Astellas has instituted the Corporate Executive System to enable swift and precise management.

The Board of Directors has held active discussion and debate that challenges the proposals from the business execution body and has overseen business execution from a broad range of perspectives including CSR management. The Board has also made determinations on the basic direction of various management matters. Based on my long experience as a legal professional, I will actively provide input and opinions with a strong focus on risk management in various issues. In doing so, my goal is to help to maximize the interests of shareholders and other stakeholders.

Hironobu Yasuda Outside Director

As a research and development-oriented global pharmaceutical company, it is essential for Astellas to conduct both sustained and destructive innovation in order to realize its business philosophy, which is to contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products.

I intend to help Astellas to accelerate its efforts to create a corporate culture and environment that enable its employees to continue to generate innovation with a sense of urgency. To this end, I will leverage my knowledge as a "family doctor" (consultant for strengthening management teams), drawing on my experience of making diagnoses and prescriptions for human resources-related issues for management teams from over 200 companies every year to oversee and provide support for business execution.

Etsuko Okajima Outside Director

Astellas has an advanced corporate governance system, and the Board of Directors engages in active discussion and debate on agenda items from a variety of perspectives. I believe that fair, highly transparent decisions are made with an awareness of the raison d'être, mission and beliefs that comprise the Company's business philosophy.

While further deepening information exchange with the Accounting Auditors and Internal Auditing Department and coordination with internal Corporate Auditors, I intend to actively provide input and opinions, particularly in accounting and finance, which are my areas of specialty, and contribute to further enhancing the Company's corporate governance system.

Shigeru Nishiyama Outside Corporate Auditor

In my view, governance at Astellas is characterized by a transparent decision-making process and timely and accurate information disclosure. What makes this possible is the integrity of the people who make up the organization—people with a commitment to always engaging in business activities with a strong sense of ethics.

As an outside Corporate Auditor, I have the mission to protect the value of Astellas. I have been involved in a large number of companies as a business consultant, and I believe that providing a neutral and objective perspective—the perspective of common sense—can help in the monitoring of corporate activities, even when opinion may be divided internally.

Toshiko Oka Outside Corporate Auditor

Chapter 6

Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information in this section is based on International Financial Reporting Standards (IFRS) unless otherwise indicated. However, in the information about sales by product on pages 88–93, sales of each product and year-on-year changes are based on J-GAAP.
In this section, the Americas and EMEA are used as follows: the Americas refers to North, Central and South America; EMEA includes Europe along with the Middle East and Africa.

Overview of Year Ended March 31, 2014 (Fiscal 2013)

In the year under review, the pharmaceutical industry continued to face a challenging operating environment. This was due to a number of factors, including stricter regulatory processes for approval of new drugs, and increased moves to curb medical expenditures in developed nations as well as emerging countries. Against this backdrop, Astellas actively pursued growth in all aspects of its business, from research and development through to manufacturing and sales. We continued our strategy of developing high-value-added innovative drugs in fields with unmet medical needs for worldwide supply.

Adoption of International Financial Reporting Standards

Astellas is actively developing its business in Japan and in the global markets of the Americas, EMEA, Asia & Oceania and elsewhere. The Company also has a high level of overseas ownership, with more than 50% of its shares held by foreign shareholders. Given its global operations, shareholder composition and other such factors, Astellas has adopted the International Financial Reporting Standards ("IFRS"), effective from fiscal 2013, as a means of enabling capital market participants to more readily compare the financial information on an international basis.

Consolidated Performance Overview

In line with the Company's change to IFRS, the Company discloses financial results on a core basis as an indicator of its recurring profitability. Certain items reported in financial results under IFRS on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items from these financial results on a core basis. These adjusted items include impairment losses, gain (loss) on sales of non-current assets, restructuring costs, loss on disaster, a large amount of losses on compensation or settlement of litigation and other legal disputes, and other items that the Company judges should be excluded.

Consolidated operating results (core basis) for fiscal 2013 are shown in the table below. Sales, core operating profit and core profit for the year increased.

Consolidated Financial Results (Core Basis)

(¥ million)

	2013.3	**2014.3**
Sales	¥981,899	**¥1,139,909**
Core operating profit	168,022	**186,253**
Core profit for the year	118,792	**132,796**

Foreign Exchange Impact for Fiscal 2013

The exchange rates for the yen in fiscal 2013 are shown in the table below. Movements in the rates led to a ¥113.0 billion increase in the value of sales and a ¥24.2 billion increase in core operating profit.

Foreign Exchange Rates (Average)

(¥)

	2013.3	**2014.3**
US$1	¥83	**¥100**
€1	107	**134**

Fluctuation in Foreign Exchange Rates from April to March

(¥)

	2013.3	**2014.3**
US$1	¥12 (Weakening of yen)	**¥ 9 (Weakening of yen)**
€1	¥11 (Weakening of yen)	**¥21 (Weakening of yen)**

Sales

In fiscal 2013, consolidated sales increased 16.1% year on year to ¥1,139.9 billion.

New products contributed to increased sales, including XTANDI for the treatment of prostate cancer, and Betanis/Myrbetriq/BETMIGA for the treatment of overactive bladder (OAB). In addition, sales of Vesicare for the treatment of OAB, and other products continued to increase. Sales of Prograf, an immunosuppressant, and Harnal for the treatment of functional symptoms of benign prostatic hyperplasia, increased partly due to the foreign exchange rate impact.

Sales by Geographical Area

(¥ billion)

	2013.3	**2014.3**
Consolidated	¥981.9	**¥1,139.9**
Japan	536.5	**530.6**
Americas	207.6	**287.0**
EMEA	194.9	**264.3**
Asia & Oceania	42.9	**58.0**

Note: Sales by geographical area are calculated according to the location of sellers.

Japan

Sales in Japan including revenues related to exports and licenses decreased 1.1% year on year, to ¥530.6 billion. Sales in the Japanese market rose by 0.2% from the previous fiscal year to ¥515.6 billion. Although there was an impact of generics, sales remained largely unchanged in fiscal 2013 from the previous year due to steady expansion in sales of growing mainstay products and new products.

In addition to Betanis, products such as Micardis (including its combination drugs, Micombi and Micamlo) for the treatment of hypertension, Celecox, an anti-inflammatory and anti-pain drug, Symbicort for the treatment of bronchial asthma, Bonoteo for the treatment of osteoporosis and vaccines showed growth in sales. There were also contributions from sales of new products including Cimzia for the treatment of adult patients with rheumatoid arthritis and Gonax for the treatment of prostate cancer. Sales of some products declined, including Lipitor for the treatment of hypercholesterolemia, Seroquel for the treatment of schizophrenia, Myslee for the treatment of insomnia and Gaster for the treatment of peptic ulcer and gastritis, mainly due to the impact of generics. Micamlo BP (combination drug) for the treatment of hypertension and Acofide for the treatment of functional dyspepsia were launched in May and June 2013, respectively. Bisono Tape, a transdermal hypertension medication, was launched in September 2013.

Americas (Sales in North America and Central and South America)

Sales in the Americas increased 38.3% year on year, to ¥287.0 billion. On a U.S. dollar basis, sales grew 14.6%, to US$2,863 million.

Sales of XTANDI and Myrbetriq, launched in the U.S. in September and October 2012 respectively, contributed to an increase in sales. In addition, products, such as VESIcare, and Lexiscan, a pharmacologic stress agent, continuously grew. Also, income from anticancer drug Tarceva increased. Sales of Prograf fell due to the impact of generics.

Europe, Middle East and Africa (EMEA)

Sales in EMEA rose 35.6% year on year, to ¥264.3 billion. On a euro basis, sales also rose 8.1%, to €1,967 million.

BETMIGA and XTANDI, which were launched in February and July 2013, respectively, contributed to an overall increase in sales.

Furthermore, sales of Vesicare and the candin-type antifungal agent MYCAMINE grew. Sales of Prograf, Harnal and prostate cancer treatment Eligard increased mainly due to the foreign exchange rate impact.

Asia and Oceania

In Asia and Oceania, sales rose 35.0% year on year, to ¥58.0 billion. On a basis excluding the impact of foreign exchange, sales increased 10.9% from the previous year. Sales expansion of Prograf, Harnal and Vesicare, led to the increase in revenues.

Sales by Product

* In sales by product, sales of each product and year-on-year changes are based on Japanese accounting standards.

Sales of Global Products

Prograf, Advagraf/ Graceptor/ASTAGRAF (Immunosuppressant)

Sales in Japan increased by 2.0% to ¥50.4 billion. Sales of the once-daily formulation Graceptor increased steadily. Outside the transplantation area in Japan, Prograf has autoimmune disease indications including rheumatoid arthritis, lupus nephritis, myasthenia gravis, and ulcerative colitis. Its generics were launched in Japan in June 2013. The share of generic products in the tacrolimus market, which includes Prograf and its generics, was approximately 8% during fiscal 2013.

Sales in the Americas on a U.S. dollar basis decreased by 21.9%, to US$296 million, in fiscal 2013 due to the impact of generic versions. When converted to yen, sales decreased by 5.8%, to ¥29.6 billion. In August 2013, the

Company launched the once-daily formulation ASTAGRAF XL in the U.S. for the indication of prophylaxis of organ rejection in adult patients receiving a kidney transplant.

In EMEA, despite a continuous increase in sales of the once-daily formulation Advagraf, sales of Prograf (including Advagraf) through Astellas' own distribution channels declined by 1.3%, to €530 million on a euro basis, due primarily to price reductions in each country and the impact of generic versions. Sales increased by 23.8%, to ¥71.2 billion when converted to yen due to the impact of foreign exchange rates. Advagraf is sold in 41 countries, and sales of Advagraf accounted for around 35% of combined sales of Advagraf and Prograf in the region.

In Asia & Oceania, sales grew by 32.1%, to ¥25.0 billion. Sales showed steady growth mainly in China and South Korea. Prograf XL was launched in Indonesia in October 2013.

Vesicare (Overactive bladder (OAB) treatment)

Sales in Japan expanded to ¥30.7 billion, a year-on-year increase of 2.9%. In fiscal 2013, Vesicare's share in the OAB treatment market was approximately 43% (on a value basis). The combined share of Vesicare and Betanis has reached approximately 60% (on a value basis) and is still expanding. Owing to the considerable number of potential subjects in the OAB treatment market, we will work to increase market penetration of Vesicare and Betanis by raising public awareness of this condition.

In the Americas, sales of VESIcare rose 2.9%, to US$580 million on a U.S. dollar basis. When converted to yen, sales grew by 24.2%, to ¥58.1 billion. VESIcare's share in the OAB treatment market reached approximately 22% (on a total prescription basis) in fiscal 2013, maintaining the position as the leading branded drug. The combined share of VESIcare and Myrbetriq has reached approximately 25% (on a total prescription basis) and is still expanding.

In EMEA, sales of Vesicare were strong, increasing 13.0%, to €317 million on a euro basis, while sales grew by 41.7%, to ¥42.7 billion when converted to yen. Vesicare's share in the OAB treatment market reached approximately 49% (on a value basis) in fiscal 2013.

In Asia & Oceania, sales of Vesicare increased 29.8%, to ¥3.8 billion. The favorable sales expansion was driven by growth in South Korea.

Betanis/Myrbetriq/BETMIGA (generic name: mirabegron, OAB treatment)

In Japan, sales of Betanis increased to ¥11.6 billion in fiscal 2013, compared with ¥5.3 billion in fiscal 2012. Betanis sales grew steadily in fiscal 2013, having become eligible for long-term prescriptions in October 2012. Betanis' share of the OAB treatment market reached approximately 16% (on a value basis) in fiscal 2013.

In the U.S., mirabegron was launched in October 2012 under the brand name Myrbetriq. Myrbetriq sales grew firmly, reaching US$145 million in fiscal 2013, compared with US$20 million in fiscal 2012, on a U.S. dollar basis. When converted to yen, sales were ¥14.5 billion, compared with ¥1.6 billion in fiscal 2012. Myrbetriq's share of the U.S. OAB treatment market reached approximately 4% (on a total prescription basis) in fiscal 2013. Now that around two years have passed since the launch of Myrbetriq in the U.S., the product has gained a strong reputation from urology specialists in terms of both efficacy and safety.

In EMEA, mirabegron was launched in the U.K. in February 2013 under the brand name BETMIGA. The distribution of the product has expanded to cover 22 European countries (as of July, 2014), registering €15 million sales in fiscal 2013 on a euro basis. When converted to yen, sales were ¥2.1 billion.

In the Asia & Oceania region, this product was launched in Australia in April 2014.

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

Sales in Japan declined 11.9% to ¥20.2 billion, due primarily to the impact of generic drugs; nevertheless, Harnal still maintained its top position in the alpha-1 blocker market.

In EMEA, the drug is marketed under the brand name Omnic. In fiscal 2013, sales of Omnic through our own distribution channels rose 0.5%, to €145 million on a euro basis. When converted to yen, sales rose 26.1%, to ¥19.4 billion.

In Asia & Oceania, sales increased 37.1% year on year, to ¥14.9 billion. Sales grew steadily in China.

Bulk sales and royalty income from Harnal, which are recorded under EMEA sales, declined 11.9% to €32 million on a euro basis. When converted to yen, sales were up 10.4%, to ¥4.3 billion due to the impact of foreign exchange rates.

Funguard/MYCAMINE (Candin-type antifungal agent)

Sales in Japan decreased 4.5%, to ¥12.3 billion. Funguard's share in the market of injectable antifungal agents remained high at around 53% during fiscal 2013 (on a value basis).

In the Americas, sales grew 2.6%, to US$117 million on a U.S. dollar basis. When converted to yen, sales increased 23.7%, to ¥11.7 billion. In terms of patient days per month, MYCAMINE gained a share of around 80% in the U.S. market for injectable candin-type antifungal agents. In the U.S., we obtained approval for an additional pediatric indication in June 2013.

In EMEA, sales steadily grew by 17.5% to €65 million, which was a 47.3% increase, to ¥8.8 billion on a yen basis. Distribution of MYCAMINE has expanded to cover 38 European countries.

In Asia & Oceania, sales grew 44.6%, to ¥3.4 billion, including healthy growth in China. Meanwhile, this product was approved in Australia in May 2013, in Malaysia in August 2013, and in Singapore in December 2013 and sales launched in each of these countries.

Protopic (Treatment for atopic dermatitis)

Sales in Japan increased 1.0%, to ¥3.5 billion. Protopic's distribution rights in Japan were transferred in April 2014 to Maruho Co., Ltd., which has already been promoting Protopic since April 2011 under an agreement with Astellas.

In the Americas, sales grew by 22.3%, to US$116 million on a U.S dollar basis. When converted to yen, sales increased by 47.5%, to ¥11.7 billion.

In EMEA, sales grew 21.8%, to €53 million on a euro basis. When converted to yen, sales increased 52.8%, to ¥7.1 billion.

In Asia & Oceania, sales increased 49.3%, to ¥2.6 billion.

Eligard (Prostate cancer treatment)

In EMEA, sales decreased 0.5%, to €139 million on a euro basis. When converted to yen, sales increased 24.7%, to ¥18.7 billion due to the impact of foreign exchange rates. Sales were impacted mainly by price reductions, despite a steady increase in volume due to the contribution of a six-month formulation and other factors.

In the Asia & Oceania region, this product was launched in Hong Kong in June 2013 and in Thailand in November 2013.

XTANDI (prostate cancer treatment)

In Japan, the Company obtained approval for enzalutamide for the indication of castration-resistant prostate cancer* in March 2014, and it was launched under the brand name XTANDI in May 2014. Through XTANDI, the Company intends to make new treatment options for castration-resistant prostate cancer available in Japan too. Together with Gonax, which is already on the market, the Company expects that XTANDI will help it to make an even greater contribution to prostate cancer treatment.

In the U.S., XTANDI was launched in September 2012 for the indication of metastatic castration-resistant prostate cancer in patients who have previously received docetaxel (chemotherapy). In the Americas, sales increased steadily to US$450 million compared to US$147 million in fiscal 2012. When converted to yen, sales were ¥45.1 billion, compared to ¥12.2 billion in fiscal 2012. In the market for treatment of castration-resistant prostate cancer in patients who have previous received chemotherapy, XTANDI has steadily expanded its share of this market since launch. It has gained a strong reputation among oncology specialists in terms of both its efficacy and safety.

In EMEA, XTANDI was launched in the United Kingdom in July 2013, and distribution has expanded to cover 19 European countries (as of July 2014). In fiscal 2013, sales were €71 million on a euro basis and ¥9.5 billion when converted into yen. The product has made a strong start, with sales expanding in core countries such as the U.K., Germany and France.

In the Asia & Oceania region, this product was launched in South Korea in October 2013.

Additional indication applications were submitted in the U.S. in March 2014 and in Europe the following month for the treatment of men with metastatic castration-resistant prostate cancer who have not received chemotherapy.

Enzalutamide is a once-daily oral androgen receptor signaling inhibitor, which is being developed jointly with Medivation, Inc. ("Medivation"). In the U.S., Astellas and Medivation co-promote XTANDI and share costs and profits equally. In all countries excluding the U.S., Astellas will develop and sell XTANDI, while paying Medivation royalties based on sales.

* The following precaution has been issued regarding indication: the efficacy and safety of the drug have not been established in patients with prostate cancer who have not received chemotherapy.

Sales of Mainstay Products by Geographical Area

One of the features of Astellas is the large number of distinctive products offered in each region, in addition to the global products mentioned above. Growth in sales of these products also contributes to consolidated sales.

Japan

Micardis (Hypertension treatment)
Micombi (Combination drug with a diuretic)
Micamlo (Combination drug with a long-acting calcium antagonist)

Sales of drugs in the Micardis product line, including Micombi and Micamlo, increased by 8.9%, to ¥97.6 billion. Sales continued to grow favorably for Micamlo, a combination drug with a calcium antagonist. In fiscal 2013, the market for angiotensin II receptor blockers (ARB) in Japan expanded 3.2%, to around ¥610.0 billion. Steady expansion in sales of the Micardis line of drugs contributed to its current ARB market share of around 18% (on a value basis). Furthermore in May 2013, "Micamlo Combination Tablets BP" was newly launched. In Japan, Astellas is co-promoting the Micardis product line with Nippon Boehringer Ingelheim Co., Ltd.

Celecox (Anti-inflammatory agent (Selective COX-2 inhibitor))

Sales of Celecox increased 18.4%, to ¥44.3 billion. This product has shown steady sales growth, following the acquisition of approvals for additional indications of lumbago and acute pain on top of the indications of rheumatoid arthritis and osteoarthritis. We further strengthened the reputation of Celecox as an anti-inflammatory that causes minimal gastrointestinal tract disturbance, capitalizing on the revision of prescribing information to reflect the results of post-marketing clinical trials, along with the "Clinical Guidelines for the Management of Low Back Pain," issued in October 2012 by the Japanese Orthopaedic Association. In fiscal 2013, the market for anti-inflammatory agents in Japan was worth approximately ¥88.0 billion, up 3.8% from the previous fiscal year. The market share of Celecox grew steadily to around 55% (on a value basis). Astellas will continue co-promoting this drug with Pfizer Japan Inc. while targeting an even higher share of the oral anti-inflammatory market.

Symbicort (Treatment for adult bronchial asthma and chronic obstructive pulmonary disease)

Sales of Symbicort, which is a combination drug of an inhaled corticosteroid and a rapid and long-acting beta-2 agonist, registered favorable growth of 28.5%, to ¥35.6 billion. Additional approval for this drug was obtained in June 2012 for new dosage and administration on an as-needed basis for reliever therapy in addition to maintenance therapy for adult bronchial asthma. Approval for Symbicort was also acquired in August 2012 for the additional indication of chronic obstructive pulmonary disease. Symbicort's sales in fiscal 2013 expanded significantly thanks to these additional indications along with growth in the combination drug market. The market in Japan for adult inhaled steroid treatment including combination drugs grew 12.5% year on year to approximately ¥105.0 billion in fiscal 2013. Symbicort also steadily grew its share of this market to around 37% (on a value basis). The dissemination of guidelines on controlling and preventing asthma and activities to raise public awareness of this condition has contributed to annual growth of the market for combination drugs. Astellas will continue co-promoting Symbicort with AstraZeneca K.K. in Japan to achieve further market penetration.

Geninax (Oral quinolone antibiotic)

Sales of Geninax decreased 4.5% to ¥11.7 billion in line with a contraction in the Japanese market for oral quinolone antibiotics and other factors. In fiscal 2013, the market contracted 3.5% year on year to approximately ¥59.0 billion. Geninax's share was around 22% (on a value basis), making it the second-largest seller in the market. In October 2013, Astellas began selling small Geninax tablets that are easier for patients to take. Astellas will continue working hard to achieve further market penetration through co-promotion with Taisho Toyama Pharmaceutical Co., Ltd.

Bonoteo (Treatment for osteoporosis)

Sales of Bonoteo rose by a strong 32.4% year on year to ¥14.1 billion. The release in September 2011 of a 50 mg tablet to be taken once every four weeks contributed significantly to this increase in sales. Sales of Bonoteo Tablets 50 mg amounted to ¥13.1 billion. In fiscal 2013, the Japanese market for the treatment of osteoporosis shrank 1.2% to around ¥79.0 billion. Bonoteo's share in this market grew steadily to around 20% (on a value basis). Astellas will continue emphasizing patient convenience as well as the bone fracture prevention effect of Bonoteo 50 mg tablets while aiming to further boost its share in this market.

Gonax (Prostate cancer treatment)

Sales of Gonax were ¥2.5 billion in fiscal 2013. Gonax is a gonadotrophin-releasing hormone (GnRH)-receptor blocker with a subcutaneously injectable formulation in-licensed from Ferring Pharmaceuticals. Gonax was launched in Japan in October 2012. GnRH is a hormone produced by the hypothalamus in the brain and is involved in the production of the male hormone testosterone through binding to the GnRH-receptors in the pituitary gland. Although testosterone is an important hormone that plays a central role in the maintenance of male function, it also stimulates prostate cancer to grow and spread, which often aggravates symptoms in prostate cancer patients. Gonax competitively inhibits the binding of GnRH to the GnRH-receptors, controlling the growth of prostate cancer by suppressing the testosterone production.

Astellas will continue working hard to achieve further market penetration of Gonax along with XTANDI, which was launched in May 2014.

Cimzia (rheumatoid arthritis treatment)

Sales of Cimzia were ¥3.2 billion in fiscal 2013. Cimzia, a rheumatoid arthritis treatment in-licensed from UCB Pharma, S.A. of Belgium, was launched in March 2013 in Japan. Astellas is co-promoting Cimzia with UCB Japan Co., Ltd.

Cimzia has a high affinity for TNF-alpha, which is involved in the onset and exacerbation of inflammatory diseases such as rheumatoid arthritis (RA), and selectively inhibits its effects. Cimzia is supplied in the form of a prefilled syringe to facilitate self-administration by RA patients trained by their healthcare professionals. In addition to offering efficacy and safety, the Cimzia is designed to facilitate usage by patients themselves. Cimzia is expected to play an important role in improving the symptoms of rheumatoid arthritis patients, as well as their quality of life and adherence.* Following the approval of long-term prescriptions from March 2014, Astellas will work hard to achieve further market penetration of Cimzia.

In June 2014, an application was filed for an additional indication that will make it possible to administer Cimzia to RA patients without previous treatment with anti-RA drugs.

* Refers to proactive participation by patients in deciding on a treatment plan, and receiving treatment according to the decision.

Suglat (Type 2 diabetes treatment (selective SGLT2 inhibitor))

Suglat is a selective SGLT2 (Sodium-Glucose Co-Transporter 2) inhibitor discovered through a research collaboration with Kotobuki Pharmaceutical Co., Ltd. ("Kotobuki") and jointly developed by Astellas and Kotobuki. In January 2014, it became the first SGLT2 inhibitor to be approved as a treatment for type 2 diabetes in Japan, and was launched in April 2014.

SGLTs are membrane proteins that exist on the cell surface and transfer glucose into cells. SGLT2 is one subtype of SGLTs and plays a key role in the reuptake of glucose in the proximal tubule of the kidneys. Suglat reduces blood glucose levels by inhibiting the reuptake of glucose by selectively inhibiting SGLT2.

In fiscal 2013, the market for oral hypoglycemic agents in Japan was valued at around ¥342.0 billion. Astellas will provide a new type 2 diabetes treatment option through the launch of Suglat, an oral type 2 diabetes treatment based on a novel mechanism of action. In the process,

Astellas expects to make a greater contribution to the treatment of type 2 diabetes. In Japan, Astellas will co-promote Suglat with Kotobuki and MSD K.K.

Other New Products

Besides the aforementioned mainstay products, quite a few new products were launched in fiscal 2013, including the functional dyspepsia treatment Acofide (on sale from June 2013), the transdermal hypertension medication Bisono Tape, (on sale from September 2013), and the diarrhea-predominant irritable bowel syndrome treatment Irribow OD Tablets (on sale from January 2014).

Other Mainstay Products

Sales of the Lipitor product line, Gaster, Myslee and Seroquel in fiscal 2013 were as follows. Sales of each of these products declined due primarily to the impact of generic drugs.

Sales of the Lipitor product line (hypercholesterolemia treatment), which includes Caduet (combination drug containing Lipitor and a long-acting calcium antagonist), declined by 11.6%, to ¥62.4 billion. In fiscal 2013, the market for statins in Japan shrank 1.4% year on year to approximately ¥264.0 billion.

Sales of Gaster (treatment for peptic ulcers and gastritis) declined 14.9% to ¥25.7 billion. In fiscal 2013, the peptic ulcer and gastritis market for H2 receptor antagonists and proton pump inhibitors expanded 1.9% to approximately ¥320.0 billion.

Sales of Myslee (insomnia treatment) decreased 12.6% to ¥28.2 billion. In fiscal 2013, the market for drugs to treat insomnia in Japan shrank 0.9% year on year, to approximately ¥80.0 billion.

Sales of Seroquel (schizophrenia treatment) decreased 31.2% to ¥19.6 billion. The Japanese market for anti-schizophrenic agents showed growth of 4.7% to approximately ¥171.0 billion in fiscal 2013.

Americas

Adenoscan/Lexiscan (Pharmacologic stress agent)

Total sales of Adenoscan and Lexiscan in the U.S. declined by 3.5% to US$617 million on a U.S. dollar basis, mainly due to the launch in September 2013 of generic products for Adenoscan in the U.S. Lexiscan continued to show growth, rising 2.2% to US$585 million. Total sales increased 16.5% to ¥61.8 billion when converted to yen.

