The Notice of Convocation

(Securities Code 4503)

May 28, 2018

To: Shareholders

Notice of Convocation of the 13th Term Annual Shareholders Meeting

Dear Madam/Sir:

You are hereby notified that the 13th Term Annual Shareholders Meeting of Astellas Pharma Inc. (the "Company") will be held as stated below. You are cordially invited to attend the meeting.

In the event that you are unable to attend the aforesaid meeting, you may exercise your voting rights either by mail or by electronic or magnetic means (via Internet, etc.). In that case, the Company cordially requests that you consider the Reference Documents for Shareholders Meeting attached below and exercise the voting rights before 5:00 p.m. on Thursday, June 14, 2018.

Yours faithfully,

By: Kenji Yasukawa
Representative Director,
President and CEO
Astellas Pharma Inc.
2-5-1, Nihonbashi-Honcho, Chuo-ku
Tokyo, Japan

Particulars

1. **Date and Time:** 10:00 a.m. on Friday, June 15, 2018
(Admission commences at 9:00 a.m.)

2. **Place:** "Banquet Room Tsuru" Hotel New Otani Tokyo (The Main Bldg. Banquet Floor)
4-1, Kioi-cho, Chiyoda-ku, Tokyo

* The place of meeting has been changed from the last year. Please look at the map for the place of Shareholders Meeting in the end to avoid a mistake on the place.
* Please be aware that from this year no gift will be given to shareholders who attend Annual Shareholders Meeting.

3. **Purpose:**

Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements and Financial Statements for the 13th Term Business Year (from April 1, 2017 to March 31, 2018);
2. Report on the Results of Audit by Financial Auditors and the Audit & Supervisory Board for Consolidated Financial Statements for the 13th Term Business Year (from April 1, 2017 to March 31, 2018)

Matters to be resolved:

First Proposal: Appropriation of Retained Earnings
Second Proposal: Partial Amendment to the Articles of Incorporation
Third Proposal: Election of Five (5) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
Fourth Proposal: Election of Five (5) Directors Who Are Audit & Supervisory Committee Members
Fifth Proposal: Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member
Sixth Proposal: Determination of Amounts of Remuneration for Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
Seventh Proposal: Determination of Amounts of Remuneration for Directors Who Are Audit & Supervisory Committee Members
Eighth Proposal: Provision of Remuneration to Directors (Excluding Directors Who Are Audit & Supervisory Committee Members) Through Stock Compensation Scheme
Ninth Proposal: Provision of Bonus to Directors

-End-

Guidance for Means of Exercising Voting Rights:

In case that the shareholder attends the Annual Shareholders Meeting:
Date and Time: 10:00 a.m. on Friday, June 15, 2018
Please submit the Voting Card to the reception. (Seal is not required.)
Please note that, except for an accompanied person assisting a challenged/disabled shareholder, no one other than shareholders having the voting rights will be admitted to the place of meeting, even if such a person is a proxy who is not the shareholder or the accompanying person of a shareholder.

In case that voting rights are exercised by returning the Voting Card:
Deadline for Exercise: 5:00 p.m. on Thursday, June 14, 2018 (arrival of the Voting Card to the Company is required)
Please describe your vote for approval or disapproval of each proposal on the Voting Card and post the Voting Card without putting stamps.

In case that voting rights are exercised by the Internet:
Deadline for Exercise: 5:00 p.m. on Thursday, June 14, 2018 (completion of entry is required)
Please access to the Website for Exercise of Voting Rights at https://www.web54.net and enter your vote for approval or disapproval of each proposal following the on-screen guidance.

(Please refer to [Exercise of Voting Rights via Internet] of page 5.)

When exercising voting rights, the Company cordially requests that shareholders understand the following points:

1. In case that voting rights are exercised both by return of the Voting Card and by electronic or magnetic means (via Internet, etc.), only the vote registered by electronic or magnetic means (via Internet, etc.) will be recognized as valid.
2. In case that voting rights are redundantly exercised by the same means, only the last vote will be recognized as valid.
3. In case that no representation of either approval or disapproval is made when exercising voting rights, it shall be counted as a vote of approval.

Disclosure on the Internet

1. In accordance with the relevant laws and regulations as well as Article 17 of the Articles of Incorporation of the Company, the following items are posted on the Company's website on the Internet, and therefore, are not included in this Notice of Convocation.
   - Matters concerning Subscription Rights to Shares
   - Systems to Ensure the Appropriate Execution of Business
   - Consolidated Statements of Changes in Equity
   - Notes to Consolidated Financial Statements
   - Statements of Changes in Net Assets
   - Notes to Financial Statements

   Business Report, Consolidated Financial Statements, and Financial Statements audited by the Audit & Supervisory Board Members and Consolidated Financial Statements and Financial Statements audited by Financial Auditors comprise the statements included in the Notice of Convocation and the abovementioned items posted on the Company's website.

2. In the case of revisions to the Reference Documents for Shareholders Meeting, Business Report, Consolidated Financial Statements, or Financial Statements, the Company will provide the revised details on its website.
   The Company's website:
   https://www.astellas.com/jp/ja/investors/shareholders-meeting/

   *If any part of the originals of Reference Documents for Shareholders Meeting, Business Report, Consolidated Financial Statements, or Financial Statements in Japanese is revised, English translation of the Notice of Convocation will be updated and provided on the Company's website: https://www.astellas.com/jp/en/investors/shareholders-meeting

[Exercise of Voting Rights via Internet]

In case that a shareholder intends to exercise his or her voting rights via Internet, please access the following designated website for exercising voting rights. Please enter the "vote exercising code" and "password" written on the enclosed Voting Card. Then, please enter your vote for approval or disapproval of each proposal following the on-screen guidance.
Exercise of voting rights is also possible by using the full browser function of mobile phones including smart phones, but please be advised that the website may not be accessible by certain models of mobile phone.

Website for Exercise of Voting Rights
https://www.web54.net

Deadline for Exercise: 5:00 p.m. on Thursday, June 14, 2018 (completion of entry is required)

Notes:

- Any connection charges to be incurred with the exercise of voting rights via Internet payable to Internet providers and communication charges must be borne by the shareholder exercising such rights.
- In some cases, you may not be able to use the website for exercise of voting rights due to your Internet environment, network service, or device model.
- Handling of password:
  (1) The password is a means to identify the person exercising voting rights as a shareholder of the Company. Please pay careful attention to keep the password safe.
  (2) In order to prevent illegal use by persons other than shareholders and falsification of the contents of the votes, the Company cordially requests that shareholders change the password written on the enclosed Voting Card to a new password chosen and registered by the shareholder by accessing the designated website for exercising voting rights.
  (3) The vote exercising code and password written on the enclosed Voting Card (including the password which has been changed and registered by the shareholders) shall be effective only for this Annual Shareholders Meeting. (For the next Annual Shareholders Meeting, a new vote exercising code and password shall be issued.)

For questions about how to exercise voting rights on the website, please call:

Website Support: 0120-652-031
Sumitomo Mitsui Trust Bank, Limited
Business Hours: from 9:00 a.m. to 9:00 p.m.

To institutional investors:

In addition to the exercise of voting rights via Internet stated above, only when the advance application is made, institutional investors may use the Electronic Voting Platform operated by ICJ, Inc. which is a company owned by the Tokyo Stock Exchange, Inc., and other companies.

Reference Documents for Shareholders Meeting

Proposals and Matters for Reference

First Proposal: Appropriation of Retained Earnings

The Company works aggressively towards increasing enterprise 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 strives to increase dividend payments stably and continuously based on its medium- to long-term profit growth on a consolidated basis. Further, the Company flexibly acquires its own shares whenever necessary to further increase capital efficiency and shareholder return.

Based on the policy of returns to shareholders mentioned above, the Company proposes the year-end dividend for the business year under review as follows. As a result, the Company's annual dividend is ¥36 per share, including the interim dividend of ¥18 per share.

Year-end dividend

(1) Type of dividend assets:
Cash

(2) Matters concerning the allotment of dividend assets and the total amount thereof:
¥18 per share of common stock of the Company
Total amount: ¥35,594,098,974

(3) Date when the dividend of retained earnings takes effect:
June 18, 2018 (Monday)

Second Proposal: Partial Amendment to the Articles of Incorporation

The Company proposes to amend the Articles of Incorporation of the Company as follows:

1. Reasons for Proposal

The Company recognizes enhancing and strengthening the corporate governance system as a material issue for management and to this date has been pushing ahead with continuous initiatives. Amid ongoing globalization and complication of the business environment, the Company is working to achieve sustainable improvement of enterprise value. To realize this, the Company has decided to transition to a company with an Audit & Supervisory Committee, which will enable the delegation of a substantial part of the Board of Directors' decision-making authority of the execution of business to executive Directors. In this way, the Company will further enhance deliberation on matters such as business strategy in the Board of Directors and further strengthen the supervisory functions of the Board of Directors.

Accordingly, and in order to prepare for future business development, the Company proposes to amend the Articles of Incorporation of the Company as follows.

(1) The Company will add new businesses to Purpose of the Company. (Proposed Amendments, Article 2)
(2) The Company will determine to abolish the Audit & Supervisory Board Members and the Audit & Supervisory Board and establish an Audit & Supervisory Committee. (Proposed Amendments, Article 4)
(3) The Company will determine the reasonable maximum number of Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members. (Proposed Amendments, Article 20)
(4) The Company will determine that the election of Directors, and remuneration, etc., for Directors will be subject to a resolution of the shareholders meeting, while making a distinction between Directors who are Audit & Supervisory Committee Members and other Directors. (Proposed Amendments, Article 21, Paragraph 1 and Article 25)
(5) The Company will establish new provisions regarding the term of office of Directors who are Audit & Supervisory Committee Members and the effectiveness of the election of a substitute Director who is an Audit & Supervisory Committee Member. (Proposed Amendments, Article 22, Paragraphs 2, 3, and 4)
(6) The Company will determine that Representative Directors and Directors with executive power will be elected from among Directors (excluding Directors who are Audit & Supervisory Committee Members). (Proposed Amendments, Articles 23 and 24)
(7) The Company will amend the scope of the agreements to limit liability so that outside Directors and Directors who do not execute business can fulfill their expected roles adequately. All Audit & Supervisory Board Members have unanimously consented to this amendment. (Proposed Amendments, Article 26)
(8) The Company will establish a new provision that stipulates that the Company may delegate all or part of decisions regarding execution of important business to a Director by resolution of the Board of Directors. (Proposed Amendments, Article 29)
(9) The Company will change the title of Chapter V from "Audit & Supervisory Board Members and Audit & Supervisory Board" to "Audit & Supervisory Committee", delete the unnecessary provisions regarding Audit & Supervisory Board Members (Articles 30 through 33, 35 and 36 of the current Articles of Incorporation), and replace

the provisions regarding the Audit & Supervisory Board with provisions regarding the Audit & Supervisory Committee. (Proposed Amendments, Articles 32 and 33). Also, the Company will determine that the Audit & Supervisory Committee can appoint Full-time Audit & Supervisory Committee Members. (Proposed Amendments, Article 31)

(10) The Company will establish a new supplementary provision as a transitional measure accompanying the deletion of provisions regarding the agreement to limit outside Audit & Supervisory Board Member's liability. (Proposed Amendments, Supplementary Provision)

(11) In addition to the above, the Company will adjust article numbers accompanying these amendments and make other necessary amendments.

2. Details of Amendments

The details of amendments are as follows.

These amendments to the Articles of Incorporation shall take effect at the conclusion of this Annual Shareholders Meeting.

(Underlined portions are amended)

Current Articles of Incorporation	Proposed Amendments
Chapter I. General Provisions	Chapter I. General Provisions
Article 1. (Text omitted)	Article 1. (Unchanged)
Article 2. (Purpose)	Article 2. (Purpose)
The purpose of the Company shall be to engage in the following businesses:	The purpose of the Company shall be to engage in the following businesses:
1. – 6. (Text omitted)	1. – 6. (Unchanged)
(Newly established)	<u>7. Collection, analysis, and provision of healthcare information, and other related business;</u>
(Newly established)	<u>8. Support and consultation related to health management, and other related business;</u>
<u>7</u>. – <u>18</u>. (Text omitted)	<u>9</u>. – <u>20</u>. (Unchanged)
Article 3. (Text omitted)	Article 3. (Unchanged)
Article 4. (Organization)	Article 4. (Organization)
The Company shall establish the following organizations in addition to the general meeting of shareholders and the Directors.	The Company shall establish the following organizations in addition to the general meeting of shareholders and the Directors.
1. Board of Directors	1. Board of Directors
2. <u>Audit & Supervisory Board Members</u>	2. <u>Audit & Supervisory Committee</u>
<u>3. Audit & Supervisory Board</u>	(Deleted)
<u>4</u>. Financial Auditors	<u>3</u>. Financial Auditors
Article 5. (Text omitted)	Article 5. (Unchanged)
Chapter II. Shares	Chapter II. Shares
Articles 6. – 12. (Text omitted)	Articles 6. – 12. (Unchanged)

Current Articles of Incorporation	Proposed Amendments
Chapter III. General Meetings of Shareholders	Chapter III. General Meetings of Shareholders
Articles 13. – 19. (Text omitted)	Articles 13. – 19. (Unchanged)
Chapter IV. Directors and Board of Directors	Chapter IV. Directors and Board of Directors
Article 20. (Number of Directors)	Article 20. (Number of Directors)
The Company shall have three (3) or more Directors.	The Company shall have not more than nine (9) Directors (excluding Directors who are Audit & Supervisory Committee Members).
(Newly established)	The number of Directors who are Audit & Supervisory Committee Members shall be not more than five (5).
Article 21. (Election of Directors)	Article 21. (Election of Directors)
Directors shall be elected by resolution of a general meeting of shareholders.	Directors shall be elected by resolution of a general meeting of shareholders, while making a distinction between Directors who are Audit & Supervisory Committee Members and other Directors.
2. (Text omitted)	2. (Unchanged)
3. (Text omitted)	3. (Unchanged)
Article 22. (Term of office of Directors)	Article 22. (Term of office of Directors)
The term of office of Directors shall expire at the close of an ordinary general meeting of shareholders relating to the last business year that ends within one (1) year after their election.	The term of office of Directors (excluding Directors who are Audit & Supervisory Committee Members) shall expire at the close of an ordinary general meeting of shareholders relating to the last business year that ends within one (1) year after their election.
2. (Newly established)	The term of office of Directors who are Audit & Supervisory Committee Members shall expire at the close of an ordinary general meeting of shareholders relating to the last business year that ends within two (2) years after their election.
3. (Newly established)	The term of office of a Director who is an Audit & Supervisory Committee Member that is elected to fill a vacancy of office of a Director who is an Audit & Supervisory Committee Member and who resigned before the expiration of his or her term of office, shall expire at the expiration of the term of office of the resigned Director who is an Audit & Supervisory Committee Member.

Current Articles of Incorporation	Proposed Amendments
4. (Newly established)	The effectiveness of the election of a substitute Director who is an Audit & Supervisory Committee Member pursuant to Article 329, Paragraph 3 of the Corporate Law shall continue until the start of the ordinary general meeting of shareholders relating to the last business year that ends within two (2) years after his or her election.
Article 23. (Representative Directors) The Board of Directors shall elect Representative Directors by its resolution.	Article 23. (Representative Directors) The Board of Directors shall elect Representative Directors by its resolution from among the Directors (excluding Directors who are Audit & Supervisory Committee Members).
Article 24. (Directors with executive power) The Board of Directors may, by its resolutions, elect one (1) President and Director and several Chairmen of the Board of Directors, Vice Chairmen and Directors, Executive Vice Presidents and Directors.	Article 24. (Directors with executive power) The Board of Directors may, by its resolutions, elect one (1) President and Director and several Chairmen of the Board of Directors, Vice Chairmen and Directors, Executive Vice Presidents and Directors from among the Directors (excluding Directors who are Audit & Supervisory Committee Members).
Article 25. (Remuneration, etc. for Directors) Remuneration, bonuses and other material benefits for Directors that are received from the Company in consideration of execution of the duties of the Director (hereinafter referred to as the "remuneration, etc.") shall be determined by resolution of a general meeting of shareholders.	Article 25. (Remuneration, etc. for Directors) Remuneration, bonuses and other material benefits for Directors that are received from the Company in consideration of execution of the duties of the Director shall be determined by resolution of a general meeting of shareholders, while making a distinction between Directors who are Audit & Supervisory Committee Members and other Directors.
Article 26. (Agreement to limit outside Director's liability) In accordance with Article 427, Paragraph 1 of the Corporate Law, the Company may conclude an agreement with an outside Director to limit the amount required to indemnify the Company for damages caused by neglect of duty as the Director to the total amount provided by each item of Article 425, Paragraph 1 of the said law.	Article 26. (Agreement to limit Director's liability) In accordance with Article 427, Paragraph 1 of the Corporate Law, the Company may conclude an agreement with Directors (excluding executive Directors, etc.) to limit the amount required to indemnify the Company for damages caused by neglect of duty as the Director to the total amount provided by each item of Article 425, Paragraph 1 of the said law.
Article 27. (Notice to convene meetings of the Board of Directors) The notice to convene a meeting of the Board of Directors shall be dispatched to each Director and each Audit & Supervisory Board Member on or before three (3) days prior to the date of meeting. Provided, however, that the above period may be shortened in case of urgency.	Article 27. (Notice to convene meetings of the Board of Directors) The notice to convene a meeting of the Board of Directors shall be dispatched to each Director on or before three (3) days prior to the date of meeting. Provided, however, that the above period may be shortened in case of urgency.

Current Articles of Incorporation	Proposed Amendments
When all Directors and Audit & Supervisory Board Members give unanimous consent, the meetings of the Board of Directors may be held without the formal convocation procedures.	When all Directors give unanimous consent, the meetings of the Board of Directors may be held without the formal convocation procedures.
Article 28. (Omission of Resolution of the Board of Directors)	Article 28. (Omission of Resolution of the Board of Directors)
(Text omitted)	(Unchanged)
	Article 29. (Delegation of decision regarding important business execution)
(Newly established)	The Company may delegate all or part of decisions regarding important business execution (excluding matters set forth in each item of Article 399-13, Paragraph 5 of the Corporate Law) to a Director by resolution of the Board of Directors.
Article 29. (Regulations of the Board of Directors)	Article 30. (Regulations of the Board of Directors)
(Text omitted)	(Unchanged)
Chapter V. Audit & Supervisory Board Members and Audit & Supervisory Board	Chapter V. Audit & Supervisory Committee
Article 30. (Number of Audit & Supervisory Board Members)	
The Company shall have three (3) or more Audit & Supervisory Board Members.	(Deleted)
Article 31. (Election of Audit & Supervisory Board Members)	
Audit & Supervisory Board Members shall be elected by resolution of a general meeting of shareholders.	(Deleted)
Resolution for appointment of Audit & Supervisory Board Member shall be adopted by an affirmative vote of the majority of voting rights of shareholders present at the general meeting of shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) of the voting rights exercisable for such meeting.	(Deleted)
Article 32. (Effectiveness of election of substitute Audit & Supervisory Board Member)	
The effectiveness of the election of substitute Audit & Supervisory Board Members pursuant to Article 329, Paragraph 3 of the Corporate Law shall continue before the start of the ordinary general meeting of shareholders relating to the last business year that ends within four (4) years after their election.	(Deleted)

Current Articles of Incorporation	Proposed Amendments
Article 33. (Term of office of Audit & Supervisory Board Members)	
The term of office of Audit & Supervisory Board Members shall expire at the close of an ordinary general meeting of shareholders relating to the last business year that ends within four (4) years after their election.	(Deleted)
The term of office of Audit & Supervisory Board Members elected to fill vacancies of office of Audit & Supervisory Board Members who shall resign during their terms of office shall expire at the expiration of the terms of office of their respective predecessors.	(Deleted)
Article 34. (Full-time Audit & Supervisory Board Members)	Article 31. (Full-time Audit & Supervisory Committee Members)
The Audit & Supervisory Board shall elect Full-time Audit & Supervisory Board Members by its resolution.	The Audit & Supervisory Committee may elect Full-time Audit & Supervisory Committee Members by its resolution.
Article 35. (Remuneration, etc., for Audit & Supervisory Board Members)	
Remuneration, etc., for Audit & Supervisory Board Members shall be determined by resolution of a general meeting of shareholders.	(Deleted)
Article 36. (Agreement to limit outside Audit & Supervisory Board Member's liability)	
In accordance with Article 427, Paragraph 1 of the Corporate Law, the Company may conclude an agreement with an outside Audit & Supervisory Board Member to limit the amount required to indemnify the Company for damages caused by neglect of duty as the Audit & Supervisory Board Member to the total amount provided by each item of Article 425, Paragraph 1 of the said law.	(Deleted)
Article 37. (Notice to convene meetings of the Audit & Supervisory Board)	Article 32. (Notice to convene meetings of the Audit & Supervisory Committee)
The notice to convene a meeting of the Audit & Supervisory Board shall be dispatched to each Audit & Supervisory Board Member on or before three (3) days prior to the date of meeting. Provided, however, that the above period may be shortened in case of urgency.	The notice to convene a meeting of the Audit & Supervisory Committee shall be dispatched to each Audit & Supervisory Committee Member on or before three (3) days prior to the date of meeting. Provided, however, that the above period may be shortened in case of urgency.
When all Audit & Supervisory Board Members give their unanimous consent, the meetings of the Audit & Supervisory Board may be held without the formal convocation procedures.	When all Audit & Supervisory Committee Members give their unanimous consent, the meetings of the Audit & Supervisory Committee may be held without the formal convocation procedures.

Current Articles of Incorporation	Proposed Amendments
Article 38. (Regulations of the Audit & Supervisory Board) Matters relating to the Audit & Supervisory Board shall be governed by laws and regulations, the Articles of Incorporation as well as the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board.	Article 33. (Regulations of the Audit & Supervisory Committee) Matters relating to the Audit & Supervisory Committee shall be governed by laws and regulations, the Articles of Incorporation as well as the Regulations of the Audit & Supervisory Committee established by the Audit & Supervisory Committee.
Chapter VI. Accounts Articles 39. – 41. (Text omitted)	Chapter VI. Accounts Articles 34. – 36. (Unchanged) Supplementary Provision (Transitional measure regarding Limited Liability Agreements with outside Audit & Supervisory Board Members before transition to a company with an Audit & Supervisory Committee) The agreements limiting the liability of outside Audit & Supervisory Board Members (including those who had been outside Audit & Supervisory Board Members) for their actions prior to the close of the ordinary general meeting of shareholders for the business year ended March 31, 2018, pursuant to Article 423 Paragraph 1 of the Corporate Law, will continue to be governed by Article 36 of the Articles of Incorporation prior to the amendment made by the resolution of the same ordinary general meeting of shareholders.

