

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

The Notice of Convocation

(Securities Code 4503)

May 28, 2020

To: Shareholders

**Notice of Convocation of the 15th Term Annual Shareholders Meeting**

Dear Madam/Sir:

You are hereby notified that the 15th Term Annual Shareholders Meeting of Astellas Pharma Inc. (the “Company”) will be held as stated below.

With a view to preventing the spread of the Coronavirus Disease (COVID-19), we ask that shareholders refrain as much as possible from attending the Annual Shareholders Meeting in person, and instead exercise your voting rights beforehand, either in writing or by electronic means (Internet, etc.)

The Company cordially requests that you consider the Reference Documents for Shareholders Meeting attached below and exercise the voting rights before 5:00 p.m. on Wednesday, June 17, 2020.

Yours faithfully,

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

## Particulars

1. **Date and Time:** 10:00 a.m. on Thursday, June 18, 2020  
(Admission commences at 9:00 a.m.)
2. **Place:** “Banquet Room Fuyo” Hotel New Otani Tokyo (The Main Bldg. Banquet Floor)  
4-1, Kioi-cho, Chiyoda-ku, Tokyo

\* It is possible that the venue may become unavailable for use due to the Coronavirus Disease (COVID-19) outbreak. Any changes to the venue will be posted on the Company’s website. If you are planning to attend the meeting in person, please check the Company’s website on the day before the Annual Shareholders Meeting.

The Company’s website: <https://www.astellas.com/jp/en/investors/shareholders-meeting>

### 3. **Purpose:**

#### **Matters to be reported:**

1. Report on the Business Report, Consolidated Financial Statements and Financial Statements for the 15th Term Business Year (from April 1, 2019 to March 31, 2020);
2. Report on the Results of Audit by Financial Auditor and the Audit & Supervisory Committee for Consolidated Financial Statements for the 15th Term Business Year (from April 1, 2019 to March 31, 2020)

#### **Matters to be resolved:**

**First Proposal:** Election of Seven (7) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

**Second Proposal:** Election of Three (3) Directors Who Are Audit & Supervisory Committee Members

**-End-**

## **Notice Regarding Measures Against the Coronavirus Disease (COVID-19) Outbreak**

Considering the safety of our shareholders, employees, and Directors, we have decided on the following policy for holding the Annual Shareholders Meeting in order to prevent the spread of infection from Coronavirus Disease (COVID-19).

We ask for your understanding in this matter.

- This year, we plan to hold a smaller and shorter meeting than usual. Also, since we will increase the space between shareholders' seats, we may be unable to ensure an adequate number of seats, and may have to restrict the number of shareholders able to enter the venue.
- Regarding the Company's Directors, there is a possibility that only some of the Directors may attend or may attend online, regardless of their health condition on the day of the Annual Shareholders Meeting.
- We ask shareholders who plan to attend in person to give consideration to preventing the spread of infection by bringing and wearing masks. In addition, we will check your temperature near the venue entrance, and if you are found to have a fever, or if you appear to be unwell, you may be refused entry and asked to return home.
- The operation staff of the Annual Shareholders Meeting will be wearing masks.
- In addition to the above, we may take measures necessary to ensure the safety of shareholders, employees and Directors, and to prevent the spread of infection at the venue of the Annual Shareholders Meeting.
- As the situation evolves, any major changes in the operation of the Annual Shareholders Meeting will be notified on the Company's website. If you plan to attend the meeting in person, please be sure to check the Company's website before coming.  
The Company's website: <https://www.astellas.com/jp/en/investors/shareholders-meeting>
- We plan to post a video of the meeting on the Company's website afterwards.

## **Guidance for Means of Exercising Voting Rights:**

### **In case that the shareholder attends the Annual Shareholders Meeting:**

**Date and Time: 10:00 a.m. on Thursday, June 18, 2020**

Please submit the Voting Card to the reception. (Seal is not required.)

Please note that, except for an accompanied person assisting a challenged/disabled shareholder, no one other than shareholders having the voting rights will be admitted to the place of meeting, even if such a person is a proxy who is not the shareholder or the accompanying person of a shareholder.

### **In case that voting rights are exercised by returning the Voting Card:**

**Deadline for Exercise: 5:00 p.m. on Wednesday, June 17, 2020 (arrival of the Voting Card at the Company is required by this time)**

Please describe your vote for approval or disapproval of each proposal on the Voting Card and post the Voting Card without putting stamps.

### **In case that voting rights are exercised by the Internet:**

**Deadline for Exercise: 5:00 p.m. on Wednesday, June 17, 2020 (completion of entry is required)**

Please access to the Website for Exercise of Voting Rights at <https://www.web54.net> and enter your vote for approval or disapproval of each proposal following the on-screen guidance.

(Please refer to [Exercise of Voting Rights via Internet] on page 6.)

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

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

## **Disclosure on the Internet**

1. In accordance with the relevant laws and regulations as well as Article 16 of the Articles of Incorporation of the Company, the following items are posted on the Company's website on the Internet, and therefore, are not included in this Notice of Convocation.
  - Matters concerning Subscription Rights to Shares
  - Systems to Ensure the Appropriate Execution of Business
  - Consolidated Statements of Changes in Equity
  - Notes to Consolidated Financial Statements
  - Statements of Changes in Net Assets
  - Notes to Financial StatementsBusiness Report, Consolidated Financial Statements, and Financial Statements audited by the Audit & Supervisory Committee and Consolidated Financial Statements and Financial Statements audited by Financial Auditor comprise the

statements included in the Notice of Convocation and the abovementioned items posted on the Company's website.

2. In the case of revisions to the Reference Documents for the Shareholders Meeting, Business Report, Consolidated Financial Statements, or Financial Statements, the Company will provide the revised details on its website.

The Company's website:

<https://www.astellas.com/jp/ja/investors/shareholders-meeting>

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

## [Exercise of Voting Rights via Internet]

In case that a shareholder intends to exercise his or her voting rights via Internet, please access the following designated website for exercising voting rights. Please enter the “vote exercising code” and “password” written on the enclosed Voting Card. Then, please enter your vote for approval or disapproval of each proposal following the on-screen guidance.

Exercise of voting rights is also possible by using the full browser function of mobile phones including smart phones, but please be advised that the website may not be accessible by certain models of mobile phone.

Website for Exercise of Voting Rights

<https://www.web54.net>

Deadline for Exercise: 5:00 p.m. on Wednesday, June 17, 2020 (completion of entry is required)

Notes:

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

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

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

### **To institutional investors:**

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

## Reference Documents for Shareholders Meeting

### Proposals and Matters for Reference

**First Proposal:** Election of Seven (7) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

The terms of office of Mr. Yoshihiko Hatanaka, Dr. Kenji Yasukawa, Mr. Naoki Okamura, Mr. Mamoru Sekiyama, Ms. Keiko Yamagami, Dr. Hiroshi Kawabe, and Mr. Tatsuro Ishizuka as Directors will expire at the close of this Annual Shareholders Meeting.

Therefore, it is proposed that seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members) be elected.

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

Please see page 16 for the opinions of the Audit & Supervisory Committee regarding this proposal.

	Candidate No.		Name	Current position and responsibilities at the Company and status of significant concurrent positions at other organizations
Executive	1	Reelection	Yoshihiko Hatanaka	Representative Director, Chairman of the Board Outside Director, Sony Corporation
	2	Reelection	Kenji Yasukawa	Representative Director, President and CEO
	3	Reelection	Naoki Okamura	Representative Director, Executive Vice President, Chief Strategy Officer and Chief Financial Officer (CStO & CFO)
Non-executive	4	Reelection	Mamoru Sekiyama	Director Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd.
	5	Reelection	Keiko Yamagami	Director Lawyer honorary member, Tokyo Seiwa Law Office External Audit & Supervisory Board Member, Denyo Co., Ltd.
	6	Reelection	Hiroshi Kawabe	Director Professor Emeritus, Keio University President, Foundation for Promotion of Medical Training
	7	Reelection	Tatsuro Ishizuka	Director Advisor, Hitachi, Ltd. Outside Director, K&O Energy Group Inc.

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
1	Yoshihiko Hatanaka (April 20, 1957)  Reelection	<p>April 1980: Joined Fujisawa Pharmaceutical Co., Ltd.</p> <p>April 2003: Director, Corporate Planning, Fujisawa Pharmaceutical Co., Ltd.</p> <p>April 2005: Vice President, Corporate Planning, Corporate Strategy Division, the Company</p> <p>June 2005: Corporate Executive, Vice President, Corporate Planning, Corporate Strategy Division, the Company</p> <p>April 2006: Corporate Executive of the Company and President &amp; CEO, Astellas US LLC and President &amp; CEO, Astellas Pharma US, Inc.</p> <p>June 2008: Senior Corporate Executive of the Company and President &amp; CEO, Astellas US LLC and President &amp; CEO, Astellas Pharma US, Inc.</p> <p>April 2009: Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CSTO &amp; CFO), the Company</p> <p>June 2011: Representative Director, President and CEO, the Company</p> <p>April 2018: Representative Director, Chairman of the Board, the Company (present post)</p> <p>June 2019: Outside Director, Sony Corporation (present post)</p> <p>(Status of significant concurrent positions at other organizations) Outside Director, Sony Corporation</p> <p>(Rate of attendance in meetings of the Board of Directors) 14/14 meetings (100%)</p> <p>(Reasons for selection as a candidate for Director) Since his appointment as Representative Director, President and CEO of the Company in June 2011, he has been fulfilling his duties as Director and demonstrating strong leadership through leading the overall management and global business, etc. He has also supervised the overall management in an aim to achieve sustainable enhancement of the enterprise value as Representative Director, Chairman of the Board since April 2018. The Company considers that his extensive experience and knowledge will be required for the management of the Company in the future as well, and therefore requests his election as Director.</p>	53,600 shares



Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
2	Kenji Yasukawa (June 7, 1960)  Reelection	<p>April 1986: Joined the Company</p> <p>April 2005: Vice President, Project Management, Urology, the Company</p> <p>June 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Europe B.V.</p> <p>October 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Global Development, Inc.</p> <p>April 2011: Corporate Executive, Vice President, Product &amp; Portfolio Strategy, the Company</p> <p>April 2012: Corporate Executive, Chief Strategy Officer (CSTO), the Company</p> <p>June 2012: Senior Corporate Executive, Chief Strategy Officer (CSTO), the Company</p> <p>April 2017: Senior Corporate Executive, Chief Strategy Officer and Chief Commercial Officer (CSTO &amp; CCO), the Company</p> <p>June 2017: Representative Director, Executive Vice President, the Company</p> <p>April 2018: Representative Director, President and CEO, the Company (present post)</p> <p>(Rate of attendance in meetings of the Board of Directors) 14/14 meetings (100%)</p> <p>(Reasons for selection as a candidate for Director) Since his appointment as Representative Director, Executive Vice President of the Company in June 2017, he has been fulfilling his duties as Director, and demonstrating strong leadership through leading the overall management and global business, etc. as Representative Director, President and CEO of the Company since April 2018 in an aim to achieve sustainable enhancement of the enterprise value and objectives of the strategic plan. The Company considers that his extensive experience and leadership will be required for the management of the Company in the future as well, and therefore requests his election as Director.</p>	34,215 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
3	Naoki Okamura (September 18, 1962)  Reelection	<p>April 1986: Joined the Company</p> <p>October 2010: President &amp; CEO, OSI Pharmaceuticals, Inc.</p> <p>April 2012: Senior Vice President, Chief Strategy Officer, Astellas Pharma Europe Ltd.</p> <p>July 2014: Vice President, Licensing &amp; Alliances, the Company</p> <p>April 2016: Vice President, Corporate Planning, the Company</p> <p>June 2016: Corporate Executive, Vice President, Corporate Planning, the Company</p> <p>April 2018: Corporate Executive, Chief Strategy Officer (CSTO), the Company</p> <p>April 2019: Corporate Executive Vice President, Chief Strategy Officer (CStO), the Company</p> <p>June 2019: Representative Director, Executive Vice President, Chief Strategy Officer (CStO), the Company</p> <p>October 2019: Representative Director, Executive Vice President, Chief Strategy Officer and Chief Financial Officer (CStO &amp; CFO), the Company (present post)</p> <p>(Rate of attendance in meetings of the Board of Directors) 11/11 meetings (100%)</p> <p>(Reasons for selection as a candidate for Director) Since his appointment as Representative Director, Executive Vice President of the Company in June 2019, he has been fulfilling his duties as Director, and overseeing the corporate planning, business development and finance divisions, etc. as Chief Strategy Officer and Chief Financial Officer (CStO &amp; CFO). He has also been utilizing his abundant experience in global business operation, and demonstrating strong leadership in an aim to achieve sustainable enhancement of the enterprise value and objectives of the strategic plan. The Company considers that his extensive experience and leadership will be required for the management of the Company in the future as well, and therefore requests his election as Director.</p>	11,000 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
4	Mamoru Sekiyama (August 14, 1949)  Candidate for Outside Director and Independent Director  Reelection	April 1974: Joined Marubeni Corporation April 1997: General Manager, Power Project Dept.-I, Marubeni Corporation April 1998: General Manager, Power Project Dept.-III, Marubeni Corporation April 1999: Deputy General Manager, Power Project Div.; General Manager, Power Project Dept. I, Marubeni Corporation April 2001: Senior Operating Officer, Utility Infrastructure Div.; General Manager, Overseas Power Project Dept., Marubeni Corporation April 2002: Corporate Vice President, Chief Operating Officer, Plant, Power & Infrastructure Div., Marubeni Corporation April 2005: Corporate Senior Vice President, Chief Operating Officer, Plant, Power & Infrastructure Projects Div., Marubeni Corporation June 2006: Corporate Senior Vice President, Member of the Board, Marubeni Corporation April 2007: Corporate Executive Vice President, Member of the Board, Marubeni Corporation April 2009: Senior Executive Vice President, Member of the Board, Marubeni Corporation April 2013: Vice Chairman, Marubeni Corporation April 2015: Corporate Adviser, Marubeni Corporation Chairman, Marubeni Power Systems Corporation June 2017: Director, the Company (present post) April 2020: Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd. (present post)  (Status of significant concurrent positions at other organizations) Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd. (Number of years as outside Director) Three (3) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 11/14 meetings (79%)	0 shares

		<p>(Reasons for selection as a candidate for outside Director and grounds for the judgment that he can appropriately carry out duties as outside Director)</p> <p>He has been engaged in corporate management as a business manager of a general trading company for many years, and has abundant global experience and extensive insight. Since June 2017, he has been playing a key role as outside Director in the management of the Company from an independent standpoint. The Company considers that he is able to leverage his abundant global experience and extensive insight to the management of the Company in the future as well, and therefore requests his election as outside Director.</p>	
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Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
5	<p>Keiko Yamagami (March 22, 1961)</p> <p>Candidate for Outside Director and Independent Director</p> <p>Reelection</p>	<p>April 1987: Public Prosecutor, Yokohama District Public Prosecutors Office</p> <p>April 2002: Coordinator, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice</p> <p>January 2005: Counselor, the Legislative Division, Criminal Affairs Bureau, Ministry of Justice</p> <p>August 2005: Public Prosecutor, Supreme Public Prosecutors Office</p> <p>August 2007: Deputy Director of Public Peace Department, Tokyo District Public Prosecutors Office</p> <p>July 2008: Deputy Director of Trial Department, Tokyo District Public Prosecutors Office</p> <p>April 2009: Trial Director, Yokohama District Public Prosecutors Office</p> <p>April 2010: Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association) Lawyer honorary member, Tokyo Seiwa Law Office (present post)</p> <p>June 2017: Director, the Company (present post)</p> <p>June 2019: External Audit &amp; Supervisory Board Member, Denyo Co., Ltd. (present post)</p> <p>(Status of significant concurrent positions at other organizations) Lawyer honorary member, Tokyo Seiwa Law Office External Audit &amp; Supervisory Board Member, Denyo Co., Ltd. (Number of years as outside Director) Three (3) years at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 14/14 meetings (100%) (Reasons for selection as a candidate for outside Director and grounds for the judgment that she can appropriately carry out duties as outside Director) After successively holding important posts such as Public Prosecutor at the Supreme Public Prosecutors Office, she has been engaged in corporate legal affairs as an attorney-at-law, and has abundant expertise and experience in law. Since June 2017, she has been playing a key role as outside Director in the management of the Company from an independent standpoint. The Company considers that she is able to leverage her abundant specialized knowledge and experience to the management of the Company in the future as well, and therefore requests her election as outside Director.</p>	0 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
6	<p>Hiroshi Kawabe (May 2, 1952)</p> <p>Candidate for Outside Director and Independent Director</p> <p>Reelection</p>	<p>May 1979: Assistant, Department of Internal Medicine, Keio University School of Medicine</p> <p>April 1990: Assistant Professor, Health Center, Keio University</p> <p>April 1991: Assistant Professor, Department of Internal Medicine, Keio University School of Medicine</p> <p>April 1996: Associate Professor, Health Center, Keio University Associate Professor, Department of Internal Medicine, Keio University School of Medicine</p> <p>April 2002: Professor, Health Center, Keio University Professor, Department of Internal Medicine, Keio University School of Medicine</p> <p>October 2003: Vice President, Health Center, Keio University</p> <p>October 2011: President, Health Center, Keio University</p> <p>June 2013: Trustee, Japan University Health Association</p> <p>March 2017: Trustee, Daiwa Securities Health Foundation (present post)</p> <p>March 2018: President, Foundation for Promotion of Medical Training (present post)</p> <p>April 2018: Professor Emeritus, Keio University (present post)</p> <p>June 2019: Director, the Company (present post)</p> <p>(Status of significant concurrent positions at other organizations) Professor Emeritus, Keio University President, Foundation for Promotion of Medical Training (Number of years as outside Director) One (1) year at the close of this Annual Shareholders Meeting (Rate of attendance in meetings of the Board of Directors) 11/11 meetings (100%) (Reasons for selection as a candidate for outside Director and grounds for the judgment that he can appropriately carry out duties as outside Director) He has been engaged in medical treatment for many years while successively holding important posts at Keio University as a medical scientist, and has abundant specialized knowledge and experience in medical treatment. Since June 2019, he has been playing a key role as outside Director in the management of the Company from an independent standpoint. The Company considers that he is able to leverage his abundant specialized knowledge and experience to the management of the Company in the future as well, and therefore requests his election as outside Director.</p>	0 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
7	<p>Tatsuro Ishizuka (December 23, 1955)</p> <p>Candidate for Outside Director and Independent Director</p> <p>Reelection</p>	<p>April 1978: Joined Hitachi, Ltd.</p> <p>April 2009: Corporate Officer and General Manager, Hitachi Works, Hitachi, Ltd.</p> <p>April 2011: Vice President and Executive Officer, and President &amp; CEO, Power Systems Company, Hitachi, Ltd.</p> <p>April 2013: Senior Vice President and Executive Officer, Hitachi, Ltd.</p> <p>April 2014: Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.</p> <p>April 2015: Deputy Chairman, Hitachi Europe Ltd.</p> <p>July 2016: Chairman of the Board, Hitachi Research Institute</p> <p>April 2017: Representative Executive Officer, Chairman, Hitachi Construction Machinery Co., Ltd.</p> <p>June 2017: Representative Executive Officer, Chairman, Executive Officer and Director, Hitachi Construction Machinery Co., Ltd.</p> <p>April 2019: Director, Hitachi Construction Machinery Co., Ltd.</p> <p>June 2019: Advisor, Hitachi, Ltd. (present post)</p> <p>June 2019: Director, the Company (present post)</p> <p>March 2020: Outside Director, K&amp;O Energy Group Inc. (present post)</p> <p>(Status of significant concurrent positions at other organizations)</p> <p>Advisor, Hitachi, Ltd.</p> <p>Outside Director, K&amp;O Energy Group Inc.</p> <p>(Number of years as outside Director)</p> <p>One (1) year at the close of this Annual Shareholders Meeting</p> <p>(Rate of attendance in meetings of the Board of Directors)</p> <p>11/11 meetings (100%)</p> <p>(Reasons for selection as a candidate for outside Director and grounds for the judgment that he can appropriately carry out duties as outside Director)</p> <p>He has been engaged in corporate management as a business manager of a general electric manufacturer for many years, and has abundant global experience and extensive insight. Since June 2019, he has been playing a key role as outside Director in the management of the Company from an independent standpoint. The Company considers that he is able to leverage his abundant global experience and extensive insight to the management of the Company in the future as well, and therefore requests his election as outside Director.</p>	800 shares

- (Notes)
1. Each candidate has no special interest in the Company.
  2. Mr. Mamoru Sekiyama, Ms. Keiko Yamagami, Dr. Hiroshi Kawabe and Mr. Tatsuro Ishizuka are candidates for outside Directors and satisfy the required conditions for independent directors stipulated by Tokyo Stock Exchange, Inc., and the Company's independence standards for outside Directors. Thus, they are registered as independent directors with the stock exchange. The Company's independence standards for outside Directors are described on pages 23-24.
  3. The Company has stipulated in the Articles of Incorporation that it may enter into an agreement with each Director (excluding executive Director, etc.) to limit his or her liability for damages under Article 423 (1) of the Companies Act, to the minimum liability amount provided by laws and regulations, if the requirements to limit liability provided by the laws and regulations are satisfied (Agreement to limit Director's liability), enabling Directors (excluding executive Directors, etc.) to sufficiently fulfill expected roles. The Company has entered into the agreement with all of the Directors (excluding executive Directors, etc.). If the re-election of Mr. Mamoru Sekiyama, Ms. Keiko Yamagami, Dr. Hiroshi Kawabe and Mr. Tatsuro Ishizuka is approved, the Company will maintain the agreements to limit their respective liabilities.

■ **Opinions of the Audit & Supervisory Committee**

Based on the Code of Audit & Supervisory Committee Auditing Standards, the Audit & Supervisory Committee has conducted review with respect to election of the Directors (excluding Directors who are Audit & Supervisory Committee Members) by looking into whether the Board of Directors appropriately establishes systems and standards regarding such elections, whether such practices accord with the Corporate Governance Code, and whether appropriate procedures are followed, including discussions carried out by the Nomination Committee. The Audit & Supervisory Committee consequently determined that there is no cause for objection to content of this proposal.



**Second Proposal:** Election of Three (3) Directors Who Are Audit & Supervisory Committee Members

The terms of office of Mr. Tomokazu Fujisawa, Ms. Hiroko Sakai, Mr. Noriyuki Uematsu and Dr. Hiroo Sasaki as Directors who are Audit & Supervisory Committee Members will expire at the close of this Annual Shareholders Meeting.

Therefore, it is proposed that three (3) Directors who are Audit & Supervisory Committee Members be elected.

This proposal has been approved by the Audit & Supervisory Committee.

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

Candidate No.		Name	Current position and responsibilities at the Company and status of significant concurrent positions at other organizations
1	New Candidate	Toru Yoshimitsu	Report to CEO
2	Reelection	Hiroo Sasaki	Director (Audit & Supervisory Committee Member) Professor, Graduate School of Accountancy, Waseda University
3	New Candidate	Raita Takahashi	Representative, TAKAHASHI Accounting & Tax office Outside Audit & Supervisory Board Member, Alpha Group Inc. Representative Director, Yoshida Management Co. Ltd.

Audit & Supervisory Committee Member Ms. Haruko Shibumura will continue to serve as Director who is an Audit & Supervisory Committee Member. If this proposal is approved as originally proposed, the total number of Directors who are Audit & Supervisory Committee Members shall be four (4) (including three (3) outside Directors).

