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 12th Term Annual Shareholders Meeting

Date and Time:

10:00 a.m. on Monday, June 19, 2017
(Admission commences at: 9 a.m.)

Place:

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

## Matters to be resolved:

First Proposal: Appropriation of Retained Earnings

Second Proposal: Election of Six (6) Directors

Third Proposal: Provision of Bonus to Directors

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Astellas Pharma Inc.
Securities Code: 4503

The Notice of Convocation

(Securities Code 4503)

May 30, 2017

To: Shareholders

# Notice of Convocation of the 12th Term Annual Shareholders Meeting

Dear Madam/Sir:

You are hereby notified that the 12th 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 16, 2017.

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 19, 2017
(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

**3. Purpose:**

**Matters to be reported:**

1. Report on the Business Report, Consolidated Financial Statements and Financial Statements for the 12th Term Business Year (from April 1, 2016 to March 31, 2017);
2. Report on the Results of Audit by Financial Auditors and the Audit & Supervisory Board for Consolidated Financial Statements for the 12th Term Business Year (from April 1, 2016 to March 31, 2017)

**Matters to be resolved:**

**First Proposal:** Appropriation of Retained Earnings
**Second Proposal:** Election of Six (6) Directors
**Third 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 19, 2017**
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 16, 2017 (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 16, 2017 (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

   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 16, 2017 (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.

Based on the policy of returns to shareholders mentioned above, the Company proposes the year-end dividend for the business year under review as follows. As a result, the Company's annual dividend is ¥34 per share, including the interim dividend of ¥17 per share.

*DOE = Dividend On Equity

Year-end dividend

(1) Type of dividend assets:
Cash

(2) Matters concerning the allotment of dividend assets and the total amount thereof:
¥17 per share of common stock of the Company
Total amount: ¥35,120,392,769

(3) Date when the dividend of retained earnings takes effect:
June 20, 2017 (Tuesday)

**Second Proposal:** Election of Six (6) Directors

The terms of office of Mr. Yoshihiko Hatanaka, Mr. Yoshirou 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 | New Candidate | | Kenji Yasukawa | Senior Corporate Executive, Chief Strategy Officer and Chief Commercial Officer |
| Non-executive | 3 | Reelection | Outside Director and Independent Director | Etsuko Okajima | Director<br>President and Representative Director, ProNova Inc.<br>External Director, MARUI GROUP CO., LTD.<br>External Director, SEPTENI HOLDINGS CO., LTD.<br>Outside Director, Link and Motivation Inc. |
| | 4 | Reelection | Outside Director and Independent Director | Yoshiharu Aizawa | Director<br>Professor Emeritus, Kitasato University |
| | 5 | New Candidate | Outside Director and Independent Director | Mamoru Sekiyama | Corporate Adviser, Marubeni Corporation |
| | 6 | New Candidate | Outside Director and Independent Director | Keiko Yamagami | Lawyer honorary member, Tokyo Seiwa Law Office |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 1 | Yoshihiko Hatanaka (April 20, 1957)<br><br>Reelection | April 1980: Joined Fujisawa Pharmaceutical Co., Ltd.<br>April 2003: Director, Corporate Planning, Fujisawa Pharmaceutical Co., Ltd.<br>April 2005: Vice President, Corporate Planning, Corporate Strategy Division, the Company<br>June 2005: Corporate Executive, Vice President, Corporate Planning, Corporate Strategy, the Company<br>April 2006: Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.<br>June 2008: Senior Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.<br>April 2009: Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CFO & CSTO), the Company<br>June 2011: Representative Director, President & CEO, the Company (present post)<br>(Reasons for selection as a candidate for Director)<br>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. | 17,500 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 2 | Kenji Yasukawa (June 7, 1960)<br><br>New Candidate | April 1986: Joined the Company<br>April 2005: Vice President, Project Management, Urology, the Company<br>June 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Europe B.V.<br>October 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Global Development, Inc.<br>April 2011: Corporate Executive, Vice President, Product & Portfolio Strategy, the Company<br>April 2012: Corporate Executive, Chief Strategy Officer (CSTO), the Company<br>June 2012: Senior Corporate Executive, Chief Strategy Officer (CSTO), the Company<br>April 2017: Senior Corporate Executive, Chief Strategy Officer and Chief Commercial Officer (CSTO & CCO), the Company (present post)<br>(Reasons for selection as a candidate for Director)<br>He has abundant experience in global business operation primarily in the development division. Since his appointment as Senior Corporate Executive, Chief Strategy Officer (CSTO) of the Company in June 2012, he has overseen corporate strategy, business development, etc. of the Astellas Group. Furthermore, since April 2017, he has been concurrently serving as Chief Commercial Officer (CCO) and demonstrating strong leadership 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 new Director. | 11,315 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 3 | Etsuko Okajima (May 16, 1966)<br><br>Candidate for Outside Director and Independent Director<br><br>Reelection | April 1989: Joined Mitsubishi Corporation<br>January 2001: Joined McKinsey & Company, Inc., Japan<br>March 2002: Joined GLOBIS Management Bank, Inc.<br>July 2004: Executive Officer, GLOBIS Corporation<br>July 2005: President and Representative Director, GLOBIS Management Bank, Inc.<br>June 2007: Established ProNova Inc.<br>President and Representative Director, ProNova Inc. (present post)<br>June 2014: Director, the Company (present post)<br>June 2014: External Director, MARUI GROUP CO., LTD. (present post)<br>December 2015: External Director, SEPTENI HOLDINGS CO., LTD. (present post)<br>March 2016: Outside Director, Link and Motivation Inc. (present post)<br>(Status of significant concurrent positions at other organizations)<br>President and Representative Director, ProNova Inc.<br>External Director, MARUI GROUP CO., LTD.<br>External Director, SEPTENI HOLDINGS CO., LTD.<br>Outside Director, Link and Motivation Inc.<br>(Number of years as an outside Director)<br>Three (3) years at the close of this Annual Shareholders Meeting<br>(Rate of attendance in meetings of the Board of Directors)<br>14/14 meetings (100%)<br>(Reasons for selection as a candidate for outside Director)<br>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 |
|---|---|---|---|
| 4 | Yoshiharu Aizawa (April 7, 1946)<br><br>Candidate for Outside Director and Independent Director<br><br>Reelection | April 1975: Fellow, Department of Internal Medicine, School of Medicine, Keio University<br>April 1980: Assistant Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University<br>October 1983: Associate Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University<br>April 1994: Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University<br>July 2004: Chairperson of School of Medicine, Kitasato University<br>July 2006: Dean of School of Medicine, Kitasato University<br>July 2009: Vice President, Kitasato University<br>July 2010: Executive Trustee, The Kitasato Institute<br>April 2012: Professor Emeritus, Kitasato University (present post)<br>June 2015: Director, the Company (present post)<br>(Status of significant concurrent positions at other organizations)<br>Professor Emeritus, Kitasato University<br>(Number of years as an outside Director)<br>Two (2) years at the close of this Annual Shareholders Meeting<br>(Rate of attendance in meetings of the Board of Directors)<br>14/14 meetings (100%)<br>(Reasons for selection as a candidate for outside Director and grounds for the judgment that he can appropriately carry out duties as outside Director)<br>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 |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 5 | Mamoru Sekiyama (August 14, 1949)<br><br>Candidate for Outside Director and Independent Director<br><br>New Candidate | April 1974: Joined Marubeni Corporation<br>April 1997: General Manager, Power Project Dept.-I, Marubeni Corporation<br>April 1998: General Manager, Power Project Dept.-III, Marubeni Corporation<br>April 1999: Deputy General Manager, Power Project Div.; General Manager, Power Project Dept. I, Marubeni Corporation<br>April 2001: Senior Operating Officer, Utility Infrastructure Div.; General Manager, Overseas Power Project Dept., Marubeni Corporation<br>April 2002: Corporate Vice President, Chief Operating Officer, Plant, Power & Infrastructure Div., Marubeni Corporation<br>April 2005: Corporate Senior Vice President, Chief Operating Officer, Plant, Power & Infrastructure Projects Div., Marubeni Corporation<br>June 2006: Corporate Senior Vice President, Member of the Board, Marubeni Corporation<br>April 2007: Corporate Executive Vice President, Member of the Board, Marubeni Corporation<br>April 2009: Senior Executive Vice President, Member of the Board, Marubeni Corporation<br>April 2013: Vice Chairman, Marubeni Corporation<br>April 2015: Corporate Adviser, Marubeni Corporation (present post)<br>Chairman, Marubeni Power Systems Corporation<br>(Status of significant concurrent positions at other organizations)<br>Corporate Adviser, Marubeni Corporation<br>(Reasons for selection as a candidate for outside Director)<br>He has been engaged in corporate management as a business manager of a general trading company for over the years, and has abundant global experience and extensive insight. The Company believes that he is able to leverage his abundant specialized knowledge and experience to the management of the Company from an independent standpoint as an outside Director, and therefore requests his election as new 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 | Keiko Yamagami (March 22, 1961)<br><br>Candidate for Outside Director and Independent Director<br><br>New Candidate | April 1987: Public Prosecutor, Yokohama District Public Prosecutors Office<br>April 2002: Coordinator, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice<br>January 2005: Counselor, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice<br>August 2005: Public Prosecutor, Supreme Public Prosecutors Office<br>August 2007: Deputy Director of Public Peace Department, Tokyo District Public Prosecutors Office<br>July 2008: Deputy Director of Trial Department, Tokyo District Public Prosecutors Office<br>April 2009: Trial Director, Yokohama District Public Prosecutors Office<br>April 2010: Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association)<br>Lawyer honorary member, Tokyo Seiwa Law Office (present post)<br>(Status of significant concurrent positions at other organizations)<br>Lawyer honorary member, Tokyo Seiwa Law Office<br>(Reasons for selection as a candidate for outside Director and grounds for the judgment that she can appropriately carry out duties as outside Director)<br>After successively holding important posts such as Public Prosecutor at the Supreme Public Prosecutors Office, she has been engaged in corporate legal affairs as an attorney-at-law, and has abundant expertise and experience. The Company believes that she is able to leverage her abundant specialized knowledge and experience to the management of the Company from an independent standpoint as an outside Director, and therefore requests her election as new 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. Ms. Etsuko Okajima, Dr. Yoshiharu Aizawa, Mr. Mamoru Sekiyama, and Ms. Keiko Yamagami are candidates for outside Director and satisfy the required conditions for independent director stipulated by 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 17-18.

