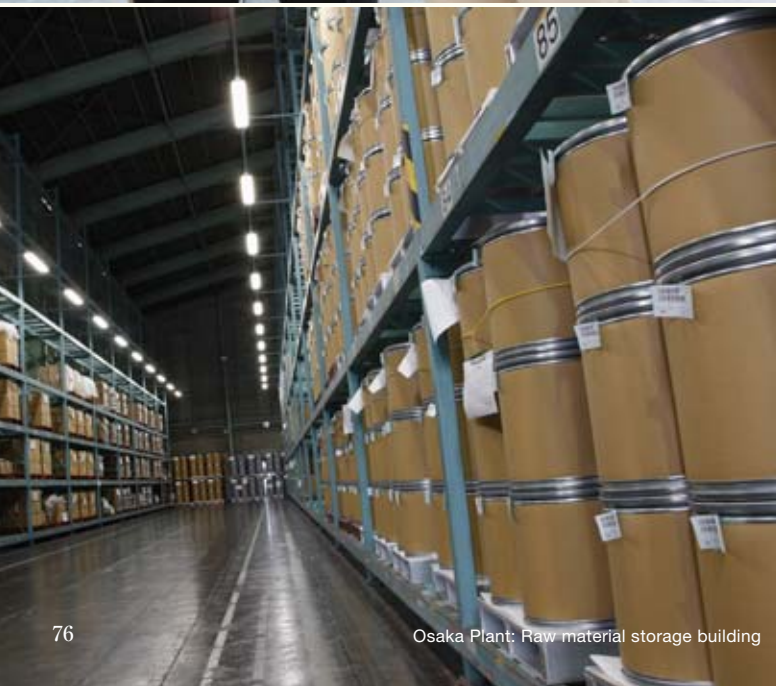


Feature **Supply Chain Management**

Confidence in Takeda brand Global commitment to protecting patients and customers from threats by counterfeiting and other illicit activities



(From left): Hiroyuki Iwatake, Atsuko Saitou,
Pharmaceutical Production Div.



Osaka Plant: Raw material storage building

Fundamental Policy

Takeda is accelerating the globalization of its operations to realize its corporate mission of providing superior products worldwide to contribute to the health of as many patients as possible. In proportion to this globalization, our supply chains from procurement of raw materials, to production, distribution and marketing involve more companies and facilities in different countries with increasing complexity. Meanwhile, in recent years counterfeit drugs as well as counterfeit and adulterated raw materials pose a threat to the health of patients and consumers globally.

In 2008 alone, there have been nearly 2,000 incidents around the world involving counterfeit pharmaceutical products. Over the past few years, the number of reported cases of counterfeit products has doubled. In 2008, about 500 consignments of counterfeit drugs were blocked for entry at Japanese customs, which has surged five times since 2006. Meanwhile, counterfeit products are becoming increasingly sophisticated and illicit traders are finding ways to circumvent import barriers. While most counterfeit pharmaceutical products are distributed through the Internet, in some countries, there are even cases where sophisticated counterfeits were identified in the legitimate distribution channels.

In the light of these developments, giving top priority to the safety of patients, Takeda is working to build a supply chain that maintains the quality and secures the safety of our products extending from procuring raw materials from suppliers to delivering the finished products to our customers (medical institutions and pharmacies) after being shipped from the factory.

Safety Measures for Raw Materials and Products

Striving for our customers' confidence in Takeda branded products through quality assurance, Takeda has a stringent evaluation process in selecting new suppliers of raw materials, contract manufacturers, and logistics service providers. Takeda confirms eligibility and conducts a risk assessment of potential partners from the viewpoints of quality assurance as well as business performance in selecting them.

Relationship with Suppliers

Relationship of Suppliers to the Manufacturing Process of Pharmaceutical Products



Takeda is committed to establishing and maintaining a quality assurance system in order to deliver quality Takeda products to patients by conducting periodical audits to suppliers of raw materials for Takeda products, contract manufacturers and packagers, and logistics centers and dealers.

Takeda has adopted and implemented a new quality assurance framework set forth in the Good Distribution Practice (GDP). Applying this practice preserves the quality of pharmaceutical products and raw materials during distribution and minimizes the entry of counterfeit products. In addition, GDP is intended to prevent intentional tampering and prevents the unauthorized use or misappropriation of pharmaceutical products.

Since counterfeit drugs are often produced under poor conditions, efficacy usually suffers as a result and, moreover, these counterfeit drugs may contain unknown contaminants that could seriously harm or jeopardize the health of patients. To protect the public, Takeda collects information about counterfeit drugs from around the world and performs its own investigation of which we notify government authorities and judicial authorities in each country, while promoting cooperation with the WHO, INTERPOL (International Criminal Police Organization) and

other international and regional organizations. Takeda also takes steps to protect the quality of Takeda products through studies and research concerning technologies to prevent counterfeiting and tampering. Takeda is creating an organization to oversee and promote these activities globally. Individuals dedicated to the tasks of investigating and creating countermeasures are deployed in Asia, North America and Europe. In each region, these dedicated individuals work with all functions globally, such as quality assurance and intellectual property department, and production to protect patient safety by combating against counterfeit and other fraudulent drugs using a multi-faceted approach.



A meeting about security for pharmaceuticals

Building sound and fair relationships as equals with suppliers based on the Takeda Compliance Program for Globalization

Committed to Sound and Fair Business Relationships

Building supplier relationships in the spirit of "soundness and fairness based on a partnership as equals" is of particular importance in the pharmaceutical industry. Unlike other industries that have a large number of suppliers, successful pharmaceutical operations require partnerships only with companies capable of consistently supplying raw materials, equipment and other products of high quality that comply with strict government regulations for manufacturing and sales of pharmaceuticals. Procuring materials for factories, research centers and other business sites is the responsibility of the General Purchasing Department. Members of the department establish sound and fair relationships in line with Takeda's Guidance for Purchasing Affairs.

