Notice Regarding the Introduction of a Performance-linked Stock Compensation Scheme

Tokyo, May 11, 2015– Astellas Pharma Inc. (Headquarters: Tokyo, President and CEO: Yoshihiko Hatanaka) announced that at the meeting of the Board of Directors held today a resolution was passed for the introduction of a Performance-linked Stock Compensation Scheme (hereinafter the "the Scheme"), the submission of a proposal of the Scheme to the 10th Term Ordinary General Meeting of Shareholders scheduled to be held on June 17, 2015 (hereinafter the "General Meeting of Shareholders"), and the details of the Incentive Plan based on the Scheme, which will be implemented in fiscal year 2015 (hereinafter, the "Plan"), as described below.

1. Objective for Introducing the Scheme

(1) The Company will introduce the Scheme for Directors and Corporate Executives (excluding outside Directors, and Directors and Corporate Executives residing overseas; hereinafter collectively referred to as "Directors and Other Executives") for the purpose of increasing their awareness of contributing to the sustainable growth in business results and corporate value. The Scheme will be the medium- to long-term incentive-based compensation plan that will be highly transparent and objective and closely linked with the Company's business results.

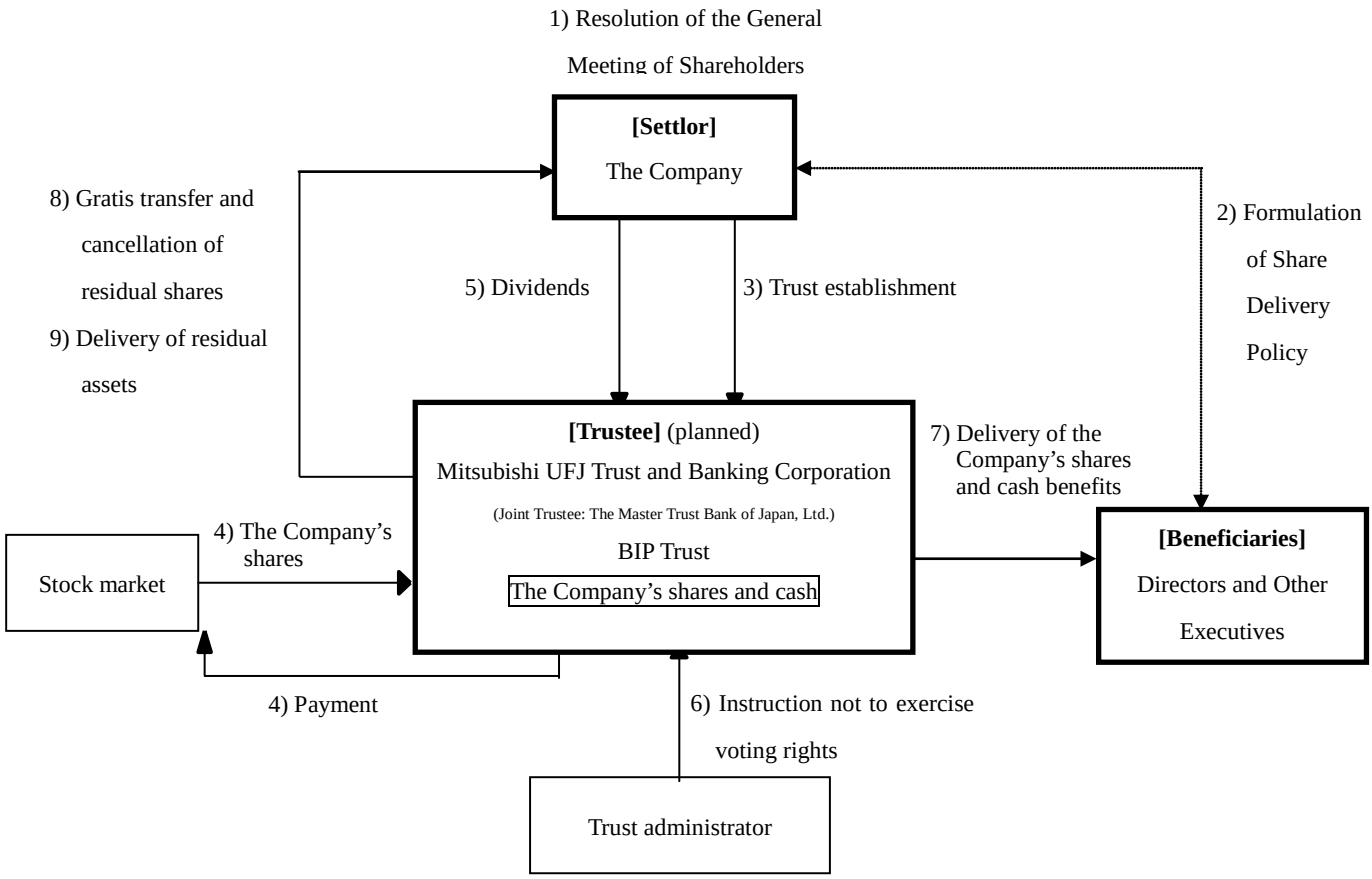
(2) The introduction of the Scheme for Directors will be subject to the approval of the General Meeting of Shareholders.

(3) As a performance-linked stock compensation scheme, the Scheme will employ a framework referred to as the executive compensation BIP (Board Incentive Plan) trust (hereinafter "BIP Trust"). BIP Trust is an executive incentive plan modeled on Performance Share and Restricted Stock systems in the U.S. The BIP Trust will acquire the Company's shares and conduct 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. Additionally, executive compensation will be restructured in conjunction with the introduction of the Scheme and the compensation system will be revised so that performance-linked compensation will account for a greater portion of executive compensation. (*1) (*2)

(*1) Compensation of Directors and Other Executives consists of "basic remunerations," "bonuses" and "stock compensation." In and after fiscal year 2015, no new stock option scheme under the stock-linked compensation plan will be implemented. Additionally, compensation of outside Directors and Corporate Auditors who are independent from business execution will be only "basic remunerations" as was the case in the past.

