

Corporate Governance Report

June 29, 2015
Takeda Pharmaceutical Company Limited
<http://www.takeda.com>

I. Policy toward Corporate Governance, Capitalization Structure, Attribute and Other Information

1. Policy toward Corporate Governance

Takeda's management mission is to "strive towards better health for people worldwide through leading innovation in medicine." In line with this mission, Takeda is working to establish a management framework befitting 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 to facilitate rapid decision-making that is sound and transparent. Through these initiatives, we will further enhance our corporate governance, thereby maximizing corporate value.

2. Capital Structure

The percentage of shares owned by Foreign Investors: Within a range of [more than 30%]

[10 large shareholders]

Shareholders	No. of shares held	% of shares outstanding
Nippon Life Insurance Company	50,760,385	6.43
The Master Trust Bank of Japan, Ltd. (Trust account)	31,046,000	3.93
Japan Trustee Services Bank, Ltd. (Trust account)	26,582,000	3.37
JP Morgan Chase Bank 380055	19,341,381	2.45
Takeda Science Foundation	17,911,856	2.27
Barclays Securities Japan Limited	15,000,000	1.90
JP Morgan Chase Bank 385147	13,381,300	1.69
State Street Bank West Client-Treaty 505234	11,357,083	1.44
State Street Bank and Trust Company 505225	10,175,870	1.29
The Bank of New York Mellon SA/NV 10	9,496,308	1.20

Controlling Shareholder(s) (excluding parent company): --

Parent Company: N/A

Supplementary Information: --

3. Business Attributes

Stock exchange listings and market classification	Tokyo 1st Section, Nagoya 1st Section, Sapporo Existing Market, Fukuoka Existing Market
Fiscal year-end	End of March
Industry	Pharmaceuticals
Number of employees at the end of the previous fiscal year (consolidated)	More than 1,000 persons
Sales during the previous fiscal year (consolidated)	More than 1 trillion Yen
Number of consolidated subsidiaries at the end of the previous fiscal year	100 companies or more and less than 300 companies

4. Guidelines for Measures to Protect Minority Shareholders in the Event of Transactions, etc. with Controlling Shareholders

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5. Other Exceptional Circumstances that May Materially Affect Corporate Governance

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II. Overview of Business Management Organization and Other Corporate Governance Systems Related to Management Decision-making, Business Execution and Management Supervision

1. Matters related to Organization Structure and Organizational Operations, etc.

Organizational Form: Company with Corporate Auditors

[Directors]

Number of Directors pursuant to the Articles of Incorporation	12 persons
Term of Directors pursuant to the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman of the Board

Number of Directors	8 persons
Election of Outside Directors	Elected
Number of Outside Directors	3 persons
Number of Outside Directors Designated as Independent Directors	3 persons

Relationship with the Company (1)

Name	Attribution	Relationship with the Company (*1)										
		a	b	c	d	e	f	g	h	i	j	k
Fumio Sudo	Coming from another company											
Yorihiko Kojima	Coming from another company											
Masahiro Sakane	Coming from another company											

*1 Select relevant relationship with the Company

- a. Person executing business of the Company or its subsidiary
- b. Person executing business or non-executive director of the parent of the Company
- c. Person executing business of a fellow subsidiary of the Company
- d. Person/entity dealing with the Company as its major business partner or the person executing its business
- e. Major business partner of the Company or the person executing its business
- f. Consultant, accounting expert or legal expert gaining significant amount of money or properties from the Company, apart from officer remuneration
- g. Major shareholder of the Company (if such shareholder is a corporation, the person executing its business)
- j. Person executing business (himself or herself only) of a business partner of the Company (applicable to none of d, e or f above)
- i. Person executing business (himself or herself only) of another company holding cross-directorships/cross-auditorships with the Company
- j. Person executing business (himself or herself only) of an entity to which the Company provides donations
- k. Others

Relationship with the Company (2)

Name	Independent Director	Supplementary Information related to applicable items	Reason(s) for election as an Outside Director of the Company (and the reason(s) for designation as an Independent Director if so designated)
Fumio Sudo	✓	N/A	The Company has evaluated Mr. Fumio Sudo and determined that he is qualified to be an Outside Director of the Company because he has been active as management executives for many years in the companies doing business globally and has advanced insight based on a wealth of experience in corporate management. 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.
Yorihiko Kojima	✓	N/A	The Company has evaluated Mr. Kojima and determined that he is qualified to be an Outside Director of the Company because he has been active as management executives for many years in the companies doing business globally and has advanced insight based on a wealth of experience in corporate management. 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	The Company has evaluated Mr. Fumio Sudo and determined that he is qualified to be an Outside Director of the Company because he has been active as management executives for many years in the companies doing business globally and has advanced insight based on a wealth of experience in corporate management. 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.
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Voluntary committees corresponding to nomination committee or compensation committee: Yes

Outline, members and chairman's attribute of voluntary committees

Nomination Committee

Name	Nomination Committee
Number	3 persons
Chairman	Outside Director
Member	1 Outside Director and 1 Internal Director

Compensation Committee

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

Supplementary Information

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 internal 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).

