



Consolidated Financial Results FY2016 Q1

July 29, 2016

Rudolf van Houten, Group Financial Controller

Important Notice

Forward-Looking Statements

This presentation contains forward-looking statements regarding Takeda's future business, financial position and results of operations, including estimates, forecasts, targets and plans. These forward-looking statements may be identified by the use of forward-looking words such as "aim," "anticipate," "assume," "believe," "continue," "endeavor," "estimate," "expect," "forecast," "initiative," "intend," "may," "outlook," "plan," "potential," "probability," "pro-forma," "project," "risk," "seek," "should," "strive," "target," "will" or similar words, or expressions of the negative thereof, or by discussions of strategy, plans or intentions.

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Definitions of Disclosure Terms (Summary)

- **"Core Earnings"** is calculated by taking reported gross profit and deducting SG&A expenses and R&D expenses. In addition, certain other items that are non-core in nature and significant in value may also be adjusted.
- **"Core EPS"** is calculated by taking Core Earnings and adjusting for items that are non-core in nature and significant in value within each account line below operating profit, including the related tax impact.
- **"Underlying Growth"** compares two periods of financial results under a common basis, showing the ongoing performance of the business excluding the impact of foreign exchange and divestitures.

For the details of **Core Earnings**, **Core EPS** and **Underlying Growth**, please refer to the Appendix. Although these items are not measures defined by IFRS, we believe that this approach makes our results more easily comparable with that of our peers.

FY16 Q1 Financial Key Highlights; Strong Start Driven by Takeda's Growth Drivers

- Reported growth in FY16 Q1:
-2.8% for revenue due to divestitures/FX impact; EPS up from 31 to 127 JPY reflecting gain on Teva transaction; Core EPS (excluding Teva gain) up 8.7%
- Underlying Growth in FY16 Q1:
+9.1% for revenue, +40.4% for Core Earnings, +54.2% for Core EPS
 - ✓ Growth Drivers (GI, Oncology, CNS and Emerging Markets) accelerate to +15.3% in Q1 versus +9.5% for FY15 on underlying basis
 - ✓ SG&A expense down year-on-year 4.1 bln JPY supported by Project Summit
- Confidence in Management Guidance
- Strongly committed to shareholder return with dividend as a key component

Reported Income Statement: FY16 Q1 vs. FY15 Q1

EPS from 31 JPY to 127 JPY reflecting gain on Teva transaction

(billion JPY)	FY15 Q1	FY16 Q1	Change	
Revenue	446.3	434.0	-12.3	- 2.8% *1
Gross profit	325.2	298.6 *2	-26.6	- 8.2%
SG&A	-161.7	-145.0	+16.7	- 10.4%
R&D	-79.8	-76.5	+3.2	- 4.1%
<i>Non-recurring items adjustments</i>	—	—	—	—
Core Earnings	83.7	77.1	-6.6	- 7.9%
Amortization and impairment losses on intangible assets associated with products	-33.8	-28.5	+5.3	- 15.7%
Other income/expenses	-0.3	104.3 *3	+104.7	—
Operating profit	49.6	152.9	+103.4	—
Financial income/expenses	-1.6	-2.9	-1.3	+ 76.0%
Equity income	0.8	-0.4	-1.2	—
Profit before tax	48.7	149.7	+101.0	—
Income tax	-23.3	-49.3 *4	-26.0	+ 111.8%
Non-controlling interests	-0.8	-0.8	+0.0	- 3.5%
Net profit	24.6	99.5	+74.9	—
EPS	31 JPY	127 JPY	+96 JPY	—
Core EPS	65 JPY	71 JPY	+6 JPY	+ 8.7%
<i>Exchange Rate</i>	<i>Yen per USD</i>	121	112	
	<i>Yen per EUR</i>	132	126	

***1** Primarily due to FX and divestitures, partially offset by robust product growth

***2** Gross margin down from 72.9% to 68.8% due to FX (-1.2%), divestitures (-1.2%) and price/mix (-1.7%) incl. NHI price reduction in Japan

***3** Gain on transfer of LLP business to JV with Teva (102.9 gain)

***4** More favorable effective tax rate due to Japan tax reform and favorable statutory earnings mix

Growth Drivers Accelerated by ENTYVIO[®], NINLARO[®] and TRINTELLIX[®]

Underlying
revenue growth

	FY15 Q1 (billion JPY)	FY16 Q1 (billion JPY)	
GI*	55.8	75.6	+35.3%
Oncology***	79.2	84.4	+6.6%
CNS	12.0	15.8	+31.5%
Emerging Markets*	59.7	62.0	+3.9%

Growth Drivers Total**

+15.3%

* Sales of pantoprazole in Emerging Markets (EM) is included in EM, but not in GI (Gastrointestinal), as it is a key driver in EM. Sales of pantoprazole in other regions is not included in this slide.

** Total GI/Oncology/CNS/EM, eliminated duplications (e.g. ADCETRIS in EM and in Oncology)

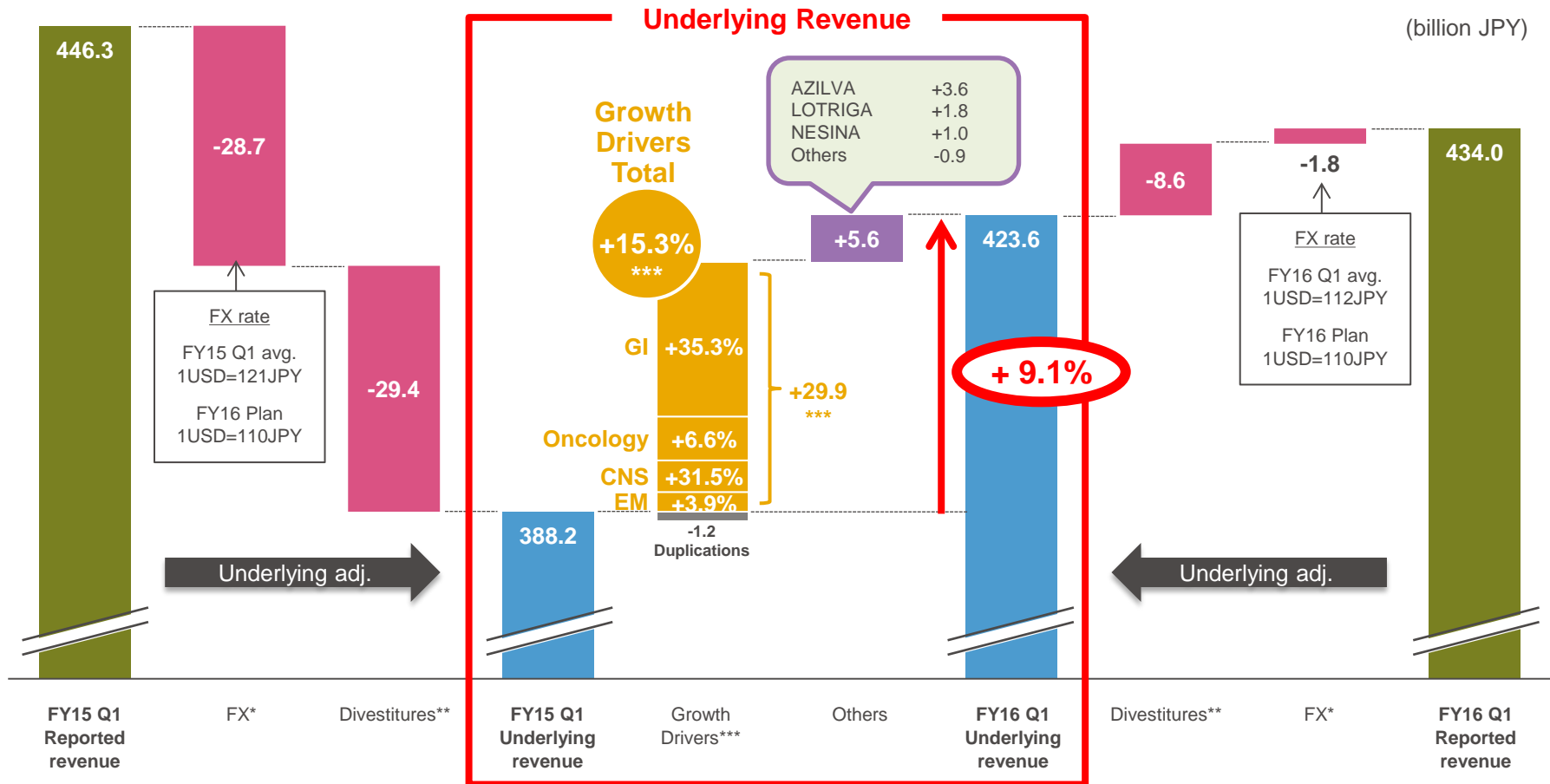
***Underlying growth of Oncology excluding VELCADE royalties and other income is +7.5%

Growth Drivers Sales**

Takeda Sales Total

53%

Underlying Revenue Increased by +9.1% Driven by +15.3% Increase in Growth Drivers



* Adjustment applying a constant currency at 1USD=110JPY, 1EUR=125JPY and etc., i.e. FY16 plan rate

** Divestitures' impact of LLP products in Japan, obesity treatment CONTRAVE, and respiratory products. See Appendix for details.

