

# Director's Compensation Policy

## 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 talent to realize our Vision
- To increase corporate value through optimizing the Company's mid- and long-term performance, while reinforcing our patient first values
- To be closely linked with company performance, highly transparent and objective
- To support a shared sense of profit with shareholders and improve the managerial mindset focusing on shareholders
- To encourage Directors to challenge and persevere, and to be aligned with the values of Takeda-ism
- To establish transparent and appropriate governance of directors' compensation to establish the credibility and support of our stakeholders

## 2. Level of Compensation

We aim to be competitive in the global marketplace to attract and retain talent who will continue to transform Takeda into a Global, Values-based, R&D-driven Biopharmaceutical Leader. Directors' compensation should be competitive in the global market consisting of major global companies. Specifically, the global market refers to external data on compensation levels at major global pharmaceutical companies with which we need to be competitive, and data on compensation levels at other major companies in Japan, the U.S. and Switzerland.

## 3. Compensation Mix

### 3-1. Internal Directors

The compensation of Internal Directors consists of "Basic Compensation", which is paid at a fixed amount and "Performance-based Compensation", which is paid as a variable amount based on company performance, etc.

"Performance-based Compensation" consists of an annual "Bonus (short-term incentive compensation)" to be paid based on financial and other performance results for each fiscal year, and a "Long-term Incentive Plan (stock compensation)" linked with long-term company performance results over a 3-year period and with Takeda's share price.

Both Bonus and Long-term incentives as a ratio of Total Direct Compensation is higher putting the directors pay at risk in alignment with the company's performance. The ratio of Long-term Incentives is particularly high among Performance-based Compensation in order to ensure the alignment of interests of Directors and shareholders and enhancement of mid-term and long-term company value. The targets range from 100%-250% of Basic Compensation for "Bonus" and range from 200% to 600% of Basic Compensation for "Long-term Incentive", reflecting the common practice of global companies.

### ■ Standard Compensation Mix Model for Internal Directors

Basic Compensation	Bonus	Long-term Incentive Plan (stock compensation)
Fixed	100%-250% of Basic Compensation*	200% to 600% or more of Basic Compensation*
	Performance-based Compensation	

\*Ratio of Bonus and Long-term Incentives to Basic Compensation is determined according to Director's role.

### 3-2. External Directors who are not Audit & Supervisory Committee Members

The compensation of External Directors who are not Audit & Supervisory Committee Members consists of Basic Compensation, which is paid as a fixed amount, and Long-term Incentive (stock compensation). The stock compensation is linked only to share price and not to company performance results. The stock compensation awarded in 2019 and going forward will vest and be paid three years after the award date of base points used for the calculation and Directors will be required to hold 75% of their vested share portion until they cease service as a director (however, awarded stock compensation in or before 2018 will vest and be paid after they cease service as a director).

Bonus is not available for this category of Director. Committee retainers are paid with Basic Compensation for the chair of the board of directors meeting, chairperson of the compensation committee, and chairperson of Nomination Committee.

The current compensation mix is "Basic Compensation" and "Long-term Incentive", which is a maximum of 100% of the Basic Compensation.

#### ■ Standard Compensation Mix Model for External Directors who are not Audit & Supervisory Committee Members

<b>Basic Compensation</b> additionally committee fee paid for chairs	<b>Long-term Incentive Plan</b> (stock compensation) Maximum of 100% of the Basic Compensation
Fixed	

### 3-3. Directors who are Audit & Supervisory Committee Members

The compensation of Directors who are Audit & Supervisory Committee Members consists of Basic Compensation, which is paid as a fixed amount, and Long-term Incentive (stock compensation). The stock compensation is linked only to share price and not to company performance results. The stock compensation awarded in 2019 and going forward will vest and be paid three years after the award date of base points used for the calculation and Directors will be required to hold 75% of their vested share portion until they cease service as a director (however, awarded stock compensation in or before 2018 will vest and be paid after they cease service as a director).

Bonus is not available for this category of Director. Committee retainer is paid with Basic Compensation for External Directors who are Audit & Supervisory Committee Members.

The current compensation mix is "Basic Compensation" and "Long-term Incentive", which is a maximum of 100% of the Basic Compensation.

#### ■ Standard Compensation Mix Model for Directors who are Audit & Supervisory Committee Members

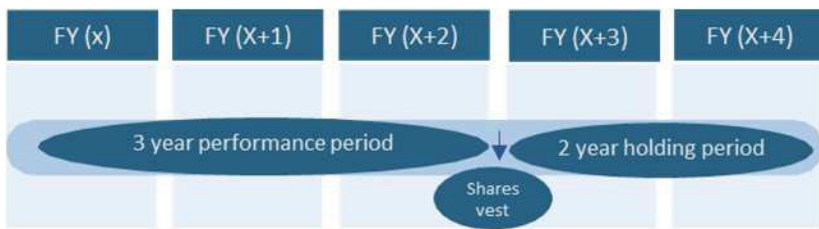
<b>Basic Compensation</b> additionally committee fee paid for members	<b>Long-term Incentive Plan</b> (stock compensation) Maximum of 100% of the Basic Compensation
Fixed	

## 4. Performance-based Compensation

### 4-1. Internal Directors

For Internal Directors, the Company has introduced a Long-term Incentive Plan that is allocated as 60% for the plan designed based on Performance Share Units (Performance Share Unit awards) and 40% for the plan designed based on Restricted Stock Units (Restricted Stock Unit awards) to strengthen the link between compensation and company performance and share price, and to reinforce the commitment to increasing corporate value in the mid and long term. Performance Share Unit awards, which fall under Performance-based Compensation, will be linked with the latest mid-to long-term key performance indicators (KPI) over a three-year period which may include consolidated revenue, free cash flow, indicators on profit and R&D targets as transparent and objective KPI. The variable range of payout rate for Performance Share Unit awards is from 0% to 200% (100% at target), based on performance achievement. For Long-term Incentive awarded in 2019 and going forward, a two year holding period will be mandated, and this includes Performance Share Unit awards if and when shares become vested.

