

Corporate Governance Report

July 4, 2016

Takeda Pharmaceutical Company Limited

<http://www.takeda.com>

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Takeda's mission is to "strive towards Better Health and Brighter Future for people worldwide through leading innovation in medicine." In line with this mission, Takeda is establishing a management framework appropriate for a world-class pharmaceutical company that operates on a global scale. We are strengthening internal controls, including rigorous compliance and risk management, and establishing a structure that will allow rapid decision-making that is also sound and transparent. Through these efforts, we will further improve our corporate governance, thereby maximizing corporate value.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The company is in compliance with all of the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] **Update**

This report covers each and every principle requiring disclosure under the Corporate Governance Code.

(1) Company objectives, business strategies and business plans...Principle 3.1 (i)

a. Company objectives:

We set up "Vision 2025," our aspirational target, as follows;

Vision 2025:

"We serve the needs of our patients, wherever they are. We earn the trust of society and customers through Takeda-ism. We are recognized as best in class because of agility and innovation, qualities that help us build a steady pipeline and deliver growth, year on year."

Our Mission: "We strive towards Better Health and a Brighter Future for people worldwide through leading innovation in medicine," leads us to our Vision 2025. Our "Values" encompasses "Takeda-ism" (Integrity: Fairness, Honesty and Perseverance), which have been maintained over our more than 230 years history, and our four key priorities (Patient, Trust, Reputation, Business). Takeda-ism will guide us to reach our Vision, and we will take action and make decisions by focusing on our four priorities. We will focus on Values, People, R&D, and Business Performance based on our "Strategic Roadmap," the steps to achieving our Vision. Takeda believes this "Strategic Roadmap" will deliver our long-term aspiration to be No.1 in Gastroenterology, top 10 in Oncology, and with strong presence in Central Nervous System and in Emerging Markets.

b. Corporate strategies:

By putting patients and customers at the center of everything we do, the company aims to be a best-in-class company that has an agile global organization that fosters talent, has world class R&D capabilities, and maintains high standards of financial discipline.

- The company will be well positioned to sustain sales and profit growth through its growth drivers (Gastroenterology, Oncology, Central Nervous System and Emerging Markets) and cost discipline.
- The company will focus on developing its world class R&D capabilities with new approaches to innovation and will further broaden its therapeutic modality expertise beyond small molecules such as biologics and regenerative medicines, etc. in the future.
- The company will strengthen global talent development programs, and will further promote the implementation of Diversity & Inclusion programs in Japan.

Please refer to the "Presentation materials from the President & Chief Executive Officer (CEO) presented at the FY2015 Financial Results Announcement held on May 10, 2016" and "Presentation materials from President, Global Oncology Business Unit and Chief Medical & Scientific Officer at Takeda IR Day held on June 9, 2016" for details on the company's corporate strategies:

http://www.takeda.com/investor-information/files/qr2015_full_p01_en.pdf

http://www.takeda.com/investor-information/files/qr2016_e1_p01_en.pdf

http://www.takeda.com/investor-information/files/qr2016_e1_p02_en.pdf

c. Business plans:

The company's management indicators (management guidance) that are being targeted for FY2016 are as follows:

- Underlying Revenue: Mid-single digit growth (%)
- Underlying Core Earnings: Low-to mid-teen growth (%)
- Underlying Core EPS: Low- to mid-teen growth (%)

For details on these management indicators, please refer to the "Presentation materials from the Acting CFO presented at the FY2015 Financial Results Announcement held on May 10, 2016 (pages 23, 24, and 26)" and the "Summary of financial statements [IFRS] (Consolidated) for the fiscal year ended March 31, 2016 (page 26)"

http://www.takeda.com/investor-information/files/gr2015_full_p02_en.pdf

http://www.takeda.com/investor-information/files/gr2015_full_f_en.pdf

d. Basic views and guidelines on corporate governance... Principle 3.1 (ii)

Please refer to "Basic Views" in Part I section 1 of this report.

(2) Securing the Rights and Equal Treatment of Shareholders

e. General shareholder meeting

- The company sends a notice of convocation of Ordinary General Meeting of Shareholders three weeks prior to the day of the meeting and discloses the agenda as soon as possible on its website so that shareholders have sufficient time to review it.
- The company translates the notice of the meeting into English. The company utilizes an electronic platform for voting so that institutional and foreign investors can execute their voting rights easily.

f. Cross-Shareholdings...Principle 1.4

- The company holds shares of other companies with which it has business relationships as cross-shareholdings. The board reviews the mid- to long-term need for and effect of major cross-shareholdings.
- The company makes a decision on the exercise of voting rights regarding cross-shareholding after comprehensively reviewing whether the proposal makes a positive contribution to shareholder value. The company will object to any proposals that are deemed detrimental to shareholder value or corporate governance.

g. Related Party Transactions...Principle 1.7

- The company surveys Directors and seeks direct confirmation from Directors about the existence of related party transactions such as transactions involving Directors and their close relatives.
- The company has procedures that comply with the provisions of the Companies Act on competitive and conflict-of-interest transactions.
- Investments in, and loans and guaranties provided to affiliated companies require the approval of Business Review Committee or other decision-making bodies depending on the amount of the investment, loan, or guarantee.
- In addition to the above, the company will investigate any unusual transactions between the company and affiliated companies and consider the accounting and disclosure of such transactions, and, where the amounts are significant monitor such transactions on a quarterly basis.
- The company will apply the above procedures to any "major shareholder" (a shareholder who holds more than 10% of total shares as defined in the Financial Instruments and Exchange Act) although the company has no "major shareholders" at present.

(3) Appropriate Cooperation with Stakeholders Other Than Shareholders

- The company takes into account the interests of various stakeholders including patients, customers, employees, clients, creditors, local communities, and shareholders in order to improve long-term corporate value.

(4) Ensuring Appropriate Information Disclosure and Transparency

- The company makes timely and appropriate disclosures in a fair, detailed, and understandable manner to keep all shareholders informed in accordance with applicable laws including the Companies Act, the Financial Instruments and Exchange Act, and the Financial Instruments Exchange rules.
- The company promptly discloses financial and non-financial information beneficial to stakeholders such as shareholders in addition to the information required by laws and regulations.

(5) Responsibilities of the Board

h. Roles and Responsibilities of the Board... Supplementary Principle 4.1.1

- The board focuses on discussing and resolving of strategic or particularly important matters such as the establishment of and amendments to Takeda's corporate philosophy as well as important management policies and plans such as mid- to long-term strategies and corporate plans. In addition, the board delegates responsibilities for decision-making regarding some of the important business decisions to the management under the company's Articles of Incorporation. The Board of Directors Bylaws specify the matters for resolution by the board. In addition to deliberation and resolution of the matters, the board is responsible for the supervision of business executed by directors.

- As to the aforementioned matters delegated to the management, specifically, they are delegated to the Business Review Committee (which is responsible for general management matters), the Portfolio Review Committee (which is responsible for R&D and product-related matters), and Audit, Risk and Compliance Committee (which is responsible for internal audit, risk, management and compliance matters) respectively. The board supervises the management's execution of these matters through the reports of the aforementioned committees.
- Matters not requiring the attention of the aforementioned committees are delegated to the Takeda Executive Team who report directly to the President & CEO. Takeda aims for rapid and efficient decision-making across the group.

i. Composition of the board... Principle 4.8, Supplementary Principle 4.11.1

- The company has fifteen Directors (including four Directors who are Audit and Supervisory Committee Members), of which nine are independent Outside Directors (including three independent Outside Directors who are Audit and Supervisory Committee Members) at the time of writing.
- The company makes appropriate Director appointments, and constitutes the board based on the following principles:
 - Appoint Inside or Outside Directors irrespective of nationality or gender who can contribute to the balance of knowledge, experience, and capacity needed for governance of the company's global operations.
 - The board shall be a size that allows effective and agile decision-making and appropriate supervision of management (the company's Articles of Incorporation limit the maximum number of Directors who are not Audit and Supervisory Committee Members to 12 and Directors who are Audit and Supervisory Committee Members to four).

