

## Notice Regarding the Performance-linked Stock Compensation Scheme

Tokyo, May 11, 2018 – Astellas Pharma Inc. (TSE: 4503; President and CEO: Kenji Yasukawa, Ph.D. the “Company”) today announced that at the meeting of the Board of Directors held today a resolution was passed to submit a proposal to set a Performance-linked Stock Compensation Scheme after transition to a company with an Audit & Supervisory Committee, to the 13th Term Annual Shareholders Meeting of the Company scheduled to be held on June 15, 2018 (“Annual Shareholders Meeting”). The meeting of the Board of Directors held today also passed a resolution of the Incentive Plan which will be implemented in fiscal year 2018 based on the Performance-linked Stock Compensation Scheme as described below (“Plan”).

While the Company has introduced a Performance-linked Stock Compensation Scheme since the fiscal year 2015, the Company will transition to a company with an Audit & Supervisory Committee at the conclusion of the Annual Shareholders Meeting on condition that the proposal on such transition is approved at the Annual Shareholders Meeting, as has already been announced in the press release made on January 31, 2018 (URL: <https://www.astellas.com/jp/en/news/10311>). In conjunction with such transition, it will newly submit to the Annual Shareholders Meeting the proposal on a Performance-linked Stock Compensation Scheme (“Scheme”) for Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members) after the transition to a company with an Audit & Supervisory Committee.

The details of the Plan after the transition will be essentially the same as incentive plans implemented in fiscal years 2015, 2016 and 2017.

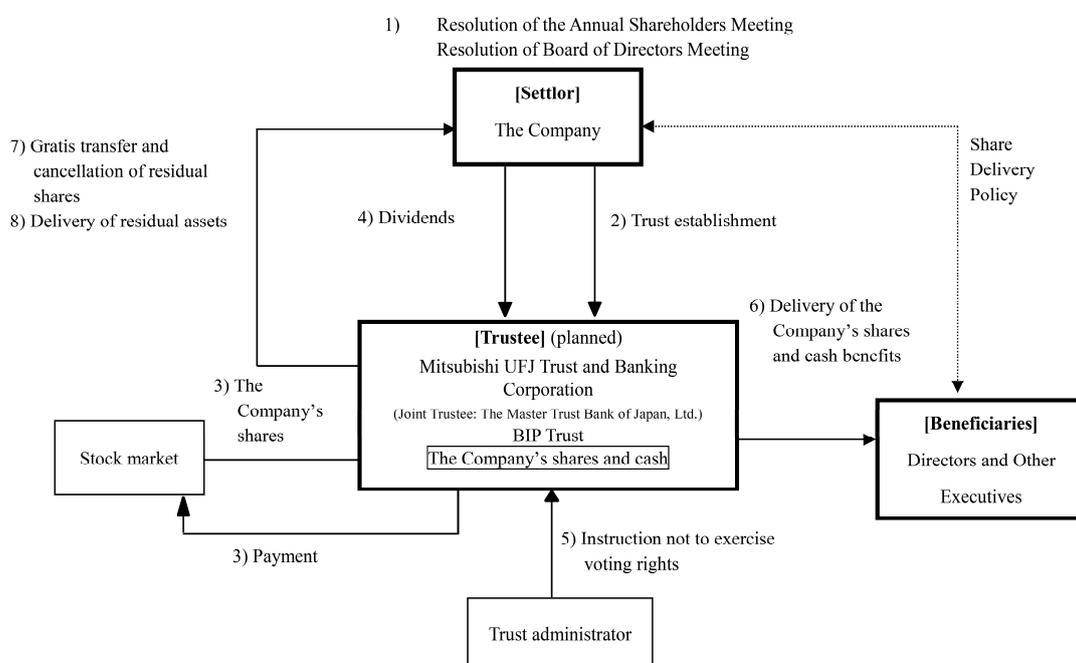
### 1. Objective for the Scheme

- (1) The Scheme is the medium- to long-term incentive-based compensation plan for the Company’s Directors (excluding outside Directors and Directors who are Audit & Supervisory Committee Members) (“Directors”) and Corporate Executives (collectively referred to as “Directors and Other Executives”) that is highly transparent and objective closely linked with the Company’s business results with the aim of raising their consciousness of contributing to sustainable growth in the Company’s business results and corporate value.
- (2) The Scheme employs a framework referred to as the executive compensation BIP (Board Incentive Plan) trust (“BIP Trust”). BIP Trust is an executive incentive

plan modeled on Performance Share and Restricted Stock systems in the U.S. The BIP Trust acquires the Company's shares and conducts a "delivery of the Company's shares" (as set forth in 3. (6) below; hereinafter the same) to the Directors and Other Executives based on the level of attainment of the medium-term management targets.

