



Better Health, Brighter Future

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News Release

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Continuation and Partial Revision of Long-Term Incentive Plan for Members of the Board of Directors in Fiscal 2015

Osaka, Japan, May 19, 2015 -- Takeda Pharmaceutical Company Limited (“Company”) announced today that the meeting of the Board of Directors held on May 19, 2015 resolved to continue and partially revise the long-term incentive plan (“LTI”) in fiscal 2015, which was adopted for members of the Board of Directors in fiscal 2014.

1. Outline of the LTI

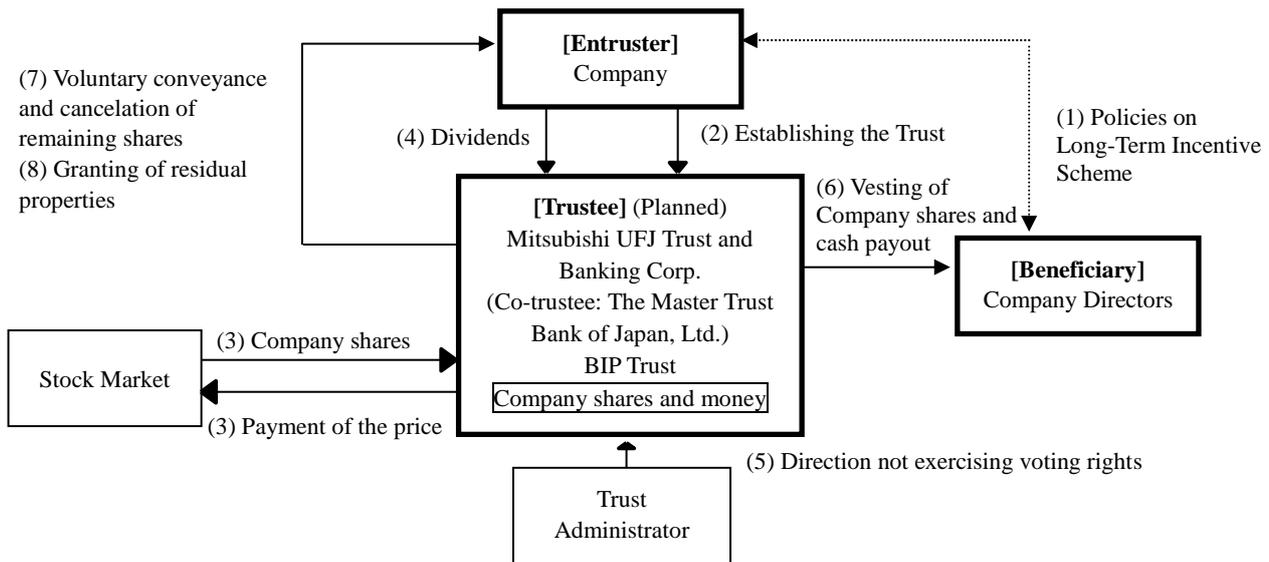
- (1) The Company introduced this LTI for Directors of the Company (excl. Outside Directors) in fiscal 2014 as a highly transparent and objective Directors’ compensation system that is closely linked to company performance. The purpose of this LTI is to improve the Company’s mid- and long-term performance as well as raise awareness of the need to help increase the Company’s value ^(*)^(*).
- (2) The Board Incentive Plan Trust (“BIP Trust”) was adopted for the LTI. A new BIP Trust will be established after partially revising the LTI (mentioned later) when the LTI is continued in fiscal 2015.
- (3) 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 and the amount of money equivalent to Company shares converted into cash (collectively “Company Shares, etc.”) will be vested or paid (collectively “vested, etc.”) to Company Directors based on the achievement of performance indicators, etc. ^(*), along with dividends from Company shares.

(*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.”

(*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) Performance indicators are linked with mid- and long-term performance indicators; they are adopted under the LTI along with consolidated revenue, etc., which are transparent and objective indicators.