j. Policies and procedures in the nomination of directors... Principle 3.1 (iv), (v)

- The company nominates candidates for Directors who are not Audit and Supervisory Committee Members (excluding candidates for Outside Directors) considering whether they possess ample experience adequate for overseeing the management of Takeda Global as a whole, great insight and dignity required of a directorship position, demonstrated competencies or high-level performance required of business managers and embodied "Takeda-ism" at a high level.
- The company nominates candidates for Directors who are Audit and Supervisory Committee Members (excluding candidates for Outside Directors) among those who have outstanding integrity and assume a firm attitude in carrying out duties in all circumstances and have a wide range of expertise and/or knowledge that guarantees sound audit for Takeda's global operations.
- Candidates for Outside Directors are elected based on the "Internal criteria for independence of Outside Directors"
- Candidates for members of the Board of Directors are nominated by the Board of Directors. For Inside Director candidates, the Nomination Committee has been established with an Outside Director as its Chairperson and with the majority of members being External Members, to ensure the appropriateness of the candidate. Candidates for Directors who are Audit and Supervisory Committee Members are nominated by the Board of Directors, after obtaining agreement of Audit and Supervisory Committee.

The profiles and reasoning of individual appointments of nominated Director candidates are disclosed in the "Notice of Convocation of Ordinary General Meeting of Shareholders" and the Securities Report.

k. Remuneration of the directors, etc.... Principle 3.1 (iii)

- Please refer to the "Policies determining the amount of remuneration or the method for calculating remuneration" in Part II section 1 of this report.

l. Independent Directors... Principle 4.9, Supplementary Principle 4.11.2

- The company has established its own standards for determining the independence of Outside Directors to ensure such Directors are of a character that will help the company achieve a genuine sharing of interests with its shareholders.
- Please refer to the "Internal Criteria for Independence of Outside Directors of the Company" under the title of "Independent Directors" in Part II section 1 of this report.
- Where positions of Outside Directors are held concurrently this is stated in the "Notice of Convocation of Ordinary General Meeting of Shareholders" and the Securities Report. In addition, the company believes the concurrent holding of these positions does not prevent Outside Directors from allocating sufficient time and attention to perform the roles and duties of their offices.

m. Director Training... Supplementary Principle 4.14.2

- The company provides necessary information about the company (Takeda-ism, governance, business strategies etc.), industry trends and legal responsibilities (duty of care, duty of loyalty etc.) to Directors when they take office.
- The company continues to provide useful information and learning opportunities etc. even after Directors take office.
- In addition, the company provides specific information about Takeda and the pharmaceutical industry, and it provides study sessions and site visits as appropriate.
- The company bears the expenses for all training.

n. Board Effectiveness... Supplementary Principle 4.11.3

- Each Director contributes to an evaluation of the board's effectiveness at least once a year. The board analyzes and evaluates the effectiveness of the board and acts on any opportunities for improvement.
- In fiscal year 2015, the review of the performance and effectiveness of the Board of Directors was conducted by third party organizations in a way that the individual opinions of the Directors and the Corporate Auditors were easily provided. That is, all Directors and Corporate Auditors individually completed a questionnaire and then were individually interviewed. This review and discussion based thereon provided an opportunity for the members of the Board of Directors to gain a deeper understanding of its strengths and opportunities to enhance its processes and better align its strategic priorities to deliver maximum corporate value. Also in this review, it was concluded that the Board of Directors of the Company works effectively.

(6) Dialogue with Shareholders... Principle 5.1

- Takeda has a structure in place to continue "purposeful dialogue" with shareholders on topics including corporate governance, corporate strategy, capital policy, business performance, and business risk. Engaging in dialogue from a long-term perspective, and with transparency and fairness, enables the company to build strong relationships of trust with its shareholders, who share the common interest of realizing "sustainable growth of corporate value".
 - The Chief Financial Officer (CFO) is responsible for overall engagement with shareholders, and the Head of Investor Relations (IR) in the Global Finance department is accountable for operational IR activities. When planning and conducting meetings with shareholders, the Head of IR determines the meeting style and Takeda participants (which may include the President & CEO, the CFO, or other senior management), taking into consideration the objectives and impact of the meeting, and the characteristics of each shareholder.
 - The IR team promotes dialogue with shareholders by collecting necessary information from various internal divisions such as finance, R&D, and commercial, and devising ways of effective communication to shareholders through close collaboration with these divisions.
 - Takeda continues to enhance activities aiming to deepen the understanding of shareholders about topics including the company's management policy, corporate governance, strategies, and current business status. With respect to engagement with institutional investors, in addition to daily one-on-one meetings, Takeda holds quarterly earnings conferences and hosts IR Day events that focus on topics of high shareholder interest. Information about these events is disclosed to individual investors through posting on the corporate website, and Takeda also holds company presentation meetings specifically for individual investors.
 - Shareholders' interests and concerns which are raised during dialogue with the company are shared with the senior management and are utilized for business analysis and for considering the optimal way of disclosing information.
 - When engaging in communication with shareholders, Takeda appropriately manages insider information in compliance with internal rules. In advance of earnings announcements, Takeda implements a "silent period", during which no communication with shareholders regarding earnings information is permitted.

2. Capital Structure

Foreign Shareholding Ratio: More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Nippon Life Insurance Company	50,760,385	6.42
The Master Trust Bank of Japan, Ltd. (Trust account)	36,307,600	4.59
Japan Trustee Services Bank, Ltd. (Trust account)	33,222,500	4.20
JP Morgan Chase Bank 380055	30,670,311	3.88
Takeda Science Foundation	17,911,856	2.27
Barclays Securities Japan Limited	15,000,000	1.90
State Street Bank West Client-Treaty 505234	13,740,583	1.74
JP Morgan Chase Bank 385147	11,358,100	1.44
Japan Trustee Services Bank, Ltd. (Trust account 7)	10,902,900	1.38
State Street Bank and Trust Company 505225	10,043,588	1.27

Controlling Shareholder (except for Parent Company): --

Parent Company: N/A

Supplementary Explanation: --

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo 1st Section, Nagoya 1st Section, Sapporo Existing Market, Fukuoka Existing Market
Fiscal Year-End	End of March
Type of Business	Pharmaceuticals

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000 persons
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 1 trillion Yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 companies or more and less than 300 companies

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances which may have Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form: Company with Audit and Supervisory Committee

[Directors] **Update**

Maximum Number of Directors Stipulated in Articles of Incorporation	16 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board
Number of Directors	15 persons
Election of Outside Directors	Elected
Number of Outside Directors	9 persons
Number of Independent Directors	9 persons

Outside Directors' Relationship with the Company (1) **Update**

Name	Attribute	Relationship with the Company (*1)										
		a	b	c	D	e	f	g	h	i	j	k
Fumio Sudo	Coming from another company											
Masahiro Sakane	Coming from another company											
Michel Orsinger	Coming from another company											
Toshiyuki Shiga	Coming from another company											
Emiko Higashi	Coming from another company											
Yoshiaki Fujimori	Coming from another company											
Shiro Kuniya	Attorney-at-law								✕			
Koji Hatsukawa	Certified public accountant											
Jean-Luc Butel	Coming from another company											

*1 Categories for "Relationship with the Company"

