Matters Disclosed on the Internet Pursuant to
Laws, Ordinances, and the Articles of Incorporation

Matters concerning Subscription Rights to Shares
Consolidated Statements of Changes in Equity
Notes to Consolidated Financial Statements
Statements of Changes in Net Assets
Notes to Financial Statements

The 12th Term Business Year (April 1, 2016 – March 31, 2017)

Astellas Pharma Inc.

We provide shareholders with the matters listed above, posted on the Company's website on the Internet (https://www.astellas.com/en/ir/stock_bond/meeting.html) pursuant to laws and ordinances as well as Article 17 of the Articles of Incorporation.

1. Matters concerning Subscription Rights to Shares

1) Present status of subscription rights to shares as of March 31, 2017:

- Total number of subscription rights to shares: 6,803 (Notes) 1
- Type and number of shares to be issued upon exercise of subscription rights to shares: 2,531,500 shares of common stock of the Company (Notes) 1

All subscription rights to shares have been delivered as the stock options. The Company plans to use treasury share when the subscription rights to shares are exercised and does not intend to issue new shares (i.e. no increase in the total number of the Company's shares issued).

Items	Subscription rights to shares issued in August 2005 (issued on August 31, 2005)	Subscription rights to shares issued in February 2007 (issued on February 13, 2007)	Subscription rights to shares issued in August 2007 (issued on August 10, 2007)
Resolution date of issuance:	August 24, 2005	January 26, 2007	July 26, 2007
Number of subscription rights to shares (Notes) 1:	92	113	243
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	46,000 shares of common stock (500 shares per subscription right to shares)	56,500 shares of common stock (500 shares per subscription right to shares)	121,500 shares of common stock (500 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	Free of charge	¥500,900 per subscription right to shares (Notes) 2	¥463,900 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares (Notes) 4:	¥500 per subscription right to shares	¥500 per subscription right to shares	¥500 per subscription right to shares
Exercise period of subscription rights to shares:	From September 1, 2005 through June 24, 2025 (both inclusive)	From February 14, 2007 through June 27, 2026 (both inclusive)	From August 11, 2007 through June 26, 2027 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3	(Notes) 3	(Notes) 3

Items	Subscription rights to shares issued in September 2008 (issued on September 16, 2008)	Subscription rights to shares issued in July 2009 (issued on July 8, 2009)	Subscription rights to shares issued in July 2010 (issued on July 8, 2010)
Resolution date of issuance:	August 29, 2008	June 23, 2009	June 23, 2010
Number of subscription rights to shares (Notes) 1:	258	527	792
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	129,000 shares of common stock (500 shares per subscription right to shares)	263,500 shares of common stock (500 shares per subscription right to shares)	396,000 shares of common stock (500 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	¥398,000 per subscription right to shares (Notes) 2	¥294,200 per subscription right to shares (Notes) 2	¥244,000 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares (Notes) 4:	¥500 per subscription right to shares	¥500 per subscription right to shares	¥500 per subscription right to shares
Exercise period of subscription rights to shares:	From September 17, 2008 through June 24, 2028 (both inclusive)	From July 9, 2009 through June 23, 2029 (both inclusive)	From July 9, 2010 through June 23, 2030 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3	(Notes) 3	(Notes) 3

Items	Subscription rights to shares issued in July 2011 (issued on July 5, 2011)	Subscription rights to shares issued in July 2012 (issued on July 5, 2012)	Subscription rights to shares issued in July 2013 (issued on July 4, 2013)
Resolution date of issuance:	June 20, 2011	June 20, 2012	June 19, 2013
Number of subscription rights to shares (Notes) 1:	970	996	637
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	485,000 shares of common stock (500 shares per subscription right to shares)	498,000 shares of common stock (500 shares per subscription right to shares)	318,500 shares of common stock (500 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	¥267,700 per subscription right to shares (Notes) 2	¥304,800 per subscription right to shares (Notes) 2	¥505,300 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares: (Notes) 4:	¥500 per subscription right to shares	¥500 per subscription right to shares	¥500 per subscription right to shares
Exercise period of subscription rights to shares:	From July 6, 2011 through June 20, 2031 (both inclusive)	From July 6, 2012 through June 20, 2032 (both inclusive)	From July 5, 2013 through June 19, 2033 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3	(Notes) 3	(Notes) 3

Items	Subscription rights to shares issued in July 2014 (issued on July 3, 2014)
Resolution date of issuance:	June 18, 2014
Number of subscription rights to shares (Notes) 1:	2,175
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	217,500 shares of common stock (100 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	¥127,900 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares (Notes) 4:	¥100 per subscription right to shares
Exercise period of subscription rights to shares:	From July 4, 2014 through June 18, 2034 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3

(Notes) 1. The total number of subscription rights to shares, the number of subscription rights to shares and the number of shares to be issued upon exercise of subscription rights to shares as stated above are shown by remaining numbers as of March 31, 2017.