2. Structure of the BIP Trust



- (1) The Company partially revises the policies on Long-Term Incentive Plan pertaining to Directors' compensation at the Board of Directors meeting with regard to continuation of the LTI in fiscal 2015.
- (2) The Company entrusts money to Mitsubishi UFJ Trust and Banking Corporation ("Trustee") to the extent approved by the resolution at the Shareholders Meeting, held in 2014 and establishes a trust ("Trust") wherein Company Directors who meet the beneficiary requirements are Beneficiaries.
- (3) The Trustee (of the Trust) acquires Company shares from the stock market using money contributed in procedure (2) in accordance with the directions of the Trust administrator.
- (4) Dividends will be paid for Company shares under the Trust as well as for other Company shares.
- (5) Voting rights will not be exercised during the Trust term with regard to Company shares under the Trust.
- (6) During the Trust term, pursuant to the policies on Long-Term Incentive Plan of the Company, Beneficiaries will receive Company shares equivalent to a certain ratio of share conversion points after being granted such share conversion points. Meanwhile, with regard to Company shares in a number equivalent to the remaining share conversion points, they will receive money equivalent to that number of Company shares that are converted into cash under the Trust, pursuant to the provisions of the trust agreement. (Dividends from Company shares will also be paid to Beneficiaries corresponding to the number of Company Shares, etc. that are vested, etc. each year from the Trust.)
- (7) 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 may voluntarily convey the said remaining shares to the Company and the Company may acquire them without payment and cancel the remaining shares by a resolution at the Board of Directors meeting.
- (8) 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 vesting, etc. of Company Shares, etc. 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 Vesting of Shares (provided in 3. (9), below).

3. Content of the Plan

(1) Period and Framework

The BIP Trust which will be implemented in fiscal 2015 under the LTI ("Plan") will vest, etc. a specified amount of Company Shares, etc., along with dividends from Company shares, as compensation for Directors for three years, from the fiscal year running until the end of March 2016 up to the fiscal year running until the end of March 2018 ("Subject Period"). Compensation under the Plan will consist of a Fixed Portion, in which a specified amount of Company Shares, etc. is vested, etc. each year, and a Variable Portion, where Company Shares, etc. are vested, etc. based on the performance achievements during the Subject Period.

The Company will continuously implement the same type of incentive plans as the Plan 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 has 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, held in 2014.

(2) Partial Revision of the LTI

When continuing the LTI in fiscal 2015, the following point of the LTI as before will be revised. This partial revision will have no impact on the BIP Trust already established.

<Partial Revision>

Previously, dividends from Company shares acquired by the BIP Trust were to be retained during the Trust term and in a case where the said trust was to be continued by changing the trust agreement and entrusting additional money at the expiry of the Trust term of three years, such dividends were to be used as funds to acquire shares during the Trust term of the continued trust. However, the dividends that occur each year will be paid to Directors who are subject to the LTI corresponding to the number of Company Shares, etc., which are vested, etc. each year from the said trust, with a view to enhancing mid- and long-term incentives for the improvement of corporate value and increasing the effect of retaining Directors.

(3) Resolution of the Shareholders Meeting Related to the Continuation and Partial Revision of the LTI

There are no matters to be resolved related to the LTI at the Shareholders Meeting of this year, since the continuation and partial revision of the LTI in fiscal 2015 are to be implemented to the extent approved by the Shareholders Meeting, held in 2014.

(4) 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 conversion points (provided in (6), 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: ^(*4)

- (i) a person who holds office as a Company Director as of June 1 of the given year; ^{(*5) (*6)} and
- (ii) a person who satisfies other requirements found necessary to accomplish the purpose of a long-term incentive plan.

(*4) These requirements will be applied to the BIP Trust of fiscal 2014 already established.

(*5) If an Eligible Person resigns (excluding cases of voluntary resignation from office and resignation from office due to disciplinary dismissal), the share conversion 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 conversion points, just as if he/she had held office as a Company Director until the expiry of the Trust term.

(*6) If an Eligible Person dies 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 conversion points upon completing the specified procedures to be designated as a Beneficiary.

(5) Trust Term

The Trust term shall be approximately three years, from May 22, 2015 (scheduled) until the end of August 2018 (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.

