The Notice of Convocation

(Securities Code 4503)

May 27, 2022

To: Shareholders

# Notice of Convocation of the 17th Term Annual Shareholders Meeting

Dear Madam/Sir:

You are hereby notified that the 17th 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 consider options that include attending via the Internet (online attendance), or otherwise exercising their voting rights beforehand, either in writing or via the Internet or other such means.

Please refer to the Guidance for Means of Exercising Voting Rights attached below for details regarding online attendance and exercising your voting rights beforehand.

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 Monday, June 20, 2022
(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

**3. Purpose:**

**Matters to be reported:**

1. Report on the Business Report, Consolidated Financial Statements and Financial Statements for the 17th Term Business Year (from April 1, 2021 to March 31, 2022);
2. Report on the Results of Audit by Financial Auditor and the Audit & Supervisory Committee for Consolidated Financial Statements for the 17th Term Business Year (from April 1, 2021 to March 31, 2022)

**Matters to be resolved:**

**First Proposal:** Partial Amendment to the Articles of Incorporation
**Second Proposal:** Election of Six (6) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
**Third Proposal:** Election of Three (3) Directors Who Are Audit & Supervisory Committee Members

**-End-**

**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 Statements

   Business 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/en/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/en/investors/shareholders-meeting

**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. 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.

- 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.

- Please consider the option of attending via the Internet (online attendance). (Refer to page 8 for details.)

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

***In case that voting rights are exercised beforehand:***

**In case that voting rights are exercised via the Internet:**
**Deadline for Exercise: 5:00 p.m. on Friday, June 17, 2022 (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 Beforehand via the Internet] on page 7.)

**In case that voting rights are exercised by returning the Voting Card:**
**Deadline for Exercise: 5:00 p.m. on Friday, June 17, 2022 (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 when attending the Annual Shareholders Meeting:***

**In case that the shareholder attends via the Internet (online attendance):**
**Date and Time: 10:00 a.m. on Monday, June 20, 2022**
Please access the shareholder portal via the following URL from your computer, smartphone or tablet device.

Make sure you have the enclosed Instructions for Attendance Via the Internet (Online Attendance) on hand as you refer to the instructions on page 8.

URL of shareholder portal: https://4503.ksoukai.jp/

**In case that the shareholder attends at the Annual Shareholders Meeting venue:**
**Date and Time: 10:00 a.m. on Monday, June 20, 2022**
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.

**When exercising voting rights, the Company cordially requests that shareholders understand the following points:**
**Exercise of voting rights beforehand**
1. In case that voting rights are exercised both beforehand 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 beforehand 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 beforehand, it shall be counted as a vote of approval.

**In case that voting rights are exercised when attending the Annual Shareholders Meeting**

1. Upon taking a vote, shareholders are requested to exercise his or her voting rights in the prescribed manner during the time specified by the chairman.
2. Shareholders in attendance at the meeting venue will be provided with the voting rights exercise form for meeting venue attendees. Details will be explained at the meeting venue.
3. The Company will deem that a shareholder has voted to abstain either if the shareholder did not complete the voting rights exercise form for meeting venue attendees by indicating either approve, disapprove or abstain, or otherwise if the shareholder clicked the "行使する (exercise)" voting rights button without having clicked either button for approve, disapprove or abstain on the dedicated website for shareholders in attendance online.
4. In case that a shareholder in attendance at the meeting venue exercised his or her voting rights through online attendance as well, only the vote exercised through online attendance will be recognized as valid.
5. In case that a shareholder who exercised his or her voting rights beforehand attended the Annual Shareholders Meeting (including online attendance) and exercised his or her voting rights on the date of the Annual Shareholders Meeting, only the vote exercised on the date of the Annual Shareholders Meeting will be recognized as valid.
6. In case that a shareholder who exercised his or her voting rights beforehand did not exercise his or her voting rights on the date of the Annual Shareholders Meeting while attending such meeting (including online attendance), only the vote exercised beforehand will be recognized as valid.
7. The Company will deem that a shareholder has voted to abstain if the shareholder who did not exercise his or her voting rights beforehand did not exercise his or her voting rights while attending the Annual Shareholders Meeting (including online attendance) during the time specified by the chairman for exercising voting rights.

**[Exercise of Voting Rights Beforehand via the Internet]**

In case that a shareholder intends to exercise his or her voting rights beforehand via the Internet, please access the following Website for Exercise of Voting Rights. Please enter the "vote exercising code" and "password" written on the enclosed Voting Card. Then 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 Friday, June 17, 2022 (completion of entry is required)

Instructions for Access
Access the Website for Exercise of Voting Rights and enter the "vote exercising code" written on the enclosed Voting Card. Click "ログイン (Login)" button and enter your vote following the on-screen guidance.

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.

## Guidance for Online Attendance:

[The shareholder portal is only available in Japanese]

**Access to Shareholder Portal:**
Please access the shareholder portal via the following URL from your computer, smartphone or tablet device. Enter the ID and password shown on the enclosed Instructions for Attendance Via the Internet (Online Attendance), then click the login button.

URL of shareholder portal: https://4503.ksoukai.jp

(Note) The period of reissuance in the case that a shareholder has lost his or her Instructions for Attendance Via the Internet (Online Attendance) will be available until 5:00 p.m. on Monday, June 13. Please note that reissuance of the instructions will not be possible after that period.

Contact for Reissuance Request: Sumitomo Mitsui Trust Bank, Limited
Online Annual Shareholders Meeting Support: 0120-782-041
Business Hours: from 9:00 a.m. to 5:00 p.m. (excluding weekends and holidays)

**Requests for Prior Application for Online Attendance:**
**Rough Deadline for Prior Application: 5:00 p.m. on Friday, June 17, 2022**
The Company cordially requests that you submit your application via the shareholder portal by 5:00 p.m. on Friday, June 17, 2022 (preferably) so that the number of shareholders attending online will be known beforehand.
Click the “出席を申し込む (attendance application)” button.
* Upon submission of the application, the only option available on the shareholder portal will be the “事前質問を行う (submit questions in advance)” button until 9:30 a.m. on the date of the Annual Shareholders Meeting.

**Online Attendance:**
The “出席 (attend)” button will be visible upon logging in to the shareholder portal from 9:30 a.m. on the date of the Annual Shareholders Meeting.
Click the “出席 (attend)” button to attend the meeting online.

Motions to be addressed will be limited to those submitted by shareholders attending at the meeting venue, including motions on all matters regarding Annual Shareholders Meeting procedures and motions on all matters regarding proposals. As such, motions submitted by shareholders attending online will not be accepted. In addition, with regard to voting on motions, shareholders attending online will be deemed as absent from motions regarding Annual Shareholders Meeting procedures, and as having abstained from motions regarding proposals. The Company cordially requests that those shareholders seeking to submit motions or take part in voting on motions consider the option of attending the meeting in person.

**Submitting Questions When Attending Online:**

Shareholders attending online may submit questions via the shareholder portal on the date of the meeting. Please follow the steps below when submitting questions. We ask that shareholders ensure that content of their questions pertains only to the purpose of the Annual Shareholders Meeting.

<Instructions for submitting questions>

(1) Click the "質疑 (question)" tab on the right-hand side of your screen.

(2) Enter your question.

(3) Click the "次へ (next)" button, then check the content and click the "送信する (submit)" button.

* Each shareholder may submit one question of up to 200 characters via the shareholder portal. Please note that it may not be possible for us to furnish a reply to every question on the date of the Annual Shareholders Meeting.

**Exercising Voting Rights When Attending Online:**

You may exercise your voting rights upon having viewed the proceedings on the date of the Annual Shareholders Meeting. Please follow the steps below when exercising your voting rights.

<Instructions for exercising voting rights>

(1) Click the "議決権行使 (exercise voting rights)" tab on the right-hand side of your screen.

(2) Select either "賛成 (approve)," "反対 (disapprove)," or "棄権 (abstain)" with respect to each of the matters to be resolved.

(3) After having performed step (2) with respect to each of the matters to be resolved, click the "行使する (execute vote)" button at the bottom of your screen.

* You may not click the "行使する (execute vote)" button more than one time.

## Notes Regarding Online Attendance

(1) You will need the following systems environment to access our online attendance platform.

| | Personal computer | | Smartphone or tablet device | |
|---|---|---|---|---|
| OS | Windows | Mac | Android | iOS |
| | Windows 8.1/10/11*1 | Mac OS (latest version) | Android 8 (or later version) | iPhone: iOS 12 (or later version)<br>iPad: iOS13 (or later version) |
| Browser*2 | Microsoft Edge*3<br>Mozilla Firefox<br>Google Chrome | Safari | Google Chrome | Safari |
| Network connectivity | 5 Mbps (recommended) | | | |
| Operating environment | https://jp.vcube.com/support/virtual-shareholders-meeting/requirements/#vsm01 | | https://jp.vcube.com/support/virtual-shareholders-meeting/requirements/#vsm02 | |

Please be aware that shareholders may encounter difficulties accessing the online attendance platform or exercising their voting rights potentially due to issues involving their personal computer, smartphone, tablet device, Internet environment, network connectivity, or other aspects of their systems environment.

*1. Operation has been confirmed with Windows 8.1/10. Please use desktop mode with these operating systems.

*2. Please enable JavaScript and cookies in your browser. It is assumed that your browser has been updated to the latest version.

*3. Access is not possible using Microsoft Edge in Internet Explorer mode.

(2) Exercising voting rights by proxy

The option of online attendance is available only to shareholders. We ask that shareholders wishing to attend by proxy assign their proxy to one (1) shareholder who is to physically attend on the date of the meeting, pursuant to the provisions of laws and regulations and the Company's Articles of Incorporation.

(3) Other notes

- The language used for the online attendance format is Japanese only.
- Telecommunication malfunctions such as disturbances and temporary disruptions in video or audio streaming may occur due to network connectivity issues or other such problems. Such circumstances could potentially result in a situation where a shareholder may be unable to attend online or exercise his or her voting rights. Whereas the Company will take action to address telecommunication malfunctions and other such issues to a reasonable extent, please note that the Company will not assume any liability whatsoever for detrimental outcomes caused by telecommunication malfunctions or other such issues, such that may be incurred by shareholders attending online.
- The following acts are strictly prohibited: Sharing of an ID or password for online attendance with a third party; sound recording, video recording, or publishing of the Annual Shareholders Meeting, or other similar acts.

- The Company may partially change or cancel the content of online attendance upon having deemed such action unavoidable.
- The Company will provide notification via its corporate website upon any changes that may occur with respect to administration of online attendance, including a need to address system failure or other such urgent matters, or changes in circumstances. Please check the website accordingly.
- Online attendance of the Annual Shareholders Meeting is to be limited exclusively to the shareholders who are listed in the Company's register of shareholders as of March 31, 2022. Those other than the relevant shareholders are asked to refrain from attending the meeting.

[Contact information for online attendance]

(1) Please refer to page 8 for details on IDs and passwords (including reissuance of the Instructions for Attendance Via the Internet (Online Attendance)).

(2) For matters related to technical issues such as network environments:
03–6385–8724, V-cube, Inc.
Available period: From 9:00 a.m. to the end of the Annual Shareholders Meeting on Monday, June 20, 2022

## Advance questions

**Deadline for Advance questions: 11:59 p.m. on Monday, June 13, 2022**

The Company will accept questions in advance with regard to the matters relating to the purpose of the Annual Shareholders Meeting.

Each shareholder may submit one question with regard to the matters relating to the purpose of the Annual Shareholders Meeting. On the date of the Annual Shareholders Meeting, we intend to furnish replies with respect to matters of high interest to our shareholders. At a later date, we plan to post to the Company's website the questions we received along with our answers to such questions, including questions and answers with respect to questions we were unable to answer on the date of the meeting (excluding questions we have deemed not appropriate to be made public). Please be advised that we will not answer questions individually at any time other than the Annual Shareholders Meeting.

<Instructions for submitting questions>

(1) Log in to the shareholder portal.
URL of shareholder portal: https://4503.ksoukai.jp

(2) Click the "事前質問を行う (submit questions in advance)" button.

(3) Enter a question of up to 200 characters in length, then click the "次へ (next)" button.

(4) Check the content, then click the "申し込む (submit application)" button (you may not submit questions more than one time).

After the Annual Shareholders Meeting, you may access video of the Annual Shareholders Meeting, our replies to questions we received, and other such content via the Company's website.

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

**Reference Documents for Shareholders Meeting**

**First Proposal:** Partial Amendment to the Articles of Incorporation

The Company proposes to amend the Articles of Incorporation of the Company as follows:

1. Reasons for Proposal

The Act Partially Amending the Companies Act (Act No. 70 of 2019) has newly established a system for providing reference documents for the shareholders meeting in electronic format, and the provision concerning the system stipulated in the amended Companies Act are to be effective on September 1, 2022. Therefore, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing reference documents for the shareholders meeting in electronic format.

(1) Article 16, Paragraph 1 of Proposed Amendments below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the shareholders meeting, etc. in electronic format.
(2) Article 16, Paragraph 2 of Proposed Amendments below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
(3) Since the provisions for Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Provision (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.
(4) Accompanying the aforementioned new establishment and deletion, supplementary provisions regarding the effective date, etc. will be established.

2. Details of Amendments

The details of amendments are as follows.

(Underlined portions are amended)

| Current Articles of Incorporation | Proposed Amendments |
|---|---|
| Article 16. (Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Provision)<br>When convening a general meeting of shareholders, it shall be deemed that the Company has provided shareholders with necessary information that should be described or presented in reference materials for the general meeting of shareholders, business reports, and non-consolidated and consolidated financial statements (including accounting audit report and audit report for such consolidated financial statements), if they are disclosed via the Internet in accordance with the Ministry of Justice Ordinance. | (Deleted) |

| Current Articles of Incorporation | Proposed Amendments |
|---|---|
| (Newly established) | Article 16. (Measures for providing information in electronic format, etc.)<br>When the Company convenes a shareholders meeting, it shall take measures for providing information that constitutes the content of reference documents for the shareholders meeting, etc. in electronic format.<br>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Ordinance from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights. |
| Articles 17. – 36. (Text omitted) | Articles 17. – 36. (Unchanged) |
| Supplementary Provision<br>(Transitional measure regarding Limited Liability Agreements with outside Audit & Supervisory Board Members before transition to a company with an Audit & Supervisory Committee) | Supplementary Provisions<br>Article 1. (Transitional measure regarding Limited Liability Agreements with outside Audit & Supervisory Board Members before transition to a company with an Audit & Supervisory Committee) |
| (Text omitted) | (Unchanged) |
| (Newly established) | Article 2. (Transitional measures regarding measures for providing information in electronic format, etc.)<br>The amendment to the Articles of Incorporation pertaining to Article 16 shall be effective from September 1, 2022 that is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the "Date of Enforcement").<br>Notwithstanding the provision of the preceding paragraph, Article 16 of the pre-amended Articles of Incorporation shall remain effective regarding any shareholders meeting held on a date within six months from the Date of Enforcement. |

| Current Articles of Incorporation | Proposed Amendments |
| --- | --- |
| | Article 2 of these Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the shareholders meeting in the preceding paragraph, whichever is later. |

**Second Proposal:** Election of Six (6) 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, Dr. Hiroshi Kawabe, Mr. Tatsuro Ishizuka, and Mr. Takashi Tanaka as Directors will expire at the close of this Annual Shareholders Meeting.

Therefore, it is proposed that six (6) 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 27 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 |
|---|---|---|---|---|
| 1 | Reelection | | Kenji Yasukawa | Representative Director, President and CEO |
| 2 | Reelection | | Naoki Okamura | Representative Director, Executive Vice President and Chief Strategy Officer (CStO) |
| 3 | Reelection | Outside Director and Independent Director | Mamoru Sekiyama | Director<br>Chair of the Nomination Committee and the Compensation Committee<br>[Concurrent positions at other organizations]<br>Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd. |
| 4 | Reelection | Outside Director and Independent Director | Hiroshi Kawabe | Director<br>Member of the Nomination Committee and the Compensation Committee<br>[Concurrent positions at other organizations]<br>Professor Emeritus, Keio University<br>President, Foundation for Promotion of Medical Training |
| 5 | Reelection | Outside Director and Independent Director | Takashi Tanaka | Director<br>Member of the Nomination Committee and the Compensation Committee<br>[Concurrent positions at other organizations]<br>Representative Director, Chairman of the Board, KDDI CORPORATION<br>Director, Okinawa Cellular Telephone Company |

| Candidate No. | | | Name | Current position and responsibilities at the Company and status of significant concurrent positions at other organizations |
|---|---|---|---|---|
| 6 | New Candidate | Outside Director and Independent Director | Eriko Sakurai | [Concurrent positions at other organizations]<br>President and Representative Director, Dow Chemical Japan Limited<br>Outside Director, Sumitomo Mitsui Financial Group, Inc.<br>Outside Director, Kao Corporation |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 1 | Kenji Yasukawa (June 7, 1960)<br><br>Reelection | April 1986: Joined the Company<br>April 2005: Vice President, Project Management, Urology, the Company<br>June 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Europe B.V.<br>October 2010: Corporate Executive of the Company and Therapeutic Area Head, Urology, Astellas Pharma Global Development, Inc.<br>April 2011: Corporate Executive, Vice President, Product & Portfolio Strategy, the Company<br>April 2012: Corporate Executive, Chief Strategy Officer (CSTO), the Company<br>June 2012: Senior Corporate Executive, Chief Strategy Officer (CSTO), the Company<br>April 2017: Senior Corporate Executive, Chief Strategy Officer and Chief Commercial Officer (CSTO & CCO), the Company<br>June 2017: Representative Director, Executive Vice President, the Company<br>April 2018: Representative Director, President and CEO, the Company (present post)<br>(Rate of attendance in meetings of the Board of Directors)<br>13/13 meetings (100%)<br>(Reasons for selection as a candidate for Director)<br>Since his appointment as Representative Director, Executive Vice President of the Company in June 2017, he has been fulfilling his duties as Director, and since April 2018, as Representative Director, President and CEO of the Company, he has been demonstrating strong leadership through leading the overall management and global business, etc. 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. | 78,715 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 2 | Naoki Okamura (September 18, 1962)<br><br>Reelection | April 1986: Joined the Company<br>October 2010: President & CEO, OSI Pharmaceuticals, Inc.<br>April 2012: Senior Vice President, Chief Strategy Officer, Astellas Pharma Europe Ltd.<br>July 2014: Vice President, Licensing & Alliances, the Company<br>April 2016: Vice President, Corporate Planning, the Company<br>June 2016: Corporate Executive, Vice President, Corporate Planning, the Company<br>April 2018: Corporate Executive, Chief Strategy Officer (CSTO), the Company<br>April 2019: Corporate Executive Vice President, Chief Strategy Officer (CStO), the Company<br>June 2019: Representative Director, Executive Vice President, Chief Strategy Officer (CStO), the Company<br>October 2019: Representative Director, Executive Vice President, Chief Strategy Officer and Chief Financial Officer (CStO & CFO), the Company<br>September 2021: Representative Director, Executive Vice President, Chief Strategy Officer, Chief Financial Officer and Chief Business Officer (CStO & CFO, and CBO), the Company<br>March 2022: Representative Director, Executive Vice President, Chief Strategy Officer and Chief Business Officer (CStO and CBO), the Company<br>April 2022: Representative Director, Executive Vice President and Chief Strategy Officer (CStO), the Company (present post)<br>(Rate of attendance in meetings of the Board of Directors)<br>13/13 meetings (100%)<br>(Reasons for selection as a candidate for Director)<br>Since his appointment as Representative Director, Executive Vice President of the Company in June 2019, he has so far been fulfilling his duties as Director, and overseeing the corporate planning, business development and finance divisions, etc. as Chief Strategy Officer, Chief Financial Officer and Chief Business Officer (CStO, CFO and CBO). 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. | 11,000 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 3 | Mamoru Sekiyama (August 14, 1949)<br><br>Candidate for Outside Director and Independent Director<br><br>Reelection | April 1974: Joined Marubeni Corporation<br>April 1997: General Manager, Power Project Dept.-I, Marubeni Corporation<br>April 1998: General Manager, Power Project Dept.-III, Marubeni Corporation<br>April 1999: Deputy General Manager, Power Project Div.; General Manager, Power Project Dept. -I, Marubeni Corporation<br>April 2001: Senior Operating Officer, Utility Infrastructure Div.; General Manager, Overseas Power Project Dept., Marubeni Corporation<br>April 2002: Corporate Vice President, Chief Operating Officer, Plant, Power & Infrastructure Div., Marubeni Corporation<br>April 2005: Corporate Senior Vice President, Chief Operating Officer, Plant, Power & Infrastructure Projects Div., Marubeni Corporation<br>June 2006: Corporate Senior Vice President, Member of the Board, Marubeni Corporation<br>April 2007: Corporate Executive Vice President, Member of the Board, Marubeni Corporation<br>April 2009: Senior Executive Vice President, Member of the Board, Marubeni Corporation<br>April 2013: Vice Chairman, Marubeni Corporation<br>April 2015: Corporate Adviser, Marubeni Corporation<br>Chairman, Marubeni Power Systems Corporation<br>June 2017: Director, the Company (present post)<br>April 2020: Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd. (present post)<br>(Status of significant concurrent positions at other organizations)<br>Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd.<br>(Number of years as outside Director)<br>Five (5) years at the close of this Annual Shareholders Meeting<br>(Rate of attendance in meetings of the Board of Directors)<br>13/13 meetings (100%) | 0 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| | | (Reasons for selection as a candidate for outside Director, including grounds for the judgment that he can appropriately carry out duties, and a summary of expected roles)<br>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. In addition, as the Chair of the Nomination Committee and the Compensation Committee, he has led the deliberations of each Committee. The Company expects him 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. | |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 4 | Hiroshi Kawabe (May 2, 1952)<br><br>Candidate for Outside Director and Independent Director<br><br>Reelection | May 1979: Assistant, Department of Internal Medicine, Keio University School of Medicine<br>April 1990: Assistant Professor, Health Center, Keio University<br>April 1991: Assistant Professor, Department of Internal Medicine, Keio University School of Medicine<br>April 1996: Associate Professor, Health Center, Keio University<br>Associate Professor, Department of Internal Medicine, Keio University School of Medicine<br>April 2002: Professor, Health Center, Keio University<br>Professor, Department of Internal Medicine, Keio University School of Medicine<br>October 2003: Vice President, Health Center, Keio University<br>October 2011: President, Health Center, Keio University<br>June 2013: Trustee, Japan University Health Association<br>March 2017: Trustee, Daiwa Securities Health Foundation (present post)<br>March 2018: President, Foundation for Promotion of Medical Training (present post)<br>April 2018: Professor Emeritus, Keio University (present post)<br>June 2019: Director, the Company (present post)<br>(Status of significant concurrent positions at other organizations)<br>Professor Emeritus, Keio University<br>President, Foundation for Promotion of Medical Training<br>(Number of years as outside Director)<br>Three (3) years at the close of this Annual Shareholders Meeting<br>(Rate of attendance in meetings of the Board of Directors)<br>13/13 meetings (100%) | 0 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| | | (Reasons for selection as a candidate for outside Director, including grounds for the judgment that he can appropriately carry out duties, and a summary of expected roles)<br>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. In addition, as a member of the Nomination Committee and the Compensation Committee, he has contributed to the deliberations of each Committee by vigorously expressing opinions. The Company expects him 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. | |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 5 | Takashi Tanaka (February 26, 1957)<br><br>Candidate for Outside Director and Independent Director<br><br>Reelection | April 1981: Joined Kokusai Denshin Denwa Co., Ltd. (KDD)<br>April 2003: Executive Officer, General Manager, Solution Product Development Division, Solution Business Sector, KDDI CORPORATION<br>June 2007: Managing Executive Officer, Executive Director, Solution Business Sector, KDDI CORPORATION<br>August 2007: President, Wireless Broadband Planning Inc. (current UQ Communications Inc.)<br>April 2009: Managing Executive Officer, Solution Business Sector, KDDI CORPORATION<br>April 2010: Managing Executive Officer, Solution Business Sector, Consumer Business Sector, and Product Development Sector, KDDI CORPORATION<br>June 2010: Senior Managing Executive Officer, Solution Business Sector, Consumer Business Sector, and Product Development Sector, KDDI CORPORATION<br>June 2010: Chairman, UQ Communications Inc.<br>December 2010: Representative Director, President, KDDI CORPORATION<br>April 2018: Representative Director, Chairman of the Board, KDDI CORPORATION (present post)<br>June 2018: Director, Okinawa Cellular Telephone Company (present post)<br>June 2021: Director, the Company (present post)<br>(Status of significant concurrent positions at other organizations)<br>Representative Director, Chairman of the Board, KDDI CORPORATION<br>Director, Okinawa Cellular Telephone Company<br>(Number of years as outside Director)<br>One (1) year at the close of this Annual Shareholders Meeting<br>(Rate of attendance in meetings of the Board of Directors)<br>9/10 meetings (90%) | 0 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| | | (Reasons for selection as a candidate for outside Director, including grounds for the judgment that he can appropriately carry out duties, and a summary of expected roles)<br>He has been engaged in corporate management as a business manager of telecommunications companies for many years, and has abundant experience and extensive insight as a business manager. Since June 2021, he has been playing a key role as outside Director in the management of the Company from an independent standpoint. In addition, as a member of the Nomination Committee and the Compensation Committee, he has contributed to the deliberations of each Committee by vigorously expressing opinions. The Company expects him to leverage his broad knowledge in the telecommunications field and abundant experience and extensive insight as a corporate manager to the management of the Company from an independent standpoint in the future as well, and therefore requests his election as outside Director. | |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 6 | Eriko Sakurai (November 16, 1960)<br><br>Candidate for Outside Director and Independent Director<br><br>New Candidate | June 1987: Joined Dow Corning Corporation (current Dow Silicones Corporation)<br>March 2009: Chairman and CEO, Representative Director, Dow Corning Toray Co., Ltd. (current Dow Toray Co., Ltd.)<br>May 2011: Regional President Japan/Korea, Dow Corning Corporation (current Dow Silicones Corporation)<br>June 2014: Outside Director, Sony Corporation (current Sony Group Corporation)<br>February 2015: President, Representative Director, Dow Silicones Holdings Japan Kabushiki Kaisha (current Specialty Products Japan Godo Kaisha)<br>June 2015: Outside Director, Sumitomo Mitsui Financial Group, Inc. (present post)<br>August 2020: President and Representative Director, Dow Chemical Japan Limited (present post)<br>President, Representative Director, Dow Japan Holdings Kabushiki Kaisha (current Dow Chemical Japan Limited)<br>President, Representative Director, Performance Materials Japan Kabushiki Kaisha (present post)<br>March 2022: Outside Director, Kao Corporation (present post)<br>(Status of significant concurrent positions at other organizations)<br>President and Representative Director, Dow Chemical Japan Limited<br>Outside Director, Sumitomo Mitsui Financial Group, Inc.<br>Outside Director, Kao Corporation<br>(Reasons for selection as a candidate for outside Director, including grounds for the judgment that she can appropriately carry out duties, and a summary of expected roles)<br>She has served in important positions for many years at a chemical manufacturer that develops business globally and has its head office in the United States, and has been engaged in corporate management at a Japanese subsidiary in the corporate group of that company. She possesses abundant international experience and extensive insight. The Company expects her to leverage her abundant international experience and extensive insight for the management of the Company from an independent standpoint, and therefore requests her election as a new outside Director. | 0 shares |

