May 11, 2015

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Financial Results of Astellas for Fiscal Year 2014 (IFRS)

Japan, May 11, 2015 – Astellas Pharma Inc. (hereinafter referred to as "the Company") today announced the financial results for the fiscal year 2014 (FY2014) ended March 31, 2015.

Consolidated financial results for FY2014 (April 1, 2014 – March 31, 2015) (core basis)

(Millions of yen – fractions rounded)

	FY2013	**FY2014**	Change (%)
Sales	1,139,909	**1,247,259**	+107,351 (+9.4%)
Core operating profit	186,253	**216,500**	+30,247 (+16.2%)
Core profit for the year	132,796	**153,244**	+20,448 (+15.4%)
Core earnings per share (yen)	59.11	**69.37**	+10.26 (+17.4%)

Cautionary statement regarding forward-looking information

This press release includes forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual financial results may differ materially depending on a number of factors, including adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launches, the pricing and product initiatives of competitors, the inability of the Company to market existing and new products effectively, interruptions in production, infringements of the Company's intellectual property rights and the adverse outcome of material litigation.

1. Analysis of business performance and financial position

(1) Analysis of business performance

1) Overview of consolidated financial results for FY2014

<Consolidated financial results (core basis)>

The Company discloses financial results on a core basis as an indicator of its recurring profitability. Certain items reported in financial results 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 property, plant and equipment, restructuring costs, loss on disaster, a large amount of losses on compensation or settlement of litigations and other legal disputes, and other items that are deemed to be excluded based on the Company's judgement. A reconciliation table between results on a full basis and results on a core basis is provided on page 3 of the "Supplement Documents for Results FY2014."

Consolidated financial results (core basis) in FY2014 are shown in the table below. Sales, core operating profit and core profit for the year increased.

Consolidated financial results (core basis)

(Millions of yen – fractions rounded)

	FY2013	**FY2014**	Change (%)
Sales	1,139,909	**1,247,259**	+107,351 (+9.4%)
Core operating profit	186,253	**216,500**	+30,247 (+16.2%)
Core profit for the year	132,796	**153,244**	+20,448 (+15.4%)
Core earnings per share (yen)	59.11	**69.37**	+10.26 (+17.4%)

(Note) The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014. Core earnings per share is calculated based on the number of issued shares after the stock split (excluding treasury shares) on the assumption that the stock split was conducted at the beginning of FY2013.

Research and development (R&D) expenses

(Millions of yen – fractions rounded)

	FY2013	**FY2014**
R&D expenses	191,460	**206,594**

Impact of exchange rate on financial results

The exchange rates for the yen in FY2014 are shown in the table below. The resulting impacts were a ¥47.7 billion increase in sales and an ¥18.0 billion increase in core operating profit.

Average rate	FY2013	**FY2014**	Change
US$/¥	¥100	**¥110**	+¥10
€/¥	¥134	**¥139**	+¥4

Change from beginning to end of period	FY2013	**FY2014**
US$/¥	¥9 (Weakening of yen)	**¥17 (Weakening of yen)**
€/¥	¥21 (Weakening of yen)	**¥11 (Strengthening of yen)**

Sales

Consolidated sales in FY2014 increased by 9.4% compared to those in the previous fiscal year ("year-on-year") to ¥1,247.3 billion.

- In addition to a new product, XTANDI for the treatment of prostate cancer, sales of overactive bladder (OAB) treatments Vesicare and Betanis / Myrbetriq / BETMIGA grew. Additionally, sales of products including Prograf, an immunosuppressant, increased.

Sales by region

*Sales by region calculated according to locations of sellers.

<Japan>

Sales in Japan decreased by 6.0% year-on-year to ¥498.7 billion. Sales in the Japanese market decreased by 6.6% year-on-year to ¥481.7 billion. The impacts of NHI drug price revision enforced in April 2014, generics and other factors caused overall sales to decline year-on-year.

- In addition to Betanis, new products such as Cimzia for the treatment of adult patients with rheumatoid arthritis and Gonax for the treatment of prostate cancer were growth in sales. Additionally, there were contributions from sales of the selective SGLT2 inhibitor Suglat and XTANDI, which were launched in April and May 2014, respectively.
- On the other hand, sales of products declined, including Lipitor for the treatment of hypercholesterolemia, Seroquel for the treatment of schizophrenia, Myslee for the treatment of insomnia, Gaster for the treatment of peptic ulcer and gastritis, and Harnal for the treatment of functional symptoms of benign prostatic hyperplasia, mainly due to the impacts of NHI drug price revision and generics.
- Furthermore, there were decreases in sales of products including the anti-inflammatory and anti-pain drug Celecox, Symbicort for the treatment of bronchial asthma and Bonoteo for the treatment of osteoporosis, partly reflecting temporary fluctuations in supply and demand conditions before and after the consumption tax hike implemented in April 2014.

<The Americas>

Sales in the Americas increased by 25.8% year-on-year to ¥361.0 billion. The sales on a U.S. dollar basis increased by 14.7% year-on-year to US$3,284 million.

