Better Health, Brighter Future

Driving Profitable Growth
FY2017 Q2

November 1, 2017

Christophe Weber
President & Chief Executive Officer

Andrew Plump
Chief Medical & Scientific Officer

James Kehoe
Chief Financial Officer

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Transformation is driving profitable growth in H1

- **Solid progress against key priorities**
  - Grow Portfolio, Rebuild Pipeline, Boost Profitability
- **Strong growth of both revenue and profitability**
  - Underlying revenue +6.7%
  - Underlying Core Earnings +44.4%
- **Double-digit EPS growth**
  - Underlying Core EPS +29.9%
  - Reported EPS +39.2%
- **Raising full-year outlook despite headwinds in H2**

Solid progress against key priorities in H1

Grow Portfolio	• Underlying Revenue +6.7%, led by Growth Drivers +14.9% • Strong performance from key growth products • ARIAD acquisition delivering ahead of expectations
Rebuild Pipeline	• Progressed innovative assets (TAK-935, TAK-906 & TAK-659 initiated P-2; vedolizumab UC filed in Japan) • R&D Transformation well-advanced with organizational changes largely completed • 28 new collaborations with biotech/academia in FY2017
Boost Profitability	• Underlying CE growth +44.4%, CE margin +500bps vs prior year • Reported EPS +39.2%; Underlying Core EPS +29.9% • Raising outlook for full year FY2017

Growth Drivers: GI, Oncology, CNS and Emerging Markets
UC: Ulcerative Colitis; CE: Core Earnings

Key priorities for the mid-term: Grow Portfolio

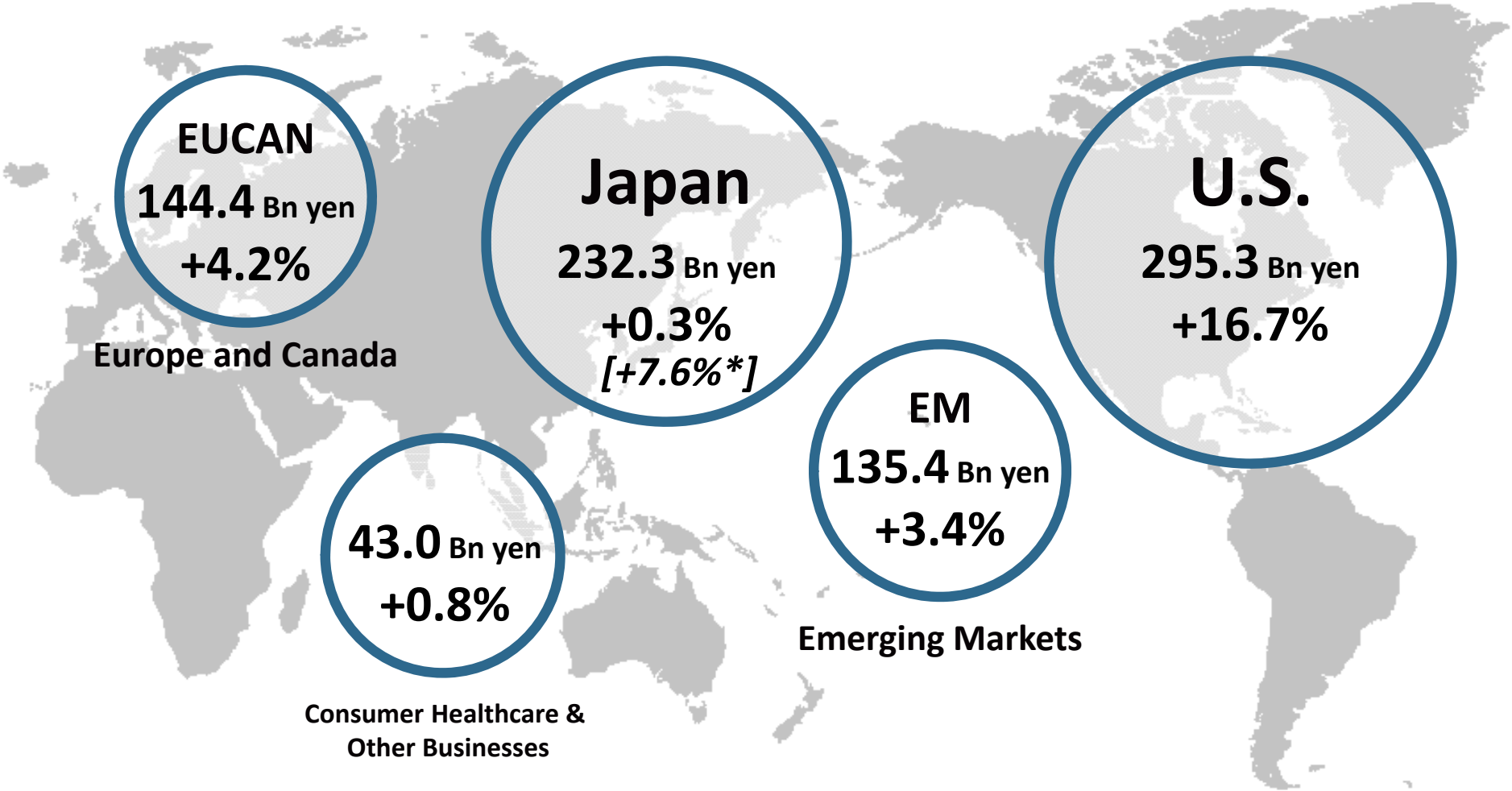
Grow Portfolio | Rebuild Pipeline | Boost Profitability

Mid-term priorities

- Focus on key products of Growth Drivers
- Reinforce specialty capabilities
- Pursue opportunities to divest or acquire assets

Underlying revenue growth across all regions

FY2017 H1 Underlying Revenue: 850.3 Bn yen, +6.7%



*Excluding returned portfolio (Prevenar, Benefix): +7.6%

Growth Drivers posted strong +14.9% revenue growth

	FY2017 H1 Underlying Revenue growth	
Growth Drivers	GI	+24.8%
	Oncology	+13.2%
	CNS	+26.7%
	Emerging Markets	+3.4%
	Total	**+ 14.9%**

Growth Drivers now 62% of total Takeda revenue

Strong performance from our key growth products

FY2017 H1 Underlying Revenue

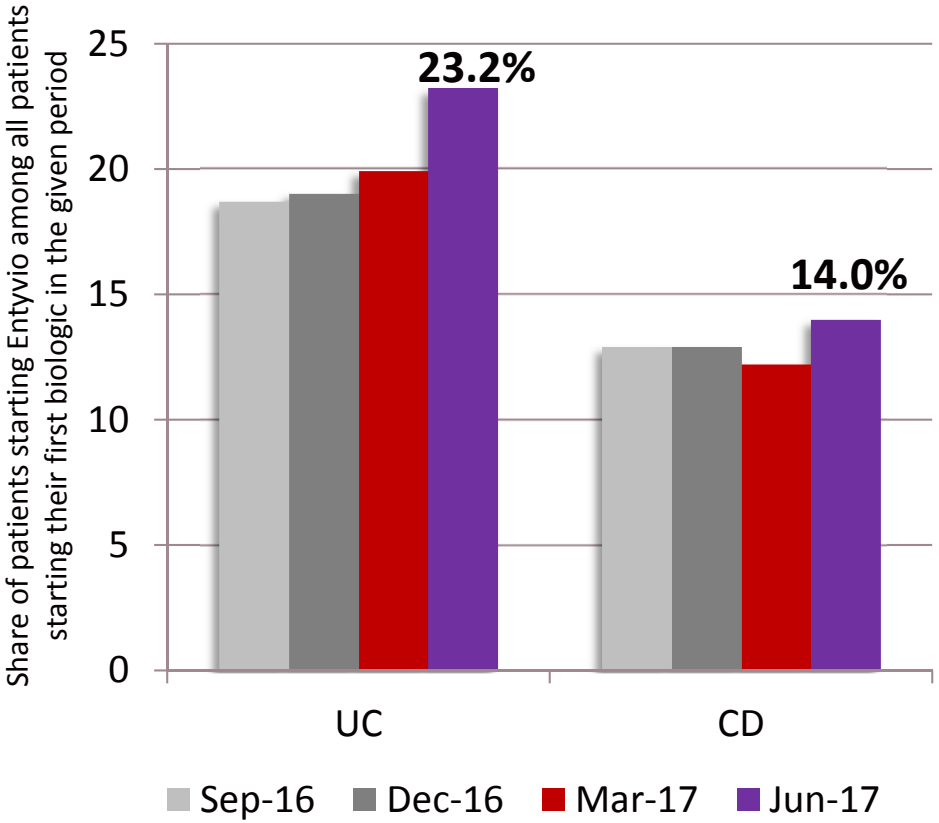
		Bn yen	vs. PY	Product Update
GI	Entyvio vedolizumab	95.5	+43.4%	• Continued share gains & new country launches fuel growth • Now approved in 62 countries; launched in 53
	Takecab	25.3	+83.0%	• Gaining share in anti-acid market in Japan • Cannot exclude possibility of Japan price pressure in 2018
Oncology	NINLARO (ixazomib) capsules	21.4	+63.8%	• Approved in 49 countries, continued global rollout • Pivotal data expected in FY2018 in new treatment settings
	ADCETRIS brentuximab vedotin	18.7	+28.4%	• Continued geographical expansion and growth • Frontline HL submission & rCTCL approval decision upcoming in EU
	ALUNBRIG BRIGATINIB	0.8	N/A (launch May 2017)	• Encouraging uptake since U.S. launch; preparing for EU launch • Enrollment in frontline NSCLC study completed
CNS	Trintellix vortioxetine tablets	23.2	+58.7%	• Capturing >60% of U.S. patients starting 1st branded antidepressant • Multi-channel patient engagement

HL: Hodgkin's Lymphoma; rCTCL: Relapsed Cutaneous T-Cell Lymphoma
NSCLC: Non Small-Cell Lung Cancer