- (3) The Company plans to increase the ratio of performance-linked compensation in remuneration structure for Directors and Other Executive.

## 2. The Structure of the BIP Trust



- 1) The Company will obtain a resolution for the introduction of the Scheme for the Directors at the Annual Shareholders Meeting. Based on the Scheme, the Company will resolve on the implementation and content of the Plan for fiscal year 2018 at the meeting of the Board of Directors.
- 2) The Company will entrust money, and establish a trust with the Company's Directors who have satisfied the beneficiary conditions as beneficiaries ("BIP Trust A") and a trust with the Company's Corporate Executives who have satisfied the beneficiary conditions as beneficiaries ("BIP Trust B") (BIP Trust A and BIP Trust B will collectively be referred to as the "Trust"). The money entrusted in BIP Trust A will be within the scope of approval of the Annual Shareholders Meeting.

- 3) The Trust, in accordance with the instructions of the trust administrator, will use the money entrusted in 2) to acquire the Company's shares on the stock market.
- 4) Dividends for the Company's shares in the Trust will be paid in the same way as with other shares of the Company.
- 5) Voting rights are not to be exercised on the Company's shares within the Trust throughout the trust period.
- 6) During the trust period, beneficiaries will receive delivery of the Company's shares in accordance with the Company's Share Delivery Policy.
- 7) In the event that residual shares remain at the expiration of the trust period as a result of the management targets not being met during the trust period or other reasons, the Trust will continue to be used as an incentive plan based on the Scheme by making changes to the trust agreement and additional entrustments, or a gratis transfer of these residual shares will be made from the Trust to the Company and upon acquiring these shares the Company plans to implement the cancellation of them by resolution of the Board of Directors.
- 8) Upon conclusion of the Trust, the residual assets remaining after allocation to the beneficiaries are to belong to the Company within the scope of the reserve fund for trust expenses after deductions for stock purchases from trust money. In the event that there remain residual assets beyond the scope of the reserve fund for trust expenses, such assets are to be donated to an organization having no relationship of interest with the Company or executives of the Company.

### 3. Details of the Plan

#### (1) Overview of the Plan

The Plan is an incentive plan, under which delivery of the Company's shares will be conducted as executive compensation during the three-year period from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021 ("Applicable Period"), according to the level of attainment of medium-term management targets and other criteria throughout the Applicable Period.

The Company intends to continue implementing incentive plans which are similar to the Plan in each year in and after the following fiscal year by establishing new BIP Trusts or by making changes or additional entrustments to the existing BIP Trusts that have expired. The details of the incentive plans to be implemented in and after the following fiscal year will be determined by resolution of the Board of Directors in each case. With respect to the incentive plans to be implemented in and after the following fiscal year, the money to be entrusted to the incentive plan based on BIP Trust A and the delivery of the Company's shares relating to BIP Trust A will be within the scope approved by the Annual Shareholders Meeting.

(2) Resolution of the Annual Shareholders Meeting regarding the Scheme

With regard to BIP Trust A, the maximum amount of money to be entrusted and the maximum total number of the Company's shares to be delivered (including the number of the Company's shares to be converted into cash as prescribed in (6) below) and other necessary matters will be resolved at the Annual Shareholders Meeting.

(3) Individuals eligible under the Plan ("beneficiary conditions")

As a general rule, Directors and Other Executives who are in office as of July 1, 2018 (hereinafter "Eligible Individuals"), if they meet the following beneficiary conditions, shall receive delivery of the number of the Company's shares corresponding to the points stated in (5) below from the Trust.

The beneficiary conditions are as follows:

- 1) such person shall continue to serve as Director with respect to BIP Trust A and as Corporate Executive with respect to BIP Trust B until June 1, 2021;
- 2) such person shall reside in Japan; and
- 3) such person shall have met other criteria which are deemed necessary for achieving the purpose of the stock compensation scheme.

