
Management Policy

*Establishing a Foundation for
Next Medium-Term Management Plan*

Yasuchika Hasegawa
President & COO

2001-2005 Medium-Term Management Plan

<Basic Initiatives> <Numerical Targets>

Basic Initiatives

Realize **1 trillion yen in sales of in-house ethical drugs**

Create sources of growth to make Takeda a world-class pharmaceutical company

Promote total independence of non-pharmaceutical businesses

Build systems and a framework as a world-class pharmaceutical company

Market share in regions entered

$\geq 3\%$

Operating margin

35%

Consolidated earnings per share (excluding extraordinary gain and loss)

average increase $\geq 10\%$ p.a.

Consolidated return on equity

17%

Summary of FY2004 Results and Outlook for FY2005

FY2004 Results

| | | | |
|------------------|------------------|---------|---------------------------------|
| Net sales | ¥1,123.0 billion | (+3.4%) | 14 years consecutive growth |
| Operating income | ¥385.3 billion | (+3.7%) | 13 years consecutive growth |
| Ordinary income | ¥442.1 billion | (-0.9%) | First decline in these 13 years |
| Net income | ¥277.4 billion | (-2.7%) | First decline in these 11 years |

Outlook for FY2005

| | |
|------------------|------------------|
| Net sales | ¥1,155.0 billion |
| Operating income | ¥370.0 billion |
| Ordinary income | ¥445.0 billion |
| Net income | ¥295.0 billion |

Maintain/expand core products

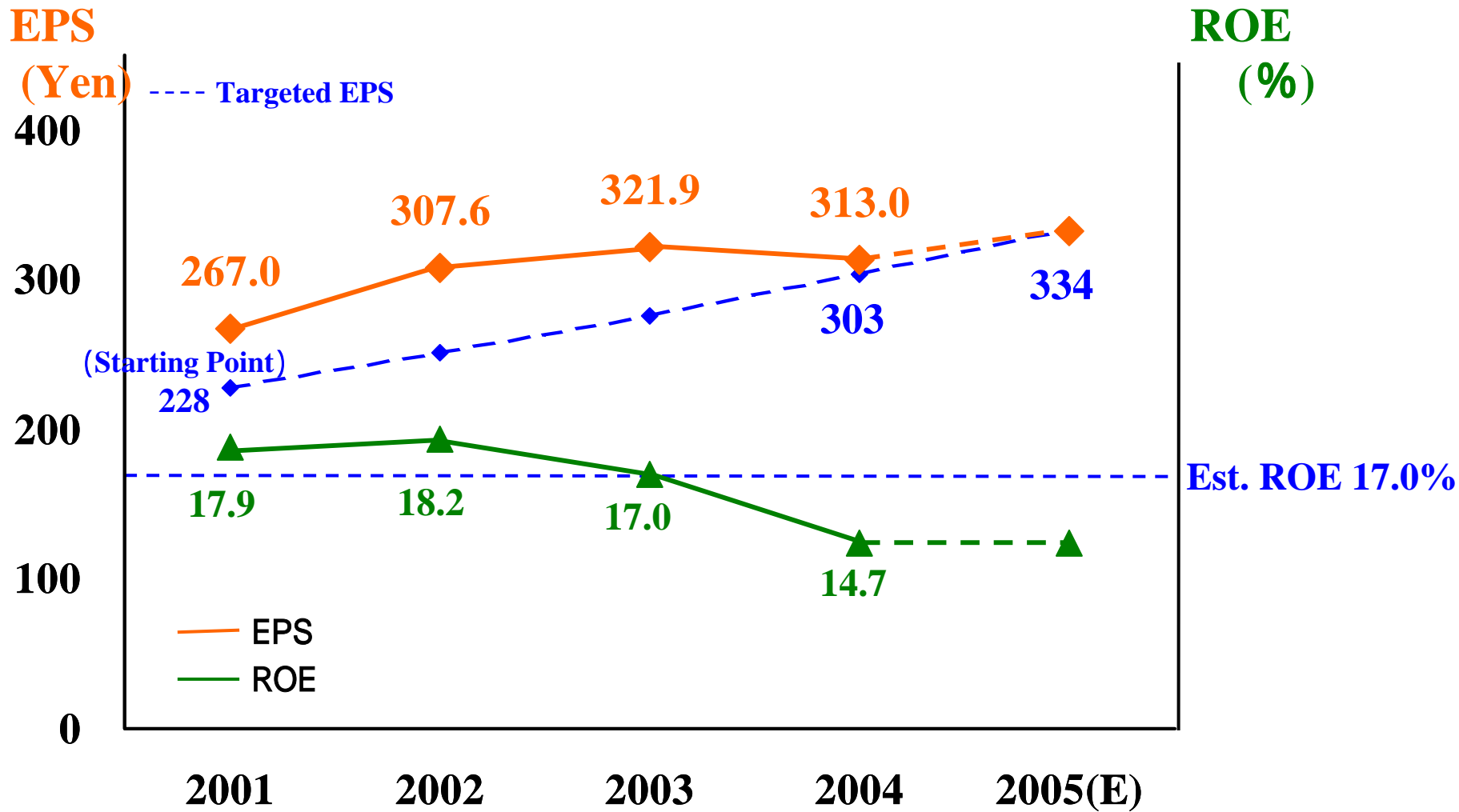
U.S. (April-March, in US\$)

- TPNA - Actos  More than 10% growth
- TAP - Prevacid  Plateau
- Lupron  Plateau

Japan

- Stable growth of Blopress, Takepron  More than 10% growth
- Basen, Actos, Glufast  Continued strengthening franchise for diabetes

EPS & ROE



Dividend Policy

Fundamental Policy:

Our policy is to return profits to shareholders according to consolidated results for each accounting period. The Company seeks to increase distribution of profits, taking into overall consideration its financial condition and medium- to long-term capital requirements for business investments to increase the value of the Company.

FY2000 ¥50

FY2001 ¥60 (+¥10 year-on-year)

FY2002 ¥65 (+¥5 year-on-year)

FY2003 ¥77 (+¥12 year-on-year)

FY2004 interim ¥44 (+¥8 year-on-year)

full-year ¥88 (+¥11 year-on-year)

FY2005 ¥100 (+¥12 year-on-year): Payout ratio=30%

Fiscal 2005 Tasks

Final year of 200-05 Medium-Term Management Plan

Step board for next 5 years

- Thoroughly strengthen **research and development pipeline**
- **Maintaining growth potential and expanding market share of existing core products**
- Building global **operating infrastructure and scheme**
- Establishing a **solid business structure free from influence by environmental changes**

Thoroughly strengthening pipeline

Strengthening pipeline in North America in FY2005

Launch of Ramelteon (TAK-375)

Launch of Lubiprostone (for chronic constipation)

Strategies for strengthening pipeline

Establishing further efficient research management scheme

Building a global development management scheme

Building a “Global One Team” for in-licensing/alliances

Promotion of Life Cycle Management

In-licensing and Alliance

| Product Name | Licensed from | Action or class indication | Territory | Stage |
|-----------------------------|-----------------|--|---------------|--------------------------------------|
| Glufast® | Kissei (Japan) | short-acting insulin secretagogue | Japan | Launched (April 2004) |
| Enbrel® | Wyeth (US) | rheumatoid arthritis | Japan | Launched (March 2005) |
| LY333531 | Eli Lilly (US) | diabetic complications (microvascular) | Japan | Phase II |
| ATL-962 | Alizyme (UK) | obesity | Japan | Phase I |
| Actos®+Fortamet® | Andrx (US) | diabetes | US | Under preparation of clinical trials |
| Niaspan® | Kos (US) | hyperlipemia | US | Co-promotion started (January 2004) |
| Advicort® | Kos (US) | hyperlipemia | US | Co-promotion started (January 2004) |
| Dimesna (generic name) | BioNumerik (US) | chemotherapy supportive | North America | Phase III |
| Lubiprostone (generic name) | Sucampo (US) | chronic constipation c-IBS | North America | Filed Phase II |
| R-851 | 3M | human papillomavirus (HPV) infection | US, EU | Phase I |
| TAK-363 | Toray | Frequent Urination Urinary Incontinence | US, EU | Under preparation of Phase I |

Takeda San Diego, Inc. (former Syrrx, Inc.)