2. The subscription rights to shares stated above (excluding the subscription rights to shares issued in August 2005) were delivered on the condition that the remuneration debts the Company owes to the allottees and the amounts payable for the subscription rights to shares to be offered were offset against each other.

3. Conditions for the exercise of the subscription rights to shares stated above are as follows:

(1) The holder may, in principle, only exercise the rights for the period of ten (10) years after the date immediately following the date when they lose their positions as both Directors and Corporate Executives of the Company.

(2) Each subscription right to shares may not be partially exercised.

4. The Company conducted a stock split of common stock at a ratio of 5 for 1 on April 1, 2014. Accordingly, the above type and number of shares to be issued upon exercise of subscription rights to shares and the amount of cash to be contributed upon exercise of subscription rights to shares are shown based on the adjusted figures after such stock split, excluding those subscription rights to shares issued in July 2014.

2) State of subscription rights to shares held by the Directors and Audit & Supervisory Board Members as of March 31, 2017, which have been delivered in consideration of performance of their duty:

	Allotee	Number of persons	Number of subscription rights to shares (remaining numbers)	Type and number of shares to be issued upon exercise of subscription rights to shares
Subscription rights to shares issued in February 2007	Directors (excluding outside Directors)	2	33 units	16,500 shares of common stock
Subscription rights to shares issued in August 2007	Directors (excluding outside Directors)	2	33 units	16,500 shares of common stock
Subscription rights to shares issued in September 2008	Directors (excluding outside Directors)	2	58 units	29,000 shares of common stock
Subscription rights to shares issued in July 2009	Directors (excluding outside Directors)	2	94 units	47,000 shares of common stock
Subscription rights to shares issued in July 2010	Directors (excluding outside Directors)	2	110 units	55,000 shares of common stock
Subscription rights to shares issued in July 2011	Directors (excluding outside Directors)	2	232 units	116,000 shares of common stock
Subscription rights to shares issued in July 2012	Directors (excluding outside Directors)	2	229 units	114,500 shares of common stock
Subscription rights to shares issued in July 2013	Directors (excluding outside Directors)	2	138 units	69,000 shares of common stock
Subscription rights to shares issued in July 2014	Directors (excluding outside Directors)	2	499 units	49,900 shares of common stock
Total			1,426 units	513,400 shares of common stock

(Notes) 1. The subscription rights to shares held by the Directors include those distributed as consideration of performance of duties as Corporate Executives prior to assuming the position of Director.

2. The Company conducted a stock split of common stock at a ratio of 5 for 1 on April 1, 2014; and the above numbers of shares to be issued upon exercise of subscription rights to shares, excluding the number relating to the subscription rights to shares issued in July 2014, have been adjusted for the stock split

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(April 1, 2016 to March 31, 2017)

(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 April 1, 2016	103,001	176,903	(157,111)	973,054	2,126	132,134
Comprehensive income						
Profit for the year	―	―	―	218,701	―	―
Other comprehensive income	―	―	―	―	―	(32,544)
Total comprehensive income	―	―	―	218,701	―	(32,544)
Transactions with owners of the parent						
Acquisition of treasury shares	―	―	(92,193)	―	―	―
Disposals of treasury shares	―	(78)	877	(456)	(342)	―
Cancellation of treasury shares	―	―	110,219	(110,219)	―	―
Dividends	―	―	―	(70,119)	―	―
Share-based payments	―	266	―	―	―	―
Transfer	―	―	―	2,962	―	―
Total transactions with owners of the parent	―	188	18,903	(177,831)	(342)	―
As of March 31, 2017	103,001	177,091	(138,207)	1,013,923	1,784	99,590