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

2. Mr. Mamoru Sekiyama, Dr. Hiroshi Kawabe, Mr. Takashi Tanaka and Ms. Eriko Sakurai 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 35 to 36.

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, Dr. Hiroshi Kawabe and Mr. Takashi Tanaka is approved, the Company will maintain the agreements to limit their respective liabilities, and if the election of Ms. Eriko Sakurai is approved, the Company will enter into an agreement to limit her liability with the same terms and conditions of the other Directors' agreements.

4. The Company has entered into a directors and officers liability insurance agreement with an insurance company as provided for in Article 430-3 (1) of the Companies Act. In the event of a claim for damages submitted by a shareholder or a third party, etc., the said insurance contract shall compensate for damages, legal expenses, etc. to be borne by the insured. If the candidates assume office as Directors who are not Audit & Supervisory Committee Members, they will be included as the insured of the insurance agreement. The insurance agreement is scheduled to be renewed by the Company during the term of office.

■ Opinions of the Audit & Supervisory Committee

Based on the Code of Audit & Supervisory Committee Auditing Standards, the Audit & Supervisory Committee has conducted a review with respect to the 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 the content of this proposal.

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

The terms of office of Mr. Toru Yoshimitsu, Dr. Hiroo Sasaki and Mr. Raita Takahashi 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 | Reelection | | Toru Yoshimitsu | Director (Full-time Audit & Supervisory Committee Member, Chair of the Audit & Supervisory Committee) |
| 2 | Reelection | Outside Director and Independent Director | Raita Takahashi | Director (Audit & Supervisory Committee Member)<br>[Concurrent positions at other organizations]<br>Representative, TAKAHASHI Accounting & Tax office<br>Outside Audit & Supervisory Board Member, Alpha Group Inc.<br>Representative Director, Yoshida Management Co. Ltd. |
| 3 | New Candidate | Outside Director and Independent Director | Mika Nakayama | [Concurrent positions at other organizations]<br>Director, Senior Officer, and General Manager of Sustainability Promotion Dept., JSR Corporation |

| 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)<br><br>Reelection | April 1987: Joined the Company<br>April 2013: Senior Vice President, Product & Portfolio Strategy, the Company<br>June 2015: Corporate Executive, Senior Vice President, Product & Portfolio Strategy, the Company<br>April 2017: Corporate Executive, Senior Vice President, Corporate Finance & Control, the Company<br>April 2019: Corporate Executive, Senior Vice President, Corporate Financial Planning & Analysis, the Company<br>October 2019: Corporate Executive, Senior Vice President, Finance and Corporate Financial Planning & Analysis, the Company<br>April 2020: Report to CEO, the Company<br>June 2020: Director (Audit & Supervisory Committee Member), the Company (present post)<br>(Rate of attendance in meetings of the Board of Directors)<br>13/13 meetings (100%)<br>(Rate of attendance in meetings of the Audit & Supervisory Committee)<br>14/14 meetings (100%)<br>(Reasons for selection as a candidate for Director who is an Audit & Supervisory Committee Member)<br>He has abundant global experience of financial management and strategy in development, finance, etc. divisions and possesses advanced skills in collecting information. He assumed the position of Corporate Executive of the Company in June 2015, and has been demonstrating strong leadership in an aim to achieve sustainable enhancement of enterprise value. Since June 2020, he has fulfilled his responsibilities as Director who is an Audit & Supervisory Committee Member with regard to the supervision and auditing of the Company's management. The Company considers that his extensive experience and leadership will be required for supervising and auditing the Company's management in the future as well, and therefore requests his election as Director who is an Audit & Supervisory Committee Member. | 47,818 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 2 | Raita Takahashi (June 9, 1962)<br><br>Candidate for Outside Director and Independent Director<br><br>Reelection | October 1986: Joined Sanwa･Tohmatsu Aoki Audit Corporation (current Deloitte Touche Tohmatsu LLC)<br>August 1995: Joined Chuo Audit Corporation<br>May 1997: Established TAKAHASHI Accounting & Tax office (present post)<br>April 1999: Representative Partner, ChuoAoyama PricewaterhouseCoopers<br>December 2000: Outside Audit & Supervisory Board Member, Alpha Group Inc. (present post)<br>March 2001: Representative Director, Yoshida Management Co. Ltd. (present post)<br>June 2011: Trustee, Japan Association of Healthcare Management Consultants (present post)<br>January 2018: Section President, Japanese Institute of Certified Public Accountants, Minami-Kyushu Chapter, Kagoshima Subcommittee<br>June 2020: Director (Audit & Supervisory Committee Member), the Company (present post)<br>(Status of significant concurrent positions at other organizations)<br>Representative, TAKAHASHI Accounting & Tax office<br>Outside Audit & Supervisory Board Member, Alpha Group Inc.<br>Representative Director, Yoshida Management Co. Ltd.<br>(Number of years as outside Director)<br>Two (2) years at the close of this Annual Shareholders Meeting<br>(Rate of attendance in meetings of the Board of Directors)<br>13/13 meetings (100%)<br>(Rate of attendance in meetings of the Audit & Supervisory Committee)<br>14/14 meetings (100%) | 0 shares |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| | | (Reasons for selection as a candidate for outside Director who is an Audit & Supervisory Committee Member, including grounds for the judgment that he can appropriately carry out duties, and a summary of expected roles)<br>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. Since June 2020, he has been playing a key role as outside Director who is an Audit & Supervisory Committee Member in the supervision and auditing of the Company's management from an independent standpoint. The Company expects him 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 outside Director who is an Audit & Supervisory Committee Member. | |

| Candidate No. | Name (Date of birth) | Resume, position and responsibilities at the Company | Number of shares of the Company owned |
|---|---|---|---|
| 3 | Mika Nakayama (January 10, 1961)<br><br>Candidate for Outside Director and Independent Director<br><br>New Candidate | August 1984: Joined Nippon Synthetic Rubber Co., Ltd. (current JSR Corporation)<br>April 2015: Officer, General Manager of Corporate Planning Department and General Manager of Diversity Promotion Office, JSR Corporation<br>April 2017: Executive Officer, General Manager of Intellectual Property Department, JSR Corporation<br>June 2020: Director, Senior Officer, General Manager of Sustainability Promotion Dept., JSR Corporation (present post)<br>(Status of significant concurrent positions at other organizations)<br>Director, Senior Officer, and General Manager of Sustainability Promotion Dept., JSR Corporation<br>(Reasons for selection as a candidate for outside Director who is an Audit & Supervisory Committee Member, including grounds for the judgment that she can appropriately carry out duties, and a summary of expected roles)<br>She has abundant experience in the field of intellectual property at a globally operating chemical manufacturer and, in addition to having served in important positions, have been engaged in corporate management in the company. She possesses abundant specialized knowledge and extensive insight. The Company expects her to leverage her abundant specialized knowledge and extensive insight to supervise and audit the Company's management, and therefore requests her election as a new outside Director who is an Audit & Supervisory Committee Member. | 0 shares |

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

2. Mr. Raita Takahashi and Ms. Mika Nakayama 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 35 to 36.

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. Toru Yoshimitsu and Mr. Raita Takahashi is approved, the Company will maintain the agreements to limit their liabilities and, if the election of Ms. Mika Nakayama is approved, the Company will enter into the agreement to limit her liability with the same terms and conditions of the other Directors' agreements.

4. The Company has entered into a directors and officers liability insurance agreement with an insurance company as provided for in Article 430-3 (1) of the Companies Act. In the event of a claim for damages submitted by a shareholder or a third party, etc., the insurance agreement shall compensate for damages, legal expenses, etc. to be borne by the insured. If the candidates assume office as Directors who are not Audit & Supervisory Committee Members, they will be included as the insured of the insurance agreement. The insurance agreement is scheduled to be renewed by the Company during the term of office.

5. Director who is an 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 and adopted as

proposed, the total number of Directors who are Audit & Supervisory Committee Members shall be four (4) (including three (3) outside Directors).

6. Ms. Mika Nakayama is scheduled to retire from office of Director, Senior Officer, and General Manager of Sustainability Promotion Dept., of JSR Corporation in June 2022.

**Reference Material Regarding the Second Proposal and Third Proposal**

## Skills Matrix

The Board of Directors specifies the skills, etc. (knowledge, experience, abilities, etc.) that should be possessed as a whole in order to properly perform its function in light of the Company's corporate strategies.
If the Second Proposal and Third Proposal are approved and adopted as proposed, the composition of the Board of Directors and the skills, etc. expected of Directors will be as follows:

| | Name | Outside director | Company Management | Global Business | Science & Technology | Legal・Risk Management | Finance・Accounting | Academia |
|---|---|---|---|---|---|---|---|---|
| Director | Kenji Yasukawa | | ● | ● | ● | ● | | |
| | Naoki Okamura | | ● | ● | ● | | ● | |
| | Mamoru Sekiyama | ○ | ● (Trading) | ● | | | | |
| | Hiroshi Kawabe | ○ | | | ● | | | ● (Medi-cine) |
| | Takashi Tanaka | ○ | ● (Telecommu nication) | ● | ● | ● | | |
| | Eriko Sakurai | ○ | ● (Chemicals) | ● | | ● | | |
| Director Audit & Supervisory Committee Member | Toru Yoshimitsu | | | ● | ● | | ● | |
| | Haruko Shibumura | ○ | | | | ● (Lawyer) | | |
| | Raita Takahashi | ○ | | | | | ● (Account-ant) | |
| | Mika Nakayama | ○ | ● (Chemicals) | ● | ● | ● | | |

**Reference Material Regarding the Second Proposal and Third 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[1] of the Company or the Company's subsidiaries (collectively, "the Group"), or person who has been engaged in business execution of the Group at any time in the past 10 years (or for a period of 10 years before appointment to that post if the person has, at any time within the past 10 years, served as a non-executive Director, Audit & Supervisory Board Member or Accounting Advisor of the Group);

(2) Party for whom the Group is a major business partner[2] or a person engaged in business execution of such party;

(3) Major business partner of the Group[3] or a person engaged in business execution of such business partner;

(4) Consultant, accounting professional, or legal professional obtaining large amounts of money or other financial benefits[4], other than as remuneration of Director from the Group (if such financial benefits are obtained by an incorporated entity, partnership or other organization, this item refers to a person belonging to such organization);

(5) Person belonging to an auditing firm performing statutory audits of the Group;

(6) Person receiving donations or grants above a certain threshold[5] from the Group (if the donations or grants are received by an incorporated entity, partnership or other organization, this item refers to a person engaged in business execution of such organization);

(7) Person engaged in business execution of a major financial institution[6] from which the Group has borrowings, or a person engaged in business execution of the parent company or subsidiary of such financial institution;

(8) Major shareholder[7] of the Group, or a person engaged in business execution of an incorporated entity that is a major shareholder of the Group;

(9) Person engaged in business execution of a company in which the Group is a major shareholder;

(10) Person engaged in business execution of a company accepting directors (whether full or part time) from the Group, or a person engaged in business execution of the parent company or subsidiary of such company;

(11) Person to whom any of Items (2) through (10) apply during the most recent 3 years; and

(12) Relative of a person to whom any of Items (1) through (11) apply (limited to a person in an important position[8]).[9]

[1] "Person engaged in business execution" refers to a "person engaged in business execution" as defined in 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, 2021 to March 31, 2022)**

## 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, 2021 to March 31, 2022, hereinafter it may be also referred to as "FY2021"), 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 FY2021 are shown in the table below. Revenue increased, while core operating profit and core profit decreased.

Consolidated financial results (core basis)

| | Business results of the business year under review (FY2021) | Fluctuation from the previous business year (increase/decrease ratio) |
|---|---|---|
| Revenue | ¥1,296.2 billion | ¥46.6 billion increase (3.7% increase) |
| Core operating profit | ¥244.7 billion | ¥6.6 billion decrease (2.6% decrease) |
| Core profit | ¥190.6 billion | ¥19.3 billion decrease (9.2% decrease) |

(i) Revenue

Revenue in FY2021 increased by 3.7% compared to those in the previous business year ("year-on-year") to ¥1,296.2 billion.

- Sales of main products XTANDI for the treatment of prostate cancer, XOSPATA for the treatment of acute myeloid leukemia, PADCEV for the treatment of urothelial cancer, and Evrenzo for the treatment of renal anemia increased. In addition, sales of Betanis / Myrbetriq / BETMIGA for the treatment of overactive bladder ("OAB") and EVENITY for the treatment of osteoporosis grew.

- Moreover, the increase in revenues was also underpinned by a recovery in sales of pharmacologic stress agent Lexiscan, whose sales decreased primarily during the first quarter of FY2020 mainly due to the impact of the spread of COVID-19.

- The sales growth of the products above offset the sales decrease mainly due to the termination of sales agreements for Celecox for the treatment of inflammation and pain and Lipitor for the treatment of hypercholesterolemia, and the divestiture of Eligard for the treatment of prostate cancer.

(ii) Core operating profit / Core profit

Core operating profit decreased by 2.6% year-on-year to ¥244.7 billion.
Core profit decreased by 9.2% year-on-year to ¥190.6 billion.

- Gross profit increased by 4.0% year-on-year to ¥1,043.2 billion. The cost-to-revenue ratio fell by 0.2 of a percentage point year-on-year to 19.5%, mainly due to changes in product mix despite having incurred foreign exchange rate effects associated with elimination of unrealised gains in inter-group transactions.

- Selling, general and administrative expenses increased by 8.8% year-on-year to ¥548.8 billion. There was a decrease in expenses brought about by global workforce optimization associated with changes in the product portfolio, yet selling, general and administrative expenses increased overall due to the factors that include effects of foreign exchange rates, an increase of co-promotion fees associated with the growth of

sales of XTANDI in the United States, investment in digital transformation, and an increase in sales promotion expenses geared to launching and developing new products.

- Research and development (R&D) expenses increased by 9.6% year-on-year to ¥246.0 billion. R&D expenses increased overall due to the factors that include effects of foreign exchange rates, an increase in development expenses for zolbetuximab, anti-Claudin 18.2 monoclonal antibody, and greater investment in the Rx+ business (related to Iota Biosciences, Inc.). The R&D expenses-to-revenue ratio was up 1.0 percentage points year-on-year to 19.0%.

- Amortisation of intangible assets increased by 19.0% year-on-year to ¥28.3 billion.

- In the third quarter of FY2021, the Company recorded gains on divestiture largely associated with its transfer of five products that had been sold in Europe and elsewhere to Cheplapharm Arzneimittel GmbH (Germany) (¥12.3 billion) and transfer of pipeline products (¥9.2 billion), and transfer of bendamustine (¥2.0 billion). As a result, gain on divestiture of intangible assets was ¥24.2 billion.

The exchange rates for the yen in FY2021 are shown in the table below. The resulting impacts were a ¥59.6 billion increase in revenue and an ¥18.5 billion increase in core operating profit compared with if the exchange rates of the previous business year (from April 1, 2020 to March 31, 2021, hereinafter it may be also referred to as "FY2020") were applied.

Exchange rate

| Average rate | FY2020 | **FY2021** | Change |
|---|---|---|---|
| US$/¥ | ¥106 | **¥112** | ¥6 (Weakening of yen) |
| €/¥ | ¥124 | **¥131** | ¥7 (Weakening of yen) |

| Change from beginning to end of period | FY2020 | **FY2021** |
|---|---|---|
| US$/¥ | ¥2 (Weakening of yen) | **¥11 (Weakening of yen)** |
| €/¥ | ¥10 (Weakening of yen) | **¥5 (Weakening of yen)** |

<Consolidated financial results (full basis)>

Consolidated financial results on a full basis in FY2021 are shown in the table below. Revenue, operating profit and profit for the year increased across the board.

The full basis financial results include "Other income," "Other expenses," which are excluded from the core basis financial results. In FY2021, "Other income" was ¥15.3 billion (¥7.6 billion in the previous business year) and "Other expenses" was ¥104.3 billion (¥123.0 billion in the previous business year).

As "Other expenses," the Company recorded impairment losses on intangible assets in relation to a revision of the development plan for the gene therapy AT132 targeting patients with X-linked myotubular myopathy (¥31.2 billion), impairment losses on intangible assets in relation to termination of development of DNA vaccine ASP2390 (¥11.3 billion), impairment losses on goodwill in relation to termination of development of GITR agonist antibody ASP1951 (¥5.2 billion).

Consolidated financial results (full basis)

| | Business results of the business year under review (FY2021) | Fluctuation year-on-year (Increase/decrease ratio) |
|---|---|---|
| Revenue | ¥1,296.2 billion | ¥46.6 billion increase (3.7% increase) |
| Operating profit | ¥155.7 billion | ¥19.6 billion increase (14.4% increase) |
| Profit before tax | ¥156.9 billion | ¥11.6 billion increase (8.0% increase) |
| Profit | ¥124.1 billion | ¥3.5 billion increase (2.9% increase) |

Sales of main products

| | Business results of the business year under review (FY2021) | Fluctuation year-on-year (Increase/decrease ratio) |
|---|---|---|
| XTANDI | ¥534.3 billion | ¥75.9 billion increase (16.6% increase) |
| XOSPATA | ¥34.1 billion | ¥10.2 billion increase (42.9% increase) |
| PADCEV | ¥21.7 billion | ¥8.9 billion increase (69.5% increase) |
| Evrenzo | ¥2.6 billion | ¥1.5 billion increase (131.5% increase) |
| Betanis / Myrbetriq / BETMIGA | ¥172.3 billion | ¥8.7 billion increase (5.3% increase) |
| Prograf* | ¥185.4 billion | ¥2.7 billion increase (1.5% increase) |

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

<Revenue by region>

Revenue by region is shown in the table below. Revenue in the United States, Established Markets[*1] and Greater China[*2] increased, while in Japan and International Markets[*3] decreased.

| | Business results of the business year under review (FY2021) | Fluctuation year-on-year (Increase/decrease ratio) |
|---|---|---|
| Japan | ¥258.8 billion | ¥20.4 billion decrease 7.3% decrease |
| United States | ¥537.5 billion | ¥64.3 billion increase 13.6% increase |
| Established Markets | ¥315.2 billion | ¥22.0 billion increase 7.5% increase |
| Greater China | ¥66.3 billion | ¥7.0 billion increase 11.8% increase |
| International Markets | ¥110.1 billion | ¥1.0 billion decrease 0.9% decrease |

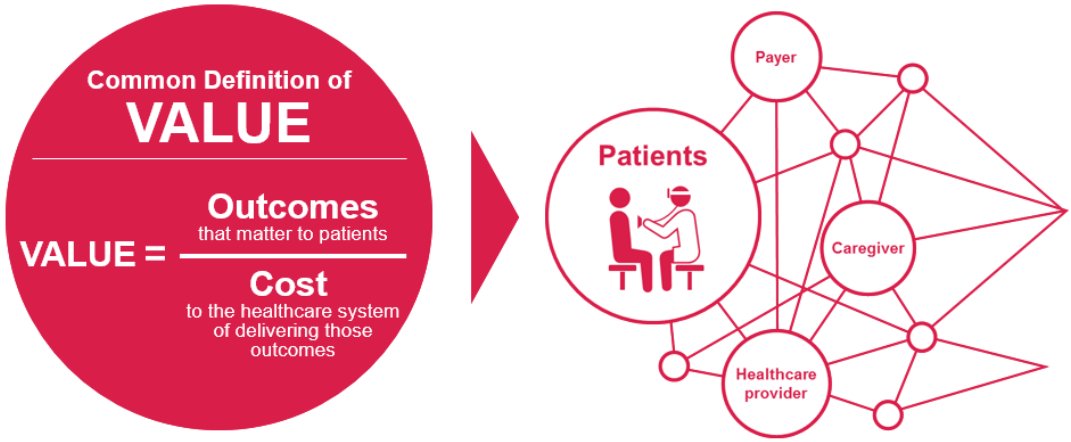
*1 Established Markets: Europe, Canada, Australia.

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

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

2) Progress of initiatives for sustainable growth

The Company, as a global company, has created a “Common Definition of VALUE” for patients we provide in order for all of our employees to work in the same direction and to make strong and steady progress in the various initiatives for sustainable growth in which each individual is involved. The Common Definition of VALUE is obtained by dividing Outcomes that really matter to patients (clinical outcomes from treatment, etc.) by Cost to the healthcare system of delivering those outcomes.