Overall market share dynamic is strong

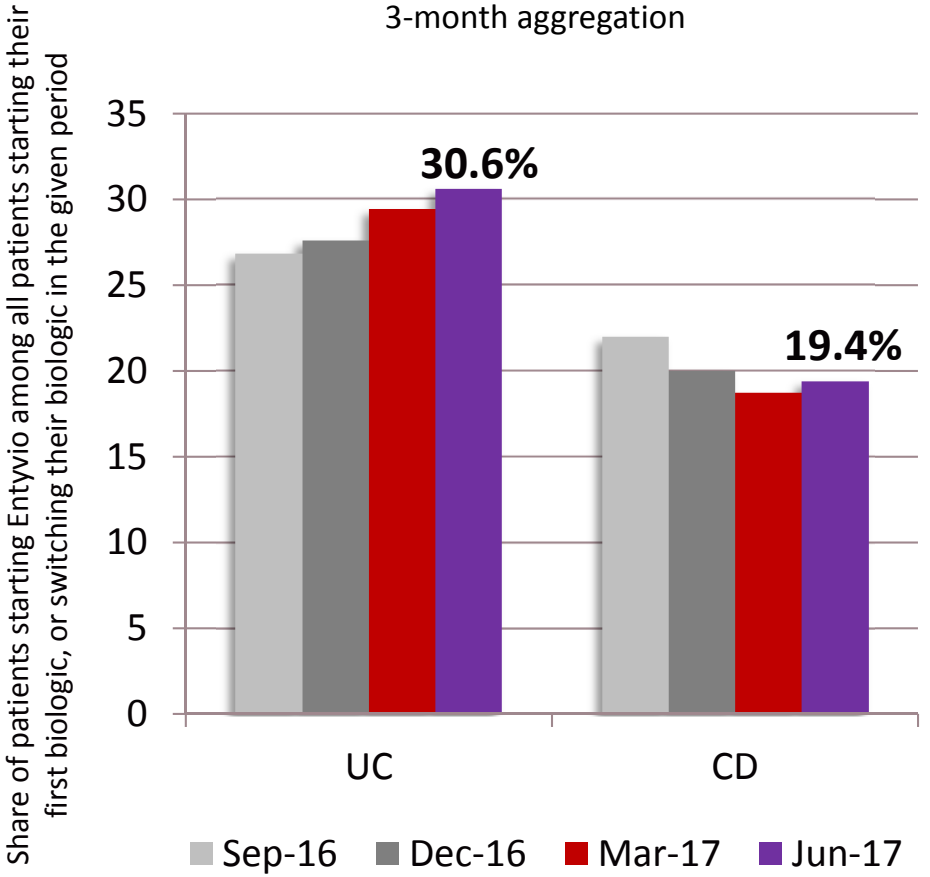
Bio-Naïve Patients (new starts) (U.S.)

3-month aggregation



Dynamic Market Share (U.S.)

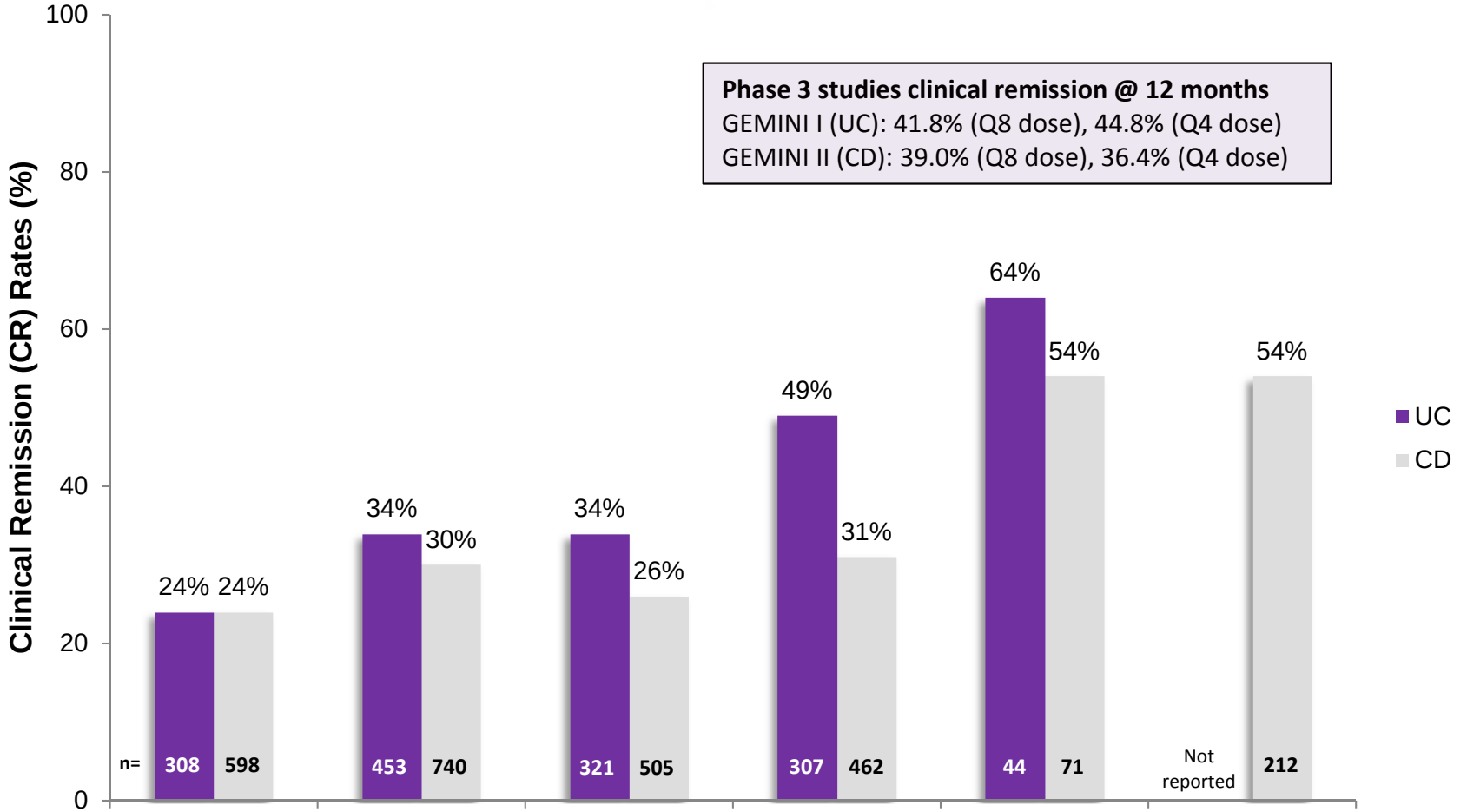
3-month aggregation



UC: Ulcerative colitis
CD: Crohn's disease

Source: SHA Medical and Pharmacy Claims data, Jul 2017. Latest numbers available aggregated by quarter. Patient numbers / shares estimated from projected patient counts from SHA claims data

Real-world remission rates after 1 year consistent with GEMINI clinical trial results

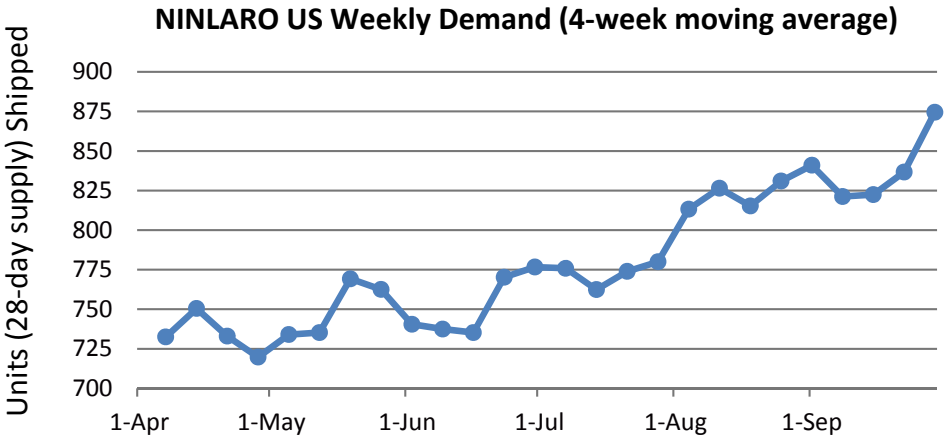


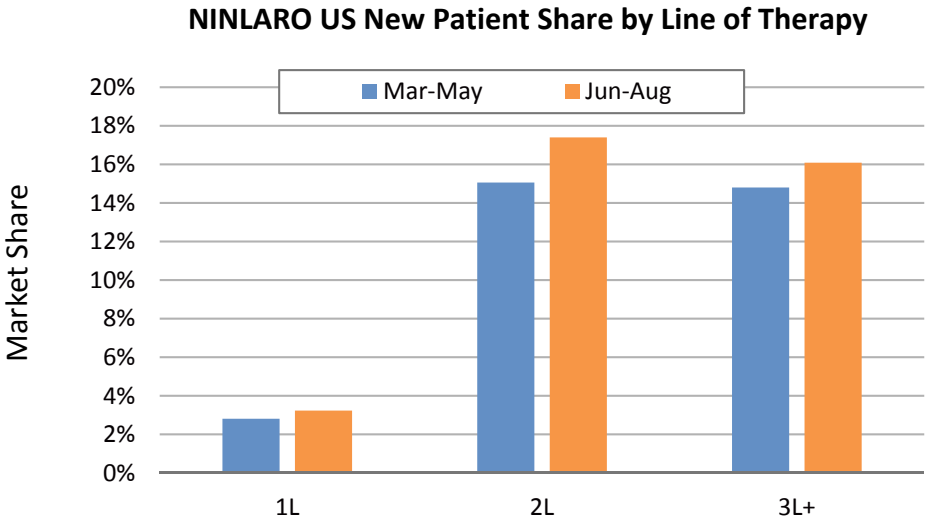
UC: Ulcerative colitis
CD: Crohn's disease
Q8: Dosing every 8 wks
Q4: Dosing every 4 wks

Note: there are some minor variations in definitions of "Clinical Remission" between each of the studies

1. Schreiber et al. (2017). "Real-World Effectiveness of Vedolizumab over One Year in Inflammatory Bowel Disease": a Meta-analysis. ECCO 2017: P466
2. Ericksson et al. (2017). "Long-term effectiveness of vedolizumab in inflammatory bowel disease: a national study based on the Swedish National Quality Registry for Inflammatory Bowel Disease (SWIBREG)". *Scandinavian Journal of Gastroenterology*, DOI: 10.1080/00365521.2017.1304987
3. Dulai et al. (2016) "The Real-World Effectiveness and Safety of Vedolizumab for Moderate–Severe Crohn's Disease: Results From the US VICTORY Consortium". *American Journal of Gastroenterology*, DOI: 10.1038/ajg.2016.236

Quarter-on-quarter revenue growth of ~17%





Note: 1L not promoted

Source: IntrinsiQ Intelliview; most recent data to Aug-2017. Rolling 3-month view.

