astellas
Leading Light for Life

Notice: This is a translation of a notice in Japanese and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

[Translation]

Notice of Convocation of the 11th Term Annual Shareholders Meeting

Date and Time:

10:00 a.m. on Monday, June 20, 2016
(Admission commences at: 9 a.m.)

Place:

"International Convention Center Pamir," Grand Prince Hotel New Takanawa

*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.

Matters to be resolved:

First Proposal: Appropriation of Retained Earnings

Second Proposal: Election of Six (6) Directors

Third Proposal: Election of Two (2) Audit & Supervisory Board Members

Fourth Proposal: Provision of Bonus to Directors

Table of Contents

Notice of Convocation of the 11th Term Annual Shareholders Meeting 01

Reference Documents for Shareholders Meeting 07

(Attachment)

Business Report 21

Consolidated Financial Statements and Financial Statements 66

Audit Report 76

Astellas Pharma Inc.
Securities Code: 4503

The Notice of Convocation

(Securities Code 4503)

May 27, 2016

To: Shareholders

Notice of Convocation of the 11th Term Annual Shareholders Meeting

Dear Madam/Sir:

You are hereby notified that the 11th 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 Friday, June 17, 2016.

Yours faithfully,

By: Yoshihiko Hatanaka
Representative Director,
President & CEO
Astellas Pharma Inc.
2-5-1, Nihonbashi-Honcho, Chuo-ku
Tokyo, Japan

Particulars

1. Date and Time: 10:00 a.m. on Monday, June 20, 2016
(Admission commences at 9:00 a.m.)

2. Place: "International Convention Center Pamir," Grand Prince Hotel New Takanawa
3-13-1 Takanawa, Minato-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.

3. Purpose:

Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements and Financial Statements for the 11th Term Business Year (from April 1, 2015 to March 31, 2016);
2. Report on the Results of Audit by Financial Auditors and the Audit & Supervisory Board for Consolidated Financial Statements for the 11th Term Business Year (from April 1, 2015 to March 31, 2016)

Matters to be resolved:

First Proposal: Appropriation of Retained Earnings
Second Proposal: Election of Six (6) Directors
Third Proposal: Election of Two (2) Audit & Supervisory Board Members
Fourth 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 Monday, June 20, 2016
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 Friday, June 17, 2016 (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 Friday, June 17, 2016 (completion of entry is required)
Please access to the Website for Exercise of Voting Rights at http://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
   - Consolidated Statements of Changes in Equity
   - Notes to Consolidated Financial Statements
   - Statements of Changes in Net Assets
   - Notes to Financial Statements

   *The original Notice of Convocation in Japanese does not include the items above while this English translation of the Notice of Convocation includes the items at pages 78 –102.

   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/ir/stock_bond/meeting.html

*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/en/ir/stock_bond/meeting.html

[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
http://www.web54.net

Deadline for Exercise: 5:00 p.m. on Friday, June 17, 2016 (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 has been working steadily towards continuous increasing corporate value and towards improving its return to shareholders through such increase of corporate value. While putting priority on business investment in order to realize future growth, the Company will strive to increase dividend payments stably and continuously, taking into consideration the dividend on equity attributable to owners of parent (DOE*) and other factors based on medium- to long-term profit growth on a consolidated basis. In addition, the Company will flexibly acquire its own shares aiming for further increase of capital efficiency and shareholder return.

As part of the appropriation of retained earnings for the business year under review, the Company intends to implement reversal of general reserves and reversal of reserve for retirement benefits for other purposes, in view of the projected capital policy for the years to come, and thereby the Company proposes the year-end dividend for the business year under review as follows. As a result, the Company's annual dividend is ¥32 per share, including the interim dividend of ¥16 per share.

*DOE = Dividend On Equity

1. Reversal of general reserve and reserve for retirement benefits
   (1) Decreased item of retained earnings and the amount thereof:
   General reserve: ¥365,970 million
   Reserve for retirement benefits: ¥900 million

   (2) Increased item of retained earnings and the amount thereof:
   Retained earnings carried forward: ¥366,870 million

2. Year-end dividend
   (1) Type of dividend assets:
   Cash

   (2) Matters concerning the allotment of dividend assets and the total amount thereof:
   ¥16 per share of common stock of the Company
   Total amount: ¥34,006,692,208

   (3) Date when the dividend of retained earnings takes effect:
   June 21, 2016 (Tuesday)

Second Proposal: Election of Six (6) Directors

The terms of office of Mr. Masafumi Nogimori, Mr. Yoshihiko Hatanaka, Mr. Yoshiro Miyokawa, Mr. Yutaka Kase, Mr. Hironobu Yasuda, Ms. Etsuko Okajima, and Dr. Yoshiharu Aizawa as Directors will expire at the close of this Annual Shareholders Meeting.

Therefore, it is proposed that six (6) Directors be elected.

The candidates for Directors 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, President & CEO
	2	Reelection		Yoshiro Miyokawa	Representative Director, Executive Vice President Corporate Administration and Compliance (CAO & CCO)
Non-executive	3	Reelection	Outside Director and Independent Director	Yutaka Kase	Director Chairman and Representative Director, Sojitz Corporation Outside Director, JAC Recruitment Co., Ltd.
	4	Reelection	Outside Director and Independent Director	Hironobu Yasuda	Director Partner, Seiryo Law Office Outside Director and Audit and Supervisory Committee Member, Remixpoint, Inc.
	5	Reelection	Outside Director and Independent Director	Etsuko Okajima	Director President and Representative Director, ProNova Inc. External Director, MARUI GROUP CO., LTD. External Director, SEPTENI HOLDINGS CO., LTD. Outside Director, Link and Motivation Inc.
	6	Reelection	Outside Director and Independent Director	Yoshiharu Aizawa	Director Professor Emeritus, Kitasato University

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 of Corporate Planning, Fujisawa Pharmaceutical Co., Ltd. April 2005: Vice President of Corporate Planning, Corporate Strategy Division of the Company June 2005: Corporate Executive and Vice President of Corporate Planning, Corporate Strategy of 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 of the Company Corporate Strategy and Corporate Finance (CFO & CSTO) June 2011: Representative Director, President & CEO of 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., in an aim to realize sustainable enhancement of the corporate value. 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.	16,700 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
2	Yoshiro Miyokawa (December 28, 1952) Reelection	April 1975: Joined the Company January 2003: Vice President of Business Process Reengineering of the Company April 2005: Vice President of Post Merger Integration Operation of the Company June 2005: Corporate Executive and Vice President of Post Merger Integration Operation of the Company September 2005: Corporate Executive and Vice President of Business Innovation of the Company April 2006: Corporate Executive and Vice President of Human Resource, Corporate Administration Division of the Company April 2007: Corporate Executive and Vice President of Human Resource of the Company April 2008: Corporate Executive of the Company, Corporate Administration (CAO) June 2008: Senior Corporate Executive of the Company, Corporate Administration (CAO) June 2011: Executive Vice President and Senior Corporate Executive of the Company, Corporate Administration (CAO) June 2013: Representative Director, Executive Vice President of the Company, Corporate Administration and Compliance (CAO & CCO) (present post) (Reasons for selection as a candidate for Director) Since his appointment as Representative Director, Executive Vice President of the Company in June 2013, he has been fulfilling his duties as Director and demonstrating strong leadership through leading the overall management, corporate administration, and compliance function, etc., in an aim to realize sustainable enhancement of the corporate value. 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.	22,345 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
3	Yutaka Kase (February 19, 1947) Candidate for Outside Director and Independent Director Reelection	May 1970: Joined Nissho Iwai Corporation June 2001: Executive Officer, Nissho Iwai Corporation April 2003: Managing Executive Officer and Director, Nissho Iwai Corporation April 2004: Senior Managing Executive Officer and Representative Director, Sojitz Corporation August 2004: Executive Vice President and Representative Director, Sojitz Corporation April 2007: President and Representative Director, Sojitz Corporation April 2012: Chairman and Representative Director, Sojitz Corporation (present post) June 2013: Director of the Company (present post) March 2016: Outside Director, JAC Recruitment Co., Ltd. (present post) (Status of significant concurrent positions at other organizations) Chairman and Representative Director, Sojitz Corporation Outside Director, JAC Recruitment Co., Ltd. (Number of years as an outside Director) Three (3) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 15/15 meetings (100%) (Reasons for selection as a candidate for outside Director) He has been engaged in corporate management as a business manager of a general trading company, and has abundant global experience and extensive insight. Since June 2013, he has been playing a key role in the management of the Company from an independent standpoint as an outside Director. The Company believes that he is able to leverage his abundant experience of corporate management to the management of the Company in the future as well, and therefore requests his election as outside Director.	0 share

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
4	Hironobu Yasuda (December 13, 1950) Candidate for Outside Director and Independent Director Reelection	April 1978: Public Prosecutor, Tokyo District Public Prosecutors Office April 2004: Public Prosecutor, Tokyo High Public Prosecutors Office January 2005: Chief Appeals Judge (Director of Tokyo Regional Tax Tribunal) January 2009: Chief Prosecutor, Yamaguchi District Public Prosecutors Office June 2010: Public Prosecutor, Supreme Public Prosecutors Office October 2010: Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association) January 2012: Partner, Seiryo Law Office (present post) June 2013: Director of the Company (present post) June 2015: Outside Director and Audit and Supervisory Committee Member, Remixpoint, Inc. (present post) (Status of significant concurrent positions at other organizations) Partner, Seiryo Law Office Outside Director and Audit and Supervisory Committee Member, Remixpoint, Inc. (Number of years as an outside Director) Three (3) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 15/15 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) After successively holding important posts such as Public Prosecutor at the Supreme Public Prosecutors Office, he has been engaged in corporate legal affairs as an attorney-at-law, and has abundant expertise and experience. Since June 2013, he has been playing a key role in the management of the Company from an independent standpoint as an outside Director. The Company believes 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 share

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
5	Etsuko Okajima (May 16, 1966) Candidate for Outside Director and Independent Director Reelection	April 1989: Joined Mitsubishi Corporation January 2001: Joined McKinsey & Company, Inc., Japan March 2002: Joined GLOBIS Management Bank, Inc. July 2004: Executive Officer, GLOBIS Corporation July 2005: President and Representative Director, GLOBIS Management Bank, Inc. June 2007: Established ProNova Inc. President and Representative Director, ProNova Inc. (present post) June 2014: Director of the Company (present post) June 2014: External Director, MARUI GROUP CO., LTD. (present post) December 2015: External Director, SEPTENI HOLDINGS CO., LTD. (present post) March 2016: Outside Director, Link and Motivation Inc. (present post) (Status of significant concurrent positions at other organizations) President and Representative Director, ProNova Inc. External Director, MARUI GROUP CO., LTD. External Director, SEPTENI HOLDINGS CO., LTD. Outside Director, Link and Motivation Inc. (Number of years as an outside Director) Two (2) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 15/15 meetings (100%) (Reasons for selection as a candidate for outside Director) She has been engaged in corporate management as a business manager of a human resources consulting company, and has abundant management experience and extensive insight. Since June 2014, she has been playing a key role in the management of the Company from an independent standpoint as an outside Director. The Company believes that she is able to leverage her abundant experience in corporate management to the management of the Company in the future as well, and therefore requests her election as outside Director.	0 share

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
6	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 of the Company (present post) (Status of significant concurrent positions at other organizations) Professor Emeritus, Kitasato University (Number of years as an outside Director) One (1) year at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 12/12 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 medical treatment for over the 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 in the management of the Company from an independent standpoint as an outside Director. The Company believes 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 share

(Notes) 1. The candidate for outside Director Ms. Etsuko Okajima is registered by the name of Etsuko Mino in her family register.

2. Each candidate has no special interest in the Company.

3. Mr. Yutaka Kase, Mr. Hironobu Yasuda, Ms. Etsuko Okajima, and Dr. Yoshiharu Aizawa are candidates for outside Director and satisfy 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. 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 19-20.

4. 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 re-election of Mr. Yutaka Kase, Mr. Hironobu Yasuda, Ms. Etsuko Okajima, and Dr. Yoshiharu Aizawa is approved, the Company will maintain the agreements to limit their respective liabilities.

Third Proposal: Election of Two (2) Audit & Supervisory Board Members

The terms of office of Mr. Shigeru Nishiyama as Audit & Supervisory Board Member will expire at the close of this Annual Shareholders Meeting, and Mr. Go Otani will resign as Audit & Supervisory Board Member at the close of this Annual Shareholders Meeting. Therefore, it is proposed that two (2) Audit & Supervisory Board Members be elected. This proposal has been approved by the Audit & Supervisory Board.

