



Strategic Roadmap Update and FY2015 Q1 Consolidated Financial Results

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Takeda Pharmaceutical Company Limited

Important notice



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Underlying Growth

- ***"Underlying Growth"*** compares two years (or quarters) 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, 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.

Strategic Roadmap Update & FY2015 Q1 Key Highlights

Strategic roadmap update



VALUE	<ul style="list-style-type: none">• Takeda-ism <i>Patient → Trust → Reputation → Business</i>
PEOPLE	<ul style="list-style-type: none">• Patient and customer centricity• Global and agile organization fostering talent
R&D	<ul style="list-style-type: none">• Focused world class R&D innovation engine
BUSINESS PERFORMANCE	<ul style="list-style-type: none">• Sustaining sales growth <i>Innovation with leadership in GI & Oncology</i> <i>Leverage value brands in Emerging Markets</i>• Financial discipline to deliver growth

Promotional material review enhancement in Japan

Global talent development program

Ixazomib

Entyvio, Velcade

Annual guidance confirmed

FY2015 Q1 Key Financial Highlights, Annual guidance confirmed



Revenue: 446.3 bln JPY +8.5%

Underlying Revenue: +6.1%

✓ Strong growth driven by new innovative products and Value Brands

Operating profit: 49.6 bln JPY -22.2%

Flat Underlying Core Earnings: -0.1%

- ✓ Higher commercial and R&D investments in Q1
- ✓ Q1 OPEX does not reflect trend for full year
- ✓ Project Summit on track

EPS: 31 JPY -26.1%

Flat Underlying Core EPS: +0.0%

Reported Income Statement

Reported income statement

			(billion JPY)
	FY14 Q1	FY15 Q1	Change
Revenue	411.1	446.3	+35.1
Gross profit	293.1	325.2	+32.1
S&M	99.6	115.4	+15.8
G&A	37.0	46.3	+9.3
R&D	75.2	81.0	+5.8
Amortization and impairment losses on intangible assets associated with products	30.8	33.4	+2.6
Other income	24.1	7.4	-16.7
Other expenses	11.1	7.0	-4.1
Operating profit	63.7	49.6	-14.1
Profit before tax	60.0	48.7	-11.3
Net profit	33.4	24.6	-8.8
EPS	42 JPY	31 JPY	- 11 JPY

