

# Corporate Governance Report

29<sup>th</sup> July, 2020

Takeda Pharmaceutical Company Limited

<https://www.takeda.com>

## I. Basic Views on Corporate Governance and Basic Information on Capital Structure, Corporate Profile and Other Matters

### 1. Basic Views

Takeda's mission is to "strive towards Better Health and Brighter Future for people worldwide through leading innovation in medicine." In line with this mission, Takeda is establishing a management framework appropriate for a R&D-driven biopharmaceutical company that operates on a global scale. We are strengthening internal controls, including rigorous compliance and risk management, and establishing a structure that will allow rapid decision-making that is also sound and transparent. Through these efforts, we will further improve our corporate governance, thereby maximizing corporate value.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company is in compliance with all of the principles of the Corporate Governance Code (effective as of 1<sup>st</sup> June, 2018).

#### [Disclosure Based on the Principles of the Corporate Governance Code]

This report covers every principles that should be disclosed under the Corporate Governance Code by addressing each principle according to its item number.

### (1) Company objectives, business strategies, and business plans **Update**

#### a. Company objectives and business strategies...Principle 3.1 (i)

Company's vision, mission and values can be found on the corporate website's "Corporate Philosophy" section. For details on Takeda's objectives and business strategies please look at quarterly results and the presentation materials on the "Investor Information" section.

Corporate Philosophy:

<https://www.takeda.com/who-we-are/corporate-philosophy/>

Investor Information:

<https://www.takeda.com/investors/>

#### b. Business plans ...Principle 3.1 (i)

Please refer to the quarterly results and the presentation materials on the "Investor Information" page of the Company website (link above) for the latest information on FY20 Management Guidance (underlying revenue growth, underlying Core Operating Profit growth and the margin, and Underlying Core EPS growth).

#### c. Basic views and guidelines on corporate governance... Principle 3.1 (ii)

Please refer to "Basic Views" in Part I section 1 of this report.

### (2) Securing the Rights and Equal Treatment of Shareholders

#### d. General shareholder meeting

- The Company sends a notice of convocation of its Ordinary General Meeting of Shareholders three weeks prior to the day of the meeting and discloses it on its website so that shareholders have sufficient time to review the agenda of the meeting.
- The Company translates the full text of the notice of convocation into English and discloses it on its website. The Company utilizes an electronic platform for voting so that institutional and foreign investors can execute their voting rights easily.

#### e. Cross-Shareholdings...Principle 1.4

- The Company only holds a minimum number of shares of other companies with which it has business relationships. About such shareholdings, the Company assesses whether or not each shareholding contributes to the corporate value of the Company group by considering the Company's mid-to-long term business strategy, and comparing benefits of such ownership (dividends, business transactions, expected returns from strategic alliance, etc.) with the Company's cost of capital. As a result of the review, the Company divests shares from applicable shareholdings that are deemed to be of little significance after taking the financial strategy and market environment into consideration.
- The Company makes a decision on the exercise of voting rights regarding cross-shareholding after comprehensively reviewing whether the proposal makes a positive contribution to shareholder value as well as the value of issuing companies. The Company will object to any proposals that are deemed detrimental to shareholder value or corporate governance of issuing companies.

#### **f. Related Party Transactions...Principle 1.7**

- The Company investigates the existence of related party transactions such as transactions involving Directors and their close relatives through methods including seeking direct confirmation from Directors.
- The Company has procedures that comply with the provisions of the Companies Act on competitive and conflict-of-interest transactions by the Director. In addition, the transactions by the Director's close family members and by Takeda Executive Team (TET) member and his/her close family members require the approval of the Board of Directors.
- Transactions such as investments in, and loans and guaranties provided to subsidiaries/affiliated companies require the approval of Business Review Committee or other decision-making bodies depending on the amount of the investment, loan, or guarantee.
- In addition to the above, the Company will investigate any unusual transactions between the Company and affiliated companies and consider accounting treatment and disclosure of such transactions in advance, confirm whether the value of the transaction is significant, and, where the amounts are significant, monitor the content and conditions of such transactions on a quarterly basis.
- As stipulated in the Financial Instruments and Exchange Act, the Company considers any shareholder who holds 10% or more of the voting rights of all shareholders (excluding those specified by the Cabinet Office Ordinance) as a "major shareholder". Although the Company has no "major shareholders" at present, the Company will apply the above procedures to any "major shareholders" in the future.

#### **(3) Appropriate Cooperation with Stakeholders Other Than Shareholders**

- The Company takes into account the interests of various stakeholders including patients, healthcare professionals, employees, clients such as suppliers and vendors, creditors, local communities, and shareholders in order to improve long-term corporate value.

#### **(4) Ensuring Appropriate Information Disclosure and Transparency**

- The Company makes timely and appropriate disclosures in a fair, detailed, and understandable manner to keep all shareholders informed in accordance with applicable laws including the Companies Act, the Financial Instruments and Exchange Act and the U.S. Exchange Act as well as the Financial Instruments Exchange rules in Japan and rules and regulations of U.S. Securities and Exchange Commission ("SEC").
- The Company promptly discloses financial and non-financial information including Environment, Social and Governance (ESG) related information beneficial to stakeholders such as shareholders in addition to the information required by laws and regulations.

#### **(5) Responsibilities of the Board**

##### **g. Roles of the Board... Supplementary Principle 4.1.1**

- The Board focuses on discussing and resolving of strategic or particularly important matters such as the establishment of and amendments to the Company group's corporate philosophy as well as important management policies and plans such as mid-to long-term strategies and corporate plans. In addition, the Board delegates responsibilities for decision-making regarding some of the important business decisions to the management under the Company's Articles of Incorporation. The Board of Directors Bylaws specify the matters for resolution by the Board. In addition to deliberation and resolution of the matters, the Board is responsible for the supervision of business executed by Directors.
- As to the aforementioned matters delegated to the management, specifically, they are delegated to the Business Review Committee (which is responsible for general management matters), the Portfolio Review Committee (which is responsible for R&D and product-related matters), and the Risk, Ethics and Compliance Committee (which is responsible for risk management, business ethics and compliance matters) respectively. The Board supervises the management's execution of these matters through the reports of the aforementioned committees.
- Matters not requiring the approval of the aforementioned committees are delegated to the TET (which consists of the President & CEO and the function heads of the Takeda Group who report directly to the President & CEO) based on Takeda Group's Management Policy (T-MAP) and Takeda aims for agile and efficient decision-making across the group.

##### **h. Composition of the board...Supplementary Principle 4.11.1**

- In order to strengthen supervisory functions and further deliver objectivity and transparency through the deliberations, Independent External Directors comprise a majority of the Board of Directors of the Company. The Company has sixteen Directors (including four Directors who are Audit and Supervisory Committee Members), of which 11 are Independent External Directors (including three Independent External Directors who are Audit and Supervisory Committee Members) at the time of writing. The Board is chaired by an Independent External Director.
- The Company makes appropriate Director appointments, and constitutes the Board based on the following principles:
  - Appoint individuals from inside and outside the Company irrespective of nationality or gender who can contribute to the balance of knowledge, experience, and capacity needed for governance of the Company's global operations.
  - The Board shall be a size that allows effective and agile decision-making and appropriate supervision of management (the

Company's Articles of Incorporation limit the maximum number of Directors who are not Audit and Supervisory Committee Members to 12 and Directors who are Audit and Supervisory Committee Members to four).

**i. Policies and procedures in the nomination of directors... Principle 3.1 (iv), (v) Update**

- The Company nominates candidates for Directors who are not Audit and Supervisory Committee Members considering, among other things, whether candidate has appropriate experience and expertise to either complement or supplement the current capabilities in the Board, has the gravitas and reputation required for directorship of a large pharmaceutical company or high-level performance required of business managers and deep understanding of Takeda's Corporate Philosophy.
- The Company nominates candidates for Directors who are Audit and Supervisory Committee Members among those who have outstanding integrity and assume a firm attitude in carrying out duties in all circumstances and have a wide range of expertise and/or knowledge that guarantees sound audit for Takeda's global operations.
- The Board of Directors selects candidates for members of the Board of Directors. The Nomination Committee (advisory committee to the Board of Directors) chaired by an External Director with all members being External Members, ensures the appropriateness of the candidate. Candidates for External Directors are elected based on the "Internal criteria for independence of External Directors (Refer to II.1. Independent Directors)". Candidates for Directors who are Audit and Supervisory Committee Members are nominated by the Board of Directors, after obtaining agreement of Audit and Supervisory Committee.
- Regarding the reappointment of director candidates, the Company has internal rules that define the criteria for not reappointing the current directors and if the criteria are met, the Board of Directors will determine that such director will not be reappointed as a candidate after consultation and recommendation with the Nomination Committee.
- The profiles and reasoning of individual appointments of nominated Director candidates are disclosed in the "Notice of Convocation of Ordinary General Meeting of Shareholders" and the Securities Report.

**j. Remuneration of the Directors, etc. ... Principle 3.1 (iii)**

- Please refer to the "Policies determining the amount of remuneration or the method for calculating remuneration" in Part II section 1 of this report.

**k. Independent Directors... Principle 4.9, Supplementary Principle 4.11.2**

- The Company has established its "Internal criteria for independence of External Directors" to ensure such Directors are of a character that we believe is truly important for realizing the common interests of the shareholders.
- Please refer to the "Internal Criteria for Independence of External Directors of the Company" under the title of "Independent Directors" in Part II section 1 of this report.
- Concurrent director positions of External Directors at other organizations are stated in the "Notice of Convocation of Ordinary General Meeting of Shareholders" and the Securities Report. In addition, the Company believes the concurrent holding of these positions does not prevent External Directors from allocating sufficient time and attention to perform the roles and duties of their offices.

**l. Director Training... Supplementary Principle 4.14.2**

- The Company provides necessary information about the Company (Takeda-ism, governance, business strategies etc.), industry trends and legal responsibilities (duty of care, duty of loyalty etc.) to Directors when they take office. Also, the Company continues to provide useful information and learning opportunities etc. even after Directors take office.
- In addition to continually providing information about Takeda and the pharmaceutical industry to External Directors, the Company also provides study sessions and site visits as appropriate.
- The Company bears the expenses for all training.