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/auditor

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between which and the Company Outside Directors/Corporate Auditors are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2) **Update**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Fumio Sudo	✓	N/A	Mr. Fumio Sudo has long managed globally operating company and has advanced insights based on his rich experiences in corporate management. His terms of office are 5 years as of June 2016. As an Outside Director, he has been showing strong presence in the Company's Board of Directors by proactively expressing his opinions, contributing to secure sound management of the Company. The Company has evaluated Mr. Fumio Sudo and determined that he is qualified to be an Outside Director of the Company because the Company believes these qualities are vital to the Board of Directors of the Company which operates global business. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an Outside Director.
Masahiro Sakane	✓	N/A	Mr. Masahiro Sakane has long managed globally operating company and has advanced insights based on his rich experiences in corporate management. His terms of office are 2 years as of June 2016. As an Outside Director, he has been showing strong presence in the Company's Board of Directors by proactively expressing his opinions, contributing to secure sound management of the Company. The Company has evaluated Mr. Masahiro Sakane and determined that he is qualified to be an Outside Director of the Company because the Company believes these qualities are vital to the Board of Directors of the Company which operates global business. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an Outside Director.
Michel Orsinger	✓	N/A	Mr. Michel Orsinger has had various important roles in world leading mega pharma such as Johnson & Johnson, Novartis. He has advanced insights based on his rich management experiences in global healthcare industries. The Company has evaluated Mr. Michel Orsinger and determined that he is qualified to be an Outside Director of the Company because the Company believes these qualities are vital to the Board of Directors of the Company which operates global pharmaceutical business. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an Outside Director.
Toshiyuki Shiga	✓	N/A	Mr. Toshiyuki Shiga has not only long managed globally operating company but has been leading a public-private fund recently. He has advanced insights based on his rich experiences in corporate management and handling pivotal matters in the Japanese industries. The Company has evaluated Mr. Toshiyuki Shiga and determined that he is qualified to be an Outside Director of the Company because the Company believes these qualities are vital to the Board of Directors of the Company which operates global business. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the

			Company's general shareholders as he executes his duties as an Outside Director.
Emiko Higashi	✓	N/A	Ms. Emiko Higashi is Managing Director of Tomon Partners, LLC which specializes in M&A and strategic advisory for technology and healthcare companies etc. Previously, Ms. Higashi was Managing Director, Investment Banking of Merrill Lynch & Co. She has a globally high level knowledge and rich experiences in the area of technology, finance & healthcare industries. The Company has evaluated Ms. Emiko Higashi and determined that she is qualified to be an Outside Director of the Company because the Company believes her knowledge and experiences are vital to the Board of Directors of the Company which operates global pharmaceutical business. The Company deemed that she is highly independent and designated her as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as she executes her duties as an Outside Director.
Yoshiaki Fujimori	✓	N/A	Mr. Yoshiaki Fujimori has advanced insights based on his rich experiences in a globally operating company as well as having had various important roles in one of the world leading U.S. global corporations. The Company has evaluated Mr. Yoshiaki Fujimori and determined that he is qualified to be an Outside Director of the Company because the Company believes these qualities are vital to the Board of Directors of the Company which operates global business. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an Outside Director.
Shiro Kuniya	✓	The Company receives advice, etc., on legal matters as needed basis from other lawyers working at Oh-Ebashi LPC & Partners, the law firm where Shiro Kuniya works concurrently, but the proportion of the annual value of those transactions to the sales of the Company and of Oh-Ebashi LPC & Partners is less than 1% in both cases. In addition, there is no advisory contract between the Company and Oh-Ebashi LPC & Partners.	Mr. Shiro Kuniya has been active as an attorney-at-law for many years. He has a wide-ranging experience and a high level of knowledge in the area of corporate and international legal affairs. Since June 2013, Mr. Kuniya had been involved in the Company's management as an Outside Corporate Auditor of the Company. The Company has evaluated Mr. Shiro Kuniya and determined that he is qualified to be an Outside Director of the Company because the Company believes his continued presence as a Director (Audit and Supervisory Committee Member) of the Company will further facilitate impartial and fair judgment and ensure sound management of the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an Outside Director.
Koji Hatsukawa	✓	N/A	Mr. Koji Hatsukawa has been active in the audit on corporate accounting as a certified public accountant for many years. He has a wide-ranging experience and a high level of knowledge in the area of finance and corporate accounting. The Company has evaluated Mr. Koji Hatsukawa and determined that he is qualified to be an Outside Director of the Company because the Company believes Mr. Hatsukawa's new presence in the Company as a Director (Audit and Supervisory Committee Member) will further facilitate impartial and fair judgment and secure sound

			management of the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an Outside Director.
Jean-Luc Butel	✓	N/A	Mr. Jean-Luc Butel has managed a private healthcare consulting firm. Previously, he has had various important roles in world leading mega pharma such as Baxter International, Medtronic. He has advanced insights based on his rich management experiences in global healthcare industries. The Company has evaluated Mr. Jean-Luc Butel and determined that he is qualified to be an Outside Director of the Company because the Company believes Mr. Jean-Luc Butel's new presence in the Company as a Director (Audit and Supervisory Committee Member) will further facilitate impartial and fair judgment and secure sound management of the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an Outside Director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee: Established

Update

Committee's Name, Composition, and Attributes of Chairperson

Nomination Committee

Name	Nomination Committee
Number	4 persons
Chairman	Outside Director
Member	2 Outside Director and 1 Inside Director

Compensation Committee

Name	Compensation Committee
Number	3 persons
Chairman	Outside Director
Member	1 Outside Director and 1 Inside Director

Supplementary Explanation **Update**

Nomination Committee and Compensation Committee were established as advisory bodies to the Board of Directors. The committees serve to ensure transparency and objectivity in decision-making processes and results relating to personnel matters for Inside Directors (appropriate standards and procedures for appointment and reappointment, and having and administering appropriate succession plans) and results relating to the compensation system (appropriate levels of compensation for the Directors, appropriate performance targets within the Director bonus system, and appropriate bonuses based on business results).

Majority of each committee members must be External Members (Outside Directors or external experts). Furthermore, at least one Director who is an Audit & Supervisory Committee member must be assigned to each committee and each Committee is chaired by an Outside Director.

[Supervisory Committee] **Update**

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	4	1	1	3	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee Update	Appointed
--	-----------

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

In order to support the operations of the Audit and Supervisory Committee and in order to function as the secretariat for the Audit

and Supervisory Committee, the Audit and Supervisory Committee Office shall be established and it shall secure the proper number of staff who will be devoted exclusively thereto.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments **Update**

(Cooperation between Supervisory Committee and Accounting Auditors)

The Audit and Supervisory Committee receives reports on audit plans, the audit structure/system and audit results for each business year from Accounting Auditors, and the Audit and Supervisory Committee and Accounting Auditors closely cooperate with each other by exchanging information and opinion as necessary.

(Cooperation between Supervisory Committee and Internal Audit Division)

The Audit and Supervisory Committee improves auditing efficiency in close cooperation with internal audit departments, by receiving reports on the results of internal audits from and by providing directions to internal audit departments.

(Relationship between Supervisory Committee and Internal Control Division)

The Audit and Supervisory Committee closely cooperates with internal control departments (divisions responsible for supervising the internal control function such as compliance, risk management and accounting/finance, etc.) and utilize information from the Division to enable effective audits and supervision by the Audit and Supervisory Committee.

[Independent Directors]

Number of Independent Directors Update	9 persons
---	-----------

Independent Directors

The Company has set the "Internal criteria for independence of Outside Directors " as follows, and elected all Outside Directors who meet these criteria as Independent Directors.

<Internal Criteria for Independence of Outside Directors of the Company>

The Company will judge whether an Outside Director has sufficient independence against the Company with the emphasis on his/her meeting the following quality requirement, on the premise that he/she meets the criteria for independence established by the financial instruments exchanges.

The Company believes that such persons will truly meet the shareholders' expectations as the Outside Directors of the Company, i.e., the persons who can exert strong presence in a diversified members of the Directors and of the Company by proactively continuing to inquire the nature of, to encourage improvement in and to make suggestions regarding the important matters of the Company doing pharmaceutical business globally, for the purpose of facilitating impartial and fair judgment on the Company's business and securing sound management of the Company.

The Company requires the persons to be the Outside Directors to meet two or more items out of the following four items of quality requirements:

- (1) He/She has advanced insights based on the experience of corporate management;
- (2) He/She has a high level of knowledge in the area requiring high expertise such as accounting and law;
- (3) He/She is well versed in the pharmaceutical and/or global business; and
- (4) He/She has advanced linguistic skill and/or broad experience which enable him/her to understand diverse values and to actively participate in discussion with others.

