



A Global Pharmaceutical Company Born in Japan

- 1. Astellas Business Philosophy & Basic Strategy**
- 2. Business Plan Through FY2007**
 - Astellas Growth Strategy for Ethical Drug Business --**

November 9, 2004 (Tuesday)
Yamanouchi Pharmaceutical Co., Ltd.
Fujisawa Pharmaceutical Co., Ltd.

On April 1, 2005, Astellas Pharma Inc. will be formed with the merger of Yamanouchi and Fujisawa, subject to relevant regulatory clearances.

Note About Forward-Looking Statements and Forecasts

The forecasts, figures, and results quoted in these materials are based on managerial judgments made according to currently available information, and are based on numerous presumptions and ideas drawn from information that may involve significant risks and uncertainties. Please note that actual results may differ greatly from those forecast herein.

There are numerous factors that may impact actual results, including but not limited to a worsening in economic conditions, exchange rate fluctuations, changes to legislative and administrative systems, delays in the market release of new products, pressures caused by pricing and product strategies of competitors, declines in the sales power of existing or new products, interruptions to production, infringements of intellectual property rights, and disadvantageous judgments handed down in legal proceedings.



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1. Astellas Business Philosophy & Basic Strategy

Astellas Raison D'être

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

To go beyond all others in exploring and tapping the potential of the life sciences.

To continue tackling new challenges and creating innovative pharmaceutical products.

To deliver quality products along with accurate information and retain solid credibility among customers.

To support healthy living for people around the world.

To continue shining on the global pharmaceutical field.

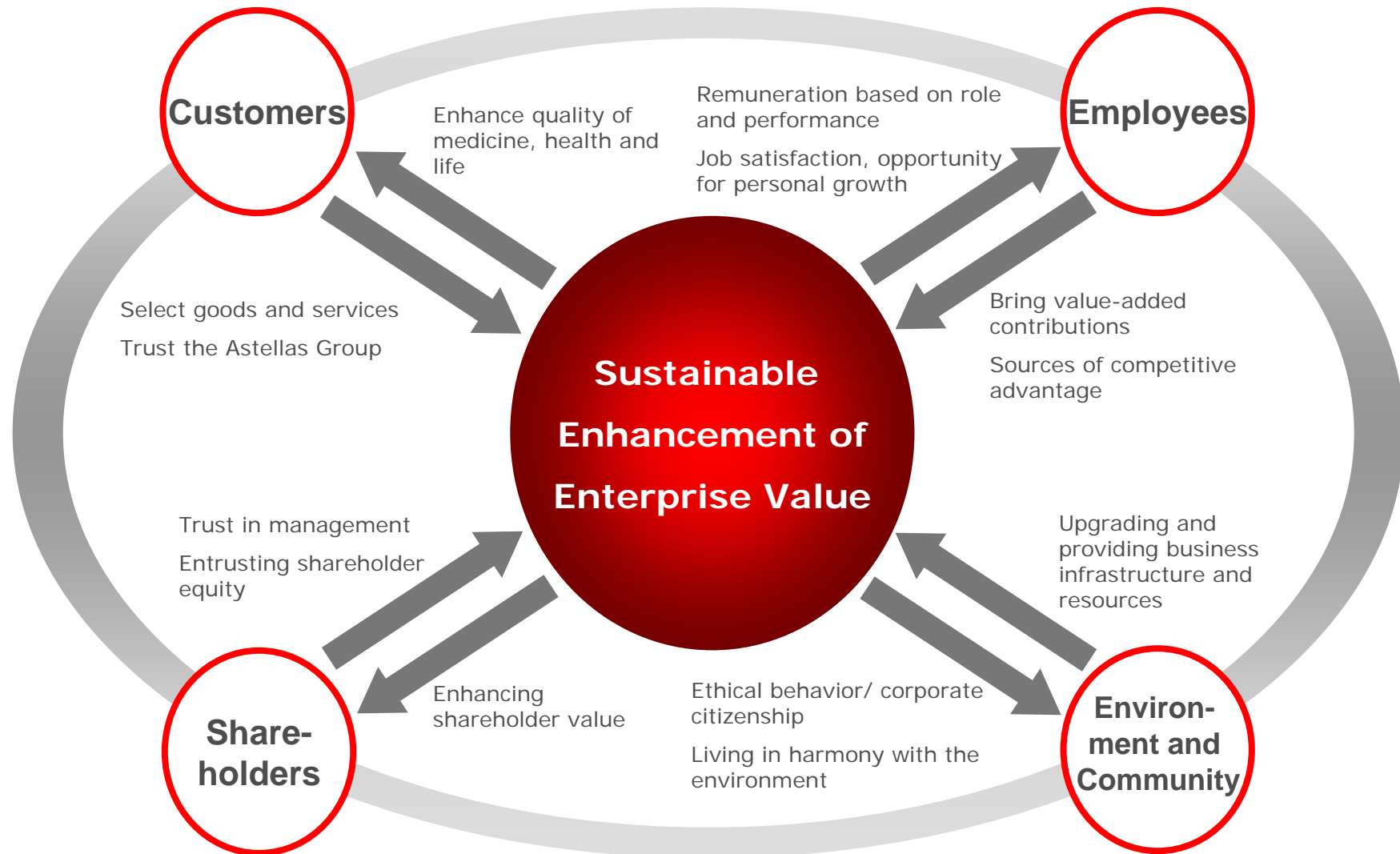
Astellas Mission

Sustainable Enhancement of Enterprise Value

Astellas will seek to enhance its enterprise value in a sustainable manner.

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

Astellas Mission: Relationships with Stakeholders



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

Astellas Beliefs

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

**High Sense
of Ethics**

We will always manage our business with the highest sense of ethics

**Customer
Focus**

We will always seek to understand customer needs and our focus will always be on achieving customer satisfaction

Creativity

We will not be complacent and will always seek to innovate to create new value

**Competitive
Focus**

Our eyes will always be directed to the outside world, and we will continue to create better value faster

Astellas Profile

- ✿ **Head Office Location:**
Nihonbashi-Honcho, Chuo-ku, Tokyo
(Current location of the head office of Yamanouchi and the Tokyo head office of Fujisawa)
- ✿ **Official Launch: April 1, 2005**
- ✿ **Management: See relevant section**
- ✿ **Outline of Business:**
Ethical drug products (to be deployed globally), OTC drugs (Zepharma), home care, and medical supplies and systems

