

Consolidated Financial Results for FY2017 Q1

July 28, 2017

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Strong start to FY2017

- **Solid progress against key priorities**
 - Grow Portfolio, Rebuild Pipeline, Boost Profitability
- **Strong start on both revenue and profitability**
 - Underlying revenue +6.6%
 - Underlying Core Earnings +29.4%
- **Double-digit EPS growth**
 - Underlying Core EPS +35.7%
 - Reported EPS +45.8%
- **Confirms confidence in full-year outlook**

Solid progress against key priorities

Grow Portfolio

- Underlying Revenue +6.6%, every region growing
- Entyvio strong momentum +45.4%
- Growth Drivers +14.7%, now 61% of total revenue

Rebuild Pipeline

- Adcetris ECHELON-1 study achieved primary endpoint demonstrating benefit over standard of care
- R&D Transformation on track
- Over 10 new collaborations with innovative biotech/academia

Boost Profitability

- Underlying CE growth +29.4%
- Underlying CE margin +350bps
- Reported EPS +45.8%; Underlying Core EPS +35.7%

Strong start on both revenue and profitability, delivering double-digit EPS growth

- **Reported EPS increased +45.8%**
 - Revenue +3.3% with Growth Drivers offsetting FX (-0.4pp) & divestitures (-2.9pp)
 - Operating profit +27.5% driven by strong underlying growth; gain from sale of Wako shares (106 Bn yen) similar in size to Teva JV gain in Q1 FY2016 (103 Bn yen)
- **Strong Underlying performance**
 - Underlying revenue +6.6% led by Growth Drivers +14.7%
 - Underlying CE growth +29.4%, with margin +350bps; some phasing benefits
 - Underlying Core EPS growth +35.7% reflects tax rate phasing benefit
- **Operating Free Cash Flow increased +50.3% to 55.5 Bn yen; sale of non-core assets generated an additional 128 Bn yen of cash**

Reported EPS up 45.8% reflecting strong Operating Profit growth, sale of securities & lower tax rate

Reported P&L – FY2017 Q1

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Revenue	434.0	448.2	+14.2	+3.3%
Core Earnings	77.1	106.3	+29.2	+37.9%
Operating Profit	152.9	195.0	+42.0	+27.5%
Net Profit	99.5	144.8	+45.3	+45.5%
EPS	127 yen	186 yen	+58 yen	+45.8%
ROE	5.3%	7.4%		+2.1pp
JPY/USD	112 yen	111 yen	-0 yen	-0.3%
JPY/EUR	126 yen	121 yen	-4 yen	-3.4%

Underlying CE Margin up +350bps driven by both Gross Margin expansion and OPEX discipline / phasing

Underlying P&L – FY2017 Q1

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Revenue	398.0	424.3	+26.3	+6.6%
Gross Profit	278.4	304.5	+26.1	+9.4%
% of revenue	70.0%	71.8%		+1.8pp
OPEX	-213.3	-220.3	-7.0	+3.3%
% of revenue	-53.6%	-51.9%		+1.7pp
Core Earnings	65.1	84.2	+19.1	+29.4%
% of revenue	16.3%	19.8%		+3.5pp
Core Net Profit	48.7	66.0	+17.4	+35.7%
Core EPS	62 yen	85 yen	+22 yen	+35.7%







Strong revenue growth led by Growth Drivers, now 61% of total revenue

FY2017 Q1 Underlying Revenue growth	
Growth Drivers	GI +23.2%
	Oncology +12.2%
	CNS +29.8%
	Emerging Markets +6.0%
	Total + 14.7%