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 Ms. Etsuko Okajima and Dr. Yoshiharu Aizawa is approved, the Company will maintain the agreements to limit their respective liabilities and, if the election of Mr. Mamoru

Sekiyama and Ms. Keiko Yamagami is approved, the Company will enter into the agreements to limit their liabilities with the same terms and conditions of the other outside Directors' agreements.

**Third 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 ¥118,453,000 be paid to two (2) 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, 2016 to March 31, 2017)**

## 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, 2016 to March 31, 2017, hereinafter it may be also referred to as "FY2016"), 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 FY2016 showed a decrease in sales and increases in core operating profit and core profit for the year, as follows.

Consolidated financial results (core basis)

| | Business results of the business year under review (FY2016) | Fluctuation from the previous business year (increase/decrease ratio) |
|---|---|---|
| Sales | ¥1,311.7 billion | ¥61.0 billion decrease (4.4% decrease) |
| Core operating profit | ¥274.6 billion | ¥7.1 billion increase (2.7% increase) |
| Core profit for the year | ¥213.3 billion | ¥14.5 billion increase (7.3% increase) |

The exchange rates for the yen in FY2016 are shown in the table below. The resulting impacts were a ¥94.7 billion decrease in sales and a ¥36.3 billion decrease in core operating profit compared with if the exchange rates of the previous business year (hereinafter it may be also referred to as "FY2015") were applied.

Exchange rate

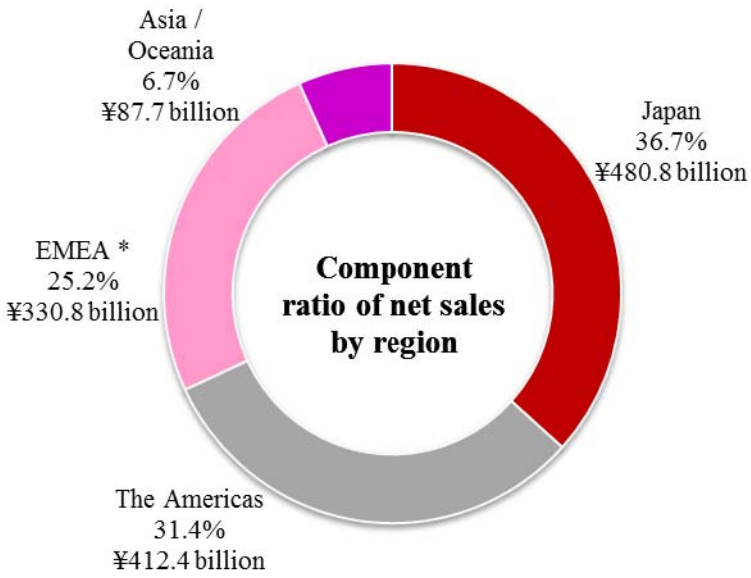
| Average rate | FY2015 | **FY2016** | Fluctuation |
|---|---|---|---|
| US$/¥ | ¥120 | **¥108** | ¥12 (Strengthening of yen) |
| €/¥ | ¥133 | **¥119** | ¥14 (Strengthening of yen) |

| Change from beginning to end of the business year | FY2015 | **FY2016** |
|---|---|---|
| US$/¥ | ¥7 (Strengthening of yen) | **¥0 (Strengthening of yen)** |
| €/¥ | ¥3 (Strengthening of yen) | **¥8 (Strengthening of yen)** |

(i) Sales

Consolidated sales in FY2016 decreased by 4.4% compared to those in the previous business year ("year-on-year") to ¥1,311.7 billion.

- Sales of the mainstay products showed steady expansion, but consolidated sales decreased due to the impact of foreign exchange as well as the impacts of a National Health Insurance ("NHI") drug price revision in Japan enforced in April 2016 etc.
- In terms of global products, sales of XTANDI for the treatment of prostate cancer marginally increased and sales of overall overactive bladder ("OAB") treatments Vesicare and Betanis/Myrbetriq/BETMIGA decreased due to the impact of foreign exchange, but sales of each product steadily increased on a local currency basis excluding foreign exchange impact. Sales of Prograf, an immunosuppressant, decreased.




* Europe, the Middle East and Africa

Sales by region

* Sales by region calculated according to locations of sellers.

Sales in Japan decreased by 3.3% year-on-year to ¥480.8 billion.

Sales in the Japanese market decreased by 6.3% year-on-year to ¥452.7 billion.

- There was growth in sales of products including overall OAB treatments Vesicare and Betanis, the anti-inflammatory and anti-pain treatment Celecox, Symbicort for the treatment of bronchial asthma and Suglat for the treatment of type 2 diabetes.

- Sales of XTANDI decreased due to the NHI drug price revision.

- Sales of vaccines declined mainly due to the continued impact of the restraints of shipment by the manufacturer in FY2015 (shipments of a part of products have already been recommenced), in addition, 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 decreased by 9.4% year-on-year to ¥412.4 billion.

Sales on US dollar basis increased by 0.5% year-on-year to US$3,805 million.

- Sales of products such as XTANDI, overall OAB treatments VESIcare and Myrbetriq, and the pharmacologic stress agent Lexiscan increased on a U.S. dollar basis, while the sales of each product decreased due to the impact of foreign exchange.
- Sales of Prograf decreased.
- Antifungal CRESEMBA for treatment of invasive aspergillosis andmucormycosis contributed to sales.

Sales in EMEA* increased by 0.5% year-on-year to ¥330.8 billion.

Sales on a Euro basis increased by 12.1% year-on-year to €2,785 million.

- Sales of XTANDI grew.
- Sales of overall OAB treatments Vesicare and BETMIGA and Prograf declined mainly due to the impact of foreign exchange.

* EMEA: Europe, the Middle East and Africa.

Sales in Asia and Oceania decreased by 3.8% year-on-year to ¥87.7 billion.

- XTANDI and overall OAB treatments Vesicare and BETMIGA showed growth in sales.
- Sales of Prograf and Harnal for the treatment of functional symptoms of benign prostatic hyperplasia declined due to the impact of foreign exchange.

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

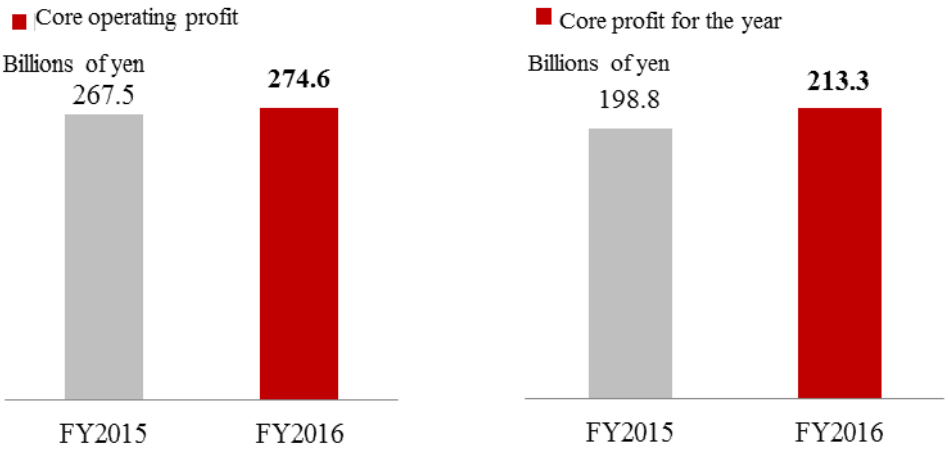
Core operating profit increased by 2.7% year-on-year to ¥274.6 billion.
Core profit for the year increased by 7.3% year-on-year to ¥213.3 billion.