Third Proposal: Election of Five (5) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

The terms of office of Mr. Yoshihiko Hatanaka, Mr. Kenji Yasukawa, Ms. Etsuko Okajima, Dr. Yoshiharu Aizawa, Mr. Mamoru Sekiyama, and Ms. Keiko Yamagami as Directors will expire at the close of this Annual Shareholders Meeting. In addition, if the Second Proposal "Partial Amendment to the Articles of Incorporation" is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this Annual Shareholders Meeting.

Therefore, it is proposed that five (5) Directors (excluding Directors who are Audit & Supervisory Committee Members) be elected.

The resolution for this proposal can only take effect on the condition that the Second Proposal "Partial Amendment to the Articles of Incorporation" becomes effective.

The candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) are as follows:

	Candidate No.			Name	Current position and responsibilities at the Company and status of significant concurrent positions at other organizations
Executive	1	Reelection		Yoshihiko Hatanaka	Representative Director, Chairman of the Board
	2	Reelection		Kenji Yasukawa	Representative Director, President & CEO
Non-executive	3	Reelection	Outside Director and Independent Director	Yoshiharu Aizawa	Director Professor Emeritus, Kitasato University
	4	Reelection	Outside Director and Independent Director	Mamoru Sekiyama	Director Corporate Adviser, Marubeni Corporation
	5	Reelection	Outside Director and Independent Director	Keiko Yamagami	Director Lawyer honorary member, Tokyo Seiwa Law Office

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
1	Yoshihiko Hatanaka (April 20, 1957) Reelection	April 1980: Joined Fujisawa Pharmaceutical Co., Ltd. April 2003: Director, Corporate Planning, Fujisawa Pharmaceutical Co., Ltd. April 2005: Vice President, Corporate Planning, Corporate Strategy Division, the Company June 2005: Corporate Executive, Vice President, Corporate Planning, Corporate Strategy, the Company April 2006: Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. June 2008: Senior Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. April 2009: Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CFO & CSTO), the Company June 2011: Representative Director, President & CEO, the Company April 2018: Representative Director, Chairman of the Board, the Company (present post) (Reasons for selection as a candidate for Director) Since his appointment as Representative Director, President & CEO of the Company in June 2011, he has been fulfilling his duties as Director and demonstrating strong leadership through leading the overall management and global business, etc. He has also supervised the overall management in an aim to achieve sustainable enhancement of the enterprise value since his appointment as Representative Director, Chairman of the Board in April 2018. The Company considers that his extensive experience and knowledge will be required for the management of the Company in the future as well, and therefore requests his election as Director.	18,300 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
2	Kenji Yasukawa (June 7, 1960) Reelection	April 1986: Joined the Company April 2005: Vice President, Project Management, Urology, the Company June 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Europe B.V. October 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Global Development, Inc. April 2011: Corporate Executive, Vice President, Product & Portfolio Strategy, the Company April 2012: Corporate Executive, Chief Strategy Officer (CSTO), the Company June 2012: Senior Corporate Executive, Chief Strategy Officer (CSTO), the Company April 2017: Senior Corporate Executive, Chief Strategy Officer and Chief Commercial Officer (CSTO & CCO), the Company June 2017: Representative Director, Executive Vice President, the Company April 2018: Representative Director, President & CEO, the Company (present post) (Reasons for selection as a candidate for Director) He has abundant experience in global business operation primarily in the development division. Since his appointment as Senior Corporate Executive of the Company in June 2012, he has overseen corporate strategy, business development, etc. He assumed the positon of Representative Director, Executive Vice President of the Company in June 2017, and assumed the position of Representative Director, President & CEO of the Company in April 2018. He has been demonstrating strong leadership in an aim to achieve sustainable enhancement of the enterprise values. The Company considers that his extensive experience and leadership will be required for the management of the Company in the future as well, and therefore requests his election as Director.	27,215 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
3	Yoshiharu Aizawa (April 7, 1946) Candidate for Outside Director and Independent Director Reelection	April 1975: Fellow, Department of Internal Medicine, School of Medicine, Keio University April 1980: Assistant Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University October 1983: Associate Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University April 1994: Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University July 2004: Chairperson of School of Medicine, Kitasato University July 2006: Dean of School of Medicine, Kitasato University July 2009: Vice President, Kitasato University July 2010: Executive Trustee, The Kitasato Institute April 2012: Professor Emeritus, Kitasato University (present post) June 2015: Director, the Company (present post) (Status of significant concurrent positions at other organizations) Professor Emeritus, Kitasato University (Number of years as outside Director) Three (3) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 16/17 meetings (94%) (Reasons for selection as a candidate for outside Director and grounds for the judgment that he can appropriately carry out duties as outside Director) He has been engaged in medical treatment for many years while successively holding important posts at Kitasato University as a medical scientist, and has abundant specialized knowledge and experience. Since June 2015, he has been playing a key role as outside Director in the management of the Company from an independent standpoint. The Company considers that he is able to leverage his abundant specialized knowledge and experience to the management of the Company in the future as well, and therefore requests his election as outside Director.	0 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company		Number of shares of the Company owned
4	Mamoru Sekiyama (August 14, 1949) Candidate for Outside Director and Independent Director Reelection	April 1974:	Joined Marubeni Corporation	0 shares
		April 1997:	General Manager, Power Project Dept.-I, Marubeni Corporation	
		April 1998:	General Manager, Power Project Dept.-III, Marubeni Corporation	
		April 1999:	Deputy General Manager, Power Project Div.; General Manager, Power Project Dept. I, Marubeni Corporation	
		April 2001:	Senior Operating Officer, Utility Infrastructure Div.; General Manager, Overseas Power Project Dept., Marubeni Corporation	
		April 2002:	Corporate Vice President, Chief Operating Officer, Plant, Power & Infrastructure Div., Marubeni Corporation	
		April 2005:	Corporate Senior Vice President, Chief Operating Officer, Plant, Power & Infrastructure Projects Div., Marubeni Corporation	
		June 2006:	Corporate Senior Vice President, Member of the Board, Marubeni Corporation	
		April 2007:	Corporate Executive Vice President, Member of the Board, Marubeni Corporation	
		April 2009:	Senior Executive Vice President, Member of the Board, Marubeni Corporation	
		April 2013:	Vice Chairman, Marubeni Corporation	
		April 2015:	Corporate Adviser, Marubeni Corporation (present post) Chairman, Marubeni Power Systems Corporation	
		June 2017:	Director, the Company (present post)	
		(Status of significant concurrent positions at other organizations) Corporate Adviser, Marubeni Corporation (Number of years as outside Director) One (1) year at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 14/14 meetings (100%)		

		(Reasons for selection as a candidate for outside Director and grounds for the judgment that he can appropriately carry out duties as outside Director) He has been engaged in corporate management as a business manager of a general trading company for many years, and has abundant global experience and extensive insight. Since June 2017, he has been playing a key role as outside Director in the management of the Company from an independent standpoint. The Company considers that he is able to leverage his abundant specialized knowledge and experience to the management of the Company in the future as well, and therefore requests his election as outside Director.	

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
5	Keiko Yamagami (March 22, 1961) Candidate for Outside Director and Independent Director Reelection	April 1987: Public Prosecutor, Yokohama District Public Prosecutors Office April 2002: Coordinator, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice January 2005: Counselor, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice August 2005: Public Prosecutor, Supreme Public Prosecutors Office August 2007: Deputy Director of Public Peace Department, Tokyo District Public Prosecutors Office July 2008: Deputy Director of Trial Department, Tokyo District Public Prosecutors Office April 2009: Trial Director, Yokohama District Public Prosecutors Office April 2010: Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association) Lawyer honorary member, Tokyo Seiwa Law Office (present post) June 2017: Director, the Company (present post) (Status of significant concurrent positions at other organizations) Lawyer honorary member, Tokyo Seiwa Law Office (Number of years as outside Director) One (1) year at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 14/14 meetings (100%) (Reasons for selection as a candidate for outside Director and grounds for the judgment that she can appropriately carry out duties as outside Director) After successively holding important posts such as Public Prosecutor at the Supreme Public Prosecutors Office, she has been engaged in corporate legal affairs as an attorney-at-law, and has abundant expertise and experience. Since June 2017, she has been playing a key role as outside Director in the management of the Company from an independent standpoint. The Company considers that she is able to leverage her abundant specialized knowledge and experience to the management of the Company in the future as well, and therefore requests her election as outside Director.	0 shares

(Notes) 1. Each candidate has no special interest in the Company.

2. Dr. Yoshiharu Aizawa, Mr. Mamoru Sekiyama, and Ms. Keiko Yamagami are candidates for outside Director and satisfy the required conditions for independent director stipulated by the Tokyo Stock Exchange, Inc., and the Company's independence standards for outside Directors and outside Audit & Supervisory Board Members. Thus, they are registered as independent director with the stock exchange. The Company's independence standards for outside Directors and outside Audit & Supervisory Board Members is described on pages 39-40.

3. The Company has stipulated in the Articles of Incorporation that it may enter into an agreement with each outside Director to limit his or her liability for damages under Article 423 (1) of the Companies Act, to the minimum liability amount provided by laws and regulations, if the requirements to limit liability provided by

the laws and regulations are satisfied (Agreement to limit outside Director's liability), enabling outside Directors to sufficiently fulfill expected roles. The Company has entered into the agreement with all of the outside Directors. If the Second Proposal "Partial Amendment to the Articles of Incorporation" is approved as proposed and the re-election of Dr. Yoshiharu Aizawa, Mr. Mamoru Sekiyama, and Ms. Keiko Yamagami is approved, the Company will maintain the agreements to limit their respective liabilities.

Fourth Proposal: Election of Five (5) Directors Who Are Audit & Supervisory Committee Members

If the Second Proposal "Partial Amendment to the Articles of Incorporation" is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this Annual Shareholders Meeting.

Therefore, it is proposed that five (5) Directors who are Audit & Supervisory Committee Members be elected. This proposal has been approved by the Audit & Supervisory Board.

The resolution for this proposal can only take effect on the condition that the Second Proposal "Partial Amendment to the Articles of Incorporation" becomes effective.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows:

Candidate No.			Name	Current position and responsibilities at the Company and status of significant concurrent positions at other organizations
1	New Candidate		Tomokazu Fujisawa	Full-time Audit & Supervisory Board Member
2	New Candidate		Hiroko Sakai	Full-time Audit & Supervisory Board Member
3	New Candidate	Outside Director and Independent Director	Hitoshi Kanamori	Audit & Supervisory Board Member Partner, SANNO LAW OFFICE
4	New Candidate	Outside Director and Independent Director	Noriyuki Uematsu	Audit & Supervisory Board Member Managing Director, Uematsu & Co. President & Representative Director, SU Consultant Co. Ltd Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd.
5	New Candidate	Outside Director and Independent Director	Hiroo Sasaki	Professor, Graduate School of Accountancy, Waseda University

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
1	Tomokazu Fujisawa (July 6, 1958) New Candidate	July 1984: Joined Fujisawa Pharmaceutical Co., Ltd. April 1999: Director of Planning, Medical Supply Business, Fujisawa Pharmaceutical Co., Ltd. September 2006: Assistant to Senior Vice President, Corporate Finance & Accounting and Project Leader of J-SOX Project, the Company April 2013: Vice President of Internal Auditing, the Company April 2014: Assistant to President, the Company June 2014: Audit & Supervisory Board Member, the Company (present post) (Reasons for selection as a candidate for Director who is an Audit & Supervisory Committee Member) He possesses expertise in internal controls and auditing by virtue of his experience as Vice President of Internal Auditing and leader of a project related to internal controls at the Company. Since his appointment as Audit & Supervisory Board Member of the Company in June 2014, he has been fulfilling his duties as Audit & Supervisory Board Member. The Company considers that his abundant knowledge and experience will be required to supervise and audit the Company's management from the standpoint of Director who is an Audit & Supervisory Committee Member in order to enhance the Company's enterprise value. Therefore, the Company requests his election as a new Director who is an Audit & Supervisory Committee Member.	52,267 shares
2	Hiroko Sakai (October 8, 1960) New Candidate	April 1983: Joined the Company April 2012: Vice President, Clinical and Research Quality Assurance, QA, RA and Pharmacovigilance, the Company April 2016: Assistant to President & CEO, the Company June 2016: Audit & Supervisory Board Member, the Company (present post) (Reasons for selection as a candidate for Director who is an Audit & Supervisory Committee Member) She has been engaged in research and development for many years since joining the Company and is well familiar with global business operation. Since her appointment as Audit & Supervisory Board Member of the Company in June 2016, she has been fulfilling her duties as Audit & Supervisory Board Member. The Company considers that her abundant knowledge and experience will be required to supervise and audit the Company's management from the standpoint of Director who is an Audit & Supervisory Committee Member in order to enhance the Company's enterprise value. Therefore, the Company requests her election as a new Director who is an Audit & Supervisory Committee Member.	0 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
3	Hitoshi Kanamori (August 1, 1954) Candidate for Outside Director and Independent Director New Candidate	April 1984: Public Prosecutor, Tokyo District Public Prosecutors Office April 1985: Public Prosecutor, Yamagata District Public Prosecutors Office April 1988: Public Prosecutor, Niigata District Public Prosecutors Office April 1990: Public Prosecutor, Tokyo District Public Prosecutors Office April 1992: Registered as an attorney-at-law (Tokyo Bar Association) June 1993: Partner, SANNO LAW OFFICE (present post) April 2005: Visiting Professor, University of Tsukuba Law School June 2015: Audit & Supervisory Board Member, the Company (present post) (Status of significant concurrent positions at other organizations) Partner, SANNO LAW OFFICE (Number of years as outside Audit & Supervisory Board Member) Three (3) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 16/17 meetings (94%) (Rate of attendance in meetings of the Audit & Supervisory Board) 13/14 meetings (93%) (Reasons for selection as a candidate for outside Director who is an Audit & Supervisory Committee Member and grounds for the judgment that he can appropriately carry out duties as outside Director who is an Audit & Supervisory Committee Member) He possesses expertise in corporate law by virtue of his long experience as an attorney-at-law. Since June 2015, he has been playing a key role in the auditing of the Company from an independent standpoint as outside Audit & Supervisory Board Member. The Company considers that he is able to leverage his abundant specialized knowledge and experience to supervise and audit the Company’s management from the standpoint of Director who is an Audit & Supervisory Committee Member in order to enhance the Company’s enterprise value. Therefore, the Company requests his election as a new Director who is an Audit & Supervisory Committee Member.	0 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
4	Noriyuki Uematsu (June 24, 1960) Candidate for Outside Director and Independent Director New Candidate	March 1985: Joined Tohmatsu・Aoki Audit Corporation (current Deloitte Touche Tohmatsu LLC) June 1997: Joined Deloitte Tohmatsu Consulting Co., Ltd. (current ABeam Consulting Ltd.) June 1999: Global Partner for manufacturing industry and Managing Director in Kyushu area, Deloitte Tohmatsu Consulting Co., Ltd. (current ABeam Consulting Ltd.) August 2003: Joined DENTSU INC. July 2008: Established Uematsu & Co. Managing Director, Uematsu & Co. (present post) June 2011: President & Representative Director, SU Consultant Co. Ltd (present post) January 2015: Outside Audit & Supervisory Board Member, Kamakura Shinsho, Ltd. April 2016: Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd. (present post) June 2016: Audit & Supervisory Board Member, the Company (present post) (Status of significant concurrent positions at other organizations) Managing Director, Uematsu & Co. President & Representative Director, SU Consultant Co. Ltd Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd. (Number of years as outside Audit & Supervisory Board Member) Two (2) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 17/17 meetings (100%) (Rate of attendance in meetings of the Audit & Supervisory Board) 14/14 meetings (100%)	0 shares

		(Reasons for selection as a candidate for outside Director who is an Audit & Supervisory Committee Member and grounds for the judgment that he can appropriately carry out duties as outside Director who is an Audit & Supervisory Committee Member) With his many years of experience as a certified public accountant, he has thorough knowledge of corporate consulting and auditing, and is also engaged in corporate management as a business manager of a consulting company relating to business accounting and tax accounting services. Since June 2016, he has been playing a key role in the auditing of the Company from an independent standpoint as outside Audit & Supervisory Board Member. The Company considers that he is able to leverage his abundant specialized knowledge and experience to supervise and audit the Company's management from the standpoint of Director who is an Audit & Supervisory Committee Member in order to enhance the Company's enterprise value. Therefore, the Company requests his election as a new Director who is an Audit & Supervisory Committee Member.	

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
5	Hiroo Sasaki (March 25, 1956) Candidate for Outside Director and Independent Director New Candidate	April 1987: Assistant Professor, Faculty of Economics, Nagoya City University April 1990: Associate Professor, Faculty of Economics, Nagoya City University April 1993: Associate Professor, School of Commerce, Waseda University April 1996: Professor, School of Commerce, Waseda University July 1997: Senior Research Officer, Ministry of Finance, Institute of Fiscal and Monetary Policy (current Policy Research Institute); Special Officer for Research, Minister's Secretariat July 1999: Professor, School of Commerce, Waseda University April 2005: Professor, School of Commerce, Waseda University; Professor, Graduate School of Accountancy, Waseda University September 2010: Professor, School of Commerce, Waseda University; Dean, Graduate School of Accountancy, Waseda University April 2013: Dean, Graduate School of Accountancy, Waseda University September 2016: Professor, Graduate School of Accountancy, Waseda University (present post) (Status of significant concurrent positions at other organizations) Professor, Graduate School of Accountancy, Waseda University (Reasons for selection as a candidate for outside Director who is an Audit & Supervisory Committee Member and grounds for the judgment that he can appropriately carry out duties as outside Director who is an Audit & Supervisory Committee Member) He has held important positions at Waseda University, including at the graduate level, in economics and other fields. While Dean of Waseda University's Graduate School of Accountancy, he was also involved in said School's management. Having researched normative economics, he is deeply knowledgeable about vocational ethics and research ethics and has experience with practical handling of these ethical issues. The Company considers that he is able to leverage his abundant specialized knowledge and experience to supervise and audit the Company's management. Therefore, the Company requests his election as a new Director who is an Audit & Supervisory Committee Member.	0 shares

(Notes) 1. Each candidate has no special interest in the Company.

2. Mr. Hitoshi Kanamori, Mr. Noriyuki Uematsu and Mr. Hiroo Sasaki are candidates for outside Directors who are Audit & Supervisory Committee Members and satisfy the required conditions for independent director stipulated by the Tokyo Stock Exchange, Inc., and the Company's independence standards for outside Directors and outside Audit & Supervisory Board Members. Thus, they are registered as independent

director with the stock exchange. The Company's independence standards for outside Directors and outside Audit & Supervisory Board Members is described on pages 39-40.

3. The Company has stipulated in the Articles of Incorporation that it may enter into an agreement with each outside Audit & Supervisory Board Member to limit his or her liability for damages under Article 423 (1) of the Companies Act, to the minimum liability amount provided by laws and regulations, if the requirements to limit liability provided by the laws and regulations are satisfied (Agreement to limit outside Audit & Supervisory Board Member's liability), enabling outside Audit & Supervisory Board Members to sufficiently fulfill expected roles. If the Second Proposal "Partial Amendment to the Articles of Incorporation" is approved as proposed and the election of Mr. Tomokazu Fujisawa, Ms. Hiroko Sakai, Mr. Hitoshi Kanamori, Mr. Noriyuki Uematsu and Mr. Hiroo Sasaki as Directors who are Audit & Supervisory Committee Members is approved, the Company will enter into agreements to limit their respective liabilities in order to enable them to sufficiently fulfill expected roles as Audit & Supervisory Committee Members.

Fifth Proposal: Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member

If the Second Proposal "Partial Amendment to the Articles of Incorporation" is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this Annual Shareholders Meeting.

Accordingly, it is proposed that one (1) substitute Director who is an Audit & Supervisory Committee Member be elected to be ready to fill a vacant position should the number of Audit & Supervisory Committee Members fall below the number required by laws and regulations. This proposal has been approved by the Audit & Supervisory Board.

The resolution for this proposal can only take effect on the condition that the Second Proposal "Partial Amendment to the Articles of Incorporation" becomes effective.

The candidate for a substitute Director who is an Audit & Supervisory Committee Member is as follows:

Candidate No.	Name (Date of birth)	Resume and position at the Company	Number of shares of the Company owned
1	Haruko Shibumura (December 6, 1964) Candidate for Outside Director and Independent Director	April 1987: Joined Chiyoda Mutual Life Insurance Company August 1987: Joined Kyushu University Press April 1994: Registered as an attorney-at-law (Dai-ni Tokyo Bar Association) Joined Law Offices of Honma & Komatsu (current Homma & Partners) April 1999: Partner Lawyer, Homma & Partners (present post) October 2006: Committee member, Compliance Committee (current CSR Management Committee), TAMURA Corporation (present post) April 2007: Committee member, CSR Management Committee, TAMURA Corporation (present post) June 2015: Outside Corporate Auditors, NICHIREKI CO.,LTD. (present post) April 2016: Committee member, Compliance Special Committee, TAMURA Corporation (present post) (Status of significant concurrent positions at other organizations) Partner Lawyer, Homma & Partners Outside Corporate Auditors, NICHIREKI CO.,LTD. Committee member, Compliance Special Committee and CSR Management Committee, TAMURA Corporation	0 shares

Candidate No.	Name (Date of birth)	Resume and position at the Company	Number of shares of the Company owned
		(Reasons for selection as a candidate for substitute outside Director who is an Audit & Supervisory Committee Member and grounds for the judgment that she can appropriately carry out as outside Director who is an Audit & Supervisory Committee Member) She has been engaged in corporate legal affairs as an attorney-at-law, and has abundant specialized knowledge and experience gained while serving in positions such as professor at the Legal Training and Research Institute. If she assumes the office of Director who is an Audit & Supervisory Committee Member, the Company believes that she will be able to leverage the said abundant specialized knowledge and experience to supervise and audit the Company's management. Therefore, the Company requests her election as a substitute Director who is an Audit & Supervisory Committee Member.	

