Changing tomorrow

For the Year Ended March 31, 2017

ANNUAL REPORT 2017

astellas

Contents

Cautionary Note

In this annual report, statements made with respect to current plans, estimates, strategies and beliefs and other statements 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. A number of 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 laws and regulations relating to pharmaceutical markets, (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 Astellas' intellectual property rights by third parties. Information about pharmaceutical products (including products currently in development) which is included in this annual report is not intended to constitute an advertisement or medical advice.

Business Philosophy

Raison D'être

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

- To go beyond all others in exploring and tapping the potential of the life sciences.
- To continue tackling new challenges and creating innovative pharmaceutical products.
- To support healthy living for people around the world.
- To continue shining on the global pharmaceutical field.
- To deliver quality products along with accurate information and retain solid credibility among customers.

Mission

Sustainable enhancement of enterprise value

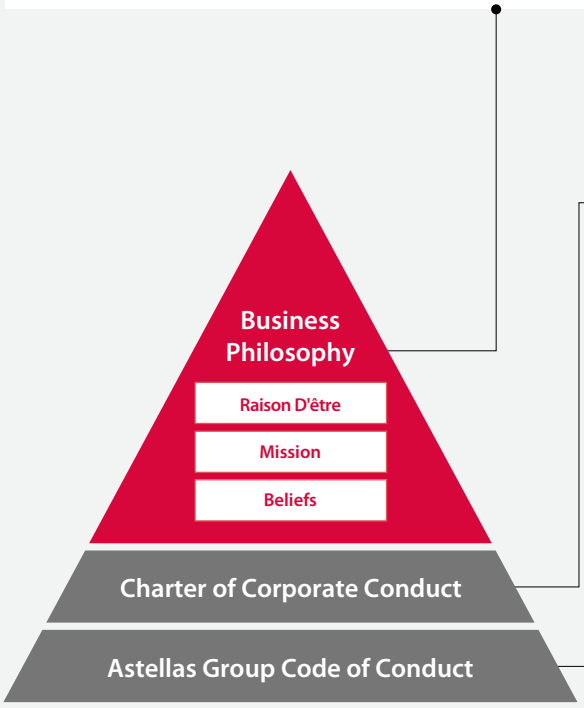
- Astellas will seek to enhance its enterprise value in a sustainable manner.
- Astellas will seek to be the company of choice among all its stakeholders, including its customers, shareholders, employees, and the global community.
  Astellas will strive to gain the trust of all stakeholders and thereby enhance its enterprise value.

Beliefs

Our "beliefs" provide the code of conduct we prize at all times.
Astellas will always be a group of people who act upon these beliefs.

High Sense of Ethics	We will always manage our business with the highest sense of ethics.
Customer Focus	We will always seek to understand customer needs and our focus will always be on achieving customer satisfaction.
Creativity	We will not be complacent and will always seek to innovate to create new value.
Competitive Focus	Our eyes will always be directed to the outside world, and we will continue to create better value faster.

Astellas promises to perform its obligations toward all stakeholders
by acting ethically and seeking to actively disclose information.



Charter of Corporate Conduct

Astellas is committed to conducting its business activities with the highest ethical standards in order to realize its business philosophy and help enhance the sustainability of society by fulfilling its social responsibilities as a pharmaceutical company.

For more details, please refer to

WEB **https://www.astellas.com/en/about/charter-of-corporate-conduct/**

Astellas Group Code of Conduct

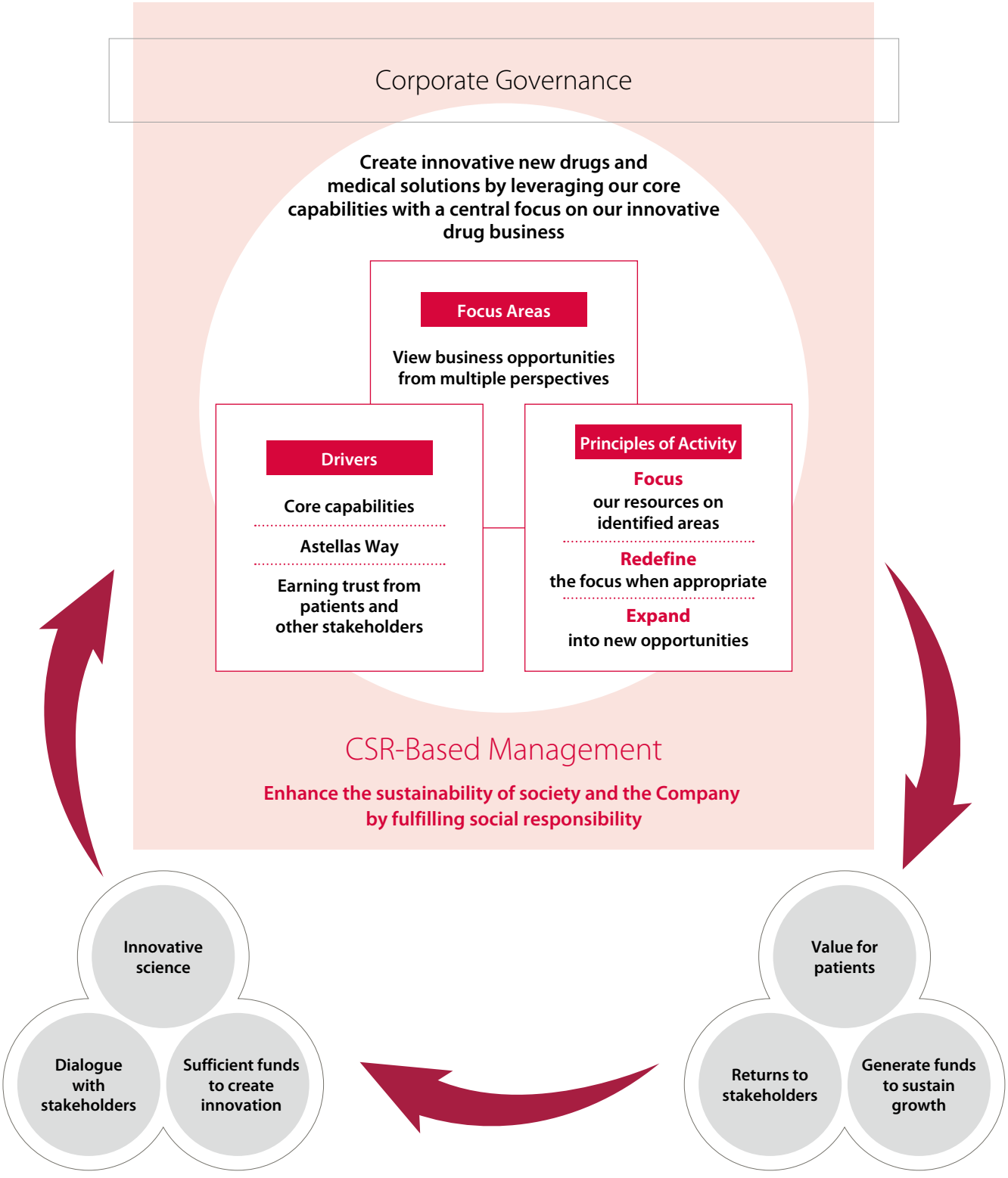
The Astellas Group Code of Conduct serves as a common global code of compliance for all officers and employees to ensure that compliance is maintained at all times in the course of conducting business activities.

For more details, please refer to

WEB **https://www.astellas.com/en/about/group-code-of-conduct/**

Astellas' Value Creation Process

Astellas stands on the forefront of healthcare change, turning innovative science into value for patients. By repeating this cycle continuously, we are pursuing the sustainable growth of enterprise value.



Our Approach to the Value Creation Process

Astellas' raison d'être is to "contribute toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products."

Based on this, we aim to stand on the forefront of healthcare change, turning innovative science into value for patients. The keys to our success will be our Focus Areas, Principles of Activity, and Drivers, which describe where we should create value and how we should act to realize that value. Guided by this approach, we will create innovation with a central focus on the innovative drug business.

This process originates with advances in science, and Astellas then allocates sufficient funds and implements measures to satisfy the requests and expectations of stakeholders. By creating value for patients, through this process, we will generate funds to sustain the next phase of growth and provide returns to stakeholders.

Astellas will continue to follow this cycle to achieve sustainable growth of enterprise value.

Focus Areas

Amid continuing evolution in the healthcare industry, Astellas needs to identify business opportunities more flexibly and efficiently than ever in order to achieve further growth. We will define our Focus Areas by adding multiple perspectives to our conventional viewpoint of therapeutic areas. We will factor in a consideration of new technologies and treatment approaches, product development feasibility and new possibilities for commercialization, market trends and changes in pharmaceutical laws and regulations. Our goal is to identify areas of unmet need and find new business opportunities.

Principles of Activity

In a fast-changing business environment, it is crucial to have the flexibility to reexamine business fields as needed—even those that have been carefully selected as opportunities at some point in the past. Astellas aims to drive further evolution by having all employees remain mindful of the three-step process of Focus our resources on identified areas, Redefine the focus when appropriate, and Expand the focus for the next generation of activity, as they carry out their activities.

Drivers

One of the drivers for Astellas to achieve sustainable growth is its core capabilities, which constitute the source of its competitive edge. It is vital to carefully identify our essential capabilities and enhance them until they are among the world's best. At the same time, when there are outstanding capabilities outside the Company, we will proactively form partnerships. By combining optimal capabilities, both internal and external, we enhance our productivity and creativity to maximize our value creation capabilities. Moreover, in the Astellas Way*, we have defined a shared set of values to be embraced by all our employees as part of efforts to foster a corporate culture to help realize our business philosophy. At the same time, we remain committed to understanding the requests and expectations of a multitude of stakeholders, including patients, and transforming that understanding into value.

* For details on the Astellas Way, Five Messages for One Astellas—Patient Focus, Ownership, Results, Openness, and Integrity—please refer to p. 64.

Astellas' Currently Identified Core Capabilities

Capability to create new drugs	Capability to deliver new drugs	Commercial presence	Partnership	Operational foundation

Corporate Governance ››› P25-29

CSR-Based Management ››› P22-24

Astellas' Evolution

Astellas will steadily expand business by optimally allocating resources, along with focusing on building a business foundation to sustain growth.

Mid-Term Management Plan 2006-2010

Concentrate resources on the innovative drug business, strengthening product creation capabilities and building a solid global business foundation

Global business expansion in Japan, the Americas, EMEA and Asia & Oceania

- Expanded the urology franchise area while maintaining a leading position in transplantation
- Implemented growth strategies according to regional characteristics in Japan, the Americas, EMEA and Asia & Oceania

R&D

- Global in-house development of compounds with high potential
- Focused disease areas for research (urology, immunology and inflammatory, central nervous system and pain, diabetes, infectious disease, oncology)
- Established global development headquarters in the U.S.
- Acquired Agensys, Inc.

Cost structure reforms

- Realigned the production framework (from 18 to 10 sites)

Utilization of human resources

- Achieved an agile, highly productive organizational structure and optimized personnel

Mid-Term Management Plan

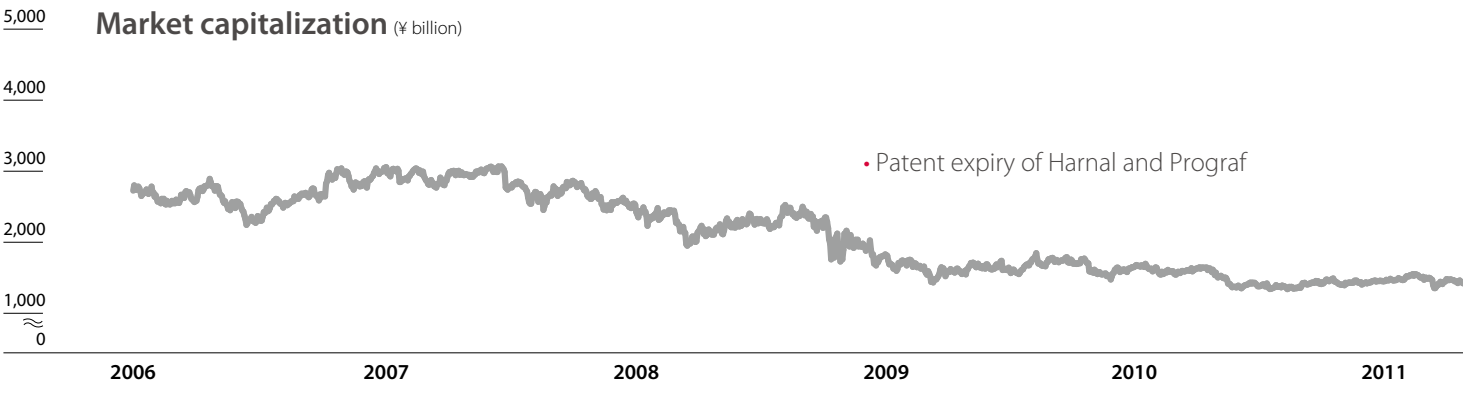
Implemented growth strategies

Efficiency strategy

Initiatives to fulfill social responsibilities

Value protection

Activities centered on environmental preservation, ethics and compliance and social contribution



2010-2014

Overcome the impacts of patent expiry for core products and accelerate growth to a new stage based on both growth and efficiency strategies

Strategy for therapeutic areas

- Strengthened and maintained position as a Global Category Leader (GCL) in the urology and transplantation areas
- Strengthened oncology (acquired OSI Pharmaceuticals, Inc.) as a third GCL area

Regional strategy

- Implemented well-balanced business expansion in Japan, the Americas, EMEA and Asia & Oceania
- Invested further in emerging countries

R&D innovation strategy

- Promoted a precision medicine approach
- Harnessed cutting-edge technologies (antibody, regenerative medicine, vaccines, etc.)
- Focused disease areas for research (urology, immunology and infectious diseases, oncology, neuroscience diseases, diabetes complications and metabolic diseases)
- Enriched and expanded the pipeline

- Allocated resources efficiently through execution of the therapeutic area strategy
- Optimal allocation of expenses
- Streamlined costs further by reviewing operational processes

Strategic Plan 2015-2017

Steadily advance three strategic priorities to achieve sustainable growth over the medium and long terms, while flexibly responding to changes in the environment

Maximizing the product value

›››P13-16, 17-18, 38, 43-52

- Expanded sales of new products
- Rapidly established urology (overactive bladder) and oncology areas as growth drivers

Create innovation

›››P13-16, 19-20, 39, 53-62

Enhancing capabilities to deliver innovative medicines

- Open innovation through the Network Research System
- Multi-tracked the R&D process through the use of FASTEN
- Strengthened, enriched and expanded the pipeline
- Acquired Ganymed Pharmaceuticals AG

- Focused disease areas for research
  Existing diseases: Urology, oncology, immunology, nephrology and neuroscience
  New diseases: Muscle diseases and ophthalmology

Advancing into new opportunities

- New technologies and new modalities: regenerative medicine, vaccines, etc.

- Acquired Ocata Therapeutics, Inc. (cell therapy)

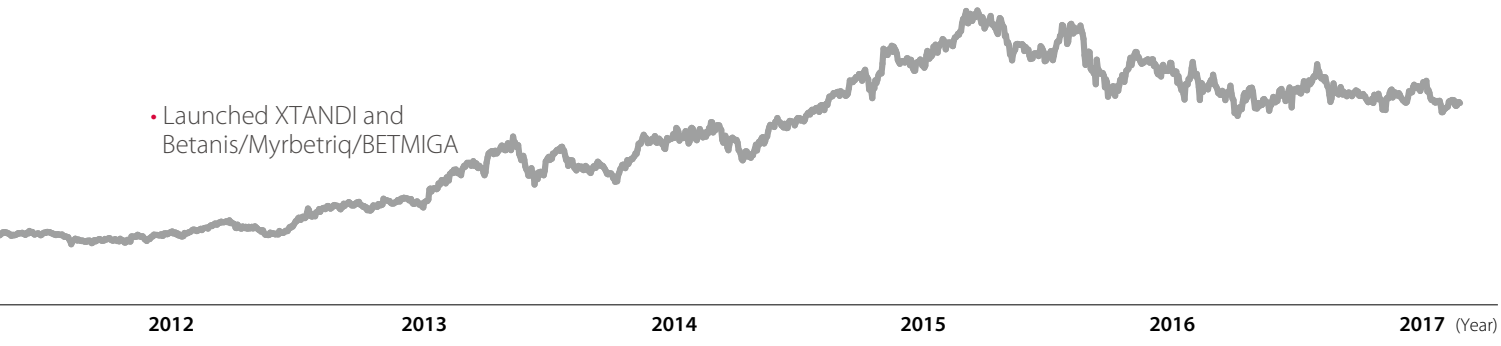
Pursuing operational excellence

›››P13-16, 20, 40, 63-70

- Five approaches, including the optimal reallocation of resources

Value creation + Value protection

Contribution through business, including activities to improve Access to Health, in addition to existing activities based on CSR



Astellas Today (Fiscal 2016/as of March 31, 2017)

As a global pharmaceutical company conducting business in more than 50 countries around the world, Astellas is focused on expanding new drugs and growth products, and creating innovative medicines that will help it to achieve sustainable growth.

Market capitalization
(as of June 30, 2017)
¥2.8 trillion

Sales
¥1,311.7 billion

Core Operating Profit
¥274.6 billion

Core Operating Margin
20.9%

ROE
17.3%

Related Information | Definition of Financial Results on a Core Basis
››› P10

R&D Expenses
¥208.1 billion

R&D Ratio to Sales
15.9%

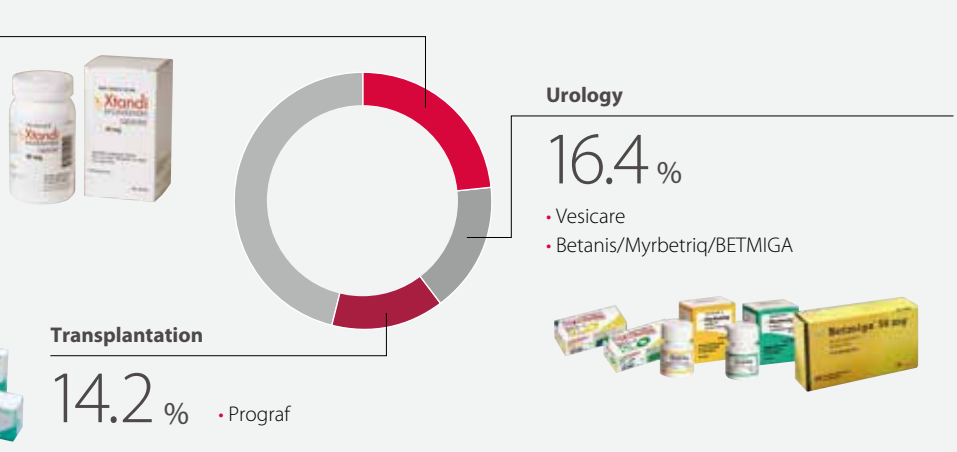
Number of new molecular/ biological entities in the pipeline
35

* Number of new molecular/biological entities in the pipeline as of April 2017 (partially updated)

Number of ongoing collaborative research projects
More than 100

Number of R&D personnel
Approx. 3,200

Sales composition of the three main therapeutic areas and main products



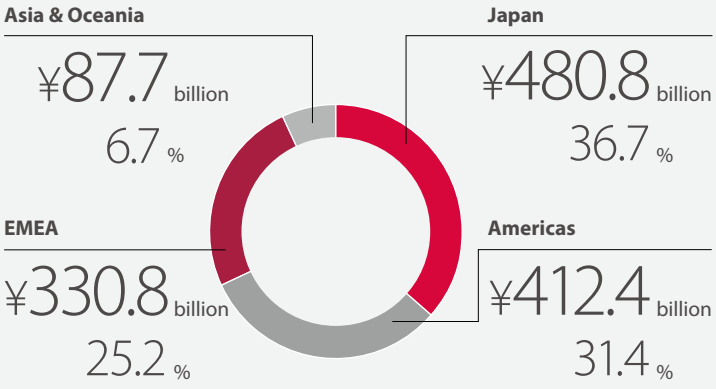
Number of countries where Astellas has its own distribution channels

Approx. 50 countries

Number of Medical Representatives (MRs)

Approx. 5,750

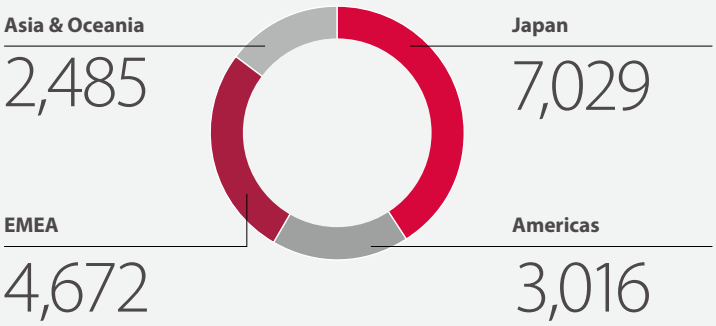
Sales by region



Number of employees

17,202

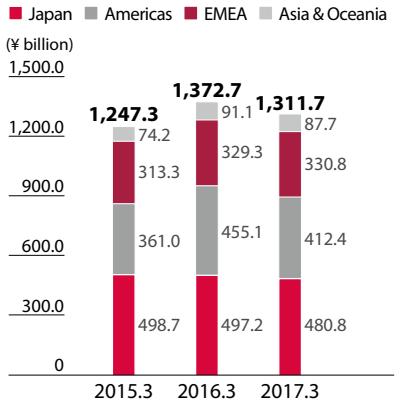
Number of employees by region



Financial and Non-Financial Highlights

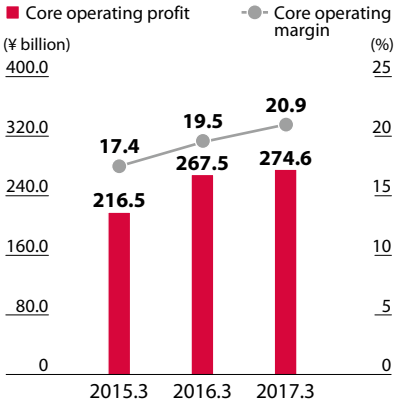
Despite a decline in sales in the fiscal year ended March 31, 2017 due to the impact of foreign exchange rates, all levels of profit increased. We will steadily advance initiatives on strategic priorities for sustainable growth.

Sales by Region



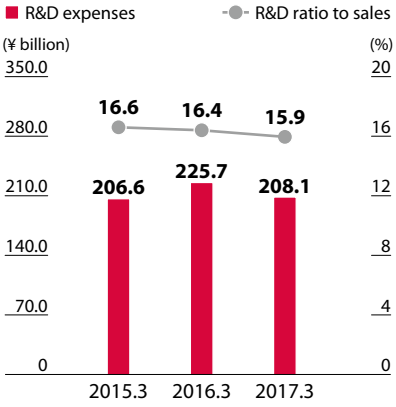
Consolidated sales decreased by 4.4% year on year. Sales in Japan decreased mainly due to the impact of revisions to NHI drug prices, while sales in the Americas, EMEA and Asia & Oceania increased excluding the foreign exchange impact.

Core Operating Profit / Core Operating Margin



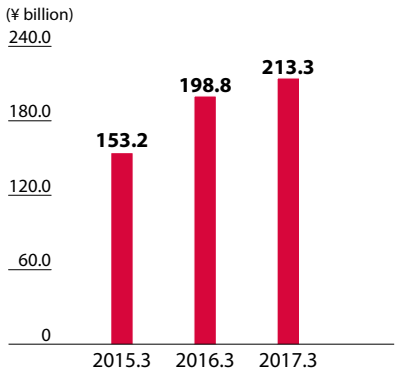
Core operating profit increased 2.7% year on year to ¥274.6 billion. The core operating margin was 20.9%. Excluding the impact of foreign exchange rates and the transfer of the dermatology business, core operating profit rose 9%.

R&D Expenses / R&D Ratio to Sales



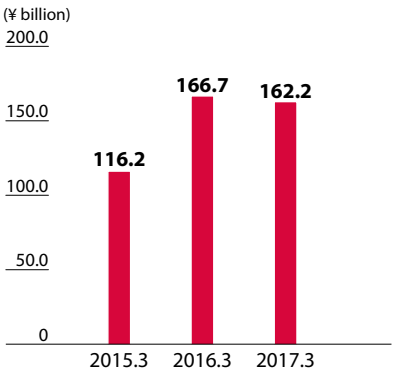
Research and development (R&D) expenses decreased 7.8% year on year to ¥208.1 billion, partly due to the impact of foreign exchange rates. The ratio of R&D expenses to sales was 15.9%.

Core Profit for the Year



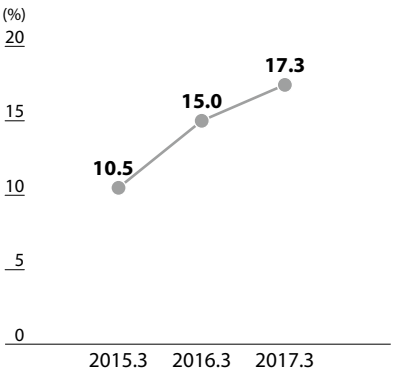
Core profit for the year increased by 7.3% year on year to ¥213.3 billion, tracking the increase in core operating profit.

Free Cash Flow



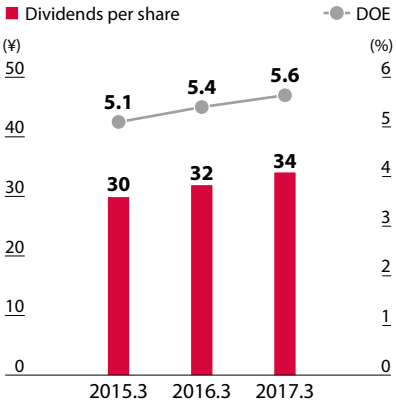
Free cash flow in fiscal 2016 was ¥162.2 billion, as a decrease in net cash flows from operating activities were mostly offset by an increase in proceeds from sales of available-for-sale financial assets.

ROE



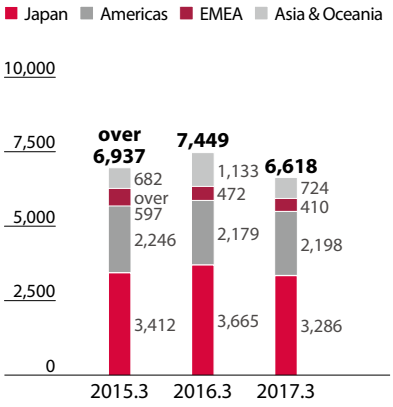
ROE was 17.3%. Positioning ROE as a key performance indicator, Astellas aims to maintain and improve ROE over the medium to long term by maximizing earnings capabilities and enhancing capital efficiency.

Dividends per Share / DOE



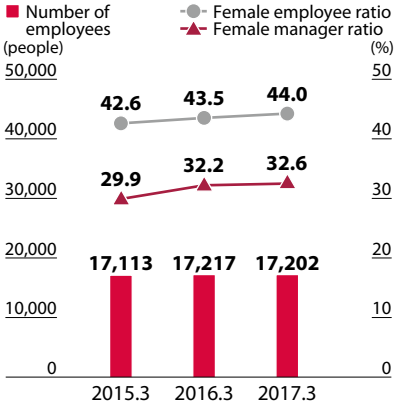
Astellas strives to increase dividend payments stably and continuously based on medium- to long-term profit growth. In fiscal 2016, the annual dividend was ¥34 per share, representing a DOE of 5.6%.

Number of Participants in Changing Tomorrow Day



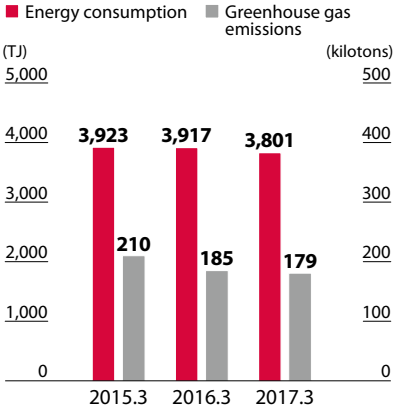
Astellas employees conduct a variety of volunteer activities as part of Changing Tomorrow Day based on the themes of promoting healthcare and maintaining the environment. In fiscal 2016, 6,618 employees participated in Changing Tomorrow Day worldwide.

Number of Employees / Female Employee Ratio / Female Manager Ratio



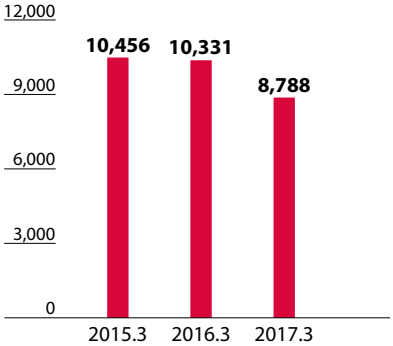
On a global basis, the female employee ratio was 44.0%, and the female manager ratio was 32.6%. In Japan, where the ratio of female employees in managerial positions is particularly low, improving the female manager ratio is an urgent issue for Astellas.

Energy Consumption / Greenhouse Gas Emissions



Greenhouse gas emissions were 179 kilotons. Emissions were reduced mainly due to improvement in the electricity CO_2 emissions coefficient and the transfer of the Norman Plant in the U.S.

Amount of Water Withdrawal



Aiming to establish a recycling-oriented society, Astellas has been striving to reduce water withdrawal. In fiscal 2016, Astellas established a new management indicator called "water resources productivity" (page 79), and has been working to make improvements on this front.

* Figures for prior fiscal years are restated to reflect the addition of overseas research sites to the scope of reporting.

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)	Consolidated Financial Results (Core 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	
	Non-recurring other income and other expense within IFRS-based operating profit are excluded (for example, items such as impairment losses or restructuring expenses)
	Core operating profit
Other income	
Other expense	
Operating profit	
Finance income	
Finance expense	
Profit before tax	
Income tax expense	
	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)
Profit for the year	**Core profit for the year**

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 G4 Sustainability Reporting Guidelines* 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 the GRI Content Index, please visit the following website: https://www.astellas.com/en/csr/management/report.html

Scope of the Report

Period covered

Fiscal 2016 (April 1, 2016 - March 31, 2017)

* 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 represent the results for fiscal 2016 (April 1, 2016 to March 31, 2017) in Japan and the calendar year 2016 (January 1 to December 31, 2016) 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.

Note: In the information about pharmaceutical products in this report, market size, market share and product ranking are sourced from IMS Health Information Services.

Websites

Global Website

https://www.astellas.com/en/

Astellas has launched a new global website as part of efforts to enhance the transparency of the Company and to strengthen its brand power. In order to promote further understanding of Astellas, the website is designed to be easy to read, easy to use, and easy to understand, and features content created according to these goals.

By harnessing a variety of communication tools, including this new website, Astellas will work to provide timely and proper disclosure, as it strive to become the company of choice for all stakeholders.

Anticipating and Flexibly Incorporating Change Is the Key to Achieving Sustained Growth

Astellas will proactively incorporate state-of-the-art scientific and technological advances and turn them into value for patients.
To achieve this, we will continue to transform ourselves and flexibly utilize external capabilities.
We will make ceaseless efforts to further increase society's trust in us.
Astellas will continue these initiatives in response to a rapidly changing business environment, thereby achieving sustained growth.

CEO Message

Flexibly Incorporate Cutting-Edge Science and Technology, Turning It into Value for Patients

Yoshihiko Hatanaka
Representative Director, President and CEO

The Environment Surrounding the Pharmaceutical Industry and Astellas' Vision

Reference

As Long as We Don't Lose Our Vision, We Can Surmount a Changing Business Environment

As the business environment surrounding Astellas undergoes changes, I believe there are two broad themes that will profoundly impact our businesses. The first theme is productivity in R&D. Drug discovery is becoming increasingly difficult because drug targets have become more complicated and the regulatory standard for new drug approval has become more strict. Under these conditions, R&D productivity has been decreasing, presenting a major issue for the entire pharmaceutical industry. The second theme concerns the problems surrounding access to medicine. Poverty, underdeveloped healthcare systems, and other factors have hindered patient access to medicines. We must find ways of improving access to medicines for the people who need them. Moreover, in the past few years, there has been extremely strong pressure in various countries to reduce the price of pharmaceuticals caused by healthcare financing and patients' affordability.

Meanwhile, these changes in the environment are major management priorities for pharmaceutical companies. If we could solve the challenges they present, we would be able to deliver significant value to patients. I believe that we must always keep this perspective in mind. If we are able to improve R&D productivity, we could deliver treatment modalities as early as possible to patients who previously did not have any effective treatment options. Improving patient access to medicines is an issue that must be ultimately examined based on the value for patients. In the past, pharmaceutical companies have seen their roles as confined to developing good medicines, obtaining regulatory approval, and launching those products in the marketplace. They have not

taken adequate steps to ensure access to medicines by individual patients. However, only after launched drugs reach patients do they show their worth. Going forward, I believe that we must take proactive steps on this front as well.

The environment surrounding Astellas has been changing at a dizzying pace and has become increasingly complex. However, Astellas' vision—turning innovative science on the forefront of healthcare change into value for patients —will guide us forward as we determine our future course of action. As long as we stay focused on our vision, I'm confident that we will be able to find a way to surmount our challenging environment.

Reference

Medium-Term Strategy
›››P17

Our People,
Our Organization
›››P64

Imperatives for Further Growth

Our Vision and Strategy Remain Unchanged, but More Flexible Collaboration with External Partners Is Now Crucial

There has been no change in our vision, or our strategy for realizing the vision, which is our goal. However, in the course of executing our strategy, I believe that it has become more crucial than ever to build up a flexible network and incorporate external capabilities.

One key to solving the issues I discussed earlier is technological advancement. In drug discovery fields, the flexible use of new technologies, such as regenerative medicine, cell therapy, gene therapy, and platforms for new vaccines, will enable us to take unprecedented approaches to delivering innovative medicines. Advances in information technology are also becoming a critical factor behind drug discovery. The use of real-world data* is expected to help improve overall R&D productivity and the probability of success as a matter of course. Real-world data is also expected to be used to clarify the basis for setting drug prices. Apart from this, technologies that could dramatically increase value provided to patients and society as a whole are continuously evolving day by day, driven by progress on artificial intelligence, diagnostic technologies and other fronts.

Based on this reasoning, we cannot completely create the final value we deliver using our own internal resources alone. That is why we must enhance our sensitivity to the world outside the Company and flexibly incorporate new technologies, human resources, approaches, and methods. In doing so, we must enhance Astellas' Group-wide capabilities and continuously create innovation that maximizes the final value we deliver. This approach will be absolutely essential to driving our strategies even further.

* Anonymized data obtained from clinical sites.

Highly Eager to Obtain New Technology and Evolving into a Company Which Is Flexibly Incorporating External Capabilities

Our vision is to turn innovative science into value for patients. That vision cannot be realized simply by preparing products and organizations already in place. The success of the vision will depend on whether every employee working at Astellas will take ownership of their duties based on an understanding of the Astellas Way and our aspirations for the organization. Guided by this firm belief, we have compiled our HR Vision, which lays out expectations for human resources and organizations that all members of Astellas should share on a global basis, and we have been concentrating on instilling this vision in employees.

We have been working to foster an organizational culture and nurture human resources by consistently conveying the importance of respecting diversity, anticipating change and embracing challenges, focusing our thinking outwards and flexibly incorporating new initiatives. These efforts are already producing concrete results. For example, in the research field, Astellas has realized more than 20 new collaborations in the space of around three years. In new therapeutic areas (muscle diseases and ophthalmology), we have rapidly launched new projects in tandem by adding several new collaborations in these areas. Moreover, in the real-world informatics function*, in just 1.5 years since this initiative was started, we have already completed numerous analyses and are sharing the results across various departments and regions. I am confident that Astellas is highly eager to obtain new technology and has been evolving into a company that is flexibly incorporating external capabilities and transforming them into its own strengths.

* A department launched in July 2015 that integrates the utilization of big data and its capabilities into a single specialized function.

Reference

Medium-Term Strategy
›››P17

Business Review
›››P36

Progress on Strategic Priorities in the Strategic Plan

Steady Progress on the Three Strategic Priorities Strengthening the Current Base and the Foundations for Medium- to Long-Term Growth

As the President and CEO of Astellas, my duties are to lay the groundwork for Astellas to incorporate new initiatives in the manner described above and to transform these new initiatives into the Company's own strengths. I also have a duty to constantly consider and decide on trade-offs between what to incorporate as new initiatives and what to discontinue in their place. If we only incorporate new initiatives without discontinuing other operations, management will become inefficient. Astellas will always flexibly review its own operations and take decisive measures with speed, such as by reshaping its business portfolio. In fact, this commitment is embodied by one of our strategic themes, "Pursuing Operational Excellence." In the fiscal year ended March 31, 2017, we accelerated these initiatives through the transfer of our global dermatology business and 16 long-listed products manufactured and marketed in Japan.

With regard to "Maximizing the Product Value," we saw steady growth in the oncology field driven by the prostate cancer treatment XTANDI and in the overactive bladder (OAB) franchise. In other areas, there was a steady expansion in products underpinning growth in each region. Overall, performance is progressing largely as planned.

In "Creating Innovation," development projects in late-stage clinical development are advancing steadily, beginning with gilteritinib. In addition, we launched new products such as Repatha, a treatment for hypercholesterolemia, in Japan. Moreover, we are pushing ahead with initiatives that will contribute to patients over the medium and long terms, including advancing R&D in new therapeutic areas and treatment modalities, including muscle diseases, ophthalmology, and next-generation vaccines, along with expanding late-stage development assets through the acquisition of Ganymed Pharmaceuticals AG and Ogeda SA.

Measures to Address Compliance

A Stronger Focus on Building a Foundation to Ensure Trust

We regard compliance as a crucial undertaking to maintain Astellas' sustained growth and the trust of stakeholders into the future. First and foremost, all members of Astellas must conduct themselves based on high ethics, besides ensuring compliance with laws and regulations as a matter of course. In addition, as the responsibility of a company undertaking business in over 50 countries around the world, we must encourage the business partners with whom we work with in each country to conduct themselves in accordance with Astellas' high ethical standards. To realize these initiatives at a higher level, we unified the Astellas Group Code of Conduct on a global basis and reconfigured the Ethics & Compliance Department as a global organization completely independent of the operating divisions.

We are a consistent supporter of the United Nations Global Compact, and have incorporated its 10 principles covering the four fields of human rights, labor, the environment and anti-corruption into our daily business activities.

Measures to Address Access to Health Issues

Promoting This Initiative Proactively in Cooperation with External Partners

To address Access to Health issues, which is a global priority, we continue to make contributions by harnessing our technologies, expertise and resources in each of the following four areas: (1) Creating innovation, which is our core business, (2) Enhancing availability, (3) Strengthening healthcare systems, and (4) Improving health literacy. In January 2017, we participated in Access Accelerated, a global initiative to enhance access to the prevention, diagnosis, and treatment of non-communicable diseases in low income countries and lower middle income countries. Going forward, we will expand these activities in cooperation with governments, other pharmaceutical companies, and third-party bodies.

To Our Stakeholders

Achieve Long-Term Growth by Capturing Change and Turning It into Value for Patients

The business environment surrounding the pharmaceutical industry is in constant flux. Astellas will achieve long-term growth by capturing this change and turning it into value for patients. I would like our stakeholders to constantly evaluate whether Astellas is definitely evolving into the realization of its vision. We aim to create new value based on dialogue with our stakeholders by implementing even higher quality management.

Yoshihiko Hatanaka
Representative Director,
President and CEO

Reference

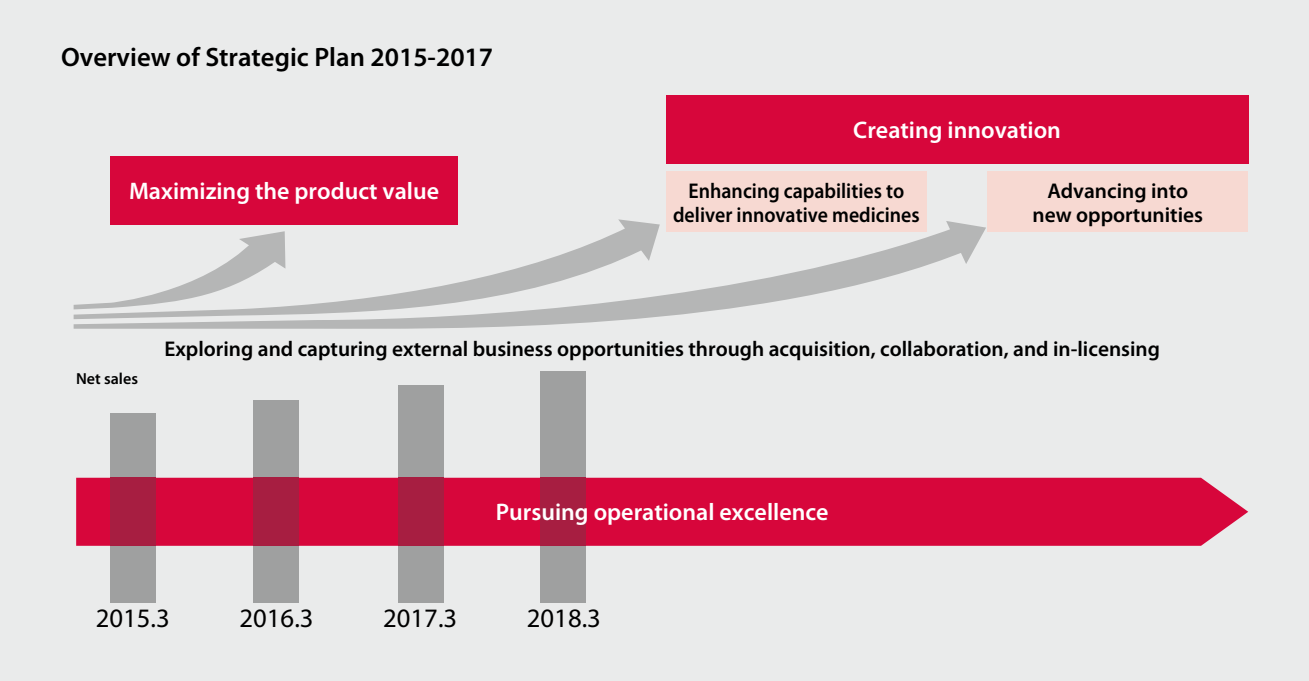
Ethics & Compliance
››› P67

Contribution to the Sustainable Development Goals
››› P71

Access to Health
››› P72

Medium-Term Strategy

Focusing on three strategic priorities for realizing sustainable growth over the medium and long terms



Under Strategic Plan 2015-2017, covering the three years from fiscal 2015 to fiscal 2017, we will work on three strategic priorities. We target "Maximizing the Product Value," including XTANDI and our overactive bladder (OAB) franchise, "Creating Innovation" to sustainably create innovative drugs, and "Pursuing Operational Excellence" in order to enhance our ability to address the changing business environment. By steadily implementing these, we are working to overcome the impact of the substance patent expiries for our OAB treatment Vesicare and our anticancer product Tarceva in the period of 2018 to 2020, and aim to achieve sustainable growth.