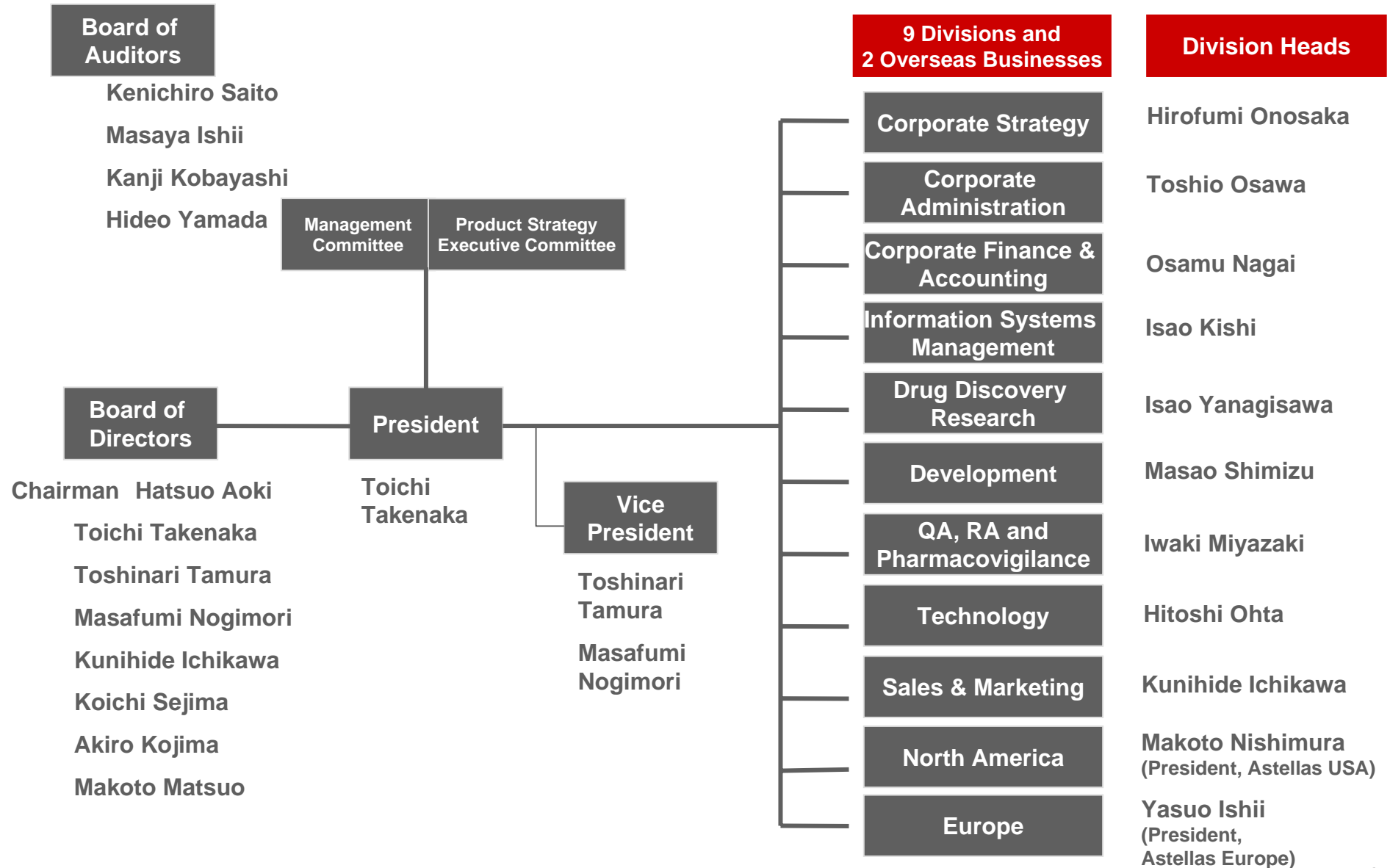
Financial Position

Full-Year Forecasts for FY2004 (Fiscal Year Ending March 31, 2005)

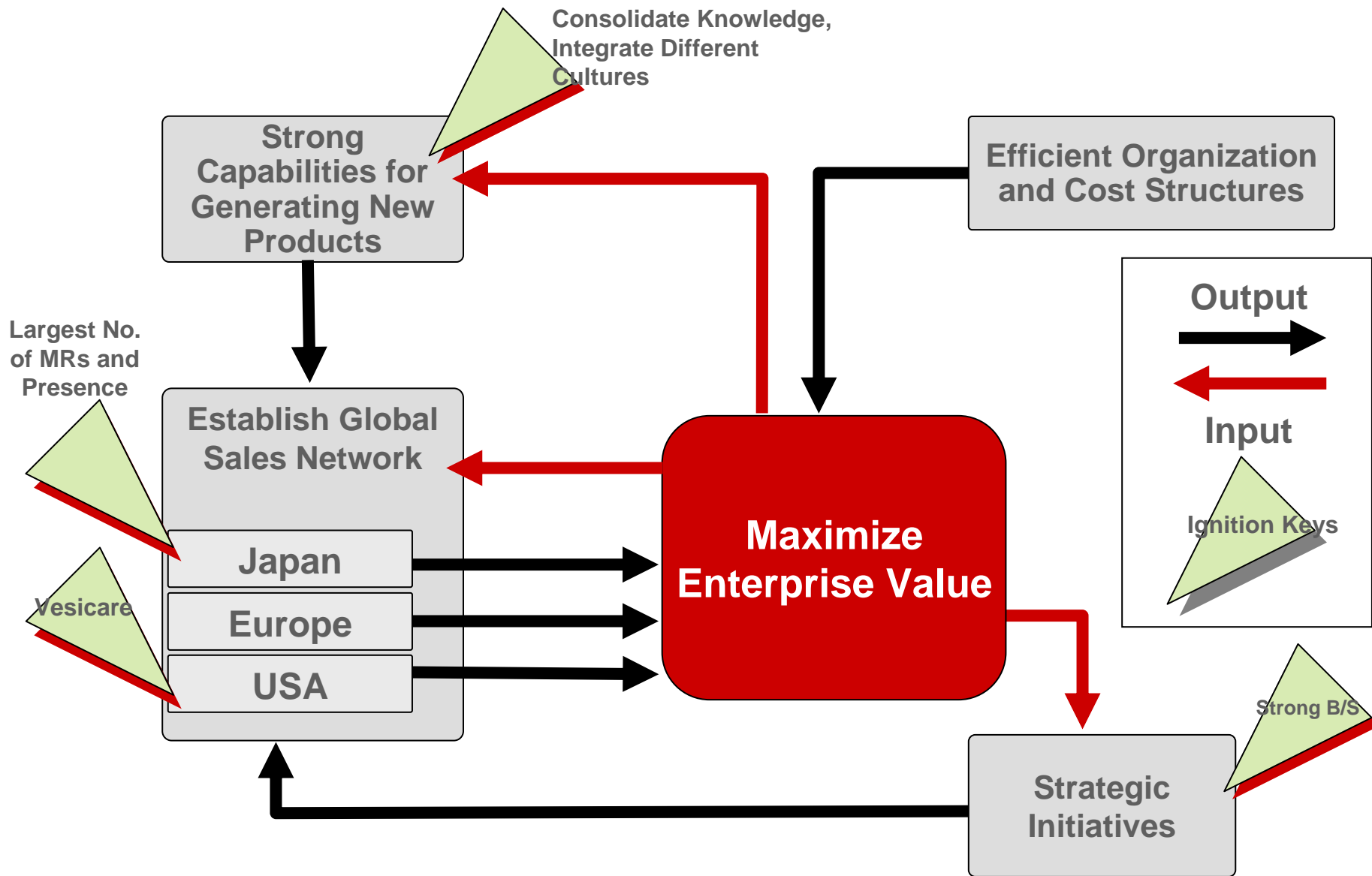
(Unit: billion yen)

	Yamanouchi	Fujisawa	Combined Total
Sales	440.0	409.0	849.0
R&D Expenses	65.5	75.0	140.5
Operating Income	98.0	67.0	165.0
Ordinary Income	99.5	68.0	167.5
Net Income	35.5	32.0	67.5

Astellas Management and Organization



Astellas Basic Strategy: Ideal Cycle & Ignition Keys



Astellas Basic Strategy and Key Issues

1. Realize Stronger Product Capabilities for Generating New Products

Build a stronger and more advanced R&D structure by integrating and consolidating the corporate cultures, skills, and specialties of both companies.

Concentrate R&D on projects in selected R&D fields. Prioritize resource allocation through R&D selectivity and concentration.

Improve and strengthen R&D effectiveness by consolidating the operations of the global R&D network.

2. Establish Global Sales Network

Achieve Number 1 presence in the Japanese market.

Achieve improved efficiencies and sustainable growth in Europe.

Accelerate business operations in North America.

Astellas Basic Strategy and Key Issues

3. Achieve Efficient Organization and Cost Structures

Fast and efficient decision-making.

- Strengthen corporate governance
- Coordinate global group management

Make ongoing reforms to cost structures.

4. Pursue Strategic Initiatives

Pursue strategic business investments backed by strong B/S.