- In addition to the sales of XTANDI, overall sales of OAB treatments VESIcare and Myrbetriq grew.
- Additionally, there were increases in sales of Prograf and income from anticancer drug Tarceva and others.

<Europe*>

Sales in Europe increased by 18.6% year-on-year to ¥313.3 billion. The sales on a euro basis increased by 14.8% year-on-year to €2,258 million.

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

- In addition to XTANDI and overall OAB treatments Vesicare and BETMIGA, sales of Prograf, the Candin-type antifungal agent MYCAMINE and others grew.

<Asia and Oceania>

Sales in Asia and Oceania increased by 28.0% year-on-year to ¥74.2 billion.

- Products such as Prograf, Harnal and Vesicare showed growth in sales, resulting in an increase in revenue.

Core operating profit / Core profit for the year

- The increase in sales and a fall in the cost-to-sales ratio resulted in a gross profit of ¥914.1 billion, up 12.9% year-on-year. The cost-to-sales ratio fell 2.3 percentage points year-on-year to 26.7%, owing to changes in product mix and other factors.
- Selling, general and administrative expenses increased by 14.0% year-on-year to ¥452.5 billion, which in addition to the foreign exchange rate impact, was partly due to increased expenditures for co-promotion of XTANDI in the US.
- Research and development (R&D) expenses were ¥206.6 billion, up 7.9% year-on-year, which in addition to the foreign exchange rate impact, was partly due to increased expenses related to progress of development projects. The R&D cost-to-sales ratio was down 0.2 percentage points year-on-year to 16.6%.
- Amortisation of intangible assets was ¥38.7 billion, up 7.4% year-on-year.

As a result of the above, core operating profit increased by 16.2% year-on-year to ¥216.5 billion. Core profit for the year increased by 15.4% to ¥153.2 billion. Core earnings per share increased by 17.4% to ¥69.37.

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in FY2014 are shown in the table below. Sales, operating profit, profit before tax and profit for the year increased.

Items excluded from results on a core basis including impairment losses for other intangible assets, net foreign exchange losses, restructuring costs and litigation costs at a total of ¥43.3 billion (compared to ¥81.0 billion in the previous fiscal year) were recorded in "other expense."

Consolidated financial results (full basis)

(Millions of yen – fractions rounded)

	FY2013	**FY2014**	Change (%)
Sales	1,139,909	**1,247,259**	+107,351 (+9.4%)
Operating profit	116,806	**185,663**	+68,858 (+59.0%)
Profit before tax	121,975	**189,683**	+67,708 (+55.5%)
Profit for the year	90,874	**135,856**	+44,982 (+49.5%)
Earnings per share (yen)	40.45	**61.50**	+21.05 (+52.0%)
Comprehensive income	182,112	**169,499**	-12,613 (-6.9%)

(Note) The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014. Earnings per share is calculated based on the number of issued shares after the stock split (excluding treasury shares) on the assumption that the stock split was conducted at the beginning of FY2013.

2) Other

R&D activities

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

[Initiatives for drug discovery research]

In drug discovery research, we aim to create innovative drugs, promoting the Precision Medicine approach, which is based on the molecular target and diagnostic workup, and proactively making use of leading-edge technologies and knowhow through alliances with outside organizations. In the field of regenerative medicine, in addition to the regenerative medicine research and development we already carry out, we engage in full-scale research for cell therapy, which involves the utilization of cells themselves in medical treatment. As part of these efforts, in April 2014, we established the "Regenerative Medicine Unit" as a new organization to specialize in research of regenerative medicine and cell therapy. In April 2015, we reorganized this unit into the "Regenerative Medicine Research Labs" to reinforce research function. Furthermore, in order to further strengthen our work in the area of drug repurposing*, which we have hitherto carried out in each disease area or in a function-led manner at Drug Discovery Research, we established the Drug Repurposing & Application Management in April 2015.

We seek to optimize the allocation of R&D resources while reinforcing our ability to generate innovative drugs to accelerate the development of new drugs. Specifically, our R&D reshaping is 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. In the area of identifying and obtaining external innovation opportunities during the preclinical development stage, we continued to deliver steady results during FY2014, including collaborations with academia and other sectors, in efforts led by Drug Discovery Research and Astellas Innovation Management.

While collaborating with various fields related to medical treatment such as surgery and preventive care, we are carrying out efforts centered on the innovative drug business to provide patients with value that has never before existed. In October 2014, a unit of the specialization was reorganized under a new department called "Pharma Breakthrough." In April 2015, this department was renamed "Evolving Medical Solutions" to more accurately reflect the department's mission.

* Drug repurposing is the work of overcoming issues it was initially unable to resolve by taking a multifaceted approach to existing drugs, or pharmaceutical candidates for which research and development was stopped, and seeking new value for them.

[Initiatives for clinical development and main development advances]
In tandem with moves to further reinforce its global development framework, the Company accelerates the pace of product development by focusing resources on high-priority projects. The followings are the main development advances made during FY2014.