[Corporate Auditors]

Establishment of the Board of Corporate Auditors	Established
Number of Corporate Auditors pursuant to the Articles of Incorporation	4 persons
Number of Corporate Auditors	4 persons

Cooperation between Corporate Auditors, Accounting Auditors and Internal Audit Division

(Cooperation between Corporate Auditors and Accounting Auditors)

Corporate Auditors receive reports on audit plans, audit structure/system and audit results for each business year from Accounting Auditors, and Corporate Auditors and Accounting Auditors closely cooperate with each other by exchanging information and opinion as necessary.

(Cooperation between Corporate Auditors and Internal Audit Division)

Corporate Auditors receive reports on the results of internal audits from Group Internal Audit, and use the audit results to improve auditing efficiency. The Corporate Auditors and Group Internal Audit closely cooperate with each other by exchanging information and opinion as necessary.

(Relationship between Corporate Auditors and Internal Control Division)

Corporate Auditors receive reports and request explanations as necessary from Internal Control Division (a division supervising the internal control function) concerning the maintenance of internal control system.

The Outside Corporate Auditors cooperate with other Corporate Auditors and perform audits through the aforementioned 1) the cooperation between Corporate Auditors and Accounting Auditors, 2) the cooperation between Corporate Auditors and Internal Audit Division, and 3) the relationship between Corporate Auditors and Internal Control Division.

Election of Outside Corporate Auditors	Elected
Number of Outside Corporate Auditors	2 persons
Number of Outside Corporate Auditors designated as Independent Directors	2 persons

Relationship with the Company (1)

Name	Attribution	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tsuguoki Fujinuma	Certified public accountant													

Shiro Kuniya	Lawyer											✓			
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*1 Select relevant relationship with the Company

- a. Person executing business of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiary
- c. Person executing business or non-executive director of the parent of the Company
- d. Corporate Auditor of the parent of the Company
- e. Person executing business of a fellow subsidiary of the Company
- f. Person/entity dealing with the Company as its major business partner or the person executing its business
- g. Major business partner of the Company or the person executing its business
- h. Consultant, accounting expert or legal expert gaining significant amount of money or properties from the Company, apart from officer remuneration
- i. Major shareholder of the Company (if such shareholder is a corporation, the person executing its business)
- j. Person executing business (himself or herself only) of a business partner of the Company (applicable to none of f, g or h above)
- k. Person executing business (himself or herself only) of another company holding cross-directorships/cross-auditorships with the Company
- l. Person executing business (himself or herself only) of an entity to which the Company provides donations
- m. Others

Relationship with the Company (2)

Name	Independent Director	Supplementary Information related to applicable items	Reason(s) for election as an Outside Corporate Auditor of the Company (and the reason(s) for designation as an Independent Director if so designated)
Tsuguoki Fujinuma	✓	N/A	The Company has evaluated Mr. Tsuguoki Fujinuma and determined that he is qualified to be an Outside Corporate Auditor of the Company because he has been active as a certified public accountant for many years and has a wide-ranging experience and a high level of knowledge in the area of finance and corporate accounting. 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 Corporate Auditor.
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 Corporate Auditor 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.	The Company has evaluated Mr. Shiro Kuniya and determined that he is qualified to be an Outside Corporate Auditor of the Company because he has been active as an attorney at law for many years and has a wide-ranging experience and a high level of knowledge in the area of corporate and international legal affairs. 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 Corporate Auditor.