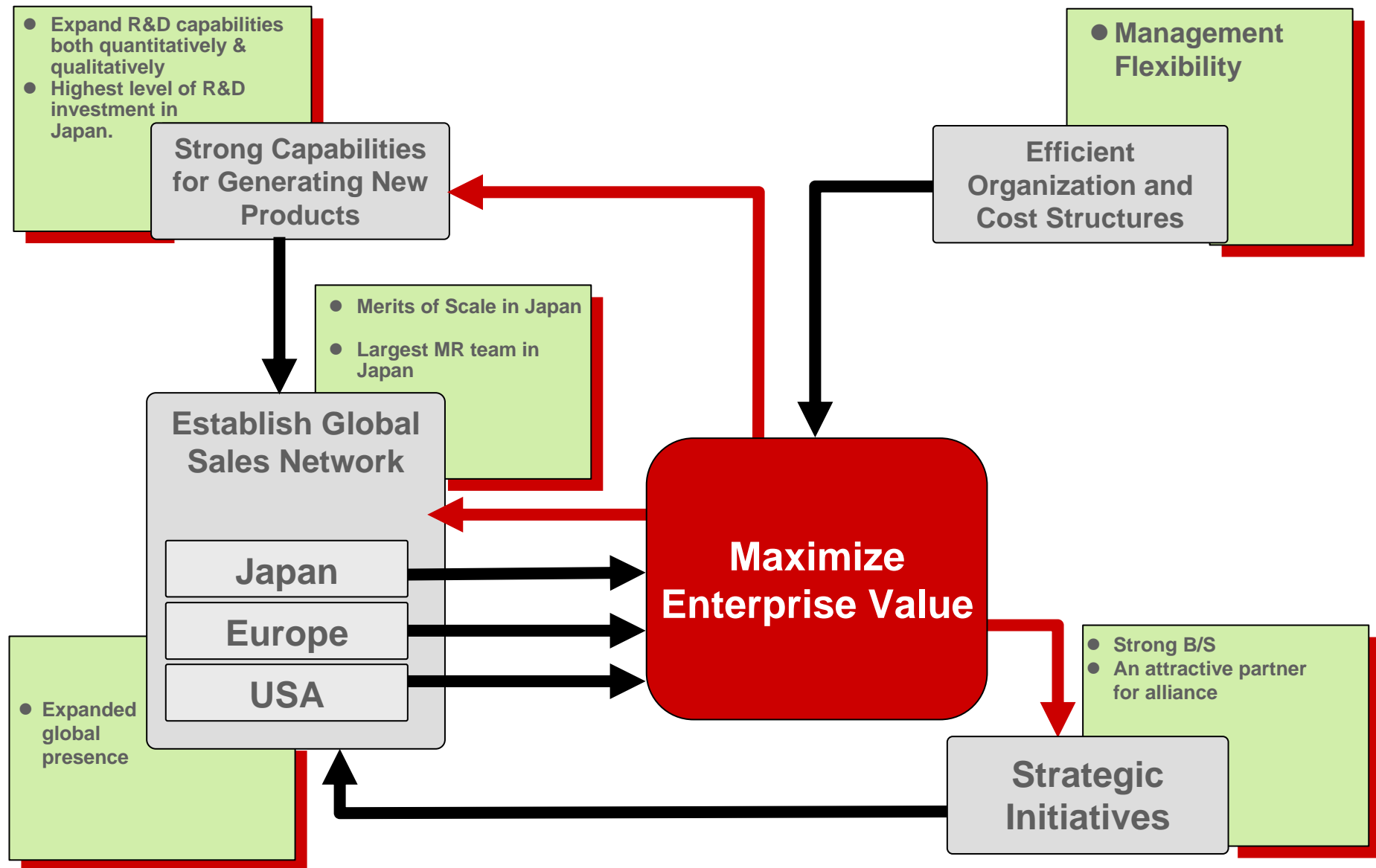
Strengthen the product and development pipeline.

5. Implement a Capital Policy to Boost Enterprise Value

Invest internal cash into promising business opportunities.

Improve returns to shareholders taking into account capital efficiency.

Astellas Strengths = Greater Strategic Freedom



Astellas: Building a Global Mega Company

This merger is a first step on the path to building Astellas into a global mega pharmaceutical company.

Ongoing efforts will focus on strengthening the “Ideal Cycle” in accordance with the timeframe of the mid-term plan.





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2. Business Plan Through FY2007
- Astellas Growth Strategy for Ethical Drug Business -

Overview of Astellas Mid-term Plan

- **Speedy Business and Management Integration**
- **Expansion in Profitability of Ethical Drug Business**
- **Strategies for Growth**
- **Improvement in Capital Efficiency and Shareholder Returns**

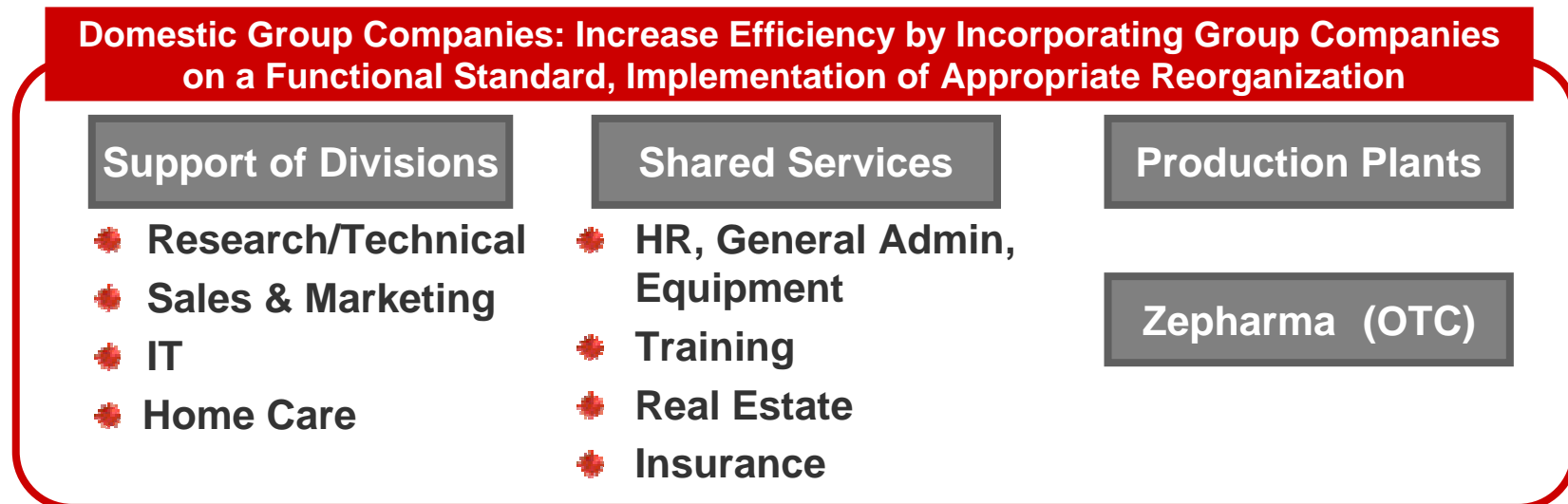
Speedy Business and Management Integration

- ✿ **Merger Schedule**
- ✿ **Efficient and Flexible Group Management**

Integration Schedule

	Japan	Overseas
April 2005	<p>Launch of Astellas</p> <ul style="list-style-type: none"> New Sales & Marketing Team (Integration of branches and offices) Integration of Research Labs and Development Divisions Spinning Off of Former Yamanouchi Formulation Plants into Separate Companies Outsourcing of Distribution Functions Integration of Basic Labor Systems and Evaluation Systems Integration of IT Systems (Accounting/ Sales and Marketing) Reorganization of Domestic Group Companies 	<ul style="list-style-type: none"> Integration of North American Operations Integration of European Operations Integration of Korean Sales Subsidiaries
October 2005	<ul style="list-style-type: none"> Integration of wage systems 	<ul style="list-style-type: none"> Integration of European Sales Subsidiaries Integration of Taiwanese Sales Subsidiaries
April 2006 and after		<ul style="list-style-type: none"> Integration of Chinese Sales Subsidiaries

Efficient and Flexible Group Management



Expansion in Profitability of Ethical Drug Business

Targets for FY2007*

- Sales 1 trillion yen
(820 billion yen for FY2004**)
- Operating Income 250 billion yen
(165 billion yen for FY2004**)

* Exchange Rate Conversion

\$1 = 110 yen

1 Euro = 130 yen

** Combined Total

Astellas Strengths: Competitive Advantages in the Treatment of Diseases

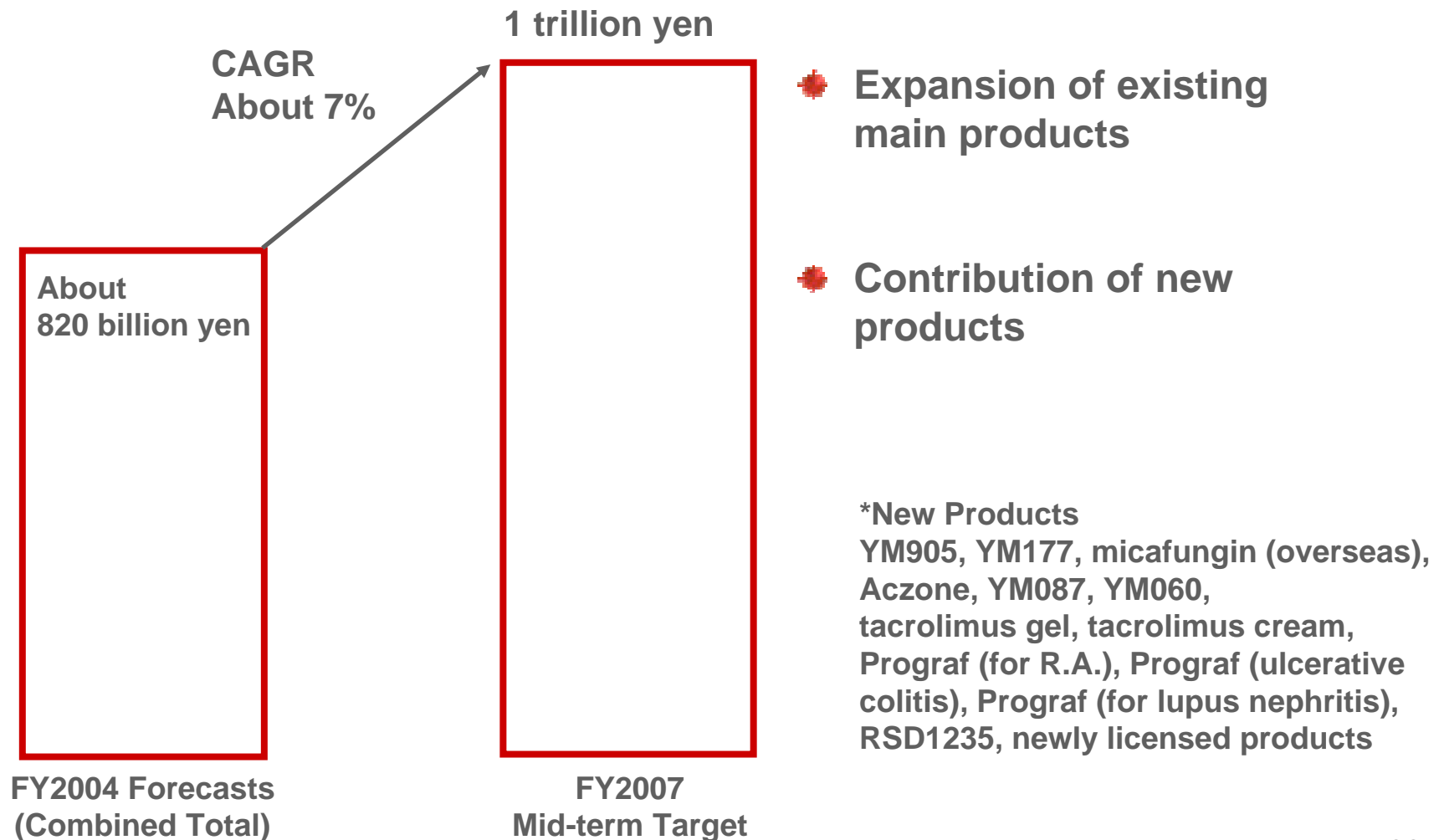
- Strengthen global leadership in urology and transplants
- Establish competitive advantages in selected therapeutic areas

