



Better Health, Brighter Future

Media Contact:
Takeda Pharmaceutical Company Limited
Corporate Communications Department
Tel +81-3-3278-2037

News Release

Launch of a New Long-Term Incentive Scheme for Members of the Board of Directors

- Resolution to submit the introduction of this new compensation system at the Shareholders Meeting and approval of its details -

Osaka, Japan, May 20, 2014 –Takeda Pharmaceutical Company Limited (“Company”) Board of Directors held a meeting on April 25, 2014, at which they resolved to revise the current Directors’ compensation system and to adopt instead a new long-term incentive scheme (“LTI”). The Company is announcing that, at a meeting held today, the Board of Directors resolved to submit the introduction of the LTI at the 138th Ordinary General Meeting of Shareholders to be held on June 27, 2014 (“Shareholders Meeting”) and adopted the details of the new incentive plan (“Plan”) described below to be implemented in this fiscal year, according to the LTI. The current stock options for Directors will be abolished along with the introduction of the LTI and no more new stock options will be granted hereafter.

1. Purpose of Introducing the LTI

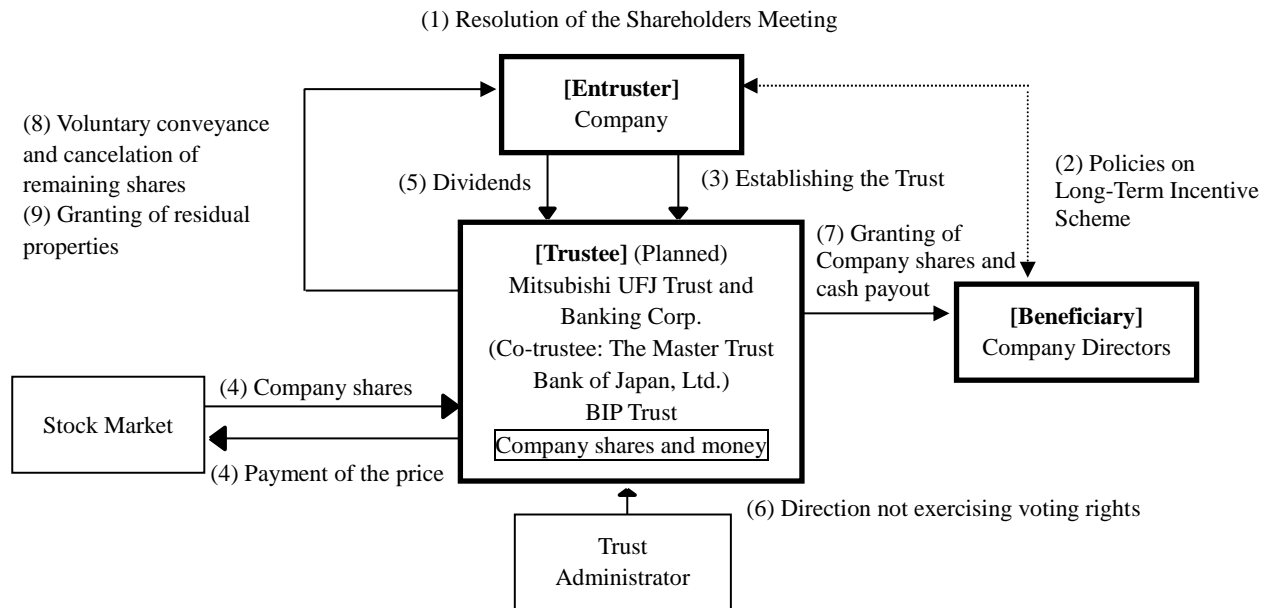
- (1) The Company is introducing this LTI for Directors of the Company (excl. Outside Directors) as a highly transparent and objective Directors’ compensation system that is closely linked to company performance. The purpose of this LTI is to improve the Company’s mid- and long-term performance as well as increase the awareness of contributions to increasing corporate value ^{(*)1} ^{(*)2}.
- (2) Application of the LTI for the Company Directors is subject to approval of the resolution on Directors’ compensation at the Shareholders Meeting.
- (3) The Board Incentive Plan Trust (“BIP Trust”) will be adopted when introducing the LTI. The BIP Trust is an incentive plan for Directors based on the Performance Share system and Restricted Stock system in the U.S.A. wherein Company shares that are acquired by the BIP Trust will be granted to Company Directors based on the achievement of performance indicators, etc ^{(*)3}.

