



Takeda Strategy in Japan

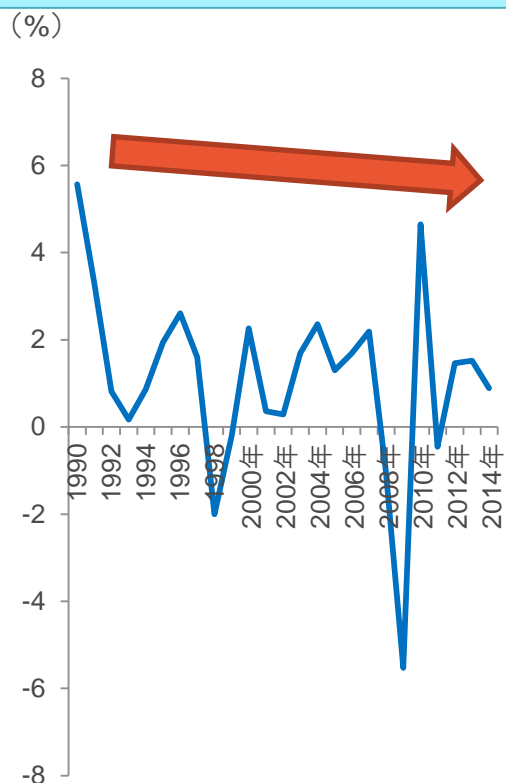
Masato Iwasaki
Director, President of Japan Pharma Business Unit
Takeda Pharmaceutical Company Limited

Japan - current fiscal situation and Government view

Increasing social security costs due to aging population



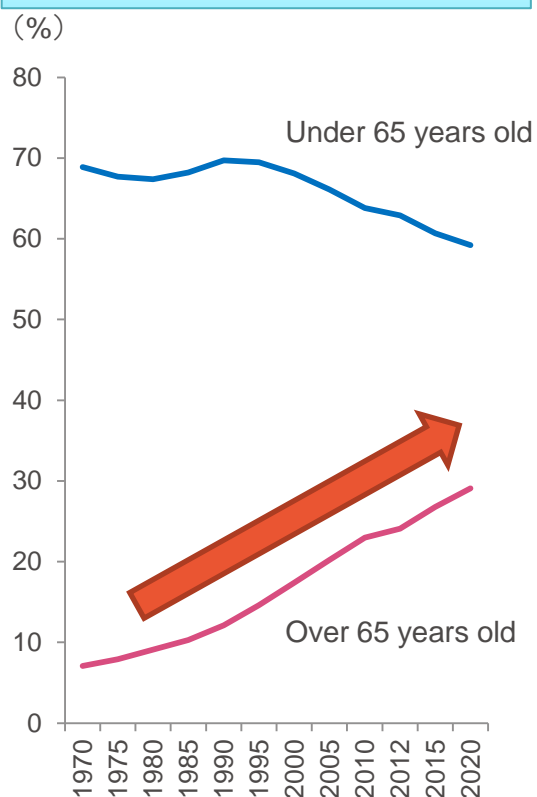
Economic slowdown



Real GDP growth rate

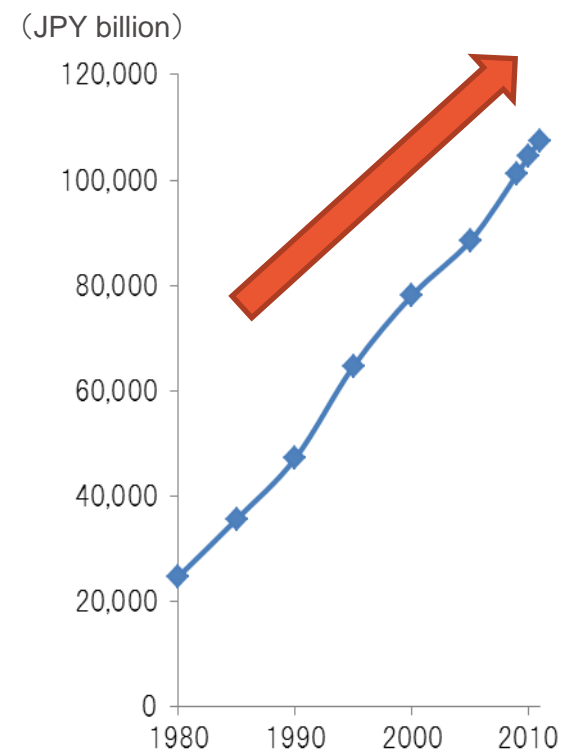
Source: Ministry of Health, Labor and Welfare (MHLW)