- Takeda's first discovery research presence in the US; **“IND engine”**
- Leading edge **high-throughput X-ray crystallography capabilities**
- **Excellent pipeline** (cancer and diabetic fields)
- **Synergy effects** with domestic research centers (Tsukuba, Osaka)

U.S. Operations

TAP

- **Lupron** Steady sales (plateau) with slightly increased share
- **Prevacid** Steady sales (plateau)
- **Febuxostat (TMX-67)** NDA filed in December 2004
- **Asoprisnil (J867)** NDA submission as early as possible

TPNA

- **Actos Family** (including Actoplus Met) more than 10 in crease
 - Differentiation from competitors using GLAI Study
 - Conducting outcome studies and utilization of its results
- **Ramelteon (TAK-375)** thorough preparation for launch ← investment
Positioning : **First-line therapy** for insomnia treatment
- **Lubiprostone, Dimesna** preparation for future launch
- **Sales force increase** **Ramelteon** : additional **500 sales reps.** + **CSO**

Building systems and a framework

Global management structure

| | |
|------------------------------|--|
| Sales & Marketing | Optimal sales organization by regional/market management |
| Research | Clear definition of functions in Domestic/Overseas centers |
| Development | Building a management scheme by HQ's enhanced function |
| Production | Overall management of production facility of whole Takeda group |
| Corporate staff | Management system by each function for whole Takeda group |

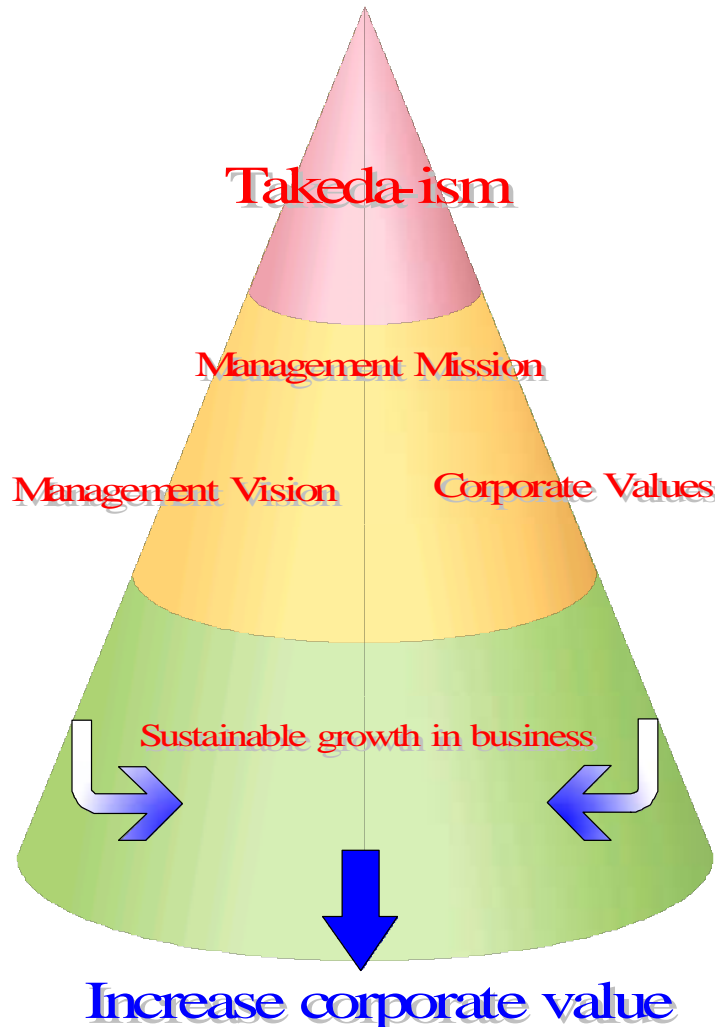
Solid business structure free from influence by environmental change

Concentration of resources into core functions

Fostering and enhancement of human resources

Efficient use of expenses and strong cost competitiveness

“Takeda-ism”



[Basic Concept]

Acting with integrity at all times, especially when facing difficulties or challenges. “Integrity” refers to our compliance with the highest ethical standards, our fairness and honesty in conducting every activity, and our perseverance in pursuing the ideal forms for our operations and management. We show our commitment to building trust and confidence in all the people around us, and our determination to continue to expand the business. These empower our progress in our global endeavors to fulfill our Management Mission.

[Management Mission]

“Strive toward better health for individuals and progress in medicine by developing superior pharmaceutical products.”

***Summary of Consolidated
Results for FY2004
and
Projection for FY2005***

**Hiroshi Takahara
Corporate Officer, General Manager
Finance & Accounting Dept.**

Summary of FY2004 Results

| | FY2003 | FY2004 | Increase (Decrease) | |
|---|--------------------|--------------------|----------------------------|-----------------|
| | Billion Yen | Billion Yen | Amount | (%) |
| Net sales | 1,086.4 | 1,123.0 | 36.5 | (+3.4%) |
| Operating income | 371.6 | 385.3 | 13.6 | (+3.7%) |
| Ordinary income | 446.1 | 442.1 | (4.0) | (-0.9%) |
| [Extraordinary gain/loss (net)] | [0.1] | [-1.0] | [(1.1)] | - |
| Net income | 285.3 | 277.4 | (7.8) | (-2.7%) |
| R&D Costs | 129.7 | 141.5 | 11.8 | (+9.1%) |
| Equity in earnings of affiliates | 72.7 | 45.4 | (27.2) | (-37.5%) |
| E P S (Yen) | 321.9 | 313.0 | (8.9) | - |
| R O E | 17.0% | 14.7% | -2.3% | - |

Breakdown of Increases/Decreases in FY2004 Consolidated Net Sales

FY03

¥1,086.4 billion

Ethical Drugs
(domestic)

+¥22.2 billion

Main increases by
product (domestic)

Blopress + 10.8

Takepron + 5.3

Basen + 4.6

Actos + 3.9

Ethical Drugs
(overseas)

+¥15.5 billion

(Incl. ¥13.5 billion currency
translation negative effect)