[Independent Directors]

Number of Independent Directors	5 persons
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Independent Directors

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

<Internal Criteria for Independence of Outside Directors/Corporate Auditors of the Company>

The Company will judge whether an Outside Director/Corporate Auditor 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/Corporate Auditors of the Company, i.e., the persons who can exert strong presence in a diversified members of the Directors and Corporate Auditors 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/Corporate Auditors 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]

Implementation status of measures to grant incentives to Directors	Adoption of performance-based remuneration system
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Supplementary Information

Internal Directors: The compensation consists of "Basic Compensation" which is paid in a fixed amount, and "Bonus" to be paid based on the consolidated financial results, etc. for each fiscal year, and compensation based on the "long-term incentive plan (Stock compensation)" linked with medium-long term financial results over 3 years and the Company's share price.

Outside directors: The compensation consists of fixed "Basic Compensation" only.

"Long-term incentive plan (Stock compensation)" is an incentive plan for Directors based on the Performance Share system and Restricted Stock system in the US wherein Company shares that are acquired by the Board Incentive Plan Trust and others will be granted to Company Directors based on the achievement of performance indicators, etc.

Business objectives for this plan include consolidated revenue, etc. over 3 years.

In the former and existing compensation system for Directors, the ratio of "Performance-based compensation" including bonuses and compensation under the long-term incentive plan (Stock Option Plan) is more than 60 % of the total compensation. After the revision, the ratio of "Performance-based Compensation" in the total compensation will be further increased by increasing the ratio of the long-term incentive plan especially linked with medium-long term performance.

As a result of the introduction of the above mentioned scheme, stock options will no longer be issued to the Company's Directors.

[Directors' Remuneration]

Disclosure status (individual Director remuneration)	Partially disclosed individually
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Supplementary Information

Disclosure Method: Annual Securities Report

Total amount of remuneration etc., for Directors and Corporate Auditors of the Company for fiscal year 2014 was as stated below:

Directors	11 persons	1,460million yen (including 3 Outside Directors: 51 million yen)
Corporate Auditors	5 persons	133 million yen (including 2 Outside Corporate Auditors: 29 million yen)

Name (position): Yasuchika Hasegawa (Director)

Total amount of consolidated remuneration, etc. (in million yen): 277

Company category: Filing company

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

- Basic compensation: 109
- Bonus: 54
- Long term incentive: 114 (Note 1)
- Other --

Name (position): Christophe Weber (Director)

Total amount of consolidated remuneration, etc. (in million yen): 507

Company category: Filing company

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

- Basic compensation: 174 (Note 3)

- Bonus: 56
- Long term incentive: 186 (Note 2)
- Other: 92 (Note4)

Name (position): Shinji Honda (Director)

Total amount of consolidated remuneration, etc. (in million yen): 108

Company category: Filing company

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

- Basic compensation: 43
- Bonus: 42
- Long term incentive: 23 (Note 1)
- Other --

Name (position): Yasuhiko Yamanaka (Director)

Total amount of consolidated remuneration, etc. (in million yen): 101

Company category: Filing company

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

- Basic compensation: 41
- Bonus: 28
- Long term incentive: 32 (Note 1)
- Other --

Name (position): François-Xavier Roger (Director)

Total amount of consolidated remuneration, etc. (in million yen): 304

Company category: Filing company

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

- Basic compensation: 125 (Note 3)
- Bonus: 77
- Long term incentive: 103 (Note 2)
- Other --

Name (position): Tadataka Yamada (Director)

Total amount of consolidated remuneration, etc. (in million yen): 908

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

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

- Basic compensation: 12 / 140
- Bonus: -- / 115
- Long term incentive: -- / 598 (Note 5)
- Other: -- / 43 (Note 6)

Name (position): Frank Morich (Director) (Note 7)

Total amount of consolidated remuneration, etc. (in million yen): 809

Company category: Filing company / Takeda Pharmaceuticals International GmbH

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

- Basic compensation: 4 / 41
- Bonus: -- / -
- Long term incentive: -- / -
- Other: -- / 764 (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) Expenses of Long-Term Incentive 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 Compensation ("BIP Trust") granted in fiscal year 2014.

(Note 3) Basic Compensation includes the amount equivalent to housing allowance, pension allowance, etc. and income taxes. (Christophe Weber, Director: 82 million yen for ; Francois Roger, Director: 49 million yen.)

(Note 4) The described amount is the sing-on bonus to be paid to Christophe Weber, Director. This payment is included in the total amount to be approved in the Proposal of Payment of Directors' Bonuses at the 139th Ordinary General Meeting of Shareholders.

(Note 5) This represents the total amount of expenses of stock price-based remuneration using the stock price of the filing company and stock-based incentive plan granted in fiscal year 2014, which are adopted by Takeda Pharmaceuticals International,

Inc. and to be accrued for the year.

