[Attachment] The President responds collectively to the questions received in advance

Prior to taking questions from shareholders, I would like to respond to each of the 7 items listed in the document received in advance from shareholder Mr. Yujiro Hara and others.

I would explain the contents of individual questions and then respond to each of them. However, among the questions received, two are based on the assumption that Takeda's acquisitions of Millennium and Nycomed have both been failures. Therefore, before responding to the individual questions, I would like to explain our fundamental understanding regarding these two acquisitions.

Firstly, Takeda's presently decreasing profit is not the effect of these acquisitions, but rather due to structural changes that have progressed rapidly, particularly in Japan and the United States, such as decreasing sales due to generic drugs penetration following the patent expiry of Takeda's four blockbusters that had previously driven our performance as well as decreasing profitability due to the decreasing ratio of in-house products.

I'd like to illustrate this through the example of Actos, one of the largest factors in our decreasing profits. The global sales of Actos decreased from 387.9 billion yen in fiscal year 2010 to 36.6 billion yen in fiscal year 2013 following the expiration of its patent protection in both Japan and the U.S. in the year 2011. That amounts to a decrease of more than 350 billion yen.

The acquisitions conducted by Takeda were counter-measures designed to ensure and recover our growth taking into account the circumstances described above, and they have accomplished that objective. These two acquisitions were both strategically sound decisions. With the Millennium acquisition, Takeda gained access to a strong oncology franchise and strengthened our presence in the U.S., the largest market in the world. With the Nycomed acquisition, Takeda gained attractive positioning in locations where we previously were not present, thus expanding our global footprint to more than 80 countries from which we can now launch products developed by Takeda.

We conducted acquisitions worth around 2 trillion yen in total in the past 5 or 6 years, and the majority of that investment sum went towards the combined Nycomed and Millennium acquisitions. Each year, we conduct an impairment test on the value of the acquired companies based on the cash-flow of products and pipelines acquired. There are a few product assets whose values have decreased, and we have adequately booked impairment in the settlement of those accounts. However, recoverable amounts of all acquired assets other than

these few products were higher than their book value, which was agreed by the Accounting Auditor. As for the overall value of the acquired assets, due to the increased value of the staged-up pipeline products and favorable growth of existing products, in FY2013 Millennium and Nycomed were valued at roughly 20% more than what was paid at the time of acquisition. Therefore, Takeda absolutely does not perceive these acquisitions to have been failures. I must also add that at the time that these acquisitions were conducted, Takeda scrutinized a variety of information related to the target companies and implemented adequate due diligence with outside experts. Furthermore, I would add that this is a fairly conservative procedure and Takeda always makes decisions of acquisitions after receiving fairness opinions (opinions of third parties stating that the acquisition deal is fair).

Based on this, I would like to respond to the individual questions.

Firstly, the concrete contents of the question titled as **"Investment effects and locus of responsibility regarding Millennium Pharmaceuticals, Inc. (U.S.)"** are as follows.

[1] Takeda acquired Millennium for 880 billion yen in March 2008 and since then 6 years have passed. We would like to be told how much cumulative ordinary income there has been at Millennium on a non-consolidated basis as of now.

[2] Takeda spent as much as 880 billion yen to acquire Millennium, but there has been no effect compatible with that amount and it is clear that this investment resulted in failure. We would like to be told who Takeda thinks is responsible for causing such failure.

[3] We would like to be told (i) whether or not Takeda has a plan to hold accountable the person or people responsible for that investment; (ii) if it has, when and how Takeda is going to do so; (iii) if Takeda does not have such plan, who made such a judgment and the reasoning for that.

I will respond to these points collectively.

[1] Millennium is an important subsidiary in charge of research and development in the oncology therapeutic area of the entire Takeda Group as well as the commercialization of products for the oncology therapeutic area in the United States.

As we have reported, sales in the United States for the multiple myeloma drug Velcade were 95 billion yen in fiscal year 2013, which is a significant increase of 30% as compared to previous year. With regard to the sales of Velcade outside the United States, Takeda has been

receiving royalty payments amounting to almost 35 billion yen, and therefore it is significantly contributing towards the growth of Takeda.

Entyvio, a drug for the treatment of ulcerative colitis and Crohn's disease, was approved in the United States and Europe last month and has been launched this month in the United States as a result of the R&D efforts of Millennium. Entyvio is expected to be a major product with the potential to generate blockbuster sales of over 1 billion dollars.