(4) Trust period

The trust period shall be from September 1, 2018 (planned) to August 31, 2021 (planned).

At the expiration of the trust period, the Company may continue the Trust in the form of incentive plans which are similar to the Plan by making changes to the trust agreement and additional entrustments.

(5) Number of the Company's shares to be delivered to Eligible Individuals

The number of the Company's shares to be delivered to Eligible Individuals (including the number of the Company's shares to be converted into cash in accordance with (6) below) shall be determined on the basis of the points, which have been allocated in accordance with the following, with 1 point corresponding to 1 share of the Company's share <sup>(\*)</sup>.

- (\*1) In the event that the number of the Company's shares belonging to the Trust increases or decreases due to stock split, gratis allotment or stock consolidation, etc., the number of the Company's shares to be delivered per point shall be adjusted by means of a reasonable method

Basic points shall be allocated to the Eligible Individuals who are in office as of July 1, 2018 in accordance with the following formula.

(Formula for the calculation of basic points)

Basic amount determined based on rank <sup>(\*2)</sup> divided by the Average closing price of the Company's shares on the Tokyo Stock Exchange in June 2018

\* Any fractions of less than one shall be discarded.

(\*2) The basic amount levels shall be determined based on the contents of business execution and the responsibilities of each individual, as well as by considering a balance with other monetary compensation, etc., to function soundly as the medium- to long-term incentive plan.

Eligible Individuals who are in office as of June 1, 2021 shall receive delivery of the Company's shares from the Trust in numbers corresponding to the points calculated according to the formula below.

Basic points × Performance-linked coefficient <sup>(\*3)</sup>

\* Any fractions of less than one shall be discarded.

(\*3) The performance-linked coefficient of the Plan shall be determined within a range from 0 to 200% based on the level of attainment of the pre-determined consolidated management targets for sales, core operating profit ratio, core ROE (core profit for the year divided by total equity attributable to owners of the parent) and others for the fiscal year ending March 31, 2021. Performance-linked coefficient shall be reported to and determined by the Board of Directors after deliberation by the Compensation Committee.

(6) Method and timing for delivering the Company's shares to Directors and Other Executives

"Delivery of the Company's shares" refers to, at a given time, the receipt of half of the number of the Company's shares corresponding to the allocated points from the Trust (provided that shares less than one unit shall be converted into cash within the Trust and the cash equivalent to the amount of conversion will be received), and the receipt of the cash equivalent to the remaining half after conversion into cash within the Trust.

Eligible Individuals who have met the beneficiary conditions shall receive delivery of the Company's shares around June 2021.

In the event that an Eligible Individual retires during the trust period (excluding voluntary retirement and dismissal), as a general rule, such individual shall receive the delivery of the Company's shares in numbers corresponding to the points that have been allocated up to the time of retirement.

In the event that an Eligible Individual becomes deceased during the trust period, as a general rule, the Company's shares shall be converted into cash in numbers corresponding to the points which have been allocated to such individual up to that time within the Trust, and the cash equivalent to the amount of conversion shall be received by such individual's heir from the Trust.

- (7) Amount expected to be entrusted to BIP Trust A and the number of the Company's shares expected to be delivered from BIP Trust A (including the number of the Company's shares to be converted into cash in accordance with (6) above).

The Company intends to entrust ¥304 million to BIP Trust A (\*4).

- (\*4) Equivalent to the total amount of stock purchases, trust fees and trust expenses during the trust period, and inclusive of the residual assets succeeded from the existing BIP Trust A. At the Annual Shareholders Meeting, it is scheduled to approve and resolve the maximum amount of contribution to the Scheme for Directors to be ¥550 million per fiscal year. If so resolved as proposed, the amount that may be entrusted by the Company to BIP Trust A in each fiscal year will be within the amount thus resolved.

The maximum number of the Company's shares to be delivered to Directors by BIP Trust A during the trust period in accordance with (5) above shall be the number derived by dividing maximum amount of ¥550 million entrusted to BIP Trust A by the average closing price of the Company's shares on the Tokyo Stock Exchange in June 2018.

- (8) Method for acquiring the Company's shares by the Trust

The acquisition of the Company's shares by the Trust is planned to be made on the stock market.