*** Total GI/Oncology/CNS/EM, eliminated duplications (e.g. ADCETRIS in EM and in Oncology). See Appendix for details.

All Regions Showing Underlying Growth Supported by Innovative Products

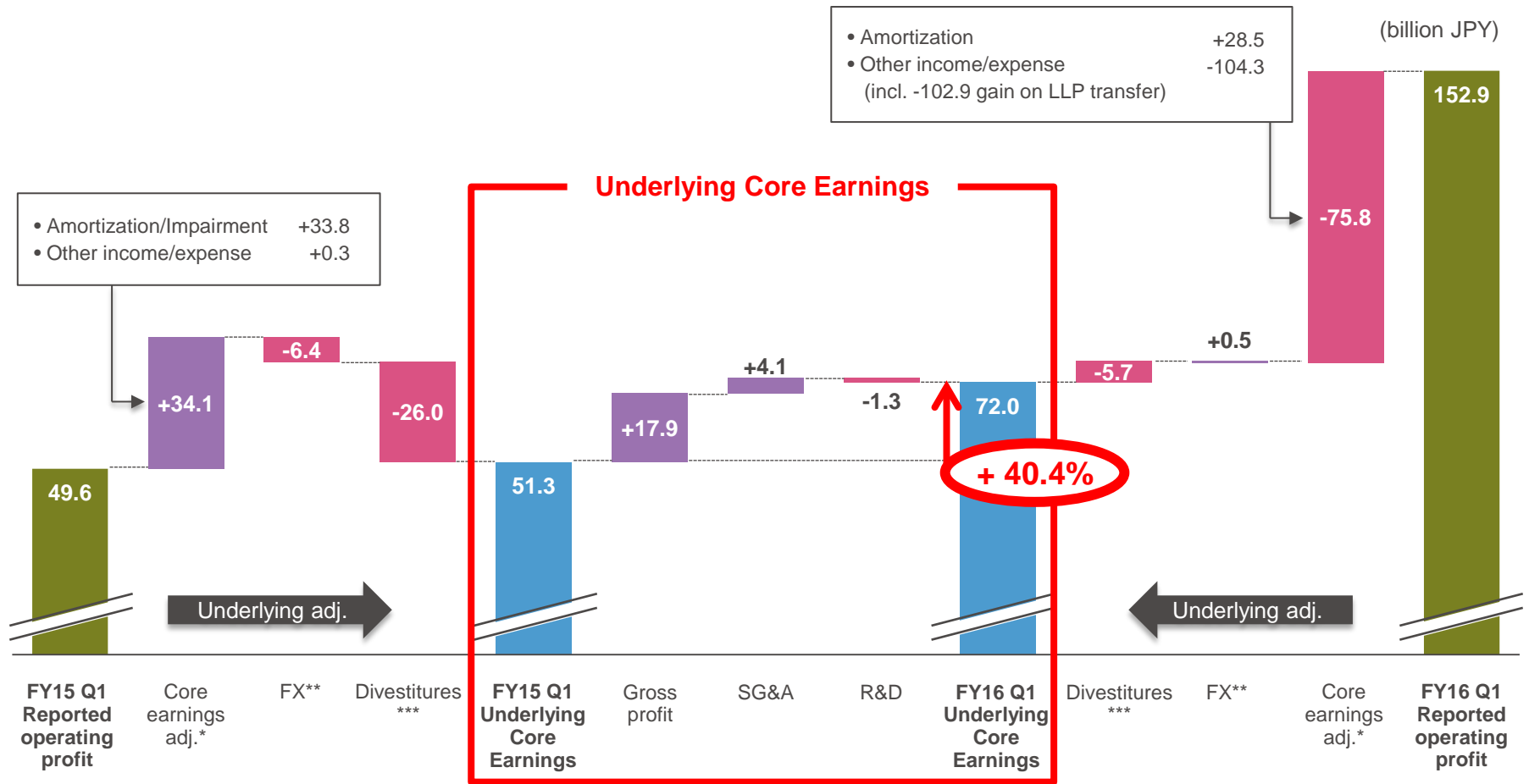
	<u>FY16 Q1 Growth %</u>	
	<i>Underlying</i>	<i>Reported</i>
Japan	+9.7%	-6.2%
TAKECAB	6.4 billion JPY in FY16 Q1	
AZILVA	+25.6%	
LOTRIGA	+36.8%	

	<u>FY16 Q1 Growth %</u>	
	<i>Underlying</i>	<i>Reported</i>
U.S.	+14.9%	+5.4%
ENTYVIO	+103.4%	+87.2%
TRINTELLIX	+38.2%	+27.6%
NINLARO	6.0 billion JPY in FY16 Q1	

	<u>FY16 Q1 Growth %</u>	
	<i>Underlying</i>	<i>Reported</i>
Europe and Canada	+6.2%	-1.7%
ENTYVIO	+137.3%	+124.4%
ADCETRIS	+24.5%	+17.4%

	<u>FY16 Q1 Growth %</u>	
	<i>Underlying</i>	<i>Reported</i>
Emerging Markets	+3.9%	-14.6%
China	+12.6%	+3.8%
Russia	+9.5%	-14.4%
Brazil	+1.0%	-16.0%

Underlying Core Earnings Increased by +40.4% Driven by Growth Drivers and Lower SG&A Expenses

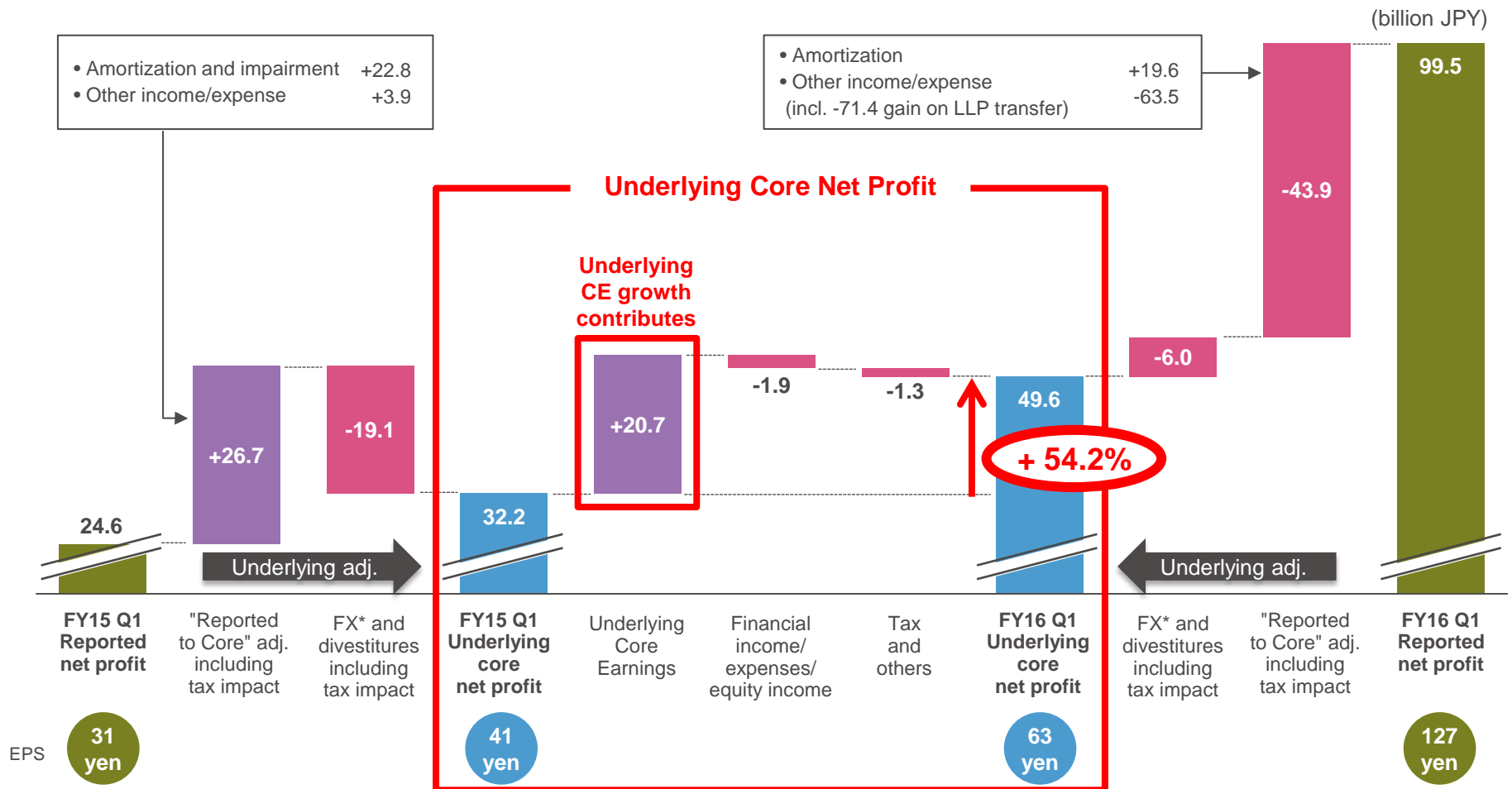


* See reported to core, core to underlying reconciliation sheet uploaded onto the website.