[Incentives] **Update**

Incentive Policies for Directors	Adoption of performance-based remuneration system
----------------------------------	---

Please refer to the "Directors' Compensation Policy for fiscal year 2016" below.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Partially disclosed individually
--	----------------------------------

Update

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods: Annual Securities Report

The total amounts of remuneration, etc., for Directors and Corporate Auditors for fiscal year 2015 are as follows.

Directors 11: 1,183 million JPY

(3 of the Directors are Outside Directors: 54 million JPY)

Corporate Auditors 5: 137 million JPY

(2 of the Corporate Auditors are Outside Corporate Auditors: 29 million JPY)

(Notes)

1. The figures above include 3 Directors and 1 Corporate Auditor who retired as of the conclusion of the 139th Ordinary General Meeting of Shareholders held on June 26, 2015.
2. The total amounts of remuneration, etc., for Directors above include the following basic compensation and cost postings related to stock compensation including Stock Options which were granted until fiscal year 2013. These amounts do not include the salaries that Directors who also work as employees receive as the employee portions of their remuneration, and the bonuses.
 - [1] The basic compensation is fixed amount depending on each portion, and its total amount per month is no more than 90 million JPY (among these, no more than 10 million JPY per month is for Outside Directors) (based on a resolution of the 138th Ordinary General Meeting of Shareholders held on June 27, 2014).
 - [2] The cost posting related to stock options is the value posted during FY2015 within remuneration, etc., concerning Stock Acquisition Rights allotted as stock options (68 million JPY). The number of Stock Acquisition Rights to be allotted is, in principle, calculated by dividing the amount equivalent to 60% of the basic compensation by the option value of the Stock Acquisition Rights on the allotment date, and the maximum amount of remuneration, etc., concerning Stock Acquisition Rights is 350 million JPY per year (based on a resolution of the 132nd Ordinary General Meeting of Shareholders held on June 26, 2008). The cost posting related to stock compensation is the value posted during FY2015 (559 million JPY). The number of stock compensation is, in principle, calculated by dividing the Company's stock price on the grant date, and the maximum amount of remuneration, etc., concerning stock compensation is 2,000 million JPY per year (based on a resolution of the 138th Ordinary General Meeting of Shareholders held on June 27, 2014).
3. Directors' bonuses, among the remuneration, etc., for Directors for FY2015, are to be no more than 550 million JPY (this amount does not include the bonuses that Directors who also work as employees receive as the employee portions of their bonuses.) which was approved at the 140th Ordinary General Meeting of Shareholders held on June 29, 2016, and was resolved at the meeting of Board of Directors held after this General Meeting of Shareholders.
4. The value of the basic compensation of Corporate Auditors is no more than 15 million JPY per month (based on a resolution of the 132nd Ordinary General Meeting of Shareholders held on June 26, 2008).

Name (position): Yasuchika Hasegawa (Director)

Total amount of consolidated remuneration, etc. (in million yen): 450

Company category: Filing company

Amount of consolidated remuneration, etc. by type (in million yen):

- Basic compensation: 117
- Bonus: 186
- Long term incentive: 147 (Note 1)
- Other --

Name (position): Christophe Weber (Director)

Total amount of consolidated remuneration, etc. (in million yen): 905

Company category: Filing company

Amount of consolidated remuneration, etc. by type (in million yen):

- Basic compensation: 258 (Note 2)
- Bonus: 237
- Long term incentive: 410 (Note 3)
- Other: -

Name (position): Shinji Honda (Director)

Total amount of consolidated remuneration, etc. (in million yen): 191

Company category: Filing company

Amount of consolidated remuneration, etc. by type (in million yen):

- Basic compensation: 55
- Bonus: 86
- Long term incentive: 50 (Note 1)
- Other --

Name (position): Andy Plump (Director)

Total amount of consolidated remuneration, etc. (in million yen): 422

Company category: Filing company/ Takeda Pharmaceuticals International, Inc.

Amount of consolidated remuneration, etc. by type (in million yen):

- Basic compensation: 10/96
- Bonus: -/157
- Long term incentive: -/81 (Note 4)
- Other -/78(Note 5)

Name (position): Tadataka Yamada (Director) (Note 6)

Total amount of consolidated remuneration, etc. (in million yen): 264

Company category: Filing company / Takeda Pharmaceuticals International, Inc.

Amount of consolidated remuneration, etc. by type (in million yen):

- Basic compensation: 3/ 43
- Bonus: - / -
- Long term incentive: - / 188 (Note 7)
- Other: - / 30 (Note 8)

(Note 1) The total amount of Long-Term Incentive Plan consists of Stock Option granted until fiscal year 2013 and Stock Compensation (The Board Incentive Plan Trust ("BIP Trust")) introduced in fiscal year 2014. Expenses of Long-Term Incentive Plan are accrued over multiple fiscal years based on the vesting schedule of each plan. The amount represents the value accrued during fiscal year 2014 for Stock Option and Stock Compensation granted in fiscal year 2014.

(Note 2) Basic Compensation includes the amount equivalent to housing allowance, pension allowance, etc. and income taxes. (Christophe 115 million yen.)

(Note 3) The total amount of Long-Term Incentive consists of Stock Compensation (The Board Incentive Plan Trust ("BIP Trust")) introduced in fiscal year 2014. Long-Term Incentive is the compensation system of which expenses are accrued over multiple fiscal years based on the vesting timeframe of each plan. The described amount is the value accrued during fiscal year 2015 within remuneration concerning Stock Option and Stock Compensation granted in fiscal year 2014 and 2015.

(Note 4) The total amount of Long-Term Incentive consists of Stock Compensation (The Board Incentive Plan Trust ("BIP Trust")) introduced in fiscal year 2014. Long-Term Incentive is the compensation system of which expenses are accrued over multiple fiscal years based on the vesting timeframe of each plan. The described amount is the value accrued during fiscal year 2015 within remuneration concerning Stock Option and Stock Compensation granted in fiscal year 2015.

(Note 5) These are the recorded expenses for the amount equivalent to sign-on bonus(77 million yen), pension contribution, fringe benefits and taxes, etc. thereto was incurred by Takeda Pharmaceuticals International Inc..

(Note 6) Retired at the end of the 139th Ordinary General Meeting of Shareholders held on June 26, 2015.

(Note 7) These are the recorded expenses for stock price-based remuneration, which refers to the stock price of the filing company and sock-based incentive plan granted in fiscal year 2014, among remuneration systems adopted by Takeda Pharmaceuticals International, Inc.

(Note 8) These are the recorded expenses for the amount equivalent to pension contribution, fringe benefits and taxes, etc. thereto was incurred by Takeda Pharmaceuticals International Inc.

Policies determining the amount of remuneration or the method for calculating remuneration Update	Exist
--	-------

Policies determining the amount of remuneration or the method for calculating remuneration

The company has formulated the following "Directors Compensation Policy", and based on this policy and the decision-making process, the Directors' Compensation Level and Mix are determined.

Directors' Compensation Policy for fiscal year 2016

1. Guiding Principles

The Company's compensation system for Directors has the following guiding principles under the corporate governance code to achieve management objectives:

- To attract, retain and motivate managerial talents to realize Global One Takeda
- To improve the Company's mid and long term performance and leverage awareness of contributions toward increasing corporate value
- To be closely linked with company performance, highly transparent and objective
- To support shared sense of profit with shareholders or improving managerial mind-set focusing on shareholders
- To encourage Directors to have challenging mind in compliance with a spirit of "perseverance" of Takeda-ism

2. Level of Compensation

We aim to be competitive not only in Japan but also in the global marketplace to transform into a "Best in Class" global pharmaceutical company.

Directors' compensation should be competitive in the global market consisting of major global companies. Precisely, the global market refers to "global executive compensation database" developed on the basis of the professional survey data with an addition of compensation data in US, UK and Switzerland, where we need to be competitive with other major pharmaceutical companies.

3. Compensation Mix

3-1. Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors)

The compensation of Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors) consists of "Basic Compensation" which is paid in a fixed amount, and "Performance-based Compensation" which is paid in a variable amount based on company performance, etc.