MLN9708, which is in the final stage of development as Velcade's successor in our multiple myeloma franchise, is currently in Phase 3 development with plans to submit an NDA within this fiscal year. MLN9708 is a capsule that is taken once a week, in contrast to Velcade which is an injection, and can be used for the treatment of multiple myeloma as well as maintenance of remission. Thus, we are expecting contributions to Takeda's growth from MLN8708 that are even greater than those of Velcade.

In this way, the research and development department of Millennium is producing a promising product pipeline that will drive Takeda's growth in the future. Adcetris, a drug for the treatment of malignant lymphoma, was introduced by utilizing the expertise of Millennium in oncology therapeutic area. Adcetris was approved in Europe in 2012 and has made a good start in sales. It is important to note that a full 40% of R&D spending on Takeda's products in development is committed to pipeline opportunities derived from our acquisition of Millennium.

With regard to these products, Takeda has the plan to sell them through the sales bases gained through the acquisition of Nycomed in Europe and the emerging markets, and we are expecting significant contributions towards future growth.

The questions that we received ask for the cumulative unconsolidated operating income of Millennium following its acquisition by Takeda. The business activities of said company have been completely integrated into the business activities of Takeda, and the value of said company cannot be calculated only from the stand-alone profits. Thus, I would like to refrain from commenting. Rather, I would say that as we have now largely integrated Millennium within Takeda, making it difficult to itemize the profit allocated to Millennium, and that we have conducted a full impairment test for the products and pipelines acquired before calculating synergies.

However, as stated earlier, Millennium is contributing more than was expected at the time of acquisition, and we regard the acquisition of this company to be a success. I think that shareholders can continue to expect Takeda's growth through the future expansion in

oncology therapeutic area.

[2, 3] The remaining sub-items question the responsibility of the person in charge of acquiring Millennium based on the assumption that the acquisition of Millennium was a failure. However, as previous explained, Takeda absolutely does not regard this investment as a failure. Millennium has been steadily increasing its performance as a subsidiary, driving Takeda's future growth, and is expected to make further contribution through launching a series of new products.

Next, I would like to answer the point titled **"Investment effects and locus of responsibility regarding Nycomed in Switzerland."** The concrete contents of the question are as follows.

[1] Takeda acquired Nycomed for the high price of 1,180 billion yen in March 2011 and we would like to be told who introduced Takeda to Nycomed in the first place.

[2] We would like to be told (i) whether or not Takeda carried out an acquisition audit in advance with regard to the appropriateness of the acquisition price of Nycomed; (ii) if it did, when, who was asked to do it and based on whose introduction.

[3] Three years has already passed since the acquisition of Nycomed. We would like to be told how much cumulative ordinary income there has been at said company.

[4] While President Hasegawa stated clearly at the time of the acquisition that he would appoint a Japanese person as President. However, Takeda announced at the end of November 2013 that it was actually appointing a foreigner who was scouted on very short notice as President. We would like to be told if the reason for this appointment is that Takeda was unable to control Nycomed sufficiently after the acquisition.

[5] We would like to be told (i) who does Takeda think is responsible for not being able to control Nycomed sufficiently after the acquisition; (ii) when and by what methods Takeda will hold accountable that person or those people.

[6] Without even waiting for the failure of Daiichi-Sankyo's purchase of Ranbaxy, it is not exaggerating to say that the purchase of a generic drug company by an innovative drug manufacturer is a foolhardy act of recklessness. Sales of generic drugs and innovative drugs are so qualitatively different that virtually no effect can be expected from the acquisition of sales capacity in developing countries, which was the explanation given for the acquisition of Nycomed. In spite of everything pointed out by analysts and media reports, no convincing

explanation has been given by the management team of Takeda as to the effects of the investment in Nycomed or the various problems that have come to light since the acquisition. Consequently, we would like to be told what Takeda thinks in regard to the effects of the investment and the various problems since the acquisition.

I will respond to these points collectively.

[1] With the acquisition of Nycomed, Takeda broadened our operating bases to numerous countries in which we previously were not present, and currently Takeda's sales base extends to approximately 80 countries. With the acquisition of Nycomed, we established a system that can deliver Takeda's pharmaceutical products to even more people than we could through Takeda's own distribution channel.