Inflammatory Immune disorders Transplants Dermatology Motor organs	Urology	Harnal D/ OCAS	Vesicare		
		Prograf	Prograf Modified Release		
		Protopic	Aczone	tacrolimus Cream/Gel	
		YM177	Prograf Rheumatoid Arthritis	YM529	
Cardiovascular/ Diabetes		Lipitor	Micardis	Adenoscan	Dorner
		Starsis	YM087	regadenoson	RSD1235
Gastrointestinal Organs		Gaster D	Ganaton	Coronel	YM060
					Prograf Ulcerative Colitis
Infectious Diseases		Ketek	Funguard	Cefzon	AmBisome
					Cefamezin
Central Nervous System (CNS)		Seroquel	Luvox	Myslee	

Major products
 Development beyond P-III Stage

Top-Line Growth

Achieve about 7% CAGR driven by contributions from new products and by expansion of existing mainstay products.



Top-Line Growth: Expansion in Existing Products

❁ Astellas Portfolio of Leading Products (Existing Lineup)

	FY2004 Forecasts	Astellas Mid-term Plan (FY2007)
Harnal	135.0 billion yen	About 125 billion yen *1
Prograf	117.8 billion yen	About 140 billion yen *2
Lipitor	86.0 billion yen	About 115 billion yen
Gaster	74.5 billion yen	About 65 billion yen
Micardis	24.0 billion yen	About 50 billion yen
Adenoscan	32.7 billion yen	About 40 billion yen
Protopic	21.1 billion yen	About 30 billion yen
Total for Anti-Infection Drugs	69.2 billion yen	About 65 billion yen *3
Total for Central Nervous System Drugs	46.9 billion yen	About 75 billion yen *4

*1: Including sales of both Harnal D and Harnal OCAS

*2: Excluding sales of Prograf for additional indications / additional formulations

*3: Cefzon, Funguard, Ketek, etc.

*4: Myslee, Seroquel, Luvox, etc.

Top-Line Growth: Contribution of New Products

- Develop and introduce new products to global markets on an ongoing basis.

New products scheduled for launch during the timeframe covered in the Mid-term Plan (includes some that have already been launched)

Japan	Harnal D	YM177	Prograf R.A.	YM905
	Prograf Ulcerative Colitis	YM060	Prograf Lupus Nephritis	
Europe	Vesicare	Harnal OCAS	micafungin	Prograf Modified-release
	Vesicare	micafungin	YM087	Aczone
North America	Prograf Modified-release	RSD1235	tacrolimus Cream/Gel	

Further Expansion in Japan, Europe, and the U.S.

	Sales in FY2004 (Forecast)	CAGR (mid-term)
Japan	About 465 billion yen	Over 4%
Europe	About 180 billion yen	Over 2%
North America	About 130 billion yen	Over 14%

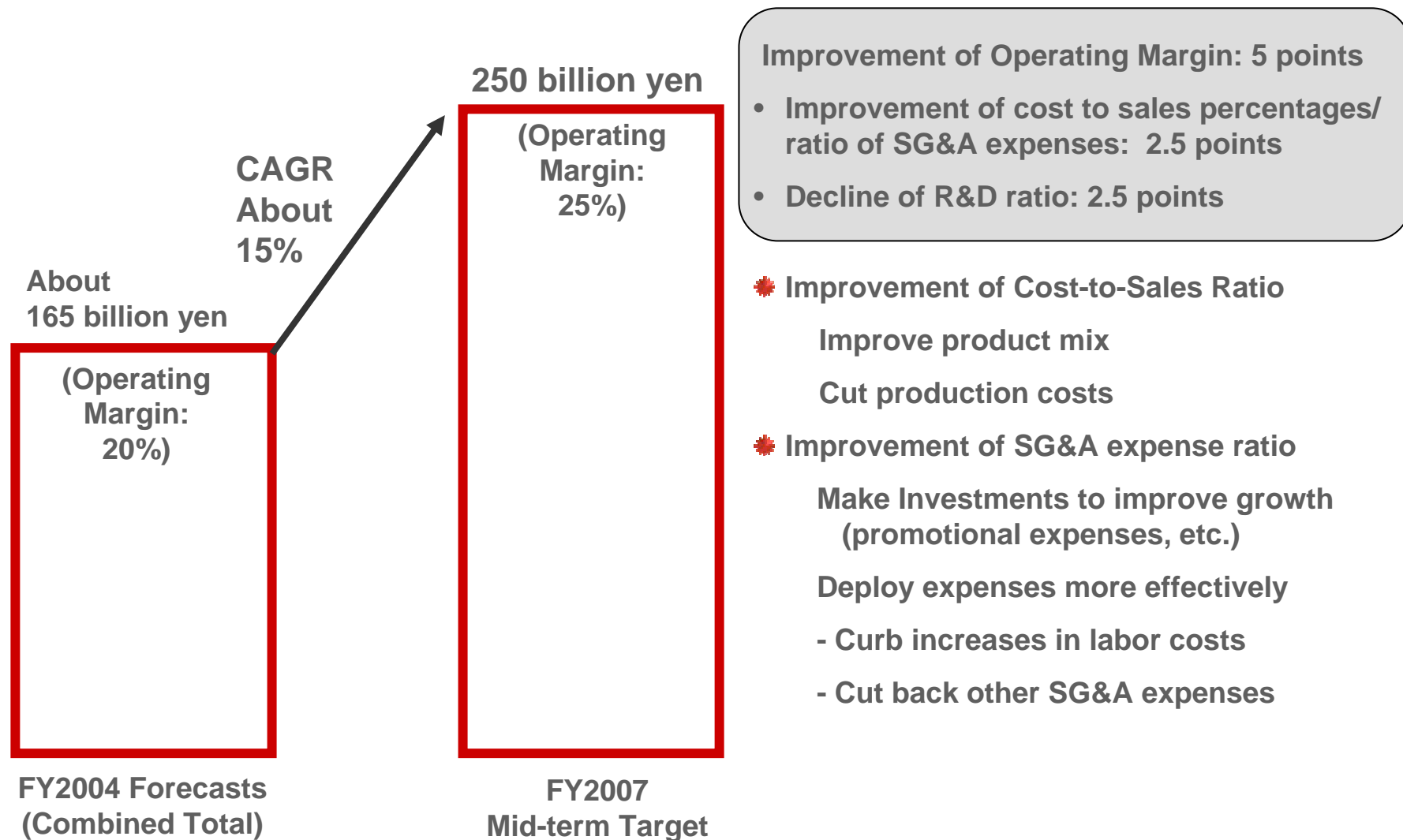
Japan: Ethical Drug Business (excluding exports)

Europe: Segment Sales (including exports)

N. America: Segment Sales

Strong Capacity for Profit Growth

Realize about 15% CAGR in operating income in the three years following Astellas launch.