** Adjustment applying a constant currency at 1USD=110JPY, 1EUR=125JPY and etc., i.e. FY16 plan rate

*** Divestitures' impact of LLP products in Japan, obesity treatment CONTRAVE, and respiratory products.

Underlying Core Net Profit & EPS Up +54.2% Driven Entirely by Core Earnings Growth



* Adjustment applying a constant currency at 1USD=110JPY, 1EUR=125JPY and etc., i.e. FY16 plan rate

Intent of Transformation is to Increase R&D Productivity with Sustained Investment in R&D

- **One-time P/L implementation costs of approximately 75 bln JPY**
- **FY2016 implementation costs of up to 25 bln JPY with the remainder of 50 bln JPY mostly in FY2017**
- **Takeda intends to re-invest annual savings of approximately 18 bln JPY after implementation into an innovative pipeline over time**
- **Dividend payments will not be affected**
- **FY2016 guidance will not be affected**

Confidence in Management Guidance

FY2016: A Year of Strategic Focus to Sustain Growth

FY2016 Management Guidance

Underlying Revenue

Mid single digit growth (%)

Underlying Core Earnings

Low- to mid-teen growth (%)

Underlying Core EPS

Low- to mid-teen growth (%)

Annual dividend per share

180 yen

Full Year Reported Forecast* Maintained; Strong Q1 Supports Full Year Outlook

Announced on May 10, 2016

(billion JPY)

	FY15 Actual	FY16 Forecast*	Change	
Revenue	1,807.4	1,720.0	-87.4	-4.8%
R&D expenses	345.9	325.0	-20.9	-6.0%
Operating profit	130.8	135.0	4.2	+3.2%
Profit before tax	120.5	132.5	12.0	+9.9%
Net profit for the year	80.2	88.0	7.8	+9.8%
EPS	102 yen	112 yen	10 yen	+9.8%
Exchange Rate	Yen per USD	121	110	-11
	Yen per EUR	132	125	-7

- Q1 profit reflects some benefit from phasing of expenses
- Rest of year forecast includes significant one-time expenses:
 - ✓ R&D transformation 25 bln JPY
 - ✓ Potential impairments 30 bln JPY
- Exchange rates remain volatile

*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.

Appendix

Definition of Core Earnings and Core EPS

Core Results Concept

- Takeda uses the concept of Core Earnings and Core EPS to report the performance of its business. This measure is used by management for internal planning and evaluation purposes, as well as in discussions with external stakeholders. Core earnings aligns business reporting with the underlying performance of the Group by removing the volatility inherent in many non-core items. Although core earnings is not a measure defined by IFRS, we believe that this approach makes the Group's results more easily comparable with the majority of our peers, many of which use similar measures for performance evaluation, although the precise calculations may differ.
- **Core Earnings** is calculated by taking Gross Profit and deducting SG&A expenses and R&D expenses. In addition, certain other items that are significant in value and non-core in nature are adjusted. This may include items such as the impact of natural disasters, purchase accounting effects, major litigation costs, integration costs and government actions, amongst others. The threshold for adjustments is set deliberately high at 1 billion JPY to ensure accountability and credibility.
- **Core EPS** is calculated by taking Core Earnings and adjusting for items that are non-core in nature and significant in value (over 1 billion JPY) within each account line below Operating Profit. This includes, amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration. In addition to the tax effects related to these items, the tax effects related to the above adjustments made in Core Earnings are also adjusted for when calculating Core EPS.

Definition of Underlying Growth

Underlying Growth

- Underlying growth compares two periods (quarters or years) of financial results under a common basis, showing the ongoing performance of the business. Adjustments are made to place each period on a constant currency and constant population basis.
- **Constant Currency:** Takeda operates globally and is exposed to movements in various different foreign exchange rates. Consequently, financial result comparisons between different periods can be, and often are, distorted by differences in the exchange rates at which transactions in foreign currencies are recorded. To enable management and external stakeholders to better understand underlying changes in financial performance, undistorted by the effects of movements in exchange rates, underlying results are prepared using constant exchange rates (CER), typically the budgeted exchange rates for the current year.
- **Constant Population:** Takeda operates in a dynamic environment and is continually looking to optimize its portfolio by divesting non-core or non-strategic assets. Consequently, financial result comparisons between different periods can be distorted as the financial results of such divestitures may be included in one period but not in the comparison period. To enable management and external stakeholders to better understand underlying changes in financial performance, undistorted by the effects of divestitures, underlying results are prepared on a "constant population" basis, typically excluding the impact of divestitures from prior periods.

Growth Drivers

Growth Drivers in GI, Oncology and CNS

			(billion JPY)	
<i>Underlying revenue growth</i>	FY15 Q1	FY16 Q1	Underlying growth	
ENTYVIO	14.8	31.7	+16.9	+113.9%
TAKECAB	0.5	6.4	+5.8	—
AMITIZA	8.5	8.7	+0.2	+2.5%
DEXILANT	17.0	16.0	-1.0	-5.9%
LANSOPRAZOLE*	15.0	12.8	-2.2	-14.8%
GI	55.8	75.6	+19.7	+35.3%
NINLARO	—	5.9	+5.9	—
ADCETRIS	6.1	7.8	+1.7	+27.2%
LEUPRORELIN	30.0	30.8	+0.7	+2.5%
VECTIBX	4.7	4.9	+0.2	+5.1%
VELCADE	38.4	35.0	-3.3	-8.7%
Oncology	79.2	84.4	+5.2	+6.6%
TRINTELLIX**	4.6	6.3	+1.8	+38.2%
ROZEREM	3.5	4.7	+1.2	+33.2%
REMINYL	3.9	4.6	+0.8	+19.3%
COPAXONE	—	0.1	+0.1	—
CNS	12.0	15.8	+3.8	+31.5%

* Sales of LANSOPRAZOLE in Japan, product name TAKEPRON (single agent) is adjusted in FY15 due to transfer of the product to the JV with Teva in FY16.

** TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.

Growth Drivers in GI and Oncology – Product Profile

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
5	NINLARO	2015/12	Proteasome inhibitor – oral	Multiple myeloma

* Pantoprazole is included in Emerging Markets (EM), 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 CNS – Product Profile

Growth Drivers in CNS

Brand/Generic Name		Launch**	Drug Class	Main Indications
1	ROZEREM	2005/9	MT ₁ /MT ₂ receptor agonist	Insomnia
2	REMINYL	2011/3	Acetylcholinesterase inhibitor and nicotinic acetylcholine receptor enhancer	Alzheimer-type dementia
3	TRINTELLIX*	2014/1	Multimodal anti-depressant	Major depressive disorder
4	COPAXONE	2015/11	Immunomodulator	Relapse prevention of multiple sclerosis

