October 4, 2006

Announcement of New Mid-Term Management Plan

Japan, October 4, 2006 - Astellas Pharma Inc. ("Astellas"; headquarters: Tokyo; President and CEO: Masafumi Nogimori) today announced that it decided its new mid-term 5-year management plan ending in FY2010 (fiscal year ending March 2011) at its board meeting held on October 4.

Astellas develops its global business aiming at "sustainable enhancement of enterprise value" by "contributing toward improving the health of people around the world through the provision of innovative and reliable pharmaceutical products." At present, a three-year management plan ending FY2007 is underway. However, Astellas has decided to establish a new mid-term management plan reflecting various measures taken after its creation because the ongoing mid-term management plan was established in November 2004 before the launch of Astellas.

During the mid-term management plan from FY2006 to FY2010, Astellas anticipates to face difficulties mainly due to the patent expiration on its two major products, the immunosuppressant Prograf® (tacrolimus) and Harnal® (tamsulosin) for functional symptoms associated with benign prostatic hyperplasia. Astellas aims to achieve sustained growth in both sales and profits despite these difficulties by further enhancing its business in Japanese market, which accounts for significant portion of Astellas' business, as well as expanding business in the US, Europe and Asia, and by proactively improving its cost structure. It will also steadily and rapidly carry out global development of promising compounds which are at a late stage of development in order to ensure further growth as a global pharmaceutical company after FY2011 through FY2015. Astellas will also make efforts to improve capital efficiency for enhancing its enterprise value by such measures as increasing return to shareholders.

The outline of the new mid-term management plan is described below. Please also refer to the attachment for more information.

1. Numerical goals in terms of sales and profits

Astellas will aim for net sales of 1,060 billion yen and operating profits of 280 billion yen in FY2010.

- The earning per share (EPS) is expected to increase at a compound annual growth rate of mid-teens compared to FY2006.
- Astellas will contain increases in costs through the entire - company - efforts by promoting cost structural reform and will reduce the combined ratio of cost of goods and selling, general and administrative costs to net sales in FY2010 by around 4 points compared to FY2006.

- R&D expenses will be 170 billion yen or 16% of net sales in FY2010 as Astellas proactively promote development of profitable in-house products and in-licensing activities to reinforce its R&D pipeline.
- The current mid-term management plan sets sales target of ethical pharmaceuticals of 1,000 billion yen and operating profits target of 250 billion yen in FY2007. The sales target was changed to 960 billion yen taking environmental changes into account, but the target for operating profits remains unchanged at 250 billion yen.

2. Global business expansion in the US, Europe and Asia

- Astellas will continue to expand its global franchise area, urology, and maintain its market share in the field of organ transplant.
- Astellas will implement region-specific growth strategies in Japan, the US, Europe and Asia based on specific market environment in each area.
  - In Japan, Astellas aims to take the number one position in terms of the market share through expanding sales in six priority therapeutic areas including cardiovascular and urology.
  - In North America, Astellas aims to expand its business on the strength of large increases in sales of the overactive bladder treatment VESIcare® (solifenacin) and launching of new products.
  - In Europe, Astellas will achieve steady growth and strengthen its business infrastructure as it can expect an increasing return from investment in market penetration of recently launched products such as Vesicare®.
  - In Asia, Astellas can expect a growth rate higher than in all other regions during the period of the mid-term management plan thanks to the continued growth of Prograf and Harnal.

3. R&D

- Astellas will place top-priority on in-house development of promising new compounds in the pipeline such as YM150, YM155, YM311 and YM060.
- Astellas will proactively continue in-licensing activities to reinforce its R&D pipeline.
- In its drug discovery research, Astellas has decided to focus on the following therapeutic fields taking into account the unmet medical needs determined based on the degree of satisfaction with existing drugs and expected medical trends in the future, marketability, and Astellas' own capability: urology, inflammation & immunology, CNS & pain, diabetes, infections (including virus), and cancer. Astellas will continue its drug discovery efforts targeting low-molecular-weight compounds and fermented natural products, using genomic technology. In addition, Astellas will consider to develop new technological platforms such as antibody drugs.
- Astellas will reorganize its research functions in Japan and abroad with new research labs to be built at its Tsukuba site.

4. Production

Astellas will restructure its production sites in order to further reduce its production cost, ensure stable supply of its products, and upgrade its formulation and packaging technology. The number of production sites will be reduced from the current 18 - 9 in Japan and 9 overseas - to around 10 by FY2010.

5. Human resources

- Astellas puts a top priority to enrich its human resources to ensure the competitiveness and promotes proactive investment in human resources.
- Astellas will continue its efforts to optimize the number of its employees and will reduce their number from about 14,600 on a consolidated basis as of June 2006 to 13,500 at the end of FY2010.

6. Improvement of capital efficiency and reinforcement of return to shareholders

Astellas will maintain its basic policy to proactively invest its own funds into business for a future growth, but at the same time, it will make greater efforts to improve capital efficiency for enhancement of its enterprise value and increase return to shareholders.

- As a target related to capital efficiency, Astellas will aim for a return on equity (ROE) of 18% in FY2010 (8.8% in FY2005).
- In terms of return to shareholders, Astellas will aim for a dividend on equity (DOE) of 8% in FY2010 (3.2% in FY2005).

As separately announced today, Astellas decided at its board meeting that it would acquire its own shares during the period of October 5, 2006 to February 28, 2007 in order to improve capital efficiency and enhance return to shareholders. Total number of shares to be acquired is 30 million shares at maximum with 150 billion yen at maximum as aggregate amount of acquisition cost.

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Cautionary statement regarding forward-looking information

Target figures in this material are not forecasts of business results. In addition, any description relating to the future in this material is subject to known or unknown risks and uncertainties, although it is based on management's current assumptions and beliefs in light of the information currently available to it. Please be cautioned that a number of important factors could cause actual results to differ significantly from the description in the material.
Such risks and uncertainties include adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launch, pricing and product initiatives of competitors, the inability of the company to market existing and new products effectively, interruptions in production, infringements of the company's intellectual property rights and the adverse outcome of material litigation.
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