Synergy Effects in FY2007

Synergies to be generated by Astellas (Astellas FY2007 – Combined total on a standalone basis)

Sales Synergies

- About 25 billion yen
- Products expected to yield synergies:
 - Lipitor, Micardis, Myslee, Ketek, Vesicare for Europe, Protopic, etc.
- Expansion in customer coverage
- Expansion in volume (quantity) of product details that are provided

Sales Synergies in FY2007:

Astellas Sales - combined total sales of Yamanouchi and Fujisawa on a standalone basis

Cost Synergies in FY2007:

Total costs for the both companies on a standalone basis - Astellas costs

Total SG&A expenses for the both companies on a standalone basis - Astellas SG&A expenses

Cost Synergies

- About 40 billion yen
 - Labor costs: 16 billion yen
 - Others: 24 billion yen
- Cut production costs
- Reduce SG&A expenses
 - Labor costs (e.g., optimal number of personnel)
 - Distribution expenses (outsourcing)
 - IT/Head office expenses, etc.
- Effective utilization of R&D expenses

Optimal Number of Personnel

❁ March 31, 2008: Workforce of 15,500 People in Ethical Drug Business

Personnel in Mid-term Plan (as of March 2008)

- ❁ Japan Over 9,000 people
- ❁ Asia Under 1,000 people
- ❁ Europe Over 3,000 people
- ❁ North America Under 2,000 people

(Ref:) Personnel as of Sept. 30, 2004
17,500 People

Synergy in Labor Costs (Savings) (FY2007)

- ❁ About 16 billion yen *
Curb increases in personnel; pursue transfers to group firms

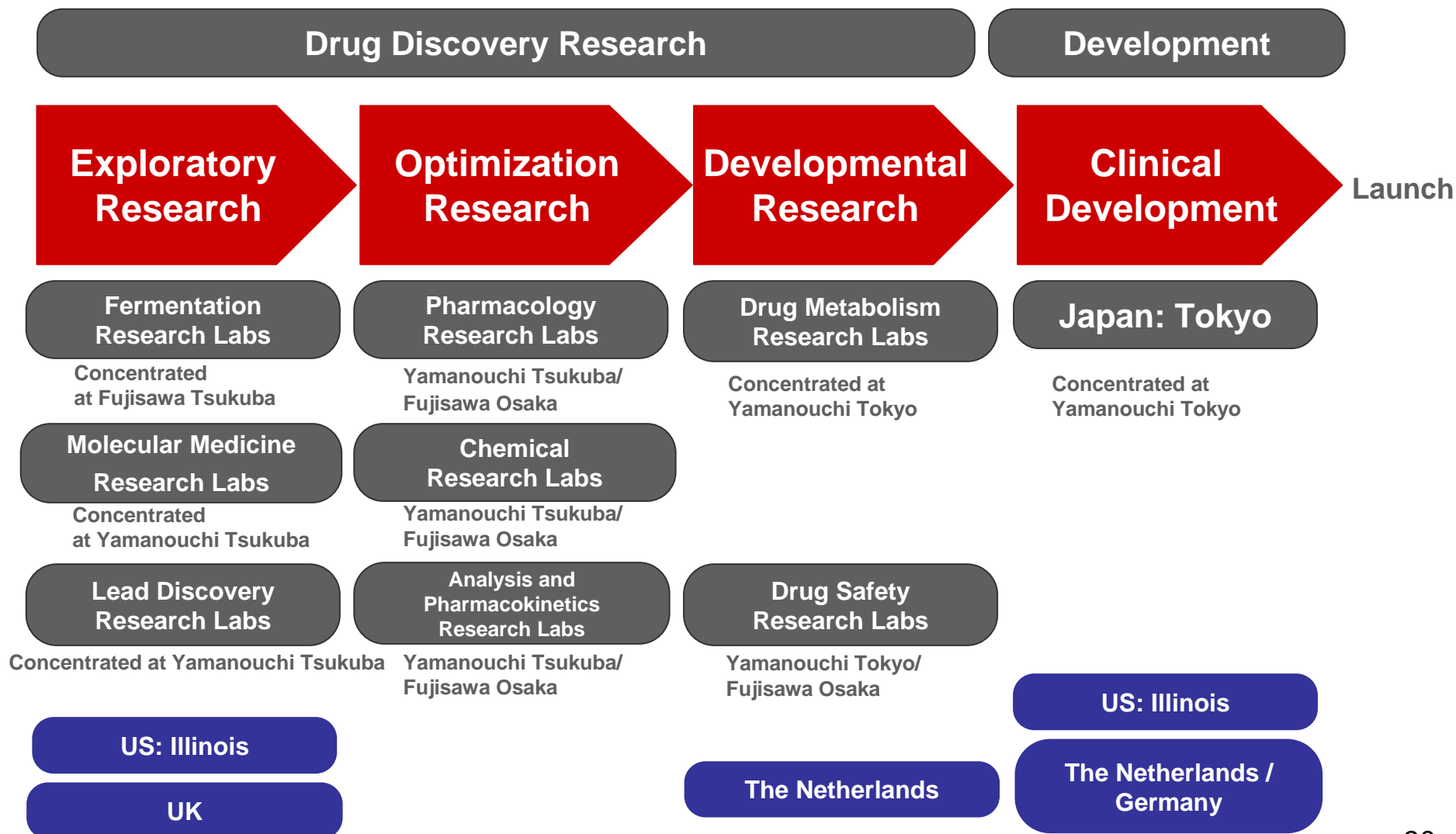
Synergies (FY2007): Combined expenses on a standalone basis – Astellas expenses

Strategies for Growth

- ✿ R&D
- ✿ Production
- ✿ Domestic Sales
- ✿ Asian Business
- ✿ European Business
- ✿ North American Business

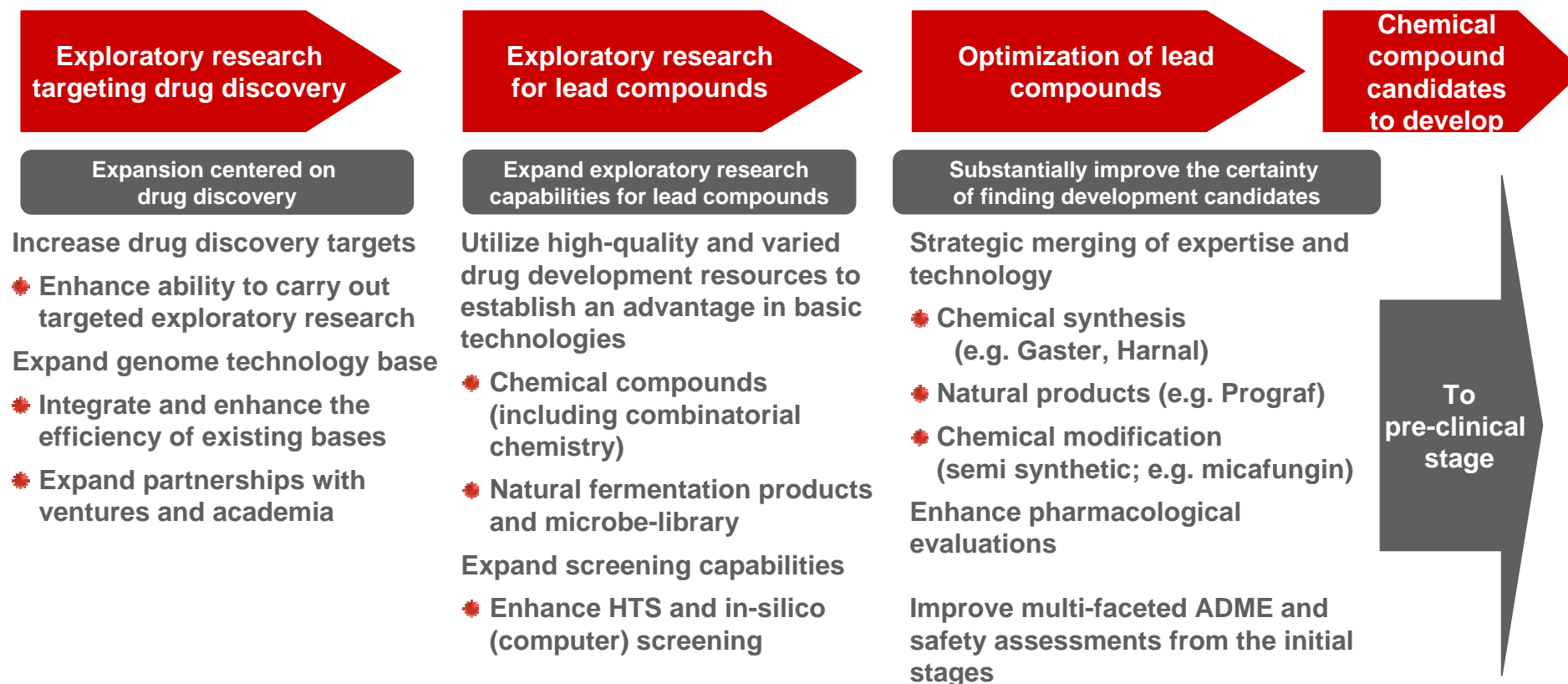
Framework for Promoting R&D

Maximize strengths of both companies and establish efficient R&D system.