Double-digit revenue growth

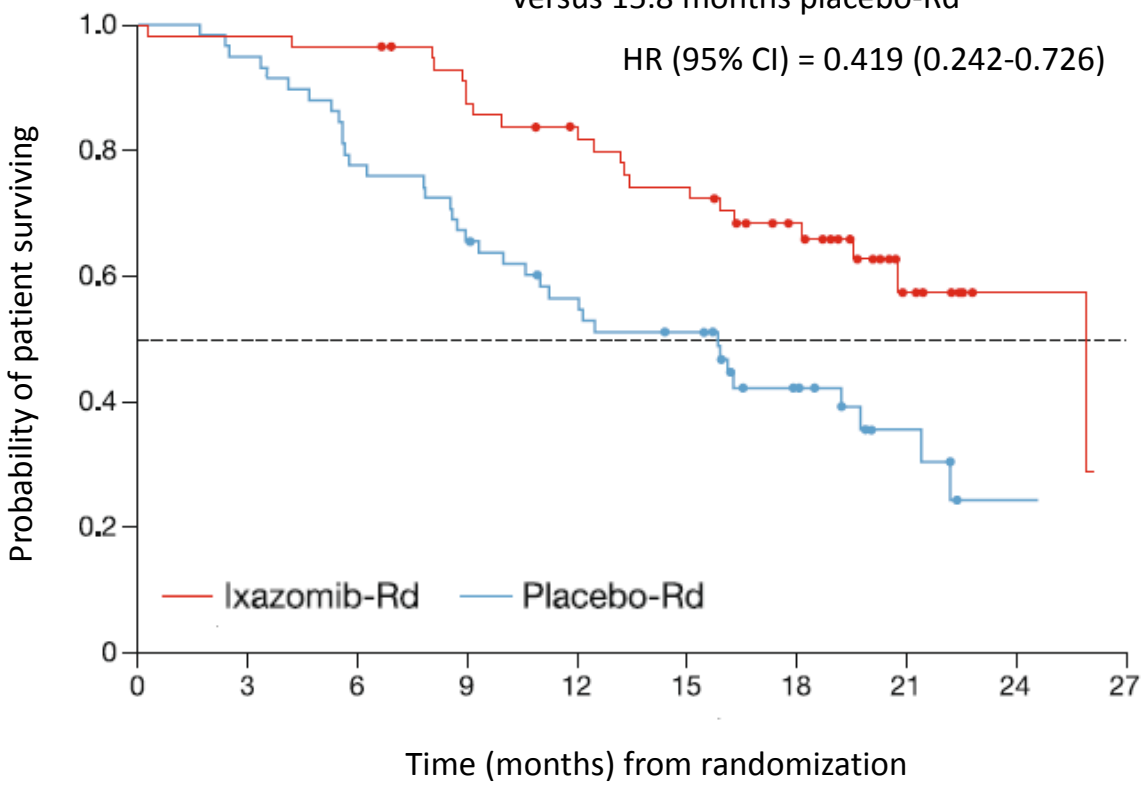
- Global: Q2 revenues of 11.5 Bn yen (+16.5% vs. Q1)
- U.S.: Q2 revenues of 10 Bn yen (+11.9% vs. Q1)
- Global expansion gaining momentum
  - Currently approved in 49 countries; commercially available in 16 countries
  - Japan launch May 2017

Recent U.S. NINLARO growth achieved by:

- Expanded prescriber adoption with particular focus in community setting
- Increased utilization across patient types, expanding from first clinical experience in elderly

MM: Multiple Myeloma

NINLARO + Rd demonstrated a ~10 Month OS benefit in a registration-enabling P3 study in China



Randomized NRd vs Rd study:

- Ph-3 study conducted in China to support local regulatory approval (potential approval ~Q4 FY2017)
- Eligibility criteria, trial design, and endpoints were similar to the TOURMALINE-MM1 study which was basis of FDA / EMA approval
- Results published in *Journal of Hematology & Oncology* demonstrated that PFS and OS were significantly improved with ixazomib-Rd versus placebo-Rd, with limited additional toxicity[1]
- Submitted to EMA towards completion of our CHMP obligation and summary results are now within EU summary of product characteristics

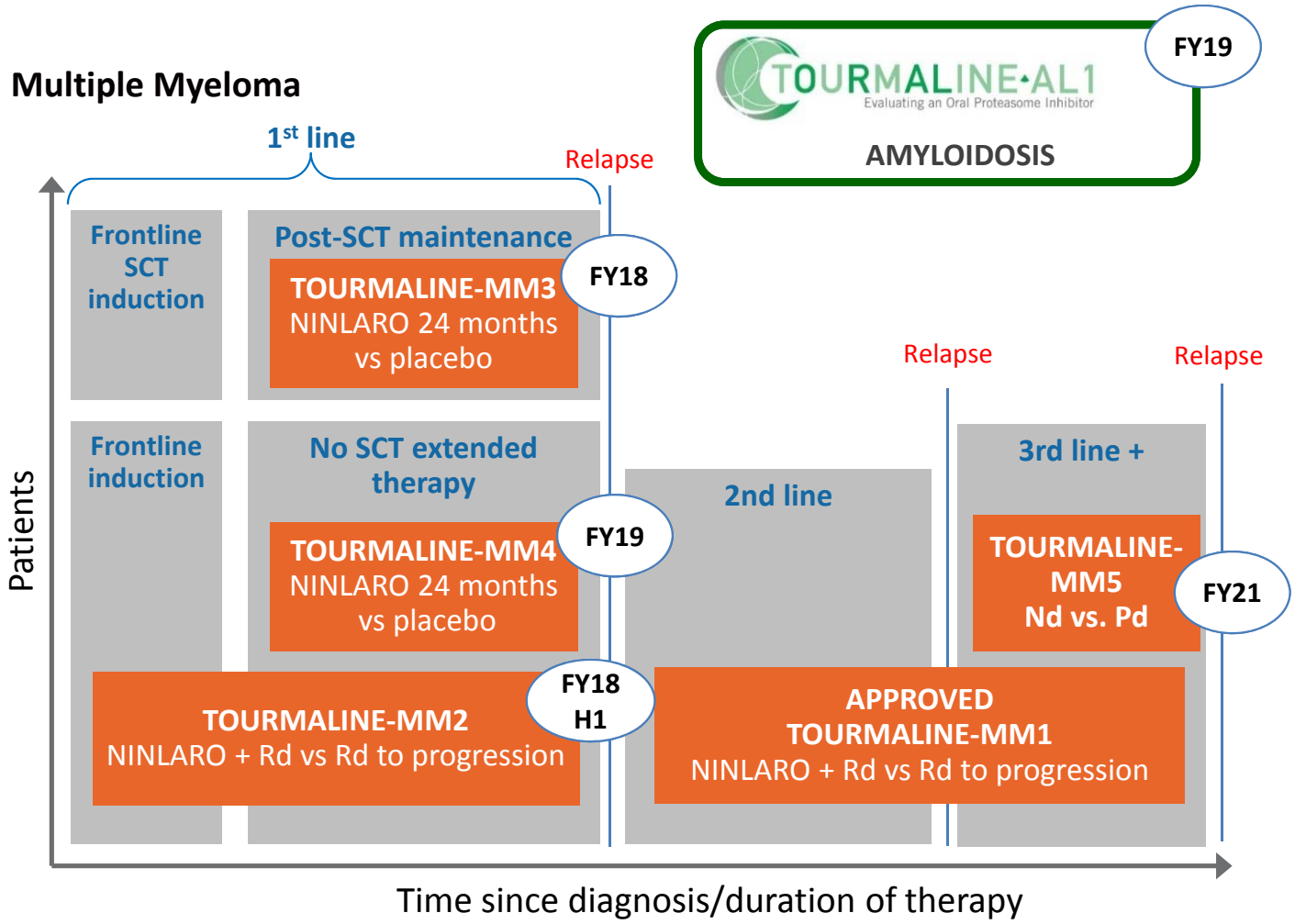
TOURMALINE-MM1 OS analyses:

- As previously reported, at 23 month follow-up median OS not reached in either study arm and study remains ongoing
- Interim OS analysis expected in 2018

NRd: NILARO+Revlimid + dexamethasone; Rd: Revlimid + dexamethasone
HR: Hazard Ratio; CI: Confidence Interval

1. Hou, et al. (2017)."Randomized, double-blind, placebo controlled phase III study of ixazomib plus lenalidomide-dexamethasone in patients with relapsed/refractory multiple myeloma: China Continuation study". *Journal of Hematology & Oncology 2017*, 10:137
Note: There was no formal power calculation for any of the outcomes in the study

Pivotal data expected in FY2018 in treatment settings amenable to extended treatment



Robust evidence generation:

- Ongoing Ph-3 development program across MM treatment spectrum
- Significant opportunity in maintenance
  - Innovative development program independent of induction regimen
  - Currently only Revlimid licensed in this setting
- Multiple studies in combination with daratumumab
  - Company-sponsored P2 study in relapsed/refractory MM, expect FSI before end-FY2017
  - 10 IISR studies projected to enroll ~900 patients; first data expected FY2018

SCT: Stem Cell Transplant; Rd: Revlimid+dexamethasone; Pd: Pomalyst+dexamethasone
MM: Multiple Myeloma; FSI: First Subject In; IISR: Investigator Initiated Sponsored Research

ARIAD acquisition delivering ahead of expectations

- **Integration is essentially complete**
- **R&D expenses completely absorbed**
- **Synergies tracking ahead of plan**
- **Strong performance of both ALUNBRIG & ICLUSIG**

ALUNBRIG™ BRIGATINIB

- Patient uptake on plan with several hundred new starts since U.S. launch in May 2017
- EMA 120 day filing and submission going according to plan
- P2 data (2L, post-crizotinib) presented at IASLC World Conference on Lung Cancer as further evidence towards establishing as a best-in-class ALK inhibitor (median PFS: 16.7 months[1])
- ALTA-1L enrollment completed 6 months ahead of plan. Study was designed based on results observed in the Ph 1/2 study demonstrating median PFS of 34.2 months (n=8)

ICLUSIG®

- Continues to provide powerful efficacy for appropriate CML and Ph+ ALL patients
- Benefiting from broad reach of Takeda's hematology sales force alongside NINLARO
- Dose ranging clinical trial (OPTIC) has doubled enrollment since acquisition

IASLC: International Association for the Study of Lung Cancer; CML: Chronic Myeloid Leukemia; Ph+ ALL: Philadelphia Chromosome positive Acute Lymphoblastic Leukemia