Consumer Healthcare

-¥2.5 billion

Other Businesses

+¥1.3 billion

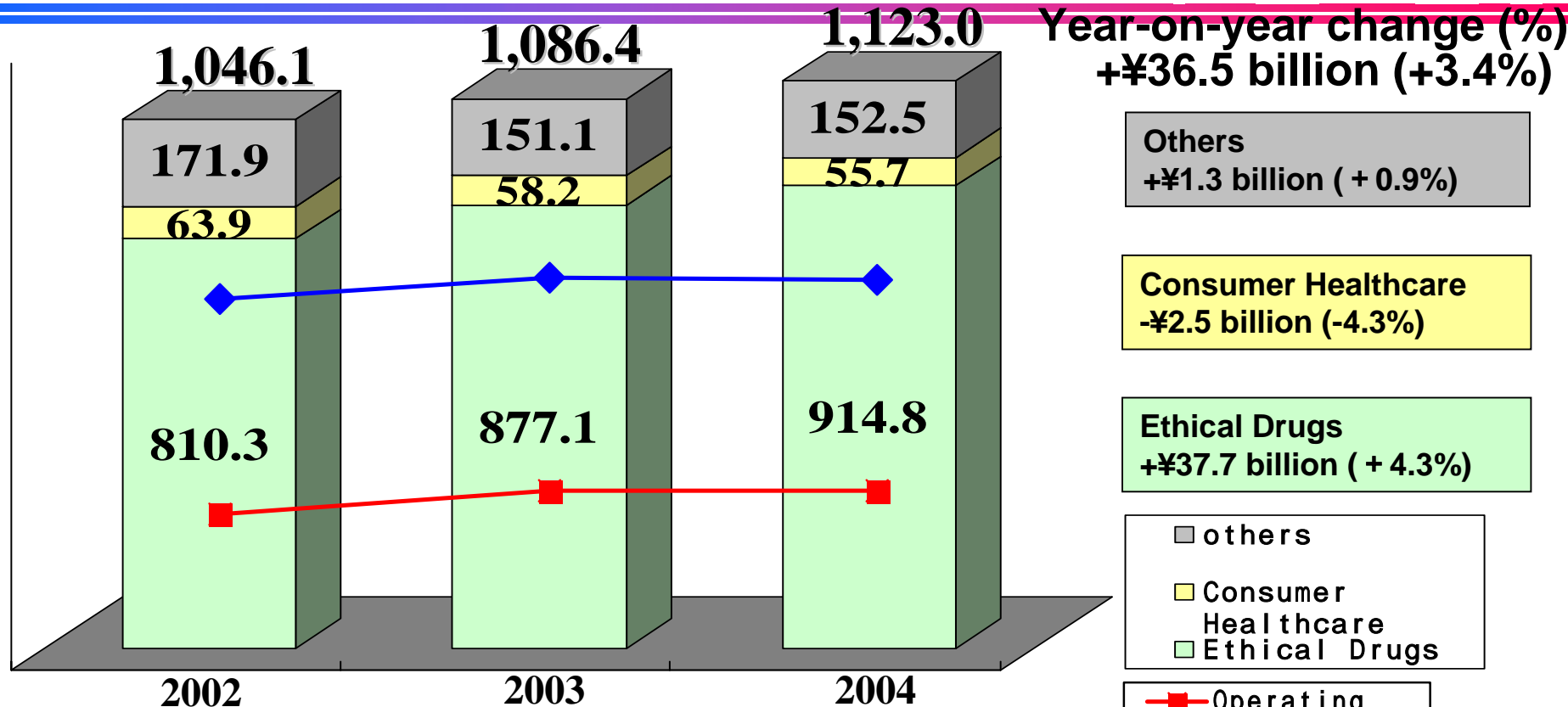
FY04

¥1,123.0 billion

+¥36.5 billion

Breakdown of Net Sales By Business

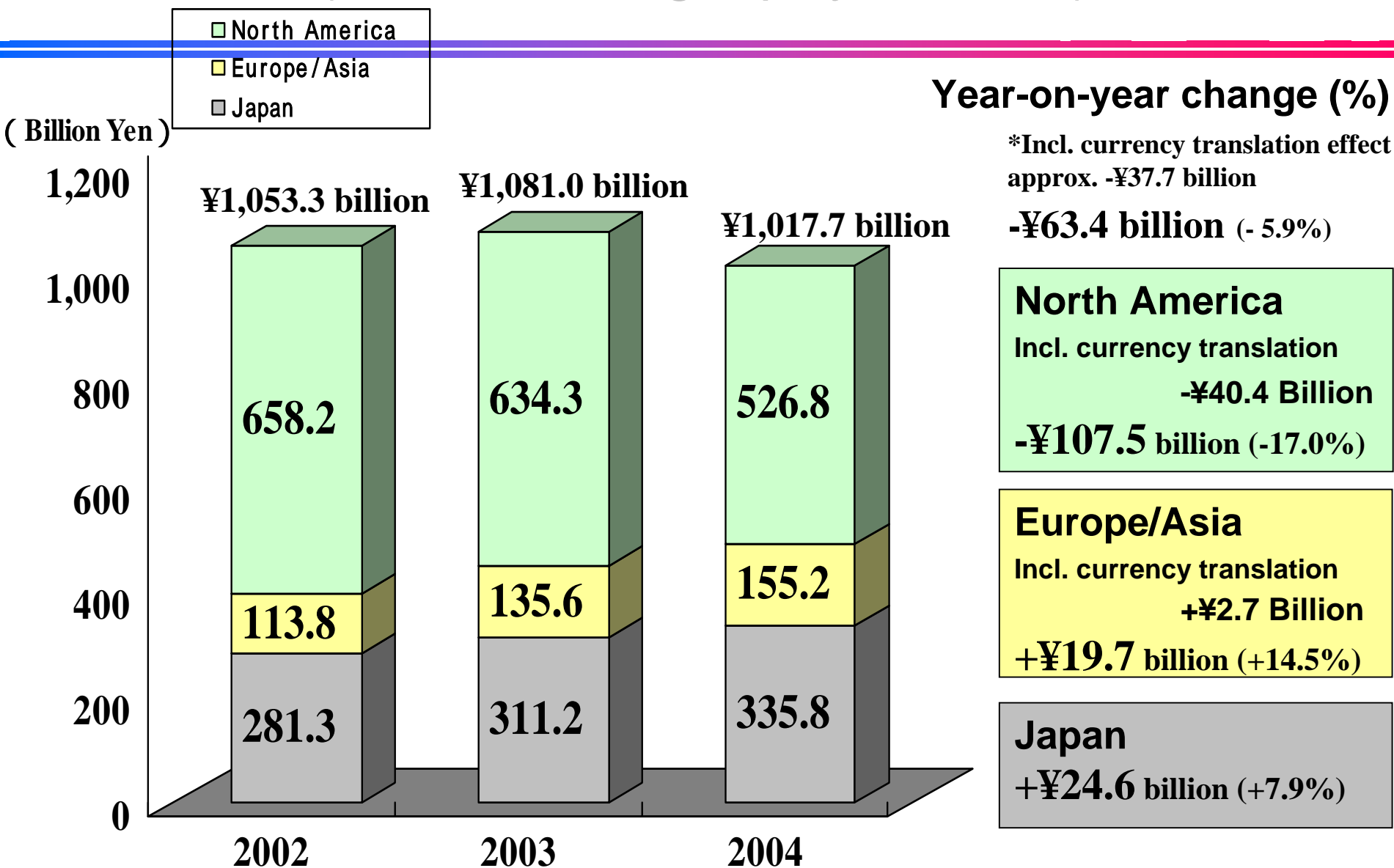
Billion Yen



| Pharmaceuticals % of Total | 2002 | 2003 | 2004 |
|----------------------------|-------|-------|-------|
| | 83.6% | 86.1% | 86.4% |

| | | | |
|------------------|-------|-------|--------------------|
| Gross margin | 71.3% | 75.2% | 75.1%(-0.1 points) |
| Operating margin | 29.7% | 34.2% | 34.3%(+0.1 points) |
| [Pharma] | 36.5% | 40.8% | 40.9%] |
| [Others] | 7.6% | 9.4% | 9.0%] |

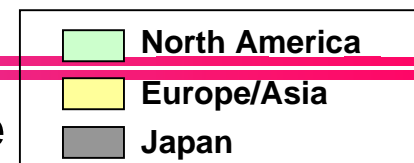
Net Sales of In-House Ethical Drugs by Region (sales including equity affiliates)



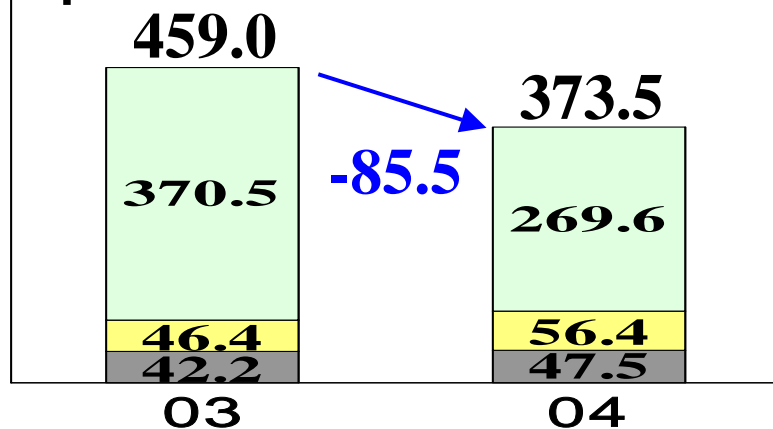
International Strategic Pharmaceuticals

(Billion Yen)