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
1	Toru Yoshimitsu (March 11, 1963)  New Candidate	<p>April 1987: Joined the Company</p> <p>April 2013: Senior Vice President, Product &amp; Portfolio Strategy, the Company</p> <p>June 2015: Corporate Executive, Senior Vice President, Product &amp; Portfolio Strategy, the Company</p> <p>April 2017: Corporate Executive, Senior Vice President, Corporate Finance &amp; Control, the Company</p> <p>April 2019: Corporate Executive, Senior Vice President, Corporate Financial Planning &amp; Analysis, the Company</p> <p>October 2019: Corporate Executive, Senior Vice President, Finance and Corporate Financial Planning &amp; Analysis, the Company</p> <p>April 2020: Report to CEO, the Company (present post)</p> <p>(Reasons for selection as a candidate for Director who is an Audit &amp; Supervisory Committee Member) He has abundant global experience of financial management and strategy in the development and finance divisions and is familiar with business activities of the Company as well as possessing advanced skills in collecting information utilizing the Company's internal and external networks. He assumed the position of Corporate Executive of the Company in June 2015, and has been demonstrating strong leadership in the product strategy and finance divisions in an aim to achieve sustainable enhancement of enterprise value. The Company considers that his extensive experience and leadership will be required for supervising and auditing the Company's management, and therefore requests his election as a new Director who is an Audit &amp; Supervisory Committee Member.</p>	5,400 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
2	<p>Hiroo Sasaki (March 25, 1956)</p> <p>Candidate for Outside Director and Independent Director</p> <p>Reelection</p>	<p>April 1987: Assistant Professor, Faculty of Economics, Nagoya City University</p> <p>April 1990: Associate Professor, Faculty of Economics, Nagoya City University</p> <p>April 1993: Associate Professor, School of Commerce, Waseda University</p> <p>April 1996: Professor, School of Commerce, Waseda University</p> <p>July 1997: Senior Research Officer, Ministry of Finance, Institute of Fiscal and Monetary Policy (current Policy Research Institute); Special Officer for Research, Minister's Secretariat</p> <p>July 1999: Professor, School of Commerce, Waseda University</p> <p>April 2005: Professor, School of Commerce, Waseda University; Professor, Graduate School of Accountancy, Waseda University</p> <p>September 2010: Professor, School of Commerce, Waseda University; Dean, Graduate School of Accountancy, Waseda University</p> <p>April 2013: Dean, Graduate School of Accountancy, Waseda University</p> <p>September 2016: Professor, Graduate School of Accountancy, Waseda University (present post)</p> <p>June 2018: Director (Audit &amp; Supervisory Committee Member), the Company (present post)</p> <p>(Status of significant concurrent positions at other organizations) Professor, Graduate School of Accountancy, Waseda University</p> <p>(Number of years as outside Director) Two (2) years at the close of this Annual Shareholders Meeting</p> <p>(Rate of attendance in meetings of the Board of Directors) 14/14 meetings (100%)</p> <p>(Rate of attendance in meetings of the Audit &amp; Supervisory Committee) 15/15 meetings (100%)</p> <p>(Reasons for selection as a candidate for outside Director who is an Audit &amp; Supervisory Committee Member and grounds for the judgment that he can appropriately carry out duties as outside Director who is an Audit &amp; Supervisory Committee Member)</p>	0 shares

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
		<p>He has held important positions at Waseda University, including at the graduate level, in economics and other fields. While Dean of Waseda University's Graduate School of Accountancy, he was also involved in said School's management. Having researched normative economics, he is deeply knowledgeable about vocational ethics and research ethics and has experience with practical handling of these ethical issues. Since June 2018, he has been playing a key role as outside Director who is an Audit &amp; Supervisory Committee Member in the supervision and auditing of the Company's management from an independent standpoint. The Company considers that he is able to leverage his abundant specialized knowledge and experience to supervise and audit the Company's management in the future as well. Therefore, the Company requests his election as a Director who is an Audit &amp; Supervisory Committee Member.</p>	

Candidate No.	Name (Date of birth)	Resume, position and responsibilities at the Company	Number of shares of the Company owned
3	Raita Takahashi (June 9, 1962)  Candidate for Outside Director and Independent Director  New Candidate	<p>October 1986: Joined Sanwa・Tohmatsu Aoki Audit Corporation (current Deloitte Touche Tohmatsu LLC)</p> <p>August 1995: Joined Chuo Audit Corporation</p> <p>May 1997: Established TAKAHASHI Accounting &amp; Tax office (present post)</p> <p>April 1999: Representative Partner, ChuoAoyama PricewaterhouseCoopers</p> <p>December 2000: Outside Audit &amp; Supervisory Board Member, Alpha Group Inc. (present post)</p> <p>March 2001: Representative Director, Yoshida Management Co. Ltd. (present post)</p> <p>June 2011: Trustee, Japan Association of Healthcare Management Consultants (present post)</p> <p>January 2018: Section President, Japanese Institute of Certified Public Accountants, Minami-Kyushu Chapter, Kagoshima Subcommittee</p> <p>(Status of significant concurrent positions at other organizations)</p> <p>Representative, TAKAHASHI Accounting &amp; Tax office</p> <p>Outside Audit &amp; Supervisory Board Member, Alpha Group Inc.</p> <p>Representative Director, Yoshida Management Co. Ltd.</p> <p>(Reasons for selection as a candidate for outside Director who is an Audit &amp; Supervisory Committee Member and grounds for the judgment that he can appropriately carry out duties as outside Director who is an Audit &amp; Supervisory Committee Member)</p> <p>With his many years of experience as a certified public accountant, he has thorough knowledge of corporate consulting and auditing, and is also engaged in corporate management as a business manager of a consulting company relating to business accounting and tax accounting services, and has abundant specialized knowledge and experience in business accounting and tax accounting. The Company considers that he is able to leverage his abundant specialized knowledge and experience to supervise and audit the Company's management. Therefore, the Company requests his election as a new Director who is an Audit &amp; Supervisory Committee Member.</p>	0 shares

- (Notes)
1. Each candidate has no special interest in the Company.
  2. Candidate for outside Director who is an Audit & Supervisory Committee Member Mr. Raita Takahashi has been elected as a substitute Director who is an Audit & Supervisory Committee Member at the 14th Term Annual Shareholders Meeting held on June 18, 2019. However, he will resign from the position of the substitute Director who is an Audit & Supervisory Committee Member at the start of this Annual Shareholders Meeting.
  3. Dr. Hiroo Sasaki and Mr. Raita Takahashi are candidates for outside Directors who are Audit & Supervisory Committee Members and satisfy the required conditions for independent directors stipulated by Tokyo Stock Exchange, Inc., and the Company's independence standards for outside Directors. Thus, they are registered as

independent directors with the stock exchange. The Company's independence standards for outside Directors are described on pages 23-24.

4. The Company has stipulated in the Articles of Incorporation that it may enter into an agreement with each Director (excluding executive Director, etc.) to limit his or her liability for damages under Article 423 (1) of the Companies Act, to the minimum liability amount provided by laws and regulations, if the requirements to limit liability provided by the laws and regulations are satisfied (Agreement to limit Director's liability), enabling Directors (excluding executive Directors, etc.) to sufficiently fulfill expected roles. The Company has entered into the agreement with all of the Directors (excluding executive Directors, etc.). If the re-election of Dr. Hiroo Sasaki is approved, the Company will maintain the agreement to limit his liability and, if the election of Mr. Toru Yoshimitsu and Mr. Raita Takahashi is approved, the Company will enter into the agreements to limit their liabilities with the same terms and conditions of the other Directors' agreements.

## Reference Material Regarding the First Proposal and Second Proposal

### Independence Standards for Outside Directors

Below are the independence standards for outside Directors of Astellas Pharma Inc. (“the Company”). They are deemed to have independence from the Company and no potential conflict of interest with ordinary shareholders if none of the following apply.

- (1) Person engaged in business execution<sup>1</sup> of the Company or the Company’s subsidiaries (collectively, “the Group”), or person who has been engaged in business execution of the Group at any time in the past 10 years (or for a period of 10 years before appointment to that post if the person has, at any time within the past 10 years, served as a non-executive Director, Audit & Supervisory Board Member or Accounting Advisor of the Group);
- (2) Party for whom the Group is a major business partner<sup>2</sup> or a person engaged in business execution of such party;
- (3) Major business partner of the Group<sup>3</sup> or a person engaged in business execution of such business partner;
- (4) Consultant, accounting professional, or legal professional obtaining large amounts of money or other financial benefits<sup>4</sup>, other than as remuneration of Director from the Group (if such financial benefits are obtained by an incorporated entity, partnership or other organization, this item refers to a person belonging to such organization);
- (5) Person belonging to an auditing firm performing statutory audits of the Group;
- (6) Person receiving donations or grants above a certain threshold<sup>5</sup> from the Group (if the donations or grants are received by an incorporated entity, partnership or other organization, this item refers to a person engaged in business execution of such organization);
- (7) Person engaged in business execution of a major financial institution<sup>6</sup> from which the Group has borrowings, or a person engaged in business execution of the parent company or subsidiary of such financial institution;
- (8) Major shareholder<sup>7</sup> of the Group, or a person engaged in business execution of an incorporated entity that is a major shareholder of the Group;
- (9) Person engaged in business execution of a company in which the Group is a major shareholder;
- (10) Person engaged in business execution of a company accepting directors (whether full or part time) from the Group, or a person engaged in business execution of the parent company or subsidiary of such company;
- (11) Person to whom any of Items (2) through (10) apply during the most recent 3 years; and
- (12) Relative of a person to whom any of Items (1) through (11) apply (limited to a person in an important position<sup>8</sup>).<sup>9</sup>

- 1 “Person engaged in business execution” refers to a “person engaged in business execution” as defined in Article 2,  
paragraph (3), item (vi) of the Regulation for Enforcement of the Companies Act, and includes both executive directors  
and employees. It does not include audit & supervisory board members.
- 2 “Party for whom the Group is a major business partner” refers to a business partner group (namely, a corporate group  
comprising a direct business partner, its parent company or subsidiary, or subsidiaries of the parent company; the same  
shall apply hereinafter.) that provides the Group with products or services for which the transaction value in the most  
recent business year exceeds 2% of such business partner group’s annual consolidated sales
- 3 “Major business partner of the Group” refers to a business partner group to which the Group provides products or services  
for which the transaction value in the most recent business year exceeds 2% of the Group’s annual consolidated sales
- 4 “Large amounts of money or other financial benefits” refers to money or other financial benefits in excess of 10 million  
yen, excluding remuneration of Director, for the most recent business year (if such financial benefits are obtained by an  
incorporated entity, partnership or other organization, it refers to money or other financial benefits in excess of 2% of  
such organization’s total income for the most recent business year).
- 5 “Donations or grants above a certain threshold” refers to donations or grants in excess of the higher of 10 million yen on  
average for the most recent 3 business years or 2% of total income of such person/organization for the most recent  
business year.
- 6 “Major financial institution” refers to a financial institution from which total borrowings at the end of the most recent  
business year exceeds 2% of the Company’s consolidated gross assets.
- 7 “Major shareholder” refers to a shareholder holding 10% or more of voting rights (including direct and indirect holdings).
- 8 “Person in an important position” refers to a director (excluding outside directors); executive officer; corporate executive;  
employee in a management position at the level of department head or higher; certified public accountant in an auditing  
firm or accounting office; attorney in a law firm; councilor, director, auditor or other officer in an incorporated foundation,  
incorporated association, educational institution or other incorporated entity; or other person objectively and reasonably  
deemed to be in a position of similar importance.
- 9 “Relative” refers to a spouse or person within the second degree of consanguinity.

- End -



## [Attachments]

### **Business Report (from April 1, 2019 to March 31, 2020)**

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

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

- During the business year under review (from April 1, 2019 to March 31, 2020, hereinafter it may be also referred to as “FY2019”), the business environment surrounding the pharmaceutical industry continued to face severe conditions due to implementation of government policies to restrain medical expenditures and the tightening up of new drug application reviews implemented in each country, not only in developed countries but also in emerging economies.
- Under such business circumstances, we promoted the global business of research and development, manufacturing, and marketing for the purpose of creating highly value-added and innovative new drugs and medical solutions leveraging our strength in fields where high unmet medical needs exist, and providing such drugs continuously to the world.

##### 1) Summary of Consolidated Business Results

###### <Consolidated financial results (core basis)>

The Company discloses financial results on a core basis as an indicator of its recurring profitability. Certain items reported in financial results on a full basis that are deemed to be non-recurring items by the Company are excluded as non-core items from these financial results on a core basis. These adjusted items include impairment losses, gain (loss) on sales of property, plant and equipment, restructuring costs, loss on disaster, a large amount of losses on compensation or settlement of litigation and other legal disputes, and other items that the company judges should be excluded.

Consolidated financial results (core basis) in FY2019 are shown in the table below. Revenue and core operating profit were largely unchanged from previous business year. Meanwhile, core profit decreased.

Consolidated financial results (core basis)

	Business results of the business year under review (FY2019)	Fluctuation from the previous business year (increase/decrease ratio)
Revenue	¥1,300.8 billion	¥5.5 billion decrease (0.4% decrease)
Core operating profit	¥277.8 billion	¥0.8 billion decrease (0.3% decrease)
Core profit	¥223.2 billion	¥26.2 billion decrease (10.5% decrease)

(i) Revenue

Revenue in FY2019 decreased by 0.4% compared to those in the previous business year (“year-on-year”) to ¥1,300.8 billion.

- Revenue increased by 2.4%, excluding the negative impact of exchange rates with respect to yen appreciation.
- Sales of main products XTANDI for the treatment of prostate cancer and overactive bladder (“OAB”) treatment Betanis / Myrbetriq / BETMIGA continued to increase.
- XOSPATA for the treatment of acute myeloid leukemia was additionally launched in Europe and also achieved growth in Japan and the United States. Moreover, new product groups in Japan achieved sales growth, notably EVENITY for the treatment of osteoporosis.
- The sales growth of those products almost offset the revenue decline mainly due to the loss of exclusivity for OAB treatment Vesicare and anticancer drug Tarceva, and the termination of agreements in Japan for Symbicort Turbuhaler treatment for asthma and chronic obstructive pulmonary disease as well as products of KM Biologics Co., Ltd. such as human vaccines.

(ii) Core operating profit / Core profit

Core operating profit decreased by 0.3% year-on-year to ¥277.8 billion.

Core profit decreased by 10.5% year-on-year to ¥223.2 billion.

- Gross profit increased by 1.0% year-on-year to ¥1,024.1 billion. The cost-to-revenue ratio fell by 1.1 percentage points year-on-year to 21.3%, mainly owing to changes in product mix
- Selling, general and administrative expenses increased by 1.8% year-on-year to ¥499.3 billion. The efficient use of expenses and optimization of resource allocation partially offset increases in XTANDI co-promotion fees in United States, which accompanied sales growth and investment required to launch new products, while the reversal of loss allowances performed during the second quarter of FY2019 was a one-time factor affecting expense reduction during that period.

- Research and development (R&D) expenses increased by 7.4% year-on-year to ¥224.2 billion. Expenses increased, in relation to key post-POC pipeline projects and enhanced investment in new areas and technologies, such as increase in R&D expenses incurred due to acquisition of Audentes Therapeutics, Inc. (U.S.). The R&D cost-to-revenue ratio was up 1.3 percentage points year-on-year to 17.2%.
- Amortisation of intangible assets decreased by 39.9% year-on-year to ¥21.2 billion.

The exchange rates for the yen in FY2019 are shown in the table below. The resulting impacts were a ¥36.7 billion decrease in revenue and a ¥12.6 billion decrease in core operating profit compared with if the exchange rates of the previous business year (from April 1, 2018 to March 31, 2019, hereinafter it may be also referred to as “FY2018”) were applied.

Exchange rate

Average rate	FY2018	FY2019	Change
US\$/¥	¥111	<b>¥109</b>	¥2 (Strengthening of yen)
€/¥	¥128	<b>¥121</b>	¥8 (Strengthening of yen)

Change from beginning to end of period	FY2018	FY2019
US\$/¥	¥5 (Weakening of yen)	<b>¥2 (Strengthening of yen)</b>
€/¥	¥6 (Strengthening of yen)	<b>¥5 (Strengthening of yen)</b>

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in FY2019 are shown in the table below.

The full basis financial results include “Other income” and “Other expense” (including impairment losses and net foreign exchange losses), which are excluded from the core basis financial results.

The Company recorded a gain on sales of property, plant and equipment and other amounts in the third quarter of FY2019 as “Other income.” On the other hand, the Company recorded net foreign exchange losses as “Other expense,” and in the first quarter of FY2019 also recorded an increase in fair value of contingent consideration paid to former shareholders of Ogeda SA (Belgium), commensurately with progress made in developing selective neurokinin-3 receptor antagonist fezolinetant. In addition, in the fourth quarter of FY2019, the Company recorded expenses related to liquidating unvested stock options, etc. of Audentes Therapeutics, Inc. upon its acquisition, and recorded impairment losses in relation to renegotiation of contracts with Cytokinetics, Incorporated (U.S.).

As a result of the above, in FY2019, “Other income” was ¥12.2 billion (¥14.2 billion in the previous fiscal year) and “Other expense” was ¥45.9 billion (¥48.8 billion in the previous fiscal year).

Consolidated financial results (full basis)

	Business results of the business year under review (FY2019)	Fluctuation year-on-year (Increase/decrease ratio)
Revenue	¥1,300.8 billion	¥5.5 billion decrease (0.4% decrease)
Operating profit	¥244.0 billion	¥0.1 billion increase (0.0% increase)
Profit before tax	¥245.4 billion	¥3.6 billion decrease (1.5% decrease)
Profit	¥195.4 billion	¥26.9 billion decrease (12.1% decrease)

## Sales of main products

	Business results of the business year under review (FY2019)	Increase/decrease ratio
XTANDI	¥400.0 billion	20.1% increase
XOSPATA	¥14.3 billion	467.6% increase
PADCEV	¥1.8 billion	—
Betanis / Myrbetriq / BETMIGA	¥161.6 billion	9.8% increase
Vesicare	¥44.7 billion	52.9% decrease
Prograf*	¥192.9 billion	1.4% decrease

\* Prograf: Includes Advagraf, Graceptor, and ASTAGRAF XL.

### <XTANDI>

- Sales increased by 20.1% year-on-year to ¥400.0 billion. Sales increased in all regions of Japan, United States, Established Markets<sup>\*1</sup>, Greater China<sup>\*2</sup>, and International<sup>\*3</sup>.

\*1 Established Markets: Europe, Canada, Australia.

\*2 Greater China: China, Hong Kong, Taiwan.

\*3 International: Russia, Latin America, Middle East, Africa, South East Asia, South Asia, Korea, Export sales, etc.

### <XOSPATA>

- Adding to sales in Japan and United States, XOSPATA was launched in Europe in November 2019. Sales of XOSPATA increased by 467.6% year-on-year to ¥14.3 billion.

### <OAB products in Urology>

- Sales of Betanis / Myrbetriq / BETMIGA increased by 9.8% year-on-year to ¥161.6 billion. Sales increased in all regions.
- Sales of Vesicare decreased by 52.9% year-on-year to ¥44.7 billion, impacted by the effect of generic drugs resulting from the end of exclusivity for the drug in United States and Europe.

### <Prograf>

- Sales decreased by 1.4% year-on-year to ¥192.9 billion. While sales grew in Greater China and International, sales decreased in Japan, United States and Established Markets.

### <Other new products and main products>

- In Japan, in addition to EVENITY, new product group sales continued to increase, including those of Suglat and SUJANU Combination Tablets for the treatment of diabetes mellitus, Linzess for the treatment of chronic constipation, and the antineoplastic drug BLINCYTO. In addition, Evrenzo for the treatment of renal anemia was launched in November 2019. On the other hand, sales of Symbicort Turbuhaler and human vaccines of KM Biologics Co., Ltd. decreased as a result of the Company having discontinued sales amid the termination of agreements.
- In United States, sales of azole antifungal CRESEMBA increased. In addition, PADCEV for the treatment of urothelial cancer was launched, which is being jointly developed with Seattle Genetics, Inc. (U.S.). Meanwhile, revenue associated with Tareeva decreased due to loss of exclusivity.

<Revenue by region>

Revenue by region is shown in the table below. Revenue in United States and International increased, while in Japan, Established Markets and Greater China decreased.

Although the revenue of Established Markets and Greater China decreased due to the foreign exchange rate impact, it increased when calculated excluding such adverse effects.

	Business results of the business year under review (FY2019)	Increase/decrease ratio
Japan	¥345.4 billion	6.5% decrease
United States	¥443.5 billion	5.2% increase
Established Markets	¥296.1 billion	1.3% decrease
Greater China	¥60.4 billion	3.3% decrease
International	¥134.8 billion	9.9% increase

## 2) Progress of initiatives geared towards achieving sustainable growth

The Company has been pursuing initiatives geared towards achieving sustainable growth over the mid to long term, based on its Strategic Plan 2018\* announced in May 2018 which set forth three main strategic goals toward: “Maximizing Product VALUE and Operational Excellence,” “Evolving How We Create VALUE - With Focus Area Approach -” and “Developing Rx+™ programs.”

The following are the main initiatives during the FY2019:

\* Strategic Plan 2018 is posted on the Company’s website  
(<https://www.astellas.com/jp/en/investors/strategic-plan>).

### (i) Maximizing Product VALUE and Operational Excellence

The Company has been developing and maximizing the product value of the Company’s growth drivers such as XTANDI for the treatment of prostate cancer and Betanis / Myrbetriq / BETMIGA for the treatment of overactive bladder (“OAB”).

- With regard to XTANDI, the Company strived to further increase penetration of XTANDI amongst urologists, along with establishing it as the first choice of therapy by utilizing extensive data based on the clinical experience accumulated since its launch. Moreover, the Company has been making efforts to increase the market penetration of XTANDI to the patients with prostate cancer in earlier stages by obtaining approval for expanding indications.
- With regard to Betanis / Myrbetriq / BETMIGA, to partially offset the decline in sales of the OAB treatment Vesicare in Europe and the U.S. due to the expiry of the marketing exclusivity, the Company worked on expanding its market share through education on its clinical profile, which feature a balance of efficacy and safety.

In addition to these products, the Company is steadily advancing product development by preferentially allocating management resources to six key post-POC pipeline projects that will support growth over the mid- to long-term. Much progress was made in each project, including the launch of Evrenzo for the treatment of renal anemia in Japan and the launch of PADCEV for the treatment of urothelial cancer in the U.S., which is being jointly developed with Seattle Genetics, Inc. (U.S.).

The following are the main progress of the each key post-POC pipeline project.

- XTANDI (generic name: enzalutamide) for the treatment of prostate cancer  
  
July 2019: In Europe and Japan, the Company filed a supplemental new drug application for approval for metastatic castration-sensitive prostate cancer.  
  
December 2019: In the U.S., the Company obtained approval for supplemental applications for metastatic castration-sensitive prostate cancer.  
  
February 2020: The Company announced that, in the final overall survival analysis from the Phase 3 PROSPER trial on patients with non-metastatic castration-resistant prostate cancer, those who were treated with androgen deprivation therapy plus

XTANDI demonstrated a statistically significant improvement in overall survival over those who were treated with androgen deprivation therapy plus a placebo.

March 2020: In China, the Company launched XTANDI with metastatic castration-sensitive prostate cancer as an indication in cases with no symptoms or mild symptoms and where androgen deprivation therapy has failed and chemotherapy is not yet clinically indicated.

- XOSPATA (generic name: gilteritinib fumarate) for the treatment of acute myeloid leukemia

April 2019: The Company announced that in the Phase 3 ADMIRAL trial, XOSPATA demonstrated longer overall survival than salvage chemotherapy among adult patients with relapsed/refractory acute myeloid leukemia with an FMS-like tyrosine kinase 3 (*FLT3*) mutation, thus achieving a primary endpoint.

May 2019: In the U.S., the Company obtained approval of its appended documentation giving data on longer overall survival found in the Phase 3 ADMIRAL trial.

November 2019: In Europe, the Company launched XOSPATA as an indication for adult patients with relapsed/refractory acute myeloid leukemia with *FLT3* mutation.

- Evrenzo (generic name: roxadustat) for the treatment of renal anemia

November 2019: In Japan, the Company launched Evrenzo as an indication for renal anemia in patients on dialysis.

January 2020: In Japan, the Company submitted a supplemental application for approval of Evrenzo as a treatment for renal anemia in patients on non-dialysis.

- PADCEV (generic name: enfortumab vedotin) for the treatment of urothelial cancer

November 2019: The Company and Seattle Genetics, Inc. entered into a collaboration agreement with MSD International GmbH (Switzerland) regarding clinical trials on untreated patients with metastatic urothelial cancer to evaluate the use of PADCEV combined with anti-PD-1 therapy, pembrolizumab (Genetically Recombination) (generic name, brand name: KEYTRUDA).

December 2019: In the U.S., Seattle Genetics, Inc. launched PADCEV for the treatment of locally advanced or metastatic urothelial cancer, which had previously been treated with PD-1 or PD-L1 inhibitors and with supplemental platinum-containing chemotherapy before or after surgery or in a locally advanced or metastatic setting.

February 2020: In the U.S., the Company received Breakthrough Therapy Designation for PADCEV for first-line therapy using PADCEV in combination with pembrolizumab to treat patients with unresectable locally advanced or metastatic urothelial cancer who are unable to receive cisplatin-based chemotherapy.



- Fezolinetant (generic name), a selective neurokinin-3 receptor antagonist

August 2019: The Company announced the dosing of the first patient in the global Phase 3 trial for fezolinetant on patients with moderate-to-severe vasomotor symptoms associated with menopause.

- Zolbetuximab (generic name), an anti-Claudin 18.2 monoclonal antibody

July 2019: The Company announced the dosing of the first patient in the Phase 2 trial of patients with pancreatic adenocarcinoma.

In addition to the above, the main developments in Japan, including approvals and new launches, were as follows.

June 2019: The Company and its manufacturing partner, Toa Eiyo Ltd., launched Biso Tape 2 mg for tachycardiac atrial fibrillation, an additional dosage form of its hypertension and atrial fibrillation treatment Biso Tape.

June 2019: The Company launched Gonax 240 mg, an additional dosage of its prostate cancer treatment Gonax (generic name: degarelix acetate) that enables new maintenance dosage at 12-week intervals.

June 2019: The Company's joint development partner, Amgen Astellas BioPharma K.K. (current Amgen K.K.), received approval to amend its production and marketing terms indication for the hypercholesterolemia drug Repatha (generic name: evolocumab (Genetically Recombination)) for treatment of hypercholesterolemia and familial hypercholesterolemia where HMG-CoA reductase inhibitor therapy is not suitable.