Underlying Growth: Revenue

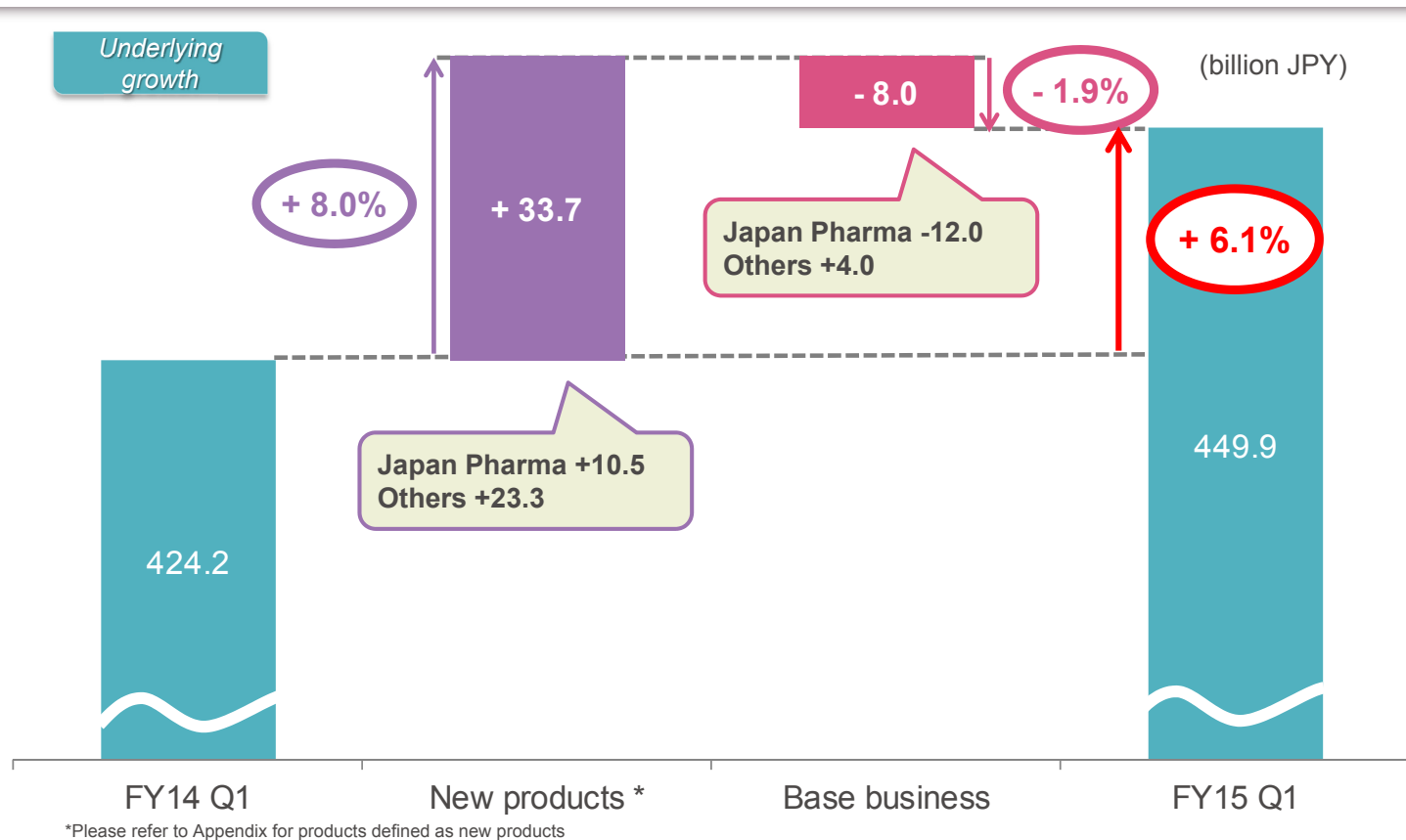
Bridge from reported revenue to underlying revenue

(billion JPY)

	FY14 Q1	FY15 Q1	Growth
Revenue	411.1	446.3	+ 8.5%
Fx effects*	18.4	4.0	
Divestments / Acquisition	-5.3	-0.3	
Underlying Revenue	424.2	449.9	+ 6.1%