(Clinical development outside Japan)

- For XTANDI (generic name: enzalutamide, development code: MDV3100), an additional indication was approved in the US in September 2014 for the treatment of men with metastatic castration-resistant prostate cancer who have not received chemotherapy. The Company also submitted a variation to amend the Marketing Authorization Application in Europe in April 2014 and this was approved in December 2014.
- For CRESEMBA (generic name: isavuconazonium sulfate), an azole antifungal agent, the Company submitted an application for approval in the US in July 2014 for the treatment of invasive aspergillosis and invasive mucormycosis and this was approved in March 2015.
- The Company submitted an application for approval in Europe in December 2014 for Qutenza (generic name: capsaicin, development code: NGX-4010), a peripheral neuropathic pain treatment, for the additional indication of peripheral neuropathic pain in diabetic patients.
- Regarding Tarceva (generic name: erlotinib), the US Food and Drug Administration determined that the submitted pediatric data met their Written Request and the exclusivity period has been extended to May 2019.

(Clinical development in Japan)

- The Company submitted an application in May 2014 for approval for the recombinant influenza HA vaccine ASP7374 for the indication of the prevention of influenza.
- In June 2014, an application for approval for additional indication regarding Cimzia (generic name: certolizumab pegol), for the treatment of rheumatoid arthritis in patients without previous treatment with anti-rheumatic drugs was submitted.
- In July 2014, an application for approval for additional indication regarding Starsis (generic name: nateglinide), a fast-acting postprandial hypoglycemic agent, for the treatment of type 2 diabetes in combination with DPP-4 inhibitors was submitted.
- With respect to Irribow (generic name: ramosetron hydrochloride, development code: YM060) for the treatment of diarrhea-predominant irritable bowel syndrome, the Company submitted an application in July 2014 for the additional indication of diarrhea-predominant irritable bowel syndrome in females.
- For XTANDI (generic name: enzalutamide, development code: MDV3100), the “Precaution regarding indication” item of the package insert was revised in October 2014. The sentence “Efficacy and safety of the drug have not been established in patients with prostate cancer who have not received chemotherapy” was deleted.
- The Company obtained approval for Orfadin (generic name: nitisinone) as a treatment for hereditary tyrosinemia type 1 in December 2014.
- In March 2015, the Company submitted an application for approval regarding Kiklin

(generic name: bixalomer), a treatment for hyperphosphatemia, for the additional indication of hyperphosphatemia in patients not on dialysis with chronic kidney disease.

- With respect to Evolocumab (generic name, development code: AMG 145), an LDL cholesterol-lowering treatment, an application for approval was submitted in March 2015 by Amgen Astellas BioPharma KK, which is co-developing the drug.

[Initiatives for alliances with outside organizations, etc. in R&D]

- In April 2014, the Company announced to join a consortium established by the Lieber Institute for Brain Development (US) together with several pharmaceutical companies to identify new treatments for neuropsychiatric disorders.
- In August 2014, the Company entered into a joint research and license agreement with Cancer Research UK (UK) to find new drug targets for the treatment of various cancers, including pancreatic cancer.
- In October 2014, the Company entered into a research collaboration with Harvard Medical School (US) focused on identifying and verifying the pathologic mechanism for retinitis pigmentosa, with the aim to provide a new treatment option with a view of a gene therapy.
- In November 2014, the Company entered into a joint research agreement (including option rights for development and commercialization) with Dana-Farber Cancer Institute (US) focusing on research and development for small molecule inhibitors of oncogenic K-Ras for the treatment of lung cancer and various other forms of cancer.
- Also in November 2014, the Company entered into a research collaboration with Proteostasis Therapeutics, Inc. (US) focusing on the research, development and commercialization aimed at creating therapeutic candidates to treat genetic diseases, etc. associated with protein structural defects by modulation of unfolded protein response pathways of the endoplasmic reticulum, which is an organelle.
- In December 2014, the Company and Cytokinetics, Incorporated (US) made an amendment to their collaboration agreement focusing on the research, development and commercialization of skeletal muscle activators, which they entered into in June 2013. With this amendment to the collaboration agreement, the two companies extended the scope of the collaboration for fast skeletal troponin activators including CK-2127107, which was previously limited to non-neuromuscular indications, and added spinal muscular atrophy (SMA) and other neuromuscular indications.
- In January 2015, the Company entered into an exclusive license agreement with Immunomic Therapeutics, Inc. (US) focusing on the development and commercialization in Japan of JRC2-LAMP-vax, a vaccine created by Immunomic Therapeutics, Inc. and currently developed by that company as a treatment for allergies induced by Japanese red cedar pollen.
- In February 2015, the Company entered into an agreement with The National University Corporation Osaka University to establish a joint research chair with a view developing fundamental technologies for next-generation cell therapies and bringing those technologies into practical use.

- In December 2014, Janssen Biotech, Inc. (US), with which the Company entered into a license agreement in October 2012 to develop and commercialize ASP015K, Astellas' oral Janus Kinase (JAK) inhibitor worldwide except Japan, exercised its right to terminate the said agreement. As a result the agreement was terminated on January 15, 2015. The Company regained all rights that had been granted to Janssen Biotech, Inc. upon the effective date of the termination.
- In October 2014, the Company exercised its right to terminate the license agreement it entered into in April 2008 with CoMentis, Inc. (US) focused on worldwide, exclusive joint research, development and commercialization of beta-secretase inhibitors for Alzheimer's disease. The Company returned all rights it had been granted under the license agreement to CoMentis, Inc. in April 2015.