July 2019: The Company launched Smyraf (generic name: peficitinib hydrobromide) for the treatment of rheumatoid arthritis in cases where conventional therapies for rheumatoid arthritis (including prevention of structural joint damage) have been inadequate.

In Japan, the Company ceased transferred sale and distribution of products as below.

July 2019: In accordance with the expiration of the sales and co-promotion agreement with AstraZeneca AB (Sweden) for the Symbicort Turbuhaler (generic name: budesonide / formoterol fumarate dihydrate) treatment for asthma and chronic obstructive pulmonary disease, the Company transferred the exclusive sale and distribution of this product in Japan to AstraZeneca K.K. (Japan) and terminated the co-promotion activities it had been conducting with AstraZeneca K.K.

July 2019: In accordance with the expiration of the contract with KM Biologics Co., Ltd. to jointly market blood plasma products, the Company terminated all marketing of the applicable products as well as the provision and collection of information from medical institutions.

January 2020: The Company transferred the marketing authorizations and marketing of the Tiapride medication Gramalil (generic name: tiapride hydrochloride) and the

digestive organ dysfunction medication Primperan (generic name: metoclopramide) to Nichi-Iko Pharmaceutical Co., Ltd.

As our approach to pursuit even greater Operational Excellence, the Company has taken a multifaceted approach to reviewing activities and has been working to strengthen its business base.

The following are the main initiatives during the FY2019:

November 2019: The Company transferred its manufacturing and marketing authorizations, trademark, and related contracts for South Korea, Thailand, the Philippines, Indonesia, China, and Taiwan relating to the Nasea (generic name: ramosetron hydrochloride) antiemetic treatment, the Perdipine (generic name: nicardipine hydrochloride) hypertension treatment, and the Oldeca (generic name: barnidipine hydrochloride) hypertension treatment to Daiichi Sankyo Co., Ltd.

(ii) Evolving How We Create VALUE - With Focus Area Approach -

The Company is aiming to create innovative pharmaceuticals for diseases with high unmet medical needs by focusing on fields that have been carefully narrowed from elucidation of pathophysiology through advances in science (biology) and the utilization of treatment modalities and technologies (modality/technology), as creation of VALUE through Focus Area Approach.

The Company has selected Primary Focus such as “regeneration and blindness,” “immuno-oncology,” “ASIM (Antigen-specific Immune Modulation) biology,” and “mitochondria biology” through the Focus Area approach, and in addition to them, “genetic regulation” has been defined as a new Primary Focus with the acquisition of Audentes Therapeutics, Inc. The Company allocate management resources to these Primary Focus and is embarking on research and development.

The following are the main progress during the FY2019:

- \*1 Biology: Well-characterized pathophysiology
- \*2 Modalities / technologies: Versatile treatment modalities and technologies
- \*3 Primary Focus: A priority investment target selected from within a Focus Area representing a specific combination of factors in terms of scientific validity, lead program progress, and potential of follow-on programs

- Immuno-oncology

September 2019: The Company entered into a worldwide exclusive license agreement with RIKEN for the cell therapy formulations applying RIKEN’s artificial adjuvant vector cell technology in oncology, and acquired the rights for the research, development and commercialization of cell therapy formulations that targets selected cancer antigens.

December 2019: The Company acquired Xyphos Biosciences, Inc. (U.S.) and made it a wholly owned subsidiary of the Company. With the acquisition, the Company gained Xyphos Biosciences, Inc.’s ACCEL (Advanced Cellular Control through Engineered Ligands) technology platform related to Chimeric Antigen Receptor (CAR) cell therapy, as well as industry-leading immuno-oncology talent.

January 2020: The Company entered into an agreement with Adaptimmune Limited (UK) to co-develop and co-commercialize stem-cell derived allogeneic T-cell therapies to people with cancer. Based on the agreement, the Company and Adaptimmune Limited agree on up to three targets and co-develop T-cell therapy candidates directed to those targets.

March 2020: The Company entered into a strategic collaboration agreement with CytomX Therapeutics, Inc. (U.S.) focused on the discovery, research, development and commercialization of novel T-cell engaging bispecific antibodies targeting CD3 and tumor cell surface antigens for the treatment of cancer. Based on the agreement, the Company aims to deliver innovative cancer treatments by utilizing the CytomX's Probody therapeutic technology platform, as well as its proprietary bispecific formats and CD3 modules.

- ASIM (Antigen-specific Immune Modulation) Biology

October 2019: The Company entered into a license collaboration agreement with Pandion Therapeutics, Inc. (U.S.) for research, development, and commercialization of locally acting immunomodulators for autoimmune diseases of the pancreas. By doing this, the Company aims to jointly develop treatments for autoimmune diseases by combining Pandion's expertise in biopharmaceutical engineering and immunology with the Company's wealth of experience in global business and research and development of innovative drugs.

- Mitochondria Biology

October 2019: The Company received Fast Track designation in the U.S. for its ongoing development of ASP1128 for patients who have an increased risk of developing moderate to severe acute kidney injury after coronary artery bypass and/or valve surgery.

- Genetic Regulation

January 2020: The Company acquired Audentes Therapeutics, Inc., and made it a wholly owned subsidiary of the Company. In addition to acquiring Audentes' original technological platform for gene therapy that uses Adeno-associated viruses and its strong capabilities in manufacturing therapies in-house, the Company has also obtained several gene therapy programs, including AT132 for the treatment of X-linked myotubular myopathy, which is currently in Phases 1/2 of clinical development stage. The Company is also aiming to create opportunities for expanding its pipeline and partnering in the field of gene therapy by integrating valuable human networks consisting of patient groups, academic partners, and the like.

- Other

July 2019: The Company entered into an exclusive license agreement with Frequency Therapeutics, Inc. (U.S.) and acquired rights regarding the development and commercialization of Frequency's regenerative therapeutic candidate, FX-322 outside of the U.S. for the treatment of sensorineural hearing loss.

July 2019: The Company announced that it began the Phase 2 part of the Phase 1 and 2 trials for ASP3772, a pneumococcus vaccine developed with the Multiple Antigen Presenting System technology of Affinivax, Inc. (U.S.).

March 2020: The Company and Gifu University established a joint research course “Phage Biologics Research Course” in the Gifu University Graduate School of Medicine, aiming to develop new treatments for bacterial infections using next-generation phage therapy technology.

(iii) Developing Rx+™ programs

The Company is taking on the challenge of developing Rx+™ (“Rx+”) programs with the goal of realizing sustainable growth over the mid- to long-term. The Company aims to create new healthcare solutions by combining expertise and experience cultivated through the prescription pharmaceutical (Rx) business with advanced medical technology, and technology and knowledge from different fields.

In FY2019, the Company established Rx+ Story™ as a strategic direction of the Rx+ business with clarified focus and priority. This will enable Rx+ business creation activities to transition from the stage of seeking a broad range of opportunities to the stage of establishing a solid ground for business acceleration.

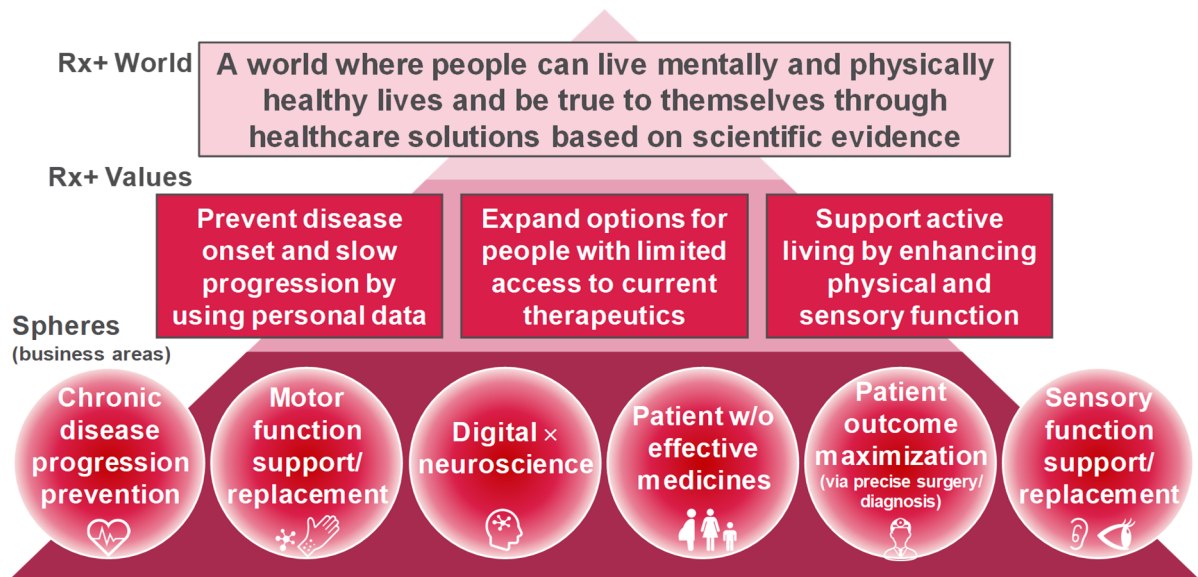
Below are the key initiatives in FY2019.

August 2019: With Yokohama City University and the Tokyo University of the Arts, the Company launched “Health Mock Lab.” as a virtual framework for industry-academia collaboration aimed at creating and commercializing new digital healthcare solutions using gamification.

September 2019: The Company entered into a collaborative research and development agreement with Iota Biosciences, Inc. (U.S.) to explore new biosensing and treatment measures using ultra-small implantable medical devices. Under this agreement, the two companies will jointly design detailed specifications for implantable medical devices and will conduct preclinical studies for several diseases with high unmet medical needs.

November 2019: The Company entered into a collaboration and license agreement with Welldoc, Inc. (U.S.) toward the development and commercialization of digital therapeutics. Under this agreement, the Company has obtained the rights in Japan and certain other Asian markets for joint development and commercialization of Welldoc’s digital health product for diabetes BlueStar as well as the right to collaborate in broadening the adoption of BlueStar in the U.S. market. The Company will also jointly develop and commercialize digital therapeutics for other diseases besides diabetes on a global basis.

# Overview of Rx+ Story™



### 3) Present state of CSR initiatives

CSR (=Corporate Social Responsibility)

The Company recognizes that decisions and business activities of the Company will have certain impact on society and the environment. The Company regards the responsibility for such impact to be Corporate Social Responsibility (CSR).

We are contributing to enhancing the sustainability of society by fulfilling our social responsibilities in business activities as a pharmaceutical company, which involves providing pharmaceutical products that satisfy unmet medical needs. As a result, we earn trust from society both for the Company and our products. We consider these to be the factors that will lead to the enhancement of Astellas' sustainability as well.

Under the aforementioned philosophy, the Company is promoting its CSR activities with a view to creating and protecting the value of society as well as Astellas. There are many people worldwide with insufficient access to the healthcare they need due to the lack of available treatments, poverty, healthcare system challenges and insufficient healthcare information. The Company recognizes these problems as "Access to Health" issues, and in that regard has identified the four areas of "creating innovation," "enhancing availability," "strengthening healthcare systems," and "improving health literacy," with respect to which it is accordingly working to address such issues by making full use of the strengths and technologies it possesses.

(2) Changes in Assets and Income and Loss:

Items	12th term business year (FY2016)	13th term business year (FY2017)	14th term business year (FY2018) (Previous business year)	15th term business year (FY2019) (Business year under review)
Revenue	¥1,311.7 bil.	¥1,300.3 bil.	¥1,306.3 bil.	¥1,300.8 bil.
Operating profit	¥260.8 bil.	¥213.3 bil.	¥243.9 bil.	¥244.0 bil.
Profit before tax	¥281.8 bil.	¥218.1 bil.	¥249.0 bil.	¥245.4 bil.
Profit	¥218.7 bil.	¥164.7 bil.	¥222.3 bil.	¥195.4 bil.
Basic earnings per share	¥103.69	¥81.11	¥115.05	¥104.15
ROE attributable to owners of the parent	17.3%	13.0%	17.6%	15.3%
Total assets	¥1,814.1 bil.	¥1,858.2 bil.	¥1,897.6 bil.	¥2,318.2 bil.
Equity attributable to owners of the parent	¥1,271.8 bil.	¥1,268.3 bil.	¥1,258.4 bil.	¥1,289.2 bil.
R&D expenses	¥208.1 bil.	¥220.8 bil.	¥208.7 bil.	¥224.2 bil.
R&D cost-to-revenue ratio	15.9%	17.0%	16.0%	17.2%

- (Notes)
1. Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) in pursuant to the provisions of Article 120, paragraph (1) of the Regulation on Corporate Accounting.
  2. Basic earnings per share is calculated using the average number of shares of common stock in issue during the business year and presented by rounding numbers to the nearest second decimal places, i.e., discarding four thousandths (4/1000) or less and rounding up five thousandths (5/1000) or more.
  3. ROE=Return On Equity

(3) Capital Expenditures

During the business year under review, the Astellas Group augmented its facilities, mainly at the Astellas Institute for Regenerative Medicine (U.S.), and constructed new buildings at the Tsukuba Biotechnology Research Center, which is an R&D site in Japan, and the Toyama Technology Center of Astellas Pharma Tech Co., Ltd., which is a production site in Japan.

<Capital Expenditures>

14th term business year (Previous business year)	15th term business year (Business year under review)	Fluctuation year-on-year (increase/decrease ratio)
¥27.7 billion	41.8 billion	¥14.0 billion increase (50.5% increase)

(Note) Plant and Equipment does not include right-of-use asset.

#### (4) Financing of the Astellas Group

The Astellas Group raised funds by short-term bonds and short-term loans in January 2020 for the acquisition of Audentes Therapeutics, Inc. (U.S.). The outstanding balances as of March 31, 2020 are short-term bonds of ¥186.0 billion and short-term loans of ¥140.0 billion.

#### (5) Issues to be Addressed by the Astellas Group

The business environment surrounding the pharmaceutical industry has been changing drastically with the times. Whereas on the one hand we have been encountering negative effects particularly stemming from escalating challenges in new drug development and government policies to restrain medical expenditures, on the other hand positive developments have included expansion of regulatory systems for review of innovative drugs such as the emergence of systems of priority review for new drugs, and increasing modalities applicable to drug discovery in step with advances in science and technology. Moreover, advances in digital and engineering technologies have been spurring integration with different industries and are making it possible to offer new medical solutions for patients.

In anticipation of such changes in the business environment, the Company will create highly value-added and innovative new drugs and medical solutions leveraging our strength in fields where high unmet medical needs exist. We will also persistently identify business opportunities by taking multifaceted approach to understand changes in healthcare.

##### 1) Initiatives to build resilience for sustainable growth (Strategic Plan 2018)

In our VISION formulated in 2015, we made a commitment to stand “on the forefront of healthcare change to turn innovative science into VALUE for patients.” Guided by this VISION, we aim to create medical solutions that deliver VALUE to patients through the pursuit of cutting-edge science.

FY2020 is the last year of “Strategic Plan 2018,” which is a guide for realizing our VISION. We will aim to maximize sustainable corporate value by returning to a trend of medium- to long-term profit growth by actively investing for future growth while continuing to steadily implement the strategies of the Strategic Plan.

##### (i) Maximizing the product VALUE and further pursuing operational excellence

In addition to maximizing VALUE of XTANDI and Betanis / Myrbetriq / BETMIGA, we aim to obtain approval of the six key post-POC pipeline projects as planned, and commence sales. Moreover, we will further pursue operational excellence largely by preferentially allocating management resources to fields giving rise to competitive advantages and making use of cutting-edge technologies.

##### (ii) Evolving how we create VALUE - with Focus Area approach

We are allocating management resources to areas we have identified, which involves applying a unique combination of biology and modality / technology to therapeutic areas with high unmet medical needs. We will enlist this Focus Area approach with respect to improving development candidates through ongoing efforts to identify innovative medicines by integrating excellent capabilities from external sources through partnerships, etc. in addition to strengthening our R&D capabilities. In particular, we will focus on the five Primary Focus we have identified on the basis of factors such as scientific appropriateness, technical feasibility, level of completeness and progress of projects.



(iii) Developing Rx+™ programs

We will aim to create new health care solutions by combining our strengths in the prescription pharmaceutical (Rx) business developed to date with the latest medical technologies from external sources and technologies and knowledge from different fields. We will also aim to realize “a world where people can live mentally and physically healthy lives and be true to themselves through healthcare solutions based on scientific evidence” through our Rx+™ business.

## 2) Policy of returns to shareholders

The Company works aggressively towards increasing enterprise value on a continual basis and, as a consequence, improves its return to shareholders. While putting priority on business investment to assure future growth, the Company strives to increase dividend payments stably and continuously based on its medium- to long-term profit growth on a consolidated basis.

Further, the Company flexibly acquires its own shares whenever necessary to enhance capital efficiency and increase earnings per share.

### 3) Strengthening of Global Management Structure

The Astellas Group has established a management structure as described below. Going forward, the Group will continue to further strengthen its global management structure.

- The Company has the Executive Committee, chaired by the Representative Director, President and CEO, as a body for discussion on important matters in global management of the Astellas Group.
- In order to build an optimal management system capable of agile and appropriate decision-making, the Company maintains a global organizational structure across nearly all of its divisions including those of Drug Discovery Research, Medical, Development, Pharmaceutical Technology, and Administration, and appoints Top Management to take charge of such activities.
- In order to aim for appropriate execution of business, the Company has established various committees comprising cross-functional members. These committees include the Corporate Disclosure Committee where matters including disclosure of corporate information are discussed, the CSR Committee that discusses policies and plans of important activities for the purpose of fulfilling the Company's social responsibilities (such as issues on environment, health and safety, and social contribution activities), the Global Benefit Risk Committee to discuss benefit and risk information of products as well as measures to deal with such benefit and risk, the Global Compliance Committee where matters including global compliance policies and plans are discussed. Furthermore, in order to further strengthen risk management, the Company established "Global" and "Divisional" Risk and Resilience Management Committees to replace the previous Global Risk Management Office in October 2019, and is comprehensively managing the identification of risks and the optimum management activities as well as the preparation of crisis response plans and business continuation plans, and the status of their implementation.
- In order to build efficient and effective systems for achieving the strategic objectives of Strategic Plan 2018, the Company continually overhauls its organizational structure. As part of this, the following organizational changes were carried out in April 2020.
  - ✧ The Company established the Corporate Advocacy division, which integrates CSR (Corporate Social Responsibility), corporate communications and international public relations functions with the aim of further strengthening dialogue with its various stakeholders such as customers, shareholders, employees and society.

<Group Management Structure>

(As of April 1, 2020)

Top Management		Department in-charge
Representative Director, President and CEO	Kenji Yasukawa	Drug Discovery Research, Pharmaceutical Technology, Corporate Advocacy, External Relations, Legal, Internal Audit, Quality Assurance, Institute for Regenerative Medicine, Universal Cells, Xyphos Biosciences, Audentes
Representative Director, Executive Vice President, Chief Strategy Officer and Chief Financial Officer	Naoki Okamura	Business Development, Corporate Planning, Product and Portfolio Strategy, Rx+ Business Accelerator, Primary Focus Lead (ASIM* & Beyond), Primary Focus Lead (Blindness & Beyond), Primary Focus Lead (Genetic Regulation), Primary Focus Lead (Immuno-Oncology), Primary Focus Lead (Mitochondria), Advanced Informatics and Analytics, IP Innovation and New Technologies, Patient Centricity, Finance, Procurement, Information Systems
Chief Administrative Officer and Chief Ethics & Compliance Officer	Fumiaki Sakurai	Human Resources, Ethics & Compliance, Corporate Risk Management, Executive Office
Chief Medical Officer	Bernhardt Zeiher	Development, Clinical and Research Quality Assurance, Medical Affairs, Pharmacovigilance, Regulatory Affairs, M&D Strategy & Operations
Chief Commercial Officer	Yukio Matsui	Established Markets Commercial, Greater China Commercial, International Commercial, Japan Commercial, United States Commercial, Strategic Brand Marketing (Enfortumab Vedotin/Gilteritinib/Zolbetuximab), Strategic Brand Marketing (Roxadustat/Fezolinetant), Strategic Brand Marketing (Enzalutamide), Commercial Strategy & Capabilities, Market Access & Pricing

\* ASIM: antigen-specific immuno-modulation

Standing Members of the Executive Committee	
Representative Director, President and CEO	Kenji Yasukawa
Representative Director, Executive Vice President, Chief Strategy Officer and Chief Financial Officer	Naoki Okamura
Chief Administrative Officer and Chief Ethics & Compliance Officer	Fumiaki Sakurai
Chief Medical Officer	Bernhardt Zeiher
Chief Commercial Officer	Yukio Matsui
General Counsel	Catherine Levitt

Extended Members of the Executive Committee	
President, Drug Discovery Research	Akihiko Iwai
President, Pharmaceutical Technology	Hideki Shima
President, Development	Steven Benner
President, Established Markets Commercial	Dirk Kosche
President, Greater China Commercial	Hiroshi Hamaguchi
President, International Commercial	Claus Zieler
President, Japan Commercial	Yasuhiro Tsutsui
President, US Commercial	Percival Barretto-Ko

#### 4) Efforts Against the Spread of the Coronavirus Disease (COVID-19)

With the continuing spread of Coronavirus Disease (“COVID-19”) globally, we are, as part of our mission as a pharmaceutical company, taking various actions and measures to contribute to securing the safety of patients and alleviating strain on healthcare resources. We have been carrying out activities and status to date in areas including the stable supply of products, contribution to the R&D of drugs, and assistance to regions where infection is spreading.

The Company, upon accurately ascertaining situations that change from day to day, will continue to work in cooperation with relevant authorities and organizations of each country by quickly gathering information and promptly taking necessary measures.

##### **Continuation of business and maintaining a stable supply of products**

- While placing the highest priority on the safety of our employees, in order to continue our social mission of ensuring a stable supply of drugs, quality control, managing safety, and providing information, our essential business continues to be carried out by those who have been instructed by the company under the business continuity plan with strict measures taken to prevent infections.
- We are currently forbidding our employees in countries and regions with continuing spread of COVID-19, except those instructed by the company, to work in offices and instead are having them work from home.
- While we are refraining from sales activities, we continue to gather and provide necessary information to medical institutions in regions around the world in accordance with rules of each institution.
- As for the supply of products, there are currently no problems, as we have been able to manage risks of raw materials and finished product supply, by closely cooperating with outsourcing manufacturers and suppliers of raw materials taking into account the continuation of business and the stable supply of products.

##### **For ensuring patient safety and alleviating strain on healthcare resources**

- In countries and regions with continuing spread of COVID-19, we are suspending start-up activities involving study sites for new interventional clinical studies. We are also suspending enrollment of new patients in ongoing studies.
- In countries no longer experiencing a rapid growth of COVID-19 cases, we are resuming or continuing study activities.
- Consistent with the recently issued guidance from authorities including US and EU regulatory bodies, we are assessing protocols and implementing measures to reduce the burden to healthcare systems while ensuring that patient safety is maintained.
- Furthermore, in order to prioritize patient safety, we are also providing measures, when applicable, such as remotely monitoring the safety of a patient via phone, conducting necessary medical exams at medical institutions close to a patient’s home outside of the trial site, and/or sending investigational drug to a patient’s home, in case a patient cannot visit the trial site designated in the protocol.
- We will frequently reassess this approach, which applies to all interventional clinical trials led by us.
- We remain focused on ensuring patient safety, while maintaining regulatory compliance and data integrity across clinical development programs.

### **Contributing to the R&D of drugs**

- We will continue to quickly take appropriate action in response to requests by the government such as the provisions of drugs.
- We are providing compounds in response to a request from the Ministry of Health, Labour and Welfare and National Institute of Infectious Diseases to cooperate in the “Basic Screening Plan for Drugs for Coronavirus Disease.”
- We are also responding to requests from the European Federation of Pharmaceutical Industries Associations and the Innovative Medicines Initiative to cooperate in “Activities Aimed at Developing Drugs for the Novel Virus” and providing consultation on countermeasures.
- We receive various proposals from within or outside of the Company for potential use of our drugs that are under development or on the market against COVID-19, and we are swiftly evaluating each of them.
- We are also responding to requests from various governments to provide compounds in the research phase. While placing the highest priority on safety, we will at the same time continue to contribute in our efforts to swiftly evaluate various possibilities in research and development of drugs against COVID-19.

### **Activities in regions where infection is spreading**

We are currently implementing the following activities.