- Gross profit decreased by 4.4% year-on-year to ¥991.2 billion along with a decrease in sales. The cost-to-sales ratio remained largely unchanged year-on-year at 24.4%.

- Selling, general and administrative expenses and research and development ("R&D") expenses decreased by 5.9% year-on-year to ¥470.8 billion and by 7.8% year-on-year to ¥208.1 billion respectively partly due to the foreign exchange rate impact. The R&D cost-to-sales ratio was down 0.6 percentage points year-on-year to 15.9%.

- Amortisation of intangible assets decreased by 15.5% year-on-year to ¥35.8 billion.

Resulting from the transfer of the global dermatology business in April 2016, the sales and the expenses of the transferred products were not included in those of FY2016. On the other hand, the consideration for the business transfer was recognized as revenue over certain periods. As a result, there were certain positive impacts on sales and profit for FY2016.



<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in FY2016 are shown in the table below. Sales decreased while operating profit, profit before tax and profit for the year increased.

The full basis financial results include "other income" (including net foreign exchange gains), "other expense" (including impairment losses, loss on sales of property, plant and equipment, restructuring costs, and net foreign exchange losses), and gain on sales of available-for-sale financial assets (included in "finance income") which are excluded from the core basis financial results.

"Other income" in FY2016 was ¥9.6 billion (¥1.7 billion in the previous business year). "Other expense" in FY2016 was ¥23.3 billion (¥20.2 billion in the previous business year). Gain on sales of available-for-sale financial assets in FY2016 was ¥21.3 billion (¥12.3 in the previous business year).

Comprehensive income increased.

Consolidated financial results (full basis)

| | Business results of the business year under review (FY2016) | Fluctuation year-on-year (increase/decrease ratio) |
|---|---|---|
| Sales | ¥1,311.7 billion | ¥61.0 billion decrease (4.4% decrease) |
| Operating profit | ¥260.8 billion | ¥11.8 billion increase (4.8% increase) |
| Profit before tax | ¥281.8 billion | ¥20.0 billion increase (7.6% increase) |
| Profit for the year | ¥218.7 billion | ¥25.0 billion increase (12.9% increase) |
| Comprehensive income | ¥174.6 billion | ¥43.8 billion increase (33.4% increase) |

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 FY2016.

(i) Initiatives for maximizing the product value

The Company has been taking steps toward maximizing the Company's oncology franchise centered on XTANDI and OAB franchise comprised of Vesicare and Betanis/Myrbetriq/BETMIGA. The Company launched such products, including the aforementioned in various countries. Number of countries/areas where XTANDI and Betanis/Myrbetriq/BETMIGA launched are approx. 70 and approx. 50, respectively, as of March 31, 2017.

With respect to the update of product label for XTANDI including the data from the head-to-head TERRAIN trial of enzalutamide versus bicalutamide, the Company obtained approval and the product label was updated in April 2016 in Europe, and in October 2016 in

the U.S. as well.

The following are main newly launched products in FY2016.

- Repatha* for the treatment of hypercholesterolemia was launched in April 2016 in Japan.
  * 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 official guidance for points of consideration regarding the use of Repatha under the coverage of NHI is issued by Medical Economics Division, Health Insurance Bureau, Ministry of Health, Labour and Welfare (Notice0331 No.9, March 31, 2017).

- Micatrio Combination Tablets* for the treatment of hypertension was launched in November 2016 in Japan.
  * The official guidance for points of consideration regarding Micatrio under the coverage of NHI is issued by Medical Economics Division, Health Insurance Bureau, Ministry of Health, Labour and Welfare (Notice1226 No.8, December 26, 2016).

- Kiklin Granules for the treatment of hyperphosphatemia was launched in December 2016 in Japan.

- LINZESS for the treatment of the irritable bowel syndrome with constipation was launched in March 2017 in Japan.

(ii) Initiatives for creating innovation

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

In December 2016, the Company completed the acquisition of Ganymed Pharmaceuticals AG, a biopharmaceutical company located in Germany and developing antibodies against cancer, and made it a consolidated subsidiary of the Company. Through the acquisition of antibody program in the late-stage, the Company aims to further enhance its leading oncology franchise as a platform for sustainable growth.

Furthermore, in an effort to further expand our development pipeline, in March 2017, the Company agreed to acquire Ogeda SA, a drug discovery company located in Belgium, and entered into a definitive agreement with Ogeda's shareholders. Ogeda SA has multiple small molecule programs, including those in Phase 2 clinical development.

In addition to the existing focus therapeutic areas, the Company has been investing in new therapeutic areas including muscle diseases and ophthalmology as well as new technologies and modalities including next-generation vaccines and cell therapies, utilizing alliance opportunities with external partners that have strong expertise for creating new innovations. The following are the major alliances with external partners made during the FY2016:

- In April 2016, the Company entered into a collaborative research agreement with the National Institute of Advanced Industrial Science and Technology to discover anti-protozoan parasite drugs for the treatment of Chagas' disease, a neglected tropical disease in April 2016.

- In May 2016, the Company announced the conclusion of a joint research agreement with Daiichi Sankyo Company, Limited and Takeda Pharmaceutical Company Limited to comprehensively acquire and analyze fundamental biomarker data on healthy adult volunteers in order to optimize and accelerate the development of innovative medicines.

- In June 2016, the Company entered into a collaborative development agreement with the Institute of Medical Science, the University of Tokyo, to develop the rice-based oral vaccine "MucoRice-CTB" against cholera and enterotoxigenic *Escherichia coli (E. coli)* caused diarrheal diseases.

- In July 2016, the Company amended its collaboration agreement in skeletal muscle activators with Cytokinetics, Inc. (US) ("Cytokinetics") to expand the agreement to include amyotrophic lateral sclerosis ("ALS"). This amendment enables the development of fast skeletal troponin activation, CK-2127107 (development code) for the potential treatment of ALS. In addition, the Company has obtained an option right for the development and commercialization of tirasemtiv (generic name), an investigational skeletal muscle activator. Furthermore, the joint research focused on the discovery of additional next generation skeletal muscle activators was extended to 2017.

- In July 2016, the Company established DigiTx Partners LLC (US), a digital health investment company, in partnership with MPM Capital, Inc. (US).

- In December 2016, the Company signed a memorandum of understanding to create a method for analyzing circulating tumor cells, with Sysmex Corporation and Daiichi Sankyo Company, Limited.

- In January 2017, the Company executed a license agreement with respect to an exclusive worldwide license for AU-935 (development code) program for the treatment of chronic tympanic membrane perforation with Auration Biotech, Inc. (US).

  In February 2017, the Company executed an exclusive worldwide license agreement to develop and commercialize a vaccine targeting *Streptococcus pneumoniae (pneumococcus)* with Affinivax, Inc. (US) in February 2017utilizing Affinivax, Inc.'s proprietary vaccine technology platform – Multiple Antigen Presenting System (MAPS).

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 progress made during the FY2016.

- The Company submitted a new drug application for extended-release tablets of quetiapine fumarate (generic name, development code: FK949E), a serotonin/dopamine antagonist, for the indication of improvement of depressive symptoms associated with bipolar disorder in August 2016 in Japan.

- The Company obtained a marketing approval of Kiklin Granules (generic name: bixalomer) as an additional dosage formulation, for the treatment of hyperphosphatemia in September 2016 in Japan.

- The Company submitted an application for a marketing approval of prostate cancer treatment XTANDI (generic name: enzalutamide) tablets as an additional dosage formulation in September 2016 in Japan.

- The Company obtained a marketing approval for a guanylate cyclase-C receptor agonist, LINZESS (generic name: linaclotide, development code: ASP0456) for the indication of irritable bowel syndrome with constipation in December 2016 in Japan.

- Amgen Astellas BioPharma K.K. submitted an application seeking marketing approval of romosozumab (generic name, development code: AMG 785) for the treatment of osteoporosis for those at high risk of fracture in December 2016 in Japan. Amgen Astellas BioPharma K.K. and the Company have been co-developing romosozumab.