(Notes)
1. The candidate has no special interest in the Company.
2. The candidate satisfies the required conditions for independent director stipulated by Tokyo Stock Exchange, Inc. and the Company's independence standards for outside Directors and outside Audit & Supervisory Board Members. The Company's independence standards for outside Directors and outside Audit & Supervisory Board Members are described on pages 39-40.
3. If Ms. Haruko Shibumura assumes the office of Director who is an Audit & Supervisory Committee Member, to enable her to sufficiently fulfill expected roles as Director who is an Audit & Supervisory Committee Member, the Company plans to enter into an agreement with her to limit her liability for damages under Article 423 (1) of the Companies Act (Agreement to limit outside Director's liability), to the minimum liability amount provided by laws and regulations in the event that the requirements specified in laws and regulations are satisfied.

Sixth Proposal: Determination of Amounts of Remuneration for Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

The amount of remuneration for the Company's Directors was approved at the 92nd Annual Shareholders Meeting held on June 24, 2005, to be within ¥550 million per year and the amount has remained unchanged to the present. In addition, if the Second Proposal "Partial Amendment to the Articles of Incorporation" is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this Annual Shareholders Meeting.

Accordingly, the Company proposes to abolish the current remuneration for Directors and establish the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members), including the portion for outside Directors, to be within ¥560 million per year, taking into consideration their duties and responsibilities, economic conditions and other factors.

The Company also proposes that the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) not include the employee's salaries portion for Directors who are also employees.

The current total number of Directors is six (6) (including four (4) outside Directors). If the Third Proposal "Election of Five (5) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)" is approved as originally proposed, the total number of Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be five (5) (including three (3) outside Directors).

The resolution for this proposal can only take effect on the condition that the Second Proposal "Partial Amendment to the Articles of Incorporation" becomes effective.

In addition, the Company proposes that remunerations for Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members) after the transition to a company with an Audit & Supervisory Committee be composed of basic remuneration with a fixed amount based on the details of this proposal and the stock compensation mentioned in the Eighth Proposal "Provision of Remuneration to Directors (Excluding Directors who are Audit & Supervisory Committee Members) through Stock Compensation Scheme" and bonus. The Company also proposes that remunerations for outside Directors (excluding Directors who are Audit & Supervisory Committee Members) be composed of only basic remuneration with a fixed amount based on the details of this proposal.

Seventh Proposal: Determination of Amounts of Remuneration for Directors Who Are Audit & Supervisory Committee Members

If the Second Proposal "Partial Amendment to the Articles of Incorporation" is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this Annual Shareholders Meeting.

Accordingly, the Company proposes to establish the amount of remuneration for Directors who are Audit & Supervisory Committee Members, including the portion for outside Directors, to be within ¥260 million per year, taking into consideration their duties and responsibilities, economic conditions and other factors.

If the Fourth Proposal "Election of Five (5) Directors Who Are Audit & Supervisory Committee Members" is approved as originally proposed, the total number of Directors who are Audit & Supervisory Committee Members shall be five (5) (including three (3) outside Directors).

The resolution for this proposal can only take effect on the condition that the Second Proposal "Partial Amendment to the Articles of Incorporation" becomes effective.

In addition, the Company also proposes that remunerations for Directors who are Audit & Supervisory Committee Members be composed of only basic remuneration with a fixed amount based on the details of this proposal.

Eighth Proposal: Provision of Remuneration to Directors (Excluding Directors Who Are Audit & Supervisory Committee Members) Through Stock Compensation Scheme

At the 10th Term Annual Shareholders Meeting held on June 17, 2015, shareholders approved adoption of a performance-linked stock compensation scheme for the Company's Directors (excluding outside Directors) in the aim of raising their consciousness of contributing to sustainable growth in the Company's earnings and enterprise value. This stock compensation scheme currently remains in effect. Additionally, if the Second Proposal, "Partial Amendment of the Articles of Incorporation," is approved as proposed, the Company will become a company with an Audit & Supervisory Committee upon the Annual Shareholders Meeting's conclusion.

The Company wishes to reset the remuneration limit of its performance-linked stock compensation scheme (hereinafter the "Scheme") for Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members).

The Company wishes to annually pay Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members) compensation based on the Scheme within the Scheme's remuneration limit as reset pursuant to the proposal. The amount, contents and other particulars of said remuneration are as described below under "Amount and Contents, etc., of Remuneration under the Scheme." The Company plans to increase the ratio of performance-linked compensation in remuneration structure for Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members) and other executives. The level at which the Scheme's remuneration limit would be reset pursuant to the proposal takes into account this restructuring of directors and other executive remuneration mix.

With respect to this proposal, the Company requests the shareholders' approval for the remuneration to the Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members), apart from the remuneration (an amount not exceeding ¥560 million per year) to the Directors (excluding Directors who are Audit & Supervisory Committee Members) in the Sixth Proposal.

When the Third Proposal is approved as originally proposed, the total number of Directors who are eligible to the Scheme at the conclusion of the Annual Shareholders Meeting shall be two (2).

The resolution for this proposal can only take effect on the condition that the Second Proposal "Partial Amendment to the Articles of Incorporation" becomes effective.

* The beneficiaries of the trusts established prior to the business year ending March 31, 2018, for the performance-linked stock compensation scheme, will change from Directors (excluding outside Directors) to Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members) but they will remain essentially unchanged. Otherwise, the trusts will remain unchanged in terms of remuneration limits and other particulars approved at the 10th Term Annual Shareholders Meeting held on June 17, 2015. If this proposal is approved, trusts newly established for the Scheme for the 14th term (April 1, 2018, through March 31, 2019) and subsequent business years will be based on this proposal's content.

Amount and Contents, etc., of Remuneration under the Scheme

(1) Overview of the Scheme

The Scheme is the stock compensation scheme, under which the Company's shares are acquired through a trust using the money (as described in (2) below) contributed by the Company and delivery of the Company's shares (as described in (4) below) to the Directors of the Company (excluding outside Directors and Directors who are Audit & Supervisory Committee Members; the same shall apply hereinafter only in this proposal) will be conducted through such trust based on the level of attainment of the medium-term management targets and others.

(i) Individuals eligible to the Scheme	• Directors of the Company (excluding outside Directors and Directors who are Audit & Supervisory Committee Members)
(ii) Maximum amount of money contributed by the Company (as described in (2) below)	• The Company contributes the sum of money up to ¥550 million in the initial business year of each Applicable Period (the three consecutive business years)
(iii) Maximum number of the Company's shares acquired by Directors (including the number of the Company's shares to be converted into cash) (as described in (3) below)	• The maximum number of shares to be acquired shall be the number obtained by dividing ¥550 million by the average closing price of the Company's shares on the Tokyo Stock Exchange in June of the first business year of every Applicable Period.
(iv) Impact of the Scheme on the total number of issued shares	• The Company's shares will not be diluted, as it shall be acquired from the stock market
(v) Links between remuneration and the Company's performance (as described in (3) below)	• Terms vary within a range of 0 to 200% based on attainment of consolidated management targets for sales, core operating profit ratio, core ROE, etc. for the last business year of the Applicable Period
(vi) Timing for delivery of the Company's shares to Directors (as described in (4) below)	• Around June after the termination of the Applicable Period

* ROE: Core profit for the year divided by total equity attributable to owners of the parent

(2) Maximum Amount of Money Contributed by the Company

Subject to the three consecutive business years (hereinafter the "Applicable Period"), for each Applicable Period, the Company contributes the sum of money up to ¥550 million as the remuneration to the Directors in the initial business year of the Applicable Period, and establishes ("establish" includes the continuous use of the relevant trust by extending the trust period of the existing trust; the same shall apply hereinafter only in this proposal) a trust with a trust period of approximately three years (hereinafter the "Trust") designating the Directors who satisfy the beneficiary conditions as beneficiaries. The Trust, in accordance with the instructions of the trust administrator, acquires the Company's shares on the stock market using the money entrusted.

Specifically, with respect to the Trust which will be established in the business year ending March 31, 2019, the three business years from the said business year to the business year ending March 31, 2021 shall be the Applicable Period for the Trust, and the Company contributes the sum of money up to ¥550 million in the initial business year of the said Applicable Period and allocates points (as described in (3) below) to the Directors and conducts delivery of the Company's shares to them during the trust period.

Furthermore, the Company may pay the Directors the remuneration under the Scheme by establishing a new Trust with a trust period of approximately three years in each business year after the business year ending March 31, 2019. In such case, the Company designates the three business years from the establishment of each new Trust as the Applicable Period, and contributes the sum of money up to ¥550 million in the initial business year of the said Applicable Period, and allocates points to the Directors and conducts delivery of the Company's shares to them during the trust period.

In addition, at the expiration of the trust period of each Trust, the Company may continuously use the existing Trust in order to pay the remuneration under the Scheme to the Directors by making changes to the trust agreement and additional entrustments to the Trust in lieu of establishing a new Trust. In such case, the Company extends the trust period of the Trust by the period equal to the initial trust period and designates the three business years following such extension as the Applicable Period. The Company makes an additional contribution within the range of the total amount of ¥550 million in the initial business year of such Applicable Period, and it continues allocating points to the Directors and conducting delivery of the Company's shares to them during the extended trust period.

The number of the Trust that can be established per year shall be one, and up to three Trusts may coexist if the Trust is established every year.

For your reference, the following chart shows the overview explained above.

2018	2019	2020	2021	2022	2023
Establishment or Extension of Trust (Up to ¥550 million)			Delivery of the Company’s Shares		
	Establishment or Extension of Trust (Up to ¥550 million)			Delivery of the Company’s Shares	
		Establishment or Extension of Trust (Up to ¥550 million)			Delivery of the Company’s Shares
			Establishment or Extension of Trust (Up to ¥550 million)		
				Establishment or Extension of Trust (Up to ¥550 million)	

(3) Calculation Method and Maximum Number of Company’s Shares Acquired by Directors

The number of the Company’s shares to be delivered to the Directors under the Scheme (including the number of the Company’s shares to be converted into cash in accordance with (4) below) shall be determined, using a specific calculation formula, on the basis of the points allocated based on the level of attainment of the medium-term management targets and others, with 1 point corresponding to 1 share of the Company’s share.

Basic points shall be allocated to the eligible individuals who are in office as of July 1 of the year in which the Trust is established in accordance with the following formula.

(Formula for the calculation of basic points)

Basic amount determined based on rank	÷	Average closing price of the Company’s shares on the Tokyo Stock Exchange in June of the year in which the Trust is established

* Any fractions of less than one shall be discarded.
* The basic amount levels shall be determined based on the contents of business execution and the responsibilities of each individual, as well as by considering a balance with other monetary compensation, etc., to function soundly as the medium- to long-term incentive plan.

Those who remain in office as the eligible individuals for the Scheme on the first June 1 after the termination of the Applicable Period of the Trust shall receive the delivery of the Company’s shares in numbers corresponding to the points calculated according to the formula below from the Trust.

Basic points x Performance-linked coefficient

* Any fractions of less than one shall be discarded.
* The performance-linked coefficient shall be determined within a range of 0 to 200% based on the level of attainment of the pre-determined consolidated management targets for sales, core operating profit ratio, core ROE, etc. for the last business year of Applicable Period of each Trust. Performance-linked coefficient shall be reported to and determined by the Board of Directors after deliberation by the Compensation Committee.

The total number of the Company's shares to be delivered to the Directors (including the number of the Company's shares to be converted into cash in accordance with (4) below; the same shall apply hereinafter only in this proposal) from the relevant Trust during the trust period of each Trust shall be up to the number (any fractions of less than one shall be discarded) derived by dividing ¥550 million by the average closing price of the Company's shares on the Tokyo Stock Exchange in June of the year (the initial business year of the Applicable Period) in which the relevant Trust is established.

In the event that the number of the Company's shares belonging to the Trust increases or decreases due to stock split, gratis allotment or stock consolidation, etc., the number of the Company's shares to be delivered per point and the upper limit of the total number of the Company's shares to be delivered to the Directors from the relevant Trust shall be adjusted by means of a reasonable method.

(4) Method and Timing for Delivery of the Company's Shares to Directors

A Director who has met the beneficiary conditions under the Scheme shall receive delivery of the Company's shares corresponding to the allocated points around the first June after the termination of the Applicable Period of the Trust. Delivery of the Company's shares refers to the receipt by Directors of half of the number of the Company's shares corresponding to the allocated points from the Trust (provided that shares less than one unit shall be converted into cash within the Trust and the cash equivalent to the amount of conversion will be received), and the receipt by Directors of the cash equivalent to the remaining half after conversion into cash within the Trust.

In the event that a Director retires during the trust period (excluding voluntary retirement or dismissal), such Director may, as a general rule, receive the delivery of the Company's shares in numbers corresponding to the points that have been allocated up to the time of retirement. Furthermore, in the event that a Director becomes deceased during the trust period, as a general rule, the Company's shares shall be converted into cash in numbers corresponding to the points which have been allocated to the Director up to that time within the Trust, and the cash equivalent to the amount of conversion shall be received by the Director's heir from the Trust.

(5) Voting Rights in the Company's Shares within the Trust

In order to maintain a neutral position vis-a-vis management, no voting rights shall be exercised on the Company's shares within the Trust during the trust period.

(6) Other Contents, etc., of the Scheme

Other contents and details, etc. concerning the Scheme shall be resolved by the Board of Directors of the Company each time the Trust is established.

Ninth Proposal: Provision of Bonus to Directors

Taking the consolidated business results and other things into consideration, the Company proposes that the bonus at the total amount of ¥124,094,000 be paid to two (2) Directors as a group (excluding outside Directors) who were in office at the end of the business year under review.

Independence Standards
for Outside Directors and Outside Audit & Supervisory Board Members

Below are the independence standards for outside Directors and outside Audit & Supervisory Board Members of Astellas Pharma Inc. ("the Company"). They are deemed to have independence from the Company and no potential conflict of interest with ordinary shareholders if none of the following is found to apply as a result of a survey conducted by the Company to a reasonably possible extent.

(1) Person engaged in business execution [1] of the Company or the Company's subsidiaries (collectively, "the Group"), or person who has been engaged in business execution of the Group at any time in the past 10 years (or for a period of 10 years before appointment to that post if the person has, at any time within the past 10 years, served as a non-executive Director, Audit & Supervisory Board Member or Accounting Advisor of the Group;

(2) Party for whom the Group is a major business partner [2] or a person engaged in business execution of such party;

(3) Major business partner of the Group [3] or a person engaged in business execution of such business partner;

(4) Consultant, accounting professional, or legal professional obtaining large amounts of money or other financial benefits [4], other than as remuneration of Director or Audit & Supervisory Board Member, from the Group (if such financial benefits are obtained by an incorporated entity, partnership or other organization, this item refers to a person belonging to such organization);

(5) Person belonging to an auditing firm performing statutory audits of the Group;

(6) Person receiving donations or grants above a certain threshold [5] from the Group (if the donations or grants are received by an incorporated entity, partnership or other organization, this item refers to a person engaged in business execution of such organization);

(7) Person engaged in business execution of a major financial institution [6] from which the Group has borrowings, or a person engaged in business execution of the parent company or subsidiary of such financial institution;

(8) Major shareholder [7] of the Group, or a person engaged in business execution of an incorporated entity that is a major shareholder of the Group;

(9) Person engaged in business execution of a company in which the Group is a major shareholder;

(10) Person engaged in business execution of a company accepting directors (whether full or part time) from the Group, or a person engaged in business execution of the parent company or subsidiary of such company;

(11) Person to whom any of Items (2) through (10) apply during the most recent 3 years; and

(12) Relative of a person to whom any of Items (1) through (11) apply (limited to a person in an important position [8]).[9]

[1] "Person engaged in business execution" refers to a "person engaged in business execution" as defined in Section 2.3.6 of the Ordinance for Enforcement of the Companies Act, and includes both executive directors and employees. It does not include audit & supervisory board members.

[2] "Party for whom the Group is a major business partner" refers to a business partner group (namely, a corporate group comprising a direct business partner, its parent company or subsidiary, or subsidiaries of the parent company; the same shall apply hereinafter.) that provides the Group with products or services for which the transaction value in the most recent business year exceeds 2% of such business partner group's annual consolidated sales.

[3] "Major business partner of the Group" refers to a business partner group to which the Group provides products or services for which the transaction value in the most recent business year exceeds 2% of the Group's annual consolidated sales.

[4] "Large amounts of money or other financial benefits" refers to money or other financial benefits in excess of 10 million yen, excluding remuneration of Director or Audit & Supervisory Board Member, for the most recent business year (if such financial benefits are obtained by an incorporated entity, partnership or other organization, it refers to money or other financial benefits in excess of 2% of such organization's total income for the most recent business year).

[5] "Donations or grants above a certain threshold" refers to donations or grants in excess of the higher of 10 million yen on average for the most recent 3 business years or 2% of total income of such person/organization for the most recent business year.

[6] "Major financial institution" refers to a financial institution from which total borrowings at the end of the most recent business year exceeds 2% of the Company's consolidated gross assets.

[7] "Major shareholder" refers to a shareholder holding 10% or more of voting rights (including direct and indirect holdings)

[8] "Person in an important position" refers to a director (excluding outside directors); executive officer; corporate executive; employee in a management position at the level of department head or higher; certified public accountant in an auditing firm or accounting office; attorney in a law firm; councilor, director, auditor or other officer in an incorporated foundation, incorporated association, educational institution or other incorporated entity; or other person objectively and reasonably deemed to be in a position of similar importance.

[9] "Relative" refers to a spouse or person within the second degree of consanguinity.

- End -

[Attachments]

Business Report (from April 1, 2017 to March 31, 2018)

1. Matters concerning Present State of the Astellas Group (Corporate Group)

(1) Overview and Results of Operations of the Astellas Group

- During the business year under review (from April 1, 2017 to March 31, 2018, hereinafter it may be also referred to as "FY2017"), the business environment surrounding the pharmaceutical industry continued to face severe conditions due to implementation of government policies to restrain medical expenditures and the tightening up of new drug application reviews implemented in each country, not only in developed countries but also in emerging economies.

- Under such business circumstances, we actively promoted the global business of research and development, manufacturing, and marketing for the purpose of creating highly value-added and innovative new drugs in fields where high unmet medical needs exist, and providing such drugs continuously to the world.

1) Summary of Consolidated Business Results

<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 litigation and other legal disputes, and other items that the company judges should be excluded.

Consolidated financial results (core basis) in FY2017 are shown in the table below. Sales, core operating profit and core profit for the year decreased.

Consolidated financial results (core basis)

	Business results of the business year under review (FY2017)	Fluctuation from the previous business year (increase/decrease ratio)
Sales	¥1,300.3 billion	¥11.3 billion decrease (0.9% decrease)
Core operating profit	¥268.7 billion	¥5.9 billion decrease (2.1% decrease)
Core profit for the year	¥204.3 billion	¥9.0 billion decrease (4.2% decrease)

(i) Sales

Consolidated sales in FY2017 decreased by 0.9% compared to those in the previous business year ("year-on-year") to ¥1,300.3 billion.

- Consolidated sales decreased due to the impacts of the transfer of the global dermatology business in April 2016, the transfer of 16 long-listed products in Japan in April 2017, etc.
- Sales of the mainstay products such as XTANDI for the treatment of prostate cancer, overactive bladder ("OAB") treatments Betanis/Myrbetriq/BETMIGA, and Prograf, an immunosuppressant, increased.

(ii) Core operating profit / Core profit for the year

Core operating profit decreased by 2.1% year-on-year to ¥268.7 billion.
Core profit for the year decreased by 4.2% year-on-year to ¥204.3 billion.

- Gross profit increased by 1.5% year-on-year to ¥1,006.1 billion. The cost-to-sales ratio fell by 1.8 percentage points year-on-year to 22.6%, mainly owing to changes in product mix, despite the foreign exchange rate impact from the elimination of unrealized gains in intra-group transactions and other factors.

- Selling, general and administrative expenses increased by 1.6% year-on-year to ¥478.3 billion, mainly owing to the foreign exchange rate impact, despite the promotion of the expense efficiency and the optimization of resource allocation.

- Research and development ("R&D") expenses increased by 6.1% year-on-year to ¥220.8 billion, mainly due to increased expenses related to progress of late-stage development projects and enhanced investment in new opportunities. The R&D cost-to-sales ratio was up 1.1 percentage points year-on-year to 17.0%.

- Amortisation of intangible assets increased by 0.0% year-on-year to ¥35.8 billion.

The exchange rates for the yen in FY2017 are shown in the table below. The resulting impacts were a ¥43.3 billion increase in sales and a ¥13.1 billion increase in core operating profit compared with if the exchange rates of the previous business year (from April 1, 2016 to March 31, 2017, hereinafter it may be also referred to as “FY2016”) were applied.

Exchange rate

Average rate	FY2016	**FY2017**	Fluctuation
US$/¥	¥108	**¥111**	¥2 (Weakening of yen)
€/¥	¥119	**¥130**	¥11 (Weakening of yen)

Change from beginning to end of the business year	FY2016	**FY2017**
US$/¥	¥0 (Strengthening of yen)	**¥6 (Strengthening of yen)**
€/¥	¥8 (Strengthening of yen)	**¥11 (Weakening of yen)**

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in FY2017 are shown in the table below. Sales, operating profit, profit before tax and profit for the year decreased across the board.

The full basis financial results include “Other income,” “Other expense” (including impairment losses and net foreign exchange losses), and gain on sales of available-for-sale financial assets (included in “finance income”) which are excluded from the core basis financial results.

Impairment losses and other items were recorded in “Other expense,” due to reviewing development project plans pertaining to Ganymed Pharmaceuticals GmbH (Germany), which is a subsidiary of the Company, and termination of research operation of Agensys, Inc. (US), which is a subsidiary of the Company. Meanwhile, a gain from remeasurement relating to the business combination was recorded in “Other income” due to the completion of the acquisition of Mitobridge, Inc. (US). In addition to the aforementioned, as the Company also recorded foreign exchange losses among other factors, in FY2017, “Other income” was ¥11.9 billion (¥9.6 billion in the previous business year) and “Other expense” was ¥67.3 billion (¥23.3 billion in the previous business year). Gain on sales of available-for-sale financial assets in FY2017 was ¥4.7 billion (¥21.3 billion in the previous business year).

