

## Remarks by Mr. Masahiro Sakane Chair of the Board Meeting

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It is a great honor for me to represent the external directors of Takeda and to have this opportunity to speak about Takeda's transformation leading up to the decision to acquire Shire.

In 2014, I joined Takeda at the same time as CEO Christophe Weber. From my past experience of management reform in Komatsu, in order for a company to be globally competitive, I believe that it is critical to be number-one both in important markets and important product areas. Additionally, I believe it is critical to withdraw from three principles which are a common weakness of Japanese companies: The first is *sobana shugi*, or the principle of trying to please everyone; the next is *heikinten shugi*, or the principle of reaching an average level of satisfaction; and finally, *jimae shugi*, or the principle of self-sufficiency using your own resources and technology.

When I joined Takeda, they were distancing themselves from the three principles, *sobana shugi*, *heikinten shugi* and *jimae shugi* under the leadership of then-CEO Yasuchika Hasegawa. Takeda had also been striving to narrow down its priority areas of research and development to targeted therapeutic areas of oncology, GI, neuroscience, metabolic/cardiovascular diseases, and vaccines.

For a company to persistently and consistently grow, I believe it is important to lead global operations with corporate culture as the "compass," which guides the company's values and patterns of behavior. Takeda's culture and values known as Takeda-ism, which Takeda has built over a long history, have been inherited among employees as the DNA of Takeda and helped guide the company's transformation.

Since Mr. Weber became CEO, Takeda further narrowed down its priority areas of research and development to three targeted therapeutic areas of GI, oncology, and neuroscience plus vaccines, and at the same time, concentrated its R&D bases in Japan and the United States. For creating Takeda's future over the next decade and even beyond fifty to one hundred years, Takeda has made a large transformation in R&D, which will be the largest since it was founded. Shonan, in Japan, became the hub for neuroscience, regenerative medicine, and open innovation while advancing reforms to foster an ecosystem aiming for drug discovery originated in Japan. The opening ceremony of Shonan Health Innovation Park was held last month. At the same time, Boston in the United States, where the world's most advanced R&D is based, has become the hub for concentrating on oncology and GI. In 2017, with the acquisition of Ariad, we have actively adopted external stakeholders in priority areas. I am convinced

that results from Takeda's R&D transformation, centered in these two major hubs, have already begun to appear.

Although Takeda is positioned as number-one in Japan, it falls within the top 20 globally. As a global company based in Japan, Takeda has long-term challenges of rivaling global competitors, and of further addressing patients' unmet needs.

It was under such circumstances that I was appointed as Chairman of the Board of Directors last June. Thereafter, internal discussions of the acquisition of Shire began. Shire is almost the same size as Takeda, and with the two companies combined, it will be ranked in the global top 10. At the beginning, looking at Shire's business, the revenue from Takeda's focus areas was only about 30%, and the majority of its revenue was from rare diseases, which seemed to be a completely new field for Takeda.

After listening more carefully, I became greatly interested in the area of rare diseases; R&D is conducted in parallel with rapidly progressing science, finding conditions and medicinal effects that have not been fully elucidated yet. This area would contain huge unmet medical needs from medical institutions, governments, and patients. Putting the patient first is fundamental in Takeda's corporate culture, and if Takeda can contribute in such fields, I felt that the acquisition would be consistent with our strategy and be a worthy challenge to pursue.

Globally, pharmaceutical companies compete to develop drugs in areas where treatments already exist. If we were to compete in the same manner, there is concern that this would become an endless M&A battle. Therefore, if Takeda could acquire Shire, I thought Takeda could commit to its original mission of being a pharmaceutical company, elucidating disease conditions and drug discovery, similar to the T-CiRA project in partnership with Professor Shinya Yamanaka. In addition, a big factor in evaluating Shire was that the scale of business and the majority of employees are in the United States, which is the center of cutting-edge innovation.

However, since this investment was the largest for Takeda, we had thoroughly discussed the pros and cons in meetings with outside directors, as well as in meetings with the Board of Directors. Finally, all the directors agreed to pursue this acquisition. However, since the companies are almost the same size, the biggest concern was if it would be possible to truly become one company, while keeping Takeda-ism at the core. Mr. Weber also believes that it is most important to maintain Takeda's DNA throughout this transformation. He is fully committed to leading this transformation responsibly.

Shareholders and investors may be worried that Takeda is overstretched, as reported by various news reports thus far. However, in the past four years, Mr. Weber worked on a number of Takeda's

transformations and made them successful. This acquisition will further accelerate the transformation, and I strongly believe that Takeda can increase its corporate value dramatically, once this acquisition is realized with the vision and strategy of Mr. Weber and the globally-experienced management team.

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Masahiro Sakane, Chair of the Board Meeting

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