Growth Drivers now 61% of total Takeda revenue

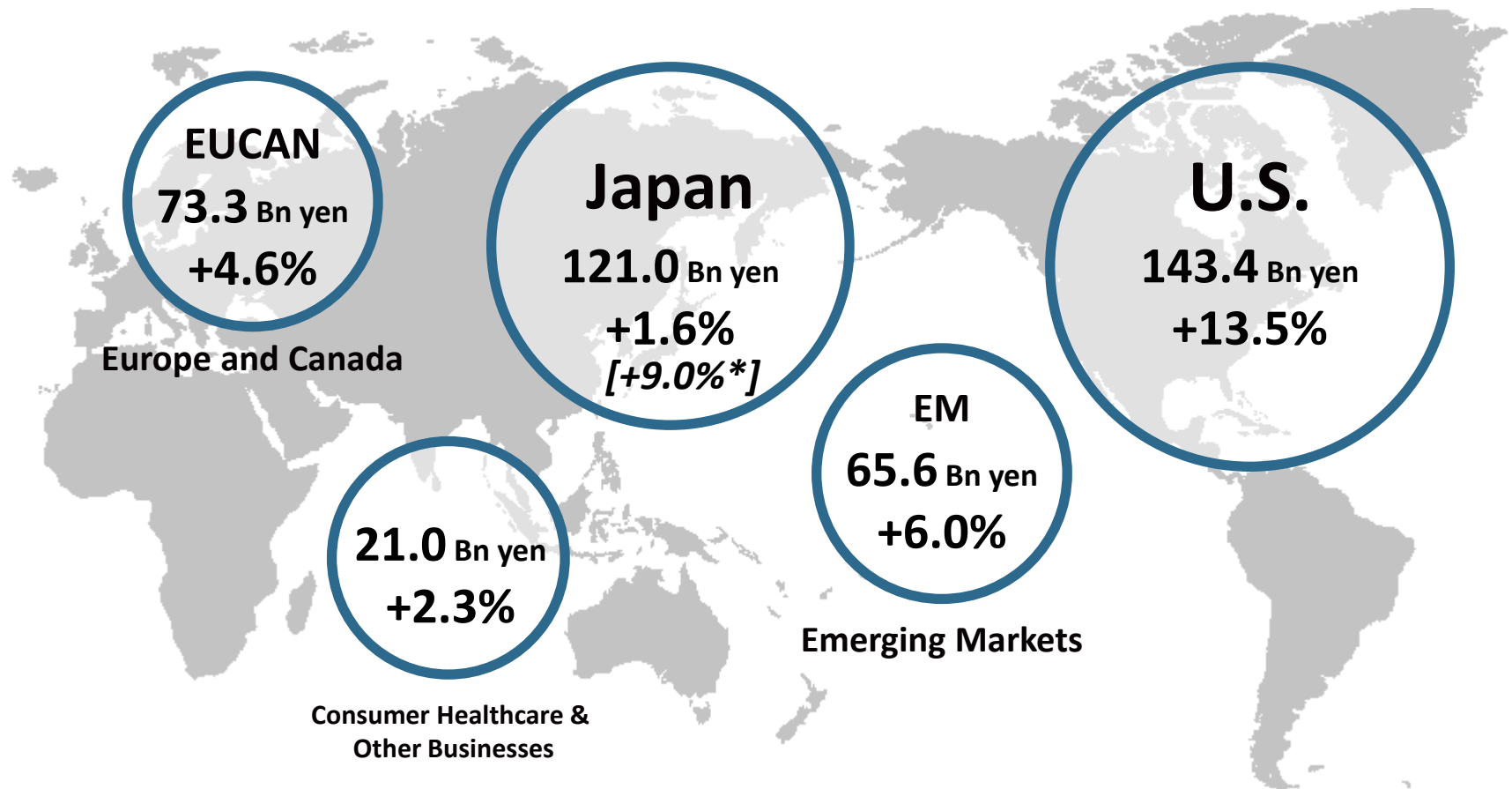
Key products are driving profitable growth

FY2017 Q1 Underlying Revenue

		<u>Q1 Revenue</u>	<u>vs. PY</u>
GI		45.5 Bn	+45.4%
		12.5 Bn	+95.7%
Oncology		9.9 Bn	+67.6%
		9.3 Bn	+22.0%
		0.2 Bn	N/A (first launch May 2017)
CNS		11.1 Bn	+74.8%

