Better Health, Brighter Future

# Consolidated Financial Results for the Six Month Period Ended September 30, 2013

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October 31, 2013

Takeda Pharmaceutical Company Limited

## Agenda

- Key highlights
- Net sales [Q2 2013]
- Income statement [Q2 2013]
- Balance sheet and cash flow statement
- Full year FY2013 outlook
- Appendix
  - Financial results [H1 2013]
  - IFRS
  - Supplemental information

# Key Highlights

- Underlying sales growth in Q2 at +5.1% on a like-for-like basis, in line with mid-range guidance (excluding Actos impact in U.S.)
- Cost control starting to show results with declining cost base in Q2
- Early sales of new products better than expected (Adcetris in Europe, etc.)
- Forex favorable impact on sales, but unfavorable on operating income (J-GAAP)
- Strong balance sheet, low net debt
- Confidence in delivering FY2013 guidance in light of positive trend in H1

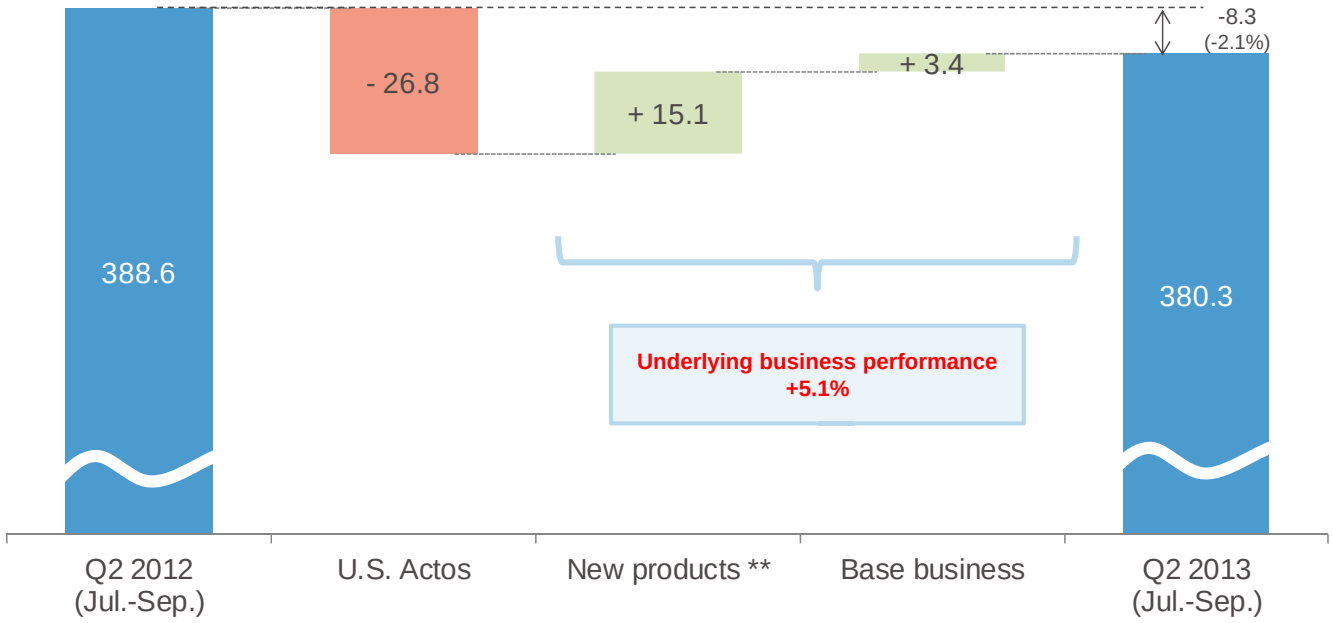


# Net sales [Q2 2013]

# Solid underlying sales growth at +5.1%

*Like-for-like**

(billion yen)




* **Like-for-like**: Constant forex and excluding exceptional items

** New products: Represents products launched within 5 years, i.e. in and after 2009 and includes new products in acquired companies, but excluding fixed dose drugs with existing drugs and formulation change drugs



# Resilience of base business and growth of new products

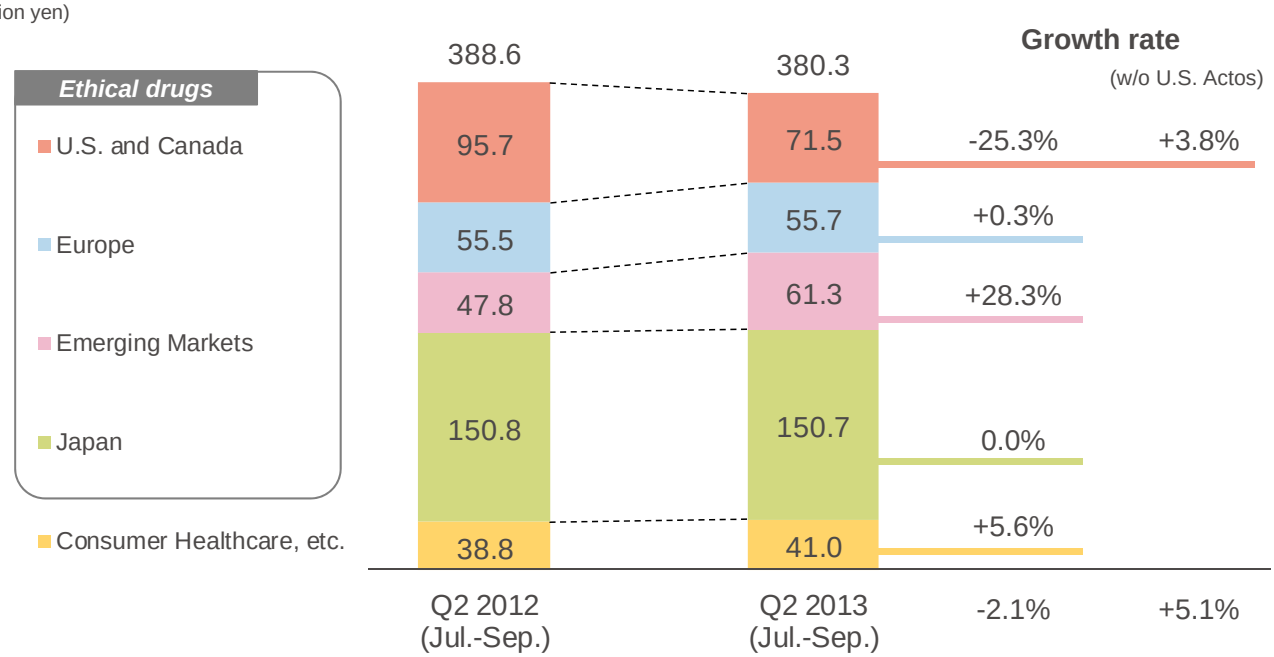
| billion yen | Q2-reported | | | LFL* |
|---|---|---|---|---|
| | FY2012 | FY2013 | Change | |
| Candesartan | 41.7 | 40.0 | - 4.2% | - 7.6% |
| Leuprorelin | 27.7 | 31.5 | + 14.0% | + 6.4% |
| Lansoprazole | 28.6 | 30.3 | + 5.7% | - 2.4% |
| Pantoprazole | 16.6 | 25.0 | + 50.4% | + 22.3% |
| Velcade | 18.1 | 23.6 | + 30.4% | + 5.2% |
| Dexilant | 8.1 | 12.5 | + 54.5% | + 23.6% |
| Colcrys | 9.4 | 12.1 | + 28.5% | + 3.6% |
| Enbrel | 11.1 | 11.5 | + 3.7% | + 3.7% |
| Nesina | 8.2 | 11.1 | + 35.2% | + 33.9% |
| Actos | 36.3 | 9.4 | - 73.9% | - 76.9% |
| Others | 182.9 | 211.1 | + 15.4% | + 6.3% |
| **Total Net Sales** | **388.6** | **418.0** | **+ 7.6%** | **- 2.1%** |
| **Total Net Sales w/o U.S. Actos** | **360.5** | **416.4** | **+ 15.5%** | **+ 5.1%** |

* **LFL: Like-for-like**
Constant forex and excluding exceptional items

# All regions delivering positive underlying growth

*Like-for-like**

(billion yen)



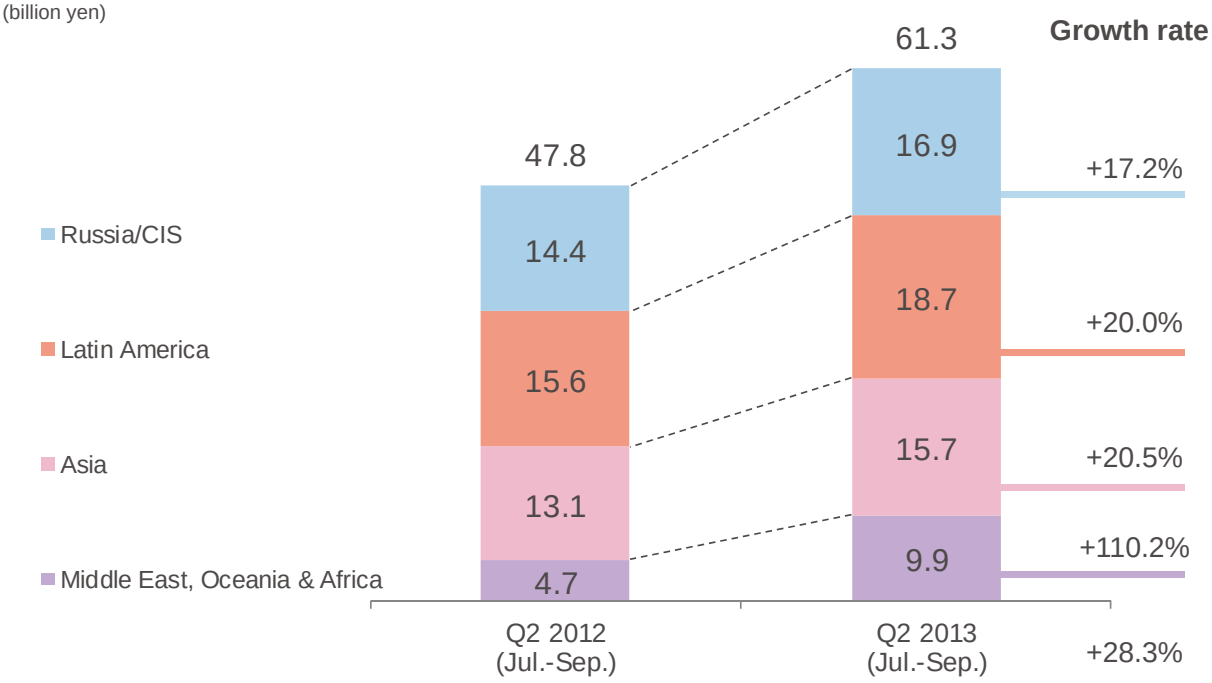

* **Like-for-like**: Constant forex and excluding exceptional items



# Strong momentum in Emerging Markets

*Like-for-like**

(billion yen)




