



Consolidated Financial Results FY2015 Q2

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Takeda Pharmaceutical Company Limited

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Definitions of Disclosure Terms

- **"Underlying Growth"** compares two periods of financial results under a common basis, showing the real performance of the business.
- **"Underlying Growth"** excludes the impact of foreign exchange and exceptional items such as product divestments and acquisitions, impact of purchase accounting, amortization and impairment loss of intangible assets, restructuring costs and major litigation costs.
- Takeda's management guidance consists of **"Underlying Growth"** of revenue, Core Earnings and Core EPS.

The detailed definitions of Core Earnings and Core EPS are shown in the Appendix. Please note these terms are non-GAAP items, used for internal evaluation purposes and are not audited.

On the Road to Sustained Growth

Management Guidance to Be Achieved for the Two Consecutive Years of FY14 and FY15

- **Underlying Growth in FY15 H1;
+ 3.8% for revenue, +3.7% for Core Earnings, +7.9% for Core EPS**
- **Takeda's "Growth Drivers";
GI, Oncology and Emerging Markets - Growing at 10%**
- **Focus on Controlling Underlying Operating Expenses;
FY15 H2 OPEX to be lower than FY14 H2**
- **Project Summit remains on-track with full management
commitment to achieve communicated savings**
- **Improvement in operating free cash flow but more work remains
to be done**

Reported Income Statement

Takeda Pharmaceutical Company Limited

Reported Income Statement

	FY14 H1	FY15 H1	Change (billion JPY)	
Revenue	851.4	904.0	+52.7	+ 6.2%
Gross profit	604.4	646.6	+42.3	+ 7.0%
S&M	205.4	225.4	+20.0	+ 9.7%
G&A	77.7	88.1	+10.3	+ 13.3%
R&D	156.5	161.4	+4.9	+ 3.1%
Amortization and impairment losses on intangible assets associated with products	63.2	63.0	-0.3	- 0.4%
Other income	38.7	15.2	-23.5	- 60.7%
Other expenses	23.5	13.6	-9.9	- 42.2%
Operating profit	116.7	110.4	-6.2	- 5.4%
Profit before tax	113.1	102.0	-11.1	- 9.8%
Net profit	61.4	54.4	-7.1	- 11.5%
EPS	78 JPY	69 JPY	- 9 JPY	- 11.2%

Underlying Growth: Revenue

Takeda Pharmaceutical Company Limited

Underlying Revenue Growth Supports Full Year Guidance

	FY14 H1	FY15 H1	H1 Growth	Q1 Growth	Q2 Growth
Revenue	851.4	904.0	+ 6.2%	+ 8.5%	+ 4.0%
Fx effects*	37.5	8.1			
Divestments / Acquisitions	-10.8	-1.3			
Underlying Revenue	878.0	910.9	+ 3.8%	+ 6.1%	+ 1.6%

(billion JPY)

*Adjustment applying a constant currency at 1USD=120JPY, 1EUR=130JPY and etc.

Growth Drivers Account for Half of Takeda's Sales; Growing at 10%

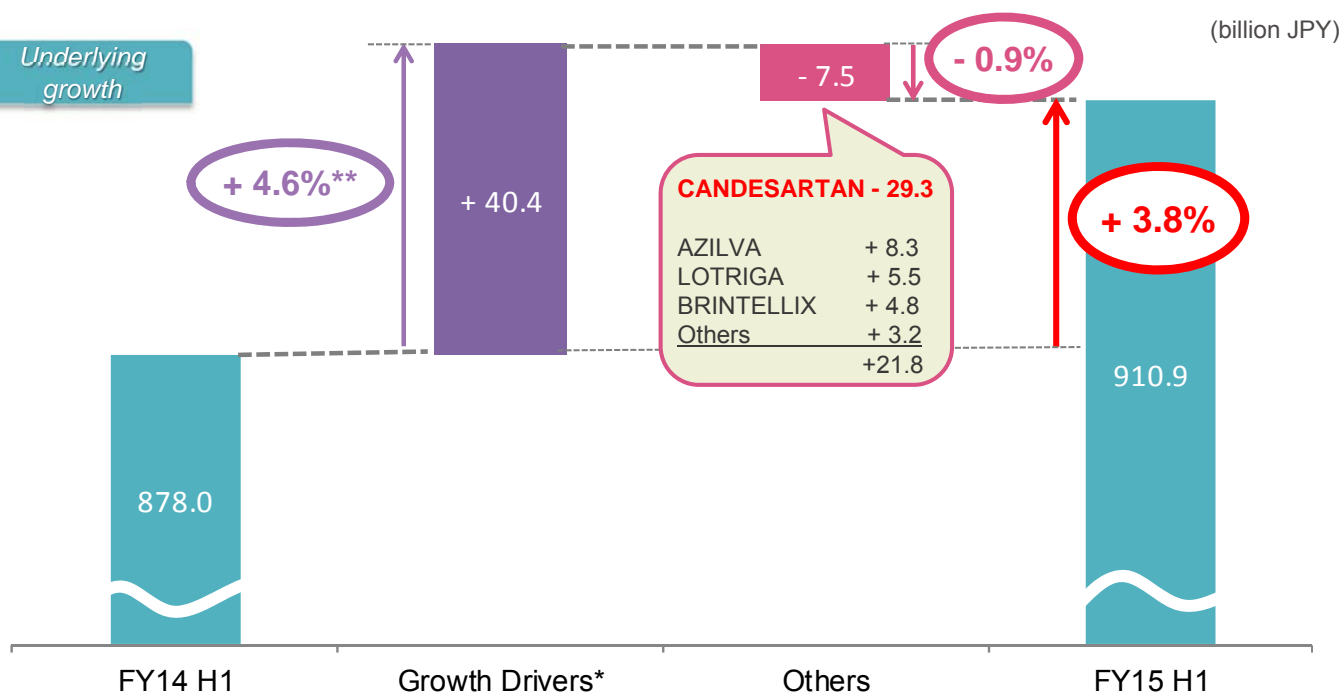
Underlying growth

	FY14 (billion JPY) (vs FY13)		FY15 H1 (vs FY14 H1)	
GI*	240.9	+10.4%	+28.7%	
Oncology	333.8	+4.0%	+1.6%	+10.0% Growth Drivers Total**
Emerging Markets*	316.3	+8.1%	+7.1%	
				49% Growth Drivers Total** Takeda Total

* Pantoprazole is included in Emerging Markets, but not in GI (Gastrointestinal), as it is a key driver in EM
 ** Total GI/Oncology/EM, eliminated duplications (e.g. ADCETRIS in EM and in Oncology)

Growth Drivers Outpace LOE Decline

Underlying growth



* GI / Oncology / EM: See Appendix for products list in GI and Oncology.

