

## Allotment of Subscription Rights to Shares (Stock Option Scheme as Stock-Linked Compensation Plan)

Tokyo, Japan, June 18, 2014 - Astellas Pharma Inc. (Tokyo : 4503, President and CEO: Yoshihiko Hatanaka, hereinafter called “the Company”) hereby announces that it passed a resolution at the meeting of the Board of Directors held today to determine, among other things, the offering conditions of subscription rights to shares and to offer the subscription rights to shares to the Directors (except for the Outside Directors) and Corporate Executives of the Company pursuant to provisions of Article 238, Paragraphs 1 and 2 and Article 240, Paragraph 1 of the Companies Act of Japan, in order to enhance their motivation and morale for improving corporate value.

### Particular

1. Name of subscription rights to shares to be offered:

Astellas Pharma Inc. Subscription Rights to Shares issued in July 2014

2. Total number of subscription rights to shares to be offered:

2,269 units

The total number above is the number scheduled to be allotted, but if the total number of subscription rights to shares to be allotted decreases due to a lack of acceptance or the like, the total number of subscription rights to shares allotted shall be deemed the number of subscription rights to shares to be offered.

3. Type and number of shares to be issued upon exercise of subscription rights to shares:

The type of shares to be issued upon exercise of subscription rights to shares is shares of common stock of the Company and the number of shares to be issued upon exercise of one subscription right to shares (the “number of allotted shares”) is 100 shares; provided, however, that if the Company makes a stock division (including a gratis allotment of shares of common stock of the Company; the same shall be applied hereinafter) or stock consolidation after the allotment date (to be determined in item 13 below), the number of allotted shares shall be adjusted in accordance with the following formula and any fractional shares less than one share arising out of such adjustment shall be omitted.

$$\begin{array}{rcccl} \text{Number of} & & \text{Number of} & & \text{Percentages of stock} \\ \text{allotted shares} & = & \text{allotted shares} & \times & \text{division} \\ \text{after adjustment} & & \text{before adjustment} & & \text{or consolidation} \end{array}$$

The number of allotted shares after adjustment shall be applicable in case of stock division from the date (inclusive) immediately following the record date of the relevant stock division or in case of stock consolidation from the effective date (inclusive) of the stock consolidation.

In addition to the above, if an unavoidable event necessitating the number of allotted shares to be adjusted occurs after the allotment date, the Company may adjust the allotted shares to a reasonable extent.

Furthermore, when the Company adjusts the number of allotted shares, the Company shall give notice to each holder of subscription rights to shares to be offered registered in the register of subscription rights to shares (hereinafter collectively called the “Rights Holder”) or give public notice with respect to any necessary matters on or before the date preceding the date on which the number of allotted shares after adjustment becomes applicable. Provided, however, that if the Company is unable to give such notice or public notice on or before the date preceding the date on which the number of allotted shares after adjustment becomes applicable, the Company shall subsequently give notice or public notice promptly.

4. Amount to be contributed upon exercise of subscription rights to shares to be offered:

An amount to be contributed upon the exercise of each subscription right to shares to be offered shall be one (1) yen per share to be delivered upon exercise of subscription rights to shares to be offered, multiplied by the number of allotted shares.

5. Exercise period of subscription rights to shares to be offered:

From July 4, 2014 through June 18, 2034 (both inclusive).

6. Matters concerning capital or capital reserves to be increased when shares are issued upon exercise of subscription rights to shares to be offered:

(1) The amount of capital to be increased when shares are issued upon exercise of subscription rights to shares to be offered shall be a half of the limit of capital increase calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fractions less than one (1) yen resulting from that calculation shall be rounded up to the nearest whole yen.

(2) The amount of capital reserves to be increased when shares are issued upon exercise of subscription rights to shares to be offered shall be the amount of the limit of capital increase described in (1) above less the amount of capital to be increased as set out in (1) above.

7. Restriction on transfer of subscription rights to shares to be offered:

Any transfer of subscription rights to shares to be offered shall be subject to approval of the Board of Directors of the Company.

8. Conditions for acquiring subscription rights to shares to be offered:

When any of the following proposals (1), (2), (3), (4) and (5) are approved by the Company’s general meeting of shareholders (in case approval of general meeting of shareholders is not required, when the Board of Directors of the Company determines by resolution), the Company may acquire subscription rights to shares for free on the date separately determined by the Board of Directors.