*Source: "What Is Value in HealthCare?" Porter, M.E. (2010). New England Journal of Medicine

In the Corporate Strategic Plan 2021, announced in May 2021, the Company has set four Strategic Goals (SGs); "Enable patients to achieve better outcomes," "Translate innovative science into proven VALUE," "Advance the Rx+ business," and "Deepen our engagement in sustainability," to create and deliver VALUE. See also "Issues to be Addressed by the Astellas Group" (page 58) for details of the Corporate Strategic Plan 2021 and each of Strategic Goals.

The following are the main initiatives during the FY2021:

**SG1: Enable patients to achieve better outcomes**

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, in addition to the strategic products* XOSPATA for the treatment of acute myeloid leukemia, PADCEV for the treatment of urothelial cancer and Evrenzo for the treatment of renal anemia, etc. For post-marketing indication expansion and clinical development in the later stages of development, the Company is preferentially allocating management resources to strategic products that will support sustainable growth over the mid- to long-term. Much progress was made, including the obtaining of approval for PADCEV in Japan, the obtaining of approval for Evrenzo in Europe, etc.

The following are the sales and the main progress of XTANDI and strategic products for the FY2021.

* XOSPATA, PADCEV, zolbetuximab, Evrenzo, fezolinetant, AT132

- **XTANDI (generic name: enzalutamide) for the treatment of prostate cancer**
  **FY2021 Sales: ¥534.3 billion (increased by 16.6% YoY)**

The Company worked to further strengthen market access and further increase penetration of XTANDI amongst urologists, and has been making efforts to increase the market penetration of XTANDI to the patients with prostate cancer in earlier stages by utilizing robust data based on clinical trials accumulated after launch. As a result, the sales increased in all regions where it is sold. The following are the major progress in obtaining approval for the additional indication and development.

April 2021: In Europe, the Company obtained approval for supplemental applications for metastatic hormone-sensitive prostate cancer.

December 2021: In the United States and Europe, the Company filed for approval of its appended documentation giving data on overall survival on patients with metastatic hormone-sensitive prostate cancer.

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

**FY2021 Sales: ¥34.1 billion (increased by 42.9% YoY)**

The Company worked to increase penetration of XOSPATA amongst hematologists/oncologists as a new option for acute myeloid leukemia, and established its position as market leader by increasing product awareness and the rate that testing for FMS-like tyrosine kinase 3 (FLT3) mutations is carried out. As a result, sales in each region increased due to factors such as the launch in China in April 2021 and the start of insurance reimbursement in European countries. Furthermore, trials are underway at each stage of development to obtain approval for the additional indication.

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

**FY2021 Sales: ¥21.7 billion (increased by 69.5% YoY)**

In the United States, in addition to establishing its position as a preferred treatment option for patients with previously approved indications, the Company obtained approval for the additional indication during the FY2021, and sales increased as a result of penetration into new patients. The following are the major progress in obtaining approval for the additional indication and development.

July 2021: In the United States, the Company obtained approval for supplemental applications for patients with locally advanced or metastatic urothelial cancer who are ineligible for cisplatin-containing chemotherapy and had previously received one or more prior lines of therapy.

July 2021: In the United States, the Company obtained regular approval for applications for patients with locally advanced or metastatic urothelial cancer, who had previously received chemotherapy, including platinum-containing chemotherapy, and PD-1 or PD-L1 inhibitors.

November 2021: In Japan, the Company launched for its indications and effectiveness in the treatment of “unresectable urothelial cancer aggravated after cancer chemotherapy.”

February 2022: In Europe, the recommendation for approval of the sales of PADCEV as a treatment for patients with locally advanced or metastatic urothelial cancer, who had previously received chemotherapy, including platinum-containing chemotherapy, and PD-1 or PDL-1 inhibitors, was adopted.

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

**FY2021 Sales: ¥2.6 billion (increased by 131.5% YoY)**

In Japan, sales increased due to efforts to expand market share. The following is the progress of development toward obtaining approval for the additional indication.

August 2021: In Europe, the Company obtained approval of Evrenzo as a treatment for renal anemia in adult patients. Evrenzo is the first hypoxia-inducible factor prolyl hydroxylase inhibitor available in Europe.

The following are the major progress in the development of other strategic products.

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

  July 2021: The Company announced that Phase 3 SKYLIGHT 2 clinical trial in patients with moderate-to-severe vasomotor symptoms associated with menopause provided 52-week data supporting the long-term use of fezolinetant.

  October 2021: The Company announced that the Phase 3 SKYLIGHT 1 clinical trial in patients with moderate-to-severe vasomotor symptoms associated with menopause provided 52-week data supporting the long-term use of fezolinetant.

  March 2022: The Company announced that the Phase 3 SKYLIGHT 4 clinical trial evaluating the long-term safety of fezolinetant for the treatment of moderate to severe vasomotor symptoms associated with menopause achieved the primary endpoint assessing endometrial health, and provided topline results which will support future regulatory filing submissions in Europe and the United States.

  March 2022: The Company announced that the Phase 3 MOONLIGHT 1 clinical trial for the treatment of moderate to severe vasomotor symptoms associated with menopause in women in Asia did not meet the pre-defined endpoints for efficacy.

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

  October 2021: The Company announced that the protocol was revised to increase study size for the Phase 2 trial for pancreatic adenocarcinoma.

- **AT132 (generic name: resamirigene bilparvovec) for patients with X-linked myotubular myopathy**

  April 2021: As a result of a review of asset values based on the assumption that there will be delays in approval dates and changes in target patients in the United States, Europe, and other regions, the Company announced that it recorded an impairment loss on intangible assets in the fourth quarter of the FY2020.

  September 2021: The Company received a notice from the United States Food and Drug Administration lifting the clinical trial suspension on the Phase 1 and 2 trial (ASPIRO trial) due to a serious adverse event.

In addition, the following are sales of other major products.

- **OAB treatment Betanis/Myrbetriq/BETMIGA (generic name: mirabegron)**
  **FY2021 Sales: ¥172.3 billion (increased by 5.3% YoY)**
  Global sales expanded mainly in Europe and Japan.

- **immunosuppressant agent Prograf (generic name: tacrolimus hydrate)**
  **FY2021 Sales: ¥185.4 billion (increased by 1.5% YoY)**

Sales increased in Europe and China, whereas there was a decline in the United States and Japan. Although there were fluctuations by region, overall global sales increased.

In addition, the following approval for supplemental applications was obtained.

July 2021: In the United States, the Company obtained approval for the application for prevention of rejection in lung transplantation

**SG2: Translate innovative science into proven VALUE**

The Company has established a new approach to narrowing down medicine targets from multiple perspectives. Under this approach, a Focus Area is defined as a set of combinations of three components: (1) biologies with high disease relevance*1, (2) versatile modalities and technologies*2 and (3) diseases with high unmet medical needs with solutions that are expected from these two elements of biologies and modalities/technologies.

As of March 2022, we have selected four Primary Focuses*3: "Genetic Regulation," "Immuno-Oncology," "Blindness and Regeneration," and "Mitochondria Biology."

*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, feasibility of R&D and commercialization, enhancement level and progress of projects, among others. Also see "Issues to be Addressed by the Astellas Group" (page 58) for details of each of Primary Focus.

The following are the main progress of each of Primary Focus during the FY2021:

- **Primary Focus: Genetic Regulation**

  November 2021: The Company entered into a collaboration agreement with Dyno Therapeutics Inc. (U.S.) focused on the discovery and research of next generation adeno-associated virus (AAV) vectors for gene therapy targeting skeletal and cardiac muscle.

  February 2022: The Company presented the safety data from the Phase 1/2 clinical trial (the FORTIS) evaluating AT845 in patients with Late-Onset Pompe Disease at the annual meeting of WORLDSymposium 2022.

- **Primary Focus: Immuno-Oncology**

  October 2021: The artificial adjuvant vector cell ASP7517 for patients with acute myeloid leukemia and myelodysplastic syndrome has been administered to the first patient in the phase 2 clinical development stage.

  November 2021: ASP1570, a DGKζ inhibitor for patients with cancer, has been administered to the first patient in the phase 1 clinical development stage.

  December 2021: The artificial adjuvant vector cell ASP7517 for patients with solid tumors has been administered to the first patient in the phase 1 clinical development stage.

  December 2021: ASP2138, an anti-Claudin 18.2 and anti-CD3 bispecific antibody, has entered the phase 1 clinical development stage for patients with gastric and gastroesophageal junction adenocarcinoma and pancreatic adenocarcinoma.

January 2022: The artificial adjuvant vector cell ASP0739 for patients with cancer has been administered to the first patient in the phase 1 clinical development stage.

- **Primary Focus: Blindness and Regeneration**

  The Phase 1 clinical development of cell therapy ASP7317 for patients with dry age-related macular degeneration with map atrophy is underway.

- **Primary Focus: Mitochondria Biology**

  June 2021: ASP0367/MA-0211, a selective PPARδ modulator for patients with primary mitochondrial myopathy has been administered to the first patient in the Phase 2/3 clinical development stage.

  July 2021: The Company and Minovia Therapeutics, Ltd. (Israel) entered into a worldwide strategic collaboration and license agreement for the research, development, and commercialization of novel cell therapy programs for diseases caused by mitochondrial dysfunction.

  March 2022: ASP8731/ML-0207, a BACH1 inhibitor to be developed for patients with sickle cell disease, has been administered to the first clinical trial subject in the phase 1 clinical development stage to confirm safety and efficacy.

The following are major developments in R&D activities other than Primary Focus for the FY2021.

May 2021: The Company announced that the Company and Kyoto University Innovation Capital Co., Ltd. have established a comprehensive strategic alliance agreement to bring their strengths together and promote the social implementation of advanced research results from national universities by discovering, supporting, and fostering them.

June 2021: The Company decided to discontinue the development of DNA vaccine ASP0892 for peanut allergy which was under the Phase 1 clinical trial stage.

July 2021: The Company and Tohoku University have established the second phase of comprehensive industry-academia collaboration to continuously create value for patients through co-creation of innovative healthcare solutions.

October 2021: The Company and Juntendo University have established, inside Juntendo University Graduate School of Medicine, a joint research course entitled, “Direct Reprogramming Regenerative Medicine Course.”

November 2021: The Company and Pantherna Therapeutics GmbH (Germany) have entered into a technology evaluation agreement for the research of mRNA-based regenerative medicine.

February 2022: The Company entered into an agreement with Affinivax Inc. (U.S.), in which the Company returns the exclusive worldwide license to develop and commercialize a novel vaccine ASP3772 targeting Streptococcus pneumoniae to Affinivax Inc.

February 2022: ASP3082 has entered the phase 1 clinical development stage for patients with cancer.

**SG3: Advance the Rx+ business**

The Rx+ business is defined as a business that contributes to patients throughout the Patient Journey* and is capable of generating profits on its own, by integrating cutting-edge medical technologies and advanced technologies from different fields, based on the strengths we have cultivated in the prescription pharmaceutical (Rx) business. Based on the Rx+ Story, which outlines the strategic direction for the creation of Rx+ businesses, the Company is focused on commercialization of Rx+ Business with the aim of realizing "a world where people can live mentally and physically healthy lives and be true to themselves through healthcare solutions based on scientific evidence."

Below are the key initiatives in FY2021.

- Chronic diseases progression prevention

  July 2021: The Company began commercialization of My Holter II, which was jointly developed with M.Heart Co. Ltd. My Holter II is a program that analyzes data from Holter-type electrocardiogram tests using artificial intelligence-based algorithms, and was implemented in a cloud electrocardiogram analysis service provided by the company for medical professionals.

  September 2021: The Company entered into a basic agreement with NITTO DENKO CORPORATION and M.Heart Co. Ltd. regarding the provision of electrocardiographic testing services.

  September 2021: The Company began trial sales of Fit-eNce Home, an exercise support service based on scientific evidence that enables customers to conduct exercise programs at home.

- Patient outcome maximization

  November 2021: The Company received top-line results from a Phase II study of ASP5354 (generic name: pudexacianinium chloride), an optical contrast agent that can visualize the ureter during abdominal and pelvic surgeries. The results confirmed the safety and efficacy of the drug and support to proceed to Phase III trials.

* Patient Journey: the entire process of medical care involving diagnosis, prevention, treatment, and prognosis support, relevant to the patient's daily life.

**SG4: Deepen our engagement in sustainability**

The Company believes that contribution to enhancing the sustainability of society is essential for business continuity. We are committed to engaging in the sustainability of society by fulfilling our social responsibilities as a pharmaceutical company, including but not limited to creating innovative treatment measures such as pharmaceutical products that satisfy unmet medical needs. The company-wide efforts are based on our concept of sustainability, which is to gain society's trust in our company and its products, which in turn improves our sustainability.

The following are the major initiatives during the FY2021.

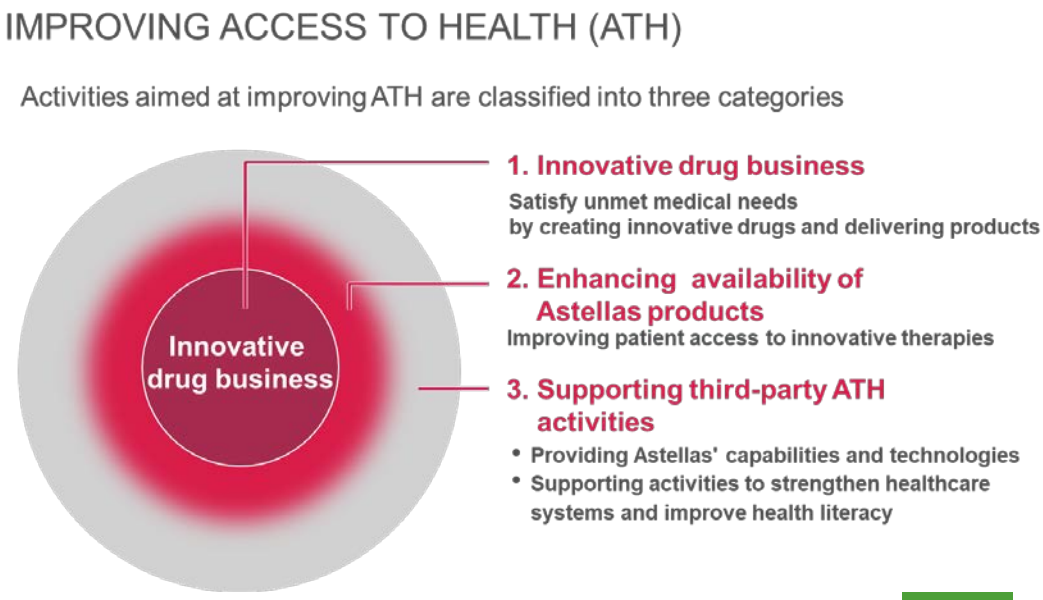
- **Improving Access to Health**

  The Company regards the situation where there still remain barriers for many people worldwide who have difficulty accessing 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 groups the activities to solve these problems into three categories.

1 New medicine business: Business itself in which the Company create and deliver innovative new medicines to patients

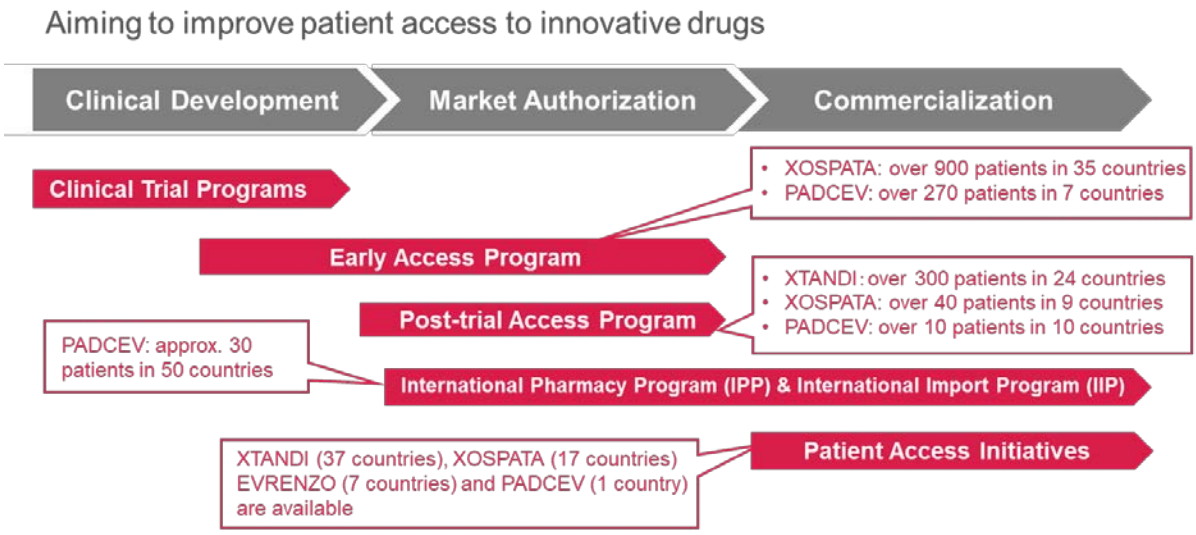
2 Improving access to Astellas medicines: Efforts to improve access to patients who cannot obtain Astellas medicines through normal means

3 Support for the activities implemented by external partners to improve ATH




Activities to improve ATH: Improving access to Astellas medicines:

We strategically consider and implement activities to improve ATH from the development stage to post-launch of our pharmaceutical products. To improve access for patients who are unable to obtain Astellas medicines by normal means, we have prepared various programs as shown in the figure below. For example, the Early Access Program has allowed XOSPATA to reach more than 900 patients in 35 countries (as of February 2022). In addition, through our patient access initiatives which allow patients in some countries and regions who meet certain criteria to receive financial assistance in purchasing certain of our products, XTANDI and XOSPATA have been available for them in 37 and 17 countries, respectively (as of February 2022).




- Early Access Program: A program that provides treatment in the period before manufacturing and marketing approval until market introduction for patients suffering from serious, life-threatening diseases who have exhausted all available therapeutic options and are still unable to participate in clinical trials.

- Post-trial Access Program: A program implemented to ensure that patients who complete Astellas clinical trials and still suffer from a serious, life-threatening disease for which there are no commercially available treatment options will have uninterrupted access to that treatment until the product is available for sale.

- International Pharmacy Program: A program that allows products that have been approved and launched in major countries to be imported and used at a certain price in unapproved countries for patients who meet certain conditions.

- International Import Program: A program in which Astellas product is made available at a certain price at the discretion of physicians in the country where the Astellas product is approved, from the time it is approved until it is reimbursed by insurance.

- Patient Access Initiatives: A program implemented by pharmaceutical companies to ensure access to their products by providing products to patients who meet certain criteria at free of charge or affordable price for a certain period of time.

Activities to improve ATH: Support for the activities implemented by external partners to improve Access to Health:

1: Development of pediatric formulation for schistosomiasis

With partners in the Pediatric Praziquantel Consortium*, the Company has developed a pediatric formulation of praziquantel. The Company provided its formulation technology for the creation of a new pediatric formulation for preschool children. Phase 3 trials that were underway in Kenya and Cote d'Ivoire were completed in the FY2021, and consortium member Merck KGaA (Germany)., has begun preparations to submit an application for approval to expand the product into the African region.

*The Consortium was founded in July 2012 by pharmaceutical companies, research institutions, and international non-profit organizations (the Company has participated since its inception). It is an international partnership that aims to reduce the global disease burden of schistosomiasis.

2: Exploration of antimalarial drugs

The Company has been conducting joint research with Medicines for Malaria Venture (MMV, Switzerland) since October 2017. The Company has provided MMV with approx. 20,000 compounds free of charge from its original library of compounds, and MMV has worked to screen them and identified a group of four potential compounds with different chemical structures. In February 2022, the Company, MMV, and TCG Lifesciences Private Limited (India) entered into a joint research agreement to create lead compounds with improved pharmacological activity, pharmacokinetics, and safety by utilizing the obtained potential compound groups.

3: Donations to organizations working to improve access to healthcare

The Company donates to the following four charitable organizations that provide support to patients in need in the countries and regions where we do business.

1) National Cancer Society Malaysia and Asia Cancer Forum: For Malaysian residents, support for cancer control activities, including establishments of a cancer education database and cancer prevention registry portal, and implementation of community workshops for cancer disease awareness.

2) City Cancer Challenge Foundation: In the city of Arequipa, Republic of Peru, support for activities to improve patient access to cancer treatment by strengthening the infrastructure of the health care system for cancer patients, capacity building efforts for cancer specialists, education, and implementation of mentoring program.

3) The Fred Hollows Foundation: Support for the establishment and strengthening of a comprehensive rural eye care model and training activities for health care providers with a focus on enhancing their eye care services and improving patient access and effectiveness of their treatments in Anhui Province, China.

4) World Vision: Support for activities to eliminate neglected tropical diseases (NTDs) by strengthening health care systems and improving health knowledge and understanding in Bihar, India, where many NTDs are endemic.

- **Climate Change Measures** 

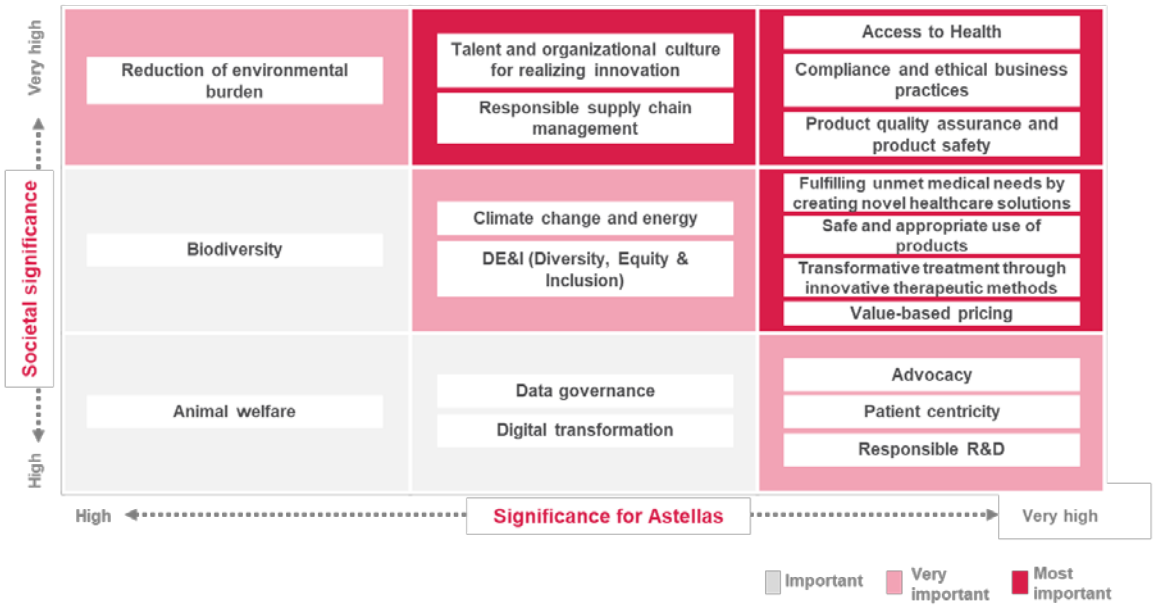

  The Company, a company dedicated to improving the health of people around the world, conducts business activities in harmony with the global environment in order to contribute to the development of a sustainable society. Among them, the Company considers climate change is one of management's most important problems to address. To date, the Company implemented proactive measures to reduce greenhouse gas emissions, such as purchasing electricity derived from renewable energy sources at our research and manufacturing sites and main offices, introducing wind power generation, biomass boilers, and solar power generation, and switching to hybrid vehicles for our sales fleet.

  Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Company has disclosed the results of its analysis of the risks and opportunities posed by climate change to our business under several scenarios in the FY2021. The Company is currently reviewing its greenhouse gas emission reduction targets and is considering the possibility of declaring a long-term goal of net-zero emissions by 2050, and will step up its efforts to reduce emissions.

- **Updated Materiality Matrix**

The Company identified 19 key issues, taking into consideration changes in trends in sustainability issues, consistency with Corporate Strategic Plan 2021, and issues that must be addressed as a company in the pharmaceutical industry. Moreover, the Company prioritized the key issues in three levels from the perspective of "material to both society and Astellas." Astellas has identified 9 key issues, taking into consideration that Astellas will contribute to solving issues and social issues with a particularly high level of materiality, as the most important issues.