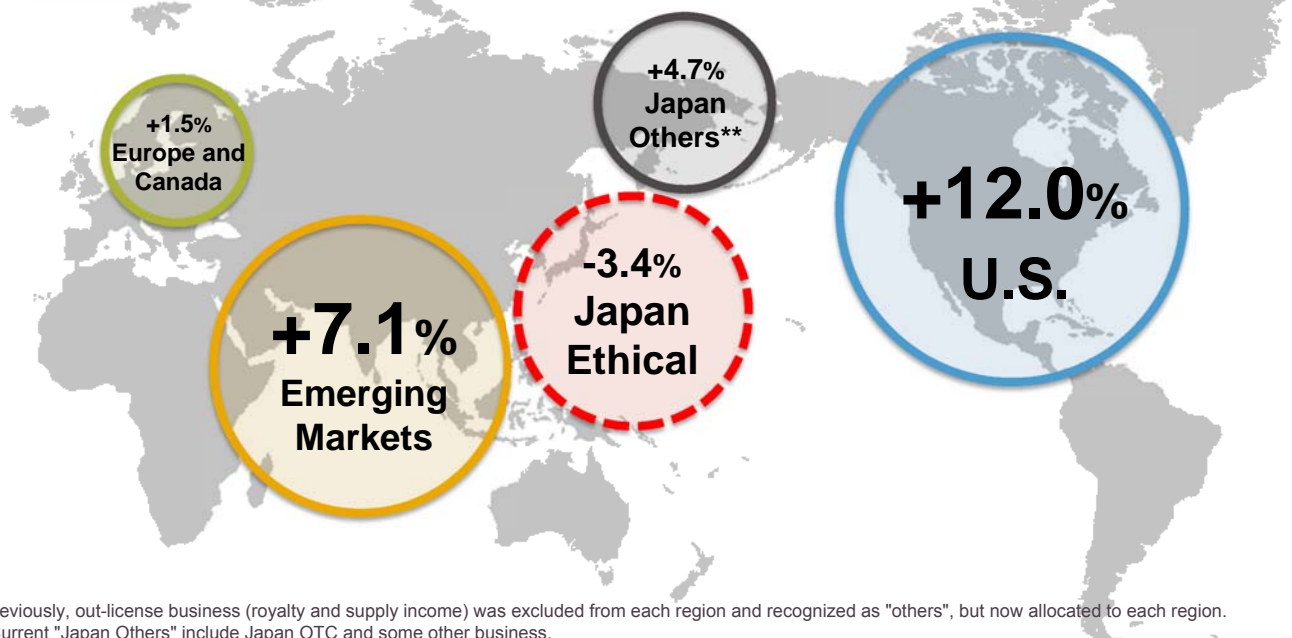
** Growth (+4.6%) from the FY14 H1 total revenue (878.0 billion JPY) and grown (+10%) from the FY14 H1 Gross Drivers revenue (404.5 billion JPY).

U.S. and Emerging Markets Drive Sales Growth

Underlying growth

FY15 H1 Regional Revenue* vs. FY14 H1

Strong growth driven by the U.S. and Emerging Markets

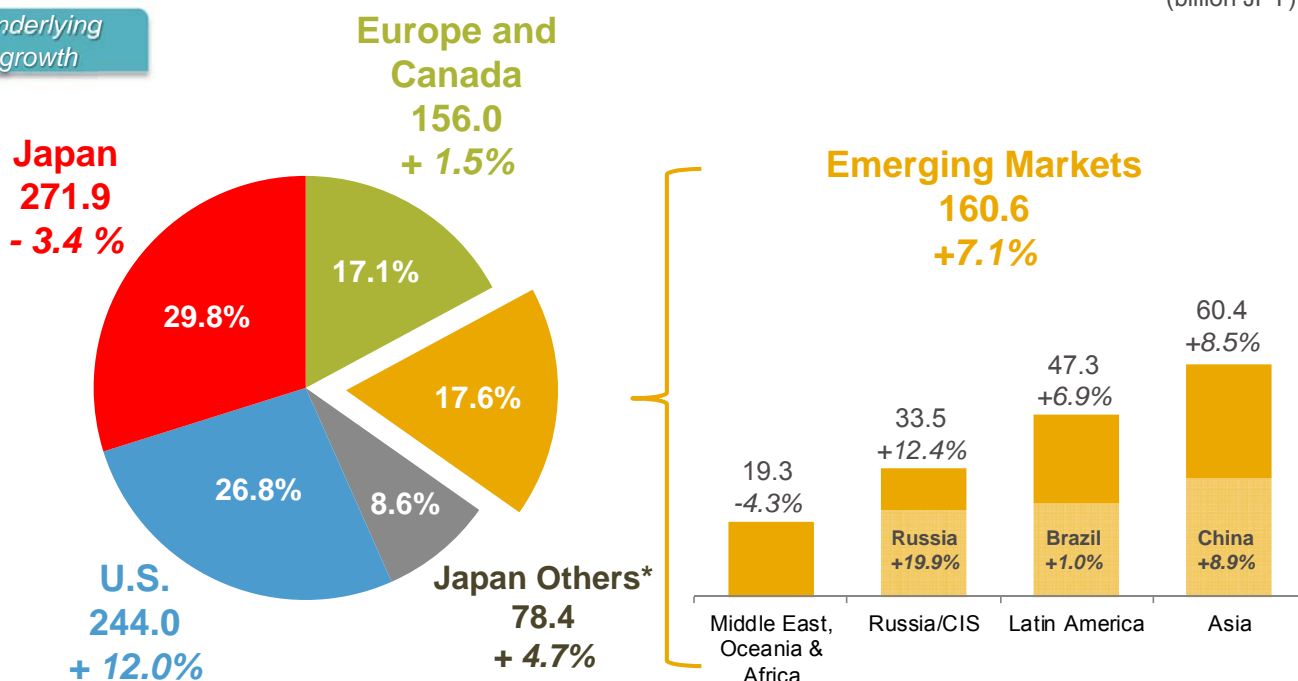


* Previously, out-license business (royalty and supply income) was excluded from each region and recognized as "others", but now allocated to each region.
 ** Current "Japan Others" include Japan OTC and some other business.