Financial Guidance

Astellas has recognized return on equity attributable to owners of the parent (ROE) as an important management indicator. Under Strategic Plan 2015-2017, we aim to achieve ROE of 15% or more by seeking to maximize our earnings capabilities while ensuring that we enhance capital efficiency. We also aim to maintain and improve this level after the strategic plan period.

We prioritize the maximization of our earnings capabilities by maximizing the product value as a way of achieving growth in sales, while promoting measures to optimize cost of sales and SG&A expenses. In this way, we seek to maximize operating profit prior to deduction of R&D expenses. We plan to direct sufficient resources to investment in R&D to existing therapeutic areas as well as new opportunities, while also working to improve our operating margin.

Moreover, we are pursuing balance sheet management and actively targeting shareholder returns, to enhance capital efficiency.

Financial guidance regarding the figures during the period of the current strategic plan is as follows.

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*1	**CAGR that exceeds core operating profit CAGR**
DOE*2	**6% or more**

*1 Core earnings per share
*2 Dividend on equity attributable to owners of the parent

Maximizing the Product Value

Targeting Medium- to Long-Term Growth by Expanding Mainstay Products and New Product Group Sales

To ensure sustainable growth during and after the current strategic plan, Astellas will maximize the value of the products that have been realized through its investments to date.

In particular, Astellas will prioritize the investment of resources in its mainstay products and new product group centered on XTANDI and the OAB franchise. In this way, during the strategic plan, we forecast that the relative composition ratio in total sales will decrease for key products for which patents will expire by 2020. Nurturing the major and new product groups early is an important measure to overcome the impacts from patent expiry.

Expanding Sales in the Major Therapeutic Areas

Astellas is working to expand sales in therapeutic areas which have major products, including oncology and OAB franchises.

Oncology Franchise Our efforts are focused on maximizing the value of XTANDI, our growth driver. We will work to expand the geographical sales area of XTANDI, while also working for label expansion to chemotherapy-naïve prostate cancer and early penetration in each country. Moreover, we will steadily advance clinical trials with the aim of expanding indications for earlier stages of prostate cancer.

OAB Franchise To overcome the anticipated impact from the patent expiry of Vesicare and continue to increase the value of our franchise, we will work intensively to drive market penetration of Betanis/Myrbetriq/BETMIGA as a new option for OAB treatment. In the final year of the strategic plan, sales of Betanis/Myrbetriq/BETMIGA are expected to have increased to account for approximately half of the overall sales of the OAB franchise.

Other Areas The transplantation franchise has established a strong presence with the immunosuppressant Prograf. We expect continued growth in Prograf in emerging countries, despite declines in the Americas, EMEA, and Japan, where the substance patent has expired.

In resource allocation, we will prioritize new products in each region, aiming to achieve sales expansion at an early stage. In Japan, we will work to steadily achieve market penetration of new products including Suglat for type 2 diabetes, Repatha for hypercholesterolemia, and LINZESS which was launched for irritable bowel syndrome with constipation in March 2017.

Major Initiatives in Year Ended March 31, 2017

- **Growth of XTANDI** ››› P43
- **Expansion of Betanis/Myrbetriq/BETMIGA in the OAB Franchise** ››› P45
- **Maximization of product value in other areas** ››› P47

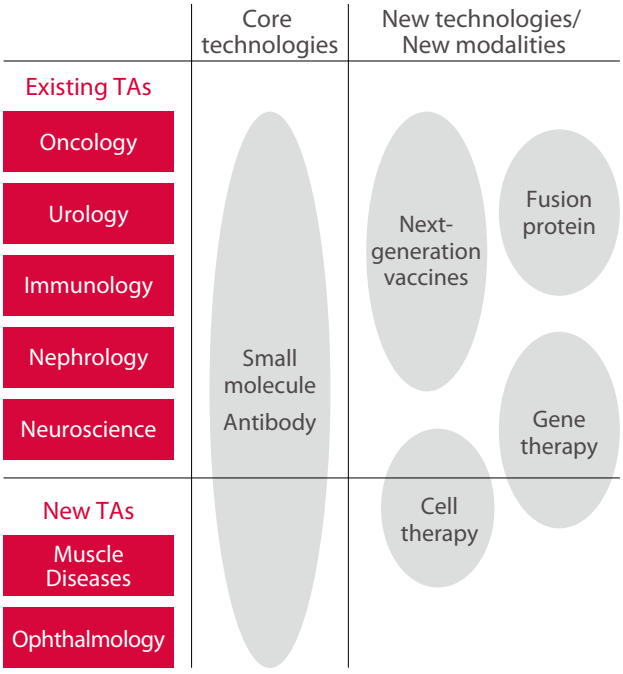
Creating Innovation

Enhancing Capabilities to Deliver Innovative Medicines through Acquisition of Cutting-Edge Science and Optimal Resource Allocation

Astellas aims to continuously generate innovation through the acquisition of cutting-edge science and optimal resource allocation. Astellas is promoting open innovation by building 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. By introducing a process named FASTEN to manage R&D projects along one of three different tracks, Astellas has achieved positive outcomes such as shortening of R&D duration and increased cost efficiency.

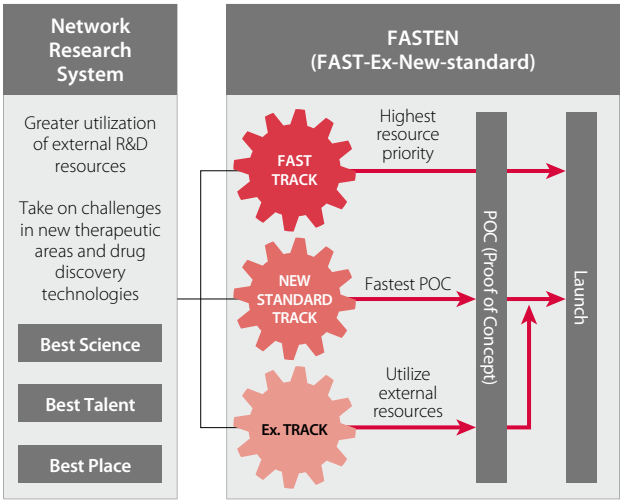
In addition to the fields we have focused on to date, namely urology, oncology, immunology, nephrology, and neuroscience, we have selected muscle diseases and ophthalmology as new focused disease areas for research where we will concentrate our resources. There are high unmet medical needs in these therapeutic areas, and we aim to deliver new medicines while seeking alliance opportunities with external partners.

Focused Disease Areas and Technologies/Modalities



TAs: Therapeutic areas

Enhancing Capabilities to Deliver Innovative Medicines



Pursuing New Opportunities

Astellas will make sufficient investments in opportunities that pave the way for long-term growth, including new therapeutic areas and the use of new technologies and modalities, and medical solutions that leverage our strengths, centered on the innovative drug business.

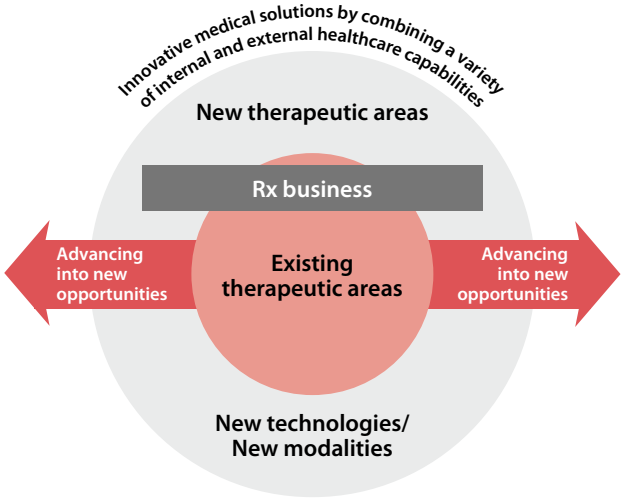
Newly selecting muscle diseases and ophthalmology as focused disease areas for research, Astellas is undertaking groundbreaking research through partnerships with external entities. In the muscle disease area, we are targeting ways to control the progression of disease or achieve causal therapies. In the ophthalmology area, we are targeting disorders of the posterior eye segment for which no standard drug treatments are available.

Astellas is also advancing initiatives leveraging new technologies and modalities. In addition to working to develop next-generation vaccines, we have commenced cell therapy research in earnest. At the Astellas Institute for Regenerative Medicine, Astellas is proactively promoting research and development program of cell therapy in the ophthalmology and other field.

Major Initiatives in Year Ended March 31, 2017

- **Strengthening our oncology franchise and expanding our development pipeline** ›››P53
- **Achieving many milestones in clinical development** ›››P57

Advancing into New Opportunities



Pursuing Operational Excellence

Raising the Quality of Operations in Anticipation of Change

Astellas strives to improve the quality and efficiency of operations by keeping a close eye on changes in the business environment from a number of perspectives, and implementing measures in anticipation of these changes.

Astellas will optimize the allocation of management resources in conjunction with making effective use of external resources. We are constantly reviewing our organization and functions to optimize our business processes, cost structures and other aspects. From the perspective of compliance, we will actively address laws, regulations and social norms while working to further increase the reliability of our products.

Major Initiatives in Year Ended March 31, 2017

- **Enhance organizational structure (Enhancement of global Ethics & Compliance function)**
- **Optimizing the allocation of resources (Transfer of business of U.S. manufacturing subsidiary and long-listed products in Japan)** ›››P63

Our Approach to Operational Excellence

CFO Message

We will focus on optimal resource allocation and establishing the best business structure to achieve sustainable growth, responding to changes in the business environment.

Chikashi Takeda Chief Financial Officer

Putting Highest Priority on Business Investments for Future Growth

Astellas prioritizes allocating funds to business investments for future growth in order to achieve a sustainable increase in enterprise value.

The highest priority is on the investments to promptly advance R&D projects that could create high added value, and to acquire promising new drug candidates or cutting-edge technologies. We will also invest in activities to support growth such as leveraging real-world data, while also allocating sufficient funds to investments to deal with new risks, including enhancement of compliance. We will review resource allocation from scratch as appropriate based on environment changes. For example, we will reduce or stop investments for areas that have already matured and are not expected to grow in the future, or for activities that do not lead to a competitive advantage. Through these activities, we will strive to allocate optimal management resources as a whole.

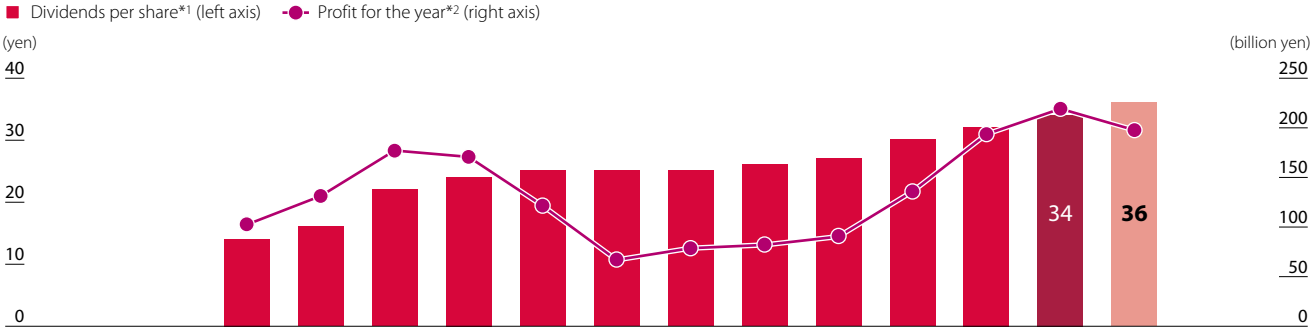
Looking at cash on hand, in addition to the working capital needed to fund day-to-day operations, we will maintain a certain level of cash on hand, in order to respond flexibly to the need to make strategic investments for future growth. Moreover, we are prepared for cases where funding requirements exceed Astellas' internal funding capacity so that we can finance smoothly.

Further Enhancing the Level of Returns to Shareholders

Astellas will target a stable and continuous increase in dividends based on the medium- to long-term growth prospects for consolidated earnings by taking into account dividend on equity attributable to owners of parent (DOE). During Strategic Plan 2015-2017, we are targeting DOE of 6% or more.

We will implement share buybacks flexibly as needed based on an overall consideration of the business environment, investment plans, and the level of cash on hand, among other factors, with a view to further enhancing capital efficiency and the level of returns to shareholders. Our policy is to cancel acquired treasury stock, in principle, except for the portion needed for stock activities such as execution of existing stock options.

Details of Shareholder Returns

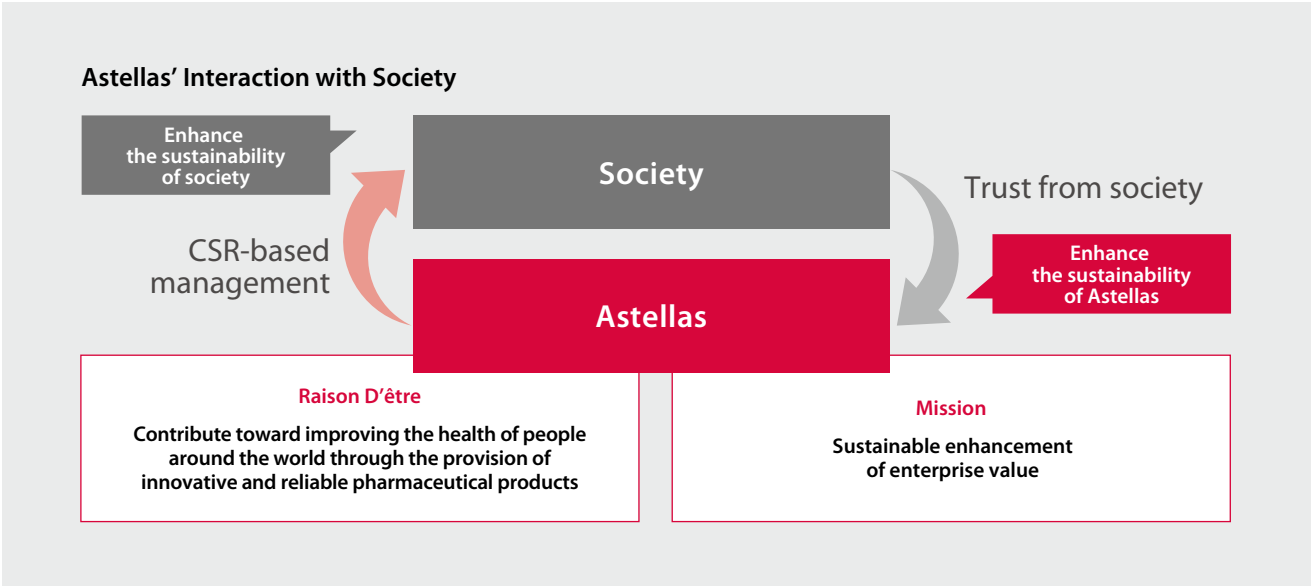


(billion yen)	2006.3	2007.3	2008.3	2009.3	2010.3	2011.3	2012.3	2013.3	2014.3	2015.3	2016.3	2017.3	**2018.3** (Forecast)
Total dividends	39.3	42.3	55.2	56.9	58.2	57.7	57.7	59.4	60.6	66.0	68.5	71.3	74.4
Acquisition of own shares	46.2	219.9	81.8	123.4	27.0	–	–	49.4	30.0	58.2	119.3	91.4	
Total return ratio (%)	82	200	77	106	70	85	74	118	100	92	97	74	

*1 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 2005.
*2 From fiscal 2013, figures are in accordance with International Financial Reporting Standards (IFRS).

CSR-Based Management

Create and protect value for both Astellas and society by fulfilling social responsibility



Fulfilling Our Social Responsibility Means Realizing Our Business Philosophy

Astellas recognizes its corporate social responsibility (CSR) is its responsibility for any impacts that its decisions and business activities have on society and the environment.

Astellas is helping to enhance the sustainability of society by fulfilling its social responsibilities as a pharmaceutical company by, for example, providing pharmaceutical products that satisfy unmet medical needs. We believe that we earn trust from society for both the Company and our products as a result of these activities, and that this trust 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." For Astellas, fulfilling our social responsibility means realizing our business philosophy.

Value Creation and Protection for Both Astellas and Society

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 returning profits to 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. This process creates value for Astellas.

Value Protection Astellas seeks to preserve biodiversity by reducing the environmental burden associated with its business activities, while maintaining social order by ensuring compliance and preventing corruption. These activities will lead to the protection of value for society. In addition, Astellas protects its enterprise value by mitigating reputation risk and elevating its corporate brand through these activities.

Identification and Prioritization of Material Issues in CSR Activities

Astellas identifies and prioritizes material issues in CSR activities, and uses these material issues to guide its CSR-based management.

Referring to various principles and guidelines, Astellas has identified material issues from among the issues to be addressed as prerequisites of its business activities and social priorities including global healthcare 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 societal significance and relevance to our business (CSR Materiality Matrix).

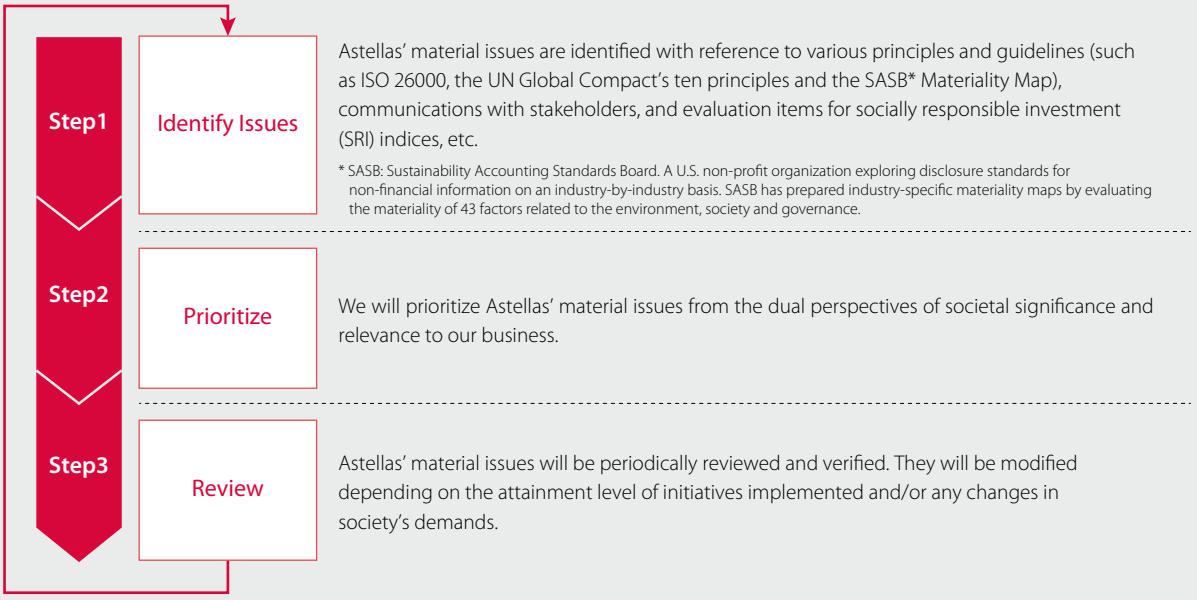
In addition, we are currently verifying the appropriateness of the material issues established in fiscal 2014, and are considering revising those issues based on progress with initiatives, changes in society and other factors.

Activities and Monitoring of Material Issues

To solve material issues through its CSR activities, Astellas' relevant divisions draw up annual and medium-term activity plans for each material issue, and work to address the material issues based on those plans. Moreover, the CSR Committee* monitors activities and results, along with the status of progress against plans.

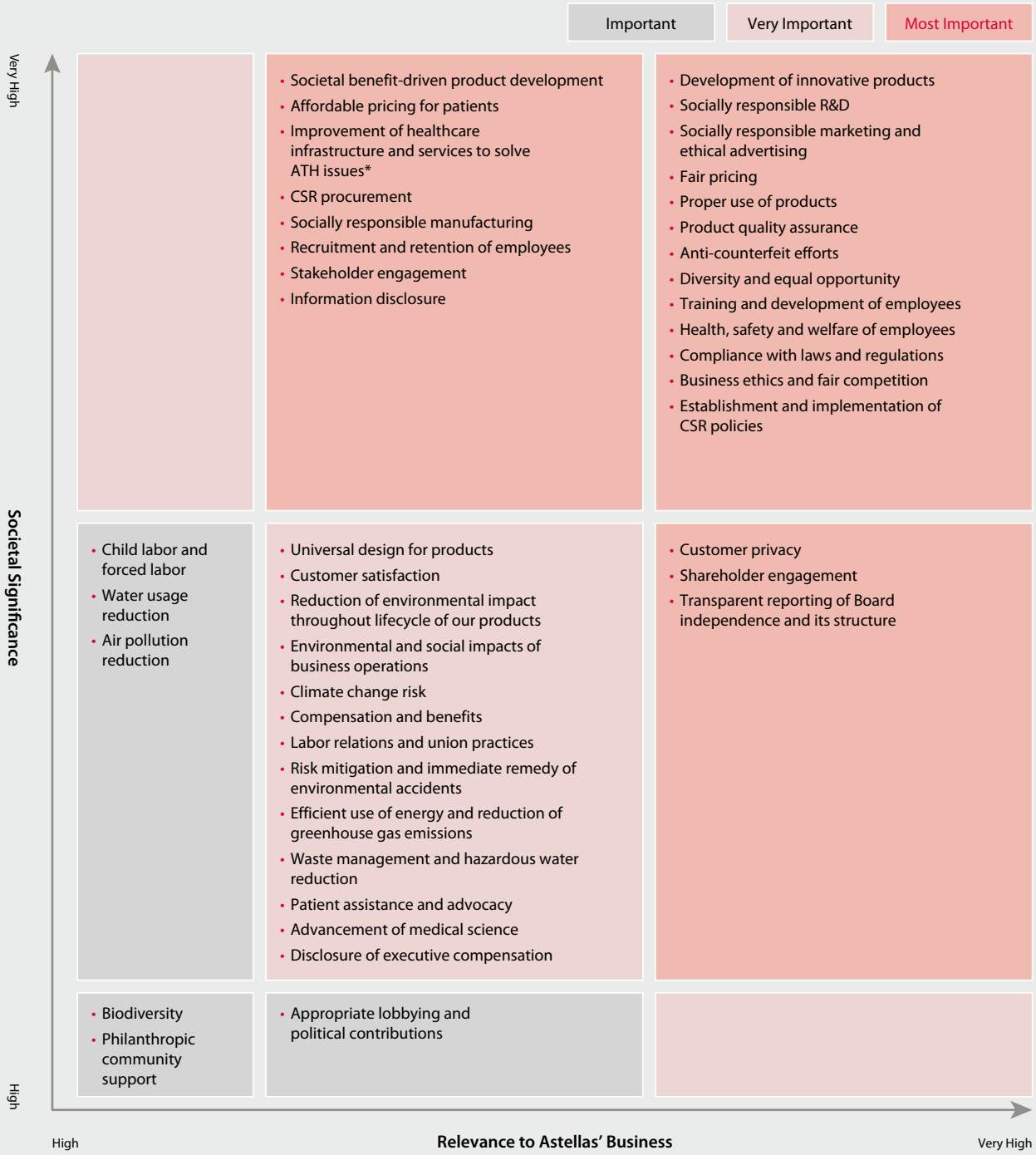
* The CSR Committee discusses policies and plans for important activities in fulfilling the Company's social responsibilities. The committee is chaired by the Chief Administrative Officer & Chief Ethics & Compliance Officer, and comprises the heads of the relevant divisions in Japan, the Americas, EMEA and Asia & Oceania.

Materiality Determination Process



CSR Materiality Matrix

For more details, please refer to
WEB **https://www.astellas.com/en/sustainability/materiality/**



* ATH issues: There are many people with insufficient access to the healthcare they need due to the lack of available treatments, poverty, challenges in healthcare systems and limited healthcare information. Astellas recognizes this problem as the Access to Health issue and works to improve Access to Health by engaging in various initiatives.

Corporate Governance

The Company's raison d'être is to contribute to improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. The Company aims to sustainably enhance enterprise value as its mission.

Corporate governance takes an important role in realizing the sustainable enhancement of enterprise value. We work to ensure and strengthen the effectiveness of corporate governance from the following perspectives:

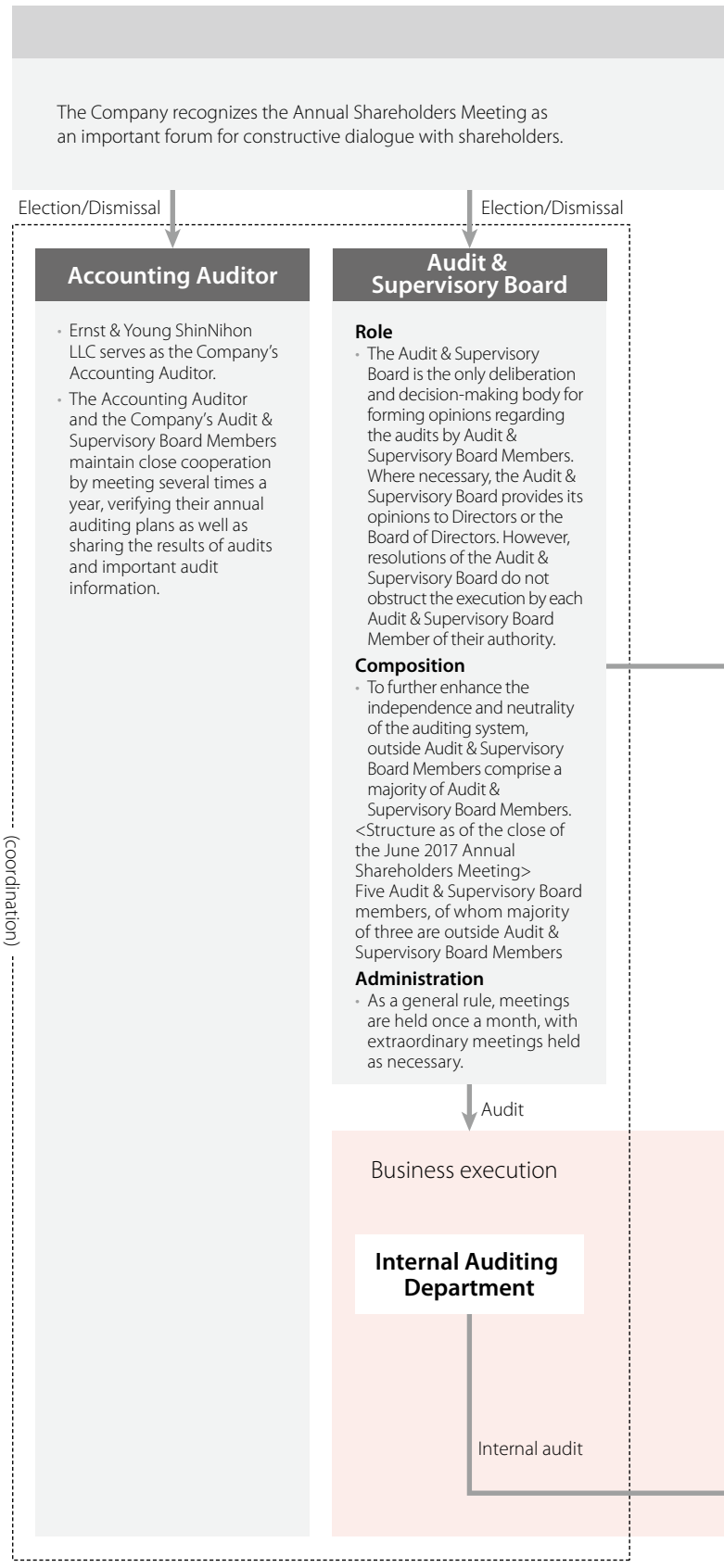
1) Ensuring transparency, appropriateness and agility of management and
2) Fulfillment of our fiduciary duties and accountability to shareholders and appropriate collaboration with all stakeholders.

Corporate Governance System

Characteristics

- The Company adopts the organizational structure of a "Company with an Audit & Supervisory Board." Outside Directors and outside Audit & Supervisory Board Members constitute the majority of the Board of Directors and the Audit & Supervisory Board, respectively.
- The Board of Directors principally serves the oversight function of business execution and also makes decisions on important business execution.
- 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.
- Enhancing Systems Involving Business Execution
  - Executive Committee
  - Japan Management Committee
  - Appoints Executive Officers responsible for specific divisions and functions
    The Board of Directors established the Corporate Decision Authority Policy to ensure the agility of management and clarify the responsibility and authority for the execution of business by Executive Officers and others.
  - Matrix Management

Corporate Governance System



General Shareholders' Meeting

- The following measures are taken to invigorate the meeting for shareholders and encourage the exercise of voting rights.
  (1) To ensure sufficient time for consideration of resolutions, the convocation notice is dispatched three weeks before the meeting date.
  It is also published before dispatch on the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange and on the Company's website.
  (2) Holding the Annual Shareholders Meeting avoiding dates when meetings of other companies are concentrated (since 2004).
  (3) Adoption of an electronic voting platform (since 2006). (4) Providing an English translation of the convocation notice.

Election/Dismissal

Board of Directors

Role
- Primarily performs an oversight function over business execution, ensuring that management is transparent and appropriate. It also makes decisions on important business execution, while establishing the Corporate Decision Authority Policy, clarifying the business execution responsibility and authority of the respective Executive Officers and ensuring management agility.

Composition
- The Board comprises an appropriate number of Directors, in consideration of diversity and balance from the perspectives of expertise and experience, and is chaired by the Director and Chairman of the Board. Note that when the Director and Chairman of the Board is unable to fulfill their duties due to an accident or vacancy of the post, another Director, in the order prescribed in the Board of Directors Policy, shall assume the role.
- The board has a majority of outside Directors to enable it to make decisions from a broader viewpoint and oversee business execution objectively.

<Structure as of the close of the June 2017 Annual Shareholders Meeting>
Six Directors, of whom majority of four are outside Directors.

Administration
- As a general rule, meetings are held once a month, with extraordinary meetings held as necessary.

Directors

Responsibilities
- As members of the Board of Directors, Directors participate in management decision-making through resolutions to the Board, in addition to overseeing the performance of duties of other Directors.
- To fully exercise their expected capabilities, Directors are expected to contribute to the sustained enhancement of enterprise value by collecting the information necessary for the execution of their duties and engaging actively in discussions.
- Outside Directors are expected to enhance the appropriateness of management by overseeing the execution of business from an independent standpoint, while utilizing their individual experience and knowledge to offer advice from a standpoint different from that of internal Directors.

Election
- Subject to appointment via resolution of the Annual Shareholders Meeting.

Audit

Nomination Committee/ Compensation Committee

Role
- Established as advisory bodies to the Board of Directors to improve the transparency and objectivity of the deliberation process regarding election and dismissal of Directors, etc., and the remuneration system.

<Nomination Committee>
- Discusses matters concerning the election and dismissal of Directors, Audit & Supervisory Board Members, and the appointment and removal of Executive Officers, etc., and reports the results to the Board of Directors.

<Compensation Committee>
- Discusses matters concerning remuneration of Directors, Executive Officers and others, and reports the results to the Board of Directors.

Composition
- These committees are composed of members elected by the Board of Directors.
- The majority of each committee's members are outside Directors.
- These Committees are chaired by an outside Director.

Proposal/Report
Appointment/ Dismissal, Supervision

President/ Executive Committee
This Committee discusses matters important to management of the Group overall, and is chaired by the President.

Executive Vice President/ Japan Management Committee
This Committee discusses matters important to management of the Company and its Group companies in Japan, and is chaired by the Executive Vice President.

Election/Dismissal

Proposal/Report
Direction/Supervision

Officers responsible for each function/Corporate Executives/Functional Heads

Report
Business execution/Direction/Supervision

Divisions

Progress in Enhancing Effectiveness

The Company continues to work to ensure and enhance the effectiveness of its corporate governance system in terms of the transparency, appropriateness and agility of management; the fulfillment of its fiduciary duties and accountability to shareholders as well as appropriate collaboration with all stakeholders.

Since Astellas launch in April 2005, we have worked to increase the speed of execution by delegating authority to the management team, in the belief that prompt and accurate decision-making will result in the enhancement of enterprise value. In the year following our launch, the Company appointed a majority of outside Directors to its Board of Directors, and subsequently established the Nomination Committee and Compensation Committee, part of our ongoing efforts at structural reform.

With the implementation of Japan's Corporate Governance Code in June 2015, we also took the opportunity to further enhance the Company's corporate governance structure. In September 2015, the Company formulated its Corporate Governance Guidelines as the basis for implementing the individual principles of the code. Through these efforts, the Company is working to enhance the effectiveness of its corporate governance.

Start of Efforts to Evaluate Effectiveness

In fiscal 2015, the Company's Board of Directors began the process of analyzing and evaluating the overall effectiveness of the Board of Directors. The results of that evaluation for fiscal 2016 are as follows.

<Evaluation Method>

The Chairman of the Board of Directors conducted a survey based on a questionnaire to all Directors and Audit & Supervisory Board Members, primarily concerning the oversight function of the Board of Directors. Based on the results of this survey, the Board of Directors performed its analysis and evaluation.

<Conclusion>

The Board of Directors was found to function appropriately, with highly transparent and lively discussions by the Directors, including independent outside Directors. The overall effectiveness of the Board of Directors was sufficiently ensured.

<Reason for Evaluation>

The Company has accelerated business execution by focusing the function of the Board of Directors solely on the appropriate oversight of the management team and

Major Corporate Governance Reforms Implemented to Date

Date	Change	Objective
April 2005 Launch of Astellas	**New Board of Directors launched** • Board of Directors comprised of 4 Executive Directors, 2 non-Executive Directors and 2 outside Directors • Board of Directors specializes in supervising the management team and decision-making regarding legal and most important matters	Ensure management transparency and appropriateness
	Authority delegated to the management team • To the extent legally allowable, delegate as much authority as possible to the management team	Ensure management agility
June 2006	**Outside Directors represent a majority of the Board of Directors** • 9 Directors, of whom 5 are outside Directors	Ensure management transparency and appropriateness
June 2007	**Reduction in number of Directors** • 7 Directors, of whom 4 are outside Directors	Ensure management agility
	Established the Nomination Committee and the Compensation Committee • 5 committee members, of whom 3 are outside Directors	Ensure management transparency and appropriateness
June 2010	**Shortened term of appointment for Directors** • Term of appointment shortened from two years to one year	Clarify management responsibilities
	Elimination of advisor system • Prior to that, counselor system also eliminated	Ensure management transparency
June 2011	**Change in chairmanship of the Nomination and the Compensation Committees** • Each Committee chaired by outside Director	Ensure management transparency and appropriateness
June 2015	**Increase outside Audit & Supervisory Board Members** • From 2 to 3, resulting in outside members representing a majority of the total of 5 Audit & Supervisory Board Members	Strengthen independence and neutrality of the auditing system

decision-making on matters legally required to be resolved and matters of primary importance, as well as delegating authority to the management team. To enhance the oversight function, the Company has increased the number of outside Directors, established the Nomination Committee and the Compensation Committee, and shortened the term of appointment for Directors. The Board of Directors regularly collects the requisite information such as environmental changes from the management team, and has determined strategies of the Company based on such information. The Board of Directors also receives timely reports from the management side on the establishment and operation of a risk management system, and ensures that necessary information and time for discussions are secured for oversight.

<Issues>

To enhance the effectiveness of discussions, the Board of Directors will continue to improve on the issues below which were identified in this evaluation.

- Based on discussions regarding optimization of functions carried out by the Board of Directors in fiscal 2016, the Board of Directors will review matters for deliberation and reporting by the Board of Directors. At the same time, it will reaffirm and review as required the roles and authority of other committees.
- In determining corporate strategy, the Board of Directors will work to enhance a shared recognition of the assumptions such as changes in the internal and external environments, and conduct multi-faceted discussions that give additional consideration to various stakeholders.
- The Board of Directors will further strengthen frameworks for systematic risk assessment, while further facilitating comprehensive identification of Company-wide risk.

Please refer to the following for the Corporate Governance Guidelines.

WEB **https://www.astellas.com/system/files/governance_guideline_en_0_0.pdf**

A System of Remuneration for Directors and Audit & Supervisory Board Members That Contributes to Sustainable Improvements in Enterprise Value

The compensation paid to Directors and Audit & Supervisory Board Members of the Company is designed to enable the Company to attract and retain talent, and maintain sufficient compensation standards and systems to meet the duties and responsibilities of the positions. The Company has improved the objectivity of decisions on remuneration levels by using survey data issued by outside research companies and other measures.

Progress of Response to the Corporate Governance Code (Items complied since fiscal 2016)

The Company implements all the principles of the Corporate Governance Code.

Corporate Governance Code	Activities in Astellas
Principle 3-1: Full Disclosure In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below in order to enhance transparency and fairness in decision-making and ensure effective corporate governance. v) Explanations with respect to the individual appointments and nominations when the Board appoints senior management and nominates candidates for Director and Audit & Supervisory Board Members.	The Company has disclosed the reasons for its selection of candidates for outside Directors and outside Audit & Supervisory Board Members. Beginning in fiscal 2017, the Company added the candidates for internal Directors and internal Audit & Supervisory Board Members to this list, disclosing the reasons for selecting those candidates in the Annual Shareholders Meeting convocation notice. Notice of Convocation of the Annual Shareholders Meeting https://www.astellas.com/en/ir/stock_bond/pdf/ncsm12_en.pdf Page 31 of this annual report shows expected roles of outside Directors and outside Audit & Supervisory Board Members.
Principle 4-11: Preconditions for Board and Audit & Supervisory Board Effectiveness (Omit 1st paragraph) The Board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole. Supplementary Principle 4.11.3 Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.	The Company has implemented a questionnaire at irregular intervals for outside Directors and strived to improve operations of the Board of Directors while taking into account these opinions. From fiscal 2016, through the implementation of self-assessment by each Director and other means, the Board of Directors analyzes and evaluates the overall effectiveness of the Board of Directors and discloses a summary of the results every year. Corporate Governance Report https://www.astellas.com/en/corporate/pdf/governance_en_20170620.pdf

Remuneration for internal Directors is fundamentally based upon contributions to sustainable improvements in business performance and enterprise value, and is composed of a fixed amount basic remuneration, bonuses and stock compensation. The Company appropriately links remuneration with business performance. In fiscal 2015, the Company introduced a performance-linked stock compensation scheme. Through this program, the Company is raising the awareness of Directors and executive officers regarding their responsibility to contribute to sustainable improvements in business performance and enterprise value. This program grants the Company stock based on the performance-linked coefficient regarding the level of attainment of the medium-term management targets. Medium-term performance targets include predetermined goals for sales, core operating margin, core ROE, etc., over a three-year time span.

Remuneration for outside Directors and Audit & Supervisory Board Members (including outside Audit & Supervisory Board Members) consists solely of a fixed base salary.

Remuneration for each Director are determined by resolution of the Board of Directors within a total ceiling amount approved by the General Meeting of Shareholders, and remuneration for each Audit & Supervisory Board Member is determined through 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 remuneration for Directors.

Remuneration for Directors and Audit & Supervisory Board Members in Fiscal 2016

(¥ million)

Category	Total amount of remuneration	Type of remuneration		
		Basic remuneration	Bonus	Stock remuneration
Directors (excluding outside Directors): 3	404	178	118	108
Outside Directors: 4	55	55	—	—
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members): 3	88	88	—	—
Outside Audit & Supervisory Board Members: 4	41	41	—	—

The total amount of remuneration shown here is the amount paid as remuneration for the performance of duties during fiscal 2016, and includes the amount paid to one Director and two Audit & Supervisory Board Members (including one outside Audit & Supervisory Board Member) who retired during fiscal 2016.

Enhancing the Management Structure

The Company has established a global management structure, and continues to work to strengthen it.

Astellas establishes the Executive Committee as a body for discussion on significant issues in the global management of the Group, and the Japan Management Committee as a body for discussion on significant corporate governance issues of the Company and its affiliates in Japan.

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

Enhancement of management functions from a global viewpoint is pursued in the area of corporate functions as well. In order to further strengthen compliance, the Ethics & Compliance function was established in April 2016, under a global compliance structure wherein Ethics & Compliance functions in each region (Japan, the Americas, EMEA, and Asia & Oceania) report to the Head of Ethics & Compliance. Furthermore, in April 2017, a new global Legal function that manages the regional legal functions was established. The General Counsel reports directly to CEO.

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

Risk Management

Identifying and Mitigating Risks Relating to the Performance of Business Activities

As a global pharmaceutical company in a highly regulated industry, Astellas faces numerous risks that could impact our business results and society. To conduct risk management properly as a whole group, Astellas has established Global Risk Management and Regional Risk Management Programs in each region that identify risks relating to appropriate and efficient business conduct (risks relating to the performance of business activities). Each department and unit of the Company and the Astellas Group companies will proactively put the Company's risk management initiatives into practice and promote risk mitigation within the Group and the proper response to such risks.