By addressing these nine most important issues, the Company aims to transform ourselves into a VALUE driven life science innovator that focuses on the VALUE we provide to people and society in the field of life science, and will strengthen business activities that respond to the expectations of society. In addition, for key issues that are of particularly high interest to society, for example, "climate change and energy," the Company is working on initiatives, such as considering committing to net-zero greenhouse gas emissions.



- **Initiatives for human resources and organizations that generate innovation**

  To support the globalization of our business, the Company established an HR Vision, clarifying our desired people and organization we are aiming for. In the FY2021, the Company proceeded with the establishment of a personnel system and program that corresponds to the organization by function across domestic and overseas group companies. The Company also developed compensation levels and compensation structure on a global basis and deployed job posting (internal recruitment), promoting the "right person in the right place" to assign the best personnel from among talents around the world. In addition, to transform the Company into a more innovative organization, the Company has been working to achieve the Organizational Health Goals set forth in the Corporate Strategic Plan 2021, mainly by clarifying the expected leadership image of Astellas, conducting manager training to create an environment with high psychological safety, and establishing an evaluation system that promotes collaboration among the organization by setting common performance goals among divisions. At the same time, the Company is working to promote diversity in our organization and create an environment in which diverse human resources can thrive and play an active role.


The following are other initiatives also undertaken.

June 2021: As a result of reviewing the organization and capabilities necessary to execute the "Corporate Strategic Plan 2021," the Company has decided to introduce an "early retirement incentive program" for employees of the Company and its group companies in Japan, Astellas Pharma Tech Co., Ltd. and Astellas Green Supply, Inc.

June 2021: The Company and Cheplapharm Arzneimittel GmbH (Germany) entered into an Asset Purchase Agreement, under which the Company has been transferring the products rights for five products including infection therapies, etc. in certain countries of Europe, Russia, Commonwealth of Independent States (CIS) and Asia.

June 2021: The Company appointed "Astellas Online MR" to strengthen customer contact points for providing information on pharmaceuticals to medical professionals and launched an online information provision and collection service.

July 2021: With respect to a hypercholesterolemia treatment, Lipitor (generic name: atorvastatin calcium hydrate), the Company has transferred to Viatris Pharmaceuticals Japan Inc. the products rights and its distribution in Japan.

January 2022: The Company announced that its sales organization in Japan would be changed as of April 1, 2022 to ensure that the Company continues to deliver the value of its pharmaceutical products to patients even in a changing business environment.

March 2022: The Company has agreed to terminate the distribution agreement with TOA EIYO Ltd. with respect to all 18 products that were sold on consignment by the Company.

(2) Changes in Assets and Income and Loss:

| Items | 14th term business year (FY2018) | 15th term business year (FY2019) | 16th term business year (FY2020) (Previous business year) | 17th term business year (FY2021) (Business year under review) |
|---|---|---|---|---|
| Revenue | ¥1,306.3 bil. | ¥1,300.8 bil. | ¥1,249.5 bil. | ¥1,296.2 bil. |
| Operating profit | ¥243.9 bil. | ¥244.0 bil. | ¥136.1 bil. | ¥155.7 bil. |
| Profit before tax | ¥249.0 bil. | ¥245.4 bil. | ¥145.3 bil. | ¥156.9 bil. |
| Profit | ¥222.3 bil. | ¥195.4 bil. | ¥120.6 bil. | ¥124.1 bil. |
| Basic earnings per share | ¥115.05 | ¥104.15 | ¥64.93 | ¥67.08 |
| ROE attributable to owners of the parent | 17.6% | 15.3% | 9.0% | 8.7% |
| Total assets | ¥1,897.6 bil. | ¥2,315.2 bil. | ¥2,273.6 bil. | ¥2,332.4 bil. |
| Equity attributable to owners of the parent | ¥1,258.4 bil. | ¥1,289.2 bil. | ¥1,386.1 bil. | ¥1,460.3 bil. |
| R&D expenses | ¥208.7 bil. | ¥224.2 bil. | ¥224.5 bil. | ¥246.0 bil. |
| R&D cost-to-revenue ratio | 16.0% | 17.2% | 18.0% | 19.0% |

(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 weighted average number of ordinary shares outstanding during the period 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

The following are the main progress of capital expenditures during the business year under review.

- Progressed in construction of a plant at Audentes Therapeutics, Inc. (US)
- Progress was achieved on construction of a new building (active pharmaceutical ingredients production facility) at the Toyama Technology Center* of Astellas Pharma Tech Co., Ltd., which is a production site in Japan. In addition, at the Yaizu Technology Center of Astellas Pharma Tech Co., Ltd., new construction of a commercial production line was completed and construction of a new investigational drug production line began.

* The Toyama Technology Center became a production site of the Company as a result of the Company having absorbed and merged Astellas Pharma Tech Co., Ltd., effective April 1, 2022.

<Capital Expenditures>

| 16th term business year (Previous business year) | 17th term business year (Business year under review) | Fluctuation year-on-year (increase/decrease ratio) |
|---|---|---|
| ¥33.7 billion | ¥30.2 billion | ¥3.5 billion decrease (10.5% decrease) |

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

(4) Financing of the Astellas Group

The outstanding balances as of March 31, 2021 were short-term bonds of ¥120.0 billion and long-term borrowings of ¥80.0 billion. During the business year under review, the Astellas Group redeemed short-term bonds of ¥120.0 billion and raised funds of ¥90.0 billion by short-term bonds while repaying ¥30.0 billion out of the full amount of long-term borrowings prior to the maturity. As a result, the outstanding balances as of March 31, 2022 are short-term bonds of ¥90.0 billion and current portion of long-term borrowings of ¥50.0 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 increasing difficulties 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, 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. By flexibly adapting to these changes and developing a strategy that contributes to the sustainability of society and, in turn, the sustainability of Company, the Company will continue to deliver innovative medical solutions to patients, thereby continuously increasing our corporate value.

1) Corporate Strategic Plan 2021

We made a commitment in our VISION to stand “On the forefront of healthcare change to turn innovative science into VALUE for patients.” Guided by this VISION, we are continuing to aim to create medical solutions that deliver VALUE to patients through the pursuit of cutting-edge science. Corporate Strategic Plan 2021, a new five-year corporate strategic plan announced in May 2021, consists of four Strategic Goals, three Organizational Health Goals that will serve as "roadmaps" for fostering a corporate culture that promotes these goals, and three Performance Goals that are expected to be attained when all of these goals are achieved.

**Four Strategic Goals**

**SG1: Enable patients to achieve better outcomes**

The Company will work to maximize (i) sustainable patient access to our portfolio and (ii) outcomes that those patients achieve as a consequence, for XTANDI and our strategic products*, which will drive our mid- to long-term growth, by optimizing our filing plans in the first country of application, submitting for approval without delay from our planned timeline, shortening the time to global launch to reach more people around the world faster, developing and executing sophisticated launch plans, and others.

**SG2: Translate innovative science into proven VALUE**

We will enhance its pipeline value by giving priority to the investment of management resources into its Primary Focuses, a key strategic area in R&D. Through acceleration of the demonstration of VALUE, the growth of Primary Focuses, and the effective exploration of cutting-edge biopharmaceutical innovation, we aim to take our efforts under Corporate Strategic Plan 2018 to the next level. In particular, we believe that approaches with cell therapy and genetic regulation, which are fundamental technologies, will bring about a major paradigm shift from conventional "symptomatic treatments" to "transformative treatment" and offer great hope to patients who are longing for new treatments for diseases for which there is still no cure.

Primary Focus Genetic regulation

Almost 7,000 genetic diseases are caused by mutations or defects in the genetic code, often occurring from birth and affecting young children. Genetic regulation is expected to replace a defective gene or regulate an abnormal gene with a single administration and significantly improve the therapeutic efficacy against serious and fatal diseases. We aim to develop innovative gene therapies that will change the lives of patients with genetic diseases for which there are no or few treatment options.

Primary Focus Immuno-Oncology

Only about 20% of cancers respond to current cancer immune treatments. In order to change that percentage from 20% to 100%, we aim to develop the next generation of cancer immune treatments by utilizing new modalities and technology for patients who cannot be treated with current cancer immune treatments.

Primary Focus Blindness & Regeneration

More than 160 million people worldwide are blind due to ophthalmic diseases, and patients' quality of life is severely affected in the long term. Through cell therapy and gene therapy, we aim to repair and maintain the critical eye cells responsible for vision, providing a new treatment option that preserves or restores vision.

Primary Focus Mitochondria Biology

Mitochondria are present in almost all types of human cells and play an important role in energy production and metabolic and cell signaling processes. Mitochondrial dysfunction is associated with diseases of the kidney, liver, muscles, central nervous system, eyes, and ears. Many of these have few treatment options. By targeting mitochondria, we aim to create innovative therapies for diseases associated with mitochondrial dysfunction.

Primary Focus candidate Immune Homeostasis

Currently, immunosuppressive agents are the primary treatment for autoimmune diseases, but these do not target only autoreactive immune cells. By suppressing only the immune response associated with the disease, we aim to create a new safe and specific treatment.

Primary Focus candidate Targeted Protein Degradation

Until now, drug discovery for many important cancer driver mutations has been considered difficult. However, with the accumulation of scientific knowledge and technological advances, the number of cancer types for which drug discovery is considered possible is expanding. By inhibiting signal transduction through induction of targeted

protein degradation, we aim to bring innovative therapeutic effects to patients with such genomic abnormalities.

**SG3: Advance the Rx+ business**

We changed the goal of “Developing Rx+ programs” under Corporate Strategic Plan 2018 to “Advance the Rx+ Business” under Corporate Strategic Plan 2021. The Rx+ business will enter the stage where efforts for business creation will bear fruit in Corporate Strategic Plan 2021. By putting even greater effort into the commercialization of Rx+ programs, we will move closer to achieving our vision of realizing “a world where people can live mentally and physically healthy lives and be true to themselves through healthcare solutions based on scientific evidence.”

**SG4: Deepen our engagement in sustainability**

This is a strategic goal newly added in the Corporate Strategic Plan 2021. We have reviewed our traditional management based on corporate social responsibility (CSR), and going forward, the company-wide efforts will be based on our sustainability concept of improving the sustainability of both society and Astellas, while taking ESG into consideration. Among our efforts to evolve sustainability, we have prioritized improving “Access to Health" by leveraging Astellas’ strengths, technology, and expertise, and environmental issues, especially "Climate Change" as our priority issues.

**Three Organizational Health Goals**

We have adopted three Organizational Health Goals (OHGs) to foster an internal environment where exceptional execution and performance are cultivated and sustained over time. Our commitment to OHG will enable us to maximize our organization’s potential, thereby creating an internal environment that drives superior execution and generates innovation as One Astellas.

**OHG1: Brave ideas pursue ambitious outcomes**

People are empowered to take appropriate risks and supported to be ‘outcome-driven’ and ‘innovation-focused.’

**OHG2: Talent and leadership thrives**

Purposeful talent management with a consistent leadership style that enables the desired mindset and behaviors.

**OHG3: We excel as One Astellas**

People co-operate effectively, with robust and coordinated execution, to achieve common goals.

**Three Performance Goals**

These performance goals are numerical targets that represent what we believe we will have achieved by 2025, when we have approached our ideal organization and ensured the implementation of the four strategic goals.

- Revenue: At least 1.2 trillion yen in sales of XTANDI and key strategic products in business year 2025
- Pipeline Value: Expected sales from Focus Area assets of more than 500 billion yen in business year 2030
- Core Operating Profit Margin: More than 30% core operating profit margin in business year 2025

By achieving three Performance Goals, we aim to become a company with a market capitalization valued at more than 7 trillion yen in business year 2025.

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

With the continuing spread of Coronavirus Disease ("COVID-19"), we are, as part of our mission as a pharmaceutical company, taking actions and measures to contribute to securing the safety of patients and alleviating strain on healthcare resources. We have been carrying out various 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**

- We are currently advising our employees to combine working at an office and working from home in accordance with the situation in each country and region to secure the safety of our employees and to prevent the further spread of the disease.
- While placing the highest priority on the safety of our employees, 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.

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

In an effort to help ensure patient safety and alleviate strain on healthcare resources during the COVID-19 pandemic, we are taking the following actions to our clinical trial operations.

- Consistent with the issued guidance from regulatory bodies of each country, we are

assessing protocols and implementing measures to reduce the burden on healthcare systems while ensuring that the maintenance of patient safety.

- 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.
- In countries and regions where infection is still spreading, we will proceed with clinical trials in a flexible manner according to the unique circumstances and restrictions on patients and trial sites.
- We will be frequently reassessing this approach, which applies to all interventional clinical trials led by us and our group companies.
- 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 have taken appropriate actions, such as provide drugs, by cooperating with bodies concerned in response to requests by the government.
- We continuously respond to requests from various governments to provide compounds for 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 for COVID-19.

**Activities in each country and region**

To date, the Company and our group companies have provided financial assistance in approximately 50 cases to NGOs, governments, and medical institutions in 30 countries to support the purchase of personal protective equipment (masks, etc.) for use by medical personnel and others fighting COVID-19.

- In FY2021, in India, the Company and its group company (Astellas Pharma India Pvt. Ltd.) donated approximately 4.9 million Indian rupees to a non-profit organization for the provision of necessary supplies to the areas of India affected by COVID-19.
- Furthermore, to assist healthcare systems coping with increasing demands by government or non-profit organizations presented by the escalation of COVID-19 around the world, we will authorize a maximum of four weeks of paid leave (in accordance with each country's provision and internal regulations)) to employees who are medically qualified and wish to contribute by participating in volunteer activities within their community.

(6) Principal Business (as of March 31, 2022)

Research, development, manufacture and sale of pharmaceuticals

(7) Principal Offices and Plants (as of March 31, 2022)

| | |
|---|---|
| Headquarters (Head Office) | 2-5-1, Nihonbashi-Honcho, Chuo-ku, Tokyo |
| Commercial | 119 sales offices[*1] nationwide |

| | |
|---|---|
| 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*2 | Takahagi Technology Center (Ibaraki Prefecture), Toyama Technology Center (Toyama Prefecture), Takaoka Plant (Toyama Prefecture), Yaizu Technology Center (Shizuoka Prefecture) |

(Note) The principal sites overseas are described in "Principal Subsidiaries."

*1. On April 1, 2022, the Company abolished all 119 sales offices and established 54 communication offices nationwide.
*2. The site for operations of subsidiaries. This has become the site for operations of the Company as a result of executing an absorption-type merger with Astellas Pharma Tech Co., Ltd. with an effective date of April 1, 2022.

(8) Principal Subsidiaries (as of March 31, 2022)

1) Principal subsidiaries

| Name of subsidiary | Country | Share capital | Percentage of voting rights (%) | Outline of business |
|---|---|---|---|---|
| Astellas US LLC | United States | – | 100.0* | Pharmaceutical business (management of regional operations) |
| Astellas Pharma Europe Ltd. | United Kingdom | € in millions 139 | 100.0* | Pharmaceutical business (management of regional operations) |
| Astellas Institute for Regenerative Medicine | United States | US$ 0.1 | 100.0* | Pharmaceutical business (research) |
| Audentes Therapeutics, Inc. | United States | US$ 0.1 | 100.0* | Pharmaceutical business (research) |
| Astellas Pharma Global Development, Inc. | United States | US$ 10 | 100.0* | Pharmaceutical business (development) |
| Astellas Ireland Co., Ltd. | Ireland | € in millions 3 | 100.0* | Pharmaceutical business (manufacture) |
| Astellas Pharma Europe B.V. | Netherlands | € in millions 34 | 100.0* | Pharmaceutical business (manufacture) |
| Astellas Pharma China, Inc. | China | CNY in millions 299 | 100.0* | Pharmaceutical business (manufacture) |
| Astellas Pharma US, Inc. | United States | US$ 10 | 100.0* | Pharmaceutical business (sales) |
| Astellas Pharma GmbH | Germany | € in millions 14 | 100.0* | Pharmaceutical business (sales) |
| Beijing Astellas Medical Co., Ltd. | China | CNY in millions 20 | 100.0* | Pharmaceutical business (sales) |

* Including the shares owned indirectly

(Notes) 1. The number of consolidated subsidiaries including eleven (11) principal subsidiaries stated in the table above totals seventy-eight (78) and that of affiliated companies accounted for by the equity method is three (3).

2. The description of Astellas Pharma Tech Co., Ltd., a subsidiary of the Company, is omitted in this section due to the Company's absorption of Astellas Pharma Tech Co., Ltd. as of April 1, 2022.

2) Specified wholly owned subsidiaries

There are no applicable subsidiaries.

(9) Important Business Reorganizations

- In November 2021, the Company entered into an absorption-type merger agreement with the Company's wholly owned subsidiaries, Astellas Pharma Tech Co., Ltd. and Astellas Green Supply, Inc., thereby absorbed and merged said subsidiaries effective in April 2022.

(10) Important Alliance for Technology (as of March 31, 2022)

1) License agreements – license in

| Counterparty | Country | Type of technologies |
|---|---|---|
| FibroGen, Inc. | United States | Technology for YM311 (FG-2216), Roxadustat (Evrenzo) and other oral anemia treatments with similar mode of action |
| Ferring Group | Switzerland | Technology for degarelix (Gonax) |
| FUJIFILM Toyama Chemical Co., Ltd. | Japan | Technology for garenoxacin (Geninax) |
| 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 (EVENITY) and blinatumomab (BLINCYTO) |
| 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 (Dafclir) |
| Gilead Sciences, Inc. | United States | Technology for Amphotericin B (AmBisome) |
| Gilead Palo Alto, Inc. | United States | Technology for regadenoson (Lexiscan) |
| Seagen Inc. | United States | Technology for antibody-drug conjugate (ADC) |
| Adaptimmune Limited | United Kingdom | Technology for creation/development of stem-cell derived allogeneic T-cell therapies |

(Notes)

1. The following license agreement has been terminated:
   - License agreement for “atorvastatin (Lipitor)” and “celecoxib (Celecox)” with Viatris Group (U.S.)
2. Description of the following license agreements is omitted in this section:
   - License agreement for “Anti-CD40 mAb” with Kyowa Kirin Co., Ltd.
   - License agreement for “LAMP-vax products” with Immunomic Therapeutics, Inc. (U.S.)
3. The description of the license agreement for “vaccine targeting *Streptococcus pneumoniae (pneumococcus)*” with Affinivax, Inc. (U.S.) is omitted in this section because an agreement to return the rights has been concluded in February 2022. The license agreement was terminated in April 2022.

2) License agreements – license out

| Counterparty | Country | Type of technologies |
|---|---|---|
| Boehringer Ingelheim International GmbH | Germany | Technology for tamsulosin- OCAS |

(Notes) 1. The license agreements for "Bendamustine Hydrochloride" with Cephalon, Inc. (U.S.), Mundipharma Group (U.K.), and SymBio Pharmaceuticals Limited were terminated. The description of the license agreement with Cilag GmbH International (Switzerland) is omitted in this section.
2. Description of the following license agreements is omitted in this section:
- License agreement for "erlotinib" with F. Hoffmann-La Roche Ltd. (Switzerland)

3) Distribution and other agreements

| Counterparty | Country | Contents of contracts |
|---|---|---|
| Sanofi K.K. | Japan | Distribution of "Myslee" of Sanofi K.K. |
| Kotobuki Pharmaceutical Co., Ltd. | Japan | Co-operation agreement in Japan for "Suglat" of the Company and Kotobuki Pharmaceutical Co., Ltd.<br>Co-operation agreement in Japan for "SUJANU Combination Tablets" |
| 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 "Toa Eiyo pharmaceutical products" with Toa Eiyo Ltd.
- Distribution and co-promotion agreement for ARGAMATE with Sanwa Kagaku Kenkyusho Co., Ltd.

4) Other collaboration agreements

The description of the collaboration agreement based on the agreement on the transfer of its global dermatology business with LEO Pharma A/S (Denmark) is omitted in this section.

(11) Major Litigations, etc.

Nothing applicable exists.

(12) Employees (as of March 31, 2022)

| Number of employees | Year-on-year increase or decrease |
|---|---|
| 14,522 | 933 decrease |

(13) Principal Lenders (as of March 31, 2022)

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, 2022)

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

1) Total number of shares authorized to be issued by the Company:
9,000,000,000 shares

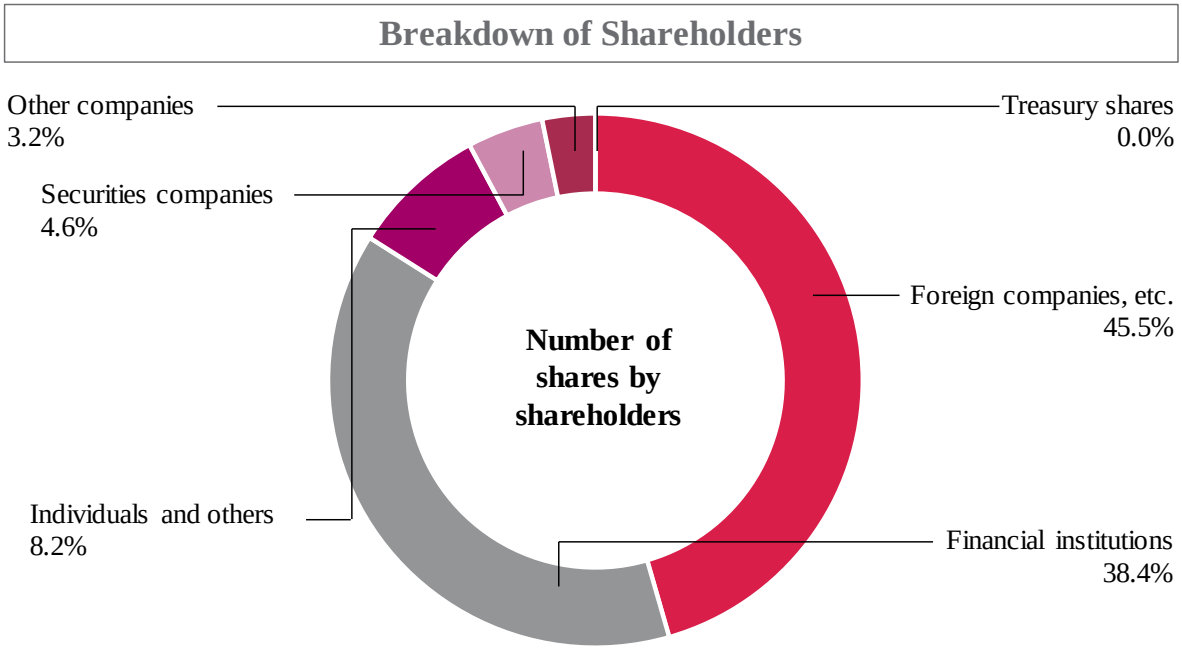
2) Total number of shares issued:
1,835,851,575 shares (including 911,834 treasury shares)

3) Number of shareholders: 86,322

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) | 396,257 | 21.59 |
| Custody Bank of Japan, Ltd. (trust account) | 136,113 | 7.41 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 65,334 | 3.56 |
| Nippon Life Insurance Company | 51,588 | 2.81 |
| STATE STREET BANK WEST CLIENT -TREATY 505234 | 32,679 | 1.78 |
| JP MORGAN CHASE BANK 385781 | 25,011 | 1.36 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 23,632 | 1.28 |
| GOVERNMENT OF NORWAY | 23,348 | 1.27 |
| STATE STREET BANK AND TRUST COMPANY 505103 | 20,160 | 1.09 |
| Custody Bank of Japan, Ltd. (security trust account) | 20,105 | 1.09 |

(Note) The percentage of shares held are calculated to the total number of issued shares excluding treasury shares (1,834,939,741 shares) and presented by discarding the numbers down to the third decimal.