(*)1 The compensation for the Company Directors consists of “Base Compensation,” “Bonus,” and “Stock Compensation.” With regard to compensation for Outside Directors and Corporate Auditors, who are independent from the Company’s business operations, it will consist of “Base Compensation” as before.

(*)2 The Company established a Compensation Committee with an Outside Director as its Chairperson, to serve as an advisory organization for the Board of Directors. The introduction of this LTI was deliberated at the Compensation Committee. The Compensation Committee discussed the validity of the performance indicators and the performance achievements, etc. and ensured the transparency and objectivity of the resolution process and the decision pertaining to the compensation system.

(*)3 Consolidated Revenue and Core earnings which are used in our Sustainable Growth Strategy etc. are adopted as performance indicators under this System.

2. Structure of the BIP Trust



- (1) The Company obtains approval by a resolution on Directors' compensation at the Shareholders Meeting with regard to the introduction of this LTI.
- (2) The Company establishes the policies on Long-Term Incentive Scheme pertaining to Directors' compensation at the Board of Directors meeting with regard to the introduction of this LTI.
- (3) The Company entrusts money to Mitsubishi UFJ Trust and Banking Corporation ("Trustee") to the extent approved by the resolution at the Shareholders Meeting in (1) above and establishes a trust ("Trust") wherein Company Directors who meet the beneficiary requirements are Beneficiaries.
- (4) The Trustee (of the Trust) acquires Company shares from the stock market using money contributed in procedure (3) in accordance with the directions of the Trust administrator.
- (5) Dividends will be paid to Company shares under the Trust as well as other Company shares.
- (6) Voting rights will not be exercised during the Trust term with regard to Company shares under the Trust.
- (7) During the Trust term, Beneficiaries will receive Company shares according to the policies on Long-Term Incentive Scheme. (Beneficiaries may receive money by converting Company shares under the Trust into money according to the provisions of the trust agreement.)
- (8) If there are remaining shares at the expiry of the Trust term due to non-achievement of performance targets or other reasons during the Trust term, the Trust may continue to be used as a type of incentive plan similar to this LTI by changing the trust agreement and entrusting additional money to the Trust, or the Trust voluntarily conveys said remaining shares to the Company and the Company acquires them without payment and cancels the remaining shares by a resolution at the Board of Directors meeting.
- (9) Residual properties after distribution to Beneficiaries at the end of the Trust will belong to the Company to the extent of allowances for trust expenses, which are calculated by deducting the funds to acquire Company shares from the trust money. The portion exceeding the allowances for trust expenses will be donated to groups that have no conflict of interest with the Company and the Company Directors.

(Note) If there are no Company shares under the Trust due to the granting, etc., of Company shares to beneficiaries, the Trust will be discontinued before expiry of the trust term. The Company may entrust additional money to the Trust as funds to acquire Company shares and the Trust may acquire additional Company shares to the extent of funds necessary to acquire shares that were approved by resolution of the Shareholders Meeting and to the extent of the Upper Limit Number for the Granting of Shares (provided in 3 (8), below).

3. Content of the Plan

(1) Outline of the Plan

The Plan is an incentive plan to grant or pay (collectively “grant, etc.”) a specified amount of Company shares and money equivalent to Company shares converted into cash (collectively “Company Shares, etc.”) as compensation for Directors for three years, from the fiscal year ending at the end of March 2015 until the fiscal year ending at the end of March 2017 (“Subject Period”). Compensation under the Plan will consist of a Fixed Portion, in which a specified amount of Company Shares, etc. is granted, etc. each year, and an Adjustable Portion, where Company Shares, etc. are granted, etc. based on the performance achievements during the Subject Period.

The Company will implement the same type of incentive plans as the Plan continuously by establishing a new BIP Trust each year in the next fiscal year and after or by changing the existing BIP Trust, for which the trust term is expired, and entrusting additional money. The content of incentive plans to be implemented in the next fiscal year and thereafter will be determined by a resolution of the meeting of the Board of Directors to the extent approved by the Shareholders Meeting.

(2) Resolution of the Shareholders Meeting related to the Introduction of the Plan

The upper limit of the amount to be paid to the Trust and other necessary matters will be resolved by the Shareholders Meeting and the Plan will be implemented to the extent approved by the Shareholders Meeting.

(3) Eligibility of the Plan (Requirements for Beneficiaries)

Company Directors who hold office at the time of establishment of the Trust (excluding Outside Directors; “Eligible Persons”) may receive compensation from the Trust with regard to the number of Company Shares, etc. corresponding to the share granting points (provided in (5), below) on completing the specified procedures to be designated as a beneficiary, if the Director satisfies the requirements for beneficiaries.