* **Like-for-like**: Constant forex and excluding exceptional items

# Income statement [Q2 2013]



# Increase of operating income by 1.5 pts (LFL)

| billion yen | J-GAAP Q2 (Jul.-Sep.) 2012 | J-GAAP Q2 (Jul.-Sep.) 2013 | Change | LFL* | LFL* w/o U.S. Actos |
|---|---|---|---|---|---|
| **Net Sales** | **388.6** | **418.0** | **+ 7.6%** | **- 2.1%** | **+ 5.1%** |
| **Gross Profit** | **275.9** | **301.8** | **+ 9.4%** | **- 2.1%** | **+ 8.4%** |
| % of Net Sales | 71.0% | 72.2% | +1.2 pts | +0.0 pts | +2.2 pts |
| **SG&A Expenses** | **154.1** | **171.9** | **+ 11.6%** | **- 0.2%** | |
| % of Net Sales | 39.6% | 41.1% | +1.5 pts | +0.6 pts | |
| **R&D Expenses** | **75.8** | **77.6** | **+ 2.4%** | **- 12.7%** | |
| % of Net Sales | 19.5% | 18.6% | -0.9 pts | -2.1 pts | |
| **Operating Income** | **46.0** | **52.3** | **+ 13.6%** | **+ 4.7%** | |
| % of Net Sales | 11.8% | 12.5% | +0.7 pts | +1.5 pts | |

- Improving gross margin
- Costs under control
- SG&A expenses increase in absolute value only driven by forex and amortization

* **LFL: Like-for-like**
Constant forex and excluding exceptional items

# EPS up

| billion yen | J-GAAP Q2 (Jul.-Sep.) 2012 | J-GAAP Q2 (Jul.-Sep.) 2013 | Change | | LFL* |
|---|---|---|---|---|---|
| **Operating Income** | **46.0** | **52.3** | **+ 13.6%** | | **+ 4.7%** |
| % of Net Sales | 11.8% | 12.5% | +0.7 pts | | +1.5 pts |
| **Ordinary Income** | **46.9** | **44.3** | **- 5.6%** | | **- 2.8%** |
| **Extraordinary Income/Loss** | **7.7** | **13.9** | **+ 79.4%** | | **-** |
| **Net Income** | **32.2** | **35.6** | **+ 10.6%** | ** | **+ 3.5%** |
| **EBITDA** (excl. Extraordinary Income/Loss) | **99.0** | **102.6** | **+ 3.6%** | | **- 1.6%** |
| % of Net Sales | 25.5% | 24.5% | -0.9 pts | | +0.1 pts |
| **EPS** | **41 yen** | **45 yen** | **+ 4 yen** | | **+ 3 yen** |

* **LFL: Like-for-like**
Constant forex and excluding exceptional items
** Net income impact of 52.8 bin yen from tax refund and interest on tax refund related to Prevacid transactions is included in previous year, see Appendix P.28



# Cost control starting to show attractive results

*Like-for-like**

| billion yen | FY2012 Quarterly average | FY2013 Q1 | FY2013 Q2 | H1 2013 vs av 2012 |
|---|---|---|---|---|
| **SG&A Expenses** | **131.4** | **114.2** | **119.6** | **-11%** |
| **R&D Expenses** | **78.6** | **67.3** | **65.0** | **-16%** |
| **Total** | **210.0** | **181.5** | **184.6** | **-13%** |

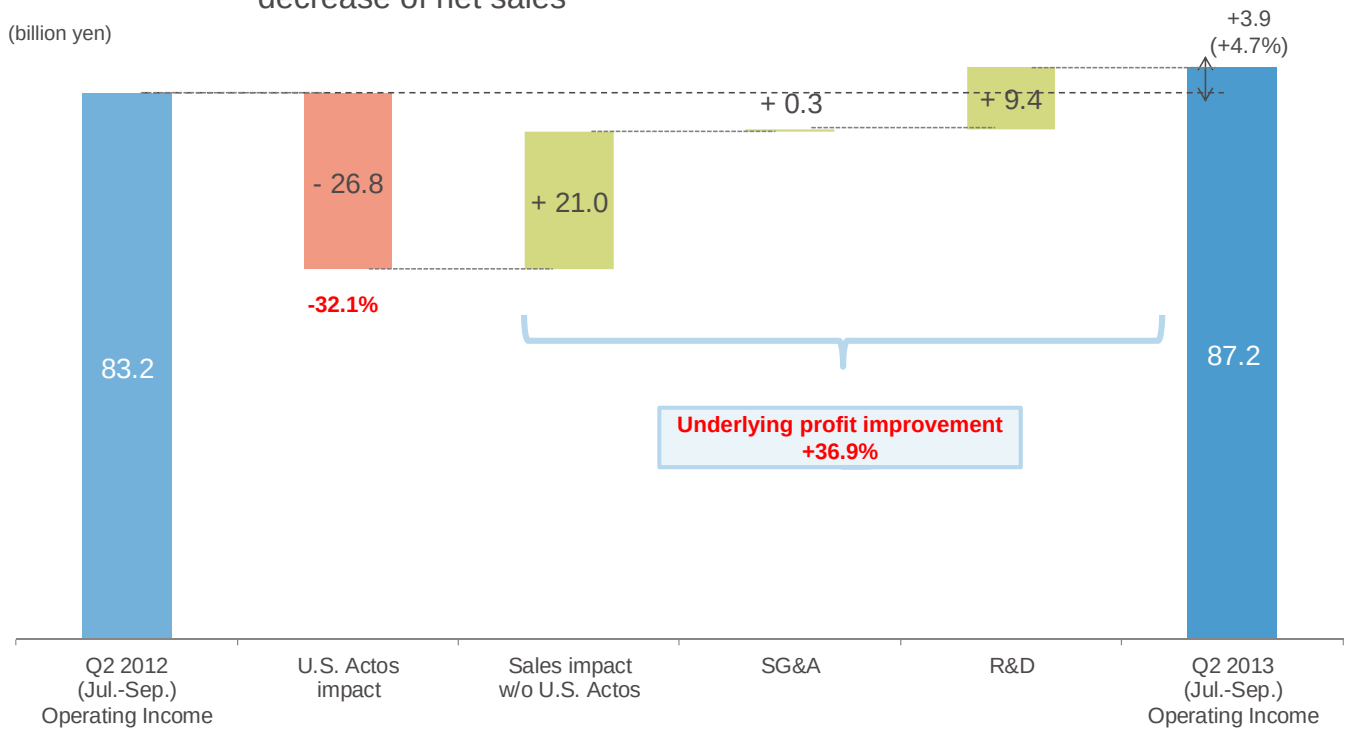
- Timing of expenses contributed somewhat to the decline and costs are expected to be higher in H2, especially in R&D.

* **Like-for-like**: Constant forex and excluding exceptional items (See Appendix P.35 for detail)

# Strong profit improvement partly supported by some favorable timing effect on costs

*Like-for-like**

Cost saving from SG&A expenses and R&D expenses more than offset the decrease of net sales




* **Like-for-like**: Constant forex and excluding exceptional items (See Appendix P.35 for detail)



# Balance sheet and cash flow statement

# Strong balance sheet

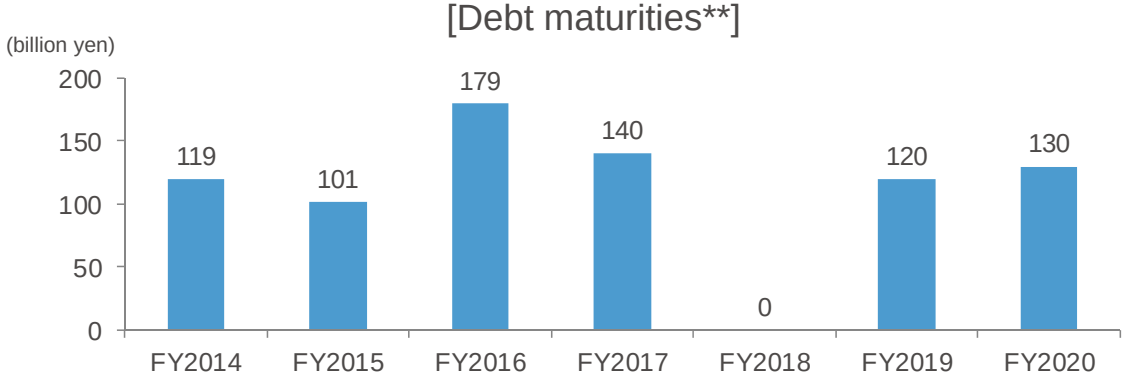
| billion yen | Mar. 2013 | Sep. 2013 | Change |
|---|---|---|---|
| **Current Assets** | **1,455** | **1,713** | **+ 258** |
| Cash and cash equivalents | 546 | 718 | + 172 |
| **Noncurrent Assets** | **2,501** | **2,540** | **+ 40** |
| Intangible Assets excl. Goodwill | 1,014 | 1,055 | + 41 |
| Goodwill | 675 | 707 | + 32 |
| **Total Assets** | **3,956** | **4,253** | **+ 298** |
| **Current Liabilities** | **614** | **547** | **- 67** |
| **Noncurrent Liabilities** | **1,119** | **1,359** | **+ 240** |
| Borrowings | 540 | 790 | + 250 |
| **Total Liabilities** | **1,732** | **1,906** | **+ 174** |
| **Equity** | **2,223** | **2,347** | **+ 124** |
| **Shareholders' Equity Ratio** | **54.6%** | **53.6%** | **-0.9 pts** |



# Low net debt

| billion yen | Mar. 2013 | Sep. 2013 | Sep. 2012 |
|---|---|---|---|
| **Gross debt** | **542** | **792** | **542** |
| **Cash and cash equivalents** | **546** | **718** | **409** |
| **Net debt** | **-3** | **74** | **133** |
| **Net debt / EBITDA ratio *** | **-0.0** | **0.2** | **0.3** |
| **Net debt / equity ratio** | **-0.2%** | **3.2%** | **6.9%** |

[Debt maturities**]




* Net debt / EBITDA ratio : calculated by annualizing H1 2013 EBITDA
** Debt maturities : represent figures without short-term loans and long-term loans of small contracts

# Strong cash flow generation

| billion yen | H1 (Apr.-Sep.) | |
|---|---|---|
| | 2012 | 2013 |
| **EBITDA** | **213.4** | **211.5** |
| Net working capital | -9.2 | -50.7 ** |
| Capital expenditures | -52.5 | -34.3 |
| Income taxes paid * | -31.3 | -21.2 |
| **Operating FCF** | **120.4** | **105.3** |

* Following items are temporary and not included in income taxes paid:
  i) Tax refund related to Prevacid transactions (FY2012 45.6 billion yen)
  ii) Tax paid related to advance pricing agreement of Actos (FY2013 89.9 billion yen)
** Unfavorable working capital impact linked to seasonal effects and forex



# Full year FY2013 outlook

# Guidance reiterated for FY2013

Higher R&D and commercial investment expected in H2 to support product launches and strong pipeline

No change from outlook announced in Jul.

| billion yen | | FY2013 | | |
|---|---|---|---|---|
| | | Actual | Updated Outlook | |
| | | H1 | H2 | FY |
| Net Sales | | 828.3 | 851.7 | 1,680.0 |
| Operating Income | | 100.0 | 40.0 | 140.0 |
| Ordinary Income | | 96.7 | 28.3 | 125.0 |
| Net Income | | 64.7 | 30.3 | 95.0 |
| EBITDA (excl. Extraordinary Income/Loss) | | 211.5 | 143.5 | 355.0 |
| EPS | | 82 yen | 38 yen | 120 yen |
| Exchange Rate | Yen per USD | 98 | 100 | 99 |
| | Yen per EUR | 128 | 130 | 129 |

Guidance based on current forex and share price at 5,000 yen (may impact long-term incentive program (LTIP))