The Global Risk Management Program established the Global Risk Management Secretariat to identify risks relating to the performance of Astellas' business activities through interviews with Executive Committee (EC) members and functional heads. Risk owners are then assigned and are responsible for developing and implementing risk mitigation plans. These plans are regularly updated and mitigation progress is reported to senior management at the EC.

At the regional level, the Regional Risk Management Office of each Astellas region identifies the regional risks relating to the performance of business activities and conducts risk management. The risks identified by the Regional Risk Management Offices that must be managed at the global level are incorporated into the Global Risk Management Program as necessary.

Overview of Global Risk Management

Interview EC members and functional heads and analyze results

Global Risk Management Secretariat should:
- Conduct interviews with EC members and functional heads
- Analyze interview results and make proposals to the EC

Identify global risk and assign global risk owners

EC should:
- Evaluate the global risk identified
- Assign global risk owners

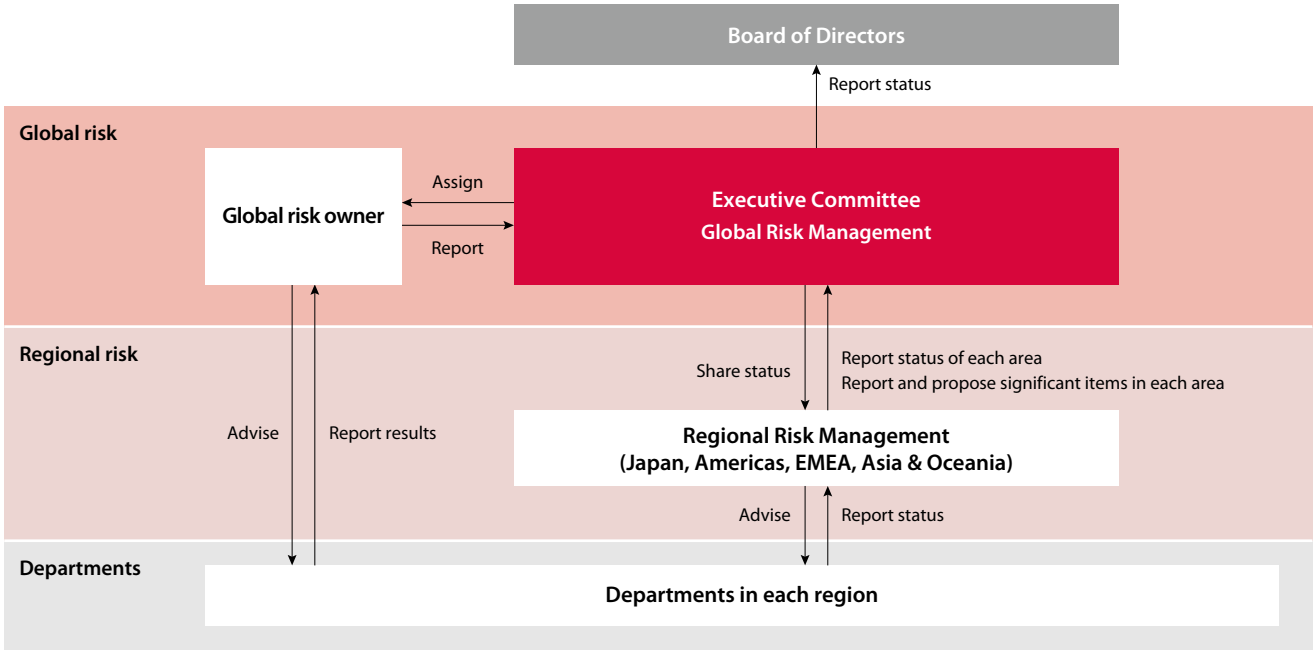
Assess current controls and develop global risk mitigation plans

Global risk owners should:
- Assess assigned global risk
- Identify current risk controls
- Develop global risk mitigation plans and make proposals to the EC

Implement additional risk control measures and report progress

Global risk owners should:
- Implement risk mitigation plans, including additional risk response measures over 1 to 3 years
- Report half-year progress to the EC

Global Risk Management Structure



Directors and Audit & Supervisory Board Members

(Front row, from left) Yoshiharu Aizawa, Keiko Yamagami, Yoshihiko Hatanaka, Toshiko Oka, Noriyuki Uematsu
(Back row, from left) Mamoru Sekiyama, Etsuko Okajima, Kenji Yasukawa, Hiroko Sakai, Hitoshi Kanamori, Tomokazu Fujisawa

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 2016
Outside Directors	Etsuko Okajima	Etsuko Okajima has been engaged in corporate management as a business manager of a human resource consulting company, and has abundant management experience and extensive insight. She currently plays a key role as an outside Director for management of the Company from an independent standpoint. The Company is confident that she will draw on her abundant experience of corporate management in management of the Company in the future as well.	14/14 times
	Yoshiharu Aizawa	Yoshiharu Aizawa has been engaged in medical treatment while successively holding important posts at Kitasato University as a medical scientist, and has abundant specialized knowledge and experience. He currently plays a key role as an outside Director for management of the Company from an independent standpoint. 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.	14/14 times
	Mamoru Sekiyama	Mamoru Sekiyama has been engaged in corporate management as a business manager of a general trading company over many years, and has abundant global experience and extensive insight. The Company is confident that he will be able to apply his abundant specialized knowledge and experience in corporate management and other strengths to the management of the Company from an independent standpoint.	Inaugurated in June 2017
	Keiko Yamagami	After successively holding important posts such as Public Prosecutor at the Supreme Public Prosecutors Office, Keiko Yamagami has been engaged in corporate legal affairs as an attorney-at-law, and has abundant expertise and experience. The Company is confident that she will be able to apply her abundant specialized knowledge and experience to the management of the Company from an independent standpoint.	Inaugurated in June 2017
Outside Audit & Supervisory Board Members	Toshiko Oka	Toshiko Oka has been engaged in corporate management as a business manager of a management consulting firm, and has abundant management experience and extensive insight. She currently plays a key role as an outside Audit & Supervisory Board Member from an independent standpoint. The Company is confident that she will draw on her abundant experience in corporate management in auditing the Company in the future as well.	14/14 Board of Directors meetings 15/15 Audit & Supervisory Board meetings
	Hitoshi Kanamori	After successively holding important posts such as Public Prosecutor at the Tokyo District Public Prosecutors Office, Hitoshi Kanamori has been engaged in corporate legal affairs as an attorney-at-law, and has abundant expertise and experience. He currently plays a key role as an outside Audit & Supervisory Board Member from an independent standpoint. The Company is confident that he will draw on his abundant specialized knowledge and experience in auditing the Company in the future as well.	14/14 Board of Directors meetings 15/15 Audit & Supervisory Board meetings
	Noriyuki Uematsu	With many years of experience as a certified public accountant, Noriyuki Uematsu has thorough knowledge of corporate consulting and auditing, and is also engaged in corporate management as a business manager of a consulting company relating to business accounting and tax accounting services. He currently plays a key role as an outside Audit & Superrisory Board Member from an independent standpoint. The Company is confident that he will draw on his abundant specialized knowledge and experience in auditing the Company in the future as well.	11/11 Board of Directors meetings 11/11 Audit & Supervisory Board meetings

Profile of Directors and Audit & Supervisory Board Members

Representative Director, President and CEO

Yoshihiko Hatanaka

1980: Joined Fujisawa Pharmaceutical Co., Ltd.
2003: Director, Corporate Planning, Fujisawa Pharmaceutical Co., Ltd.
2005: Vice President, Corporate Planning, Corporate Strategy Division, the Company
2005: Corporate Executive, Vice President, Corporate Planning, Corporate Strategy, 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, Chief Strategy Officer and Chief Financial Officer (CSTO & CFO), the Company
2011: Representative Director, President and CEO, the Company (present post)

Representative Director, Executive Vice President, Chief Strategy Officer and Chief Commercial Officer (CSTO & CCO)

Kenji Yasukawa, Ph. D.

1986: Joined the Company
2005: Vice President, Project Management, Urology, the Company
2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Europe B.V.
2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Global Development, Inc.
2011: Corporate Executive, Vice President, Product & Portfolio Strategy, the Company
2012: Corporate Executive, Chief Strategy Officer (CSTO), the Company
2012: Senior Corporate Executive, Chief Strategy Officer (CSTO), the Company
2017: Senior Corporate Executive, Chief Strategy Officer and Chief Commercial Officer (CSTO & CCO), the Company
2017: Representative Director, Executive Vice President, Chief Strategy Officer and Chief Commercial Officer (CSTO & CCO), the Company (present post)

Outside Directors

Etsuko Okajima

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, the Company (present post)
2014: Extarnal Director, MARUI GROUP CO., LTD (present post)
2015: External Director, SEPTENI HOLDINGS CO., LTD. (present post)
2016: Outside Director, Link and Motivation Inc. (present post)

Yoshiharu Aizawa, M.D., Ph.D.

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, School of Medicine, Kitasato University
2006: Dean, 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, the Company (present post)

Mamoru Sekiyama

1974: Joined Marubeni Corporation
1997: General Manager, Power Project Dept.-I, Marubeni Corporation
1998: General Manager, Power Project Dept.-III, Marubeni Corporation
1999: Deputy General Manager, Power Project Div.; General Manager, Power Project Dept. I, Marubeni Corporation
2001: Senior Operating Officer, Utility Infrastructure Div.; General Manager, Overseas Power Project Dept., Marubeni Corporation
2002: Corporate Vice President, Chief Operating Officer, Plant, Power & Infrastructure Div., Marubeni Corporation
2005: Corporate Senior Vice President, Chief Operating Officer, Plant, Power & Infrastructure Projects Div., Marubeni Corporation
2006: Corporate Senior Vice President, Member of the Board, Marubeni Corporation
2007: Corporate Executive Vice President, Member of the Board, Marubeni Corporation
2009: Senior Executive Vice President, Member of the Board, Marubeni Corporation
2013: Vice Chairman, Marubeni Corporation
2015: Corporate Adviser, Marubeni Corporation (present post) Chairman, Marubeni Power Systems Corporation
2017: Director, the Company (present post)

Keiko Yamagami

1987: Public Prosecutor, Yokohama District Public Prosecutors Office
2002: Coordinator, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice
2005: Counselor, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice
2005: Public Prosecutor, Supreme Public Prosecutors Office
2007: Deputy Director of Public Peace Department, Tokyo District Public Prosecutors Office
2008: Deputy Director of Trial Department, Tokyo District Public Prosecutors Office
2009: Trial Director, Yokohama District Public Prosecutors Office
2010: Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association)
Lawyer honorary member, Tokyo Seiwa Law Office (present post)
2017: Director, the Company (present post)

Audit & Supervisory Board Members

Tomokazu Fujisawa

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, the Company
2007: Project Leader of J-SOX Project, the Company
2013: Vice President, Internal Auditing, the Company
2014: Assistant to President and CEO, the Company
2014: Audit & Supervisory Board Member, the Company (present post)

Hiroko Sakai

1983: Joined the Company
2012: Vice President, Clinical and Research Quality Assurance, QA, RA and Pharmacovigilance Department, the Company
2014: Vice President, Clinical and Research Quality Assurance, the Company
2016: Assistant to President & CEO, the Company
2016: Audit & Supervisory Board Member, the Company (present post)

Outside Audit & Supervisory Board Members

Toshiko Oka

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 PwC Advisory LLC)
2008: Outside Director, Netyear Group Corporation
2014: Audit & Supervisory Board Member, the Company (present post)
2015: Outside Corporate Auditor, HAPPINET CORPORATION (present post)
2016: Chief Executive Officer, PricewaterhouseCoopers Deals Advisory LLC (currently PwC Advisory LLC)
2016: Partner, PwC Advisory LLC
2016: CEO, Oka & Company Ltd. (present post)
2016: Outside Director, Mitsubishi Corporation (present post)
2016: Outside Director, Hitachi Metals, Ltd. (present post)

Hitoshi Kanamori

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, the Company (present post)

Noriyuki Uematsu

1985: Joined Tohmatsu & Aoki Audit Corporation
1997: Joined Deloitte Tohmatsu Consulting Co., Ltd. (current ABeam Consulting Ltd.)
1999: Global Partner for manufacturing industry and Managing Director in Kyushu area, Deloitte Tohmatsu Consulting Co., Ltd. (current ABeam Consulting Ltd.)
2003: Joined DENTSU INC.
2008: Established Uematsu & Co. Managing Director, Uematsu & Co. (present post)
2011: President & Representative Director, SU Consultant Co., Ltd. (present post)
2012: Outside Audit & Supervisory Board Member, NJK Corporation (present post)
2015: Outside Audit & Supervisory Board Member, Kamakura Shinsho, Ltd.
2016: Outside Director and Audit & Supervisory Committee Member, Kamakura Shinsho, Ltd. (present post)
2016: Audit & Supervisory Board Member, the Company (present post)

Interview with an Outside Director

I will contribute to enhancing the corporate governance, to fostering the continuous creation of innovation and to strengthening human resources and organizational capabilities.

Etsuko Okajima
Outside Director

President and Representative Director, ProNova Inc.
Professor, Graduate School of Management, GLOBIS University
Ms. Okajima works as a consultant specializing in enhancement of management teams. Leveraging her extensive experience in corporate management, she has served as an outside Director of Astellas since 2014.

Q: In your view, what roles should you fulfill as an outside Director to improve enterprise value and how are you making a contribution?

A: I strive to supervise business execution from an objective viewpoint by taking full advantage of my expertise in human resource development.

At Astellas, all outside Directors are expected to contribute as professionals from objective points of view. I am engaged in developing the next generation of management teams with my expertise in strategic human resource development as the president of a human resource consulting firm. Thus, I am committed to making a significant contribution especially to discussions on succession planning in the Nomination Committee, and to the supervision of personnel assignments and human resource development to create innovation.

In my daily discussions as an outside Director, I recognize that the Company's management should reflect objective perspectives, such as whether anything has been overlooked internally and what will be the impartial judgements. Notably, in terms of increasing enterprise value by creating innovation, it is crucial to evaluate risks and to supervise whether necessary risks are appropriately taken in resource allocation.

It tends to be difficult to judge the extent of the risks that a company should take from the standpoint of outside Directors. In this respect, Astellas has a system that enables the outside Directors to monitor the situation by providing information to them on projects in consideration which are in the stage prior to being shared at Board of Directors meetings. In addition, I believe that the briefings given by the executives are vital to judging risk. For example, in discussions on M&As, President and CEO Hatanaka and other executives provide briefings in their own words on the reasons for implementing the project, the determination of management and their perspectives on risk, including the background of the project. Through this explanation and sound discussion over sufficient periods of time, we, outside Directors, deepen our understanding and awareness of the Company's tolerance of risk and how positively management is willing to assume the risk. To date, we have communicated and discussed with Astellas' management team so that we can confidently place fundamental trust in their management philosophy and their risk-taking capacity. In the course of examining each proposal, we are able to reconfirm the thinking of the management team to provide our perspective. Through this process, we strive to maximize our supervisory roles as outside Directors.

Q: What are the initiatives at Astellas which are designed to enhance the effectiveness of the Board of Directors?

A: Astellas continues to drive the evolution of the composition and operation of the Board of Directors, and the outside Directors are well-informed.

I have had the opportunity to examine many different companies. I believe that Astellas' Board of Directors clearly stands out in terms of ensuring reliable management to create innovation. My belief is based on two main reasons.

The first reason is that Astellas continues to drive evolution in the composition and operation of the Board of Directors, in order to reach its clearly stated goal of realizing its business philosophy. Astellas' management team has extensively looked at how the Board of Directors should be structured and operated to create innovation, including delegating authority to executives, and has reflected this resolve in the ways of working and management of the Board of Directors. For example, outside Directors have been the majority of the Board of Directors for many years and one or two of them are replaced every year. I believe that this approach helps to bring diverse and ongoing innovation through disciplined member turnover, in conjunction with maintaining the quality of discussions amongst the Board of Directors.

The second reason is that Astellas has enhanced the information it provides to the outside Directors. Astellas properly provides the information needed by all board members to discuss matters using the same wording and concepts shared in meetings of the Board of Directors. I believe that this helps to enhance the effectiveness of the monitoring of business execution, besides increasing the quality of discussions as a matter of course. Twice a year, Astellas holds Board of Directors meetings at various business sites other than the Headquarters Office including locations outside of Japan. This provides a valuable opportunity to directly obtain real information related to my field of specialty regarding issues such as the capabilities and situations of local employees and the relationship between management and local employees. I feel that this opportunity is very helpful in the course of fulfilling my duties as an outside Director.

Q: Could you discuss the features of succession planning at Astellas and your assessment of this process?

A: Astellas is strategically developing people from an early stage who have been fairly selected.

Astellas is strategically developing the next generation of business leaders. It also emphasizes fairness in the selection and development of those candidates. Based on these two points, I value the leading system of Astellas' succession planning.

In preparation for various environmental changes both within and outside the Company, Astellas identifies and captures high-potential employees who are candidates for the next generation of management well in advance. It then strategically assigns and transfers these personnel within the organization. Over the past few years, I have advised that this type of human resource development must begin at an early stage of people's careers, and I feel that this discussion is ongoing now. Astellas intentionally assigns high-potential human resources to positions of responsibility from an early stage in their careers and gives them the opportunity to gain experience under pressure. I refer to this process as "pushing people beyond their comfort zone." Through these assignments and appointments, Astellas develops human resources. Astellas also emphasizes the fair selection of candidates, looking at multiple factors beyond tenure to find the best fit for the job. From my perspective as a human resource specialist, Astellas is following a reliable process.

I believe that the importance of ensuring fairness in human resource development will only continue to further increase. In recent years, Astellas has proactively executed M&A deals. In order to attract talented human resources, including members who have joined the Group through M&A activity, and to harness their talent, it is critical for Astellas to treat all personnel fairly without any bias with respect to age or company background. I have been able to share this recognition with the management team, and I feel that we have held good discussions in both meetings of the Board of Directors and the Nomination Committee.

Q: Could you discuss your expectations for Astellas as an outside Director?

A: I expect Astellas to further develop "dynamic" systems in order to create innovation.

Astellas needs to continue creating innovation to meet the expectations of its stakeholders, and this is my expectation as well.

From the viewpoint of organizational development, which lies in my field of expertise, creating innovation requires implementation of diversified perspectives in making decisions and newly connecting factors which are as different as possible. To do that, it is crucial to incorporate "dynamic" systems into the organization. Astellas is already implementing these approaches to develop "dynamic" systems, i.e., taking steps to ensure that innovation is not hindered by a fixed organizational structure or by the impediments of sectionalism/narrow viewpoints. As I said before, Astellas regards personnel assignment as an important pillar of human resource development, and encourages strategic and proactive personnel transfers. In addition, Astellas has made various efforts to avoid fixed organizations through such means as promoting flexible collaboration with external partners and cross-functional collaboration. I expect these measures to contribute immensely to creating innovation.

I believe the agenda for the future is to develop more "dynamic" systems in the Board of Directors. One specific example would be to further increase the diversity of the members of the Board of Directors, including the appointment of foreign nationals to the board.

I am determined to trigger "dynamic" evolution through my comments in the Board of Directors discussions and in the Nomination Committee meetings. By doing so, I intend to continue contributing to the enhancement of corporate governance at Astellas.

TOPIC | Corporate Governance of the Year 2016 Award

Astellas Selected as one of the 2016 Prize Winners

Astellas has been selected as one of the winners in the Corporate Governance of the Year Awards for 2016 organized by the Japan Association of Corporate Directors.

Corporate Governance of the Year Awards are held to recognize companies that are achieving sound medium- to long-term growth by implementing good corporate governance. Considering that one year has passed since the Corporate Governance Code entered force, the nomination process emphasized not only formal structures, but also the actual implementation of corporate governance systems.

A member of the Nomination Committee for the awards commended Astellas' corporate governance, noting that the Company has firmly instilled corporate governance in management and has a well-developed corporate governance system in place that facilitates prompt decision-making.

Without becoming complacent with the status quo, Astellas will continue to strengthen corporate governance so that it can continue to improve its enterprise value.

Further Enhancing Value Creation and Value Protection through Our Business Activities

Targeting medium- to long-term growth, Astellas is steadily advancing the three strategic priorities of "Maximizing the Product Value," "Creating Innovation," and "Pursuing Operational Excellence." Through these initiatives, we will realize the sustainable enhancement of enterprise value and fulfill our corporate social responsibility.

Executive Committee (as of July 2017)

The Executive Committee discusses important matters of management across Astellas. It is chaired by the Representative Director, President and CEO, and comprises top management and General Counsel as standing members. Extended members include the officers responsible for research, development and pharmaceutical technology capabilities together with the officers responsible for each region, and these members participate in any necessary discussions at the request of the chairman.

Standing Members

Fumiaki Sakurai
Chief Administrative Officer & Chief Ethics & Compliance Officer

Chikashi Takeda
Chief Financial Officer

Yoshihiko Hatanaka
Representative Director, President and CEO

Linda Friedman
General Counsel

Kenji Yasukawa, Ph. D.
Representative Director, Executive Vice President, Chief Strategy Officer & Chief Commercial Officer

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

Extended Members

Nobuaki Tanaka
President, Japan Sales & Marketing

Masatoshi Kuroda
President, Asia & Oceania Business

James Robinson
President, Americas Operations

Yukio Matsui
President, EMEA Operations

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

Mitsunori Matsuda
President, Pharmaceutical Technology

Bernie Zeiher, M.D.
President, Development

Global Heads

Martin Golden
Head of Marketing Strategy

Charlotte Kremer, M.D.
Head of Medical Affairs

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

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

Kunihiko Kokubo
Head of Quality Assurance

Top Management Discussion

Speaking with the CSTO&CCO **Maximizing the Product Value**

Achieving Sustained Growth through Long-Term Portfolio Management

Kenji Yasukawa, Ph.D.
Representative Director, Executive Vice President, Chief Strategy Officer & Chief Commercial Officer (CSTO&CCO)

Q: How will you expand the growth drivers to overcome the patent cliff?

A: We analyze the internal and external environment rigorously and continue to review our portfolio with a long-term view.

The patent cliff, impacts on business performance due to patent expiry of major products, is an issue that we must overcome by undertaking long-term portfolio management. Every year, Astellas rigorously analyzes the internal and external environment and updates its long-term strategy. In the process, we select fields where we can succeed in tandem with continuously revising our product portfolio and pipeline.

XTANDI and the OAB treatment franchise, our current growth drivers, are in the stage to steadily execute the strategies we drew up at launch, and we have made largely solid progress. Looking at our future growth drivers, we have a number of projects in late-stage clinical development, such as gilteritinib and roxadustat. Moreover, the acquisitions of Ganymed Pharmaceuticals AG and Ogeda SA added exciting projects in our pipeline. We will also invest in the cell therapy program which we obtained from acquired Ocata Therapeutics, Inc. We expect these projects to contribute to our medium-term growth. Astellas has a portfolio fully capable of achieving sustained growth over the next 5 to 10 years.

Q: As drug prices come under increasing pressure, how will you raise product value?

A: We will seek to obtain an understanding from various stakeholders by striving to effectively prove the value our products deliver.

In the areas of serious diseases and fields with unmet medical needs, Astellas will continue to provide high value by turning innovative science into new medicines promptly. In order to continuously create new value, drug prices must reflect the value of drugs, in conjunction with ensuring patients' access to drugs. To do so, Astellas must prove the value of drugs to stakeholders. Until now, we have proven the value of drugs through conducting numerous clinical trials, including comparisons with existing drugs and the use in various types of patient populations. However, the need to conduct multiple trials has been one factor behind surging drug prices. Going forward, it will become increasingly important to prove the value of new drugs efficiently by utilizing regulatory systems for obtaining early approval of innovative drugs, real-world data and other methods. As this will require arrangements such as the introduction of new systems, Astellas will also work to gain the mutual understanding of society toward these developments.

Speaking with the CMO **Creating Innovation**

Focusing on the Creation of Innovative New Drugs for Diseases in Areas of High Unmet Medical Needs

Sef Kurstjens, M.D., Ph.D. Chief Medical Officer (CMO)

Q: How do you evaluate the current pipeline? What are your key priorities for enhancing the pipeline?

A: Astellas has demonstrated healthy growth and significantly strengthened its pipeline in recent years. To continue this trajectory, it is critical we do not become complacent and continue building out our expanding pipeline in our current and emerging therapeutic areas.

At Astellas, our research and development efforts are focused predominantly in areas of high unmet medical need, in life-threatening diseases, with the potential to deliver first-in-class therapies. For the past decade, Astellas has demonstrated healthy growth, developing groundbreaking new medicines in urology, transplantation, infectious diseases and oncology, our largest focus area. We currently have more than 30 new molecular/biological entities in the pipeline, and have significantly grown our presence in oncology. We have a number of late-stage assets across the pipeline with data readouts expected in the coming year. While there has been demonstrable progress, we are not complacent and understand there is still a lot of work to do. We will continue to refine our current therapeutic areas, move assets forward in our emerging therapeutic areas, and build out our expanding pipeline.

Q: How have you been improving R&D productivity?

A: Throughout the R&D process, from bench to clinic, and into the marketplace, we focus on the best science, empower the best talent to pursue it, in the best location to optimize the chances of success for every molecule in development.

Our approach to driving the speed of innovation is three-pronged: First, we have built speed and efficiency into our in-house, pre-Proof of Concept activities, with the initiation of our FASTEN program. Gilteritinib is a good example of how we've applied FASTEN to a development program. Second, we employ open innovation as a strategy to access the best science and scientists globally. Third, we continue to look for external mid- to late-stage assets that fit our strategic criteria through in-licensing, partnering or acquisition opportunities to continue to build our pipeline.

Separate, but also important to improving productivity, is ensuring we design the best organization and fully engage our staff, utilizing the Astellas Way to create a common purpose and culture for our organization.

Speaking with the CAO&CECO **Pursuing Operational Excellence**

Human Resource Development That Leverages Diversity Drives Creating Innovation

Fumiaki Sakurai Chief Administrative Officer & Chief Ethics & Compliance Officer (CAO&CECO)

Q: Could you share your perspectives on human resource development aimed at creating innovation?

A: We will create value by deliberately fostering constructive interaction and debate among employees with diverse values.

Creating innovation is a universal theme for all employees, not just the departments involved in drug creation. Since its founding in 2005 through a merger of two leading Japanese pharmaceutical companies, Astellas has always pursued the best approaches and methods available in the world. One key to creating value is to respect the diverse values of various people. The breakthroughs that create opportunities are found in approaches that seem, at first glance, to be highly risky and unique. At times, diversity can give rise to opposing viewpoints. However, innovation is created when these differences are embraced and reconciled through communication.

Based on this belief, Astellas provides opportunities for employees to grow by creatively tackling challenging duties through its personnel assignment process, which is one of the key pillars of human resource development. In human resource development, we provide opportunities for diverse employees from around the world to engage in a healthy rivalry and sharpen their thinking, and training programs where participants and top management can discuss and debate ideas on the same level. By deliberately creating situations where employees with diverse values engage in constructive interaction and debate, we will work to develop talent who can create innovation.

Q: What is the aim of strengthening the compliance structure?

A: The aim is to earn the trust and confidence of stakeholders as Astellas' business expands globally.

Stakeholders have always expected an extremely high standard of ethics from the pharmaceutical industry, which has a direct bearing on people's lives. Moreover, as Astellas' business expands globally, the requirements and rules are becoming more and more complex. In this environment, in order to preserve Astellas' enterprise value while earning the trust of stakeholders, every Astellas employee must take action based on high ethics as a matter of course. In addition, we must also engage in a steady dialogue with our business partners to ensure that they practice the same level of compliance as Astellas. We have unified the Astellas Group Code of Conduct on a global basis. Along with this, the Department of Ethics & Compliance was reconfigured into a global organization independent of the operating divisions. Astellas has appointed individuals to be responsible for compliance at all of its subsidiaries, and is working to further strengthen the organization.

Value Creation and Value Protection Activities

Astellas will turn innovative science into value for patients through its value creation process.

We believe that creating value for society through business activities will help Astellas to maintain trust from society and to capture new business opportunities, leading to creation of enterprise value. Protecting value for society will help Astellas to reduce its reputational risk and to elevate its corporate brand, leading to the protection of enterprise value.

Value Creation Activities

Maximizing the Product Value (Manufacturing to Sales and Procurement)

- Enhancing the main franchise areas (oncology, OAB, etc.)
- Launching new products and expanding indications and adding new formulations
- Building an optimal sales structure in response to the market characteristics of each country/region
- Measures to prevent medical malpractice and to improve the distinguishability of pharmaceuticals
- Improving the pharmacovigilance system
- Introducing universal design into product packaging
- Increasing public awareness of diseases

Related Information ››› P43-52

Creating Innovation (Research and Development)

- Continuously executing a high level of investment in R&D
- Actively incorporating cutting-edge science and technology through a Network Research System
- Promoting rapid and efficient development
- Acquiring promising candidate compounds
- Patient centricity in drug development
- Joint research into therapies and vaccines against tropical diseases
- Expanded access to investigational medicines
- Managing intellectual property to maintain corporate competitiveness and improve Access to Health

Related Information ››› P53-62

Pursuing Operational Excellence (Raising the Quality and Efficiency of Operations)

- Continually enhancing organizational structure
- Optimal reallocation of resources
- Effective utilization of external resources
- Nurturing and promoting the success of diverse human resources
- Developing rewarding and safe work environments

Related Information ››› P30, 63-70

Other Activities

- Strengthening the corporate governance framework
- Contributing to strengthening healthcare systems in developing countries
- Using renewable energy

Related Information ››› P25-29, 71-80

Social Social Value Enterprise Enterprise Value

Value Protection Activities	Main Types of Social and Enterprise Value Created and Protected
• Gathering and providing information that helps to ensure proper use of products • Anti-counterfeiting activities • Anti-doping measures • Strengthening the quality assurance system • Stable supply and quality control • Promoting CSR procurement	Social **Improving the health condition of patients through medicines that satisfy unmet medical needs** Social **Returns to stakeholders** Enterprise **Funds to sustain growth**
• Conducting R&D based on compliance with relevant laws and regulations and ethical considerations • Protection of human rights, privacy and confidentiality of personal information of research subject and assurance of reliability in clinical trials	Social **Improving sustainability by solving social issues through business activities** Social **Improving the quality of healthcare by creating innovative medicines** Enterprise **Creating business opportunities by solving social issues related to health**
• Improving the internal control system • Strengthening the risk management system • Enhancing the awareness of employees toward ethics and compliance and the structure to promote ethics and compliance • Anti-bribery and anti-corruption initiatives • Commitment to fair competition • Ensuring occupational safety and health	Social **Maintaining social order by promoting ethics and compliance** Enterprise **Enhancing corporate competitiveness and productivity through human resource development** Enterprise **Enhancing corporate competitiveness and productivity by increasing the quality and efficiency of operations** Enterprise **Earning trust from society**
• Strengthening the corporate governance framework • Reducing greenhouse gas (GHG) emissions • Initiatives for biodiversity	Social **Preserving the environment and biodiversity** Social **Improving Access to Health** Enterprise **Earning trust from society**

Maximizing the Product Value

Review of Operations by Therapeutic Area

Astellas is working to steadily grow and maximize the value of products developed through its investments over the years, including its growth drivers XTANDI and 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 in line with scientific advancement. Astellas is focused on the oncology field as one of its core business areas. 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.

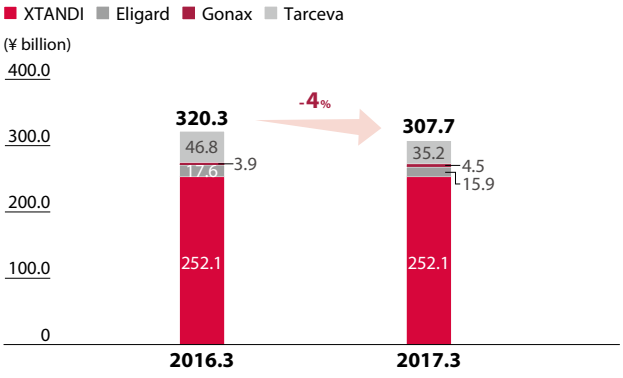
XTANDI stands out as a significant growth driver for us in oncology. Currently, we are working to expand sales of XTANDI to new regions, as we work to expand the indication in each country and further increase the market penetration of this drug to chemotherapy-naïve patients. Leveraging our strengths including robust data obtained in clinical trials and our solid presence in the urology field, we aim to become the market leader in this category.

Fiscal 2016 Performance

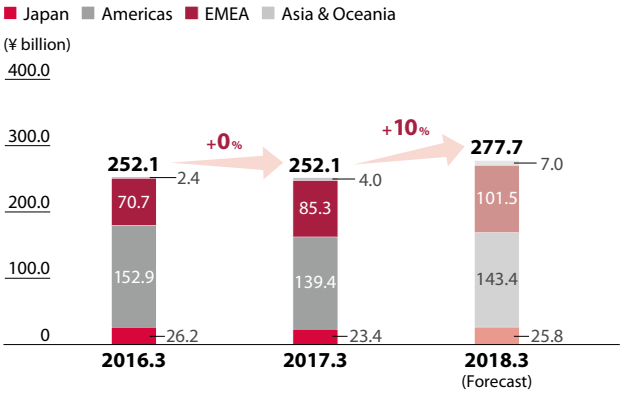
Total sales of Astellas' four oncology products decreased by 3.9% to ¥307.7 billion, due partly to the impact of foreign exchange rates. Excluding the foreign exchange impact, sales rose by around 6%.

Sales of XTANDI were ¥252.1 billion, mostly flat year on year. Excluding the foreign exchange impact, sales increased by around 10%. Tarceva-related revenues were down 24.7% at ¥35.2 billion. Eligard is currently marketed in EMEA and Asia & Oceania. Sales declined 9.6% to ¥15.9 billion. Sales of Gonax, which is marketed in Japan, increased 15.9% to ¥4.5 billion.

Sales by Product



Sales of XTANDI by Region



Overview of Main Products

XTANDI This product is a once-daily oral androgen receptor inhibitor. XTANDI has been sold since 2012 in various regions for prostate cancer patients who had previously received chemotherapy. As of March 2017, XTANDI is sold in around 70 countries and regions. It was also approved in key countries for the treatment of chemotherapy-naïve prostate cancer patients.

Looking at regional sales of XTANDI in fiscal 2016, sales in Japan decreased 10.6% year on year to ¥23.4 billion, due partly to the impact of NHI drug price revisions. Sales in the Americas rose 1.1% to US$1,286 million. In this region, U.S. sales decreased 1.6% to US$1,215 million. Although sales volume increased in the U.S., the main reason for the lower sales was an increase in drugs supplied free of charge through patient access programs, which are not recorded as sales. In the EMEA region, sales rose by 34.7% to €718 million. XTANDI is gaining traction among chemotherapy-naïve prostate cancer patients. In the Asia & Oceania region, sales increased 66.5% to ¥4.0 billion, with sales growing primarily in Australia and Taiwan.

Clinical study data comparing XTANDI and bicalutamide were reflected in the European label in April 2016 and the U.S. label in October 2016.

In the U.S., Astellas and Pfizer Group co-promote XTANDI and share profits equally. In all countries excluding the U.S., Astellas develops and commercializes XTANDI, while paying Pfizer Group royalties based on sales.

XTANDI

Eligard Eligard, a treatment for prostate cancer, is a luteinizing hormone-releasing hormone (LHRH) agonist that is marketed under license from TOLMAR Inc.

In EMEA, sales increased by 0.6% to €132 million in fiscal 2016. In Asia & Oceania, sales rose 17.8% to ¥0.2 billion.

Gonax Gonax, a treatment for prostate cancer, 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 2016, sales rose 15.9% to ¥4.5 billion. We will step up efforts to increase the market penetration of Gonax, along with that of XTANDI.

Tarceva Tarceva, a treatment for non-small cell lung cancer and pancreatic cancer, 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 2016, Tarceva-related revenues decreased by 16.5% to US$325 million, mainly due to intensifying competition with other drugs.

In the U.S., we have been co-promoting Tarceva with Genentech, Inc., with earnings split equally between bothcompanies. 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.

Urology and Nephrology

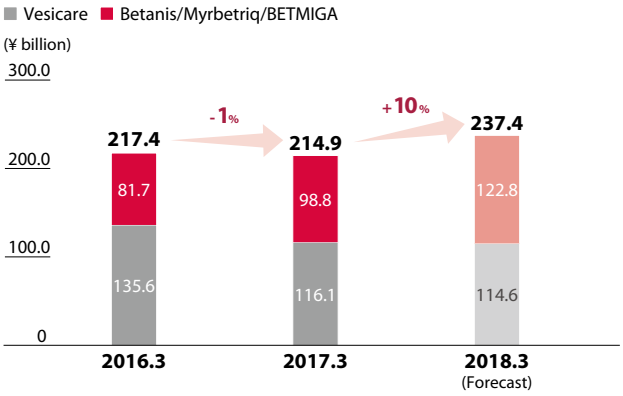
Business Environment and Basic Strategy

Astellas has established a strong presence in the urology area 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.

OAB treatments have now become one of Astellas' core growth drivers. We will maintain the position of Vesicare as the first choice among anticholinergics—the standard therapy for OAB. Moreover, Betanis/Myrbetriq/BETMIGA has earned a strong reputation as a new treatment option with a different mechanism of action from Vesicare. In anticipation of the expiry of patent protection for Vesicare in various regions from 2018 onward, we will allocate more resources than ever to Betanis/Myrbetriq/BETMIGA as we focus on achieving further market penetration, in order to maximize the value of the OAB franchise as a whole. Considering the large number 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.

Moreover, the nephrology area offers prospects for synergies with Astellas' existing products and therapeutic areas, including urology. Accordingly, the development of several projects is now under way.

Total Sales of the OAB Franchise (By Product)



Fiscal 2016 Performance

In fiscal 2016, aggregate sales of our OAB franchise, including Vesicare and Betanis/Myrbetriq/BETMIGA, decreased by 1.1% to ¥214.9 billion, partly due to the impact of foreign exchange rates. Excluding the foreign exchange impact, sales increased by around 7%.

Overview of Main Products

Betanis/Myrbetriq/BETMIGA This drug is an OAB treatment. It is a beta-3 adrenergic receptor agonist that helps to relieve symptoms associated with OAB such as urinary urgency, frequent urination, and urinary incontinence. It is sold in around 50 countries and regions worldwide under the brand name of Betanis in Japan, Myrbetriq in the Americas, and BETMIGA in EMEA and Asia & Oceania.

As an OAB treatment with a new mechanism of action, Betanis/Myrbetriq/BETMIGA has been achieving increased market penetration. In fiscal 2016, aggregate sales increased in every region despite the impact of foreign exchange rates, with sales growing sharply by 21.0% to ¥98.8 billion. In Japan, sales of Betanis increased by 22.0% to ¥25.9 billion. Betanis' annual share of the OAB treatment market was approximately 32% (on a value basis). In the Americas, Myrbetriq sales continued to grow, up 34.2% to US$510 million. Myrbetriq's annual share of the U.S. OAB treatment market reached approximately 31% (on a value basis). In the EMEA region, sales of BETMIGA increased by 17.8% to €119 million. In EMEA, BETMIGA's annual share of the OAB treatment market reached approximately 13% (on a value basis). In Asia & Oceania, BETMIGA sales increased sharply by 144.8% to ¥3.5 billion.

Betanis/Myrbetriq/BETMIGA

Vesicare Vesicare, an OAB treatment, is an anticholinergic drug sold in approximately 80 countries and regions. It has continued to retain a high share in each region as the first choice of therapy in the OAB area.

In fiscal 2016, sales of Vesicare decreased 14.4% to ¥116.1 billion. Looking at regional sales of Vesicare, sales in Japan declined 3.3% to ¥25.6 billion, sales in the Americas decreased 7.7% to US$490 million, sales in EMEA declined 10.2% to €270 million, and sales in Asia & Oceania fell 5.2% to ¥5.0 billion.

Vesicare

Harnal/Omnic This product is sold in approximately 100 countries and regions, and has established itself as a standard treatment of urinary disorders associated with benign prostatic hyperplasia (BPH).

Sales declined 10.8% to ¥47.7 billion in fiscal 2016. Regionally, sales in Japan decreased 27.5% to ¥9.2 billion. In EMEA, sales, including bulk royalty revenue, declined 1.0% to €138 million. Sales in Asia & Oceania decreased 2.0% to ¥21.1 billion.

Immunology

Business Environment and Basic Strategy

In the immunology area, Astellas is contributing to the field of transplantation through the immunosuppressant Prograf. The transplantation franchise is a vital earnings base globally and Astellas will continue to focus on the franchise.

Fiscal 2016 Performance

Sales of Prograf decreased 8.5% to ¥186.2 billion in fiscal 2016, due partly to the impact of foreign exchange rates. Excluding the foreign exchange impact, sales were mostly unchanged year on year. Although global Prograf sales are being impacted by generics in Japan, the Americas and EMEA, sales in Asia & Oceania continue to show strong growth on an adjusted basis excluding the impact of foreign exchange rates.

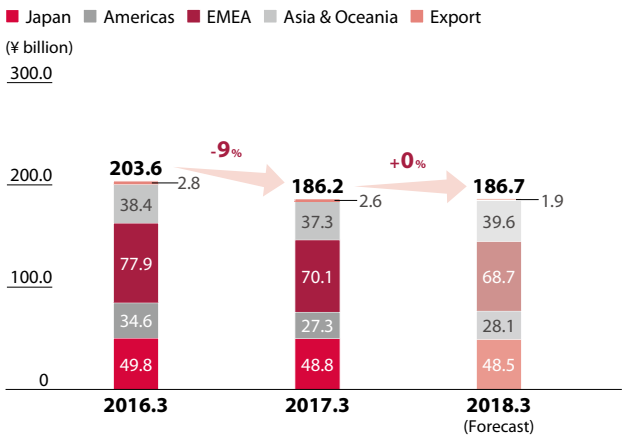
Overview of Main Products

Prograf and Advagraf/Graceptor/ASTAGRAF This drug is an immunosuppressant used to suppress organ transplant rejection. Although the patent for this drug has already expired in major countries, it is sold in approximately 100 countries and regions and has made a significant global contribution to the field of transplantation.

