ANNUAL REPORT 2015

For the Year Ended March 31,2015

Changing tomorrow

astellas

Turning Advances in Science into Value for Patients

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Representative Director, President and CEO

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Corporate Social Responsibility

http://www.astellas.com/en/csr/

Editorial Policy

To enable deeper stakeholder understanding of Astellas' efforts to continue to create value for sustainable growth, the Company has published this annual report as an integrated report.

In this report, we have attempted to provide disclosure while taking note of the Guiding Principles and Content Elements of the international integrated reporting framework of the International Integrated Reporting Council (IIRC). We have also referred to Sustainability Reporting Guidelines (Version 4)* published by the Global Reporting Initiative and Environmental Reporting Guidelines (Fiscal Year 2012 Version) issued by Japan's Ministry of the Environment.

In creating the report, we have sought to make an effective tool for communicating with our many stakeholders. We have therefore used charts and photographs, and endeavored to use plain language that is easy to read.

Astellas has adopted the International Financial Reporting Standards (IFRS), effective from fiscal 2013. Information in this report is based on IFRS unless otherwise indicated.

* For GRI Content Index, please visit the following website:
https://www.astellas.com/en/csr/management/report.html

■ Scope of the Report

Period covered

Fiscal 2014 (April 1, 2014 – March 31, 2015)

* As much as possible, we have used the latest information available at the time of publication.
* The period and scope of coverage may vary depending on the subject. We have noted each such case individually.
* The figures indicated in the field of Environment present the results for fiscal 2014 (April 1, 2014 to March 31, 2015) in Japan and the calendar year 2014 (January 1 to December 31, 2014) for overseas operations as a combined total.

Organizations covered

Astellas Pharma Inc. and its consolidated subsidiaries in Japan and overseas (referred to in the report as "Astellas")

* The Americas includes North America and Latin America, and EMEA includes Europe, the Middle East, and Africa.
* In the field of Environment, the report covers all business sites in Japan and production sites overseas, which are subject to the Environmental Action Plan, as well as overseas sites not covered by the plan such as principal office buildings, research facilities, sales office buildings, and sales fleets.

Inclusion in SRI Indexes

Astellas is included as a constituent stock in the following global socially responsible investment (SRI) indexes.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), the Asia Pacific version of the Dow Jones Sustainability Index (DJSI)

FTSE4Good

FTSE4Good Index, an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards.

Note: In the information about pharmaceutical products in this report, market size, market share and product ranking are sourced from IMS Health Information Services.
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Calculated based on IMS MIDAS 2015Q1 MAT
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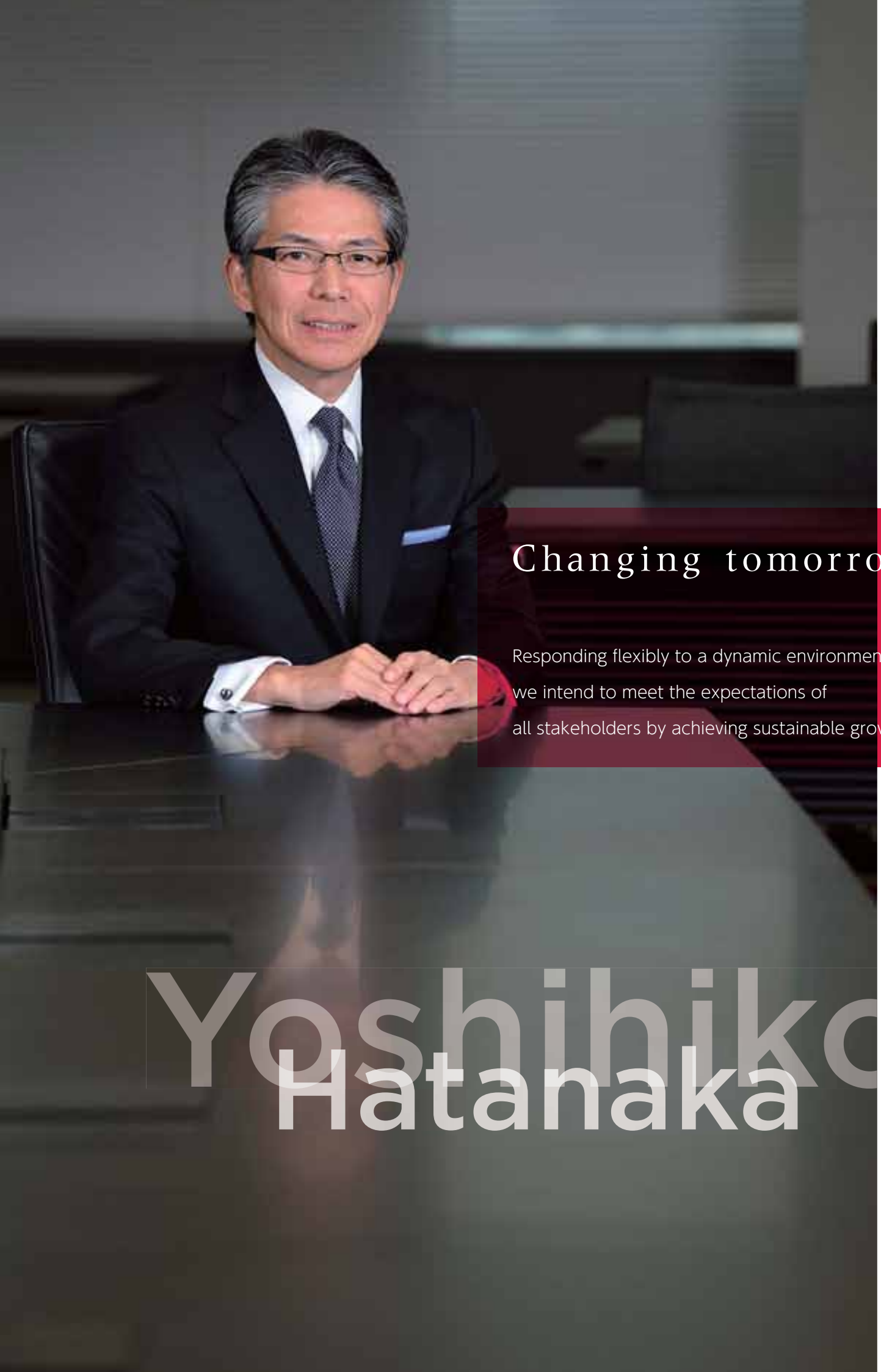
Notes

Statements made in this annual report with respect to current plans, estimates, strategies and beliefs and other statements of Astellas that are not historical facts are forward-looking statements about the future performance of Astellas. These statements are based on management's current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. Consequently, undue reliance should not be placed on these statements. Astellas cautions the reader that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to: (i) changes in general economic conditions and in the Pharmaceutical Affairs Law and other laws and regulations relating to markets of Astellas, (ii) currency exchange rate fluctuations, (iii) delays in new product launches, (iv) the inability of Astellas to market existing and new products effectively, (v) the inability of Astellas to continue to effectively research and develop products accepted by customers in highly competitive markets, and (vi) infringements of intellectual property rights of third parties.

Information about pharmaceutical products (including products currently in development) has been included. This content is not intended to constitute an advertisement or medical advice.



Changing tomorrow

Responding flexibly to a dynamic environment,
we intend to meet the expectations of
all stakeholders by achieving sustainable growth.

Yoshihiko Hatanaka

Message from the CEO

Turning Advances in Science into Value for Patients

Fiscal 2014 Performance and Outlook for Fiscal 2015

Higher Sales and Profits Driven by Growing Products

We made steady progress in fiscal 2014 towards realizing sustainable growth. On a core basis, we reported higher consolidated sales and earnings year on year. Sales increased 9.4% to ¥1,247.3 billion, and operating profit rose 16.2% to ¥216.5 billion.

Our major growth drivers are the overactive bladder (OAB) treatment Betanis/Myrbetriq/BETMIGA and the prostate cancer treatment XTANDI. In urology, we have further reinforced our leading global position, particularly in the OAB franchise. In addition, oncology is developing into a major area to support our future growth. Our recent investment is turning out successful.

We expect strong growth to continue in fiscal 2015 led by these drivers. Our projections are for further increases in core sales and core operating profit.

Reference: Review of Operations P30

Creating Innovation

Ready to Grow Innovation

Boosting R&D productivity remains an important issue because innovation is vital for us. The reshaping of our research has shown visible changes after two years from the introduction.

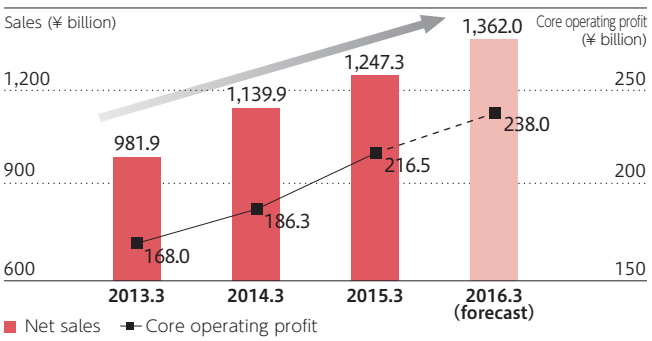
We are starting to see tangible results from our efforts to build the Network Research System alongside other initiatives aimed at accelerating R&D. Besides increased investment in early-stage research projects, we are now selecting projects and revising the choices with a greater sense of urgency, by delegating broad responsibility to unit leaders at the frontline of research.

Greater flexibility is also one of the key strengths in our approach. We are keen to tap into external sources of innovation quickly, and in some cases, we are prepared to make assets available to external parties, if this enables greater research productivity. The culture of our organization is to adopt a flexible approach if this ultimately means we can deliver innovative new drugs to patients sooner. The various networks and the diversity that we achieve through this approach are now important assets for Astellas.

Innovation is the product of the free interchange of thoughts and ideas that comes when a diverse range of people are working to their potential. Based on that conviction, the management team has focused on creating the conditions to make this possible. In fact, this setup helps to foster increased discussion between individual researchers while promoting independent action. We look forward to seeing the future results of these ongoing efforts.

Reference: Feature/Our Initiatives to Create Innovation P27

Performance



External Environmental Changes and VISION

Astellas Continues to Change for Sustainable Growth

Worldwide, there remain many areas of disease with high unmet medical needs where patients are looking for new drugs to deliver value. Our current environment also has many potential business opportunities to explore in terms of new modalities such as cell or gene therapies, and new technologies from various areas that have possible medical applications.

On the other hand, fiscal constraints have given rise to major political issues in many countries regarding who is to bear medical costs and in what way. In addition to

making a superior product, it is vital for us to ensure that patients have access to the new value by working with a wide range of stakeholders, including governments, insurance payers and healthcare providers.

With this understanding of our business environment, we have formulated a new VISION. Based on our commitment to the business philosophy, we aim to deliver innovative value through our core business of new drugs. We will seek to develop a constant stream of business opportunities, based on multiple perspectives of how conditions in the healthcare sector are evolving. We will also see the overall medical framework and deliver new value to patients, generating our growth. The concept behind our VISION is to turn innovative science into value on the forefront of healthcare change.

Naturally, it is critical that we respond to changes in our environment. Beyond this, however, we seek to create opportunities by driving change to realize sustainable growth.

Reference: Business Environment P13
Vision and Strategy P14

Strategic Plan 2015-2017

Investing for Further Growth while Maintaining the Medium-term Growth Trajectory

In pursuing sustainable growth, one of the main challenges to overcome is the impact of the patent expiry for the OAB treatment Vesicare and the anticancer product Tarceva from 2018 to 2020. To mitigate the impact and ensure long-term growth after that, we have formulated Strategic Plan 2015–2017 that covers the three-year period from fiscal 2015, and announced the plan in May 2015.

The plan provides three main strategies: “Maximizing the Product Value,” “Creating Innovation,” and “Pursuing Operational Excellence.” Part of this will involve seeking to maximize the value of existing mainstay products and also making steady progress on development projects. In addition, we will look to advance into new opportunities by creating new drugs in therapeutic areas such as muscle diseases and ophthalmology; utilizing new technologies and therapeutic modalities to develop next-generation vaccines and cell therapies; and

delivering value in the form of medical solutions by combining our innovative drug business with a variety of healthcare opportunities. We will maintain levels of investment in our current therapeutic areas, while investing sufficient resources to explore new long-term growth opportunities.

Furthermore, we plan to leverage internal strengths while also cultivating alliances with influential external partners.

Reference: Vision and Strategy P14

Performance Targets and Shareholder Returns

Targeting ROE of 15% or More

Extensive dialogue with shareholders and investors has given us many suggestions for the formulation of the strategic plan and after its disclosure. In light of this feedback, we will focus our efforts to ensure steady progress in executing Strategic Plan 2015–2017 and meeting the financial target.

We have recognized return on equity (ROE) as an important management indicator for Astellas. Under

Financial Guidance in Strategic Plan 2015-2017

ROE	**15% or more** Maintain and improve this level after the strategic plan period
Consolidated Sales	CAGR (%): Mid single-digit
Core Operating Profit	CAGR that exceeds sales CAGR
R&D Expenses	Higher than 17% against sales
Core EPS	CAGR that exceeds core operating profit CAGR
DOE	6% or more

Strategic Plan 2015–2017, we aim to achieve ROE of 15% or more by seeking to maximize profits while ensuring that we enhance capital efficiency. We also aim to maintain and improve this level after the strategic plan period.

We are working to achieve stable and sustained increase of dividends, taking into account dividend on equity attributable to owners of the parent (DOE) and other factors based on medium- to long-term profit growth. We will also flexibly implement share buybacks to enhance capital efficiency and improve the level of returns to shareholders.

Reference: Financial Strategy P24

Corporate Governance and CSR-based Management

Improving Sustainability through Stakeholder Dialogue

Since the establishment of Astellas, we have constantly strengthened our corporate governance framework so that management of the Company would consistently be in line with the expectations and views of a wide range of stakeholders and meet the requirements for accountability. Outside directors have held a majority of the seats on the Board of Directors since 2006. From June 2015, we have appointed another outside auditor so that outside members would also be the majority on the Audit & Supervisory Board.

In our corporate governance setup, we also believe in the importance of maintaining diversity among the members of our Board of Directors in terms of background, specialist expertise and experience. The Board of Directors discusses the potential significance of business strategies proposed by the executive side with regard to the relationships with stakeholders, as well as the value that the strategy could deliver and its suitability from a sustainability viewpoint. In my view, one of the most critical roles of the Board of Directors is to incorporate external views, advice, and guidance that could not be obtained from inside the Company for debating. In fact, Strategic Plan 2015–2017 is the product of multidimensional discussions.

In recent years, stakeholders have increasingly been asking us what pharmaceutical companies are doing to address social issues such as access to health, and how Astellas is contributing to the enhancement of social sustainability.

Through the core business of discovering new drugs, Astellas is contributing to the greater sustainability of society by supporting healthy lifestyles. In addition, we are addressing ATH issues* within developing countries. We have identified areas where we can leverage Astellas' internal expertise and assets to contribute to better global healthcare, and are working with the optimal partners in collaborative drug discovery research targeting neglected tropical diseases, as well as the development of a pediatric formulation for the treatment of schistosomiasis. We are involved in such projects to address social issues, and also because we think there will be positive synergies with our core business over the long term. This in turn will help us to generate sustained growth in enterprise value.

Since October 2011, Astellas has been a consistent supporter of the United Nations Global Compact. We have incorporated its 10 principles covering the four fields of human rights, labor, the environment and anti-corruption into our daily business activities. We remain committed to upholding these principles as part of preserving social and enterprise value.

* ATH: Astellas refers to two problems as the "Access to Health" (ATH) issues, one is the existence of many therapeutic areas with unmet medical needs and the other is the existence of many people who are unable to access the healthcare they need due to such reasons as poverty and healthcare system flaws.

Reference: Society P73
Corporate Governance P86

To Our Stakeholders

Turning Innovative Science into Value for Patients

Our defining mission at Astellas is to continue turning innovative science into value for patients. We will be a source of innovation, anticipating changes in the business environment by incorporating diverse perspectives. We will achieve further growth through a range of initiatives, based on active dialogue with patients, their family members and other stakeholders. We are focused on realizing the future success of Astellas for the benefit of all stakeholders.

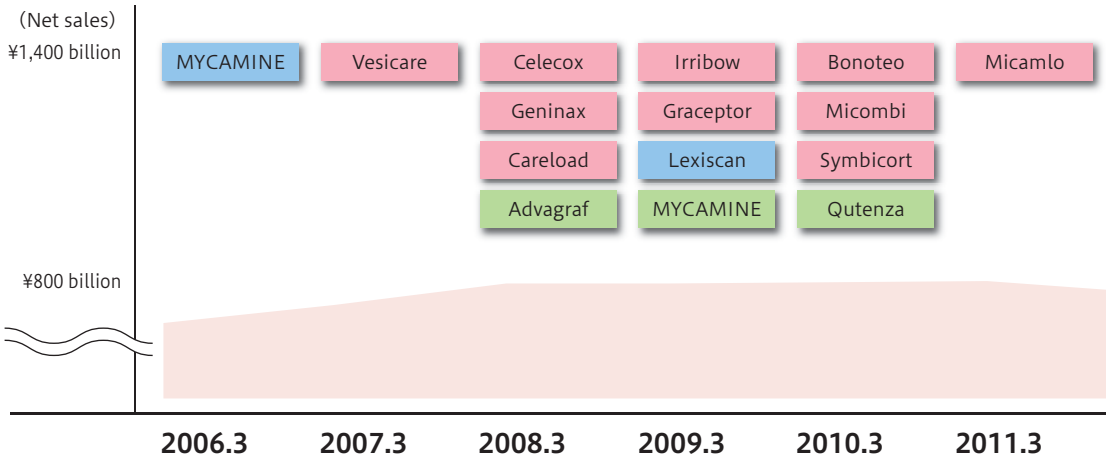
Yoshihiko Hatanaka
Representative Director,
President and CEO

Management Strategy

Here we describe our vision indicating where we will create value and explain the specific initiatives, including the strategic plan, for Astellas to realize sustainable growth over the medium and long term.

First 10 Years of Astellas

Launch of New Products



Expansion of Own Sales Network

Established a sales affiliate in India

Established a sales affiliate in Brazil

Established a sales affiliate in Australia

Building a Platform to Support Growth

- Positioned oncology as a focus therapeutic area in research
- Strengthened the capability for antibody drugs and established business platform in oncology
  - Entered licensing agreement with Regeneron Pharmaceuticals, Inc.
  - Acquired Agensys, Inc.
  - Acquired OSI Pharmaceuticals, Inc.
- Upgraded and expanded research framework
  - Completed new buildings in the Tsukuba Research Center
  - Reorganized drug discovery research functions
  - Established global development headquarters in the U.S.

Optimization of Resource Allocation

- Concentrated management resources on the innovative drug business
  - Sold subsidiary operating in the non-prescription drug business
  - Concentrated head office functions in Tokyo
- Optimized manufacturing bases
  - Sold three plants in Europe
  - Sold Grand Island plant

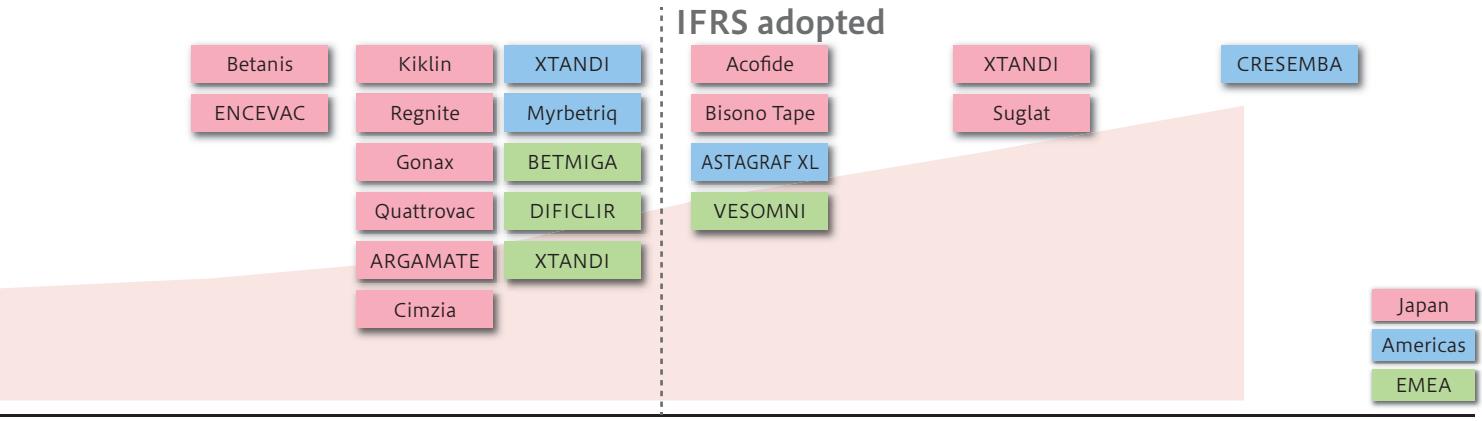
Initiatives to Support Sustainable Growth

- Strengthen corporate governance framework
- Initiatives to fulfill social responsibilities

- Strengthened corporate governance framework
  - Changed Board of Directors composition to a majority of outside members
  - Established Nomination Committee and Compensation Committee
  - Changed term of appointment for directors to one year

FY2010 Mid-Term Management Plan (2007.3-2011.3)

●: Summarized major activities over 10 years for each medium-term management plan



Established a sales affiliate in Slovenia (overseeing South East Europe)

Established a sales affiliate in Singapore

Established a sales affiliate in Dubai (overseeing MENA/SSA*)

- Reshaped research framework
  - Captured external opportunities under Network Research System
  - Commenced full-scale regenerative medicine research
  - Launched initiatives to boost R&D productivity by FASTEN
- Formed strategic alliance with Amgen, Inc. in Japan

- Conducted various initiatives for creating innovation
  - Enhance capabilities to deliver innovative medicines
  - Advancing into new opportunities

- Withdrew from in-house fermentation research
- Closed and scaled back research facilities in the U.S.
- Transferred the Fuji Plant to Nichi-Iko Pharmaceutical Co., Ltd.
- Outsourced of Group-wide shared operations in Japan

- Reinforced the global management system
  - Strengthened compliance organization
  - Strengthened organization for development and quality and reliability assurance
- Declared support for the United Nations Global Compact
- Promoted various initiatives on neglected tropical diseases

- Changed composition of Audit & Supervisory Board members to a majority of outside members

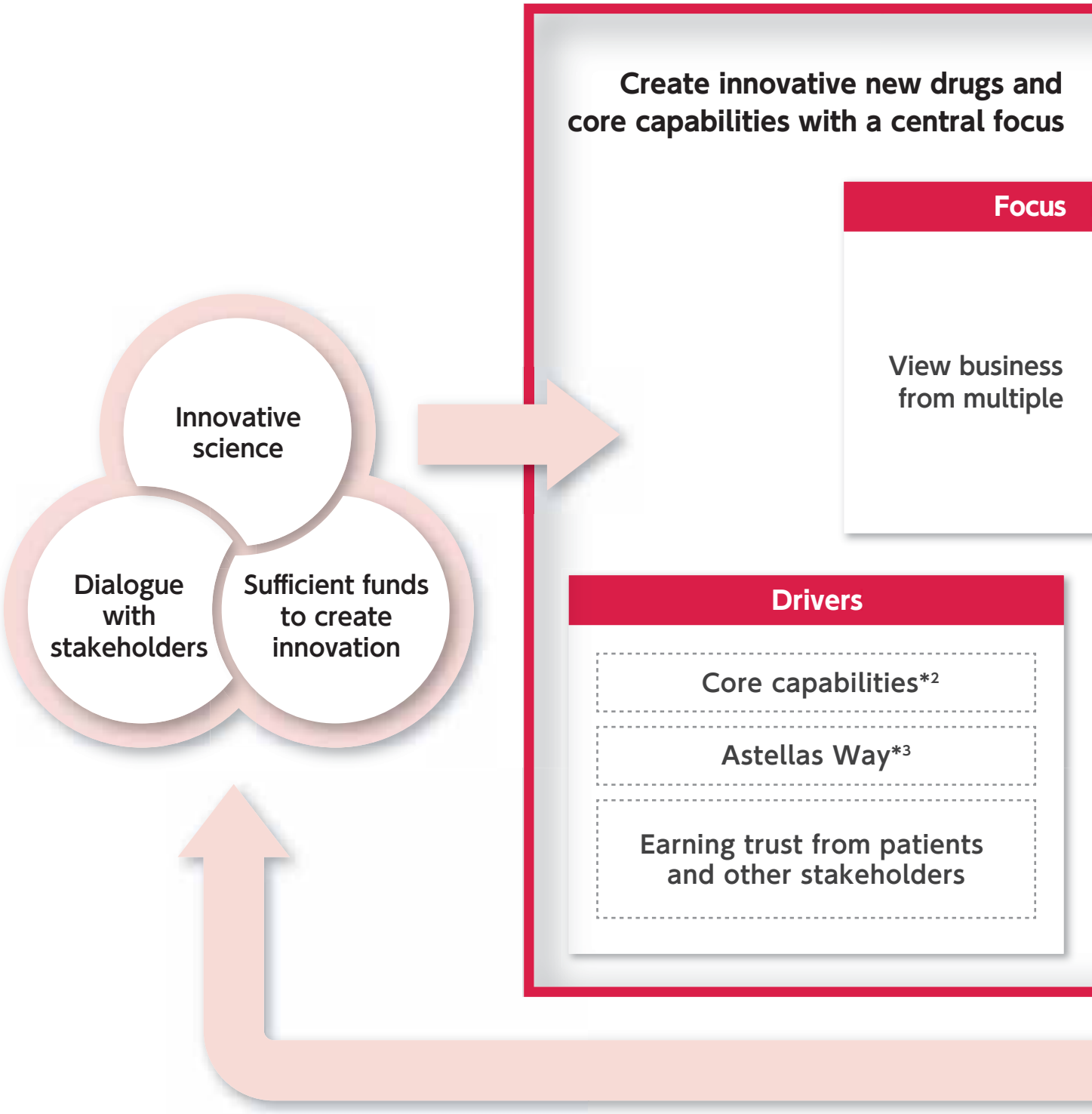
FY2010-FY2014 Mid-Term Management Plan (2011.3-2015.3)

Strategic Plan 2015-2017 (2016.3-2018.3)

* Middle East, North Africa and Sub-Saharan Africa

Astellas Value Creation Process

Astellas pursues sustainable growth of corporate value by remaining on the forefront of healthcare change to turn innovative science into value for patients.



medical solutions by leveraging our on the innovative drug business

Area

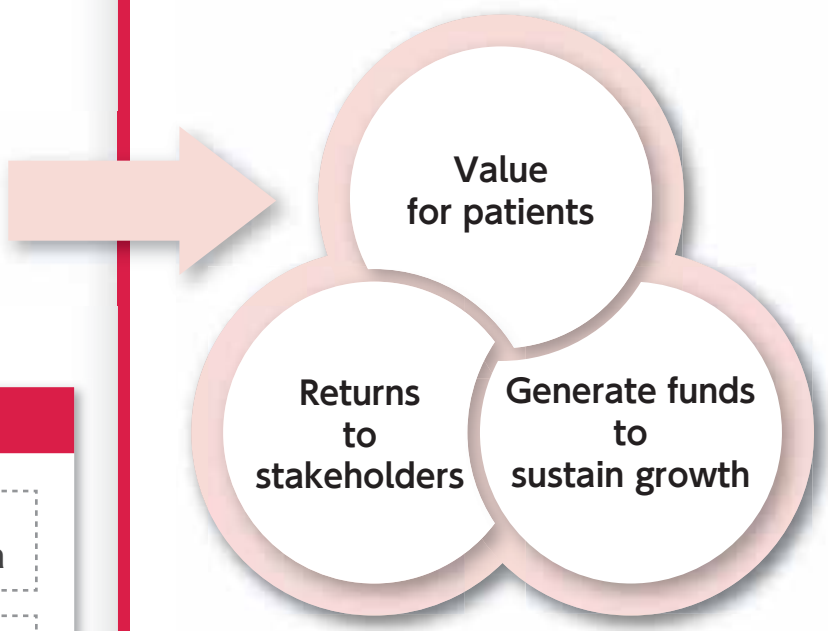
opportunities
perspectives*1

Principles of Activity

Focus
our resources on identified area

Redefine
the focus

Expand
into new opportunities



*1 New technologies, new treatment approaches, development feasibility, new commercialization possibilities, etc.
*2 For details about core capabilities, please refer to p.14.
*3 For details about the Astellas Way, please refer to p.70.

Business Environment

Global Pharmaceutical Market

A Constantly Changing and Expanding Market

The global market for prescription drugs is expected to continue expanding as populations age and economies develop around the world. Scientific and technological advances are resulting in many new and innovative medicines for conditions that were previously difficult to treat. Governments appraise innovation and have created regulatory systems that can accelerate review of innovative drugs. The number of new drugs approved by regulatory agencies in the U.S., Europe and Japan continue along a stable trend.

Challenges

Restraints on Healthcare Spending

While it is supported by various growth factors, the market is also facing issues arising from the trend among governments to restrain the rapid growth in healthcare spending. With insurance payers exerting more influence as well, measures to curtail spending are accelerating in the form of reimbursement price cuts and the promotion of generic drugs. The requirements for a new drug to gain regulatory approval and secure price reimbursement at a reasonable level are becoming more complex and more strict. Thus, providing a new drug's added-value over existing drugs and therapies during development has thus become more essential than ever.

Opportunities

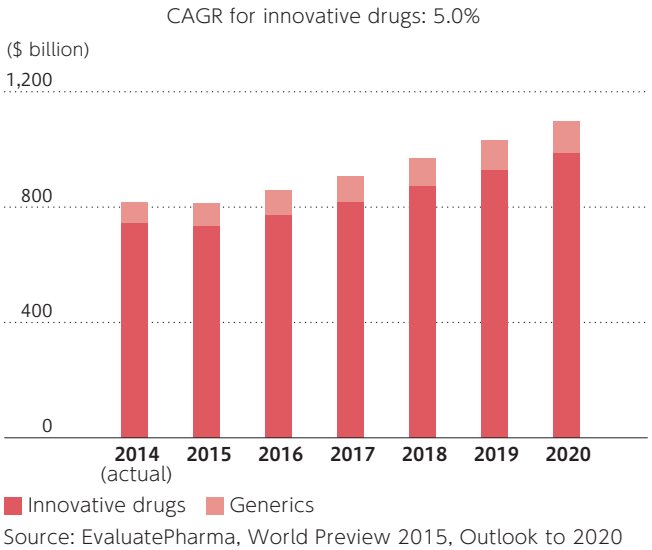
Innovation that Delivers Value for Patients Provides Opportunities for Astellas

There are still many diseases where existing therapies do not provide satisfactory treatment, and there is a need to continue developing innovative medicines. In addition to pharmaceuticals, expectation is also getting higher for better general therapeutic solutions that can raise the quality of medical care from the patient's perspective.

The application of new treatment modalities and drug discovery technologies is advancing, with cell and gene therapies now a reality. We expect more technologies with potential medical applications to be used in the future across a variety of sectors.

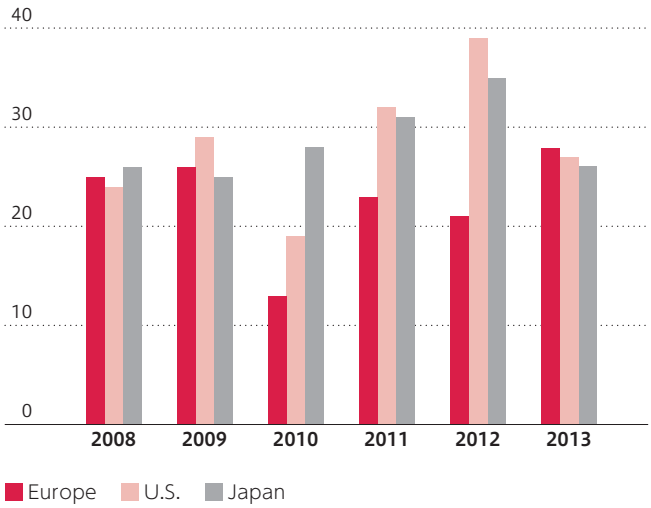
The proliferation of new approaches to meet patient needs by developing innovative, necessary therapies presents new opportunities for Astellas as the healthcare environment continues to evolve. Using innovation to deliver real value for patients offers significant growth potential for us.

Global Pharmaceutical Market Size Forecast



Source: EvaluatePharma, World Preview 2015, Outlook to 2020

New Drug Approvals in Japan, the U.S., and Europe



Source: Centre for Innovation in Regulatory Science Ltd.

Vision and Strategy

Kenji Yasukawa
Chief Strategy Officer, Ph.D.

Astellas' Aim

Contribute toward Health through Innovative Drugs

Astellas' business philosophy states that its raison d'être is to "contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products," and its mission is "sustainable enhancement of enterprise value." To realize this, we believe, means to earn the trust of patients and all other stakeholders, and to be their company of choice.

Business Philosophy

Raison d'être
Contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products

Mission
Sustainable enhancement of enterprise value

Beliefs
High sense of ethics, customer focus, creativity and competitive focus

Astellas' Strengths

Harnessing Core Capabilities to Drive Growth

We have focused our resources on the creation of innovative pharmaceuticals, working to supply high-value-added pharmaceuticals worldwide in areas of unmet medical needs. This has enabled us to strengthen our core capabilities: creating new drugs through research and development, delivering innovative medicines in terms of assured technology and reliability, and driving business deployment in terms of sales and marketing. Moreover, we have built relationships of trust in various fields with a wide range of partners. We have also created a business infrastructure backed by a sound financial position.

These are Astellas' core capabilities, and will be the driving force for its growth.

Vision

On the Forefront of Healthcare Change to Turn Innovative Science into Value for Patients

Astellas' VISION guides the Company towards realizing its business philosophy. It indicates where we need to create value and what kind of action we should take in order to continue realizing further growth over the long term. Based on its current strengths and an analysis of the business environment, Astellas created a new VISION in 2015.

Astellas is on the forefront of healthcare change to turn innovative science into value for patients. In a rapidly changing business environment in and outside the Company, innovation itself is our strongest advantage. Astellas views the various changes in the healthcare environment as opportunities to pursue, and will create medical solutions that utilize its strengths. Moreover, we will go beyond our previous business model based on being a global category leader (GCL), view business opportunities from multiple perspectives, and invest with a long-term view.

Astellas' Core Capabilities

Capability to create new drugs
- Knowledge of cutting-edge medical science
- World-class R&D

Capability to deliver new drugs
- Stable supply
- Rigorous pharmacovigilance system
- Strengthening of the scientific verification structure and process

Commercial presence
- Solid presence in GCL areas
- Leadership in Japan

Partnership
- Ability to explore new business opportunities
- Rich experience in alliance management
- Strong reputation backed by actual performance

Operational foundation
- Diverse talent deployment
- Adaptability to changes
- Agile decision-making
- Financial strength

Strategic Plan 2015-2017

Aiming to Realize Sustainable Growth over the Medium and Long Term

We have organized the strategies to ensure our sustainable growth as the three-year "Strategic Plan 2015-2017," covering the period from fiscal 2015 to fiscal 2017. Under this plan, we will work to overcome the impact of the substance patent expiries for our overactive bladder (OAB) treatment Vesicare and our anticancer product Tarceva between 2018 and 2020, and focus on three main strategies to be implemented during this period for realizing further sustainable growth.

Strategy 1

Maximizing the Product Value P17

We will maximize the value of our growth drivers including prostate cancer treatment XTANDI and the OAB franchise created through our investments so far. We will create sales strategies tailored to each country's situation and steadily carry them out. We will also invest actively in a program for label expansion for the products.

Strategy 2

Creating Innovation P19

We will continue to make sufficient investments for creating innovation, which is the wellspring of sustainable growth.

Enhancing capabilities to deliver innovative medicines: In therapeutic areas where there is a high level of unmet medical need, we will establish frameworks for creating more innovative medicines and promote efficient research and development.

Advancing into new opportunities: We will actively seize new opportunities in terms of new therapeutic areas, new technologies, and new modalities. Moreover, we will examine the potential of medical solutions that leverage the technologies and strengths we have developed in the innovative drug business.

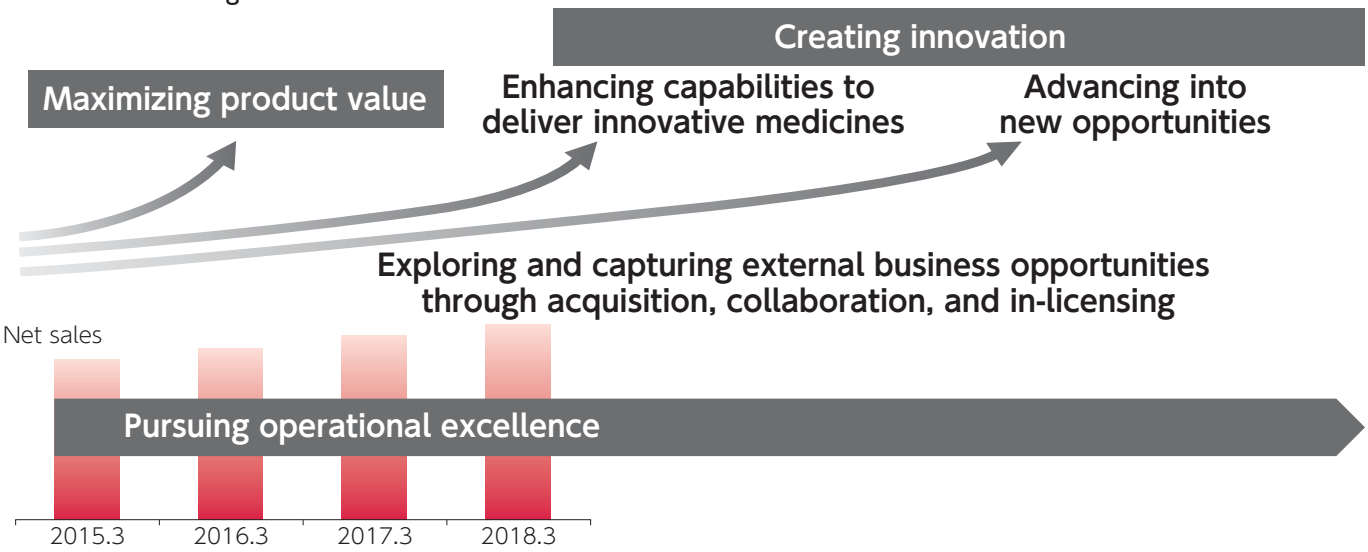
Strategy 3

Pursuing Operational Excellence P23

We will pursue operational excellence, aiming to create a more efficient, higher-quality business operation infrastructure to enhance our ability for corresponding to the changing environment.

To further ensure sustainable growth, we will continue actively exploring and capturing external business opportunities through acquisition, collaboration, and in-licensing.

Overview of Strategic Plan 2015-2017



Investment in R&D

Ensuring that the R&D Investment Ratio is Higher than 17% against Net Sales

Previously, we have channeled most of our R&D investment towards existing focus therapeutic areas. Now, we will maintain the same level of investment in these areas, while also paying sufficient attention to new opportunities.

We aim to maintain the level of R&D investment at a ratio of higher than 17% against net sales, with the goal of creating continuous innovation.

Focus Disease Areas for Research

Muscle Diseases and Ophthalmology Selected as New Areas

We undertake periodic reviews of our therapeutic areas in light of internal and external environmental changes. As treatment landscapes for diseases continue to develop while science advances, medical needs change, along with the number of target patient population, while care must also be taken to ensure the feasibility of R&D.

We will continue to make efforts in our existing therapeutic areas of urology, oncology, immunology, nephrology, and neuroscience. While we may change the positioning of certain diseases and therapeutic areas, we will advance the projects in our pipeline and undertake various approaches to research.

Moreover, we have selected muscle diseases and ophthalmology as new therapeutic areas. There is low satisfaction with existing therapies in these fields, and we aim to deliver new medicines while seeking alliance opportunities with external partners that have strong expertise.

As we continue to build a business platform for sustainable growth, we will also sufficiently invest in next-generation vaccines and regenerative medicine that make use of new technologies and modalities, as well as new opportunities, such as medical solutions that leverage our strengths.

Focused Disease Areas for Research

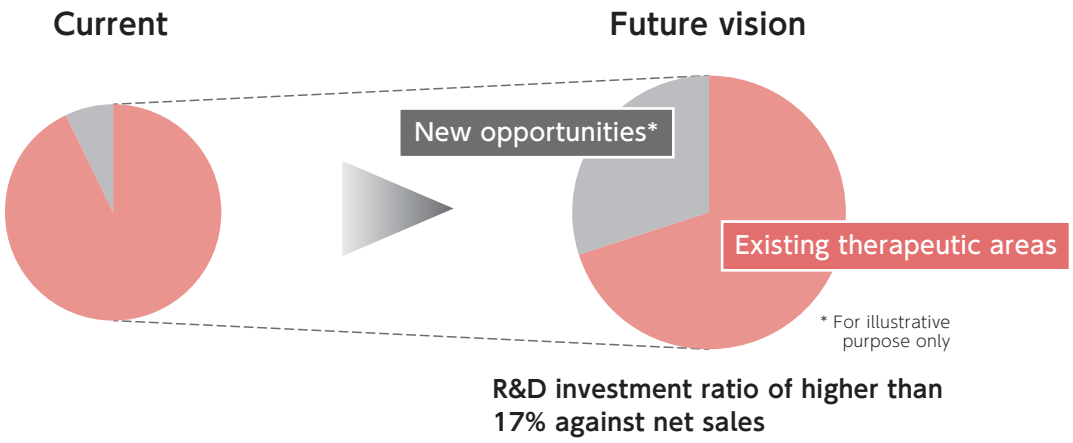
Existing therapeutic areas:

- Urology
- Oncology
- Immunology
- Nephrology
- Neuroscience

New therapeutic areas:

- Muscle diseases
- Ophthalmology

R&D Investment Allocation Philosophy



* New opportunities: new therapeutic areas (such as muscle diseases and ophthalmology, etc.), new technologies and modalities (such as regenerative medicine and next-generation vaccines, etc.) and innovative medical solutions by combining a variety of internal and external healthcare capabilities.

Maximizing the Product Value

Astellas is going to solidify its growth during and after the period of Strategic Plan 2015-2017 by maximizing its OAB franchise, developing the oncology field centered on XTANDI, and prioritizing the investment of resources into new products.

Maximizing the Product Value

New Product Group Drives Medium- to Long-term Growth

A key priority for sustainable growth during and after Strategic Plan 2015-2017 is maximizing the value of the products that have been realized through our investments to date.

By steadily growing our new product group, such as XTANDI and the OAB franchise, we expect the compositional ratio of the key new products to expand during the period of Strategic Plan 2015-2017. As a result, we forecast that the relative composition ratio will decrease for key products for which patents will expire by 2020. Growing the new product group early is an important measure to overcome these impacts.

CAGR in the mid single-digit range is projected for net sales during Strategic Plan 2015-2017. By region, in Japan, net sales are projected to achieve a marginal increase. We need to overcome impacts from the rapid increase in market share of generics as well as drug price revisions, but these impacts are expected to be absorbed by existing growth products, Suglat and others. Meanwhile, in other regions, local currency-based sales are expected to grow briskly by high single-digit or more.

OAB Franchise

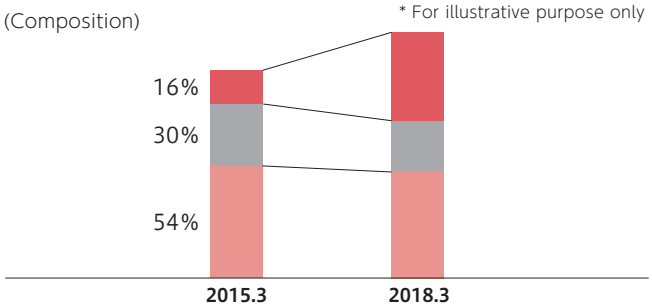
Drive Rapid Market Penetration of Betanis/Myrbetriq/BETMIGA

In the OAB franchise, our most important focus is to overcome the envisaged impact from the patent expiry of Vesicare and continue to increase the value of our franchise.

For this reason, we will work to drive rapid market penetration of Betanis/Myrbetriq/BETMIGA. With its unique mechanism of action, this drug offers a superior balance between efficacy and tolerability that has earned it a high evaluation as a new treatment option. We will now build up data on aspects such as medication adherence and use among elderly patients to firmly establish the drug's position, while expanding the number of countries where it is sold. Furthermore, we will promote development of combination therapy with Vesicare.

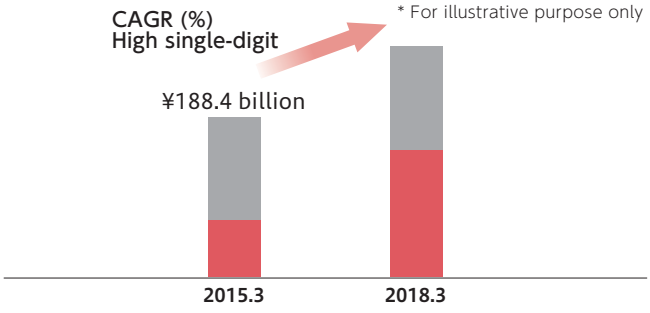
Through these initiatives, we expect to achieve CAGR for net sales in the high single-digit for the OAB franchise during the current strategic plan. In the final year of the plan, the fiscal 2017, sales of Betanis/Myrbetriq/BETMIGA are expected to have increased to account for approximately half of the overall sales of the OAB franchise.

Changes in the Compositional Ratio of Products in Net Sales



* Betanis/Myrbetriq/BETMIGA, XTANDI, Cimzia, Suglat, and CRESEMBA

Global Sales of the OAB Franchise



Oncology

Maximizing the Value of XTANDI by Accelerating Sales and Expanding Indications

In oncology, we will focus our efforts on maximizing the value of XTANDI, our growth driver. We will early expand sales mainly for chemotherapy-naïve prostate cancer patients, while also expanding the geographical sales area. We aim to become the market leader, leveraging the product's outstanding profile and Astellas' strong presence in the field of urology. Moreover, we will aim to expand indications for earlier stages of prostate cancer while steadily advancing various trials for expanding indications for other forms of cancer such as breast cancer and hepatocellular carcinoma.

During the period of the current strategic plan, we expect net sales in our oncology franchise to expand with a CAGR in the mid-twenties percent.

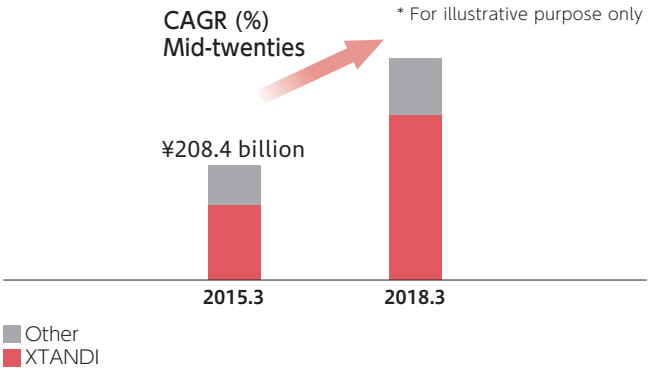
Other Areas

Maintain Performance in Transplantation while Prioritizing Resource Investment in New Products

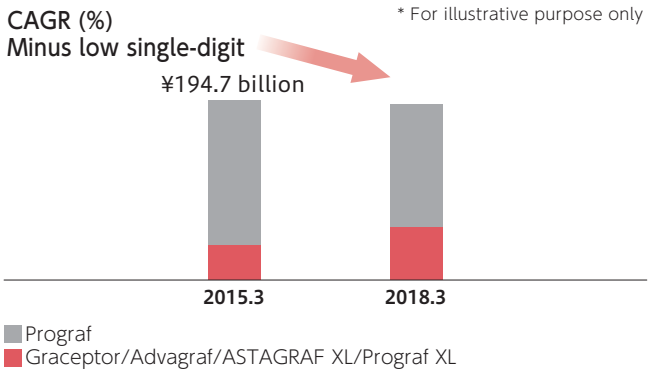
Astellas has established its presence in transplantation with the immunosuppressant Prograf. We expect to maintain net sales for Prograf, with growth in emerging countries counteracting a decline in the Americas, EMEA, and Japan, where the substance patent has expired. The average annual decline in net sales during the current strategic plan is expected to be limited to the low single-digit.