(Note 6) These are the recorded expenses equivalent to pension contribution, fringe benefits and taxes thereto, etc. in U.S. incurred by Takeda Pharmaceuticals International, Inc.

(Note 7) Resigned as of the conclusion of the 138th Ordinary General Meeting of Shareholders held on June 27, 2013.

(Note 8) The expenses incurred by Takeda Pharmaceuticals International GmbH, which was determined to be paid in fiscal year 2014.

1. Directors

The remuneration, etc., for Directors is comprised of fixed basic compensation, a bonus based on the consolidated results for each fiscal year, and long-term incentive plan (Stock compensation) linked to medium-long term share price and results, while Outside Directors receive only fixed basic compensation in light of the role of supervision of the executions of duties of Directors.

These amounts do not include the salaries and bonuses that Directors who also work as employees receive as the employee portions of their remuneration and the bonuses.

In addition, to assure the appropriateness with regard to the remuneration etc. for Directors such as amount of compensation etc., business objectives set out in bonus and amount of bonus based on the achievement of the Company's business objectives, as well as remuneration system for Directors (appropriateness of performance indicator and revision of remuneration system which might affect the remuneration for Directors), Compensation Committee, the chairman of which is an Outside Director, has been established as an advisory body for the Board of Directors.

(1) Basic compensation is fixed amount depending on each position, and its total amount per month is no more than 90 million yen (based on a resolution of the 138th Ordinary General Meeting of Shareholders held on June 27, 2014), and is individually calculated based on the division of duties and other conditions.

(2) The amount of bonuses is to be no more than 370 million yen which was approved at the 139th Ordinary General Meeting of Shareholders held on June 26, 2015, and was resolved at the meeting of Board of Directors held after this General Meeting of Shareholders.

Director's bonuses are individually calculated based on the Company's financial results ,etc. (status of the achievement of key performance indicators composed of consolidated revenue, operating profit, progress of pipeline compounds, etc.). Based on the report of the Compensation Committee, the actual payment amount of bonuses is resolved at the meeting of the Board of Directors.

(3) Long-term incentive plan (Stock compensation) is an incentive plan for Directors based on the Performance Share system and Restricted Stock system in the US wherein Company shares that are acquired by the Board Incentive Plan Trust and others will be granted to Company Directors based on the achievement of performance indicators, etc. The purpose of this plan is to improve the Company's mid- and long-term performance as well as increase the awareness of contributions to increasing corporate value. Business objectives for this plan include consolidated revenue, etc. over 3 years set forth in the Company's Mid-Range Growth Strategy. The cost posting related to stock compensation is the value posted during this year (371 million yen).

As a result of the introduction of this scheme, stock options will no longer be issued to the Company's Directors. The cost posting related to stock options is the value posted during fiscal year 2014 within remuneration, etc., concerning Stock Acquisition Rights allotted as stock options (113 million yen).

2. Corporate Auditors

The compensation for Corporate Auditors consists of fixed "Basic Compensation" only. The value of the basic compensation of Corporate Auditors is no more than 15 million yen per month (based on a resolution of the 132nd Ordinary General Meeting of Shareholders held on June 26 2008).

Policies determining the amount of remuneration or the method for calculating remuneration	Exist
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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. The compensation for Corporate Auditors (including Outside Corporate Auditors) consists of fixed "Basic Compensation" only.

Directors' Compensation Policy for fiscal year 2015

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

The compensation of Directors (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. The compensation of Outside Directors consists of fixed "Basic Compensation" only.

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.

4. Performance-based Compensation

We have already started in the fiscal year 2013 the Mid-Range Growth Strategy toward fiscal year 2017, to realize "Vision 2020."

The strategy has established performance goals such as "mid-single digit or higher compound annual growth rate of sales," "at least 20% of compound annual growth rate of operating income," and "25%+ core earnings ratio by fiscal year 2017". Long-term Incentive Plan has introduced new schemes similar to Performance Share and Restricted Stock in US to strengthen linkage between compensation and the company performance and the share price, for the 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 (target numbers as of March in fiscal year 2017), and will introduce 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%, based on the performance achievement.

On the other hand, Bonus will be paid based on the performance achievement of annual goals developed as milestones of Mid-Range Growth Strategy to motivate performance on annual basis. Bonus will be paid in the range of 0% to 200% in accordance with the achievement of performance indicators such as the consolidated revenue, Core Earnings and EPS, etc., established for the single fiscal year.