# APPENDIX

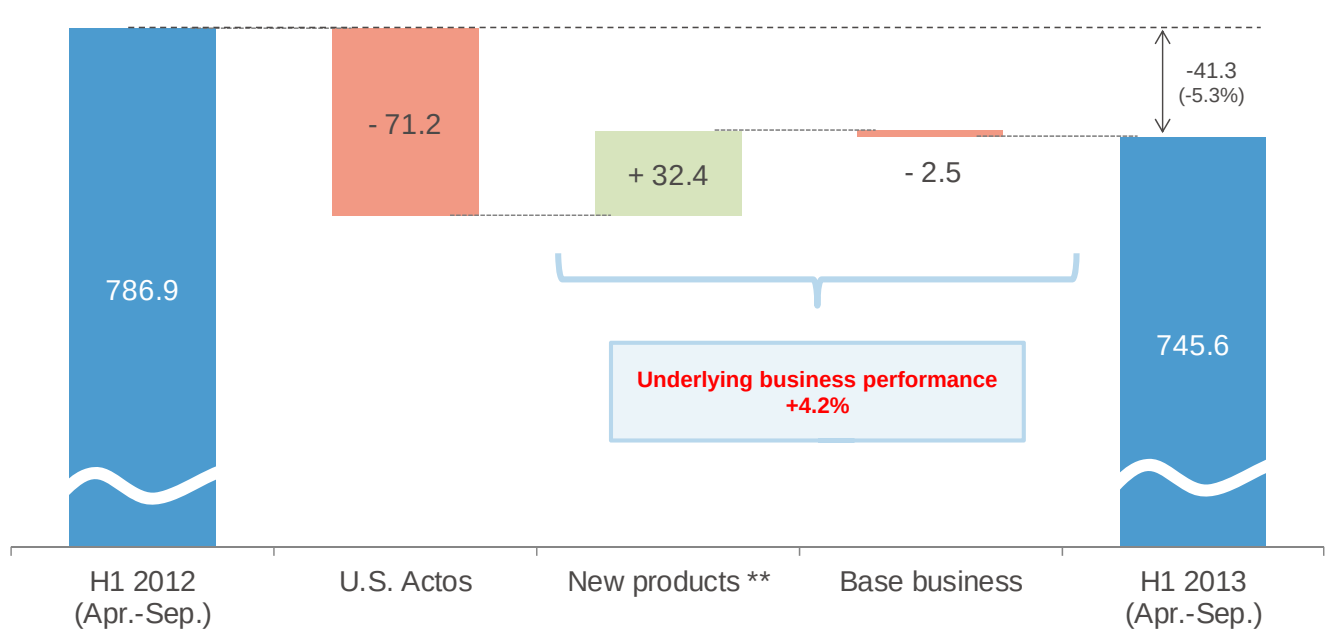
# Financial results [H1 2013]



# Net sales

*Like-for-like**

(billion yen)




* **Like-for-like**: Constant forex and excluding exceptional items
** New products: Represents products launched within 5 years, i.e. in and after 2009 and includes new products in acquired companies, but excluding fixed dose drugs with existing drugs and formulation change drugs

# Net sales of top 10 products

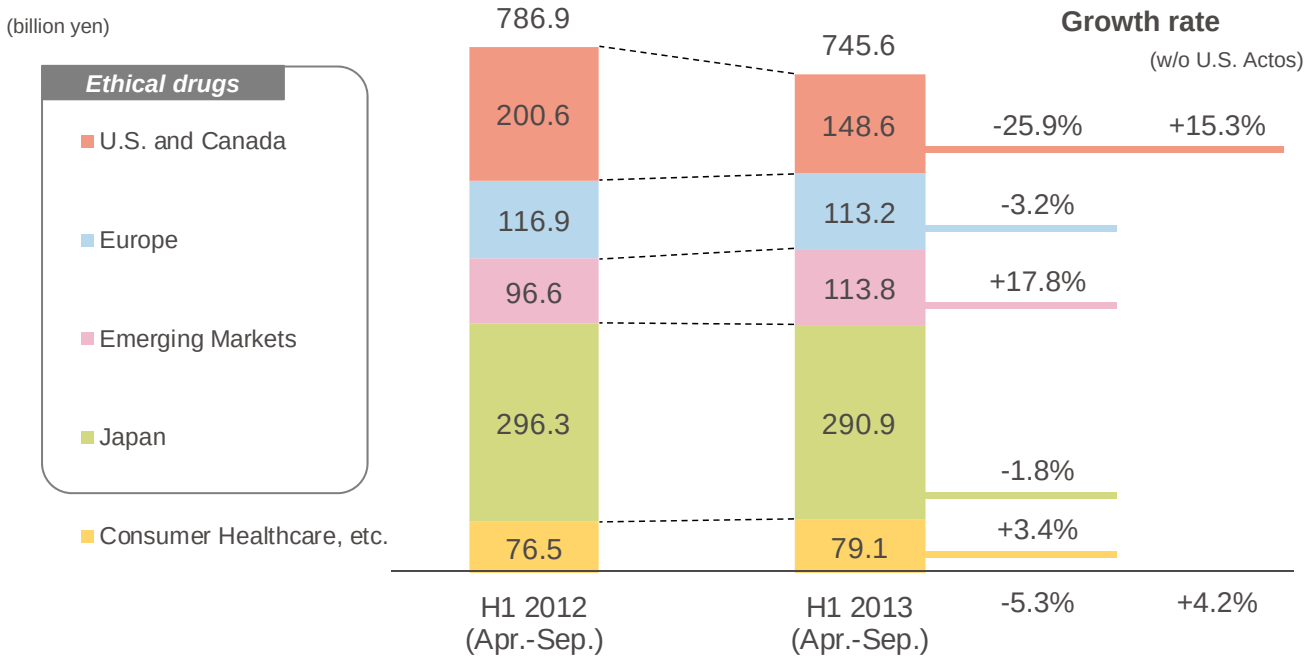
| billion yen | H1-reported | | | LFL* |
|---|---|---|---|---|
| | FY2012 | FY2013 | Change | |
| Candesartan | 89.2 | 82.3 | - 7.7% | - 11.2% |
| Leuprorelin | 57.4 | 64.1 | + 11.8% | + 5.2% |
| Lansoprazole | 55.9 | 59.9 | + 7.2% | - 0.8% |
| Pantoprazole | 36.8 | 47.9 | + 30.2% | + 8.7% |
| Velcade | 35.7 | 47.4 | + 32.6% | + 7.7% |
| Colcrys | 12.4 | 25.7 | + 108.0% | + 69.0% |
| Dexilant | 15.1 | 23.6 | + 56.1% | + 27.0% |
| Enbrel | 21.8 | 22.5 | + 2.8% | + 2.8% |
| Actos | 92.0 | 20.0 | - 78.3% | - 80.7% |
| Nesina | 15.3 | 18.4 | + 20.1% | + 19.4% |
| Others | 355.3 | 416.5 | + 17.2% | + 6.5% |
| **Total Net Sales** | **786.9** | **828.3** | **+ 5.3%** | **- 4.6%** |
| **Total Net Sales w/o Exceptional Items and U.S. Actos** | **712.0** | **818.9** | **+ 15.0%** | **+ 4.2%** |

* **LFL: Like-for-like**
Constant forex and excluding exceptional items



# Net sales by region

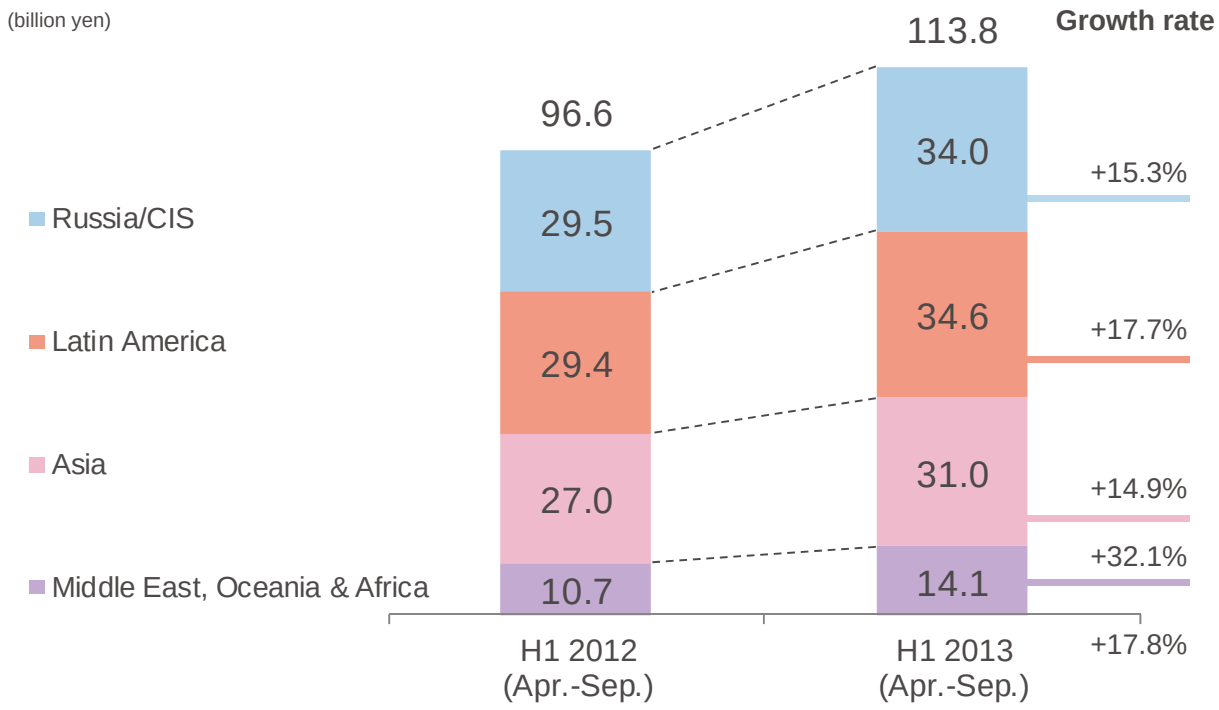
*Like-for-like**




* **Like-for-like**: Constant forex and excluding exceptional items

# Net sales in ethical drugs in Emerging Markets

*Like-for-like**




* **Like-for-like**: Constant forex and excluding exceptional items



# Income statement 1/2

| billion yen | J-GAAP | | | LFL* | LFL* w/o U.S. Actos |
|---|---|---|---|---|---|
| | H1 (Apr.-Sep.) | | Change | | |
| | 2012 | 2013 | | | |
| **Net Sales** | **786.9** | **828.3** | **+ 5.3%** | **- 5.3%** | **+ 4.2%** |
| **Gross Profit** | **570.9** | **597.0** | **+ 4.6%** | **- 7.5%** | **+ 5.6%** |
| % of Net Sales | 72.5% | 72.1% | -0.5 pts | -1.7 pts | +1.0 pts |
| **SG&A Expenses** | **307.6** | **341.9** | **+ 11.1%** | **- 2.9%** | |
| % of Net Sales | 39.1% | 41.3% | +2.2 pts | +0.8 pts | |
| **R&D Expenses** | **154.7** | **155.2** | **+ 0.3%** | **- 13.0%** | |
| % of Net Sales | 19.7% | 18.7% | -0.9 pts | -1.6 pts | |
| **Operating Income** | **108.6** | **100.0** | **- 7.9%** | **- 9.0%** | |
| % of Net Sales | 13.8% | 12.1% | -1.7 pts | -0.9 pts | |