Initiatives to optimize the allocation of resources, etc.

- In September 2014, the Company and Pfizer Japan Inc. agreed to terminate the distribution and co-promotion agreement in Japan they entered into in October 2011 for Caduet, a combination drug of hypertension treatment and hypercholesterolemia treatment. The said distribution and co-promotion agreement was terminated on March 31, 2015, and distribution was transferred to Pfizer Japan Inc. effective April 1, 2015.
- In January 2015, the Company entered into an agreement with OrphanPacific, Inc. to succeed the manufacturing and marketing approval for products including the human somatomedin C Somazon for Injection (generic name: mecasermin), which the Company manufactures and markets in Japan, to OrphanPacific, Inc.

3) Consolidated business forecasts for FY2015

<Consolidated business forecasts (core basis)>

The definitions of core basis financial results are provided on page 2 of this financial results report.

Consolidated full-year business forecasts (core basis)

(Millions of yen – fractions rounded)

	FY2014 Full-year results	**FY2015 Full-year forecasts**	Change (%)
Sales	1,247,259	**1,362,000**	+114,741 (+9.2%)
Core operating profit	216,500	**238,000**	+21,500 (+9.9%)
Core profit for the year	153,244	**170,000**	+16,756 (+10.9%)
Core earnings per share (yen)	69.37	**77.51**	+8.14 (+11.7%)

(Note) The forecast of the core earnings per share is calculated based on the number of issued shares (excluding treasury shares) at the ended of FY2014.

Expected exchange rate for FY2015	**¥120/US$**	**¥125/€**
Exchange rate for FY2014	¥110/US$	¥139/€

The annual forecasts for the fiscal year ending March 31, 2016 (FY2015) (core basis) are shown in the table above.
Sales are anticipated to increase core operating profit and core profit for the year are anticipated to increase as well compared to FY2014. The yen is anticipated to weaken against the U.S. dollar and strengthen against the euro compared with FY2014, and the fluctuations in the exchange rate is anticipated to cause a ¥9.9 billion increase in sales and a ¥1.9 billion increase in operating profit.

Sales

The sales forecast is ¥1,362.0 billion (up 9.2% year-on-year). In addition to anticipated global sales growth for XTANDI, sales of OAB treatments Vesicare and Betanis / Myrbetriq / BETMIGA are forecasted to grow. Sales of Prograf and Harnal, on the other hand, are expected to decline mainly due to the impact of generics.

Sales by region

In the Japanese market, we forecast an increase in sales. In addition to XTANDI and Suglat, contributions to sales are expected from new products such as Betanis, Cimzia and Gonax, which

continue to grow. We also forecast expansion in sales of Micardis (including Micombi and Micamlo) for the treatment of hypertension, Celecox, Symbicort, and Bonoteo. On the other hand, sales are forecasted to decline for products such as Harnal, Lipitor, Gaster, Myslee and Seroquel, mainly due to the impact of generics.

In the Americas, we forecast an increase in sales. In addition to XTANDI, sales of the OAB treatments VESIcare and Myrbetriq and sales of Lexiscan and others are forecasted to continue growing.

In Europe, we forecast an increase in sales on a local currency basis, although we expect a decrease in sales on a yen basis as a result of the foreign exchange impact. Sales of XTANDI are forecasted to expand. In addition, sales of the OAB treatments Vesicare and BETMIGA are forecasted to increase on a local currency basis, although we expect a decrease on a yen basis.

In Asia and Oceania, we forecast an increase in sales. Sales of Prograf, Vesicare, Mycamine and others are forecasted to continue growing.

Core operating profit and core profit for the year

We forecast an increase in gross profit owing to an increase in sales, in addition to a fall in the cost-to-sales ratio as a result of changes in product mix and other factors.

Concerning selling, general and administrative expenses, although co-promotion of XTANDI in the US among other expenses are forecasted to increase, by continuing efforts to achieve expense efficiency we forecast the selling, general and administrative expenses to sales ratio to stay about level with FY2014.

We project research and development (R&D) expenses of ¥229.0 billion (up 10.8% year-on-year) and the R&D cost-to-sales ratio of 16.8% (compared with 16.6% in FY2014).

As a result, we project a core operating profit of ¥238.0 billion (up 9.9% year-on-year).

Core profit for the year is forecasted at ¥170.0 billion (up 10.9% year-on-year) and core earnings per share is forecasted at ¥77.51 (up 11.7% year-on-year).

<Consolidated business forecasts (full basis)>

Consolidated full-year business forecasts (full basis)

(Millions of yen – fractions rounded)

	FY2014 Full-year results	**FY2015 Full-year forecasts**	Change (%)
Sales	1,247,259	**1,362,000**	+114,741 (+9.2%)
Operating profit	185,663	**238,000**	+52,337 (+28.2%)
Profit before tax	189,683	**239,000**	+49,317 (+26.0%)
Profit for the year	135,856	**170,000**	+34,144 (+25.1%)
Earnings per share (yen)	61.50	**77.51**	+16.01 (+26.0%)

(Note) The forecast of the earnings per share is calculated based on the number of issued shares (excluding treasury shares) at the ended of FY2014.