Underlying revenue growth across all regions

FY2017 Q1 Underlying Revenue: 424.3 Bn yen, +6.6%



Important R&D milestones in FY2017








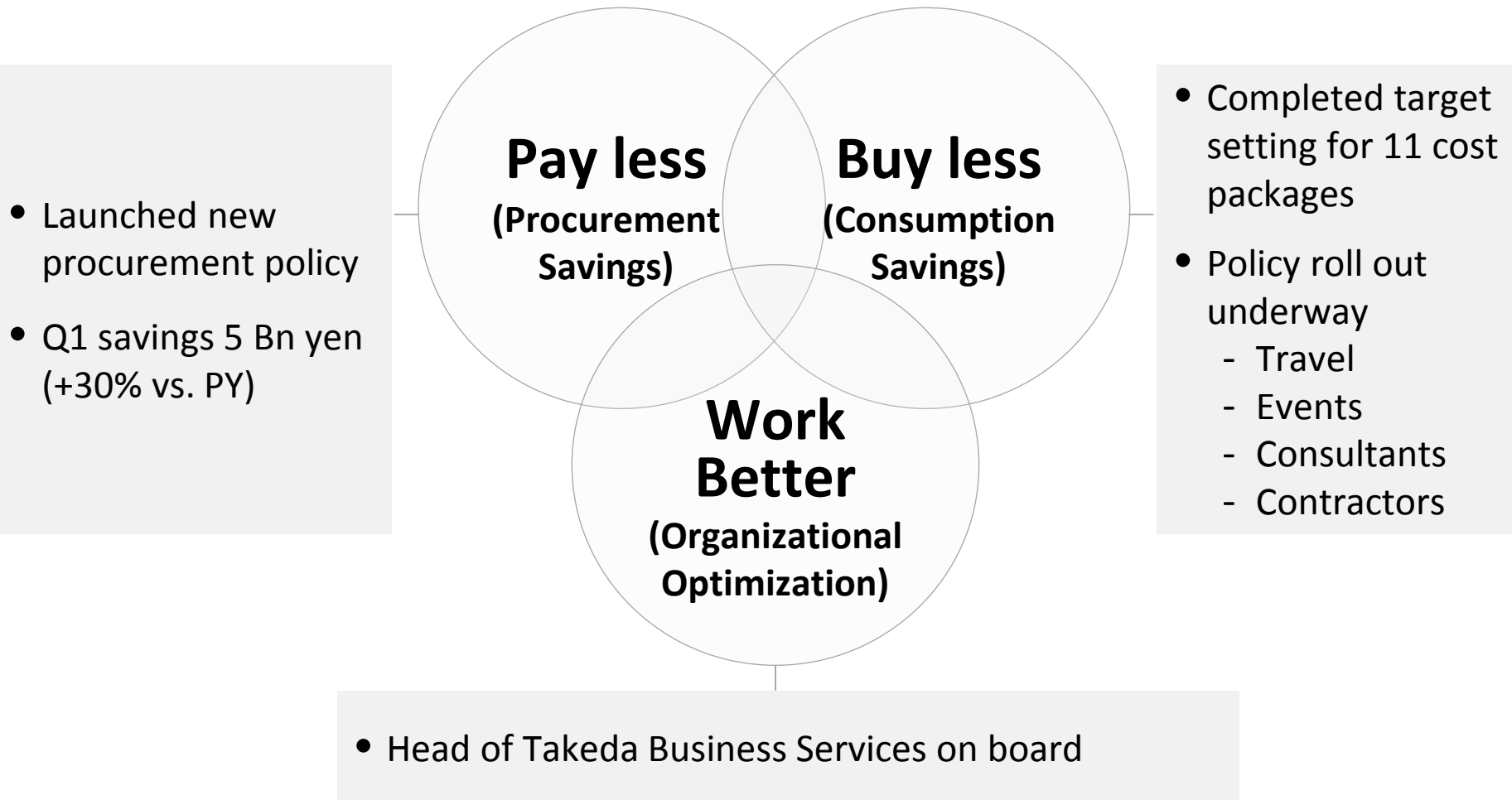
Therapeutic Area	Compound	Expected Event	
Oncology	Ninlaro	Newly Diagnosed Multiple Myeloma PFS readout (H2) Relapsed/Refractory Multiple Myeloma OS readout (H2)	
	Adcetris	Relapsed cutaneous T-cell lymphoma EU submission (H1) Front-Line Hodgkin's Lymphoma Pivotal Ph3 results (ECHELON-1) (CY2017)	 
	Alunbrig	Non-Small Cell Lung Cancer US NDA approval (H1)	
	Pevonedistat	HR-MDS/CMML/LB AML Ph2 IA results (H1) HR-MDS/CMML/LB AML Pivotal Ph 3 study initiation (H2)	
Gastroenterology (GI)	Entyvio	Ulcerative Colitis Japan Ph3 Results (H2)	
	Cx-601	Complex Perianal Fistulas in Crohn's Disease EU approval decision (CY2017)	
	TAK-954	Enteral Feeding Intolerance Ph2b study initiation (H2)	
Central Nervous System (CNS)	Trintellix	Dialogue ongoing with FDA regarding cognition data in label	 Received CRL June 2017
	Rasagiline	Parkinson's Disease Japan NDA submission (H1)	
Vaccines	TAK-003	Dengue Virus Vaccine Ph3 TIDES Study enrollment completed (H1)	
	TAK-214	Norovirus Vaccine Ph2b results (in adults) (H2)	
	TAK-426	Zika Vaccine Phase 1 start (H2)	

Table only shows select R&D milestones, and is not comprehensive. All timelines are current assumptions and subject to change

Global Opex Initiative is progressing well



Operating Free Cash Flow increased +50.3%

Cash Flow Statement – FY2017 Q1

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Net profit	100.3	145.0	+44.6	+44.5%
Depreciation, amortization and impairment loss	43.8	46.0	+2.2	
Decrease (increase) in trade working capital	-39.6	-41.2	- 1.6	
Income taxes paid	-4.9	-12.3	- 7.4	
Other	-48.9	-62.9	- 14.0	
Net cash from operating activities	50.8	74.6	+23.8	+46.9%
Acquisition of tangible assets (net)*	-11.4	-14.0	- 2.6	
Acquisition of intangible assets**	-2.4	-5.0	- 2.6	
Operating Free Cash Flow	36.9	55.5	+18.6	+50.3%

- Sale of non-core assets generated an additional 128 Bn yen of cash
- Net Debt / EBITDA drops from 2.7x at end of FY2016 to 2.1x

Other goals/topics

<u>Goals</u>	<u>Objective</u>	<u>YTD status</u>
• Underlying CE margin %	+100-200bps	+350bps
• Real estate disposals	60 Bn yen*	32 Bn yen
• Sale of securities	70 Bn yen*	11 Bn yen

Topics

- Positive appeal decision on Velcade '446 patent; assessing oncology outlook
- Completed ARIAD financing: \$3.5 Bn, 8.8 year term, average interest rate 0.8%
- ARIAD integration fully on track with financials ahead of expectation

Strong Q1 confirms confidence in FY2017 full-year outlook

	FY2017 full-year guidance (growth %)	FY2017 Q1 results (growth %)
Underlying Revenue	Low single digit	+6.6%
Underlying Core Earnings	Mid-to-high teen	+29.4%
Underlying Core EPS	Low-to-mid teen	+35.7%

- Q1 included some phasing benefits
- Full-year tax rate 27% vs. 21% in Q1

Strong Q1 confirms confidence in FY2017 full-year outlook

Underlying Guidance	Revenue	Low single digit
	Core Earnings	Mid-to-high teen
	Core EPS	Low-to-mid teen