Aging population



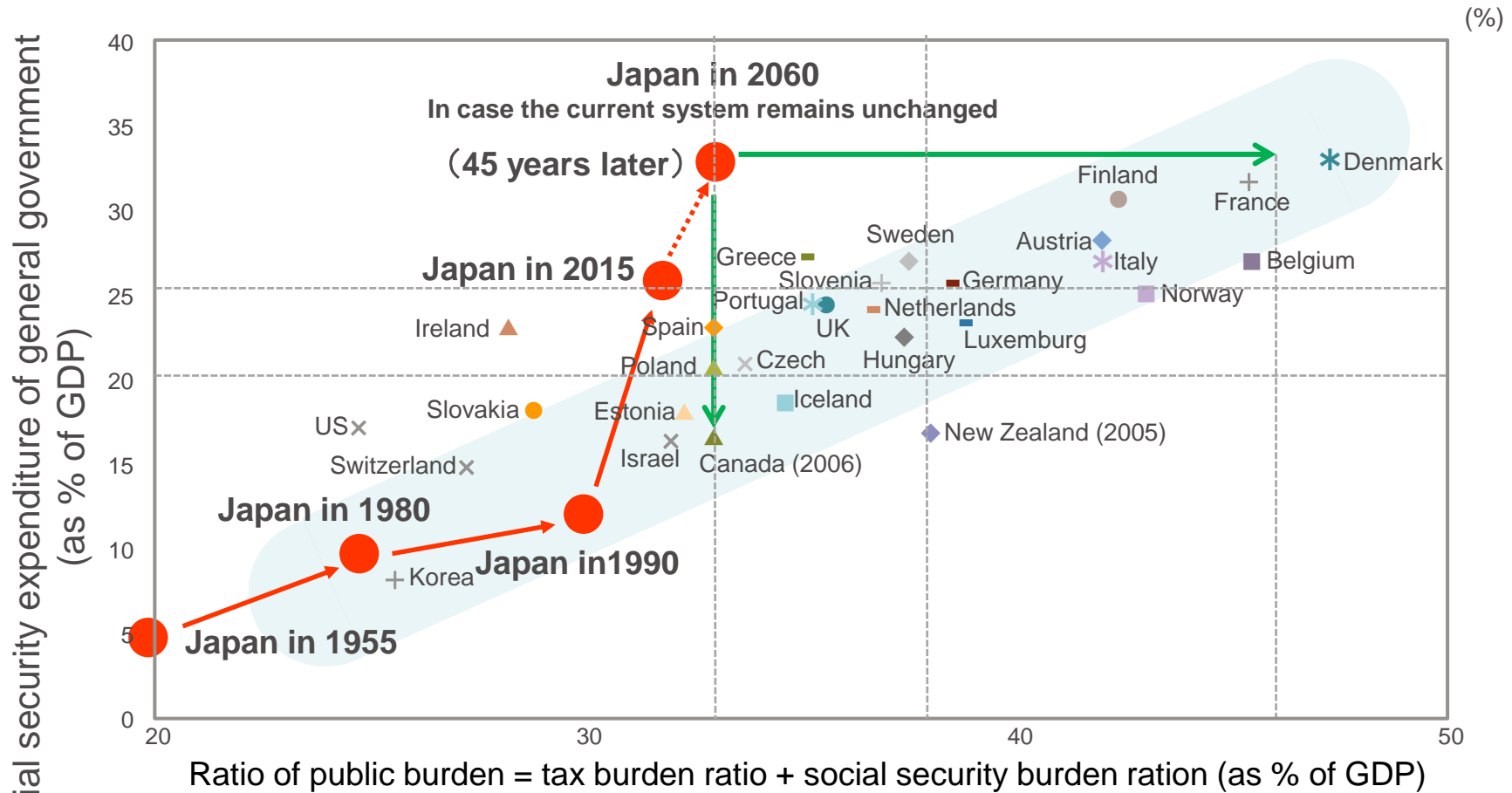
Transition of population ratio by age

Social cost increase



Total social security costs

OECD - Social security expenditures and public burden

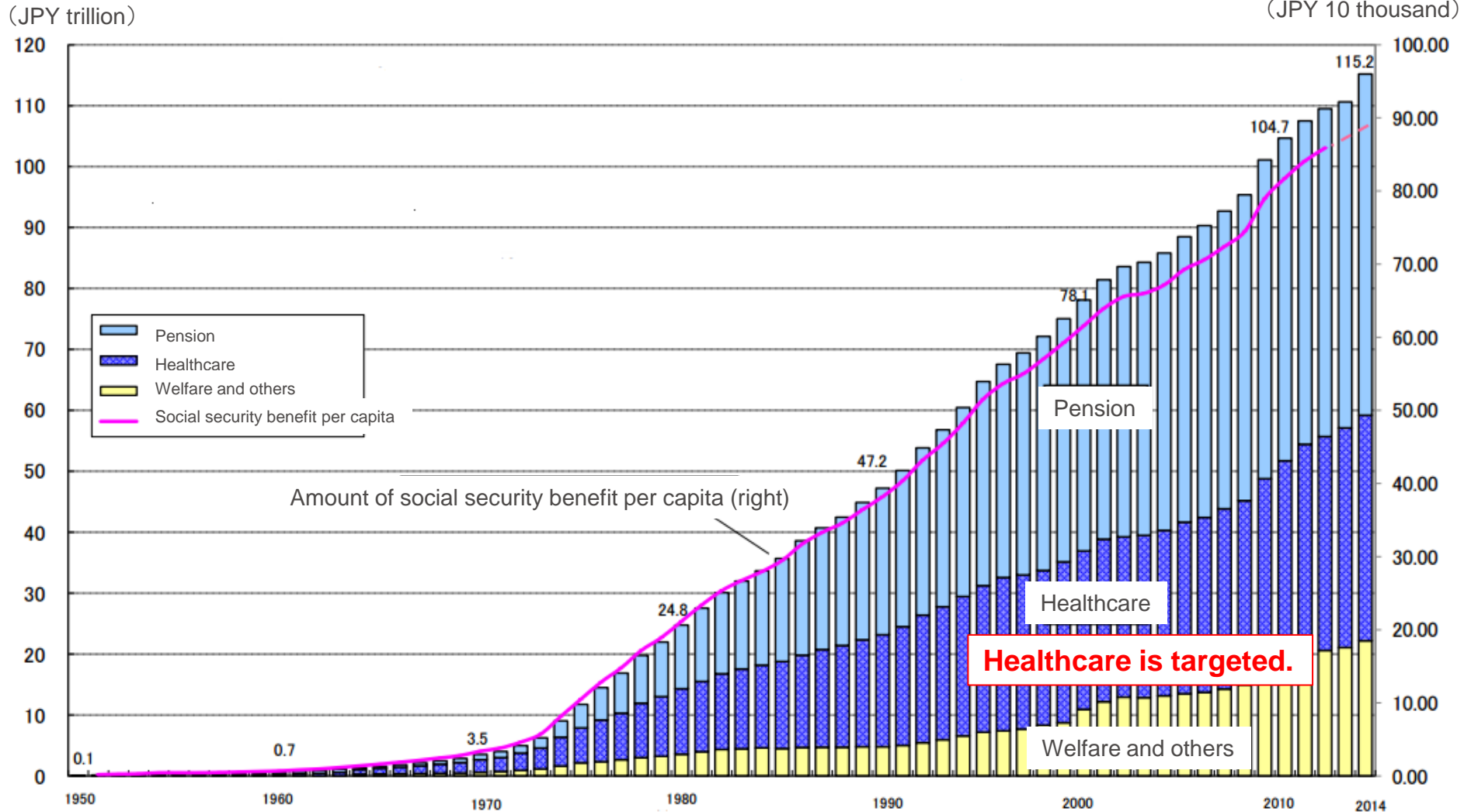


Sources: Ratio of public burden; OECD "National Accounts", "Revenue Statistics", and "national economic accounting" by Cabinet Office.
 Social security expenditure; OECD "National Accounts" and "National Security Statistics" by National Institute of Population and Social Security Research for Japan's figures in 1955, 1980, and 1990.

Notes:

- Figures based on general government (sum of central and local governments and social security funds).
- Countries excluding Japan, New Zealand and Canada: 2011 actual figures. New Zealand: 2005 actual, Canada: 2006 actual.
- Figures for Japan in 2015 and 2060 are estimated based on the Fiscal System Council report "Long-term Estimates of Japan's Financial System (revised version)" drafted and proposed on October 9, 2015.