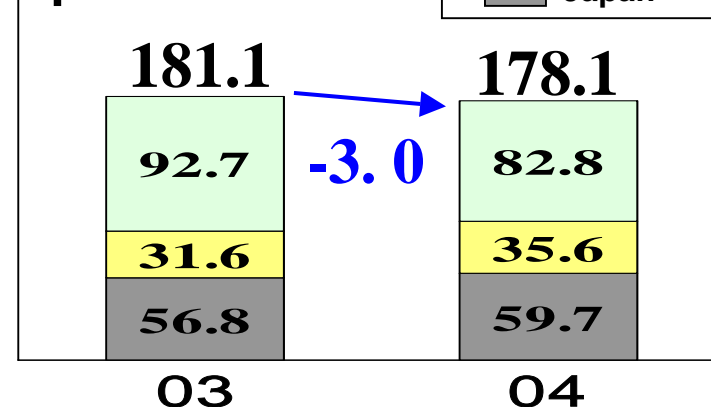
*Worldwide net sales including affiliates



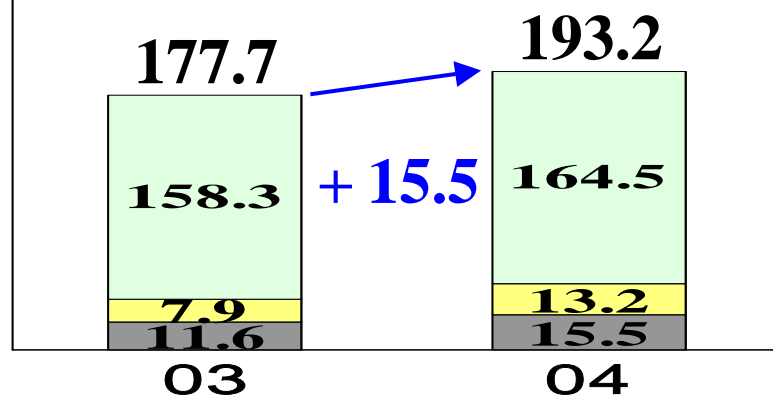
Lansoprazole



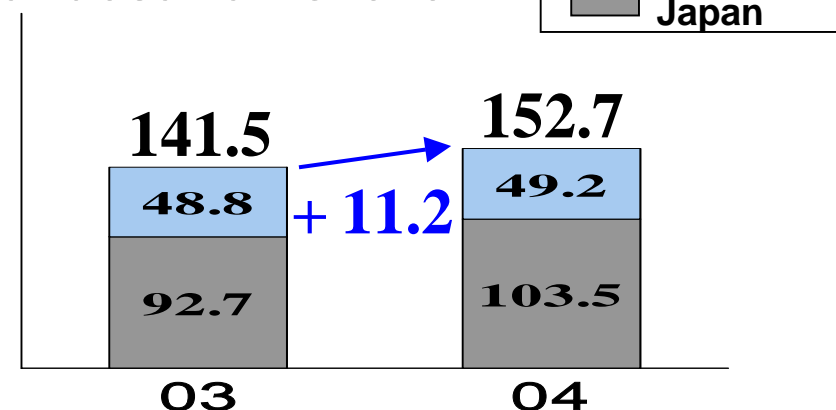
Leuprolide acetate



Actos



Candesartan cilexetil



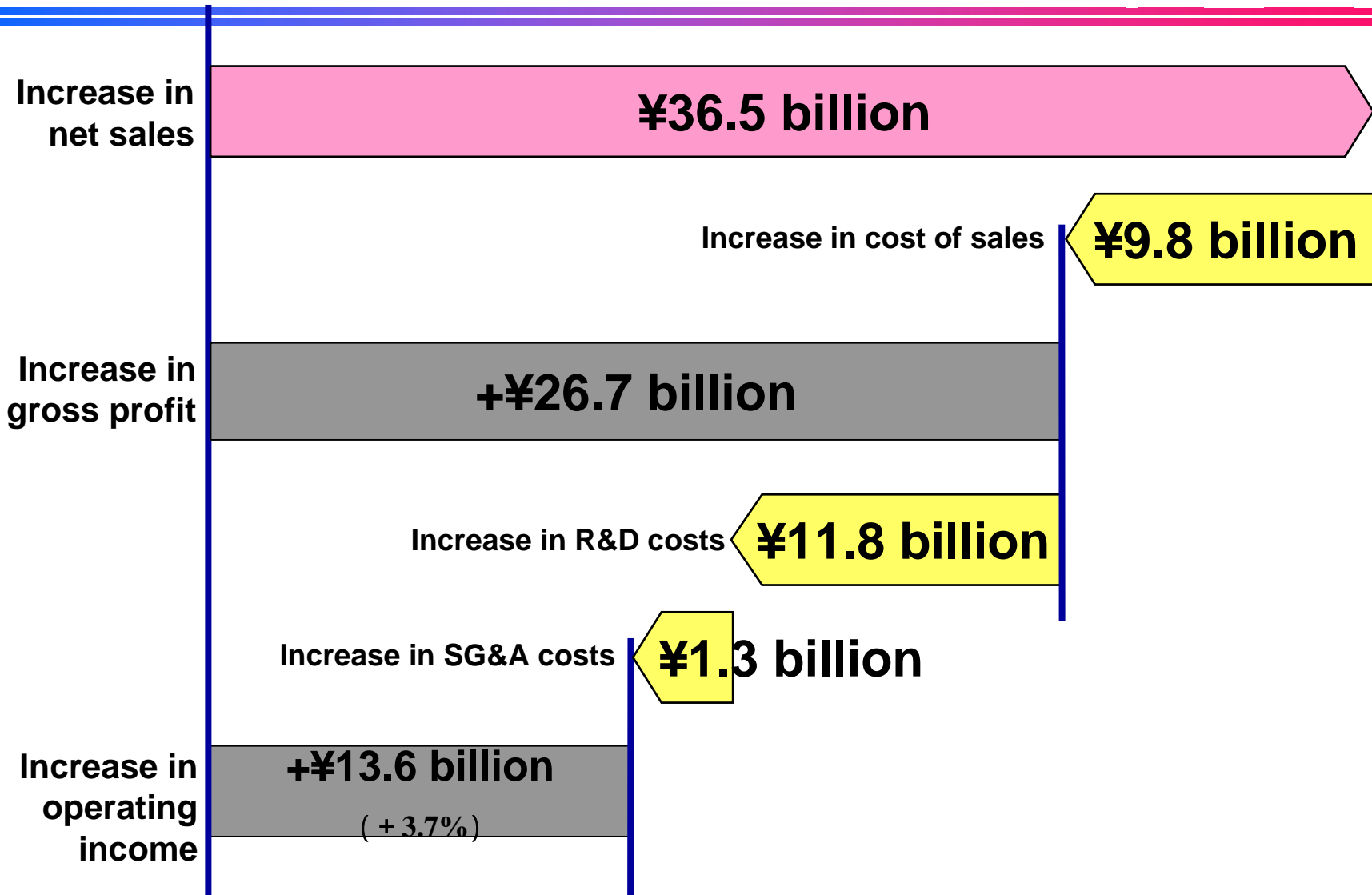
Combined sales of
4 products

FY03
¥959.3 billion

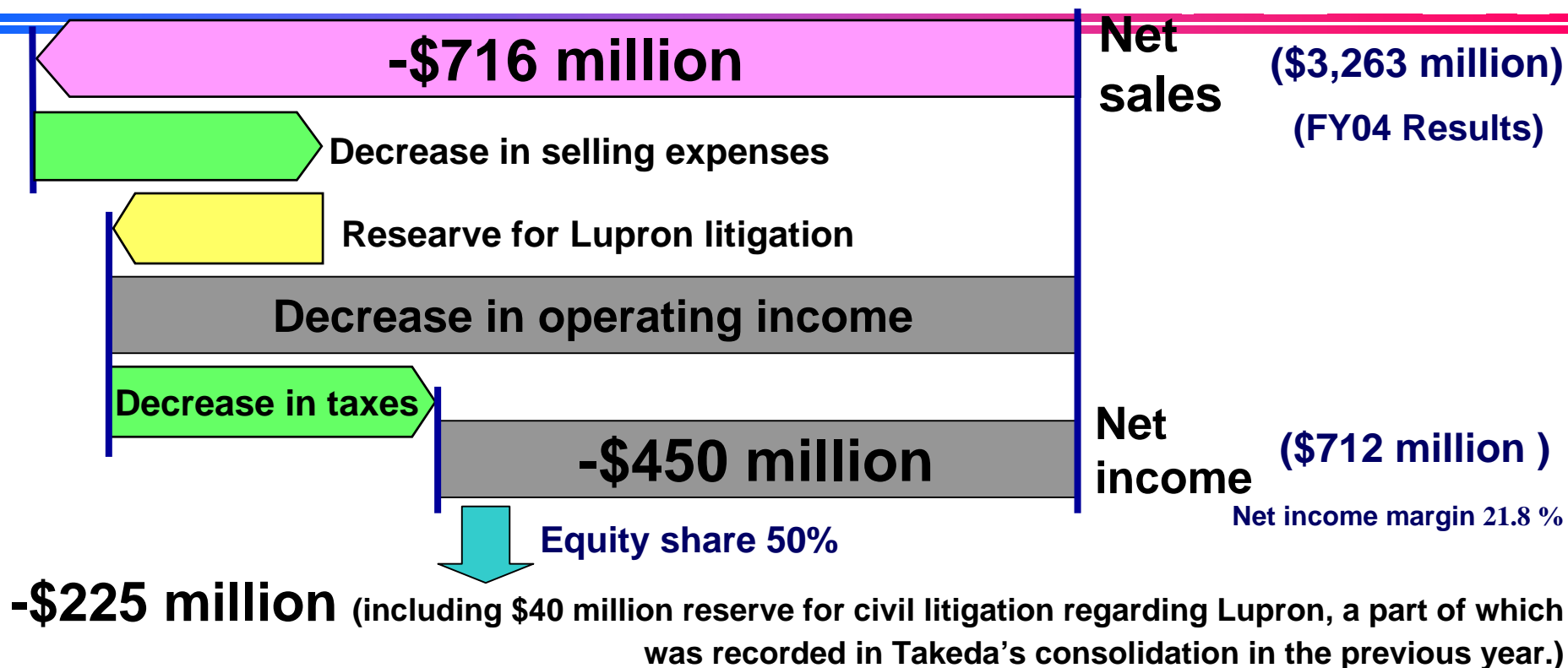
FY04
¥897.5 billion

YoY Change (%)
-¥61.8 billion (-6.4%)

Major Factors in Increase and Decrease in Consolidated Operating Income for FY2004

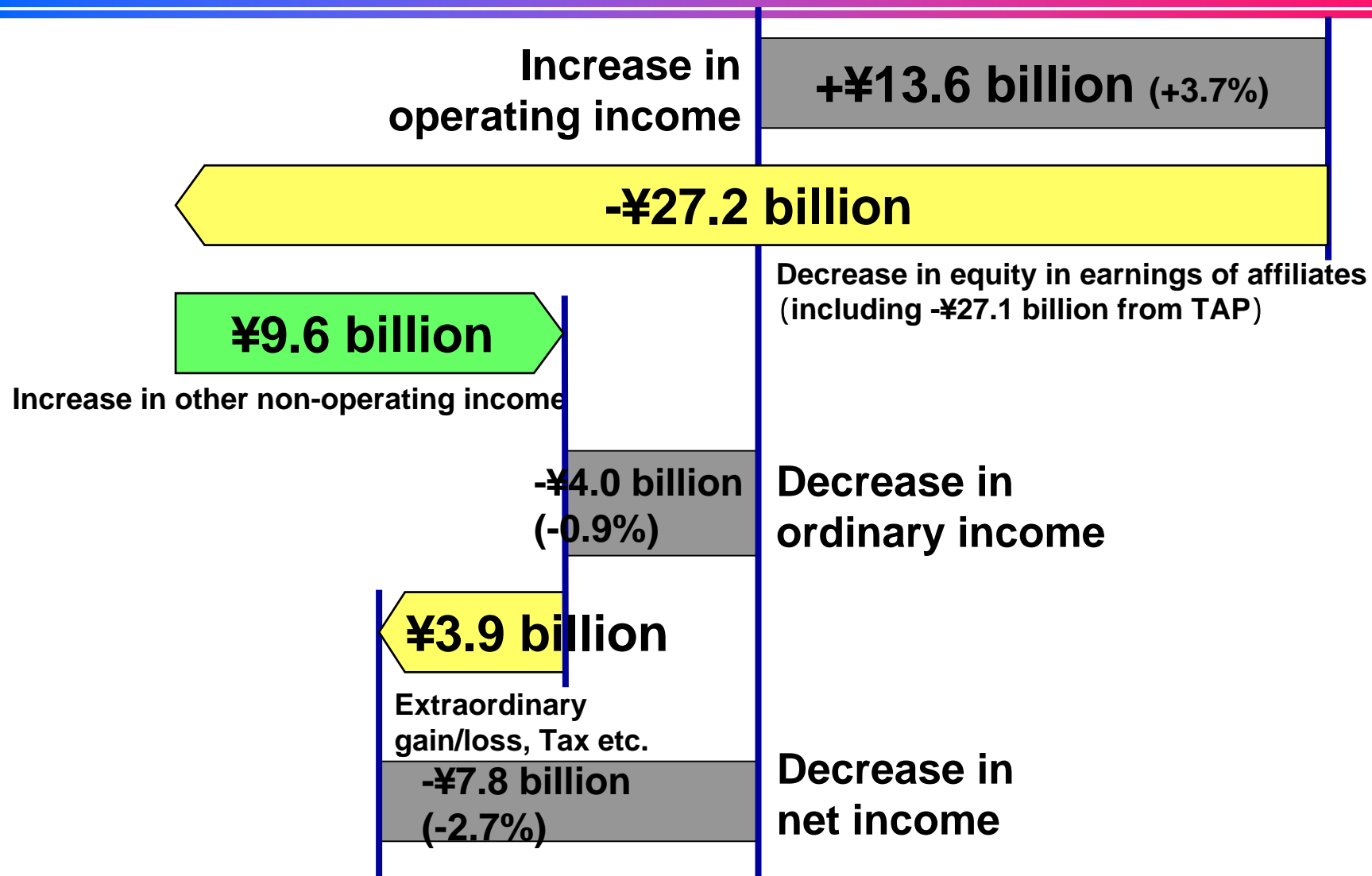


TAP FY2004 Results



| | |
|--|-----------------------|
| Impact on equity in earnings of affiliates -¥27.1 billion | |
| (Breakdown) Business loss | <u>-¥21.3 billion</u> |
| Impact of Lupron civil litigation | <u>-¥2.5 billion</u> |
| { Reserve by TAP | <u>-4.5 billion</u> |
| { Reversing entry of the previous year | <u>+2.0 billion</u> |
| { Currency translation effect | <u>-¥3.3billion</u> |

Major Factors in Increase and Decrease in Consolidated Net Income for FY2004



Assets (As of March 31, 2005)

| | As of March 31, 2004 | As of March 31, 2005 | Increase/Decrease |
|---|-------------------------|-------------------------|-------------------|
| | Billion yen | Billion yen | Billion yen |
| Total assets | 2,335.7 | 2,545.4 | +209.8 |
| Shareholders' equity | 1,781.0 | 2,001.4 | +220.4 |
| (Shareholdres' equity ratio) | (76.3%) | (78.6%) | (+2.4%) |
| Cash and cash equivalents | 1,076.1 | 1,264.3 | +188.2 |
| (Increase in cash and cash equivalents due to accounting period change for overseas subsidiaries) | | | (+23.7) |
| (Net increase in cash and cash equivalents) | | | (+164.5) |