* **LFL: Like-for-like**
Constant forex and excluding exceptional items

# Income statement 2/2

| billion yen | | J-GAAP H1 (Apr.-Sep.) 2012 | J-GAAP H1 (Apr.-Sep.) 2013 | Change | LFL* |
|---|---|---|---|---|---|
| **Operating Income** | | **108.6** | **100.0** | **- 7.9%** | **- 9.0%** |
| % of Net Sales | | 13.8% | 12.1% | -1.7 pts | -0.9 pts |
| **Ordinary Income** | | **113.1** | **96.7** | **- 14.5%** | **- 10.2%** |
| **Extraordinary Income/Loss** | | **17.2** | **11.6** | **- 32.9%** | **-** |
| **Net Income** | | **119.8** | **64.7** | **- 46.0%** | **- 2.5%** |
| **EBITDA** (excl. Extraordinary Income/Loss) | | **213.4** | **211.5** | **- 0.9%** | **- 8.3%** |
| % of Net Sales | | 27.1% | 25.5% | -1.6 pts | -0.9 pts |
| **EPS** | | **152 yen** | **82 yen** | **- 70 yen** | **- 4 yen** |
| Exchange Rate | Yen per USD | 80 | 98 | + 18 | |
| | Yen per EUR | 101 | 128 | + 27 | |

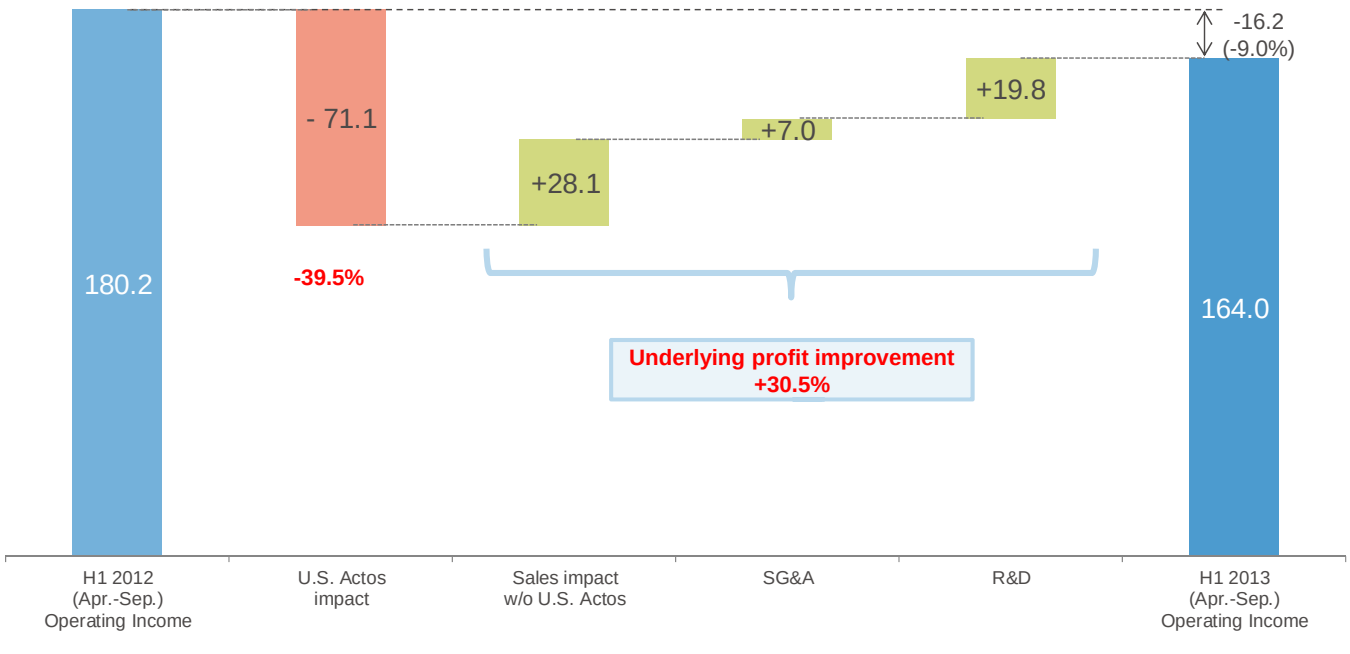
* **LFL: Like-for-like**
Constant forex and excluding exceptional items



# Operating income

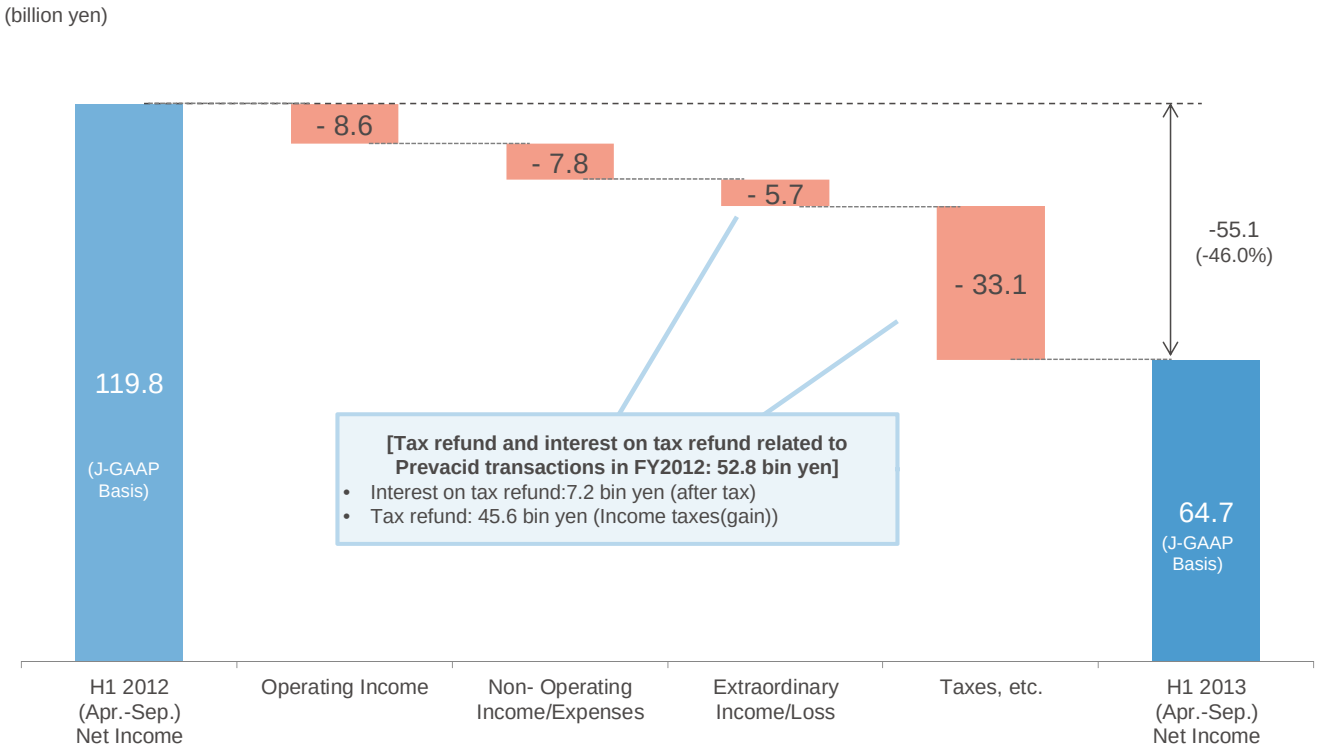
*Like-for-like**

(billion yen)




* **Like-for-like**: Constant forex and excluding exceptional items (See Appendix P.36 for detail)

# Net income






# Breakdown of EBITDA

| billion yen | H1 (Apr.-Sep.) | |
|---|---|---|
| | 2012 | 2013 |
| **Ordinary Income** | **113.1** | **96.7** |
| + Amortization of intangible assets resulting from corporate acquisitions | 50.8 | 53.7 |
| + Amortization of goodwill resulting from corporate acquisitions | 16.1 | 21.3 |
| + Depreciation and Amortization (other than those listed above) | 29.6 | 33.1 |
| + Interest expenses | 1.5 | 1.9 |
| + Others | 2.3 | 4.9 |
| **EBITDA (excl. Extraordinary Income/Loss)** | **213.4** | **211.5** |

# Changes of net sales in ethical drugs by major products

| billion yen | | FY2011 | FY2012 | H1 (Apr.-Sep.) FY2012 | FY2013 | Change | LFL* |
|---|---|---|---|---|---|---|---|
| Candesartan | | 216.3 | 169.6 | 89.2 | 82.3 | - 7.7% | - 11.2% |
| Leuprorelin | | 120.7 | 116.5 | 57.4 | 64.1 | + 11.8% | + 5.2% |
| Lansoprazole | | 122.1 | 110.2 | 55.9 | 59.9 | + 7.2% | - 0.8% |
| Velcade | | 58.1 | 72.9 | 35.7 | 47.4 | + 32.6% | + 7.7% |
| Colcrys ** | | 36.8 | 40.7 | 19.3 | 25.7 | + 33.5% | + 8.4% |
| Dexilant | | 24.2 | 32.7 | 15.1 | 23.6 | + 56.1% | + 27.0% |
| Enbrel | | 41.4 | 43.2 | 21.8 | 22.5 | + 2.8% | + 2.8% |
| Pioglitazone | | 296.2 | 122.9 | 92.0 | 20.0 | - 78.3% | - 80.7% |
| Nesina | | 15.5 | 37.8 | 15.3 | 18.4 | + 20.1% | + 19.4% |
| Uloric | | 12.9 | 17.7 | 8.1 | 12.5 | + 54.1% | + 25.3% |
| Amitiza | | 18.7 | 22.3 | 10.7 | 12.0 | + 12.9% | - 8.2% |
| Vectibix | | 17.2 | 18.8 | 9.6 | 9.6 | - 0.4% | - 0.4% |
| Azilva | | 0.0 | 3.4 | 1.9 | 8.0 | + 312.4% | + 312.4% |
| Pantoprazole *** | | 82.6 | 78.0 | 36.8 | 47.9 | + 30.2% | + 8.7% |
| Actovegin *** | | 18.6 | 19.6 | 8.3 | 12.5 | + 50.5% | + 22.4% |
| Calcium *** | | 15.7 | 15.4 | 6.9 | 8.8 | + 26.9% | + 3.4% |
| Tachosil *** | | 13.8 | 13.2 | 6.4 | 8.0 | + 24.7% | + 6.6% |
| Daxas *** | | 2.4 | 3.0 | 1.4 | 1.9 | + 35.0% | + 6.7% |
| Ref: Nycomed Products in Total (approx.) *** (Million EUR) | | 2,984 | 3,126 | 1,491 | 1,571 | + 5.3% | |
| Exchange Rate | Yen per USD | 79 | 82 | 80 | 98 | +18 | |
| | Yen per EUR | 109 | 106 | 101 | 128 | +27 | |

* **LFL: Like-for-like**
Constant forex and excluding exceptional items

** Colcrys is a product of URL Pharma, Inc. acquired in June 2012. The sales until May 2012 represent the amount before acquisition. Each amount before acquisition is reclassified to Takeda fiscal year (Apr. to Mar.)