Increase Productivity of Drug Discovery Research – Integration of Drug Discovery Platforms -

- Allocating resources to promising fields and top-priority fields**
 Franchise Areas: urology, immunology and inflammation (transplants)
 Priority Research Areas: infectious diseases, diabetes, gastrointestinal organs, and the central nervous system.
- Increasing drug discovery targets, expanding of chemical library, and boosting capacity to produce lead compounds by fusion of specialties**



Development: Maximize Product Value and Speed Up Development Process

Carry out the right clinical development in the right location (Japan, Europe or the USA)



Establish a seamless development framework that carries through from the R&D stages to sales and marketing.

✿ Maximize Product Value on the Global Market

Formulate a development plan and promote development based on market needs.
Improve development capabilities through the integration of development bases.

✿ Maximize Cost Effectiveness and Shorten Development Period

“Go / no go” decision in early clinical phases (before P-IIa).
Global use of clinical data.

Priority allocation of resources through R&D selectivity and concentration.
Priority projects include Prograf modified-release preparation, YM060, FK614, YM150

R&D: Pipeline to Facilitate Long-Term Growth

	Urology	Immunology & Inflammation	Motor Organs	Diabetes CV	Gastrointestinal Organs	Infectious Diseases	Central Nervous System
Pending Approval	YM905 J/E/U	Aczone U	YM177 J	YM087 U	Prograf UC J	micafungin U	fluvoxamine AI J
	Omnice OCAS E		Prograf RA J			telithromycin	
	Harnal D J					micafungin Infant J	
	YM152 J	Prograf Heart transplants E	YM529 J	RSD1235 U	YM643 AI J	micafungin E*	
P-III	YM617 AI J	Prograf Lupus J	Prograf RA U	regadenoson U	YM060 AI J		
		tacrolimus Eye drops J		YM086 AI J			
		tacrolimus Cream U		YM026 AI J			
		Prograf Modified-release E/U					
		tacrolimus Psoriasis U					
		tacrolimus Asthma E	FK481 J	FK352B J	YM443 U		FK949 AI J
P-II	YM617 AF E	Prograf Modified-release J	YM974 J	YM087 E/U	YM060 E		FK962 U
		FK778 E/U	Prograf RA E	YM150 E			
			YM978 J	carperitide U			
			YM177 AI J	FK614 J/U			

AI: Supplemental indication
 AF: Additional dosage form
 *: Preparations underway for application

J: Japan
 U: USA
 E: Europe

R&D Costs

- Achieve scale required for growth as a global pharmaceutical company.
 - Promote effective deployment of costs via selectivity and concentration policy.
-

**Total for
Both
Companies**

**About
140 billion
yen
(Ratio to
sales: 17%)**

**FY2004
Forecasts**

Astellas

**About
145 billion
yen
(Ratio to
sales:
14.5%)**

**FY2007
Mid-term Plan**

- **Deploy Expenses More Effectively**

- Integration and concentration of both R&D functions & locations.
- Prioritization of projects.

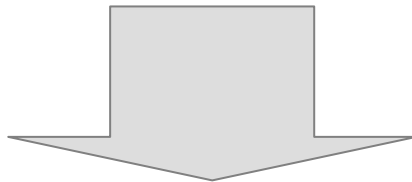
- **Expand Investments into Growth**

- Priority investments in strategic areas, diseases, and projects.
- Expansion of in-house development opportunities.
- Active promotion of strategic alliance.

Production: Establish High-Quality, Efficient Production System

- ❁ **Production System: Build the optimal production system while maintaining stable supply and quality.**

End Sept. 2004



Japan: 10 locations

Overseas: 10 locations

June 2005 Close Taiwan plant (Fujisawa)
March 2006 Close Osaka plant (Fujisawa)
Further promote more efficient functions and optimization of locations.

End March 2008

Rebuilding of Production System

- ❁ **Achieve Cost Competitiveness with Global Competitors**

Reduce materials costs.

Reorganization of production plants.

Curb capital expenditures through promotion of outsourcing.

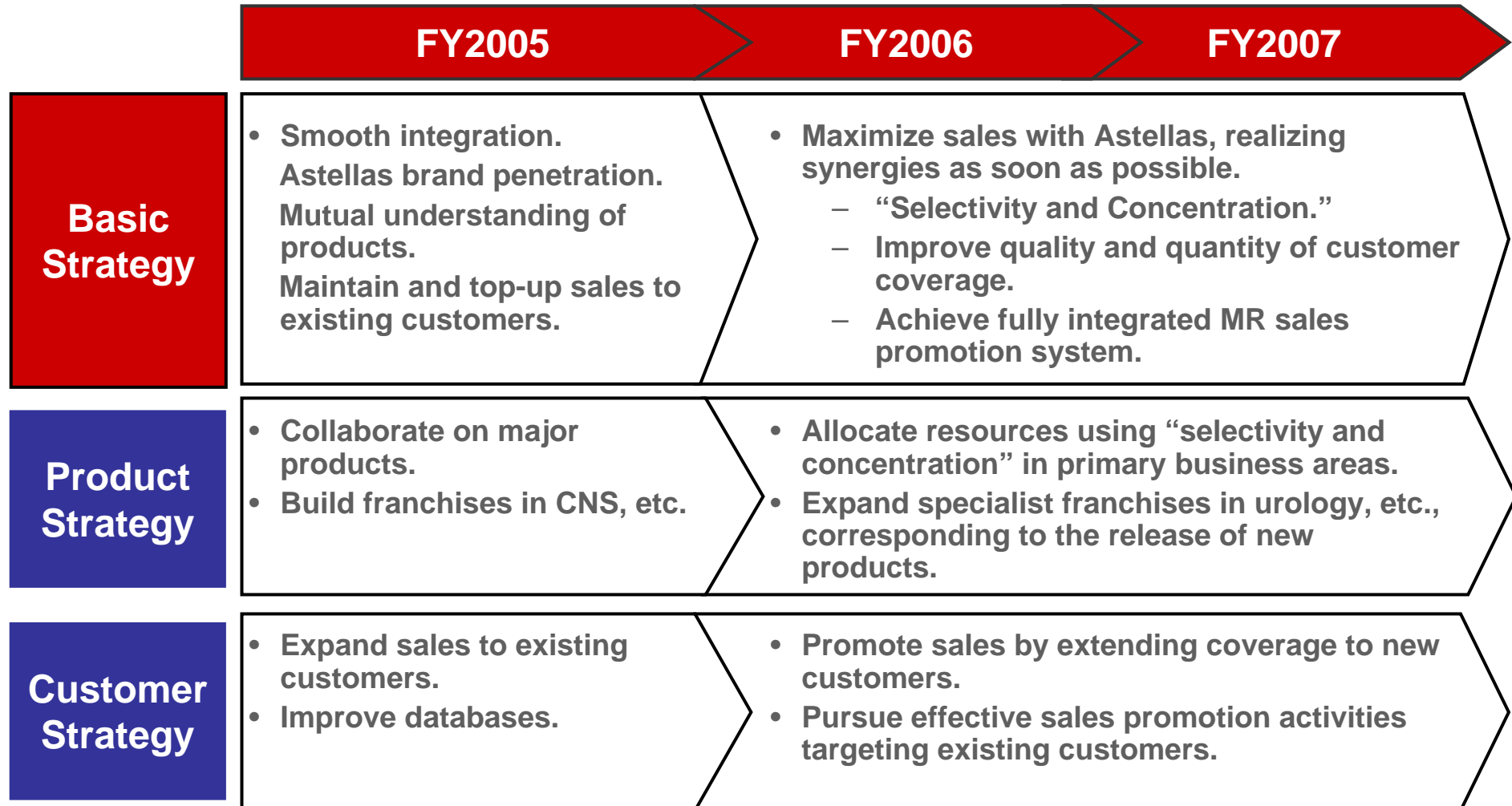
Domestic Sales & Marketing: Basic Strategy to Achieve No.1 Rank in Quality and Quantity