**m. Board Effectiveness... Supplementary Principle 4.11.3 Update**

- An evaluation of the performance and effectiveness of the Board of Directors is conducted at least once a year in principle by third party organizations in such a way that the individual opinions of the Directors are easily obtained. All Directors individually complete a questionnaire and/or are individually interviewed. Based on the results of the evaluation, the Board of Directors analyzes and evaluates the effectiveness thereof and acts on any opportunities for improvement.
- In fiscal year 2019, a review of the performance and effectiveness of the Board of Directors was conducted. In the review, the Board of Directors of the Company deemed that they were able to work effectively and (i) with regard to matters that were pointed out in the evaluations in the past, improvements were confirmed, and (ii) there was no important matter which was newly pointed out. This review, including the one mentioned above, after incorporating the analysis and recommendations made by third party organizations, was discussed at the Board of Directors meeting. Through this, the Company had an opportunity to gain a deeper understanding of its strengths to further enhance its functions

**(6) Dialogue with Shareholders... Principle 5.1 Update**

- Takeda is structured to continue "purposeful dialogue" with shareholders on topics including corporate governance, measures

addressing environmental and social issues, corporate and financial strategy, research and development, capital policy, business performance, and business risk, each from a mid-to-long-term perspective. This dialogue is conducted with transparency, based on valid information, and in adherence with Fair Disclosure Rules, to enable Takeda to build strong relationships of trust with its shareholders, who share with the Company the common interest of realizing "sustainable growth of corporate value".

- The Chief Financial Officer (CFO) is responsible for overall engagement with shareholders, and the Global Head of Investor Relations (IR) in the Global Finance department is accountable for operational IR activities. When planning and conducting meetings with shareholders, the Head of IR determines the meeting style and Takeda participants (which may include the President & CEO, the CFO, or other senior management), taking into consideration the objectives and impact of the meeting, and the characteristics of each shareholder.
- The IR team promotes dialogue with shareholders by collecting necessary information from various internal divisions such as finance, R&D, and commercial, and devising ways of effective communication to shareholders through close collaboration with these divisions.
- Takeda continues to enhance activities aiming to deepen the shareholders' understanding about topics including the Company's management policy, corporate governance, measures addressing environmental and social issues, strategies, and current business status. With respect to engagement with institutional investors, in addition to one-on-one meetings, Takeda holds quarterly earnings conferences and hosts IR Day events that focus on topics of high shareholder interest. Information about these events is disclosed to individual investors through postings on the IR section of corporate website, and Takeda also holds company presentation meetings specifically for individual investors. Presentation video and a message from the President & CEO are also posted on the website.
- Shareholders' interests and concerns which are raised during dialogue with the Company are shared with the senior management and are utilized for business analysis and for considering the optimal way of disclosing information.
- Based on feedback received from our shareholders, we disclosed individual product revenue and cashflow forecast for FY2020. We also disclosed performance against backward looking KPIs and individual compensation of Directors for FY2019.
- When engaging in communication with shareholders, Takeda appropriately manages insider information in compliance with internal rules and applicable regulatory requirements, and fairly and timely discloses that information. In advance of earnings announcements, Takeda implements a "silent period", during which no communication with shareholders regarding earnings information is permitted.

**(7) Company's measures for Corporate Pension Funds as the Managing Organization... Principle 2.6**

- Takeda Pharmaceutical Pension Association is administered by the designated or selected expert staff mainly in the areas of HR and Finance, who are knowledgeable about corporate pension and pension fund management. Insights and consulting services from external professionals are taken into consideration in pension fund management policy, as securing long-term pension payment for employees is critically important. In addition, pension fund investment is practically managed by external consigned institutions so that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed, as the Company shall not be involved with directing pension fund investment or exercising the voting rights. Company is mindful of potential impact to financial conditions as well as of maximizing benefits for participants and beneficiaries in Takeda's corporate pension program, periodically monitoring the pension fund condition in the asset management committee or flexibly changing the portfolio strategy.
- In operating the Corporate Pension Funds, the Company carefully considers the importance that pension fund management plays in potentially impacting employees' stable asset formation and the Company's financial conditions. The Company continues to strengthen its system to fulfil its responsibilities as an asset owner.

**2. Capital Structure Update**

Foreign Shareholding Ratio: More than 30% (as of end of March 2020)

[Status of Major Shareholders]

Number of Shares Owned	Percentage (%)	
The Master Trust Bank of Japan, Ltd. (Trust account)	125,740,000	7.98
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	84,990,974	5.39
Japan Trustee Services Bank, Ltd. (Trust account)	81,194,900	5.15
JP Morgan Chase Bank 385632	47,739,426	3.02
Nippon Life Insurance Company	35,360,385	2.24
Japan Trustee Services Bank, Ltd. (Trust account 5)	33,897,300	2.15
SSBTC CLIENT OMNIBUS ACCOUNT	25,727,026	1.63
JP Morgan Chase Bank 385151	25,030,497	1.58

State Street Bank West Client-Treaty 505234	23,355,171	1.48
Japan Trustee Services Bank, Ltd. (Trust account 7)	22,268,100	1.41

Controlling Shareholder (except for Parent Company): None

Parent Company: N/A

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo 1st Section, Nagoya 1st Section, Sapporo Existing Market, Fukuoka Existing Market
Fiscal Year-End	End of March
Type of Business	Pharmaceuticals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000 persons
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 1 trillion Yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	300 companies or more

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### ✓ Organizational Composition and Operation

Organization Form: Company with Audit and Supervisory Committee

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16 persons
Term of Office Stipulated in Articles of Incorporation (Directors who are members of the Audit and Supervisory Committee)	2 years
Term of Office Stipulated in Articles of Incorporation (Directors who are NOT members of the Audit and Supervisory Committee)	1 year
Chair of the Board Meeting	Independent External Director
Number of Directors	16 persons
Election of External Directors	Elected
Number of External Directors	11 persons
Number of Independent Directors	11 persons

#### External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)										
		a	b	c	d	e	f	g	h	i	j	k
Masahiro Sakane	Coming from another company											
Olivier Bohuon	Coming from another company											
Jean-Luc Butel	Coming from another company											
Ian Clark	Coming from another company											
Yoshiaki Fujimori	Coming from another company											
Steven Gillis	Coming from another company											
Shiro Kuniya	Attorney-at-law								✕			
Toshiyuki Shiga	Coming from another company											
Koji Hatsukawa	Certified public accountant											
Emiko Higashi	Coming from another company											
Michel Orsinger	Coming from another company											

\*1 Categories for "Relationship with the Company

- a. Executive of the Company or its subsidiaries
- b. Non-executive Director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Auditor
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company External Directors/Corporate Auditors are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2) **Update**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment (If designated as Independent Director, reasons for designation)
Masahiro Sakane	✓	N/A	<p>Mr. Masahiro Sakane has been appointed as an External Director as of June 2014. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as company top management. He facilitates Board of Directors meetings as the chairperson since June 2017 as well as leads meetings by External Directors, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019. He has also contributed as chairperson of the Nomination Committee of the Company to provide objectivity and transparency in the Director candidate selection process.</p> <p>His ownership of the Company's share is immaterial (as of June 2020), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.</p>
Olivier Bohuon	✓	N/A	<p>Mr. Olivier Bohuon served as an External Director of Shire and has sufficient expertise in Shire's portfolio and its related therapeutic areas. Previously, he has held key positions in healthcare companies in Europe and the U.S. and has a deep insight into the management of global healthcare businesses based on his ample experience. He has remarkable expertise in the area of marketing in the overall healthcare business.</p> <p>He has been appointed as an External Director as of January 2019. He contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 7 of the 8 meetings of the Board of Directors in the fiscal year 2019. He also actively participates in the discussions at the Compensation Committee based on his experience as top management of a global operating company, providing objectivity and transparency in the Company's compensation plan for Directors.</p> <p>There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the</p>

			interests of the Company's general shareholders as he executes his duties as an External Director.
Jean-Luc Butel	✓	N/A	<p>Mr. Jean-Luc Butel has served as an External Director who is an Audit and Supervisory Committee Member since June 2016. He has been appointed as an External Director who is not an Audit and Supervisory Committee Member since June 2019. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as top management of major western healthcare companies, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019. He has also contributed as a member of the Nomination Committee of the Company to provide objectivity and transparency in the Director candidate selection process.</p> <p>There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.</p>
Ian Clark	✓	N/A	<p>Mr. Ian Clark served as an External Director of Shire and has sufficient expertise in Shire's portfolio and its related therapeutic areas. Previously, he has held key positions in healthcare companies in Europe and the U.S. and has a deep insight into the management of global healthcare businesses based on his ample experience. He has remarkable expertise in marketing in the area of oncology and operations of the science and technology division of a healthcare company.</p> <p>He has been appointed as an External Director as of January 2019. He contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 7 of the 8 meetings of the Board of Directors in the fiscal year 2019. He also actively participates in the discussions at the Compensation Committee based on his experience as top management of a global operating company, providing objectivity and transparency in the Company's compensation plan for Directors.</p> <p>There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.</p>
Yoshiaki Fujimori	✓	N/A	<p>Mr. Yoshiaki Fujimori has been appointed as an External Director as of June 2016. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as company top management, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019. He also actively participates in the discussions at the Compensation Committee based on his experience as top management of a global operating company, providing objectivity and transparency in the Company's compensation plan for Directors.</p> <p>His ownership of the Company's share is immaterial (as of June 2020), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent</p>

			Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.
Steven Gillis	✓	N/A	<p>Mr. Steven Gillis served as an External Director of Shire and has sufficient expertise in Shire's portfolio and its related therapeutic areas. Previously, he has held key positions in healthcare companies in Europe and the U.S. and has a deep insight into the management of global healthcare businesses based on his ample experience. He has remarkable expertise, with a Ph.D. in Biological Sciences, in the area of healthcare businesses for immunological therapy.</p> <p>He has been appointed as an External Director as of January 2019. He contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019. He has also contributed as a member of the Nomination Committee of the Company to provide objectivity and transparency in the Director candidate selection process.</p> <p>There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.</p>
Shiro Kuniya	✓	The Company receives advice, etc., on legal matters as needed from other lawyers working at Oh-Ebashi LPC & Partners, the law firm where Shiro Kuniya works concurrently, but the proportion of the annual value of those transactions to the sales of the Company and of Oh-Ebashi LPC & Partners is less than 1% in both cases. In addition, there is no advisory contract between the Company and Oh-Ebashi LPC & Partners.	<p>Mr. Shiro Kuniya has served as External Corporate Auditor since June 2013 and an External Director who is the Head of Audit and Supervisory Committee since June 2016. He has been appointed as an External Director who is not an Audit and Supervisory Committee Member since June 2019. He proactively expresses his opinions at the Board of Directors meetings by leveraging wide-ranging experience and expertise in the area of corporate and international legal affairs as a lawyer, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019.</p> <p>His ownership of the Company's share is immaterial (as of June 2020), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.</p>
Toshiyuki Shiga	✓	N/A	<p>Mr. Toshiyuki Shiga has been appointed as an External Director as of June 2016. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as company top management as well as his expertise in general industries in Japan, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019. He has also contributed as a member of the Nomination Committee of the Company to provide objectivity and transparency in the Director candidate selection process.</p> <p>His ownership of the Company's share is immaterial (as of June 2020), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed</p>

			that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.
Koji Hatsukawa	✓	N/A	<p>Mr. Koji Hatsukawa has wide-ranging experience and expertise in the area of corporate finance and accounting as a certified public accountant.</p> <p>He has served as an External Director who is an Audit and Supervisory Committee Member since June 2016 and became the Head of the Committee in June 2019. He has contributed in the realization of the mission of Audit and Supervisory Committee: to ensure the sound and continuous growth of the Company, realize the creation of mid-and long-term corporate value, and establish a good corporate governance system that accommodates society's trust. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019.</p> <p>His ownership of the Company's share is immaterial (as of June 2020), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.</p>
Emiko Higashi	✓	N/A	<p>Ms. Emiko Higashi has been appointed as an External Director who is not an Audit and Supervisory Committee Member as of June 2016. She proactively expresses her opinions at the Board of Directors meetings by leveraging her ample experience and wide expertise on healthcare, technology and financial industries, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. She attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019. As chairperson, she also actively led discussions at the Compensation Committee by expressing opinions based on her experience as a top executive of a global operating company, providing objectivity and transparency in the Company's compensation plan for Directors.</p> <p>She has served as an External Director who is an Audit and Supervisory Committee Member since June 2019. She has contributed in the realization of the mission of Audit and Supervisory Committee: to ensure the sound and continuous growth of the Company, realize the creation of mid-and long-term corporate value, and establish a good corporate governance system that accommodates society's trust.</p> <p>There are no personnel, capital, business or other special relationship between her and the Company. The Company deemed that she is highly independent and designated her as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as she executes her duties as an External Director.</p>
Michel Orsinger	✓	N/A	<p>Mr. Michel Orsinger has been appointed as an External Director who is not an Audit and Supervisory Committee Member as of June 2016. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as top management of major western healthcare companies, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 8 of the 8 meetings of the Board of Directors in the fiscal year 2019. He has also contributed as a member of the Nomination Committee of the Company to provide objectivity and transparency in the Director</p>

			<p>candidate selection process.</p> <p>He has served as an External Director who is an Audit and Supervisory Committee Member since June 2019. He has contributed in the realization of the mission of Audit and Supervisory Committee: to ensure the sound and continuous growth of the Company, realize the creation of mid-and long-term corporate value, and establish a good corporate governance system that accommodates society's trust.</p> <p>There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee: Established

Committee's Name, Composition, and Attributes of Chairperson **Update**

Nomination Committee

Name	Nomination Committee
Number	5
Chairperson	External Director
Member	4 External Directors

Compensation Committee

Name	Compensation Committee
Number	4
Chairperson	External Director
Member	3 External Directors

### Supplementary Explanation

The Nomination Committee and the Compensation Committee were established as advisory bodies to the Board of Directors. The committees serve to ensure transparency and objectivity in decision-making processes and results relating to personnel matters for Directors (appropriateness of criteria and procedures for appointment and reappointment and succession planning and management) as well as results relating to the compensation system (appropriateness of levels of compensation for the Directors, performance targets within the Director bonus system and bonuses based on business results).

The majority of each committee members must be External Members (External Directors or external experts). Furthermore, at least one Director who is an Audit and Supervisory Committee member must be assigned to each committee and each committee must be chaired by an External Director.

In the fiscal year 2019, the Compensation Committee and the Nomination Committee were held eight and three times respectively. Attendance rate in both committees were 100%. The Compensation Committee reviewed and discussed the goal and results of performance-linked compensation, company's KPI and thresholds in consideration of the company's medium- and long-term plans and to the business environment, the amount of compensation for directors, the adoption of a compensation recoupment policy (clawback policy), the public disclosure of compensation, etc., and the committee further provided guidance to the Board of Directors. The Nomination Committee discussed directors' candidates and succession plan of director's candidates and the committee further provided guidance to the Board of Directors.

The member composition remains the same (as of 24<sup>th</sup> June, 2020):

- ✓ Nomination Committee: Masahiro Sakane (Chairperson), Jean-Luc Butel, Steven Gillis, Toshiyuki Shiga, Michel Orsinger (Christophe Weber attends as an observer.)
- ✓ Compensation Committee: Emiko Higashi (Chairperson), Olivier Bohuon, Ian Clark and Yoshiaki Fujimori

**[Audit and Supervisory Committee] Update**

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Internal Directors	External Directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	External Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Audit and Supervisory Committee has its own secretariat to support its operations and sufficient number of staffs devoted to the Audit and Supervisory Committee. Appointment and the personnel change of the members of the Audit and Supervisory Committee Office shall be handled by agreement from the Audit and Supervisory Committee.

Cooperation among Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

(Cooperation between Audit and Supervisory Committee and Accounting Auditors)

The Audit and Supervisory Committee receives reports on audit plans, the audit structure/system and audit results for each business year from Accounting Auditors directly. In addition, the Audit and Supervisory Committee and Accounting Auditors closely cooperate with each other by exchanging information and opinion as necessary.

(Cooperation between Audit and Supervisory Committee and Internal Audit Division)

Based on the status of development and operation of the internal control system, the Audit and Supervisory Committee works in close cooperation with Internal Audit Division to which the Audit and Supervisory Committee has the authority to give instructions, and conduct a systematic audit utilizing the information derived therefrom.

(Relationship between Audit and Supervisory Committee and Internal Control Promoting Department)

The Audit and Supervisory Committee closely cooperates with divisions responsible for the internal control function such as Global Ethics and Compliance, Risk Management and Accounting/Finance, etc. and utilize information from these divisions to enable effective audits and supervision by the Audit and Supervisory Committee.

**[Independent Directors]**

Number of Independent Directors	11 persons
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Independent Directors

The Company has set the "Internal Criteria for Independence of External Directors" as follows, and elected all External Directors who meet these criteria as Independent Directors.

**<Internal Criteria for Independence of External Directors of the Company>**

The Company will judge whether an External Director has sufficient independence against the Company with the emphasis on his/her meeting the following quality requirements, on the premise that he/she meets the criteria for independence established by the financial instruments exchanges.

The Company believes that such persons will truly meet the shareholders' expectations as the External Directors of the Company, i.e., the persons who can exert strong presence among the diversified members of the Directors and of the Company by proactively continuing to inquire the nature of, to encourage improvement in and to make suggestions regarding the important matters of the Company doing pharmaceutical business globally, for the purpose of facilitating impartial and fair judgment on the Company's business and securing sound management of the Company. The Company requires such persons to meet two or more of the following four quality requirements to be an External Director:

- (1) He/She has advanced insights based on the experience of corporate management;
- (2) He/She has a high level of knowledge in the area requiring high expertise such as accounting and law;
- (3) He/She is well versed in the pharmaceutical and/or global business; and
- (4) He/She has advanced linguistic skill and/or broad experience which enable him/her to understand diverse values and to actively participate in discussion with others.

**[Incentives]**

Incentive Policies for Directors	Adoption of performance-based remuneration system
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Please refer to the "Directors' Compensation Policy" attached at the end of this report.

**[Director Remuneration] Update**

Disclosure of Individual Directors' Remuneration	All disclosed individually
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods: Annual Securities Report, Notice of Convocation of the 144<sup>th</sup> Ordinary General Meeting of Shareholders

The total amounts of remuneration (including the amount of base salary and cost postings relating to the stock compensation), etc.,

for Directors for fiscal year 2019 are as follows.

Directors who are not Audit and Supervisory Committee Members (14 Directors): 2,217 million JPY  
(10 External Directors among the above Directors: 320 million JPY) (Note 1, 2, 3)  
Directors who are Audit and Supervisory Committee Members (Six Directors): 178 million JPY  
(Five External Directors among the above Directors: 127 million JPY) (Note 4)

(Notes)

1. Includes 2 Directors, who are not an Audit and Supervisory Committee ("ASC") Members and retired from the office, and 2 Directors who are Audit and Supervisory Committee members and resigned effective as of the closing of the 143<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 27, 2019.

2. The total amounts of compensation, etc. for Directors who are not Audit and Supervisory Committee Members above include the following basic compensation and cost postings relating to the stock compensation. These amounts do not include the salaries that Directors, who also work as employees, receive as employee portions of their compensation, and the bonuses.

[1] The basic salary is a fixed amount depending on each position, and its total amount per month is no more than 150 million JPY (within this amount, no more than 30 million JPY per month is for External Directors) (based on a resolution of the 140th Ordinary General Meeting of Shareholders held on 29<sup>th</sup> June, 2016).