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. (7 meetings of Compensation Committee have been called during this fiscal year) 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.

[Support System for Outside Directors (Outside Corporate Auditors)]

(Support System for Outside Directors)

The Business Partners will support Outside Directors, and the Corporate Strategy Department will be in charge of delivery and acceptance of materials, etc.

(Outside Corporate Auditors)

According to Rules of Corporate Auditors Audit, Office of Corporate Auditors, where dedicated staff members are allocated, shall be established to provide assistance to Corporate Auditors in their duties and functions as a secretariat of the Board of Corporate Auditors. Personnel matters with respect to the members of Office of Corporate Auditors shall be handled through consultations

among Directors and Corporate Auditors pursuant to Rules of Corporate Auditors Audit.

2. Matters Pertaining to Functions of Business Execution, Audit and Supervision, Appointment and Decisions Regarding Remuneration, etc. (Outline of the Current Corporate Governance System)

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 corporate auditors. 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 and Chief Executive Officer, and also establish Business Review Committee (which is responsible for general management matters), Product 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 company management. The Board of Directors consists of 8 directors (all male), 6 Japanese and 2 non-Japanese, including 3 outside directors, and meets in principle once per month to make resolutions and receive reports on important matters regarding management.

Corporate Auditors' Audit

According to the provisions of the audit policy, duty assignments, etc. that are provided by the Board of Corporate Auditors, each Corporate Auditor is to attend the Board of Directors and other important Meetings, deliver his opinions, and implement deliberate and resolute audits of the execution of Director duties. In order to adopt the perspectives of outside experts in such audits, 2 of the 4 Corporate Auditors (all male members) shall be Outside Corporate Auditors as prescribed by the Companies Act. The Company established the Office of the Corporate Auditors to support the operations of Corporate Auditors and to serve as a secretariat of the Board of Corporate Auditors.

Takeda Executive Team

The Takeda Executive Team consists of members who report to the President & Chief Executive Officer (CEO). Each member 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 & Chief Executive Officer (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.

Product Review Committee

The Product Review Committee consists of the President & Chief Executive Officer (CEO), Takeda Executive Team members and the heads of the following functions; R&D, manufacturing, each business unit of Japan, US, Europe & Canada and emerging market, 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 & Chief Executive Officer (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 two certified public accountants from KPMG AZSA LLC: Mr. Koichi Kohori (consecutive auditing period: 1 year) and Mr. Kengo Chida (consecutive auditing period: 3 year). These 2 certified public accountants were supported by 18 other certified public accountants and 26 other persons.

Liability Limitation Agreement

The Company has executed agreements with Outside Directors and Outside Corporate Auditors 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. Reason for Adopting the Current Corporate Governance System

The Company adopted the current corporate governance system that consists of the Board of Directors, which makes decisions on important matters of business execution and supervises the execution of Directors' duties, and the Board of Corporate Auditors and Corporate Auditors, which are independent from the Board of Directors and audit the execution of Directors' duties.

The Board of Directors consists of Directors who are from the Company and specialize in the Company business, and Outside Directors who have a wide range of insights and extensive experience in global business management; thus, the aim of this Board of Directors is to execute business efficiently, fairly, and without being bound by industry norms. The Company also ensures the soundness and transparency of business management by means of an audit by the Board of Corporate Auditors and by the internal and outside Corporate Auditors.

III. Measures related to Shareholders and Other Stakeholders

1. Actions Aimed at Enhancing the Dynamism of the General Meeting of Shareholders and Facilitating Smooth Exercising of Voting Rights

Early dispatch of notice of convocation of General Meeting of Shareholders	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.
Meeting date set to avoid coinciding with the meetings held by other companies	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.
Electronic voting	Takeda shareholders have been able to exercise voting rights by electronic means since the General Meeting of Shareholders held in June 2007.
Initiatives to upgrade the voting environment for institutional investors, including utilizing an 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.
Provision of English translation of notice of convocation	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. Status of Investor Relations (IR) Activities

	Supplementary explanation	Presentation made by senior management
Formulation and publication of disclosure policies	Takeda formulates disclosure guidelines that specify disclosure policies, the functions within Takeda with responsibility for information disclosure, and the related communication channels and procedures.	
Presentations to retail investors	During fiscal 2014, Takeda's department responsible for IR organized company presentations aimed at retail investors 9 times throughout Japan including the participation of a large-scale IR festival sponsored by IR support company. In this festival, Takeda held company presentations in two days..	No
Presentations to 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	Yes

	include presentations of results and the opportunity to question senior management directly.	
Presentations to 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 fiscal 2014 Takeda organized the company presentation in NY focused on the treatment for ulcerative colitis/Crohn's disease as well as the R&D activities in the Gastroenterology therapeutic area.	Yes
IR materials available on corporate 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 a department (or person) responsible for IR	Department responsible for IR: Global Finance, IR	