■ Annual Performance Share Unit Awards Image



In addition to regular stock compensation, the company may, from time to time, award one-time special Performance Share Unit awards which are directly linked to point-in-time corporate initiatives and which are aligned with shareholder expectations. Performance against established KPIs for one-time special Performance Share Unit awards are determined independently each year over a three-year period, with shares becoming vested after the relevant performance metric(s) are determined to have been achieved for the applicable period. There is no post-vesting holding period established for one-time special Performance Share Unit awards.

■ Special Performance Share Unit Awards (stock compensation) Image



■ Annual Bonus

Bonuses will be paid based on performance achievement of annual goals. Bonuses will be paid in the range of 0% to 200% (100% at target) in accordance with the achievement of key performance indicators which may include Total Core Revenue, Global Growth Products + New Product Incremental Core Revenue and Core Operating Profit, established for a single fiscal year. For President and CEO, the annual bonus is weighted as 100% to the Corporate KPI.

For other Directors that have divisional responsibilities, 75% of their annual bonus opportunity is linked to the Corporate KPI to drive their commitment to group-wide goals.

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

The Long-term Incentive Plan (stock compensation) for Directors who are Audit & Supervisory Committee Members and External Directors is Restricted Stock Unit awards linked only to share price and not linked to company performance results. The stock compensation awarded in 2019 and going forward will vest three years after the award date of base points used for the calculation and Directors will be required to hold 75% of their vested share portion until they cease service as a director (however, awarded stock compensation in or before 2018 will vest and be paid after they cease service as a director). Bonuses are not available for these categories of Director.

## ■ Whole Picture of Directors' Compensation

		Directors who are not Audit and Supervisory Committee Members		Directors who are Audit and Supervisory Committee Members
		Internal Directors	External Directors	External Directors
Basic Compensation		●	●	●
Bonus		● <sup>2</sup>		
Long-term Incentive Plan (stock compensation)	Performance based <sup>1</sup>	● <sup>3,4</sup>		
	Not linked to performance results	● <sup>4</sup>	● <sup>5</sup>	● <sup>5</sup>

<sup>1</sup> Includes Special Performance Share Unit awards

<sup>2</sup> Varies from 0% to 200%, depending upon the degree of achievement, etc. of the performance indicators such as Total Core Revenue, Global Growth Products + New Product Incremental Core Revenue and Core Operating Profit, etc., established for a single fiscal year

<sup>3</sup> Varies from 0% to 200%, depending upon the degree of achievement, etc. in relation to consolidated revenue, free cash flow, indicators on profit and R&D targets, etc. over 3 years

<sup>4</sup> During term of office

<sup>5</sup> Vest and paid three years after the award date of the base points used for the calculation are granted

## 5. Compensation Governance

### 5-1. Compensation Committee

The Compensation Committee has been established with all the Committee members being External Directors, to serve as an advisory body for the Board of Directors to ensure the appropriateness of Directors' compensation and the transparency in its decision-making process.

The level of compensation, compensation mix and performance-based compensation (Long-term Incentives and Bonus programs) for Directors are reviewed by the Compensation Committee before resolution by the Board of Directors. The company delegated to the Compensation Committee, by resolution of the Board of Directors, the authority to determine Internal Directors individual compensation in order to ensure the objectivity and transparency in the decision making process. In order to enhance transparency of the Company's corporate governance, the Company has externally disclosed the Compensation Committee Charter as a part of the Company's corporate governance documents.

The guiding principles for Director Compensation will continue to evolve to develop compensation programs based on Directors' accountabilities and responsibilities, as well as to develop compensation programs that create shareholder value in alignment with Takeda-ism.

### 5-2. Recoupment Policy

The Compensation Committee and Board of Directors adopted a clawback policy in 2020 and amended that policy in 2023. The amended policy provides that, in the event of a restatement of financial results, Takeda will, in accordance with SEC and NYSE rules, recover from its executive officers any erroneously paid incentive compensation, which consists of incentive-based compensation for the applicable recovery period that would not have been granted absent the restatement (i.e., mandatory clawbacks). In addition, in the event of a restatement and/or significant misconduct, the independent External Directors may require Takeda to recoup additional incentive and other contingent compensation. This would include all or a portion of the incentive and other contingent compensation received by any Internal Director, any other member of the Takeda Executive Team (TET), and any other individual designated by the independent External Directors, within the fiscal year, and the three (3) prior fiscal years preceding the date of the Board of Directors' determination of the restatement or the date that independent External Directors determines that significant misconduct occurred, as applicable. The amended policy became effective on October 2, 2023 and, with respect to mandatory clawbacks in the event of a restatement, applies to incentive compensation beginning in Fiscal Year 2023.