- Astellas Pharma China, Inc. donated one million yuan to the Red Cross Society of China for purchasing protective clothing, masks, disinfecting solutions, and other equipment for healthcare professionals serving at hospitals in Wuhan, China, and procuring medical treatment equipment. In addition, we have donated approximately 300,000 yuan worth of personal protective equipment to the same society, which has been distributed to hospitals in Wuhan City.
- Astellas Pharma US, Inc. and the Astellas Global Health Foundation are each expanding support for global and local communities fighting COVID-19 by providing up to \$2 million of new financial assistance, in aggregate, to meet the urgent demand for resources to help patients, health care workers, and first responders.
  - At a national level in the United States, Astellas is preparing to help humanitarian organizations working to support communities affected by COVID-19. This includes Astellas’ corporate donations to Americares, the American Red Cross, and Direct Relief to help their emergency efforts. The company is also coordinating opportunities to mobilize equipment, personal protective equipment (PPE) donations, blood donations in alignment with the Centers for Disease Control and Prevention guidance, employee contributions, and volunteerism to meet the critical demand for time and resources where needs are most pressing. Locally at the Astellas- US headquarters in Illinois, Astellas is partnering with multiple state organizations, as a Founding Partner to the Governor’s Illinois COVID-19 Response Fund and the Illinois Biotechnology Innovation Organization (iBIO) COVID-19 PPE Relief Fund.
  - The Astellas Global Health Foundation has recently completed its COVID-19 request for proposal process, with funding to be awarded later this year to the selected national and global humanitarian organizations who are working tirelessly to fight COVID-19 in countries where Astellas does not have a commercial presence.
- We have implemented changes to our patient assistance programs in the US, which offers support to patients needing access and reimbursement assistance as part of the Company’s ongoing commitment to ensuring that patients have access to our products. The changes were made to make the application and verification process easily

accessible for patients who have lost their jobs or insurance coverage as a result of COVID-19, and increased customer service capacity in light of the influx of patients requiring assistance.

- In Italy, our group company, Astellas Pharma S.p.A., has made a donation worth 150,000 euros for the necessary supply of goods to public medical institutions and NPOs.
- In Spain, our group company, Astellas Pharma S.A., has made a donation worth 200,000 euros to the country's health ministry for the necessary supply of goods to medical institutions.
- To assist health care systems coping with increasing demands by government or non-profit organizations presented by the escalation of COVID-19 around the world, the Company will authorize a maximum of 4 weeks of paid leave (in accordance with each country's provision) to employees who are medically qualified and wish to contribute in volunteer activities.



(6) Principal Business (as of March 31, 2020)

Research, development, manufacture and sale of pharmaceuticals

(7) Principal Offices and Plants (as of March 31, 2020)

	Name and location	
Japan	Headquarters (Head Office)	2-5-1, Nihonbashi-Honcho, Chuo-ku, Tokyo
	Commercial <sup>*1</sup>	Sapporo Branch (Hokkaido), Tohoku Branch (Miyagi Prefecture), Kanetsu Branch (Tokyo), Saitama-Chiba Branch (Tokyo), Tokyo Branch (Tokyo), Yokohama Branch (Kanagawa Prefecture), Nagoya Branch (Aichi Prefecture), Kyoto Branch (Kyoto), Osaka Branch (Osaka), Chugoku Branch (Hiroshima Prefecture), Shikoku Branch (Kagawa Prefecture), Kyushu Branch (Fukuoka Prefecture)
	Research & Development	Tsukuba Research Center (Ibaraki Prefecture), Tsukuba Biotechnology Research Center (Ibaraki Prefecture), Takahagi Chemistry & Technology Development Center (Ibaraki Prefecture), Yaizu Pharmaceutical Research Center (Shizuoka Prefecture)
	Manufacturing <sup>*2 *3</sup>	Takahagi Technology Center (Ibaraki Prefecture), Toyama Technology Center (Toyama Prefecture), Toyama Technology Center Takaoka Plant (Toyama Prefecture), Yaizu Technology Center (Shizuoka Prefecture)
Overseas	Commercial <sup>*2</sup>	United States, Germany, The People's Republic of China, France, Spain, and other countries
	Research & Development <sup>*2</sup>	United States
	Manufacturing <sup>*2</sup>	Ireland, The Netherlands, The People's Republic of China

\*1. As of April 1, 2019, the Saitama Branch (Saitama Prefecture) and the Chiba Branch (Chiba Prefecture) have been consolidated into the Saitama-Chiba Branch (Tokyo) and the Osaka Branch (Osaka) and the Kobe Branch (Hyogo Prefecture) have been consolidated into the Osaka Branch (Osaka), respectively. On April 1, 2020, the Company abolished 12 branches nationwide and adopted a structure where the Japan Commercial division directly manage each sales office.

\*2. The site for operations of subsidiaries

\*3. In June 2019, business of the Nishine Plant (Iwate Prefecture), a manufacturing location of the Company, was transferred to CMIC CMO Co., Ltd.

(8) Principal Subsidiaries (as of March 31, 2020)

1) Principal subsidiaries

Name of subsidiary	Share capital	Percentage of voting rights (%)	Outline of business
Astellas US LLC	–	100.0*	Pharmaceutical business (management of regional operations)
Astellas Pharma Europe Ltd.	€ in millions 139	100.0*	Pharmaceutical business (management of regional operations)
Audentes Therapeutics, Inc.	US\$ 0.1	100.0*	Pharmaceutical business (research)
Astellas Pharma Global Development, Inc.	US\$ 10	100.0*	Pharmaceutical business (development)
Astellas Pharma Tech Co., Ltd.	¥ in millions 1	100.0	Pharmaceutical business (manufacture)
Astellas Ireland Co., Ltd.	€ in millions 3	100.0*	Pharmaceutical business (manufacture)
Astellas Pharma China, Inc.	CNY in millions 299	100.0	Pharmaceutical business (manufacture and sales)
Astellas Pharma US, Inc.	US\$ 10	100.0*	Pharmaceutical business (sales)
Astellas Pharma GmbH	€ in millions 14	100.0*	Pharmaceutical business (sales)

\* Including the shares owned indirectly

(Note) The number of consolidated subsidiaries including nine (9) principal subsidiaries stated in the table above totals seventy-nine (79) and that of affiliated companies accounted for by the equity method is four (4).

2) Specified wholly owned subsidiaries

There are no applicable subsidiaries.

## (9) Important Business Reorganizations

- Astellas Pharma Tech Co., Ltd., the Company's production subsidiary in Japan, split off the business of Nishine Plant in June 2019 and transferred all shares of such split-off company to CMIC CMO Co., Ltd.
- In December 2019, the Company completed acquisition of Xyphos Biosciences, Inc. (US), whereby Xyphos Biosciences, Inc. became a wholly-owned subsidiary of the Company.
- In January 2020, the Company completed acquisition of Audentes Therapeutics, Inc. (US), whereby Audentes Therapeutics, Inc. became a wholly-owned subsidiary of the Company.
- In March 2020, the Company dissolved Astellas Marketing and Sales Support Co., Ltd., a subsidiary of the Company that had performed sales support services for the Company, and Astellas Research Technologies Co., Ltd., a subsidiary of the Company that had performed research support services for the Company.
- In March 2020, the Company terminated a joint venture agreement with Amgen Inc. concerning Amgen Astellas BioPharma K.K., making it a wholly owned affiliate of Amgen Inc. (the company name was changed to Amgen K.K.) in April 2020.

(10) Important Alliance for Technology (as of March 31, 2020)

1) License agreements – license in

Counterparty	Country	Type of technologies
Pfizer Group	United States	Technology for atorvastatin (Lipitor) Technology for celecoxib (Celecox)
AstraZeneca UK Limited	United Kingdom	Technology for quetiapine fumarate (Seroquel)
EA Pharma Co., Ltd.	Japan	Technology for nateglinide (Starsis)
FibroGen, Inc.	United States	Technology for YM311 (FG-2216), Roxadustat (Evrenzo) and other oral anemia treatments with similar mode of action
Arbor Group	United States	Technology for gabapentin enacarbil (Regnite)
Ferring Group	Switzerland	Technology for degarelix (Gonax)
FUJIFILM Toyama Chemical Co., Ltd.	Japan	Technology for garenoxacin (Geninax)
Ilypsa, Inc.	United States	Technology for bixalomer (Kiklin)
Kyowa Kirin Co., Ltd.	Japan	Technology for Anti-CD40 mAb
Zeria Pharmaceutical Co., Ltd.	Japan	Technology for acotiamide (Acofide)
Medivation Inc.	United States	Technology for enzalutamide (XTANDI)
Ironwood Pharmaceuticals, Inc.	United States	Technology for linaclotide (LINZESS)
Basilea Pharmaceutica International Ltd.	Switzerland	Technology for isavuconazonium sulfate (CRESEMBA)
UCB Pharma, S.A.	Belgium	Technology for certolizumab pegol (Cimzia)
Amgen Inc.	United States	Technology for evolocumab (Repatha), romosozumab (EVENTY) and blinatumomab (BLINCYTO)
Cytokinetics, Incorporated	United States	Technology for skeletal muscle activators
Immunomic Therapeutics, Inc.	United States	Technology for vaccine for treating patients with cedar pollen allergies Technology for LAMP-vax products
Affinivax, Inc.	United States	Technology for vaccine targeting <i>Streptococcus pneumoniae</i> ( <i>pneumococcus</i> )
Frequency Therapeutics, Inc.	United States	Technology for FX-322
CytomX Therapeutics, Inc.	United States	Technology for T-cell engaging bispecific antibodies
Merck & Co., Inc.	United States	Technology for fidaxomicin (DIFICLIR)
TOLMAR Inc.	United States	Technology for Eligard
Gilead Sciences, Inc.	United States	Technology for Amphotericin B (AmBisome)

Counterparty	Country	Type of technologies
Gilead Palo Alto, Inc.	United States	Technology for regadenoson (Lexiscan)
Seattle Genetics, Inc.	United States	Technology for antibody-drug conjugate (ADC)
Ambrx Inc.	United States	Technology for new antibody-drug conjugate (ADC)
Adaptimmune Limited	United Kingdom	Technology for creation/development of stem-cell derived allogeneic T-cell therapies

(Note) Kyowa Hakko Kirin Co., Ltd. has changed its company name to Kyowa Kirin Co., Ltd.

## 2) License agreements – license out

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

## 3) Distribution and other agreements

Counterparty	Country	Contents of contracts
Toa Eiyo Ltd.	Japan	Distribution of Toa Eiyo pharmaceutical products
Toray Industries, Inc.	Japan	Distribution of “Dorner” of Toray Industries, Inc.
Sanofi K.K.	Japan	Distribution of “Myslee” of Sanofi K.K.
Sanwa Kagaku Kenkyusho Co., Ltd.	Japan	Distribution and co-promotion agreement for “ARGAMATE” of Sanwa Kagaku Kenkyusho Co., Ltd. Co-promotion agreement for “Kiklin” of the Company
Kotobuki Pharmaceutical Co., Ltd.	Japan	Co-operation agreement in Japan for “Suglat” of the Company and Kotobuki Pharmaceutical Co., Ltd. Co-operation agreement in Japan for SUJANU Combination Tablets
Genentech, Inc.	United States	Co-development and Co-business agreement for “Tarceva” of the Company
MSD International GmbH	Switzerland	Master agreement on co-development and co-commercialization in Japan of “SUJANU Combination Tablets” of the Company and MSD International GmbH
MSD K.K.	Japan	Co-promotion agreement in Japan for “SUJANU Combination Tablets” of the Company and MSD International GmbH

(Note) The following distribution and other agreements have been terminated:

- Distribution agreement for “Micardis” (including “Micombi,” “Micamlo,” etc.) with Nippon Boehringer Ingelheim Co., Ltd. (Japan)
- Distribution and co-promotion agreement for “Symbicort” with AstraZeneca AB (Sweden)

#### 4) Other collaboration agreements

Counterparty	Country	Contents of contracts
LEO Pharma A/S	Denmark	Based on the agreement on the transfer of its global dermatology business, the Company will continue supplying products to LEO Pharma A/S until the transfer is complete.

(Note) Disclosure relating to the following collaboration agreements have been terminated.

- Agreement relating to development of a portfolio of vaccines targeting infectious diseases with ClearPath Development Company (U.S.)
- Agreement with LTL Pharma Co., Ltd. relating to the transfer of 16 long-listed products in Japan  
On March 28, 2017, the Company entered into an agreement with LTL Pharma Co., Ltd. (Japan) on the transfer of marketing approval for 16 long-listed products in Japan, supply business of active pharmaceutical ingredients/bulk of the products to third parties inside and outside of Japan, and the royalty business of these products to LTL Pharma Co., Ltd. The succession of marketing approval in Japan, etc. under this agreement was completed on April 1, 2019.

(11) Major Litigations, etc.

Nothing applicable exists.

(12) Employees (as of March 31, 2020)

Number of employees	Year-on-year increase or decrease
15,883	360 decrease

(13) Principal Lenders (as of March 31, 2020)

Nothing applicable exists.

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

Nothing applicable exists.

## 2. Matters Concerning Present State of the Company (as of March 31, 2020)

### (1) Matters Concerning Shares of Common Stock\*

- 1) Total number of shares authorized to be issued by the Company:  
9,000,000,000 shares
- 2) Total number of shares issued:  
1,861,787,075 shares (including 1,294,076 treasury shares)
- 3) Number of shareholders: 87,568
- 4) Top ten (10) principal shareholders:

Name of shareholder	Number of shares held (Thousand)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	210,258	11.30
Japan Trustee Services Bank, Ltd. (trust account)	113,716	6.11
Nippon Life Insurance Company	64,486	3.46
Japan Trustee Services Bank, Ltd. (trust account 7)	52,498	2.82
State Street Bank and Trust Company 505001	49,996	2.68
SSBTC CLIENT OMNIBUS ACCOUNT	38,226	2.05
JP Morgan Chase Bank 385151	37,440	2.01
Japan Trustee Services Bank, Ltd. (trust account 5)	35,314	1.89
JP Morgan Chase Bank 385632	35,121	1.88
State Street Bank West Client - Treaty 505234	30,300	1.62

(Note) The percentage of shares held are calculated to the total number of issued shares excluding treasury shares (1,860,492,999 shares) and presented by discarding the numbers down to the third decimal.

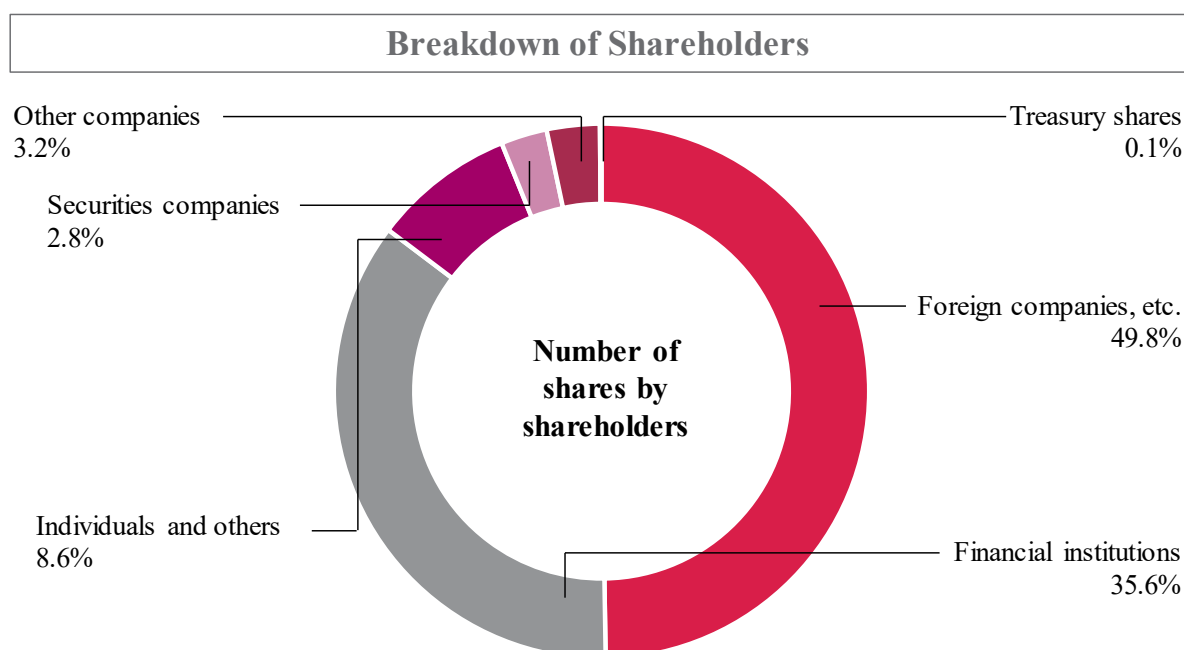


5) Other important matters concerning shares:

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

Number of shares acquired: 27,036 thousand shares (Total amount of acquisition prices: ¥50.0 billion)

Number of shares cancelled: 91,000 thousand shares (Date of cancellation: May 31, 2019)  
27,036 thousand shares (Date of cancellation: February 14, 2020)



\* Treasury shares exclude the Company's shares held in the executive compensation BIP trust and the stock-delivery ESOP trust.

## (2) Basic Views and System of Corporate Governance

### 1. Basic view

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

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

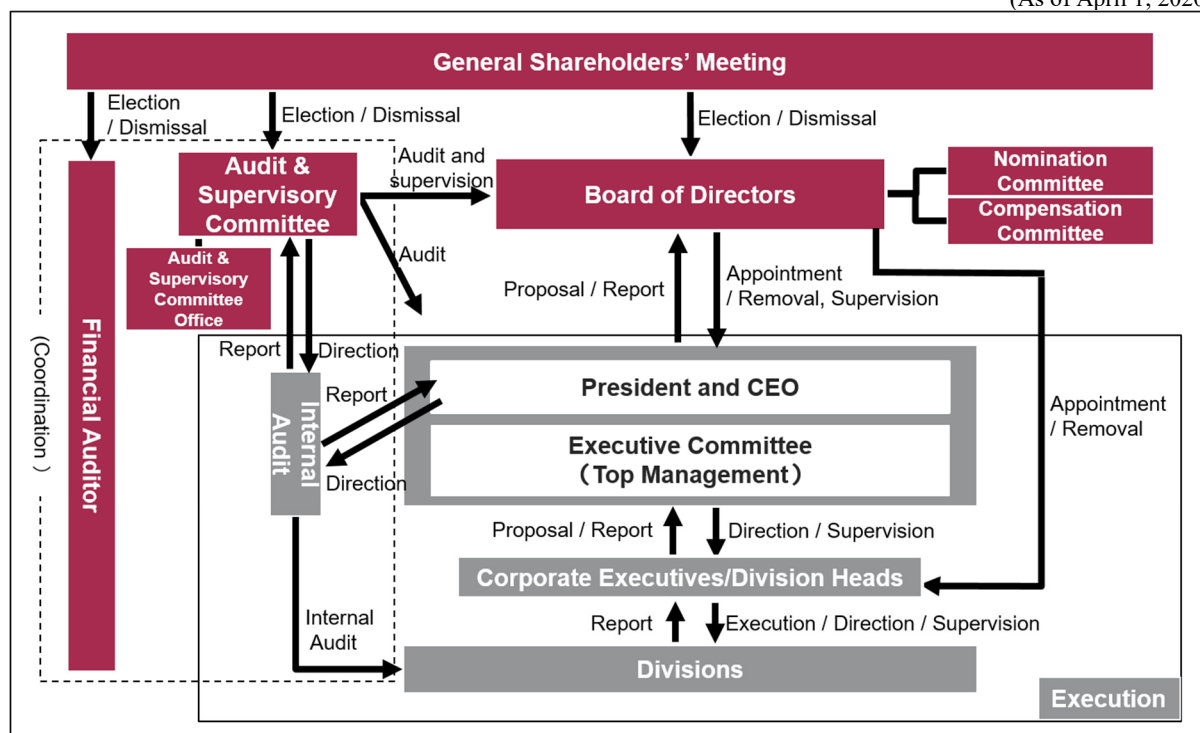
The Company has established the Corporate Governance Guidelines which clarifies the basic views and guidelines that must be followed in order for the Company to ensure and strengthen the effectiveness of corporate governance. The guidelines are posted on the following Company's website.

<https://www.astellas.com/jp/en/about/governance>

### 2. Summary of the Company's corporate governance system

The summary of the Company's corporate governance systems is as follows:

- The Company adopts the organizational structure of "Company with Audit & Supervisory Committee." Outside Directors constitute the majority of the Board of Directors and the Audit & Supervisory Committee, respectively.
- The Board of Directors determines basic policies of management, business strategies and other matters, and serves the oversight function of business execution.
- As an organ for handling business execution, the Company establishes the Executive Committee for discussing important matters and appoints Top Management (the President and Chief Executive Officer; the Chief Strategy Officer and Chief Financial Officer; the Chief Administrative Officer and Chief Ethics & Compliance Officer; the Chief Medical Officer; and the Chief Commercial Officer are collectively referred to as "Top Management") to take responsibility for business execution. The responsibility and authority for the execution of business of the organ described above and the Top Management are clearly stipulated in the Corporate Decision Authority Policy.
- As advisory bodies to the Board of Directors, the Company establishes the Nomination Committee and the Compensation Committee, each of which are composed of a majority of outside Directors.



<Reason for the selection of the system>

To realize this, the Company has decided to transition to a company with an Audit & Supervisory Committee, which will enable the delegation of a substantial part of the Board of Directors' decision-making authority of the execution of business to executive Directors. This further enhances deliberation on matters such as business strategy in the Board of Directors and further strengthens the oversight function of the Board of Directors. In addition, the Company deems it appropriate for the Board of Directors, a majority of whose members are outside Directors, to discuss and make decisions on important matters relating to corporate governance, including those involving election of Directors and remuneration, etc.

3. Directors/ Board of Directors

Directors shall be elected by resolution of Shareholders Meeting and the terms of office of Directors who are not Audit & Supervisory Committee Members and Directors who are Audit & Supervisory Committee Members shall be one year and two years, respectively. Board of Directors meetings are held once every month in principle, chaired by the Director and Chairman of the Board.

The Board of Directors ensures the transparency and appropriateness of management by making decision of corporate management policies and corporate strategies, etc. and serving the oversight function of the execution of business. Furthermore, the Board of Directors ensures the agility of management by delegating a substantial part of decision-making authority of important business execution to an executive Director by resolution of the Board of Directors and establishing "Corporate Decision Authority Policy" to clarify the responsibility and authority for the execution of business by Top Management and others.

The Board of Directors, in consideration of diversity and balance from the perspectives of expertise and experience and so forth, is composed of a number of Directors appropriate to facilitate agility. In order to ensure decision-making from a broader

viewpoint and objective oversight of the execution of business, the Board of Directors is composed of a majority of outside Directors. As of March 31, 2020, the Board of Directors comprises 12 Directors (nine male and three female), among whom a majority of seven are highly independent outside Directors.

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

#### 4. Audit & Supervisory Committee

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

The Audit & Supervisory Committee is the only deliberation body and decision-making body for the purpose of forming opinions with regard to audits by the Audit & Supervisory Committee Members, and, where necessary, provides its opinions to Directors or the Board of Directors.

The Audit & Supervisory Committee is composed of all the Directors who are Audit & Supervisory Committee Members, and its chairman is determined by resolution of the Audit & Supervisory Committee. In order to further enhance the independence and neutrality of the Company's audit system, the Audit & Supervisory Committee is composed of a majority of outside Directors. In addition, the Company appoints as Audit & Supervisory Committee Members individuals who have appropriate experience and skills, as well as necessary knowledge of finance, accounting and legal affairs. At least one person who has sufficient expertise in finance and accounting serves on the committee. As of March 31, 2020, the Audit & Supervisory Committee comprises five members (three male and two female), among whom a majority of three are highly independent outside Directors.

On April 1, 2020, the Company newly established the Audit & Supervisory Committee Office with a dedicated staff that has been increased and assigned to assist the duties of the Audit & Supervisory Committee Members.

The staff of the Audit & Supervisory Committee Office are independent from Directors who are not Audit & Supervisory Committee Members and perform their duties under the direction of the Audit & Supervisory Committee. Moreover, the Board of Directors has decreed that any transfer or evaluation, etc. of the staff requires the prior approval of the Audit & Supervisory Committee. This arrangement ensures that the staff of the Audit & Supervisory Committee Office remain independent of other business execution divisions and ensures the efficacy of directions given to the staff by the Audit & Supervisory Committee.

#### 5. Nomination Committee / Compensation Committee

In order to improve the transparency and objectivity of the deliberation process of regarding election and dismissal of Directors, etc. and remuneration system, the Company establishes the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors. The Nomination Committee and the Compensation Committee are composed of members appointed by the Board of Directors, and the majority of each Committee are outside Directors. Each Committee is chaired by an outside Director.

<Role of the Nomination Committee>

The Nomination Committee deliberates matters relating to the election and dismissal of Directors and appointment and removal of Top Management, etc., and reports the results of their deliberations to the Board of Directors.

<Role of the Compensation Committee>

The Compensation Committee deliberates matters regarding remuneration, bonuses and other financial benefits paid as consideration for the performance of duties for Directors and Top Management, etc. (excluding remuneration for individual Directors who are Audit & Supervisory Committee Members), and reports the results of their deliberations to the Board of Directors.