In resource allocation, we will prioritize new products in each region, aiming to achieve sales expansion at an early stage. Our new-type diabetes treatment Suglat was the first SGLT2 inhibitor to be sold in Japan by any company, and we will focus on maintaining its top share of the market. The LDL cholesterol-lowering treatment evolocumab, developed through the strategic alliance with Amgen Inc., and others are currently in the regulatory review process, and we count on them as potential new products.

Global Sales of the Oncology Franchise



Global Sales of the Transplantation Franchise



Creating Innovation

Innovation is the engine behind Astellas' sustainable growth. Astellas is driving ceaseless innovation by enhancing its capabilities to deliver innovative medicines and continuously advancing into new opportunities.

Enhancing Capabilities to Deliver Innovative Medicines

Approach to R&D

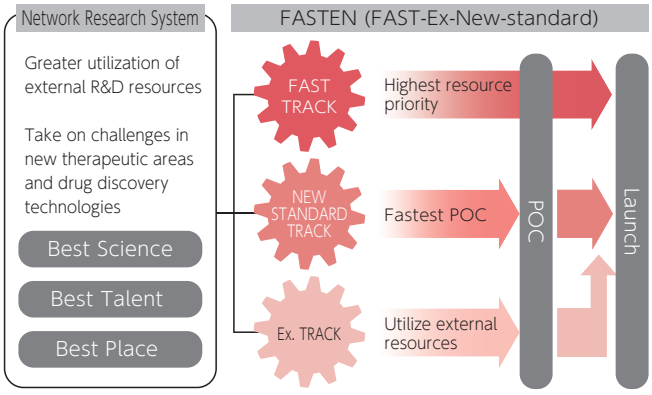
Optimal Resource Allocation and Active Acquisition of Innovative Science

Astellas has built a framework for creating innovative drugs efficiently through optimal resource allocation and the active acquisition of cutting-edge science.

Astellas is promoting open innovation in the drug discovery process by employing a Network Research System. This system appoints optimal personnel and researchers from both inside and outside the Company to undertake dynamic research activities in the best possible environment, and based on the world's most innovative science. Moreover, Astellas introduces the FASTEN process to manage R&D projects along one of three different tracks. The aim of this process is to speed up early phase R&D cycles and thereby create an even greater number of innovative drugs from promising drug candidates. We have already confirmed positive outcomes such as shortening of R&D duration and increased cost efficiency. We will further promote the FASTEN framework.

Projects in the early clinical development stage will seek to attain proof of concept (POC), their next milestone. Meanwhile, projects in the late clinical development stage that have successfully achieved POC can be expected to contribute to earnings in the near future. Therefore, we will actively push ahead with the development of these projects. We believe that these projects will continue to drive Astellas' growth.

Enhancing Capabilities to Deliver Innovative Medicines



Focus Disease Area for Research (1) Urology

Maintaining and Enhancing Our Leadership Position

We are working to maintain and enhance our franchise in the therapeutic area of urology.

Looking at late-phase compounds, we will take steps to obtain approval for EB178 (a combination therapy comprising solifenacin and mirabegron) as soon as possible. In addition, we will develop pediatric indications for both of these agents in order to maximize the value of our OAB franchise.

In order to build a next-generation franchise, we will also pursue the development of drugs for new urology therapeutic areas with a high level of unmet medical needs, such as nocturia, stress urinary incontinence, and underactive bladder.

Focus Disease Area for Research (2) Oncology

Promote Projects of Enzalutamide, ASP2215 and ASP8273

With several promising projects in the oncology area, we are pushing development forward as quickly as possible.

We are taking steps to expand the label of XTANDI (generic name: enzalutamide), our current growth driver. ASP2215 for acute myeloid leukemia is the first project to receive fast track designation in our FASTEN process. By intensively allocating resources to ASP2215, we seek to further shorten the development period. We will develop multiple projects, including ASP8273 for non-small cell lung cancer, as treatments for intractable cancer by applying the Precision Medicine approach for identifying targets.

In the research stage, we are focusing on immune evasion and metabolic disorders. By forming partnerships with the leading biotechnology

companies and research institutions, we will pursue targeted research on cancer types and patient categories that are not benefiting from existing treatments.

Focus Disease Area for Research (3) Immunology, Nephrology and Neuroscience

Promoting Key Projects

In the immunology area, we have several unique projects in the pipeline, including ASP015K for rheumatoid arthritis.

In the nephrology area, we are pushing ahead with the development of roxadustat, with the aim of being first to market with an oral treatment for anaemia associated with chronic kidney disease. We will also advance projects in the early development stages in areas such as diabetic nephropathy and chronic kidney disease. Considering that these projects offer prospects for synergies with existing products and therapeutic areas, we believe that they are highly promising therapeutic areas to pursue.

In the neuroscience area, we have several drug candidates that have a new mechanism of action, although they are still in the early stages. We will develop drugs targeting neurological disorders and pain.

Pursuing New Opportunities

New Therapeutic Areas

Fostering the Muscle Disease and Ophthalmology into Our Areas

In the areas of muscle disease and ophthalmology, there are many disorders for which patients cannot obtain satisfactory results from existing treatments. Astellas is undertaking cutting-edge research through partnerships with bio-ventures and research institutions. In the muscle disease area, we are advancing R&D targeting ways to inhibit the progression of disease and treat the causes of disease. We are also focusing on building an in-house research platform, including setting up a research unit devoted to muscle diseases in April 2015. In the ophthalmology area, we will pursue research on disorders of posterior eye segment for which no standard drug treatments are available.

New Technologies and Modalities

Promoting Research in Cell Therapy and Next-generation Vaccine

We are working to develop next-generation vaccines such as a vaccine for respiratory syncytial virus and a therapeutic vaccine for Japanese red cedar pollinosis.

In addition, we will undertake cell therapy research in earnest to develop new modalities. Efforts will be focused on cell therapy such as stem cell formulations by actively forming partnerships with third parties. We intend to commence our first clinical trials within the next few years, targeting cardiovascular disorders and cancers with a high level of unmet medical needs.

Medical Solutions

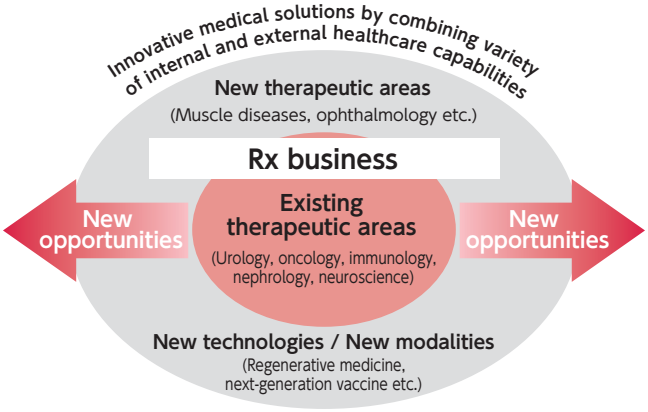
Pursuing New Opportunities by Leveraging Our Strengths

Astellas aims to deliver unprecedented medical solutions to patients by leveraging its strengths in the innovative drug business, and integrating these strengths with various medical and healthcare areas.

We have already identified projects such as techniques for the early diagnosis of cancer, as well as hemostatic agents and pain control approaches that help to shorten surgery times and improve surgical treatment results. We plan to initiate our first clinical trials during the current Strategic Plan 2015-2017, and we expect these projects to start contributing to earnings from around 2020.

Reference: Progress in R&D During the Year P33

Advancing into New Opportunities



Wataru Uchida, Ph.D.
Senior Vice President,
Drug Discovery Research

Research

Pursuing Cutting-Edge Science through Network Research System

Astellas is rapidly transforming its drug discovery models. Now we pursue cutting-edge science through our Network Research System, based on the philosophy of using the Best Science, Best Talent and Best Place. Departing from a closed in-house approach, we have succeeded in acquiring external innovation and developing new fields, technologies and modalities. Collaboration with outstanding talent in the optimal location makes it easier to attract information and undertake innovative research. Furthermore, various perspectives generate new ideas and accelerate the development of projects. In fact, we have launched muscular diseases and ophthalmology at a brisk competitive pace by this approach.

Optimize Management for Each Therapeutic Area and Project

It is essential to control uncertainties and optimize resource allocation in R&D management. In the early stages of drug discovery research, we determine the potential of each research project efficiently by streamlining the decision-making process and delegating authority. This enables us to take on the challenges of various opportunities by thinking outside the box.

When the research project advances and a drug candidate has been identified, we apply our FASTEN process to the projects. In this approach, we select an R&D process which is optimal to project characteristics. Furthermore, we utilize translational research for purposes such as identifying biomarkers at an early stage, to enable feasible and highly reliable plans for clinical trials.

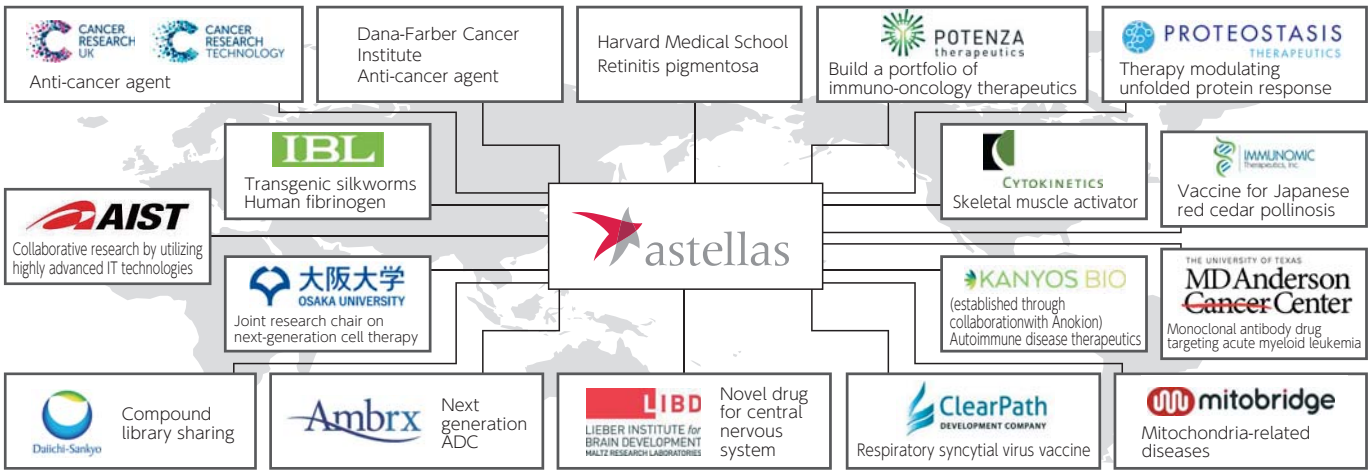
Change in Mindset: Our Key Strength

The environment surrounding drug discovery has changed dramatically in the past few years. Even mega pharmaceutical companies have focused their businesses and are strengthening their hand in open innovation. Personalized medicine is also taking on increasing importance. Additionally, the pharmaceutical industry will need to harness big data while forming partnerships with governments and academia.

Astellas must effectively address this fast-changing environment by making decisions promptly and being quick on its feet. We must stay closely attuned to the latest trends and swiftly grasp them. It is crucial to combine our internal capabilities and strengths with external strengths so as to obtain the maximum benefit.

Research reshapes from May 2013 started to show their benefits. The mindset of researchers and the entire organization is changing, putting us on a progressive track that offers exciting new prospects for research possibilities. This new mindset now constitutes our greatest strength in research. I am convinced this will culminate in the discovery of innovative medicines, so we will continue the reforms unabated.

Pursue New Opportunities with the Network Research System (as of July 2015)



Sef Kurstjens, M.D., Ph.D.
Chief Medical Officer

Clinical Development

Strategic and Efficient Decision-making

In fiscal 2014, we made progress on many projects, including novel therapeutics for unmet medical needs as well as maximizing the value of existing products, including label expansion of XTANDI in key regions. This progress has been facilitated by our clinical development organization which is structured around two themes, namely therapeutic area strategy and clinical trial execution.

Each therapeutic area has its own empowered project teams which are under the leadership of scientific and medical experts. This organization enables us to make strategic and efficient decisions in line with the treatment landscape in each therapeutic area. This approach has proven to be a key strength in development. Moreover, Astellas has a globally integrated framework to enhance the quality and efficiency of development operations.

Planning Trials to Address Various Needs

The design of clinical trials is a crucial factor for the success of drug development. In addition to the every-increasing demands of regulatory agencies, today, governments around the world are focused on controlling medical expenditures, and health technology assessments in various forms are being introduced. Phase 3 clinical trials have therefore needed to become larger and more complex to address the needs of both health authorities and insurance payers, which differ by country and region. When formulating clinical trial plans, Astellas fine tunes the design and evaluation endpoints to clearly demonstrate the added value of innovative drugs.

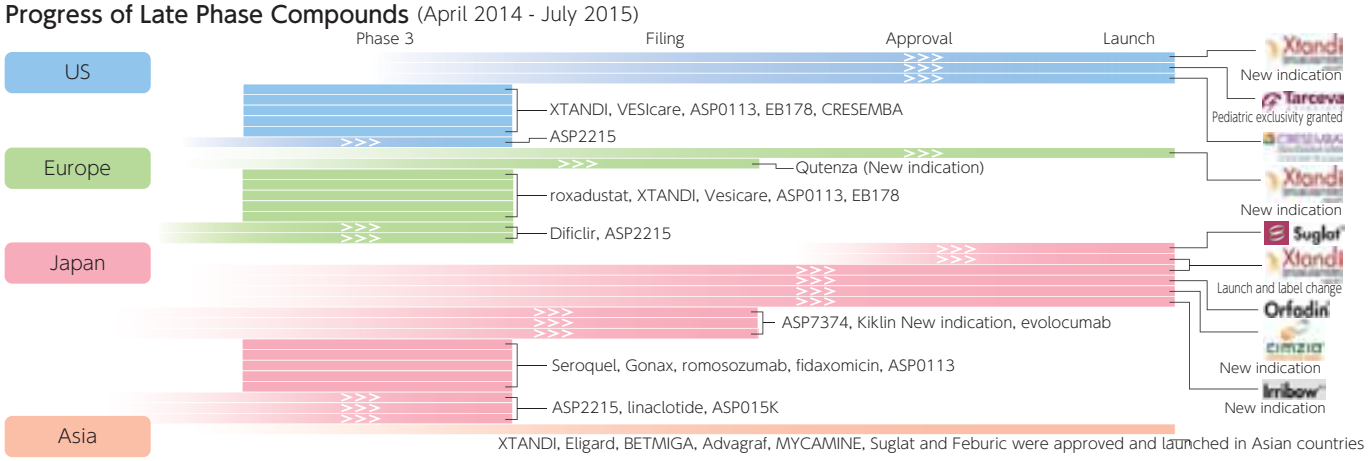
To increase the probability of project success, and maximize return on investment in our portfolio, we work in close cooperation with research divisions utilizing biomarkers at an early stage to verify the effect of medicines and to optimize their clinical utility, including dose selection and identification of the patient population most likely to benefit.

Maximizing Portfolio Value

The need to improve productivity in R&D is a major priority for the entire pharmaceutical industry. Astellas evaluates the potential of each project in its portfolio in a quality-focused, cost-efficient and timely manner. We prioritize our portfolio by performing a robust and objective analysis of factors such as data obtained from clinical trials, the probability of success, and development costs. Based on these results, we are able to maximize return on investment and make management decisions that channel resources into prioritized projects.

The purpose of clinical development is to extract the full value from pipeline medicines and approved products, and obtain regulatory approvals with commercially desirable labels. While emphasizing accountability, transparency and creativity, we aim to deliver innovative medicines by continuing to build on the recent progress we have made in our R&D pipeline.

Progress of Late Phase Compounds (April 2014 - July 2015)



Pursuing Operational Excellence

Astellas strives to improve the quality and efficiency of operations to better respond to a rapidly changing business environment. In anticipation of such changes, we are working on various initiatives from a number of perspectives.

The first is to optimize the allocation of management resources by prioritizing functions that are sources of competitive advantage. We seek to make effective use of external resources as well. We are constantly reviewing our organization and functions to optimize our business processes, cost structures and other aspects. In addition, we are looking to build on our strengths to enhance our capabilities to deliver innovative medicines, supply new drugs, and drive business deployment. From the perspective of compliance, we will take active measures on laws, regulations and social norms while working to further increase trust in our products.

Initiatives to Date

Promoting Enhancement of Organization Structure and Utilization of External Resources

Based on a review of our organization and functions, we recently unified several functions under the Chief Medical Officer, including product safety, medical information and quality assurance (QA), to integrate oversight of these with our global clinical development function. This move aims to reinforce our global quality and reliability assurance framework while ensuring that these functions can coordinate effectively with the clinical development function. In Japan, we have sought to achieve greater operational quality and efficiency by effectively utilizing external resources, such as transferring one of our Japanese production bases, the Fuji Plant, to Nichi-Iko Pharmaceutical Co., Ltd., and conducting business process outsourcing to Accenture Japan Ltd. in Japan. In addition, responding to changes in business environment, we optimally reallocate resources to areas where we have greater competitive advantages.

Future Initiatives

Continue to Pursue Operational Excellence

To further improve on the reliability of Astellas products further, we will continue to strengthen the functions of QA, pharmacovigilance, regulatory affairs and clinical and research quality assurance. We are working to introduce systems to enable drug traceability in line with respective national regulatory requirements. We are also progressing with initiatives to support disclosure of clinical trial information and to supply regulatory agencies with the latest detailed product information.

We continue to focus on cost optimization as a way of raising operational quality and ensuring our spending is as efficient as possible. This involves shifting sales budgets from existing products to new and growth products, eliminating duplication in investments, and integrating our IT systems on a global basis. We are already starting to see the benefits of these programs.

From the Perspective of Pursuing Operational Excellence

Financial Strategy

Yasumasa Masuda
Chief Financial Officer

Secure Investment Resources

Ensuring Sufficient Resources for Investment by Increasing Sales While Optimizing Costs

Under the current strategic plan, we aim to achieve growth in sales by maximizing the product value, while promoting measures across the Astellas Group to optimize cost of goods and SG&A expenses. This will help us to maximize operating profit prior to deduction of R&D expenses. Moreover, we plan to direct sufficient resources to ensure that we generate a constant stream of innovative drugs by maintaining an R&D investment ratio of higher than 17% against net sales, while also working to improve our operating margin.

In this way, we are prioritizing the maximization of our earnings capabilities, which form the numerator of ROE, while also pursuing balance sheet management and improving shareholder returns to enhance capital efficiency, which forms the denominator.

The plan specifies a target of 15% or more for ROE, and we aim to maintain and improve this level over the long term.

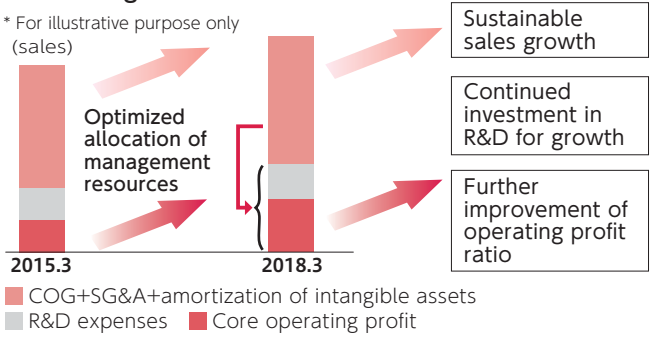
Basic Policy on Profit Distribution

Put Highest Priority on Business Investment for Future Growth

Astellas is working to increase enterprise value continuously and, as a consequence, improves the level of returns to shareholders. We target stable and continuous increases in dividends based on the medium- to long-term growth prospects for consolidated earnings, while prioritizing business investment to assure future growth. We are targeting dividend on equity attributable to owners of the parent (DOE) of 6% or more during the period of the current strategic plan. We will implement share buybacks flexibly as needed based on an overall consideration of business conditions, business strategy, and investment plans, among other factors. Our policy is to cancel acquired treasury stock where appropriate to ensure the overall balance does not exceed 1–2% of outstanding shares.

In line with the characteristics of the pharmaceuticals business, we try to maintain a certain level of cash-on-hand in addition to the working capital needed to fund day-to-day operations. This is to allow us to respond flexibly to the need to invest for future business growth, and to acquire innovation. In particular, we will continue actively pursuing alliances or M&A opportunities relating to acquiring promising new drug candidates or cutting-edge technologies that are consistent with our business strategy.

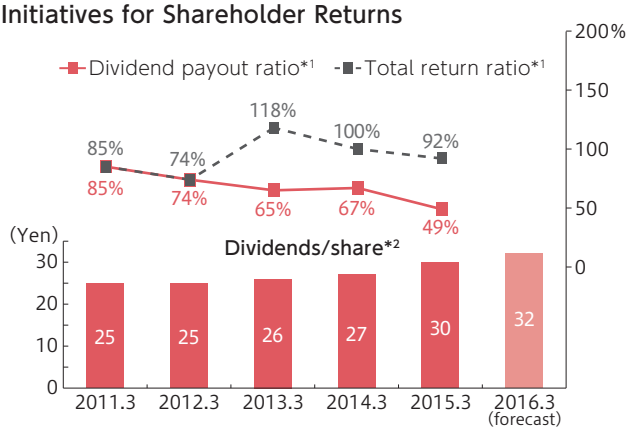
Maximizing Profits



Profit Distribution Policy

1. Top priority on investment for growth of pharmaceuticals business
2. Dividends to be increased continuously based on medium- and long- term growth
3. Share buybacks to be implemented in a flexible manner

Initiatives for Shareholder Returns



*1 Figures from fiscal 2010 to fiscal 2011 are in accordance with J-GAAP and from fiscal 2012 are in accordance with International Financial Reporting Standards ("IFRS")

*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. Figures are calculated based on the number of shares issued after the stock split (excluding treasury shares) on the assumption that the stock split was conducted at the beginning of fiscal 2010.

Human Resources Strategy

Yoshiro Miyokawa
Representative Director and
Executive Vice President,
Chief Administrative Officer &
Chief Compliance Officer

Human Resources Vision

Talents with Capabilities in Speed, Innovation, Professionalism, and Networking

To ensure the execution of our strategies for realizing our business philosophy and vision, we need well developed human resources and a strong organization. Astellas has summarized the Human Resources Vision, which describes Astellas' desired talent.

Astellas' Desired Talent in Human Resources Vision

Speed	Innovation	Professionalism	Networking
in outperforming competitors	responding to changes in the environment	to gain competitive advantages	to further develop strength

Human resources policies are geared toward realizing the Human Resources Vision.

Astellas sets human resources policies in the areas of "recruitment and placement," "growth and careers," and "appraisals and compensation." The policies provide guidance for a wide variety of ongoing initiatives.

Main Initiatives in Human Resources Management

Recruitment and placement:
Recruiting and placing diverse people at the vanguard of change

Growth and careers:
Developing leadership and strengthening organizational capabilities

Appraisals and compensation:
Introducing the "Astellas competencies" and reflecting them in human resources policies

Recruitment and Career Development

Encouraging a Positive Attitude to Competition and the Desire to Challenge

Astellas' recruitment and placement focus on "selecting the best people for existing positions" rather than "finding positions to suit existing personnel." We recruit diverse people with a focus on individual ability, regardless of race, nationality, gender, or age.

Astellas values people who are attuned to the direction of the organization, cooperate in a spirit of teamwork, and develop their skills together in the competition for each position. We actively support human resources who are positive to this kind of competition and try at their own initiative by helping them with skills and career development.

Competencies

Established the Astellas Competencies

Astellas has summarized a set of global common competencies that are desirable for all employees regardless of departments, functions or ranks. We present examples of effective activities in the categories including innovation and customer focus for each rank, such as leader or manager. It provides employees with a guide to growth and Astellas with unified, objective standards for appraisals of employees' activities. In this way, the standards can be used as a foundation for various fields of activity, such as human resources development and appraisals. Individual employees will practice the Astellas Competencies to maximize their capabilities, thereby achieving better results over the medium and long terms.

Astellas' Human Resources Policies

Recruitment and Placement	- Employment based on equal opportunity and individual capability regardless of gender, nationality, race, or age - Ensuring the flexibility of human resources through the diversification of the employment system and the use of external resources
Growth and Careers	- Providing a high level of development support for talented and capable employees who show strong commitment to continuous improvement in performance - Offering career development opportunities to employees who show a willingness to take responsibility and possess the required skills
Appraisals and Compensation	- Appraising and treating employees in a fair manner according to their roles and achievements - Realizing competitive compensation levels that adequately reflect corporate performance and are suitable for a global company

Reference: Employees P69

CSR-based Management

Astellas' CSR-based Management

Fulfill Social Responsibility and Realize Astellas' Business Philosophy

At Astellas, we recognize our Corporate Social Responsibility (CSR) as our responsibility for any impacts that our decisions and the business activities have on society and the environment.

We are helping to enhance the sustainability of society by fulfilling our social responsibilities as a pharmaceutical company: for example, providing pharmaceutical products that satisfy unmet medical needs. As a result, we earn trust from society for both the Company and our products, which enhances our sustainability.

This positive cycle will lead to the realization of our mission, "sustainable enhancement of enterprise value" through fulfillment of our raison d'être "contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products." In summary, for Astellas, fulfilling our social responsibility means the realization of its business philosophy.

Two Aspects of CSR for Astellas

Create and Protect Value for Both Society and Astellas

CSR for Astellas has two aspects: value creation and value protection.

Value Creation

Through its business activities, Astellas is creating value for society by addressing social issues such as unmet medical needs, and by rewarding stakeholders. By reinvesting the profit we gain through business activities, we strengthen our capabilities in research and development. In addition, by winning trust from government and business partners in each country, we create new business opportunities. That is to say, value for Astellas is created.

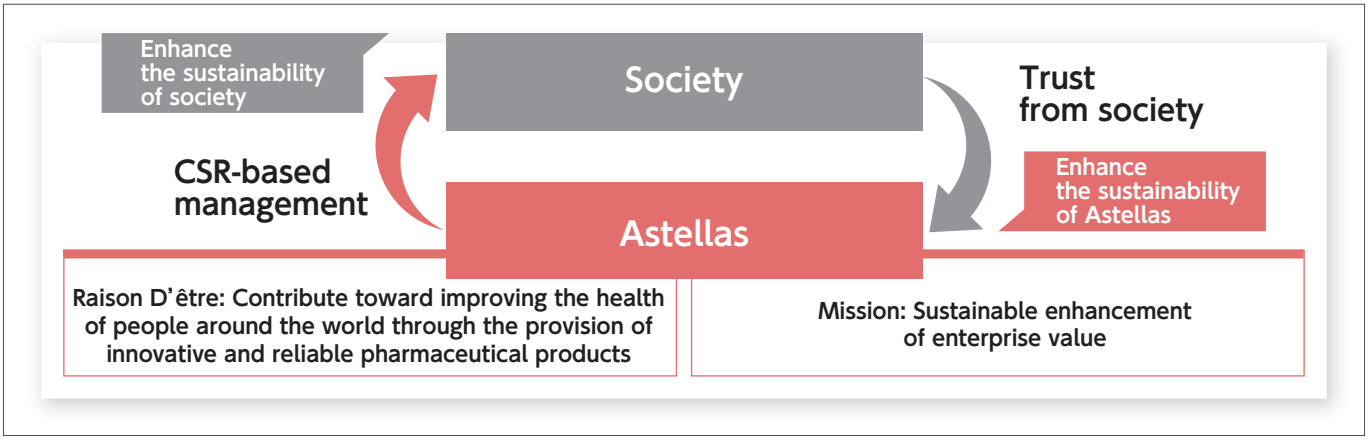
Value Protection

Astellas seeks to reduce its environmental burden and preserve biodiversity, ensures compliance, and takes measures to prevent corruption. In addition to the social value of these activites, they contribute to mitigating reputation risk and elevating Astellas' corporate brand, thereby protecting our enterprise value.

Value Creation and Protection for Society and Astellas

	Value for Society	Value for Astellas
Value Creation	- Supporting healthy living for people all over the world through the creation of innovative drugs - Return to stakeholders	- Strengthening R&D capabilities by reinvesting profits - Creating new business opportunities
Value Protection	- Mitigating impact on climate change and preserving biodiversity by reducing environmental burden - Maintaining social order by ensuring compliance and taking measures to prevent corruption	- Mitigating reputation risk - Elevating corporate brand

Astellas' Interaction with Society



Feature

Our Initiatives to Create Innovation

In this feature section, we present several specific examples of our ambitious initiatives to create innovation. First, we introduce the activities of Astellas Innovation Management (AIM), which works closely with our research units to identify and obtain external opportunities at early research stages. We then take a look at the current state of our research collaboration with Mitobridge, Inc. in the area of mitochondria-related diseases. Finally, we highlight our progress on clinical development in the oncology field.

Case 1 Research Astellas Innovation Management (AIM) Initiatives

Helping to Drive Innovation by Utilizing External Cutting-Edge Science

Successfully Formed Alliances with Leading Bio-Ventures and Academia Partners in the First 1.5 Years

Astellas Innovation Management (AIM) kicked off its activities in October 2013, with a mandate to achieve greater utilization of early stage innovation by building networks with bio-ventures and academia. We could leverage the presence of Astellas Venture Management LLC, which is a venture capital firm based on the West Coast in the U.S. It has a strong reputation and connections with venture capitalists, biotechnology companies and entrepreneurs. For that reason, our first challenge was to forge connections with new partners in academia. We started out by repeatedly visiting academia to gather information, in an effort to find the perfect opportunity. Now that 1.5 years have passed, AIM has formed alliances with multiple leading partners.

The Key to Success: Fostering Cooperation within Astellas and Collaboration with Various Divisions

In a process akin to finding a needle in a haystack, AIM's members must identify the ideal opportunity from among hundreds of possible projects every year. While remaining in close touch with Drug Discovery Research, AIM strives to stay on top of continuously evolving science and new therapeutic areas. AIM is able to make appropriate decisions not only because it possesses general scientific knowledge and discernment, but also because it is well versed in Astellas' unique strengths and needs in research. AIM's activities are also characterized by its ability to explore opportunities together with many divisions while taking a synoptic view of the entire industry as a core headquarters function.

When projects start to become increasingly realistic, AIM creates evaluation teams within Astellas. In each team, AIM encourages the participation of a broad range of divisions in addition to research and development. These divisions include intellectual property, legal, and budget divisions as well as divisions responsible for Astellas' entire portfolio. By conducting exhaustive discussions in these teams, Astellas is able to make decisions more with multiple perspectives.

Feeding Back the Insights Obtained through Our Network to the Rest of the Company

As laid out in our strategic plan, Astellas will be tackling an increasing number of new opportunities going forward. At this point, we cannot tell what trends lie beyond those opportunities, nor whether they will be favorable for Astellas. In this context, we will need to venture out and take risks, as we consider opportunities in terms of their scientific merit and interest. Through our activities, we hope to foster people who are able to provide feedback to the rest of the company on the insights we have obtained via the networks and relationships of trust we have developed.

Shunichiro Matsumoto, Ph.D.
Vice President
Innovation Management

Case 2 **Research** Collaboration with Mitobridge, Inc. in the Area of Mitochondria-related Diseases

Driving Faster Progress after Successfully Launching Full-Scale Mitochondria Research Operations

Mitochondria: A New Drug Discovery Frontier in the Limelight

Research in recent years has made clear that mitochondria is involved in many more diseases and symptoms than previously assumed. As a result, mitochondria has been rapidly attracting interest as a new drug discovery frontier that offers immense potential for future development.

Mitochondria plays a significant role in maintaining cellular functions, but has hitherto presented difficulties as a target for drug discovery. Bringing new perspectives and approaches to bear on this field, Mitobridge, Inc. is conducting drug discovery targeting proteins in mitochondria. Indeed, Mitobridge is one of the world's strongest mitochondria research teams. Collaboration with this powerful partner has enabled Astellas to get mitochondria research operations up and running almost immediately.

Advancing to the Next Stage through Hybrid Research Leveraging the Qualities of Both Companies

During our negotiations with Mitobridge on the collaboration, Mitobridge remarked that Astellas' researchers ask good questions. Considering that we are researchers at a general pharmaceutical company, we were no match for Mitobridge in terms of its specialization in mitochondria. However, we are proud to say that we possess enough scientific knowledge to discuss drug discovery with Mitobridge on an equal footing. I am pleased that our strengths in this respect were appreciated by our counterparts.

In practice, researchers assigned from Astellas to Mitobridge have launched five research themes in just the first year since their assignment began. In the past few months, discussions have involved not just existing research and development team members, but also the technology team. I feel that our collaboration is now spiraling outwards and growing much larger within Astellas.

Every member of Astellas taking part in this project for the first time is astonished by how fast Mitobridge gets things done. The Mitobridge team is able to steadily make decisions and move things forward by simply getting together for a chat, rather than going through formal meetings and other lengthy procedures. We are inspired in the course of discussing experimental data so that we can speed up how we get things done. I believe that the key to advancing research further lies in a hybrid approach that integrates the qualities and strengths of the approaches of both Mitobridge and Astellas.

Akiyoshi Shimaya, Ph.D.
Therapeutic Area Head - Executive Director
Muscular Disease Research Unit
Research Portfolio & Science,
Drug Discovery Research

Column

Joining Forces with Astellas to Become the Leader in the Area of Mitochondria-related Diseases

Astellas and Mitobridge have embraced a common vision for building a leading company devoted to research and development in therapies to improve mitochondrial functions. We had expected Astellas to become a great partner as befitting its excellent reputation, and we believe this has certainly come true.

Over the past two years of our collaboration, both companies have established networks in an expansive range of drug creation fields, such as clinical development and product strategy. Moreover, the assignment of outstanding researchers to this project has shown us Astellas' commitment to this collaboration.

The two companies will continue thinking creatively and acting quickly as one team to solve problems, with the aim of fulfilling unmet medical needs. By synergizing our complementary capabilities and expertise, we look forward to developing a highly efficient partnership.

Kazumi Shiosaki, Ph.D.
President and CEO,
Mitobridge, Inc.

Case 3 **Development** Progress in Oncology Development

Developing New Drugs with Vigilance, Flexibility, and Passion in the Evolving Treatment Landscape

Steady Advances Across Promising Projects

We have made excellent progress in our projects over the past year. Our current oncology pipeline spans over 10 projects.

The major news was the label expansion for enzalutamide (brand name: XTANDI). Less than one year after obtaining interim results from the Phase 3 PREVAIL study in patients with chemotherapy-naive metastatic castration resistant prostate cancer, the drug was made available for this patient population in the U.S., and Japan and Europe followed it. With the aim of expanding the value of XTANDI to patients further to earlier stages of the disease, we have also started a new Phase 3 trial for patients with non-metastatic biochemically recurrent prostate cancer. New results were also obtained for the TERRAIN study comparing enzalutamide with bicalutamide, and a Phase 2 study in triple-negative breast cancer. These results were received well at medical conferences.

We are accelerating the development of ASP2215 for acute myeloid leukemia, and are now preparing for a Phase 3 clinical trial less than two years after we initiated the first trial in humans. We have also made steady progress with ASP8273 for non-small cell lung cancer. For both of these projects, our efforts have been boosted by the overall enthusiasm of physicians working on these clinical trials.

Deliver New Medicines to Patients as Early as Possible

We are constantly accelerating development to address unmet needs of patients. Besides our internal process, known as FASTEN, we seek to utilize various regulatory pathways when we think they will add value. We also obtain advice from regulators, health technology assessment agencies, and experts in relevant fields during the planning process to ensure the most effective and efficient approach to reaching patients.

Once the development is actually underway, our focus is on the progress of the cancer treatment. We pay close attention to whether our drug can continue to deliver value to patients, considering the competitive situation and ongoing cost pressure. Our goal is to be vigilant and flexible, while maintaining an accurate understanding of how the treatment landscape is evolving. We must naturally be open to new ideas, and it is vital as well to be willing to change direction based on the accumulating data.

Up to the Challenge of Advancing the Treatment of Cancer

Cancer is a heterogeneous disease that cannot be easily defined nor treated. Developing new drugs to treat cancer patients presents us with many challenges, but that inspires our motivation to succeed. Tumors are driven to change, represented by resistance to anticancer medications. As a result, our science must evolve as well. We no longer talk about cancer by the tissue of origin but the biological mechanism driving tumor growth. A good example of this is enzalutamide, which was initially a treatment for prostate cancer based on its effect on the androgen receptor, but is now being examined for other types of cancer. Oncology treatment in 2015 is completely different from the situation in 2000, and no doubt it will have transformed yet again by 2030. Our job remains to understand the changes, and to design and develop drugs that will fit into the evolving treatment landscape.

At Astellas, we possess a strong foundation of knowledge, passion, and drive. We will continue to focus on delivering scientific innovation for the benefit of patients and their families as quickly and effectively as possible in the oncology field.

Claire Thom, Pharm.D.
Astellas Pharma
Global Development, Inc.
Senior Vice President and
Oncology Therapeutic Head

Annual Report 2015

Review of Operations

Here we report the specific initiatives and results of our business activities in fiscal 2014, ended March 31, 2015, and provide our outlook for fiscal 2015, ending March 31, 2016.

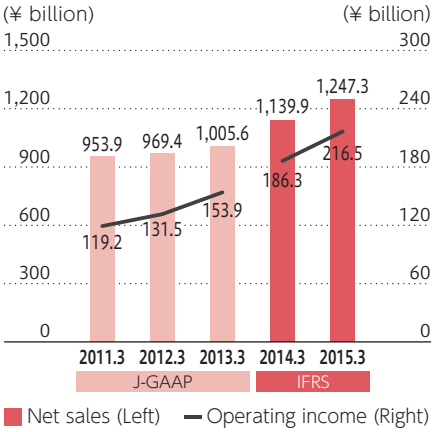
Financial and Non-Financial Highlights

Astellas has adopted the International Financial Reporting Standards ("IFRS"), effective from fiscal 2013.
Results for each category and earnings per share are presented on a core basis for the fiscal years since March 2014.

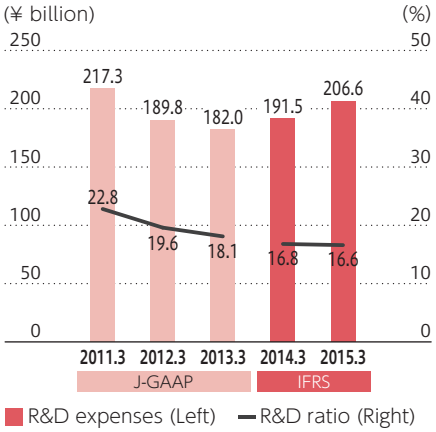
					(¥ billion)	(US$ million)*1
	2011.3	2012.3	2013.3	2014.3	2015.3	2015.3
	J-GAAP	J-GAAP	J-GAAP	IFRS	**IFRS**	**IFRS**
For the year						
Net sales	¥ 953.9	¥ 969.4	¥1,005.6	¥1,139.9	**¥1,247.3**	**$10,394**
Cost of sales	296.0	318.6	324.1	330.6	**333.2**	**2,777**
SG&A expenses*2	538.8	519.2	527.6	397.0	**452.5**	**3,771**
R&D expenses	217.3	189.8	182.0	191.5	**206.6**	**1,722**
R&D ratio (%)	22.8	19.6	18.1	16.8	**16.6**	—
Operating income	119.2	131.5	153.9	186.3	**216.5**	**1,804**
Operating margin (%)	12.5	13.6	15.3	16.3	**17.4**	—
Net income/Profit for the year	67.7	78.2	82.9	132.8	**153.2**	**1,277**
At year-end						
Total assets	1,335.1	1,400.6	1,445.6	1,653.1	**1,793.6**	**14,946**
Total net assets/Total equity	1,021.1	1,018.1	1,062.0	1,268.5	**1,317.9**	**10,983**
					(¥)	(US$)
Per share data*3						
Net income/Profit for the year	¥146.49	¥169.38	¥ 36.08	¥ 59.11	**¥69.37**	**$0.58**
Total net assets/Total equity	2,207.70	2,200.64	469.92	568.53	**600.93**	**5.01**
Cash dividends	125.00	125.00	130.00	135.00	**30.00**	**0.25**
Major indicators						
ROE (%)	6.5	7.7	8.0	7.4	**10.5**	—
DOE (%)	5.6	5.7	5.7	5.0	**5.1**	—
Equity ratio (%)	76.4	72.6	73.3	76.7	**73.5**	—
Free cash flows (¥ billion, US$ million)	(142.0)	146.7	95.5	187.4	**116.2**	**968**
Average exchange rate (US$/¥)	86	79	83	100	**110**	—
(€/¥)	113	109	107	134	**139**	—

*1 US dollars have been converted at the rate of ¥120 to US$1, the approximate exchange rate on March 31, 2015.
*2 R&D expenses are included under J-GAAP but excluded under IFRS.
*3 The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014. Net income/profit for the year per share and total net assets/total equity per share are calculated based on the number of shares issued after the stock split (excluding treasury shares) on the assumption that the stock split was conducted at the beginning of fiscal 2012. Moreover, the number of shares outstanding has also been calculated on the assumption that the stock split was conducted at the beginning of fiscal 2012.

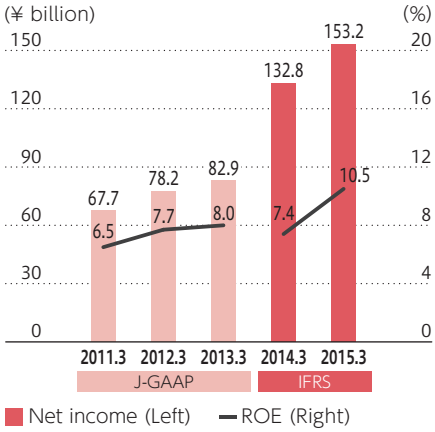
Net Sales/Operating Income



R&D Expenses/R&D Ratio per Sales



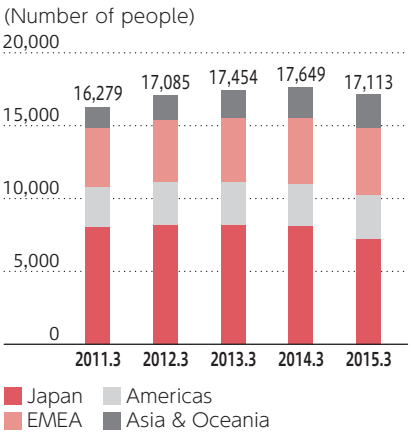
Net Income/ROE



					(¥ billion)	(US$ million)*1
	2011.3	2012.3	2013.3	2014.3	2015.3	2015.3
	J-GAAP	J-GAAP	J-GAAP	IFRS	**IFRS**	**IFRS**
Other indicators						
Number of shares outstanding*3	467,964,635	467,964,635	2,339,823,175	2,284,823,175	**2,259,823,175**	—
Sales by geographical area*4						
Japan	543.8	558.4	557.5	530.6	**498.7**	**4,156**
Americas	186.5	183.5	208.7	287.0	**361.0**	**3,008**
EMEA	189.9	191.7	196.5	264.3	**313.3**	**2,611**
Asia & Oceania	33.7	35.7	42.9	58.0	**74.2**	**618**
					(Number of people, Change)	
Number of employees by geographical area						
Total	16,279	17,085	17,454	17,649	**17,113**	**(536)**
Japan	8,023	8,176	8,153	8,082	**7,241**	**(841)**
Americas	2,742	2,919	2,980	2,883	**2,975**	**92**
EMEA	4,102	4,286	4,356	4,580	**4,628**	**48**
Asia & Oceania	1,412	1,704	1,965	2,104	**2,269**	**165**
						(% Change)
Key environmental impact indicators*5						
Amounts of energy consumption (TJ)	4,159	3,948	3,950	4,127	**3,923**	**(4.9)**
Water withdrawal (thousand m³)	11,670	9,923	10,127	10,117	**10,396**	**2.8**
Greenhouse gas emissions (kilotons)*6	188	173	193	203	**210**	**3.0**
VOCs emissions (tons)	62	57	46	51	**44**	**(13.6)**
NOx emissions (tons)	40	30	32	30	**28**	**(7.3)**
SOx emissions (tons)	5	1	0	0	**0**	—

*4 Sales attributed by the location of sellers.
*5 The Company has changed the scope of reporting from fiscal 2014 due to the succession to another company of the former Fuji Plant business on April 1, 2014. In this report, all the past data corresponding to the former Fuji Plant has been deducted.
*6 The past-years CO_2 emissions for overseas production facilities have been recalculated pursuant to changes in the CO_2 emissions coefficients for electricity use in each country published by the International Energy Agency (IEA), which included changes for past years.

Number of Employees by Region



Definition of Financial Results on a Core Basis

We disclose our financial results under IFRS on a core basis to help provide an accurate indication of the Group's recurring profitability. Certain items reported in financial results under IFRS on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items on a core basis.

Consolidated Financial Results (Full Basis)

Sales
Cost of sales
Gross profit
Selling, general and administrative expenses
R&D expenses
Amortisation of intangible assets
Share of profits of associates and joint ventures
Other income
Other expense
Operating profit
Finance income
Finance expense
Profit before tax
Income tax expense
Profit for the year

Consolidated Financial Results (Core Basis)

Non-recurring other income and other expenses within IFRS-based operating profit are excluded (for example, items such as impairment losses or restructuring expenses)

Core operating income

Adjustments for finance income and finance expense (for example, gain (loss) on sale of available-for-sale ("AFS") financial assets and impairment losses on AFS financial assets are excluded)

Core profit for the year

Progress in R&D During the Year

Drug Discovery Research

In April 2014, we set up the Regenerative Medicine Unit as a research group specializing in regenerative medicine and cell therapies. In April 2015, we reorganized it as a group with greater autonomy and flexibility, renaming it Regenerative Medicine Labs.

In April 2015, we established a new Drug Repurposing* & Application Management to upgrade our activities in this area, which had previously been addressed by individual units within Drug Discovery Research at the level of therapeutic areas or functions.

Pharma Breakthrough was established in October 2014 through the reorganization of the specialist in-house group in charge of providing patients with innovative medical solutions by combining our innovative drug business and a variety of healthcare opportunities. In April 2015, we renamed it Evolving Medical Solutions.

* Drug repurposing refers to searching for new value in existing drugs or terminated development compounds. This involves adopting a multiple-perspective approach to overcome issues that had not initially been solved.

Major Progress in Clinical Development

Urology and Nephrology

Kiklin (generic name: bixalomer; hyperphosphatemia treatment)

In March 2015, we filed a supplemental application for the additional indication of hyperphosphatemia in patients with chronic kidney disease not on dialysis in Japan.

Oncology

XTANDI (generic name: enzalutamide; prostate cancer treatment)

We received regulatory approval in the U.S. in September 2014 for its use in patients with metastatic castration-resistant prostate cancer who had not received chemotherapy. In Europe, we filed for this indication in April 2014 and received regulatory approval in December 2014. In Japan, we received approval in October 2014 to revise the precautions for indications by removing the sentence stating that the drug's efficacy and safety have not been established in patients with prostate cancer who have not received chemotherapy.

Tarceva (generic name: erlotinib; lung cancer and pancreatic cancer treatment)

The period of market exclusivity in the United States was extended until May 2019 based on the submission of pediatric data.

Immunology and Neuroscience

Cimzia (generic name: certolizumab pegol; treatment for adult patients with rheumatoid arthritis (RA))

In June 2014, we filed an application for an additional indication to treat RA patients without previous treatment with anti-RA drugs and we received regulatory approval in May 2015 in Japan.