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

5) Shares delivered to Corporate Executives of the Company in consideration of the execution of duties

| | Number of shares | Number of recipients |
|---|---|---|
| Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 40,500 shares | 2 |

(Note) Under the Performance-linked Stock Compensation Scheme (hereinafter the "Plan"), individuals eligible under the Plan shall receive half of the number of the Company's shares corresponding to the allocated points from the specified trust (hereinafter the "Trust") (provided that shares less than one unit shall be converted into cash within the Trust and the cash equivalent to the amount of conversion will be received), and receive the cash equivalent to the remaining half after conversion into cash within the Trust. The number of shares in the table above does not include the number of shares for which cash was received due to the conversion into cash.

6) Other important matters concerning shares

The acquisition and cancellation of treasury shares through market purchases conducted during the business year under review were as follows:

Number of shares acquired: 25,935 thousand shares (total acquisition price: 50 billion yen)

Number of shares cancelled: 25,935 thousand shares (Date of cancellation: March 29, 2022)

(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/en/about/governance

2. Summary of the Company's corporate governance system

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

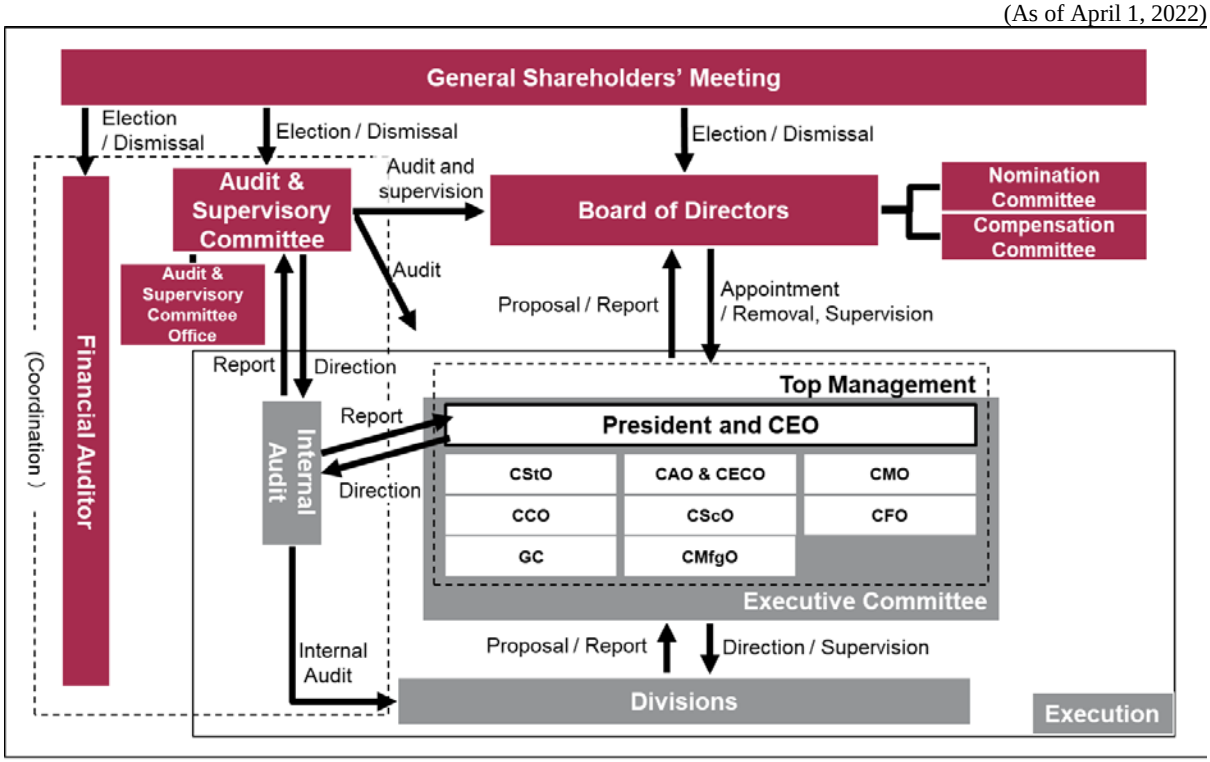
- The Company adopts the organizational structure of "Company with Audit & Supervisory Committee." Outside Directors constitute the majority of the Board of Directors and the Audit & Supervisory Committee, respectively.

- 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; the Chief Administrative Officer and Chief Ethics & Compliance Officer; the Chief Medical Officer; the Chief Commercial Officer; the Chief Scientific Officer; the Chief Financial Officer; the General Counsel; and the Chief Manufacturing 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.

(As of April 1, 2022)




CEO : Chief Executive Officer, CStO: Chief Strategy Officer,
CAO & CECO : Chief Administrative Officer and Chief Ethics & Compliance Officer, CMO : Chief Medical Officer,
CCO : Chief Commercial Officer, CScO : Chief Scientific Officer, CFO : Chief Financial Officer, GC : General Counsel,
CMfgO : Chief Manufacturing Officer

<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. At least one person with management experience at other companies is to be appointed as an outside director. As of March 31, 2022, the Board of Directors comprises 11 Directors (10 males and 1 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.

Example of the Board of Directors meeting agenda in FY2021 (partial)

| | | | |
|---|---|---|---|
| Corporate Strategy | ・Quarterly business updates<br>・Establishment and disclosure of Corporate Strategic Plan 2021<br>・Portfolio strategy<br>・Annual plan | Stakeholder Engagement | ・Report on dialogue with investment community<br>・Sustainability activity reporting and planning |
| Risk Management | ・Report on enterprise risk management status<br>・Compliance update | Corporate Governance | ・Board of Directors effectiveness analysis results<br>・Directors & Officers personnel change/ compensation<br>・Succession planning |

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, 2022, the Audit & Supervisory Committee comprises 4 members (3 male and 1 female), among whom a majority of three are highly independent outside Directors.

The Company establishes the Audit & Supervisory Committee Office 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) Global Management Structure

The Astellas Group has established a management structure as described below.

- 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 covering the entire Group across nearly all of its divisions including those of Research, Development, Pharmaceutical Technology, and administrative functions, and appoints Top Management to take charge of such activities.

- On April 1, 2022, General Counsel (GC) was newly assigned as a position of Top Management in anticipation of its active involvement in value creation in management in addition to its role as general counsel to protect the interests of the entire Group from legal risks.

- On April 1, 2022, Chief Manufacturing Officer (CMfgO) was newly assigned as a position of Top Management to strengthen and expand the capability to realize commercialization and stable supply of various modalities in line with the progress of the Focus Area Approach.

- On April 1, 2022, Chief Business Officer (CBO) was dissolved and merged into Chief Strategy Officer (CStO). By having the Chief Strategy Officer take on the role of both planning and implementing strategies, the Company further promotes business to achieve the goals of the Corporate Strategic Plan 2021.

- 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 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, the Company has established “Global” and “Divisional” Risk and Resilience Management Committees, 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.

- As a framework for contributing to sustainability, the Company has established the Sustainability Advisory Panel and the Environmental (E), Society (S), and Governance (G) Working Groups (E, S, G Working Group), consisting of members from across divisions, led by Sustainability division, to promote activities to improve sustainability by each division from a long-term, strategic, and Group-wide perspective.

- In order to build more efficient and effective systems toward achieving the goals of the Corporate Strategic Plan 2021, the Company continually adjusts its organizational structure. As part of this, the following organizational changes were implemented.

- Renovation of Research organization
  In October 2021, the Company reformed research organization, changing from a function-based organization to an agile organization structure, in order to further strengthen the activities of the research phase toward the implementation of the Corporate Strategic Plan 2021. By maximizing synergies among divisions and establishing a more agile research organization, the Company aims to build a competitive portfolio and continue to deliver innovative therapies to patients.

- Reorganization of commercial capability functions
  In November 2021, some of the commercial functions were reorganized to integrate and standardize functions globally and build stronger organizational capabilities, and became fully operational in April 2022.

- Integration of business development functions
  In April 2022, in order to establish a more integrated structure for acquiring external innovation, the Early-Stage Partnering division under the control of the Chief Scientific Officer and the Business Development division under the control of the Chief Business Officer were merged into a new Business Development division under the Chief Strategy Officer.

<Group Management Structure>

(As of April 1, 2022)

| Top Management | | Divisions in-charge |
|---|---|---|
| Representative Director, President and CEO | Kenji Yasukawa | Corporate Advocacy & Relations; External Relations; Healthcare Policy; Internal Audit; Sustainability |
| Representative Director, Executive Vice President, Chief Strategy Officer (CStO) | Naoki Okamura | Advanced Informatics and Analytics; Business Development; Corporate Strategy; Information Systems; iota Biosciences; Patient Centricity; Primary Focus Lead, Blindness & Beyond; Primary Focus Lead, Genetic Regulation; Primary Focus Lead, Immune Homeostasis; Primary Focus Lead, Immuno-Oncology; Primary Focus Lead, Mitochondria; Rx+ Business Accelerator; Transformation Office |
| Chief Administrative Officer and Chief Ethics & Compliance Officer (CAO&CECO) | Fumiaki Sakurai | Corporate Risk Management; Ethics & Compliance; Executive Office; Human Resources |
| Chief Medical Officer (CMO) | Bernhardt Zeiher | Development; Medical Affairs; M&D Strategy & Operations; Pharmacovigilance; Quality Assurance; Regulatory Affairs |
| Chief Commercial Officer (CCO) | Yukio Matsui | Established Markets Commercial; Gene Therapy Commercial; Greater China Commercial; International Markets Commercial; Japan Commercial; United States Commercial; Commercial Capabilities; Commercial Strategy; Market Access & Pricing; Strategic Brand Marketing Medical Specialties; Strategic Brand Marketing Oncology |
| Chief Scientific Officer (CScO) | Yoshitsugu Shitaka | Affiliate Engagement; Applied Research & Operations; Discovery Accelerator; Gene Therapy Research & Technical Operations; Immuno-Oncology; Institute for Regenerative Medicine; Mitobridge; Research Architect Lead; Research Strategy & Communications; Universal Cells; Xyphos Biosciences |
| Chief Financial Officer (CFO) | Minoru Kikuoka | Finance; Procurement |
| General Counsel (GC) | Catherine Levitt | Legal |
| Chief Manufacturing Officer (CMfgO) | Hideki Shima | Pharmaceutical Technology |

| Standing Members of the Executive Committee | |
|---|---|
| Representative Director, President and CEO | Kenji Yasukawa |
| Representative Director, Executive Vice President, Chief Strategy Officer | Naoki Okamura |
| Chief Administrative Officer and Chief Ethics & Compliance Officer | Fumiaki Sakurai |
| Chief Medical Officer | Bernhardt Zeiher |
| Chief Commercial Officer | Yukio Matsui |
| Chief Scientific Officer | Yoshitsugu Shitaka |
| Chief Financial Officer | Minoru Kikuoka |
| General Counsel | Catherine Levitt |
| Chief Manufacturing Officer | Hideki Shima |

| Extended Members of the Executive Committee | |
|---|---|
| President, Pharmaceutical Technology | Hideki Shima* |
| President, Development | Andrew Krivoshik |
| President, Established Markets Commercial | Claus Zieler |
| President, Greater China Commercial | Hiroshi Hamaguchi |
| President, International Markets Commercial | Leon Moore |
| President, Japan Commercial | Yasuhiro Tsutsui |
| President, US Commercial | Mark Reisenauer |

* Mr. Hideki Shima, Chief Manufacturing Officer, concurrently serves as the President of Pharmaceutical Technology.

(4) 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<br>Member of the Compensation Committee | Outside Director, Sony Group Corporation |
| Representative Director, President and CEO | Kenji Yasukawa | | |
| Representative Director, Executive Vice President | Naoki Okamura | | Chief Strategy Officer (CStO) (as of April 1, 2022 (refer to Note 7)) |
| Outside Director | Mamoru Sekiyama | Chair of the Nomination Committee<br>Chair of the Compensation Committee | Outside Director and Audit & Supervisory Committee Member, A.D.Works Group Co., Ltd. |
| Outside Director | Hiroshi Kawabe | Member of the Nomination Committee<br>Member of the Compensation Committee | Professor Emeritus, Keio University<br>President, Foundation for Promotion of Medical Training |
| Outside Director | Tatsuro Ishizuka | Member of the Nomination Committee<br>Member of the Compensation Committee | Advisor, Hitachi, Ltd.<br>President, The Hitachi Global Foundation<br>Outside Director, K&O Energy Group Inc.<br>Outside Director, Tadano Ltd. (assumed in June 2021)<br>Outside Audit & Supervisory Board Member, AGC Inc. (assumed in March 2022) |
| Outside Director | Takashi Tanaka | Member of the Nomination Committee<br>Member of the Compensation Committee | Representative Director, Chairman of the Board, KDDI CORPORATION<br>Director, Okinawa Cellular Telephone Company |
| Director (Full-time Audit & Supervisory Committee Member) (Chair of the Audit & Supervisory Committee) | Toru Yoshimitsu | | |
| Outside Director (Audit & Supervisory Committee Member) | Hiroo Sasaki | | Professor Emeritus, Waseda University (assumed in April 2021) |

| Position | Name | Advisory Committee | Responsibility and status of significant concurrent positions |
|---|---|---|---|
| Outside Director (Audit & Supervisory Committee Member) | Haruko Shibumura | | Partner Lawyer, Homma & Partners<br>Outside Director, TAMURA Corporation<br>Outside Director, NICHIREKI CO., LTD. |
| Outside Director (Audit & Supervisory Committee Member) | Raita Takahashi | | Representative, TAKAHASHI Accounting & Tax office<br>Outside Audit & Supervisory Board Member, Alpha Group Inc.<br>Representative Director, Yoshida Management Co. Ltd. |

(Notes) 1. Mr. Mamoru Sekiyama, Dr. Hiroshi Kawabe, Mr. Tatsuro Ishizuka, Mr. Takashi Tanaka, Dr. Hiroo Sasaki, Ms. Haruko Shibumura and Mr. Raita Takahashi are outside Directors and are registered as independent directors with Tokyo Stock Exchange, Inc.

2. There is no significant business relationship between the Company and the above organizations where each outside Director holds significant concurrent positions.

3. 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.

4. Notes to be particularly mentioned for Audit & Supervisory Committee Members are as follows:

   Mr. Toru Yoshimitsu served as the head of division that is responsible for finance and accounting of the Company, and therefore, has substantial knowledge of finance and accounting.

   Mr. Raita Takahashi has many years of experience as a certified public accountant and a certified public tax accountant, and he has thorough knowledge of corporate consulting and auditing. He is also engaged in corporate management as a business manager of a consulting company relating to business accounting and tax services, and has considerable knowledge related to finance and accounting.

5. Mr. Toru Yoshimitsu is a full-time Audit & Supervisory Committee Member. Given his familiarity with the Company's internal affairs, he has accordingly been appointed as a full-time Audit & Supervisory Committee Member to heighten the effectiveness of activities of the Audit & Supervisory Committee by sharing with all Audit & Supervisory Committee Members information he has obtained by attending important meetings, receiving reports from business operating departments, and liaising closely with the Internal Audit, etc.

6. Ms. Keiko Yamagami retired from office of Director during the business year under review (retired on June 18, 2021).

7. Changes in Directors' responsibilities during and after 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 and Chief Financial Officer (CStO & CFO) | Representative Director, Executive Vice President | Chief Strategy Officer, Chief Financial Officer and Chief Business Officer (CStO & CFO, and CBO) | September 13, 2021 |
| | Representative Director, Executive Vice President | Chief Strategy Officer, Chief Financial Officer and Chief Business Officer (CStO & CFO, and CBO) | Representative Director, Executive Vice President | Chief Strategy Officer and Chief Business Officer (CStO and CBO) | March 1, 2022 |

| Name | Before change | | After change | | Date of change |
|---|---|---|---|---|---|
| | Position | Responsibility | Position | Responsibility | |
| | Representative Director, Executive Vice President | Chief Strategy Officer and Chief Business Officer (CStO and CBO) | Representative Director, Executive Vice President | Chief Strategy Officer (CStO) | April 1, 2022 |

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 Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) 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 prior to the resolution of the Board of Directors, the Company ensures greater transparency and objectivity of the deliberation process for remunerations for Directors who are not Audit & Supervisory Committee Members.

The Company has set out the policy for determining details of remunerations for individual Directors in the internal policies concerning remunerations for Directors established by resolution of the Board of Directors after discussions at the Compensation Committee. The details of said policy are described on page 85 and subsequent pages.

The total amount of remunerations to Directors for the business year under review is as follows. The Compensation Committee has deliberated on the details of remunerations for individual Directors who are not Audit & Supervisory Committee Members, including whether such details are in line with the aforementioned policy, and the Board of Directors has judged that they are in line with said policy with due respect to the proposal of the Compensation Committee. Meanwhile, remunerations for individual Directors who are Audit & Supervisory Committee Members are determined by deliberation of Audit & Supervisory Committee Members.

<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) (1)+(2)+(3) | Total amount of remunerations by type of remuneration (Millions of yen) | | | | | Number of applicable Directors |
|---|---|---|---|---|---|---|---|
| | | Basic remuneration (1) | Bonus (2) | Stock compensation (3) | Total monetary remuneration (1)+(2) | Total performance-linked remuneration (2)+(3) | |
| Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 999 | 302 | 250 | 446 | 552 | 696 | 3 |
| Outside Directors who are not Audit & Supervisory Committee Members | 88 | 88 | – | – | 88 | – | 5 |
| Total | 1,087 | 390 | 250 | 446 | 640 | 696 | 8 |
| Directors who are Audit & Supervisory Committee Members (excluding outside Directors) | 62 | 62 | – | – | 62 | – | 1 |
| Outside Directors who are Audit & Supervisory Committee Members | 64 | 64 | – | – | 64 | – | 3 |
| Total | 126 | 126 | – | – | 126 | – | 4 |

(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. At the close of such Annual Shareholders Meeting, the number of Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) was three (3) whereas the number of outside Directors who are not Audit & Supervisory Committee Members was four (4).

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. At the close of said Annual Shareholders Meeting, the number of Directors who are Audit & Supervisory Committee Members was five (5).

3. The amounts of "Basic remuneration" above include the amounts paid to one (1) Outside Director who is not an Audit & Supervisory Committee Member who retired at the close of the 16th Term Annual Shareholders Meeting held on June 18, 2021.

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 maximum number of the Company's shares acquired by Directors (including the number of the Company's shares to be converted into cash) was resolved to be the number obtained by dividing ¥1,640 million by the average closing price of the Company's shares on the Tokyo Stock Exchange in the month (March) before the initial month (April) of the first business year of every applicable period at said Annual Shareholders Meeting. At the close of such Annual Shareholders Meeting, the number of Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) was three (3). The stock compensation stated above refers to the amount recorded as expenses under J-GAAP for the business year under review.

6. The details of key performance indicators for the performance-linked remuneration, reasons for the selection of such performance indicators, and calculation method for the performance-linked remuneration are described in "Incentive-based remuneration system (variable remuneration)" on page 89 and subsequent pages.

7. The status of delivery of shares under the stock compensation scheme for the business year under review is described in "(1) Matters Concerning Shares of Common Stock" on page 68.

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

| Name (Position) | Total amount of remunerations (Millions of yen) (1)+(2)+(3) | Total amount of remunerations by type of remuneration (Millions of yen) | | | | |
|---|---|---|---|---|---|---|
| | | Basic remuneration (1) | Bonus (2) | Stock compensation (3) | Total monetary remuneration (1)+(2) | Total performance-linked remuneration (2)+(3) |
| Yoshihiko Hatanaka (Representative Director, Chairman of the Board) | 348 | 102 | 87 | 158 | 189 | 246 |
| Kenji Yasukawa (Representative Director, President and CEO) | 445 | 130 | 114 | 201 | 244 | 315 |
| Naoki Okamura (Representative Director, Executive Vice President) | 206 | 70 | 48 | 87 | 119 | 136 |

(Notes) 1. The bonus stated above is projected payment amounts.

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

<Targets, actual results and bonus payment rate (the ratio of the amount actually paid to the base amount) of respective key performance indicators of bonus (short-term incentive remuneration) for Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) whose assessment period is the 17th term business year>

| Key performance indicators | Assessment weighting | Variance of assessment coefficient | Targets | Actual results | Assessment coefficient |
|---|---|---|---|---|---|
| Revenue | 25% | 0% to 200% | Maximum: ¥1,389.2 billion<br>Target: ¥1,323.0 billion<br>Minimum: ¥1,256.9 billion | ¥1,296.2 billion | 59.5% |
| Core operating profit ratio | 25% | 0% to 200% | Maximum: 22.4%<br>Target: 20.4%<br>Minimum: 18.4% | 18.9% | 25.0% |
| Core EPS*1 | 25% | 0% to 200% | Maximum: ¥132.19<br>Target: ¥114.95<br>Minimum: ¥97.71 | ¥103.03 | 30.9% |
| R&D performance *2 | 25% | 0% to 200% | (1) Research: Number of new drug candidates<br>(2) Development: Amount of increase in pipeline value | – | 146.7% |
| (Notes) 1. EPS: Earnings Per Share<br>2. The targets, maximum and minimum figures, and assessment coefficient for R&D performance is determined by the Board of Directors after deliberation at the Compensation Committee. | | | | Bonus payment rate | 68.6% |

(Note) For the business year under review, gain on divestiture of product rights that had been slated for recognition in revenue of the business year under review upon setting initial targets has been recorded under a different item than revenue (gain on divestiture of intangible assets). The aforementioned bonus payment rate has been adjusted to exclude negative effects on the coefficient for assessing revenue and positive effects on the coefficient for assessing the core operating profit ratio, which have both arisen due to inconsistencies with assumptions made upon setting the targets. The adjustments have been determined by the Board of Directors after deliberation at the Compensation Committee.

<Targets and actual results of respective key performance indicators, and share delivery rate (the ratio of the number of shares actually delivered to the basic points) of stock compensation (medium- to long-term incentive remuneration) for Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) which final year of the assessment period is the 17th term business year>

| Key performance indicators | Assessment weighting | Variance of assessment coefficient | Targets | Actual results | Assessment coefficient |
|---|---|---|---|---|---|
| TSR[*1] (1) (Comparison with TOPIX growth rate) | 50% | 0% to 200% | Maximum: 200%<br>Target: 100% (= TOPIX growth rate)<br>Minimum: 50% | TOPIX growth rate: 126.1%<br>Growth rate of the Company's TSR: 118.3% | 93.8% |
| TSR (2) (Comparison with TSR of global pharmaceutical companies[*2]) | 50% | 0% to 200% | Maximum: 100 percentile (top ranking)<br>Target: 50 percentile (midrange)<br>Minimum: 25 percentile (lower quartile) | The Company's ranking: 16th out of 28 companies | 88.8% |
| *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.<br>*2 Global pharmaceutical companies: This refers to a grouping of global pharmaceutical companies whose revenue is at least 0.5 times that of the Company at the time of selection (TSR Peer Group). The selection of companies may be changed by resolution of the Board of Directors after deliberation at the Compensation Committee in cases where it has been deemed that such a company is inappropriate for inclusion as a selected company when calculating the assessment results due to circumstances that include restructuring of the company during the applicable period (three consecutive business years) or changes to the content of its business. | | | | Share delivery rate | 91.3% |

(Note) The above Actual results, Assessment coefficient, and Share delivery rate are estimates at the time of preparation of this business report. They are to be determined by the Board of Directors after deliberation at the Compensation Committee.