In March 2017, the Company terminated the agreement executed in September 2010 between the Company and UMN Pharma Inc. for the co-development and the Company's exclusive commercialization of ASP7374 and ASP7373, the cell culture based influenza vaccine programs in Japan. Accordingly, the Company returned to UMN Pharma Inc. all rights granted to the Company under the agreement, and withdrew the application for a marketing approval of ASP7374 and discontinued the development of ASP7373.

Additionally, in May 2017, with respect to mutant-selective irreversible epidermal growth factor receptor (EGFR) inhibitor, naquotinib (generic name, development code: ASP8273), the Company decided to voluntarily close study randomization for the Phase 3 clinical trial which had been conducted on patients with non-small cell lung cancer and to discontinue the treatment with naquotinib, following a recommendation by the trial's Independent Data Monitoring Committee.

(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 FY2016.

- The Company transferred its global dermatology business to LEO Pharma A/S (Denmark) in April 2016. Both companies worked together for the transition of business while continuing supply of products.

- SESA (South East & South Asia) Umbrella Organization responsible for overseeing operations in the South East and South Asia regions as well as a sales subsidiary, Astellas Pharma Malaysia Sdn. Bhd., both of which were established with the aim of improving quality and efficiency of operations in the regions, began their operations in April 2016 respectively.

- In August 2016, all the shares in equity of Astellas Pharma Technologies, Inc. (US), a then wholly owned manufacturing subsidiary of the Company, which owns the Norman plant used for the drug formulation and packaging of certain Astellas pharmaceutical products, were transferred to Avara Norman Pharmaceutical Services, Inc. (US).

- In November 2016, the Company executed a memorandum of understanding for outsourcing of the facility and equipment management support of the Company and each Group company in Japan, with Kajima Corporation and Kajima Tatemono Sogo Kanri Co., Ltd.. In addition to the outsourcing, as a result of re-assessment of the organizational management system, the Company decided to dissolve its subsidiary, Astellas Business Service Company Limited, which performs the shared administrative support works, in the end of September 2017 (planned).

- In December 2016, Astellas Pharma Europe Ltd. (UK), a subsidiary of the Company, entered into a definitive agreement with Grünenthal (Germany) under which Astellas Pharma Europe Ltd. would transfer the exclusive rights to commercialize Qutenza for the treatment of peripheral neuropathic pain in Europe, Middle East and Africa to Grünenthal.

- In February 2017, the Company, Takeda Pharmaceutical Company Limited, Teva Takeda Pharma Ltd. and Teva Takeda Yakuhin Ltd. concluded a memorandum of understanding concerning the establishment of a new structure in Hokkaido for the joint storage and distribution of products of these four companies as well as a jointly-operated logistics center to be located in Sapporo, with the objective of further ensuring stable supplies, qualities and efficient transportation of pharmaceuticals in emergency situations, such as a natural disaster,.

- In February 2017, the Company and Kyowa Pharmaceutical Industry Co., Ltd. entered into an agreement providing Kyowa Pharmaceutical Industry Co., Ltd. the exclusive right to distribute and promote extended-release tablets of quetiapine fumarate in Japan. The Company submitted a new drug application to the Ministry of Health, Labour and Welfare in Japan for extended-release tablets of quetiapine fumarate for the indication of improvement of depressive symptoms associated with bipolar disorder.

- In March 2017, the Company and LTL Pharma Co., Ltd. entered into an Asset Purchase Agreement, under which the Company would transfer its marketing approval of 16 long-listed products (the “Products”) in Japan, supply business of active pharmaceutical ingredients/bulk of the Products to third parties inside and outside of Japan, and royalty business of the Products to LTL Pharma Co., Ltd..

3) Present state of CSR initiatives

CSR (=Corporate Social Responsibility)

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

Under the aforementioned philosophy, the Company is promoting its CSR activities with a view to creating and protecting the value of society as well as Astellas. There are many people with insufficient access to the healthcare they need due to the lack of available treatments, poverty, healthcare system challenges and insufficient healthcare information. As part of our 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 a Neglected Tropical Disease and collaborative development on the rice-based oral vaccine "MucoRice-CTB" against enterotoxigenic *Escherichia coli (E. coli)*, etc., while also participating in Access Accelerated, a global, multi-stakeholder initiative to advance access to non-communicable disease prevention, diagnosis and treatment in low-income and lower-middle income countries.

(2) Changes in Assets and Income and Loss:

| Items | 9th term business year (FY2013) | 10th term business year (FY2014) | 11th term business year (FY2015) (Previous business year) | 12th term business year (FY2016) (Business year under review) |
|---|---|---|---|---|
| Sales | ¥1,139.9 bil. | ¥1,247.3 bil. | ¥1,372.7 bil. | ¥1,311.7 bil. |
| Operating profit | ¥116.8 bil. | ¥185.7 bil. | ¥249.0 bil. | ¥260.8 bil. |
| Profit before tax | ¥122.0 bil. | ¥189.7 bil. | ¥261.8 bil. | ¥281.8 bil. |
| Profit for the year | ¥90.9 bil. | ¥135.9 bil. | ¥193.7 bil. | ¥218.7 bil. |
| Basic earnings per share | ¥40.45 | ¥61.50 | ¥89.75 | ¥103.69 |
| ROE attributable to owners of the parent (ROE) | 7.4% | 10.5% | 15.0% | 17.3% |
| Total assets | ¥1,653.1 bil. | ¥1,793.6 bil. | ¥1,799.3 bil. | ¥1,820.9 bil. |
| Equity attributable to owners of the parent | ¥1,268.5 bil. | ¥1,317.9 bil. | ¥1,259.2 bil. | ¥1,271.8 bil. |
| R&D expenses | ¥191.5 bil. | ¥206.6 bil. | ¥225.7 bil. | ¥208.1 bil. |
| R&D cost-to-sales ratio | 16.8% | 16.6% | 16.4% | 15.9% |

(Notes) 1. 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 9th 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 and renewal of research facilities and equipment as well as production facilities and equipment.

<Capital Expenditures>

| 11th term business year (Previous business year) | 12th term business year (Business year under review) | Fluctuation year-on-year (increase/decrease ratio) |
|---|---|---|
| ¥34.0 billion | ¥23.9 billion | ¥10.1 billion decrease (29.8% decrease) |

(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 as described below, and will work to enhance it on a global basis in the future.

- The Executive Committee, chaired by the Representative Director, President & CEO, as a body for discussion on significant issues in global management of the Astellas Group, and the Japan Management Committee, chaired by the Chief Strategy Officer and Chief Commercial Officer as a body for discussion 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 agile and appropriate decision-making, we have been promoting a system called "Matrix Management," under which we manage each division and function of Drug Discovery Research, Medical & Development, and Pharmaceutical Technology based on their respective functions from a global viewpoint across geographical regions, while the Sales & Marketing Divisions are managed on a regional basis.

- Enhancement of management functions from a global viewpoint is pursued in the area of corporate functions as well. In order to further strengthen compliance, Ethics & Compliance Function was established in April 2016, under a global compliance structure wherein Ethics & Compliance functions in each region (Japan, the Americas, Europe, the Middle East and Africa, and Asia and Oceania) report to the Head of Ethics & Compliance.

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

<Group Management Structure>

(As of April 1, 2017)

| Top Management | | Department in-charge/Function |
|---|---|---|
| Representative Director, President & CEO | Yoshihiko Hatanaka | Internal Auditing, External Relations, Drug Discovery Research, Pharmaceutical Technology, Legal, Intellectual Property, Astellas Institute for Regenerative Medicine |
| Chief Strategy Officer and Chief Commercial Officer | Kenji Yasukawa | Corporate Planning, Product & Portfolio Strategy, Business Development, Japan Sales & Marketing, Asia & Oceania Business, EMEA Operations, Americas Operations, Marketing Strategy |
| Chief Medical Officer | Sef Kurstjens | Development, Pharmacovigilance, Medical Affairs, Regulatory Affairs, Clinical and Research Quality Assurance, Quality Assurance |
| Chief Financial Officer | Chikashi Takeda | Corporate Finance & Control, Accounting & Tax, Corporate Communications, Procurement, Information Systems, Real World Informatics and Analytics |
| Chief Administrative Officer and Chief Ethics & Compliance Officer | Fumiaki Sakurai | Healthcare Policy & CSR, General Affairs, Human Resources, Ethics & Compliance, Executive Office |

| Standing Members of the Executive Committee | |
|---|---|
| Representative Director, President & CEO | Yoshihiko Hatanaka |
| Chief Strategy Officer and Chief Commercial Officer | Kenji Yasukawa |
| Chief Medical Officer | Sef Kurstjens |
| Chief Financial Officer | Chikashi Takeda |
| Chief Administrative Officer and Chief Ethics & Compliance Officer | Fumiaki Sakurai |
| General Counsel | Linda Friedman |

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

(6) Principal Business (as of March 31, 2017)

Research, development, manufacture and sale of pharmaceuticals

(7) Principal Offices and Plants (as of March 31, 2017)

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

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

(Notes) 1. In April 2016, the business of Kiyosu Plant (Aichi Prefecture), a then manufacturing site of the Company, was transferred to MicroBiopharm Japan Co., Ltd.