1. IRC assessed data from the 90-180 mg arm of the study.

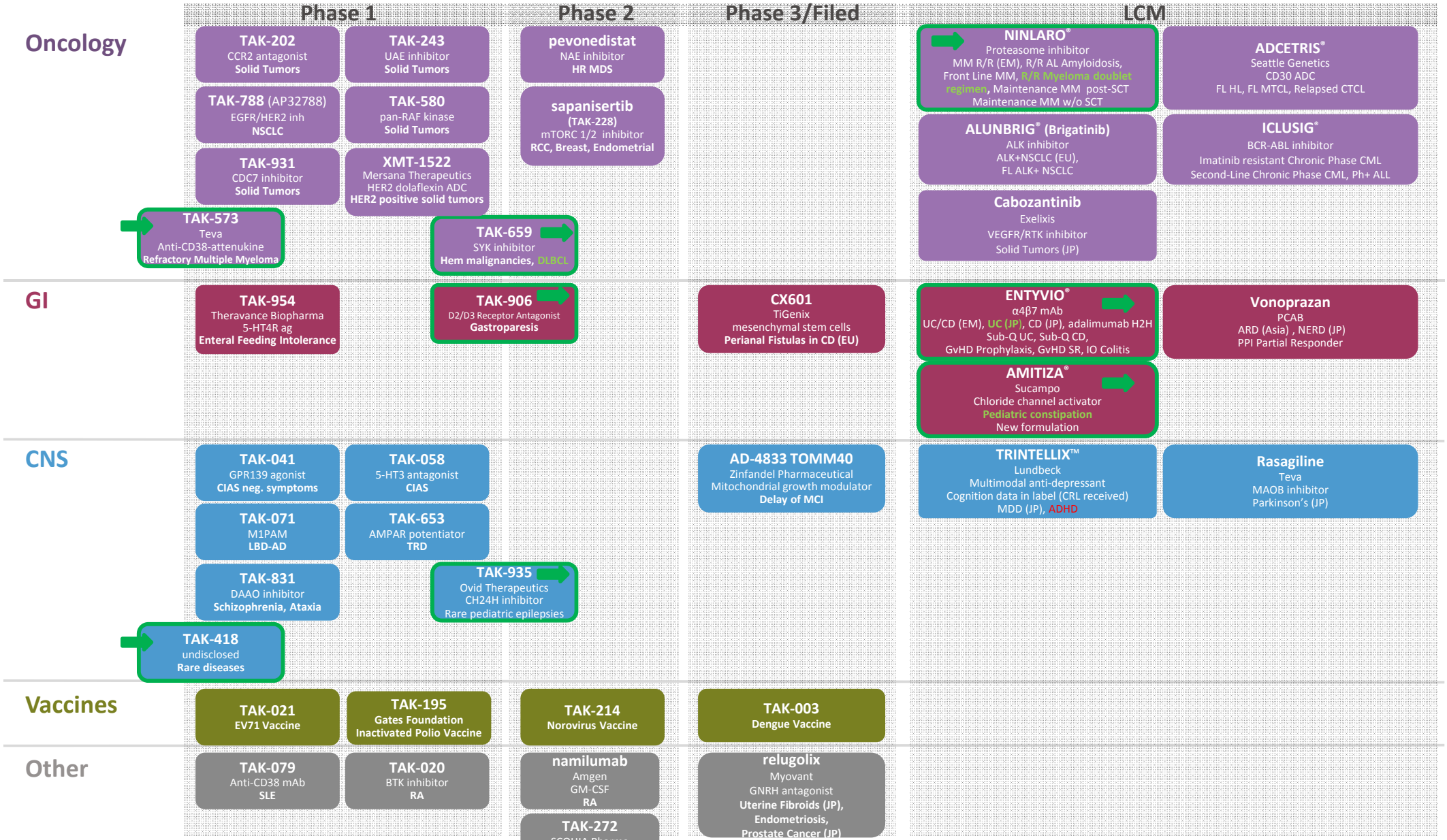
Key priorities for the mid-term: Rebuild Pipeline

Grow Portfolio	**Rebuild Pipeline**	Boost Profitability

Mid-term priorities

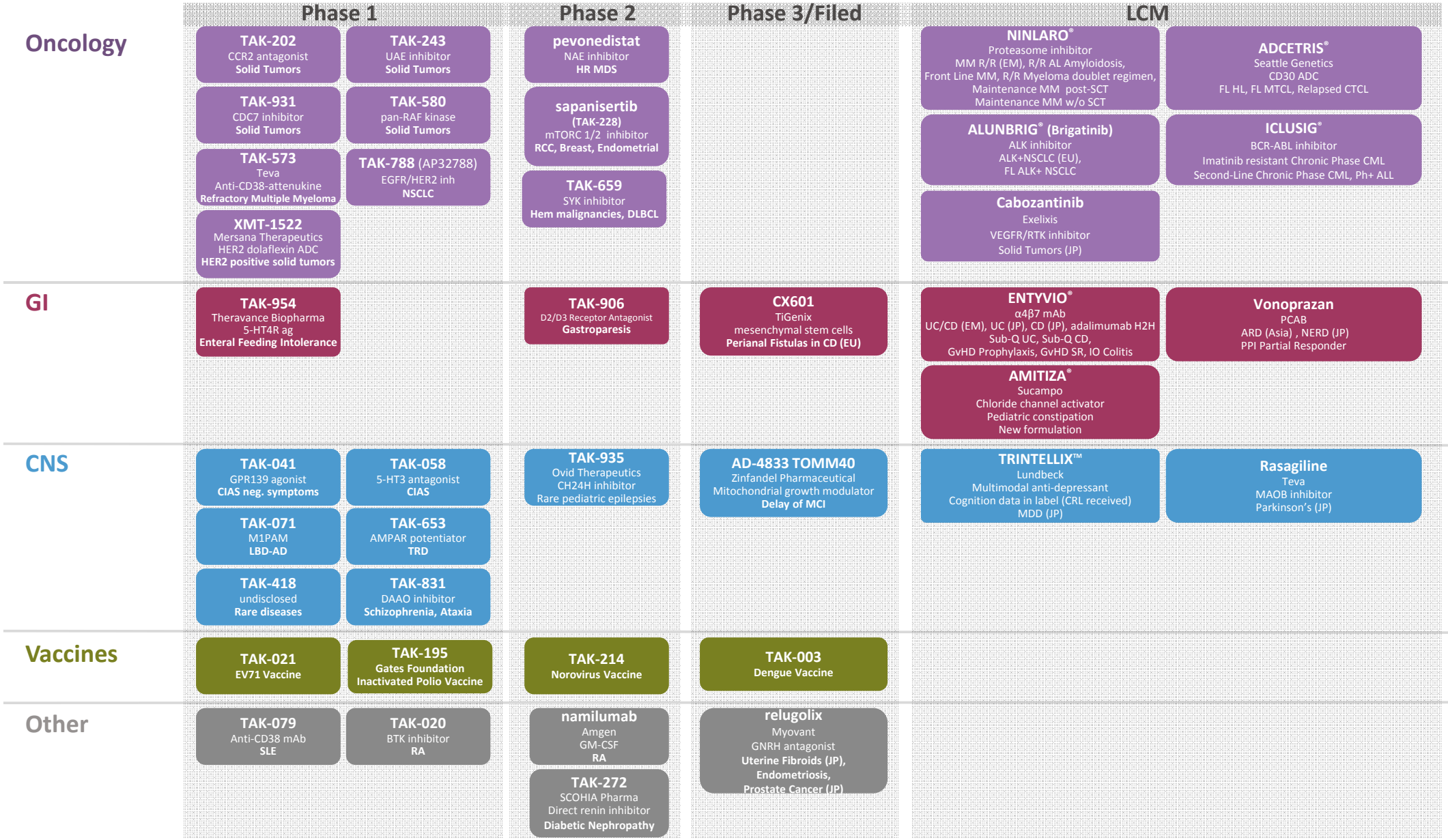
- Leverage therapeutic area expertise to progress innovative assets
- Enhance capabilities internally and through external collaborations
- Strengthen R&D performance and culture

Progression of innovative medicines since announcement of FY2017 Q1 results



Red text: Program terminated. See slide 49 for list of abbreviations

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



Takeda Pharmaceutical Company Limited

Pipeline as of November 1, 2017. See slide 49 for list of abbreviations

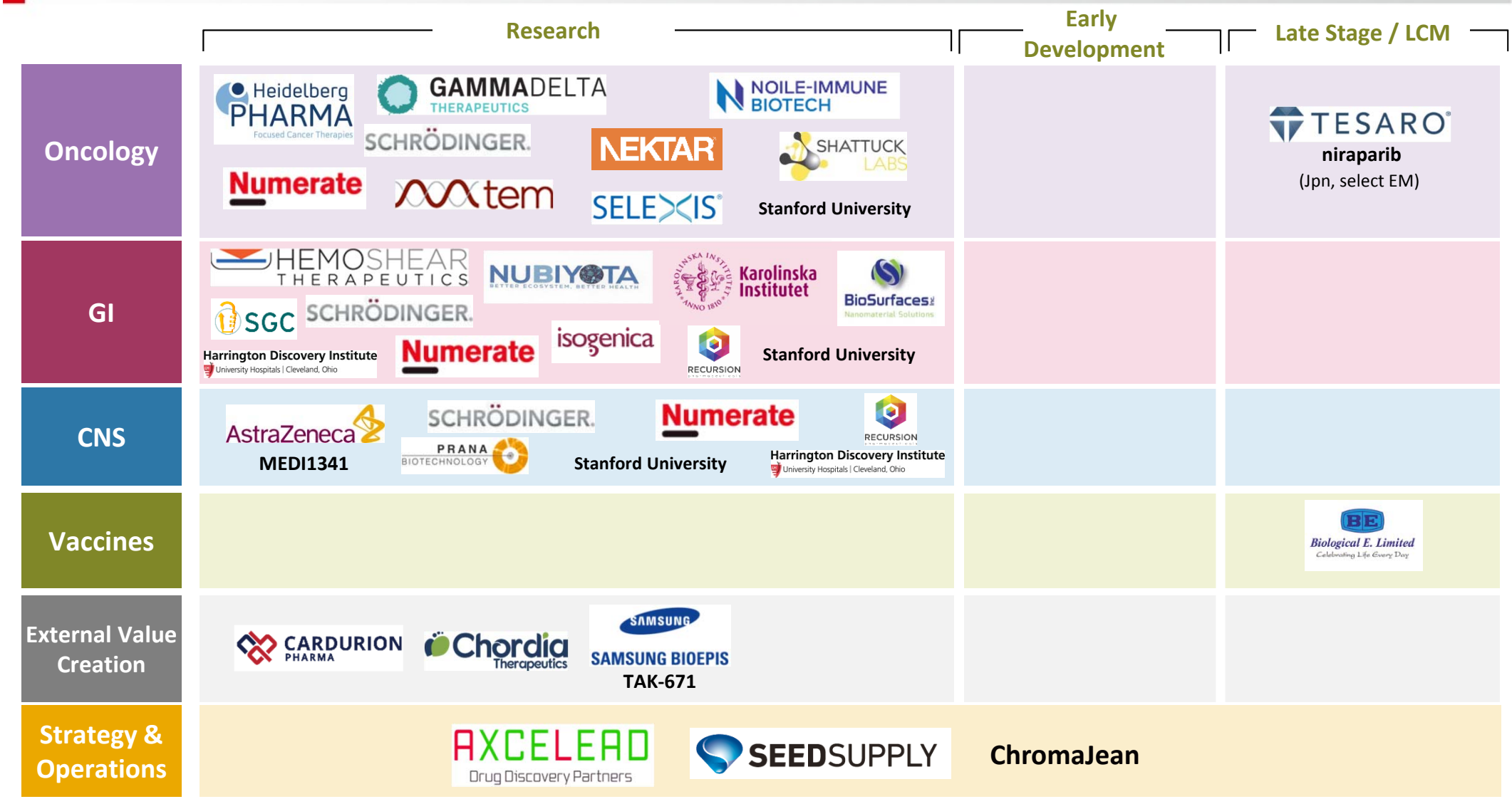
Expanding our marketed products to new appropriate patients is an R&D priority