Expected exchange rate for FY2015	**¥120/US$**	**¥125/€**
Exchange rate for FY2014	¥110/US$	¥139/€

(2) Analysis of financial position

1) Assets, liabilities and equity

An overview of the consolidated statement of financial position as of March 31, 2015 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of March 31, 2015 saw an increase of ¥140.5 billion compared to the end of the previous fiscal year to ¥1,793.6 billion.

<Non-current assets> ¥827.6 billion (an increase of ¥87.8 billion)

- Other intangible assets increased by ¥15.7 billion compared to the end of the previous fiscal year to ¥295.8 billion.

<Current assets> ¥966.0 billion (an increase of ¥52.7 billion)

- Cash and cash equivalents increased by ¥5.1 billion compared to the end of the previous fiscal year to ¥396.4 billion.

Equity

Total equity as of March 31, 2015 saw an increase of ¥49.4 billion compared to the end of the previous fiscal year to ¥1,317.9 billion.

- While profit for the year stood at ¥ 135.9 billion, the Company paid ¥62.1 billion of dividends of surplus and acquired ¥58.2 billion of own shares.
- Cancellation of treasury shares totaling ¥25.4 billion (25 million shares) was carried out on May 30, 2014.
- In addition, the effect of foreign currency translation adjustments increased equity by ¥29.6 billion.

Liabilities

Total liabilities increased by ¥91.0 billion compared to the end of the previous fiscal year to ¥475.7 billion.

<Non-current liabilities> ¥54.8 billion (an increase of ¥10.8 billion)

<Current liabilities> ¥420.9 billion (an increase of ¥80.2 billion)

2) Cash flow

Cash flows from operating activities

Net cash flows from operating activities decreased year-on-year by ¥26.6 billion to ¥187.7 billion.

- Income tax paid was ¥68.3 billion, an increase in outflow of ¥25.1 billion year-on-year.

Cash flows from investing activities

Net cash flows used in investing activities was ¥71.5 billion, an increase in outflow of ¥44.6 billion year-on-year.

- Purchases of property, plant and equipment used cash of ¥24.2 billion and purchase of intangible assets used cash of ¥57.0 billion, while proceeds from sales of property, plant and equipment provided cash of ¥5.4 billion and proceeds from sales of available-for-sale financial assets provided cash of ¥9.7 billion.

Cash flows from financing activities

Net cash flows used in financing activities was ¥121.1 billion, an increase in outflow of ¥31.7 billion year-on-year.

- Dividends paid totaled ¥62.1 billion, an increase in outflow of ¥3.5 billion year-on-year. Other outflow included cash of ¥58.2 billion used for the acquisition of own shares.

As a result of the above, cash and cash equivalents totaled ¥396.4 billion as of March 31, 2015, an increase of ¥5.1 billion compared to the end of the previous fiscal year.

Cash flow indicators

	FY2013	FY2014	FY2015
Ratio of owners' equity to gross assets (%)	75.0	76.7	73.5
Ratio of owners' equity to gross assets on a fair market value basis (%)	145.9	165.2	240.6
Cash flows to interest-bearing liabilities ratio (%)	0.0	0.0	0.0
Interest coverage ratio (times)	–	–	–

- Ratio of owners' equity to gross assets: equity attributable to owners of parent / total assets
- Ratio of owners' equity to gross assets on a fair market value basis: market capitalization / total assets
- Cash flows to interest-bearing liabilities ratio: interest-bearing liabilities / cash flows
- Interest coverage ratio: cash flows / interest payment

(Notes)

1. Each indicator is calculated using financial data on a consolidated basis.
2. Market capitalization is calculated based on the total number of issued shares (after eliminating treasury share).
3. Net cash flows from operating activities are used as cash flows.

4. Of all liabilities included in the consolidated statement of financial position, those on which the Company pays interest are computed as interest-bearing liabilities.

(3) Profit distribution policy and dividends for FY2014 and FY2015

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

The annual dividend for FY2014 is planned to be ¥30 per share (including a year-end dividend of ¥16 per share) to shareholders, yielding a DOE of 5.1 %.

As a part of profit distribution to its shareholders and as measures of its capital policy, the Company implemented acquisition of own shares from stock market of 38.31 million shares, which amounted to ¥58.2 billion, during the fiscal year under review.
Further, the Company decided to cancel 38.00 million shares of its treasury share.

The Company anticipates that the annual dividend in FY2015 will be ¥32 per share (composed of interim dividend of ¥16 per share and a year-end dividend of ¥16 per share).

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

(4) Risk factors

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

Inherent Uncertainties in Pharmaceutical R&D

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

Sales-related Risk

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

Intellectual Property (IP) Risk

The Astellas Group's business benefits from the protection of many patents. Although the Astellas Group manages intellectual property rights properly and is vigilant against third-party violation of such rights, the adverse impact on the Astellas Group's business results of actual IP violations may still be substantial. The Astellas Group's business results are also subject to the outcome of litigation undertaken by the Astellas Group to protect patents where infringement has occurred.
While the Astellas Group strives to ensure that its actions do not infringe the IP rights of other parties, there is a risk of litigation in the event of any inadvertent violations. Such litigation could also impact the Astellas Group's business results significantly.