Emerging Markets H1 Underlying Growth is Robust

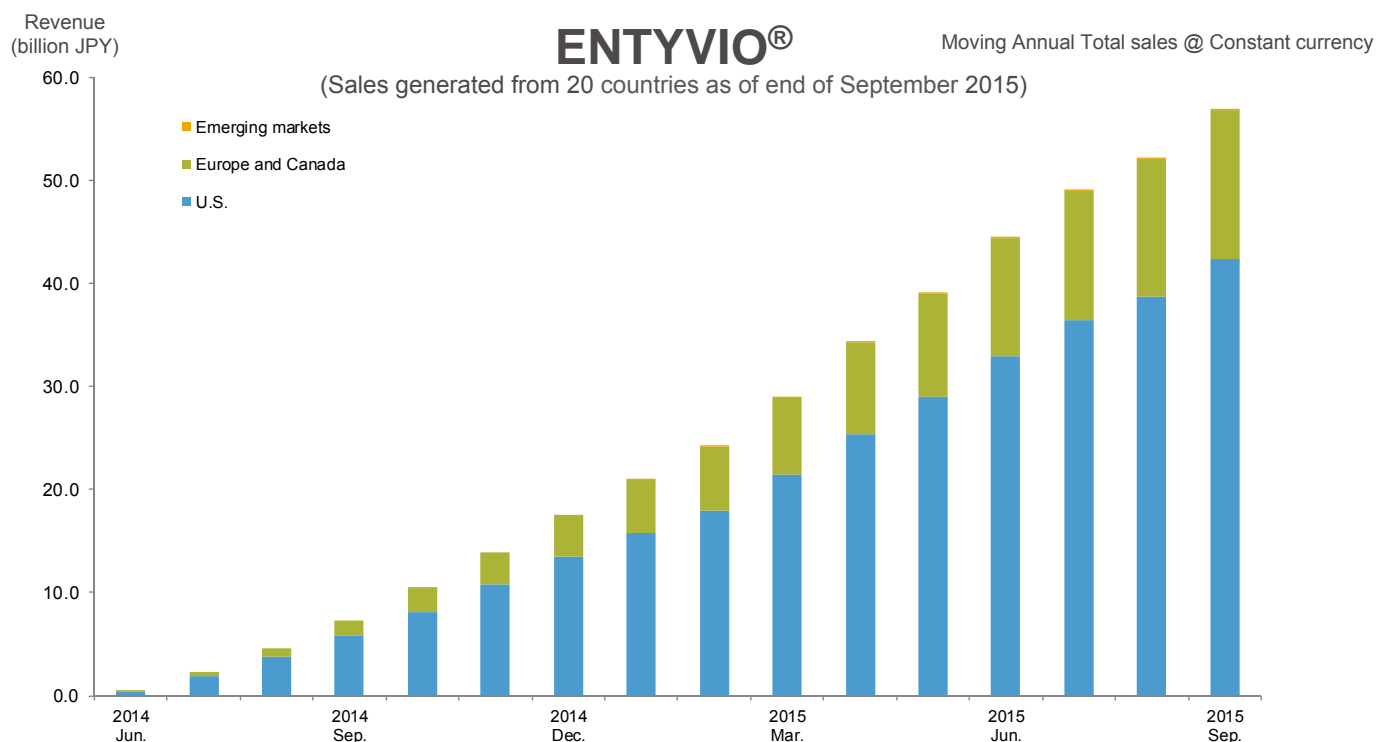
Underlying growth

(billion JPY)