	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 April 1, 2016	29,103	―	163,363	1,259,209	1,259,209
Comprehensive income					
Profit for the year	―	―	―	218,701	218,701
Other comprehensive income	(14,474)	2,962	(44,056)	(44,056)	(44,056)
Total comprehensive income	(14,474)	2,962	(44,056)	174,644	174,644
Transactions with owners of the parent					
Acquisition of treasury shares	―	―	―	(92,193)	(92,193)
Disposals of treasury shares	―	―	(342)	1	1
Cancellation of treasury shares	―	―	―	―	―
Dividends	―	―	―	(70,119)	(70,119)
Share-based payments	―	―	―	266	266
Transfer	―	(2,962)	(2,962)	―	―
Total transactions with owners of the parent	―	(2,962)	(3,304)	(162,044)	(162,044)
As of March 31, 2017	14,629	―	116,002	1,271,810	1,271,810

Notes to Consolidated Financial Statements

1. Notes to Significant Matters as the Basis to Prepare for Consolidated Financial Statements

(1) Standards used to prepare consolidated financial statements
Consolidated financial statements of the Group are prepared based on International Financial Reporting Standards ("IFRS"), in accordance with Article 120 (1) of the Corporate Accounting Regulations. These consolidated financial statements omit part of the disclosure items required under IFRS, in accordance with the second sentence of the paragraph.

(2) Matters concerning the scope of consolidation:

Number of consolidated subsidiaries: 81

Name of principal consolidated subsidiaries:
Astellas US Holding, Inc., Astellas US LLC,
Astellas Pharma US, Inc., Astellas Pharma Global Development, Inc.,
Agensys, Inc., Astellas Institute for Regenerative Medicine,
Astellas US Technologies, Inc., Astellas B.V.,
Astellas Pharma Europe Ltd., Astellas Ireland Co., Ltd.,
Astellas Pharmaceutical China, Inc., Astellas Pharma Korea, Inc.,
Astellas Pharma Taiwan, Inc., Astellas Pharma Tech Co., Ltd.

(3) Matters concerning the application of equity method:

The number of affiliated companies accounted for by the equity method: 10

(4) Notes to the scope of consolidation and the scope of application of equity method:

Ganymed Pharmaceuticals AG has been included in the scope of consolidation from the business year under review, as a result of the acquisition of its shares.
Astellas Pharma Technologies, Inc. has been excluded from the scope of consolidation since its shares were sold out in the business year under review.

(5) Matters concerning accounting periods for consolidated subsidiaries:

All consolidated subsidiaries settle accounting on March 31 of each year, the same as the Company's settlement date.

(6) Matters concerning significant accounting policies:

(i) Valuation standards and methods for financial instruments

- Non-derivative financial assets
Non-derivative financial assets are classified into "financial assets measured at fair value through profit or loss" ("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 recognized 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.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment loss. Interest income incurred under the effective interest method is recognized in profit or loss.

(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 amortized cost using the effective interest method, less any impairment loss. Amortization incurred under the effective interest method is recognized 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 recognized in other comprehensive income.

Dividends on available-for-sale financial assets are recognized in profit or loss.

When available-for-sale financial assets are derecognized or determined to be impaired, the cumulative gain or loss that had been recognized in other comprehensive income is reclassified to profit or loss.

- Impairment of financial assets other than financial assets at 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 reorganization; 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 recognized in profit or loss as an impairment loss.

The impairment loss for loans and receivables are recognized 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 recognized causes the amount of the impairment loss to decrease, a reversal of the impairment loss is recognized in profit or loss.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognized in other comprehensive income is transferred to profit or loss. Any subsequent recovery in the fair value of an impaired equity instruments classified as available-for-sale financial assets is recognized in other comprehensive income.

- Non-derivative financial liabilities
  Non-derivative financial liabilities are classified into “financial liabilities at FVTPL” or “financial liabilities measured at amortized cost.” The classification is determined based on the nature and purpose of the financial liabilities at the time of initial recognition.

  (a) Financial liabilities at FVTPL
  The Group classifies financial liabilities as FVTPL when the financial liabilities are designated as FVTPL at initial recognition.
  Financial liabilities at FVTPL are measured at fair value, and any gain or loss resulting from changes in fair value and interest income are recognized in profit or loss.

  (b) Financial liabilities measured at amortized cost
  Non-derivative financial liabilities not classified as FVTPL are classified as financial liabilities measured at amortized cost.
  Subsequent to initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

- 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 rate.

  Derivatives are initially recognized 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.