- (1) a proposal for a merger agreement where the Company shall be dissolved;
- (2) a proposal for a company division agreement or company division plan where the Company shall be divided;
- (3) a proposal for a stock exchange agreement or stock transfer plan where the Company shall become a wholly owned subsidiary of another company;
- (4) a proposal for an approval of amendments to the Articles of Incorporation to establish new provisions by which any transfer of any shares to be issued by the Company will be subject to the Company’s approval;
- (5) a proposal for an approval of amendments to the Articles of Incorporation to establish

new provisions by which any acquisition by way of transfer of the type of any shares to be issued upon exercise of subscription rights to shares to be offered will be subject to the Company's approval or the Company may acquire all of the shares in the relevant type (if any) to be issued upon exercise of subscription rights to shares to be offered by resolution of the general meeting of shareholders of the Company.

9. Determination policy concerning details of invalidation of subscription rights to shares to be offered and delivery of subscription rights to shares of the Restructured Company under the Organization Restructuring:

Upon merger (limited to a case where the Company becomes a dissolving company), absorbing company division, new company establishing company division, stock exchanges, or stock transfer of the Company (hereinafter collectively called the "Organization Restructuring"), the Company shall deliver subscription rights to shares of corporations listed in Article 236, Paragraph 1, Items 8.1 through 8.5 (hereinafter called the "Restructured Company") of the Companies Act of Japan in accordance with the following terms and conditions to the Rights Holder of subscription rights to shares remaining unexercised at the time immediately before the Organization Restructuring takes effect (hereinafter called the "Remaining Subscription Rights to Shares"). In this case, the Remaining Subscription Rights to Shares shall cease to be effective and the Restructured Company shall newly issue subscription rights to shares; provided, however that the foregoing shall apply only to the case in which delivery of subscription rights to shares of the Restructured Company in accordance with the following terms and conditions is provided for in the relevant absorbing merger agreement, new company establishing consolidation agreement, absorbing company division agreement, new company establishing company division plan, stock exchange agreement or stock transfer plan, as the case may be.

- (1) Number of subscription rights to shares of the Restructured Company to be delivered:

The Company shall deliver subscription rights to shares, the number of which shall equal the number of subscription rights to shares held by the Rights Holder of the Remaining Subscription Rights to Shares.

- (2) Type of shares of the Restructured Company to be issued upon exercise of subscription rights to shares:

Shares of common stock of the Restructured Company

- (3) Number of shares of the Restructured Company to be issued upon exercise of subscription rights to shares:

To be decided upon application, mutatis mutandis, of item 3 above, taking into consideration the terms and conditions of the Organization Restructuring, etc.

- (4) Amount to be contributed upon exercise of subscription rights to shares:

The amount to be contributed upon exercise of the exercise of each subscription right to shares to be delivered shall be obtainable by an amount that one (1) yen per share of the Restructuring Company to be delivered upon exercise of each subscription right to shares, multiplied by the number of shares of the Restructured Company to be issued upon exercise of the relevant subscription rights to shares determined in accordance with (3) above.

- (5) Exercise period of subscription rights to shares:

From the later of the commencement date of the exercise period of subscription rights to shares to be offered set out in item 5 above or the day on which the Organization Restructuring becomes effective through the expiration date of the exercise period of subscription rights to shares to be offered set out in item 5 above.

- (6) Matters concerning capital or capital reserves to be increased when shares are issued upon exercise of subscription rights to shares:

To be decided by a resolution upon application, mutatis mutandis, of item 6 above.

- (7) Restriction on transfer of subscription rights to shares:

To acquire subscription rights to shares by transfer shall require approval of the Board of Directors of the Restructured Company.

- (8) Conditions for acquiring subscription rights to shares:

To be decided by a resolution upon application, mutatis mutandis, of item 8 above.

- (9) Other conditions for exercise of subscription rights to shares:

To be decided by a resolution upon application, mutatis mutandis, of item 11 below.

10. Arrangement of handling of fractional shares resulting from exercise of subscription rights to shares to be offered:

In case that the shares to be delivered to the Rights Holder include fractional shares, such number of fractional shares shall be disregarded.

11. Other conditions for exercise of subscription rights to shares to be offered:

- (1) The Rights Holder may only exercise the right on and after the date immediately following the date when they lose their positions as both Directors and Corporate Executives of the Company (hereinafter called the “Commencement Date of the exercise period”)

- (2) The Rights Holder may exercise the rights for the period of only ten (10) years commencing from the Commencement Date of the exercise period.

- (3) Notwithstanding (1) and (2) above, the Rights Holder may exercise the rights within the respective periods prescribed when either (i) or (ii) below occurs (provided that the case mentioned in (ii) below excludes when subscription rights to shares of the Restructured Company are delivered to the Rights Holder in accordance with item 9 above):

- (i) If the Rights Holder does not have the Commencement Date of the exercise period on or before June 18, 2033:

From June 19, 2033 through June 18, 2034.