Consolidated financial results (full basis)

	Business results of the business year under review (FY2017)	Fluctuation year-on-year (increase/decrease ratio)
Sales	¥1,300.3 billion	¥11.3 billion decrease (0.9% decrease)
Operating profit	¥213.3 billion	¥47.6 billion decrease (18.2% decrease)
Profit before tax	¥218.1 billion	¥63.7 billion decrease (22.6% decrease)
Profit for the year	¥164.7 billion	¥54.0 billion decrease (24.7% decrease)
Comprehensive income	¥198.5 billion	¥23.9 billion increase (13.7% increase)

Sales of three main therapeutic areas

	Business results of the business year under review (FY2017)	Fluctuation year-on-year (increase/decrease ratio)
Oncology franchise	¥345.2 billion	¥37.4 billion increase (12.2% increase)
XTANDI	¥294.3 billion	¥42.2 billion increase (16.8% increase)
Urology OAB franchise	¥228.1 billion	¥13.1 billion increase (6.1% increase)
Vesicare	¥102.3 billion	¥13.8 billion decrease (11.9% decrease)
Betanis/Myrbetriq/ BETMIGA	¥125.7 billion	¥26.9 billion increase (27.2% increase)
Transplantation franchise	¥198.5 billion	¥12.3 billion increase (6.6% increase)

<Oncology franchise>

- Sales of XTANDI increased by 16.8% year-on-year to ¥294.3 billion. Sales grew steadily in all regions of Japan, the Americas, EMEA*, and Asia and Oceania.

<Urology OAB franchise>

- Sales of Betanis/Myrbetriq/BETMIGA increased by 27.2% year-on-year to ¥125.7 billion. Sales increased in all regions of Japan, the Americas, EMEA, and Asia and Oceania. On the other hand, sales of Vesicare decreased by 11.9% year-on-year to ¥102.3 billion.

<Transplantation franchise>

- Sales of Prograf increased by 6.6% year-on-year to ¥198.5 billion, and continued to grow in EMEA and Asia and Oceania regions.

<Other new products and main products>

- In the Japanese market, continued growth was achieved with products such as Celecox for the treatment of inflammation and pain, Symbicort for the treatment of bronchial asthma, Suglat for the treatment of type 2 diabetes, and Cimzia for the treatment of adult patients with rheumatoid arthritis. Meanwhile, we have been working on the steady market penetration of the new products Repatha for the treatment of hypercholesterolemia (launched in April 2016) and Linzess for the treatment of

irritable bowel syndrome with constipation (launched in March 2017).
- In the Americas, sales of azole antifungal CRESEMBA grew.

* EMEA: Europe, the Middle East and Africa.

<Sales by region>

Sales by region are shown in the table below. Sales in Japan and EMEA decreased, while sales in the Americas and Asia and Oceania increased.

As for the Japanese market, sales decreased largely due to effects of 16 long-listed products having been transferred in April 2017, and generics going on sale with respect to Micardis for the treatment of hypertension in June 2017. Meanwhile in EMEA, sales decreased due to effects of having transferred the global dermatology business in April 2016 yet sales showed an increase when calculated excluding sucheffects.

	Business results of the business year under review (FY2017)	Increase/decrease ratio
Japan	¥421.2 billion	12.4% decrease
Of which, sales in the Japanese market	¥383.4 billion	15.3% decrease
The Americas	US$ 3,909 million	2.7% increase
EMEA	€ 2,651 million	4.8% decrease
Asia and Oceania	¥102.0 billion	16.3% increase

2) R&D and other activities

The Company has pursued initiatives geared towards achieving sustainable growth over the mid to long term, based on its three-year Strategic Plan 2015–2017 the last business year of which is the business year ended on March 31, 2018 and which sets forth three main strategies geared toward: "Maximizing the Product Value," "Creating Innovation" and "Pursuing Operational Excellence."

The following are the main initiatives during the FY2017.

(i) Initiatives for maximizing the product value

The Company made efforts to steadily develop and maximize the value of products that have been realized through our investments to date in the oncology franchise centered on XTANDI, a treatment of prostate cancer, and in the overactive bladder ("OAB") franchise comprised of Vesicare and Betanis/Myrbetriq/BETMIGA, among others.

- Our growth driver XTANDI is sold in approximately 70 countries, as of March 31, 2018. Along with expanding sales of XTANDI to new regions, the Company has been working to expand the indication in each country and further increase the market penetration of this drug to chemotherapy-naïve patients. Moreover, we have been steadily advancing clinical trials with the aim of expanding indications for earlier stages of prostate cancer.

- Betanis/Myrbetriq/BETMIGA has earned a strong reputation as a new treatment option of OAB treatments. Number of countries/areas where Betanis/Myrbetriq/BETMIGA launched are approximately 50, as of March 31, 2018. Looking ahead to when the patent term for Vesicare will expire, which is to be from 2019 onward, the Company has been focusing on achieving further market penetration for Betanis/Myrbetriq/BETMIGA to maximize the value of the OAB franchise as a whole.

In addition to these efforts in maximizing the value of these global products, we have been focusing our efforts on mainstay product and new product groups in each region. The following are main newly launched products in FY2017.

- In January 2018, Amgen Astellas BioPharma K.K., a joint venture between the Company and Amgen Inc. (U.S.), launched sales in Japan of the Repatha SC injection 420mg Auto Mini Doser*, an additional dosage formulation of Repatha, a treatment of hypercholesterolemia.

  * Indications: Familial Hypercholesterolemia, Hypercholesterolemia. Only when patients who have high risk in cardiovascular events and do not adequately respond to HMG-CoA Reductase Inhibitors.
  * The official guidance for points of consideration regarding the use of Repatha under the coverage of NHI is issued by Medical Affairs Division of Ministry of Health, Labour and Welfare (Notification 1215 No. 12, December 15, 2017).

- In November 2017, the Company and MSD K.K. entered into a co-promotion agreement in Japan with respect to SUJANU Combination Tablets, a combination drug of JANUVIA, a treatment of type-2 diabetes manufactured and marketed by

MSD K.K., and Suglat, a treatment of type-2 diabetes manufactured and marketed by the Company.

(ii) Initiatives for creating innovation

To create innovation, the wellspring of our sustainable growth, the Company has been further enhancing our capabilities to deliver innovative medicine while actively advancing into new opportunities. In addition to the existing focus therapeutic areas, the Company invested in new therapeutic areas including muscle diseases and ophthalmology as well as new technologies and modalities including next-generation vaccines and cell therapies for creating innovation, utilizing alliance opportunities with external partners. The following are the main initiatives during the FY2017.

- In April 2017, the Company and National University Corporation Kyoto University opened the Alliance Station as part of a new open innovation scheme at Kyoto University to realize advanced medical treatments, and established the Alliance Laboratory for Advanced Medical Research in Graduate School of Medicine Kyoto University, which is intended to be a platform for implementing this framework.

- In May 2017, with the aim of further enriching our development pipeline, the Company has completed the acquisition of Ogeda SA in Belgium and made it a wholly-owned subsidiary. With this acquisition the Company gained the NK3 receptor antagonist fezolinetant (generic name, development code: ESN364), which is in development for menopause-related vasomotor symptoms.

- In May 2017, the Company signed an agreement to broaden the scope of our collaborative research with the Institute of Medical Science of National University Corporation The University of Tokyo, which is utilizing the MucoRice, rice-based oral vaccine, to include viral gastroenteritis diarrhea (e.g. norovirus) in addition to the existing cholera and enterotoxigenic Escherichia coli (E.coli). Furthermore, in December 2017, the Company signed a collaborative research agreement aiming at the practical application of the “MucoRice-CTB” with the Institute of Medical Science of National University Corporation The University of Tokyo, National University Corporation Chiba University, and ASAHI KOGYOSHA CO., LTD.

- In October 2017, as part of our open innovation with Mitsubishi Tanabe Pharma Corporation and Daiichi Sankyo Company, Limited, we agreed to jointly conduct “JOINUS,” a new drug discovery program using a drug-repositioning compound library, and launched the program.

- In October 2017, the Astellas Institute for Regenerative Medicine (AIRM, U.S.), the Company’s international center for regenerative medicine and cell therapy research, entered into an exclusive worldwide license agreement with Universal Cells Inc. (U.S.), which owns a Universal Donor Cell technology to produce pluripotent stem cells that have the potential to lower immunological rejection, for research, development, and commercialization of new cell therapies. Furthermore, in February 2018, the Company acquired Universal Cells Inc. and made it a wholly-owned subsidiary.

- In November 2017, the Company exercised its exclusive option right to make Mitobridge, Inc. (U.S.), its partner in R&D collaboration in the field of mitochondrial diseases for which effective treatment options have not yet been established, a wholly-owned subsidiary as provided for in the joint research and development collaboration agreement with the said company, and the said company became a wholly-owned subsidiary of the Company in January 2018.

- In February 2018, the Company entered into the global exclusive licensing agreements on development/commercialization of immunostimulating gene loading oncolytic virus with National University Corporation Tottori University.

With respect to clinical development, the Company has been accelerating the speed by concentrating management resources on high-priority projects.

- With respect to XTANDI (generic name: enzalutamide), a treatment of prostate cancer, in September 2017, during phase 3 PROSPER trial for non-metastatic castration-resistant prostate cancer patients, achieved its primary endpoint of improved metastasis-free survival. In January 2018, based on the result of the trial, the Company filed applications for approval of an additional indication for non-metastatic castration-resistant prostate cancer in Europe and the U.S., respectively. Furthermore, regarding the requested approval of an additional dosage form of XTANDI Tablets, in February 2018, the Company obtained the approval in Japan for indication of "castration-resistant prostate cancer."

- The selective FLT3/AXL inhibitor gilteritnib (generic name, development code: ASP2215) has been granted Orphan Drug Designation in the U.S. in July 2017, in Europe in January 2018, and in Japan in March 2018, respectively. Furthermore, in October 2017 in the U.S., it has received Fast Track Designation* as the treatment of adult patients with FLT3 mutation-positive (FLT3mut+) relapsed or refractory acute myeloid leukemia. In March 2018, the Company filed an application for approval for gilteritnib as a treatment for said indication in Japan and the U.S., respectively.

  * Under its fast track designation program, the U.S. Food and Drug Administration (FDA) grants priority review to new drugs expected to effectively treat serious or life-threatening conditions or fill an unmet medical need.

In addition, the following are other main development progress made during the FY2017.

- In May 2017, MSD K.K. filed an application for approval in Japan for SUJANU Combination Tablets, a combination drug of the selective DPP-4 inhibitor JANUVIA (generic name: sitagliptin phosphate hydrate), manufactured and marketed by MSD K.K., and the selective SGLT-2 inhibitor Suglat (generic name: ipragliflozin L-proline), manufactured and marketed by the Company, for the indication of type-2 diabetes. In March 2018, MSD K.K. obtained approval for the application.

- In June 2017, the Company filed an application for approval in the U.S. for the use of mirabegron (generic name), a treatment of overactive bladder (OAB) in combination with solifenacin succinate (generic name) 5mg, another treatment of OAB.

- In July 2017, the Company filed an application for marketing approval in Japan with regard to the oral macrocyclic antimicrobial agent fidaxomicin (generic name) for the treatment of infectious enteritis (including pseudomembranous colitis).

- In August 2017, Amgen Astellas BioPharma K.K., a joint venture between the Company and Amgen Inc. (U.S.), obtained marketing approval in Japan for the Repatha SC injection 420mg Auto Mini Doser, an additional dosage formulation of Repatha (generic name: evolocumab), a treatment of hypercholesterolemia.

- In September 2017, the Company filed an application for approval in Japan for Linzess (generic name: linaclotide), a treatment of irritable bowel syndrome with constipation, for the additional indication of chronic constipation (other than constipation associated with organic disorders).

- In November 2017, the Company submitted an application for approval in Japan for a 12-week extended-release formulation of Gonax (generic name: degarelix acetate), a treatment of prostate cancer, as an additional dosage formulation.

- In January 2018, Amgen Astellas BioPharma K.K. submitted an application in Japan for the bispecific CD19-directed CD3 T cell engager antibody construct blinatumomab (Genetically Recombination) (generic name, development code: AMG103) to treat relapsed or refractory B-cell precursor acute lymphoblastic leukemia.

- In January 2018, with respect to Suglat (generic name: ipragliflozin L-proline), a treatment of type-2 diabetes, the Company submitted an application in Japan for the additional indication for the treatments of type 1 diabetes mellitus.

- In February 2018, the Company obtained approval in Europe for solifenacin succinate (generic name, development code: YM905) oral suspension for the treatment of neurogenic detrusor overactivity in pediatric patients aged 2 to 18 years.

- In March 2018, enfortumab vedotin, an Antibody-Drug Conjugate (generic name, development code: ASG-22ME), has been granted Breakthrough Therapy Designation for the treatment of patients with locally advanced or metastatic urothelial cancer who were previously treated with checkpoint inhibitors in the U.S.

In July 2017, the Company announced the end of joint development of enzalutamide (generic name, development code: MDV3100) with Pfizer Group (U.S.) for in advanced, triple-negative breast cancer, and the end of development of selective tyrosine kinase inhibitor naquotinib (generic name, development code: ASP8273) for non-small cell lung cancer (NSCLC) harboring sensitizing epidermal growth factor receptor (EGFR) mutation.

Furthermore, with respect to the in-licensing agreement for a cytomegalovirus vaccine with Vical Incorporated (U.S.), the Company exercised its right to terminate the agreement in February 2018, and the agreement is scheduled to be terminated in August 2018.

(iii) Initiatives for pursuing operational excellence

In order to strengthen the foundations of our business operations, we have been not only actively investing in fields that promise growth and a superior position competitively, but also continuing to work at optimizing the allocation of our management resources such as by restricting investment in non-growth areas. The Company has been continuing to engage in initiatives in anticipation of changing environments from various perspectives with the aims of creating organizations and systems capable of resiliently responding to changing environments and further improving quality and efficiency of operations. The following are the main initiatives during the FY2017.

- In April 2017, with respect to transferring the Company's marketing approval of 16 long-listed products in Japan, supply business of active pharmaceutical ingredients/bulk of these products to third parties in Japan and outside of Japan and royalty business of these products to LTL Pharma Co., Ltd., the conditions prescribed in the asset purchase agreement came into effect. In FY2017, the Company succeeded to LTL Pharma Co., Ltd. the manufacturing and marketing approval for multiple products.

- In April 2017, the Company newly established a new global function exerting control over the respective regional legal functions and intellectual property functions of Japan, the Americas, EMEA*, and Asia and Oceania.

- In October 2017, the Company succeeded to Maruho Co., Ltd. the manufacturing and marketing approval in Japan for Protopic, a treatment for atopic dermatitis.

- The Company terminated research operations of Agensys, Inc. (U.S.), a consolidated subsidiary of the Company, by March 2018. In the oncology research, the Company will further refine its oncology strategy by expanding its investment in the research in new technologies and modalities and reducing its focus on Antibody-Drug Conjugate research.

- In March 2018, the Company dissolved Astellas Business Service Company Limited, a subsidiary of the Company that had performed shared administrative support services for the Company and its subsidiaries in Japan. This dissolution was part of the initiatives to promote efficiency through the outsourcing of shared administrative services.

* EMEA: Europe, the Middle East and Africa

3) Present state of CSR initiatives

CSR (=Corporate Social Responsibility)

The Company recognizes that decisions and business activities of the Company will have certain impact on society and the environment. The Company regards the responsibility for such impact to be Corporate Social Responsibility (CSR). We are contributing to enhance the sustainability of society by fulfilling our social responsibilities as a pharmaceutical company which includes contribution to the health of people by providing pharmaceutical products that satisfy unmet medical needs and reducing environmental burden in the business activities. As a result, we earn trust from society both for the Company and our products. We consider these to be the factors that will lead to the enhancement of Astellas' sustainability as well.

Under the aforementioned philosophy, the Company is promoting its CSR activities with a view to creating and protecting the value of society as well as Astellas. There are many people worldwide with insufficient access to the healthcare they need due to the lack of available treatments, poverty, healthcare system challenges and insufficient healthcare information. The Company recognizes these problems as Access to Health issues, and is accordingly taking action to address such challenges as part of its CSR activities. To such ends, we are participating in Access Accelerated, a global, multi-stakeholder initiative to advance access to non-communicable disease prevention, diagnosis and treatment in low-income and lower-middle income countries, in addition to other efforts such as those that involve engaging in joint drug discovery research on tuberculosis, malaria and a Neglected Tropical Disease, and engaging in collaborative development on the rice-based oral vaccine "MucoRice" against cholera and enterotoxigenic *Escherichia coli* (*E. coli*).

(2) Changes in Assets and Income and Loss:

Items	10th term business year (FY2014)	11th term business year (FY2015)	12th term business year (FY2016) (Previous business year)	13th term business year (FY2017) (Business year under review)
Sales	¥1,247.3 bil.	¥1,372.7 bil.	¥1,311.7 bil.	¥1,300.3 bil.
Operating profit	¥185.7 bil.	¥249.0 bil.	¥260.8 bil.	¥213.3 bil.
Profit before tax	¥189.7 bil.	¥261.8 bil.	¥281.8 bil.	¥218.1 bil.
Profit for the year	¥135.9 bil.	¥193.7 bil.	¥218.7 bil.	¥164.7 bil.
Basic earnings per share	¥61.50	¥89.75	¥103.69	¥81.11
ROE attributable to owners of the parent	10.5%	15.0%	17.3%	13.0%
Total assets	¥1,793.6 bil.	¥1,799.3 bil.	¥1,814.1 bil.	¥1,858.2 bil.
Equity attributable to owners of the parent	¥1,317.9 bil.	¥1,259.2 bil.	¥1,271.8 bil.	¥1,268.3 bil.
R&D expenses	¥206.6 bil.	¥225.7 bil.	¥208.1 bil.	¥220.8 bil.
R&D cost-to-sales ratio	16.6%	16.4%	15.9%	17.0%

(Notes) 1. Provisionally measured fair values were adjusted in the 13th term business year (business year under review) in conjunction with finalization of provisional accounting of business combination in the 12th term business year (previous business year). Total assets of the 12th term business year (previous business year) are revised accordingly.
2. Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) in pursuant to the provisions of Article 120 (1) of the Corporate Accounting Regulation.
3. Basic earnings per share is calculated using the average number of shares of common stock in issue during the business year and presented by rounding numbers to the nearest second decimals, i.e., discarding four thousandths (4/1000) or less and rounding up five thousandths (5/1000) or more.
4. ROE=Return On Equity

(3) Capital Expenditures

During the business year under review, the Astellas Group implemented augmentation and renewal of research facilities and equipment as well as production facilities and equipment.

<Capital Expenditures>

12th term business year (Previous business year)	13th term business year (Business year under review)	Fluctuation year-on-year (increase/decrease ratio)
¥23.9 billion	¥24.1 billion	¥0.2 billion increase (0.9% increase)

(4) Financing of the Astellas Group

Nothing special to be described herein exists.

(5) Issues to be Addressed by the Astellas Group

The environment surrounding pharmaceutical industry is changing in a constant and drastic way. As a result of efforts to restrain rising healthcare costs by governments, the influence of the payer has been increasing, and the promotion of use of generic drugs etc. are accelerating. On the other hand, there are still many diseases where existing therapies do not provide satisfactory treatment, and there is a need to continue developing innovative medicines.

Amid this environment, the Company's VISION indicates where it needs to create value and what kind of action it should take in order to achieve sustainable growth. Through its core area of strength, the innovative drug business, the Company is pursuing initiatives, which is "on the forefront of healthcare change to turn innovative science into value for patients."

1) Initiatives to build resilience for sustainable growth

The Company will continue leveraging its strengths to promote initiatives that entail delivering value to patients and creating new forms of value. Going forward, we will continue focusing on key strategic objectives pursued thus far with respect to maximizing product value and further pursuing Operational Excellence, particularly with the aims of overcoming the impact of patent term expirations on mainstay products, which the Company will face throughout 2019 and 2020, and achieving sustainable growth. We will also take an increasingly multifaceted approach to selecting areas on which the Company will place focus in order to keep developing innovative medicines. In addition, we will aggressively seek growth opportunities beyond the scope of the innovative drug business by leveraging the Company's strengths in order to achieve growth over the long term.

(i) Maximizing the product value and further pursuing operational excellence

XTANDI and Betanis/Myrbetriq/BETMIGA are key products which are expected to continue on a path of growth in respective geographic regions. In addition to maximizing value of such products, we will also place priority on allocating management resources to our key late-stage development projects that will underpin future growth. Moreover, with the aim of further strengthening our operational foundations, we will pursue Operational Excellence by streamlining the structure of our organization while also harnessing cutting-edge technologies, and thereby securing resources necessary to undertake growth investment.

(ii) Identifying areas of focus for development of innovative medicines

In its efforts to develop new medicines, the Company has designated therapeutic areas encountering substantial unmet medical needs as priority areas of research. Going forward, we will narrow down our new areas of focus and place priority on carrying out our research and development initiatives geared to further developing innovative medicines through an approach that extends beyond therapeutic areas. To such ends, our efforts will involve shedding light on diseases by drawing on biological advances, and otherwise taking a multifaceted approach encompassing new modalities and fundamental technologies.

(iii) Seeking growth opportunities beyond the innovative drug business

In order to generate growth over the long term, we are pursuing initiatives geared to developing medical solutions such as digital therapeutics and diagnostics while drawing on strengths and know-how amassed by the Company in the innovative drug business. Having established the Rx+ Business Accelerator in April 2018, the Company will seek opportunities from this point forward for the Rx+ Business Accelerator to play a central role in forming alliances with outside entities and will promote programs and other initiatives that the Company has been carrying out up until now on a trial basis.

2) Policy of returns to shareholders

The Company works aggressively towards increasing enterprise 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 strives to increase dividend payments stably and continuously based on its medium- to long-term profit growth on a consolidated basis. Further, the Company flexibly acquires its own shares whenever necessary to further increase capital efficiency and shareholder return.

3) Strengthening of Global Management Structure

The Astellas Group has established a management structure as described below, and will work to enhance it on a global basis in the future.

- The Executive Committee, chaired by the Representative Director, President & CEO, as a body for discussion on important matters in global management of the Astellas Group has been set up.