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

Underlying revenue growth of +6.1% driven by new products



New products drive momentum



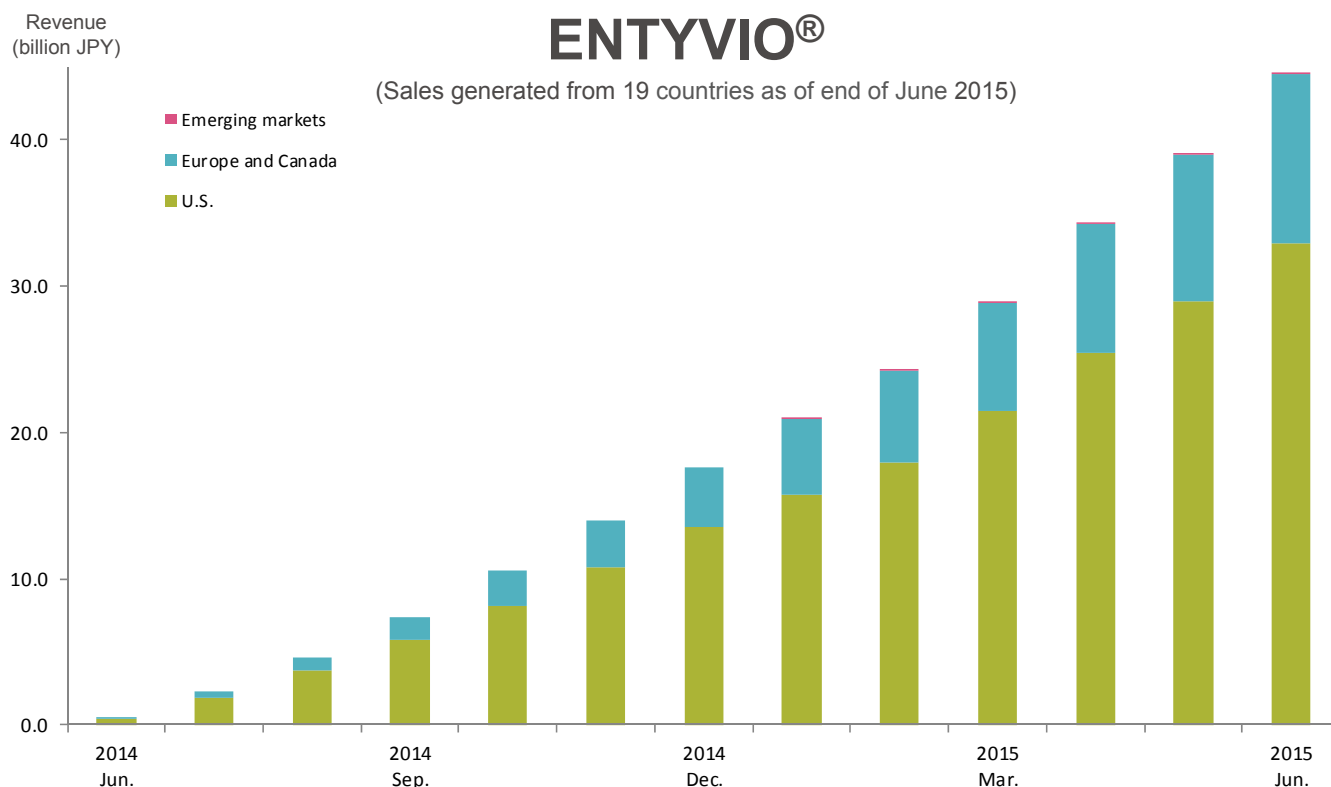
Underlying growth (billion JPY)

	FY14 Q1	FY15 Q1	Underlying growth
ENTYVIO	0.5	16.1	+15.5
COLCRYS	16.8	11.1	-5.8
AZILVA	9.7	14.1	+4.4
DEXILANT	14.8	18.8	+4.0
LOTRIGA	1.9	5.0	+3.1
BRINTELLIX	2.7	5.0	+2.3
Others	31.1	41.2	+10.1
Total of New products	77.5	111.2	+33.7
CANDESARTAN	37.0	22.6	-14.4
PANTOPRAZOLE	27.3	24.7	-2.6
AMITIZA	7.7	9.3	+1.6
LEUPRORELIN	29.8	30.8	+1.0
VELCADE	41.0	41.8	+0.8
Others	203.9	209.3	+5.4
Total of Base business	346.7	338.7	-8.0

