

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)

	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

(¥ million)

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.