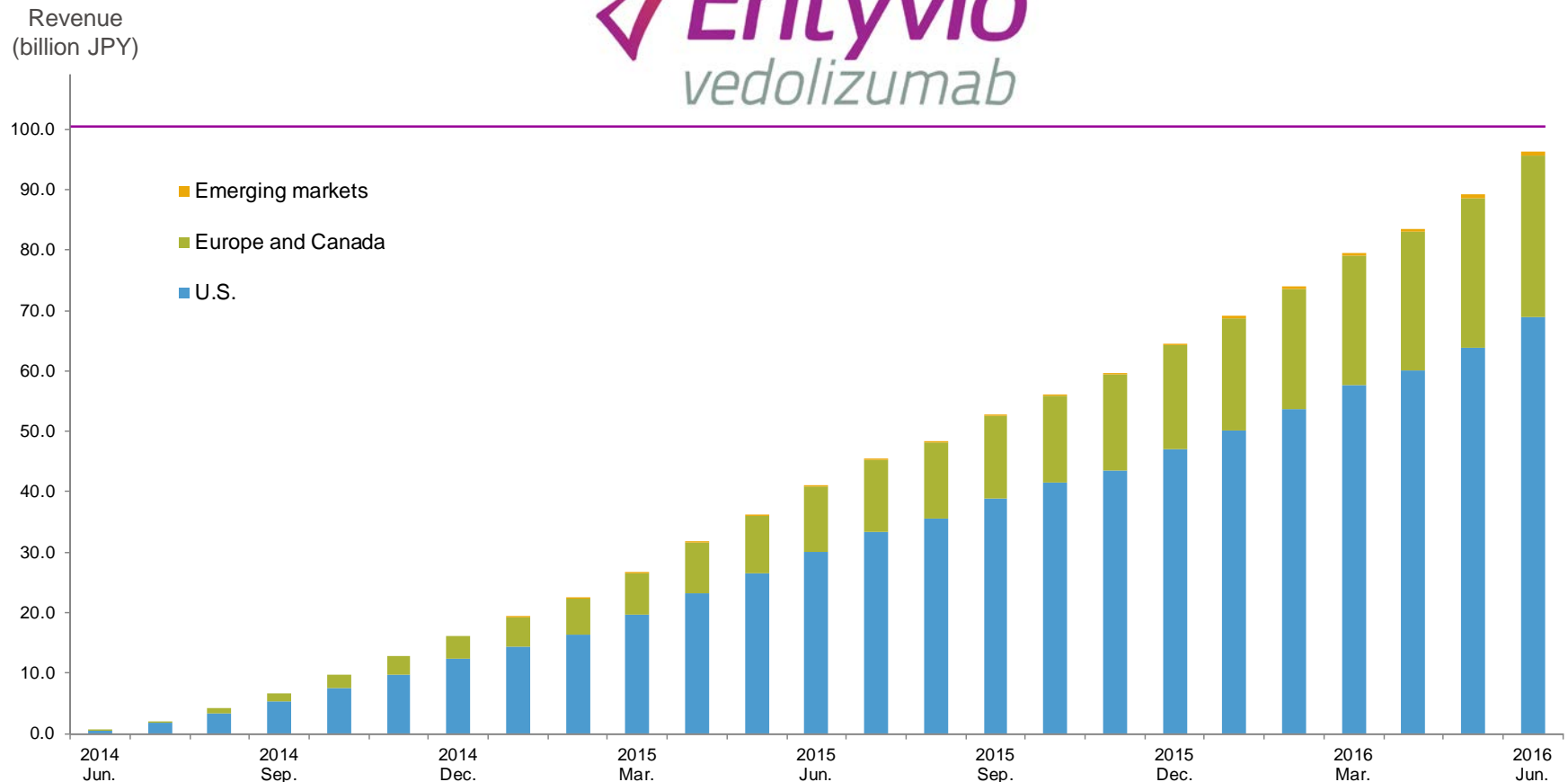
* TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX

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

ENTYVIO®

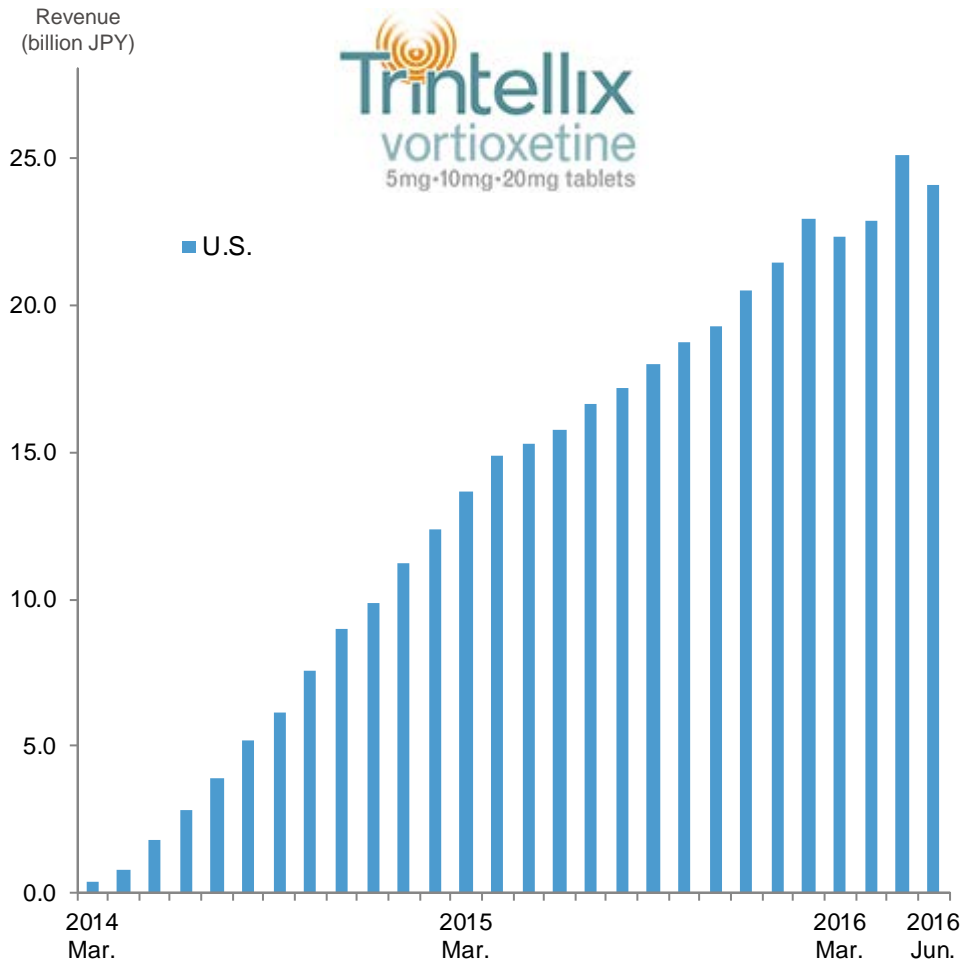
On Track to Exceed \$2bn MAT Sales within FY2018