ENTYVIO® growth supports the target of more than 2 bln USD peak sales



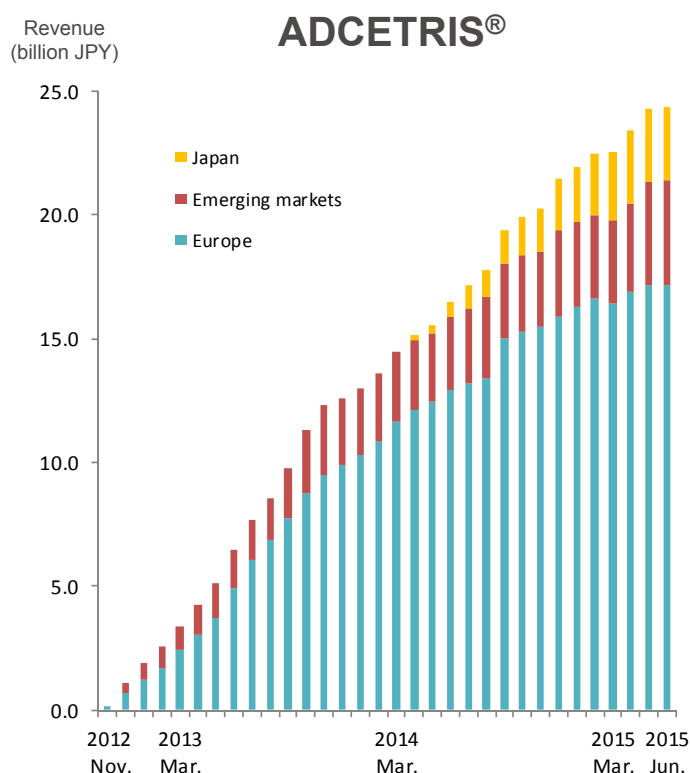
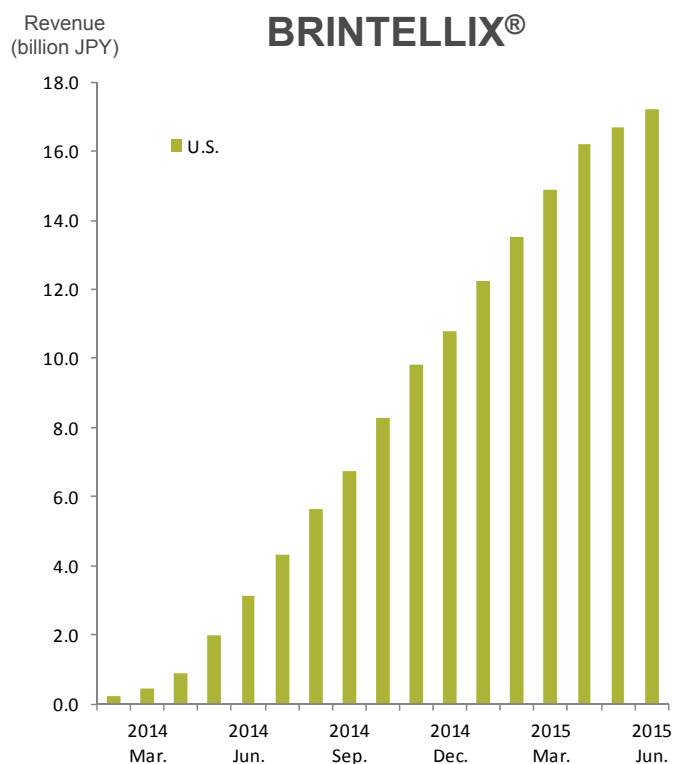
Moving Annual Total sales @ Constant currency