*** Legacy Nycomed products acquired at the end of Sep 2011, sales until Sep 2011 represent amounts before acquisition



# IFRS

# Consolidated financial results in IFRS

## - Provisional figures

No change from outlook announced in Jul.

| billion yen | H1 2013 ( Apr.-Sep.) Actual | | | FY2013 (Apr.-Mar.) Outlook Updated | | |
|---|---|---|---|---|---|---|
| | J-GAAP | IFRS provisional figures | Differences | J-GAAP | IFRS provisional figures | Differences |
| **Net Sales** | **828.3** | **828.3** | **—** | **1,680.0** | **1,680.0** | **—** |
| **R&D Expenses** | **155.2** | **156.9** | **+1.7** | **340.0** | **345.0** | **+5.0** |
| <% of Net Sales> | 18.7% | 18.9% | +0.2pts | 20.2% | 20.5% | +0.3pts |
| **Operating Income** | **100.0** | **109.9** | **+9.9** | **140.0** | **160.0** | **+20.0** |
| <% of Net Sales> | 12.1% | 13.3% | +1.2pts | 8.3% | 9.5% | +1.2pts |
| **Net Income** | **64.7** | **79.8** | **+15.1** | **95.0** | **120.0** | **+25.0** |
| <% of Net Sales> | 7.8% | 9.6% | +1.8pts | 5.7% | 7.1% | +1.5pts |
| EBITDA** | 211.5 | 218.5 | +7.0 | 355.0 | 380.0 | +25.0 |
| **Core Earnings*** | **—** | **182.4** | **—** | **—** | **295.0** | **—** |
| <% of Net Sales> | | 22.0% | | | 17.6% | |

* Core Earnings: It is a profit based on companies' regular business, which excludes temporary factors such as impacts from business combination accounting and from amortization/ impairment loss of intangible assets etc., from operating income under IFRS

** EBITDA in J-GAAP does not include extraordinary income/loss

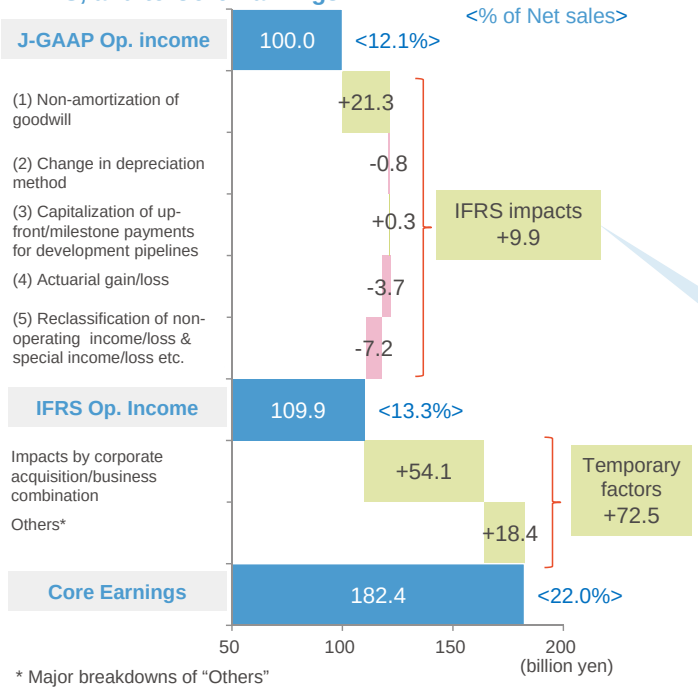
Please note it is possible that "Apr.- Sep. Actual under IFRS," which is provisionally created by adjusting major differences between J-GAAP and IFRS from "Actual under J-GAAP," would differ from those finally defined through audit in May 2014.



# Consolidated financial results in IFRS

## - Adjustments from Operating Income under J-GAAP to IFRS, and to Core Earnings

### Adjustments to H1 2013 Operating Income under IFRS, and to Core Earnings




* Major breakdowns of "Others"

··· Amortization of intangible assets related to licensed-in compounds etc.

Please note it is possible that these actual figures under IFRS, which is provisionally created by adjusting major differences between J-GAAP and IFRS from those under J-GAAP,
would differ from figures finally defined through audit in May 2014.

### Major differences between J-GAAP and IFRS that make impacts to our income/loss

| Items | J-GAAP | IFRS |
|---|---|---|
| (1) Goodwill amortization | ➢ Amortized within 20 years | ➢ Non-amortized, and impairment test required every fiscal year |
| (2) Depreciation method of property, plant and equipment | ➢ Declining balance method except overseas subsidiaries<br>➢ Expensed "R&D equipment for specific purpose" at once when acquired | ➢ Straight -line method<br>➢ Capitalized "R&D equipment for specific purpose" when acquired, and depreciated after operation |
| (3) Treatments of up-front/milestone payments for development pipelines | ➢ Recognized R&D expenses when transactions occurred | ➢ Capitalized when transactions occurred and amortized from the timing of launch through approval by authorities<br>➢ Impairment test required in case of development discontinuation or when future cash flow to be worsen, etc. |
| (4) Actuarial gain/loss | ➢ Amortized in 5 years from the year when occurred (Amortized as gain in FY13) | ➢ Recognized all amounts as Other Comprehensive Income at once when occurred, not amortized |
| (5) Reclassification of non-operating income/loss & special income/loss | ➢ Recognized income/loss from other than regular business as non-operating income/loss, and for those recognized temporarily or unexpectedly as special income/loss | ➢ Non-operating income/loss to be limited only to financial gain/loss (ex.)Interest paid/received, Gain on securities sales, Dividend income etc.<br>➢ Most of non-operating income/loss & extraordinary income/loss except financial gain/loss to be reclassified as operating income/loss (Recognized as income/loss above operating income/loss) |

# Supplemental information



# Breakdown of exceptional items 1/2

| billion yen | Q2 (Jul.-Sep.) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | | | | | | |
| | | M&A Related | One-time Items | | | | Forex | Total |
| | | | German OTC Diverstment | In-license | Extraordinary Income/Loss | Total | | |
| Net Sales | - | - | - | - | - | - | 37.7 | 37.7 |
| Gross Profit | -1.6 | - | - | - | - | - | 30.0 | 30.0 |
| SG&A Expenses | 34.2 | 37.3 | - | - | - | - | 15.1 | 52.3 |
| R&D Expenses | 1.3 | 0.2 | - | 2.3 | - | 2.3 | 10.2 | 12.6 |
| Operating Income | -37.2 | -37.4 | - | -2.3 | - | -2.3 | 4.8 | -34.9 |
| Non-operating income (expenses) | -1.7 | -2.6 | - | - | - | - | -1.6 | -4.2 |
| Ordinary Income | -38.9 | -40.1 | - | -2.3 | - | -2.3 | 3.2 | -39.1 |
| Extraordinary Income/Loss | 7.7 | - | - | - | 13.9 | 13.9 | - | 13.9 |
| Gain on Sales of Investment Securities | 17.0 | - | - | - | 21.6 | 21.6 | - | 21.6 |
| Interest on Tax Refund | - | - | - | - | - | - | - | - |
| Restructuring Costs | -9.3 | - | - | - | -7.7 | -7.7 | - | -7.7 |
| Net Income before Taxes | -31.2 | -40.1 | - | -2.3 | 13.9 | 11.6 | 3.2 | -25.3 |
| Income taxes, etc. | -6.2 | -8.7 | - | -0.9 | 5.8 | 5.0 | 2.0 | -1.7 |
| Net Income | -25.0 | -31.4 | - | -1.4 | 8.0 | 6.6 | 1.2 | -23.6 |

Details of M&A Related Items in SG&A and R&D

| billion yen | Q2 (Jul.-Sep.) | |
|---|---|---|
| | 2012 | 2013 |
| SG&A | 34.2 | 37.3 |
| Amortization of intangible assets | 26.0 | 26.8 |
| Amortization of goodwill | 8.3 | 10.6 |
| Others | - | -0.2 |
| R&D | 0.1 | 0.2 |
| Amortization of intangible assets | 0.1 | 0.2 |

# Breakdown of exceptional items 2/2

| billion yen | H1 (Apr.-Sep.) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | | | | | | |
| | Total | M&A Related | One-time Items | | | Total | Forex | Total |
| | | | German OTC Diverstment | In-license | Extraordinary Income/Loss | | | |
| Net Sales | - | - | 4.8 | - | - | 4.8 | 78.0 | 82.7 |
| Gross Profit | -2.2 | -0.7 | 4.8 | - | - | 4.8 | 62.9 | 66.9 |
| SG&A Expenses | 66.8 | 74.3 | - | - | - | - | 33.8 | 108.1 |
| R&D Expenses | 2.6 | 0.3 | - | 3.0 | - | 3.0 | 19.5 | 22.9 |
| Operating Income | -71.6 | -75.3 | 4.8 | -3.0 | - | 1.8 | 9.6 | -64.0 |
| Non-operating income (expenses) | -2.3 | -5.2 | - | - | - | - | -2.0 | -7.2 |
| Ordinary Income | -73.9 | -80.5 | 4.8 | -3.0 | - | 1.8 | 7.6 | -71.2 |
| Extraordinary Income/Loss | 17.2 | - | - | - | 11.6 | 11.6 | - | 11.6 |
| Gain on Sales of Investment Securities | 17.0 | - | - | - | 21.6 | 21.6 | - | 21.6 |
| Interest on Tax Refund | 11.6 | - | - | - | - | - | - | - |
| Restructuring Costs | -11.4 | - | - | - | -10.0 | -10.0 | - | -10.0 |
| Net Income before Taxes | -56.7 | -80.5 | 4.8 | -3.0 | 11.6 | 13.3 | 7.6 | -59.6 |
| Income taxes, etc. | -56.8 | -17.5 | 1.8 | -1.2 | 5.2 | 5.9 | 3.9 | -7.7 |
| Net Income | 0.1 | -63.0 | 2.9 | -1.8 | 6.3 | 7.4 | 3.7 | -51.9 |

Details of M&A Related Items in SG&A and R&D

| billion yen | H1 (Apr.-Sep.) | |
|---|---|---|
| | 2012 | 2013 |
| SG&A | 66.8 | 74.3 |
| Amortization of intangible assets | 50.7 | 53.3 |
| Amortization of goodwill | 16.1 | 21.3 |
| Others | - | -0.3 |
| R&D | 0.1 | 0.3 |
| Amortization of intangible assets | 0.1 | 0.3 |



# FY2013 Financial outlook
## - Details

No change from outlook announced in Jul.

| billion yen | FY2013 | | | | | | Comparison with Outlook in Jul. | | |
|---|---|---|---|---|---|---|---|---|---|
| | Announced in Jul. | | | Actual | Updated Outlook | | | | |
| | H1 | H2 | FY | H1 | H2 | FY | H1 | H2 | FY |
| Net sales | 830.0 | 850.0 | 1,680.0 | 828.3 | 851.7 | 1,680.0 | - 1.7 | + 1.7 | - |
| R&D expenses | 165.0 | 175.0 | 340.0 | 155.2 | 184.8 | 340.0 | - 9.8 | + 9.8 | - |
| Operating income | 80.0 | 60.0 | 140.0 | 100.0 | 40.0 | 140.0 | + 20.0 | - 20.0 | - |
| without Special factors * | 155.0 | 140.0 | 295.0 | 175.3 | 119.7 | 295.0 | + 20.3 | - 20.3 | - |
| Ordinary income | 75.0 | 50.0 | 125.0 | 96.7 | 28.3 | 125.0 | + 21.7 | - 21.7 | - |
| Net income | 55.0 | 40.0 | 95.0 | 64.7 | 30.3 | 95.0 | + 9.7 | - 9.7 | - |
| without Extraordinary Income/Loss & Special factors * | 100.0 | 95.0 | 195.0 | 121.4 | 73.6 | 195.0 | + 21.4 | - 21.4 | - |
| EBITDA (excl. Extraordinary Income/Loss) | 190.0 | 165.0 | 355.0 | 211.5 | 143.5 | 355.0 | + 21.5 | - 21.5 | - |
| EPS | 70 yen | 51 yen | 120 yen | 82 yen | 38 yen | 120 yen | + 12 yen | - 12 yen | - |
| without Extraordinary Income/Loss & Exceptional items * | 127 yen | 120 yen | 247 yen | 154 yen | 93 yen | 247 yen | + 27 yen | - 27 yen | - |
| Exchange Rate Yen per USD | 99 | 100 | 100 | 98 | 100 | 99 | - 1 | - | - 0 |
| Exchange Rate Yen per EUR | 129 | 130 | 129 | 128 | 130 | 129 | - 0 | - | - 0 |