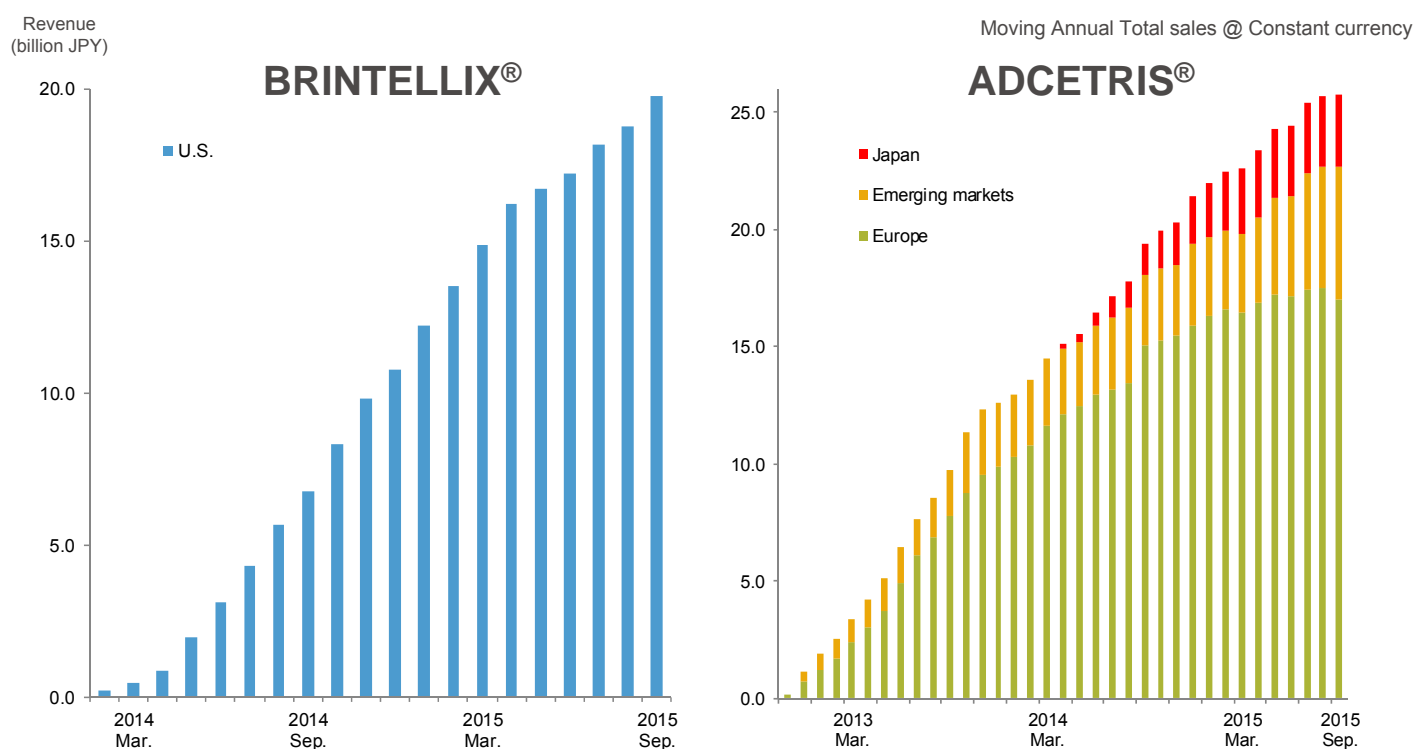


* including Japan OTC and some other business

Growth from GI: ENTYVIO® Uptake Supports Target of Over \$2 bln Peak Sales



Steady Growth of BRINTELLIX® and ADCETRIS®



Underlying Growth: Core Earnings

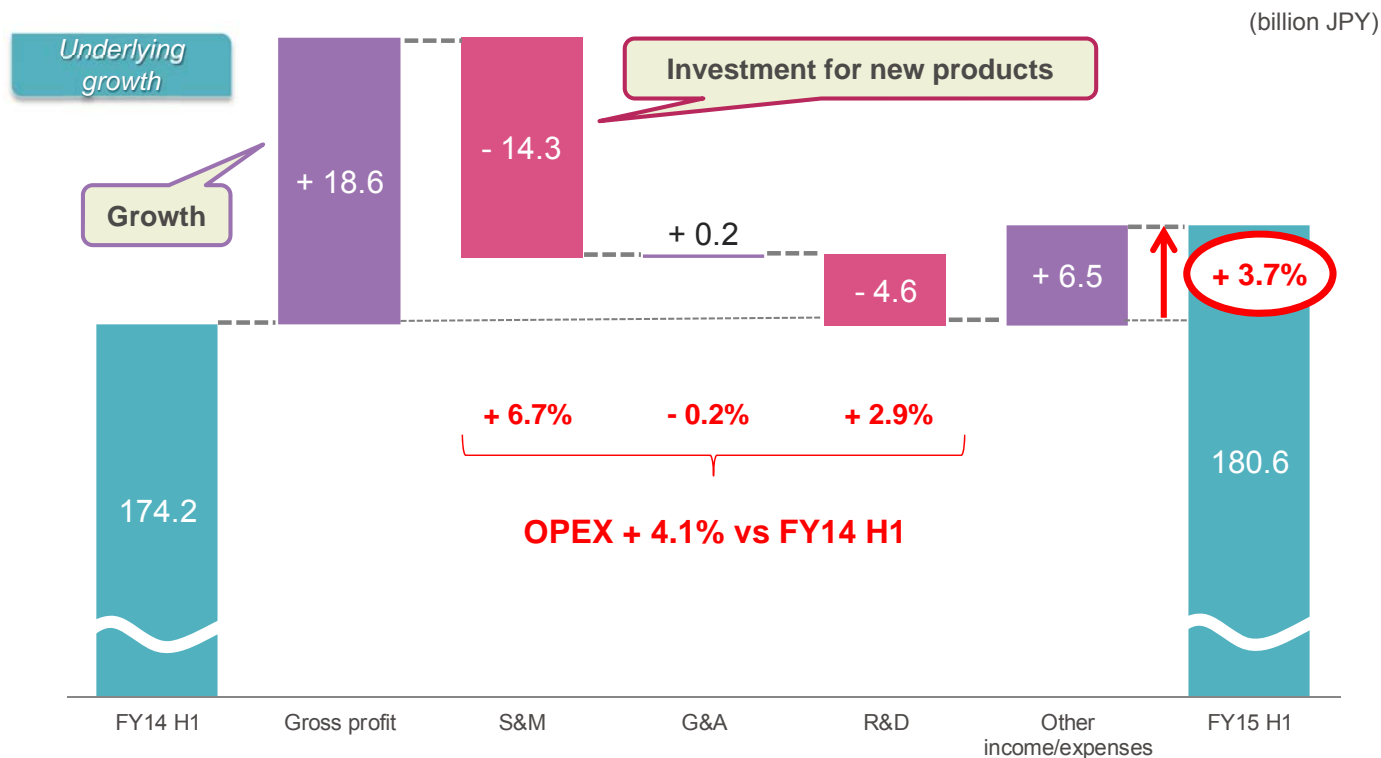
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Underlying Core P&L Shows Positive Trend