The candidates for Audit & Supervisory Board Members are as follows:

Candidate No.	Name (Date of birth)	Resume and position at the Company	Number of shares of the Company owned
1	Hiroko Sakai (October 8, 1960) New Candidate	April 1983: Joined the Company April 2012: Vice President of Clinical and Research Quality Assurance, QA, RA and Pharmacovigilance of the Company April 2014: Vice President of Clinical and Research Quality Assurance of the Company April 2016: Assistant to President & CEO of the Company (present post) (Reasons for selection as a candidate for Audit & Supervisory Board Member) She has been engaged in research and development over the years since joining the Company, and has abundant business experience. She has also worked at the Company's subsidiaries in Europe and the U.S., and is therefore well familiar with global business operation. Since April 2012, she has led the Company's clinical and research quality assurance function as Vice President of Clinical and Research Quality Assurance. The Company believes that she is able to leverage her abundant knowledge and experience concerning the Company's business operations and contribute to the enhancement of corporate value of the Company through audits. Therefore, the Company requests her election as a new Audit & Supervisory Board Member.	0 share

Candidate No.	Name (Date of birth)	Resume and position at the Company	Number of shares of the Company owned
2	Noriyuki Uematsu (June 24, 1960) Candidate for Outside Audit & Supervisory Board Member and Independent Audit & Supervisory Board Member New Candidate	March 1985: Joined Tohmatsu･Aoki Audit Corporation June 1997: Joined Deloitte Tohmatsu Consulting Co., Ltd. (currently ABeam Consulting Ltd.) June 1999: Global Partner for manufacturing industry and Managing Director in Kyushu area, Deloitte Tohmatsu Consulting Co., Ltd. (currently 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) June 2012: Outside Audit & Supervisory Board Member, NJK Corporation (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) (Status of significant concurrent positions at other organizations) Managing Director, Uematsu & Co. President & Representative Director, SU Consultant Co. Ltd Outside Audit & Supervisory Board Member, NJK Corporation Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd. (Reasons for selection as a candidate for outside Audit & Supervisory Board 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. The Company believes that he is able to leverage his abundant specialized knowledge and experience to the audit of the Company from an independent standpoint, and therefore requests his election as a new outside Audit & Supervisory Board Member.	0 share

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

2. Mr. Noriyuki Uematsu is a candidate for outside Audit & Supervisory Board Member and satisfies the required conditions for independent auditor stipulated by Tokyo Stock Exchange, Inc., and the Company's independence standards for outside Directors and outside Audit & Supervisory Board Members. Thus he is registered as independent audit & supervisory board member with the stock exchange. The Company's independence standards for outside Directors and outside Audit & Supervisory Board Members is described on pages 19-20.

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. The Company has entered into the agreement with all of the outside Audit & Supervisory Board Members.If the election of Mr. Noriyuki Uematsu is approved, the Company will enter into the same agreement to limit his liability.

Fourth Proposal: Provision of Bonus to Directors

Taking into consideration the consolidated business results and other things, the Company proposes that the bonus in the amount of ¥248,935,000 be paid to three (3) Directors as a group (except 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, 2015 to March 31, 2016)

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, 2015 to March 31, 2016, hereinafter it may be also referred to as "FY2015"), 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 FY2015 are shown in the table below. Sales, core operating profit and core profit for the year increased.

Consolidated financial results (core basis)

	Business results of the business year under review (FY2015)	Fluctuation from the previous business year (increase/decrease ratio)
Sales	¥1,372.7 billion	¥125.4 billion increase (10.1% increase)
Core operating profit	¥267.5 billion	¥51.0 billion increase (23.5% increase)
Core profit for the year	¥198.8 billion	¥45.6 billion increase (29.7% increase)

The exchange rates for the yen in FY2015 are shown in the table below. The resulting impacts were a ¥26.1 billion increase in sales and a ¥9.5 billion increase in core operating profit compared with if the exchange rates of the previous business year (hereinafter it may be also referred to as "FY2014") were applied.

Exchange rate

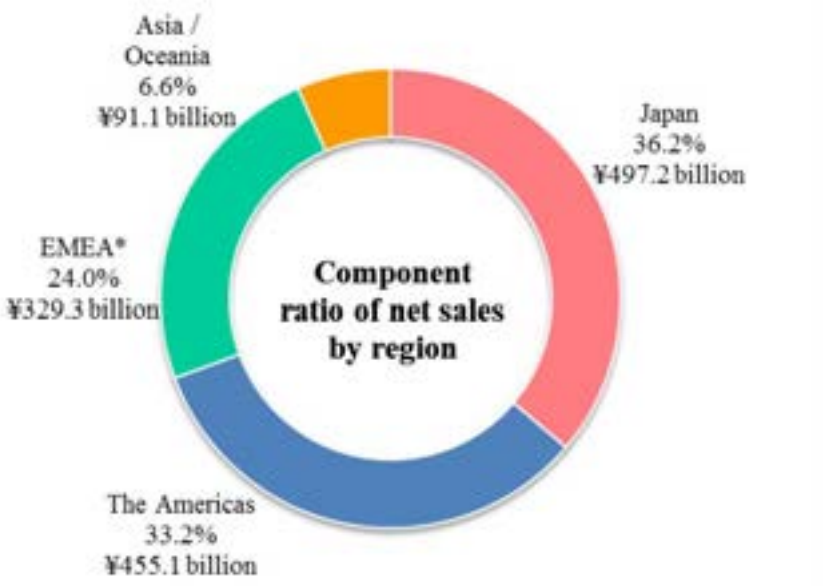
Average rate	FY2014	**FY2015**	Fluctuation
US$/¥	¥110	**¥120**	¥10 (Weakening of yen)
€/¥	¥139	**¥133**	¥6 (Strengthening of yen)

Change from beginning to end of the business year	FY2014	**FY2015**
US$/¥	¥17 (Weakening of yen)	**¥7 (Strengthening of yen)**
€/¥	¥11 (Strengthening of yen)	**¥3 (Strengthening of yen)**

(i) Sales

Consolidated sales increased by 10.1% compared to the previous business year ("year-on-year"), to ¥1,372.7 billion.

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



* Europe, the Middle East and Africa

Sales by region

* Sales by region calculated according to locations of sellers.

Sales in Japan decreased by 0.3% year-on-year to ¥497.2 billion.

Sales in the Japanese market increased by 0.3% year-on-year to ¥483.0 billion.

- There was growth in sales of products including XTANDI, Vesicare and Betanis, Prograf, the anti-inflammatory and anti-pain drug Celecox, Symbicort for the treatment of bronchial asthma, Suglat for the treatment of type 2 diabetes and Micardis for the treatment of hypertension.

- On the other hand, sales of products, including Lipitor for the treatment of hypercholesterolemia and Gaster for the treatment of peptic ulcer and gastritis, declined mainly due to the impact of generics.

Sales in the Americas increased by 26.1% year-on-year to ¥455.1 billion.

Sales on a local currency basis increased by 15.4% year-on-year to US$3,788 million.

- In addition to the sales of XTANDI, overall sales of OAB treatments VESIcare and Myrbetriq grew.
- Sales of the pharmacologic stress agent Lexiscan increased, and newly released antifungal CRESEMBA for treatment of invasive aspergillosis and mucormycosis contributed to increased sales.

Sales in EMEA* increased by 5.1% year-on-year to ¥329.3 billion.

Sales on a local currency basis increased by 10.0% year-on-year to €2,484 million.

- In addition to XTANDI and overall OAB treatments Vesicare and BETMIGA, sales of Prograf and others grew.

* EMEA: Europe, the Middle East and Africa.

Sales in Asia and Oceania increased by 22.8% year-on-year to ¥91.1 billion.

- Products such as Prograf and Harnal for the treatment of functional symptoms of benign prostatic hyperplasia showed growth in sales.
- In addition, XTANDI and overall OAB treatments Vesicare and BETMIGA contributed to increased sales.

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

Core operating profit increased by 23.5% year-on-year to ¥267.5 billion.
Core profit for the year increased by 29.7% year-on-year to ¥198.8 billion.

- The increase in sales and a decrease in the cost-to-sales ratio resulted in a gross profit of ¥1,037.1 billion, increased by 13.5% year-on-year. The cost-to-sales ratio decreased by 2.3 percentage points year-on-year to 24.4%, owing to changes in the product mix and other factors.

- Selling, general and administrative expenses increased by 10.6% year-on-year to ¥500.4 billion due to increased co-promotion fee of XTANDI in the US, the foreign exchange rate impact etc.

- R&D expenses were ¥225.7 billion, increased by 9.2% year-on-year due to increased expenses related to progress of development projects, the foreign exchange rate impact etc. The R&D cost-to-sales ratio was 16.4%.

- Amortisations of intangible assets was ¥42.4 billion, increased by 9.6% year-on-year.





<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in FY2015 are shown in the table below. Sales, operating profit, profit before tax and profit for the year increased.

Items totaling of ¥20.2 billion, including impairment losses for property, plant and equipment, and net foreign exchange losses, which are not included in a core basis, were recorded in "other expense." In addition, gain on sales of available-for-sale financial assets of ¥12.3 billion was recorded in "finance income." "Other expense" and gain on sales of available-for-sale financial assets in the previous business year were ¥43.3 billion and ¥5.1 billion, respectively.

Comprehensive income decreased.

Consolidated financial results (full basis)

	Business results of the business year under review (FY2015)	Fluctuation year-on-year (increase/decrease ratio)
Sales	¥1,372.7 billion	¥125.4 billion increase (10.1% increase)
Operating profit	¥249.0 billion	¥63.3 billion increase (34.1% increase)
Profit before tax	¥261.8 billion	¥72.1 billion increase (38.0% increase)
Profit for the year	¥193.7 billion	¥57.8 billion increase (42.6% increase)
Comprehensive income	¥130.9 billion	¥38.6 billion decrease (22.8% decrease)

2) R&D and other activities

The Company has been pursuing initiatives geared towards achieving sustainable growth over the mid- to long-term, and in May 2015 accordingly released its three-year Strategic Plan 2015–2017 which sets forth three main strategies geared toward: "Maximizing the Product Value", "Creating Innovation" and "Pursuing Operational Excellence."

The following are the main initiatives taken in FY2015.

(i) Initiatives for maximizing the product value

We have been taking steps toward maximizing the Company's OAB franchise comprised of Vesicare and Betanis/Myrbetriq/BETMIGA, and also maximizing its oncology franchise centered on XTANDI. We also obtained approval for new products, including the aforementioned in various countries and launched sales of such products.

In January 2016, we have extended the term of the agreement with Nippon Boehringer Ingelheim Co., Ltd. pertaining to the sale and co-promotion in Japan for Micardis family such as Micardis and Micamlo for one year and three month until March 31, 2018.

(ii) Initiatives for creating innovation

With respect to our strategy of creating innovation, we have been further enhancing our capabilities to deliver innovative medicine while actively advancing into new opportunities.

In February 2016, we acquired Ocata Therapeutics, Inc.* (US), a biotechnology company focused on the research and development of cell therapy for ophthalmology, and made it a consolidated subsidiary of the Company. Going forward, we will strive to create new value, combining Ocata's capability of cell generation for therapy with our R&D platform.

*The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.

In addition, we are actively taking advantage of collaboration with external partners with the aim of acquiring innovation. The following are the major alliances made during FY2015.

- In April 2015, the Company announced the signing a memorandum of understanding with MSD K.K. for co-development and co-commercialization of combination product of Suglat (generic name: ipragliflozin L-proline) and selective DPP-4 inhibitor JANUVIA (generic name: sitagliptin phosphate hydrate), for the treatment of type 2 diabetes, in Japan.

- In April 2015, the Company entered into an option agreement with The University of Texas MD Anderson Cancer Center (US) regarding research and development of a monoclonal antibody drug for patients with acute myeloid leukemia.

- In April 2015, the Company entered into an agreement with Potenza Therapeutics, Inc. (US), a biotechnology company developing a portfolio of immuno-oncology programs, for exclusive research and development collaboration geared towards building a portfolio of immuno-oncology therapeutics. The agreement includes an option for the future acquisition of Potenza by the Company.

- In May 2015, Kanyos Bio, Inc. (US) was established with the aim of creating therapeutic drugs for treating type 1 diabetes and celiac disease, based on technology for the induction of antigen-specific immune tolerance owned by Anokion SA (Switzerland), and entered into an agreement with Kanyos for research collaboration focused on the discovery of said therapeutic drugs, which includes option for the future acquisition of Kanyos by the Company.