QUTENZA (generic name: capsaicin; peripheral neuropathic pain treatment)

In December 2014, we submitted a variation for a marketing authorization application in Europe for the additional indication of peripheral neuropathic pain in diabetic patients.

Other Therapeutic Areas

CRESEMBA (generic name: isavuconazonium sulfate; azole antifungal treatment)

In July 2014, we filed an application in the U.S. for the treatment of invasive aspergillosis and invasive mucormycosis, and we received regulatory approval in March 2015.

Irribow (generic name: ramosetron hydrochloride; irritable bowel syndrome treatment)

In July 2014, we filed a supplemental application seeking approval in Japan for the additional indication of diarrhea-predominant irritable bowel syndrome in females and we recieved regulatory approval in May 2015.

Orfadin (generic name: nitisinone; tyrosinemia treatment)

In December 2014, we received approval in Japan for this drug in the treatment of hereditary

tyrosinemia type 1.

ASP7374 (recombinant influenza HA vaccine)

In May 2014, we filed an application for the indication of prevention of influenza in Japan.

Evolocumab (generic name: development code AMG145; LDL cholesterol-lowering treatment)

In March 2015, co-development partner Amgen Astellas BioPharma K.K. filed an application for market approval in Japan.

R&D Alliances with External Organizations

Initiatives in Drug Discovery Research

The Lieber Institute for Brain Development

In April 2014, we announced participation with other drug manufacturers in a consortium established by the Lieber Institute for Brain Development to identify new treatments for neuropsychiatric disorders.

Cancer Research UK

In August 2014, a joint research and licensing agreement was concluded aiming at finding new drugs to combat pancreatic and other types of cancer.

Harvard Medical School

In October 2014, a research collaboration was agreed with the aim to identify and verify the genetic basis for the pathology of retinitis pigmentosa.

Dana-Farber Cancer Institute

In November 2014, a joint research collaboration was agreed to target new oncogenic K-Ras inhibitors (including an option right for the development and commercialization).

Proteostasis Therapeutics, Inc.

In November 2014, an agreement was concluded to research, develop and commercialize novel therapeutics for the treatment of genetic diseases caused by defects in protein folding based on the modulation of the stress response pathway within subcellular organelles and the endoplasmic reticulum.

Osaka University

In February 2015, an agreement was concluded to establish a joint research chair with a view to developing and bringing into practical use fundamental technologies needed to realize next-generation cell therapies.

Initiatives in Clinical Development

Cytokinetics, Inc.

In December 2014, we revised the June 2013 agreement with Cytokinetics, Inc. on research, development and commercialization of skeletal muscle activators to enable the development of fast skeletal troponin activators such as CK-2127107 for the treatment of spinal muscular atrophy (SMA) and other neuromuscular indications (original agreement limited research to non-neuromuscular indications).

Immunomic Therapeutics, Inc.

In January 2015, an exclusive licensing agreement for Japan was concluded with Immunomic Therapeutics, Inc. relating to development and commercialization of JRC2-LAMP-vax, a vaccine being developed by Immunomic Therapeutics for the treatment of Japanese red cedar pollinosis

Alliances that Terminated During Fiscal 2014

- In December 2014, Janssen Biotech, Inc. exercised its right to terminate the licensing agreement concluded with Astellas in October 2012 relating to the development and commercialization of the oral Janus Kinase (JAK) inhibitor ASP015K in all countries worldwide except Japan. The termination became effective on January 15, 2015. On this effective date, Astellas regained all rights granted to Janssen under the agreement.
- In October 2014, we exercised our right to terminate the agreement concluded in April 2008 with CoMentis, Inc. for worldwide exclusive collaboration on research, development and commercialization of beta-secretase inhibitors for the treatment of Alzheimer's disease. Subsequently, all rights granted to Astellas under the agreement reverted to CoMentis in April 2015.

Status of R&D Pipeline

(as of July 2015)

Code No. / Generic Name	Classification	Target Disease	Area / Phase	Dosage Form	Licensor	Remarks
Urology and Nephrology						
ASP1585 (AMG 223) bixalomer	Amine-functional polymer	Hyperphosphatemia in patients not on dialysis with chronic kidney disease	Japan Filed (Mar. 2015)	Oral	Amgen	New indication*1
		Hyperphosphatemia in patients on dialysis with chronic kidney disease (granule formulation)	Japan Bioequivalence study			New formulation*1
YM905 solifenacin	Muscarine M3 receptor antagonist	Neurogenic detrusor overactivity and idiopathic overactive bladder in pediatric patients	US/Europe Phase-III	Oral	In-house	New indication (pediatric)
EB178 solifenacin/mirabegron	Concomitant use of solifenacin and mirabegron	Urinary frequency, urinary incontinence or urgency associated with overactive bladder	US/Europe/Asia Phase-III	Oral	In-house	
ASP1517 (FG-4592) roxadustat	HIF stabilizer	Anemia associated with chronic kidney disease in patients not on dialysis and on dialysis	Europe Phase-III Japan Phase-II	Oral	FibroGen	
YM311 (FG-2216)	HIF stabilizer	Renal anemia	Europe Phase-II Japan Phase-I	Oral	FibroGen	
ASP8232	VAP-1 inhibitor	Diabetic nephropathy	Europe Phase-II	Oral	In-house	
YM178 mirabegron		Neurogenic detrusor overactivity and idiopathic overactive bladder in pediatric patients	Phase-I	Oral	In-house	
ASP5633		Stress urinary incontinence	Phase-I	Oral	In-house	
ASP2205		Stress urinary incontinence	Phase-I	Oral	In-house	
ASP6282		Underactive bladder	Phase-I	Oral	In-house	
ASP6858		Chronic kidney disease	Phase-I	Oral	In-house	
Oncology						
MDV3100 enzalutamide	Androgen receptor inhibitor	Non-metastatic castration-resistant prostate cancer, Prostate cancer in patients with non-metastatic biochemical recurrence	US/Europe/Asia Phase-III	Oral	Medivation	New indication
		Breast cancer	US/Europe Phase-II			New indication
		Hepatocellular carcinoma	US/Europe Phase-II			New indication
ASP2215	FLT3/AXL inhibitor	Acute myeloid leukemia	US/Europe/Japan/Asia Phase-III	Oral	In-house	
		Non-small cell lung cancer	US/Japan/Asia Phase-I			
ASP3550 degarelix	GnRH antagonist	Prostate cancer (three-month formulation)	Japan Phase-III	Injection	Ferring	New formulation*1
ASP8273	Mutant-selective irreversible EGFR inhibitor	Non-small cell lung cancer	Japan/Asia Phase-II US Phase-I	Oral	In-house	
ASP1707	GnRH antagonist	Prostate cancer	Europe Phase-I	Oral	In-house	
AGS-16C3F		Cancer (ADC technology)	Phase-I	Injection	In-house (ADC technology in-licensed from Seattle Genetics)	
ASG-22ME		Cancer (ADC technology)	Phase-I	Injection	In-house (co-development with Seattle Genetics)	
ASG-15ME		Cancer (ADC technology)	Phase-I	Injection	In-house (co-development with Seattle Genetics)	
ASP5878		Cancer	Phase-I	Oral	In-house	
AGS67E		Cancer (ADC technology)	Phase-I	Injection	In-house (ADC technology in-licensed from Seattle Genetics)	
AMG 103 blinatumomab		Acute lymphoblastic leukemia	Phase-I	Injection	Amgen (co-development with Amgen Astellas)	*1
ASP4132		Cancer	Phase-I	Oral	In-house	

Code No. / Generic Name	Classification	Target Disease	Area / Phase	Dosage Form	Licensor	Remarks
Immunology and Neuroscience						
NGX-4010 capsaicin	TRPV1 agonist	Peripheral neuropathic pain in diabetic patients	Europe Filed (Dec. 2014)	Patch	HealthCare Royalty Partners	New indication*2
ASP0113 (VCL-CB01)	DNA vaccine for cytomegalovirus	Cytomegalovirus reactivation in hematopoietic cell transplant recipients	US/Europe/Japan Phase-III	Injection	Vical	
		Cytomegalovirus infection or reactivation in solid organ transplant recipients	US/Europe Phase-II			
ASP015K	JAK inhibitor	Rheumatoid arthritis	Japan Phase-III US/Europe Phase-II	Oral	In-house	
FK949E quetiapine	Serotonin / dopamine antagonist	Depressive episode in bipolar disorders	Japan Phase-III	Oral	AstraZeneca	New indication New formulation*1
ASKP1240	Anti-CD40 monoclonal antibody	Prevention of organ transplant rejection	US Phase-II Japan Phase-I	Injection	Kyowa Hakko Kirin	
ASP8477	Inhibition of central sensitization	Neuropathic pain	Europe Phase-II	Oral	In-house	
ASP3662	11beta-HSD1 inhibitor	Painful diabetic peripheral neuropathy	US Phase-II	Oral	In-house	
		Alzheimer's disease	US Phase-I			
ASP7962		Osteoarthritis, Chronic low back pain	Phase-I	Oral	In-house	
ASP5094		Rheumatoid arthritis	Phase-I	Injection	In-house	
ASP4345		Cognitive impairment associated with schizophrenia	Phase-I	Oral	In-house	
ASP4070 (JRC2-LAMP-vax)		Pollinosis caused by Japanese red cedar	Phase-I	Injection	Immunomic Therapeutics	*1
Others						
ASP7374	Influenza vaccine	Prophylaxis of seasonal influenza	Japan Filed (May 2014)	Injection	UMN Pharma	*1
AMG 145 evolocumab	Anti-PCSK-9 monoclonal antibody	Hypercholesterolemia	Japan Filed (Mar. 2015)	Injection	Amgen(co-development with Amgen Astellas)	*1
fidaxomicin	Macrocyclic antibiotic	Infectious enteritis (bacterial target: *Clostridium difficile)*	Japan Phase-III	Oral	Merck	
		Clostridium difficile infection in pediatric patients	Europe Phase-III			New indication (pediatric)
AMG 785 romosozumab	Anti-Sclerostin monoclonal antibody	Osteoporosis	Japan Phase-III	Injection	Amgen (co-development with Amgen Astellas)	*1
ASP0456 linaclotide	Guanylate cyclase type-C receptor agonist	Irritable bowel syndrome with constipation	Japan Phase-III	Oral	Ironwood	*1
		Chronic constipation	Japan Phase-II			
isavuconazonium sulfate	Azole antifungal	Candidemia / Invasive candidiasis	US Phase-III	Injection Oral	Basilea	New indication*3
ASP1707	GnRH antagonist	Endometriosis	Europe/Japan Phase-II	Oral	In-house	
ASP8232	VAP-1 inhibitor	Diabetic macular edema	US Phase-II	Oral	In-house	
CK-2127107	Fast skeletal tropoinin activator	Spinal muscular atrophy	US Phase-II	Oral	Cytokinetics	
ASP7373	Influenza vaccine	Prophylaxis of H5N1 influenza	Japan Phase-II	Injection	UMN Pharma	*1
ASP1941 ipragliflozin	SGLT2 inhibitor	Type 1 diabetes mellitus	Japan Phase-II	Oral	In-house (co-development with Kotobuki)	New indication*1

*1 Local development (Japan) *2 Local development (Europe) *3 Local development (US)

Review of Operations by Therapeutic Area

Urology

Business Environment and Basic Strategy

Urologic disorders, particularly urinary disorders, cause symptoms that can have a significant bearing on patients' quality of life. Moreover, the incidence of these diseases increases with age. With the ongoing aging of society, drug treatment is playing an increasingly pivotal role in urology. Astellas has established a strong presence in the urology market through the sale of Harnal, a treatment for functional symptoms of benign prostatic hyperplasia, as well as the overactive bladder (OAB) treatments Vesicare and Betanis/Myrbetriq/BETMIGA. In fact, OAB treatments have become one of Astellas' core growth drivers.

Anticholinergics such as Vesicare are the standard therapy for OAB. Therefore, we will continue to strengthen the position of Vesicare as the first choice of anticholinergic drug. Meanwhile, Betanis/Myrbetriq/BETMIGA has earned a strong reputation as a new treatment option that offers superior balance between efficacy and tolerability based on a unique mechanism of action. In anticipation of the expiry of patent protection for Vesicare, we will put more emphasis on Betanis/Myrbetriq/BETMIGA to achieve rapid market penetration. Moreover, considering the large numbers of potential subjects in the OAB treatment market, we will work to contribute to the treatment of many more patients by raising public awareness of this condition.

Fiscal 2014 Performance

Sales increased steadily in our OAB franchise, underpinned by sales of Betanis/Myrbetriq/BETMIGA. In fiscal 2014, aggregate sales of our two OAB treatments Vesicare and Betanis/Myrbetriq/BETMIGA rose 16% to ¥188.4 billion. Regionally, we saw double-digit sales growth in the Americas, EMEA, and Asia & Oceania. The combined share of the two OAB treatments continues to steadily expand. It reached approximately 60% (on a value basis) in Japan, approximately 27% (on a prescription basis) in the U.S. and approximately 53% (on a value basis) in Europe.

Harnal sales decreased in Japan and EMEA, reflecting erosion of generic drugs, but continued to increase in Asia & Oceania. In fiscal 2014, overall sales of Harnal declined 5.9% to ¥56.0 billion.

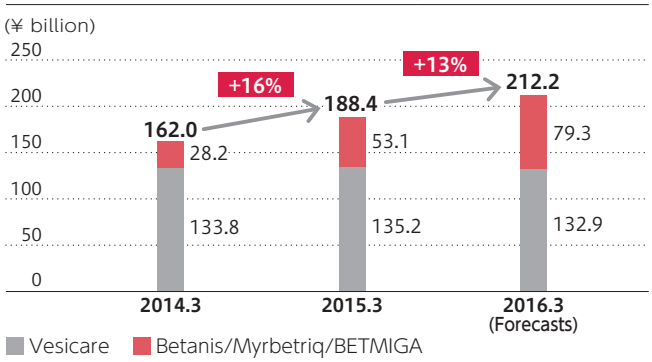
Outlook

EB178, a combination therapy comprising solifenacin and mirabegron, is currently in clinical development undergoing Phase 3 trials. EB178 is an important development program in our efforts to reinforce the OAB franchise.

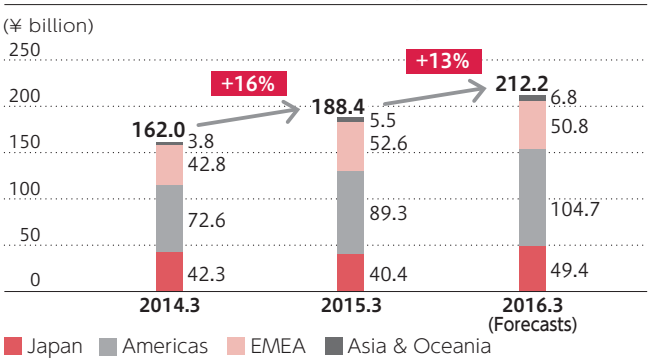
Furthermore, towards building a next generation franchise, we are developing compounds in the early clinical stage for new urologic disorders with a high level of unmet medical needs, such as nocturia, stress urinary incontinence, and underactive bladder.

Reference: Maximizing the Product Value P17
Creating Innovation P19

Total Sales of the OAB Franchise (By Product)



Total Sales of the OAB Franchise (By Region)



Overview of Main Products

Vesicare (generic name: solifenacin; OAB treatment)

Vesicare is a treatment for OAB that helps to relieve associated symptoms such as urinary urgency, frequent urination, and urinary incontinence. It is now sold in approximately 80 countries and regions.

In fiscal 2014, sales of Vesicare in Japan decreased 16.6% to ¥25.6 billion, partly due to the impact of temporary supply and demand fluctuation before and after the consumption tax rate increase in April 2014. Vesicare's share of the OAB treatment market was approximately 38% (on a value basis) in fiscal 2014.

In the Americas, sales of VESIcare declined 3.6% to US$559 million on a U.S. dollar basis. Its annual share of the OAB treatment market was approximately 20% (on a total prescription basis). Accordingly, VESIcare maintained its position as the leading branded drug in this category.

In EMEA, sales of Vesicare edged up by 0.4% to €305 million. Vesicare's share of the OAB treatment market reached approximately 43% (on a value basis) in fiscal 2014.

In Asia & Oceania, sales of Vesicare increased 38.0%, to ¥5.3 billion. The favorable sales expansion was driven by growth in South Korea.

Betanis/Myrbetriq/BETMIGA (generic name: mirabegron; OAB treatment)

This drug is an OAB treatment with a different mechanism of action from Vesicare. After its initial launch in Japan in 2011 under the brand name of Betanis, the product has been successively launched in the Americas, and in EMEA and Asia & Oceania under the brand names of Myrbetriq and BETMIGA, respectively. As of July 2015, it is sold in 36 countries and regions worldwide.

In Japan, sales of Betanis increased by 27.5% to ¥14.8 billion in fiscal 2014, marking steady growth. Betanis' share of the OAB treatment market was approximately 21% (on a value basis) in fiscal 2014.

In the Americas, Myrbetriq sales grew sharply, up 75.1% to US$254 million. Myrbetriq's share of the OAB treatment market reached approximately 7% (on a total prescription basis) in fiscal 2014.

In EMEA, sales of BETMIGA increased by €59 million to €74 million. Product distribution grew steadily to cover more countries.

In Asia & Oceania, this product was launched in six new countries and regions, bringing sales to ¥0.2 billion.

Harnal/Omnic (Treatment for functional symptoms associated with benign prostatic hyperplasia (BPH))

This product alleviates various symptoms associated with BPH, including poor stream, nocturia and incomplete emptying of the bladder. The product is sold in approximately 100 countries and regions, and has established itself as a standard treatment in this category.

Sales in Japan declined 25.9% to ¥15.0 billion in fiscal 2014, due primarily to the impact of generic drugs.

In EMEA, the drug is marketed under the brand name Omnic. Sales of Omnic through our own distribution channels decreased 10.1% to €130 million, mainly due to the impact of generic drugs.

Sales in the Asia & Oceania region increased 22.6% to ¥18.3 billion. Sales grew steadily in China.

Vesicare

Betanis/Myrbetriq/BETMIGA

Oncology

Business Environment and Basic Strategy

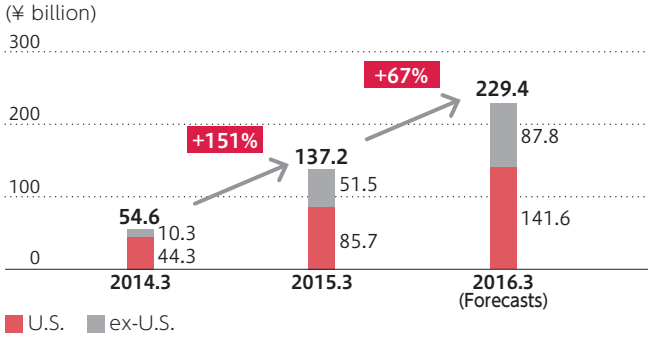
Given that cancer is one of the leading causes of death, oncology has urgent unmet patient needs. It is also an area that has seen the development of a steady string of new drugs. Astellas is focused on the oncology field, seeing it as an area that will drive significant growth alongside urology. We currently have four oncology products: the prostate cancer treatments XTANDI, Eligard and Gonax, and Tarceva for the treatment of non-small cell lung cancer and pancreatic cancer. XTANDI stands out as a significant growth driver for us in oncology. Going forward, we will work to expand sales of XTANDI to new regions, as we work to increase the market penetration of this drug to chemotherapy-naïve patients, which represents a larger market. XTANDI offers an outstanding product profile featuring excellent effectiveness proven in clinical trials, dosing conditions with few restrictions, and high tolerability. Furthermore, we have a solid presence in the urology field. Leveraging these strengths, we aim to become the market leader in this category.

Fiscal 2014 Performance

Total sales of Astellas' four oncology products rose sharply by 73% to ¥208.4 billion.

Sales of XTANDI steadily grew by 151.3% to ¥137.2 billion, helped by its approval for prostate cancer in chemotherapy-naïve patients. Tarceva-related revenues were up 9.3% at ¥48.9 billion. Eligard is currently marketed in EMEA and Asia & Oceania. Sales rose 3.5% to ¥19.0 billion. Sales of Gonax, which was launched in Japan in October 2012, increased 33.5% to ¥3.4 billion.

Sales of XTANDI



Outlook

We are making steady progress on various clinical trials of XTANDI designed to maximize the value of this drug. We are targeting additional indications of XTANDI for earlier stage prostate cancer patients. Efforts are also focused on additional indications for other cancers, such as breast cancer and hepatocellular carcinoma.

Elsewhere, more than 10 projects are under way to develop new chemical entities and extend the label of marketed products in oncology. These projects will steadily reinforce our business platform in the oncology area.

In the research stage, we are pursuing drug discovery research targeting cancers and patients for which existing treatments do not provide any benefit, with a focus on immune evasion and metabolic disorders in oncology. By forming partnerships with the world's leading biotechnology companies and research institutions, we seek to establish a highly competitive drug pipeline.

Reference: Maximizing the Product Value P17
Creating Innovation P19

Overview of Main Products

XTANDI (prostate cancer treatment)

This product is a once-daily oral androgen receptor inhibitor. XTANDI was initially launched in 2012 in various regions for prostate cancer patients who had previously received chemotherapy. Thereafter, it was also approved in key countries for the treatment of chemotherapy-naïve prostate cancer patients. As of July 2015, XTANDI is sold in 41 countries and regions.

In Japan, XTANDI was launched in May 2014 for the indication of castration-resistant prostate cancer. In October 2014, Astellas revised the precautions regarding indication in the package insert by deleting the statement, "The efficacy and safety of the drug have not been established in the patients with

prostate cancer who have not received chemotherapy." In Japan, sales were ¥14.9 billion in fiscal 2014.

In the U.S., XTANDI was approved for the additional indication so that the label includes chemotherapy-naïve metastatic castration-resistant prostate cancer in September 2014. Sales in the Americas rose steadily by 78.5% to US$803 million in fiscal 2014. XTANDI has won high marks in terms of both efficacy and safety profile. Following the label expansion, XTANDI has gained steady traction among urologists, along with oncologists.

In EMEA, XTANDI was approved for the additional indication of chemotherapy-naïve metastatic castration-resistant prostate cancer in December 2014. Sales rose €170 million to €241 million in fiscal 2014. The product has made a strong start, with sales expanding in key countries such as the U.K., Germany and France.

In the Asia & Oceania region, sales were ¥0.6 billion, supported by the launch of XTANDI in Australia in December 2014, following its launch in South Korea in October 2013.

In the U.S., Astellas and Medivation, Inc. co-promote XTANDI and share profits equally. In all countries excluding the U.S., Astellas will develop and commercialize XTANDI, while paying Medivation royalties based on sales.

Eligard (Prostate cancer treatment)

Eligard is a luteinizing hormone-releasing hormone (LHRH) agonist that is marketed under license from TOLMAR Inc.

In EMEA, sales remained mostly flat at €136 million in fiscal 2014.

In Asia & Oceania, sales were ¥0.1 billion, following the launch of Eligard in the Philippines, Singapore, Malaysia and Vietnam in fiscal 2014.

Gonax (Prostate cancer treatment)

Gonax is a gonadotrophin-releasing hormone (GnRH)-receptor blocker with a subcutaneously injectable formulation in-licensed from Ferring Pharmaceuticals. It is sold by Astellas in Japan. In fiscal 2014, sales rose 33.5% to ¥3.4 billion. We will step up efforts to increase the market penetration of Gonax, along with that of XTANDI.

Tarceva (Lung and pancreatic cancer treatment)

Tarceva is a small-molecule drug developed to target the epidermal growth factor receptor (EGFR) that plays a key role in cancer formation and growth. In fiscal 2014, Tarceva-related revenues remained mostly flat at US$444 million.

In the U.S., the FDA determined that the pediatric data submitted by Astellas in October 2014 to fulfill the FDA's Written Request for pediatric studies were satisfactory. Pediatric exclusivity was granted and the exclusivity period was extended to May 2019.

In the U.S., we have been co-promoting Tarceva with Genentech, Inc., with earnings split equally between both companies. We also have a license agreement with F. Hoffmann-La Roche Ltd in other countries, and receive royalties based on sales. These revenues are recorded as sales in the Americas.

XTANDI


Tarceva

Immunology (including Transplantation) and Infectious Diseases

Business Environment and Basic Strategy

In the transplantation area, Astellas has built a solid foundation with the immunosuppressant Prograf. The Prograf franchise is a vital earnings base and Astellas is working to sustain the Prograf franchise globally. Worldwide sales of Prograf have almost held up due to growth in Asia & Oceania, despite generic competition in Japan, the Americas and EMEA.

Although the infectious diseases area is a highly competitive field, Astellas will continue to address unmet medical needs by supplying multiple drug agents to treat severe fungal infections. Global sales of Funguard/MYCAMINE have continued to expand. In April 2015, Astellas launched the azole antifungal CRESEMBA in the U.S. We are hopeful that this new drug will enable us to provide a new treatment option for severe fungal infections.

Fiscal 2014 Performance

Sales of the Prograf franchise rose 7.5% to ¥194.7 billion in fiscal 2014. Astellas continued to sustain these sales.

Sales of Funguard/MYCAMINE continued to expand globally, increasing 7.5% to ¥38.8 billion in fiscal 2014.

Outlook

Astellas has several new drug candidates in the clinical development stage that will follow up on the aforementioned products. These include ASP015K and ASP5094 for the treatment of rheumatoid arthritis; ASP0113, for the prevention of cytomegalovirus infection or reactivation for hematopoietic cell transplants and solid organ transplants; ASKP1240 for the prevention of organ transplant rejection; and ASP4070, a vaccine for pollinosis caused by Japanese red cedar. In addition, Astellas filed new drug applications in Japan for ASP7374, a seasonal influenza vaccine, in May 2014.

Going forward, Astellas will explore new drug discovery targets for several immunological diseases, as it works to develop drugs for causal therapy/cure of immune-related disorders.

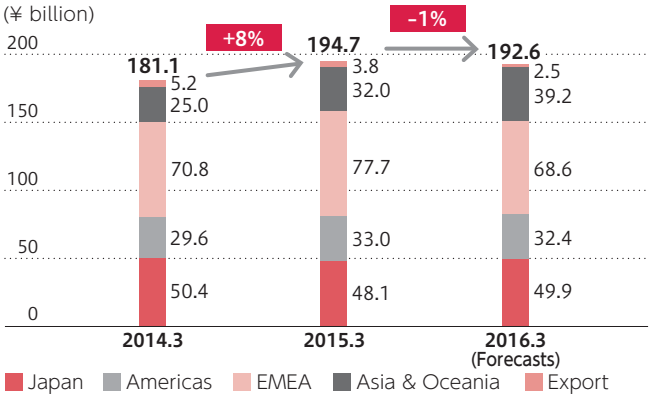
Reference: Maximizing the Product Value P17
Creating Innovation P19

Overview of Main Products

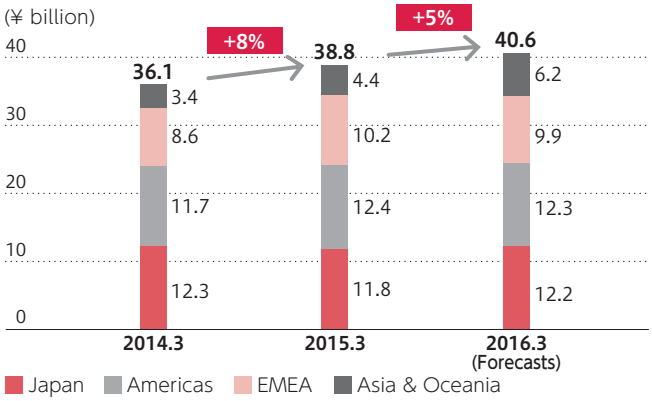
Prograf, Advagraf/Graceptor/ASTAGRAF XL/ Prograf XL (Immunosuppressant)

This drug is an immunosuppressant used to suppress organ transplant rejection. It is sold in approximately 100 countries and regions and has made a significant global contribution to the field of transplantation.

Sales of Prograf (By Region)
(Including Advagraf/Graceptor/ASTAGRAF XL/Prograf XL)



Sales of Funguard/MYCAMINE (By Region)



Sales in Japan decreased 4.5% to ¥48.1 billion in fiscal 2014, mainly due to NHI drug price revisions and generic competition, despite steady growth in the once-daily formulation Graceptor.

Sales in the Americas rose 1.7% to US$301 million, partly due to temporary factors in fiscal 2014, as well as a more gradual pace of growth in the share of generics. Sales in EMEA via in-house distribution channels rose 6.3% to €560 million, mainly supported by continuing growth in the once-daily formulation Advagraf, despite price reductions, generic competition and other factors in various countries.

Supported by sales growth in China, South Korea and certain other countries, sales in Asia & Oceania rose 28.0% to ¥32.0 billion.

Funguard/MYCAMINE (Candin-type antifungal agent)

This drug is a candin-type antifungal agent that treats fungal infections with a mechanism of action that inhibits cell wall biosynthesis. It is sold in approximately 60 countries and regions.

Sales in Japan decreased 4.4% to ¥11.8 billion in fiscal 2014. Funguard's share in the market of injectable antifungal agents remained high at around 54% during fiscal 2014 (on a value basis).

In the Americas, sales declined 4.0% to US$112 million. In terms of patient days per month, MYCAMINE gained a share of around 80% in the U.S. market for injectable candin-type antifungal agents.

In EMEA, sales continued to grow steadily, increasing 15.3% to €74 million.

In Asia & Oceania, sales grew 29.6% to ¥4.4 billion, mainly driven by sales expansion in China.

Prograf

Protopic (Treatment for atopic dermatitis)

Protopic is a treatment for atopic dermatitis that is based on a different mechanism of action than topical steroids.

In the Americas, sales declined by 19.3% to US$94 million in fiscal 2014, mainly due to generic drugs launched in the U.S. from November 2014. In EMEA, sales grew 7.0% to €56 million. In Asia & Oceania, sales were ¥3.4 billion, up 33.1%. Protopic's distribution rights in Japan were transferred to Maruho Co., Ltd. in April 2014.

Cimzia (Rheumatoid arthritis treatment)

Cimzia is a rheumatoid arthritis treatment for adults that was in-licensed from UCB Pharma, S.A. Astellas is co-promoting Cimzia in Japan with UCB Japan Co., Ltd. Sales increased 55.2% to ¥5.0 billion in fiscal 2014. In May 2015, a partial modification of approval was obtained for an additional indication permitting use in patients who have not received prior treatment with anti-rheumatic drugs when they present a high risk for progression of structural joint destruction.

Geninax (Oral quinolone antibiotic)

Geninax is a new-type quinolone antibiotic. Sales of Geninax decreased 11.8% to ¥10.4 billion in fiscal 2014, mainly due to NHI drug price revisions and a contraction in the Japanese market for oral quinolone antibiotics. Geninax's share was around 22% (on a value basis) in this market. Astellas will continue working hard to achieve further market penetration through co-promotion with Taisho Toyama Pharmaceutical Co., Ltd.

Other Areas

Overview of Main Products

Micardis (Hypertension treatment)
Micombi (Combination drug with a diuretic)
Micamlo (Combination drug with a long-acting calcium antagonist)
Sales region: Japan

Micardis is an angiotensin II receptor blocker (ARB) taken orally once daily for the treatment of hypertension. Micardis provides sustained blood pressure reduction with a long blood plasma concentration half life of around 24 hours. Sales of drugs in the Micardis product line, including Micombi and Micamlo, declined by 1.9% to ¥95.7 billion. Despite the negative impact of NHI drug price revisions, sales volume has been growing steadily. Notably, sales of Micamlo, a combination drug with a calcium antagonist, continued to expand steadily. In fiscal 2014, the market for ARBs in Japan contracted 11.2% to around ¥540.0 billion. The total share of the Micardis line of drugs in the ARB market has increased steadily to around 21% (on a value basis). In Japan, Astellas is co-promoting the Micardis product line with Nippon Boehringer Ingelheim Co., Ltd.

Celecox (Anti-inflammatory agent)
Sales region: Japan

Celecox is an anti-inflammatory, analgesic agent that selectively inhibits the action of the enzyme cyclooxygenase-2 (COX-2). In fiscal 2014, sales of Celecox decreased 5.8% to ¥41.8 billion, mainly due to temporary fluctuation in supply and demand before and after the consumption tax increase in April 2014. This product continues steady growth in prescription particularly in lumbago and acute pain approved on top of the indications of rheumatoid arthritis and osteoarthritis. We continued to strengthen the reputation of Celecox as an anti-inflammatory that causes minimal gastrointestinal tract disturbance. In fiscal 2014, the market for oral anti-inflammatory agents in Japan contracted 6.2% to around ¥88.0 billion. The market share of Celecox grew steadily to around 56% (on a value basis). Astellas will continue co-promoting this drug with Pfizer Japan Inc. while targeting an even higher share of the oral anti-inflammatory market.

Micardis

Bonoteo (Treatment for osteoporosis)
Sales region: Japan

Bonoteo is the first oral bisphosphonate osteoporosis treatment discovered in Japan. It is a potent inhibitor of osteoclastic bone resorption. Sales of Bonoteo decreased 8.2% to ¥13.0 billion, mainly due to temporary supply and demand fluctuation before and after the consumption tax increase in April 2014. In fiscal 2014, the Japanese market for bisphosphonate agents shrank 9.1% to around ¥72.0 billion. Bonoteo's share in this market grew steadily to around 21% (on a value basis). Astellas will continue emphasizing patient convenience of Bonoteo 50 mg tablets for administration once every four weeks, as well as the bone fracture prevention effect with the aim of increasing Bonoteo's market share.

Symbicort (Treatment for adult bronchial asthma and chronic obstructive pulmonary disease)
Sales region: Japan

Symbicort is a combination drug of an inhaled corticosteroid and a rapid and long-acting beta-2 agonist. In fiscal 2014, sales of Symbicort declined 7.4% to ¥33.0 billion, mainly due to temporary supply and demand fluctuation before and after the consumption tax increase in April 2014. The market in Japan for adult inhaled steroid treatment including

combination drugs rose 1.1% to approximately ¥106.0 billion in fiscal 2014. Symbicort's share of this market was around 37% (on a value basis). The dissemination of guidelines on controlling and preventing asthma and activities to raise public awareness of this condition has contributed to annual growth of the market for combination drugs. Astellas will continue co-promoting Symbicort with AstraZeneca K.K. in Japan to achieve further market penetration. These efforts will leverage the product's expanded use for treatment of chronic obstructive pulmonary disease, as well as its unique dosage on an as-needed basis for reliever therapy in addition to maintenance therapy for adult bronchial asthma.

Suglat (Type 2 diabetes treatment)
Sales region: Japan

Suglat was launched in April 2014 as Japan's first Sodium-Glucose Co-Transporter 2 (SGLT2) inhibitor. In fiscal 2014, sales of Suglat were ¥4.1 billion. As Suglat has a novel mechanism of action, we emphasize the proper use of this product in the activities for providing information.

In fiscal 2014, the market for selective SGLT2 inhibitors in Japan was around ¥9.0 billion. Suglat's share of this market was around 49% (on a value basis).

Following the availability of long-term prescriptions from May 2015, Astellas is hopeful that Suglat will make an even greater contribution to the treatment of Type 2 diabetes.

In Japan, Astellas is co-promoting Suglat with Kotobuki Pharmaceutical, Co., Ltd. and MSD K.K.

Suglat

Adenoscan/Lexiscan (Pharmacologic stress agent)
Sales region: U.S.

Adenoscan and Lexiscan are pharmacologic stress agents in-licensed from King Pharmaceuticals Research and Development, Inc. and Gilead Palo Alto, Inc., respectively. In fiscal 2014, combined sales of Adenoscan and Lexiscan decreased 2.2% to US$603 million, mainly due to the launch of generic products for Adenoscan in the U.S. in September 2013. Sales of Lexiscan continued to grow, rising 2.4% to US$599 million.

Other Mainstay Products (Japan)

Long-listed products include the Lipitor, which is a hypercholesterolemia treatment; Gaster, which is a treatment for peptic ulcers and gastritis; Myslee, which is an insomnia treatment; and Seroquel, which is a schizophrenia treatment. In fiscal 2014, sales of each of these products declined mainly due to NHI drug price revisions and impact from generic drugs.

Sales of the Lipitor product line, which includes Caduet (combination drug containing Lipitor and a long-acting calcium antagonist), declined by 24.8% to ¥46.9 billion. In fiscal 2014, the market for statins in Japan shrank 13.5% to approximately ¥244.0 billion.

Sales of Gaster declined 30.1% to ¥18.0 billion. In fiscal 2014, the peptic ulcer and gastritis market for H2 receptor antagonists and proton pump inhibitors contracted 6.7% to approximately ¥283.0 billion.

Sales of Myslee decreased 31.3% to ¥19.4 billion. The market for drugs to treat insomnia in Japan shrank 11.9% to approximately ¥70.0 billion in fiscal 2014.

Sales of Seroquel decreased 36.0% to ¥12.6 billion. The Japanese market for anti-schizophrenic agents declined 8.1% to approximately ¥156.0 billion in fiscal 2014.

Review of Global Operations

Japan

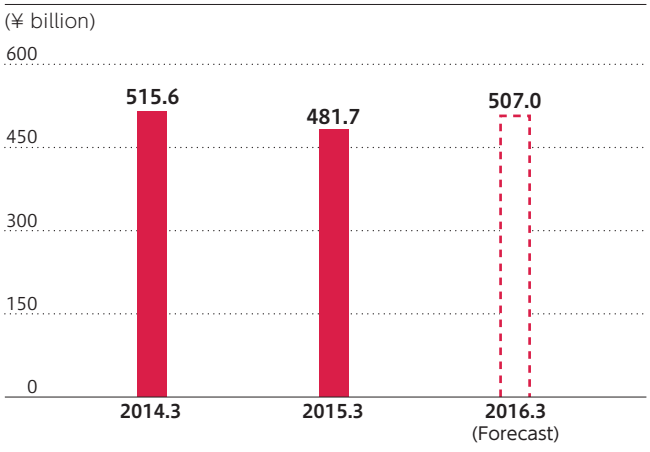
Yukihiko Sato
Senior Vice President,
Sales & Marketing Japan

Business Environment and Strategy

In Japan, the Government implements measures to optimize medical expenditures and the society requires more transparency and fairness than before. These changes significantly impact on our industry. Astellas is anticipating changes in the business environment by promoting transformation of the staff and the organization with a priority focus on contributing to patient treatment.

Each of our medical representatives (MRs) is working diligently to increase their expertise and to make sure that their activities of providing information is valuable for patients. On the organizational front, we are conducting business activities with even greater transparency and constructing a framework that will enable us to make and execute bold decisions in a swift and timely manner. As we continue carrying out our mission to bring happiness to patients and their families, we will deliver drugs with high added value, such as the new products Suglat and XTANDI, and to provide accurate, high quality information. We will do everything we can to respond to medical needs by delivering Astellas' drugs to as many patients as possible, as quickly as possible, in order to achieve sustainable growth.

Net Sales (Japanese Market Sales)



Fiscal 2014 Overview

Sales in Japan including revenues related to exports and licenses decreased 6.0% year on year, to ¥498.7 billion. Of these, sales in the Japanese market declined by 6.6% to ¥481.7 billion. Sales declined from the previous fiscal year due to the impacts of NHI drug price revisions in April 2014 and generics.

By product, in addition to Betanis, new products such as Cimzia and Gonax also achieved sales growth. There were also contributions to sales from Suglat, launched in April 2014, and XTANDI, launched in May of the same year.

Meanwhile, due to the impacts of NHI drug price revisions and generics, sales declined for drugs such as Lipitor, Seroquel, Myslee, Gaster and Harnal. Furthermore, we also saw sales declines for drugs such as Celecox, Symbicort and Bonoteo which were impacted by temporary fluctuations in supply and demand conditions before and after the consumption tax increase implemented in April 2014.

Fiscal 2015 Outlook

Sales in Japan are expected to increase by 4.6% year on year, to ¥521.7 billion. Of these, sales in the Japanese market are expected to increase by 5.2% to ¥507.0 billion. In addition to XTANDI and Suglat, we are forecasting contributions to higher sales from continuing growth in new products such as Betanis, Cimzia, and Gonax. Furthermore, sales expansion is also forecast for Micardis (including its combination drugs, Micombi and Micamlo), Celecox, Symbicort and Bonoteo among others. On the other hand, sales are forecast to contract for products such as Harnal, Lipitor, Gaster, Myslee and Seroquel due to the impact of generics and other factors.

Americas

Masao Yoshida
President and CEO,
Americas Operations

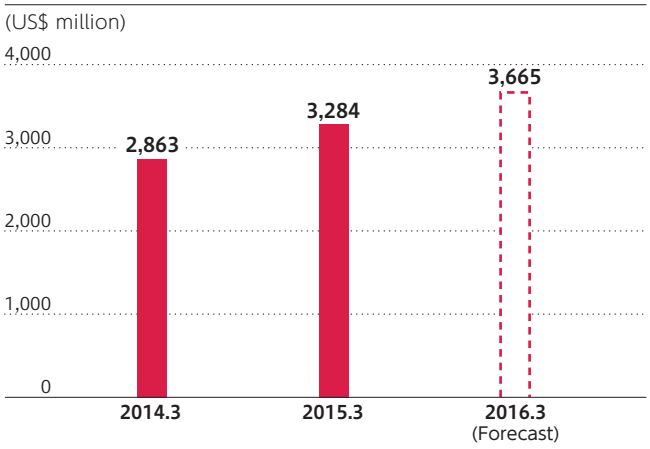
Business Environment and Strategy

As with other regions, the Americas region continues to face significant changes in the business environment. Notably, there is a greater emphasis than ever on the comparative and cost effectiveness of new drugs relative to existing ones. In this environment, it is crucial for us to continue to evolve and enhance our capabilities.

In the Americas, we will continue to invest in growing our market leadership in oncology and urology while aiming at the successful launch of CRESEMBA and maintaining the hospital franchise as our strong foundation. Furthermore, we will concentrate on rigorously enforcing compliance. To this end, we will successfully implement process enhancement and training so as to further elevate our best-in-class business ethics.

Ultimately, we know that people are critical in allowing us to respond to the dynamic business environment. Accordingly, we will continue working to recruit, train and retain outstanding talent as we strive to boost employee satisfaction, with the aim of making Astellas a great place to work and an even more competitive force.

Net Sales



Fiscal 2014 Overview

Net sales in the Americas amounted to US$3,284 million, up 14.7% from the previous fiscal year on a U.S. dollar basis, surpassing the US$3 billion mark for the first time in the history of the Americas' business. When converted to yen, net sales grew 25.8% to ¥361.0 billion.

By product, we posted US$803 million in sales of XTANDI, up 78.5% year on year, contributing to higher overall sales in the Americas. In addition, sales of Myrbetriq continued to grow, increasing 75.1% to US$254 million. Our share of the total prescription market for OAB treatments, including VESIcare and Myrbetriq, expanded further. Sales of Prograf rose 1.7% on a U.S. dollar basis, mainly owing to a slowdown in the growth of the market share held by generic drugs, as well as temporary factors during the period. Tarceva-related revenues remained on the same levels as the previous fiscal year on a U.S. dollar basis. Meanwhile, pharmacologic stress agents saw higher sales of Lexiscan, but a decline in sales of Adenoscan, due to the impact of generics.

Fiscal 2015 Outlook

We forecast regional sales of US$3,665 million, a year-on-year increase of 11.6% on a U.S. dollar basis. When converted to yen, the regional sales are expected to grow 21.8% to ¥439.8 billion. In addition to XTANDI, total sales of the OAB treatments Myrbetriq and VESIcare, as well as sales of Lexiscan and certain other products, are forecast to continue growing. On the other hand, we anticipate a decrease in sales of Prograf, mainly based on the impact of generics.

With the launch of the azole antifungal CRESEMBA in April 2015, we will work to rapidly penetrate the market for treatments of invasive aspergillosis and invasive mucormycosis, which are severe fungal infections.

EMEA

Ken Jones
President and CEO,
EMEA Operations

Market Environment and Strategy

In the EMEA region, many countries have adopted more stringent polices to curb medical expenditures and there are increasing pricing, reimbursement and market access challenges. We will remain agile to respond to changes in the environment, through the strong portfolio we have established by launching innovative drugs, staying focused on promoting growth across the region.

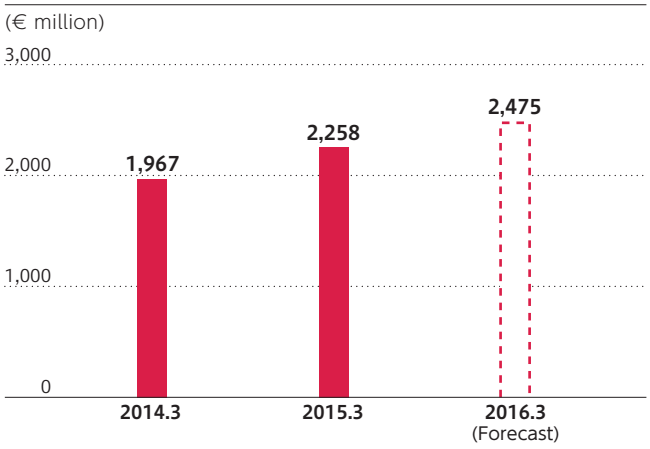
On the product front, we will prioritize the full scale roll-out of XTANDI in the chemotherapy-naïve indication, and also focus on continued success for BETMIGA. Moreover, we will continue focusing on VESOMNI, as well as MYCAMINE, DIFICLIR, and Advagraf.

Geographically, among many countries we see strong growth potential in the emerging markets of the Middle East, North Africa, and Sub-Saharan Africa (MENA/SSA) region, South East Europe, and in Russia and the other Commonwealth of Independent States (CIS) countries. We also launched a new operating model designed to enhance capabilities in multiple affiliates through shared resources.

Astellas is committed to fulfilling compliance requirements, for example the EFPIA* Code on transparency, and will take further steps to promote compliance going forward.

* European Federation of Pharmaceutical Industries and Associations

Net Sales



Fiscal 2014 Overview

Net sales in EMEA in fiscal 2014 rose 14.8% to €2,258 million, surpassing the €2 billion mark for the first time in this business. When converted to yen, net sales rose 18.6% to ¥313.3 billion. In anticipation of the 10th anniversary of Astellas' establishment, net sales in EMEA have grown nearly two-fold since Astellas was established.

By product, sales of XTANDI increased sharply by €170 million to €241 million. Sales of BETMIGA grew €59 million to €74 million. In the total prescription market for OAB treatments, the combined share of Vesicare and BETMIGA continued to expand on a value basis. Sales of MYCAMINE increased steadily. Sales of Prograf (including Advagraf) through our own distribution channels increased 6.3% on a euro basis mainly due to growth in Advagraf sales, despite the impact of generic drugs. Meanwhile, sales of Omnic, which goes by the brand name Harnal in Japan, through our own distribution channels decreased 10.1% on a euro basis, mainly due to the impact of generic drugs.

Fiscal 2015 Outlook

In fiscal 2015, we project a 9.6% increase in net sales in EMEA on a euro basis to €2,475 million. This equates to ¥309.4 billion in yen terms, representing a 1.3% decrease due to the impact of foreign exchange rates. Sales of XTANDI are projected to continue increasing. Total sales of OAB treatments Vesicare and BETMIGA are expected to increase on a euro basis, but decline on a yen basis. Sales of Prograf are forecast to decline mainly based on the impact of generic drugs.

Asia & Oceania

Masatoshi Kuroda
Senior Vice President,
Asia & Oceania Business

Business Environment and Strategy

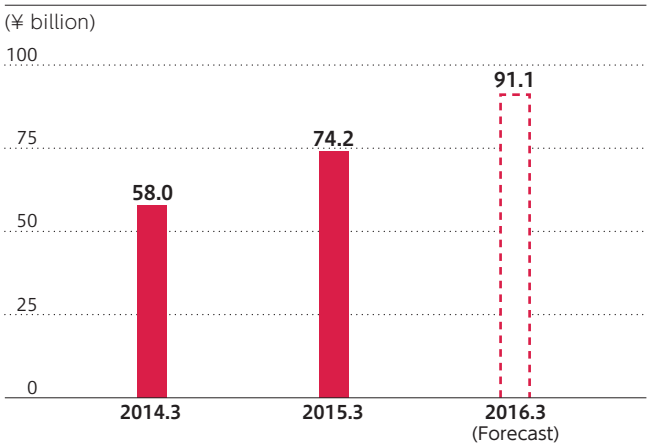
In the Asia & Oceania region, Astellas currently has 10 sales affiliates covering 13 countries and regions.