(3) Matters Concerning Directors:

1) Names and other information:

Position	Name	Advisory Committee	Responsibility and status of significant concurrent positions
Representative Director, Chairman of the Board	Yoshihiko Hatanaka	Member of the Nomination Committee Member of the Compensation Committee	Outside Director, Sony Corporation (assumed in June 2019)
Representative Director, President and CEO	Kenji Yasukawa		
Representative Director, Executive Vice President	Naoki Okamura		Chief Strategy Officer and Chief Financial Officer (CStO & CFO)
Outside Director	Mamoru Sekiyama	Chair of the Nomination Committee Chair of the Compensation Committee	Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd. (assumed in April 2020)
Outside Director	Keiko Yamagami	Member of the Nomination Committee Member of the Compensation Committee	Lawyer honorary member, Tokyo Seiwa Law Office External Audit & Supervisory Board Member, Denyo Co., Ltd. (assumed in June 2019)
Outside Director	Hiroshi Kawabe	Member of the Nomination Committee Member of the Compensation Committee	Professor Emeritus, Keio University President, Foundation for Promotion of Medical Training
Outside Director	Tatsuro Ishizuka	Member of the Nomination Committee Member of the Compensation Committee	Director, Hitachi Construction Machinery Co., Ltd. (retired in June 2019) Advisor, Hitachi, Ltd. Outside Director, K&O Energy Group Inc. (assumed in March 2020)
Director (Full-time Audit & Supervisory Committee Member)	Tomokazu Fujisawa		
Director (Full-time Audit & Supervisory Committee Member)	Hiroko Sakai		
Outside Director (Audit & Supervisory Committee Member)	Noriyuki Uematsu		Managing Director, Uematsu & Co. President & Representative Director, SU Consultant Co. Ltd Outside Director and Audit and Supervisory Committee Member, Kamakura Shinsho, Ltd. Outside Corporate Auditor, LINE Corporation

Position	Name	Advisory Committee	Responsibility and status of significant concurrent positions
Outside Director (Audit & Supervisory Committee Member)	Hiroo Sasaki		Professor, Graduate School of Accountancy, Waseda University
Outside Director (Audit & Supervisory Committee Member)	Haruko Shibumura		Partner Lawyer, Homma & Partners Outside Audit & Supervisory Board Member, NICHIREKI CO., LTD. (retired in June 2019) Outside Director, NICHIREKI CO., LTD. (assumed in June 2019) Outside Director, TAMURA Corporation

- (Notes)
- Mr. Mamoru Sekiyama, Ms. Keiko Yamagami, Dr. Hiroshi Kawabe, Mr. Tatsuro Ishizuka, Mr. Noriyuki Uematsu, Dr. Hiroo Sasaki and Ms. Haruko Shibumura are outside Directors and are registered as independent directors with Tokyo Stock Exchange, Inc.
  - There is no significant business relationship between the Company and the above organizations where each outside Director holds significant concurrent positions.
  - The years and months listed for the status of significant concurrent positions relate to changes in position during and after the business year under review.
  - Notes to be particularly mentioned for Audit & Supervisory Committee Members are as follows:  
Mr. Noriyuki Uematsu has been engaged in consulting on M&As as a certified public accountant as well as a consultant over the years. He is currently serving as Managing Director of Uematsu & Co. as well as President & Representative Director of SU Consultant Co. Ltd, and is a faculty member of the Graduate School of Business and Finance, Waseda University. These facts demonstrate that he has substantial knowledge of finance and accounting.
  - Mr. Tomokazu Fujisawa and Ms. Hiroko Sakai are full-time Audit & Supervisory Committee Members. Given their familiarity with the Company's internal affairs, they have accordingly been appointed as full-time Audit & Supervisory Committee Members to heighten the effectiveness of activities of the Audit & Supervisory Committee by sharing with all Audit & Supervisory Committee Members information they have obtained by attending important meetings, receiving reports from business operating departments, and liaising closely with the Internal Audit, etc.
  - Dr. Yoshiharu Aizawa retired from the office of Director during the business year under review (retired on June 18, 2019).
  - Mr. Hitoshi Kanamori resigned from the office of Director (Audit & Supervisory Committee Member) during the business year under review (resigned on June 18, 2019).
  - Changes in Directors' responsibilities during the business year under review were as follows.

Name	Before change		After change		Date of change
	Position	Responsibility	Position	Responsibility	
Naoki Okamura	Representative Director, Executive Vice President	Chief Strategy Officer (CStO)	Representative Director, Executive Vice President	Chief Strategy Officer and Chief Financial Officer (CstO & CFO)	October 25, 2019

## 2) Amounts of remunerations:

Remunerations for Directors are so designed as to enable the Company to recruit and retain talents, and to make the remuneration structures and levels fully

commensurate with the responsibilities of the position. The Company endeavors to improve the objectivity of decisions on remuneration levels through measures such as the use of remuneration survey data from specialist third-party organizations.

Remunerations for internal Directors (excluding Directors who are Audit and Supervisory Committee Members) are based upon a remuneration system and composition that are closely linked to performance with an emphasis on increasing enterprise value and shareholder value over the medium- to long-term, and are composed of a fixed amount basic remuneration, bonuses, and stock compensation. The Company appropriately links remunerations with business performance. Remunerations for outside Directors and Directors who are Audit & Supervisory Committee Members are composed of a fixed amount basic remuneration only. Remunerations for each Director who is not Audit & Supervisory Committee Member are determined by resolutions of the Board of Directors within a total ceiling amount approved by the Shareholders Meeting. Remunerations for each Director who is an Audit & Supervisory Committee Member are determined by the deliberations of the Audit & Supervisory Committee Members within a total ceiling amount approved by the Shareholders Meeting. Through the deliberations of the Compensation Committee, the Company ensures greater transparency and objectivity of the deliberation process for remunerations for Directors who are not Audit & Supervisory Committee Members.

Remunerations to Directors for the business year under review are as follows:

<Total amount of remunerations, total amount of remunerations by type, and number of Directors applicable for each category of Directors >

Category	Total amount of remunerations (Millions of yen)	Total amount of remunerations by type of remuneration (Millions of yen)			Number of applicable Directors
		Basic remuneration	Bonus	Stock compensation	
Directors who are not Audit & Supervisory Committee Members (excluding outside Directors)	1,245	266	617	362	3
Outside Directors who are not Audit & Supervisory Committee Members	68	68	–	–	5
Total	1,314	334	617	362	8
Directors who are Audit & Supervisory Committee Members (excluding outside Directors)	123	123	–	–	2
Outside Directors who are Audit & Supervisory Committee Members	53	53	–	–	4
Total	176	176	–	–	6

(Notes) 1. At the 14th Term Annual Shareholders Meeting of the Company held on June 18, 2019, the ceiling amount of basic remuneration for Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) was resolved to be ¥590 million per year, with the ceiling amount for bonuses resolved to be ¥1,370 million per year, while the ceiling amount for basic remuneration for outside Directors who are not Audit &



Supervisory Committee members was resolved to be ¥130 million per year. The ceiling amounts do not include the portion of salary paid in the capacity of employees.

2. The ceiling amount of remuneration to the Directors who are Audit & Supervisory Committee Members as a group was resolved to be ¥260 million per year at the 13th Term Annual Shareholders Meeting of the Company held on June 15, 2018.
3. The amounts of “Basic remuneration” above include the amounts paid to one (1) outside Director who is not an Audit & Supervisory Committee Member and one (1) outside Director who is an Audit & Supervisory Committee Member who retired at the close of the 14th Term Annual Shareholders Meeting held on June 18, 2019.
4. The bonus stated above is estimated payment amounts.
5. The Company has introduced a performance-linked stock compensation scheme (stock compensation), which employs a framework referred to as the executive remuneration BIP (Board Incentive Plan) trust, for the purpose of increasing the awareness of contribution to the sustainable growth of the business results and enterprise value. The Scheme is a medium- to long- term incentive-based remuneration plan that is highly transparent and objective and closely linked with the Company’s business results. Under the Scheme, with respect to the three consecutive business years of an applicable period, the Company contributes, in the initial business year of each applicable period, funds for remuneration to the Directors to the executive remuneration BIP trust. The ceiling amount of the contribution was resolved to be an amount not exceeding ¥1,640 million at the 14th Term Annual Shareholders Meeting of the Company held on June 18, 2019. The stock compensation stated above refers to the amount recorded as expenses under J-GAAP for the business year under review.

<Directors whose total amount of remunerations is 100 million yen or more>

Name (Position)	Total amount of remunerations (Millions of yen)	Total amount of remunerations by type of remuneration (Millions of yen)		
		Basic remuneration	Bonus	Stock compensation
Yoshihiko Hatanaka (Representative Director, Chairman of the Board)	477	98	226	153
Kenji Yasukawa (Representative Director, President and CEO)	537	115	266	156
Naoki Okamura (Representative Director, Executive Vice President)	231	53	125	54

(Note) The bonus stated above is projected payment amounts.

The stock compensation stated above refers to the amount recorded as expenses under J-GAAP for the business year under review.

## **Policies and procedures on determining remunerations for Directors**

### **● Policies and procedures on determining remunerations for Directors who are not Audit & Supervisory Committee Members (excluding outside Directors)\***

\* Where “Director” is used in this section, it refers to Directors who are not Audit & Supervisory Committee Members (excluding outside Directors).

### **Remuneration policies**

Remuneration of the Company’s Directors is determined based on the following factors.

#### **Competitive remuneration system**

- A remuneration structure and levels that enable the Company to recruit and retain talents

#### **Remuneration system that emphasizes increasing enterprise value and shareholder value**

- A remuneration system and composition that are closely linked to performance with an emphasis on increasing enterprise and shareholder value over the medium-to long-term

#### **Fair and impartial remuneration system**

- A fair and impartial remuneration system based on responsibility and results regardless of country and region

## Remuneration structure

Remuneration structure for Directors of the Company consists of basic remuneration (fixed remuneration) and incentive-based remuneration (variable remuneration). The incentive-based remuneration (variable remuneration) consists of the two components bonus (short-term incentive remuneration) and stock compensation (medium- to long-term incentive remuneration). Chart 1 contains the types of remuneration and the objectives and overview of the respective remuneration types.

[Chart 1. Remuneration structure for Directors of the Company]

Type of remuneration		Objectives and overview
Fixed	Basic remuneration	<p>Fixed remuneration for encouraging job performance consistently aligned with professional responsibilities</p> <ul style="list-style-type: none"> <li>Remuneration levels determined based on trends with respect to remuneration benchmark company groupings</li> </ul>
	Bonus (short-term incentive remuneration)	<p>Performance-linked remuneration geared to steadily improving results with the aim of achieving the business performance targets each business year</p> <ul style="list-style-type: none"> <li>The base amount to be paid upon achieving targets is set as a proportion of basic remuneration, depending on factors such as professional responsibilities (consideration placed on trends with respect to remuneration benchmark company groupings)</li> <li>Specific amount to be paid is to be determined within range of 0% to 200% for the base amount, depending on factors such as level of achieving business performance targets each business year</li> <li>Lump-sum payment subsequent to conclusion of respective business years</li> </ul>
Variable	Stock compensation (medium- to long-term incentive remuneration)	<p>Performance-linked remuneration to promote the management focused on improving the enterprise value and shareholder value over the medium- to long-term</p> <ul style="list-style-type: none"> <li>The base amount is set as a proportion of basic remuneration, depending on factors such as professional responsibilities (consideration placed on trends with respect to remuneration benchmark company groupings)</li> <li>The number of shares (basic points) to be delivered upon achieving targets is calculated as the base amount divided by the share price at the start of the three-year applicable period (the average closing price of the Company's shares on the Tokyo Stock Exchange for the month prior to start of the applicable period)</li> <li>The specific number of shares delivered is to be determined within a range of 0% to 200% for the basic points, depending on factors such as the rate of growth attained by the Company share price over a three-year period</li> <li>In principle, delivered in a single installment around June occurring immediately after conclusion of the three-year applicable period (provided, however that 50% of payment shall be cash payment)</li> </ul>

## **Remuneration levels**

To ensure competitive remuneration levels for the Company's Directors that enable the Company to recruit and retain talents, the Company will use the objective remuneration survey data of an external expert organization ("Willis Towers Watson Executive Compensation Database (Japan)") and other sources to select a group of companies for remuneration benchmarking, and set the remuneration levels in accordance with responsibility and other factors.

[Remuneration benchmark company groupings]

For remuneration benchmarking, the Company will mainly use 1) "major manufacturing companies listed on Japanese stock exchanges" as a comparison target, while also making reference to 2) "global pharmaceutical companies with revenue of a similar scale to the Company."

The remuneration benchmark company groupings, to which the Company referred, to determine the remuneration for Director (base amount), are as follows.

<b>Referenced Remuneration Benchmark Company Grouping</b>	<b>15th term business year</b>	<b>16th term business year</b>
Major manufacturing companies listed on Japanese stock exchanges* * Selected from manufacturing companies within the top 100 ranking companies by market capitalization at the time of reference	37 companies	37 companies
Global pharmaceutical companies with revenue of a similar scale to the Company* * Selected from global pharmaceutical companies whose revenue is within a range of 0.5 to 2.0 times that of the Company at the time of reference	18 companies	18 companies

(Note) The 15th term business year remuneration for Directors of the Company (base amount) was decided making reference to remuneration survey data of the remuneration benchmark company grouping including the Company.

The 16th term business year remuneration for Directors of the Company (base amount) was decided making reference to remuneration survey data of the remuneration benchmark company grouping excluding the Company.

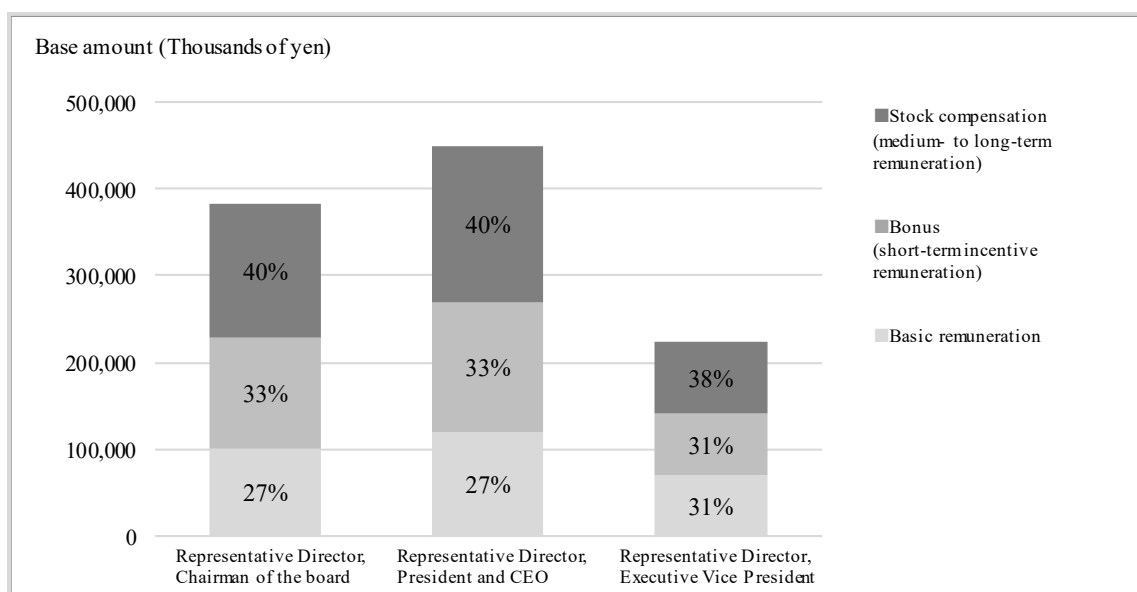
## **Allocated ratios of remuneration**

The allocated ratios of remuneration for Directors are set appropriately based on the Company's management strategy and business environment, responsibilities, and level of difficulty in achieving the target for incentive remuneration, while also taking into consideration the trends at remuneration benchmark company groupings. To ensure that the remuneration system and remuneration composition are strongly linked to business results and emphasize the increase of enterprise and shareholder value over the medium- to long-term, the ratio of incentive remuneration (particularly medium- to long-term incentive remuneration) is increased, and the allocated ratios of remuneration for the Representative Director, President and CEO are used as a guideline, specifically "basic remuneration : bonus (base amount) : stock compensation (base amount)" = "1 (27%) : 1.25 (33%) : 1.5 (40%)." The allocated ratios of remuneration for the other Directors are decided in consideration of their responsibilities and remuneration levels in accordance

with the allocated ratios of remuneration for the Representative Director, President and CEO.

The following chart (Chart 2) lists the remuneration levels (base amount) for Directors of the Company on a per-position basis and allocated ratios of remuneration for the business year under review. The Company will use the same settings for the 16th term business year.

[Chart 2. Remuneration levels (base amount) for Directors of the Company on a per-position basis and allocated ratios of remuneration]



(Thousands of yen)

Position	Basic remuneration	Bonus		Stock compensation		Total
		Base amount	Proportion of basic remuneration	Base amount	Proportion of basic remuneration	
Representative Director, Chairman of the Board	102,000	127,500	1.25	153,000	1.5	382,500
Representative Director, President and CEO	120,000	150,000	1.25	180,000	1.5	450,000
Representative Director, Executive Vice President	70,308	70,316	1.00	84,376	1.2	225,000

### **Incentive-based remuneration system (variable remuneration)**

#### **[Bonus (short-term incentive remuneration)]**

Bonuses (short-term incentive remuneration) will act as performance-linked remuneration for steadily building results towards achieving targets for each business year. As such, the Company will set appropriate consolidated performance evaluation indicators and a system that is linked closely with performance.

The charts below list key performance indicators of bonus (short-term incentive remuneration), details, and formula for calculating payment amounts for the business year under review (Chart 3 and Chart 4). The performance evaluation indicators and system will be changed as necessary as the business environment changes and the management plans are reviewed.

[Chart 3. Key performance indicators of bonus (short-term incentive remuneration) and details]

Key performance indicators	Assessment weighting	Variance of assessment coefficient	Objectives and targets
Revenue	25%	0% to 200%	Objective: Increase size of business Target: Set target range as follows <ul style="list-style-type: none"> <li>Maximum: Target × 105%</li> <li>Target: Initially released forecast value</li> <li>Minimum: Target × 95%</li> </ul>
Core operating profit ratio	25%	0% to 200%	Objective: Increase business profitability and operational efficiency Target: Set target range as follows <ul style="list-style-type: none"> <li>Maximum: Target × 110%</li> <li>Target: Initially released forecast value</li> <li>Minimum: Target × 90%</li> </ul>
Core EPS*	25%	0% to 200%	Objective: Increase profit Target: Set target range as follows <ul style="list-style-type: none"> <li>Maximum: Target × 115%</li> <li>Target: Initially released forecast value</li> <li>Minimum: Target × 85%</li> </ul>
R&D performance	25%	0% to 200%	Objective: Achieve sustainable growth Target: Set quantitative targets separately for research and development <ol style="list-style-type: none"> <li>Research: Number of new drug candidates</li> <li>Development: Amount of increase in pipeline value</li> </ol>
Total	100%	0% to 200%	

\* EPS is an abbreviation for “Earnings Per Share.”

[Chart 4. Formula for calculating payment amount of bonus (short-term incentive remuneration)]

Amount of bonus paid to Directors

=

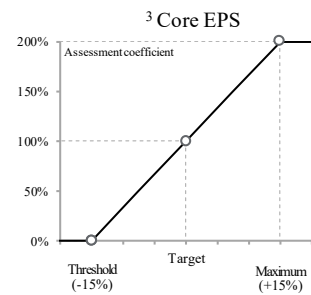
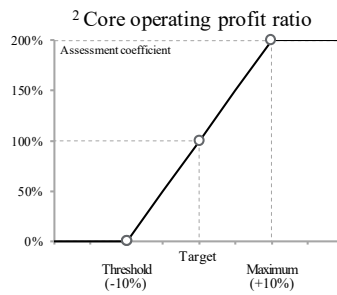
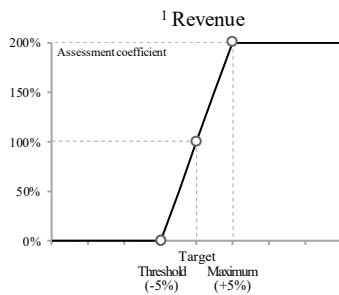
(a) Base amount per position

×

(b) Assessment coefficient

(a) Refer to Chart 2 on page 69

(b) Assessment coefficient = Revenue assessment coefficient<sup>1</sup> × 25% + core operating profit ratio assessment coefficient<sup>2</sup> × 25% + Core EPS assessment coefficient<sup>3</sup> × 25% + R&D performance assessment coefficient × 25%



**[Stock compensation (medium- to long-term incentive remuneration)]**

Stock compensation (medium- to long-term incentive remuneration) is performance-linked remuneration for promoting management that emphasizes increase in enterprise value and shareholder value over the medium- to long-term. As such, the Company’s shares will be delivered based on the level of growth of enterprise value and shareholder value over three consecutive business years (“Applicable Period”), and an appropriate stock price evaluation indicator will be set to form a system that is closely linked to performance.

The section below (Chart 5 and Chart 6) provides stock price assessment benchmarks and details, as well as formulas for calculating the number of shares delivered and the amount of cash paid with respect to stock compensation (medium- to long-term incentive remuneration) for the business year under review which constitutes the initial business year of the Applicable Period.

Total shareholder return (TSR<sup>\*1</sup>) will be adopted for the stock price evaluation indicator. The Company’s shares will be delivered and so forth based on the results of a comparison between the Company’s TSR and the growth rate of the Tokyo stock price index (TOPIX) for the Applicable Period and a comparison between the Company’s TSR and that of global pharmaceutical companies (the TSR Peer Group<sup>\*2</sup>) for the Applicable Period. However, 50% of the delivered shares are to be paid out upon their conversion to cash in order for them to be allotted to a fund for payment of withholding income tax and other such taxes. The respective Directors are to receive shares and cash through the executive remuneration BIP (Board Incentive Plan) trust of Mitsubishi UFJ Trust and Banking Corporation.

\*1 TSR is an acronym for “total shareholder return,” and it refers to shareholder’s total return on investment, encompassing both capital gains and dividends.

\*2 TSR Peer Group refers to the global pharmaceutical company groupings whose revenue is at least 0.5 times that of the Company at the time of selection.

[Chart 5. Stock price assessment benchmarks of stock compensation (medium- to long-term incentive remuneration) and details]

Stock price assessment benchmarks	Assessment weighting	Variance of assessment coefficient	Objective	Targets
TSR (1) (Comparison with TOPIX growth rate)	50%	0% to 200%	Increase enterprise value and shareholder value over the medium- to long-term	Target: Set target range as follows <ul style="list-style-type: none"> <li>• Maximum: 200%</li> <li>• Target: 100% (= TOPIX growth rate)</li> <li>• Minimum (threshold): 50%</li> </ul>
TSR (2) (Comparison with TSR of global pharmaceutical companies)	50%	0% to 200%		Target: Set target range as follows <ul style="list-style-type: none"> <li>• Maximum: 100 percentile (top ranking)</li> <li>• Target: 50 percentile (midrange)</li> <li>• Minimum (threshold): 25 percentile (lower quartile)</li> </ul>
Total	100%	0% to 200%		



[Chart 6. Formulas for calculating the number of shares delivered and the amount of cash paid with respect to stock compensation (medium- to long-term incentive remuneration)]

Number of shares delivered to respective Directors*	=	(a) Basic points per position	×	(b) Assessment coefficient
-----------------------------------------------------	---	-------------------------------	---	----------------------------

\* 50% of the delivered shares are to be paid out upon their conversion to cash to be allocated to a fund for payment of withholding income tax and other such taxes.

**(a) Basic points per position = (i) Base amount per position / (ii) Share price at start of Applicable Period**

(i) Refer to Chart 2 on page 69

(ii) Average closing price of the Company's share on the Tokyo Stock Exchange in the month prior to start of the Applicable Period

**(b) Assessment coefficient = (i) TSR assessment coefficient (1) × 50% + (ii) TSR assessment coefficient (2) × 50%**

(i) TSR assessment coefficient (1)

Whereas assessment coefficients are calculated using the formula shown below, the TSR assessment coefficient (1) is set to zero if the value calculated is less than 50%.

$$\frac{\text{Company TSR during the Applicable Period} + 100\%}{\text{TOPIX growth rate during the Applicable Period} + 100\%} = \frac{\{(B - A) + C\} / A + 100\%}{(E - D) / D + 100\%}$$

A: Simple average closing price of the Company's share on the Tokyo Stock Exchange in the month prior to start of the Applicable Period

B: Simple average closing price of the Company's share on the Tokyo Stock Exchange in the final month of the Applicable Period

C: Total dividend per share pertaining to dividend of retained earnings during the Applicable Period

D: Simple average TOPIX in the month prior to start of the Applicable Period

E: Simple average TOPIX in the final month of the Applicable Period

(ii) TSR assessment coefficient (2)

TSR of the Company and that of the TSR Peer Group are compared with respect to the Applicable Period. If the Company's percentile rank is midrange (50 percentile), the assessment coefficient (2) is set at 100%. If it has a top ranking, the assessment coefficient (2) is set to 200%. If it ranks in the lower quartile, the assessment coefficient (2) is 50%. If it is below the lower quartile, the assessment coefficient (2) is set to zero.

\* TSR of the Company and the TSR Peer Group companies is to be calculated using the formula shown below.