* Special factors
: Transactions related to corporate acquisitions
i) in Operating Income :COGS related to inventory step-up due to revaluation to fair value and amortization of intangible assets and goodwill, etc.
ii) in Net Income and EPS; in addition to i), non-operating expenses

| <Ref> Impact of 1 yen change in the foreign exchange rate | FY2013 (billion yen) | |
|---|---|---|
| | USD | EUR |
| Net Sales | 3.8 | 4.2 |
| Operating Income | - 0.7 | 0.2 |
| Net Income | - 0.4 | 0.1 |

Better Health, Brighter Future

# Project Summit

François-Xavier Roger
Corporate Officer,
Senior Vice President,
Chief Financial Officer

October 31, 2013

Takeda Pharmaceutical Company Limited

## Project Summit

Project Summit

- Driving sales and profit growth through Takeda-wide strategic initiatives optimizing the effectiveness and efficiency of our entire operations
- Boosting our ability to execute on investments including our strong pipeline in order to secure sustainable growth and increase shareholder value
- Reviewing and addressing business models across the organization to operate better and more efficiently
- Raising global competitiveness in every aspect of our business

# Takeda's Bright Future – Project Summit & Mid-Range Growth Strategy

- With large successful and synergetic acquisitions completed and one of the strongest pipelines in the industry, Takeda's future is brighter than ever.
- **Project Summit supports this future through advanced global operating models and business processes, boosting the company's profitability and capacity for investments in growth.**

## Mid-Range Growth Strategy

**Sales CAGR**
**mid-single digit**
**FY13-FY17**

**Operating income CAGR at least**
**20%**
**FY13-FY17**

**New products/ improved product mix**
**(FY15~)**

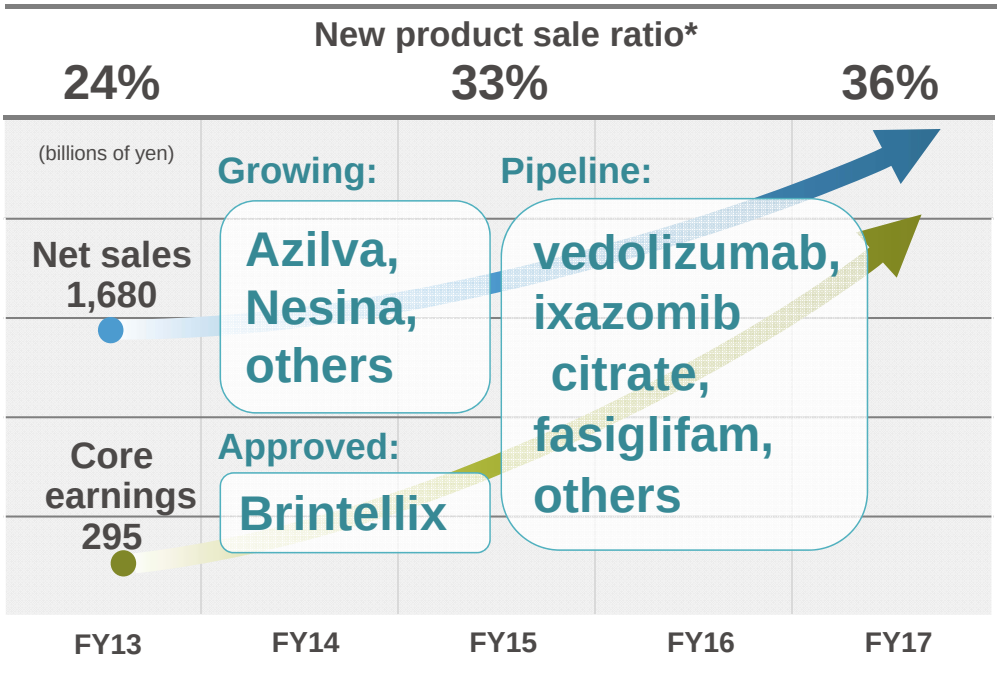
**Summit driven efficiencies**
**(FY13~)**

**Core Earnings to sales ratio**
**25%**
**by FY17**




# Project Summit and Mid-Range Growth Strategy

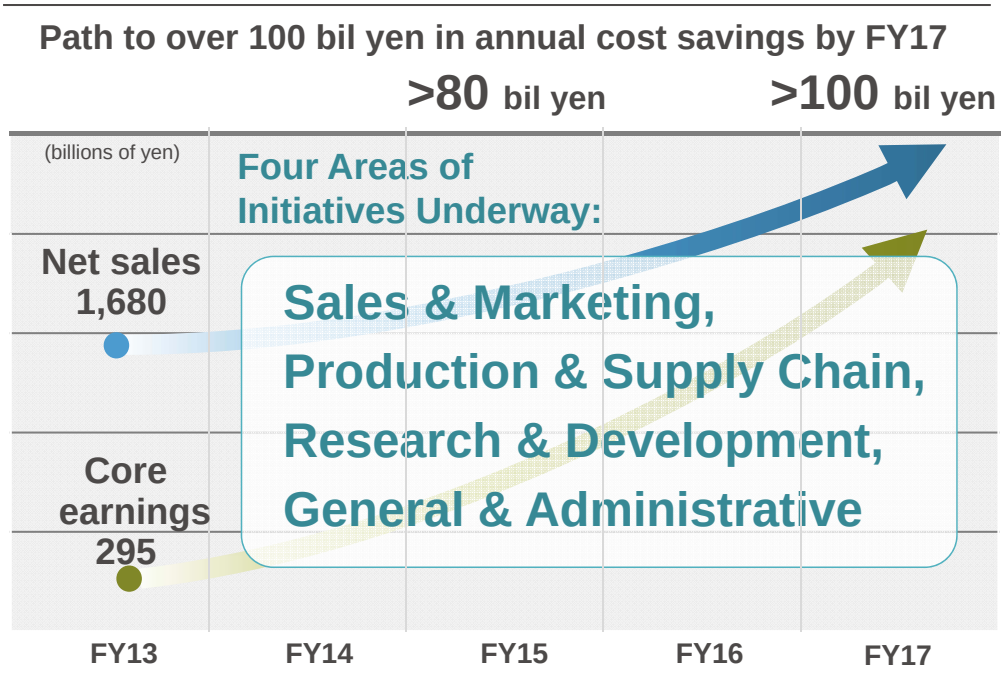
## GENERATING GROWTH




* Sales ratio in US, EU and Japan markets; New products are those launched within 5 years

# Project Summit and Mid-Range Growth Strategy

## ACHIEVING EFFICIENCIES




Savings are compared to company plans without Project Summit and are included in Mid-Range Growth Strategy guidance.



# Initiatives and Targets

**SALES AND MARKETING** | PRODUCTION & SUPPLY CHAIN | RESEARCH & DEVELOPMENT | GENERAL & ADMINISTRATIVE

### Initiatives:

- Centralized brand marketing organization to improve global brand strategy under a single platform for global / key multi-regional products and generate efficiencies across the global marketing organization
- Build the right capabilities, including focus on the enhancement of customer-facing resources to maximize product launch effectiveness
- Consolidate the number of advertising and other agencies on a global basis
- Leverage global procurement to improve supplier management and gain efficiency

### Targets:

| | FY15 | FY17 |
|---|---|---|
| Annual cost savings (recurring) | >20 billion yen | >25 billion yen |

Savings are compared to company plans without Project Summit and are included in Mid-Range Growth Strategy guidance.

# Initiatives and Targets

SALES AND MARKETING | **PRODUCTION & SUPPLY CHAIN** | RESEARCH & DEVELOPMENT | GENERAL & ADMINISTRATIVE

## Initiatives:

- Further optimize manufacturing site network with close alignment between global manufacturing and quality organizations
- Improve site performance via implementation of operational excellence program to optimize manufacturing capacity and reduce per unit cost
- Leverage centralized sourcing initiatives for packaging, raw materials and third party manufacturing
- Create an integrated global supply chain organization

## Targets:

| | FY15 | FY17 |
|---|---|---|
| Annual cost savings (recurring) | >5 billion yen | >10 billion yen |

Savings are compared to company plans without Project Summit and are included in Mid-Range Growth Strategy guidance.



# Initiatives and Targets

SALES AND MARKETING | PRODUCTION & SUPPLY CHAIN | **RESEARCH & DEVELOPMENT** | GENERAL & ADMINISTRATIVE

## Initiatives:

- Establish a global R&D organization
  - Integrate Millennium's R&D activities into Takeda
  - Consolidate business activities of Japan-based Takeda Bio Development Center into Takeda R&D centers
  - Consolidate European R&D activities resulting in the closure of the Roskilde-based R&D site and transfer of some Zurich-based R&D activities
- Global integration of R&D platform functions (Pharmacovigilance, Regulatory Affairs, Operations, Quality Assurance, etc.)
- Leverage global procurement to improve supplier management and efficiencies
- With new efficiencies, R&D spending to stay at approx. 300 bil level (FY13-FY17)

## Targets:

| | FY15 | FY17 |
|---|---|---|
| Annual cost savings (recurring) | >25 billion yen | >30 billion yen |

Savings are compared to company plans without Project Summit and are included in Mid-Range Growth Strategy guidance.

# Initiatives and Targets

SALES AND MARKETING | PRODUCTION & SUPPLY CHAIN | RESEARCH & DEVELOPMENT | **GENERAL & ADMINISTRATIVE**

## Initiatives:

- Globalize and raise competitiveness of key functions including Finance, HR, IT and Procurement
- Further utilize low cost shared service centers for certain administrative functions
- Harmonize and align global financial processes and systems
- Consolidate IT platforms, resources and spending across Takeda's entire global organization including Millennium
- Leverage global procurement to improve supplier management and gain efficiency

## Targets:

| | FY15 | FY17 |
|---|---|---|
| Annual cost savings (recurring) | >12 billion yen | >15 billion yen |

Savings are compared to company plans without Project Summit and are included in Mid-Range Growth Strategy guidance.



# Takeda is on Track to Meet Targets Set May 9th

## Summit Overall:

- Initiatives are diverse across the company and around the world, which mitigates implementation risk
- Certain projects require consultations with third parties such as governments and unions
- Low single digit percentage reduction anticipated in net global workforce by FY17
- Company wide procurement initiative is a key savings driver
- Implementation costs: 80-90 bil yen over 5 yrs
- Improvements more heavily weighted on 2nd half of FY13-FY17 period
- Plans to further support global efficiency and effectiveness with hiring for global roles for CIO, Procurement, etc.
- Updates to be provided on savings, implementation costs, and headcount as plans are finalized and implemented; Actual savings to be reported regularly at Q2 and Q4

## Targets, Consolidated:

| | FY15 | FY17 |
|---|---|---|
| Annual cost savings (recurring) | >80 billion yen | >100 billion yen |

Savings are compared to company plans without Project Summit and are included in Mid-Range Growth Strategy guidance.