  Changes in the fair value of derivatives subsequent to initial recognition are recognized in profit or loss, except for the following. If the hedging relationship qualifies for hedge accounting, the gain or loss on the hedging instrument of cash flow hedges or hedges of a net investment in a foreign operation that are determined to be effective hedges are recognized in other comprehensive income. The amounts that had been recognized in other comprehensive income for cash flow hedges and hedges of a net investment in a foreign operation shall be reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss and on the disposal or partial disposal of the foreign operation, respectively.

  Financial assets and financial liabilities arising from derivatives are classified as either financial assets at FVTPL or financial liabilities at FVTPL.

(ii) Valuation standards and methods for inventories

Inventories are measured at the lower of cost and net realizable 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 realizable 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.

(iii) Depreciation methods of property, plant and equipment, amortization method of intangible assets (excluding goodwill) and depreciation method for lease assets.

- 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 20 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 business year, and changed, if any.

- Intangible assets (excluding goodwill)
  Intangible assets (excluding goodwill) are amortized over their estimated useful lives (2-25 years) on a straight-line basis beginning at the time when they are available for use. The estimated useful life of intangible assets is the shorter of the period of legal protection or its economic life, and it is also regularly reviewed.

- Leased assets
  Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or lease terms.

(iv) Basis for provisions

Provisions are recognized 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.

(v) Accounting for defined benefit plans as post-employment benefits

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 recognized 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 recognized 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 recognized immediately in other comprehensive income under "Remeasurements of defined benefit plans," and transferred from other components of equity to retained earnings immediately.

(vi) Translation standards for foreign currency

- 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.

- Transactions in foreign currencies
  Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or an approximation of the rate.
  At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency using the exchange rates at the closing date and exchange differences arising from translation are recognized in profit or loss.

- Foreign operations
  Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of business 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 recognized 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.

(vii) Matters concerning goodwill

Goodwill is carried at cost less any accumulated impairment losses.
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 recognized in profit or loss as an impairment loss.
Impairment loss is allocated first 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.
Any impairment loss recognized for goodwill is not reversed in a subsequent period.

(viii) Other significant matters for the preparation of consolidated financial statements

Treatment of consumption taxes is based on the tax-excluded method.

2. Notes to Consolidated Statements of Financial Position

(1) Allowance for doubtful accounts directly deducted from assets:

Trade and other receivables (non-current)	¥8,285 million
Trade and other receivables (current)	¥1,521 million
Other financial assets (non-current)	¥14 million

(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment: ¥278,073 million

(3) Contingent liabilities:
- Guaranteed obligations (guarantee for borrowings from financial institutions):

Employees	¥444 million

3. Notes to Consolidated Statements of Changes in Equity

(1) Class of shares issued and the total number thereof at the end of the business year under review:

Shares of common stock 2,153,823,175 shares

(2) Matters concerning dividends:

(i) Dividends paid:

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 20, 2016	Shares of common stock	34,007	16.00	March 31, 2016	June 21, 2016
Meeting of the Board of Directors held on October 28, 2016	Shares of common stock	36,134	17.00	September 30, 2016	December 1, 2016

(Notes) 1. The total amount of dividends based on the resolution at the Annual Shareholders Meeting held on June 20, 2016 includes ¥7 million of dividends for the Company’s shares owned by the executive remuneration BIP trust.

2. The total amount of dividends based on the resolution at the meeting of the Board of Directors held on October 28, 2016 includes ¥15 million of dividends for the Company’s shares owned by the executive remuneration BIP trust.

(ii) Dividends whose record date is in the business year ended March 31, 2017, but whose effective date is in the following business year are as follows:

Resolution (scheduled)	Class of shares	Total amount of dividends (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders Meeting to be held on June 19, 2017	Shares of common stock	35,120	Retained earnings	17.00	March 31, 2017	June 20, 2017

(Note) The above amount of dividends based includes ¥15 million of dividends for the Company’s shares owned by the executive remuneration BIP trust.

(3) Class and number of shares underlying each subscription right to shares at the end of the business year under review (excluding rights whose exercise period has yet to begin):

Shares of common stock 2,531,500 shares

4. Notes to Financial Instruments

(1) 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.