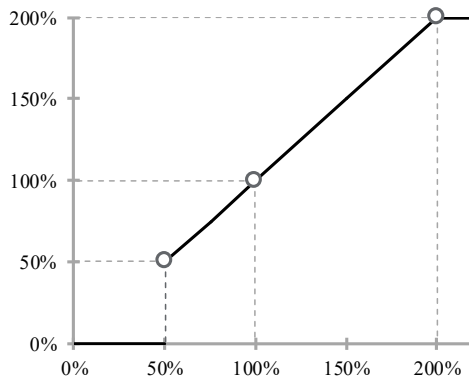
$$\text{TSR} = \{(B - A) + C\} / A$$

A: Simple average closing price of respective companies' share on the stock exchanges of the respective companies' primary listings in the month prior to start of the Applicable Period

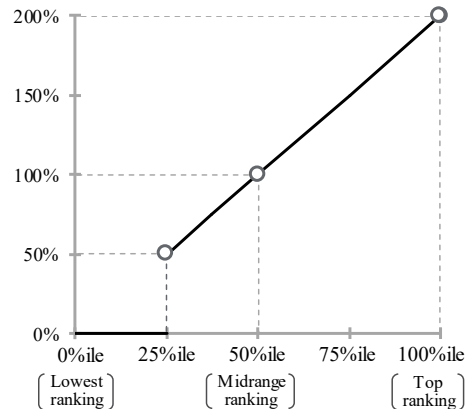
B: Simple average closing price of respective companies' share on the relevant stock exchanges as pertains to 'A' for the final month of the Applicable Period

C: Total dividend per share pertaining to dividend of retained earnings of the respective companies during the Applicable Period

TSR assessment coefficient (1)  $\frac{\text{Company TSR} + 100\%}{\text{TOPIX growth rate} + 100\%}$



TSR assessment coefficient (2)  $\frac{\text{Company's TSR}}{\text{percentile rank}}$



### **Procedures for determining remuneration**

To ensure greater objectivity and transparency of the deliberation process, remunerations for Directors of the Company are to be determined by resolution of the Board of Directors, to the extent that total amounts have been resolved in the Annual Shareholders Meeting, taking into consideration results of discussions in the Compensation Committee (of which the majority of members are outside Directors and the chair is an outside Director).

### **Shareholding guidelines**

The Company encourages its Representative Director, President and CEO to maintain holdings of the Company's shares equivalent in value to 1.5 times his/her basic remuneration (yearly amount) in four years after assuming the position. The Company encourages its other Directors to maintain holdings of the Company's shares equivalent in a value set according to their positions, relative to holdings of the Representative Director, President and CEO.

### **(Reference) Policy for determining remunerations for Corporate Executives (Shikkou-Yakuin)**

The policy for determining remunerations for the Company's Corporate Executives (Shikkou-Yakuin) conforms to the policy for determining remunerations for Directors of the Company. With respect to bonus (short-term incentive remuneration), however, individual payment amounts are determined upon results of the business performance assessment for the division handled, in addition to assessment of Company-wide business performance, as is the case with Directors.

The policy for determining remunerations for Corporate Executives (Tantou-Yakuin) (see page 78) under the Corporate Executives (Tantou-Yakuin) System that was introduced in April 2020 is the same as the above policy for determination remunerations for Corporate Executives (Shikkou-Yakuin).

- **Policies and procedures on determining remunerations for outside Directors who are not Audit & Supervisory Committee Members**

Remunerations for outside Directors who are not Audit & Supervisory Committee Members are to consist solely of basic remuneration (fixed remuneration), given that their roles involve supervising the Company's management from an objective and independent standpoint. Levels of basic remuneration are determined based on the factors such as professional responsibilities, in reference particularly to objective remuneration survey data of an external expert organization. The individual remuneration for outside Directors who are not Audit & Supervisory Committee Members is determined by a resolution of the Board of Directors, based on results of discussions carried out by the Compensation Committee, within the total amount resolved in the Annual Shareholders Meeting.

- **Policies and procedures on determining remunerations for Directors who are Audit & Supervisory Committee Members (excluding outside Directors)**

Remunerations for Directors who are Audit & Supervisory Committee Members (excluding outside Directors) are to consist solely of basic remuneration (fixed remuneration), given that their roles involve supervising and auditing the management. Levels of basic remuneration are determined based on the factors such as professional responsibilities, in reference particularly to objective remuneration survey data of an external expert organization. The individual remuneration for Directors who are Audit & Supervisory Committee Members (excluding outside Directors) is determined by deliberation of Directors who are Audit & Supervisory Committee Members, within the total amount resolved in the Annual Shareholders Meeting.

- **Policies and procedures on determining remunerations for outside Directors who are Audit & Supervisory Committee Members**

Remunerations for outside Directors who are Audit & Supervisory Committee Members are to consist solely of basic remuneration (fixed remuneration), given that their roles involve supervising and auditing the Company's management from an objective and independent standpoint. Levels of basic remuneration are determined based on the factors such as professional responsibilities, in reference particularly to objective remuneration survey data of an external expert organization. The individual remuneration for outside

Directors who are Audit & Supervisory Committee Members is determined by deliberation of Directors who are Audit & Supervisory Committee Members, within the total amount resolved in the Annual Shareholders Meeting.

3) Matters concerning agreement to limit Director's liability:

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

4) Matters concerning outside Directors:

Activities for the business year under review:

Position	Name	Attendance to meetings	Activities
Outside Director	Mamoru Sekiyama	11/14 meetings of the Board of Directors	Provided opinions based on his abundant experience as a business manager.
Outside Director	Keiko Yamagami	14/14 meetings of the Board of Directors	Provided opinions based on her abundant experience as an attorney-at-law.
Outside Director	Hiroshi Kawabe	11/11 meetings of the Board of Directors	Provided opinions based on his abundant experience as a medical scientist.
Outside Director	Tatsuro Ishizuka	11/11 meetings of the Board of Directors	Provided opinions based on his abundant experience as a business manager.
Outside Director (Audit & Supervisory Committee Member)	Noriyuki Uematsu	13/14 meetings of the Board of Directors 13/15 meetings of the Audit & Supervisory Committee	Provided opinions based on his abundant experience as a certified public accountant and business manager.
Outside Director (Audit & Supervisory Committee Member)	Hiroo Sasaki	14/14 meetings of the Board of Directors 15/15 meetings of the Audit & Supervisory Committee	Provided opinions based on his abundant experience as an economist.
Outside Director (Audit & Supervisory Committee Member)	Haruko Shibumura	11/11 meetings of the Board of Directors 11/11 meetings of the Audit & Supervisory Committee	Provided opinions based on her abundant experience as an attorney-at-law.

- 5) Other important matters:  
Mr. Raita Takahashi was elected as a substitute Director who is an Audit & Supervisory Committee Member at the 14th Term Annual Shareholders Meeting, held on June 18, 2019, in preparation to fill a vacant position should the number of outside Directors (Audit & Supervisory Committee Members) fall below the number required by laws and regulations.
- 6) Names of Corporate Executives (Shikkou-Yakuin) (excluding Directors who serve as Corporate Executives) and other information:

Position	Name	Responsibility or major occupation
Senior Corporate Executive	Fumiaki Sakurai	Chief Administrative Officer and Chief Ethics & Compliance Officer (CAO & CECE)
	Yukio Matsui	Chief Commercial Officer (CCO)
	Nobuaki Tanaka	President, Japan Commercial
	Akihiko Iwai	President, Drug Discovery Research
	Hideki Shima	President, Pharmaceutical Technology
	Atsushi Kamide	Vice President, External Relations
Corporate Executive	Takuya Oshida	Senior Vice President, Medical Affairs
	Shigeki Tanaka	Executive Vice President, Development
	Kazuhiro Sako	President, Astellas Ireland Co., Ltd.
	Toru Yoshimitsu	Senior Vice President, Finance
	Eisuke Nozawa	Vice President, Regulatory Affairs
	Taiji Sawamoto	Vice President, Research Program Management, Drug Discovery Research
	Yasuhiro Kanzaki	General Manager, Nagoya Branch, Japan Commercial
	Shiro Yamamoto	General Manager, Tokyo Branch, Japan Commercial
	Masaaki Hirano	Senior Vice President, Corporate Planning
	Yoshitsugu Shitaka	President, Astellas Institute for Regenerative Medicine
	Yoshiyuki Naoi	General Manager, Osaka Branch, Japan Commercial
Minetake Kitagawa	Senior Vice President, Development Project Management, Development	

With a view to further promoting fair and impartial treatment based on responsibility and performance, the Corporate Executives (Shikkou-Yakuin) system was abolished on March 31, 2020, and the Corporate Executives (Tantou-Yakuin) system was newly established on April 1, 2020.

<Names of Corporate Executives (Tantou-Yakuin) and other information>

(As of April 1, 2020)

Position	Name	Responsibility or major occupation
Senmu Tantou-Yakuin	Fumiaki Sakurai	Chief Administrative Officer and Chief Ethics & Compliance Officer (CAO & CECO)
	Yukio Matsui	Chief Commercial Officer (CCO)
Joumu Tantou-Yakuin	Akihiko Iwai	President, Drug Discovery Research
	Hideki Shima	President, Pharmaceutical Technology
	Yasuhiro Tsutsui	President, Japan Commercial
	Atsushi Kamide	Vice President, External Relations
Tantou-Yakuin	Eisuke Nozawa	Vice President, Regulatory Affairs

(4) Matters Concerning Financial Auditor:

- 1) Name: Ernst & Young ShinNihon LLC
- 2) Amount of remuneration:

	Amounts payable
1. The amount of remunerations paid to Financial Auditor for the business year under review:	¥191 million
2. Total amount of cash and other material benefits payable to Financial Auditor by the Company and its subsidiaries:	¥191 million

- (Notes)
1. The Audit & Supervisory Committee of the Company decided that the amount of remunerations for the Financial Auditor for the business year under review was reasonable, following the examination and review of various factors, including the performance of duties of the Financial Auditor and actual number of audit hours spent in the previous business year, as well as the details of the audit plan, audit structure, estimated audit hours and rate of remuneration charged for the business year under review, based on the inspection of relevant materials obtained from, and interview with the internal departments concerned as well as the Financial Auditor, hence providing the consent for the purpose of Article 399, paragraph (1) and (3) of the Companies Act.
  2. The amount of remunerations for auditing pursuant to the Companies Act and the amount of remunerations for auditing pursuant to the Financial Instruments and Exchange Act are not divided in the Auditing Agreement concluded between the Company and the Financial Auditor. Also, it is practically impossible to state separately, so the amount stated in 1. in the table above represents the total amount paid by the Company.
  3. Out of the principal subsidiaries of the Company (see page 50), overseas subsidiaries have been audited by financial auditor other than the Company's Financial Auditor.

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

In the event that the Financial Auditor falls under any event for dismissal provided for in Article 340, paragraph (1) of the Companies Act, the Audit & Supervisory Committee will dismiss the Financial Auditor with the unanimous consent of Audit & Supervisory Committee Members or determine the content of proposals on the dismissal of the Financial Auditor to be submitted to the Shareholders Meeting based on the resolution of the Audit & Supervisory Committee.

In addition, the Audit & Supervisory Committee will determine the content of proposals on refusal to re-elect the Financial Auditor to be submitted to the Shareholders Meeting based on the evaluation of the Financial Auditor's independence and expertise, and appropriateness and validity of the Financial Auditor's activities, among other things.

### 3. Systems to Ensure the Appropriate Execution of Business

Pursuant to applicable laws and regulations, and Article 16 of the Company's Articles of Incorporation, it is posted on the Company's website.

The Company's website: <https://www.astellas.com/jp/en/investors/shareholders-meeting>

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



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(As of March 31, 2020)

Accounts	(Millions of yen)	
	15th term business year As of March 31, 2020	(Reference) 14th term business year As of March 31, 2019
Assets		
Non-current assets		
Property, plant and equipment	268,600	173,483
Goodwill	267,510	225,864
Intangible assets	738,507	429,707
Trade and other receivables	34,014	25,248
Investments accounted for using equity method	4,692	3,653
Deferred tax assets	52,876	92,958
Other financial assets	74,264	81,457
Other non-current assets	10,184	8,121
Total non-current assets	1,450,646	1,040,489
Current assets		
Inventories	151,017	151,511
Trade and other receivables	347,042	342,628
Income tax receivable	23,556	20,113
Other financial assets	9,459	2,607
Other current assets	18,049	25,080
Cash and cash equivalents	318,391	311,074
Subtotal	867,514	853,012
Assets held for sale	–	4,147
Total current assets	867,514	857,159
Total assets	2,318,160	1,897,648

(Millions of yen)

Accounts	15th term business year As of March 31, 2020	(Reference) 14th term business year As of March 31, 2019
Equity and liabilities		
Equity		
Share capital	103,001	103,001
Capital surplus	177,506	177,301
Treasury shares	(7,178)	(164,629)
Retained earnings	905,851	991,957
Other components of equity	109,989	150,767
Total equity attributable to owners of the parent	1,289,168	1,258,396
Total equity	1,289,168	1,258,396
Liabilities		
Non-current liabilities		
Trade and other payables	3,142	1,572
Deferred tax liabilities	27,661	5,175
Retirement benefit liabilities	38,074	40,163
Provisions	6,135	5,416
Other financial liabilities	129,272	52,882
Other non-current liabilities	25,999	36,379
Total non-current liabilities	230,284	141,587
Current liabilities		
Trade and other payables	171,954	185,280
Income tax payable	4,009	17,587
Provisions	14,241	22,843
Other financial liabilities	345,707	14,136
Other current liabilities	262,797	255,913
Subtotal	798,708	495,759
Liabilities directly associated with assets held for sale	-	1,906
Total current liabilities	798,708	497,665
Total liabilities	1,028,992	639,252
Total equity and liabilities	2,318,160	1,897,648

**CONSOLIDATED STATEMENTS OF INCOME**

(April 1, 2019 to March 31, 2020)

(Millions of yen)

Accounts	15th term business year From April 1, 2019 to March 31, 2020	(Reference) 14th term business year From April 1, 2018 to March 31, 2019
Revenue	1,300,843	1,306,348
Cost of sales	(276,739)	(292,050)
Gross profit	1,024,104	1,014,299
Selling, general and administrative expenses	(499,295)	(490,263)
Research and development expenses	(224,226)	(208,682)
Amortisation of intangible assets	(21,164)	(35,212)
Share of profit (loss) of investments accounted for using equity method	(1,660)	(1,627)
Other income	12,154	14,152
Other expense	(45,921)	(48,755)
Operating profit	243,991	243,912
Finance income	4,363	6,358
Finance expense	(3,004)	(1,302)
Profit before tax	245,350	248,967
Income tax expense	(49,939)	(26,702)
Profit	195,411	222,265
Profit attributable to:		
Owners of the parent	195,411	222,265
Total	195,411	222,265

**BALANCE SHEETS**  
(As of March 31, 2020)

(Millions of yen)

Accounts	15th term business year As of March 31, 2020	(Reference) 14th term business year As of March 31, 2019
Assets		
Current assets	583,046	440,048
Cash on hand and in banks	129,682	109,924
Trade accounts receivable	158,589	189,788
Marketable securities	2,000	11,999
Merchandise and finished goods	49,036	55,134
Raw materials and supplies	21,328	16,808
Other	222,412	56,394
Fixed assets	748,262	793,238
Property, plant and equipment	63,937	63,401
Buildings	43,799	42,998
Structures	1,592	1,562
Machinery	1,461	1,700
Equipment, furniture and fixtures	6,574	5,350
Land	9,189	9,189
Lease assets	1,093	1,194
Construction in progress	229	1,406
Other	0	1
Intangible fixed assets	73,499	63,583
Investments and other assets	610,826	666,255
Investment securities	34,102	45,754
Investment in subsidiaries and affiliates	445,180	484,895
Long-term loans receivable	68	64
Deferred tax assets	82,396	92,344
Other	49,093	51,425
Allowance for doubtful receivables	(13)	(8,227)
Total assets	1,331,308	1,233,286

(Millions of yen)

Accounts	15th term business year As of March 31, 2020	(Reference) 14th term business year As of March 31, 2019
Liabilities		
Current liabilities	653,369	650,065
Trade accounts payable	66,205	70,943
Short-term loans payable	286,935	444,497
Lease obligations	433	430
Other accounts payable	68,519	82,083
Accrued expenses	22,749	23,641
Accrued income taxes	838	3,785
Deposit	8,647	10,566
Allowance for sales rebates	347	2,496
Other	198,696	11,625
Long-term liabilities	6,325	17,597
Lease obligations	660	766
Other	5,665	16,831
Total liabilities	659,693	667,662
Net assets		
Shareholders' equity	660,076	545,385
Share capital	103,001	103,001
Capital surplus	176,822	176,822
Additional paid-in capital	176,822	176,822
Retained earnings	387,432	430,191
Legal reserve	16,827	16,827
Other retained earnings	370,606	413,365
Reserve for special depreciation	-	29
Reserve for advanced depreciation of fixed assets	1,185	1,185
Retained earnings carried forward	369,420	412,150
Treasury shares	(7,178)	(164,629)
Valuation, translation adjustments and others	10,639	19,112
Unrealized holding gains on securities	10,639	19,112
Subscription rights to shares	899	1,127
Total net assets	671,615	565,624
Total liabilities and net assets	1,331,308	1,233,286

**STATEMENTS OF INCOME**  
(April 1, 2019 to March 31, 2020)

(Millions of yen)

Accounts	15th term business year From April 1, 2019 to March 31, 2020	(Reference) 14th term business year From April 1, 2018 to March 31, 2019
Net Sales	600,626	607,321
Cost of sales	174,328	194,942
Gross profit	426,298	412,379
Selling, general and administrative expenses	335,337	339,693
Operating income	90,961	72,685
Non-operating income		
Interest income and dividend income	203,243	135,866
Other	3,432	5,900
Total non-operating income	206,675	141,766
Non-operating expenses		
Interest expense	2,832	4,050
Other	1,600	680
Total non-operating expenses	4,432	4,730
Ordinary income	293,204	209,721
Special gains		
Gain on sales of fixed assets	1	301
Other	413	1,997
Total special gains	414	2,297
Special losses		
Loss on sales and disposal of fixed assets	80	52
Loss on impairment of fixed assets	-	2,140
Other	36,474	14,093
Total special losses	36,554	16,286
Income before income taxes	257,064	195,733
Income taxes — current	2,738	11,474
Income taxes — deferred	13,681	5,579
Total income taxes	16,419	17,053
Net income	240,645	178,679

[Translation]

## Independent Auditor's Report

May 18, 2020

The Board of Directors  
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

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Hiroaki Kosugi  
Certified Public Accountant  
Designated and Engagement Partner

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Masayuki Nakamura  
Certified Public Accountant  
Designated and Engagement Partner

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Koichiro Kitaike  
Certified Public Accountant  
Designated and Engagement Partner

### **Audit Opinion**

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements of Astellas Pharma Inc. (the "Company") applicable to the fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the consolidated financial statements, which were prepared under the designated International Financial Reporting Standards ("IFRS") with omission of certain disclosure items in accordance with the second sentence of Article 120, paragraph (1) of the Regulation on Corporate Accounting, present fairly, in all material respects, the consolidated financial position of Astellas Pharma, Inc. and its subsidiaries as of March 31, 2020, and their financial performance for the year then ended.

### **Basis for Audit Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management, Audit & Supervisory Committee Member and Audit & Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the second sentence of Article 120, paragraph (1) of

the Regulation on Corporate Accounting, which allows the omission of certain disclosure items required by the designated IFRS, and for designing and operating such internal control that management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating whether it is appropriate to prepare the statements on the assumption of a going concern, and for presenting the items related to a going concern if necessary based on the provisions of the second sentence of Article 120, paragraph (1) of the Regulation on Corporate Accounting, which allows the omission of certain disclosure items required under the designated IFRSs.

Audit & Supervisory Committee Member and Audit & Supervisory Committee are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes conforms with the provision of Article 120, paragraph (1) of the Regulation on Corporate Accounting, which allows the omission of certain disclosure items required under the designated IFRSs, as well as evaluate overall presentation, structure and content of the



consolidated financial statements including relevant notes, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee Members and Audit & Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee Members and Audit & Supervisory Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

### **Conflicts of Interest**

We or engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

[Translation]

## Independent Auditor's Report

May 18, 2020

The Board of Directors  
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

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Hiroaki Kosugi  
Certified Public Accountant  
Designated and Engagement Partner

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Masayuki Nakamura  
Certified Public Accountant  
Designated and Engagement Partner

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Koichiro Kitaike  
Certified Public Accountant  
Designated and Engagement Partner

### **Audit Opinion**

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules (the "Financial Statements and Others") of Astellas Pharma Inc. (the "Company") applicable to the 15th fiscal year from April 1, 2019 to March 31, 2020. In our opinion, the Financial Statements and Others, referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

### **Basis for Audit Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and Others section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management, Audit & Supervisory Committee Member and Audit & Supervisory Committee for the Financial Statements and Others**

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

In preparing the Financial Statements and Others, management is responsible for evaluating whether it is appropriate to prepare the statements on the assumption of a going concern, and for presenting the items related to a going concern if it is deemed necessary to present them based on accounting principles generally accepted in Japan.

Audit & Supervisory Committee Member and Audit & Supervisory Committee are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements and Others as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the Financial Statements and Others based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the Financial Statements and Others.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements and Others, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the Financial Statements and Others is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the Financial Statements and Others, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the Financial Statements and Others or, if the notes to the Financial Statements and Others on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements and Others. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the Financial Statements and Others and notes conforms with the accounting principles generally accepted in Japan, as well as evaluate overall presentation, structure and content of the Financial Statements and Others including relevant notes, and whether the Financial Statements and Others fairly represent the underlying transactions and accounting events.

We communicate with the Audit & Supervisory Committee Members and Audit & Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee Members and Audit & Supervisory Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors

**Conflicts of Interest**

We or engagement partners have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

[Translation]

## AUDIT REPORT

The Audit & Supervisory Committee conducted audit regarding the performance of duties of Directors of the Company during the 15th term business year from April 1, 2019 to March 31, 2020. The Committee hereby reports the method and result thereof as follows.

### 1. Method and Contents of Audit

With respect to the resolution of the Board of Directors on matters prescribed in Article 399-13, paragraph (1), item (i), (b) and (c) of the Companies Act and the systems developed based on such board resolution (internal control system), the Audit & Supervisory Committee regularly received reports from Directors and employees, requested additional explanations as necessary, and expressed opinions on the establishment and operation of the systems. In addition, the Committee conducted audit according to the following method:

- (i) In conformity with the Audit Standards established by the Audit & Supervisory Committee, and in accordance with, among other things, the policy of audit and the assignment of duties, in coordination with internal control departments of the Company, the Committee attended important meetings, received reports from the Directors and employees on matters related to their performance of duties, requested additional explanations as necessary, perused the documents whereby the important decisions were made, and examined the business and financial conditions at the head office and the principal offices. With respect to subsidiaries, the Committee made efforts to communicate and exchange information with the Directors and Audit & Supervisory Board Members of subsidiaries, requested the subsidiaries reports on their respective business as necessary, and examined the condition of their operations.
- (ii) The Audit & Supervisory Committee monitored and verified whether the Financial Auditor maintained the independent position and performed due audit, and received from the Financial Auditor reports on the performance of the duties, and requested additional explanations as necessary. The Audit & Supervisory Committee also received a notice from the Financial Auditor that it has established the “Systems to ensure due execution of audit (matters prescribed in each item of Article 131 of the Regulation on Corporate Accounting)” in accordance with, among other things, the “Quality Control Standards for Audit” (Business Accounting Board, October 28, 2005), and requested additional explanations as necessary.

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

### 2. Results of Audit:

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

- (i) We confirm that the Business Report and the related supplementary schedules accurately present the position of the Company in conformity with the relevant laws and regulations as well as the Articles of Incorporation of the Company.
  - (ii) We confirm that no misconduct or material fact constituting a violation of any laws or regulations or the Articles of Incorporation of the Company was found with respect to the Directors in the performance of their duties.
  - (iii) We confirm that the resolutions of the Board of Directors relating to the internal control system are reasonable. There are no matters to be pointed out regarding details of the Business Report and Directors' performance of their duties on internal control system.
- (2) Results of audit of financial statements and the related supplementary schedules:  
We confirm that the method and the results of the audit carried out by Ernst & Young ShinNihon LLC, Financial Auditor of the Company, are reasonable.
- (3) Results of audit of consolidated financial statements:  
We confirm that the method and the results of the audit carried out by Ernst & Young ShinNihon LLC, Financial Auditor of the Company, are reasonable.

May 18, 2020

The Audit & Supervisory Committee of Astellas Pharma Inc.

Full-time Audit & Supervisory Committee Member:

Tomokazu Fujisawa (seal)

Full-time Audit & Supervisory Committee Member:

Hiroko Sakai (seal)

Audit & Supervisory Committee Member:

Noriyuki Uematsu (seal)

Audit & Supervisory Committee Member:

Hiroo Sasaki (seal)

Audit & Supervisory Committee Member:

Haruko Shibumura (seal)

(Note) The Audit & Supervisory Committee Members Noriyuki Uematsu, Hiroo Sasaki and Haruko Shibumura are outside Directors prescribed in Article 2, item (xv) and Article 331, paragraph (6) of the Companies Act.