- (ii) If a proposal for a merger agreement where the Company shall be dissolved, or a proposal for a stock exchange agreement or stock transfer plan where the Company shall become a wholly owned subsidiary of another company is approved by the Company’s general meeting of shareholders (in case approval of a

general meeting of shareholders is not required, when the Board of Directors of the Company determines by resolution):

During a 15 day-period commencing from the date immediately following the date (inclusive) when the proposal is approved.

(4) Each subscription right to shares may not be partially exercised.

12. Calculation method of the amount to be paid for subscription rights to shares to be offered:

The amount to be paid for each subscription right to shares to be offered shall be an amount obtainable by the option value per share that is calculated based on the basic figures by the Binominal Model, multiplied by the number of allotted shares; provided, however, that the calculation method by the Binominal Model is as follows:

When the term  $T$  commencing from the allotment date of subscription rights to shares to be offered to the expiration date of the exercise period is equally divided by the interval  $\Delta t$ , the option value  $C_{i,j}$  at certain point  $(i, j)$  shall be represented by using the fluctuation of stock prices  $\sigma$ , interest rates without risks  $r$  and dividend yields  $q$ :

$$C_{i,j} = e^{-r\Delta t} (pC_{i+1,j+1} + (1-p)C_{i+1,j}) \quad \dots \quad \text{formula(1)}$$

$$p = \frac{e^{(r-q)\Delta t} - d}{u - d}$$

$$u = e^{\sigma\sqrt{\Delta t}}$$

$$d = e^{-\sigma\sqrt{\Delta t}}$$

In addition, the option value as at the expiration date of the exercise period shall be determined by the following formula using stock price  $S$  and the exercise price  $X$ :

$$C_{N,j} = \max(S \cdot u^j \cdot d^{N-j} - X, 0) \quad j = 0, 1, 2, \dots, N \quad \text{and,} \quad N = \frac{T}{\Delta t}$$

When the items from “ $i = N$ ” to “ $i = 0$ ” of the option value as at the expiration date of the exercise period ( $C_{N,j}$ ) is calculated one after another by formula (1) above, the option value ( $C_{0,0}$ ) as at the allotment date of subscription rights to shares (0,0) shall be obtained and this value shall become the option value per share.

Furthermore, during the period when subscription rights to shares are exercisable during the period concerned, the option value per share shall be determined by the following formula instead of formula (1), taking into account the early exercise of the subscription rights to shares:

$$C_{i,j} = \max(S \cdot u^j \cdot d^{i-j} - X, e^{-r\Delta t} (pC_{i+1,j+1} + (1-p)C_{i+1,j})) \quad \dots \quad \text{formula(2)}$$

The option value per share ( $C_{0,0}$ ) is obtained by using formula (1) that is applied to the period ( $\tau$ ) commencing from the allotment date and ending on the date when the right is fixed, while formula (2) is applied to the period ( $T - \tau$ ) commencing from the Commencement Date of

the exercise period and ending on the expiration date of the exercise period.

The option value ( $C_{0,0}$ ) :

i. Stock price ( $S$ ) :

The closing price per share of the Company on July 3, 2014 on a regular way at the Tokyo Stock Exchange (if no closing price is available on such day, then the closing price on the trading day immediately preceding July 3, 2014)

ii. Exercise price ( $X$ ) :

The price to be decided in item 4 above

iii. Period between the allotment date and the date when the right is fixed ( $\tau$ ) :

Three (3) years

iv. Period between the allotment date and the maturity date ( $T$ ) :

Twenty (20) years

v. Fluctuation of stock price ( $\sigma$ ) :

The fluctuation rate is calculated based on the closing price of the Company's shares on a regular way at the Tokyo Stock Exchange for each trading day of the twenty (20) year period between July 3, 1994 and July 3, 2014 (both inclusive).

vi. Interest rate without risks ( $r$ ) :

The interest rate of a government bond of which the outstanding years correspond to the period stated in item (iv) above.

vii. Dividend yields ( $q$ ) :

The dividend per share (dividends paid as at the six month period ended September 30, 2013 and the end of the fiscal year ended March 31, 2014) divided by the stock price stated in item (i) above

The Amount calculated as above is the fair value of subscription rights to shares to be offered and it is not particularly favorable to the allottee.

The remuneration payable by the Company to the allottees, on the other hand, and the amount to be paid by the allottees in exchange for the subscription rights to shares, on one hand, will be offset against each other.

13. Allotment date of subscription rights to shares to be offered:

July 3, 2014

14. Payment date for subscription rights to shares to be offered:

The payment date shall be due on July 3, 2014.

15. Allottees and the number of subscription rights to shares to be allotted:

Allottees	Number	Number of subscription rights to shares to be allotted
Directors	3	790
Corporate Executives	20	1,479

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Contacts for inquiries or additional information
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