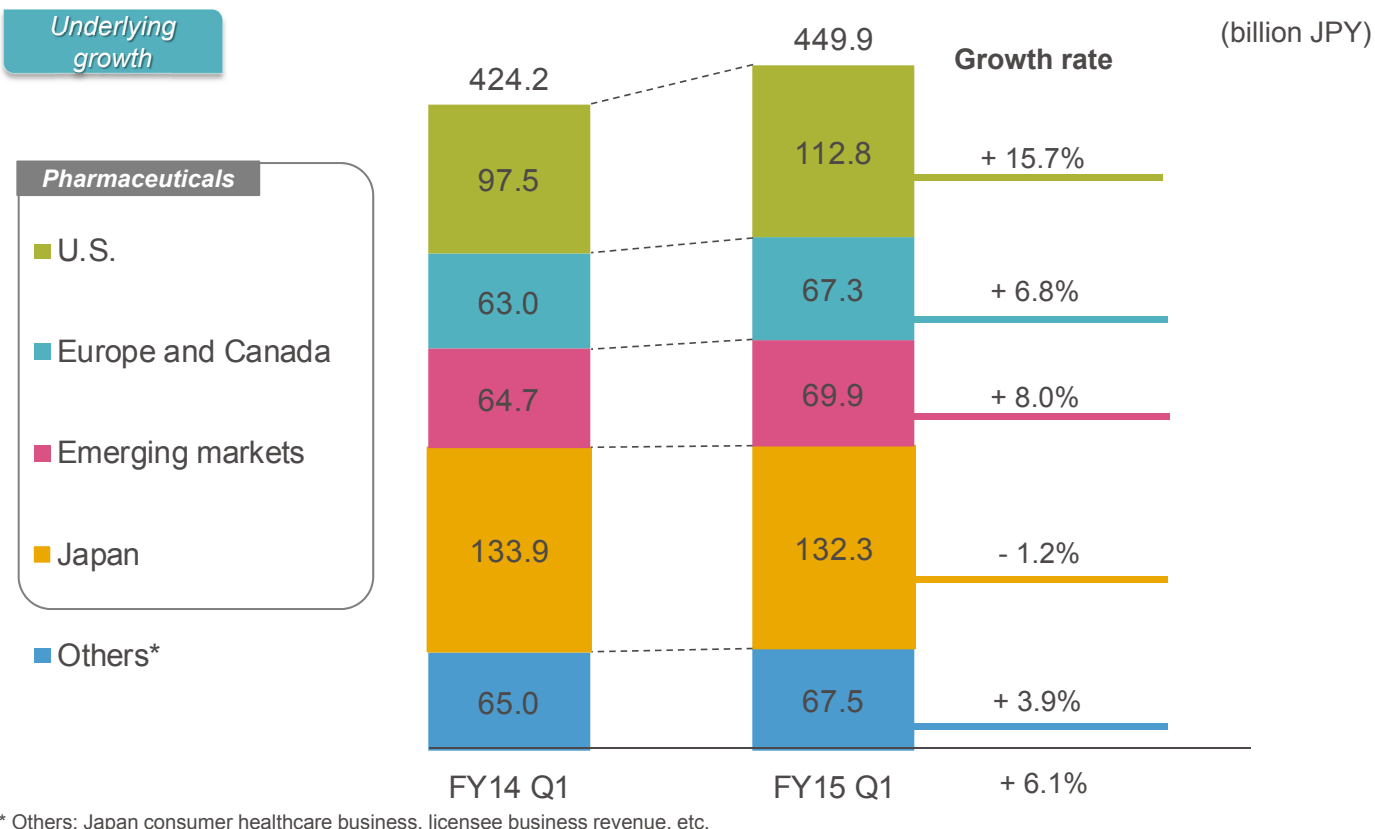
Steady growth of BRINTELLIX® and ADCETRIS®