With regard to the question of who introduced Nycomed to Takeda, at that time Takeda was considering acquisition of a company with a presence in emerging countries, and Nycomed was one of the candidates that emerged during that process.

[2] Regarding the appropriateness of the acquisition price, fairness opinions were obtained from multiple first-rank financial institutions with reliable reputations globally in order to secure the appropriateness of valuation amount calculated upon carefully scrutinizing (due diligence) related data of target company with the help of external experienced professionals. We received opinions stating that the amount estimated by Takeda was "Fair and Appropriate" prior to the Board resolution. The final amount paid for acquisition was within the range of the fairness opinions and we considered the amount to be appropriate. We received questions on outsourcing company of the due diligence. We believe that there were no concerns in regard to either the abilities of the experts or the procedures of due diligence, and we are confident that the results were appropriate.

[3] The question asks for the cumulative unconsolidated ordinary income of Nycomed after the acquisition. However, the business of said company has been completely integrated into Takeda and the performance of the said company cannot be assessed separately. I would like to refrain from answering this question because the performance of each subsidiary is not relevant to the objectives of this meeting. However, we can confirm that the value of products and pipelines acquired with a discounted cash-flow is higher than what we paid for at the time of acquisition. The value created through the acquisition is even higher when synergies from Project Summit are taken into consideration.

[4, 5] There is a question about the announcement made in November 2013 regarding the

candidate to succeed the President. The question of my successor has been considered as one of the most important issues since my assumption of the President's office, and the decision was made after much deliberation. In the selection process, firstly, the interview and the selection were conducted by the members of the selection committee including me and other internal Directors. Secondly, in order to secure the transparency and objectivity of the selection process of the successor to the President, we contracted a consulting company in the U.S. that specializes in assisting the selection of a successor for CEOs. We took into account the third party appraisal obtained from this company and made an objective evaluation based on extended interviews with each candidate.

Finally, Takeda selected Mr. Weber unanimously by a resolution of the Board of Directors. His degree of understanding of Takeda's history, our mission, and our corporate culture were taken into consideration as important factors, as well as his previous business experiences. This followed the Nomination Committee, chaired by an Outside Director, interviews with various candidates. Thus, we consider Takeda to have made an appropriate decision as a corporation.

I myself remember clearly that I said, "We were unable to sufficiently control" in response to a reporter's question. However, in context, I was referencing the settling of accounts for the fiscal year 2012. That year, we were forced to make significant downward revisions on the full year estimate of profits announced at the third quarter which was based on the results up to that point. Thus, the headquarters' understanding of the group's performance was inadequate and as part of the management, I sincerely regretted that and my statement was in that context. It does not mean that we were not able to control the business of Nycomed, and I have never made a statement to that effect. As for the Nycomed acquisition, we conducted a headcount reduction of 2,000 people in Europe, and realized synergies exceeding 40 billion yen within 3 years of the acquisition without losing the momentum of the business. On top of that, this was all achieved ahead of schedule. Based on these achievements, the performance of Nycomed has been smoothly increasing faster than the market growth, as expected.

As mentioned above, while the acquisition of Nycomed is contributing significantly to the Takeda Group. We will deliver Takeda's new products across the world under the guidance of Mr. Christophe Weber who has rich experience in business in emerging markets, and we believe this will lead to the further growth and development of the Takeda Group.

[6] Among the questions that I received, the acquisition of Ranbaxy by another company was cited as an example to express the viewpoint that the acquisition of Nycomed is also failure. However, the acquisition of Nycomed was not done by evaluating the value of the company as an export base for generic drugs from India to the United States as in case of the cited

example. The nature and purpose of acquisition of Nycomed by Takeda is completely different from the acquisition example referred to in the question, and hence, I believe that this comparison itself is not appropriate at all.

The acquisition of Nycomed enabled Takeda to participate in the growth of emerging markets which accounts for over 70% of the growth in the global pharmaceutical market, and to acquire business bases from which Takeda may commercialize the products created from its R&D activities through our own distribution channel. We can expect that the acquisition of Nycomed will continue to contribute to Takeda's business results in the future.