- In order to build an optimal management system capable of agile and appropriate decision-making, we have been promoting a system called “Matrix Management,” under which we manage each division and function of Drug Discovery Research, Medical & Development, and Pharmaceutical Technology based on their respective functions from a global viewpoint across geographical regions, while the Sales & Marketing Divisions are managed on a regional basis.

- Enhancement of management functions from a global viewpoint is pursued in the area of corporate functions as well. In part to such ends, in April 2017 we established “Legal” and “Intellectual Property” functions which globally exert control over legal affairs and intellectual property-related functions in respective regions, and in April 2018 we established “Finance,” “Human Resources” and “Internal Auditing” functions which globally exert control over finance, human resources and internal auditing functions of respective regions as well as divisional and functional units.

- In order to develop a system for more appropriate execution of business, the Company has established various committees comprising cross-functional members. These committees include the Corporate Disclosure Committee where matters including disclosure of corporate information are discussed, the CSR Committee that discusses policies and plans of important activities for the purpose of fulfilling the Company’s social responsibilities (such as issues on environment, health and safety, and social contribution activities), the Global Benefit Risk Committee to discuss benefit and risk information of products as well as measures to deal with such benefit and risk, the Global Compliance Committee where matters including global compliance policies and plans are discussed, and the Global Risk Management Office to promote identifying global risks and implementing optimum risk management.

(Note) The Company abolished the Japan Management Committee, which was established as organ to discuss important matters in business management of the Company and its group companies in Japan, as of the end of March 2018, as its role had been shrinking as a result of globalization of the organization.

<Group Management Structure>

(As of April 1, 2018)

Top Management		Department in-charge/Function
Representative Director, President & CEO	Kenji Yasukawa	Drug Discovery Research, Pharmaceutical Technology, Americas Operations, Asia & Oceania Business, EMEA Operations, Japan Sales & Marketing, Internal Auditing, External Relations, Marketing Strategy, Quality Assurance
Chief Financial Officer	Chikashi Takeda	Finance, Information Systems, Real World Informatics & Analytics, Corporate Communications, Procurement
Chief Administrative Officer and Chief Ethics & Compliance Officer	Fumiaki Sakurai	Ethics & Compliance, Human Resources, Healthcare Policy & CSR, General Affairs, Executive Office
General Counsel	Linda Friedman	Intellectual Property, Legal
Chief Medical Officer	Bernie Zeiher	Development, Clinical and Research Quality Assurance, Medical Affairs, Pharmacovigilance, Regulatory Affairs
Chief Strategy Officer	Naoki Okamura	Business Development, Corporate Planning, Product and Portfolio Strategy, Rx+ Business Accelerator

Standing Members of the Executive Committee	
Representative Director, President & CEO	Kenji Yasukawa
Chief Financial Officer	Chikashi Takeda
Chief Administrative Officer and Chief Ethics & Compliance Officer	Fumiaki Sakurai
General Counsel	Linda Friedman
Chief Medical Officer	Bernie Zeiher
Chief Strategy Officer	Naoki Okamura

Extended Members of the Executive Committee	
President, Americas Operations	Percival Barretto-Ko
President, Asia & Oceania Business	Masatoshi Kuroda
President, Europe, Middle East and Africa Operations	Yukio Matsui
President, Japan Sales & Marketing	Nobuaki Tanaka
President, Drug Discovery Research	Akihiko Iwai
President, Pharmaceutical Technology	Mitsunori Matsuda

(6) Principal Business (as of March 31, 2018)

Research, development, manufacture and sale of pharmaceuticals

(7) Principal Offices and Plants (as of March 31, 2018)

	Name and location	
Japan	Headquarters (Head Office)	2-5-1, Nihonbashi-Honcho, Chuo-ku, Tokyo
	Sales & Marketing	Sapporo Branch (Hokkaido), Tohoku Branch (Miyagi Prefecture), Kanetsu Branch (Tokyo), Saitama Branch (Saitama Prefecture), Chiba Branch (Chiba Prefecture), Tokyo Branch (Tokyo), Yokohama Branch (Kanagawa Prefecture), Nagoya Branch (Aichi Prefecture), Kyoto Branch (Kyoto), Osaka Branch (Osaka), Kobe Branch (Hyogo Prefecture), Chugoku Branch (Hiroshima Prefecture), Shikoku Branch (Kagawa Prefecture), Kyushu Branch (Fukuoka Prefecture)
	Research & Development	Tsukuba Research Center (Ibaraki Prefecture), Tsukuba Biotechnology Research Center (Ibaraki Prefecture), Takahagi Chemistry & Technology Development Center (Ibaraki Prefecture), Yaizu Pharmaceutical Research Center (Shizuoka Prefecture), Kyoto Suzaku Office* (Kyoto)
	Manufacturing*	Takahagi Technology Center (Ibaraki Prefecture), Toyama Technology Center (Toyama Prefecture), Toyama Technology Center Takaoka Plant (Toyama Prefecture), Yaizu Technology Center (Shizuoka Prefecture), Nishine Plant (Iwate Prefecture)
Overseas	Sales & Marketing*	The Americas: United States, Canada and Brazil, and other countries EMEA**: Germany, France, Spain, Russia, United Kingdom, and other countries Asia/Oceania: The People’s Republic of China, Korea, Taiwan, and other countries
	Research & Development*	United States, The Netherlands ***
	Manufacturing*	Ireland, The Netherlands, The People’s Republic of China

* The sites of the Company’s subsidiary ** Europe, the Middle East and Africa

*** After acquiring Ganymed Pharmaceuticals AG (Germany) (December 2016), the Company and other Group companies took over the said company’s research activities and the said company (current Ganymed Pharmaceuticals GmbH) ceased its research activities.

(8) Principal Subsidiaries (as of March 31, 2018)

1) Principal subsidiaries

Name of subsidiary	Share capital	Percentage of voting rights (%)	Outline of business
Astellas US LLC	–	100.0*	Pharmaceutical business (Americas headquarters function)
Astellas Pharma US, Inc.	US$ 10	100.0*	Pharmaceutical business (sales)
Astellas Pharma Europe Ltd.	€ in millions 139	100.0*	Pharmaceutical business (EMEA** headquarters function)
Astellas Pharma GmbH	€ in millions 14	100.0*	Pharmaceutical business (sales)
Astellas Pharma China, Inc.	CNY in millions 299	100.0	Pharmaceutical business (manufacture and sales)
Astellas Pharma Global Development, Inc.	US$ 10	100.0*	Pharmaceutical business (development headquarters function)
Astellas Ireland Co., Ltd.	€ in millions 3	100.0*	Pharmaceutical business (manufacture and sales)
Astellas Pharma Tech Co., Ltd.	¥ in millions 1	100.0	Pharmaceutical business (manufacture)

* Including the shares owned indirectly ** Europe, the Middle East and Africa

(Note) The number of consolidated subsidiaries including eight (8) principal subsidiaries stated in the table above totals eighty-three (83) and that of affiliated companies accounted for by the equity method is eight (8).

2) Specified wholly-owned subsidiaries

There are no applicable subsidiaries.

(9) Important Business Reorganizations

- In April 2017, conditions precedent of the Asset Purchase Agreement with LTL Pharma Co., Ltd. with respect to transferring the Company's marketing approval of 16 long-listed products in Japan, supply business of active pharmaceutical ingredients/bulk of the products to third parties in Japan and outside of Japan, and royalty business of these products to LTL Pharma Co., Ltd., were met and the said agreement became effective.

- In May 2017, the Company completed acquisition of Ogeda SA (Belgium), whereby Ogeda SA became a wholly-owned subsidiary of the Company.

- In November 2017, based on the collaboration agreement on joint research and development in the area of mitochondria-related diseases with Mitobridge, Inc. (US), the Company exercised an option right to make the said company a wholly-owned subsidiary. In January 2018, the Company completed the acquisition, whereby Mitobridge, Inc. became a wholly-owned subsidiary of the Company.

- In February 2018, the Company completed the acquisition of Universal Cells, Inc. (US) which has Universal Donor Cell technology, a proprietary technology in the field of cell therapy, whereby Universal Cells, Inc. became a wholly-owned subsidiary of the Company.

- In March 2018, the Company dissolved Astellas Business Service Company Limited, a subsidiary of the Company that had performed shared administrative support services for the Company and its subsidiaries in Japan.

(10) Important Alliance for Technology (as of March 31, 2018)

1) License agreements – license in

Counterparty	Country	Type of technologies
Pfizer Group	United States	Technology for atorvastatin (Lipitor) Technology for celecoxib (Celecox)
AstraZeneca UK Limited	United Kingdom	Technology for quetiapine fumarate (Seroquel)
EA Pharma Co., Ltd.	Japan	Technology for nateglinide (Starsis)
FibroGen, Inc.	United States	Technology for YM311 (FG-2216), Roxadustat and other oral anemia treatments with similar mode of action
Arbor Group	United States	Technology for gabapentin enacarbil (Regnite)
Ferring Group	Switzerland	Technology for degarelix (Gonax)
Toyama Chemical Co., Ltd.	Japan	Technology for garenoxacin (Geninax)
Ilypsa, Inc.	United States	Technology for bixalomer (Kiklin)
Kyowa Hakko Kirin Co., Ltd.	Japan	Technology for Anti-CD40 mAb
Zeria Pharmaceutical Co., Ltd.	Japan	Technology for acotiamide (Acofide)
Regeneron Pharmaceuticals, Inc.	United States	Technology for VelocImmune
Medivation Inc.	United States	Technology for enzalutamide (XTANDI)
Ironwood Pharmaceuticals, Inc.	United States	Technology for linaclotide (LINZESS)
Basilea Pharmaceutica International Ltd.	Switzerland	Technology for isavuconazonium sulfate (CRESEMBA)
Vical Incorporated	United States	Technology for vaccine designed to control cytomegalovirus (CMV) reactivation in transplant recipients
UCB Pharma, S.A.	Belgium	Technology for certolizumab pegol (Cimzia)
Amgen Inc.	United States	Technology for evolocumab (Repatha), romosozumab and blinatumomab
Cytokinetics, Incorporated	United States	Technology for skeletal muscle activators
Proteostasis Therapeutics, Inc.	United States	Technology for therapies modulating the unfolded protein response
Immunomic Therapeutics, Inc.	United States	Technology for ASP4070 Technology for LAMP-vax products
Chromocell Corporation	United States	Technology for CC8464 and back-up drug candidates
Affinivax, Inc.	United States	Technology for vaccine targeting *Streptococcus pneumoniae (pneumococcus)*
Merck & Co., Inc.	United States	Technology for fidaxomicin (DIFICLIR)
TOLMAR Inc.	United States	Technology for Eligard

Counterparty	Country	Type of technologies
Gilead Sciences, Inc.	United States	Technology for Amphotericin B (AmBisome)
Gilead Palo Alto, Inc.	United States	Technology for regadenoson (Lexiscan)
Seattle Genetics, Inc.	United States	Technology for antibody-drug conjugate (ADC)
Ambrx Inc.	United States	Technology for new antibody-drug conjugate (ADC)

(Note) In February 2018, the Company exercised its right to terminate the license agreement with Vical Incorporated (US) related to technology for a vaccine designed to control cytomegalovirus (CMV) reactivation in transplant recipients. Accordingly, said agreement is scheduled to be terminated in August 2018.

2) License agreements – license out

Counterparty	Country	Type of technologies
Boehringer Ingelheim International GmbH	Germany	Technology for tamsulosin- OCAS
Cephalon, Inc.	United States	Technology for Bendamustine Hydrochloride
Mundipharma Group	United Kingdom	Technology for Bendamustine Hydrochloride
SymBio Pharmaceuticals Limited	Japan	Technology for Bendamustine Hydrochloride
Cilag GmbH International	Switzerland	Technology for Bendamustine Hydrochloride
F. Hoffmann-La Roche Ltd	Switzerland	Technology for erlotinib

3) Distribution and other agreements

Counterparty	Country	Contents of contracts
Toa Eiyo Ltd.	Japan	Distribution of Toa Eiyo pharmaceutical products
Toray Industries, Inc.	Japan	Distribution of “Dorner” of Toray Industries, Inc.
Sanofi K.K.	Japan	Distribution of “Myslee” of Sanofi K.K.
Nippon Boehringer Ingelheim Co., Ltd.	Japan	Distribution of “Micardis” (including “Micombi,” “Micamlo,” etc.) of Nippon Boehringer Ingelheim Co., Ltd.
AstraZeneca AB	Sweden	Distribution and co-promotion agreement for “Symbicort” of AstraZeneca AB
Sanwa Kagaku Kenkyusho Co., Ltd.	Japan	Distribution and co-promotion agreement for “ARGAMATE” of Sanwa Kagaku Kenkyusho Co., Ltd. Co-promotion agreement for “Kiklin” of the Company
Kotobuki Pharmaceutical Co., Ltd.	Japan	Co-operation agreement in Japan for “Suglat” of the Company and Kotobuki Pharmaceutical Co., Ltd.
Genentech, Inc.	United States	Co-development and Co-business agreement for “Tarceva” of the Company

Counterparty	Country	Contents of contracts
MSD International GmbH	Switzerland	Master agreement on co-development and co-commercialization in Japan of “SUJANU Combination Tablets” of the Company and MSD International GmbH
MSD K.K.	Japan	Co-promotion agreement in Japan for “SUJANU Combination Tablets” of the Company and MSD International GmbH

(Notes) 1. The promotion and exclusive distribution agreement in Japan for “Protopic ointment,” entered into with Maruho Co., Ltd. (Japan), was terminated.

2. The co-promotion agreement of “Suglat” of the Company and Kotobuki Pharmaceutical Co., Ltd., entered into with MSD K.K. (Japan), was terminated.

3. The Company extended the term of the agreement with Nippon Boehringer Ingelheim Co., Ltd. (Japan) pertaining to the sale in Japan for “Micardis” (including “Micombi,” “Micamlo,” etc.) for two (2) years until March 31, 2020.

4) Other collaboration agreements

Counterparty	Country	Contents of contracts
ClearPath Development Company	United States	The Company will develop a portfolio of vaccines targeting infectious diseases under the strategic partnership with ClearPath Development Company.
Potenza Therapeutics, Inc.	United States	The Company will collaborate with Potenza Therapeutics, Inc. for joint research and development in the area of immuno-oncology, with exclusive right to acquire Potenza Therapeutics, Inc. under certain conditions when the collaboration term ends.
LEOPharma A/S	Denmark	Based on the agreement on the transfer of its global dermatology business, the Company will continue supplying products to LEO Pharma A/S until the transfer is complete.
LTL Pharma Co., Ltd.	Japan	Based on the agreement on the transfer of its marketing approval of 16 long-listed products in Japan, supply business of active pharmaceutical ingredients/bulk of the products to third parties inside and outside of Japan, and royalty business of these products, the Company will continue supplying products to LTL Pharma Co., Ltd. until the transfer is complete.

(Notes) 1. Based on the collaboration agreement on joint reserarch and development in the area of mitochondria-related diseases with Mitobridge, Inc. (US), the Company exercised an option right to make the said company a wholly-owned subsidiary, and made the said company a wholly-owned subsidiary of the Company.

2. The collaboration agreement on the research and development of immune tolerance therapeutics, entered into with Kanyos Bio, Inc. (US), was terminated.

(11) Major Litigations, etc.

Patient Assistance Foundation Government Investigation

In March 2016 and August 2017, Astellas Pharma US, Inc. (APUS), one of the Company's indirect US subsidiaries, received subpoenas from the U.S. Department of Justice, represented by the U.S. Attorney's Office in Boston, Massachusetts, requesting documents and other information concerning APUS's patient assistance programs including its donations to Patient Assistance Foundations in the U.S. APUS is in the process of responding to the subpoena, and APUS is cooperating fully with the investigation. We cannot predict or determine the progress or outcome of this investigation or its impact on our financial condition or results of operations at this time.

(12) Employees (as of March 31, 2018)

Number of employees	Year-on-year increase or decrease
16,617	585 decrease

(13) Principal Lenders (as of March 31, 2018)

Nothing applicable exists.

(14) Other Important Matters concerning Present State of the Astellas Group

Nothing applicable exists.

2. **Matters concerning Present State of the Company** (as of March 31, 2018)

(1) Matters concerning Shares of Common Stock*

1) Total number of shares authorized to be issued by the Company:
9,000,000,000 shares

2) Total number of shares issued:
2,068,823,175 shares (including 91,373,232 shares of treasury share)

3) Number of shareholders: 112,028

4) Top ten (10) principal shareholders:

Name of shareholder	Number of shares held (Thousand)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	175,020	8.85
Japan Trustee Services Bank, Ltd. (trust account)	118,200	5.97
Nippon Life Insurance Company	64,486	3.26
JP Morgan Chase Bank 385632	48,939	2.47
State Street Bank West Client - Treaty 505234	43,534	2.20
Japan Trustee Services Bank, Ltd. (trust account 5)	39,273	1.98
Japan Trustee Services Bank, Ltd. (trust account 7)	38,925	1.96
State Street Bank and Trust Company	37,620	1.90
JP Morgan Chase Bank 385147	32,201	1.62
Japan Trustee Services Bank, Ltd. (trust account 1)	29,175	1.47

(Notes) 1. The Company holds 91,373,232 shares of treasury share, but it is not included in the above list of principal shareholders.

2. The percentage of shares held are calculated to the total number of issued shares excluding treasury share (1,977,449,943 shares) and presented by discarding the numbers down to the third decimal.

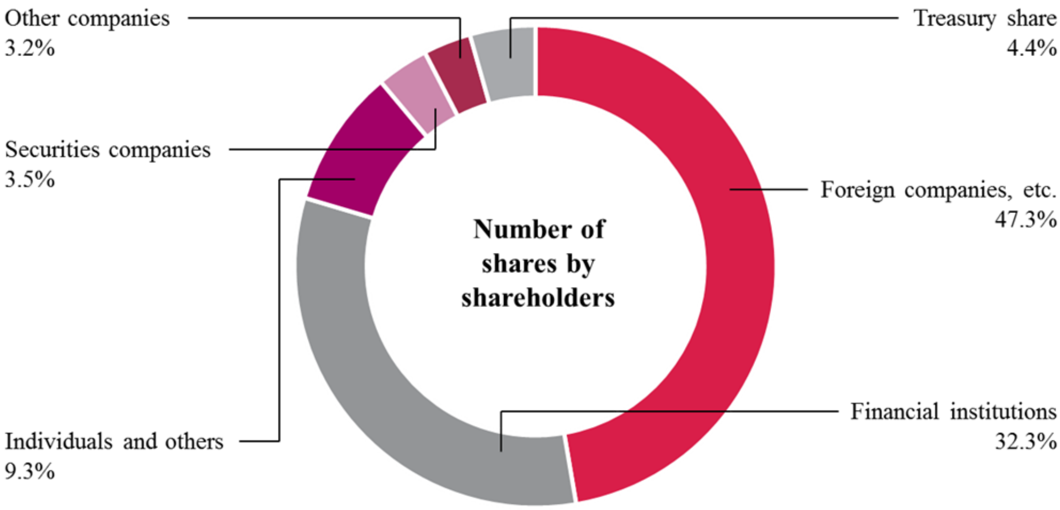
5) Other important matters concerning shares:

Acquisition of treasury share through market purchase and cancellation thereof carried out during the business year under review are as follows.

Number of shares acquired:	88.87 million shares (Total amount of acquisition prices: ¥129.9 billion)
Number of shares cancelled:	85 million shares (Date of cancellation: May 31, 2017)

(Note) Figures less than the stated unit are rounded down.

Breakdown of Shareholders



* Treasury share excludes the Company’s shares held in the executive remuneration BIP trust.

(2) Basic Views and System of Corporate Governance

1. Basic view

The Company's raison d'être is to contribute to improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. The Company aims to sustainably enhance enterprise value by being chosen and trusted by all stakeholders. With this business philosophy, we work to ensure and strengthen the effectiveness of corporate governance from the following perspectives:

1) Ensuring transparency, appropriateness and agility of management; and
2) Fulfillment of our fiduciary duties and accountability to shareholders and appropriate collaboration with all stakeholders.

The Company has established the Corporate Governance Guidelines which clarifies the basic views and guidelines that must be followed in order for the Company to ensure and strengthen the effectiveness of corporate governance. The guidelines are posted on the following Company's website.

https://www.astellas.com/jp/system/files/governance_guideline_en_0.pdf

2. Summary of the corporate governance system

The summary of the corporate governance systems is as follows:

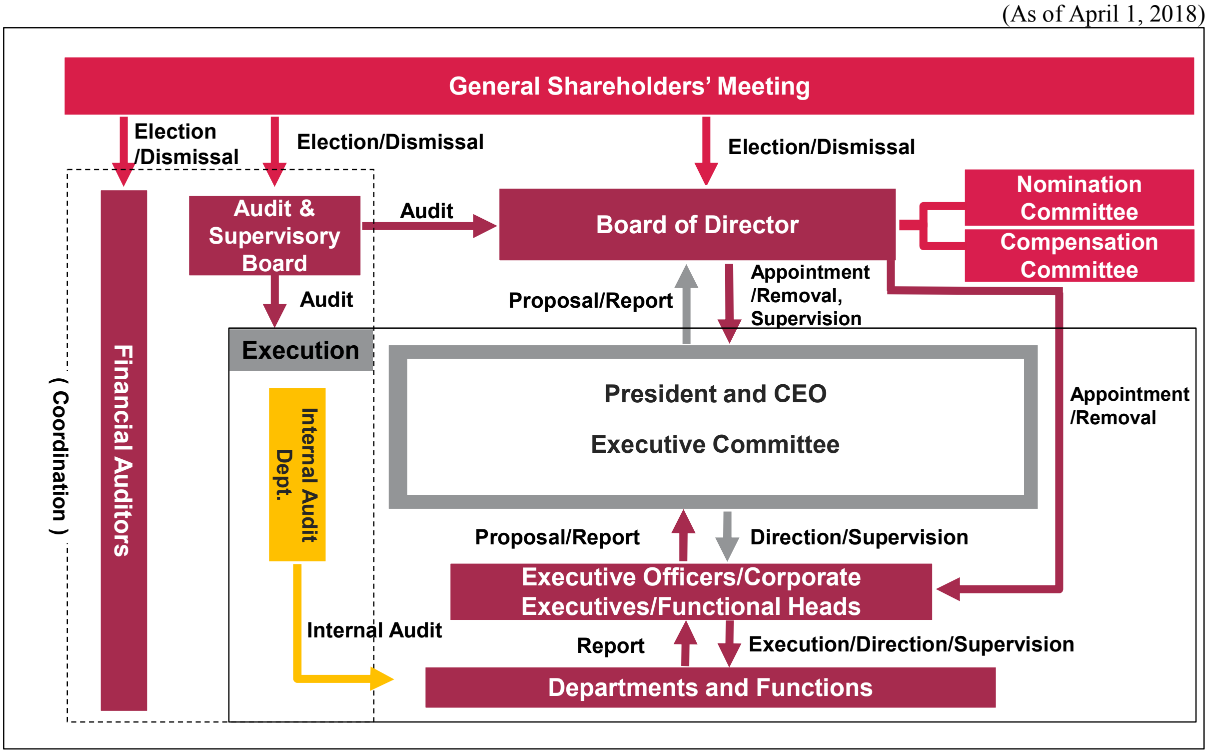
- The Company adopts the organizational structure of "Company with Audit & Supervisory Board." Outside Directors and outside Audit & Supervisory Board Members constitute the majority of the Board of Directors and the Audit & Supervisory Board, respectively.

