

Stakeholder Dialogue Session FY2013 (Full Version)

Date: January 8, 2014 (Wed.)

Place: Astellas Pharma Inc. Headquarters

External stakeholders:

Naoki Aikawa, M.D., Ph.D. (Professor Emeritus, Keio University; Special Advisor, Social Welfare Organization Tokyo Saiseikai Central Hospital)*

Toshihiko Goto (Chairman, Environmental Auditing Research Group; Chief Executive Officer, Sustainability Forum Japan)

Kaori Kuroda (Executive Director, CSO Network Japan)

* Naoki Aikawa, M.D., Ph.D. is an outside Director of Astellas Pharma Inc., but participated in this stakeholder dialogue in the capacity of a medical doctor.

Participants from Astellas

Kenji Yasukawa, Ph.D. (Senior Vice President and Chief Strategy Officer, Chair of the CSR Committee)

(Other participants from Legal & Compliance, General Affairs, Human Resources, and Corporate Planning)

Moderator: Ayako Sonoda (President, Cre-en Inc.)

Exploring the CSR Activities Expected of Astellas

From your perspectives as external stakeholders, what are your expectations for CSR activities as Astellas pursues CSR-based management?

Dr. Aikawa: More than half of Astellas' shares are held by foreign shareholders, and the ratio of sales from regions outside Japan is nearly 50%. These attributes make Astellas a global corporation. Therefore, I believe that Astellas should consider its CSR activities from a global perspective.

Mr. Goto: Discussions on global development goals beyond 2015 (Post-2015 Development Goals) are now gathering pace, as 2015 is the final year for achieving the current United Nations Millennium

Development Goals (MDGs)^{*1}. I believe that this new framework will help to shape major global trends over 15 years from 2016. In the course of exploring the direction for CSR at Astellas, the Company should focus on trends surrounding the Post-2015 Development Goals.

Ms. Kuroda: Even among the themes of the MDGs, it has been quite difficult to achieve goals, specifically in the areas of reducing the child mortality rate and improving maternal health. In the Post-2015 Development Goals, private-sector companies will be expected to fulfill a much larger role. Notably, there will be high hopes for pharmaceutical companies to step in and play a bigger role.

Dr. Aikawa: Looking at this issue from a consumer perspective, the fact is that while consumer feedback about drug problems and side effects is often heard, consumers seldom say that they could not have recovered from an illness without a particular drug because of access to a particular drug. Based on an understanding of the existence of such “silent consumers,” we should give thought to how to go about gathering opinions from consumers in a well-balanced manner that considers both the health risks and benefits.

Mr. Goto: Recently, companies have been called upon to step up stakeholder engagement^{*2} in their CSR activities. In the course of exploring a company’s long-term strategic direction, companies are expected to reflect the opinions of stakeholders in this process.

Ms. Kuroda: To solve social issues, it will become increasingly crucial for companies to engage and collaborate with various stakeholders, instead of trying to solve social issues on their own.

^{*1} United Nations Millennium Development Goals (MDGs): MDGs are a series of eight time-bound targets with a deadline of 2015 drafted under the United Nations Millennium Declaration, which was adopted by the United Nations in September 2000.

^{*2} Stakeholder engagement refers to the process where companies hold constructive dialogue with stakeholders, and reflect the discussions and proposals from these dialogues in management activities.

Addressing Unmet Medical Needs

How should Astellas work to address unmet medical needs?

Dr. Aikawa: In the case of pharmaceutical companies, the act of supplying drugs to fulfill unmet medical needs is seen in itself as a CSR activity, and will become more closely tied to the viability, sustainability and development of pharmaceutical companies. I believe that pharmaceutical companies are expected to fulfill their social responsibilities by harnessing their strengths and driving innovation. Meanwhile, pharmaceutical companies can also implement CSR initiatives in developing countries, harnessing their strengths through means other than innovation. For example, pharmaceutical companies could expand the indications of existing drugs to treat diseases unique to a developing country. This approach can, in fact, save many lives and could eradicate widespread diseases. I believe that a flexible approach is necessary. Furthermore, I believe that it is crucial for employees to directly participate in CSR activities over the long term on a face-to-face basis, as this will also go a long way toward developing an understanding of local social issues.

Mr. Goto: I also believe that employee participation is extremely important. Even if a project does not generate profits in the short term, it could help to strengthen the operating base of a company over the long term through the formation of human networks with the local country and its government, and by facilitating monitoring and understanding of market conditions. Companies should implement CSR activities from this type of strategic viewpoint. In the process, the key point will be how much experience and knowledge employees can amass locally on the ground. For example, companies could position measures to address unmet medical needs as a strategic social contribution activity. From now on, it will be crucial to strategically implement social contribution activities based on clearly defined goals.

Ms. Kuroda: When actually addressing the needs of developing countries, there are many achievements that cannot be measured solely by economic performance indicators. It may be helpful, for instance, to establish social performance indicators, such as the number of lives saved by a CSR

activity.

Astellas: This reminds us that when making decisions to implement or continue R&D projects targeting unmet medical needs, we need to be aware that we must make a comprehensive decision that encompasses not only economic value but also social value, as well as consider partnerships with other organizations.

Ensuring Responsible Business Development

I believe that companies should be strongly aware of their social responsibilities in business processes. What specific points should companies pay attention to?