(Bn yen)		<u>vs PY</u>	
Reported Forecast	Revenue	1,680.0	-3.0%
	Operating Profit	180.0	+15.5%
	EPS	177 yen	+20.1%

Appendix

Investing heavily in our early pipeline, while maximizing the value of our marketed portfolio



	Phase 1	Phase 2	Phase 3/Filed	LCM
Oncology	<div>TAK-202 CCR2 antagonist Solid Tumors</div> <div>TAK-243 UAE inhibitor Solid Tumors</div> <div>TAK-659 SYK inhibitor Hematologic malignancies</div> <div>TAK-580 pan-RAF kinase Solid Tumors</div> <div>TAK-931 CDC7 inhibitor Solid Tumors</div> <div>TAK-788 (AP32788) EGFR/HER2 inh NSCLC</div> <div>XMT-1522 Mersana Therapeutics HER2 dolaflexin ADC HER2 positive solid tumors</div>	<div>pevonedistat NAE inhibitor HR MDS</div> <div>sapanisertib (TAK-228) mTORC 1/2 inhibitor RCC, Breast, Endometrial</div>		<div>NINLARO[®] Proteasome inhibitor MM R/R (EM), R/R AL Amyloidosis, Front Line MM Maintenance MM post-SCT Maintenance MM w/o SCT</div> <div>ADCETRIS[®] Seattle Genetics CD30 ADC FL HL, FL MTCL, Relapsed CTCL</div> <div>ALUNBRIG[®] (Brigatinib) ALK inhibitor ALK+NSCLC (EU), FL ALK+ NSCLC</div> <div>ICLUSIG[®] BCR-ABL inhibitor Imatinib resistant Chronic Phase CML Second-Line Chronic Phase CML, Ph+ ALL</div> <div>Cabozantinib Exelixis VEGFR/RTK inhibitor Solid Tumors (JP)</div>
GI	<div>TAK-954 Theravance Biopharma 5-HT4R ag Enteral Feeding Intolerance</div> <div>TAK-906 D2/D3 Receptor Antagonist Gastroparesis</div>		<div>CX601 TiGenix mesenchymal stem cells Perianal Fistulas in CD (EU)</div>	<div>ENTYVIO[®] α4β7 mAb UC/CD (EM), UC (JP), CD (JP), adalimumab H2H Sub-Q UC, Sub-Q CD, GvHD Prophylaxis, GvHD SR, IO Colitis</div> <div>Vonoprazan PCAB ARD (Asia) , NERD (JP) PPI Partial Responder</div> <div>AMITIZA[®] Sucampo Chloride channel activator Pediatric constipation New formulation</div>
CNS	<div>TAK-041 GPR139 agonist CIAS neg. symptoms</div> <div>TAK-058 5-HT3 antagonist CIAS</div> <div>TAK-071 M1PAM LBD-AD</div> <div>TAK-653 AMPA potentiator TRD</div> <div>TAK-831 DAAO inhibitor Schizophrenia, Ataxia</div> <div>TAK-935 Ovid Therapeutics CH24H inhibitor Epilepsy</div>		<div>AD-4833 TOMM40 Zinfandel Pharmaceutical Mitochondrial growth modulator Delay of MCI</div>	<div>TRINTELLIX[™] Lundbeck Multimodal anti-depressant Cognition data in label (CRL received) MDD (JP), ADHD</div> <div>Rasagiline Teva MAOB inhibitor Parkinson's (JP)</div>
Vaccines	<div>TAK-021 EV71 Vaccine</div> <div>TAK-195 Gates Foundation Inactivated Polio Vaccine</div>	<div>TAK-214 Norovirus Vaccine</div>	<div>TAK-003 Dengue Vaccine</div>	
Other	<div>TAK-079 Anti-CD38 mAb SLE</div> <div>TAK-020 BTK inhibitor RA</div>	<div>namilumab Amgen GM-CSF RA</div> <div>TAK-272 SCOHIA Pharma Direct renin inhibitor Diabetic Nephropathy</div>	<div>relugolix Myovant GNRH antagonist Uterine Fibroids (JP), Endometriosis, Prostate Cancer (JP)</div>	

Definition of Core and Underlying Growth

Core Results Concept

Core Earnings is calculated by taking 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. 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 Bn yen 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 Bn yen) 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.

Underlying Growth

Underlying growth compares two periods (quarters or years) of financial results on a common basis, showing the ongoing performance of the business excluding the impact of foreign exchange and divestitures from both periods.

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.