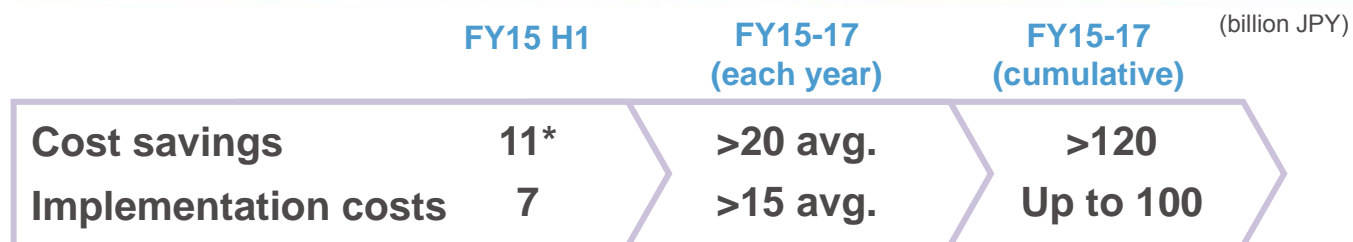
(billion JPY)

	FY14 H1	FY15 H1	Change	
Underlying Revenue	878.0	910.9	+32.9	+ 3.8%
Underlying Gross profit	633.2	651.8	+18.6	+ 2.9%
S&M	213.6	227.9	+14.3	+ 6.7%
G&A	88.4	88.2	-0.2	- 0.2%
R&D	155.1	159.7	+4.6	+ 2.9%
Other income	12.0	9.1	-2.9	- 24.2%
Other expenses	13.9	4.5	-9.4	- 67.7%
Underlying Core Earnings	174.2	180.6	+6.4	+ 3.7%
Underlying Core net profit	106.6	115.0	+8.5	+ 7.9%
Underlying Core EPS	136 JPY	146 JPY	+11 JPY	

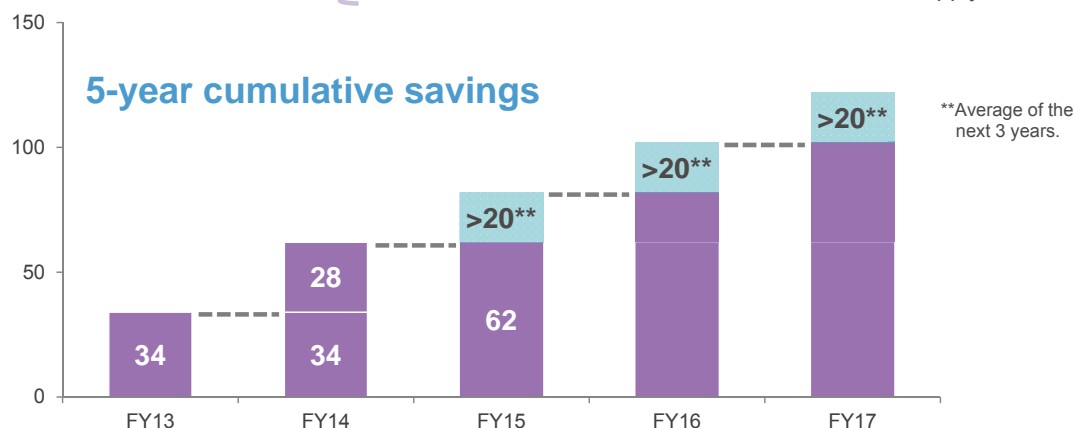
Underlying Core Earnings Growth Supports Full Year Guidance



Fully Committed to Project Summit Target



- * FY15 H1 Savings Breakdown
- 58% Procurement and 42% Non-Procurement
 - 40% Commercial, 32% R&D, 15% Production & Supply, and 13% G&A

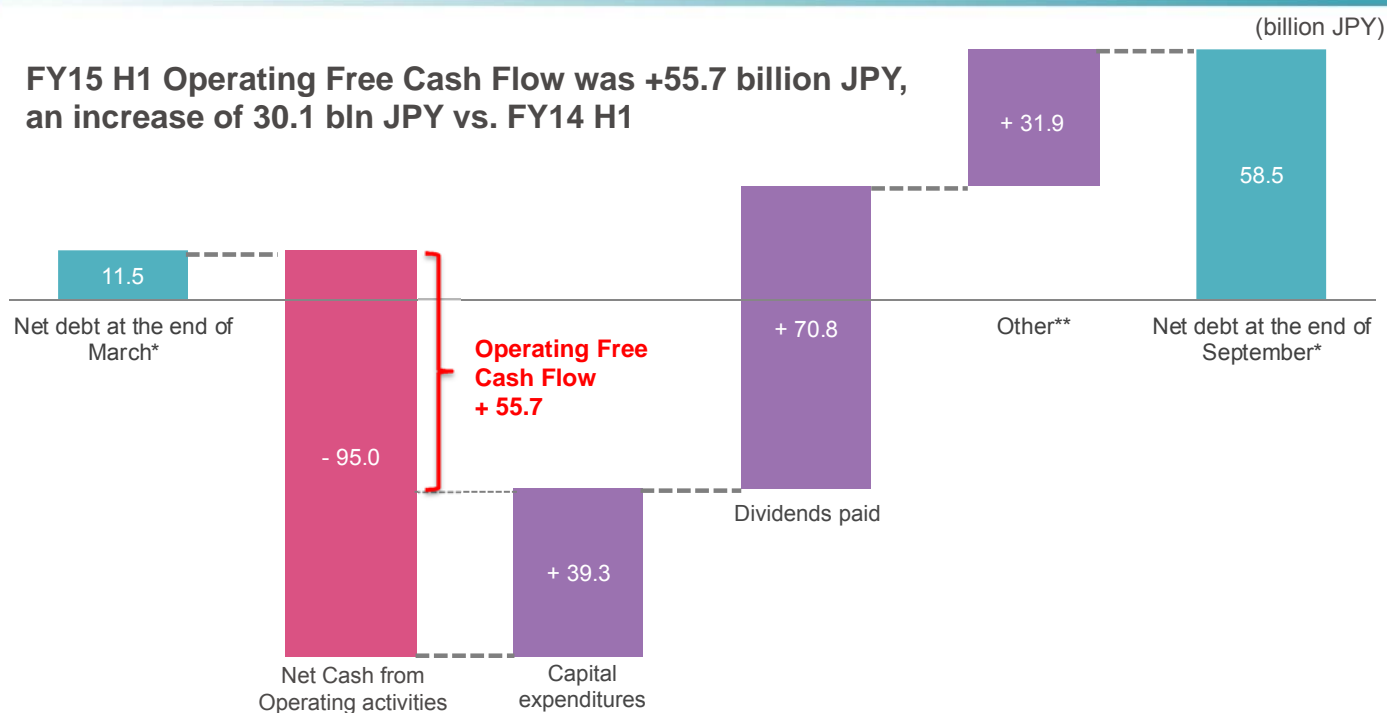


Cash Flow and Debt

Takeda Pharmaceutical Company Limited

Operating Free Cash Flow Well Ahead of Previous Year but Still Needs Improvement

FY15 H1 Operating Free Cash Flow was +55.7 billion JPY, an increase of 30.1 bln JPY vs. FY14 H1