Tarceva (Lung and pancreatic cancer treatment)

Tarceva-related revenues increased 1.4% to US$446 million on a U.S. dollar basis. When converted to yen, sales increased 22.3%, to ¥44.7 billion.

In the U.S., we have been co-promoting Tarceva with Genentech, Inc., with earnings split equally between both companies. We also have a license agreement with F. Hoffmann-La Roche Ltd in other countries, and receive royalties based on sales. These revenues are recorded as sales in the Americas.

Furthermore, in the U.S., approval was obtained in May 2013 for the additional indication of the first-line treatment for people with metastatic non-small cell lung cancer whose tumors have certain epidermal growth factor receptor (EGFR) activating mutations as detected by an FDA-approved test.

Cost of Sales, Gross Profit

Cost of sales increased by ¥21.9 billion to ¥330.6 billion. The cost of sales ratio fell 2.4 percentage points in fiscal 2013, to 29.0%, mainly due to changes in the product mix.

Gross profit increased by ¥136.1 billion, or 20.2%, to ¥809.3 billion, due to growing sales, as well as a decrease in the cost of sales ratio.

(¥ billion)

	2013.3	**2014.3**
Sales	¥981.9	**¥1,139.9**
Cost of sales	308.7	**330.6**
Cost of sales ratio (%)	31.4	**29.0**

Selling, General and Administrative (SG&A) Expenses, Research and Development (R&D) Expenses, Amortisation of Intangible Assets

SG&A expenses increased 24.5% to ¥397.0 billion, which in addition to the foreign exchange rate impact, was partly due to increased expenditures related to the oncology business in the U.S. and EMEA, including payment for co-promotion of XTANDI in the U.S.

R&D expenses rose by 20.3% to ¥191.5 billion, which in addition to the foreign exchange rate impact, was partly due to increased development expenses related to a strategic alliance with Amgen Inc. The ratio of R&D expenses to sales rose 0.6 of a percentage point to 16.8%.

Amortisation of intangible assets was ¥36.0 billion, up 27.4% year on year, which in addition to the foreign exchange rate impact, was partly due to an increase resulting from launches of new products.

(¥ billion)

	2013.3	**2014.3**
SG&A expenses	¥318.9	**¥397.0**
SG&A ratio (%)	32.5	**34.8**
Advertising and sales promotional expenses	87.3	**112.1**
Personnel expenses	140.0	**167.8**
Other	91.6	**117.0**
R&D expenses	159.1	**191.5**
R&D ratio (%)	16.2	**16.8**
Amortisation of intangible assets	28.3	**36.0**

Core Operating Profit

As a result of the above-mentioned factors, core operating profit increased 10.9%, to ¥186.3 billion. The ratio of gross profit to sales increased, while the ratio of R&D expenses to sales and the ratio of SG&A expenses to sales also increased. Consequently, the operating margin declined 0.8 of a percentage point to 16.3%.

(¥ billion)

	2013.3	**2014.3**
Sales	¥981.9	**¥1,139.9**
Operating profit	168.0	**186.3**
Operating margin (%)	17.1	**16.3**

Core Profit for the Year

Finance income on a core basis decreased ¥0.3 billion to ¥1.6 billion. Finance expense on the same basis was ¥0.4 billion, mostly unchanged from the previous fiscal year. Consequently, core profit before tax rose ¥17.9 billion, or 10.6%, to ¥187.5 billion.

Income tax expense increased by ¥3.9 billion, or 7.8%, to ¥54.7 billion. The income tax burden rate fell 0.8 of a percentage point to 29.2% compared to the previous fiscal year.

As a result, core profit for the year increased by ¥14.0 billion, or 11.8%, to ¥132.8 billion.

(¥ billion)

	2013.3	**2014.3**
Profit before tax	¥169.5	**¥187.5**
Income tax expense	50.7	**54.7**
Profit for the year	118.8	**132.8**
Ratio of profit for the year to sales (%)	12.1	**11.6**

Consolidated Financial Results (Full Basis)

Consolidated operating results on a full basis for fiscal 2013 are shown in the table below. Sales increased, while operating profit, profit before tax and profit for the year decreased.

The cause of the above decreases was the recording of various items as ¥81.0 billion (compared to ¥49.3 billion in the previous fiscal year) in "other expense." These included items excluded from core results, namely, impairment losses for patents and marketing rights due to the discontinuation of development projects and restructuring costs as a result of reshaping the research framework and the succession of the Fuji Plant Business to Nichi-Iko Pharmaceutical Co., Ltd. Net foreign exchange losses were also among the items recorded. The details of the non-core items that are excluded from core results are provided in the following table.

Consolidated Financial Results (Full Basis)

(¥ million)

	2013.3	**2014.3**
Sales	¥981,899	**¥1,139,909**
Operating profit	121,593	**116,806**
Profit before tax	127,115	**121,975**
Profit for the year	92,464	**90,874**

Status of R&D

Astellas aims to achieve sustained growth over the medium and long terms through the early and ongoing discovery of a stream of innovative and useful new drugs in therapeutic areas where a high degree of unmet medical needs exist. To this end, Astellas actively works on enhancing its ability to generate innovative drugs as a priority measure.

Reconciliation of Full Basis to Core Basis (IFRS)
Fiscal Year: From April through March

(¥ billion)

Account item	2013.3			**2014.3**		
	Full basis	Adjustment	Core basis	**Full basis**	**Adjustment**	**Core basis**
Sales	¥981.9	—	¥981.9	**¥1,139.9**	**—**	**¥1,139.9**
Cost of sales	308.7	—	308.7	**330.6**	**—**	**330.6**
Gross profit	673.2	—	673.2	**809.3**	**—**	**809.3**
SG&A expenses	318.9	—	318.9	**397.0**	**—**	**397.0**
R&D expenses	159.1	—	159.1	**191.5**	**—**	**191.5**
Amortisation of intangible assets	28.3	—	28.3	**36.0**	**—**	**36.0**
Share of profits of associates and joint ventures	1.1	—	1.1	**1.5**	**—**	**1.5**
Other income *1	2.9	(2.9)	—	**11.6**	**(11.6)**	**—**
Other expense *1	49.3	(49.3)	—	**81.0**	**(81.0)**	**—**
Operating profit	121.6	46.4	168.0	**116.8**	**69.4**	**186.3**
Finance income *2	7.3	(5.4)	1.9	**6.8**	**(5.2)**	**1.6**
Finance expense *2	1.8	(1.4)	0.4	**1.7**	**(1.2)**	**0.4**
Profit before tax	127.1	42.4	169.5	**122.0**	**65.5**	**187.5**
Income tax expense	34.7	16.1	50.7	**31.1**	**23.6**	**54.7**
Profit for the year	92.5	26.3	118.8	**90.9**	**41.9**	**132.8**

*1 "Other income" and "Other expense" are excluded from Core results.
"Other income" and "Other expense" include gain (loss) on sale and disposal of property, plant and equipment, impairment losses on property, plant and equipment and intangible assets, gain (loss) on restructuring, and foreign exchange gains (losses).
*2 Gain (loss) on sale of available-for-sale ("AFS") financial assets and impairment losses on AFS financial assets included in "Finance income" and "Finance expense" are excluded from Core results as non-core items.

Drug Discovery Research Measures

Our drug discovery research, in which we are concentrating management resources, focuses on the following prioritized therapeutic areas: urology, immunology (including transplantation) & infectious diseases, oncology, neuroscience and diabetes mellitus (DM) complications & kidney diseases.

In drug discovery research, we aim to discover innovative new medicines, while promoting the Precision Medicine approach, which is based on molecular targeting and precision diagnostics, and proactively making use of leading-edge technologies and know-how through alliances with outside organizations. In the field of regenerative medicine, in addition to the regenerative medicine research and development we already carry out, we will expand the scope of our research for the utilization of cells themselves in medical treatment (cell therapy). As part of these efforts, we established the "Regenerative Medicine Unit" in April 2014 as a new organization that will specialize in research of regenerative medicine and cell therapy.

In May 2013, we decided to reshape our research framework and introduce new initiatives. By optimizing the allocation of resources for our research and development capabilities through this reform, we aim to achieve the following objectives: i) to utilize more external capabilities and resources, ii) to undertake initiatives related to new therapeutic areas and innovative technologies including regenerative medicine and vaccines, iii) to accelerate development of our promising preclinical pipeline, and iv) to ensure sufficient investment in the late-stage clinical pipeline. We established Astellas Innovation Management in October 2013 in order to enhance the process of identifying and obtaining external opportunities to strengthen innovation during the preclinical development stage. In addition, we are pushing ahead with strengthening our research management framework and promoting a "Multi-Track R&D" approach. Furthermore, in order to facilitate the strategic reallocation of resources and to enhance our operational excellence, we are reorganizing our research functions and structures in a sequential manner. This includes closing and scaling back research institutes and transferring certain functions.

Technical Development Initiatives

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

Initiatives for Clinical Development and Main Development Advances

Astellas is working to accelerate the pace of product development by channeling resources into high-priority projects while further reinforcing its global development structure. The following are the main development advances made during fiscal 2013.

(Clinical Development Outside of Japan)

With respect to the HER1/EGFR tyrosine kinase inhibitor Tarceva (generic name: erlotinib), approval was obtained in May 2013 in the U.S. for the additional indication of first-line treatment of people with metastatic non-small cell lung cancer whose tumors have certain epidermal growth factor receptor activating mutations as detected by an FDA-approved test.

In May 2013, the Company obtained approval in the Netherlands for a combination drug (development code: EC905) containing the OAB treatment solifenacin succinate (generic name) and the benign prostatic hyperplasia treatment tamsulosin hydrochloride (generic name). The approval is for the indication of treatment of moderate to severe storage symptoms (urgency, increased micturition frequency) and voiding symptoms associated with benign prostatic hyperplasia in men who are not adequately responding to treatment with monotherapy. The product was launched under the brand name VESOMNI in September 2013.

For enzalutamide (generic name/development code: MDV3100), approval was obtained in Europe in June 2013 for the treatment of adult men with metastatic castration-resistant prostate cancer whose disease has progressed on or after docetaxel therapy. The product was launched in the U.K. the following month under the brand name XTANDI.

The Company obtained approval in the U.S. in June 2013 for MYCAMINE (generic name: micafungin sodium), a candin-type antifungal agent, for additional indication. The indication is for injection by intravenous infusion for the treatment of pediatric patients four months and older with candidemia, acute disseminated candidiasis, candida peritonitis and abscesses, esophageal candidiasis, and the prophylaxis of candida infections in patients undergoing hematopoietic stem cell transplantation.

The Company obtained approval in the U.S. in July 2013 for extended release capsules of tacrolimus hydrate (generic name), an immunosuppressant, for the indication of prophylaxis of organ rejection in patients receiving a kidney transplant. The product was launched the following month under the brand name ASTAGRAF XL.

For XTANDI (generic name: enzalutamide, development code: MDV3100) additional indication applications were submitted in the U.S. in March 2014 and in Europe the following month for the treatment of men with metastatic castration-resistant prostate cancer who have not received chemotherapy.

(Clinical Development in Japan)

The Company obtained approval in June 2013 for Prograf (generic name: tacrolimus hydrate), an immunosuppressant, for the additional indication of interstitial pneumonia associated with polymyositis/dermatomyositis.

With respect to the orally disintegrating tablet that is being developed as an additional formulation of Irribow (generic name: ramosetron hydrochloride) for the indication of diarrhea-predominant irritable bowel syndrome in males, the Company obtained approval in August 2013. The product was launched under the brand name Irribow OD Tablets in January 2014.

With respect to the hypnosedative Dormicum (generic name: midazolam), the Company obtained approval for an additional indication for use in sedation during surgery and procedures for dental, oral and maxillofacial care in December 2013.

In January 2014, the Company obtained approval for the selective SGLT2 inhibitor Suglat (generic name: Ipragliflozin L-Proline, development code: ASP1941) for the treatment of type 2 diabetes, and launched it in April of the same year.

For XTANDI, the Company obtained approval for the indication of castration-resistant prostate cancer in March 2014, and launched it in May of the same year.

Initiatives to Optimize the Allocation of Resources in R&D

In April 2013, the Company entered into a collaboration agreement with Ambrx Inc. of the U.S. regarding technology for next-generation antibody drug conjugates ("ADCs") in the field of oncology. Under the agreement, the Company received worldwide rights to develop and commercialize ADCs for oncology.

The Company is proactively promoting utilization of the "Multi-Track" process. This approach includes having multiple strategies at every stage of the R&D process and promoting the uptake of innovative research, as well as constructing a high-quality and robust pipeline for the Company while at the same time managing risks and costs through the effective use of outside resources. As part of this approach, in April 2013 the Company entered into an exclusive license agreement with Tacurion Pharma, Inc., a company operated by Drais Pharmaceuticals, Inc. of the U.S., regarding ASP7035, which is currently developed for the treatment of nocturia.

In May 2013, the Company entered into an agreement for a strategic alliance in Japan with Amgen Inc. of the U.S. The alliance consists of two elements. The first element is a long-term collaboration between the two companies that will focus on the co-development and co-commercialization in Japan of five Amgen pipeline medicines, which are mainly biological products. The five medicines are a hyperlipidemia agent (development code: AMG 145), an osteoporosis agent (development code: AMG 785) and three treatments for cancer (development code: AMG 102, AMG 337 and AMG 103). The second element is the establishment of a joint venture company (Amgen Astellas BioPharma KK), through which the two companies will work together. Having started operations in October 2013, Amgen Astellas BioPharma KK will work with the Company on the co-development and co-commercialization in Japan of the above-mentioned five pipeline medicines.

In June 2013, the Company concluded a collaboration agreement with Cytokinetics, Inc. of the U.S., focusing on the research, development and commercialization of skeletal muscle activators. The primary objective of the collaboration is to advance novel therapies for diseases and medical conditions associated with muscle weakness. The two parties will jointly conduct research and development in the area of skeletal muscle activation.

In March 2013, the Company exercised its right to terminate the worldwide license agreement with Ambit Biosciences Corporation of the U.S. concluded in 2009 for the joint development and commercialization of FLT3 kinase inhibitors including quizartinib (generic name/code name: AC220). The agreement, which the Company exercised its right to terminate for strategic reasons, came to an end on September 3, 2013.

In October 2013, the Company entered into an exclusive collaboration agreement with Mitokyne, Inc. of the U.S. for joint research and development in the area of mitochondria-related diseases. Under the agreement, the two companies are jointly conducting research and development to find breakthrough treatments in this therapeutic area, in which an effective therapy is yet to be established.

In December 2013, the Company entered into a joint research agreement with Immuno-Biological Laboratories Co., Ltd. regarding pharmaceutical applications of recombinant human proteins made using transgenic silkworms. Under the agreement, the two companies are jointly conducting research and development with respect to a useful recombinant human protein made using transgenic silkworms. This includes examining and evaluating the production method and looking into the possibility of developing the protein as medicine.

In January 2014, the Company entered into an agreement for a strategic alliance with ClearPath Development Company ("ClearPath") of the U.S. to form a portfolio of vaccines targeting infectious diseases. Through this alliance, the Company will fund the development of a virosome vaccine technology for respiratory syncytial virus, licensed from Mymetics Corporation of the U.S., by RSV Corporation, a company managed and operated by ClearPath. The alliance will help the Company to build up its vaccine portfolio.

In February 2014, the Company exercised its right to terminate a license agreement it entered into in 2011 with AVEO Pharmaceuticals, Inc. ("AVEO") of the U.S. for the development and commercialization of tivozanib (generic name/development code: ASP4130), an inhibitor of all three vascular endothelial growth factor receptors 1, 2 and 3, which had been under joint development. The Company took the decision for strategic reasons, based on the clinical status of the three indications studied (renal cell carcinoma, colorectal cancer and breast cancer). The termination of the license agreement will be effective August 11, 2014, at which time tivozanib rights will be returned to AVEO.

Also in February 2014, the Company amended a license agreement, which was entered into in February 2010, on isavuconazole (generic name), an azole antifungal agent under joint development with Basilea Pharmaceutica Ltd. of Switzerland, for strategic reasons. Based on the amendment, the territories subject to the license agreement have been changed from "worldwide except Japan" to "the U.S. and Canada," and the Company is now responsible for applications for approval and has exclusive full responsibility for the manufacture and sale of isavuconazole in both countries.

In March 2014, the Company entered into a collaboration agreement with Daiichi Sankyo Company, Limited to form a compound library sharing partnership for approximately 400,000 selected compounds from the whole library of each company. The collaboration enables each party to promote innovative new medicine research and development.

Commercial Partnerships and Measures to Strengthen Business Capabilities

In August 2013, the Company and MSD K.K. entered into a co-promotion agreement in Japan for Suglat. Under the agreement, the manufacture and sale of the drug will be carried out by the Company, while the Company, MSD, and Kotobuki Pharmaceutical Co., Ltd. will co-promote it.

In July 2013, the Company established a sales affiliate in Singapore, Astellas Pharma Singapore Pte. Ltd. The business started operations in October 2013. Astellas Pharma Singapore will mainly commercialize Astellas' global products through its own sales force in Singapore and supervise the sales of such products through a Contract

Sales Organization (CSO) in Malaysia. Astellas Pharma Singapore will quickly build up its business capabilities in both Singapore and Malaysia.

Initiatives to Pursue Operational Excellence and Enhance Asset Efficiency

To realize sustainable growth while responding to a rapidly changing business environment, the Company is continuously working to pursue operational excellence and enhance asset efficiency.

In September 2013, we signed an agreement with Accenture Japan Ltd. on Business Process Outsourcing in regard to certain Group-wide operations spanning multiple business areas of the Company and its domestic subsidiaries. By working with a specialist external partner, we aim to obtain high quality services and promote efficiency in these operations, while allocating resources to businesses that contribute to the Company's competitive advantage.

In December 2013, we entered into an agreement with Mitsui Fudosan Co., Ltd. to comprehensively transfer the real estate owned by the Company and domestic group company Lotus Estate Co., Ltd. to Mitsui Fudosan. The transfer was carried out on March 31, 2014.

In May 2014, we consolidated functions including Clinical Development, QA (Quality Assurance) & RA (Regulatory Affairs) and Pharmacovigilance, and relocated them from Itabashi-ku, Tokyo to an office building close to Astellas' headquarters in Nihonbashi, Chuo-ku, Tokyo.

In the areas of production and technology, the Company will work to enhance its own capabilities while also actively pursuing alliances with external partners. By these means, we will work to establish a stable production system that will efficiently realize a "steady supply of high-quality drugs" in a changing environment. As part of these efforts, Astellas Pharma Tech Co., Ltd., the Company's production subsidiary, concluded a definitive agreement in December 2013 with Nichi-Iko Pharmaceutical Co., Ltd. under which Nichi-Iko Pharmaceutical Co., Ltd. would succeed to the Fuji Plant business of Astellas Pharma Tech Co., Ltd. The succession of this business took place and was completed on April 1, 2014.

In December 2013, we reached agreement with Taiho Pharmaceutical Co., Ltd. ("Taiho") to transfer assets related to fermentation research owned by the Company to Taiho, and entered into a transfer agreement with Taiho. We made a decision to cease in-house fermentation research as part of the reshaping of our research framework in order to enhance our ability to generate innovative drugs (as announced in May 2013), and considered a transfer of our fermentation research-related assets to a third party. With this decision, we will implement a strategic reallocation of resources related to research and development that were previously allocated to fermentation research to further enhance our ability to generate innovative drugs.

Consolidated Forecasts for Year Ending March 31, 2015 (Fiscal 2014) (Announced May 2014)

The Company's consolidated business forecasts for fiscal 2014 are presented on a core basis. Certain items reported in financial results under IFRS on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items from these business forecasts on a core basis.

Fiscal 2014 Forecasts (Core Basis)

(¥ million)

	2014.3	**2015.3 (forecasts)**
Sales	¥1,139,909	**¥1,192,000**
Core operating profit	186,253	**208,000**
Core profit for the year	132,796	**154,000**

(¥)

	2014.3	**2015.3 (forecasts)**
Foreign Exchange Rates (Average)		
US$1	¥100	**¥100**
€1	134	**140**

We project an increase in sales and higher earnings at every level. We assume the yen will weaken against the euro compared with fiscal 2013, and we expect foreign exchange factors to have an ¥11.8 billion positive impact on sales and a ¥13.2 billion positive impact on core operating profit.

Sales

In fiscal 2014, we forecast a 4.6% year-on-year increase in sales to ¥1,192.0 billion.

In addition to anticipated global sales growth for XTANDI, sales of OAB treatments Vesicare and Betanis/Myrbetriq/BETMIGA are forecasted to grow. Although sales of Prograf are expected to decline in the Americas and Japan, Prograf sales in Asia and Oceania are expected to expand, with global sales projected to remain level with the previous fiscal year. Sales of Harnal, on the other hand, are expected to decline mainly due to the impact of generics.

Sales in Japan are expected to decrease by 0.4% year on year to ¥528.4 billion. Sales in the Japanese market are expected to decline by 1.4% year on year to ¥508.3 billion. The impact of the NHI drug price revision enforced in April 2014 is expected to be offset by sales of growing products and new products. Consequently, we forecast that the year-on-year decrease in domestic sales of ethical pharmaceuticals will be slight. Contributions to sales are expected from Suglat, which we launched in April 2014, and XTANDI, which we launched in May 2014. We also forecast expansion in sales of growing products such as Celecox and new products such as Cimzia in addition to increased sales of the OAB treatments Vesicare and Betanis. On the other hand, sales are forecasted to decline for products such as Lipitor, Gaster, Myslee and Seroquel, mainly due to the impact of generics.

In the Americas, we forecast a 0.8% year-on-year increase in sales, to ¥289.2 billion. Sales on a U.S. dollar basis are expected to increase 1.0% year on year, to US$2,892 million. In addition to XTANDI, overall sales of the OAB treatments VESIcare and Myrbetriq and income from Tarceva are forecasted to continue growing. On the other hand, we anticipate a decrease in sales of Prograf and overall sales of the pharmacologic stress agents Adenoscan and Lexiscan, mainly due to the impact of generics.

In EMEA, we forecast a 15.6% year-on-year increase in sales, to ¥305.6 billion. Sales on a euro basis are expected to increase 11.0% year on year, to €2,183 million. In addition to XTANDI, sales of products including the OAB treatments Vesicare and BETMIGA are forecasted to grow. Although we expect sales of Prograf through the Company's own distribution channel to decrease on a local currency basis, we anticipate the revenues we receive from this to increase on a yen basis as a result of the foreign exchange impact. Sales of Harnal through the Company's own distribution channel are forecasted to decrease.

Sales in Asia and Oceania are expected to grow 18.6% year on year, to ¥68.7 billion. Excluding the impact of foreign exchange rates, we forecast an approximately 18% increase. Continued growth in sales of such products as Prograf, Vesicare and MYCAMINE is expected.

Core Operating Profit and Core Profit for the Year

Gross profit is expected to increase due to growing sales, as well as a decrease in the cost of sales ratio as a result of changes in product mix and other factors.

SG&A expenses are expected to increase due to increases in selling expenses related to co-promotion of XTANDI in the U.S. and expenses related to sales of new products.

We project a 3.4% increase in R&D expenses to ¥198.0 billion, with a ratio of R&D expenses to sales of 16.6% (compared with 16.8% in fiscal 2013).

As a result, we forecast an 11.7% year-on-year increase in core operating profit to ¥208.0 billion. Core profit for the year is expected to increase 16.0% year on year to ¥154.0 billion.

Number of Employees

As of March 31, 2014, Astellas worldwide employed 17,649 people, a year-on-year increase of 195. The total number of Medical Representatives (MRs) was approximately 6,340, a year-on-year decrease of about 10. In Japan, we had 8,082 employees, down 71 from the previous year-end. In the Americas, the regional head count was 2,883 employees, down 97 from the previous year-end. In EMEA, we had 4,580 employees, up 224 year on year. In Asia and Oceania, we had 2,104 employees, up 139 from the previous year-end.

Number of Employees by Geographical Area

(persons)

	2013.3	**2014.3**
Total	17,454	**17,649**
Japan	8,153	**8,082**
Americas	2,980	**2,883**
EMEA	4,356	**4,580**
Asia & Oceania	1,965	**2,104**

Number of MRs

(persons)

	2013.3	**2014.3**
Total (Global)	6,350	**6,340**

Assets, Liabilities and Equity

An overview of the consolidated statement of financial position as of March 31, 2014 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of March 31, 2014 amounted to ¥1,653.1 billion, up ¥87.8 billion from a year earlier.

Non-current assets decreased ¥52.7 billion, to ¥739.8 billion at the fiscal year-end. Property, plant and equipment at cost was ¥191.5 billion, down ¥19.7 billion from the previous fiscal year-end.

Current assets increased ¥140.6 billion, to ¥913.3 billion at the fiscal year-end. Cash and cash equivalents was ¥391.4 billion, up ¥126.5 billion from the previous fiscal year-end.

Equity

Total equity was ¥1,268.5 billion, an increase of ¥93.9 billion from a year earlier. The ratio of owners' equity to gross assets was 76.7%.

While profit for the year stood at ¥90.9 billion, the Company paid ¥58.7 billion of dividends of surplus and acquired ¥30.1 billion of treasury shares.

Liabilities

Total liabilities as of March 31, 2014 amounted to ¥384.6 billion, down ¥6.0 billion from a year earlier.

Total non-current liabilities declined ¥21.8 billion to ¥43.9 billion. Current liabilities increased ¥15.8 billion to ¥340.7 billion.

Liquidity and Financing

Seeking to strengthen its pharmaceutical business, Astellas is constantly working to expand its share of the Japanese market while also building a global sales and marketing network to boost its presence in global markets outside of Japan. Moreover, Astellas will continue reinforcing its R&D capabilities to maintain a strong drug discovery capability.

In addition, Astellas will actively introduce new products and otherwise pursue strategic business investment opportunities, to further reinforce its product lineup. A sufficient level of cash and cash equivalents is maintained to enable Astellas to target such strategic investment opportunities, while also supplying working capital and fund capital expenditures.

As outlined in the section on business risks, Astellas' operations face a varied set of risks that are peculiar to the ethical pharmaceutical business. Astellas believes that it is advisable to finance business development with internal funds. In preparation for the event of demand for funding beyond this, the Group's financial policy is to maintain a healthy balance sheet at all times so it can finance smoothly at low costs.