**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 | Fixed remuneration for encouraging job performance consistently aligned with professional responsibilities<br>• Remuneration levels determined based on trends with respect to remuneration benchmark company groupings<br>• Paid in equal installments every month |
| Variable | Bonus (short-term incentive remuneration) | Performance-linked remuneration geared to steadily improving results with the aim of achieving the business performance targets each business year<br>• 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)<br>• 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<br>• In principle, lump-sum payment immediately subsequent to conclusion of respective business years around between June and July |
| | Stock compensation (medium- to long-term incentive remuneration) | Performance-linked remuneration to promote the management focused on improving the enterprise value and shareholder value over the medium- to long-term<br>• 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)<br>• 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)<br>• 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<br>• 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) |

**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.

| Referenced Remuneration Benchmark Company Grouping | 17th term business year | 18th term business year |
|---|---|---|
| 1) Major manufacturing companies listed on Japanese stock exchanges*<br>* Selected from manufacturing companies within the top 100 ranking companies by market capitalization at the time of reference | 43 companies | 44 companies |
| 2) Global pharmaceutical companies with revenue of a similar scale to the Company*<br>* 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 | 17 companies | 17 companies |

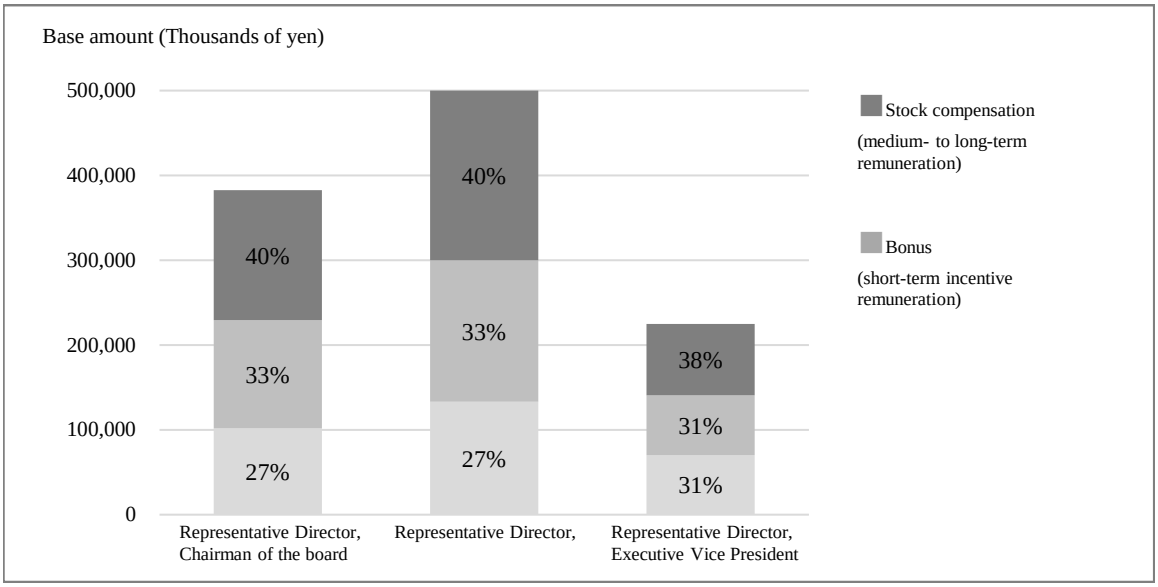
(Note) Remuneration for Directors of the Company (base amount) is decided making reference to remuneration survey data of the remuneration benchmark company grouping excluding the Company.

**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 set the remuneration levels (base amount) for Directors of the Company on a per-position basis and allocated ratios of remuneration for the 18th term business year as same as those in the business year under review based on factors such as the trends of remuneration levels at remuneration benchmark company groupings.

[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 remune-ration | Bonus | | Stock compensation | | Total |
|---|---|---|---|---|---|---|
| | | Base amount | Proportion of basic remune-ration | Base amount | Proportion of basic remune-ration | |
| Representative Director, Chairman of the Board | 102,000 | 127,500 | 1.25 | 153,000 | 1.5 | 382,500 |
| Representative Director, President and CEO* | 133,200 | 166,800 | 1.25 | 200,000 | 1.5 | 500,000 |
| 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 | Reasons for the selection of indicators and targets |
|---|---|---|---|
| Revenue | 25% | 0% to 200% | Reasons for the selection: To assess the increase in size of business<br>• Maximum: Target × 105%<br>• Target: Initially released forecast value<br>• Minimum: Target × 95% |
| Core operating profit ratio | 25% | 0% to 200% | Reasons for the selection: To assess the increase in business profitability and operational efficiency<br>• Maximum: Target × 110%<br>• Target: Initially released forecast value<br>• Minimum: Target × 90% |
| Core EPS* | 25% | 0% to 200% | Reasons for the selection: To assess the increase in profit per share<br>• Maximum: Target × 115%<br>• Target: Initially released forecast value<br>• Minimum: Target × 85% |
| R&D performance | 25% | 0% to 200% | Reasons for the selection: To assess the achievement of sustainable growth<br>Target: Set quantitative targets separately for research and development<br>(1) Research: Number of new drug candidates<br>(2) Development: Amount of increase in pipeline value |
| Total | 100% | 0% to 200% | |

* EPS: Earnings Per Share

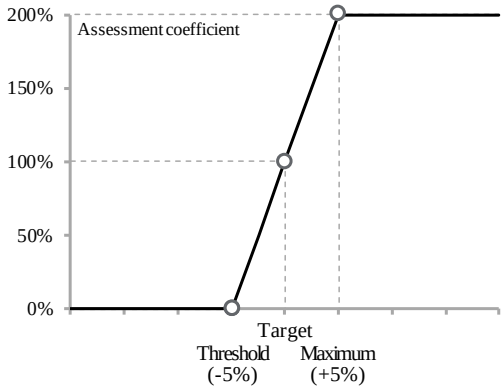
[Chart 4. Formula for calculating payment amount of bonus (short-term incentive remuneration)]

| Amount of bonus paid to Directors | = | (a) Base amount per position | × | (b) Assessment coefficient |
|---|---|---|---|---|

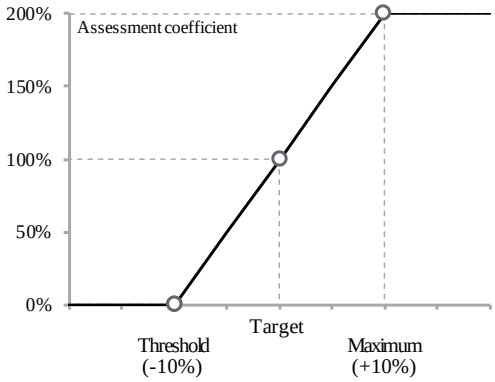
(a) Refer to Chart 2 on page 88

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

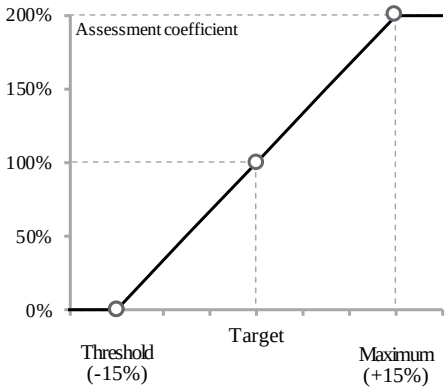
[1] Revenue




[2] Core operating profit ratio




[3] Core EPS



**[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[*1]) 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[*2]) 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. The selection of companies may be changed by resolution of the Board of Directors after deliberation at the Compensation Committee in cases where it has been deemed that such a company is inappropriate for inclusion as a selected company when calculating the assessment results due to circumstances that include restructuring of the company during the applicable period or changes to the content of its business.

[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 | Reasons for the selection of benchmarks | Targets |
|---|---|---|---|---|
| TSR (1) (Comparison with TOPIX growth rate) | 50% | 0% to 200% | To assess the increases in enterprise value and shareholder value over the medium- to long-term | Target: Set target range as follows<br>• Maximum: 200%<br>• Target: 100% (= TOPIX growth rate)<br>• Minimum (threshold): 50% |
| TSR (2) (Comparison with TSR of global pharmaceutical companies) | 50% | 0% to 200% | | Target: Set target range as follows<br>• Maximum: 100 percentile (top ranking)<br>• Target: 50 percentile (midrange)<br>• Minimum (threshold): 25 percentile (lower quartile) |
| 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 88

(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 (100 percentile), 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.

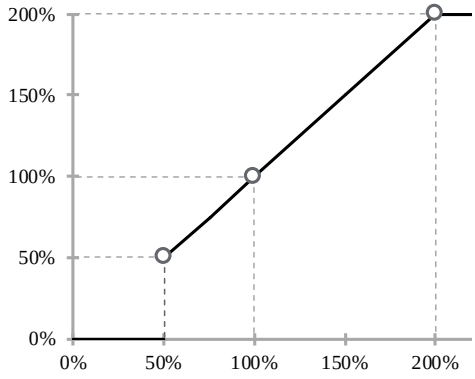
TSR = {(B - A) + C} / A

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

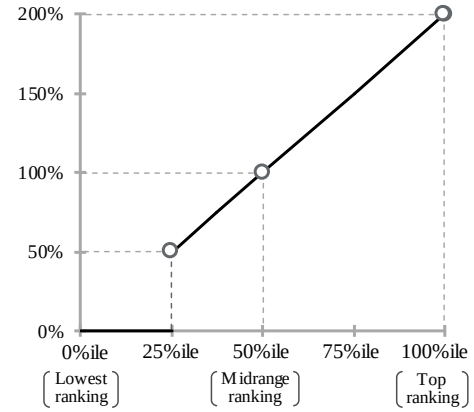
B: Simple average closing price of respective companies' share on the relevant stock exchanges as pertains to 'A' for the final month of the Applicable Period

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) Company's TSR 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 (Tantou-Yakuin)**

The policy for determining remunerations for the Company's Corporate Executives (Tantou-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.

- **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 directors and officers liability insurance agreement:

The Company has entered into a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company for Directors (including Directors who are Audit & Supervisory Committee Members), Audit & Supervisory Board Members, Corporate Executives, etc. of the Company and its subsidiaries in Japan, Asia, and Oceania as the insured persons. In the event of a claim for damages submitted by a shareholder or a third party, etc., the said insurance agreement shall compensate for damages and legal expenses, etc. to be borne by the insured persons in connection with their performance of duties. The Company and the related subsidiaries bear the entire insurance premium. The insurance policy does not cover damages arising from the insured persons' criminal acts and acts in violation of laws or regulations that were carried out with full knowledge of their illegality.

5) Matters concerning outside Directors:

Activities for the business year under review (including a summary of duties executed with regard to expected roles as an outside Director):

| Position | Name | Attendance to meetings | Activities |
|---|---|---|---|
| Outside Director | Mamoru Sekiyama | 13/13 meetings of the Board of Directors<br>7/7 meetings of the Nomination Committee<br>8/8 meetings of the Compensation Committee | Provided opinions based on his abundant experience as a business manager and sufficiently fulfilled the function of overseeing business execution, as well as led the deliberations of the Nomination Committee and the Compensation Committee as the Chair of these committees. |
| Outside Director | Hiroshi Kawabe | 13/13 meetings of the Board of Directors<br>7/7 meetings of the Nomination Committee<br>8/8 meetings of the Compensation Committee | Provided opinions based on his abundant experience as a medical scientist and sufficiently fulfilled the function of overseeing business execution, as well as contributed to the deliberations of the Nomination Committee and the Compensation Committee by vigorously expressing opinions as a member of these committees. |

| Position | Name | Attendance to meetings | Activities |
|---|---|---|---|
| Outside Director | Tatsuro Ishizuka | 13/13 meetings of the Board of Directors<br>7/7 meetings of the Nomination Committee<br>8/8 meetings of the Compensation Committee | Provided opinions based on his abundant experience as a business manager and sufficiently fulfilled the function of overseeing business execution, as well as contributed to the deliberations of the Nomination Committee and the Compensation Committee by vigorously expressing opinions as a member of these committees. |
| Outside Director | Takashi Tanaka | 9/10 meetings of the Board of Directors<br>5/6 meetings of the Nomination Committee<br>5/5 meetings of the Compensation Committee | Provided opinions based on his abundant experience as a business manager and sufficiently fulfilled the function of overseeing business execution, as well as contributed to the deliberations of the Nomination Committee and the Compensation Committee by vigorously expressing opinions as a member of these committees. |
| Outside Director (Audit & Supervisory Committee Member) | Hiroo Sasaki | 13/13 meetings of the Board of Directors<br>14/14 meetings of the Audit & Supervisory Committee | Provided opinions based on his abundant experience as an economist, as well as sufficiently fulfilled the function of overseeing business execution and the function of auditing and supervising the performance of duties by Directors. |
| Outside Director (Audit & Supervisory Committee Member) | Haruko Shibumura | 13/13 meetings of the Board of Directors<br>14/14 meetings of the Audit & Supervisory Committee | Provided opinions based on her abundant experience as an attorney-at-law, as well as sufficiently fulfilled the function of overseeing business execution and the function of auditing and supervising the performance of duties by Directors. |
| Outside Director (Audit & Supervisory Committee Member) | Raita Takahashi | 13/13 meetings of the Board of Directors<br>14/14 meetings of the Audit & Supervisory Committee | Provided opinions based on his abundant experience as a certified public accountant, tax accountant, and business manager, as well as sufficiently fulfilled the function of overseeing business execution and the function of auditing and supervising the performance of duties by Directors. |

5) Other important matters:
Nothing applicable exists.

6) Names of Corporate Executives (Tantou-Yakuin) (excluding Directors who serve as Corporate Executives) and other information

(As of April 1, 2022)

| 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) |
| | Yoshitsugu Shitaka | Chief Scientific Officer (CScO) |
| | Minoru Kikuoka | Chief Financial Officer (CFO) |
| | Hideki Shima | Chief Manufacturing Officer (CMfgO) |
| Joumu Tantou-Yakuin | Yasuhiro Tsutsui | President, Japan Commercial |
| Tantou-Yakuin | Eisuke Nozawa | Vice President, Regulatory Affairs |
| | Yuusuke Kumagai | Vice President, External Relations |

(5) 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: | ¥234 million |
| 2. Total amount of cash and other material benefits payable to Financial Auditor by the Company and its subsidiaries: | ¥234 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 64), 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

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(Notes)
1. The amounts stated in the business report are presented by rounding any amount less than the specified units, i.e., disregarding four tenths (4/10) or less and rounding up five tenths (5/10) or more. The numbers of shares stated in the business report are presented by disregarding any number of shares less than the specified units. In addition, unless otherwise specifically noted, the changes in comparison with the previous business year and other ratios are presented by rounding numbers to the nearest first decimal places, i.e., disregarding four hundredths (4/100) or less and rounding up five hundredths (5/100) or more.
2. Some tables, graphs, and pictures in the Business Report are presented only for shareholder reference purposes.
3. In the Business Report, statements made with respect to current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Company. These statements are based on management's current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to: (i) changes in general economic conditions and in laws and regulations, relating to pharmaceutical markets, (ii) currency exchange rate fluctuations, (iii) delays in new product launches, (iv) the inability of the Company to market existing and new products effectively, (v) the inability of the Company to continue to effectively research and develop products accepted by customers in highly competitive markets, and (vi) infringements of the Company's intellectual property rights by third parties. Information about pharmaceutical products (including products currently in development) which is included in the Business Report is not intended to constitute an advertisement or medical advice.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(As of March 31, 2022)

(Millions of yen)

| Accounts | (Reference) 16th term business year As of March 31, 2021 | 17th term business year As of March 31, 2022 |
|---|---|---|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 264,623 | 269,044 |
| Goodwill | 284,011 | 303,030 |
| Intangible assets | 651,427 | 623,431 |
| Trade and other receivables | 33,924 | 29,796 |
| Investments accounted for using equity method | 7,117 | 10,035 |
| Deferred tax assets | 54,176 | 72,331 |
| Other financial assets | 95,850 | 91,844 |
| Other non-current assets | 9,913 | 9,531 |
| Total non-current assets | 1,401,040 | 1,409,041 |
| Current assets | | |
| Inventories | 164,080 | 153,072 |
| Trade and other receivables | 343,178 | 382,462 |
| Income tax receivable | 13,984 | 21,539 |
| Other financial assets | 5,560 | 21,297 |
| Other current assets | 19,658 | 28,997 |
| Cash and cash equivalents | 326,128 | 315,986 |
| Total current assets | 872,588 | 923,354 |
| Total assets | 2,273,628 | 2,332,395 |

(Millions of yen)

| Accounts | (Reference)<br>16th term business year<br>As of March 31, 2021 | 17th term business year<br>As of March 31, 2022 |
|---|---|---|
| Equity and liabilities | | |
| Equity | | |
| Share capital | 103,001 | 103,001 |
| Capital surplus | 177,830 | 179,467 |
| Treasury shares | (15,377) | (13,934) |
| Retained earnings | 953,289 | 944,261 |
| Other components of equity | 167,373 | 247,512 |
| Total equity attributable to owners of the parent | 1,386,115 | 1,460,308 |
| Total equity | 1,386,115 | 1,460,308 |
| Liabilities | | |
| Non-current liabilities | | |
| Trade and other payables | 400 | 676 |
| Deferred tax liabilities | 18,161 | 5,823 |
| Retirement benefit liabilities | 38,982 | 37,226 |
| Provisions | 5,796 | 5,831 |
| Other financial liabilities | 199,021 | 95,886 |
| Other non-current liabilities | 32,782 | 39,234 |
| Total non-current liabilities | 295,141 | 184,676 |
| Current liabilities | | |
| Trade and other payables | 124,777 | 130,739 |
| Income tax payable | 8,395 | 32,388 |
| Provisions | 22,187 | 16,570 |
| Other financial liabilities | 148,163 | 184,964 |
| Other current liabilities | 288,851 | 322,751 |
| Total current liabilities | 592,372 | 687,411 |
| Total liabilities | 887,513 | 872,087 |
| Total equity and liabilities | 2,273,628 | 2,332,395 |

## CONSOLIDATED STATEMENTS OF INCOME

(April 1, 2021 to March 31, 2022)

(Millions of yen)

| Accounts | (Reference) 16th term business year From April 1, 2020 to March 31, 2021 | 17th term business year From April 1, 2021 to March 31, 2022 |
|---|---|---|
| Revenue | 1,249,528 | 1,296,163 |
| Cost of sales | (246,063) | (253,009) |
| Gross profit | 1,003,465 | 1,043,154 |
| Selling, general and administrative expenses | (504,316) | (548,840) |
| Research and development expenses | (224,489) | (246,010) |
| Amortisation of intangible assets | (23,763) | (28,283) |
| Gain on divestiture of intangible assets | – | 24,234 |
| Share of profit (loss) of investments accounted for using equity method | 478 | 489 |
| Other income | 7,639 | 15,256 |
| Other expense | (122,963) | (104,314) |
| Operating profit | 136,051 | 155,686 |
| Finance income | 11,608 | 6,149 |
| Finance expense | (2,335) | (4,949) |
| Profit before tax | 145,324 | 156,886 |
| Income tax expense | (24,734) | (32,800) |
| Profit | 120,589 | 124,086 |
| Profit attributable to: | | |
| Owners of the parent | 120,589 | 124,086 |

## BALANCE SHEETS

(As of March 31, 2022)

(Millions of yen)

| Accounts | (Reference) 16th term business year As of March 31, 2021 | 17th term business year As of March 31, 2022 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash on hand and in banks | 158,926 | 184,045 |
| Trade accounts receivable | 149,814 | 146,239 |
| Merchandise and finished goods | 45,919 | 28,458 |
| Raw materials and supplies | 21,371 | 22,024 |
| Other | 34,397 | 65,500 |
| Allowance for doubtful receivables | – | (51) |
| Total current assets | 410,428 | 446,215 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings | 40,826 | 38,758 |
| Structures | 1,463 | 1,542 |
| Machinery | 688 | 427 |
| Equipment, furniture and fixtures | 6,126 | 6,564 |
| Land | 9,189 | 9,189 |
| Lease assets | 704 | 799 |
| Construction in progress | 754 | 2,383 |
| Other | 0 | 0 |
| Total property, plant and equipment | 59,750 | 59,662 |
| Intangible fixed assets | 83,106 | 83,682 |
| Investments and other assets | | |
| Investment securities | 47,807 | 40,112 |
| Investment in subsidiaries and affiliates | 644,528 | 648,723 |
| Long-term loans receivable | 42 | 41 |
| Deferred tax assets | 58,097 | 66,385 |
| Other | 47,017 | 43,737 |
| Allowance for doubtful receivables | (3) | (3) |
| Total investments and other assets | 797,487 | 798,996 |
| Total fixed assets | 940,343 | 942,341 |
| Total assets | 1,350,771 | 1,388,556 |

(Millions of yen)

| Accounts | (Reference) 16th term business year As of March 31, 2021 | 17th term business year As of March 31, 2022 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade accounts payable | 32,934 | 29,150 |
| Short-term loans payable | 236,481 | 223,617 |
| Lease obligations | 327 | 357 |
| Other accounts payable | 39,922 | 43,590 |
| Accrued expenses | 28,494 | 30,646 |
| Accrued income taxes | 5,851 | 32,201 |
| Deposit | 8,550 | 690 |
| Other | 123,974 | 145,150 |
| Total current liabilities | 476,531 | 505,402 |
| Long-term liabilities | | |
| Long-term loans payable | 80,000 | – |
| Lease obligations | 377 | 441 |
| Accrued retirement benefits for employees | 830 | 2,180 |
| Other | 5,318 | 6,911 |
| Total long-term liabilities | 86,525 | 9,532 |
| Total liabilities | 563,056 | 514,934 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 103,001 | 103,001 |
| Capital surplus | | |
| Additional paid-in capital | 176,822 | 176,822 |
| Total capital surplus | 176,822 | 176,822 |
| Retained earnings | | |
| Legal reserve | 16,827 | 16,827 |
| Other retained earnings | | |
| Reserve for advanced depreciation of fixed assets | 1,185 | 1,185 |
| Retained earnings carried forward | 485,947 | 573,801 |
| Total retained earnings | 503,959 | 591,813 |
| Treasury shares | (15,377) | (13,934) |
| Total shareholders' equity | 768,404 | 857,702 |
| Valuation, translation adjustments and others | | |
| Unrealised holding gains on securities | 18,566 | 15,290 |
| Total valuation, translation adjustments and others | 18,566 | 15,290 |
| Subscription rights to shares | 745 | 630 |
| Total net assets | 787,715 | 873,622 |
| Total liabilities and net assets | 1,350,771 | 1,388,556 |

## STATEMENTS OF INCOME

(April 1, 2021 to March 31, 2022)

(Millions of yen)

| Accounts | (Reference) 16th term business year From April 1, 2020 to March 31, 2021 | 17th term business year From April 1, 2021 to March 31, 2022 |
|---|---|---|
| Net Sales | 545,553 | 542,568 |
| Cost of sales | 127,525 | 96,723 |
| Gross profit | 418,028 | 445,845 |
| Selling, general and administrative expenses | 326,111 | 339,916 |
| Operating income | 91,917 | 105,929 |
| Non-operating income | | |
| Interest income and dividend income | 127,639 | 141,960 |
| Other | 4,559 | 23,706 |
| Total non-operating income | 132,197 | 165,666 |
| Non-operating expenses | | |
| Interest expense | 277 | 571 |
| Other | 404 | 480 |
| Total non-operating expenses | 681 | 1,051 |
| Ordinary income | 223,433 | 270,544 |
| Special gains | | |
| Gain on sales of fixed assets | 11 | 12 |
| Other | 521 | 5,139 |
| Total special gains | 532 | 5,150 |
| Special losses | | |
| Loss on sales and disposal of fixed assets | 327 | 95 |
| Impairment loss | 2,056 | 1,231 |
| Other | 2,685 | 20,234 |
| Total special losses | 5,069 | 21,561 |
| Income before income taxes | 218,896 | 254,133 |
| Income taxes — current | 5,036 | 35,204 |
| Income taxes — deferred | 20,805 | (6,166) |
| Total income taxes | 25,841 | 29,039 |
| Net income | 193,055 | 225,095 |

**Translation**
# Independent Auditor's Report

May 10, 2022

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Hiroaki Kosugi
Designated Engagement Partner
Certified Public Accountant

Masayuki Nakamura
Designated Engagement Partner
Certified Public Accountant

Kohei Koyama
Designated Engagement Partner
Certified Public Accountant

## 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 notes to the consolidated financial statements of Astellas Pharma Inc. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2022, in accordance with accounting standards that omit certain disclosure items under the designated International Financial Reporting Standards, which were established in accordance with the second sentence of Article 120, paragraph 1 of the Regulations on Corporate Accounting.