One example that clearly shows the effect of the Nycomed acquisition is that the increase in both sales and operating income through fiscal year 2017 in the emerging markets gained through this acquisition is likely to account for around 40% of the total increase in the entire Takeda Group. Due to the expansion of our sales network through the acquisition of Nycomed, we are able to launch various new products including innovative new drugs, vaccines, and existing branded generics in over 80 countries worldwide.

Next, I would like to answer the question titled as **"Globalization and the decreased motivation of superior Japanese scientists."** The concrete contents of the question are as follows.

[1] The process of globalization is inescapable for Japanese companies. However, globalization does not just mean becoming enormous internationally. Rather, it means expanding the company's business overseas by leveraging its particular core technology. Takeda's current method makes it look like it is hurrying globalization in form only and unaccompanied by its realities. We would like to be told what Takeda thinks globalization is.

[2] The current situation at Shonan Research Center is that Takeda's particular core technology has been completely destroyed by foreign leaders. The researchers are under the gun only to pursue immediate drug development research (DDR) and the core scientists who carried the load of the core technologies that supported the development of Takeda over many years are being faced hard-heartedly with the bitter experience of dismissal or resignation. Meanwhile, the supplementation of human resources by new hiring has not been carried out recently and neither has strategic moves aimed at the future. In these circumstances, Takeda is inviting the hollowing-out of Takeda's core technology, research infrastructure is being dilapidated by a western-style foreign manager system that prioritizes the cutting of expenditure based on so-called restructuring, and the motivation of Japanese researchers is being reduced dramatically.

We would like to be told what Takeda thinks about this current situation.

[3] In the current situation, where even if Takeda does recommence new hiring in the future, a certain level of ability in English will be a condition of employment. It is foreseeable that researchers with outstanding scientific abilities will avoid applying to Takeda just because they are not that competent at foreign languages. It seems in general that simultaneously combining the two aspects of research and improving communication abilities in a foreign language would be a pretty difficult requirement for students who think it natural to spend long hours dedicating themselves energetically to research. Does President Hasegawa seek researchers for their foreign language abilities or their scientific abilities? Also, it does not look like the President has a sense of this crisis over the current status of researchers, who say that an R&D system like the one at present will break down the Takeda-ism that has been cultivated to this point. However, we would like the President to express his opinion on his current awareness in regard to the Research Center and researchers, as well as the future policies and prospects for them too.

I will answer these points collectively.

[1] When viewing the recent trends in the global pharmaceutical market, we note that the emerging markets have been accelerating greater than the overall market growth, especially in comparison to the slowing growth in the mature markets. The emerging markets have accounted for about 70% of market growth from the 2000's onward. Thus, it is now inevitable for companies to secure their own business base not only in mature markets but also in emerging markets if the company desires to catch up with global growth.

The emerging markets are usually led by branded generics and OTC products, but there are also so-called “unmet medical needs” in the emerging markets which resembles the needs in mature markets for products related to cancer, immune disease, central nervous system disease and more. Therefore, we will place the creation of innovative new drugs at the core of our R&D efforts and utilize the strength of our business base across the world to establish a highly competitive product portfolio tailored to the market characteristics in both mature and emerging markets and to achieve business growth greater than the global average by means of optimizing marketing structures.

In other words, we will distribute innovative products satisfying the unmet medical needs created from our R&D activities, through utilizing the business base in emerging markets acquired through the acquisition of Nycomed, towards the goal of globally realizing our

mission, “We strive towards better health for people worldwide through leading innovation in medicine.” This is the globalization that Takeda aims for.

To that end, we are striving to transform Takeda into a company comparable to global enterprises based in Europe and the U.S. which can be globally competitive company in all aspects of our business, including R&D, manufacture, sales and marketing, corporate governance, and global control of headquarters functions.

Needless to say, what is most important for Takeda as an R&D based pharmaceutical company is to reinforce our R&D capabilities for creation of innovative new drugs.

To achieve this goal, persons with the talent to act globally need to be placed in key positions. If such a need cannot be filled by a Japanese national, utilization of non-Japanese individuals is unavoidable. It is desirable that many Japanese members attempt to catch up with and eventually surpass the global standard of non-Japanese talents. We will provide full support to such Japanese talents.

[2] With regard to Shonan Research Center of Takeda, first of all, I would like to mention that 7 out of 11 most high-level executives at the Research Center are Japanese, and the majority of the around 200 research managers are also Japanese. The leading research positions are by no means occupied only by non-Japanese people.