Cash Flows

Cash Flows from Operating Activities

Net cash flows from operating activities amounted to ¥214.3 billion, an increase of ¥63.3 billion in year-on-year terms. Income tax paid decreased ¥1.3 billion to ¥43.1 billion.

Cash Flows from Investing Activities

Net cash flows used in investing activities totaled ¥26.9 billion, down ¥28.3 billion from the previous fiscal year. While proceeds from sales of property, plant and equipment provided cash of ¥8.7 billion and proceeds from sales of subsidiaries provided cash of ¥18.6 billion, purchases of property, plant and equipment used cash of ¥29.3 billion and purchase of intangible assets used cash of ¥26.9 billion.

Cash Flows from Financing Activities

Net cash flows used in financing activities totaled ¥89.4 billion, down ¥20.6 billion from the previous fiscal year. Dividends paid to owners of the parent decreased ¥1.4 billion year on year, to ¥58.7 billion. Acquisition of treasury shares amounted to ¥30.1 billion.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2014 amounted to ¥391.4 billion, an increase of ¥126.5 billion compared with the previous fiscal year-end.

Capital Expenditures

Astellas makes capital expenditures on an ongoing basis with the aim of reinforcing its capabilities and efficiency in R&D and production, its capabilities in sales and marketing, and its operational efficiency. Capital expenditures in fiscal 2013 totaled ¥25.7 billion, down 19.9% year on year (based on the value of property, plant and equipment).

In fiscal 2014, capital expenditures are forecast to increase 28.4% to ¥33.0 billion.

Earnings Per Share, Dividends and Equity Attributable to Owners of the Parent

Per Share Data

(¥)

	2013.3	**2014.3**
Earnings per share*		
Basic	¥ 40.27	**¥ 40.45**
Diluted	40.21	**40.39**
Dividends	130.00	**135.00**
Equity per share attributable to owners of the parent*	520.69	**568.53**

* The Company conducted a stock split of common stock at a ratio of 5 to 1 with an effective date of April 1, 2014. Earnings per share and equity per share attributable to owners of the parent are calculated based on the number of shares issued after the stock split (excluding treasury shares) on the assumption that the stock split was conducted at the beginning of the year ended March 2013.

Policy on Shareholder Returns

Astellas is 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 attributable to owners of the parent (DOE) ratio into consideration. Furthermore, Astellas will flexibly purchase treasury stock as necessary to improve capital efficiency and the level of return to shareholders.

Common Stock

(thousands of shares)

	2013.3	**2014.3**
Total number of issued shares*1	2,339,823	**2,284,823**
Treasury shares*1	83,942	**53,681**

Treasury Shares

	2013.3	**2014.3**
Number of shares bought back*1, 2	54,000 thousand	**25,180 thousand**
Acquisition cost*2	¥49.4 billion	**¥30.0 billion**
Cancellation of treasury shares*1		**55,000 thousand**

The Company cancelled 25,000 thousand treasury shares*1 on May 30, 2014.

The Company acquired own shares worth ¥30.0 billion (23,310 thousand shares*1) from May 13, 2014 to June 23, 2014.

*1 The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014. Figures for common stock and treasury stock are calculated based on the number of shares issued after the stock split (excluding treasury shares) on the assumption that the stock split was conducted at the beginning of fiscal 2012.

*2 Excludes purchases of shares constituting less than a trading unit

ROE and DOE

Return on equity (ROE) was 7.4%, down 0.6 of a percentage point from fiscal 2012. The DOE ratio was 5.0%, down 0.2 of a percentage point from fiscal 2012.

Stock Split

The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014.

(Purpose of stock split)

The purpose is to expand the Company's investor base and enhance the liquidity of its stock by reducing the price per unit of shares to provide investors with more affordable purchase opportunities.

(Method of stock split)

The stock split had a record date of March 31, 2014 and involved the splitting of common stock owned by shareholders entered or recorded in the last register of shareholders as of the record date at a ratio of 5 for 1.

(Increase in number of shares by stock split)

Total number of issued shares before stock split:
456,964,635 shares

Increase in number of shares by stock split:
1,827,858,540 shares

Total number of issued shares after stock split:
2,284,823,175 shares

Total number of authorized shares after stock split:
9,000,000,000 shares

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 R&D 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. Some governments 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 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2013 and 2014

	Note	(Millions of Yen) 2013	2014	(Millions of U.S. dollars) 2014
Sales	6	¥ 981,899	**¥1,139,909**	**$11,067**
Cost of sales		(308,711)	**(330,628)**	**(3,210)**
Gross profit		673,187	**809,281**	**7,857**
Selling, general and administrative expenses		(318,943)	**(397,018)**	**(3,855)**
Research and development expenses		(159,094)	**(191,460)**	**(1,859)**
Amortisation of intangible assets	17	(28,266)	**(36,000)**	**(350)**
Share of profits of associates and joint ventures		1,137	**1,451**	**14**
Other income	7	2,862	**11,582**	**112**
Other expense	8	(49,291)	**(81,029)**	**(787)**
Operating profit		121,593	**116,806**	**1,134**
Finance income	10	7,339	**6,827**	**66**
Finance expense	11	(1,816)	**(1,658)**	**(16)**
Profit before tax		127,115	**121,975**	**1,184**
Income tax expense	12	(34,651)	**(31,100)**	**(302)**
Profit for the year		¥ 92,464	**¥ 90,874**	**$ 882**
Profit attributable to:				
Owners of the parent		¥ 92,464	**¥ 90,874**	**$ 882**
		(Yen)		(U.S. dollars)
Earnings per share				
Basic	13	¥ 40.27	**¥ 40.45**	**$ 0.39**
Diluted	13	40.21	**40.39**	**0.39**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2013 and 2014

	Note	(Millions of Yen) 2013	2014	(Millions of U.S. dollars) 2014
Profit for the year		¥ 92,464	**¥ 90,874**	**$ 882**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans		(5,049)	**4,648**	**45**
Total items that will not be reclassified subsequently to profit or loss		(5,049)	**4,648**	**45**
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustments	14	67,659	**80,001**	**777**
Fair value movements on available-for-sale financial assets	14	3,273	**6,588**	**64**
Total items that may be reclassified subsequently to profit or loss		70,932	**86,590**	**841**
Other comprehensive income, net of tax		65,883	**91,238**	**886**
Total comprehensive income		¥158,347	**¥182,112**	**$1,768**
Total comprehensive income attributable to:				
Owners of the parent		¥158,347	**¥182,112**	**$1,768**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Astellas Pharma Inc. and Subsidiaries
As of the date of transition to IFRS (1 April 2012), and 31 March 2013 and 2014

	Note	(Millions of Yen) 1 April 2012 (Transition date)	2013	2014	(Millions of U.S. dollars) 2014
Assets					
Non-current assets					
Property, plant and equipment	15	¥ 192,851	¥ 211,112	**¥ 191,451**	**$ 1,859**
Goodwill	16	94,193	107,648	**116,766**	**1,134**
Other intangible assets	17	367,220	340,603	**280,120**	**2,720**
Investments in associates and joint ventures		830	1,204	**1,808**	**18**
Deferred tax assets	18	57,399	45,178	**45,530**	**442**
Other financial assets	19	76,676	81,084	**94,961**	**922**
Other non-current assets	20	5,532	5,724	**9,179**	**89**
Total non-current assets		794,700	792,553	**739,816**	**7,183**
Current assets					
Inventories	21	112,705	127,095	**135,228**	**1,313**
Trade and other receivables	22	288,317	308,208	**332,639**	**3,230**
Income tax receivable		6,605	10,492	**2,710**	**26**
Other financial assets	19	48,814	50,934	**35,406**	**344**
Other current assets	20	6,089	9,440	**12,068**	**117**
Cash and cash equivalents	23	252,380	264,912	**391,374**	**3,800**
Sub total		714,911	771,082	**909,424**	**8,829**
Assets held for sale	24	1,451	1,636	**3,868**	**38**
Total current assets		716,361	772,718	**913,292**	**8,867**
Total assets		¥1,511,061	¥1,565,271	**¥1,653,108**	**$16,050**

	Note	(Millions of Yen) 1 April 2012 (Transition date)	2013	2014	(Millions of U.S. dollars) 2014
Equity and liabilities					
Equity					
Share capital	25	¥ 103,001	¥ 103,001	**¥ 103,001**	**$ 1,000**
Capital surplus	25	176,822	176,822	**176,822**	**1,717**
Treasury shares	25	(23,132)	(72,285)	**(54,535)**	**(529)**
Retained earnings		848,135	875,473	**864,830**	**8,396**
Other components of equity	25	20,332	91,596	**178,359**	**1,732**
Total equity attributable to owners of the parent		1,125,157	1,174,606	**1,268,476**	**12,315**
Total equity		1,125,157	1,174,606	**1,268,476**	**12,315**
Liabilities					
Non-current liabilities					
Trade and other payables	32	11,625	4,869	**64**	**1**
Deferred tax liabilities	18	17,550	15,270	**2**	**0**
Retirement benefit liabilities	28	24,843	32,201	**27,184**	**264**
Provisions	29	1,725	1,891	**4,264**	**41**
Other financial liabilities	30	1,509	1,391	**749**	**7**
Other non-current liabilities	31	6,731	10,142	**11,681**	**113**
Total non-current liabilities		63,983	65,765	**43,944**	**427**
Current liabilities					
Trade and other payables	32	199,263	201,762	**187,032**	**1,816**
Income tax payable		24,371	10,361	**13,237**	**129**
Provisions	29	32,442	48,089	**66,407**	**645**
Other financial liabilities	30	1,144	1,369	**1,062**	**10**
Other current liabilities	31	64,701	63,319	**72,950**	**708**
Total current liabilities		321,921	324,900	**340,688**	**3,308**
Total liabilities		385,904	390,665	**384,632**	**3,734**
Total equity and liabilities		¥1,511,061	¥1,565,271	**¥1,653,108**	**$16,050**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2013 and 2014

(Millions of Yen)

	Note	Equity attributable to owners of the parent										
						Other components of equity						
		Share capital	Capital surplus	Treasury shares	Retained earnings	Subscription rights to shares	Foreign currency translation adjustments	Fair value movements on available-for-sale financial assets	Re-measurements of defined benefit plans	Total	Total	Total equity
As of 1 April 2012		¥103,001	¥176,822	¥(23,132)	¥ 848,135	¥1,605	¥ —	¥18,727	¥ —	¥ 20,332	¥1,125,157	¥1,125,157
Comprehensive income												
Profit for the year		—	—	—	92,464	—	—	—	—	—	92,464	92,464
Other comprehensive income		—	—	—	—	—	67,659	3,273	(5,049)	65,883	65,883	65,883
Total comprehensive income		—	—	—	92,464	—	67,659	3,273	(5,049)	65,883	158,347	158,347
Transactions with owners of the parent												
Acquisition of treasury shares	25	—	—	(49,392)	—	—	—	—	—	—	(49,392)	(49,392)
Disposals of treasury shares	25	—	—	239	(27)	(42)	—	—	—	(42)	170	170
Dividends	26	—	—	—	(60,051)	—	—	—	—	—	(60,051)	(60,051)
Share-based payments	27	—	—	—	—	374	—	—	—	374	374	374
Transfers		—	—	—	(5,049)	—	—	—	5,049	5,049	—	—
Total transactions with owners of the parent		—	—	(49,153)	(65,127)	332	—	—	5,049	5,381	(108,899)	(108,899)
As of 31 March 2013		103,001	176,822	(72,285)	875,473	1,937	67,659	22,000	—	91,596	1,174,606	1,174,606
Comprehensive income												
Profit for the year		**—**	**—**	**—**	**90,874**	**—**	**—**	**—**	**—**	**—**	**90,874**	**90,874**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**80,001**	**6,588**	**4,648**	**91,238**	**91,238**	**91,238**
Total comprehensive income		**—**	**—**	**—**	**90,874**	**—**	**80,001**	**6,588**	**4,648**	**91,238**	**182,112**	**182,112**
Transactions with owners of the parent												
Acquisition of treasury shares	25	**—**	**—**	**(30,075)**	**—**	**—**	**—**	**—**	**—**	**—**	**(30,075)**	**(30,075)**
Disposals of treasury shares	25	**—**	**—**	**463**	**(147)**	**(192)**	**—**	**—**	**—**	**(192)**	**124**	**124**
Cancellation of treasury shares	25	**—**	**—**	**47,362**	**(47,362)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends	26	**—**	**—**	**—**	**(58,656)**	**—**	**—**	**—**	**—**	**—**	**(58,656)**	**(58,656)**
Share-based payments	27	**—**	**—**	**—**	**—**	**365**	**—**	**—**	**—**	**365**	**365**	**365**
Transfers		**—**	**—**	**—**	**4,648**	**—**	**—**	**—**	**(4,648)**	**(4,648)**	**—**	**—**
Total transactions with owners of the parent		**—**	**—**	**17,750**	**(101,517)**	**173**	**—**	**—**	**(4,648)**	**(4,475)**	**(88,242)**	**(88,242)**
As of 31 March 2014		**¥103,001**	**¥176,822**	**¥(54,535)**	**¥ 864,830**	**¥2,110**	**¥147,660**	**¥28,588**	**¥ —**	**¥178,359**	**¥1,268,476**	**¥1,268,476**

(Millions of U.S. dollars)

	Note	Equity attributable to owners of the parent										
						Other components of equity						
		Share capital	Capital surplus	Treasury shares	Retained earnings	Subscription rights to shares	Foreign currency translation adjustments	Fair value movements on available-for-sale financial assets	Re-measurements of defined benefit plans	Total	Total	Total equity
As of 31 March 2013		$1,000	$1,717	$(702)	$8,500	$19	$ 657	$214	$ —	$ 889	$11,404	$11,404
Comprehensive income												
Profit for the year		**—**	**—**	**—**	**882**	**—**	**—**	**—**	**—**	**—**	**882**	**882**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**777**	**64**	**45**	**886**	**886**	**886**
Total comprehensive income		**—**	**—**	**—**	**882**	**—**	**777**	**64**	**45**	**886**	**1,768**	**1,768**
Transactions with owners of the parent												
Acquisition of treasury shares	25	**—**	**—**	**(292)**	**—**	**—**	**—**	**—**	**—**	**—**	**(292)**	**(292)**
Disposals of treasury shares	25	**—**	**—**	**4**	**(1)**	**(2)**	**—**	**—**	**—**	**(2)**	**1**	**1**
Cancellation of treasury shares	25	**—**	**—**	**460**	**(460)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends	26	**—**	**—**	**—**	**(569)**	**—**	**—**	**—**	**—**	**—**	**(569)**	**(569)**
Share-based payments	27	**—**	**—**	**—**	**—**	**4**	**—**	**—**	**—**	**4**	**4**	**4**
Transfers		**—**	**—**	**—**	**45**	**—**	**—**	**—**	**(45)**	**(45)**	**—**	**—**
Total transactions with owners of the parent		**—**	**—**	**172**	**(986)**	**2**	**—**	**—**	**(45)**	**(43)**	**(857)**	**(857)**
As of 31 March 2014		**$1,000**	**$1,717**	**$(529)**	**$8,396**	**$20**	**$1,434**	**$278**	**$ —**	**$1,732**	**$12,315**	**$12,315**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2013 and 2014

	Note	(Millions of Yen) 2013	(Millions of Yen) 2014	(Millions of U.S. dollars) 2014
Cash flows from operating activities				
Profit before tax		¥ 127,115	**¥121,975**	**$1,184**
Depreciation and amortisation		51,167	**64,304**	**624**
Impairment losses and reversal of impairment losses		44,585	**55,568**	**539**
Finance income and expense		(5,522)	**(5,169)**	**(50)**
(Increase) decrease in inventories		(4,284)	**5,449**	**53**
(Increase) decrease in trade and other receivables		(193)	**(1,088)**	**(11)**
Increase (decrease) in trade and other payables		(2,786)	**(20,686)**	**(201)**
Other		(14,751)	**37,029**	**360**
Cash generated from operations		195,332	**257,381**	**2,499**
Income tax paid		(44,406)	**(43,124)**	**(419)**
Net cash flows from operating activities		150,926	**214,257**	**2,080**
Cash flows from investing activities				
Purchases of property, plant and equipment		(31,342)	**(29,261)**	**(284)**
Proceeds from sales of property, plant and equipment		577	**8,652**	**84**
Purchase of intangible assets		(45,200)	**(26,885)**	**(261)**
Purchase of available-for-sale financial assets		(816)	**(1,577)**	**(15)**
Proceeds from sales of available-for-sale financial assets		10,432	**7,526**	**73**
Proceeds from sales of subsidiaries	33	—	**18,592**	**181**
Interest and dividends received		2,675	**3,322**	**32**
Other		8,573	**(7,221)**	**(70)**
Net cash flows used in investing activities		(55,101)	**(26,851)**	**(261)**
Cash flows from financing activities				
Acquisition of treasury shares	25	(49,392)	**(30,075)**	**(292)**
Dividends paid to owners of the parent	26	(60,051)	**(58,656)**	**(569)**
Other		(570)	**(664)**	**(6)**
Net cash flows used in financing activities		(110,013)	**(89,395)**	**(868)**
Effect of exchange rate changes on cash and cash equivalents		26,721	**28,450**	**276**
Net increase (decrease) in cash and cash equivalents		12,533	**126,461**	**1,228**
Cash and cash equivalents at the beginning of the year	23	252,380	**264,912**	**2,572**
Cash and cash equivalents at the end of the year	23	¥ 264,912	**¥391,374**	**$3,800**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2013 and 2014

1. REPORTING ENTITY

Astellas Pharma Inc. and its subsidiaries (collectively, the "Group") are engaged in the manufacture and sales of pharmaceutical products. The parent company of the Group, Astellas Pharma Inc. (the "Company"), is incorporated in Japan, and the registered address of headquarters and principal business offices are available on the Company's website (http://www.astellas.com/en/). Also, shares of the Company are publicly traded on the Tokyo Stock Exchange.

The Group's consolidated financial statements for the year ended 31 March 2014 were authorised for issue on 18 June 2014 by Yoshihiko Hatanaka, Representative Director, President and Chief Executive Officer, and Yasumasa Masuda, Senior Corporate Executive and Chief Financial Officer.

2. BASIS OF PREPARATION

(1) Compliance with IFRS and first-time adoption

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

The Group first adopted IFRS for the year ended 31 March 2014, and accordingly, the consolidated financial statements for the year ended 31 March 2014 are the Group's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS was 1 April 2012, and the Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") at the transition to IFRS. Descriptions of how the transition to IFRS has affected the Group's financial position, operating results, and cash flows are provided in the related note, "First-time adoption".

Except for IFRS that have not been early adopted and exemptions permitted under IFRS 1, the Group's accounting policies are in accordance with IFRS effective as of 31 March 2014.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

(3) Presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded to the nearest million yen, except as otherwise indicated.

For the convenience of readers outside Japan, the accompanying consolidated financial statements are also presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥103 to US $1, the approximate rate of exchange at the end of 31 March 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New or amended IFRS standards and interpretations not yet adopted

The following is a list of new or amended IFRS standards and interpretations that the Group has not adopted among those issued by the date of the approval of the Group's consolidated financial statements. Also, the effects on the Group due to the application of the standards or interpretations listed below are still under consideration and cannot be estimated at this time.

	IFRSs	Effective date (fiscal years beginning on or after)	The Group's application date (fiscal year ending)	Summaries of new or amended IFRS standards and interpretations
IAS 32	Financial Instruments: Presentation	1 January 2014	31 March 2015	Offsetting financial assets and financial liabilities
IAS 36	Impairment of Assets	1 January 2014	31 March 2015	Disclosures related to recoverable amount of non-financial assets
IFRS 10	Consolidated Financial Statements	1 January 2014	31 March 2015	Establishment of accounting treatment for entities meeting new definition of investment entity
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	31 March 2015	Additional disclosure requirements for newly defined investment entities
IFRIC 21	Levies	1 January 2014	31 March 2015	Clarification of recognition of liabilities for levies
IAS 19	Employee Benefits	1 July 2014	31 March 2016	Clarification of accounting for contributions by employees or third parties
IFRS 9	Financial Instruments	—	—	Requirements for classification and measurement of financial assets and financial liabilities
IFRS 15	Revenue from Contracts with Customers	1 January 2017	31 March 2018	Comprehensive framework for revenue recognition

3. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise noted, the accounting policies set forth below are applied continuously to all periods indicated in the consolidated financial statements (including the consolidated statement of financial position at the date of transition to IFRS).

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group has power over the entity, is exposed to, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date on which the Group loses control.

All intragroup assets and liabilities, transactions and unrealised gains or losses arising from intragroup transactions are eliminated on consolidation.

(ii) Associates

Associates are entities over which the Group has significant influence on their financial and operating policies but does not have control or joint control. If the Group owns between 20% and 50% of the voting power of an entity, it is presumed that the Group has significant influence over the entity. The Group accounts for investments in associates using the equity method.

(iii) Joint arrangements

A joint arrangement is an arrangement in which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Joint arrangements in which the Group has an interest are classified and accounted for as follows:

- Joint operation—when the Group has rights to the assets and obligations for the liabilities relating to an arrangement, it accounts for each of its assets, liabilities, revenue and expenses, in relation to its interest in the joint operation.
- Joint venture—when the Group has rights only to the net assets of the arrangement, it accounts for its interest in the joint venture using the equity method in the same way as associates.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred is measured at fair value and calculated as the aggregate of the fair values of the assets transferred, liabilities assumed, and the equity interests issued by the Group. The consideration transferred also includes any assets or liabilities resulting from a contingent consideration arrangement.

The identifiable assets acquired, the liabilities and contingent liabilities assumed that meet the recognition principles of IFRS 3 "Business Combinations" are measured at their acquisition-date fair values, except:

- Deferred tax assets or liabilities, liabilities (or assets, if any) related to employee benefits, and liabilities related to share-based payment transactions are recognised and measured in accordance with IAS 12 "Income Taxes", IAS 19 "Employee Benefits", and IFRS 2 "Share-based Payment", respectively; and
- Non-current assets and disposal groups classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recorded as goodwill. If the excess is negative, then a gain from a bargain purchase is immediately recognised in profit or loss.

Acquisition-related costs incurred in connection with business combinations, such as finder's fees and advisory fees, are expensed when incurred.

The Group has adopted the exemption under IFRS 1 and elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that had occurred before 1 April 2012 (the date of transition to IFRS).

(3) Foreign currency translation

(i) Functional and presentation currency

The financial statements of an entity of the Group are prepared using the functional currency of the entity. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

(ii) Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or an approximation of the rate.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the closing date and exchange differences arising from translation are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of fiscal year. Income and expenses are translated into Japanese yen using the average exchange rate for the period.

Exchange differences arising on translating the financial statements of foreign operations are recognised in other comprehensive income. On the disposal of the interest in a foreign operation, the cumulative amount of the exchange differences is reclassified to profit or loss.

(iv) First-time adoption

The Group applied the exemption under IFRS 1 and reclassified the cumulative translation differences arising on the translation of foreign operations to retained earnings at the date of transition to IFRS.

(4) Sales

(i) Sale of goods

Sales are measured at the fair value of the consideration received or receivable, less discounts, charge-backs and other rebates, excluding sales taxes and value added taxes. Also, the Group recognises the sales amount of transactions in which the Group is acting as an agent on a net basis.

Revenue from the sale of goods is recognised when all of the following conditions have been satisfied, namely, the significant risks and rewards of ownership of the goods have been transferred to the buyers, the Group retains neither continuing managerial involvement nor effective control over the goods sold, it is probable that the economic benefits will flow to the Group, and the amount of revenue and costs associated with the transaction can be reliably measured. Therefore, revenue is usually recognised at the time of delivery of goods to customers. Sales discounts, charge-backs and other rebates are recognised as accounts payable, provisions or as deductions from accounts receivable.

(ii) Royalty income

Some of the Group's revenues are generated from the agreements under which third parties have been granted rights to produce or market products or rights to use technologies. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Revenue associated with milestone agreements is recognised upon achievement of the milestones defined in the respective agreements. Upfront payments and licence fees received for agreements where the rights or obligations still exist are initially recognised as deferred income and then recognised in income as earned over the period of the development collaboration or the manufacturing obligation.

(5) Research and development expenses

Expenditure on research and development of an internal project is fully expensed as "Research and development expenses" in

the consolidated statements of income when incurred.

Internally generated development expenses are recognised as an intangible asset only if the capitalisation criteria under IAS 38 are satisfied. Therefore, internal expenditure incurred for ongoing internal development projects is not capitalised until marketing approval is obtained from the regulatory authorities in a major market, which is considered the time at which the criteria of capitalisation under IAS 38 are met.

In addition to the Group's internal research and development activities, the Group has entered into research and development collaboration agreements with some alliance partners. The expenses and income associated with the settlement of the expenditure incurred for the research and development collaboration activities are accounted for as research and development expenses on an accrual basis in the same way as research and development expenses incurred within the Group.

(6) Finance income and finance expense

Finance income mainly comprises interest income, dividend income, and gain on sales of financial instruments. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established. Gain on sales of financial instruments is recognised when the financial assets are derecognised.

Financial expenses mainly comprise interest expense, fees, loss on sales of financial instruments, and impairment losses for financial assets. Interest expense is recognised when incurred using the effective interest method.

(7) Income tax

Income tax expense is comprised of current and deferred taxes, and recognised in profit or loss, except for taxes related to business combinations and to items that are recognised in other comprehensive income or directly in equity.

Current taxes are calculated at the amount expected to be paid to or recovered from the taxation authority by applying the statutory tax rate and tax laws enacted or substantially enacted at the end of the fiscal year.

Deferred tax assets and deferred tax liabilities are recognised for temporary differences between the carrying amounts of certain assets or liabilities in the consolidated statements of financial position and their tax base. However, deferred tax assets and liabilities are not recognised for:

- taxable temporary differences arising from the initial recognition of goodwill.
- taxable or deductible temporary differences arising from the initial recognition of assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss).
- deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements when it is not probable that the temporary difference will reverse in the foreseeable future or there will not be sufficient taxable profits against which the deductible temporary differences can be utilised.
- taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses, and unused tax credits can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

(8) Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent by the weighted-average number of ordinary shares outstanding during the year, adjusting treasury shares. For the purpose of calculating diluted earnings per share, profit for the year attributable to owners of the parent and the weighted average number of shares outstanding, adjusting treasury shares, is calculated for the effects of all dilutive potential ordinary shares.