In terms of products, we are steadily expanding our business through high value-added pharmaceutical products, just as in Japan, Europe, and the U.S. We have high expectations of XTANDI and BETMIGA in particular for supporting our growth going forward.

Looking at each country, in China, Asia's largest market with strong potential for sustainable growth, we continue "maximizing the product value" and "pursuing operational excellence." In Australia, having established a sales affiliate in December 2010 and worked to build up a solid sales base, we launched XTANDI in November 2014, and commenced direct sales of Prograf in April 2015. In ASEAN countries, which are experiencing rapid growth in their economies, our policy is to strengthen our initiatives while closely monitoring trends going forward.

At all of our sales subsidiaries, we will continue taking steps to further enhance the management and administration systems, including compliance, to recruit and retain talented human resources and to bolster employee motivation by improving our corporate culture.

Net Sales



Fiscal 2014 Overview

Net sales in Asia & Oceania increased 28.0% year on year on a yen basis to ¥74.2 billion. Excluding the foreign exchange impact, sales maintained double-digit growth, up 17.7% from the previous year. Particularly, we reported strong growth in China, accounting for about 50% of sales in this region, with net sales rising approximately 15% on a local currency basis and driving overall sales growth for the region.

By product, sales of all mainstay products, including Prograf, Harnal, Vesicare, MYCAMINE and Protopic increased during the year and led to the increase in revenues.

During the year, we launched many products into the markets, including BETMIGA in Australia, Hong Kong, Macau, South Korea and Taiwan; XTANDI in Australia; and Eligard in the Philippines, Singapore, Malaysia and Vietnam. Moreover, Advagraf was launched in Vietnam; and MYCAMINE in Singapore, Malaysia and Australia.

Fiscal 2015 Outlook

In fiscal 2015, we project net sales in Asia & Oceania of ¥91.1 billion, up 22.8% year on year. Even excluding foreign exchange rate impacts, we are forecasting continued double-digit growth of around 16.7%. Sales in China are also expected to continue growing strongly. Growth products are expected to include Prograf, Vesicare, MYCAMINE, Protopic and XTANDI.

Sales of Major Products by Region

JAPAN

(¥ billion)

		2014.3	2015.3	2016.3 (Forecast)
Sales in the Japanese market		**515.6**	**481.7**	**507.0**
Prostate cancer treatment	XTANDI	–	14.9	23.0
OAB treatment	Vesicare	30.7	25.6	26.4
OAB treatment	Betanis	11.6	14.8	23.0
Treatment for the functional symptoms associated with benign prostatic hyperplasia	Harnal	20.2	15.0	12.9
Immunosuppressant	Prograf	50.4	48.1	49.9
Candin-type antifungal agent	Funguard	12.3	11.8	12.2
Hypertension treatment (Long-acting angiotensin II receptor blocker)	Micardis	97.6	95.7	105.2
	Micombi	11.8	10.7	
	Micamlo	21.4	23.8	
Anti-inflammatory agent (Selective COX-2 inhibitor)	Celecox	44.3	41.8	49.6
Adult bronchial asthma treatment	Symbicort	35.6	33.0	38.1
Treatment for osteoporosis	Bonoteo	14.1	13.0	14.4
Oral quinolone antibiotic	Geninax	11.7	10.4	10.4
Vaccines		35.0	38.8	42.4
Prostate cancer treatment	Gonax	2.5	3.4	4.2
Treatment for adult patients with rheumatoid arthritis	Cimzia	3.2	5.0	7.5
Type 2 diabetes treatment (Selective SGLT2 inhibitor)	Suglat	–	4.1	11.0
Hypercholesterolemia treatment	Lipitor	62.4	46.9	30.6
	Caduet*	10.7	10.2	
Insomnia treatment	Myslee	28.2	19.4	18.1
Treatment for peptic ulcers and gastritis	Gaster	25.7	18.0	15.1
Schizophrenia treatment	Seroquel	19.6	12.6	10.6

Note) Sales of products in Japan are shown on a gross sales basis
* Transferred distribution for Caduet to Pfizer in April 2015

Americas

(US$ million)

		2014.3	2015.3	2016.3 (Forecast)
Sales in the Americas		**2,863**	**3,284**	**3,665**
Prostate cancer treatment	XTANDI	450	803	1,215
	US	441	779	1,180
	Outside of the US	8	24	35
Lung and pancreatic cancer treatment	Tarceva	446	444	
	US	288	305	
	Outside of the US	158	139	
OAB treatment	VESIcare	580	559	532
OAB treatment	Myrbetriq	145	254	340
Immunosuppressant	Prograf and ASTAGRAF XL	296	301	270
Pharmacologic stress agent	Scan (Adenoscan and Lexiscan)	617	603	619
	Lexiscan	585	599	
Candin-type antifungal agent	MYCAMINE	117	112	102
Antifungal agent	AmBisome	80	82	81
Treatment for atopic dermatitis	Protopic	116	94	21

EMEA

(€ million)

		2014.3	2015.3	2016.3 (Forecast)
Sales in EMEA		**1,967**	**2,258**	**2,475**
Prostate cancer treatment	XTANDI	70	241	470
Advanced prostate cancer treatment	Eligard	136	136	143
OAB treatment	Vesicare	303	305	288
OAB treatment	BETMIGA	15	74	119
Treatment for the functional symptoms associated with benign prostatic hyperplasia	Omnic, Omnic OCAS (Harnal)	176	159	151
	Sales by Astellas	144	130	118
	Bulk and Royalties	32	30	33
Immunosuppressant	Prograf and Advagraf (Incl. exports to third parties)	565	588	569
	Sales by Astellas	527	560	549
	Exports to third parties	38	28	20
Candin-type antifungal agent	MYCAMINE	64	74	80
Treatment for atopic dermatitis	Protopic	52	56	53
Peripheral neuropathic pain treatment	Qutenza	11	13	
Anti-infective agent	DIFICLIR	9	14	

Asia & Oceania

(¥ billion)

		2014.3	2015.3	2016.3 (Forecast)
Sales in Asia & Oceania		**58.0**	**74.2**	**91.1**
Immunosuppressant	Prograf	25.0	32.0	39.2
Treatment for the functional symptoms associated with benign prostatic hyperplasia	Harnal	14.9	18.3	21.2
OAB treatment	Vesicare	3.8	5.3	6.3
OAB treatment	BETMIGA	–	0.2	0.6
Candin-type antifungal agent	MYCAMINE	3.4	4.4	6.2
Treatment for atopic dermatitis	Protopic	2.6	3.4	4.3
Prostate cancer treatment	XTANDI	0	0.6	1.9
Advanced prostate cancer treatment	Eligard	0	0.1	0.2

Management's Discussion and Analysis

Overview of the Year Ended March 31, 2015 (Fiscal 2014)

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 operating results (core basis) for fiscal 2014 are shown in the table below. Sales, core operating profit and core profit for the year increased.

Consolidated Financial Results (Core Basis)

(¥ billion)

	2014.3	**2015.3**
Sales	¥1,139.9	**¥1,247.3**
Operating profit	186.3	**216.5**
Profit for the year	132.8	**153.2**

Foreign Exchange Impact for Fiscal 2014

The exchange rates for the yen in fiscal 2014 are shown in the table below. Movements in the rates led to a ¥47.7 billion increase in the value of sales and an ¥18.0 billion increase in core operating profit.

Foreign Exchange Rates (Average)

(¥)

	2014.3	**2015.3**
US$1	¥100	**¥110**
€1	134	**139**

Fluctuation in Foreign Exchange Rates from April to March

(¥)

	2014.3	**2015.3**
US$1	¥9 (Weakening of yen)	**¥17 (Weakening of yen)**
€1	¥21 (Weakening of yen)	**¥11 (Strengthening of yen)**

Sales

In fiscal 2014, consolidated sales increased 9.4% year on year to ¥1,247.3 billion.

Combined sales of OAB treatments Vesicare and Betanis/Myrbetriq/BETMIGA grew, as well as sales of a new product XTANDI. In addition, sales of Prograf increased.

Sales by Region

(¥ billion)

	2014.3	**2015.3**
Consolidated	¥1,139.9	**¥1,247.3**
Japan	530.6	**498.7**
Americas	287.0	**361.0**
EMEA	246.3	**313.3**
Asia & Oceania	58.0	**74.2**

Note: Sales by geographical area are calculated according to the location of sellers.

Reference: Review of Operations by Therapeutic Area P37
Review of Global Operations P45
Sales of Major Products by Region P49

Cost of Sales, Gross Profit

Cost of sales increased by ¥2.6 billion to ¥333.2 billion.

The cost of sales ratio fell 2.3 percentage points in fiscal 2014, to 26.7%, mainly due to changes in the product mix.

Gross profit increased by 12.9%, to ¥914.1 billion, due to growing sales, as well as a decrease in the cost of sales ratio.

Cost of Sales, Gross Profit

(¥ billion)

	2014.3	**2015.3**
Sales	¥1,139.9	**¥1,247.3**
Cost of sales	330.6	**333.2**
Cost of sales ratio (%)	29.0	**26.7**
Gross profit	809.3	**914.1**
Gross profit ratio (%)	71.0	**73.3**

Selling, General and Administrative (SG&A) Expenses, Research and Development (R&D) Expenses, Amortisation of Intangible Assets

SG&A expenses increased 14.0% to ¥452.5 billion, which was partly due to increased expenditures for co-promotion of XTANDI in the U.S., in addition to the foreign exchange rate impact.

R&D expenses rose by 7.9% to ¥206.6 billion, which was partly due to increased expenses in line with progress on a development project, in addition to the foreign exchange rate impact. The ratio of R&D expenses to sales fell 0.2 of a percentage point to 16.6%.

Amortisation of intangible assets was ¥38.7 billion, up 7.4% year on year.

SG&A Expenses, R&D Expenses, Amortisation of Intangible Assets

(¥ billion)

	2014.3	2015.3
SG&A expenses	¥397.0	**¥452.5**
SG&A ratio (%)	34.8	**36.3**
Advertising and sales promotional expenses	112.1	**138.5**
Personnel expenses	167.8	**178.1**
Other	117.0	**136.0**
R&D expenses	191.5	**206.6**
R&D ratio (%)	16.8	**16.6**
Amortisation of intangible assets	36.0	**38.7**

Operating Profit (Core Basis)

As a result of the above-mentioned factors, core operating profit increased 16.2%, to ¥216.5 billion. The operating margin increased 1.1 percentage points to 17.4%.

Operating Profit (Core Basis)

(¥ billion)

	2014.3	2015.3
Sales	¥1,139.9	**¥1,247.3**
Operating profit	186.3	**216.5**
Operating margin (%)	16.3	**17.4**

Profit for the Year (Core Basis)

Finance income on a core basis increased ¥0.3 billion to ¥1.9 billion. Finance expense on the same basis was ¥0.4 billion, mostly unchanged from the previous fiscal year. Consequently, core profit before tax rose 16.3% to ¥218.1 billion.

Income tax expense increased by 18.6% to ¥64.8 billion. The income tax burden rate rose 0.6 of a percentage point to 29.7% compared to the previous fiscal year.

As a result, core profit for the year increased by 15.4% to ¥153.2 billion.

Profit for the Year (Core Basis)

(¥ billion)

	2014.3	2015.3
Profit before tax	¥187.5	**¥218.1**
Income tax expense	54.7	**64.8**
Profit for the year	132.8	**153.2**
Ratio of profit for the year to sales (%)	11.6	**12.3**

Consolidated Financial Results (Full Basis)

Consolidated operating results on a full basis for fiscal 2014 are shown in the table below. Sales, operating profit, profit before tax and profit for the year increased.

Various items were recorded as ¥43.3 billion (compared to ¥81.0 billion in the previous fiscal year) in “other expense.” These included items excluded from core results, namely, impairment losses for other intangible assets, net foreign exchange losses, restructuring costs and litigation costs. The details of the non-core items that are excluded from core results are provided on next page.

Consolidated Financial Results (Full Basis)

(¥ billion)

	2014.3	2015.3
Sales	¥1,139.9	**¥1,247.3**
Operating profit	116.8	**185.7**
Profit before tax	122.0	**189.7**
Profit for the year	90.9	**135.9**

Reconciliation of Full Basis to Core Basis

(¥ billion)

Account item	2014.3			2015.3		
	Full basis	Adjustment	Core basis	**Full basis**	**Adjustment**	**Core basis**
Sales	¥1,139.9	¥ —	¥1,139.9	**¥1,247.3**	**¥ —**	**¥1,247.3**
Cost of sales	330.6	—	330.6	**333.2**	**—**	**333.2**
Gross profit	809.3	—	809.3	**914.1**	**—**	**914.1**
SG&A expenses	397.0	—	397.0	**452.5**	**—**	**452.5**
R&D expenses	191.5	—	191.5	**206.6**	**—**	**206.6**
Amortisation of intangible assets	36.0	—	36.0	**38.7**	**—**	**38.7**
Share of profits of associates and joint ventures	1.5	—	1.5	**0.2**	**—**	**0.2**
Other income *1	11.6	(11.6)	—	**12.5**	**(12.5)**	**—**
Other expense *1	81.0	(81.0)	—	**43.3**	**(43.3)**	**—**
Operating profit	116.8	69.4	186.3	**185.7**	**30.8**	**216.5**
Finance income *2	6.8	(5.2)	1.6	**7.1**	**(5.1)**	**1.9**
Finance expense *2	1.7	(1.2)	0.4	**3.1**	**(2.7)**	**0.4**
Profit before tax	122.0	65.5	187.5	**189.7**	**28.4**	**218.1**
Income tax expense	31.1	23.6	54.7	**53.8**	**11.0**	**64.8**
Profit for the year	90.9	41.9	132.8	**135.9**	**17.4**	**153.2**

*1 "Other income" and "Other expense" are excluded from Core results.
"Other income" and "Other expense" include gain (loss) on sale and disposal of property, plant and equipment, impairment losses for other intangible assets, loss on restructuring and foreign exchange gains (losses), etc.
*2 Gain (loss) on sale of available-for-sale ("AFS") and impairment losses on AFS included in "Finance income" and "Finance expense" are excluded from Core results as non-core items.

Status of R&D

Astellas aims to achieve sustained growth over the medium and long terms through the early and ongoing discovery of a stream of innovative and useful new drugs in therapeutic areas where a high degree of unmet medical needs exist. To this end, Astellas actively works on enhancing its ability to achieve innovation as a management priority.

In fiscal 2014, Astellas entered into joint research agreements with various research institutions in order to tap into external sources of innovation. In addition, Astellas made progress on many fronts, including regulatory approvals for multiple projects in clinical development.

Reference: Progress in R&D During the Year P33

Initiatives to Optimize the Allocation of Resources

Astellas is working to optimize the allocation of resources continuously. In September 2014, Astellas and Pfizer Japan Inc. agreed to terminate the distribution and co-promotion agreement in Japan they had entered into in October 2011 for Caduet. The distribution and co-promotion agreement was terminated on March 31, 2015 and distribution was transferred to Pfizer Japan Inc. effective April 1, 2015.

In January 2015, Astellas entered into an agreement with OrphanPacific, Inc. to succeed the manufacturing and marketing approval for products including the human somatomedin C Somazon for Injection (generic name: mecasermin), which Astellas manufactures and markets in Japan, to OrphanPacific, Inc.

Consolidated Forecasts for the Year Ending March 31, 2016 (Fiscal 2015) (Announced in May 2015)

The Company's consolidated business forecasts for fiscal 2015 are presented on a core basis.

Fiscal 2015 Forecasts (Core Basis)

(¥ billion)

	2015.3	2016.3 (Forecasts)
Sales	¥1,247.3	**¥1,362.0**
Operating profit	216.5	**238.0**
Profit for the year	153.2	**170.0**

Foreign Exchange Rates (Average)

(¥)

	2015.3	2016.3 (Forecasts)
US$1	¥110	**¥120**
€1	139	**125**

We project an increase in sales and higher earnings at every level. We assume the yen will weaken against the U.S. dollar, but will strengthen against the euro, compared with fiscal 2014, and we expect foreign exchange factors to have an ¥9.9 billion positive impact on sales and a ¥1.9 billion positive impact on core operating profit.

Sales

In fiscal 2015, we forecast a 9.2% year-on-year increase in sales to ¥1,362.0 billion. In addition to anticipated global sales growth for XTANDI, combined sales of OAB treatments Vesicare and Betanis/Myrbetriq/BETMIGA are forecasted to grow. Sales of Prograf and Harnal, on the other hand, are expected to decline mainly due to the impact of generics.

Reference: Review of Global Operations P45
Sales of Major Products by Region P49

Operating Profit and Profit for the Year (Core Basis)

Gross profit is expected to increase due to growing sales, as well as a decrease in the cost of sales ratio as a result of changes in the product mix and other factors.

Looking at SG&A expenses, although selling expenses related to co-promotion of XTANDI in the U.S., among other expenses, are projected to increase, the ratio of SG&A expenses to sales is expected to remain mostly unchanged from fiscal 2014 based on continuing efforts to streamline expenses.

We project a 10.8% increase in R&D expenses to ¥229.0 billion, with a ratio of R&D expenses to sales of 16.8% (compared with 16.6% in fiscal 2014).

As a result, we forecast a 9.9% year-on-year increase in core operating profit to ¥238.0 billion. Core profit for the year is expected to increase 10.9% year on year to ¥170.0 billion.

Number of Employees

As of March 31, 2015, Astellas worldwide employed 17,113 people, a year-on-year decrease of 536. The total number of Medical Representatives (MRs) was approximately 6,530, a year-on-year increase of about 190.

In Japan, we had 7,241 employees, down 841 from the previous fiscal year-end. In the Americas, the regional head count was 2,975 employees, up 92 from the previous fiscal year-end. In EMEA, we had 4,628 employees, up 48 year on year. In Asia and Oceania, we had 2,269 employees, up 165 from the previous fiscal year-end.

Number of Employees by Region

(persons)

	2014.3	2015.3
Total	17,649	**17,113**
Japan	8,082	**7,241**
Americas	2,883	**2,975**
EMEA	4,580	**4,628**
Asia & Oceania	2,104	**2,269**

Number of MRs

(persons)

	2014.3	2015.3
Total (Global)	6,340	**6,530**

Assets, Liabilities and Equity

An overview of the consolidated statement of financial position as of March 31, 2015 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of March 31, 2015 amounted to ¥1,793.6 billion, up ¥140.5 billion from a year earlier.

Non-current assets increased ¥87.8 billion, to ¥827.6 billion at the fiscal year-end. Other intangible assets were ¥295.8 billion, up ¥15.7 billion from the previous fiscal year-end.

Current assets increased ¥52.7 billion, to ¥966.0 billion at the fiscal year-end. Cash and cash equivalents were ¥396.4 billion, up ¥5.1 billion from the previous fiscal year-end.

Equity

Total equity was ¥1,317.9 billion, an increase of ¥49.4 billion from a year earlier.

While profit for the year stood at ¥135.9 billion, the Company paid ¥62.1 billion of dividends of surplus and acquired ¥58.2 billion of treasury shares.

The Company cancelled treasury shares worth ¥25.4 billion (25,000 thousand shares) on May 30, 2014.

In addition, foreign currency translation adjustments had the effect of increasing equity by ¥29.6 billion.

Liabilities

Total liabilities as of March 31, 2015 amounted to ¥475.7 billion, up ¥91.0 billion from a year earlier.

Total non-current liabilities rose ¥10.8 billion to ¥54.8 billion. Current liabilities increased ¥80.2 billion to ¥420.9 billion.

Liquidity and Financing

Astellas is strengthening its global business foundations with a focus on the strategic initiatives of maximizing the product value, creating innovation, and pursuing operational excellence. In addition, Astellas will actively introduce new products and otherwise pursue strategic business investment opportunities, to further reinforce its product lineup.

In the liquidity of fund, a sufficient level of cash and cash equivalents is maintained to enable Astellas to target such strategic investment opportunities, while also supplying working capital and fund capital expenditures.

As outlined in the section on business risks, Astellas' operations face a varied set of risks that are peculiar to the ethical pharmaceutical business. Astellas believes that it is advisable to finance business development with internal funds. In preparation for the event of demand for funding beyond this, the Group's financial policy is to maintain a healthy balance sheet at all times so it can finance smoothly at low costs.

Cash Flows

Cash Flows from Operating Activities

Net cash flows from operating activities amounted to ¥187.7 billion, a decrease of ¥26.6 billion in year-on-year terms. Income tax paid increased ¥25.1 billion to ¥68.3 billion.

Cash Flows from Investing Activities

Net cash flows used in investing activities totaled ¥71.5 billion, up ¥44.6 billion from the previous fiscal year. While purchases of property, plant and equipment used cash of ¥24.2 billion and purchase of intangible assets used cash of ¥57.0 billion, proceeds from sales of property, plant and equipment provided cash of ¥5.4 billion and proceeds from sales of available-for-sale financial assets provided cash of ¥9.7 billion.

Cash Flows from Financing Activities

Net cash flows used in financing activities totaled ¥121.1 billion, up ¥31.7 billion from the previous fiscal year. Dividends paid to owners of the parent increased ¥3.5 billion year on year, to ¥62.1 billion. Acquisition of treasury shares amounted to ¥58.2 billion.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2015 amounted to ¥396.4 billion, an increase of ¥5.1 billion compared with the previous fiscal year-end.

Capital Expenditures

Astellas made capital expenditures with the aim of reinforcing its manufacturing capabilities (including the construction of the new formulation facilities of the Yaizu Technology Center of Astellas Pharma Tech Co., Ltd., a production subsidiary) and reshaping of the research base. Capital expenditures in fiscal 2014 totaled ¥30.6 billion, up 19.1% year on year (accrual basis).

In fiscal 2015, capital expenditures are forecast to increase 14.4% to ¥35.0 billion.

Earnings Per Share, Dividends and Equity Attributable to Owners of the Parent

Per Share Data

(¥)

	2014.3	**2015.3**
Earnings per share*		
Basic	¥40.45	**¥61.50**
Diluted	40.39	**61.40**
Basic (core basis)	59.11	**69.37**
Dividends	27.00	**30.00**
Equity per share attributable to owners of the parent*	568.53	**600.93**

* The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014. Per share data are calculated as if the stock split had been conducted at the beginning of the fiscal year ended March 2014.

Policy on Shareholder Returns

Astellas is working to boost shareholder returns through sustained growth in enterprise value. While prioritizing the re-investment of funds in the business to foster growth, Astellas strives to achieve stable and sustained growth in dividends, based on medium to long-term consolidated earnings growth and taking the dividend on equity attributable to owners of the parent (DOE) ratio into consideration. Furthermore, Astellas will flexibly purchase treasury stock as necessary to improve capital efficiency and the level of return to shareholders.

Common Stock

Common Stock

(thousands of shares)

	2014.3	**2015.3**
Total number of issued shares*	2,284,823	**2,259,823**
Treasury shares*	53,681	**66,681**

Treasury Shares

	2014.3	**2015.3**
Number of shares bought back*	25,180 thousand	**38,310 thousand**
Acquisition cost	¥30.0 billion	**¥58.2 billion**
Cancellation of treasury shares*	55,000 thousand	**25,000 thousand**

* Excludes purchases of shares constituting less than a trading unit

The Company cancelled 38,000 thousand treasury shares on May 29, 2015.

The Company acquired its own shares worth ¥35.6 billion (20,000 thousand shares) from May 28, 2015 to July 10, 2015 and acquired its own shares worth ¥28.2 billion (15,000 thousand shares) from August 3, 2015 to August 26, 2015.

ROE and DOE

Return on equity (ROE) was 10.5%, up 3.1 percentage points from fiscal 2013. The DOE ratio was 5.1%, up 0.1 of a percentage point from fiscal 2013.

Stock Split

The Company conducted a stock split of common stock at a ratio of 5 for 1 with an effective date of April 1, 2014.

Business Risks

The main risks that could significantly impact the business results and financial position of the Astellas group are outlined below.

Inherent Uncertainties in Pharmaceutical R&D

In general, the probability of discovering a promising compound through drug discovery research is not high. Further, it takes a large amount of investments and a great deal of time to successfully launch a new product after discovery of a new compound. However, it may be necessary to discontinue clinical development if the effectiveness of a drug is not proven as initially expected, or if safety issues arise. In addition, pharmaceuticals are subject to legal restrictions in each country, so that authorization from local regulatory authorities is a prerequisite for a product launch in each country. It is difficult to accurately foresee if and when approvals for new products can be obtained.

The Astellas group's R&D activities are subject to these inherent risks.

Sales-related Risk

The pharmaceutical industry operates in a highly competitive environment characterized by rapid technological innovation. The Astellas group faces fierce competition from drug makers and generics manufacturers based in Japan or overseas. The launch of competitive products by rivals could impact the Astellas group's business results significantly.

Intellectual Property (IP) Risk

The Astellas group's ethical pharmaceuticals business benefits from the protection of many patents. Although the Astellas group manages IP rights properly and is vigilant against third party violation of such rights, the adverse impact on the Astellas group's business results of actual IP violations may still be substantial. The Astellas group's business results are also subject to the outcome of litigation undertaken by the Astellas group to protect patents where infringement has occurred.

While the Astellas group strives to ensure that its actions do not infringe the IP rights of other parties, there is a risk of litigation in the event of any inadvertent violations. Such litigation could also impact the Astellas group's business results significantly.

Risks Relating to Product Side Effects and Safety

Any problems arising due to serious side effects or other safety issues that are caused by the Astellas group's products could impact the Astellas group's business results significantly.

Pharmaceutical Regulatory Risk

The ethical pharmaceutical business is governed by a wide variety of regulations in each country. In Japan, for example, the authorities periodically revise the NHI drug prices. Some governments continue to adopt measures aimed at containing medical expenditures. Any trend toward stricter regulations governing the development, manufacture or distribution of pharmaceuticals is a factor that could impact business results.

Environment-related Risks

The Astellas group is careful to observe laws and regulations relating to environmental or health and safety issues and has instituted internal standards that aim to exceed most statutory requirements. Despite such precautions, the costs involved in the unlikely event of a business-related incident causing a serious breach of compliance in this area could impact the Astellas group's business results significantly.

Foreign Exchange Rate Fluctuations

The Astellas group's business results and financial position are subject to the impact of exchange rate fluctuations due to the Astellas group's extensive international operations.

In addition to the risks outlined above, the Astellas group is exposed to a wide range of business-related risks, including but not limited to (1) general commercial litigation, (2) delays or suspension of manufacturing activities due to natural disasters or other factors, and (3) partial dependence on licensing or sales agreements relating to pharmaceuticals developed by other companies.

Social Responsibility

At Astellas, we recognize our Corporate Social Responsibility (CSR) as our responsibility for any impacts that our decisions and the business activities have on society and the environment. In this chapter, we explain the actions Astellas has initiated to fulfill our social responsibilities in the context of five fields.

Overview of CSR Activities

Five Fields of CSR-based Management

Astellas has established five fields of CSR-based management: Business Activities*, Employees, Society, Environment, and Compliance. In the area of compliance especially, we take a broad ranging perspective, not only considering laws and regulations, but conducting our corporate activities with the highest ethical standards. We consider this to be the cornerstone of all our activities.

* Business Activities: Formerly called "Economy (Business Activities)" in previous annual reports was renamed to simplify the expression.

Identification and Prioritization of Material Issues in CSR Activities

Materiality in CSR activities guides our CSR-based management. Astellas has identified material issues to be addressed based on the issues regarded as prerequisites of its business activities. These include global issues related to medical care and health and other broader social issues.

Making reference to expectations and requests from a broad range of stakeholders, we classified and prioritized the material issues into three categories by evaluating their social significance and relevance to our business (CSR Materiality Matrix.) In order to tackle these material issues, we are executing a concrete action plan.

Five Fields of CSR-based Management

Business Activities

Business activities from research and development (R&D) of new drugs through to production and marketing while fulfilling our social responsibility

Employees

Efforts to cultivate human resources and foster a workplace in which employees can concentrate on their work

Society

Initiatives aimed towards contributing to society with a focus on issues related to human health

Environment

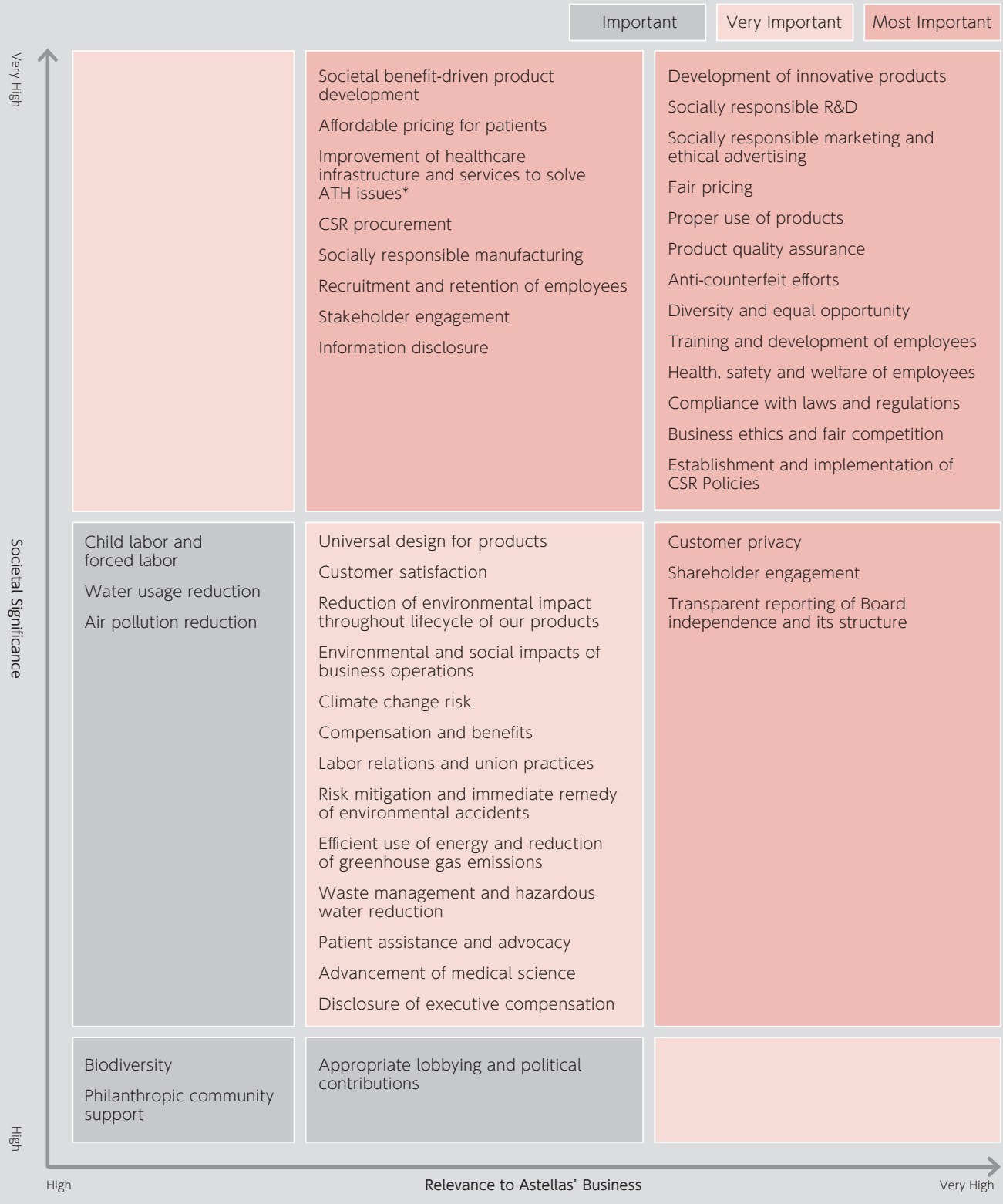
Initiatives to reduce the environmental burden in order to realize a sustainable society

Compliance

Efforts to maintain integrity and uphold the highest ethical standards in all our activities

CSR Materiality Matrix

For more details, please refer to http://www.astellas.com/en/csr/management/issues.html



* ATH issues: Astellas refers to two problems as "Access to Health" (ATH) issues, one is the existence of many therapeutic areas with unmet medical needs and the other is the existence of many people who are unable to access the healthcare they need due to such reasons as poverty and healthcare system flaws.

CSR Activities: Results and Plans

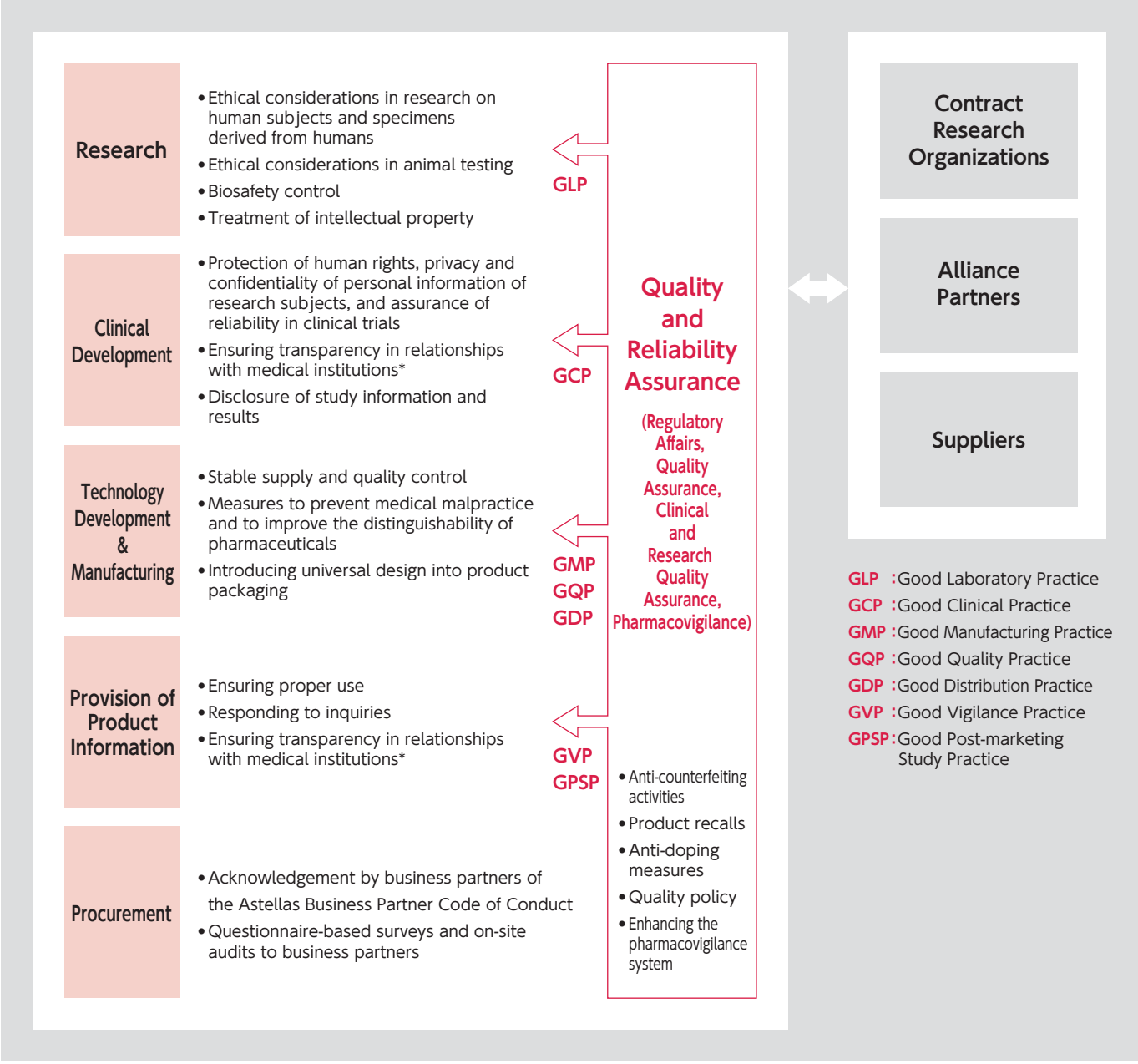
Field of CSR-based Management	Review of Fiscal 2014 Initiatives	
	Major Themes	Activities and Results
Business Activities	• Improvement of clinical trial data transparency • Promotion of anti-counterfeiting activities • Revision of CSR Procurement Guiding Principles	• Revised global policy on disclosure of clinical trial data • Worked to improve accessibility of clinical trial data and results by using external websites • Standardized anti-counterfeiting-related operations • Helped to hold Pharmaceutical Security Institute (PSI) representatives meeting in July 2014 • Revised CSR Procurement Guiding Principles, totally renewed CSR procurement-related documentation
Employees	• Promoting diversity • Provision of employee training/education • Promotion of global human resource development programs	• Discussed medium- to long-term plan and targets for improving the ratio of female managers at Astellas Pharma Inc. • Surveyed the status of local employee training/education programs on a global scale • Established human resource development program for middle management
Society	• Promotion of initiatives to address Access to Health issues • Improvement of transparency regarding support for advancement of medical sciences • Continued implementation of Changing Tomorrow Day	• Promoted joint drug discovery research on neglected tropical diseases • Started clinical trials for an oral dispersible pediatric formulation of praziquantel for schistosomiasis • Started supporting “Action on Fistula” program • Changed the procedure of application from medical institutions in Japan for Astellas academic support to improve transparency (i.e. changed to an Internet-based application procedure that does not pass through the Sales Division). • Held Changing Tomorrow Day, with over 6,900 participants engaged in volunteer activities.
Environment	• Promotion of measures to address global warming • Promotion of initiatives for resource recycling • Continuous improvement of the biodiversity index	• Greenhouse gas (GHG) emissions came to 163,000 tons, down 30.2% from fiscal 2005 level. (global target: reduce GHG emissions by 35% or more from fiscal 2005 level by the end of fiscal 2020) • Water withdrawal amounted to 10,396 m³, 77.2% of the level in fiscal 2005, achieved the global target. (global target: reduce water withdrawal to 80% or less of fiscal 2005 level by the end of fiscal 2015) • Biodiversity index came in at 2.68 times the figure recorded in fiscal 2005, achieved the global target, (global target: raise the index to double the fiscal 2005 level by the end of fiscal 2020)
Compliance	• Promotion of “Global Compliance Initiatives for 2014” • Ongoing implementation of compliance training	• Established Global Anti-Bribery and Anti-Corruption Policy • Actively implemented internal training on themes such as harassment and bribery to ensure thorough awareness

To solve material issues through its CSR activities, Astellas identifies priority activities in each field of CSR management every year based on their materiality and attainment level, along with monitoring the results of these activities. In addition, we determine the activities to be undertaken in the following fiscal year based on progress with initiatives, changes in society and other factors.

Page in Annual Report	Activities to be Tackled in Fiscal 2015
» P.65 Disclosure of Study Information and Results » P.66 Anti-counterfeiting Activities » P.68 Promoting of CSR Procurement	• Establish global structures for anti-counterfeit activities • Implement revised CSR Procurement Guiding Principles globally • Establish collaboration scheme with the World Anti-Doping Agency (WADA) to promote anti-doping activities
» P.69 Recruiting and Placing Diverse People at the Vanguard of Change » P.70 Developing Leadership and Strengthening Organizational Capabilities	• Formulate a medium- to long-term plan and targets for improving the ratio of female managers at Astellas Pharma Inc. • Review survey methods of the status of local employee training/ education programs • Entrench human resource development program for middle management
» P.73 Access to Health » P.75 Support for Research » P.75 Group-wide Volunteer Activities Changing Tomorrow Day	• Promote initiatives to address Access to Health issues • Improve transparency of support for advancement of medical sciences • Continue implementation of Changing Tomorrow Day
» P.78 Initiatives for Realizing a Low-carbon Society » P.79 Initiatives for Resource Recycling » P.79 Initiatives for Biodiversity	• Continue initiatives to achieve the Environmental Action Plan targets • Review the action plan for the following year onward based on the results for fiscal 2014
» P.82 Promoting Compliance Globally	• Promote Global Compliance Initiatives for 2015 • Continue to implement compliance training • Promote compliance management among business partners

Responsible Business Activities

Astellas is committed to fulfilling its social responsibilities in the course of conducting business activities. We respect human rights in every stage of our value chain, from research and development to the provision of product information. We also endeavor to ensure compliance with the Pharmaceutical and Medical Device Act and other relevant laws and regulations.



* Reference: Initiatives to Increase Transparency and Reliability P82

Research

Ethical Considerations in Research on Human Subjects and Specimens Derived from Humans

Astellas conducts research on human subjects, and obtains and conducts research on specimens derived from humans after appropriately obtaining the consent of the trial subjects in accordance with the Helsinki Declaration* as well as the laws, regulations and guidelines of relevant countries.

In Japan, Astellas provides training for researchers in areas such as bioethics, genomic research and clinical studies, based on a strong commitment to respecting the human rights of research subjects, protecting privacy and ensuring the reliability of research.

In addition, Astellas has the Astellas Research Ethics Committee, which consists of 10 members of both genders, including 5 outside members. The committee fairly and impartially determines the ethical acceptability and scientific propriety of research plans, including perspective from information on potential conflicts of interests on the part of research institutions, researchers and other parties. In fiscal 2014, the committee met 12 times and deliberated on 34 issues.

* Helsinki Declaration: A statement of ethical principles for medical research involving human subjects, addressed to physicians and others who are involved in medical research on human subjects.

Ethical Considerations in Animal Testing

Astellas conducts animal testing based on its Global Policy for Animal Care and Use. We have established the Corporate Institutional Animal Care and Use Committee, in which outside members participate as committee members, at our animal testing facilities.

Astellas' initiatives in animal testing are recognized by AAALAC International*. As a result, all of our animal testing facilities have acquired accreditation from AAALAC International.

* AAALAC International: The Association for Assessment and Accreditation of Laboratory Animal Care International. An organization that promotes the humane treatment of animals through voluntary accreditation and assessment programs. Studies are undertaken from both scientific and ethical standpoints to verify the quality of animal control and use programs.

Biosafety Control

Experiments using genetically modified organisms, or materials containing pathogens are performed under the World Health Organization Laboratory Biosafety Manual*1 and the Centers for Disease Control and Prevention/National Institute of Health *Biosafety in Microbiological and Biomedical Laboratories**2, as well as the laws of individual countries. In Japan, Astellas has established biosafety management rules in compliance with the Cartagena Act*3 and related ministerial ordinances, and has set forth detailed procedures for handling experimental materials. We have also set up the Biosafety Committee to review whether the experiments meet the standard required by these rules. Laboratory personnel receive regular training courses once a year (1,000 participants in fiscal 2014), in order to rigorously enforce safe and proper biosafety management and use of these organisms and suchlike. In the U.S., we use such experimental materials based on the rules established by the occupational health and safety authorities.

*1 Laboratory Biosafety Manual 3rd Edition
*2 Biosafety in Microbiological and Biomedical Laboratories 5th Edition
*3 Cartagena Act: Law concerning the conservation and sustainable use of biological diversity through regulations on the use of living modified organisms.

Treatment of Intellectual Property

Astellas regards its intellectual property in connection with new drugs, particularly patents for new drug candidates, as valuable business assets. Employees receive ongoing training to raise their awareness on filing patent applications swiftly and obtaining patent rights. At the same time, we emphasize respecting intellectual property rights of third parties. We make sure our research does not infringe on third-party patents, and if necessary, we receive a license from patent owners.

Clinical Development

Protection of Human Rights, Privacy and Confidentiality of Personal Information of Research Subjects, and Assurance of Reliability in Clinical Trials

In clinical trials, we investigate new drug candidates developed through drug discovery research in further detail, and assess their efficacy and safety in patients. Under the Declaration of Helsinki, clinical trials must be ethically planned and safely conducted with full consideration to protecting the human rights and privacy of clinical trial subjects. Furthermore, it is crucial to conduct assessments in clinical trials scientifically and accurately in order to develop new drug candidates into drugs that can be used confidently by patients.

Accordingly, Astellas has a clinical development framework in place to ensure compliance with GCP and relevant laws and regulations. Moreover, our clinical trials are conducted only at medical institutions complying with relevant laws and regulations.

Astellas has established a committee inside the Company that evaluates and monitors the ethical propriety and scientific validity of clinical studies from their planning phases. In addition, we implement education and training for employees and other staff members who are involved in clinical trials, and monitor medical institutions that perform trials to ensure that clinical trials are administered properly in line with GCP. In the course of performing clinical trials, Astellas confirms that clinical trial subjects have provided their informed consent to participating in clinical trials, i.e., they have given their consent based on a full explanation of the purpose and methods of trial, the expected benefits and disadvantages, matters related to compensation for health impairment and other details. Moreover, we properly administer the trial data so as to protect the privacy and confidentiality of the personal information of clinical trial subjects.

Disclosure of Study Information and Results

In order to enhance the transparency of clinical study information, Astellas revised its global policy on the disclosure of clinical trial information and results*1 in May 2014. The new policy provides detailed description on Astellas' basic policies on the clinical trial information registration, disclosure of clinical trial results, and disclosure of study data to scientists and healthcare professionals.

As an initiative to enhance accessibility to clinical study data and related study results, Astellas has launched an external website*2 to successively disclose anonymized study data in accordance with the laws and regulations of various countries.

Astellas believes that disclosure of this information is crucial to the advancement of medicine and will contribute to even better treatment options for patients.

*1 For details, please visit the following website:
http://www.astellas.com/en/corporate/disclosure/clinicalstudies.html
*2 For details, please visit the following website:
http://www.clinicalstudydatarequest.com

Quality and Reliability Assurance (Regulatory Affairs, Quality Assurance, Clinical and Research Quality Assurance, Pharmacovigilance)

Anti-counterfeiting Activities

The World Health Organization (WHO) defines a counterfeit medicine as follows: "A counterfeit medicine is one which is deliberately and fraudulently mislabeled with respect to identity and/or source." Counterfeit medicines in legitimate supply chains not only lessen the therapeutic benefit expected from receiving medical treatment, but could result in treatment failure or even death. Counterfeit medicines have therefore become a serious problem worldwide.

Under these conditions, Astellas operates the Anti-Counterfeit Committee, led by the technology and quality assurance divisions, and has a specialized anti-counterfeit division in place. Through these organizations, Astellas conducts monitoring, surveys, countermeasures and other actions targeting not only counterfeit medicines, but also diversion, smuggling, theft and other such activities.

When selling products, Astellas systematically introduces effective anti-counterfeit technologies based on pharmaceutical laws and regulations (including serialization) and risks in each market where products are sold, as well as product characteristics.

Moreover, Astellas takes proactive steps to gather information and implements other countermeasures in collaboration with the relevant authorities and pharmaceutical companies worldwide. One example is Astellas' participation in the activities of the PSI*. In July 2014, Astellas also helped to host the 2014 APAC Pharmaceutical Security Conference. Additionally, Astellas carries out educational activities to prevent the spread of counterfeit medicines in collaboration with members of the pharmaceutical industry and international organizations such as the WHO, as well as the PSI and the Transported Asset Protection Association. We also support and cooperate with law enforcement agencies such as INTERPOL, as well as national governments, judicial authorities and others, to crack down on counterfeit medicines.

* PSI: Pharmaceutical Security Institute

Product Recalls

Astellas has a recall system that is activated when the safety, efficacy or quality of a product is brought into question. The system ensures that relevant information is promptly passed on to medical institutions and other affected parties, and that a recall of the product in question is instigated.

If an event affecting safety, efficacy or quality occurs, an internal committee is convened to assess the risk posed to patients. A process is in place whereby a decision on a product recall is made based on the judgment of the committee.