- (9) Exercise of voting rights of the Company's shares within the Trust

In order to maintain a neutral position vis-a-vis management, no voting rights shall be exercised on the Company's shares within the Trust during the trust period.

- (10) Handling of dividends on the Company's shares within the Trust

Dividends on the Company's shares within the Trust shall be received by the Trust and applied to trust fees and trust expenses for the Trust.

- (11) Handling at the expiration of the trust period

In the event that residual shares remain at the expiration of the trust period due to the management targets not being met during the Applicable Period or other reasons, the Company may continue the Trust in the form of incentive plans which are similar to the Plan by making changes to the trust agreement and additional entrustments. If the Trust is to be terminated due to the expiration of the trust period, gratis transfer of these residual shares will be made from the Trust to the Company, the Company plans to implement the cancellation of them by resolution of the Board of Directors.

Additionally, in the event that residual dividends on the Company's shares within the Trust remain at the expiration of the trust period and the Company continues to use the Trust, such residual assets shall be applied towards the acquisition of shares. However, if the Company concludes the Trust due to the expiration of the trust period, such assets are planned to be donated to an organization having no relationship of interest with the Company or executives of the Company.

(Reference)

[Contents of the Trust for the Incentive Plan in fiscal year 2018]

	“BIP Trust A”	“BIP Trust B”
1) Trust category	Monetary trust other than a specific individually operated monetary trust (third-party benefit trust)	
2) Trust objective	To provide incentive to Directors	To provide incentive to Corporate Executives
3) Trustor	The Company	
4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Joint Trustee: The Master Trust Bank of Japan, Ltd.)	
5) Beneficiaries	Directors who have met beneficiary conditions	Corporate Executives who have met beneficiary conditions
6) Trust administrator	Third party with no relationship of interest with the Company (certified public accountant)	
7) Date of trust agreement	August 2, 2018 (planned)	
8) Trust period	September 1, 2018 (planned) to August 31, 2021 (planned)	
9) Start of the Plan	September 1, 2018 (planned)	
10) Exercise of voting rights	Not to be exercised	
11) Type of shares to be acquired	Common stock of the Company	
12) Amount of entrustment	¥304 million (planned) (Including trust fees and trust expenses) <sup>(*)5</sup>	¥576 million (planned) (same as on the left) <sup>(*)5</sup>
13) Acquisition period of shares	August 6, 2018 (planned) to August 31, 2018 (planned)	
14) Method of acquiring shares	Acquisition on the stock market	
15) Rights holder	The Company	
16) Residual assets	The Company, the rights holder, shall receive residual assets within the scope of the reserve fund for trust expenses after deductions of stock purchases from trust money.	

<sup>(\*)5</sup> The above amount of trust includes the residual assets succeeded from the existing BIP Trust.

[Administrative tasks related to the trust and shares]

1) Administrative tasks related to the trust:

Mitsubishi UFJ Trust and Banking Corporation is to handle trust-related administrative tasks as the Trust's trustee.

2) Administrative tasks related to the shares:

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is to handle administrative tasks related to delivering the Company's shares to beneficiaries based on an administration entrustment agreement.

**About Astellas**

Astellas Pharma Inc., based in Tokyo, Japan, is a company dedicated to improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. We focus on Urology, Oncology, Immunology, Nephrology and Neuroscience as prioritized therapeutic areas while advancing new therapeutic areas and discovery research leveraging new technologies/modalities. We are also creating new value by combining internal capabilities and external expertise in the medical/healthcare business. Astellas is on the forefront of healthcare change to turn innovative science into value for patients. For more information, please visit our website at <https://www.astellas.com/en>.

**Cautionary Notes**

In this press release, statements made with respect to current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Astellas. These statements are based on management's current assumptions and beliefs in light of the information currently available to it and involve known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to: (i) changes in general economic conditions and in laws and regulations, relating to pharmaceutical markets, (ii) currency exchange rate fluctuations, (iii) delays in new product launches, (iv) the inability of Astellas to market existing and new products effectively, (v) the inability of Astellas to continue to effectively research and develop products accepted by customers in highly competitive markets, and (vi) infringements of Astellas' intellectual property rights by third parties.

Information about pharmaceutical products (including products currently in development) which is included in this press release is not intended to constitute an advertisement or medical advice.

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