Projections for FY2005

| | FY2004 | FY2005 | Increase (Decrease) | |
|------------------|-------------|-------------|---------------------|----------|
| | (Actual) | (Est.) | Amount | (%) |
| | Billion Yen | Billion Yen | Billion Yen | |
| Net sales | 1,123.0 | 1,155.0 | 32.0 | (+2.9%) |
| Operating income | 385.3 | 370.0 | (15.3) | (-4.0%) |
| Ordinary income | 442.1 | 445.0 | 2.9 | (+0.7%) |
| Net income | 277.4 | 295.0 | 17.6 | (+6.3%) |
| R&D costs | 141.5 | 160.0 | 18.5 | (+13.1%) |
| EPS (Yen) | 313.0 | 332.9 | 19.9 | (+6.4%) |
| Payout ratio | 14.7% | 14.3% | -0.4% | |

Projected Consolidated Net Sales for FY2005

FY2004

¥1,123.0 billion

Expansion of pharm. business (domestic/overseas)

Effect of exchange rates

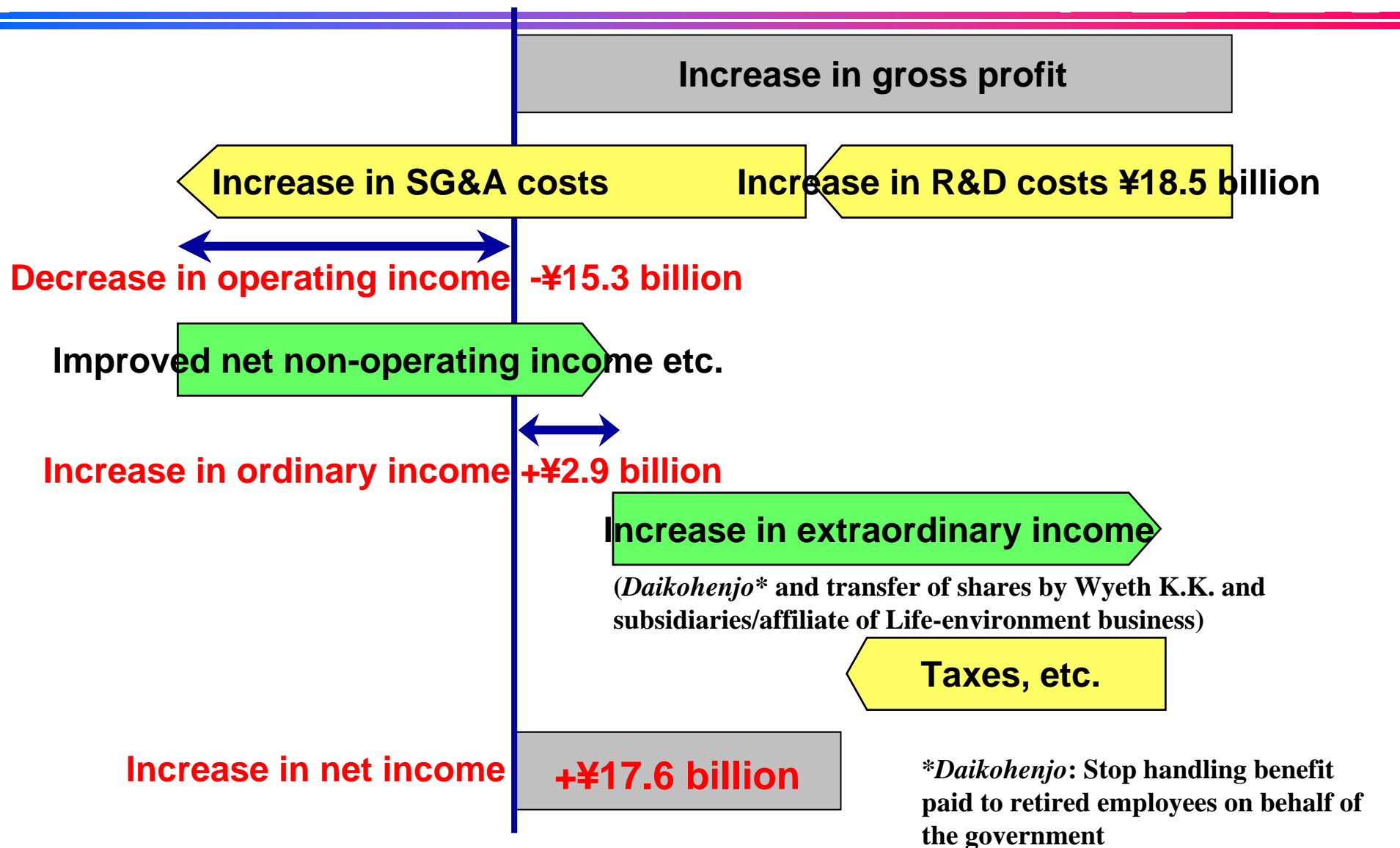
【Assumed exchange rate for FY05】 (Effect of ¥1 fluctuation)
\$1=¥105 (Net sales ¥2.3 billion, Net income ¥0.8billion)
1 euro=¥130 (Net sales ¥0.8 billion, Net income ¥0.1 billion)