[2] The cost posting relating to stock compensation is the value posted during fiscal year 2019 (1,555 million JPY, which includes 158 million JPY for External Directors).

(a) The stock compensation granted in FY2017 and FY2018 is based on the resolution of the 140th Ordinary General Meeting of Shareholders held on 29<sup>th</sup> June, 2016. The upper limit of the amount contributed for that stock compensation and the number of the stocks to be granted are as follows:

(i) Stock compensation granted to Directors who are neither External Directors nor Audit and Supervisory Committee Members (excluding Directors residing overseas)

Upper limit of 2.7 billion JPY per year for three consecutive fiscal years (the upper limit of the number of the stocks to be granted is calculated by dividing the amount of the above-mentioned upper limit by the closing price of the stocks of the Company at the Tokyo Stock Exchange on a predetermined day of each fiscal year)

(ii) Stock compensation granted to External Directors who are not Audit and Supervisory Committee Members

Upper limit of 0.3 billion JPY (the upper limit of the number of the stocks to be granted is calculated by dividing the amount of the above-mentioned upper limit by the closing price of the stocks of the Company at the Tokyo Stock Exchange on a predetermined day of each fiscal year)

(b) The stock compensation granted in FY2019 is based on the resolution of the 143<sup>rd</sup> Ordinary General Meeting of Shareholders held on 27<sup>th</sup> June, 2019, The upper limit of the amount contributed for that stock compensation and the number of the stocks to be granted are as follows:

(i) Stock compensation granted to Directors who are neither External Directors nor ASC Members (excluding Directors residing overseas)

Upper limit of 4.5 billion JPY per year for three consecutive fiscal years (the upper limit of the number of the stocks to be granted is calculated by dividing the amount of the above-mentioned upper limit by the closing price of the stocks of the Company at the Tokyo Stock Exchange on a predetermined day of each fiscal year)

(ii) Stock compensation granted to External Directors who are not ASC Members

Upper limit of 0.3 billion JPY (the upper limit of the number of the stocks to be granted is calculated by dividing the amount of the above-mentioned upper limit by the closing price of the stocks of the Company at the Tokyo Stock Exchange on a predetermined day of each fiscal year)

3. As the proposal for the "Payment of Bonuses to Directors who are not Audit and Supervisory Committee Members" was proposed at 144<sup>th</sup> Ordinary General Meeting of Shareholders held on 24<sup>th</sup> June, 2020 and it was approved as proposed, the Directors' bonuses, included among the compensation, etc., for Directors who are not Audit and Supervisory Committee Members for fiscal year 2019, will be paid within the amount set forth in the said proposal. Directors' bonuses are calculated depending on each position based on the Company's financial results (achievement of key performance indicators such as the Underlying Revenue, Underlying Core Operating Profit and Underlying Core EPS). The actual payment amount of bonuses was determined by the Compensation Committee based on the delegation of the authority resolved at the meeting of the Board of Directors held after the 144<sup>th</sup> Ordinary General Meeting of Shareholders based on the guidance of the Compensation Committee.

4. The total amounts of compensation, etc. for Directors who are Audit and Supervisory Committee Members include the following basic compensation and cost postings relating to the stock compensation.

[1] The basic compensation is a fixed amount depending on each position, and its total amount per month is no more than 15 million JPY (based on a resolution of the 140th Ordinary General Meeting of Shareholders held on 29<sup>th</sup> June, 2016).

[2] The cost posting relating to stock compensation is the value posted during fiscal year 2019 (71 million JPY).

(a) The stock compensation granted in FY2017 and FY2018 is based on a resolution of the 140th Ordinary General Meeting of Shareholders held on 29<sup>th</sup> June, 2016, for which no more than 200 million JPY will be contributed in the fiscal year for two consecutive fiscal years. The upper limit of the number of the stocks to be granted is calculated by dividing the amount of the above-mentioned upper limit by the closing price of the stocks of the Company at the Tokyo Stock Exchange on a

predetermined day of each fiscal year.

(b) The stock compensation granted in FY2019 is based on a resolution of the 143rd Ordinary General Meeting of Shareholders held on 27<sup>th</sup> June, 2019, for which no more than 200 million JPY will be contributed for the fiscal year. The upper limit of the number of the stocks to be granted is calculated by dividing the amount of the above-mentioned upper limit by the closing price of the stocks of the Company at the Tokyo Stock Exchange on a predetermined day of each fiscal year.

<Internal Directors>

Name (position): Christophe Weber (Director)

Total amount of remuneration on consolidated basis (in million yen): 2,073

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 273 (Note 1)
- Annual bonus: 675
- Long-term incentive: 1,125 (Note 2, 3)
- Other: 0

Name (position): Masato Iwasaki (Director)

Total amount of remuneration on consolidated basis (in million yen): 297

Company paying remuneration: Filing company – Director / Filing company – Employee (Note 4)

Remuneration amount by remuneration type (in million yen):

- Base salary: 35/27
- Annual bonus: 97/32
- Long-term incentive: 106/0 (Note 2, 5)
- Other: 0 / 0

Name (position): Andrew Plump (Director)

Total amount of remuneration on consolidated basis (in million yen): 1,046

Company paying remuneration: Filing company / Takeda Pharmaceuticals International, Inc. (Note 6)

Remuneration amount by remuneration type (in million yen):

- Base salary: 12/125
- Annual bonus: 0/379
- Long-term incentive: 0/485 (Note 2, 7)
- Other: 0/45 (Note 8)

Name (position): Constantine Saroukos (Director)

Total amount of remuneration on consolidated basis (in million yen): 664

Company paying remuneration: Filing company (Director) (Note 9)

Remuneration amount by remuneration type (in million yen):

- Base salary: 180 (Note 10)
- Annual bonus: 319
- Long-term incentive: 165 (Note 2, 11)
- Other: 0

Name (position): Yasuhiko Yamanaka (Director who is an Audit and Supervisory Committee Member)

Total amount of remuneration on consolidated basis (in million yen): 50

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 38
- Annual bonus: 0
- Long-term incentive: 12 (Note 2, 12)
- Other: 0

(Note1) Basic Compensation includes the grossed up amount paid for residence and pension allowances etc. for the relevant officer. (102 million JPY)

(Note2) Compensation expense related to the long-term incentive plan is recognized over multiple fiscal years, depending on the length of the period eligible for earning compensation. The described amount shows expenses during the fiscal year ended 31<sup>st</sup> March, 2020.

- (Note3) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2016-2019.
- (Note4) The amount shows the salary and other amounts earned as the President, Japan Pharma Business Unit etc. This employee portion of the bonus amount is not included in the limit outlined in the proposal "Payment of Bonuses to Directors who are not Audit and Supervisory Committee Members" as approved at the 144th General Meeting of Shareholders held on 24<sup>th</sup> June, 2020.
- (Note5) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2016-2019
- (Note6) It shows the salary and other amounts earned as the President, Research and Development of Takeda Pharmaceuticals International, Inc.
- (Note7) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Employee Stock Ownership Plan) grants awarded in fiscal years 2016-2019.
- (Note8) Amounts of local retirement plan contributions and other additional benefits paid by Takeda Pharmaceuticals International, Inc. during the fiscal year, as well as the amount equal to taxes on such amounts.
- (Note9) The salary and other amounts Constantine Saroukos earned as Chief Financial Officer prior to being appointed as a Director is not included.
- (Note10) Basic Compensation includes the grossed up amount paid for residence, pension allowances, and educational allowances etc. for the relevant officer. (97 million JPY)
- (Note11) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2019.
- (Note12) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2016-2019.

<External Directors>

Name (position): Masahiro Sakane (Director)

Total amount of remuneration on consolidated basis (in million yen): 44

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 24
- Annual bonus: 0
- Long-term incentive: 20 (Note 1)
- Other: 0

Name (position): Olivier Bohuon (Director)

Total amount of remuneration on consolidated basis (in million yen): 40

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 19
- Annual bonus: 0
- Long-term incentive: 21 (Note 1)
- Other: 0

Name (position): Jean-Luc Butel (Director)

Total amount of remuneration on consolidated basis (in million yen): 39

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 21
- Annual bonus: 0
- Long-term incentive: 18 (Note 1)
- Other: 0

Name (position): Ian Clark (Director)

Total amount of remuneration on consolidated basis (in million yen): 40

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 19
- Annual bonus: 0
- Long-term incentive: 21 (Note 1)

- Other: 0

Name (position): Yoshiaki Fujimori (Director)

Total amount of remuneration on consolidated basis (in million yen): 39

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 19

- Annual bonus: 0

- Long-term incentive: 20 (Note 1)

- Other: 0

Name (position): Steven Gillis (Director)

Total amount of remuneration on consolidated basis (in million yen): 40

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 19

- Annual bonus: 0

- Long-term incentive: 21 (Note 1)

- Other: 0

Name (position): Shiro Kuniya (Director)

Total amount of remuneration on consolidated basis (in million yen): 40

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 20

- Annual bonus: 0

- Long-term incentive: 20 (Note 1)

- Other: 0

Name (position): Toshiyuki Shiga (Director)

Total amount of remuneration on consolidated basis (in million yen): 40

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 20

- Annual bonus: 0

- Long-term incentive: 20 (Note 1)

- Other: 0

Name (position): Koji Hatsukawa (Director who is an Audit and Supervisory Committee Member)

Total amount of remuneration on consolidated basis (in million yen): 42

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 22

- Annual bonus: 0

- Long-term incentive: 20 (Note 1)

- Other: 0

Name (position): Emiko Higashi (Director who is an Audit and Supervisory Committee Member)

Total amount of remuneration on consolidated basis (in million yen): 43

Company paying remuneration: Filing company

Remuneration amount by remuneration type (in million yen):

- Base salary: 25

- Annual bonus: 0

- Long-term incentive: 18

- Other: 0

Name (position): Michel Orsinger (Director who is an Audit and Supervisory Committee Member)

Total amount of remuneration on consolidated basis (in million yen): 41

Company paying remuneration: Filing company  
 Remuneration amount by remuneration type (in million yen):  
 - Base salary: 23  
 - Annual bonus: 0  
 - Long-term incentive: 18 (Note 1)  
 - Other: 0

(Note 1) Compensation expense related to the long-term incentive plan is recognized over multiple fiscal years, depending on the length of the period eligible for earning compensation. The described amount shows expenses during the fiscal year ended 31<sup>st</sup> March, 2020

Policies determining the amount of remuneration or the method for calculating remuneration	Exist
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Policies disclosed determining the amount of remuneration or the method for calculating remuneration

The Company adopted the "Directors Compensation Policy (attached at the end of the report)" and Directors' compensation level and mix are determined based on this policy and the decision-making process.