These guidelines, in turn, are based on the Basic Purchasing Policy, which incorporates the spirit of CSR. We use an exhaustive selection process for suppliers. All candidate companies must excel in terms of technologies, quality, prices, delivery schedules, financial soundness, corporate citizenship and other aspects. Final selections are made after a multi-stage examination process.

Major Categories of Items Procured

Raw materials for R&D	Equipment for production and research
Raw materials for bulk drug substances and drug products	Construction services
Bulk drug substances and intermediates	Fuel
Containers and packaging	Supplementary materials and miscellaneous supplies

Basic Purchasing Policy

We implement bona fide purchasing activities in line with Takeda-ism; representing fairness and honesty. The Company pledges to strive for enhancement of the corporate value and continuous business growth as well as achieving the management mission: "we strive toward better health for individuals and progress in medicine by developing superior pharmaceutical products" on a global scale through purchasing activities.

Purchasing Ideal

- In order to develop superior pharmaceutical products and contribute to the business progression of the Company, the General Purchasing Department buyers and staff shall obtain the best and most economical materials from global purchasing markets in a stable manner; competing with the purchasing staff of other global pharmaceutical companies.

Compliance

Compliance with relevant laws and regulations

- Comply with all related statutes such as antitrust laws and laws for the prevention of payment arrears to subcontractors' charges, etc.

Conformity to purchasing ethics

- Conform to social and corporate ethics and good purchase practices.
- Do not request unjustifiable discounts and/or compensation from any suppliers when selecting suppliers or making decisions on prices during purchasing affairs.
- Do not have personal interest with any suppliers.
- Do not receive, demand or promise unjustifiable interests (money, goods, hospitality, favors, etc.) through influence peddling.

Relationship with Suppliers

Cooperative relationship with suppliers

- Maintain an equal, impartial and fair attitude toward suppliers and strive to build a cooperative and trusting relationship and/or appropriate partnership with the latter.

Assessment of suppliers

- Regularly implement a fair, transparent, objective and reasonable assessment of suppliers with the aim of maintaining a stable relationship with excellent suppliers in aspects of technology, quality, price, supply capacity, stability of management and sociality, etc.

Response to applications for new accounts

- Takeda sincerely deals with applicant suppliers wishing to be partners, by providing each with an impartial and fair opportunity to enter, regardless of nationality, region or size, and responds to unsuccessful suppliers by stating specific reasons.

Confidentiality

- Ensure a confidentiality agreement is made with each of the suppliers and do not use any confidential information of suppliers made known to us over the course of implementing purchasing affairs for any other purpose other than the transaction in question or disclose such to third parties.

Response to Environmental Issues

- Comply with relevant environmental laws and regulations and prioritize the purchase of materials with a reduced environmental load and ecologically friendly products.

Relationship with Suppliers

Green Procurement

All Takeda production sites in Japan have received ISO 14001 certification for environmental management systems and use an ISO 14001 environmental management program to conduct extensive eco-green procurement activities. Furthermore, Takeda's Eco Project, which also covers administrative and sales divisions, includes the distribution of an office supplies catalog that shows which items have received the Eco Mark or Green Mark from the Japan Environmental Association. Overall, these measures facilitate green procurement throughout the Takeda organization.

CSR Procurement

As part of its CSR procurement activities, Takeda periodically asks suppliers to complete questionnaires. Feedback is used for a supplier assessment that checks all aspects of relationships. Evaluations cover management systems, such as quality assurance, good manufacturing practices and delivery schedules, the business continuity plan, CSR programs and other activities. Suppliers receive the results of these studies for use in self-improvement programs.

Suppliers at times contact us for information about our stance involving CSR, the environment and employees. These CSR questionnaires allow us to gain a thorough understanding of our suppliers' policies and build even stronger partnerships. This is why we provide sincere responses to CSR inquiries while drawing on the cooperation of all associated departments as required.

Supplier Assessment Items

Assessment Item	
1. Prices	Measures to lower prices
2. Quality	Measures to improve quality
3. Delivery	Measures to deliver goods on time
4. Information	Provision of technical information
5. Citizenship	CSR, environmental and other programs
6. Operations	Stability of business operations

A comprehensive assessment is determined by combining items 1 through 6.

System for Assessing Suppliers

- Conducted annually
- The previous fiscal year's performance is evaluated for each item (price, quality, delivery, information, CSR and operations), a score is assigned, and score notification tables are sent to each supplier.

Employee Compliance Program

Improper procurement activities such as violations of laws, regulations and internal rules or other unethical behavior undermine the public's trust in Takeda and cause great inconvenience to stakeholders.

Takeda has prepared two sets of rules based on the Takeda Compliance Program for Globalization: The Company-Wide Guidance for Purchasing Affairs apply to activities throughout the company. The Departmental Purchasing Criteria are established specifically for the purchasing activities of individual business units. Our goal is to prevent any purchasing activity from violating internal controls and applicable laws and regulations, including laws for preventing monopolies and late payments to subcontractors.

There are several manuals to assist employees with proper compliance. Examples include the Purchasing Ethics Manual, Anti-Monopoly Law Compliance Manual and Late Subcontractor Payment Prevention Law Compliance Manual. We also have a program for individuals in each department who are responsible for negotiating prices and other purchasing terms with suppliers. These individuals are registered as negotiators and undergo special training that includes courses taught by instructors from outside the Takeda Group.

These training programs are structured to give employees an understanding of the importance of compliance and help create a workplace culture that is imbued with a commitment to self-discipline. We believe that these programs are vital to enable purchasing activities that will earn the trust of suppliers.