Moving Annual Total sales @ Constant currency



Steady sales growth in the U.S., EU, and Emerging Markets



Underlying Growth: Core Earnings and Core EPS

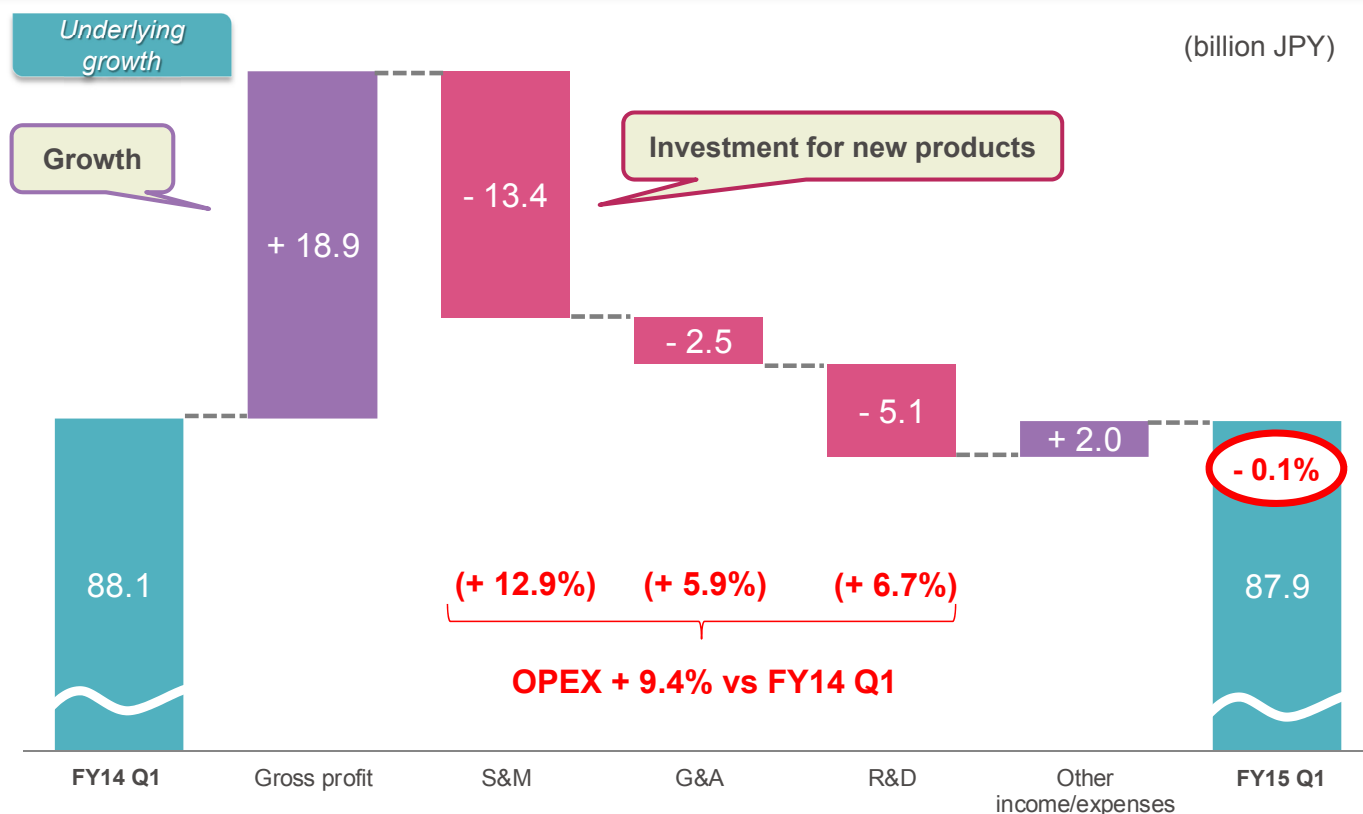
Bridge from Operating profit to Underlying Core Earnings



	FY14 Q1	FY15 Q1	(billion JPY) Growth
Operating profit	63.7	49.6	- 22.2%
Amortization of intangibles	30.9	29.5	
Impairments of intangibles	-	4.3	
Other purchase accounting effects	0.4	0.2	
Disposal of affiliates, business and others	-15.3	-0.1	
Restructuring costs	4.0	2.9	
Legal settlements/judgments/fines and large sized litigation expense	1.9	1.2	
Other exceptional gains and losses	-0.7	-0.7	
Core Earnings	84.8	86.9	+ 2.5%
Fx effects*	3.8	1.3	
Divestments / Acquisition	-0.5	-0.2	Underlying Growth
Underlying Core Earnings	88.1	87.9	- 0.1%