Moving Annual Total sales @ Constant currency

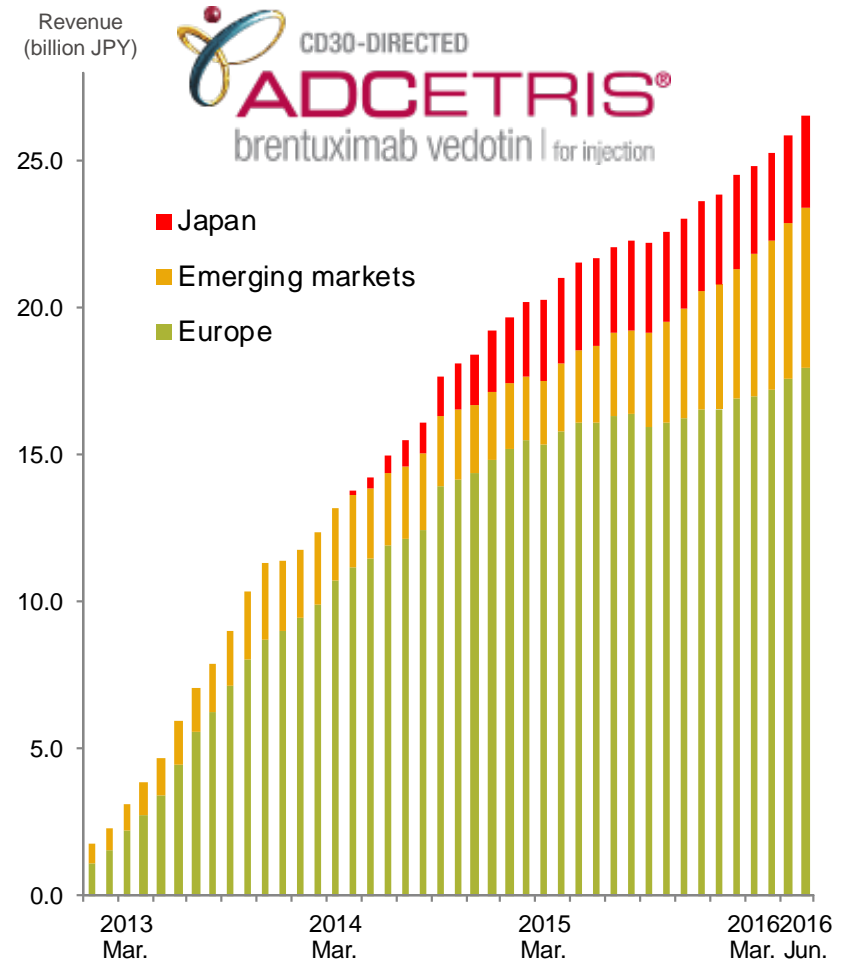


Strong Performance of TRINTELLIX® and ADCETRIS®

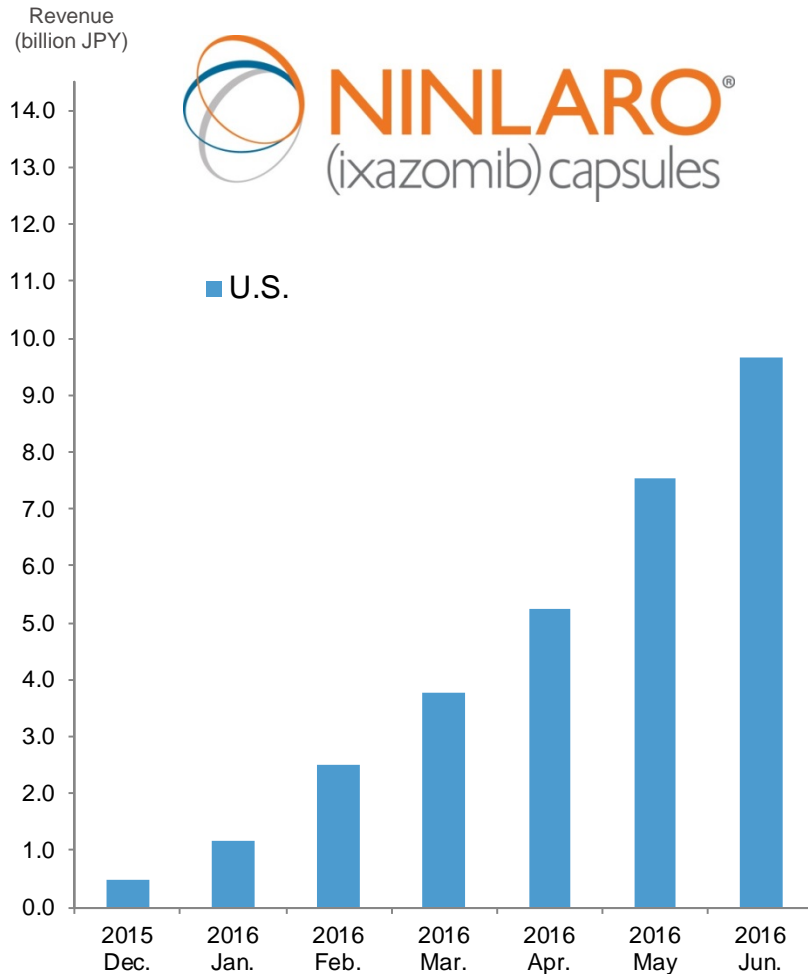
NOTE: TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.



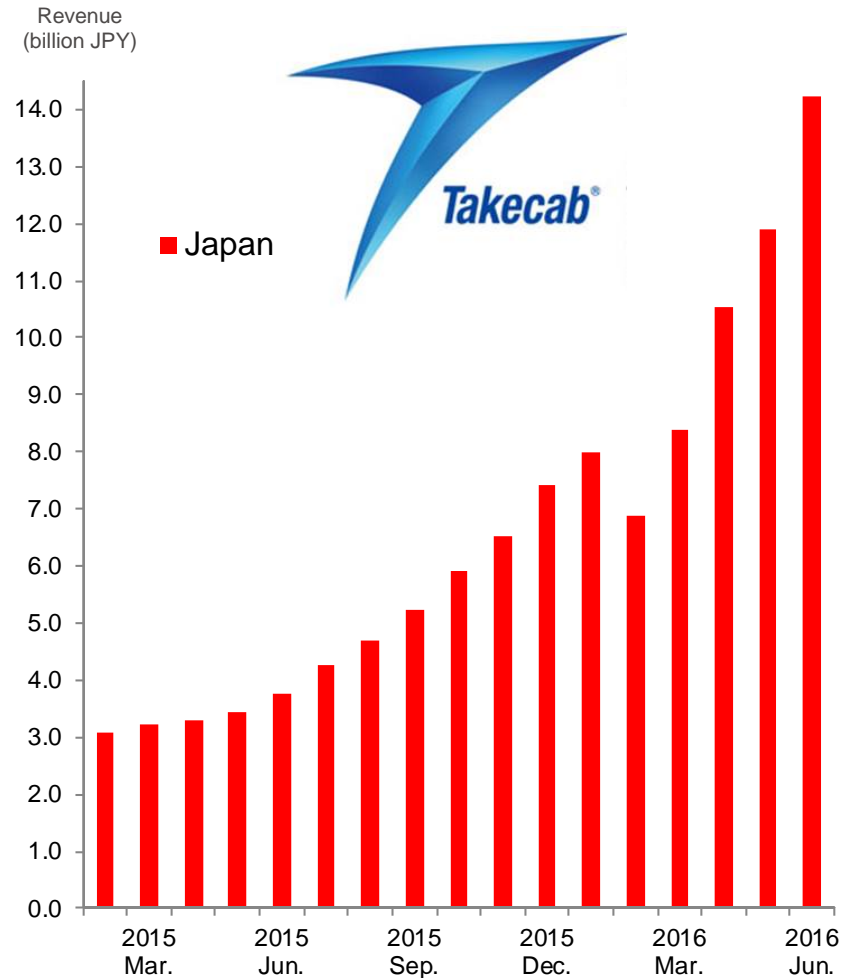
Moving Annual Total sales @ Constant currency



