



Takeda Information

Takeda's Recommendation to vote for Takeda's Proposals at the 143rd Ordinary General Meeting of Shareholders

Osaka, Japan, June, 2019 --- Takeda Pharmaceutical Company Limited ("Takeda") ([TSE: 4502/NYSE: TAK](#)) is always grateful for its meaningful engagements with individual and institutional shareholders. Shareholder feedback is important to us and we appreciate the comments that have been provided to date regarding our proposals at the 143rd Ordinary General Meeting of Shareholders.

As our dialog with our shareholders progresses, we would like to take this opportunity to provide additional perspective regarding our proposals and how they support Takeda's business strategy, near-term acquisition and integration objectives and long-term growth trajectory.

FY2018 was transformative, with the announcement and closing of the Shire acquisition. This was a significant step in Takeda's history, considerably increasing the company's global footprint and capital market presence as well as providing the platform for meaningful value creation over the mid-to-long term to our shareholders. In December 2018, we experienced strong shareholder support for the Shire acquisition with approximately 90% approval at the Extraordinary General Meeting of Shareholders.

Our enhanced executive compensation framework will enable us to continue to be a patient-focused, innovation-driven global bio-pharmaceutical company building on our 238-year foundation of sustained long-term value creation.

Building on a Strong Platform of Returns and Sustainable Growth

Since the appointment of Christophe Weber as President & Chief Executive Officer on April 1, 2015, legacy Takeda's Return on Equity ("ROE") performance has improved every year and on average has been over 5%, a threshold average benchmark used by ISS, as outlined in the chart below.

ROE	FY2014*	FY2015	FY2016	FY2017	FY2018	Average
Reported	(6.3)%	3.9%	6.0%	9.6%	3.0%	3.2%
Reported (Legacy Takeda Only)**	(6.3)%	3.9%	6.0%	9.6%	15.0%	5.6%

*Reflects the one-time impact of the Actos litigation settlement

**Does not include three months of Shire contribution, impact from purchase accounting, and Shire related costs

As with any large acquisition, Takeda expected temporary and non-cash expenses would be incurred which would impact returns metrics such as ROE for the combined entity in the near term. We have been unlocking cash by reducing cross-holding shares, divesting non-core assets, and will continue to further enhance capital efficiencies and committed to deleveraging. Further, over the mid- to long-term, we expect that levels of return will increase as we successfully execute key integration plans.

Strong Performance and Growth in Fiscal Year 2018

Takeda rewards for purposeful performance. This means that our incentive programs are designed to ensure that our pay outcomes are linked to significant corporate achievements. In FY2018, the organization achieved excellent legacy and combined performance as well as other key milestones while planning for and executing the successful close of the Shire acquisition.

FY2018 consolidated results reflecting the three-month Shire contribution were positive as reported in our May 14th Investor Presentation:

https://www.takeda.com/siteassets/system/investors/report/quarterlyannouncements/fy2018/fy2018-q4-announcements/qr2018_q4_p01_en.pdf

FY2018 Financial Results	FY2018 Actual Performance vs FY2017
Revenue	+18.5% *
Core earnings	+42.4% *
Core EPS	+36.4% *

*Includes Legacy Shire financials (from January 8, 2019 to March 31, 2019), costs incurred by Legacy Takeda and Legacy Shire related to the acquisition, and financial impact from purchase accounting.

Further, legacy Takeda's underlying growth greatly exceeded original and revised guidance:

FY2018 Corporate KPI	FY2018 Actual Performance vs FY2017
Underlying Revenue	+5.3%
Underlying Core Earnings	+38.7%
Underlying Core EPS	+29.0%

Additional key milestones contributing to FY2018 success include:

- Successful completion of both Shire and TiGenix acquisitions
- Entered into agreements to divest XIIDRA and TACHOSIL
- Key product approvals: e.g., TAKHZYRO (US/EU), ALUNBRIG (EU)
- Key growth products continue to deliver strong revenue momentum: e.g., ENTYVIO +34.8%; NINLARO +36.1%)
- Unlocked JPY 200.9 billion in cash from sale of real estate, securities and non-core business
- Secured investment grade rating; net/debt to adjusted EBITDA ratio at 4.7x as of March 31, 2019

FY2018 results which were significantly above the target under the complexity and unusual circumstances surrounding the Shire acquisition demonstrate our commitment to a performance-driven culture. We believe that these accomplishments are the foundational elements for improving shareholder value in the mid- to long- term even though they may not be yet reflected in the near term share price performance. As such, we respectfully ask our shareholders to support proposals 2,1 and 6 which enables us to reward and continue to

engage our key leadership talent as we move into the critical integration phase for continued success in FY 2019 and beyond.

Critical Success Factors in Fiscal Year 2019

Within the short time period since the close of the Shire acquisition, Takeda has made substantial progress in evaluating and enhancing the compensation framework approved by our shareholders in 2016 to ensure that it continues to support our business and people strategy going forward. This is especially important now given we have approximately 50,000 employees globally, of which more than 90% are located outside of Japan. To this end, it is critical that Takeda evolves its compensation framework to address the needs of its global population.

As a part of this evaluation process, Takeda expanded the authority of our independent Compensation Committee to directly oversee compensation decisions related to the remuneration of Internal Directors.