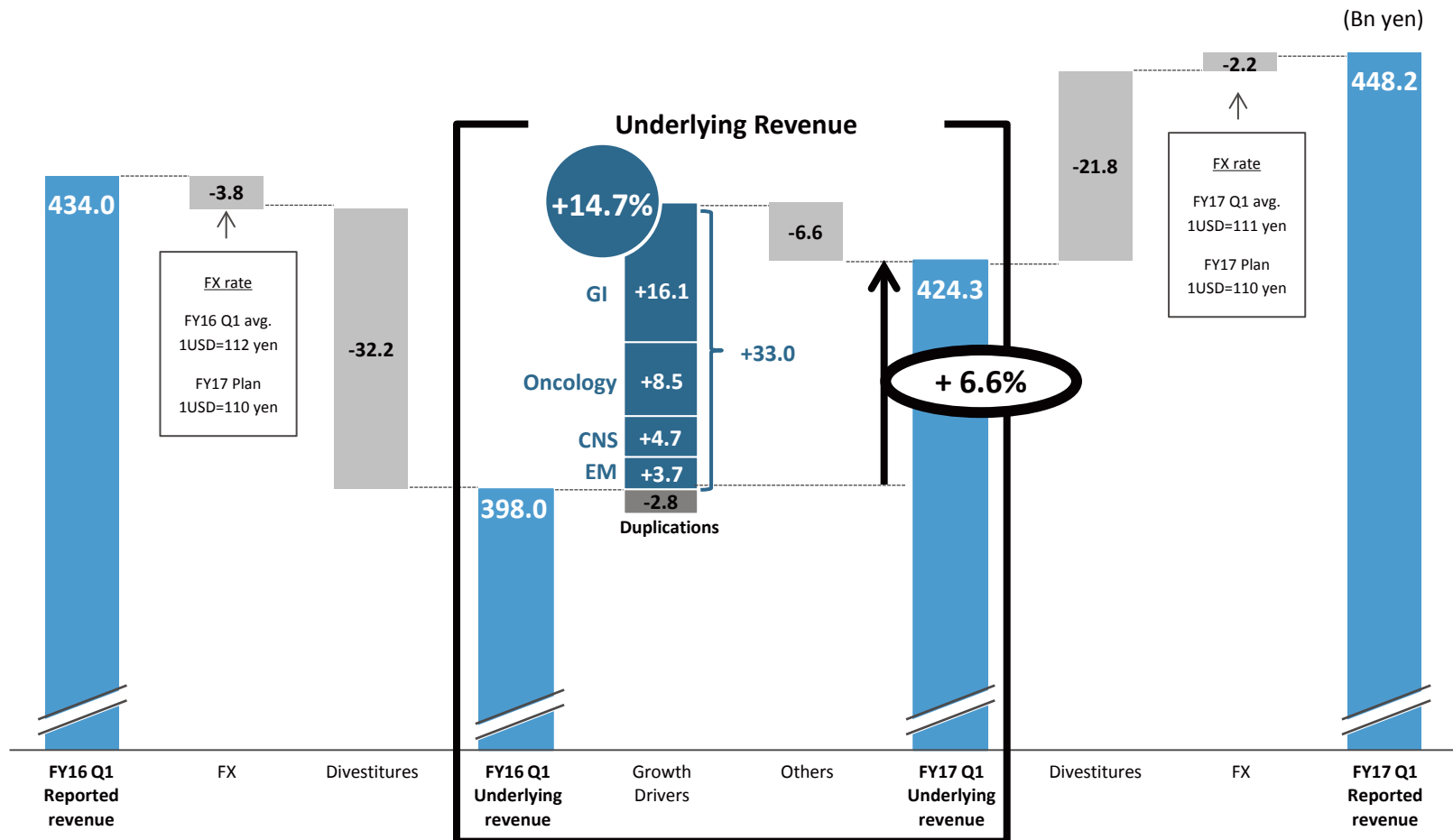
FY2017 Q1 reported income statement

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Revenue	434.0	448.2	+14.2	+ 3.3%
Gross Profit	298.6	327.4	+28.8	+ 9.6%
% of revenue	68.8%	73.0%		+4.2pp
SG&A	-145.0	-145.9	-0.9	+ 0.6%
R&D	-76.5	-75.7	+0.9	- 1.1%
Non-recurring Items	—	0.5	+0.5	NA
Core Earnings	77.1	106.3	+29.2	+ 37.9%
Amortization and impairment of intangibles	-28.5	-32.5	-4.0	+ 13.9%
Other income/expenses	104.3	121.6	+17.3	+ 16.6%
Non-recurring Items (reversal)	—	-0.5		
Operating Profit	152.9	195.0	+42.0	+ 27.5%
% of revenue	35.2%	43.5%		+8.3pp
Financial income/expenses	-2.9	3.5	+6.4	NA
Equity income	-0.4	-0.3	+0.1	- 25.8%
Profit Before Tax	149.7	198.2	+48.6	+ 32.4%
Income tax	-49.3	-53.3	-3.9	+ 7.9%
Non-controlling interests	-0.8	-0.2	+0.6	- 75.5%
Net Profit	99.5	144.8	+45.3	+ 45.5%
EPS	127 yen	186 yen	+58 yen	+ 45.8%
Core EPS	71 yen	103 yen	+32 yen	+ 44.5%