Encouraging Uptake of NINLARO® and TAKECAB®

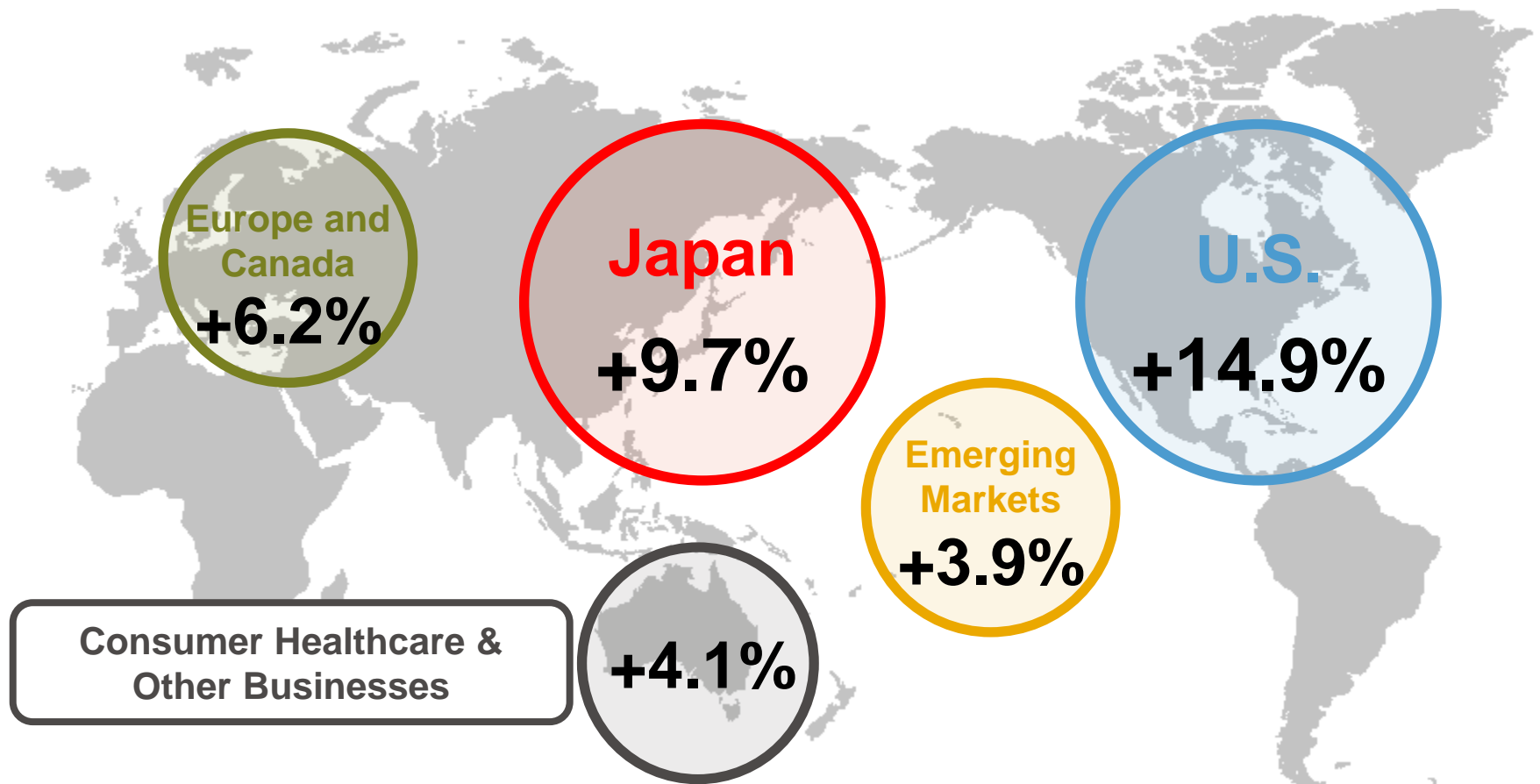


Moving Annual Total sales @ Constant currency



U.S. and Japan Strongly Drive Revenue Growth

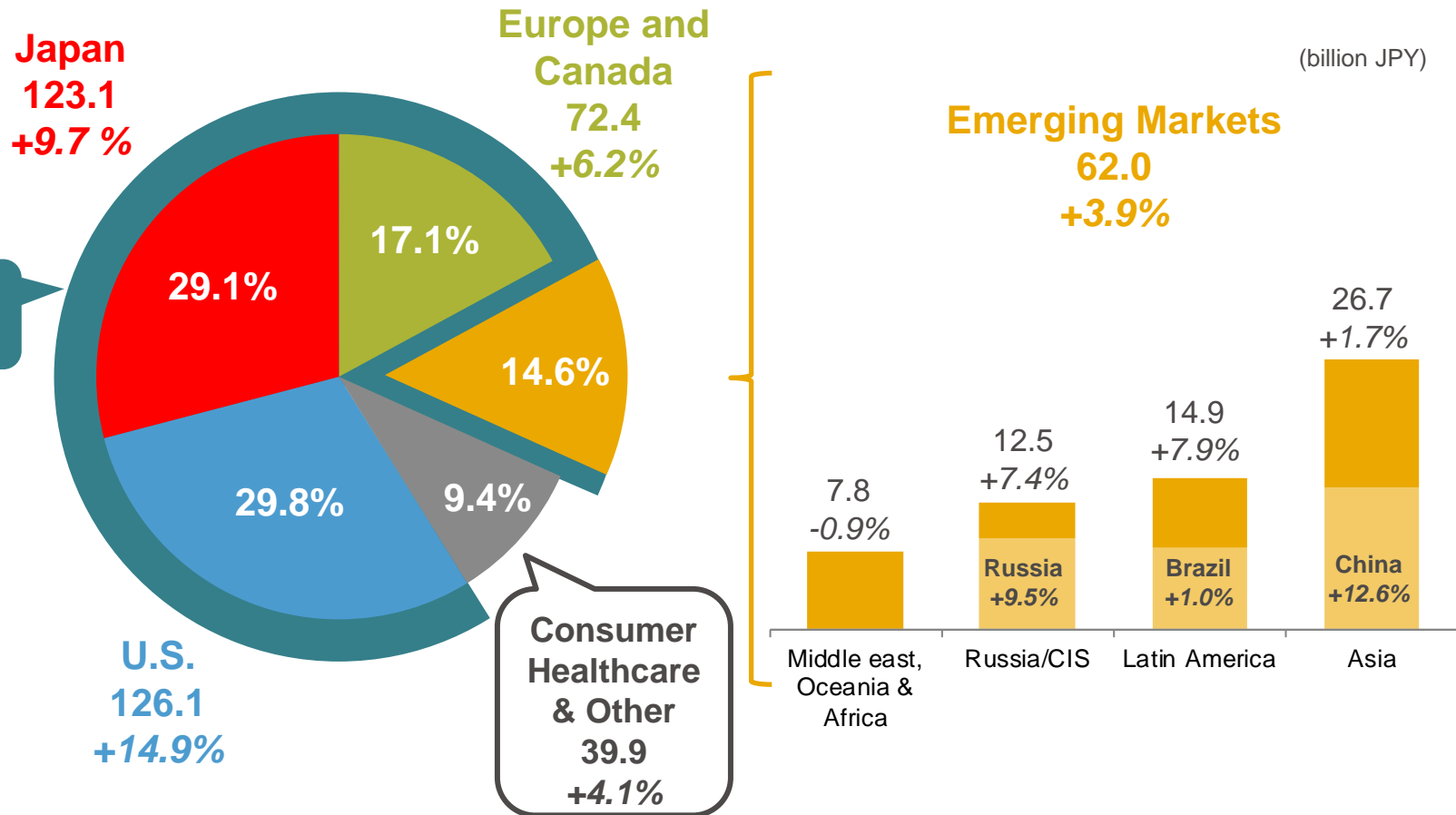
FY16 Q1 Consolidated Underlying Revenue: 423.6 billion JPY, +9.1%



Major Countries in Emerging Markets; China and Russia Strong Start in Constant Currency

FY16 Q1 Consolidated Underlying Revenue: 423.6 billion JPY, +9.1%

(billion JPY)



Underlying Income Statement

Underlying Income Statement: FY16 Q1 vs. FY15 Q1

	FY15 Q1	FY16 Q1	(billion JPY) Change	
Underlying Revenue	388.2	423.6	+35.4	+ 9.1%
Underlying Gross profit	274.5	292.4	+17.9	+ 6.5%
SG&A	-148.6	-144.5	+4.1	- 2.8%
R&D	-74.7	-75.9	-1.3	+ 1.7%
Underlying Core Earnings	51.3	72.0	+20.7	+ 40.4%
Financial income/expenses	0.7	-0.6	-1.3	—
Equity income	0.8	0.2	-0.6	- 79.4%
Underlying Core Profit before tax	52.8	71.6	+18.8	+ 35.5%
Income tax	-19.8	-21.1	-1.3	+ 6.7%
Non-controlling interests	-0.8	-0.8	+0.0	- 0.6%
Underlying Core Net profit	32.2	49.6	+17.5	+ 54.2 %
Underlying Core EPS	41 JPY	63 JPY	+22 JPY	

Reported to Underlying Bridge for Revenue

(billion JPY)

	FY15 Q1	FY16 Q1	Growth
Revenue	446.3	434.0	- 2.8%
Fx effects*	-28.7	-1.8	
FY15 revenue of long-listed products in Japan transferred to the JV with Teva	-22.6	-	
FY15 revenue of respiratory products sold to AstraZeneca	-5.1	-	
FY15 revenue of Contrave transfer back to Orexigen	-1.8	-	
FY16 divestiture impact total**	-	-8.6	Underlying Growth
Underlying Revenue	388.2	423.6	+ 9.1%

* Adjustment applying a constant currency at 1USD=110JPY, 1EUR=125JPY and etc., i.e. FY16 plan rate

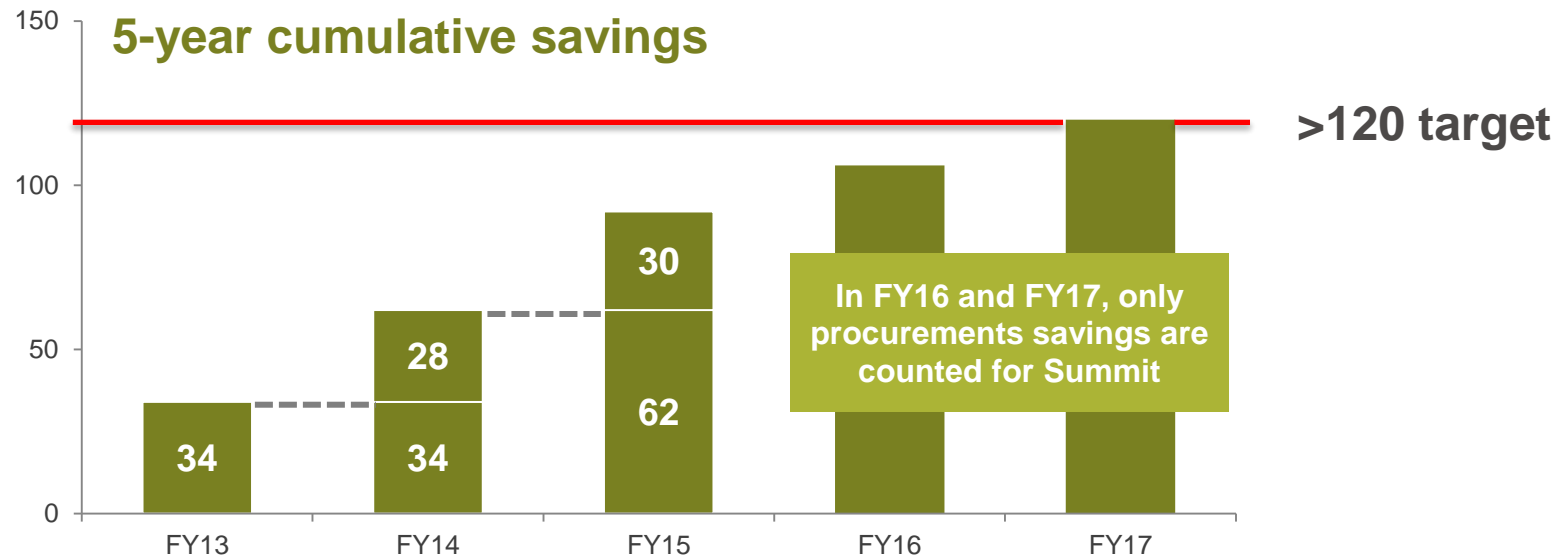
** Total of supply and distribution service income from Teva JV and revenue of respiratory products and obesity treatment CONTRAVE in FY16.