As a R&D based pharmaceutical company, Takeda is aiming to realize our corporate mission by continuously generating new medicines and delivering them to patients worldwide. To achieve this objective, we of course acknowledge that it is crucial for us to strengthen our research base, and we are actively tackling in succession both the advancement of our core technology and the acquisition of pharmaceutical technology.

We believe that the globalization we have achieved thus far not only enriches our R&D pipeline, but also enables us to continue to strengthen our research base through the activities such as introducing advanced pharmaceutical technology and the retainment of superior researchers, and contributes significantly to realize our corporate mission of delivering valuable innovative medicines to the patients as quickly as possible.

Furthermore, under the strong leadership of Dr. Tachi Yamada, Director and Chief Medical & Scientific Officer, Takeda succeeded one year ago in shortening the time period required from the selection of the product candidate to the commencement of clinical studies to less than one third of the period previously and achieved a time period shorter than the average for major pharmaceutical companies in Europe and the U.S.

In fact, over the past three years Takeda's R&D organization has more than doubled its output while decreasing the costs for each new molecule entering the clinical stage by more than half, by every measure of R&D productivity including new program starts, selection of drug candidates molecules, new molecules entering into human studies and new phase II starts.

In this way, we feel a firm response from the series of transformations we have conducted aimed at achieving top level results around the world.

In parallel, we believe that the motivation of researchers in Japan has improved significantly by such improvement in research productivity, the leadership of the most advanced researchers including non-Japanese as a part of their broad network, and the active interaction with excellent overseas researchers through new collaborations.

For example, we acquired Envoy Therapeutics in the U.S. Through this acquisition, we acquired not only the important technology necessary for innovative drug development, but also the superior researchers affiliated with the company. Discussion with them has in turn improved the motivation of our researchers and also has improved the competitiveness of the research significantly.

With regard to employment of new graduates, we intend to employ at least 10 people every year. We would like to acquire excellent talents through recruiting researchers who studied both inside and outside Japan and those with track records of success in companies and research institutions.

[3] Finally, with regard to English proficiency, nowadays, science is constantly advancing and the global competition among the pharmaceutical companies is intensifying. Under such conditions, in order for us to achieve our mission and develop the innovative drugs truly beneficial for patients as quickly as possible, it is inevitable for us to constantly evolve our research ability through obtaining the latest knowledge from the research articles inside and outside Japan and through active interaction with our overseas research sites and external advanced research institutions. We regard English proficiency as a communication tool and do not prioritize it over research ability. However, there is no doubt that such proficiency is indispensable for our researchers.

According to Takeda's personnel in charge of recruitment, the prospective students belonging to the laboratories run by excellent professors have numerous opportunities to interact with non-Japanese researchers through collaborative research, to make presentations in the academic conferences in English and to write theses in English, and many of prospective

students possessing such experiences wish to join Takeda to work in a globalized company. Although we have established criteria for TOEIC scores, we do not reject a student solely for the reason of failing to obtain scores. Rather, we judge whether or not to employ such students based on their level of research ability and their willingness to communicate in English.

From these points, we do not perceive our request for English proficiency to pose an impediment to employing superior researchers.

Next, I would like to answer to the questions titled **"Concerning the appointment of Mr. Weber, who Takeda has announced will be appointed as CEO next year."**
The concrete contents of the questions are as follows:

[1] According to the article titled "International Reorganization - The Difference between Success and Failure" in the Nihon Keizai Shimbun (Nikkei) of January 10, 2014, President Hasegawa acknowledged that "we were unable to sufficiently control" with regard to the failures that were the acquisitions of Millennium and Nycomed. We would like to be told if this led to the appointment of the foreigner Mr. Weber, who is scheduled to be appointed as CEO next year.

[2] Takeda, which has a history of over 200 years, has made many contributions to the industry and economy as a leading company in the Japanese pharmaceutical industry up to this point in time and its support of some of the many important measures of the state to maintain and improve people's health is recognized by many people.

If Mr. Weber becomes President and subsequently Takeda becomes acquired by a large and powerful foreign pharmaceutical company, it is of enormous concern that Takeda's, or rather it is not exaggerating to say Japan's, core technology in drug development, which is extremely good even looked at from a global level, faces the very real possibility of being lost overseas. This would run counter to the policy of accelerating research related to health care industries, one of the pillars of the growth strategy that the government is implementing.