Looking at regional sales in fiscal 2016, sales in Japan decreased 1.9% to ¥48.8 billion, due partly to the impact of NHI drug price revisions, despite continued growth in the once-daily formulation of Graceptor. Sales in EMEA via in-house distribution channels rose 0.4% to €590 million, mainly supported by expanded sales of the once-daily formulation of Advagraf. Sales in Asia & Oceania fell 2.9% to ¥37.3 billion, due partly to the impact of foreign exchange rates. On a basis excluding the foreign exchange impact, sales increased by around 11%. Meanwhile, sales in the Americas declined 12.6% to US$252 million, mainly due to the impact of generics.

Cimzia Cimzia, an adult rheumatoid arthritis treatment, is an anti-TNF (tumor necrosis factor)-alpha antibody that is co-promoted in Japan with UCB Japan Co., Ltd. Sales increased 17.9% to ¥7.7 billion in fiscal 2016. Astellas will continue focusing on specialist physicians, in order to increase the prevalence of Cimzia in patients with rheumatoid arthritis at the early disease stages and patients with severe inflammation and symptoms.

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



Other Areas

Overview of Main Products (Global Products)

Funguard/MYCAMINE This drug is a candin-type antifungal agent used for the treatment of fungal infections. It is sold in approximately 60 countries and regions.

In fiscal 2016, global sales of the product decreased 3.3% to ¥40.3 billion, partly due to the impact of foreign exchange rates.

In terms of regional sales, sales in Japan decreased 3.7% to ¥11.2 billion. Meanwhile, sales in the Americas rose 3.9% to US$113 million. In EMEA, sales increased 7.6% to €91 million and in Asia & Oceania, sales increased 4.8% to ¥6.0 billion.

Overview of Main Products (Japan)

Micardis/Micombi/Micamlo Micardis, a hypertension treatment, is a once-daily oral angiotensin II receptor blocker (ARB). In Japan, Astellas is co-promoting the Micardis product line with Nippon Boehringer Ingelheim Co., Ltd. Sales of drugs in the Micardis product line, including combination drugs such as Micombi and Micamlo, decreased by 4.1% to ¥93.2 billion in fiscal 2016, partly due to the impact of NHI drug price revisions. The total share of the Micardis line of drugs in the ARB market was around 23% (on a value basis).

In November 2016, Astellas launched Micatrio Combination Tablets* in Japan as a combination drug of Micardis, long-acting calcium channel blocker (CCB) amlodipine besylate, and the thiazide diuretic hydrochlorothiazide (HCTZ).

Furthermore, the substance patent for this product expired in Japan in January 2017.

* Official guidance on points to consider regarding the use of Micatrio Combination Tablets under National Health Insurance coverage was issued by the Medical Affairs Division of the Ministry of Health, Labour and Welfare. (Medical Affairs Division 1226 No.8; December 26, 2016)

Celecox Celecox, an anti-inflammatory analgesic agent, is a selective cyclooxygenase-2 (COX-2) inhibitor that is co-promoted with Pfizer Japan Inc. In fiscal 2016, sales of Celecox increased 2.2% to ¥47.6 billion. Celecox's share of the market for oral anti-inflammatory analgesic agents was around 64% (on a value basis) based on the strong reputation of its product features. Going forward, we will target an even higher share of the market for oral anti-inflammatory analgesic agents.

Symbicort Symbicort, a treatment for adult bronchial asthma, is a combination drug of an inhaled corticosteroid and a rapid and long-acting beta-2 agonist. Astellas is co-promoting Symbicort with AstraZeneca K.K. in Japan. In fiscal 2016, sales of Symbicort increased 5.0% to ¥39.3 billion. Symbicort's share of the market in Japan for adult inhaled steroid treatment including combination drugs was around 37% (on a value basis). We aim for further penetration of the product in the growing market due to factors including the dissemination of treatment guidelines.

Bonoteo Bonoteo is an oral bisphosphonate osteoporosis treatment. In fiscal 2016, sales of Bonoteo decreased 2.2% to ¥13.8 billion. Amid slowing growth in the market for oral bisphosphonate drugs, Bonoteo's share of the Japanese market for bisphosphonate agents was around 23% (on a value basis). Astellas will continue emphasizing the patient convenience offered by this drug, as well as its high clinical effect, with the aim of capturing market share.

Suglat Suglat, a type 2 diabetes treatment, is Japan's first selective sodium-glucose co-transporter 2 (SGLT2) inhibitor. In Japan, Astellas is co-promoting Suglat with Kotobuki Pharmaceutical Co., Ltd. and MSD K.K. Supported by growth in the market for selective SGLT2 inhibitors in Japan, sales of Suglat grew 30.2% to ¥9.5 billion in fiscal 2016. Suglat's share of the market for selective SGLT2 inhibitors in Japan was around 27% (on a value basis).

In May 2017, Astellas filed an application for manufacturing and marketing approval of a combination drug of Suglat and the DPP-4 inhibitor sitagliptin phosphate hydrate, with the indication of type 2 diabetes, in Japan.

Repatha In April 2016, Astellas launched Repatha, the first proprotein convertase subtilisin/kexin type 9 (PCSK9) inhibitor in Japan, indicated for the treatment of familial hypercholesterolemia or hypercholesterolemia*. It is being co-promoted by Astellas and Amgen Astellas BioPharma K.K. We are working to steadily increase market penetration of Repatha by carrying out activities to supply information on this drug, with an emphasis on encouraging proper drug use.

In May 2017, self-injectable of Repatha became eligible for National Health Insurance coverage and limits on the prescription period were removed.

* The approved indication is as follows: "Familial hypercholesterolemia, hypercholesterolemia, only when patients who have high risk of cardiovascular events and do not adequately respond to HMG-CoA reductase inhibitors.
* Official guidance on points to consider regarding the use of Repatha under National Health Insurance coverage was issued by the Medical Affairs Division of the Ministry of Health, Labour and Welfare. (Medical Affairs Division 0331 No.9; March 31, 2017).

LINZESS LINZESS was launched in March 2017 as Japan's first drug indicated for the treatment of irritable bowel syndrome with constipation (IBS-C). Astellas was granted the exclusive rights to develop and commercialize LINZESS in Japan from Ironwood Pharmaceuticals, Inc., and hopes to contribute to the treatment of IBS-C patients by building on its platform for Irribow, a treatment for diarrhea-predominant irritable bowel syndrome.

Overview of Main Products (U.S.)

Lexiscan Lexiscan is a pharmacologic stress agent in-licensed from Gilead Palo Alto, Inc. In fiscal 2016, sales of Lexiscan increased 4.3% to US$660 million.

CRESEMBA CRESEMBA is an azole antifungal in-licensed from Basilea Pharmaceutica International Ltd. and launched in the U.S. in April 2015. In fiscal 2016, sales of CRESEMBA grew steadily, increasing 147.9% to US$53 million. We will continue working to increase market penetration of this drug, which provides a new option for treating severe fungal infections.

Business Environment and Strategy by Region

Japan

Nobuaki Tanaka President, Japan Sales & Marketing

In Japan, the government is accelerating measures to optimize healthcare expenditures, and healthcare delivery systems are also changing due to the concept of community medical care. Meanwhile, advances in information technology and artificial intelligence are expected to significantly alter the healthcare environment. We want to proactively transform these healthcare-environment changes into opportunities, and carry out even higher value-added information-providing activities.

Taking action, to date Astellas has been carrying out a variety of reforms regarding our organization and our Medical Representatives (MRs). Our sales promotion structure currently involves two approaches. One is based on each individual medical institution, whereby the MRs work to understand customer needs in each medical region and provide prompt, accurate information. The other is that the MRs assigned to specific therapeutic areas in the highly specialized fields of oncology and immunology are providing more detailed information tailored to the specific treatment needs of individual patients.

Our domestic product portfolio has also continued to change. The number of highly specialized products such as XTANDI and Repatha is increasing, and the new product LINZESS has been launched. From fiscal 2017, however, Micardis will begin to see the impact of generics. Astellas will transform these kinds of internal and external environmental changes into opportunities, and continue to evolve toward a patient-centric, optimized sales promotion structure, and by providing high-value-added products together with the relevant information, aiming to enhance our presence even further.

Americas

James Robinson President, Americas Operations

The U.S. healthcare system is rapidly evolving and requiring a balance of priorities between fostering innovation and ensuring patient access to healthcare. We have been working to address this by engaging in constructive dialogue with various stakeholders including patients, payers and providers.

The recent changes in the business environment faced by pharmaceutical companies in the Americas are expected to continue in the fiscal year ending March 31, 2018. Pharmaceutical companies will need to fulfill increasingly stronger requests from stakeholders to clearly present the value of our products. Meanwhile, we believe that new opportunities will emerge from trends such as the rising importance of preventive care and advances in the digital health field.

Going forward, the Americas Operations team is focused on a new plan to streamline operations and concentrate resources on areas of growth. Guided by this plan, we will continue our aim to drive growth across the entire Americas region.

In our core therapeutic areas, we will continue to focus on achieving growth in our oncology and urology franchises, while also gaining efficiencies in immunology, transplant and cardiology. In oncology, our highly experienced teams are advancing sales promotion activities for XTANDI. In addition, we have strengthened collaboration with urology medical representatives from the Pfizer Group. It is believed that many patients with metastatic castration-resistant prostate cancer are not diagnosed with this condition at the right stage of the disease. In response, Astellas is working to provide physicians with information concerning appropriate diagnosis and treatment.

Yukio Matsui President, EMEA Operations

In the EMEA region, the business environment is expected to come under mounting pressure, mainly based on various governments' policies to curb medical expenditures and increasing insurance reimbursement challenges. Moreover, operations in the EMEA region are becoming increasingly complex because of the different market environments in various countries, ranging from emerging nations such as Russia and the Gulf Cooperation Council (GCC) states to the five major European countries, including the U.K. and Germany.

In this environment, Astellas is working to establish optimal sales strategies for each country, in conjunction with optimizing the allocation of resources and maximizing the product value, with the aim of achieving sustained growth. Going forward, Astellas will continue to serve patients by delivering innovative pharmaceuticals in major therapeutic areas.

In oncology, Astellas will focus on increasing uptake of XTANDI among patients with earlier stages of prostate cancer, with the aim of driving further growth in XTANDI. XTANDI is currently marketed in more than 35 countries in the EMEA region. Astellas will continue working to launch XTANDI sales in new markets. In the OAB franchise, Astellas has stepped up its activities to establish BETMIGA as the first choice of therapy.

Another priority for Astellas is to develop systems that will strengthen compliance. Compliance requirements have been increasing year after year in countries in the EMEA region. Astellas will address these requests by taking actions such as appointing compliance officers at each sales affiliate.

Masatoshi Kuroda President, Asia & Oceania Business

Significant market growth is expected to continue in the Asia & Oceania region, and Astellas currently has 11 sales affiliates covering 13 countries and regions. To ensure the growth in that market is incorporated in our own growth, we aim to provide high-value-added pharmaceutical products and further expand our business. We have high expectations that in addition to XTANDI and BETMIGA, Feburic, which is for hyperuricemia, will be among the new products supporting our growth going forward. We hope that by delivering these products to patients as quickly as possible, we will be able to maximize their value. In Asia, meanwhile, we are also focused on growing the transplantation franchise, a market that continues to expand.

In April 2016, Astellas established an umbrella organization for the South East and South Asia regions (SESA Umbrella Organization), which are seeing significant economic growth, and business there has steadily expanded. Our strategy is to further improve the quality and efficiency of our business there by treating the entire region as a single major market, and working to optimize the allocation of management resources.

We will also work to further enhance our management and administration systems. We are strengthening our compliance systems by assigning dedicated compliance officers to all of our sales affiliates. In terms of human resource utilization, we are proactively promoting the hiring of a diverse, talented workforce and the acquisition of outside human resources. In addition, in April 2017, we have launched a new organization that will allow us to focus even more on human resource development and build an even stronger business foundation.

CSR Activities from Manufacturing to Sales

Quality and Reliability Assurance

Anti-Counterfeiting Activities

Counterfeit medicines getting into legitimate supply chains not only leads to the loss of opportunities for patients to receive medical treatment, but could also have adverse health consequences. This has become a serious problem worldwide.

Astellas operates the Anti-Counterfeit Committee, led by the technology and quality assurance divisions, and has a product security division. These parts of Astellas conduct monitoring and surveys, and implement countermeasures targeting not only counterfeit medicines, but also diversion, smuggling, theft and related activities. When selling products, Astellas systematically introduces effective anti-counterfeit technologies, including product serialization as stipulated by regulations, based on pharmaceutical laws and regulations and risks in each market where products are sold, as well as product characteristics. In addition, Astellas carries out educational activities to prevent the spread of counterfeit medicines in collaboration with members of the pharmaceutical industry and organizations such as the WHO, the PSI* and the Transported Asset Protection Association. We also proactively endeavor to support and cooperate with national governments and judicial authorities to crack down on counterfeit medicines.

Astellas published its Position on Counterfeit Medicines online in September 2016.

* PSI: The Pharmaceutical Security Institute (PSI) is a not-for-profit organization established to strengthen global anti-counterfeiting efforts. A total of 33 pharmaceutical manufacturers are currently members of the PSI.

Product Recalls

Astellas has a recall system in place that is activated when the safety, efficacy or quality of a product is brought into question. The system ensures relevant information is promptly passed on to medical institutions and other affected parties, and that a recall of the product in question is instigated. Astellas voluntarily initiated three product recalls in fiscal 2016. As of April 2017, no reports of any related health impairments had been received.

Anti-Doping Measures

To contribute to the eradication of doping and improvement of public health, in October 2016, Astellas concluded an agreement with the World Anti-Doping Agency (WADA) relating to international cooperation aimed at preventing the abuse of pharmaceuticals in sports. Separately, Astellas continues to work to identify compounds under development with the potential to be used in doping, and to prevent the misuse of such compounds.

Improving the Pharmacovigilance System

Astellas is continuously improving its pharmacovigilance (PV) system by strengthening collaboration between the internal PV function and other relevant departments, affiliates and licensing partners. This is to support the provision of trustworthy products and their proper use, along with regulatory compliance.

Astellas regularly provides product safety awareness training not only to staff closely involved with the PV function but also to all employees and contractors including affiliate staff to maintain and strengthen collection of safety information appropriately and timely. Moreover, Astellas continues to enhance the system to collect safety information from broader sources. For external service providers outsourced by departments other than the PV organization, Astellas updated contracts to reflect requirements for safety information collection as necessary.

In addition, Astellas is exploring utilizing real-world data such as large healthcare databases for safety signal detection of Astellas products to minimize risk by enhancing collaboration between PV and other functions.

Strengthening of Quality Assurance Systems at Affiliates

Astellas has constructed a robust global quality assurance system to ensure the supply of pharmaceuticals of uniformly high quality to patients worldwide.

The past quality assurance system comprised the four main regions of Japan, the Americas, EMEA and Asia & Oceania. We are trying to incorporate quality assurance activities taken by each affiliate into this global quality assurance structure. Through this change, we are developing quality management systems consistent with our quality assurance policy on a global, Company-wide basis. This will reinforce our sales affiliates globally receive proper support in improving quality and training personnel.

Technology Development & Manufacturing

Stable Supply and Quality Control

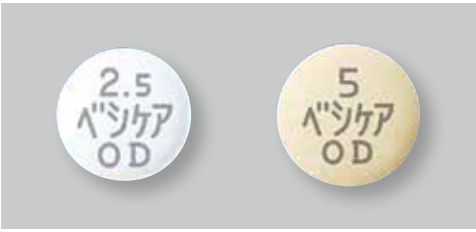
Astellas places highest priority on ensuring stable manufacture and supply of safe and effective pharmaceuticals to patients. To ensure this, we have established our own Good Manufacturing Practice (GMP)-compliant quality standards as the basis for consistently

achieving the highest levels of quality control. We apply these standards to manufacturing facilities and equipment, and to all stages from raw material procurement and storage to manufacturing processes and shipment.

Measures to Prevent Medical Malpractice and Improve the Distinguishability of Pharmaceuticals

Astellas strives to supply user-oriented products designed so that patients and healthcare professionals do not mistake one pharmaceutical for another.

To prevent medical malpractice in this respect, through measures including printing product names directly on capsules and tablets, as well as printing product names and dosages on packaging sheets (blister sheets) so that the product name and dosage can be easily identified even after the blister sheet is split apart. For example, the different dosages of Vesicare OD are color-coded, and the name and dosage are printed directly on the tablets to improve distinguishability. In addition, the blister sheets are printed using easily readable colors and fonts to help prevent mistakes and make the products more readily distinguishable.



Vesicare OD tablets

Provision of Product Information

Ensuring Proper Use

In fiscal 2016, a new policy was created in accordance with the Global Policy on Medical Affairs and Commercial Activities, which prevents commercial departments from providing off-label information to external customers. This is the first Astellas Medical Affairs policy on the standards and principles that govern appropriate scientific exchange between Medical Affairs colleagues, healthcare professionals, and healthcare organizations.

Responding to Inquiries

Astellas believes that it has a responsibility to provide accurate medical information in response to inquiries from patients and medical professionals.

In countries throughout the globe, we have Medical Information Call Centers that respond to a variety of inquiries. In fiscal 2016, we responded to approximately 115,000 calls.

Astellas makes continuous efforts to improve its medical information services, with the aim of providing accurate, appropriate and consistent information. As part of these efforts, Astellas launched a new global medical information system where global content is developed and shared. The system is also useful for analyzing matters of high interest based on the documented inquiries. By sharing the findings of these analyses with the relevant departments, Astellas seeks to more accurately provide information to patients and medical professionals.

Procurement

Promoting CSR Procurement

Astellas considers it important to fulfill its social responsibility across the entire supply chain, including suppliers. To achieve this goal, Astellas has formulated the Astellas Business Partner Code of Conduct, which requires business partners to do their business in accordance with CSR measures. We also conduct global questionnaire-based surveys based on the code, along with requesting our business partners to sign the Acknowledgement of Astellas Business Partner Code of Conduct. As of March 31, 2017, we had obtained survey responses from approximately 850 companies, covering suppliers of direct materials, as well as major suppliers of indirect materials and major facility and equipment suppliers.

Furthermore, we conduct on-site audits of suppliers in countries that pose a high CSR procurement risk.

Please refer to the following URL for information about related CSR activities from manufacturing to sales.

- **Quality Assurance Policies**
- **Introduction of Universal Design into Product Packaging**

WEB **https://www.astellas.com/en/sustainability/business-activities/**

Please refer to the following URL for information about our policies & position statements.

WEB **https://www.astellas.com/en/about/policies-and-position-statements/**

Creating Innovation

Research and Clinical Development

Astellas is efficiently advancing research and development by building systems to continuously create innovative medicines, along with challenging new opportunities, including new therapeutic areas and technologies.

Oncology

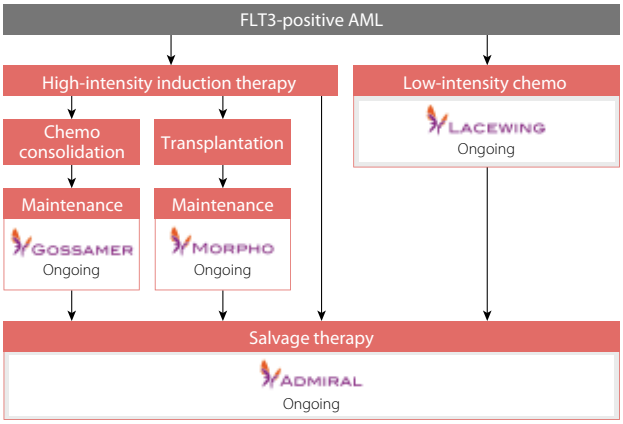
Gilteritinib

Gilteritinib is a FLT3/AXL inhibitor which is being developed for acute myeloid leukemia (AML). Gilteritinib inhibits both FLT3, a receptor-type tyrosine kinase known to be involved in cancer cell proliferation, and AXL which is reported to be associated with resistance to some forms of chemotherapy. Considering the five-year survival rate for AML estimated to be approximately 25%*, the arrival of a promising new treatment has been awaited. The clinical data obtained so far suggested the efficacy and safety of gilteritinib in patients with FLT3 mutations who are known to have poor prognosis. Astellas is exploring a potential of gilteritinib in a broad range of the treatment paradigm for AML.

Astellas is currently conducting multiple Phase 3 trials including ADMIRAL study in relapsed or refractory FLT3-positive AML patients, which is the most difficult AML patient segment to treat. Gilteritinib has been granted for SAKIGAKE designation in Japan. Astellas is working to further reduce the total development period by allocating resources to gilteritinib as a prioritized project.

* NIH, National Cancer Institute, Cancer Stat Facts, Acute Myeloid Leukemia (AML)

Gilteritinib in AML Treatment Landscape and Development Progress



Enfortumab Vedotin

Enfortumab vedotin is an antibody drug conjugate (ADC) targeting Nectin-4, a cell adhesion molecule. While it is stable in blood, it is designed to kill only the targeted cancer cells after it is internalized into cancer cells expressing Nectin-4.

In urothelial cancer, a target indication of enfortumab vedotin, it is reported that some patients are confirmed for metastasis at the time of initial diagnosis and the five-year survival rate is low. A high relapse rate is reported even if diagnosed and treated at an early stage. A promising new treatment is awaited.

Currently, Phase 2 trial in patients previously treated with checkpoint inhibitor (CPI) therapy is under preparation.

Research Initiatives

In the oncology field, the interest to cancer immunotherapy targeting immune checkpoints has been increasing recently. On the other hand, it has been pointed out that immune checkpoint inhibitors are ineffective for certain types of cancer and a segment of the patient population.

Astellas believes that immunooncology is a strategically important approach.

As one of the initiatives in this therapeutic area, Astellas launched a partnership with Potenza Therapeutics, Inc. in 2015. To address the cancer types which do not respond to the current cancer immunotherapy, Astellas is pursuing research and development of a next-generation cancer immunotherapy with different targets than current treatments. Two programs are underway to enter into the clinical development phase.

Urology and Nephrology

Roxadustat

Roxadustat is a hypoxia-inducible factor (HIF) prolyl hydroxylase (PH) inhibitor with oral administration. Astellas is developing roxadustat for anemia associated with chronic kidney disease (CKD) in dialysis and non-dialysis. For filing and reimbursement in the EU, a total of six Phase 3 studies are being conducted. Another six Phase 3 studies are being conducted in Japan.

Anemia is one of the common complications of CKD. It is said that the progression of anemia in CKD leads to end-stage renal disease and increases the mortality rate. Therefore, monitoring the hemoglobin (Hb) levels in patients with anemia in CKD is a crucial issue in the treatment of renal dysfunction.

Roxadustat is thought to increase HIF, which is involved in the production of red blood cells, by inhibiting HIF-PH, thereby enhancing the production of red blood cells and improving anemia.

Roxadustat has a different mechanism of action than conventional treatments and can be administered orally. It is thus expected to become a new treatment option which could provide both effectiveness and convenience for patients.

ASP8232

ASP8232 is a VAP-1 inhibitor being developed for diabetic nephropathy. Astellas has obtained the results of Phase 2 trial and is preparing for a subsequent trial.

Diabetic nephropathy is one of major underlying diseases for dialysis treatment. It is a common complication of diabetes. It is said that around half of patients suffering from diabetes for more than 20 years associate with diabetic nephropathy. With existing treatment methods limited to dialysis and kidney transplantation, there is a need for a new treatment.

TOPIC | IMAB362

Acquisition of Late-Stage Development Compound in Oncology

Oncology is one of the important franchises that will drive the growth of Astellas. Through the acquisition of Ganymed Pharmaceuticals AG, Astellas has acquired multiple oncology pipeline assets in pre-clinical and clinical stages including IMAB362, which is being developed for the indication of gastroesophageal adenocarcinoma.

IMAB362 is an antibody targeting Claudin 18.2, a transmembrane protein that forms a tight junction connecting and binding membranes of two adjoining cells. Claudin 18.2 is expressed locally in stomach cells for normal cells. Claudin 18.2 is expressed in various cancers, 80% in gastrointestinal adenocarcinomas and 60%* in pancreatic, biliary duct, ovarian and lung cancer.

Phase 2b clinical trial (FAST) of IMAB362 showed that IMAB362 extended the median progression-free survival and the median overall survival. In the patient subgroup with high expression levels of Claudin 18.2, IMAB362 group resulted in nearly doubling the overall survival compared with the control group. The most frequent adverse events observed during the study were vomiting, nausea and neutropenia. Astellas is preparing for Phase 3 trial of IMAB362.

Through this acquisition, Astellas will further strengthen its oncology franchise.

* Al-Batran *et al.*, 2016 American Society of Clinical Oncology

Immunology

ASP0113

ASP0113 is a DNA vaccine being developed as a treatment to prevent cytomegalovirus (CMV) infection in hematopoietic cell transplant (HCT) patients. Currently, Astellas is conducting Phase 3 trial of ASP0113 in HCT patients.

CMV infection and CMV reactivation are opportunistic infections commonly observed after hematopoietic cell transplantation and potentially lead to death in severe cases. From the standpoint of strengthening the control of infections, a prophylactic vaccine without safety concern is anticipated.

ASP0113 builds immunity to CMV-derived antigen proteins by expressing CMV-derived antigen proteins in the body and inducing both cellular and humoral immune responses. ASP0113 is expected to suppress CMV infection and complications associated with CMV infection after hematopoietic cell transplantation.

Peficitinib

Peficitinib is a JAK inhibitor being developed for rheumatoid arthritis. Phase 3 clinical trials are currently being conducted in Japan. Astellas expects to obtain the results of these trials within fiscal year 2017. Rheumatoid arthritis is a chronic inflammatory autoimmune disease due to an immune disorder. The current standard treatments for rheumatoid arthritis are biologics including TNF-α drugs.

Peficitinib has a different mechanism of action than other immunosuppressants. Peficitinib is thus expected to be a new drug treatment option which could be safe and convenient for patients.

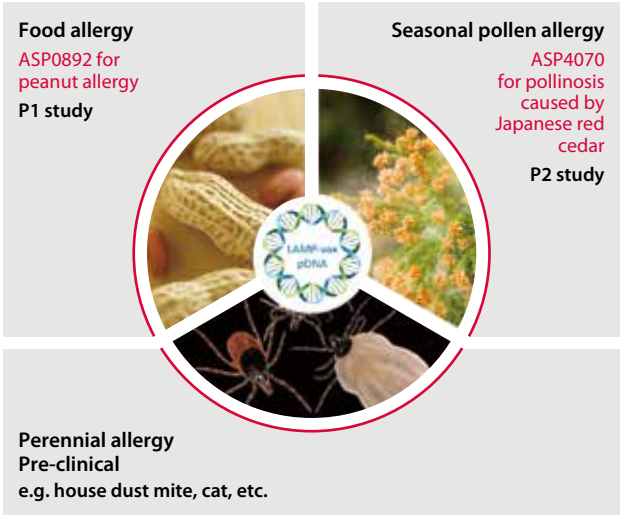
DNA Vaccine Using LAMP-vax Technology

LAMP-vax technology is expected to serve as a drug discovery platform for creating drug products aimed for treatment or prophylaxis of a wide range of allergic diseases by enhancing the therapeutic effectiveness of DNA vaccines and changing the types of allergens encoded in plasmid DNA. Multiple development compounds using LAMP-vax technology are currently in non-clinical and clinical stages.

Phase 1 trial of ASP0892 is currently being conducted in the U.S. targeting peanut allergy, and it has been granted Fast Track designation by the Food and Drug Administration (FDA). Peanut allergy can be a fatal food-related allergy with potential of life-threatening anaphylaxis induced by trace exposure. There is no currently approved treatment and prophylaxis drugs for peanut allergy.

Astellas is developing ASP4070 targeting allergies induced by Japanese red cedar pollen. Phase 2 trial of ASP4070 has been initiated in Japan in 2017. It is said that about one in four Japanese people suffer from allergies to Japanese red cedar pollen. The currently available treatment is mainly symptomatic treatments. ASP4070 is expected to become a fundamental treatment that will relieve allergy symptoms or achieve symptomatic remission over the long term with only a short-term administration.

Drug Discovery Platform Using LAMP-vax Technology



Research Initiatives

In immunology, Astellas is working to develop an innovative drug discovery platform that will enable antigen-specific immune control. Astellas is also researching safe and fundamental treatments for allergies, autoimmune diseases, and infectious diseases. With regard to autoimmune diseases for which the specific antigens have been identified, through joint research with Kanyos Bio, Inc., Astellas has begun research that applies unique technologies for the induction of antigen-specific immune tolerance using red blood cells. For diseases in which specific organs are impaired by the excessive responses of immune systems due to specific antigens, regardless of whether the condition involves the body's autoimmune or non-autoimmune systems, Astellas is promoting research and development activities using a unique technology targeting red blood cells that induces immune tolerance by removing T cells that cause excessive antigen-specific responses.

New Therapeutic Areas and Others

Astellas Institute for Regenerative Medicine (AIRM)

AIRM (Company name was changed after acquisition of Ocata Therapeutics, Inc.) possesses the world's highest level of technology and expertise in research and development capabilities of cell therapy, taking a leading position in this field. AIRM seeks to realize cutting-edge drug discovery based on leading cell therapy approaches, thereby contributing to ophthalmology treatments with high unmet medical needs.

Currently, AIRM is promoting development activities targeting age-related macular degeneration and Stargardt macular degeneration with a focus on retinal pigment epithelium (RPE) cells, which are vital to the survival of visual cells and the maintenance of their functions. For both diseases, it is currently in the Phase 2 trial stage.

Muscle Diseases

In the muscle diseases area, CK-2127107, a fast skeletal troponin activator, has entered the clinical stage. Astellas is currently proceeding with Phase 2 trials for three diseases related to the atrophy of skeletal muscles: spinal muscular atrophy, amyotrophic lateral sclerosis, and chronic obstructive pulmonary disease. Of those three diseases, the trial targeting spinal muscular atrophy is in the most advanced clinical stage. Spinal muscular atrophy is a serious disease in which the progression of muscular atrophy can trigger respiratory failure and motor impairment. Astellas is working to provide a new treatment option for these diseases.

In addition, Astellas is steadily proceeding with preparations to initiate clinical trials of MTB-1, a mitochondrial gene expression regulator, including convening an advisory meeting of a neuromuscular disease commitee. MTB-1 is a development candidate under collaboration with Mitobridge, Inc.

TOPIC Fezolinetant

Anticipated to Provide a New Treatment Option to Replace Current Hormone Replacement Therapy

Through the acquisition of Ogeda SA, Astellas obtained fezolinetant, a selective NK3 antagonist currently being developed for menopause-related vasomotor symptoms (VMS: hot flashes and night sweats). Astellas is currently conducting Phase 2b trial of fezolinetant.

It is reported that MR-VMS is recognized in nearly 80%* of post-menopausal women. Given that existing hormone replacement treatments present safety concerns, a safe and effective non-hormonal therapy is awaited as a new treatment option. In a Phase 2a study, fezolinetant showed good results in terms of improvement in the frequency and extent of hot flashes. Based on these results, Astellas expects fezolinetant to become a first-in-class, non-hormonal treatment for MR-VMS.

Astellas has built up strengths through the development of many small molecule drugs that improve patients' quality of life, including treatments in the OAB area and promoting the development of fezolinetant to provide a new treatment option to the patients with MR-VMS. In addition, since both MR-VMS and OAB affect middle-aged and elderly women, Astellas expects to capture synergies with its strengths in the OAB area which have been developed over the years.

* UpToDate – Clinical manifestations and diagnosis of menopause (Literature review current through June 2017)

R&D Topics During the Year

Major Progress in Clinical Development (Approval and Filing)

Japan | Europe | United States

2016

4

XTANDI for the treatment of prostate cancer

Astellas received regulatory approval for inclusion of TERRAIN trial* data in the European label and updated the label.

* Head-to-head trial of enzalutamide versus bicalutamide

5

6

Quetiapine fumarate (extended-release tablets)

Astellas filed an application for approval of the indication of improvement of depressive symptoms associated with bipolar disorder.

7

Kiklin Granules for the treatment of hyperphosphatemia

Astellas received regulatory approval of Kiklin Granules for the indication of treatment of hyperphosphatemia in patients with chronic kidney disease (launched in December 2016).

8

XTANDI (generic name: enzalutamide) for the treatment of prostate cancer

Astellas filed an application for approval of XTANDI tablets.

9

Micatrio Combination Tablets for the treatment of hypertension

Astellas received regulatory approval for a combination drug* containing the three ingredients of a renin-angiotensin inhibitor, a calcium channel blocker (CCB) and small dose diuretic (launched in November 2016).

* Official guidance on points to consider regarding the use of Micatrio Combination Tablets under National Health Insurance coverage was issued by the Medical Economic Division, Health Insurance Bureau, Ministry of Health, Labour and Welfare. (Medical Economics Division 1226 No.8; December 26, 2016)

10

11

XTANDI for the treatment of prostate cancer

Astellas received regulatory approval for inclusion of TERRAIN trial* data in the U.S. label and updated the label.

12

LINZESS for the treatment of irritable bowel syndrome with constipation

Astellas received regulatory approval for the indication of irritable bowel syndrome with constipation (launched in March 2017).

2017

1

Anti-Sclerostin monoclonal antibody romosozumab

Amgen Astellas BioPharma K.K. filed an application for approval of the indication of osteoporosis for those at high risk of fracture.

2

3

Capturing New Opportunities

Oncology

Antibody Drugs in Oncology

In December 2016, Astellas acquired Ganymed Pharmaceuticals AG and made it a wholly owned subsidiary of Astellas. Ganymed Pharmaceuticals AG has several oncology pipeline assets in pre-clinical and clinical stages, including IMAB362, which is being developed as a treatment of gastroesophageal adenocarcinoma. The acquisition of the late-stage antibody program will further strengthen Astellas' oncology franchise.

Reference | Research and Clinical Development ››› P53

Immunology

New Vaccine Targeting *Streptococcus pneumoniae* (pneumococcus)

In February 2017, Astellas entered into an exclusive license agreement with Affinivax, Inc. for the worldwide development and commercialization of a vaccine targeting pneumococcal diseases. This pneumococcal vaccine is being developed using Affinivax, Inc.'s proprietary vaccine technology platform, Multiple Antigen Presenting System (MAPS).

Muscle Diseases

Expansion of Global Collaboration on Skeletal Muscle Activators

In July 2016, Astellas and Cytokinetics, Inc. amended their collaboration agreement on skeletal muscle activators to expand the agreement to include amyotrophic lateral sclerosis (ALS). The companies decided to include ALS for the development of the fast skeletal troponin activator CK-2127107. In addition, Cytokinetics, Inc. granted Astellas an option right for the development and commercialization of tirasemtiv, an investigational skeletal muscle activator being developed by Cytokinetics, Inc. Moreover, the companies agreed to extend their joint research focused on the discovery of next-generation skeletal muscle activators through 2017.

Reference | Research and Clinical Development ››› P56

Other Therapeutic Areas

Treatment for Chronic Tympanic Membrane Perforation

In January 2017, Astellas signed an exclusive license agreement with Auration Biotech, Inc. for the worldwide development and commercialization of AU-935, which is being developed as a simple ear topical application for the treatment of chronic tympanic membrane perforation.

Acquisition of Ogeda SA

In March 2017, Astellas entered into an agreement to acquire Ogeda SA. In May 2017, the acquisition was completed, making Ogeda SA a wholly owned subsidiary of Astellas. Ogeda SA has multiple small molecule compounds targeting G protein-coupled receptors in the pre-clinical and clinical stages, including fezolinetant, which is being developed for the treatment of menopause-related vasomotor symptoms. Through the acquisition of Ogeda SA, Astellas expanded its pipeline and reinforced its medium- to long-term growth.

Reference | Research and Clinical Development ››› P56

Other

Termination of Agreement for Cell Culture Based Influenza Vaccine Programs

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

Status of R&D Pipeline (As of April 2017, partly updated)

Code No. Generic Name	Classification	Target Disease	Phase / Area	Dosage Form	Licensor*1	Remarks
Oncology						
MDV3100 enzalutamide	Androgen receptor inhibitor	Metastatic castration-resistant prostate cancer (Tablet)	Filed (Mar. 2016) Europe	Oral	Pfizer	New formulation
		Castration-resistant prostate cancer (Tablet)	Filed (Sept. 2016) Japan			New formulation
		Non-metastatic castration-resistant prostate cancer	Phase-III US, Europe, Asia			New indication
		Prostate cancer in patients with non-metastatic biochemical recurrence	Phase-III US, Europe, Asia			New indication
		Metastatic hormone-sensitive prostate cancer	Phase-III US, Europe, Japan, Asia			New indication
		Hepatocellular carcinoma	Phase-II US, Europe, Asia			New indication
ASP2215 gilteritinib	FLT3/AXL inhibitor	Acute myeloid leukemia	Phase-III US, Europe, Japan, Asia	Oral	In-house	
ASP3550 degarelix	GnRH antagonist	Prostate cancer (3-month formulation)	Phase-III Japan	Injection	Ferring	New formulation
AGS-16C3F	ADC targeting ENPP3	Renal cell carcinoma	Phase-II US, Europe	Injection	In-house (ADC technology in-licensed from Seattle Genetics)	
IMAB362	Anti-Claudin 18.2 monoclonal antibody	Gastroesophageal adenocarcinoma	Phase-II Europe	Injection	In-house (Ganymed Pharmaceuticals)	
ASG-22ME enfortumab vedotin	ADC targeting nectin-4	Urothelial cancer	Phase-II US Phase-I Japan	Injection	In-house (co-development with Seattle Genetics)	
AMG 103 blinatumomab	Anti-CD19 BiTE antibody	Acute lymphoblastic leukemia	Phase-II Japan	Injection	Amgen (co-development with AABP*2)	
ASG-15ME		Urothelial cancer	Phase-I	Injection	In-house (co-development with Seattle Genetics)	
ASP5878		Cancer	Phase-I	Oral	In-house	
ASP4132		Cancer	Phase-I	Oral	In-house	
AGS67E		Lymphoid malignancies	Phase-I	Injection	In-house (ADC technology in-licensed from Seattle Genetics)	
AGS62P1		Acute myeloid leukemia	Phase-I	Injection	In-house (ADC technology, EuCODE license from Ambrx)	
Urology and Nephrology						
YM905 solifenacin	Muscarine M_3 receptor antagonist	Neurogenic detrusor overactivity in pediatric patients	Filed (Feb. 2017) US Filed (Apr. 2017) Europe	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	Phase-III US, Europe, Asia	Oral	In-house	
ASP1517 (FG-4592) roxadustat	HIF stabilizer	Anemia associated with chronic kidney disease in patients not on dialysis and on dialysis	Phase-III Europe Phase-III Japan	Oral	FibroGen	
YM178 mirabegron	Beta 3 receptor agonist	Neurogenic detrusor overactivity in pediatric patients	Phase-III Europe	Oral	In-house	New indication (pediatric)
YM311 (FG-2216)	HIF stabilizer	Renal anemia	Phase-II Europe Phase-I Japan	Oral	FibroGen	
ASP8232	VAP-1 inhibitor	Diabetic nephropathy	Phase-II Europe	Oral	In-house	
ASP6294	Nerve growth factor (NGF) neutralization antibody	Bladder pain syndrome / Interstitial cystitis	Phase-II Europe	Injection	In-house	
ASP6282		Underactive bladder	Phase-I	Oral	In-house	
ASP7398		Nocturia	Phase-I	Oral	In-house	
ASP8302		Underactive bladder	Phase-I	Oral	In-house	
ASP7713		Underactive bladder	Phase-I	Oral	In-house	

Code No. Generic Name	Classification	Target Disease	Phase / Area	Dosage Form	Licensor*1	Remarks
Immunology and Neuroscience						
FK949E quetiapine	Serotonin / dopamine antagonist	Improvement of depressive symptoms associated with bipolar disorder (Extended-release tablet)	Filed (Aug. 2016) Japan	Oral	AstraZeneca	
ASP0113 (VCL-CB01)	DNA vaccine for cytomegalovirus	Cytomegalovirus reactivation in hematopoietic cell transplant recipients	Phase-III US, Europe, Japan	Injection	Vical	
ASP015K peficitinib	JAK inhibitor	Rheumatoid arthritis	Phase-III Japan, Asia Phase-II US, Europe	Oral	In-house	
ASKP1240 bleselumab	Anti-CD40 monoclonal antibody	Recurrence of focal segmental glomerulosclerosis in de novo kidney transplant recipients	Phase-II US	Injection	Kyowa Hakko Kirin	
ASP1707	GnRH antagonist	Rheumatoid arthritis	Phase-II Japan	Oral	In-house	
ASP7962	TrkA inhibitor	Osteoarthritis	Phase-II Europe	Oral	In-house	
ASP8062	$GABA_B$ receptor positive allosteric modulator	Fibromyalgia	Phase-II US	Oral	In-house	
ASP0819	Calcium^{2+}-activated K^+ channel opener	Fibromyalgia	Phase-II US	Oral	In-house	
ASP3662	11beta-HSD1 inhibitor	Agitation associated with Alzheimer's disease	Phase-II US	Oral	In-house	
ASP4070 (JRC2-LAMP-vax)	DNA vaccine for Japanese red cedar	Pollinosis caused by Japanese red cedar	Phase-II Japan	Injection	Immunomic Therapeutics	
ASP5094		Rheumatoid arthritis	Phase-I	Injection	In-house	
ASP4345		Cognitive impairment associated with schizophrenia	Phase-I	Oral	In-house	
ASP7266		Severe asthma	Phase-I	Injection	In-house	
ASP0892		Peanut allergy	Phase-I	Injection	Immunomic Therapeutics	
ASP1807 (CC8464)		Neuropathic pain	Phase-I	Oral	Chromocell	
Others						
AMG 785 romosozumab	Anti-Sclerostin monoclonal antibody	Osteoporosis for those at high risk of fracture	Filed (Dec. 2016) Japan	Injection	Amgen (co-development with AABP*2)	
ipragliflozin/ sitagliptin	Fixed dose combination of ipragliflozin and sitagliptin	Type 2 diabetes mellitus	Filed (May 2017) Japan	Oral	In-house (co-development with MSD and Kotobuki)	
fidaxomicin	Macrocyclic antibiotic	Infectious enteritis (bacterial target: *Clostridium difficile*)	Phase-III Japan	Oral	Merck	
		Clostridium difficile infection in pediatric patients	Phase-III Europe			New indication (pediatric)
ASP1941 ipragliflozin	SGLT2 inhibitor	Type 1 diabetes mellitus	Phase-III Japan	Oral	In-house (co-development with Kotobuki Pharmaceutical)	New indication
ASP0456 linaclotide	Guanylate cyclase-C receptor agonist	Chronic constipation	Phase-III Japan	Oral	Ironwood	New indication
ASP1707	GnRH antagonist	Endometriosis	Phase-II Europe, Japan	Oral	In-house	
CK-2127107	Fast skeletal troponin activator	Spinal muscular atrophy	Phase-II US	Oral	Cytokinetics	
		Chronic obstructive pulmonary disease	Phase-II US			
		Amyotrophic lateral sclerosis	Phase-II US			
RPE cell program	Cell therapy (Retinal pigment epithelium cell)	Dry age-related macular degeneration, Stargardt's macular degeneration	Phase-II US	Injection	In-house (Astellas Institute for Regenerative Medicine)	

*1 Compounds with "In-house" in this column include ones discovered by collaborative research.
*2 AABP: Amgen Astellas BioPharma

CSR Activities in Research and Development

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 Declaration of Helsinki* 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 related clinical studies, based on a strong commitment to respecting the human rights of research subjects, protecting the privacy and confidentiality of their personal information, and assuring the reliability of the research. The Astellas Research Ethics Committee has been established to determine the ethical acceptability and scientific propriety of research plans in a fair and impartial manner, taking account of information on potential conflicts of interest involving research institutions, researchers and other parties. In fiscal 2016, this committee met 12 times, deliberated on 31 issues, and conducted 179 brief reviews.