- End -

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

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

**The 15th Term Business Year (April 1, 2019 – March 31, 2020)**

**Astellas Pharma Inc.**

We provide shareholders with the matters listed above, posted on the Company's website on the Internet (<https://www.astellas.com/en/investors/shareholders-meeting>) pursuant to laws and regulations as well as Article 16 of the Articles of Incorporation.

## 1. Matters Concerning Subscription Rights to Shares

1) Present status of subscription rights to shares as of March 31, 2020:

- Total number of subscription rights to shares: 3,711 (Notes) 1
- Type and number of shares to be issued upon exercise of subscription rights to shares: 1,176,300 shares of common stock of the Company (Notes) 1

All subscription rights to shares have been delivered as the stock options. The Company plans to use treasury share when the subscription rights to shares are exercised and does not intend to issue new shares (i.e. no increase in the total number of the Company's shares issued).

Items	Subscription rights to shares issued in August 2005 (issued on August 31, 2005)	Subscription rights to shares issued in February 2007 (issued on February 13, 2007)	Subscription rights to shares issued in August 2007 (issued on August 10, 2007)
Resolution date of issuance:	August 24, 2005	January 26, 2007	July 26, 2007
Number of subscription rights to shares (Notes) 1:	20	17	33
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	10,000 shares of common stock (500 shares per subscription right to shares)	8,500 shares of common stock (500 shares per subscription right to shares)	16,500 shares of common stock (500 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	Free of charge	¥500,900 per subscription right to shares (Notes) 2	¥463,900 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares (Notes) 4:	¥500 per subscription right to shares	¥500 per subscription right to shares	¥500 per subscription right to shares
Exercise period of subscription rights to shares:	From September 1, 2005 through June 24, 2025 (both inclusive)	From February 14, 2007 through June 27, 2026 (both inclusive)	From August 11, 2007 through June 26, 2027 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3	(Notes) 3	(Notes) 3



Items	Subscription rights to shares issued in September 2008 (issued on September 16, 2008)	Subscription rights to shares issued in July 2009 (issued on July 8, 2009)	Subscription rights to shares issued in July 2010 (issued on July 8, 2010)
Resolution date of issuance:	August 29, 2008	June 23, 2009	June 23, 2010
Number of subscription rights to shares (Notes) 1:	36	150	254
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	18,000 shares of common stock (500 shares per subscription right to shares)	75,000 shares of common stock (500 shares per subscription right to shares)	127,000 shares of common stock (500 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	¥398,000 per subscription right to shares (Notes) 2	¥294,200 per subscription right to shares (Notes) 2	¥244,000 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares (Notes) 4:	¥500 per subscription right to shares	¥500 per subscription right to shares	¥500 per subscription right to shares
Exercise period of subscription rights to shares:	From September 17, 2008 through June 24, 2028 (both inclusive)	From July 9, 2009 through June 23, 2029 (both inclusive)	From July 9, 2010 through June 23, 2030 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3	(Notes) 3	(Notes) 3

Items	Subscription rights to shares issued in July 2011 (issued on July 5, 2011)	Subscription rights to shares issued in July 2012 (issued on July 5, 2012)	Subscription rights to shares issued in July 2013 (issued on July 4, 2013)
Resolution date of issuance:	June 20, 2011	June 20, 2012	June 19, 2013
Number of subscription rights to shares (Notes) 1:	453	569	481
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	226,500 shares of common stock (500 shares per subscription right to shares)	284,500 shares of common stock (500 shares per subscription right to shares)	240,500 shares of common stock (500 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	¥267,700 per subscription right to shares (Notes) 2	¥304,800 per subscription right to shares (Notes) 2	¥505,300 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares: (Notes) 4:	¥500 per subscription right to shares	¥500 per subscription right to shares	¥500 per subscription right to shares
Exercise period of subscription rights to shares:	From July 6, 2011 through June 20, 2031 (both inclusive)	From July 6, 2012 through June 20, 2032 (both inclusive)	From July 5, 2013 through June 19, 2033 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3	(Notes) 3	(Notes) 3

Items	Subscription rights to shares issued in July 2014 (issued on July 3, 2014)
Resolution date of issuance:	June 18, 2014
Number of subscription rights to shares (Notes) 1:	1,698
Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4:	169,800 shares of common stock (100 shares per subscription right to shares)
Amount to be paid for subscription rights to shares to be offered:	¥127,900 per subscription right to shares (Notes) 2
Amount of cash to be contributed upon exercise of subscription rights to shares (Notes) 4:	¥100 per subscription right to shares
Exercise period of subscription rights to shares:	From July 4, 2014 through June 18, 2034 (both inclusive)
Conditions for exercise of subscription rights to shares:	(Notes) 3

- (Notes) 1. The total number of subscription rights to shares, the number of subscription rights to shares and the number of shares to be issued upon exercise of subscription rights to shares as stated above are shown by remaining numbers as of March 31, 2020.
2. The subscription rights to shares stated above (excluding the subscription rights to shares issued in August 2005) were delivered on the condition that the remuneration debts the Company owes to the allottees and the amounts payable for the subscription rights to shares to be offered were offset against each other.
3. Conditions for the exercise of the subscription rights to shares stated above are as follows:
- (1) The holder may, in principle, only exercise the rights for the period of ten (10) years after the date immediately following the date when they lose their positions as both Directors and Corporate Executives of the Company.
  - (2) Each subscription right to shares may not be partially exercised.
4. The Company conducted a stock split of common stock at a ratio of 5 for 1 on April 1, 2014. Accordingly, the above type and number of shares to be issued upon exercise of subscription rights to shares and the amount of cash to be contributed upon exercise of subscription rights to shares are shown based on the adjusted figures after such stock split, excluding those subscription rights to shares issued in July 2014.

2) State of subscription rights to shares held by the Directors as of March 31, 2020, which have been delivered in consideration of performance of their duty:

	Allottee	Number of persons	Number of subscription rights to shares (remaining numbers)	Type and number of shares to be issued upon exercise of subscription rights to shares
Subscription rights to shares issued in February 2007	Directors (excluding outside Directors)	1	17 units	8,500 shares of common stock
Subscription rights to shares issued in August 2007	Directors (excluding outside Directors)	1	17 units	8,500 shares of common stock
Subscription rights to shares issued in September 2008	Directors (excluding outside Directors)	1	27 units	13,500 shares of common stock
Subscription rights to shares issued in July 2009	Directors (excluding outside Directors)	1	47 units	23,500 shares of common stock
Subscription rights to shares issued in July 2010	Directors (excluding outside Directors)	2	88 units	44,000 shares of common stock
Subscription rights to shares issued in July 2011	Directors (excluding outside Directors)	2	190 units	95,000 shares of common stock
Subscription rights to shares issued in July 2012	Directors (excluding outside Directors)	2	208 units	104,000 shares of common stock
Subscription rights to shares issued in July 2013	Directors (excluding outside Directors)	2	125 units	62,500 shares of common stock
Subscription rights to shares issued in July 2014	Directors (excluding outside Directors)	2	453 units	45,300 shares of common stock
Total			1,172 units	404,800 shares of common stock

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

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

## **Systems to Ensure the Appropriate Execution of Business (English Translation)**

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

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

#### **(1) System concerning the Performance of Duties**

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

- The Company clearly separates the roles of the Directors, who participate in decision makings of corporate management policies and corporate strategies, etc. and oversee business execution as members of the Board of Directors, and the roles of Top Management (the President and Chief Executive Officer; the Chief Strategy Officer and Chief Financial Officer; the Chief Administrative Officer and Chief Ethics & Compliance Officer; the Chief Medical Officer; and the Chief Commercial Officer are collectively referred to as "Top Management"), who are responsible for the execution of business.
- Meetings of the Board of Directors will be held once every month as a general rule, and extraordinary meetings of the Board of Directors will be held when necessary.
- The Company has established the Executive Committee and discusses material matters concerning business strategies, product strategies, cooperate management, and personnel of the Company and the Astellas Group companies.
- The Company has established regulations concerning the committee mentioned above and the "Corporate Decision Authority Policy" to clarify the powers and positioning of the committee and the top management as well as the decision-making process.
- The Company has developed the personnel and organization systems to enable the efficient execution of business.

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

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

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

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

- With respect to measures dealing with risks relating to business opportunities, each responsible department and unit will implement appropriate measures to mitigate risks within their respective scope of responsibility and roles according to internal processes

and policies for decision making. Among these risks, matters concerning material risks will be decided upon deliberation by the Executive Committee and/or the Board of Directors depending on the level of materiality.

- With respect to measures dealing with risks relating to the performance of business activities, the Company has established “Global” and “Divisional” Risk and Resilience Management Committees to manage comprehensively 1) identification and optimal management activities of risks, and 2) preparedness and status of crisis response plan and business continuity plan. Policies relating to such system will be decided upon deliberation by the Executive Committee and the Board of Directors. Significant risks identified under the system and responses to them will be decided upon deliberation by the Executive Committee and reported to the Board of Directors.
- In order to enhance the effectiveness of risk management operations, the Company will formulate separate policies and manuals for matters such as disaster control, information security, and personal information protection based on the nature of these risks.

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

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

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

- The Company has established the “Global Compliance Committee” that grasps the current situation of compliance and discusses policies and plans accordingly for the Company and the Astellas Group companies as a whole. Regional Compliance Committees have also been established to discuss matters concerning compliance in individual regions.
- Under the control of the Chief Administrative Officer and Chief Ethics & Compliance Officer, Ethics & Compliance department will, with the concerned departments of the Company and the Astellas Group companies, carry out the devising, promotion, and increasing awareness of the specifics of the plans for global compliance. In addition, through continuous training and other measures, we will create a structure in which each officer and employee of the Company and the Astellas Group companies can practice compliance when acting on their own initiative.
- The Company has established a global third party “hotline” so that reports of actual or potential non-compliance may be made by employees of any Astellas Group companies as well as third parties outside of the company.

The Company has also established a system whereby any material information will be reported, in a timely manner, to the Chief Administrative Officer and Chief Ethics & Compliance Officer. In dealing with such actions, confidentiality will be strictly maintained and unfair treatment of any person who has accessed the helpline or other contacts is strictly prohibited.

Through the systems and activities mentioned above, the Company promotes a robust speak up culture and has a policy that strictly prohibits retaliation.

#### (4) System for Disclosure and Management of Information

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

#### (5) System to Ensure the Reliability of Financial Report

- The Company will design and operate internal controls over consolidated financial report in accordance with generally accepted standards in order to ensure reliability of the financial report, and assess the effectiveness in an appropriate way.
- In accordance with the “Global JSOX Policy” formulated by the Board of Directors, assessment of internal controls over the consolidated financial reports will be implemented, under the direction of the President and CEO, who owns the role of the Global Internal Control Officer.

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

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

- The Company will apply the “Astellas Charter of Corporate Conduct” and the “Astellas Group Code of Conduct” to all of the Astellas Group companies, and it will ensure that all persons concerned are fully aware of these policies and the code of the conduct of each Astellas Group company that are based on these policies.
- The Company has established a system in which matters concerning performance of the duties by the Directors of the Astellas Group companies will be reported to the Company through functional line managers.
- The Company will create clear rules regarding the composition of executives and decision-making authority and internal oversight systems at the Astellas Group companies to ensure the efficient execution of duties by the Directors of the Group companies.
- As mentioned above, the Astellas Group will tackle risk management and compliance matters as from an enterprise and global perspective.
- The “Global Internal Audit Policy” will apply to all the Astellas Group companies and the internal audit system over the Group will be prepared.

## (7) Internal Audit System

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

- The Internal Audit department will review and evaluate the effectiveness and efficiency of the systems and structures in the various management activities of the Company and the Astellas Group companies, put together an audit report, and submit the results of such review and evaluation to the President and CEO and the Audit & Supervisory Committee. The Internal Audit will also communicate such results, if necessary, to officers and departments concerned.

The report concerning the overall annual audit results will be made to the Board of Directors and Accounting Auditor.

- The Company will comply with the “Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics” and other regulations as a pharmaceutical company, and conduct its business with a mission to provide safe and effective products with a high level of expertise through a fair organization structure. To this end, the Company has built a tiered-control structure separated by different functions in all the Astellas Group companies; namely, the tiers consist of self-control on site, expert control by departments related to RA and QA, and the internal audits conducted by the independent internal audit departments.
- Internal Audit department will promote improvement in the quality of the internal audits through meetings and other forms of collaboration with the relevant expert departments.
- By establishing the Internal Audit function for each region (EMEA, Americas, Japan and Asia & Oceania) controlled by the head of Internal Audit department who directly reports to President and CEO, the Company will address risks getting more globalized effectively and enhance the function to provide group companies with consistent high quality assurance and advisory services.

## (8) System to Ensure Effective Audits by the Audit & Supervisory Committee

The Company takes the following actions as a “company with an Audit & Supervisory Committee” to enable the Audit & Supervisory Committee to carry out their audit effectively.

### 1) Matters concerning Employees Assisting the Audit & Supervisory Committee

- The Company establishes the Audit & Supervisory Committee Office, and assigns full-time staff to assist the Audit & Supervisory Committee to carry out their duties, so that the audit by the Audit & Supervisory Committee will be properly executed.

### 2) Matters concerning Independence of the Employees Assisting the Audit & Supervisory Committee from the Directors Who Are Not the Committee Members, and Effectiveness of Directions Given to Such Employees

- The staff of the Audit & Supervisory Committee Office are independent from the Directors who are not the Committee Members and carries out his or her duties under the direct control of the Audit & Supervisory Committee.
- The appointment, evaluation, transfer, and other matters concerning such staff will require the prior consent of the Audit & Supervisory Committee.

- 3) System concerning Report of the Directors Who Are Not the Committee Members and Employees to the Audit & Supervisory Committee, and Other Systems concerning Report to the Audit & Supervisory Committee
  - The Company has established a system to ensure that the Audit & Supervisory Committee, at any time, can access monthly reports and quarterly reports regarding the execution of duties by the Directors of the Company and the Astellas Group companies.
  - Regarding each of the departments, Top Management decides reporting matters, persons giving report and methods of reporting by mutual agreement with Audit & Supervisory Committee.
  - The departments responsible for internal audits, legal matters, compliance and risk management will each develop a system to report to the Audit & Supervisory Committee on a regular basis and will report their current statuses and provide the necessary information with respect the Company and the Astellas Group companies.
- 4) System to Ensure that Informants Do Not Risk Unfavorable Treatments due to Their Reporting to the Audit & Supervisory Committee
  - The Company prohibits any unfavorable treatment of officers or employees of the Company and the Astellas Group companies who report to the Audit & Supervisory Committee of the Company or the Audit & Supervisory Board Members of the Astellas Group companies, because of their reporting.
- 5) Matters concerning Policies to Treat Costs Incurred by the Audit & Supervisory Committee for the Execution of Duties
  - The Company has established a system that the Audit & Supervisory Committee Office prepares budgets and performs payment of costs incurred by the Audit & Supervisory Committee for the execution of their duties.
- 6) Other Systems to Ensure Effective Audits by the Audit & Supervisory Committee
  - The appointment, evaluation, transfer, and other matters concerning the head of the Internal Audit department will require the prior consent of the Audit & Supervisory Committee.
  - The Internal Audit department will obtain endorsement from the Audit & Supervisory Committee on the annual plan of the internal audit.
  - The Audit & Supervisory Committee will receive the report from the Internal Audit department on the results of the internal audit, and be able to give guidance to Internal Audit department as needed. In the case where a direction from President and CEO conflicts with one from the Audit & Supervisory Committee, both parties will discuss and try to coordinate.
  - The Audit & Supervisory Committee Members appointed by Audit & Supervisory Committee may attend the Executive Committee meetings where execution of the Company's important business will be discussed, and also attend other meetings that the Audit & Supervisory Committee considers as important. In case that such Audit & Supervisory Committee Members are not available to attend these meetings, the staff of the Audit & Supervisory Committee Office may attend as observers by order of the Audit & Supervisory Committee.



- The persons (departments) of the Company and the Astellas Group companies subject to be audited will cooperate so that the Audit & Supervisory Committee may perform the audits in an appropriate manner.

(9) System to Exclude Anti-social Forces

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

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

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

A summary of the Company's operational status during the business year ended March 31, 2020 is as follows.

### (1) System concerning the Performance of Duties

Following the basic policy, the Company in principle holds Board of Directors meetings once each month. Additionally, based on policies such as the Corporate Decision Authority Policy, important matters have been discussed at the Executive Committee, and top management have fulfilled their roles, thereby ensuring that Directors perform their duties efficiently by top management fulfilling their roles. Furthermore, during the business year ended March 31, 2020, 14 Board of Directors meetings were held, 20 Executive Committee meetings were held.

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

Following the basic policy, the Company has categorized risks into risks relating to business opportunities and risks relating to the performance of business activities, and each department of the Company and the Astellas Group companies proactively put the Company's risk management initiatives into practice. In particular, for matters specified as critical risks, risk mitigation measures are formulated under the direction of risk owners, and subsequently implemented. In order to manage the risks more efficiently as a group, the Company has established "Global" and "Divisional" Risk and Resilience Management Committees since October 2019.

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

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

### (4) System for Disclosure and Management of Information

Following the basic policy, the Company discloses information to all stakeholders in a timely, appropriate and fair manner, and also actively engages in dialogue with them. During the business year ended March 31, 2020, with the intent of adding further transparency to business activities, the Company has made continuous efforts for timely, accurate and fair disclosure, such as cross-divisional deliberations about policies, contents, etc. regarding material information disclosure, under the leadership of the Corporate Disclosure Committee.

### (5) System to Ensure the Reliability of Financial Reporting

Following the basic policy, the Company has formulated an internal control evaluation plan for consolidated financial reporting, and the Company works to ensure the reliability

of financial reporting through measures such as development of internal control and its operation by control owners and process owners, revision of internal control-related documentation, and Internal Audit department's evaluation of development of internal control and its operational status in business bases subject to evaluation.

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

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

(7) Internal Audit System

Following the basic policy, the Company proposes and executes internal auditing plans and reports to the Audit & Supervisory Committee, the Board of Directors, and the Financial Auditor, and ensures opportunities to review audit results. Moreover, the Internal Audit and related expert departments conduct information sharing activities in an effort to strengthen the internal auditing system. The Company has constructed a global auditing system wherein the internal audit department of each region report to the Head of Internal Audit, who is directly supervised by the President and CEO.

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

Following the basic policy, the Company secures a system to allow effective audits by the Audit & Supervisory Committee through measures such as reporting on execution status of business by Directors who are not the Audit & Supervisory Committee Members and employees to the Audit & Supervisory Committee and continued attendance at important meetings such as the Executive Committee by the Audit & Supervisory Committee Members.

Particularly, monthly reports have been submitted to the Audit & Supervisory Committee from all regions, regarding summaries and results of responses to hotline reports and litigation / in-house investigation projects which is superintended by the Legal department.

(9) System to Exclude Anti-social Forces

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(April 1, 2019 to March 31, 2020)

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Subscription rights to shares	Exchange differences on translation of foreign operations
As of April 1, 2019	103,001	177,301	(164,629)	991,957	1,127	125,656
Comprehensive income						
Profit	—	—	—	195,411	—	—
Other comprehensive income	—	—	—	—	—	(32,380)
Total comprehensive income	—	—	—	195,411	—	(32,380)
Transactions with owners						
Acquisition of treasury shares	—	—	(52,899)	—	—	—
Disposals of treasury shares	—	(313)	954	(413)	(228)	—
Cancellation of treasury shares	—	—	209,396	(209,396)	—	—
Dividends	—	—	—	(73,539)	—	—
Share-based payments	—	518	—	—	—	—
Transfers	—	—	—	1,831	—	—
Total transactions with owners	—	205	157,451	(281,517)	(228)	—
As of March 31, 2020	103,001	177,506	(7,178)	905,851	899	93,277

	Equity attributable to owners of the parent					Total equity
	Other components of equity			Total	Total	
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
As of April 1, 2019	23,984	—	150,767	1,258,396	1,258,396	
Comprehensive income						
Profit	—	—	—	195,411	195,411	
Other comprehensive income	(7,611)	1,271	(38,719)	(38,719)	(38,719)	
Total comprehensive income	(7,611)	1,271	(38,719)	156,692	156,692	
Transactions with owners						
Acquisition of treasury shares	—	—	—	(52,899)	(52,899)	
Disposals of treasury shares	—	—	(228)	1	1	
Cancellation of treasury shares	—	—	—	—	—	
Dividends	—	—	—	(73,539)	(73,539)	
Share-based payments	—	—	—	518	518	
Transfers	(560)	(1,271)	(1,831)	—	—	
Total transactions with owners	(560)	(1,271)	(2,059)	(125,920)	(125,920)	
As of March 31, 2020	15,813	—	109,989	1,289,168	1,289,168	

## Notes to Consolidated Financial Statements

### 1. Notes to Significant Matters as the Basis to Prepare for Consolidated Financial Statements

(1) Standards used to prepare consolidated financial statements:  
Consolidated financial statements of the Group are prepared based on International Financial Reporting Standards (“IFRS”), in accordance with Article 120, paragraph (1) of the Regulation on Corporate Accounting. These consolidated financial statements omit part of the disclosure items required under IFRS, in accordance with the second sentence of the paragraph.

(2) Matters concerning the scope of consolidation:

Number of consolidated subsidiaries: 79

Name of principal consolidated subsidiaries:

Astellas Pharma Global Development, Inc.,  
Astellas Institute for Regenerative Medicine,  
Audentes Therapeutics, Inc., Astellas Pharma Tech Co., Ltd.,  
Astellas Ireland Co., Limited, Astellas Pharma Europe B.V.,  
Astellas Pharma China, Inc., Astellas Pharma US, Inc., Astellas Pharma GmbH,  
Astellas Pharma S.A.S, Astellas Pharma S.A., Astellas Pharma Korea, Inc.

(3) Matters concerning the application of equity method:

The number of affiliated companies accounted for by the equity method: 4

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

(i) Changes in scope of consolidation

Additions: six companies (added due to acquisition of shares, etc.)

Deletions: four companies (deleted due to liquidation, etc.)

(ii) Changes in scope of application of equity method

Deletions: two companies (deleted due to change to consolidated subsidiaries, etc.)

(5) Matters concerning accounting periods for consolidated subsidiaries:

All consolidated subsidiaries settle accounting on March 31 of each year, the same as the Company’s settlement date.

(6) Matters concerning significant accounting policies:

(i) Valuation standards and methods for financial instruments

- Initial recognition and measurement

Financial assets and financial liabilities are recognized on the trade date when the Group becomes a party to the contractual provisions of the instruments.

Except for trade receivables which do not contain a significant financing component, financial assets and financial liabilities are measured at fair value at initial recognition. Transaction costs directly attributable to the acquisition or

issue of the financial asset or financial liability, 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 at initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL and financial liabilities at FVTPL are recognized in profit or loss.

- Financial assets

At initial recognition, all financial assets are classified as “financial assets measured at amortized cost,” “financial assets measured at fair value through other comprehensive income (“financial assets at FVTOCI)” or “financial assets at FVTPL.”

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the financial assets are measured at amortized cost using the effective interest method, less any impairment loss. Interest revenue using the effective interest method is recognized in profit or loss.

(b) Financial assets at FVTOCI (debt instruments)

Financial assets are classified as financial assets at FVTOCI (debt instruments) if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the financial assets are measured at fair value, and any gain or loss resulting from changes in fair value is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses. When the financial asset is derecognized, the cumulative gain or loss recognized in other components of equity is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Financial assets at FVTOCI (equity instruments)

The Group has made an irrevocable election for equity instruments, with some exceptions, to present subsequent changes in fair value in other comprehensive income, and classifies such instruments as financial assets at FVTOCI.

After initial recognition, the financial assets are measured at fair value, and any gain or loss resulting from changes in fair value is recognized in other comprehensive income. When the financial asset is derecognized or the fair

value has significantly decreased, the cumulative gain or loss recognized in other component of equity is transferred to retained earnings. Dividends on such financial assets are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Financial assets at FVTPL

Financial assets not classified as financial assets measured at amortized cost or financial assets at FVTOCI are classified as financial assets at FVTPL.

After initial recognition, the financial assets are measured at fair value with subsequent changes recognized in profit or loss.

- Impairment of financial assets

Loss allowances are recognized for expected credit losses on financial assets measured at amortized cost or debt instruments classified as financial assets at FVTOCI.

At the end of each quarter, the loss allowance is measured for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The loss allowance is measured for a financial instrument at an amount equal to 12-month expected credit losses if the credit risk on that financial instrument has not increased significantly since initial recognition.

However, for trade receivables and contract assets, the loss allowance is always measured at an amount equal to lifetime expected credit losses.

- Financial liabilities

At initial recognition, all financial liabilities are classified as “financial liabilities at FVTPL” or “financial liabilities measured at amortized cost.”

(a) Financial liabilities at FVTPL

Derivative financial liabilities, financial liabilities designated as financial liabilities at FVTPL and contingent consideration recognized in a business combination, that meets the definition of financial liabilities, are classified as financial liabilities at FVTPL.