Japan - Social security costs 1950 - 2014

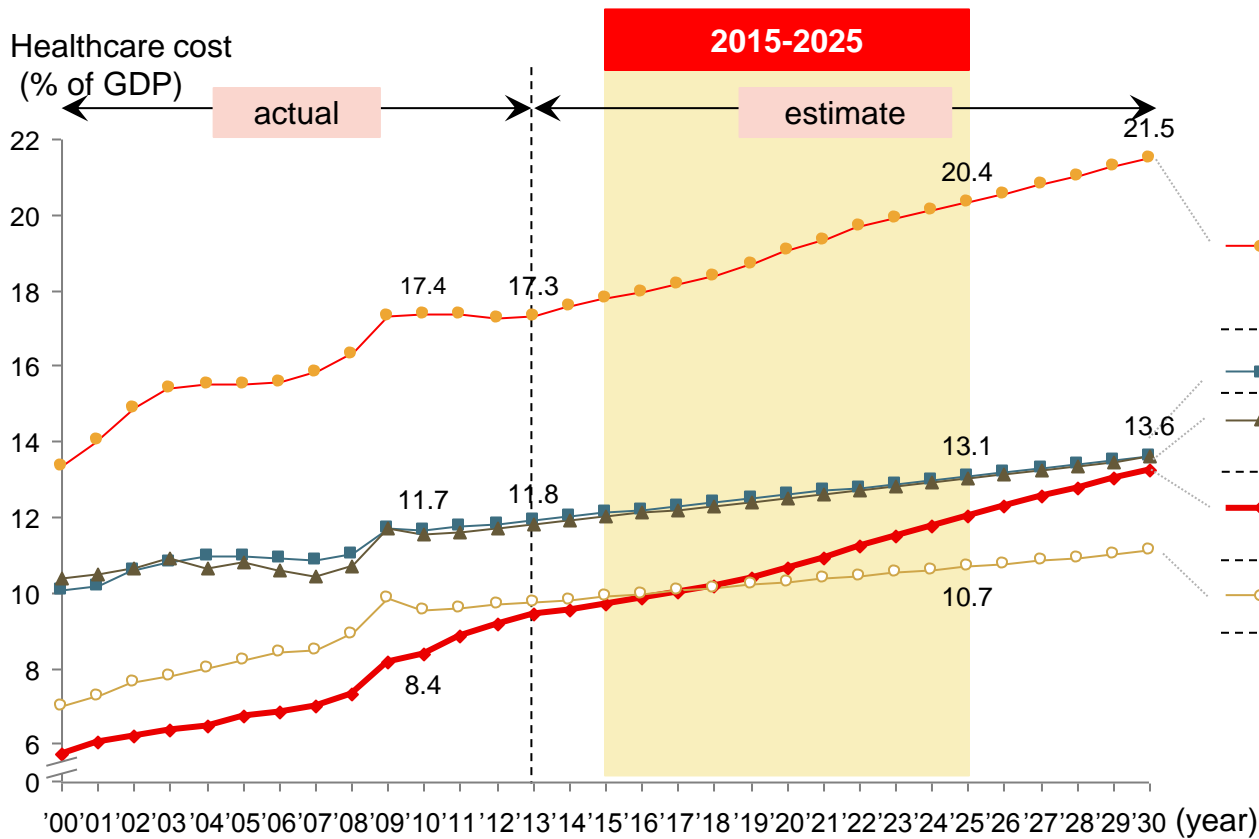


Sources: "2011 National Security Statistics" by National Institute of Population and Social Security Research, MHLW estimates for FY2012, FY2013, and FY2014 (projection)/ FY2014 national income figure is based on decision at the Cabinet meeting on January 24, 2016. (projection)

Japan – Rapidly increasing healthcare costs



Healthcare cost as a percentage of GDP by country



Healthcare cost (absolute value)

	2000	2013	2025
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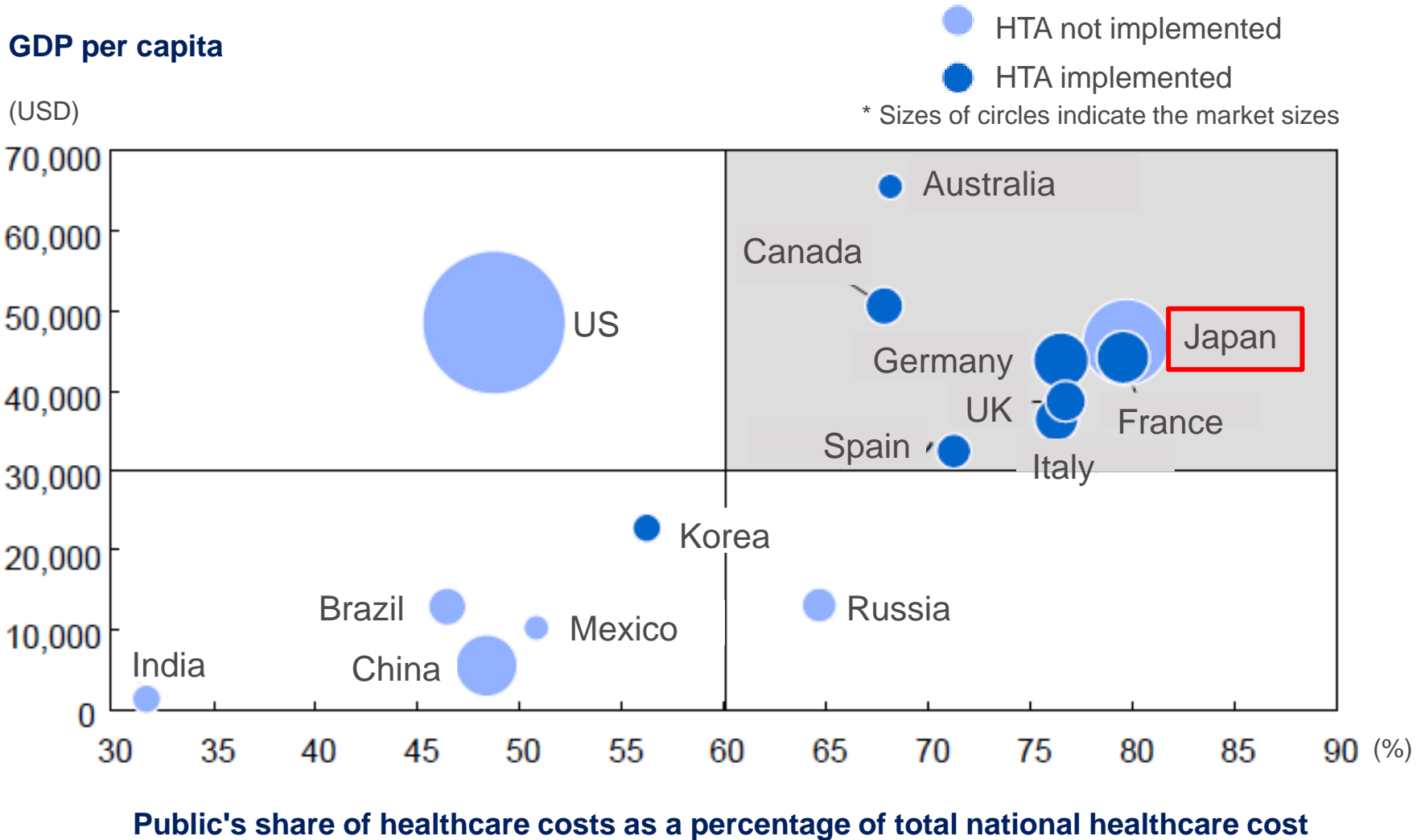
(USD billion)