"Performance-based Compensation" further consists of "Bonus" to be paid based on the consolidated financial results, etc. for each fiscal year, and "Long-term Incentive Plan (stock compensation)" linked with long-term financial results over 3 years and with the Takeda's share price. For the purpose of increasing the corporate value in the mid and long term and matching the benefit of Takeda's Directors and Takeda's shareholders, especially the ratio of Long-term Incentive will be gradually increased in the Performance-based Compensation in future. Current compensation mix is "Basic Compensation", "Bonus" with target of 100% of the Basic Compensation and "Long-term Incentive" with target of 60% to 80% of the Basic Compensation (excluding foreign-national Directors invited from overseas). Those targets will be changed to finally 100% of Basic Compensation for "Bonus" and 200% to 400% of Basic Compensation for "Long-term Incentive", reflecting the practice of global companies. The increase in the Basic Compensation will be minimized, and Long-term Incentive will be increased.

3-2. Directors who are Audit & Supervisory Committee Members and Outside Directors

The compensation of Directors who are Audit & Supervisory Committee Members and Outside Directors consists of basic compensation which is paid in a fixed amount, and Long-term Incentive (stock compensation). The stock compensation is not linked to financial performance results but only to share price. The stock compensation will vest upon retirement/resignation. No bonus is available for them.

4. Performance-based Compensation

4-1. Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors)

Long-term Incentive Plan is in place which is similar to Performance Share and Restricted Stock to strengthen linkage between compensation and the company performance and the share price, for the Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors) to enhance commitment to the increase of the corporate value in the mid and long term. Performance indicators used for the Long-term Incentive will be linked with the latest mid- to long-term performance objectives such as consolidated revenue, operating free cash flow, EPS and R&D target, etc., as transparent and objective indicators. The variable range is from 0% to 200% (100% at target), based on the performance achievement.

On the other hand, Bonus will be paid based on the performance achievement of annual goals. Bonus will be paid in the range of 0% to 200% (100% at target) in accordance with the achievement of performance indicators such as the consolidated revenue, Core Earnings and EPS, etc., established for a single fiscal year.

4-2. Directors who are Audit & Supervisory Committee Members and Outside Directors

The Long-term Incentive (stock compensation) for Directors who are Audit & Supervisory Committee Members and Outside Directors is not linked to financial performance results but only to share price. The stock compensation will vest upon resignation/retirement.

5. Compensation Governance

The Compensation Committee has been established with an Outside Director as its Chairperson and with the majority of members being Outside Directors, to serve as an advisory organization for the Board of Directors to ensure the appropriateness of Directors' compensation, etc. (excluding Outside Directors) and the transparency in its decision-making process. Level of Compensation, compensation mix and performance-based compensation (Mid- and Long-term Incentives and Bonus programs) for Directors are reviewed by the Compensation Committee before resolution by the Board of Directors. The Guiding Principles for the Directors' compensation will be revised for the purpose to develop compensation programs based on Directors' accountabilities and responsibilities, as well as to develop compensation programs to create shareholder value in alignment with Takeda-ism. Based on the above mentioned "Directors' Compensation Policy for fiscal year 2016", Directors' compensation is determined as follows:

① Basic compensation

- (i) Basic compensation of Directors (excluding Directors who are Audit & Supervisory Committee) is fixed amount depending on each position, and its total amount per month is no more than 150 million JPY (among these, no more than 30 million JPY is for Outside Directors) (based on a resolution of the 140th Ordinary General Meeting of Shareholders held on June 29, 2016), and is individually calculated based on the division of duties and other conditions. These amounts do not include the salaries that Directors who also work as employees receive as the employee portions of their remuneration.
- (ii) Basic compensation of Directors who are Audit & Supervisory Committee Members is fixed amount depending on each position, and its total amount per month is no more than 15 million yen (based on a resolution of the 140th Ordinary General

Meeting of Shareholders held on June 29, 2016), and is individually calculated based on the division of duties and other conditions.

② Bonus

The amount of bonuses for Directors who are not Audit & Supervisory Committee Members (excluding Directors resident overseas and Outside Directors) is to be calculated depending on each position based on the Company's financial results. Based on the report of the Compensation Committee, the actual payment amount of bonuses is to be resolved at the meeting of the Board of Directors to be held after General Meeting of Shareholders. Apart from the fixed amount Board Member Allowance provided by the Company, bonus for Directors resident overseas as a compensation for fulfilling the duty assigned by an overseas affiliate company is paid by the overseas affiliate company based on its compensation policy. However, bonus paid to Directors resident overseas are also reviewed and approved by the advisory Compensation Committee majority of whose members are Outside members.

No bonus is available for Directors who are Audit & Supervisory Committee Members and Outside Directors

③ Long-term Incentive Plan (stock compensation)

(i) The amount of Long-term Incentive Plan (stock compensation) for Directors who are not Outside Directors (excluding Directors who are Audit and Supervisory Committee Members and Directors resident overseas) is no more than annual total of 2,700 million JPY targeting three fiscal years which was approved at the 140th Ordinary General Meeting of Shareholders held on June 29, 2016. The amount of Long-term Incentive Plan (stock compensation) for Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) is no more than annual total of 300 million JPY targeting three fiscal years.

(ii) The amount of Long-term Incentive Plan (stock compensation) for Directors who are Audit and Supervisory Committee Members is no more than annual total of 200 million JPY targeting two fiscal years which was approved at the 140th Ordinary General Meeting of Shareholders held on June 29, 2016.

Stock option plans for Directors were abolished in FY2014 and the stock compensation scheme for Directors introduced in FY2014 was abolished in FY2016 respectively. No new grants will be made based on these legacy programs

[Supporting System for Outside Directors and/or Corporate Auditors] Update

(Supporting System for Outside Directors (excluding Directors who are Audit and Supervisory Committee Members))

We provide, in a timely manner, and in cooperation with other departments, information about important management-related matters to Outside Directors to help them make informed decisions. The Chairman & CEO Office is responsible for coordinating with Outside Directors.

(Outside Directors who are Audit and Supervisory Committee Members)

We provide, in a timely manner, and in cooperation with other departments, information about important management-related matters to Outside Directors to help them make informed decisions. and maintain the reporting system which is necessary for them to perform their Audits, etc., and the Audit and Supervisory Committee Office is established to support the operation of the Audit and Supervisory Committee.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Update

At Takeda, the Board of Directors determines the fundamental policies for the Group, and management and business operations are then conducted in accordance with their decisions. Transparency of the Board of Directors is achieved through audits conducted by Audit and Supervisory Committee. Moreover, as management tasks continue to diversify, the company shall establish Takeda Executive Team that consists of members who manage and supervise each function of Takeda Group under President & CEO, and also establish Business Review Committee (which is responsible for general management matters), Portfolio Review Committee (which is responsible for R&D and products related matters), and Audit, Risk and Compliance Committee (which is responsible for internal audit, risk management and compliance matters) that review important matters to ensure systems whereby faster and more flexible work execution and deeper cooperation among the various functions take place.

Board of Directors

Takeda has given its Board of Directors the primary functions of observing and overseeing business execution as well as decision-making for strategic or particularly important matters regarding company management. The Board of Directors consists of 15 Directors (including 1 female), 11 Japanese and 4 non-Japanese, including 9 Outside Directors, and meets in principle 8 times per year to make resolutions and receive reports on important matters regarding management. In order to ensure the validity and transparency of the decision-making process for the election and compensation of internal directors, Takeda has a Nomination Committee and a Compensation Committee, in which majority of the members are Outside Directors and one of the Outside Directors is the chairman of each committee, as advisory committees of the board.