(9) Property, plant and equipment

Property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment includes costs directly attributable to the acquisition and the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located.

Costs incurred after initial recognition are recognised as an asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and its cost can be reliably measured. Costs of

day-to-day servicing for items of property, plant and equipment, such as repairs and maintenance, expensed when incurred.

When an item of property, plant and equipment has a significant component, such component is accounted for as a separate item of property, plant and equipment. Depreciation of an asset begins when it is available for use. The depreciable amount of items of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of each component. The depreciable amount of an asset is determined by deducting its residual value from its cost.

The estimated useful lives of major classes of property, plant and equipment are as follows:

Buildings and structures	2 to 60 years
Machinery and vehicles	2 to 30 years
Tools, furniture and fixtures	2 to 20 years

The useful lives, residual values, and depreciation methods of property, plant and equipment are reviewed at the end of fiscal year, and changed, if any.

(10) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of an asset are transferred to the Group. All other leases are classified as operating leases.

Under finance lease transactions, leased assets and lease obligations are initially recognised at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or lease terms. Minimum lease payments made under finance leases are allocated to finance expense and the repayment amount of the lease obligations. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liabilities.

Under operating lease transactions, lease payments are recognised as an expense on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease, based on the substance of the arrangement at the date of commencement of the lease. The substance of the arrangement is determined based on the following factors:

(a) whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and,

(b) whether the arrangement conveys a right to use the asset.

(11) Goodwill

Measurement of goodwill on initial recognition is described in "(2) Business combinations". After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Impairment of goodwill is described in "(13) Impairment of property, plant and equipment, goodwill, and other intangible assets".

(12) Other intangible assets

Other intangible assets are identifiable non-monetary assets without physical substance, other than goodwill, including patents and technologies, marketing rights, and in-process research and development (IPR&D) acquired in a business combination or acquired separately.

Other intangible assets acquired separately are measured at cost upon initial recognition, and those acquired in a business combination are measured at fair value at the acquisition date. After initial recognition, the Group applies the cost model and other intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised over their estimated useful lives (2-25 years) on a straight-line basis beginning at the time when they are available for use. Amortisation of other intangible assets acquired through business combinations or through the in-licensing of products or technologies is presented in the consolidated statements of income under "Amortisation of intangible assets". The estimated useful life of other intangible assets is the shorter of the period of legal protection or its economic life, and it is also regularly reviewed.

Among rights related to products or research and development through the in-licensing of products or technologies or acquired through business combinations, those that are still in the research and development stage or have not yet obtained marketing approval from the regulatory authorities are recognised under "Other intangible assets" as IPR&D.

Subsequent expenditure, including initial upfront and milestone payments to the third parties, on an acquired IPR&D is capitalised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the asset is identifiable.

An intangible asset recognised as IPR&D is not amortised because it is not yet available for use, but instead, it is tested for impairment whenever there is an indication of impairment or at least on an annual basis irrespective of whether there is any indication.

Once marketing approval from the regulatory authorities is obtained and the asset is available for use, IPR&D is transferred to "Patents and technologies" or "Marketing rights" and amortisation begins from that time on a straight-line basis over its useful life.

(13) Impairment of property, plant and equipment, goodwill, and other intangible assets

(i) Impairment of property, plant and equipment and other intangible assets

At the end of each quarter, the Group assesses whether there is any indication that its property, plant and equipment and other intangible assets may be impaired.

If there is an indication of impairment, the recoverable amount of the asset is estimated. Other intangible assets not yet available for use or with indefinite useful lives are tested for impairment annually irrespective of whether there is any indication of impairment.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In measuring the value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects the time value of money and the risks specific to the asset. The discount rate used for calculating the recoverable amount is set at a rate appropriate to each geographical area of operations.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.

(ii) Impairment of goodwill

Goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination, and it is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. If, at the time of the impairment test, the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.

Impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of cash-generating units and then to the other assets on a pro rata basis of the carrying amount of each asset in the cash-generating unit or group of cash-generating units.

(iii) Reversal of impairment loss

At the end of each quarter, the Group assesses whether there is any indication that an impairment loss recognised in prior years for other intangible assets may no longer exist or may have decreased. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated. If the recoverable amount of the asset or the cash-generating unit is greater than its carrying amount, a reversal of an impairment loss is recognised, to the extent the increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation or amortisation) that would have been determined had no impairment loss been recognised in prior years.

Any impairment loss recognised for goodwill is not reversed in a subsequent period.

(14) Financial instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value at initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or issuance of financial liabilities, other than financial assets measured at fair value through profit or loss ("financial assets at FVTPL") and financial liabilities measured at fair value through profit or loss ("financial liabilities at FVTPL"), are added to the fair value of the financial assets or deducted from the fair value of financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL and financial liabilities at FVTPL are recognised in profit or loss.

(ii) Non-derivative financial assets

Non-derivative financial assets are classified into "financial assets at FVTPL", "held-to-maturity investments", "loans and receivables" and "available-for-sale financial assets". The classification is determined based on the nature and purpose of the financial assets at the time of initial recognition.

(a) Financial assets at FVTPL

The Group classifies financial assets as FVTPL when the financial assets are either held for trading or designated as FVTPL at initial recognition.

Financial assets at FVTPL are measured at fair value, and any gain or loss resulting from changes in fair value, dividends, and interest income are recognised in profit or loss.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. The Group did not have any financial assets classified as held-to-maturity investments at the end of this fiscal year.

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Amortisation incurred under the effective interest method is recognised in profit or loss.

(d) Available-for-sale financial assets

Non-derivative financial assets designated as available-for-sale financial assets or not classified as FVTPL, held-to-maturity investments or loans and receivables are classified as available-for-sale financial assets.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss resulting from changes in fair value is recognised in other comprehensive income. Dividends on available-for-sale financial assets are recognised in profit or loss. When available-for-sale financial assets are derecognised or determined to be impaired, the cumulative gain or loss that had been recognised in other comprehensive income is reclassified to profit or loss.

(iii) Impairment of financial assets other than FVTPL

Financial assets, other than those at FVTPL, are assessed for any objective evidence of impairment at the end of each quarter.

Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets and these events have adversely affected the estimated future cash flows of the financial assets that can be reliably estimated.

Objective evidence of impairment of financial assets includes:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- probability that the borrower will enter bankruptcy or other financial reorganisation; or
- disappearance of an active market for the financial assets.

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the equity instrument below its cost would be considered as objective evidence of impairment.

The Group assesses the existence of objective evidence of impairment for loans and receivables and held-to-maturity financial assets, individually for separately significant assets or collectively for assets with no individual significance. When there is objective evidence of impairment on those financial assets, the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in profit or loss as an impairment loss.

The impairment loss for loans and receivables are recognised through the allowance for doubtful accounts, and the carrying amount of a loan and receivable is written off against the allowance account when it is subsequently considered uncollectible. When an event occurring after the impairment was recognised causes the amount of the impairment loss to decrease, a reversal of the impairment loss is recognised in profit or loss.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in other comprehensive income is transferred to profit or loss. Any subsequent recovery in the fair value of impaired equity instruments classified as available-for-sale financial assets is recognised in other comprehensive income.

(iv) Derecognition of financial assets

When the contractual rights with respect to the cash flows from a financial asset expire or the contractual rights to receive the cash flows from a financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset are transferred, the Group derecognises the financial asset.

(v) Non-derivative financial liabilities

The Group measures non-derivative financial liabilities at amortised cost using the effective interest method after initial recognition. The Group derecognises financial liabilities when obligations are fulfilled or when obligations are discharged, cancelled, or expired.

(vi) Derivatives

The Group is engaged in derivative transactions and mainly uses foreign exchange forward contracts to manage its exposure to risks from changes in foreign exchange rates.

Derivatives are initially recognised at fair value of the date when the derivative contracts are entered into and are subsequently measured at their fair values at the end of each quarter.

Hedge accounting is not applied to the above derivative transactions at the end of the fiscal year and changes in the fair value of derivatives are immediately recognised in profit or loss.

Financial assets and financial liabilities arising from derivatives are classified as either financial assets at FVTPL or financial liabilities at FVTPL.

(15) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturities of three months or less from the date of acquisition which are subject to an insignificant risk of changes in value.

(16) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell. Cost of inventories is calculated mainly using the first-in, first-out (FIFO) method.

(17) Assets held for sale

Non-current assets or disposal groups are classified as "Assets held for sale" if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. To be classified as assets held for sale, the asset must be available for immediate sale in its present condition, and the sale must be highly probable. Specifically, management of the Group must have a firm commitment to execute the plan to sell the asset and the sale is expected to be completed within one year from the date of classification, as a general rule. Assets held for sale are measured at the lower of their carrying amounts and fair values less costs to sell, and they are not depreciated or amortised while they are classified as held for sale.

(18) Equity

(i) Ordinary shares

Proceeds from the issuance of ordinary shares by the Company are included in share capital and capital surplus. Transaction costs of issuing ordinary shares (net of tax) are deducted from capital surplus.

(ii) Treasury shares

When the Company reacquires its own ordinary shares, the amount of the consideration paid including transaction costs is deducted from equity. When the Company sells treasury shares, the difference between the carrying amount and the consideration received from the sale is recognised in equity.

(19) Share-based payment

The Group has a share option plan as an equity-settled share-based payment for directors and corporate officers. Share options are measured at the grant date fair value, and the fair value of share options is calculated using the binomial model.

The fair value of share options determined at the grant date is expensed over the vesting period with a corresponding increase in equity by taking into account the number of share options that will eventually vest.

(20) Employee benefits

(i) Retirement benefits

The Group operates defined benefit and defined contribution retirement plans for its employees.

(a) Defined benefit plans

Net defined benefit assets or liabilities are calculated as the present value of the defined benefit obligation less the fair value of plan assets and they are recognised in the consolidated statements of financial position as assets or liabilities. The defined benefit obligation is calculated by using the projected unit credit method. The present value of the defined benefit obligation is calculated by the expected future payments using discount rate. The discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms consistent with the estimated term of the related pension obligations.

Service cost and net interest expense (income) on the net defined benefit liabilities (assets) are recognised in profit or loss.

Actuarial gains and losses, the return on plan assets, excluding amounts included in net interest, and any change in the effect of the asset ceiling are recognised immediately in other comprehensive income under "Remeasurements of defined benefit plans", and transferred from other components of equity to retained earnings immediately.

(b) Defined contribution plans

Contributions paid for defined contribution plans are expensed in the period in which the employees provide the related service.

(ii) Short-term employee benefits

Short-term employee benefits are expensed when the related service is provided. Bonus accrual is recognised as a liability when the Group has present legal or constructive obligations resulting from past service rendered by the employees and reliable estimates of the obligations can be made.

(21) Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(22) Government grants

Government grants are recognised and measured at fair value, if there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants that are intended to compensate for specific costs are recognised as income in the period in which the Group recognises the corresponding expenses. Government grants related to assets are recognised as deferred income and then recognised in profit over the expected useful life of the relevant asset on a regular basis.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management of the Group to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Given their nature, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, and the effects resulting from revisions of accounting estimates are recognised in the period in which the estimates are revised and in future periods affected by the revision.

Estimates and underlying assumptions representing a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year are as follows:

- Impairment of property, plant and equipment, goodwill and other intangible assets (Notes 15, 16 and 17)
- Provisions (Note 29)
- Retirement benefits (Note 28)
- Recoverability of deferred tax assets (Note 18)
- Income tax expenses (Note 12)
- Financial assets measured at fair value which have no market price in active markets (Note 34)

5. SEGMENT INFORMATION

The main activities of the Group are the manufacture and sale of pharmaceutical products, and there are no separate operating segments. Therefore, the Group has a single reporting segment, “Pharmaceutical”.

Information about products and services

Sales by type of product and service are as follows:

(Millions of yen)

	2013	2014
Prograf	¥161,763	**¥ 181,054**
Vesicare	109,973	**133,845**
Other	710,163	**825,010**
Total	¥981,899	**¥1,139,909**

Information about geographical areas

Sales and non-current assets by geographical areas are as follows:

Sales by geographical areas

(Millions of yen)

	2013	**2014**
Japan	¥520,542	**¥ 522,089**
Americas	214,473	**284,472**
U.S.A. (included in Americas)	196,682	**258,905**
Europe	187,205	**252,698**
Asia, Oceania and other	59,679	**80,649**
Total	¥981,899	**¥1,139,909**

(Note) Sales by geographical areas are categorised by country or areas based on the geographical location of customers.

Non-current assets by geographical areas (Property, plant and equipment, goodwill and other intangible assets)

(Millions of yen)

	1 April 2012 (Transition date)	2013	**2014**
Japan	¥311,079	¥317,057	**¥273,119**
Americas	295,746	291,613	**270,918**
U.S.A. (included in Americas)	295,305	291,151	**270,449**
Europe	44,926	47,343	**40,304**
Asia, Oceania and other	2,512	3,351	**3,998**
Total	¥654,263	¥659,363	**¥588,338**

Information about major customers

External customer that accounts for 10% or more of consolidated sales of the Group is as follows:

(Millions of yen)

	Segment	2013	**2014**
SUZUKEN CO., LTD.	Pharmaceutical	¥118,816	**¥120,352**

6. SALES

The breakdown of sales is as follows:

(Millions of yen)

	2013	**2014**
Sales of pharmaceutical products	¥927,161	**¥1,086,472**
Royalty income	29,681	**23,526**
Other	25,056	**29,911**
Total sales	¥981,899	**¥1,139,909**

7. OTHER INCOME

The breakdown of other income is as follows:

(Millions of yen)

	2013	2014
Gain on sales of property, plant and equipment	¥ 253	**¥ 5,525**
Gain on sales of investments in subsidiaries	—	**4,736**
Net foreign exchange gains	1,464	**—**
Other	1,144	**1,321**
Total other income	¥2,862	**¥11,582**

(Note) 1. The main item of "Gain on sales of property, plant and equipment" for the year ended 31 March 2014 was due to the sales of real estate owned by the Company to Mitsui Fudosan Co., Ltd.
2. "Gain on sales of investments in subsidiaries" for the year ended 31 March 2014 was recognised for sale of the Company's entire shareholding of Lotus Estate Co., Ltd. to Mitsui Fudosan Co., Ltd.
3. The foreign exchange losses resulting from a foreign exchange forward contract of ¥3,830 million were deducted from "Net foreign exchange gains" for the year ended 31 March 2013.

8. OTHER EXPENSE

The breakdown of other expense is as follows:

(Millions of yen)

	2013	2014
Loss on sales and disposal of property, plant and equipment	¥ 578	**¥ 4,075**
Impairment losses for property, plant and equipment	1,914	**978**
Impairment losses for goodwill	—	**945**
Impairment losses for other intangible assets	42,673	**53,871**
Restructuring costs	—	**10,111**
Net foreign exchange losses	—	**8,019**
Other	4,126	**3,031**
Total other expense	¥49,291	**¥81,029**

(Note) 1. The main item of "Loss on sales and disposal of property, plant and equipment" for the year ended 31 March 2014 was due to the sale of real estate owned by the Company to Mitsui Fudosan Co., Ltd.
2. "Impairment losses for other intangible assets" for the years ended 31 March 2013 and 2014 principally due to the discontinuation of development activities for projects.
3. "Restructuring costs" for the year ended 31 March 2014 was due to the reshaping of the research framework and the succession of the business at the Fuji Plant to Nichi-Iko Pharmaceutical Co., Ltd., and included in the impairment losses for property, plant and equipment of ¥6,336 million.
4. The foreign exchange gains resulting from a foreign exchange forward contract of ¥5,356 million were deducted from "Net foreign exchange losses" for the year ended 31 March 2014.

9. EMPLOYEE BENEFIT EXPENSES

The breakdown of employee benefit expenses is as follows:

(Millions of yen)

	2013	2014
Rewards and salaries	¥119,625	**¥140,114**
Bonuses	45,008	**51,814**
Social security and welfare expenses	23,165	**26,938**
Retirement benefit expenses—Defined contribution plan	10,962	**12,269**
Retirement benefit expenses—Defined benefit plan	5,970	**8,142**
Restructuring and termination benefits	4,759	**4,688**
Other employee benefit expenses	1,864	**3,791**
Total employee benefit expenses	¥211,353	**¥247,756**

(Note) Employee benefit expenses are included in "Cost of sales", "Selling, general and administrative expenses", "Research and development expenses" and "Other expense" in the consolidated statements of income.

10. FINANCE INCOME

The breakdown of finance income is as follows:

	(Millions of yen)	
	2013	**2014**
Interest income		
Cash and cash equivalents	¥ 605	**¥ 579**
Other	66	**82**
Dividend income		
Available-for-sale financial assets	1,135	**929**
Gain on sales		
Available-for-sale financial assets	5,428	**5,049**
Other	105	**188**
Total finance income	¥7,339	**¥6,827**

11. FINANCE EXPENSE

The breakdown of finance expense is as follows:

	(Millions of yen)	
	2013	**2014**
Loss on sales		
Available-for-sale financial assets	¥ 309	**¥ 35**
Impairment losses		
Available-for-sale financial assets	1,067	**1,164**
Other	21	**1**
Other	419	**458**
Total finance expense	¥1,816	**¥1,658**

12. INCOME TAX EXPENSE

The breakdown of income tax expense recognised in profit or loss is as follows:

	(Millions of yen)	
	2013	**2014**
Current income tax expense	¥26,325	**¥ 53,388**
Deferred income tax expense	8,326	**(22,288)**
Income tax expense reported in the consolidated statements of income	¥34,651	**¥ 31,100**

Deferred income tax expense increased by ¥3,170 million for the year ended 31 March 2014 due to the effect of changes in the tax rate in Japan.

Income tax recognised in other comprehensive income is as follows:

	(Millions of yen)					
	2013			**2014**		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Remeasurements of defined benefit plans	¥ (7,307)	¥ 2,258	¥ (5,049)	**¥ 7,481**	**¥(2,833)**	**¥ 4,648**
Foreign currency translation adjustments	67,659	—	67,659	**80,001**	**—**	**80,001**
Fair value movements on available-for-sale financial assets	5,058	(1,785)	3,273	**10,063**	**(3,475)**	**6,588**
Total other comprehensive income	¥65,410	¥ 473	¥65,883	**¥97,545**	**¥(6,308)**	**¥91,238**

Reconciliation of effective tax rate

The Company is subject mainly to corporate tax, inhabitant tax, and enterprise tax on its income and the effective statutory tax rate calculated based on those taxes for the fiscal years ended 31 March 2013 and 2014 was 37.7%. Foreign subsidiaries are subject to income taxes on their income in their respective countries of domicile.

	(%)	
	2013	**2014**
Effective statutory tax rate	37.7%	**37.7%**
Tax credit for research and development expenses	(2.2)	**(4.5)**
Non-deductible expenses	3.5	**3.7**
Difference in tax rates applied to foreign subsidiaries	(8.4)	**(12.2)**
Undistributed earnings of foreign subsidiaries	0.5	**1.6**
Effect of change in tax rate in Japan	—	**2.6**
Other	(3.7)	**(3.3)**
Actual tax rate	27.3%	**25.5%**

13. EARNINGS PER SHARE

The basis of calculation of basic earnings per share and diluted earnings per share is as follows:

	(Millions of yen as otherwise indicated)	
	2013	**2014**
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent	¥ 92,464	**¥ 90,874**
Profit not attributable to ordinary shareholders of the parent	—	**—**
Profit used to calculate basic earnings per share	92,464	**90,874**
Weighted average number of shares during the year (Thousands of shares)	2,296,353	**2,246,508**
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share	¥ 92,464	**¥ 90,874**
Adjustment	—	—
Profit used to calculate diluted earnings per share	92,464	**90,874**
Weighted average number of shares during the year (Thousands of shares)	2,296,353	**2,246,508**
Subscription rights to shares (Thousands of shares)	3,194	**3,429**
Weighted average number of diluted ordinary shares during the year (Thousands of shares)	2,299,547	**2,249,938**
Earnings per share (attributable to owners of the parent):		
Basic (Yen)	¥ 40.27	**¥ 40.45**
Diluted (Yen)	40.21	**40.39**

(Note) On 1 April 2014, the Company completed a five-for-one share split based on the resolution of the board of directors meeting held on 28 February 2014. Basic earnings per share and diluted earnings per share were calculated under the assumption that the share split took effect at the beginning of the previous fiscal year.

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments of other comprehensive income are as follows:

	(Millions of yen)	
	2013	**2014**
Other comprehensive income that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments		
Amount arising during the year	¥67,659	**¥80,001**
Reclassification adjustment	—	—
Total foreign currency translation adjustments	67,659	**80,001**
Fair value movements on available-for-sale financial assets		
Amount arising during the year	10,038	**13,936**
Reclassification adjustment	(4,980)	**(3,873)**
Total fair value movements on available-for-sale financial assets	5,058	**10,063**
Other comprehensive income that may be reclassified subsequently to profit or loss before tax effect	72,717	**90,064**
Tax effect	(1,785)	**(3,475)**
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax	¥70,932	**¥86,590**

15. PROPERTY, PLANT AND EQUIPMENT

Movement of cost, accumulated depreciation and impairment losses for property, plant and equipment

The movement of property, plant and equipment for the year ended 31 March 2013 is as follows:

	(Millions of yen)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Cost						
Balance at 1 April 2012	¥158,554	¥ 148,026	¥ 80,268	¥30,746	¥ 34,887	¥ 452,480
Acquisitions	5,375	2,931	4,792	—	18,973	32,071
Disposals	(4,772)	(8,241)	(5,881)	(375)	(51)	(19,321)
Reclassification from construction in progress	19,648	6,885	3,879	—	(30,412)	—
Reclassification to assets held for sale	—	—	—	(272)	—	(272)
Other	5,523	4,492	1,250	346	2,400	14,010
Balance at 31 March 2013	184,329	154,093	84,306	30,445	25,796	478,970
Accumulated depreciation and accumulated impairment losses						
Balance at 1 April 2012	(65,980)	(124,537)	(68,697)	(416)	—	(259,629)
Depreciation	(7,905)	(6,079)	(4,602)	—	—	(18,586)
Impairment losses (or reversal of impairment losses)	(467)	(344)	1	(1,101)	—	(1,911)
Disposals	4,210	7,855	5,815	170	—	18,049
Reclassification to assets held for sale	—	—	—	246	—	246
Other	(1,747)	(3,737)	(548)	6	—	(6,026)
Balance at 31 March 2013	(71,890)	(126,842)	(68,031)	(1,096)	—	(267,858)
Carrying amounts						
Balance at 1 April 2012	92,574	23,489	11,571	30,330	34,887	192,851
Balance at 31 March 2013	¥112,439	¥ 27,251	¥ 16,276	¥29,349	¥ 25,796	¥ 211,112

(Note) "Other" mainly includes exchange differences.

The movement of property, plant and equipment for the year ended 31 March 2014 is as follows:

	(Millions of yen)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Cost						
Balance at 1 April 2013	¥184,329	¥ 154,093	¥ 84,306	¥ 30,445	¥ 25,796	¥ 478,970
Acquisitions	4,700	4,601	4,567	—	11,828	25,695
Disposals	(15,779)	(7,862)	(6,818)	(10,970)	(2,071)	(43,501)
Reclassification from construction in progress	13,886	12,044	1,081	—	(27,011)	—
Reclassification to assets held for sale	(7,386)	(15,794)	(1,775)	(1,168)	(113)	(26,237)
Other	7,864	4,619	1,613	422	594	15,112
Balance at 31 March 2014	187,614	151,699	82,974	18,728	9,023	450,039
Accumulated depreciation and accumulated impairment losses						
Balance at 1 April 2013	(71,890)	(126,842)	(68,031)	(1,096)	—	(267,858)
Depreciation	(8,406)	(8,844)	(5,936)	—	—	(23,186)
Impairment losses (or reversal of impairment losses)	(2,062)	(2,371)	380	(480)	(2,012)	(6,545)
Disposals	5,635	8,529	5,736	1,096	2,012	23,007
Reclassification to assets held for sale	5,951	14,821	1,692	480	—	22,944
Other	(2,811)	(3,272)	(866)	—	—	(6,950)
Balance at 31 March 2014	(73,584)	(117,979)	(67,025)	—	—	(258,588)
Carrying amounts						
Balance at 1 April 2013	112,439	27,251	16,276	29,349	25,796	211,112
Balance at 31 March 2014	¥114,030	¥ 33,721	¥ 15,950	¥ 18,728	¥ 9,023	¥ 191,451

(Note) "Other" mainly includes exchange differences.

The Group recognised impairment losses (or reversal of impairment losses) of ¥1,911 million for the year ended 31 March 2013 and ¥6,545 million for the year ended 31 March 2014, and they are mainly included in "Other expense" in the consolidated statements of income.

Impairment losses (or reversal of impairment losses) of ¥1,911 million for the year ended 31 March 2013 mainly resulted from decisions to close the domestic training facilities in Atami, Shizuoka Prefecture, owned by a Japanese subsidiary, and to dispose of machinery and vehicles owned by a U.S. subsidiary. The recoverable amount is calculated at the fair value less costs of disposal based on the appraisal value. The fair value of those assets was measured using the market approach where the calculation is based on the quoted prices of identical or similar assets in markets that are not active and categorised as Level 2 within the fair value hierarchy. Also, the recoverable amount of assets to be removed of is deemed to be zero.

Impairment losses (or reversal of impairment losses) of ¥6,545 million for the year ended 31 March 2014 mainly resulted from decisions to transfer of the plant in Fuji, Shizuoka Prefecture, owned by a Japanese subsidiary to Nichi-Iko Pharmaceutical Co., Ltd., and to close the U.S. subsidiary due to the reshaping of the research framework. The recoverable amount of those assets owned by a Japanese subsidiary is calculated at the fair value based on the transfer agreement. The assets owned by a U.S. subsidiary are due to be disposal of and the recoverable amount is deemed to be zero.