Project Summit

Project Summit on Track Driven by Procurement

	FY13-15 (cumulative)	FY16 Q1 (result)	FY13-17 (cumulative target)	(billion JPY)
Cost savings	92	4*	>120	
Implementation costs	69	3	Up to 100	

* FY16 Q1 savings breakdown: 23% Commercial, 31% R&D, 14% Production & Supply, and 31% G&A



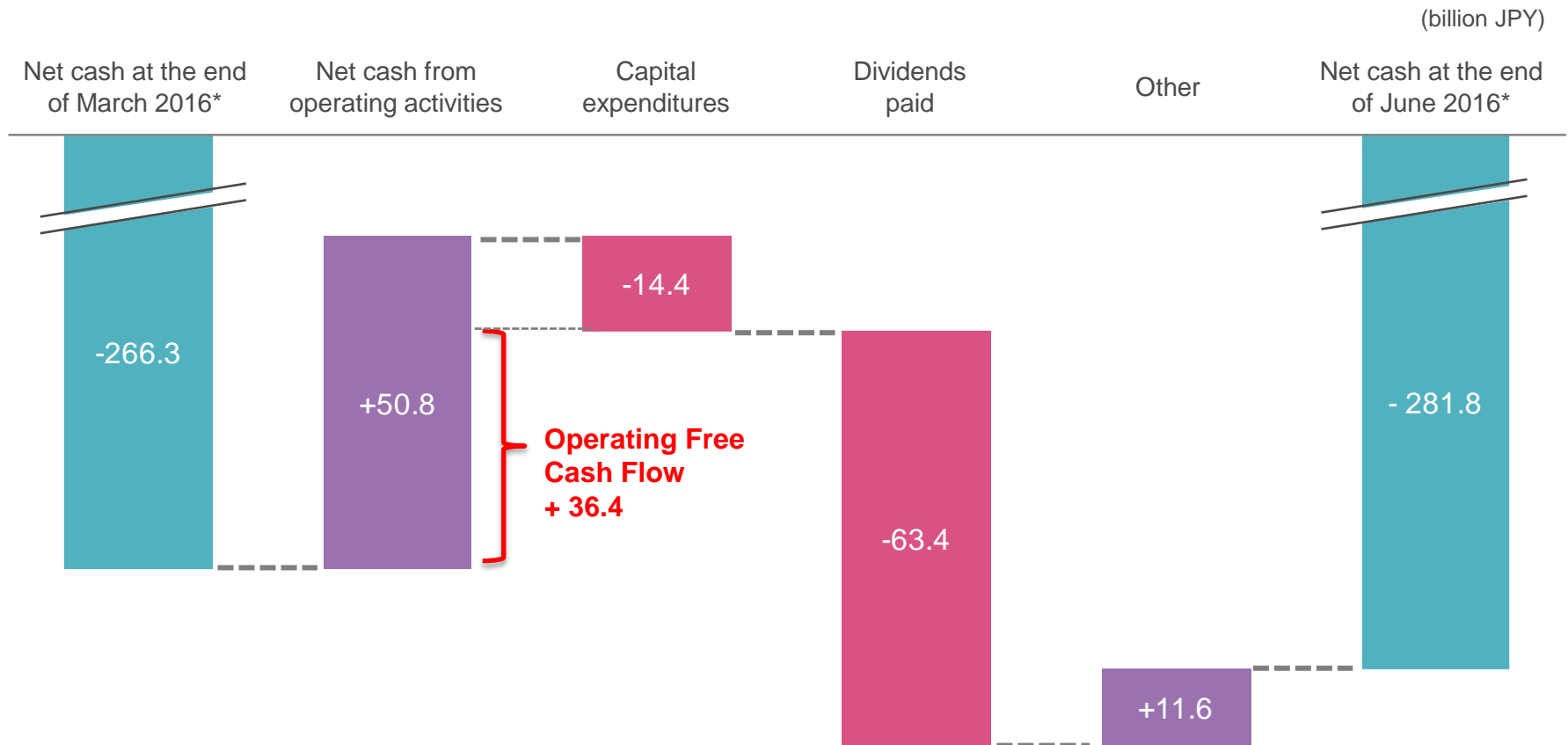
Cash Flow and Debt

Cash Flow

	FY15 Q1	FY16 Q1	Change	(billion JPY)
Net profit	25.4	100.3	+74.9	
Depreciation, amortization and impairment loss	49.0	43.8		
Decrease (increase) in trade working capital	-19.5	-39.6		
Income taxes paid	-12.1	-4.9		
Other	-24.1	-48.9		
Net cash from operating activities	18.6	50.8	+32.1	
Acquisition of tangible assets	-10.0	-12.0		
Acquisition of intangible assets	-5.6	-2.4		
(Operating Free Cash Flow)	(+3.0)	(+36.4)	(+33.3)	
Payments into time deposits	-	-55.0		
Proceeds from sales of business	-	62.4		
Other	-4.8	1.4		
Net cash used in investing activities	-20.4	-5.6	+14.7	
Proceeds from long-term loans	-	200.0		
Payment for acquisition of treasury stock	-22.3	-21.0		
Dividends paid	-62.5	-63.4		
Other	-1.8	-3.2		
Net cash from (used in) financing activities	-86.6	112.4	+199.0	
Net increase (decrease) in cash and cash equivalents*	-88.3	157.6	+245.9	