In fiscal 2014, Astellas initiated three voluntarily product recalls. As of June 2015, we have not received any reports of health impairment related to these recalls.

Anti-doping Measures

Doping is associated with a risk of inducing serious side effects triggered by the abuse or misuse of pharmaceuticals. It can also facilitate the unauthorized distribution and counterfeiting of medicines. Therefore, doping is a serious issue for the pharmaceutical industry. In January 2015, Astellas participated in an international anti-doping conference jointly hosted by the World Anti-Doping Agency (WADA), UNESCO and the Japan Anti-Doping Agency (JADA) in Tokyo. In light of this conference and recent trends, Astellas is exploring specific measures to support WADA in fighting against doping.

Quality Policy

We have created the Astellas Quality Assurance Manual, which covers group-wide policies concerning quality assurance. Based on this manual, we prepare guidelines and standard operating procedures concerning operational management and procedures for a variety of quality assurance tasks

and quality assurance systems at the global, regional and local levels. Education and training programs are implemented to promote understanding and awareness of these matters. These documents are revised periodically and as necessary. We have a system in place that is able to respond swiftly to developments in the external environment, such as regulatory changes and amendments.

Enhancing the Pharmacovigilance System

Astellas is continuously improving business process and system with the aim of establishing a high-quality pharmacovigilance system that can address regulatory requirements in all countries where we conduct business. Specific initiatives completed with establishing an organization that can globally integrate and implement pharmacovigilance work which was previously conducted in each region and, with integrating the new database on safety information worldwide in April 2014. We also established the Astellas Corporate Pharmaceutical Products Safety Policy, which defines the roles that should be fulfilled by all employees, including contract employees. These initiatives have further enhanced the consistency and effectiveness of Astellas' pharmacovigilance functions in supporting all products from the clinical development to post-marketing stages.

Technology Development & Manufacturing

Stable Supply and Quality Control

In drug manufacturing, we place the highest priority on ensuring a stable supply of safe and effective pharmaceuticals to patients. To ensure this, we have established our own quality standards in compliance with GMP and also meeting our high expectations to products' quality. We apply these standards to manufacturing facilities and equipment, as well as all stages from the procurement of raw materials through to storage, manufacturing processes and shipments. We are also working to improve packaging designs for patients and healthcare professionals to reduce the risk of any misuse of medicines.

Measures to Prevent Medical Malpractice and to Improve the Distinguishability of Pharmaceuticals

Astellas strives to supply products from the users' perspective to ensure that healthcare professionals and patients do not mistake one pharmaceutical for another. We are taking a number of steps to prevent medical malpractice in this respect, including printing product names directly on capsules and tablets, and printing product names and dosage on packaging sheets (blister sheets) so that the product name and dosage can be identified even after the blister sheet is split apart. To make products easier to identify visually, we have adopted easily discernible colors and font types for the blister sheets of certain products. This is part of our efforts to make it harder to misread blister sheet labeling.

Introducing Universal Design into Product Packaging

We have introduced universal design to certain product packaging. One example is the universal design packaging of Bonoteo 50 mg tablets, which is administered once every 4 weeks and features packaging with outstanding opening and resealing properties. To prevent patients from forgetting to take the drug, there is a space provided on the packaging to write in the day when the drug should be taken. A decal to be used as a calendar is also attached. In addition, the packaging uses a universal design font type.

Universal design packaging of Bonoteo 50mg tablets

Provision of Product Information (Sales & Marketing and Medical Affairs)

Ensuring Proper Use

Astellas' Medical Representatives (MRs) and Medical Science Liaisons (MSLs) gather and provide information to ensure that pharmaceutical products are used properly. MRs and MSLs observe high ethical standards. At the same time, MRs and MSLs make compliance their top priority, observing the Astellas Global Code of Conduct, local codes of conduct, and the relevant laws and regulations in each country.

In addition to providing information on the accurate and appropriate use of our products and possible adverse effects, our MRs supply the latest knowledge and findings on diseases associated with our products to people on the medical front lines. In these ways, they contribute to the treatment of patients. Furthermore, our MSLs work to ascertain medical needs by having in-depth discussions on medical and scientific issues with healthcare professionals.

Responding to Inquiries

We also have systems to respond to product-related inquiries from local healthcare professionals, patients and MRs in various countries. In countries throughout the globe, Astellas has Medical Information Call Centers, which serve as contact points for a variety of inquiries. At our large contact centers, we have systems that allow for 24-hour responses, even on business holidays. We also have systems that ensure the continuation of the centers' functions in emergency situations, such as in the event of natural disasters or influenza pandemics. We responded to over 130,000 calls this past year.

In addition to serving as contact points for those outside the Company, the Medical Information Call Centers function as in-house information hubs that gather and evaluate information about the proper use of pharmaceuticals and feed it back to the relevant departments. In fiscal 2014, there were several cases where proposals were made to relevant departments based on information provided from external sources, resulting in improvements that enabled Astellas to better answer the needs of patients and the healthcare front lines. Among these improvements were revisions to package inserts, and changes in packaging and labelling, which led to improvements in the proper use of products by the patients.

Procurement

Promoting CSR Procurement

Astellas considers it important to fulfill its social responsibility across the entire supply chain, including suppliers. To this end, we have formulated our CSR Procurement Guiding Principles, which require business partners to do their business in accordance with CSR measures. We also conduct questionnaire-based surveys regularly in compliance with the principles. The surveys have so far covered business partners of direct and indirect materials, as well as service suppliers and facility and equipment suppliers. To date, we have obtained survey responses from 612 companies. Furthermore, we conduct on-site audits of suppliers in countries that pose a high CSR procurement risk.

In May 2015, we revised and reissued the CSR Procurement Guiding Principles as the Astellas Business Partner Code of Conduct, in order to drive the advancement of CSR procurement. Specifically, we incorporated subjects such as the safety of chemical handling processes and hazard information—a CSR element unique to the pharmaceuticals industry—into the existing principles, with a view to expanding their application beyond Japan to countries overseas. Concurrently, we fully revised our documents related to CSR procurement. We are strengthening CSR procurement by conducting a global questionnaire-based survey using a new form, along with requesting our business partners to sign off on the Acknowledgement of Astellas Business Partner Code of Conduct.

Employees

Astellas employees play the most valuable role in shaping the Company and creating new levels of corporate value, and they are one of our most important stakeholders.

Astellas is working to strengthen its competitiveness through initiatives to promote diversity and foster global human resources. At the same time, the Company is committed to fulfilling its social responsibilities toward employees.

In addition, Astellas is fostering a corporate culture that aims to align the aspirations of its diverse global employees in one direction to realize its Business Philosophy. In parallel, Astellas is encouraging every employee to embrace the approach of demonstrating leadership and proactively working to shape the Company.

Recruiting and Placing Diverse People at the Vanguard of Change

Diversity Management

Astellas is working to promote diversity so that diverse people can play a role, irrespective of race, nationality, gender, or age.

One example is our efforts to increase the ratio of women in management roles in Japan, which is low compared with other regions. Developing work environments that facilitate women's success will help us to attract talented personnel, increase the diversity of our workforce and enhance the competitiveness of Astellas as a whole. To this end, Astellas is creating systems that enable women to continue working, and establishing an appropriate work environment.

Male/Female Employee Ratio per Region and Ratio of Female Managers (Fiscal 2014)

	Japan	Americas	EMEA	Asia/ Oceania	Total
Male	73.4%	48.9%	43.3%	46.6%	**57.4%**
Female	26.6%	51.1%	56.7%	53.4%	**42.6%**
Ratio of female managers	6.5%	45.4%	51.7%	47.7%	**29.9%**

Recruitment Initiatives for Research Positions

Innovation is vital to developing new drugs. To achieve innovation, people who are able to constantly create new forms of value and share multifaceted values are needed. We also need people who are able to solve issues by drawing upon all manner of resources, including specialized expertise, experience, knowledge, information and human networks.

Astellas has incorporated a unique program called Drug discovery Innovator Selection Camp (DISC) into the process of recruiting drug discovery researchers. Under this program, applicants from Japan and overseas chosen through a preliminary screening (paper screening) process and Astellas employees take part in a five-day camp event. During this event, Astellas employees determine the ability and aptitude of the applicants, and whether or not their goals are aligned with what Astellas looks for in people. On the other hand, the program is also designed to give applicants the opportunity to understand Astellas' drug discovery strategy, challenges and other issues, and to think deeply about whether Astellas would be the best place for them to achieve their future goals. Since it was initiated in 2012, the program has been held three times in total through fiscal 2014.

Agenda for DISC Program (Fiscal 2013)

Schedule	Agenda
day 1	Poster presentation session Group work Social gathering
day 2	Individual work (Basic practice on research proposals for a particular disease)
day 3	Interim presentation
day 4	Individual work Coaching session
day 5	Final presentation

Providing Opportunities for Employees to Succeed Globally

Astellas provides employees with opportunities to succeed globally. In Japan, Astellas developed the Global Career Entry program as an internal

recruitment system, while encouraging employees to succeed in roles at various overseas bases by proactively appointing employees to be assigned abroad from each division. In addition, Astellas accepts long-term and short-term assignees from Group companies outside Japan. In these and other ways, we are working to promote global interaction among personnel at the divisional level.

Developing Leadership and Strengthening Organizational Capabilities

Astellas conducts the Executive Leadership Series (ELS) and the Senior Leadership Series (SLS), as human resources development programs that bring together leaders chosen from Japan, the Americas, EMEA and Asia/Oceania. The former is a program for vice presidents to discuss Astellas' strategic challenges and develop future plans. The latter is a program designed to build human networks and enhance division strategy formulation, communication and project delivery skills of directors who are one rank lower than vice presidents. The total number of 130 individuals completed these programs by end of fiscal 2014. Today, they are working in prominent roles at worksites around the world.

Furthermore, Astellas is working to strengthen its organizational capabilities. In Japan, the Company launched Astellas Management in Motion (AMM) in October 2014 as an organizational development program for managers.

The Astellas Way

Astellas has formulated the Astellas Way, which defines a shared set of values and actions to be embraced by our employees around the world. In 2015, we revised the "Five Messages for the Astellas Way" to more strongly emphasize certain key themes. Notably, "Enthusiasm" was revised to "Ownership" to reflect our desire to encourage employees to take ownership of challenges in anticipation of change. "Communication" was revised to "Openness" in line with the importance we place on harnessing creativity by reflecting diversity in our business activities.

Astellas Way —Five Messages for One Astellas—

Patient Focus:
Ask yourself if your decisions and actions contribute to improving patient health.

Ownership:
Embrace change and always challenge by taking ownership.

Results:
Commit to results each time you face a challenge, and consider fresh approaches to achieving them.

Openness:
Maximize your creativity through diversity and open communication.

Integrity:
Act with integrity by always considering the implications of your actions, and then take responsibility for the outcomes.

Respect for Human Rights

The Astellas Charter of Corporate Conduct clearly states that members of the Astellas group shall respect human rights, the personality and individuality of all its employees, observe all applicable international rules and local regulations, and also respect all cultures and customs. The recognition of the importance of respecting human rights is shared in Group companies worldwide. In accordance with this principle of respect for human rights, Astellas has established a code of conduct on a global basis that sets out standards on various initiatives, including respect for the human rights of employees, elimination of forced and compulsory labor, equal opportunities for employment and training, employee health and safety, and the prevention of harassment in the workplace.

In order to completely spread the mindset to respect human rights, we have established a system to swiftly deal with human rights issues by setting up external and internal helplines, as well as conducting training sessions for employees. In addition, from fiscal 2013, we have conducted paper surveys at all Astellas Group companies throughout the world to monitor the awareness of human rights issues in our workplaces and the status of initiatives to deal with them. In fiscal 2014 there were no urgent human rights issues reported, nor any issues common to all countries.

Ensuring Occupational Safety and Health

We have the Astellas Environmental and Safety Policy in place to prevent work-related accidents and minimize accidents caused by workplace mishaps and hazards. Under this policy, each facility is independently building environmental and safety management systems and promoting associated initiatives.

Looking at new initiatives in fiscal 2014, we set up a framework for sharing information globally by expanding the scope of the work-related accident and near-miss information that has so far been shared in Japan to production plants and major offices overseas.

Between January and December 2014, there were 19 work-related injuries in Japan, with five of those injuries requiring leave of absence. Of these five injuries, the longest leave of absence was 18 days. Overseas, there were 3 injuries requiring leave of absence, of which the longest leave of absence was 109 days.

Developing Rewarding and Safe Work Environments

Astellas is working to ensure rewarding and safe work environments where employees are able to concentrate on their duties with confidence. Astellas gives consideration to a work-life balance, and has introduced systems that enable employees to work in ways that suit their lifestyles according to regional situations. Options include flexible working hours, part-time work, and working from home. In Japan, we anticipate an increase in employees taking on nursing care obligations in the future. Accordingly, we held seminars at each of our facilities nationwide about managing both nursing care and work. (In fiscal 2014, seminars were held at six facilities.)

Astellas' efforts to provide employees with a rewarding and safe workplace have garnered praise both inside and outside the Company. In 2014, the Great Place to Work Institute selected our subsidiary in Brazil as the No.1 Best Place to Work in the pharmaceuticals category. Additionally, in March 2015, Forbes selected our subsidiary in the U.S. as one of America's Best Employers.

Astellas continues to monitor the turnover rate as an indicator for gauging the extent to which the Company provides a rewarding and safe place to work for its employees.

Incidence of Work-Related Injuries in Japan

	2012.1-12	2013.1-12	**2014.1-12**
Number of work-related injuries	35	19	**19**
Frequency rate of work-related injuries*1	0.30	0.18	**0.34**
Severity rate of work-related injuries*2	0.007	0.008	**0.002**

Incidence of Work-Related Injuries at Overseas Plants (January-December 2014)

	Norman Plant	Meppel Plant	Dublin Plant	Kerry Plant	Shenyang Plant
Number of injuries requiring leave of absence	1	0	1	0	1
Frequency rate of work-related injuries*1	3.70	0.00	6.46	0.00	3.61
Severity rate of work-related injuries*2	0.030	0.000	0.013	0.000	0.390

*1 Frequency rate of work-related injuries: This rate shows the number of employee deaths or injuries resulting from work-related accidents causing leave of absence per million hours of work. The larger the number, the more frequently work-related injuries occur.

*2 Severity rate of work-related injuries: This rate shows the number of days absent from work due to work-related injuries per thousand hours of work. The higher the number, the more serious the injury.

Number of Employees per Region and Turnover Rate

		2013.3	2014.3	**2015.3**
Japan*1	Number of employees	8,153	8,082	**7,241**
	Turnover rate	1.7%	2.1%	**7.5%**
Americas	Number of employees	2,980	2,883	**2,975**
	Turnover rate	12.9%	17.8%	**10.4%**
EMEA	Number of employees	4,356	4,580	**4,628**
	Turnover rate	13.7%	8.3%	**15.6%**
Asia/ Oceania	Number of employees	1,965	2,104	**2,269**
	Turnover rate	16.3%	13.8%	**13.4%**
Total*2	Number of employees	17,454	17,649	**17,113**
	Turnover rate	8.3%	7.7%	**11.0%**

*1 The turnover rate in Japan excludes people retiring at the mandatory retirement age and employees moving outside of the Group due to transfer of Group businesses.

*2 The increase in the total turn over rate is mainly due to the introduction of early retirement plan in Japan.

For further information about other initiatives, please visit the following websites:
http://www.astellas.com/en/csr/employee/

VOICE Developing Leadership and Strengthening Organizational Capabilities

We aim to strengthen leadership and management capabilities

Two qualities are essential to Astellas' sustainable growth: leadership, which serves as the driving force behind delivering strong performance, and management abilities, which help to foster a corporate culture that emphasizes a spirit of challenge. Astellas is conducting numerous human resources development programs to upgrade and increase talent capabilities in these areas.

We conduct the ELS and SLS programs globally to develop the next generation of Astellas' leaders. These training programs bring together selected talent from Japan, the Americas, EMEA, and Asia/Oceania, and are conducted with participation from top management. The programs are designed to develop strong, globally competent leaders and to build robust human networks between them. In a rapidly globalizing business environment, these programs are able to strengthen links globally across regions and divisions, while enabling our best talent to utilize their abilities to the fullest.

In addition to these global programs, we also conduct leadership development programs at the regional level. Human resource development is basically carried out with individual regions devising their own approaches, with two training programs conducted in the Americas, EMEA, and Japan, respectively.

Terumasa Matsunaga
Director,
Human Resources

We are also enhancing our management development programs in parallel with our leadership development programs. In Japan, the AMM program for organizational development targeting managers was introduced from the fiscal year 2014. The program aims to increase managers' front-line management capabilities as well as enhancing the competiveness of the organization overall. In other regions, each region conducts training suited to its situation. For example, we have a training program for new managers in the Americas, a program for unifying the thinking and direction of management in EMEA, and in Asia/Oceania a program to enhance management skills.

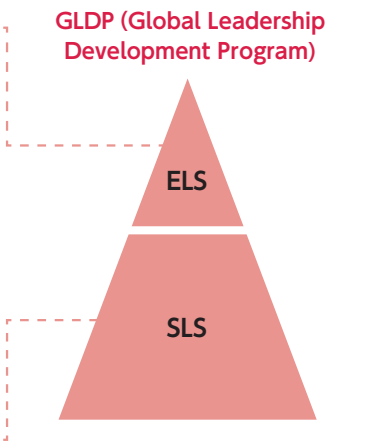
Overview of Global Leadership Development Program

Executive Leadership Series (**ELS**)

- Approximately 60 participants to date since its inception in fiscal 2011
- Participants: vice presidents chosen from each region
- A program comprised mainly of Shadow Council session and Leader Project session
- The Shadow Council session: cross-sectional and cross-regional teams to discuss management issues pertaining to Astellas
- The Leader Project session: each participant to formulate a strategy for their respective division

Senior Leadership Series (**SLS**)

- Approximately 70 participants to date since its inception in fiscal 2012
- Participants: directors chosen from each region
- Participants to learn the Astellas "Way of Doing" and "Way of Being" as global leaders
- In the SLS Team Project session, cross-sectional and cross-regional teams to propose new business domains for Astellas to top management



Members of the planning team for ELS/SLS training

Society

Astellas is leveraging partnerships with a range of stakeholders in an effort to address social issues which affect people throughout the world. We are also working to enhance the sustainability of society through our social contribution activities, including providing support to local communities and the advancement of medicine.

Access to Health

Initiatives to Eradicate Tropical Diseases

Astellas is conducting a wide range of activities aimed at solving healthcare issues in regions where access to healthcare, including drug treatment, is inadequate. We believe that these initiatives will generate synergies with our business activities by helping us to build relationships with the governments of countries facing public health issues and our local partners through collaboration.

Drug-discovery Research Consortium based on Open innovation to combat Neglected Tropical Diseases

Since 2012, Astellas has been engaged in the NTDs*1 Drug-discovery Research Consortium. To tackle this challenge, we are leveraging cutting-edge technology and knowledge, and working closely with the University of Tokyo, the Tokyo Institute of Technology, the Nagasaki University, the High Energy Accelerator Research Organization, the National Institute of Advanced Industrial Science and Technology, and the international non-profit organization DND*i**2.

This drug-discovery research targets four diseases: leishmaniasis, Chagas disease, African trypanosomiasis, and dengue and dengue hemorrhagic fever.

In the course of conducting joint research, Astellas is facilitating efficient coordination through research based on open innovation, where all of the information obtained from research is shared. We expect that open innovation will become a new model for research and development activities at Astellas. In fiscal 2014, our major joint research accomplishments were the discovery of compounds that show enhanced enzyme activity against the targets and the discovery of compounds that show anti-protozoal action.

Together with the Tokyo Institute of Technology and the University of Tokyo, Astellas has developed an integrated drug discovery database for NTDs called iNTRODB*3. With researchers from around the world able to access this database, iNTRODB is contributing to global research on NTDs.

Researchers from research institutes and members of Astellas' Drug Discovery Research engaged in drug discovery research on NTDs

*1 NTDs: Neglected Tropical Diseases. Infectious diseases caused by parasites and bacteria, which are endemic mainly among poor populations in the tropical regions of developing countries. It is said that today more than one billion people worldwide suffer from these diseases.
*2 DND*i*: Drugs for Neglected Diseases *initiative*
*3 iNTRODB: Integrated Neglected Tropical Disease Database

Development of Pediatric Formulation for Schistosomiasis through Partnerships

Schistosomiasis is a tropical disease caused by parasites that has been confirmed to have spread to 78 countries worldwide. The disease has a particularly high incidence rate among children. At present, there is no pediatric formulation of praziquantel tablets for the treatment of schistosomiasis. One challenge is that preschool age

Newly developed pediatric formulation of praziquantel tablet (top) and existing tablet for adults (bottom)

children find it difficult to swallow praziquantel tablets due to their large size and bitter taste.

Having set up a consortium with other pharmaceutical companies, academia, and international non-profit organizations, Astellas is working to develop a pediatric formulation of praziquantel tablets.

The pediatric formulation newly developed by Astellas using its drug formulation technology was reduced to one-fourth of the existing tablet size to make it easier to swallow. The tablet is designed to disintegrate in the mouth so that it can be taken even without water. Steps were also taken to reduce the bitterness of the active pharmaceutical ingredient.

Members of the Pediatric Praziquantel Consortium Team

The importance of this initiative has earned international recognition and has obtained a research grant from the Bill & Melinda Gates Foundation and a second research grant from the GHIT Fund* in May 2015. The consortium is currently advancing Phase I clinical trials of the pediatric formulation, with plans to initiate Phase II clinical trials. Astellas plans to continue providing its expertise and technology in the area of pediatric clinical development.

* GHIT Fund: Global Health Innovative Technology Fund. A product development fund for global health R&D. It is built on the strength of contributions from partners in the public, private, and civil sectors.

Contributing to Global Health in the Urology Field
"Action on Fistula" Program Completes First Year in Kenya

Action on Fistula*1 is led by the charity Fistula Foundation and funded by Astellas. By the completion of the three year program in 2017, the initiative aims to have transformed the lives of more than 1,200 women in Kenya living with this condition and to build capacity in the country to deliver on-going surgeries in the long term.

At the end of the first year, 416 Kenyan women with obstetric fistula*2 have successfully been treated with life changing reconstructive surgery. One woman treated had waited 51 years for surgery.

Astellas has committed €1.5 million over three years to establish Action on Fistula. This funding is establishing a fistula treatment network, increasing the number of fistula surgeons, and significantly boosting the number of surgeries that take place in the country. A fourth key objective is the establishment of a major outreach program with community workers identifying patients and encouraging them to access available treatment.

*1 For details, please visit the following website: http://www.astellas.eu/action-on-fistula/

*2 An obstetric fistula is a hole between the vagina and rectum or bladder, causing incontinence. It is caused by prolonged obstructed labor when emergency care is unavailable. Untreated, fistulas can lead to chronic medical problems including ulcerations, kidney diseases and nerve damage in the legs, and can cause poverty in some cases. The United Nations Population Fund estimates 3,000 new cases of obstetric fistulas occur annually in Kenya.

Astellas employees meeting a fistula patient in Kenya

Progress on Action on Fistula Program (June 2014-June 2015)

Trained and certified doctors to the standard level of competency	2 Kenyan doctors
Centers in the Fistula Treatment Network	4 centers
FIGO*1-accredited fistula training center	Established the Gynocare Fistula Center
Reached counties*2 of Kenya	18 counties
Trained community health volunteers	136 volunteers
Conducted outreach activities	Over 850 activities
Reached community members with fistula messages	60,000 members

*1 FIGO: International Federation of Gynecology and Obstetrics

*2 Kenya is divided into 47 counties.There are several units of governance below the county level. These units include sub-counties, wards, and villages.

Special Programme for Research and Training in Tropical Diseases

Through the Special Programme for Research and Training in Tropical Diseases (TDR) of the World Health Organization, Astellas accepted research fellows from developing countries and provided them with job training on management skills related to clinical development. In July 2014, one trainee from Ethiopia completed the training at Astellas' clinical development division in the U.S. Astellas is currently selecting a third candidate for the programme.

Support for Patients

Astellas conducts a variety of patient support activities to provide assistance to patients fighting illnesses, and their family members, on a global basis.

Astellas promotes Starlight Partners Activities in Japan as part of efforts to support the self-reliance and development of patient associations. Astellas Peer Support Training Sessions are held for a wide range of participants, including patients and their families, along with people who have recently formed patient associations.

In fiscal 2014, Astellas Peer Support Training Sessions were held in three locations across Japan, attended by 41 organizations and 50 people.

Support for Research

Astellas provides support to research activities conducted by academic research institutions and other entities. This support is in line with national guidelines for ensuring transparency with respect to collaboration between pharmaceutical companies and medical professionals. In April 2015, Astellas instituted changes designed to enhance transparency ahead of other companies, including having an organization independent of sales and marketing divisions conduct screening of donation request applications in Japan.

Group-wide Volunteer Activities Changing Tomorrow Day

Astellas Group employees around the world conduct a diverse range of volunteer activities to contribute to their local communities based on their support to promote healthcare and maintain the environment. In fiscal 2014, more than 6,900 employees participated.

Changing Tomorrow Day held in fiscal 2014

Region	Participants	Volunteering hours	Number of locations	Number of countries
Japan	3,412	3,795	167	1
Americas	2,246	8,180	44	3
EMEA	more than 597	more than 3,794	more than 24	more than 24
Asia & Oceanina	682	3,124	11	9
Total	more than 6,937	more than 18,893	more than 246	more than 37

Astellas Foundations

Astellas has established foundations in Japan, the Americas, EMEA, Asia and Oceania in order to provide financial assistance for research and other support to foster advancement in medical science, conduct philanthropic activities in local communities, and contribute relief funds to assist with disaster recovery efforts.

Each foundation is operated according to the laws of the respective regions where they are active. The Astellas Foundation for Research on Metabolic Disorders, a Japanese foundation, provides grants for research in two areas: "highly original and groundbreaking research initiatives" that help to foster an understanding of diseases and develop innovative treatment methods and "research that promises highly significant clinical results." In fiscal 2014, the foundation offered research grants totaling ¥100 million to 50 researchers selected from among 611 applicants. In addition, the foundation provided a total of ¥20 million in financial aid to 10 individuals studying abroad who were selected from 184 applicants.

For further information on Astellas activities regarding society, please visit the following website:
http://www.astellas.com/en/csr/social/

VOICE Access to Health

Astellas' notable contribution is shown in this research for progressing discovery activities efficiently

As a project manager in charge of early discovery activities at DND*i**, I have been working closely with the Astellas discovery team and have particularly appreciated the Astellas team's dedication, sense of initiative and the open spirit of the collaboration.

Thanks to the pharmaceutical profiles and related development information of original pre-clinical and clinical molecules shared by Astellas, we were able to identify a candidate for Chagas disease out of Astellas' compounds. Currently, Astellas and DND*i* are proceeding with the research of such candidate with expert parasitology support from the Swiss Tropical Public Health Institute and the University of Nagasaki. Astellas' notable contribution is also shown in this research for progressing discovery activities efficiently by providing valuable safety information about the compounds, allocating chemistry resources to the collaboration, including a substantial library of chemical analogues, and engaging in extensive discussions with DND*i* and its experts.

Jean-Robert Ioset
Discovery Manager,
DND*i*

Another example proving Astellas' unwavering commitment is the development of an integrated drug discovery database for NTDs, known as iNTRODB*[2]. NTDs drug discovery consortium is currently conducting research to identify lead compounds based on structural features of target proteins prioritized using the iNTRODB interface. To date, four different targets have been selected, one of which has been prioritized for further investigation.

* DND*i*: Drugs for Neglected Diseases *initiative*

Laying the groundwork together for lasting and comprehensive fistula treatment

Too many women in Kenya have suffered needlessly for far too long with obstetric fistula. Although obstetric fistula is treatable through a simple surgery, many women are too often ashamed of their condition to come forward for help, or feel they cannot afford it.

Astellas' commitment to support women with obstetric fistula in Kenya has been quite innovative. Thanks to Astellas, Fistula Foundation became capable of pioneering an integrated strategy to provide life-transforming care for women by building capacity, training surgeons and providing prompt surgical treatment for women in need of care, etc.

We are very pleased that so many people, organizations and partners in Kenya have come together under the program of "Action on Fistula".

Currently, we are expanding reach of our activity into more rural, remote parts of the country, in collaboration with partners. Going forward, we hope to expand our activity in many more countries impacted by fistula, so that fewer women will suffer needlessly simply for trying to bring a child into the world.

The lessons from this partnership allowed us to further enhance our activity. Astellas and Fistula Foundation are jointly laying the groundwork for lasting and comprehensive fistula treatment for women now and for years to come. We are deeply grateful for Astellas' support.

Kate Grant
CEO,
Fistula Foundation

Environment

Astellas understands that maintaining a healthy global environment is an essential theme for building a sustainable society and is an important element in maintaining sound business activities.

In addition to complying with legal regulations covering various environmental issues, Astellas must fulfill its corporate social responsibilities to sustainably grow. If Astellas cannot meet its responsibilities, its corporate value could be damaged due to a loss of social trust.

Going forward, Astellas will formulate its vision for being a responsible corporation based on a long-term global perspective that keeps future generations in mind. At the same time, we will continue efforts to address regional social issues and pursue corporate activities in harmony with the global environment.

Environmental Action Plan

Having determined its basic policy on the environment and identified aspirational guidelines, Astellas formulated its Environmental Action Plan, which outlines short- to medium-term activity targets, and has continued pursuing initiatives aimed at achieving its numerical targets. Going forward, we will review the plan based on various factors including progress status and social circumstances, and add new initiatives and/or set more challenging targets.

Moreover, the Environmental Action Plan targets the activities of all of the Company's business sites in Japan, as well as its production sites overseas. As the activities of Astellas become increasingly global, overseas offices and research sites not currently covered by the plan will increase their activities, and Astellas will strive to ascertain their energy usage and other metrics accordingly.

The Company's performance on the Environmental Action Plan in fiscal 2014 is summarized below.

For details, please visit the following website:
http://www.astellas.com/en/csr/environment/enviprogram.html

Environmental Action Plan Performance in Fiscal 2014 (Summary)

Numerical Targets for Environmental Action Plan	Fiscal 2014 Performance
1. Measures to Address Global Warming [Base year: Fiscal 2005] 1) Reduce greenhouse gas emissions by 35% or more by the end of fiscal 2020 (Global) - Japan: Reduce greenhouse gas emissions by 30% or more - Overseas plants: Reduce greenhouse gas emissions by 45% or more 2) Reduce CO_2 emissions generated through sales activities by 30% or more by the end of fiscal 2015 (Japan) 3) Reduce electricity usage at our offices to 80% or less by the end of fiscal 2015 (Japan)	1) Ratio to the base year level: 30.2% reduction Japan: 27.9% reduction Overseas: 37.1% reduction 2) Ratio to the base year level: 29.2% reduction 3) Ratio to the base year level: 86.7%
2. Measures for the Conservation of Natural Resources [Base year: Fiscal 2005] Reduce water withdrawal to 80% or less by the end of fiscal 2015 (Global)	Ratio to the base year level: 77.2%
3. Waste Management Reduce the final volume of landfill waste to less than 2% of total discharged (Japan)	Ratio of landfill waste to the total discharged: 0.6%
4. Management of Chemical Substances [Base year: Fiscal 2006] Reduce the amount of volatile organic compounds (VOCs) discharged by 25% or more by the end of fiscal 2015 (Japan)	Ratio to the base year level: 32.5% reduction
5. Biodiversity [Base year: Fiscal 2005] Double the biodiversity index by fiscal 2020 (Global)	Ratio to the base year level: 2.68 times

Note: Among the greenhouse gas emissions in Japan, CO_2 emissions generated through electricity usage are calculated using the following two types of coefficients:
(1) A coefficient of 0.330 kg-CO_2/kWh is used to calculate results needed to evaluate progress against the Environmental Action Plan and make investment decisions and implement countermeasures to bridge the gap between results and targets. The figures shown in the table above represent the results calculated using this coefficient.
(2) Greenhouse gas emissions (actual emissions) for each fiscal year presented in series are calculated using the Federation of Electric Power Companies of Japan (FEPC)'s actual end-use greenhouse gas emissions coefficient (hereinafter, "the electricity CO_2 emissions coefficient") for the previous fiscal year. The figures for the greenhouse gas emissions shown in this report represent results calculated using this coefficient. (A coefficient of 0.570 kg-CO_2/kWh was used in fiscal 2014.)

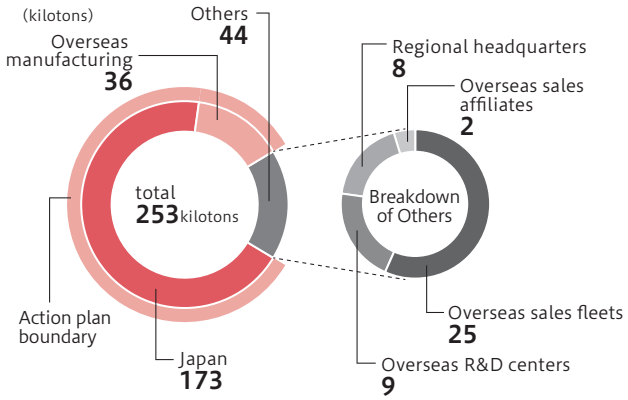
Initiatives for Realizing a Low-carbon Society

Reduction of Greenhouse Gas Emissions

Astellas has formulated an action plan for helping to realize a low-carbon society, and is promoting measures for mitigating global warming.

About 80% of greenhouse gas emissions that result from Astellas' business activities fall within the scope of the Environmental Action Plan. (Other than "Others" in the graph below.)

Breakdown of Greenhouse Gas Emissions



The above graph is based on the following energy consumption data. Items not covered by the Environmental Action Plan are listed as "Others," and include principal office buildings, R&D centers, and office buildings used by sales affiliates and sales fleets outside Japan.

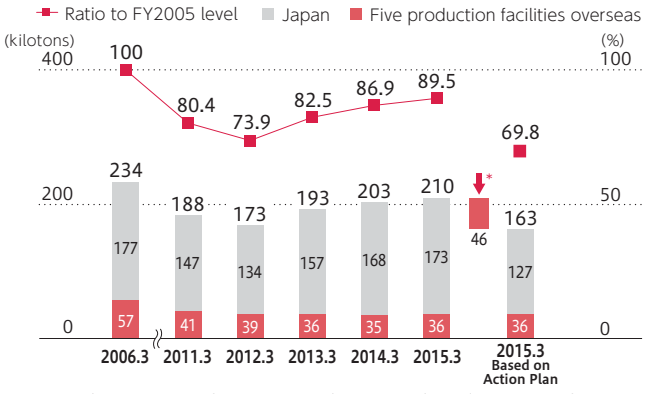
In fiscal 2014, the Astellas Group's global greenhouse gas emissions (actual emissions) were 210 kilotons. Although this was 10.5% (25 kilotons) lower than the base year level in fiscal 2005, it was 7 kilotons higher than the previous fiscal year.

The main factor driving the increase was an increase in Japan of about 16 kilotons from deterioration in the CO_2 emission coefficient accompanying the end-use electricity compared to the previous fiscal year. However, there was a reduction of around 4 kilotons due to effective ways of mitigating global warming and a decrease in business activities. The amount of greenhouse gas emissions at overseas production sites was roughly the same as the previous fiscal year.

The difference between the coefficient used to evaluate progress against the Environmental Action Plan and the coefficient used to calculate actual emissions was 0.240 kg-CO_2/kWh. The difference between these coefficients accounted for 46 kilotons of greenhouse gas emissions. The CO_2 emissions coefficients accompanying the end-use electricity for overseas operations are those listed in "CO_2 EMISSIONS FROM FUEL COMBUSTION 2014 EDITION" published by the International Energy Agency.

Greenhouse Gas Emissions (Global)

(Japan: All Japanese facilities and sales fleets / Ovewseas: All five production facilities)



* Gap between actual emissions and emissions based on Action Plan

Energy Consumption in Fiscal 2014 by Energy Type

Scope
Japan: All business bases and sales fleets
Overseas: All production bases
Outside scope Overseas: Principal office buildings, R&D centers, office buildings of sales affiliates and sales fleets

(Terajoules)

Environmental Action Plan	Total	Liquid Fuel		Gaseous Fuel		Heat Purchase	Electricity Purchase		Renewable Energy			
		Fuel Oil	Diesel Oil	City Gas	LPG/ LNG		Total	Wind Power Source	Total	Wind Power Source	Woodchip Source	Photovoltaic Panels
Covered	3,923	0	96	1,118	241	21	2,403	195	43	6	37	0.3
Not Covered	866	0	374	56	0	0	342	0	0	0	0	0

Monitoring Greenhouse Gas Emissions in the Supply Chain

In recent years, it has become increasingly important to monitor and announce not only greenhouse gas emissions by the Company, but also greenhouse gas emissions in the supply chain, including transportation of employees, raw materials purchasing, product distribution, and waste disposal.

Recognizing these social implications, we started efforts in fiscal 2011 to ascertain our greenhouse gas emissions associated with employee commuting, use of transportation systems on business trips in Japan, and transportation of products and wastes. Going forward, we intend to continue taking effective steps to expand the reporting boundary.

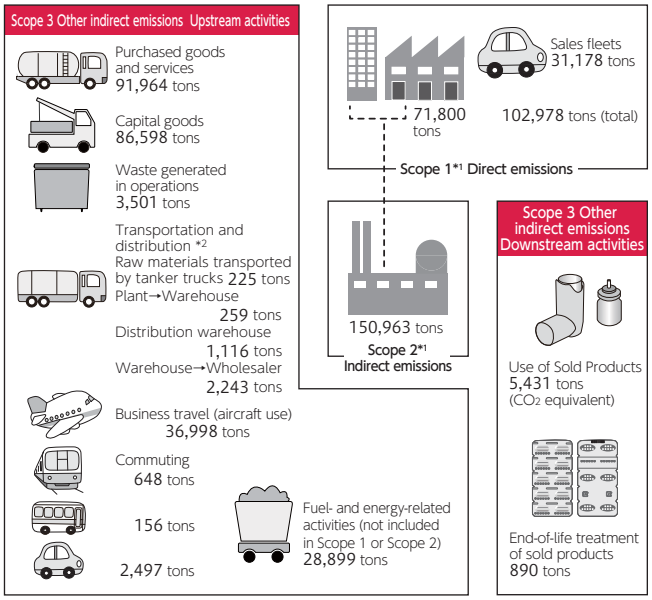
Using Renewable Energy

The direct use of renewable energy such as solar and wind power is the most effective way of mitigating global warming. Therefore, we intend to actively incorporate technologies that can be feasibly introduced.

We operate a wind turbine system with a maximum output of 800 kW at the Kerry Plant in Ireland, which generated 1,687 MWh in 2014. Furthermore, a woodchip biomass boiler (maximum output of 1.8 MW) also used 36,807 GJ of heat at the plants. These two initiatives reduced our greenhouse gas emissions by 3,290 tons.

In Japan, we have installed photovoltaic panel systems at the Tsukuba Research Center and the Kashima R&D Center. In fiscal 2014, those systems together generated 84 MWh, reducing our greenhouse gas emissions by 48 tons. Furthermore, the Norman Plant in the U.S. purchased 19,834 MWh of electricity in 2014, 19,583 MWh of which was generated by wind turbine power generation farms in Oklahoma.

Monitoring Status of Greenhouse Gas Emissions



*1 Global basis (Japan: all business premises and sales fleets / Overseas: all production facilities, sales fleets, principal offices, R&D centers and sales affiliates)
*2 Product shipments are handled by outside contractors

Initiatives for Resource Recycling

Astellas seeks to contribute solutions to the social issues involved in establishing a recycling-oriented society. We are therefore promoting resource conservation measures (such as reducing water withdrawal) and striving to reduce landfill waste.

Initiatives for Biodiversity

Astellas is working to reduce the impact of its business activities in all fields on the ecosystem to contribute positively to the preservation of biodiversity. At the same time, we actively contribute to the creation of a society that coexists with the natural world, enabling the preservation of biodiversity and the sustainable use of the benefits of healthy ecosystems.

Astellas has created a Biodiversity Index* by assessing the three main factors responsible for the deterioration of biodiversity, namely environmental pollution, resource consumption and global warming. Going forward, we will continue improving in each category while working toward achieving the target set for fiscal 2020, which is twice the fiscal 2005 level.

The Biodiversity Index for fiscal 2014 was 2.68 times that of fiscal 2005, achieving the target level for a second consecutive year. While the denominator components such as greenhouse gas emissions, pollution load and resource consumption declined, at the same time, the numerator of net sales increased in fiscal 2014. As a result, the overall Biodiversity Index improved 0.41 points from the

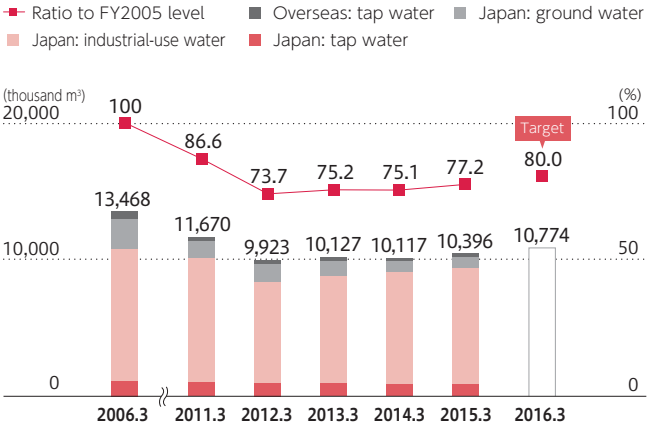
previous year. Since we have made continuous progress on improving the Biodiversity Index, we have revised the target for it in the Environmental Action Plan upward from two times the base year level to three times for fiscal 2015.

* For details on the calculation method, please visit the following website:
http://www.astellas.com/en/csr/environment/biodiversity_sub_02.html

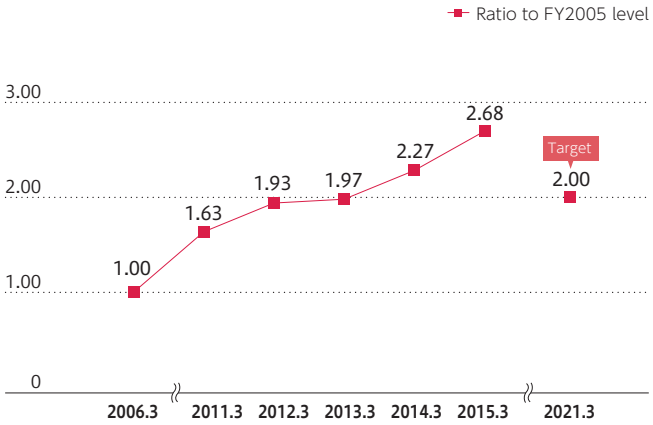
For further information on Astellas activities regarding the environment, please visit the following website:
http://www.astellas.com/en/csr/environment/

Amount of Water Withdrawal (Global)

(Japan: all facilities excl. sales branches; Overseas: all five production facilities)



Biodiversity Index



VOICE Initiatives for Biodiversity

We will preserve the abundant nature of the Nishine Forest

Nishine Plant, Astellas Pharma Tech, is located in the abundant nature of a hillside forest from Mount Iwate. Our site area has the space of 345,000 ㎡ and the forest covers most of the area around the plant buildings. Animals such as wild Japanese deer and squirrels can also be seen on the site.

In October 2014, an ecosystem survey was carried out by an independent third party to ascertain the CO_2 emission reductions (CO_2 absorption amount) and ecosystem of the forest.

As a result, it was estimated that the forest on the site absorbs around 260 tons of CO_2 per year. Trees in the vicinity including chestnuts, quercus crispula and Japanese pines are well looked after, and the presence of diverse wildlife that depend on them was also confirmed. Moreover, some of these plants have been identified as rare species in danger of extinction, in addition to rare animals which should be protected, including grey buntings and copper pheasants. It was revealed that the level of natural foliage left on the site was relatively higher than surrounding areas.

We plan to implement our nature preservation policy for the Nishine Forest on the basis of the results of the survey.

Shouei Hiraki
General Manager
Nishine Plant

Compliance

Compliance at Astellas is defined broadly as acting in accordance with the highest ethical standards which includes compliance with both the letter and spirit of the law. This concept of compliance is the cornerstone of all our activities.

As a code of values for all employees to implement compliance, the Astellas Charter of Corporate Conduct specifies the Company's business philosophy in terms of corporate behavior. The Astellas Global Code of Conduct guides employees worldwide on how to comply with our business philosophy and the Astellas Charter of Corporate Conduct, and acts as the highest level of code that applies uniformly to all Astellas employees.

Astellas promotes compliance and acts in accordance with the highest ethical standards through the development, implementation and continuous enhancement of policies, processes and our global compliance structures and thereby maintain the trust of society and enhance enterprise value.

Anti-bribery/Anti-corruption Initiatives

As business becomes increasingly globalized, countries around the world are implementing laws targeting corruption and bribery. Enforcement authorities have prosecuted cases involving direct corruption and bribery as well as cases involving bribery that occurred through the actions of a business partner or third party agent. Astellas is committed to strengthening its compliance awareness and controls to prevent corruption not only at Astellas but also at third parties with which we conduct our business.

Policies and Controls to Prevent Corruption, including Communication and Training

The Astellas Global Code of Conduct sets forth rules to prevent bribery and corruption. Furthermore, Astellas has established a Global Anti-Bribery and Anti-Corruption Policy that elaborates on these rules. Rules have also been developed separately in each region. By establishing and implementing these rules, Astellas is working to ensure that bribery and corruption are not part of how we conduct our business.

In fiscal 2014, Astellas commenced risk assessment activities to evaluate risk in various countries and created training programs. For example, approximately 5,000 employees received anti-corruption and anti-bribery training in Japan from September 2014 to February 2015. In fiscal 2015, we plan to continue the risk assessment activities and further enhance training programs in each region.

Addressing Third-party Risk

Astellas has established a risk-based due diligence screening for the third-parties with whom it works and will continue to enhance the program in fiscal 2015. For example, in May 2014, Astellas established guidelines designed to prevent bribery occurring through third parties in Japan and Asia/Oceania and conducted due diligence screenings of key third-parties in the Asian region. Due diligence screening of third-parties has been done in key Latin American and European countries and this will continue in fiscal 2015.

Commitment to Fair Competition

Regulatory authorities worldwide have increased enforcement efforts against anti-competitive practices through alliances with other countries, including the proactive sharing of information and government policies. Some cases have led to the imposition of substantial governmental fines or the award of damages arising out of private litigation. Astellas has implemented risk management measures to prevent such anti-competitive actions.

Astellas is committed to competing fairly in the market and the conduct required of employees is specified as follows:

Extracts from Astellas Global Code of Conduct

- Astellas employees must not agree with competitors regarding pricing, discounts, market strategies, or the allocation of markets, territories and customers.
- Astellas employees must immediately leave a meeting with competitors if they start discussing prices, discounts, or market strategies.
- Astellas employees must not inappropriately obtain or gain access to competitors' confidential information or knowingly use such confidential information.

In fiscal 2014, no government authorities instituted legal action against Astellas due to anti-competitive practices nor have authorities imposed fines or other sanctions for non-compliance with laws and regulations.

Initiatives to Increase Transparency

Astellas conducts basic medical and pharmaceutical research and clinical development of drugs in collaboration with research, medical and other institutions.

In the course of these activities, Astellas' goal is to be transparent about its relationships with research and medical institutions and healthcare professionals in order to reassure its stakeholders that its business activities are founded upon a high sense of ethics.

Ensuring Transparent Relationships with Medical Institutions

Astellas timely and appropriately discloses relevant information to the public or reports it to the authorities, following laws and guidelines in each country, such as the Transparency Guideline for the Relation between Corporate Activities and Medical Institutions established by the Japan Pharmaceutical Manufacturers Association, Sunshine Act in the U.S., and the European Federation of Pharmaceutical Industries and Associations (EFPIA) Code in Europe.