	1,377	-2.1	2,915	-2.0	5,928
	142	-2.4	346	-1.5	516
	199	-2.2	442	-1.6	710
	272	-1.7	464	-1.7	803
	46	-4.3	199	-2.2	429

N : multiple number

Source: BCG interview and analysis

HTA – Japan vs. peer countries



Source: OECD and others.

France Case Study



France

Generic penetration rate: in 2000, less than half of Japan → In 2006, overtook Japan

Additional promotion methods introduced

2012: Completion bonuses introduced for meeting established targets of generic prescriptions filled and dispensed

Plans in development for generic usage promotion

2003: Reference pricing system established
1999: Pharmacies given permission to prescribe alternate drugs

National Finance / Social Security fund adjustments

1995: Social Security reform (Juppé Plan) announced. National healthcare expenditure target established per annum

Source: Research survey focused on healthcare adjustments based on generic pharmaceutical products

MHLW - Comprehensive Drug Industry Reinforcement Strategy



Comprehensive Drug Industry Reinforcement Strategy - Drug discovery with a view to global expansion-

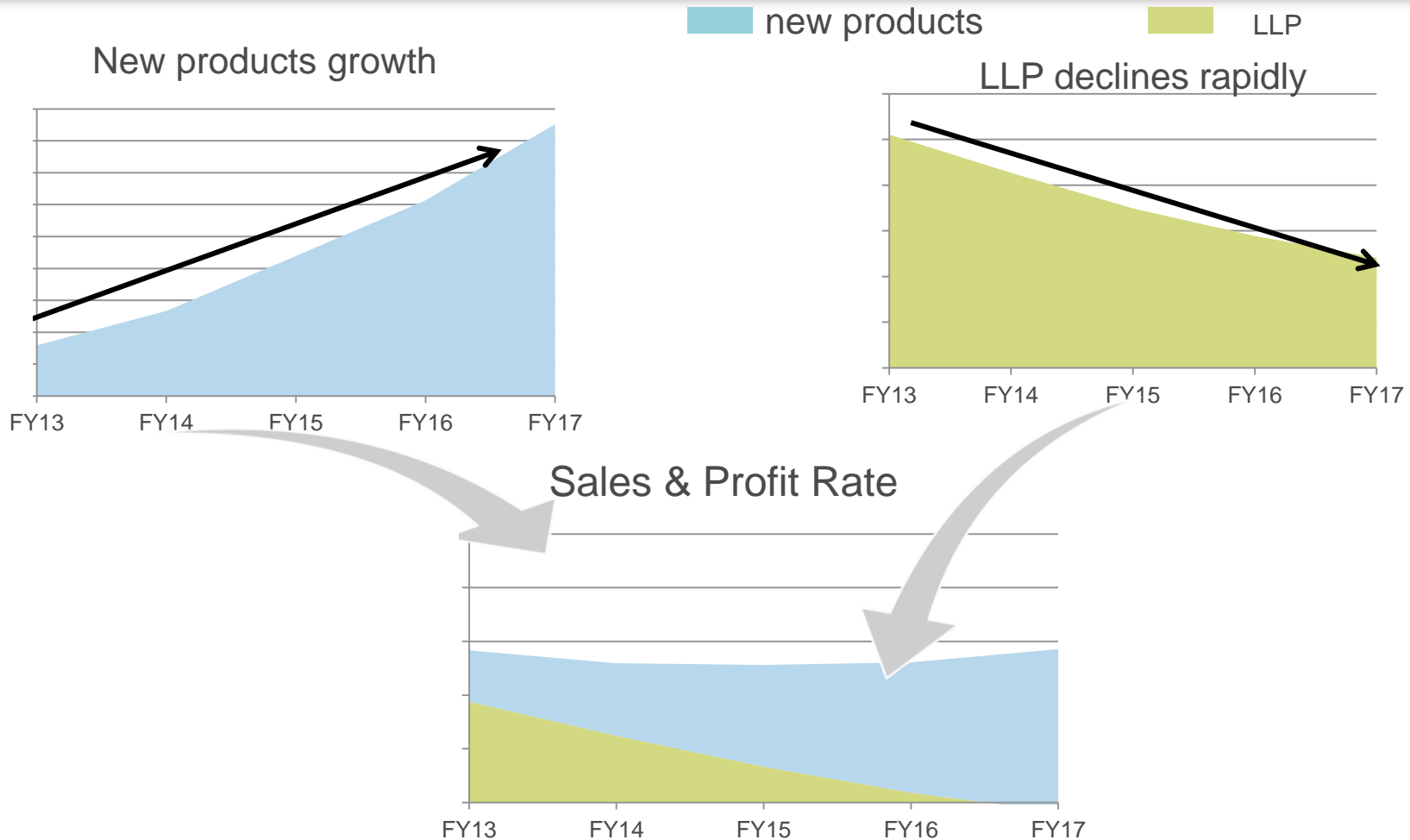
On September 4th, 2015

Announcement by Ministry of Health, Labour and Welfare

- I Promotion of innovation
- II High quality and affordable products for efficient medication
 - Accelerate use of branded generic drugs
- III Re-building of policies from global stand point
 - View for the future of drug industry