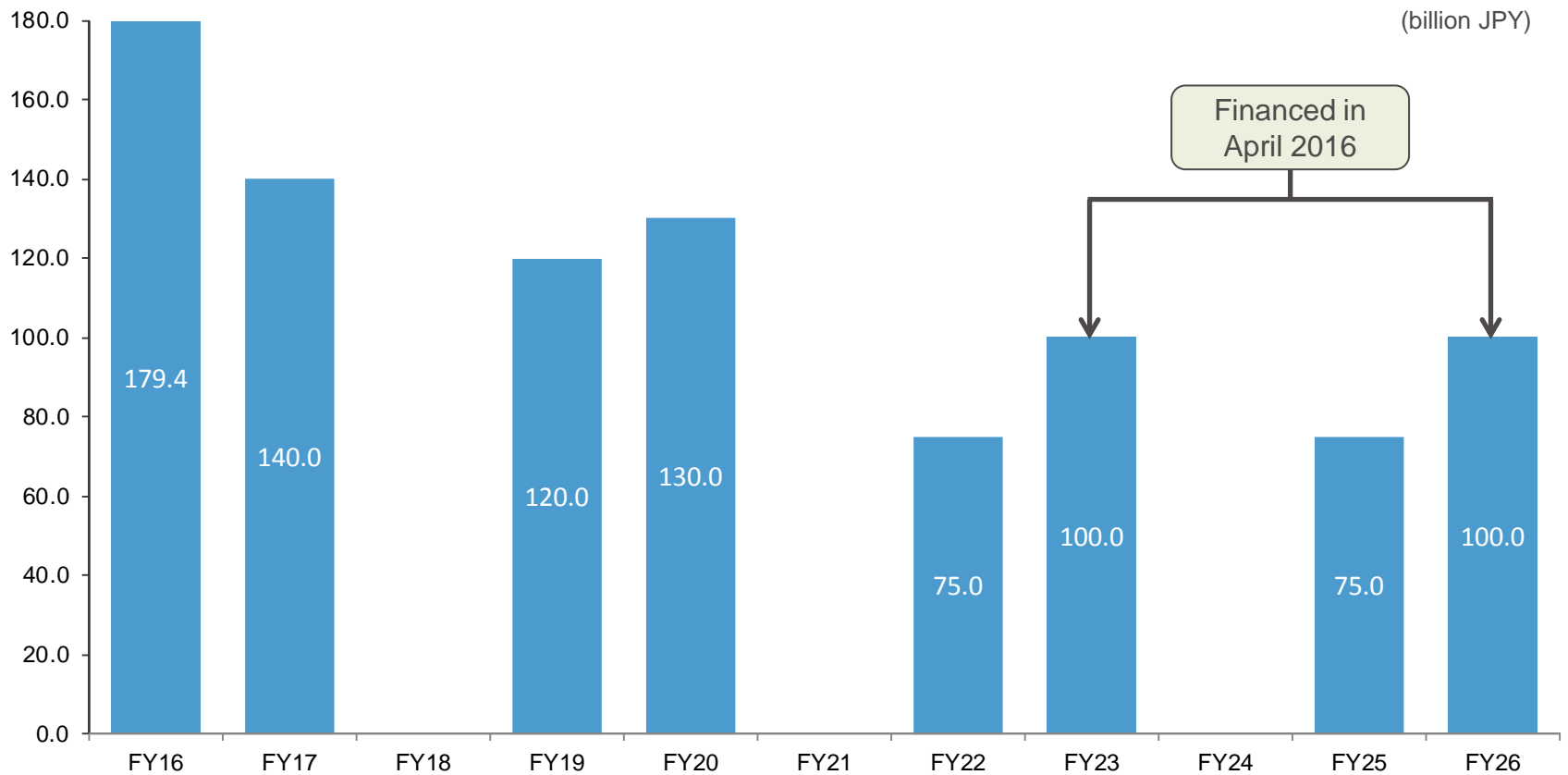
* Net increase (decrease) in cash and cash equivalents does not include effect of movements in exchange rates on cash and cash equivalents.

FY16 Q1 Operating Free Cash Flow Over 36 bln JPY



* 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.

Debt Maturity Schedule



FY2016 Reported Forecast

FY2016 Full Year Reported Forecast

Reported Net Profit & EPS to grow +10% vs. FY15

Announced on May 10, 2016.

(billion JPY)

	FY15 Actual	FY16 Forecast*	Change	
Revenue	1,807.4	1,720.0	-87.4	-4.8%
R&D expenses	345.9	325.0	-20.9	-6.0%
Operating profit	130.8	135.0	4.2	+3.2%
Profit before tax	120.5	132.5	12.0	+9.9%
Net profit for the year	80.2	88.0	7.8	+9.8%
EPS	102 yen	112 yen	10 yen	+9.8%
Exchange Rate	<i>Yen per USD</i>	121	110	-11
	<i>Yen per EUR</i>	132	125	-7

Major Assumptions

FX rate

USD: 110 yen, EUR: 125 yen, RUB: 1.6 yen, CNY: 17.4 yen, BRL: 31.2 yen

R&D expenses

325 billion JPY, declining due to FX

Amortization and impairment of intangibles

140 billion JPY

Teva JV gains on transfer of business (other income)

100 billion JPY

Efficiency initiatives cost (other expense)

25 billion JPY

CAPEX (tangible and intangible)

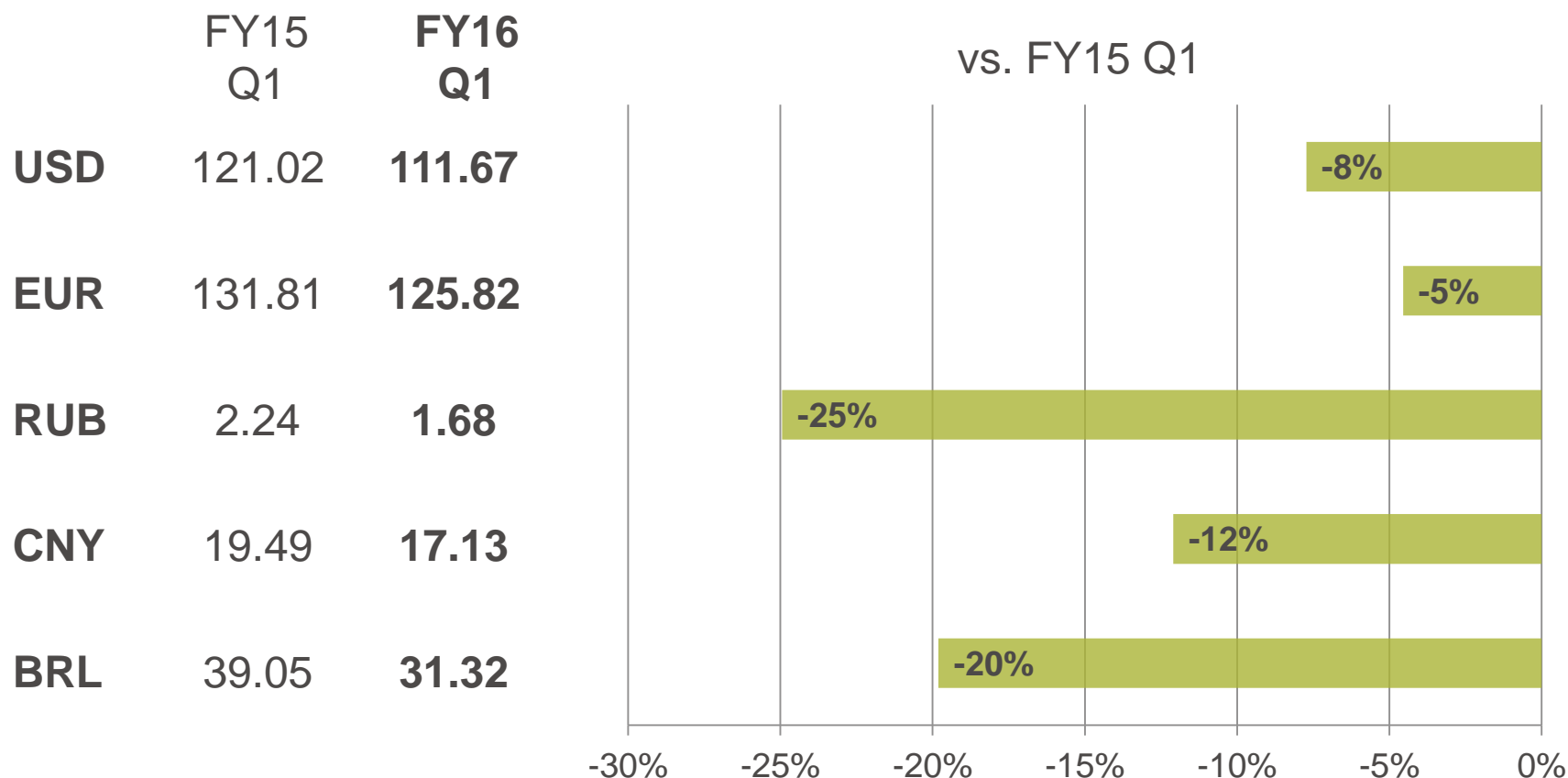
175 billion JPY

*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.

Foreign Exchange Rates

Average Exchange Rates for FY16 Q1

Average Exchange Rates (JPY)*



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

Monthly Exchange Rates and Outlook

(JPY)

Actual*	FY15					FY16				
	USD	EUR	RUB	CNY	BRL	USD	EUR	RUB	CNY	BRL
Apr	120	130	2.1	19.3	37.2	112	127	1.7	17.4	31.2
May	119	130	2.3	19.1	40.8	111	126	1.7	17.1	31.6
Jun	124	136	2.4	20.0	39.2	111	124	1.7	16.9	31.1
Average	121	132	2.2	19.5	39.1	112	126	1.7	17.1	31.3

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

(JPY)

Outlook	FY16				
	USD	EUR	RUB	CNY	BRL
Average Jul-Mar	109	125	1.6	17.5	31.2
Average Apr-Mar	110	125	1.6	17.4	31.2

Impact of 1% Fluctuation of Yen

Impact of 1% fluctuation of yen for Jul-Mar

(billion JPY)

	FY16 Jul - Mar				
	USD	EUR	RUB	CNY	BRL
Revenue	4.3	1.4	0.3	0.5	0.3
Core Earnings	0.9	0.3	0.2	0.1	0.0
Net Profit	0.2	-0.0	0.1	0.1	0.0

Better Health, Brighter Future



Takeda Pharmaceutical Company Limited