Supervisory Committee's Audit

According to the provisions of the audit policy, duty assignments, etc. that are provided by the Audit and Supervisory Committee, each Audit and Supervisory Committee Member is to conduct deliberate and resolute audits etc. on the execution of Directors'

duties in a planned manner, attend the Board of Directors and other important Meetings and deliver his opinions. The Audit and Supervisory Committee examines the election, dismissal, resignation and compensation of directors other than the Audit and Supervisory Committee members, and states the opinion at the Board of Directors meeting or a shareholders' meeting as necessary. In order to adopt the perspectives of outside experts in such audits, 3 of the 4 Audit and Supervisory Committee Members (all male members) shall be Outside Directors as prescribed by the Companies Act. The Company established the Audit and Supervisory Committee Office to support the operations of Audit and Supervisory Committee and to serve as a secretariat for the Audit and Supervisory Committee.

Takeda Executive Team

The Takeda Executive Team consists of members who report to the President & CEO. Each members manages each of the following Takeda Group's functions; corporate strategy, finance and accounting, human resources, legal, corporate communication, R&D, manufacturing, quality control, each regional business unit of Japan, US, Europe & Canada and emerging market and each specialty business unit of oncology and vaccine.

Business Review Committee

The Business Review Committee consists of the President& CEO, internal board members, and Takeda Executive Team members. In principle, it holds a meeting twice a month to discuss and make decisions on important matters for corporate management and business execution.

Portfolio Review Committee

The Portfolio Review Committee consists of the President& CEO, Takeda Executive Team members and the heads of the following functions; R&D, manufacturing, each business unit of Japan, US, Europe & Canada, emerging market, oncology and vaccine, etc. In principle, it holds a meeting twice a month to discuss and make decisions on important matters for R&D and pipeline/on-market products including business developments.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consists of the President& CEO, Takeda Executive Team members and the heads of the following functions; legal, internal control, finance & accounting and compliance, etc. In principle, it holds a meeting once a quarter to discuss and make decisions on important matters for internal controls, risk managements and compliance.

Accounting Audit

The accounting auditor of the Company is KPMG AZSA LLC, which was elected at a shareholders' meeting. The Company's accounting was audited by the following three certified public accountants from KPMG AZSA LLC: Mr. Koichi Kohori (consecutive auditing period: 2 year,) Mr. Kengo Chida (consecutive auditing period: 4 year) and Mr. Naohiro Nishida (consecutive auditing period: 1 year). These 3 certified public accountants were supported by 12 other certified public accountants and 25 other persons.

Liability Limitation Agreement

The Company has executed agreements with Outside Directors stating that the maximum amount of their liabilities for damages as set forth in Article 423, Paragraph 1 of the Companies Act shall be the amount provided by law.

3. Reasons for Adoption of Current Corporate Governance System Update

The Company became a Company with Audit and Supervisory Committee based on the resolution at the Ordinary General Meeting of Shareholders held on June 29, 2016 to further enhance its corporate governance, further accelerate decision-making concerning the execution of operations, and improve the decision-making structure so that it is to ensure non-inferiority compared with major global companies that are expanding their businesses globally.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Early Notification of General Shareholder Meeting	The notice is dispatched three weeks prior to the day of the meeting. In addition, Takeda strives to disclose the notice earlier than the dispatch of it on its website and other websites, including that of the administrator of the shareholder's register, Mitsubishi UFJ Trust and Banking Corporation.
Scheduling AGMs Avoiding the Peak Day	Takeda is aiming to convene its General Meeting of Shareholders on a date other than that set by many Japanese companies. However, meeting date is decided based on availability of venue as well as administrative schedule.
Allowing Electronic Exercise of Voting Rights	Takeda shareholders have been able to exercise voting rights by electronic means since the General Meeting of Shareholders held in June 2007.

Participation in Electronic Voting Platform	Takeda has been utilizing the electronic voting platform operated by Investors Communications Japan, Inc. (ICJ) since the General Meeting of Shareholders held in June 2007.
Providing Convocation Notice in English	To encourage shareholders to vote, Takeda publishes the Japanese and English versions of the notice of convocation on its website and other websites, including that of the administrator of the shareholder's register, Mitsubishi UFJ Trust and Banking Corporation.
Other	Takeda organizes the General Meeting of Shareholders to try to present material to shareholders in a format that is easy to understand, including the use of slide and video presentations by the President & CEO to explain performance and business policies.

2. IR Activities

	Supplementary Explanations	Presentation made by senior management
Preparation and Publication of Disclosure Policy	Takeda formulates disclosure guidelines that specify disclosure policies, the functions within Takeda with responsibility for information disclosure, and the related communication channels and procedures.	
Regular Investor Briefings for Individual Investors	During fiscal year 2015, Takeda's department responsible for IR organized company presentations aimed at retail investors 6 times throughout Japan with support from securities companies and the securities exchange.	No
Regular Investor Briefings for Analysts and Institutional Investors	Takeda holds earnings release conferences twice a year on the same days as the full-year and second quarter results are released. These events include results presentations and a Q&A session in which participants can ask senior management questions directly. Conference calls are held when the quarterly results for the first and third quarters are released. These also include presentations of results and the opportunity to question senior management directly.	Yes
Regular Investor Briefings for Overseas Investors	Conference calls are held in English on the release of the full-year results and the results for the first, second and third quarters. Conference call participants have the opportunity to question senior management directly. In June 2016, Takeda organized the company presentation in Tokyo focused on Oncology and R&D strategies. For overseas investors, a live audio webcast was streamed and participation through a conference call was made available.	Yes
Posting of IR Materials on Website	URL : http://www.takeda.com/ Material available: Quarterly financial statements, data book, presentation materials used in earnings release conferences, annual reports, notices of convocation of ordinary general meetings of shareholders, presentations given at conference held by securities companies, notices of resolutions, and others.	
Establishment of Department and/or Manager in Charge of IR	Department responsible for IR: Global Finance, IR	

3. Measures to Ensure Due Respect for Stakeholders **Update**

Stipulation of Internal Rules for Respecting the Position of	Takeda's mission of "striving towards Better Health and Brighter Future for people worldwide through leading innovation in medicine" expresses a commitment to make a positive contribution
--	---

Stakeholders	to patients and healthcare professionals through pharmaceuticals. The Takeda's Values, which encompasses Takeda-ism and its four key priorities (Patient, Trust, Reputation, Business), clarifies the Company emphasizes the importance of its stakeholders including patients. Moreover, the Takeda Global Code of Conduct (Japan edition) provides ethical guidelines for employees based on respect for the perspectives of stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	Environmental protection activities: Takeda engages in these activities from a medium to long-term perspective, based on its "Global EHS Policy". As well as setting specific performance targets as "Environmental Action Plan" for global warming countermeasures and waste reduction centered on the production and research facilities of Group companies worldwide, Takeda also engages in a voluntary "Responsible Care" program to ensure environmental protection, safety, and health as part of its responsibilities as a company that manages chemical substances. CSR activities: A dedicated CSR unit within the Corporate Communications & Public Affairs oversees CSR activities that emphasize the importance of global corporate citizenship, based on international CSR-related principles and standards such as the Sustainable Development Goals (SDGs) and the United Nations Global Compact.
Development of Policies on Information Provision to Stakeholders	Takeda formulates disclosure guidelines that specify disclosure policies, functions with responsibility for information disclosure, and the related communication channels and procedures.
Other	We will continue to actively appoint diverse members to the Company's Board of Directors (One out of total 15 members is female), with the aim of strengthening systems further so that we can reflect viewpoints from multiple perspectives in management decisions. Furthermore, female business division heads take part in discussions and decision-making on management strategies and other important management and operational matters. Takeda established a Global Diversity and Inclusion (D&I) statement and continued to support regional D&I initiatives. Significant effort has been dedicated to accelerating D&I in Japan by shifting the mindset of our employees and driving leadership commitment and accountability. KPIs are in place to measure progress in 3 areas: gender diversity, career diversity and work style diversity. Takeda has established a numerical target of achieving a 5% ratio of women in managerial positions by fiscal 2015 and we achieved 6.2%. This can be attributed to our women's career advancement program WILL, enhanced recruitment efforts, and leaderships commitment to promote employees based on ability and performance not gender. We are also focused on creating a more flexible working environment for all of our employees. We recently introduced a flexible work style system that gives eligible employees the option to choose a schedule that accommodates their personal choices while meeting their business obligations. Employees can opt to work at home, work at another office, and/or use flex time.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development Update