- In July 2015, the Company initiated collaborative research with the National Institute of Advanced Industrial Science and Technology (AIST), utilizing Astellas' own protein-ligand complex structural information and AIST's highly advanced IT drug-discovery technologies.

- In September 2015, the Company entered into a license and collaboration agreement with Chromocell Corporation (US) for the development and commercialization of new therapeutics to treat neuropathic pain and other pain conditions.

- In October 2015, the Company entered into an exclusive worldwide agreement with Immunomic Therapeutics, Inc. (US) for the LAMP-vax products for the treatment or prevention of wide-range of allergic diseases in humans.

- In December 2015, Agensys, Inc. (Agensys), a subsidiary of the Company, entered into a global license agreement with Bellicum Pharmaceuticals, Inc. (US), granting

Bellicum rights to develop and commercialize adoptive cell therapies, including CAR-T cells, using Prostate Stem Cell Antigen (PSCA) developed by Agensys.

- In January 2016, the Company entered into a license agreement with CLINO Ltd. for the worldwide development and commercialization of a gene therapy, Adeno-associated Virus-modified Volvox channelrhodopsin-1 (AAV-mVChR1) to treat retinitis pigmentosa.

- In March 2016, the Company and Mitsubishi Tanabe Pharma Corporation concluded an agreement for sharing their respective approximately 250,000 compounds selected from their respective compound libraries aiming to further accelerate drug discovery researches of innovative new drugs.

With respect to clinical development, we have been accelerating the speed by concentrating management resources on high-priority projects. The following are the main development advances made during FY2015.

(Global Development project)

- With respect to OAB treatments Vesicare (generic name: solifenacin succinate), the Company submitted an application for approval in Europe in September 2015 for the indication of overactive bladder in pediatric patients of 5-18 years.

- With respect to prostate cancer treatment XTANDI (generic name: enzalutamide) tablets, the Company submitted applications for approval in the US in February 2016 and in Europe in March 2016, respectively.

(Local Development projects by region)
(Japan)

- With respect to Irribow (generic name: ramosetron hydrochloride) for the treatment of diarrhea-predominant irritable bowel syndrome, the Company obtained approval in May 2015 for the additional indication of diarrhea-predominant irritable bowel syndrome in females, allowing the use of the product for female patients as well as male patients.

- With respect to Cimzia (generic name: certolizumab pegol) for the treatment of adult patients with rheumatoid arthritis, the Company obtained approval in May 2015 for the additional indication which allows the use of the product for rheumatoid arthritis* in patients without previous treatment with anti-rheumatic drugs.

  * Although Cimzia can be used to patients with high risk of progression of structural damage even they have not received prior treatment with anti-rheumatic drugs, evaluation of patient's conditions and judgment on the necessity for use of this agent needs to be made carefully, after referring to recent guidelines and so on.

- With respect to Kiklin (generic name: bixalomer) for the treatment of hyperphosphatemia, the Company submitted an application for approval in September 2015 for granule formulation.

- With respect to Repatha (generic name: evolocumab), a PCSK9-inhibitor, Amgen Astellas BioPharma KK, which is co-developing the drug with the Company, obtained approval in January 2016 for the indication of familial hypercholesterolemia (FH) and hypercholesterolemia*.

  * Approved indication: Familial Hypercholesterolemia, Hypercholesterolemia. Only when patients who have high risk in cardiovascular events and do not adequately respond to HMG-CoA Reductase Inhibitors.
  * The notice of official guidance of points for consideration regarding the use of Repatha under the coverage of National Health Insurance is issued by Medical Economics Division, Health Insurance Bureau,, Ministry of Health, Labour and Welfare (Notice 0419 No.1, April 19, 2016) .

- In February 2016, the Company submitted a new drug application for a guanylate cyclase-C (GC-C) receptor agonist, linaclotide (generic name and development code: ASP0456) for the indication of the irritable bowel syndrome with constipation (IBS-C) in adults.

- With respect to Kiklin (generic name: bixalomer) for the treatment of hyperphosphatemia, the Company obtained approval in February 2016 for the additional indication which allows the use of the product for patients suffering from chronic kidney disease who are not receiving dialysis as well as those on dialysis.

(EMEA*)

*Europe, Middle East and Africa.

- With respect to Qutenza (generic name: capsaicin) for the treatment of peripheral neuropathic pain, the Company obtained approval in August 2015 for the additional indication which allows the use of the product for patients suffering diabetic peripheral neuropathic pain as well as those with non-diabetic peripheral neuropathic pain.

(iii) Initiatives for pursuing operational excellence

We have 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 taken in FY2015.

(Continually enhance organization structure)

- In July 2015, the Company established the Real World Informatics and Analytics (RWI) function in the aim of making available the big data that was previously deployed in the respective functions or departments, and concentrating this capability as a single dedicated function, in order to maximize big data utilization in the Company.

- The Company changed the Sales (Medical Representative (MR)) structure in Japan as of October 1, 2015 to enable MR to provide medical information more appropriately based on the flow of patient treatment by each region and by each individual medical institution. The previous product specific representative system categorized by therapeutic area was changed to a system in which each MR, in

principle, provide information on all products of Astellas. A therapeutic area specialist was newly introduced in three therapeutic areas (oncology, immunology and transplantation).

(Optimal reallocation of resources)

- In October 2015, the Company succeeded to Maruishi Pharmaceutical Co., Ltd. of the manufacturing and marketing approval for suxamethonium muscle relaxant which the Company manufactured and marketed in Japan.

- In October 2015, the Company entered into an agreement with MicroBiopharm Japan Co., Ltd. (MBJ), under which the business of Kiyosu Plant (Aichi Prefecture), a manufacturing site, is transferred to MBJ. In April 2016, the business of Kiyosu plant was transferred to MBJ.

- In FY2015, the Company entered into an agreement with TOA EIYO LTD. (TOA EIYO), under which the manufacturing and marketing approval for Cibenol for the treatment of arrhythmia which the Company manufactured and marketed in Japan is succeeded to TOA EIYO. In April 2016, the Company succeeded the manufacturing and marketing approval to TOA EIYO.

- In November 2015, the Company entered into an Asset Purchase Agreement, under which Astellas transfers its global dermatology business to LEO Pharma A/S (Denmark). In April 2016, the Company transferred the said business to LEO Pharma A/S.

- In January 2016, a Malaysia-based subsidiary, Astellas Pharma Malaysia Sdn. Bhd. was established in Malaysia, and it began operation in April 2016. In addition, an umbrella organization that is responsible for overseeing operations of five sales subsidiaries in the South East and South Asia regions (SESA Umbrella Organization) was established and began operation in April 2016. These were carried out aiming for increasing both the quality and efficiency of operations in the South East and South Asia regions.

3) Present state of CSR initiatives

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 maitaining the value of society as well as Astellas. There are issues in the current healthcare around the world, in which necessary medical treatment is inaccessible due to the lack of available treatments, poverty, healthcare system challenges and insufficient healthcare information. As part of our specific CSR activities, the Company recognizes these problems as "Access to Health" issues and engages in initiatives which help facilitate Access to Health such as joint drug discovery research on Neglected Tropical Diseases (NTDs).

(2) Changes in Assets and Income and Loss:

Items	8th term business year (FY2012)	9th term business year (FY2013)	10th term business year (FY2014) (Previous business year)	11th term business year (FY2015) (Business year under review)
Sales	¥981.9 bil.	¥1,139.9 bil.	¥1,247.3 bil.	¥1,372.7 bil.
Operating profit	¥121.6 bil.	¥116.8 bil.	¥185.7 bil.	¥249.0 bil.
Profit before tax	¥127.1 bil.	¥122.0 bil.	¥189.7 bil.	¥261.8 bil.
Profit for the year	¥92.5 bil.	¥90.9 bil.	¥135.9 bil.	¥193.7 bil.
Basic earnings per share	¥40.27	¥40.45	¥61.50	¥89.75
Attributable to owners of the parent (ROE)	8.0%	7.4%	10.5%	15.0%
Total assets	¥1,565.3 bil.	¥1,653.1 bil.	¥1,793.6 bil.	¥1,799.3 bil.
Equity attributable to owners of the parent	¥1,174.6 bil.	¥1,268.5 bil.	¥1,317.9 bil.	¥1,259.2 bil.
R&D expenses	¥159.1 bil.	¥191.5 bil.	¥206.6 bil.	¥225.7 bil.
R&D cost-to-sales ratio	16.2%	16.8%	16.6%	16.4%

(Notes) 1. Starting in the 9th term, 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 Regulations.
2. The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014. Basic earnings per share is calculated assuming that the stock split was conducted at the beginning of the 8th term. 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 hundredths (4/100) or less and rounding up five hundredths (5/100) or more.
3. ROE=Return On Equity

(3) Capital Expenditures

During the business year under review, the Astellas Group implemented augmentation of production equipment (including the construction of the new formulation facilities at the Yaizu Technology Center of Astellas Pharma Tech Co., Ltd., a production subsidiary of the Company) and reshaping of the research bases.

<Capital Expenditures>

10th term business year (Previous business year)	11th term business year (Business year under review)	Fluctuation year-on-year (increase/decrease ratio)
¥30.6 billion	¥34.0 billion	¥3.4 billion increase (11.2% increase)

(4) Financing of the Astellas Group

Nothing special to be described herein exists.

(5) Issues to be Addressed by the Astellas Group

In the Astellas Group, the Company's VISION indicates where it needs to create value and what kind of action it should take in order to continue realizing further growth over the long term. 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."

The environment surrounding healthcare 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. With scientific and technological advances, the application of new treatment modalities and drug discovery technologies is advancing, while governments have been establishing regulatory systems for review of innovative drugs.

The Company views these changes in the environment as opportunities to pursue, and will keep trying to create innovative medicines and medical solutions that utilize the Company's strengths.

1) Initiatives to build resilience for sustainable growth

The Company has organized the strategies aiming to ensure its sustainable growth over the medium- to long-term as the three-year "Strategic Plan 2015-2017," covering the period from the business year ending March 31, 2016 to the business year ending March 31, 2018. In order to overcome the impact of the patent expiry for the major products between 2018 and 2020 and to realize further sustainable growth over the long-term, the Company continues to focus on three main strategies: "Maximizing the Product Value," "Creating Innovation," and "Pursuing Operational Excellence."

(i) Maximizing the product value

In order to realize sustainable growth during and after the period of the aforementioned strategic plan and to reinforce the Company's earnings base, the Company will make efforts to maximize the value of the products that have been realized through our investments to date.

- While focusing on the Company's growth driver, XTANDI and the OAB franchise comprised of Vesicare and Betanis/Myrbetriq/BETMIGA, with the aim of maximizing the value of the products, the Company keeps focusing on the transplantation area, the Company's important earnings base.

- The Company focuses on implementation of sales strategies tailored to each region's situation, giving priority to the allocation of management resources to new and growth products.

(ii) Creating innovation

The Company will continue to work on making necessary and adequate investments for

active acquisition of cutting-edge science with the aim for creating innovation which would become the wellspring of growth over the long term.

(Enhancing capabilities to deliver innovative medicines)

- In the drug discovery research, the Company will undertake dynamic research activities through the network type research framework using the resources of inside and outside the Company, aiming for appointing optimal personnel and researchers from both inside and outside the Company in the optimal environments based on the world's most innovative science.

- Through the promotion of diversification of R&D processes and the efforts on optimal management resource allocation, the Company aims to create innovative drugs efficiently.

(Advancing into new opportunities)

- In addition to the existing focus therapeutic areas, urology, oncology, immunology, nephrology and neuroscience, the Company will actively take on challenges in new therapeutic areas, muscle disease and ophthalmology, as well as new technologies and modalities including next-generation vaccines and cell therapies. While utilizing alliance opportunities with external partners that have strong expertise, the Company will strive to achieve long-term growth through investments in new innovation.

(iii) Pursuing operational excellence

The Company pursues operational excellence with the aim of developing and strengthening a business and operation foundation to enhance its ability for corresponding to the rapidly changing business environment. In anticipation of such changes, the Company is working on various initiatives from a number of perspectives, such as "Optimal allocation of resources", "Effective utilization of external resources," "Continual enhancement of organization structure," "Strengthening core capabilities," and "Active response to various regulations and societal standard."