The company has also adopted the executive compensation recoupment policy ("clawback policy"). The clawback policy provides that in the event of a significant restatement of financial results or significant misconduct, the independent external members of Takeda's Board of Directors may require Takeda to recoup incentive compensation. This would include all or a portion of the compensation received by any member of the Takeda Executive Team, any Internal Director on the Takeda's Board of Directors, and any other individual designated by the independent external members of Takeda's Board of Directors within the fiscal year, and the three (3) prior fiscal years, that the need for a significant restatement of financial results or significant misconduct was discovered. The policy takes effect from April 1, 2020 and apply to short-term incentive compensation beginning with the Fiscal Year 2020 performance year and long-term incentive granted in Fiscal Year 2020 and continue to apply for all subsequent periods.

**[Supporting System for External Directors]**

Takeda provides, in a timely manner, relevant information about important management-related matters to External Directors to help them make informed decisions. Explanations of the summary of topics to be discussed at board meetings are also provided in advance. The CEO Office is responsible for coordination with External Directors who are not Audit and Supervisory Committee Members. Information needed for activities such as auditing in the Audit and Supervisory Committee are shared with External Directors who are Audit and Supervisory Committee Members. To support the operation and serve as secretariat for the Audit and Supervisory Committee, the Audit and Supervisory Committee Office with dedicated staff was established.

**[Status of persons who have retired from a position such as Representative Director and President]**

Name and details of Corporate Counselors, Advisors, etc., who have formerly served in posts such as Representative Director and President etc., of the Company

Name	Title/ Position	Duties	Work Form/ Conditions (Full-time/ Part-time, Remunerated or not etc.)	Date of retirement as President etc.	Term
-	-	-	-	-	-

Total Number of Corporate Counselors, Advisors, etc., who have formerly served in posts such as Representative Director and President, etc., of the Company	0 person
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Other Matters

- The Company does not have Corporate Counselor.
- The Company abolished the advisor system in July 2017.

✓ **Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Update**

At Takeda, the Board of Directors determines the fundamental policies for the Group, and TET executes management and business operations in accordance with their decisions. Transparency of the Board of Directors is achieved through audits conducted by the Audit and Supervisory Committee. The External Directors ensure optimal business execution free of the pharmaceutical industry mindset. Moreover, in order to respond to management tasks that continue to diversify, the Company shall establish the TET, and also establish the Business Review Committee (which is responsible for general management matters), the Portfolio Review Committee (which is responsible for R&D and products related matters), and the Risk, Ethics & Compliance Committee (which is

responsible for risk management, business ethics and compliance matters) that review important matters to ensure agility and flexibility of business execution and deeper cooperation among the various functions.

#### Board of Directors

Takeda has given its Board of Directors the primary functions of observing and overseeing business execution as well as decision-making for strategic or particularly important matters regarding company management. The Board of Directors consists of sixteen Directors (including one female), including 11 External Directors, eight Japanese and eight non-Japanese, and meets in principle eight times per year to make resolutions and receive reports on important matters regarding management. Eight Board of Directors meeting were held in fiscal year 2019 and all Internal Directors who took office at the end of fiscal year 2019 attended all meetings. (Please refer to Table 'External Directors' Relationship with the Company (2)' in Section II.1.[Directors] about the attendance of External Directors.) The Board is chaired by an Independent External Director to increase independency of the Board. To ensure the validity and transparency of the decision-making process for the election of Director's candidates and compensation of Directors, Takeda established a Nomination Committee and a Compensation Committee, all members of which are Independent External Directors and both of which are chaired by the External Directors, as advisory committees to the Board.

#### Supervisory Committee's Audit

The Audit and Supervisory Committee ensures its independency and effectiveness, in line with "Rules of Audit and Supervisory Committee's Audit, etc." The Committee conducts audits of directors' performance of duties and performs any other duties stipulated in laws and regulations and in the articles of incorporation.

#### Internal Audit

The Group Internal Audit, comprised of 54 members, and the Corporate Environment, Health and Safety (EHS) department in the Global Manufacturing & Supply division conduct regular internal audits on their areas of focus for the Takeda organization using their respective guiding documents, the "Group Internal Audit Charter" and "Global Policy on EHS".

#### Takeda Executive Team (TET)

The TET consists of the President & CEO and function heads of the Takeda Group who report directly to the President & CEO. Please refer to the Corporate website's Executive Leadership page.

Takeda Executive Team:

<https://www.takeda.com/who-we-are/company-information/executive-leadership/>

#### Business Review Committee

The Business Review Committee consists of TET members. In principle, it holds a meeting twice a month to discuss and make decisions on important matters concerning corporate management and business execution.

#### Portfolio Review Committee

The Portfolio Review Committee consists of TET members and the heads of R&D core functions. In principle, it holds a meeting two to three times a month. The Portfolio Review Committee is responsible for ensuring that Takeda's portfolio is optimized to achieve the organization's strategic objectives, and determines the composition of the portfolio by reviewing and approving R&D investments in portfolio assets. In addition to determining which assets and projects will be funded, the Portfolio Review Committee defines how investments will be resourced.

#### Risk, Ethics & Compliance Committee

The Risk, Ethics & Compliance Committee consists of TET members, Head of Internal Audit and relevant subject matter experts. In principle, it holds a meeting once a quarter to discuss and make decisions on important matters concerning risk management, business ethics and compliance matters.

#### Accounting Audit

KPMG AZSA LLC was appointed as the accounting auditor of the Company at the Company's general shareholders' meeting. The Company's accounting was audited by the following two certified public accountants from KPMG AZSA LLC: Mr. Masahiro Mekada (consecutive auditing period: one year), Mr. Kotetsu Nonaka (consecutive auditing period: two years) and Mr. Naohiro Nishida (consecutive auditing period: five years). These three certified public accountants were supported by 42 other certified public accountants and 77 other individuals.

The Audit and Supervisory Committee makes decisions, such as the reappointment or non-reappointment of the Accounting Auditor, after assessing the audit quality, quality control and independence of the Accounting Auditor.

#### Liability Limitation Agreement

The Company has executed agreements with Non-Executive Directors stating that the maximum amount of their liabilities for damages as set forth in Article 423, Paragraph 1 of the Companies Act shall be the amount provided by law.

✓ **Reasons for Adoption of Current Corporate Governance System**

The Company became a Company with Audit and Supervisory Committee based on the resolution at the Ordinary General Meeting of Shareholders held on 29<sup>th</sup> June, 2016. We aim for increased transparency and independence of the Board, and further enhancement of the corporate governance, through establishing the systems of audit and supervision conducted by the Audit and Supervisory Committee and increasing the proportion of the number of External Directors and the diversity of the Board. The governance structure also enables us to enhance the separation of business execution and supervision by delegating decision-making authority to Directors, which realizes further agility in decision-making and helps the Board of Directors focus more on discussions of business strategies and particularly important business matters.

**III. Implementation of Measures for Shareholders and Other Stakeholders**

**1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights**

Early Notification of General Shareholder Meeting	The notice is dispatched three weeks prior to the day of the meeting in principle. In addition, Takeda strives to disclose the notice earlier than the dispatch of it on the Company website and other websites, including that of the administrator of the shareholder's register, Mitsubishi UFJ Trust and Banking Corporation.
Scheduling Annual General Shareholder Meetings Avoiding the Peak Day	Takeda avoids to hold its General Meeting of Shareholders on a date that set by many Japanese companies. However, the meeting date is decided by the availability of venue as well as administrative schedule.
Allowing Electronic Exercise of Voting Rights	Takeda shareholders have been able to exercise voting rights by electronic means since the General Meeting of Shareholders held in June 2007.
Participation in Electronic Voting Platform	Takeda has been utilizing the electronic voting platform operated by Investors Communications Japan, Inc. (ICJ) since the General Meeting of Shareholders held in June 2007.
Providing Convocation Notice in English	To encourage shareholders to vote, Takeda publishes the Japanese and English versions of the notice of convocation on its website and other websites, including that of the administrator of the shareholder's register, Mitsubishi UFJ Trust and Banking Corporation.
Other	Takeda organizes the General Meeting of Shareholders using presentation materials in a format that is easy for shareholders to understand, including the use of slide and video presentations by the President & CEO to explain performance and business policies.