Ensuring Transparency for the Results of Clinical Trials

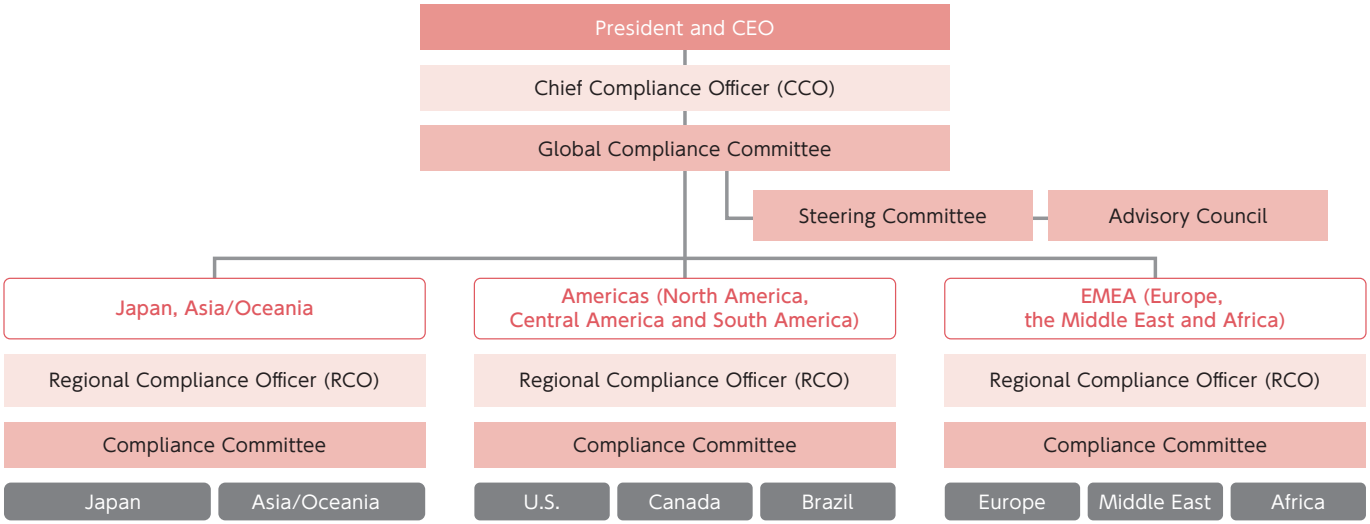
Astellas publishes its clinical trial information and results, in accordance with regulatory requirements and industry guidance, including the principles of the EFPIA and Pharmaceutical Research and Manufacturers of America (PhRMA). By making our clinical trial information publicly available, we further the potential of such information to enhance research of disease and to fulfill the unmet needs of patients the world over.

Promoting Compliance Globally

Structure to Promote Compliance

Astellas has a robust compliance structure in place that includes a Chief Compliance Officer (CCO) and Global Compliance Committee. There are Regional Compliance Officers (RCOs) and compliance committees in each geographical region: the Americas, EMEA, and Japan/Asia/Oceania. The RCOs collaborate with the Global Compliance Committee to address processes at a global level. In fiscal 2014, Astellas also established the Global Compliance Steering Committee (GCSC) and the Advisory Council to support the Global Compliance Committee to reinforce global collaboration and enhancement of global compliance policies and processes.

Global Compliance Structure



Promoting Global Compliance Initiatives

In fiscal 2014, representatives from each region formed global task teams to address the issues identified and formulated as part of Global Compliance Initiatives for 2014. Each task team focused on global policies and processes regarding compliance, including anti-bribery and anti-corruption, as well as conflicts of interest, along with developing globally-unified training plans. Based on these plans, Astellas is enhancing compliance training in each region to help maintain a compliance-oriented mindset in employees.

Helplines for Employees

Astellas has helplines in each region, which enable employees to report and receive advice on how to react in the event they discover actual or suspected misconduct. In many countries, an external helpline has also been put into place, and employees also receive training on how to use the helplines.

Astellas fosters an environment that encourages employees to use the helplines. Astellas has a strict policy of non-retaliation against those who raise a concern or report a suspected compliance breach in good faith, even if the concern or report is not substantiated.

In Japan, a separate sexual harassment helpline is also available. These helplines are available in employees' local languages.

In fiscal 2014, our helplines received consultation requests in each region. Matters raised included potential harassment and promotional code violations. In response, we conducted thorough investigations and took appropriate actions.

Global Compliance Initiatives for 2014

	Focus on Financial Transactions		Information	People
	Payments	Anti-bribery/ Anti-corruption		
Ongoing Risk Evaluation	Employee Compliance Survey			
		Anti-bribery/Anti-corruption		
Enhanced Policies	Policy Committee			
			Internal/External Presentation Review Policy/Process	Conflicts of Interest
Additional Process Control	Global approval system for payments to HCPs and HCOs			
	Transparency		Responsible Communication	
	Grants and Donations		Social Media	
Enhanced Training Process				Anti-harassment
Helplines	Helplines and Investigations			

For further information on Astellas activities regarding compliance issues, please visit the following website:
https://www.astellas.com/en/corporate/compliance/

VOICE Initiatives to Increase Transparency

Promoting information disclosure to establish accountability

To ensure transparency, we have been disclosing information on donations, compensation for lectures, and other funds provided to Healthcare Organizations (HCOs) and Healthcare Professionals (HCPs) in Japan since fiscal 2012.

In Japan, we provide this information voluntarily based on industry guidelines, rather than legal requirements as in places like the U.S. We therefore make it a top priority to clearly communicate our purpose and intent to HCPs. Further, the information we disclose includes details like the names of medical professionals and institutions, not just the amounts of donations, lecture fees, or other compensation. We therefore also have in place steps to ensure that consent is obtained for such disclosures and that the information disclosure system is secure.

As industry guidelines evolve, we will continue to work to optimize information disclosure including by reviewing our transparency policy and process for tabulating payment data.

Takayoshi Ue
Transparency Policy Project Secretariat. Legal & Compliance Department

Transparency is vital to collaborative initiatives with academia and industry. It is also increasingly on the public's radar. Additionally, companies must disclose information to establish accountability to gain society's trust.

Astellas is committed to business activities upholding the highest ethical standards and contributing to the development of life science. To promote widespread understanding of that, we aim to disclose information in a manner that is even easier to comprehend.

We established operational processes to ensure transparency

We launched a European-wide initiative called the Transparency Programme in the fiscal year ending March 2015. This programme for reporting the applicable transfers of value (ToVs) to Healthcare Professionals (HCPs) and Healthcare Organizations (HCOs) not only serves to comply with disclosure and reporting requirements set forth by EFPIA and local regulations, but also establishes an internal cooperation system for operational, financial and organisational fitness.

During the first half of 2014, the Programme worked closely with all affiliates across the EMEA region to understand their business processes and how each country interacted with HCPs/HCOs, and standardised the definitions of ToVs and interactions. The efforts specifically include the following:

Anna Byrom
European Healthcare Reporting EMEA Legal & Compliance

- Managing information with newly updated systems for interactions with HCPs/HCOs (interfaces between payment systems and customer master data/vendor data);
- Revising and standardising processes and procedures for HCPs/ HCOs interactions; and
- Ensuring correct contracts and disclosure consent forms are in place in order to comply with EU Data Privacy requirements.

We believe the programme has built a cross-border, cross-functional collaboration structure, which will enable us to handle and develop any changes efficiently, not only in EMEA but also globally.

In the fiscal year ending March 2016, we will focus on the delivery of training, roll out of data collection templates and reporting across regions and functions globally and seek to further develop the principles for standardisation and efficiencies where there are mixed cross regional reporting requirements. The programme will continue to work closely with all affiliates across the EMEA region as well as our global colleagues in order to ensure transparency in our day-to-day activities.

Dialogue with Stakeholders

Astellas considers it vital to understand the expectations and demands of patients and other diverse stakeholders in order to increase its enterprise value. We therefore undertake various types of communication with stakeholders such as patients, healthcare professionals, shareholders and investors.

Main Opportunities for Communication with Stakeholders

(For details, please visit the following website: http://www.astellas.com/en/csr/communication/)

Patients and Healthcare Professionals	・Provision of medical information through MRs ・Responding to product inquiries	**Business Partners**	・Supplier surveys based on the CSR Procurement Guiding Principles
Employees	・Regular dialogue between management and employees ・Compliance helplines	**Local Communities**	・Round table talks with neighboring residents and local government bodies ・Support of volunteer activities by employees
Shareholders and Investors	・General Shareholders' Meeting ・Review of business results ・Regular investor update on management plans, R&D plans and others	**Other**	・Exchange of opinions with government agencies ・Participation in various external activities such as economic groups and industry associations

Fight against Doping

In January 2015, Masafumi Nogimori, Representative Director and Chairman of Astellas, participated as one of the speakers in the Second International Conference on the Pharmaceutical Industry and the Fight Against Doping which was co-organized by the Ministry of Education, Culture, Sports, Science and Technology of Japan, UNESCO, the World Anti-Doping Agency(WADA) and the Japan Anti-Doping Agency. Triggered by this opportunity, Astellas started to reinforce dialogue with the WADA as part of stakeholder engagement activities. Now we are internally discussing how to establish our collaboration scheme with WADA in order to facilitate anti-doping activities.

Why the Second International Pharmaceutical Conference reinforced the need for anti-doping – pharmaceutical partnerships

The Second International Pharmaceutical Conference held in Tokyo in January 2015 was filled with positive energy and brought together UNESCO, a number of government representatives, and the leading players from both anti-doping and pharmaceutical communities. WADA is very grateful for the essential contribution of Mr. Nogimori, in his position of vice chairman of IFPMA*1, in the preparation of the Tokyo Conference.

One of the main aims of the conference was to promote, and further encourage, partnerships between anti-doping organizations and companies within the pharmaceutical industry. Doping has now become an issue affecting the whole society. Collaboration of the two communities has contributed not only to protecting clean athletes*2 but also to further safeguarding public health.

There is no doubt that these partnerships offer a win-win scenario for both communities. For the anti-doping community, it is helpful to receive information on substances in development that could potentially be abused by athletes, in order to develop detection methods. For the pharmaceutical industry, the partnership enables them to develop risk mitigation strategies based upon expertise and information shared by WADA and to act on counterfeiting. I would encourage the pharmaceutical companies of Japan, including Astellas, to advance their collaborations with anti-doping organizations, for the good not only of sport but of society, too.

*1 IFPMA: International Federation of Pharmaceutical Manufacturers & Associations
*2 Athletes who do not use doping drugs

Dr. Olivier Rabin
Senior Director, Science, World Anti-Doping Agency

Corporate Governance

Astellas is continuously striving to secure and strengthen the effectiveness of its corporate governance to sustainably enhance corporate value. Here we introduce the Group's corporate governance system and initiatives.

Corporate Governance

Basic Approach and Corporate Governance System

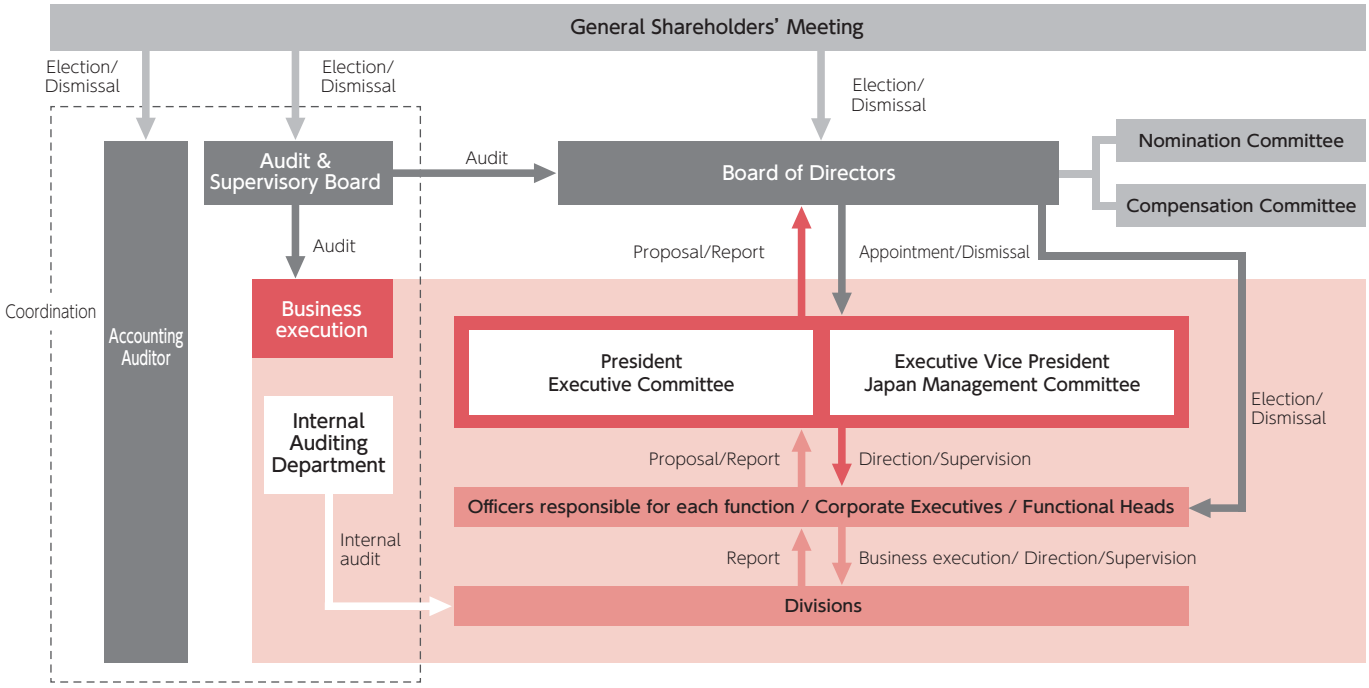
Astellas strives to continuously maintain and strengthen the effectiveness of its corporate governance systems in order to sustainably increase its enterprise value. These efforts are undertaken from two perspectives. The first is to ensure that management is transparent, appropriate, and agile. The second is to fulfill the Company's fiduciary duties and accountability to shareholders along with collaborating appropriately with other stakeholders.

The Company's corporate governance system is summarized below.

- The Company has adopted the organization structure of a Company with an Audit & Supervisory Board.
- The Board of Directors and the Audit & Supervisory Board are each comprised of a majority of outside Directors and outside Audit & Supervisory Board Members.
- The Board of Directors principally serves the oversight function of business execution and also makes decisions on important business execution.
- As for the framework for business execution, the Company established 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 business execution by these committees, the President and CEO and the Executive Officers are clearly set out in the Corporate Decision Authority Policy.
- As advisory bodies to the Board of Directors, the Company established the Nomination Committee and the Compensation Committee, each of which are composed of a majority of outside Directors.

* The Company has laid out its basic views and guidelines on corporate governance in the Corporate Governance Guidelines, which is published on the Company's website.

Corporate Governance System



Directors and the Board of Directors

The Directors are elected at the General Shareholders' Meeting for a term of office of one year. The Board of Directors meets once per month, as a general rule, and is chaired by the Director and Chairman.

The Board of Directors mainly performs an oversight function over business execution and also makes decisions on important business execution matters. It thereby ensures that management is transparent, appropriate, and agile. The Board has an appropriate number of directors, in consideration of diversity and balance from the perspectives of expertise and experience. The Board has a majority of outside Directors to enable it to make decisions from a wider perspective and oversee business execution objectively.

As of the close of the 2015 General Shareholders' Meeting, Astellas' Board of Directors comprises seven directors, with a majority of four being outside Directors. The four outside Directors meet the criteria of the Tokyo Stock Exchange for independent Directors as well as the Company's own criteria for independence* of outside Directors. They are therefore independent Directors who have no risk of a conflict of interest with general shareholders. Each outside Director has a specific area of expertise, such as business management, law, or medicine. They make use of their wide-ranging experience and expertise to participate in decision-making at Board of Directors meetings and oversee business execution from an independent standpoint.

* The Company's Independance Standards for Outside Directors and Outside Audit & Supervisory Board Members are published on the Company's website.

Expected Role of Outside Directors and Outside Audit & Supervisory Board Members

Position	Name	Expected Role	Attendance at Meetings of the Board of Directors and Audit & Supervisory Board During Fiscal 2014
Outside Director	Yutaka Kase	Yutaka Kase currently plays a key role as an outside Director for management of the Company from an independent position. The Company is confident that he will draw on his abundant experience in corporate management in management of the Company in the future as well.	16/17 times
	Hironobu Yasuda	Hironobu Yasuda currently plays a key role as an outside Director for management of the Company from an independent position as an attorney-at-law. The Company is confident that he will draw on his abundant specialized knowledge and experience in management of the Company in the future as well.	17/17 times
	Etsuko Okajima	Etsuko Okajima currently plays a key role as an outside Director for management of the Company from an independent position. The Company is confident that she will draw on her abundant experience in corporate management in management of the Company in the future as well.	14/14 times
	Yoshiharu Aizawa	The Company is confident that Yoshiharu Aizawa will draw on his abundant specialized knowledge and experience as a medical scientist in management of the Company from an independent position.	Inaugurated in June 2015
Outside Audit & Supervisory Board Member	Shigeru Nishiyama	Shigeru Nishiyama currently plays a key role as an outside Audit & Supervisory Board Member from an independent position. The Company is confident that he will draw on his abundant specialized knowledge and experience as a business scholar and a certified public accountant in audit of the Company in the future as well.	17/17 Board of Directors meetings 15/15 Audit & Supervisory Board meetings
	Toshiko Oka	Toshiko Oka currently plays a key role as an outside Audit & Supervisory Board Member from an independent position. The Company is confident that she will draw on her abundant experience in corporate management in audit of the Company in the future as well.	14/14 Board of Directors meetings 11/11 Audit & Supervisory Board meetings
	Hitoshi Kanamori	The Company is confident that Hitoshi Kanamori will draw on his abundant experience as an attorney-at-law in audit of the Company from an independent position.	Inaugurated in June 2015

Nomination Committee and Compensation Committee

The Company has the Nomination Committee and the Compensation Committee that serve as advisory bodies to the Board of Directors for the purpose of enhancing the transparency and objectivity of the deliberation process for executive appointments and compensation systems. Each committee comprises a majority of outside Directors and has an outside Director serving as chair.

(Role of the Nomination Committee)

- Discusses matters concerning the election and dismissal of Directors and Audit & Supervisory Board Members, and the appointment and removal of Executive Officers and others, and reports the results to the Board of Directors

(Role of the Compensation Committee)

- Discusses matters concerning remunerations to be received by Directors, Executive Officers and others, and reports the results to the Board of Directors

Audit & Supervisory Board Members / Audit & Supervisory Board

Astellas uses the Audit & Supervisory Board Member system. The Audit & Supervisory Board Members are elected at the General Shareholders' Meeting for a term of office of four years. As a general rule, the Audit & Supervisory Board meets once per month.

The Audit & Supervisory Board Members contribute to the establishment of effective corporate governance system by auditing the Directors' performance of their duties. The Audit & Supervisory Board is the only discussion and decision-making body for forming opinions regarding the audits by Audit & Supervisory Board Members. The Audit & Supervisory Board, where necessary, provides its opinions to Directors or the Board of Directors. However, resolutions of the Audit & Supervisory Board do not obstruct the execution by each Audit & Supervisory Board Member of their authority.

As of the close of the General Shareholders' Meeting, the Audit & Supervisory Board comprises five members, with a majority of three outside Audit & Supervisory Board Members to further enhance the independence and neutrality of the auditing system. The three outside Audit & Supervisory Board Members meet the criteria of the Tokyo Stock Exchange for independent Audit & Supervisory Board Members as well as the Company's own criteria for independence of outside Audit & Supervisory Board Members. They are therefore independent Audit & Supervisory Board Members who have no risk of a conflict of interest with general shareholders. Each outside Audit & Supervisory Board Member has a specific area of expertise, such as finance, accounting, and business management. They draw on their specific expertise and extensive experience to audit the Directors' performance of duties from an independent standpoint. The Company assigns full-time staff members to assist the Audit & Supervisory Board Members in carrying out their duties to ensure that the Audit & Supervisory Board Members' audits are effective. The function of the Audit & Supervisory Board Members is enhanced through cooperation with the Accounting Auditors and the Internal Auditing Department.

Remunerations for Directors and Audit & Supervisory Board Members

Remunerations for Directors and Audit & Supervisory Board Members are so designed as to enable the Company to recruit and retain talented individuals, and to make the remuneration levels and structures fully commensurate with the responsibilities of the position. The Company has improved 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 enterprise value, and are composed of a fixed amount base salary, 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) comprise only a fixed amount base salary. 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.

* In fiscal 2015, Astellas introduced a performance-linked stock compensation scheme. Following the introduction of this new plan, no more stock options under the previous stock-linked compensation plan will be issued from fiscal 2015.

(¥ million)

	Total compensation	Type of Compensation		
		Base salary	Stock options	Bonus
Directors (excluding outside Directors) : 3	526	281	103	141
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) : 3	88	88	–	–
Outside Directors and outside Audit & Supervisory Board Members : 8	72	72	–	–

The total amount of compensation shown here is the amount paid as compensation for the performance of duties during fiscal 2014, and includes the amount paid to the one outside Director and two Audit & Supervisory Board Members (including one outside Audit & Supervisory Board Member) who retired during fiscal 2014.

Invigorating the General Shareholders' Meeting and Smooth Exercise of Voting Rights

The Company recognizes the General Shareholders' Meeting as an important forum for constructive dialogue with shareholders. We have taken the following measures to invigorate the meeting for shareholders and smooth the processes of exercising voting rights.

- The General Shareholders' Meeting is held in June each year on a date chosen to avoid dates where meetings of other companies are concentrated.
- The convocation notice is dispatched three weeks prior to the meeting date, and published before dispatch on TDnet and the Company's website.
- To enhance the environment for exercising voting rights, we utilize an electronic voting platform.
- An English translation of the convocation notice is posted on the Company's website together with the Japanese version.

Reorganizing the Management Structure

The Company is working to establish and reorganize its global management structure.

In April 2015, we established the Executive Committee, chaired by the President and CEO, as an advisory body to discuss important matters for overall group management. At the same time, we created the Japan Management Committee, chaired by the Executive Vice President, as a body to discuss important matters regarding the Company and group companies in Japan. In conjunction with this, we abolished the previous Global Management Committee, the Corporate Administration & Finance Committee, and the Global Human Resources Committee.

To establish the optimal management structure for enabling swift, accurate decision making, the Company is promoting a "matrix management" structure that consists of a functional axis—covering the functions of Drug Discovery Research, Medical and Development, and Technology—as well as a geographical region axis covering the sales & marketing function.

The Company has also established the CSR Committee, which discusses policies and plans for important activities in fulfilling the Company's social responsibilities (environment, health and safety, social contribution activities, and so forth), and the Global Compliance Committee, which discusses global compliance policies and plans. In April 2015, we established the Global Risk Management Office and upgraded our global risk management structure. We also abolished the previous IR Committee, replacing it with the Corporate Disclosure Committee, which discusses matters related to our policy for disclosure of Company information.

Business Execution Committees

Committee Name/Chair	Role
Executive Committee/ President and CEO	Discusses important matters concerning overall group management.
Japan Management Committee/ Executive Vice President	Discusses important matters concerning administration of the Company and group companies in Japan.
CSR Committee/ Chief Strategy Officer	Discusses matters related to CSR initiatives for Astellas as a whole.
Global Compliance Committee/ Executive Vice President	Discusses important matters related to compliance, as well as policies and plans related to compliance for Astellas as a whole.
Corporate Disclosure Committee/ Chief Financial Officer	Discusses matters concerning corporate information disclosure.
Global Benefit Risk Committee/ Chief Medical Officer	Discusses product risk-benefit information and policies to address this information.

Top Management Structure

Current Position	Department in-charge
President and CEO Yoshihiko Hatanaka	Internal Auditing, Drug Discovery Research, Technology, Sales & Marketing, Asia & Oceania Business, EMEA Operations, Americas Operations, Global Marketing Strategy
Executive Vice President Yoshiro Miyokawa	External Relations, General Affairs, Human Resources, Legal & Compliance, Executive Office
Chief Financial Officer Yasumasa Masuda	Corporate Finance & Control, Accounting & Tax, Corporate Communications, Procurement, Information Systems
Chief Strategy Officer Kenji Yasukawa, Ph.D.	Corporate Planning, Product and Portfolio Strategy, Business Development, Innovation Management, Evolving Medical Solutions, Intellectual Property, Real World Informatics and Analytics
Chief Medical Officer Sef Kurstjens, M.D., Ph.D.	Global Development, Global Pharmacovigilance, Medical Affairs, Global Regulatory Affairs, Global Clinical and Research Quality Assurance, Global Quality Assurance

Accounting Audit

Ernst & Young ShinNihon LLC serves as the Company's Accounting Auditor. The Accounting Auditor and the Company's Audit & Supervisory Board Members maintain close cooperation by meeting several times a year, as well as discussing their annual audit plans and the results of audits, and sharing important audit information. Furthermore, to ensure the reliability of financial reporting, the Company has established and is operating an internal control system for financial reporting that complies with standards generally accepted in Japan, and we assess the effectiveness of the system as appropriate.

	Payment amount
1. Accounting auditors' compensation in fiscal 2014	¥165 million
2. Total amount of cash and other material benefits payable to Accounting Auditor by the Company and its subsidiaries	¥171 million

Measures to Improve the Internal Control System

The Company has established an internal control system in every part of the group and will further develop and enhance systems, such as the system to improve efficient performance of duties, the risk management system, the system for compliance with laws and other matters, and the internal audit system. We are also promoting systems and an environment for ensuring that audits by Audit & Supervisory Board Members are carried out effectively. Through these efforts, the Company is working to ensure that the entire group's business is duly executed.

Details on this system of internal controls are available on the Company's website, and in the reports concerning corporate governance submitted to the stock exchanges, etc.

Timely, Appropriate Information Disclosure and Constructive Dialogue with Shareholders

The Company strives to ensure timely, appropriate, and fair disclosure of information to all stakeholders, including customers, shareholders, and society. We also conduct proactive dialogue with stakeholders and strive to ensure that the opinions they share with us are reflected properly in our corporate activities. This commitment to disclosure and dialogue helps us to improve our transparency as a corporation, and to build and maintain trust with our stakeholders. The Company has published* its Disclosure Policy, which was formulated in line with these basic commitments, and has also established the Corporate Disclosure Committee to promote and manage information disclosure activities.

In addition, the Company established a dedicated in-house department for investor relations (IR) and has appointed an executive officer with responsibility for supervising dialogue with shareholders overall and for IR. Their role is to hold individual consultations with shareholders and other investors, as well as briefing meetings and other events, in order to further enhance constructive dialogue with shareholders and other investors, as well as other market participants.

* The Company's Disclosure Policy is published on its website.

Main IR Activities in Fiscal 2014

- We held regular briefings on financial results for securities analysts, institutional investors, and news media, and in July 2014 we gave a briefing on our R&D activities.
- We participated in conferences held by securities companies in and outside Japan, and held talks with many institutional investors.
- In Japan, we held briefings for individual shareholders and other investors.

Management Structure

(as of August 2015)

Executive Committee

Standing Members

Extended Members

Wataru Uchida, Ph.D.
Senior Vice President,
Drug Discovery Research

Bernie Zeiher, M.D.
President,
Global Development

Mitsunori Matsuda
Senior Vice President,
Technology

Yukihiko Sato
Senior Vice President,
Sales & Marketing Japan

Masatoshi Kuroda
Senior Vice President,
Asia & Oceania Business

Ken Jones
President and CEO,
EMEA Operations

Masao Yoshida
President and CEO,
Americas Operations

Global Heads

Yukio Matsui
Head of Global Marketing Strategy

Bill Fitzsimmons, Pharm.D.
Head of Global Regulatory Affairs and Global Clinical and Research Quality Assurance

Charlotte Kremer, M.D.
Head of Medical Affairs

Shunichi Hirashima
Head of Global Quality Assurance

Songlin Xue, M.D., Ph.D.
Head of Global Pharmacovigilance

Directors and Audit & Supervisory Board Members

(as of August 2015)

1. Masafumi Nogimori

Representative Director and Chairman

1970: Joined Fujisawa Pharmaceutical Co., Ltd.
1997: Member of the Board, Fujisawa Pharmaceutical Co., Ltd.
1998: President, Fujisawa GmbH
2000: Resigned as Member of the Board, Fujisawa Pharmaceutical Co., Ltd., Corporate Vice President, Fujisawa Pharmaceutical Co., Ltd.
2001: Corporate Vice President, Associate Executive Director of Ethical Pharmaceuticals and Director of Pharmaceutical Planning, Fujisawa Pharmaceutical Co., Ltd.
2001: Corporate Senior Vice President and Director of Global Corporate Strategies Planning, Fujisawa Pharmaceutical Co., Ltd.
2003: Member of the Board, Fujisawa Pharmaceutical Co., Ltd.
2004: Corporate Executive Vice President and Member of the Board, Fujisawa Pharmaceutical Co., Ltd.
2005: Executive Vice President and Representative Director of the Company
2006: President & CEO and Representative Director of the Company
2011: Chairman and Representative Director of the Company (present post)

2. Yoshihiko Hatanaka

Representative Director, President and CEO

1980: Joined Fujisawa Pharmaceutical Co., Ltd.
2003: Director of Corporate Planning, Fujisawa Pharmaceutical Co., Ltd.
2005: Vice President of Corporate Planning, Corporate Strategy Division of the Company
2005: Corporate Executive and Vice President of Corporate Planning, Corporate Strategy of the Company
2006: Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.
2008: Senior Corporate Executive of the Company and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.
2009: Senior Corporate Executive of the Company, Corporate Strategy and Corporate Finance (CFO & CSTO)
2011: President & CEO and Representative Director of the Company (present post)

3. Yoshiro Miyokawa

Representative Director and Executive Vice President

1975: Joined the Company
2003: Vice President of Business Process Reengineering of the Company
2005: Vice President of Post-Merger Integration Operation of the Company
2005: Corporate Executive and Vice President of Post-Merger Integration Operation of the Company
2005: Corporate Executive and Vice President of Business Innovation of the Company
2006: Corporate Executive and Vice President of Human Resources, Corporate Administration Division of the Company
2007: Corporate Executive and Vice President of Human Resources of the Company
2008: Corporate Executive of the Company, Corporate Administration (CAO)
2008: Senior Corporate Executive of the Company, Corporate Administration (CAO)
2011: Executive Vice President and Senior Corporate Executive of the Company, Corporate Administration (CAO)
2013: Executive Vice President and Representative Director of the Company, Corporate Administration and Compliance (CAO & CCO) (present post)

4. Yutaka Kase

Outside Director

1970: Joined Nissho Iwai Corporation
2001: Executive Officer, Nissho Iwai Corporation
2003: Managing Executive Officer and Director, Nissho Iwai Corporation
2004: Senior Managing Executive Officer and Representative Director, Sojitz Corporation
2004: Executive Vice President and Representative Director, Sojitz Corporation
2007: President and Representative Director, Sojitz Corporation
2012: Chairman and Representative Director, Sojitz Corporation (present post)
2013: Director of the Company (present post)

5. Hironobu Yasuda

Outside Director

1978: Public Prosecutor, Tokyo District Public Prosecutors Office
2004: Public Prosecutor, Tokyo High Public Prosecutors Office
2005: Chief Appeals Judge (Director of Tokyo Regional Tax Tribunal)
2009: Chief Prosecutor, Yamaguchi District Public Prosecutors Office
2010: Public Prosecutor, Supreme Public Prosecutors Office
2010: Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association)
2012: Partner, Seiryo Law Office (present post)
2013: Director of the Company (present post)

6. Etsuko Okajima

Outside Director

1989: Joined Mitsubishi Corporation
2001: Joined McKinsey & Company, Inc., Japan
2002: Joined GLOBIS Management Bank, Inc.
2004: Executive Officer, GLOBIS Corporation
2005: President and Representative Director, GLOBIS Management Bank, Inc.
2007: Established ProNova Inc. President and Representative Director, ProNova Inc. (present post)
2014: Director of the Company (present post)
2014: Outside Director, MARUI GROUP CO., LTD (present post)

7. Yoshiharu Aizawa, M.D., Ph.D.
Outside Director

1975: Fellow, Department of Internal Medicine, School of Medicine, Keio University
1980: Assistant Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University
1983: Associate Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University
1994: Professor, Department of Preventive Medicine and Public Health, School of Medicine, Kitasato University
2004: Chairperson of School of Medicine, Kitasato University
2006: Dean of School of Medicine, Kitasato University
2009: Vice President, Kitasato University
2010: Executive Trustee, The Kitasato Institute
2012: Professor Emeritus, Kitasato University (present post)
2015: Director of the Company (Present post)

8. Go Otani
Audit & Supervisory Board Member

1980: Joined the Company
2009: Vice President of Internal Auditing Department of the Company
2013: Assistant to President
2013: Audit & Supervisory Board Member of the Company (present post)

9. Tomokazu Fujisawa
Audit & Supervisory Board Member

1984: Joined Fujisawa Pharmaceutical Co., Ltd.
1999: Director of Planning, Medical Supply Business, Fujisawa Pharmaceutical Co., Ltd.
2006: Assistant to Senior Vice President, Corporate Finance & Accounting and Project Leader of J-SOX Project of the Company
2007: Project Leader of J-SOX Project of the Company
2013: Vice President of Internal Auditing of the Company
2014: Assistant to President of the Company
2014: Audit & Supervisory Board Member of the Company (present post)

10. Shigeru Nishiyama
Outside Audit & Supervisory Board Member

1984: Joined Sanwa Tokyo Marunouchi Audit Corporation (currently Deloitte Touche Tohmatsu LLC)
1995: Established Nishiyama Associates
2002: Associate Professor, Graduate School of Asia-Pacific Studies, Waseda University
2003: Outside Audit & Supervisory Board Member, PIGEON CORPORATION (present post)
2006: Professor, Graduate School of Asia-Pacific Studies, Waseda University
2008: Professor, Graduate School of Commerce, Waseda University (present post)
2012: Audit & Supervisory Board Member of the Company (present post)

11. Toshiko Oka
Outside Audit & Supervisory Board Member

1986: Joined Tohmatsu Touche Ross Consulting Limited (currently ABeam Consulting Ltd.)
2000: Joined Asahi Arthur Andersen Limited
2002: Principal, Deloitte Tohmatsu Consulting Co., Ltd. (currently ABeam Consulting Ltd.)
2005: President and Representative Director, ABeam Consulting Ltd. (currently PricewaterhouseCoopers Deals Advisory Inc.) (present post)
2008: Outside Director, Netyear Group Corporation (present post)
2014: Audit & Supervisory Board Member of the Company (present post)

12. Hitoshi Kanamori
Outside Audit & Supervisory Board Member

1984: Public Prosecutor, Tokyo District Public Prosecutors Office
1985: Public Prosecutor, Yamagata District Public Prosecutors Office
1988: Public Prosecutor, Niigata District Public Prosecutors Office
1990: Public Prosecutor, Tokyo District Public Prosecutors Office
1992: Registered as an attorney-at-law (Tokyo Bar Association)
1993: Partner, SANNO LAW OFFICE (present post)
2005: Visiting Professor, University of Tsukuba Law School
2015: Audit & Supervisory Board Member of the Company (present post)

Messages from Outside Officers

With the formulation of the Japan's Corporate Governance Code, the role of outside Directors is set to become even larger than before. Four of Astellas' seven Directors are outside Directors, and each of them uses their respective expertise and, through lively discussion in Board of Directors meetings, supervises the Company's management, ensuring that it is transparent and sound.

The Company also employs various devices to advance the outside Directors' understanding of the Company and the industry. These include visits to related business sites, lectures from specialists, introductions to internal departments, opportunities for exchanges with other external executive officers. In fiscal 2015, I will continue to contribute to high quality corporate governance at Astellas in my role as chair of the Nomination Committee and the Compensation Committee.

Yutaka Kase Outside Director

My main contributions in the Board of Directors meetings have been from the perspective of risk management and so forth. Based on my experience as a legal professional and my independent position, I give comments on basic and material issues concerning management.

In June 2015, a new Corporate Governance Code was set out. In line with the code, Astellas has adopted a policy of providing regular opportunities for outside Directors and outside Audit & Supervisory Board Members to exchange opinions. I expect this will further invigorate the Board of Directors' meetings. We will continue our efforts to meet the expectations of shareholders and all other stakeholders.

Hironobu Yasuda Outside Director

Drawing on my experience of making diagnoses and prescriptions for human resources-related issues for management teams from over 200 companies every year, I will leverage my knowledge as a "family doctor" (consultant for strengthening management teams) to contribute to Board of Directors' meetings.

As a research and development-oriented global pharmaceutical company, it is essential for Astellas to conduct both sustained and destructive innovation in order to realize its business philosophy, which is to contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. I intend to help Astellas to accelerate its efforts to create a corporate culture and environment that enables its employees to continue to generate innovation with a sense of urgency by overseeing and providing support for business execution.

Etsuko Okajima Outside Director

I have been a member of the Board of Directors as an outside Director since fiscal 2015. Comprised of seven Directors, four of whom are outside Directors, the Board of Directors oversees management from perspectives that are both diverse and broad-ranging.

Continued development of effective, safe new drugs requires employees to have a highly ethical perspective and shared goals. They also need to have faith in the Company's management and a real passion for the Company. The management team therefore needs to work ceaselessly on improving the organization and developing an environment that is conducive to good work. I will use my experience in researching, educating, and implementing industrial health policies at the university, as well as my involvement in the administration of the medical faculty and the university, to supervise and support management execution at Astellas. I aim to help the Company to ensure and promote the health of people around the world, and to conduct transparent management that meets shareholders' expectations.

Yoshiharu Aizawa, M.D., Ph.D. Outside Director

Society has various expectations of the pharmaceutical industry, and I feel that Astellas responds to these with integrity and sincerity based on its business philosophy, which is to contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. At the same time, I feel that the Company has built a high quality governance system to form the basis of management in terms of transparency and accountability to society.

As an outside Audit & Supervisory Board Member, I would like to see this situation continue. To that end, I will continue to contribute to further enhancement of the Company's governance system, drawing mainly on my expertise in the fields of accounting and finance. I want to help Astellas to fulfill its responsibilities, so that it can realize its mission of sustainably increasing its enterprise value.

Shigeru Nishiyama Outside Audit & Supervisory Board Member

The real test of the value of the Corporate Governance Code that has been drawing much attention recently will be in its actual implementation in each company. Astellas' governance system is founded on integrity, the quality of maintaining a highly ethical perspective in all management activities. I feel that in everyday operations, the system is functioning extremely effectively.

I have seen many companies over the years in my job as a management consultant. I plan to draw on this experience to continue contributing to Astellas' development and governance system by providing "ordinary common sense" from a neutral and objective perspective.

Toshiko Oka Outside Audit & Supervisory Board Member

With the recent revelation of inappropriate accounting practices at a well-known leading company, society's demand for effective governance has grown even stronger. Astellas' governance is of an international standard, and going forward the Company will have a majority of outside officers in both the Board of Directors and the Audit & Supervisory Board. Moreover, it has further strengthened its monitoring and supervision systems for all operations.

Under this excellent governance system, I will speak from a free position as a completely independent officer with no conflict of interest with Astellas, based on my experience as a public prosecutor and a lawyer. I also intend to strengthen my links with other outside officers. In this way, I plan to contribute to ensuring that Astellas' governance functions properly.

Hitoshi Kanamori Outside Audit & Supervisory Board Member

Financial, Stock, and Corporate Information

Consolidated Financial Statements

Consolidated Statements of Income

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2014 and 2015

		(Millions of yen)		(Millions of U.S. dollars)
	Note	2014	2015	2015
Sales	6	¥1,139,909	**¥1,247,259**	**$10,394**
Cost of sales		(330,628)	**(333,197)**	**(2,777)**
Gross profit		809,281	**914,062**	**7,617**
Selling, general and administrative expenses		(397,018)	**(452,522)**	**(3,771)**
Research and development expenses		(191,460)	**(206,594)**	**(1,722)**
Amortisation of intangible assets	17	(36,000)	**(38,664)**	**(322)**
Share of profits of associates and joint ventures		1,451	**217**	**2**
Other income	7	11,582	**12,503**	**104**
Other expense	8	(81,029)	**(43,339)**	**(361)**
Operating profit		116,806	**185,663**	**1,547**
Finance income	10	6,827	**7,097**	**59**
Finance expense	11	(1,658)	**(3,078)**	**(26)**
Profit before tax		121,975	**189,683**	**1,581**
Income tax expense	12	(31,100)	**(53,827)**	**(449)**
Profit for the year		¥ 90,874	**¥ 135,856**	**$ 1,132**
Profit attributable to:				
Owners of the parent		¥ 90,874	**¥ 135,856**	**$ 1,132**

		(Yen)		(U.S. dollars)
Earnings per share				
Basic	13	¥ 40.45	**¥ 61.50**	**$ 0.51**
Diluted	13	40.39	**61.40**	**0.51**

Consolidated Statements of Comprehensive Income

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2014 and 2015

		(Millions of yen)		(Millions of U.S. dollars)
	Note	2014	2015	2015
Profit for the year		¥ 90,874	**¥135,856**	**$ 1,132**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans		4,648	**(7,874)**	**(66)**
Sub total		4,648	**(7,874)**	**(66)**
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustments	14	80,001	**29,645**	**247**
Fair value movements on available-for-sale financial assets	14	6,588	**11,872**	**99**
Sub total		86,590	**41,517**	**346**
Other comprehensive income, net of tax		91,238	**33,643**	**280**
Total comprehensive income		¥182,112	**¥169,499**	**$ 1,412**
Total comprehensive income attributable to:				
Owners of the parent		¥182,112	**¥169,499**	**$ 1,412**

Consolidated Statements of Financial Position

Astellas Pharma Inc. and Subsidiaries
As of 31 March 2014 and 2015

	Note	(Millions of yen) 2014	2015	(Millions of U.S. dollars) 2015
Assets				
Non-current assets				
Property, plant and equipment	15	¥ 191,451	**¥ 202,869**	**$ 1,691**
Goodwill	16	116,766	**136,337**	**1,136**
Other intangible assets	17	280,120	**295,844**	**2,465**
Trade and other receivables	22	—	**15,588**	**130**
Investments in associates and joint ventures		1,808	**2,007**	**17**
Deferred tax assets	18	45,530	**51,199**	**427**
Other financial assets	19	94,961	**110,091**	**917**
Other non-current assets	20	9,179	**13,685**	**114**
Total non-current assets		739,816	**827,621**	**6,897**
Current assets				
Inventories	21	¥ 135,228	**¥ 156,907**	**$ 1,308**
Trade and other receivables	22	332,639	**332,923**	**2,774**
Income tax receivable		2,710	**6,918**	**58**
Other financial assets	19	35,406	**59,908**	**499**
Other current assets	20	12,068	**12,732**	**106**
Cash and cash equivalents	23	391,374	**396,430**	**3,304**
Sub total		909,424	**965,819**	**8,048**
Assets held for sale	24	3,868	**139**	**1**
Total current assets		913,292	**965,958**	**8,050**
Total assets		¥1,653,108	**¥1,793,578**	**$14,946**

	Note	(Millions of yen) 2014	2015	(Millions of U.S. dollars) 2015
Equity and liabilities				
Equity				
Share capital	25	¥ 103,001	**¥ 103,001**	**$ 858**
Capital surplus	25	176,822	**176,822**	**1,474**
Treasury shares	25	(54,535)	**(86,997)**	**(725)**
Retained earnings		864,830	**905,083**	**7,542**
Other components of equity	25	178,359	**220,007**	**1,833**
Total equity attributable to owners of the parent		1,268,476	**1,317,916**	**10,983**
Total equity		1,268,476	**1,317,916**	**10,983**
Liabilities				
Non-current liabilities				
Trade and other payables	32	64	**90**	**1**
Deferred tax liabilities	18	2	**38**	**0**
Retirement benefit liabilities	28	27,184	**30,059**	**250**
Provisions	29	4,264	**4,817**	**40**
Other financial liabilities	30	749	**626**	**5**
Other non-current liabilities	31	11,681	**19,142**	**160**
Total non-current liabilities		43,944	**54,771**	**456**
Current liabilities				
Trade and other payables	32	187,032	**226,602**	**1,888**
Income tax payable		13,237	**14,124**	**118**
Provisions	29	66,407	**85,423**	**712**
Other financial liabilities	30	1,062	**1,339**	**11**
Other current liabilities	31	72,950	**93,403**	**778**
Total current liabilities		340,688	**420,890**	**3,507**
Total liabilities		384,632	**475,662**	**3,964**
Total equity and liabilities		¥1,653,108	**¥1,793,578**	**$14,946**

Consolidated Statements of Changes in Equity

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2014 and 2015

(Millions of yen)

	Note	Equity attributable to owners of the parent										
						Other components of equity						
		Share capital	Capital surplus	Treasury shares	Retained earnings	Subscription rights to shares	Foreign currency translation adjustments	Fair value movements on available-for-sale financial assets	Remeasurements of defined benefit plans	Total	Total	Total equity
As of 1 April 2013		¥103,001	¥176,822	¥(72,285)	¥875,473	¥1,937	¥67,659	¥22,000	¥ —	¥91,596	¥1,174,606	¥1,174,606
Comprehensive income												
Profit for the year		—	—	—	90,874	—	—	—	—	—	90,874	90,874
Other comprehensive income		—	—	—	—	—	80,001	6,588	4,648	91,238	91,238	91,238
Total comprehensive income		—	—	—	90,874	—	80,001	6,588	4,648	91,238	182,112	182,112
Transactions with owners of the parent												
Acquisition of treasury shares	25	—	—	(30,075)	—	—	—	—	—	—	(30,075)	(30,075)
Disposals of treasury shares	25	—	—	463	(147)	(192)	—	—	—	(192)	124	124
Cancellation of treasury shares	25	—	—	47,362	(47,362)	—	—	—	—	—	—	—
Dividends	26	—	—	—	(58,656)	—	—	—	—	—	(58,656)	(58,656)
Share-based payments	27	—	—	—	—	365	—	—	—	365	365	365
Transfers		—	—	—	4,648	—	—	—	(4,648)	(4,648)	—	—
Total transactions with owners of the parent		—	—	17,750	(101,517)	173	—	—	(4,648)	(4,475)	(88,242)	(88,242)
As of 31 March 2014		103,001	176,822	(54,535)	864,830	2,110	147,660	28,588	—	178,359	1,268,476	1,268,476
Comprehensive income												
Profit for the year		—	—	—	**135,856**	—	—	—	—	—	**135,856**	**135,856**
Other comprehensive income		—	—	—	—	—	**29,645**	**11,872**	**(7,874)**	**33,643**	**33,643**	**33,643**
Total comprehensive income		—	—	—	**135,856**	—	**29,645**	**11,872**	**(7,874)**	**33,643**	**169,499**	**169,499**
Transactions with owners of the parent												
Acquisition of treasury shares	25	—	—	**(58,229)**	—	—	—	—	—	—	**(58,229)**	**(58,229)**
Disposals of treasury shares	25	—	—	**369**	**(185)**	**(176)**	—	—	—	**(176)**	**8**	**8**
Cancellation of treasury shares	25	—	—	**25,398**	**(25,398)**	—	—	—	—	—	—	—
Dividends	26	—	—	—	**(62,146)**	—	—	—	—	—	**(62,146)**	**(62,146)**
Share-based payments	27	—	—	—	—	**307**	—	—	—	**307**	**307**	**307**
Transfers		—	—	—	**(7,874)**	—	—	—	**7,874**	**7,874**	—	—
Total transactions with owners of the parent		—	—	**(32,462)**	**(95,603)**	**131**	—	—	**7,874**	**8,005**	**(120,059)**	**(120,059)**
As of 31 March 2015		**¥103,001**	**¥176,822**	**¥(86,997)**	**¥905,083**	**¥2,241**	**¥177,306**	**¥40,461**	**¥ —**	**¥220,007**	**¥1,317,916**	**¥1,317,916**

(Millions of U.S. dollars)

	Note	Equity attributable to owners of the parent										
						Other components of equity						
		Share capital	Capital surplus	Treasury shares	Retained earnings	Subscription rights to shares	Foreign currency translation adjustments	Fair value movements on available-for-sale financial assets	Remeasurements of defined benefit plans	Total	Total	Total equity
As of 31 March 2014		**$858**	**$1,474**	**$(454)**	**$7,207**	**$18**	**$1,231**	**$238**	**$ —**	**$1,486**	**$10,571**	**$10,571**
Comprehensive income												
Profit for the year		—	—	—	**1,132**	—	—	—	—	—	**1,132**	**1,132**
Other comprehensive income		—	—	—	—	—	**247**	**99**	**(66)**	**280**	**280**	**280**
Total comprehensive income		—	—	—	**1,132**	—	**247**	**99**	**(66)**	**280**	**1,412**	**1,412**
Transactions with owners of the parent												
Acquisition of treasury shares	25	—	—	**(485)**	—	—	—	—	—	—	**(485)**	**(485)**
Disposals of treasury shares	25	—	—	**3**	**(2)**	**(1)**	—	—	—	**(1)**	**0**	**0**
Cancellation of treasury shares	25	—	—	**212**	**(212)**	—	—	—	—	—	—	—
Dividends	26	—	—	—	**(518)**	—	—	—	—	—	**(518)**	**(518)**
Share-based payments	27	—	—	—	—	**3**	—	—	—	**3**	**3**	**3**
Transfers		—	—	—	**(66)**	—	—	—	**66**	**66**	—	—
Total transactions with owners of the parent		—	—	**(271)**	**(797)**	**1**	—	—	**66**	**67**	**(1,000)**	**(1,000)**
As of 31 March 2015		**$858**	**$1,474**	**$(725)**	**$7,542**	**$19**	**$1,478**	**$337**	**$ —**	**$1,833**	**$10,983**	**$10,983**

Consolidated Statements of Cash Flows

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2014 and 2015

	Note	(Millions of yen) 2014	2015	(Millions of U.S. dollars) 2015
Cash flows from operating activities				
Profit before tax		¥121,975	**¥189,683**	**$1,581**
Depreciation and amortisation		64,304	**65,474**	**546**
Impairment losses and reversal of impairment losses		55,568	**10,329**	**86**
Finance income and expense		(5,169)	**(4,019)**	**(33)**
(Increase) decrease in inventories		5,449	**(18,150)**	**(151)**
(Increase) decrease in trade and other receivables		(1,088)	**3,912**	**33**
Increase (decrease) in trade and other payables		(20,686)	**31,756**	**265**
Other		37,029	**(23,048)**	**(192)**
Cash generated from operations		257,381	**255,937**	**2,133**
Income tax paid		(43,124)	**(68,251)**	**(569)**
Net cash flows from operating activities		214,257	**187,686**	**1,564**
Cash flows from investing activities				
Purchases of property, plant and equipment		(29,261)	**(24,159)**	**(201)**
Proceeds from sales of property, plant and equipment		8,652	**5,450**	**45**
Purchase of intangible assets		(26,885)	**(57,007)**	**(475)**
Purchase of available-for-sale financial assets		(1,577)	**(3,583)**	**(30)**
Proceeds from sales of available-for-sale financial assets		7,526	**9,739**	**81**
Proceeds from sales of subsidiaries	33	18,592	**—**	**—**
Interest and dividends received		3,322	**2,291**	**19**
Other		(7,221)	**(4,207)**	**(35)**
Net cash flows used in investing activities		(26,851)	**(71,476)**	**(596)**
Cash flows from financing activities				
Acquisition of treasury shares	25	(30,075)	**(58,229)**	**(485)**
Dividends paid to owners of the parent	26	(58,656)	**(62,146)**	**(518)**
Other		(664)	**(744)**	**(6)**
Net cash flows used in financing activities		(89,395)	**(121,118)**	**(1,009)**
Effect of exchange rate changes on cash and cash equivalents		28,450	**9,966**	**83**
Net increase (decrease) in cash and cash equivalents		126,461	**5,057**	**42**
Cash and cash equivalents at the beginning of the year	23	264,912	**391,374**	**3,261**
Cash and cash equivalents at the end of the year	23	¥391,374	**¥396,430**	**$3,304**

Notes to Consolidated Financial Statements

Astellas Pharma Inc. and Subsidiaries
For the years ended 31 March 2014 and 2015

1. Reporting Entity

Astellas Pharma Inc. and its subsidiaries (collectively, the "Group") are engaged in the manufacture and sales of pharmaceutical products. The parent company of the Group, Astellas Pharma Inc. (the "Company"), is incorporated in Japan, and the registered address of headquarters and principal business offices are available on the Company's website (http://www.astellas.com/en/). Also, shares of the Company are publicly traded on the Tokyo Stock Exchange (First Section).