3. Status of Initiatives to Respect the Positions of Stakeholders

Internal regulations relating to respect for stakeholder positions	Takeda's mission of "striving towards better health for people worldwide through leading innovation in medicine" expresses a commitment to make a positive contribution to patients and healthcare professionals through pharmaceuticals. The Takeda values emphasize relationships with stakeholders, explicitly citing the values of commitment (Takeda works to meet its responsibilities to stakeholders) and transparency (Takeda appropriately shares information and promotes dialogue with stakeholders thereby building trust). Moreover, the Takeda Global Code of Conduct (Japan edition) provides ethical guidelines for employees based on respect for the perspectives of stakeholders.
Environmental protection and CSR activities	Environmental protection activities: Takeda engages in these activities from a medium to long-term perspective, based on its "Global EHS Policy" and "Basic Principles on the Environment." As well as setting specific performance targets 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 United Nations Global Compact and the ISO 26000 standard.
Formulation of policies relating to disclosure of information 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, 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 is working to provide opportunities in the workplace for female employees to balance their responsibilities at work while also caring for their children. This is part of our efforts to support the development of women's careers, with the view to promoting the success of female employees. To date, Takeda has implemented measures such as providing support for the return to work of employees on maternity or childcare leave; offering human resource development training to support women's career development; holding seminars for all employees aimed at promoting work-life balance in workplaces; and re-employment of women who resigned due to childbirth, child-raising, and other such reasons. In other measures, Takeda has introduced flextime systems and reduced work hour systems, which are designed to support a wider range of work

	<p>styles, and these systems are available to all employees who have the same needs, not just women. Recently, with a growing number of men seeking to participate in child-raising, the number of male employees taking child-care leave is increasing each year.</p> <p>Furthermore, in regard to promotion and career advancement for women, Takeda evaluates all personnel according to ability and performance irrespective of gender, in all stages of recruitment, assignment, career advancement, and so forth.</p> <p>Takeda has established a numerical target of achieving a 5% ratio of women in managerial positions by fiscal 2015. To reach this target, the company is conducting a women's career advancement program called WILL for female employees who aspire to become future leaders. Through WILL, Takeda is systematically nurturing human resources by providing female leaders various opportunities including mentoring, group and individual training, and discussions with female senior management.</p>
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IV. Internal Control System, etc.

1. Basic Policy of internal control system and the level of its development

The Company shares its "Corporate Philosophy", which consists of "Takeda-ism" (Integrity: Fairness, Honesty and Perseverance), the "Mission", the "Vision2020" and the "Values" within 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

- 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 & Chief Executive Officer, and also establish Business Review Committee (which is responsible for general management matters) , Product 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 and Chief Executive Officer or to each function, and the decision making authorities shall be exercised under the proper governance. In addition, each function responsible for a specialized operation shall maintain business management standards and provide instruction and supervision across all group companies relating to the work of their specific operation in accordance with the "Policy on Administration of Operational Management Standard of Takeda Group."
- Based on the "Takeda Group Global Crisis Management Policy" and "Takeda Group Global BCP Policy", which respectively lay out the hierarchy of 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 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 Group Internal Audit Department 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, and litigation and other legal matters), 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 (BCP) 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 "Voice of Takeda System (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 those who disclose information in the public interest, shall be fully utilized in compliance practices.

(6) System that ensures audits by Corporate Auditors are conducted effectively

Each of the items stated below shall be set forth in accordance with the "Corporate Auditors Audit Rule":