After initial recognition, the financial liabilities are measured at fair value with subsequent changes recognized in profit or loss.

(b) Financial liabilities measured at amortized cost

Financial liabilities not classified as financial liabilities at FVTPL are classified as financial liabilities at amortized cost.

After initial recognition, the financial liabilities are measured at amortized cost using the effective interest method.

- Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the contractual rights to receive the cash flows of the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset are transferred or the contractual rights to receive the cash flows of the financial asset have been transferred but substantially all the risks and rewards of ownership of the financial asset are

neither transferred nor retained and control of the financial asset has not been retained.

Financial liabilities are derecognized when a financial liability is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires.

(ii) Valuation standards and methods for inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories includes costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition. Net realizable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell. Cost of inventories is calculated mainly using the first-in, first-out (FIFO) method.

(iii) Depreciation method of property, plant and equipment and amortization method of intangible assets

- Property, plant and equipment (excluding right-of-use assets)

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
Equipment, furniture and fixtures	2 to 20 years

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

- Intangible assets

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

- Right-of-use assets

The right-of-use assets are initially measured at cost, which comprises the amount of the initial measurement of the corresponding lease liability adjusted for direct costs, etc. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life or the end of the lease term (2 to 40 years).



(iv) Basis for provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(v) Basis for revenue

Revenue is recognized based on the following five-step:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

- Sales of pharmaceutical products

Revenue from sales of pharmaceutical products is recognized when control of the promised pharmaceutical product is transferred to the customer by the Group. The Group determines that control of a pharmaceutical product is usually transferred to the customer upon delivery. If the transaction price in a contract includes a variable amount, rebates, discounts and other consideration payable to a customer, the variable consideration is estimated by using either of the expected value method or the most likely amount method and is reduced from consideration received from the customer.

- Royalty income

Revenue from royalty income is generated from contracts under which third parties have been granted rights to produce or market pharmaceutical products or rights to use technologies. Royalty income includes upfront payments and milestone payments received and running royalties. According to the nature of the related performance obligation, revenue is recognized at a point in time when the performance obligation is satisfied or revenue is recognized over time as the performance obligation is satisfied.

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

Net defined benefit assets or liabilities are calculated as the present value of the defined benefit obligation less the fair value of plan assets and they are recognized in the consolidated statements of financial position as assets or liabilities. The defined benefit obligation is calculated by using the projected unit credit method. The present value of the defined benefit obligation is calculated by the expected future payments using discount rate. The discount rate is determined by reference to market yield on high-quality corporate bonds

having maturity terms consistent with the estimated term of the related pension obligations.

Service cost and net interest expense (income) on the net defined benefit liabilities (assets) are recognized in profit or loss.

Actuarial gains and losses, the return on plan assets, excluding amounts included in net interest, and any change in the effect of the asset ceiling are recognized immediately in other comprehensive income under "Remeasurements of defined benefit plans," and transferred from other components of equity to retained earnings immediately.

(vii) Translation standards for foreign currency

- Functional currency and presentation currency

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

- Transactions in foreign currencies

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

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

- Foreign operations

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

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

(viii) Matters concerning goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination, and it is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. If, at the time of the impairment test, the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount, and the reduction is recognized in profit or loss as an impairment loss.

Impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to cash-generating unit or group of cash-generating units and then to

the other assets on a pro rata basis of the carrying amount of each asset in the cash-generating unit or group of cash-generating units.  
Any impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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

## 2. Notes to Significant Accounting Policies

The Group has newly adopted the following standard from the fiscal year ended March 31, 2020.

IFRS		Summaries of new or amended IFRS standards and interpretations
IFRS 16	Leases	Amendments related to accounting treatment for leases

With the application of IFRS 16, the Group adopts the practical expedient whereby the Group does not reassess whether a contract is, or contains, a lease at the date of initial application. The Group adopts the method whereby the cumulative effect of initially applying this standard is recognized at the date of initial application as a transitional measure.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on the substance of the contract. The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease and periods covered by an option to terminate the lease, as well as using hindsight at the date of initial application. The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics. For short-term leases and leases for which the underlying asset is of low value, the Group may recognize the lease payments as an expense over the lease term instead of recognizing a right-of-use asset and a lease liability.

Due to the application of IFRS 16, the Group recognizes right-of-use assets of ¥83,061 million as “Property, plant and equipment,” lease liabilities of ¥75,455 million and ¥16,859 million as “other financial liabilities” in non-current liabilities and current liabilities, respectively, in the consolidated statements of financial position at the date of initial application. There is no material impact on the other assets and liabilities. There is no impact on the beginning balance of retained earnings. There is no material impact on the consolidated statement of income.

## 3. Notes to Consolidated Statement of Financial Position

- (1) Loss allowance directly deducted from assets:

Trade and other receivables (current)	¥1,429 million
Other financial assets (non-current)	¥13 million
- (2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment:

	¥295,586 million
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- (3) Contingent liabilities:
  - Guaranteed obligations (guarantee for borrowings from financial institutions):

Employees	¥155 million
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## 4. Notes to Consolidated Statement of Changes in Equity

- (1) Class of shares issued and the total number thereof at the end of the business year under review:

Shares of common stock	1,861,787,075 shares
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(2) Matters concerning dividends:

(i) Dividends paid:

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 18, 2019	Shares of common stock	35,856	19.00	March 31, 2019	June 19, 2019
Meeting of the Board of Directors held on October 31, 2019	Shares of common stock	37,748	20.00	September 30, 2019	December 2, 2019

- (Notes)
1. The total amount of dividends based on the resolution at the Annual Shareholders Meeting held on June 18, 2019 includes ¥26 million of dividends for the Company's shares owned by the executive remuneration BIP trust.
  2. The total amount of dividends based on the resolution at the meeting of the Board of Directors held on October 31, 2019 includes ¥39 million of dividends for the Company's shares owned by the executive remuneration BIP trust.

(ii) Dividends whose record date is in the business year ended March 31, 2020, but whose effective date is in the following business year are as follows:

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Meeting of the Board of Director held on May 14, 2020	Shares of common stock	37,210	Retained earnings	20.00	March 31, 2020	June 1, 2020

- (Note) The above amount of dividends includes ¥60 million of dividends for the Company's shares owned by the executive remuneration BIP trust and the stock-delivery ESOP trust.

(3) Class and number of shares underlying each subscription right to shares at the end of the business year under review (excluding rights whose exercise period has yet to begin):

Shares of common stock 1,176,300 shares

## 5. Notes to Financial Instruments

### (1) Financial risk management policy

The Group is exposed to financial risks such as credit risks, liquidity risks, foreign exchange risks and interest rate risks in operating businesses, and it manages risks based on its policy to mitigate them.

The Group's use of derivative instruments is limited to hedging the financial risks. Accordingly, the Group does not use them for speculative purposes.

#### (i) Credit risk management

Accounts receivables and other receivables arising from the Group's operating businesses are exposed to the credit risk of customers. The Group manages such credit risk by appropriately identifying the customers' financial situation and monitoring the balance of account receivables. The collectibility of accounts receivables and other receivables are assessed in accordance with the customers' credit standing, and loss allowance is recognized where necessary.

The securities and deposits held by the Group are exposed to the credit risk of issuers and banks, respectively. The derivative transactions entered into by the Group to hedge the financial risk are exposed to the credit risk of financial institutions as counterparties of the transactions. Securities and deposit transactions for fund management purposes are entered into only with issuers and banks that meet the credit rating criteria specified in the Global Cash Investment Policy within the specified fund management period and the limit on the transaction amount. Derivative transactions are entered into only with financial institutions that meet the credit rating criteria specified in the Astellas Global Treasury Policy.

#### (ii) Liquidity risk management

The Group is exposed to the liquidity risk that it will have difficulty with fulfillment of payables. However, the Group maintains liquidity on hand not only to respond to envisaged payables, but also to respond agilely certain strategic investment opportunities. The balance of that liquidity is reported to the Representative Director, Executive Vice President and the Chief Strategy Officer and Chief Financial Officer each month.

#### (iii) Foreign exchange risk management

The Group's businesses are operated in many countries and regions, and the Group's business results and financial position are exposed to foreign exchange risk.

The Group considers each case individually to determine whether to use derivative transactions to control foreign exchange risk. For inter-company loans denominated in foreign currencies conducted in the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020, the Group uses derivative transactions in the form of forward exchange contracts to control the effect of foreign exchange fluctuation on business results. The hedging positions of foreign currency risks (derivative transaction balances) for each foreign currency are reported to the Representative Director, Executive Vice President and the Chief Strategy Officer and Chief Financial Officer each month.

(iv) Interest rate risk management

The Group's interest-bearing debt is exposed to the risk of interest rate fluctuation. The Group considers the capital demands, looking at the detailed needs, the financial position and the financing environment, and determines the financing amount, term, method, etc., and in order to reduce the risk of interest rate fluctuation, seeks to find the optimal mix of fixed and variable interest rates.

(2) Methods for calculating the fair values of financial instruments

- Financial assets measured at amortized cost  
Financial assets measured at amortized cost comprise trade and other receivables, loans receivable and other financial assets, and cash and cash equivalents. The carrying amount approximates fair value due to the short period of settlement terms.
- Financial assets at FVTOCI (equity)  
The fair value of marketable securities is based on quoted market prices at the end of the period. The fair value of unlisted equity securities is determined mainly using the discounted cash flow method.
- Financial assets at FVTOCI (debt)  
Financial assets at FVTOCI (debt) primarily consists of bonds. The fair value is measured based on the market valuation approach.
- Financial assets at FVTPL  
Financial assets at FVTPL comprise mainly foreign exchange forward contracts and investment in funds.  
The fair value of foreign exchange forward contracts is measured based on prices provided by counterparty financial institutions. The fair value of an investment in a fund is calculated based on the equity interest in it after estimating the fund's fair value according to the most recent obtainable information.
- Financial liabilities at FVTPL  
Financial liabilities at FVTPL comprise contingent consideration arising from business combination and foreign exchange forward contracts.  
The fair value of contingent consideration arising from business combination is calculated based on the success probability of development and the time value of money. The fair value of foreign exchange forward contracts is calculated based on prices provided by counterparty financial institutions.
- Financial liabilities measured at amortized cost  
Financial liabilities measured at amortized cost comprise trade and other payables, lease liability, bonds and loans payable, and other financial liabilities. Excluding lease liability, the carrying amount approximates fair value due to the short period of settlement terms.

**6. Notes to Per-Share Data**

- |                                                            |         |
|------------------------------------------------------------|---------|
| (1) Equity attributable to owners of the parent per share: | ¥694.03 |
| (2) Basic earnings per share:                              | ¥104.15 |

## 7. Other Notes

Notes to business combinations

### Acquisition of Xyphos Biosciences, Inc.

(1) Outline of the business combination

(i) Name and business description of the acquiree:

Name of the acquiree: Xyphos Biosciences, Inc. (“Xyphos”)

Business description: Research and development of pharmaceuticals utilizing immuno-oncology technology

(ii) Acquisition date:

December 26, 2019, U.S. Pacific Standard Time

(iii) Percentage of voting equity interests acquired:

100%

(iv) Acquisition method:

Acquisition of all shares of stock in cash with upfront paid and contingent consideration to be paid when certain milestones are achieved in the future.

(v) Primary reasons for the business combination:

Xyphos, a biotechnology company founded in 2017, has ACCEL™ (Advanced Cellular Control through Engineered Ligands) a proprietary cell-therapy technology platform, and excellent human resources who are leading the immuno-oncology field.

The Group is confident that by combining that technology platform gained through the acquisition with the capabilities in regenerative medicine and cell therapy the Group has developed thus far, it will be possible to create next-generation high-function cells and maximize the value of our technology in immune-oncology.



- (2) The fair values of assets acquired, liabilities assumed and purchase consideration transferred as at the date of the acquisition are as follows:

(Millions of yen)	
	Fair value
Intangible assets	17,670
Cash and cash equivalents	27
Other assets	368
Deferred tax liabilities	(3,445)
Other liabilities	(2,580)
Fair value of assets acquired and liabilities assumed (net)	12,040
Goodwill	3,800
Total	15,841
Cash	9,577
Contingent consideration	6,263
Total fair value of purchase consideration transferred	15,841

Certain items above reflect provisional fair values based on reasonable information obtained at the end of the business year as the purchase price allocation is incomplete. Goodwill mainly comprises the value of expected synergies arising from the acquisition and future economic benefits, which is not separately recognized.

- (3) Contingent consideration

The contingent consideration relates to milestones depending on the progress of development. Maximum potential future cash outflows associated with the contingent consideration total 545 million U.S. dollars (¥59,312 million).

- (4) Cash flow information

	(Millions of yen)
Total fair value of purchase consideration transferred	15,841
Fair value of contingent consideration included in purchase consideration transferred	(6,263)
Cash and cash equivalents held by the acquiree	(27)
Payments for acquisition of subsidiary	9,550

- (5) Acquisition-related costs  
Immaterial.

- (6) Effect on the Consolidated Statement of Income

- (i) Profit (loss) before tax of the acquiree since the acquisition date included in the Consolidated Statement of Income for the fiscal year ended March 31, 2020:  
Immaterial.

- (ii) Impact on profit (loss) before tax of the combined entity for the fiscal year ended March 31, 2020 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): Immaterial.

Acquisition of Audentes Therapeutics, Inc.

- (1) Outline of the business combination
  - (i) Name and business description of the acquiree:
    - Name of the acquiree: Audentes Therapeutics, Inc. (“Audentes”)
    - Business description: Research and development of pharmaceuticals using genetic medicines technology
  - (ii) Acquisition date:
    - January 15, 2020, U.S. Eastern Time
  - (iii) Percentage of voting equity interests acquired:
    - 100%
  - (iv) Acquisition method:
    - All-cash tender offer
    - To procure funds for the acquisition, the Company arranged bridge finance in the form of short-term borrowings from financial institutions and issuance of short-term bonds. As of March 31, 2020, the balance of short-term borrowings stood at ¥140,000 million and the balance of short-term bonds at ¥186,000 million. The Company plans to repay and redeem the short-term borrowings and short-term bonds after refinancing part of them as long-term borrowings.
  - (v) Primary reasons for the business combination:
    - Audentes, a biotechnology company concentrating on the research and development of genetic medicines based on adeno-associated viruses (AAV) for patients with rare and serious neuromuscular disorders, was founded in 2012. It has a proprietary genetic medicine technology platform that uses AAV and possesses high capabilities in creating, in-house, associated medicines. In addition, Audentes is building a pipeline from the promising genetic medicine program group. In particular, AT132, a treatment for X-linked Myotubular Myopathy (XLMTM) has currently advanced to Phases I/II in clinical development trials as Audentes’ leading program.
    - Through conducting this acquisition, the Group has established a leading position in the field of genetic medicine, thereby allowing it to respond to the unmet medical needs of patients with rare and serious conditions.

- (2) The fair values of assets acquired, liabilities assumed and purchase consideration transferred as at the date of the acquisition are as follows:

(Millions of yen)	
	Fair value
Property, plant and equipment	8,964
Intangible assets	284,944
Financial assets at FVTOCI (debt)	22,248
Cash and cash equivalents	9,320
Other assets	1,708
Trade and other payables	(6,092)
Deferred tax liabilities	(41,517)
Other liabilities	(6,488)
Fair value of assets acquired and liabilities assumed (net)	273,085
Goodwill	42,497
Total	315,582
Total fair value of purchase consideration transferred	315,582

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

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

Financial assets at FVTOCI (debt) is included in “other financial assets” in the consolidated statement of financial position.

- (3) Cash flow information

	(Millions of yen)
Total fair value of purchase consideration transferred	315,582
Cash and cash equivalents held by the acquiree	(9,320)
Payments for acquisition of subsidiary	306,262

In addition to the items above, payments of ¥7,744 million for stock compensation including non-vested stock options associated with Audentes were recognized separately as business combinations and recorded in “other expense” in the consolidated statement of income.

- (4) Acquisition-related costs  
¥1,687 million

Acquisition-related costs are included 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 fiscal year ended March 31, 2020: ¥(5,895) million
  
  - (ii) Impact on profit (loss) before tax of the combined entity for the fiscal year ended March 31, 2020 assuming the acquisition date had been at the beginning of the fiscal year (unaudited): ¥(25,723) million
- (Note) The effect is calculated based on the business results of Audentes from April 1, 2019 to the acquisition date.

## STATEMENT OF CHANGES IN NET ASSETS

(April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Legal reserve	Retained earnings		
		Additional paid-in capital	Total capital surplus		Other retained earnings		
					Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Retained earnings carried forward
Balance as of April 1, 2019	103,001	176,822	176,822	16,827	29	1,185	412,150
Change during the business year under review							
Reversal of reserve for special depreciation	—	—	—	—	(29)	—	29
Dividends of surplus	—	—	—	—	—	—	(73,604)
Net income	—	—	—	—	—	—	240,645
Acquisition of treasury shares	—	—	—	—	—	—	—
Disposals of treasury shares	—	—	—	—	—	—	(404)
Cancellation of treasury shares	—	—	—	—	—	—	(209,396)
Net change of items other than shareholders' equity during the business year under review	—	—	—	—	—	—	—
Total change during the business year under review	—	—	—	—	(29)	—	(42,730)
Balance as of March 31, 2020	103,001	176,822	176,822	16,827	—	1,185	369,420

(Millions of yen)

	Shareholders' equity			Valuation, translation adjustments and others		Subscription rights to shares	Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gains on securities	Total valuation, translation adjustments and others		
	Total retained earnings						
Balance as of April 1, 2019	430,191	(164,629)	545,385	19,112	19,112	1,127	565,624
Change during the business year under review							
Reversal of reserve for special depreciation	—	—	—	—	—	—	—
Dividends of surplus	(73,604)	—	(73,604)	—	—	—	(73,604)
Net income	240,645	—	240,645	—	—	—	240,645
Acquisition of treasury shares	—	(52,899)	(52,899)	—	—	—	(52,899)
Disposals of treasury shares	(404)	954	550	—	—	—	550
Cancellation of treasury shares	(209,396)	209,396	—	—	—	—	—
Net change of items other than shareholders' equity during the business year under review	—	—	—	(8,473)	(8,473)	(228)	(8,701)
Total change during the business year under review	(42,759)	157,451	114,692	(8,473)	(8,473)	(228)	105,991
Balance as of March 31, 2020	387,432	(7,178)	660,076	10,639	10,639	899	671,615

## Notes to Financial Statements

### 1. Notes to Items of Significant Accounting Policies

#### (1) Valuation standards and methods for assets:

##### (i) Valuation standards and methods for securities:

Held-to-maturity debt securities:

Held-to-maturity debt securities are carried at amortized cost (straight-line method).

Investments in subsidiaries and affiliates:

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

Investments in securities classified as other securities:

*Marketable securities:*

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

*Non-marketable securities:*

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

##### (ii) Valuation standards and methods for inventories:

Inventories held for the purpose of ordinary sales:

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

#### (2) Depreciation and amortization methods for fixed assets:

##### (i) Property, plant and equipment (excluding lease assets):

Straight-line method

The useful lives of property, plant and equipment are summarized as follows:

Buildings	2 to 50 years
Structures	2 to 60 years
Machinery	2 to 17 years
Equipment, furniture and fixtures	2 to 20 years

##### (ii) Intangible fixed assets (excluding lease assets):

Straight-line method

With respect to software used in the Company, it is amortized by the straight-line method based on the useful lives (5 years) in the Company.

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

(3) Basis for significant allowances:

- (i) Allowance for doubtful receivables:  
The allowance for doubtful receivables is provided for possible losses on bad debts at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are facing financial difficulties.
- (ii) Allowance for sales rebates:  
The allowance for sales rebates is provided for sales rebates to be paid after the balance sheet date at an amount estimated based on the estimated percentage of rebate on the specified distributor inventory at the balance sheet date.
- (iii) Accrued retirement benefits for employees:  
Accrued retirement benefits for employees are provided for retirement benefits to be paid under defined benefit plans at an amount calculated by deducting the fair value of the pension plan assets from the retirement benefit obligations, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost as of the balance sheet date.

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

(4) Hedge accounting:

- (i) Hedge accounting  
All derivative transactions are principally hedged by a deferred hedge method. Provided, however, that other securities are hedged by a fair value method.
- (ii) Hedging instruments and hedged items  
Hedging instruments: Derivative transactions  
Hedged items: Assets and liabilities of which income or loss may be caused by market fluctuations and cash flow fluctuations
- (iii) Hedging policy  
The Company has hedged derivative transactions from any risks arising from market fluctuations and cash flow fluctuations to a specified extent in accordance with the Company's internal policies and procedures for derivative transactions.



(iv) Assessment of hedge effectiveness

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

(5) Accounting for consumption taxes:

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

(6) Application of consolidated taxation system:

The Company has applied the consolidated taxation system.

(7) Application of Tax Effect Accounting in conjunction with the transition from the Consolidated Taxation System to the Group Tax Sharing System

In regard to matters concerning the transition to the Group Tax Sharing System established pursuant to “Act for Partial Amendment of the Income Tax, etc. (Act No. 8 of 2020) and items for which revisions to the non-consolidated tax filing were carried out in accordance with the transition to the Group Tax Sharing System, the Group does not apply the provision in paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (The Accounting Standards Board of Japan (ASBJ) Guidance No. 28, revised on February 16, 2018) and bases the calculation method for the amounts of deferred tax assets and deferred tax liabilities upon the tax law before the revision as allowed by paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39, March 31, 2020).

## 2. Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥135,935 million

(2) Contingent liabilities:

- Guaranteed obligations (guarantee for borrowings from financial institutions):  
Employees ¥155 million

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

Short-term receivables:	¥253,249 million
Short-term payables:	¥190,161 million

## 3. Notes to Statement of Income

Volume of transaction with subsidiaries and affiliates:

Sales:	¥212,285 million
Purchases:	¥41,457 million
Non-operating transactions:	¥206,782 million

#### 4. Notes to Statement of Changes in Net Assets

Type and number of treasury shares at the end of the fiscal year under review:  
Shares of common stock 4,276,454 shares

#### 5. Notes to Tax Effect Accounting

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

Deferred tax assets:	
Investment securities:	¥974 million
Accrued retirement benefits for employees:	¥3,298 million
Property, plant and equipment:	¥38 million
Intangible fixed assets:	¥30,185 million
Accrued expenses:	¥3,846 million
Inventories:	¥21,772 million
Investment in subsidiaries and affiliates:	¥9,611 million
Other:	¥31,561 million
Subtotal:	<u>¥101,285 million</u>
Valuation allowance:	<u>¥(11,587) million</u>
Total:	<u>¥89,698 million</u>
Deferred tax liabilities:	
Investment securities:	¥(4,430) million
Prepaid pension cost:	¥(1,741) million
Property, plant and equipment:	¥(520) million
Other:	¥(611) million
Total:	<u>¥(7,302) million</u>
Net deferred tax assets:	<u>¥82,396 million</u>

## 6. Notes to Transaction With Related Parties

### Subsidiaries and affiliates

Type	Name of Company, etc.	Ownership of voting rights, etc. (Ownership percentage)	Relationship with affiliated parties	Details of transaction	Amount of transaction (Millions of yen)	Account	Balance as of the end of the business year (Millions of yen)
Subsidiary	Astellas B.V.	Direct ownership 100%	Borrowing of funds, sharing of concurrent positions by Directors	Borrowing of funds (Note 1)	103,100	Short-term loans payable	84,389
				Repayment of borrowed funds	173,824		
Subsidiary	Astellas US Holding, Inc.	Direct ownership 100%	Lending of funds, borrowing of funds, sharing of concurrent positions by Directors	Lending of funds (Note 1)	164,413	Other current assets	163,245
				Repayment of borrowed funds	161,479	Short-term loans payable	—
Subsidiary	Astellas Pharma Global Development, Inc.	Indirect ownership 100%	Consignment of development, sharing of concurrent positions by Directors	Consignment of development (Note 2)	52,226	Other accounts payable	14,157
Subsidiary	Ganymed Pharmaceuticals GmbH	Direct ownership 100%	Borrowing of funds, sharing of concurrent positions by Directors	Repayment of borrowed funds	52,396	Short-term loans payable	1,541
Subsidiary	Ogeda SA	Direct ownership 100%	Borrowing of funds, sharing of concurrent positions by Directors	Repayment of borrowed funds	606	Short-term loans payable	58,723
Subsidiary	Astellas Pharma Europe Ltd.	Indirect ownership 100%	Sales of products, etc., receipt of royalties, sharing of concurrent positions by Directors	Sales of products, etc., receipt of royalties (Note 2)	72,161	Trade accounts receivable	19,938
Subsidiary	Astellas US LLC	Indirect ownership 100%	Receipt of royalties, sharing of concurrent positions by Directors	Receipt of royalties (Note 2)	66,665	Trade accounts receivable	16,380

Trade conditions and policy for determining transaction conditions:

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

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

## **7. Notes to Per-Share Data**

(1) Net asset per share:	¥361.08
(2) Net income per share:	¥128.26