The Company shares its Corporate Philosophy which comprises its Vision, Mission Values and Strategic Roadmap with the entire Takeda Group and promotes the creation of a disciplined and sound corporate culture. Based on the above mentioned principle, the Company has implemented the following measures for the internal control system, taking it as an important component of corporate governance functioning alongside risk management:

(1) Systems that ensure the appropriateness of operations in Takeda Group

- The Board of Directors makes decisions related to the most important matters for the business operation of Takeda Group, including matters related to Basic Management Policy such as Values, etc., and the matters related to the policy on internal control including compliance and risk management, and monitors and supervises the execution of these operations.
- To strengthen its global business management system, the Company shall establish Takeda Executive Team that manage and supervise each function of Takeda Group under President & CEO, and also establish Business Review Committee (which is responsible for general management matters), Portfolio Review Committee (which is responsible for R&D and products related matters), and Audit, Risk and Compliance Committee (which is responsible for internal audit, risk management and compliance matters) that review important matters to ensure systems whereby faster and more flexible work execution and deeper cooperation among the various functions take place.
- The Company shall clarify the roles and responsibilities of each function based on the "Takeda Group's Management Policy", which summarizes the business management systems, decision-making systems and its operational rules and other important management rules of the Takeda Group. With regard to certain material items, the Company shall oblige each

function to propose or report to the decision making bodies including the Board of Directors of the Company according to the materiality. Concurrently, a certain level of decision making authorities shall be delegated to President & CEO or to each Takeda Executive Team member, and the decision making authorities shall be exercised under the proper governance. In addition, the Company shall maintain Global Policies, etc. (Global Policies mean the rules applied to employees of three or more Takeda Executive Team organizations) for respective operations of specialized functions and shall manage and supervise across the entire Takeda Group based thereon.

- Based on the “Global Risk Management Policy,” “Global Crisis Management Policy” and “Takeda Group Global BCP (Business Continuity Plan) Policy”, which respectively lay out the structure of risk management system, crisis management systems and BCPs of the Takeda Group, the Company shall promote the construction of the system in which each group company responds adequately to risks and crises and ensures business continuity, and shall facilitate the disciplined management in Takeda Group.
- The Global Compliance, in conjunction with the relevant function, shall disseminate the “Takeda Global Code of Conduct” to all group companies and construct and disseminate the compliance programs of all group companies based on that code under the Global Compliance Promotion System. In addition, the Global Compliance and the relevant function shall periodically report to the Board of Directors about compliance related affairs of Takeda Group, including affairs notified through interoffice notification.
- The internal audit departments shall conduct regular internal audit of each function of the Company and each group company based on the “Group Internal Audit Charter.”
- The Corporate Finance, Global Finance, shall apply the “Control Self Assessment (CSA) Program” to each group company and each function of the Company so that the head of each group company and each function of the Company shall conduct self-assessment of the status of the internal control, shall undertake the implementation of the improvement plan responding to warnings or recommendations, and shall certify the appropriateness of its internal control.
- Based on the Financial Instruments and Exchange Act, the Company shall maintain systems of internal control to ensure the reliability of financial reporting and conduct effective and efficient management and assessment of those systems.

(2) System for retention and management of information in connection with the execution of the duties of Directors

- The minutes of meetings of the Board of Directors, requests for and approvals of managerial decisions and other information concerning the execution of the duties of Directors shall be appropriately retained and controlled in keeping with the term, method and place of retention designated for each category of information determined in accordance with the “Policy on Document Control” in either form of hard copy or electromagnetic record and for ease of inspection.

(3) Risk management rules and other systems

- With respect to all risk factors, including major potential risks of the Company (research and development, intellectual property rights, decline of sales due to the expiration of patents, etc., side-effects, drop in prices caused by measures for constraint of cost of medicines, fluctuation of foreign exchange rates, corporate acquisitions, country risks, stable supply, litigation and other legal matters, and IT security and information control), the person(s) in charge of each function shall control and manage these risk factors in each area of charge from the aspect of qualitative and quantitative criteria in designing and implementation of mid-range and annual plans and shall take all necessary measures or remedies available to avoid and minimize such risk factors, depending on the degree and content of the risk the Company is exposed to, in compliance with the countermeasures to cope therewith and any contingency plans.
- In order to prevent and respond to emergency situations, the Company shall establish the crisis management systems through appointing persons to be in charge of crisis management and persons to be in charge of crisis management in each local region and establishing crisis management committee under the “Policy on Crisis Management”. In addition, from the perspective of business continuity, the Company shall design Business Continuity Plan in each function under the “BCP Policy.”

(4) Systems that ensure the duties of Directors are executed efficiently

- A system that enables the duties of Directors to be executed appropriately and efficiently shall be ensured pursuant to the “Bylaws of Board of Directors” and other internal company regulations with respect to authorities and rules for decision-making.

(5) Systems that ensure Directors and employees comply with laws and regulations and the Company’s Articles of Incorporation in executing their duties

- In accordance with the “Compliance Promotion Rule” that provides for basic policies and procedures in relation to the implementation of the compliance program on ethical and legal requirements of the Company, Compliance Officer, Compliance Promotion Committee and Compliance Secretariat shall be established to promote the company-wide compliance policy.
- The interoffice notification system, a system established for the purpose of i) reflecting the opinions and proposals of corporate executives and employees to the Company’s compliance and ii) protecting the whistleblowers, shall be fully utilized in

compliance practices.

(6) System that ensures audits by Supervisory and Audit Committee are conducted effectively

Each of the items stated below shall be set forth in accordance with the “Rule of Audit and Supervisory Committee's Audit,etc.”:

- Full-time Audit and Supervisory Committee Members shall be placed, and Audit and Supervisory Committee Office shall be established to provide assistance to the Audit and Supervisory Committee in their duties and functions as a secretariat of the Audit and Supervisory Committee.
- Personnel matters with respect to the members of the Audit and Supervisory Committee Office shall be handled through agreement among the Directors and the Audit and Supervisory Committee.
- A Director shall notify to the Audit and Supervisory Committee those matters concerning the Company’s basic management policy and plans, material matters including the ones in subsidiaries and affiliated companies (provided, however, that this shall not apply if the Audit and Supervisory Committee Members attend a meeting of the Board of Directors or any other meeting at which such matter is discussed).
- If a Director becomes aware of a fact that might cause material damage to the Company, such Director shall, without delay, notify such fact to the Audit and Supervisory Committee.
- The Audit and Supervisory Committee may appoint the Appointed Audit and Supervisory Committee Members who requests Directors and employees to report on matters relating to the performance of their duties, and investigates the status of the operation and asset of the Company.
- The Audit and Supervisory Committee shall have a close communication with the internal audit departments, Accounting Auditors and other departments responsible for internal control, and improve the efficiency of audit by utilizing their audit results.
- The Audit and Supervisory Committee Members shall request the Company to reimburse the cost for performing their duties, and submit the budget to the Company every year.
- The Audit and Supervisory Committee shall make proposals or state opinions to the Board of Directors as necessary, with respect to the systems to ensure that any person who made reports to the Audit and Supervisory Committee and the internal audit departments, etc., including a report through the internal reporting system for whistleblowers, would not be subjected to any disadvantageous treatment on the ground of such reporting.

2. Basic Views on Eliminating Anti-Social Forces

The Company’s basic policy is to eliminate any relationship, including normal transactions, with antisocial forces that pose a threat to the order or safety of civil society. The Takeda Global Code of Conduct (Japan edition) is clear in this regard and stipulates behavior that all Directors and employees should adhere to, in addition to the following actions.

- The Company has built and maintains close cooperative relationships with the supervising police station and external specialized institutes, to proactively collect information on antisocial forces.
- The Company disseminates information on antisocial forces to Company divisions, and also to employees as necessary during internal training, etc., in order to implement activities to prevent any damage from antisocial forces.