FY2017 Q1 underlying income statement

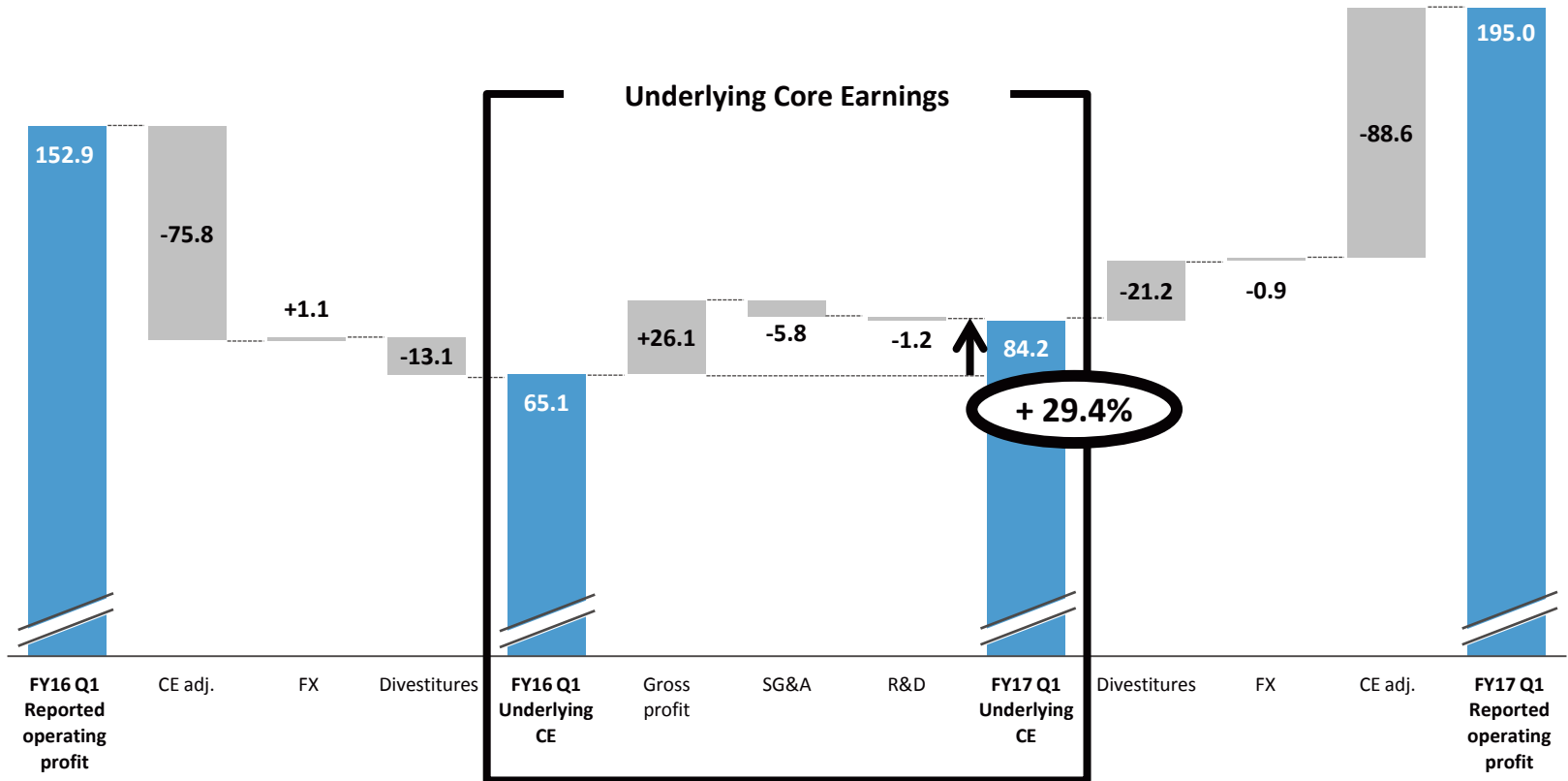
(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Underlying Revenue	398.0	424.3	+26.3	+ 6.6%
Underlying Gross Profit	278.4	304.5	+26.1	+ 9.4%
% of revenue	70.0%	71.8%		+1.8pp
SG&A	-139.4	-145.2	-5.8	+ 4.1%
R&D	-73.9	-75.1	-1.2	+ 1.7%
Underlying Core Earnings	65.1	84.2	+19.1	+ 29.4%
% of revenue	16.3%	19.8%		+3.5pp
Financial income/expenses	-0.6	-0.9	-0.3	+ 57.8%
Equity income	3.1	0.8	-2.3	- 74.7%
Underlying Core Profit Before Tax	67.6	84.1	+16.4	+ 24.3%
Income tax	-18.7	-17.8	+0.8	- 4.5%
Non-controlling interests	-0.3	-0.2	+0.1	- 24.6%
Underlying Core Net Profit	48.7	66.0	+17.4	+ 35.7%
Underlying Core EPS	62 yen	85 yen	+22 yen	+ 35.7%