The Company will strive to strengthen corporate disclosure system, including improvements of clinical trial data transparency, in addition to measures to further improve on the reliability of its products. Furthermore, the Company will work on cost optimization considering how to maximize cost-effectiveness while considering how to raise the quality of its operation.

2) Policy of returns to shareholders

The Company has been working steadily towards continuous increasing corporate value and towards improving its return to shareholders through such increase of corporate value. While putting priority on business investment in order to realize future growth, the Company will strive to increase dividend payments stably and continuously, taking into consideration the dividend on equity attributable to owners of parent (DOE) and other factors based on medium- to long-term profit growth on a consolidated basis. Further, the Company will flexibly acquire its own shares aiming for further increase of capital efficiency and shareholder return.

3) Strengthening of Global Management Structure

The Astellas Group has established a management structure, 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 decision-making on significant issues in global management of the Astellas Group, and the Japan Management Committee, chaired by the Representative Director, Executive Vice President as a body for decision-making on significant corporate governance issues of the Company and its affiliates in Japan, have been set up.

- In order to build an optimal management system capable of speedy and precise 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 Technology based on their respective functions from a global viewpoint, while the Sales & Marketing Division is managed on a local basis.

- In April 2015, Global Marketing Strategy, which was formerly under the control of Product & Portfolio Strategy, was changed to be placed directly under the Representative Director, President & CEO. Global Business Development was reorganized and the functions of license-in/out of products and identifying and negotiating business partnerships were concentrated in Business Development of the Company. In addition, in terms of major IT functions of Japan, United States and Europe, a global system has been put in place which reports to Information Systems of the Company.

- In order to further enhance global compliance, Ethics & Compliance was established in April 2016, under a global compliance structure wherein Ethics & Compliance in each region (Japan, the Americas, Europe, the Middle East and Africa, and Asia and Oceania) report to the Head of Ethics & Compliance. Furthermore, appointments of persons responsible for compliance are under way on a global scale in an effort to promote the enhancement of the compliance structure.

- We have established the CSR Committee that discusses policies and plans of important activities for the purpose of fulfilling our social responsibilities (such as issues on environment, safety and health, and social contribution activities) and the Global

Compliance Committee that discusses global compliance policies and plans. In addition, in April 2015, we established the Global Risk Management Office, as part of the global risk management system, while abolishing the IR Committee and establishing the Corporate Disclosure Committee, which discusses policies etc. relating to the disclosure of corporate information.

<Group Management Structure>

(As of April 1, 2016)

Top Management/ Standing Members of the Executive Committee		Department in-charge/Function
Representative Director, President & CEO	Yoshihiko Hatanaka	Japan Sales & Marketing, Asia/Oceania Business, Americas Operations, EMEA Operations, Drug Discovery Research, Technology, Marketing Strategy, Internal Auditing, Ocata Therapeutics, Inc.*
Representative Director, Executive Vice President	Yoshiro Miyokawa	External Relations, General Affairs, Human Resources, Legal, Ethics & Compliance, Executive Office
Chief Financial Officer	Yasumasa Masuda	Corporate Finance & Control, Accounting & Tax, Corporate Communications, Procurement, Information Systems
Chief Strategy Officer	Kenji Yasukawa	Corporate Planning, Healthcare Policy & CSR, Product and Portfolio Strategy, Business Development, Innovation Management, Evolving Medical Solutions, Intellectual Property, Real World Informatics and Analytics
Chief Medical Officer	Sef Kurstjens	Development, Medical Affairs, Pharmacovigilance, Regulatory Affairs, Clinical and Research Quality Assurance, Quality Assurance

* The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.

Extended Members of the Executive Committee	
President, Japan Sales & Marketing	Yukihiko Sato
President, Asia/Oceania Business	Masatoshi Kuroda
President , Americas Operations	James Robinson
President, EMEA Operations	Yukio Matsui
President, Drug Discovery Research	Wataru Uchida
President, Technology	Mitsunori Matsuda
President, Development	Bernie Zeiher

(6) Principal Business (as of March 31, 2016)

Research, development, manufacture and sale of pharmaceuticals

(7) Principal Offices and Plants (as of March 31, 2016)

	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), Kashima Office (Osaka), Kyoto Suzaku Office* (Kyoto)
	Manufacturing*	Takahagi Technology Center (Ibaraki Prefecture), Toyama Technology Center (Toyama Prefecture), Yaizu Technology Center (Shizuoka Prefecture), Kiyosu Plant (Aichi Prefecture), Takaoka Plant (Toyama Prefecture), Nishine Plant (Iwate Prefecture)
Overseas	Sales & Marketing*	The Americas: United States, Canada and Brazil EMEA**: Germany, France, United Kingdom, Russia, Spain, and other countries Asia/Oceania: The People's Republic of China, Korea, Taiwan, and other countries
	Research & Development*	United States, The Netherlands
	Manufacturing*	United States, Ireland, The Netherlands, The People's Republic of China

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

(Notes) 1. Research function of Kashima Office (Osaka) was transferred to Tsukuba Research Center (Ibaraki Prefecture) and Kyoto Suzaku Office (Kyoto) in FY2015.

2. As of April 1, 2016, the business of Kiyosu Plant (Aichi Prefecture), one of the manufacturing site of the Company, was transferred to MicroBiopharm Japan Co., Ltd.

(8) Principal Subsidiaries (as of March 31, 2016)

1) Principal subsidiaries

Name of subsidiary	Share capital	Percentage of voting rights (%)	Outline of business
Astellas US LLC	US$ –	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 100	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-five (85) 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 October 2015, the Company entered into an agreement with MicroBiopharm Japan Co., Ltd. (MBJ), under which the business of Kiyosu Plant (Aichi Prefecture), the manufacturing site, is transferred to MBJ. In April 2016, the business of Kiyosu plant was transferred to MBJ.

- In November 2015, the Company entered into an agreement with Ocata Therapeutics, Inc.* (US), a biotechnology company focused on cell therapy in the area of ophthalmology, under which the Company acquires Ocata Therapeutics, Inc. Based on the agreement, the Company carried out a tender offer to purchase issued shares of common stock of Ocata Therapeutics, Inc. for a purchase price of US$8.50 per share. The acquisition of Ocata Therapeutics, Inc. was completed in February 2016, whereby

Ocata Therapeutics, Inc. became a consolidated subsidiary of the Company.
* The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.

- In November 2015, the Company entered into an Asset Purchase Agreement, under which Astellas transfers its global dermatology business to LEO Pharma A/S (Denmark). In April 2016, the Company transferred the said business to LEO Pharma A/S.

(10) Important Alliance for Technology (as of March 31, 2016)

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)
Ajinomoto Pharmaceuticals 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
XenoPort, Inc.	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
Basilea Pharmaceutica International Ltd.	Switzerland	Technology for isavuconazonium sulfate (CRESEMBA)
UMN Pharma Inc.	Japan	Technology for ASP7373 and ASP7374
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, rilotumumab, AMG 337 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
HealthCare Royalty Partners	United States	Technology for Qutenza

Counterparty	Country	Type of technologies
Merck & Co., Inc.	United States	Technology for fidaxomicin (DIFICLIR)
TOLMAR Inc.	United States	Technology for Eligard
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) The following license-in agreement was terminated during the business year under review.

- License-in agreement regarding technology for beta-secretase inhibitors, entered into with CoMentis, Inc. (United States)

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
Maruho Co., Ltd.	Japan	Promotion and exclusive distribution agreement in Japan for “Protopic ointment” of the Company
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

Counterparty	Country	Contents of contracts
Kotobuki Pharmaceutical Co., Ltd.	Japan	Co-operation agreement in Japan for "Suglat" of the Company and Kotobuki Pharmaceutical Co., Ltd.
MSD K.K.	Japan	Co-promotion agreement 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

4) Other collaboration agreements

Counterparty	Country	Contents of contracts
Mitobridge, Inc.	United States	The Company will collaborate with Mitobridge, Inc. for joint research and development in the area of mitochondria-related diseases for 5 years from October 2013, with exclusive right to acquire Mitobridge, Inc. during the term with certain payments.
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.
Kanyos Bio, Inc.	United States	The Company will provide funds to Kanyos Bio, Inc. for the research and development of immune tolerance therapeutics, with exclusive right to acquire Kanyos Bio, Inc. after the attainment of certain milestone with certain payments.

(Note) The Company discontinued the development of vaccine for respiratory syncytial virus infection, which had been under way based on the collaboration agreement with ClearPath Development Company, during the business year under review.

(11) Major Litigations, etc.

1) Prograf Litigation

Astellas Pharma US, Inc., one of the Company's indirect US subsidiaries, was named as a defendant in 2011 in several separate lawsuits brought by plaintiffs in various federal courts on behalf of themselves and proposed classes of all direct and indirect purchasers of Prograf. These lawsuits involve allegations that under the federal antitrust laws and various state laws, Astellas Pharma US, Inc. misused the Citizen Petition process for the sole purpose of delaying the approval of generic tacrolimus by the U.S. Food and Drug Administration, thereby injuring the plaintiffs. In June 2011, the US Judicial Panel on Multi-District Litigation ordered that the cases be consolidated before the U.S. District Court for the District of Massachusetts. In January 2015, Astellas Pharma US, Inc. settled all claims brought against it by the direct purchaser plaintiffs. In February 2016, Astellas Pharma US, Inc. reached a settlement with the indirect purchaser plaintiffs, which is pending Court approval.

2) Tarceva Government Investigation

In November 2011, OSI Pharmaceuticals, LLC, one of the Company's indirect US subsidiaries, received a subpoena from the U.S. Department of Justice, represented by the U.S. Attorney's Office in San Francisco, California, requesting documents and other information concerning the promotion, marketing and sale of Tarceva in the U.S. The investigation is civil and criminal in nature. OSI Pharmaceuticals, LLC is in the process of responding to the subpoena, and OSI Pharmaceuticals, LLC is continuing to cooperate fully with the investigation.

(12) Employees (as of March 31, 2016)

Number of employees	Year-on-year increase or decrease
17,217	104 increase

(13) Principal Lenders (as of March 31, 2016)

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, 2016)

(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:
2,221,823,175 shares (including 96,404,912 shares of treasury share)

3) Number of shareholders: 104,166

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)	137,328	6.46
Japan Trustee Services Bank, Ltd. (trust account)	117,296	5.51
State Street Bank and Trust Company	115,303	5.42
Nippon Life Insurance Company	64,486	3.03
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	44,408	2.08
JP Morgan Chase Bank 385632	41,936	1.97
JP Morgan Chase Bank 385147	39,888	1.87
State Street Bank West Client - Treaty 505234	34,674	1.63
JP Morgan Chase Bank 380055	33,103	1.55
Japan Trustee Services Bank, Ltd. (trust account 7)	30,329	1.42

(Notes) 1. The Company holds 96,404,912 shares of treasury share, but it is not included in the above list of principal shareholders.

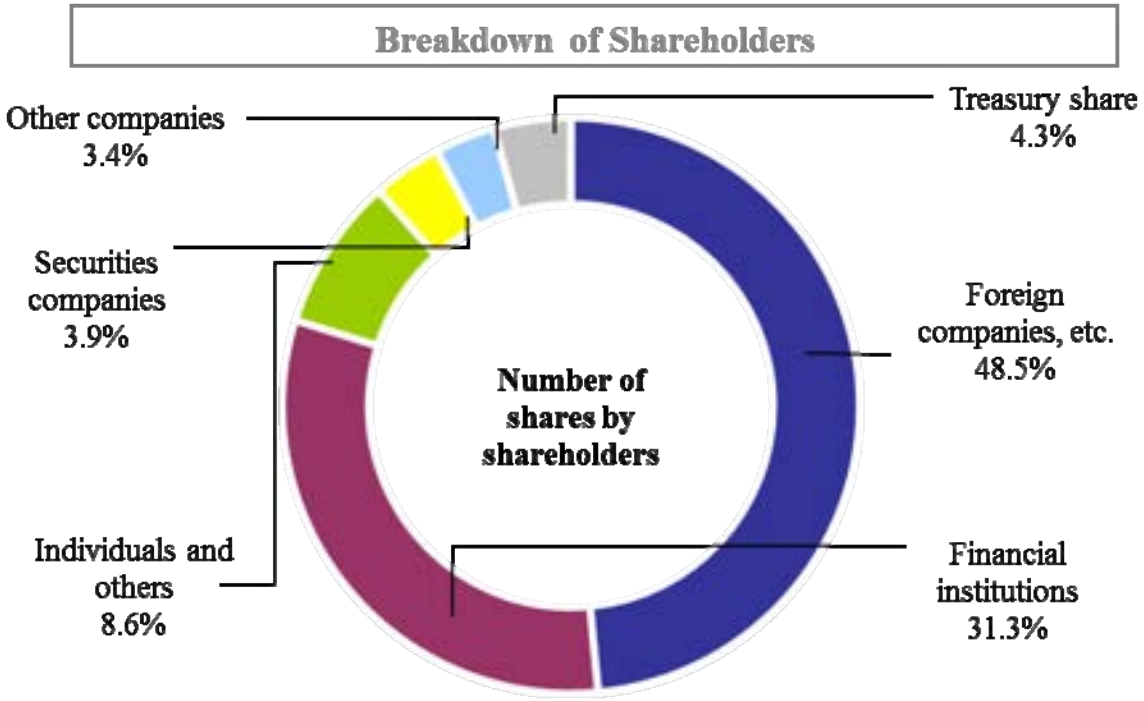
2. The percentage of shares held are calculated to the total number of issued shares excluding treasury share (2,125,418,263 shares) and presented by discarding the numbers down to the third decimal.