(*2) The Company has established a Compensation Committee, which is chaired by an outside Director and in which the majority of the members are outside Directors, as an advisory body to the Board of Directors. Through the deliberation by the Compensation Committee of the introduction of the Scheme, the Company has ensured the transparency and objectivity of the decision-making process for the compensation system.

2. The Structure of the BIP Trust



1) The Company will receive approval for the introduction of the Scheme for Directors at the General Meeting of Shareholders.

2) The Company at the meeting of the Board of Directors will formulate Share Delivery Policy for executive compensation relating to the introduction of the Scheme.

3) 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") (Hereinafter 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 General Meeting of Shareholders mentioned in 1) above.

4) The Trust, in accordance with the instructions of the trust administrator, will use the money entrusted in 3) to acquire the Company's shares on the stock market.

5) Dividends for the Company's shares in the Trust will be paid in the same way as with other shares of the Company.

6) Voting rights are not to be exercised on the Company's shares within the Trust throughout the trust period.

7) During the trust period, beneficiaries will receive delivery of the Company's shares in accordance with the Company's Share Delivery Policy.

8) In the event that residual shares remain at the expiration of the trust period as a result of the operating 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.

9) 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.

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, 2016 to the fiscal year ending March 31, 2018 (hereinafter the "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 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 General Meeting of Shareholders.

(2) Resolution of the General Meeting of Shareholders for the introduction of the Scheme

With respect to BIP Trust A, the General Meeting of Shareholders shall resolve the maximum amount of money to be entrusted, 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 in accordance with (6) below), and other necessary items.

(3) Individuals eligible under the Plan (Beneficiary Conditions)

As a general rule, Directors and Other Executives who are in office as of September 1, 2015 (hereinafter "Eligible Individuals"), if they meet the following beneficiary conditions, shall receive delivery of the Company's shares from the Trust, in accordance with (5) below.

The beneficiary conditions are as follows:

1) such person shall continue to serve as Director (excluding outside Directors) with respect to BIP Trust A and as Corporate Executive with respect to BIP Trust B until June 1, 2018;
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 for approximately three years from August 3, 2015 (planned) to August 31,

2018 (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 (*3).

(*3) 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 September 1, 2015 in accordance with the following formula.

(Formula for the calculation of basic points)

Basic amount determined based on rank (*4) ÷ Average closing price of the Company's shares on Tokyo Stock Exchange for August 2015

* Any fractions of less than one shall be discarded.

(*4) 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, 2018 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 (*5)

* Any fractions of less than one shall be discarded.

(*5) The performance-linked coefficient shall be determined within a range of 0 to 200% based on the level of attainment of the pre-determined, consolidated operating targets for sales, core operating profit ratio and ROE for the fiscal year ending March 31, 2018. Evaluation of the level of attainment of operating targets shall be reported to and determined by the Board of Directors after deliberation by the Compensation Committee.

(6) Method and period 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 2018.

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 the Trust (including the number of the Company's shares to be converted into cash in accordance with (6) above).

The Company intends to entrust ¥310 million to BIP Trust A (*6).

(*6) Equivalent to the total amount of funds required by the Trust to acquire shares, trust fees and trust expenses during the trust period. At the General Meeting of Shareholders, the Scheme for Directors is expected to be approved subject to the amount of contribution to the Scheme being limited to ¥350 million per fiscal year. If this resolution is passed, the amount that may be entrusted by the Company to the Scheme in each fiscal year will be within the amount resolved by the General Meeting of Shareholders. The above limit on the entrusted amount takes into account possibility of revisions to the compensation system such as the remuneration standards and the proportion of the remuneration components in the future.

The maximum number of the Company's shares to be delivered by BIP Trust A during the trust period in accordance with (5) above shall be the number derived by dividing the money entrusted to BIP Trust A by the average closing price of the Company's shares on Tokyo Stock Exchange for August 2015.

(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. In the event that residual assets remain at the conclusion of the Trust after being applied towards trust fees and trust expenses, such assets shall be donated to an organization having no relationship of interest with the Company. In the event that the Company continues to use the Trust, such residual assets shall be applied towards the acquisition of shares.

(11) Handling at the conclusion 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, and upon acquiring these shares the Company plans to implement the cancellation of them by resolution of the Board of Directors.

(Reference)

[Contents of the Trust Agreement to be concluded in fiscal year 2015]

	"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 the Directors of the Company	To provide incentive to the Corporate Executives of the Company
3) Trustor	The Company	
4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Joint Trustee: The Master Trust Bank of Japan, Ltd.)	
5) Beneficiaries	The Company's Directors who have met beneficiary conditions	The Company's 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 10, 2015 (planned)	
8) Trust period	August 10, 2015 (planned) to August 31, 2018 (planned)	
9) Start of the Scheme	September 1, 2015 (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	¥310 million (planned) (Including trust fees and trust expenses)	¥560 million (planned) (Same as on the left)
13) Acquisition period of shares	August 12, 2015 (planned) to August 31, 2015 (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 for stock purchases from trust money.	

[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.

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For inquiries or additional information

Astellas Pharma Inc.
Corporate Communications
Tel: +81-3-3244-3201 Fax: +81-3-5201-7473
http://www.astellas.com/en