Requirements for beneficiaries are as follows:

- (i) a person who holds office as a Company Director as of June 1 of the given year; ^{(*)4} ^{(*)5}
- (ii) a person who resides in Japan; and
- (iii) a person who satisfies other requirements found necessary to accomplish the purpose of a long-term incentive scheme.

(*)4 If an Eligible Person resigns (excluding cases of resignation for personal reason or dismissal), the share granting points will be granted to the person and he/she may receive compensation from the Trust with regard to the number of Company shares, etc. corresponding to the share granting points, just as if he/she had held office as a Company Director until the expiry of the trust term.

(*)5 If an Eligible Person passes away during his/her time in office as a Company Director, a successor of the Eligible Person may receive compensation from the Trust with regard to the number of Company shares, etc. corresponding to the share granting points upon completing the specified procedures to be designated as a Beneficiary.

(4) Trust Term

The trust term shall be approximately three years, from August 4, 2014 (scheduled) until the end of July 2017 (scheduled).

The Trust may be continued as the same type of incentive plan as the Plan by changing the trust agreement and entrusting additional money at the expiry of the trust term.

(5) Company Shares, etc. Granted to Eligible Persons

The number of Company shares to be granted to an Eligible Person is determined by the share granting points that are granted in accordance with the following, where one share^(*6) is granted for one share granting point:

(*6) If Company shares under the Trust increase or decrease due to share splitting, gratis allotment, reverse share splitting, etc., the Company will revise the number of Company shares to be granted per share granting point.

First, base points are to be granted to a person who holds office as an Eligible Person as of September 1, 2014, according to the following calculation formula:

(Base Points Calculation Formula)

Base salary by title x Target percentage by title / Closing price of Company shares at the Tokyo Stock Exchange as of September 1, 2014 (if the closing price on said day does not exist, the closing price of the day on which transactions were made immediately preceding the said day.)

- * Fractions after the decimal point are rounded down.
- * Base salary by title and Target percentage by title will be determined in consideration of the content and responsibility of duties, the percentage of monetary compensation and stock compensation in overall Directors compensations, and other factors.

Share granting points will be granted to and base points will be reduced for a person who holds office as an Eligible Person as of June 1 each year during the period from 2015 to 2017.

(Share Granting Points Calculation Formula)

(i) For 2015 and 2016

Initial base points x 50% x 1/3

- * Fractions after the decimal point are rounded down.

(ii) For 2017

Initial base points x 50% x 1/3 + Initial base points x 50% x Performance-linked coefficient

- * Fractions after the decimal point are rounded down.
- * A performance-linked coefficient between 0 to 200% will be determined, based on the target achievements, etc. The achievement of targets established when introducing the Plan for the period ending in March 2017 shall be calculated in a 50/50 ratio of amounts of consolidated revenue to consolidated operating profits (Core Earnings). (The performance-linked coefficient is designed to be 200% if the target achievement is 140% or more and to be 0% if the target achievement is 60% or less, in principle.)
- * Evaluation of performance achievements is reported and determined at the meeting of the Board of Directors after review by the Compensation Committee.

(Base Points Reduction Formula)

(i) For 2015 and 2016

Initial base points $\times 50\% \times 1/3$

* Fractions after the decimal point are rounded down.

(ii) For 2017

Initial base points $\times 50\% \times 1/3 +$ Initial base points $\times 50\%$

* Fractions after the decimal point are rounded down.

If an Eligible Person resigns (excluding cases of resignation for personal reason or dismissal), the share granting points will be granted to the person and he/she may receive compensation from the Trust with regard to the number of Company Shares, etc. corresponding to the share granting points, just as if he/she had held office as a Company Director until the expiry of the trust term.

(6) Method and Timing of Granting, etc. Company Shares, etc. to Company Directors

The Eligible Persons who satisfy the requirements as beneficiaries shall perform the specified procedures to be designated as a beneficiary each year from 2015 to 2017. They may then receive 50% of the Company shares (the number of shares less than one share unit will be rounded down) corresponding to the share granting points and may receive money equivalent to the remaining number of Company shares that are converted into cash under the Trust after a specified period from the receipt of the share granting points.

(7) Treatment of the Death of a Company Director

If an Eligible Person passes away during the trust term, the base points granted to said Eligible Person will be converted into share granting points and the successor of the Eligible Person may receive money equivalent to the number of Company shares that correspond to the share granting points and are converted into money by performing the specified procedures to be designated as a beneficiary.