2. In August 2016, the Company transferred all the shares of the equity in Astellas Pharma Technologies, Inc.a wholly owned manufacturing subsidiary of the Company in the U.S., to Avara Norman Pharmaceutical Services, Inc. (US).

(8) Principal Subsidiaries (as of March 31, 2017)

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 1 | 100.0 | Pharmaceutical business (manufacture) |

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

(Note) The number of consolidated subsidiaries including eight (8) principal subsidiaries stated in the table above totals eighty-one (81) and that of affiliated companies accounted for by the equity method is ten (10).

2) Specified wholly-owned subsidiaries

There are no applicable subsidiaries.

(9) Important Business Reorganizations

- In April 2016, the Company transferred its global dermatology business to LEO Pharma A/S (Denmark).
- In August 2016, the Company transferred all the shares of the equity in Astellas Pharma Technologies, Inc. (US), a then wholly owned manufacturing subsidiary of the Company, to Avara Norman Pharmaceutical Services, Inc. (US).
- In December 2016, the Company acquired 100% of the equity in Ganymed Pharmaceuticals AG (Germany), whereby Ganymed Pharmaceuticals AG became a consolidated subsidiary of the Company.

- In March 2017, the Company and LTL Pharma Co., Ltd. have entered into an agreement, under which the Company will transfer its marketing approval of 16 long-listed products in Japan, supply business of active pharmaceutical ingredients/bulk of these products to third parties inside and outside of Japan and royalty business of these products to LTL Pharma Co., Ltd..

- In March 2017, the Company and the shareholders of Ogeda SA (Belgium) have entered into a definitive agreement under which the Company has agreed to acquire Ogeda SA.

(10) Important Alliance for Technology (as of March 31, 2017)

1) License agreements – license in

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

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

(Notes) 1. Ajinomoto Pharmaceuticals Co., Ltd. (Japan), the Company's counterparty to the license-in agreement regarding technology for nateglinide (Starsis), changed its trade name to EA Pharma Co., Ltd.

2. Since XenoPort, Inc. (US), the Company's counterparty to the license-in agreement regarding technology for gabapentin enacarbil (Regnite), has been acquired by Arbor Pharmaceuticals, LLC (US), the name of the cournterparty has been replaced with Arbor Group.

3. The license-in agreement regarding technology for ASP7373 and ASP7374, entered into with UMN Pharma Inc. (Japan), was terminated.

4. The type of technology licensed under the license-in agreement regarding technology for evolocumab (Repatha), entered with Amgen Inc. (US), was changed.

5. The license-in agreement regarding technology for Qutenza, entered into with HealthCare Royalty Partners (US), was transferred to Grünenthal (Germany).

### 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 |

| Counterparty | Country | Contents of contracts |
|---|---|---|
| | | Co., Ltd.<br>Co-promotion agreement for “Kiklin” of the Company |
| Kotobuki Pharmaceutical Co., Ltd. | Japan | Co-operation agreement in Japan for “Suglat” of the Company and Kotobuki Pharmaceutical Co., Ltd. |
| 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. |
| LEOPharma A/S | Denmark | Based on the agreement on the transfer of its global dermatology business, the Company will continue supplying products to LEO Pharma A/S until the transfer is complete. |

(Note) In the previous business year, the Company entered into an Asset Purchase Agreement, under which Astellas transfers its global dermatology business to LEO Pharma A/S (Denmark). Based on this agreement, the Company started to supply concerned products to LEO Pharma A/S in 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 May 2015, the Court approved the settlement and dismissed the case. In February 2016, Astellas Pharma US, Inc. settled all claims brought against it by the indirect purchaser plaintiffs. In November 2016, the Court approved the settlement and dismissed the case.

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. In June 2016, OSI Pharmaceuticals, LLC entered into a civil settlement agreement with the U.S. government and the states that resolves this matter.

(12) Employees (as of March 31, 2017)

| Number of employees | Year-on-year increase or decrease |
|---|---|
| 17,202 | 15 decrease |

(13) Principal Lenders (as of March 31, 2017)

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, 2017)

(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:
2,153,823,175 shares (including 87,917,718 shares of treasury share)

3) Number of shareholders: 114,997

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) | 152,044 | 7.35 |
| Japan Trustee Services Bank, Ltd. (trust account) | 113,642 | 5.50 |
| State Street Bank and Trust Company | 80,827 | 3.91 |
| Nippon Life Insurance Company | 64,486 | 3.12 |
| JP Morgan Chase Bank 385632 | 53,215 | 2.57 |
| Japan Trustee Services Bank, Ltd. (trust account 5) | 39,311 | 1.90 |
| State Street Bank West Client - Treaty 505234 | 37,239 | 1.80 |
| JP Morgan Chase Bank 385147 | 34,367 | 1.66 |
| Japan Trustee Services Bank, Ltd. (trust account 7) | 30,101 | 1.45 |
| Japan Trustee Services Bank, Ltd. (trust account 1) | 29,209 | 1.41 |

(Notes) 1. The Company holds 87,917,718 shares of treasury share, but it is not included in the above list of principal shareholders.

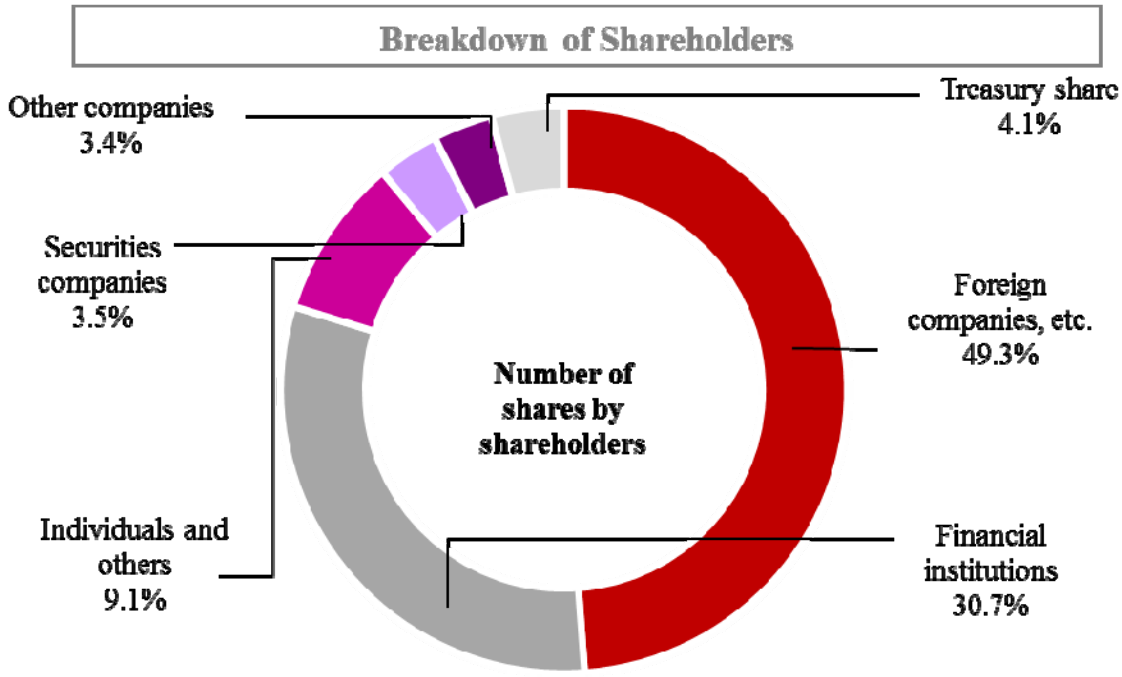
2. The percentage of shares held are calculated to the total number of issued shares excluding treasury share (2,065,905,457 shares) and presented by discarding the numbers down to the third decimal.