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: 68 million shares (Total amount of acquisition prices: ¥119.2 billion)
  Number of shares cancelled: 38 million shares (Date of cancellation: May 29, 2015)

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



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

(2) Basic Policy and System of Corporate Governance

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 corporate 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 in September 2015 the "Corporate Governance Guidelines" which clarifies the basic view and guidelines to be complied with in ensuring and strengthening the effectiveness of corporate governance. The guildlines are posted on the Company's website.
http://www.astellas.com/en/corporate/pdf/governance_guideline_en.pdf

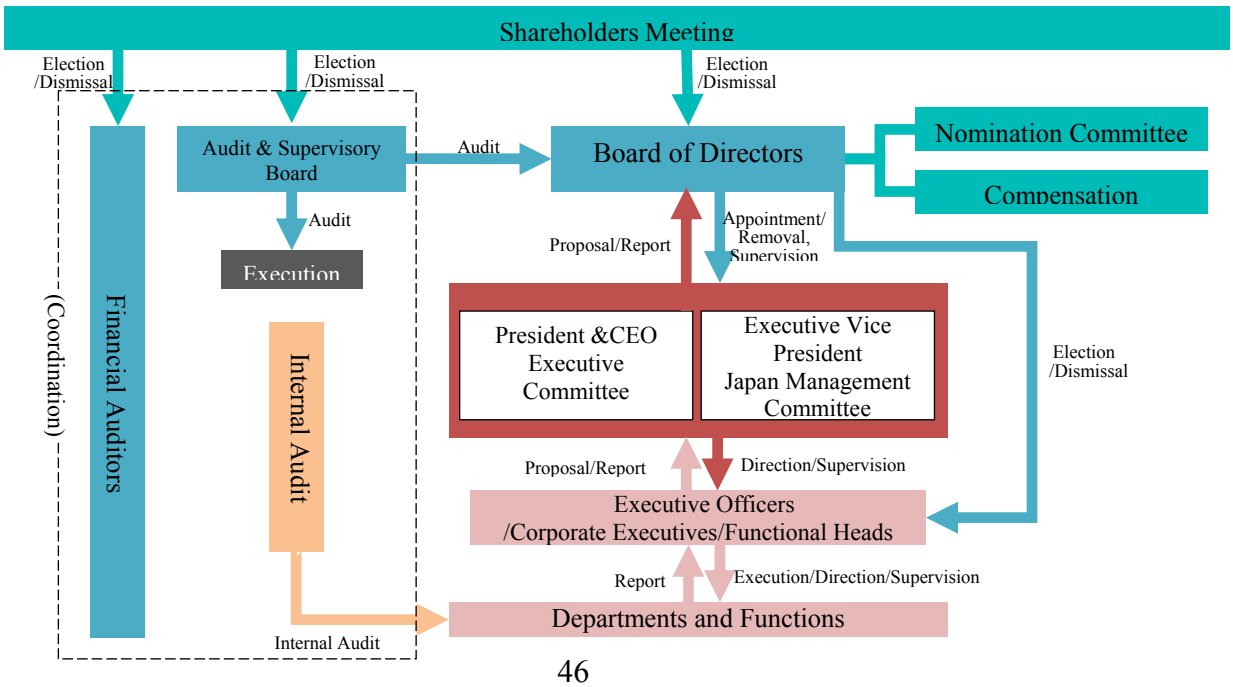
The summary of the corporate governance systems is as follows:

- 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 Company calls the board of company auditors "Audit & Supervisory Board."

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

- As organs for handling execution of business, the Company establishes the Executive Committee and the Japan Management Committee for discussing important matters, and also appoints Executive Officers who are responsible for their respective assigned departments or functions.

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



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

1) Names and other information:

Position	Name	Responsibility and status of significant concurrent positions, if any (changes during the business year under review)
Representative Director, Chairman	Masafumi Nogimori	
Representative Director, President & CEO	Yoshihiko Hatanaka	
Representative Director, Executive Vice President	Yoshiro Miyokawa	Corporate Administration and Compliance
Director	Yutaka Kase	Chairman and Representative Director, Sojitz Corporation Outside Director, JAC Recruitment Co., Ltd. (assumed in March 2016)
Director	Hironobu Yasuda	Partner, Seiryo Law Office Outside Director and Audit and Supervisory Committee Member, Remixpoint, Inc. (assumed in June 2015)
Director	Etsuko Okajima	President and Representative Director, ProNova Inc. External Director, MARUI GROUP CO., LTD. External Director, SEPTENI HOLDINGS CO., LTD. (assumed in December 2015) Outside Director, Link and Motivation Inc. (assumed in March 2016)
Director	Yoshiharu Aizawa	Professor Emeritus, Kitasato University
Full-time Audit & Supervisory Board Member	Go Otani	
Full-time Audit & Supervisory Board Member	Tomokazu Fujisawa	
Audit & Supervisory Board Member	Shigeru Nishiyama	Professor, Graduate School of Commerce[*1], Waseda University Outside Audit & Supervisory Board Member, PIGEON CORPORATION Outside Audit & Supervisory Board Member, UNIPRES CORPORATION (assumed in June 2015)
Audit & Supervisory Board Member	Toshiko Oka	President and CEO, PricewaterhouseCoopers Deals Advisory Inc. (retired in March 2016) Chief Executive Officer, PricewaterhouseCoopers Deals Advisory LLC[*2] (assumed in March 2016) Independent Director, Netyear Group Corporation Outside Corporate Auditor, HAPPINET CORPORATION (assumed in June 2015)
Audit & Supervisory Board Member	Hitoshi Kanamori	Partner, SANNO LAW OFFICE

(Notes) 1. Following the reorganization at the Graduate School of Waseda University, the affiliation of Mr. Shigeru Nishiyama has changed to the Graduate School of Business and Finance from April 2016.

2. In April 2016, PricewaterhouseCoopers Deals Advisory LLC has merged with PwC Advisory LLC to become PwC Advisory LLC, where Ms. Toshiko Oka serves as a Partner.

3. Mr. Yutaka Kase, Mr. Hironobu Yasuda, Ms. Etsuko Okajima and Mr. Yoshiharu Aizawa are outside Directors and registered as independent directors with the Tokyo Stock Exchange, Inc.
4. Dr. Shigeru Nishiyama, Ms. Toshiko Oka and Mr. Hitoshi Kanamori are outside Audit & Supervisory Board Members and are registered as independent auditors with the Tokyo Stock Exchange, Inc.
5. Notes to be particularly mentioned for each Audit & Supervisory Board Member are as follows:

   Dr. Shigeru Nishiyama is a certified public accountant and obtained an MBA at The Wharton School, University of Pennsylvania and is now a faculty member of the Graduate School of Business and Finance, Waseda University where he has been teaching managerial accounting etc. These facts demonstrate that he has substantial knowledge of finance and accounting.

   Ms. Toshiko Oka is currently serving as Partner of PwC Advisory LLC 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.
6. Mr. Yoshiharu Aizawa assumed the office of Director during the business year under review (assumed on June 17, 2015).
7. Mr. Hitoshi Kanamori assumed the office of Audit & Supervisory Board Member during the business year under review (assumed on June 17, 2015).
8. Mr. Naoki Aikawa retired from the office of Director during the business year under review (retired on June 17, 2015).

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 General Meeting of Shareholders, 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 General Meeting of Shareholders. 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	Stock options as stock-linked remuneration plan	
Directors (excluding outside Directors)	647	258	249	115	25	3
Outside Directors	48	48	–	–	–	5
Total	695	306	249	115	25	8
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	88	88	–	–	–	2
Outside Audit & Supervisory Board Members	33	33	–	–	–	3
Total	121	121	–	–	–	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.

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 amount of "Basic remuneration" above includes the amount paid to one (1) outside Director who retired at the close of the 10th Term Annual Shareholders Meeting held on June 17, 2015.

4. The amount of "Bonus" above is a planned amount that will be paid in addition to 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 11th Term Annual Shareholders Meeting of the Company.

5. Since the business year under review, 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 corporate 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. The stock remuneration stated above refers to the amount recorded as expenses under J-GAAP for the business year under review.

6. The amount of stock options under the stock-linked remuneration plan stated above refers to the amount of remuneration associated with subscription rights to shares allotted as stock options in the previous business year and recorded as expenses under J-GAAP for the business year under review. No additional stock options under the stock-linked remuneration plan were issued in 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 (changes during the business year under review)
Yutaka Kase	Chairman and Representative Director, Sojitz Corporation Outside Director, JAC Recruitment Co., Ltd. (assumed in March 2016)
Hironobu Yasuda	Partner, Seiryo Law Office Outside Director and Audit and Supervisory Committee Member, Remixpoint, Inc. (assumed in June 2015)
Etsuko Okajima	President and Representative Director, ProNova Inc. External Director, MARUI GROUP CO., LTD. External Director, SEPTENI HOLDINGS CO., LTD. (assumed in December 2015) Outside Director, Link and Motivation Inc. (assumed in March 2016)
Yoshiharu Aizawa	Professor Emeritus, Kitasato University

(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
Yutaka Kase	Attended 15 out of the 15 meetings of the Board of Directors held during the business year under review, and provided opinions based on his abundant experience as business manager.
Hironobu Yasuda	Attended 15 out of the 15 meetings of the Board of Directors held during the business year under review, and provided opinions based on his abundant experience as an attorney-at-law.
Etsuko Okajima	Attended 15 out of the 15 meetings of the Board of Directors held during the business year under review, and provided opinions based on her abundant experience as business manager.

Name	Activities
Yoshiharu Aizawa	Attended 12 out of the 12 meetings of the Board of Directors held after he took the office as Director during the business year under review, and provided opinions based on his abundant experience as a medical scientist.

(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 (changes during the business year under review)
Shigeru Nishiyama	Professor, Graduate School of Commerce[*1], Waseda University Outside Audit & Supervisory Board Member, PIGEON CORPORATION Outside Audit & Supervisory Board Member, UNIPRES CORPORATION (assumed in June 2015)
Toshiko Oka	President and CEO, PricewaterhouseCoopers Deals Advisory Inc. (retired in March 2016) Chief Executive Officer, PricewaterhouseCoopers Deals Advisory LLC[*2] (assumed in March 2016) Independent Director, Netyear Group Corporation Outside Corporate Auditor, HAPPINET CORPORATION (assumed in June 2015)
Hitoshi Kanamori	Partner, SANNO LAW OFFICE

(Notes) 1. Following the reorganization at the Graduate School of Waseda University, the affiliation of Mr. Shigeru Nishiyama has changed to the Graduate School of Business and Finance from April 2016.
2. In April 2016, PricewaterhouseCoopers Deals Advisory LLC has merged with PwC Advisory LLC to become PwC Advisory LLC, where Ms. Toshiko Oka serves as a Partner.
3. 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
Shigeru Nishiyama	Attended 15 out of the 15 meetings of the Board of Directors and 13 out of the 13 meetings of the Audit & Supervisory Board held during the business year under review, and provided opinions based on his abundant experience as a scholar of business administration and a professional certified public accountant.
Toshiko Oka	Attended 15 out of the 15 meetings of the Board of Directors and 13 out of the 13 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 11 out of the 12 meetings of the Board of Directors and 10 out of the 10 meetings of the Audit & Supervisory Board held after he took the office as Audit & Supervisory Board Member during the business year under review, and provided opinions based on his abundant experience as an attorney-at-law.