(2) Details and risks of financial instruments and risk management system
The Astellas Group deposits money only on financial institutions with high credit ratings.
The Group manages customers' credit risk, which is contained in accounts receivable (operating receivable), by appropriately examining the customers' financial situation and monitoring the credit period and outstanding accounts receivable. Monthly settlement status is also under control.
Most of the shares included in available-for-sale financial assets, which contain price volatility risk, are those related to the operation of the business. The Astellas Group has a system to grasp market values of listed shares on a monthly basis.
Derivative transactions are carried out in accordance with the Group's internal management policies and procedures. Trading conditions are ascertained on a monthly basis. The Astellas Group carries out derivative transactions only with financial institutions with high credit ratings in order to reduce the credit risk.

(3) Methods for calculating the fair values of financial instruments

- Financial assets at FVTPL
  Financial assets at FVTPL comprise mainly 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 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 at FVTPL
  Financial liabilities at FVTPL comprise contingent consideration arising from business combination and foreign exchange forward contracts.
  The fair value of contingent consideration arising from business combination is calculated based on the success probability of development and the time value of money.
  The fair value of foreign exchange forward contracts is calculated based on prices provided by counterparty financial institutions.

- Financial liabilities measured at amortized cost
  Financial liabilities measured at amortized cost comprise trade and other payables and other financial liabilities.
  The carrying amount approximates fair value due to the short period of settlement terms.

5. Notes to Per-Share Data

(1) Equity attributable to owners of the parent per share: ¥615.89
(2) Basic earnings per share: ¥103.69

6. Other Notes

Notes to business combinations

Acquisition of Ocata Therapeutics, Inc.

Ocata Therapeutics, Inc. (the company name was changed to Astellas Institute for Regenerative Medicine in May 2016) became a consolidated subsidiary of the Company on February 10, 2016, through a tender offer to purchase all issued and outstanding shares of common stock in cash.
Regarding the measurement of fair values of the assets acquired and liabilities assumed at the acquisition date of this business combination, certain items had reflected provisional fair values for the previous business year. However, the purchase price allocation has been completed for the business year under review.
As a result of the revision of the provisional fair values, goodwill and deferred tax assets increased by ¥2,460 million, ¥481 million, respectively, and other intangible assets decreased by ¥2,941 million on the consolidated statement of financial position for the previous business year.

The fair values of assets acquired, liabilities assumed and purchase consideration transferred as at the date of the acquisition are as follows:

	(Millions of yen)
Property, plant and equipment	151
Other intangible assets	14,321
Deferred tax assets	3,679
Cash and cash equivalents	1,084
Other assets	41
Other liabilities	(2,494)
Fair value of assets acquired and liabilities assumed (Net)	16,782
Goodwill	26,955
Total	43,737
Fair value of purchase consideration transferred (Cash)	43,737

Acquisition of Ganymed Pharmaceuticals AG

(1) Outline of the business combination

(i) Name and business description of the acquiree:

Name of the acquiree: Ganymed Pharmaceuticals AG

Business description: Development of antibodies against cancer

(ii) Acquisition date:

December 20, 2016

(iii) Percentage of voting equity interests acquired:

100%

(iv) Acquisition method:

Acquisition of all shares of common stock in cash with contingent consideration to be paid when certain milestones are achieved in the future

(v) Primary reasons for the business combination:

Ganymed Pharmaceuticals AG ("Ganymed") is a formerly privately-held biopharmaceutical company founded in 2001 and focuses on the development of a new class of cancer drugs. Ganymed has several oncology pipeline assets in pre-clinical and clinical stages including IMAB362. Through the acquisition, the Company will expand its oncology pipeline with antibody program in the late-stage to build upon its leading oncology franchise as a platform for sustainable growth.

(2) The fair values of assets acquired, liabilities assumed and purchase consideration transferred as at the date of the acquisition are as follows:

(Millions of yen)

	Provisional fair value	Fair value adjustments	Provisional fair value (as adjusted)
Property, plant and equipment	272	–	272
Other intangible assets	62,275	23,758	86,033
Cash and cash equivalents	629	–	629
Other assets	1,103	–	1,103
Deferred tax liabilities	(18,679)	(7,127)	(25,806)
Other liabilities	(5,066)	–	(5,066)
Fair value of assets acquired and liabilities assumed (Net)	40,534	16,631	57,164
Goodwill	28,799	(5,486)	23,313
Total	69,333	11,145	80,478
Cash	51,544	–	51,544
Contingent consideration	17,789	11,145	28,934
Total fair value of purchase consideration transferred	69,333	11,145	80,478

During the business year under review, further facts came to light and additional analysis was performed on the fair value measurement of the assets acquired, liabilities assumed and purchase consideration transferred at the acquisition date. As a result, the provisional fair values were adjusted as above. The initial accounting for the business combination has not been completed as the fair value measurement is still in the process of finalization.