FY2005
Projection

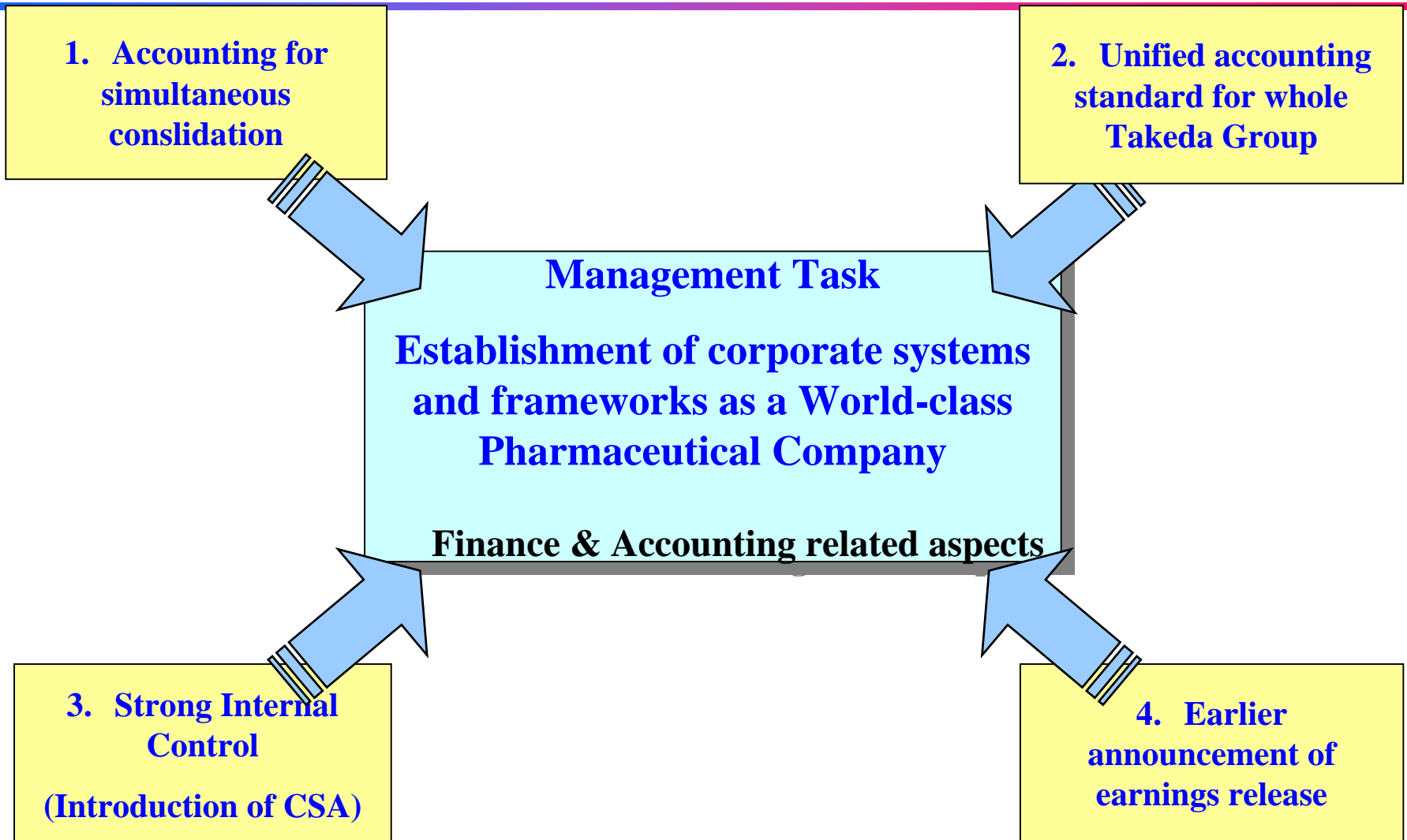
¥1,155.0 billion

+¥32.0 billion

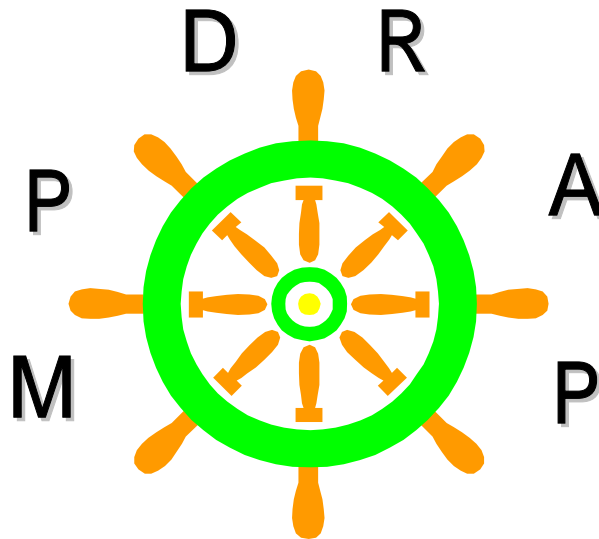
Projected Consolidated Net Income for FY2005



Finance & Accounting systems and frameworks as a World-class Pharmaceutical Company



Our pipeline



Kazuaki Ikeya

**Corporate Officer, General Manager
Strategic Product Planning Dept.**






Focused Therapeutic Areas

- **Franchise I: Life style-related diseases**
- **Franchise II :Oncology & Urologic diseases**
- **Franchise III: Central nervous system diseases**
- **Franchise IV :Gastroenterology diseases LCM**

LCM : Life Cycle Management

Franchise I: Life style-related disease(1)

Second half in FY04

| Projects | Indications/formulations | Ph | Ph | NDA | Approval |
|-------------------|---|----|----|-----|---|
| TCV-116 | Chronic heart failure (U.S.) | | | |  |
| TCV-116 | Chronic heart failure (EU) | | | |  |
| AD-4833MET | Fixed Combination drug of ACTOS/Metformin (U.S.) | | | |  |
| AD-4833MET | Fixed Combination drug of ACTOS/Metformin (EU) | | | |  |
| TCV-116 | Chronic heart failure (Jpn) | | | | |
| TCV-116 | Fixed combination with diuretic (Jpn) | | | | |
| TAK-475 | Hyperlipidemia (U.S.,EU) | | | |  |
| TCV-116 DIRECT | Diabetic Retinopathy (EU) | | | | |
| TCV-116 | High dose (Jpn) | | | | |

 **Stage up in 4Q in FY04**
 **Stage up in 3Q in FY04**

Projects of P-II or later are listed

Franchise I: Life style-related disease (2)

Second half in FY04

| Projects | Indications/formulations | Ph | Ph | NDA | Approval |
|-------------------|---|----|----|-----|----------|
| AD-4833 | Delay in progression of Atherosclerosis (U.S.) | | | | |
| AD-4833 PROactive | Secondary prevention of macro-vascular event (EU) | | | | |
| AO-128 | Impaired Glucose Tolerance (Jpn) | | | | |
| TAK-128 | Diabetic neuropathy (U.S.) → | | | | |
| TAK-654 | Diabetes mellitus (Jpn,U.S.,EU,) | | | | |
| TAK-428 | Diabetic neuropathy (U.S.,EU) | | | | |
| TCV-116 | Diabetic nephropathy (Jpn) | | | | |
| TAK-536 | Hypertension (U.S., EU) | | | | |
| LY333531 | Diabetic maculopathy (Jpn) | | | | |

→ Stage up in 4Q in FY04

.....▶ Stage up in 3Q in FY04

Projects of P-II or later are listed

Franchise II: Oncology & Urologic disease

Second half in FY04

| Projects | Indications/formulations | Ph | Ph | NDA | Approval |
|----------------------|---|------|----|--------|----------|
| MH-15E | Morphine hydrochloride for extradural administration (Jpn) | | |▶ | |
| TAK-453-SR | Morphine hydrochloride sustained release capsule (Jpn) | | | | |
| TAP-144SR(3M) | Premenopausal breast cancer (Jpn) | | | | |
| TAP-144SR(6M) | Prostate cancer (U.S., EU) | | | | |
| TAK-013 | Endometriosis, uterine fibroid (U.S., EU) | | | | |
| TAK-013 | Endometriosis, uterine fibroid (Jpn) | ...▶ | | | |
| TAK-802 | Hypoactive bladder (Jpn) | | | | |

.....▶ **Stage up in 3Q in FY04**

Projects of P-II or later are listed

Franchise III: Central nervous system disease

Bone / joint disease

Second half in FY04

| Projects | Indications/formulations | Ph | Ph | NDA | Approval |
|----------|--|--------|----|-----|----------|
| TAK-375 | Insomnia (U.S.) | | | | |
| TAK-375 | Insomnia (EU) | | | | |
| TAK-375 | Insomnia (Jpn) |▶ | | | |
| TAK-375 | Circadian rhythm sleep disorder (U.S.) | ○ | | | |


| | | | | | |
|------------------|--------------------------------------|--|--------|--|--|
| NE-58095 (Benet) | Once-a-week formulation (Jpn) | |▶ | | |
| TAK-715 | Rheumatoid arthritis (U.S.,EU) | | | | |


.....▶ **Stage up in 3Q in FY04**

Projects of P-II or later are listed

Franchise IV: Gastroenterology disease LCM

Second half in FY04

| Projects | Indications/formulations | Ph | Ph | NDA | Approval |
|-------------------------------|--|----|----|---|----------|
| SPI-0211(Lubiprostone) | Chronic idiopathic constipation | | |  | |
| AG-1749 | S-GERD (Jpn) | | | | |
| AG-1749 | Injectable formulation (Jpn) | | | | |