- The Office of the Corporate Auditors shall be established to provide assistance to the Corporate Auditors in their duties and functions as a secretariat of the Board of Corporate Auditors.
- Personnel matters with respect to the members of the Office of the Corporate Auditors shall be handled through consultations among the Directors and the Corporate Auditors.
- A Director shall notify to the Board of Corporate Auditors those matters concerning the Company's basic management policy and plans, material matters including the ones in subsidiaries and affiliated companies in advance (provided, however, that this shall not apply if Corporate Auditors 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 Board of Corporate Auditors.
- A Corporate Auditor shall, upon consultation with the President of the Company, attend important meetings, in addition to meetings of the Board of Directors, in order to gain a better understanding of the decision-making process with respect to material issues and the execution of operations.
- A Corporate Auditor may have access to important documents concerning the execution of operations and may ask Directors or employees to provide an explanation in respect thereof, whenever necessary.
- A Corporate Auditor shall investigate each function and, if it is necessary to audit the execution of the duties of Directors, request reports on the business from the subsidiaries, or investigate the operational and financial status of the subsidiaries.
- A Corporate Auditor shall have a close communication with Group Internal Audit Department and Accounting Auditors, and improve the efficiency of audit by utilizing their audit results.
- A Corporate Auditor shall request the Company to reimburse the cost for performing their duties, and submit the budget therefor to the Company every year.

2. Basic Policy of Eliminating Antisocial Forces and its Development

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. Takeover Defense Measures

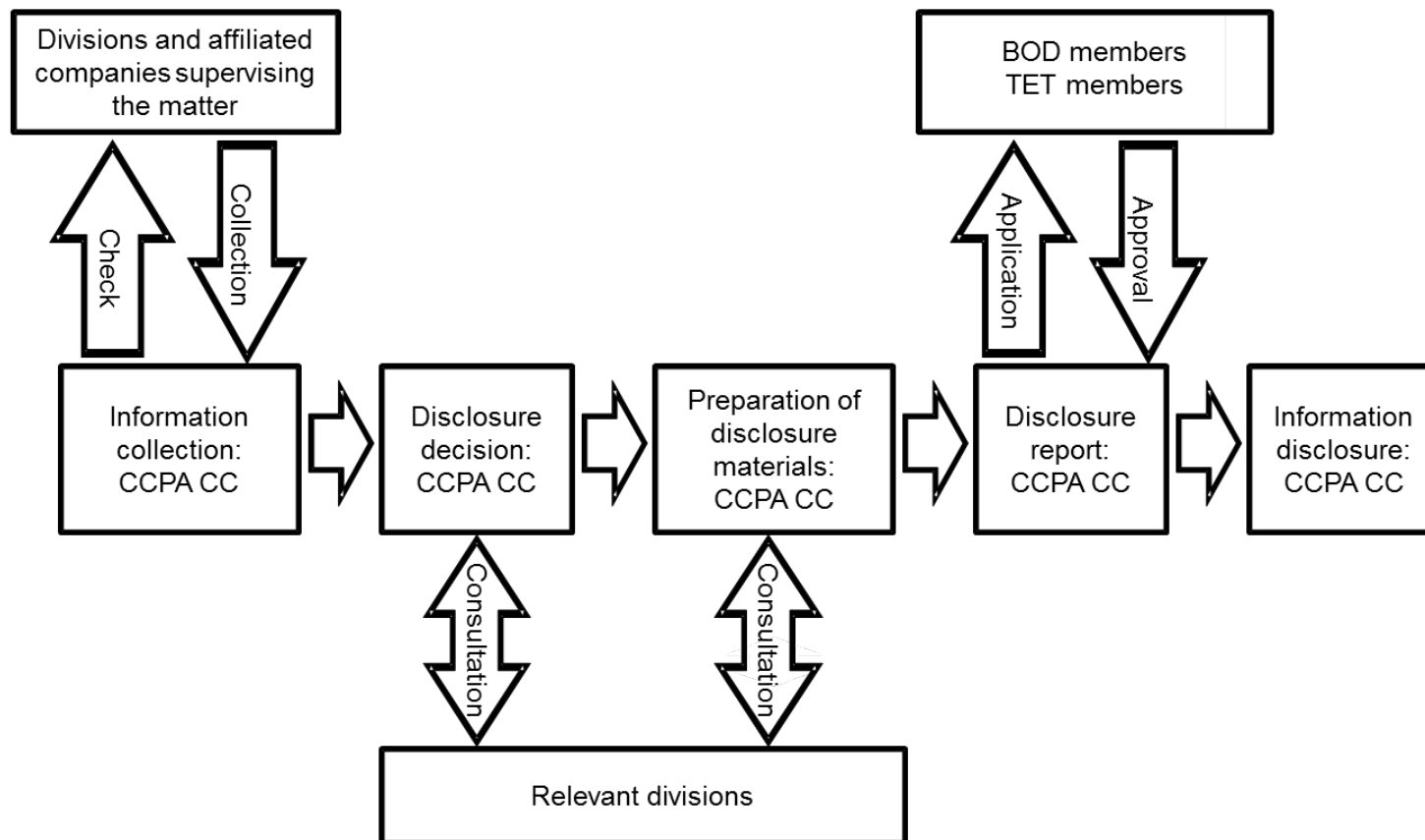
Takeover defense measures	None
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Supplementary Information