Goodwill mainly comprises the value of expected synergies arising from the acquisition and future economic benefits, which is not separately recognized.

(3) Contingent consideration

The contingent consideration relates to certain milestones based on progress in the development of IMAB362, Ganymed’s clinical program. Potential future cash outflows associated with the contingent consideration total €860 million (¥103,019 million). The fair value of the contingent consideration is calculated based on the success probability of the clinical program adjusted for the time value of money.

The movement of the contingent consideration for the business year under review are as follows:

	(Millions of yen)
Balance as of April 1, 2016	–
Business combination	28,934
Settlements	–
Fair value movements	35
Exchange differences	(519)
Balance as of March 31, 2017	28,450

(4) Cash flow information

	(Millions of yen)
Total fair value of purchase consideration transferred	80,478
Fair value of contingent consideration included in purchase consideration transferred	(28,934)
Cash and cash equivalents held by the acquiree	(629)
Acquisition of subsidiaries, net of cash acquired	50,915

(5) Acquisition-related costs

Acquisition-related costs: ¥101 million

Acquisition-related costs were recognized in selling, general and administrative expenses in the Consolidated Statement of Income.

(6) Effect on the Consolidated Statement of Income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the Consolidated Statement of Income: ¥(1,151) million

(ii) Profit (loss) before tax of the combined entity for the business year ended March 31, 2017 assuming the acquisition date had been at the beginning of the business year (Unaudited): ¥(3,825) million

(Note) The effect is calculated based on the business results of Ganymed from April 1, 2016 to the acquisition date.

Notes to additional information

(Acquisition of Ogeda SA)

In order to expand the Company's late stage pipeline and to further contribute to its mid-to-long term growth, the Company and the shareholders of Ogeda SA ("Ogeda") entered into a definitive agreement on March 31, 2017, under which the Company has agreed to acquire Ogeda, a privately owned drug discovery company based in Gosselies, Belgium. Ogeda is a clinical-stage drug discovery company that develops several small molecule drugs targeting G-protein coupled receptors. The closing of the transaction is subject to the customary closing conditions and expected to be finalized in the first quarter of 2017. Upon closing of the transaction, Ogeda will become a wholly owned subsidiary.

The overview of the acquisition and the acquired company is as follows.

(1) Overview of the acquisition

(i) Method of acquiring the shares

Cash on hand

(ii) Amount

- Initial €500 million upon the acquisition of 100% equity in Ogeda
- Up to €300 million in further contingent payments based on progress in the development of fezolinetant, Ogeda's clinical program

(iii) Expected timing of closing

During the first quarter of 2017, subject to the customary closing conditions

(2) Overview of the acquired company

(i) Name

Ogeda SA

(ii) Location

Gosselies, Belgium

(iii) Founded year

1994

(iv) Capital stock

€34 million (as of the end of March 2017)

STATEMENT OF CHANGES IN NET ASSETS
(April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Share capital	Additional paid-in capital	Total capital surplus	Legal reserve	Reserve for retirement benefits	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward
Balance as of April 1, 2016	103,001	176,822	176,822	16,827	900	137	1,251	365,970	19,957
Change during the business year under review									
Reversal of reserve for retirement benefits					(900)				900
Reversal of reserve for special depreciation						(38)			38
Reversal of reserve for advanced depreciation of fixed assets							(66)		66
Reversal of general reserve								(365,970)	365,970
Dividends of surplus									(70,141)
Net income									137,818
Acquisition of treasury shares									
Disposals of treasury shares									(439)
Cancellation of treasury shares									(110,219)
Net change of items other than shareholders' equity during the business year under review									
Total change during the business year under review	－	－	－	－	(900)	(38)	(66)	(365,970)	323,993
Balance as of March 31, 2017	103,001	176,822	176,822	16,827	－	100	1,185	－	343,950

(Millions of yen)

