3. Management Policy

(1) Basic Management Policy

Takeda places “Takeda-ism” (Integrity: 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 people worldwide through leading innovation in medicine.” Takeda will achieve this by continuously creating innovative new drugs and delivering them to patients worldwide.

Under the Mid-Range Growth Strategy starting from fiscal 2013 that aims to realize “Vision 2020”, where the company aspires to be in the year 2020, Takeda will execute its fundamental strategies based on Globalization, Diversity and Innovation, and also build a robust and efficient operating model to further build on its previous strategies.

<Vision 2020>

“Better Health, Brighter Future”

For more than 230 years, we have been serving society with innovative medicines and helping patients reclaim valuable moments of life from illness. Now, with new healthcare solutions from prevention to care and cure, we are determined to help even more people enjoy their lives to the fullest.

We continue to transform the future of healthcare by unifying our strengths as “Global One Takeda.” We are a diverse organization committed to working with local communities to fully understand their needs and deliver industry-leading solutions with a sense of urgency, dedication and unparalleled efficiency.

Our passion for healthcare and commitment to improving lives will enable us to make the next 230 years healthier and brighter for people around the world.

• Our Business: Committed to Improving Health

With countless people in desperate need of new healthcare solutions, there’s no time to wait. That’s why we pursue innovative medicines as well as high-quality branded generics, life-saving vaccines, and OTC medicines – to help as many people as we can, as soon as we can.

• Our Organization: Strength from Diversity

A common set of values, Takeda-ism, unites us as one. Using our diverse skills and ideas, we develop fresh solutions to meet the needs of people around the world. Each one of us is empowered to act swiftly and decisively in our quest to improve quality of life.

• Our People: Powered by Passion

Our people are our greatest asset. Driven by passion to learn and contribute more, we embrace new challenges with confidence and open minds. We are determined to lead the change for a better world.

<Fundamental Strategies of the Mid-Range Growth Strategy >

• Globalization

Emerging Markets

With the main focus on Russia, Brazil and China, Takeda is focused on its existing portfolio of high-quality branded generics and OTC medicines, as well as the future commercialization of new products. Takeda will continue to be competitive in each market with a diverse product portfolio tailored to local needs, implementing a sales strategy that pursues effective investment to improve profitability, to realize top-line growth that exceeds that of the market.

Japanese Market

Takeda will maintain its No.1 share position in the Japanese market through the acceleration of strategic product sales including; Nesina family (treatment for type 2 diabetes), Azilva (treatment of hypertension), Lotriga (treatment for hyperlipidemia). The Company will build a new commercial model that shifts its focus to new products expected to be approved by regulatory authorities.
U.S. Market
Through the implementation of an optimal commercial strategy, Takeda will achieve initial entry of Nesina family products, Uloric/Colcrys synergies in gout treatment franchise, expanded Dexilant sales and further maximization of existing product sales, while pursuing the optimization of promotional expenses. At the same time, the Company will establish and implement solid sales strategies to ensure success of new products planned for approval by regulatory authorities.

European Market
Takeda will enhance its foundations in primary care and will accelerate its presence in specialty markets by maintaining and expanding existing and new products. Through expansion of sales, the Company will contribute to steady sales and contribute to a more profitable business structure even in the midst of challenging market environments.

• Diversity
Takeda will hire and train diverse talent, creating a culture that encourages creativity and innovation. Takeda’s goal with regard to diversification is to foster creativity by having employees from various countries, cultures and backgrounds work together to improve the organizational strength.

• Innovation
Establishment of the R&D pipeline with competitive edge
In order to establish a competitive R&D pipeline, Takeda will focus on six therapeutic areas of “Cardiovascular & Metabolic,” “Oncology,” “Central Nervous System,” “Immunology & Respiratory,” “General Medicine,” and “Vaccine.” The company’s focus will be on unmet medical needs and vaccines, while pursuing the creation of new projects that cross each therapeutic area.

Improvement of R&D productivity
Takeda will implement strategies to ensure approvals for its late-stage pipeline compounds. Beyond the submission of its products, Takeda is committed to continuing to seek value for its patients through post-marketing clinical studies. In order to enhance the R&D pipeline, Takeda will continue to shorten the clinical development period, and develop a system allowing researchers to create high-quality compounds through further improved processes, as well as consider how to further expand the applications of its existing R&D projects and acquire the projects through business development activities. It will also enhance its DDU (Drug Discovery Unit) structure at the Shonan Research Center, improve its candidate molecule research processes, and better apply the expertise of its research alliance partners, such as Envoy and Advinus.

Transformation into an efficient operating model
The Company will globalize its marketing operations and sales activities and branding strategy for global products while ensuring they meet the needs of each local operating company. Takeda’s manufacturing operations will be made more efficient through the optimization of its manufacturing network and enhanced global-scale procurement, leveraged on the infrastructure and functions of legacy Nycomed. Also, the G&A functions, such as finance & accounting, IT, human resources, will standardize their processes globally to achieve operating efficiency.
Financial Forecasts for fiscal 2013*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,590.0 billion yen</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>325.0 billion yen</td>
</tr>
<tr>
<td>Operating income</td>
<td>140.0 billion yen</td>
</tr>
<tr>
<td>Operating income excl. special factors**</td>
<td>280.0 billion yen</td>
</tr>
<tr>
<td>Net income</td>
<td>95.0 billion yen</td>
</tr>
<tr>
<td>Net income excl. extraordinary income/loss &amp; special factors***</td>
<td>185.0 billion yen</td>
</tr>
<tr>
<td>EPS</td>
<td>120.34 yen</td>
</tr>
<tr>
<td>EPS excl. extraordinary income/loss &amp; special factors***</td>
<td>234.34 yen</td>
</tr>
<tr>
<td>EBITDA excl. extraordinary income/loss****</td>
<td>340.0 billion yen</td>
</tr>
</tbody>
</table>

* The exchange rate assumptions for fiscal 2013 are 1US$=90 yen and 1 euro=120 yen.