Risks Relating to Product Side Effects and Safety

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

Pharmaceutical Regulatory Risk

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

Environment-related Risks

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

Foreign Exchange Rate Fluctuations

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

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

2. Management policies

(1) Basic management policy

The Company's business philosophy is composed of its "raison d'être," "mission," and "beliefs." Its raison d'être is to "contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products," its mission is "sustainable enhancement of corporate value," and its beliefs are based on the following four elements: high sense of ethics, customer focus, creativity, and competitive focus.

The Company has established the "Astellas Charter of Corporate Conduct" which states specific business conduct that will make its business philosophy a reality, and it has established the "Astellas Global Code of Conduct" as a Group-wide compliance standard. By acting sincerely in line with these standards, the Company aims to be an enterprise worthy of being selected and trusted by all its stakeholders.

(2) Medium- and long-term management strategy and issues to be addressed

Based on its business philosophy, the Company established a management vision of how Astellas should be in the long term and the conduct that will be necessary to realize this vision. By aiming to continually create high value-added products and deliver these to all people wishing for health, we aim to continually boost corporate value.

The Company is currently formulating a management plan for the three-year-period starting with FY2015 as more concrete measures aimed at realizing this vision. The plan will be announced on May 26, 2015.

<Initiatives to build resilience for sustainable growth>

In recent years, the business environment surrounding the pharmaceutical industry has been changing at an unprecedented rate of acceleration. Amid this situation, in order to resiliently respond to changes in the environment and ensure medium- and long-term growth, the Company is emphasizing work to "Maximize the value of products," "Create innovation" and "Pursue operational excellence" as strategic initiatives, and will continue its efforts to solve these issues.

[Maximize the value of products]

- The Company will address this issue through such means as maximizing its OAB franchise by cultivating Betanis / Myrbetriq / BETMIGA, strengthening its business base in the oncology field by growing XTANDI on a global basis, maintaining its position of leadership in the transplant field with Prograf and Graceptor / Advagraf / ASTAGRAF XL, and continuously launching new products in each region.

[Create innovation]

- The Company will continue efforts to reinforce our ability to generate innovative drugs and increase productivity in research and development. Working together with researchers who are leaders in cutting-edge science across the world, the Company aims to create network research frameworks that allow agile development of research activities based at the

optimum research laboratories and to continue to generate much more innovation. Furthermore, the Company will push ahead with initiatives to continue to provide new value to patients from not only the viewpoint of therapeutic areas, but also the viewpoint of new technologies and modalities.

[Pursue operational excellence]

- With the aim of developing and strengthening a business and operation foundation capable of nimbly responding to sudden changes in the environment, the Company has hitherto worked to enhance operational excellence and efficiency with the use of external resources. Going forward, the Company will continue to construct more efficient and high quality organizations and systems that support strategies and to implement initiatives in anticipation of future changes.

(3) Numerical management targets

In order to sustainably enhance corporate value, the Company will not only concentrate on periodical profit and loss, such as operating profit, but also conduct business operations with a firm emphasis on making efficient use of the capital entrusted to the management. In accordance with this aim, the Company regards ROE to be an important management benchmark.

3. Basic rationale for selecting accounting standard

Since the consolidated financial statements for the fiscal year ended March 31, 2014, the Astellas Group adopts the International Financial Reporting Standards (“IFRS”), as a means of enabling capital market participants to more readily compare the financial information on an international basis.

Consolidated Financial Statements
(1) Consolidated Statements of Income

（Millions of Yen）

	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
Sales	1,139,909	1,247,259
Cost of sales	(330,628)	(333,197)
Gross profit	809,281	914,062
Selling, general and administrative expenses	(397,018)	(452,522)
Research and development expenses	(191,460)	(206,594)
Amortisation of intangible assets	(36,000)	(38,664)
Share of profits of associates and joint ventures	1,451	217
Other income	11,582	12,503
Other expense	(81,029)	(43,339)
Operating profit	116,806	185,663
Finance income	6,827	7,097
Finance expense	(1,658)	(3,078)
Profit before tax	121,975	189,683
Income tax expense	(31,100)	(53,827)
Profit for the year	90,874	135,856
Profit attributable to:		
Owners of the parent	90,874	135,856
Earnings per share		
Basic（Yen）	40.45	61.50
Diluted（Yen）	40.39	61.40

(2) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
Profit for the year	90,874	135,856
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	4,648	(7,874)
Total items that will not be reclassified subsequently to profit or loss	4,648	(7,874)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	80,001	29,645
Fair value movements on available-for-sale financial assets	6,588	11,872
Total items that may be reclassified subsequently to profit or loss	86,590	41,517
Other comprehensive income, net of tax	91,238	33,643
Total comprehensive income	182,112	169,499
Total comprehensive income attributable to:		
Owners of the parent	182,112	169,499

(3) Consolidated Statements of Financial Position

(Millions of Yen)