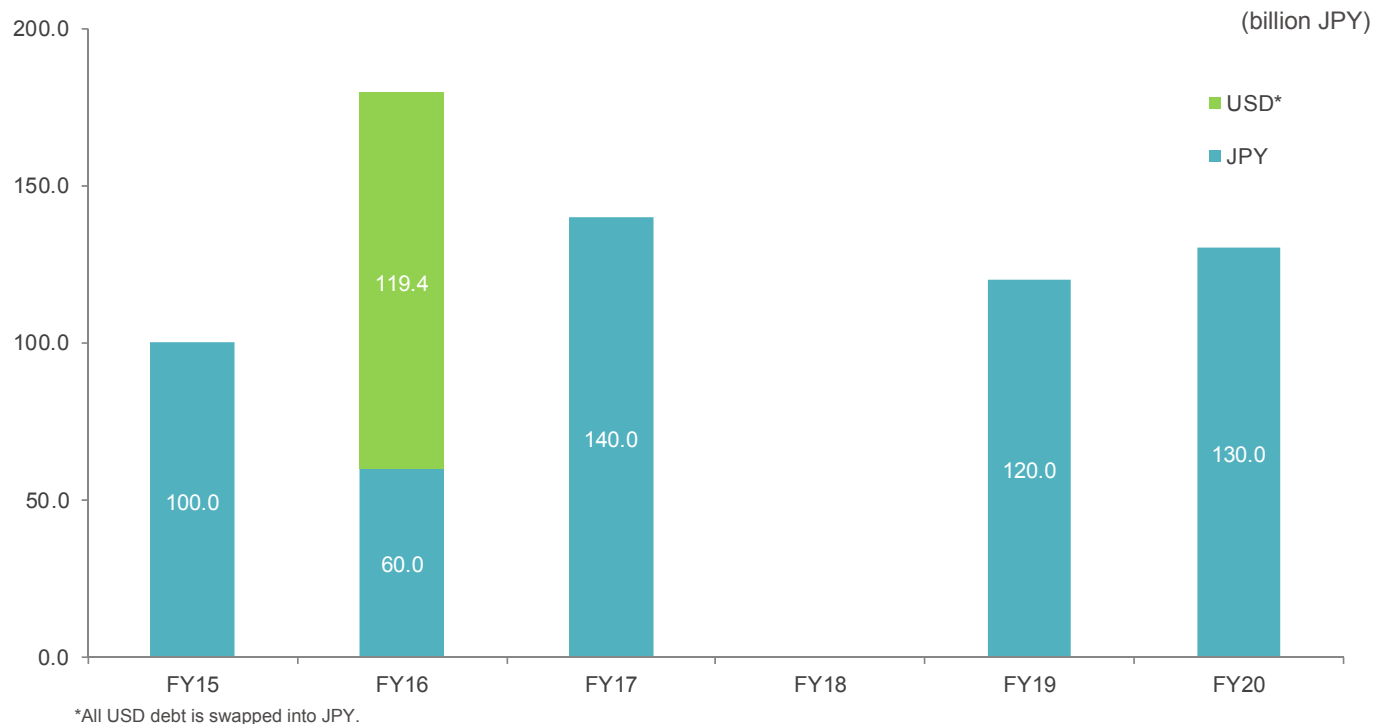


* Debt figures in this slide represent bonds and loans FX rate hedged basis.

Cash and cash equivalents include short-term investments which mature or become due within one year from the reporting date.

** Other includes purchase of treasury shares for ESOP and BIP, acquisitions and others.

Debt Maturity Profile



Reported Forecast and Management Guidance

FY2015 Annual Reported Forecast Retained

(billion yen)	FY2015 Forecast*
Revenue	1,820.0
R&D expenses	330.0
Operating profit	105.0
Profit before tax	115.0
Net profit for the year	68.0
EPS	87 yen

<i>Exchange Rate</i>	<i>Yen per USD</i>	120
	<i>Yen per EUR</i>	135

*Our operations are exposed to various risks at present and in the future, such as changes in the business environment and fluctuation of foreign exchange rates. All guidance in this presentation are based on information currently available to the management, and various factors could cause actual results to differ.

Committed to FY2015 Annual Management Guidance

Underlying Revenue	Low single digit
Underlying Core Earnings	Higher than underlying revenue growth
Underlying Core EPS	Higher than underlying core earnings growth
Annual Dividend per Share	180 yen

On the Road to Sustained Growth

Management Guidance to Be Achieved for the Two Consecutive Years of FY14 and FY15

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- Takeda's "Growth Drivers";
GI, Oncology and Emerging Markets - Growing at 10%
- Focus on Controlling Underlying Operating Expenses;
FY15 H2 OPEX to be lower than FY14 H2
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Appendix

Definition of Core Earnings and Core EPS

Core Earnings

- Core Earnings is calculated from operating profit by excluding the impact of exceptional items, such as purchase accounting, amortization and impairment loss of intangible assets, restructuring costs and major litigation costs.
- Adjustment items are detailed on the next slide.

Core EPS

- Core EPS is earnings per share based on Core Net Profit that is calculated by excluding the impact of exceptional items that have the similar factors listed above and tax effects on them from Net profit for the period.