(6) Company Shares, etc. Vested to Eligible Persons

The number of Company shares to be vested to an Eligible Person is determined by the share conversion points that are granted in accordance with the following, where one share ^(*7) is vested for one share conversion point:

(*7) 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 vested per share conversion point.

First, base points are to be granted to a person who holds office as an Eligible Person as of July 1, 2015, according to the following calculation formula.

(Base Points Calculation Formula)

Base annual compensation × Target rate / Closing price of Company shares at the Tokyo Stock Exchange as of July 1, 2015 (if the closing price on the 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 annual compensation and Target rate 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 conversion 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 2016 to 2018.

(Share Conversion Points Calculation Formula)

(i) For 2016 and 2017

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

* Fractions after the decimal point are rounded down.

(ii) For 2018

Initial base points $\times 50\% \times 1/3 +$ Initial base points $\times 50\% \times$ 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. of consolidated revenue, etc. for the period ending March 2018.

* 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 2016 and 2017

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

* Fractions after the decimal point are rounded down.

(ii) For 2018

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 voluntary resignation from office and resignation from office due to disciplinary dismissal), the share conversion 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 conversion point, just as if he/she had held office as a Company Director until the expiry of the Trust term.

(7) Method and Timing of Vesting, etc. Company Shares, etc. to Eligible Persons

The Eligible Persons who satisfy the requirements as Beneficiaries shall perform the specified procedures to be designated as a Beneficiary each year from 2016 to 2018. They may then receive 50% of the Company shares (any number of shares less than one share unit will be rounded down) corresponding to the share conversion 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 conversion points.

(8) Treatment of the Death of a Eligible Person

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

(9) Scheduled Amount of Trust Money to be Paid to the Trust and Scheduled Amount of Company Shares to be Vested by the Trust

The Company is scheduled to pay Trust money of 1.7 billion yen ^(*8) to the Trust.

(*8) These are the total funds for the Trust to acquire shares, as well as trust fees and trust expenses during the Trust term. Since a proposal for an upper limit of 2 billion yen for the amount to be paid for the LTI each fiscal year was resolved at the Shareholders Meeting held in 2014, the Company may pay money to the Trust under the LTI each fiscal year up to the said limit. The upper limit of the aforementioned trust money is calculated in consideration of the possibility of increases in the number of Eligible Persons 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 the Eligible Persons.

During the term of the Trust, the total amount of Company Shares, etc. to be vested pursuant to (6) 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 July 1, 2015 (if the closing price of the said day does not exist, the closing price of the day on which transactions are made immediately preceding the said day) (the number obtained shall be referred to as the “Upper Limit Number for the Vesting of Shares”).

(10) 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 (9) above.

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

Voting rights related to Company shares under the Trust (meaning Company shares before being vested to Eligible Persons pursuant to (7) and (8), above) shall not be exercised during the Trust term, to ensure the neutrality of Company management.

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

Dividends related to Company shares under the Trust shall be first received by the Trust and then paid to Eligible Persons corresponding to the number of Company Shares, etc. that are vested, etc. each year from the Trust, along with Company Shares, etc. that are vested, etc. pursuant to (7) above. If there is a balance when the Trust ends, the balance will be donated to groups that have no conflict of interest with the Company and the Company Directors.

(13) 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 the said remaining shares to the Company without compensation, as a measure to return the shares to shareholders, and the Company will cancel the said shares by a resolution at the meeting of the Board of Directors.

(Reference)

[Trust Agreement]

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| (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: | May 22, 2015 (scheduled) |
| (8) Trust term: | From May 22, 2015 (scheduled) to the end of August 2018 (scheduled) |
| (9) Start of the Plan: | Granting base points on July 1, 2015 (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: | 1.7 billion yen (scheduled) (including trust fees and trust expenses) |
| (13) Time to acquire shares: | From May 25, 2015 (scheduled) to June 25, 2015 (scheduled)
(excluding the five business days before the end of each fiscal period (i.e.
the full year 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]

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| (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 vesting Company shares to Beneficiaries based on the
agreement of entrustment of affairs. |

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