* Declaration of Helsinki: 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 has established a Global Policy for Animal Care and Use, and conducts animal testing based on this policy. We have established the Corporate Institutional Animal Care and Use Committee, in which outside members also 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 international organization that promotes the humane treatment of animals through international 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

Astellas performs experiments using genetically modified organisms, or materials containing pathogens, under the World Health Organization Laboratory Biosafety Manual*1 and the Centers for Disease Control (CDC) 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 detailed procedures in place for handling experimental materials. In addition, we have set up the Biosafety Committee at each facility as a body to review whether the experiments meet the standards required by these rules.

In addition, laboratory personnel receive regular training courses once a year, in order to rigorously enforce safe and proper biosafety management and use of these organisms and suchlike. 1,010 participants received the training in fiscal 2016. 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 genetically modified organisms and suchlike.

Use of Genetic Resources

Astellas is committed to full compliance with the relevant laws and regulations of countries supplying genetic resources, and to the proper distribution of any contractually defined profits from the use of such resources, based on the concept of genetic resources utilization and the associated distribution of profits set out in the Convention on Biological Diversity*1 and Nagoya Protocol*2.

*1 The Convention of Biological Diversity: International convention on the sustainable use and conservation of biological diversity
*2 Nagoya Protocol: Protocol on access to genetic resources and the fair and equitable sharing of benefits arising from their utilization

Treatment of Intellectual Property

Appropriate protection of intellectual property is critical to Astellas in order to address unmet medical needs and maintain a competitive advantage. Astellas has established a Policy on Intellectual Property. In view of the importance of improving people's access to healthcare, we are committed to not filing or enforcing patents in countries facing significant economic challenges. These select countries are decided by referring to those designated as Least Developed Countries (LDCs) defined by the United Nations or Low Income Countries (LICs) defined by World Bank.

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 the efficacy and safety of the new drug candidates 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. Astellas ensures full compliance with Good Clinical Practice (GCP) and all relevant laws and regulations so that new drug candidates are developed into drugs that can be used confidently by patients. Plans for clinical trials conducted by Astellas are evaluated and approved for ethical acceptability and scientific validity by internal and external committees.

In conducting clinical trials, Astellas confirms that clinical trial subjects have provided informed consent, having received a full explanation of the purpose and methods of the trial, its expected benefits and disadvantages, matters related to compensation for health impairment and other details. Moreover, we implement education and training for any employees or staff members involved in clinical trials, and monitor medical institutions that perform clinical trials to ensure full GCP compliance.

In addition, we manage trial data appropriately to protect the privacy of clinical trial subjects. Periodic assessments are also made to check that any outsourced clinical trials are conducted in accordance with the same standards.

Disclosure of Information on Clinical Trials and Their Results

Astellas has formulated a global policy on the disclosure of clinical trial data and results to enhance the transparency of information gained from clinical studies while maximizing its value, and to ensure this leads to the advancement of science and the promotion of innovation.

Specifically, Astellas provides patient-level data that have been anonymized in accordance with applicable laws and regulations through an external website*1 to those scientists and healthcare professionals requesting it. Doctors and the public can access summaries of clinical trial findings via the Astellas website. We are also developing a website to give patients access to special summaries of study results prepared for non-experts*2.

*1 Patient-level data are provided through the following website: http://www.clinicalstudydatarequest.com
*2 Results of the clinical trials are provided through the following website: http://www.astellasclinicalstudyresults.com/Welcome.aspx

Patient Centricity in Drug Development

Real-world considerations in clinical trials are increasingly important in ensuring that our studies are aligned with current medical practices and patient needs.

We are trying to incorporate insights from real-world data into our clinical trials by understanding how healthcare is provided to patients.

Patient centricity is now a focus for regulatory authorities and the pharmaceutical industry. The patient-centric approach is being discussed at all points in the drug development value chain, from discovery through commercialization. Efforts are being made to include patient input in how to optimally design trials, recruit participants, and identify relevant endpoints that patients care most about.

Astellas employs various methods to incorporate patient-centric approaches into clinical programs. For example, we use patient-reported outcomes (PROs) such as questionnaires and patient diaries to assess patients' health conditions. In addition, we use real-world data for estimation of target population based on the morbidity rate or ineligible cases in screening, and feasibility of studies in clinical trial facilities. Also, patient input is used to assess feasibility of clinical trials. Through these activities, we try to improve recruitment, retention and relevance of data. We are also working with patient advocacy organizations where appropriate to assess protocol feasibility including frequency of visits, procedures and PRO elements.

Please refer to the following URL for information about related CSR activities in research and development.

- **Ethical Considerations in Stem Cell Research and Development**
- **Expanded Access to Investigational Medicines**

WEB **https://www.astellas.com/en/sustainability/business-activities/**

Please refer to the following URL for information about our policies & position statements.

WEB **https://www.astellas.com/en/about/policies-and-position-statements/**

Pursuing Operational Excellence

Initiatives in the Fiscal Year Ended March 31, 2017

In order to further increase both the quality and efficiency of operations, Astellas continues to implement initiatives that anticipate changes in the business environment from a number of perspectives, such as optimal reallocation of resources, effective utilization of external resources, continual enhancement of the organizational structure, active response to various regulations and social norms (compliance), and strengthening of core capabilities.

With regard to the organizational structure, Astellas is working to strengthen its global management functions. Astellas set up a global compliance function in April 2016 with the aim of further strengthening compliance, thereby building a global compliance framework in which the regional compliance functions in Japan, the Americas, EMEA and Asia & Oceania report to the head of Ethics & Compliance. Additionally, in April 2017, Astellas created a new function designed to globally manage legal and intellectual property functions in each region.

In addition, Astellas implemented the following initiatives in the fiscal year ended March 31, 2017.

Transfer of a U.S. Manufacturing Subsidiary

In the areas of manufacturing and technology, Astellas strives to promote the establishment of a stable manufacturing system that will efficiently realize the steady supply of high-quality drugs through the effective use of external resources. As part of these efforts, in August 2016, Astellas transferred all the shares of Astellas Pharma Technologies, Inc. (APT) to Avara Norman Pharmaceutical Services, Inc. (Avara). The manufacturing of pharmaceuticals previously undertaken by APT will be continued through outsourcing to Avara on a contract basis.

Outsourcing of Facility and Equipment Management Support in Japan

Astellas has decided to outsource certain operational and management support duties, such as facility and equipment management support at Group companies in Japan. Through collaboration with external partners with specialized capabilities, Astellas aims to receive high-quality services and promote efficiency. In addition to the outsourcing, as a result of reassessment of the organizational operation structure, Astellas decided that Astellas Business Service Co., Ltd. a subsidiary which performs shared administrative support, would be dissolved at the end of September 2017.

Establishment of a Jointly-Operated Logistics Center and Logistics Platform in Japan

On the logistics front, in February 2017, Astellas, Takeda Pharmaceutical Company Limited, Teva Takeda Pharma Ltd., and Teva Takeda Yakuhin Ltd. concluded a memorandum of understanding concerning the establishment of a jointly-operated logistics center in Hokkaido.

Through this agreement, the four companies will establish a structure for the joint storage and distribution of pharmaceuticals, with the objective of further ensuring stable supplies, qualities and efficient transportation of pharmaceuticals in emergency situations, such as a natural disaster.

Transfer of 16 Long-Listed Products in Japan and Other Initiatives

In March 2017, Astellas and LTL Pharma Co., Ltd. entered into an Asset Purchase Agreement, under which Astellas will transfer its marketing authorization for 16 long-listed products in Japan, supply business of active pharmaceutical ingredients/bulk of these products to third parties in Japan and outside of Japan and royalty business of these products to LTL Pharma. Through this agreement, Astellas will reallocate the funds generated by the transfer of assets into businesses and products that will drive our competitive advantage, thereby aiming to achieve sustained growth.

In other initiatives, in December 2016, Astellas entered into a definitive agreement with Grünenthal, under which Astellas will transfer the exclusive rights for Qutenza in Europe, the Middle East and Africa to Grünenthal. In February 2017, Astellas also entered into an agreement providing Kyowa Pharmaceutical Industry Co., Ltd. the exclusive right to distribute and promote extended-release tablets of quetiapine fumarate in Japan, pending approval of the new drug application submitted in Japan.

Our People, Our Organization

Astellas recognizes employees as important stakeholders and we sincerely strive to fulfill our social responsibilities. Astellas employees play the most valuable role in shaping the Company and creating new levels of enterprise value. We are working to train employees and strengthen their competitiveness. Astellas is fostering a corporate culture that aims to align the aspirations of its diverse employees in one direction to realize its business philosophy.

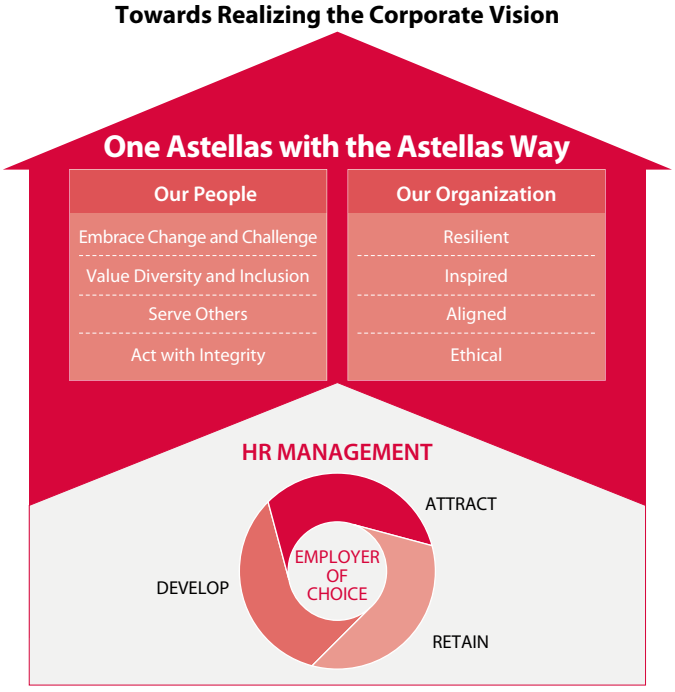
HR Vision

Astellas has formulated a Human Resources (HR) Vision shared globally to define its aspirations for its human resources and for its organization. Making Astellas' vision a reality requires individual employees to understand the HR Vision and to act based on the Astellas Way.

Astellas redoubled its efforts to disseminate the HR Vision in fiscal 2016. Specifically, this involved translating the HR Vision into various languages, conducting training and meetings for managers, and implementing initiatives, including personnel measures, to spread understanding among all employees. Astellas Pharma Hong Kong won the 2016 ERB Manpower Developer Award.

Astellas will improve human resources and organizational capabilities by spreading and implementing the HR Vision and Astellas Way. Moreover, we will bring together individuals from diverse backgrounds within the Company to surmount national, regional and organizational barriers, foster mutual respect, enhance our organizational capabilities, and unite our people to continuously achieve innovation.

Overview of the HR Vision



The 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.

Providing Opportunities for Employees to Succeed Globally

Astellas provides employees with opportunities to succeed globally. In Japan, we have developed an internal recruitment system to revitalize our organization and motivate employees to develop their own abilities and grow, while encouraging our people to succeed in roles at various overseas bases by proactively appointing employees to be assigned abroad from each division. In addition, we accept long-term and short-term assignees from Group companies outside Japan. In these and other ways, we are working to promote global interaction among our people at the divisional level.

Diversity Management

Astellas is working to promote diversity so that diverse people can play a role in our Company, irrespective of race, nationality, gender, or age. Respect for the diverse values of our employees will be reflected in various ways in our business activities to encourage creativity in our organization. We also believe that it will help to attract talented people as employees and enhance our competitiveness.

For Astellas, promoting the career advancement of women in Japan is a high priority, particularly because the country has a low ratio of women in management positions compared to other regions. We aim to develop a work environment in which life events will not hinder career advancement, and have established a target to raise our ratio of female managers in Japan to 10% or higher (at Astellas Pharma Inc.) by 2020 on a non-consolidated basis.

Male/Female Employee Ratio per Region and Ratio of Female Managers (Fiscal 2016)

	Japan	Americas	EMEA	Asia & Oceania	Total
Male	71.7%	46.2%	42.1%	49.4%	56.0%
Female	28.3%	53.8%	57.9%	50.6%	44.0%
Ratio of female managers	7.8%	48.4%	50.9%	46.1%	32.6%

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. This is to ensure that every employee is able to maximize their abilities and creativity on the job. In Japan, we have been promoting workstyle reforms since 2015 in order to raise enterprise value and provide employees with rich individual lives. This is all in an effort to strike an equilibrium that enables each person to improve their own work-life balance while establishing high levels of productivity and creativity. Our efforts to promote inclusive employment and decent work, one of the United Nations' Sustainable Development Goals (SDGs), include initiatives for upgrading the work environment we provide for people with disabilities. We have been a participating member of Japan's Accessibility Consortium for Enterprises (ACE)*. The support we provide people to overcome disabilities includes an app we have introduced for hearing-impaired employees that instantaneously converts voice data into written words.

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

* Accessibility Consortium of Enterprises (ACE): A general incorporated association that was formed to conduct activities such as the establishment of a new employment model for people with disabilities who contribute to the growth of companies.

Number of Employees per Region and Turnover Rate

		2015.3*2	2016.3	2017.3*3
Japan	Number of employees	7,241	7,056	7,029
	Turnover rate*1	7.5%	1.1%	1.2%
Americas	Number of employees	2,975	3,062	3,016
	Turnover rate	10.4%	12.9%	17.7%
EMEA	Number of employees	4,628	4,726	4,672
	Turnover rate	15.6%	11.9%	14.3%
Asia & Oceania	Number of employees	2,269	2,373	2,485
	Turnover rate	13.4%	12.9%	13.3%
Total	Number of employees	17,113	17,217	17,202
	Turnover rate	11.0%	7.8%	9.4%

*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 turnover rate in fiscal 2014 is mainly due to the introduction of an early retirement plan in Japan.
*3 The Increase in the total turnover rate in fiscal 2016 is mainly due to the transfer of Astellas Pharma Technologies, Inc. (APT) to Avara Norman Pharmaceutical Services, Inc.

Ensuring Occupational Health and Safety

We have the Astellas Environment, Health & Safety Policy in place to prevent work-related accidents and minimize those caused by workplace mishaps and hazards. Under this policy, each facility is independently building Environment, Health & Safety management systems and promoting associated initiatives. We are also working to ensure occupational safety from many different perspectives based on the information we share on accidents and near misses that have occurred at our workplaces around the world.

Between January and December 2016, there were five work-related injuries requiring leaves of absence in Japan. Of these five injuries, the longest leave of absence was nine days. There were four injuries requiring leaves of absence at our overseas plants, of which the longest leave of absence was 93 days. In view of the lengthy leaves resulting from injuries in Japan and at our overseas plants, we will strive to reduce our occupational safety risks with the goal of holding our severity rate of work-related injuries under 0.005 on a global basis.

Incidence of Work-Related Injuries in Japan

	2014.1-12	2015.1-12	2016.1-12
Number of injuries requiring leave of absence	5	2	5
Frequency rate of work-related injuries*1	0.34	0.14	0.34
Severity rate of work-related injuries*2	0.002	0.007	0.001

Incidence of Work-Related Injuries at Overseas Plants*3

	2015.1-12	2016.1-12
Number of injuries requiring leave of absence	2	4
Frequency rate of work-related injuries*1	1.11	2.40
Severity rate of work-related injuries*2	0.047	0.065

*1 Frequency rate of work-related injuries: This rate shows the number of employee deaths or injuries resulting from work-related accidents causing leaves 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 larger the number, the more serious the injury.
*3 From 2015 onward, we began disclosing consolidated data for all five overseas plants.

Respect for Human Rights

Astellas disclosed its Position on Human Rights in April 2017. Wherever we operate, Astellas is committed to complying with internationally recognized basic human rights and labor standards as well as applicable local labor and employment laws, and to implementing and upholding the UN Guiding Principles on Business and Human Rights. Also, Astellas has identified four rights to which we pay particular attention as human rights in clinical trials and other research and development activities, product safety and counterfeit drugs, Access to Health and human rights in the workplace.

Under the U.K. Modern Slavery Act 2015, we publish a Slavery and Human Trafficking Statement for each financial year, describing what steps we have taken to address this risk in our own operations or our supply chains.

We have been globally confirming the awareness of human rights issues in the workplace and the status of human rights activities at our Group companies by conducting written surveys. In fiscal 2016, there were no urgent human rights issues or other issues of common, worldwide concern reported in the survey.

For details on our people, our organization, please visit the following website:

WEB **https://www.astellas.com/en/sustainability/employees/**

Message from Senior Vice President, Human Resources and Facilities, Astellas US LLC

We conduct initiatives to encourage women's success.

In July 2016, Astellas US LLC hosted the first ever Women in Action conference, which drew more than 1,600 attendees, including female employees of Astellas Americas and local female students in STEM education.

The aim of this event was to develop women's leadership and confidence and to help them overcome difficulties and succeed. In addition to the lecture, Astellas held experiential workshops on how to communicate opinions in conversation and the skills needed to be more effective in managing crucial conversations.

This conference underscored the value the company places on the contributions of women and a commitment to encouraging female empowerment. We are proud of the recognition that we have received in Professional Woman's Magazine and Working Mother Magazine's 100 Best Companies in the U.S. for our commitment to establishing a corporate culture supportive of working mothers and their families.

The Women in Action event is an example of how we are maximizing creativity through diversity and open communication as part of the Astellas Way.

* STEM education is teaching that emphasizes science, technology, engineering and mathematics.

Collette Taylor
Senior Vice President, Human Resources and Facilities
Astellas US LLC

Ethics & Compliance

Astellas believes that acting in accordance with the highest ethical standards, which includes obeying the letter and spirit of the law, is the cornerstone of all its activities. Accordingly, the Astellas Charter of Corporate Conduct which is shared globally, expresses the Company's ethical business philosophy in terms of specific corporate behavior. In addition, the Astellas Group Code of Conduct is a global code for all directors, officers and employees around the world, establishing that they are expected to comply with laws and regulations and maintain high ethical standards in the performance of their job responsibilities for Astellas.

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 maintains the trust of society and enhances enterprise value.

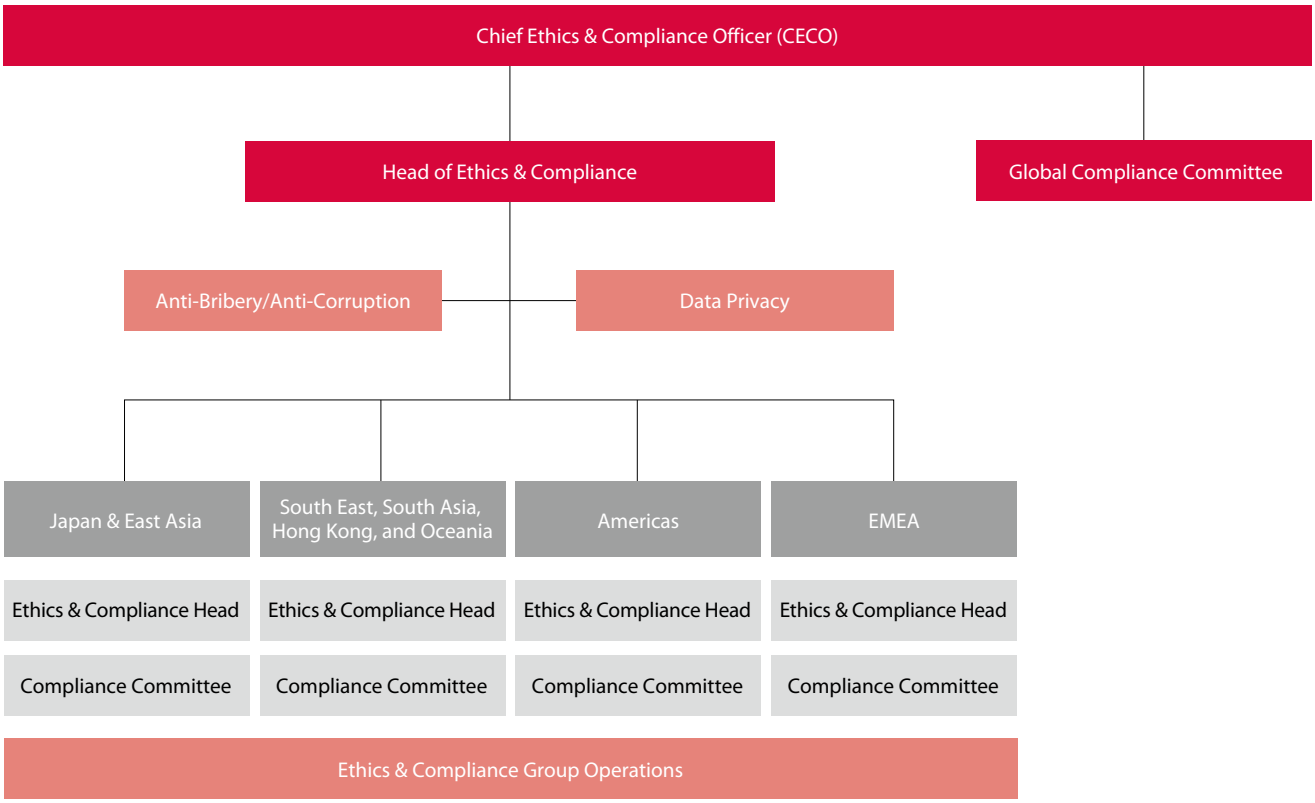
Structure to Promote Ethics and Compliance

Astellas continues to enhance a robust compliance structure that includes a Chief Ethics & Compliance Officer (CECO) and Global Compliance Committee chaired by the CECO and comprised of the Head of Ethics & Compliance and senior business leadership.

Two global compliance functions, Anti-Bribery/Anti-Corruption Compliance and Data Privacy, were created in April 2016 and April 2017, respectively. In addition, an Ethics & Compliance Group Operations function was established in fiscal 2016. This function oversees and coordinates various compliance activities to ensure consistency in approach on a global basis. These activities include training and communications, risk assessment, monitoring, investigations, and managing policies and procedures.

As our business expands globally, we continue to seek opportunities for global alignment and collaboration between functional lines, and maintain consistently high standards of compliance in everything we do. Astellas is committed to supporting every employee in their efforts to conduct business with the highest integrity and in an ethical and legal manner.

Global Compliance Structure (as of April 2017)



Initiative Promoting Compliance

Compliance Training

Training and communication about new policies and procedures as well as updates to existing policies and procedures help to nurture a compliance mindset among all employees. All new Ethics & Compliance employees are required to undergo comprehensive onboarding training and all new Ethics & Compliance leaders receive training on specific topics including healthcare compliance, anti-bribery and anti-corruption compliance, investigation processes, conflict of interest, data privacy and transparency reporting. A wide variety of platforms, including online and in-person sessions, are used to train employees on various topics related to their job responsibilities.

Integrity in Action Program

In fiscal 2016, messages about integrity, ethics and compliance were delivered to employees through various means in order to enhance their ethics and compliance awareness. For example, an Integrity in Action program was implemented globally and conducted at each regional headquarters and multiple affiliate offices in fiscal 2016. These programs bring subject matter experts from local, regional and global Ethics & Compliance functions to regional and affiliate offices where employees receive informative and impactful information about various compliance related matters. Business leaders provide Tone from the TOP by reinforcing the compliance messages through their presentations.

Establishing and Encouraging a Speak-Up Culture

Following the establishment of a stand-alone Ethics & Compliance organization in April 2016, one of the first initiatives undertaken was to establish and enhance, throughout the entire organization, a speak-up culture that encourages all employees to bring to the Company's attention potential issues and concerns that may give rise to more serious compliance problems if not addressed promptly and effectively. The importance of an effective speak-up culture is communicated regularly to all employees not only by the Ethics & Compliance function but also by senior leadership at the local, regional and global levels throughout the organization. In part due to this emphasis on a vibrant speak-up culture, Astellas has seen an increase in compliance reports from fiscal 2015 to fiscal 2016.

Implementation of a Global Conflict of Interest Policy

The foundation of an effective and robust Ethics & Compliance program is based on how a company approaches its own internal behavior even when no violation of law may have occurred. In these situations, often referred to as conflicts of interest, a company must assess its approach to ethics and compliance when no one is looking. Doing so with integrity and ethics in these situations informs and predicts how a company approaches ethics and compliance when everyone is looking.

Conflicts of interest arise when outside activities or other personal interests impair an employee's objectivity or judgment when performing his/her job responsibilities. Conflicts of interest also arise in situations where there is a potential conflict between an employee's personal interests and the interests of Astellas. During fiscal 2016, Astellas implemented an enhanced global Conflict of Interest Policy and, in fiscal 2017, will be initiating comprehensive training on the enhanced policy across the organization. This policy and the accompanying training communicate to every Astellas employee the ethical values of the Company, its expectation that we will conduct all our business with the highest degree of integrity, and its commitment to compliance.

Helpline for Employees

Astellas has external compliance reporting helplines available for employees in each region that enable employees to report and receive advice on how to react in the event they discover actual or suspected misconduct. These helplines are available in employees' local languages. In many countries, an external helpline has also been put into place, and employees also receive regular reminders and periodic training on how to use the helplines. In Japan, a separate sexual harassment helpline is also available.

Astellas fosters an environment that encourages employees to use the helplines. There is 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 fiscal 2016, 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.

Monitoring System for Compliance Issues

Developing a Consistent Global Internal Compliance Risk Assessment Capability

Astellas, like most multinational pharmaceutical companies, confronts a myriad of different compliance risks across its global operations. These include anti-bribery/anti-corruption compliance risk, data privacy risk, healthcare compliance risk, and cybersecurity risk. The ability to efficiently and effectively assess risk in these and other areas at the local, regional and global levels is a foundational element of any compliance program and enables companies like Astellas to more quickly identify and better respond to existing and emerging compliance risks.

Establishing a globally consistent process for conducting its own internal compliance risk assessments allows management at Astellas to better allocate resources that are focused on areas of high compliance risk based on the best available information. Internal compliance risk assessments that are conducted at the local affiliate level are supported by resources provided at both the regional and global levels.

Internal compliance risk assessments evaluate both the external (or market risk) environment as well as those activities conducted by Astellas that create the highest level of risk for the Company. The internal activities assessed include those where value in any form is transferred to healthcare professionals, interactions between the Company and government officials/healthcare professionals, fair competition between companies, data privacy, clinical research and gifts/hospitality. The Ethics & Compliance function at Astellas works closely with the business throughout the internal compliance risk assessment process and helps develop and support any risk mitigation plans developed to address the identified risks.

Tracking and Investigating Reports of Compliance Violations

In fiscal 2016, Astellas continued to enhance its process for tracking all reports of potential compliance violations no matter how they were received by the Company. These reports are analyzed by Ethics & Compliance to determine if any trends or patterns in misconduct are occurring anywhere in the organization. These reports and any analyses are also shared with senior leadership to ensure there is visibility and awareness of potentially problematic activity.

Astellas defined these processes in a global policy on investigations and two global standard operating procedures. Training on the policy and the procedures has been provided to Ethics & Compliance personnel and other Astellas employees responsible for conducting internal compliance investigations. Ethics & Compliance often coordinates with Legal and Human Resources throughout the course of any compliance-related investigations.

Astellas is committed to conducting all compliance investigations fairly, objectively, consistently and efficiently with any disciplinary action taken being proportional to any substantiated misconduct. Astellas has a strict policy prohibiting any retaliation against any employee who brings to the Company's attention a suspected or actual compliance violation in good faith even if the allegation is ultimately unsubstantiated.

Anti-Bribery and Anti-Corruption Initiatives

As business has become increasingly globalized, countries around the world have been enhancing their efforts to prevent 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 continues to strengthen its compliance awareness to prevent bribery and corruption not only at Astellas but also by third parties with whom we conduct business.

In its continued effort to prevent bribery in the conduct of its business, Astellas has established a global anti-bribery and anti-corruption compliance position that works with Ethics & Compliance and business functions at the regional and local levels to ensure compliance with the Astellas Group Code of Conduct, the Global Anti-Bribery and Anti-Corruption Policy, and other policies and procedures that address the transfer of value from Astellas to government officials and healthcare professionals.

To foster a deeper understanding of this issue among its employees, Astellas regularly provides training on various anti-corruption and anti-bribery compliance initiatives.

Commitment to Fair Competition

Astellas is committed to conducting its business in a fair and competitive environment and does not collude or reach any agreements with its competitors regarding sales conditions, such as prices, sales plans and strategies, and market and customer shares. Astellas limits its engagement with competitors and avoids any conversation concerning these topics when engagement is necessary, as it might be construed to reflect such an agreement even when there is none. If a competitor brings up these subjects in conversation, we refuse to discuss it, end the conversation immediately and unequivocally, and report the incident to the legal department.

In fiscal 2016, there were no incidences of government authorities taking legal action against Astellas for anti-competitive, anti-trust, or monopolistic practices, or of authorities imposing significant fines or other sanctions for non-compliance with laws and regulations.

For further information on Astellas' ethics and compliance activities, please visit the following website:

WEB **https://www.astellas.com/en/about/compliance-initiatives/**

Message from the Vice President, Head of Ethics & Compliance Americas and Ethics & Compliance Group Operations Lead

Establishing an Effective and Impactful Group Operations Function in Ethics & Compliance

The Ethics & Compliance (E&C) Group Operations team was created following the establishment of the stand-alone E&C function on April 1, 2016. The purpose of having a global group operations function is to drive efficiencies and consistencies of E&C function across country, region and global levels.

The E&C Group Operations team is responsible for setting strategy, planning and coordination for training, communications, risk assessment, monitoring, investigations, policies, procedures and program governance. The Group Operations team works with its E&C counterparts at all levels and across all regions to ensure there is a consistent approach to how these activities are conducted.

One of the biggest challenges facing the E&C Group Operations team is finding a way to reflect and allow for regional and local differences and customs. In this respect close collaboration between the E&C affiliate leads, regional E&C teams and the E&C Group Operations team will ensure that our compliance practices adhere to global standards and best practices but also are reasonably adapted to local and regional differences.

Tatjana Dragovic
Vice President,
Head of Ethics & Compliance Americas
and Ethics & Compliance Group
Operations Lead

Contribution to the Sustainable Development Goals

Adopted by the United Nations General Assembly in 2015, the Sustainable Development Goals (SDGs) are a set of collective targets for the world to achieve by 2030.

Referring to the SDG Compass, Astellas has identified issues for priority action, based on the evaluation of positive and negative SDG-related impacts across the entire value chain. Going forward, Astellas plans to contribute to the attainment of the SDGs through various business activities, focusing primarily on "Goal 3: Good Health and Well-Being."

Focus on Improving Access to Health in Four Areas

In regard to "Goal 3: Good Health and Well-Being" under the SDGs, Astellas is addressing this goal from the viewpoint of improving access to healthcare. There are many people with insufficient access to the healthcare they need due to the lack of available treatments, poverty, challenges in healthcare systems and limited healthcare information. Astellas recognizes this problem as the Access to Health issue. Astellas has identified four areas where it is working to address Access to Health issues by making full use of the strengths and technology that Astellas has. The four areas are (1) Creating innovation, (2) Enhancing availability, (3) Strengthening healthcare systems, and (4) Improving health literacy. In doing so, Astellas will make maximum use of its partnerships in the manner of Goal 17.

In creating innovation, Astellas is working to create innovative medicines and medical solutions in disease areas with low treatment satisfaction and to deliver them to patients around the world. For example, Astellas has been conducting collaborative research with the National Institute of Advanced Industrial Science and Technology to discover new drugs for the treatment of Chagas disease, and collaborative research with the Institute of Medical Science, the University of Tokyo in developing the rice-based oral vaccine MucoRice-CTB against infectious diseases such as cholera and enterotoxigenic *Escherichia coli (E.coli)*. Furthermore,
Astellas is working closely with partners to develop a pediatric formulation of praziquantel tablets for the treatment of schistosomiasis.

To help enhance availability, we have established programs to assist patients facing severe financial constraints with the cost of dispensing pharmaceutical products. We also support patients by not filing or enforcing patents in countries facing significant economic challenges.

As part of strengthening healthcare systems and improving health literacy, Astellas has participated in the Access Accelerated global partnership. This initiative aims to contribute to achieving one of the SDG targets of reducing by one-third premature mortality from non-communicable diseases by 2030.

In other SDG-related initiatives, Astellas is supporting the Action on Fistula program in Kenya.

Astellas aims to contribute through various business activities to achieving SDGs. Astellas views such programs as part of fulfilling society's expectations while at the same time enhancing competitiveness and enterprise value sustainably.

Examples of Astellas' Activities for Achieving SDGs

SDGs	Theme	Examples of Astellas' Activities
Goal 3	Good Health and Well-Being	Creation of innovative medicines and healthcare solutions; joint research into treatments and vaccines for tropical diseases
Goal 5	Gender Equality	Greater proportion of women in managerial roles in Japan
Goal 6	Clean Water and Sanitation	Reduced water usage; management of wastewater
Goal 8	Decent Work and Economic Growth	Cultivation of productive workplaces; employee training and education; promotion of occupational health and safety
Goal 9	Industry Innovation and Infrastructure	Creating innovation through the Network Research System
Goal 12	Responsible Consumption and Production	Eco-conscious production
Goal 13	Climate Action	Reduction of greenhouse gas emissions
Goal 15	Life on Land	Maintenance/preservation of biodiversity
Goal 17	Partnerships for the Goals	Participating partner in Global Health Innovative Technology (GHIT) Fund

Access to Health

The following describes more in detail the initiatives in which Astellas is participating to address Access to Health issues. Astellas believes that the relationships with governments and the local partners it develops through these initiatives will generate synergies with its business activities over the long term.

Participation in Access Accelerated to Improve Access to Healthcare

Astellas has participated in Access Accelerated since January 2017. Access Accelerated is a global initiative aimed at improving access to non-communicable disease prevention, diagnosis and treatment in low and lower-middle income countries. More than 20 international pharmaceutical companies are partners in the program, working alongside organizations such as the World Bank and the Union for International Cancer Control (UICC).

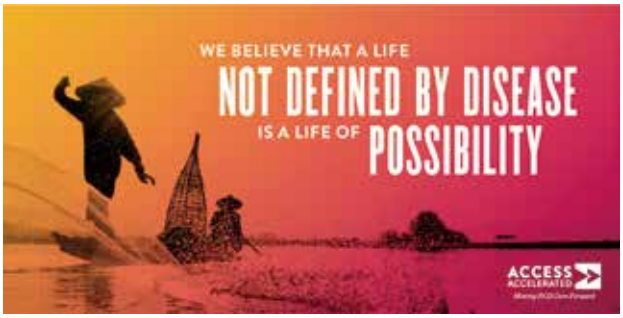
Non-communicable diseases (NCDs) are any diseases not caused by human-to-human transmission of an infectious agent. Leading NCDs include cancer, cardiovascular disease, chronic respiratory disease, diabetes and mental health disorders. Many NCDs are caused by unhealthy eating, lack of exercise, smoking or excessive drinking, and could be prevented by lifestyle improvement.

NCDs are not just on the increase in developed countries, but the number of patients suffering from NCDs is also increasing in developing countries.

The rising incidence of NCDs not only puts pressure on the healthcare budgets of developing countries, but also leads to economic losses when patients cannot work due to illness.

Access Accelerated has more than 100 programs that channel long-term investments by companies into the improvement of access to prevention, diagnosis and treatment of NCDs. The effectiveness of these programs is being evaluated using a rigorous metrics framework developed with the cooperation of Boston University. The Action on Fistula program that we support is one of the specific programs highlighted on the Access Accelerated website*. In cooperation with corporate partners and the World Bank Group, we are also engaged in solving national-level health issues in Africa. In addition, we are working with the UICC to develop initiatives to improve the quality of treatment for cancer patients living in selected cities of developing countries to try to boost survival rates.

* For details about Access Accelerated, please visit the following website: http://www.accessaccelerated.org/



Collaborative Research to Discover Anti-Protozoan Parasite Drugs

Since April 2016, Astellas has been conducting joint research with the National Institute of Advanced Industrial Science and Technology (AIST) into Chagas disease, one of the neglected tropical diseases (NTDs*1) caused by protozoan parasites that belong to trypanosomatidae. New drugs are needed to treat this condition. From 2012 to March 2016, Astellas worked in collaboration with five research institutions in Japan and an international non-profit organization*2 to discover new drugs for the treatment of NTDs caused by protozoan parasites belonging to trypanosomatidae. Astellas and AIST are now utilizing the knowledge gained in this collaborative research to conduct joint research into Chagas disease, focusing on validating if genes crucial to the survival of the protozoan parasite can be identified quickly and accurately using genome editing technology.

*1 Neglected tropical diseases (NTDs): NTDs are infections caused by parasites and bacteria which are rampant mainly among underprivileged people in tropical areas of developing countries. It is estimated that over one billion people worldwide are suffering from these infections.

*2 Collaborative research had been undertaken with the University of Tokyo, the Tokyo Institute of Technology, Nagasaki University, the High Energy Accelerator Research Organization, AIST and the international non-profit organization Drugs for Neglected Diseases initiative (DNDi).

Collaborative Research on a Rice-Based Oral Vaccine

Since June 2016, Astellas has been conducting collaborative research with the Institute of Medical Science, the University of Tokyo (IMSUT) on the rice-based oral vaccine MucoRice-CTB against diarrheal diseases caused by cholera and enterotoxigenic *Escherichia coli (E.coli)*.

In developing countries, diarrhea caused by pathogenic bacteria, such as Vibrio cholerae and enterotoxigenic *E.coli*, is a major cause of death among infants and young children. However, existing cholera vaccines present several issues, including the need to store and transport the vaccines at a constant low temperature, and their ineffectiveness against enterotoxigenic *E.coli*. MucoRice-CTB is stable at room temperature and easily produced. Therefore, it is expected to meet the unmet medical needs of existing cholera vaccines.

IMSUT provides investigational medicines, study data, etc., which are necessary for phase 1 and 2 of clinical trials of MucoRice-CTB for cholera and enterotoxigenic *E.coli*, and Astellas is responsible for conducting and managing the clinical trials.

In May 2017, IMSUT and Astellas signed an agreement for expansion of the scope of collaborative research utilizing MucoRice to viral gastroenteritis diarrhea including norovirus infection.

Furthermore, through these collaborative research projects, IMSUT and Astellas will attempt to develop the new platform technology to create innovative new drugs to address unmet medical needs.

Development of Pediatric Formulation for Schistosomiasis

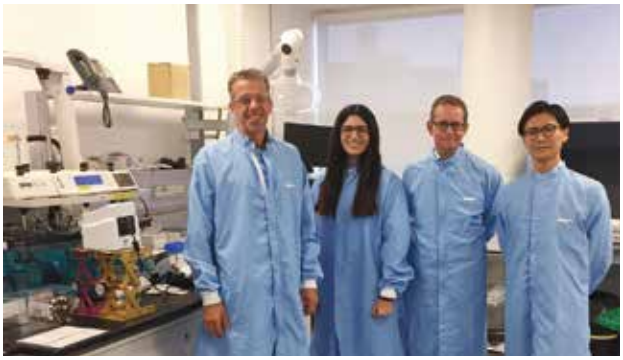
Schistosomiasis is one of the most prevalent parasitic diseases in developing countries centered on Africa and South America. The disease has a particularly high incidence rate among children. The existing "gold standard" treatment for schistosomiasis is praziquantel. However, one challenge is that praziquantel tablets are difficult to administer to preschool-age children, including infants and toddlers, mainly due to the risk of choking stemming from the tablets' large size and the drug's bitter taste.

Having set up a consortium with other pharmaceutical companies, research institutions and international non-profit organizations, Astellas is developing a pediatric formulation of praziquantel.