Adjustment Items of Core Earnings

Adjustment items from Operating profit	Note
1 Amortization of intangibles recognized through acquisition and in-licensing	Amortization costs of <ul style="list-style-type: none"> • Intangibles of launched product derived from corporate acquisition • Intangibles of upfront payments and any milestone payment (e.g. stage-up, NDA, approval) derived from in-licensing contract • Intangibles of platform technology
2 Impairments of intangibles recognized through acquisition and in-licensing	Impairments of <ul style="list-style-type: none"> • Intangibles (launched products and R&D pipeline) derived from corporate acquisition and in-licensing contract • Goodwill
3 Other purchase accounting effects	<ul style="list-style-type: none"> • Inventory step-up amortization • Fair value adjustment of contingent consideration
4 Profits and losses from the disposal of affiliates, business and others	<ul style="list-style-type: none"> • Disposal of businesses, affiliates, real estate and securities* * Adjustment item of Core net profit
5 Costs of major restructuring programs	<ul style="list-style-type: none"> • Integration costs • Implementation costs
6 Gains and charges from legal settlements/judgments/fines and large sized litigation expense (payment to lawyer)	<ul style="list-style-type: none"> • e.g. Actos settlement provision, litigation expense (payment to lawyer), etc.
7 Gains and losses not related to underlying business performance which the company deems exceptional	<ul style="list-style-type: none"> • Global issues outside the healthcare sector beyond the Group's control (ex. disaster, etc.) • Expense caused by product recall • Government grants • Tax refund/ dispute, etc.

Reported Income Statement - vs. FY14 Q2

(billion JPY)

	FY14 Q2	FY15 Q2	Change	
Revenue	440.2	457.8	+17.6	+ 4.0%
Gross profit	311.3	321.5	+10.2	+ 3.3%
S&M	105.8	110.0	+4.2	+ 4.0%
G&A	40.7	41.8	+1.0	+ 2.5%
R&D	81.4	80.4	-1.0	- 1.2%
Amortization and impairment losses on intangible assets associated with products	32.5	29.6	-2.9	- 8.9%
Other income	14.6	7.8	-6.8	- 46.5%
Other expenses	12.4	6.6	-5.8	- 46.9%
Operating profit	53.0	60.9	+7.9	+ 14.9%
Profit before tax	53.1	53.3	+0.2	+ 0.3%
Net profit	28.0	29.8	+1.8	+ 6.3%
EPS	36 JPY	38 JPY	+2 JPY	+ 6.6%

Underlying Core Income Statement - vs. FY14 Q2

(billion JPY)

	FY14 Q2	FY15 Q2	Change	
Underlying Revenue	453.8	461.0	+7.2	+ 1.6%
Underlying Gross profit	324.8	324.5	-0.3	- 0.1%
S&M	110.2	111.1	+0.9	+ 0.8%
G&A	44.9	42.1	-2.7	- 6.1%
R&D	79.5	79.0	-0.5	- 0.6%
Other income	3.8	2.5	-1.3	- 35.1%
Other expenses	8.0	2.1	-5.9	- 73.3%
Underlying Core Earnings	86.1	92.7	+6.6	+ 7.6%
Underlying Core net profit	48.6	57.1	+8.5	+ 17.4%
Underlying Core EPS	62 JPY	73 JPY	+11 JPY	+ 17.4%

Growth Drivers in GI and Oncology

Growth Drivers in GI*

Brand/Generic Name	Launch**	Drug Class	Main Indications
1 LANSOPRAZOLE	1992/12	Proton pump inhibitor	Peptic ulcers
2 AMITIZA	2006/4	Chloride channel activator	Chronic idiopathic constipation
3 DEXILANT	2009/2	Proton pump inhibitor	Acid-related diseases
4 ENTYVIO	2014/6	Humanized monoclonal antibody against $\alpha 4\beta 7$ integrin	Ulcerative colitis, Crohn's disease
5 TAKECAB	2015/2	Potassium-competitive acid blocker	Acid-related diseases

Growth Drivers in Oncology

Brand/Generic Name	Launch**	Drug Class	Main Indications
1 LEUPRORELIN	1985/5	LH-RH agonist	Prostate cancer
2 VELCADE	2008/5	Proteasome inhibitor	Multiple myeloma
3 VECTIBIX	2010/6	Anti-EGFR human monoclonal antibody	Advanced or recurrent colorectal cancer
4 ADCETRIS	2012/11	CD30 monoclonal antibody-drug conjugate	Relapsed or refractory Hodgkin lymphoma

* Pantoprazole is included in Emerging Markets, but not in GI (Gastrointestinal), as it is a key driver in EM
 ** Year and month of the first launch by Takeda in any region.

Growth Drivers in GI and Oncology Underlying Revenue Growth

(billion JPY)

<i>Underlying growth</i>	FY14 H1	FY15 H1	Underlying growth	
ENTYVIO	7.3	35.5	+28.1	-
DEXILANT	31.7	35.4	+3.6	+11.5%
AMITIZA	16.3	18.9	+2.5	+15.4%
TAKECAB	-	2.0	+2.0	-
LANSOPRAZOLE	52.5	47.2	-5.3	-10.0%
GI	107.9	138.9	+31.0	+28.7%
ADCETRIS	11.8	14.8	+2.9	+24.7%
VECTIBIX	9.2	9.5	+0.3	+2.7%
LEUPRORELIN	61.8	62.0	+0.2	+0.4%
VELCADE	85.1	84.4	-0.8	-0.9%
Oncology	168.0	170.6	+2.6	+1.6%

Underlying Core Earnings Growth at 3.7%

	FY14 H1	FY15 H1	H1 Growth	Q1 Growth	Q2 Growth
Operating profit	116.7	110.4	- 5.4%	- 22.2%	+ 14.9%
Purchase accounting effects	63.5	60.1			
Disposal of affiliates, business and others	-25.2	-0.3			
Restructuring costs	13.9	6.8			
Other exceptional gains and losses	1.0	0.4			
Core Earnings	169.9	177.5	+ 4.5%	+ 2.5%	+ 6.4%
Fx effects*	-0.4	3.3			
Divestments / Acquisition	4.7	-0.2			
Underlying Core Earnings	174.2	180.6	+ 3.7%	- 0.1%	+ 7.6%

*Adjustment applying a constant currency at 1USD=120JPY, 1EUR=130JPY and etc.