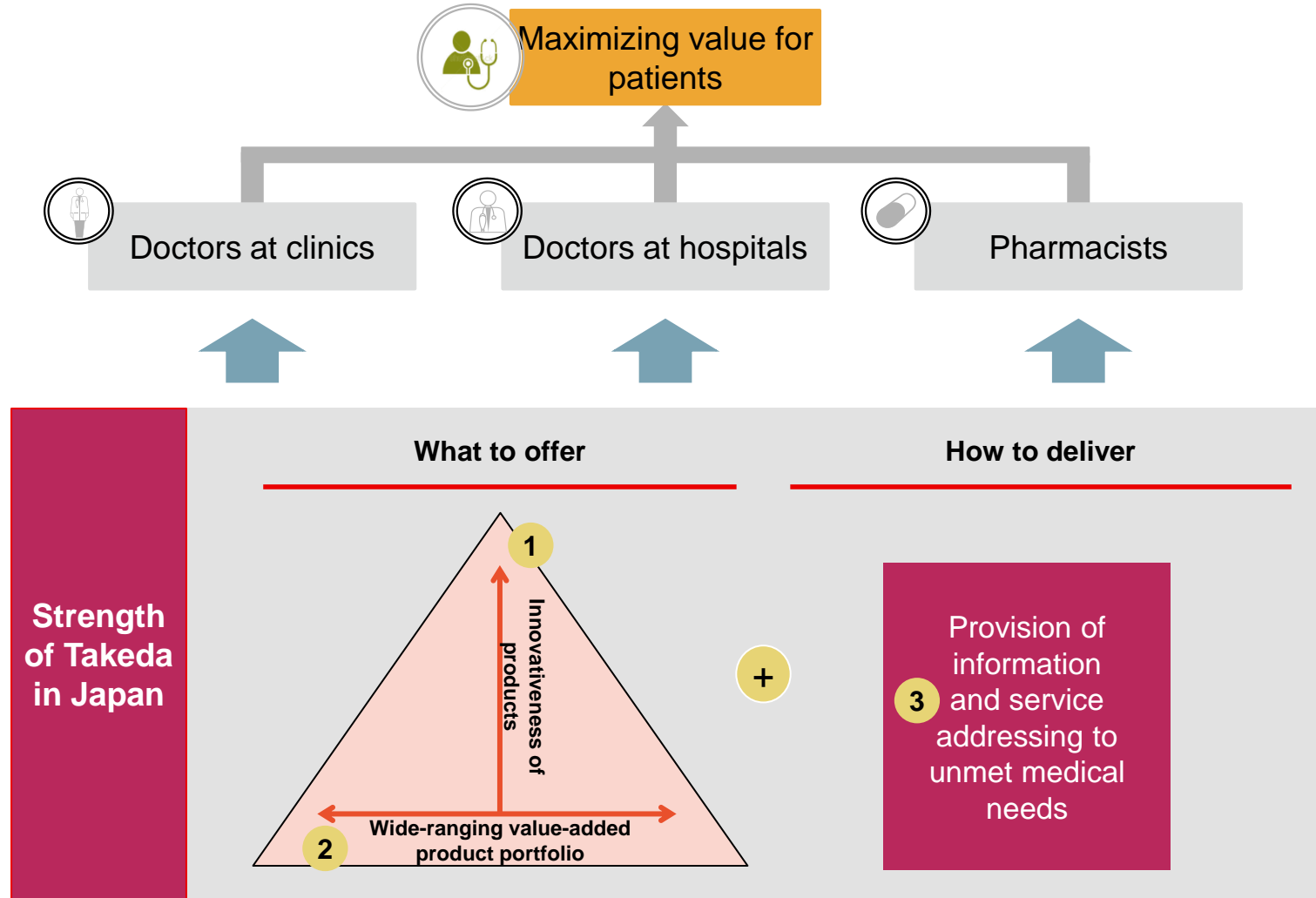
Takeda's specific situation in Japan

Before 2014, decline of LLPs were expected to be offset by new product growth