In addition, there are also concerns that Takeda's valuable technology and researchers for drug development, which have been fostered over many years under the comprehensive support and resolute direction of past generations of Takeda's top management in order to rank alongside and excel at western pharmaceutical technology, could flow out of Takeda or be lost. As a result, there is a danger that Takeda will follow in the footsteps of the large companies in the [Japanese] electronics industry.
Based on the points above, the appointment of Mr. Weber as CEO, whom it has been

announced will be appointed next year, should be described as a hijack by so-called foreign capital and moreover, we think that leaving Takeda's finances and R&D under the direction of a foreign COO or CEO is something that should never be allowed for Takeda and even more so for Japan. We would like to be told Takeda's opinion in regard to this matter.

I would like to answer to these questions collectively.

[1] First of all, as explained before, Takeda does not perceive the acquisitions of Millennium and Nycomed to be failures, and I have never stated anything to that effect. Rather, Takeda perceives these acquisitions to have brought enormous value to the Takeda Group. In regards to the comment, "we were unable to sufficiently control," that was printed in the stated newspaper article, the context of my comment during the announcement of financial results for the fiscal year 2012 has been lost, as I explained in response to the previous question.

Mr. Christophe Weber has been invited as the most appropriate leader to maintain Takeda's sustainable growth as a global company.

[2] In order for Takeda to become a globally competitive company in every aspect of our business, it is necessary to appoint talents who are capable of conducting business globally to key positions regardless of their nationality and race.

It is not clear in the document of questions submitted in advance by the shareholders how the appointment of Mr. Weber as President and the risk of Takeda being acquired by a foreign company increasing are connected. As I have thoroughly explained the process that led to Mr. Weber's appointment, I would like to avoid duplication of that explanation here. I dare add that Takeda has selected Mr. Weber taking into account his degree of understanding and identification with Takeda's history, mission, and corporate culture as an important factor, as well as previous business experiences. This followed the Nomination Committee, mainly comprised of Outside Directors and Corporate Auditors, interviews with multiple candidates, including Japanese nationals. We would appreciate your understanding of the fact that Mr. Weber has been selected regardless of race and nationality from among multiple candidates, including Japanese individuals, as the most appropriate person to lead the global Takeda of today

Next, I would like to answer the question titled as **"Concerning the loss of substance in the Board of Directors."** The concrete contents of the question are as follows.

[1] Separate to the Board of Directors, Takeda also has an organization known as the "Global

Leadership Committee" (hereinafter referred to as the "Management Team Meeting"). We would like the members of that committee to be identified.

[2] Many participants in Management Team Meetings are foreigners and the determination of important matters is carried out by at Management Team Meetings rather than by the Board of Directors. Essentially, the Board of Directors, which is the senior organization above the Management Team Meeting, is not functioning and has become a façade. We think that this loss of substance in the Board of Directors was probably the cause that allowed the huge acquisition investments in Millennium and Nycomed. We would like to be told Takeda's opinion in regard to this point.

I would like to answer to these questions collectively.

[1] The Global Leadership Committee totals 9 individuals, and its members consist of internal Directors and the heads of key functions. Among them, 4 members are Japanese and 5 members are non-Japanese.

[2] You have suggested that we decide the important matters at the Global Leadership Committee. However, such indications are completely inappropriate because the decisions related to execution of all important operations are resolved by Takeda's Board of Directors as stipulated in the Companies Act.

Additionally, the Outside Directors and Corporate Auditors are strictly monitoring and supervising the Board of Directors. The decision making process is conducting with various inquiries, suggestions and opinions from every individual. In fact, there are a number of matters which have been rejected by the Board of Directors. Thus, we think your suggestion that the Board of Directors has lost its substance is completely inappropriate.

Next, I would like to answer the question titled as **"Concerning the continuation of high dividend payments."** The content of the question is as follows.

Despite the fact that the dividend payout ratio currently greatly exceeds 100%, it has been announced that Takeda will continue the dividend amount of 180 yen for the next 2 years. Profits alone are insufficient as a source of funds and it is highly likely that Takeda will rely on the issuance of corporate bonds. However, if that happens, the Company will be paying so-called "bogus" dividends and it is of concern that the sound financial management that Takeda has sustained over many years will be abandoned, causing serious problems for future business management. We would like to be told the opinion of Takeda with regard to

whether there are plans to continue this kind of asset runoff.