	As of 31 March 2014	As of 31 March 2015
Assets		
Non-current assets		
Property, plant and equipment	191,451	202,869
Goodwill	116,766	136,337
Other intangible assets	280,120	295,844
Trade and other receivables	—	15,588
Investments in associates and joint ventures	1,808	2,007
Deferred tax assets	45,530	51,199
Other financial assets	94,961	110,091
Other non-current assets	9,179	13,685
Total non-current assets	739,816	827,621
Current assets		
Inventories	135,228	156,907
Trade and other receivables	332,639	332,923
Income tax receivable	2,710	6,918
Other financial assets	35,406	59,908
Other current assets	12,068	12,732
Cash and cash equivalents	391,374	396,430
Sub total	909,424	965,819
Assets held for sale	3,868	139
Total current assets	913,292	965,958
Total assets	1,653,108	1,793,578

(Millions of Yen)

	As of 31 March 2014	As of 31 March 2015
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	176,822	176,822
Treasury shares	(54,535)	(86,997)
Retained earnings	864,830	905,083
Other components of equity	178,359	220,007
Total equity attributable to owners of the parent	1,268,476	1,317,916
Total equity	1,268,476	1,317,916
Liabilities		
Non-current liabilities		
Trade and other payables	64	90
Deferred tax liabilities	2	38
Retirement benefit liabilities	27,184	30,059
Provisions	4,264	4,817
Other financial liabilities	749	626
Other non-current liabilities	11,681	19,142
Total non-current liabilities	43,944	54,771
Current liabilities		
Trade and other payables	187,032	226,602
Income tax payable	13,237	14,124
Provisions	66,407	85,423
Other financial liabilities	1,062	1,339
Other current liabilities	72,950	93,403
Total current liabilities	340,688	420,890
Total liabilities	384,632	475,662
Total equity and liabilities	1,653,108	1,793,578

(4) Consolidated Statements of Changes in Equity

(Millions of Yen)

	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
As of 1 April 2013	103,001	176,822	(72,285)	875,473	1,937	67,659
Comprehensive income						
Profit for the year	—	—	—	90,874	—	—
Other comprehensive income	—	—	—	—	—	80,001
Total comprehensive income	—	—	—	90,874	—	80,001
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(30,075)	—	—	—
Disposals of treasury shares	—	—	463	(147)	(192)	—
Cancellation of treasury shares	—	—	47,362	(47,362)	—	—
Dividends	—	—	—	(58,656)	—	—
Share-based payments	—	—	—	—	365	—
Transfers	—	—	—	4,648	—	—
Total transactions with owners of the parent	—	—	17,750	(101,517)	173	—
As of 31 March 2014	103,001	176,822	(54,535)	864,830	2,110	147,660
Comprehensive income						
Profit for the year	—	—	—	135,856	—	—
Other comprehensive income	—	—	—	—	—	29,645
Total comprehensive income	—	—	—	135,856	—	29,645
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(58,229)	—	—	—
Disposals of treasury shares	—	—	369	(185)	(176)	—
Cancellation of treasury shares	—	—	25,398	(25,398)	—	—
Dividends	—	—	—	(62,146)	—	—
Share-based payments	—	—	—	—	307	—
Transfers	—	—	—	(7,874)	—	—
Total transactions with owners of the parent	—	—	(32,462)	(95,603)	131	—
As of 31 March 2015	103,001	176,822	(86,997)	905,083	2,241	177,306

(Millions of Yen)

	Equity attributable to owners of the parent				Total equity
	Other components of equity			Total	
	Fair value movements on available-for-sale financial assets	Remeasurements of defined benefit plans	Total		
As of 1 April 2013	22,000	—	91,596	1,174,606	1,174,606
Comprehensive income					
Profit for the year	—	—	—	90,874	90,874
Other comprehensive income	6,588	4,648	91,238	91,238	91,238
Total comprehensive income	6,588	4,648	91,238	182,112	182,112
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(30,075)	(30,075)
Disposals of treasury shares	—	—	(192)	124	124
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(58,656)	(58,656)
Share-based payments	—	—	365	365	365
Transfers	—	(4,648)	(4,648)	—	—
Total transactions with owners of the parent	—	(4,648)	(4,475)	(88,242)	(88,242)
As of 31 March 2014	28,588	—	178,359	1,268,476	1,268,476
Comprehensive income					
Profit for the year	—	—	—	135,856	135,856
Other comprehensive income	11,872	(7,874)	33,643	33,643	33,643
Total comprehensive income	11,872	(7,874)	33,643	169,499	169,499
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(58,229)	(58,229)
Disposals of treasury shares	—	—	(176)	8	8
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(62,146)	(62,146)
Share-based payments	—	—	307	307	307
Transfers	—	7,874	7,874	—	—
Total transactions with owners of the parent	—	7,874	8,005	(120,059)	(120,059)
As of 31 March 2015	40,461	—	220,007	1,317,916	1,317,916