As a result, the Compensation Committee has been in continued dialog with Takeda management to implement changes to the program for FY2019 that will enhance our pay for performance link and drive integration success. Details of our proposed FY2019 pay for performance program enhancements are outlined in proposal four can be found here:

https://www.takeda.com/siteassets/system/investors/shareholders-meetings/sm_143_04_en.pdf

In addition to enhancements made to the annual executive compensation program, Takeda has introduced a Special Integration Long-Term Incentive grant for the Internal Directors and Corporate Officers to ensure sharp focus on the achievement of integration metrics which are critical to delivering deal success.

The Special Integration grant will be made on July 2019, subject to approval at the 143rd Ordinary General Meeting of Shareholders, and is entirely performance-based. The purpose of this one-time grant is to ensure that Takeda closely monitors our progress against achieving our key financial goals related to the integration such as synergy capture, integration cost management and Net Debt to adjusted EBITDA ratio as well as key people metrics. This one-time grant has annual vesting as we believe the execution of key integration objectives requires immediate annual discipline in each of the three years post Shire acquisition close to quickly stabilize, harmonize and optimize the organization in the near term in order to produce longer term results.

Please note that our annual long-term incentive grant continues to have a three-year vesting schedule and, beginning in FY2019, will have an additional two year holding period, balancing the annual vesting of the Special Integration grant to ensure continued focus on near term integration “must wins” under the Special Incentive grant with mid- to long-term sustained value creation under the annual long-term incentive grant.

We respectfully ask our shareholders to support proposal 4 which enables us to enhance our pay for performance programs while engaging, retaining and focusing the leadership talent needed to accelerate the execution of our key integration goals.

About the Shareholder’s Proposals

The Seventh and Eighth Proposals have been put forth by a group of 13 shareholders. The Seventh Proposal would require individual disclosures of director compensation to the Articles of Incorporation, while the Eighth Proposal requests the inclusion of an additional clause regarding the adoption of a claw-back provision.

With respect to the Seventh Proposal, Takeda objects to it, and, to the best of our knowledge, there is no Japanese company that stipulates the content which is the same or similar to that of the Seventh Proposal in the articles of incorporation. Takeda discloses director compensation in the Securities Report in accordance with applicable laws. In addition, Takeda discloses the total amount of the compensation paid to Directors and the number of Directors who received the compensation, specifying the numbers of Internal Directors who are not Audit and Supervisory Committee members, Directors who are Audit and Supervisory Committee members, and External Directors. Therefore, Takeda also already provides shareholders and investors with sufficient information to enable them to infer, with an appreciable extent of accuracy, even the amount of directors' compensation which is not required to be disclosed in accordance with applicable law. Moreover, Takeda specifies the levels of compensation, the compensation mix, the contents of performance-based compensation and mid-to-long term KPIs, etc., in the "Directors' Compensation Policy."

With respect to the Eighth Proposal, Takeda objects to it also, and, we recognize that, to the best of our knowledge, there is no Japanese company that stipulates the content which is the same or similar to that of the Eighth Proposal in the articles of incorporation. It does not mean that Takeda cannot request the return of the Director's compensation, nor does it mean that Takeda has no mechanism to request the return if a Director actually received inappropriately high performance-based compensation as a result of misconduct, including an inappropriate accounting. Takeda would appropriately exercise its rights in a timely manner, based on the internal rules, mandate agreements, and/or applicable laws, and would request the return of such inappropriate performance-based compensation by considering individual and specific situations such as the content of the actual misconduct. We believe that the addition of such a provision as the Eighth Proposal to the Articles of Incorporation would even have a possibility of interfering with the to-be decisions which should be made by appropriately considering the individual and specific situations of each case. Also, we are afraid that the proposed amendment to the Articles of Incorporation will place absolute liability on the directors even in the cases where the directors did not breach their duty of due care as prudent managers with respect to a misconduct, and that it will make the directors unnecessarily and inappropriately too cautious or too reluctant to even make healthy business decisions, which will be detrimental to shareholders benefit.

Each Takeda Director is aware of the importance of being appointed as Directors by shareholders at the General Meeting of Shareholders, and they take very seriously their responsibility to effectively manage the company and to make the best decision in terms of improving corporate value and shareholder return. We would ask our shareholders to carefully consider the Company's recommendations in executing their voting rights.

Please note that over the next twelve months, the Board, with guidance from our Compensation Committee and management, will continue to examine our executive compensation framework with a view to enhancing it further. As we look towards the future, we aspire to continue to build on the strong foundation that these new program changes provide in order to develop an enduring corporate governance model with a disclosure framework that is aligned with pay for performance best practice, Japan and global governance requirements and shareholders interests.

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About Takeda Pharmaceutical Company Limited

Takeda Pharmaceutical Company Limited ([TSE:4502/NYSE:TAK](https://www.takeda.com)) is a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, committed to bringing Better Health and a Brighter Future to patients by translating science into highly-innovative medicines. Takeda focuses its R&D efforts on four therapeutic areas: Oncology, Gastroenterology (GI), Rare Diseases and Neuroscience. We also make targeted R&D investments in Plasma-Derived Therapies and Vaccines. We are focusing on developing highly innovative medicines that contribute to making a difference in people's lives by advancing the frontier of new treatment options and leveraging our enhanced collaborative R&D engine and capabilities to create a robust, modality-diverse pipeline. Our employees are committed to improving quality of life for patients and to working with our partners in health care in approximately 80 countries and regions.

For more information, visit <https://www.takeda.com>.

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