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

Flat Underlying Core Earnings Q1 OPEX does not reflect trend for full year



Bridge from Net profit to Underlying Core net profit



	FY14 Q1	FY15 Q1	(billion JPY) Growth
Net profit	33.4	24.6	- 26.4%
EPS	42 JPY	31 JPY	- 26.1%
Amortization of intangibles	20.8	19.5	
Impairments of intangibles	-	3.1	
Other purchase accounting effects	4.2	0.7	
Disposal of affiliates, business and others	-9.6	0.0	
Restructuring costs	2.9	2.1	
Legal settlements/judgments/fines and large sized litigation expense	1.2	0.8	
Tax impact related to Actos	-	2.7	
Other exceptional gains and losses	-0.5	-0.5	
Core net profit	52.5	53.0	+ 1.0%
Core EPS	67 JPY	67 JPY	+ 1.3%
Fx effects*	1.4	0.9	
Divestments / Acquisition	-0.3	-0.2	
Tax one-off items	4.4	4.3	Underlying Growth
Underlying Core net profit	58.0	58.0	+ 0.0%
Underlying Core EPS	74 JPY	74 JPY	

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



Cash Flow and Cash Position

Continuous improvement in working capital to increase cash flow



(billion JPY)

	FY14 Q1	FY15 Q1	Change
Net profit	34.3	25.4	- 8.9
Depreciation, amortization and impairment loss	47.7	49.0	
Decrease (increase) in trade working capital	-50.0	-19.5	
Income taxes paid	-15.1	-12.1	
Other	-4.9	-24.1	
Net cash from operating activities	12.0	18.6	+6.6
Capital expenditures	-10.8	-10.0	
Acquisition of intangible assets	-29.2	-5.6	
Operating Free Cash Flow	-28.0	3.0	+31.0
Proceeds from sales of tangible assets	14.3	0.0	
Proceeds from sales/redemption of investment and time deposit	53.9	-	
Other	1.3	-4.8	
Net cash from (used in) investing activities	29.5	-20.4	- 49.9
Payment for acquisition of treasury stock	-16.0	-22.3	
Dividends paid	-61.0	-62.5	
Other	-2.3	-1.8	
Net cash used in financing activities	-79.3	-86.6	- 7.3
Net decrease in cash and cash equivalents*	-37.7	-88.3	- 50.6

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

Cash position



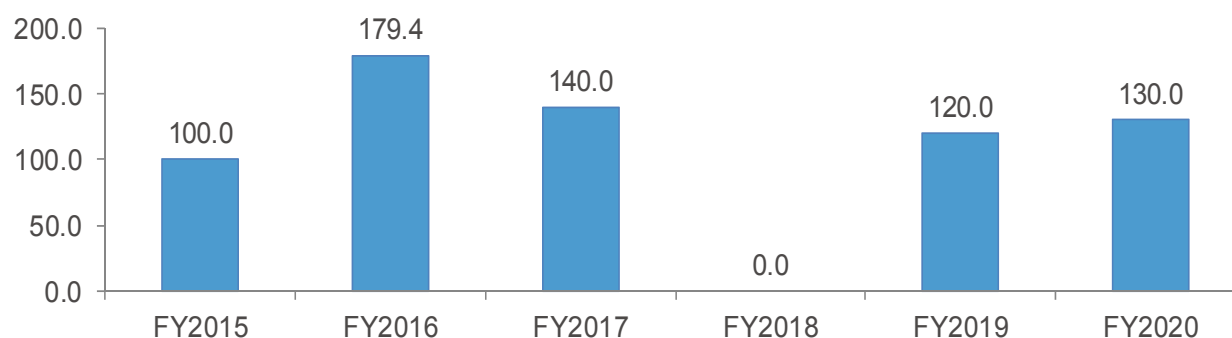
(billion JPY)

	Mar. 2015	Jun. 2015
Gross debt*	668.7	668.7
Cash and cash equivalents**	657.2	578.6
Net cash / (Net debt)	(11.5)	(90.1)

Debt repayment schedule

Average debt* maturity at 2.5 years

(billion JPY)



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

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

Project Summit Update

Strong execution of savings initiatives continue to enhance operational efficiency



FY15 Q1 Key Initiative Highlights:

- On track to deliver >20 bln JPY in FY15 annual savings
- Efficiency program Project Summit continues to produce strong results with good execution:
 - Completed European Finance shared service hub consolidation from 4 to 1 in Poland
 - Executed Manufacturing & Supply site optimization with closures in Denmark and Norway
 - Continued reorganization of select commercial areas in Emerging Markets as well as Europe to enhance operational efficiency
 - Implemented global initiatives for IT Service Management
 - Procurement Transformation process mobilized in main categories and regions; currently this operating model represents 2/3 of total spend in Takeda, to be 100% in near future

Q1

5
bln JPY

Actual
Cost Savings
(Apr-Jun)

**Q1 Restructuring Costs: 3 bln JPY*

FY15

>20
bln JPY

Annual
Cost Savings
Target
(Apr-Mar)

Wrap-up

FY2015 annual management guidance confirmed

FY2015 Management Guidance

Underlying Revenue	Low single digit
Underlying Core Earnings	Higher than revenue growth
Underlying Core EPS	Higher than core earnings growth

Takeda strategic roadmap



VALUE

- **Takeda-ism**
Patient → Trust → Reputation → Business

PEOPLE

- **Patient and customer centricity**
- **Global and agile organization fostering talent**

R&D

- **Focused world class R&D innovation engine**

BUSINESS PERFORMANCE

- **Sustaining sales growth**
Innovation with leadership in GI & Oncology
Leverage value brands in Emerging Markets
- **Financial discipline to deliver growth**

**FY2015:
Positioning
Takeda for
long-term
sales and
profit growth**



Appendix

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* <p>* Adjustment item of Core net profit</p>
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.

Definition of new products



"New products" are major products launched by Takeda in or after 2009 excluding new formulations or fixed-dose combinations of existing products.

Brand Name	Launch*	Drug Class	Main Indications
1 DEXILANT	2009/2	Proton pump inhibitor	Acid-related diseases
2 ULORIC	2009/3	Non-purine, selective xanthine oxidase inhibitor	Hyperuricemia in patients with gout
3 NESINA	2010/6	DPP-4 inhibitor	Type 2 diabetes
4 VECTIBIX	2010/6	Anti-EGFR human monoclonal antibody	Advanced or recurrent colorectal cancer
5 REMINYL	2011/3	Acetylcholinesterase inhibitor and nicotinic acetylcholine receptor enhancer	Alzheimer-type dementia
6 AZILVA	2012/5	Angiotensin II receptor blocker	Hypertension
7 COLCRYS	2012/6	Anti-gout agent	Gout flares
8 ADCETRIS	2012/11	CD30 monoclonal antibody-drug conjugate	Relapsed or refractory Hodgkin lymphoma
9 LOTRIGA	2013/1	EPA/DHA agent	Hyperlipidemia
10 BRINTELLIX	2014/1	Multimodal anti-depressant	Major depressive disorder
11 ENTYVIO	2014/6	Humanized monoclonal antibody against $\alpha 4\beta 7$ integrin	Ulcerative colitis, Crohn's disease
12 CONTRAVE	2014/10	Mu-opioid receptor antagonist and dopamine/norepinephrine re-uptake inhibitor	Chronic weight management
13 TAKECAB	2015/2	Potassium-competitive acid blocker	Acid-related diseases
14 ZAFATEK	2015/5	DPP-4 inhibitor	Type 2 diabetes

* Year and month of the first launch by Takeda in any region

FX rates



Actual - FX rates applied to income statement

(JPY)

	FY14		FY15	
	USD	EUR	USD	EUR
Apr	103	141	120	130
May	102	141	119	130
Jun	102	138	124	136

Outlook

(JPY)

	FY15	
	USD	EUR
Jul - Mar	120	130
(Ref. average Apr-Mar)	120	130

Impact of 1% depreciation of yen for Jul-Mar

(hundred million JPY)

	FY15				
	USD	EUR	RUB	CNY	BRL
Revenue	40	15	4	6	3
Operating profit	-5	-4	3	1	1
Core Earnings	1	1	3	1	1

Sales Growth in Emerging Markets



Underlying growth

Growth rate (billion JPY)