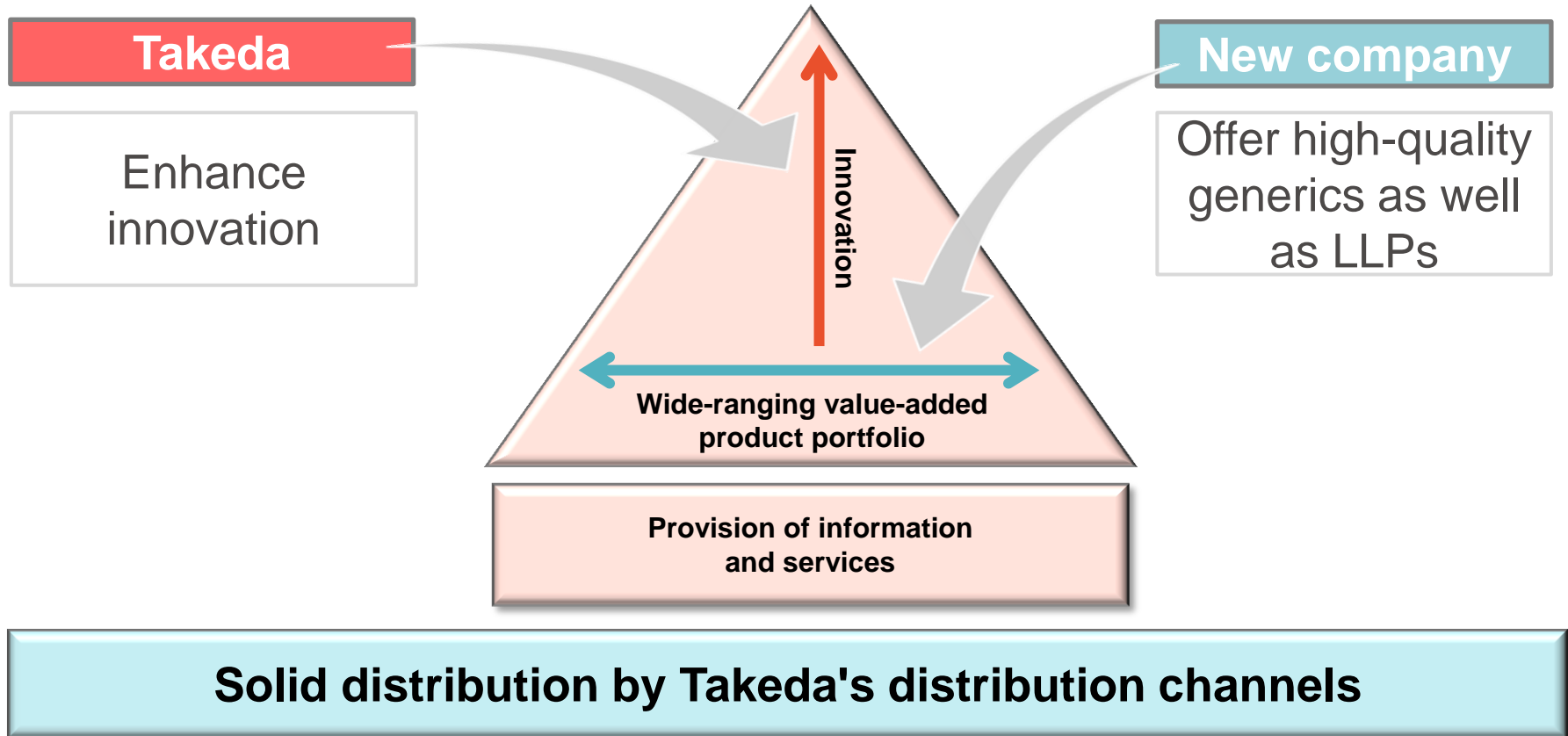
The decline of LLP revenue accelerated to unmanageable levels

The leading company in the eyes of customers



Choices - Why the JV model and why Teva?