The Group's consolidated financial statements for the year ended 31 March 2015 were authorised for issue on 17 June 2015 by Yoshihiko Hatanaka, Representative Director, President and Chief Executive Officer, and Yasumasa Masuda, Senior Corporate Executive and Chief Financial Officer.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

(3) Presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded to the nearest million yen, except as otherwise indicated.

For the convenience of readers outside Japan, the accompanying consolidated financial statements are also presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥120 to US $1, the approximate rate of exchange at the end of 31 March 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New or amended IFRS standards and interpretations not yet adopted

The following is a list of new or amended IFRS standards and interpretations that the Group has not adopted among those issued by the date of the approval of the Group's consolidated financial statements. Also, the effects on the Group due to the application of the standards or interpretations listed below are still under consideration and cannot be estimated at this time.

	IFRSs	Effective date (fiscal years beginning on or after)	The Group's application date (fiscal year ending)	Summaries of new or amended IFRS standards and interpretations
IAS 19	Employee Benefits	1 July 2014	31 March 2016	Clarification of accounting for contributions by employees or third parties
IFRS 15	Revenue from Contracts with Customers	1 January 2017	31 March 2018	Comprehensive framework for revenue recognition
IFRS 9	Financial Instruments	1 January 2018	31 March 2019	Amendments related to classification and measurement of financial assets and financial liabilities, impairment, and hedge accounting

3. Significant Accounting Policies

The significant accounting policies of the Group are applied continuously to all periods indicated in the consolidated financial statements, except for the new standards listed below.

The following accounting standards and interpretations are newly applied by the Group from the fiscal year ended 31 March 2015 in compliance with each transitional provision. These standards and interpretations do not have a material impact on the Group's consolidated financial statements.

	IFRSs	Summaries of new or amended IFRS standards and interpretations
IAS 32	Financial Instruments: Presentation	Offsetting financial assets and financial liabilities
IAS 36	Impairment of Assets	Disclosures related to recoverable amount of non-financial assets
IFRS 10	Consolidated Financial Statements	Establishment of accounting treatment for entities meeting new definition of investment entity
IFRS 12	Disclosure of Interests in Other Entities	Additional disclosure requirements for newly defined investment entities
IFRIC 21	Levies	Clarification of recognition of liabilities for levies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group has power over the entity, is exposed to, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date on which the Group loses control.

All intragroup assets and liabilities, transactions and unrealised gains or losses arising from intragroup transactions are eliminated on consolidation.

(ii) Associates

Associates are entities over which the Group has significant influence on their financial and operating policies but does not have control or joint control. If the Group owns between 20% and 50% of the voting power of an entity, it is presumed that the Group has significant influence over the entity. The Group accounts for investments in associates using the equity method.

(iii) Joint arrangements

A joint arrangement is an arrangement in which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Joint arrangements in which the Group has an interest are classified and accounted for as follows:

- Joint operation—when the Group has rights to the assets and obligations for the liabilities relating to an arrangement, it accounts for each of its assets, liabilities, revenue and expenses, in relation to its interest in the joint operation.
- Joint venture—when the Group has rights only to the net assets of the arrangement, it accounts for its interest in the joint venture using the equity method in the same way as associates.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred is measured at fair value and calculated as the aggregate of the fair values of the assets transferred, liabilities assumed, and the equity interests issued by the Group. The consideration transferred also includes any assets or liabilities resulting from a contingent consideration arrangement.

The identifiable assets acquired, the liabilities and contingent liabilities assumed that meet the recognition principles of IFRS 3 "Business Combinations" are measured at their acquisition-date fair values, except:

- Deferred tax assets or liabilities, liabilities (or assets, if any) related to employee benefits, and liabilities related to share-based payment transactions are recognised and measured in accordance with IAS 12 "Income Taxes", IAS 19 "Employee Benefits", and IFRS 2 "Share-based Payment", respectively; and
- Non-current assets and disposal groups classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recorded as goodwill. If the excess is negative, then a gain from a bargain purchase is immediately recognised in profit or loss.

Acquisition-related costs incurred in connection with business combinations, such as finder's fees and advisory fees, are expensed when incurred.

(3) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or an approximation of the rate.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the closing date and exchange differences arising from translation are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of fiscal year. Income and expenses are translated into Japanese yen using the average exchange rate for the period.

Exchange differences arising on translating the financial statements of foreign operations are recognised in other comprehensive income. On the disposal of the interest in a foreign operation, the cumulative amount of the exchange differences is reclassified to profit or loss.

(4) Sales

(i) Sale of goods

Sales are measured at the fair value of the consideration received or receivable, less discounts, charge-backs and other rebates, excluding sales taxes and value added taxes. Also, the Group recognises the sales amount of transactions in which the Group is acting as an agent on a net basis.

Revenue from the sale of goods is recognised when all of the following conditions have been satisfied,

namely, the significant risks and rewards of ownership of the goods have been transferred to the buyers, the Group retains neither continuing managerial involvement nor effective control over the goods sold, it is probable that the economic benefits will flow to the Group, and the amount of revenue and costs associated with the transaction can be reliably measured. Therefore, revenue is usually recognised at the time of delivery of goods to customers. Sales discounts, charge-backs and other rebates are recognised as accounts payable, provisions or as deductions from accounts receivable.

(ii) Royalty income

Some of the Group's revenues are generated from the agreements under which third parties have been granted rights to produce or market products or rights to use technologies. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Revenue associated with milestone agreements is recognised upon achievement of the milestones defined in the respective agreements. Upfront payments and license fees received for agreements where the rights or obligations still exist are initially recognised as deferred income and then recognised in income as earned over the period of the development collaboration or the manufacturing obligation.

(5) Research and development expenses

Expenditure on research and development of an internal project is fully expensed as "Research and development expenses" in the consolidated statements of income when incurred.

Internally generated development expenses are recognised as an intangible asset only if the capitalisation criteria under IAS 38 are satisfied. Therefore, internal expenditure incurred for ongoing internal development projects is not capitalised until marketing approval is obtained from the regulatory authorities in a major market, which is considered the time at which the criteria of capitalisation under IAS 38 are met.

In addition to the Group's internal research and development activities, the Group has entered into research and development collaboration agreements with some alliance partners. The expenses and income associated with the settlement of the expenditure incurred for the research and development collaboration activities are accounted for as research and development expenses on an accrual basis in the same way as research and development expenses incurred within the Group.

(6) Finance income and finance expense

Finance income mainly comprises interest income, dividend income, and gain on sales of financial instruments. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Financial expenses mainly comprise interest expense, fees, loss on sales of financial instruments, and impairment losses for financial assets.

(7) Income tax

Income tax expense is comprised of current and deferred taxes, and recognised in profit or loss, except for taxes related to business combinations and to items that are recognised in other comprehensive income or directly in equity.

Current taxes are calculated at the amount expected to be paid to or recovered from the taxation authority by applying the statutory tax rate and tax laws enacted or substantially enacted at the end of the fiscal year.

Deferred tax assets and deferred tax liabilities are recognised for temporary differences between the carrying amounts of certain assets or liabilities in the consolidated statements of financial position and their tax base. However, deferred tax assets and liabilities are not recognised for:

- taxable temporary differences arising from the initial recognition of goodwill.
- taxable or deductible temporary differences arising from the initial recognition of assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss).
- deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements when it is not probable that the temporary difference will reverse in the foreseeable future or there will not be sufficient taxable profits against which the deductible temporary differences can be utilised.
- taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements when the Group is able to

control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses, and unused tax credits can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

(8) Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent by the weighted-average number of ordinary shares outstanding during the year, adjusting treasury shares. For the purpose of calculating diluted earnings per share, profit for the year attributable to owners of the parent and the weighted average number of shares outstanding, adjusting treasury shares, is calculated for the effects of all dilutive potential ordinary shares.

(9) Property, plant and equipment

Property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment includes costs directly attributable to the acquisition and the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located.

Costs incurred after initial recognition are recognised as an asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and its cost can be reliably measured. Costs of day-to-day servicing for items of property, plant and equipment, such as repairs and maintenance, expensed when incurred.

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

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

Buildings and structures	2 to 60 years
Machinery and vehicles	2 to 30 years
Tools, furniture and fixtures	2 to 20 years

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

(10) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of an asset are transferred to the Group. All other leases are classified as operating leases.

Under finance lease transactions, leased assets and lease obligations are initially recognised at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or lease terms. Minimum lease payments made under finance leases are allocated to finance expense and the repayment amount of the lease obligations. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liabilities.

Under operating lease transactions, lease payments are recognised as an expense on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease, based on the substance of the arrangement at the date of commencement of the lease. The substance of the arrangement is determined based on the following factors:

(a) whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and,

(b) whether the arrangement conveys a right to use the asset.

(11) Goodwill

Measurement of goodwill on initial recognition is described in "(2) Business combinations". After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Impairment of goodwill is described in "(13) Impairment of property, plant and equipment, goodwill, and other intangible assets".

(12) Other intangible assets

Other intangible assets are identifiable non-monetary assets without physical substance, other than goodwill, including patents and technologies, marketing rights, and in-process research and development (IPR&D) acquired in a business combination or acquired separately.

Other intangible assets acquired separately are measured at cost upon initial recognition, and those acquired in a business combination are measured at fair value at the acquisition date. After initial recognition, the Group applies the cost model and other intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised over their estimated useful lives (2-25 years) on a straight-line basis beginning at the time when they are available for use. Amortisation of other intangible assets acquired through business combinations or through the in-licensing of products or technologies is presented in the consolidated statements of income under "Amortisation of intangible assets". The estimated useful life of other intangible assets is the shorter of the period of legal protection or its economic life, and it is also regularly reviewed.

Among rights related to products or research and development through the in-licensing of products or technologies or acquired through business combinations, those that are still in the research and development stage or have not yet obtained marketing approval from the regulatory authorities are recognised under "Other intangible assets" as IPR&D.

Subsequent expenditure, including initial upfront and milestone payments to the third parties, on an acquired IPR&D is capitalised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the asset is identifiable.

An intangible asset recognised as IPR&D is not amortised because it is not yet available for use, but instead, it is tested for impairment whenever there is an indication of impairment or at least on an annual basis irrespective of whether there is any indication.

Once marketing approval from the regulatory authorities is obtained and the asset is available for use, IPR&D is transferred to "Patents and technologies" or "Marketing rights" and amortisation begins from that time on a straight-line basis over its useful life.

(13) Impairment of property, plant and equipment, goodwill, and other intangible assets

(i) Impairment of property, plant and equipment and other intangible assets

At the end of each quarter, the Group assesses whether there is any indication that its property, plant and equipment and other intangible assets may be impaired.

If there is an indication of impairment, the recoverable amount of the asset is estimated. Other intangible assets not yet available for use or with indefinite useful lives are tested for impairment annually irrespective of whether there is any indication of impairment.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In measuring the value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects the time value of money and the risks specific to the asset. The discount rate used for calculating the recoverable amount is set at a rate appropriate to each geographical area of operations.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.

(ii) Impairment of goodwill

Goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination, and it is tested for impairment annually and whenever there is an indication that the cash-

generating unit may be impaired. If, at the time of the impairment test, the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.

Impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of cash-generating units and then to the other assets on a pro rata basis of the carrying amount of each asset in the cash-generating unit or group of cash-generating units.

(iii) Reversal of impairment loss

At the end of each quarter, the Group assesses whether there is any indication that an impairment loss recognised in prior years for other intangible assets may no longer exist or may have decreased. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated. If the recoverable amount of the asset or the cash-generating unit is greater than its carrying amount, a reversal of an impairment loss is recognised, to the extent the increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation or amortisation) that would have been determined had no impairment loss been recognised in prior years.

Any impairment loss recognised for goodwill is not reversed in a subsequent period.

(14) Financial instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value at initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or issuance of financial liabilities, other than financial assets measured at fair value through profit or loss (“financial assets at FVTPL”) and financial liabilities measured at fair value through profit or loss (“financial liabilities at FVTPL”), are added to the fair value of the financial assets or deducted from the fair value of financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL and financial liabilities at FVTPL are recognised in profit or loss.

(ii) Non-derivative financial assets

Non-derivative financial assets are classified into “financial assets at FVTPL”, “held-to-maturity investments”, “loans and receivables” and “available-for-sale financial assets”. The classification is determined based on the nature and purpose of the financial assets at the time of initial recognition.

(a) Financial assets at FVTPL

The Group classifies financial assets as FVTPL when the financial assets are either held for trading or designated as FVTPL at initial recognition.

Financial assets at FVTPL are measured at fair value, and any gain or loss resulting from changes in fair value, dividends, and interest income are recognised in profit or loss.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

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

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Amortisation incurred under the effective interest method is recognised in profit or loss.

(d) Available-for-sale financial assets

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

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss resulting from changes in fair value is recognised in other comprehensive income. Dividends on available-for-sale financial assets are recognised in profit or loss. When available-for-sale financial assets are derecognised

or determined to be impaired, the cumulative gain or loss that had been recognised in other comprehensive income is reclassified to profit or loss.

(iii) Impairment of financial assets other than FVTPL

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

Objective evidence of impairment of financial assets includes:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- probability that the borrower will enter bankruptcy or other financial reorganisation; or
- disappearance of an active market for the financial assets.

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

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

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

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

(iv) Derecognition of financial assets

When the contractual rights with respect to the cash flows from a financial asset expire or the contractual rights to receive the cash flows from a financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset are transferred, the Group derecognises the financial asset.

(v) Non-derivative financial liabilities

The Group measures non-derivative financial liabilities at amortised cost using the effective interest method after initial recognition.

The Group derecognises financial liabilities when obligations are fulfilled or when obligations are discharged, cancelled, or expired.

(vi) Derivatives

The Group is engaged in derivative transactions and mainly uses foreign exchange forward contracts to manage its exposure to risks from changes in foreign exchange rates.

Derivatives are initially recognised at fair value of the date when the derivative contracts are entered into and are subsequently measured at their fair values at the end of each quarter.

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

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

(15) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturities of three months or less from the date of acquisition which are subject to an insignificant risk of changes in value.

(16) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell. Cost of inventories is calculated mainly using the first-in, first-out (FIFO) method.

(17) Assets held for sale

Non-current assets or disposal groups are classified as "Assets held for sale" if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. To be classified as assets held for sale, the asset must be available for immediate sale in its present condition, and the sale must be highly probable. Specifically, management of the Group must have a firm commitment to execute the plan to sell the asset and the sale is expected to be completed within one year from the date of classification, as a general rule. Assets held for sale are measured at the lower of their carrying amounts and fair values less costs to sell, and they are not depreciated or amortised while they are classified as held for sale.

(18) Equity

(i) Ordinary shares

Proceeds from the issuance of ordinary shares by the Company are included in share capital and capital surplus. Transaction costs of issuing ordinary shares (net of tax) are deducted from capital surplus.

(ii) Treasury shares

When the Company reacquires its own ordinary shares, the amount of the consideration paid including transaction costs is deducted from equity. When the Company sells treasury shares, the difference between the carrying amount and the consideration received from the sale is recognised in equity.

(19) Share-based payment

The Group has a share option plan as an equity-settled share-based payment for directors and corporate officers. Share options are measured at the grant date fair value, and the fair value of share options is calculated using the binomial model.

The fair value of share options determined at the grant date is expensed over the vesting period with a corresponding increase in equity by taking into account the number of share options that will eventually vest.

(20) Employee benefits

(i) Retirement benefits

The Group operates defined benefit and defined contribution retirement plans for its employees.

(a) Defined benefit plans

Net defined benefit assets or liabilities are calculated as the present value of the defined benefit obligation less the fair value of plan assets and they are recognised in the consolidated statements of financial position as assets or liabilities. The defined benefit obligation is calculated by using the projected unit credit method. The present value of the defined benefit obligation is calculated by the expected future payments using discount rate. The discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms consistent with the estimated term of the related pension obligations.

Service cost and net interest expense (income) on the net defined benefit liabilities (assets) are recognised in profit or loss.

Actuarial gains and losses, the return on plan assets, excluding amounts included in net interest, and any change in the effect of the asset ceiling are recognised immediately in other comprehensive income under "Remeasurements of defined benefit plans", and transferred from other components of equity to retained earnings immediately.

(b) Defined contribution plans

Contributions paid for defined contribution plans are expensed in the period in which the employees provide the related service.

(ii) Short-term employee benefits

Short-term employee benefits are expensed when the related service is provided. Bonus accrual is recognised as a liability when the Group has present legal or constructive obligations resulting from past service rendered by the employees and reliable estimates of the obligations can be made.

(21) Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(22) Government grants

Government grants are recognised and measured at fair value, if there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants that are intended to compensate for specific costs are recognised as income in the period in which the Group recognises the corresponding expenses. Government grants related to assets are recognised as deferred income and then recognised in profit over the expected useful life of the relevant asset on a regular basis.

4. Significant Accounting Estimates, Judgments and Assumptions

The preparation of the consolidated financial statements requires management of the Group to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Given their nature, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, and the effects resulting from revisions of accounting estimates are recognised in the period in which the estimates are revised and in future periods affected by the revision.

Estimates and underlying assumptions representing a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year are as follows:

- Impairment of property, plant and equipment, goodwill and other intangible assets (Notes 15, 16 and 17)
- Provisions (Note 29)
- Retirement benefits (Note 28)
- Recoverability of deferred tax assets (Note 18)
- Income tax expenses (Note 12)
- Financial assets measured at fair value which have no market price in active markets (Note 34)

5. Segment Information

The main activities of the Group are the manufacture and sale of pharmaceutical products, and there are no separate operating segments. Therefore, the Group has a single reporting segment, "Pharmaceutical".

Information about products and services

Sales by type of product and service are as follows:

(Millions of yen)

	2014	2015
Prograf	¥ 181,054	¥ 194,712
XTANDI	54,594	137,189
Vesicare	133,845	135,241
Other	770,415	780,118
Total	¥1,139,909	¥1,247,259

Information about geographical areas

Sales and non-current assets by geographical areas are as follows:

Sales by geographical areas

(Millions of yen)

	2014	2015
Japan	¥ 522,089	¥ 488,363
Americas	284,472	358,196
U.S.A. (included in Americas)	258,905	334,178
Europe	252,698	303,442
Asia, Oceania and other	80,649	97,258
Total	¥1,139,909	¥1,247,259

(Note) Sales by geographical areas are categorised by country or areas based on the geographical location of customers.

Non-current assets by geographical areas (Property, plant and equipment, goodwill and other intangible assets)

(Millions of yen)

	2014	2015
Japan	¥273,119	¥308,426
Americas	270,918	286,413
U.S.A. (included in Americas)	270,449	286,100
Europe	40,304	35,722
Asia, Oceania and other	3,998	4,489
Total	¥588,338	¥635,050

Information about major customers

External customers that accounts for 10% or more of consolidated sales of the Group are as follows:

(Millions of yen)

	Segment	2014	2015
McKesson Corporation (Note 1)	Pharmaceutical	–	¥126,308
SUZUKEN CO., LTD. (Note 2)	Pharmaceutical	¥120,352	–

(Note) 1. The total amount of sales to McKesson Corporation for the fiscal year ended 31 March 2014 is omitted because the amount is less than 10% of consolidated sales of the Group.

2. The total amount of sales to Suzuken Co., Ltd. for the fiscal year ended 31 March 2015 is omitted because the amount is less than 10% of consolidated sales of the Group.

6. Sales

The breakdown of sales is as follows:

(Millions of yen)

	2014	2015
Sales of pharmaceutical products	¥1,086,472	¥1,176,769
Royalty income	23,526	36,564
Other	29,911	33,926
Total sales	¥1,139,909	¥1,247,259

7. Other Income

The breakdown of other income is as follows:

(Millions of yen)

	2014	2015
Gain on sales of property, plant and equipment	¥ 5,525	¥ 1,420
Gain on settlement of defined benefit plan as post-employment benefits	–	8,017
Gain on sales of investments in subsidiaries	4,736	–
Other	1,321	3,066
Total other income	¥11,582	¥12,503

(Note) 1. The main item of "Gain on sales of property, plant and equipment" for the year ended 31 March 2014 was due to the sales of real estate owned by the Company to Mitsui Fudosan Co., Ltd.

2. "Gain on settlement of defined benefit plan as post-employment benefits" for the year ended 31 March 2015 was due to a change in the post-employment benefits of a subsidiary in the Netherlands, from a defined benefit plan to a defined contribution plan.

3. "Gain on sales of investments in subsidiaries" for the year ended 31 March 2014 was recognised for sale of the Company's entire shareholding of Lotus Estate Co., Ltd. to Mitsui Fudosan Co., Ltd.

8. Other Expense

The breakdown of other expense is as follows:

(Millions of yen)

	2014	2015
Loss on sales and disposal of property, plant and equipment	¥ 4,075	¥ 1,213
Impairment losses for property, plant and equipment	978	580
Impairment losses for goodwill	945	–
Impairment losses for other intangible assets	53,871	9,749
Restructuring costs	10,111	11,501
Litigation costs	222	16,236
Net foreign exchange losses	8,019	3,568
Other	2,810	493
Total other expense	¥81,029	¥43,339

(Note) 1. The main item of "Loss on sales and disposal of property, plant and equipment" for the year ended 31 March 2014 was due to the sale of real estate owned by the Company to Mitsui Fudosan Co., Ltd.

2. "Impairment losses for other intangible assets" for the years ended 31 March 2014 and 2015 were principally due to the discontinuation of development activities for projects.

3. "Restructuring costs" for the year ended 31 March 2014 was due to the reshaping of the research framework and the succession of the business at the Fuji Plant to Nichi-Iko Pharmaceutical Co., Ltd.

4. "Restructuring costs" for the year ended 31 March 2015 was mainly due to the implementation of an early retirement incentive program for employees of the Company and its domestic subsidiaries.

5. The main item of "Litigation costs" for the year ended 31 March 2015 was due to the Prograf litigation involving a U.S. subsidiary.

6. The amount of "Net foreign exchange losses" includes foreign exchange gains and losses resulting from foreign exchange forward contracts (¥5,356 million of foreign exchange gains for the year ended 31 March 2014, and ¥19,749 million of foreign exchange losses for the year ended 31 March 2015).

9. Employee Benefit Expenses

The breakdown of employee benefit expenses is as follows:

(Millions of yen)

	2014	2015
Rewards and salaries	¥140,114	¥147,449
Bonuses	51,814	54,495
Social security and welfare expenses	26,938	29,211
Retirement benefit expenses—Defined contribution plan	12,269	13,479
Retirement benefit expenses—Defined benefit plan	8,142	8,462
Restructuring and termination benefits	4,688	12,920
Other employee benefit expenses	3,791	3,114
Total employee benefit expenses	¥247,756	¥269,130

(Note) 1. Employee benefit expenses are included in "Cost of sales", "Selling, general and administrative expenses", "Research and development expenses" and "Other expense" in the consolidated statements of income.

2. "Retirement benefit expenses—Defined benefit plan" does not include "Gain on settlement of defined benefit plan as post-employment benefits" recognised in "Other income."

10. Finance Income

The breakdown of finance income is as follows:

(Millions of yen)

	2014	2015
Interest income		
Cash and cash equivalents	¥ 579	¥ 715
Other	82	89
Dividend income		
Available-for-sale financial assets	929	1,136
Gain on sales		
Available-for-sale financial assets	5,049	5,150
Other	188	7
Total finance income	¥6,827	¥7,097

11. Finance Expense

The breakdown of finance expense is as follows:

(Millions of yen)

	2014	2015
Impairment losses		
Available-for-sale financial assets	¥1,164	¥2,610
Other	494	468
Total finance expense	¥1,658	¥3,078

12. Income Tax Expense

The breakdown of income tax expense recognised in profit or loss is as follows:

(Millions of yen)

	2014	2015
Current income tax expense	¥ 53,388	¥ 64,877
Deferred income tax expense	(22,288)	(11,051)
Income tax expense reported in the consolidated statements of income	¥ 31,100	¥ 53,827

Deferred income tax expense increased by ¥3,170 million and ¥1,647 million for the years ended 31 March 2014 and 2015, respectively, due to the effect of changes in the tax rate in Japan.

Income tax recognised in other comprehensive income is as follows:

(Millions of yen)

	2014			2015		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Remeasurements of defined benefit plans	¥ 7,481	¥(2,833)	¥ 4,648	¥ (8,864)	¥ 990	¥ (7,874)
Foreign currency translation adjustments	80,001	–	80,001	29,645	–	29,645
Fair value movements on available-for-sale financial assets	10,063	(3,475)	6,588	15,696	(3,824)	11,872
Total other comprehensive income	¥97,545	¥(6,308)	¥91,238	¥36,478	¥(2,834)	¥33,643

Reconciliation of effective tax rate

The Company is subject mainly to corporate tax, inhabitant tax, and enterprise tax on its income and the effective statutory tax rates calculated based on those taxes for the fiscal years ended 31 March 2014 and 2015 were 37.7% and 35.3%, respectively. Foreign subsidiaries are subject to income taxes on their income in their respective countries of domicile.

(%)

	2014	2015
Effective statutory tax rate	37.7%	35.3%
Tax credit for research and development expenses	(4.5)	(4.1)
Non-deductible expenses	3.7	4.2
Difference in tax rates applied to foreign subsidiaries	(12.2)	(9.5)
Undistributed earnings of foreign subsidiaries	1.6	1.1
Effect of change in tax rate in Japan	2.6	0.9
Other	(3.3)	0.5
Actual tax rate	25.5%	28.4%

13. Earnings per Share

The basis of calculation of basic earnings per share and diluted earnings per share is as follows:

(Millions of yen, except as otherwise indicated)

	2014	2015
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent	¥ 90,874	¥ 135,856
Profit not attributable to ordinary shareholders of the parent	–	–
Profit used to calculate basic earnings per share	90,874	135,856
Weighted average number of shares during the year (Thousands of shares)	2,246,508	2,209,080
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share	¥ 90,874	¥ 135,856
Adjustment	–	–
Profit used to calculate diluted earnings per share	90,874	135,856
Weighted average number of shares during the year (Thousands of shares)	2,246,508	2,209,080
Subscription rights to shares (Thousands of shares)	3,429	3,406
Weighted average number of diluted ordinary shares during the year (Thousands of shares)	2,249,938	2,212,486
Earnings per share (attributable to owners of the parent):		
Basic (Yen)	¥ 40.45	¥ 61.50
Diluted (Yen)	40.39	61.40

(Note) On 1 April 2014, the Company completed a five-for-one share split based on the resolution of the board of directors meeting held on 28 February 2014. Basic earnings per share and diluted earnings per share were calculated under the assumption that the share split took effect at the beginning of the previous fiscal year.

14. Other Comprehensive Income

Reclassification adjustments of other comprehensive income are as follows:

(Millions of yen)

	2014	2015
Other comprehensive income that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments		
Amount arising during the year	¥80,001	¥29,645
Reclassification adjustment	–	–
Sub total	80,001	29,645
Fair value movements on available-for-sale financial assets		
Amount arising during the year	13,936	18,326
Reclassification adjustment	(3,873)	(2,630)
Sub total	10,063	15,696
Other comprehensive income that may be reclassified subsequently to profit or loss before tax effect	90,064	45,341
Tax effect	(3,475)	(3,824)
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax	¥86,590	¥41,517

15. Property, Plant and Equipment

Movement of cost, accumulated depreciation and impairment losses for property, plant and equipment

The movement of property, plant and equipment for the year ended 31 March 2014 is as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Cost						
Balance at 1 April 2013	¥184,329	¥ 154,093	¥84,306	¥30,445	¥25,796	¥ 478,970
Acquisitions	4,700	4,601	4,567	–	11,828	25,695
Disposals	(15,779)	(7,862)	(6,818)	(10,970)	(2,071)	(43,501)
Reclassification from construction in progress	13,886	12,044	1,081	–	(27,011)	–
Reclassification to assets held for sale	(7,386)	(15,794)	(1,775)	(1,168)	(113)	(26,237)
Other	7,864	4,619	1,613	422	594	15,112
Balance at 31 March 2014	187,614	151,699	82,974	18,728	9,023	450,039
Accumulated depreciation and accumulated impairment losses						
Balance at 1 April 2013	(71,890)	(126,842)	(68,031)	(1,096)	–	(267,858)
Depreciation	(8,406)	(8,844)	(5,936)	–	–	(23,186)
Impairment losses (or reversal of impairment losses)	(2,062)	(2,371)	380	(480)	(2,012)	(6,545)
Disposals	5,635	8,529	5,736	1,096	2,012	23,007
Reclassification to assets held for sale	5,951	14,821	1,692	480	–	22,944
Other	(2,811)	(3,272)	(866)	–	–	(6,950)
Balance at 31 March 2014	(73,584)	(117,979)	(67,025)	–	–	(258,588)
Carrying amounts						
Balance at 1 April 2013	112,439	27,251	16,276	29,349	25,796	211,112
Balance at 31 March 2014	¥114,030	¥ 33,721	¥15,950	¥18,728	¥ 9,023	¥ 191,451

(Note) "Other" mainly includes exchange differences.

The movement of property, plant and equipment for the year ended 31 March 2015 is as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Cost						
Balance at 1 April 2014	¥187,614	¥151,699	¥82,974	¥18,728	¥9,023	¥450,039
Acquisitions	3,264	3,180	3,838	–	20,315	30,598
Disposals	(1,618)	(5,481)	(5,119)	(34)	(15)	(12,268)
Reclassification from construction in progress	2,039	2,580	466	–	(5,085)	–
Reclassification to assets held for sale	–	(313)	(2)	–	–	(314)
Other	4,498	(1,537)	402	154	555	4,073
Balance at 31 March 2015	195,798	150,128	82,560	18,848	24,793	472,127
Accumulated depreciation and accumulated impairment losses						
Balance at 1 April 2014	(73,584)	(117,979)	(67,025)	–	–	(258,588)
Depreciation	(7,417)	(8,295)	(5,610)	–	–	(21,322)
Impairment losses (or reversal of impairment losses)	(338)	(597)	(3)	(306)	(53)	(1,297)
Disposals	1,158	5,220	4,889	–	–	11,267
Reclassification to assets held for sale	–	174	1	–	–	175
Other	(590)	1,041	60	–	(5)	506
Balance at 31 March 2015	(80,771)	(120,435)	(67,688)	(306)	(58)	(269,258)
Carrying amounts						
Balance at 1 April 2014	114,030	33,721	15,950	18,728	9,023	191,451
Balance at 31 March 2015	¥115,027	¥29,693	¥14,872	¥18,543	¥24,735	¥202,869

(Note) "Other" mainly includes exchange differences.

The Group recognised impairment losses (or reversal of impairment losses) of ¥6,545 million for the year ended 31 March 2014 and ¥1,297 million for the year ended 31 March 2015, and they are mainly included in "Other expense" in the consolidated statements of income.

Impairment losses (or reversal of impairment losses) of ¥6,545 million for the year ended 31 March 2014 mainly resulted from decisions to transfer of the plant in Fuji, Shizuoka Prefecture, owned by a Japanese subsidiary to Nichi-Iko Pharmaceutical Co., Ltd., and to close the U.S. subsidiaries due to the reshaping of the research framework. The recoverable amount of those assets owned by a Japanese subsidiary is ¥3,300 million, calculated at the fair value based on the transfer agreement. The assets owned by the U.S. subsidiaries are due to be disposal of and the recoverable amount is deemed to be zero.

The Group recognised ¥1,297 million of impairment losses (or reversal of impairment losses) for land, buildings and structures, machinery and delivery equipment, etc. for the year ended 31 March 2015.

The carrying amounts of the assets held under finance leases included in "Property, plant and equipment" are as follows:

(Millions of yen)

	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at 1 April 2013	¥ 1	¥1,146	¥1,147
Balance at 31 March 2014	¥ 0	¥1,146	¥1,146
Balance at 31 March 2015	¥–	¥ 991	¥ 991

16. Goodwill

The movement of cost and accumulated impairment losses for goodwill is as follows:

(Millions of yen)

	Cost	Accumulated impairment losses	Carrying amount
Balance at 1 April 2013	¥107,648	¥ –	¥107,648
Movements during the period	–	(945)	(945)
Disposals	(945)	945	–
Exchange differences	10,063	–	10,063
Balance at 31 March 2014	116,766	–	116,766
Exchange differences	19,571	–	19,571
Balance at 31 March 2015	¥136,337	¥ –	¥136,337

Goodwill recognised in the consolidated statements of financial position mainly resulted from an acquisition of OSI Pharmaceuticals, Inc. in 2010.

The Group, in principle, regards the geographical business units, which are managed for internal reporting purposes, as cash-generating units.

For the years ended 31 March 2014 and 2015, goodwill is allocated to the Americas cash-generating unit, and the carrying amount of goodwill was ¥116,766 million and ¥136,337 million, respectively. For the impairment test, the value in use, which is calculated based on the five-year business plan approved at the board of directors meeting, is used as the recoverable amount.

The Group uses a weighted average cost of capital (WACC) determined for each geographical area as a discount rate. The after-tax WACC used for the impairment test is 8.0% and the pre-tax WACC 13.2%.

Also, a growth rate of 2.0% is reflected in calculating the terminal value after the five-year business plan.

The value in use sufficiently exceeds the carrying amount of the cash-generating unit. Therefore, even if the key assumptions used in the calculation of the value in use fluctuate within a reasonable range, the Group assumes that the possibility that the value in use will be lower than the carrying amount is remote.

Also, the Group recognised impairment losses of ¥945 million for the year ended 31 March 2014, deeming the value in use of the goodwill recognised at the time of the unit acquisition to be zero, resulting from decisions to close the Perseid Therapeutics LLC (United States).

The impairment losses for goodwill are included in "Other expense" in the consolidated statement of income.

17. Other Intangible Assets

Movement of cost, accumulated amortisation and impairment losses for other intangible assets

The movement of other intangible assets for the year ended 31 March 2014 is as follows:

(Millions of yen)

	Patents and technologies	Marketing rights	IPR&D	Software	Other	Total
Cost						
Balance at 1 April 2013	¥228,849	¥77,906	¥153,725	¥29,425	¥374	¥490,278
Acquisitions	4,255	–	8,389	6,898	26	19,568
Disposals	(4,662)	–	(57,038)	(5,042)	(2)	(66,743)
Reclassification	11,222	–	(11,222)	–	–	–
Other	13,848	7,415	3,555	1,539	(13)	26,343
Balance at 31 March 2014	253,511	85,321	97,408	32,821	385	469,447
Accumulated amortisation and accumulated impairment losses						
Balance at 1 April 2013	(73,908)	(24,760)	(32,899)	(17,906)	(203)	(149,675)
Amortisation	(24,424)	(11,576)	–	(5,095)	(24)	(41,118)
Impairment losses	(2,379)	(11,296)	(40,191)	(26)	–	(53,892)
Disposals	4,570	–	57,038	4,768	2	66,377
Other	(4,386)	(4,059)	(2,167)	(415)	10	(11,018)
Balance at 31 March 2014	(100,526)	(51,691)	(18,220)	(18,674)	(215)	(189,327)
Carrying amounts						
Balance at 1 April 2013	154,941	53,147	120,825	11,519	171	340,603
Balance at 31 March 2014	¥152,985	¥33,630	¥ 79,188	¥14,147	¥170	¥280,120

(Note) "Other" mainly includes exchange differences.

The movement of other intangible assets for the year ended 31 March 2015 is as follows:

(Millions of yen)

	Patents and technologies	Marketing rights	IPR&D	Software	Other	Total
Cost						
Balance at 1 April 2014	¥253,511	¥85,321	¥97,408	¥32,821	¥385	¥469,447
Acquisitions	25,634	157	22,169	5,847	5	53,812
Disposals	(35)	–	(11,517)	(3,080)	(97)	(14,729)
Reclassification	9,481	–	(9,481)	–	–	–
Other	26,809	2,646	114	540	104	30,214
Balance at 31 March 2015	315,401	88,125	98,693	36,128	396	538,743
Accumulated amortisation and accumulated impairment losses						
Balance at 1 April 2014	(100,526)	(51,691)	(18,220)	(18,674)	(215)	(189,327)
Amortisation	(27,906)	(10,758)	–	(5,463)	(26)	(44,152)
Impairment losses	(277)	–	(8,876)	(596)	–	(9,749)
Disposals	35	–	11,517	3,036	84	14,671
Other	(11,981)	(1,350)	(14)	(902)	(96)	(14,342)
Balance at 31 March 2015	(140,655)	(63,799)	(15,593)	(22,600)	(253)	(242,899)
Carrying amounts						
Balance at 1 April 2014	152,985	33,630	79,188	14,147	170	280,120
Balance at 31 March 2015	¥174,746	¥24,326	¥83,100	¥13,528	¥144	¥295,844

(Note) "Other" mainly includes exchange differences.

Amortisation of other intangible assets related to the rights of product or research and development arising from in-licensing agreements is recognised in the consolidated statements of income under "Amortisation of intangible assets".

Impairment losses for other intangible assets are recognised in the consolidated statements of income under "Other expense".

Impairment test and impairment losses for other intangible assets

For the intangible assets other than goodwill, the Group assesses the necessity of impairment by individual asset. Also, intangible assets not yet being amortised are tested for impairment annually whether or not there is any indication of impairment. For the impairment test, the value in use, which is calculated based on the five-year cash-flow forecast, is used as the recoverable amount. The discount rate is calculated based on the WACC, and the range of post-tax discount rate used for the calculation of the value in use is 6.0% to 9.0%, and that of pre-tax discount rate is 9.3% to 11.3%.

As a result of the impairment test, the Group recognised the following impairment losses for the years ended 31 March 2014 and 2015.

For the year ended 31 March 2014, impairment losses recognised for other intangible assets were ¥53,892 million, and the details of the main items are as follows:

(i) Impairment losses of ¥40,191 million were mainly recognised due to the discontinuation of development activities for IPR&Ds. This includes the discontinuation of development of ASP2408 (Rheumatoid arthritis) and ASP2409 (Prevention of organ transplant rejection), the discontinuation of the development or clinical studies of non-small cell lung cancer (adjuvant, combination with MetMAb) of erlotinib (Tarceva), the termination of the license agreement with AVEO for tivozanib (renal cell carcinoma, colorectal cancer, breast cancer), and others, deeming the recoverable amount to be zero. In addition, due to the amendment of the license agreement with Basilea for isavuconazonium sulfate (azole antifungal), the Company recognised an impairment loss, deeming the recoverable amount to be zero. The recoverable amount was calculated based on the value in use measured by discounted future cash flows.

(ii) Impairment losses of ¥11,296 million were recognised for the marketing rights of DIFICLIR, sold in Europe for clostridium difficile infection treatment and other products, as the profitability was lower than originally expected. The recoverable amount was calculated based on the value in use measured by discounted future cash flows.

For the year ended 31 March 2015, impairment losses recognised for other intangible assets were ¥9,749 million, and the details of the main items are as follows:

Impairment losses of ¥9,153 million were mainly recognised due to the discontinuation of development activities for IPR&Ds. This is mainly due to the right of termination exercised by the Company regarding the license agreement on a beta-secretase inhibitor (Alzheimer dementia) with CoMentis, Inc. in the U.S. The Company recognised an impairment loss deeming the recoverable value as zero.

Significant intangible assets

(For the year ended 31 March 2014)

Significant intangible assets recognised in the consolidated statement of financial position are mainly composed of the rights related to "Tarceva" resulting from the acquisition of OSI Pharmaceuticals, Inc. in 2010 and ones related to the acquired research and development project of ASP1517/YM311 through the license agreement with FibroGen, Inc. The carrying amounts of those intangible assets were ¥96,108 million and ¥50,565 million, respectively. The remaining amortisation period of intangible assets associated with the marketed products is mainly 5 to 6 years, and the intangible assets not yet being amortised are tested for impairment annually.

(For the year ended 31 March 2015)

Significant intangible assets recognised in the consolidated statement of financial position are mainly composed of the rights related to "Tarceva" resulting from the acquisition of OSI Pharmaceuticals, Inc. in 2010, the acquired license related to research and development of ASP1517/YM311 through the license agreement with FibroGen, Inc., and the acquired license related to research and development of enzalutamide (XTANDI) through the license agreement with Medivation, Inc. The carrying amounts of those intangible assets are ¥90,770 million, ¥50,565 million, and ¥48,240 million, respectively. The remaining

amortisation periods of intangible assets associated with the marketed products are mainly 4 to 14 years, and the intangible assets not yet being amortised are tested for impairment annually.

18. Deferred Taxes

The breakdown and movement of deferred tax assets and deferred tax liabilities are as follows:

For the year ended 31 March 2014

(Millions of yen)

	As of 1 April 2013	Recognised in profit or loss	Recognised in other comprehensive income	Other	As of 31 March 2014
Available-for-sale financial assets	¥(10,850)	¥ 275	¥(3,475)	¥ –	¥(14,050)
Retirement benefit assets and liabilities	11,054	(836)	(2,873)	828	8,172
Property, plant and equipment	5,873	(220)	–	(777)	4,877
Intangible assets	(59,662)	13,121	–	(3,398)	(49,940)
Accrued expenses	18,389	4,791	–	1,303	24,483
Inventories	36,195	5,993	–	1,174	43,363
Tax loss carry-forwards	1,263	3,108	–	298	4,668
Other	27,646	(3,944)	–	251	23,954
Total	¥ 29,908	¥22,288	¥(6,347)	¥ (321)	¥ 45,527

For the year ended 31 March 2015

(Millions of yen)

	As of 1 April 2014	Recognised in profit or loss	Recognised in other comprehensive income	Other	As of 31 March 2015
Available-for-sale financial assets	¥(14,050)	¥ 451	¥(3,824)	¥ 0	¥(17,423)
Retirement benefit assets and liabilities	8,172	(2,004)	990	(165)	6,993
Property, plant and equipment	4,877	(3,328)	–	(225)	1,324
Intangible assets	(49,940)	5,320	–	(4,638)	(49,257)
Accrued expenses	24,483	1,841	–	2,735	29,059
Inventories	43,363	6,211	–	(303)	49,272
Tax loss carry-forwards	4,668	(1,039)	–	(76)	3,554
Other	23,954	3,598	–	89	27,641
Total	¥ 45,527	¥11,051	¥(2,834)	¥(2,581)	¥ 51,162

Deductible temporary differences, tax loss carry-forwards, and unused tax credits for which no deferred tax asset is recognised are as follows:

(Millions of yen)

	2014	2015
Deductible temporary differences	¥28,787	¥31,630
Tax loss carry-forwards	5,674	5,198
Unused tax credits	462	1,268
Total	¥34,923	¥38,096

The expiration date and amount of tax loss carry-forwards for which no deferred tax asset is recognised are as follows:

(Millions of yen)

	2014	2015
Year 1	¥ –	¥ 99
Year 2	87	192
Year 3	181	72
Year 4	87	65
Year 5 or later	5,319	4,771
Total	¥5,674	¥5,198

19. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	2014	2015
Other financial assets (non-current)		
Financial assets at FVTPL	¥ 3,826	¥ 6,466
Loans and other financial assets	11,390	10,923
Allowance for doubtful accounts	(12)	(14)
Available-for-sale financial assets	79,758	92,717
Total other financial assets (non-current)	94,961	110,091
Other financial assets (current)		
Financial assets at FVTPL	87	–
Loans and other financial assets	35,319	59,908
Total other financial assets (current)	35,406	59,908
Total other financial assets	¥130,367	¥169,999

20. Other Assets

The breakdown of other assets is as follows:

(Millions of yen)

	2014	2015
Other non-current assets		
Long-term prepaid expenses	¥ 7,833	¥10,307
Retirement benefit assets	583	2,544
Other	763	834
Total other non-current assets	9,179	13,685
Other current assets		
Prepaid expenses	6,418	8,132
Other	5,650	4,600
Total other current assets	¥12,068	¥12,732

21. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	2014	2015
Raw materials and supplies	¥ 23,833	¥ 28,243
Work in progress	15,598	13,165
Merchandise and finished goods	95,797	115,499
Total	¥135,228	¥156,907

The carrying amounts of inventories are measured at the lower of cost and net realisable value.

