Astellas Pharma Inc.

- VISION 2015 -

December 6, 2006

Masafumi Nogimori
President and CEO
Astellas Pharma Inc.
Today’s Agenda

- The objectives of VISION 2015
- Forecast of pharmaceutical industry by analyzing the external environment
- Business model of Astellas
- Long-term position of Astellas
Today’s Agenda

◆ The objectives of VISION 2015

◆ Forecast of pharmaceutical world by analyzing the external environment

◆ Business model of Astellas

◆ Long-term position of Astellas
Vision 2015 shows precisely how our Business Philosophy can be put into practice.

Business Philosophy
- Raison d’Etre
- Mission
- Beliefs

VISION 2015

Planning system
- Midterm business plan
- Annual business plan

CSR-based management
Charter of Corporate Conduct
Timeline of FY2010 Medium Term Plan

Mission: Sustainable enhancement of enterprise value

- Integration completed
- Focus on Rx business
- Progress in R&D projects
- Proactive in-licensing

Astellas launch

2005
2006
2010
2015

Strengthen bases for growth

- Maintain and expand transplant and urology franchise
- Reinforce cardiovascular and infectious diseases areas by new products
- Improve cost structure
- Reinforce global business
- Enhance R&D pipeline
- Improve capital efficiency

Enhance enterprise value

- Launch new products with high sales potential
- Expand franchise areas
- Expand global marketing infrastructure
- Further strengthen R&D pipeline

Long-term growth
Long-term Aspect of Astellas
(reference from FY2010 Medium term Business Plan)

Achieve No.1 position in Japanese market
Launch new products
Strengthen global marketing infrastructure
Create innovative products from drug discovery research

To become a global leader in our focused therapeutic area

Astellas will strive to gain the trust of stakeholders and thereby enhance its enterprise value.
Business Philosophy

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

Mission
Sustainable enhancement of enterprise value

Beliefs

High Sense of Ethics
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 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.
April 2005  Astellas reaches critical mass as a global competition

Where is Astellas heading?
What kind of global existence is Astellas aiming at?

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

Forecast of the External Environment

VISION 2015 Drawn Up

guidelines and strategy for achieving corporate goals for 2015
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1. Progress of policies to control medical treatment costs

2. Decrease in market growth rates

3. Increased complexity of the market
In the developed nations, government spending on social welfare is subject to increasing pressure due to decreasing birth rates combined with aging populations. This will lead to the advancement of policies to control health expenditures.

<table>
<thead>
<tr>
<th>Country</th>
<th>Measures</th>
</tr>
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<tbody>
<tr>
<td>Japan</td>
<td>• Increasingly frequent cuts in NHI drug prices</td>
</tr>
<tr>
<td></td>
<td>• Promotion of treatment with generics</td>
</tr>
<tr>
<td></td>
<td>• Upward revision of out-of-pocket payment ratio for elderly patients</td>
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<tr>
<td>United States</td>
<td>• Possible holding down of drug prices through enactment of Medicine Part D</td>
</tr>
<tr>
<td></td>
<td>• Promotion of use of centralized drug procurement systems</td>
</tr>
<tr>
<td></td>
<td>• Impact on healthcare policies of Democrats’ success in US midterm elections?</td>
</tr>
<tr>
<td>Europe</td>
<td>• Promotion of measures to curtail health expenditures by each country</td>
</tr>
<tr>
<td></td>
<td>Expansion of reference price, cuts in refund prices,</td>
</tr>
<tr>
<td></td>
<td>promotion of use of generics</td>
</tr>
<tr>
<td></td>
<td>• Higher ratio of parallel imports</td>
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</tbody>
</table>
2. Decrease in Market Growth Rates

- Downturn in the scale and number of blockbuster products
- Price constraints in developed nations, particularly the USA
- Generics will grab a much larger share of the market

- Possibility that it will be low growth of 5-8%

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5-8%</td>
</tr>
<tr>
<td>North America</td>
<td>5-8%</td>
</tr>
<tr>
<td>Europe</td>
<td>5-8%</td>
</tr>
<tr>
<td>Japan</td>
<td>2-4%</td>
</tr>
<tr>
<td>Latin America</td>
<td>6-9%</td>
</tr>
<tr>
<td>Asia (excluding Japan)</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>8-11%</td>
</tr>
<tr>
<td>Australia</td>
<td></td>
</tr>
</tbody>
</table>