(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 (except Directors who serve as Corporate Executives) and other information:

Position	Name	Responsibility or major occupation
Senior Corporate Executive	Masao Yoshida	President, Americas Operations
	Yasumasa Masuda	Chief Financial Officer (CFO)
	Kenji Yasukawa	Chief Strategy Officer (CSTO)
	Mitsunori Matsuda	Senior Vice President, Technology
	Yukihiko Sato	Senior Vice President, Sales & Marketing
	Chihiro Yokota	Senior Vice President, Development, Medical Affairs
	Wataru Uchida	Senior Vice President, Drug Discovery Research
	Makoto Takeuchi	Vice President, External Relations
Corporate Executive	Masatoshi Kuroda	Senior Vice President, Asia/Oceania Business
	Shoji Yokota	Vice President, Technological Product Management, Technology
	Takahisa Iizuka	Vice President, Sales Operation, Sales & Marketing
	Atsushi Kamide	Vice President, Product Marketing, Sales & Marketing
	Kiyotaka Hayashi	General Manager, Osaka Branch, Sales & Marketing
	Kazunori Okimura	Vice President, Legal & Compliance
	Akihiko Iwai	Vice President, Research Portfolio & Science, Drug Discovery Research
	Chikashi Takeda	Vice President, Corporate Planning
	Katsumi Ozawa	General Manager, Tokyo Branch, Sales & Marketing
	Kazuhiro Sako	President, Astellas Ireland Co., Ltd
	Yukio Matsui	Senior Vice President, Marketing Strategy
	Nobuaki Tanaka	Vice President, Strategic Business Management, Sales & Marketing
	Toru Yoshimitsu	Vice President, Product and Portfolio Strategy
	Eisuke Nozawa	Vice President, Regulatory Affairs
	Fumiaki Sakurai	Vice President, Human Resources
	Taiji Sawamoto	Vice President, Clinical Pharmacology, 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:	¥168 million
2. Total amount of cash and other material benefits payable to Financial Auditor by the Company and its subsidiaries:	¥168 million

(Notes) 1. The Audit and 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 38), subsidiaries other than Astellas Pharma Tech Co., Ltd. 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.

4) Matters concerning the business suspension order imposed on the Financial Auditor in the past two years

Outline of the administrative sanctions announced on December 22, 2015 and January 22, 2016 by the Financial Services Agency

(i) The party on which the order has been imposed
Ernst & Young ShinNihon LLC

(ii) Description of the administrative sanctions imposed
- Suspension of conclusion of all new engagement contracts: Three months (January 1, 2016 to March 31, 2016)
- Business improvement administrative order (for improvement of the operation management system)
- Amount of administrative surcharge to be paid: ¥2,111 million

(iii) Reasons for the administrative sanctions

- Because certified public accountants of the aforementioned audit firm failed to exercise due care in the audit of financial statements of TOSHIBA CORPORATION for the business years ended March 31, 2010, 2012 and 2013, thereby attested its financial statements with material misstatements as free of such misstatements.
- Because the audit firm's operation was found to be significantly inappropriate.

3. **Systems to Ensure the Appropriate Execution of Business** (as of April 1, 2016)

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 serves the oversight function of the execution of business and makes decisions on important business execution matters, and the role of the President and CEO who is responsible for business execution, and the role of Executive Officers who are responsible for their respective assigned departments or functions (hereinafter "top management").
- 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 the Japan Management Committee, and discusses material matters concerning business strategies, product strategies, cooperate management, and personnel of the Company and the Astellas Group companies.
- The Company has established regulations concerning each of the committees mentioned above and the "Regulations for Decision Making" to clarify the powers and positioning of each 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 "Astellas Group Record Management Policy" and the "Record Management Control Regulations" have been established, based on which the Company will control and maintain, in an appropriate manner, the 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, the Executive Committee and the Japan Management 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 the 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 the 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 Comply with the 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 current situations of compliance and discusses policies and plans accordingly for the Company and the Astellas Group companies as a whole. The regional Compliance Committees have also been established to discuss matters concerning compliance in individual regions.
- Under the control of the Chief Compliance Officer, Compliance Functions will, with 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. Callers may also consult with an outside office (a law firm, etc.). The Company has also established a system that any material information will be reported, in a timely manner, to the Chief 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 enhance 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 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 the 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 and decision-making authority at the Astellas Group companies to ensure the efficient execution of duties by the Directors of the 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, 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 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. The report concerning the overall annual audit results will be made to the Board of Directors and Financial 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.
- The Internal Auditing will promote improvement in the quality of the internal audits through collaboration with the relevant expert departments, such as holding regular general meetings.
- With respect to the Astellas Group companies in Europe and the United States, etc., which are noted by the companies as having a significant effect on the consolidated business results, the companies have established independent internal auditing departments for each company, and hold an Overseas Group Internal Audit Meeting among the internal auditing departments.

(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.
- Top management, regarding the departments or functions (including the Astellas Group companies) they are responsible for, will discuss and determine with Audit & Supervisory Board Members the items, persons responsible for reporting, and methods of reporting for reports made regularly and when necessary to Audit & Supervisory Board Members or the Audit & Supervisory Board.

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 to the 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 and the Japan Management 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 observer 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, take a resolute attitude against any antisocial forces and groups that threaten the order and security of society, and never accept unjust and illegal requests. Also, the Company and the Astellas Group companies will eliminate any relations with such forces and groups.

- Clearly declaring in the "Astellas Charter of Corporate Conduct" and the "Astellas Global Code of Conduct" that the Astellas Group will take a resolute attitude against antisocial forces and groups, based upon which to exclude any relation with such forces and groups.
- Especially in Japan, with close cooperation with the police and other related parties, establishing the 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.
- Furthermore, continually implementing the enlightenment activities, such as trainings relating to compliance and risk management, etc. to officers and employees, so as to exclude any influence of anti-social forces and groups.

The Operational Status of Systems to Ensure the Appropriate Execution of Business

A summary of the Company's operational status during the business year ended March 31, 2016 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 business year ended March 31, 2016, 15 Board of Directors meetings were held (of which, one was extraordinary), 24 Executive Committee meetings were held (of which, four were extraordinary), and 11 Japan Management Committee meetings were held (of which, one was extraordinary).

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 business 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. As measures during the business year ended March 31, 2016, with the intent of adding further transparency to information disclosure and dialogue, the Company revised its Disclosure Policy in April 2015 and published it on the Company's website, alongside dissolving the previous IR Committee to reestablish it as the Corporate Disclosure Committee.

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 Financial Auditors. In addition, the Company secures opportunities for Audit & Supervisory Board Members to receive information and inspect documents 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. During the business year ended March 31, 2016, one dedicated staff was added to assist the Audit & Supervisory Board Members, creating a system with two staffs.

Furthermore, during the business year ended March 31, 2016, reports were made on a monthly basis to Audit & Supervisory Board Members regarding summaries and results of responses to helpline reports in each region, and reports were made to the Audit & Supervisory Board by the Vice President of Legal & Compliance and the Vice President of the Internal Auditing regarding the risk items and plans and results of internal auditing designated by the Audit & Supervisory Board Members.

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.

(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 tenths (4/10) or less and rounding up five tenths (5/10) or more.
2. Tables, graphs, and pictures are presented only for reference purposes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(As of March 31, 2016)

(Millions of yen)

Accounts	11th term business year As of March 31, 2016	(Reference) 10th term business year As of March 31, 2015
Assets		
Non-current assets		
Property, plant and equipment	200,955	202,869
Goodwill	150,660	136,337
Other intangible assets	339,202	295,844
Trade and other receivables	24,103	15,588
Investments in associates and joint ventures	2,435	2,007
Deferred tax assets	80,252	51,199
Other financial assets	89,424	110,091
Other non-current assets	14,769	13,685
Total non-current assets	901,801	827,621
Current assets		
Inventories	161,691	156,907
Trade and other receivables	327,599	332,923
Income tax receivable	16,403	6,918
Other financial assets	14,394	59,908
Other current assets	17,221	12,732
Cash and cash equivalents	360,030	396,430
Sub total	897,337	965,819
Assets held for sale	200	139
Total current assets	897,537	965,958
Total assets	1,799,338	1,793,578

(Millions of yen)

Accounts	11th term business year As of March 31, 2016	(Reference) 10th term business year As of March 31, 2015
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	176,903	176,822
Treasury shares	(157,111)	(86,997)
Retained earnings	973,054	905,083
Other components of equity	163,363	220,007
Total equity attributable to owners of the parent	1,259,209	1,317,916
Total equity	1,259,209	1,317,916
Liabilities		
Non-current liabilities		
Trade and other payables	1,599	90
Deferred tax liabilities	—	38
Retirement benefit liabilities	39,797	30,059
Provisions	7,083	4,817
Other financial liabilities	722	626
Other non-current liabilities	77,569	19,142
Total non-current liabilities	126,769	54,771
Current liabilities		
Trade and other payables	181,559	226,602
Income tax payable	19,312	14,124
Provisions	89,858	85,423
Other financial liabilities	1,505	1,339
Other current liabilities	121,126	93,403
Total current liabilities	413,359	420,890
Total liabilities	540,129	475,662
Total equity and liabilities	1,799,338	1,793,578

CONSOLIDATED STATEMENTS OF INCOME

(April 1, 2015 to March 31, 2016)

(Millions of yen)

Accounts	11th term business year From April 1, 2015 to March 31, 2016	(Reference) 10th term business year From April 1, 2014 to March 31, 2015
Sales	1,372,706	1,247,259
Cost of sales	(335,596)	(333,197)
Gross profit	1,037,110	914,062
Selling, general and administrative expenses	(500,359)	(452,522)
Research and development expenses	(225,665)	(206,594)
Amortisation of intangible assets	(42,387)	(38,664)
Share of profits(losses) of associates and joint ventures	(1,243)	217
Other income	1,689	12,503
Other expense	(20,159)	(43,339)
Operating profit	248,986	185,663
Finance income	14,411	7,097
Finance expense	(1,627)	(3,078)
Profit before tax	261,770	189,683
Income tax expense	(68,083)	(53,827)
Profit for the year	193,687	135,856
Profit attributable to:		
Owners of the parent	193,687	135,856
Non-controlling interest	—	—
Total	193,687	135,856

BALANCE SHEETS

(As of March 31, 2016)

(Millions of yen)

Accounts	11th term business year As of March 31, 2016	(Reference) 10th term business year As of March 31, 2015
Assets		
Current assets	479,585	472,791
Cash on hand and in banks	60,027	13,012
Trade notes receivable	83	124
Trade accounts receivable	192,263	202,698
Marketable securities	12,024	91,530
Merchandise and finished goods	83,272	81,468
Raw materials and supplies	7,183	11,002
Deferred tax assets	42,172	44,942
Other	82,561	28,014
Fixed assets	622,577	579,991
Property, plant and equipment	74,022	79,133
Buildings	47,330	48,774
Structures	1,791	2,439
Machinery and equipment	1,873	4,159
Tools, furniture and fixtures	8,559	7,480
Land	9,221	9,898
Lease assets	1,133	991
Construction in progress	4,115	5,385
Other	0	7
Intangible fixed assets	85,514	62,393
Investments and other assets	463,040	438,464
Investment securities	51,868	68,476
Investment in subsidiaries and affiliates	324,232	321,792
Investments in capital of subsidiaries and affiliates	4,411	5,345
Long-term loans receivable	60	57
Deferred tax assets	36,709	7,135
Other	45,812	35,673
Allowance for doubtful receivables	(52)	(14)
Total assets	1,102,161	1,052,782

(Millions of yen)

Accounts	11th term business year As of March 31, 2016	(Reference) 10th term business year As of March 31, 2015
Liabilities		
Current liabilities	521,964	306,023
Trade accounts payable	87,007	82,425
Short-term loans payable	293,643	60,677
Lease obligations	415	365
Other accounts payable	61,843	109,772
Accrued expenses	20,071	17,651
Accrued income taxes	18,315	9,520
Deposit	10,261	18,860
Allowance for sales rebates	2,665	3,243
Other	27,744	3,510
Long-term liabilities	29,468	5,316
Lease obligations	718	626
Other	28,750	4,691
Total liabilities	551,432	311,340
Net assets		
Shareholders' equity	527,754	709,337
Share capital	103,001	103,001
Capital surplus	176,822	176,822
Additional paid-in capital	176,822	176,822
Retained earnings	405,042	516,511
Legal reserve	16,827	16,827
Other retained earnings	388,215	499,684
Reserve for retirement benefits	900	900
Reserve for special depreciation	137	173
Reserve for advanced depreciation of fixed assets	1,251	1,445
General reserve	365,970	365,970
Retained earnings carried forward	19,957	131,196
Treasury shares	(157,111)	(86,997)
Valuation, translation adjustments and others	20,849	29,864
Unrealized holding gains on securities	20,849	29,864
Subscription rights to shares	2,126	2,241
Total net assets	550,729	741,442
Total liabilities and net assets	1,102,161	1,052,782