I would like to comment that Takeda highly values shareholder remuneration, which is evidenced by the very competitive and even high-end yield provided at around 4%.

The pay-out as a percentage of net profit appears to be high but it is impacted by many exceptional items. It is more appropriate to look at our capacity to pay dividends, which means measuring the dividends as a percentage of cash-flow generation rather than a percentage of net profit. In the fiscal year 2013, Takeda's dividends amounted to about 66% of operating free cash-flow (EBITDA minus Capex, Taxes and working capital adjustment), and were as similar levels in the fiscal year 2012. This means that Takeda has the appropriate level of business performance to support such a dividend level, and we expect our cash-flow generation to increase further in the future as a consequence of our sales growth and cost savings initiatives. The Board of Directors will review and deliberate future dividend policies in due time but, once again, Takeda values shareholders' remuneration.

Furthermore, I would like to remind you that Takeda's dividend payments have been implemented appropriately in accordance with the Companies Act and within the range of distributable profit reserve of JPY 1.4 trillion at the ultimate parent company level, and it is not a so-called "bogus" dividend as indicated. We also would like to emphasize that we will maintain sound financial status in the future.

Next, I would like to answer to the questions titled **"Concerning the jury trial in Louisiana, USA"** as the last of the questions to be answered from me in advance.
The concrete contents of the questions are as follows:

[1] It was reported when the details of Takeda's consolidated settlement of accounts was made clear at the start of April 2014 that damages of 6 billion dollars (about 610 billion yen) were awarded against Takeda and 3 billion dollars (about 305 billion yen) were awarded against Eli Lilly in a trial by jury conducted in the Louisiana Federal District Court concerning Actos. We would like to be told when Takeda knew of this matter and how Takeda is dealing with it at present.

[2] Assuming that Takeda will have to pay these enormous damages, we think that Takeda will have to hold accountable the person or persons who caused this to happen. We would like to be told who Takeda thinks is or are the responsible person or persons.

I would like to answer to these questions collectively.

[1, 2] There are product liability lawsuits against Takeda pending in the U.S., Canada and France alleging that Actos, a drug for the treatment of type 2 diabetes, caused plaintiffs' bladder cancer. We would like to clarify that of the six lawsuits tried to date in U.S. courts in 2013 and 2014, five cases have resulted in verdicts or judgments in favor of Takeda.

On April 7 (Eastern Standard Time (US)), the jury in the *Terrence and Susan Allen v. Takeda Pharmaceuticals International, Inc.,et al.*, a case tried in the United States District Court, Western District Louisiana, found in favor of the plaintiffs and awarded them $1.475 million in compensatory damages. The allocation of liability was 75% Takeda and 25% Eli Lilly. The jury also awarded $6 billion in punitive damages from Takeda and $3 billion from Eli Lilly. We disclosed this fact the next day, April 8.

Patient safety is a critical priority for Takeda, and we believe Takeda has always acted responsibly with regard to Actos. We are confident in the therapeutic benefits of Actos and its importance as a treatment for type 2 diabetes. We further believe that the evidence submitted in the case did not support a finding that Actos caused the patients' bladder cancer. Furthermore, with regard to the amount of damages, we believe that, at very least, the amount of damages awarded in the verdict should be significantly reduced. Firstly, we understand that the amount of compensatory damages ($1.475 million) should be reduced in accordance with the applicable New York state laws. Secondly, with regard to the amount of punitive damages, the United States Supreme Court indicated in 2003 that any award of punitive damages in excess of 10 times the relevant compensatory damages is unconstitutional. We are aware of only a few exceptions to this precedent in situations where the compensatory damages awarded were very small.

We have great empathy for the patients who have been seeking these lawsuits and the related persons. However, Takeda respectfully disagrees with the verdict and the jury's finding of liability against Takeda and Eli Lilly.

As a company, we believe Takeda acted responsibly with regard to Actos, and we will vigorously defend against future lawsuits on this matter.

We are keenly aware of our responsibility to correctly address your concerns, and seek for your continued understanding and support.

These are all of my answers to the questions submitted in advance.

End