Mr. Goto: The important point to consider when looking at social responsibilities in business processes is to think about how to address the so-called “soft law^{*},” while addressing “hard law” as a matter of course. Recently, stronger demands have been placed on companies to recognize that the scope of their social responsibilities extends across the entire value chain, from upstream to downstream, including suppliers, and not just the company itself.

Ms. Kuroda: When implementing CSR activities in the supply chain and the rest of the value chain, it is important to clearly think about how to approach the key partners in the value chain, rather than try to cover all partners comprehensively. It is essential to examine CSR activities in a clear-cut manner by, for example, prioritizing those partners involved with key products and those partners in regions where there is a higher risk of human rights infringements and so forth.

Dr. Aikawa: Considering the characteristics of the pharmaceutical business, society is strongly interested in how pharmaceutical companies and medical professionals establish and maintain sound relationships. First and foremost, I believe that it is important to develop and maintain these relationships in a transparent manner.

^{*} Soft law: Refers to non-legally binding international guidelines and principles, as well as standards and other rules (e.g., ISO 26000 and OECD Guidelines for Multinational Enterprises)

Astellas: Besides fulfilling our legal responsibilities, we need to raise our awareness of the demands placed on the Company, namely the need to carefully address “soft law,” to be aware that the scope of a company’s responsibility extends beyond the confines of the organization to include all partners from upstream to downstream, and to develop relationships with transparency.

Human Resources Management From a Long-Term Perspective

How should Astellas implement CSR activities utilizing the human resources underpinning business operations?

Dr. Aikawa: Overseas, it is no longer unusual for women to serve as leaders of corporations or heads of state. Therefore, Astellas must recognize that non-Japanese investors see Astellas from a different perspective.

Mr. Goto: Astellas is a global enterprise. From the viewpoint of diversity, it should regard the appointment of women and non-Japanese human resources in management positions as an important issue. Going forward, I believe that Astellas must steadily implement a human resources portfolio strategy from a long-term point of view.

Ms. Kuroda: It is no easy feat to promote diversity in Japan, because this requires changing social values and customs. Even so, companies can gradually change the awareness of their employees by taking the initiative to establish diversity policies and targets. In doing so, the thinking and awareness of families and society at large will gradually change. For this reason, I believe that companies must steadfastly work to promote diversity from a long-term perspective.

Astellas: Until now, we have formulated and implemented medium-term human resources management policies. As for long-term growth strategies, we have so far considered mainly research and development and business areas. Based on what the experts have talked about today, we are strongly aware that we must now consider our human resources portfolio strategy from a more long-term perspective.

Reducing Environmental Impact

Are there any points that should be considered with regard to environmental activities?

Mr. Goto: I believe that companies developing business globally must be aware of water issues; that is, they must pay close attention to using water resources efficiently. There are many water-stressed* regions overseas. Most multinational companies already understand this point and are responding to water issues. Furthermore, steadfast efforts to reduce energy usage are needed to address climate change mitigation measures.

Astellas: In our case, industrial-use water sourced from Japan accounts for 97% of our water withdrawal in R&D and manufacturing activities. Therefore, it is unlikely that water withdrawal will pose any major issues for us in the near future. However, we must give due consideration to water resource issues when moving into developing countries going forward.

In Closing

Are there any other issues besides those discussed so far that Astellas should address?

Dr. Aikawa: Business customs can differ, particularly among emerging countries. For this reason, I believe that it is crucial to conduct business activities with an even higher awareness of compliance in these countries.

Mr. Goto: Approaches to facilitation payments* can differ among different countries, creating an extremely vexing problem. The question of how to address this problem as a global enterprise is an issue that demands real decisiveness on the part of companies. On a slightly different note, approaches to CSR-related investment have been changing considerably. Until now, CSR-related investment had been fairly limited in scope. Under

* Water-stressed: Refers to a condition where the water available for use per person is below a certain threshold, causing inconveniences in daily life.

the Socially Responsible Investment (SRI) approach, a limited number of investors actively invested in companies that were recognized to be fulfilling their social responsibilities. Investments were selected from among a group of investment target companies that had been screened by market research firms from the standpoint of CSR. However, we are now seeing more Environment, Society and Governance (ESG) investment activity. Under this approach, investors proactively base investment decisions on a company's CSR activities, particularly its ESG activities, in order to execute long-term, stable investments. This trend is starting to show signs of catching on more widely in the stock market. Notably, ESG investment appears to now represent around half of the total investment in the stock markets in Europe. It may be helpful to keep these sorts of changes in mind when communicating with stakeholders outside the Company.

Ms. Kuroda: Astellas already seems to be taking a variety of interesting initiatives, such as measures to improve access to healthcare in developing countries and to accept research fellows from developing countries. I would recommend communicating these initiatives using a story line that is easier for readers to understand, such as organizing measures around the MDG's agenda.

Astellas: Through this dialogue, Astellas increased its understanding of what society expects of the Company and its main issues. At the same time, we obtained many valuable insights. The dialogue reaffirmed to us the importance of strengthening stakeholder engagement. We are currently reviewing our CSR issues in terms of their materiality and examining specific CSR measures. We intend to utilize and incorporate the opinions expressed in this dialogue session.

* Facilitation payments: In certain countries and regions, the Company is required by public officials and others, although not by relevant laws, to pay a small fee in order to receive smooth public service operations such as customs, inspections and issuance of entry visas.