STATEMENTS OF INCOME

(April 1, 2015 to March 31, 2016)

(Millions of yen)

Accounts	11th term business year From April 1, 2015 to March 31, 2016	(Reference) 10th term business year From April 1, 2014 to March 31, 2015
Net Sales	649,415	634,487
Cost of sales	266,857	274,321
Gross profit	382,557	360,166
Selling, general and administrative expenses	376,967	315,834
Operating income	5,590	44,333
Non-operating income		
Interest income and dividend income	1,088	1,020
Other	3,718	1,476
Total non-operating income	4,806	2,496
Non-operating expenses		
Interest expense	289	59
Other	1,447	1,909
Total non-operating expenses	1,736	1,968
Ordinary income	8,659	44,860
Special gains		
Gain on sales of fixed assets	457	1,379
Gain on sales of investment securities	10,634	4,061
Other	416	1,574
Total special gains	11,506	7,014
Special losses		
Loss on sales and disposal of fixed assets	440	964
Loss on impairment of fixed assets	9,143	286
Other	666	10,809
Total special losses	10,249	12,058
Income before income taxes	9,917	39,816
Income taxes — current	23,750	14,497
Income taxes — deferred	(21,812)	1,003
Total income taxes	1,938	15,501
Net income	7,978	24,316

[Translation]

Report of Independent Auditors

May 9, 2016

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC

Yoji Murohashi
Certified Public Accountant
Designated Limited Partner

Yasuhiro Kozaki
Certified Public Accountant
Designated Limited Partner

Masayuki Nakamura
Certified Public Accountant
Designated Limited Partner

Koichiro Kitaike
Certified Public Accountant
Designated Limited Partner

Pursuant to the provision of Article 444 (4) of the Companies Act, we have audited the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of Astellas Pharma Inc. (the "Company") applicable to the business year from April 1, 2015 through March 31, 2016.

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 provision of the second sentence of Article 120, (1) of the Corporate Accounting Regulations, which allows the omission of certain disclosures required by the designated International Financial Reporting Standards ("IFRS"), and for internal control that management determines is necessary to enable preparation of consolidated financial statements free of material misstatement 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 of material misstatement.
An audit includes 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. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the internal control. 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 opinion.

Audit Opinion
In our opinion, the above stated consolidated financial statements, prepared with the omission of certain disclosures required by the IFRS pursuant to provision of the second sentence of Article 120 (1) of the Corporate Accounting Regulations, present fairly, in all material respects, the financial position of Astellas Pharma Inc. and consolidated subsidiaries applicable to the business year ended March 31, 2016.

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

[Translation]

Report of Independent Auditors

May 9, 2016

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC

Yoji Murohashi
Certified Public Accountant
Designated Limited Partner

Yasuhiro Kozaki
Certified Public Accountant
Designated Limited Partner

Masayuki Nakamura
Certified Public Accountant
Designated Limited Partner

Koichiro Kitaike
Certified Public Accountant
Designated Limited Partner

Pursuant to the provision of item 1 of Article 436 (2) of the Companies Act, we have audited the balance sheets, the statements 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 11th term business year from April 1, 2015 through March 31, 2016.

Management's Responsibility for Financial Statements, etc.
Management is responsible for the preparation and fair presentation of these financial statements and related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for internal control that management determines is necessary to enable preparation of financial statements and related supplementary schedules free of material misstatement due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements and 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 of material misstatement.
An audit includes 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. In making those risk assessments, the auditor considers internal control relevant to the 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, but not for the purpose of expressing an opinion on the effectiveness of

the internal control. 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 opinion.

Audit Opinion
In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position of Astellas Pharma Inc., applicable to the business year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

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

[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 11th term business year from April 1, 2015 to March 31, 2016 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, 2016

The Audit & Supervisory Board of Astellas Pharma Inc.

Full-time Audit & Supervisory Board Member:
Go Otani (seal)
Full-time Audit & Supervisory Board Member:
Tomokazu Fujisawa (seal)
Outside Audit & Supervisory Board Member:
Shigeru Nishiyama (seal)
Outside Audit & Supervisory Board Member:
Toshiko Oka (seal)
Outside Audit & Supervisory Board Member:
Hitoshi Kanamori (seal)

- End -

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

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

The 11th Term Business Year (April 1, 2015 – March 31, 2016)

Astellas Pharma Inc.

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

1. Matters concerning Subscription Rights to Shares

1) Present status of subscription rights to shares as of March 31, 2016:

- Total number of subscription rights to shares: 7,861 (Notes) 1
- Type and number of shares to be issued upon exercise of subscription rights to shares:
  3,022,900 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	247	339
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)	123,500 shares of common stock (500 shares per subscription right to shares)	169,500 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:	346	697	978
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	173,000 shares of common stock (500 shares per subscription right to shares)	348,500 shares of common stock (500 shares per subscription right to shares)	489,000 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:	1,115	1,115	663
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	557,500 shares of common stock (500 shares per subscription right to shares)	557,500 shares of common stock (500 shares per subscription right to shares)	331,500 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:	2,269
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	226,900 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, 2016.

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

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

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

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

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

2) State of subscription rights to shares held by the Directors and Audit & Supervisory Board Members as of March 31, 2016, 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)	3	113 units	56,500 shares of common stock
Subscription rights to shares issued in August 2007	Directors (excluding outside Directors)	3	112 units	56,000 shares of common stock
Subscription rights to shares issued in September 2008	Directors (excluding outside Directors)	3	158 units	79,000 shares of common stock
Subscription rights to shares issued in July 2009	Directors (excluding outside Directors)	3	244 units	122,000 shares of common stock
Subscription rights to shares issued in July 2010	Directors (excluding outside Directors)	3	285 units	142,500 shares of common stock
Subscription rights to shares issued in July 2011	Directors (excluding outside Directors)	3	367 units	183,500 shares of common stock
Subscription rights to shares issued in July 2012	Directors (excluding outside Directors)	3	362 units	181,000 shares of common stock
Subscription rights to shares issued in July 2013	Directors (excluding outside Directors)	3	218 units	109,000 shares of common stock
Subscription rights to shares issued in July 2014	Directors (excluding outside Directors)	3	790 units	79,000 shares of common stock
Total			2,649 units	1,008,500 shares of common stock

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(April 1, 2015 to March 31, 2016)

(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, 2015	103,001	176,822	(86,997)	905,083	2,241	177,306
Comprehensive income						
Profit for the year	—	—	—	193,687	—	—
Other comprehensive income	—	—	—	—	—	(45,172)
Total comprehensive income	—	—	—	193,687	—	(45,172)
Transactions with owners of the parent						
Acquisition of treasury shares	—	—	(120,127)	—	—	—
Disposals of treasury shares	—	—	436	(248)	(187)	—
Cancellation of treasury shares	—	—	49,577	(49,577)	—	—
Dividends	—	—	—	(69,615)	—	—
Share-based payments	—	81	—	—	73	—
Transfer	—	—	—	(6,276)	—	—
Total transactions with owners of the parent	—	81	(70,114)	(125,717)	(115)	—
As of March 31, 2016	103,001	176,903	(157,111)	973,054	2,126	132,134

	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, 2015	40,461	—	220,007	1,317,916	1,317,916
Comprehensive income					
Profit for the year	—	—	—	193,687	193,687
Other comprehensive income	(11,358)	(6,276)	(62,806)	(62,806)	(62,806)
Total comprehensive income	(11,358)	(6,276)	(62,806)	130,881	130,881
Transactions with owners of the parent					
Acquisition of treasury shares	—	—	—	(120,127)	(120,127)
Disposals of treasury shares	—	—	(187)	1	1
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	—	(69,615)	(69,615)
Share-based payments	—	—	73	154	154
Transfer	—	6,276	6,276	—	—
Total transactions with owners of the parent	—	6,276	6,161	(189,588)	(189,588)
As of March 31, 2016	29,103	—	163,363	1,259,209	1,259,209

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: 85

Name of principal consolidated subsidiaries:
Astellas US Holding, Inc., Astellas US LLC,
Astellas Pharma US, Inc., Astellas Pharma Global Development, Inc.,
Agensys, Inc., Ocata Therapeutics, Inc. (Note), Astellas Pharma Technologies, Inc.,
Astellas US Technologies, Inc., Astellas B.V.,
Astellas Pharma Europe Ltd., Astellas Ireland Co., Ltd.,
Astellas Pharmaceutical China, Inc., Astellas Pharma Korea, Inc.,
Astellas Pharma Taiwan, Inc., Astellas Pharma Tech Co., Ltd.

(Note) The company has changed its name to Astellas Institute for Regenerative Medicine in May 2016.

(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 the scope of consolidation

As a result of the acquisition of shares of Ocata Therapeutics, Inc. ("Ocata") (Note), Ocata and its one subsidiary have been included in the scope of consolidation from the business year under review. Besides these, five companies have been included in the scope of consolidation due to their incorporation.
Meanwhile, one other consolidated subsidiary has been excluded from the scope of consolidation because of its liquidation during the business year under review.

(ii) Changes in the scope of application of equity method

As a result of the acquisition of shares of Ocata Therapeutics, Inc. (Note), its one affiliated company has been included in the scope of application of equity method from the business year under review. Besides these, three companies

have been included in the scope of application of equity method due to their incorporation.
Meanwhile, one other affiliated company has been excluded from the scope of application of equity method because of its liquidation during the business year under review.

(Note) Ocata Therapeutics, Inc. has changed its name to Astellas Institute for Regenerative Medicine in May 2016.

(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 assets

- Non-derivative financial assets
Non-derivative financial assets are classified into "financial assets measured at fair value through profit or loss" ("financial assets at FVTPL"), "held-to-maturity investments," "loans and receivables," and "available-for-sale financial assets." The classification is determined based on the nature and purpose of the financial assets at the time of initial recognition.

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

(b) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.
Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment loss. Interest income incurred under the effective interest method is recognized in profit or loss.

(c) Loans and receivables
Non-derivative financial assets with fixed or determinable payments not quoted in an active market are classified as loans and receivables.
Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. Amortization incurred under the effective interest method is recognized in profit or loss.

(d) Available-for-sale financial assets
Non-derivative financial assets designated as available-for-sale financial assets or not classified as FVTPL, held-to-maturity investments or loans and receivables are classified as available-for-sale financial assets.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss resulting from changes in fair value is recognized in other comprehensive income.
Dividends on available-for-sale financial assets are recognized in profit or loss.
When available-for-sale financial assets are derecognized or determined to be impaired, the cumulative gain or loss that had been recognized in other comprehensive income is reclassified to profit or loss.

- Impairment of financial assets other than financial assets at FVTPL
Financial assets, other than those at FVTPL, are assessed for any objective evidence of impairment at the end of each quarter.
Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets and these events have adversely affected the estimated future cash flows of the financial assets that can be reliably estimated.

Objective evidence of impairment of financial assets includes:
• significant financial difficulty of the issuer or obligor;
• breach of contract, such as a default or delinquency in interest or principal payments;
• probability that the borrower will enter bankruptcy or other financial reorganization; or
• disappearance of an active market for the financial assets.

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the equity instrument below its cost would be considered as objective evidence of impairment.

The Group assesses the existence of objective evidence of impairment for loans and receivables and held-to-maturity financial assets, individually for separately significant assets or collectively for assets with no individual significance. When there is objective evidence of impairment on those financial assets, the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate is recognized in profit or loss as an impairment loss.

The impairment loss for loans and receivables are recognized through the allowance for doubtful accounts, and the carrying amount of a loan and receivable is written off against the allowance account when it is subsequently considered uncollectible.
When an event occurring after the impairment was recognized causes the amount of the impairment loss to decrease, a reversal of the impairment loss is recognized in profit or loss.

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

available-for-sale financial assets is recognized in other comprehensive income.

- 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, amortisation method of intangible assets (excluding goodwill) and depreciation method for lease assets.