- The Board of Directors principally serves the oversight function of the execution of business, and also makes decisions on important business execution.

- As an organ for handling execution of business, the Company establishes the Executive Committee for discussing important matters in management of the entire Astellas Group, and also appoints Executive Officers who are responsible for their respective assigned departments or functions. The responsibility and authority for the execution of business of the organ described above, the President and CEO and the Executive Officers are clearly stipulated in the Corporate Decision Authority Policy.

- As advisory bodies to the Board of Directors, the Company establishes the Nomination Committee and the Compensation Committee, each of which are composed of a majority of outside Directors.

(As of April 1, 2018)



(Note) The Company abolished the Japan Management Committee, which was established as organ to discuss important matters in business management of the Company and its group companies in Japan, as of the end of March 2018, as its role had been shrinking as a result of globalization of the organization.

3. Directors/Board of Directors

Directors shall be elected by resolution of Shareholders Meeting and the term of office of Directors shall be one year. Board of Directors meetings are held once every month in principle, chaired by the Director and Chairman of the Board (in the even that the Director and Chairman of the Board is unavailable to fulfill his or her duties due to accident or vacancy of the post, another Director, in the order prescribed in the Board of Directors Policy, shall assume the role).

The Board of Directors principally serves the oversight function of the execution of business, and makes decisions on important business execution, thereby ensuring the transparency, appropriateness and agility of management. The Board of Directors, in consideration of diversity and balance from the perspectives of expertise and experience and so forth, is composed of a number of Directors appropriate to facilitate agility. In order to ensure decision-making from a broader viewpoint and objective oversight of the execution of business, the Board of Directors is composed of a majority of outside Directors. As of March 31, 2018, the Board of Directors comprises six Directors, among whom a majority of four are highly independent outside Directors.

To further enhance the effectiveness of the Board of Directors as a whole, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors as a whole every year, through means such as each Director's self-assessment, and discloses a summary of the results thereof.

4. Nomination Committee/Compensation Committee

In order to improve the transparency and objectivity of the deliberation process of regarding election and dismissal of Directors, etc. and remuneration system, the Company establishes the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors. The Nomination Committee and the

Compensation Committee are composed of members appointed by the Board of Directors, and the majority of each Committee are outside Directors. Each Committee is chaired by an outside Director.

<Role of the Nomination Committee>

The Nomination Committee deliberates matters relating to the election and dismissal of Directors and Audit & Supervisory Board Members, and appointment and removal of Executive Officers, others, and reports the results of their deliberations to the Board of Directors.

<Role of the Compensation Committee>

The Compensation Committee deliberates matters regarding remuneration, bonuses and other financial benefits paid as consideration for the performance of duties for Directors, and Executive Officers, etc., and reports the results of their deliberations to the Board of Directors.

5. Audit & Supervisory Board Members/Audit & Supervisory Board

Audit & Supervisory Board Members shall be elected by resolution of Shareholders Meeting and the term of office of Audit & Supervisory Board Members shall be four years. The Audit & Supervisory Board meetings are held once a month in principle.

Audit & Supervisory Board Members contribute to the establishment of effective corporate governance systems, through conducting audits on the performance of duties by Directors. The Audit & Supervisory Board is the only deliberation body and decision-making body for the purpose of forming opinions with regard to audits by Audit & Supervisory Board Members, and, where necessary, provides its opinions to Directors or the Board of Directors. However, no resolution of the Audit & Supervisory Board may prevent the execution of the authority of each Audit & Supervisory Board Member.

In order to further enhance the independence and neutrality of the Company’s audit system, the Audit & Supervisory Board is composed of a majority of outside Audit & Supervisory Board Members. As of March 31, 2018, the Audit & Supervisory Board comprises five members, among whom a majority of three are highly independent outside Audit & Supervisory Board Members.

(3) Matters concerning Directors and Audit & Supervisory Board Members:

1) Names and other information:

Position	Name	Responsibility and status of significant concurrent positions
Representative Director, President & CEO	Yoshihiko Hatanaka	
Representative Director, Executive Vice President	Kenji Yasukawa	Chief Strategy Officer and Chief Commercial Officer
Director	Etsuko Okajima	President and Representative Director, ProNova Inc. External Director, MARUI GROUP CO., LTD. External Director, SEPTENI HOLDINGS CO., LTD. Outside Director, Link and Motivation Inc.
Director	Yoshiharu Aizawa	Professor Emeritus, Kitasato University
Director	Mamoru Sekiyama	Corporate Adviser, Marubeni Corporation
Director	Keiko Yamagami	Lawyer honorary member, Tokyo Seiwa Law Office
Full-time Audit & Supervisory Board Member	Tomokazu Fujisawa	
Full-time Audit & Supervisory Board Member	Hiroko Sakai	
Audit & Supervisory Board Member	Toshiko Oka	CEO, Oka & Company Ltd. Outside Corporate Auditor, HAPPINET CORPORATION Outside Director, Mitsubishi Corporation Outside Director, Hitachi Metals, Ltd.
Audit & Supervisory Board Member	Hitoshi Kanamori	Partner, SANNO LAW OFFICE
Audit & Supervisory Board Member	Noriyuki Uematsu	Managing Director, Uematsu & Co. President & Representative Director, SU Consultant Co. Ltd Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd.

(Notes)

1. The Group management structure changed effective April 1, 2018. The new management structure is listed on page 56.
2. Ms. Etsuko Okajima, Dr. Yoshiharu Aizawa, Mr. Mamoru Sekiyama and Ms. Keiko Yamagami are outside Directors and registered as independent directors with the Tokyo Stock Exchange, Inc.
3. Ms. Toshiko Oka, Mr. Hitoshi Kanamori and Mr. Noriyuki Uematsu are outside Audit & Supervisory Board Members and are registered as independent auditors with the Tokyo Stock Exchange, Inc.
4. Notes to be particularly mentioned for Audit & Supervisory Board Members are as follows:

   Ms. Toshiko Oka has been engaged in consulting on M&As over the years. She is currently serving as CEO of Oka & Company Ltd. and is a Concurrently Appointed Lecturer on M&A Practices of the Graduate School of Global Business, Meiji University. These facts demonstrate that she has substantial knowledge of finance and accounting.

   Mr. Noriyuki Uematsu has been engaged in consulting on M&As as a certified public accountant as well as a consultant, over the years. He is currently serving as Managing Director of Uematsu & Co. as well as President & Representative Director of SU Consultant Co. Ltd, and is a faculty member of the Graduate School of Business and Finance, Waseda University. These facts demonstrate that he has substantial knowledge of finance and accounting.
5. Mr. Kenji Yasukawa, Mr. Mamoru Sekiyama and Ms. Keiko Yamagami assumed the office of Directors during the business year under review (assumed on June 19, 2017).
6. Mr. Yoshirou Miyokawa, Mr. Yutaka Kase and Mr. Hironobu Yasuda retired from the office of Directors during the business year under review (retired on June 19, 2017).

2) Amounts of remunerations:

Remunerations for Directors and Audit & Supervisory Board Members are so designed as to enable the Company to recruit and retain talents, and to make the remuneration levels and structures fully commensurate with the responsibilities of the position. The Company endeavors to improve the objectivity of decisions on remuneration levels through measures such as the use of survey data from specialist third-party companies.

Remunerations for internal Directors are fundamentally based upon contributions to sustainable improvements in business performance and enhancements in enterprise value, and are composed of a fixed amount basic remuneration, bonuses, and stock compensation. The Company appropriately links remunerations with business performance. Remunerations for outside Directors and Audit & Supervisory Board Members (including outside Audit & Supervisory Board Members) are composed of a fixed amount basic remuneration only. Remunerations for each Director are determined by resolutions of the Board of Directors within a total ceiling amount approved by the Shareholders Meeting, and remunerations for each Audit & Supervisory Board Member are also determined by the deliberations of the Audit & Supervisory Board Members within a total ceiling amount approved by the Shareholders Meeting. Through the deliberations of the Compensation Committee, the Company enhances the transparency and objectivity of the deliberation process for remunerations for Directors.

Remunerations to Directors and Audit & Supervisory Board Members for the business year under review are as follows:

Category of Directors and Audit & Supervisory Board Members	Total amount of remunerations (Millions of yen)	Total amount of remunerations by type of remuneration (Millions of yen)			Number of Directors and Audit & Supervisory Board Members applicable
		Basic remuneration	Bonus	Stock remuneration	
Directors (excluding outside Directors)	358	159	124	74	3
Outside Directors	58	58	–	–	6
Total	415	217	124	74	9
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	88	88	–	–	2
Outside Audit & Supervisory Board Members	43	43	–	–	3
Total	131	131	–	–	5

(Notes) 1. The ceiling amount of remuneration to the Directors as a group was resolved to be an amount not exceeding ¥550 million per year (but not including the portion of salary paid in the capacity of employee) at the 92nd Annual Shareholders Meeting of the Company held on June 24, 2005. However, this does not include bonus and stock remuneration, whose amounts of payment or upper limits were separately resolved at the Shareholders Meeting.

2. The ceiling amount of remuneration to the Audit & Supervisory Board Members as a group was resolved to be an amount not exceeding ¥150 million per year at the 76th Annual Shareholders Meeting of the Company held on June 29, 1989.
3. The amounts of "Basic remuneration" and "Stock remuneration" above include the amounts paid to three (3) Directors (two of whom are outside Directors) who retired at the close of the 12th Term Annual Shareholders Meeting held on June 19, 2017.
4. The amount of "Bonus" above is a planned amount that will be paid separately from the annual basic remuneration to Directors, on the condition that the proposal, "Provision of Bonus to Directors" is approved and resolved as originally proposed at the 13th Term Annual Shareholders Meeting of the Company.
5. The Company has introduced a performance-linked stock compensation scheme (stock remuneration), which employs a framework referred to as the executive remuneration BIP (Board Incentive Plan) trust, for the purpose of increasing the awareness of contribution to the sustainable growth of the business results and enterprise value. The Scheme is a medium- to long- term intensive-based remuneration plan that is highly transparent and objective and closely linked with the Company's business results. Under the Scheme, with respect to the three consecutive business years of an applicable period, the Company contributes, in the initial business year of each applicable period, funds for remuneration to the Directors to the executive remuneration BIP trust. The ceiling amount of the contribution was resolved to be an amount not exceeding ¥350 million at the 10th Term Annual Shareholders Meeting of the Company held on June 17, 2015. The stock remuneration stated above refers to the amount recorded as expenses under J-GAAP for the business year under review.

3) Matters concerning outside Directors:

(i) Outside Directors' significant concurrent positions at other organizations and the relationship of such organizations with the Company:

Name	Status of significant concurrent position
Etsuko Okajima	President and Representative Director, ProNova Inc. External Director, MARUI GROUP CO., LTD. External Director, SEPTENI HOLDINGS CO., LTD. Outside Director, Link and Motivation Inc.
Yoshiharu Aizawa	Professor Emeritus, Kitasato University
Mamoru Sekiyama	Corporate Adviser, Marubeni Corporation
Keiko Yamagami	Lawyer honorary member, Tokyo Seiwa Law Office

(Note) There is no significant business relationship between the Company and the above organizations where each outside director holds significant concurrent positions.

(ii) Activities at the Board of Directors:

Name	Activities
Etsuko Okajima	Attended 16 out of the 17 meetings of the Board of Directors held during the business year under review, and provided opinions based on her abundant experience as business manager.
Yoshiharu Aizawa	Attended 16 out of the 17 meetings of the Board of Directors held during the business year under review, and provided opinions based on his abundant experience as a medical scientist.
Mamoru Sekiyama	Attended 14 out of the 14 meetings of the Board of Directors held after he took office as Director during the business year under review, and provided opinions based on his abundant experience as business manager.
Keiko Yamagami	Attended 14 out of the 14 meetings of the Board of Directors held after she took office as Director during the business year under review, and provided opinions based on her abundant experience as an attorney-at-law.

(iii) Matters concerning agreement to limit outside Director's liability:
The Company has stipulated in the Articles of Incorporation that it may enter into an agreement with each outside Director to limit his or her liability for damages under Article 423 (1) of the Companies Act, to the minimum liability amount provided by laws and regulations, if the requirements to limit liability provided by the laws and regulations are satisfied (Agreement to limit outside Director's liability), enabling outside Directors to sufficiently fulfill expected roles. The Company has entered into the agreement with all of the outside Directors.

4) Matters concerning outside Audit & Supervisory Board Members:

(i) Outside Audit & Supervisory Board Members' significant concurrent positions at other organizations and the relationship of such organizations with the Company:

Name	Status of significant concurrent position
Toshiko Oka	CEO, Oka & Company Ltd. Outside Corporate Auditor, HAPPINET CORPORATION Outside Director, Mitsubishi Corporation Outside Director, Hitachi Metals, Ltd.
Hitoshi Kanamori	Partner, SANNO LAW OFFICE
Noriyuki Uematsu	Managing Director, Uematsu & Co. President & Representative Director, SU Consultant Co. Ltd Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd.

(Note) There is no significant business relationship between the Company and the above organizations where each outside Audit & Supervisory Board member holds significant concurrent positions.

(ii) Activities at the Board of Directors and the Audit & Supervisory Board:

Name	Activities
Toshiko Oka	Attended 16 out of the 17 meetings of the Board of Directors and 14 out of the 14 meetings of the Audit & Supervisory Board held during the business year under review, and provided opinions based on her abundant experience as business manager.
Hitoshi Kanamori	Attended 16 out of the 17 meetings of the Board of Directors and 13 out of the 14 meetings of the Audit & Supervisory Board held during the business year under review, and provided opinions based on his abundant experience as an attorney-at-law.
Noriyuki Uematsu	Attended 17 out of the 17 meetings of the Board of Directors and 14 out of the 14 meetings of the Audit & Supervisory Board held during the business year under review, and provided opinions based on his abundant experience as a certified public accountant and business manager.

(iii) Matters concerning agreement to limit outside Audit & Supervisory Board Member's liability:
The Company has stipulated in the Articles of Incorporation that it may enter into an agreement with each outside Audit & Supervisory Board Member to limit his or her liability for damages under Article 423 (1) of the Companies Act, to the minimum liability amount provided by laws and regulations, if the requirements to limit liability provided by the laws and regulations are satisfied (Agreement to limit outside Audit & Supervisory Board Member's liability), enabling outside Audit & Supervisory Board Members to sufficiently fulfill expected roles. The Company has entered into the agreement with all of the outside Audit & Supervisory Board Members.

5) Other important matters:
Nothing special to be described herein exists.

6) Names of Corporate Executives (excluding Directors who serve as Corporate Executives) and other information:

Position	Name	Responsibility or major occupation
Senior Corporate Executive	Mitsunori Matsuda	Senior Vice President, Pharmaceutical Technology
	Chihiro Yokota	Senior Vice President, Development
	Wataru Uchida	Senior Vice President, Drug Discovery Research
	Masatoshi Kuroda	Senior Vice President, Asia & Oceania Business
	Makoto Takeuchi	Vice President, External Relations
Corporate Executive	Chikashi Takeda	Chief Financial Officer (CFO)
	Fumiaki Sakurai	Chief Administrative Officer and Chief Ethics & Compliance Officer (CAO & CECO)
	Yukio Matsui	President, EMEA Operations
	Nobuaki Tanaka	President, Japan Sales & Marketing
	Takuya Oshida	Senior Vice President, Medical Affairs, Japan
	Atsushi Kamide	Vice President, Healthcare Policy & CSR
	Kazunori Okimura	Vice President, Legal
	Akihiko Iwai	Divisional Senior Vice President, Candidate Discovery Science Labs., Drug Discovery Research
	Katsumi Ozawa	General Manager, Tokyo Branch, Japan Sales & Marketing
	Kazuhiro Sako	President, Astellas Ireland Co., Ltd
	Toru Yoshimitsu	Vice President, Corporate Finance & Control
	Eisuke Nozawa	Vice President, Regulatory Affairs
	Taiji Sawamoto	Vice President, Research Program Management, Drug Discovery Research
	Naoki Okamura	Vice President, Corporate Planning
	Yasuhiro Kanzaki	General Manager, Osaka Branch, Japan Sales & Marketing
	Tadashi Hara	Divisional Senior Vice President, Strategic Business Management, Japan Sales & Marketing
	Hideki Shima	Divisional Senior Vice President, Technology Planning & Administration, Pharmaceutical Technology
	Shigeki Tanaka	Vice President, Japan-Asia Clinical Development 1, Development

(4) Matters concerning Financial Auditor:

1) Name: Ernst & Young ShinNihon LLC

2) Amount of remuneration:

	Amounts payable
1. The amount of remunerations paid to Financial Auditor for the business year under review:	¥183 million
2. Total amount of cash and other material benefits payable to Financial Auditor by the Company and its subsidiaries:	¥183 million

(Notes) 1. The Audit & Supervisory Board of the Company decided that the amount of remunerations for the Financial Auditor for the business year under review was reasonable, following the examination and review of various factors, including the performance of duties of the Financial Auditor and actual number of audit hours spent in the previous business year, as well as the details of the audit plan, audit structure, estimated audit hours and rate of remuneration charged for the business year under review, based on the inspection of relevant materials obtained from, and interview with the internal departments concerned as well as the Financial Auditor, hence providing the consent for the purpose of Article 399 (1) and (2) of the Companies Act.

2. The amount of remunerations for auditing pursuant to the Companies Act and the amount of remunerations for auditing pursuant to the Financial Instruments and Exchange Act are not divided in the Auditing Agreement concluded between the Company and the Financial Auditor. Also, it is practically impossible to state separately, so the amount stated in 1 above represents the total amount paid by the Company.

3. Out of the principal subsidiaries of the Company (see page 58), overseas subsidiaries have been audited by financial auditors other than the Company's Financial Auditor.

3) Policy for deciding the dismissal or refusal of re-election of the Financial Auditor:

In the event that the Financial Auditor falls under any event for dismissal provided for in Article 340 (1) of the Companies Act, the Audit & Supervisory Board will dismiss the Financial Auditor with the unanimous consent of Audit & Supervisory Board Members or determine the content of proposals on the dismissal of the Financial Auditor to be submitted to the Shareholders Meeting based on the resolution of the Audit & Supervisory Board.
In addition, the Audit & Supervisory Board will determine the content of proposals on refusal to re-elect the Financial Auditor to be submitted to the Shareholders Meeting, among other things, based on the evaluation of the Financial Auditor's independence and expertise, and appropriateness and validity of the Financial Auditor's activities.