	Early Safety & Tolerability In New Indication	Proof of Concept In New Indication	Pivotal & Label Changing		Filed
Oncology	**ALUNBRIG®** ROS1+ NSCLC	**ICLUSIG®** Second-Line Chronic Ph CML	**NINLARO®** Front Line MM	**ADCETRIS®** Front Line Hodgkin Lymphoma	**NINLARO®** R/R MM (Emerging Markets)
	Cabozantinib Solid Tumors (JP)	**ICLUSIG®** Philadelphia + ALL	**NINLARO®** Maintenance MM post-SCT	**ADCETRIS®** Front Line MTCL	**ADCETRIS®** Relapsed CTCL
			NINLARO® Maintenance MM without SCT	**ALUNBRIG®** Front Line ALK+ NSCLC	**ALUNBRIG®** ALK+NSCLC (EU)
			NINLARO® R/R AL Amyloidosis	**ICLUSIG®** Imatinib resistant Chronic Ph CML	
			NINLARO® R/R Myeloma doublet regimen		
GI	**ENTYVIO®** GvHD Prophylaxis	**ENTYVIO®** GvHD Steroid Refractory	**ENTYVIO®** CD (JP)	**Vonoprazan** NERD	**ENTYVIO®** UC/CD (Emerging Markets)
	ENTYVIO® IO Colitis	**Vonoprazan** PPI Partial Responder	**ENTYVIO®** Adalimumab H2H	**Vonoprazan** ARD (Asia)	**ENTYVIO®** UC (JP)
			ENTYVIO® SubQ UC	**AMITIZA®** New Formulation	**AMITIZA®** Pediatric Constipation
			ENTYVIO® SubQ CD		
CNS			**TRINTELLIX™** MDD (JP)		**TRINTELLIX™** Cognition (CRL received)
					Rasagiline Parkinson's (JP)
Vaccines					
Other					

Slide is not inclusive of all LCM programs and includes on-going studies and planned studies for this FY

Pipeline as of November 1, 2017. See slide 49 for list of abbreviations

Enhance pipeline through partnerships and external innovation effort in FY17



As of November 1, 2017

Not all-inclusive.

Important R&D milestones in FY2017

Therapeutic Area	Compound	Expected Event
Oncology	**Ninlaro**	Newly Diagnosed Multiple Myeloma PFS readout (H2) → FY2018 H1 Relapsed/Refractory Multiple Myeloma OS readout (H2)
	Adcetris	Relapsed cutaneous T-cell lymphoma EU submission (H1) ✓ Relapsed cutaneous T-cell lymphoma EU approval decision (H2) **[newly added]** Front-Line Hodgkin's Lymphoma Pivotal Ph-3 results (ECHELON-1) (CY2017) ✓
	Alunbrig	Non-Small Cell Lung Cancer US NDA approval (H1) ✓
	Pevonedistat	HR-MDS/CMML/LB AML Ph-2 IA results (H1) ✓ HR-MDS/CMML/LB AML Pivotal Ph 3 study initiation (H2)
Gastroenterology (GI)	**Entyvio**	Ulcerative Colitis Japan Ph-3 Results (H2) ✓
	Cx601	Complex Perianal Fistulas in Crohn's Disease EU approval decision (CY2017) → FY2017 H2
	TAK-954	Enteral Feeding Intolerance Ph-2b 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 Ph-3 TIDES Study enrollment completed (H1) ✓
	TAK-214	Norovirus Vaccine Ph-2b results (in adults) (H2) ⚠ Low Norovirus outbreaks
	TAK-426	Zika Vaccine Ph-1 start (H2)

Blue text = new events added since Q1 presentation.
Table only shows select R&D milestones, and is not comprehensive. All timelines are current assumptions and subject to change

CY2017: Calendar Year 2017; PFS: Progression Free Surivival; OS: Overall Survival;
HR-MDS: High-Risk Myelodysplastic Syndromes; CMML: Chronic Myelomonocytic Leukemia;
LB AML: Low-Blast Acute Myeloid Leukemia; CRL: Complete Response Letter

Key priorities for the mid-term: Boost Profitability

Grow Portfolio	Rebuild Pipeline	**Boost Profitability**

Mid-term priorities

- Increase Underlying CE margin 100-200bps per year
- Execute Global Opex Initiative
- Unlock cash and invest for profitable growth

Strong H1 on both revenue and profitability, delivering double-digit EPS growth

- **Reported EPS increased +39.2%**
  - Revenue +3.6% with Growth Drivers and forex (+2.4pp) offsetting divestitures (-5.5pp)
  - Operating profit +44.6% driven by strong year-to-date underlying growth; result includes one-time income of 136.8 Bn yen
- **Strong Underlying performance with Core EPS +29.9%**
  - Underlying revenue +6.7% led by Growth Drivers +14.9%
  - Underlying CE growth +44.4%, with margin +500bps; not indicative of full year
  - Underlying Core EPS growth held back by higher tax rate (from 14.1% to 20.7%)
- **Operating Free Cash Flow increased +12.4% to 84.6 Bn yen; sale of non-core assets generated an additional 131 Bn yen of cash**

Reported EPS up 39.2% reflecting strong Core Earnings growth

Reported P&L – FY2017 H1

(Bn yen)	FY2016 H1	FY2017 H1	vs. PY	
Revenue	850.8	881.4	+30.6	+3.6%
Core Earnings	131.0	187.1	+56.0	+42.8%
Operating Profit	162.1	234.3	+72.3	+44.6%
Net Profit	124.3	172.8	+48.5	+39.0%
EPS	159 yen	221 yen	+62 yen	+39.2%
ROE	6.6%	8.7%		+2.1pp
JPY/USD	108 yen	111 yen	+4 yen	+3.3%
JPY/EUR	121 yen	126 yen	+5 yen	+4.2%

Underlying CE growth of 44.4% reflects strong revenue growth & margin step up; not indicative of full year

Underlying P&L – FY2017 H1

(Bn yen)	FY2016 H1	FY2017 H1	vs. PY	
Revenue	796.8	850.3	+53.5	+6.7%
Gross Profit	551.3	611.4	+60.1	+10.9%
% of revenue	69.2%	71.9%		+2.7pp
OPEX	-438.7	-448.8	-10.1	-2.3%
% of revenue	55.1%	52.8%		+2.3pp
Core Earnings	112.6	162.5	+50.0	+44.4%
% of revenue	14.1%	19.1%		+5.0pp
Core Net Profit	98.9	128.5	+29.6	+29.9%
Core EPS	127 yen	165 yen	+38 yen	+29.9%

Operating Free Cash Flow increased +12.4%

Cash Flow Statement – FY2017 H1

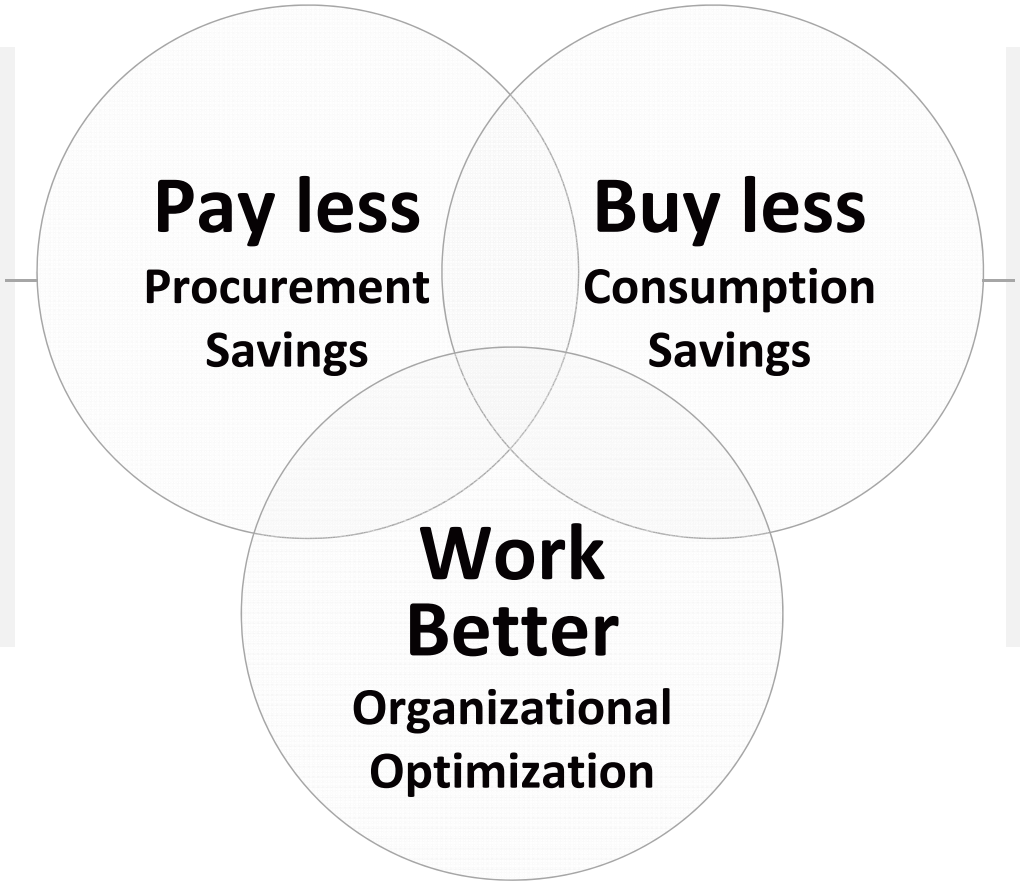
(Bn yen)	FY2016 H1	FY2017 H1	vs. PY	
Net profit	125.6	172.7	+47.1	+37.5%
Depreciation, amortization and impairment loss	106.3	84.2	-22.1	
Decrease (increase) in trade working capital	-28.2	-45.6	-17.4	
Income taxes paid	-4.7	-3.9	+0.8	
Other*	-87.3	-56.6	+30.7	
Net cash from operating activities	111.8	150.8	+39.0	+34.9%
Acquisition of tangible assets (net)**	-26.7	-36.0	-9.3	
Acquisition of intangible assets***	-9.9	-30.3	-20.3	
Operating Free Cash Flow	75.2	84.6	+9.4	+12.4%

- Sale of non-core assets generated an additional 131 Bn yen of cash
- Net Debt / EBITDA drops from 2.7x at end of FY2016 to 2.0x

FY2017 H1 adjustments:
* Excludes 16.2 Bn yen of cash benefit associated with a payment from escrow for a transaction in Emerging Markets (this benefit is offset by an outflow entry in "investing activities").
** Excludes 31.9 Bn yen proceeds of the sale of real estate.
*** Excludes a payment of 16.6 Bn yen to buy back future royalties.