- Property, plant and equipment
  Depreciation of an asset begins when it is available for use. The depreciable amount of items of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of each component. The depreciable amount of an asset is determined by deducting its residual value from its cost.

The estimated useful lives of major classes of property, plant and equipment are as follows:

Buildings and structures	2 to 60 years
Machinery and vehicles	2 to 20 years
Tools, furniture and fixtures	2 to 20 years

The useful lives, residual values, and depreciation methods of property, plant and equipment are reviewed at the end of business year, and changed, if any.

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

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

(iv) Basis for provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made. When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

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

Net defined benefit assets or liabilities are calculated as the present value of the defined benefit obligation less the fair value of plan assets and they are recognized in the consolidated statements of financial position as assets or liabilities.
The defined benefit obligation is calculated by using the projected unit credit method. The present value of the defined benefit obligation is calculated by the expected future payments using discount rate. The discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms consistent with the estimated term of the related pension obligations.
Service cost and net interest expense (income) on the net defined benefit liabilities (assets) are recognized in profit or loss.
Actuarial gains and losses, the return on plan assets, excluding amounts included in net interest, and any change in the effect of the asset ceiling are recognized immediately in other comprehensive income under "Remeasurements of defined benefit plans," and transferred from other components of equity to retained earnings immediately.

(vi) Translation standards for foreign currency

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

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

- Foreign operations
  Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of business year. Income and expenses are translated into Japanese yen using the average exchange rate for the period.
  Exchange differences arising on translating the financial statements of foreign operations are recognized in other comprehensive income. On the disposal of the interest in a foreign operation, the cumulative amount of the exchange differences is reclassified to profit or loss.

(vii) Matters concerning goodwill

Goodwill is carried at cost less any accumulated impairment losses.
Goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination, and it is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. If, at the time of the impairment test, the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount, and the reduction is recognized in profit or loss as an impairment loss.
Impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of cash-generating units and then to the other assets on a pro rata basis of the carrying amount of each asset in the cash-generating unit or group of cash-generating units.
Any impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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

2. Notes to Consolidated Statements of Financial Position

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

Trade and other receivables	¥2,820 million
Other financial assets (non-current)	¥52 million

(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment: ¥279,642 million

(3) Contingent liabilities:

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

UNIGEN Inc.	¥800 million
Employees	¥579 million
Total	¥1,379 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 2,221,823,175 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 17, 2015	Shares of common stock	35,090	16.00	March 31, 2015	June 18, 2015
Meeting of the Board of Directors held on October 30, 2015	Shares of common stock	34,532	16.00	September 30, 2015	December 1, 2015

(Note) The total amount of dividends based on the resolution at the meeting of the Board of Directors held on October 30, 2015 includes ¥7 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, 2016, but whose effective date is in the following business year are as follows:

Resolution (scheduled)	Class of shares	Total amount of dividends (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders Meeting to be held on June 20, 2016	Shares of common stock	34,007	Retained earnings	16.00	March 31, 2016	June 21, 2016

(Note) The above amount of dividends based includes ¥7 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 3,022,900 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 pf 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 foreign exchange forward contracts. The fair value is measured based on prices provided by counterparty financial institutions.

- Financial liabilities measured at amortized cost

  Financial liabilities measured at amortized cost comprise trade and other payables and other financial liabilities.

The carrying amount approximates fair value due to the short period of settelement terms.

5. Notes to Per-Share Data

(1) Equity attributable to owners of the parent per share: ¥592.58
(2) Basic earnings per share: ¥89.75

6. Other Notes

Notes to business combinations

(1) Outline of the business combination

(i) Name and business description of the acquiree:

Name of the acquiree: Ocata Therapeutics, Inc. ("Ocata") (The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.)

Business description: Research and development of new therapies for ophthalmic diseases in the field of regenerative medicine

(ii) Acquisition date:

February 10, 2016

(iii) Percentage of voting equity interests acquired:

100%

(iv) Acquisition method:

Tender offer to purchase all issued and outstanding shares of common stock in cash

(v) Primary reasons for the business combination:

The Group strives to create a solid and resilient continuity of growth over the mid- to long-term through the pursuit of three main strategies of Strategic Plan 2015-2017 ("the Strategic Plan") - "Maximizing Product Value," "Creating Innovation" and "Pursuing Operational Excellence." Especially in "Creating Innovation," the Group recognizes the importance of advancing into new opportunities in addition to enhancing capabilities to deliver innovative medicines. The Group added muscle diseases and ophthalmology to its focus disease areas for research and is promoting drug discovery research in those areas. Further, the Group invests proactively in regenerative medicine, particularly in cell therapy and next-generation vaccines as initiatives involving new technologies and new modalities.

Ocata is a clinical stage biotechnology company focused on the development and commercialization of new therapies in the field of regenerative medicine. Ocata has an advanced technology that can establish fully-differentiated cells from pluripotent stem cells. Ocata also has strengths in clinical studies for cell therapy.

The acquisition of Ocata represents the coming together of two companies with significant accomplishments and a shared commitment to develop innovative therapies that address the unmet medical needs of patients suffering from severe ophthalmic diseases. The acquisition also represents a step toward achieving the Strategic Plan. Further, acquiring Ocata will enable the Group to establish a presence in ophthalmology and a leading position in cell therapy.

Strategic rationale behind the acquisition:

- Establish presence in ophthalmology
- Establish a leading position in cell therapy by obtaining Ocata's world-class capability

(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	151
Other intangible assets	17,456
Deferred tax assets	3,167
Cash and cash equivalents	1,084
Other assets	41
Other liabilities	(2,494)
Fair value of assets acquired and liabilities assumed (Net)	19,405
Goodwill	24,332
Total	43,737
Fair value of purchase consideration transferred	43,737

Certain items reflect provisional amounts 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) Acquisition-related costs

Acquisition-related costs: ¥939 million

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

(4) 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: ¥(638) million

(ii) Profit (loss) before tax of the combined entity for the business year ended March 31, 2016 assuming the acquisition date had been at the beginning of the business year (Unaudited): ¥(5,357) million

STATEMENT OF CHANGES IN NET ASSETS

(April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Share capital	Additional paid-in capital	Total capital surplus	Legal reserve	Reserve for retirement benefits	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward
Balance as of April 1, 2015	103,001	176,822	176,822	16,827	900	173	1,445	365,970	131,196
Change during the business year under review									
Provision of reserve for special depreciation						3			(3)
Reversal of reserve for special depreciation						(38)			38
Provision of reserve for advanced depreciation of fixed assets							27		(27)
Reversal of reserve for advanced depreciation of fixed assets							(221)		221
Dividends of surplus									(69,622)
Net income									7,978
Acquisition of treasury shares									
Disposals of treasury shares									(248)
Cancellation of treasury shares									(49,577)
Net change of items other than shareholders' equity during the business year under review									
Total change during the business year under review	–	–	–	–	–	(35)	(194)	–	(111,239)
Balance as of March 31, 2016	103,001	176,822	176,822	16,827	900	137	1,251	365,970	19,957

(Millions of yen)

	Shareholders' equity			Valuation, translation adjustments and others		Subscription rights to shares	Total net assets
	Total retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gains on securities	Total valuation, translation adjustments and others		
Balance as of April 1, 2015	516,511	(86,997)	709,337	29,864	29,864	2,241	741,442
Change during the business year under review							
Provision of reserve for special depreciation	–		–				–
Reversal of reserve for special depreciation	–		–				–
Provision of reserve for advanced depreciation of fixed assets	–		–				–
Reversal of reserve for advanced depreciation of fixed assets	–		–				–
Dividends of surplus	(69,622)		(69,622)				(69,622)
Net income	7,978		7,978				7,978
Acquisition of treasury shares		(120,127)	(120,127)				(120,127)
Disposals of treasury shares	(248)	436	188				188
Cancellation of treasury shares	(49,577)	49,577	–				–
Net change of items other than shareholders' equity during the business year under review				(9,015)	(9,015)	(115)	(9,130)
Total change during the business year under review	(111,469)	(70,114)	(181,583)	(9,015)	(9,015)	(115)	(190,713)
Balance as of March 31, 2016	405,042	(157,111)	527,754	20,849	20,849	2,126	550,729

Notes to Financial Statements

1. Notes to Items of Significant Accounting Policies

(1) Valuation standards and methods for assets:

(i) Valuation standards and methods for securities:

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

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

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

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

(ii) Valuation standards and methods for inventories:

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

(2) Depreciation and amortization methods for fixed assets:

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

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

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

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

(3) Basis for significant allowances:

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

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

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

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

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

(4) Hedge accounting:

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

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

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

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

(5) Accounting for consumption taxes:

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

2. Notes to Changes of Presentation

(Balance sheets)
"Accrued bonus for directors" under current liabilities, which was presented separately for the previous business year, has been included in "Other" under current liabilities from the business year under review, since it is no longer of material financial significance.
In order to reflect these changes of presentation, balance sheets for the previous business year have been reclassified.
As a result, the ¥150 million presented as "Accrued bonus for directors" under current liabilities in the balance sheets for the previous business year has been reclassified as "Other."

3. Notes to Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥142,841 million

(2) Contingent liabilities:

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

UNIGEN Inc.	¥800 million
Employees	¥579 million
Total	¥1,379 million

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

Short-term receivables:	¥102,116 million
Short-term payables:	¥330,620 million

4. Notes to Statements of Income

Volume of transaction with subsidiaries and affiliates:

Sales:	¥133,932 million
Purchases:	¥41,730 million
Non-operating transactions:	¥1,543 million

5. Notes to 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 96,844,512 shares

6. Notes to Tax Effect Accounting

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

Deferred tax assets:	
Loss on devaluation of securities:	¥2,177 million
Accrued retirement benefits for employees:	¥3,054 million
Depreciation and amortization of fixed assets:	¥26,113 million
Amortization of other assets:	¥524 million
Loss on impairment of fixed assets:	¥2,887 million
Accrued expenses:	¥4,700 million
Allowances:	¥834 million
Inventories:	¥9,304 million
Business taxes:	¥1,627 million
Advance payments:	¥14,994 million
Other:	¥37,773 million
Subtotal:	¥103,987 million
Valuation allowance:	(¥12,841 million)
Total:	¥91,146 million
Deferred tax liabilities:	
Unrealized holding gains on securities:	(¥8,557 million)
Prepaid pension cost:	(¥2,488 million)
Reserve for advanced depreciation of fixed assets:	(¥549 million)
Reserve for special depreciation:	(¥60 million)
Other:	(¥611 million)
Total:	(¥12,265 million)
Net deferred tax assets:	¥78,881 million

7. Notes to Transaction with Affiliated Parties

Subsidiaries and affiliates

Type	Name of Company, etc.	Ownership of voting rights, etc. (Ownership percentage)	Relationship with affiliated parties	Details of transaction	Amount of transaction (Millions of yen)	Account	Balance as of the end of the fiscal term (Millions of yen)
Subsidiaries	Astellas B.V.	Direct ownership 100.0%	Borrowing of funds, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Borrowing of funds (Notes) 1	138,956	Short-term loans payable	193,058
				Occurrence of claims (Notes) 2	48,973	Other under current assets	48,973
Subsidiaries	Astellas US Holding, Inc.	Direct ownership 100.0%	Borrowing of funds, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Borrowing of funds (Notes) 1	102,086	Short-term loans payable	95,778
Subsidiaries	Astellas Pharma Global Development, Inc.	Indirect ownership 100.0%	Consignment of development, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Consignment of development (Notes) 3	53,557	Other accounts payable	11,490
Subsidiaries	Astellas Ireland Co., Ltd.	Indirect ownership 100.0%	Sale of merchandise, etc. and receipt of royalties, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Sale of merchandise, etc. and receipt of royalties (Notes) 3	49,570	Trade accounts receivable	12,449
Subsidiaries	Astellas Pharma Tech Co., Ltd.	Direct ownership 100.0%	Receipt of funds, sharing of concurrent positions by Directors and Audit & Supervisory Board Members	Receipt of funds through cash pooling system (Notes) 4	–	Deposit	8,092

Trade conditions and related policies:

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

2. The claims pertain to the consideration for the transfer of the global dermatology business.

3. Consignment of development as well as sales of merchandise, etc. and receipt of royalties are determined based on market values, etc.

4. As the companies participating in the cash pooling system borrow and lend funds on a daily basis, such amount of transactions is not presented. Interest rates associated with such transactions are reasonably determined based on market rates.

8. Notes to Per-Share Data

(1) Net asset per share: ¥258.17
(2) Net income per share: ¥3.70