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: 60 million shares (Total amount of acquisition prices: ¥91.4 billion)
Number of shares cancelled: 68 million shares (Date of cancellation: June 20, 2016)

(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 Views and System of Corporate Governance

1. Basic view

The Company's raison d'être is to contribute to improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. The Company aims to sustainably enhance 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 the Corporate Governance Guidelines which clarifies the basic views and guidelines that must be followed in order for the Company to ensure and strengthen the effectiveness of corporate governance. The guidelines are posted on the following Company's website.

http://www.astellas.com/en/corporate/pdf/governance_guideline_en.pdf

2. Summary of the corporate governance system

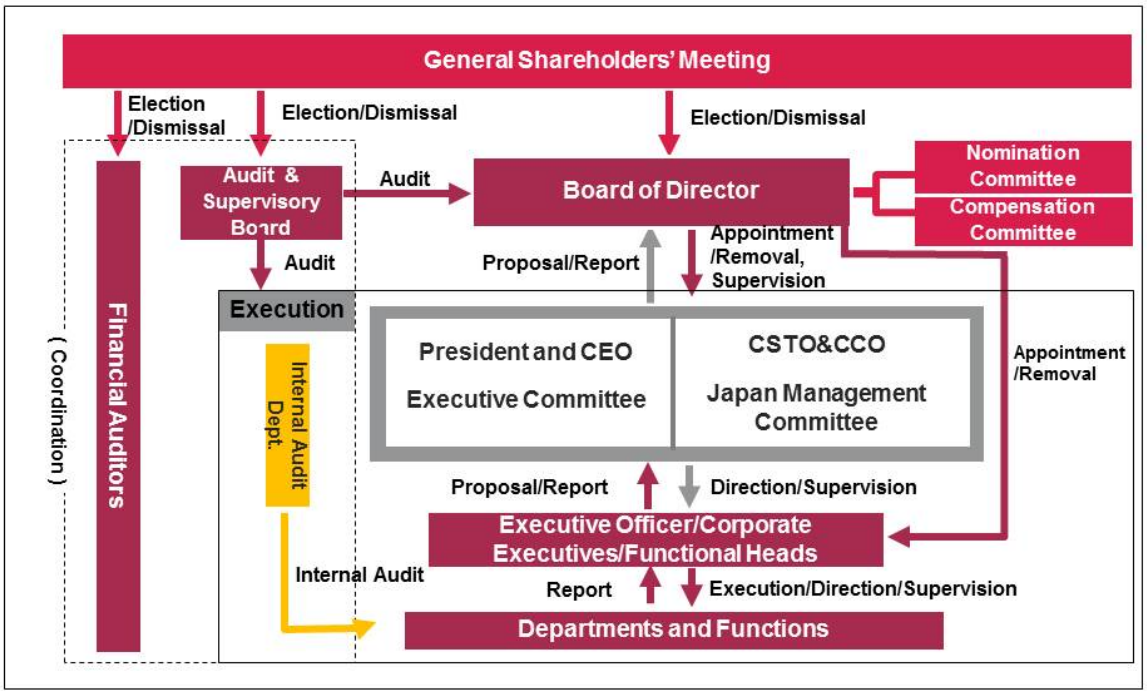
The summary of the corporate governance systems is as follows:

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

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

- As 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. The responsibility and authority for the execution of business of the organs described above, the President and CEO and the Executive Officers are clearly stipulated in the Corporate Decision Authority Policy.

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




3. Directors/Board of Directors

All of the Company's Directors are subject to election by resolution of a General Meeting of Shareholders each year. Board of Directors meetings are held once every month in principle, chaired by the Director and Chairman of the Board (in the even that the Director and Chairman of the Board is unavailable to fulfill his or her duties due to accident or vacancy of the post, another Director, in the order prescribed in the Board of Directors Policy, shall assume the role).

The Board of Directors principally serves the oversight function of the execution of business, and makes decisions on important business execution, thereby ensuring the transparency, appropriateness and agility of management. The Board of Directors, in consideration of diversity and balance from the perspectives of expertise and experience and so forth, is composed of a number of Directors appropriate to facilitate agility. In order to ensure decision-making from a broader viewpoint and objective oversight of the execution of business, the Board of Directors is composed of a majority of outside Directors. As of March 31, 2017, the Board of Directors comprises six Directors, among whom a majority of four are highly independent outside Directors.

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

4. Nomination Committee/Compensation Committee

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

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

<Role of the Nomination Committee>

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

<Role of the Compensation Committee>

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

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

The Audit & Supervisory Board meetings are held once a month in principle.

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

In order to further enhance the independence and neutrality of the Company's audit system, the Audit & Supervisory Board is composed of a majority of outside Audit & Supervisory Board Members. As of March 31, 2017, the Audit & Supervisory Board comprises five members, among whom a majority of three are highly independent outside Audit & Supervisory Board Members.

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

1) Names and other information:

| Position | Name | Responsibility and status of significant concurrent positions, if any (changes during the business year under review) |
|---|---|---|
| Representative Director, President & CEO | Yoshihiko Hatanaka | |
| Representative Director, Executive Vice President | Yoshirou Miyokawa | Chief Administration Officer and Chief Compliance Officer |
| Director | Yutaka Kase | Chairman and Representative Director, Sojitz Corporation<br>Outside Director, JAC Recruitment Co., Ltd.<br>Outside Director, SEKISUI CHEMICAL CO., LTD. (assumed in June 2016) |

| Position | Name | Responsibility and status of significant concurrent positions, if any (changes during the business year under review) |
|---|---|---|
| Director | Hironobu Yasuda | Partner, Seiryo Law Office (retired in December 2016)<br>Representative Attorney-at-Law, Hirakawacho Law Office (assumed in January 2017)<br>Outside Director and Audit and Supervisory Committee Member, Remixpoint, Inc.<br>Corporate Auditor, (External) Takata Corporation (assumed in June 2016) |
| Director | Etsuko Okajima | President and Representative Director, ProNova Inc.<br>External Director, MARUI GROUP CO., LTD.<br>External Director, SEPTENI HOLDINGS CO., LTD.<br>Outside Director, Link and Motivation Inc. |
| Director | Yoshiharu Aizawa | Professor Emeritus, Kitasato University |
| Full-time Audit & Supervisory Board Member | Tomokazu Fujisawa | |
| Full-time Audit & Supervisory Board Member | Hiroko Sakai | |
| Audit & Supervisory Board Member | Toshiko Oka | Chief Executive Officer, PricewaterhouseCoopers Deals Advisory LLC (retired in April 2016)<br>Partner, PwC Advisory LLC (assumed in April 2016 and retired in June 2016)<br>CEO, Oka & Company Ltd. (assumed in June 2016)<br>Independent Director, Netyear Group Corporation (retired in June 2016)<br>Outside Corporate Auditor, HAPPINET CORPORATION<br>Outside Director, Mitsubishi Corporation (assumed in June 2016)<br>Outside Director, Hitachi Metals, Ltd. (assumed in June 2016) |
| Audit & Supervisory Board Member | Hitoshi Kanamori | Partner, SANNO LAW OFFICE |
| Audit & Supervisory Board Member | Noriyuki Uematsu | Managing Director, Uematsu & Co.<br>President & Representative Director, SU Consultant Co. Ltd<br>Outside Audit & Supervisory Board Member, NJK Corporation<br>Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd. |

(Notes) 1. 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.

2. Ms. Toshiko Oka, Mr. Hitoshi Kanamori and Mr. Noriyuki Uematsu are outside Audit & Supervisory Board Members and are registered as independent auditors with the Tokyo Stock Exchange, Inc.

3. Notes to be particularly mentioned for Audit & Supervisory Board Members are as follows:

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

Mr. Noriyuki Uematsu has been engaged in consulting on M&As as a certified public accountant as well as a consultant, over the years. He is currently serving as Managing Director of Uematsu & Co. as well as President & Representative Director of SU Consultant Co. Ltd, and is a faculty member of the Graduate School of Business and Finance, Waseda University. These facts demonstrate that he has substantial knowledge of finance and accounting.

4. Ms. Hiroko Sakai and Mr. Noriyuki Uematsu assumed the office of Audit & Supervisory Board Members during the business year under review (assumed on June 20, 2016).
5. Mr. Masafumi Nogimori retired from the office of Director during the business year under review (retired on June 20, 2016).
6. Dr. Shigeru Nishiyama retired from the office of Audit & Supervisory Board Member during the business year under review (retired on June 20, 2016).
7. Mr. Go Otani resigned from the office of Audit & Supervisory Board Member during the business year under review (resigned on June 20, 2016).