**Basis for 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 Group 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.

**Other Information**

The other information comprises the information included in the Group's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards that omit certain disclosure items under the designated International Financial Reporting Standards, which were established in accordance with the second sentence of Article 120, paragraph 1 of the Regulations on Corporate Accounting, and for such internal control as management determines is necessary to enable the preparation 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 assessing the Group's ability to continue as a going concern and disclosing, as required by accounting standards that omit certain disclosure items under the designated International Financial Reporting Standards, which were established in accordance with the second sentence of Article 120, paragraph 1 of the Regulations on Corporate Accounting, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives 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. 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, 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 and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting standards that omit certain disclosure items under the designated International Financial Reporting Standards, which were established in accordance with the second sentence of Article 120, paragraph 1 of the Regulations on Corporate Accounting.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, 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.

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

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Readers of Independent Auditor's Report**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

**Translation**

# Independent Auditor's Report

May 10, 2022

The Board of Directors
Astellas Pharma Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Hiroaki Kosugi
Designated Engagement Partner
Certified Public Accountant

Masayuki Nakamura
Designated Engagement Partner
Certified Public Accountant

Kohei Koyama
Designated Engagement Partner
Certified Public Accountant

## Opinion

Pursuant to Article 436, paragraph 2, item 1 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, notes to the financial statements and the related supplementary schedules (the "Financial Statements and Others") of Astellas Pharma Inc. (the Company) applicable to the 17th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying Financial Statements and Others present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

**Basis for 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 and Others 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.

**Other Information**

The other information comprises the information included in the Company's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the Financial Statements and Others does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements and Others, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and Others or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management, the Audit and 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 such internal control as management determines is necessary to enable the preparation of 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 assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Company's financial reporting process.

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

Our objectives 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. Misstatements can arise from fraud or error and are material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and Others.

As part of an audit 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are

appropriate in the circumstances for our risk assessments, while the purpose of the audit of the Financial Statements and Others is not expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 disclosures in the Financial Statements and Others or, if such disclosures are inadequate, to modify our opinion. 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements and Others, including the disclosures, and whether the Financial Statements and Others represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit and Supervisory Committee regarding, among other matters, 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.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the Financial Statements and Others in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Readers of Independent Auditor's Report**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

[Translation]

# AUDIT REPORT

The Audit & Supervisory Committee conducted an audit regarding the performance of duties of Directors of the Company during the 17th term business year from April 1, 2021 to March 31, 2022. The Committee hereby reports the method and result thereof as follows.

1. Method and Contents of Audit

With respect to the content of 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, employees and others, requested additional explanations as necessary, and expressed opinions on the establishment and operation of the systems. In addition, the Committee conducted an 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 Council, 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 an 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 the internal control system.

(2) Results of an 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 an 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 10, 2022

The Audit & Supervisory Committee of Astellas Pharma Inc.

Full-time Audit & Supervisory Committee Member:
Toru Yoshimitsu (seal)
Audit & Supervisory Committee Member:
Hiroo Sasaki (seal)
Audit & Supervisory Committee Member:
Haruko Shibumura (seal)
Audit & Supervisory Committee Member:
Raita Takahashi (seal)

(Note) The Audit & Supervisory Committee Members Hiroo Sasaki, Haruko Shibumura and Raita Takahashi 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 17th Term Business Year (April 1, 2021 – March 31, 2022)**

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, 2022:

- Total number of subscription rights to shares: 2,642 (Notes) 1
- Type and number of shares to be issued upon exercise of subscription rights to shares:

789,000 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 (Note) 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 (Note) 2 | ¥463,900 per subscription right to shares (Note) 2 |
| Amount of cash to be contributed upon exercise of subscription rights to shares (Note) 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: | (Note) 3 | (Note) 3 | (Note) 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 (Note) 1: | 27 | 69 | 107 |
| Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4: | 13,500 shares of common stock (500 shares per subscription right to shares) | 34,500 shares of common stock (500 shares per subscription right to shares) | 53,500 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 (Note) 2 | ¥294,200 per subscription right to shares (Note) 2 | ¥244,000 per subscription right to shares (Note) 2 |
| Amount of cash to be contributed upon exercise of subscription rights to shares (Note) 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: | (Note) 3 | (Note) 3 | (Note) 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 (Note) 1: | 257 | 424 | 358 |
| Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4: | 128,500 shares of common stock (500 shares per subscription right to shares) | 212,000 shares of common stock (500 shares per subscription right to shares) | 179,000 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 (Note) 2 | ¥304,800 per subscription right to shares (Note) 2 | ¥505,300 per subscription right to shares (Note) 2 |
| Amount of cash to be contributed upon exercise of subscription rights to shares: (Note) 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: | (Note) 3 | (Note) 3 | (Note) 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 (Note) 1: | 1,330 |
| Type and number of shares to be issued upon exercise of subscription rights to shares (Notes) 1, 4: | 133,000 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 (Note) 2 |
| Amount of cash to be contributed upon exercise of subscription rights to shares (Note) 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: | (Note) 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, 2022.

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, 2022, 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 who are not Audit & Supervisory Committee Members (excluding outside Directors) | 1 | 17 units | 8,500 shares of common stock |
| Subscription rights to shares issued in August 2007 | Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 1 | 17 units | 8,500 shares of common stock |
| Subscription rights to shares issued in September 2008 | Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 1 | 27 units | 13,500 shares of common stock |
| Subscription rights to shares issued in July 2009 | Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 1 | 47 units | 23,500 shares of common stock |
| Subscription rights to shares issued in July 2010 | Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 2 | 88 units | 44,000 shares of common stock |
| Subscription rights to shares issued in July 2011 | Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 2 | 190 units | 95,000 shares of common stock |
| Subscription rights to shares issued in July 2012 | Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 2 | 208 units | 104,000 shares of common stock |
| Subscription rights to shares issued in July 2013 | Directors who are not Audit & Supervisory Committee Members (excluding outside Directors) | 2 | 125 units | 62,500 shares of common stock |

| | 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 July 2014 | Directors who are not Audit & Supervisory Committee Members (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 for FY2022 (English Translation)**

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; the Chief Administrative Officer and Chief Ethics & Compliance Officer; the Chief Medical Officer; the Chief Commercial Officer; the Chief Scientific Officer; the Chief Financial Officer; the General Counsel and the Chief Manufacturing Officer are collectively referred to as "Top Management"), who are responsible for the execution of business.
- The Board of Directors meeting shall be held at least once every three (3) months and additionally as 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 division 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 division 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 the core standards of compliance for officers and employees of the Company and the Astellas Group companies.

The Company regards compliance not only as observing the law but also acting in accordance with social norms as well as the highest sense of ethics. We have a system for promoting and embedding the broadly defined "compliance" across the whole group and do the following toward its implementation:

- The Company has established the "Global Compliance Committee" to understand the current situation of compliance and discuss policies and plans for the Company and the Astellas Group companies as a whole. Regional Compliance Committees have also been established to discuss compliance matters in their respective regions.
- Under the control of the Chief Administrative Officer and Chief Ethics & Compliance Officer, Ethics & Compliance, in collaboration with the relevant divisions of the Company and the Astellas Group companies, designs and executes specific plans for global compliance. In addition, through continuous training and other measures, we ensure that each officer and employee of the Company and the Astellas Group companies can practice compliance on their own initiative.
- The Company has established a global third party whistle-blowing hotline that is available for all Astellas Group employees and external stakeholders to report actual or potential non-compliance. The Company has also established a system to ensure any material information is timely reported to the Chief Administrative Officer and Chief Ethics & Compliance Officer. In dealing with such reports, we ensure that confidentiality will be strictly maintained and unfair treatment against reporters is strictly prohibited.

Through the systems and activities mentioned above, the Company promotes a robust speak up culture with its strict non-retaliation policy.

(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 division, which is independent from the ordinary business execution divisions 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 division 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 divisions 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 divisions related to RA and QA, and the internal audits conducted by the independent Internal Audit division.
- Internal Audit division will promote improvement in the quality of the internal audits through meetings and other forms of collaboration with the relevant expert divisions.
- Through managing the entire global internal audit function by the head of Internal Audit division who directly reports to President and CEO, and organizing Internal Audit division in line with the functional based global organizational structure across all the Astellas Group companies, 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 divisions, Top Management decides reporting matters, persons giving report and methods of reporting by mutual agreement with Audit & Supervisory Committee.
- The divisions 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 division will require the prior consent of the Audit & Supervisory Committee.
- The Internal Audit division 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 division on the results of the internal audit, and be able to give guidance to Internal Audit division 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 (divisions) 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 not only take a resolute attitude against any anti-social forces and groups that threaten the order and security of society and never succumb to unjust and illegal requests, but will also keep out such forces and groups. Accordingly, the Company and the Astellas Group companies do the following:

- 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 exclude any relation with such forces and groups.
- Particularly in Japan, in close cooperation with the police and other related parties, 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 organizational actions.
- Continually implement educational activities, such as training on compliance and risk management, etc. for officers and employees, so as to exclude anti-social forces and groups.

Summary of the operational status for the Systems to Ensure the Appropriate Execution of Business (English Translation)

A summary of the Company's operational status during the business year ended March 31, 2022 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, 2022, 13 Board of Directors meetings were held and, 23 Executive Committee meetings were held.
In addition, the Company has decided to create new top management positions, namely, General Counsel (GC) and Chief Manufacturing Officer (CMfgO) and to dissolve the position of Chief Business Officer (CBO) and to integrate into Chief Strategy Officer (CStO), effective from April 2022.

(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 Committees. Furthermore, in response to the global spread of the Coronavirus Disease (COVID-19), the Company has set up the Global Crisis Management Team and started its activities since January 2020 to monitor the impact of COVID-19 on the Company's business while taking necessary measures in a swift manner.
In response to the situation in Ukraine, the Company has set up the Global Crisis Management Team and started its activities since February 2022 to ensure the safety of local employees and their families, monitor the impact on business activities such as supply chain, and take necessary measures in a swift manner.

(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 Committees 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 whistle-blowing 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, 2022, 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.
The Company developed Corporate Strategic Plan 2021 for the next 5 years up to 2025, and held an external information session in May 2021. The Company also updated the Materiality Matrix and disclosed it through the Company's first external sustainability meeting in February 2022.

(5) System to Ensure the Reliability of Financial Report

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 whistle-blowing hotline

reports and litigation / in-house investigation projects which is superintended by the Legal department.
The company supported the Audit & Supervisory Committee Office so that practical support to Audit & Supervisory Committee is well enhanced and audit by Audit & Supervisory Committee is performed more appropriately.

(9) System to Exclude Anti-social Forces

Following the basic policy, the Company conducts due diligence assessment 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, 2021 to March 31, 2022)

(Millions of yen)

| | Equity attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Other components of equity | |
| | Share capital | Capital surplus | Treasury shares | Retained earnings | Subscription rights to shares | Exchange differences on translation of foreign operations |
| As of April 1, 2021 | 103,001 | 177,830 | (15,377) | 953,289 | 745 | 147,024 |
| Comprehensive income | | | | | | |
| Profit | – | – | – | 124,086 | – | – |
| Other comprehensive income | – | – | – | – | – | 86,597 |
| Total comprehensive income | – | – | – | 124,086 | – | 86,597 |
| Transactions with owners | | | | | | |
| Acquisition of treasury shares | – | – | (50,717) | – | – | – |
| Disposals of treasury shares | – | (391) | 735 | (229) | (115) | – |
| Cancellation of treasury shares | – | – | 51,427 | (51,427) | – | – |
| Dividends | – | – | – | (85,236) | – | – |
| Share-based payments | – | 2,028 | – | – | – | – |
| Transfers | – | – | – | 3,777 | – | – |
| Total transactions with owners | – | 1,638 | 1,444 | (133,114) | (115) | – |
| As of March 31, 2022 | 103,001 | 179,467 | (13,934) | 944,261 | 630 | 233,621 |

| | Equity attributable to owners of the parent | | | | Total equity |
|---|---|---|---|---|---|
| | Other components of equity | | | Total | |
| | Financial assets measured at fair value through other comprehen-sive income | Remeasure-ments of defined benefit plans | Total | | |
| As of April 1, 2021 | 19,604 | – | 167,373 | 1,386,115 | 1,386,115 |
| Comprehensive income | | | | | |
| Profit | – | – | – | 124,086 | 124,086 |
| Other comprehensive income | (5,078) | 2,512 | 84,031 | 84,031 | 84,031 |
| Total comprehensive income | (5,078) | 2,512 | 84,031 | 208,117 | 208,117 |
| Transactions with owners | | | | | |
| Acquisition of treasury shares | − | – | – | (50,717) | (50,717) |
| Disposals of treasury shares | − | – | (115) | 0 | 0 |
| Cancellation of treasury shares | − | – | − | – | – |
| Dividends | − | – | – | (85,236) | (85,236) |
| Share-based payments | − | – | – | 2,028 | 2,028 |
| Transfers | (1,265) | (2,512) | (3,777) | – | – |
| Total transactions with owners | (1,265) | (2,512) | (3,893) | (133,925) | (133,925) |
| As of March 31, 2022 | 13,261 | – | 247,512 | 1,460,308 | 1,460,308 |

**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: 78

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., Beijing Astellas Medical Co., Ltd.,
Astellas Pharma Korea, Inc.

(3) Matters concerning the application of equity method:

The number of affiliated companies accounted for by the equity method: 3

(4) Notes to the scope of consolidation:

Changes in scope of consolidation
Additions: three companies (added due to establishment of a company, etc.)
Deletions: one company (deleted due to merger)

(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 recognised 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 of financial assets or issuance of financial liabilities other than financial assets

measured at fair value through profit or loss ("financial assets at FVTPL") and financial liabilities measured at fair value through profit or loss ("financial liabilities at FVTPL"), are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL and financial liabilities at FVTPL are recognised in profit or loss.

- Financial assets

  At initial recognition, all financial assets are classified as "financial assets measured at amortised 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 amortised cost

  Financial assets are classified as financial assets measured at amortised 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 amortised cost using the effective interest method, less any impairment loss. Interest revenue using the effective interest method is recognised 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 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 recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gain or loss recognised 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 recognised in other comprehensive income. When the financial asset is derecognised or the fair value has significantly decreased, the cumulative gain or loss recognised in

other component of equity is transferred to retained earnings. Dividends on such financial assets are recognised 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 amortised 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 in fair value recognised in profit or loss.

- Impairment of financial assets
Loss allowances are recognised for expected credit losses for financial assets measured at amortised cost or debt instruments classified as financial assets at FVTOCI.
At the end of each quarter, the loss allowance is measured for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. The loss allowance is measured for a financial asset at an amount equal to 12-month expected credit losses if the credit risk on that financial asset 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 amortised cost."

(a) Financial liabilities at FVTPL
Derivative financial liabilities, financial liabilities designated as financial liabilities at FVTPL and contingent consideration recognised 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 in fair value recognised in profit or loss.

(b) Financial liabilities measured at amortised cost
Financial liabilities not classified as financial liabilities at FVTPL are classified as financial liabilities at amortised cost.
After initial recognition, the financial liabilities are measured at amortised cost using the effective interest method.

- Derecognition
Financial assets are derecognised 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 derecognised when a financial liability is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expired.

(ii) Valuation standards and methods for inventories

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

(iii) Depreciation method of property, plant and equipment and amortisation 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 amortised over their estimated useful lives (2 to 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
Right-of-use assets are measured at cost, which comprises the amount of the initial measurement of the corresponding lease liability at the commencement date, adjusted for initial direct costs, etc. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the right-of-use asset or the end of the lease term (2 to 40 years).

(iv) Basis for provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources

embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.
When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(v) Basis for revenue

The Group generates revenue from the sale of pharmaceuticals and royalty income from agreements under which third parties have been granted rights to manufacture or market pharmaceutical products or rights to use technologies.

- Sales of pharmaceutical products
Revenue from sales of pharmaceuticals is recognised 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.
There are no contracts for which the payment terms of consideration are longer than one year, in principle, and thus no significant financing component is included. If the transaction price in a contract includes variable amounts such as rebates, discounts, the variable consideration is estimated by using either of the expected value method or the most likely amount method, and is reduced from the consideration received from the customer. The variable consideration is recognised only when it is probable that a significant reversal will not occur.
In certain transactions, the Group may be deemed to be contracted by other companies to sell pharmaceuticals on their behalf. For such transactions in which the Group acts as an agent, the Group recognises revenue as the net amount of the remuneration or fees for which it expects to obtain rights.

- Royalty income
Royalty income includes upfront payments, milestone payments received when certain contractual conditions are fulfilled, and running royalties based on net sales and other factors.
For upfront payments, revenue is recognised at a point in time when each performance obligation is satisfied or over time as the performance obligation is satisfied. For performance obligations satisfied at a point in time, revenue is recognised when control of the promised right is transferred to the customer by the Group in accordance with the contract. For performance obligations satisfied over time, revenue is recognised based on the ratio between the elapsed period and the remaining period available to provide the promised services in the contract.
Receipt of milestone payments is subject to uncertainty and such uncertainty is not eliminated until conditions have been fulfilled. As such, revenue is recognised for milestone payments at a point in time when the conditions for the milestone payments have been fulfilled, in principle.
Running royalties based on net sales and other factors are recognised at a point in time when the later of either of the following events occurs: subsequent sales, etc. are realised, or performance obligations with allocated running royalties based on net sales and other factors are satisfied.

Revenue is recognised for upfront payments and milestone payments at the amounts stipulated by the contracts, in principle. Revenue from running royalties is calculated as the amount of net sales, etc. for the calculation period reported by the customer, multiplied by the contractual fee rate. In almost all the contracts, a payment deadline has been set within a short period after the conclusion of contracts, fulfilment of conditions or the final day of the calculation period for running royalties.

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

(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 dates of the transactions or an approximation of the rate.
  Monetary assets and liabilities denominated in foreign currencies at the end of business year are translated into the functional currency using the exchange rates at the end of business year and exchange differences arising from translation are recognised 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 recognised in other comprehensive income. On the disposal of

the interest in a foreign operation, the cumulative amount of the exchange differences is reclassified to profit or loss.

(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 at the same time each year and whenever there is an indication of impairment. If, at the time of the impairment test, the recoverable amount of a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount of the cash-generating unit or the group of cash-generating units is reduced to its recoverable amount, and the reduction is recognised in profit or loss as an impairment loss.
Impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of cash-generating units and then to the other assets on a pro rata basis of the carrying amount of each asset in the cash-generating unit or group of cash-generating units.
Any impairment loss recognised for goodwill is not reversed in a subsequent period.

## 2. Notes on accounting estimates

(1) Revenue recognition and recording of estimated refund liabilities

(i) Amount recorded in the consolidated financial statements for the business year ended March 31, 2022
Refund Liabilities: ¥176,445 million

(ii) Information on the details of accounting estimates for identified items
(a) Method for estimation
If the transaction price in a contract includes a variable amount, such as rebates and discounts, 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. Refund liabilities are provided for refunds to be paid after the closing date. The variable consideration is recognised only when it is probable that a significant reversal will not occur.

(b) Major assumptions used for estimation
The major assumptions on which the estimates are based are product sales forecasts, etc.

(c) Impact on the consolidated financial statements for the next business year
Due to the high estimation uncertainty, changes in product sales forecasts, etc. as major assumptions may affect the amounts of revenue and refund liabilities for the next business year.

(2) Impairment of goodwill and in-process research and development

(i) Amount recorded in the consolidated financial statements for the business year ended March 31, 2022
Goodwill: ¥303,030 million
In-process research and development (IPR&D): ¥300,835 million

(ii) Information on the details of accounting estimates for identified items
(a) Method for estimation
If the recoverable amount of an asset or cash-generating unit, or group of cash-generating unit is less than its carrying amount, the asset is considered impaired. 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 the recoverable amount is estimated for each of the cash-generating units or groups of cash-generating units. The recoverable amount of IPR&D is primarily estimated for each asset individually.
The recoverable amount is mainly calculated by value in use based on future forecasts.

(b) Major assumptions used for estimation
The major assumptions on which the estimate of recoverable amount is based are, among other things, the probability of obtaining marketing approval from regulatory bodies, sales forecasts, discount rates and growth rates.

(c) Impact on the consolidated financial statements for the next business year
Due to the high estimation uncertainty, changes in the major assumptions, such as probability of obtaining marketing approval from regulatory bodies, sales forecasts, discount rates and growth rates, may affect the amounts of goodwill and IPR&D for the next business year.

(3) Recoverability of deferred tax assets
(i) Amount recorded in the consolidated financial statements for the business year ended March 31, 2022
Deferred tax assets: ¥72,331 million

(ii) Information on the details of accounting estimates for identified items
(a) Method for estimation
Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses, and unused tax credits can be utilized. In assessing the recoverability of deferred tax assets, the expected reversal of deferred tax liabilities, projected future taxable profits and tax planning are taken into account, and the taxable profits are estimated based on business plans.

(b) Major assumptions used for estimation
The major assumptions in business plans on which the estimate of taxable profits is based are, among other things, trends in pharmaceutical markets in various countries and schedule for launch of main products.

(c) Impact on the consolidated financial statements for the next business year

Due to the high estimation uncertainty, changes in the major assumptions, such as trends in pharmaceutical markets in various countries and schedule for launch of main products, may affect the amount of deferred tax assets for the next business year.

(4) Fair value measurement of contingent consideration arising from business combination

(i) Amount recorded in the consolidated financial statements for the business year ended March 31, 2022
Contingent consideration: ¥66,569 million

(ii) Information on the details of accounting estimates for identified items

(a) Method for estimation
After initial recognition, contingent consideration is measured at fair value. The fair value measurement is based on certain milestones depending on the progress of programs in clinical development held by the acquiree.

(b) Major assumptions used for estimation
The major assumptions on which the fair value measurement is based are, among other things, the success probability of clinical program and discount rates.

(c) Impact on the consolidated financial statements for the next business year
One of the major assumptions, the success probability of clinical program, depends on the level of challenges in new drug development, etc. Accordingly, due to the high estimation uncertainty, changes in the assumptions, including discount rates, may affect the amount of contingent consideration for the next business year.

There are many uncertain factors that might be affected by Coronavirus Disease (COVID-19). These include the market penetration of new products, regulatory timelines, research and development schedule for new drugs and cost necessary for crisis response. However, when making accounting estimates, COVID-19 is assumed to have a limited impact on the Group’s future performance in consideration of the fact that it did not have a material impact on the Group’s financial results for the business year ended March 31, 2022, as well as other factors such as the Group’s business nature and product characteristics. If such estimates and underlying assumptions differ from actual results, there may be a material impact on the carrying amounts of assets and liabilities within the next business year.

## 3. Notes to Consolidated Statement of Financial Position

(1) Loss allowance directly deducted from assets:

| | |
|---|---|
| Other financial assets (non-current) | ¥3 million |
| Trade and other receivables (current) | ¥2,063 million |

(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment: ¥355,010 million

(3) Contingent liabilities:

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

| | |
|---|---|
| Employees | ¥46 million |

## 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:

Ordinary shares 1,835,851,575 shares

(2) Matters concerning dividends:

(i) Dividends paid:

| Resolution | Class of shares | Amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors meeting held on April 27, 2021 | Ordinary shares | 39,075 | 21.00 | March 31, 2021 | June 1, 2021 |
| Board of Directors meeting held on October 29, 2021 | Ordinary shares | 46,519 | 25.00 | September 30, 2021 | December 1, 2021 |

(Notes) 1. The amount of dividends approved by resolution of the Board of Directors meeting on April 27, 2021 included dividends of ¥161 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

2. The amount of dividends approved by resolution of the Board of Directors meeting on October 29, 2021 included dividends of ¥197 million corresponding to the Company's shares held in the executive remuneration BIP trust and the stock-delivery ESOP trust.