# Takeda's Bright Future – Project Summit & Mid-Range Growth Strategy

- With large successful and synergetic acquisitions completed and one of the strongest pipelines in the industry, Takeda's future is brighter than ever.
- **Project Summit supports this future through advanced global operating models and business processes, boosting the company's profitability and capacity for investments in growth.**

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**New products/ improved product mix**
**(FY15~)**

**Summit driven efficiencies**
**(FY13~)**

**Core Earnings to sales ratio**
**25%**
**by FY17**




# Takeda's Bright Future – Project Summit Supports Our Important Mission

## Better Health, Brighter Future


- Takeda's late-stage pipeline is both rich and deep; further, impact of patent expiries is limited in the short to medium term
- Guided by Project Summit, we are transforming our business to better position ourselves as a strong global leader in the pharmaceutical industry
- To realize our Mid-Range Growth Strategy, we will continue to take bold and transformative steps to make every area of our company more effective, efficient, profitable and competitive
- Ultimately, Project Summit supports our Mission: We strive towards better health for people worldwide through leading innovation in medicine

Better Health, Brighter Future


# Second Quarter of Fiscal 2013 Updates Related to R&D Activities

Dr. Tadataka Yamada
Director and Chief Medical & Scientific Officer

October 31, 2013

Takeda Pharmaceutical Company Limited

# Focus for Mid-Range Growth Strategy

## Special Initiatives

# Initiatives for Improving R&D Productivity

**Improving R&D Productivity**

**Quality of Thought**

**Operational Excellence**

**Optimized Global R&D Activities**

**Reduced R&D Cycle time**

- ✓Fast to Candidate
- ✓Fast to IND
- ✓Fast to POC&C

**Reduced R&D Cost**

- ✓40% reduced cost per candidate

**Built Optimized R&D Structures**

- ✓Integration of Millennium R&D functions
- ✓Global Target Marketplace
- ✓Consolidated European R&D activities



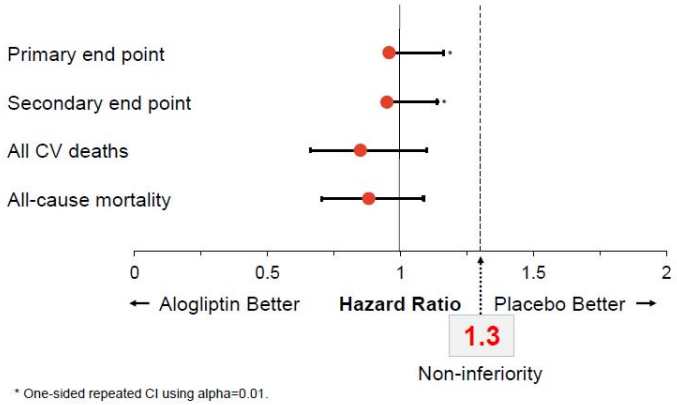
# R&D Pipeline Stage-ups (since July 31, 2013)

| | | | Ph-1 | Ph-2 | Ph-3 | Filing | Approval |
|---|---|---|---|---|---|---|---|
| BRINTELLIX® (vortioxetine) | Major depressive disorder | US | | | | | |
| OBLEAN® (cetilistat) | Obesity with both type 2 diabetes mellitus and dyslipidemia | JP | | | | | |
| VIPIDIA™ (alogliptin) | Diabetes mellitus | EU | | | | | |
| VIPDOMET™ (alogliptin/metformin) | Diabetes mellitus (fixed-dose combination with metformin) | EU | | | | | |
| INCRESYNC™ (alogliptin/pioglitazone) | Diabetes mellitus (fixed-dose combination with pioglitazone) | EU | | | | | |
| TAK-390MR (dexlansoprazole) | Erosive esophagitis (healing and maintenance), Non-erosive gastro-esophageal reflux disease | EU* | | | | | |
| TAK-816 | Prevention of infectious disease caused by Haemophilus influenzae type b (Hib) | JP | | | | | |
| AMITIZA® (lubiprostone) | Liquid formulation | US | | | | | |
| AD-4833/TOMM40 | Delay of onset of mild cognitive impairment due to Alzheimer's disease | US/EU | | | | | |
| TAK-137 | Psychiatric disorders and neurological diseases | - | | | | | |

*Dexlansoprazole has been approved in 16 countries in the EU by the decentralized procedure

# NESINA® / VIPIDIA™ (alogliptin)
## EXAMINE Study Demonstrated Affirmative CV Safety Profile

### Major EXAMINE study findings




**Primary end point:** composite of death from CV causes, nonfatal myocardial infarction, or non-fatal stroke
**Secondary end point:** primary composite with the addition of urgent revascularization due to angina within 24 hours after hospital admission

- Non-inferiority vs. placebo met for all endpoints
- HbA1c levels were significantly lower in patients on alogliptin than on placebo in addition to standard of care
- No differences between alogliptin and placebo group in hypoglycemia incidence, reported malignancies (including pancreatic cancer), and renal function
- Low and similar frequencies of acute and chronic pancreatitis
- Trend of decrease in mortality observed
- No increased incidence of hospitalization for heart failure

EXAMINE



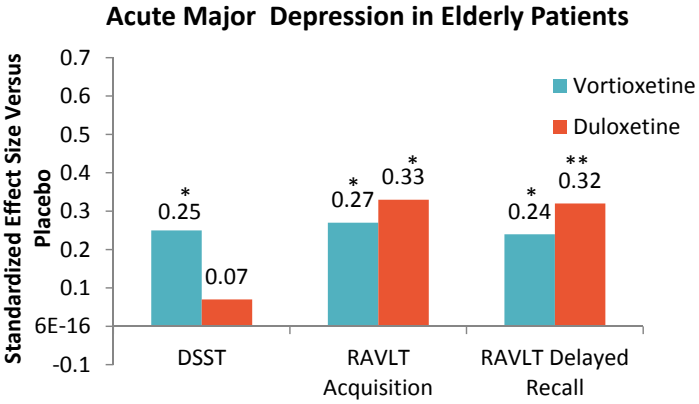
# Brintellix® (vortioxetine)
## Approved in the US for Major Depressive Disorder

### Program Status

- Novel multimodal anti-depressant, in-licensed from Lundbeck of Denmark
- Approved in the US on September 30th, 2013 for the treatment of adults with Major Depressive Disorder
- Efficacy and safety established across a global clinical trial program including six positive short term studies and one long-term maintenance trial
- Incidence of treatment emergent sexual dysfunction with Brintellix across doses 5-20mg in female patients was ≤34%; for male patients incidence was ≤29% (ASEX scale)
- Potential for favorable profile related to cognitive dysfunction

Brintellix™
vortioxetine
5mg•10mg•20mg tablets

### Key Data – Phase 3



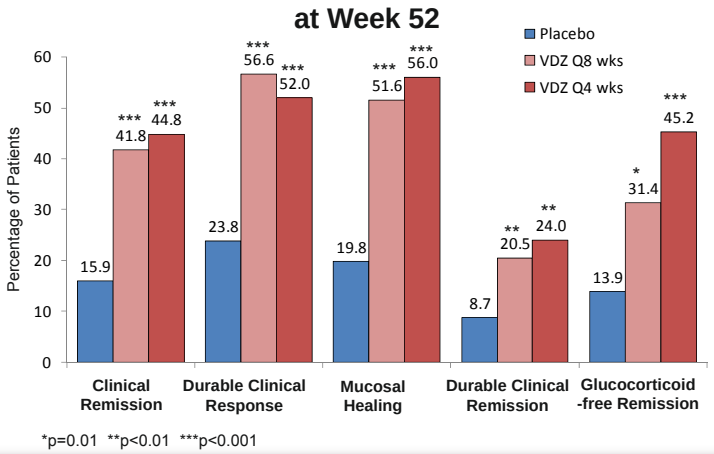

*p<0.05; **p<0.01 *versus placebo.*
**DSST**: Digit Symbol Substitution Test
**RAVLT**: Rey Auditory Verbal Learning Test

# MLN0002 (vedolizumab)
## Priority Review for US BLA of UC Granted

### Program Status

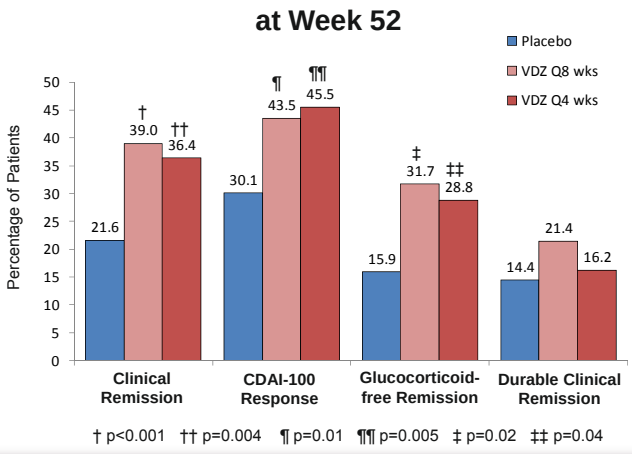
- A novel class of gut-selective monoclonal antibody targets α4β7 integrin on leukocytes involved in ulcerative colitis (UC) and Crohn's disease (CD)
- Filed in the EU (Mar 2013) and US (Jun 2013)
- Priority review for UC has been granted in the US, PDUFA date: February 18, 2014
- Has demonstrated efficacy in patients who are anti-TNF naïve and those with prior anti-TNF failure
- Two Phase 3 results were published in the August 22, 2013 issue of *the New England Journal of Medicine.*

### GEMINI I : Ulcerative Colitis




*p=0.01 **p<0.01 ***p<0.001

### GEMINI II : Crohn's Disease




† p<0.001 †† p=0.004 ¶ p=0.01 ¶¶ p=0.005 ‡ p=0.02 ‡‡ p=0.04



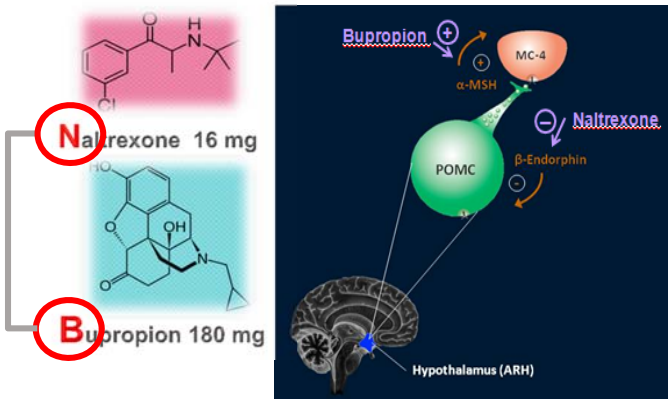


# Contrave®(bupropion SR / naltrexone SR)
## Potential NDA Resubmission in 2013

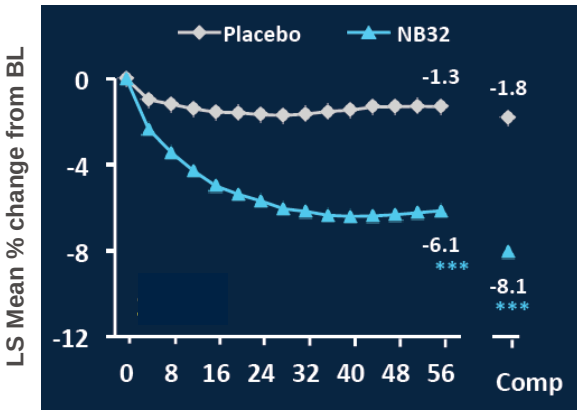
### Program Status

- Fixed-dose, sustained-release combination of naltrexone-HCl and bupropion-HCl
- CV outcome "LIGHT STUDY" underway to meet FDA requirement
- Interim analysis of the "LIGHT STUDY" expected to be conducted by early December, with the potential resubmission of the New Drug Application by year end 2013; six month review expected
- The first obesity agent to be supported by prospective cardiovascular outcome (MACE) data