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

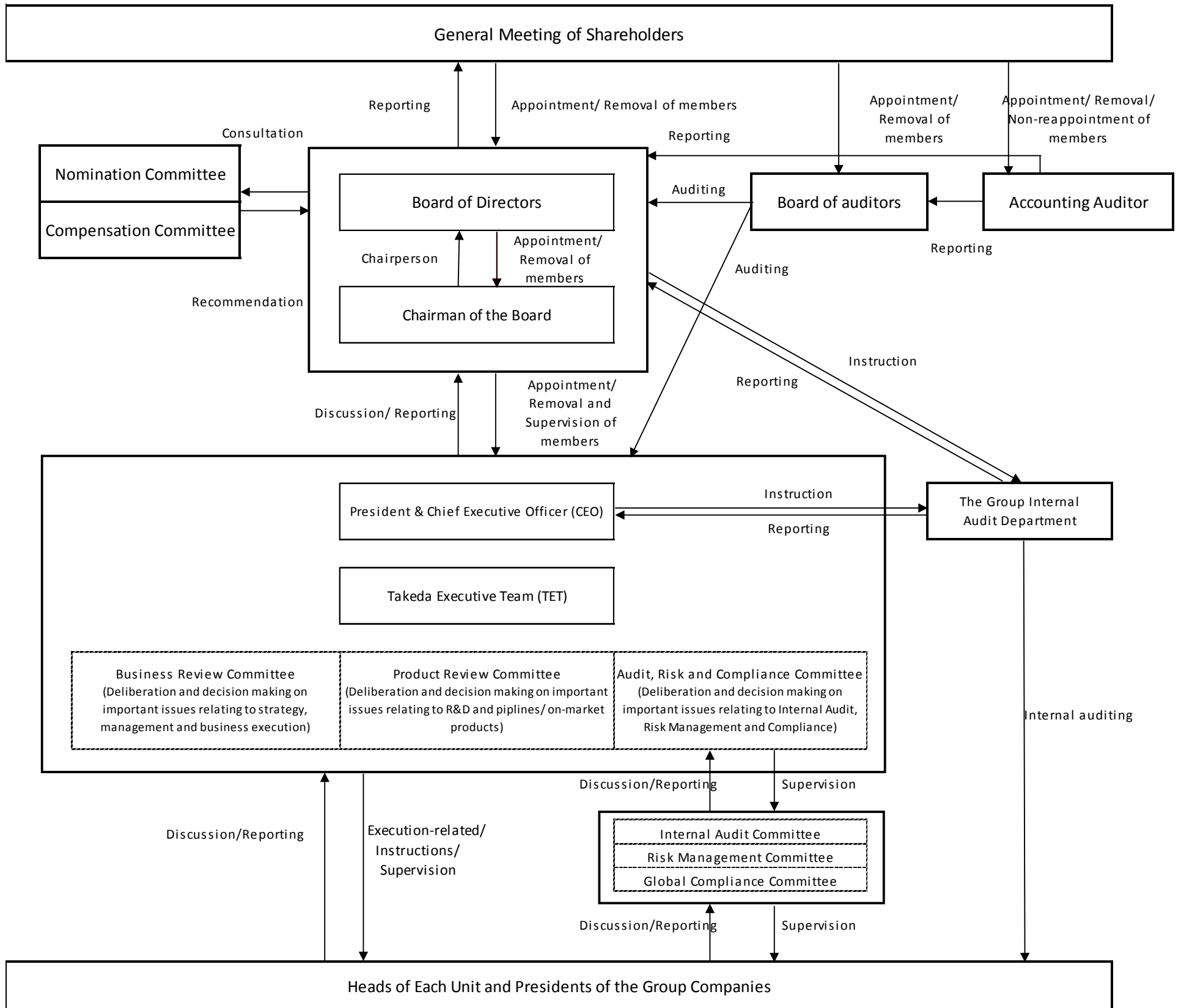
2. Other Matters Related to the Corporate Governance System, etc.

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



- BOD : Board of Directors
- TET : Takeda Executive Team (TET consists of President & CEO and his direct reports)
- CCPA CC : Corporate Communications & Public Affairs, Corporate Communications

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



The end of the document