(ii) Dividends whose record date is in the business year ended March 31, 2022, but whose effective date is in the following business year are as follows:

| Resolution | Class of shares | Amount of dividends (Millions of yen) | Source of dividend | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of Directors meeting held on April 27, 2022 | Ordinary shares | 45,873 | Retained earnings | 25.00 | March 31, 2022 | June 1, 2022 |

(Note) The amount of dividends above includes dividends of ¥197 million corresponding to the Company's shares held in 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):

Ordinary shares 789,000 shares

## 5. Notes to Financial Instruments

(1) Capital management

The Group's capital management principle is to maintain an optimal capital structure by improving capital efficiency and ensuring sound and flexible financial conditions in order to achieve sustained improvement in the enterprise value, which will lead to improved return to shareholders.

The Group monitors financial indicators in order to maintain an optimal capital structure. Credit ratings are monitored for financial soundness and flexibility, and so is return on equity attributable to owners of the parent (ROE) for capital efficiency. The Group is not subject to material capital regulation.

(2) Financial risk management policy

The Group is exposed to financial risks such as credit risk, liquidity risk, foreign exchange risk and interest rate risk in operating businesses. To mitigate them, it manages risks in accordance with certain policies and procedures.

The Group uses derivatives only for the purpose of hedging financial risks and does not use them for speculative purposes.

(i) Credit risk management

Receivables, such as trade receivables, resulting from the business activities of the Group are exposed to the customer's credit risk. This risk is managed by grasping the financial condition of the customer and monitoring the trade receivables balance. Also, the Group reviews collectability of trade receivables depending on the credit conditions of customers and recognises loss allowances as necessary.

Securities held by the Group are exposed to the issuer's credit risk, and deposits are exposed to the credit risk of banks. Also, derivative transactions that the Group conducts in order to hedge financial risks are exposed to the credit risk of the financial institutions which are counterparties of those transactions. In regard to securities transactions and deposit transactions in fund management, the Group only deals with banks and issuers with certain credit ratings and manages investments within the defined period and credit limit, in accordance with Global Cash Investment Policy and Global Treasury Policy. In addition, regarding derivative transactions, the Group only deals with financial institutions with certain credit ratings in accordance with Global Treasury Policy.

(ii) Liquidity risk management

The Group is exposed to liquidity risk that the Group might have difficulty settling financial obligations. However, the Group is maintaining the liquidity on hand that enables the Group to meet the assumed repayment of financial obligations and respond flexibly to strategic investment opportunities. Also, the balance is reported monthly to the Senmu Tantou-Yakuin and Chief Financial Officer.

(iii) Foreign exchange risk management

The Group operates its business in many countries and regions, and the Group's business results and financial position are exposed to foreign exchange risks.

The Group considers necessity of using derivatives to mitigate foreign exchange risk on each transaction. In regard to the intercompany loan in foreign currencies, the Group has used forward foreign exchange contracts to mitigate the impact of exchange rate fluctuations on business results in the business year ended 31 March 2022. The status of the hedge against foreign exchange risk by currency and the balance of derivative transactions are reported monthly to the Senmu Tantou-Yakuin and Chief Financial Officer.

(iv) Interest rate risk management

The Group's interest-bearing liabilities are exposed to interest rate fluctuation risk. However, in order to mitigate such risk, the Group strives to optimise the fund procurement by combining fixed and floating interest rates and determines the amount, term, method, etc. of fund procurement considering the details of demand for funds, financial position and financing environment.

(3) Fair value of financial instruments

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

- Financial assets measured at amortised cost

Financial assets measured at amortised cost comprise trade and other receivables, loans 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 instruments)

The fair value of marketable securities is based on quoted market prices at the end of the period. The fair value of unquoted equity shares is calculated based on metrics such as the most recent projections of investee net assets or future profitability available.

- Financial assets at FVTPL

Financial assets at FVTPL mainly comprise forward foreign exchange contracts and investments in funds. The fair value of forward foreign exchange contracts is measured based on prices provided by counterparty financial institutions. The fair value of investments in funds is measured based on the Group's interest in a fund after estimating the fair value of the fund based on the latest available information.

- Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise contingent consideration for business combinations and forward foreign exchange contracts. The fair value of contingent consideration for business combinations is measured based on the estimated success probability of development activities and the time value of money. The fair value of forward foreign exchange contracts is measured based on prices provided by counterparty financial institutions.

- Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost comprise trade and other payables, lease liabilities, bonds and borrowings and other financial liabilities. The carrying amount approximates the fair value due to the short period of settlement terms, except for lease liabilities.

The breakdown of bonds and loans payable included in “Other financial liabilities” in the consolidated statement of financial position is as follows:

(Millions of yen)

| | 17th term business year<br>As of March 31, 2022 |
|---|---|
| Other financial liabilities (current) | |
| Current portion of long-term loans payable | 50,000 |
| Bonds (commercial papers) | 90,000 |

(ii) Financial instruments measured at fair value on a recurring basis

The levels of the fair value hierarchy are as follows:

Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measured using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3: Fair value measured using significant unobservable inputs for the assets or liabilities.

The level of the fair value hierarchy is determined based on the lowest level of significant input used for the measurement of fair value.

The Group accounts for transfers between levels of the fair value hierarchy as if they occurred at the end of each quarter.

The breakdown of financial assets and liabilities measured at fair value on a recurring basis, including their levels in the fair value hierarchy, is as follows:

17th term business year (As of March 31, 2022)

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at FVTPL | | | | |
| Investment in funds | – | – | 25,441 | 25,441 |
| Forward foreign exchange contracts | – | 2,281 | – | 2,281 |
| Other | – | 18,039 | – | 18,039 |
| Subtotal | – | 20,320 | 25,441 | 45,761 |
| Financial assets at FVTOCI (equity instruments) | | | | |
| Quoted equity shares | 18,320 | – | – | 18,320 |
| Unquoted equity shares | – | – | 19,173 | 19,173 |
| Subtotal | 18,320 | – | 19,173 | 37,493 |
| Total financial assets | 18,320 | 20,320 | 44,615 | 83,255 |
| Financial liabilities | | | | |
| Financial liabilities at FVTPL | | | | |
| Contingent consideration | – | – | 66,569 | 66,569 |
| Subtotal | – | – | 66,569 | 66,569 |
| Total financial liabilities | – | – | 66,569 | 66,569 |

(Note) Financial assets at FVTPL, financial assets at FVTOCI (equity instruments) and financial liabilities at FVTPL are included in “Other financial assets” and “Other financial liabilities” in the consolidated statement of financial position, respectively.

The movement of fair value of financial instruments categorised within Level 3 of the fair value hierarchy is as follows:

17th term business year (From April 1, 2021 to March 31, 2022)

(a) Financial assets

(Millions of yen)

| | Financial assets at FVTPL | Financial assets at FVTOCI (equity instruments) | Total |
|---|---|---|---|
| Balance at April 1, 2021 | 22,069 | 19,937 | 42,007 |
| Realised or unrealised gains (losses) | | | |
| Recognised in profit or loss(Note 1) | 2,669 | – | 2,669 |
| Recognised in other comprehensive income | – | 1,878 | 1,878 |
| Purchases, issues, sales, and settlements | | | |
| Purchases | 3,283 | 2,827 | 6,109 |
| Sales or settlements | (2,905) | (4,891) | (7,796) |
| Transfers out of Level 3(Note 2) | – | (1,426) | (1,426) |
| Other | 325 | 848 | 1,173 |
| Balance at March 31, 2022 | 25,441 | 19,173 | 44,615 |
| Gains or losses recognised in profit or loss attributable to the change in unrealised gains or losses relating to those assets held at the end of the reporting period (Note 1) | 2,669 | – | 2,669 |

(Notes) 1. This is included in “Finance income” and “Finance expenses” in the consolidated statements of income.
2. This is because a significant input used to measure fair value has become observable.

(b) Financial Liabilities

(Millions of yen)

| | Financial liabilities at FVTPL |
|---|---|
| Balance at April 1, 2021 | 66,195 |
| Realised or unrealised gains (losses) | |
| Recognised in profit or loss(Note) | 3,524 |
| Settlements | (4,650) |
| Other | 1,500 |
| Balance at March 31, 2022 | 66,569 |
| Gains or losses recognised in profit or loss attributable to the change in unrealised gains or losses relating to those liabilities held at the end of the reporting period (Note) | 3,524 |

(Note) This is included in "Other income" and "Other expenses" in the consolidated statements of income.

The financial assets categorised within Level 3 are composed mainly of investment in funds.
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 information available.
The fair value of an investment in a fund is measured quarterly by the division in charge at the Company and each Group company in accordance with the Group's accounting policies, etc. It is reported to a superior in conjunction with grounds for the changes in fair value.

The financial liabilities categorised within Level 3 are composed of contingent considerations arising from business combinations.
Contingent considerations represent certain milestone payments based on progress, etc. in the development of the clinical programs possessed by the acquirees. The fair value of the contingent consideration is estimated based on the success probability of the program related to the difficulty of new drug development, etc. and the time value of money, etc. As these estimates involve uncertainties there is an impact such as increase in the fair value of contingent considerations, if the success probability of the clinical program, which is a significant unobservable input, is raised.

In regard to financial instruments categorised within Level 3, there would be no significant change in fair value when one or more of the unobservable inputs is changed to reflect reasonably possible alternative assumptions.

## 6. Notes to Per-Share Data

(1) Equity attributable to owners of the parent per share: ¥799.26
(2) Basic earnings per share: ¥67.08

## 7. Notes to Significant Subsequent Events

In April 2022, the Group decided to terminate the research and development of AT702, AT751 and AT753, which are in-process research and development. As a result, the Group will recognise an impairment loss for intangible assets of $170 million in other expenses in the next business year.

## 8. Notes to Revenue Recognition

(1) Breakdown of revenue
The breakdown of revenue is as follows:

17th term business year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Japan | United States | Estab-lished Markets | Greater China | Inter-national Markets | Other | Total |
|---|---|---|---|---|---|---|---|
| Sales of pharmaceutical products | | | | | | | |
| XTANDI | 47,164 | 276,943 | 170,078 | 7,917 | 32,215 | – | 534,317 |
| Prograf | 38,202 | 9,402 | 67,884 | 38,128 | 31,747 | – | 185,362 |
| Betanis / Myrbetriq / BETMIGA | 37,491 | 87,158 | 36,656 | 2,922 | 8,065 | – | 172,293 |
| Other | 135,286 | 144,291 | 39,245 | 17,338 | 36,531 | 1,922 | 374,613 |
| Subtotal | 258,142 | 517,794 | 313,863 | 66,305 | 108,558 | 1,922 | 1,266,584 |
| Royalty income | 616 | 132 | 1,299 | – | 1,523 | 6,472 | 10,042 |
| Other | – | 19,526 | – | – | – | 12 | 19,537 |
| Total | 258,758 | 537,452 | 315,162 | 66,305 | 110,081 | 8,406 | 1,296,163 |

(Note) Revenue is categorised based on the organizational grouping of business management in the commercial division.

Established Markets: Europe, Canada, Australia.
Greater China: China, Hong Kong, Taiwan.
International Markets: Russia, Latin America, Middle East, Africa, South East Asia, South Asia, Korea, Export sales, etc.

(2) Contract balances
The breakdown of contract balances is as follows:

(Millions of yen)

| | As of April 1, 2021 | 17th term business year As of March 31, 2022 |
|---|---|---|
| Receivables from contracts with customers | | |
| Trade and notes receivables | 328,726 | 368,038 |
| Loss allowance | (1,256) | (2,063) |
| Total | 327,470 | 365,975 |
| Contract liabilities | 4,032 | 3,752 |

(Notes) 1. With regard to upfront payments mainly related to licensing contracts, the Group recognises the portion as contract liabilities for which it has received consideration from customers but has not yet satisfied the corresponding performance obligations. Of the revenue recognised in the business year ended 31 March 2022, the amount included in the balance of contract liabilities as of the beginning of the business year was ¥3,534 million.

2. The amount of revenue recognised in the business year ended March 31, 2022, from performance obligations satisfied or partially satisfied during past periods was not material.

(3) Transaction price allocated to remaining performance obligations
Transaction price allocated to remaining performance obligations has been omitted and the practical expedient has been adopted as there are no material contracts with an original expected period exceeding one year.

## 9. Other Notes

Notes to other expenses

For the business year ended March 31, 2022, impairment losses recognised for intangible assets were ¥69,015 million, and mainly composed of impairment losses of ¥21,463 million resulting from the termination of development for ASP0892 and impairment losses of ¥31,166 million resulting from the revision of development plan for AT132.

# STATEMENT OF CHANGES IN NET ASSETS

(April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | | Retained earnings | | | |
| | | Additional paid-in capital | Total capital surplus | Legal reserve | Other retained earnings | | Total retained earnings |
| | | | | | Reserve for advanced depreciation of fixed assets | Retained earnings carried forward | |
| Balance as of April 1, 2021 | 103,001 | 176,822 | 176,822 | 16,827 | 1,185 | 485,947 | 503,959 |
| Change during the business year under review | | | | | | | |
| Dividends of surplus | – | – | – | – | – | (85,594) | (85,594) |
| Net income | – | – | – | – | – | 225,095 | 225,095 |
| Acquisition of treasury shares | – | – | – | – | – | – | – |
| Disposals of treasury shares | – | – | – | – | – | (220) | (220) |
| Cancellation of treasury shares | – | – | – | – | – | (51,427) | (51,427) |
| Net change of items other than shareholders' equity during the business year under review | – | – | – | – | – | – | – |
| Total change during the business year under review | – | – | – | – | – | 87,854 | 87,854 |
| Balance as of March 31, 2022 | 103,001 | 176,822 | 176,822 | 16,827 | 1,185 | 573,801 | 591,813 |

(Millions of yen)

| | Shareholders' equity | | Valuation, translation adjustments and others | | Subscription rights to shares | Total net assets |
|---|---|---|---|---|---|---|
| | Treasury shares | Total shareholders' equity | Unrealised holding gains on securities | Total valuation, translation adjustments and others | | |
| Balance as of April 1, 2021 | (15,377) | 768,404 | 18,566 | 18,566 | 745 | 787,715 |
| Change during the business year under review | | | | | | |
| Dividends of surplus | – | (85,594) | – | – | – | (85,594) |
| Net income | – | 225,095 | – | – | – | 225,095 |
| Acquisition of treasury shares | (50,717) | (50,717) | – | – | – | (50,717) |
| Disposals of treasury shares | 735 | 514 | – | – | – | 514 |
| Cancellation of treasury shares | 51,427 | – | – | – | – | – |
| Net change of items other than shareholders' equity during the business year under review | – | – | (3,275) | (3,275) | (115) | (3,390) |
| Total change during the business year under review | 1,444 | 89,298 | (3,275) | (3,275) | (115) | 85,907 |
| Balance as of March 31, 2022 | (13,934) | 857,702 | 15,290 | 15,290 | 630 | 873,622 |

**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 amortised 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 unrealised holding gain or loss, net of the applicable income taxes, directly included in net assets. The cost of securities sold is calculated by the moving average method.

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

(ii) Valuation standards and methods for inventories:

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

(2) Depreciation and amortisation 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 amortised 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) 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 unrecognised actuarial gain or loss and unrecognised prior service cost as of the balance sheet date.

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

(4) Basis for revenue:

The Company generates revenue from the sale of pharmaceuticals and royalty income from agreements under which third parties have been granted rights to manufacture or market pharmaceutical products or rights to use technologies.

(i) Sales of pharmaceutical products
Revenue from sales of pharmaceuticals is recognised when control of the promised pharmaceutical product is transferred to the customer by the Company. The Company determines that control of a pharmaceutical product is usually transferred to the customer upon delivery.
There are no contracts for which the payment terms of consideration are longer than one year, in principle, and thus no significant financing component is included. If the transaction price in a contract includes variable amounts such as rebates, discounts, the variable consideration is estimated by using either of the expected value method or the most likely amount method, and is reduced from the consideration received from the customer. The variable consideration is recognised only when it is probable that a significant reversal will not occur.
In certain transactions, the Company may be deemed to be contracted by other companies to sell pharmaceuticals on their behalf. For such transactions in which the Company acts as an agent, the Company recognises revenue as the net amount of the remuneration or fees for which it expects to obtain rights.

(ii) Royalty income

Royalty income includes upfront payments, milestone payments received when certain contractual conditions are fulfilled, and running royalties based on net sales and other factors.

For upfront payments, revenue is recognised at a point in time when each performance obligation is satisfied or over time as the performance obligation is satisfied. For performance obligations satisfied at a point in time, revenue is recognised when control of the promised right is transferred to the customer by the Company in accordance with the contract. For performance obligations satisfied over time, revenue is recognised based on the ratio between the elapsed period and the remaining period available to provide the promised services in the contract.

Receipt of milestone payments is subject to uncertainty and such uncertainty is not eliminated until conditions have been fulfilled. As such, revenue is recognised for milestone payments at a point in time when the conditions for the milestone payments have been fulfilled, in principle.

Running royalties based on net sales and other factors are recognised at a point in time when the later of either of the following events occurs: subsequent sales, etc. are realised, or performance obligations with allocated running royalties based on net sales and other factors are satisfied.

Revenue is recognised for upfront payments and milestone payments at the amounts stipulated by the contracts, in principle. Revenue from running royalties is calculated as the amount of net sales, etc. for the calculation period reported by the customer, multiplied by the contractual fee rate. In almost all the contracts, a payment deadline has been set within a short period after the conclusion of contracts, fulfilment of conditions or the final day of the calculation period for running royalties.

(5) 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.

(6) Application of consolidated taxation system:

The Company has applied the consolidated taxation system.

## 2. Notes on Accounting Estimates

*Recoverability of deferred tax assets*

(1) Amount recorded in the financial statements for the business year ended March 31, 2022

Deferred tax assets: ¥66,385 million

(2) Information on the details of accounting estimates for identified items

The recorded amount of deferred tax assets expected to be recovered is determined in accordance with the category of the entity as provided for in the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26). For other information, please refer to "Notes to Consolidated Financial Statements 2. Notes on Accounting Estimates."

## 3. Notes on Changes in Accounting Policies

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) effective from the beginning of the business year ended March 31, 2022. Revenue is accordingly recognised in terms of amounts the Company is likely to receive in exchange for goods or services, at the point in time when control of promised goods or services is transferred to the customer.

Given that application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting standard to periods prior to the beginning of the business year under review has been added to or subtracted from the beginning balance of retained earnings carried forward of the business year under review. Meanwhile, new accounting policy has been applied from such beginning balance, but the beginning balance of retained earnings was not affected.

In addition, application of the Accounting Standard for Revenue Recognition, etc. has not had a material impact on the Company's financial statements.

## 4. Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥141,122 million

(2) Contingent liabilities:

- Guaranteed obligations (guarantee for borrowings from financial institutions):
  Employees ¥46 million

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

| | |
|---|---|
| Short-term receivables: | ¥108,465 million |
| Short-term payables: | ¥247,986 million |

## 5. Notes to Statement of Income

Volume of transaction with subsidiaries and affiliates:

| | |
|---|---|
| Sales: | ¥273,564 million |
| Purchases: | ¥42,718 million |
| Non-operating transactions: | ¥143,127 million |

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

Type and number of treasury shares at the end of the business year under review:
Shares of common stock 8,777,623 shares

## 7. 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: | ¥1,505 million |
| Accrued retirement benefits for employees: | ¥4,170 million |
| Property, plant and equipment: | ¥937 million |
| Intangible fixed assets: | ¥18,512 million |
| Accrued expenses: | ¥3,631 million |
| Inventories: | ¥25,507 million |
| Investment in subsidiaries and affiliates: | ¥8,105 million |
| Other: | ¥22,583 million |
| Subtotal: | ¥84,951 million |
| Valuation allowance: | ¥(10,499) million |
| Total: | ¥74,452 million |
| Deferred tax liabilities: | |
| Investment securities: | ¥(5,801) million |
| Prepaid pension cost: | ¥(1,135) million |
| Property, plant and equipment: | ¥(520) million |
| Other: | ¥(611) million |
| Total: | ¥(8,067) million |
| Net deferred tax assets: | ¥66,385 million |

## 8. Notes to Transaction With Related Parties

Subsidiaries and affiliates

| Type | Name of Company, etc. | Ownership of voting rights, etc. | 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) | 115,385 | Short-term loans payable | 166,966 |
| | | | | Repayment of borrowed funds | 126,243 | | |
| Subsidiary | Astellas US Holding, Inc. | Direct ownership 100% | Depositing of funds, receipt of funds, sharing of concurrent positions by Directors | Depositing of funds through cash pooling system (Note 2) | – | Other current assets | 21,309 |
| Subsidiary | Astellas Pharma Global Development, Inc. | Indirect ownership 100% | Consignment of development, sharing of concurrent positions by Directors | Consignment of development (Note 3) | 46,738 | Other accounts payable | 8,344 |
| Subsidiary | Ogeda SA | Direct ownership 100% | Borrowing of funds, sharing of concurrent positions by Directors | Repayment of borrowed funds | 12,824 | Short-term loans payable | 52,540 |
| Subsidiary | Astellas Pharma Europe Ltd. | Indirect ownership 100% | Sales of products, etc., receipt of royalties | Sales of products, etc., receipt of royalties (Note 3) | 100,888 | Trade accounts receivable | 23,967 |
| Subsidiary | Astellas US LLC | Indirect ownership 100% | Receipt of royalties, sharing of concurrent positions by Directors | Receipt of royalties (Note 3) | 108,494 | Trade accounts receivable | 24,796 |

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. Such transaction amounts are not presented given that the companies participating in the cash pooling system borrow and lend funds on a daily basis. Interest rates associated with such transactions have been reasonably determined based on market rates.

3. 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.

## 9. Notes to Per-Share Data

(1) Net asset per share: ¥477.81
(2) Net income per share: ¥121.69

## 10. Notes to Significant Subsequent Events

The Company made a decision to absorb and merge its wholly owned subsidiaries Astellas Pharma Tech Co., Ltd. and Astellas Green Supply, Inc. at a meeting of its Executive Committee held on November 11, 2020. The merger was carried out on April 1, 2022, the date of business combination.

(1) Transaction overview

(i) Companies subject to business combination and business description

(a) Companies subject to business combination
The Company and its wholly owned subsidiaries, Astellas Pharma Tech Co., Ltd. and Astellas Green Supply, Inc.

(b) Business description
Astellas Pharma Inc. (the Company): Manufacturing, marketing and import/export of pharmaceuticals
Astellas Pharma Tech Co., Ltd.: Manufacturing of pharmaceuticals, clinical trial materials and active ingredient
Astellas Green Supply, Inc.: Environmental greening and resource recycling at Astellas Group offices

(ii) Date of business combination

April 1, 2022

(iii) Legal form of business combination

Absorption merger whereby the Company is the surviving company, while Astellas Pharma Tech Co., Ltd. and Astellas Green Supply, Inc. are the absorbed companies

(iv) Name of company after combination

Astellas Pharma Inc.

(v) Matters concerning overview of other transactions

(a) Astellas Pharma Tech Co., Ltd.
Astellas Pharma Tech Co., Ltd. manufactures the Company's prescription pharmaceuticals and clinical trial materials. Going forward, it is vital that we conduct research and development in consideration of production and supply from an early stage in order to realise swift launches and a stable supply of new medicines that utilize new modalities such as antibody approaches, cell therapy, and gene therapy based on the Astellas Focus Area approach. With the merger, the two organizations will be able to come together and work

closer as one company and accelerate the fusion of process development and production technology up to commercialization.

(b) Astellas Green Supply, Inc.
Astellas Green Supply, Inc. conducts operations such as environmental greening and resource recycling, in addition to promoting the employment of people with disabilities. The Company will execute operations more efficiently with the merger and continue to fulfill its social responsibilities with regards to the employment of people with disabilities.

(2) Overview of accounting treatment applied

The business combination has been accounted for as a transaction under common control, pursuant to the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." The Company expects to record gain on extinguishment of tie-in shares of approximately ¥23.2 billion in other under special gains associated with the merger.