	Shareholders' equity			Valuation, translation adjustments and others		Subscription rights to shares	Total net assets
	Total retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gains on securities	Total valuation, translation adjustments and others		
Balance as of April 1, 2016	405,042	(157,111)	527,754	20,849	20,849	2,126	550,729
Change during the business year under review							
Reversal of reserve for retirement benefits	–		–				–
Reversal of reserve for special depreciation	–		–				–
Reversal of reserve for advanced depreciation of fixed assets	–		–				–
Reversal of general reserve	–		–				–
Dividends of surplus	(70,141)		(70,141)				(70,141)
Net income	137,818		137,818				137,818
Acquisition of treasury shares		(92,193)	(92,193)				(92,193)
Disposals of treasury shares	(439)	877	438				438
Cancellation of treasury shares	(110,219)	110,219	–				–
Net change of items other than shareholders' equity during the business year under review				(11,700)	(11,700)	(342)	(12,042)
Total change during the business year under review	(42,981)	18,903	(24,078)	(11,700)	(11,700)	(342)	(36,120)
Balance as of March 31, 2017	362,061	(138,207)	503,676	9,149	9,149	1,784	514,609

Notes to Financial Statements

1. Notes to Items of Significant Accounting Policies

(1) Valuation standards and methods for assets:

(i) Valuation standards and methods for securities:

Held-to-maturity debt securities:
Held-to-maturity debt securities are carried at amortized cost.

Investments in subsidiaries and affiliates:
Investments in subsidiaries and affiliates are carried at cost determined by the moving average method.

Investments in securities classified as other securities:
Marketable securities:
Marketable securities classified as other securities are carried at fair value as of the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in net assets. The cost of securities sold is calculated by the moving average method.

Non-marketable securities:
Non-marketable securities classified as other securities are stated at cost determined by the moving average method.

(ii) Valuation standards and methods for inventories:

Inventories held for the purpose of ordinary sales:
Inventories are stated at the lower of cost or market, cost being determined by the average method (the amounts stated in the balance sheets were calculated by the method to devaluate book values based on the reduction in profitability).

(2) Depreciation and amortization methods for fixed assets:

(i) Property, plant and equipment (excluding lease assets):
Straight-line method
The useful lives of property, plant and equipment are summarized as follows:

Buildings	2 to 50 years
Structures	2 to 60 years
Machinery and equipment	2 to 20 years
Tools, furniture and fixtures	2 to 20 years

(ii) Intangible fixed assets (excluding lease assets):
Straight-line method
With respect to software used in the Company, it is amortized by the straight-line method based on the useful lives (5 years) in the Company.

(iii) Lease assets:
Finance lease assets not involving the transfer of ownership
Depreciation is calculated on the straight-line method over the lease period as the useful life and assuming no residual value.

(3) Basis for significant allowances:

(i) Allowance for doubtful receivables:
The allowance for doubtful receivables is provided for possible losses on bad debts at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are facing financial difficulties.

(ii) Allowance for sales rebates:
The allowance for sales rebates is provided for sales rebates to be paid after the balance sheet date at an amount estimated based on the latest historical rebate ratio and the balance of accounts receivable and specified distributor inventory at the balance sheet date.

(iii) Accrued retirement benefits for employees:
Accrued retirement benefits for employees are provided for retirement benefits to be paid under defined benefit plans at an amount calculated by deducting the fair value of the pension plan assets from the retirement benefit obligations, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost as of the balance sheet date.

Actuarial gain or loss of the retirement benefit plan is amortized from the year following the year in which the gain or loss is recognized primarily by the straight-line method over the average remaining years of service of the employees. Prior service cost is amortized as incurred by the straight-line method over the average remaining years of service of the employees.

The retirement benefit plan of the former Yamanouchi Pharmaceutical Co., Ltd. and the retirement benefit plan of the former Fujisawa Pharmaceutical Co., Ltd. were integrated on October 1, 2006 and actuarial gain or loss of the retirement benefit plan of the former Fujisawa Pharmaceutical Co., Ltd. before the merger is amortized from the year following the year in which the gain or loss is recognized primarily by the straight-line method over the specified years (10 years) within the average remaining years of service of the employees.

(4) Hedge accounting:

(i) Hedge accounting
All derivative transactions are principally hedged by a deferred hedge method. Provided, however, that other securities are hedged by a fair value method.

(ii) Hedging instruments and hedged items
Hedging instruments: Derivative transactions
Hedged items: Assets and liabilities of which income or loss may be caused by market fluctuations and cash flow fluctuations

(iii) Hedging policy
The Company has hedged derivative transactions from any risks arising from market fluctuations and cash flow fluctuations to a specified extent in accordance with the Company's internal policies and procedures for derivative transactions.