Underlying revenue increased +6.6% led by Growth Drivers

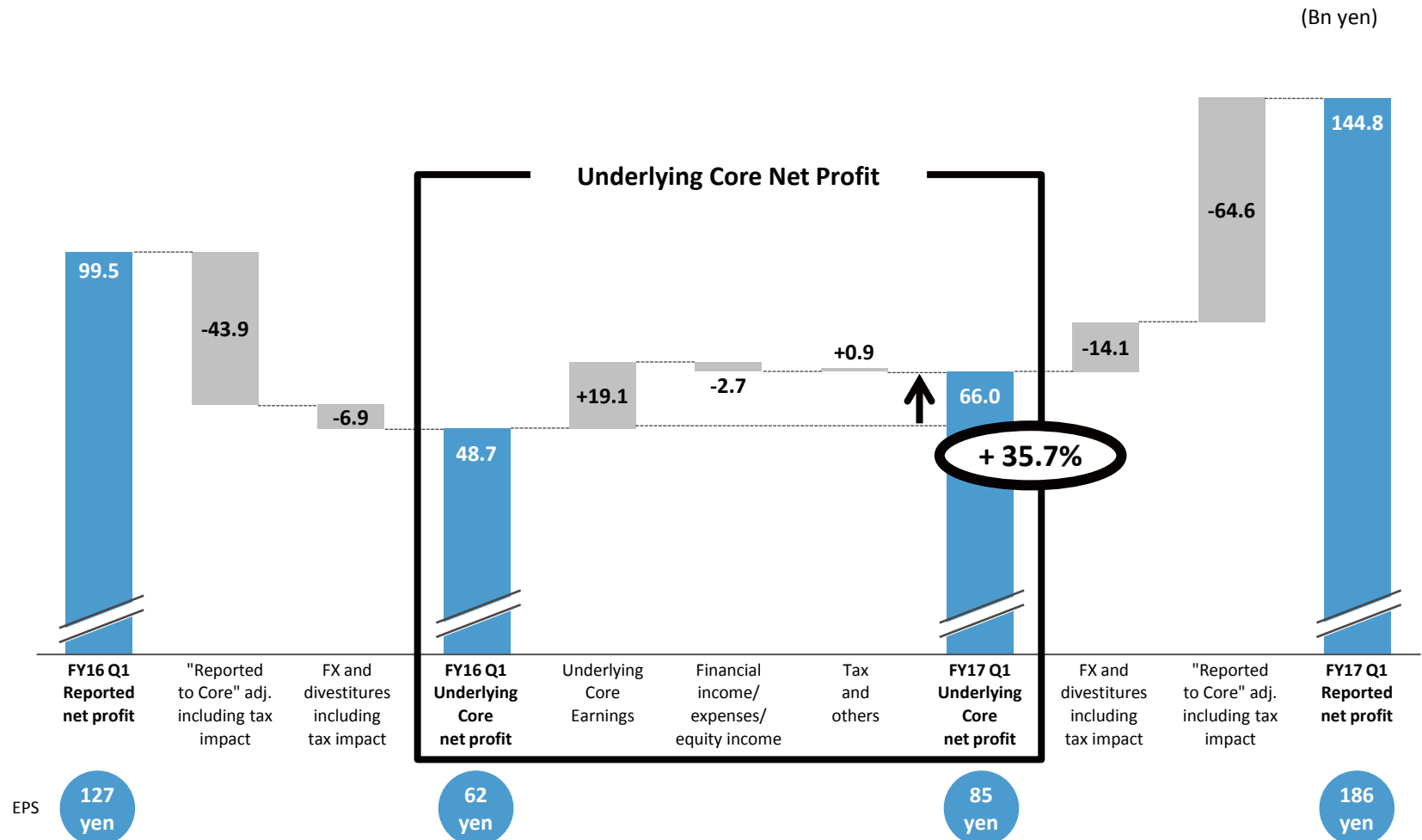


Underlying Core Earnings up +29.4% driven by volume/mix & disciplined cost management

(Bn yen)



Underlying Core net profit/EPS up +35.7% driven by Core Earnings and favorable tax rate



Bridge from Reported Revenue to Underlying Revenue

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Revenue	434.0	448.2	+14.2	+ 3.3%
FX effects*	-3.8	-2.2		+0.4pp
Revenue excluding FX effects*	430.2	446.1	+15.9	+ 3.7%
Divestitures**	-32.2	-21.8		+2.9pp
Wako	-19.0	—		
LLPs sold to Teva JV	-7.5	-18.3		
Others	-5.7	-3.5		
Underlying Revenue	398.0	424.3	+26.3	+ 6.6%

* FX adjustment applies FY2017 plan rate to both years (1USD=110 yen, 1EUR=120 yen)

** Divestitures adjustments in FY2016, mainly include Wako's revenue and sales of LLPs sold to the JV with Teva in May 2017, and in FY2017, mainly include one-time gain of those LLPs.

Note: See reported to core, core to underlying reconciliation Excel sheet uploaded onto the website.

Bridge from Operating Profit to Underlying Core Earnings

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Operating Profit	152.9	195.0	+42.0	+ 27.5%
Amortization and impairment of intangibles	28.5	32.5	+4.0	
Other income/expenses	-104.3	-121.6	-17.3	
Non-recurring items	—	0.5	0.5	
Core Earnings	77.1	106.3	+29.2	+ 37.9%
FX effects*	1.1	-0.9	-2.0	
Divestitures**	-13.1	-21.2	-8.1	
Wako	-2.1	—	+2.1	
LLPs sold to Teva JV	-7.2	-17.8	-10.6	
Others	-3.8	-3.5	+0.3	
Underlying Core Earnings	65.1	84.2	+19.1	+ 29.4%

* FX adjustment applies FY2017 plan rate to both years (1USD=110 yen, 1EUR=120 yen)

** Divestitures adjustments in FY2016, mainly include Wako's profits and profits of LLPs sold to the JV with Teva in May 2017, and in FY2017, mainly include one-time gain of those LLPs.

Note: See reported to core, core to underlying reconciliation Excel sheet uploaded onto the website.