Reference: IMS
3. Increased Complexity of the Market

Correlation between satisfaction with treatment and contribution of drugs to treatment

- Medical needs sufficiently met
- High unmet medical needs

Satisfaction with treatment

3. Increased Complexity of the Market

- **Medical needs sufficiently met**
  - High unmet medical needs
  - Examples:
    - Diabetes-related complications
    - Cancer
  - Low unmet medical needs
  - Examples:
    - Neurol. disease
    - Peptic ulcer
    - Hyperlipidemia
    - Hypertension

- **Satisfaction with treatment**
  - Low satisfaction
    - Many diseases exist
    - Typically drugs prescribed by specialists
    - Many biotech or other more innovative drugs in this group
  - High satisfaction
    - Medical needs sufficiently met

- **Contribution of drugs to treatments**
  - High contribution
    - Majority of drugs prescribed by GPs
    - Large number of patients
    - Mainly small-molecule pharmaceuticals
  - Low contribution
    - Many diseases exist
    - Typically drugs prescribed by specialists
    - Many biotech or other more innovative drugs in this group
3. Increased Complexity of the Market

- Current market that is pulled by blockbusters will change to segmented market that will be pulled by drugs in high unmet medical need
- As a result, the market that allows to exist variety of structure patterns of competitive predominance will be formed

Current market structure

- **Mass markets**
  - Satisfaction with medical treatment is high
  - Large number of patients for each disease
  - Mainstream is small-molecule
  - Aggressive mass marketing

- **Niche markets**
  - Satisfaction with current treatment is low
  - Treatment with high degree of expertise
  - Emergence of high value-added products
  - Marketing and sales with high degree of expertise

A scale is an important competitive factor

Market structure assumed in 2015

- **Mass markets**
  - Satisfaction with medical treatment is high
  - Large number of patients for each disease
  - Mainstream is small-molecule pharmaceuticals
  - Penetration of generics
  - Aggressive mass marketing

- **Segmented markets**
  - Satisfaction with current treatment is low
  - Treatment with high degree of expertise
  - Rise of high value-added products
  - Marketing and sales with high degree of expertise

A variety of strategies is possible
Launch of New Type Top-Line

Medicines for Specialists

- Schizophrenia : Zyprexa (4,202 mil US$/yr)
- Cancer : Rituxan (3,867 mil US$/yr)

Biomedical

- Renal anemia : Epogin (6,145 mil US$/yr)
- Articular rheumatism : Enbrel (3,657 mil US$/yr)

Market Growth Promoted by Specialty Market

- Specialty market will have over 50% share

2005 Share of Sales
Specialty 36%
Primary Care 64%

2005 Share of Growth
Specialty 56%
Primary Care 44%

Source: IMS Health MIDAS, December 2005,
Copyright IMS Health and its affiliates 2005
Player Structure as Seen in VISION2015

Players in a market requiring a high degree of expertise possess high possibility of sustainable growth

- Current
  - Aggressive mass marketing in the primary market
  - Focus on markets requiring a high degree of expertise
  - Capitalize on specific strengths (eg. technology) (many)
  - Local players (many)

  Decreased profitability

- 2015
  - Super-scale players
    - Further consolidation to offset reduced profitability
    - Sustained growth benefiting from increasing market complexity
      - Few effects from contraction of conventional markets
    - Expansion of market survival and growth opportunity by market complication
      - Frequent entrances and exits of new players

  Strategy conversion
    - Global category players
      - Evolution or M&A
        - Specialized players (many)
        - Local players (many)

  - Withdrawn from market or M&A

Withdrawn from market or M&A

- Frequent entrances and exits of new players
- Sustained growth benefiting from increasing market complexity
  - Few effects from contraction of conventional markets

Expansion of market survival and growth opportunity by market complication
  - Frequent entrances and exits of new players
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Global Category Leader "GCL"