- ✿ **Sales & Marketing Organization (as of April 2005)**
 - **22 business branches with 181 offices**
 - **Number of MRs: 2,700* (Largest level in Japan)**
 - Area MRs + Therapeutic Area Specialists (CNS, etc.)
 - **Deployment of Area Marketing Supporters (AMS)**
 - **Deployment of Prograf Managers**
- ✿ **Maximize Sales / Pursue Synergies**
- ✿ **Establish much stronger profitability base**
 - **Improve efficiency in support functions**
 - **Outsource distribution functions**

* 2,700 = 2,400 MRs (thus far disclosed) + Newly Employed in 2004
+ CNS MRs

Domestic Sales & Marketing : Smooth Integration of Sales & Marketing Systems

- ✿ FY2005: Realize the Sales Potential
- ✿ FY2007: Maximize Synergies



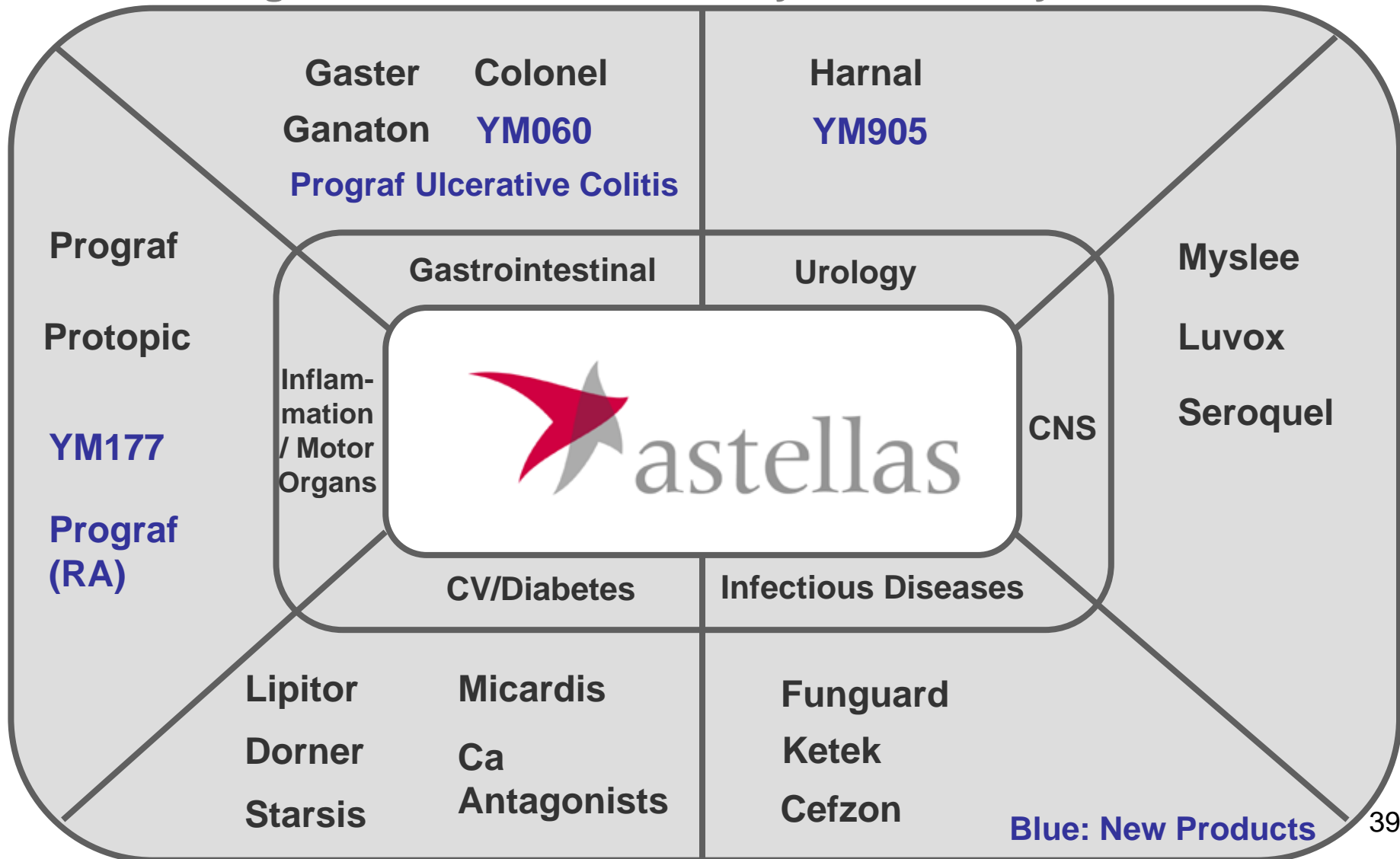
Domestic Sales & Marketing: Maximize Sales and Pursue Synergies

- ✿ Improve both quality and quantity of details
 - ✿ Prioritize details for major products
 - ✿ Accelerate market penetration of new products
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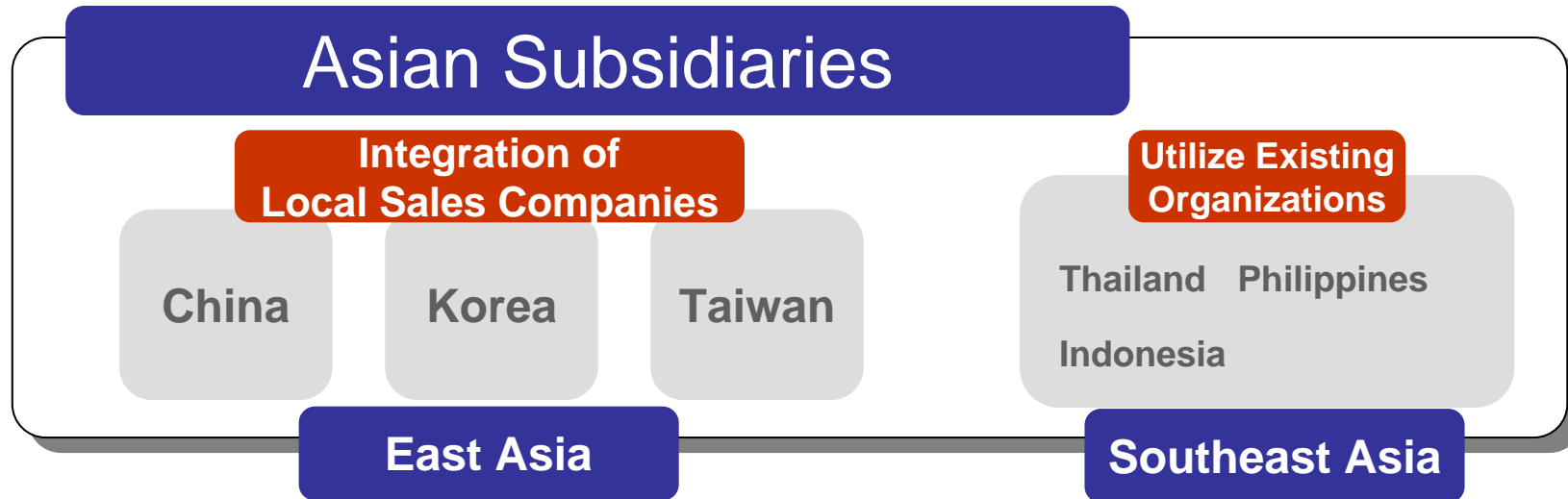
- Total number of details per annum: Over 10 million (FY2005)
- Increase number of details
 - Lipitor, Micardis, Gaster, Myslee, Ketek
- Improve quality of details
 - Harnal, Prograf (R.A.), Funguard, Seroquel, Luvox
- Accelerate market penetration of new products
 - YM177, Prograf RA, YM905, YM060
- Utilize cutting-edge IT
 - Provide product information, improve information infrastructure

Domestic Sales & Marketing: Establish Competitive Advantages in Selected Therapeutic Areas

- ✦ Strong Product Portfolio / Product Detailing
 = Pursuing No.1 Rank in Both Quality and Quantity