The pediatric formulation newly developed by Astellas uses its original drug formulation technology. The pediatric formulation was designed to be smaller than the existing tablet and orally dispersible so that it can be taken even without water, due to a reduction of bitterness. In addition, the pediatric formulation can be manufactured using simple production technology, while holding down production costs, and the tablets are stable even in the hot and humid environment of tropical areas. Astellas has transferred the technology and expertise needed to develop the pediatric formulations to consortium partners in Brazil and Germany, thereby helping to produce drug products used for clinical trials and to build local pharmaceutical manufacturing capabilities.

The consortium is conducting Phase II clinical trials and has received a third funding from the GHIT Fund in December 2016 for future Phase III clinical trials. Astellas continues to provide its expertise and technology to the consortium.

Newly developed pediatric formulation (top) and existing formulation (bottom)


Members of the consortium developing the pediatric formulation of praziquantel
©Lygature 2016

Action on Fistula

Action on Fistula*[1], a program focused on urology, is a ground-breaking partnership between the Fistula Foundation and Astellas that was set up to transform the lives of more than 1,200 women in Kenya living with obstetric fistula*[2].

The program, supported by an unrestricted grant of €1.5 million from Astellas to the Fistula Foundation in the three years from 2014 to 2017, aimed to improve the lives of obstetric fistula patients while simultaneously training doctors who will be able to provide surgical treatment in Kenya.

Since its launch, the program has significantly increased the surgical capacity in Kenya to treat the condition, by training six fistula surgeons to the global competency standards set forth by the International Federation of Gynecology and Obstetrics (FIGO). It has also set up a Fistula Treatment Network to extend access to services, with six treatment centers enrolled and providing fistula surgeries on a routine basis. This has enabled Action on Fistula to successfully treat over 2,400 fistula patients, doubling the initial target set. The initiative also built a major outreach program with community workers to identify and bring women in for treatment.

In May 2017, Astellas pledged its continuous support to the Fistula Foundation as the second phase of Action on Fistula by 2020, considering the remarkable achievement of the first phase. In three years from 2017 to 2020, this new program will provide surgeries to an additional 2,000 women with obstetric fistula and will continue to build capacity to deliver ongoing treatment. In addition, the new program will establish support groups throughout Kenya to help enable survivors to return to their communities.

*1 For more information about the program visit www.astellas.eu/action-on-fistula

*2 An obstetric fistula is a hole that develops between the vagina and rectum or bladder, causing incontinence. It is caused by prolonged and obstructed hard labor which lasts for several days, when emergency care is unavailable. Untreated, fistulas can lead to chronic medical problems including ulcerations, kidney disease and nerve damage in the legs. Because of incontinence, women with fistula can be socially marginalized. They are often abandoned by their husbands and family. As a result, fistulas can cause poverty in some cases. The United Nations Population Fund estimates 3,000 new cases of obstetric fistulas occur annually in Kenya.

Kenyan NGO (WADADIA) and community members share information about Action on Fistula
©Georgina Goodwin 2017

Progress in the Action on Fistula Program (May 2014-March 2017)

Patients successfully treated with reconstructive surgery	2,471 patients
Trained and certified doctors to the standard level of competency	6 Kenyan doctors
Centers in the Fistula Treatment Network	6 centers
FIGO-accredited fistula training center	Established the Gynocare Women's and Fistula Hospital
Kenyan counties* reached	43 counties
Trained community outreach workers	243 outreach workers
Conducted outreach activities	7,469 activities
Community members reached with fistula messages	477,599 community members

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

Social Contribution

Astellas is cooperating with a range of stakeholders in an effort to address social issues which affect people throughout the world.

AECEP Overseas Volunteer Program

In fiscal 2016, Astellas launched a new social contribution program called the Astellas Emerging Countries Empowerment Program (AECEP).

AECEP is a program for addressing social issues in emerging countries in partnership with enterprises and non-governmental organizations (NGO) in which Astellas employees utilize their respective expertise, skills and experience. Volunteer employees participating in the program ("participants") travel to an emerging country after a preparation period of one and half months. They then carry out initiatives in the country for a limited time of three and a half months to address social issues and generate results that meet the expectations of the partner enterprise or NGO.

Partners are selected from among enterprises and NGOs involved in addressing medical, health and safety issues or environmental problems. Participants get directly involved in local social issues and learn many things through collaborating with leaders and community members who are strongly committed to solving the issues. At the same time, participants maximize their use of the experience and abilities they have cultivated through work at Astellas to help make the partner activities more effective, and to build or improve their systems. Engaging in social contributions in this kind of equal, interactive relationship is the major characteristic of AECEP.

In fiscal 2016, the first year of the program, three employees were selected as participants from among numerous applicants. The participants were assigned to organizations in Indonesia and Cambodia, and they worked in the areas of health, medicine, poverty, and the environment. They cooperated with the local organizations while overcoming various difficulties, and managed to successfully generate results that drew the praise of our partners.

The invaluable experiences that can be obtained through AECEP—getting away from daily work and pursuing one's own potential in an emerging country while newly creating value for society—also have major significance for Astellas from the standpoint of human resource development.

"Embrace Change and Challenge" is included in the "Our People" section of our HR Vision, and Astellas will also continue promoting AECEP for this reason: to help develop human resources with a long-term, strategic thinking ability who are truly capable of taking on challenges with a sense of ownership.

An Astellas employee (right end) taking part in awareness-raising activities in a Cambodian farming village in connection with cooking stoves that are healthier and better for the environment

Craftswomen from the island of Flores in Indonesia and an Astellas employee who visited for fieldwork (right end)

Support for Patients

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

Astellas promotes Peer Support Training Sessions in Japan as part of efforts to support the self-reliance and development of patient associations. Peer Support Training Sessions are held for a wide range of participants, including patients and their families, along with those who have recently formed patient associations. In these training sessions, activities include programs for participants to learn attentive listening skills, which enable colleagues who have faced the same issues or have experienced the same problems to serve as consulting partners to one another. In fiscal 2016, Peer Support Training Sessions were held in 3 locations across Japan, and were attended by 32 organizations and 42 people.

Group-Wide Volunteer Activities for Changing Tomorrow Day

Astellas Group employees around the world are encouraging a diverse range of volunteer activities as part of Changing Tomorrow Day based on the themes of promoting healthcare and maintaining the environment, thereby contributing to their local communities. In fiscal 2016, more than 6,600 employees participated.

Changing Tomorrow Day Held in Fiscal 2016

Region	Participants	Volunteering hours	Number of locations	Number of countries
Japan	3,286	2,904	132	1
Americas	2,198	8,831	89	3
EMEA	410	2,770	16	16
Asia & Oceania	724	2,584	13	10
Total	6,618	17,089	250	30

Message from an AECEP Participant

I became more acutely aware of the significance of social contribution through joint work with an NGO.

In Indonesia, an increase in unwanted pregnancies, maternal death, sexually transmitted diseases among young people and people becoming infected with HIV/AIDS due to a lack of knowledge or low level of awareness have become major issues.

The Indonesian NGO I was assigned to is actively engaged in addressing these issues. Their main activities are providing education on family planning and reproductive health as well as treatments for infectious diseases and abortion procedures at a low cost. They are also planning to establish a pharmacy that will enable local community members to purchase medical supplies and daily necessities more conveniently, and this will provide a stable source of income for their activities. This is the project I was involved in.

I found myself bewildered at first in many respects, due to the differences in culture and workstyles. As I had started the project nearly from scratch, I was pretty worried about repeated trial-and-error. However, I was satisfied that in the three and a half months I was able to produce results. Moreover, the fact that I was able to create something new was a big confidence boost. I very much admire their sincere and committed efforts to addressing social problems. My desire to contribute to patients and medical professionals continues to be strengthened. The people at the organization told me that they had learned a lot from the passion and attitude I have towards my work, and I think the experience was stimulating for all of us.

In my current work in recruiting and hiring, I draw on my experience volunteering to communicate to students the social role of a pharmaceutical company, and I strive to hire people with passion.

Yumiko Otsu
Human Resources

Environmental Preservation

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

Going forward, Astellas will strive to realize its vision for being a responsible corporation based on a long-term timeframe that keeps future generations in mind and a global perspective. 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 to achieve 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.

Among the numerical targets of the Environmental Action Plan, Astellas has achieved all the items with a final target year of fiscal 2015. Accordingly, we have set new targets for water resources productivity and waste generated per unit of sales, and have begun working towards these targets from fiscal 2016.

Initiatives for Realizing a Low-Carbon Society

Reducing Astellas' Greenhouse Gas Emissions

Astellas endeavors to reduce the greenhouse gas (GHG) emissions accompanying its own activities in order to help realize a low-carbon society.

Global GHG emissions accompanying Astellas' business activities (actual emissions) totaled 216 kilotons, with activities generating approximately 83% of those emissions covered by the Environmental Action Plan.

In fiscal 2016, GHG emissions covered by the Environmental Action Plan (actual emissions) were 179 kilotons. This represented a decrease of 23.7% (55 kilotons) from fiscal 2005.

In Japan, there was a reduction of 5 kilotons due to improvement in the electricity CO_2 emissions coefficient compared to the previous fiscal year, a reduction of 13 kilotons due to the closure of the Kashima R&D Center and the transfer of the Kiyosu Plant. However, there was an increase of 10 kilotons due to an increase in business activities such as the operation of new facilities. The difference between the coefficients for actual emissions and for use in evaluating progress against the Environmental Action Plan was 0.201 kg-CO_2/kWh. As a result of the difference between these coefficients, actual emissions were 23 kilotons greater than emissions in the Environmental Action Plan.

GHG emissions at overseas production sites decreased 4 kilotons, as a result of the transfer of the Norman Plant to a third-party company in August 2016.

Environmental Action Plan Performance in Fiscal 2016 (Summary)

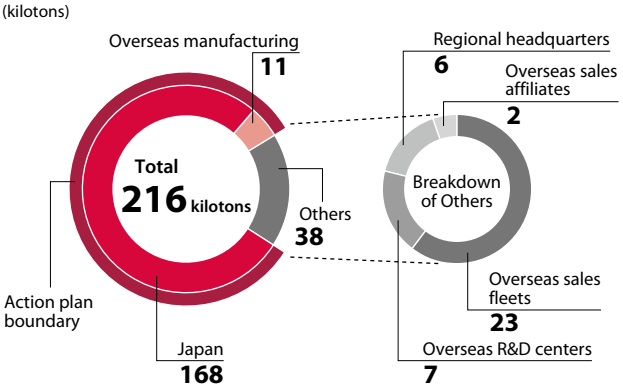
	Environmental Action Plan
1. Measures to Address Climate Change (Base year: Fiscal 2005)	Reduce greenhouse gas (GHG) emissions by 35% or more by the end of fiscal 2020 - Japan: Reduce GHG emissions by 30% or more - Overseas plants: Reduce GHG emissions by 45% or more
2. Measures for the Conservation of Natural Resources (Research and production sites) (Base year: Fiscal 2005)	1) Enhance water resource productivity by around 2.5 times the fiscal 2005 result by the end of fiscal 2020 Indicator: Sales (¥ billion)/Volume of water resources withdrawn (1,000 m^3) 2) Improve waste generated per unit of sales to around 20% of the fiscal 2005 result by the end of fiscal 2020 Indicator: Volume of waste generated (tons)/Sales (¥ billion)
3. Biodiversity (Base year: Fiscal 2005)	Triple the biodiversity index by fiscal 2020

Note: Among the GHG 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) GHG emissions (actual emissions) for each fiscal year presented in series are calculated using the Electric Power Council for a Low Carbon Society's actual end-use GHG emissions coefficient (hereinafter, "the electricity CO_2 emissions coefficient") for the previous fiscal year. The figures for the GHG emissions shown in this report represent results calculated using this coefficient. (A coefficient of 0.531 kg-CO_2/kWh was used in fiscal 2016.)

In accordance with GHG Protocol Scope 2 Guidance, an international guideline for the calculation of GHG emissions, Astellas has adopted the market-based method as the calculation method for actual emissions and for Scope 2 emissions (indirect emissions) in the CDP Climate Change 2017 questionnaire.

Astellas is now able to monitor GHG emissions from almost all of its activities. However, given that the coefficient for the calculation of CO_2 emissions due to electricity use in Japan has diverged from actual conditions, Astellas plans to formulate an Environmental Action Plan based on actual emissions in fiscal 2017. Remaining mindful of the international community's vision for 2050, Astellas intends to set numerical targets as milestones for realizing this vision.

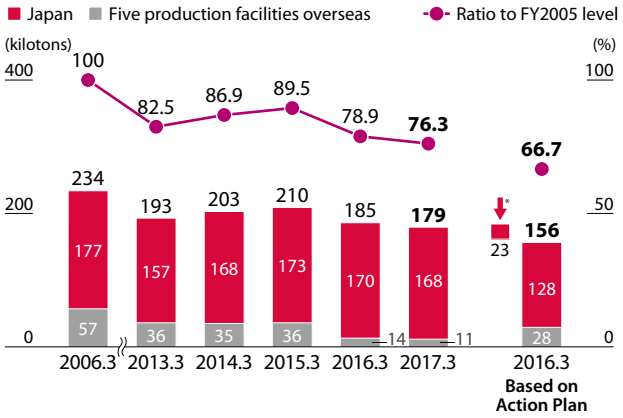
Breakdown of Greenhouse Gas Emissions (Actual Emissions)



Note: The above graph is based on the energy consumption data disclosed on the URL below. "Others" represents items outside the scope of the Environmental Action Plan, and includes principal office buildings, R&D centers, and office buildings of sales affiliates and sales fleets outside Japan.
https://www.astellas.com/en/csr/environment/energy_sub_01.html

Greenhouse Gas Emissions (Actual Emissions)

Japan: All Japanese facilities and sales fleets /
Overseas: All five production facilities



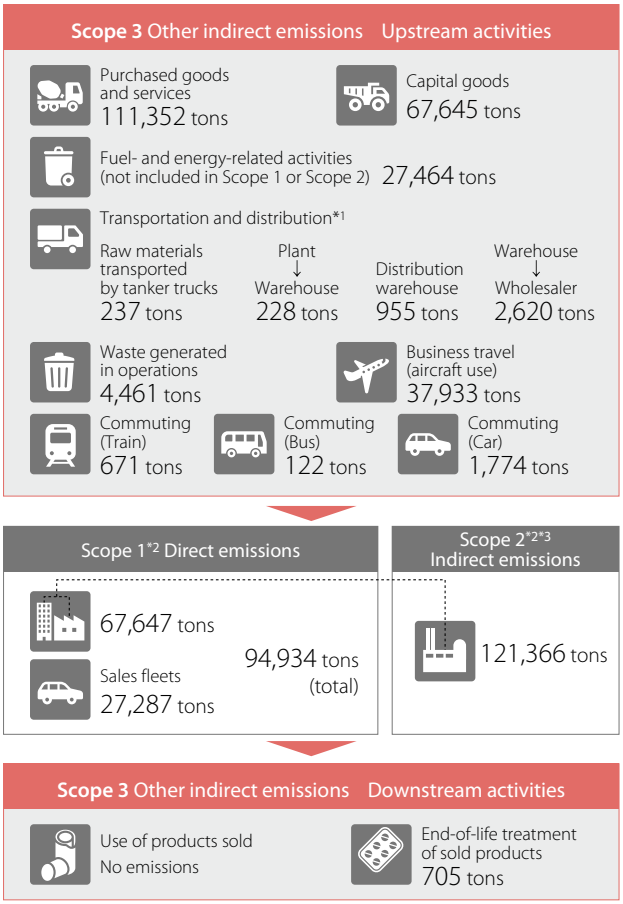
* The difference between the actual emissions and emissions evaluated in the Environmental Action Plan reflects differences in coefficients used in Japan (see the note on page 77) and changes in calculation methods used at overseas production sites.

Monitoring Greenhouse Gas Emissions in the Supply Chain

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

Recognizing these social implications, we started making efforts in fiscal 2011 to ascertain our GHG emissions associated with the use of transportation systems by employees in Japan for commuting or for overseas business trips, and transportation of products and wastes. Going forward, we intend to continue taking effective steps to expand the reporting boundary.

Monitoring Status of Greenhouse Gas Emissions



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

Using Renewable Energy

The direct use of renewable energy such as solar and wind power is one of the most effective ways of addressing climate change. 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 1,607 MWh in 2016. Furthermore, the Kerry Plant's woodchip biomass boiler (maximum output of 1.8 MW) also used 34,984 GJ of heat. These two initiatives reduced our GHG emissions by 3,093 tons.

In Japan, we have installed photovoltaic panel system at the Tsukuba Research Center. In fiscal 2016, the system generated 47 MWh of electricity, reducing our GHG emissions by 25 tons. Given that Astellas' plants in Japan are not suitably located for wind power generation, we will consider introducing other forms of renewable energy in the country.

Astellas' overseas plants are taking initiatives to designate and purchase electricity generated from renewable energy such as wind and hydroelectric power. Of the electricity purchased in fiscal 2016, renewable energy comprised 12,237 MWh at the Norman Plant, 12,603 MWh at the Meppel Plant, 6,200 MWh at the Dublin Plant, and 6,815 MWh at the Kerry Plant.

In addition, we are using geothermal heat in certain parts of the Yaizu Pharmaceutical Research Center as well as at our U.S. regional headquarters and Leiden (Netherlands) base. The Leiden base, which can quantify geothermal energy, used 1,236 GJ of geothermal heat, resulting in a reduction of 146 tons in GHG emissions.

Initiatives for Resource Recycling

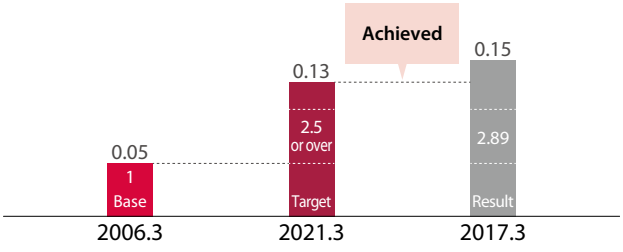
Astellas seeks to contribute solutions to the social issues involved in establishing a recycling-oriented society. We have therefore been striving to reduce water withdrawal and landfill waste. As a result, we were able to achieve our numerical targets for these items whose final target year is fiscal 2015. From fiscal 2016 onward, we will evaluate our progress using two new targets added to the Environmental Action Plan: water resources productivity and waste generated per unit of sales.

The Astellas Group on a global basis does not currently draw water from river systems in areas where depletion of water resources is a concern, but as water shortages may become a problem in the future, owing to climate change, we are taking steps to minimize our dependence on such resources, and also regard this as an effective means of ensuring business continuity.

New Targets Added to the Environmental Action Plan

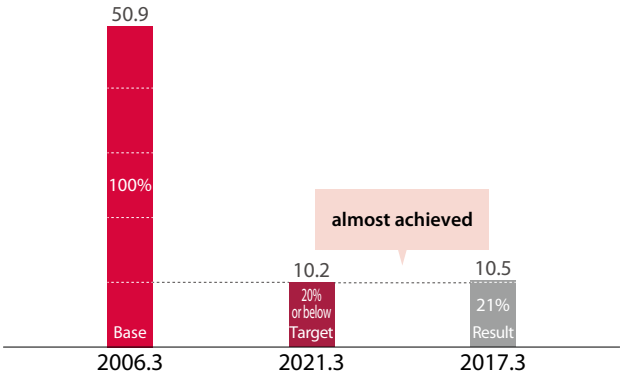
Water resources productivity (For research and production sites)	
Indicator	Sales (¥ billion)/Water resources withdrawn (1,000 m^3)
Numerical Targets	Enhance water resources productivity by around 2.5 times the fiscal 2005 result by the end of fiscal 2020
Waste generated per unit of sales (For research and production sites)	
Indicator	Volume of waste generated (tons)/Sales (¥ billion)
Numerical Targets	Improve the waste generated per unit of sales to around 20% of the fiscal 2005 result by the end of fiscal 2020

Water Resources Productivity*



* Water Resource Productivity (WRP) = Sales (billion yen) / Volume of water resource used (1,000m^3)

Waste Generated Per Unit of Sales*



* Waste Generated per unit of Sales (WGS) = Volume of waste generated (tons) / Sales (billion yen)

Initiatives for Biodiversity

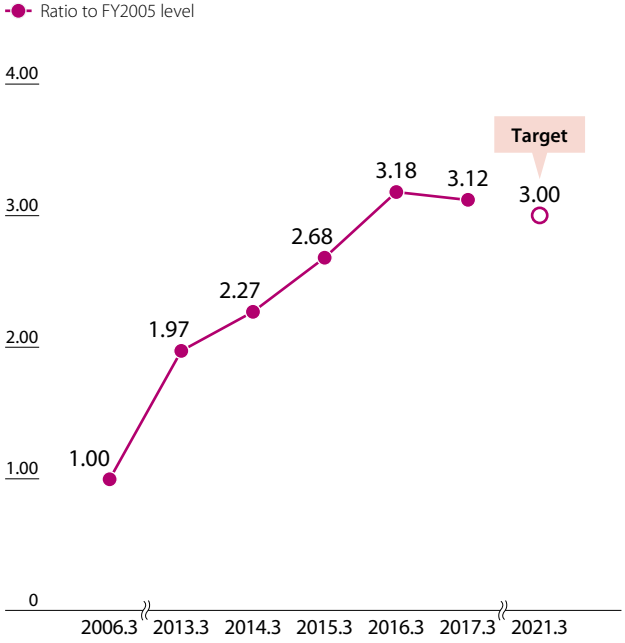
Astellas works to preserve biodiversity by proactively reducing the impact of its business activities in all fields on the ecosystem. At the same time, we actively contribute to the creation of a society that coexists with the natural world, enabling the preservation of biodiversity and the sustainable 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 climate change. Going forward, we will continue improving in each category while working toward achieving the target set for fiscal 2020, which is three times the fiscal 2005 level.

The Biodiversity Index for fiscal 2016 was 3.12 times that of fiscal 2005, reaching the target. The denominator components such as pollution load and resource consumption declined, in addition to a decrease in GHG emissions. At the same time, the numerator of net sales decreased in fiscal 2016. As a result, the overall Biodiversity Index decreased 0.06 points from the previous year. Since we only recently revised the Environmental Action Plan, we have decided to continue our activities without revising the Biodiversity Index target.

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

Biodiversity Index



For details on environmental preservation, please visit the following website:

WEB **https://www.astellas.com/en/sustainability/environment/**

Message from Environment, Health and Safety Management

We will steadily address laws and regulations and implement Environment, Health and Safety measures.

It is a great honor to be appointed as the Executive Director Environment, Health & Safety in EMEA, Astellas B.V., which was established in 2016.

Astellas has an Astellas Environment, Health & Safety Policy, which sets forth our basic approach to the environment and the health & safety of our employees, and the Astellas Environment, Health & Safety Guidelines, which articulate our medium- to long-term vision. This policy and the guidelines are implemented according to conditions in each region under the leadership of General Affairs at Head Office. In the EMEA, a region with many different languages and cultures as well as laws and regulations, my primary role is to work in close coordination with General Affairs to steadily implement regulatory responses, strengthen EHS-related governance and conduct EHS impact evaluations and improvements.

In summer 2016, I attended EHS audits of Astellas' European plants that were implemented by General Affairs at Head Office. In these audits, we evaluated each plant's status of compliance with laws and regulations and the implementation status of voluntary activities based on guidelines. Through this opportunity, I recognized anew that the Astellas Group is required to implement a high level of EHS management, not just in EMEA but also throughout the world.

Going forward, I would like to take our EHS activities to an even higher level by strengthening governance from my standpoint as a promoter of EHS activities in EMEA, thereby meeting the expectations of stakeholders.

Sibo de Jong
EHS in EMEA, Astellas B.V.
Executive Director

Dialogue with Stakeholders

Astellas conducts business activities within a diverse network of relationships, including with patients and many others, and our activities are supported by these relationships. We regard stakeholders such as patients and healthcare professionals, employees, and shareholders and investors as particularly important stakeholders because they are significantly impacted by our business activities.

Interacting with these stakeholders who support our business activities in good faith and understanding their expectations and needs is essential to acquiring their trust and sustainably increasing our enterprise value.

We therefore use various opportunities to communicate with stakeholders. In addition, to promote constructive dialogue with our stakeholders, we appropriately disclose information to all groups in a way that is both timely and impartial.

By continuing to conduct communication through disclosure and dialogue, we will further raise our transparency as a company and strive to sustainably increase enterprise value while simultaneously raising the overall sustainability of society.

Main Opportunities for Communication with Stakeholders

Patients and Healthcare Professionals	• Provision of product information to healthcare professionals through MRs • Provision and collection of medical and scientific information to healthcare professionals through MSLs • Responding to product inquiries	**Business Partners**	• Supplier surveys based on the Astellas Business Partner Code of Conduct
Employees	• Regular dialogue between management and employees • Internal and external compliance helplines	**Local Communities**	• Roundtable talks with neighboring residents and local government bodies • Volunteer activities by employees
Shareholders and Investors	• General Shareholders' Meeting, investor briefings on announcement of financial results, management plans, etc. • Responding to inquiries about business conditions	**Other**	• Exchange of opinions with government agencies • Participation in various external activities such as economic groups and industry associations

For details, please visit the following website:

WEB **https://www.astellas.com/en/sustainability/stakeholder-communications/**

Dialogue with Patients

Patient Advocates Advisory Committee Providing Critical Guidance to Inform Decision-Making

Astellas is committed to ensuring the voices of patients are reflected in all that we do. As part of our efforts to better understand and meet the needs of patients and caregivers, we established the Astellas Patient Advocates Advisory Committee in 2016 in the United States. Comprised of leaders from 13 patient advocacy organizations, the committee provides feedback regarding our existing and emerging healthcare services, and helps us identify needs, priorities and interests of patients and caregivers.

The advisory committee contributes critical insight to help ensure that we are appropriately considering the needs of patients and caregivers at each stage of drug development. In addition, the committee members have been providing insightful feedback to our Medical Affairs leadership on ways to best convey medical information to patients, and have been helping inform program decisions within our real-world informatics function.

Financial Information and Data

11-Year Financial Summary

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

(¥ billion)

	2007.3	2008.3	2009.3	2010.3	2011.3
	J-GAAP	J-GAAP	J-GAAP	J-GAAP	J-GAAP
For the year					
Sales	¥920.6	¥972.6	¥965.7	¥974.9	¥953.9
Cost of sales	284.1	279.3	264.4	289.2	296.0
SG&A expenses*2	446.0	417.3	450.9	499.2	538.8
R&D expenses*2	167.9	134.5	159.1	195.6	217.3
R&D ratio (%)	18.2	13.8	16.5	20.1	22.8
Operating income/profit	190.5	275.9	250.4	186.4	119.2
Operating margin (%)	20.7	28.4	25.9	19.1	12.5
Net income/Profit for the year	131.3	177.4	171.0	122.3	67.7
At year-end					
Total assets	1,470.7	1,439.2	1,348.4	1,364.2	1,335.1
Total net assets/Total equity	1,099.0	1,110.9	1,030.2	1,053.9	1,021.1

(¥)

Per share data*3					
Net income/Profit for the year	¥244.07	¥349.89	¥356.11	¥261.84	¥146.49
Total net assets/Total equity	2,135.34	2,228.34	2,189.26	2,278.77	2,207.70
Dividends	80.00	110.00	120.00	125.00	125.00
Major indicators					
ROE (%)	11.3	16.1	16.0	11.7	6.5
DOE (%)	3.7	5.0	5.4	5.6	5.6
Equity ratio (%)	74.7	77.1	76.3	77.1	76.4
Free cash flow					
(¥ billion, US$ million)	200.4	178.5	168.8	118.6	(142.0)
Average exchange rate (US$/¥)	117	114	101	93	86
(€/¥)	150	162	143	131	113

*1 US dollars have been converted at the rate of ¥112 to US$1, the approximate exchange rate on March 31, 2017.
*2 SG&A expenses under J-GAAP (from fiscal 2006 to fiscal 2012) include R&D expenses.
*3 Astellas 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.

						(¥ billion)	(US$ million)*1
2012.3	2013.3	2014.3	2015.3	2016.3	**2017.3**	**2017.3**
J-GAAP	J-GAAP	IFRS	IFRS	IFRS	**IFRS**	**IFRS**
¥969.4	¥1,005.6	¥1,139.9	¥1,247.3	¥1,372.7	**¥1,311.7**	**$11,711**
318.6	324.1	330.6	333.2	335.6	**320.5**	**2,862**
519.2	527.6	397.0	452.5	500.4	**470.8**	**4,203**
189.8	182.0	191.5	206.6	225.7	**208.1**	**1,858**
19.6	18.1	16.8	16.6	16.4	**15.9**	**—**
131.5	153.9	186.3	216.5	267.5	**274.6**	**2,451**
13.6	15.3	16.3	17.4	19.5	**20.9**	**—**
78.2	82.9	132.8	153.2	198.8	**213.3**	**1,905**
1,400.6	1,445.6	1,653.1	1,793.6	1,799.3	**1,820.9**	**16,258**
1,018.1	1,062.0	1,268.5	1,317.9	1,259.2	**1,271.8**	**11,355**
					(¥)	(US$)
¥169.38	¥36.08	¥59.11	¥69.37	¥92.12	**¥101.15**	**$0.90**
2,200.64	469.92	568.53	600.93	592.58	**615.89**	**5.50**
125.00	130.00	135.00	30.00	32.00	**34.00**	**0.30**
7.7	8.0	7.4	10.5	15.0	**17.3**	**—**
5.7	5.7	5.0	5.1	5.4	**5.6**	**—**
72.6	73.3	76.7	73.5	70.0	**69.8**	**—**
146.7	95.5	187.4	116.2	166.7	**162.2**	**1,448**
79	83	100	110	120	**108**	**—**
109	107	134	139	133	**119**	**—**

Financial Review

Overview of the Year Ended March 31, 2017 (Fiscal 2016)

In its consolidated operating results (core basis) for fiscal 2016 Astellas posted a decrease in sales and increases in core operating profit and core profit for the year.

Consolidated Financial Results (Core Basis)

(¥ billion)

	2016.3	2017.3
Sales	1,372.7	**1,311.7**
Operating profit	267.5	**274.6**
Profit for the year	198.8	**213.3**

Astellas 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 Astellas 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 we judge should be excluded.

Foreign Exchange Impact for Fiscal 2016

The exchange rates for yen in fiscal 2016 are shown in the table below. Movements in the rates led to a ¥94.7 billion decrease in the value of sales and a ¥36.3 billion decrease in core operating profit.

Foreign Exchange Rates (Average)

(¥)

	2016.3	2017.3
US$1	120	**108**
€1	133	**119**

Fluctuation in Foreign Exchange Rates from April to March

	2016.3	2017.3
US$1	¥7 (Strengthening of yen)	**¥0 (Strengthening of yen)**
€1	¥3 (Strengthening of yen)	**¥8 (Strengthening of yen)**

Sales

In fiscal 2016, consolidated sales decreased 4.4% year on year to ¥1,311.7 billion. Sales decreased mainly due to the impact of NHI drug price revisions implemented in Japan in April 2016, in addition to the impact of foreign exchange rates, despite steady growth in sales of core products. In terms of global products, due to the impact of foreign exchange rates, sales of XTANDI for the treatment of prostate cancer increased slightly, while combined sales of overactive bladder (OAB) treatments Vesicare and Betanis/Myrbetriq/BETMIGA decreased. However, excluding the impact of foreign exchange rates, sales of each product grew steadily. Additionally, sales of Prograf, an immunosuppressant, decreased.

Sales by Region

Sales in Japan decreased 3.3% year on year to ¥480.8 billion. Of these, sales in the Japanese market decreased by 6.3% to ¥452.7 billion.

In addition to the OAB treatments Vesicare and Betanis, products such as the anti-inflammatory and anti-pain treatment Celecox, Symbicort for the treatment of adult bronchial asthma and Suglat for the treatment of type 2 diabetes achieved sales growth. On the other hand, sales contracted for XTANDI due to the impact of NHI drug price revisions. Sales of vaccines declined mainly due to the continued impact of shipment restraints by the manufacturer in fiscal 2015 (shipments of some products have already recommenced). In addition, sales of products including Lipitor for the treatment of hypercholesterolemia and Gaster for the treatment of peptic ulcer and gastritis declined, mainly due to the impact of generics.

Sales in the Americas decreased 9.4% year on year to ¥412.4 billion. Sales on a U.S. dollar basis increased 0.5% to US$3,805 million.

Sales of XTANDI, the OAB treatments VESIcare and Myrbetriq, and the pharmacologic stress agent Lexiscan increased on a U.S. dollar basis, while the sales of each product decreased due to the impact of foreign exchange rates. Sales of Prograf decreased, but the azole antifungal CRESEMBA contributed to sales.

Sales in EMEA increased 0.5% year on year to ¥330.8 billion. Sales on a euro basis increased 12.1% to €2,785 million.

Sales of XTANDI grew. Sales of the OAB treatments Vesicare and BETMIGA, as well as sales of Prograf, decreased, mainly due to the impact of foreign exchange rates.

Sales in Asia & Oceania decreased 3.8% year on year to ¥87.7 billion.

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

Sales by Region

(¥ billion)

	2016.3	**2017.3**
Consolidated	1,372.7	**1,311.7**
Japan	497.2	**480.8**
Americas	455.1	**412.4**
EMEA	329.3	**330.8**
Asia & Oceania	91.1	**87.7**

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

Americas•EMEA (Foreign Currency)

	2016.3	**2017.3**
Americas (US$ million)	3,788	**3,805**
EMEA (€ million)	2,484	**2,785**

Cost of Sales and Gross Profit

Cost of sales decreased 4.5% to ¥320.5 billion. The cost of sales ratio stood at 24.4%, mostly unchanged from the previous fiscal year.

Gross profit decreased by 4.4% to ¥991.2 billion in line with the decrease in sales.

Cost of Sales and Gross Profit

(¥ billion)

	2016.3	**2017.3**
Sales	1,372.7	**1,311.7**
Cost of sales	335.6	**320.5**
Cost of sales ratio (%)	24.4	**24.4**
Gross profit	1,037.1	**991.2**
Gross profit ratio (%)	75.6	**75.6**

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

SG&A expenses decreased 5.9% to ¥470.8 billion and R&D expenses decreased 7.8% to ¥208.1 billion, mainly due to the impact of foreign exchange rates. The ratio of R&D expenses to sales fell 0.6 of a percentage point to 15.9%.

Amortisation of intangible assets was ¥35.8 billion, down 15.5% year on year.

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

(¥ billion)

	2016.3	**2017.3**
SG&A expenses	500.4	**470.8**
SG&A ratio (%)	36.5	**35.9**
Advertising and sales promotional expenses	169.1	**144.1**
Personnel expenses	186.1	**177.0**
Other	145.1	**149.7**
R&D expenses	225.7	**208.1**
R&D ratio (%)	16.4	**15.9**
Amortisation of intangible assets	42.4	**35.8**

Operating Profit (Core Basis)

As a result of the above mentioned factors, core operating profit increased 2.7% to ¥274.6 billion. The operating margin increased 1.4 percentage points to 20.9%.

Operating Profit (Core Basis)

(¥ billion)

	2016.3	**2017.3**
Sales	1,372.7	**1,311.7**
Operating profit	267.5	**274.6**
Operating margin (%)	19.5	**20.9**

Profit for the Year (Core Basis)

Core profit for the year increased by 7.3% to ¥213.3 billion.

Basic core earnings per share increased by 9.8% year on year to ¥101.15.

Profit for the Year (Core Basis)

(¥ billion)

	2016.3	**2017.3**
Profit before tax	268.6	**274.9**
Income tax expense	69.8	**61.6**
Profit for the year	198.8	**213.3**
Ratio of profit for the year to sales (%)	14.5	**16.3**

Reconciliation of Full Basis to Core Basis

(¥ billion)

	2016.3			**2017.3**		
Account item	Full basis	Adjustment	Core basis	**Full basis**	**Adjustment**	**Core basis**
Sales	1,372.7	—	1,372.7	**1,311.7**	—	**1,311.7**
Cost of sales	335.6	—	335.6	**320.5**	—	**320.5**
Gross profit	1,037.1	—	1,037.1	**991.2**	—	**991.2**
SG&A expenses	500.4	—	500.4	**470.8**	—	**470.8**
R&D expenses	225.7	—	225.7	**208.1**	—	**208.1**
Amortisation of intangible assets	42.4	—	42.4	**35.8**	—	**35.8**
Share of losses of associates and joint ventures	(1.2)	—	(1.2)	**(1.9)**	—	**(1.9)**
Other income*1	1.7	(1.7)	—	**9.6**	**(9.6)**	—
Other expense*1	20.2	(20.2)	—	**23.3**	**(23.3)**	—
Operating profit	249.0	18.5	267.5	**260.8**	**13.7**	**274.6**
Finance income*2	14.4	(12.3)	2.1	**22.9**	**(21.3)**	**1.7**
Finance expense*2	1.6	(0.6)	1.0	**2.0**	**(0.7)**	**1.3**
Profit before tax	261.8	6.8	268.6	**281.8**	**(6.9)**	**274.9**
Income tax expense	68.1	1.7	69.8	**63.1**	**(1.5)**	**61.6**
Profit for the year	193.7	5.1	198.8	**218.7**	**(5.4)**	**213.3**

*1 "Other income" and "other expense" are excluded from full basis 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) financial assets and impairment losses on AFS financial assets included in "finance income" and "finance expense" are excluded from core results as non-core items.

Consolidated Financial Results (Full Basis)

In its consolidated operating results on a full basis for fiscal 2016, Astellas posted a decrease in sales and increases in operating profit, profit before tax and profit for the year. The full basis financial results include "other income" (including net foreign exchange gains), "other expense" (including impairment losses, loss on sales of property, plant and equipment, restructuring costs, and net foreign exchange losses), and gain on sales of available-for-sale financial assets (included in "finance income") which are excluded from the core basis financial results.

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

Consolidated Financial Results (Full Basis)

(¥ billion)

	2016.3	2017.3
Sales	1,372.7	**1,311.7**
Operating profit	249.0	**260.8**
Profit before tax	261.8	**281.8**
Profit for the year	193.7	**218.7**

Business Combinations

Astellas is investing proactively to capture new business opportunities and working to create innovation, as we are enhancing our capabilities to deliver innovative medicines.

As part of these efforts, Astellas acquired 100% of the equity in Ganymed Pharmaceuticals AG ("Ganymed"), a biopharmaceutical company in Germany, for €422 million in December 2016 to further enhance its oncology franchise. In addition, Ganymed shareholders will become eligible to receive up to €860 million in further contingent payments based on progress in the development of IMAB362, Ganymed's clinical program.

Moreover, in May 2017, Astellas acquired 100% of the equity in Ogeda SA ("Ogeda"), a drug discovery company in Belgium, for €0.5 billion to further expand its pipeline. Ogeda shareholders will be eligible to receive up to €0.3 billion in further contingent payments based on progress in the development of fezolinetant, Ogeda's clinical program.

Reference | R&D Topics during the Year ››› P57

Consolidated Forecasts for the Year Ending March 31, 2018 (Fiscal 2017) (Announced in April 2017)

Consolidated business forecasts for fiscal 2017 are presented on a core basis in the table below.

Fiscal 2017 Forecasts (Core Basis)

(¥ billion)

	2017.3	2018.3 (Forecast)
Sales	1,311.7	**1,279.0**
Operating profit	274.6	**254.0**
Profit for the year	213.3	**195.0**

(¥)

	2017.3	2018.3 (Forecast)
Average exchange rate (US$)	108	**110**
(€)	119	**120**

We project decreases in sales, core operating profit and core profit for the year, compared with fiscal 2016. In fiscal 2017, we expect negative impacts on sales and profits from the transfer of the global dermatology business implemented in April 2016, and the transfer of long-listed products in Japan for which an agreement was concluded in March 2017. Excluding the factors associated with these business transfers and the impact of foreign exchange rates, core operating profit is projected to increase year on year. We assume the yen will weaken against the U.S. dollar and the euro compared with fiscal 2016. Accordingly, we expect foreign exchange factors to have a ¥10.8 billion positive impact on sales and a ¥1.3 billion positive impact on core operating profit.

Sales

In fiscal 2017, we forecast a 2.5% year-on-year decrease in sales to ¥1,279.0 billion. Negative impacts due to the transfer of the dermatology business and the transfer of long-listed products in Japan are anticipated, although continuous sales growth is expected for our core products XTANDI and the OAB treatments Vesicare and Betanis/Myrbetriq/BETMIGA. Sales of Micardis (including Micombi and Micamlo) are also expected to decrease following the expiry of its patent period in Japan in January 2017.

Reference | Review of Operations by Therapeutic Area ››› P43

Forecast by Region

Sales in Japan are forecast to decrease 11.2% year on year to ¥426.9 billion. Of these, sales in the Japanese market are forecast to decrease 13.6% to ¥391.0 billion.

In addition to sales of XTANDI and the OAB treatments Vesicare and Betanis, sales of mainstay products such as Suglat and Symbicort are anticipated to continue to grow. However, sales in the Japanese market are projected to decrease mainly based on the expiry of the patent period for Micardis (including Micombi and Micamlo) and the impact of the transfer of long-listed products in Japan.

Sales in the Americas are forecast to increase 4.4% to ¥430.7 billion on a yen basis and to increase 2.9% year on year to US$3,915 million on a U.S. dollar basis.

Although sales of XTANDI in the U.S. are expected to remain mostly unchanged, XTANDI sales are projected to increase in the Americas as a whole, driven by sales growth outside the U.S. In addition, sales of the OAB treatments VESIcare and Myrbetriq, as well as CRESEMBA, are projected to increase. On the other hand, sales of the candin-type antifungal agent MYCAMINE are projected to decrease.

Sales in EMEA are forecast to decrease 3.5% to ¥319.3 billion on a yen basis and to decrease 4.4% year on year to €2,661 million on a euro basis. However, excluding the impact of the transfer of the dermatology business, sales are expected to increase from fiscal 2016.