3. Systems to Ensure the Appropriate Execution of Business

Pursuant to applicable laws and regulations, and Article 17 of the Company's Articles of Incorporation, it is posted on the Company's website.
(https://www.astellas.com/jp/en/investors/shareholders-meeting/)

(Notes)
1. The amounts stated in the business report are presented by rounding any amount less than the specified units, i.e., disregarding four tenths (4/10) or less and rounding up five tenths (5/10) or more. The numbers of shares stated in the business report are presented by disregarding any number of shares less than the specified units. In addition, unless otherwise specifically noted, the changes in comparison with the previous business year and other ratios are presented by rounding numbers to the nearest first decimals, i.e., disregarding four hundredths (4/100) or less and rounding up five hundredths (5/100) or more.
2. Tables, graphs, and pictures are presented only for reference purposes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(As of March 31, 2018)

(Millions of yen)

Accounts	13th term business year As of March 31, 2018	(Reference) 12th term business year As of March 31, 2017
Assets		
Non-current assets		
Property, plant and equipment	181,295	191,115
Goodwill	212,976	168,521
Other intangible assets	416,912	387,419
Trade and other receivables	25,282	22,263
Investments in associates and joint ventures	3,138	2,988
Deferred tax assets	97,237	90,349
Other financial assets	67,375	61,597
Other non-current assets	8,372	13,154
Total non-current assets	1,012,587	937,407
Current assets		
Inventories	147,626	182,537
Trade and other receivables	319,512	309,817
Income tax receivable	8,412	10,986
Other financial assets	13,517	13,554
Other current assets	14,448	18,849
Cash and cash equivalents	331,731	340,923
Sub total	835,245	876,665
Assets held for sale	10,374	–
Total current assets	845,619	876,665
Total assets	1,858,205	1,814,072

(Millions of yen)

Accounts	13th term business year As of March 31, 2018	(Reference) 12th term business year As of March 31, 2017
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,219	177,091
Treasury shares	(135,951)	(138,207)
Retained earnings	976,076	1,013,923
Other components of equity	147,945	116,002
Total equity attributable to owners of the parent	1,268,289	1,271,810
Total equity	1,268,289	1,271,810
Liabilities		
Non-current liabilities		
Trade and other payables	3,515	440
Deferred tax liabilities	26,426	18,514
Retirement benefit liabilities	36,673	36,614
Provisions	4,891	4,921
Other financial liabilities	49,422	28,389
Other non-current liabilities	47,370	53,528
Total non-current liabilities	168,296	142,406
Current liabilities		
Trade and other payables	140,909	182,826
Income tax payable	25,184	10,900
Provisions	126,231	96,589
Other financial liabilities	7,559	2,992
Other current liabilities	121,737	106,548
Total current liabilities	421,620	399,856
Total liabilities	589,916	542,262
Total equity and liabilities	1,858,205	1,814,072

CONSOLIDATED STATEMENTS OF INCOME

(April 1, 2017 to March 31, 2018)

(Millions of yen)

Accounts	13th term business year From April 1, 2017 to March 31, 2018	(Reference) 12th term business year From April 1, 2016 to March 31, 2017
Sales	1,300,316	1,311,665
Cost of sales	(294,250)	(320,503)
Gross profit	1,006,066	991,162
Selling, general and administrative expenses	(478,330)	(470,777)
Research and development expenses	(220,781)	(208,129)
Amortisation of intangible assets	(35,838)	(35,837)
Share of losses of associates and joint ventures	(2,419)	(1,864)
Other income	11,872	9,594
Other expense	(67,311)	(23,318)
Operating profit	213,258	260,830
Finance income	6,637	22,916
Finance expense	(1,782)	(1,976)
Profit before tax	218,113	281,769
Income tax expense	(53,434)	(63,069)
Profit for the year	164,679	218,701
Profit attributable to:		
Owners of the parent	164,679	218,701
Non-controlling interest	–	–
Total	164,679	218,701

BALANCE SHEETS
(As of March 31, 2018)

(Millions of yen)

Accounts	13th term business year As of March 31, 2018	(Reference) 12th term business year As of March 31, 2017
Assets		
Current assets	452,378	480,999
Cash on hand and in banks	93,165	96,791
Trade notes receivable	68	81
Trade accounts receivable	190,936	169,647
Marketable securities	2,000	8,000
Merchandise and finished goods	54,001	97,548
Raw materials and supplies	12,004	10,167
Deferred tax assets	49,243	39,156
Other	50,961	59,610
Fixed assets	731,268	641,832
Property, plant and equipment	70,662	72,170
Buildings	46,876	45,140
Structures	1,640	1,667
Machinery and equipment	2,329	860
Tools, furniture and fixtures	6,913	7,711
Land	9,195	9,195
Lease assets	1,344	1,630
Construction in progress	2,366	5,967
Other	0	0
Intangible fixed assets	64,868	71,426
Investments and other assets	595,738	498,236
Investment securities	33,415	29,985
Investment in subsidiaries and affiliates	462,573	377,663
Long-term loans receivable	357	60
Deferred tax assets	51,662	41,869
Other	55,923	56,957
Allowance for doubtful receivables	(8,192)	(8,299)
Total assets	1,183,646	1,122,830

(Millions of yen)

Accounts	13th term business year As of March 31, 2018	(Reference) 12th term business year As of March 31, 2017
Liabilities		
Current liabilities	538,718	572,733
Trade accounts payable	51,933	90,792
Short-term loans payable	366,583	378,070
Lease obligations	443	496
Other accounts payable	60,205	62,522
Accrued expenses	20,826	20,508
Accrued income taxes	9,297	1,498
Deposit	7,587	4,105
Allowance for sales rebates	2,350	3,086
Other	19,493	11,656
Long-term liabilities	32,549	35,488
Lease obligations	901	1,134
Other	31,648	34,354
Total liabilities	571,267	608,221
Net assets		
Shareholders' equity	598,592	503,676
Share capital	103,001	103,001
Capital surplus	176,822	176,822
Additional paid-in capital	176,822	176,822
Retained earnings	454,719	362,061
Legal reserve	16,827	16,827
Other retained earnings	437,893	345,234
Reserve for special depreciation	59	100
Reserve for advanced depreciation of fixed assets	1,185	1,185
Retained earnings carried forward	436,649	343,950
Treasury shares	(135,951)	(138,207)
Valuation, translation adjustments and others	12,311	9,149
Unrealized holding gains on securities	12,311	9,149
Subscription rights to shares	1,477	1,784
Total net assets	612,379	514,609
Total liabilities and net assets	1,183,646	1,122,830

STATEMENTS OF INCOME

(April 1, 2017 to March 31, 2018)

(Millions of yen)

Accounts	13th term business year From April 1, 2017 to March 31, 2018	(Reference) 12th term business year From April 1, 2016 to March 31, 2017
Net Sales	613,657	629,915
Cost of sales	205,735	248,208
Gross profit	407,922	381,708
Selling, general and administrative expenses	421,413	366,108
Operating income (loss)	(13,490)	15,600
Non-operating income		
Interest income and dividend income	302,149	120,347
Other	1,121	877
Total non-operating income	303,270	121,224
Non-operating expenses		
Interest expense	2,473	1,311
Other	1,616	1,338
Total non-operating expenses	4,089	2,649
Ordinary income	285,690	134,174
Special gains		
Gain on sales of fixed assets	12	23
Gain on sales of investment securities	4,755	17,420
Other	3,709	697
Total special gains	8,476	18,141
Special losses		
Loss on sales and disposal of fixed assets	252	302
Loss on impairment of fixed assets	–	2,130
Other	2,341	3,006
Total special losses	2,594	5,438
Income before income taxes	291,573	146,877
Income taxes — current	16,035	6,426
Income taxes — deferred	(21,281)	2,633
Total income taxes	(5,246)	9,059
Net income	296,818	137,818

[Translation]

Independent Auditor's Report

May 8, 2018

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC

Yoji Murohashi
Certified Public Accountant
Designated and Engagement Partner

Yoshihiro Shibata
Certified Public Accountant
Designated and Engagement Partner

Koichiro Kitaike
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Astellas Pharma Inc. (the "Company") applicable to the fiscal year from April 1, 2017 through March 31, 2018.

Management's Responsibility for Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the second sentence of Article 120, Section 1 of the Corporate Accounting Regulations, which allows the omission of certain disclosures required by the designated International Financial Reporting Standards ("IFRS"), and for designing and operating such internal control that management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above, prepared with the omission of certain disclosures required by the IFRS pursuant to the second sentence of Article 120 Section 1 of the Corporate Accounting Regulations, present fairly, in all material respects, the financial position and result of operations of Astellas Pharma Inc. and consolidated subsidiaries applicable to the fiscal year ended March 31, 2018.

Conflicts of Interest
We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

[Translation]

Independent Auditor's Report

May 8, 2018

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC

Yoji Murohashi
Certified Public Accountant
Designated and Engagement Partner

Yoshihiro Shibata
Certified Public Accountant
Designated and Engagement Partner

Koichiro Kitaike
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Astellas Pharma Inc. (the "Company") applicable to the 13th fiscal year from April 1, 2017 through March 31, 2018.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules.

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Astellas Pharma Inc., applicable to the 13th fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest
We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

[Translation]

AUDIT REPORT

The Audit & Supervisory Board prepared and reported the following audit report regarding the performance of duties of Directors of the Company during the 13th term business year from April 1, 2017 to March 31, 2018 after deliberations, based on the audit reports from each Audit & Supervisory Board Member.

1. Method and Contents of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board:

(1) The Audit & Supervisory Board established, among other things, the policy of audit and the assignment of duties, received a report from each Audit & Supervisory Board Member on execution and result of its audit, received reports from Directors and Financial Auditor on their performance of duties, and requested additional explanations as necessary.

(2) In conformity with the Audit Standards established by the Audit & Supervisory Board, and in accordance with, among other things, the policy of audit and the assignment of duties, each Audit & Supervisory Board Member made efforts to communicate with Directors, Internal Audit Department and other employees, collect information and maintain and improve the environment for audit. At the same time, each Audit & Supervisory Board Member conducted audits based on the methods as follows.

(i) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other meetings as deemed important, received reports from the Directors and employees on their performance of duties, requested additional explanations as necessary, perused the documents whereby the important decisions were made, and examined the business and financial conditions at the head office and the principal offices. With respect to subsidiaries, each Audit & Supervisory Board Member made efforts to communicate and exchange information with the Directors and Audit & Supervisory Board Members of subsidiaries, and received from subsidiaries reports on their respective business as necessary.

(ii) With respect to the resolution of the Board of Directors on systems necessary to ensure that Directors' performance of their duties described in the Business Report complies with applicable laws and ordinances and Articles of Incorporation and any other system stipulated in Article 100 (1) and (3) of the Ordinance for Enforcement of the Companies Act as required to ensure appropriateness of operations of a corporate group comprised of a Stock Company (Kabushiki Kaisha) and its subsidiaries, and the systems developed based on such board resolution (internal control system), each Audit & Supervisory Board Member regularly received reports from Directors and employees, requested additional explanations as necessary, and expressed an individual opinion, on the establishment and operation of the systems.

(iii) Each Audit & Supervisory Board Member monitored and verified whether the Financial Auditor maintained the independent position and performed due audit, and received from the Financial Auditor reports on the performance of the duties, and requested additional explanations as necessary. Each Audit & Supervisory Board Member also received a notice from the Financial Auditor that it has established the "Systems to ensure due execution of audit (matters prescribed in each item of Article 131 of the Corporate Accounting Regulations)" in accordance with, among other things, the "Quality Control Standards for Audit" (Business Accounting Board, October 28, 2005), and requested additional explanations as necessary.

Based on the method stated above, each Audit & Supervisory Board Member examined the Business Report and the related supplementary schedules, financial statements (Balance Sheets, Statements of Income, Statements of Changes in Net Assets and Notes to Financial Statements) and the related supplementary schedules, and consolidated financial statements (Consolidated Statements of Financial Position, Consolidated Statements of Income, Consolidated Statements of Changes in Equity and Notes to Consolidated Financial Statements, all prepared with the omission of certain disclosures required by the IFRS pursuant to the provision of the second sentence of Article 120 (1) of the Corporate Accounting Regulations) for the business year under review.

2. Results of Audit:

(1) Results of audit of Business Report and other documents:

1. We confirm that the Business Report and the related supplementary schedules accurately present the position of the Company in conformity with the relevant laws and ordinances as well as the Articles of Incorporation of the Company.

2. We confirm that no misconduct or material fact constituting a violation of any laws or ordinances or the Articles of Incorporation of the Company was found with respect to the Directors in the performance of their duties.

3. We confirm that the resolutions of the Board of Directors relating to the internal control system are reasonable. There are no matters to be pointed out regarding details of the Business Report and Directors' performance of their duties on internal control system.

(2) Results of audit of financial statements and the related supplementary schedules:
We confirm that the method and the results of the audit carried out by Ernst & Young ShinNihon LLC, Financial Auditor of the Company, are reasonable.

(3) Results of audit of consolidated financial statements:
We confirm that the method and the results of the audit carried out by Ernst & Young ShinNihon LLC, Financial Auditor of the Company, are reasonable.

May 9, 2018

The Audit & Supervisory Board of Astellas Pharma Inc.

Full-time Audit & Supervisory Board Member:
Tomokazu Fujisawa (seal)
Full-time Audit & Supervisory Board Member:
Hiroko Sakai (seal)
Outside Audit & Supervisory Board Member:
Toshiko Oka (seal)
Outside Audit & Supervisory Board Member:
Hitoshi Kanamori (seal)
Outside Audit & Supervisory Board Member:
Noriyuki Uematsu (seal)

- End -

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

Matters concerning Subscription Rights to Shares
Systems to Ensure the Appropriate Execution of Business
Consolidated Statements of Changes in Equity
Notes to Consolidated Financial Statements
Statements of Changes in Net Assets
Notes to Financial Statements

The 13th Term Business Year (April 1, 2017 – March 31, 2018)

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/investors/shareholders-meeting/) 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, 2018:

- Total number of subscription rights to shares: 5,956 (Notes) 1
- Type and number of shares to be issued upon exercise of subscription rights to shares: 2,108,000 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	33	55
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)	16,500 shares of common stock (500 shares per subscription right to shares)	27,500 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:	101	286	664
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	50,500 shares of common stock (500 shares per subscription right to shares)	143,000 shares of common stock (500 shares per subscription right to shares)	332,000 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:	921	996	633
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	460,500 shares of common stock (500 shares per subscription right to shares)	498,000 shares of common stock (500 shares per subscription right to shares)	316,500 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, 2018.

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 as of March 31, 2018, 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)	1	17 units	8,500 shares of common stock
Subscription rights to shares issued in August 2007	Directors (excluding outside Directors)	1	17 units	8,500 shares of common stock
Subscription rights to shares issued in September 2008	Directors (excluding outside Directors)	1	27 units	13,500 shares of common stock
Subscription rights to shares issued in July 2009	Directors (excluding outside Directors)	1	47 units	23,500 shares of common stock
Subscription rights to shares issued in July 2010	Directors (excluding outside Directors)	2	88 units	44,000 shares of common stock
Subscription rights to shares issued in July 2011	Directors (excluding outside Directors)	2	190 units	95,000 shares of common stock
Subscription rights to shares issued in July 2012	Directors (excluding outside Directors)	2	208 units	104,000 shares of common stock
Subscription rights to shares issued in July 2013	Directors (excluding outside Directors)	2	125 units	62,500 shares of common stock
Subscription rights to shares issued in July 2014	Directors (excluding outside Directors)	2	453 units	45,300 shares of common stock
Total			1,172 units	404,800 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.

Systems to Ensure the Appropriate Execution of Business (as of April 1, 2018)

(1) Basic Policies to Ensure the Appropriate Execution of Business

The Company has set out basic policies regarding the following systems to ensure that the Company's business is duly executed.

(1) System concerning the Performance of Duties

1) System to Ensure the Efficient Performance of the Duties of Directors

- The Company clearly separates the roles of the Directors, who supervise business execution and make important management decision, and the roles of President and CEO and Senior Executive Officers in charge of each of the departments or functions, hereafter those officers are called "top management", who are responsible for the execution of business.
- Meetings of the Board of Directors will be held once every month as a general rule, and extraordinary meetings of the Board of Directors will be held when necessary.
- The Company has established the Executive Committee and discusses material matters concerning business strategies, product strategies, corporate management, and personnel of the Company and the Astellas Group companies.
- The Company has established regulations concerning the committee mentioned above and the "Corporate Decision Authority Policy" to clarify the powers and positioning of the committee and the top management as well as the decision-making process.
- The Company has developed the personnel and organization systems to enable the efficient execution of business.

2) System for Maintaining and Controlling Information regarding the Performance of Duties by Directors

- The "Global Policy for Records and Information Management" has been established, based on which the Company will control and maintain, in an appropriate manner, information regarding the performance of duties by the Directors.
- The Company has established systems to ensure that all documents and materials concerning important management matters, such as minutes of the meetings of the Board of Directors and the Executive Committee, are available for inspection by the Directors and the Audit & Supervisory Board Members when necessary.

(2) Regulations and other Systems regarding Risk (Risk of Loss) Management

In order to conduct risk management properly as a whole group, the Company has categorized risks into "risks relating to strategic management decision-making (risks relating to business opportunities)" and "risks relating to appropriate and efficient business conduct (risks relating to the performance of business activities)." Each department and unit of the Company and the Astellas Group companies will proactively put the Company's risk management initiatives into practice and promote risk mitigation within the Group and the proper response to such risks through the following activities:

- With respect to the measures dealing with risks relating to business opportunities, each department and unit will implement such measures within the scope of its powers and roles, upon clarification of the rules and standards for decision-making. Among these risks, matters concerning material risks will be decided upon deliberation by the Executive Committee and the Board of Directors.
- With respect to the measures dealing with risks relating to the performance of business activities, the Company has established 1) the "Global Risk Management Office" for responding to global risks to identify global risks, and devise and implement optimum methods of risk management in cooperation with each regional risk management office, and 2) the "Risk Management Committee" for responding to the risks within the domestic Group companies to identify risks, and device and implement optimum methods of risk management. Matters relating to important risk management measures, for both global and domestic Group companies described above, will be decided upon deliberation by the Executive Committee and the Board of Directors.
- In order to enhance the effectiveness of risk management operations, the Company will formulate separate policies and manuals for matters such as disaster control, crisis management, business continuity plan, information security, and personal information protection according to the characteristics and details of the risks involved.

(3) Compliance System (System to Ensure that the Performance of Duties by Directors and Employees Complies with Laws, Regulations, and the Articles of Incorporation)

The Company has established the "Astellas Charter of Corporate Conduct" and the "Astellas Global Code of Conduct" as core standards of compliance for officers and employees of the Company and the Astellas Group companies.

The Company sees compliance not only as observing the law but also acting in accordance with prescribed social norms in a highly ethical manner. We are taking the following steps to create a system for promoting and spreading compliance in a broad sense as a whole group.

- The Company has established the "Global Compliance Committee" that grasps the current situation of compliance and discusses policies and plans accordingly for the Company and the Astellas Group companies as a whole. Regional Compliance Committees have also been established to discuss matters concerning compliance in individual regions.
- Under the control of the Chief Ethics & Compliance Officer, Ethics & Compliance function will, with the concerned departments of the Company and the Astellas Group companies, carry out the devising, promotion, and increasing awareness of

the specifics of the plans for global compliance. In addition, through continuous training and other measures, we will create a structure in which each officer and employee of the Company and the Astellas Group companies can practice compliance when acting on their own initiative.

- The Company has established a "helpline" in each region so that questions, consultation, reports, proposals and the like concerning compliance may be made. Such helpline includes third party hotline that can be accessed from any Astellas Group companies.
- The Company has also established a system whereby any material information will be reported, in a timely manner, to the Chief Ethics & Compliance Officer. In dealing with such actions, confidentiality will be strictly maintained and unfair treatment of any person who has accessed the helpline or other contacts is strictly prohibited.

(4) System for Disclosure and Management of Information

- The Company discloses corporate information to all of its customers, shareholders, community and other stakeholders in a timely, proper and fair manner. The Company also actively engages in dialogue with them and reflects their comments in its business activities properly. Through disclosure and dialogue, the Company is committed to further enhancing its transparency and strive to build and maintain a trust relationship with its stakeholders.
- Based on the basic stance above, the Company has established the "Disclosure Policy" and the "Corporate Disclosure Committee" that promotes and manages disclosure activities.
- The Company has established rules concerning the handling of material information acquired in the course of the duties by the officers and employees of the Company and the Astellas Group to prevent violations of the laws and regulations and to ensure the appropriate management of information.

(5) System to Ensure the Reliability of Financial Report

- The Company will establish and operate an internal control system for consolidated financial report in accordance with standards generally accepted to be fair and reasonable in Japan, in order to ensure improved reliability of the financial report, and assess the effectiveness in an appropriate way.
- In accordance with the "Regulations for Internal Control Assessment of Financial Report" formulated by the Board of Directors, internal control assessment is implemented for consolidated financial reports, under the direction of the President and CEO, who is responsible for the global internal control system.

(6) Group Management System (System to Ensure the Appropriate Execution of Business by the Corporate Group Composed of the Company and its Subsidiaries)

The Company engages in appropriate control and operation of the Astellas Group companies. With this in mind, the Company has taken the following actions in order to maintain and build a sound relationship between it and the Astellas Group companies:

- The Company will apply the "Astellas Charter of Corporate Conduct" and the "Astellas Global Code of Conduct" to all of the Astellas Group companies, and it will ensure that all persons concerned are fully aware of these policies and the code of the conduct of each Astellas Group company that are based on these policies.

- The Company has established a system in which matters concerning performance of the duties by the Directors of the Astellas Group companies will be reported to the Company through functional line managers.
- The Company will create clear rules regarding the composition of executives, decision-making authority and internal oversight systems at the Astellas Group companies to ensure the efficient execution of duties by the Directors of the Group companies. The Company, as necessary, provides support for indirect operations and carries out group finance for the Astellas Group companies.
- As mentioned above, the Astellas Group will tackle risk management and compliance matters as a whole group.
- The “Internal Auditing Policy” will be co-owned by all the Astellas Group companies and the internal audit system over the Group will be prepared.

(7) Internal Audit System

The Company has established the Internal Auditing function, which is independent from the ordinary business execution departments and is under the direct control of the President and CEO, to develop the internal audit system of the Company and the Astellas Group companies, and takes the following actions:

- The Internal Auditing function will review and evaluate the effectiveness and efficiency of the systems and structures in the various management activities of the Company and the Astellas Group companies, put together an audit report, and submit the results of such review and evaluation to the President and CEO, officers and departments concerned and the Audit & Supervisory Board.
- The report concerning the overall annual audit results will be made to the Board of Directors and Accounting Auditor.
- The Company will comply with the “Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics” and other regulations as a pharmaceutical company, and conduct its business with a mission to provide effective and safe products with a high level of expertise through a fair organization structure. To this end, the Company has built a tiered-control structure separated by different functions in all the Astellas Group companies; namely, the tiers consist of self-control on site, expert control by departments related to RA and QA, and the internal audit by the independent internal auditing departments.
- Internal Auditing function will promote improvement in the quality of the internal audits through meetings and other forms of collaboration with the relevant expert departments.
- By establishing the Internal Auditing function for each region (EMEA, Americas, Japan and Asia & Oceania) under the direct control of President & CEO, the Company will address risks getting more globalized effectively and enhance the function to provide group companies with consistent high quality assurance and advisory services.

(8) System to Ensure Effective Audits by the Audit & Supervisory Board Members

The Company takes the following actions as a "company with an Audit & Supervisory Board" to enable the Audit & Supervisory Board Members to carry out their audit effectively.

1) Matters concerning Assisting Employees where the Audit & Supervisory Board Members Require Employees Assisting their Duties to be Assigned

- Full-time staff will be assigned to assist the Audit & Supervisory Board Members to carry out their duties, so that the audit by the Audit & Supervisory Board Members will be properly executed.

2) Matters concerning Independence from the Directors of the Employees Assisting the Audit & Supervisory Board Members and Effectiveness of Directions Given to Such Employees

- Full-time staff who assists the Audit & Supervisory Board Members is independent from the Directors and carries out his or her duties under the direct control of the Audit & Supervisory Board Members.
- The appointment, evaluation, transfer, and other matters concerning full-time staff will require the prior consent of the Audit & Supervisory Board Members.

3) System concerning Report of the Directors and Employees to the Audit & Supervisory Board Members and Other Systems concerning Report to the Audit & Supervisory Board Members

- The Company has established a system to ensure that the Audit & Supervisory Board Members, at any time, can access monthly reports and quarterly reports regarding the execution of duties by the Directors of the Company and the Astellas Group companies.
- Regarding each of the departments or functions, Top Management decides reporting matters, persons giving report and methods of reporting by mutual agreement with Audit & Supervisory Board Members.

4) System to Ensure that Informants do not Risk Unfavorable Treatments due to their Reporting to the Audit & Supervisory Board Members

- The Company prohibits any unfavorable treatments of officers or employees of the Company and the Astellas Group companies who reported to the Audit & Supervisory Board Members of the Company or the Astellas Group companies, because of their reporting.