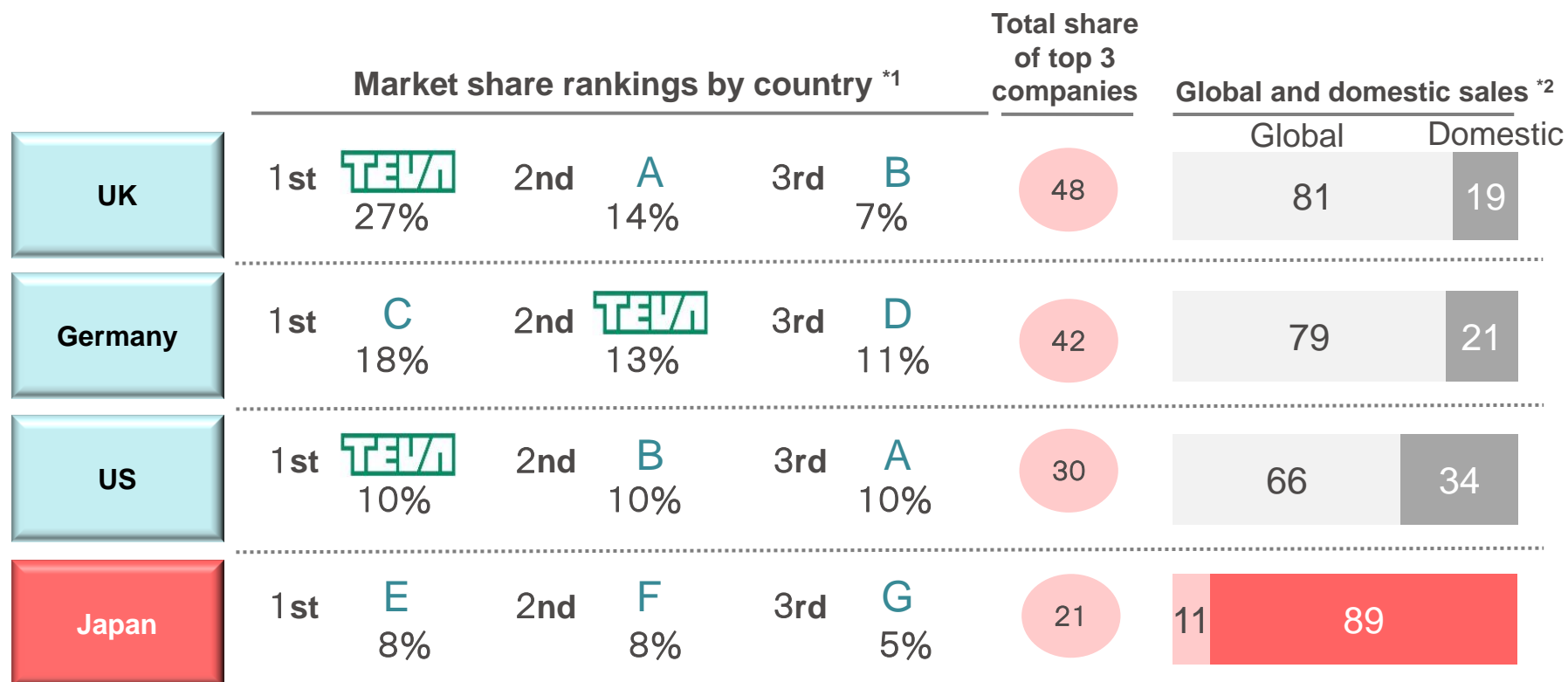
The new business model – Project Fuji-



Generic market domination by county



Source: Annual Report, BMI, Generics Bulletin, Fuji Keizai



*1 2011 statistics for UK, 2014 for Germany, 2013 for US, and FY2014 for Japan. Sources for the total figures of GE market in UK, US and Japan are BMI, and others

*2 Based on the location of company HQs

*3 Figure including Novartis group companies such as Sandoz and Hexal.

Projected value of the new company



Takeda

Established brand in Japan

All LLPs and 60 high performers transferred to the new company

Teva Pharma

Global leader in GE

Worldwide supply chain and manufacturing network

Create new value by converging
Takeda and Teva strengths



Establish new category “Off Patent Drug” in Japan’s pharmaceutical market