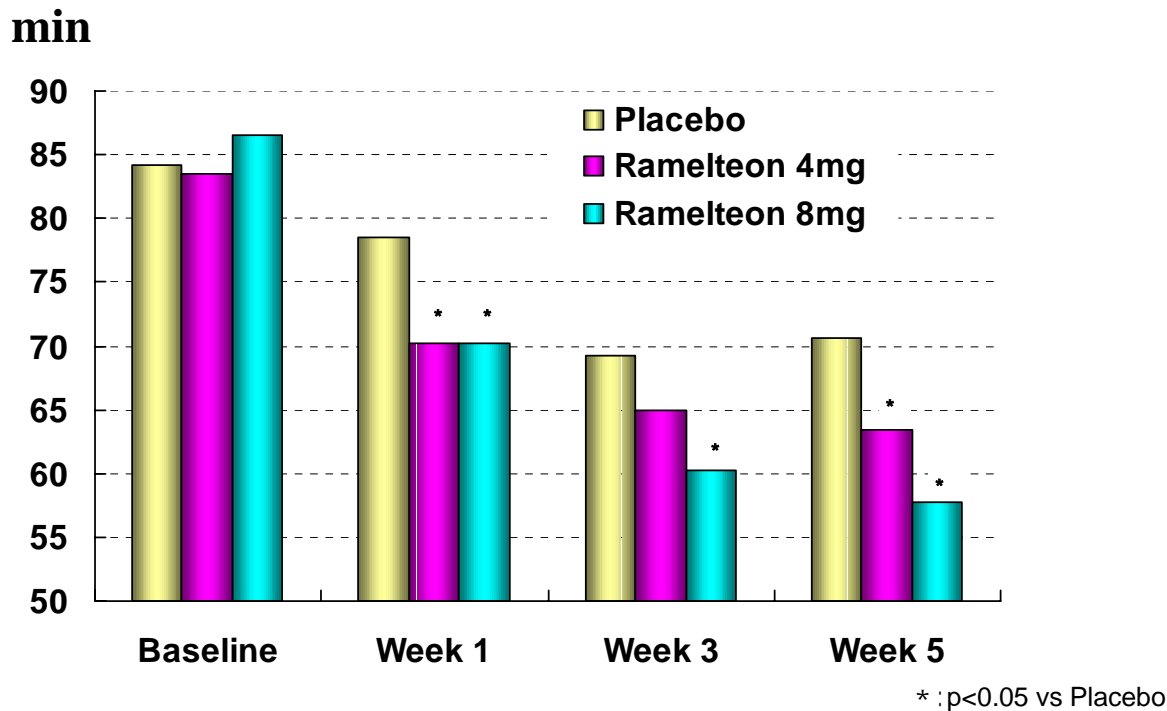
| | | | | | |
|----------------|---|---|--|--|--|
| TAK-201 | Cryptomeria pollinosis |  | | | |
| TMR | Double combination of vaccine against measles and rubella | | | | |

 **Stage up in 4Q in FY04** **Stage up in 3Q in FY04**

Projects of P-II or later are listed

TAK-375

Phase III study for the treatment of chronic insomnia in elderly patients



- Ramelteon 4 or 8 mg statistically reduced time to fall asleep and increased total sleep time
- No rebound insomnia or withdrawal effects were observed after discontinuation of Ramelteon treatment.
- Ramelteon was well tolerated in this elderly patients population

Source: American Geriatric Society 2005

In-licensed products

| TAK-128 | R851 | TAK-363 |
|--|--|--|
| Drug for Diabetic neuropathy | Drug for HPV (Human Papilloma Virus) infection*. | Drug for frequent urination / urinary incontinence |
| P-II (U.S.) | P-I (U.S.) | under preparation for clinical trial |
| improving function of neurotransmitter by accelerating myelin formation. | stimulating human body's immune system to attack virus-infected cells and tumor cells. | suppressing abnormal signs from bladder to central nervous system in OAB |
| Licensed from Mitsubishi Pharma Corporation | Licensed from 3M | Licensed from Toray |

*HPV infection is consider to be risk factor of cervical cancer.

The products that were licensed or progressed in the second half of FY2004 are listed.

Takeda San Diego, Inc. (former Syrrx)



Technology

High-throughput X-ray crystallography capabilities to determine the three dimensional structures of drug targets.

IND Engine

Creation of molecular for IND based on its technology

Foundation & location : 1999, San Diego, California, USA

Focused category : Cancer ,Metabolic diseases including diabetes

Pipeline : DPP-IV inhibitor (Ph II:alliance with PPD)

11 -HSD-1 inhibitor, HDAC inhibitor(pre-clinical :alliance with Roche)

Aurora kinase inhibitor (pre-clinical, cancer)

Employee : 92 (38 has PhD degree among 75 researchers)

Establishment of TSD (Takeda San Diego) : Benefits

➤ *Complement to in-house research projects*

Production of early stage pipeline as **IND Engine**

➤ *Acceleration of in-house research projects and increase success rate of the projects*

Application of the sophisticated technology of TSD to in-house projects

➤ *Access to pipeline in diabetes and oncology*

DPP-IV inhibitor, SYR-322 , SYR-619

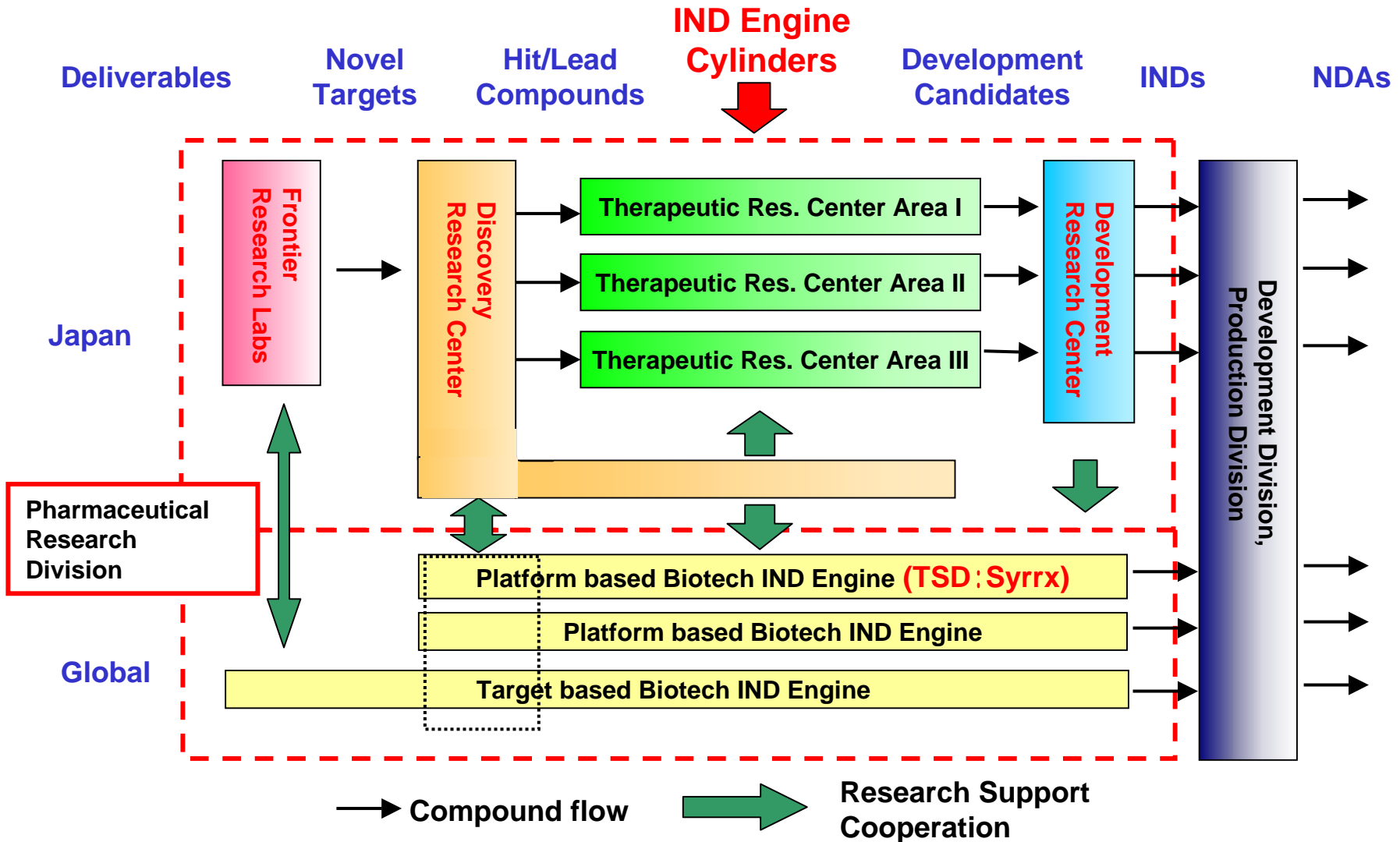
➤ *Establishment of research base in the US*

The first step to build global research network

Multi-Cylinder IND Engine Model

for superior drug discovery productivity

Healthy Competition / Collaboration among IND engine cylinders



Product Strategy Team (PST)

- **PST** consisting of members from Strategic Product Planning Dept. and related departments has started in April 2005.
- **PST** makes a plan maximizing a product value in global view point and monitor its action plan.