5) Matters concerning Policies to Treat Costs Incurred by the Audit & Supervisory Board Members for the Execution of Duties

- The Company has established a system that a related department prepares budgets and performs payment of costs incurred by the Audit & Supervisory Board Members for the execution of their duties.

6) Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members

- Pursuant to Audit & Supervisory Board Policy, material matters pointed out by each Audit & Supervisory Board Member at the regular meetings of the Audit & Supervisory Board held each month or the extraordinary meetings held when necessary will be reported at the meetings of the Board of Directors.
- The Audit & Supervisory Board Members will attend the Executive Committee meetings where execution of the Company's important business will be discussed, and also attend other meetings that the Audit & Supervisory Board Members consider as important. In case that the Audit & Supervisory Board Members are not available to attend these meetings, full-time staff who assist the Audit & Supervisory Board Members will attend as observers by order of the Audit & Supervisory Board Members.
- The persons (departments) of the Company and the Astellas Group companies subject to be audited will cooperate so that the Audit & Supervisory Board Members may perform the audits in an appropriate manner in accordance with the Auditing Standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board.

(9) System to Exclude Anti-social Forces

The Company and the Astellas Group companies will, as a solid organization, not only take a resolute attitude against any anti-social forces and groups that threaten the order and security of society, and never accept unjust and illegal requests, but will also ensure non-involvement with such forces and groups. Accordingly, the Company and the Astellas Group companies will:

- Clearly declare in the "Astellas Charter of Corporate Conduct" and the "Astellas Global Code of Conduct" that the Astellas Group will take a resolute attitude against anti-social forces and groups, will exclude any relation with such forces and groups.
- With close cooperation with the police and other related parties, particularly in Japan, establish a solid system that will enable the Company to actively collect necessary information as to anti-social forces and groups, as well as to take actions as the entire Astellas Group.
- Continually implement enlightenment activities, such as training relating to compliance and risk management, etc. for officers and employees, so as to exclude any influence of anti-social forces and groups.

(2) Operational Status of Systems to Ensure the Appropriate Execution of Business

A summary of the Company's operational status during the fiscal year ended March 31, 2018 is as follows.

1. System concerning the Performance of Duties

Following the basic policy, the Company in principle holds Board of Directors meetings once each month. Additionally, based on policies such as the Corporate Decision Authority Policy, important matters are discussed within the Executive Committee and the Japan Management Committee*, ensuring that Directors perform their duties efficiently by top management fulfilling their roles. Furthermore, during the fiscal year ended March 31, 2018, 17 Board of Directors meetings were held, 19 Executive Committee meetings were held and 7 Japan Management Committee meetings were held.

* The Company abolished the Japan Management Committee, which was established as organ to discuss important material matters in business management related to business management of the Company and its domestic group companies in Japan, as of the end of March 2018, as its role had been shrinking as a result of globalization of the organization.

2. Regulations and other Systems regarding Risk (Risk of Loss) Management

Following the basic policy, the Company has categorized risks into risks relating to business opportunities and risks relating to the performance of business activities, and each department of the Company and the Astellas Group companies proactively put the Company's risk management initiatives into practice. In particular, for matters specified as global risks, risk mitigation measures are formulated under the direction of risk owners, and subsequently implemented.

3. Compliance System (System to Ensure that the Performance of Duties by Directors and Employees Comply with Laws, Regulations, and the Articles of Incorporation)

Following the basic policy, the Company holds meetings of the Global Compliance Committee and the regional Compliance Committee that grasps current situations of compliance and discusses policies and plans accordingly for the Company and the Astellas Group companies as a whole. Additionally, through measures such as implementation of compliance-related training for all employees, the Company aims to improve attitudes toward compliance, and works to discover and remedy issues at an early stage via operation of initiatives such as the helpline. Furthermore, from the fiscal year ending March 31, 2017, the Company will establish a global compliance structure wherein Compliance Functions in each region and country report to the Functional Head of Ethics & Compliance.

4. System for Disclosure and Management of Information

Following the basic policy, the Company discloses information to all stakeholders in a timely, appropriate and fair manner, and also actively engages in dialogue with them. During the fiscal year ended March 31, 2018, with the intent of adding further transparency to business activities, the Company has made continuous efforts for timely, accurate and fair disclosure, such as cross-divisional deliberations about policies, contents, etc. regarding material information disclosure, under the leadership of the Corporate Disclosure Committee established in April 2015.

5. System to Ensure the Reliability of Financial Reporting

Following the basic policy, the Company has formulated an internal control evaluation plan for consolidated financial reporting, and the Company works to ensure the reliability of financial reporting through measures such as internal control and development of operational systems by appointing process owners and control owners, revision and approval by process owners of business process descriptions, and development of internal control and evaluation of its operational status by the internal auditing department (including external contractors) for business bases subject to evaluation.

6. Group Management System (System to Ensure the Appropriate Execution of Business by the Corporate Group Composed of the Company and its Subsidiaries)

Following the basic policy, the Company promotes appropriate control and operation of Astellas Group companies by having matters concerning the duties of the Directors of the Astellas Group companies to be reported to the Company through functional line managers, and clearly defining the composition of executives and decision-making authority at the Astellas Group companies. Financial status and others of the Astellas Group companies are reported monthly or pre-quarterly and then reported to the Board of Directors of the Company as necessary.

7. Internal Audit System

Following the basic policy, the Company proposes plans regarding internal audits and secures opportunities to review audit results through measures such as reports to the Board of Directors, general meetings with the internal auditing department, holding of Overseas Group Internal Audit Meeting, and reporting to Accounting Auditors. In addition, the Company secures opportunities for Audit & Supervisory Board Members to receive information including through regular reporting.

8. System to Ensure Effective Audits by the Audit & Supervisory Board Members

Following the basic policy, the Company secures a system to allow effective audits by the Audit & Supervisory Board Members through measures such as reporting on execution status of business by Directors and employees to Audit & Supervisory Board Members and continued attendance at important meetings such as the Executive Committee. Particularly, monthly reports have been submitted to Audit & Supervisory Board Members from all regions, regarding summaries and results of responses to helpline reports and litigation / in-house investigation projects which is superintended by the legal function.

9. System to Exclude Anti-social Forces

Following the basic policy, the Company confirms the attributes of business partners of the Company and Astellas Group Companies, and through the introduction of articles to eliminate anti-social forces in contracts, works to exclude any relation with such forces and groups.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(April 1, 2017 to March 31, 2018)

(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, 2017	103,001	177,091	(138,207)	1,013,923	1,784	99,590
Comprehensive income						
Profit for the year	—	—	—	164,679	—	—
Other comprehensive income	—	—	—	—	—	28,590
Total comprehensive income	—	—	—	164,679	—	28,590
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(130,712)	—	—	—
Disposals of treasury shares	—	(159)	819	(353)	(307)	—
Cancellation of treasury shares	—	—	132,150	(132,150)	—	—
Dividends	—	—	—	(71,634)	—	—
Share-based payments	—	286	—	—	—	—
Transfer	—	—	—	1,611	—	—
Total transactions with owners of the parent	—	127	2,257	(202,526)	(307)	—
As of March 31, 2018	103,001	177,219	(135,951)	976,076	1,477	128,179

	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, 2017	14,629	—	116,002	1,271,810	1,271,810
Comprehensive income					
Profit for the year	—	—	—	164,679	164,679
Other comprehensive income	3,660	1,611	33,860	33,860	33,860
Total comprehensive income	3,660	1,611	33,860	198,539	198,539
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(130,712)	(130,712)
Disposals of treasury shares	—	—	(307)	1	1
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(71,634)	(71,634)
Share-based payments	—	—	—	286	286
Transfer	—	(1,611)	(1,611)	—	—
Total transactions with owners of the parent	—	(1,611)	(1,918)	(202,060)	(202,060)
As of March 31, 2018	18,289	—	147,945	1,268,289	1,268,289

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: 83

Name of principal consolidated subsidiaries:
Astellas US Holding, Inc., Astellas US LLC,
Astellas Pharma US, Inc., Astellas Pharma Global Development, Inc.,
Astellas Institute for Regenerative Medicine,
Astellas US Technologies, Inc., Astellas B.V.,
Astellas Pharma Europe Ltd., Astellas Ireland Co., Limited,
Astellas Pharma 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: 8

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

(i) Changes in scope of consolidation
Additions: three companies (added due to acquisition of shares, etc.)
Deletions: one company (deleted due to liquidation)
(ii) Change in scope of application of equity method
Deletions: two companies (deleted due to change to consolidated subsidiaries, etc.)

(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" (hereinafter the "financial assets at FVTPL"), "held-to-maturity investments," "loans and receivables," or "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 the loans and receivables are written off against the allowance 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 date 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 the 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 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 methods.

During the business year under review, the Company and its domestic subsidiaries applied for approval to file tax returns on a consolidated basis under Japan’s consolidated taxation system. Their application was approved effective from the business year ending March 31, 2019. The Company has accordingly been applying deferred tax accounting treatment predicated on consolidated taxation since the business year under review.

2. Notes to Consolidated Statements of Financial Position

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

Trade and other receivables (non-current)	¥8,179 million
Trade and other receivables (current)	¥1,669 million
Other financial assets (non-current)	¥13 million

(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment: ¥283,414 million

(3) Contingent liabilities:
- Guaranteed obligations (guarantee for borrowings from financial institutions):
  Employees ¥343 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 2,068,823,175 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 19, 2017	Shares of common stock	35,120	17.00	March 31, 2017	June 20, 2017
Meeting of the Board of Directors held on October 31, 2017	Shares of common stock	36,552	18.00	September 30, 2017	December 1, 2017

(Notes) 1. The total amount of dividends based on the resolution at the Annual Shareholders Meeting held on June 19, 2017 includes ¥15 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 31, 2017 includes ¥23 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, 2018, but whose effective date is in the following business year are as follows:

Resolution	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 15, 2018	Shares of common stock	35,594	Retained earnings	18.00	March 31, 2018	June 18, 2018

(Note) The above amount of dividends includes ¥23 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 2,108,000 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 of 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: ¥641.80
(2) Basic earnings per share: ¥81.11

6. Other Notes

Notes to business combinations

Acquisition of Ganymed Pharmaceuticals AG

Ganymed Pharmaceuticals AG became a consolidated subsidiary of the Company on December 20, 2016, through acquisition of all shares of common stock in cash with contingent consideration to be paid when certain milestones are achieved in the future.
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 liabilities were each decreased by ¥6,829 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	272
Other intangible assets	86,033
Cash and cash equivalents	629
Other assets	1,103
Deferred tax liabilities	(18,852)
Other liabilities	(5,066)
Fair value of assets acquired and liabilities assumed (Net)	64,118
Goodwill	16,360
Total	80,478
Cash	51,544
Contingent consideration	28,934
Total fair value of purchase consideration transferred	80,478

Acquisition of Ogeda SA

(1) Outline of the business combination

(i) Name and business description of the acquiree:

Name of the acquiree: Ogeda SA

Business description: Development of small molecule drugs targeting G-protein coupled receptors (GPCR)

(ii) Acquisition date:

May 16, 2017

(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:

Ogeda SA ("Ogeda") is a formerly privately owned drug discovery company founded in 1994 and focuses on the discovery and development of small molecule drug candidates targeting GPCRs. Ogeda has fezolinetant in the clinical development stage. In addition, Ogeda has several small molecules targeting GPCRs in pre-clinical development in multiple therapeutic areas including inflammatory and autoimmune diseases. Through the acquisition, the Company will expand its late stage pipeline, thereby further solidifying its medium- to long-term growth prospects.

(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)
Property, plant and equipment	560
Other intangible assets	74,415
Cash and cash equivalents	519
Other assets	513
Deferred tax liabilities	(25,256)
Other liabilities	(1,883)
Fair value of assets acquired and liabilities assumed (Net)	48,868
Goodwill	26,145
Total	75,014
Cash	62,086
Contingent consideration	12,928
Total fair value of purchase consideration transferred	75,014

Certain items above reflect provisional fair values based on reasonable information obtained at the end of the business year as the purchase price allocation is incomplete.

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 fezolinetant, Ogeda's clinical program. Maximum potential future cash outflows associated with the contingent consideration total €300 million (¥39,156 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.

(4) Cash flow information

	(Millions of yen)
Total fair value of purchase consideration transferred	75,014
Fair value of contingent consideration included in purchase consideration transferred	(12,928)
Cash and cash equivalents held by the acquiree	(519)
Acquisition of subsidiaries, net of cash acquired	61,567

(5) Acquisition-related costs
Acquisition-related costs: ¥60 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: Immaterial.
(ii) Profit (loss) before tax of the combined entity for the business year ended March 31, 2018 assuming the acquisition date had been at the beginning of the business year (unaudited): Immaterial.

<u>Acquisition of Mitobridge, Inc.</u>

(1) Outline of the business combination
(i) Name and business description of the acquiree:

Name of the acquiree:	Mitobridge, Inc.
Business description:	Research and development in diseases associated with mitochondrial dysfunctions

(ii) Acquisition date:

January 23, 2018

(iii) Percentage of voting equity interests:

The Company had owned 26.4% of voting equity interests before the acquisition. As a result of the acquisition, the Company owns 100% of voting equity interests.

(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:

Mitobridge, Inc. ("Mitobridge") is a biotechnology company founded in 2011 and discovering and developing compounds that target mitochondrial function. These drug candidates have the potential to treat genetic, metabolic or neurodegenerative disorders as well as conditions of aging. The transaction accelerates the Company's research and development in diseases associated with mitochondrial dysfunctions and will enable the delivery of innovative new treatment options to patients.

(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)
Property, plant and equipment	71
Deferred tax assets	1,594
Cash and cash equivalents	27
Other assets	27
Other liabilities	(339)
Fair value of assets acquired and liabilities assumed (Net)	1,380
Goodwill	29,329
Total	30,708
Cash	17,951
Contingent consideration	7,048
Fair value of previously held equity interest in Mitobridge	5,709
Total fair value of purchase consideration transferred	30,708

Certain items above reflect provisional fair values based on reasonable information obtained at the end of the business year as the purchase price allocation is incomplete.

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

As a result of remeasurement of the Company's previously held equity interests in Mitobridge at fair value as of the acquisition date, the Company recognized a ¥5,877 million gain on remeasurement related to a business combination achieved in stages. This gain was included as a component of “other income” in the Company’s consolidated statement of income.

(3) Contingent consideration

The contingent consideration relates to certain milestones depending on the progress of various programs in clinical development. Maximum potential future cash outflows associated with the contingent consideration total 165 million U.S. dollars (17,582 million yen). 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.

(4) Cash flow information

	(Millions of yen)
Total fair value of purchase consideration transferred	30,708
Fair value of contingent consideration included in purchase consideration transferred	(7,048)
Fair value of previously held equity interest included in purchase consideration	(5,709)
Cash and cash equivalents held by the acquiree	(27)
Acquisition of subsidiaries, net of cash acquired	17,924

(5) Acquisition-related costs
Immaterial.

(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: Immaterial.
(ii) Profit (loss) before tax of the combined entity for the business year ended March 31, 2018 assuming the acquisition date had been at the beginning of the business year (unaudited): Immaterial.

Acquisition of Universal Cells, Inc.

(1) Outline of the business combination
(i) Name and business description of the acquiree:
Name of the acquiree: Universal Cells, Inc.
Business description: Research and development of stem cell therapies that overcome immune rejection

(ii) Acquisition date:
February 9, 2018

(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:

Universal Cells, Inc., a biotechnology company founded in 2013, which has a proprietary Universal Donor Cell technology to create cell therapy products that do not require Human Leukocyte Antigen (HLA) matching, potentially overcoming a huge treatment challenge by reducing the risk of rejection. The acquisition combines the Group's capability of establishing differentiated functional cells from pluripotent stem cells with Universal Cells' ability to produce pluripotent stem cells that have lower immunological rejection to further enable investigation of innovative cell therapy treatments for various diseases that currently have few or no treatment options.

(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)
Other intangible assets	6,485
Cash and cash equivalents	915
Other assets	82
Deferred tax liabilities	(1,354)
Other liabilities	(812)
Fair value of assets acquired and liabilities assumed (Net)	5,315
Goodwill	2,814
Total	8,130
Cash	5,148
Contingent consideration	2,982
Total fair value of purchase consideration transferred	8,130

Certain items above reflect provisional fair values based on reasonable information obtained at the end of the business year as the purchase price allocation is incomplete.

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 specified clinical milestones. Maximum potential future cash outflows associated with the contingent consideration total 38 million U.S. dollars (3,984 million yen). The fair value of the contingent consideration is calculated based on the success probability of the development program adjusted for the time value of money.

(4) Cash flow information

	(Millions of yen)
Total fair value of purchase consideration transferred	8,130
Fair value of contingent consideration included in purchase consideration transferred	(2,982)
Cash and cash equivalents held by the acquiree	(915)
Acquisition of subsidiaries, net of cash acquired	4,233

(5) Acquisition-related costs

Acquisition-related costs: ¥64 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: Immaterial.

(ii) Profit (loss) before tax of the combined entity for the business year ended March 31, 2018 assuming the acquisition date had been at the beginning of the business year (unaudited): Immaterial.

STATEMENT OF CHANGES IN NET ASSETS
(April 1, 2017 to March 31, 2018)

(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 special depreciation	Reserve for advanced depreciation of fixed assets	Retained earnings carried forward
Balance as of April 1, 2017	103,001	176,822	176,822	16,827	100	1,185	343,950
Change during the business year under review							
Reversal of reserve for special depreciation					(41)		41
Dividends of surplus							(71,672)
Net income							296,818
Acquisition of treasury shares							
Disposals of treasury shares							(338)
Cancellation of treasury shares							(132,150)
Net change of items other than shareholders' equity during the business year under review							
Total change during the business year under review	−	−	−	−	(41)	−	92,699
Balance as of March 31, 2018	103,001	176,822	176,822	16,827	59	1,185	436,649

(Millions of yen)

	Shareholders' equity			Valuation, translation adjustments and others		Subscription rights to shares	Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gains on securities	Total valuation, translation adjustments and others		
	Total retained earnings						
Balance as of April 1, 2017	362,061	(138,207)	503,676	9,149	9,149	1,784	514,609
Change during the business year under review							
Reversal of reserve for special depreciation	—		—				—
Dividends of surplus	(71,672)		(71,672)				(71,672)
Net income	296,818		296,818				296,818
Acquisition of treasury shares		(130,712)	(130,712)				(130,712)
Disposals of treasury shares	(338)	819	482				482
Cancellation of treasury shares	(132,150)	132,150	—				—
Net change of items other than shareholders' equity during the business year under review				3,162	3,162	(307)	2,855
Total change during the business year under review	92,659	2,257	94,915	3,162	3,162	(307)	97,770
Balance as of March 31, 2018	454,719	(135,951)	598,592	12,311	12,311	1,477	612,379

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 (straight-line method).

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.

(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.

(6) Application of consolidated taxation system

During the business year under review, the Company applied for approval to file tax returns on a consolidated basis under Japan's consolidated taxation system. Its application was approved effective from the business year ending March 31, 2019. The Company has accordingly been applying deferred tax accounting treatment predicated on consolidated taxation since the business year under review.

2. Notes to Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥130,975 million

(2) Contingent liabilities:

- Guaranteed obligations (guarantee for borrowings from financial institutions):
  Employees ¥343 million

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

Long-term receivables:	¥287 million
Short-term receivables:	¥102,220 million
Short-term payables:	¥403,103 million

3. Notes to Statements of Income

Volume of transaction with subsidiaries and affiliates:

Sales:	¥180,986 million
Purchases:	¥50,169 million
Non-operating transactions:	¥307,379 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 92,670,766 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:	¥1,759 million
Accrued retirement benefits for employees:	¥3,233 million
Property, plant and equipment:	¥2,641 million
Intangible fixed assets:	¥38,843 million
Accrued expenses:	¥4,241 million
Inventories:	¥17,185 million
Investment in subsidiaries and affiliates:	¥8,543 million
Other:	¥47,880 million
Subtotal:	¥124,325 million
Valuation allowance:	¥(15,333) million
Total:	¥108,992 million
Deferred tax liabilities:	
Investment securities:	¥(5,181) million
Prepaid pension cost:	¥(1,749) million
Property, plant and equipment:	¥(546) million
Other:	¥(611) million
Total:	¥(8,087) million
Net deferred tax assets:	¥100,906 million

6. Notes to Transaction with Related 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)
Subsidiary	Astellas B.V.	Direct ownership 100%	Borrowing of funds, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Borrowing of funds (Note 1)	185,220	Short-term loans payable	147,212
				Repayment of borrowed funds	299,613		
Subsidiary	Astellas US Holding, Inc.	Direct ownership 100%	Borrowing of funds, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Borrowing of funds (Note 1)	39,496	Short-term loans payable	164,672
Subsidiary	Ganymed Pharmaceuticals AG	Direct ownership 100%	Borrowing of funds, transfer of intellectual property, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Borrowing of funds (Note 1)	54,452	Short-term loans payable	54,699
				Transfer of intellectual property (Note 2)	64,124	–	–
Subsidiary	Astellas Pharma Europe Ltd.	Indirect ownership 100%	Sales of products, etc., receipt of royalties, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Sales of products, etc., receipt of royalties (Note 3)	64,547	Trade accounts receivable	36,648
Subsidiary (Note 4)	Mitobridge, Inc.	Direct ownership 100%	Consignment of research and development, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Acquisition of newly issued shares (Note 5)	17,951	–	–

Trade conditions and policy for determining transaction conditions:

(Notes) 1. Interest rates on the funds borrowed are reasonably determined based on market rates.

2. Transaction prices are set based on valuations obtained from external experts.

3. For sales of products, etc., and receipt of royalties, prices and royalty rates are set in light of market prices, among other factors.

4. The Company exercised an exclusive option right to wholly acquire Mitobridge, Inc., purchasing newly issued shares. The transaction converted Mitobridge, Inc. from an associate to a subsidiary.
5. The purchase price of newly issued shares was set through minor renegotiation of a previously agreed-upon price stipulated in the joint research and development collaboration agreement entered into before Mitobridge, Inc. became an associate.

7. Notes to Per-Share Data

(1)	Net asset per share:	¥309.14
(2)	Net income per share:	¥146.20