** Special factors affecting operating income: amortization of intangible assets and goodwill resulting from corporate acquisitions, and an increase in COGS related to inventory step-up due to revaluation to fair value also resulting from corporate acquisitions.

*** Special factors affecting net income, EPS: (In addition to the factors affecting operating income) non-operating expenses related to corporate acquisitions.

**** EBITDA excl. extraordinary income and loss is calculated by adding the following to ordinary income: amortization of intangible assets, amortization of goodwill, and non-operating expenses resulting from corporate acquisitions etc., depreciation and interest expenses.

** Guidance for Sustainable Growth**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Sales</td>
<td>FY13-17</td>
</tr>
<tr>
<td>Efficiency Operating Income</td>
<td>FY13-17</td>
</tr>
<tr>
<td>Shareholder Return Dividend per share</td>
<td>FY13-15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid single digit CAGR*</td>
</tr>
<tr>
<td>At least 20% CAGR*</td>
</tr>
<tr>
<td>Maintain 180 yen annually</td>
</tr>
</tbody>
</table>

* In-house pipeline with high potential will contribute to sales and profits in fiscal 2015 and after

The Company will further improve the efficiency of use of the fund by optimization of its Balance Sheet including the decreased level of working capital and the enhancement of the cash management. In addition, the Company will establish and implement the flexible financial strategies, the continued investment for the growth, and the steady repayment of interest-bearing debt. With all these strategies, the Company will maintain and enhance strong and sound financial base which will support the implementation of the Mid-Range Growth Strategy.

Please refer to the “1. (3) Basic Policy for Profit Distribution and Dividends for Fiscal 2012 and 2013” for the dividend policy during this Mid-Range Growth Strategy.

(2) Litigation and Other Legal Matters

(i) U.S. AWP litigation

In the U.S., civil lawsuits have been filed by patients, insurance companies and state governments against numerous pharmaceutical companies, including major enterprises, over the sale of certain pharmaceutical products. The complaints seek, among other things, damages resulting from price discrepancies between the average wholesale price (AWP) as published and the actual selling prices. Thus, these types of lawsuits are sometimes called “AWP litigation”. Actions are pending against Takeda Pharmaceuticals U.S.A., Inc.* (hereinafter “TPUSA”) in several state courts over pioglitazone (U.S. product name: Actos), and against TAP Pharmaceutical Products Inc.*
(hereinafter “TAP”) over lansoprazole (U.S. product name: Prevacid). In one case with regard to Prevacid the Company is also named as a defendant. Takeda is diligently defending itself in each of the remaining aforementioned lawsuits.

* TAP was merged into Takeda Pharmaceuticals North America, Inc. (hereinafter “TPNA”) in June 2008 and TPNA changed its name to TPUSA in January 2012. TAP marketed Prevacid before its merger with TPNA.

(ii) Product liability litigation regarding pioglitazone-containing products
The Company, TPUSA, and certain Company Affiliates located in the U.S. have been named as defendants in lawsuits pending in U.S. federal and state courts in which plaintiffs allege to have developed bladder cancer as a result of taking pioglitazone-containing products (some cases alleged other injuries). Eli Lilly & Co. is a defendant in many of these lawsuits. Proposed class action lawsuits have been filed in Canada. In France, a lawsuit seeking compensation for bladder cancer has been filed.

The Company is vigorously defending the aforementioned lawsuits.

(iii) Correction for transfer pricing taxation
On June 28, 2006, the Company 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 the Company and TAP were under-assigned to the Company over the six fiscal years from the year ended March 31, 2000 through the year ended March 31, 2005. The total taxable income assessed was ¥122.3 billion and the additional tax due, including local and other taxes, was ¥57.1 billion. The Company paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a written objection with ORTB on August 25, 2006.

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

On November 4, 2011, the Company received a notice from the National Tax Agency of Japan that the mutual agreement procedure did not result in an agreement and that the case was closed. In response to this, on November 9, 2012, the Company filed a request for re-opening a suspended reinvestigation process with ORTB.

On April 6, 2012, the Company received a notice that the ORTB concluded the reinvestigation with a decision to reduce the original assessment of ¥122.3 billion in taxable income by the amount of ¥97.7 billion. As a result, the Company received a refund of ¥57.2 billion, tax and interest combined, including local tax, in the fiscal year ended March 31, 2012.

On May 7, 2012, the Company submitted a request for reconsideration to the Osaka Regional Tax Tribunal, petitioning for the cancellation of the portion of the original correction that still remained after the conclusion of ORTB’s reinvestigation. On March 25, 2013, the Company received a notice of the decision that the Osaka Regional Tax Tribunal accepted the Company’s position. As a result, the Company expects a refund of ¥15.2 billion, tax and interest combined, including local tax.

With the conclusion of the above process, the Company will be refunded in entirety the previously paid taxes related to this transfer pricing taxation issue.