**2. IR Activities Update**

	Supplementary Explanations	Presentation made by senior management
Preparation and Publication of Disclosure Policy	The disclosure of final accounts and quarter accounts require an approval from Board of Directors and other disclosure materials require an approval from Business Review Committee. The Company has established "Rules for Global External Communications" as a basic rule for information disclosure, and "Global Press Release and Related Materials Approval Standard Operating Procedure" that specify the functions within Takeda with responsibility for press release disclosure, and the relevant communication channels and procedures, respectively.	/
Regular Investor Briefings for Individual Investors	During fiscal year 2019, Takeda's department responsible for IR organized company presentations aimed at retail investors. Such presentation was held once in Japan with support from securities companies and the securities exchange.	No
Regular Investor Briefings for Analysts and Institutional Investors	In principle, Takeda holds earnings release conferences twice a year on the same days as the full-year and second quarter results announcement. These events include financial results and a Q&A session in which participants can address questions directly to senior management. Conference calls are held when the quarterly results for the first and third quarters are released. These also include presentations of results and the opportunity to question senior management directly.	Yes
Regular Investor Briefings for	Conference calls are held in English on the release of the quarterly and	Yes

Overseas Investors	annual results. Conference call participants have the opportunity to ask questions to senior management directly. R&D and PDT Days (including manufacturing plant visit) were held in November 2019 in Tokyo and New York, which provided an overview of Takeda's R&D strategy and key pipeline in development and PDT business. Takeda invited overseas investors to these events, provided conference call lines, and streamed live and on-demand webcast.	
Posting of IR Materials on Website	URL : <a href="https://www.takeda.com/">https://www.takeda.com/</a> Materials available on the website: Quarterly financial statements, supplemental information of pipeline, presentation materials used in earnings release conferences, sustainable value reports, notices of convocation of ordinary general meetings of shareholders, IR conference materials, notices of resolutions, and others.	
Establishment of Department and/or Manager in Charge of IR	Department responsible for IR: Global Finance, IR	

### 3. Measures to Ensure Due Respect for Stakeholders **Update**

	Supplemental Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Takeda's mission of "striving towards Better Health and Brighter Future for people worldwide through leading innovation in medicine" expresses a commitment to make a positive contribution to patients and healthcare professionals through our core business pharmaceuticals. Our Values, Takeda-ism, is rooted in our Japanese heritage. It incorporates our Values of Integrity, Honesty, Fairness and Perseverance, brought to life through actions based on Patient-Trust-Reputation Business. Together, they represent who we are and how we act, helping us make decisions we can be proud of today, and in the future. They clearly indicate the Company's emphasis on the importance addressing needs of variety of its stakeholders including patients. Moreover, the Takeda Global Code of Conduct provides ethical guidelines for employees to respect the perspectives of stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	<p>[Sustainability]</p> <p>At Takeda we define sustainability as focusing on our core assets and capabilities on solving key societal challenges in a way that respects stakeholders' needs and expectations and ensure the long-term performance of the Company. The Company is focusing on bringing more clarity and rigor around Takeda's sustainability efforts based on our corporate philosophy. Takeda's ongoing efforts to address environmental issues include long-term targets to reduce our climate change impacts, manage waste responsibly and enhance water stewardship as well as the programs to support achieving these targets. We engage in these activities from a medium and long-term perspective, based on the principles outlines in our Global Policy on EHS. In January 2020, furthering the Company's commitment to the environment, Takeda unveiled 2040 targets to achieve carbon neutrality across its value chain. For more information please refer to the Environment section of the Corporate website. <a href="https://www.takeda.com/corporate-responsibility/environment/commitment-to-carbon-neutrality-at-takeda/">https://www.takeda.com/corporate-responsibility/environment/commitment-to-carbon-neutrality-at-takeda/</a></p> <p>[CSR (Philanthropy) activities]</p> <p>Our global corporate social responsibility (CSR) activities emphasize the importance of patient centricity and take into consideration international CSR-related principles and standards such as the Sustainable Development Goals (SDGs) and the United Nations Global Compact. Since its launch in 2016, our Global CSR Program has supported activities in developing countries that prevent disease, train health workers, strengthen supply chains, and improve access to quality diagnosis and treatment. Takeda is in the process of evolving this program further as we envision a world with accessible healthcare for all through partnerships with world-class organizations with proven track records of addressing global health problems in innovative, enduring ways. For more information please visit the Corporate Responsibility section of the Corporate website. <a href="https://www.takeda.com/corporate-responsibility/global-csr-program/">https://www.takeda.com/corporate-responsibility/global-csr-program/</a></p>
Development of Policies on Information Provision to Stakeholders	The Company has established "Rules for Global External Communications" as a basic guideline for information disclosure, and "Global Press Release and Related Materials Approval Standard Operating Procedure" that specify the functions within Takeda with responsibility for press release

	disclosure, and the relevant communication channels and procedures, respectively.
Other	<p>The Company will continue to actively appoint diverse members, irrespective of nationality or gender, to the Company's Board of Directors (fifteen males and one female), with the aim of reflecting viewpoints from multiple perspectives in management decisions.</p> <p>Our management team, TET, consists of 18 members with diverse backgrounds including expertise, nationality and gender (twelve males and six females) and takes part in discussions and decision-making on management strategies and other important management and operational matters with respecting the perspectives of various stakeholders.</p> <p>The company has deep commitment to Diversity and Inclusion (D&amp;I). For example, in order to drive D&amp;I forward in Japan, the TET has taken ownership and have focused on increasing "employee diversity," "flexible career development and ownership" and "flexible work style". Flexible work arrangement is supported and encouraged from management. During COVID-19, office and field-based employees were encouraged to work from home and adopted teleworking. With these efforts, Takeda has seen an increase in the ratio of women in managerial positions. In fiscal year 2018 the number of women in managerial roles was 10.2%, which increased to 12.2% in fiscal year 2019. The adoption of male employees taking paternity leave has remained high at 85.2% in fiscal year 2019. The Company began initiatives to donate to Company-designated NPO proportionately to the Company's annual paid leave usage rate. The Company achieved 71.7% in fiscal year 2019 which is above the target 70% by 2020' set by the Japanese government.</p> <p>The Company is also promoting active employment of disabled persons mainly in L.I. Takeda, Ltd., a special subsidiary company, etc. The employment rate of disabled persons is 2.5% as of 1<sup>st</sup> June, 2020.</p>

#### IV. Matters Related to the Internal Control System

##### · **Basic Views on Internal Control System and the Progress of System Development** **Update**

The Company shares its "Corporate Philosophy," which comprises its "Mission," "Vision," "Values" and "Strategic Roadmap" within the entire Takeda Group and puts an effort to promote the creation of corporate culture along with "Corporate Philosophy".

The Company undertakes to establish the following measures for its internal control system, treating it as an important component of corporate governance that functions alongside risk management. Also, in order to further enhance corporate governance, necessary changes are conducted, including changes to the decision-making system. The Company rebuilt Audit, Risk and Compliance Committee to Risk, Ethics & Compliance Committee to improve risk management in more effective manner and modified the committee structure, roles and responsibility, etc., in May 2019.

##### (i) Systems that ensure the appropriateness of operations in the Takeda Group

- As a "Company with Audit and Supervisory Committee ("ASC")," a system that enables ASC to effectively perform its duties relating to audit and supervision shall be established and the composition and diversity of the External Directors in the Board of Directors shall be enhanced. Under the appropriate audit and supervision thereof, the Board of Directors shall make highly transparent and objective decisions and, by resolution, delegate authority to the Directors and expedite the management of business.
- The objectivity and fairness of the appointment of Directors and the compensation paid to them shall be ensured by voluntarily establishing a Nomination Committee and Compensation Committee, as advisory bodies for the Board of Directors, which is chaired by an External Director with all members being External Members, respectively. By appointing one or more Directors who are ASC Members as members of such committees, the effectiveness of the ASC's function of supervising the appointment, etc. of Directors who are not ASC Members and the compensation, etc. paid to them shall be enhanced. By resolution of the Board of Directors, the authority to decide the amount of individual remuneration of Internal Directors who are not ASC Members shall be delegated to the Compensation Committee, through which we have realized a more transparent process in determining individual remuneration.
- Under the system above, the Board of Directors will (i) decide on the most important matters for the business operation of the Takeda Group, including matters relating to Basic Management Policy and matters relating to internal control, including compliance and risk management, and (ii) discuss business strategy, and monitor and supervise the execution of operations.
- To strengthen its global business management system, the Company shall establish the TET, which will consist of the President & CEO and the members who manage and supervise each function of the Takeda Group, and also establish a Business Review Committee (which will be responsible for general management matters), a Portfolio Review Committee (which will be responsible for R&D and product related matters), and a Risk, Ethics & Compliance Committee (which will be responsible for risk management, corporate ethics and compliance matters). These committees will review important matters that will ensure systems through which faster and more flexible work execution and deeper cooperation among the various functions can take place.
- By resolution of the Board of Directors, decision making authority on matters of important business execution shall be partially delegated to the Directors through decision-making bodies such as the Business Review Committee, Portfolio Review

Committee, and Risk, Ethics & Compliance Committee; the Company shall make flexible and efficient decisions.

- The Company shall clarify the roles and responsibilities of each function based on the “Takeda Group’s Management Policy (T-MAP),” which summarizes the business management systems, decision-making systems and operational rules and other important management rules of the Takeda Group. With regard to certain material items, the Company shall oblige each function to propose or report them to the decision making bodies, including the Board of Directors, depending on the materiality of those items. Concurrently, the Company shall delegate a certain level of decision making authority to the President & CEO or to other TET members, and such decision making authority shall be exercised under proper governance. TET members develop and implement policy manuals (divisional T-MAP) consistent with the T-MAP and establish an adequate internal control structure in the divisions which they oversee.
- In order to manage and supervise the entire Takeda Group in a cross-sectoral and unified manner, the Company shall maintain Global Policies, etc. (Global Policies mean the rules applied to employees of three or more TET organizations) for the respective operations of specialized functions.
- With regard to risk management and management of a crisis that has occurred in the Takeda Group, the “Global Risk Management Policy,” and the “Global Crisis Management Policy” respectively lay out the structure of the risk management system including BCP(Business Continuity Plan)s and the crisis management systems of the Takeda Group.
- The Global Ethics & Compliance division shall disseminate the “Takeda Global Code of Conduct” to all group companies and develop and disseminate ethics and compliance programs for all group companies. The Global Ethics & Compliance division shall establish a mechanism with monitoring capabilities to ensure that the Takeda Group’s business activities are in compliance with laws and internal policies and SOPs. In addition, the Global Ethics & Compliance division shall periodically report to the Risk, Ethics & Compliance Committee and ASC, and report to the Board of Directors as necessary, on the ethics and compliance related affairs of the Takeda Group, including issues reported through the internal reporting system for whistleblowers.
- The Group Internal Audit (“GIA”) shall conduct a regular internal audit of each function of the Company and each group company based on the “Group Internal Audit Charter” and report the results thereof to the President & CEO, ASC, and Board of Directors.
- The Global Finance division shall manage the processes of (i) self-inspection based on questionnaires on internal control over the financial reporting completed by the head of each key subsidiary, and (ii) implementation of the improvement plan in response to warnings or recommendations. The Global Finance shall also conduct an evaluation of the status of the development and implementation of the internal control systems for securing the reliability of financial reporting based on Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in order to comply with the Japanese Financial Instruments and Exchange Act and Cabinet Office Ordinance and the U.S. Sarbanes-Oxley Act.
- The Global Quality division shall formulate global quality assurance policies, etc., relating to research, development, manufacturing, and post-marketing safety measures and then audit, monitor, and supervise compliance therewith regularly or as necessary.
- The Corporate EHS (environment, health and safety) department in the Global Manufacturing & Supply division establishes the “Global Policy and Guideline on EHS”, etc. and conducts audits regularly or as necessary. Also, it provides support and advice to reduce risks regarding the environment, occupational health and safety.