(8) Scheduled Amount of Trust Money to be Paid to the Trust and Scheduled Amount of Company Shares to be Granted by the Trust

The Company is scheduled to pay trust money of 1.3 billion yen ^(*) to the Trust.

(*) These are the total funds for the Trust to acquire shares, as well as trust fees and trust expenses during the trust term. The Company is planning to submit a proposal for an upper limit of 2 billion yen for the amount to be paid for the LTI each fiscal year, and to obtain a resolution at the Shareholders Meeting. If it is so resolved, the Company may pay money to the Trust under the LTI each fiscal year up to said limit. The upper limit of the aforementioned trust money is calculated in consideration of the possibility of increases in the number of Company Directors in the future, etc.

The aforementioned scheduled amount is calculated by adding trust fees and trust expenses in consideration of current Basic Compensation and Bonuses, etc., of Company Directors.

During the trust term of the Trust, the total amount of Company Shares, etc. to be granted pursuant to (5), above, shall be up to the number that is obtained by dividing the trust money paid to the Trust by the closing price of Company shares at the Tokyo Stock Exchange as of September 1, 2014 (if the closing price of said day does not exist, the closing price of the day on which transactions are made immediately preceding said day) (the number obtained shall be referred to as the "Upper Limit Number for the Granting of Shares").

(9) Method for the Trust to Acquire Company Shares

The Trust shall schedule the initial acquisition of Company shares from the stock exchange to the extent of the funds to acquire shares, as specified in (8) above.

(10) Exercising Voting Rights Related to Company Shares under the Trust

Voting rights related to Company shares under the Trust (meaning Company shares before being granted to Company Directors pursuant to (6) and (7), above) shall not be exercised during the trust term, to ensure the neutrality of Company management.

(11) Treatment of Dividends Related to Company Shares under the Trust

Dividends related to Company shares under the Trust shall be received by the Trust and used for trust fees and trust expenses. If there is a balance when the Trust ends, even after dividends are used for trust fees and trust expenses under the Trust, the balance will be donated to groups that have no commercial relationship with the Company or with the Company Directors. If the Trust as specified in (12), below, continues to be used, said balance shall be used as funds to acquire shares.

(12) Treatment at the End of the Trust Term

If there are remaining shares at the end of the trust term due to non-attainment of performance targets during the Subject Period, the Trust may continue to be used as the same type of incentive plan as the Plan by changing the trust agreement and paying additional money to the Trust. If the Trust is terminated by expiry of the trust term, the Trust will transfer said remaining shares to the Company without compensation, as a measure to return the shares to shareholders, and the Company will cancel said shares by a resolution at the meeting of the Board of Directors.

(Reference)

[Trust Agreement]

- | | |
|---|--|
| (1) Type of Trust: | Money trust other than a specified money trust for separate investment (Third party benefit trust) |
| (2) Purpose of Trust: | To grant incentives to Members of the Board of Directors |
| (3) Trust settlor: | The Company |
| (4) Trustee: | Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| (5) Beneficiaries: | Person(s) who meet beneficiary requirements from among Members of the Board of Directors (excl. Outside Directors) |
| (6) Trust administrator: | A third person who has no conflict of interest with the Company
(Certified public accountant) |
| (7) Date of trust agreement: | August 4, 2014 (scheduled) |
| (8) Trust term: | From August 4, 2014 (scheduled) to the end of July 2017 (scheduled) |
| (9) Start of the Plan: | Granting base points on September 1, 2014 (scheduled) |
| (10) Exercise of voting rights: | No voting rights will be exercised |
| (11) Type of acquired shares: | Common Company shares |
| (12) Total amount of shares to be acquired: | 1.3 billion yen (scheduled) (including trust fees and trust expenses) |
| (13) Time to acquire shares: | From August 6, 2014 (scheduled) to the end of August, 2014 (scheduled)
(excluding the five business days before the end of each fiscal period (i.e. the full year, interim, and quarterly fiscal periods)) |
| (14) Manner of share acquisition: | To be acquired from the stock exchange market |
| (15) Vested rights holder: | The Company |
| (16) Residual properties: | Residual properties that the Company, which is the holder of vested rights, can receive are within the extent of allowances for trust expenses, which are calculated by deducting funds to acquire Company shares from Trust money |

[Affairs related to Trust and Shares]

- | | |
|--------------------------------|---|
| (1) Affairs related to trust: | Mitsubishi UFJ Trust and Banking Corporation will be the trustee of the BIP Trust and engages in affairs related to the Trust. |
| (2) Affairs related to shares: | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will engage in affairs related to granting Company shares to Beneficiaries based on the agreement of entrustment of affairs. |

###