The carrying amounts of the assets held under finance leases included in "Property, plant and equipment" are as follows:

	(Millions of yen)		
	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at 1 April 2012	¥4	¥1,219	¥1,223
Balance at 31 March 2013	¥1	¥1,146	¥1,147
Balance at 31 March 2014	**¥0**	**¥1,146**	**¥1,146**

16. GOODWILL

The movement of cost and accumulated impairment losses for goodwill is as follows:

	(Millions of yen)		
	Cost	Accumulated impairment losses	Carrying amount
Balance at 1 April 2012	¥ 94,193	¥ —	¥ 94,193
Exchange differences	13,456	—	13,456
Balance at 31 March 2013	107,648	—	107,648
Movements during the period	**—**	**(945)**	**(945)**
Disposals	**(945)**	**945**	**—**
Exchange differences	**10,063**	**—**	**10,063**
Balance at 31 March 2014	**¥116,766**	**¥ —**	**¥116,766**

Goodwill recognised in the consolidated statements of financial position mainly resulted from an acquisition of OSI Pharmaceuticals, Inc. in 2010.

The Group, in principle, regards the geographical business units, which are managed for internal reporting purposes, as cash-generating units.

For the years ended 31 March 2013 and 2014, the majority of goodwill is allocated to the Americas cash-generating unit, and the carrying amount of goodwill was ¥107,648 million and ¥116,766 million, respectively. For the impairment test, the value in use, which is calculated based on the five-year business plan approved at the board of directors meeting, is used as the recoverable amount.

The Group uses a weighted average cost of capital (WACC) determined for each geographical area as a discount rate. The after-tax WACC used for the impairment test is 8.0% and the pre-tax WACC 13.2% for the year ended 31 March 2014.

Also, a growth rate of 2.0% is reflected in calculating the terminal value after the five-year business plan.

The value in use sufficiently exceeds the carrying amount of the cash-generating unit. Therefore, even if the key assumptions used in the calculation of the value in use fluctuate within a reasonable range, the Group assumes that the possibility that the value in use will be lower than the carrying amount is remote.

Also, the Group recognised impairment losses of ¥945 million for the year ended 31 March 2014 resulting from decisions to close the Perseid Therapeutics LLC (United States).

The impairment losses for goodwill are included in "Other expense" in the consolidated statements of income.

17. OTHER INTANGIBLE ASSETS

Movement of cost, accumulated amortisation and impairment losses for other intangible assets

The movement of other intangible assets for the year ended 31 March 2013 is as follows:

	(Millions of yen)					
	Patents and technologies	Marketing rights	IPR&D	Software	Other	Total
Cost						
Balance at 1 April 2012	¥176,120	¥ 48,595	¥186,648	¥ 22,548	¥ 339	¥ 434,250
Acquisitions	164	5,500	17,622	5,195	1	28,482
Disposals	—	(696)	(3,991)	(209)	—	(4,896)
Reclassification	34,104	18,826	(52,931)	—	—	—
Other	18,460	5,682	6,376	1,890	34	32,442
Balance at 31 March 2013	228,849	77,906	153,725	29,425	374	490,278
Accumulated amortisation and accumulated impairment losses						
Balance at 1 April 2012	(42,608)	(12,077)	—	(12,182)	(164)	(67,030)
Amortisation	(18,964)	(9,302)	—	(4,270)	(45)	(32,581)
Impairment losses	(7,187)	(2,237)	(33,059)	(190)	—	(42,673)
Disposals	—	696	3,991	180	—	4,867
Other	(5,149)	(1,840)	(3,831)	(1,443)	6	(12,258)
Balance at 31 March 2013	(73,908)	(24,760)	(32,899)	(17,906)	(203)	(149,675)
Carrying amounts						
Balance at 1 April 2012	133,513	36,518	186,648	10,366	175	367,220
Balance at 31 March 2013	¥154,941	¥ 53,147	¥120,825	¥ 11,519	¥ 171	¥ 340,603

(Note) “Other” mainly includes exchange differences.

The movement of other intangible assets for the year ended 31 March 2014 is as follows:

	(Millions of yen)					
	Patents and technologies	Marketing rights	IPR&D	Software	Other	Total
Cost						
Balance at 1 April 2013	¥228,849	¥ 77,906	¥153,725	¥ 29,425	¥ 374	¥ 490,278
Acquisitions	4,255	—	8,389	6,898	26	19,568
Disposals	(4,662)	—	(57,038)	(5,042)	(2)	(66,743)
Reclassification	11,222	—	(11,222)	—	—	—
Other	13,848	7,415	3,555	1,539	(13)	26,343
Balance at 31 March 2014	253,511	85,321	97,408	32,821	385	469,447
Accumulated amortisation and accumulated impairment losses						
Balance at 1 April 2013	(73,908)	(24,760)	(32,899)	(17,906)	(203)	(149,675)
Amortisation	(24,424)	(11,576)	—	(5,095)	(24)	(41,118)
Impairment losses	(2,379)	(11,296)	(40,191)	(26)	—	(53,892)
Disposals	4,570	—	57,038	4,768	2	66,377
Other	(4,386)	(4,059)	(2,167)	(415)	10	(11,018)
Balance at 31 March 2014	(100,526)	(51,691)	(18,220)	(18,674)	(215)	(189,327)
Carrying amounts						
Balance at 1 April 2013	154,941	53,147	120,825	11,519	171	340,603
Balance at 31 March 2014	¥152,985	¥ 33,630	¥ 79,188	¥ 14,147	¥ 170	¥ 280,120

(Note) “Other” mainly includes exchange differences.

Amortisation of other intangible assets related to the rights of product or research and development arising from in-licensing agreements is recognised in the consolidated statements of income under “Amortisation of intangible assets”.

Impairment losses for other intangible assets are recognised in the consolidated statements of income under “Other expense”.

Impairment test and impairment losses for other intangible assets

For the intangible assets other than goodwill, the Group assesses the necessity of impairment by individual asset. Also, intangible assets not yet being amortised are tested for impairment annually whether or not there is any indication of impairment. For the impairment test, the value in use, which is calculated based on the five-year cash-flow forecast, is used as the recoverable amount. The discount rate is calculated based on the WACC, and the range of post-tax discount rate used for the calculation of the value in use is 6.0% to13.0%, and that of pre-tax discount rate is 9.3% to 21.5%.

As a result of the impairment test, the Group recognised the following impairment losses for the years ended 31 March 2013 and 2014.

For the year ended 31 March 2013, impairment losses recognised for other intangible assets were ¥42,673 million, and the details of the main items are as follows:

(i) Impairment losses of ¥33,059 million were mainly recognised due to the discontinuation of development activities for IPR&Ds. This includes the discontinuation of development of OSI-027 (renal cell cancer), PSN821 (Type 2 diabetes, obesity), hepatocellular carcinoma line of erlotinib (Tarceva), and also one resulting from the exercise of the right to terminate the license agreement with Ambit about Quizartinib (Acute myeloid leukemia) and others.

(ii) Impairment losses of ¥9,424 million were mainly recognised due to revising sales projections downwards for certain marketed products as the profitability was lower than originally expected. These losses are related mainly to the Qutenza cutaneous patch for the treatment of peripheral neuropathic pain marketed in Europe and Regnite for the treatment of restless legs syndrome marketed in Japan.

For the year ended 31 March 2014, impairment losses recognised for other intangible assets were ¥53,892 million, and the details of the main items are as follows:

(i) Impairment losses of ¥40,191 million were mainly recognised due to the discontinuation of development activities for IPR&Ds. This includes the discontinuation of development of ASP2408 (Rheumatoid arthritis), ASP2409 (Prevention of organ transplant rejection), the discontinuation of development or clinical studies of non-small cell lung cancer (Adjuvant, combination with MetMAb) of erlotinib (Tarceva), termination of the license agreement with AVEO about tivozanib (renal cell carcinoma, colorectal cancer, breast cancer), and the amendment of the license agreement with Basilea about isavconazole (azole antifungal) and others.

(ii) Impairment losses of ¥11,296 million were recognised due to revising sales projections downwards for DIFICLIR sold in Europe for clostridium difficile infection treatment and other marketing rights as the profitability was lower than originally expected.

Significant intangible assets

Significant intangible assets recognised in the consolidated statements of financial position are mainly composed of the rights related to "Tarceva" resulting from the acquisition of OSI Pharmaceuticals, Inc. in 2010 and ones related to the acquired research and development project of ASP1517/YM311 through the license agreement with FibroGen, Inc. The carrying amounts of those intangible assets as of 31 March 2014 were ¥96,108 million and ¥50,565 million (¥120,905 million and ¥49,343 million as of 31 March 2013), respectively. The remaining amortisation period of intangible assets associated with the marketed products is mainly 5 to 6 years, and the intangible assets not yet being amortised are tested for impairment annually.

18. DEFERRED TAXES

The breakdown and movement of deferred tax assets and deferred tax liabilities are as follows:

For the year ended 31 March 2013

(Millions of yen)

	As of 1 April 2012	Recognised in profit or loss	Recognised in other comprehensive income	Other	As of 31 March 2013
Deferred tax assets					
Available-for-sale financial assets	¥ 2,155	¥ (848)	¥ —	¥ 0	¥ 1,307
Retirement benefit liabilities	9,284	(626)	2,125	270	11,054
Property, plant and equipment	6,828	139	—	203	7,170
Intangible assets	38,103	(5,254)	—	373	33,221
Accrued expenses	15,139	1,988	—	1,261	18,389
Inventories	31,217	4,268	—	711	36,195
Tax loss carry-forwards	3,237	(2,155)	—	180	1,263
Other	63,022	(22,631)	—	944	41,335
Total deferred tax assets	168,986	(25,120)	2,125	3,943	149,934
Deferred tax liabilities					
Available-for-sale financial assets	(10,372)	—	(1,785)	—	(12,157)
Property, plant and equipment	(585)	(554)	—	(157)	(1,297)
Intangible assets	(105,589)	18,279	—	(5,573)	(92,883)
Other	(12,590)	(931)	—	(168)	(13,689)
Total deferred tax liabilities	(129,137)	16,794	(1,785)	(5,898)	(120,026)
Net deferred tax assets (liabilities)	¥ 39,849	¥ (8,326)	¥ 340	¥(1,956)	¥ 29,908

For the year ended 31 March 2014

(Millions of yen)

	As of 1 April 2013	Recognised in profit or loss	Recognised in other comprehensive income	Other	As of 31 March 2014
Deferred tax assets					
Available-for-sale financial assets	¥ 1,307	¥ 290	¥ —	¥ —	¥ 1,597
Retirement benefit liabilities	11,054	(836)	(2,873)	828	8,172
Property, plant and equipment	7,170	(74)	—	(650)	6,446
Intangible assets	33,221	(6,348)	—	311	27,184
Accrued expenses	18,389	4,791	—	1,303	24,483
Inventories	36,195	5,993	—	1,174	43,363
Tax loss carry-forwards	1,263	3,108	—	298	4,668
Other	41,335	(2,038)	—	1,092	40,390
Total deferred tax assets	149,934	4,887	(2,873)	4,356	156,304
Deferred tax liabilities					
Available-for-sale financial assets	(12,157)	(15)	(3,475)	—	(15,647)
Property, plant and equipment	(1,297)	(146)	—	(126)	(1,569)
Intangible assets	(92,883)	19,468	—	(3,709)	(77,124)
Other	(13,689)	(1,906)	—	(841)	(16,436)
Total deferred tax liabilities	(120,026)	17,401	(3,475)	(4,676)	(110,776)
Net deferred tax assets (liabilities)	¥ 29,908	¥22,288	¥(6,347)	¥ (321)	¥ 45,527

Deductible temporary differences, tax loss carry-forwards, and unused tax credits for which no deferred tax asset is recognised are as follows:

(Millions of yen)

	1 April 2012 (Transition date)	2013	2014
Deductible temporary differences	¥10,853	¥24,523	¥28,787
Tax loss carry-forwards	4,378	6,252	5,674
Unused tax credits	346	685	462
Total	¥15,577	¥31,460	¥34,923

The expiration date and amount of tax loss carry-forwards for which no deferred tax asset is recognised are as follows:

(Millions of yen)

	1 April 2012 (Transition date)	2013	2014
Year 1	¥ —	¥ 96	¥ —
Year 2	84	17	87
Year 3	15	183	181
Year 4	160	158	87
Year 5 or later	4,119	5,799	5,319
Total	¥4,378	¥6,252	¥5,674

19. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Other financial assets (non-current)			
Financial assets at FVTPL	¥ 1,499	¥ 2,537	**¥ 3,826**
Loans and other financial assets	4,543	7,465	**11,390**
Allowance for doubtful accounts	(39)	(22)	**(12)**
Available-for-sale financial assets	70,673	71,104	**79,758**
Total other financial assets (non-current)	76,676	81,084	**94,961**
Other financial assets (current)			
Financial assets at FVTPL	—	178	**87**
Loans and other financial assets	48,814	50,757	**35,319**
Total other financial assets (current)	48,814	50,934	**35,406**
Total other financial assets	¥125,490	¥132,018	**¥130,367**

20. OTHER ASSETS

The breakdown of other assets is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Other non-current assets			
Long-term prepaid expenses	¥2,616	¥3,099	**¥ 7,833**
Retirement benefit assets	1,060	1,290	**583**
Other	1,857	1,335	**763**
Total other non-current assets	¥5,532	¥5,724	**¥ 9,179**
Other current assets			
Prepaid expenses	2,864	5,193	**6,418**
Other	3,225	4,247	**5,650**
Total other current assets	¥6,089	¥9,440	**¥12,068**

21. INVENTORIES

The breakdown of inventories is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Raw materials and supplies	¥ 15,390	¥ 21,959	**¥ 23,833**
Work in progress	13,462	13,281	**15,598**
Merchandise and finished goods	83,853	91,855	**95,797**
Total	¥112,705	¥127,095	**¥135,228**

The carrying amounts of inventories are measured at the lower of cost and net realisable value.

The cost of inventories recognised as an expense in "Cost of sales" for the years ended 31 March 2013 and 2014 amounted to ¥292,770 million and ¥310,505 million, respectively.

The write-down of inventories recognised as an expense for the years ended 31 March 2013 and 2014 amounted to ¥2,895 million and ¥5,027 million, respectively.

22. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Notes and accounts receivable	¥269,505	¥293,648	**¥310,109**
Other accounts receivable	22,015	16,478	**24,234**
Allowance for doubtful accounts	(3,202)	(1,918)	**(1,704)**
Total trade and other receivables (current)	¥288,317	¥308,208	**¥332,639**

23. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Cash and deposits	¥191,065	¥224,048	**¥275,572**
Short-term investments (cash equivalents)	61,315	40,865	**115,802**
Cash and cash equivalents in the consolidated statements of financial position	¥252,380	¥264,912	**¥391,374**
Cash and cash equivalents in the consolidated statements of cash flows	252,380	264,912	**391,374**

24. ASSETS HELD FOR SALE

The breakdown of assets held for sale is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Assets			
Property, plant and equipment			
Buildings and structures	¥ 744	¥ 804	**¥1,476**
Land	707	832	**1,376**
Other property, plant and equipment	—	—	**1,008**
Other	—	—	**8**
Total	¥1,451	¥1,636	**¥3,868**

Assets held for sale as of 31 March 2013 are mainly a building and land owned by U.S. subsidiaries, and they are actively marketed for sale.

Those assets are measured at fair values less costs to sell due to their fair values less costs to sell being lower than their carrying amounts. With regard to those assets and assets sold, impairment losses of ¥416 million are recognised in "Other expense" in the consolidated statement of income for the year ended 31 March 2013.

Assets held for sale as of 31 March 2014 are mainly property, plant and equipment related to the Fuji Plant of Astellas Pharma Tech Co., Ltd., the Japanese production subsidiary. In December 2013, the Group concluded a definitive agreement with Nichi-Iko Pharmaceutical Co., Ltd. under which Nichi-Iko would succeed the business at the Fuji Plant on 1 April 2014.

With regard to those assets and assets sold, impairment losses of ¥3,538 million are recognised in "Other expense" in the consolidated statement of income for the year ended 31 March 2014.

25. EQUITY AND OTHER COMPONENTS OF EQUITY

(1) Share capital and capital surplus

The movement of the number of issued shares and share capital is as follows:

	Number of authorised shares (Thousands of shares)	Number of ordinary issued shares (Thousands of shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of 1 April 2012	2,000,000	467,964	¥103,001	¥176,822
Increase	—	—	—	—
Decrease	—	—	—	—
As of 31 March 2013	2,000,000	467,964	103,001	176,822
Increase	**—**	**—**	**—**	**—**
Decrease	**—**	**(11,000)**	**—**	**—**
As of 31 March 2014	**2,000,000**	**456,964**	**¥103,001**	**¥176,822**

(Note) 1. Decrease in the number of ordinary issued shares during the year ended 31 March 2014 resulted from the cancellation of treasury shares.
2. The Company completed a five-for-one share split with an effective date of 1 April 2014. As a result, the number of authorised shares increased by 7,000,000 thousand shares to 9,000,000 thousand shares, and the number of ordinary issued shares increased by 1,827,858 thousand shares to 2,284,823 thousand shares.

(2) Treasury shares

The movement of treasury shares is as follows:

	Number of shares (Thousands of shares)	Amount (Millions of yen)
As of 1 April 2012	6,044	¥ 23,132
Increase	10,804	49,392
Decrease	(60)	(239)
As of 31 March 2013	16,788	72,285
Increase	**5,050**	**30,075**
Decrease	**(11,102)**	**(47,825)**
As of 31 March 2014	**10,736**	**¥ 54,535**

(Note) The Company completed a five-for-one share split with an effective date of 1 April 2014. As a result, the number of treasury shares increased by 42,945 thousand shares to 53,681 thousand shares.

(3) Other components of equity

Subscription rights to shares

The Company adopts share option plans and issues subscription rights to shares under the Companies Act of Japan. Contract conditions and amounts are described in “27. Share-based payment”.

Foreign currency translation adjustments

This is a foreign currency translation difference that occurred when consolidating financial statements of foreign subsidiaries prepared in a foreign currency.

Fair value movements on available-for-sale financial assets

This is a valuation difference between the fair value and acquisition cost of available-for-sale financial assets, which are measured at fair values.

26. DIVIDENDS

For the year ended 31 March 2013

(1) Dividends paid

Resolution	Class of shares	Amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 20 June 2012	Ordinary shares	¥30,025	¥65.00	31 March 2012	21 June 2012
Board of directors meeting held on 1 November 2012	Ordinary shares	30,026	65.00	30 September 2012	3 December 2012

(2) Dividends whose record date is in the fiscal year ended 31 March 2013 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 19 June 2013	Ordinary shares	¥29,326	¥65.00	31 March 2013	20 June 2013

For the year ended 31 March 2014

(1) Dividends paid

Resolution	Class of shares	Amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 19 June 2013	Ordinary shares	**¥29,326**	**¥65.00**	31 March 2013	20 June 2013
Board of directors meeting held on 1 November 2013	Ordinary shares	**29,329**	**65.00**	30 September 2013	2 December 2013

(2) Dividends whose record date is in the fiscal year ended 31 March 2014 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 18 June 2014	Ordinary shares	**¥31,236**	**¥70.00**	31 March 2014	19 June 2014

27. SHARE-BASED PAYMENT

(1) Outline of share option plans

The Company adopts share option plans and grants share options to directors and corporate executives of the Company. The purpose of share option plans is to improve the sensitivity to the share price and the Group's financial results and also increase the value of the Group by motivating the members to whom share options are granted.

After obtaining approval at the meeting of shareholders, options are granted as subscription rights to shares to individuals approved at the Company's board of directors meeting.

Under the plans, each share option entitles the recipient to acquire 100 ordinary shares at an exercise price equal to 1 yen (3,690 and 3,209 yen before 2004) per share.

Directors and corporate executives to whom the share subscription rights are granted can exercise their share subscription rights only from the following day of their resignation. Share options not exercised during the exercise period defined in the allocation contract will be forfeited.

The Company accounts for those share-based payment arrangements as equity-settled share-based payment transactions.

Also, the Company completed a five-for-one share split with an effective date of 1 April 2014. However, the effect of such share split is not reflected in “27. Share-based payment”.

(2) Expenses recognised in the consolidated statements of income

(Millions of yen)

	2013	**2014**
Total expenses recognised for share options granted	¥374	**¥365**

(3) Movement of the number of share options outstanding and their weighted average exercise price

	2013		**2014**	
	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)	Number of shares
Outstanding, beginning of the period	¥ 464	645,900	**¥ 184**	**712,300**
Granted	1	127,000	**1**	**70,700**
Exercised	2,782	(60,600)	**1,199**	**(102,600)**
Forfeited or expired	—	—	**—**	**—**
Outstanding, end of the period	184	712,300	**12**	**680,400**
Options exercisable, end of the period	193	680,550	**13**	**662,725**

(Note) 1. The number of share options is presented as the number of underlying shares.
2. The weighted average share price of share options at the time of exercise during the period is 4,380 yen for the year ended 31 March 2013 and 5,536 yen for the year ended 31 March 2014.

(4) Expiration dates and exercise prices of share options outstanding at the end of the period

	Expiration date	Exercise price per share (Yen)	Number of shares	
			2013	**2014**
Granted on July 2003 (Note 1)	27 June 2013	¥3,209	4,500	**—**
Granted on July 2004 (Note 1)	24 June 2014	3,690	31,500	**2,100**
Granted on August 2005 (Note 2)	24 June 2025	1	41,300	**28,400**
Granted on February 2007 (Note 2)	27 June 2026	1	42,600	**35,900**
Granted on August 2007 (Note 2)	26 June 2027	1	57,300	**50,300**
Granted on September 2008 (Note 2)	24 June 2028	1	59,600	**50,300**
Granted on July 2009 (Note 2)	23 June 2029	1	99,500	**87,100**
Granted on July 2010 (Note 2)	23 June 2030	1	123,900	**113,100**
Granted on July 2011 (Note 2)	20 June 2031	1	125,100	**115,500**
Granted on July 2012 (Note 2)	20 June 2032	1	127,000	**127,000**
Granted on July 2013 (Note 2)	19 June 2033	1	—	**70,700**
Total		—	712,300	**680,400**

(Note) 1. There are no vesting conditions.
2. There are vesting conditions in which share subscription rights are vested according to the service record over approximately one year from the grant date of the share option to the vesting date.

(5) Measurement approach for fair value of share options granted during the period

The weighted average fair value of share options granted during the period is determined using the binominal model based on the following assumptions.

	2013	**2014**
Share price at grant date	3,515 yen	**5,430 yen**
Expected volatility (Note 1)	29.3%	**29.6%**
Expected average period until the earliest exercisable date (Note 2)	4 years	**3 years**
Expected dividend (Note 3)	125 yen/share	**130 yen/share**
Risk-free rate (Note 4)	1.7%	**1.7%**

(Note) 1. Estimated by taking into account the actual share prices for the past 20 years.
2. Estimated based on the service records and term of office.
3. Calculated based on the latest dividends paid.
4. Based on the yield of government bonds corresponding to the exercise period (20 years).

28. RETIREMENT BENEFITS

The Group, excluding a part of foreign subsidiaries, offers post-employment benefits such as defined benefit plans and defined contribution plans. Among the defined benefit plans offered, the defined benefit plan adopted in Japan is a major one, accounting for approximately 70% of the total defined benefit obligations.

1. Defined benefit plan adopted in Japan as post-employment benefit

The Company and its domestic subsidiaries offer corporate pension plans and retirement lump-sum payment plans as defined benefit plans.

The benefits of the defined benefit plan are determined based on the base compensation calculated by accumulated points earned by the time of retirement and promised rate of return based on the yield of 10 year government bonds. Also, the option of receiving benefits in the form of a pension is available for plan participants with 15 years or more enrollments.

Defined benefit plans are administered by the Astellas Corporate Pension Fund. Directors of the pension fund are jointly liable for damages to the fund due to their neglect of duties about management of the funds.

Contributions of the employer are made monthly and also determined as 4.0% of standard salary, which is calculated based on the estimate of the points granted during a year to each participant. When the plan assets are lower than the minimum funding standard at the end of the period, the employer will make additional contributions.

Defined benefit plans are exposed to actuarial risks. The Astellas Corporate Pension Fund assigns staff with professional knowledge and expertise about the composition of plan asset to determine the asset mix ratio and manages risks by monitoring on a quarterly basis.

2. Defined benefit plans of overseas subsidiaries as post-employment benefits

Among foreign subsidiaries, ones located in the United Kingdom, Germany, the Netherlands, Ireland, and some other countries offer defined benefit plans as post-employment benefits. Among them, the defined benefit plan adopted in the Netherlands is a major one.

A benefit formula applied to the defined benefit plan of the Netherlands is an average pay plan in which the amount of the benefit calculated by multiplying the annual salary at a certain ratio is accumulated.

Defined benefit plans are managed by the Astellas pension fund of the Netherlands. The board of the pension fund is composed of employers and plan participants.

In the Netherlands, it is required by local regulation to maintain sufficient surplus in the pension fund and the fund is monitored by the independent authority. If the amount of the pension fund is lower than the minimum funding level, additional contribution might be required.