Asian Business: Establish Presence in Growing Markets

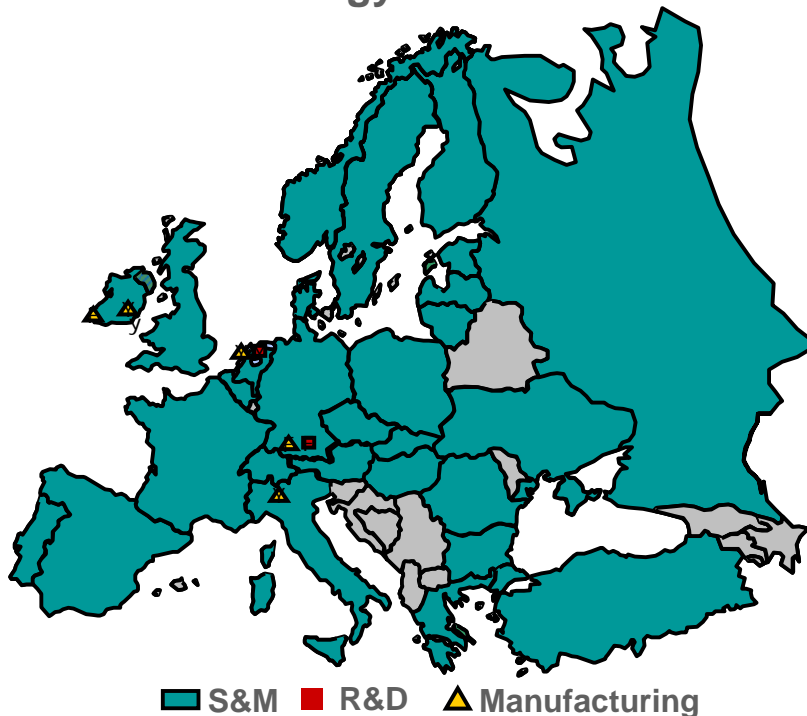


Market Appeal	High market growth rates (China, Southeast Asia, etc.)
Target	Rank among top 10 foreign companies in East Asian markets (currently 13th)
Strategies	<p>Concentrate resources in two major franchise areas – urology and transplants.</p> <p>Strengthen sales system and boost profitability via consolidation of management resources.</p>
Major Products	Prograf, Harnal, Vesicare, Protopic, Gaster, Nasea, micalfungin, Perdipine, Dorner

European Business: Strengthen Profitability Base, Achieve Sustainable Growth

Astellas: European Business

- R&D, Manufacturing, Sales & Marketing, and Export
- Sales bases in 18 European countries
(Covering 22 countries)
- Leading company in the fields of urology, immunology (transplants) and dermatology



Top-line Growth

- Contribution of new products
Vesicare, micafungin
- Expansion of existing mainstay products/
maximize value
Prograf, Protopic, Harnal (incl. OCAS
formulation)

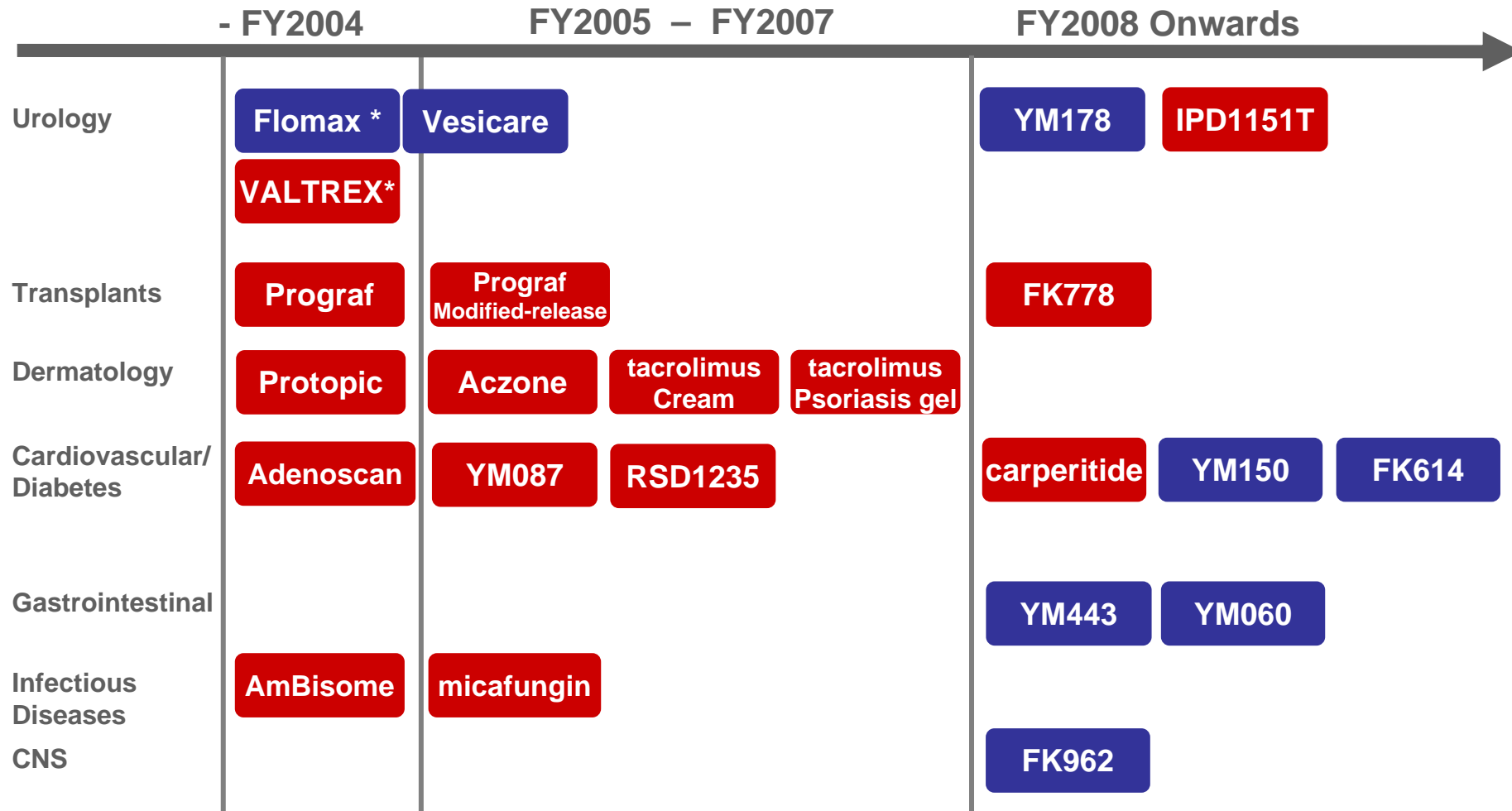
Synergistic Benefits

- Stronger Sales/Marketing in GP
market
Vesicare, Dermatological products
- Better product mix
Shift promotion focus to new products
and to major existing products
- Complementary sales bases
- Reduced costs
Optimize number of personnel and
locations; mutual use of IT

North American Business: Aiming at Further Growth

- **Achieve continued growth of existing franchise (transplants, cardiovascular, dermatology, and infectious diseases).**
 - Maximize the product value of Prograf (speed up development of the modified-release preparation).
 - Get early approval for micafungin.
 - Expand franchise on dermatological products.
 - Get early approval for YM087.
- **Build a profitable urology business as early as possible.**
 - Fast Vesicare market penetration, successful co-promotion of Flomax.
 - Ongoing collaboration with partners.
- **Step-by-step expansion of PCP business**
 - Maximize and capitalize on urology franchises. (200 MRs for PCPs, covering urology products at initial stage)
 - Build a market-entry strategy in line with progress of in-house development of compounds.
 - Decision-making points and timing; product portfolio and cost effectiveness.
- **Actively promote strategic alliances (product acquisition, asset purchase)**

North American Business: Product Portfolio



 Products mainly for specialist doctors

 Products that will be marketed to specialist doctors and PCP **.

*Co-promotion rights

**PCP= Primary Care Physicians (GPs)

Further Expansion in Japan, Europe, and the U.S.

	Sales in FY2004 (Forecast)	CAGR (mid-term)
Japan	About 465 billion yen	Over 4%
Europe	About 180 billion yen	Over 2%
North America	About 130 billion yen	Over 14%

Japan: Ethical Drug Business (excluding exports)

Europe: Segment Sales (including exports)

N. America: Segment Sales

Improve Capital Efficiency and Shareholder Returns

- ❁ Pursue Growth Investments

Asset purchase, product acquisition / in-licensing, etc.

- ❁ Improve Shareholder Returns

FY2005 Annual Dividend Per Share: 50 yen
(planned; subject to approval at Shareholders' Meeting)

Flexible implementation of share buy-back strategies



Aim for Dividend-on-Equity (DOE)* Ratio of 3.5% over medium term

* $DOE = ROE \times \text{Dividend Payout Ratio}$

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Mid-term Prospects for Astellas

- ✿ Achieve strong profits and earnings growth.
- ✿ Establish strong presence in urology and transplants.
- ✿ Increase global competitiveness and maximize new-product potential.

R&D Strengthen capabilities for drug discovery.

Develop strong development pipeline, and expand in-house development capabilities.

Production Realize further cost competitiveness.

Sales Japan: Achieve No. 1 ranking in terms of quality and quantity.

Europe: strengthen profit base & achieve sustainable growth.

North America: Expand business presence (specialists + entry into PCP market).

- ✿ Strategic business expansion backed by a strong cash position

Sustainable growth of enterprise value over the long term
Emergence as a global mega company

Astellas:

Astellas will contribute to the health of people around the world as a global pharmaceutical company born in Japan