(iv) Assessment of hedge effectiveness
Deferred hedge effectiveness from the start of the hedge period to the determination of effectiveness is assessed by comparing the cumulative changes in market fluctuations or cash flow fluctuations of the hedging instruments with those with respect to the hedged items.

(5) Accounting for consumption taxes:

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

2. Notes to Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥142,176 million

(2) Contingent liabilities:

- Guaranteed obligations (guarantee for borrowings from financial institutions):

Employees	¥444 million

(3) Receivables from and payables to subsidiaries and affiliates:

Short-term receivables:	¥71,797 million
Short-term payables:	¥410,447 million

3. Notes to Statements of Income

Volume of transaction with subsidiaries and affiliates:

Sales:	¥134,310 million
Purchases:	¥45,221 million
Non-operating transactions:	¥121,657 million

4. Notes to Statement of Changes in Net Assets

Type of treasury share and the number of shares at the end of the business year under review:
Shares of common stock 88,817,886 shares

5. Notes to Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities based on reasons are as follows:

Deferred tax assets:	
Investment securities:	¥1,688 million
Accrued retirement benefits for employees:	¥3,087 million
Property, plant and equipment:	¥2,576 million
Intangible fixed assets:	¥22,645 million
Accrued expenses:	¥4,692 million
Inventories:	¥12,274 million
Investment in subsidiaries and affiliates:	¥8,871 million
Other:	¥47,357 million
Subtotal:	¥103,189 million
Valuation allowance:	(¥14,877 million)
Total:	¥88,312 million
Deferred tax liabilities:	
Investment securities:	(¥3,780 million)
Prepaid pension cost:	(¥2,132 million)
Property, plant and equipment:	(¥564 million)
Other:	(¥812 million)
Total:	(¥7,287 million)
Net deferred tax assets:	¥81,025 million

In order to further clarify the relationship between deferred tax assets and deferred tax liabilities with accounts of assets and accounts of liabilities on the balance sheets, names of some items in the breakdown of deferred tax assets and deferred tax liabilities based on reasons were changed from the business year under review.

6. Notes to Transaction with Affiliated Parties

Subsidiaries and affiliates

Type	Name of Company, etc.	Ownership of voting rights, etc. (Ownership percentage)	Relationship with affiliated parties	Details of transaction	Amount of transaction (Millions of yen)	Account	Balance as of the end of the fiscal term (Millions of yen)
Subsidiaries	Astellas B.V.	Direct ownership 100.0%	Borrowing of funds, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Borrowing of funds (Note)	175,442	Short-term loans payable	235,507
				Repayment of borrowed funds	118,980		
Subsidiaries	Astellas US Holding, Inc.	Direct ownership 100.0%	Borrowing of funds, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Borrowing of funds (Note)	37,223	Short-term loans payable	134,628

Trade conditions and related policies:

(Note) Interest rates on the funds borrowed are reasonably determined based on market rates.

7. Notes to Per-Share Data

(1) Net asset per share: ¥248.34
(2) Net income per share: ¥65.34

8. Other Notes

(Acquisition of Ogeda SA)

In order to expand the Company's late stage pipeline and to further contribute to its mid-to-long term growth, the Company and the shareholders of Ogeda SA ("Ogeda") entered into a definitive agreement on March 31, 2017, under which the Company has agreed to acquire Ogeda, a privately owned drug discovery company based in Gosselies, Belgium. Ogeda is a clinical-stage drug discovery company that develops several small molecule drugs targeting G-protein coupled receptors. The closing of the transaction is subject to the customary closing conditions and expected to be finalized in the first quarter of 2017. Upon closing of the transaction, Ogeda will become a wholly owned subsidiary.

The overview of the acquisition and the acquired company is as follows.

(1) Overview of the acquisition

(i) Method of acquiring the shares

Cash on hand

(ii) Amount

– Initial €500 million upon the acquisition of 100% equity in Ogeda
– Up to €300 million in further contingent payments based on progress in the development of fezolinetant, Ogeda's clinical program

(iii) Expected timing of closing

During the first quarter of 2017, subject to the customary closing conditions

(2) Overview of the acquired company

(i) Name

Ogeda SA

(ii) Location

Gosselies, Belgium

(iii) Founded year

1994

(iv) Capital stock

€34 million (as of the end of March 2017)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the business year under review, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).