The breakdown of retirement benefit liabilities recognised in the consolidated statements of financial position is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Pension and lump-sum payment plans	¥22,857	¥29,369	**¥24,224**
Other	1,987	2,832	**2,959**
Total retirement benefit liabilities	¥24,843	¥32,201	**¥27,184**

The breakdown of retirement benefit expenses of defined benefit plans recognised in the consolidated statements of income is as follows:

	(Millions of yen)	
	2013	**2014**
Current service cost	¥5,290	**¥7,032**
Past service cost	(37)	**326**
Total service cost	5,252	**7,358**
Net interest cost (income)	718	**784**
Total retirement benefit expenses	¥5,970	**¥8,142**

Assets and liabilities of defined benefit plans recognised in the consolidated statements of financial position are as follows:

1 April 2012 (Transition date)

	(Millions of yen)			
	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Present value of defined benefit obligations	¥106,195	¥ 29,615	¥ 135,810	¥1,987
Fair value of plan assets	(93,877)	(26,846)	(120,723)	—
Funded status	12,318	2,769	15,087	1,987
Effect of the asset ceiling	—	6,710	6,710	—
Net defined benefit liability (asset)	¥12,318	¥ 9,479	¥ 21,797	¥1,987
Amounts in the consolidated statements of financial position				
Assets (other non-current assets)	¥ —	¥ (1,060)	¥ (1,060)	¥ —
Liabilities (retirement benefit liabilities)	12,318	10,539	22,857	1,987

2013

	(Millions of yen)			
	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Present value of defined benefit obligations	¥ 119,266	¥ 43,905	¥ 163,171	¥2,832
Fair value of plan assets	(104,268)	(33,262)	(137,530)	—
Funded status	14,997	10,644	25,641	2,832
Effect of the asset ceiling	—	2,438	2,438	—
Net defined benefit liability (asset)	¥ 14,997	¥ 13,081	¥ 28,079	¥2,832
Amounts in the consolidated statements of financial position				
Assets (other non-current assets)	¥ —	¥ (1,290)	¥ (1,290)	¥ —
Liabilities (retirement benefit liabilities)	14,997	14,371	29,369	2,832

2014

	(Millions of yen)			
	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Present value of defined benefit obligations	**¥ 117,862**	**¥ 57,182**	**¥ 175,044**	**¥2,959**
Fair value of plan assets	**(111,719)**	**(39,904)**	**(151,623)**	**—**
Funded status	**6,143**	**17,278**	**23,421**	**2,959**
Effect of the asset ceiling	**—**	**220**	**220**	**—**
Net defined benefit liability (asset)	**¥ 6,143**	**¥ 17,498**	**¥ 23,641**	**¥2,959**
Amounts in the consolidated statements of financial position				
Assets (other non-current assets)	**¥ (583)**	**¥ —**	**¥ (583)**	**¥ —**
Liabilities (retirement benefit liabilities)	**6,726**	**17,498**	**24,224**	**2,959**

The movement of the present value of defined benefit obligations is as follows:

	(Millions of yen)			
	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Balance at 1 April 2012	¥106,195	¥29,615	¥135,810	¥1,987
Current service cost	4,289	754	5,043	246
Interest cost	1,999	1,461	3,460	52
Remeasurements of defined benefit obligations				
– actuarial losses arising from changes in demographic assumptions	—	518	518	—
– actuarial losses arising from changes in financial assumptions	11,696	7,886	19,582	366
– other	1,247	107	1,353	(29)
Past service cost, and gains and losses arising from settlements	—	(95)	(95)	9
Contributions to the plan by plan participants	—	381	381	—
Payments from the plan	(6,160)	(1,040)	(7,199)	(90)
Effect of changes in foreign exchange rates	—	4,317	4,317	291
Balance at 31 March 2013	119,266	43,905	163,171	2,832
Current service cost	**5,009**	**1,568**	**6,577**	**454**
Interest cost	**1,213**	**1,794**	**3,006**	**73**
Remeasurements of defined benefit obligations				
– actuarial losses arising from changes in demographic assumptions	**—**	**0**	**0**	**3**
– actuarial (gains)/losses arising from changes in financial assumptions	**(1,013)**	**4,354**	**3,341**	**(331)**
– other	**(154)**	**330**	**176**	**(160)**
Past service cost, and gains and losses arising from settlements	**—**	**(29)**	**(29)**	**—**
Contributions to the plan by plan participants	**—**	**500**	**500**	**—**
Payments from the plan	**(6,458)**	**(2,951)**	**(9,409)**	**(140)**
Effect of changes in foreign exchange rates	**—**	**7,711**	**7,711**	**228**
Balance at 31 March 2014	**¥117,862**	**¥57,182**	**¥175,044**	**¥2,959**

The movement of fair value of plan assets is as follows:

	(Millions of yen)			
	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Balance at 1 April 2012	¥ 93,877	¥26,846	¥120,723	¥—
Interest income	1,776	1,392	3,168	—
Remeasurements of the fair value of the plan assets				
– return on plan assets	9,686	869	10,555	—
– actuarial losses arising from changes in financial assumptions	(810)	(20)	(830)	—
Contributions to the plan				
– by employer	4,891	1,237	6,128	—
– by plan participants	—	381	381	—
Payments from the plan	(5,152)	(544)	(5,696)	—
Losses arising from settlements and curtailments	—	(49)	(49)	—
Effect of changes in foreign exchange rates	—	3,150	3,150	—
Balance at 31 March 2013	104,268	33,262	137,530	—
Interest income	**1,062**	**1,336**	**2,398**	**—**
Remeasurements of the fair value of the plan assets				
– return on plan assets	**6,823**	**1,077**	**7,901**	**—**
– actuarial gains/(losses) arising from changes in financial assumptions	**11**	**(9)**	**2**	**—**
Contributions to the plan				
– by employer	**4,890**	**1,744**	**6,634**	**—**
– by plan participants	**—**	**500**	**500**	**—**
Payments from the plan	**(5,335)**	**(2,253)**	**(7,588)**	**—**
Gains and losses arising from settlements and curtailments	**—**	**(356)**	**(356)**	**—**
Effect of changes in foreign exchange rates	**—**	**4,603**	**4,603**	**—**
Balance at 31 March 2014	**¥111,719**	**¥39,904**	**¥151,623**	**¥—**

The Group expects to contribute ¥5,387 million to its defined benefit plans in the fiscal year ending 31 March 2015.

The movement of the effect of the asset ceiling is as follows:

	(Millions of yen)			
	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Balance at 1 April 2012	¥—	¥ 6,710	¥ 6,710	¥—
Interest income	—	373	373	—
Remeasurements				
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	—	(4,758)	(4,758)	—
Effect of changes in foreign exchange rates	—	112	112	—
Balance at 31 March 2013	—	2,438	2,438	—
Interest income	**—**	**103**	**103**	**—**
Remeasurements				
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	**—**	**(2,607)**	**(2,607)**	**—**
Effect of changes in foreign exchange rates	**—**	**287**	**287**	**—**
Balance at 31 March 2014	**¥—**	**¥ 220**	**¥ 220**	**¥—**

The Group has limited the carrying amount of a net defined benefit asset for certain European pension plans because the Group cannot gain any economic benefits in the form of refunds from the plans or reductions in future contributions to the plans.

The breakdown of the fair value of plan assets is as follows:

(Millions of yen)

	1 April 2012 (Transition date)	2013	**2014**
Japan			
Equity	¥ 33,409	¥ 36,280	**¥ 26,787**
Bonds	39,934	47,956	**42,730**
Cash and other investments	20,534	20,031	**42,201**
Total	93,877	104,268	**111,719**
Overseas			
Equity	11,415	12,305	**14,153**
Bonds	12,067	16,757	**20,685**
Cash and other investments	3,364	4,199	**5,066**
Total	26,846	33,262	**39,904**
Total fair value of plan assets	¥120,723	¥137,530	**¥151,623**

1. Japanese plan assets

Equity comprises mainly investment trust funds and it is categorised as Level 2 within the fair value hierarchy.

The fair values of bonds are measured using quoted prices for identical or similar assets in markets that are not active, and they are categorised as Level 2 within the fair value hierarchy.

Cash and other investments include alternative investments.

2. Overseas plan assets

Equity and bonds are mainly composed of investments with quoted prices in active markets, and they are mainly categorised as Level 1 within the fair value hierarchy.

Cash and other investments include alternative investments.

Significant actuarial assumptions and sensitivity analysis for each significant actuarial assumption are as follows:

	1 April 2012 (Transition date)	2013	**2014**
Discount rate (%)			
Japan	1.2%–2.0%	0.8%–1.0%	**0.8%–1.0%**
Overseas	3.4%–5.7%	3.2%–4.8%	**3.4%–4.5%**

A 0.5% increase or decrease in the discount rate as significant actuarial assumption would lead to a ¥12,560 million decrease and ¥14,026 million increase, respectively, in the defined benefit obligation.

The sensitivity analysis does not consider correlations between assumptions, assuming that all other assumptions are held constant. In practice, changes in some of the assumptions may occur in a correlated manner. When calculating the sensitivity of the defined benefit obligations, the same method has been applied as calculating the defined benefit obligations recognised in the consolidated statements of financial position.

The weighted-average duration of the defined benefit obligation is as follows:

	2013	**2014**
Japan	12.9 years	**12.8 years**
Overseas	19.2 years	**20.1 years**

29. PROVISIONS

The movement of provisions for the year ended 31 March 2013 is as follows:

	(Millions of yen)			
	Trade-related provisions	Asset retirement obligations	Other	Total
Balance at 1 April 2012	¥ 30,191	¥1,019	¥ 2,957	¥ 34,167
Increase during the year	38,412	98	3,688	42,198
Decrease due to intended use	(30,222)	(262)	(1,714)	(32,198)
Reversal during the year	—	—	(299)	(299)
Other	5,523	1	589	6,113
Balance at 31 March 2013	43,904	855	5,221	49,980
Non-current	—	837	1,054	1,891
Current	43,904	18	4,167	48,089
Total provisions	¥ 43,904	¥ 855	¥ 5,221	¥ 49,980

The movement of provisions for the year ended 31 March 2014 is as follows:

	(Millions of yen)			
	Trade-related provisions	Asset retirement obligations	Other	Total
Balance at 1 April 2013	¥ 43,904	¥ 855	¥ 5,221	¥ 49,980
Increase during the year	**59,571**	**1,249**	**4,061**	**64,880**
Decrease due to intended use	**(46,472)**	**(21)**	**(2,365)**	**(48,858)**
Reversal during the year	**—**	**(1)**	**(341)**	**(341)**
Other	**4,401**	**31**	**578**	**5,010**
Balance at 31 March 2014	**61,404**	**2,113**	**7,154**	**70,671**
Non-current	**—**	**2,110**	**2,154**	**4,264**
Current	**61,404**	**3**	**5,000**	**66,407**
Total provisions	**¥ 61,404**	**¥2,113**	**¥ 7,154**	**¥ 70,671**

Details of provisions are as follows:

1. Trade-related provisions

The Group recognises provisions for expenditures expected to be incurred after the end of the period related to sales rebates, discounts, Medicare and Medicaid of the United States, and other price adjustments to customers, based on the conditions of contracts and past experience.

The outflow of economic benefits is expected within one year from the end of the reporting period.

2. Asset retirement obligations

The Group recognises asset retirement obligations based on past performance in order to provide for the restoration of rented offices.

The outflow of economic benefits is expected after one year from the end of the reporting period.

30. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Other financial liabilities (non-current)			
Financial liabilities measured at amortised cost			
Finance lease liabilities	¥ 800	¥ 737	**¥ 749**
Other	708	654	**—**
Total other financial liabilities (non-current)	1,509	1,391	**749**
Other financial liabilities (current)			
Financial liabilities measured at amortised cost			
Finance lease liabilities	424	411	**397**
Other	721	959	**664**
Total other financial liabilities (current)	1,144	1,369	**1,062**
Total other financial liabilities	¥2,653	¥2,761	**¥1,811**

The maturity and the present value of finance lease liabilities are as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Minimum lease payments			
Not later than one year	¥ 424	¥ 411	**¥ 397**
Later than one year and not later than five years	794	726	**744**
Later than five years	6	11	**5**
Present value of finance lease liabilities	¥1,224	¥1,148	**¥1,146**

31. OTHER LIABILITIES

The breakdown of other liabilities is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Other non-current liabilities			
Other long-term employee benefits	¥ 5,241	¥ 8,245	**¥10,071**
Other	1,490	1,898	**1,610**
Total other non-current liabilities	¥ 6,731	¥10,142	**¥11,681**
Other current liabilities			
Accrued bonuses	¥21,314	¥25,041	**¥28,484**
Accrued paid absences	7,617	7,833	**9,827**
Other accrued expenses	32,965	28,376	**32,486**
Other	2,805	2,068	**2,153**
Total other current liabilities	¥64,701	¥63,319	**¥72,950**

32. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Account payables—trade	¥108,401	¥102,835	**¥102,025**
Other payables	102,488	103,797	**85,071**
Total trade and other payables	¥210,888	¥206,631	**¥187,096**
Non-current	¥ 11,625	¥ 4,869	**¥ 64**
Current	199,263	201,762	**187,032**

33. CASH FLOW INFORMATION

The Group lost control of a subsidiary as a result of disposal of the Group's investment for the year ended 31 March 2014. The total consideration received in respect of sales of the subsidiary, and the breakdown of assets and liabilities of the subsidiary transferred are as follows:

Total consideration received: ¥22,963 million

Breakdown of assets and liabilities of subsidiary transferred

	(Millions of yen)
Assets	
Property, plant and equipment	**¥15,929**
Other assets	**815**
Cash and cash equivalents	**4,371**
Total assets	**¥21,115**
Liabilities	
Other financial liabilities (non-current)	**¥ 2,402**
Other liabilities	**439**
Total liabilities	**¥ 2,841**

34. FINANCIAL INSTRUMENTS

(1) Capital management

The Group's capital management principle is to maintain an optimal capital structure by improving capital efficiency and ensuring sound and flexible financial conditions in order to achieve sustained improvement in the enterprise value, which will lead to improved return to shareholders.

The Group monitors financial indicators in order to maintain an optimal capital structure. Credit ratings are monitored for financial soundness and flexibility, and so is return on equity attributable to owners of the parent (ROE) for capital efficiency.

The Group is not subject to material capital regulation.

(2) Classification of financial assets and financial liabilities

The breakdown of financial assets and financial liabilities is as follows:

(Millions of yen)

	1 April 2012 (Transition date)	2013	**2014**
Financial assets			
Financial assets at FVTPL	¥ 1,499	¥ 2,715	**¥ 3,912**
Loans and receivables			
Trade and other receivables	288,317	308,208	**332,639**
Loans and other financial assets	53,318	58,198	**46,697**
Available-for-sale financial assets	70,673	71,104	**79,758**
Cash and cash equivalents	252,380	264,912	**391,374**
Total financial assets	¥666,187	¥705,137	**¥854,379**
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade and other payables	¥210,888	¥206,631	**¥187,096**
Other financial liabilities	2,653	2,761	**1,811**
Total financial liabilities	¥213,542	¥209,392	**¥188,907**

Financial assets at FVTPL, loans and other financial assets, and available-for-sale financial assets are included in "Other financial assets" in the consolidated statements of financial position.

(3) Financial risk management policy

The Group is exposed to financial risks such as credit risks, liquidity risks, and foreign exchange risks in operating businesses, and it manages risks based on its policy to mitigate them.

The Group limits the use of derivatives to transactions for the purpose of hedging financial risks and does not use derivatives for speculation purposes.

(i) Credit risk

(a) Credit risk management

Receivables, such as trade receivables, resulting from the business activities of the Group are exposed to the customer's credit risk. This risk is managed by grasping the financial condition of the customer and monitoring the trade receivables balance. Also, the Group reviews collectability of trade receivables depending on the credit conditions of customers and recognises an allowance for doubtful accounts as necessary.

Securities held by the Group are exposed to the issuer's credit risk, and deposits are exposed to the credit risk of banks. Also, derivative transactions that the Group conducts in order to hedge financial risks are exposed to the credit risk of the financial institutions which are counterparties of those transactions. In regard to securities transactions and deposit transactions in fund management, the Group only deals with banks and issuers with certain credit ratings in accordance with Astellas Group financial management policies. In addition, regarding derivative transactions, the Group only deals with financial institutions with certain credit ratings in accordance with Astellas Group financial management policies.

(b) Concentrations of credit risk

In Japan, like other pharmaceutical companies, the Group sells its products through a small number of wholesalers. Sales to the four largest wholesalers amounted to approximately 80% of the Group's sales in Japan, and the amount of trade receivables due from those four wholesalers are ¥153,427 million at 31 March 2013 and ¥143,511 million at 31 March 2014, respectively.

(c) Maximum exposure to credit risk

Other than guaranteed obligations, the Group's maximum exposure to credit risks without taking into account any collateral held or other credit enhancements is the carrying amount of financial instruments less impairment losses in the consolidated statements of financial position. The Group's maximum exposure to credit risks of guaranteed obligations as of 1 April 2012, 31 March 2013, and 31 March 2014 were ¥2,509 million, ¥2,133 million, and ¥1,875 million, respectively.

(d) Collateral

The Group has securities and deposits received as collateral for certain trade receivables and other receivables. The carrying amount of securities held as collateral is ¥850 million at 31 March 2014 (¥656 million at 31 March 2013), and the carrying amount of deposits received is ¥85 million at 31 March 2014 (¥85 million at 31 March 2013).

The analysis of aging of financial assets that are past due but not impaired is as follows:

(Millions of yen)

	Neither past due nor impaired	Past due but not impaired: Within three months	Past due but not impaired: Between three months and six months	Past due but not impaired: Between six months and one year	Past due but not impaired: Over one year	Allowance for doubtful accounts	Total
Balance at 1 April 2012							
Trade and other receivables	¥275,788	¥ 7,281	¥1,727	¥1,756	¥2,518	¥(1,989)	¥287,080
Loans and other financial assets	53,309	10	—	—	—	—	53,318
Total	¥329,097	¥ 7,290	¥1,727	¥1,756	¥2,518	¥(1,989)	¥340,399
Balance at 31 March 2013							
Trade and other receivables	¥279,929	¥25,800	¥1,379	¥1,515	¥1,449	¥(1,864)	¥308,208
Loans and other financial assets	58,132	—	66	—	0	—	58,198
Total	¥338,061	¥25,800	¥1,445	¥1,515	¥1,449	¥(1,864)	¥366,406
Balance at 31 March 2014							
Trade and other receivables	**¥317,689**	**¥13,211**	**¥1,087**	**¥ 872**	**¥1,272**	**¥(1,493)**	**¥332,639**
Loans and other financial assets	**46,610**	**1**	**—**	**—**	**86**	**—**	**46,697**
Total	**¥364,299**	**¥13,212**	**¥1,087**	**¥ 872**	**¥1,358**	**¥(1,493)**	**¥379,335**

Financial assets that are individually determined to be impaired are as follows:

(Millions of yen)

	1 April 2012 (Transition date)	2013	**2014**
Trade and other receivables (gross)	¥ 2,450	¥ 55	**¥ 212**
Allowance for doubtful accounts	(1,213)	(55)	**(212)**
Trade and other receivables (net)	¥ 1,237	¥ —	**¥ —**
Loans and other financial assets (gross)	¥ 39	¥ 22	**¥ 12**
Allowance for doubtful accounts	(39)	(22)	**(12)**
Loans and other financial assets (net)	¥ —	¥ —	**¥ —**

The movement of the allowance for doubtful accounts is as follows:

(Millions of yen)

	2013	**2014**
Balance at the beginning of the year	¥ 3,241	**¥1,941**
Increase during the year	170	**478**
Decrease due to intended use	(600)	**(131)**
Reversal during the year	(1,029)	**(863)**
Exchange differences	159	**292**
Balance at the end of the year	¥ 1,941	**¥1,717**

(ii) Liquidity risk

Liquidity risk management

The Group is exposed to liquidity risk that the Group might have difficulty settling financial obligations. However, the Group is maintaining the liquidity on hand that enables the Group to meet the assumed repayment of financial obligations and respond flexibly to strategic investment opportunities. Also, the balance is reported monthly to a Senior Corporate Executive (i.e., Chief Financial Officer).

Financial liabilities by maturity date are as follows:

1 April 2012 (Transition date)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within six months	Between six months and one year	Between one year and two years	Between two years and five years	Over five years
Financial liabilities measured at amortised cost							
Trade and other payables	¥210,888	¥211,162	¥191,095	¥8,260	¥7,345	¥4,436	¥26
Other financial liabilities							
Finance lease liabilities	1,224	1,224	231	192	336	458	6
Other	1,429	1,429	719	2	0	708	—
Total	¥213,542	¥213,815	¥192,045	¥8,454	¥7,681	¥5,603	¥33

2013

(Millions of yen)

	Carrying amount	Contractual cash flows	Within six months	Between six months and one year	Between one year and two years	Between two years and five years	Over five years
Financial liabilities measured at amortised cost							
Trade and other payables	¥206,631	¥206,754	¥197,489	¥4,187	¥4,663	¥296	¥118
Other financial liabilities							
Finance lease liabilities	1,148	1,148	213	198	311	416	11
Other	1,613	1,613	954	7	651	—	0
Total	¥209,392	¥209,515	¥198,656	¥4,391	¥5,625	¥712	¥130

2014

(Millions of yen)

	Carrying amount	Contractual cash flows	Within six months	Between six months and one year	Between one year and two years	Between two years and five years	Over five years
Financial liabilities measured at amortised cost							
Trade and other payables	**¥187,096**	**¥187,131**	**¥185,011**	**¥2,055**	**¥ —**	**¥ 64**	**¥—**
Other financial liabilities							
Finance lease liabilities	**1,146**	**1,146**	**204**	**194**	**321**	**422**	**5**
Other	**664**	**664**	**660**	**4**	**—**	**—**	**—**
Total	**¥188,907**	**¥188,941**	**¥185,875**	**¥2,253**	**¥321**	**¥487**	**¥ 5**

(iii) Foreign exchange risk

Foreign exchange risk management

The Group operates globally and the Group's business results and financial position are exposed to foreign exchange risks.

The Group's long-term basic policy is to mitigate the foreign exchange risks by controlling the amount of the Group's net assets denominated in foreign currencies to the level corresponding to the business scale of respective area. In the short term, the Group uses derivatives such as foreign exchange forward contracts to reduce the impact of exchange rate fluctuations arising from import and export transactions denominated in foreign currencies. Also, the balance of derivative transactions is reported monthly to a Senior Corporate Executive (Chief Financial Officer).

Foreign exchange sensitivity analysis

The financial impact on profit before tax for the years ended 31 March 2013 and 2014 in the case of a 10% increase in Japanese yen, which is the Company's functional currency, against the U.S. dollar and euro is as follows.

Also, it is based on the assumption that currencies other than the ones used for the calculation do not fluctuate and other change factors are held constant.

(Millions of yen)

	2013	**2014**
Profit before tax		
U.S. dollar	¥(2,741)	**¥(675)**
Euro	96	**(261)**

The above negative amounts represent the negative impact on profit before tax in the event of a 10% appreciation in Japanese yen.

(4) Fair values of financial instruments

(i) Fair value calculation of financial instruments

Financial assets at FVTPL

Financial assets at FVTPL comprise mainly short-term debt securities and foreign exchange forward contracts. The fair value of those financial instruments is measured based on prices provided by counterparty financial institutions.

Loans and receivables

The carrying amount approximates fair value due to the short period of settlement terms.

Available-for-sale financial assets

The fair value of marketable securities is based on quoted market prices at the end of the period. The fair value of unquoted equity shares is measured mainly based on the discounted future cash flows.

Cash and cash equivalents

The carrying amount approximates fair value due to the short maturities of the instruments.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost comprise trade and other payables and other financial liabilities. The carrying amount approximates fair value due to the short period of settlement terms.

(ii) Financial instruments measured at fair value on a recurring basis

Fair value hierarchy

The levels of the fair value hierarchy are as follows:

– Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;
– Level 2: Fair value measured using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
– Level 3: Fair value measured using significant unobservable inputs for the assets or liabilities.

The level of the fair value hierarchy is determined based on the lowest level of significant input used for the measurement of fair value.

The Group accounts for transfers between levels of the fair value hierarchy as if they occurred at the end of each quarter.

The breakdown of financial assets and liabilities measured at fair value on a recurring basis, including their levels in the fair value hierarchy, is as follows:

As of 1 April 2012

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Other	¥ —	¥1,499	¥ —	¥ 1,499
Subtotal	—	1,499	—	1,499
Available-for-sale financial assets				
Quoted equity shares	45,237	—	—	45,237
Unquoted equity shares	—	—	23,350	23,350
Other equity securities	—	—	2,086	2,086
Subtotal	45,237	—	25,435	70,673
Total financial assets	¥45,237	¥1,499	¥25,435	¥72,171

Available-for-sale financial assets and financial assets at FVTPL are included in “Other financial assets” in the consolidated statements of financial position.

As of 31 March 2013

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Foreign exchange forward contracts	¥ —	¥ 178	¥ —	¥ 178
Other	—	2,537	—	2,537
Subtotal	—	2,715	—	2,715
Available-for-sale financial assets				
Quoted equity shares	45,715	—	—	45,715
Unquoted equity shares	—	—	23,304	23,304
Other equity securities	—	—	2,086	2,086
Subtotal	45,715	—	25,390	71,104
Total	¥45,715	¥2,715	¥25,390	¥73,819

Available-for-sale financial assets and financial assets at FVTPL are included in “Other financial assets” in the consolidated statements of financial position.

As of 31 March 2014

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Foreign exchange forward contracts	**¥ —**	**¥ 87**	**¥ —**	**¥ 87**
Other	**—**	**3,826**	**—**	**3,826**
Subtotal	**—**	**3,912**	**—**	**3,912**
Available-for-sale financial assets				
Quoted equity shares	**55,149**	**—**	**—**	**55,149**
Unquoted equity shares	**—**	**—**	**22,585**	**22,585**
Other equity securities	**—**	**—**	**2,024**	**2,024**
Subtotal	**55,149**	**—**	**24,609**	**79,758**
Total	**¥55,149**	**¥3,912**	**¥24,609**	**¥83,670**

Available-for-sale financial assets and financial assets at FVTPL are included in “Other financial assets” in the consolidated statements of financial position.

The movement of fair value of financial assets categorised within Level 3 of the fair value hierarchy is as follows:

	(Millions of yen)	
	2013	**2014**
Balance at the beginning of the year	¥25,435	**¥25,390**
Realised or unrealised gains (losses)		
Recognised in profit or loss	(1,288)	**(31)**
Recognised in other comprehensive income	450	**(604)**
Purchases, issues, sales, and settlements		
Purchases	731	**853**
Sales	(344)	**—**
Transfers to/from Level 3	—	**(775)**
Other	0	**(507)**
Exchange differences	405	**283**
Balance at the end of the year	¥25,390	**¥24,609**
Gains or losses recognised during the year in profit or loss attributable to the change in unrealised gains or losses relating to those assets held at the end of the period (Note)	¥ (1,064)	**¥ —**

(Note) Those are included in “Finance expense” in the consolidated statements of income.

The financial assets categorised within Level 3 are composed mainly of unquoted equity shares.

The fair value of unquoted equity shares is measured mainly using discounted future cash flows. The fair value of unquoted equity shares is categorised within Level 3 because unobservable inputs such as estimates of future net operating profit after tax and WACC are used for the measurement. The WACC used for the measurement of fair value is between 6% and 8% depending on region or industry. Generally, the fair value would decrease if the WACC capital were higher.

The fair value of unquoted equity shares is measured by departments of the Company and each Group company in accordance with the Group accounting policy every quarter. The results with evidences of changes in fair value are reported to a superior and, if necessary, to the corporate administration and finance committee as well.

In regards to financial instruments categorised within Level 3, there would be no significant change in fair value when one or more of the unobservable inputs is changed to reflect reasonably possible alternative assumptions.

35. OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases are as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Not later than one year	¥ 8,458	¥ 9,420	**¥13,335**
Later than one year and not later than five years	12,292	17,047	**32,158**
Later than five years	5,133	9,264	**6,764**
Total	¥25,883	¥35,730	**¥52,257**

Future minimum sublease payments expected to be received under non-cancellable subleases is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Future minimum sublease payments expected to be received	¥4,796	¥5,077	**¥2,950**

Minimum lease payments and sublease payments received recognised as expenses are as follows:

	(Millions of yen)	
	2013	**2014**
Minimum lease payments	¥13,340	**¥15,859**
Sublease payments received	(600)	**(569)**
Total	¥12,741	**¥15,290**

The Group leases buildings, vehicles and other assets under operating leases.

The significant leasing arrangements have terms of renewal, but there exist no contingent rents payable, terms of purchase options, and escalation clauses. In addition, there are no material restrictions imposed by the lease arrangements.

36. COMMITMENTS

The breakdown of commitments for the acquisition of property, plant and equipment and intangible assets is as follows:

	(Millions of yen)		
	1 April 2012 (Transition date)	2013	**2014**
Intangible assets			
Research and development milestone payments	¥351,063	¥317,326	**¥291,983**
Sales milestone payments	210,421	217,236	**160,367**
Total	¥561,484	¥534,562	**¥452,350**
Property, plant and equipment	¥ 14,348	¥ 8,212	**¥ 8,627**

Commitments for the acquisition of intangible assets

The Group has entered into research and development collaborations and in-license agreements of products and technologies with a number of third parties. These agreements may require the Group to make milestone payments upon the achievement of agreed objectives or when certain conditions are met as defined in the agreements.

"Research and development milestone payments" represent obligations to pay the amount set out in an individual contract agreement upon achievement of a milestone determined according to the stage of research and development.

"Sales milestone payments" represent obligations to pay the amount set out in an individual contract agreement upon achievement of a milestone determined according to the target of sales.

The amounts shown in the table above represent the maximum payments to be made when all milestones are achieved, and they are undiscounted and not risk adjusted. Since the achievement of the conditions for payment is highly uncertain, it is unlikely that they will all fall due and the amounts of the actual payments may vary considerably from those stated in the table.

37. RELATED PARTY TRANSACTIONS

(1) Major companies the Group controls

A list of major companies the Group controls is presented in "Principal Subsidiaries and Affiliates".

(2) Compensation of key management personnel

The table below shows, by the type, the compensation of key management personnel:

(Millions of yen)

	2013	**2014**
Rewards and salaries	¥1,259	**¥1,276**
Share-based payment	230	**210**
Other	226	**188**
Total compensation	¥1,715	**¥1,674**

Key management personnel consist of 21 people (22 during 2013) including directors, corporate auditors and members of the global management committee.

38. CONTINGENT LIABILITIES

Legal Proceedings

The Group is involved in various claims and legal proceedings of a nature considered common to the pharmaceutical industry. These proceedings are generally related to product liability claims, competition and antitrust law, intellectual property matters, employment claims, and government investigations. In general, since litigation and other legal proceedings contain many uncertainties and complex factors, it is often not possible to make reliable judgment regarding the possibility of losses nor to estimate expected financial effect if these matters are decided in a manner that is adverse to the Group. In these cases, disclosures would be made as appropriate, but no provision would be made by the Group.

Prograf Litigation

Astellas Pharma US, Inc. (APUS), one of the Company's indirect US subsidiaries, was named as a defendant in 2011 in several separate lawsuits brought by plaintiffs in various federal courts on behalf of themselves and proposed classes of all direct and indirect purchasers of Prograf. These lawsuits involve allegations that under the federal antitrust laws and various state laws, APUS misused the Citizen Petition process for the sole purpose of delaying the approval of generic tacrolimus by the U.S Food and Drug Administration, thereby injuring the plaintiffs. In June 2011, the US Judicial Panel on Multi-District Litigation ordered that the cases be consolidated before the US District Court for the District of Massachusetts. The case is being vigorously defended. The outcome of this matter or its impact on our financial condition cannot be determined at this time.

Tarceva Government Investigation

In November of 2011, OSI Pharmaceuticals, LLC (OSI), one of the Company's indirect US subsidiaries, received a subpoena from the U.S. Department of Justice, represented by the U.S. Attorney's Office in San Francisco, California, requesting documents and other information concerning the promotion, marketing, and sale of Tarceva in the US. The investigation is civil and criminal in nature. OSI is in the process of responding to the subpoena, and OSI is continuing to cooperate fully with the investigation. We cannot predict or determine the timing or outcome of this investigation or its impact on our financial condition or results of operations at this time.

39. EVENTS AFTER THE REPORTING PERIOD

Early retirement incentive program

Amid a rapidly changing business environment, the Group is targeting sustainable growth by focusing on three strategic initiatives: maximizing the value of new products; enhancing the Group's ability to generate innovative drugs; and achieving operational excellence.

This series of initiatives is transforming the business structure, as a result of which organizational and personnel requirements are changing. Accordingly, the Group is aligning human resources with the new business structure by offering an early retirement incentive program to 300 employees working at the Company and its domestic subsidiaries in June 2014.

The impact of this program on the Group's financial results of operation for the year ending 31 March 2015 is yet to be seen.

40. FIRST-TIME ADOPTION

The Group disclosed the consolidated financial statements under IFRS for the first time for the fiscal year ended 31 March 2014.

The latest consolidated financial statements under accounting principles generally accepted in Japan ("Japanese GAAP") are prepared for the fiscal year ended 31 March 2013 and the date of transition to IFRS is 1 April 2012.

(1) Exemptions to retrospective application of IFRS

IFRS 1 stipulates that an entity adopting IFRS for the first time shall apply IFRS retrospectively to prior periods. However, IFRS 1 allows certain exemptions from the retrospective application of certain aspects of IFRS, and accordingly the Group has applied the following exemptions:

Use of fair value as deemed cost:

IFRS 1 permits an entity to measure items of property, plant and equipment, investment property and intangible assets at the date of transition to IFRS at its fair value and use that fair value as deemed cost at that date. The Group elected to use the fair value at the date of transition to IFRS as deemed cost at the date of transition to IFRS for certain items of property, plant and equipment. Further, the Group elected to use the cost model for items of property, plant and equipment and intangible assets under IFRS, thus the revaluation model is not applied.

Exchange differences on translating foreign operations:

IFRS 1 permits the cumulative amount of exchange differences on translating foreign operations to be deemed to be zero at the date of transition to IFRS. The Group elected to apply this exemption and deemed all cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS.

Business combinations:

IFRS 1 permits an entity not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred prior to the date of transition to IFRS. The Group elected to apply this exemption and did not apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS. Further, the Group performed an impairment test on goodwill at the date of transition to IFRS regardless of whether there was any indication that the goodwill may be impaired.

Share-based payment transactions:

IFRS 1 permits an entity not to apply IFRS 2 "Share-based Payment" to equity instruments granted on or after 7 November 2002 and vested before the later of the date of transition to IFRS and 1 January 2005. The Group elected not to apply IFRS 2 to equity instruments granted on or after 7 November 2002 and vested before the date of transition to IFRS.

(2) Reconciliations

The reconciliations required to be disclosed in the first IFRS financial statements are described below.

In the reconciliations below, "Presentation" includes items that do not affect retained earnings and comprehensive income, while "Recognition and measurement" includes items that affect retained earnings and comprehensive income.

(i) Reconciliation of equity as of the date of transition to IFRS (1 April 2012)

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Assets						Assets
Fixed assets						Non-current assets
Property, plant and equipment, net	¥ 199,160	¥ (1,506)	¥ (4,802)	¥ 192,851	A	Property, plant and equipment
Intangible assets						
Goodwill	94,193	—	—	94,193		Goodwill
Patents	161,499	(161,499)	—	—	B	
Other	58,587	161,555	147,078	367,220	B	Other intangible assets
	—	830	—	830	C	Investments in associates and joint ventures
Investments and other assets						
Investment securities	60,525	(60,525)	—	—	E	
Deferred tax assets	33,875	71,550	(48,026)	57,399	D	Deferred tax assets
	—	65,627	11,049	76,676	E	Other financial assets
Other	11,751	(5,970)	(249)	5,532	F	Other non-current assets
Allowance for doubtful receivables	(39)	39	—	—		
Total fixed assets	619,551	70,099	105,050	794,700		Total non-current assets
Current assets						Current assets
Merchandise and finished goods	82,233	29,590	883	112,705	G	Inventories
Work in progress	13,473	(13,473)	—	—	G	
Raw materials and supplies	16,117	(16,117)	—	—	G	
Notes and accounts receivable-trade	264,688	19,128	4,502	288,317	H	Trade and other receivables
Securities	88,113	(88,113)	—	—	K	
Deferred tax assets	71,550	(71,550)	—	—	D	
	—	6,605	—	6,605	J	Income tax receivable
	—	48,814	—	48,814	I	Other financial assets
Other	36,807	(30,715)	(3)	6,089	J	Other current assets
Cash and deposits	210,986	41,393	—	252,380	K	Cash and cash equivalents
Allowance for doubtful receivables	(2,887)	2,887	—	—	H	
				714,911		Sub total
	—	1,451	—	1,451	L	Assets held for sale
Total current assets	781,079	(70,099)	5,381	716,361		Total current assets
Total assets	¥1,400,630	¥ —	¥110,431	¥1,511,061		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Liabilities and net assets						Equity and liabilities
Net assets						Equity
Share capital	¥ 103,001	¥ —	¥ —	¥ 103,001		Share capital
Capital surplus	176,822	—	—	176,822		Capital surplus
Treasury shares	(23,132)	—	—	(23,132)		Treasury shares
Retained earnings	894,737	—	(46,602)	848,135	M	Retained earnings
Accumulated other comprehensive income	(134,910)	1,605	153,636	20,332	N	Other components of equity
Subscription rights to shares	1,605	(1,605)	—	—		
				1,125,157		Total equity attributable to owners of the parent
Total net assets	1,018,123	—	107,034	1,125,157		Total equity
Liabilities						Liabilities
Long-term liabilities						Non-current liabilities
	—	11,625	—	11,625	O	Trade and other payables
Deferred tax liabilities	30,932	—	(13,382)	17,550	P	Deferred tax liabilities
Accrued retirement benefits for employees	16,979	507	7,356	24,843	Q	Retirement benefit liabilities
	—	1,045	680	1,725	R	Provisions
	—	1,509	—	1,509	S	Other financial liabilities
Other	20,425	(13,693)	—	6,731	T	Other non-current liabilities
Total long-term liabilities	68,336	993	(5,346)	63,983		Total non-current liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	108,409	91,907	(1,053)	199,263	U	Trade and other payables
Accounts payable-other	82,388	(82,388)	—	—	U	
Accrued expenses	80,933	(80,933)	—	—		
	—	24,367	4	24,371	V	Income tax payable
	—	27,625	4,817	32,442	W	Provisions
Accrued bonus for directors	76	(76)	—	—		
Allowance for sales rebates	3,951	(3,951)	—	—	W	
	—	1,162	(18)	1,144	X	Other financial liabilities
Other	38,414	21,294	4,993	64,701	Y	Other current liabilities
Total current liabilities	314,170	(993)	8,743	321,921		Total current liabilities
Total liabilities	382,507	—	3,397	385,904		Total liabilities
Total liabilities and net assets	¥1,400,630	¥ —	¥110,431	¥1,511,061		Total equity and liabilities

Notes to reconciliation of equity as of the date of transition to IFRS (1 April 2012)

The major components of the reconciliation of equity as of the date of transition to IFRS are as follows:

A Property, plant and equipment
(Presentation)
Under Japanese GAAP, "Buildings and structures, net", "Machinery, equipment and vehicles, net", "Tools, furniture and fixtures, net", "Land", and "Construction in progress" were presented separately, whereas they have been presented together as "Property, plant and equipment" under IFRS.

Under Japanese GAAP, assets held for sale were included in "Property, plant and equipment, net", whereas they are presented separately as "Assets held for sale" in accordance with IFRS.
(Recognition and measurement)
The amount of "Property, plant and equipment" has decreased as a result of revisions to the depreciation method and useful lives and using the fair value as deemed cost for certain items of property, plant and equipment upon the adoption of IFRS.

The carrying amount of the property, plant and equipment to which the deemed cost was applied at the date of transition was ¥56,052 million under Japanese GAAP and the fair value was ¥55,152 million.

B Other intangible assets
(Presentation)
"Patents" presented separately under Japanese GAAP have been included in "Other intangible assets" under IFRS.
(Recognition and measurement)
Under Japanese GAAP, costs associated with the in-licensing of products and technologies incurred before filing an application for approval from regulatory authorities were recognised as research and development expenses, but under IFRS, those costs that satisfy certain criteria are capitalised as intangible assets and amortised over their estimated useful lives on a straight-line basis. Also, the Group revised the useful lives of certain marketing rights upon adoption of IFRS. As a result of those factors, "Other intangible assets" has increased by ¥147,078 million.

C Investments in associates and joint ventures
(Presentation)
Investments in associates and joint ventures included in "Other" comprising investments and other assets under Japanese GAAP have been presented separately as "Investments in associates and joint ventures" under IFRS.

D Deferred tax assets
(Presentation)
Deferred tax assets presented separately as current and non-current under Japanese GAAP have been presented as non-current assets under IFRS.
(Recognition and measurement)
Under Japanese GAAP, the tax effects associated with the elimination of unrealised gain or loss is calculated using the effective tax rate of the seller, while under IFRS, it is calculated using the effective tax rate of the purchaser.

In addition, deferred tax assets are recognised on the temporary differences resulting from the reconciliations to IFRS.

E Other financial assets (non-current)
(Presentation)
"Investment securities" presented separately under Japanese GAAP have been included in "Other financial assets" (non-current) under IFRS.

Security deposits and other investments included in "Other" comprising investments and other assets under Japanese GAAP have been included in "Other financial assets" (non-current) under IFRS.
(Recognition and measurement)
Under Japanese GAAP, unquoted equity shares were stated at cost calculated mainly by using the moving average method. However, under IFRS, unquoted equity shares are measured at fair value. As a result, there has been an increase of ¥10,403 million in "Other financial assets" (non-current).

F Other non-current assets
(Presentation)
Security deposits and other investments included in "Other" comprising investments and other assets under Japanese GAAP have been included in "Other financial assets" (non-current) under IFRS.

Investments in associates and joint ventures included in "Other" comprising investments and other assets under Japanese GAAP have been presented separately as "Investments in associates and joint ventures" under IFRS.

G Inventories

(Presentation)

"Merchandise and finished goods", "Work in progress" and "Raw materials and supplies", which were presented separately under Japanese GAAP, are presented together as "Inventories" under IFRS.

(Recognition and measurement)

With regard to the cost formula of inventories, the Company and its domestic subsidiaries were mainly using the average method. However, the Group applied the first-in, first-out (FIFO) method under IFRS. As a result, the amount of "Inventories" has increased.

H Trade and other receivables

(Presentation)

Accounts receivable-other included in "Other" as current assets under Japanese GAAP has been included in "Trade and other receivables" under IFRS.

"Allowance for doubtful accounts" presented separately in current assets under Japanese GAAP has been included in "Trade and other receivables" under IFRS.

(Recognition and measurement)

Certain provisions for sales discounts or returns were deducted from "Notes and accounts receivable-trade" under Japanese GAAP. However, they have been included in "Provisions" (current) under IFRS. As a result, the amount of "Trade and other receivables" has increased.

I Other financial assets (current)

(Presentation)

Time deposits with maturities over three months included in "Cash and deposits" under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

Securities with maturities less than three months were included in "Securities" as current assets under Japanese GAAP. However, securities other than cash equivalents are included in "Other financial assets" (current) under IFRS.

Advances paid and deposits paid included in "Other" as current assets under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

J Other current assets

(Presentation)

Accounts receivable-other included in "Other" as current assets under Japanese GAAP have been included in "Trade and other receivables" under IFRS.

Income tax receivable included in "Other" as current assets under Japanese GAAP has been presented separately as "Income tax receivable" under IFRS.

Advances paid and deposits paid included in "Other" as current assets under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

K Cash and cash equivalents

(Presentation)

Time deposits with maturities over three months included in "Cash and deposits" under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

Securities with maturities less than three months were included in "Securities" as current assets under Japanese GAAP. However, securities satisfying the classification requirements to be recognised as cash equivalents are included in "Cash and cash equivalents" under IFRS.

L Assets held for sale

(Presentation)

Assets held for sale included in "Property, plant and equipment, net" under Japanese GAAP have been reclassified and presented separately as "Assets held for sale" under IFRS.

M Retained earnings

(Recognition and measurement)

	As of 1 April 2012
	(Millions of yen)
Property, plant and equipment (refer to A)	¥ (4,802)
Other intangible assets (refer to B)	147,078
Inventories (refer to G)	1,223
Foreign currency translation adjustments (refer to N)	(147,167)
Retirement benefit liabilities (refer to Q)	(7,783)
Allowance for repair and maintenance (refer to U)	1,046
Accrued paid absences (refer to Y)	(5,327)
Other	90
Sub total	(15,642)
Adjustment of tax effect	(30,960)
Total adjustments to retained earnings	¥ (46,602)

N Other components of equity

(Presentation)

"Subscription rights to shares" presented separately under Japanese GAAP have been included in "Other components of equity" under IFRS.

(Recognition and measurement)

The Group applied the exemption under IFRS 1 and transferred all cumulative exchange differences on translating foreign operations to retained earnings on the date of transition to IFRS (1 April 2012). As a result, "Other components of equity" has increased by ¥147,167 million.

Under Japanese GAAP, unquoted equity shares were stated at cost, which was calculated by mainly using the moving average method. However, under IFRS, unquoted equity shares are measured at fair value. As a result, there has been an increase of ¥6,469 million in "Other components of equity".

O Trade and other payables (non-current)

(Presentation)

Long-term accounts payable-other included in "Other" as non-current liabilities under Japanese GAAP have been included in "Trade and other payables" (non-current) under IFRS.

P Deferred tax liabilities

(Recognition and measurement)

Deferred tax liabilities are recognised for the temporary differences resulting from the reconciliations to IFRS.

Under Japanese GAAP, the deferred tax assets and liabilities were offset only within the categories of short-term or long-term items. However, the amount of the offset increased because all deferred tax assets and liabilities are classified as non-current items under IFRS. As a result, the amount of "Deferred tax liabilities" decreased.

Q Retirement benefit liabilities

(Recognition and measurement)

With regard to actuarial gains and losses, under Japanese GAAP, the Group mainly amortised them on a straight-line basis from the following year in which they were incurred over the average remaining service years of employees. However, under IFRS, the Group fully recognises the actuarial gains and losses when they are incurred in other comprehensive income as remeasurements of defined benefit plans. As a result, the amount of "Retirement benefit liabilities" has increased by ¥7,356 million.

R Provisions (non-current)

(Presentation)

Provisions for onerous contracts included in "Other" as non-current liabilities under Japanese GAAP have been included in "Provisions" (non-current) under IFRS.

(Recognition and measurement)

Asset retirement obligations deducted from "Other" comprising investments and other assets under Japanese GAAP have been remeasured and recognised as "Provisions" (non-current) under IFRS. As a result, the amount of "Provisions" (non-current) has increased.

S Other financial liabilities (non-current)

(Presentation)

Long-term finance lease liabilities and long-term guaranty deposits received included in "Other" as non-current liabilities under Japanese GAAP have been included in "Other financial liabilities" (non-current) under IFRS.

T Other non-current liabilities

(Presentation)

Long-term accounts payable-other included in "Other" as non-current liabilities under Japanese GAAP have been included in "Trade and other payables" (non-current) under IFRS.

Long-term finance lease liabilities and long-term guaranty deposits received included in "Other" as non-current liabilities under Japanese GAAP have been included in "Other financial liabilities" (non-current) under IFRS.

U Trade and other payables (current)

(Presentation)

"Accounts payable-other" presented separately as current liabilities under Japanese GAAP have been included in "Trade and other payables" (current) under IFRS.

Liabilities arising from certain in-licensing agreements were included in "Other" as current liabilities under Japanese GAAP. However, they have been included in "Trade and other payables" (current) under IFRS.

(Recognition and measurement)

Under Japanese GAAP, the allowance was recognised for repair and maintenance of certain fixed assets planned in future periods. However, such allowance is not recognised under IFRS because it does not satisfy the recognition requirements of a provision. As a result, the amount of "Trade and other payables" (current) has decreased by ¥1,046 million.

V Income tax payable

(Presentation)

Income tax payable included in “Other” as current liabilities under Japanese GAAP has been presented separately as “Income tax payable” under IFRS.

W Provisions (current)

(Presentation)

Liabilities arising from certain sales discounts or rebates included in “Accrued expenses” or “Other” as current liabilities under Japanese GAAP have been included in “Provisions” (current) under IFRS.

“Allowance for sales rebates” presented separately as current liabilities under Japanese GAAP has been included in “Provisions” (current) under IFRS.

(Recognition and measurement)

Liabilities for certain sales discounts or returns were deducted from “Notes and accounts receivable-trade” under Japanese GAAP. However, they have been included in “Provisions” (current) under IFRS.

X Other financial liabilities (current)

(Presentation)

Short-term finance lease liabilities and guaranty deposits received included in “Other” as current liabilities under Japanese GAAP have been included in “Other financial liabilities” (current) under IFRS.

Y Other current liabilities

(Presentation)

Income tax payable included in “Other” as current liabilities under Japanese GAAP has been presented separately as “Income tax payable” under IFRS.

Liabilities arising from certain in-licensing agreements were included in “Other” as current liabilities under Japanese GAAP. However, they have been included in “Trade and other payables” (current) under IFRS.

Certain liabilities included in “Accrued expenses” separately presented as current liabilities under Japanese GAAP have been included in “Other current liabilities” under IFRS.

(Recognition and measurement)

Accrued paid absences of ¥5,327 million not recognised under Japanese GAAP were recognised and included in “Other current liabilities” under IFRS.

(ii) Reconciliation of profit or loss and comprehensive income for the year ended 31 March 2013

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Net sales	¥1,005,612	¥ (2,682)	¥(21,031)	¥ 981,899	A	Sales
Cost of sales	(324,127)	(3,077)	18,493	(308,711)	B	Cost of sales
Gross profit	681,485	(5,760)	(2,538)	673,187		Gross profit
Selling, general and administrative expenses	(527,618)	197,838	10,837	(318,943)	C	Selling, general and administrative expenses
	—	(165,629)	6,534	(159,094)	D	Research and development expenses
	—	(25,514)	(2,752)	(28,266)	E	Amortisation of intangible assets
	—	1,137	—	1,137	F	Share of profits of associates and joint ventures
	—	2,861	1	2,862	G	Other income
	—	(39,651)	(9,640)	(49,291)	H	Other expense
Operating income	153,867	(34,716)	2,442	121,593		Operating profit
Non-operating income	4,053	(4,053)	—	—		
Non-operating expenses	(764)	764	—	—		
Special gains	5,811	(5,811)	—	—		
Special losses	(38,294)	38,294	—	—		
	—	7,339	—	7,339	I	Finance income
	—	(1,816)	—	(1,816)	J	Finance expense
Income before income taxes and minority interests	124,673	—	2,442	127,115		Profit before tax
Income taxes	(41,822)	—	7,171	(34,651)	K	Income tax expense
Net income	82,851	—	9,613	92,464		Profit for the year
Other comprehensive income						Other comprehensive income
	—	—	(5,049)	(5,049)	L	Remeasurements of defined benefit plans
Foreign currency translation adjustments	66,241	—	1,418	67,659	M	Foreign currency translation adjustments
Unrealised holding gains on securities	3,709	—	(435)	3,273	N	Fair value movements on available-for-sale financial assets
Other comprehensive income, net of tax	69,950	—	(4,066)	65,883		Other comprehensive income, net of tax
Total comprehensive income	¥ 152,801	¥ —	¥ 5,547	¥ 158,347		Total comprehensive income

Notes to reconciliation of profit or loss and comprehensive income for the year ended 31 March 2013

The major components of the reconciliations of profit and loss and comprehensive income for the year ended 31 March 2013 are as follows:

A Sales
(Presentation)
Certain costs of sales rebates were included in "Selling, general and administrative expenses" under Japanese GAAP. However, they are deducted from "Sales" under IFRS.
(Recognition and measurement)
Under Japanese GAAP, sales arising from transactions where the Group was acting as a principal or agent were presented on a gross basis. However, under IFRS, sales are presented on a net basis when the Group is acting as an agent. As a result, the amount of "Sales" has decreased by ¥21,031 million.

B Cost of sales
(Presentation)
Certain royalty expenses associated with sales included in "Selling, general and administrative expenses" under Japanese GAAP have been included in "Cost of sales" under IFRS.
(Recognition and measurement)
Under IFRS, sales and cost of sales arising from transactions where the Group is acting as an agent are presented on a net basis. As a result, the amount of "Cost of sales" has decreased by ¥21,031 million.

With regard to the cost formula of inventories, the Company and its domestic subsidiaries were mainly using the average method. However, the Group applied the first-in, first-out (FIFO) method under IFRS. As a result, the amount of "Cost of sales" has increased.

C Selling, general and administrative expenses
(Presentation)
Research and development expenses and amortisation of intangible assets included in "Selling, general and administrative expenses" under Japanese GAAP have been presented separately as "Research and development expenses" and "Amortisation of intangible assets" under IFRS.

Certain royalty expenses associated with sales included in "Selling, general and administrative expenses" under Japanese GAAP have been included in "Cost of sales" under IFRS.

Certain sales rebates were included in "Selling, general and administrative expenses" under Japanese GAAP. However, they are deducted from "Sales" under IFRS.

Restructuring costs and losses from settlement of litigation included in "Selling, general and administrative expenses" under Japanese GAAP have been included in "Other expense" under IFRS.
(Recognition and measurement)
Goodwill was amortised over a specified period under Japanese GAAP while it is not amortised under IFRS. Consequently, there has been a ¥10,318 million decrease in "Selling, general and administrative expenses".

Under Japanese GAAP, actuarial gains and losses associated with retirement benefits were amortised mainly on a straight-line basis from the following year in which they were incurred over the average remaining service years of employees. However, under IFRS, actuarial gains and losses are fully recognised in other comprehensive income when they are incurred as remeasurements of defined benefit plans. As a result, the amount of "Selling, general and administrative expense" has decreased.