Global Opex Initiative update

- H1 savings 10.4 Bn Yen (+26% vs. PY)
- Price management initiatives for all 11 cost packages by year end



- Policy rollout ongoing
- Already seeing behavior changes in major spend areas
- Preparing for cost package budgeting (zero-based)

- Benchmarked main G&A functions
- Typically 1-2 quartile gaps; defining plans to address gaps

Global Opex Initiative: Spotlight on Consultants & Contractors (20% of scope)

Findings:

- Ranked 3rd quartile compared to pharmaceutical peer set
- 1400+ consultant firms used
- Using strategic consultants for operational work
- 45%+ of contractor spend in USA
- Average contractor tenure >20 months

Key Achievements:

- New policy and targets issued
- Earlier involvement by the procurement team and strategic review of consultant portfolio
- Match consulting firms' core competency to right type of work
- Consolidating temp agencies to one global managed service provider
- Pay for job vs pay for person model deployed

GOAL: Move to 1st quartile over 18 months

Increasing Underlying Earnings guidance; full year margin expansion now expected at ~200bps

	FY2017 Full Year Guidance (growth %)	
	Previous Guidance May 10, 2017	Revised Guidance Nov 1, 2017
Underlying Revenue	Low single digit	Low single digit
Underlying Core Earnings	Mid-to-high teen	High teen
Underlying Core EPS	Low-to-mid teen	Mid teen
Annual dividend per share	180 yen	180 yen

Raising profit forecast to reflect year-to-date results

Revised FY2017 Full Year Forecast vs. Previous Forecast

(Bn yen)	Previous Forecast May 10, 2017	Revised Forecast Nov 1, 2017	Change	
Revenue	1,680.0	1,720.0	+40.0	+2.4%
R&D expenses	-310.0	-315.0	-5.0	-1.6%
Core Earnings	257.5	267.5	+10.0	+3.9%
Amortization & impairment	-152.5	-147.5	+5.0	+3.3%
Other income/expense*	75.0	80.0	+5.0	+6.7%
Operating profit	180.0	200.0	+20.0	+11.1%
Profit before tax	190.0	210.0	+20.0	+10.5%
Net profit	138.0	152.0	+14.0	+10.1%
EPS	177 yen	195 yen	+18 yen	+10.1%
USD/JPY	110 yen	112 yen	+2 yen	+1.6%
EUR/JPY	120 yen	129 yen	+9 yen	+7.7%

- Currency +25.0
- Currency -5.0
- Reflecting H1 favorability
- Lower impairment +10.0, Currency -5.0
- Lower restructuring +11.0, Colcrys contingent consideration -6.0
- Tax rate 27% (no change)

* Includes non-recurring items

FY2017 Reported EPS to increase by 32% to 195 yen/share

Revised FY2017 Full Year Forecast vs. FY2016 Actual

(Bn yen)	FY2016 Actual Results	FY2017 Revised Forecast	Change	
Revenue	1,732.1	1,720.0	-12.1	-0.7%
R&D expenses	-312.3	-315.0	-2.7	-0.9%
Core Earnings	245.1	267.5	+22.4	+9.1%
Amortization & impairment	-156.7	-147.5	+9.2	+5.9%
Other income/expense*	67.5	80.0	+12.5	+18.6%
Operating profit	155.9	200.0	+44.1	+28.3%
Profit before tax	143.3	210.0	+66.7	+46.5%
Net profit	114.9	152.0	+37.1	+32.2%
EPS	147 yen	195 yen	+48 yen	+32.3%
USD/JPY	109 yen	112 yen	+3 yen	+2.6%
EUR/JPY	120 yen	129 yen	+10 yen	+8.1%

* Includes non-recurring items

Revised Key FY2017 Items (Bn yen)

Amortization & impairment
- Amortization -125.0
- Impairment -22.5

Other income/expense
- Sale of Wako shares 106.3
- Sale of real estate 16.0
- LLP transfer gain 6.0
- Global Opex Initiative/Other -23.0
- R&D transformation* -14.0
  * Total spend now at -54.0
- ARIAD one-time -5.0
- Colcrys contingent consideration -6.0

Financial income
- Sale of securities 30.0

All one-time income booked in H1; H2 includes higher expenses and Velcade impact

- **All one-time gains booked in H1**
  - Sale of additional long-listed products to Teva Takeda
  - Sale of shareholding in Wako Pure Chemical
  - Disposal of real estate

(Bn yen)

H1	H2
136.8	NONE

- **H2 includes higher one-time expenses**
  - Global Opex & R&D costs skewed to H2
  - Most impairment costs in H2

H1	H2
-4.4	-60.1

- **H1 benefits unwind in H2**
  - Higher U.S. inventory levels due to timing
  - OPEX phasing

H1	H2
+8.0-12.0	-8.0-12.0

- **H2 profitability is typically lower than H1**
  - Compounded by U.S. Velcade loss of exclusivity
  - H2 OPEX historically higher than H1

Velcade underlying revenue

H1	H2
71.3 (+0.4 vs. PY)	~35.0 (-33 vs. PY)

Multiple variables will determine the speed of Velcade erosion after loss of exclusivity

Impact on Velcade depends on timing, number of entrants, and substitutability

- **Solid Velcade revenue in H1 (71.3 Bn yen)**
- **20 generic bortezomib applications have been filed, including 3 non-mannitol 505(b)(2) filings**
- **Citizen Petition to FDA**
  - Depending on the FDA position on certain language of the Velcade label, generic bortezomib-containing products may have to wait until the expiration of our label exclusivity in Feb 2018 before launching
  - Raises issues about the safety/efficacy of Fresenius Kabi's non-mannitol product
- **Litigation ongoing with defendants who are not part of the group of Sandoz defendants**
  - 9 bound by Court of Appeals judgment (Sandoz defendants); appeal for rehearing has been denied
  - Litigation cases involving other filers will continue at the District Court

Velcade revenue estimates

- FY2017 at ~106 Bn yen (based on 2–3 entrants from Nov 2017); additional opportunity up to 30 Bn yen (partly reinvest in the business)
- FY2018 at ~24 Bn yen with potential upside

Transformation is driving profitable growth in H1

- **Solid progress against key priorities**
  - Grow Portfolio, Rebuild Pipeline, Boost Profitability
- **Strong growth of both revenue and profitability**
  - Underlying revenue +6.7%
  - Underlying Core Earnings +44.4%
- **Double-digit EPS growth**
  - Underlying Core EPS +29.9%
  - Reported EPS +39.2%
- **Raising full-year outlook despite headwinds in H2**

Appendix

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.

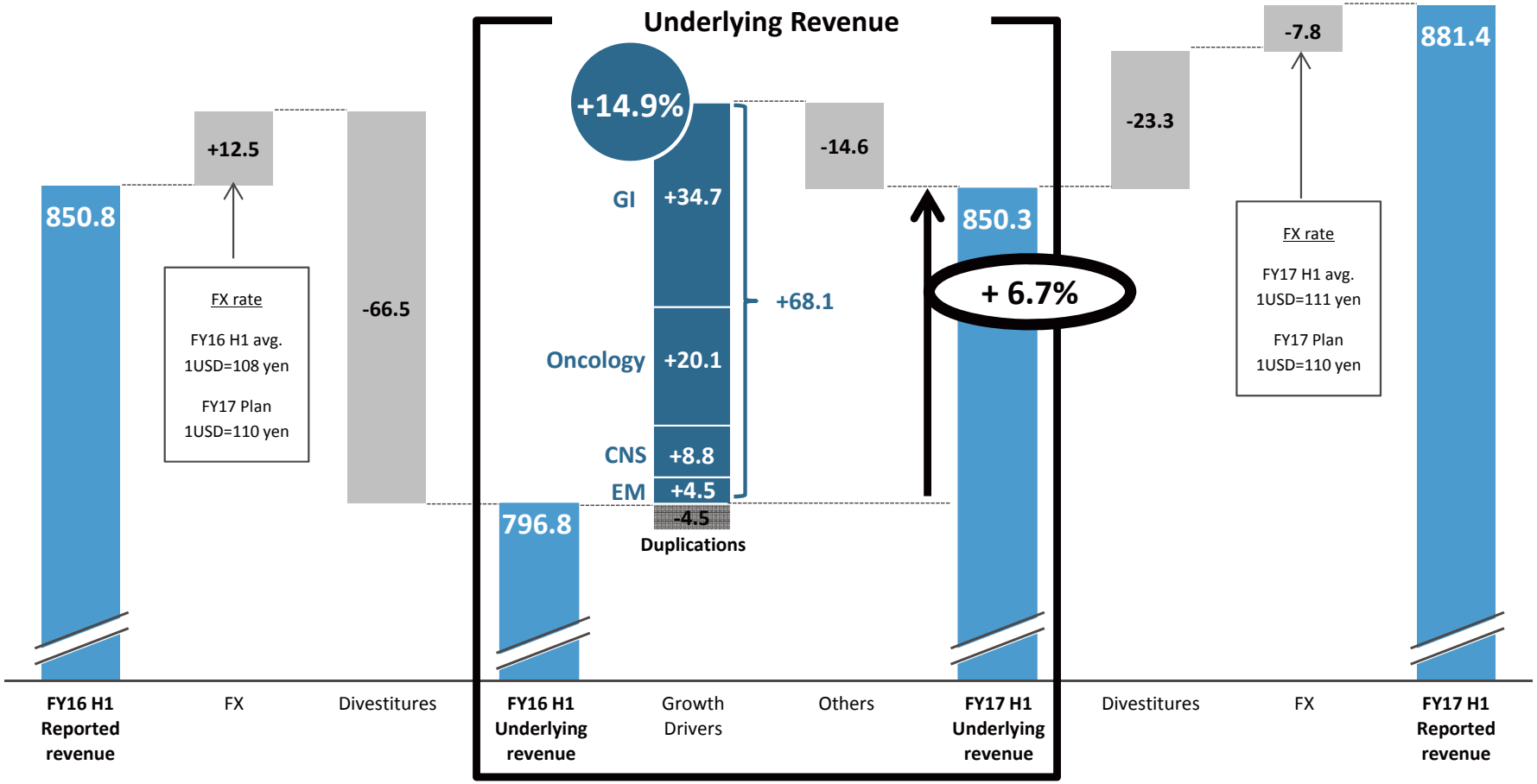
Underlying Growth

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.