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 | |
| Directors (excluding outside Directors) | 404 | 178 | 118 | 108 | 3 |
| Outside Directors | 55 | 55 | – | – | 4 |
| Total | 460 | 233 | 118 | 108 | 7 |
| Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) | 88 | 88 | – | – | 3 |
| Outside Audit & Supervisory Board Members | 41 | 41 | – | – | 4 |
| Total | 129 | 129 | – | – | 7 |

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

2. The ceiling amount of remuneration to the Audit & Supervisory Board Members as a group was resolved to be an amount not exceeding ¥150 million per year at the 76th Annual Shareholders Meeting of the Company held on June 29, 1989.
3. The amounts of "Basic remuneration" and "Stock remuneration" above include the amounts paid to one (1) Director and two (2) Audit & Supervisory Board Members (including one (1) outside Audit & Supervisory Board Member) who retired or resigned at the close of the 11th Term Annual Shareholders Meeting held on June 20, 2016.
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 12th Term Annual Shareholders Meeting of the Company.
5. The Company has introduced a performance-linked stock compensation scheme (stock remuneration), which employs a framework referred to as the executive remuneration BIP (Board Incentive Plan) trust, for the purpose of increasing the awareness of contribution to the sustainable growth of the business results and 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. Under the Scheme, with respect to the three consecutive business years of an applicable period, the Company contributes, in the initial business year of each applicable period, funds for remuneration to the Directors to the executive remuneration BIP trust. The ceiling amount of the contribution was resolved to be an amount not exceeding ¥350 million at the 10th Term Annual Shareholders Meeting of the Company held on June 17, 2015. The stock remuneration stated above refers to the amount recorded as expenses under J-GAAP for the business year under review.

## 3) Matters concerning outside Directors:

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

| Name | Status of significant concurrent position (changes during the business year under review) |
|---|---|
| Yutaka Kase | Chairman and Representative Director, Sojitz Corporation<br>Outside Director, JAC Recruitment Co., Ltd.<br>Outside Director, SEKISUI CHEMICAL CO., LTD. (assumed in June 2016) |
| Hironobu Yasuda | Partner, Seiryo Law Office (retired in December 2016)<br>Representative Attorney-at-Law, Hirakawacho Law Office (assumed in January 2017)<br>Outside Director and Audit and Supervisory Committee Member, Remixpoint, Inc.<br>Corporate Auditor (External), Takata Corporation (assumed in June 2016) |
| Etsuko Okajima | President and Representative Director, ProNova Inc.<br>External Director, MARUI GROUP CO., LTD.<br>External Director, SEPTENI HOLDINGS CO., LTD.<br>Outside Director, Link and Motivation Inc. |
| 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 14 out of the 14 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 14 out of the 14 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. |

| Name | Activities |
|---|---|
| Etsuko Okajima | Attended 14 out of the 14 meetings of the Board of Directors held during the business year under review, and provided opinions based on her abundant experience as business manager. |
| Yoshiharu Aizawa | Attended 14 out of the 14 meetings of the Board of Directors held during the business year under review, and provided opinions based on his abundant experience as a medical scientist. |

(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) |
|---|---|
| Toshiko Oka | Chief Executive Officer, PricewaterhouseCoopers Deals Advisory LLC (retired in April 2016)<br>Partner, PwC Advisory LLC (assumed in April 2016 and retired in June 2016)<br>CEO, Oka & Company Ltd. (assumed in June 2016)<br>Independent Director, Netyear Group Corporation (retired in June 2016)<br>Outside Corporate Auditor, HAPPINET CORPORATION<br>Outside Director, Mitsubishi Corporation (assumed in June 2016)<br>Outside Director, Hitachi Metals, Ltd. (assumed in June 2016) |
| Hitoshi Kanamori | Partner, SANNO LAW OFFICE |
| Noriyuki Uematsu | Managing Director, Uematsu & Co.<br>President & Representative Director, SU Consultant Co. Ltd<br>Outside Audit & Supervisory Board Member, NJK Corporation<br>Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd. |

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

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

| Name | Activities |
|---|---|
| Toshiko Oka | Attended 14 out of the 14 meetings of the Board of Directors and 15 out of the 15 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 14 out of the 14 meetings of the Board of Directors and 15 out of the 15 meetings of the Audit & Supervisory Board held during the business year under review, and provided opinions based on his abundant experience as an attorney-at-law. |
| Noriyuki Uematsu | Attended 11 out of the 11 meetings of the Board of Directors and 11 out of the 11 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 a certified public accountant and business manager. |

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

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

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

| Position | Name | Responsibility or major occupation |
|---|---|---|
| Senior Corporate Executive | Yasumasa Masuda | Chief Financial Officer (CFO) |
| | Kenji Yasukawa | Chief Strategy Officer (CSTO) |
| | Mitsunori Matsuda | Senior Vice President, Technology |
| | Chihiro Yokota | Senior Vice President, Development |
| | Wataru Uchida | Senior Vice President, Drug Discovery Research |
| | Makoto Takeuchi | Vice President, External Relations |
| Corporate Executive | Masatoshi Kuroda | Senior Vice President, Asia/Oceania Business |
| | Yukio Matsui | President, EMEA Operations |
| | Nobuaki Tanaka | President, Japan Sales & Marketing |
| | Takuya Oshida | Senior Vice President, Medical Affairs, Japan |
| | Atsushi Kamide | Vice President, Healthcare Policy & CSR |
| | Kiyotaka Hayashi | Vice President, Sales Operation, Japan Sales & Marketing |
| | Kazunori Okimura | Vice President, Legal |
| | Akihiko Iwai | Vice President, Research Portfolio & Science, Drug Discovery Research |
| | Chikashi Takeda | Vice President, Corporate Finance & Control |
| | Katsumi Ozawa | General Manager, Tokyo Branch, Japan Sales & Marketing |
| | Kazuhiro Sako | President, Astellas Ireland Co., Ltd |
| | 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 |
| | Naoki Okamura | Vice President, Corporate Planning |
| | Yasuhiro Kanzaki | General Manager, Osaka Branch, Japan Sales & Marketing |

(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: | ¥179 million |
| 2. Total amount of cash and other material benefits payable to Financial Auditor by the Company and its subsidiaries: | ¥186 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 36), overseas subsidiaries have been audited by financial auditors other than the Company's Financial Auditor.

4. The Company has commissioned the Financial Auditor to perform mainly the verification services regarding asset transfer, which are services other than the services set forth in Article 2 (1) of the Certified Public Accountants Law. The Company pays consideration for such services to the 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 General 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 General 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, 2017)

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

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

(1) System concerning the Performance of Duties

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

- The Company clearly separates the roles of the Directors, who 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 "Corporate Decision Authority Policy" 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 Group 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, and established a contact point independent of the Company to receive anonymous inquiries concerning compliance including questions, consultation, reports, proposals. 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 Group Code of Conduct" to all of the Astellas Group companies, and it will ensure that all persons concerned are fully aware of these policies and the code of the conduct of each Astellas Group company that are based on these policies.
- The Company has established a system in which matters concerning performance of the duties by the Directors of the Astellas Group companies will be reported to the Company through functional line managers.
- The Company will create clear rules regarding the composition of executives, decision-making authority at the Astellas Group companies, and the internal oversight system in the Group 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 applied to all the Astellas Group companies and the internal audit system over the Group will be developed.

(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, and the Audit & Supervisory Board. 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 Group 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.

(2) 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, 2017 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, 2017, 14 Board of Directors meetings were held, 19 Executive Committee meetings were held, and 9 Japan Management Committee meetings were held.

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. During the business year under review, with the intent of adding further transparency to business activities, the Company has made continuous efforts for timely, accurate and fair disclosure, such as cross-divisional deliberations about policies, contents, etc. regarding material information disclosure, under the leadership of the Corporate Disclosure Committee established in April 2015.

5. System to Ensure the Reliability of Financial Reporting

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

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

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

7. Internal Audit System

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

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

Following the basic policy, the Company secures a system to allow effective audits by the Audit & Supervisory Board Members through measures such as reporting on execution status of business by Directors and employees to Audit & Supervisory Board Members and continued attendance at important meetings such as the Executive Committee.

Furthermore, during the business year under review, monthly reports have been submitted to Audit & Supervisory Board Members regarding summaries and results of responses to helpline reports in each region, under a restructured global compliance structure.

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.