D Research and development expenses
(Presentation)
Research and development expenses included in "Selling, general and administrative expenses" under Japanese GAAP have been presented separately as "Research and development expenses" under IFRS.
(Recognition and measurement)
Under Japanese GAAP, costs associated with the in-licensing of products and technologies incurred before filing an application for approval from regulatory authorities were recognised as research and development expenses. However, under IFRS, those costs that satisfy certain criteria are capitalised as intangible assets. As a result, the amount of "Research and development expenses" has decreased.

E Amortisation of intangible assets
(Presentation)
Amortisation of intangible assets included in "Selling, general and administrative expenses" under Japanese GAAP has been presented separately as "Amortisation of intangible assets" under IFRS.
(Recognition and measurement)
Under Japanese GAAP, costs associated with the in-licensing of products and technologies incurred before filing an application for approval from regulatory authorities were recognised as research and development expenses, but under IFRS, those costs that satisfy certain criteria are capitalised as intangible assets and amortised over their estimated useful lives on a straight-line basis. Also, the Group revised the useful life of certain marketing rights upon adoption of IFRS.

As a result, the amount of "Amortisation of intangible assets" has increased by ¥2,752 million.

F Share of profits of associates and joint ventures

(Presentation)

"Share of profits of associates and joint ventures" included in non-operating income under Japanese GAAP has been presented separately under IFRS.

Profits or losses associated with certain partnerships included in "Sales" under Japanese GAAP have been included in "Share of profits of associates and joint ventures" under IFRS.

G Other income

(Presentation)

"Exchange gain" included in non-operating income under Japanese GAAP has been included in "Other income" under IFRS.

"Gain on sales of property, plant and equipment" included in special gains under Japanese GAAP has been included in "Other income" under IFRS.

In addition, certain items of income included in "Other" as non-operating income or special gains under Japanese GAAP have been included in "Other income" under IFRS.

H Other expense

(Presentation)

"Loss on sales and disposal of property, plant and equipment" and "Impairment losses of non-current assets" presented as special losses under Japanese GAAP have been included in "Other expense" under IFRS.

Certain losses arising from settlement of litigations included in "Selling, general and administrative expenses" under Japanese GAAP have been included in "Other expense" under IFRS.

In addition, certain items of loss included in "Other" as non-operating expenses or special losses under Japanese GAAP have been included in "Other expense" under IFRS.

(Recognition and measurement)

Under IFRS, research and development expenses arising mainly from in-licensing agreements satisfying certain classification requirements are recognised as intangible assets, but research and development expenses are charged directly to profit or loss when incurred under Japanese GAAP. For certain intangible assets additionally recognised upon adoption of IFRS, the carrying amount is reduced to the recoverable amount when the discontinuation of the development is decided during the period, and the difference is recognised as impairment loss in the same period. As a result, the amount of "Other expense" has increased by ¥9,832 million.

I Finance income

(Presentation)

"Interest income" and "Dividend income" included in non-operating income under Japanese GAAP have been included in "Finance income" under IFRS.

"Gain on sale of investment securities" included in special gains under Japanese GAAP has been included in "Finance income" under IFRS.

In addition, certain items of income included in "Other" as non-operating income or special gains under Japanese GAAP have been included in "Finance income" under IFRS.

J Finance expense

(Presentation)

"Interest expense" included in non-operating expenses under Japanese GAAP has been included in "Finance expense" under IFRS.

Also, certain items of expenses included in "Other" as non-operating expenses or special losses under Japanese GAAP have been included in "Finance expense" under IFRS.

K Income tax expense

(Recognition and measurement)

Under Japanese GAAP, the tax effect associated with the elimination of unrealised gain or loss is calculated using the effective tax rate of the seller, while under IFRS, it is calculated using the effective tax rate of the purchaser. As a result, the amount of "Income tax expense" has decreased.

In addition, "Income tax expense" has decreased due to the temporary differences resulting from the reconciliation to IFRS.

L Remeasurements of defined benefit plans

(Recognition and measurement)

Under Japanese GAAP, actuarial gains and losses associated with retirement benefits are amortised mainly on a straight-line basis from the following year in which they were incurred over the average remaining service years of employees. However, under IFRS, the Group fully recognises the actuarial gains and losses when they are incurred in other comprehensive income as "Remeasurements of defined benefit plans". As a result, the amount of "Remeasurements of defined benefit plans" has deceased.

M Foreign currency translation adjustments

(Recognition and measurement)

"Foreign currency translation adjustments" have increased due to the effects of foreign currency translations of reconciliations incurred after the date of transition to IFRS.

N Fair value movements on available-for-sale financial assets

(Recognition and measurement)

Under Japanese GAAP, unquoted equity shares are stated at cost calculated mainly by using the moving average method. However, under IFRS, unquoted equity shares are measured at fair value. As a result, the amount of "Fair value movements on available-for-sale financial assets" has decreased.

(iii) Reconciliation of equity as of 31 March 2013

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Assets						Assets
Fixed assets						Non-current assets
Property, plant and equipment, net	¥ 218,479	¥ (1,705)	¥ (5,662)	¥ 211,112	A	Property, plant and equipment
Intangible assets						
Goodwill	95,978	—	11,671	107,648	B	Goodwill
Patents	138,070	(138,070)	—	—	C	
Other	60,794	138,139	141,670	340,603	C	Other intangible assets
	—	1,204	—	1,204	D	Investments in associates and joint ventures
Investments and other assets						
Investment securities	61,646	(61,646)	—	—	F	
Deferred tax assets	27,126	62,610	(44,558)	45,178	E	Deferred tax assets
	—	70,626	10,458	81,084	F	Other financial assets
Other	16,302	(10,207)	(371)	5,724	G	Other non-current assets
Allowance for doubtful receivables	(22)	22	—	—		
Total fixed assets	618,372	60,973	113,207	792,553		Total non-current assets
Current assets						Current assets
Merchandise and finished goods	92,663	35,518	(1,085)	127,095	H	Inventories
Work in progress	13,281	(13,281)	—	—	H	
Raw materials and supplies	22,237	(22,237)	—	—	H	
Notes and accounts receivable-trade	286,068	14,552	7,588	308,208	I	Trade and other receivables
Securities	78,863	(78,863)	—	—	J	
Deferred tax assets	61,746	(61,746)	—	—	E	
	—	10,492	—	10,492	K	Income tax receivable
	—	50,934	—	50,934	J	Other financial assets
Other	40,445	(31,005)	—	9,440	K	Other current assets
Cash and deposits	233,815	31,098	—	264,912	L	Cash and cash equivalents
Allowance for doubtful receivables	(1,926)	1,926	—	—		
				771,082		Sub total
	—	1,636	—	1,636	M	Assets held for sale
Total current assets	827,190	(60,973)	6,503	772,718		Total current assets
Total assets	¥1,445,561	¥ —	¥119,710	¥1,565,271		Total assets

(Millions of yen)

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Liabilities and net assets						Equity and liabilities
Net assets						Equity
Share capital	¥ 103,001	¥ —	¥ —	¥ 103,001		Share capital
Capital surplus	176,822	—	—	176,822		Capital surplus
Treasury shares	(72,285)	—	—	(72,285)		Treasury shares
Retained earnings	917,511	—	(42,039)	875,473	N	Retained earnings
Accumulated other comprehensive income	(64,960)	1,937	154,619	91,596	O	Other components of equity
Subscription rights to shares	1,937	(1,937)	—	—		
				1,174,606		Total equity attributable to owners of the parent
Total net assets	1,062,026	—	112,580	1,174,606		Total equity
Liabilities						Liabilities
Long-term liabilities						Non-current liabilities
	—	4,869	—	4,869	P	Trade and other payables
Deferred tax liabilities	34,715	183	(19,628)	15,270	Q	Deferred tax liabilities
Accrued retirement benefits for employees	18,273	718	13,210	32,201	R	Retirement benefit liabilities
	—	1,133	758	1,891	S	Provisions
	—	1,391	—	1,391	T	Other financial liabilities
Other	17,011	(6,869)	—	10,142	U	Other non-current liabilities
Total long-term liabilities	70,000	1,425	(5,661)	65,765		Total non-current liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	102,835	98,928	—	201,762	V	Trade and other payables
Accounts payable-other	87,718	(87,718)	—	—	V	
Accrued expenses	94,373	(94,373)	—	—		
	—	10,361	—	10,361	W	Income tax payable
	—	40,509	7,580	48,089	X	Provisions
Accrued bonus for directors	89	(89)	—	—		
Allowance for sales rebates	4,386	(4,386)	—	—	X	
	—	1,369	—	1,369	Y	Other financial liabilities
Other	24,136	33,973	5,210	63,319	Z	Other current liabilities
Total current liabilities	313,536	(1,425)	12,790	324,900		Total current liabilities
Total liabilities	383,536	—	7,130	390,665		Total liabilities
Total liabilities and net assets	¥1,445,561	¥ —	¥119,710	¥1,565,271		Total equity and liabilities

Notes to reconciliations of equity as of 31 March 2013

The major components of the reconciliations of equity as of 31 March 2013 are as follows:

A Property, plant and equipment
(Presentation)
Under Japanese GAAP, "Buildings and structures, net", "Machinery, equipment and vehicles, net", "Tools, furniture and fixtures, net", "Land", and "Construction in progress" were presented separately, whereas they have been presented together as "Property, plant and equipment" under IFRS.

Under Japanese GAAP, assets held for sale were included in "Property, plant and equipment, net", whereas they are presented separately as "Assets held for sale" in accordance with IFRS.
(Recognition and measurement)
The amount of "Property, plant and equipment" has decreased as a result of revisions to the depreciation method and useful lives and using the fair value as deemed cost for certain items of property, plant and equipment upon the adoption of IFRS.

B Goodwill
(Recognition and measurement)
Under Japanese GAAP, goodwill was amortised over a specified period, while under IFRS, goodwill is not amortised. As a result, the amount of "Goodwill" has increased.

C Other intangible assets
(Presentation)
"Patents" presented separately under Japanese GAAP have been included in "Other intangible assets" under IFRS.
(Recognition and measurement)
Under Japanese GAAP, costs associated with the in-licensing of products and technologies incurred before filing an application for approval from regulatory authorities were recognised as research and development expenses, but under IFRS, those costs that satisfy certain criteria are capitalised as intangible assets and amortised over their estimated useful lives on a straight-line basis. Also, the Group revised the useful lives of certain marketing rights upon adoption of IFRS. As a result of those factors, "Other intangible assets" has increased by ¥141,670 million.

D Investments in associates and joint ventures
(Presentation)
Investments in associates and joint ventures included in "Other" comprising investments and other assets under Japanese GAAP have been presented separately as "Investments in associates and joint ventures" under IFRS.

E Deferred tax assets
(Presentation)
Deferred tax assets presented separately as current and non-current under Japanese GAAP have been reclassified as non-current assets under IFRS.
(Recognition and measurement)
Under Japanese GAAP, the tax effect associated with the elimination of an unrealised gain or loss was calculated using the effective tax rate of the seller, while under IFRS, it is calculated using the effective tax rate of the purchaser.

In addition, deferred tax assets are recognised on the temporary differences resulting from the reconciliations to IFRS.

F Other financial assets (non-current)
(Presentation)
"Investment securities" presented separately under Japanese GAAP have been included in "Other financial assets" (non-current) under IFRS.

Security deposits and other investments included in "Other" comprising investments and other assets under Japanese GAAP have been included in "Other financial assets" (non-current) under IFRS.
(Recognition and measurement)
Under Japanese GAAP, unquoted equity shares are stated at cost calculated mainly by using the moving average method. However, under IFRS, unquoted equity shares are measured at fair value. As a result, there has been an increase of ¥9,736 million in "Other financial assets" (non-current).

G Other non-current assets
(Presentation)
Security deposits and other investments included in "Other" comprising investments and other assets under Japanese GAAP have been included in "Other financial assets" (non-current) under IFRS.

Investments in associates and joint ventures included in "Other" comprising investments and other assets under Japanese GAAP have been presented separately as "Investments in associates and joint ventures" under IFRS.

H Inventories
(Presentation)
"Merchandise and finished goods", "Work in progress" and "Raw materials and supplies", which were presented separately under Japanese GAAP, are presented together as "Inventories" under IFRS.

(Recognition and measurement)
With regard to the cost formula of inventories, the Company and its domestic subsidiaries were mainly using the average method. However, the Group applied the first-in, first-out (FIFO) method under IFRS. As a result, the amount of "Inventories" has decreased.

I Trade and other receivables
(Presentation)
Accounts receivable-other included in "Other" as current assets under Japanese GAAP have been included in "Trade and other receivables" under IFRS.

"Allowance for doubtful accounts" presented separately in current assets under Japanese GAAP have been included in "Trade and other receivables" under IFRS.
(Recognition and measurement)
Certain provisions for sales discounts or returns have been deducted from "Notes and accounts receivable-trade" under Japanese GAAP. However, they have been included in "Provisions" (current) under IFRS. As a result, the amount of "Trade and other receivables" has increased.

J Other financial assets (current)
(Presentation)
Time deposits with maturities over three months included in "Cash and deposits" under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

Securities with maturities less than three months were included in "Securities" as current assets under Japanese GAAP. However, securities other than cash equivalents are included in "Other financial assets" (current) under IFRS.

Advances paid and deposits paid included in "Other" as current assets under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

K Other current assets
(Presentation)
Accounts receivable-other included in "Other" as current assets under Japanese GAAP have been included in "Trade and other receivables" under IFRS.

Income tax receivable included in "Other" as current assets under Japanese GAAP has been presented separately as "Income tax receivable" under IFRS.

Advances paid and deposits paid included in "Other" as current assets under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

L Cash and cash equivalents
(Presentation)
Time deposits with maturities over three months included in "Cash and deposits" under Japanese GAAP have been included in "Other financial assets" (current) under IFRS.

Securities with maturities less than three months were included in "Securities" as current assets under Japanese GAAP. However, securities satisfying the classification requirements for recognition as cash equivalents are included in "Cash and cash equivalents" under IFRS.

M Assets held for sale
(Presentation)
Assets held for sale included in "Property, plant and equipment, net" under Japanese GAAP were reclassified and presented separately as "Assets held for sale" under IFRS.

N Retained earnings
(Recognition and measurement)

	As of 31 March 2013
	(Millions of yen)
Property, plant and equipment (refer to A)	¥ (5,662)
Goodwill (refer to B)	10,318
Other intangible assets (refer to C)	141,088
Inventories (refer to H)	(1,085)
Foreign currency translation adjustments (refer to O)	(147,167)
Retirement benefit liabilities (refer to R)	(13,647)
Accrued paid absences (refer to Z)	(4,841)
Other	508
Sub total	(20,488)
Adjustment of tax effect	(21,550)
Total adjustments to retained earnings	¥ (42,039)

O Other components of equity
(Presentation)
"Subscription rights to shares" presented separately under Japanese GAAP have been included in "Other components of equity" under IFRS.
(Recognition and measurement)
The Group applied the exemption under IFRS 1 and transferred all cumulative exchange differences on translating foreign operations to retained earnings on the date of transition to IFRS (1 April 2012). As a result, "Other components of equity" has increased by ¥147,167 million.

Under Japanese GAAP, unquoted equity shares are stated at cost calculated by mainly using the moving average method. However, under IFRS, unquoted equity shares are measured at fair value. As a result, there has been an increase of ¥6,034 million in "Other components of equity".

P Trade and other payables (non-current)
(Presentation)
Long-term accounts payable-other included in "Other" as non-current liabilities under Japanese GAAP have been included in "Trade and other payables" (non-current) under IFRS.

Q Deferred tax liabilities
(Recognition and measurement)
Deferred tax liabilities are recognised for the temporary differences resulting from the reconciliations to IFRS.

Under Japanese GAAP, the deferred tax assets and liabilities were offset only within the categories of short-term or long-term items. However, the amount of the offset increased because all deferred tax assets and liabilities are classified as non-current items under IFRS. As a result, the amount of "Deferred tax liabilities" decreased.

R Retirement benefit liabilities
(Recognition and measurement)
With regard to actuarial gains and losses, under Japanese GAAP, the Group mainly amortised them on a straight-line basis from the following year in which they were incurred over the average remaining service years of employees. However, under IFRS, the Group fully recognises the actuarial gains and losses when incurred in other comprehensive income as remeasurements of defined benefit plans. As a result, "Retirement benefit liabilities" has increased by ¥13,210 million.

S Provisions (non-current)
(Presentation)
Provisions for onerous contracts included in "Other" as non-current liabilities under Japanese GAAP have been included in "Provisions" (non-current) under IFRS.
(Recognition and measurement)
Asset retirement obligations deducted from "Other" comprising investments and other assets under Japanese GAAP have been remeasured and recognised as "Provisions" (non-current) under IFRS. As a result, the amount of "Provisions" (non-current) has increased.

T Other financial liabilities (non-current)
(Presentation)
Long-term finance lease liabilities and long-term guaranty deposits received included in "Other" as non-current liabilities under Japanese GAAP have been included in "Other financial liabilities" (non-current) under IFRS.

U Other non-current liabilities
(Presentation)
Long-term accounts payable-other included in "Other" as non-current liabilities under Japanese GAAP have been included in "Trade and other payables" (non-current) under IFRS.

Long-term finance lease liabilities and long-term guaranty deposits received included in "Other" as non-current liabilities under Japanese GAAP have been included in "Other financial liabilities" (non-current) under IFRS.

V Trade and other payables (current)
(Presentation)
"Accounts payable-other" presented separately as current liabilities under Japanese GAAP have been included in "Trade and other payables" (current) under IFRS.

Liabilities arising from certain in-licensing agreements were included in "Other" as current liabilities under Japanese GAAP. However, they have been included in "Trade and other payables" (current) under IFRS.

W Income tax payable
(Presentation)
Income tax payable included in "Other" as current liabilities under Japanese GAAP has been presented separately as "Income tax payable" under IFRS.

X Provisions (current)
(Presentation)
Liabilities arising from certain sales discounts or rebates included in "Accrued expenses" or "Other" as current liabilities under Japanese GAAP have been included in "Provisions" (current) under IFRS.

"Allowance for sales rebates" presented separately as current liabilities under Japanese GAAP has been included in "Provisions" (current) under IFRS.
(Recognition and measurement)
Liabilities for certain sales discounts or returns were deducted from "Notes and accounts receivable-trade" under Japanese GAAP. However, they have been included in "Provisions" (current) under IFRS.

Y Other financial liabilities (current)

(Presentation)

Short-term finance lease liabilities and guaranty deposits received included in “Other” as current liabilities under Japanese GAAP have been included in “Other financial liabilities” (current) under IFRS.

Z Other current liabilities

(Presentation)

Income tax payable included in “Other” as current liabilities under Japanese GAAP has been presented separately as “Income tax payable” under IFRS.

Liabilities arising from certain in-licensing agreements were included in “Other” as current liabilities under Japanese GAAP. However, they have been included in “Trade and other payables” (current) under IFRS.

Certain liabilities included in “Accrued expenses” separately presented as current liabilities under Japanese GAAP have been included in “Other current liabilities” under IFRS.

(Recognition and measurement)

Accrued paid absences of ¥4,841 million not recognised under Japanese GAAP have been recognised and included in “Other current liabilities” under IFRS.

(iv) Significant adjustments to consolidated statement of cash flows for the year ended 31 March 2013

Significant difference between the consolidated statements of cash flows prepared and disclosed in accordance with Japanese GAAP and those prepared and disclosed in accordance with IFRS are as follows:

The expenditures associated with research and development were classified as cash flows from operating activities under Japanese GAAP because they were expensed as incurred, while under IFRS, the capitalised research and development costs have been classified as cash flows from investing activities.

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

The Board of Directors
Astellas Pharma Inc.

We have audited the accompanying consolidated financial statements of Astellas Pharma Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astellas Pharma Inc. and its consolidated subsidiaries as at 31 March 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

18 June 2014
Tokyo, Japan

PRINCIPAL SUBSIDIARIES AND AFFILIATES

(as of August 2014)

Astellas is a group of companies engaged solely in the pharmaceutical business. The group consists of 86 companies, which include Astellas Pharma Inc., 79 consolidated subsidiaries and 6 affiliates accounted for by the equity method. Major group companies are listed as follows:

Americas

Holding company in North America

Astellas US Holding, Inc.
1 Astellas Way, Northbrook, IL 60062, U.S.A.
TEL: +1-800-695-4321

Regional headquarters

Astellas US LLC
1 Astellas Way, Northbrook, IL 60062, U.S.A.
TEL: +1-800-695-4321

R&D bases

Astellas Pharma Global Development, Inc.

Agensys, Inc.

Astellas Research Institute of America LLC

Manufacturing bases

Astellas Pharma Technologies, Inc.

Astellas US Technologies, Inc.

Sales bases

Astellas Pharma US, Inc.

Astellas Pharma Canada, Inc. (Canada)

Astellas Farma Brasil Importaçáo e Distribuiçáo de Medicamentos Ltda. (Brazil)

Other

Astellas Venture Management LLC

Astellas Scientific and Medical Affairs, Inc.

Note: All subsidiaries for which no country has been indicated are located in the U.S.

EMEA

Holding company in EMEA

Astellas B.V.
Sylviusweg 62, PO Box 344, 2300 AH Leiden,
The Netherlands
TEL: +31-71-5455745

Regional headquarters (Astellas EMEA operations)

Astellas Pharma Europe Ltd.
2000 Hillswood Drive, Chertsey, Surrey, KT16 0RS, U.K.
TEL: +44-203-379-8000

R&D and manufacturing bases

Astellas Pharma Europe B.V.
(R&D and manufacturing, Netherlands)

Astellas Ireland Co., Limited
(Development and manufacturing, Ireland)

Sales bases

Astellas Pharma Ges.m.b.H (Austria)
Astellas Pharma B.V. (Belgium)
Astellas Pharma s.r.o. (Czech Republic)
Astellas Pharma A/S (Denmark)
Astellas Pharma S.A.S. (France)
Astellas Pharma GmbH (Germany)
Astellas Pharmaceuticals AEBE (Greece)
Astellas Pharma Kft. (Hungary)
Astellas Pharma Co., Limited (Ireland)
Astellas Pharma S.p.A. (Italy)
Astellas Pharma B.V. (Netherlands)
Astellas Pharma International B.V. (Netherlands)
Astellas Pharma Sp. z o.o. (Poland)
Astellas Farma Limitada (Portugal)
ZAO Astellas Pharma (Russia)
Astellas Pharma d.o.o. (Slovenia)
Astellas Pharma (Proprietary), Ltd. (South Africa)
Astellas Pharma S.A. (Spain)
Astellas Pharma AG (Switzerland)
Astellas Pharma ilaç Ticaret ve Sanayi A.Ş. (Turkey)
Astellas Pharma Ltd. (United Kingdom)

Asia & Oceania

Sales and other bases

Astellas Pharma China, Inc.
(Sales and manufacturing, China)
Astellas Pharma Hong Kong Co., Ltd. (Hong Kong)
Astellas Pharma Taiwan, Inc. (Taiwan)
Astellas Pharma Korea, Inc. (Korea)
Astellas Pharma Philippines, Inc. (Philippines)
Astellas Pharma (Thailand) Co., Ltd. (Thailand)
P.T. Astellas Pharma Indonesia (Indonesia)
Astellas Pharma India Private Limited (India)
Astellas Pharma Australia Pty Ltd. (Australia)
Astellas Pharma Singapore Pte. Ltd. (Singapore)

Japan

Manufacturing base

Astellas Pharma Tech Co., Ltd.

R&D bases

Astellas Research Technologies Co., Ltd.
Astellas Analytical Science Laboratories, Inc.

Other

Astellas Business Service Co., Ltd.
Astellas Learning Institute Co., Ltd.
Astellas Marketing and Sales Support Co., Ltd.
Amgen Astellas BioPharma K.K.

CORPORATE DATA/INVESTOR INFORMATION

Company Name
Astellas Pharma Inc.

Head Office
2-5-1, Nihonbashi-Honcho, Chuo-ku, Tokyo 103-8411, Japan
TEL: +81-3-3244-3000
http://www.astellas.com/en/

Capital (as of March 31, 2014)
¥103 billion

Representative
Yoshihiko Hatanaka
Representative Director, President and CEO

Founded
1923

Professional Institution Affiliation
International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)
* Masafumi Nogimori (Representative Director and Chairman) was appointed Vice President of the IFPMA in November 2010.

Stock Exchange Listing
Tokyo
(Securities Code: 4503)

Independent Auditors
Ernst & Young ShinNihon LLC
Hibiya Kokusai Building, 2-2-3 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011, Japan

Common Stock (as of March 31, 2014)

Authorized:	2,000,000,000
Issued:	456,964,635
	(including 10,736,279 treasury stock)
Number of shareholders:	45,857

Astellas conducted a five-for-one stock split on April 1, 2014.
As a result, authorized common stock and issued common stock increased to 9,000,000,000 shares and 2,284,823,175 shares, respectively.

Transfer Agent for Common Stock in Japan

Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

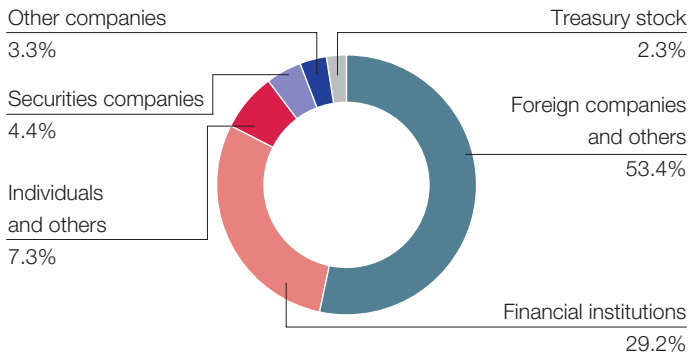
Major Shareholders (as of March 31, 2014)

Name	Shares owned (Thousand shares)	Percentage of total common shares outstanding
The Master Trust Bank of Japan, Ltd. (trust account)	26,422	5.78
State Street Bank and Trust Company	23,302	5.09
Japan Trustee Services Bank, Ltd. (trust account)	20,868	4.56
JP Morgan Chase Bank 385147	13,771	3.01
Nippon Life Insurance Company	13,703	2.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,881	2.16
The Bank of New York – Jasdec Non-Treaty Account	6,709	1.46
State Street Bank and Trust Company 505225	6,222	1.36
State Street Bank West Client – Treaty	5,512	1.20
Goldman, Sachs & Co. Reg	5,348	1.17

Notes: 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 holds 10,736 thousand shares of treasury stock, but it is not included in the above list of major shareholders.

Breakdown of Shareholders

(as of March 31, 2014)



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