Sales of XTANDI and the OAB treatments Vesicare and BETMIGA are expected to increase. Meanwhile, sales of MYCAMINE are projected to decrease.

Sales in Asia & Oceania are forecast to increase 16.4% year on year to ¥102.1 billion.

Besides sales of XTANDI, sales of products such as the OAB treatments Vesicare and BETMIGA, as well as MYCAMINE, are expected to continue increasing. In addition, sales of Prograf and Harnal are anticipated to increase.

Forecast by Region

(¥ billion)

	2017.3	2018.3 (Forecast)
Consolidated	1,311.7	**1,279.0**
Japan	480.8	**426.9**
Americas	412.4	**430.7**
EMEA	330.8	**319.3**
Asia & Oceania	87.7	**102.1**

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

Americas•EMEA (Foreign Currency)

	2017.3	2018.3 (Forecast)
Americas (US$ million)	3,805	**3,915**
EMEA (€ million)	2,785	**2,661**

Operating Profit and Profit for the Year (Core Basis)

Although the cost of sales ratio is expected to fall as a result of changes in the product mix and other factors, gross profit is anticipated to decrease owing to a decrease in sales.

Looking at SG&A expenses, although the ratio of SG&A expenses to sales is expected to increase, SG&A expenses are expected to remain mostly unchanged from fiscal 2016 mainly based on continuing efforts to streamline expenses.

We project a 4.7% increase in R&D expenses to ¥218.0 billion, mainly based on investment in late-stage development programs and the development expenses of the acquired companies. The ratio of R&D expenses to sales is projected at 17.0% (compared with 15.9% in fiscal 2016).

As a result, we forecast a 7.5% decrease in core operating profit to ¥254.0 billion. However, excluding the negative impact on profit from the transfer of the dermatology business, the transfer of long-listed products and foreign exchange rates, we expect core operating profit to increase from fiscal 2016.

Core profit for the year is expected to decrease 8.6% year on year to ¥195.0 billion. Basic core earnings per share is projected to decrease 6.6% year on year to ¥94.43.

Sales of Main Products by Region

Japan

(¥ billion)

	2016.3	2017.3	2018.3 (Forecast)
Sales in the Japanese market*1	**483.0**	**452.7**	**391.0**
XTANDI	26.2	23.4	**25.8**
Vesicare	26.5	25.6	**24.5**
Betanis	21.2	25.9	**31.9**
Harnal	12.7	9.2	**6.9**
Prograf	49.8	48.8	**48.5**
Funguard	11.7	11.2	**11.3**
Micardis	97.2	93.2	**52.2**
Micombi	10.1	9.4	
Micamlo	26.0	26.2	
Celecox	46.6	47.6	**48.3**
Symbicort	37.4	39.3	**41.3**
Bonoteo	14.1	13.8	**13.3**
Geninax	10.8	10.1	**10.2**
Vaccines	41.1	34.5	**28.9**
ARGAMATE	6.2	5.8	**5.9**
Gonax	3.9	4.5	**4.8**
Cimzia	6.6	7.7	**9.3**
Suglat	7.3	9.5	**12.8**
Lipitor	30.9	23.2	**18.0**
Myslee	17.9	14.7	**13.0**
Gaster*2	14.7	10.7	
Seroquel	10.5	7.5	**5.5**

Americas

(US$ million)

	2016.3	2017.3	2018.3 (Forecast)
Sales in the Americas	**3,788**	**3,805**	**3,915**
XTANDI	1,272	1,286	**1,304**
US	1,235	1,215	**1,212**
Outside of the US	37	71	**92**
Tarceva	389	325	
US	281	238	
Outside of the US	108	87	
VESIcare	530	490	**478**
Myrbetriq	380	510	**618**
Prograf	288	252	**256**
Scan*3	634	660	**657**
MYCAMINE	109	113	**88**
AmBisome	91	97	**96**
CRESEMBA	22	53	**77**

EMEA

(€ million)

	2016.3	2017.3	2018.3 (Forecast)
Sales in EMEA	**2,484**	**2,785**	**2,661**
XTANDI	533	718	**846**
Eligard	131	132	**143**
Vesicare	300	270	**261**
BETMIGA	101	119	**147**
Omnic	139	138	**140**
Sales by Astellas	116	118	**124**
Bulk and royalties	23	19	**15**
Prograf and Advagraf	609	612	**588**
Sales by Astellas	588	590	**572**
Advagraf	234	252	
Exports to third parties	21	22	**16**
MYCAMINE	85	91	**70**

Asia & Oceania

(¥ billion)

	2016.3	2017.3	2018.3 (Forecast)
Sales in Asia & Oceania	**91.1**	**87.7**	**102.1**
Prograf	38.4	37.3	**39.6**
Harnal	21.5	21.1	**23.4**
Vesicare	5.3	5.0	**5.8**
BETMIGA	1.4	3.5	**5.2**
MYCAMINE	5.7	6.0	**6.8**
XTANDI	2.4	4.0	**7.0**
Eligard	0.2	0.2	**0.4**

*1 Sales of products in Japan are shown on a gross sales basis.
*2 Products covered by the Asset Purchase Agreement entered into with LTL Pharma Co., Ltd. in March 2017
*3 Sales of Adenoscan and Lexiscan

Number of Employees

As of March 31, 2017, Astellas employed 17,202 people worldwide, a year-on-year decrease of 15. The total number of Medical Representatives (MRs) was approximately 5,750.

In Japan, the number of employees was 7,029, down 27 from the previous fiscal year-end. In the Americas, the regional head count was 3,016 employees, down 46 from the previous fiscal year-end. In EMEA, we had 4,672 employees, down 54 year on year. In Asia & Oceania, we had 2,485 employees, up 112 from the previous fiscal year-end.

Number of Employees by Region

(persons)

	2016.3	**2017.3**
Total	17,217	**17,202**
Japan	7,056	**7,029**
Americas	3,062	**3,016**
EMEA	4,726	**4,672**
Asia & Oceania	2,373	**2,485**

Number of MRs

(persons)

	2016.3	**2017.3**
Total (Global)	6,000	**5,750**

Assets, Liabilities and Equity

An overview of the consolidated statement of financial position as of March 31, 2017 and the main changes from the end of the previous fiscal year are shown below.

Assets

Total assets as of March 31, 2017 amounted to ¥1,820.9 billion, up ¥21.6 billion from a year earlier.

Non-current assets increased ¥42.4 billion to ¥944.2 billion at the fiscal year-end. Goodwill and other intangible assets increased ¥22.9 billion and ¥84.5 billion, respectively, due to the completion of the acquisition of Ganymed Pharmaceuticals AG of Germany in fiscal 2016. As a result, goodwill was ¥175.3 billion, up ¥22.2 billion from the previous fiscal year-end, and other intangible assets were ¥387.4 billion, up ¥51.2 billion from the previous fiscal year-end.

Current assets decreased ¥20.9 billion to ¥876.7 billion at the fiscal year-end. Cash and cash equivalents were ¥340.9 billion, down ¥19.1 billion from the previous fiscal year-end.

Equity

Total equity as of March 31, 2017 was ¥1,271.8 billion, an increase of ¥12.6 billion from a year earlier.

While profit for the year stood at ¥218.7 billion, Astellas paid ¥70.1 billion in dividends of surplus and acquired ¥92.2 billion in treasury shares.

We cancelled treasury shares worth ¥110.2 billion (68 million shares) in June 2016.

Liabilities

Total liabilities as of March 31, 2017 amounted to ¥549.1 billion, up ¥9.0 billion from a year earlier.

Total non-current liabilities rose ¥22.5 billion to ¥149.2 billion. Current liabilities decreased ¥13.5 billion to ¥399.9 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 regard to the liquidity of funds, liquidity is maintained to enable Astellas to target a certain amount of strategic investment opportunities, while also supplying working capital and funding capital expenditures.

As outlined in the section on business risks, Astellas' operations face a varied set of risks that are particular to the ethical pharmaceutical business. The Group's financial policy is to maintain a healthy balance sheet at all times so that it can finance smoothly at low costs, particularly in the event that funding requirements exceed Astellas' internal funding capacity in the course of developing business.

Cash Flows

Net cash flows from operating activities amounted to ¥235.6 billion, a decrease of ¥78.1 billion in year-on-year terms. The main components included income tax paid of ¥72.0 billion.

Cash Flows from Investing Activities

Net cash flows used in investing activities totaled ¥73.4 billion, down ¥73.7 billion from the previous fiscal year.

Looking at the main outflows, acquisition of subsidiaries used cash of ¥50.9 billion due to the acquisition of Ganymed, purchases of property, plant and equipment used cash of ¥29.0 billion, and purchases of intangible assets used cash of ¥19.6 billion. On the other hand, proceeds from sales of available-for-sale financial assets provided cash of ¥28.6 billion.

Cash Flows from Financing Activities

Net cash flows used in financing activities totaled ¥166.2 billion, down ¥27.3 billion from the previous fiscal year. Dividends paid to owners of the parent totaled ¥70.1 billion, an increase in outflow of ¥0.5 billion year on year. Other outflows included ¥92.2 billion used for the acquisition of Astellas' own shares.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2017 amounted to ¥340.9 billion, a decrease of ¥19.1 billion compared with the previous fiscal year-end.

Capital Expenditures

Astellas made capital expenditures with the aim of augmenting and renewing its research facilities and equipment as well as production facilities and equipment. Capital expenditures in fiscal 2016 totaled ¥23.9 billion, down 29.8% year on year (accrual basis).

In fiscal 2017, capital expenditures are forecast to increase 4.6% to ¥25.0 billion.

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

Per Share Data

(¥)

	2016.3	**2017.3**
Earnings per share		
Basic	89.75	**103.69**
Diluted	89.62	**103.55**
Basic (core basis)	92.12	**101.15**
Dividends	32.00	**34.00**
Equity per share attributable to owners of the parent	592.58	**615.89**

Policy on Shareholder Returns

Astellas is working to boost shareholder returns through sustained growth in enterprise value.

While prioritizing the reinvestment 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 dividend on equity attributable to owners of the parent (DOE) into consideration. Furthermore, Astellas will flexibly purchase treasury stock as necessary to improve capital efficiency and the level of returns to shareholders.

Common Stock

Common Stock

(thousands of shares)

	2016.3	**2017.3**
Total number of issued shares*	2,221,823	**2,153,823**
Treasury shares*	96,844	**88,817**

Treasury Shares

	2016.3	**2017.3**
Number of shares bought back*	68,000 thousand	**60,000 thousand**
Acquisition cost	¥119.3 billion	**¥91.4 billion**
Cancellation of treasury shares*	38,000 thousand	**68,000 thousand**

* Excludes purchases of shares constituting less than a trading unit

As a part of profit distribution to its shareholders and as measures of its capital policy, Astellas implemented acquisition of its own shares from the stock market, purchasing 60 million shares, worth ¥91.4 billion, during the fiscal year ended March 31, 2017.

Furthermore, we cancelled 85 million shares of treasury stock in May 2017.

ROE and DOE

Return on equity (ROE) was 17.3%, up 2.3 percentage points from fiscal 2015. DOE was 5.6%, up 0.2 of a percentage point from fiscal 2015.

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.

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.

Consolidated Financial Statements

Consolidated Statement of Income

Astellas Pharma Inc. and Subsidiaries
For the year ended 31 March 2017

	Note	(Millions of yen) 2016	2017	(Millions of U.S. dollars) 2017
Sales	6	¥1,372,706	**¥1,311,665**	**$11,711**
Cost of sales		(335,596)	**(320,503)**	**(2,862)**
Gross profit		1,037,110	**991,162**	**8,850**
Selling, general and administrative expenses		(500,359)	**(470,777)**	**(4,203)**
Research and development expenses		(225,665)	**(208,129)**	**(1,858)**
Amortisation of intangible assets	17	(42,387)	**(35,837)**	**(320)**
Share of losses of associates and joint ventures		(1,243)	**(1,864)**	**(17)**
Other income	7	1,689	**9,594**	**86**
Other expense	8	(20,159)	**(23,318)**	**(208)**
Operating profit		248,986	**260,830**	**2,329**
Finance income	10	14,411	**22,916**	**205**
Finance expense	11	(1,627)	**(1,976)**	**(18)**
Profit before tax		261,770	**281,769**	**2,516**
Income tax expense	12	(68,083)	**(63,069)**	**(563)**
Profit for the year		¥ 193,687	**¥ 218,701**	**$ 1,953**
Profit attributable to:				
Owners of the parent		¥ 193,687	**¥ 218,701**	**$ 1,953**

	Note	(Yen) 2016	2017	(U.S. dollars) 2017
Earnings per share				
Basic	13	¥ 89.75	**¥ 103.69**	**$ 0.93**
Diluted	13	89.62	**103.55**	**0.92**

Consolidated Statement of Comprehensive Income

Astellas Pharma Inc. and Subsidiaries
For the year ended 31 March 2017

	Note	(Millions of yen) 2016	2017	(Millions of U.S. dollars) 2017
Profit for the year		¥193,687	**¥218,701**	**$1,953**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans		(6,276)	**2,962**	**26**
Subtotal		(6,276)	**2,962**	**26**
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustments	14	(45,172)	**(32,544)**	**(291)**
Fair value movements on available-for-sale financial assets	14	(11,358)	**(14,474)**	**(129)**
Subtotal		(56,529)	**(47,018)**	**(420)**
Other comprehensive income, net of tax		(62,806)	**(44,056)**	**(393)**
Total comprehensive income		¥130,881	**¥174,644**	**$1,559**
Total comprehensive income attributable to:				
Owners of the parent		¥130,881	**¥174,644**	**$1,559**

Consolidated Statement of Financial Position

Astellas Pharma Inc. and Subsidiaries
As of 31 March 2017

	Note	(Millions of yen) 2016	(Millions of yen) **2017**	(Millions of U.S. dollars) **2017**
Assets				
Non-current assets				
Property, plant and equipment	15	¥ 200,955	**¥ 191,115**	**$ 1,706**
Goodwill	16	153,121	**175,350**	**1,566**
Other intangible assets	17	336,261	**387,419**	**3,459**
Trade and other receivables	22	24,103	**22,263**	**199**
Investments in associates and joint ventures		2,435	**2,988**	**27**
Deferred tax assets	18	80,733	**90,349**	**807**
Other financial assets	19	89,424	**61,597**	**550**
Other non-current assets	20	14,769	**13,154**	**117**
Total non-current assets		901,801	**944,235**	**8,431**
Current assets				
Inventories	21	161,691	**182,537**	**1,630**
Trade and other receivables	22	327,599	**309,817**	**2,766**
Income tax receivable		16,403	**10,986**	**98**
Other financial assets	19	14,394	**13,554**	**121**
Other current assets	20	17,221	**18,849**	**168**
Cash and cash equivalents	23	360,030	**340,923**	**3,044**
Subtotal		897,337	**876,665**	**7,827**
Assets held for sale	24	200	**—**	**—**
Total current assets		897,537	**876,665**	**7,827**
Total assets		¥1,799,338	**¥1,820,901**	**$16,258**

	Note	(Millions of yen) 2016	2017	(Millions of U.S. dollars) 2017
Equity and liabilities				
Equity				
Share capital	25	¥ 103,001	**¥ 103,001**	**$ 920**
Capital surplus	25	176,903	**177,091**	**1,581**
Treasury shares	25	(157,111)	**(138,207)**	**(1,234)**
Retained earnings		973,054	**1,013,923**	**9,053**
Other components of equity	25	163,363	**116,002**	**1,036**
Total equity attributable to owners of the parent		1,259,209	**1,271,810**	**11,355**
Total equity		1,259,209	**1,271,810**	**11,355**
Liabilities				
Non-current liabilities				
Trade and other payables	32	1,599	**440**	**4**
Deferred tax liabilities	18	—	**25,343**	**226**
Retirement benefit liabilities	28	39,797	**36,614**	**327**
Provisions	29	7,083	**4,921**	**44**
Other financial liabilities	30	722	**28,389**	**253**
Other non-current liabilities	31	77,569	**53,528**	**478**
Total non-current liabilities		126,769	**149,235**	**1,332**
Current liabilities				
Trade and other payables	32	181,559	**182,826**	**1,632**
Income tax payable		19,312	**10,900**	**97**
Provisions	29	89,858	**96,589**	**862**
Other financial liabilities	30	1,505	**2,992**	**27**
Other current liabilities	31	121,126	**106,548**	**951**
Total current liabilities		413,359	**399,856**	**3,570**
Total liabilities		540,129	**549,091**	**4,903**
Total equity and liabilities		¥1,799,338	**¥1,820,901**	**$16,258**

Consolidated Statement of Changes in Equity

Astellas Pharma Inc. and Subsidiaries
For the year ended 31 March 2017

(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 2015		¥103,001	¥176,822	¥ (86,997)	¥ 905,083	¥2,241	¥177,306	¥40,461	¥ —	¥220,007	¥1,317,916	¥1,317,916
Comprehensive income												
Profit for the year		—	—	—	193,687	—	—	—	—	—	193,687	193,687
Other comprehensive income		—	—	—	—	—	(45,172)	(11,358)	(6,276)	(62,806)	(62,806)	(62,806)
Total comprehensive income		—	—	—	193,687	—	(45,172)	(11,358)	(6,276)	(62,806)	130,881	130,881
Transactions with owners of the parent												
Acquisition of treasury shares	25	—	—	(120,127)	—	—	—	—	—	—	(120,127)	(120,127)
Disposals of treasury shares	25	—	—	436	(248)	(187)	—	—	—	(187)	1	1
Cancellation of treasury shares	25	—	—	49,577	(49,577)	—	—	—	—	—	—	—
Dividends	26	—	—	—	(69,615)	—	—	—	—	—	(69,615)	(69,615)
Share-based payments	27	—	81	—	—	73	—	—	—	73	154	154
Transfers		—	—	—	(6,276)	—	—	—	6,276	6,276	—	—
Total transactions with owners of the parent		—	81	(70,114)	(125,717)	(115)	—	—	6,276	6,161	(189,588)	(189,588)
As of 31 March 2016		103,001	176,903	(157,111)	973,054	2,126	132,134	29,103	—	163,363	1,259,209	1,259,209
Comprehensive income												
Profit for the year		—	—	—	**218,701**	—	—	—	—	—	**218,701**	**218,701**
Other comprehensive income		—	—	—	—	—	**(32,544)**	**(14,474)**	**2,962**	**(44,056)**	**(44,056)**	**(44,056)**
Total comprehensive income		—	—	—	**218,701**	—	**(32,544)**	**(14,474)**	**2,962**	**(44,056)**	**174,644**	**174,644**
Transactions with owners of the parent												
Acquisition of treasury shares	25	—	—	**(92,193)**	—	—	—	—	—	—	**(92,193)**	**(92,193)**
Disposals of treasury shares	25	—	**(78)**	**877**	**(456)**	**(342)**	—	—	—	**(342)**	**1**	**1**
Cancellation of treasury shares	25	—	—	**110,219**	**(110,219)**	—	—	—	—	—	—	—
Dividends	26	—	—	—	**(70,119)**	—	—	—	—	—	**(70,119)**	**(70,119)**
Share-based payments	27	—	**266**	—	—	—	—	—	—	—	**266**	**266**
Transfers		—	—	—	**2,962**	—	—	—	**(2,962)**	**(2,962)**	—	—
Total transactions with owners of the parent		—	**188**	**18,903**	**(177,831)**	**(342)**	—	—	**(2,962)**	**(3,304)**	**(162,044)**	**(162,044)**
As of 31 March 2017		**¥103,001**	**¥177,091**	**¥(138,207)**	**¥1,013,923**	**¥1,784**	**¥ 99,590**	**¥14,629**	**¥ —**	**¥116,002**	**¥1,271,810**	**¥1,271,810**

(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 2016		**$920**	**$1,579**	**$(1,403)**	**$8,688**	**$19**	**$1,180**	**$260**	**$ —**	**$1,459**	**$11,243**	**$11,243**
Comprehensive income												
Profit for the year		—	—	—	**1,953**	—	—	—	—	—	**1,953**	**1,953**
Other comprehensive income		—	—	—	—	—	**(291)**	**(129)**	**26**	**(393)**	**(393)**	**(393)**
Total comprehensive income		—	—	—	**1,953**	—	**(291)**	**(129)**	**26**	**(393)**	**1,559**	**1,559**
Transactions with owners of the parent												
Acquisition of treasury shares	25	—	—	**(823)**	—	—	—	—	—	—	**(823)**	**(823)**
Disposals of treasury shares	25	—	**(1)**	**8**	**(4)**	**(3)**	—	—	—	**(3)**	**0**	**0**
Cancellation of treasury shares	25	—	—	**984**	**(984)**	—	—	—	—	—	—	—
Dividends	26	—	—	—	**(626)**	—	—	—	—	—	**(626)**	**(626)**
Share-based payments	27	—	**2**	—	—	—	—	—	—	—	**2**	**2**
Transfers		—	—	—	**26**	—	—	—	**(26)**	**(26)**	—	—
Total transactions with owners of the parent		—	**2**	**169**	**(1,588)**	**(3)**	—	—	**(26)**	**(30)**	**(1,447)**	**(1,447)**
As of 31 March 2017		**$920**	**$1,581**	**$(1,234)**	**$9,053**	**$16**	**$ 889**	**$131**	**$ —**	**$1,036**	**$11,355**	**$11,355**

Consolidated Statement of Cash Flows

Astellas Pharma Inc. and Subsidiaries
For the year ended 31 March 2017

	Note	(Millions of yen) 2016	2017	(Millions of U.S. dollars) 2017
Cash flows from operating activities				
Profit before tax		¥261,770	**¥281,769**	**$2,516**
Depreciation and amortisation		69,188	**63,791**	**570**
Impairment losses and reversal of impairment losses		9,310	**16,340**	**146**
Finance income and expense		(12,784)	**(20,940)**	**(187)**
(Increase) decrease in inventories		(11,873)	**(26,644)**	**(238)**
(Increase) decrease in trade and other receivables		(15,649)	**5,057**	**45**
Increase (decrease) in trade and other payables		(32,391)	**15,651**	**140**
Other		136,578	**(27,409)**	**(245)**
Cash generated from operations		404,149	**307,616**	**2,747**
Income tax paid		(90,412)	**(72,004)**	**(643)**
Net cash flows from operating activities		313,737	**235,612**	**2,104**
Cash flows from investing activities				
Purchases of property, plant and equipment		(33,512)	**(29,010)**	**(259)**
Proceeds from sales of property, plant and equipment		1,753	**1,262**	**11**
Purchases of intangible assets		(84,605)	**(19,638)**	**(175)**
Purchases of available-for-sale financial assets		(749)	**(484)**	**(4)**
Proceeds from sales of available-for-sale financial assets		16,747	**28,642**	**256**
Acquisition of subsidiaries, net of cash acquired	37	(42,653)	**(50,915)**	**(455)**
Interest and dividends received		2,797	**1,618**	**14**
Other		(6,827)	**(4,858)**	**(43)**
Net cash flows used in investing activities		(147,050)	**(73,383)**	**(655)**
Cash flows from financing activities				
Acquisition of treasury shares	25	(120,127)	**(92,193)**	**(823)**
Dividends paid to owners of the parent	26	(69,615)	**(70,119)**	**(626)**
Other		(3,736)	**(3,841)**	**(34)**
Net cash flows used in financing activities		(193,478)	**(166,153)**	**(1,484)**
Effect of exchange rate changes on cash and cash equivalents		(9,609)	**(15,183)**	**(136)**
Net increase (decrease) in cash and cash equivalents		(36,401)	**(19,107)**	**(171)**
Cash and cash equivalents at the beginning of the year	23	396,430	**360,030**	**3,215**
Cash and cash equivalents at the end of the year	23	¥360,030	**¥340,923**	**$3,044**

Notes to Consolidated Financial Statements

Astellas Pharma Inc. and Subsidiaries

For the year ended 31 March 2017

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 (https://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 2017 were authorised for issue on 19 June 2017 by Yoshihiko Hatanaka, Representative Director, President and Chief Executive Officer, and Chikashi Takeda, 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 ¥112 to U.S. $1, the approximate rate of exchange at the end of 31 March 2017. 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
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
IFRS 15	Revenue from Contracts with Customers	1 January 2018	31 March 2019	Comprehensive framework for revenue recognition
IFRS 16	Leases	1 January 2019	31 March 2020	Amendments related to accounting treatment for leases

3. Significant Accounting Policies

The significant accounting policies of the Group set forth below are applied continuously to all periods indicated in the consolidated financial statements.

(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 statement 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 statement 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 current tax 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 20 years
Tools, furniture and fixtures	2 to 20 years

The useful lives, residual values, and depreciation methods of property, plant and equipment are reviewed at the end of 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 statement 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 on the trade date 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 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

Non-derivative financial liabilities are classified into "Financial liabilities at FVTPL" and "Financial liabilities measured at amortised cost". The classification is determined based on the nature and purpose of the financial liabilities at the time of initial recognition.

(a) Financial liabilities at FVTPL

The Group classifies financial liabilities as FVTPL when the financial liabilities are designated as FVTPL at initial recognition.

Financial liabilities at FVTPL are measured at fair value, and any gain or loss resulting from changes in fair value and interest expense are recognised in profit or loss.

(b) Financial liabilities measured at amortised cost

Non-derivative financial liabilities not classified as FVTPL are classified as financial liabilities measured at amortised cost.

Subsequent to initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when the obligations of the financial liabilities are extinguished or when the obligations are discharged, cancelled, or expired.

(vii) Derivatives

The Group is engaged in derivative transactions and mainly uses forward foreign exchange 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 operates an equity-settled share-based payment plan and a cash-settled share-based payment plan as share-based payment plans.

(i) Equity-settled share-based payment plan

Under the equity-settled share-based payment plan, services received are measured at the fair value of the equity instruments at the grant date, and are recognised as expenses from the grant date over the vesting period, with a corresponding increase in equity.

(ii) Cash-settled share-based payment plan

Under the cash-settled share-based payment plan, services received are measured at the fair value of the liabilities incurred and recognised as expenses over the vesting period, with a corresponding increase in liabilities. Until the liabilities are settled, the fair value of liabilities are remeasured at the end of each quarter and at the settlement date, with changes in fair value recognised in profit or loss.

(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 statement 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 expense (Note 12)
- Financial instruments measured at fair value which have no market price in active markets (Notes 33 and 37)

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)

	2016	2017
XTANDI	¥ 252,075	¥ 252,078
Prograf	203,556	186,156
Vesicare	135,638	116,075
Other	781,438	757,356
Total	¥1,372,706	¥1,311,665

Information about geographical areas

Sales and non-current assets by geographical areas are as follows:

Sales by geographical areas

(Millions of yen)

	2016	2017
Japan	¥ 489,969	¥ 464,082
Americas	452,697	412,625
U.S.A. (included in Americas)	429,518	388,539
EMEA	334,572	343,401
Asia and Oceania	95,467	91,558
Total	¥1,372,706	¥1,311,665

(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)

	2016	2017
Japan	¥370,894	¥356,907
Americas	281,063	253,277
U.S.A. (included in Americas)	280,831	252,943
EMEA	34,505	139,544
Asia and Oceania	3,874	4,155
Total	¥690,336	¥753,883

(Note) Due to the completion of the purchase price allocation for the acquisition of Ocata Therapeutics, Inc. (The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.), the Group retrospectively revised the corresponding balances in the above non-current assets by geographical areas table as of 31 March, 2016. For details, please refer to Note “37. Business Combinations”.

Information about major customers

External customer that accounts for 10% or more of consolidated sales of the Group is as follows:

(Millions of yen)

	Segment	2016	2017
McKesson Corporation	Pharmaceutical	¥156,245	¥150,184

6. Sales

The breakdown of sales is as follows:

(Millions of yen)

	2016	2017
Sales of pharmaceutical products	¥1,314,247	¥1,225,070
Royalty income	24,560	57,433
Other	33,899	29,162
Total sales	¥1,372,706	¥1,311,665

7. Other Income

The breakdown of other income is as follows:

(Millions of yen)

	2016	2017
Net foreign exchange gains	¥ —	¥6,946
Other	1,689	2,649
Total other income	¥1,689	¥9,594

(Note) The amount of “Net foreign exchange gains” for the year ended 31 March 2017 includes foreign exchange losses resulting from forward foreign exchange contracts (¥10,285 million).

8. Other Expense

The breakdown of other expense is as follows:

(Millions of yen)

	2016	2017
Impairment losses for property, plant and equipment	¥ 8,837	¥ 7,877
Impairment losses for other intangible assets	681	10,188
Net foreign exchange losses	6,996	—
Other	3,645	5,253
Total other expense	¥20,159	¥23,318

(Note) 1. The main item of "Impairment losses for property, plant and equipment" for the year ended 31 March 2016 was due to the closure of the Kashima R&D Center (Osaka Prefecture).

2. "Impairment losses for property, plant and equipment" for the year ended 31 March 2017 mainly resulted from the recognition of impairment losses for buildings and certain other assets held by a U.S. subsidiary in connection with the sale of shares of this subsidiary to another company.

3. "Impairment losses for other intangible assets" for the year ended 31 March 2017 were principally due to an impairment loss on patents due to lower-than-expected profitability and to the discontinuation of development activities for projects.

4. The amount of "Net foreign exchange losses" for the year ended 31 March 2016 includes foreign exchange losses resulting from forward foreign exchange contracts (¥9,585 million).

9. Employee Benefit Expenses

The breakdown of employee benefit expenses is as follows:

(Millions of yen)

	2016	2017
Rewards and salaries	¥154,695	¥143,538
Bonuses	58,069	56,341
Social security and welfare expenses	32,290	30,600
Retirement benefit expenses—Defined contribution plan	14,934	14,243
Retirement benefit expenses—Defined benefit plan	6,611	6,804
Restructuring and termination benefits	3,792	8,064
Other employee benefit expenses	2,684	2,821
Total employee benefit expenses	¥273,075	¥262,411

(Note) Employee benefit expenses are included in "Cost of sales", "Selling, general and administrative expenses", "Research and development expenses" and "Other expense" in the consolidated statement of income.

10. Finance Income

The breakdown of finance income is as follows:

(Millions of yen)

	2016	2017
Interest income		
Cash and cash equivalents	¥ 785	¥ 906
Other	200	72
Dividend income		
Available-for-sale financial assets	1,067	618
Gain on sales		
Available-for-sale financial assets	12,278	21,265
Other	19	13
Other	61	41
Total finance income	¥14,411	¥22,916

11. Finance Expense

The breakdown of finance expense is as follows:

(Millions of yen)

	2016	2017
Impairment losses		
Available-for-sale financial assets	¥ 370	¥ 642
Other	1,257	1,334
Total finance expense	¥1,627	¥1,976

12. Income Tax Expense

The breakdown of income tax expense recognised in profit or loss is as follows:

(Millions of yen)

	2016	2017
Current income tax expense	¥ 85,402	¥68,322
Deferred income tax expense	(17,319)	(5,253)
Income tax expense reported in the consolidated statement of income	¥ 68,083	¥63,069

(Note) Deferred income tax expense increased by ¥1,627 million for the year ended 31 March 2016, 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)

	2016			2017		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Remeasurements of defined benefit plans	¥ (9,714)	¥ 3,437	¥ (6,276)	¥ 4,211	¥(1,249)	¥ 2,962
Foreign currency translation adjustments	(45,172)	—	(45,172)	(32,544)	—	(32,544)
Fair value movements on available-for-sale financial assets	(17,933)	6,575	(11,358)	(20,931)	6,457	(14,474)
Total other comprehensive income	¥(72,818)	¥10,012	¥(62,806)	¥(49,264)	¥ 5,208	¥(44,056)

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 years ended 31 March 2016 and 2017 were 32.8% and 30.7%, respectively. Foreign subsidiaries are subject to income taxes on their income in their respective countries of domicile.

	2016	2017
Effective statutory tax rate	32.8%	30.7%
Tax credit for research and development expenses	(3.6)	(1.7)
Non-deductible expenses	2.5	2.6
Difference in tax rates applied to foreign subsidiaries	(5.2)	(7.8)
Undistributed earnings of foreign subsidiaries	0.9	0.3
Effect of change in tax rate in Japan	0.6	—
Other	(2.0)	(1.8)
Actual tax rate	26.0%	22.4%

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)

	2016	2017
Basis of calculating basic earnings per share		
Profit attributable to owners of the parent	¥ 193,687	¥ 218,701
Profit not attributable to ordinary shareholders of the parent	—	—
Profit used to calculate basic earnings per share	193,687	218,701
Weighted average number of shares during the year (Thousands of shares)	2,158,131	2,109,149
Basis of calculating diluted earnings per share		
Profit used to calculate basic earnings per share	¥ 193,687	¥ 218,701
Adjustment	—	—
Profit used to calculate diluted earnings per share	193,687	218,701
Weighted average number of shares during the year (Thousands of shares)	2,158,131	2,109,149
Subscription rights to shares (Thousands of shares)	3,175	2,830
Weighted average number of diluted ordinary shares during the year (Thousands of shares)	2,161,306	2,111,979
Earnings per share (attributable to owners of the parent):		
Basic (Yen)	¥ 89.75	¥ 103.69
Diluted (Yen)	89.62	103.55

14. Other Comprehensive Income

Reclassification adjustments of other comprehensive income are as follows:

(Millions of yen)

	2016	2017
Other comprehensive income that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments		
Amount arising during the year	¥(45,172)	¥(32,615)
Reclassification adjustment	—	71
Subtotal	(45,172)	(32,544)
Fair value movements on available-for-sale financial assets		
Amount arising during the year	(6,012)	(94)
Reclassification adjustment	(11,920)	(20,836)
Subtotal	(17,933)	(20,931)
Other comprehensive income that may be reclassified subsequently to profit or loss before tax effect	(63,104)	(53,475)
Tax effect	6,575	6,457
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax	¥(56,529)	¥(47,018)

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 2016 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 2015	¥195,798	¥ 150,128	¥ 82,560	¥18,848	¥ 24,793	¥ 472,127
Acquisitions	10,347	4,989	5,966	—	12,725	34,027
Business combinations	38	109	4	—	—	151
Disposals	(1,038)	(2,928)	(7,767)	(704)	(114)	(12,550)
Reclassification from construction in progress	10,541	6,827	685	398	(18,451)	—
Reclassification to assets held for sale	(883)	(2,569)	(1,527)	(331)	—	(5,310)
Other	(3,638)	(2,506)	(687)	(188)	(829)	(7,849)
Balance at 31 March 2016	211,164	154,051	79,235	18,023	18,124	480,597
Accumulated depreciation and accumulated **impairment losses**						
Balance at 1 April 2015	(80,771)	(120,435)	(67,688)	(306)	(58)	(269,258)
Depreciation	(7,360)	(8,412)	(5,180)	—	—	(20,952)
Impairment losses (or reversal of impairment losses)	(7,174)	(1,240)	91	(305)	—	(8,629)
Disposals	817	2,591	7,380	306	—	11,094
Reclassification to assets held for sale	883	2,394	1,156	305	—	4,740
Other	1,188	1,742	430	—	4	3,364
Balance at 31 March 2016	(92,416)	(123,360)	(63,811)	—	(54)	(279,642)
Carrying amounts						
Balance at 1 April 2015	115,027	29,693	14,872	18,543	24,735	202,869
Balance at 31 March 2016	¥118,748	¥ 30,691	¥ 15,423	¥18,023	¥ 18,069	¥ 200,955

(Note) 1. The increase due to business combinations reflected the acquisition of Ocata Therapeutics, Inc. (The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.) For details on this business combination, please refer to Note “37. Business Combinations”.

2. “Other” mainly includes exchange differences.

The movement of property, plant and equipment for the year ended 31 March 2017 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 2016	¥211,164	¥ 154,051	¥ 79,235	¥18,023	¥ 18,124	¥ 480,597
Acquisitions	2,599	2,712	4,591	—	14,001	23,903
Business combinations	—	258	14	—	—	272
Disposals	(1,302)	(3,658)	(5,383)	(0)	(65)	(10,408)
Loss of control of subsidiaries	(8,775)	(8,696)	(289)	(144)	(1,457)	(19,360)
Reclassification from construction in progress	3,228	12,481	1,083	—	(16,792)	—
Other	(2,193)	(2,456)	(565)	(116)	(485)	(5,816)
Balance at 31 March 2017	204,722	154,692	78,687	17,762	13,325	469,188
Accumulated depreciation and accumulated impairment losses						
Balance at 1 April 2016	(92,416)	(123,360)	(63,811)	—	(54)	(279,642)
Depreciation	(7,520)	(8,753)	(5,598)	—	—	(21,872)
Impairment losses (or reversal of impairment losses)	(4,375)	(2,030)	(46)	(128)	(1,298)	(7,877)
Disposals	1,228	3,062	5,297	—	52	9,639
Loss of control of subsidiaries	8,249	8,448	283	128	1,298	18,407
Other	927	1,894	449	—	2	3,272
Balance at 31 March 2017	(93,907)	(120,739)	(63,427)	—	—	(278,073)
Carrying amounts						
Balance at 1 April 2016	118,748	30,691	15,423	18,023	18,069	200,955
Balance at 31 March 2017	¥110,815	¥ 33,953	¥ 15,260	¥17,762	¥ 13,325	¥ 191,115

(Note) 1. The increase due to business combinations reflected the acquisition of Ganymed Pharmaceuticals AG. For details on this business combination, please refer to Note “37. Business Combinations”.

2. “Other” mainly includes exchange differences.

The Group recognised impairment losses (or reversal of impairment losses) of ¥8,629 million for the year ended 31 March 2016 and ¥7,877 million for the year ended 31 March 2017, and they are mainly included in “Other expense” in the consolidated statement of income.

Impairment losses (or reversal of impairment losses) of ¥8,629 million for the year ended 31 March 2016 mainly resulted from the closure of the Kashima R&D Center (Osaka Prefecture) owned by the Company. The assets, including buildings, are planned to be disposed of, and the recoverable amount is therefore deemed to be zero.

Impairment losses (or reversal of impairment losses) of ¥7,877 million for the year ended 31 March 2017 mainly resulted from the transfer of a U.S. subsidiary to another company. The recoverable amount of the assets, including buildings, is deemed to be ¥944 million, calculated at fair value based on the price agreed upon for the transfer.

The carrying amounts of the assets held under finance leases included in “Property, plant and equipment” are as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at 1 April 2015	¥—	¥—	¥ 991	¥ 991
Balance at 31 March 2016	¥—	¥95	¥1,133	¥1,228
Balance at 31 March 2017	¥37	¥ 6	¥1,630	¥1,672

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 2015	¥136,337	¥—	¥136,337
Business combinations	26,955	—	26,955
Exchange differences	(10,171)	—	(10,171)
Balance at 31 March 2016	153,121	—	153,121
Business combinations	23,313	—	23,313
Exchange differences	(1,084)	—	(1,084)
Balance at 31 March 2017	¥175,350	¥—	¥175,350

(Note) 1. The increase due to business combinations in the year ended 31 March 2016 reflected the acquisition of Ocata Therapeutics, Inc. (The company name was changed to the Astellas Institute for Regenerative Medicine in May 2016.) The movement in the year ended 31 March 2016 was retrospectively revised due to the completion of the purchase price allocation in the year ended 31 March 2017. For details on this business combination, please refer to Note “37. Business Combinations”.

2. The increase due to business combinations in the year ended 31 March 2017 reflected the acquisition of Ganymed Pharmaceuticals AG. For details on this business combination, please refer to Note “37. Business Combinations”.

Goodwill recognised in the consolidated statement of financial position mainly resulted from the 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 2016 and 2017, the majority of goodwill is mainly allocated to the Americas cash-generating unit, and the carrying amounts of goodwill were ¥153,121 million and ¥152,455 million, respectively. For the impairment test, the value in use, which is calculated based on the three-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 12.7%.

Also, a growth rate of 2.0% is reflected in calculating the terminal value after the three-year business plan. The growth rate reflects the status of the country and the industry to which the cash-generating unit belongs.

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.

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 2016 is as follows:

(Millions of yen)

	Patents and technologies	Marketing rights	IPR&D	Software	Other	Total
Cost						
Balance at 1 April 2015	¥ 315,401	¥ 88,125	¥ 98,693	¥ 36,128	¥ 396	¥ 538,743
Acquisitions	31,848	15	39,742	9,123	2	80,730
Business combinations	—	—	14,321	—	—	14,321
Disposals	—	(30,288)	—	(769)	(7)	(31,064)
Reclassification	5,926	—	(5,926)	—	—	—
Other	(11,804)	(770)	(954)	(785)	(72)	(14,386)
Balance at 31 March 2016	341,371	57,081	145,876	43,697	319	588,344
Accumulated amortisation and accumulated impairment losses						
Balance at 1 April 2015	(140,655)	(63,799)	(15,593)	(22,600)	(253)	(242,899)
Amortisation	(32,775)	(9,612)	—	(5,825)	(25)	(48,236)
Impairment losses	—	—	(680)	—	(1)	(681)
Disposals	—	30,288	—	664	6	30,959
Other	7,237	629	14	829	64	8,774
Balance at 31 March 2016	(166,192)	(42,493)	(16,258)	(26,931)	(208)	(252,083)
Carrying amounts						
Balance at 1 April 2015	174,746	24,326	83,100	13,528	144	295,844
Balance at 31 March 2016	¥ 175,179	¥ 14,588	¥129,617	¥ 16,766	¥ 111	¥ 336,261

(Note) 1. The increase due to business combinations reflected the acquisition of Ocata Therapeutics, Inc. (The company name was changed to the Astellas Institute for Regenerative Medicine in May 2016.) The table above was retrospectively revised due to the completion of the purchase price allocation in the year ended 31 March 2017. For details on this business combination, please refer to Note “37. Business Combinations”.

2. “Other” mainly includes exchange differences.