### Mechanism of Action




### Key Data – Phase 3



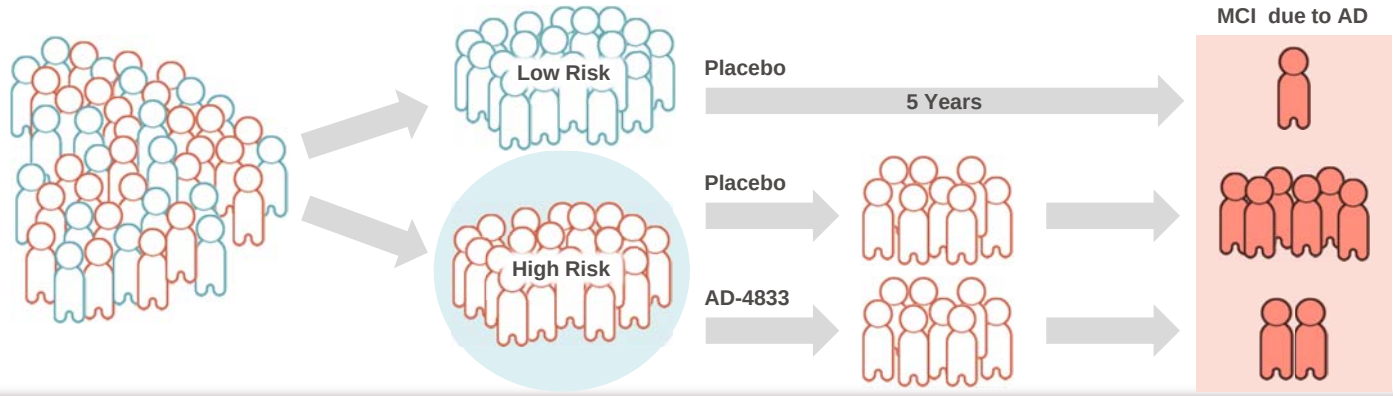

***p<0.001 vs placebo; completers at endpoint

# AD-4833/TOMM40
## Groundbreaking TOMMORROW Phase 3 Trial Initiated

### AD-4833/TOMM40

- Landmark clinical program with the potential to change the treatment paradigm in the Alzheimer's Disease (AD) continuum, essentially delaying disease progression to Mild Cognitive Impairment (MCI) and AD in cognitively normal individuals
- Risk Assessment Algorithm: TOMM40 biomarker + APOE + age has the potential to identify cognitively normal individuals at high risk of developing MCI due to AD in 97% of the population
- Low dose AD-4833 (pioglitazone) as a novel and safe treatment to delay MCI due to AD
- Trial objectives: (1) Qualify the biomarker algorithm (comprised of APOE + TOMM40 genotypes + age)
  (2) Assess efficacy of low dose AD-4833 to delay MCI due to AD

### The TOMMORROW Phase 3 Study







# TAK-875 (fasiglifam)
## High Potential Late-stage Pipeline

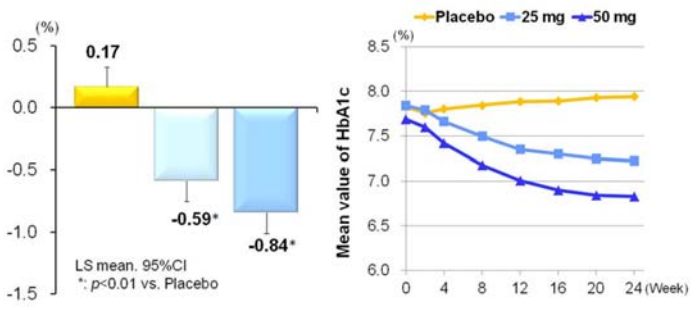
### Program Status

- GPR40 agonist for type 2 diabetes
- Reduces glucose levels with low risk of hypoglycemia (2% for fasiglifam versus 19% for glimepiride in Phase 2 trial)
- Well tolerated, no dose adjustment in patients with renal impairment
- Projected approvals in FY2015 (Japan), FY2016 (US & EU)

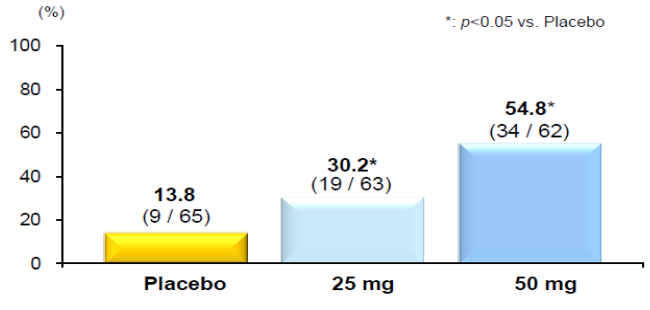
### Phase 3 Data (Japanese study CCT-003)

- Significant HbA1c reduction at 24 weeks compared to placebo
- Significant reduction in percentage of patients whose HbA1c levels reached the glycemic target (less than 6.9%)
- Incidence of hypoglycemia was similar to placebo for both TAK-875 25mg & 50mg, with no weight gain

### Mean HbA1c Change from Baseline at Week 24




### Percent of Subjects with HbA1c <6.9% at Week 24



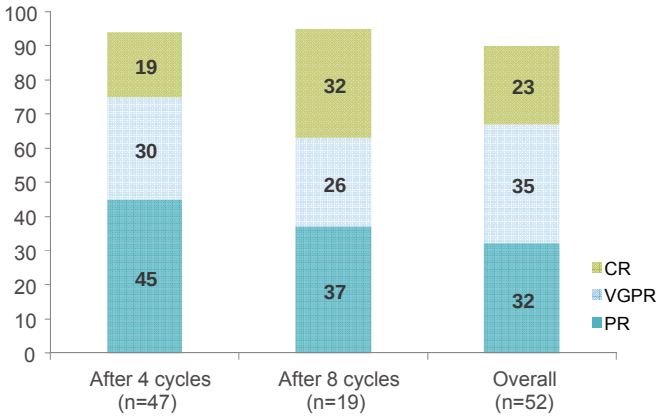
# MLN9708 (ixazomib citrate)
## High Potential Late-stage Pipeline

### Program Status

- First oral proteasome inhibitor in Phase 3
- Developing the all-oral regimen in Multiple Myeloma (MM)
- Single oral weekly dose
- On-going registration supportive clinical trials include ongoing Phase 3 trials in front line MM, R/R MM and R/R AL Amyloidosis
- Potential in a broad range of hematological and solid tumors
- Takeda has global marketing rights
- Projected approval in FY2015 (US/EU/Japan)

### Phase 1/2 Data in Front Line MM

**Preliminary responses with MLN9708, lenalidomide and dexamethasone**




- Of 3 response-evaluable patients who have completed 12 cycles, 2 achieved CR and 1 VGPR




# Promising Pipelines in Early to Mid Stages

**MLN8237: alisertib (Relapsed or refractory peripheral T-cell lymphomas, others)**
Phase 3 (US, EU), Phase 1 (Japan)
- First-in-class, oral, highly selective inhibitor of Aurora A kinase
- Preclinical results show high-level activity in hematologic and solid tumors

**DENVax (Prevention of dengue fever)**
Phase 2
- Live virus vaccine including the four serotypes of the dengue virus that cause dengue fever

**MT203: namilumab (Rheumatoid arthritis)**
Phase 1
- Fully human monoclonal antibody neutralizing GM-CSF (Granulocyte macrophage colony-stimulating factor)
- Phase 1 study in RA is ongoing

**Norovirus vaccine**
Phase 1/2
- The first-in-class vaccine against norovirus in the world
- Phase 1/2 data presented at Infectious Disease (ID) Week 2013

**TAK-137 (Psychiatric disorders and neurological diseases)**
Phase 1
- AMPA receptor potentiator, potential to be first-in-class to treat various conditions due to its high potency and safety/tolerability profile
- Phase 1 study in healthy subjects is ongoing

**MLN0264 (Advanced GI malignancies)**
Phase 1
- Antibody-Drug Conjugate targeting GCC
- Phase 1 study in patients with GCC expressing advanced GI malignancies ongoing

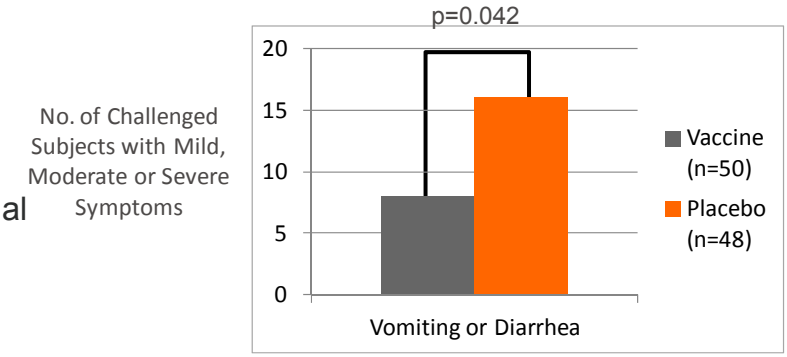
# Norovirus Vaccine
## Data presented at Infectious Disease (ID) Week 2013

**Phase 1/2 Data presented at Infectious Disease (ID) Week 2013**

- The candidate vaccine had a clinically relevant impact on the incidence of norovirus illness after challenge, as well as the severity in breakthrough cases
- In addition, a positive trend toward reduction in viral shedding in stool was observed
- The study also provided important information toward optimization of confirmatory lab testing for norovirus disease and infection in a future field trial

### Mild, Moderate or Severe AGE* Symptoms

52% reduction observed in mild, moderate or severe vomiting and/or diarrhea in subjects receiving vaccine vs placebo




*: Acute Gastroenteritis




# Ensuring Steady Pipeline Approval

| | FY13 | FY14 | FY15 | FY16 - FY17 |
|---|---|---|---|---|
| JP | azilsartan (TAK-536) CCB [1]<br>lansoprazole (AG-1749) LDA [2]<br>cetilistat (ATL-962)<br>influenza vaccine (BLB-750)<br>brentuximab vedotin (SGN-35) | trelagliptin (SYR-472)<br>vonoprazan (TAK-438)<br>vortioxetine (Lu AA21004)<br>Hib vaccine (TAK-816) | fasiglifam (TAK-875)<br>ixazomib (MLN9708)<br>orteronel (TAK-700) [5]<br>leuprorelin 6M (TAP-144-SR) | relugolix (TAK-385)<br>motesanib |
| US | vortioxetine (Lu AA21004)<br>vedolizumab (MLN0002) | orteronel (TAK-700) [5] | ixazomib (MLN9708)<br>alisertib (MLN8237) | fasiglifam (TAK-875)<br>ramelteon (TAK-375) SL |
| EU | alogliptin (SYR-322)<br>alogliptin MET [3]<br>alogliptin PIO [4]<br>dexlansoprazole (TAK-390MR)<br>lurasidone | vedolizumab (MLN0002) | ixazomib (MLN9708)<br>orteronel (TAK-700) [5] | fasiglifam (TAK-875)<br>alisertib (MLN8237) |
| EM NA[6] | In emerging markets and North Asia, compounds including alogliptin, azilsartan medoxomil, brentuximab vedotin, MEPACT, ramelteon, dexlansoprazole and DAXAS will be launched consecutively. | | | |

Already approved products in red. Please note that approval timing of several products, including certain in-licensed items, are not disclosed

[1] Calcium Channel Blocker (amlodipine), [2] Low Dose Aspirin, [3] Metformin, [4] Pioglitazone (ACTOS),
[5] Projected timeline is currently under review, [6] Emerging Markets + North Asia

In-house | In-license

# Forward-Looking Statements

This presentation contains forward-looking statements regarding the Company's plans, outlook, strategies, and results for the future.

All forward-looking statements are based on judgments derived from the information available to the Company at this time. Forward looking statements can sometimes be identified by the use of forward-looking words such as "may," "believe," "will," "expect," "project," "estimate," "should," "anticipate," "plan," "continue," "seek," "pro forma," "potential," "target, " "forecast," or "intend" or other similar words or expressions of the negative thereof.

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