

3. Management Policy

(1) Basic Management Policy

Focusing on “Takeda-ism” (which refers to integrity = fairness, honesty, and perseverance) as the basis for all its business activities, Takeda is aiming at realizing its management mission of “striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products” through creating new drugs continuously and maximizing the product’s potential in the global market as a research-based pharmaceutical company.

In order to realize Takeda’s goal of establishing itself as a “global pharmaceutical company” as targeted in the 2006–2010 Medium-term Plan, Takeda created corporate-level, center of excellence R&D, commercial and administrative functions in fiscal 2009, and we will build its organization for global operations.

Takeda will dedicate its collective efforts to thoroughly enhance its strengths, such as its “capability to establish and implement in-depth strategies from a long-term perspective” and its “high productivity and efficiency”. At the same time, all energies of the Group will be concentrated on the following tasks, with a view to maximizing the company’s corporate value.

1) Establishment of the research organization to enable continuous creation of new drugs

Through the Chief Scientific Officer (“CSO”) and the CSO’s vision, strategies, and policies, the Company will realize stronger collaboration among Pharmaceutical Research, CMC Center, Pharmaceutical Development and Intellectual Property thereby enhancing the speed and efficiency of R&D for a “high quality pipeline” driven by unmet patient needs, and thereby realize steady growth for the medium term through the consistent launch of in-house products. With respect to the oncology area, the Company has positioned Millennium as its center of excellence in oncology for the Takeda Group, which has responsibilities from development to sales of the oncology. The Company will make efforts to enhance its pipelines as an important strategic area in addition to the life-style diseases area.

2) Realization of efficient sales organizations in global markets and enhancement of the presence

Through the Executive Vice President (“EVP”), International Operations, and the EVP International Operation’s harmonious communication with the Group’s ex-Japan marketing companies, the Company will optimize our marketing activities, and build efficient operating systems that take into account the different regulations and business practices in the respective regions. In the U.S., our top priority is to maximize the sales of the next generation core strategic products, KAPIDEX and ULORIC, through a well organized marketing organization. Also, we will continue to strategically expand our marketing network to countries where we do not yet have a presence.

In Japan, we will enhance our presence by further strengthening the sales of our core products, such as Blopress (a drug for hypertension treatment) and Ecard tablet (a fixed dose combination tablet of Blopress and a diuretic).

3) Strengthening of global operations systems

Takeda will establish a Chief Administrative Officer (“CAO”) role, in addition to the CSO and EVP, International Operations. Through the CAO—who will be responsible for Human Resources, Finance & Accounting, Legal, and Corporate Communication—the Company will enhance each administrative function by promoting collaboration between divisions thereby further strengthen its global operations to become more responsive to changes in the business environment and realize flexible and prompt decision making. At the same time, in keeping with the competitive pharmaceutical operating environment, the Company will focus on its cost structure by prioritizing investments necessary for future growth and to achieve efficient expenditure.

Takeda has the following management indicators. Earnings per share (EPS): annual growth of 7% on average (excluding extraordinary income/loss, acquisitions and other special factors; see note below); and return on equity (ROE): to maintain the fiscal 2005 level. In order to attain these targets, Takeda will actively challenge the above-mentioned tasks and various other management issues.

(Note) EPS (excluding extraordinary income/loss, acquisitions and other special factors)

Net income for the year less:

- (1) Extraordinary income/loss resulting from sales of non-drug businesses and utilized real estate, etc.
- and

- (2) Amortization of goodwill, intangible fixed assets and in-process R&D expenses (lump-sum depreciation of fair appraisal value of developed items) incurred through M&A activities, etc., divided by the average number of outstanding shares during the year

(2) Important Events for Company Management

1) Restructuring of U.S. operations

In April 2008, TAP, a joint venture in the U.S. between Takeda America Holdings, Inc. ("TAH") and Abbott Laboratories ("Abbott"), was divided into two separate companies, and TAP became a wholly owned subsidiary of the Company.

As part of this company division, assets relating to the Leuprorelin (U.S. product name: Lupron-depot) business were transferred to Abbott. On the other hand, TAP, which became a wholly owned subsidiary of the Company, continued to own assets relating to Prevacid (already marketed), TAK-390MR (U.S. product name: KAPIDEX), a drug for gastroesophageal reflux disease, and TMX-67 (U.S. product name: ULORIC), which were approved by the FDA for marketing in January 2009 and February 2009 respectively.

Subsequently in June 2008, TAP was merged into TPNA. Simultaneously, TAP's development function was transferred to TGRD. Through this transaction, the previously separated functions of TPNA, TGRD and TAP were rationalized with the marketing functions concentrated with TPNA, and the development functions concentrated with TGRD, respectively.

By maximizing the efficiencies and synergies of the restructured U.S. operations, Takeda will continue to realize enhancement of its presence in the U.S., the world's largest drug market and to secure the global expansion of the Group.

2) Acquisition of Millennium

In May 2008, Takeda acquired Millennium for approximately US\$ 8.9 billion through tender offer which was exercised by the Group's wholly owned subsidiary of TAH.

In addition to further strengthening its advantage in the lifestyle-related disease field, the Company has placed oncology as a next core therapeutic area due to the considerable unmet needs in this field. To this end, Millennium has been positioned as the core of excellence in oncology for the Takeda Group, and we attempt to expand the pipelines. Establishment of internal structures to ensure that Millennium can maximize the value of the expertise that they have developed in the oncology field and allow Millennium to take Group leadership for development of compounds in the oncology field has progressed as planned. The Company seeks to establish its position as a leading company in the oncology field, by maximizing the synergies from the Millennium acquisition and enhancing expansion of its R&D pipelines.

(3) Litigation and Other Legal Matters

1) Litigation

In the U.S., many civil lawsuits have been filed by such complainants as patients, insurance companies and state governments against numerous pharmaceutical companies, including major enterprises, over the sale of various pharmaceuticals. The complaints seek among others for damages resulting from price discrepancies between the average wholesale price (AWP) as published by independent industry compendia and the actual selling prices. Thus, these types of lawsuits are sometimes called "AWP litigation". Actions have been brought against TPNA in several state courts over Pioglitazone (U.S. product name: Actos), and actions have been brought, including actions against TAP before the reorganization, against TPNA in several federal and state courts over Lansoprazole (U.S. product name: Prevacid). In one case Takeda is also named as a defendant.

2) Correction for transfer pricing taxation

On June 28, 2006, Takeda received a notice of correction for transfer pricing taxation from the Osaka Regional Taxation Bureau (ORTB). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for Prevacid between Takeda and TAP were under-allocated to Takeda over the six fiscal years

from the year ended March 31, 2000 through the year ended March 31, 2005. Total taxable income assessed was ¥122.3 billion and additional tax due, including local and other taxes, was approximately ¥57.1 billion. Takeda paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a request for reinvestigation with ORTB on August 25, 2006.

On July 8, 2008, Takeda filed with the National Tax Agency a request for mutual discussion with the U.S. to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, Takeda took a process to temporarily suspend the protest filed with ORTB.

Takeda is diligently taking all necessary and proper measures to cope with the aforementioned lawsuits and incidents.