(ii) System for retention and management of information in connection with the execution of the duties of Directors

- The minutes of the meetings of the Board of Directors, requests for and approvals of managerial decisions, and other information concerning the execution of the duties of Directors shall be appropriately retained and controlled in keeping with the term, method and place of retention designated for each category of information, as determined in accordance with the “Global RIM Policy,” in either hard copy or electromagnetic record, and to facilitate ease of inspection.

(iii) Risk management rules and other systems

- Based on the “Global Risk Management Policy,” Enterprise Risk Management (ERM) shall be conducted through a five step approach, which is the identification, assessment, mitigation, reporting, and monitoring and control of the risk, and the systems through which the major potential risks and the mitigation plans thereof, etc. will be reported to the Risk, Ethics & Compliance Committee and the Board of Directors shall be established. Based on the policy with respect to all risk factors, including major potential risks for the Company (research and development, intellectual property rights, decline of sales due to the expiration of patents, etc., side-effects, drop in prices caused by measures to constrain the cost of medicine, fluctuation of foreign exchange rates, corporate acquisitions, country risks, stable supply, and litigation and other legal matters, IT-security and information management, etc.), the person(s) in charge of each function shall control and manage such risk factors in each area under his/her charge using qualitative and quantitative criteria in designing and implementing mid-range and annual plans, and shall take all necessary measures or remedies available to mitigate such risk factors, depending on the degree and content of the risk the Company is exposed to, in compliance with the countermeasures to cope therewith and any contingency plans. In addition, where deemed necessary, Business Continuity Plans shall be developed for key risks, including at manufacturing locations, IT and other core functions.
- In order to prevent and respond to emergency situations, the Company shall establish crisis management systems through the appointment of persons who will be in charge of crisis management, site heads who will lead the incident site and those who

will be in charge of site incident management and shall establish a crisis management committee under the “Policy on Crisis Management.”

(iv) System that ensures the duties of Directors are executed efficiently

- A system that ensures the duties of Directors are executed appropriately and efficiently shall be safeguarded through the “Bylaws of Board of Directors” and other internal company regulations relating to authorities and rules for decision-making.

(v) Systems that ensure Directors and employees comply with laws and regulations and the Company’s Articles of Incorporation in executing their duties

- The Company has established the Chief Ethics & Compliance Officer and the Global Ethics & Compliance division to support each of the functions/divisions and also has established an ethics and compliance program which is implemented across the organization.
- The Company has established procedures for the receipt, retention, investigation and treatment of concerns and complaints related to any violations of laws and regulations, Takeda’s Global Code of Conduct, policies or SOPs, including concerns and complaints related to the Company’s accounting, internal accounting controls, or auditing matters. The Company has also established procedures for the confidential and anonymous submission by Takeda employees of all concerns and complaints, through the Takeda Ethics Line.

(vi) System that ensures the audits by the Audit and Supervisory Committee are conducted effectively

Each of the items stated below shall be carried out in accordance with the “Rules of Audit and Supervisory Committee’s Audit, etc.”

- Full-time ASC Members shall be appointed, and an ASC Office, which will be composed of full-time staff, shall be established to provide secretariat assistance to the ASC Members in the performance of their duties and functions.
- Appointment and the personnel change of the members of the ASC Office shall be handled by agreement from ASC in order to secure the independence of the ASC Office from the person in charge of executing the business and the effectiveness of instructions from the ASC.
- A Director shall inform the ASC of those matters concerning the Company’s basic management policy and plans, and of material matters including the ones involving subsidiaries and affiliated companies (provided, however, that this shall not apply if the ASC Members attend the meeting of the Board of Directors or any other meeting at which such matter is discussed).
- If a Director becomes aware of a fact that might cause material damage to the Takeda Group, such Director shall, without delay, give notice of such fact to the ASC.
- The ASC shall appoint ASC Members who will have the authority to request Directors and employees to report on matters relating to the performance of their duties and investigate the status of the operations and assets of the Company.
- Based on the status of development and operation of the internal control system, the ASC shall have close communications with the internal audit division, internal control promotion division and Accounting Auditor, to which the ASC shall have the authority to give instructions, and it shall enhance the effectiveness and efficiency of the audit by conducting a systematic audit utilizing the information derived therefrom.
- The ASC Members shall request the Company to reimburse their costs for performing their duties and submit a budget to the Company every year.
- The ASC shall make proposals or state its opinions to the Board of Directors, as necessary, with respect to systems that ensure that any person who makes a report to the ASC and the internal audit divisions, etc., including a report made through the internal reporting system for whistleblowers, would not be subject to any discriminatory treatment due to such reporting.

**Basic Views on Eliminating Anti-Social Forces**

The Company’s basic policy is to eliminate any relationship, including normal transactions, with antisocial forces that pose a threat to the order or safety of civil society. The Company takes the following actions.

- The Company has built and maintains close cooperative relationships with the supervising police station and specialist external bodies, to proactively collect information on antisocial forces.
- The Company disseminates information on antisocial forces to relevant divisions in the Company and also to employees as necessary during internal training, etc., in order to implement activities to prevent any damage from antisocial forces.

**V. Other**

**1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

The Company has not adopted any defense measures against hostile takeovers.

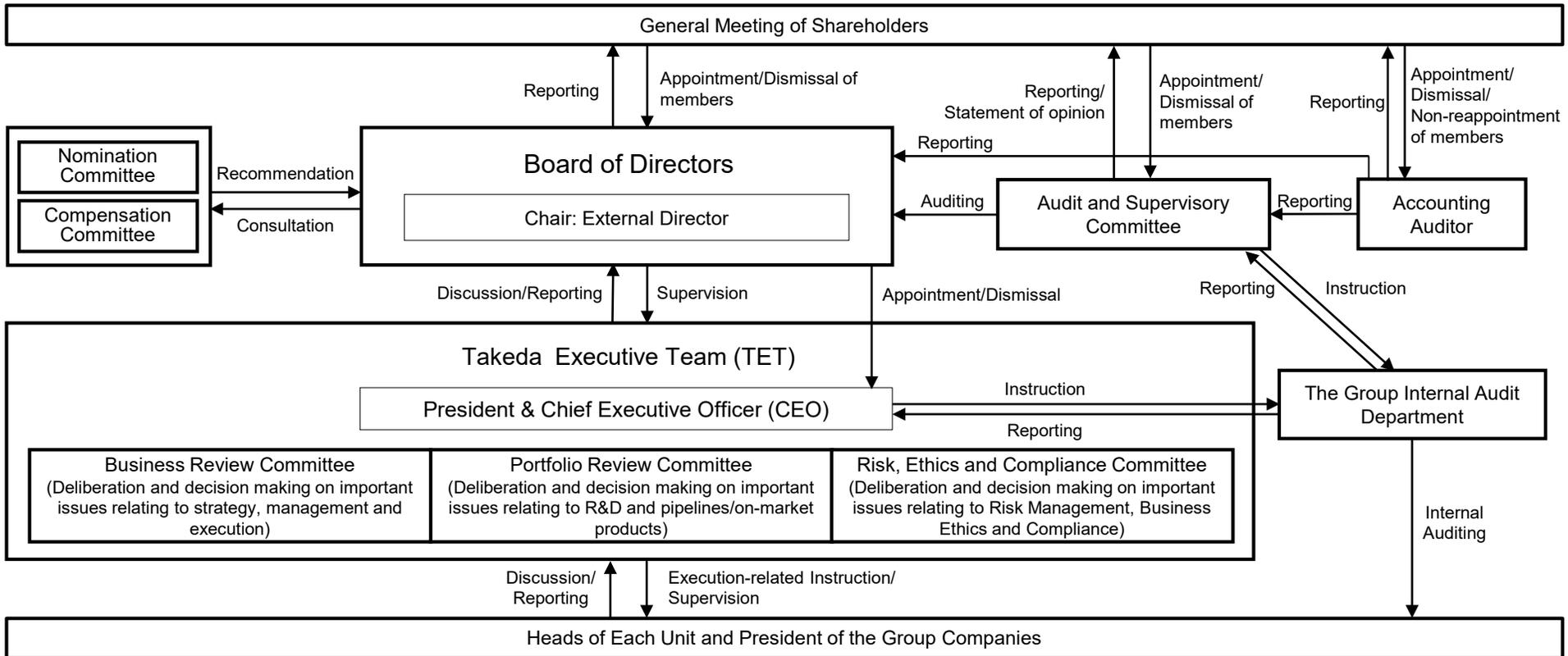
## 2. Other Matters Relating to Corporate Governance System **Update**

### **Overview of the timely disclosure system**

Regarding information disclosure, Chief Accounting Officer and relevant subject matter experts evaluate a necessity of submission of disclosure material to Tokyo Stock Exchange, New York Stock Exchange and SEC. The disclosure of final accounts and quarter accounts require an approval from Board of Directors and other disclosure materials require an approval from Business Review Committee. Furthermore, Business Review Committee delegates the authority to approve a part of company disclosure to CFO and Chief Global Corporate Affairs Officer.

The Company established "Rules for Global External Communications" as a basic rule for information disclosure, and "Global Press Release and Related Materials Approval Standard Operating Procedure" that specify the functions within Takeda with responsibility for press release disclosure, and the relevant communication channels and procedures, respectively. Based on these committee and rules, the Company strives to disclose information in a timely and appropriate manner.