The cost of inventories recognised as an expense in "Cost of sales" for the years ended 31 March 2014 and 2015 amounted to ¥310,505 million and ¥305,075 million, respectively.

The write-down of inventories recognised as an expense for the years ended 31 March 2014 and 2015 amounted to ¥5,027 million and ¥5,094 million, respectively.

22. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	2014	2015
Notes and accounts receivable	¥310,109	¥317,858
Other accounts receivable	24,234	33,148
Allowance for doubtful accounts	(1,704)	(2,495)
Total trade and other receivables	332,639	348,511
Non-current assets	–	15,588
Current assets	¥332,639	¥332,923

23. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	2014	2015
Cash and deposits	¥275,572	¥348,343
Short-term investments (cash equivalents)	115,802	48,087
Cash and cash equivalents in the consolidated statements of financial position	¥391,374	¥396,430
Cash and cash equivalents in the consolidated statements of cash flows	391,374	396,430

24. Assets Held for Sale

The breakdown of assets held for sale is as follows:

(Millions of yen)

	2014	2015
Assets		
Property, plant and equipment		
Buildings and structures	¥1,476	¥ –
Land	1,376	–
Other property, plant and equipment	1,008	139
Other	8	–
Total	¥3,868	¥139

Assets held for sale as of 31 March 2014 are mainly property, plant and equipment related to the Fuji Plant of Astellas Pharma Tech Co., Ltd., the Japanese production subsidiary. In December 2013, the Group concluded a definitive agreement with Nichi-Iko Pharmaceutical Co., Ltd. under which Nichi-Iko would succeed the business at the Fuji Plant on 1 April 2014.

With regard to those assets and assets sold, impairment losses of ¥3,538 million are recognised in "Other expense" in the consolidated statement of income for the year ended 31 March 2014.

25. Equity and Other Components of Equity

(1) Share capital and capital surplus

The movement of the number of issued shares and share capital is as follows:

	Number of authorised shares (Thousands of shares)	Number of ordinary issued shares (Thousands of shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of 1 April 2013	2,000,000	467,964	¥103,001	¥176,822
Increase	–	–	–	–
Decrease	–	(11,000)	–	–
As of 31 March 2014	2,000,000	456,964	103,001	176,822
Increase	7,000,000	1,827,858	–	–
Decrease	–	(25,000)	–	–
As of 31 March 2015	9,000,000	2,259,823	¥103,001	¥176,822

(Note) 1. Decrease in the number of ordinary issued shares during the year ended 31 March 2014 and 2015 resulted from the cancellation of treasury shares.

2. Increase in the number of authorised shares and ordinary issued shares for the year ended 31 March 2015 resulted from the five-for-one share split with an effective date of 1 April 2014.

(2) Treasury shares

The movement of treasury shares is as follows:

	Number of shares (Thousands of shares)	Amount (Millions of yen)
As of 1 April 2013	16,788	¥ 72,285
Increase	5,050	30,075
Decrease	(11,102)	(47,825)
As of 31 March 2014	10,736	54,535
Increase	81,269	58,229
Decrease	(25,323)	(25,767)
As of 31 March 2015	66,681	¥ 86,997

(Note) The increase in the number of treasury shares during the year ended 31 March 2015 includes an increase of 42,945,000 shares due to the five-for-one share split with an effective date of 1 April 2014.

(3) Other components of equity

Subscription rights to shares

The Company adopts share option plans and issues subscription rights to shares under the Companies Act of Japan. Contract conditions and amounts are described in "27. Share-based payment".

Foreign currency translation adjustments

This is a foreign currency translation difference that occurred when consolidating financial statements of foreign subsidiaries prepared in a foreign currency.

Fair value movements on available-for-sale financial assets

This is a valuation difference between the fair value and acquisition cost of available-for-sale financial assets, which are measured at fair values.

26. Dividends

For the year ended 31 March 2014

(1) Dividends paid

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 19 June 2013	Ordinary shares	¥29,326	¥65.00	31 March 2013	20 June 2013
Board of directors meeting held on 1 November 2013	Ordinary shares	29,329	65.00	30 September 2013	2 December 2013

(2) Dividends whose record date is in the fiscal year ended 31 March 2014 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 18 June 2014	Ordinary shares	¥31,236	¥70.00	31 March 2014	19 June 2014

For the year ended 31 March 2015

(1) Dividends paid

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 18 June 2014	Ordinary shares	¥31,236	¥70.00	31 March 2014	19 June 2014
Board of directors meeting held on 31 October 2014	Ordinary shares	30,910	14.00	30 September 2014	1 December 2014

(Note) The Company completed a five-for-one share split with an effective date of 1 April 2014. "Dividends per share" whose record date is on or before 31 March 2014 shows the actual amount of dividends paid before the share split.

(2) Dividends whose record date is in the fiscal year ended 31 March 2015 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on 17 June 2015	Ordinary shares	¥35,090	¥16.00	31 March 2015	18 June 2015

27. Share-based Payment

(1) Outline of share option plans

The Company adopts share option plans and grants share options to directors and corporate executives of the Company. The purpose of share option plans is to improve the sensitivity to the share price and the Group's financial results and also increase the value of the Group by motivating the members to whom share options are granted.

After obtaining approval at the meeting of shareholders, share options are granted as subscription rights to shares to individuals approved at the Company's board of directors meeting.

Under the plans, each share option entitles the recipient to acquire 100 ordinary shares. However, due to a five-for-one share split effective as of April 1 2014, the number of shares to be granted to each share option was adjusted to 500 ordinary shares for the share options granted before the share split.

Moreover, the exercise price of a share option granted after 2005 has become ¥1 per share. The exercise price of share options granted in 2003 and 2004 were ¥3,209 and ¥3,690 per share, respectively. However, due to the share split, the exercise price per share of the share options granted in 2004 has been adjusted to ¥738.

Directors and corporate executives whose share options were granted in or after 2005 can exercise their share subscription rights only from the day following their resignation.

Share options not exercised during the exercise period defined in the allocation contract will be forfeited.

The Company accounts for those share-based payment arrangements as equity-settled share-based payment transactions.

Also, the information in "27. Share-based payment" for the year ended 31 March 2014 does not reflect the effect of such share split and shows the numerical values before the share split.

(2) Expenses recognised in the consolidated statements of income

(Millions of yen)

	2014	2015
Total expenses recognised for share options granted	¥365	¥307

(3) Movement of the number of share options outstanding and their weighted average exercise price

	2014		2015	
	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)	Number of shares
Outstanding, beginning of the period	¥ 184	712,300	¥ 3	3,402,000
Granted	1	70,700	1	226,900
Exercised	1,199	(102,600)	25	(323,500)
Forfeited or expired	–	–	–	–
Outstanding, end of the period	12	680,400	1	3,305,400
Options exercisable, end of the period	13	662,725	1	3,248,675

(Note) 1. The number of share options is presented as the number of underlying shares.

2. The weighted average share prices of share options at the time of exercise during the years ended 31 March 2014 and 2015 are ¥5,536 and ¥1,695, respectively.

(4) Expiration dates and exercise prices of share options outstanding at the end of the period

	Expiration date	Exercise price per share (Yen)	Number of shares	
			2014	2015
Granted on July 2004 (Note 1)	24 June 2014	¥3,690	2,100	–
Granted on August 2005 (Note 2)	24 June 2025	1	28,400	66,500
Granted on February 2007 (Note 2)	27 June 2026	1	35,900	143,500
Granted on August 2007 (Note 2)	26 June 2027	1	50,300	200,000
Granted on September 2008 (Note 2)	24 June 2028	1	50,300	221,500
Granted on July 2009 (Note 2)	23 June 2029	1	87,100	397,000
Granted on July 2010 (Note 2)	23 June 2030	1	113,100	531,500
Granted on July 2011 (Note 2)	20 June 2031	1	115,500	577,500
Granted on July 2012 (Note 2)	20 June 2032	1	127,000	587,500
Granted on July 2013 (Note 2)	19 June 2033	1	70,700	353,500
Granted on July 2014 (Note 2)	18 June 2034	1	–	226,900
Total		–	680,400	3,305,400

(Note) 1. There is no vesting condition.

2. There are vesting conditions in which share subscription rights are vested according to the service record over approximately one year from the grant date of the share option to the vesting date.

(5) Measurement approach for fair value of share options granted during the period

The weighted average fair value of share options granted during the period is determined using the binominal model based on the following assumptions.

	2014	2015
Share price at grant date	5,430 yen	1,359 yen
Expected volatility (Note 1)	29.6%	29.8%
Expected average period until the earliest exercisable date (Note 2)	3 years	3 years
Expected dividend (Note 3)	130 yen/share	27 yen/share
Risk-free rate (Note 4)	1.7%	1.4%

(Note) 1. Estimated by taking into account the actual share prices for the past 20 years.

2. Estimated based on the service records and term of office.

3. Calculated based on the latest dividends paid.

4. Based on the yield of government bonds corresponding to the exercise period (20 years).

28. Retirement Benefits

The Group, excluding a part of foreign subsidiaries, offers post-employment benefits such as defined benefit plans and defined contribution plans. Among the defined benefit plans offered, the defined benefit plan adopted in Japan is a major one, accounting for approximately 80% of the total defined benefit obligations.

1. Defined benefit plan adopted in Japan as post-employment benefit

The Company and its domestic subsidiaries offer corporate pension plans and retirement lump-sum payment plans as defined benefit plans.

The benefits of the defined benefit plan are determined based on the base compensation calculated by accumulated points earned by the time of retirement and promised rate of return based on the yield of 10 year government bonds. Also, the option of receiving benefits in the form of a pension is available for plan participants with 15 years or more enrollments.

Defined benefit plans are administered by the Astellas Corporate Pension Fund. Directors of the pension fund are jointly liable for damages to the fund due to their neglect of duties about management of the funds.

Contributions of the employer are made monthly and also determined as 4.0% of standard salary, which is calculated based on the estimate of the points granted during a year to each participant. When the plan assets are lower than the minimum funding standard at the end of the period, the employer will make additional contributions.

Defined benefit plans are exposed to actuarial risks. The Astellas Corporate Pension Fund assigns staff with professional knowledge and expertise about the composition of plan asset to determine the asset mix ratio and manages risks by monitoring on a quarterly basis.

2. Defined benefit plans of overseas subsidiaries as post-employment benefits

Among foreign subsidiaries, ones located in the United Kingdom, Germany, Ireland, and some other countries offer defined benefit plans as post-employment benefits.

The major defined benefit plan offered by overseas subsidiaries as post-employment benefits as of 31 March 2014 was the one adopted in the Netherlands. However, the plan was settled during the year ended 31 March 2015. This was due to a change of post-employment benefits of a subsidiary in the Netherlands, from a defined benefit plan to a defined contribution plan, in February 2015. Consequently, ¥8,017 million of gain on settlement has been recognised in the consolidated statement of income for the year ended 31 March 2015.

Assets and liabilities of defined benefit plans recognised in the consolidated statements of financial position are as follows:

As of 31 March 2014

(Millions of yen)

	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Present value of defined benefit obligations	¥ 117,862	¥ 57,182	¥ 175,044	¥2,959
Fair value of plan assets	(111,719)	(39,904)	(151,623)	–
Funded status	6,143	17,278	23,421	2,959
Effect of the asset ceiling	–	220	220	–
Net defined benefit liability (asset)	¥ 6,143	¥ 17,498	¥ 23,641	¥2,959
Amounts in the consolidated statement of financial position				
Assets (other non-current assets)	¥ (583)	¥ –	¥ (583)	¥ –
Liabilities (retirement benefit liabilities)	6,726	17,498	24,224	2,959

As of 31 March 2015

(Millions of yen)

	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Present value of defined benefit obligations	¥117,128	¥33,950	¥151,078	¥2,938
Fair value of plan assets	(116,457)	(10,044)	(126,501)	–
Funded status	671	23,906	24,577	2,938
Effect of the asset ceiling	–	–	–	–
Net defined benefit liability (asset)	¥ 671	¥23,906	¥ 24,577	¥2,938
Amounts in the consolidated statement of financial position				
Assets (other non-current assets)	¥ (2,544)	¥ –	¥ (2,544)	¥ –
Liabilities (retirement benefit liabilities)	3,215	23,906	27,121	2,938

The movement of the present value of defined benefit obligations is as follows:

(Millions of yen)

	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Balance at 1 April 2013	¥119,266	¥ 43,905	¥163,171	¥ 2,832
Current service cost	5,009	1,568	6,577	454
Interest cost	1,213	1,794	3,006	73
Remeasurements of defined benefit obligations				
- actuarial losses arising from changes in demographic assumptions	–	0	0	3
- actuarial (gains)/losses arising from changes in financial assumptions	(1,013)	4,354	3,341	(331)
- other	(154)	330	176	(160)
Past service cost, and gains and losses arising from settlements	–	(29)	(29)	–
Contributions to the plan by plan participants	–	500	500	–
Payments from the plan	(6,458)	(2,951)	(9,409)	(140)
Effect of changes in foreign exchange rates	–	7,711	7,711	228
Balance at 31 March 2014	117,862	57,182	175,044	2,959
Current service cost	4,869	1,955	6,824	380
Interest cost	1,211	1,878	3,088	87
Remeasurements of defined benefit obligations				
- actuarial (gains)/losses arising from changes in demographic assumptions	–	25	25	(1,110)
- actuarial (gains)/losses arising from changes in financial assumptions	2,633	25,660	28,293	(51)
- other	(337)	(486)	(823)	(141)
Past service cost, and gains and losses arising from settlements	–	(49,046)	(49,046)	586
Contributions to the plan by plan participants	–	487	487	–
Payments from the plan	(9,109)	(1,329)	(10,438)	(78)
Effect of changes in foreign exchange rates	–	(2,377)	(2,377)	306
Balance at 31 March 2015	¥117,128	¥ 33,950	¥151,078	¥ 2,938

The movement of fair value of plan assets is as follows:

(Millions of yen)

	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Balance at 1 April 2013	¥104,268	¥ 33,262	¥137,530	¥–
Interest income	1,062	1,336	2,398	–
Remeasurements of the fair value of the plan assets				
–return on plan assets	6,823	1,077	7,901	–
–actuarial gains/(losses) arising from changes in financial assumptions	11	(9)	2	–
Contributions to the plan				
–by employer	4,890	1,744	6,634	–
–by plan participants	–	500	500	–
Payments from the plan	(5,335)	(2,253)	(7,588)	–
Losses arising from settlements and curtailments	–	(356)	(356)	–
Effect of changes in foreign exchange rates	–	4,603	4,603	–
Balance at 31 March 2014	111,719	39,904	151,623	–
Interest income	1,149	1,326	2,475	–
Remeasurements of the fair value of the plan assets				
–return on plan assets	8,008	9,310	17,318	–
–actuarial losses arising from changes in financial assumptions	(187)	(19)	(205)	–
Contributions to the plan				
–by employer	3,022	1,704	4,726	–
–by plan participants	–	487	487	–
Payments from the plan	(7,254)	(670)	(7,924)	–
Losses arising from settlements and curtailments	–	(40,993)	(40,993)	–
Effect of changes in foreign exchange rates	–	(1,005)	(1,005)	–
Balance at 31 March 2015	¥116,457	¥ 10,044	¥126,501	¥–

The Group expects to contribute ¥3,569 million to its defined benefit plans in the fiscal year ending 31 March 2016.

The movement of the effect of the asset ceiling is as follows:

(Millions of yen)

	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Balance at 1 April 2013	¥–	¥2,438	¥2,438	¥–
Interest income	–	103	103	–
Remeasurements				
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	–	(2,607)	(2,607)	–
Effect of changes in foreign exchange rates, etc.	–	287	287	–
Balance at 31 March 2014	–	220	220	–
Interest income	–	7	7	–
Remeasurements				
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	–	(217)	(217)	–
Effect of changes in foreign exchange rates, etc.	–	(10)	(10)	–
Balance at 31 March 2015	¥–	¥ –	¥ –	¥–

The Group had limited the carrying amount of a net defined benefit asset for certain European pension plans because the Group cannot gain any economic benefits in the form of refunds from the plans or reductions in future contributions to the plans as of 31 March 2014.

The breakdown of the fair value of plan assets is as follows:

(Millions of yen)

	2014	2015
Japan		
Equity	¥ 26,787	¥ 31,877
Bonds	42,730	43,675
Cash and other investments	42,201	40,905
Total	111,719	116,457
Overseas		
Equity	14,153	4,723
Bonds	20,685	2,622
Cash and other investments	5,066	2,698
Total	39,904	10,044
Total fair value of plan assets	¥151,623	¥126,501

1. Japanese plan assets

As of 31 March 2014 and 2015, equity comprises mainly investment trust funds and it is categorised as Level 2 within the fair value hierarchy.

The fair values of bonds are measured using quoted prices for identical or similar assets in markets that are not active, and they are categorised as Level 2 within the fair value hierarchy.

Cash and other investments include alternative investments.

2. Overseas plan assets

As of 31 March 2014, equity and bonds are mainly composed of investments with quoted prices in active markets, and they are mainly categorised as Level 1 within the fair value hierarchy. Cash and other investments include alternative investments.

As of 31 March 2015, equity is mainly composed of investments with quoted prices in active markets or with measured value using quoted prices for identical or similar assets in markets that are not active, and they are mainly categorised as Level 1 or Level 2 within the fair value hierarchy. The fair values of bonds are measured using quoted prices for identical or similar assets in markets that are not active, and they are categorised as Level 2 within the fair value hierarchy. Cash and other investments include alternative investments.

Significant actuarial assumptions and sensitivity analysis for each significant actuarial assumption are as follows:

	2014	2015
Discount rate (%)		
Japan	0.8%-1.0%	0.8%-0.9%
Overseas	3.4%-4.5%	1.5%-3.2%

A 0.5% increase or decrease in the discount rate as significant actuarial assumption would lead to a ¥10,714 million decrease and ¥11,899 million increase, respectively, in the defined benefit obligation.

The sensitivity analysis does not consider correlations between assumptions, assuming that all other assumptions are held constant. In practice, changes in some of the assumptions may occur in a correlated manner. When calculating the sensitivity of the defined benefit obligations, the same method has been applied as calculating the defined benefit obligations recognised in the consolidated statements of financial position.

The weighted-average duration of the defined benefit obligation is as follows:

	2014	2015
Japan	12.8 years	12.7 years
Overseas	20.1 years	19.6 years

29. Provisions

The movement of provisions for the year ended 31 March 2014 is as follows:

(Millions of yen)

	Trade-related provisions	Asset retirement obligations	Other	Total
Balance at 1 April 2013	¥ 43,904	¥ 855	¥ 5,221	¥ 49,980
Increase during the year	59,571	1,249	4,061	64,880
Decrease due to intended use	(46,472)	(21)	(2,365)	(48,858)
Reversal during the year	–	(1)	(341)	(341)
Other	4,401	31	578	5,010
Balance at 31 March 2014	61,404	2,113	7,154	70,671
Non-current	–	2,110	2,154	4,264
Current	61,404	3	5,000	66,407
Total provisions	¥ 61,404	¥2,113	¥ 7,154	¥ 70,671

The movement of provisions for the year ended 31 March 2015 is as follows:

(Millions of yen)

	Trade-related provisions	Asset retirement obligations	Other	Total
Balance at 1 April 2014	¥ 61,404	¥2,113	¥ 7,154	¥ 70,671
Increase during the year	73,773	261	7,022	81,057
Decrease due to intended use	(55,635)	(385)	(4,719)	(60,739)
Reversal during the year	(8,890)	(23)	(1,029)	(9,943)
Other	8,454	(20)	761	9,195
Balance at 31 March 2015	79,107	1,946	9,188	90,241
Non-current	2,117	1,945	756	4,817
Current	76,990	1	8,432	85,423
Total provisions	¥79,107	¥1,946	¥ 9,188	¥ 90,241

Details of provisions are as follows:

1. Trade-related provisions

The Group recognises provisions for expenditures expected to be incurred after the end of the period related to sales rebates, discounts, Medicare and Medicaid of the United States, and other price adjustments to customers, based on the conditions of contracts and past experience.

The outflow of economic benefits is expected within one year from the end of the reporting period.

2. Asset retirement obligations

The Group recognises asset retirement obligations based on past performance in order to provide for the restoration of rented offices.

The outflow of economic benefits is expected after one year from the end of the reporting period.

30. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	2014	2015
Other financial liabilities (non-current)		
Financial liabilities measured at amortised cost		
Finance lease liabilities	¥ 749	¥ 626
Total other financial liabilities (non-current)	749	626
Other financial liabilities (current)		
Financial liabilities at FVTPL	–	373
Financial liabilities measured at amortised cost		
Finance lease liabilities	397	365
Other	664	600
Total other financial liabilities (current)	1,062	1,339
Total other financial liabilities	¥1,811	¥1,965

The maturity and the present value of finance lease liabilities are as follows:

(Millions of yen)

	2014	2015
Minimum lease payments		
Not later than one year	¥ 397	¥365
Later than one year and not later than five years	744	616
Later than five years	5	10
Present value of finance lease liabilities	¥1,146	¥991

31. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	2014	2015
Other non-current liabilities		
Other long-term employee benefits	¥10,071	¥14,018
Other	1,610	5,124
Total other non-current liabilities	¥11,681	¥19,142
Other current liabilities		
Accrued bonuses	¥28,484	¥30,155
Accrued paid absences	9,827	9,890
Other accrued expenses	32,486	46,059
Other	2,153	7,300
Total other current liabilities	¥72,950	¥93,403

32. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	2014	2015
Account payables-trade	¥102,025	¥108,137
Other payables	85,071	118,554
Total trade and other payables	¥187,096	¥226,692
Non-current	¥ 64	¥ 90
Current	187,032	226,602

33. Cash Flow Information

The Group lost control of a subsidiary as a result of disposal of the Group's investment for the year ended 31 March 2014. The total consideration received in respect of sales of the subsidiary, and the breakdown of assets and liabilities of the subsidiary transferred are as follows:

Total consideration received: ¥22,963 million

Breakdown of assets and liabilities of subsidiary transferred

(Millions of yen)

Assets	
Property, plant and equipment	¥15,929
Other assets	815
Cash and cash equivalents	4,371
Total assets	¥21,115
Liabilities	
Other financial liabilities (non-current)	¥ 2,402
Other liabilities	439
Total liabilities	¥ 2,841

34. Financial Instruments

(1) Capital management

The Group's capital management principle is to maintain an optimal capital structure by improving capital efficiency and ensuring sound and flexible financial conditions in order to achieve sustained improvement in the enterprise value, which will lead to improved return to shareholders.

The Group monitors financial indicators in order to maintain an optimal capital structure. Credit ratings are monitored for financial soundness and flexibility, and so is return on equity attributable to owners of the parent (ROE) for capital efficiency.

The Group is not subject to material capital regulation.

(2) Classification of financial assets and financial liabilities

The breakdown of financial assets and financial liabilities is as follows:

(Millions of yen)

	2014	2015
Financial assets		
Financial assets at FVTPL	¥ 3,912	¥ 6,466
Loans and receivables		
Trade and other receivables	332,639	348,511
Loans and other financial assets	46,697	70,817
Available-for-sale financial assets	79,758	92,717
Cash and cash equivalents	391,374	396,430
Total financial assets	¥854,379	¥914,941
Financial liabilities		
Financial liabilities at FVTPL	¥ –	¥ 373
Financial liabilities measured at amortised cost		
Trade and other payables	187,096	226,692
Other	1,811	1,591
Total financial liabilities	¥188,907	¥228,656

(Note) 1. Financial assets at FVTPL, loans and other financial assets, and available-for-sale financial assets are included in "Other financial assets" in the consolidated statements of financial position.

2. Financial liabilities at FVTPL and "Other" of financial liabilities measured at amortised cost are included in "Other financial liabilities" in the consolidated statements of financial position.

(3) Financial risk management policy

The Group is exposed to financial risks such as credit risks, liquidity risks, and foreign exchange risks in operating businesses, and it manages risks based on its policy to mitigate them.

The Group limits the use of derivatives to transactions for the purpose of hedging financial risks and does not use derivatives for speculation purposes.

(i) Credit risk

(a) Credit risk management

Receivables, such as trade receivables, resulting from the business activities of the Group are exposed to the customer's credit risk. This risk is managed by grasping the financial condition of the customer and monitoring the trade receivables balance. Also, the Group reviews collectability of trade receivables depending on the credit conditions of customers and recognises an allowance for doubtful accounts as necessary.

Securities held by the Group are exposed to the issuer's credit risk, and deposits are exposed to the credit risk of banks. Also, derivative transactions that the Group conducts in order to hedge financial risks are exposed to the credit risk of the financial institutions which are counterparties of those transactions. In regard to securities transactions and deposit

transactions in fund management, the Group only deals with banks and issuers with certain credit ratings and manages investments within the defined period and credit limit, in accordance with Global Cash Investment Policy. In addition, regarding derivative transactions, the Group only deals with financial institutions with certain credit ratings in accordance with Astellas Global Treasury Policy.

(b) Concentrations of credit risk

In Japan, like other pharmaceutical companies, the Group sells its products through a small number of wholesalers. Sales to the four largest wholesalers amounted to approximately 75% of the Group's sales in Japan, and the amount of trade receivables due from those four wholesalers are ¥143,511 million at 31 March 2014 and ¥130,148 million at 31 March 2015, respectively.

(c) Maximum exposure to credit risk

Other than guaranteed obligations, the Group's maximum exposure to credit risks without taking into account any collateral held or other credit enhancements is the carrying amount of financial instruments less impairment losses in the consolidated statements of financial position. The Group's maximum exposure to credit risks of guaranteed obligations as of 31 March 2014, and 31 March 2015 were ¥1,875 million, and ¥1,537 million, respectively.

(d) Collateral

The Group has securities and deposits received as collateral for certain trade receivables and other receivables. The carrying amount of securities held as collateral is ¥1,353 million at 31 March 2015 (¥850 million at 31 March 2014), and the carrying amount of deposits received is ¥85 million at 31 March 2015 (¥85 million at 31 March 2014).

The analysis of aging of financial assets that are past due but not impaired is as follows:

(Millions of yen)

		Past due but not impaired					
	Neither past due nor impaired	Within three months	Between three months and six months	Between six months and one year	Over one year	Allowance for doubtful accounts	Total
Balance at 31 March 2014							
Trade and other receivables	¥317,689	¥13,211	¥1,087	¥ 872	¥1,272	¥(1,493)	¥332,639
Loans and other financial assets	46,610	1	–	–	86	–	46,697
Total	¥364,299	¥13,212	¥1,087	¥ 872	¥1,358	¥(1,493)	¥379,335
Balance at 31 March 2015							
Trade and other receivables	¥325,640	¥20,291	¥1,590	¥1,478	¥1,950	¥(2,438)	¥348,511
Loans and other financial assets	70,817	–	–	–	–	–	70,817
Total	¥396,457	¥20,291	¥1,590	¥1,478	¥1,950	¥(2,438)	¥419,328

Financial assets that are individually determined to be impaired are as follows:

(Millions of yen)

	2014	2015
Trade and other receivables (gross)	¥ 212	¥ 57
Allowance for doubtful accounts	(212)	(57)
Trade and other receivables (net)	¥ –	¥ –
Loans and other financial assets (gross)	¥ 12	¥ 14
Allowance for doubtful accounts	(12)	(14)
Loans and other financial assets (net)	¥ –	¥ –

The movement of the allowance for doubtful accounts is as follows:

(Millions of yen)

	2014	2015
Balance at the beginning of the year	¥1,941	¥1,717
Increase during the year	478	1,395
Decrease due to intended use	(131)	(3)
Reversal during the year	(863)	(530)
Other	292	(69)
Balance at the end of the year	¥1,717	¥2,509

(ii) Liquidity risk

Liquidity risk management

The Group is exposed to liquidity risk that the Group might have difficulty settling financial obligations. However, the Group is maintaining the liquidity on hand that enables the Group to meet the assumed repayment of financial obligations and respond flexibly to strategic investment opportunities. Also, the balance is reported monthly to a Senior Corporate Executive (i.e., Chief Financial Officer).

Financial liabilities by maturity date are as follows:

As of 31 March 2014

(Millions of yen)

	Carrying amount	Contractual cash flows	Within six months	Between six months and one year	Between one year and two years	Between two years and five years	Over five years
Financial liabilities measured at amortised cost							
Trade and other payables	¥187,096	¥187,131	¥185,011	¥2,055	¥ –	¥ 64	¥–
Other	1,811	1,811	864	198	321	422	5
Total	¥188,907	¥188,941	¥185,875	¥2,253	¥321	¥487	¥ 5

As of 31 March 2015

(Millions of yen)

	Carrying amount	Contractual cash flows	Within six months	Between six months and one year	Between one year and two years	Between two years and five years	Over five years
Financial liabilities at FVTPL							
Foreign exchange forward contracts	¥ 373	¥ 373	¥ –	¥373	¥ –	¥ –	¥ –
Subtotal	373	373	–	373	–	–	–
Financial liabilities measured at amortised cost							
Trade and other payables	226,692	226,766	226,659	17	36	54	–
Other	1,591	1,591	795	170	287	329	10
Subtotal	228,283	228,358	227,455	187	323	383	10
Total	¥228,656	¥228,731	¥227,455	¥561	¥323	¥383	¥10

(iii) Foreign exchange risk

Foreign exchange risk management

The Group operates globally and the Group's business results and financial position are exposed to foreign exchange risks.

The Group's long-term basic policy is to mitigate the foreign exchange risks by controlling the amount of the Group's net assets denominated in foreign currencies to the level corresponding to the business scale of respective area. In the short term, the Group uses derivatives such as foreign exchange forward contracts to reduce the impact of exchange rate fluctuations arising from import and export transactions denominated in foreign currencies. Also, the balance of derivative transactions is reported monthly to a Senior Corporate Executive (Chief Financial Officer).

Foreign exchange sensitivity analysis

The financial impact on profit before tax for the years ended 31 March 2014 and 2015 in the case of a 10% increase in Japanese yen, which is the Company's functional currency, against the U.S. dollar and euro is as follows.

Also, it is based on the assumption that currencies other than the ones used for the calculation do not fluctuate and other change factors are held constant.

(Millions of yen)

	2014	2015
Profit before tax		
U.S. dollar	¥(675)	¥ (847)
Euro	(261)	(1,274)

(Note) The above negative amounts represent the negative impact on profit before tax in the event of a 10% appreciation in Japanese yen.

(4) Fair values of financial instruments

(i) Fair value calculation of financial instruments

Financial assets at FVTPL

Financial assets at FVTPL comprise mainly debt securities and foreign exchange forward contracts. The fair value of those financial instruments is measured based on prices provided by counterparty financial institutions.

Loans and receivables

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

Available-for-sale financial assets

The fair value of marketable securities is based on quoted market prices at the end of the period. The fair value of unquoted equity shares is measured mainly based on the discounted future cash flows.

Cash and cash equivalents

The carrying amount approximates fair value due to the short maturities of the instruments.

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise foreign exchange forward contracts. The fair value is measured based on prices provided by counterparty financial institutions.

Financial liabilities measured at amortised cost

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

(ii) Financial instruments measured at fair value on a recurring basis

Fair value hierarchy

The levels of the fair value hierarchy are as follows:

- Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measured using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3: Fair value measured using significant unobservable inputs for the assets or liabilities.

The level of the fair value hierarchy is determined based on the lowest level of significant input used for the measurement of fair value.

The Group accounts for transfers between levels of the fair value hierarchy as if they occurred at the end of each quarter.

The breakdown of financial assets and liabilities measured at fair value on a recurring basis, including their levels in the fair value hierarchy, is as follows:

As of 31 March 2014

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Foreign exchange forward contracts	¥ –	¥ 87	¥ –	¥ 87
Other	–	3,826	–	3,826
Subtotal	–	3,912	–	3,912
Available-for-sale financial assets				
Quoted equity shares	55,149	–	–	55,149
Unquoted equity shares	–	–	22,585	22,585
Other equity securities	–	–	2,024	2,024
Subtotal	55,149	–	24,609	79,758
Total financial assets	¥55,149	¥3,912	¥24,609	¥83,670

(Note) Financial assets at FVTPL and available-for-sale financial assets are included in "Other financial assets" in the consolidated statement of financial position.

As of 31 March 2015

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Other	¥ –	¥5,715	¥ 750	¥ 6,466
Subtotal	–	5,715	750	6,466
Available-for-sale financial assets				
Quoted equity shares	76,596	–	–	76,596
Unquoted equity shares	–	–	15,520	15,520
Other equity securities	–	–	601	601
Subtotal	76,596	–	16,121	92,717
Total financial assets	76,596	5,715	16,871	99,182
Financial liabilities				
Financial liabilities at FVTPL				
Foreign exchange forward contracts	–	373	–	373
Subtotal	–	373	–	373
Total financial liabilities	¥ –	¥ 373	¥ –	¥ 373

(Note) Financial assets at FVTPL, available-for-sale financial assets, and financial liabilities at FVTPL are included in "Other financial assets" and "Other financial liabilities" in the consolidated statement of financial position, respectively.

The movement of fair value of financial assets categorised within Level 3 of the fair value hierarchy is as follows:

As of 31 March 2014

(Millions of yen)

	Financial assets at FVTPL	Available-for-sale financial assets	Total
Balance at the beginning of the year	¥–	¥25,390	¥25,390
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note 1)	–	(31)	(31)
Recognised in other comprehensive income	–	(604)	(604)
Purchases, issues, sales, and settlements			
Purchases	–	853	853
Transfers to/from Level 3 (Note 2)	–	(775)	(775)
Other	–	(223)	(223)
Balance at the end of the year	¥–	¥24,609	¥24,609
Gains or losses recognised during the year in profit or loss attributable to the change in unrealised gains or losses relating to those assets held at the end of the period (Note 1)	¥–	¥ –	¥ –

(Note) 1. Those are included in "Finance expense" in the consolidated statement of income.

2. Those financial assets were transferred from Level 3, because a significant input that affects measurement of fair value became observable.

As of 31 March 2015

(Millions of yen)

	Financial assets at FVTPL	Available-for-sale financial assets	Total
Balance at the beginning of the year	¥ –	¥24,609	¥24,609
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note 1)	(27)	(2,213)	(2,240)
Recognised in other comprehensive income	–	2,531	2,531
Purchases, issues, sales, and settlements			
Purchases	772	2,533	3,305
Sales	–	(2,108)	(2,108)
Transfers to/from Level 3 (Note 2)	–	(9,704)	(9,704)
Other	5	473	478
Balance at the end of the year	¥750	¥16,121	¥16,871
Gains or losses recognised during the year in profit or loss attributable to the change in unrealised gains or losses relating to those assets held at the end of the period (Note 1)	¥ (27)	¥ (2,217)	¥ (2,244)

(Note) 1. Those are included in "Finance income" and "Finance expense" in the consolidated statement of income.

2. Those financial assets were transferred from Level 3, because a significant input that affects measurement of fair value became observable.

The financial assets categorised within Level 3 are composed mainly of unquoted equity shares.

The fair value of significant unquoted equity shares is measured using discounted future cash flows. The fair value of unquoted equity shares is categorised within Level 3 because unobservable inputs such as estimates of future net operating profit after tax and WACC are used for the measurement. The WACC used for the measurement of fair value is between 6% and 8% depending on region or industry. Generally, the fair value would decrease if the WACC capital were higher.

The fair value of unquoted equity shares is measured by departments of the Company and each Group company in accordance with the Group accounting policy every quarter. The results with evidences of changes in fair value are reported to a superior and, if necessary, to the Executive Committee as well.

In regards to financial instruments categorised within Level 3, there would be no significant change in fair value when one or more of the unobservable inputs is changed to reflect reasonably possible alternative assumptions.

35. Operating Leases

Future minimum lease payments under non-cancellable operating leases are as follows:

(Millions of yen)

	2014	2015
Not later than one year	¥13,335	¥13,091
Later than one year and not later than five years	32,158	30,717
Later than five years	6,764	3,756
Total	¥52,257	¥47,564

Future minimum sublease payments expected to be received under non-cancellable subleases is as follows:

(Millions of yen)

	2014	2015
Future minimum sublease payments expected to be received	¥2,950	¥2,951

Minimum lease payments and sublease payments received recognised as expenses are as follows:

(Millions of yen)

	2014	2015
Minimum lease payments	¥15,859	¥18,191
Sublease payments received	(569)	(205)
Total	¥15,290	¥17,987

The Group leases buildings, vehicles and other assets under operating leases.

The significant leasing arrangements have terms of renewal, but there exist no contingent rents payable, terms of purchase options, and escalation clauses. In addition, there are no material restrictions imposed by the lease arrangements.

36. Commitments

The breakdown of commitments for the acquisition of property, plant and equipment and intangible assets is as follows:

(Millions of yen)

	2014	2015
Intangible assets		
Research and development milestone payments	¥291,983	¥238,025
Sales milestone payments	160,367	173,665
Total	¥452,350	¥411,691
Property, plant and equipment	¥ 8,627	¥ 20,676

Commitments for the acquisition of intangible assets

The Group has entered into research and development collaborations and in-license agreements of products and technologies with a number of third parties. These agreements may require the Group to make milestone payments upon the achievement of agreed objectives or when certain conditions are met as defined in the agreements.

"Research and development milestone payments" represent obligations to pay the amount set out in an individual contract agreement upon achievement of a milestone determined according to the stage of research and development.

"Sales milestone payments" represent obligations to pay the amount set out in an individual contract agreement upon achievement of a milestone determined according to the target of sales.

The amounts shown in the table above represent the maximum payments to be made when all milestones are achieved, and they are undiscounted and not risk adjusted. Since the achievement of the conditions for payment is highly uncertain, it is unlikely that they will all fall due and the amounts of the actual payments may vary considerably from those stated in the table.

37. Related Party Transactions

(1) Major companies the Group controls

A list of major companies the Group controls is presented in "Principal Subsidiaries and Affiliates".

(2) Compensation of key management personnel

The table below shows, by the type, the compensation of key management personnel:

(Millions of yen)

	2014	2015
Rewards and salaries	¥1,276	¥1,255
Share-based payment	210	183
Other	188	292
Total compensation	¥1,674	¥1,731

Key management personnel consist of 20 people (21 during 2014) including directors, corporate audit & supervisory board members and members of the global management committee.

38. Contingent Liabilities

Legal Proceedings

The Group is involved in various claims and legal proceedings of a nature considered common to the pharmaceutical industry. These proceedings are generally related to product liability claims, competition and antitrust law, intellectual property matters, employment claims, and government investigations. In general, since litigation and other legal proceedings contain many uncertainties and complex factors, it is often not possible to make reliable judgment regarding the possibility of losses nor to estimate expected financial effect if these matters are decided in a manner that is adverse to the Group. In these cases, disclosures would be made as appropriate, but no provision would be made by the Group.

Prograf Litigation

Astellas Pharma US, Inc. (APUS), 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, APUS 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 US District Court for the District of Massachusetts.

In January 2015, APUS settled all claims brought against it by the direct purchaser plaintiffs.

The cases filed by the indirect purchasers are still pending and are being vigorously defended. The outcome of the indirect purchaser litigation cannot be determined at this time.

Tarceva Government Investigation

In November of 2011, OSI Pharmaceuticals, LLC (OSI), 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 US. The investigation is civil and criminal in nature. OSI is in the process of responding to the subpoena, and OSI is continuing to cooperate fully with the investigation. We cannot predict or determine the timing or outcome of this investigation at this time.

39. Events after the Reporting Period

Not applicable

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Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

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www.shinnihon.or.jp

Building a better working world

Independent Auditor's Report

The Board of Directors
Astellas Pharma Inc.

We have audited the accompanying consolidated financial statements of Astellas Pharma Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astellas Pharma Inc. and its consolidated subsidiaries as at 31 March 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

17 June 2015
Tokyo, Japan

Investor Information

Common Stock (as of March 31, 2015)

Authorized: 9,000,000,000

Issued: 2,259,823,175 (including 66,681,660 treasury stock)

Number of shareholders: 73,962

Astellas conducted a five-for-one stock split on April 1, 2014.

Transfer Agent for Common Stock in Japan

Sumitomo Mitsui Trust Bank, Limited

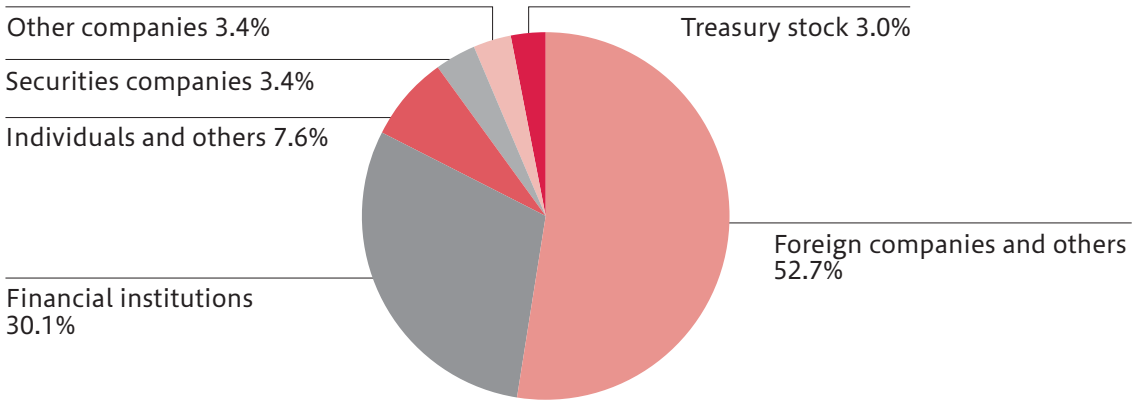
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

Major Shareholders (as of March 31, 2015)

	Shares owned (Thousand shares)	Percentage of total common shares outstanding
The Master Trust Bank of Japan, Ltd. (trust account)	126,462	5.59
State Street Bank and Trust Company	124,420	5.50
Japan Trustee Services Bank, Ltd. (trust account)	106,931	4.73
Nippon Life Insurance Company	64,486	2.85
JP Morgan Chase Bank 385147	53,280	2.35
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	49,408	2.18
State Street Bank West Client – Treaty 505234	30,417	1.34
The Chase Manhattan Bank 385036	29,457	1.30
The Bank of New York Mellon SA/NV 10	29,061	1.28
State Street Bank and Trust Company 505225	26,437	1.16

Notes: Shares owned are rounded down to the nearest thousand shares, while the percentage of total common shares outstanding is rounded down to two decimal places. The Company holds 66,681 thousand shares of treasury stock, but it is not included in the above list of major shareholders.

Breakdown of Shareholders (as of March 31, 2015)



Corporate Data

Company Name

Astellas Pharma Inc.

Founded

1923

Head Office

2-5-1, Nihonbashi-Honcho, Chuo-ku,
Tokyo 103-8411, Japan
TEL: +81-3-3244-3000
http://www.astellas.com/en/

Professional Institution Affiliation

International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)

* Masafumi Nogimori (Representative Director and Chairman) was appointed Vice President of the IFPMA in November 2010.

Capital (as of March 31, 2015)

¥103 billion

Stock Exchange Listing

Tokyo (Securities Code: 4503)

Representative

Yoshihiko Hatanaka
Representative Director, President and CEO

Independent Auditors

Ernst & Young ShinNihon LLC
Hibiya Kokusai Building, 2-2-3 Uchisaiwai-cho,
Chiyoda-ku, Tokyo 100-0011, Japan

Principal Subsidiaries and Affiliates (as of July 2015)

Astellas is a group of companies engaged solely in the pharmaceutical business. The group consists of 87 companies, which include Astellas Pharma Inc., 79 consolidated subsidiaries and 7 affiliates accounted for by the equity method. Major group companies are listed as follows:

Japan

Manufacturing Base
- Astellas Pharma Tech Co., Ltd.

R&D Bases
- Astellas Research Technologies Co., Ltd.
- Astellas Analytical Science Laboratories, Inc.

Other
- Astellas Business Service Co., Ltd.
- Astellas Learning Institute Co., Ltd.
- Astellas Marketing and Sales Support Co., Ltd.
- Amgen Astellas BioPharma K.K.

Americas

Holding Company in North America

- Astellas US Holding, Inc.
  1 Astellas Way, Northbrook, IL 60062-6111, U.S.A.

Regional Headquarters

- Astellas US LLC
  1 Astellas Way, Northbrook, IL 60062-6111, U.S.A.
  TEL: +1-800-888-7704

R&D Bases

- Astellas Pharma Global Development, Inc.
- Agensys, Inc.
- Astellas Research Institute of America LLC

Manufacturing Bases

- Astellas Pharma Technologies, Inc.
- Astellas US Technologies, Inc.

Sales Bases

- Astellas Pharma US, Inc.
- Astellas Pharma Canada, Inc. (Canada)
- Astellas Farma Brasil Importação e Distribuição de Medicamentos Ltda. (Brazil)

Other

- Astellas Venture Management LLC
- Astellas Scientific and Medical Affairs, Inc.

Note: All subsidiaries for which no country has been indicated are located in the U.S.

EMEA

Holding Company in EMEA

- Astellas B.V.
  Sylviusweg 62, PO Box 344, 2300 AH Leiden, The Netherlands
  TEL: +31-71-5455745

Regional Headquarters (Astellas EMEA Operations)

- Astellas Pharma Europe Ltd.
  2000 Hillswood Drive, Chertsey, Surrey, KT16 0RS, U.K.
  TEL: +44-203-379-8000

R&D and Manufacturing Bases

- Astellas Pharma Europe B.V.
  (R&D and manufacturing, Netherlands)
-Astellas Ireland Co., Limited
  (Development and manufacturing, Ireland)

Sales Bases

- Astellas Pharma Ges.m.b.H (Austria)
- Astellas Pharma B.V. (Belgium)
- Astellas Pharma s.r.o. (Czech Republic)
- Astellas Pharma A/S (Denmark)
- Astellas Pharma S.A.S. (France)
- Astellas Pharma GmbH (Germany)
- Astellas Pharmaceuticals AEBE (Greece)
- Astellas Pharma Kft. (Hungary)
- Astellas Pharma Co., Limited (Ireland)
- Astellas Pharma S.p.A. (Italy)
- Astellas Pharma B.V. (Netherlands)
- Astellas Pharma International B.V. (Netherlands)
- Astellas Pharma Sp. zo.o. (Poland)
- Astellas Farma Limitada (Portugal)
- ZAO Astellas Pharma (Russia)
- Astellas Pharma d.o.o. (Slovenia)
- Astellas Pharma (Proprietary), Ltd. (South Africa)
- Astellas Pharma S.A. (Spain)
- Astellas Pharma A.G. (Switzerland)
- Astellas Pharma ilaç Ticaret ve Sanayi A.S. (Turkey)
- Astellas Pharma JLT (United Arab Emirates)
- Astellas Pharma Ltd. (United Kingdom)

Asia & Oceania

Sales and Other Bases

- Astellas Pharma China, Inc. (Sales and manufacturing, China)
- Astellas Pharma Hong Kong Co., Ltd. (Hong Kong)
- Astellas Pharma Taiwan, Inc. (Taiwan)
- Astellas Pharma Korea, Inc. (Korea)
- Astellas Pharma Philippines, Inc. (Philippines)
- Astellas Pharma (Thailand) Co., Ltd. (Thailand)
- P.T. Astellas Pharma Indonesia (Indonesia)
- Astellas Pharma India Private Limited (India)
- Astellas Pharma Australia Pty Ltd. (Australia)
- Astellas Pharma Singapore Pte. Ltd. (Singapore)

Astellas Pharma Inc.

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