In specialty market that is anticipated to expand

◆ in several ‘categories’ where high unmet medical needs exist and a high degree of expertise is required in the process of product carrying

◆ A GCL shows higher competitiveness by providing value-added products ‘globally’

◆ and takes over the position of ‘leader’ in a category
Product Portfolio Current to 2015 (top-line)

- **Transplant**
  - Prograf
  - FK506MR

- **Urology**
  - Harnal
  - Vesicare
  - Eligard
  - YM178
  - YM672
  - YM155
  - degarelix

- **CV**
  - Lipitor
  - Micardis

- **Infectious diseases**
  - Cefzon
  - Mycamine / Funguard
  - telavancin
  - T-3811

- **Kidney / Cancer**
  - YM155
  - YM311
  - ILY-101
Steps to Becoming a GCL (1)

To 2010 - 2015

- Solid progress of current pipeline
- Further reinforcement of global marketing infrastructure
- In-licensing and strategy of business development

To 2020

- Drug discovery to creation of global products
- Settlement of newly important research categories and diseases

1) Unmet medical needs, potential marketability, research capability
   - Urology
   - Immunology
   - Inflammation
   - Infectious diseases (virus)
   - CNS Pain
   - Diabetes
   - Cancer

2) Construct newly based technology
   - antibody drugs -
Steps to Becoming a GCL (2)

- 2005
  - Urology
  - Transplantation
  - Infectious diseases

- 2010
  - Gastrointestinal diseases
  - Cardiovascular

- 2015
  - Sustainable reinforcement as a GCL

- 2020

Current pipeline

Drug discovery

Settled in 2006

- Urology
- Infectious diseases (virus)
- Diabetes
- Inflammation
- Immunology
- CNS
- Pain
- Cancer

Steps:

- Settled in 2006
- Influenza

Current pipeline:

- Urology
- Gastrointestinal diseases
- Cardiovascular

Sustainable reinforcement as a GCL

- Settled in 2006
  - Urology
  - Infectious diseases (virus)
  - Diabetes

- Current pipeline
  - Gastrointestinal diseases
  - Cardiovascular

- Sustainable reinforcement as a GCL
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Our Target Position

Astellas aims to enhance enterprise value

1) High profitability as a GCL
   We will establish a high profitability structure by providing high value-added products.

2) Growth potential
   We will ensure future growth through innovative discoveries and inventions, full product pipelines, marketing capability to maximize product value and clarification of business strategies, as well as leadership, governance, human resources and systems.
Elements Consist in Astellas Enterprise Value

enterprise value

current profitability

future profitability

Net sales
COGS
SG&A
Earning before deduction of R&D expenses
Innovative discoveries & inventions
pipelines
marketing capability
leadership
human resources
corporate governance
trust of customer
contribution to environment and society
trust of stock holder
Other factors

EVA®: Economic Value Added

* EVA is a registered trade name of Stern Stewart & Co.
Enhancement of Enterprise Value by EVA

Sum of all future EVA® at current prices will be an added-value
Capitalization Ranking

As of December 1, 2006  Exchange rate: ¥115.7/$, ¥153.3/EUR
Astellas’s Three Systems to Become a GCL

We will create a very flexible and agile organization by optimizing the balance of power and authority in the group.

We will clarify corporate social responsibilities and build a system to fulfill them.
Human Resources Management in Achieving Our VISION

Most important management resource obtained from birth of Astellas “Variety of human resources”

We must optimally leverage the talent and potential of Astellas’ human resources to achieve our VISION

Astellas has identified human resources development as its most important issue, and is tackling this with competitive investment

- Promoting a high level of development support to talented employees who have capability and strong commitment to continuous high performance
- Appraising and treating employees in a fair manner according to their role and achievement
- Employment based on equal opportunity and individual capability regardless of gender, nationality, race, age or disability
- Achieving simple and optimal organization where talented people show high performance
- Providing free and generous argument environment and communication opportunity
Astellas’ role in society

Maximization of value-added for people seeking health

Providing high profitability and value-added as a GCL

Sustainable enhancement of enterprise value
Customer, society in general, and shareholders feel established presence and a reputation for trustworthiness of Astellas “brand,” and employees will work with a feeling of pride in the Company.