

### 3. Management Policy

#### (1) Basic Management Policy

Takeda places “Takeda-ism” (which refers to integrity, in other words, fairness, honesty, and perseverance) at the heart of all its business activities. As a research driven pharmaceutical company, Takeda aims to realize its Mission of “striving towards better health for patients worldwide through leading innovation in medicine.” Takeda will achieve this by continuously creating new drugs and maximizing the potential of those products in the global market.

Under its “2006-2010 Mid-Range Plan”, Takeda is working to become a world-class pharmaceutical company. Takeda had made progress toward this goal including strengthening its oncology pipelines, establishing its overseas business base and enhancing its global governance structure. However, the business environment for the pharmaceutical industry is changing dramatically and some pipelines have experienced halted development or delays in obtaining drug approvals.

Under the new “2010-2012 Mid-Range Plan”, Takeda will continue to work towards becoming the company it aspires to be by working as before to strengthen its global operations structure even further, while flexibly responding to changes in the business environment.

Takeda positions the period covered by the “2010-2012 Mid-Range Plan” as a time of transformation, in which the Company will move forward from its past successes and grow into a new Takeda, setting a course for further development. To achieve the goals of this Mid-Range Plan the Company has decided on a new management policy referred to as the Vision, which focuses on Company activities on the themes of Innovation, Growth and Culture. These are the key concepts in the transformation that Takeda will engage in ensuring sustained growth in the medium- to long-term. Through these efforts Takeda will strive to achieve sustained growth and to maximize its corporate value.

#### <Vision>

Takeda’s vision is to embody global pharmaceutical leadership through **innovation, growth, and culture**, guided by an unwavering commitment to significantly improve the lives of patients.

- **Innovation** based on bold leadership in science and medicine resulting in the discovery, development and delivery of high-quality, differentiated products focused on patient needs.
- Sustainable **growth** in corporate value by leveraging core therapeutic areas, and an industry-leading pipeline and product portfolio.
- A **culture** based on good corporate citizenship that empowers employees through collaboration, inclusion, trust and timely decision making.

#### <Strategies for Implementing the Vision>

##### • **Innovation**

##### Ensure to launch products in the late-stage development

Takeda ensures to bring new products to market from the fiscal 2010 onwards through steadily conducting clinical study of the products in the late-stage development. In addition, the Company aims to build a pipeline that is balanced across therapeutic areas, each stage of development and geographical regions through creating new drugs from its own R&D as well as actively pursuing M&A and licensing activities.

##### Concentrate resources into core therapeutic areas

Takeda will concentrate investment of its management resources into new core therapeutic areas of "Metabolic & CV" (obesity, diabetes and atherosclerosis), "Oncology", and "Central Nervous System Diseases" (depression, schizophrenia, and Alzheimer's disease). In therapeutic areas where patient satisfaction with treatment is already high, Takeda will focus on the prevention of such diseases. In areas where medical needs remain largely unmet, Takeda will create drugs that are capable of bringing fundamental cure, in addition to drugs for symptomatic treatments.

##### Improve R&D productivity

Takeda will increase the probability of success in clinical studies by rigorously selecting new drug candidates at the early development stage to select those with differentiable profiles for further development. Moreover, the Company will utilize its global framework centered around its new research center to further enhance alliances across regions and departments, while also making active use of external resources, to create new high quality drugs to satisfy unmet needs among patients.

- **Growth**

- Launch new drugs and maximize early their values

- In Japan, Takeda will maintain its position as Japan's number one pharmaceutical company (by market share) by achieving early penetration and sales expansion of a host of new products and by strengthening its cancer and central nervous system disease franchises. In the United States and Europe, Takeda will quickly diffuse new products into the market. At the same time, in line with the future product mix in these regions, the Company will establish a flexible sales and personnel structure to cover not only the primary care field but also specialized fields.

- Further expand into new regions

- While continuing efforts to expand Takeda's presence in the large-scale markets of U.S. and Europe, the Company will also accelerate expansion into emerging markets, and other countries and regions where high market growth is expected in order to realize a globally balanced regional portfolio in terms of sales and profits. The goal is to cover about 90% of the global market by fiscal 2012.

- **Culture**

- As part of the transformation into a new Takeda, the Company will create an open and active corporate culture. To achieve this, the Company will foster a working atmosphere in which all Takeda Group employees can achieve their full potential, working with colleagues of different nationalities, cultures, genders and careers. At the same time, Takeda will step up its training programs to develop staff with a global perspective.

To execute the above strategies, Takeda will be active in making strategic investments.

Takeda will make strategic investments actively and flexibly, having strictly evaluated the effect of a proposed investment. The Company will pursue all opportunities, including M&A, product acquisition, and introduction of pipelines.

The financial targets for fiscal 2012, the final fiscal year of this Mid-Range Plan, are as follows.

- Net sales: 1,330 billion yen
- Research and development expenses: 300 billion yen
- Operating income: 290 billion yen
- Net income: 200 billion yen
- Earnings per share (EPS): 253 yen
- EPS: 294 yen (excluding extraordinary income/loss, extraordinary factors arising from business acquisitions and similar events)

(Note 1) Takeda and TPNA brought patent infringement lawsuits against companies that had submitted ANDAs for generic Actos and/or ACTOplus met. Although until the lawsuits that are currently pending and those that would be brought against companies who may submit ANDA, if any, are resolved or concluded, the date of entry of generic Actos is uncertain, while preparing the above mentioned financial targets, Takeda is operating on the assumption that the entry of generic versions of Actos will be August, 2012.

(Note 2) EPS (excluding extraordinary income/loss, extraordinary factors arising from business acquisitions and similar events) is calculated as:

Net income for the year less: (1) extraordinary income/loss; and (2) amortization of goodwill and intangible assets arising in connection with business acquisitions and similar events; divided by the average number of outstanding shares issued during the year.

Please refer to the "1. (3) Basic Policy for Profit Distribution" for the dividend policy during this Mid-Range Plan.

## **(2) 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.

Presently, tax authorities of Japan and the U.S. proceed with the mutual discussion.

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