(5) Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
Cash flows from operating activities		
Profit before tax	121,975	189,683
Depreciation and amortisation	64,304	65,474
Impairment losses and reversal of impairment losses	55,568	10,329
Finance income and expense	(5,169)	(4,019)
(Increase) decrease in inventories	5,449	(18,150)
(Increase) decrease in trade and other receivables	(1,088)	3,912
Increase (decrease) in trade and other payables	(20,686)	31,756
Other	37,029	(23,048)
Cash generated from operations	257,381	255,937
Income tax paid	(43,124)	(68,251)
Net cash flows from operating activities	214,257	187,686
Cash flows from investing activities		
Purchases of property, plant and equipment	(29,261)	(24,159)
Proceeds from sales of property, plant and equipment	8,652	5,450
Purchase of intangible assets	(26,885)	(57,007)
Purchase of available-for-sale financial assets	(1,577)	(3,583)
Proceeds from sales of available-for-sale financial assets	7,526	9,739
Proceeds from sales of subsidiaries	18,592	—
Interest and dividends received	3,322	2,291
Other	(7,221)	(4,207)
Net cash flows used in investing activities	(26,851)	(71,476)
Cash flows from financing activities		
Acquisition of treasury shares	(30,075)	(58,229)
Dividends paid to owners of the parent	(58,656)	(62,146)
Other	(664)	(744)
Net cash flows used in financing activities	(89,395)	(121,118)
Effect of exchange rate changes on cash and cash equivalents	28,450	9,966
Net increase (decrease) in cash and cash equivalents	126,461	5,057
Cash and cash equivalents at the beginning of the year	264,912	391,374
Cash and cash equivalents at the end of the year	391,374	396,430

(6) Notes to Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of Astellas Pharma Inc. and its subsidiaries (collectively, the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

(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 functional currency of Astellas Pharma Inc. (the "Company"), and figures are rounded to the nearest million yen, except as otherwise indicated.

Changes in Accounting Policies and Accounting Estimates

The significant accounting policies adopted for the Group's consolidated financial statements for the fiscal year ended 31 March 2015 are the same as those applied for its consolidated financial statements for the fiscal year ended 31 March 2014, except for the new standards listed below.

The following accounting standards and interpretations are newly applied by the Group from the fiscal year ended 31 March 2015 in compliance with each transitional provision. These standards and interpretations do not have a material impact on the Group's consolidated financial statements.

IFRSs		Summary of new or amende IFRS standards and interpretations
IAS 32	Financial Instruments: Presentation	Offsetting financial assets and financial liabilities
IAS 36	Impairment of Assets	Disclosures related to recoverable amount of non-financial assets
IFRS 10	Consolidated Financial Statements	Establishment of accounting treatment for entities meeting new definition of investment entity
IFRS 12	Disclosure of Interests in Other Entities	Additional disclosure requirements for newly defined investment entities
IFRIC 21	Levies	Clarification of recognition of liabilities for levies

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)

	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
Prograf	181,054	194,712
XTANDI	54,594	137,189
Vesicare	133,845	135,241
Other	770,415	780,118
Total	1,139,909	1,247,259

Information about geographical areas

Sales and non-current assets by geographical areas are as follows:

Sales by geographical areas

(Millions of Yen)

	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
Japan	522,089	488,363
Americas	284,472	358,196
U.S.A. (included in Americas)	258,905	334,178
Europe	252,698	303,442
Asia, Oceania and other	80,649	97,258
Total	1,139,909	1,247,259

（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)

	As of 31 March 2014	As of 31 March 2015
Japan	273,119	308,426
Americas	270,918	286,413
U.S.A. (included in Americas)	270,449	286,100
Europe	40,304	35,722
Asia, Oceania and other	3,998	4,489
Total	588,338	635,050

Information about major customers

External customers that account for 10 percent or more of consolidated sales of the Group are as follows:

(Millions of Yen)

	Segment	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
McKesson Corporation (Note 1)	Pharmaceutical	–	126,308
SUZUKEN CO., LTD. (Note 2)	Pharmaceutical	120,352	–

（Notes）1. The total amount of sales to McKesson Corporation for the fiscal year ended 31 March 2014 is omitted because the amount is less than 10 percent of consolidated sales of the Group.

2. The total amount of sales to Suzuken Co., Ltd. for the fiscal year ended 31 March 2015 is omitted because the amount is less than 10 percent of consolidated sales of the Group.

Earnings per share

The basis of calculation of basic earnings per share and diluted earnings per share is as follows:

(Millions of Yen, except as otherwise indicated)

	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent	90,874	135,856
Profit not attributable to ordinary shareholders of the parent	–	–
Profit used to calculate basic earnings per share	90,874	135,856
Weighted average number of shares during the year（Thousands of shares）	2,246,508	2,209,080
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share	90,874	135,856
Adjustment	–	–
Profit used to calculate diluted earnings per share	90,874	135,856
Weighted average number of shares during the year（Thousands of shares）	2,246,508	2,209,080
Subscription rights to shares（Thousands of shares）	3,429	3,406
Weighted average number of diluted ordinary shares during the year（Thousands of shares）	2,249,938	2,212,486
Earnings per share (attributable to owners of the parent):		
Basic（Yen）	40.45	61.50
Diluted（Yen）	40.39	61.40

（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.

Significant subsequent events

Not applicable.