Reference: Schematic Diagram of Takeda's Corporate Governance System, Including the Internal Control System



# Directors' Compensation Policy

## 1. Guiding Principles

The Company's compensation system for Directors has the following guiding principles under the corporate governance code to achieve management objectives:

- To attract, retain and motivate managerial talent to realize "Vision 2025"
- To increase corporate value through optimizing the Company's mid- and long-term performance, while reinforcing our patient-focused values
- To be closely linked with company performance, highly transparent and objective
- To support a shared sense of profit with shareholders and improve the managerial mindset focusing on shareholders
- To encourage Directors to challenge and persevere, and to be aligned with the values of Takeda-ism
- To establish transparent and appropriate governance of directors' compensation to establish the credibility and support of our stakeholders

## 2. Level of Compensation

We aim to be competitive in the global marketplace to attract and retain talent who will continue to transform Takeda into a Global, Values-based, R&D-driven Biopharmaceutical Leader.

Directors' compensation should be competitive in the global market consisting of major global companies. Specifically, the global market refers to a "global executive compensation database" developed on the basis of professional survey data with the addition of compensation data from the US, UK and Switzerland, where we need to be competitive with other major pharmaceutical companies.

## 3. Compensation Mix

### 3-1. Directors who are not Audit & Supervisory Committee Members (excluding External Directors)

The compensation of Directors who are not Audit & Supervisory Committee Members (excluding External Directors) consists of "Basic Compensation", which is paid at a fixed amount and "Performance-based Compensation", which is paid as a variable amount based on company performance, etc.

"Performance-based Compensation" further consists of a "Bonus" to be paid based on the consolidated financial results, etc. for each fiscal year, and a "Long-term Incentive Plan (stock compensation)" linked with long-term financial results over a 3-year period and with Takeda's share price.

The ratio of Long-term Incentives has been increased from prior years (as of fiscal 2018) to better align with the incentives of Takeda's Directors with Takeda's shareholders. Moreover, it matches with the peer group and primary industry level. Both Bonus and Long-term incentives as a ratio of Total Direct Compensation is higher putting the directors pay at risk in alignment with the company's

performance. The targets range from 100%-250% of Basic Compensation for "Bonus" and range from 200% to 600% of Basic Compensation for "Long-term Incentive", reflecting the common practice of global companies.

### ■ Standard Directors who are not Audit & Supervisory Committee Members (excluding External Directors) Compensation Mix Model

Basic Compensation	Bonus 100%-250% of Basic Compensation*	Long-term Incentive Plan (stock compensation) 200% to 600% or more of Basic Compensation*
Fixed	Performance-based Compensation	

\*Ratio of Bonus and Long-term Incentives to Basic Compensation is determined according to Director's role.

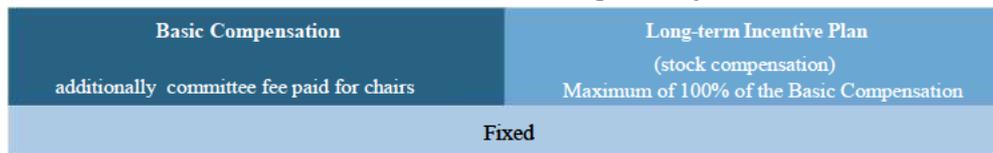
### 3-2. External Directors who are not Audit & Supervisory Committee Members

The compensation of External Directors who are not Audit & Supervisory Committee Members consists of Basic Compensation, which is paid as a fixed amount, and Long-term Incentive (stock compensation). The stock compensation is linked only to share price and not to financial performance results. Newly awarded stock compensation in 2019 and going forward will vest three years after the award date and Directors will be

required to hold 75% of their vested share portion until they leave the Company.

Bonus is not available for this category of Director. Committee retainers are paid with Basic Compensation for the chair of board meeting, chair of the compensation committee, and chair of Nomination Committee. The current compensation mix is "Basic Compensation" and "Long-term Incentive", which is a maximum of 100% of the Basic Compensation.

■ Standard External Directors who are not Audit & Supervisory Committee Members Compensation Mix Model



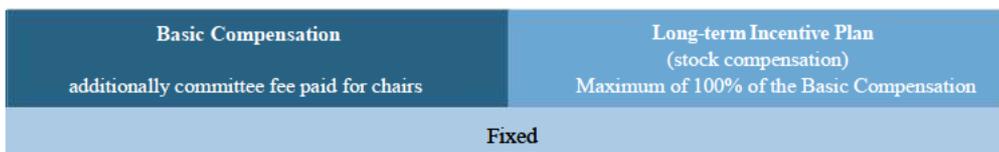
3-3. Directors who are Audit & Supervisory Committee Members

The compensation of Directors who are Audit & Supervisory Committee Members consists of Basic Compensation, which is paid as a fixed amount, and Long-term Incentive (stock compensation). The stock compensation is linked only to share price and not to financial performance results. Newly awarded stock compensation in 2019 and going forward will vest three years after the award date and Directors will be required to hold 75% of their vested share portion until they leave the Company.

Bonus is not available for this category of Director. Committee retainer is paid with Basic Compensation for external directors who are Audit & Supervisory Committee Members.

The current compensation mix is "Basic Compensation" and "Long-term Incentive", which is a maximum of 100% of the Basic Compensation.

■ Standard Directors who are Audit & Supervisory Committee Members Compensation Mix Model



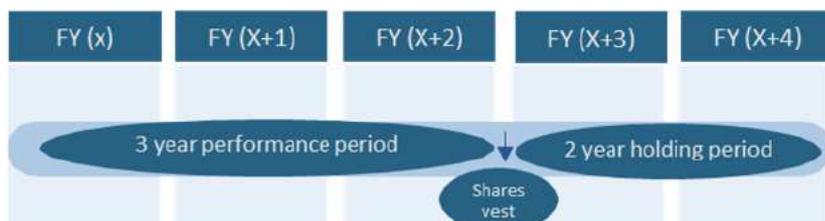
4. Performance-based Compensation

4-1. Directors who are not Audit & Supervisory Committee Members (excluding External Directors)

For Directors who are not Audit & Supervisory Committee Members (excluding External Directors) a Long-term Incentive Plan that is allocated as 60% Performance Shares and 40% Restricted Stock is in place to strengthen the link between compensation and company performance and share price, and to reinforce the commitment to increasing corporate value in the mid and long term.

Key Performance Indicators (KPI) used for the Long-term Incentive will be linked with the latest mid- to long-term performance objectives over a three-year period such as but not limited to accumulated underlying revenue, operating free cash flow, earnings per share, R&D targets and integration success factors, etc., as transparent and objective indicators. The variable range is from 0% to 200% (100% at target), based on performance achievement. For newly awarded Long-term Incentive awards, a two-year holding period will be mandated, this includes Performance Share if and when shares become vested.

■ Annual Performance-based Long-term Incentive Plan (stock compensation) Image



The company may, from time to time, award special Performance Share awards to Directors who are not Audit & Supervisory Committee Members (excluding External Directors) which are directly linked to point-in-time

corporate initiatives and which are aligned with shareholder expectations. Performance against established KPIs for special Performance Share awards are determined independently each year over a three-year period, with shares becoming vested after performance has been determined for the applicable period. There is no post-vesting holding period established for special Performance Share awards.

■ Special Performance-based Share Awards (stock compensation) Image



■ Annual Bonus

Bonuses will be paid based on performance achievement of annual goals. Bonuses will be paid in the range of 0% to 200% (100% at target) in accordance with the achievement of performance indicators such as consolidated revenue, core earnings and core EPS, etc., established for a single fiscal year. For President and CEO, the annual bonus is weighted as 100% to the Corporate KPI.

For other Directors that have divisional responsibilities, 75% of their annual bonus opportunity is linked to the Corporate KPI to drive their commitment to group-wide goals.

4-2. Directors who are Audit & Supervisory Committee Members and External Directors

The Long-term Incentive (stock compensation) for Directors who are Audit & Supervisory Committee Members and External Directors is linked only to share price and not linked to financial performance results.

Newly awarded stock compensation will vest three years after the award date and Directors will be required to hold 75% of their vested share portion until they leave the Company.

■ Whole Picture of Directors' Compensation

		Directors who are not Audit and Supervisory Committee Members		Directors who are Audit and Supervisory Committee Members	
		Internal Directors	External Directors	Internal Directors	External Directors
Basic Compensation		●	●	●	●
Bonus		● <sup>2</sup>			
Long-term Incentive Plan (stock compensation)	Performance based <sup>1</sup>	● <sup>3, 4</sup>			
	Not linked to performance results	● <sup>4</sup>	● <sup>5</sup>	● <sup>5</sup>	● <sup>5</sup>

<sup>1</sup> Includes Special Performance-based Share Awards

<sup>2</sup> Varies from 0% to 200%, depending upon the degree of achievement, etc. of the performance indicators such as underlying revenue, core earnings, core EPS, etc., established for a single fiscal year.

<sup>3</sup> Varies from 0% to 200%, depending upon the degree of achievement, etc. in relation to accumulated underlying revenue, operating free cash flow, and earnings per share as well as R&D targets, etc. over 3 years

<sup>4</sup> During term of office

<sup>5</sup> Vest three years after the award is granted

## 5. Governance

The Compensation Committee has been established with an External Director as its Chairperson and with the majority of members being External Directors, to serve as an advisory organization for the Board of Directors to ensure the appropriateness of Directors' compensation, etc. and the transparency in its decision-making process. The level of compensation, compensation mix and performance-based compensation (Long-term Incentives and Bonus programs) for Directors are reviewed by the Compensation Committee before resolution by the Board of Directors. The company expanded the authority of the Committee by the board resolution to directly make decisions on Directors who are not Audit & Supervisory Committee Members (excluding External Directors) individual compensations in order to realize the transparency in the process.

The guiding principles for Director Compensation will continue to evolve to develop compensation programs based on Directors' accountabilities and responsibilities, as well as to develop compensation programs that create shareholder value in alignment with Takeda-ism