The movement of other intangible assets for the year ended 31 March 2017 is as follows:

(Millions of yen)

	Patents and technologies	Marketing rights	IPR&D	Software	Other	Total
Cost						
Balance at 1 April 2016	¥ 341,371	¥ 57,081	¥145,876	¥ 43,697	¥ 319	¥ 588,344
Acquisitions	163	99	10,416	7,400	1,550	19,628
Business combinations	1	—	86,020	11	—	86,033
Disposals	—	(5,127)	—	(2,184)	(3)	(7,314)
Reclassification	7,728	—	(7,728)	—	—	—
Other	(770)	(1,599)	(1,636)	(404)	(23)	(4,433)
Balance at 31 March 2017	348,492	50,454	232,949	48,520	1,843	682,258
Accumulated amortisation and accumulated impairment losses						
Balance at 1 April 2016	(166,192)	(42,493)	(16,258)	(26,931)	(208)	(252,083)
Amortisation	(32,304)	(3,533)	—	(6,073)	(9)	(41,919)
Impairment losses (or reversal of impairment losses)	(6,054)	1,725	(4,064)	(70)	—	(8,463)
Disposals	—	3,402	—	2,140	3	5,545
Other	(224)	1,459	8	829	10	2,082
Balance at 31 March 2017	(204,775)	(39,441)	(20,315)	(30,104)	(204)	(294,839)
Carrying amounts						
Balance at 1 April 2016	175,179	14,588	129,617	16,766	111	336,261
Balance at 31 March 2017	¥ 143,717	¥ 11,013	¥212,634	¥ 18,416	¥1,639	¥ 387,419

(Note) 1. The increase due to business combinations mainly reflected the acquisition of Ganymed Pharmaceuticals AG. For details on this business combination, please refer to Note “37. Business Combinations”.

2. “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 statement of income under “Amortisation of intangible assets”.

Impairment losses (or reversal of impairment losses) for other intangible assets are recognised in the consolidated statement of income under “Other expense” and “Other income.”

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 is mainly 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 the pre-tax discount rate is 7.9% to 13.6%.

As a result of the impairment test, the Group recognised the following impairment losses for the years ended 31 March 2016 and 2017.

For the year ended 31 March 2016, impairment losses recognised for other intangible assets were ¥681 million due to the discontinuation of development activities for IPR&Ds.

For the year ended 31 March 2017, impairment losses (or reversal of impairment losses) recognised for other intangible assets were ¥8,463 million, and details of the main items are as follows:

(1) The Company recognised an impairment loss of ¥6,054 million, deeming the recoverable amount as zero, due to lower-than-expected profitability of patents for products sold in Japan. The recoverable amount was the value in use, calculated based on discounted future cash flows.

(2) The Company recognised an impairment loss of ¥4,000 million, deeming the recoverable amount as zero, due to the exercise of its right to terminate its agreement with UMN Pharma Inc. and the discontinuation of development activities with respect to IPR&Ds for ASP7374 and ASP7373, cell culture based influenza vaccine programs that had been licensed from UMN Pharma Inc.

Significant intangible assets

Significant intangible assets recognised in the consolidated statement of financial position as of 31 March 2016 are mainly composed of the rights related to the research and development of enzalutamide (XTANDI) acquired through the license agreement with Medivation, Inc., the rights related to “Tarceva” resulting from the acquisition of OSI Pharmaceuticals, Inc. in 2010 and the rights related to the research and development of YM311/roxadustat acquired through the license agreement with FibroGen, Inc. The carrying amounts of those intangible assets were ¥73,532 million, ¥65,003 million and ¥50,565 million, respectively.

Significant intangible assets recognised in the consolidated statement of financial position as of 31 March 2017 are mainly composed of the rights related to IMAB362 resulting from the acquisition of Ganymed Pharmaceuticals AG in 2016, the rights related to the research and development of enzalutamide (XTANDI) acquired through the license agreement with Medivation, Inc., the rights related to the research and development of YM311/roxadustat acquired through the license agreement with FibroGen, Inc., and the rights related to “Tarceva” resulting from the acquisition of OSI Pharmaceuticals, Inc. in 2010. The carrying amounts of those intangible assets were ¥84,476 million, ¥67,231 million, ¥51,656 million, and ¥44,698 million, respectively. The carrying amount of the rights related to IMAB362 resulting from the acquisition of Ganymed Pharmaceuticals AG reflects provisional fair value, as the allocation of the fair value of purchase consideration transferred had not been completed. For details, please refer to Note “37. Business Combinations”.

For intangible assets already starting amortisation, the remaining amortisation period was 3 to 13 years in the year ended 31 March 2016 and 2 to 12 years in the year ended 31 March 2017. 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 2016

(Millions of yen)

	As of 1 April 2015	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	Other	As of 31 March 2016
Available-for-sale financial assets	¥(17,423)	¥ (207)	¥ 6,575	¥ —	¥ (12)	¥(11,067)
Retirement benefit assets and liabilities	6,993	77	3,437	—	(59)	10,448
Property, plant and equipment	1,324	1,042	—	(12)	152	2,506
Intangible assets	(49,257)	4,608	—	(4,577)	1,687	(47,540)
Accrued expenses	29,059	(2,157)	—	—	(1,110)	25,792
Inventories	49,272	3,321	—	—	(477)	52,116
Tax loss carry-forwards	3,554	(2,583)	—	8,179	(513)	8,637
Other	27,641	13,217	—	90	(1,108)	39,841
Total	¥ 51,162	¥17,319	¥10,012	¥ 3,679	¥(1,439)	¥ 80,733

(Note) The increase in deferred tax assets and deferred tax liabilities due to business combinations reflected the acquisition of Ocata Therapeutics, Inc. (The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.) The movement in the year ended 31 March 2016 was retrospectively revised due to the completion of the purchase price allocation in the year ended 31 March 2017. For details on this business combination, please refer to Note “37. Business Combinations”.

For the year ended 31 March 2017

(Millions of yen)

	As of 1 April 2016	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	Other	As of 31 March 2017
Available-for-sale financial assets	¥(11,067)	¥ (263)	¥ 6,457	¥ —	¥ 66	¥ (4,807)
Retirement benefit assets and liabilities	10,448	315	(1,249)	—	(172)	9,343
Property, plant and equipment	2,506	(1,469)	—	—	(40)	996
Intangible assets	(47,540)	2,881	—	(25,806)	1,199	(69,266)
Accrued expenses	25,792	(1,572)	—	—	(214)	24,007
Inventories	52,116	3,843	—	—	(736)	55,223
Tax loss carry-forwards	8,637	(270)	—	—	(795)	7,572
Other	39,841	1,788	—	—	310	41,939
Total	¥80,733	¥ 5,253	¥ 5,208	¥(25,806)	¥ (382)	¥ 65,007

(Note) The increases in deferred tax assets and deferred tax liabilities due to business combinations reflected the acquisition of Ganymed Pharmaceuticals AG. For details on this business combination, please refer to Note “37. Business Combinations”.

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)

	2016	2017
Deductible temporary differences	¥33,600	¥31,527
Tax loss carry-forwards	6,330	27,036
Unused tax credits	1,877	2,182
Total	¥41,808	¥60,745

The expiration date and amount of tax loss carry-forwards for which no deferred tax asset is recognised are as follows:

(Millions of yen)

	2016	2017
Year 1	¥ 180	¥ 632
Year 2	68	62
Year 3	630	378
Year 4	158	471
Year 5 or later	5,295	25,493
Total	¥6,330	¥27,036

19. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	2016	2017
Other financial assets (non-current)		
Financial assets at FVTPL	¥ 8,092	¥10,762
Loans and other financial assets	11,528	10,421
Allowance for doubtful accounts	(52)	(14)
Available-for-sale financial assets	69,856	40,428
Total other financial assets (non-current)	89,424	61,597
Other financial assets (current)		
Financial assets at FVTPL	290	—
Loans and other financial assets	14,104	13,554
Total other financial assets (current)	14,394	13,554
Total other financial assets	¥103,818	¥75,151

20. Other Assets

The breakdown of other assets is as follows:

(Millions of yen)

	2016	2017
Other non-current assets		
Long-term prepaid expenses	¥12,145	¥10,063
Retirement benefit assets	1,784	2,372
Other	840	720
Total other non-current assets	14,769	13,154
Other current assets		
Prepaid expenses	10,213	10,763
Other	7,008	8,087
Total other current assets	¥17,221	¥18,849

21. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	2016	2017
Raw materials and supplies	¥ 28,165	¥ 36,225
Work in progress	14,239	15,389
Merchandise and finished goods	119,287	130,922
Total	¥161,691	¥182,537

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 2016 and 2017 amounted to ¥288,841 million and ¥274,048 million, respectively.

The write-down of inventories recognised as an expense for the years ended 31 March 2016 and 2017 amounted to ¥3,912 million and ¥3,414 million, respectively.

22. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	2016	2017
Notes and accounts receivable	¥313,099	¥297,094
Other accounts receivable	41,423	44,792
Allowance for doubtful accounts	(2,820)	(9,806)
Total trade and other receivables	351,702	332,080
Non-current assets	24,103	22,263
Current assets	¥327,599	¥309,817

23. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	2016	2017
Cash and deposits	¥346,879	¥331,801
Short-term investments (cash equivalents)	13,151	9,122
Cash and cash equivalents in the consolidated statement of financial position	360,030	340,923
Cash and cash equivalents in the consolidated statement of cash flows	¥360,030	¥340,923

24. Assets Held for Sale

The breakdown of assets held for sale is as follows:

(Millions of yen)

	2016	2017
Assets		
Property, plant and equipment	¥200	¥—
Total	¥200	¥—

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 2015	9,000,000	2,259,823	¥103,001	¥176,822
Increase	—	—	—	81
Decrease	—	(38,000)	—	—
As of 31 March 2016	9,000,000	2,221,823	103,001	176,903
Increase	—	—	—	266
Decrease	—	(68,000)	—	(78)
As of 31 March 2017	9,000,000	2,153,823	¥103,001	¥177,091

(Note) Decrease in the number of ordinary issued shares during the years ended 31 March 2016 and 2017 resulted from the cancellation of treasury shares.

(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 2015	66,681	¥ 86,997
Increase	68,445	120,127
Decrease	(38,282)	(50,013)
As of 31 March 2016	96,844	157,111
Increase	60,513	92,193
Decrease	(68,540)	(111,096)
As of 31 March 2017	88,817	¥ 138,207

(3) Other components of equity

Subscription rights to shares

The Company had adopted share option plans through the year ended 31 March 2015, and has issued subscription rights to shares under the former Commercial Code and the Companies Act of Japan. Contract conditions and amounts are described in Note “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 2016

(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 17 June 2015	Ordinary shares	¥35,090	¥16.00	31 March 2015	18 June 2015
Board of directors meeting held on 30 October 2015	Ordinary shares	34,532	16.00	30 September 2015	1 December 2015

(Note) The amount of dividends approved by resolution of the board of directors meeting on 30 October 2015 includes dividends of ¥7 million corresponding to the Company’s shares held in the executive compensation BIP trust.

(2) Dividends whose record date is in the fiscal year ended 31 March 2016 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 20 June 2016	Ordinary shares	¥34,007	¥16.00	31 March 2016	21 June 2016

(Note) The amount of dividends above includes dividends of ¥7 million corresponding to the Company's shares held in the executive compensation BIP trust.

For the year ended 31 March 2017

(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 20 June 2016	Ordinary shares	¥34,007	¥16.00	31 March 2016	21 June 2016
Board of directors meeting held on 28 October 2016	Ordinary shares	36,134	17.00	30 September 2016	1 December 2016

(Note) 1.The amount of dividends approved by resolution of the board of directors meeting on 20 June 2016 includes dividends of ¥7 million corresponding to the Company's shares held in the executive compensation BIP trust.

2.The amount of dividends approved by resolution of the board of directors meeting on 28 October 2016 includes dividends of ¥15 million corresponding to the Company's shares held in the executive compensation BIP trust.

(2) Dividends whose record date is in the fiscal year ended 31 March 2017 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 19 June 2017	Ordinary shares	¥35,120	¥17.00	31 March 2017	20 June 2017

(Note) The amount of dividends above includes dividends of ¥15 million corresponding to the Company's shares held in the executive compensation BIP trust.

27. Share-based Payment

(1) Share option plans

(i) Outline of share option plans

The Company had adopted share option plans through the year ended 31 March 2015, and has granted 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.

Holders of subscription rights to shares can exercise their share subscription rights only from the day following the date of resignation from their position as director or corporate executive of the Company.

Share options not exercised during the exercise period defined in the allocation contract will be forfeited.

The Company accounts for those share option plans as equity-settled share-based payment transactions.

(ii) Expenses recognised in the consolidated statement of income

(Millions of yen)

	2016	2017
Total expenses recognised for share options granted	¥73	¥—

(iii) Movement of the number of share options outstanding and their weighted average exercise price

	2016		2017	
	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)	Number of shares
Outstanding, beginning of the period	¥1	3,305,400	¥1	3,022,900
Granted	—	—	—	—
Exercised	1	(282,500)	1	(491,400)
Forfeited or expired	—	—	—	—
Outstanding, end of the period	1	3,022,900	1	2,531,500
Options exercisable, end of the period	¥1	3,022,900	¥1	2,531,500

(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 2016 and 2017 are ¥1,675 and ¥1,525, respectively.

(iv) 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 2016	Number of shares 2017
Granted on August 2005	24 June 2025	¥1	46,000	46,000
Granted on February 2007	27 June 2026	1	123,500	56,500
Granted on August 2007	26 June 2027	1	169,500	121,500
Granted on September 2008	24 June 2028	1	173,000	129,000
Granted on July 2009	23 June 2029	1	348,500	263,500
Granted on July 2010	23 June 2030	1	489,000	396,000
Granted on July 2011	20 June 2031	1	557,500	485,000
Granted on July 2012	20 June 2032	1	557,500	498,000
Granted on July 2013	19 June 2033	1	331,500	318,500
Granted on July 2014	18 June 2034	1	226,900	217,500
Total		–	3,022,900	2,531,500

(Note) 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.

(2) Performance-linked Stock Compensation Scheme

(i) Outline of the Performance-linked Stock Compensation Scheme

From the fiscal year ended 31 March 2016, the Group has introduced a Performance-linked Stock Compensation Scheme for directors and corporate executives (excluding outside directors) for the purpose of increasing their awareness of contributing to the sustainable growth in business results and corporate value.

The Scheme employs a framework referred to as the executive compensation BIP (Board Incentive Plan) trust (hereinafter the “BIP Trust”) for directors and corporate executives other than those residing overseas.

The BIP Trust acquires the Company’s shares and delivers those shares to directors and other executives based on the level of attainment of the medium-term management targets. The Performance-linked Stock Compensation Scheme under which the Company’s shares are delivered from the BIP Trust is accounted for as an equity-settled share-based payment transaction.

In addition, the Company will provide cash benefits determined based on stock price of the Company to corporate executives residing overseas based on the level of attainment of the medium-term management targets. The Performance-linked Stock Compensation Scheme that provides cash benefits from the Company is accounted for as a cash-settled share-based payment transaction.

(ii) Expenses recognised in the consolidated statement of income

(Millions of yen)

	2016	2017
Total expenses recognised for the Performance-linked Stock Compensation Scheme	¥88	¥290

(iii) Measurement approach for the fair value of the Company's shares granted during the fiscal year based on the Performance-linked Stock Compensation Scheme

The weighted average fair value of the Company's shares granted during the period is calculated based on the following assumptions.

	2016	2017
Share price at the grant date	1,695.5 yen	1,603.5 yen
Vesting period (Note 1)	3 years	3 years
Expected annual divided (Note 2)	32 yen/share	34 yen/share
Discount rate (Note 3)	0.0%	(0.3)%
Weighted average fair value	1,600 yen	1,501 yen

(Note) 1. Refers to the number of years from the grant date until the shares are expected to be delivered.

2. Calculated based on the latest dividends paid.

3. Based on the yield on Japanese government bonds corresponding to the vesting period.

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.

(i) 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.

(ii) 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.

Assets and liabilities of defined benefit plans recognised in the consolidated statement of financial position are as follows:

As of 31 March 2016

(Millions of yen)

	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Present value of defined benefit obligations	¥ 125,717	¥31,128	¥ 156,845	¥2,788
Fair value of plan assets	(111,799)	(9,820)	(121,620)	—
Net defined benefit liability (asset)	¥ 13,918	¥21,308	¥ 35,226	¥2,788
Amounts in the consolidated statement of financial position				
Assets (other non-current assets)	¥ (1,784)	¥ —	¥ (1,784)	¥ —
Liabilities (retirement benefit liabilities)	15,702	21,308	37,010	2,788

As of 31 March 2017

(Millions of yen)

	Pension and lump-sum payment			
	Japan	Overseas	Total	Other
Present value of defined benefit obligations	¥ 123,118	¥ 30,816	¥ 153,934	¥2,608
Fair value of plan assets	(111,926)	(10,374)	(122,300)	—
Net defined benefit liability (asset)	¥ 11,192	¥ 20,442	¥ 31,634	¥2,608
Amounts in the consolidated statement of financial position				
Assets (other non-current assets)	¥ (2,372)	¥ —	¥ (2,372)	¥ —
Liabilities (retirement benefit liabilities)	13,564	20,442	34,006	2,608

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 2015	¥117,128	¥33,950	¥151,078	¥2,938
Current service cost	4,687	1,165	5,852	284
Interest cost	1,009	622	1,630	65
Remeasurements of defined benefit obligations				
−actuarial (gains)/losses arising from changes in demographic assumptions	2,033	(180)	1,853	(3)
−actuarial (gains)/losses arising from changes in financial assumptions	6,543	(2,760)	3,784	(173)
−other	257	217	474	(31)
Past service cost, and gains and losses arising from settlements	—	(12)	(12)	—
Contributions to the plan by plan participants	—	83	83	—
Payments from the plan	(5,940)	(1,041)	(6,981)	(87)
Effect of changes in foreign exchange rates	—	(916)	(916)	(204)
Balance at 31 March 2016	125,717	31,128	156,845	2,788
Current service cost	5,110	919	6,029	255
Interest cost	558	637	1,195	59
Remeasurements of defined benefit obligations				
−actuarial (gains)/losses arising from changes in demographic assumptions	(5)	(360)	(365)	(6)
−actuarial (gains)/losses arising from changes in financial assumptions	(1,722)	850	(873)	1
−other	(139)	271	131	(100)
Past service cost, and gains and losses arising from settlements	—	(28)	(28)	—
Contributions to the plan by plan participants	—	72	72	—
Payments from the plan	(6,400)	(768)	(7,168)	(51)
Effect of changes in foreign exchange rates	—	(1,905)	(1,905)	(337)
Balance at 31 March 2017	¥123,118	¥30,816	¥153,934	¥2,608

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 2015	¥116,457	¥10,044	¥126,501	¥—
Interest income	1,002	206	1,208	—
Remeasurements of the fair value of the plan assets				
−return on plan assets	(2,777)	(510)	(3,287)	—
−actuarial losses arising from changes in financial assumptions	(487)	(36)	(523)	—
Contributions to the plan				
−by employer	2,758	719	3,477	—
−by plan participants	—	83	83	—
Payments from the plan	(5,154)	(394)	(5,548)	—
Effect of changes in foreign exchange rates	—	(291)	(291)	—
Balance at 31 March 2016	111,799	9,820	121,620	—
Interest income	494	211	706	—
Remeasurements of the fair value of the plan assets				
−return on plan assets	2,080	525	2,605	—
−actuarial gains/(losses) arising from changes in financial assumptions	411	(17)	394	—
Contributions to the plan				
−by employer	2,756	648	3,404	—
−by plan participants	—	63	63	—
Payments from the plan	(5,614)	(198)	(5,812)	—
Effect of changes in foreign exchange rates	—	(679)	(679)	—
Balance at 31 March 2017	¥111,926	¥10,374	¥122,300	¥—

The Group expects to contribute ¥3,653 million to its defined benefit plans in the fiscal year ending 31 March 2018.

The breakdown of the fair value of plan assets is as follows:

(Millions of yen)

	2016	2017
Japan		
Equity	¥ 22,508	¥ 22,724
Bonds	37,104	37,396
Cash and other investments	52,188	51,806
Total	111,799	111,926
Overseas		
Equity	4,277	4,337
Bonds	2,381	2,420
Cash and other investments	3,161	3,617
Total	9,820	10,374
Total fair value of plan assets	¥121,620	¥122,300

(i) Japanese plan assets

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.

(ii) Overseas plan assets

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:

	2016	2017
Discount rate (%)		
Japan	0.4%-0.5%	0.6%-0.8%
Overseas	1.5%-3.4%	1.8%-2.5%

The impact of a 0.5% increase or decrease in the discount rate as significant actuarial assumption used on the defined benefit obligations as of 31 March 2017 would result in a ¥11,236 million decrease and ¥12,715 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 statement of financial position.

The weighted-average duration of the defined benefit obligations is as follows:

	2016	2017
Japan	13.1 years	13.7 years
Overseas	19.4 years	18.6 years

29. Provisions

The movement of provisions for the year ended 31 March 2016 is as follows:

(Millions of yen)

	Trade-related provisions	Asset retirement obligations	Other	Total
Balance at 1 April 2015	¥ 79,107	¥1,946	¥ 9,188	¥ 90,241
Increase during the year	79,850	45	5,122	85,016
Decrease due to intended use	(60,614)	(35)	(1,512)	(62,162)
Reversal during the year	(10,889)	—	(653)	(11,542)
Other	(3,922)	(8)	(683)	(4,612)
Balance at 31 March 2016	83,531	1,948	11,462	96,941
Non-current	4,582	1,948	553	7,083
Current	78,949	—	10,909	89,858
Total provisions	¥ 83,531	¥1,948	¥11,462	¥ 96,941

The movement of provisions for the year ended 31 March 2017 is as follows:

(Millions of yen)

	Trade-related provisions	Asset retirement obligations	Other	Total
Balance at 1 April 2016	¥ 83,531	¥1,948	¥11,462	¥ 96,941
Increase during the year	81,742	7	3,648	85,397
Decrease due to intended use	(71,488)	(7)	(9,282)	(80,777)
Reversal during the year	(2,429)	—	(634)	(3,063)
Other	2,378	(11)	646	3,013
Balance at 31 March 2017	93,734	1,938	5,839	101,511
Non-current	2,214	1,938	769	4,921
Current	91,520	—	5,070	96,589
Total provisions	¥ 93,734	¥1,938	¥ 5,839	¥101,511

Details of provisions are as follows:

(i) 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.

(ii) 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)

	2016	2017
Other financial liabilities (non-current)		
Financial liabilities at FVTPL		
Contingent consideration	¥ —	¥27,253
Financial liabilities measured at amortised cost		
Finance lease liabilities	722	1,136
Total other financial liabilities (non-current)	¥ 722	¥28,389
Other financial liabilities (current)		
Financial liabilities at FVTPL		
Forward foreign exchange contracts	¥ 351	¥ 626
Contingent consideration	—	1,196
Financial liabilities measured at amortised cost		
Finance lease liabilities	505	499
Other	649	671
Total other financial liabilities (current)	¥1,505	¥ 2,992
Total other financial liabilities	¥2,227	¥31,381

The maturity and the present value of finance lease liabilities are as follows:

(Millions of yen)

	2016	2017
Minimum lease payments		
Not later than one year	¥ 505	¥ 499
Later than one year and not later than five years	719	1,110
Later than five years	3	26
Present value of finance lease liabilities	¥1,226	¥1,635

31. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	2016	2017
Other non-current liabilities		
Other long-term employee benefits	¥15,316	¥17,727
Deferred income	61,689	34,153
Other	564	1,648
Total other non-current liabilities	¥77,569	¥53,528
Other current liabilities		
Accrued bonuses	¥30,199	¥30,665
Accrued paid absences	10,517	11,792
Other accrued expenses	46,804	43,493
Deferred income	28,779	16,443
Other	4,827	4,156
Total other current liabilities	¥121,126	¥106,548

(Note) Deferred income under other non-current liabilities and deferred income under other current liabilities include deferred income of ¥57,787 million and ¥28,411 million, respectively, in the year ended 31 March 2016, and ¥30,593 million and ¥14,877 million, respectively, in the year ended 31 March 2017, in connection with the transfer of the global dermatology business to LEO Pharma A/S.

32. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	2016	2017
Accounts payable-trade	¥110,852	¥115,188
Other payables	72,305	68,078
Total trade and other payables	¥183,157	¥183,266
Non-current	¥ 1,599	¥ 440
Current	181,559	182,826

33. 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)

	2016	2017
Financial assets		
Financial assets at FVTPL		
Forward foreign exchange contracts	¥ 290	¥ —
Other	8,092	10,762
Loans and receivables		
Trade and other receivables	351,702	332,080
Loans and other financial assets	25,579	23,961
Available-for-sale financial assets	69,856	40,428
Cash and cash equivalents	360,030	340,923
Total financial assets	¥815,549	¥748,153
Financial liabilities		
Financial liabilities at FVTPL		
Forward foreign exchange contracts	¥ 351	¥ 626
Contingent consideration	—	28,450
Financial liabilities measured at amortised cost		
Trade and other payables	183,157	183,266
Other	1,875	2,306
Total financial liabilities	¥185,384	¥214,647

(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 statement of financial position.

2. Financial liabilities at FVTPL and financial liabilities at amortised cost are included in “Other financial liabilities” in the consolidated statement 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 ¥121,505 million at 31 March 2016 and ¥106,464 million at 31 March 2017.

(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 statement of financial position. The Group's maximum exposure to credit risks of guaranteed obligations as of 31 March 2016 and 2017 were ¥1,379 million and ¥444 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 ¥1,088 million at 31 March 2017 (¥1,478 million at 31 March 2016), and the carrying amount of deposits received is ¥72 million at 31 March 2017 (¥85 million at 31 March 2016).

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 2016							
Trade and other receivables	¥331,749	¥17,740	¥2,080	¥1,889	¥934	¥(2,689)	¥351,702
Loans and other financial assets	25,572	1	—	6	—	—	25,579
Total	¥357,321	¥17,740	¥2,080	¥1,895	¥934	¥(2,689)	¥377,281
Balance at 31 March 2017							
Trade and other receivables	¥296,263	¥12,563	¥1,187	¥1,076	¥858	¥(1,250)	¥310,697
Loans and other financial assets	23,955	1	—	—	6	—	23,961
Total	¥320,218	¥12,564	¥1,187	¥1,076	¥864	¥(1,250)	¥334,658

Financial assets that are individually determined to be impaired are as follows:

(Millions of yen)

	2016	2017
Trade and other receivables (gross)	¥ 132	¥29,939
Allowance for doubtful accounts	(132)	(8,556)
Trade and other receivables (net)	¥ —	¥21,383
Loans and other financial assets (gross)	¥ 52	¥ 14
Allowance for doubtful accounts	(52)	(14)
Loans and other financial assets (net)	¥ —	¥ —

The movement of the allowance for doubtful accounts is as follows:

(Millions of yen)

	2016	2017
Balance at the beginning of the year	¥2,509	¥2,873
Increase during the year	477	9,704
Decrease due to intended use	(7)	(229)
Reversal during the year	(33)	(2,351)
Other	(74)	(176)
Balance at the end of the year	¥2,873	¥9,820

(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 the Chief Financial Officer (CFO).

Financial liabilities by maturity date are as follows:

As of 31 March 2016

(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							
Forward foreign exchange contracts	¥ 351	¥ 351	¥ —	¥ 351	¥ —	¥ —	¥—
Subtotal	351	351	—	351	—	—	—
Financial liabilities measured at amortised cost							
Trade and other payables	183,157	183,157	181,107	452	112	1,486	—
Other	1,875	1,875	911	242	308	411	3
Subtotal	185,033	185,033	182,018	694	420	1,897	3
Total	¥185,384	¥185,384	¥182,018	¥1,045	¥420	¥1,897	¥ 3

As of 31 March 2017

(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							
Forward foreign exchange contracts	¥ 626	¥ 626	¥ —	¥ 626	¥ —	¥ —	¥—
Subtotal	626	626	—	626	—	—	—
Financial liabilities measured at amortised cost							
Trade and other payables	183,266	183,266	181,507	1,319	313	127	—
Other	2,306	2,306	927	245	405	703	26
Subtotal	185,571	185,571	182,433	1,564	718	830	26
Total	¥186,197	¥186,197	¥182,433	¥2,190	¥718	¥830	¥26

(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 each area. In the short term, the Group uses derivatives such as forward foreign exchange 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 the Chief Financial Officer (CFO).

Foreign exchange sensitivity analysis

The financial impact on profit before tax for the years ended 31 March 2016 and 2017 in the case of a 10% appreciation of 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)

	2016	2017
Profit before tax		
U.S. dollar	¥ (190)	¥ (34)
Euro	(7,912)	(745)

(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 forward foreign exchange 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 cash flows.

Cash and cash equivalents

The carrying amount approximates fair value due to the short maturities of the instruments.

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise contingent consideration for business combinations and forward foreign exchange contracts.

The fair value of contingent consideration for business combinations is calculated based on the estimated success probability of development activities and the time value of money.

The fair value of forward foreign exchange contracts 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 2016

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Forward foreign exchange contracts	¥ —	¥ 290	¥ —	¥ 290
Other	—	6,087	2,005	8,092
Subtotal	—	6,377	2,005	8,382
Available-for-sale financial assets				
Quoted equity shares	55,995	—	—	55,995
Unquoted equity shares	—	—	13,861	13,861
Other equity securities	—	—	0	0
Subtotal	55,995	—	13,861	69,856
Total financial assets	55,995	6,377	15,866	78,238
Financial liabilities				
Financial liabilities at FVTPL				
Forward foreign exchange contracts	—	351	—	351
Subtotal	—	351	—	351
Total financial liabilities	¥ —	¥ 351	¥ —	¥ 351

(Note) Financial assets at FVTPL and 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.

As of 31 March 2017

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Other	¥ —	¥7,864	¥ 2,897	¥10,762
Subtotal	—	7,864	2,897	10,762
Available-for-sale financial assets				
Quoted equity shares	26,170	—	—	26,170
Unquoted equity shares	—	—	14,258	14,258
Other equity securities	—	—	0	0
Subtotal	26,170	—	14,258	40,428
Total financial assets	26,170	7,864	17,156	51,190
Financial liabilities				
Financial liabilities at FVTPL				
Forward foreign exchange contracts	—	626	—	626
Subtotal	—	626	—	626
Total financial liabilities	¥ —	¥ 626	¥ —	¥ 626

(Note) 1.Financial assets at FVTPL and 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.

2. The above amounts do not include the contingent consideration for business combinations. For details on the contingent consideration, please refer to Note “37. Business Combinations”.

The movement of fair value of financial assets categorised within Level 3 of the fair value hierarchy is as follows:

For the year ended 31 March 2016

(Millions of yen)

	Financial assets at FVTPL	Available-for-sale financial assets	Total
Balance at 1 April 2015	¥ 750	¥16,121	¥16,871
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note 1)	(153)	240	87
Recognised in other comprehensive income	—	(1,024)	(1,024)
Purchases, issues, sales, and settlements			
Purchases	1,408	744	2,152
Sales	(1)	(664)	(664)
Transfers to Investments in associates and joint ventures	—	(576)	(576)
Transfers to/from Level 3 (Note 2)	—	(657)	(657)
Other	—	(322)	(322)
Balance at 31 March 2016	¥2,005	¥13,861	¥15,866
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)	¥(151)	¥ —	¥ (151)

(Note) 1. This is included in “Finance income” and “Finance expense” of the consolidated statement of income.

2. These financial assets were transferred from Level 3, since a significant input that affects measurement of fair value became observable.

For the year ended 31 March 2017

(Millions of yen)

	Financial assets at FVTPL	Available-for-sale financial assets	Total
Balance at 1 April 2016	¥2,005	¥13,861	¥15,866
Realised or unrealised gains (losses)			
Recognised in profit or loss (Note)	(60)	(150)	(211)
Recognised in other comprehensive income	—	280	280
Purchases, issues, sales, and settlements			
Purchases	952	482	1,434
Sales	—	(10)	(10)
Other	1	(204)	(203)
Balance at 31 March 2017	¥2,897	¥14,258	¥17,156
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)	¥ (60)	¥ (135)	¥ (196)

(Note) This is included in “Finance income” and “Finance expense” of the consolidated statement of income.

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 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 depends on region or industry. In the years ended 31 March 2016 and 2017, the WACC used for measurement was 8.0%. Generally, the fair value would decrease if the WACC capital were higher.

The fair value of unquoted equity shares is measured by relevant 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.

34. Operating Leases

Future minimum lease payments under non-cancellable operating leases are as follows:

(Millions of yen)

	2016	2017
Not later than one year	¥13,017	¥13,237
Later than one year and not later than five years	26,850	20,776
Later than five years	2,349	3,167
Total	¥42,217	¥37,179

Future minimum sublease payments expected to be received under non-cancellable subleases is as follows:

(Millions of yen)

	2016	2017
Future minimum sublease payments expected to be received	¥2,286	¥1,819

Minimum lease payments and sublease payments received recognised as expenses are as follows:

(Millions of yen)

	2016	2017
Minimum lease payments	¥17,634	¥17,050
Sublease payments received	(229)	(211)
Total	¥17,405	¥16,839

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.

35. Commitments

The breakdown of commitments for the acquisition of property, plant and equipment and intangible assets is as follows:

(Millions of yen)

	2016	2017
Intangible assets		
Research and development milestone payments	¥251,978	¥299,099
Sales milestone payments	153,833	290,749
Total	405,812	589,848
Property, plant and equipment	¥ 8,715	¥ 5,114

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.

36. 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)

	2016	2017
Rewards and salaries	¥1,253	¥1,353
Share-based payment	98	164
Other	420	430
Total compensation	¥1,771	¥1,947

Key management personnel consist of 21 people (22 during 2016) including Directors, Corporate Audit & Supervisory Board Members and members of the Executive Committee.

37. Business Combinations

For the year ended 31 March 2016

(1) Outline of business combination

(i)Name and business description of the acquiree

Name of the acquiree: Ocata Therapeutics, Inc. (“Ocata”) (The company name was changed to Astellas Institute for Regenerative Medicine in May 2016.)
Business description: Research and development of new therapies for ophthalmic diseases in the field of regenerative medicine

(ii) Acquisition date

10 February 2016

(iii) Percentage of voting equity interests acquired

100%

(iv) Acquisition method

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

(v) Primary reasons for the business combination

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

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

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

Strategic rationale behind the acquisition:

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

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

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

Certain items had reflected provisional fair values as of 31 March 2016, however, the Group completed the purchase price allocation during the year ended 31 March 2017. Along with this, the Group retrospectively revised the corresponding balances in the consolidated statement of financial position as of 31 March 2016. As a result, goodwill and deferred tax assets increased by ¥2,460 million and ¥481 million, respectively, while other intangible assets decreased by ¥2,941 million. Goodwill mainly comprises the value of expected synergies arising from the acquisition and future economic benefits, which is not separately recognised.

(3) Cash flow information

	(Millions of yen)
Fair value of purchase consideration transferred	¥43,737
Cash and cash equivalents held by the acquiree	(1,084)
Acquisition of subsidiaries, net of cash acquired	¥42,653

(4) Acquisition-related costs

Acquisition-related costs: ¥939 million

Acquisition-related costs were recognised in selling, general and administrative expenses in the consolidated statement of income.

(5) Effect on the consolidated statement of income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the consolidated statement of income for the year ended 31 March 2016:

¥(638) million

(ii) Profit (loss) before tax of the combined entity for the year ended 31 March 2016 assuming the acquisition date had been at the beginning of the fiscal year (unaudited):

¥(5,357) million

(Note) This effect is calculated based on the business results of Ocata from 1 April 2015 to the acquisition date.

For the year ended 31 March 2017

(1) Outline of business combination

(i) Name and business description of the acquiree

Name of the acquiree: Ganymed Pharmaceuticals AG ("Ganymed")
Business description: Development of antibodies against cancer

(ii) Acquisition date

20 December 2016

(iii) Percentage of voting equity interests acquired

100%

(iv) Acquisition method

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

(v) Primary reasons for the business combination

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

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

(Millions of yen)

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

During the year ended 31 March 2017, further facts came to light and additional analysis was performed on the fair value measurement of the assets acquired and liabilities assumed at the acquisition date. As a result, the provisional fair values were adjusted as above. The initial accounting for the business combination is incomplete as of 31 March 2017 as the Group is still in the process of finalizing the fair value measurement.

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

(3) Contingent consideration

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

The contingent consideration is classified as Level 3 within the fair value hierarchy. For details on the fair value hierarchy, please refer to Note "33. Financial Instruments". The fair value of the contingent consideration increases if the estimate of the success probability of the clinical program, which is the significant unobservable input, is raised.

The movement of the contingent consideration for the year ended 31 March 2017 is as follows:

	(Millions of yen)
Balance at 1 April 2016	¥ —
Business combination	28,934
Settlements	—
Movement of fair value	35
Exchange differences	(519)
Balance at 31 March 2017	¥28,450

The balance of scheduled payments of the contingent consideration by maturity date as of 31 March 2017 is as follows:

	(Millions of yen)
Not later than one year	¥ 1,198
Later than one year and not later than five years	14,543
Later than five years	13,241
Total	¥28,982

(4) Cash flow information

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

(5) Acquisition-related costs

Acquisition-related costs: ¥101 million

Acquisition-related costs were recognised in selling, general and administrative expenses in the consolidated statement of income.

(6) Effect on the consolidated statement of income

(i) Profit (loss) before tax of the acquiree since the acquisition date included in the consolidated statement of income for the year ended 31 March 2017:

¥(1,151) million

(ii) Profit (loss) before tax of the combined entity for the year ended 31 March 2017 assuming the acquisition date had been at the beginning of the fiscal year (unaudited):

¥(3,825) million

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

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 U.S. Judicial Panel on Multi- District Litigation ordered that the cases be consolidated before the U.S. District Court for the District of Massachusetts.

In January 2015, APUS settled all claims brought against it by the direct purchaser plaintiffs. In May 2015, the Court approved the settlement and dismissed the case.

In February 2016, APUS settled all claims brought against it by the indirect purchaser plaintiffs. In November 2016, the Court approved the settlement and dismissed the case.

39. Events after the Reporting Period

Acquisition of Ogeda SA

(1) Outline of business combination

(i) Name and business description of the acquiree

Name of the acquiree: Ogeda SA

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

(ii) Acquisition date

16 May 2017

(iii) Percentage of voting equity interests acquired

100%

(iv) Acquisition method

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

- Cash 500 million euros
- Milestone payments Total 300 million euros based on the progress in the development of fezolinetant

(v) Primary reasons for the business combination

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

Detailed information on the accounting treatment is not disclosed as the initial accounting treatment for this business combination has not been completed by the approval date of the consolidated financial statements.

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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 Subsidiaries, which comprise the consolidated statement of financial position as at 31 March 2017, 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 Subsidiaries as at 31 March 2017, 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

19 June 2017
Tokyo, Japan

Investor Information

Common Stock (as of March 31, 2017)

Authorized: 9,000,000,000
Issued: 2,153,823,175
(including 87,917,718 treasury stock)
Number of shareholders: 114,997

Transfer Agent for Common Stock in Japan

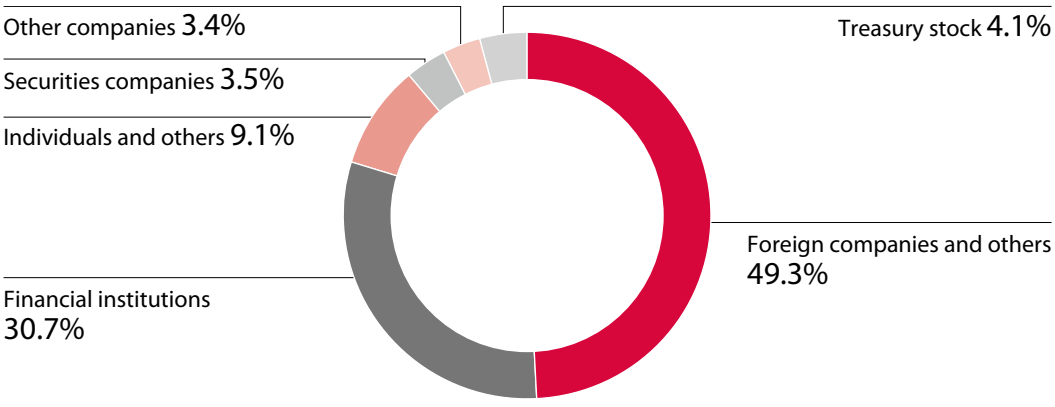
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

Major Shareholders (as of March 31, 2017)

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

Notes: 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.
Astellas holds 87,917 thousand shares of treasury stock, but it is not included in the above list of major shareholders.

Breakdown of Shareholders (as of March 31, 2017)



Corporate Data

Company Name
Astellas Pharma Inc.

Head Office
2-5-1, Nihonbashi-Honcho, Chuo-ku,
Tokyo 103-8411, Japan
TEL: +81-3-3244-3000
https://www.astellas.com/en/

Capital (as of March 31, 2017)
¥103,001 million

Representative
Yoshihiko Hatanaka
Representative Director, President and CEO

Founded
1923

Professional Institution Affiliation
International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)

Stock Exchange Listing
Tokyo (Securities Code: 4503)

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 March 2017)

Astellas is a group of companies engaged solely in the pharmaceutical business. The Group consists of 92 companies, which include Astellas Pharma Inc., 81 consolidated subsidiaries and 10 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
- Astellas Institute for Regenerative Medicine

Sales Bases
- Astellas Pharma US, Inc.
- Astellas Pharma Canada, Inc. (Canada)
- Astellas Farma Brasil Importação e Distribuição de Medicamentos Ltda. (Brazil)
- Astellas Farma Colombia S.A.S (Colombia)

Other
- Astellas US Technologies, Inc.
- Astellas Venture Management LLC

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, 2333, BE 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. mbH (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)
- JSC 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 ilac Ticaret ve Sanayi A.S. (Turkey)
- Astellas Pharma DMCC (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 Malaysia Sdn.Bhd. (Malaysia)

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.

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