Bridge from Net Profit to Underlying Core Net Profit

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2017 Q1</u>	<u>vs. PY</u>	
Net Profit	99.5	144.8	+45.3	+ 45.5%
<i>EPS</i>	<i>127 yen</i>	<i>186 yen</i>	<i>+ 58 yen</i>	<i>+ 45.8%</i>
Amortization and impairment of intangibles	19.6	21.9	+2.4	
Other income/expenses	-68.3	-83.6	-15.3	
Gain on sales of securities	-0.0	-5.6	-5.6	
Other exceptional gains and losses	4.8	2.6	-2.2	
Core Net Profit	55.6	80.1	+24.5	+ 44.2%
<i>Core EPS</i>	<i>71 yen</i>	<i>103 yen</i>	<i>+ 32 yen</i>	<i>+ 44.5%</i>
FX effects*	1.7	0.6	-1.1	
Divestitures**	-8.7	-14.7	-6.1	
Underlying Core Net Profit	48.7	66.0	+17.4	+ 35.7%
<i>Underlying Core EPS</i>	<i>62 yen</i>	<i>85 yen</i>	<i>+ 22 yen</i>	<i>+ 35.7%</i>

* FX adjustment applies FY2017 plan rate to both years (1USD=110 yen, 1EUR=120 yen)

** Divestitures adjustments in FY2016, mainly include Wako 's profits and profits of LLPs sold to the JV with Teva in May 2017, and in FY2017, mainly include one-time gain of those LLPs.

Note: See reported to core, core to underlying reconciliation Excel sheet uploaded onto the website.

Net Debt / EBITDA ratio reduced to 2.1x, with sale of non-core assets generating 128 Bn yen

Use of Cash – FY2017 Q1

(Bn yen)	<u>FY2016 Q1</u>	<u>FY2016 Q4</u>	<u>FY2017 Q1</u>	
Operating Free Cash Flow			55.5	
Real estate disposal			31.9	} 127.7
Sale of Wako shares			84.5	
Sale of other shareholdings			11.3	
Dividend and other			-70.3	
Net increase (decrease) in cash			112.8	
Debt	-919.6	-1,144.9	-1,144.8	
Net cash (debt)	-281.8	-824.3	-711.4	
Gross debt/EBITDA ratio	2.6 x	3.7 x	3.5 x	
Net debt/EBITDA ratio	0.8 x	2.7 x	2.1 x	

Confirming Reported Forecast; FY2017 Reported EPS to increase by 20% to 177 yen/share

Reported Forecast – Full Year FY2017 (announced May 10, 2017)

(Bn yen)	<u>FY2016</u>	<u>FY2017</u>	<u>vs. PY</u>	
Revenue	1,732.1	1,680.0	-52.1	-3.0%
R&D expenses	-312.3	-310.0	+2.3	-0.7%
Core Earnings	245.1	257.5	+12.4	+5.0%
Amortization & impairment	-156.7	-152.5	+4.2	-2.7%
Other income/expense*	67.5	75.0	+7.5	NA
Operating profit	155.9	180.0	+24.1	+15.5%
Profit before tax	143.3	190.0	+46.7	+32.5%
Net profit	114.9	138.0	+23.1	+20.1%
EPS	147 yen	177 yen	+30 yen	+20.1%
USD/JPY	109 yen	110 yen	+1 yen	+0.9%
EUR/JPY	120 yen	120 yen	+1 yen	+0.4%

Key FY2017 Items (Bn yen)

Amortization & impairment

- Amortization -120.0
- Impairment -32.5

Other income/expense

- Sale of Wako shares 106.0
- Sale of real estate 16.0
- LLP transfer gain 6.0
- Global Opex Initiative/Other -30.0
- R&D transformation* -18.0
- * Total spend now at -58.0
- ARIAD one-time -5.0

Financial income

- Sale of securities 30.0

* Includes non-recurring items

Items impacting YTD / YTG profile

- **Majority of one time gains booked in Q1**
 - Transfer of additional products to Teva Takeda
 - Sale of shareholdings in Wako Pure Chemical
 - Sale of real estate
- **Year-to-go includes assumptions for significant expenses**
 - Global Opex Initiative / other restructuring spend
 - R&D transformation costs skewed to year-to-go
 - Impairment costs all in year-to-go
- **Q4 is typically the quarter with lowest profitability**
 - Compounded by Velcade LOE in November 2017

136.8 Bn yen

-79.0 Bn yen

FY2016 Baseline for FY2017 Underlying Growth Guidance

(Bn yen)	<u>FY2016</u>
Revenue	1,732.1
FX effects*	+19.4
Divestitures - Wako	-79.1
Divestitures - Additional LLPs to Teva JV	-24.2
Divestitures - others	-26.0
Underlying Revenue	1,622.1
Operating Profit	155.9
Amortization & impairment	+156.7
Other income	-143.5
Other expense	+72.9
Others (Non-recurring items)	+3.2
Core Earnings	245.1
FX effects*	+5.3
Divestitures - Wako, additional LLPs, etc.	-46.0
Underlying Core Earnings	204.4
% of revenue	12.6%
Underlying Core Tax Rate	26.0%
Underlying Core EPS (yen)	192

* Adjustment applying a constant currency at 1USD=110 yen, 1EUR=120 yen and etc., i.e. FY17 plan rate

NOTE: Events in FY17 may result in recalculation of the FY16 baseline.

Better Health, Brighter Future



Takeda Pharmaceutical Company Limited