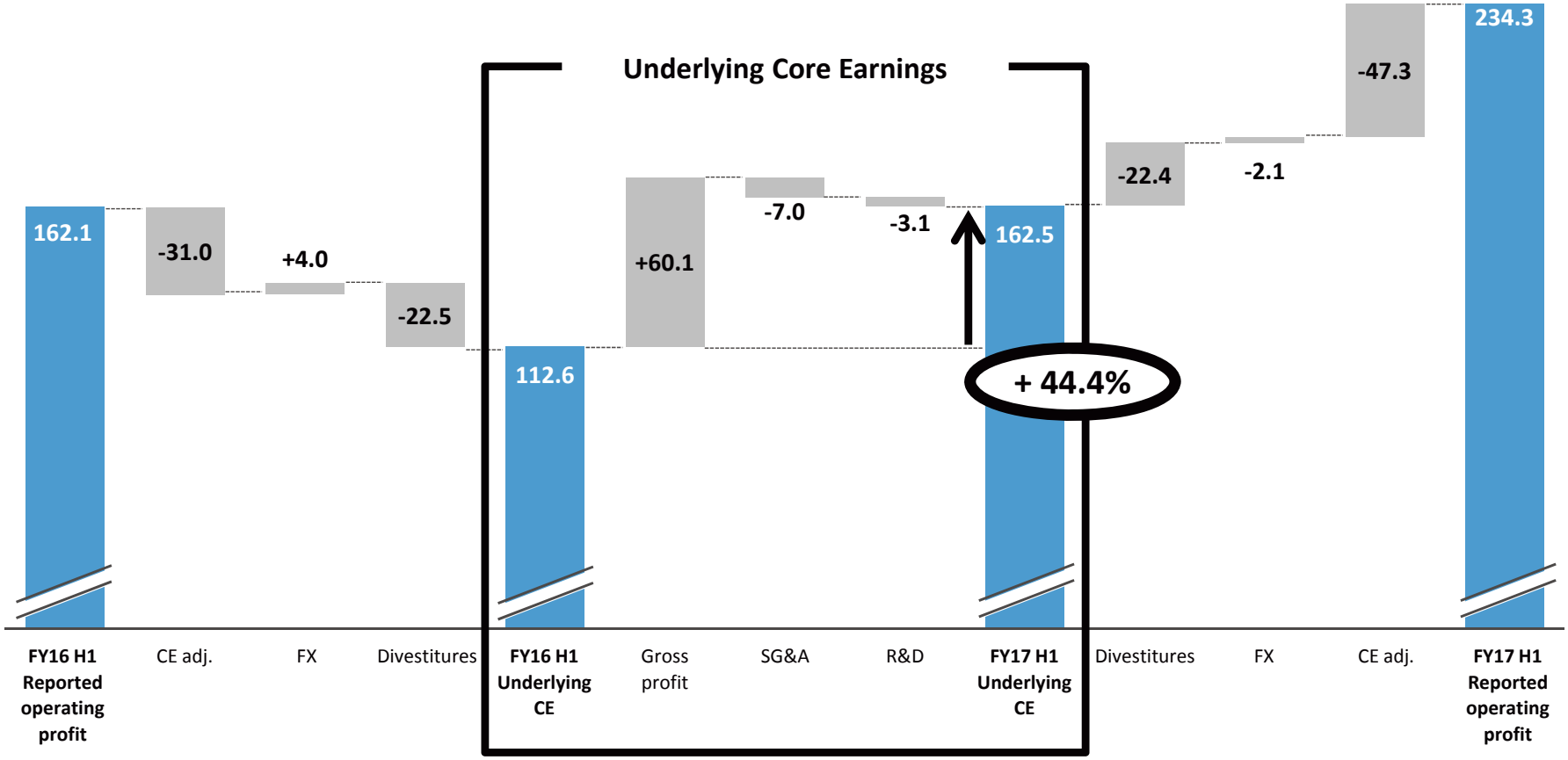
Underlying revenue increased +6.7% led by Growth Drivers

(Bn yen)



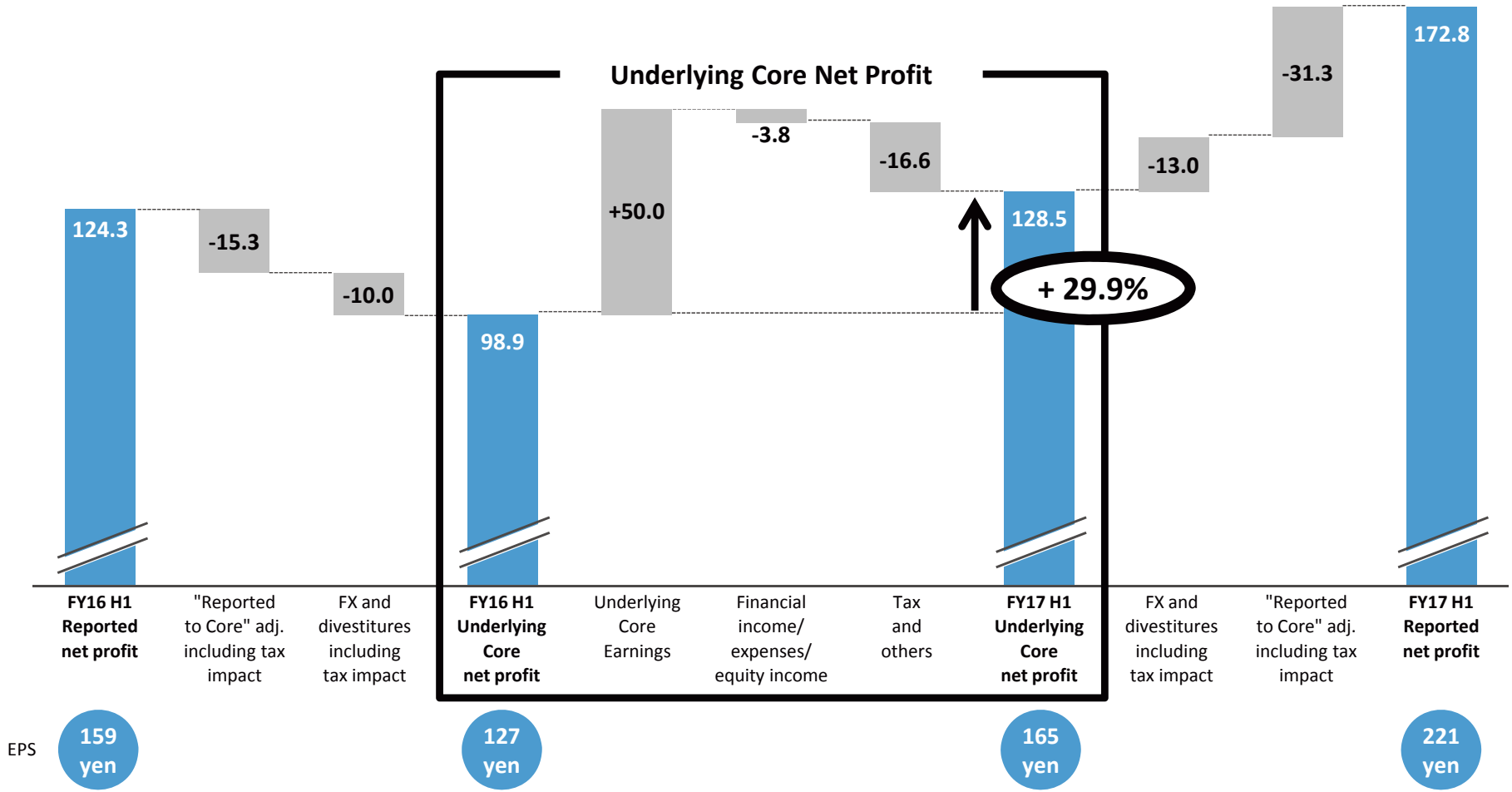
Underlying Core Earnings up +44.4% driven by volume/mix

(Bn yen)



Underlying Core net profit/EPS up +29.9% driven by Core Earnings

(Bn yen)



FY2017 H1 reported income statement

(Bn yen)	FY2016 H1	FY2017 H1	vs. PY	
Revenue	**850.8**	**881.4**	**+30.6**	**+ 3.6%**
Gross Profit	**573.9**	**638.7**	**+64.7**	**+ 11.3%**
% of revenue	67.5%	72.5%		+5.0pp
SG&A	-290.9	-297.3	-6.3	- 2.2%
R&D	-152.0	-155.1	-3.1	- 2.1%
Non-recurring Items	**—**	***0.8***		
Core Earnings	***131.0***	***187.1***	***+56.0***	***+ 42.8%***
Amortization and impairment of intangibles	-75.7	-56.9	+18.8	+ 24.8%
Other income/expenses	106.7	104.9	-1.8	- 1.7%
Non-recurring Items (reversal)	**—**	***-0.8***		
Operating Profit	**162.1**	**234.3**	**+72.3**	**+ 44.6%**
% of revenue	19.0%	26.6%		+7.5pp
Financial income/expenses	-6.2	-1.9	+4.3	+ 69.9%
Equity income	-0.9	0.5	+1.4	NA
Profit Before Tax	**155.0**	**233.0**	**+78.0**	**+ 50.3%**
Income tax	-29.4	-60.3	-30.9	NA
Non-controlling interests	-1.3	0.1	+1.5	NA
Net Profit	**124.3**	**172.8**	**+48.5**	**+ 39.0%**
EPS	**159 yen**	**221 yen**	**+62 yen**	**+ 39.2%**
Core EPS	***139 yen***	***181 yen***	***+42 yen***	***+ 30.0%***

FY2017 Q2 reported income statement

(Bn yen)	FY2016 Q2	FY2017 Q2	vs. PY	
Revenue	**416.8**	**433.2**	**+16.4**	**+ 3.9%**
Gross Profit	**275.3**	**311.3**	**+36.0**	**+ 13.1%**
% of revenue	66.1%	71.9%		+5.8pp
SG&A	-146.0	-151.4	-5.4	- 3.7%
R&D	-75.4	-79.4	-4.0	- 5.3%
Non-recurring Items	**—**	***0.2***		
Core Earnings	***53.9***	***80.7***	***+26.8***	***+ 49.7%***
Amortization and impairment of intangibles	-47.2	-24.4	+22.8	+ 48.3%
Other income/expenses	2.4	-16.7	-19.1	NA
Non-recurring Items (reversal)	**—**	***-0.2***		
Operating Profit	**9.1**	**39.4**	**+30.2**	**NA**
% of revenue	2.2%	9.1%		+6.9pp
Financial income/expenses	-3.3	-5.4	-2.1	- 63.2%
Equity income	-0.5	0.8	+1.3	NA
Profit Before Tax	**5.3**	**34.7**	**+29.4**	**NA**
Income tax	19.9	-7.1	-27.0	NA
Non-controlling interests	-0.5	0.3	+0.8	NA
Net Profit	**24.8**	**28.0**	**+3.3**	**+ 13.1%**
EPS	**32 yen**	**36 yen**	**+4 yen**	**+ 13.1%**
Core EPS	***68 yen***	***79 yen***	***+10 yen***	***+ 15.0%***

