

(5) Measurement approach for fair value of share options granted during the period

The weighted average fair value of share options granted during the period is determined using the binominal model based on the following assumptions.

	2013	2014
Share price at grant date	3,515 yen	5,430 yen
Expected volatility (Note 1)	29.3%	29.6%
Expected average period until the earliest exercisable date (Note 2)	4 years	3 years
Expected dividend (Note 3)	125 yen/share	130 yen/share
Risk-free rate (Note 4)	1.7%	1.7%

(Note) 1. Estimated by taking into account the actual share prices for the past 20 years.

2. Estimated based on the service records and term of office.

3. Calculated based on the latest dividends paid.

4. Based on the yield of government bonds corresponding to the exercise period (20 years).

28. RETIREMENT BENEFITS

The Group, excluding a part of foreign subsidiaries, offers post-employment benefits such as defined benefit plans and defined contribution plans. Among the defined benefit plans offered, the defined benefit plan adopted in Japan is a major one, accounting for approximately 70% of the total defined benefit obligations.

1. Defined benefit plan adopted in Japan as post-employment benefit

The Company and its domestic subsidiaries offer corporate pension plans and retirement lump-sum payment plans as defined benefit plans.

The benefits of the defined benefit plan are determined based on the base compensation calculated by accumulated points earned by the time of retirement and promised rate of return based on the yield of 10 year government bonds. Also, the option of receiving benefits in the form of a pension is available for plan participants with 15 years or more enrollments.

Defined benefit plans are administered by the Astellas Corporate Pension Fund. Directors of the pension fund are jointly liable for damages to the fund due to their neglect of duties about management of the funds.

Contributions of the employer are made monthly and also determined as 4.0% of standard salary, which is calculated based on the estimate of the points granted during a year to each participant. When the plan assets are lower than the minimum funding standard at the end of the period, the

employer will make additional contributions.

Defined benefit plans are exposed to actuarial risks. The Astellas Corporate Pension Fund assigns staff with professional knowledge and expertise about the composition of plan asset to determine the asset mix ratio and manages risks by monitoring on a quarterly basis.

2. Defined benefit plans of overseas subsidiaries as post-employment benefits

Among foreign subsidiaries, ones located in the United Kingdom, Germany, the Netherlands, Ireland, and some other countries offer defined benefit plans as post-employment benefits. Among them, the defined benefit plan adopted in the Netherlands is a major one.

A benefit formula applied to the defined benefit plan of the Netherlands is an average pay plan in which the amount of the benefit calculated by multiplying the annual salary at a certain ratio is accumulated.

Defined benefit plans are managed by the Astellas pension fund of the Netherlands. The board of the pension fund is composed of employers and plan participants.

In the Netherlands, it is required by local regulation to maintain sufficient surplus in the pension fund and the fund is monitored by the independent authority. If the amount of the pension fund is lower than the minimum funding level, additional contribution might be required.