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(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, 2017)

(Millions of yen)

| Accounts | 12th term business year As of March 31, 2017 | (Reference) 11th term business year As of March 31, 2016 |
|---|---|---|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 191,115 | 200,955 |
| Goodwill | 175,350 | 153,121 |
| Other intangible assets | 387,419 | 336,261 |
| Trade and other receivables | 22,263 | 24,103 |
| Investments in associates and joint ventures | 2,988 | 2,435 |
| Deferred tax assets | 90,349 | 80,733 |
| Other financial assets | 61,597 | 89,424 |
| Other non-current assets | 13,154 | 14,769 |
| Total non-current assets | 944,235 | 901,801 |
| Current assets | | |
| Inventories | 182,537 | 161,691 |
| Trade and other receivables | 309,817 | 327,599 |
| Income tax receivable | 10,986 | 16,403 |
| Other financial assets | 13,554 | 14,394 |
| Other current assets | 18,849 | 17,221 |
| Cash and cash equivalents | 340,923 | 360,030 |
| Sub total | 876,665 | 897,337 |
| Assets held for sale | — | 200 |
| Total current assets | 876,665 | 897,537 |
| Total assets | 1,820,901 | 1,799,338 |

(Millions of yen)

| Accounts | 12th term business year As of March 31, 2017 | (Reference) 11th term business year As of March 31, 2016 |
|---|---|---|
| Equity and liabilities | | |
| Equity | | |
| Share capital | 103,001 | 103,001 |
| Capital surplus | 177,091 | 176,903 |
| Treasury shares | (138,207) | (157,111) |
| Retained earnings | 1,013,923 | 973,054 |
| Other components of equity | 116,002 | 163,363 |
| Total equity attributable to owners of the parent | 1,271,810 | 1,259,209 |
| Total equity | 1,271,810 | 1,259,209 |
| Liabilities | | |
| Non-current liabilities | | |
| Trade and other payables | 440 | 1,599 |
| Deferred tax liabilities | 25,343 | — |
| Retirement benefit liabilities | 36,614 | 39,797 |
| Provisions | 4,921 | 7,083 |
| Other financial liabilities | 28,389 | 722 |
| Other non-current liabilities | 53,528 | 77,569 |
| Total non-current liabilities | 149,235 | 126,769 |
| Current liabilities | | |
| Trade and other payables | 182,826 | 181,559 |
| Income tax payable | 10,900 | 19,312 |
| Provisions | 96,589 | 89,858 |
| Other financial liabilities | 2,992 | 1,505 |
| Other current liabilities | 106,548 | 121,126 |
| Total current liabilities | 399,856 | 413,359 |
| Total liabilities | 549,091 | 540,129 |
| Total equity and liabilities | 1,820,901 | 1,799,338 |

## CONSOLIDATED STATEMENTS OF INCOME

(April 1, 2016 to March 31, 2017)

(Millions of yen)

| Accounts | 12th term business year From April 1, 2016 to March 31, 2017 | (Reference) 11th term business year From April 1, 2015 to March 31, 2016 |
|---|---|---|
| Sales | 1,311,665 | 1,372,706 |
| Cost of sales | (320,503) | (335,596) |
| Gross profit | 991,162 | 1,037,110 |
| Selling, general and administrative expenses | (470,777) | (500,359) |
| Research and development expenses | (208,129) | (225,665) |
| Amortisation of intangible assets | (35,837) | (42,387) |
| Share of losses of associates and joint ventures | (1,864) | (1,243) |
| Other income | 9,594 | 1,689 |
| Other expense | (23,318) | (20,159) |
| Operating profit | 260,830 | 248,986 |
| Finance income | 22,916 | 14,411 |
| Finance expense | (1,976) | (1,627) |
| Profit before tax | 281,769 | 261,770 |
| Income tax expense | (63,069) | (68,083) |
| Profit for the year | 218,701 | 193,687 |
| Profit attributable to: | | |
| Owners of the parent | 218,701 | 193,687 |
| Non-controlling interest | — | — |
| Total | 218,701 | 193,687 |

## BALANCE SHEETS

(As of March 31, 2017)

(Millions of yen)

| Accounts | 12th term business year As of March 31, 2017 | (Reference) 11th term business year As of March 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets | 480,999 | 479,585 |
| Cash on hand and in banks | 96,791 | 60,027 |
| Trade notes receivable | 81 | 83 |
| Trade accounts receivable | 169,647 | 192,263 |
| Marketable securities | 8,000 | 12,024 |
| Merchandise and finished goods | 97,548 | 83,272 |
| Raw materials and supplies | 10,167 | 7,183 |
| Deferred tax assets | 39,156 | 42,172 |
| Other | 59,610 | 82,561 |
| Fixed assets | 641,832 | 622,577 |
| Property, plant and equipment | 72,170 | 74,022 |
| Buildings | 45,140 | 47,330 |
| Structures | 1,667 | 1,791 |
| Machinery and equipment | 860 | 1,873 |
| Tools, furniture and fixtures | 7,711 | 8,559 |
| Land | 9,195 | 9,221 |
| Lease assets | 1,630 | 1,133 |
| Construction in progress | 5,967 | 4,115 |
| Other | 0 | 0 |
| Intangible fixed assets | 71,426 | 85,514 |
| Investments and other assets | 498,236 | 463,040 |
| Investment securities | 29,985 | 51,868 |
| Investment in subsidiaries and affiliates | 377,663 | 324,232 |
| Investments in capital of subsidiaries and affiliates | — | 4,411 |
| Long-term loans receivable | 60 | 60 |
| Deferred tax assets | 41,869 | 36,709 |
| Other | 56,957 | 45,812 |
| Allowance for doubtful receivables | (8,299) | (52) |
| Total assets | 1,122,830 | 1,102,161 |

(Millions of yen)

| Accounts | 12th term business year As of March 31, 2017 | (Reference) 11th term business year As of March 31, 2016 |
|---|---|---|
| **Liabilities** | | |
| Current liabilities | 572,733 | 521,964 |
| Trade accounts payable | 90,792 | 87,007 |
| Short-term loans payable | 378,070 | 293,643 |
| Lease obligations | 496 | 415 |
| Other accounts payable | 62,522 | 61,843 |
| Accrued expenses | 20,508 | 20,071 |
| Accrued income taxes | 1,498 | 18,315 |
| Deposit | 4,105 | 10,261 |
| Allowance for sales rebates | 3,086 | 2,665 |
| Other | 11,656 | 27,744 |
| Long-term liabilities | 35,488 | 29,468 |
| Lease obligations | 1,134 | 718 |
| Other | 34,354 | 28,750 |
| Total liabilities | 608,221 | 551,432 |
| **Net assets** | | |
| Shareholders' equity | 503,676 | 527,754 |
| Share capital | 103,001 | 103,001 |
| Capital surplus | 176,822 | 176,822 |
| Additional paid-in capital | 176,822 | 176,822 |
| Retained earnings | 362,061 | 405,042 |
| Legal reserve | 16,827 | 16,827 |
| Other retained earnings | 345,234 | 388,215 |
| Reserve for retirement benefits | — | 900 |
| Reserve for special depreciation | 100 | 137 |
| Reserve for advanced depreciation of fixed assets | 1,185 | 1,251 |
| General reserve | — | 365,970 |
| Retained earnings carried forward | 343,950 | 19,957 |
| Treasury shares | (138,207) | (157,111) |
| Valuation, translation adjustments and others | 9,149 | 20,849 |
| Unrealized holding gains on securities | 9,149 | 20,849 |
| Subscription rights to shares | 1,784 | 2,126 |
| Total net assets | 514,609 | 550,729 |
| Total liabilities and net assets | 1,122,830 | 1,102,161 |

## STATEMENTS OF INCOME

(April 1, 2016 to March 31, 2017)

(Millions of yen)

| Accounts | 12th term business year From April 1, 2016 to March 31, 2017 | (Reference) 11th term business year From April 1, 2015 to March 31, 2016 |
|---|---|---|
| Net Sales | 629,915 | 649,415 |
| Cost of sales | 248,208 | 266,857 |
| Gross profit | 381,708 | 382,557 |
| Selling, general and administrative expenses | 366,108 | 376,967 |
| Operating income | 15,600 | 5,590 |
| Non-operating income | | |
| Interest income and dividend income | 120,347 | 1,088 |
| Other | 877 | 3,718 |
| Total non-operating income | 121,224 | 4,806 |
| Non-operating expenses | | |
| Interest expense | 1,311 | 289 |
| Other | 1,338 | 1,447 |
| Total non-operating expenses | 2,649 | 1,736 |
| Ordinary income | 134,174 | 8,659 |
| Special gains | | |
| Gain on sales of fixed assets | 23 | 457 |
| Gain on sales of investment securities | 17,420 | 10,634 |
| Other | 697 | 416 |
| Total special gains | 18,141 | 11,506 |
| Special losses | | |
| Loss on sales and disposal of fixed assets | 302 | 440 |
| Loss on impairment of fixed assets | 2,130 | 9,143 |
| Other | 3,006 | 666 |
| Total special losses | 5,438 | 10,249 |
| Income before income taxes | 146,877 | 9,917 |
| Income taxes — current | 6,426 | 23,750 |
| Income taxes — deferred | 2,633 | (21,812) |
| Total income taxes | 9,059 | 1,938 |
| Net income | 137,818 | 7,978 |

[Translation]

# Report of Independent Auditors

May 9, 2017

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC

Yoji Murohashi
Certified Public Accountant
Designated Limited Partner

Yoshihiro Shibata
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, 2016 through March 31, 2017.

**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, 2017.

**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, 2017

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC

Yoji Murohashi
Certified Public Accountant
Designated Limited Partner

Yoshihiro Shibata
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 12th term business year from April 1, 2016 through March 31, 2017.

**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, 2017 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 12th term business year from April 1, 2016 to March 31, 2017 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 11, 2017

The Audit & Supervisory Board of Astellas Pharma Inc.

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

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