Bridge from Net Profit to Underlying Core Net Profit

	FY14 H1	FY15 H1	Growth
Net profit	61.4	54.4	- 11.5%
EPS	78 JPY	69 JPY	- 11.2%
Purchase accounting effects	50.4	42.8	
Disposal of affiliates, business and others	-18.1	-0.1	
Restructuring costs	10.1	5.1	
Other exceptional gains and losses	1.2	3.8	
Core net profit	105.1	106.0	+ 0.8%
Core EPS	134 JPY	135 JPY	+ 1.2%
Fx effects*	-5.6	9.2	
Divestments / Acquisition	7.1	-0.1	
Underlying Core net profit	106.6	115.0	+ 7.9%
Underlying Core EPS	136 JPY	146 JPY	

(billion JPY)

*Adjustment applying a constant currency at 1USD=120JPY, 1EUR=130JPY and etc.

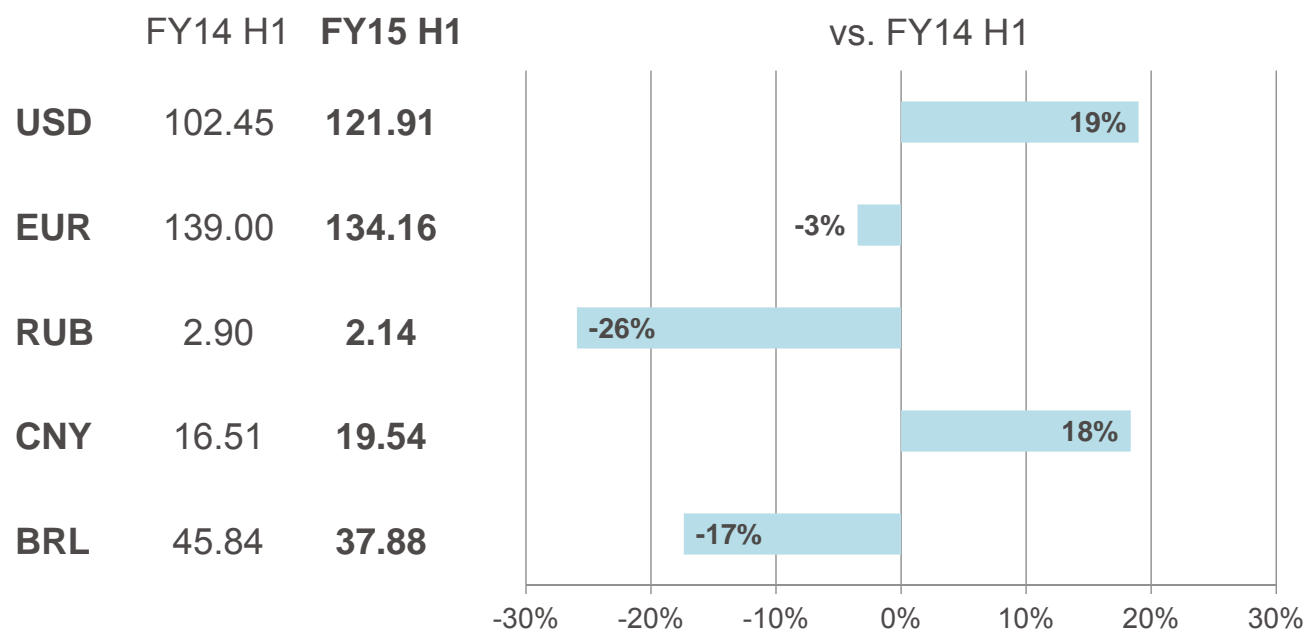
Cash Flow

	FY14 H1	FY15 H1	Change (billion JPY)
Net profit	63.2	56.0	-7.2
Depreciation, amortization and impairment loss	97.7	95.0	
Decrease (increase) in trade working capital	-74.1	-58.3	
Income taxes paid	-20.7	-13.9	
Other	18.6	16.1	
Net cash from operating activities	84.7	95.0	+10.3
Acquisition of tangible assets	-26.7	-23.8	
Acquisition of intangible assets	-32.4	-15.5	
(Operating Free Cash Flow)	(+25.5)	(+55.7)	(+30.1)
Proceeds from sales of tangible assets	25.2	0.3	
Proceeds from sales/redemption of investment and time deposit	57.6	3.0	
Other	1.9	-4.9	
Net cash from (used in) investing activities	25.5	-40.9	-66.4
Payment for acquisition of treasury stock	-17.6	-22.3	
Dividends paid	-71.0	-70.8	
Other	-17.6	-5.2	
Net cash used in financing activities	-106.1	-98.3	+7.8
Net increase (decrease) in cash and cash equivalents*	4.0	-44.2	-48.2

* Net decrease in cash and cash equivalents does not include effect of movements in exchange rates on cash and cash equivalents.

Average Exchange Rates for FY15 H1

Average Exchange Rates (JPY)*



*Average of preceding month-end spot rates for each month of the period

Monthly Exchange Rates and Outlook

Actual*

(JPY)

	FY14		FY15	
	USD	EUR	USD	EUR
Apr	103	141	120	130
May	102	141	119	130
Jun	102	138	124	136
Jul	101	138	123	138
Aug	103	138	124	136
Sep	104	137	122	136
average Apr-Sep	102	139	122	134

*Preceding month-end spot rates applied to each month of the period

Outlook

(JPY)

	FY15	
	USD	EUR
average Oct - Mar	119	136
average Apr-Mar	120	135

Impact of 1% Depreciation of Yen

Impact of 1% depreciation of yen for Oct-Mar

(hundred million JPY)

	FY15				
	USD	EUR	RUB	CNY	BRL
Revenue	28	10	2	4	2
Operating profit	0	-1	1	1	0
Core Earnings	4	2	2	1	0



Takeda Pharmaceutical Company Limited