Bridge from Reported Revenue to Underlying Revenue

(Bn yen)	Q2 FY2016	Q2 FY2017	Q2 vs. PY		H1 FY2016	H1 FY2017	H1 vs. PY	
Revenue	**416.8**	**433.2**	**+16.4**	**+ 3.9%**	**850.8**	**881.4**	**+30.6**	**+ 3.6%**
FX effects*	16.3	-5.7		*-5.2pp*	12.5	-7.8		*-2.4pp*
Revenue excluding FX effects*	433.1	427.5	-5.6	- 1.3%	863.3	873.6	+10.3	+ 1.2%
Divestitures**	-34.2	-1.5		*+8.1pp*	-66.5	-23.3		*+5.5pp*
Wako	-18.9	—			-37.9	—		
LLPs sold to Teva JV	-5.8	-1.5			-13.3	-19.7		
Respiratory business	-1.3	-0.1			-5.1	-0.1		
Contrave	-7.7	—			-9.1	—		
TAK-935	—	—			—	-3.5		
Others	-0.5	—			-1.1	—		
Underlying Revenue	**398.9**	**426.0**	**+27.1**	**+ 6.8%**	**796.8**	**850.3**	**+53.5**	**+ 6.7%**

* 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)	Q2 FY2016	Q2 FY2017	Q2 vs. PY		H1 FY2016	H1 FY2017	H1 vs. PY	
Operating Profit	**9.1**	**39.4**	**+30.2**	**NA**	**162.1**	**234.3**	**+72.3**	**+ 44.6%**
Amortization and impairment of intangibles	47.2	24.4	-22.8		75.7	56.9	-18.8	
Other income/expenses	-2.4	16.7	+19.1		-106.7	-104.9	+1.8	
Non-recurring items	—	0.2	+0.2		—	0.8	+0.8	
Core Earnings	**53.9**	**80.7**	**+26.8**	**+ 49.7%**	**131.0**	**187.1**	**+56.0**	**+ 42.8%**
FX effects*	3.0	-1.2	-4.2		4.0	-2.1	-6.1	
Divestitures**	-9.4	-1.2	+8.2		-22.5	-22.4	+0.1	
Wako	-0.7	—	+0.7		-2.8	—	+2.8	
LLPs sold to Teva JV	-5.6	-1.1	+4.5		-12.8	-18.9	-6.1	
Respiratory business	-0.6	-0.0	+0.6		-3.6	0.0	+3.6	
Contrave	-2.1	—	+2.1		-2.9	—	+2.9	
TAK-935	—	—	—		—	-3.5	-3.5	
Others	-0.3	—	+0.3		-0.4	—	+0.4	
Underlying Core Earnings	**47.5**	**78.4**	**+30.9**	**+ 64.9%**	**112.6**	**162.5**	**+50.0**	**+ 44.4%**

* 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)	Q2 FY2016	Q2 FY2017	Q2 vs. PY		H1 FY2016	H1 FY2017	H1 vs. PY	
Net Profit	**24.8**	**28.0**	**+3.3**	**+ 13.1%**	**124.3**	**172.8**	**+48.5**	**+ 39.0%**
EPS	***32 yen***	***36 yen***	***+ 4 yen***	***+ 13.1%***	***159 yen***	***221 yen***	***+ 62 yen***	***+ 39.2%***
Amortization and impairment of intangibles	31.2	18.2	-13.0		50.8	40.1	-10.6	
Other income/expenses	-4.1	13.6	+17.7		-72.4	-70.0	+2.4	
Gain on sales of securities	0.0	-1.2	-1.2		-0.0	-6.8	-6.8	
Other exceptional gains and losses	1.5	2.7	+1.2		6.3	5.3	-1.0	
Core Net Profit	**53.4**	**61.4**	**+8.0**	**+ 15.0%**	**109.0**	**141.5**	**+32.6**	**+ 29.9%**
Core EPS	***68 yen***	***79 yen***	***+ 10 yen***	***+ 15.0%***	***139 yen***	***181 yen***	***+ 42 yen***	***+ 30.0%***
FX effects*	3.4	1.9	-1.5		5.1	2.5	-2.6	
Divestitures**	-6.5	-0.8	+5.7		-15.2	-15.6	-0.4	
Underlying Core Net Profit	**50.3**	**62.5**	**+12.2**	**+ 24.3%**	**98.9**	**128.5**	**+29.6**	**+ 29.9%**
Underlying Core EPS	***64 yen***	***80 yen***	***+ 16 yen***	***+ 24.3%***	***127 yen***	***165 yen***	***+ 38 yen***	***+ 29.9%***

* 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.

FY2017 H1 underlying income statement

(Bn yen)	FY2016 H1	FY2017 H1	vs. PY	
Underlying Revenue	**796.8**	**850.3**	**+53.5**	**+ 6.7%**
Underlying Gross Profit	**551.3**	**611.4**	**+60.1**	**+ 10.9%**
% of revenue	69.2%	71.9%		+2.7pp
SG&A	-287.9	-294.9	-7.0	- 2.4%
R&D	-150.8	-153.9	-3.1	- 2.1%
Underlying Core Earnings	**112.6**	**162.5**	**+50.0**	**+ 44.4%**
% of revenue	14.1%	19.1%		+5.0pp
Financial income/expenses	-2.2	-3.3	-1.1	- 50.4%
Equity income	5.3	2.7	-2.7	- 49.9%
Underlying Core Profit Before Tax	**115.7**	**161.9**	**+46.2**	**+ 39.9%**
Income tax	-16.3	-33.5	-17.2	NA
Non-controlling interests	-0.5	0.1	+0.6	NA
Underlying Core Net Profit	**98.9**	**128.5**	**+29.6**	**+ 29.9%**
Underlying Core EPS	**127 yen**	**165 yen**	**+38 yen**	**+ 29.9%**

FY2017 Q2 underlying income statement

(Bn yen)	FY2016 Q2	FY2017 Q2	vs. PY	
Underlying Revenue	**398.9**	**426.0**	**+27.1**	**+ 6.8%**
Underlying Gross Profit	**272.9**	**306.9**	**+34.0**	**+ 12.5%**
% of revenue	68.4%	72.0%		+3.6pp
SG&A	-148.5	-149.7	-1.2	- 0.8%
R&D	-76.9	-78.8	-1.9	- 2.5%
Underlying Core Earnings	**47.5**	**78.4**	**+30.9**	**+ 64.9%**
% of revenue	11.9%	18.4%		+6.5pp
Financial income/expenses	-1.6	-2.4	-0.8	- 47.8%
Equity income	2.2	1.9	-0.3	- 15.0%
Underlying Core Profit Before Tax	**48.1**	**77.8**	**+29.7**	**+ 61.9%**
Income tax	2.4	-15.7	-18.1	NA
Non-controlling interests	-0.2	0.3	+0.5	NA
Underlying Core Net Profit	**50.3**	**62.5**	**+12.2**	**+ 24.3%**
Underlying Core EPS	**64 yen**	**80 yen**	**+16 yen**	**+ 24.3%**

Amortization and impairment forecast

(Bn Yen)	FY2016	FY2017	future
Amortization	**-112.5**	**-125.0**	
Nycomed	**-36.3**	**-39.0**	Most assets amortized by FY2026
Millennium	**-48.5**	**-40.0**	Velcade fully amortized in FY2017, drops to 2.0 Bn yen in FY2018
ARIAD	**-1.7**	**-20.0**	Increases by an additional ~15.0 Bn yen, following Alunbrig 1L approval
Impairment	**-44.3**	**-22.5**	
Amortization & impairment	**-156.7**	**-147.5**	

Net Debt / EBITDA ratio reduced to 2.0x, with sale of non-core assets generating 131 Bn yen

Use of Cash – FY2017 H1

(Bn yen)	FY2016 Q4	FY2017 H1	
Operating Free Cash Flow		84.6	
Real estate disposal		31.9	
Sale of Wako shares		84.5	130.8
Sale of other shareholdings		14.3	
Dividend		-71.0	
Others		-32.9	
Net increase (decrease) in cash		111.4	
Debt	-1,144.9	-1,137.4	
Net cash (debt)	-824.3	-705.3	
Gross debt/EBITDA ratio	3.7 x	3.2 x	
Net debt/EBITDA ratio	2.7 x	2.0 x	

FY2016 Baseline for FY2017 Underlying Growth Guidance

(Bn yen)	FY2016
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.

Glossary of Abbreviations

ALK	anaplastic lymphoma kinase
AD	Alzheimer’s disease
ADC	antibody drug conjugate
ADHD	attention deficit hyperactivity disorder
ARD	acid-related diseases
BTK	Bruton's tyrosine kinase
CD	Crohn's disease
CIAS	cognitive impairment associated with schizophrenia
CML	chronic myeloid leukemia
CNS	central nervous system
CRL	complete response letter
CTCL	cutaneous T Cell Lymphoma
DLBCL	Diffuse Large B Cell Lymphoma
EGFR	epidermal growth factor receptor
FL ALK+	Front line ALK-positive
FL HL	front line Hodgkin's lymphoma
GI	gastrointestinal
GvHD	graft versus host disease
H2H	head to head
HER2	human epidermal growth factor receptor 2
HL	Hodgkin's lymphoma
HR MDS	high risk myelodysplastic syndromes
IBD	inflammatory bowel disease
IO	immuno-oncology
LBD	Lewy Body Dementia
mAb	monoclonal antibodies
MAOB	monoamine oxidase B
MDD	Major depressive disorder
MCI	mild cognitive impairment
MCL	mantle cell lymphoma
MM	multiple myeloma
MTCL	mature T-cell lymphoma
Neg	negative
NERD	Non-erosive reflux disease
NSCLC	non-small cell lung cancer
Ph+ ALL	Philadelphia chromosome-positive acute lymphoblastic leukemia
R/R	relapsed/refractory
RA	rheumatoid arthritis
RCC	renal cell cancer
SCT	stem cell transplant
SCZ	schizophrenia
SLE	Systemic lupus erythematosus
SR	Steroid Refractory
SubQ	subcutaneous formulation
TRD	Treatment resistant depression
UC	ulcerative colitis

Better Health, Brighter Future

Takeda Pharmaceutical Company Limited