V. Other

1. Adoption of Anti-Takeover Measures

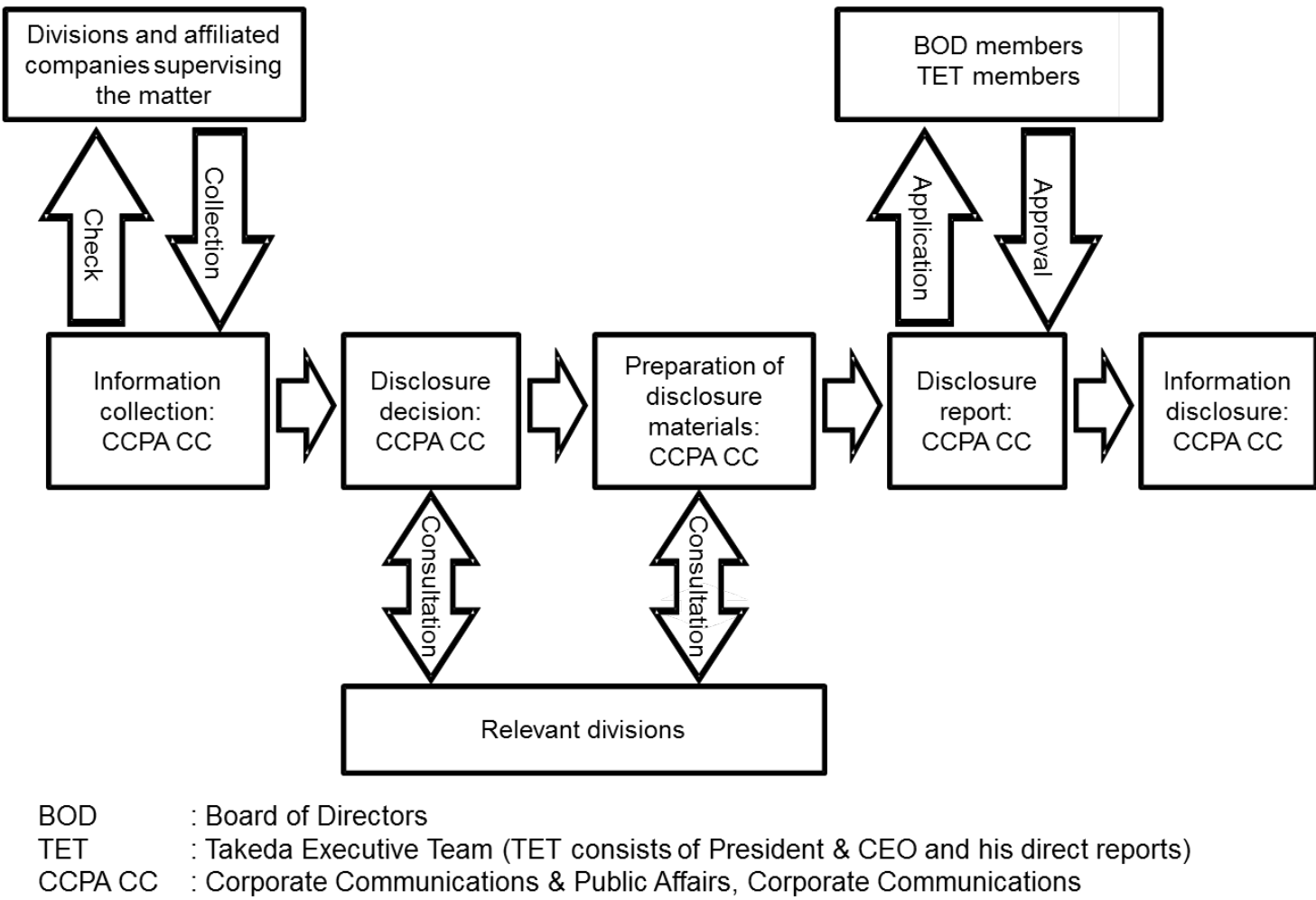
Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

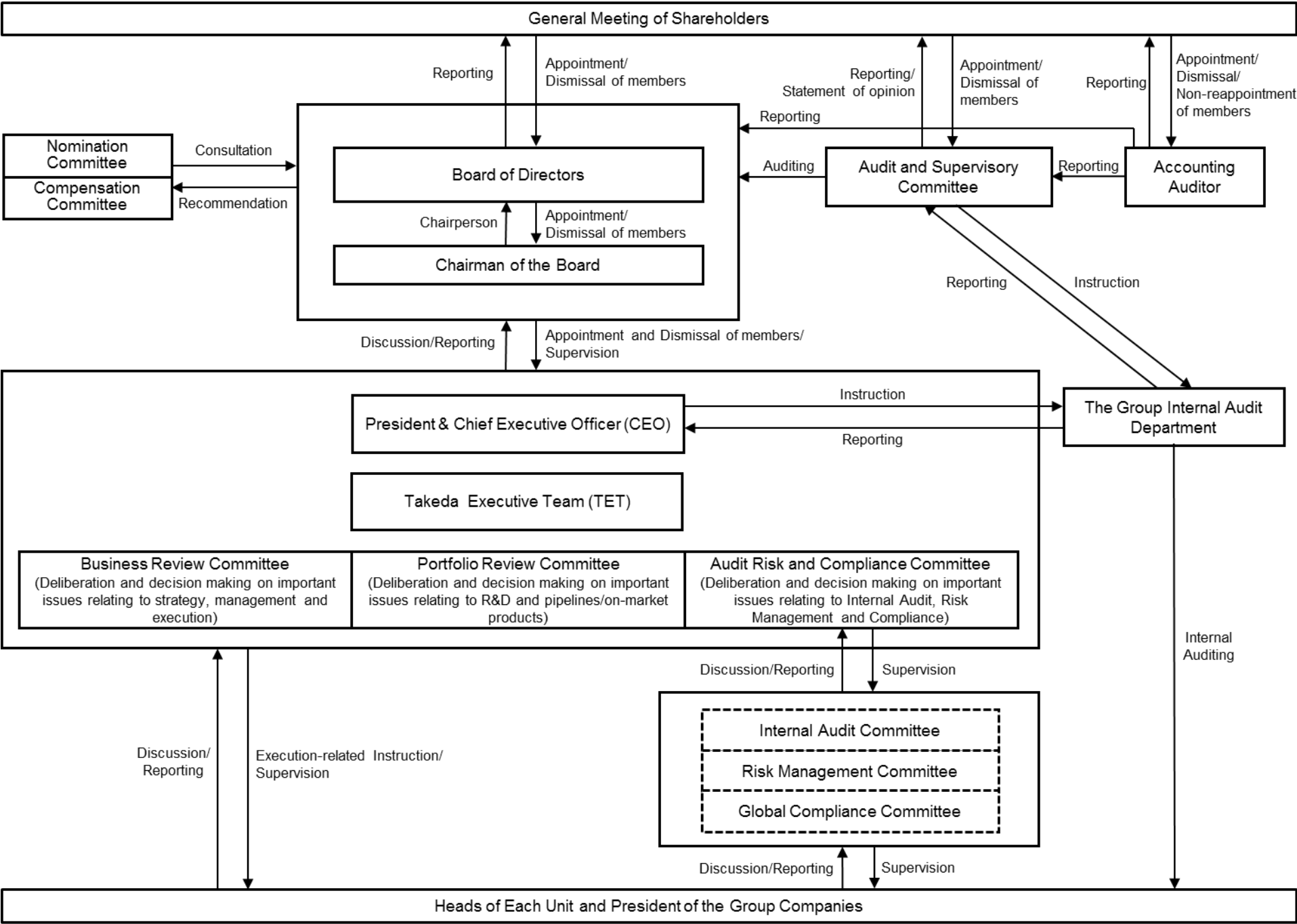
The Company has not adopted any defense measures against hostile takeovers.

2. Other Matters Concerning to Corporate Governance System

The basic procedures for Company information disclosure according to the Information Disclosure Guidelines are as follows:



Reference: Schematic Diagram of Takeda's Corporate Governance System, Including the Internal Control System



The end of the document